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The sharp drop in interbank interest rates reflects that liquidity in the system has improved. SBV net injected more than VND 2,000bn through 14-days tenor on the open market. US dollar is strengthening against some currencies in the region, putting pressure on the USD/VND exchange rate in the free market to rise sharply. STV issued VND 2,370bn of G-bonds during the period with the winning rate remaining low. The yield of secondary G-bonds increased significantly at all terms. Foreign investors continued to net sell VND 655bn of G-bonds this period.

Money Market

Interbank interest rates cooled down in the first half of May. SBV injected VND 2,000bn through the open market channel and all this money was returned to the SBV in May.

In the first half of May, SBV continued to net inject VND 2,873.89bn via the OMO channel, with a rate of 2.5%/year, tenor of 2 weeks. Total maturity from last month reached VND 6,035.03bn, bringing the amount of OMO in circulation to VND 2,873.89.84tn. Thus, the whole amount will return to SBV in May.

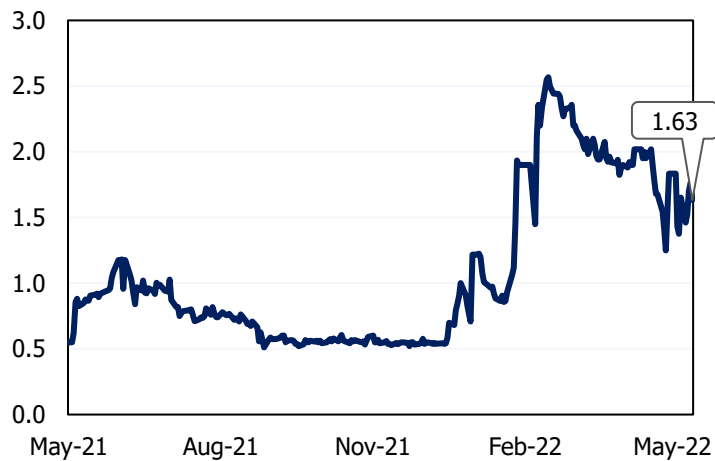
The decreasing amount of money pumped into the system indicates that the system's liquidity has improved over time. A Bloomberg survey showed that the overnight interbank rates are trading at 1.63%/year, down by 20 bps compared to the end of last month. Interest rates for other terms are also around 1.87%-2.2%/year, a decrease of about 18-30 bps compared to the end of April. In the first four months of the year, credit improved, encouraging banks to increase capital mobilization to fulfill lending demand. The number of banks upping savings interest rates has been substantially greater since the end of April. Deposit rates at many banks have inched up from 0.1 to 0.3% per year in the first days of May. Under increasingly pronounced inflationary pressures along with the demand for credit of businesses is expected to continue to increase, some commercial banks will continue to raise deposit rates in the coming months.

USD/VND exchange rate on the free market increased sharply following the general trend in the region.

In the first half of May, the value of the US dollar versus a number of regional currencies, as well as VND, tended to rise sharply. Compared to the end of April, the USD/VND exchange rate on the free market went up by VND 420 per USD and is currently trading at 23,875 VND/USD. The central and interbank rates were respectively traded at VND 23,163 per USD, up VND 23 per USD and VND 23,129 per USD, up VND 75 per USD.

The USD Index rose to a high and fluctuated at 104 in the first half of May. The index data expresses market concerns that monetary policies are expected to tighten further to curb rising inflation, which will weaken the economy and is controversial because of volatility of risky assets. This has led investors to seek safe havens and become more interested in buying USD. In the near future, the Fed still has a few more rate hikes. Therefore, USD will continue to appreciate against most other currencies, including VND, causing pressure on USD/VND exchange rate to gradually increase.

Figure 1. Interbank overnight lending rate (%)



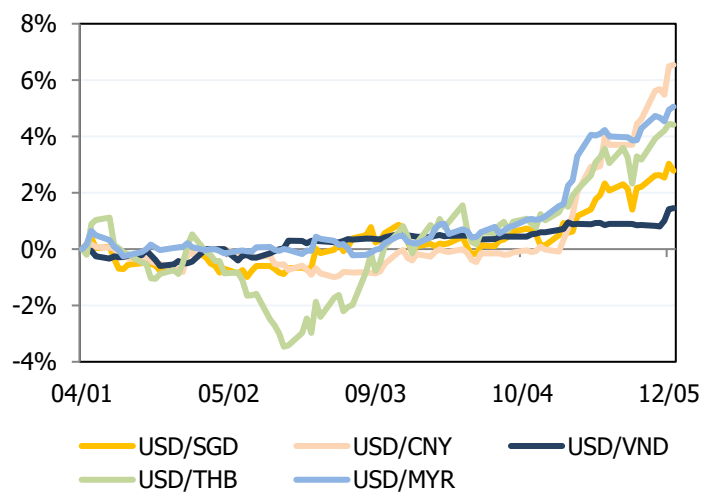
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
28/02	2.33	2.38	2.27	2.33
31/03	1.88	2.03	2.16	2.26
30/04	1.83	2.17	2.17	2.17
15/05	1.63	1.87	1.98	2.20

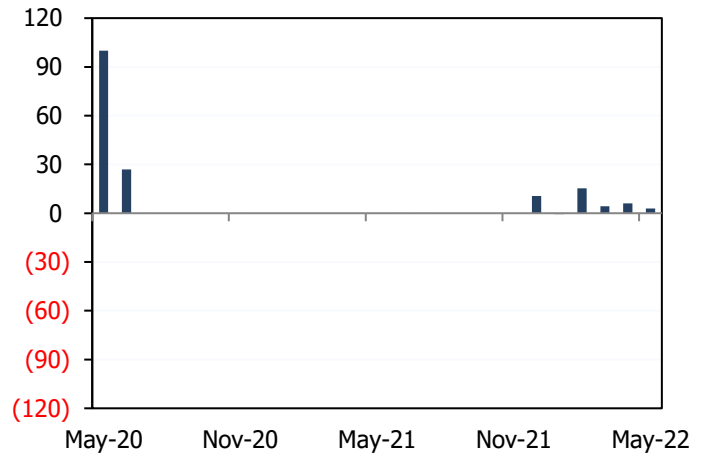
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



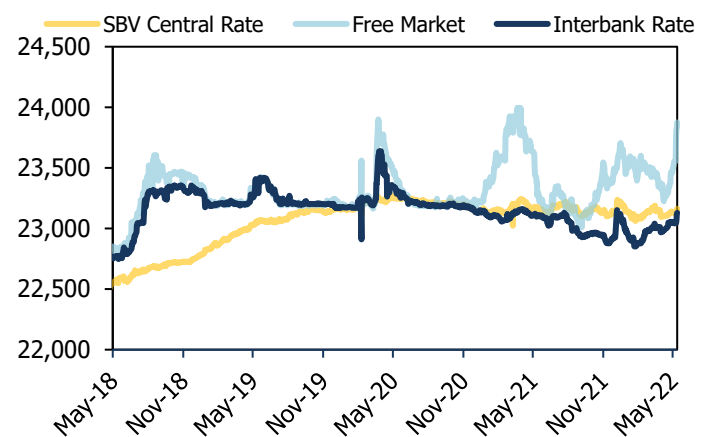
Source: Bloomberg.

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



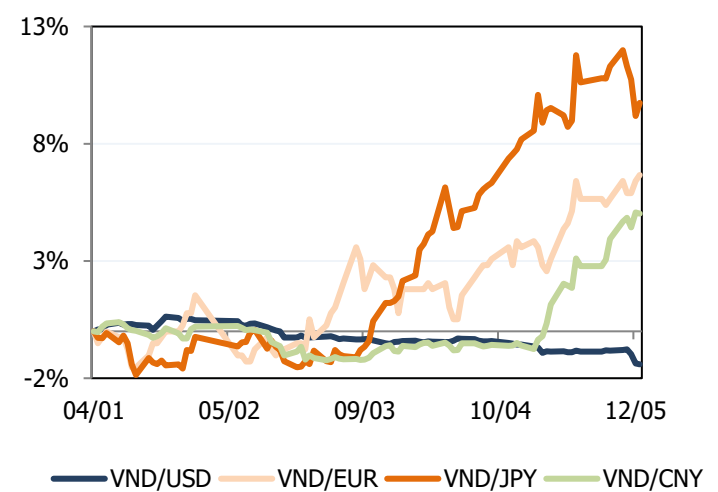
Source: SBV, MBS.

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 2.370bn of G-bonds this period with winning yield remains consistent.

In the first half of May, the STV has been more active in issuing government bonds, but the success rate is still quite low. In the VND 15,500bn proposed, there were only VND 2,370bn of G-bonds successfully mobilized, at the rate of 15%. Successful issuance rate decreased compared to the same period last month which was 19%. Vietnam Bank For Social Policies offered to sell VND 2,000bn of G-bonds with a term of 3Y in the month, there were VND 1,500bn of G-bonds successfully mobilized. 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 11% of the plan.

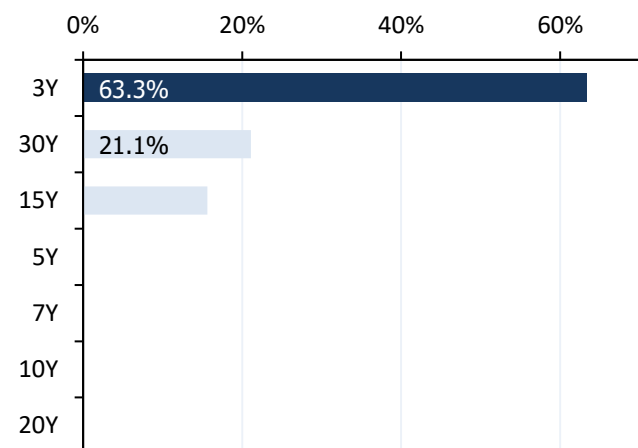
The winning yield of the bonds remains consistent compared to the previous month. The yield for 15Y remained unchanged at 2.58%/year, while the 3Y forward yield is equal to the yield in the secondary market of 2.3%. With this year issuance plan of VND 400tn, STV will need to raise yield to attract investors.

Figure 7. G-bond auction result in May 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y	2,000	1,500	75%	2.30%
5Y	1,500	0	0%	0.00%
7Y	500	0	0%	0.00%
10Y	5,500	0	0%	0.00%
15Y	5,000	370	7%	2.58%
20Y	500	0	0%	0.00%
30Y	500	500	100%	3.01%
Total	15,500	2,370	15%	Unit: VND bn

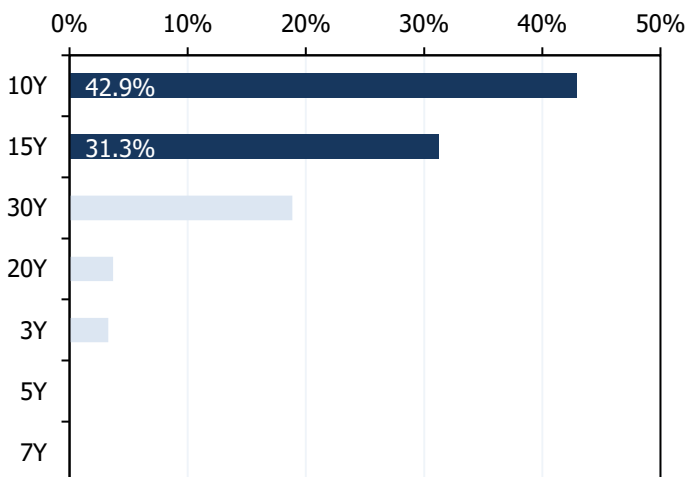
Source: HNX.

Figure 8. G-bond successful issuance May 2022



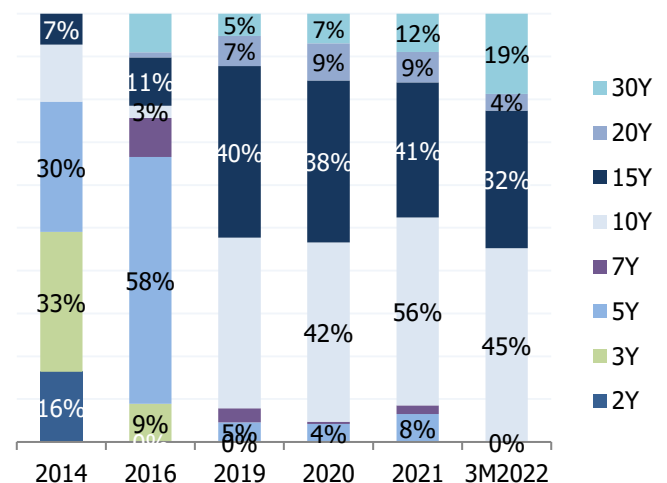
Source: HNX.

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	19,642	14%
15Y	150,000	14,320	10%
20Y	30,000	1,685	6%
30Y	35,000	8,625	25%
Total	400,000	44,272	11%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/05/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.92	-20.80	-1.5 	140.8
EU	0.95	-18.40	1.0 	112.5
Japan	0.25	0.20	1.6 	17.5
China	2.82	-1.20	-2.0 	4.0
South Korea	3.23	-19.00	-0.5 	97.5
India	7.32	-13.30	17.8 	86.4
Malaysia	4.45	6.50	6.6 	88.2
Singapore	2.80	0.33	21.6 	107.3
Indonesia	7.38	738.30	39.7 	100.1
Philippines	4.52	5.06	24.3 	217.0
Thailand	3.40	20.33	50.2 	144.1
Vietnam	3.41	23.20	30.8 	124.4

Source: Bloomberg.

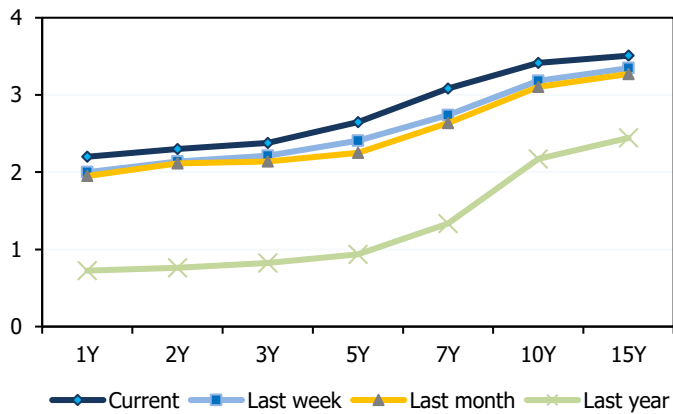
Secondary Market

G-bond yield went up in all terms. Average transaction volume on the secondary G-bond market went down by 5% MoM with the proportion of repos transactions increasing compared to previous month. Foreign investors net sold over VND 656bn of G-bonds.

In the first half of May, the 10Y yield was at 3.41%/year, up 31bps compared to the previous month whereas the 2Y yield grew to 2.3%/year, up 19bps. Since the beginning of the year, the 2Y yield has increased by 154 bps while the 10Y term yield also increased by 124bps.

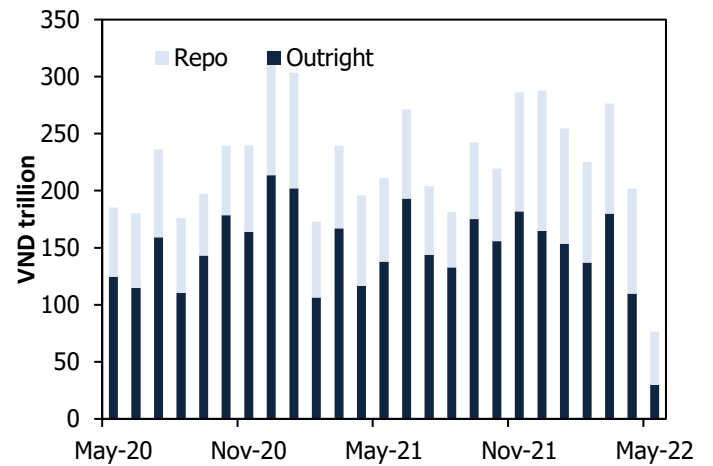
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 9.5tn, down by 5% from April's average. Of which, outright trading accounted for 39% of the volume this period and VND 29.7tn. The average transaction was VND 3.7tn/day, down by 32% from the previous month's average. Average repos trading volume increased by 27% compared to April, reaching VND 5.8tn/day. Foreign investors continued to net sold VND 656bn of G-bonds in this period and the total trading volume was also quite low, down about 57% compared to the same period last month. Overall, foreign investors net sold a total of VND 2,336bn of G-bonds in 2022 and net purchased VND 2,330bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



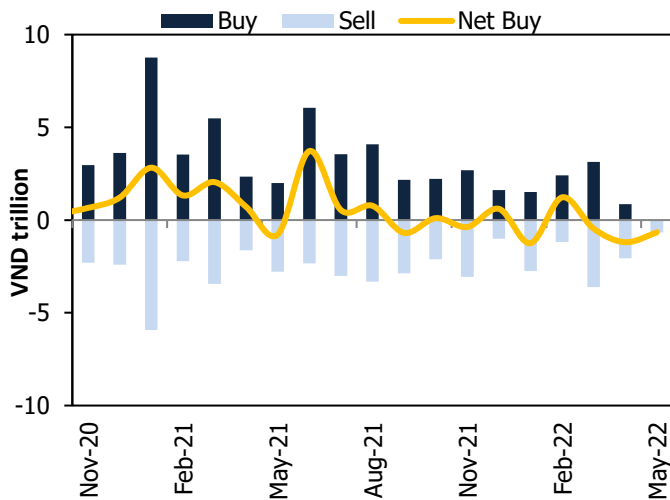
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



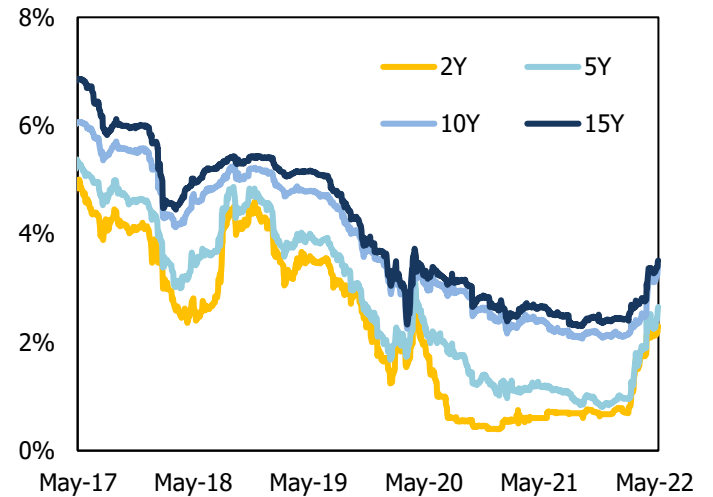
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



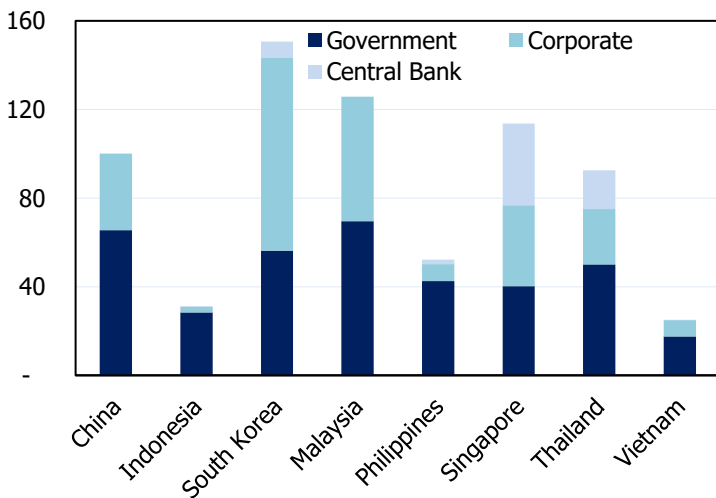
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



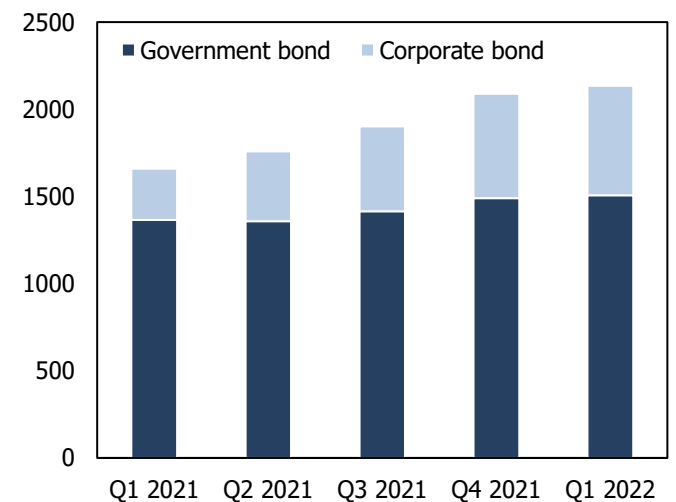
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

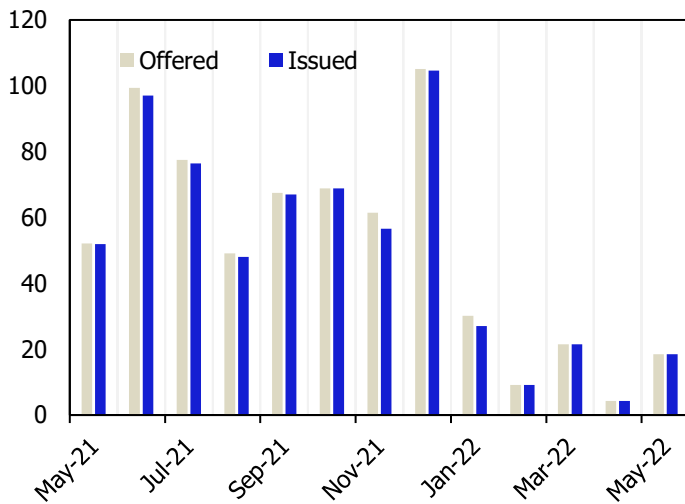


Source: ADB.

Corporate Bond Market

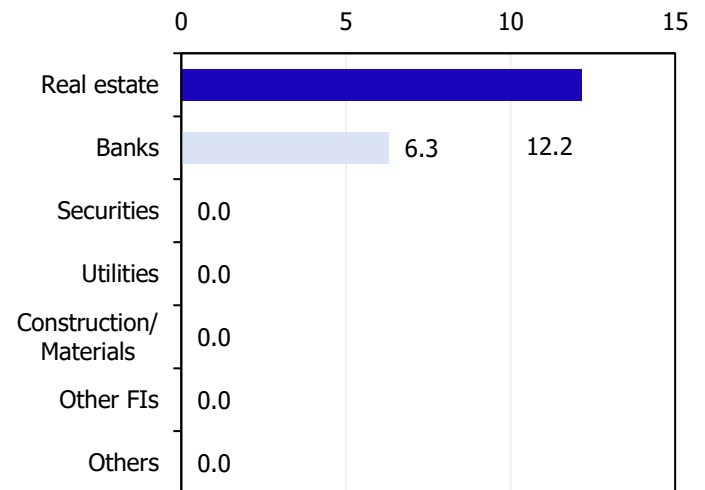
FiinPro data showed that in the first half of May, VND 6,300bn of corporate bonds were issued in the domestic market and USD 525mn of international convertible bonds was issued to the international market of Vingroup Joint Stock Company. Orient Commercial Joint Stock Bank issued the largest bond volume of VND 2,600bn. Banking sector accounted for the majority of issuance in the first half of May.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in May 2022

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
VIC	Tập đoàn Vingroup - Công ty Cổ phần	5	12,150.08 (USD 525mn)	N/A
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	2,600	N/A
	Ngân hàng TNHH MTV Shinhan Việt Nam	2	1,800	N/A
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	8-15	1,350	6.43%-6.73%
SSB	Ngân hàng Thương mại Cổ phần Đông Nam Á	3	500	N/A
MBB	Ngân hàng Thương mại Cổ phần Quân đội	5	50	N/A

Source: HNX, FiinPro, MBS Research.

PRODUCT

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