

Fixed income report

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Interbank interest rates rose considerably at short tenor, showing that liquidity in the system is strained due to seasonal factors before the holiday. The SBV promotes injecting money into the system through the open market channel to compensate for the shortage of VND in the system. VND/USD exchange rate traded stably. STV issued more than VND 14,436bn of G-bonds during the period. Secondary G-bonds yields decreased sharply compared to the previous month. Foreign investors net sold VND 1.156bn of G-bonds in the period.

Money Market

Interbank interest rates increased sharply due to a strained liquidity situation in the system. SBV injected more than VND 71tn through the open market channel and all money will return to the system in May.

SBV net injected more than VND 71tn via OMO channel in the first two weeks of April with a fixed interest rate of 5% for 7-day and 28-day tenors. At the same time, SBV continued to stop issuing T-bills to absorb liquidity and there were no bills to mature in the past week.

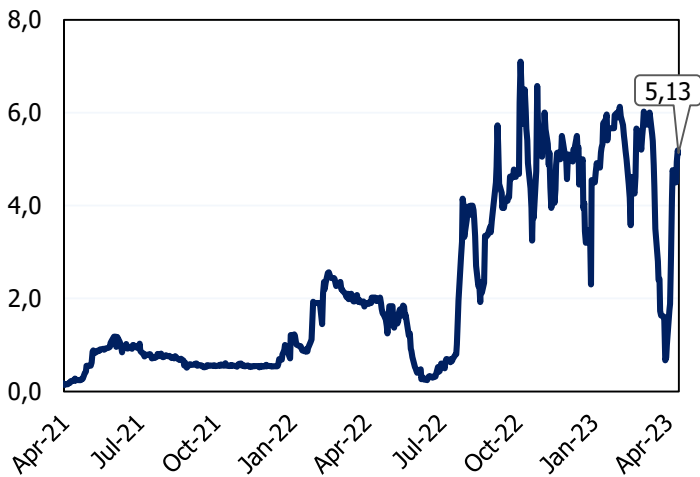
After a period of cooling, interbank interest rates bounced back up in recent sessions due to seasonality before the holiday season. A Bloomberg survey showed that the overnight interbank rates are trading at 5.13%/year, increasing from 1% at the end of last month. Interest rates for other terms are also around 5.11%-5.3%/year. Since the beginning of the year, because the SBV has implemented economic support policies, the interest rate level is tending to decrease. Currently, 13 banks have introduced 12-month term deposit interest rates below 8%/year. In which, the lowest in the market includes Big 4 banks (Vietcombank, VietinBank, BIDV, VietinBank) with the highest interest rate at 7.2%/year for terms of 12 months or more.

VND/USD exchange rate is stable.

Since the beginning of the year, the SBV has continuously adjusted the selling price of USD to 24,705, showing that the current foreign currency exchange rate is trading stably. The governor said the SBV bought 4bn USD in the first quarter of 2023, and at the same time pumped out a large amount of VND to help the system with abundant liquidity. Compared to the end of March, the VND/USD exchange rate on the free market decreased by VND 80 per USD and is currently trading at 23,425 VND/USD. The central and interbank rates were respectively traded at 23,588 VND/USD, down VND 12 per USD and 23,516 VND/USD, down 20 per USD.

The USD Index is currently at 102.09. The dollar fell after the release of the latest US inflation data, making the market think that the Fed's monetary policy in the future may be more cautious. The US CPI in March increased less than expected, reaching 0.1% compared to 0.2% in the previous month, or 5% compared to 5.2% year-on-year. New York State factory activity rose in April for the first time in five months, helping to bolster expectations the Fed will raise interest rates in May. The Fed has another 25 basis point hike in its rate hike cycle in May, before starting to cut rates later in the year.

Figure 1. Interbank overnight lending rate (%)



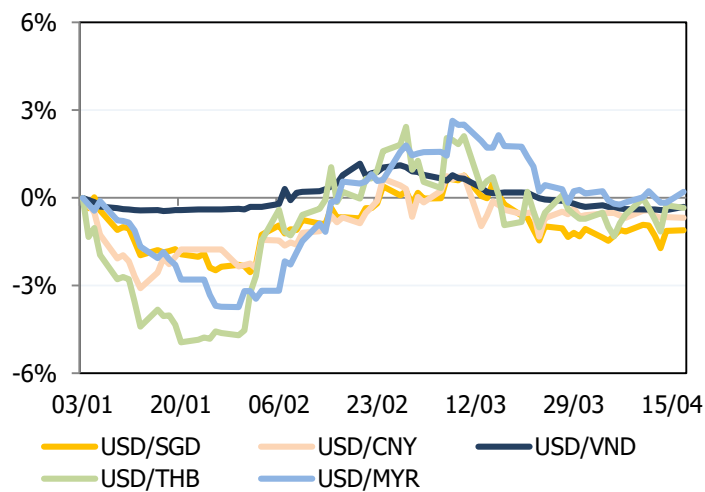
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/01	5,90	6,25	6,65	7,20
28/02	5,20	5,84	6,16	6,77
31/03	1,00	1,82	2,46	4,06
14/04	5,13	5,117	5,127	5,312

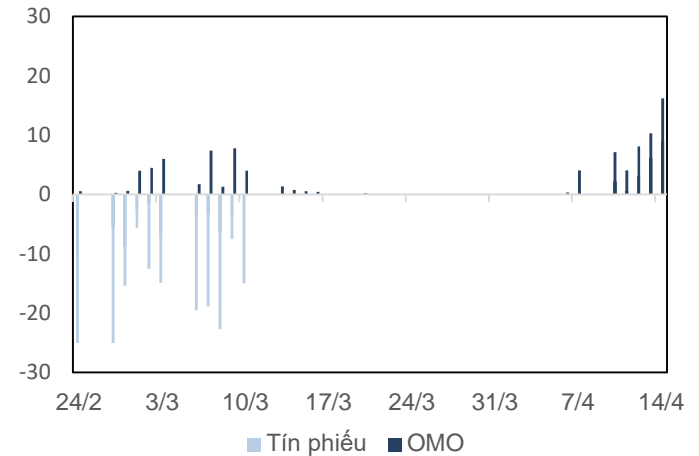
Source: Bloomberg.

Figure 5. Regional currencies performance in 2023



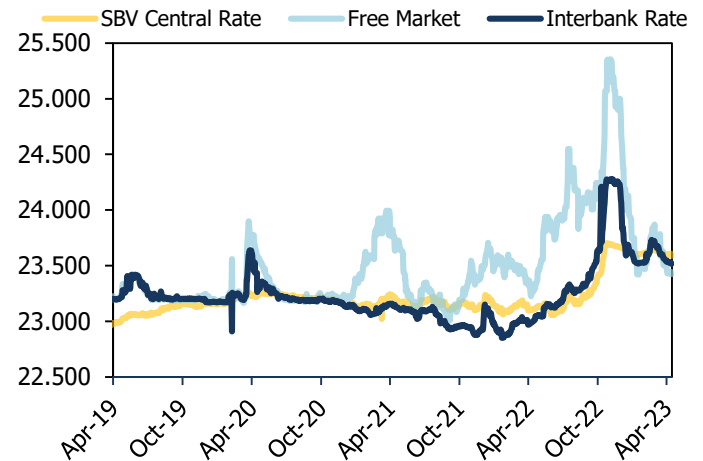
Source: Bloomberg.

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



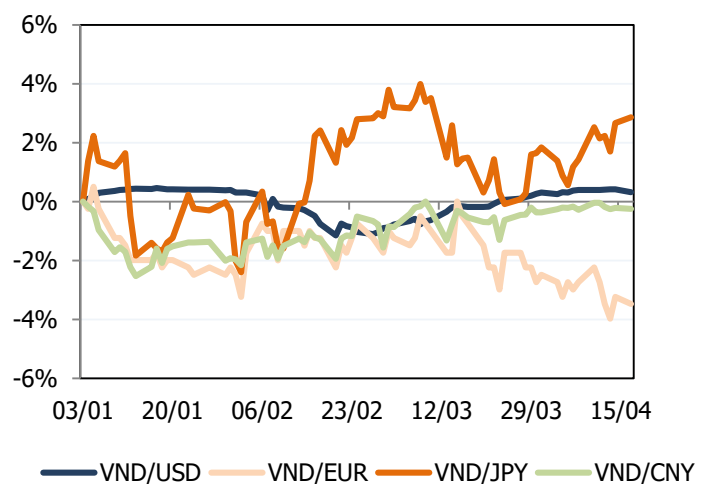
Source: SBV, MBS Research.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2023



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 14,436bn of G-bonds during the period, in the period with a decrease in yield compared to the end of last month.

In the first half of April, the situation of issuing G-bonds was gloomy because STV reduced the offering volume compared to the previous month. The volume of G-bonds successfully issued by the STV reached VND 14,436bn out of a total of VND 20,500bn offered for sale, a rate of 70%. SBV has announced plans to issue G-bonds by term for the second quarter and the whole year of 2023. In the full year 2023 plan, tenors of 10Y and 15Y continue to be registered with the most volume of VND 125,000bn and VND 165,000bn, respectively. In addition, STV has decided to include 3Y tenor in the issuance plan ever since 2016. In the second quarter, the total issuance plan is VND 120,000bn (including the issuance volume for Vietnam Social Security), however, the issuance volume of 5Y tenor has been increased to VND 15,000bn, showing that STV is trying to promote the issuance of short-term G-bonds.

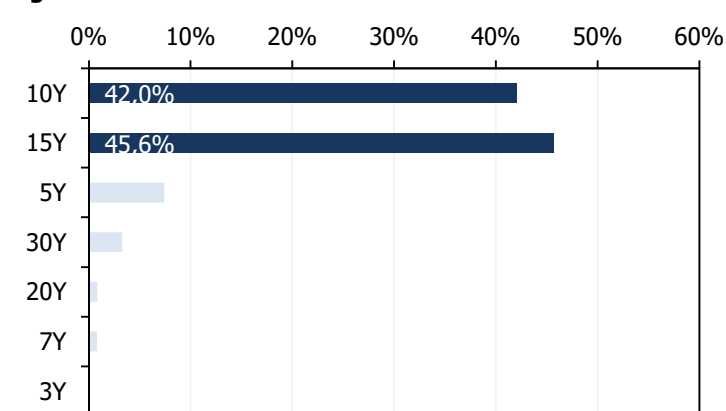
Yields for 10Y and 15Y tenor were 3.28%/year and 3.4%/year, respectively, down 2-17 bps at both tenors compared to the end of last month. The yields for 5Y term declined 13 bps to 2.8%/year. The Ministry of Finance said that due to the impact of the market situation, the yields for G-bonds has tended to decrease and the demand to buy G-bonds has increased again. The average bid volume/call volume ratio in March 2023 was 3.39 times, this rate in February 2023 was 2.99 times.

Figure 7. G-bond auction result in April 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	6.500	3.903	60%	2,80%
7Y				
10Y	5.000	3.000	60%	3,28-3,3%
15Y	7.500	6.562	87%	3,40%
20Y				
30Y	1.500	971	65%	3,66%
Total	20.500	14.436	70%	Unit: VND bn

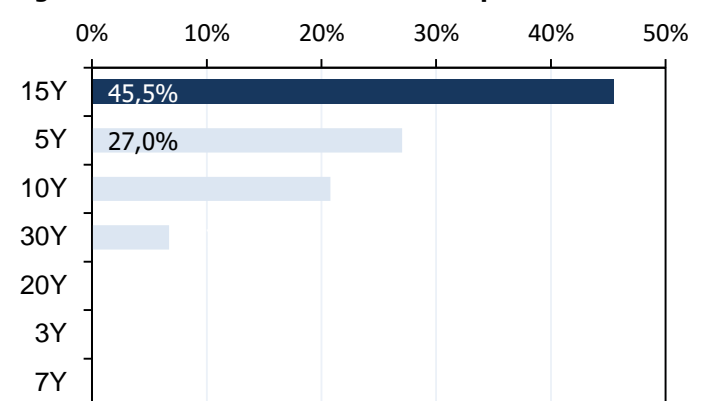
Nguồn: HNX

Figure 9. G-bond successful issuance in 2023



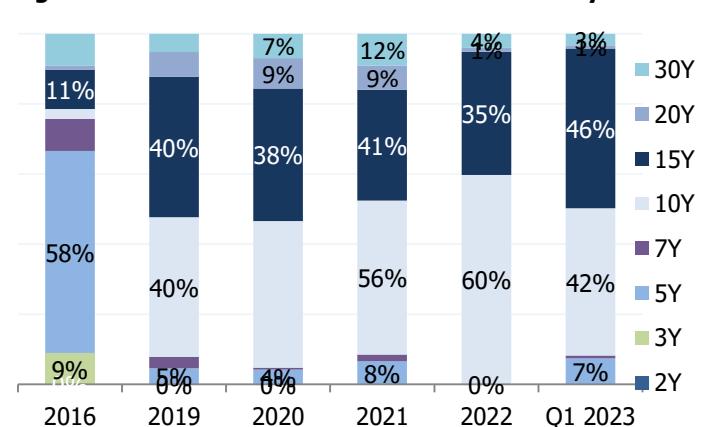
Nguồn: HNX

Figure 8. G-bond successful issuance April 2023



Nguồn: HNX.

Figure 10. G-bond successful issuance over the years



Nguồn: HNX

Figure 11. Government bond issuance 2023

Tenor	VST 2023 plan	VST 2023 issued	% VST 2023 plan
3Y	30.000	0	0%
5Y	35.000	8.853	25%
7Y	5.000	950	19%
10Y	125.000	50.127	40%
15Y	165.000	54.453	33%
20Y	20.000	1.000	5%
30Y	20.000	3.926	20%
Total	370.000	119.309	32%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries **As at 15/04/2023**
***Bps changed compared to last closing**

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	3,51	12,22	4,5	-36,2
EU	2,44	25,70	14,8	-13,1
Japan	0,48	0,50	12,4	5,3
China	2,83	-2,00	-2,8	-0,9
South Korea	3,29	-0,20	-7,0	-44,5
India	7,22	721,50	-9,6	-11,3
Malaysia	3,83	-3,20	-7,4	-23,3
Singapore	2,76	276,38	-18,7	-31,0
Indonesia	6,65	665,40	-13,9	-28,6
Philippines	4,67	-8,20	-9,5	-17,7
Thailand	2,49	1,48	8,9	-14,3
Vietnam	3,29	-7,80	4,8	-150,4

Source: Bloomberg.

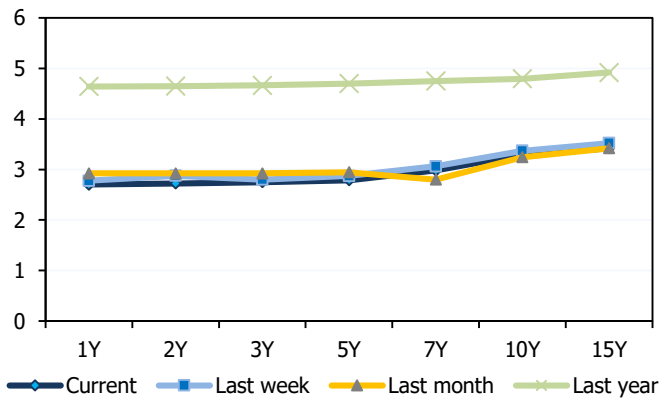
Secondary Market

Secondary G-bond yields fluctuated. Average transaction volume on the secondary G-bond market grew by 30%, compared to the perious month. In the first half of April, foreign investors continued to net sold VND 1.156bn of G-bonds.

In the mid-April, the 10Y yield was at 3.29%/year, up 5 bps compared to the previous month whereas the 2Y yield was at 2.72%/year, down 20 bps. Since the beginning of the year, the 2Y yield has decreased by 193 bps while the 10Y term yield has decreased by 150 bps.

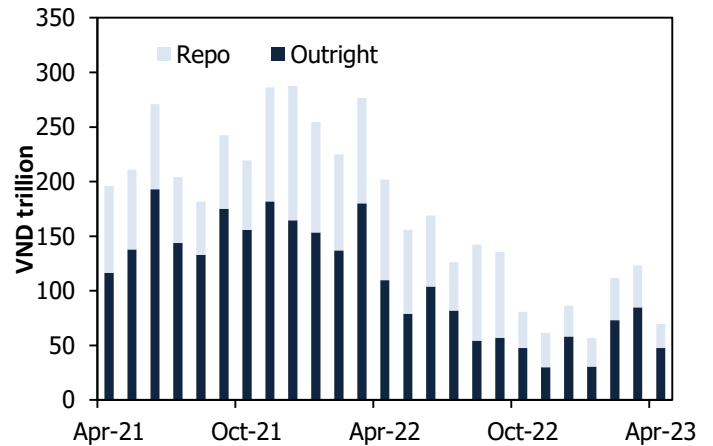
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 6.9tn, up 30%. Of which, outright trading accounted for 69% of the volume this period and VND 47tn. Average transaction was VND 4.7tn/day, up by 28% from the previous month's average. Average repo trading volume went up by 31% compared to March, reaching VND 2.1tn/day. In April, foreign investors net sold G-bonds with an amount of VND 1,156bn. Overall, foreign investors net sold a total of VND 1,801 bn of G-bonds in 2023 and VND 7,636bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



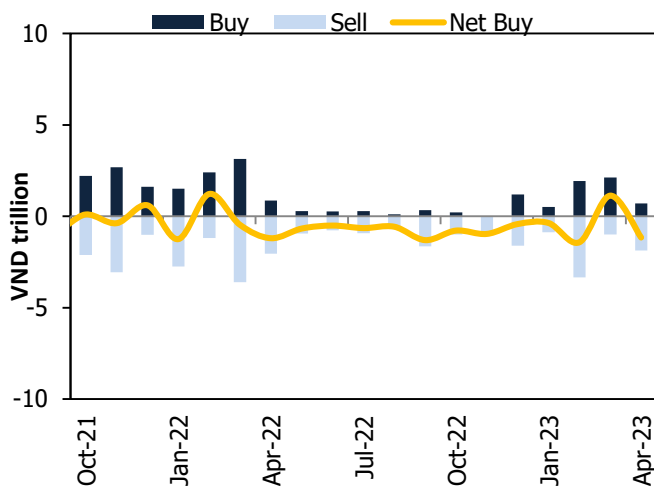
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



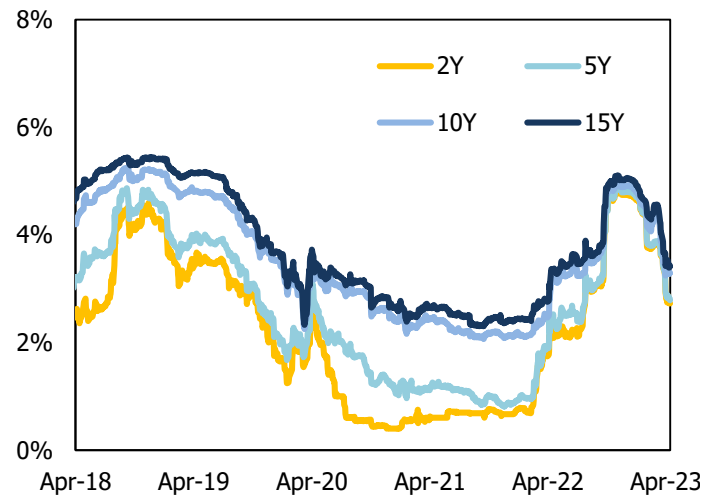
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



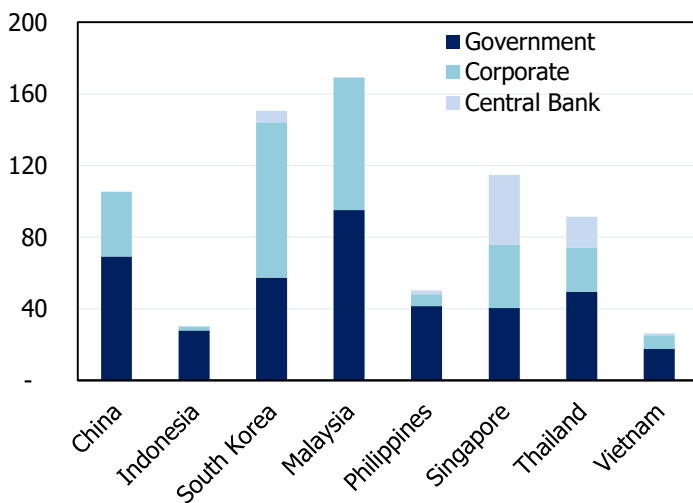
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



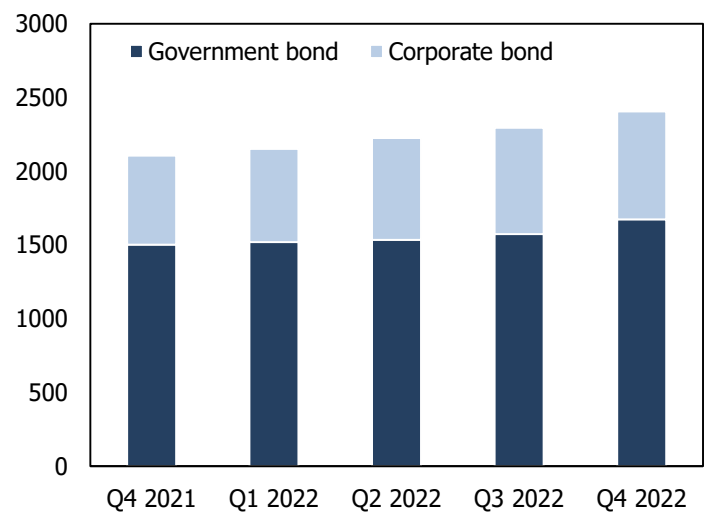
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q4 2022)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

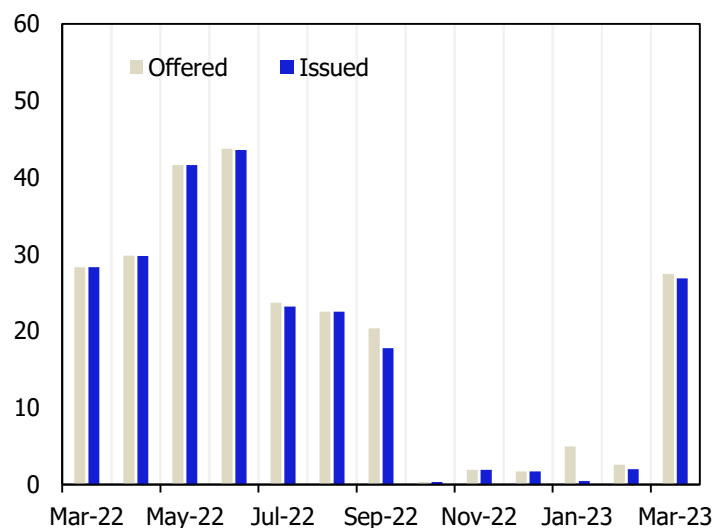


Source: ADB.

Corporate Bond Market

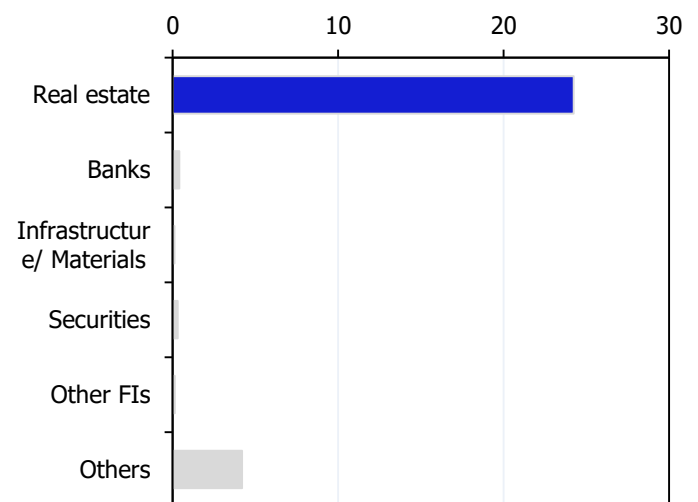
According to aggregated data from FiinPro and HNX, no corporate bond issuance has been recorded in April 2023. In March, the Government issued Decree 08/2023/ND-CP amending, supplementing and stopping the effect of a number of articles in the decrees regulating the private offering and trading of corporate bonds in the domestic market and offer corporate bonds to the international market. Regulations that allow bond issuers to negotiate with bondholders to pay bond principals and interests due with other assets will help remove bottlenecks for businesses at this time. At the same time, opening opportunities for businesses to have more options for dealing with bonds.

Figure 19. Corporate bond offering and issuance (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issued by sectors in 1st quarter 2023 (VND tn)



Source: HNX, FiinPro, MBS Research.

PRODUCT

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