

Anh Nguyen, CFA

Analyst

Anh2.nguyenduc@mbs.com.vn

Tuan Hoang

Head of Macro

Tuan.hoangcong@mbs.com.vn

No transactions conducted on the open market resulted in a consistently abundance of liquidity and low interbank interest rate for over 4 months. The USD/VND exchange rate's stability is expected to last beyond the end of the year. The State Treasury has successfully issued over VND 20.3tn of government bonds and will soon complete the 2020 plan. G-bond yield has reduced significantly on all tenors. Foreign investors net purchased VND 175bn of G-bond during the period. The volume of corporate bonds issued in September fell dramatically after the new regulation came into effect.

Money Market

SBV still has not made any transactions on the open market during the period so the liquidity remained in abundance. Interbank interest rates as a result has remained low for over 4 months.

SBV continued to conduct no transaction on the open market so the liquidity in the banking system is still abundant. Even though credit growth improved in September, the growth this year is still weak compared to this time last year (6.04% vs. 9.4%). Based on recent growth trend and the action to lower managing interest rates by SBV, we forecast the credit growth this year to be around 10%. After the interest rate cut at the end of September, commercial banks also reduced their saving rates. The 12-month deposit rate fell by about 0.1-0.3%/year in the past few weeks.

With prolonged excess liquidity, interbank interest rates continued to remain at a low level. The overnight interbank interest rate has been fluctuating around 0.1-0.2%/year for over four months and is now at 0.1%/year. The interbank interest rate for 1 week-1 month terms also decreased slightly by 5-10bps, currently at 0.14-0.28%/year.

The USD/VND exchange rate continued to maintain its position.

USD/VND exchange rate remained stable. Central rate is at VND 23,192 per USD, down VND 23 per USD compared to the end of September. The interbank rate and the exchange rate in the free market also decreased about VND 15-20 per USD, respectively trading at VND 23,185 per USD and VND 23,205 per USD.

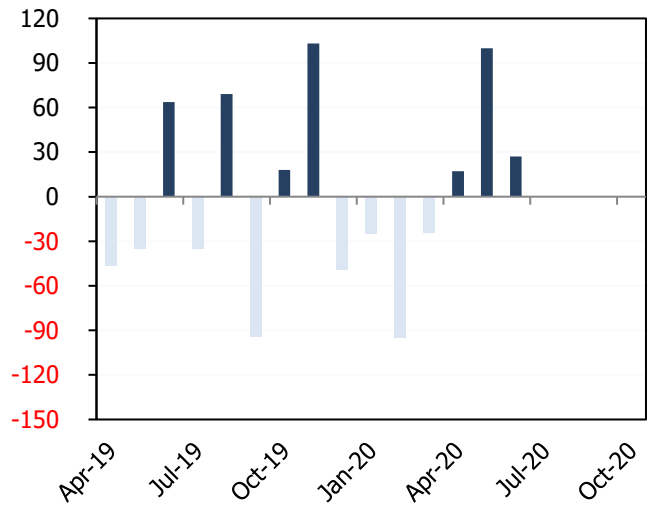
The stable exchange rate environment enable SBV to purchase an additional USD 1bn for foreign reserve over the past month. Currently the foreign reserve is at USD 93bn. By the end of the year Vietnam may have USD 100bn in foreign reserves. This allows SBV to control inflation and manage exchange rate more effectively.

Figure 1. Interbank overnight lending rate (%)



Source: Bloomberg.

Figure 2. SBV's Open Market Operation (Net Injection) [VND tn]



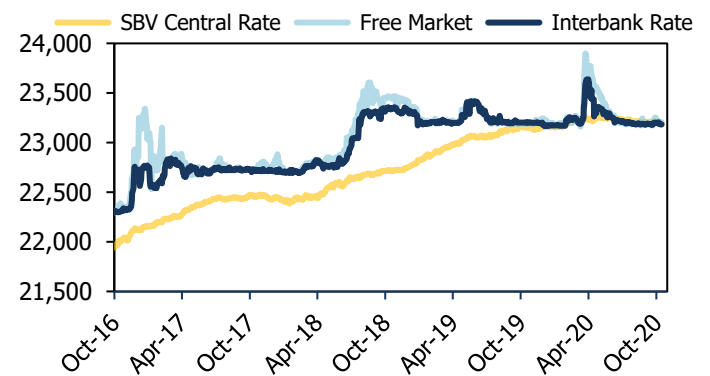
Source: SBV, MBS.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/07	0.25	0.31	0.38	0.48
31/08	0.17	0.25	0.30	0.42
30/09	0.15	0.19	0.27	0.39
15/10	0.10	0.14	0.20	0.28

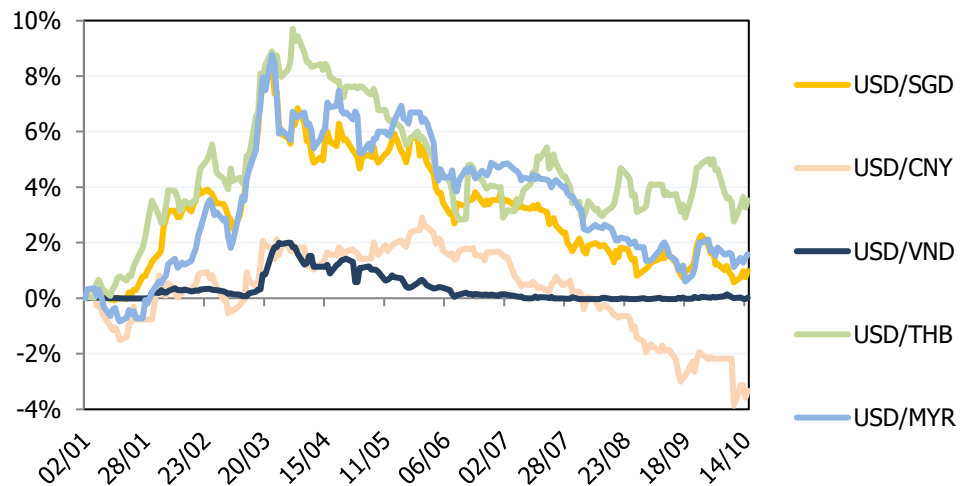
Source: Bloomberg.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2020



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued over VND 20,300bn of government bonds in the period with a much lower yield.

In the first half of October, the volume of successfully issued government bonds reached VND 20,363bn out of a total of VND 24,500bn offered, an issuance rate of 83%. Up to now, the State Treasury has issued VND 249.1tn of Government bonds, completing 96% of the plan for 2020. Of which, the 10Y, 20Y and 30Y tenors have all issued above this year's issuance target.

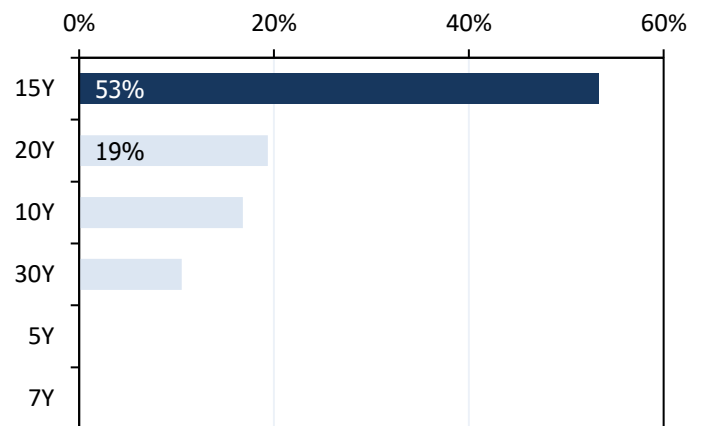
The latest winning yields all dropped significantly compared to the end of September. The winning yield of the 10Y and 15Y tenors are currently at 2.53%/year and 2.66%/year, a drop of 11-15bps. The winning yield of the 30Y term dropped 25bps from 3.5%/year to 3.25%/year. When interest rates are low globally, STV can further lower yields to reduce the pressure to pay interest in the future.

Figure 6. G-bond auction result in October 2020

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y				
10Y	4,500	3,422	76%	2.53%
15Y	11,500	10,850	94%	2.66-2.7%
20Y	5,000	3,945	79%	3.02%
30Y	3,500	2,146	61%	3.25%
Total	24,500	20,363	83%	Unit: VND bn

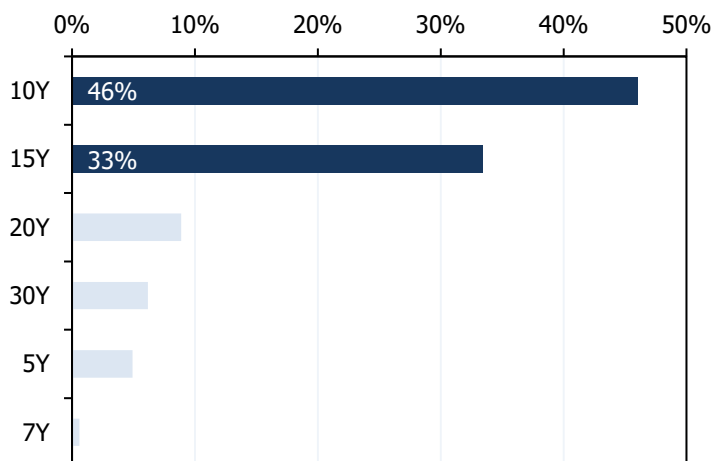
Source: HNX.

Figure 7. G-bond successful issuance October 2020



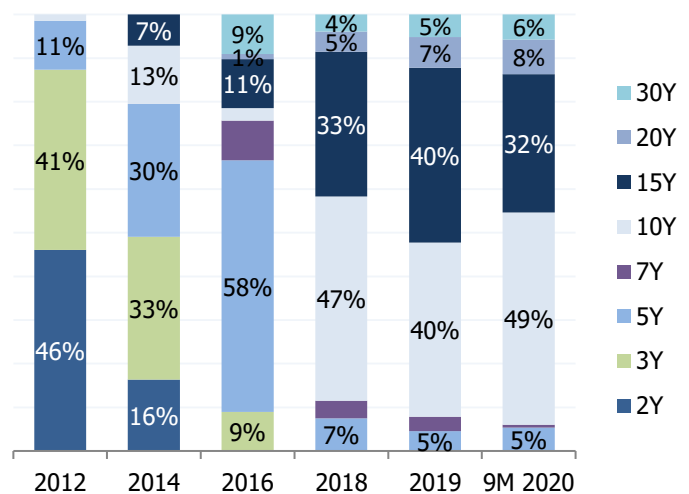
Source: HNX.

Figure 8. G-bond successful issuance in 2020



Source: HNX.

Figure 9. G-bond successful issuance from 2012



Source: HNX.

Figure 10. Government bond issuance 2020

Tenor	VST 2020 Plan	VST 2020 Issued	% VST 2020 Plan
5Y	20,000	12,230	61%
7Y	15,000	1,480	10%
10Y	90,000	114,697	127%
15Y	100,000	83,181	83%
20Y	20,000	22,095	110%
30Y	15,000	15,379	103%
Total	260,000	249,062	96%

Source: VST, HNX

Figure 11. 10Y G-bond yields (%) in selected countries **As at 15/10/2020**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	1/1/2020*
U.S.	0.70	-8.61	5.1	-121.8
EU	-0.61	-9.12	-9.2	-42.8
Japan	0.02	-1.50	0.7	3.4
China	3.23	8.07	8.1	8.3
South Korea	1.51	-2.90	8.5	-11.3
India	5.90	-11.70	-11.3	-60.7
Malaysia	2.63	0.20	-3.7	-66.7
Singapore	0.89	-4.10	1.9	-87.1
Indonesia	6.75	-16.70	-21.6	-28.3
Philippines	1.93	-7.17	-10.3	-74.2
Thailand	1.41	0.65	1.8	-11.8
Vietnam	2.58	4.70	-24.2	-89.0

Source: Bloomberg.

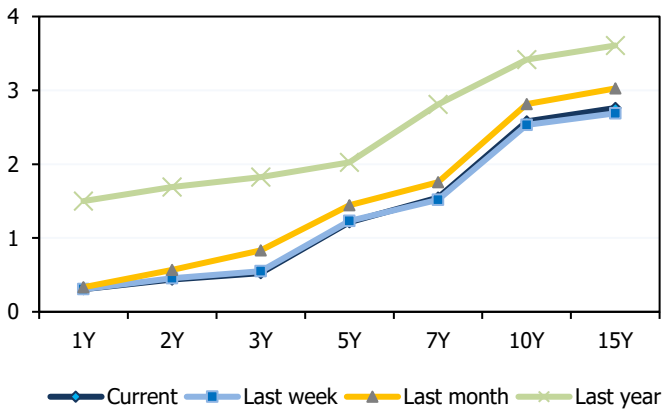
Secondary Market

G-bonds yields fell hard on all tenors. Average daily transaction volume on the secondary government bond market increased by 31% compared to the previous month. Foreign investors continued to net purchase over VND 175bn of government bonds.

Similar to primary yield, G-bond yield on the secondary market had a large drop after half a month. While the 2Y yield dropped by 13bps from 0.57%/year to 0.44%/year, the 10Y yield reduced by 23bps to 2.58%/year. Since the year beginning, 10Y yield has declined by 84bps whereas the 2Y yield dropped by 125bps.

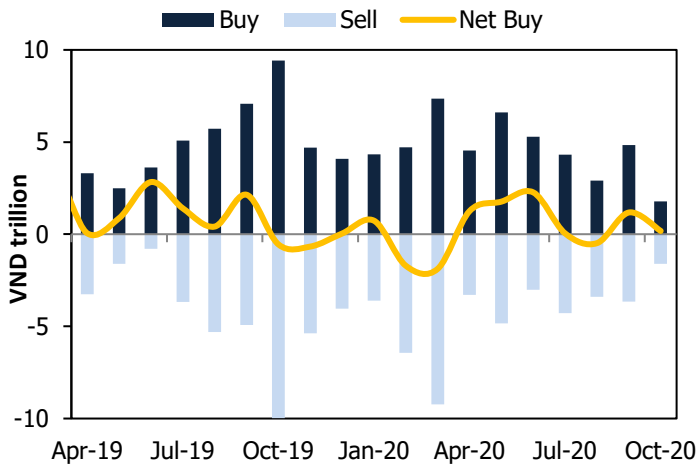
Government bond transactions in the secondary market in the first half of October reached VND 12.3tn daily average, 31% more than its August level. Of which, outright transactions accounted for 76% of volume in the period with VND 102tn. Average transaction volume was VND 9.3tn/day, up 36% compared to the previous month. Average daily repo trading volume also increased by 16% compared to the previous month, reaching VND 3tn/day. Foreign investors continued to net purchase VND 175bn of government bonds. So far in 2020, foreign investors have net purchased VND 3,341bn of government bonds and VND 2,706bn in the past 12 months.

Figure 12. Vietnam T-bond Yield (%)



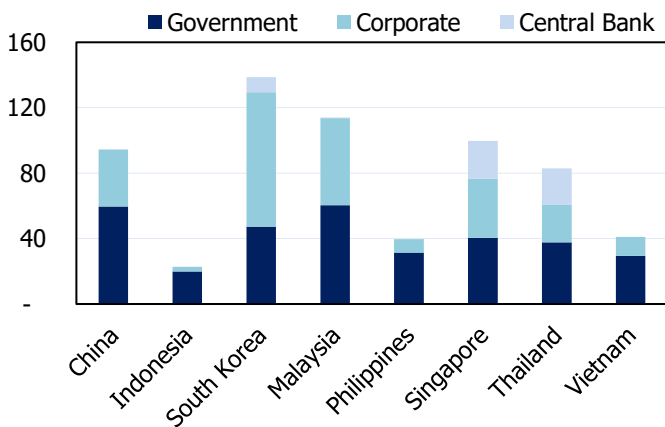
Source: Bloomberg.

Figure 14. Foreign investors' activity in secondary market



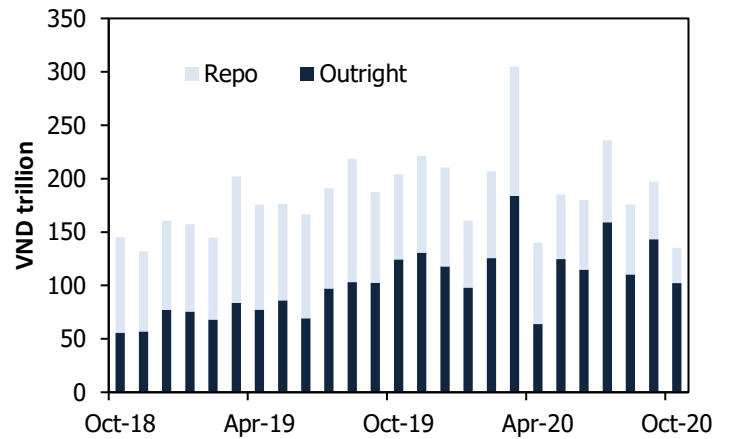
Source: HNX.

Figure 16. Size of bond markets (%GDP Q2.2020)



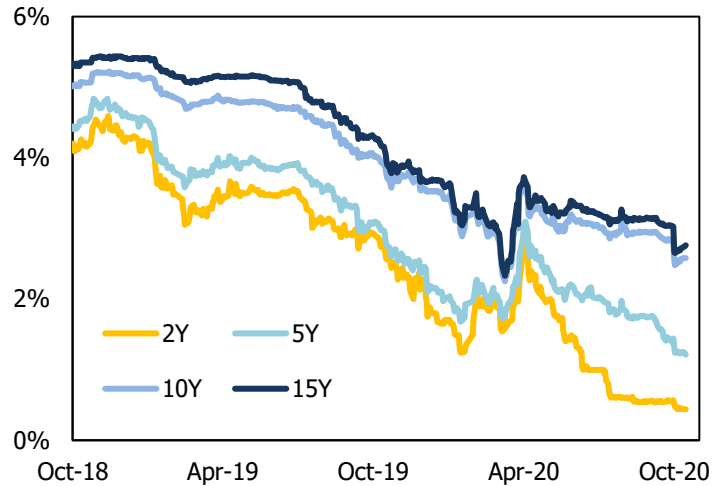
Source: ADB.

Figure 13. Outright and Repo transaction volume



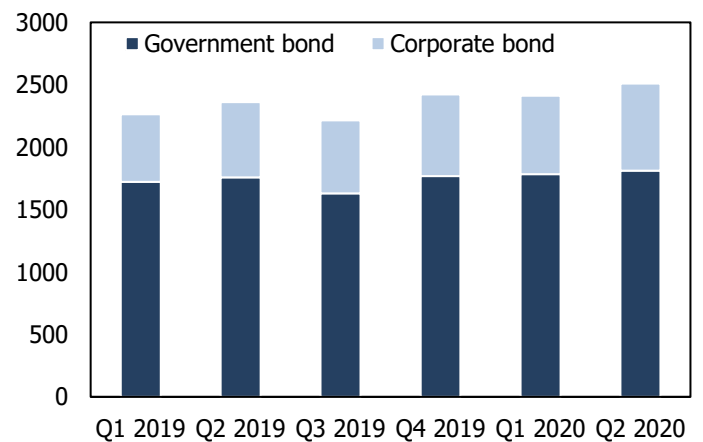
Source: HNX.

Figure 15. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 17. Vietnam bond market size (VND tn)



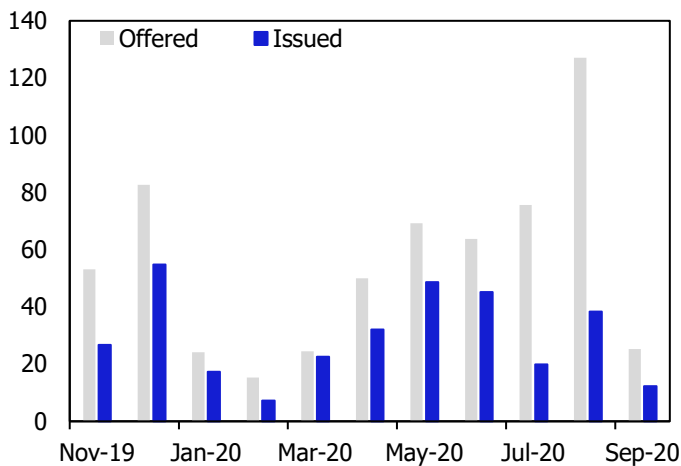
Source: ADB.

Corporate Bond Market

HNX report showed only VND 10,522bn of corporate bond issued domestically in September out of VND 24,601bn offered, mostly from banks. In addition, Công ty TNHH Phát triển Phú Mỹ Hưng successfully issued USD 75mn for the international market and was the first successful issuer this year.

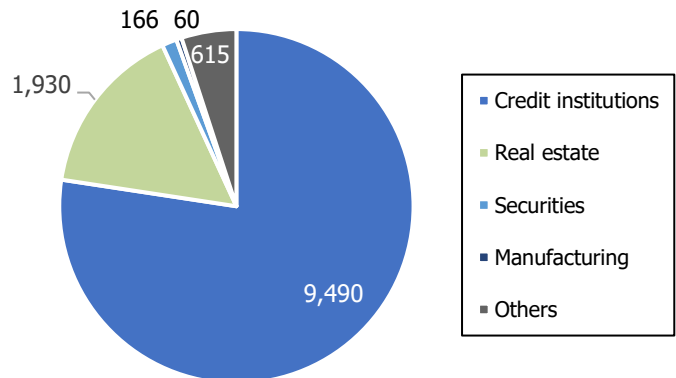
In Q3, about VND 70,600bn of corporate bonds were issued and so far in 2020, the corporate bond market has purchased nearly VND 390tn.

Figure 18. Corporate bond offering and issuance (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 19. Corporate bond issued by sectors in September (VND tn)



Source: HNX, FiinPro.

Figure 20. Corporate bond issued during the month

Issuer	Tenor	Amount	Notes
VIB	3Y	2,000	
Agribank	7Y	2,000	
SHB	2Y	2,000	
Phát triển Phú Mỹ Hưng	7Y	1,740	USD 75mn internationally
LPB	3Y	1,500	
BID	7-15Y	854	
Nam Á Bank	3Y	800	
SAM	2Y	300	Coupon rate 11%/year
SEA Bank	7Y	177	
EVS	1Y	166.2	
TPB	7Y	159.4	
Đầu tư Phát triển Bình Định	5Y	150	
Đầu tư Xây dựng Thành Công Vĩnh Phúc	3Y	130	
Máy Thêu Giày An Phước	5Y	100	
Thép Úc SSE	2Y	60	
Dược liệu Việt Nam	3Y	60	
IDJ	3Y	40	Coupon rate 13%/year
Tư vấn đầu tư giá trị	3Y	25	

Source: FiinPro

PRODUCT

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MBS HEAD OFFICE

MB Building, 3 Lieu Giai, Ba Dinh, Hanoi

Tel: + 8424 3726 2600 - Fax: +8424 3726 2601

Website:

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