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The sharp drop in interbank interest rates reflects that liquidity in the system has returned to a state of abundance. SBV also reduced the amount of money injected through the open market. The USD/VND exchange rate maintained its upward momentum in the first half of June. STV issued VND 9,145bn of G-bonds during the period with the winning rate remaining low. The yield of secondary G-bonds continued to increase at all terms. Foreign investors net sold VND 461bn of G-bonds during the period.

Money Market

SBV gradually reduced the amount of money traded through the open market with more than VND 1,600bn with a term of 14 days. The banking system returned to the state of excess liquidity as shown by the sharp drop in interbank interest rates.

By June 9, 2022, the SBV said credit increased by 8.15% compared to the end of 2021, an increase of 17.09% over the same period in 2022, in line with the positive development of the economy. In the context that the 2% interest rate subsidy package is being implemented, commercial banks are gradually approaching the credit limit which will put the risk of having money without being able to lend. With a large amount of liquidity being pumped in while disbursement is slowing down, the interbank interest rate dropped to its lowest level in a year. A Bloomberg survey showed that the overnight interbank rates are trading at 0.3%/year, down by 20 bps compared to the end of last month. Interest rates for other terms are also around 0.93%-1.97%/year, a decrease of about 3-17 bps compared to the end of May.

In the first half of June, SBV continued to net inject VND 1,627.18bn via the OMO channel, with a rate of 2.5%/year, tenor of 2 weeks. Total maturity from last month reached VND 2,871.33bn, bringing the amount of OMO in circulation to VND 1,627.18tn. Thus, the whole amount will return to SBV in June.

USD/VND exchange rate still maintained its upward momentum.

The value of the USD against some regional currencies and the VND remained high due to the impact of the Fed's monetary policy. Compared to the end of May, the USD/VND exchange rate in the free market went up by VND 70 per USD and is currently trading at 23,925 VND/USD. The central and interbank rates were traded at VND 23,093 per USD, up VND 36 per USD and VND 23,147 per USD, up VND 21 per USD.

The USD Index hovered at 104, after the Fed decided to raise rates by 75 basis points, the highest rate hike by the Fed since 1994, as multiple reports showed little progress in the US's inflationary war. The Fed's recent interest rate move occurred in the context of the US consumer price index (CPI) in May, the most substantial increase in over 40 years, recorded at 8.6%. In addition, the Fed signaled it would continue lifting rates by 0.5 or 0.75 percentage points in the July meeting to combat historically high inflation pressure. The prospect of a Fed rate hike and a high dollar anchor will also increase the demand for USD hoarding and push up USD prices in the free market.

Figure 1. Interbank overnight lending rate (%)



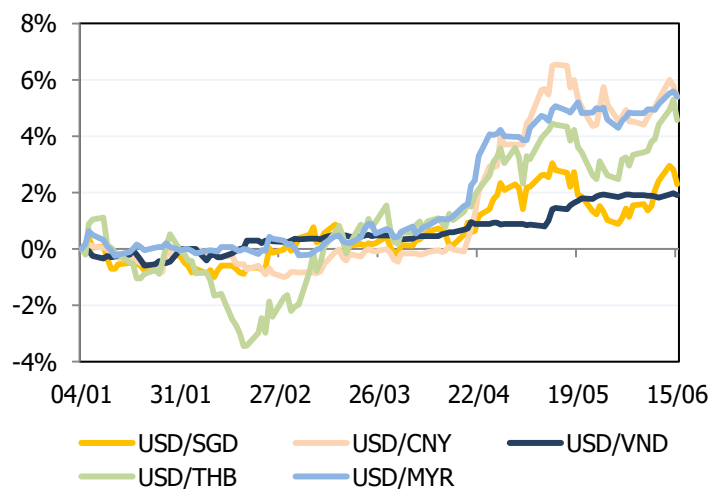
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/03	1.88	2.03	2.16	2.26
30/04	1.83	2.17	2.17	2.17
31/05	0.50	1.10	1.40	2.13
15/06	1.63	1.87	1.98	2.20

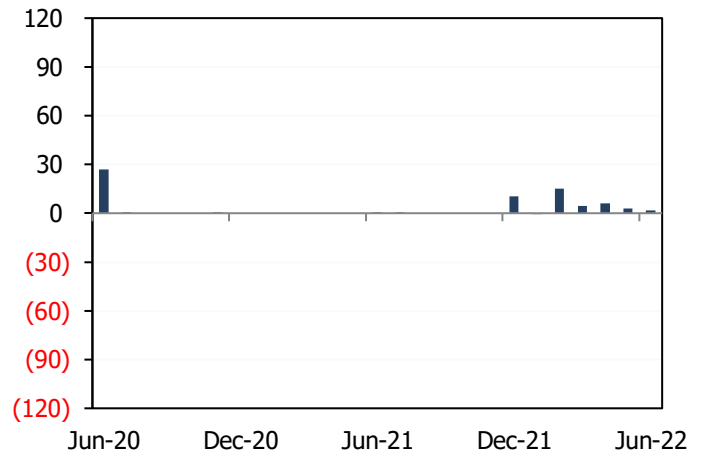
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



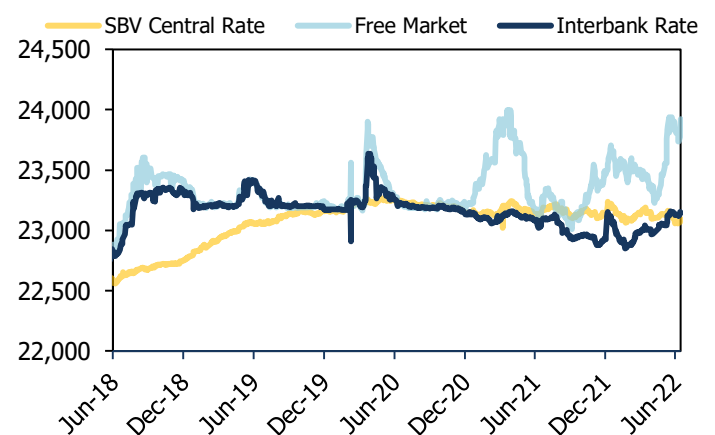
Source: Bloomberg.

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



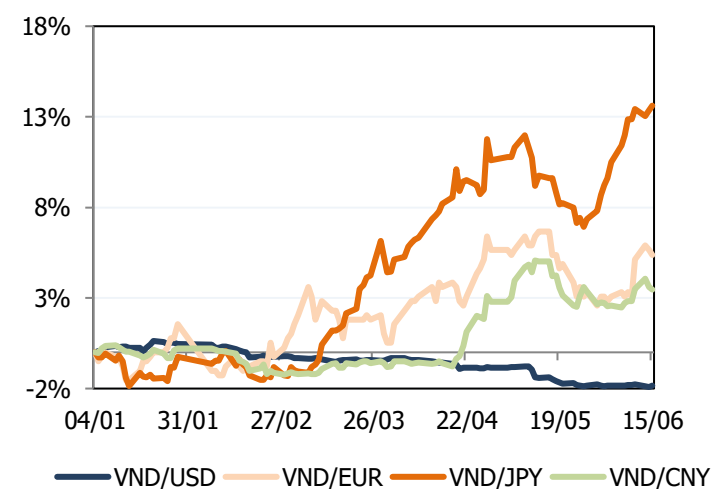
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2022



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 9,145bn of G-bonds during the period, with the winning yields slightly increased for two tenors.

In the first half of June, the STV has actively issued government bonds, but the success rate is still relatively low. In the VND 19,500bn proposed, there were only VND 9,145bn of G-bonds successfully mobilized, at the rate of 47%. The successful issue improved over the same period last month which was 15%. In order to complete this year's mobilization plan, the STV needs to continue to speed up the issuance of bonds because currently the mobilization volume has only reached 16% of the plan.

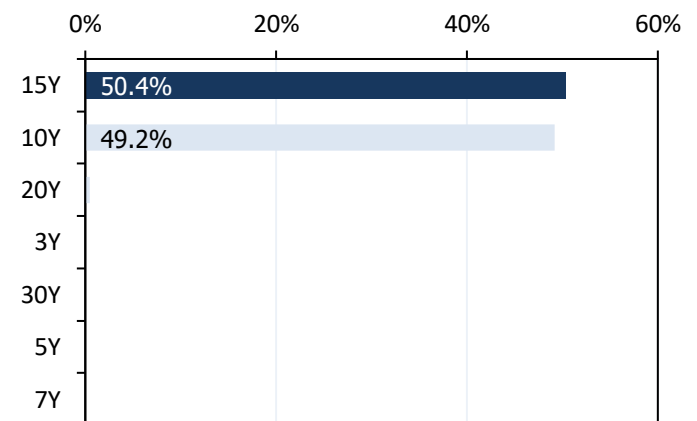
The winning yields of the bonds increased slightly in the two main terms. The 10Y and 15Y tenors were 2.43%/year and 2.73%/year, respectively, which increased by about 9 bps compared to the winning yields at the end of June. G-bonds yields are adjusted very slowly because there is no issuing pressure to finance public investment projects. While the auction registration rates increased sharply, bond yields did not meet investors' expectations, causing the winning momentum to remain low in recent months. However, bond yields are expected to increase rapidly in the coming time as disbursement progress usually accelerates in the second half of the year.

Figure 7. G-bond auction result in June 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y	3,000	0	0%	0.00%
5Y	1,000	0	0%	0.00%
7Y				
10Y	7,000	4,500	64%	2.37%-2.43%
15Y	7,000	4,605	66%	2.67%-2.73%
20Y	1,000	40	4%	2.75%
30Y	500	0	0%	0.00%
Total	19,500	9,145	47%	Unit: VND bn

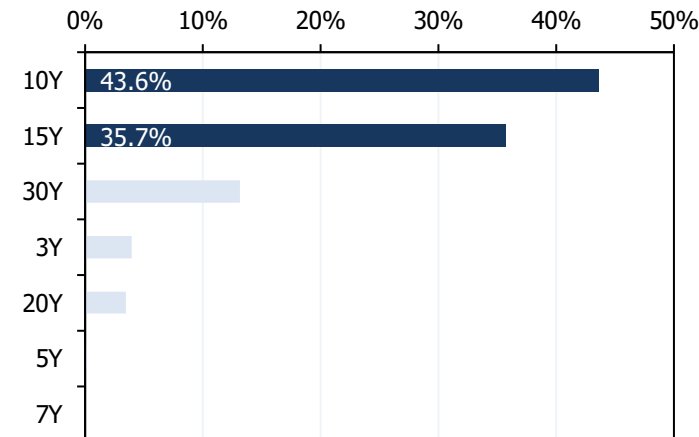
Source: HNX.

Figure 8. G-bond successful issuance June 2022



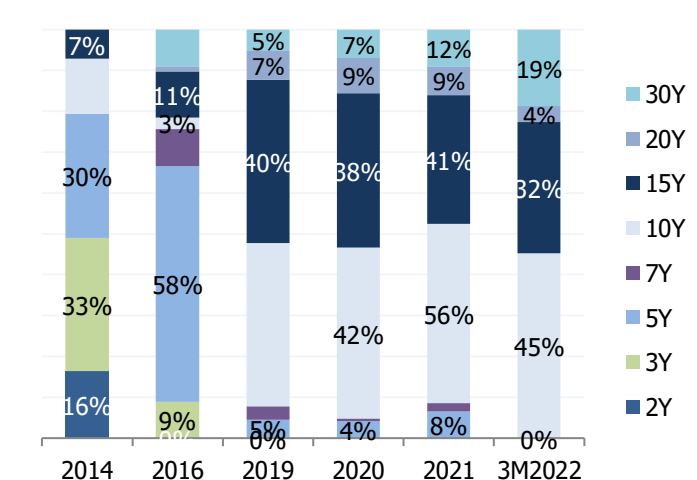
Source: HNX.

Figure 9. G-bond successful issuance in 2022



Source: HNX.

Figure 10. G-bond successful issuance since 2012



Source: HNX.

Figure 11. Government bond issuance 2022

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	100	0%
7Y	15,000	0	0%
10Y	140,000	28,642	20%
15Y	150,000	23,425	16%
20Y	30,000	2,265	8%
30Y	35,000	8,625	25%
Total	400,000	63,057	16%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/06/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	3.28	26.24	44.0	177.4
EU	1.64	29.00	52.2	182.1
Japan	0.26	0.50	1.3	18.5
China	2.82	1.20	2.6	4.4
South Korea	3.77	29.90	43.9	151.4
India	7.59	9.50	17.4	113.5
Malaysia	4.34	12.80	17.0	77.2
Singapore	3.21	26.11	46.6	148.2
Indonesia	7.43	26.40	39.3	105.2
Philippines	4.64	42.44	48.7	229.5
Thailand	3.15	14.89	18.3	118.6
Vietnam	3.45	18.70	20.7	128.2

Source: Bloomberg.

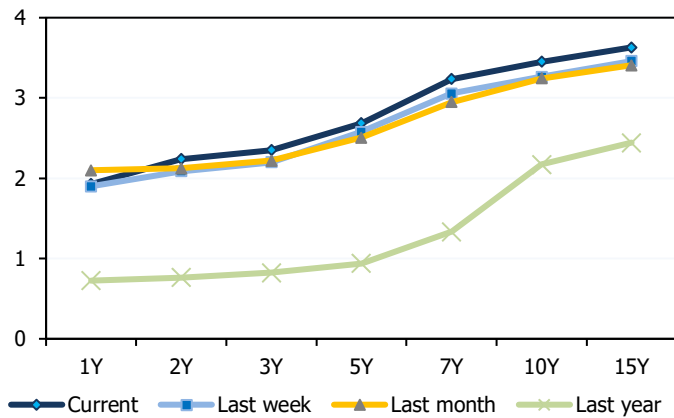
Secondary Market

The yield of secondary G-bonds continued to increase at all terms. Average transaction volume on the secondary G-bond market grew by 30% MoM with increasing outright volume. In the first half of June, foreign investors continued to net sell VND 461 bn of G-bonds.

In the first half of June, the 10Y yield was at 3.45%/year, up 21 bps from the previous month while the 2Y yield increased by 11 bps, to 2.24%/year. Year to date, the 2Y yield has risen 148 bps while the 10Y yield has risen 128 bps.

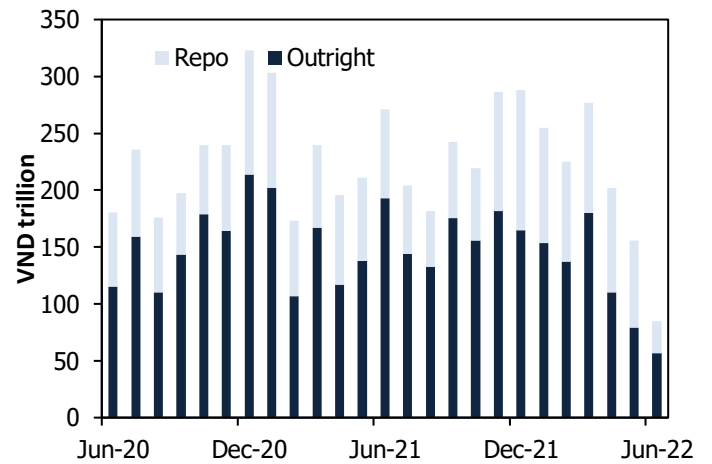
Transactions on the secondary government bond market slightly improved with daily average trading volume of VND 7.7tn, unchanged from May's average. Of which, outright trading accounted for 67% of the volume this period and VND 56.7tn. The average transaction was VND 5.1tn/day, up by 30% from the previous month's average. Average repos trading volume decreased by 33% compared to May, reaching VND 2.5tn/day. Foreign investors continued to net sold VND 461bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 2,807bn of G-bonds in 2022 and net sold VND 1,858bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



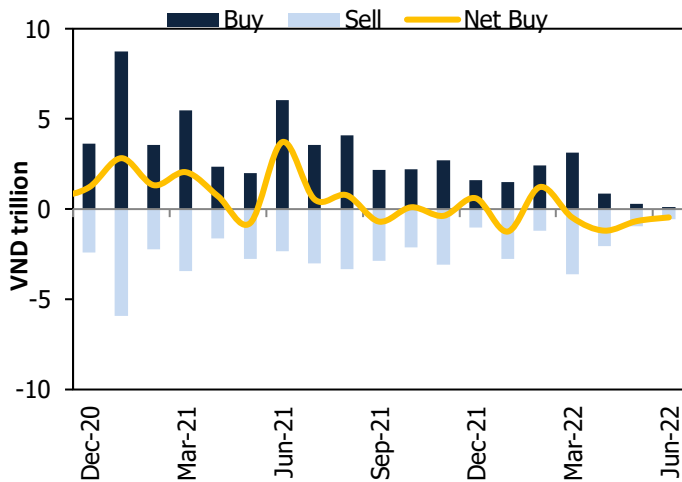
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



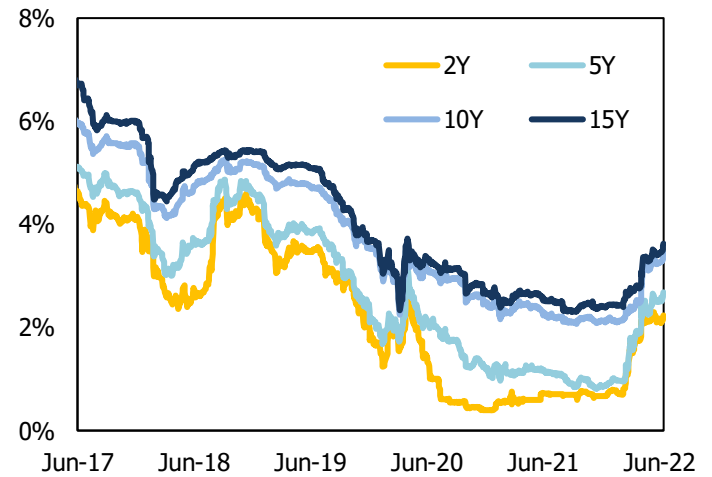
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



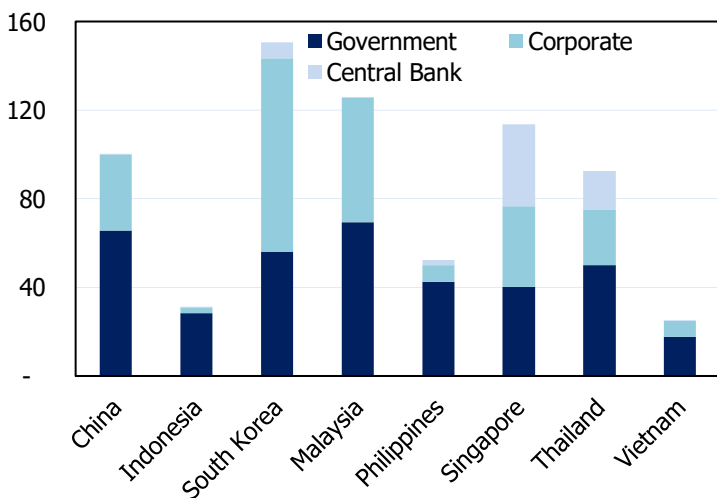
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



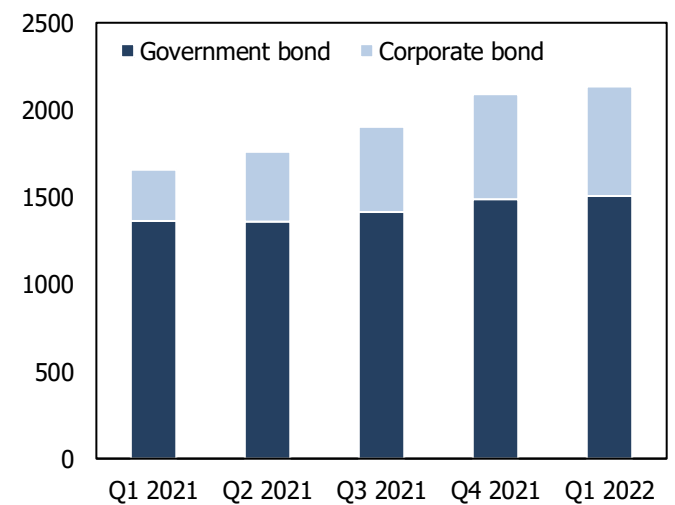
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q1 2022)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

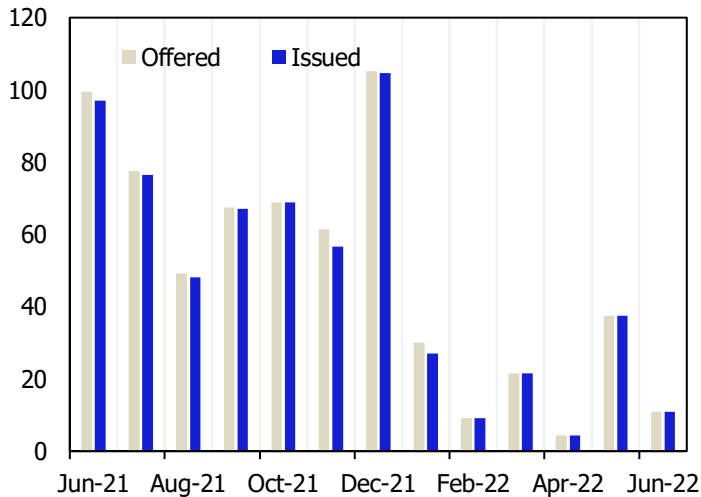


Source: ADB.

Corporate Bond Market

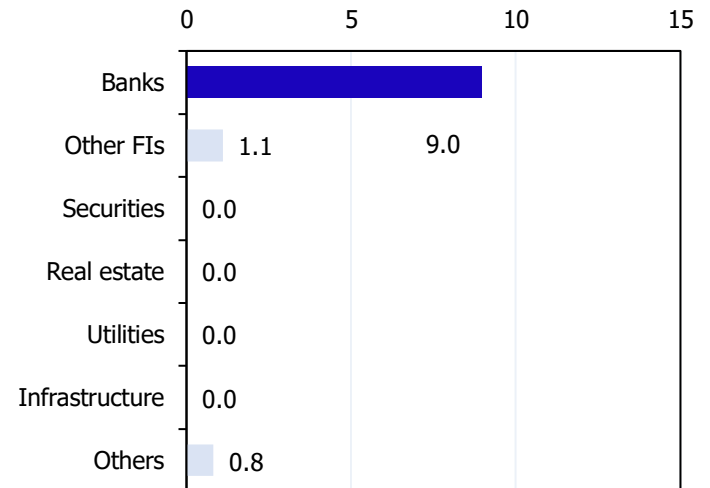
FiinPro data showed that in the first half of June, VND 10,880bn of corporate bonds were issued in the domestic market. Orient Commercial Joint Stock Bank issued the largest bond volume of VND 4,460bn with coupon rate of 8.6%/year. Banking sector accounted for the majority of issuance in the first half of June.

Figure 19. Corporate bond offering and issuance (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issued by sectors in June 2022 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in June 2022

Tick er	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	1.25-8	4,460	6.45%
MBB	Ngân hàng Thương mại Cổ phần Quân đội	3-7	2.600	N/A
	Công ty Tài chính TNHH Ngân hàng Việt Nam Thịnh Vượng SMBC	2	1.000	N/A
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	3	1.000	N/A
	Công ty Cổ phần Đầu tư và Phát triển Du lịch Phú Quốc	5	820.18	N/A
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	500	N/A
SSB	Ngân hàng Thương mại Cổ phần Đông Nam Á	3	300	N/A
	Công ty Tài chính TNHH MB Shinsei	2	100	N/A
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	15	100	N/A

Nguồn: HNX, FiinPro, MBS tổng hợp

PRODUCT

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