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Despite the peak liquidity period, the open market did not conduct any new transactions, meaning liquidity is still in abundance. Interbank interest rate increased slightly but remained low. VND continu. The State Treasury has successfully issued nearly VND 6tn of government bonds in the period. G-bond yield fell substantially. Foreign investors net purchased VND 2,824bn of G-bond during the month.

Money Market

SBV did not conduct any new transactions on the open market in January but the money injected via foreign currencies purchase helped keep liquidity in abundance. Interbank interest rates as a result have remained low for over 7 months.

The liquidity in the banking system remained in abundance despite no new transactions on the open market in the first half of January. Since July, SBV has not net withdrawn or injected any significant amount of cash but the foreign currencies purchase and weak credit growth, liquidity has been in a state of abundance. Since January 2021, SBV changed its USD purchasing policy, from spot to 6 months forward. The new policy is likely to help manage the supply of VND to be injected into the market more spread out.

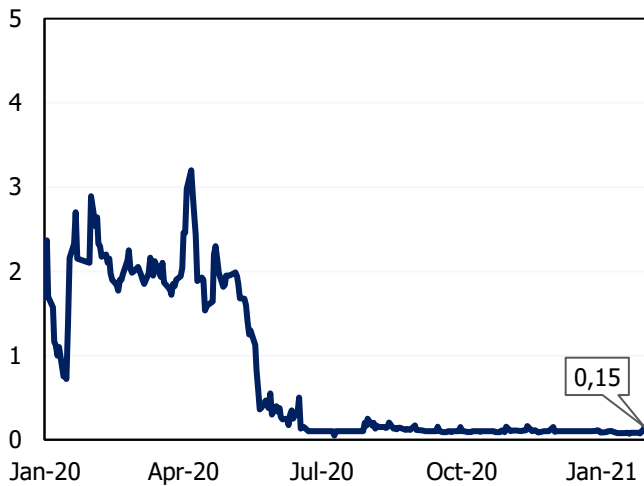
With prolonged excess liquidity, interbank interest rates continued to remain at a low level. The overnight interbank interest rate has been fluctuating around 0.1-0.2%/year for over seven months and ends the period at 0.15%/year. The interbank interest rate for 1 week-1 month terms surged by 15-26 bps, currently at 0.15-0.52%/year. This situation is expected to continue in 2021.

USD/VND exchange rate continues its stability.

DXY index, the measure of value of the USD compared to a basket of currencies, is recovering, pulling the USD/VND exchange rate up. The central exchange rate is at VND 23,136 per USD, up VND 29 per USD compared to the end of December. The interbank rate dropped about VND 10 per USD to VND 23,105 per USD. Meanwhile, rising demand for foreign currencies in public at the end of the lunar new year led to an increase of VND 160 per USD to VND 23,520 per USD.

In January, the export-import activities have been active with a net export of USD 1.3bn. Compared to other regional currencies, VND remained the most stable currency against the USD and the positive conditions like healthy net exports, high foreign reserves, inflation under control will continue in 2021.

Figure 1. Interbank overnight lending rate (%)



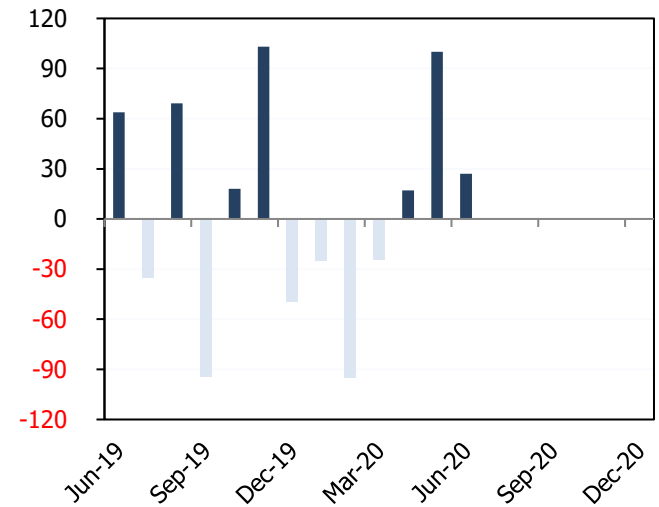
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/10	0.16	0.18	0.25	0.35
30/11	0.15	0.20	0.27	0.36
31/12	0.09	0.11	0.16	0.30
29/01	0.15	0.26	0.42	0.52

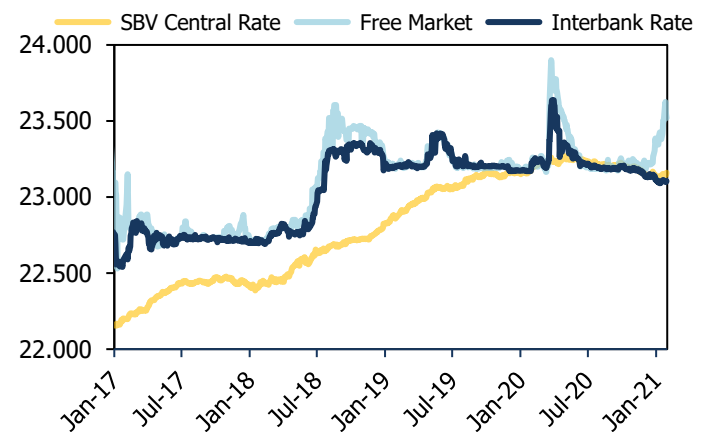
Source: Bloomberg.

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



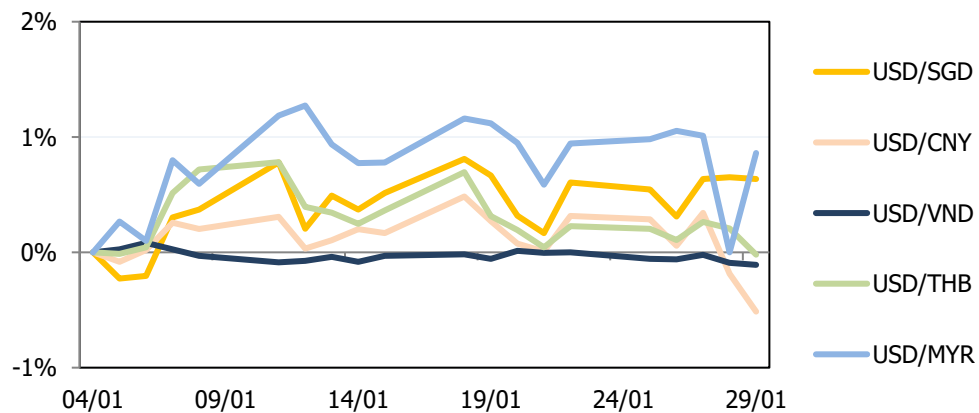
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2020



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 23.5n of government bonds during the period with a lower yield than December's.

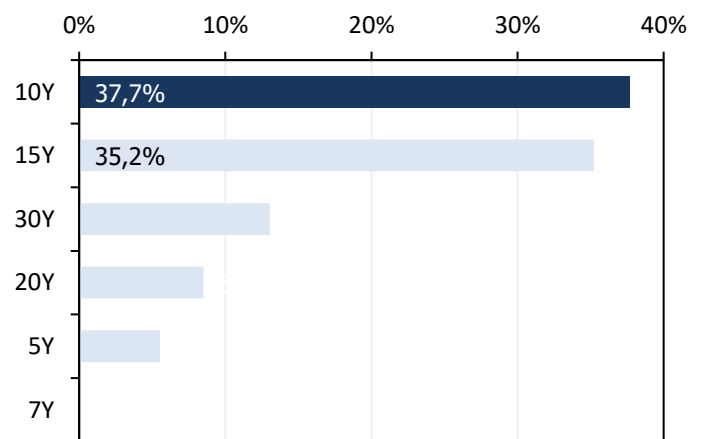
In January, the volume of successfully issued government bonds reached VND 23.5tn out of a total of VND 26tn offered, an issuance rate of 90%. Of which, 10Y and 15Y tenors are issued over VND 8tn each. The 20Y and 30Y tenors are issued VND 2-3tn each. The 5Y tenor managed to raise just VND 1.3tn

The latest winning yields continue to drop slightly from the December level. The winning yield of the 10Y and 15Y tenors are currently at 2.15%/year and 2.38%/year, a decline of 12-33bps. The winning yields of 20Y and 30Y tenors are at respectively at 2.89%/year and 3%/year.

Figure 6. G-bond auction result in January 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,500	1,300	87%	1.07%
7Y				
10Y	10,250	8,850	86%	2.15-2.25%
15Y	8,750	8,281	95%	2.38-2.48%
20Y	2,000	2,000	100%	2.89%
30Y	3,500	3,065	88%	3-3.1%
Total	26,000	23,496	90%	Unit: VND bn

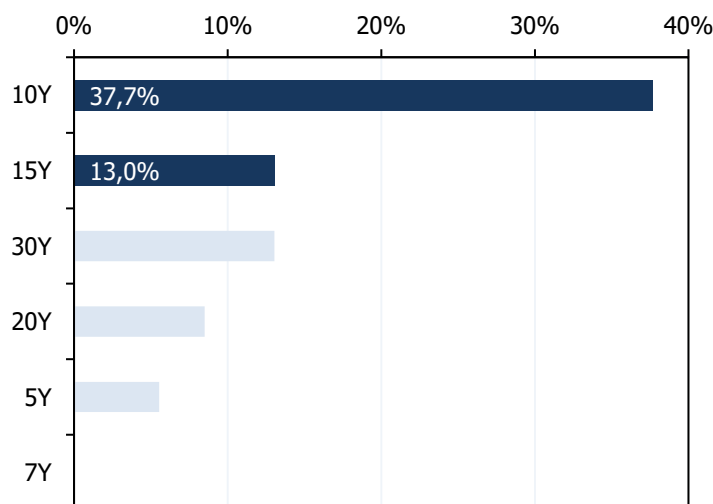
Figure 7. G-bond successful issuance January 2021



Source: HNX.

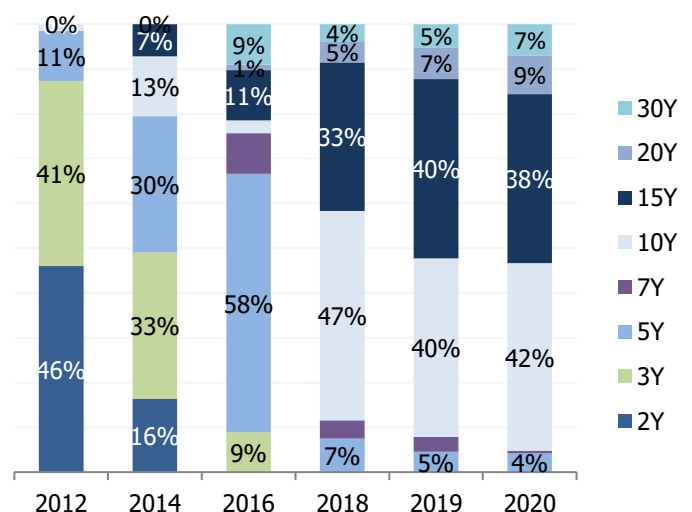
Source: HNX.

Figure 8. G-bond successful issuance in 2021















Source: HNX.

Figure 9. G-bond successful issuance from 2021



Source: HNX.

Figure 10. 10Y G-bond yields (%) in selected countries As at 29/01/2021

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.07	-2.00	 15,2	15.2
EU	-0.52	-0.60	 5,1	5.1
Japan	0.05	0.50	 3,3	3.3
China	3.19	5.90	 3,9	3.9
South Korea	1.77	1.00	 4,3	4.3
India	5.89	-1.50	 2,6	2.6
Malaysia	2.70	-2.00	 5,6	5.6
Singapore	1.03	-3.20	 15,7	15.7
Indonesia	6.21	-6.10	 32,1	32.1
Philippines	1.97	0.90	 7,3	7.3
Thailand	1.30	-1.80	 3,8	3.8
Vietnam	2.33	10.60	 -25,3	-25.3

Source: Bloomberg.

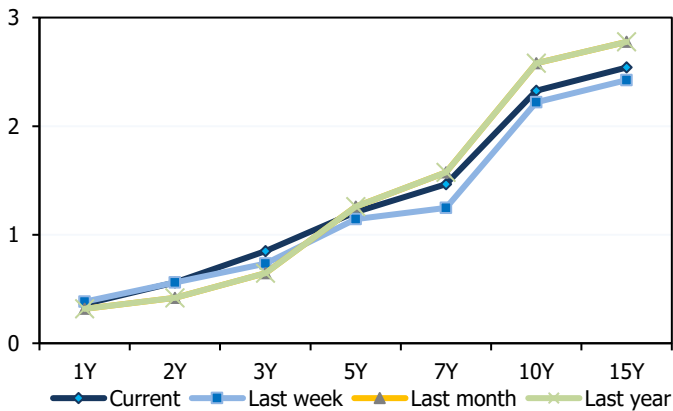
Secondary Market

10Y G-bonds yield dropped significantly in the first half of January. Average daily transaction volume on the secondary government bond market increased 8% compared to the previous month. Foreign investors net purchased over VND 2,824bn of government bonds.

While the 10Y G-bond yields on the secondary market are recovering in other countries, Vietnam's dropped dramatically. Compared to the end of last month, the 2Y yield increased by 14bps to 0.56%/year, the 10Y yield dropped by 25bps to 2.24%/year. The yield curve is flattening.

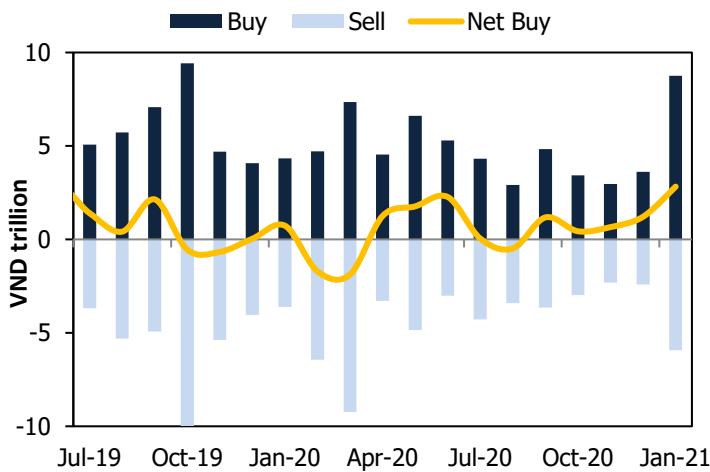
Government bond transactions in the secondary market in December reached VND 15.2tn daily average, 8% more than its December level. Of which, outright transactions accounted for 67% of volume in the period with VND 202.1tn. Average transaction volume was VND 10.1tn/day, up 9% compared to the previous month. Average daily repo trading volume increased by 7% compared to December's level, reaching VND 5.1tn/day. Foreign investors continued to net purchase VND 2,824bn of government bonds.

Figure 11. Vietnam T-bond Yield (%)



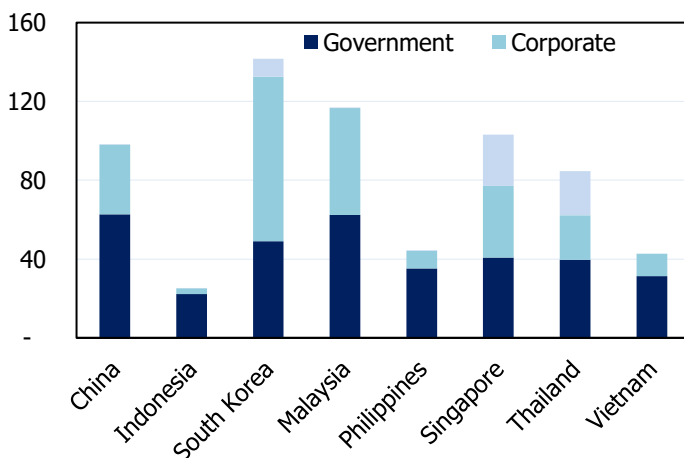
Source: Bloomberg.

Figure 13. Foreign investors' activity in secondary market



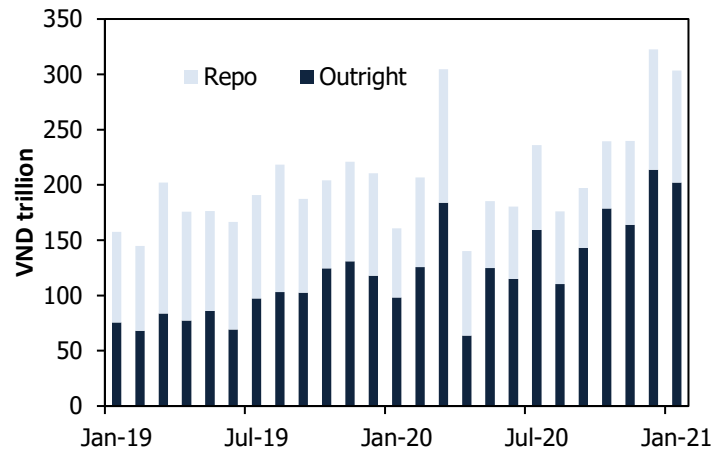
Source: HNX.

Figure 15. Size of bond markets (%GDP Q3.2020)



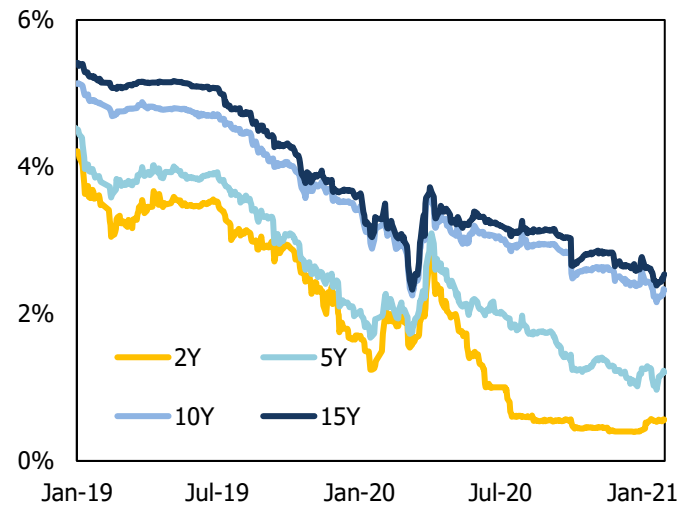
Source: ADB.

Figure 12. Outright and Repo transaction volume



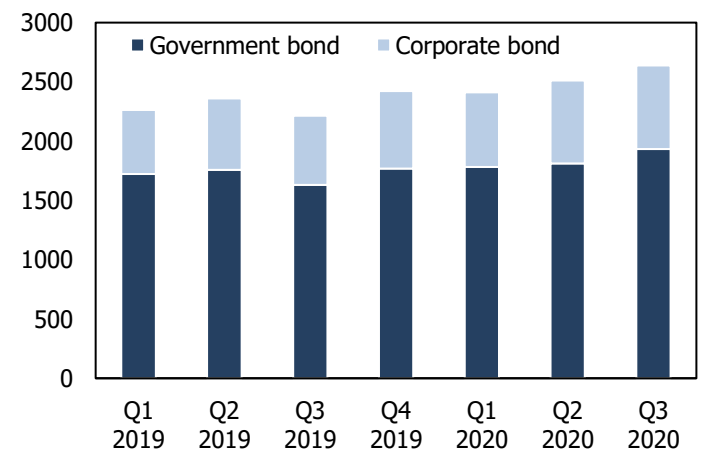
Source: HNX.

Figure 14. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 16. Vietnam bond market size (VND tn)



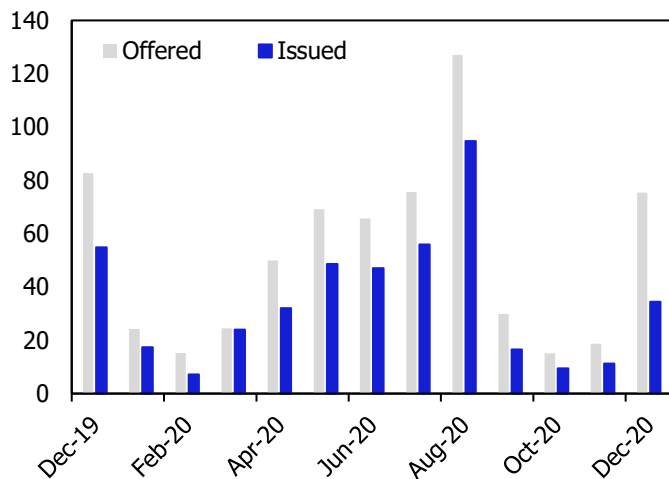
Source: ADB.

Corporate Bond Market

Adjusted data from HNX showed VND 77.3tn of corporate bond was issued by 101 organizations in Q4 2020. The average tenor was 4.91 years, higher than the year average of 4.26 years. In which, Banks accounted for 35% of total volume issued with an average tenor of 4.49 years, followed by Real estate with an average tenor of 3.89 years.

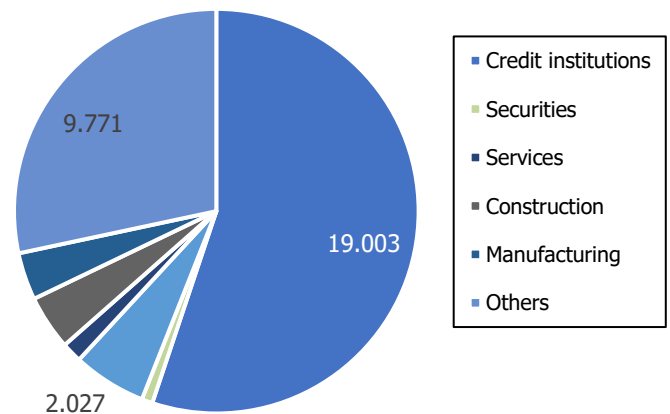
Decree 153/2020/ND-CP issued to make amend to the regulations of corporate bond issuance. Private placements can only be offered to professional investors (financial institutions; organizations with a capital over VND 100bn; individuals with securities licenses; individuals with over VND 2bn trading of public securities; individuals with over VND 1bn). The new regulations will create more safety net for investors, whereas currently a lot of information about issuers is not clear, making it a disadvantage for individual investors.

Figure 17. Corporate bond offering and issuance (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 18. Corporate bond issued by sectors in Q4 2020 (VND tn)



Source: HNX, FiinPro, MBS Research.

PRODUCT

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