



BOND MARKET REVIEW – APRIL 2021

General Market Comment

The VGB market was quite stale in April. With the 1m interbank rate up from 0.55% to 1.064% and 1.297% end of April and early May, there was limited room for rates to come down. Economic fundamentals including external balances and inflation were continued sound but the interbank market is very much driven by the banking sector liquidity and less so by policy rates. The retail saving deposit growth was lower than the credit growth and the central bank bought USD forward rather than in the spot market. When the forward contracts mature new liquidity will be injected to the banking sector. The 2, 5, 15 and 20yr VGB screen rates on 6th of May were 0.6%, 1.191%, 2.667% and 3.1% and pretty much unchanged compared with end-March. In the government bond auctions the 10yr and 15yr VGB's were up 7bps and 8bps to 2.37% and 2.58% but still slightly below the mid-rates in the secondary market. State Treasury, in order to avoid excessive yield volatility, has chosen to let rates come up gradually, slowly closing the gap to the secondary market. The State Treasury doesn't seem overly anxious to issue debt and sudden large moves are unlikely. With the last headline inflation reading at 2.7%, the VGB rates adjusted for inflation are negative out to 15year. However, the core inflation is only 0.95%, so the risk for high hot economy inflation is for now quite low. Going forward, in order for rates to make a substantial move, a game changer is needed. This could be for instance; (i) a resurgence in risk-aversion and EM market sell-off. The VGB's are very sensitive to currency pressure and rates would come up with the gap to the primary market widening; (ii) a significant increase of VGB issuance. Short-term this is unlikely to materialize as State Treasury keeps plenty of cash with SBV and the banks; (iii) a continued increase in global rates. Although fundamentally fairly uncorrelated with global rates, the Vietnamese market psychologically uses them to create volatility. Most of the action, if any, will be in the 15+ year tenures.

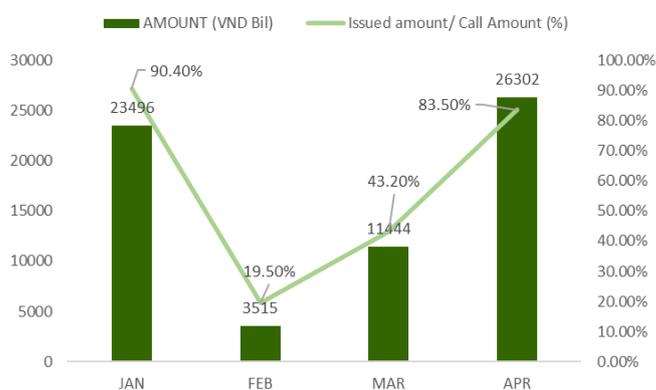
Vietnam Government Bond (VGB) April 2021

Demand comes back for VGB in April, a total of VND26,302 billion value of VGB issued (equals to 67% of total 1Q issued amount and 83,5% called amount was sold). Demands focus on short term tenors (7 to 15 years) and 10 years is the most attractive tenor. At end of April, VST has issued only 18.7% of total 2021 plan and completed 26.3% 2Q plan. The liquidity in secondary market stayed high and daily outright transaction value was VND 11660 billion. Yields on secondary market moved in different directions for short (from 5 years and less) term tenors (up +1bp to +7bp between beginning and end of month) while longer tenors (7 years or longer) moved lower (-1bp to -7bp).

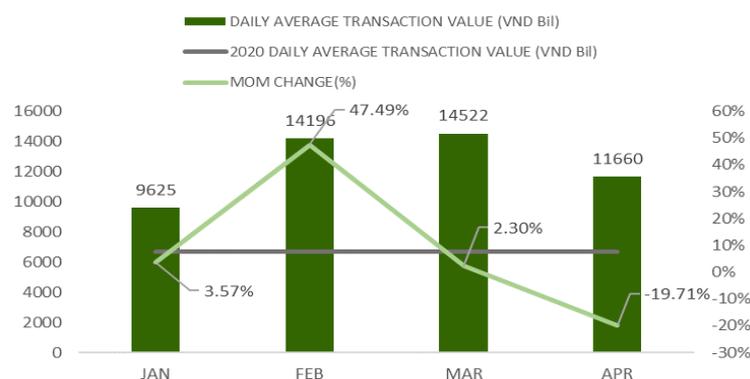
VIETNAM GOVERNMENT BOND PRIMARY ISSUANCE – APRIL AND 2021 YTD

Tenor	Issued 1Q 2021 (VND Bil)	Issues plan 2Q 2021 (VND Bil)	Issued April 2021 (VND Bil)	Accumulated 4 months 2021 (VND Bil)	% complete 2Q 2021 plan	2021 Plan (VND Bil)	% complete 2021 plan
5 Y	4350	10000	3169	7519	31.7%	20000	37.6%
7 Y	1781	4,000	0	1781	0.0%	15000	11.9%
10 Y	14900	35,000	14150	29050	40.4%	120000	24.2%
15 Y	12581	35,000	7823	20404	22.4%	135000	15.1%
20 Y	2140	8,000	350	2490	4.4%	30000	8.3%
30 Y	3453	8,000	810	4263	10.1%	30000	14.2%
TOTAL	39205	100,000	26302	65507	26.3%	350000	18.7%

VGB – PRIMARY ISSUANCE - JAN TO APRIL 2021



VGB SECONDARY MARKET TRANSACTION VALUE BY MONTH





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