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The liquidity in the system was tense, causing interbank interest rates to increase sharply during the period. Commercial banks took advantage of the low OMO rate and continued to raise over VND 14.9tn from SBV via this channel in the first half of February. The USD exchange rate rose slightly in the domestic market but decreased in the international market. STV issued VND 4,100bn of G-bonds during the period. The yield of secondary G-bonds increased at all terms. Foreign investors continued to net sell VND 46bn of G-bonds this period.

Money Market

Interbank interest rates surged in first half of February due to increased liquidity demand. In first half of February, SBV injected VND 14,909.77bn through the open market channel.

In the first half of February, liquidity in the system was under pressure when the demand for payment increased due to seasonality. SBV injected VND 14.9bn via the OMO channel, with a rate of 2.5%/year, tenor of 4 week. Total maturity from last month reached VND 9tn, bringing the amount of OMO in circulation to VND 15.7tn. Thus, The whole amount will return to SBV in February.

Interbank interest rates surged in the first half of February due to a breakthrough in credit growth since the beginning of the year. As of January 28, according to the SBV, credit growth increased by about 2.74% compared to the end of last year. Meanwhile, the amount of savings deposits into the banking system after the holiday is somewhat slower because other investment channels such as securities and real estate have attracted money, causing liquidity to be tight. A Bloomberg survey showed that the overnight interbank rates are trading at 2.57%/year, up by 67 bps compared to the end of last month. Interest rates for other terms are also around 2.53%-2.65%/year, an increase of about 51-78 bps compared to the end of January.

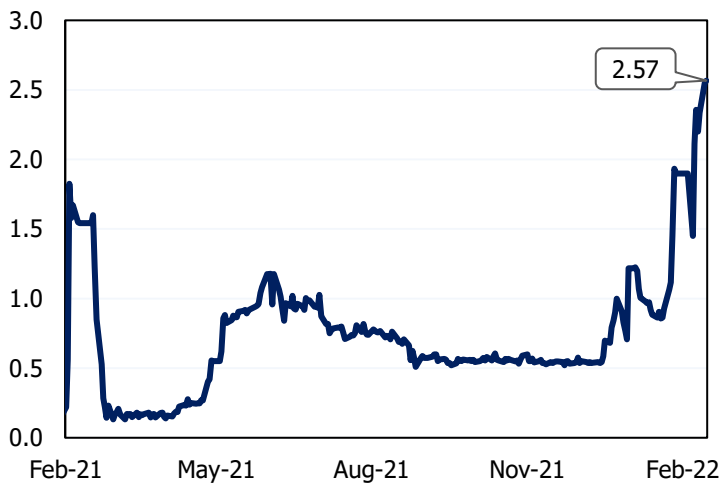
Following the Lunar New Year, several banks began to raise deposit interest rates, with the highest rate reaching 12.4%/year, while FDI inflows and exports are expected to climb significantly. This will reduce the pressure on liquidity and interbank interest rates may remain high but they will not rise as quickly as they have in the past.

USD/VND exchange rate increased slightly.

The USD/VND domestic exchange rate increased in the first half of February. The demand for foreign currency during the Lunar New Year caused the USD/VND exchange rate on the free market to rise by 150 VND/USD and is currently trading at 23,545 VND/USD compared to the end of January. The central and interbank rates were 23,116 VND/USD and 22,932 VND/USD, respectively, up 17 and 51 VND/USD. We expect the USD/VND exchange rate to be relatively constant, thanks to a steady supply of foreign currency from remittances and FDI inflows, as well as a trade surplus.

The DXY Index was recorded at 95.9 in the first half of February. The USD exchange rate went down when some signs showed that the tension between Russia and Ukraine was reducing. Fed is likely to raise rates by 50 basis points in March, following four months of rising inflation and a CPI gain of 7.5%, the most in four decades, as well as a higher-than-expected consumer price index from the world's largest economy last week.

Figure 1. Interbank overnight lending rate (%)



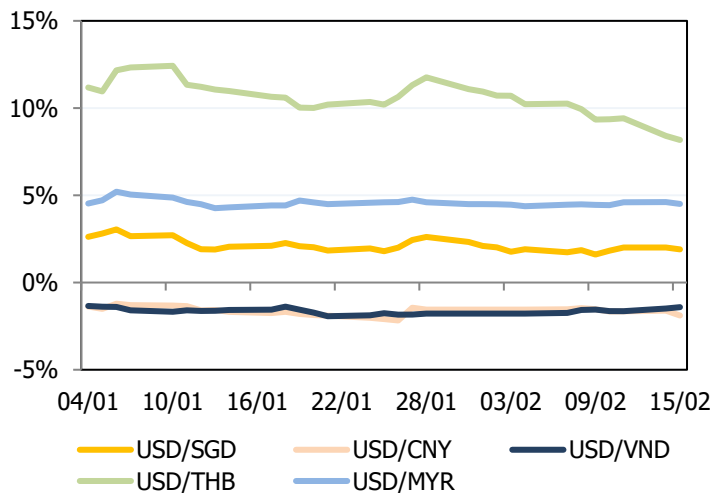
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/11	0.54	0.63	0.72	0.96
31/12	1.22	1.42	1.55	1.83
31/01	1.90	1.88	2.02	2.02
15/02	2.57	2.65	2.57	2.53

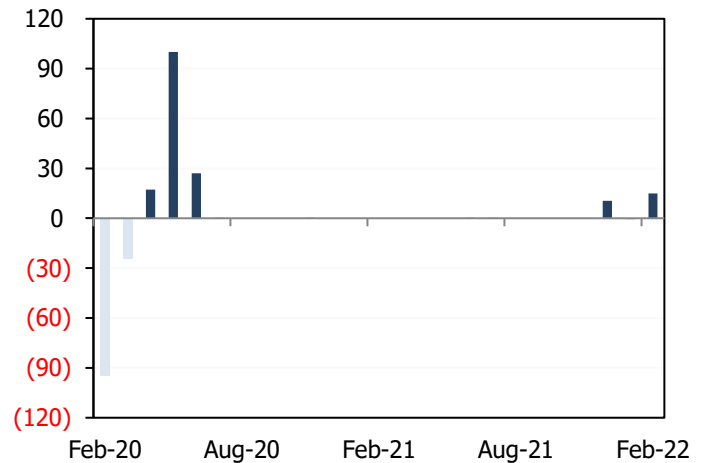
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



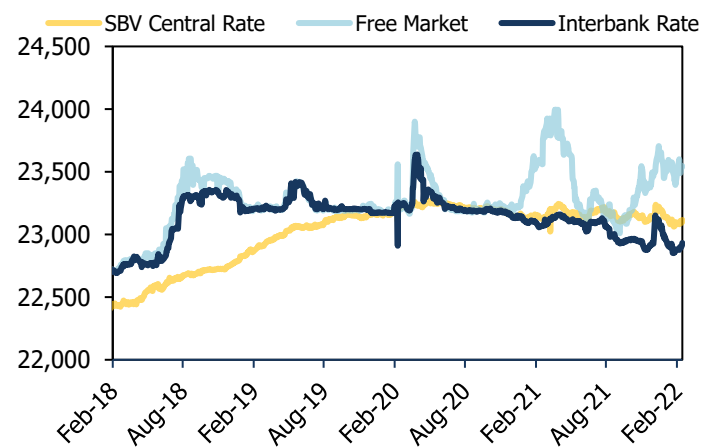
Source: Bloomberg.

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



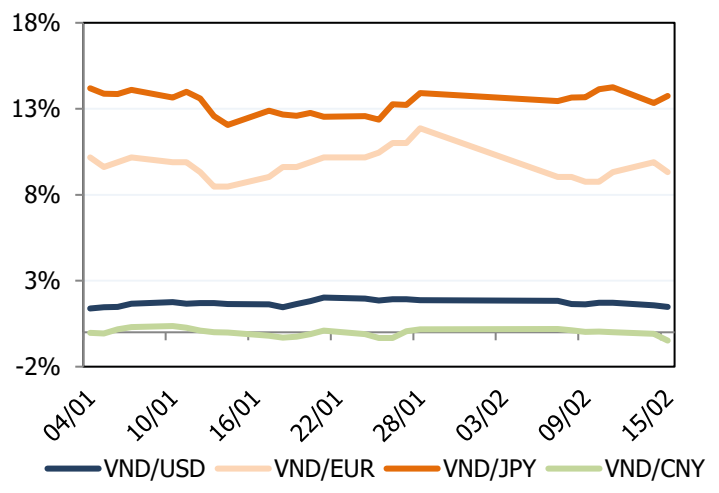
Source: SBV, MBS.

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 4,100bn of G-bonds this period with the winning yield going sideways compared to the end of January.

In the first half of February, the STV still faced difficulty issuing bonds under the pressure of temporary shortfall in system liquidity. In the VND 6,500bn proposed, there were only VND 4,100bn of G-bonds successfully mobilized, at the rate of 63%. The STV has set out a plan to issue G-bonds in 2022 at VND 400,000bn, of which 10Y and 15Y terms are expected to have the largest issuance volume, respectively at 140,000bn VND and 150,000bn VND.

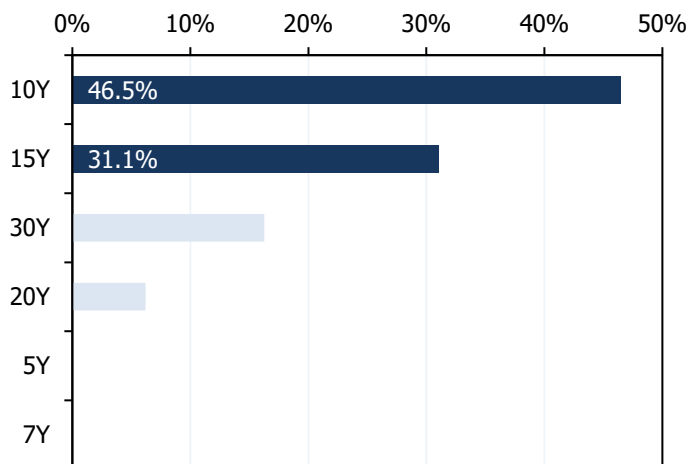
The yields remain relatively the same compared to the previous month. The yield for 10Y was 2.09%/year, up 1bps compared to the end of the previous month while the yield for 15Y terms increased 2bps to 2.39%/year. The high rate of successful issuance is also in these 2 terms. We expect the STV to raise its yield shortly to catch up with the G-bonds issuance plan of the first quarter and at the same time to accelerate the disbursement of public investment to support the economy.

Figure 7. G-bond auction result in February 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y	500	0	0%	0.00%
10Y	3,000	2,000	67%	2.09%
15Y	2,000	1,500	75%	2.39%
20Y	1,000	600	60%	2.75%
30Y				
Total	6,500	4,100	63%	Unit: VND bn

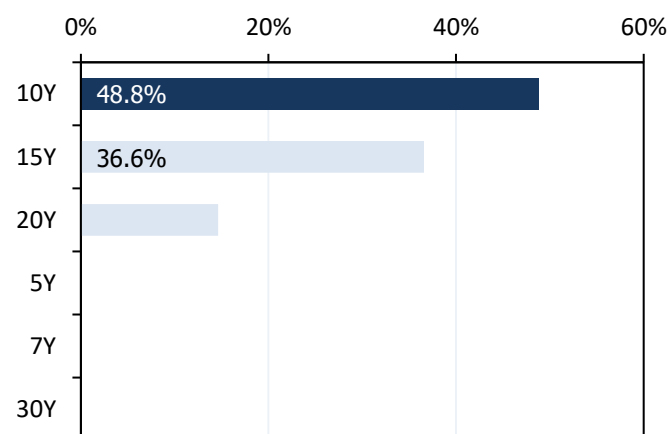
Source: HNX.

Figure 9. G-bond successful issuance in 2022



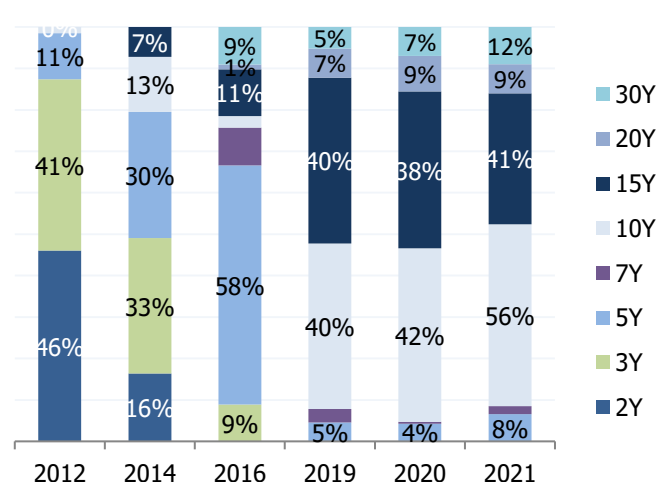
Source: HNX.

Figure 8. G-bond successful issuance February 2022



Source: HNX.

Figure 10. G-bond successful issuance since 2022



Source: HNX.

Figure 11. Government bond issuance 2022

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	12,627	9%
15Y	150,000	8,450	6%
20Y	30,000	1,685	6%
30Y	35,000	4,420	13%
Total	400,000	27,182	7%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/02/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.04	8.02	26.7	53.3
EU	0.31	4.30	29.7	48.5
Japan	0.22	0.10	4.1	14.8
China	2.80	7.50	8.7	1.9
South Korea	2.72	-0.70	12.5	46.0
India	6.67	-13.60	-0.8	21.9
Malaysia	3.70	-1.50	1.8	13.2
Singapore	1.99	7.22	16.6	26.2
Indonesia	6.51	0.80	7.1	12.8
Philippines	3.21	15.10	36.3	86.1
Thailand	2.23	2.03	3.6	26.5
Vietnam	2.21	6.40	8.0	4.4

Source: Bloomberg.

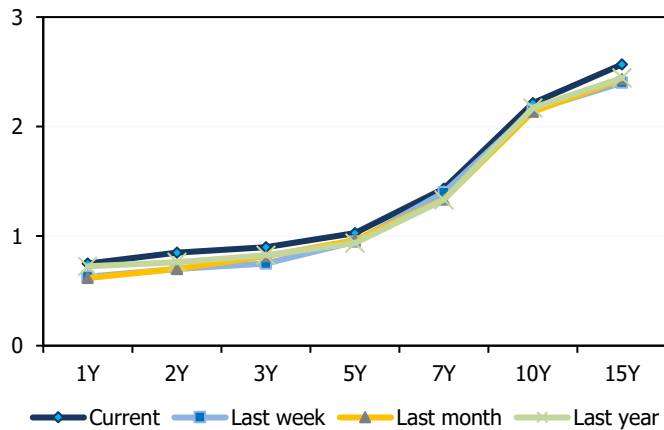
Secondary Market

G-bond yield went up in all terms. Average daily transaction volume on the secondary government bond market declined 0.1% compared to the previous month. Foreign investors net sold over VND 46bn of G-bonds.

Following the trend in the world, the yield of 10Y G-bond in Vietnam has increased in recent times. Compared to the end of last month, the 2Y increased by 15bps to 0.85%/year whereas the 10Y yield was at 2.21%/year, up 8bps. The yield curve is gradually flattening.

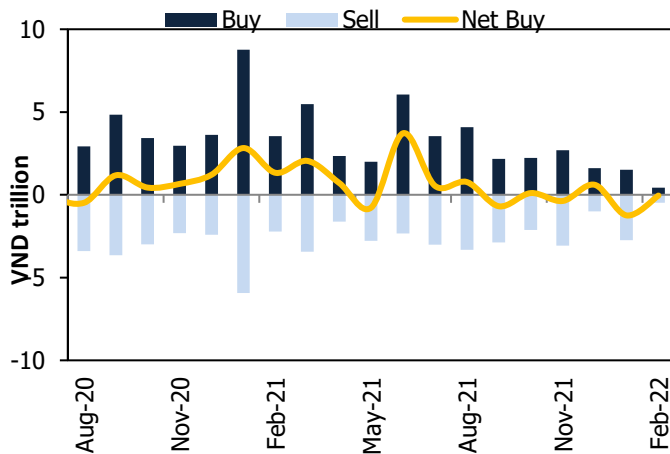
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 13.3tn, down by 0,1% from January's average. Of which, outright trading accounted for 61% of the volume this period and VND 56tn. The average transaction was VND 8.1tn/day, up by 0.3% from the previous month's average. Average repo trading volume fell by 1% compared to January, reaching VND 5.2tn/day. Foreign investors continued to net sold VND 46bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 1,291bn of G-bonds in 2021 and net purchased VND 5,362bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



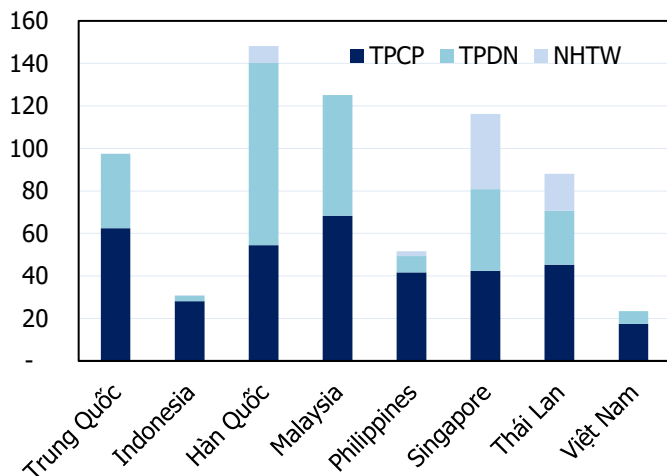
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



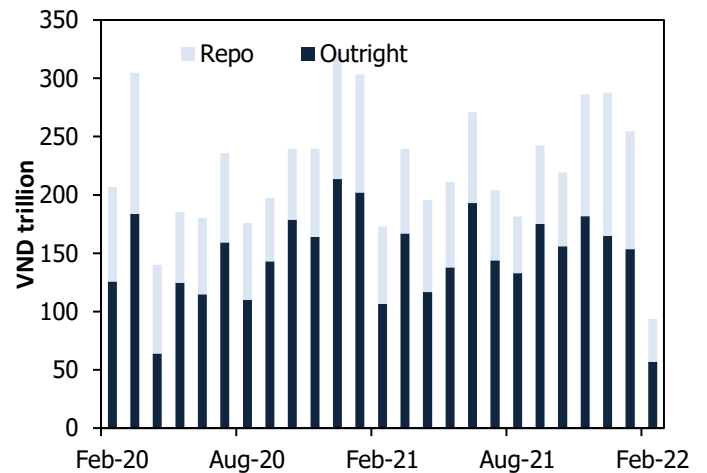
Source: HNX.

Figure 17. Size of bond markets (%GDP Q3 2021)



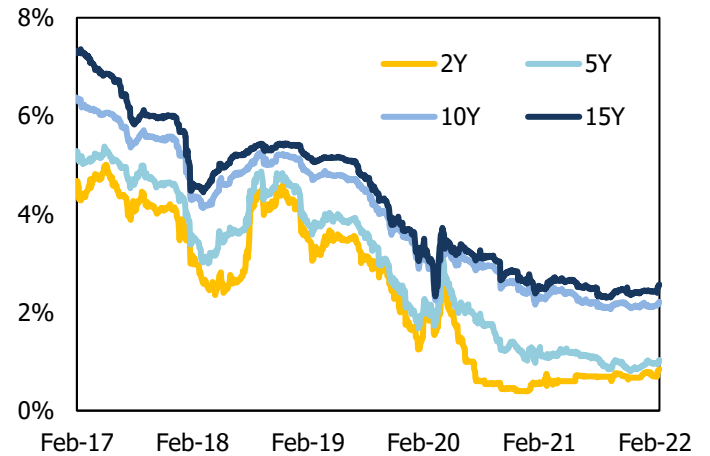
Source: ADB.

Figure 14. Outright and Repo transaction volume



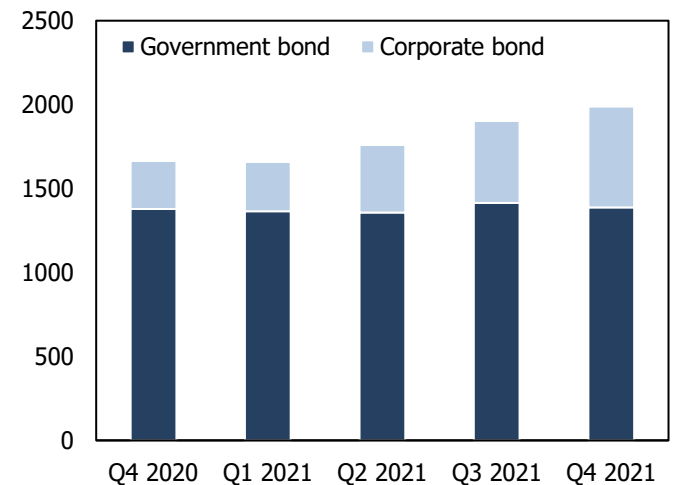
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

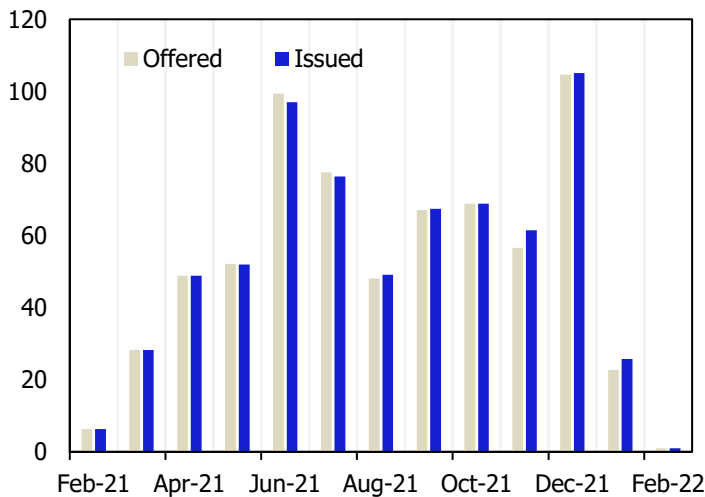


Source: ADB.

Corporate Bond Market

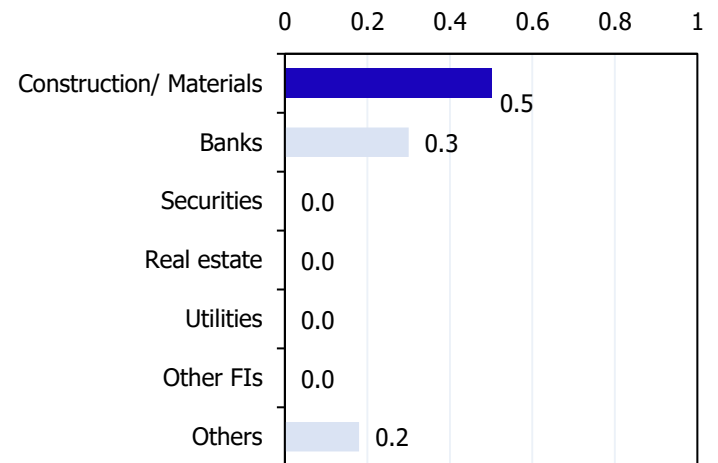
FiinPro data showed that in the first half of February, only VND 980bn of corporate bonds were issued in the domestic market. Of which, CMC Joint Stock company issued the most significant bond volume of VND 500bn with the highest coupon rate of 10.6%/year. The corporate bond market is expected to be more active in the coming months as businesses and credit institutions have a great demand for capital mobilization for production and business activities in the context of the economy recovering.

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



Source: HNX. FiinPro. MBS Research.

Figure 20. Corporate bond issued by sectors in February 2022(VND tn)



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in February 2022

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
CVT	Công ty Cổ phần CMC	2-5	500	10.0%-10.6%
VBB	Ngân hàng Thương mại Cổ phần Việt Nam Thương Tín	7	300	8.23%
HAX	Công ty Cổ phần Dịch vụ Ô tô Hàng Xanh	1.5	180	3.0%

Source: HNX, FiinPro, MBS Research.

PRODUCT

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