

Interbank interest rates plummeted to their lowest level since the end of 2020

- The open market generated no transactions in the first half of the month, and interbank interest rates plunged back to the time during the epidemic.
- USD was flat against VND, in contrast to downturn against other currencies in the world.
- STV issued VND 15,229bn during the month with the winning rate of nearly 100%, the yield on tenors was unchanged compared to the end last month.

MONEY MARKET

The market did not generate any transactions during the period, the interbank interest rate gradually decreased to the bottom.

As of June 30, 2023, the credit outstanding of the economy reached over VND 12,400 trillion, an increase of 4.73% as compared to that of 2022. With credit balances increasing low, many businesses still find it difficult to access new loan. In the context that the economy is facing many difficulties and low inflation, key interest rates and deposit rates are expected to continue to be lowered. Interbank interest rates continued to fall during the period, returning to their historical low. Currently, the overnight interest rate is trading at 0.1%/year, down by 23 bps compared to the end of last month. Interest rates for other terms are also around 0.5%-1.9%/year, a decrease of about 70-113 bps comparing to the data at the end of June.

Banks' deposit rates have fallen for the 5th consecutive month. Deposit interest rates recorded a decrease in both state-owned banks, large-cap and small-cap commercial banks. With a current 12-month term interest rate of just 6.3%, the group of state-owned banks had the largest decline. Deposit interest rates will continue to go down will be a driving factor for lending interest rates to continue to cool down. The system's liquidity is consistent, and no transactions are being generated on the open market.

The VND/USD moved sideways whereas the USD index on the world market tends to decrease

In contrast to the USD's decline versus other regional currencies, the local exchange rate is moving sideways. Compared to the end of June, the VND/USD exchange rate on the free market up by VND 80 per USD and is currently trading at 23,685 VND/USD. The central and interest rates were respectively traded at VND 23,714 per USD, down VND 86 per USD and VND 23,679 per USD, down VND 13 per USD.

After statistics revealed that US consumer price inflation in June was under control, the DXY index plunged below 100 points and the dollar dropped to its lowest point in more than a year, supporting prediction that the Fed could only hike interest rates again this year. Despite statistics that showed US employment growth was the lowest in two and a half years revealed late last week, the Fed is expected to increase interest rates by 25 basis points this month.

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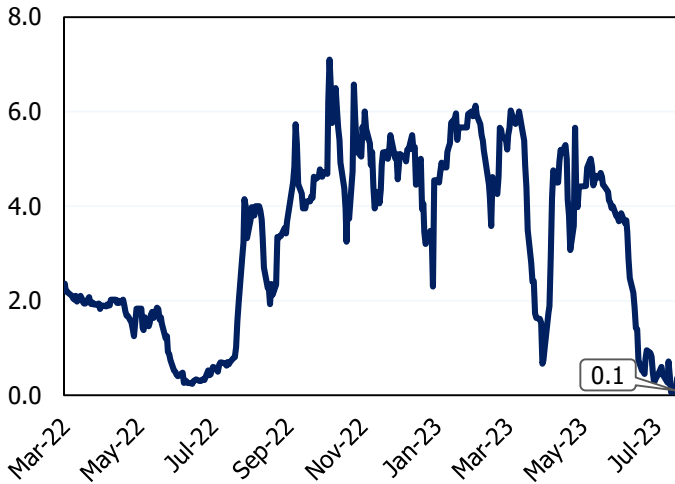
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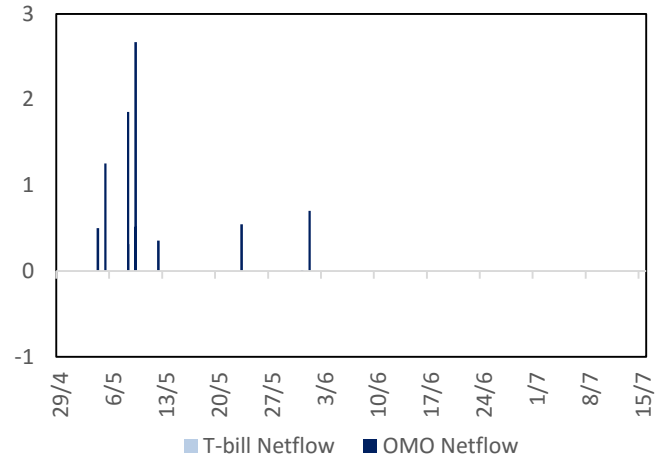
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Figure 1. Interbank overnight lending rate (%)



Source: Bloomberg, MBS Research

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



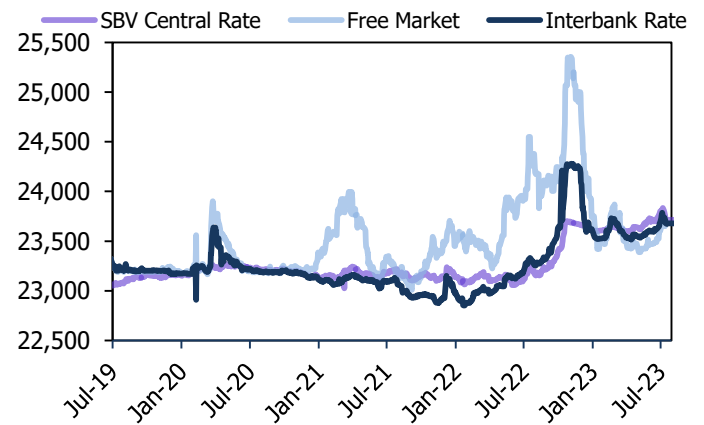
Source: SBV, MBS Research

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/04	4.4	4.4	4.6	5.0
31/05	3.6	3.8	4.0	4.3
30/06	0.3	1.0	1.5	2.8
17/07	0.1	0.3	0.5	1.7

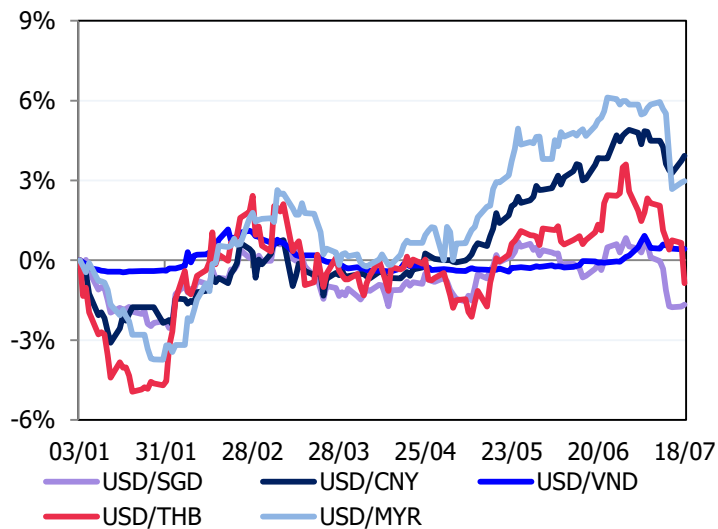
Source: Bloomberg, MBS Research

Figure 4. USD/VND exchange rate



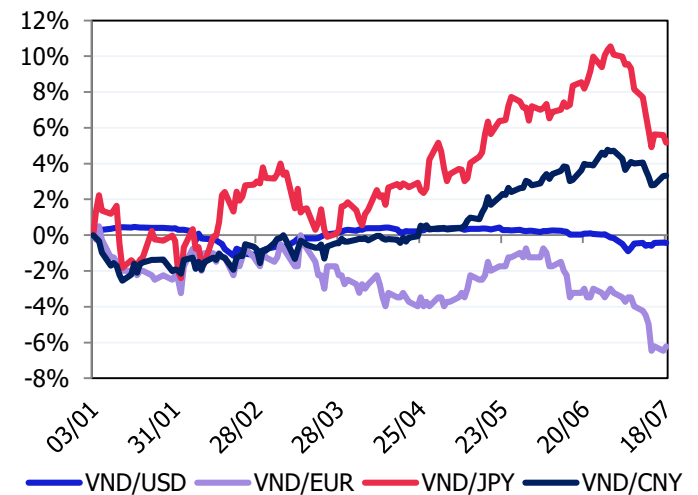
Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2023



Source: Bloomberg, MBS Research

Figure 6. VND compared to major currencies in 2023



Source: Bloomberg, MBS Research

GOVERNMENT BOND MARKET

Primary market

STV successfully issued VND 15,229bn of G-bonds this period with winning yield moved sideways compared to the end of June.

In the first half of July, STV was more active in the issuance of G-bonds. The amount of G-bonds successfully issued by STV reached VND 15,229bn out of a total of VND 15,250bn proposed, at the rate of 100%. The successful issuance increased compared to VND 6,000bn in the same period last month. Up to now, STV has gradually caught up with the year plan as currently the mobilization volume reached VND 195,121bn of G-bonds since the beginning of the year, reaching 50% of the year plan.

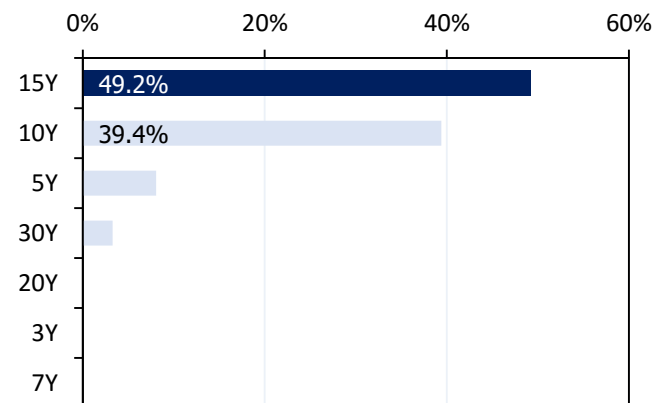
Winning yields of G-bonds went sideways compared to the end of June. The yield for 10Y and 15Y terms were 2.45%/year and 2.7%/year, respectively. The 5Y term yield were 2%/year. The issuance rate remains high, indicating that investors are gradually accepting the current yields because some commercial banks see this as a shelter in the context of abundant mobilized capital without output.

Figure 7. G-bond auction result in July 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	1,250	1,229	98%	2.00%
7Y				
10Y	6,000	6,000	100%	2.45%
15Y	7,500	7,500	100%	2.70%
20Y				
30Y	500	500	100%	3.20%
Total	15,250	15,229	100%	Unit: VND bn

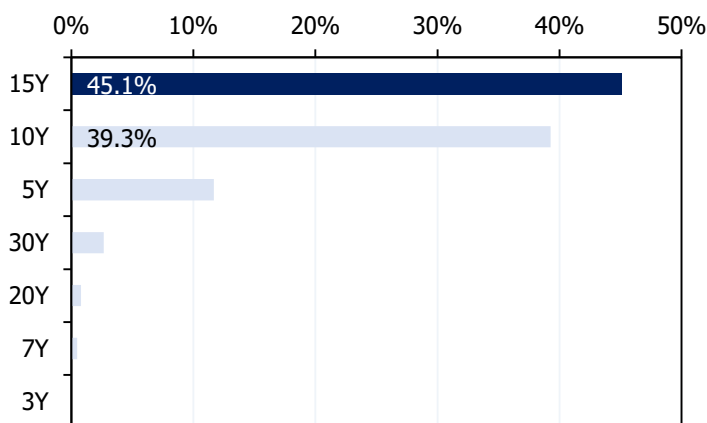
Source: HNX, MBS Research

Figure 8. G-bond successful issuance June 2023



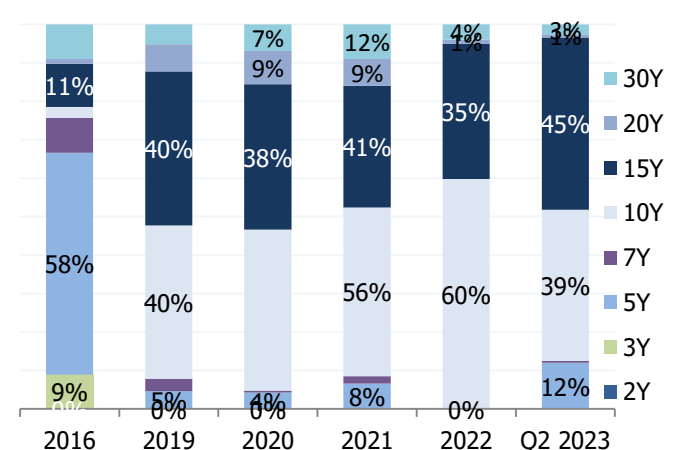
Source: HNX, MBS Research

Figure 9. G-bond successful issuance in 2023



Source: HNX, MBS Research

Figure 10. G-bond successful issuance over the years



Source: HNX, MBS Research

Figure 11: Government bond issuance 2023 (bn VND)

Tenor	VST 2023 plan	VST 2023 issued	% VST 2023 plan
3Y	30,000	0	0%
5Y	35,000	22,778	65%
7Y	5,000	950	19%
10Y	125,000	76,599	61%
15Y	165,000	88,053	53%
20Y	20,000	1,549	8%
30Y	20,000	5,192	26%
Total	400,000	195,121	49%

Figure 12. 10Y G-bond yields (%) in selected countries (As at 15/07/2023).

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	3.83	-22.94	-0.4	-4.3
EU	2.48	-15.53	8.9	-9.0
Japan	0.48	5.30	8.0	5.9
China	2.65	0.42	0.6	-19.2
South Korea	3.69	-6.80	2.9	-4.5
India	7.09	-6.95	-2.5	-23.7
Malaysia	3.83	-6.50	-2.6	-24.0
Singapore	3.04	-13.80	-2.2	-3.1
Indonesia	6.18	-6.36	-8.2	-76.1
Philippines	4.89	-19.41	1.8	3.8
Thailand	2.59	1.53	0.0	-3.9
Vietnam	2.60	-13.30	-3.8	-219.5

Note: (*) bps changed compared to last closing

Source: Bloomberg, MBS Research

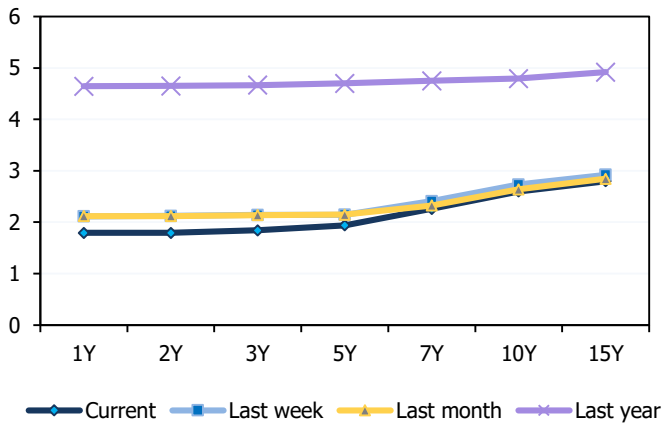
Secondary Market

Secondary G-bond yields decreased during the month. Average transaction volume on the secondary G-bonds market went down by 26% MoM. Foreign investors net sold of VND 195bn of G-bonds this month.

Currently, the 10Y yield was at 2.6%/year, down 30 bps compared to the previous month and the 2Y yield fell to 1.79%/year, down 33 bps. The current secondary yield has fallen to the level of the same period last year. Since the beginning of the year, bond yields in Vietnam have declined sharply compared to yields in other countries around the world.

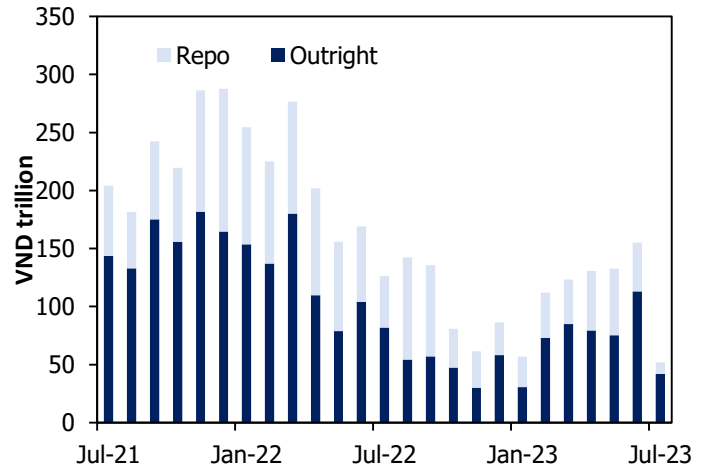
The volume of G-bonds transactions in the secondary market reached VND 5.1tn daily average, down 26% from the previous month. Of which, outright trading accounted for 81% of the volume this month and over VND 41tn. Average transaction was VND 4.1tn/day, down 19% from the previous month's average. Average repos trading volume decreased by 48% compared to June, reaching VND 1tn/day. Foreign investors net purchased G-bonds with an amount of VND 195bn. Overall, foreign investors net sold a total of VND 4,868bn of G-bonds in 2023 and VND 8,891bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



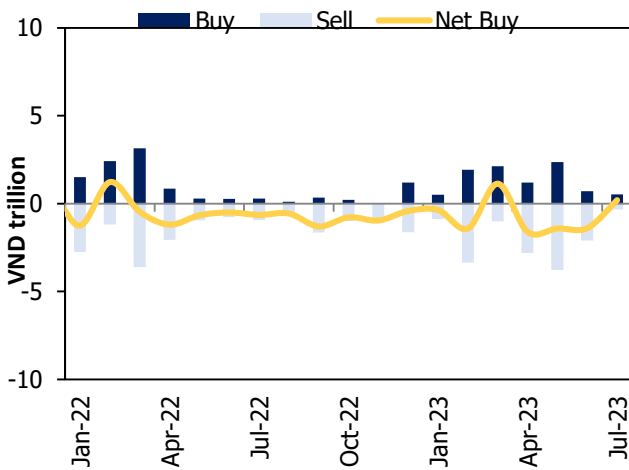
Source: Bloomberg, MBS Research

Figure 14. Outright and Repo transaction volume



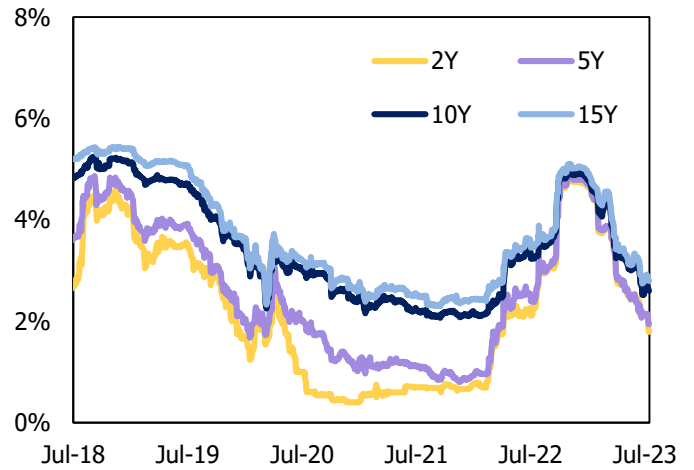
Source: HNX, MBS Research

Figure 15. Foreign investors' activity in secondary market



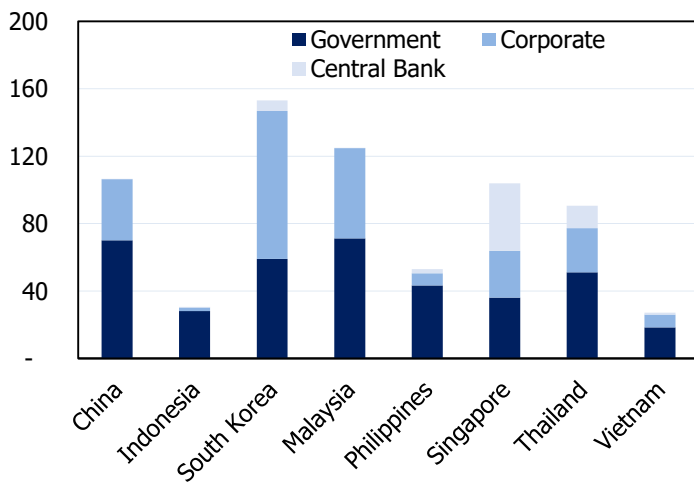
Source: HNX, MBS Research

Figure 16. G-bond yield curve – Secondary Market



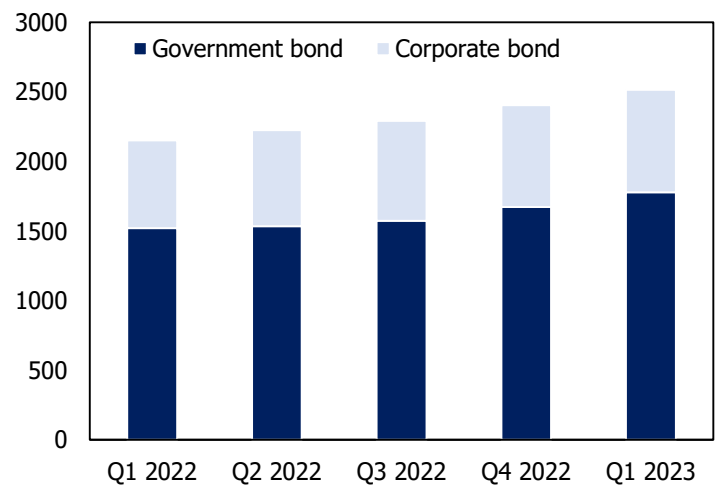
Source: Bloomberg, MBS Research

Figure 17. Size of bond markets (%GDP Q1 2023)



Source: ADB, MBS Research

Figure 18. Vietnam bond market size (VND tn)



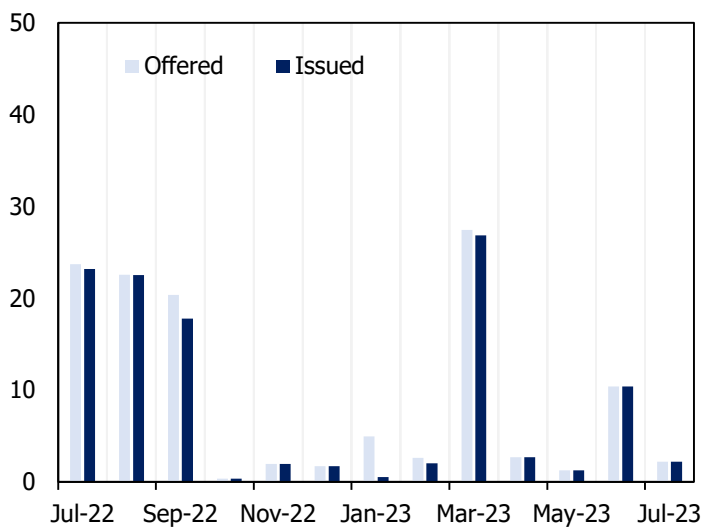
Source: ADB, MBS Research

COPRORATE BOND MARKET

In July, approximately VND 2.195bn of corporate bonds were issued in the domestic market. Of which, Nui Phao Mining Company Ltd issued bonds with the volume of VND 1,000bn with the coupon rate of 9%/year. In addition, VietJet Aviation Joint Stock Company issued bonds with the highest coupon rate of 12%/year and the term of 5 years.

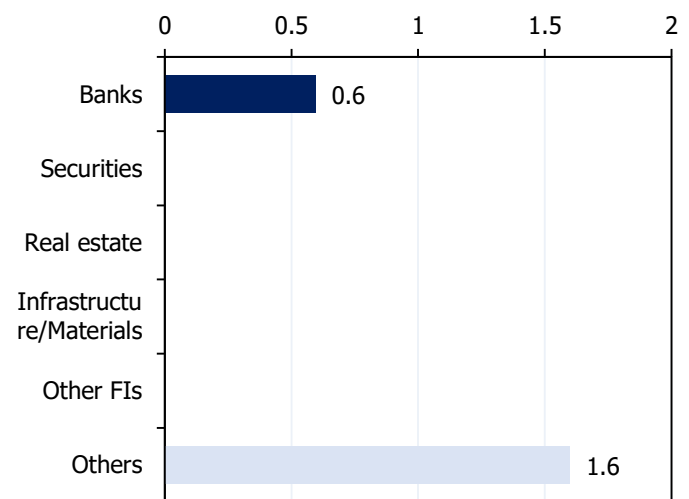
The total value of callable bonds that were bought back before maturity in July was about VND 5tn from the issuance of 19 companies. In which, the banking sector accounted for the largest proportion of bond repurchases, reaching about VND 4.2tn, accounting for 90%. Real estate took second place with about VND 262bn acquired, accounting for 5% of the total callable bonds.

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



Source: HNX, FiinPro, MBS Research

Figure 20. Corporate bond issued by sectors in July 2023 (VND tn)



Source: HNX, FiinPro, MBS Research

Figure 21. Top issuers in July 2023

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công Ty TNHH Khai Thác Chế Biến Khoáng Sản Núi Pháo	5	1,000	9.0%
TCB	Ngân hàng Thương mại Cổ phần Kỹ thương Việt Nam	2	400	9.4%
VJC	Công ty Cổ phần Hàng không Vietjet	5	300	12.0%
BAF	Công ty Cổ phần Nông nghiệp BAF Việt Nam	3	300	10.5%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	7	195	N/A

Source: HNX, FiinPro, MBS Research

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