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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 decreases in price against other currencies in the region. STV issued VND 6,713bn of G-bonds during the period. The yield of secondary G-bonds did not vary considerably compared to the previous month. Foreign investors continued to net sell VND 276bn of G-bonds this period.

Money Market

Interbank interest rates continued to fall in the first half of October. System liquidity was still abundant since the STV successfully bid for USD 150mn. The SBV did not carry out any transactions through the open market channel.

In October, the STV successfully bid USD 150mn from 30 commercial banks, pushing the amount of VND into the system, helping to maintain liquidity in a state of abundance, reflected by the slight decrease in interbank interest rates in the first half of October. A Bloomberg survey showed that the overnight interbank rates are trading at 0.56%/year, down by 1 bps compared to the end of last month. Interest rates for other terms are also around 0.65%-0.94%/year, a growth of about 4-8 bps compared to the end of September.

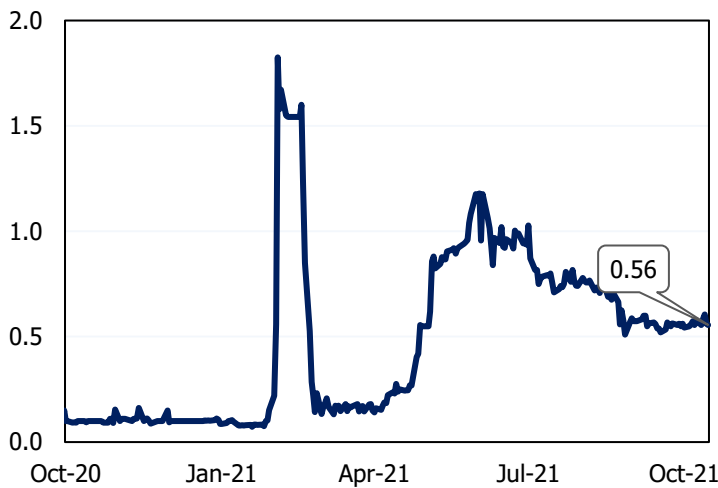
Since July, because of the foreign currencies purchase and weak credit growth, liquidity has been in a state of abundance. However, we forecast that interbank interest rates are unlikely to return to 0.1%/year as before, which will only revolve around the current level. Interbank interest rates will rise as the economy improves and credit demand resumes. Interbank rates remain at a low level and market liquidity is still abundant, so commercial banks do not need the support of the SBV. Therefore, there are no new transactions in the open market.

USD/VND exchange rate remains stable.

In the first half of October, 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 September, the USD/VND exchange rate on the free market rose by VND 80 per USD and is currently trading at 23,235 VND/USD. The central and interbank rates were respectively traded at VND 23,159 per USD, down VND 3 per USD and VND 22,954 per USD, down VND 8 per USD. Compared to other regional currencies, VND value compared to USD still remain stable.

In the first half of October, the DXY index fell to 93.9, showing the risk-off sentiment boosts U.S. dollar drops. The government reports showing inflation running at an annual 5.4 percent pace. At the same time, rising energy prices have raised inflation concerns, reinforcing expectations that the Fed will begin to gradually reduce stimulus measures next month with the possibility of a rate hike in mid-2022, boosting two-year U.S. Treasury yields to their highest levels in the last 18 months.

Figure 1. Interbank overnight lending rate (%)



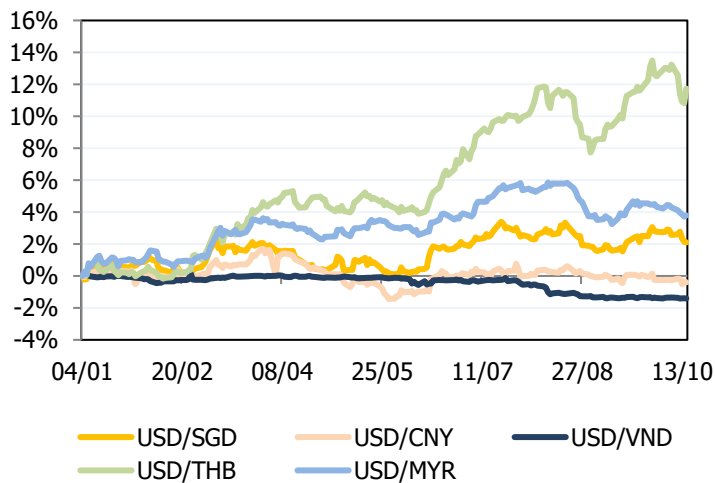
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/07	0.74	0.91	1.02	1.22
31/08	0.59	0.73	0.86	1.06
30/09	0.56	0.68	0.79	1.02
15/10	0.56	0.65	0.74	0.94

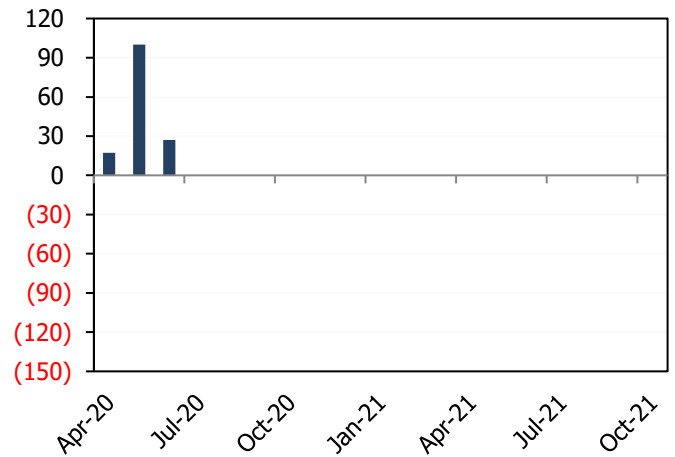
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



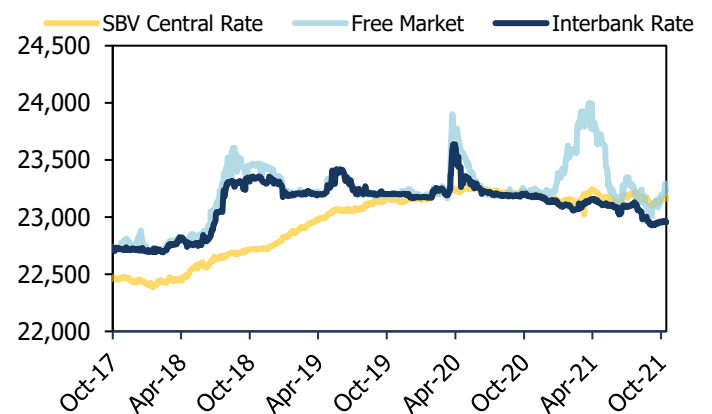
Source: Bloomberg.

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



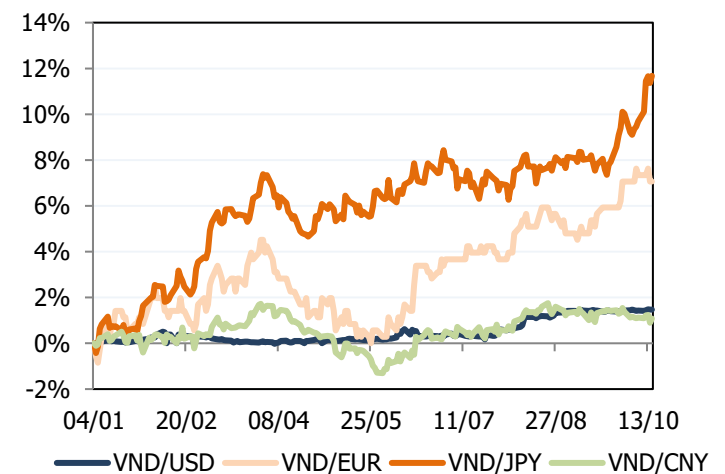
Source: SBV, MBS.

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 6,713bn of G-bonds this period with the winning yield went sideways compared to the end of September.

In the first half of October, the STV faced difficulty issuing bonds. In the VND 15,500bn proposed, there were only VND 6,713bn of G-bonds successfully mobilized, at the rate of 43%. When compared to the same period last month, the number of successful issuances has reduced dramatically. In which, G-bonds with term 5Y and 7Y have no successful issuance. Since the beginning of the year, STV has only issued VND 255,451bn of G-bonds, reaching 73% of the year plan.

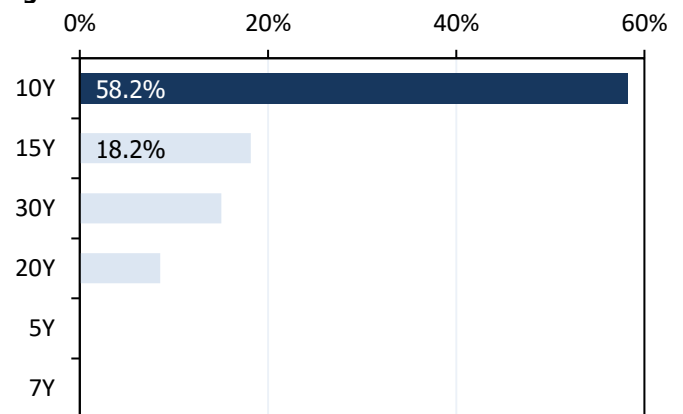
The yields remain relatively the same compared to the previous month. The yield for 10Y and 15Y terms were 2.14%/year and 2.37%/year, both up 2 bps compared to the end of the previous month. Although, the bid value exceeded the offering amount and the lowest bid interest decreased slightly compared to the previous period, it was not low enough so the issuance rate was not relatively high. The fall in the issuance rate was expected to push the SBV to raise the winning yield at the following auctions.

Figure 7. G-bond auction result in October 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,000	0	0%	0.00%
7Y	1,000	0	0%	0.00%
10Y	5,500	3,910	71%	2.13-2.14%
15Y	4,000	1,220	31%	2.37%
20Y	1,000	573	57%	2.80%
30Y	2,000	1,010	51%	2.98%
Total	15,500	6,713	43%	Unit: VND bn

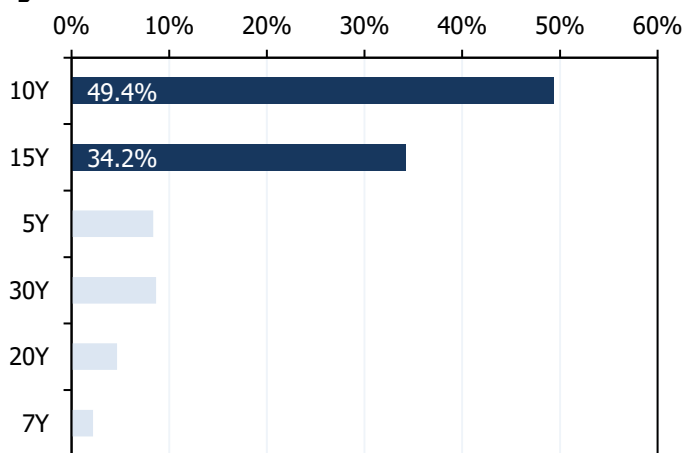
Source: HNX.

Figure 8. G-bond successful issuance October 2021



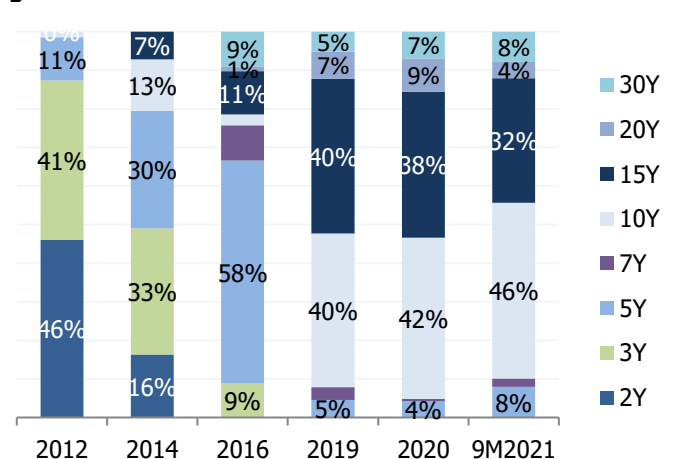
Source: HNX.

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	117,344	98%
15Y	135,000	81,369	60%
20Y	30,000	11,078	37%
30Y	30,000	20,581	69%
Total	350,000	255,451	73%

Source: VST, HNX

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

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.57	-4.15	8.3	65.7
EU	-0.17	15.10	3.2	40.2
Japan	0.08	-0.40	1.1	6.2
China	2.99	8.50	12.9	-15.7
South Korea	2.36	-0.20	12.3	63.8
India	6.33	1.10	10.7	46.4
Malaysia	3.56	-7.00	18.2	90.9
Singapore	1.69	-2.94	8.4	81.8
Indonesia	6.09	-14.60	-17.2	20.3
Philippines	2.56	-12.35	12.8	66.4
Thailand	2.00	5.76	15.3	73.3
Vietnam	2.19	-0.20	2.0	-39.1

Source: Bloomberg.

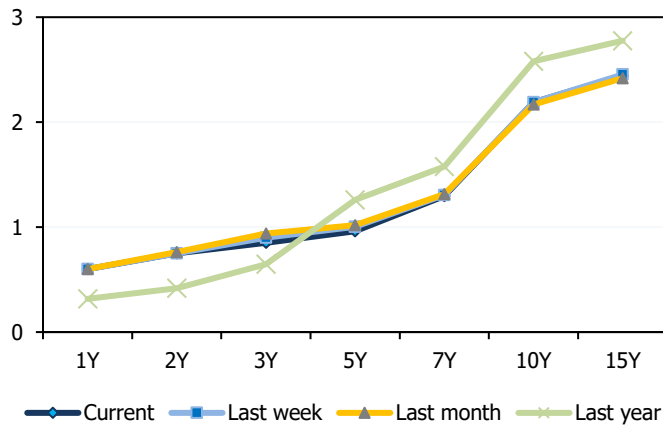
Secondary Market

G-bond yield remained the same during the period. Average transaction volume on the secondary G-bond market declined by 32% MoM with the proportion of outright transactions increasing gradually. Foreign investors net sold VND 276bn of G-bonds this period.

In the middle of October, the 10Y yield was at 2.19%/year, up 2bps compared to the previous month whereas the 2Y yield was at 0.75%/year, down 1bps. Since the beginning of the year, the 2Y yield has increased by 33bps while the 10Y term yield has decreased by 39bps. In the first half of October, the 10Y yields of most countries continued to increase except for Indonesia.

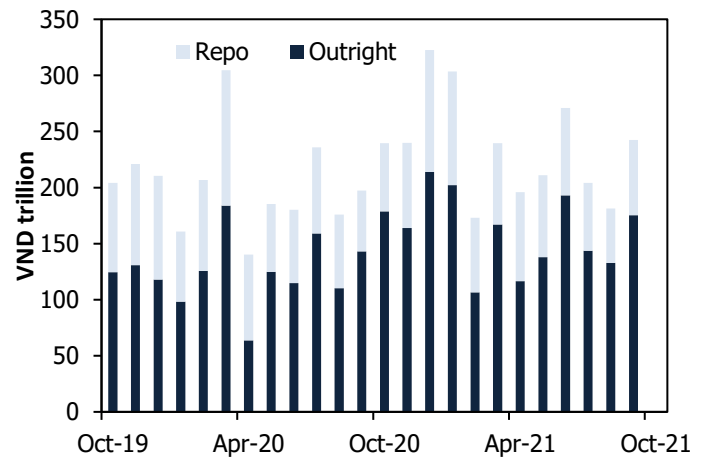
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 8.2tn, down by 32% from September's average. Of which, outright trading accounted for 75% of the volume this period and VND 68.5tn. The average transaction was VND 6.2tn/day, down by 29% from the previous month's average. Average repo trading volume fell by 39% compared to September, reaching VND 2tn/day. Foreign investors continued to net sell VND 276bn of G-bonds in this period. Overall, foreign investors net purchased a total of VND 10,195bn of G-bonds in 2021 and VND 12,500bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



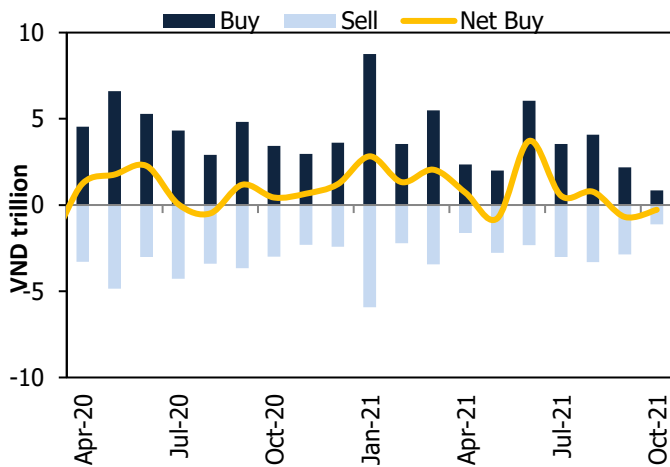
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



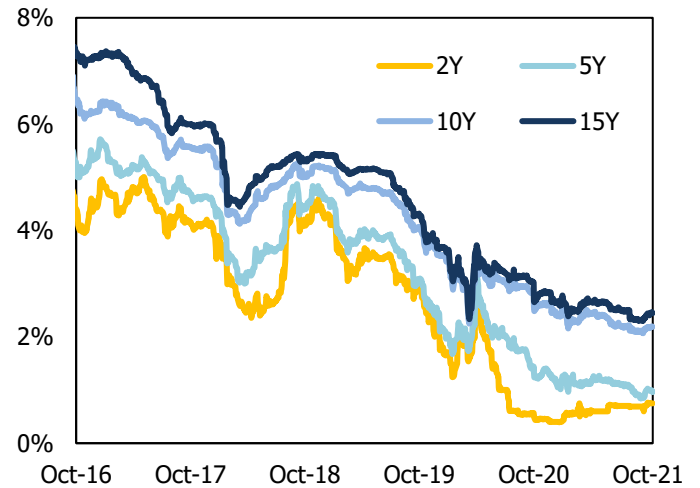
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



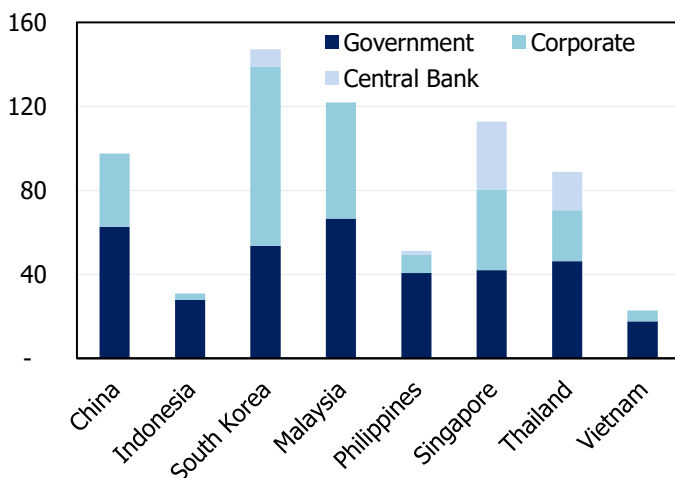
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



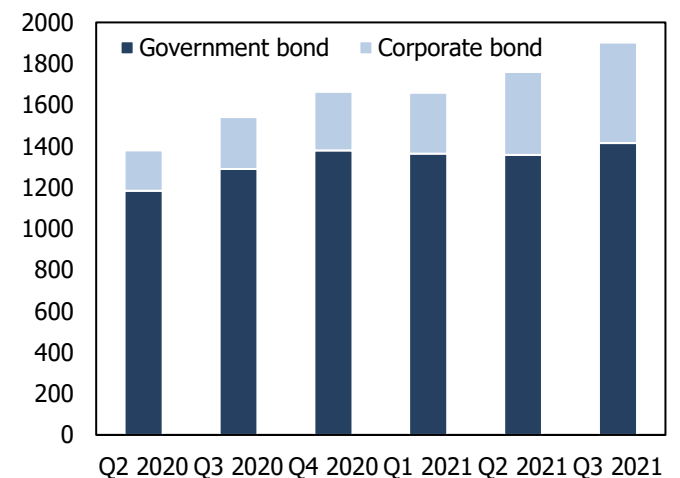
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

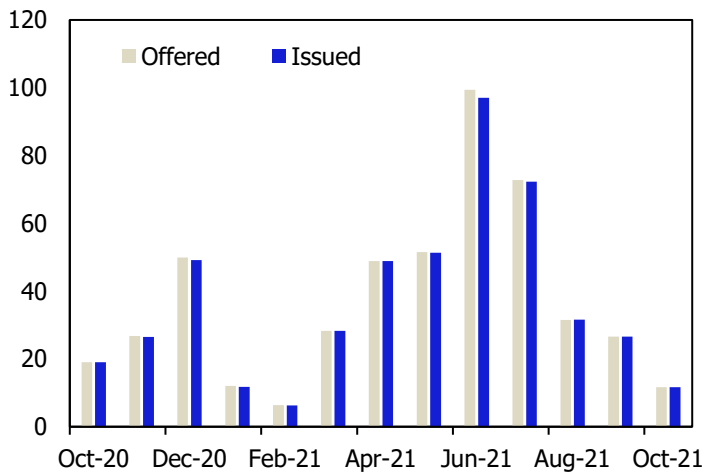


Source: ADB.

Corporate Bond Market

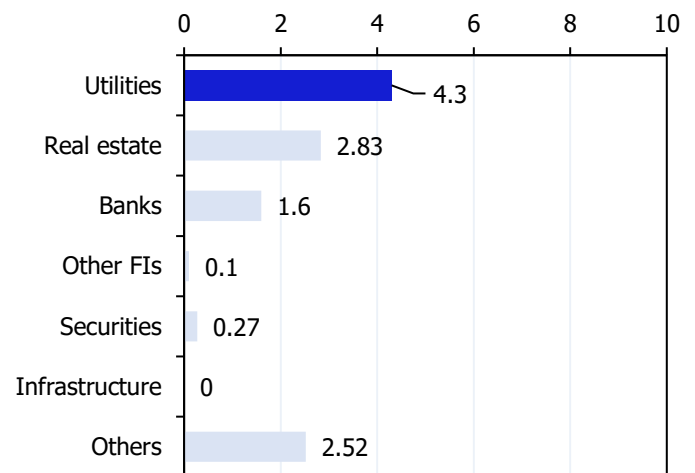
FiinPro data showed that VND 11,620bn of corporate bonds were issued in the domestic market in the first half of October. Osaka Garden Corporation issued the largest bond volume of VND 4,300bn each with interest rates of 10.32% respectively. Moreover, Dien Vi Investment and Real Estate Limited issued bonds with the highest interest rate of 11%/year with a volume of VND 600bn.

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



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issued by sectors in October 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)
	Công ty Cổ phần Osaka Garden	2	4,300	10.32%
	Công ty Cổ phần Nông nghiệp Trường Hải	5	2,400	8.2%
SHB	Ngân hàng Thương mại Cổ phần Sài Gòn – Hà Nội	2	1,000	3.8%
GEG	Công ty Cổ phần Điện Gia Lai	3	700	9.5%
	Công ty cổ phần GLEXHOMES	3	500	9.5%
ABB	Ngân hàng Thương mại Cổ phần An Bình	2	500	2.8%
FLC	Công ty Cổ phần Tập đoàn FLC	3	430	10.5%
	Công ty TNHH Kreves Halla Land	1	300	N/A
	Công ty TNHH Đầu tư và Bất động sản Diên Vĩ	3-4	600	11.0%
	Công ty TNHH Đầu tư Sài Gòn 3 Capital	1	270	10.0%
MBB	Ngân hàng Thương mại Cổ phần Quân đội	7	300	7.03%-7.23%
VIX	Công ty Cổ phần Chứng khoán VIX	3	200	8.0%
SMC	Công ty Cổ phần Đầu tư Thương mại SMC	5	120	5.20%

Source: HNX, FiinPro, MBS Research.

PRODUCT

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