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*Liquidity demand surge caused a dramatic rise in interbank rates. Commercial banks took advantage of the low OMO rate and managed to raise over VND 9.9tn from SBV via this channel in the first month of the year. VND is appreciating against the USD. STV issued VND 23,082bn of G-bonds during the month, and in 2021 has completed 91% of the year plan at the same yield level. G-bond yield fell slightly. Foreign investors net sold VND 1,245bn of G-bonds during the month.*

## Money Market

**Interbank rates hiked significantly due to rising liquidity demand at the end of the lunar year caused commercial banks to turn to OMO channel for liquidity help. SBV net injected VND 9,898.69bn during the month via the OMO channel.**

Due to the increased demand for payments and credit at the end of the year, interbank interest rates rose sharply. A Bloomberg survey showed that the overnight interbank rates are trading at 1.9%/year, up by 68 bps compared to the end of last month. Interest rates for other terms are also around 1.88%-2.02%/year, an increase of about 19-47 bps compared to the end of December.

Despite being negatively affected by the Covid-19 epidemic, the whole economy's credit increased right from the beginning of 2022 with a strong growth rate of 1.9%. As of December 31, 2021, credit across the economy increased by 13.53% compared to the end of 2020, credit growth was accelerated at the end of the year when additional credit growth limits were granted to some private commercial banks on the last days of the year. With the supportive monetary policy continuing to be maintained in 2022, credit growth is expected at 14%.

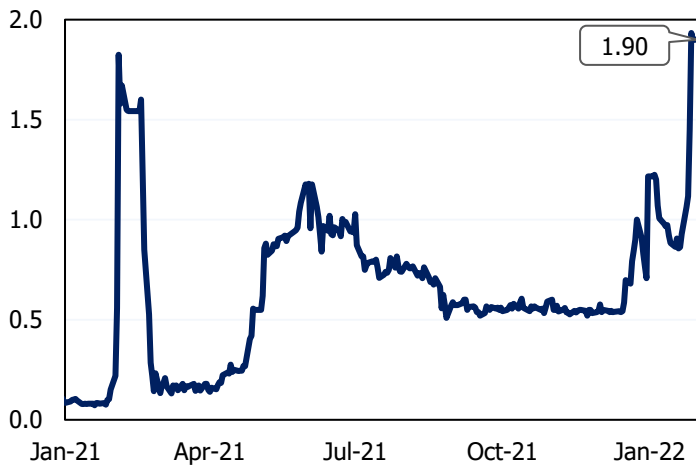
During the last month of the lunar year, the rising liquidity demand caused the banking system to require additional cash. Thus, SBV injected VND 9,898.69bn via the OMO channel, with a rate of 2.5%/year, tenor of 2-4 weeks. The whole amount will return to SBV in February.

## VND is appreciating against the USD.

At the end of January 2022, VND is appreciating against the USD. Compared to the end of December, the USD/VND exchange rate on the free market went down by VND 75 per USD and is currently trading at 23,395 VND/USD. The central and interbank rates were respectively traded at VND 23,099 per USD, down VND 46 per USD and VND 22,881 per USD, down VND 105 per USD. Compared to other regional currencies, VND has appreciated the most against the USD at the beginning of the year.

In January, the DXY index climbed to 97.2. The 0.8% jump was the biggest single-day gain in more than two months. The dollar soared to highs last seen in July 2020 against other major currencies after the Federal Reserve said it could deliver faster and larger interest rate hikes in the months ahead. The Fed indicated it was likely to raise rates in March to curb rising inflation at the same time did not rule out the question about whether the central bank would consider a 50-basis point hike. The move has given investors more impetus for the greenback.

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



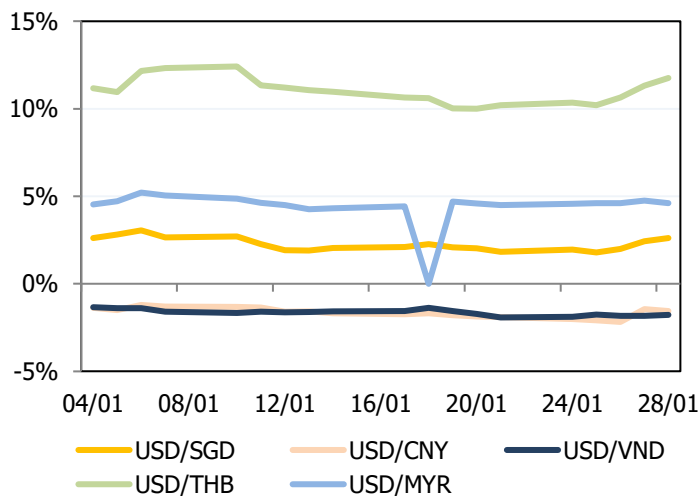
Source: Bloomberg.

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

	O/N	1 Week	2 Week	1 Month
31/10	0.59	0.71	0.79	1.06
30/11	0.54	0.63	0.72	0.96
31/12	1.22	1.42	1.55	1.83
31/01	1.90	1.88	2.02	2.02

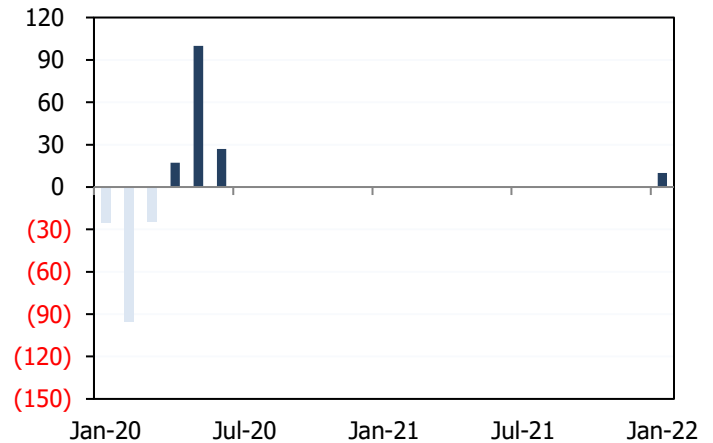
Source: Bloomberg.

**Figure 5. Regional currencies performance in 2022**



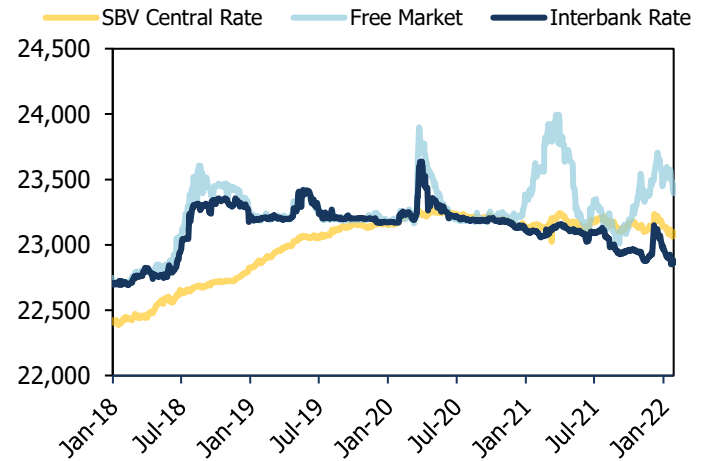
Source: Bloomberg.

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



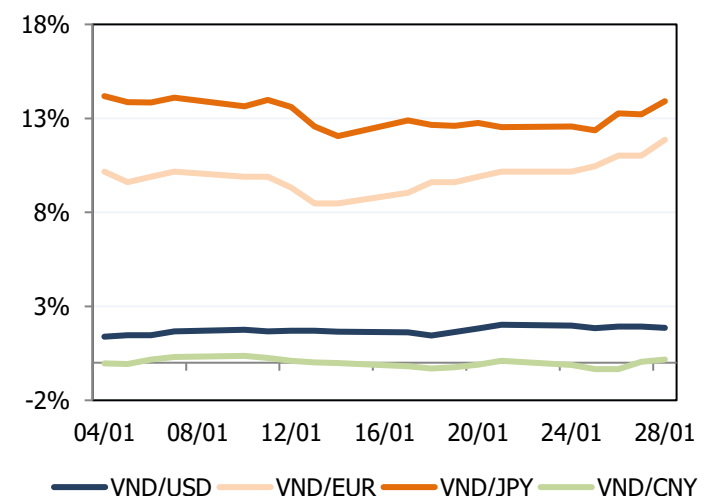
Source: SBV, MBS.

**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 23,082bn of G-bonds this month with the winning yield going sideways compared to the end of December.**

In January, STV promoted issuing G-bonds. In the VND 29,500bn proposed, only VND 23,082bn of G-bonds were successfully mobilized, at the rate of 78%. STV has issued an Official Letter announcing the G-bond bidding plan in 2022 with a total issuance amount of VND 400,000bn (including the issuance volume to Vietnam Social Security) for issuance terms from 5Y to 30Y.

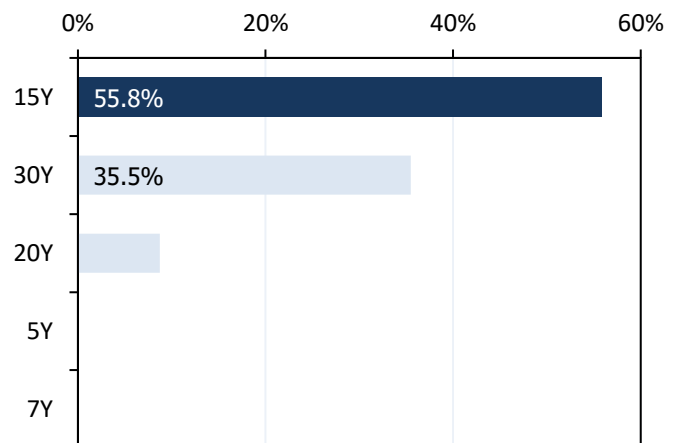
The winning yield of the bonds went sideways compared to the end of December. The yield for the 10Y term was 2.08%/year, there was no change while the yield for the 15Y term was 2.37%/year, up 4bps compared to the end of December. In January, STV did not issue G-bonds with term 5Y and term 7Y had no winning bonds. Since G-bonds are still the first choice for liquid assets with a fixed return, even though the winning yields are low, the market's absorption was still good.

**Figure 7. G-bond auction result in January 2022**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y	500	0	0%	0.00%
10Y	12,500	10,627	85%	2.07%-2.08%
15Y	9,500	6,950	73%	2.35%-2.37%
20Y	2,000	1,085	54%	2.75%
30Y	5,000	4,420	88%	2.96%
<b>Total</b>	<b>29,500</b>	<b>23,082</b>	<b>78%</b>	<b>Unit: VND bn</b>

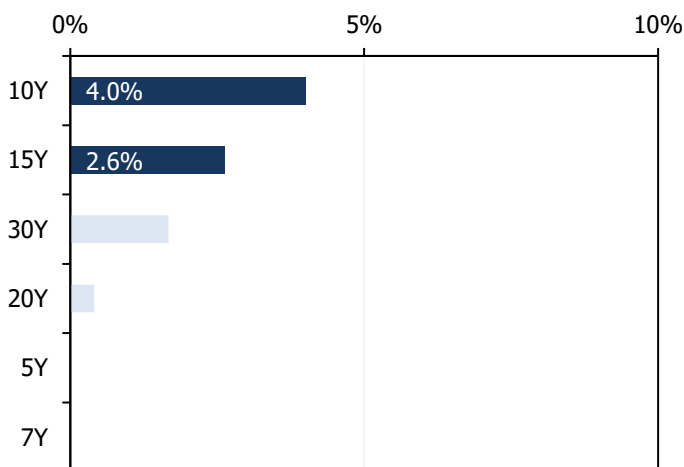
Source: HNX.

**Figure 8. G-bond successful issuance January 2022**



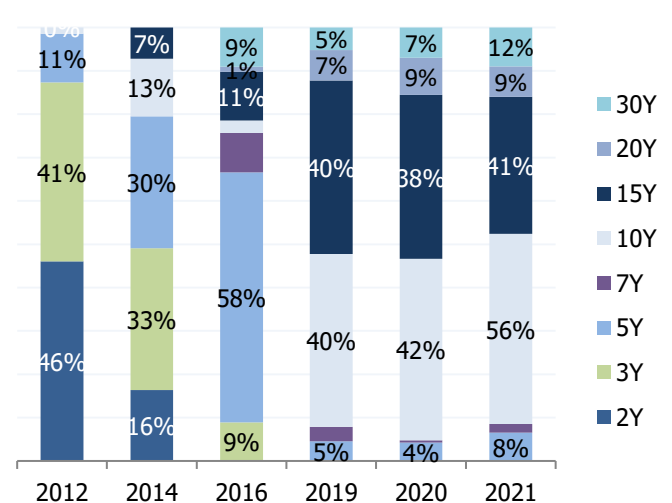
Source: HNX.

**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 (bn VND)**

Tenor	VST Q1 2022 plan	VST Q1 2022 issued	% VST 2022 plan
5Y	5,000	0	0%
7Y	5,000	0	0%
10Y	35,000	10,627	30%
15Y	40,000	6,950	17%
20Y	10,000	1,085	11%
30Y	10,000	4,420	44%
<b>Total</b>	<b>105,000</b>	<b>23,082</b>	<b>22%</b>

Source: VST, HNX

**Figure 12. 10Y G-bond yields (%) in selected countries As at 31/01/2022**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	1.78	0.61	 26.7	26.7
EU	0.01	11.80	 18.8	18.8
Japan	0.18	-14.20	 10.7	10.7
China	2.71	3.40	-6.8 	-6.8
South Korea	2.59	4.00	 33.5	33.5
India	6.68	2.20	 22.7	22.7
Malaysia	3.68	-0.90	 11.4	11.4
Singapore	1.82	-1.43	 9.6	9.6
Indonesia	6.44	2.30	 5.7	5.7
Philippines	2.85	8.20	 49.8	49.8
Thailand	2.19	-2.13	 23.0	23.0
<b>Vietnam</b>	<b>2.13</b>	<b>2.10</b>	-3.6 	<b>-5.6</b>

Source: Bloomberg.

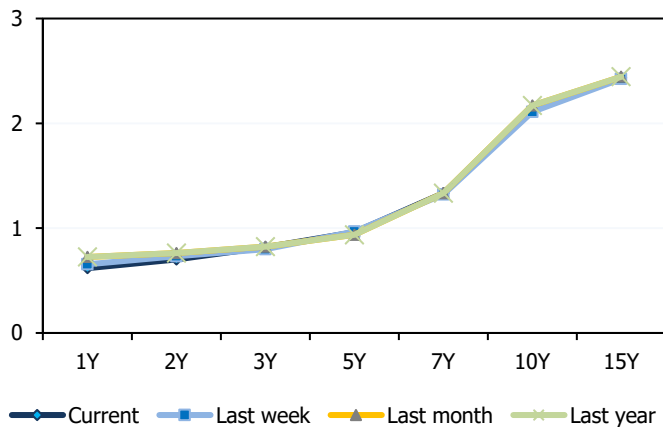
## Secondary Market

**G-bond yield declined slightly during the month. Average transaction volume on the secondary G-bond market went up by 7% MoM with the proportion of outright transactions increasing compared to previous month. Foreign investors net sold VND 1.245bn of G-bonds this month.**

While the 10Y G-bond yields on the secondary market are on the rise in other countries, Vietnam's fell slightly. At the end of January, the 10Y yield was at 2.13%/year, down 4bps compared to the previous month whereas the 2Y yield decreased to 0.7%/year, down 6bps. The yield curve is gradually flattening.

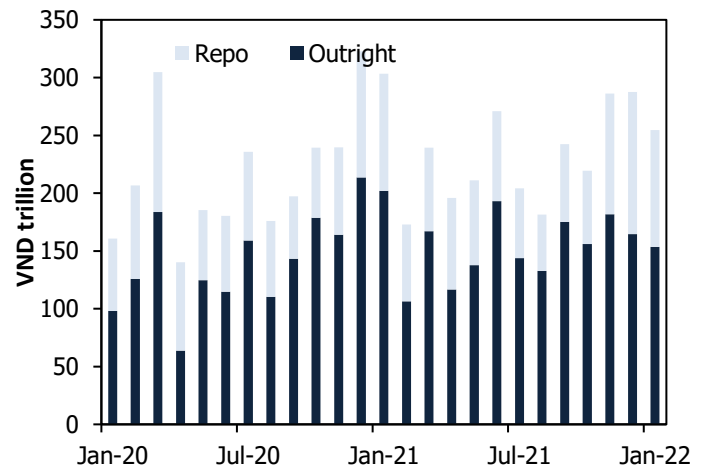
Transactions on the secondary government bond market were more active than the previous month with daily average volumes of VND 13.3tn, up 7%. Of which, outright trading accounted for 60% of the volume this period and VND 153tn. Average transaction was VND 8tn/day, up by 13% from the previous month's average. Average repo trading volume dropped by 1% compared to December, reaching VND 5.3tn/day. In January, foreign investors back to net sold G-bonds with an amount of VND 1.245bn.

**Figure 13. Vietnam T-bond Yield (%)**



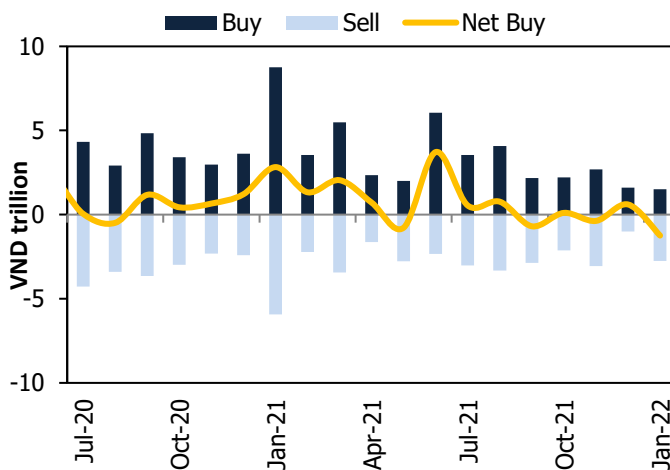
Source: Bloomberg.

**Figure 14. Outright and Repo transaction volume**



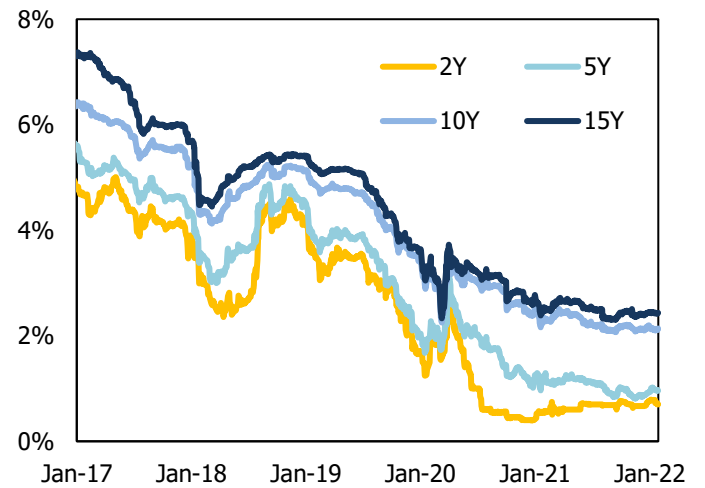
Source: HNX.

**Figure 15. Foreign investors' activity in secondary market**



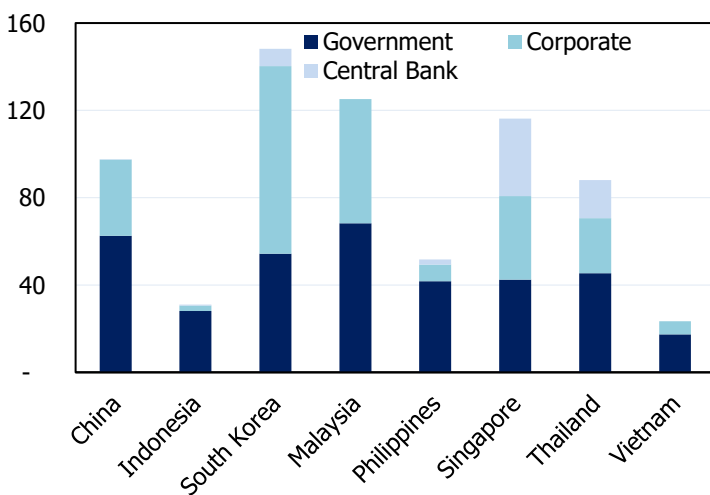
Source: HNX.

**Figure 16. G-bond yield curve – Secondary Market**



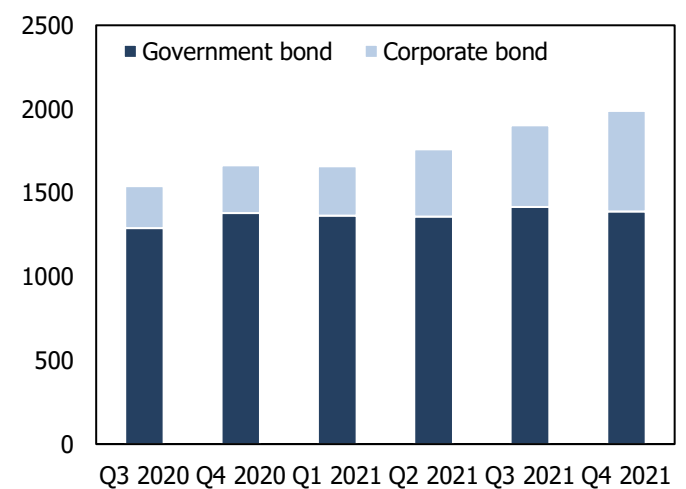
Source: Bloomberg.

**Figure 17. Size of bond markets (%GDP Q3 2021)**



Source: ADB.

**Figure 18. Vietnam bond market size (VND tn)**

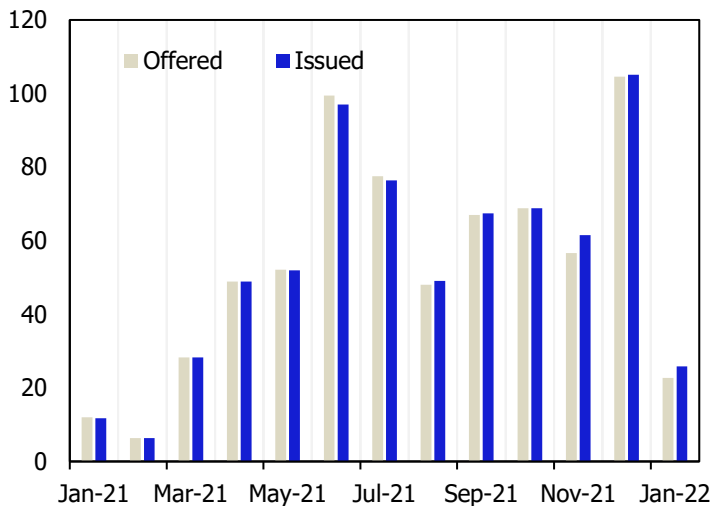


Source: ADB.

## Corporate Bond Market

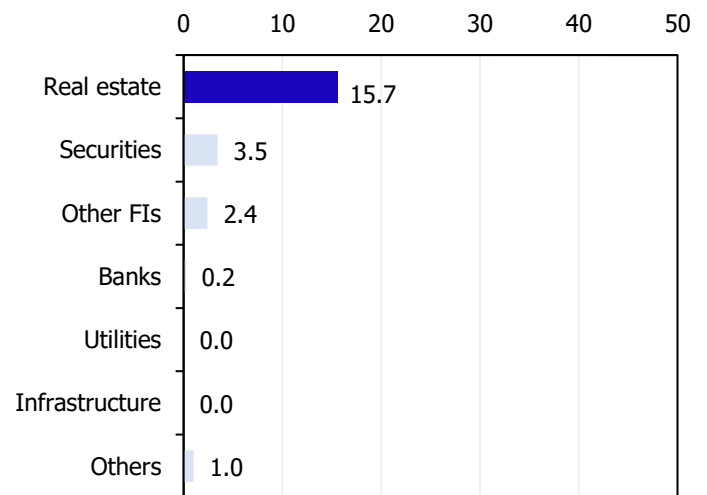
FiinPro data showed that, VND 22,709.9bn of corporate bonds were issued in the domestic market in January. Of which, Eagle Side Development and Investment Corporation issued the most significant bond volume of VND 3,930bn. In addition, Bamboo Capital Joint Stock Company issued bonds with the highest coupon rate of 11.5%/year. The real estates sector is the top issuer, accounting for the most monthly volume, reaching about VND 15.7tn.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

**Figure 21. Top issuers in January 2022**

Tick er	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty Cổ phần Đầu tư và Phát triển Eagle Side	1	3,930	N/A
	Công ty Cổ phần Đầu tư Xây dựng Tường Khải	1	2,990	N/A
	Công ty Cổ phần Xây dựng Minh Trường Phú	1	2,950	N/A
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	7-10	2,209.46	N/A
	Công ty Cổ phần Hưng Thịnh Investment	7	2,000	N/A
	Công ty Cổ phần Phát triển Đất Việt	3	1,600	N/A
	Công ty TNHH Đầu tư và Phát triển Bất động sản Nice Star	4	1,500	N/A
	Công ty Cổ phần Trung Thủy - Đà Nẵng	3.5	1,300	N/A
	Công ty Cổ phần Bất động sản Dragon Village	3	800	N/A
HBC	Công ty Cổ phần Tập đoàn Xây dựng Hòa Bình	3	500	N/A
BCG	Công ty Cổ phần Bamboo Capital	5	500	11.50%
VNG	Công ty Cổ phần Du Lịch Thành Thành Công	3	500	9.50%
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	7	200	8.60%
	Công ty Cổ phần Đầu tư hội nhập Toàn Cầu	2.5	190	N/A
	Công ty Cổ phần Tập đoàn Apec Group	1-5	40.44	N/A

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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