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Interbank interest rates rose sharply in overnight terms as liquidity in the system was dwindling. 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 maintained its upward momentum in this period. STV issued VND 3,085bn of G-bonds during the period with the winning rate remaining low. The yield of secondary G-bonds went sideways compared to the previous month. Foreign investors net sold VND 448bn of G-bonds during the period.

Money Market

SBV made a withdrawal of more than VND 120tn through the central bank bill channel and also injected back VND 2,000bn through the channel with a term of 14 days. At the same time, overnight interbank interest rates also increased compared to the end of June.

In the second half of July, the SBV continued to use the issuing central bank bills channel to attract money on the open market. SBV has issued more than VND 220tn of 7-28 day bills with interest rates of 0.65%-1.5%, while there were nearly VND 150tn of bills matured in this period, bringing the amount bills in circulation to VND 177,228.6bn. Meanwhile, the net injection volume was also declining with amount of nearly VND 2,000bn, a rate of 2.5%/year, tenor of 2 weeks.

By June 30th, 2022, the SBV said credit increased by 9.35% compared to the end of 2021, much higher than 6.47% in the same period last year. Credit balance reached over VND 11,4tn recently. With encourage signs of credit growth, the 14% annual target is achievable. Credit accelerated sharply at the beginning of the year, liquidity was moderate, even some banks had local shortages that caused overnight interbank interest rates to rise again in the last two weeks. A Bloomberg survey showed that the overnight interbank rates are trading at 0.7%/year, up by 18 bps compared to the end of last month. Interest rates for other terms are also around 1%-1.85%/year, a decrease of about 1-20 bps compared to the end of June. We expect interbank interest rates to gradually increase in the context of a stronger recovery of the economy and the SBV continues to bid for bills to attract more VND.

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 forecast that the Fed will continuously raise interest rates with an increase of 0.75%-1%. Compared to the end of June, the USD/VND exchange rate in the free market went up by VND 625 per USD and is currently trading at 24,550 VND/USD. The central and interbank rates were traded at VND 23,225 per USD, up VND 115 per USD and VND 23,313 per USD, up VND 117 per USD.

The DXY Index surged to 108.67, setting a new two-decade high. US inflation in June recorded at 9.1% and the Bank of Canada's interest rate hike by 100 basis points on the same day made the market place great expectations on the Fed's tightening policy faster than expected. Besides, the upward momentum was also reinforced after data showed that US retail sales increased more than expected in June. This stimulated the flow of global speculative money back to the US. Therefore, USD continues to have the motivation to increase, leading to an increase in USD/VND exchange rate.

Figure 1. Interbank overnight lending rate (%)



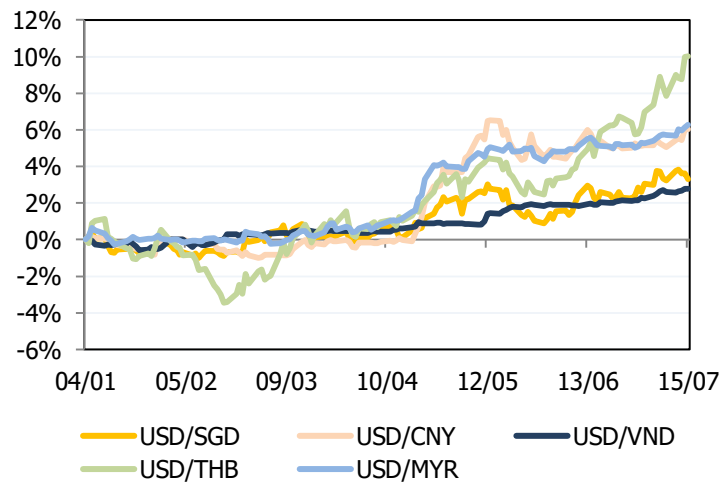
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/04	1.83	2.17	2.17	2.17
31/05	0.50	1.10	1.40	2.13
30/06	0.53	1.01	1.35	2.05
15/07	0.70	1.00	1.40	1.85

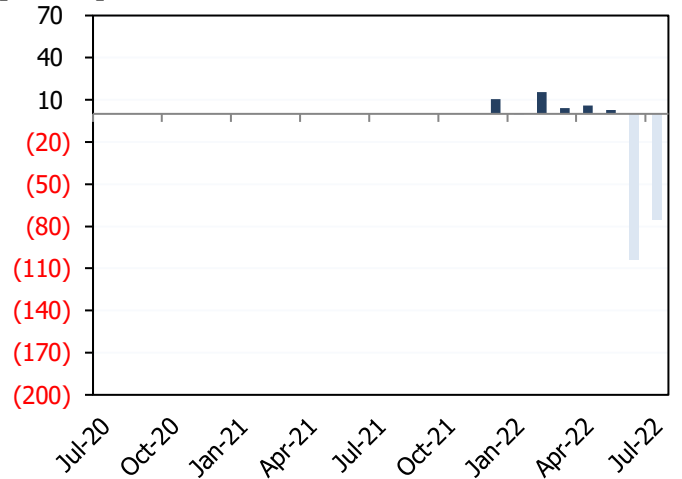
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



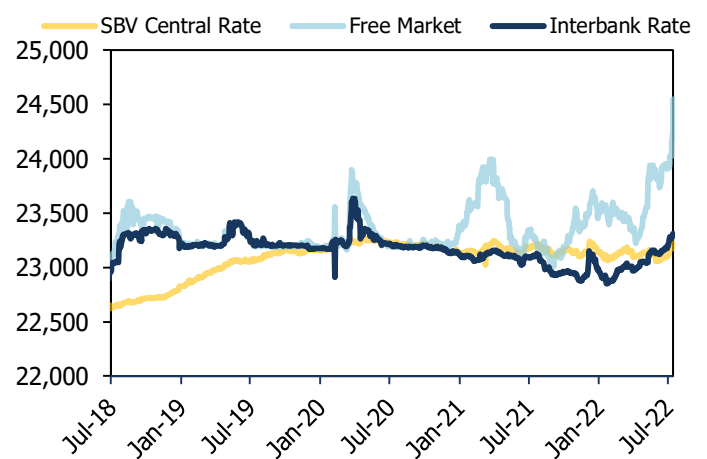
Source: Bloomberg.

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



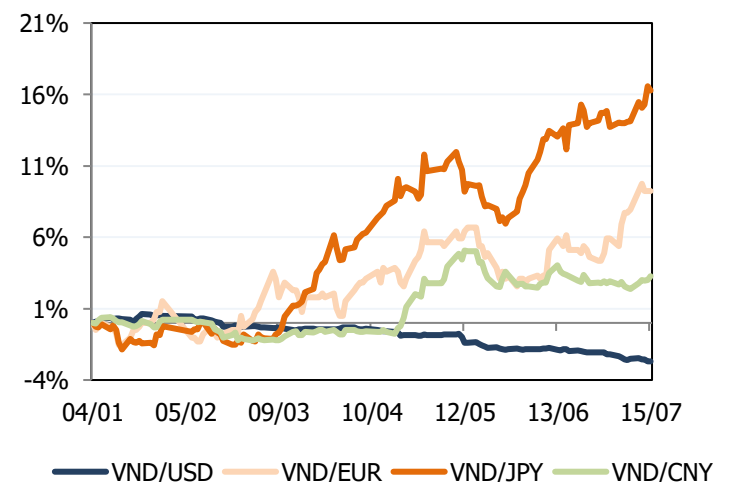
Source: SBV, MBS.

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 3,000bn of G-bonds during the period, with the winning yields slightly increased.

In the first half of July, STV only successfully issued G-bonds with tenor of 10Y. In the VND 13,500bn proposed, there were only VND 3,085bn of G-bonds successfully mobilized, at the rate of 23%. Currently, STV has only issued a total of VND 72,172bn of G-bonds since the beginning of the year, reaching 18% of the year plan. In addition, since the beginning of the year Vietnam Bank for Social Policies (VBSP) has managed to raise VND 5tn, divided between 3Y and 5Y tenors.

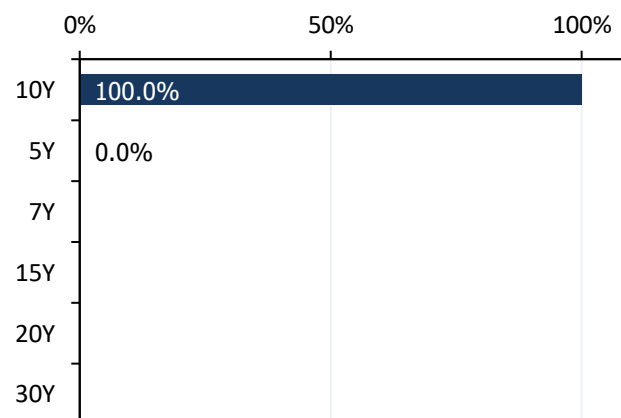
STV has announced the plan to issue G-bonds for Q3, however, STV has reduced the proportion in the issuance plan to VND 85tn compared to VND 120tn in the second quarter. In which, 10Y and 15Y tenors still accounted for the largest proportion with the issuance volume of VND 30tn and VND 35tn, respectively. The winning yields of the bonds increased slightly in the 10Y tenor. The 10Y tenors were 2.53%/year, which increased by about 5 bps compared to the winning yields at the end of July.

Figure 7. G-bond auction result in July 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,500	0	0%	0.00%
7Y				
10Y	5,000	3,085	62%	2.51%- 2.53%
15Y	5,000	0	0%	0.00%
20Y	500	0	0%	0.00%
30Y	500	0	0%	0.00%
Total	13,500	3,085	23%	Unit: VND bn

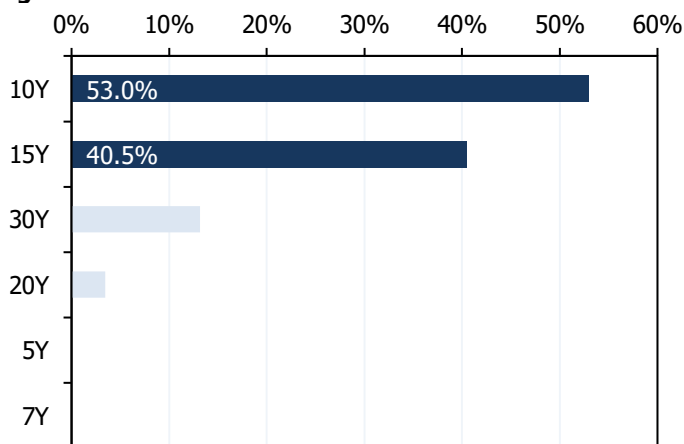
Source: HNX.

Figure 8. G-bond successful issuance July 2022



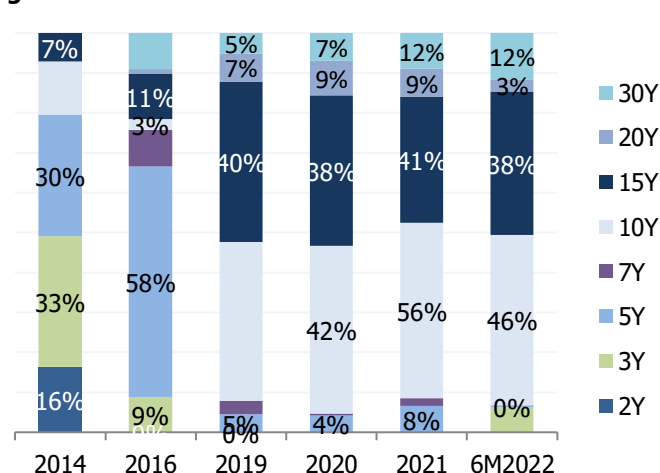
Source: HNX.

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	34,727	25%
15Y	150,000	26,555	18%
20Y	30,000	2,265	8%
30Y	35,000	8,625	25%
Total	400,000	72,172	18%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries **As at 15/07/2022**

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2021*
			Last month		
U.S.	2.92	-17.18	-9.8		140.5
EU	1.13	-29.50	-20.3		131.0
Japan	0.24	0.10	0.6		16.6
China	2.79	-4.20	-2.9		0.8
South Korea	3.22	-50.30	-39.9		96.7
India	7.44	1.90	-1.1		98.4
Malaysia	4.06	-13.60	-24.2		49.8
Singapore	2.82	-20.73	-17.6		110.1
Indonesia	7.39	-2.40	16.7		100.5
Philippines	4.70	12.87	8.4		235.6
Thailand	2.73	-28.55	-29.4		77.5
Vietnam	3.27	-15.08	2.8		109.9

Source: Bloomberg.

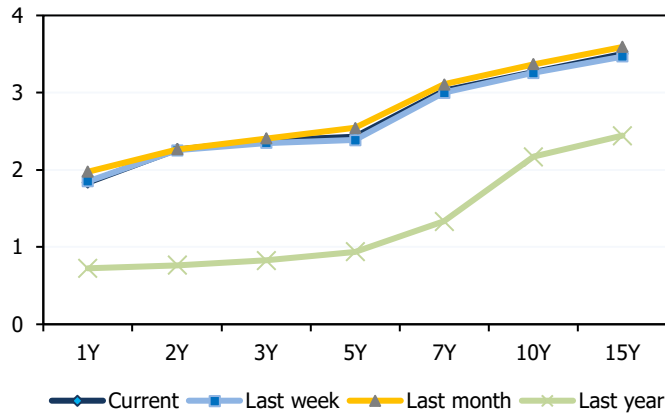
Secondary Market

The yield of secondary G-bonds went sideways in this period. Average transaction volume on the secondary G-bond market declined by 24% MoM. In the first half of July, foreign investors continued to net sell VND 448 bn of G-bonds.

In the first half of July, the 10Y yield was at 3.27%/year, while the 2Y yield increased by 11 bps, to 2.27%/year. G-bond yields of many nations across the globe have strongly fluctuated during this time, while the yields in Vietnam remaining stable.

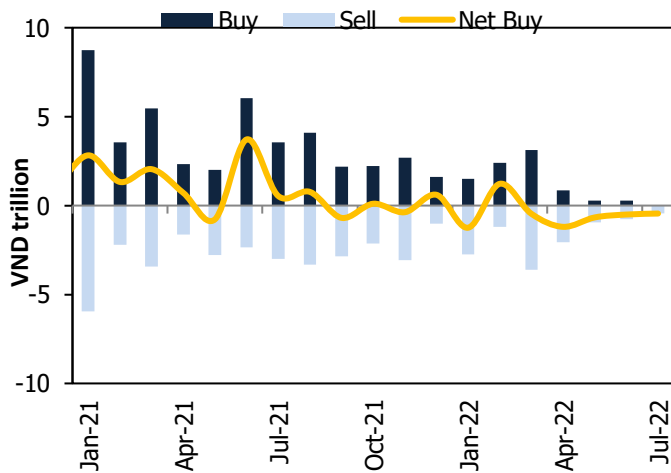
Transactions on the secondary government bond market less positive with daily average trading volume of VND 5.8tn, declined 24% compared to the previous month. Of which, outright trading accounted for 60% of the volume this period and VND 38.6tn. The average transaction was VND 5.8tn/day, down by 26% from the previous month's average. Average repos trading volume decreased by 21% compared to June, reaching VND 2.3tn/day. Foreign investors continued to net sold VND 448bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 3,298bn of G-bonds in 2022 and net sold VND 2,886bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



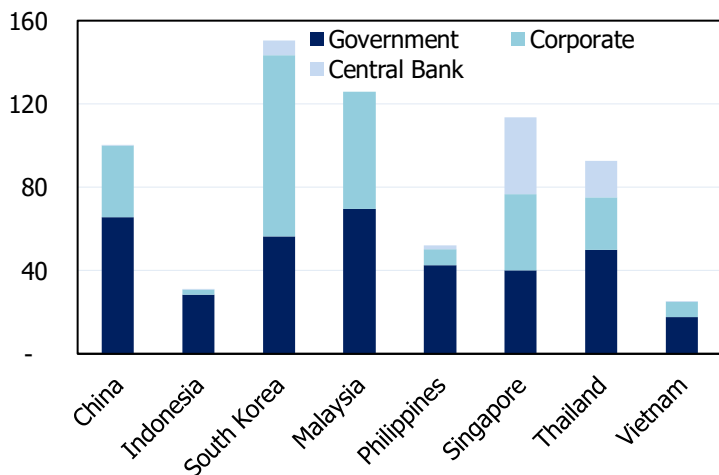
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



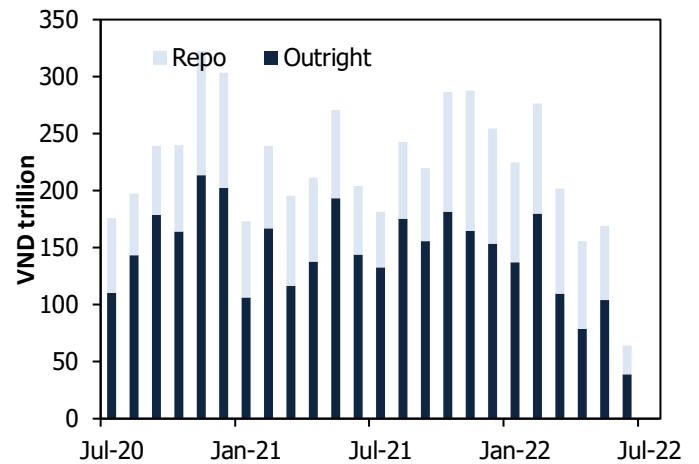
Source: HNX.

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



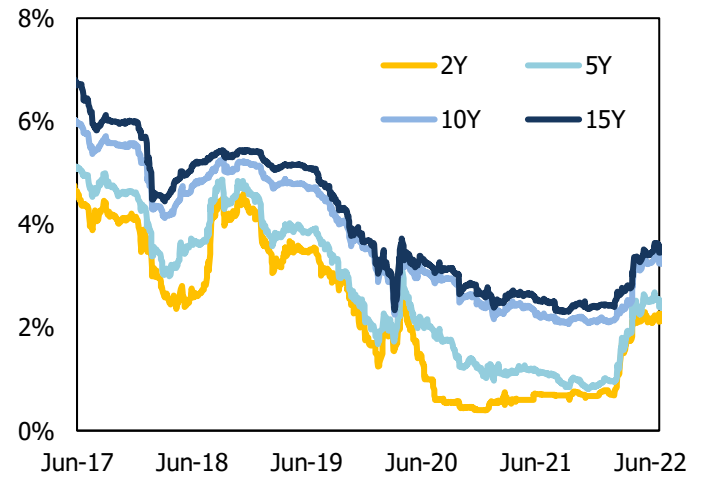
Source: ADB.

Figure 14. Outright and Repo transaction volume



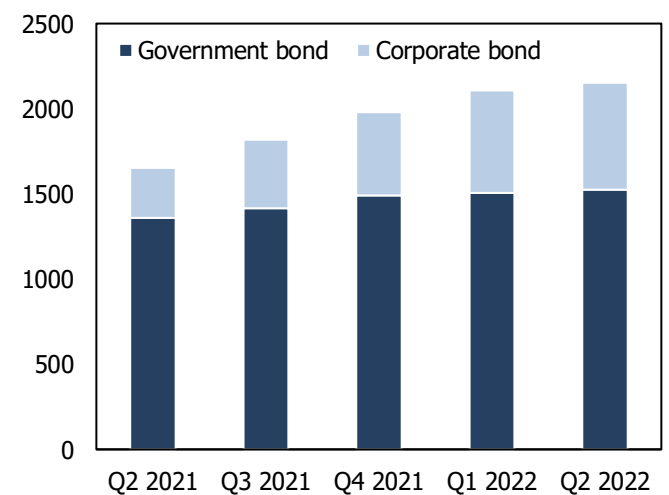
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

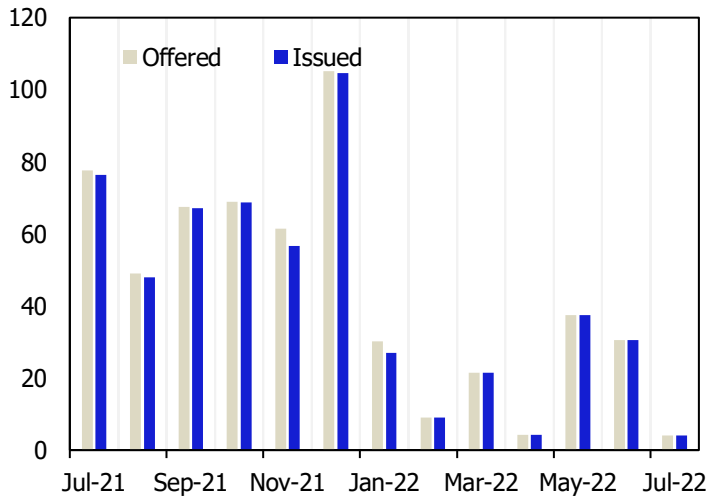


Source: ADB.

Corporate Bond Market

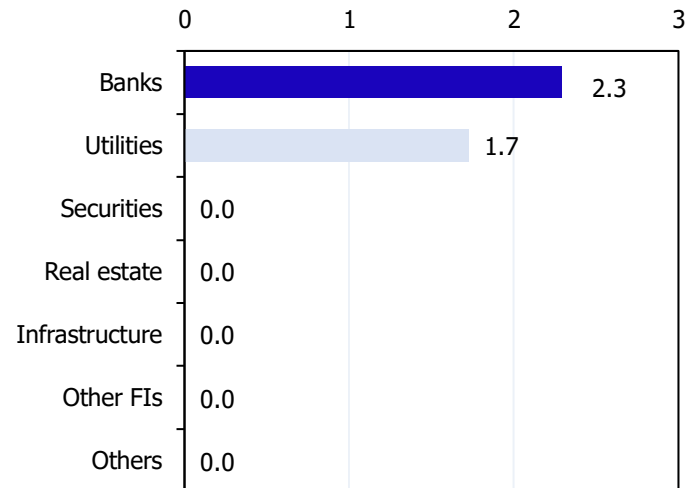
FiinPro data showed that in the first half of July, VND 4,020bn of corporate bonds were issued in the domestic market. EVN Finance Joint Stock Company issued the largest bond volume of VND 1,725bn. Banking sector accounted for the majority of issuance in the first half of July.

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



Source: HNX. FiinPro. MBS Research.

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



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in July 2022

Tick er	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
EVF	Công ty Tài chính Cổ phần Điện Lực	10	1,725	N/A
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	8	1,000	6.48%
TCB	Ngân hàng Thương mại Cổ phần Kỹ thương Việt Nam	3	1,000	N/A
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8	195	N/A
VCB	Ngân hàng Thương mại Cổ phần Ngoại thương Việt Nam	15	100	6.8%

Nguồn: HNX, FiinPro, MBS tổng hợp

PRODUCT

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