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Interbank interest rates fall slightly due to liquidity in the system was still abundant. SBV net injected VND 52.8bn via the OMO channel. The USD/VND exchange rate continues to trade steadily even though the USD increases in price against other currencies. STV issued VND 15,393bn of G-bonds during the period. The yield of secondary G-bonds declined slightly compared to the previous month. Foreign investors net bought VND 894bn of G-bonds this period.

Money Market

Interbank interest rates tended to decrease in the first half of July as the delivery of 6 months forward purchase of foreign currency. SBV net injected VND 52.8bn via OMO channel and all of this money returned to the SBV.

At the end of the second quarter, although credit growth was higher than deposit growth, the liquidity of the banking system was still quite abundant, reflected by a slight decrease in interbank interest rates in the first half of July. A Bloomberg survey showed that the overnight interbank rates are trading at 0.76%/year, down by 18 bps compared to the end of last month. Interest rates for other terms are also around 0.91%-1.19%/year, a decline of about 14-23 bps compared to the end of June.

As we forecasted, interbank interest rates gradually continued to decrease in the first half of July, after a large amount of liquidity poured into the system by the SBV from the delivery of 6 months forward purchase of foreign currency. In addition, the Government has issued Resolution No. 63/NQ-CP on key tasks and solutions to boost economic growth in the context of the Covid-19 pandemic, most commercial banks have agreed to cut the lending rate for enterprises hard hit by the COVID-19 pandemic from this month until the end of this year. However, with the current positive credit growth, interbank interest rates are unlikely to return to the low level as in 2020.

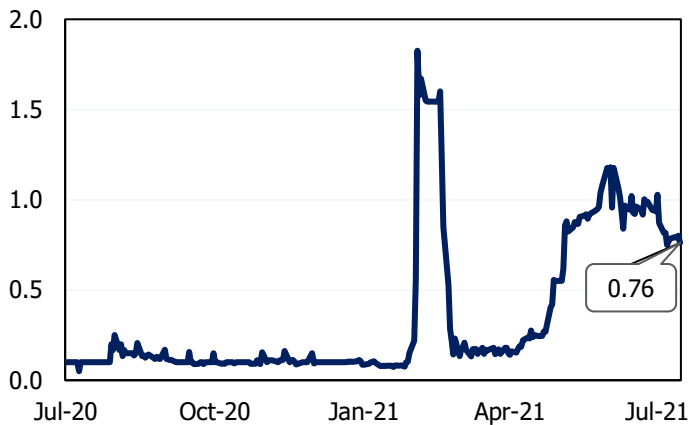
The open market arose trading in the first half of July, SBV injected only VND 52.8bn, with a rate of 2.5%/year, tenor of 7 days and returned to the SBV.

USD/VND exchange rate remains stable.

In the first half of July, the DXY Index remained at around 92 points, reflecting the Fed's increasingly positive assessment of the U.S. economy and their plan to raise interest rates. Compare to the end of June, the USD/VND exchange rate on the free market fell by VND 85 per USD and is currently trading at 23,260 VND/USD. The central and interbank rates were respectively traded at VND 23,203 per USD, up VND 25 per USD and VND 23,109 per USD, up VND 16 per USD. Since the beginning of the year, compared to other regional currencies, VND value compared to USD remain the most stable.

In mid-July, the USD Index showed signs of recovery as the latest data showed that the number of Americans applying for unemployment compensation fell as the labor market grew steadily. However, the greenback plunged in earlier trading as the Chairman of Fed announced to the US Congress that the Central Bank had not yet rushed to adopt a monetary tightening policy. Market strategists also believed that monetary policy would most likely not be tightened as expected.

Figure 1. Interbank overnight lending rate (%)



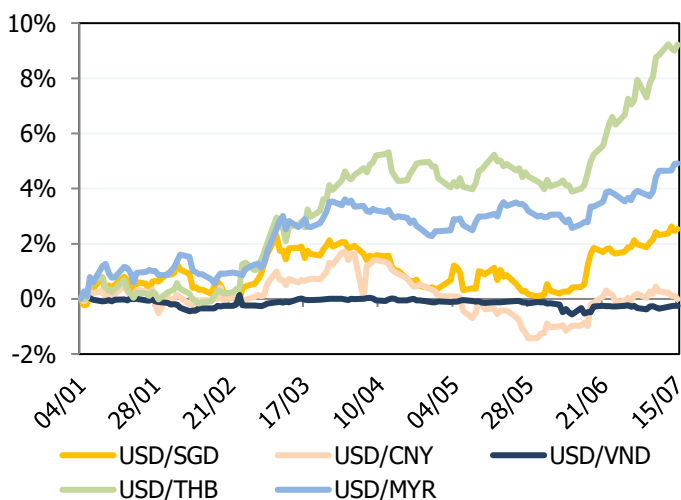
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
29/04	0.55	0.73	0.88	0.91
31/05	1.18	1.33	1.39	1.45
30/06	0.94	1.14	1.25	1.32
15/07	0.76	0.91	1.02	1.19

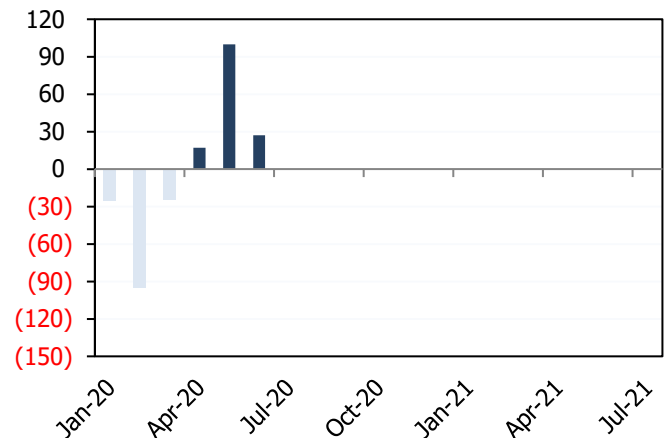
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



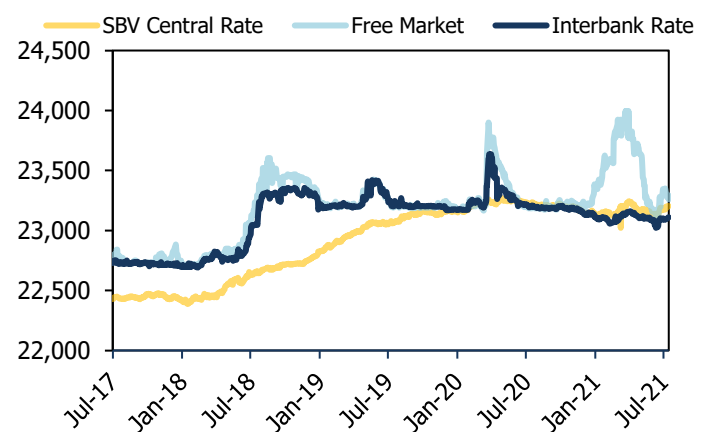
Source: Bloomberg.

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



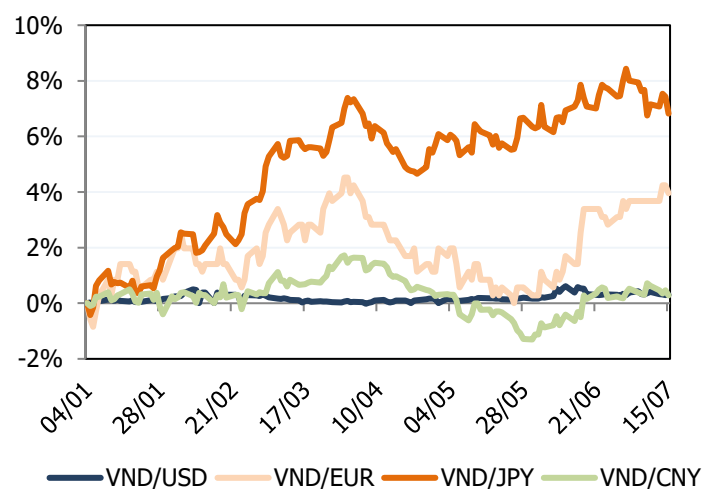
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2021



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 15,393bn of G-bonds this period with the winning yield declined slightly compared to the end of June.

In the first half of July, STV was more active in the issuance of G-bond. In the VND 17,000bn proposed, there were VND 15,393bn of G-bonds successfully mobilized, at the rate of 91%. The number of successful issuances soared in the same period last month. Nevertheless, to complete this year's mobilization plan, STV needs to continue to speed up the bond issuance because currently the mobilization volume reached VND 156,886bn of G-bonds since the beginning of the year, reaching 45% of the year plan.

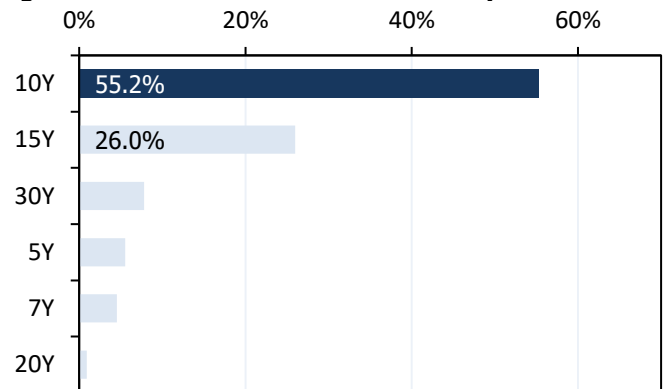
The winning yields of bonds fell compared to the end of June. The yield for 10Y and 15Y terms were 2.15%/year and 2.43%/year, respectively, down 3-5bps compared to the end of the previous month. The yields for 5Y term decreased by 2bps to 1.08%/year. The pace of new bond absorption was still very good even though the yield was on the downward momentum, because institutions must buy more bonds to offset the amount of G-bonds that matured in June. At the same time, the SBV has determined the issuance of Government bonds to compensate for over expenditures based on the budget collection and capital disbursement tasks. We forecast the yield of G-bonds will increase soon to attract more investment in the context of slow disbursement of public investment capital and high state treasury inventory.

Figure 7. G-bond auction result in July 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,000	850	85%	1.08%
7Y	1,000	700	70%	1.32%
10Y	8,500	8,500	100%	2.15-2.5%
15Y	4,500	4,000	89%	2.43-2.59%
20Y	500	140	28%	2.91%
30Y	1,500	1,203	80%	3.05%
Total	17,000	15,393	91%	Unit: VND bn

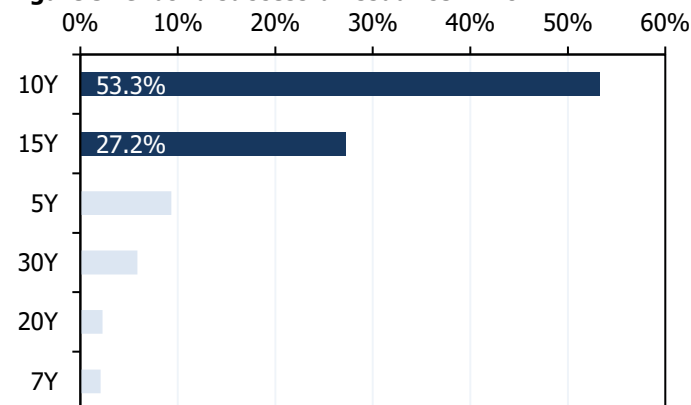
Source: HNX.

Figure 8. G-bond successful issuance July 2021



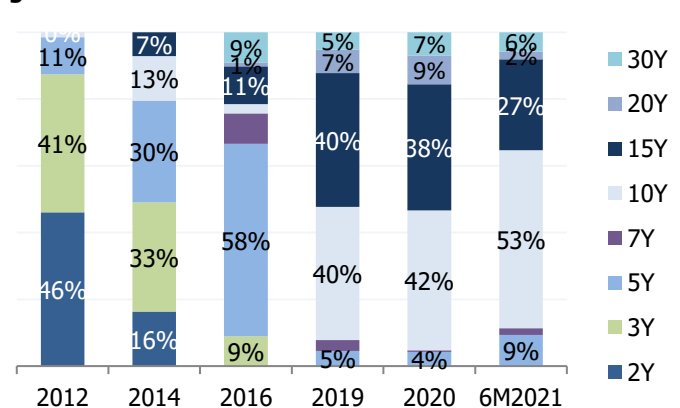
Source: HNX.

Figure 9. G-bond successful issuance in 2021



Source: HNX.

Figure 10. G-bond successful issuance since 2021















Source: HNX.

Figure 11. Government bond issuance 2021

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	14,619	73%
7Y	15,000	3,231	22%
10Y	120,000	83,642	70%
15Y	135,000	42,653	32%
20Y	30,000	3,580	12%
30Y	30,000	9,161	31%
Total	350,000	156,886	45%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/07/2021

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1,30	0,61	-16.9 	38,6
EU	-0,33	-2,72	-12.6 	23,5
Japan	0,01	-1,20	-4.4 	-0,7
China	2,96	-3,30	-13.6 	-18,9
South Korea	2,01	1,30	-9.0 	28,3
India	6,19	6,80	14.1 	32,7
Malaysia	3,22	6,90	-6.5 	57,0
Singapore	1,47	3,60	-12.4 	59,7
Indonesia	6,39	-17,10	-20.2 	50,2
Philippines	2,17	-1,79	-7.5 	28,1
Thailand	1,64	-4,77	-12.7 	37,5
Vietnam	2,17	-1,70	-5.8 	-41,0

Source: Bloomberg.

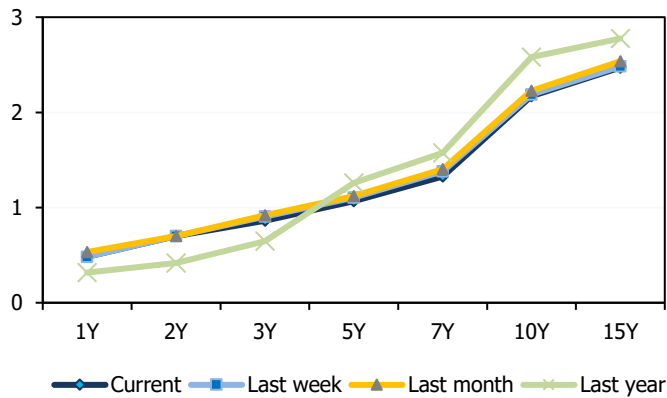
Secondary Market

G-bond yield decreased slightly during the period. Average transaction volume on the secondary G-bond market decreased by 15% MoM with the proportion of outright transactions increasing gradually. Foreign investors net bought VND 894bn of G-bonds this period.

In the middle of July, the 10Y yield was at 2.17%/year, down 6 bps compared to the previous month whereas the 2Y yield was remained at 0.7%/year. Since the beginning of the year, the 2Y yield has increased by 28 bps while the 10Y term yield has decreased by 41 bps. In major markets around the world as well as in the region, yields were down compared to June except India.

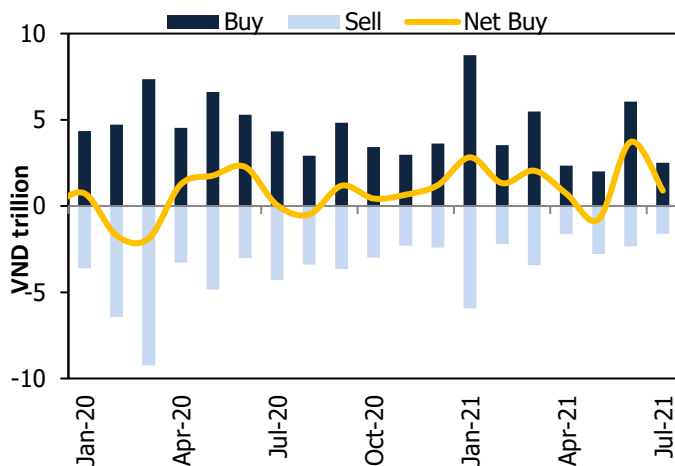
Transactions on the secondary government bond market were less active than previous month with daily average volumes of VND 10.4tn, down by 15% from June's average. Of which, outright trading accounted for 75% of the volume this period and VND 85.9tn. The average transaction was VND 7.8tn/day, down by 11% from the previous month's average. Average repo trading volume declined by 26% compared to June, reaching VND 2.6tn/day. Foreign investors net bought VND 894bn of G-bonds in this period. Overall, foreign investors net purchased a total of VND 10,751bn of G-bonds in 2021 and VND 13,789bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



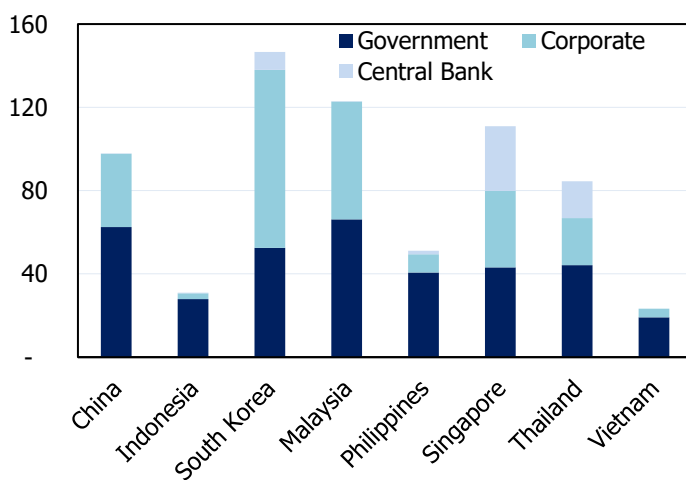
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



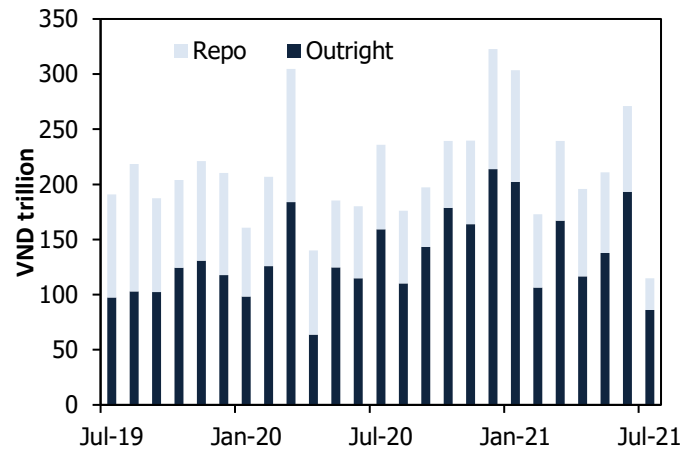
Source: HNX.

Figure 17. Size of bond markets (%GDP Q1 2021)



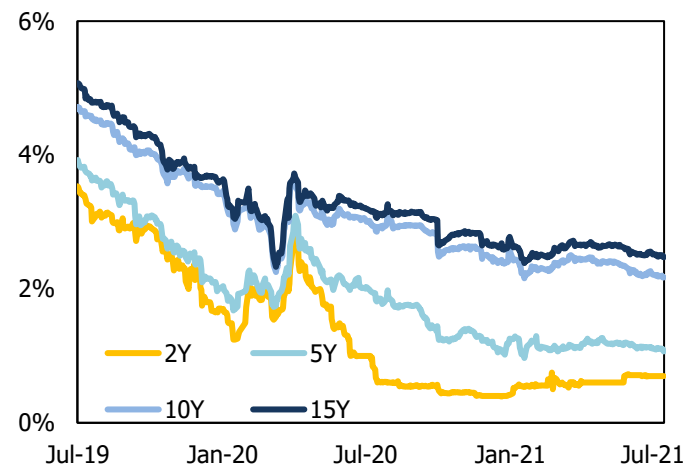
Source: ADB.

Figure 14. Outright and Repo transaction volume



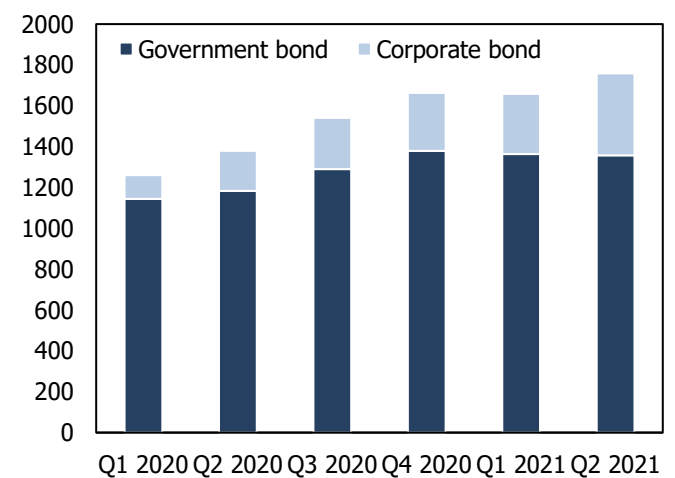
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

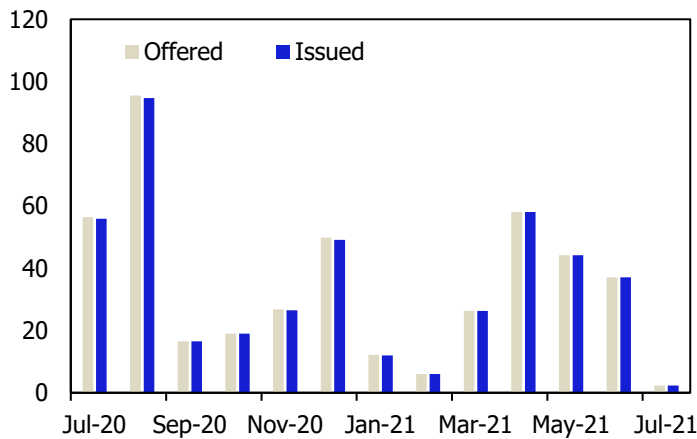


Source: ADB.

Corporate Bond Market

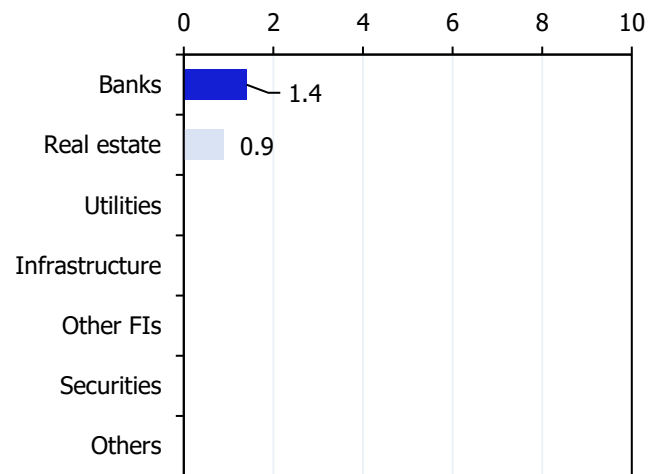
FiinPro data showed that in the first half of July, VND 2,320bn of corporate bonds were issued in the domestic market and USD 300mn of international convertible bonds was issued to the international market of No Va Land Investment Group Joint Stock Company. Ho Chi Minh City Development Joint Stock Commercial Bank issued the largest bond volume of VND 1,000bn with coupon rate of 6.3%/year. Moreover, SOLEIL Investment and Hotel Services Joint Stock Company issued bonds with the highest interest rate of 11.75%/year.

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



Source: HNX. FiinPro. MBS Research.

Figure 20. Corporate bond issued by sectors in July 2021(VND tn)



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in June 2021

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	5	1,000	6.30%
	Công ty Cổ phần Đầu tư & Dịch vụ khách sạn SOLEIL	2	800	11.75%
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	7	190	7.58%
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	7	130	7.58%
HPX	Công ty Cổ phần Đầu tư Hải Phát	1.5	100	11.00%
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8	100	6.38%

Source: HNX, FiinPro, MBS Research.

PRODUCT

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