

Fixed income report

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SBV announces adjustments of key interest rates, leading to a sharp drop in interbank interest rates. SBV continued to withdraw money in early March, then stopped withdrawing liquidity via T-bills. USD/VND exchange rate tends to decrease slightly. STV issued more than VND 14,975bn of G-bonds during the period. Secondary G-bonds yields decreased sharply compared to the previous month. Foreign investors net sold VND 439bn of G-bonds in the period.

Money Market

Interbank interest rates tend to cool down according to the SBV' decision to adjust interest rates.

SBV in the first week of March continued to focus on the treasury bill channel. The SBV issued VND 144tn of 7-91 day bills, while there were VND 180tn of bills maturing during this period, resulting in a net injection of almost VND 40tn through this channel, and through the banking industry. For the purchase of 7-28 day term, winning interest rates are at 6%/year.

A Bloomberg survey showed that the overnight interbank rates are trading at 4.88%/year, down 33 bps from the end of last month. Interest rates for other terms are also around 5.08%-6.55%/year, a decrease of about 22-77 bps compared to the end of February.

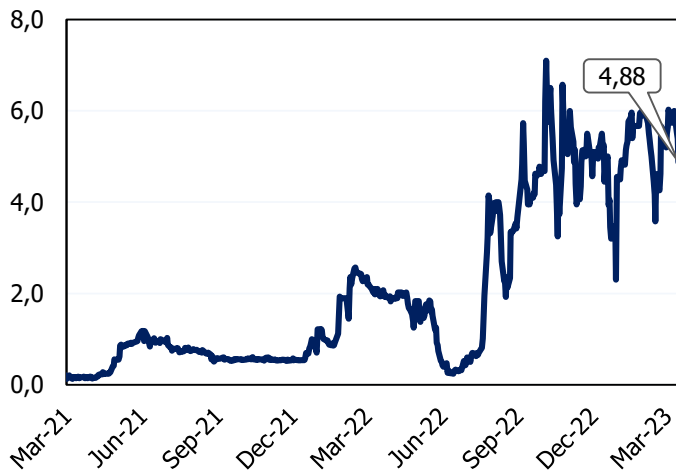
The SBV has decided to adjust the key interest rates, with the adjustments taking effect on March 15, 2023, specifically as follows: With Decision No. 313/QĐ-NHNN, the refinancing rate is maintained at 6% p.a.; the rediscounting rate is reduced from 4.5% to 3.5% p.a.; the overnight rate for the inter-bank electronic payments and the rate applied to loans to finance short-term balances in the clearing transactions between the SBV and the credit institutions is lowered from 7.0% to 6.0% p.a.; With Decision No. 314/QĐ-NHNN, the interest rate cap is reduced from 5.5% p.a. to 5.0% p.a.; the interest rate cap applied to the VND short-term loans in the priority sectors and areas provided by the People's Credit Funds and the Micro Finance Institutions is lowered from 6.5% p.a. to 6.0% p.a.

VND/USD exchange rate decreased slightly, contrary to the international trend.

The USD tends to strengthen in the international market, however, the VND/USD exchange rate tends to decrease. Compared to the end of February, the VND/USD exchange rate on the free market decreased by VND 155 per USD and is currently trading at 23,715 VND/USD. The central and interbank rates were respectively traded at 23,619 VND/USD, down VND 25 per USD and 23,601 VND/USD, down 117 per USD.

The USD Index is currently at 103.77. The dollar has been sliding since the end of last week after authorities and banks acted to ease the strain on the finance system, cooling off most major currencies that have tumbled this week in the wake of the turmoil of banks. According to data released by the US Department of Labor, the number of weekly unemployment claims decreased by 20,000 to 192,000 as of March 11. According to the US Department of Commerce, housing figures in the US increased by 9.8%. Meanwhile, retail sales in the country in February fell 0.4%, in line with forecasts.

Figure 1. Interbank overnight lending rate (%)



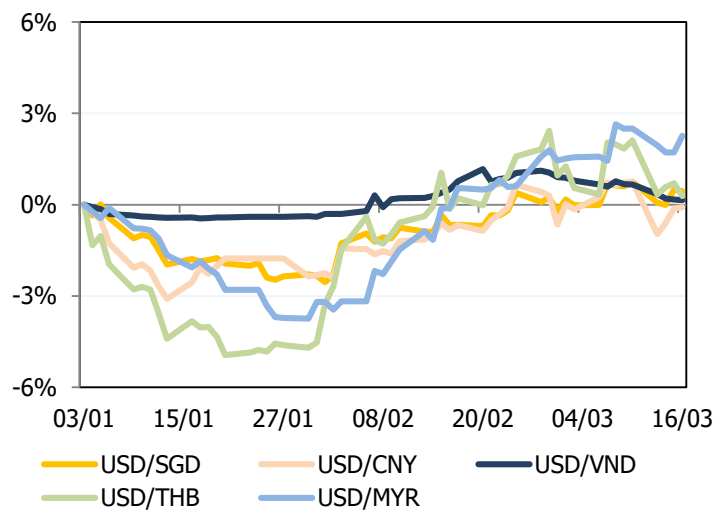
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/12	4,57	5,23	5,67	6,27
31/01	5,90	6,25	6,65	7,20
28/02	5,20	5,84	6,16	6,77
15/03	4,88	5,08	5,58	6,55

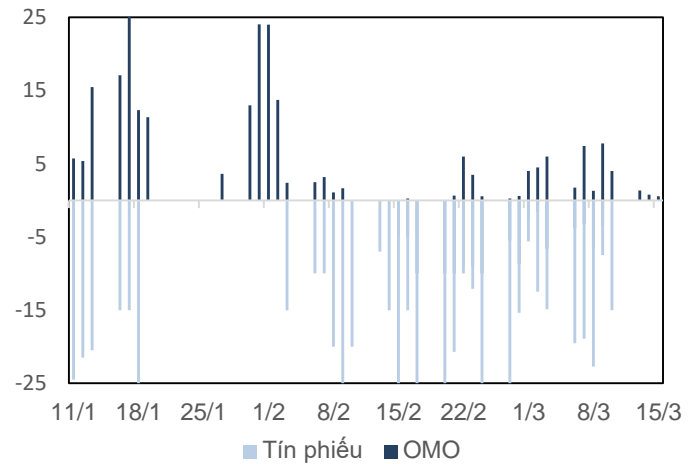
Source: Bloomberg.

Figure 5. Regional currencies performance in 2023



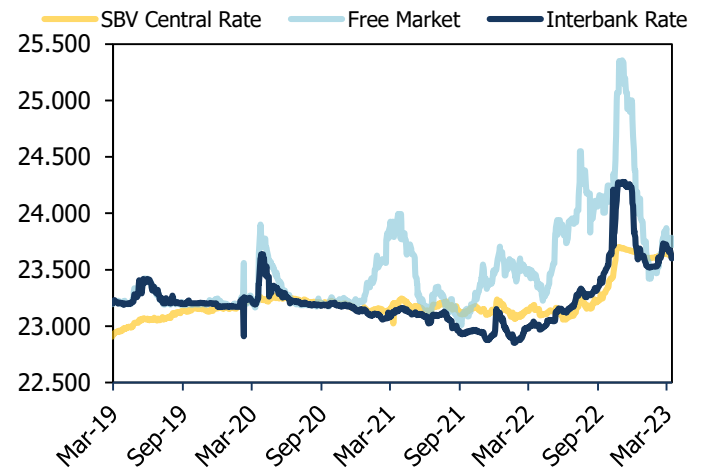
Source: Bloomberg.

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



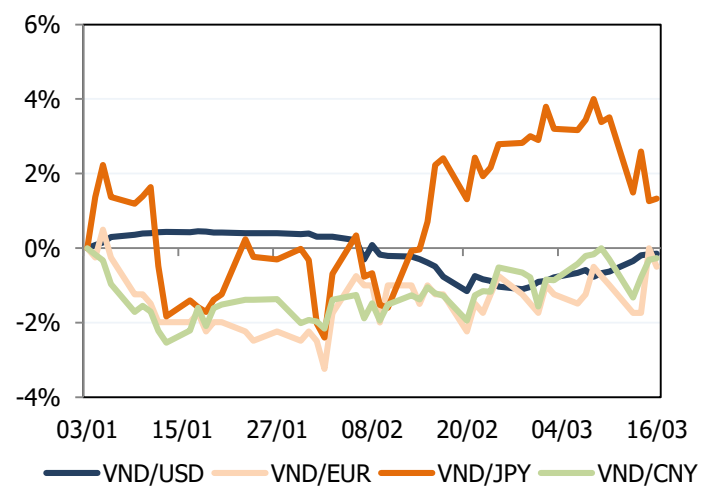
Source: SBV, MBS Research.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2023



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued nearly VND 14,975bn of G-bonds during the period, in the period with a decrease in yield compared to the end of last month.

In the first half of March, the situation of G-bonds issuance was less active. The volume of G-bonds successfully issued by the STV reached VND 14,975bn out of a total of VND 27,000bn offered for sale, a rate of 55%. Of which, the high rate of winning the bid fell on G-bonds with short term, especially term 7Y with 100% successful issuance rate. Up to now, the STV issued more than VND 84tn of G-bonds government bonds, reaching 78% of the plan.

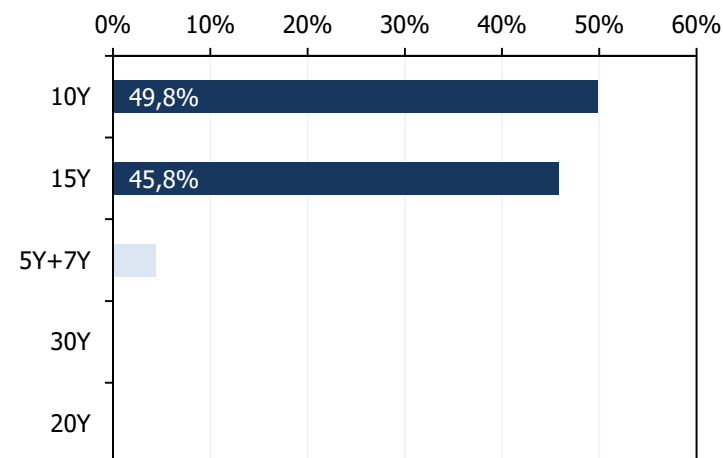
The G-bond winning yield continues to decrease sharply compared to the end of February. Yields for 10Y and 15Y tenor were 4.02%/year and 4.2%/year, respectively, down 10-12 bps at both tenors compared to the end of last month. The yields for 5Y term rose 3bps to 0.84%/year. The current yield level reduced compared to previous month, but it has been in line with market expectations when the winning rate is relatively high.

Figure 7. G-bond auction result in March 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2.250	2.000	89%	3,68-3,7%
7Y	750	750	100%	3,80%
10Y	12.000	6.600	55%	4,02-4,17%
15Y	12.000	5.625	47%	4,2-4,36%
20Y				
30Y				
Total	27.000	14.975	55%	Unit: VND bn

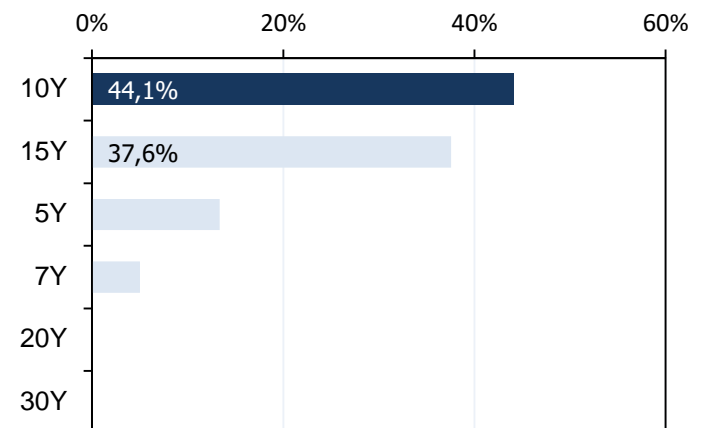
Nguồn: HNX

Figure 9. G-bond successful issuance in 2023



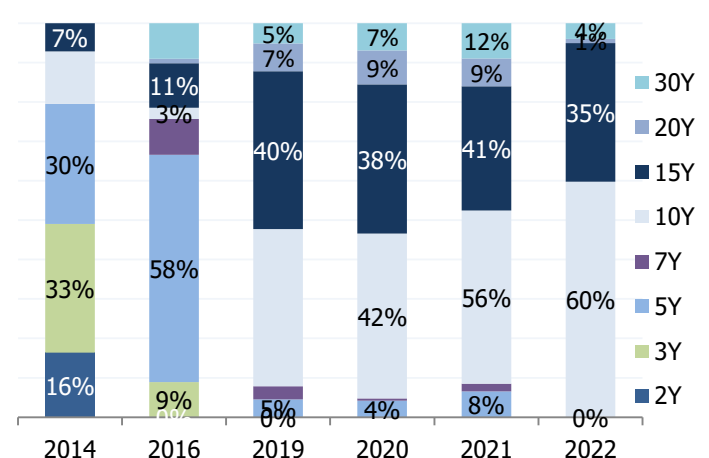
Nguồn: HNX

Figure 8. G-bond successful issuance March 2023



Nguồn: HNX.

Figure 10. G-bond successful issuance over the years



Nguồn: HNX

Figure 11. Government bond issuance 2022

Tenor	VST Q1 2023 plan	VST 2023 issued	% VST Q1 2022 plan
5Y+7Y	8,000	3.700	46%
10Y	45,000	42.032	93%
15Y	45,000	38.670	86%
20Y	5,000	0	0%
30Y	5,000	0	0%
Total	108,000	84.402	78%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries
As at 15/03/2023
***Bps changed compared to last closing**

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	3,45	-53,65	-46,5	-42,0
EU	2,13	-51,65	-52,1	-44,1
Japan	0,33	-17,60	-17,6	-9,3
China	2,87	-2,22	-4,0	3,6
South Korea	3,42	-29,20	-34,0	-31,5
India	7,34	-9,20	-9,1	1,4
Malaysia	3,88	-16,30	-3,1	-18,9
Singapore	3,00	-38,54	-32,6	-7,7
Indonesia	6,77	-28,41	-13,2	-17,4
Philippines	4,95	-30,85	-20,6	9,9
Thailand	2,43	-14,73	-17,6	-20,3
Vietnam	4,08	-31,50	-30,7	-71,7

Source: Bloomberg.

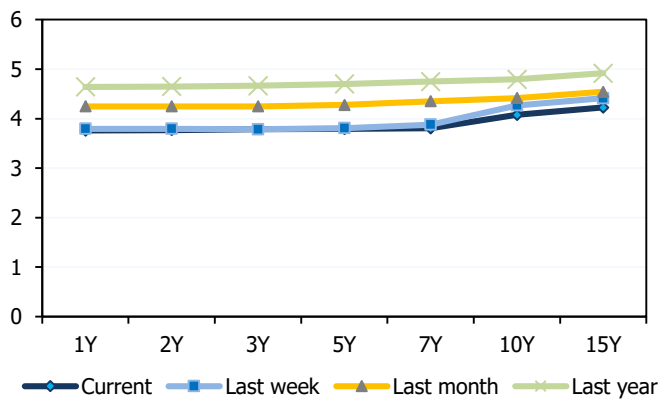
Secondary Market

Secondary G-bond yields declined significantly in all terms. Average transaction volume on the secondary G-bond market decreased by 15%, compared to the perious month. In the first half of March, foreign investors continued to net sold VND 439bn of G-bonds.

In the mid-March, the 10Y yield was at 4.08%/year, down 34 bps compared to the previous month whereas the 2Y yield grew to 3.77%/year, down 48 bps. Since the beginning of the year, the 2Y yield has decreased by 88 bps while the 10Y term yield has decreased by 72. bps. The 10Y G-bonds yield of many countries experienced down trend during this period.

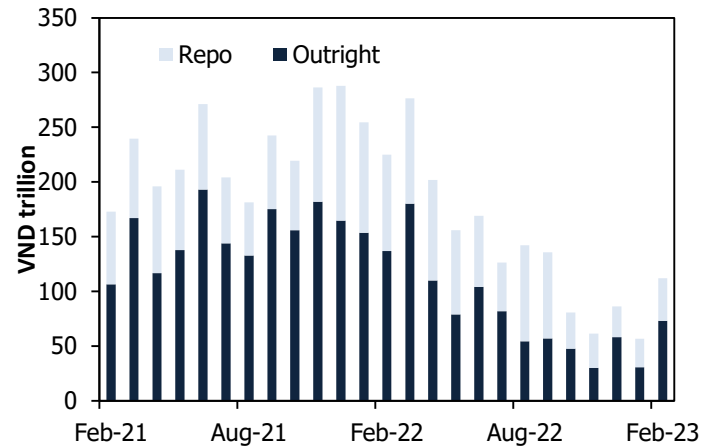
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 4.7tn, down 15%. Of which, outright trading accounted for 71% of the volume this period and VND 39tn. Average transaction was VND 3.1tn/day, down by 14% from the previous month's average. Average repo trading volume declined by 16% compared to February, reaching VND 1.6tn/day. In March, foreign investors net sold G-bonds with an amount of VND 439bn. Overall, foreign investors net purchased a total of VND 1,062 bn of G-bonds in 2021 and VND 8,531bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



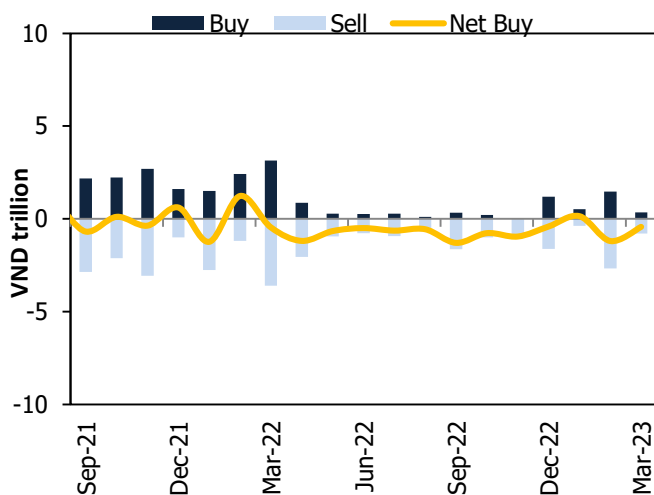
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



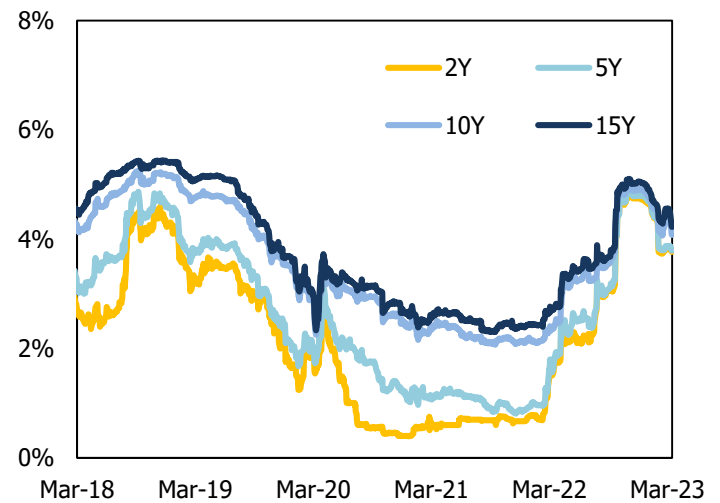
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



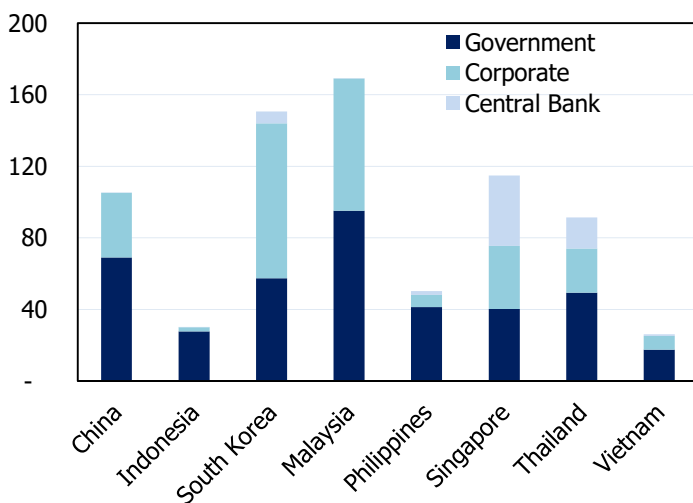
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



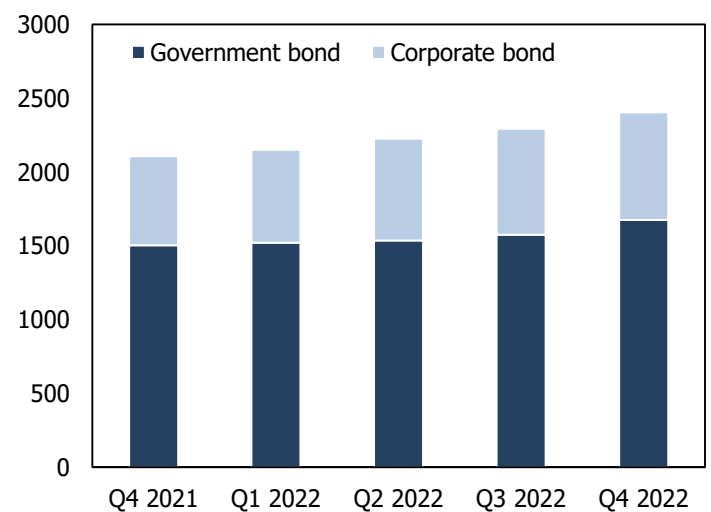
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q4 2022)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

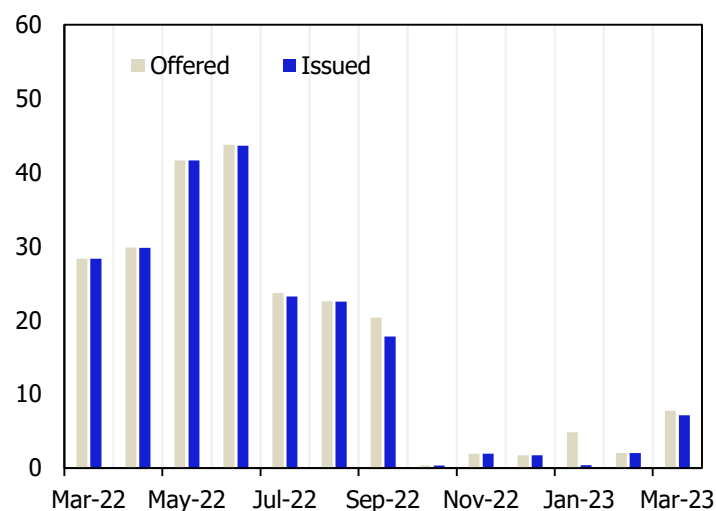


Source: ADB.

Corporate Bond Market

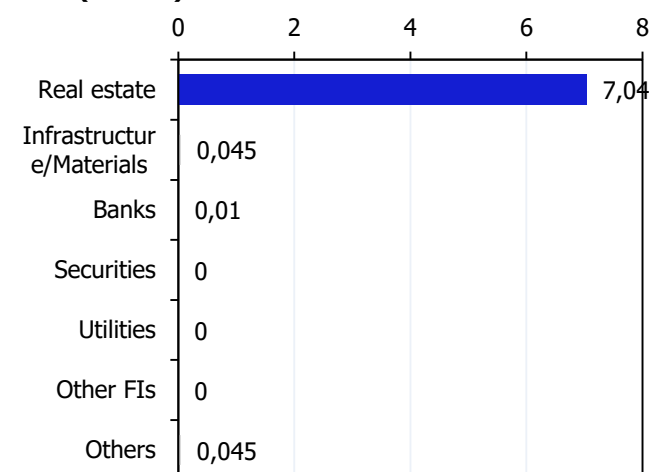
Fiinpro data showed that in the first two weeks of March 2023, there were VND 7,140bn of corporate bonds issued in the domestic market. In which, Nam An Investment and Trading Joint Stock Company issued the largest bond volume of VND 4,700bn with the highest coupon rate of 13 %/year.

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



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issued by sectors in March 2023 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in March 2023

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
	Công Ty Cp Đầu Tư Và Kinh Doanh Nam An	1,5	4.700	13%
	Công ty TNHH Kinh doanh Bất động sản Dream City Villas	5	2.300	6%
	Công Ty Cổ Phần Thương Mại Sản Xuất Và Đầu Tư Hà Thành	2	45	12%
	Công ty Cổ phần phân phối HDE	2	45	12%
	Công Ty Cổ Phần Đầu Tư Và Thương Mại Xuất Nhập Khẩu Thủ Đô	2	40	12%
BAB	Ngân hàng Thương mại Cổ phần Bắc Á	7	10,05	N/A

Source: HNX, FiinPro, MBS Research.

PRODUCT

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