



BOND MARKET REVIEW – MARCH 2021

General Market Comment

Although screen rates were pretty much unchanged in February and early March, the general market psychology turned more hesitant and uncertain with most tenures drifting upward. The 10, 15, 30yr tenures ended February at 2.41%, 2.62% and 3.02%. The exceptions were the 3 and 5yr VGB's which from end-January came down by 14bps and 10bps to 0.71% and 1.11%. The supply of these tenures is very limited as the State Treasury doesn't issue 3year bonds and only small volumes in the 5year, thus causing a huge misbalance in supply/demand. The market felt uncomfortable with the levels especially as they saw the 5yr and 10yr US swap-rates coming up from some 0.5 and 1.11 to 0.9 and 1.63 during the period. The banks then sought lower duration risk and bought the shorter tenures which already had absurdly low yields. As the market sought to raise rates from extraordinary low levels, the State Treasury, having lots of liquidity with SBV and the banks, and seemingly not in desperate mode, decided to fail the auctions. So, who will win the game? Short-term State Treasury probably has an upper-hand as they have lots of liquidity and a salvation of last resort – the government Social Insurance Fund can step in as buyer if the situation turns more urgent for State Treasury. The external balances will also prove to be good support as SBV buys foreign exchange from the banks giving them plenty of cash and with little choice but to buy VGBs. But long-term it is probably not sustainable and will not solve the biggest problem. To lower corporate lending rates. Even very good corporates borrow at spreads of 500-600bps, and issue 2-3yr bonds at spreads of >800bps. While most corporate debt issuance are private placements, Vincom and Masan issued bonds to be listed. The demand was huge, and they were several times oversubscribed. The onshore funds get more and more subscribers and as they are only allowed to hold 10% in non-listed assets, they are desperate to buy the few listed bonds there exist. Although, there is no strategic reason to buy the government bonds, short-term tactical buying is very possible.

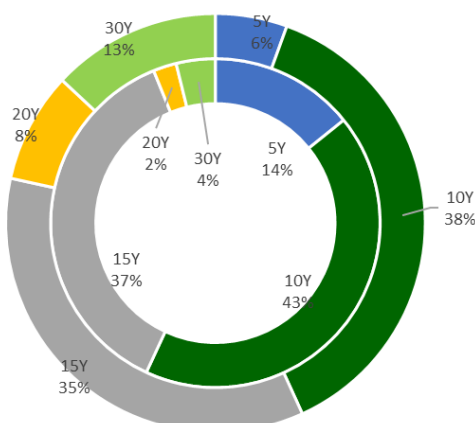
Vietnam Government Bond (VGB) Primary Issuance Feb 2021

State Treasury announced plan to issue VGB in 2021 is VND350 trillion (plan for 1Q 2021 is VND100 trillion). The issuance plan of 2021 is considerably higher (+35%) than original plan of 2020 (VND260 trillion). In February, VST has successfully issued VND3,515 billion while corresponding amount for January 2021 is VND23,496 billion. The sudden drop in primary issued amount dues to less calls in February and absence of market interest to 2 key tenors (10 and 15 years) leads to unsuccessful issuance of the 2 tenors in 3 consecutive bids. Due to Tet, the outright transaction value of VGB on secondary market also reduced significantly in Feb vs Jan 2021, total outright value of Feb is VND 101,063 billion (-48.4% vs amount in Jan is VND196.048 billion). In the week after Tet, the secondary yields go down slowly together with interbank rates and then go up in the last week of the month. Transactions in secondary market focus on tenors of 10 and 15 years.

VIETNAM GOVERNMENT BOND PRIMARY ISSUANCE – 2021 PLAN AND FEBRUARY

Tenor	2021 Plan (VND Bil)	1Q 2021 plan (VND Bil)	Issued Jan 2021 (VND Bil)	Issued Feb 2021 (VND Bil)	Issued 2M 2021 (VND Bil)	Remain in 1Q 2021 (VND Bil)	% complete 2021 plan
5Y	20,000	5,000	1,300	500	1,800	3,200	9.0%
7Y	15,000	5,000	-	-	-	5,000	0.0%
10Y	120,000	35,000	8,850	1,500	10,350	24,650	8.6%
15Y	135,000	35,000	8,281	1,300	9,581	25,419	7.1%
20Y	30,000	10,000	2,000	80	2,080	7,920	6.9%
30Y	30,000	10,000	3,065	135	3,200	6,800	10.7%
TOTAL	350,000	100,000	23,496	3,515	27,011	72,989	7.7%

VGB – PRIMARY ISSUANCE - JAN (INSIDE) & FEB 2021



VBMA FIXING SECONDARY YIELDS – 12 MONTHS TO FEB 2021





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