

Fixed income report**March 2023****Tuan Hoang**

Chief Economist

Tuan.hoangcong@mbs.com.vn**Anh Le**

Research Analyst

Anh.LeMinh@mbs.com.vn

The SBV decided to lowering the operating interest rate for the second time in a month. Due to abundant liquidity, the SBV stop withdraw money through T-bills channel and reduce the volume of money injection into the system. Interbank interest rates fell sharply at all tenors. VND is appreciating against USD. STV issued VND 35,446tn in the month, completing 97% of the first-quarter G-bonds issuance plan. Following the global trend, secondary G-bonds yields continued to decline sharply. Foreign investors resumed their net purchase of 1,133bn of G-bonds during the month.

Money Market

Interbank interest rates fell sharply after the SBV decided to lower the key interest rates. SBV stopped making withdrawals in the last 2 weeks and only increased its OMO channel injections by approximately 640bn.

The credit growth of the economy as of March 28 reached 2.06% compared to the end of 2022, not high compared to the growth period of the same period last year. This stems from the difficult situation in many areas, causing the capital needs of enterprises to slow down. The demand for credit in the economy declined, making it difficult for the banking system to push credit high despite the large excess of liquidity. To support the economy, the SBV has twice in a row lowered the key interest rates in March. Last week, the SBV has decided to lower 0.3%-0.5% the key interest rates, with the adjustments taking effect on April 3. Accordingly, the refinancing rate is lowered by 0.5% p.a.; short-term lending rates of credit institutions for some fields decreased by 0.5% p.a.

A Bloomberg survey showed that the overnight interbank interest rates are trading at 1%/year, down sharply from 5.2% at the end of last month and the interest rate level has returned to the level of July 2022. Interest rates for other terms are also around 1.82%-4.06%, down sharply compared to the end of February. Deposit interest rates at commercial banks decreased by 0.5%-1.5% in all terms when SBV made the decision to reduce the ceiling deposit interest rate. Accordingly, the maximum VND mobilization interest rate for demand and below 1-month terms is applied at 0.5% p.a; the maximum VND mobilization interest rate for time deposits of 1-month to below 6-month terms decreases to 5.5% p.a.

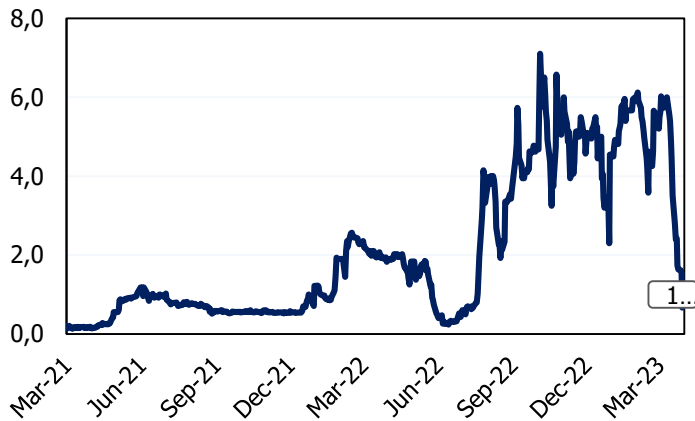
The abundant liquidity created conditions for the SBV to stop withdraw money through T-bills and also reduce the amount of money injected into the system. In the second half of March, the SBV only injected nearly 640bn through the open market channel with the interest rate of 5.5%/year for a term of 28 days.

VND is appreciating against the USD.

Since the beginning of the year, the SBV has bought foreign currency from credit institutions to replenish the state's foreign exchange reserves and put a large amount of VND into circulation to help stabilize the foreign currency market. Compared to the end of February, the VND/USD exchange rate on the free market went down by 365 per USD and is currently trading at 23,505 VND/USD. The central and interbank rates were respectively traded at VND 23,600 per USD, down 44 per USD and VND 23,536 per USD, down 182 per USD.

The USD Index is recording at 102.19. The USD index has fallen by 1.8% in March, pressured by concerns that uncertainty in the banking sector would weigh on economic activity, prompting the Fed to pause its monetary tightening cycle sooner than previously expected. In March, the Fed approved a 0.25% point increase in interest rates, the smallest increase since March 2022, bringing the federal funds rate to the target range of 4.5% - 4.75%.

Figure 1. Interbank overnight lending rate (%)



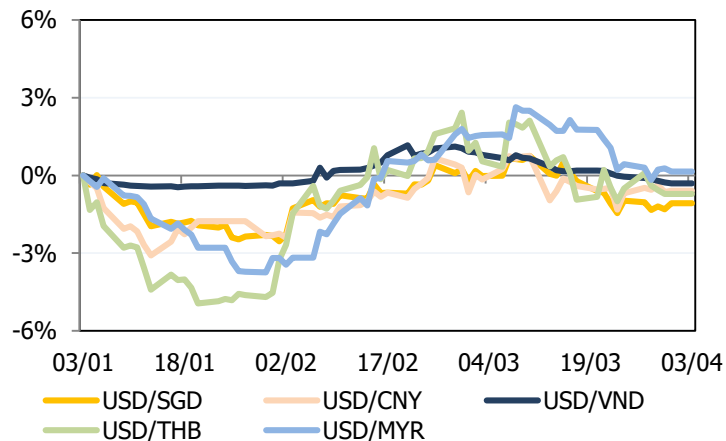
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/12	4.57	5.23	5.67	6.27
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

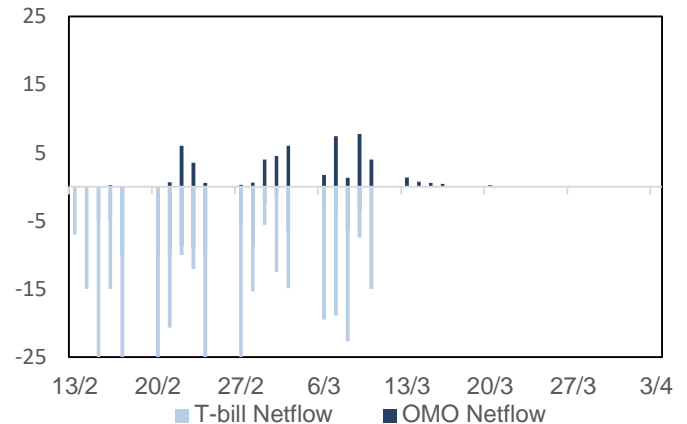
Source: Bloomberg.

Figure 5. Regional currencies performance in 2023



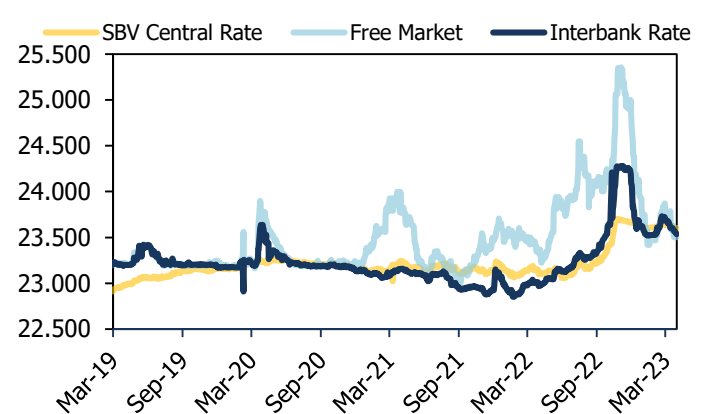
Source: Bloomberg.

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



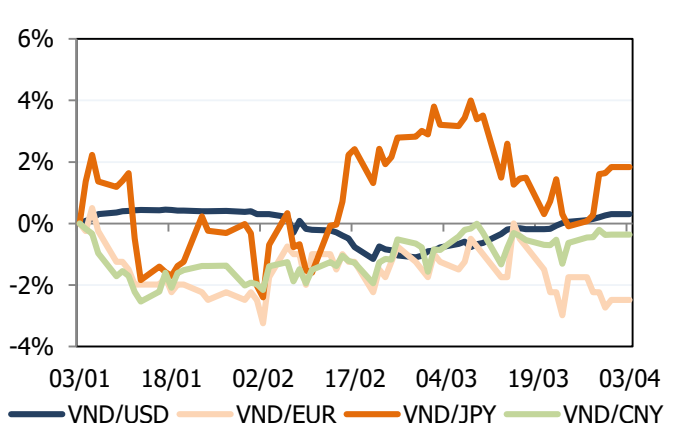
Source: SBV, MBS Research.

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 35,446bn of G-bonds this month with the winning yield continuing to decline sharply compared to the end of last month. STV completed 97% of the plan for issuing G-bonds in the first quarter.

In March, STV has mobilized quite a lot of G-bonds but the winning rate decreased slightly compared to February. The amount of G-bonds successfully issued by STV reached VND 35,446bn out of a total of VND 51tn proposed, at the rate of 70%. Thus, STV issued a total of VND 104,873bn of G-bonds in the first quarter, reaching 97% of the quarterly plan (VND 108,000bn) and 26% of the year plan (VND 400,000bn). In which, bonds at 10Y and 15Y terms completed 105% and 106% respectively, exceeding the quarter's plan.

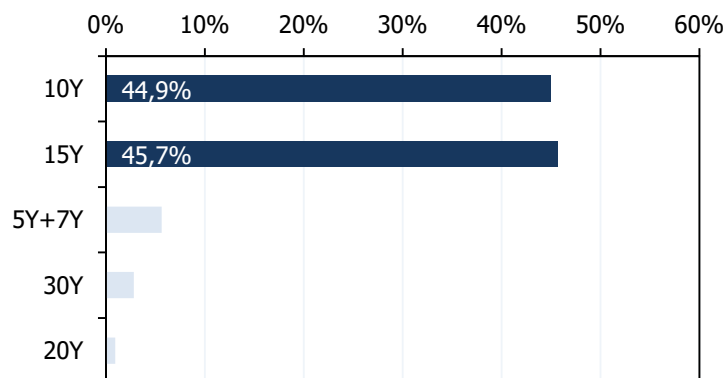
Winning yields of bonds in the entire first quarter tended to decrease. At the end of March, 10Y and 15Y tenor yields were 3.45%/year and 3.6%/year respectively, down 67-72 bps compared to the end of last month. The yields for 5Y tenor fell 72 bps to 3.65%/year. The recent abundant liquidity of the banking system has facilitated the Government to mobilize bonds with increasingly low interest rates, but the mobilization of G-bond capital in 2023 is expected to remain challenging, as the world situation continues to develop complicatedly. STV sets out the plan to closely monitor market developments, the plan to repay maturing principal and the ability to disburse public investment capital to manage the appropriate bond issuance volume as purpose of meeting the capital needs of the central budget.

Figure 7. G-bond auction result in March 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	4,500	4,200	93%	2.93%-3.75
7Y	750	750	100%	3.80%
10Y	17,250	11,695	68%	3.45%-4.17%
15Y	22,500	14,846	66%	3.6%-4.36%
20Y	1,500	1,000	67%	3.75%
30Y	4,500	2,955	66%	3.8%-4.2%
Total	51,000	35,446	70%	Unit: VND bn

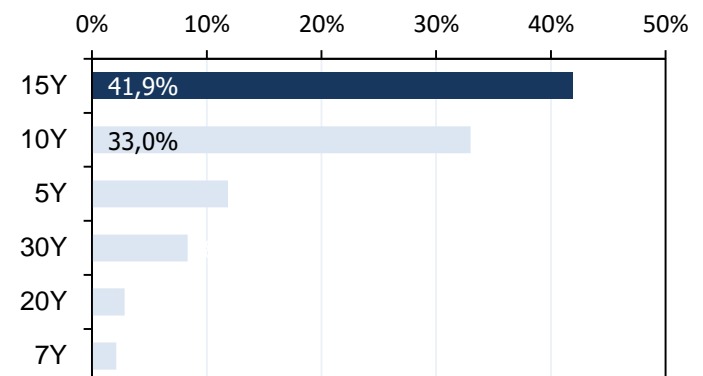
Source: HNX

Figure 9. G-bond successful issuance in 2023



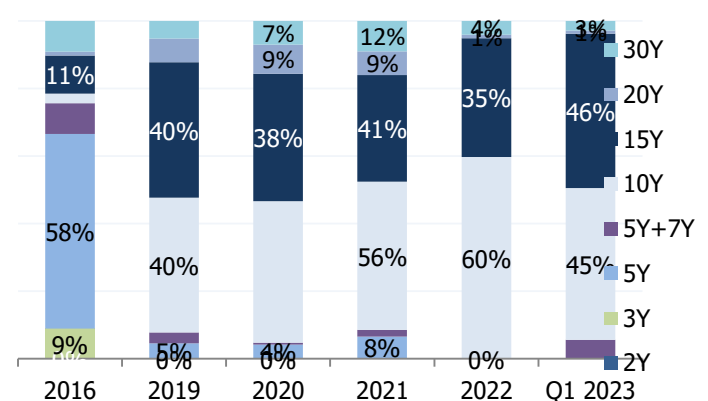
Source: HNX

Figure 8. G-bond successful issuance March 2023



Source: HNX.

Figure 10. G-bond successful issuance over the years





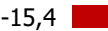
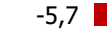

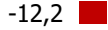
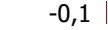

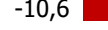



Source: HNX

Figure 11. Government bond issuance 2023 (bn VND)

Tenor	VST Q1 2023 plan	VST Q1 2023 issued	% VST Q1 2023 plan
5Y + 7Y	8,000	5,900	74%
10Y	45,000	47,127	105%
15Y	45,000	47,891	106%
20Y	5,000	1,000	20%
30Y	5,000	2,955	59%
Total	108,000	104,873	97%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries
As at 31/03/2023
***Bps changed compared to last closing**

Market	Last closing	Last week*	Last month	31/12/2021*
U.S.	3.47	9.14	-45,2 	-40.7
EU	2.29	16.30	-35,9 	-27.9
Japan	0.35	3.50	-15,4 	-7.1
China	2.86	-1.30	-5,7 	1.9
South Korea	3.36	13.80	-40,0 	-37.5
India	7.31	-1.60	-12,2 	-1.7
Malaysia	3.91	3.40	-0,1 	-15.9
Singapore	2.95	10.53	-37,2 	-12.4
Indonesia	6.79	-1.30	-10,6 	-14.7
Philippines	4.76	-0.98	-38,8 	-8.3
Thailand	2.40	6.94	-20,6 	-23.3
Vietnam	3.24	-24.00	-114,2 	-155.2

Source: Bloomberg.

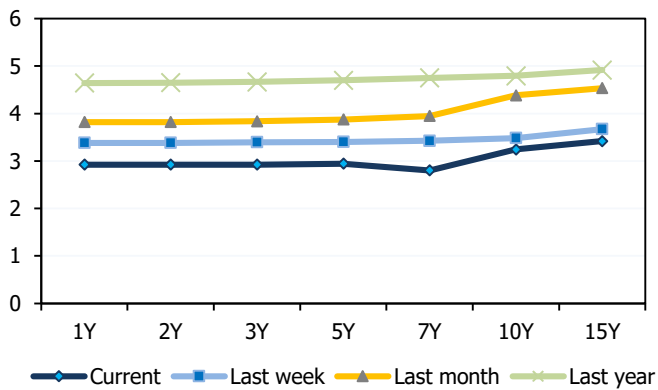
Secondary Market

Secondary G-bond yields reduced during the month at all tenors. Average transaction volume on the secondary G-bonds market went down by 4% MoM with proportion of outright transactions increasing gradually. Foreign investors returned to net purchase of VND 1,133bn of G-bonds this month.

At the end of March, the 10Y yield was at 3.24%/year, down 114bps compared to the previous month and the 2Y yield fell to 2.92%/year, down 90 bps. The domestic market's 10Y secondary bond yield as well as international market tended to decrease.

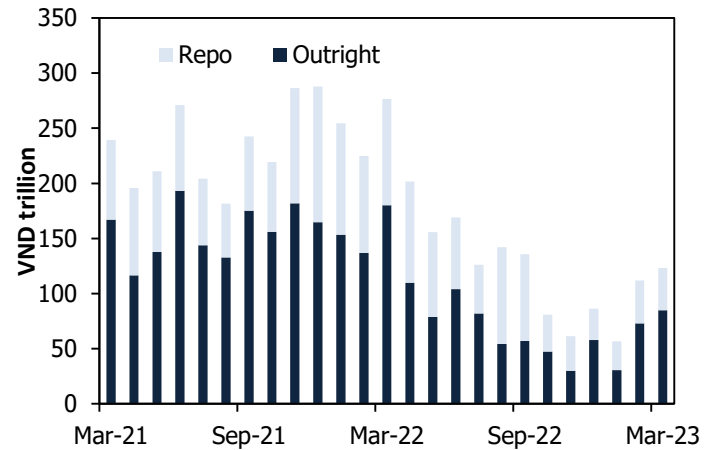
The volume of G-bonds transactions in the secondary market remained in March as it reached VND 5.3tn daily average, down 4% from the previous month. Of which, outright trading accounted for 69% of the volume this month and nearly VND 85tn. Average transaction was VND 3.6tn/day, unchanged from the previous month's average. Average repos trading volume decreased by 14% compared to February, reaching VND 1.6tn/day. In March, foreign investors returned to net purchase G-bonds with an amount of VND 1,133bn. Overall, foreign investors net sold a total of VND 645bn of G-bonds in 2023 and VND 7,674bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



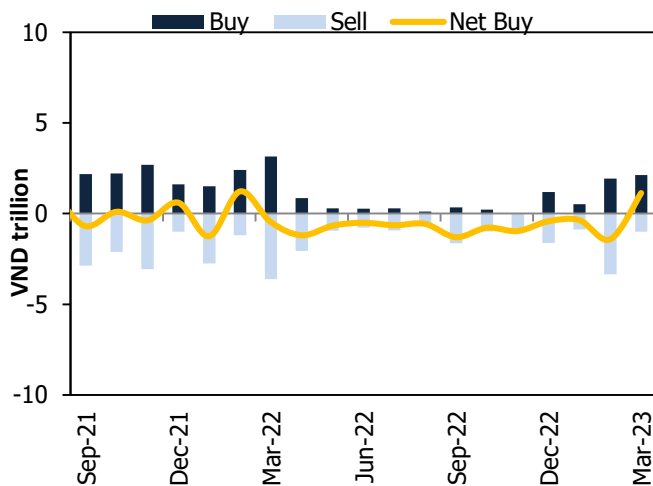
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



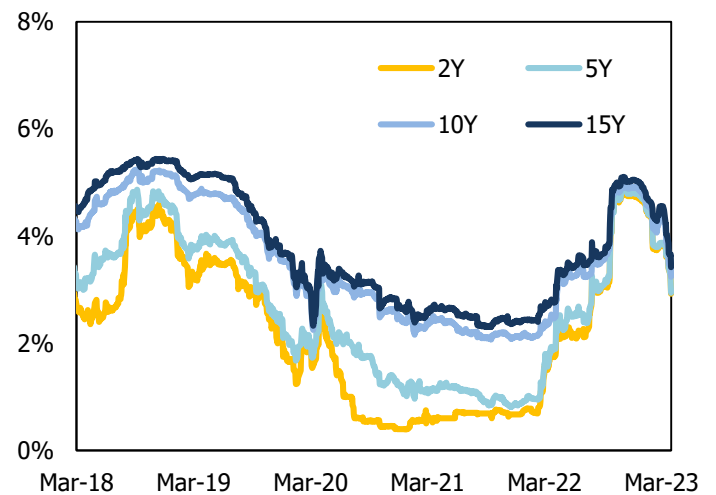
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



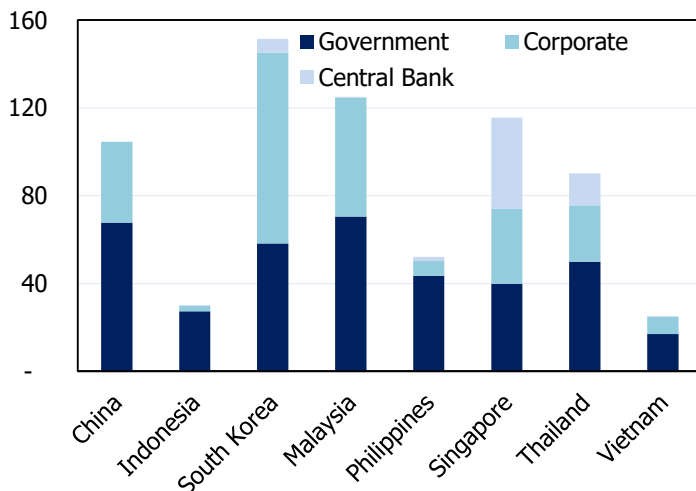
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



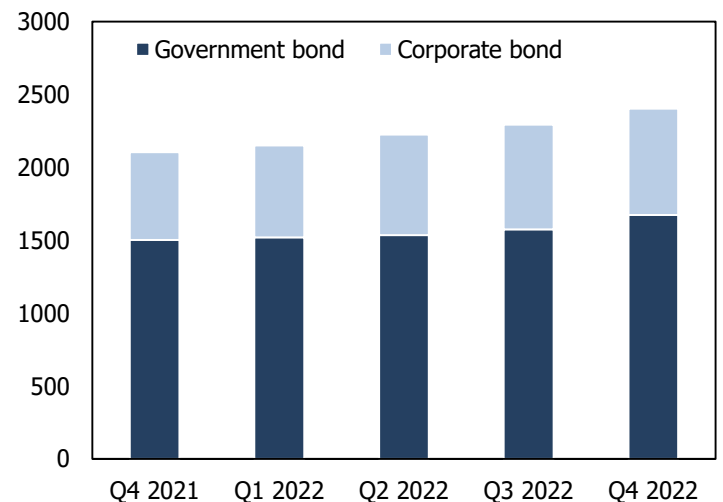
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

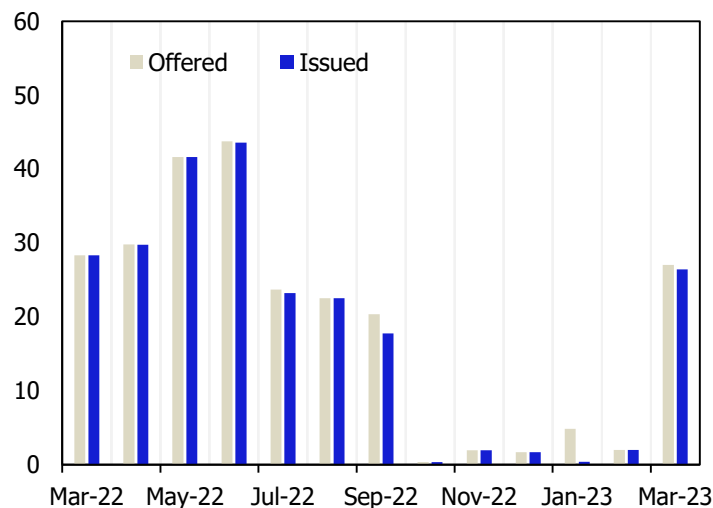


Source: ADB.

Corporate Bond Market

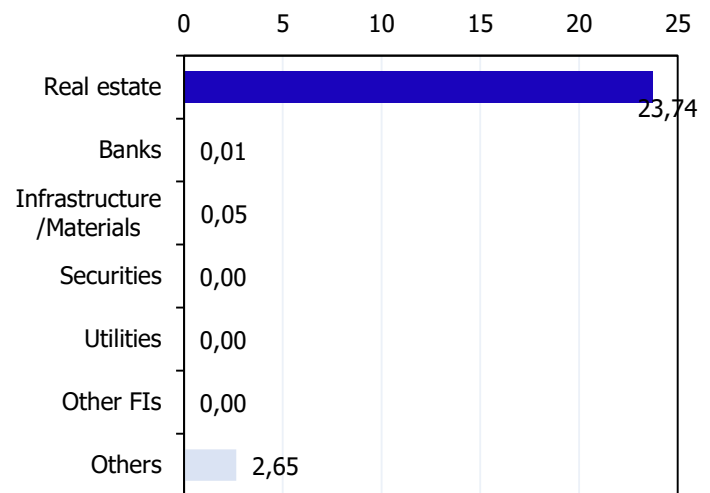
FiinPro data shows that in March, VND 26,435bn of corporate bonds were issued in the domestic market. In which, VND 2,000bn of bonds issued to the public belong to Masan Group Corporation with a term of 5 years. In addition, Nam An Investment and Trading Joint Stock Company issues bonds with the highest coupon rate of 13%/year. After the issuance of Decree 08/2023, the real estate industry group issued bonds with the largest issuance proportion in March reaching VND 23,735bn.

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



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issued by sectors in March 2023(VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in March 2023

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty TNHH Đầu tư và Phát triển Đô Thị Hưng Yên	1	7,200	N/A
	CÔNG TY TNHH Kinh doanh Nội thất Luxury Living	5	4,800	9%
	CÔNG TY CP ĐẦU TƯ VÀ KINH DOANH NAM AN	1.5	4,700	13%
	Công ty Cổ phần Đầu tư kinh doanh và phát triển đô thị Ngôi sao Phương Nam	1.5	4,695	13%
	CÔNG TY TNHH KINH DOANH BẤT ĐỘNG SẢN DREAM CITY VILLAS	5	2,300	6%
MSN	Công ty Cổ phần Tập đoàn Masan	5	2,000	N/A
BAF	Công ty Cổ phần Nông nghiệp BAF Việt Nam	7	600	5.25%
	CÔNG TY CỔ PHẦN THƯƠNG MẠI SẢN XUẤT VÀ ĐẦU TƯ HÀ THÀNH	2	45	12%
	CÔNG TY CỔ PHẦN PHÂN PHỐI HDE	2	45	12%
	CÔNG TY CỔ PHẦN ĐẦU TƯ VÀ THƯƠNG MẠI XUẤT NHẬP KHẨU THỦ ĐÔ	2	40	12%
BAB	Ngân hàng Thương mại Cổ phần Bắc Á	7	10.05	N/A

Source: HNX, FiinPro, MBS Research.

PRODUCT

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MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

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

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