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Interbank interest rates continue to decrease due to the liquidity of the banking system is still abundant. SBV has not made new transactions on the open market in the second half of July. The USD/VND exchange rate fell slightly even though the USD is increasing in price against other currencies in the region. STV issued VND 32,561bn of G-bonds during the month. The yield of secondary G-bonds went sideways compared to the previous month. Foreign investors net bought VND 538bn of G-bonds during the month.

Money Market

Interbank interest rates decreased in 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.

Interbank interest rates gradually declined in 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. A Bloomberg survey showed that the overnight interbank rates are trading at 0.74%/year, down by 20 bps compared to the end of last month. Interest rates for other terms are also around 0.91%-1.22%/year, a decrease of about 10-23 bps compared to the end of June.

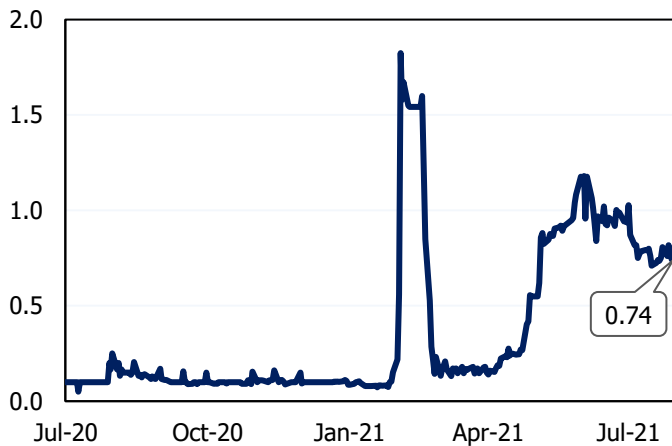
The drop in deposit interest rates at commercial banks caused deposit growth to show signs of slowing down at 2.6%, but the liquidity system has not fallen into a tight state due to the 4th Covid-19 outbreak, which caused credit to slow down. Interbank interest rates are expected to remain low in the near term due to prolonged social distancing. SBV has not made new transactions on the open market except for a small trade in early July and all of this money returned to the SBV.

USD/VND exchange rate experienced a slight decrease.

Last July, the DXY Index fell to 91.9, its lowest level since May. The USD/VND exchange rate is therefore also gradually cooled down. Compared to the end of June, the USD/VND exchange rate on the free market fell by VND 225 per USD and is currently trading at 23,120 VND/USD. The central and interbank rates were respectively traded at VND 23,180 per USD, down VND 2 per USD and VND 23,064 per USD, down VND 30 per USD. While the value of USD compared to some regional currencies tends to go up, the exchange rate of VND to USD experienced a slight decrease.

The USD fell to a one-month low after the Fed concluded that the job market still needs support before cutting currency stimulus programs. Gross domestic product increased at a 6.5% annualized rate last quarter, well below the 8.5% expected by economists. The Federal Open Market Committee concluded its two-day meeting by keeping interest rates in a target range between zero and 0.25%, while also said now is not the time when the FED can start easing its purchase program at a rate of USD 120bn a month in bonds, with the view that the recent rise in inflation may be temporary and are concerned that growing cases of COVID-19 could derail the global recovery

Figure 1. Interbank overnight lending rate (%)



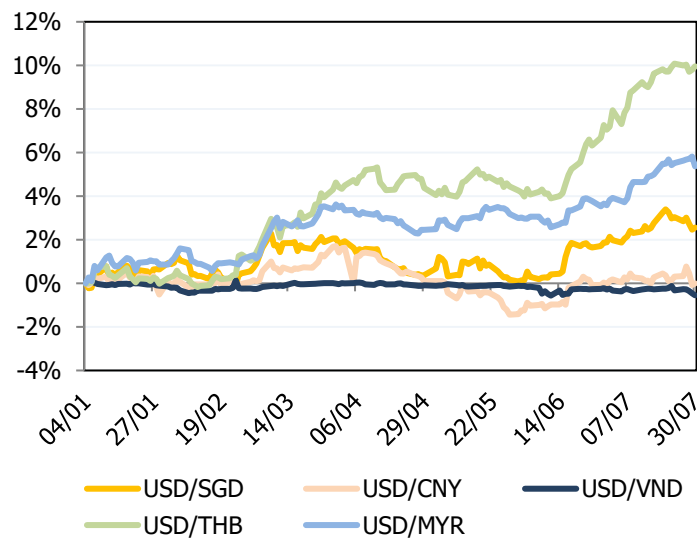
Source: Bloomberg.

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
30/07	0.74	0.91	1.02	1.22

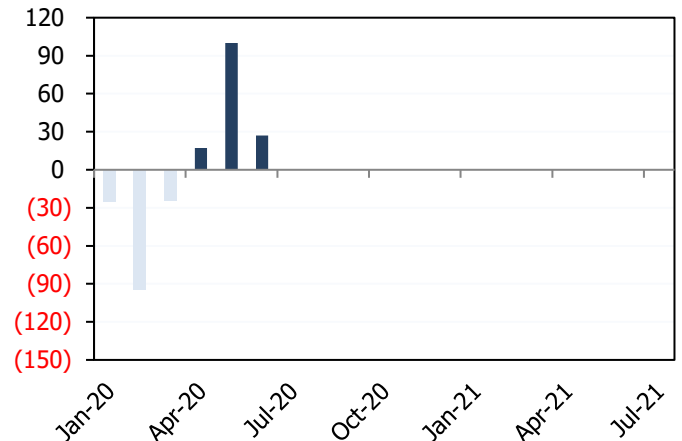
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



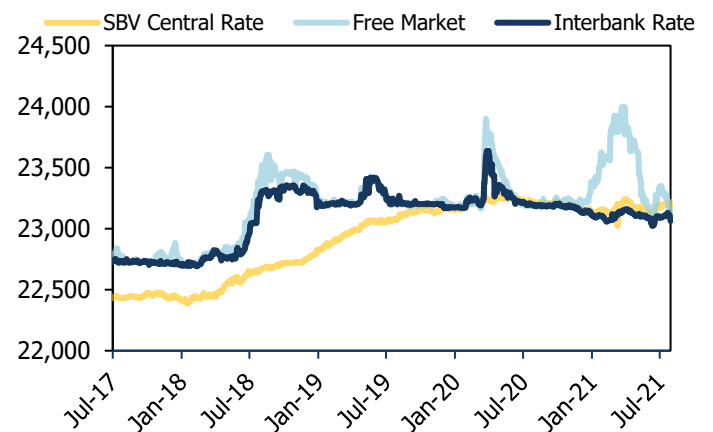
Source: Bloomberg.

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



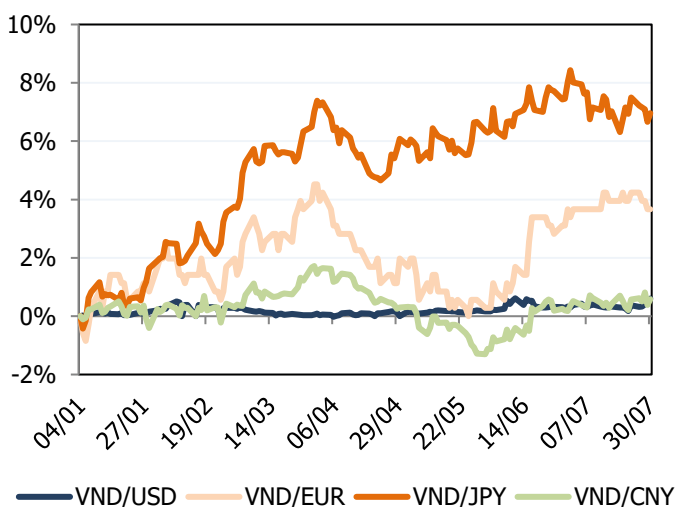
Source: SBV, MBS.

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 32,561bn of G-bonds this month with winning yield declined slightly compared to the end of June.

In July, the G-bond issuance situation has improved compared to the issuance rate of 69% in June. In the VND 42,000bn proposed, there were VND 32,561bn of G-bonds successfully mobilized, at the rate of 78%. The number of successful issuances decreased compared to VND 31,803bn in June. By the end of July, STV gradually caught up with the annual plan when the mobilization volume reached VND 174,054bn of G-bonds, reaching 50% of the year plan. 5Y and 10Y terms are being issued faster than planned when reaching 81% and 75% of the year plan, respectively. The STV's G-bonds issuance plan for Q3 is VND 120tn, of which 10Y and 15Y terms were expected to issue VND 40tn and VND 50tn, respectively.

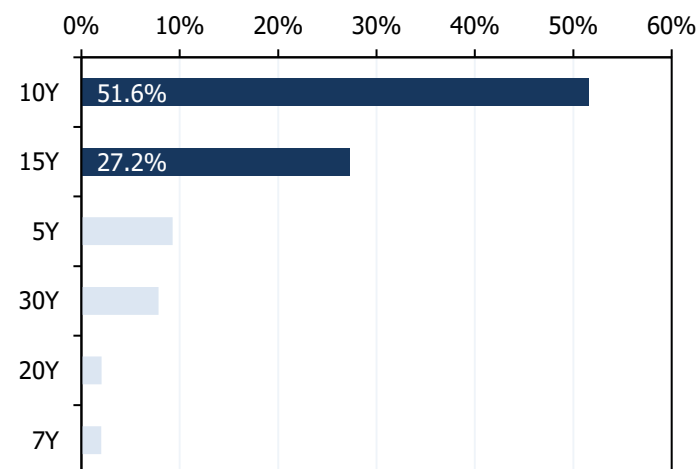
The winning yield of the bonds declined slightly compared to the end of June. The yield for 10Y and 15Y terms were 2.16%/year and 2.44%/year, respectively, down 2-4bps compared to the end of June. The 5Y term yield fell by 5bps to 1.05%/year. However, the issuance rate is still high, showing that investors gradually accept the current interest rates since they must buy more bonds to offset the amount of G-bonds that matured in June.

Figure 7. G-bond auction result in July 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,500	2,350	94%	1.05-1.08%
7Y	2,000	950	48%	1.32%
10Y	17,000	14,650	86%	2.15-2.5%
15Y	14,000	8,768	63%	2.43-2.59%
20Y	500	140	28%	2.91%
30Y	6,000	5,703	95%	3.05%
Total	42,000	32,561	78%	Unit: VND bn

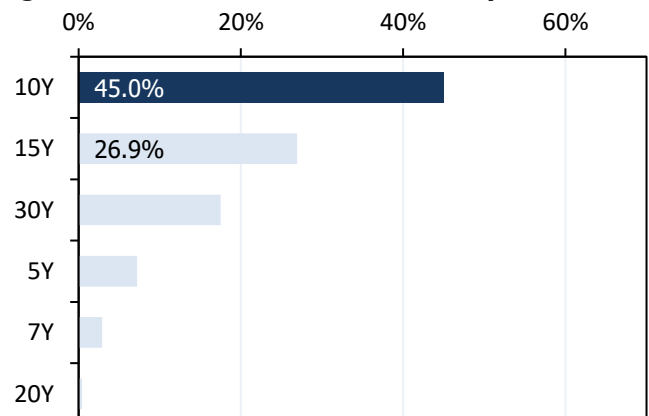
Source: HNX.

Figure 9. G-bond successful issuance in 2021



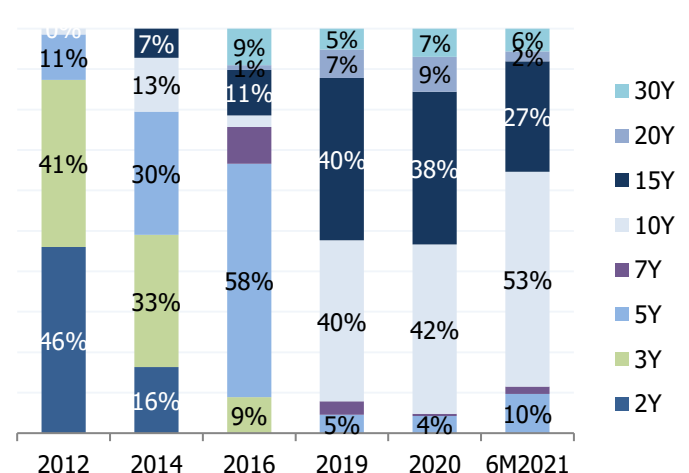
Source: HNX.

Figure 8. G-bond successful issuance July 2021



Source: HNX.

Figure 10. G-bond successful issuance since 2012













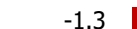

Source: HNX.

Figure 11. Government bond issuance 2021

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	16,119	81%
7Y	15,000	3,481	23%
10Y	120,000	89,792	75%
15Y	135,000	47,421	35%
20Y	30,000	3,580	12%
30Y	30,000	13,661	46%
Total	350,000	174,054	50%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 30/07/2021

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2020*
			Last month		
U.S.	1.22	-5.40	-24.6		30.9
EU	-0.46	-4.09	-25.4		10.8
Japan	0.02	0.40	-3.6		0.1
China	2.86	-5.70	-23.8		-29.1
South Korea	1.87	-1.50	-22.8		14.5
India	6.20	-2.70		 15.3	33.9
Malaysia	3.17	4.40	-10.7		52.8
Singapore	1.31	-6.92	-28.5		43.5
Indonesia	6.29	-1.00	-29.6		40.8
Philippines	2.21	2.05	-3.9		31.7
Thailand	1.55	-2.94	-21.4		28.8
Vietnam	2.21	0.88	-1.3		-36.5

Source: Bloomberg.

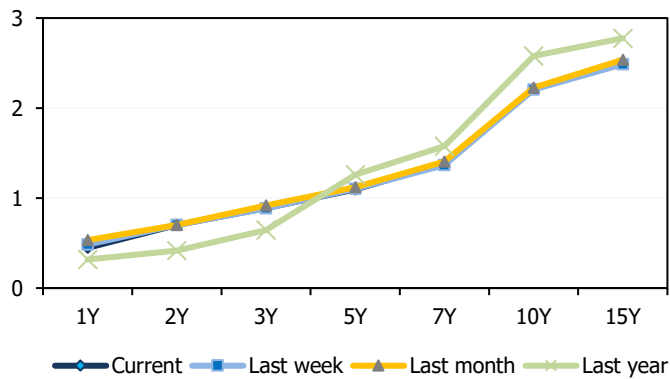
Secondary Market

G-bond yield went sideways this month. Average transaction volume on the secondary G-bond market dropped by 25% MoM. Foreign investors net bought VND 538bn of G-bonds this period.

At the end of July, the 10Y yield was at 2.21%/year, down 1 bps compared to the previous month whereas the 2Y yield remained at 0.7%/year, down 3 bps. Since the beginning of the year, the 2Y yield has increased by 28 bps while the 10Y term yield has decreased by 37 bps. G-bond yields of many nations across the globe have strongly fluctuated during this time, while the yields in Vietnam are remaining stable.

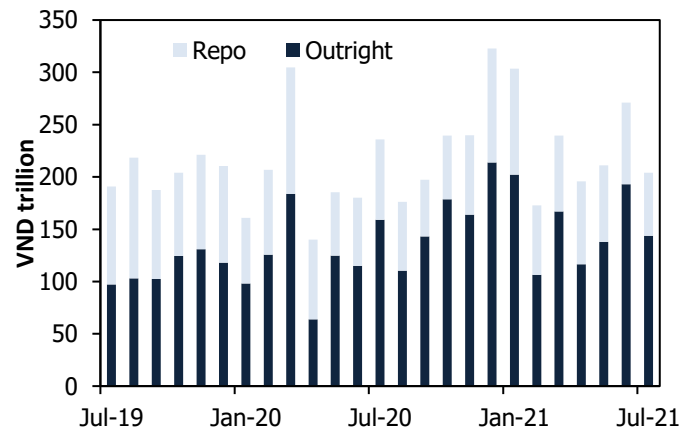
Transactions on the secondary government bond market were inactive than the previous month with daily average volumes of VND 9.2tn, down 25%. Of which, outright trading accounted for 70% of the volume this period and VND 143.7tn. Average transaction was VND 6.5tn/day, down by 26% from the previous month's average. The average repo trading volume decreased by 23% compared to June, reaching VND 2.7tn/day. In July, foreign investors net bought VND 538bn. Overall, foreign investors net purchased a total of VND 10,394bn of G-bonds in 2021 and VND 13,433bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



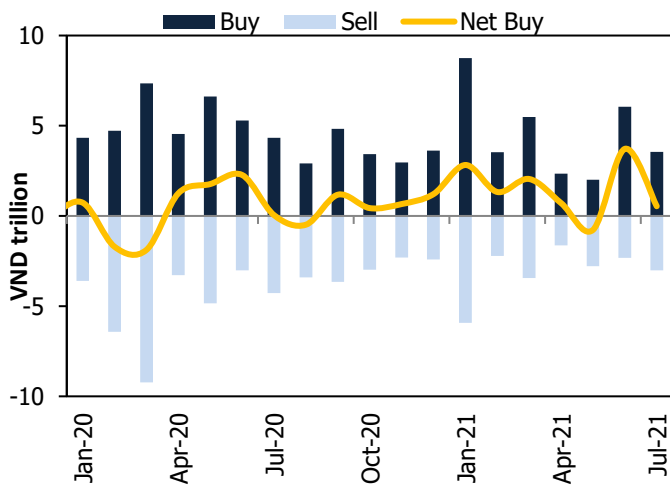
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



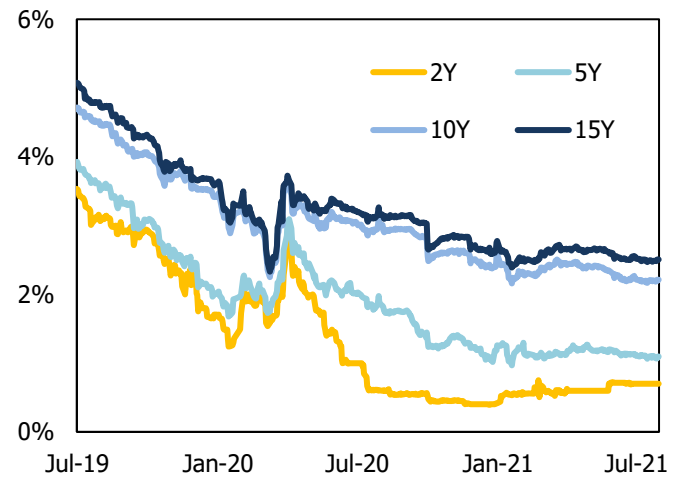
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



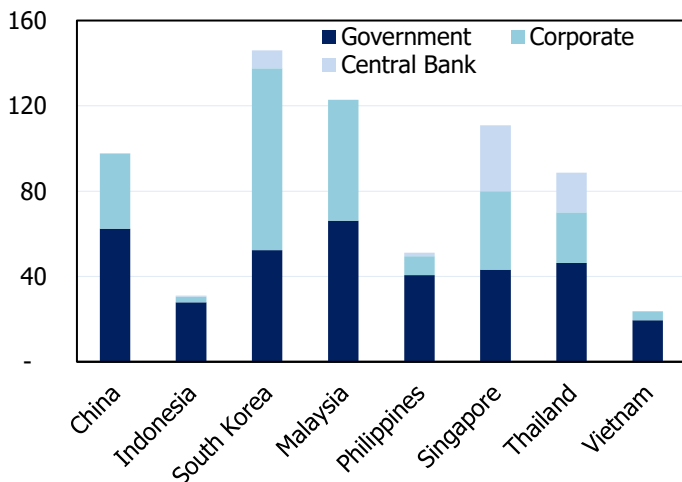
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



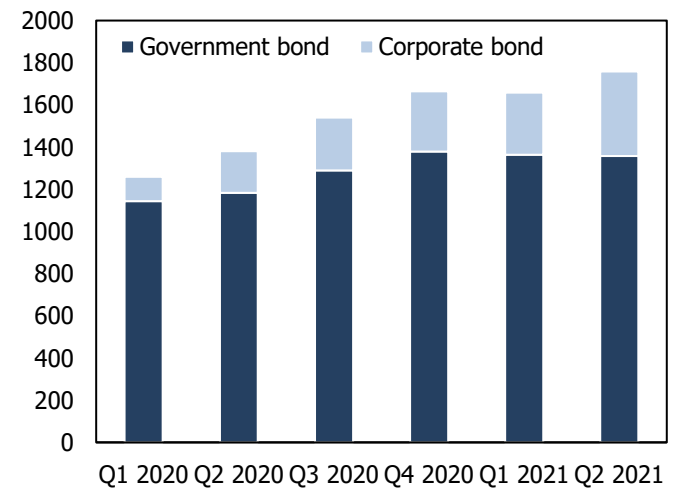
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

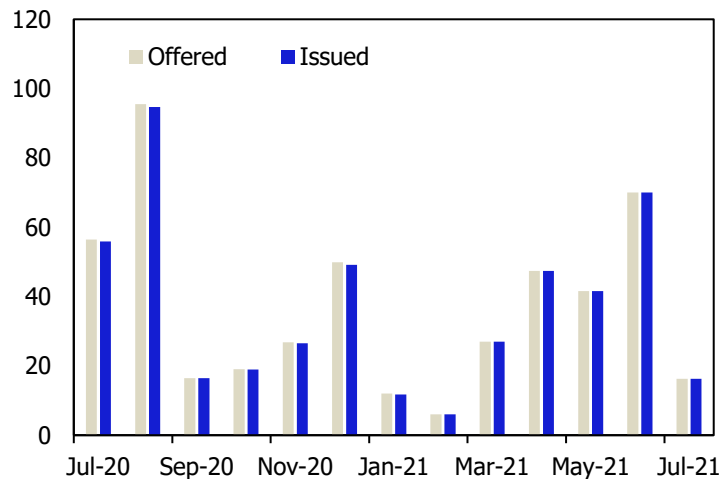


Source: ADB.

Corporate Bond Market

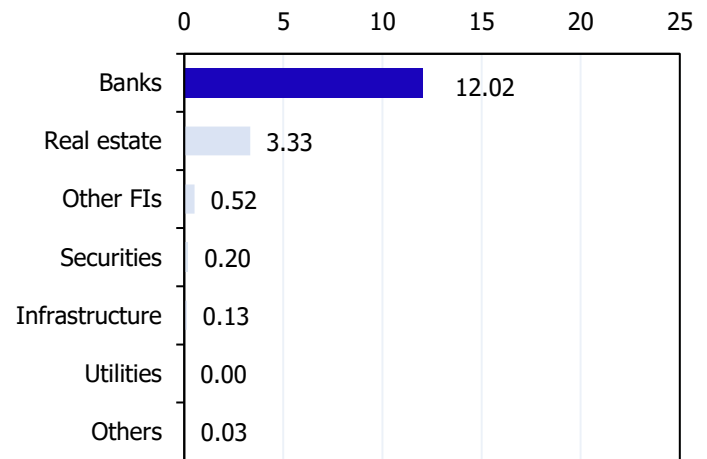
FiinPro data showed that, VND 16,227bn of corporate bonds were issued in the domestic market in July. Of which, Asia Commercial Joint Stock Bank issued the most significant bond volume of VND 5,500bn with coupon rate of 3.5%-4%/year. Moreover, Phat Dat Real Estate Development Corporation issued bonds with the highest coupon rate of 13%/year. The banking industry is the top issuer which accounts for 74% of the volume in the month, reaching about VND 12.02tn.

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 July 2021

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty Cổ phần Chứng khoán Kỹ Thương	2	200	N/A
	Công ty Cổ phần Đầu tư & Dịch vụ khách sạn SOLEIL	2	800	11.8%
	Công ty Cổ phần Đầu tư Anpha	3	132	8.0%
	Công ty Cổ phần Đầu tư Địa ốc Hưng Phú	6	200	9.5%
HPX	Công ty Cổ phần Đầu tư Hải Phát	1.5	100	11.0%
	Công ty Cổ phần Đầu tư Thành Thành Công	2	120	10.0%
	Công ty Cổ phần Đầu tư và Phát triển Residence	1	1,500	9.8%
PDR	Công ty Cổ phần Phát triển Bất động sản Phát Đạt	1	230	13.0%
	Công ty Cổ phần Truyền thông và Giải trí Galaxy	2	25	10.0%
	Công ty Tài chính TNHH MTV Ngân hàng Việt Nam Thịnh Vượng	2	400	7.24%-7.5%
	Công ty TNHH Xây dựng và Phát triển Hoàng Long	3	500	11.0%
ACB	Ngân hàng Thương mại Cổ phần Á Châu	3	5,500	3.5%-4.0%
LPB	Ngân hàng Thương mại Cổ phần Bưu Điện Liên Việt	2	2,000	3.6%
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8	100	6.4%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	6	3,000	6.0%
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	5	1,000	6.3%
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	7	420	7.57%-7.58%

Source: HNX, FiinPro, MBS Research

PRODUCT

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