



BOND MARKET REVIEW – FEB 2021

General Market Comment

With Tet approaching the liquidity in the banking sector tightened, at end January the 1month interbank rate rose 0.30% to some 0.65%. The shortage continued and by February 5th the rate had risen to 2.4%. Conditions alleviated when SBV interfered by offering liquidity to the banks through the OMO facility. Foreign currency inflows were continued positive and with strong exports the trade balance was reported at a surplus of USD 1.3bn. Despite the USD index gaining 0.7%, the dong strengthened some 0.4% from VND23105 to VND23005 per a Dollar. With tightened liquidity and shorter VGB's at record low levels, the 1, 2 and 3yr government bond bid-rates came up by 5bps, 15bps and 20bps respectively to 0.35%, 0.56% and 0.85%. But the longer tenures were strong with the 10 and 15yr bonds coming down by some 20bps to 2.34% and 2.55%. The auctions through January were strong with the popular 10 and 15yr bonds enjoying bid ratios of up to 500%. It is quite clear that there is a VGB bubble, but when it will burst or rather fizz out. While the growth of VGB's outstanding the last 5 years has been feeble, the banks' balance sheets have enjoyed strong growth, and so has their need to hold government bonds. As long as this situation persists, demand will remain high and support rates, but at the same time as yields are testing fundamental bottoms. A game changer would be a supply shock but near-term it does not seem in the pipeline. In the last auction in February, when the primary dealers tried to raise rates, State Treasury opted for letting it fail with a mere 80 billion out of 6000 billion sold. It may have been a bluff but nevertheless shows that the VGB market is very much a game with the banks on one side and State Treasury/MOF on the other. The corporate bond market has beginning of the year been fairly quiet as many companies are waiting for AGM's and audited financial statements to be finished before entering the market. There are however a number of companies which intend to issue bonds after the Tet-holidays.

Vietnam Government Bond (VGB) Primary Issuance Jan 2021

State Treasury announced plan to issue VGB in 1Q 2021 is VND100 trillion (plan for 1Q 2020 was VND60) and in January has successfully issued VND23.5 trillion out of VND26 trillion called amount. Total amount of VGB expiring in 1Q 2021 is VND58.3 trillion and in 2Q is VND75.6 trillion may help to explain why VST increases planned issue amount in 1Q 2021 by 60% vs 1Q 2020 to accommodate large amount of expiring in 1H 2021.

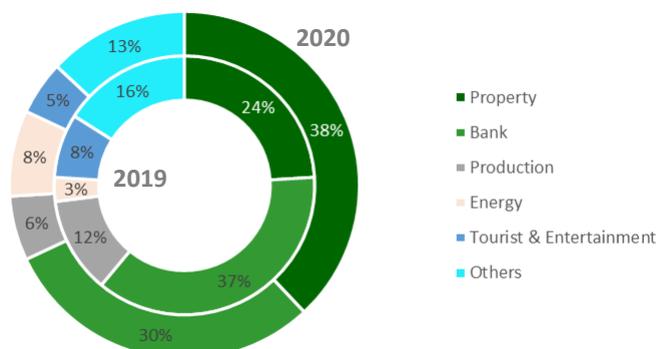
Corporate Bond (CB) Issuance 2020

Total primary issuance of CB in 2020 was VND429.5 trillion (+28.3% YoY), increased total outstanding amount to VND950 trillion (equals 15.2% GDP 2020 and 12.1% outstanding loan of banking system). Average tenor of issued CB in 2020 was 4.3 years and average yield was 9.9%. Property companies and banks are main issuers, accounted for 68% issued amount (2019: 61%). Energy sector is the third name in the list of issuers, issued 8%. Individual investors increased their holding of newly issued bonds from 7.4% in 2019 to 13% in 2020. CD issued mainly by private placement while public offering accounted for only 6.5% of total.

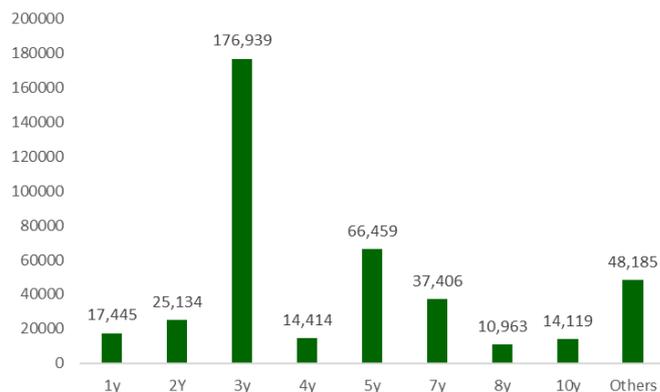
VIETNAM GOVERNMENT BOND PRIMARY ISSUANCE - JANUARY 2021

No.	Tenor	Number of call	Call Amount (VND Bill)	Bid Amount (VND Bil)	Winning Amount (VND Bil)	Bidding Yield (%/year)	Winning Yield (%/year)
1	5 Year	1	1,500	4,250	1,300	0.95 - 1.3	1.07 - 1.07
2	10 Year	3	10,250	34,061	8,850	2.1 - 3.3	2.15 - 2.25
3	15 Year	3	8,750	26,620	8,281	2.3 - 2.72	2.38 - 2.48
4	20 Year	2	2,000	4,900	2,000	2.8 - 3.1	2.89 - 2.89
5	30 Year	3	3,500	8,086	3,065	2.96 - 3.4	3 - 3.1
Total		12	26,000	77,917	23,496		

CB – PRIMARY ISSUANCE STRUCTURE - 2020



CORPORATE BOND ISSUANCE BY TENOR – 2020 (VND Bil)





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