

**Anh Nguyen, CFA**

Analyst

[Anh2.nguyenduc@mbs.com.vn](mailto:Anh2.nguyenduc@mbs.com.vn)

**Tuan Hoang**

Head of Macro

[Tuan.hoangcong@mbs.com.vn](mailto:Tuan.hoangcong@mbs.com.vn)

*The open market did not have any new transactions in the first half of March and interbank interest rates remained at low levels, showing the liquidity of banking system has returned to abundance states. USD/VND exchange rates simultaneously increased due to the belief of investors in a fast recovery of the US economy. The State Treasury only issued less than VND 4,500bn of government bonds during the period with slightly increase yields. The yield of 10Y secondary government bonds continued to increase slightly compared to the previous month. Foreign investors net bought VND 1,146 of government bonds during the period.*

### Money Market

**Banking system liquidity returned to the state of abundance in the first half of March when the SBV did not conduct any transactions through the open market channel. Interbank interest rates are also maintained at low levels.**

Liquidity has stabilized after a volatile February. In the first half of March, the SBV did not conduct any new transactions through the open market channel. Most of the VND 60tn injected through this channel at the beginning of February had matured and returned to the SBV within the month.

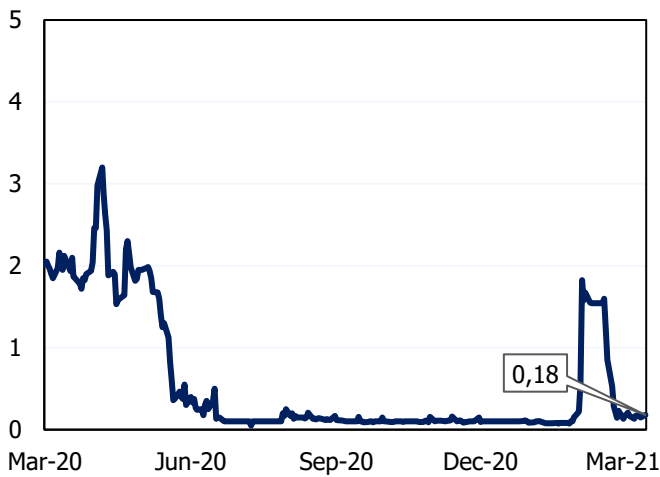
Liquidity returned to the abundance level, so the interbank interest rates also dropped sharply. SBV data showed that the average overnight interbank interest rate on March 15 was 0.29%/year, while a Bloomberg survey showed that the overnight interbank interest rate was 0.18%/year, an increase of 5bps since the end of last month. Interest rates for other terms were also around 0.3%-0.5%/year, slightly lower than the end of February.

### **USD/VND exchange rates continued to make a slight increase.**

In the first half of March, the DXY index rose from 90 to 92.3, along with the US government bond yields, reflecting investors' expectation of a recovering economy faster than expected. The USD/VND exchange rate in the free market also increased slightly from 23,845 VND/USD to 23,915 VND/USD in a month. The central and interbank rates also increased compared to the end of last month, respectively at 23,200 VND/USD, up 70 VND/USD and 23,136 VND/USD, up 62 VND/USD. Compared to other currencies in the region, the exchange rate of VND to USD remained at the most stable level.

Although the value of USD is increasing in the short term, with the USD 1.9tn support package of the US government and the decision to maintain interest rate at 0% by the Fed, we forecast the US dollars to depreciate in the medium term.

**Figure 1. Interbank overnight lending rate (%)**



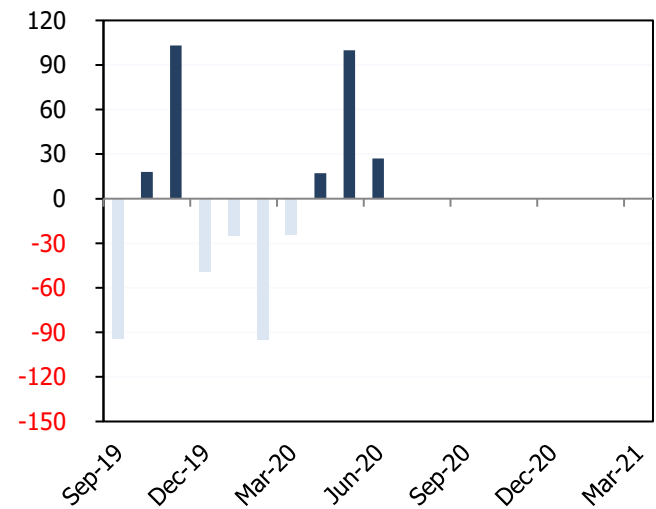
Source: Bloomberg.

**Figure 3. Interbank interest rate (%)**

	O/N	1 Week	2 Week	1 Month
31/12	0.09	0.11	0.16	0.30
29/01	0.15	0.26	0.42	0.52
26/02	0.23	0.42	0.52	0.80
15/03	0,18	0,29	0,37	0,52

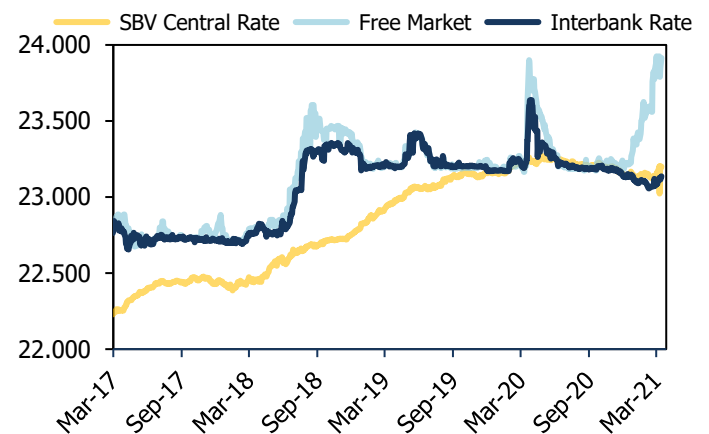
Source: Bloomberg.

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



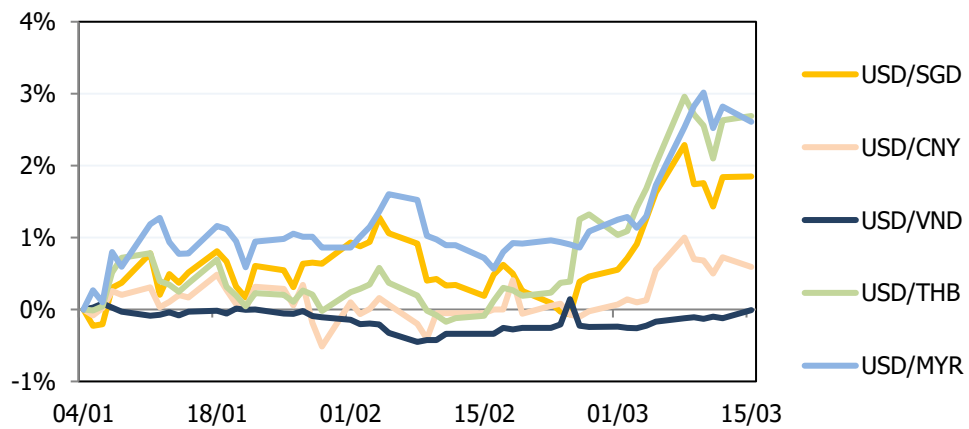
Source: SBV, MBS.

**Figure 4. USD/VND exchange rate**



Source: SBV, Bloomberg, MBS Research.

**Figure 5. Regional currencies performance in 2021**



Source: Bloomberg.

**Government Bond Market**

**Primary market**

**STV successfully issued VND 4,460bn of G-bonds in the same period.**

In the first half of March, the STV still faced difficulty issuing bonds. Out of the VND 12,250bn proposed, only VND 4,460bn of government bonds were successfully issued, a rate of 36%. Of which, 7Y term, not often auction, enjoy a 100% issue rate, accounted for the largest proportion among all tenors. The rate of issuance is quite slow, only completing 9% of year plan at the end of Q1.

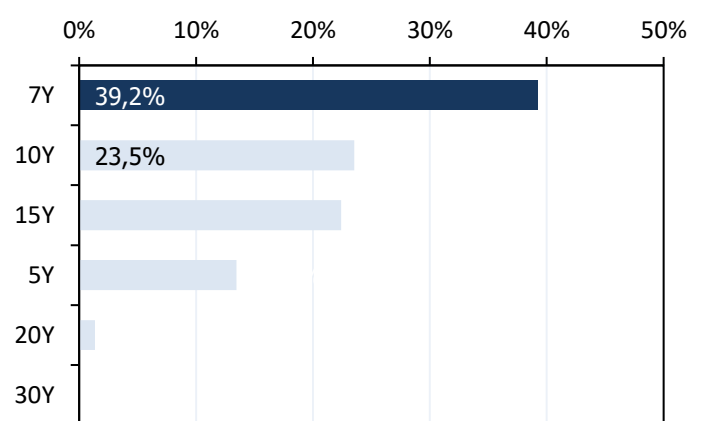
The yields increased slightly compared to the previous period. The 10Y and 15Y yields are 2.22%/year and 2.45%/year, respectively, an increase of 5bps. The 5Y term yield increased by 3bps to 1.06%/year. With this year issuance plan of VND 350tn, STV will need to raise yield to attract investors.

**Figure 6. G-bond auction result in March 2021**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,000	600	60%	1.06%
7Y	1,750	1,750	100%	1.45-1.46%
10Y	4,500	1,050	23%	2.22%
15Y	4,500	1,000	22%	2.45%
20Y	500	60	12%	2.89%
30Y				
<b>Total</b>	<b>12,250</b>	<b>4,460</b>	<b>36%</b>	<b>Unit: VND bn</b>

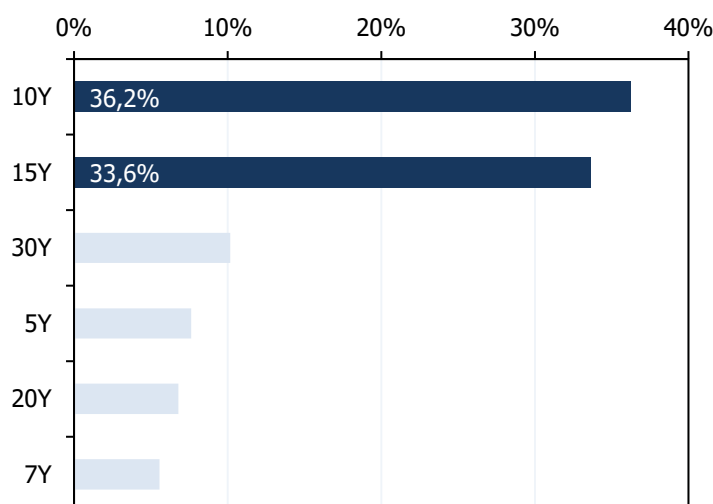
Source: HNX.

**Figure 7. G-bond successful issuance March 2021**



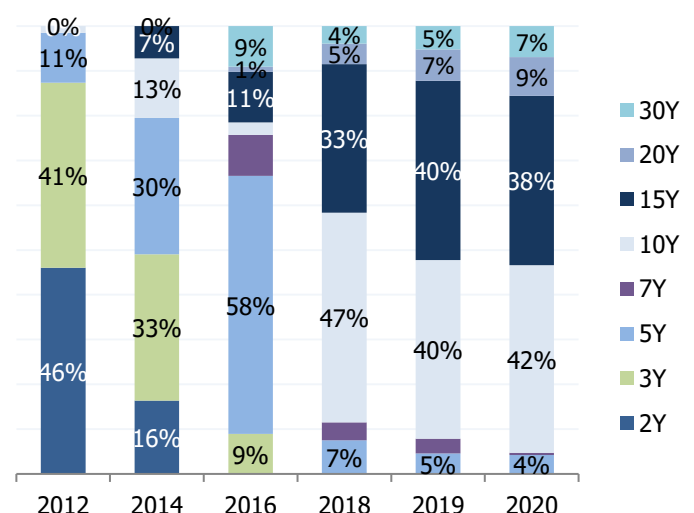
Source: HNX.

**Figure 8. G-bond successful issuance in 2021**



Source: HNX.

**Figure 9. G-bond successful issuance from 2021**















Source: HNX.

**Figure 10. Government bond issuance 2021**

Tenor	VST 2021 Plan	VST 2021 Issued	% VST 2021 Plan
5Y	20,000	2,400	12%
7Y	15,000	1,750	12%
10Y	120,000	11,400	10%
15Y	135,000	10,581	8%
20Y	30,000	2,140	7%
30Y	30,000	3,200	11%
<b>Total</b>	<b>350,000</b>	<b>31,471</b>	<b>9%</b>

Source: VST, HNX

**Figure 11. 10Y G-bond yields (%) in selected countries** **As at 15/03/2021**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.61	2.18	 14,1	69.9
EU	-0.32	-4.60	-6,6 	24.6
Japan	0.11	-1.20	-5,1 	9.0
China	3.27	2.70	-0,8 	12.5
South Korea	2.11	7.40	 13,5	38.3
India	6.20	-1.70	-3,2 	33.6
Malaysia	3.34	-4.10	 25,7	69.2
Singapore	1.62	0.80	 22,0	74.2
Indonesia	6.76	-2.30	 14,9	87.2
Philippines	2.67	-6.60	 28,4	77.5
Thailand	2.07	-0.30	 26,7	80.1
<b>Vietnam</b>	<b>2.43</b>	<b>0.20</b>	 3,6	<b>-15.1</b>

Source: Bloomberg.

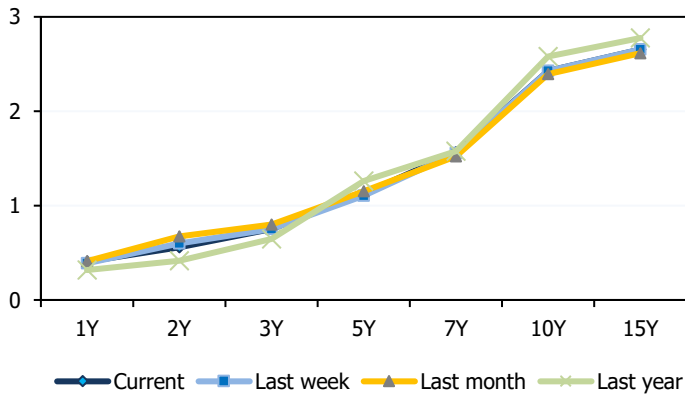
## Secondary Market

**G-bond yield rose slightly. Average daily transaction volume on the secondary government bond market decreased 20% compared to the previous month. Foreign investors net purchased over VND 1,146bn of government bonds.**

In the first half of March, 10Y treasury yield in Vietnam has not been fluctuated. The current 10Y yield is at 2.43%/year, a 4bps rise compared to last month. However, it is still 15bps lower compared to the beginning of the year, while other markets saw their yields increase by tens of bps.

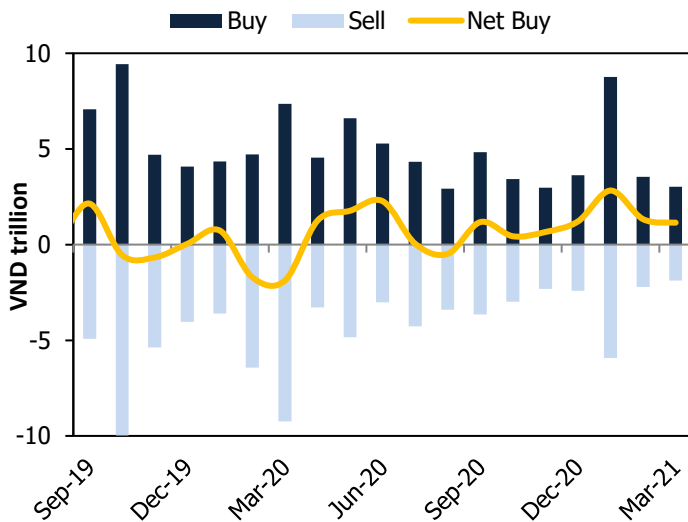
Government bond transactions in the secondary market during the period has slowed down, reached VND 9.3tn daily average, 20% lower than its February level. Of which, outright transactions accounted for 74% of volume in the period with VND 75.3tn. Average transaction volume was VND 6.8tn/day, down 4% compared to the previous month. Average daily repo trading volume decreased by 46% compared to January's level, reaching VND 2.4tn/day. Foreign investors continued to net purchase VND 1,146bn of government bonds. They have purchased VND 5,298bn in 2021 and VND 13,627bn in the past 12 months.

**Figure 12. Vietnam T-bond Yield (%)**



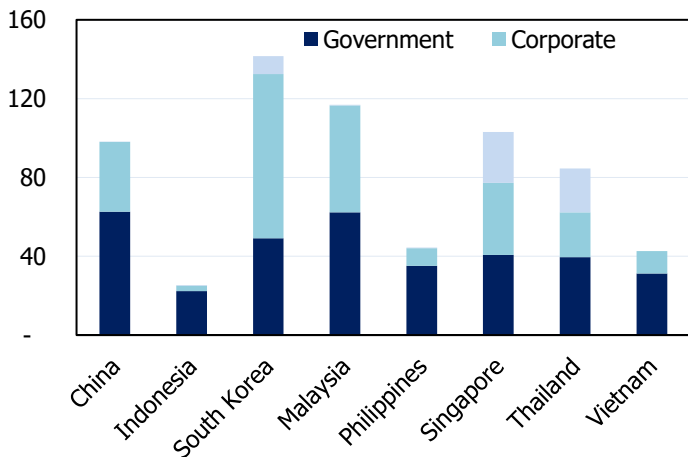
Source: Bloomberg.

**Figure 14. Foreign investors' activity in secondary market**



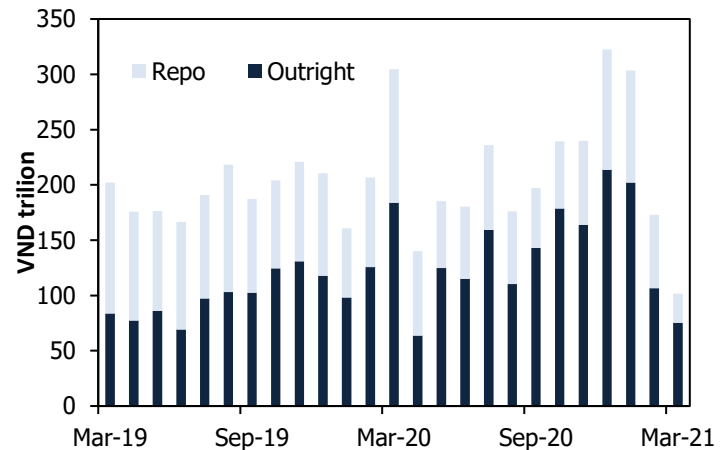
Source: HNX.

**Figure 16. Size of bond markets (%GDP Q3.2020)**



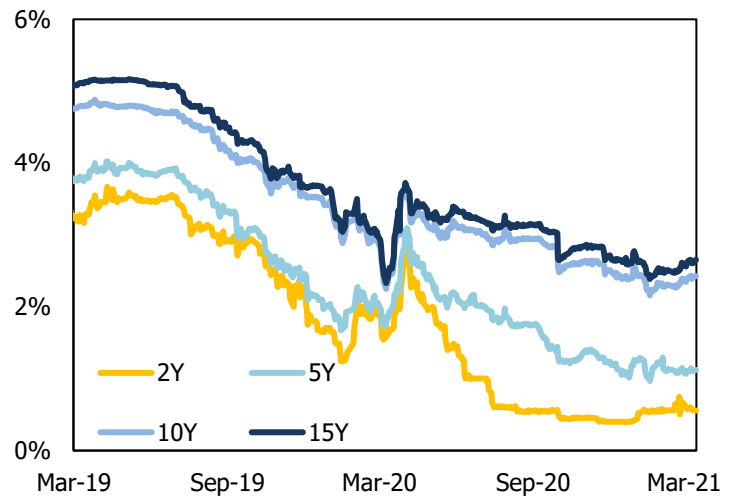
Source: ADB.

**Figure 13. Outright and Repo transaction volume**



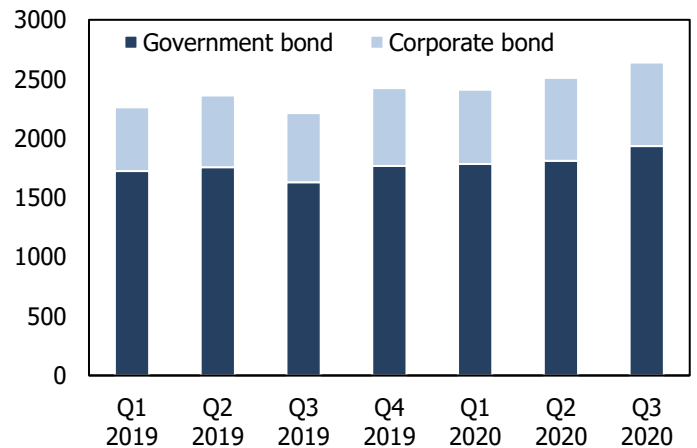
Source: HNX.

**Figure 15. G-bond yield curve – Secondary Market**



Source: Bloomberg.

**Figure 17. Vietnam bond market size (VND tn)**

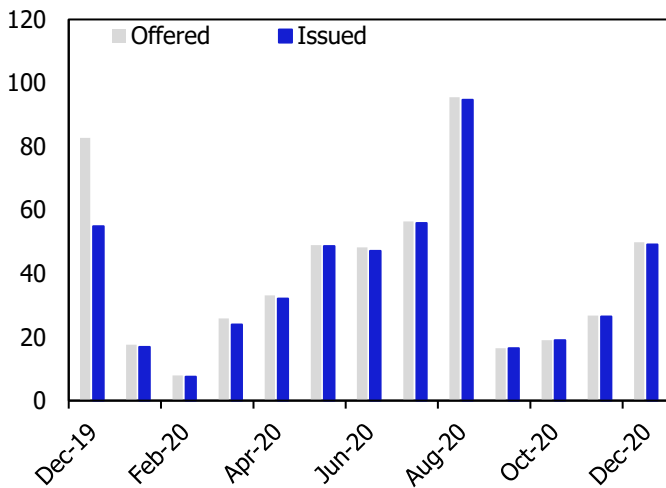


Source: ADB.

### Corporate Bond Market

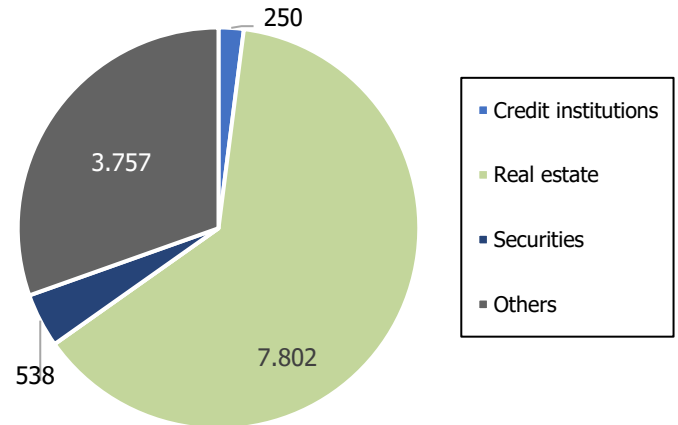
FiinPro data shows that in the first half of March, only VND 3,045bn of corporate bonds were successfully issued, including VND 2,860bn issued publicly by Vingroup. The new regulations in Decree 81 make it more difficult for enterprises to issue bonds individually, but to switch to public offering. We expect this trend to continue in the coming months.

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



Source: HNX, FiinPro, MBS Research.

**Figure 19. Corporate bond issued by sectors in 2M 2021 (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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## **MBS HEAD OFFICE**

MB Building, 21 Cat Linh, Dong Da, Hanoi

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

Website:

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