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Interbank interest rates dropped sharply at all tenors as liquidity in the system gradually improved. SBV continues to the issuing central bank bills channel and the OMO channel on the open market to regulate the money supply. The USD/VND exchange rate on the free market plummeted in this period. STV issued VND 11,000bn of G-bonds during the period with the winning yield increasing. The yield of secondary G-bonds went sideways compared to the previous month. Foreign investors net sold VND 512bn of G-bonds during the period.

Money Market

SBV made a withdrawal of more than VND 39tn through the central bank bill channel and also injected back more than VND 19tn through the channel with a term of 7 days. At the same time, overnight interbank interest rates also dropped sharply compared to the end of July.

In the first half of August, SBV withdrew VND 39.3tn through the T-bills channel with a term of 7-14 days, the yield of bills around at 2.6%/years. To support the high liquidity demand, the SBV also injected back into the system VND 19.1tn by interest rate auction, 7 days term with a competitive interest rate from 3.5%- 4.5% years.

The fact that the SBV had to inject to support liquidity combined with the volume of maturing bills has helped the interbank interest rate cool down quickly. A Bloomberg survey showed that overnight interbank interest rates are trading at 2.27%/year, down sharply from 3.32% at the end of last month. Interest rates for other terms are also around 2.6%-3.48%/year, a decrease of about 22-92 bps compared to the end of July. The SBV is focusing a lot on managing monetary policy according to exchange rate stability. Accordingly, in the coming time, it is likely that the currency operator will continue to attract more new bills.

USD/VND exchange rate on the free market declined.

With the intensity of money withdrawal continuously accompanied by the sale of USD by the SBV, thereby contributing to cooling the exchange rate. USD price on the free market in the country fell below the mark of 24,000 VND. Compared to the end of July, the USD/VND exchange rate in the free market went down by VND 430 per USD and is currently trading at 23,950 VND/USD. The central and interbank rates were traded at VND 23,160 per USD, down VND 16 per USD and VND 23,279 per USD, up VND 20 per USD.

The DXY Index returned to 106.48. The greenback rebounded as investors believe that the U.S. central bank will continue to raise interest rates aggressively as inflation remains high. Those expectations have been rising since last week, when weaker-than-expected inflation in July raised some hopes that price pressures may have passed. In addition, the US currency has also benefited from safe-haven flows while commodity-sensitive currencies such as the Australian dollar fell again after being hit by a new series of disappointing Chinese data that raised global recession fears.

Figure 1. Interbank overnight lending rate (%)



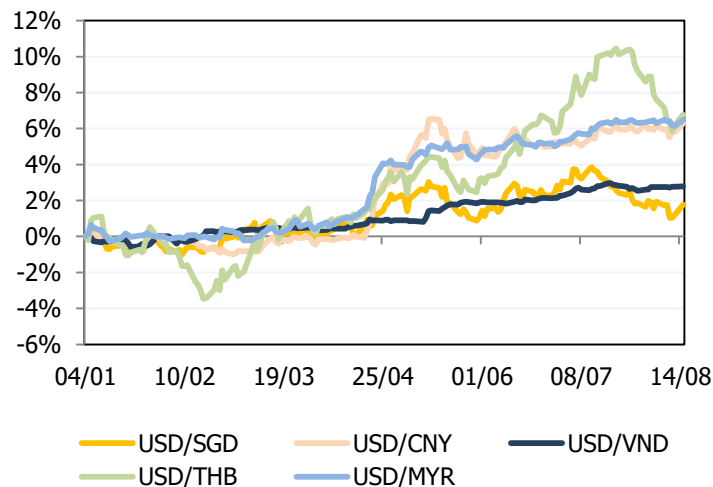
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/05	0.50	1.10	1.40	2.13
30/06	0.53	1.01	1.35	2.05
29/07	3.32	3.52	3.44	3.70
15/08	2.27	2.60	2.88	3.48

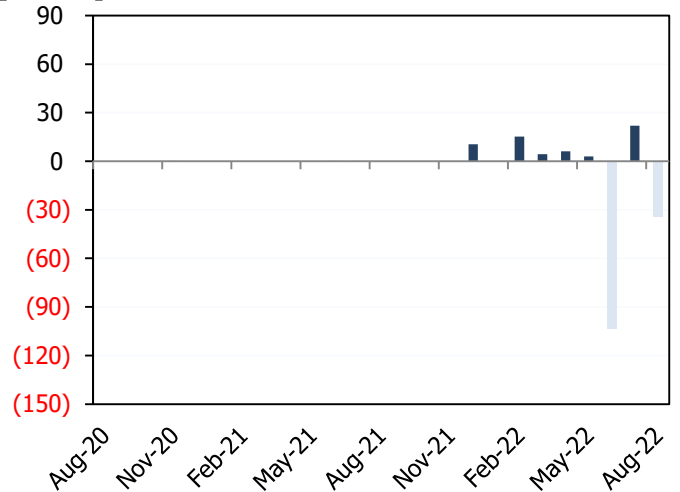
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



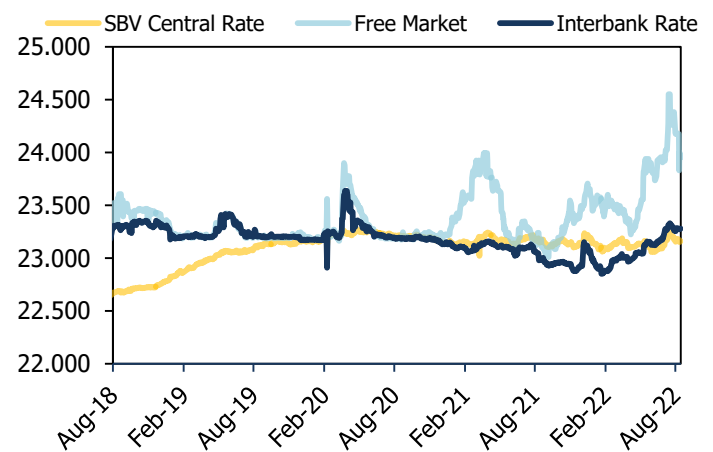
Source: Bloomberg.

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



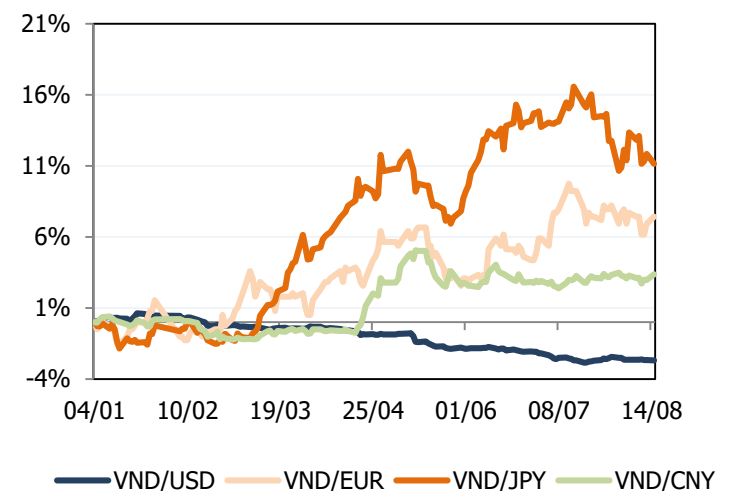
Source: SBV, MBS.

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 11,000bn of G-bonds during the period, with the winning yields increased.

In the first half of August, the situation of government bond issuance was somewhat improved compared to July, the successful issuance volume was still concentrated mainly at the two main tenors of 10Y and 15Y. In the VND 14,000bn proposed, there were only VND 11,000bn of G-bonds successfully mobilized, at the rate of 79%. Currently, STV has only issued a total of more than VND 89tn of G-bonds since the beginning of the year, reaching 22% of the year plan.

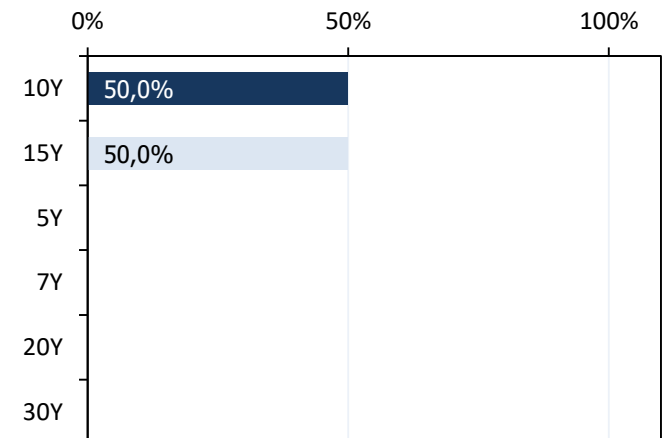
The winning yields of the bonds continued to rise compared to the end of July. The yield for 10Y and 15Y terms were 2.72%/year and 3%/year, respectively, up 14-17bps compared to the end of July. With no pressure to release to finance public investment projects, yield bond rate in the primary market adjusted quite slowly and did not meet investors' expectations, making issuance rate quite low. In order to achieve the year plan, the winning interest rate needs to be pushed higher.

Figure 7. G-bond auction result in August 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,500	0	0%	0.00%
7Y				
10Y	6,000	5,500	92%	2.67-2.72%
15Y	6,000	5,500	92%	2.94-3%
20Y				
30Y	500	0	0%	0.00%
Total	14,000	11,000	79%	Unit: VND bn

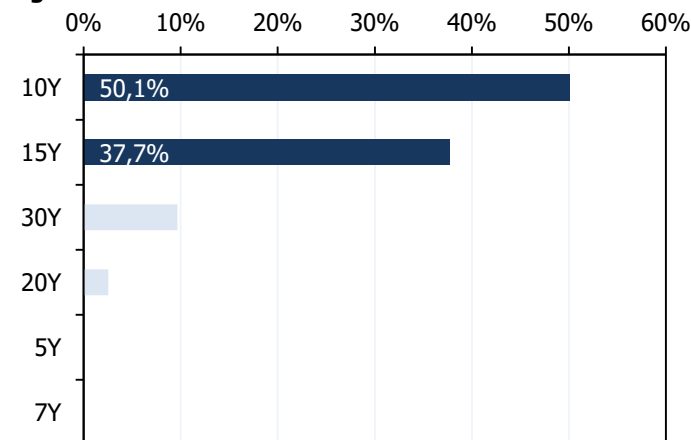
Source: HNX.

Figure 8. G-bond successful issuance August 2022



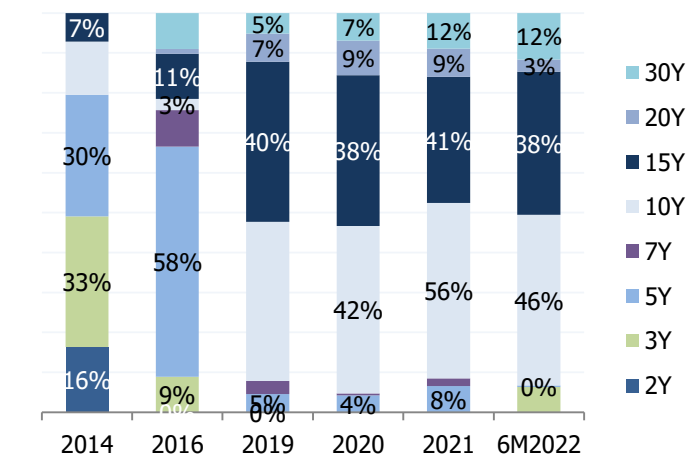
Source: HNX.

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	0	0%
7Y	15,000	0	0%
10Y	140,000	44,777	32%
15Y	150,000	33,755	23%
20Y	30,000	2,265	8%
30Y	35,000	8,625	25%
Total	400,000	89,422	22%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/08/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.79	-3.90	13,9	127.8
EU	0.90	-5.50	8,3	107.7
Japan	0.19	2.20	0,5	11.9
China	2.67	-7.90	-9,8	-11.2
South Korea	3.28	16.20	15,2	102.2
India	7.29	-1.20	-2,8	83.5
Malaysia	3.94	1.00	5,4	37.2
Singapore	2.68	5.19	1,4	95.4
Indonesia	7.08	-8.00	-4,6	69.4
Philippines	3.97	-9.78	-15,7	162.3
Thailand	2.51	-8.41	-20,1	55.1
Vietnam	3.48	-10.50	-1,6	131.5

Source: Bloomberg.

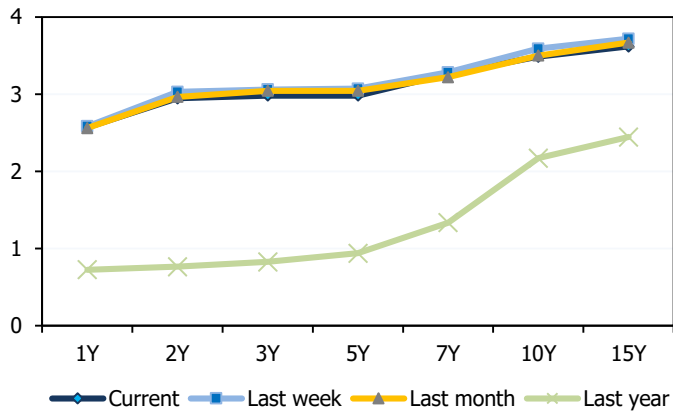
Secondary Market

The yield of secondary G-bonds went sideways in this period. Average transaction volume on the secondary G-bond market increase by 7% MoM. In the first half of August, foreign investors continued to net sell VND 512 bn of G-bonds.

In the first half of August, the 10Y yield was at 3.48%/year, up 2bps compared to the previous month whereas the 2Y yield grew to 2.95%/year, up 2bps. Since the beginning of the year, the 2Y yield has increased by 218 bps while the 10Y term yield also increased by 133bps, causing the yield curve to gradually invert.

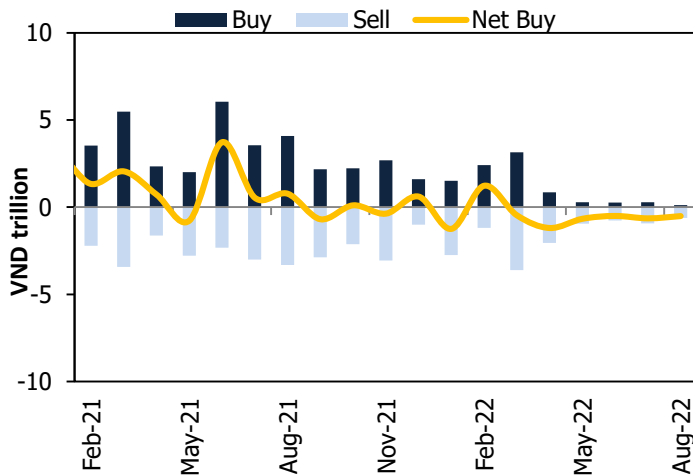
Transactions on the secondary government bond market become more active with daily average trading volume of VND 6.4tn, increase 7% compared to the previous month. Of which, outright trading accounted for 40% of the volume this period and the amount of VND 28tn. The average transaction was VND 2.5tn/day, down by 34% from the previous month's average. Average repos trading volume increased by 84% compared to July, reaching VND 3.8tn/day. Foreign investors continued to net sold VND 512bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 4,005bn of G-bonds in 2022 and net sold VND 4,362bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



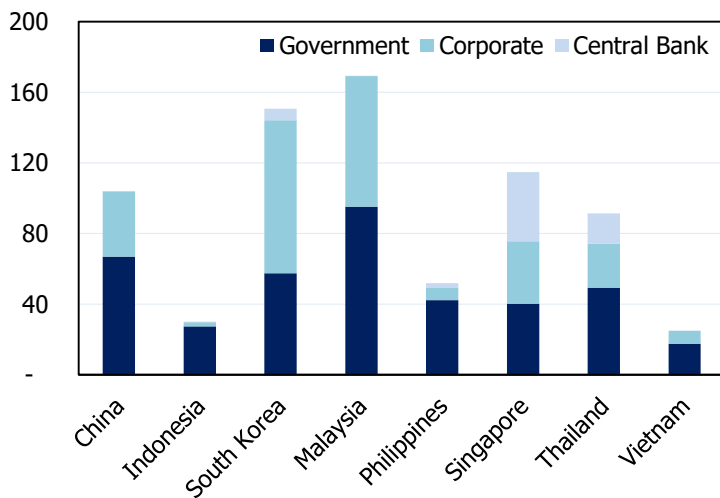
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



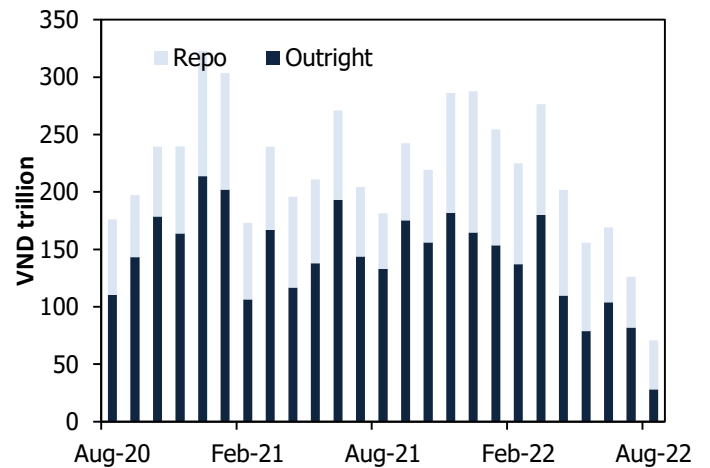
Source: HNX.

Figure 17. Size of bond markets (%GDP Q2 2022)



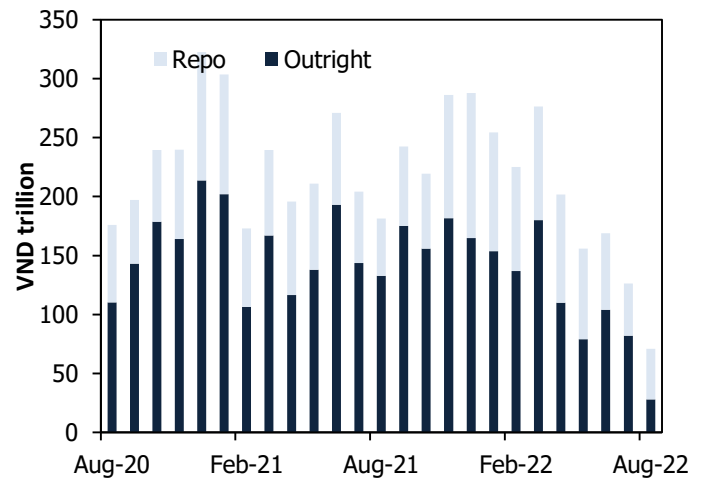
Source: ADB.

Figure 14. Outright and Repo transaction volume



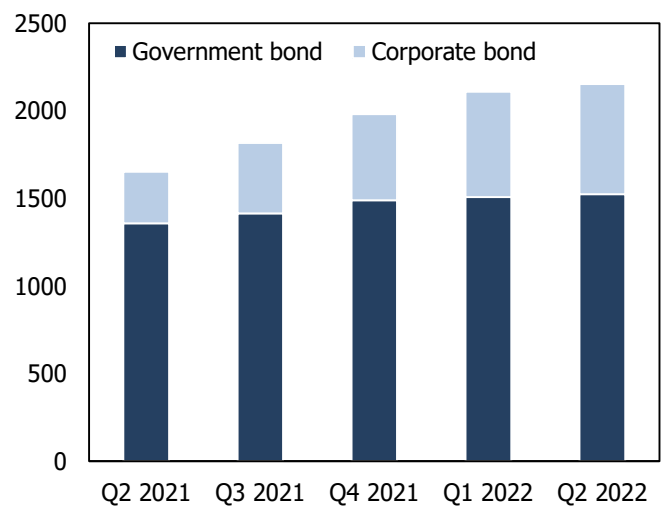
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

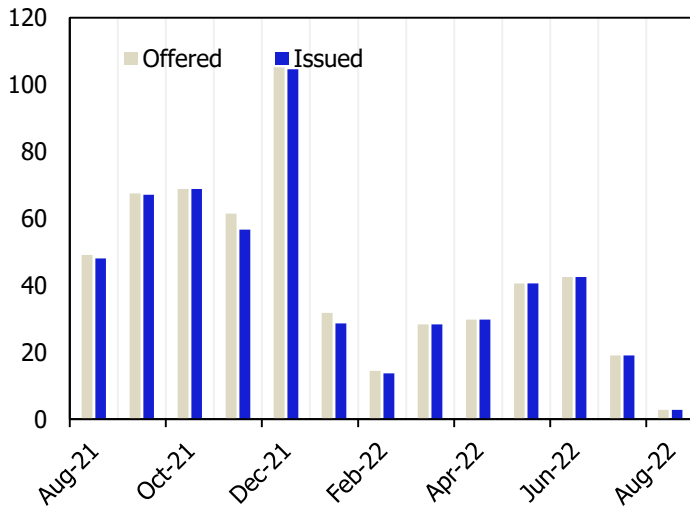


Source: ADB.

Corporate Bond Market

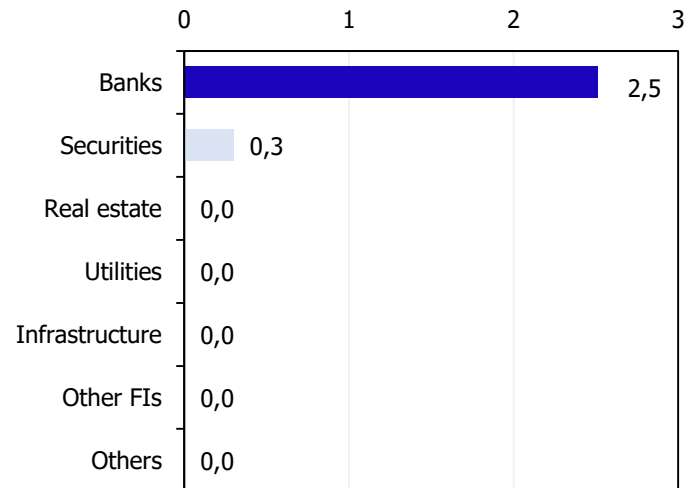
FiinPro data showed that in the first half of August, VND 2,810bn of corporate bonds were issued in the domestic market. Joint Stock Commercial Bank for Foreign Trade of Vietnam issued the largest bond volume of VND 1,500bn. Banking sector accounted for the majority of issuance in the first half of August.

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



Source: HNX. FiinPro. MBS Research.

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



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in August 2022

Tick er	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
VCB	Ngân hàng Thương mại Cổ phần Ngoại thương Việt Nam	8	1,500	N/A
	Ngân hàng Nông nghiệp và Phát triển Nông thôn Việt Nam	10	600	N/A
ACB	Ngân hàng Thương mại Cổ phần Á Châu	1	300	N/A
VDS	Công ty Cổ phần Chứng khoán Rồng Việt	1	300	N/A
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	7	60	8.6%
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8	50	N/A

Nguồn: HNX, FiinPro, MBS tổng hợp

PRODUCT

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