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Interbank interest rates remained low, showing that liquidity in the system is still abundant. Interbank interest rates are still lower than OMO rates, so the SBV has not yet made new transactions on the open market. The USD/VND exchange rate continues to trade steadily even though the USD is increasing in price against other currencies in the region. STV issued VND 27,470bn of G-bonds during the period. The yield of secondary G-bonds declined slightly compared to the previous month. Foreign investors net bought VND 127bn of G-bonds this period.

Money Market

Interbank interest rates continued to fall in the first half of September as social distancing continued. System liquidity was still abundant when the SBV did not carry out any transactions through the open market channel.

Credit growth in the first 8 months of the year was estimated at 7.4%, much higher than the level of nearly 4.8% in the same period last year, however, the liquidity in the banking system remained relatively abundant, reflected by a slight decrease in interbank interest rates in the first half of September. A Bloomberg survey showed that the overnight interbank rates are trading at 0.54%/year, down by 5 bps compared to the end of last month. Interest rates for other terms are also around 0.64%-0.96%/year, a growth of about 9-11 bps compared to the end of August.

Although credit growth is higher than the previous year, the pace has slowed due to prolonged social distancing in key economic cities. Particularly in Hanoi, credit by the end of August increased by 8.3% compared to the beginning of the year and increased by 1% compared to the previous month. Meanwhile, in Ho Chi Minh City, credit growth to the beginning of August increased by 5.8% compared to the beginning of the year and increased by 0.2% compared to the previous month. In addition, deposit rates continued to fall in September at many banks with a common decrease of 0.2-0.5% per year compared to early August due to pressure to reduce lending rates to support businesses.

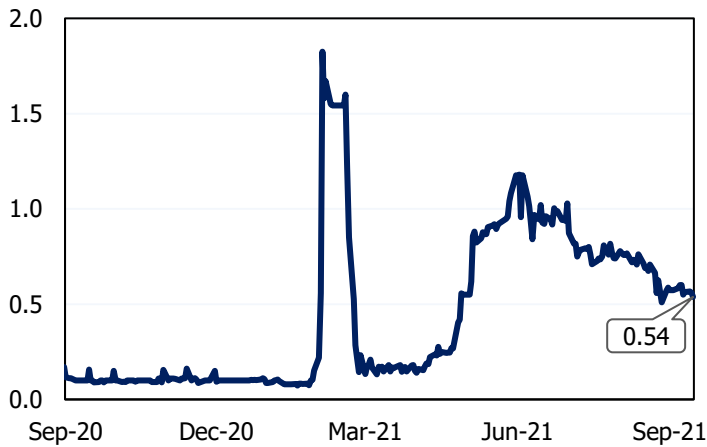
However, with the current positive credit growth, interbank interest rates are unlikely to return to the low level as in 2020. Interbank interest rates are still lower than the SBV's OMO rate of 2.5%/year, so commercial banks don't need SBV's support.

USD/VND exchange rate remains stable.

In the first half of September, the USD/VND exchange rate continued to trade steadily due to the supply of USD in the system is still relatively abundant. Compare to the end of August, the USD/VND exchange rate on the free market rose by VND 85 per USD and is currently trading at 23,115 VND/USD. The central and interbank rates were respectively traded at VND 23,117 per USD, down VND 19 per USD and VND 22,938 per USD, up VND 19 per USD. Compared to other regional currencies, VND value compared to USD still remain stable.

Data showing the U.S. consumer price index, edged up just 0.1% last month. However, the 0.7% climb in sales last month, which were better than what economists expected, was prompted by a rise in spending goods as students prepared to go back to school. This is likely to boost the greenback as the obstacle to economic growth has been somewhat eased, and shows expectations for a tightening of monetary policy by the Fed.

Figure 1. Interbank overnight lending rate (%)



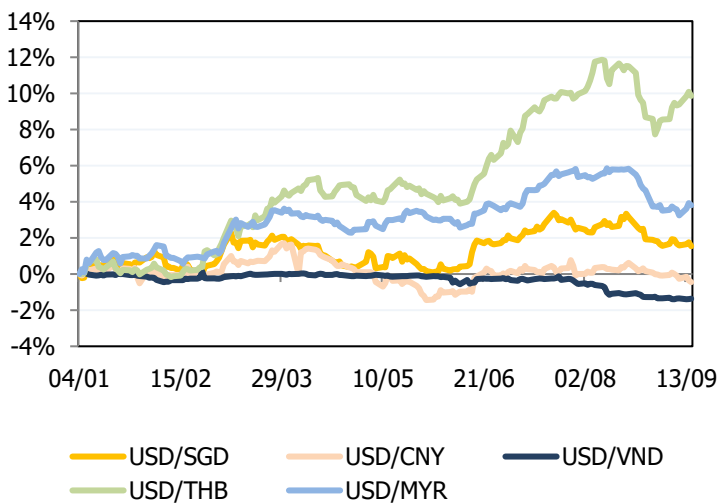
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

| | O/N | 1 Week | 2 Week | 1 Month |
|-------|------|--------|--------|---------|
| 30/06 | 0.94 | 1.14 | 1.25 | 1.32 |
| 30/07 | 0.74 | 0.91 | 1.02 | 1.22 |
| 31/08 | 0.59 | 0.73 | 0.86 | 1.06 |
| 15/09 | 0.54 | 0.64 | 0.75 | 0.96 |

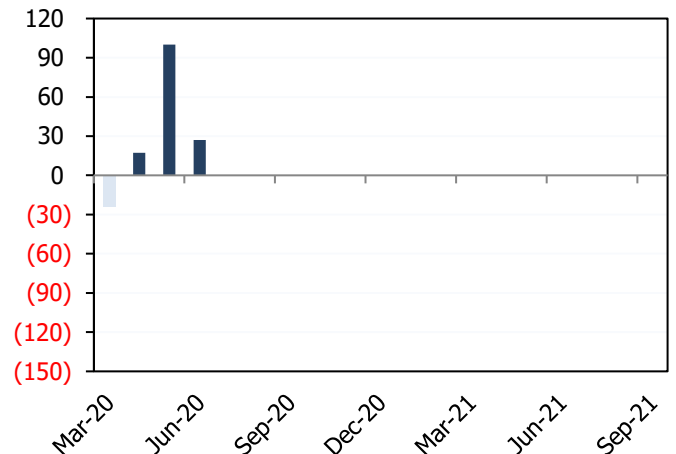
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



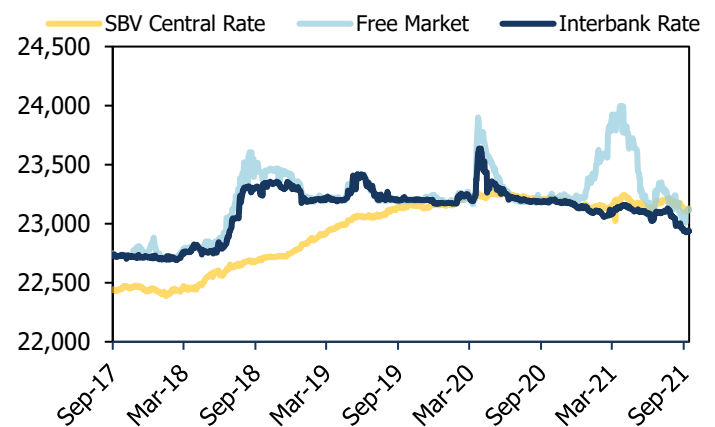
Source: Bloomberg.

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



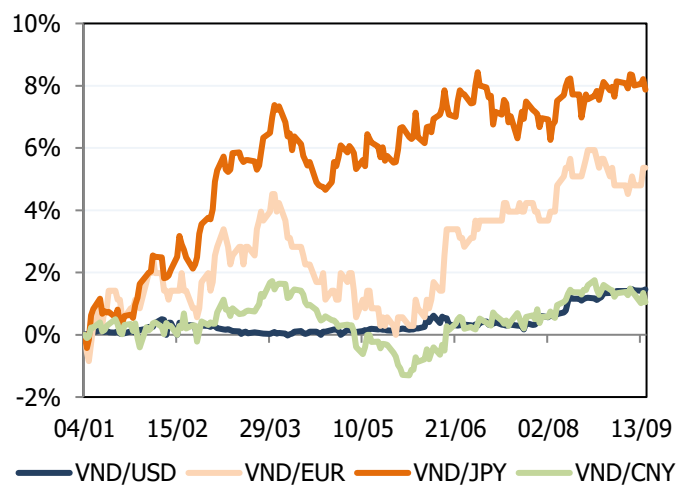
Source: SBV, MBS.

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 27,470bn of G-bonds this period with the winning yield declined slightly compared to the end of August.

In the first half of September, STV was more active in the issuance of G-bond. In the VND 31,000bn proposed, there were VND 27,470bn of G-bonds successfully mobilized, at the rate of 89%. The number of successful issuances is higher than in the same period last month. Of which, 7Y term and 20Y terms enjoyed a 100% issue rate, with winning yields of 1.17%/year and 2.8%/year, respectively. In the third quarter, STV only issued a total of 96,257bn of G-bonds, reaching 80% of the plan.

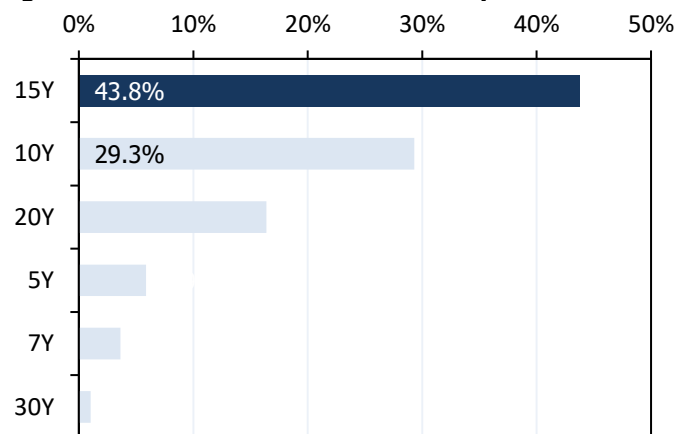
The yields remain relatively the same compared to the previous month. The yield for 10Y and 15Y terms were 2.06%/year and 2.29%/year, respectively, up 1-3bps compared to the end of the previous month. The yields for 5Y term decreased by 2bps to 0.82%/year. The current yield level was low due to abundant market liquidity, but it has been in line with market expectations when the issuance rate is relatively high.

Figure 7. G-bond auction result in September 2021

| Tenor | Offering value | Winning value | Issuance rate | Yield |
|--------------|----------------|---------------|---------------|---------------------|
| 5Y | 2,000 | 1,616 | 81% | 0.82% |
| 7Y | 1,000 | 1,000 | 100% | 1.17% |
| 10Y | 9,500 | 8,050 | 85% | 2.04-2.06% |
| 15Y | 13,000 | 12,024 | 92% | 2.28-2.29% |
| 20Y | 4,500 | 4,500 | 100% | 2.8-2.82% |
| 30Y | 1,000 | 280 | 28% | 2.98% |
| Total | 31,000 | 27,470 | 89% | Unit: VND bn |

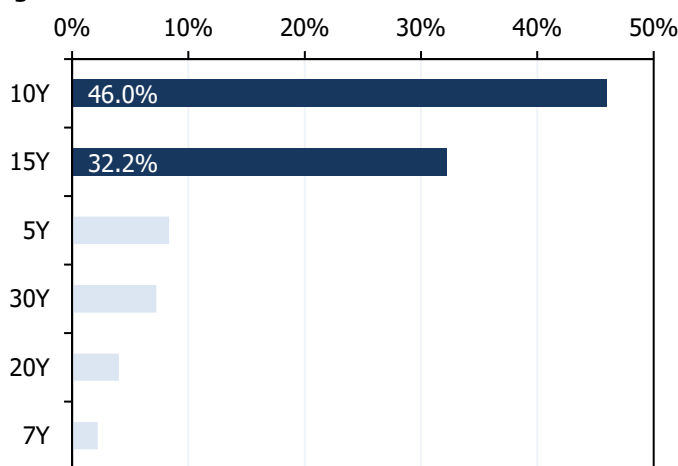
Source: HNX.

Figure 8. G-bond successful issuance September 2021



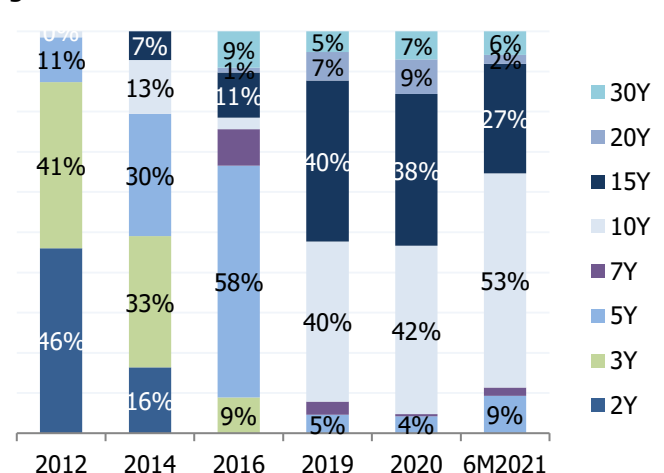
Source: HNX.

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 | 19,848 | 99% |
| 7Y | 15,000 | 5,231 | 35% |
| 10Y | 120,000 | 109,304 | 91% |
| 15Y | 135,000 | 76,549 | 57% |
| 20Y | 30,000 | 9,580 | 32% |
| 30Y | 30,000 | 17,238 | 57% |
| Total | 350,000 | 237,750 | 68% |

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/09/2021

| Market | Last closing | Last week* | *Bps changed compared to last closing | | 31/12/2020* |
|----------------|--------------|--------------|---------------------------------------|--|--------------|
| | | | Last month | | |
| U.S. | 1.30 | -3.88 | -1.0 |  | 38.6 |
| EU | -0.31 | 32.30 | |  7.7 | 26.3 |
| Japan | 0.04 | -0.90 | |  1.1 | 1.5 |
| China | 2.90 | 2.90 | |  5.0 | -24.8 |
| South Korea | 2.03 | 1.70 | |  11.5 | 30.5 |
| India | 6.16 | -2.60 | -5.3 |  | 29.8 |
| Malaysia | 3.30 | 8.10 | |  11.0 | 65.0 |
| Singapore | 1.44 | -1.50 | |  1.7 | 56.8 |
| Indonesia | 6.13 | -4.40 | |  6.1 | 23.9 |
| Philippines | 2.15 | 1.88 | |  3.7 | 25.3 |
| Thailand | 1.65 | -6.38 | |  8.1 | 38.4 |
| Vietnam | 2.07 | -1.50 | -4.6 |  | -51.1 |

Source: Bloomberg.

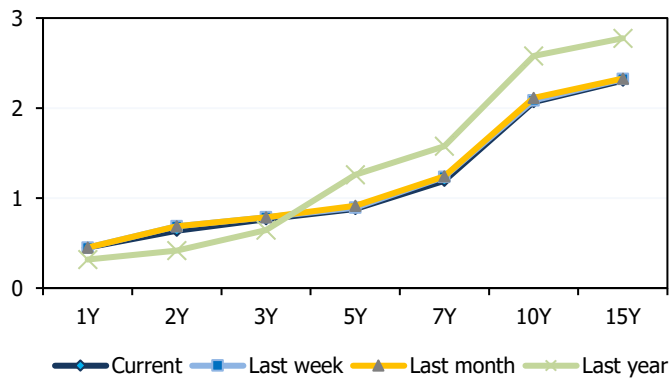
Secondary Market

G-bond yield decreased slightly during the period. Average transaction volume on the secondary G-bond market increased by 16% MoM with the proportion of outright transactions decreasing gradually. Foreign investors net bought VND 127bn of G-bonds this period.

In the middle of September, the 10Y yield was at 2.07%/year, down 5bps compared to the previous month whereas the 2Y yield was at 0.69%/year, down 5bps. Since the beginning of the year, the 2Y yield has increased by 22bps while the 10Y term yield has decreased by 51bps. The yield curve has flattened since the beginning of the year.

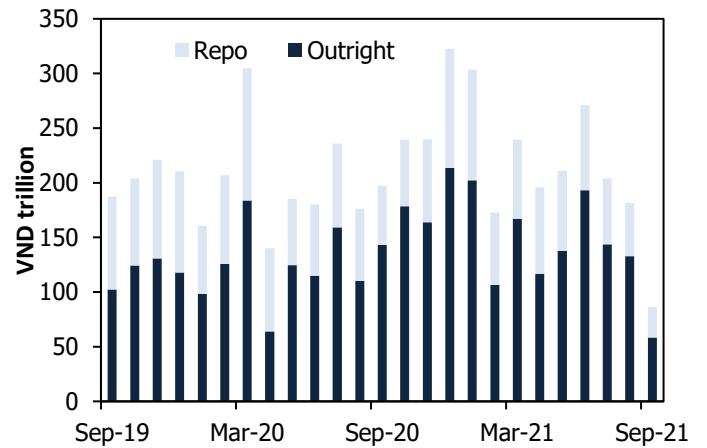
Transactions on the secondary government bond market were more active than the previous month with daily average volumes of VND 9.5tn, up by 16% from August's average. Of which, outright trading accounted for 68% of the volume this period and VND 58.4tn. The average transaction was VND 6.4tn/day, up by 7% from the previous month's average. Average repo trading volume grew by 40% compared to August, reaching VND 3.1tn/day. Foreign investors net bought VND 127bn of G-bonds in this period. Overall, foreign investors net purchased a total of VND 11,290bn of G-bonds in 2021 and VND 14,771bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



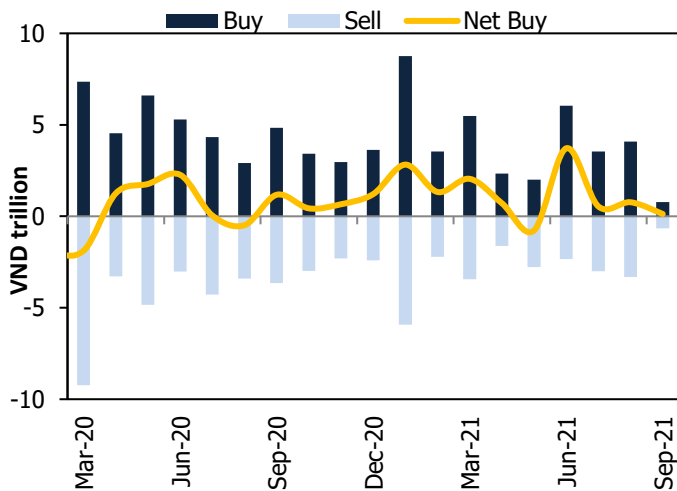
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



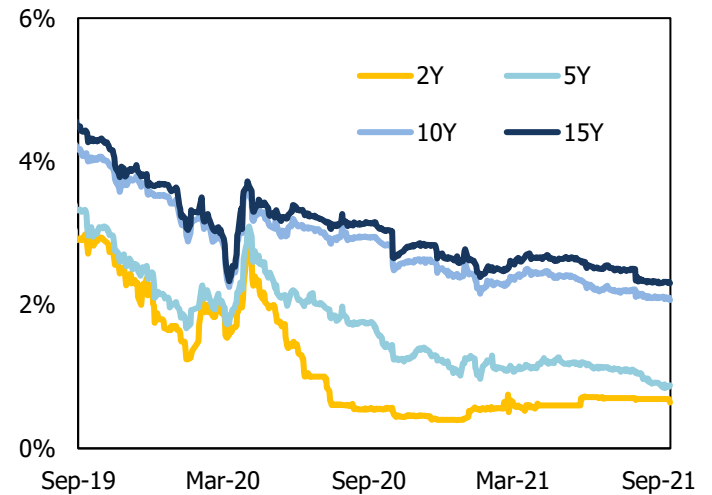
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



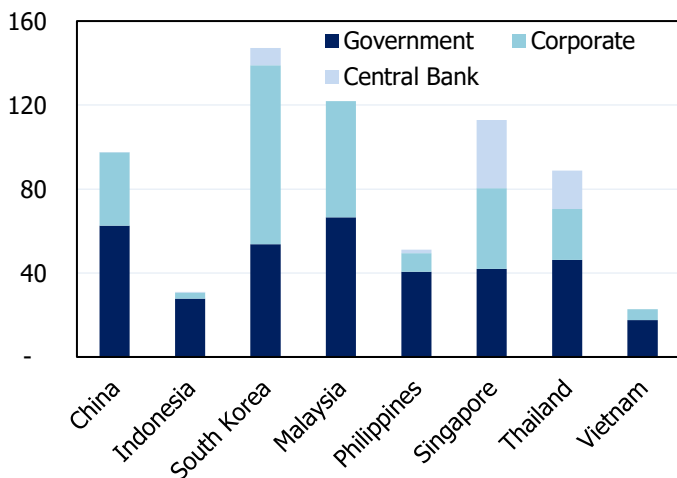
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



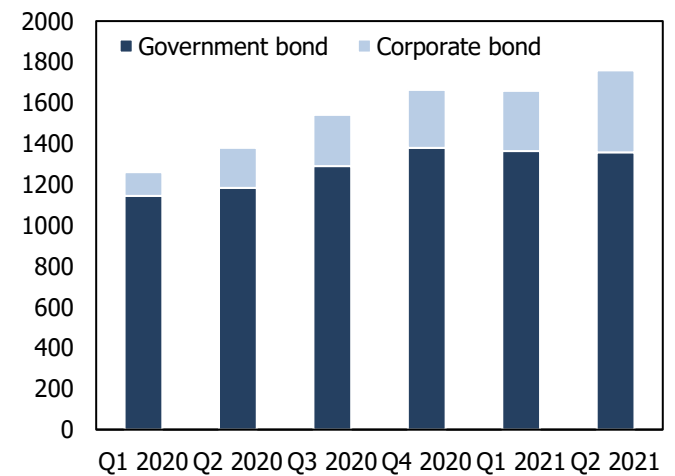
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q2 2021)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

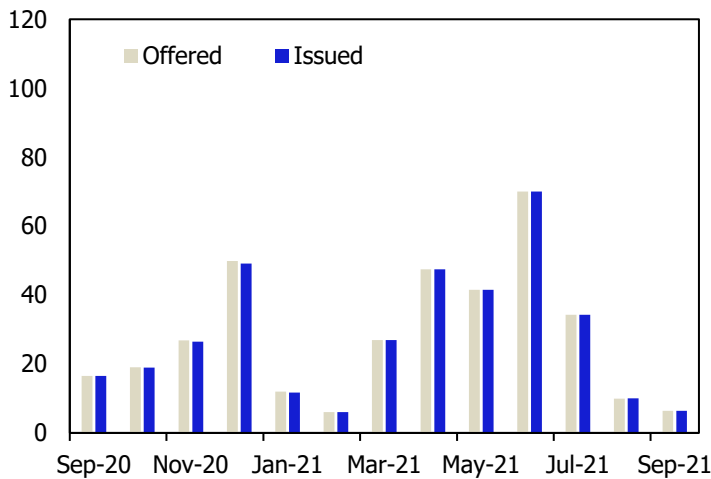


Source: ADB.

Corporate Bond Market

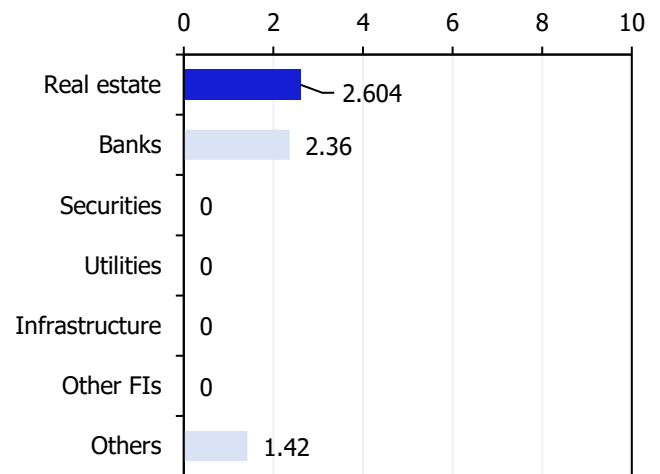
FiinPro data showed that VND 6,384bn of corporate bonds were issued in the domestic market in the first half of August. Masan High-Tech Materials Joint Stock Company and Southeast Asia Commercial Joint Stock Bank issued the largest bond volume of VND 1,000bn each with interest rates of 9.2% and 4.1%, respectively. Moreover, Big Gain Investment Company Limited issued bonds with the highest interest rate of 11%/year with the volume of VND 900bn.

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



Source: HNX. FiinPro. MBS Research.

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



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in August 2021

| Ticker | Issuer | Tenor (year) | Amount (VND bn) | Coupon rate (%/year) |
|--------|--|--------------|-----------------|----------------------|
| MSR | Công ty Cổ phần Masan High-Tech Materials | 3 | 1,000 | 9.2% |
| SSB | Ngân hàng Thương mại Cổ phần Đông Nam Á | 3 | 1,000 | 4.1% |
| NLG | Công ty cổ phần Đầu tư Nam Long | 3 | 950 | 9.5% |
| | Công ty TNHH Đầu tư Big Gain | 4 | 900 | 11.0% |
| CTG | Ngân hàng Thương mại Cổ phần Công thương Việt Nam | 8 | 700 | 6.43% |
| PGB | Ngân hàng Thương mại Cổ phần Xăng dầu Petrolimex | 3 | 500 | 4.3% |
| | Công ty Cổ phần Đầu tư và Kinh doanh Bất động sản Hải Phát | 3 | 400 | 9.5% |
| | Công ty TNHH Quản lý Bất động sản Highgate | 26 month | 354 | 9.5% |
| TDP | Công ty Cổ phần Thuận Đức | 3 | 230 | 9.0% |
| | Công ty Cổ phần Xi măng Xuân Thành | N/A | 190 | 10.5% |
| MBB | Ngân hàng Thương mại Cổ phần Quân đội | 7 | 120 | 7.23% |
| BID | Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam | 15 | 40 | 6.9% |

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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