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The open market went back to the dire state together with consistently low interbank interest rate showed a continuing state of liquidity abundance. VND is appreciating against the USD. The State Treasury has successfully issued nearly VND 20tn of government bonds while Vietnam Development Bank and Vietnam Bank for Social Policies raised VND 16.9tn. G-bond yield dropped slightly. Foreign investors net purchased VND 658bn of G-bond during the period.

Money Market

In the latter half of November, SBV did not conduct any new transactions on the open market but absorbed VND 1bn from the matured OMO transacted at the beginning of the month so the liquidity remained in abundance. Interbank interest rates as a result has remained low for over 5 months.

After the first transaction on the open market after 4 months, SBV did not conduct any new transactions but absorbed the VND 1.06bn injected earlier in November. The liquidity in the banking system is still in excess when credit growth by mid-November is only 7.26%. We forecast credit growth rate for the whole year at 9-10%.

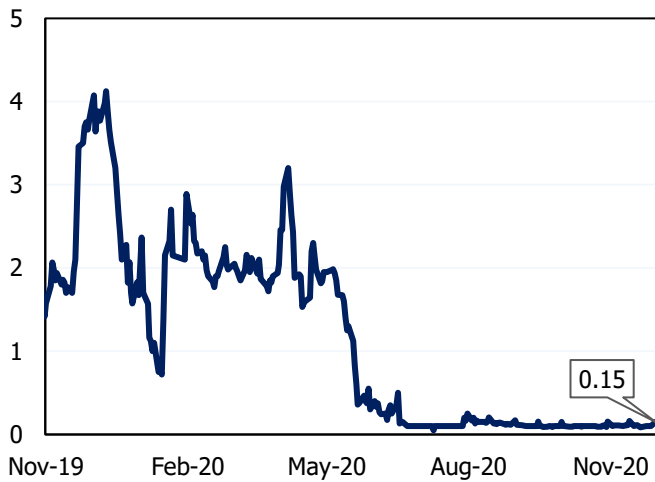
With prolonged excess liquidity, interbank interest rates continued to remain at a low level. The overnight interbank interest rate has been fluctuating around 0.1-0.2%/year for over five months and is now at 0.15%/year. The interbank interest rate for 1 week-1 month terms remained similar to October level, currently at 0.20-0.38%/year. Normally, interbank interest rates tend to increase around year ends because of rising demand for liquidity in the economy but with the current rate remaining low for so long we forecast that the situation will remain past 2020.

VND appreciated slightly against USD.

The VND, similar to other regional currencies, is gaining against the dollar. Central rate is at VND 23,155 per USD, down VND 46 per USD compared to the end of October. The interbank rate and the exchange rate on the free market also dropped VND 10-42 per USD compared to the previous month, trading at VND 23,148 per USD and VND 23,240 per USD respectively.

Record level of net export at USD 20.1bn after 11M creates favourable environment for SBV to purchase additional foreign currencies, improving foreign reserve. Recently, SBV has lowered the bid rate for USD from VND 23,175 per USD to VND 23,125 per USD, reducing the cost of purchasing foreign currencies. A sufficient foreign reserve level is an effective tool to manage exchange rate, control inflation, maintain stable macro economic environment. The current reserve level is at USD 93-94bn and is expected to reach USD100bn by the end of 2020.

Figure 1. Interbank overnight lending rate (%)



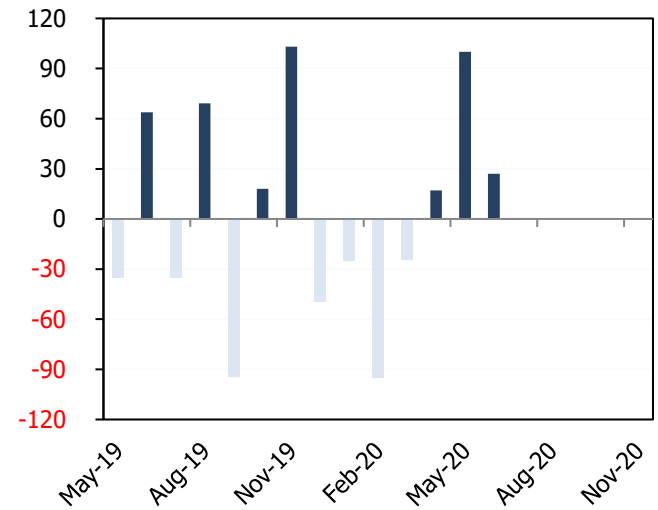
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/08	0.17	0.25	0.30	0.42
30/09	0.15	0.19	0.27	0.39
30/10	0.16	0.18	0.25	0.35
30/11	0.15	0.20	0.27	0.36

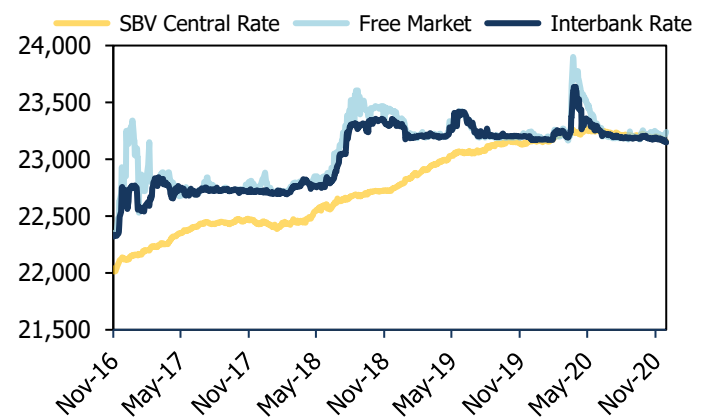
Source: Bloomberg.

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



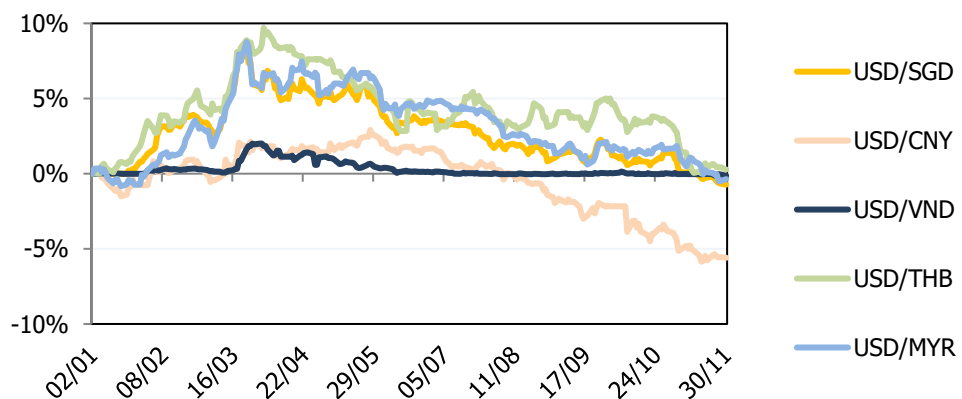
Source: SBV, MBS.

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 20tn of government bonds in November, in addition Vietnam Development Bank and Vietnam Bank for Social Policies managed to raised VND 16.9tn.

In November, the volume of successfully issued government bonds reached VND 19.997bn out of a total of VND 31,750bn offered, an issuance rate of 63%. Up to now, the State Treasury has issued VND 280tn of Government bonds, achieving 108% the plan for 2020. In addition, Vietnam Development Bank (VDB) and Vietnam Bank for Social Policies (VBSP) managed to raise VND 16.9tn in 10Y and 15Y tenors. Of which, VDB raised VND 15tn and VBSP raised VND 1.9tn.

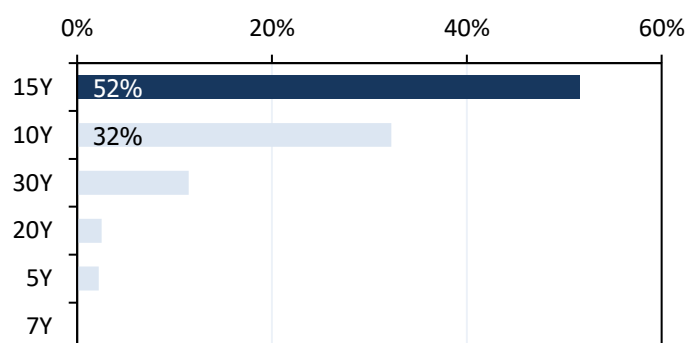
The latest winning yields are slightly lower than the October level. The winning yield of the 10Y and 15Y tenors are currently at 2.48%/year and 2.7%/year, a decline of 5-6bps. The winning yields of VDB and VBSP bonds are about 0.2-0.5 percentage point higher than government bonds', respectively at 2.75-3.12%/year and 2.92-3.31%/year for 10Y and 15Y tenors.

Figure 6. G-bond auction result in November 2020

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,000	440	22%	1.22%
7Y	2,000	0	0%	
10Y	8,750	6,451	74%	2.48-2.55%
15Y	15,000	10,316	69%	2.7-2.79%
20Y	1,500	500	33%	3.02-3.05%
30Y	2,500	2,290	92%	3.24%
Total	31,750	19,997	63%	Unit: VND bn

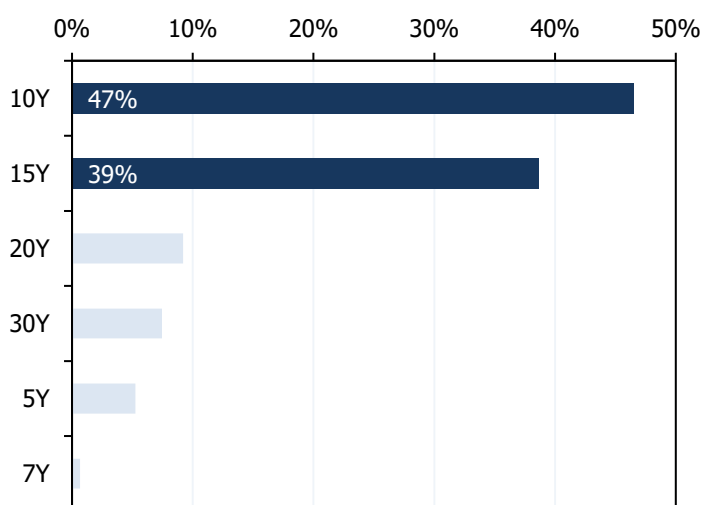
Source: HNX.

Figure 7. G-bond successful issuance November 2020



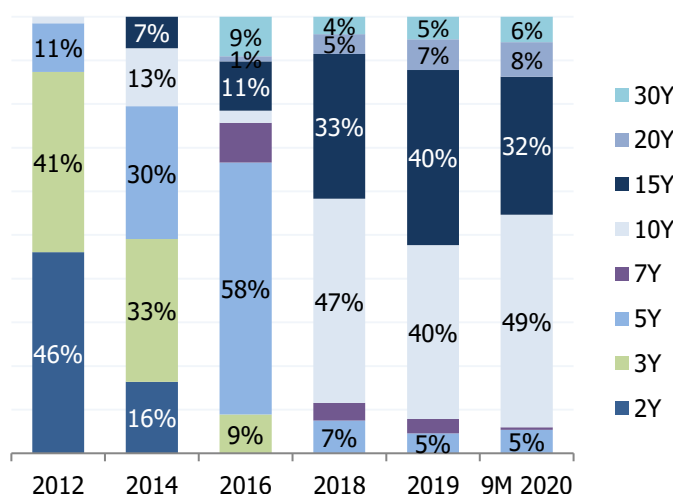
Source: HNX.

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	13,670	68%
7Y	15,000	1,730	12%
10Y	90,000	121,148	135%
15Y	100,000	100,473	100%
20Y	20,000	23,915	120%
30Y	15,000	19,403	129%
Total	260,000	280,339	108%

Source: VST, HNX

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

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	1/1/2020*
U.S.	0.84	-1.31	2.1	-107.7
EU	-0.59	-1.10	3.0	-40.6
Japan	0.03	2.00	-1.0	4.3
China	3.27	-1.60	8.8	12.7
South Korea	1.64	5.80	8.8	1.5
India	5.91	3.20	2.8	-59.4
Malaysia	2.75	10.30	13.6	-54.4
Singapore	0.90	-3.80	5.2	-86.7
Indonesia	6.18	-4.90	-42.6	-85.0
Philippines	1.98	0.40	-14.0	-69.3
Thailand	1.44	2.90	0.3	-8.4
Vietnam	2.51	-9.10	-11.1	-96.3

Source: Bloomberg.

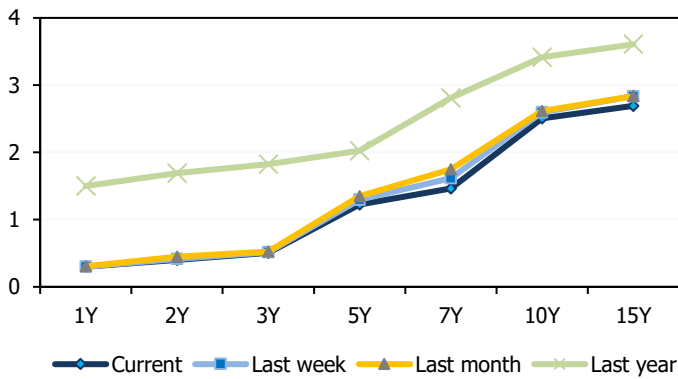
Secondary Market

G-bonds yields dropped slightly during the month. Average daily transaction volume on the secondary government bond market increased 5% compared to the previous month. Foreign investors continued to net purchase over VND 658bn of government bonds.

G-bond yield on the secondary market had a slight drop since October. Compared to the end of last month, the 2Y yield declined by 5bps to 0.4%/year, the 10Y yield decreased by 11bps to 2.51%/year. Since the year beginning, 10Y yield has declined by 91bps whereas the 2Y yield dropped by 129bps.

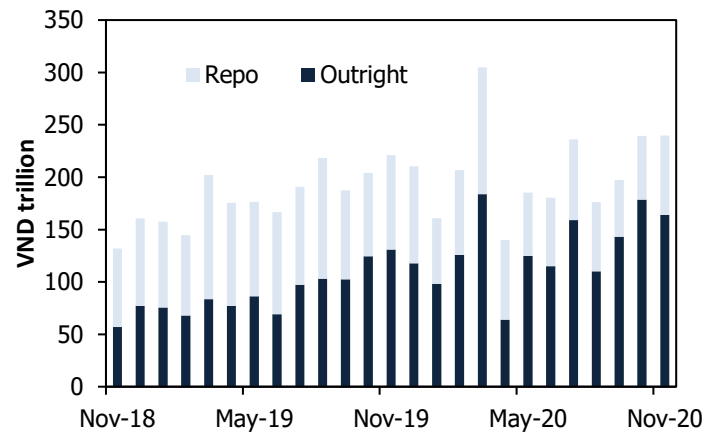
Government bond transactions in the secondary market in November reached VND 11.4tn daily average, 5% more than its October level. Of which, outright transactions accounted for 68% of volume in the period with VND 163.9tn. Average transaction volume was VND 7.8tn/day, down 4% compared to the previous month. Average daily repo trading volume increased by 31% compared to October's level, reaching VND 3.6tn/day. Foreign investors continued to net purchase VND 658bn of government bonds. So far in 2020, foreign investors have net purchased VND 4,258bn of government bonds and VND 4,295bn in the past 12 months.

Figure 12. Vietnam T-bond Yield (%)



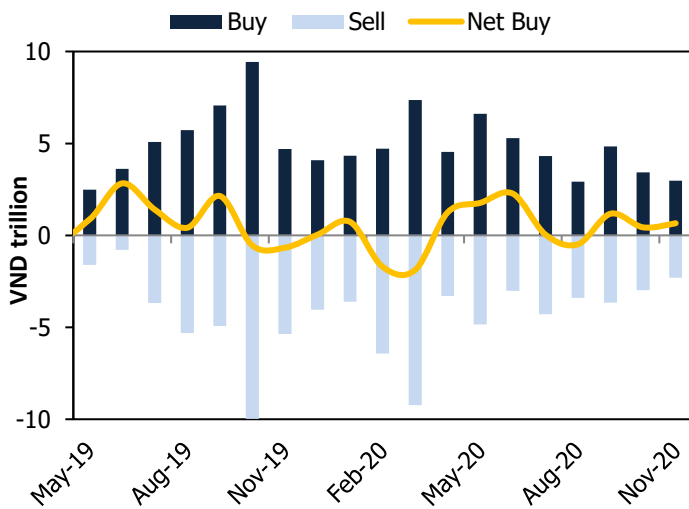
Source: Bloomberg.

Figure 13. Outright and Repo transaction volume



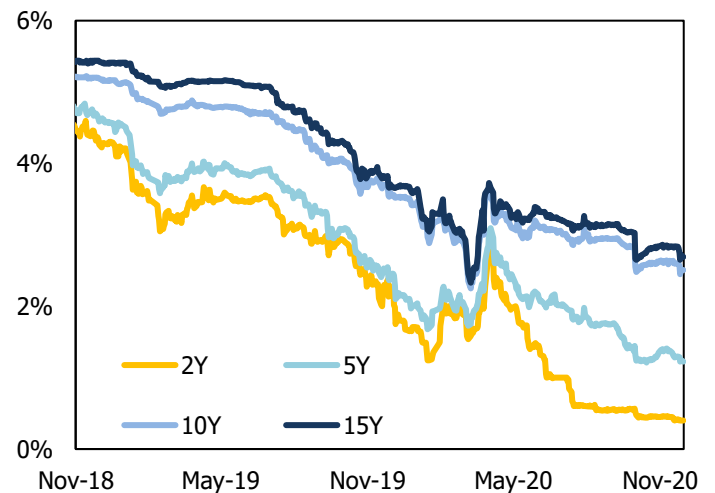
Source: HNX.

Figure 14. Foreign investors' activity in secondary market



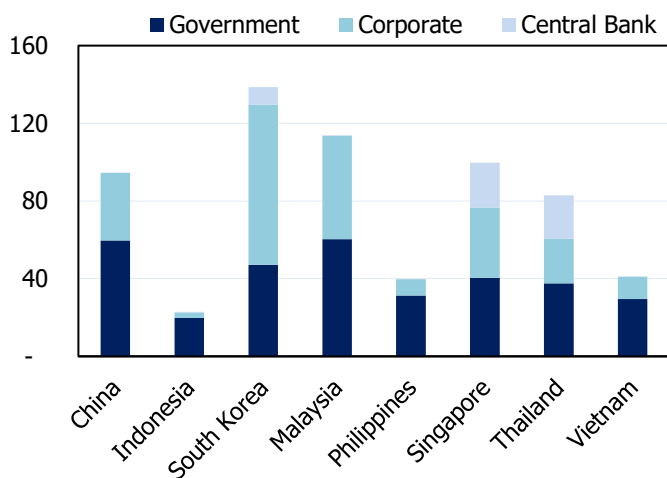
Source: HNX.

Figure 15. G-bond yield curve – Secondary Market



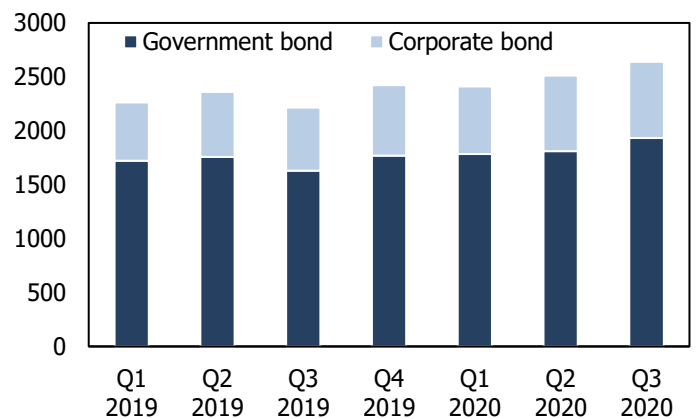
Source: Bloomberg.

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



Source: ADB.

Figure 17. Vietnam bond market size (VND tn)

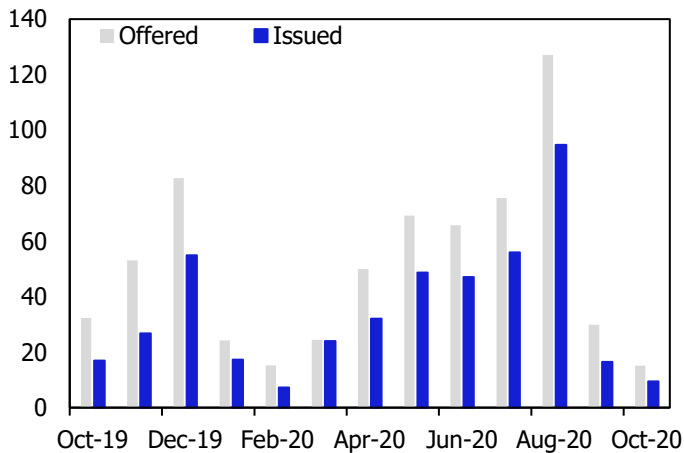


Source: ADB.

Corporate Bond Market

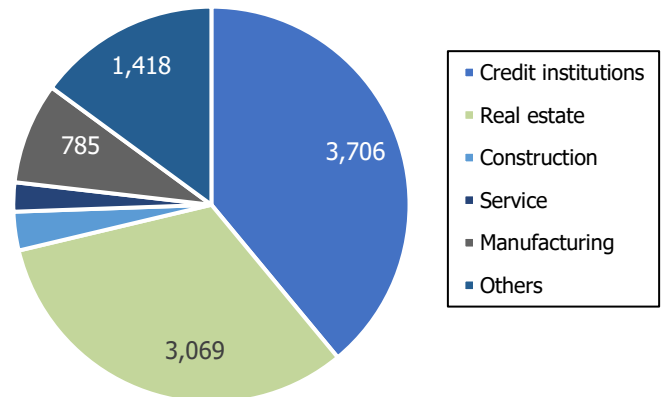
In October, HNX data showed approximately VND 11,370bn of corporate bond issued, including private, public and international placements. In which, banking sector led with VND 3,706bn issued, followed by real estate with VND 3,070bn. Công ty TNHH Phát triển Phú Mỹ Hưng continued to successfully raised another USD 80mn to the international market after issuing USD 75mn the previous month. In addition, HNX reported 117 bond repurchases by the issuers, amounting to over VND 5,430bn.

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



Source: HNX, FiinPro, MBS Research.

Figure 19. Corporate bond issued by sectors in Oct 2020 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Issuers with over VND 7tn raised during the year

Issuer	Tenor	Amount (VND bn)	Notes
CTCP Bất Động Sản Hano-Vid	5Y	2,769.2	
CT TNHH Phát Triển Phú Mỹ Hưng	5Y	1,856	USD 80mn international
Ngân Hàng TMCP Quốc Tế Việt Nam	3Y	1,300	
Ngân Hàng TMCP Đầu Tư và Phát Triển Việt Nam	8-15Y	1,097	
CTCP Đầu Tư Technical	4Y	800	
CT TNHH Đầu Tư Và Phát Triển Điện Mặt Trời KN Vạn Ninh	11Y	684.8	
Ngân Hàng Tmcp Tiên Phong	7-10Y	677	
CT TNHH Hưng Thịnh Lợi Gia Lai	4Y	350	
Ngân Hàng TMCP Việt Nam Thương Tín	7Y	343	
CT TNHH Kreves Halla Land	1Y	300	
Ngân Hàng TMCP Đông Nam Á	7Y	289	
CTCP Năng Lượng Thiên Nhiên Kỳ	6Y	250	
CTCP Vật Tư Nông Sản	3Y	158.3	
CTCP Đầu Tư Thương Mại Sunshine Business	3Y	100	
CTCP Sản Xuất và Công Nghệ Nhựa Pha Lê	18M	100	
CTCP Truyền Thông Trực Tuyến Netlink	2Y	70	
CTCP Đầu Tư IDJ Việt Nam	3Y	60	
CTCP Cấp Thoát Nước Bình Thuận	3Y	56	
CTCP Xây Dựng Năng Lượng MCD Việt Nam	2Y	50	
CTCP Outstanding Investment	3Y	50	

Source: HNX, FiinPro

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