

**Anh Nguyen, CFA**

Analyst

[Anh2.nguyenduc@mbs.com.vn](mailto:Anh2.nguyenduc@mbs.com.vn)

**Tuan Hoang**

Head of Macro

[Tuan.hoangcong@mbs.com.vn](mailto:Tuan.hoangcong@mbs.com.vn)

*No transactions conducted on the open market resulted in a consistently abundance of liquidity and low interbank interest rate for over 3 months. Positive economic environment such as USD 17bn net export supported the USD/VND exchange rate's stability. The State Treasury has successfully issued over VND 60.1tn of government bonds during September. G-bond yield has reduced slightly on longer tenors. Foreign investors net purchased VND 1,177bn of G-bond during the period.*

## Money Market

**SBV did not make any transactions on the open market during the month while credit growth was so the liquidity continued to experience excessiveness. Interbank interest rates as a result has remained low for over 3 months.**

SBV's data showed credit growth by the end of September was only 6.09% (9.4% in the same period in 2019). Weak credit growth coupled with no transaction on the open market during the whole month kept the liquidity in the banking system in surplus.

On 30/09, SBV lowered managing interests again. Accordingly, OMO interest rate drops from 3%/year to 2.5%/year, recapitalization rate drops from 4.5%/year to 4%/year, rediscount rate from 3%/year to 2.5%/year, maximum saving rate for under 6-month term from 4.25%/year to 4%/year, short term lending rate for specific sectors from 5% for 4.5%/year. This action is to lower borrowing costs for clients, stimulating credit growth. The actual effect will have to be judged after a while because in recent times, businesses have not much need for borrowing and commercial banks have been reducing short term deposit rates to balance between credit growth and deposit growth and before the decision of lowering rates was issued, under 6-month interest rate of many banks have already been under the new ceiling of 4%/year.

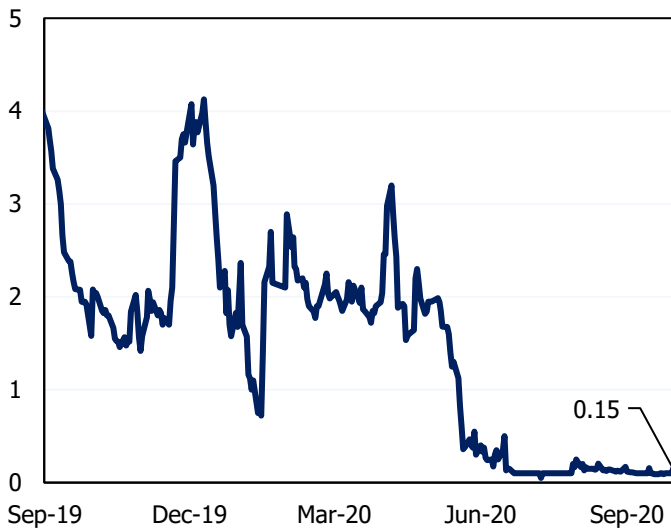
With prolonged excess liquidity, interbank interest rates continued to remain at a low level. The overnight interbank interest rate has been fluctuating around 0.1-0.2%/year for over three months and is now at 0.15%/year. The interbank interest rate for 1 week-1 month terms also decreased slightly by 3-6bps, currently at 0.19-0.39%/year.

## The USD/VND exchange rate continued to maintain its position.

The net export of USD 17bn in 9 months, a 2.5-time increase yoy has enabled SBV to buy more foreign currencies, consolidate foreign exchange reserves. The central rate is at VND 23,215 per USD, up VND 15 per USD compared to the middle of August. The interbank rate and the exchange rate in the free market increased about VND 12-25 per USD, respectively trading at VND 23,200 per USD and VND 23,225 per USD.

Bloomberg says that the US Department of Commerce is planning an investigation into Vietnamese currency. The VND is said by the Americans to have been undervalued by 3%. There are some possibilities that the USD/VND exchange rate will reduce in the next few months to avoid Vietnam being put into the US' currency manipulation list. In 2019, China was put on this list but now is only on the watchlist. The RMB has increased 2% YTD compared to the USD even though it once got weaker by 3%.

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



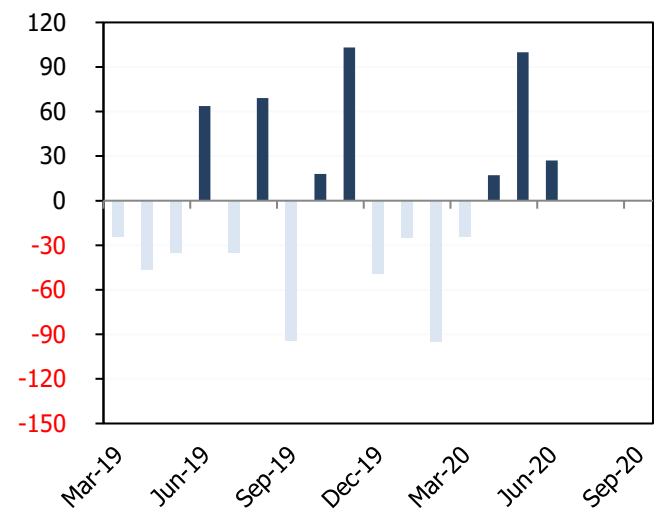
Source: Bloomberg.

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

	O/N	1 Week	2 Week	1 Month
30/06	0.1	0.2	0.27	0.33
31/07	0.25	0.31	0.38	0.48
31/08	0.17	0.25	0.30	0.42
30/09	0.15	0.19	0.27	0.39

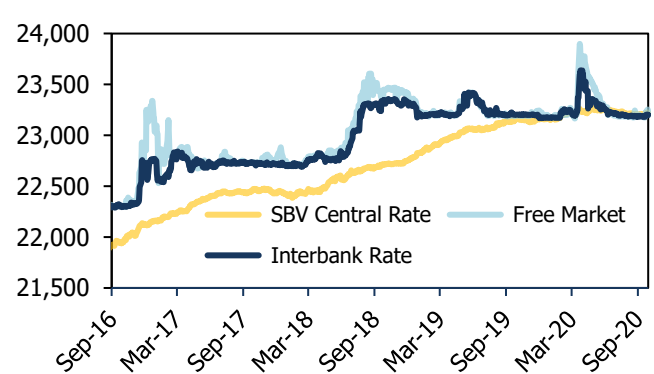
Source: Bloomberg.

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



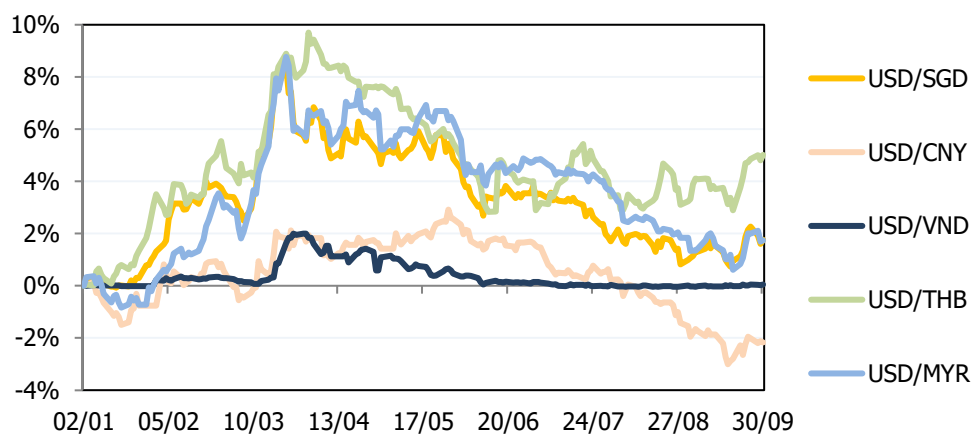
Source: SBV, MBS.

**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 successfully issued nearly VND 60,100bn of government bonds in September with a lower yield.**

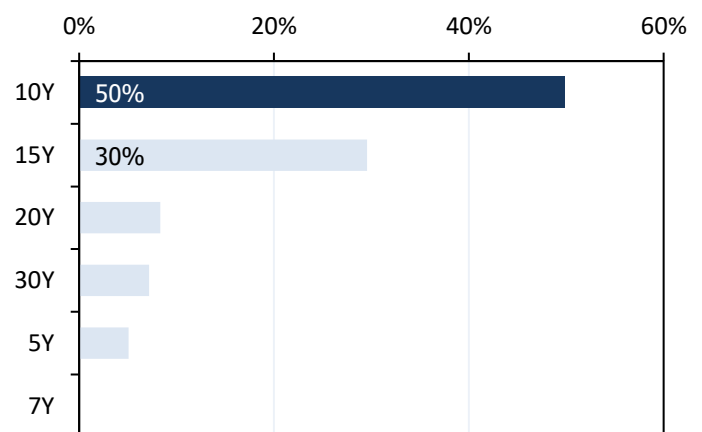
In September, the volume of successfully issued government bonds reached a record VND 60,141bn out of a total of VND 61,250bn offered, a high issuance rate of 98%. In our opinion, financial institutions are actively gathering government bonds when other channels are having difficulties. Up to now, the State Treasury has issued VND 228.7tn of Government bonds, up 49% compared to this time last year, completing 88% of the plan for 2020. Of which, the 10Y tenor has issued over VND 111tn, 24% over this year plan.

The latest winning yields all dropped compared to the end of August. The winning yield of the 10Y and 15Y tenors are currently at 2.75%/year and 2.96%/year, a drop of 11-15bps. The winning yield of the 5Y term dropped 35bps from 1.7%/year to 1.35%/year. When interest rates are low globally, STV can further lower yields to reduce the pressure to pay interest in the future.

**Figure 6. G-bond auction result in September 2020**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	3,750	3,050	81%	1.35-1.68%
7Y				
10Y	30,000	30,000	100%	2.75-2.9%
15Y	18,000	17,782	99%	2.96-3.07%
20Y	5,000	5,000	100%	3.26-3.36%
30Y	4,500	4,309	96%	3.48-3.5%
<b>Total</b>	<b>61,250</b>	<b>60,141</b>	<b>98%</b>	<b>Unit: VND bn</b>

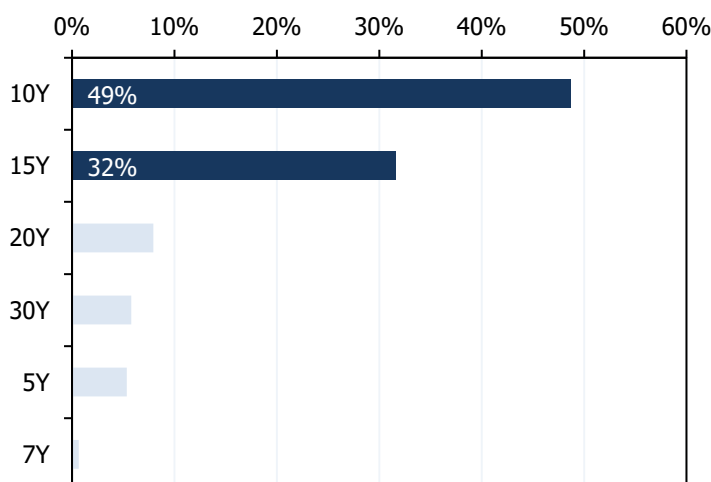
**Figure 7. G-bond successful issuance September 2020**



Source: HNX.

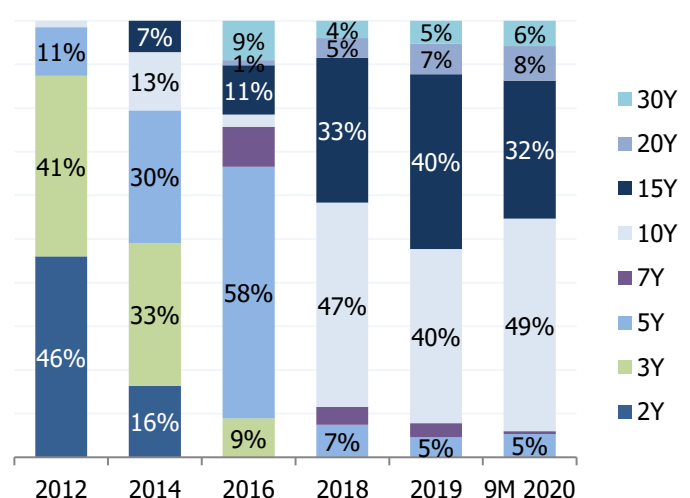
Source: HNX.

**Figure 8. G-bond successful issuance in 2020**



Source: HNX.

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



Source: HNX.

**Figure 10. Government bond issuance 2020**

Tenor	VST 2020 Plan	VST 2020 Issued	% VST 2020 Plan
5Y	20,000	12,230	61%
7Y	15,000	1,480	10%
10Y	90,000	111,275	124%
15Y	100,000	72,331	72%
20Y	20,000	18,150	91%
30Y	15,000	13,233	88%
<b>Total</b>	<b>260,000</b>	<b>228,699</b>	<b>88%</b>

Source: VST, HNX

**Figure 11. 10Y G-bond yields (%) in selected countries As at 30/09/2020**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	1/1/2020*
U.S.	0.65	-2.45	-7.2	-127.0
EU	-0.55	-4.10	-13.9	-36.0
Japan	0.02	0.80	-3.6	2.7
China	3.15	5.40	11.7	0.1
South Korea	1.43	-2.30	-10.0	-19.8
India	6.01	2.10	-11.6	-49.4
Malaysia	2.70	1.10	8.5	-59.5
Singapore	0.88	1.60	-15.7	-89.0
Indonesia	6.96	6.40	9.4	-6.7
Philippines	2.05	2.10	-4.1	-61.9
Thailand	1.39	0.30	-11.0	-13.6
<b>Vietnam</b>	<b>2.81</b>	<b>-2.10</b>	<b>-13.0</b>	<b>-65.5</b>

Source: Bloomberg.

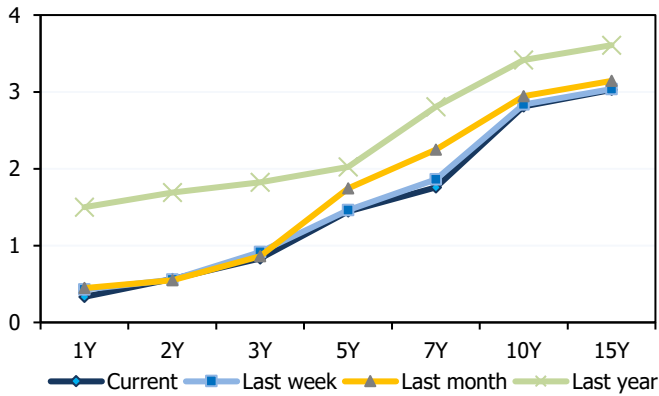
## Secondary Market

**G-bonds yields dropped slightly on the longer tenors. Average transaction volume on the secondary government bond market increased by 12% compared to the previous month. Foreign investors returned to net purchase over 1,100bn of government bonds.**

G-bond yield on the secondary market had a slight drop on the longer tenors. While the 2Y yield increased by 2bps from 0.55%/year to 0.57%/year, the 10Y yield reduced by 13bps to 2.87%/year. Since the year beginning, 10Y yield has declined by 60bps whereas the 2Y yield dropped by 112bps.

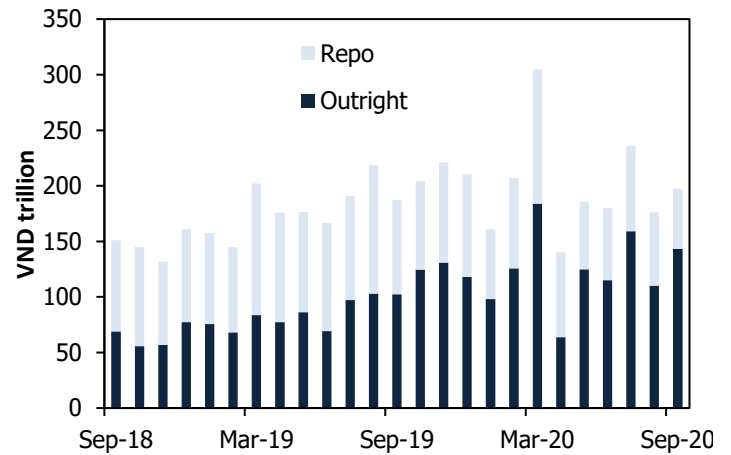
Government bond transactions in the secondary market in September reached VND 9.4tn daily average, 12% more than its August level. Of which, outright transactions accounted for 73% of volume in the period with VND 143tn. Average transaction was VND 6.8tn/day, up 30% compared to the previous month. Meanwhile, average daily repo trading volume decreased by 18% compared to the previous month, reaching VND 2.6tn/day. After just a month of net selling VND 485bn worth of government bonds, foreign investors returned to net purchase VND 1,177bn of government bonds. So far in 2020, foreign investors have net purchased VND 3,166bn of government bonds and VND 1,978bn in the past 12 months.

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



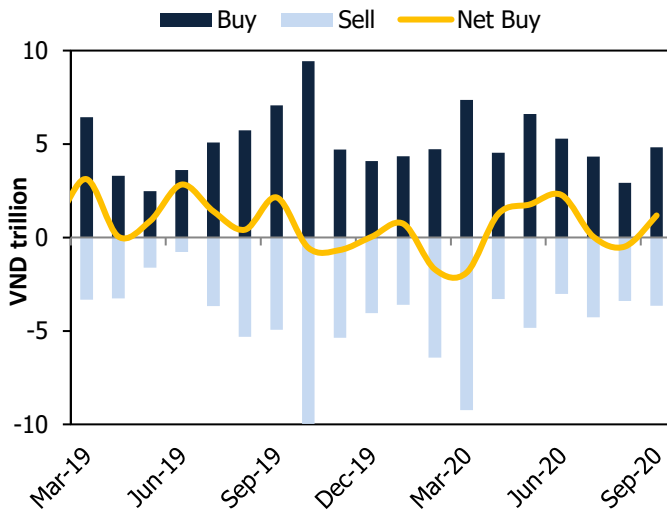
Source: Bloomberg.

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



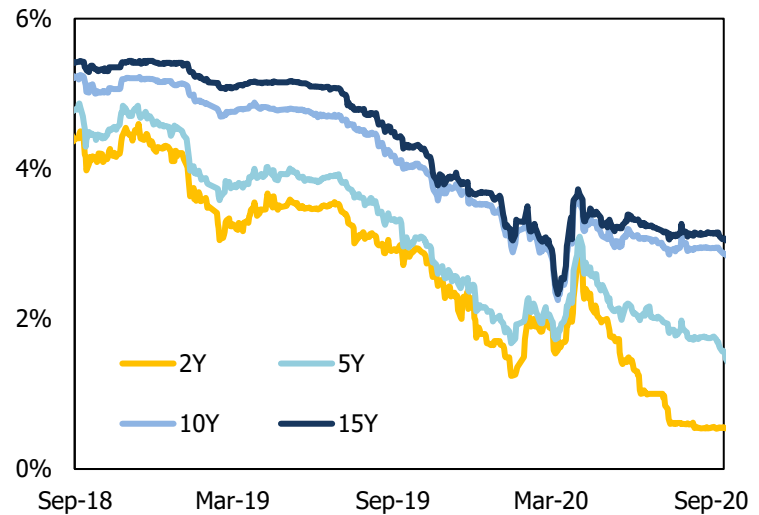
Source: HNX.

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



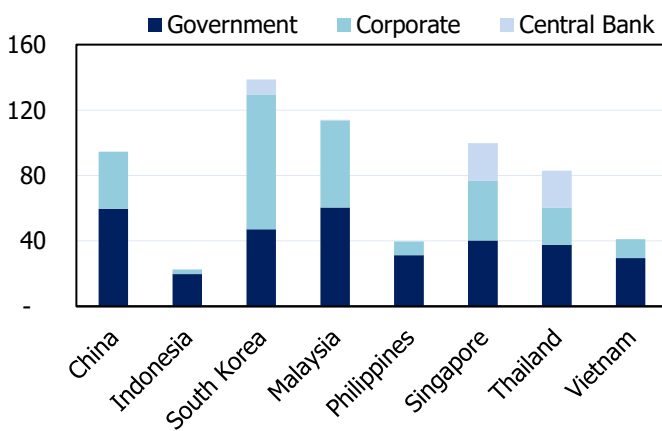
Source: HNX.

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



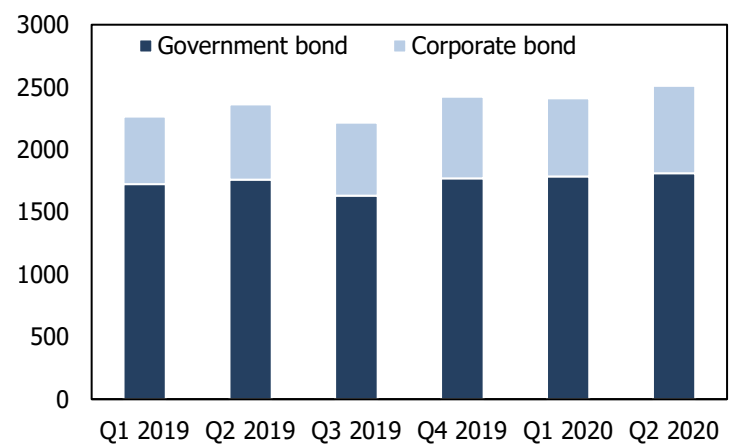
Source: Bloomberg.

**Figure 16. Size of bond markets (%GDP Q2.2020)**



Source: ADB.

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

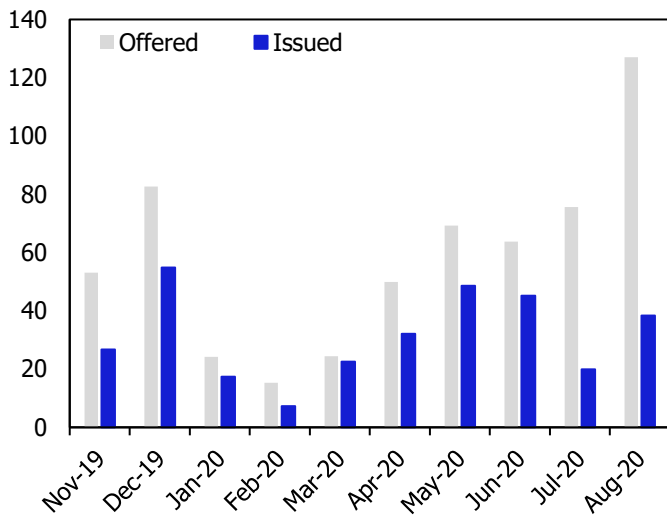


Source: ADB.

## Corporate Bond Market

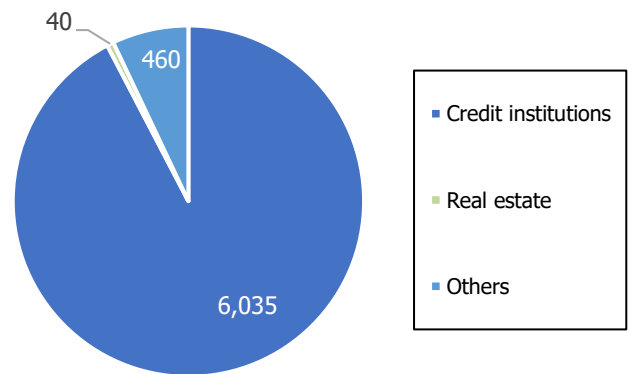
As anticipated, after new Decree No. 81/2020/ND-CP amending and supplementing regulations on corporate bond issuance comes into effect, the amount of bonds issued fell sharply. FiinPro data on 30/09 showed there had been only VND 6,535bn of corporate bonds issued. Of which, Banks accounted for the majority with over VND 6tn.

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



Source: HNX, FiinPro, MBS Research.

**Figure 19. Corporate bond issued by sectors in August (VND tn)**



Source: HNX.

**Figure 20. Corporate bond issued during the month**

Issuer	Tenor	Amount	Notes
VIB	3Y	3,000	
LPB	3Y	1,500	
Nam Á Bank	3Y	800	
BID	7-15Y	468	
SAM	2Y	300	11%/year
SEA Bank	7Y	177	
Mây Thêu Giày An Phước	5Y	100	
TPB	7Y	90.4	
Dược liệu Việt Nam	3Y	60	
IDJ	3Y	40	13%/year
Phát triển Phú Mỹ Hưng	7Y	0.08	

Source: FiinPro

## **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.

## **MBS RESEARCH CENTER**

We offer economic and equity research. The Economic Research Team offers periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team offers reports on listed firms, private equities and sector reviews. MBS Research Center also offers regular market commentaries - The Investor Daily.

## **MB SECURITIES (MBS)**

Established since May 2000, MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development, MBS has become one of the leading securities companies in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi, Ho Chi Minh City, Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management, MB Capital and Viet R.E.M.A.X (Viet REM), MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009;
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy; and
- A trusted provider of investment banking services for corporate clients.

## **MBS HEAD OFFICE**

MB Building, 3 Lieu Giai, Ba Dinh, Hanoi

Tel: + 8424 3726 2600 - Fax: +8424 3726 2601

Website:

## **DISCLAIMER**

Copyrights, ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy/sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.