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Positive credit growth from the beginning of the year caused a sharp increase in interbank interest rates during the month. Currently, the interbank interest rate is still lower than the OMO rate, SBV has not made new transactions on the open market. USD/VND exchange rate is gradually cooling down and the trend may continue in the medium term. STV issued more than VND 26,300bn of G-bonds during the month. The yield of secondary G-bonds decreased slightly compared to the previous month. Foreign investors net bought VND 714bn of G-bonds during the month.

Money Market

Interbank interest rates rose sharply in the second half of April due to increased credit demand. However, the interest rate is still lower than the OMO rate, so there are no new transactions in the open market.

As of mid-April, credit growth was estimated at 3.3%, the growth rate was quite great compared to the same period. As a result, the interbank interest rate surged in April. A Bloomberg survey showed that the overnight interbank rates are trading at 0.69%/year, up by more than 4 times compared to the end of last month. Interest rates for other terms are also around 0.91%-1.06%/year, an increase of about 60-70 bps compared to the end of March. We forecast the interbank rates will continue to increase gradually until the end of June, when a large amount of liquidity will be poured into the system by the SBV from the delivery of 6 month forward purchase of foreign currency.

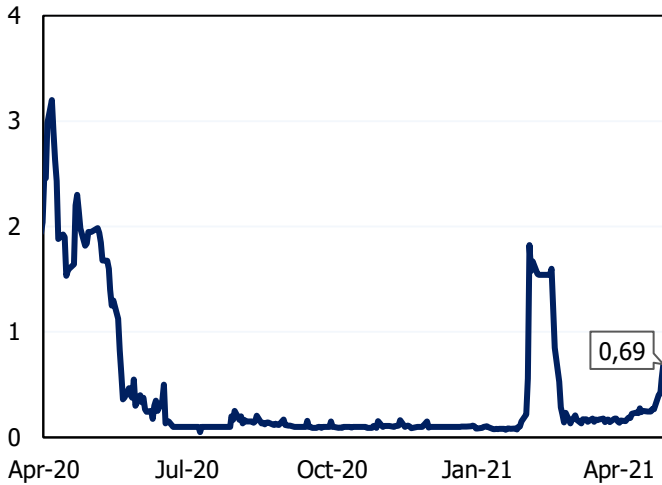
At this point, the interbank interest rate is still lower than the SBV's OMO rate of 2.5%/year, so commercial banks can borrow from each other in the market without the SBV's support.

USD/VND exchange rate cooled down.

In April, DXY index decreased from 93 to around 90. The USD/VND exchange rate thus gradually cooled down. Compared to the end of March, the USD/VND exchange rate on the free market decreased by nearly VND 300 per USD and is currently trading at VND 23,640 per USD. The central and interbank rates were respectively traded at VND 23,158 per USD, down VND 86 per USD and VND 23,106 per USD, down VND 49 per USD. Compared to other currencies in the region, the exchange rate of VND to USD remained at the most stable level.

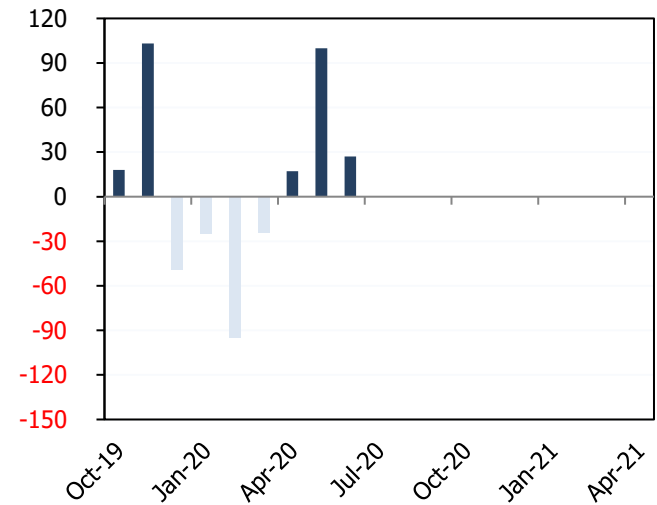
Although the inflationary pressure in the US is heating up due to the faster-than-expected economic recovery, the Fed has committed to maintaining an easing monetary policy until the economy really achieves solid growth and targets inflation average at 2%. In addition, the administration of President Joe Biden has been and is constantly proposing spending packages worth several trillion dollars. Thus, the USD is under much pressure to devalue and the USD/VND exchange rate will decline this year.

Figure 1. Interbank overnight lending rate (%)



Source: Bloomberg.

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



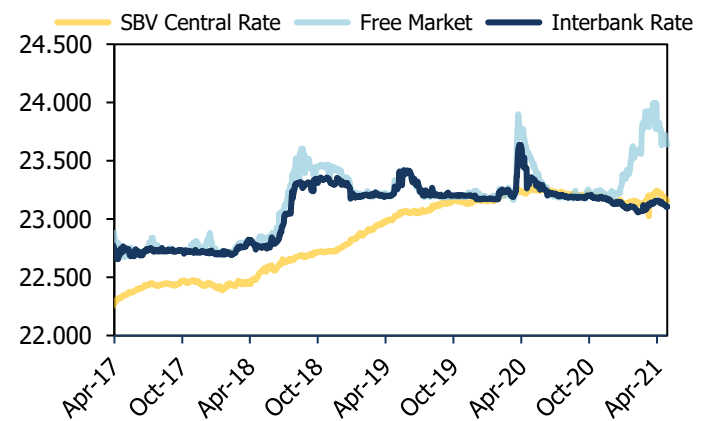
Source: SBV, MBS.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
29/01	0.15	0.26	0.42	0.52
26/02	0.23	0.42	0.52	0.80
31/03	0.15	0.24	0.28	0.44
29/04	0.69	0.91	1.06	1.06

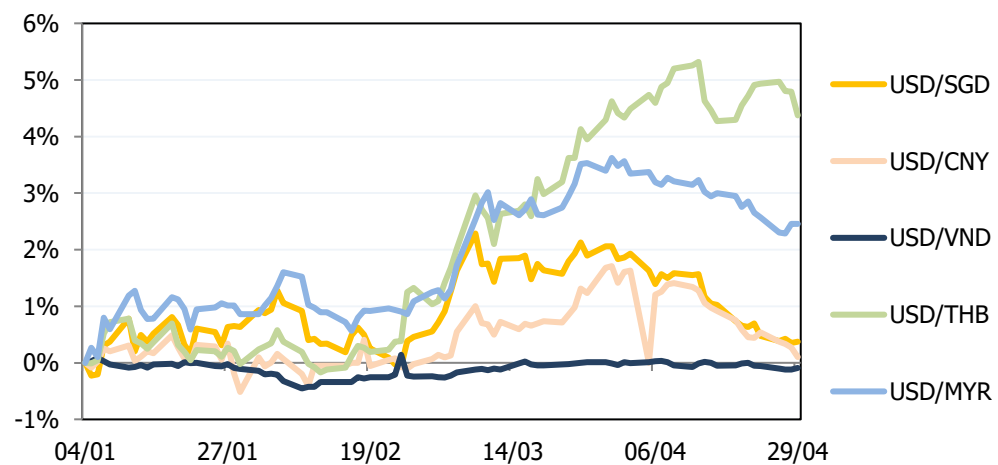
Source: Bloomberg.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2021



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 26.302bn of G-bonds this period. Winning yield slowed down in the second half of the month.

In April, the G-bond issuance situation has significantly improved compared to the issuance rate of 41% in March. In the VND 31,500bn proposed, there were VND 26,302bn of G-bonds successfully mobilized, at the rate of 83%. Currently, the STV has only issued a total of VND 65,507bn of G-bonds since the beginning of the year, reaching 19% of the year plan.

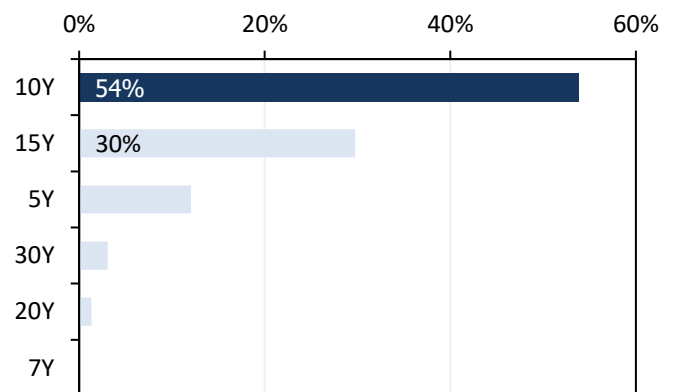
The winning yields of bonds increased slightly compared to the end of March but slowed down in the second half of the month. The yield for 10Y and 15Y terms were 2.36%/year and 2.55%/year, respectively, up 5-6bps compared to the end of March. The 5Y yield increased by 6bps to 1.16%/year. The current 10Y yield was in line with market expectations when the winning bid rate was at 100%. Although slowing down, the issuance rate is still high, showing that investors are gradually accepting the current interest rates.

Figure 6. G-bond auction result in March 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	5,000	3,169	63%	1.13-1.16%
7Y				
10Y	14,250	14,150	99%	2.34-2.38%
15Y	10,000	7,823	78%	2.55-2.57%
20Y	1,000	350	35%	2.89%
30Y	1,250	810	65%	3.05%
Total	31,500	26,302	83%	Unit: VND bn

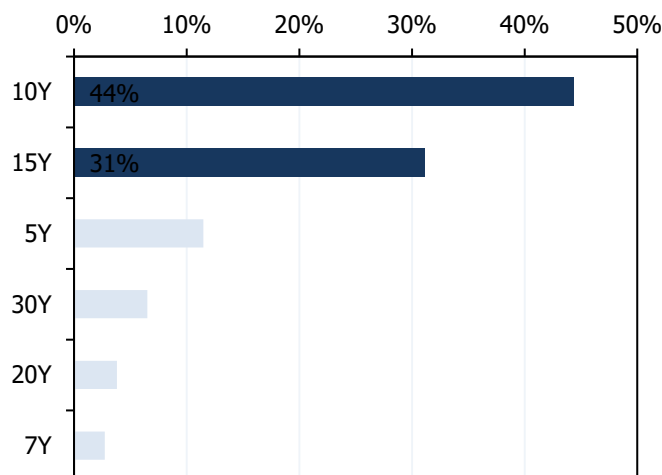
Source: HNX.

Figure 7. G-bond successful issuance March 2021



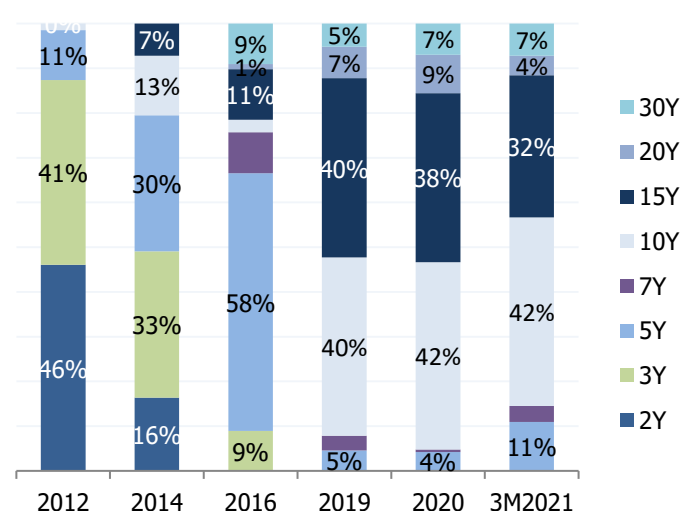
Source: HNX.

Figure 8. G-bond successful issuance in 2021



Source: HNX.

Figure 9. G-bond successful issuance since 2012















Source: HNX.

Figure 10. Government bond issuance 2021

Tenor	VST2021plan	VST 2021issued	% VST 2021plan
5Y	20,000	7,519	38%
7Y	15,000	1,781	12%
10Y	120,000	29,050	24%
15Y	135,000	20,404	15%
20Y	30,000	2,490	8%
30Y	30,000	4,263	14%
Total	350,000	65,507	19%

Source: VST, HNX

Figure 11. 10Y G-bond yields (%) in selected countries As at 29/04/2021

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2020*
			Last month		
U.S.	1.65	10.88	-9,4		73.4
EU	-0.22	3.20	7,2		34.9
Japan	0.10	2.60	0,3		7.7
China	3.18	2.40	-0,6		3.6
South Korea	2.08	7.20	2,0		35.5
India	6.05	0.40	11,2		18.9
Malaysia	3.19	12.20	-5,0		54.1
Singapore	1.69	4.00	11,5		81.3
Indonesia	6.48	4.60	-29,9		59.2
Philippines	2.45	7.10	-15,0		55.1
Thailand	1.83	-0.90	14,9		57.0
Vietnam	2.42	4.10	-3,8		-16.3

Source: Bloomberg.

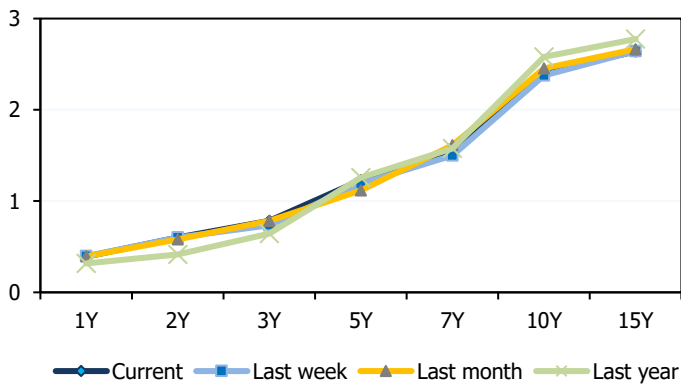
Secondary Market

G-bond yield decreased slightly during the month. Average transaction volume on the secondary G-bond market decreased by 9% MoM. Foreign investors net bought VND 714bn of G-bonds this period.

At the end of April, the 10Y yield was at 2.42%/year, down 4 bps compared to the previous month. G-bond yields of many nations across the globe have strongly fluctuated recently with the increasing and decreasing movement of more than 10 bps this month, while Vietnam still remains stable. However, with the interbank rates steadily increasing, we expect G-bond yields to increase as well.

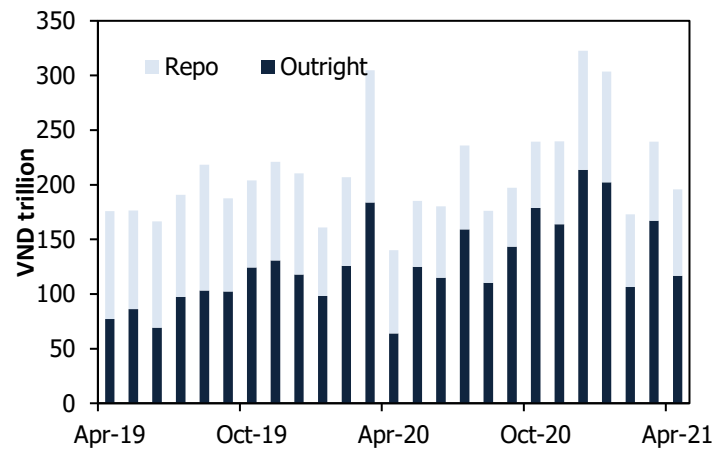
Transactions on the secondary government bond market continued being inactive with daily average volumes of VND 9.8tn, down by 9% from March's average. Of which, outright trading accounted for 60% of the volume this period and VND 116.6tn. Average transaction was VND 5.8tn/day, down by 20% from previous month's average. Average repo trading volume increased by 26% compared to March, reaching VND 4.0tn/day. Foreign investors net bought VND 714bn of G-bonds this month. Foreign investors net bought a total of VND 6.914tn of G-bonds in 2021 and VND 15.243tn of G-bonds in the last 12 months.

Figure 12. Vietnam T-bond Yield (%)



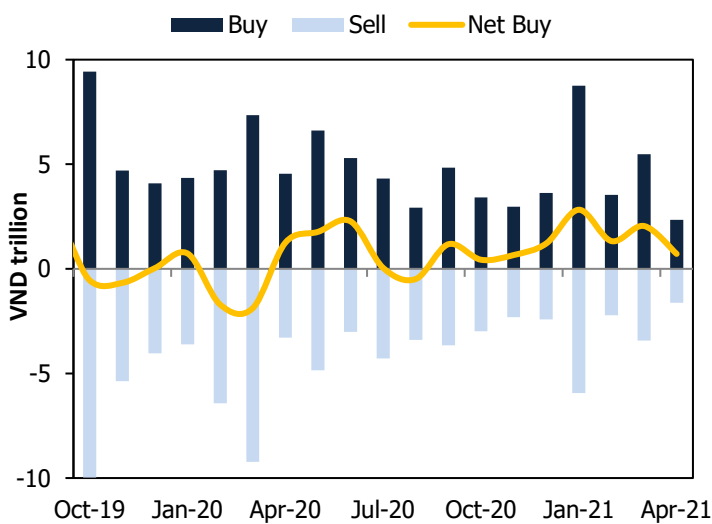
Source: Bloomberg.

Figure 13. Outright and Repo transaction volume



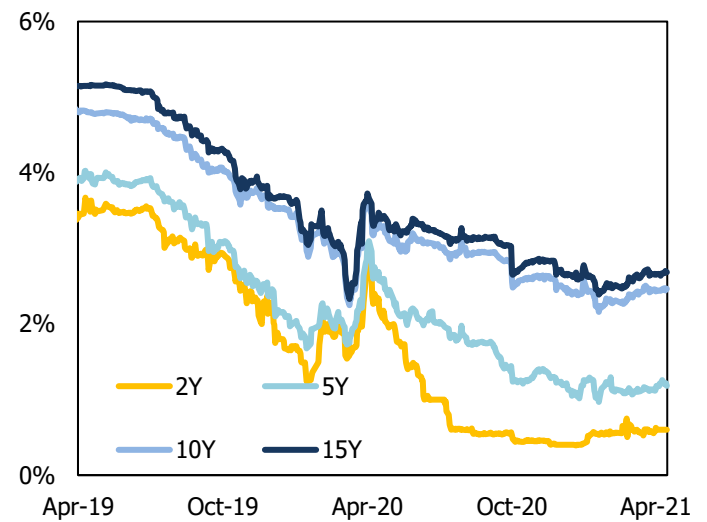
Source: HNX.

Figure 14. Foreign investors' activity in secondary market



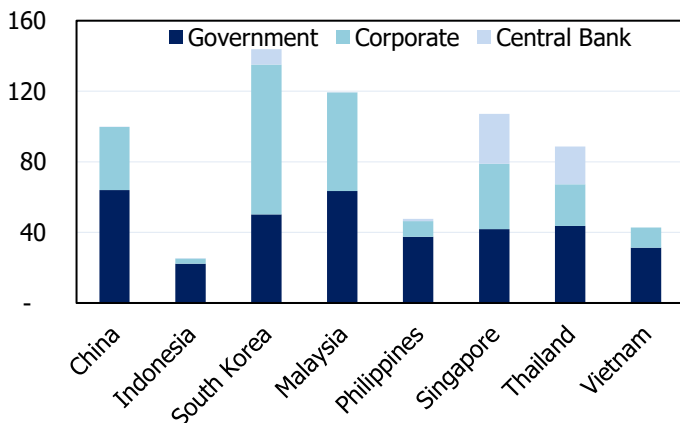
Source: HNX.

Figure 15. G-bond yield curve – Secondary Market



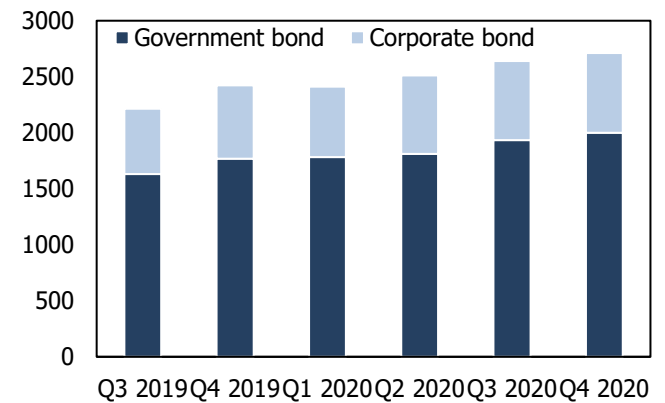
Source: Bloomberg.

Figure 15. Size of bond markets (%GDP 2020)



Source: ADB.

Figure 16. Vietnam bond market size (VND tn)

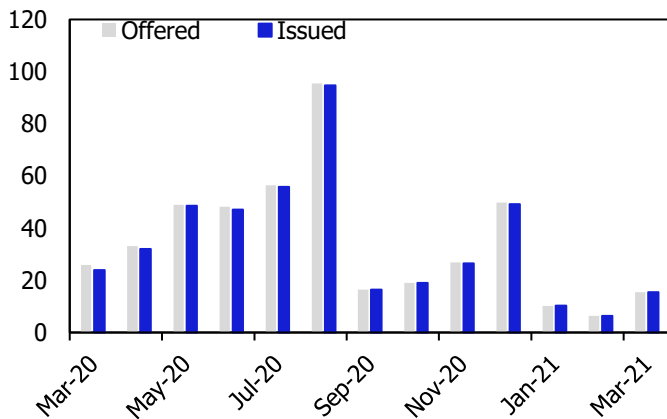


Source: ADB.

Corporate Bond Market

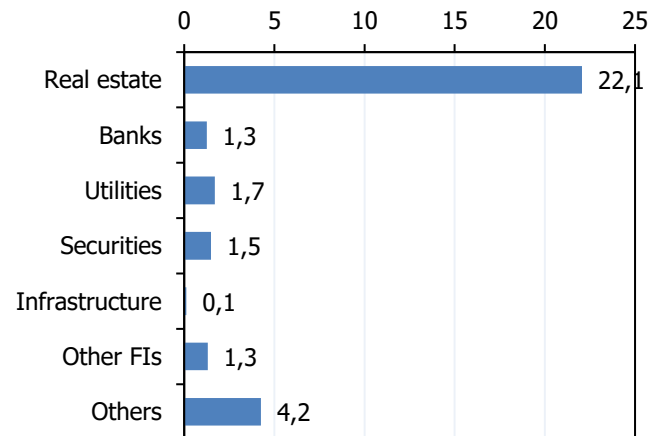
FiinPro data showed that in April, VND 8,829bn of corporate bonds were issued in the domestic market, and USD 500mn was issued to the international market of Vingroup. The weighted average interest rate is about 9.4%, about 1 percentage point lower than the same period last year.

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



Source: HNX, FiinPro, MBS Research.

Figure 19. Corporate bond issued by sectors in Q12021(VND tn)



Source: HNX, FiinPro, MBS Research.

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.

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