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*After Tet, liquidity demand returned to normal levels. The open market did not have any more transactions in the second half of February. Interbank interest rates also returned to low levels. The central USD/VND exchange rate decreased, but the free market rate sharply increased in line with the regional trend. The State Treasury issued more than VND 3.5tn of government bonds during the month with flat yields. The yield of 10Y secondary government bonds increased slightly compared to the previous month. Foreign investors net bought VND 1,327 billion of government bonds during the period.*

### Money Market

**Liquidity demand after Tet cooled down, making the banking system liquidity move back to normal. In February, SBV injected VND 50,726bn through the open market channel and all this money was returned to the SBV before the end of the month.**

As we have stated, due to seasonal nature at the end of the year, the demand for liquidity increased. After the Tet holiday, the liquidity situation has stabilized. In the second half of February, the SBV did not make any new transactions on the open market and the total amount of VND 35,158bn net injected in the first half of the month was returned to the State Bank. In total, in February, the State Bank injected VND 50,726bn into the banking system through the open market channel and also absorbed this whole amount.

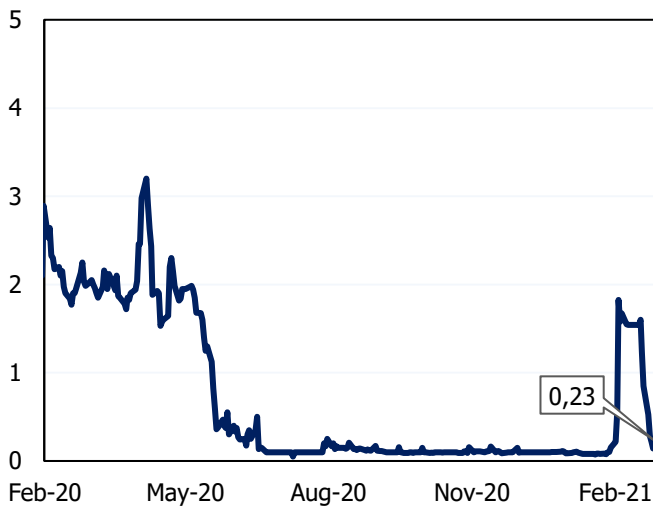
Liquidity returned to the abundance level, so the interbank interest rates also dropped rapidly. A Bloomberg survey showed that the overnight interbank interest rate ended February at 0.23%/year, only 1/6 of that before Tet. Interest rates for other terms were also around 0.4%-0.8%/year, significantly decreasing in the second half of February.

### USD/VND exchange rates moved in different direction.

In recent weeks, the USD showed signs of rebounding against some currencies in the region. The USD/VND exchange rate in the free market also had a similar trend when it increased from 23,595 VND/USD to 23,845 VND/USD in a month. However, the central and interbank rates were in a downward trend, meaning the value of the VND was increasing. The central rate is at 23,130 VND/USD, down 30 VND/USD compared to the end of January, while the interbank rate ended February at 23,074 VND/USD, down 31 VND/USD.

Recently, bond interest rates in the US has increased sharply, reflecting investors' high expectation of inflation in the future. Normally, the consequence of the interest rate increase is that investors will withdraw capital from other economies to return to the US market, leading to the USD increase in value. The exchange rate movements in the region are reflecting this trend. For VND, foreign currency reserves are plentiful after a long period of accumulation by SBV, so we think the exchange rate may increase again, but will not be too volatile.

**Figure 1. Interbank overnight lending rate (%)**



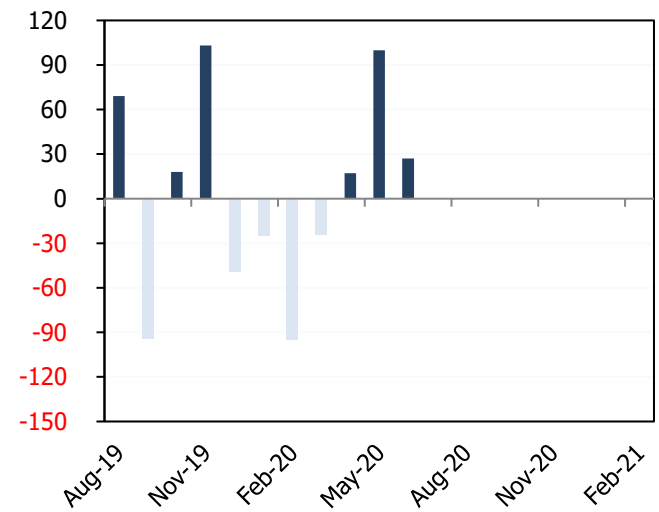
Source: Bloomberg.

**Figure 3. Interbank interest rate (%)**

	O/N	1 Week	2 Week	1 Month
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
26/02	0.23	0.42	0.52	0.80

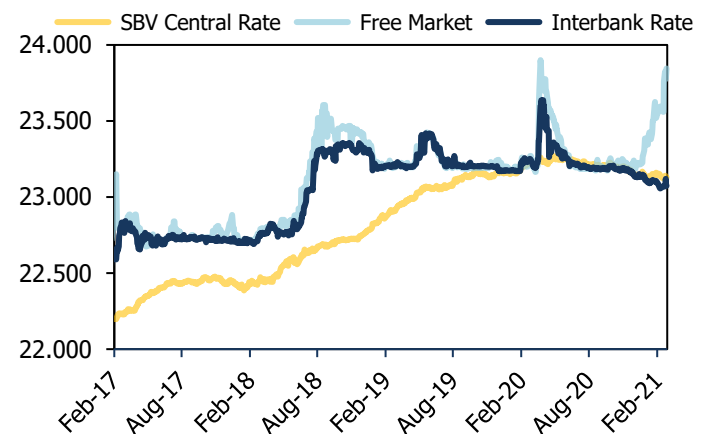
Source: Bloomberg.

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



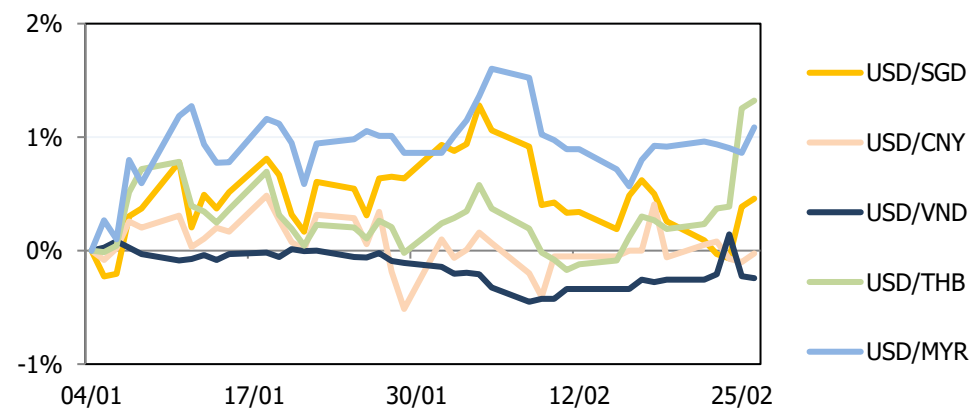
Source: SBV, MBS.

**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 managed to raise VND 3,515bn of G-bonds in February.**

Even though in the second half of February, the volume of successfully issued government bonds has improved but remains modest. In the whole month, VND 3,515bn of G-bonds were issued out of VND 18tn offered, an issuance rate of 20%. Of which, the 10Y and 15Y tenors raised VND 1.5tn and VND 1.3tn respectively. The rate of issuance in Q1 is quite slow, only completed 24% of quarterly plan even though 2/3 of the time has passed. With the annual plan of VND 350tn, STV will need to raise the issuance yield higher to attract investors.

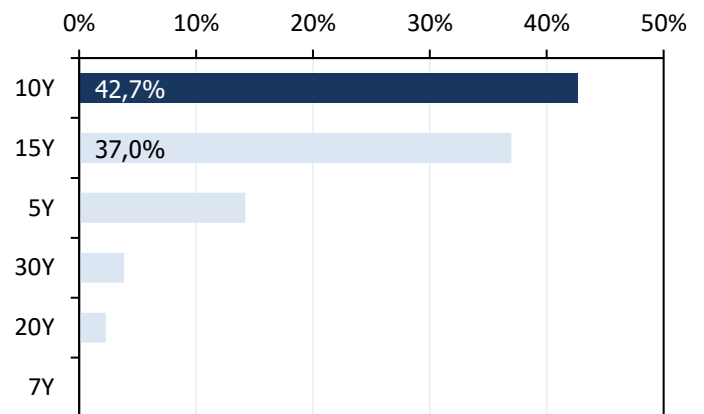
The yields remain relatively the same compared to the previous month. The 10Y and 15Y yields are 2.17%/year and 2.4%/year, an increase of 2bps. The 5Y yield dropped slightly by 4bps to 1.03%/year. With this year issuance plan of VND 350tn, STV will need to raise yield to attract investors.

**Figure 6. G-bond auction result in February 2021**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	500	500	100%	1.03%
7Y				
10Y	8,000	1,500	19%	2.17%
15Y	7,000	1,300	19%	2.40%
20Y	1,500	80	5%	2.89%
30Y	1,000	135	14%	3.01%
<b>Total</b>	<b>18,000</b>	<b>3,515</b>	<b>20%</b>	<b>Unit: VND bn</b>

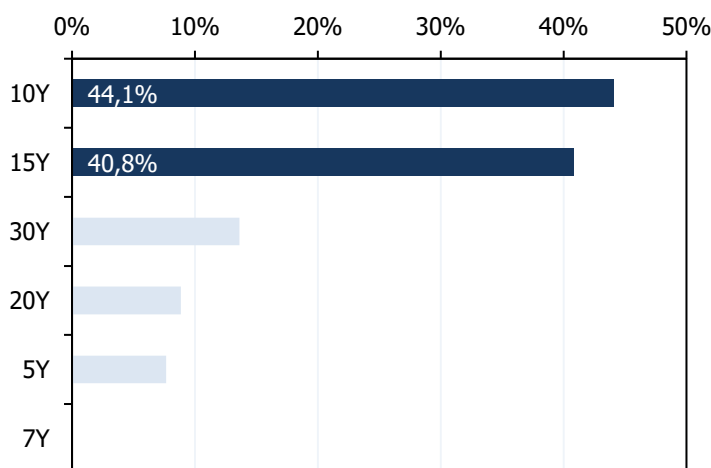
Source: HNX.

**Figure 7. G-bond successful issuance February 2021**



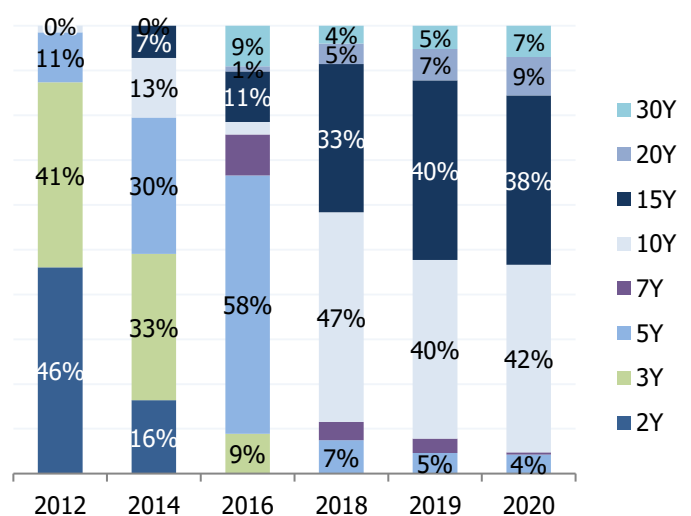
Source: HNX.

**Figure 8. G-bond successful issuance in 2021**



Source: HNX.

**Figure 9. G-bond successful issuance from 2012**



Source: HNX.

**Figure 10. Government bond issuance 2021**

Tenor	VST Q1 2021 Plan	VST Q1 2021 Issued	% VST Q1 2021 Plan
5Y	5.000	1.300	26%
7Y	5.000	0	0%
10Y	35.000	8.850	25%
15Y	35.000	8.281	24%
20Y	10.000	2.080	21%
30Y	10.000	3.065	31%
<b>Total</b>	<b>100.000</b>	<b>23.576</b>	<b>24%</b>

Source: VST, HNX

**Figure 11. 10Y G-bond yields (%) in selected countries As at 26/02/2021**

**\*Bps changed compared to last closing**

Market	Last closing	Last week*	Last month	31/12/2020*
U.S.	1,47	13,55	40,6	55,9
EU	-0,26	4,80	26,1	31,2
Japan	0,16	5,30	10,8	14,1
China	3,28	1,30	9,4	13,3
South Korea	1,89	1,60	12,8	17,1
India	6,23	9,40	33,8	36,4
Malaysia	3,01	1,70	30,5	36,1
Singapore	1,40	14,40	36,5	52,2
Indonesia	6,61	5,70	40,2	72,3
Philippines	2,37	27,20	40,2	47,5
Thailand	1,80	26,60	49,6	53,4
<b>Vietnam</b>	<b>2,39</b>	<b>12,70</b>	<b>6,6</b>	<b>-18,7</b>

Source: Bloomberg.

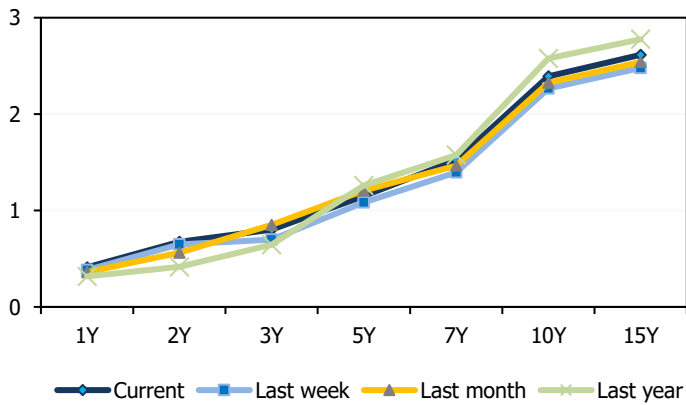
## Secondary Market

**G-bond yield rose slightly. Average daily transaction volume on the secondary government bond market decreased 24% compared to the previous month. Foreign investors net purchased over VND 1,327bn of government bonds.**

Following the global trend, 10Y treasury yield in Vietnam has been climbing in recent weeks. The current 10Y yield is at 2.39%/year, a 7bps rise compared to January. However, it is still 19bps lower compared to the year beginning, while other markets saw their yields increase by tens of bps.

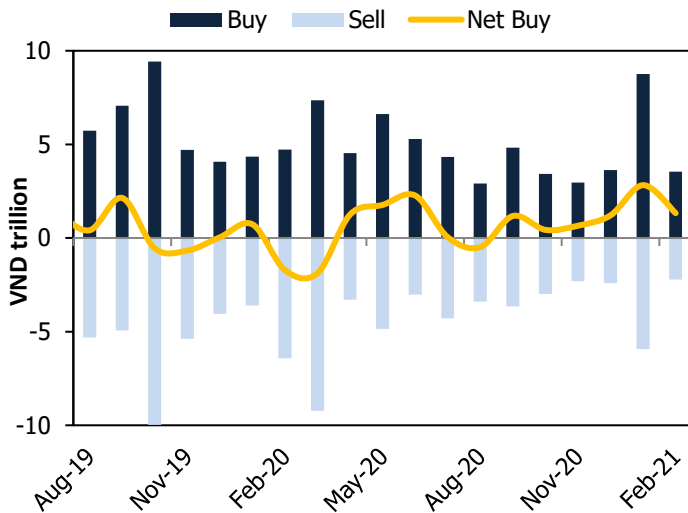
Government bond transactions in the secondary market in the period reached VND 11.5tn daily average, 24% lower than its January level. Of which, outright transactions accounted for 62% of volume in the period with VND 106.5tn. Average transaction volume was VND 7.1tn/day, down 30% compared to the previous month. Average daily repo trading volume decreased by 13% compared to January's level, reaching VND 4.4tn/day. Foreign investors continued to net purchase VND 1,327bn of government bonds. They have purchased VND 4,152bn in 2021 and VND 10,601bn in the past 12 months.

**Figure 12. Vietnam T-bond Yield (%)**



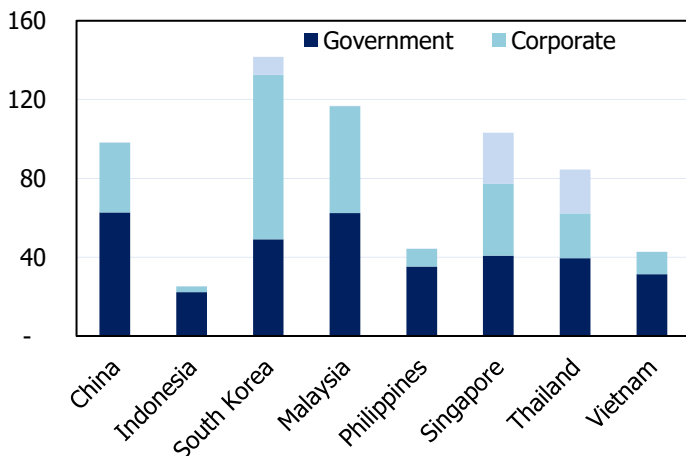
Source: Bloomberg.

**Figure 14. Foreign investors' activity in secondary market**



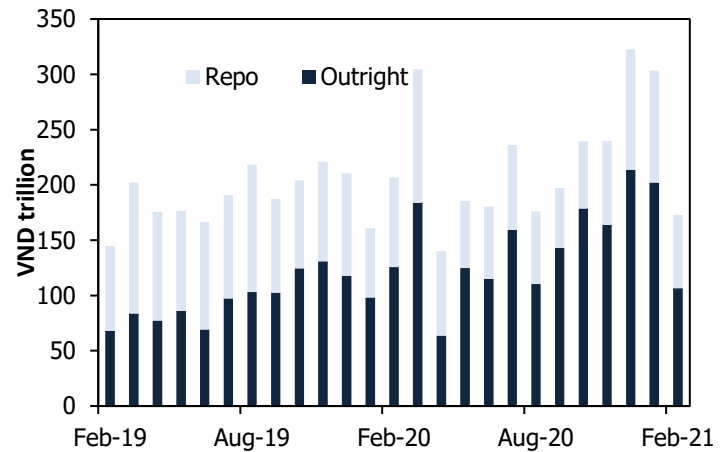
Source: HNX.

**Figure 16. Size of bond markets (%GDP Q3.2020)**



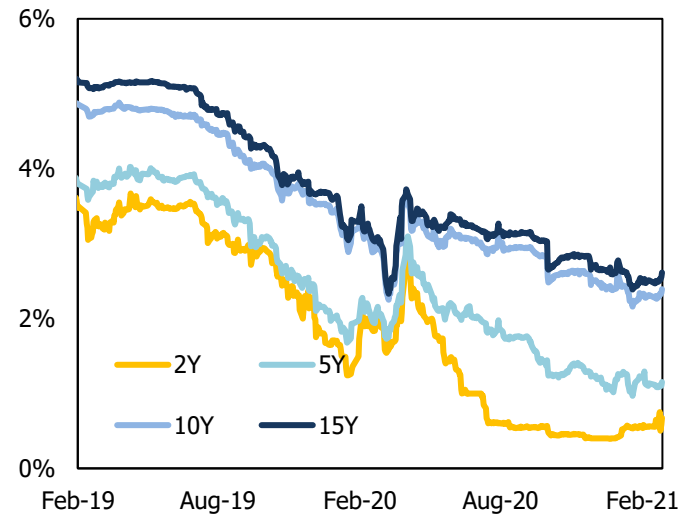
Source: ADB.

**Figure 13. Outright and Repo transaction volume**



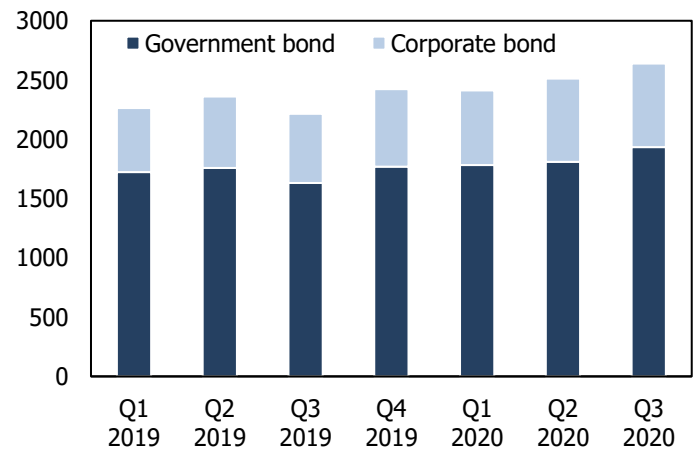
Source: HNX.

**Figure 15. G-bond yield curve – Secondary Market**



Source: Bloomberg.

**Figure 17. Vietnam bond market size (VND tn)**

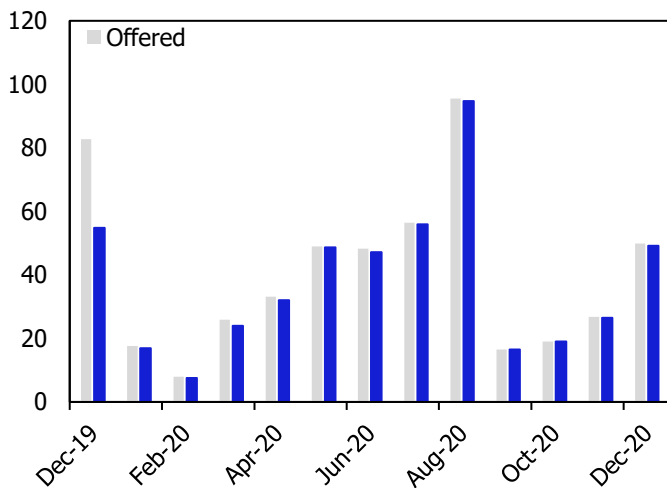


Source: ADB.

## Corporate Bond Market

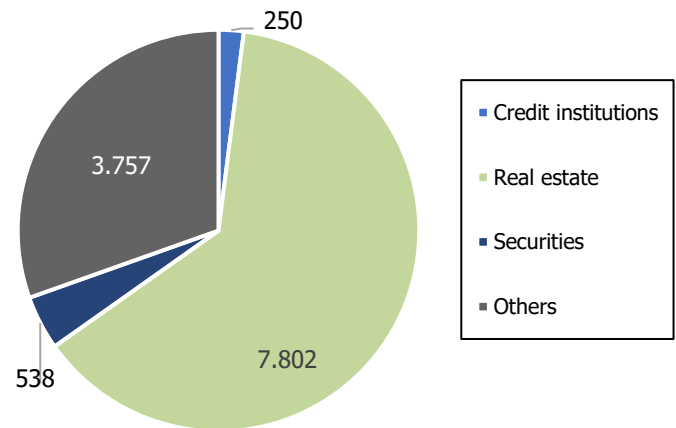
In 2020, corporate bond market continued to grow at a rapid pace, with about VND 446tn raised via private, public and international placements, a growth rate of 30% yoy. The average tenor was 4.27 years, average rate of 9.3%/year. Real estate companies are the top issuers with 42% of the bonds issued, about VND 184.6tn, followed by Bnks with VND 134.6tn, accounting for 31%.

**Figure 18. Corporate bond offering and issuance (VND tn)**



Source: HNX, FiinPro, MBS Research.

**Figure 19. Corporate bond issued by sectors in 2M 2021 (VND tn)**



Source: HNX, FiinPro, MBS Research.

**Figure 20. Corporate bond issuers in Jan and Feb 2021**

Ticker	Issuer	Issue date	Tenor	Value (VND bn)
KDC	Công ty Cổ phần Tập đoàn KIDO	01/2021	5Y	1,000
C47	Công ty Cổ phần Xây dựng 47	01/2021	1Y	60
SZC	Công ty Cổ phần Sonadezi Châu Đức	01/2021	5Y	500
MSN	Công ty Cổ phần Tập đoàn Masan	01/2021	3Y	1,400
	Công ty Cổ phần Hội An Invest	01/2021	2Y	516.5
HDG	Công ty Cổ phần Tập đoàn Hà Đô	01/2021	2Y	210
	Công ty Cổ phần Đầu tư Smart Dragon	01/2021	3Y	1,900
	Công ty Cổ phần Phát triển Bất động sản Nhật Quang	01/2021	3Y	2,150
	Công ty Cổ phần Hateco Thăng Long	01/2021	25M	100
TCD	Công ty Cổ phần Đầu tư Phát triển Công nghiệp và Vận tải	01/2021	3Y	250
	Công ty Cổ phần Tư vấn Quản lý và Đầu tư Đỏ	01/2021	5Y	300
SBT	Công ty Cổ phần Thành Thành Công - Biên Hòa	01/2021	3Y	700
LPB	Ngân hàng Thương mại Cổ phần Bưu Điện Liên Việt	01/2021	7Y	250
	Công ty Cổ phần Dịch vụ Cáp treo Bà Nà	01/2021	7Y	48.2
VNT	Công ty Cổ phần Giao nhận Vận tải Ngoại Thương	01/2021	2Y	59.3
VCI	Công ty Cổ phần Chứng khoán Bản Việt	01/2021	2Y	348.4
PDR	Công ty Cổ phần Phát triển Bất động sản Phát Đạt	02/2021	2Y	400
	Công ty Cổ phần Infinity Land	02/2021	6Y	450
TCI	Công ty Cổ phần Chứng khoán Thành Công	02/2021	1Y	190
VIC	Tập đoàn Vingroup - Công ty Cổ phần	02/2021	3Y	1,515

Source: HNX, FiinPro, MBS Research.

## **PRODUCT**

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