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Liquidity in the system was somewhat more stressful in the first half of April as shown by a slight increase in interbank interest rates. SBV continued to net injection of more than VND 2,000bn through the open market channel. USD/VND exchange rate on different markets moved in contrasting directions. STV issued VND 3,120bn of G-bonds during the period. The yield of secondary G-bonds increased significantly at all terms. Foreign investors continued to net sell VND 1.545bn of G-bonds this period.

Money Market

Interbank interest rates returned to rise slightly due to liquidity of the banking system is somewhat tense. SBV injected VND 2,000bn through the open market channel and all this money was returned to the SBV in April.

Liquidity in the system was somewhat more strained in the first half of April as shown by a slight increase in interbank interest rates. A Bloomberg survey showed that the overnight interbank rates are trading at 1.95%/year, up by 7 bps compared to the end of last month. Interest rates for other terms are also around 2.13%-2.30%/year, an increase of about 4-10 bps compared to the end of March.

Existing inflationary pressures in 2022 are expected to affect interest rates. If inflation increases, it will put pressure on banks to increase deposit rates, so they can attract the idle cash flow of residents. Since the beginning of the year, deposit rates at commercial banks have been continuously adjusted, most follow the upward trend for many maturities with the current highest interest rate of 7.8%. In the opposite direction, the interest rate compensation package of 2% in 2022-2023 when implemented will support the lending interest rate to continue to be anchored at the low level as recently to support businesses.

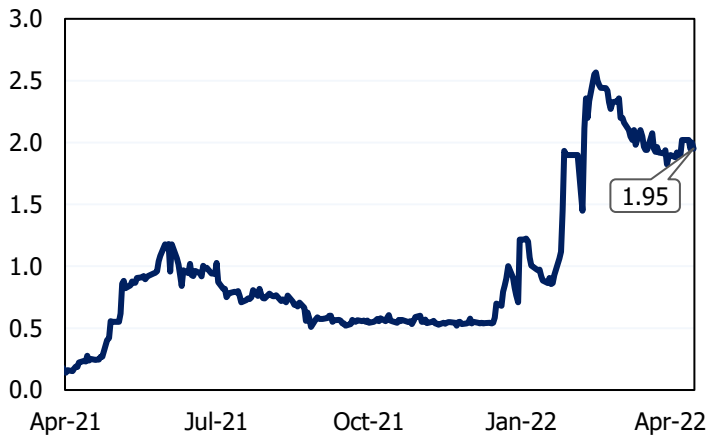
In the first half of April, SBV continued to net inject VND 2,340.03bn via the OMO channel, with a rate of 2.5%/year, tenor of 2 weeks. Total maturity from last month reached VND 4,824.84bn, bringing the amount of OMO in circulation to VND 2,217.84tn. Thus, the whole amount will return to SBV in April.

USD/VND exchange rate on different markets moved in contrasting directions.

In the first half of April, the USD/VND exchange rate did not change much except that the exchange rate on the free market was slightly reduced. Compared to the end of March, the USD/VND exchange rate on the free market went down by VND 70 per USD and is currently trading at 23,275 VND/USD. The central and interbank rates were respectively traded at VND 23,106 per USD, up VND 6 per USD and VND 23,003 per USD, up VND 35 per USD.

In April, the DXY Index surged to 100.5 after data showed US retail sales rose in March, mainly driven by higher gas and food prices. At the same time, an increasing number of Federal Reserve officials (Fed) commented on the Fed's readiness to normalize monetary policy at a faster pace with a series of interest rate hikes along with tightening quantitative will support the USD to extend the upward momentum.

Figure 1. Interbank overnight lending rate (%)



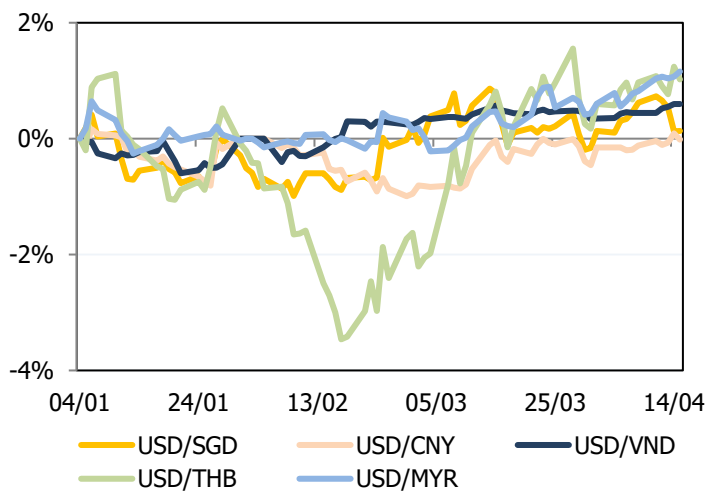
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/01	1.90	1.88	2.02	2.02
28/02	2.33	2.38	2.27	2.33
31/03	1.88	2.03	2.16	2.26
15/04	1.95	2.13	2.21	2.30

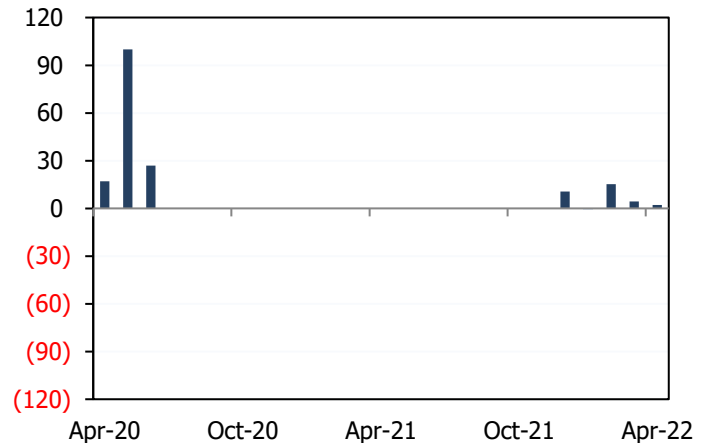
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



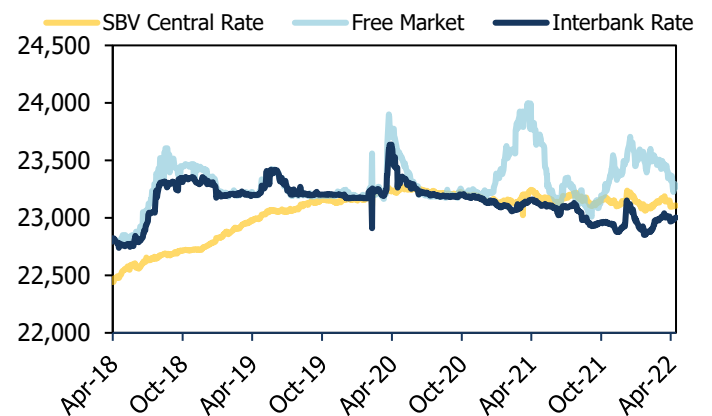
Source: Bloomberg.

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



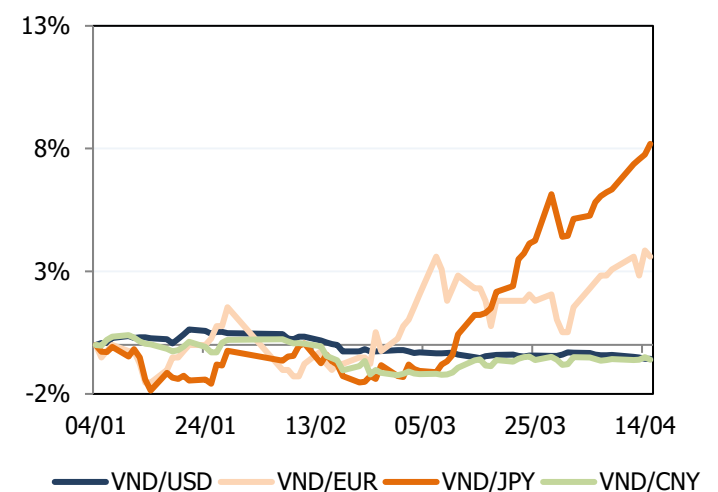
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2022



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 2,120bn of G-bonds this period with the winning yield went up slightly at two main terms compared to the end of March.

In the first half of April, the STV faced difficulty issuing bonds. In the VND 11,000bn proposed, there were only VND 2,120bn of G-bonds successfully mobilized, at the rate of 19%. The STV has set out a plan to issue G-bonds in Q2 of 2022 at VND 120,000bn (including the issuance volume for Vietnam Social Insurance), of which 10Y and 15Y terms are expected to have the largest issuance volume, respectively at VND 45,000bn and VND 35,000bn.

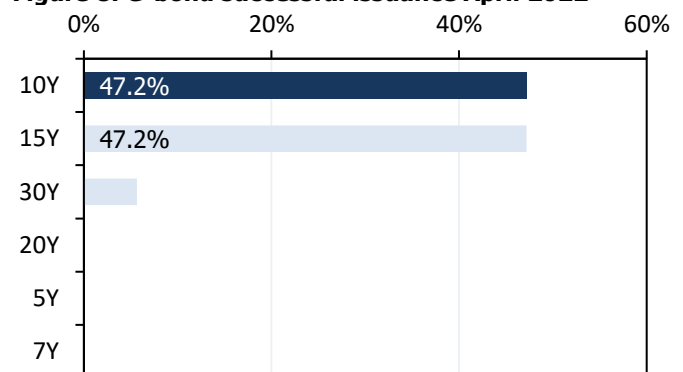
The winning yield of the bonds grew slightly compared to the previous month, mainly in the two main tenors. The yield for 10Y was 2.24%/year, up 4bps compared to the end of the previous month while the yield for 15Y terms increased 4bps to 2.54%/year. According to data from the Ministry of Finance, investment capital disbursements totaled VND 61,536bn in the first quarter, achieving 11% of the target. Notably, more than VND 50,000bn remains unallocated, and 29 units have yet to disburse capital plans. As seen by the low winning yield, the low disbursement rate has not been able to put pressure on the issue of government bonds. We forecast that government bond yields will increase slightly in the coming months as the demand for bonds issued by the STV rises in line with the intention to accelerate the disbursement of public investment to stimulate the economy as well as provide financing capital for maturing bonds.

Figure 7. G-bond auction result in April 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	500	0	0%	0.00%
7Y	500	0	0%	0.00%
10Y	4,500	1,000	22%	2.24%
15Y	4,500	1,000	22%	2.54%
20Y	500	0	0%	0.00%
30Y	500	120	24%	3.01%
Total	11,000	2,120	19%	Unit: VND bn

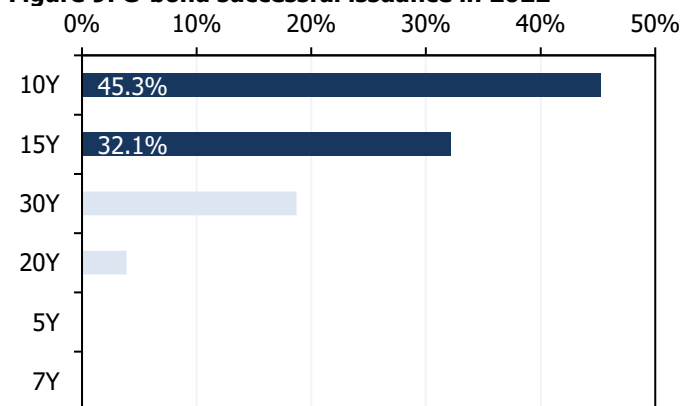
Source: HNX.

Figure 8. G-bond successful issuance April 2022



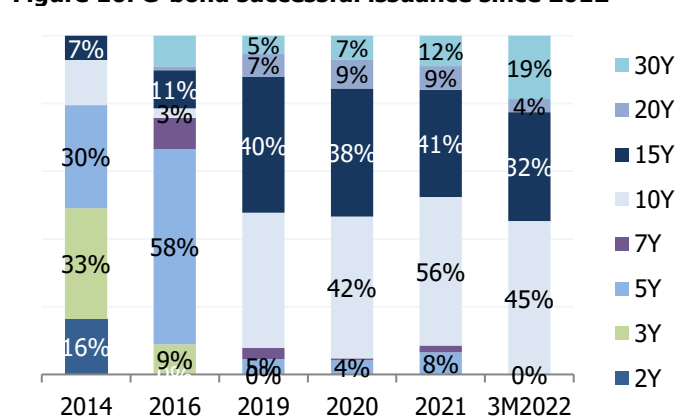
Source: HNX.

Figure 9. G-bond successful issuance in 2022



Source: HNX.

Figure 10. G-bond successful issuance since 2012



Source: HNX.

Figure 11. Government bond issuance 2022

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	19,642	14%
15Y	150,000	13,950	9%
20Y	30,000	1,685	6%
30Y	35,000	8,125	23%
Total	400,000	43,402	11%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries **As at 15/04/2022**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.83	12.75	49.0	131.7
EU	0.84	13.50	29.4	101.9
Japan	0.24	1.10	2.1	17.0
China	2.79	3.20	0.4	1.2
South Korea	3.32	13.90	35.5	106.5
India	7.22	9.80	37.9	76.1
Malaysia	4.09	9.00	23.9	52.5
Singapore	2.56	0.05	18.5	83.8
Indonesia	6.93	13.10	19.2	54.8
Philippines	4.01	31.80	60.9	166.1
Thailand	2.63	9.34	16.9	66.7
Vietnam	3.16	28.00	69.5	99.0

Source: Bloomberg.

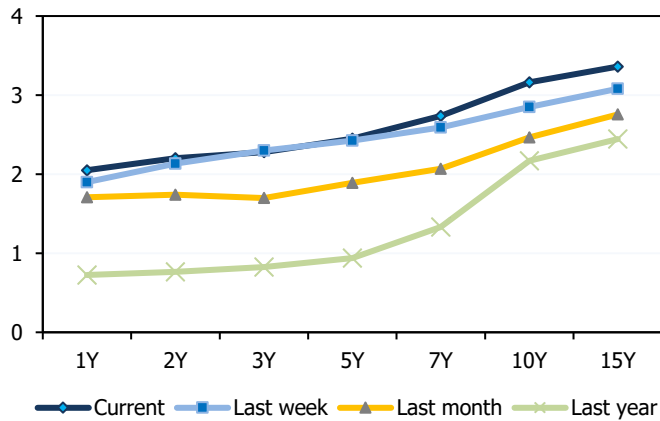
Secondary Market

G-bond yield went up in all terms. Average transaction volume on the secondary G-bond market went down by 7% MoM with the proportion of repo transactions increasing compared to previous month. Foreign investors net sold over VND 1,545bn of G-bonds.

Following the trend in the world, the yield of 10Y G-bond in Vietnam has increased in recent times. In the first half of April, the 10Y yield was at 3.16%/year, up 70bps compared to the previous month whereas the 2Y yield grew to 2.2%/year, up 46bps. Since the beginning of the year, the 2Y yield has increased by 144 bps while the 10Y term yield also increased by 99bps.

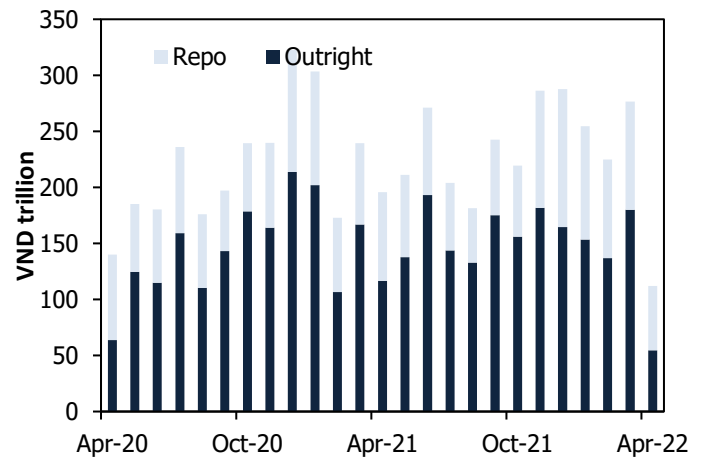
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 11.1tn, down by 7% from March's average. Of which, outright trading accounted for 49% of the volume this period and VND 54.6tn. The average transaction was VND 5.4tn/day, down by 30% from the previous month's average. Average repo trading volume increased by 34% compared to March, reaching VND 5.7tn/day, accounted for 51% of the volume this period. Foreign investors continued to net sold VND 1,545bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 1,601bn of G-bonds in 2022 and net purchased VND 3,005bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



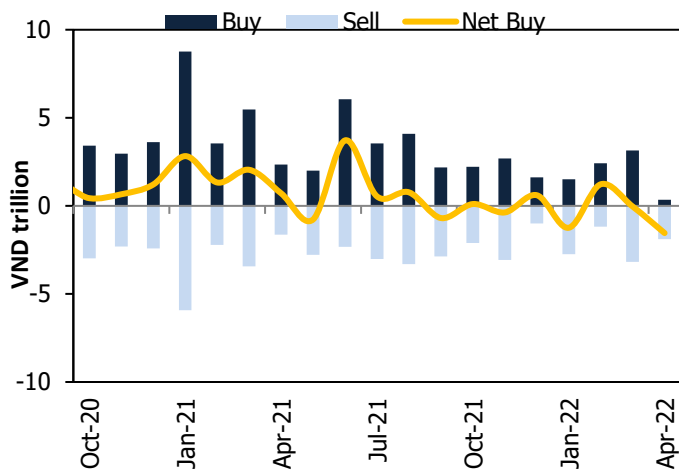
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



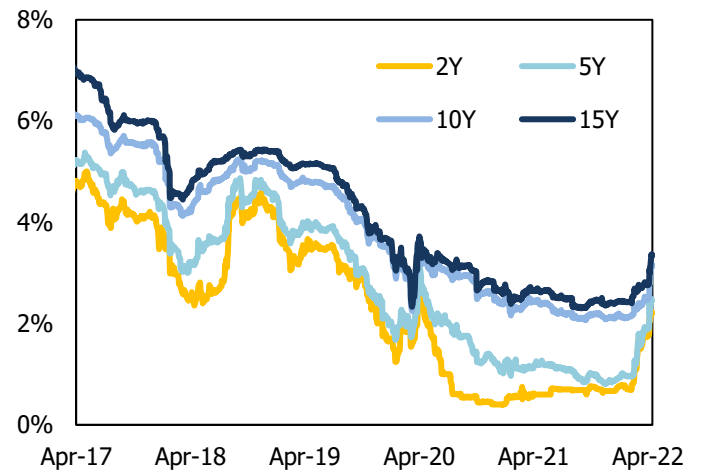
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



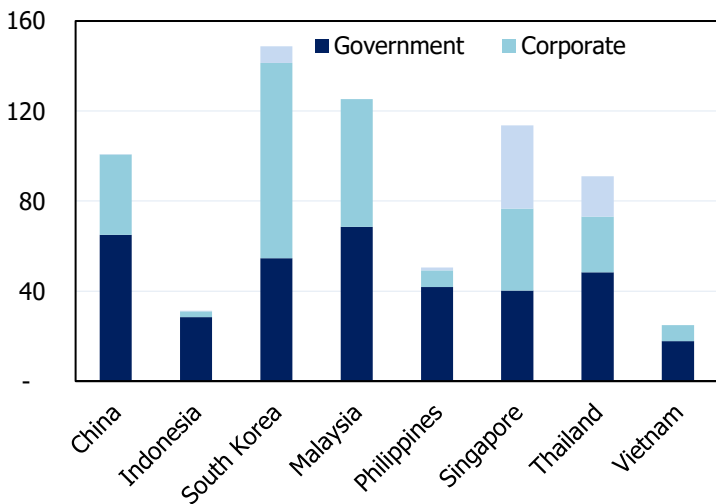
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



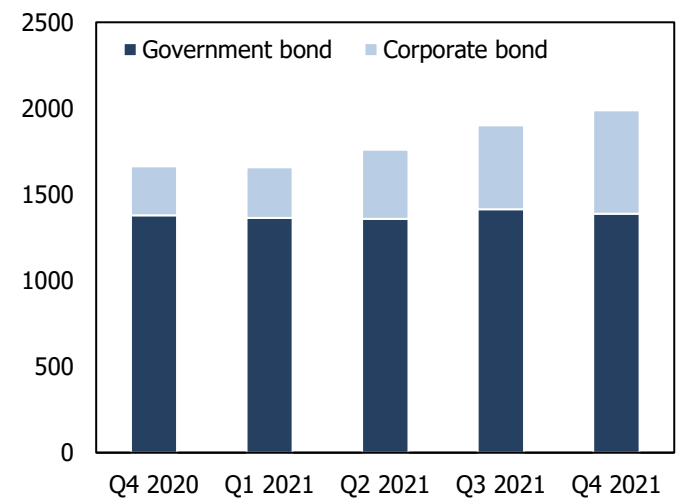
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q4 2021)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

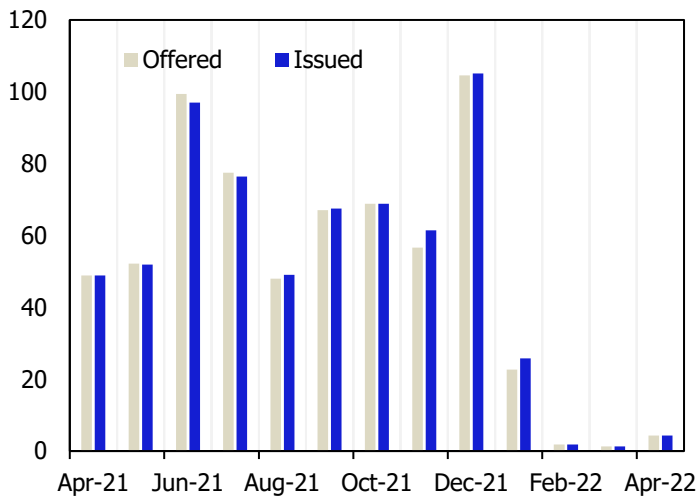


Source: ADB.

Corporate Bond Market

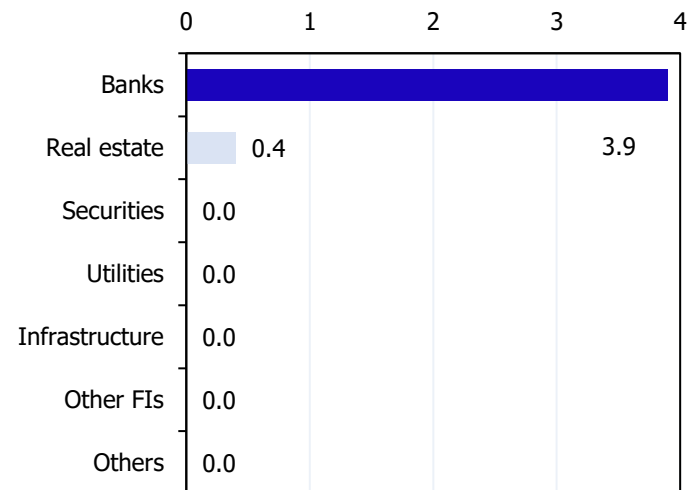
FiinPro data showed that in the first half of April, VND 4,300bn of corporate bonds were issued in the domestic market. Of which, Military Joint Stock Commercial Bank issued the most significant bond volume of VND 2,400bn. In addition, Viet Capital Commercial Joint Stock Bank issued bonds with the highest coupon rate of 8.6%/year with the volume of VND 300bn.

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



Source: HNX. FiinPro. MBS Research.

Figure 20. Corporate bond issued by sectors in April 2022(VND tn)



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in April 2022

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
MBB	Ngân hàng Thương mại Cổ phần Quân đội	3	2,400	N/A
ACB	Ngân hàng Thương mại Cổ phần Á Châu	2	1,000	N/A
IDC	Tổng Công ty IDICO - CTCP	3	400	N/A
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	7	300	8.60%
VPB	Ngân hàng Thương mại Cổ phần Việt Nam Thịnh Vượng	3	200	N/A

Source: HNX, FiinPro, MBS Research.

PRODUCT

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