

Anh Nguyen, CFA

Analyst

Anh2.nguyenduc@mbs.com.vn

Tuan Hoang

Head of Macro

Tuan.hoangcong@mbs.com.vn

Despite improving credit growth in recent months, the open market did not conduct any new transactions together with consistently low interbank interest rate showed a continuing state of liquidity abundance. VND is appreciating against the USD. The State Treasury has successfully issued nearly VND 20tn of government bonds while Vietnam Development Bank and Vietnam Bank for Social Policies raised VND 6.3tn. G-bond yield dropped slightly. Foreign investors net purchased VND 1,197bn of G-bond during the period.

Money Market

Even though credit growth has been improving, SBV did not conduct any new transactions on the open market in the first half of December so the liquidity remained in abundance. Interbank interest rates as a result have remained low for over 6 months.

Credit growth in Q4 has been impressive. Up until September, the growth rate was merely 6.09% but by 27/11, the total credit size of the economy has increased by 8.46% compared to the end of 2019. Although credit is growing well, liquidity in the banking system is still in excess thanks to the purchase of foreign currencies by the SBV. We forecast credit growth rate for the whole year at 9-10%.

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 five months and is now at 0.15%/year. The interbank interest rate for 1 week-1 month terms remained similar to November level, currently at 0.2-0.3%/year. This situation is expected to continue in 2021.

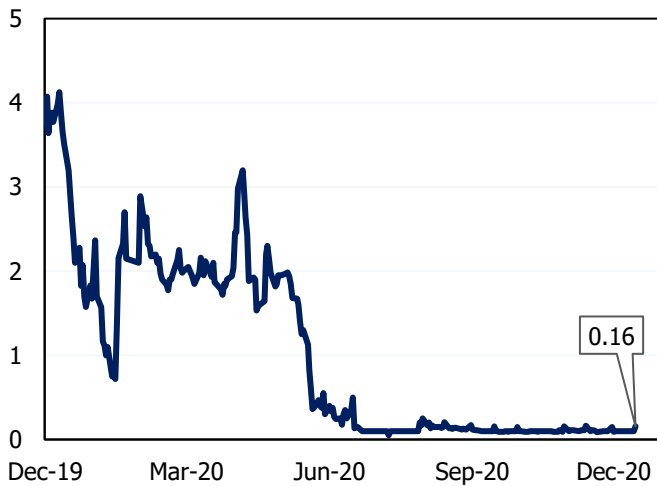
VND appreciated slightly against USD.

The VND, similar to other regional currencies, is gaining against the dollar. Central rate is at VND 23,144 per USD, down VND 11 per USD compared to the end of November. The interbank rate and the exchange rate on the free market also dropped VND 10-15 per USD compared to the previous month, trading at VND 23,151 per USD and VND 23,225 per USD respectively.

Quantitative easing measures by the Fed has weakened the USD against major currencies and the trend may continue for the next few years. In addition, the American designation of Vietnam as a currency manipulator may push the rate of VND appreciation against USD. In the period China was labeled as a currency manipulator from 8/2019 to 1/2020, the CNY has appreciated by 4%.

Record level of net export at USD 20.1bn after 11M creates favourable environment for SBV to purchase additional foreign currencies, improving foreign reserve. It is estimated that SBV has purchased USD 2bn of foreign currencies in November. Recently, SBV has lowered the bid rate for USD from VND 23,175 per USD to VND 23,125 per USD, reducing the cost of purchasing foreign currencies. A sufficient foreign reserve level is an effective tool to manage exchange rate, control inflation, maintain stable macro economic environment. The current reserve level is at USD 93-94bn and is expected to reach USD100bn by the end of 2020.

Figure 1. Interbank overnight lending rate (%)



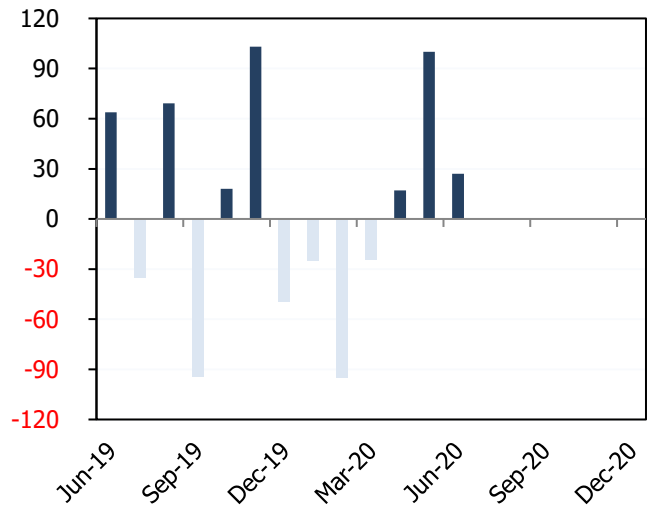
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/09	0.15	0.19	0.27	0.39
30/10	0.16	0.18	0.25	0.35
30/11	0.15	0.20	0.27	0.36
15/12	0.16	0.19	0.25	0.32

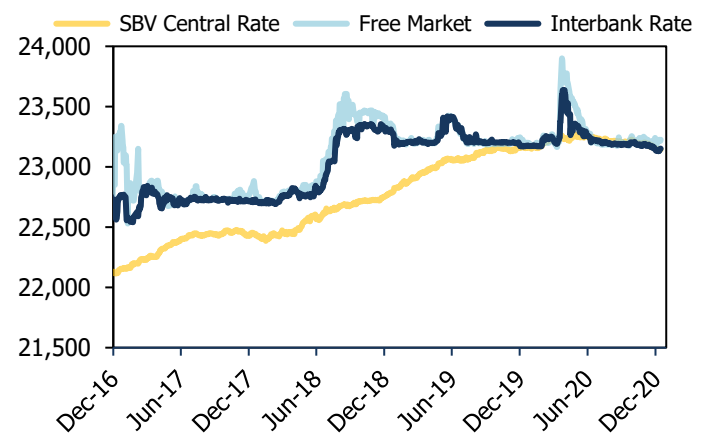
Source: Bloomberg.

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



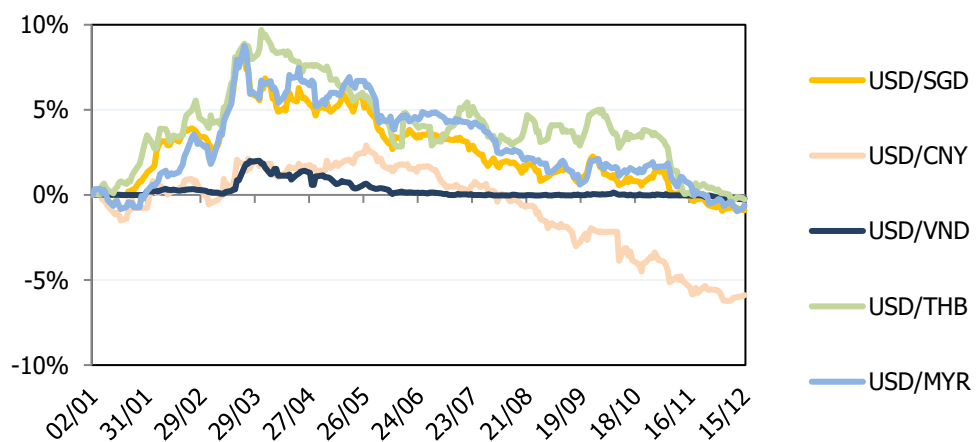
Source: SBV, MBS.

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 nearly VND 20tn of government bonds during the period, in addition Vietnam Development Bank and Vietnam Bank for Social Policies managed to raised VND 6.3tn.

In November, the volume of successfully issued government bonds reached VND 19.5tn out of a total of VND 19.5bn offered, an issuance rate of 100%. Up to now, the State Treasury has issued VND 280tn of Government bonds, achieving 115% the plan for 2020. In addition, Vietnam Development Bank (VDB) and Vietnam Bank for Social Policies (VBSP) managed to raise VND 6.325tn in 10Y and 15Y tenors. Of which, VDB raised VND 3.85tn and VBSP raised VND 2.475tn.

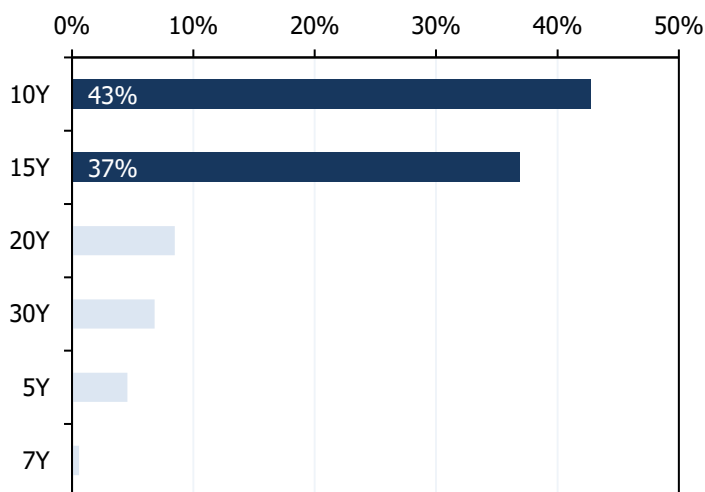
The latest winning yields continue to drop from the November level. The winning yield of the 10Y and 15Y tenors are currently at 2.36%/year and 2.59%/year, a decline of 11-12bps. The winning yields of VDB and VBSP bonds are about 25bps higher than government bonds', respectively at 2.75%/year and 2.9%/year for 10Y and 15Y tenors.

Figure 6. G-bond auction result in December 2020

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y				
10Y	7,000	7,000	100%	2.36-2.42%
15Y	10,000	10,000	100%	2.59-2.62%
20Y	1,500	1,500	100%	2.98%
30Y	1,000	1,000	100%	3.17%
Total	19,500	19,500	100%	Unit: VND bn

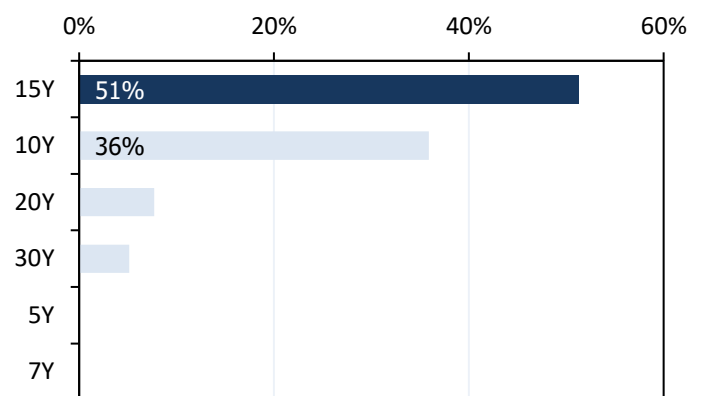
Source: HNX.

Figure 8. G-bond successful issuance in 2020



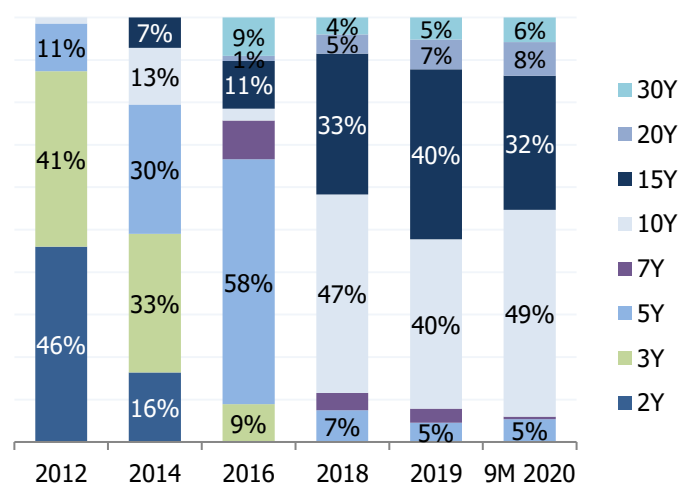
Source: HNX.

Figure 7. G-bond successful issuance December 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	13,670	68%
7Y	15,000	1,730	12%
10Y	90,000	128,148	142%
15Y	100,000	110,473	110%
20Y	20,000	25,415	127%
30Y	15,000	20,403	136%
Total	260,000	299,839	115%

Source: VST, HNX

Figure 11. 10Y G-bond yields (%) in selected countries **As at 15/12/2020**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	1/1/2020*
U.S.	0.90	-1.82	5.9	-101.8
EU	-0.62	-1.10	-4.7	-43.2
Japan	0.01	-1.40	-2.7	1.6
China	3.30	1.60	2.3	15.0
South Korea	1.67	2.80	0.8	4.5
India	5.89	3.20	-2.3	-61.7
Malaysia	2.74	0.10	-1.0	-55.4
Singapore	0.95	0.00	4.9	-81.8
Indonesia	6.13	-8.20	-5.4	-90.4
Philippines	1.97	-0.10	-1.3	-70.3
Thailand	1.32	-6.60	-11.9	-20.3
Vietnam	2.38	-8.40	-12.2	-108.5

Source: Bloomberg.

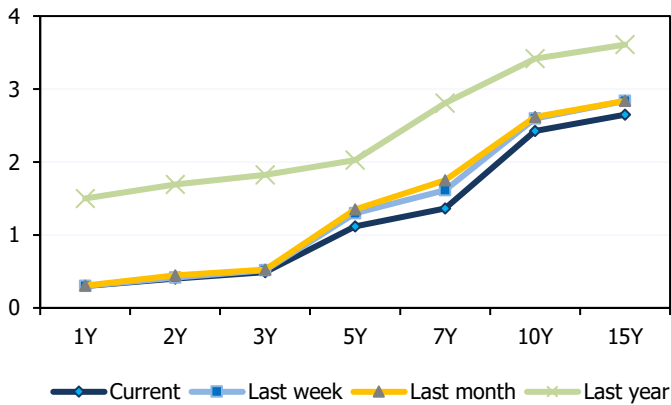
Secondary Market

G-bonds yields dropped slightly during the period. Average daily transaction volume on the secondary government bond market increased 22% compared to the previous month. Foreign investors continued to net purchase over VND 1,197bn of government bonds.

G-bond yield on the secondary market dropped slightly on longer tenors. Compared to the end of last month, the 2Y yield remained at 0.4%/year, the 10Y yield decreased by 8bps to 2.43%/year. Since the year beginning, 10Y yield has declined by 99bps whereas the 2Y yield dropped by 129bps.

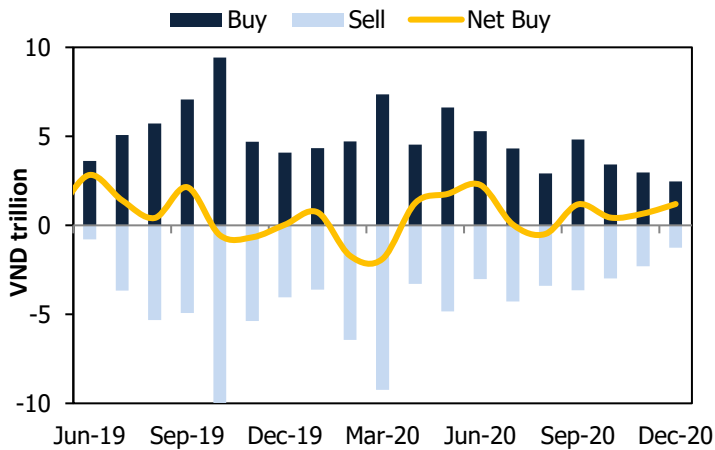
Government bond transactions in the secondary market in November reached VND 13.9tn daily average, 22% more than its November level. Of which, outright transactions accounted for 62% of volume in the period with VND 94.2tn. Average transaction volume was VND 8.6tn/day, up 4% compared to the previous month. Average daily repo trading volume increased by 48% compared to November's level, reaching VND 5.4tn/day. Foreign investors continued to net purchase VND 1,197bn of government bonds. So far in 2020, foreign investors have net purchased VND 5,456bn of government bonds.

Figure 12. Vietnam T-bond Yield (%)



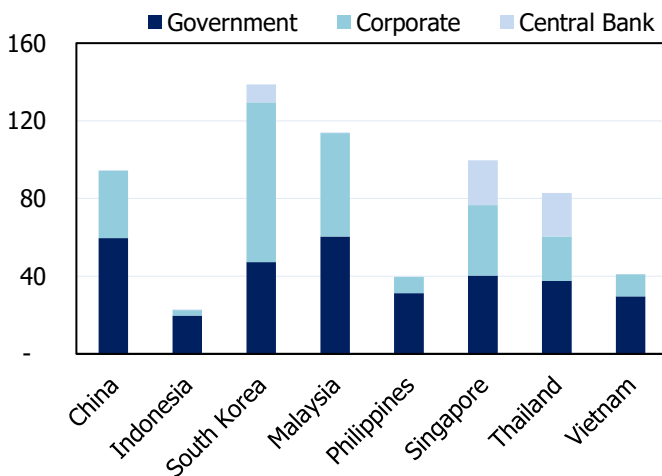
Source: Bloomberg.

Figure 14. Foreign investors' activity in secondary market



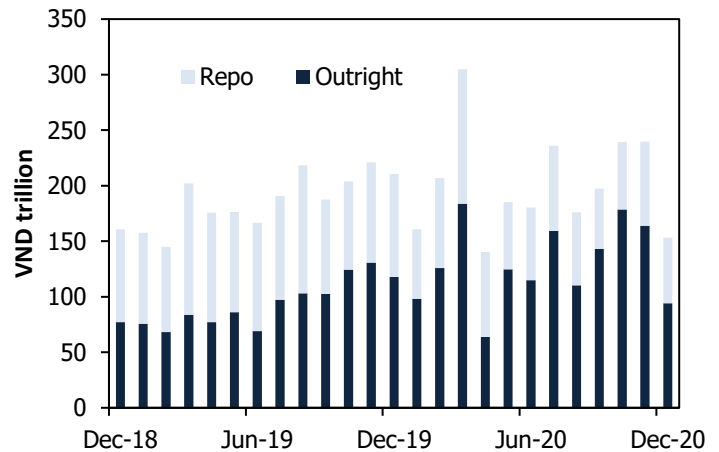
Source: HNX.

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



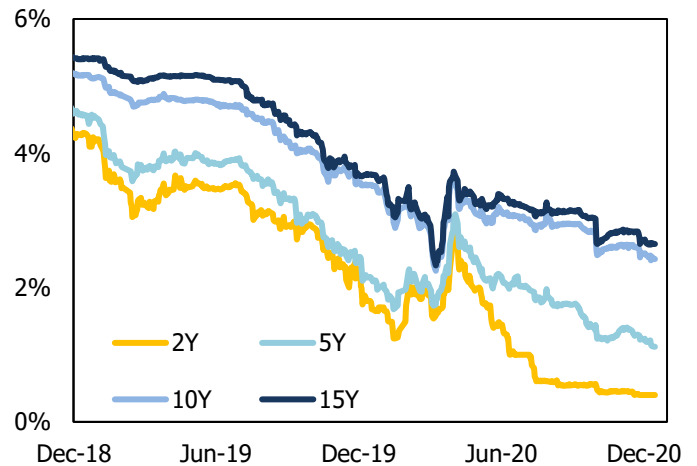
Source: ADB.

Figure 13. Outright and Repo transaction volume



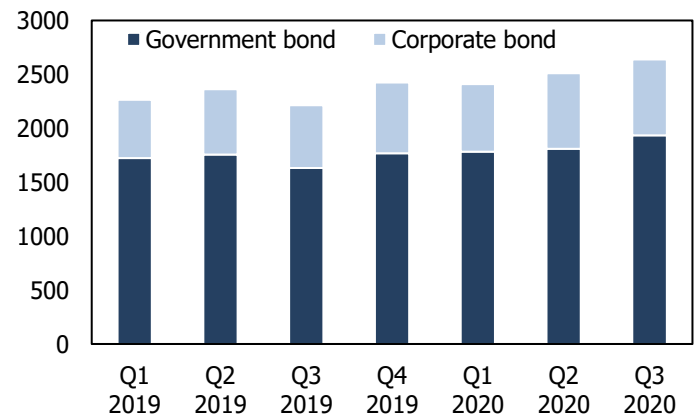
Source: HNX.

Figure 15. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 17. Vietnam bond market size (VND tn)

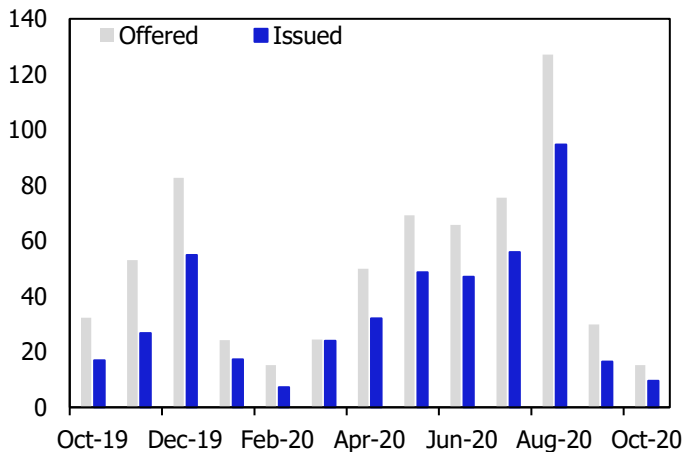


Source: ADB.

Corporate Bond Market

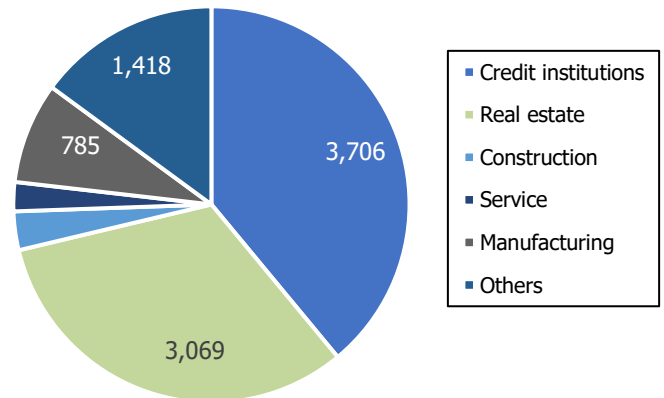
In November, FiinPro data showed approximately VND 22,750bn of corporate bond issued, double of October number, including private, public and international placements. In which, banking sector led with VND 9,339bn issued, followed by real estate with VND 6,195bn. CTCP Tập đoàn Masan successfully raised VND 1,200bn to public, a tenor of 3 years, and 9.8-10%/year coupon rate

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



Source: HNX, FiinPro, MBS Research.

Figure 19. Corporate bond issued by sectors in Nov 2020 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Issuers with over VND 7tn raised during the year

Ticker	Issuer	Tenor	Amount (VND bn)	Notes
TPB	Ngân hàng TMCP Tiên Phong	3-10Y	3,736.2	
	CTCP Bất động sản Hano-Vid	5Y	2,885.4	
LPB	Ngân hàng TMCP Bưu Điện Liên Việt	7-10Y	2,048.9	Coupon rate 8.1-8.4%
BCM	TCTP Đầu tư và Phát triển Công nghiệp - CTCP	5Y	2,000.0	
MSN	CTCP Tập đoàn Masan	3Y	1,600.0	Coupon rate 9.8-10%
BVB	Ngân hàng TMCP Bản Việt	3Y	1,000.0	
	CTCP Năng lượng Bắc Phương	166M	868.5	
TDC	CTCP Kinh doanh và Phát triển Bình Dương	5Y	700.0	Coupon rate 10.5%
	CTCP Tư vấn Đầu tư Hướng Việt	4Y	700.0	Coupon rate 10%
	CT TNHH Vinh An Điền	5Y	650.0	
	CT TNHH Điện mặt trời Trung Nam Thuận Nam	102M	573.4	
	TCTCP Thương mại Xây dựng	5Y	550.0	
HDB	Ngân hàng TMCP Phát Triển Thành phố Hồ Chí Minh	5-7Y	500.0	Coupon rate 4.5-8.5%
	CT TNHH MTV Quản lý đầu tư Phúc Khang	4Y	500.0	
VIB	Ngân hàng TMCP Quốc tế Việt Nam	7Y	480.0	
	CTCP Tân Hoàn Cầu Bến Tre	125M	454.4	
	CTCP Sunshine Cab	3Y	450.0	
	CTCP Năng lượng Bắc Hà	3Y	400.0	
	CT TNHH MTV Sunrise Power Đắk PSI	12Y	400.0	
CII	CTCP Đầu tư Hạ tầng Kỹ thuật TP.HCM	5Y	393.9	
VDS	CTCP Chứng khoán Rồng Việt	1Y	389.5	Coupon rate 9.5%
DNP	CTCP Nhựa Đồng Nai	5Y	300.0	
ASG	CTCP Tập đoàn ASG	5Y	300.0	
BID	Ngân hàng TMCP Đầu tư và Phát triển Việt Nam	8Y	300.0	
	CT TNHH Chứng khoán ACB	1Y	154.0	

	CTCP Phát triển Địa Ốc Sông Tiên	6Y	100.0	Coupon rate 11%
	CTCP Bệnh viện Quốc tế Thái Nguyên	2Y	92.0	
VPD	CTCP Phát triển Điện lực Việt Nam	3Y	70.0	Coupon rate 9.5%
	CTCP Thủy điện Đakdrinh	3Y	60.0	
IDJ	CTCP Đầu tư IDJ Việt Nam	3Y	59.8	Coupon rate 13%
PTB	CTCP Phú Tài	4Y	34.8	

Source: HNX, FiinPro

PRODUCT

This product is issued fortnightly with chief focus on the Vietnam's bond market. In this report, we connect macroeconomic indicators with changes in the money market and the bond market. MBS issues this report, however, errors and inaccurate information, if existed, belong to the author. We thank our valued customers for reading and giving feedbacks on our products.

MBS RESEARCH CENTER

We offer economic and equity research. The Economic Research Team offers periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team offers reports on listed firms, private equities and sector reviews. MBS Research Center also offers regular market commentaries - The Investor Daily.

MB SECURITIES (MBS)

Established since May 2000, MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development, MBS has become one of the leading securities companies in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi, Ho Chi Minh City, Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management, MB Capital and Viet R.E.M.A.X (Viet REM), MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009;
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy; and
- A trusted provider of investment banking services for corporate clients.

MBS HEAD OFFICE

MB Building, 3 Lieu Giai, Ba Dinh, Hanoi

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

Website:

DISCLAIMER

Copyrights, ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy/sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or

transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.