

Tuan Hoang

Chief Economist

Tuan.hoangcong@mbs.com.vn

Anh Le

Research Analyst

Anh.LeMinh@mbs.com.vn

Liquidity demand ahead of the holiday increased sharply and the SBV continued to attract large amounts of money, causing interbank interest rates to be pushed up at all tenors in the last week of August. The USD/VND exchange rate in the free market cooled down after the stressful period in July. STV issued VND 26,160bn of G-bonds during the month. Secondary G-bonds yields increased slightly compared to the previous month. Foreign investors net sold VND 565bn of G-bonds in July.

Money Market

Interbank interest rates remained high in August due to increased liquidity demand. The SBV net injected VND 26tn through the open market to support liquidity.

In the second half of August, liquidity in the system was under pressure due to seasonality, and at the same time, SBV withdrew VND 120tn through the T-bills channel with a term of 7-28 days, the yield of bills fluctuated from 0.9%-2.4%/years. To support the high liquidity demand, the SBV also injected back into the system VND 26tn by interest rate auction, 7-14 days term with a competitive interest rate from 3.5%- 4.5% years.

The consequence of the SBV's net withdrawal and the increased demand for liquidity before the holiday is to push up the interbank interest rate level sharply. A Bloomberg survey showed that the overnight interbank rates are trading at 3.67%/year, up by 35 bps compared to the end of last month. Interest rates for other terms are also around 3.77%-4.33%/year, an increase of about 25-63 bps compared to the end of July. There is about 4% left to fulfill the credit growth target until the end of the year. The SBV has already extended the credit ceiling for banks to facilitate capital support for businesses, especially for banks that have used up the loan limit but still have the ability to continue lending. We forecast that interbank interest rates will remain high in the near future.

The USD/VND exchange rate on the free market cools down.

With the great intensity of money withdrawal, it has contributed to cooling down the exchange rate. USD price on the free market in the country fell to 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 320 per USD and is currently trading at 24,060 VND/USD. The central and interbank rates were traded at VND 23,219 per USD, up VND 43 per USD and VND 23,335 per USD, up VND 76 per USD. In the last few weeks, the USD has always been on an uptrend with regional currencies.

Last August, the DXY Index rose to 109.93, the dollar was around a 20-year high from the end of last week. Data from the Institute for Supply Management (ISM) showed US manufacturing also posted steady growth in August as new jobs and orders rebounded, while further downward price pressures bolstered expectations that inflation was likely to peak. The important data last week showed a positive job growth rate and the "hawkish" rhetoric of Fed Chairman Jerome Powell earlier partly reinforced the expectation that the Fed will continue to raise interest rates strongly.

Figure 1. Interbank overnight lending rate (%)



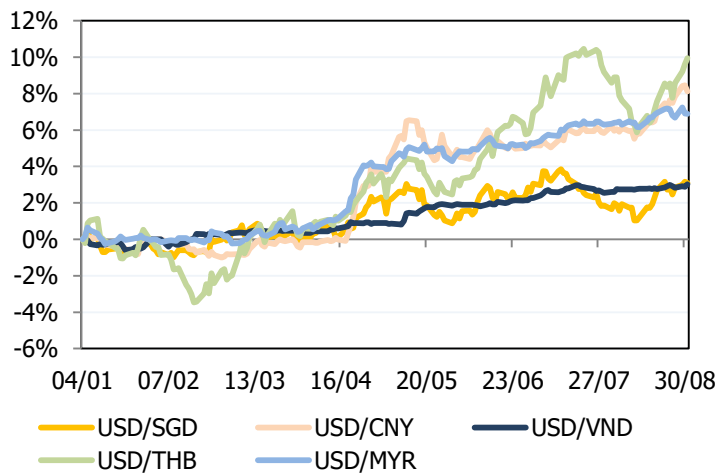
Source: Bloomberg.

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
31/08	3,67	3,77	3,83	4,33

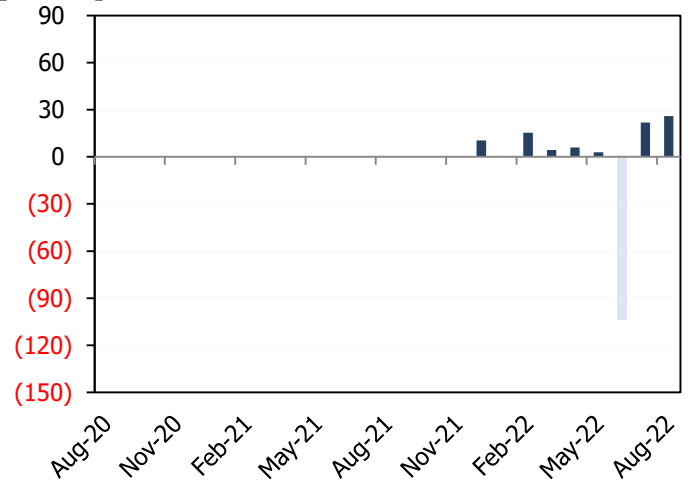
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



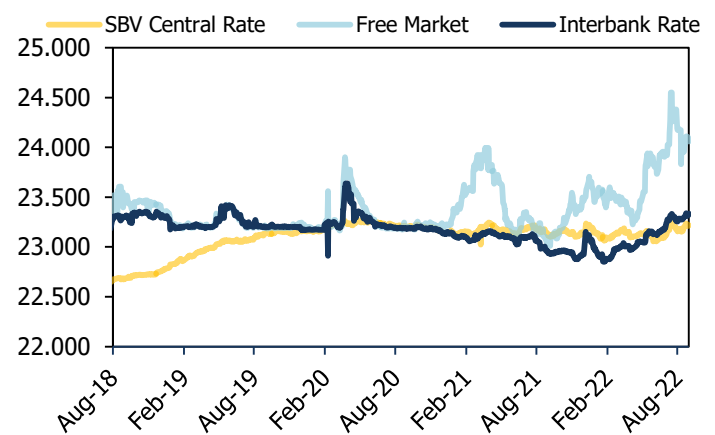
Source: Bloomberg.

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



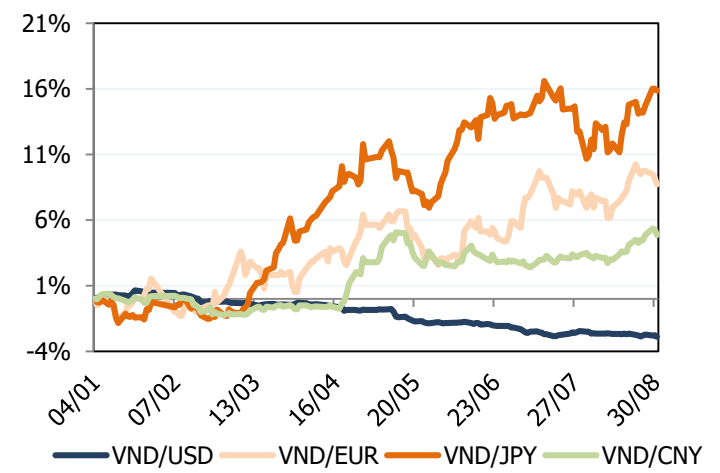
Source: SBV, MBS.

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 26,160bn of G-bonds this month with the winning yield inching up compared to the previous month.

In August, the G-bond issuance situation improved compared to July, the successful issuance volume was much higher than the previous month with VND 9,335bn and still mainly concentrated in two main tenors 10N and 15N. In the VND 32,500bn proposed, there were VND 26,160bn of G-bonds successfully mobilized, at the rate of 80%. Up to now, STV has only issued more than VND 104tn of G-bonds, currently only reaching a quarter of the 2022 plan of VND 400tn.

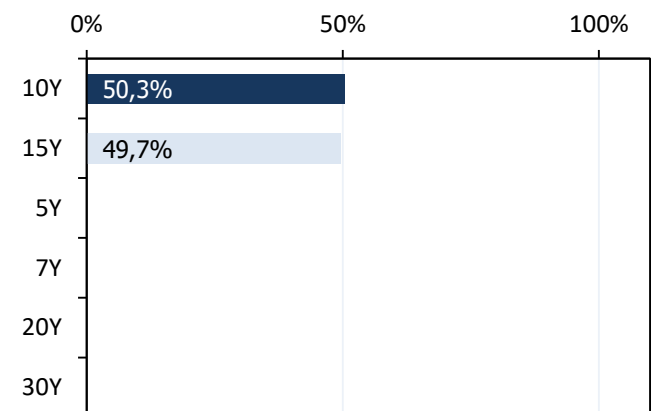
The winning yield of the bonds rose strongly compared to the end of July. The yield for 10Y and 15Y terms were 2.85%/year and 3.15%/year, respectively, up 27-32bps compared to the end of July. As we forecasted, G-bond yields have risen sharply to boost STV's plan to raise capital through the bond channel. Yields are expected to rise again in the near term to attract more investment amid slow disbursement of public investment, as estimated by the end of August, the disbursement plan only reached 39.15% of the annual plan.

Figure 7. G-bond auction result in August 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1.000	0	0%	0,00%
7Y	1.000	0	0%	0,00%
10Y	15.000	13.160	88%	2,67%-2,85%
15Y	15.000	13.000	87%	2,94%-3,15%
20Y				
30Y	500	0	0%	0,00%
Total	32.500	26.160	80%	Unit: VND bn

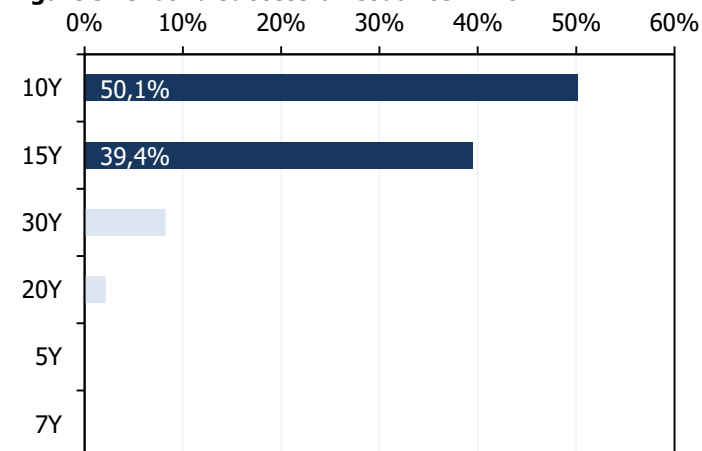
Source: HNX.

Figure 8. G-bond successful issuance August 2022



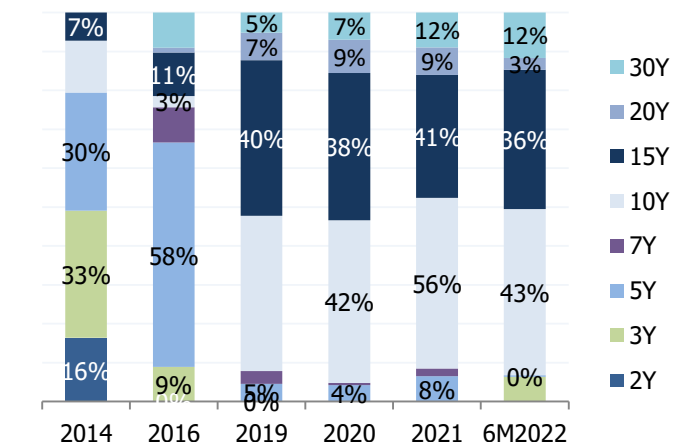
Source: HNX.

Figure 9. G-bond successful issuance in 2022



Source: HNX.

Figure 10. G-bond successful issuance over the years



Source: HNX.

Figure 11. Government bond issuance 2022 (bn VND)

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	52.437	37%
15Y	150,000	41.255	28%
20Y	30,000	2.265	8%
30Y	35,000	8.625	25%
Total	400,000	104.582	26%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 31/08/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	3,19	8,87	54,4	168,3
EU	1,54	17,10	72,4	171,8
Japan	0,23	-0,20	4,1	15,5
China	2,64	0,60	-12,1	-13,5
South Korea	3,71	27,20	58,7	145,7
India	7,19	-9,70	-12,7	73,6
Malaysia	3,97	-0,70	8,8	40,6
Singapore	2,99	13,07	32,6	126,6
Indonesia	7,13	8,20	0,6	74,6
Philippines	4,32	9,76	19,6	197,5
Thailand	2,64	2,37	-7,2	68,1
Vietnam	3,55	1,25	4,5	137,6

Source: Bloomberg.

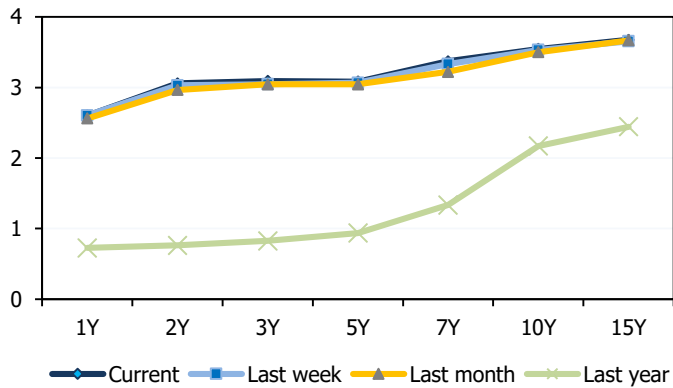
Secondary Market

G-bond yield increased slightly during the month. Average transaction volume on the secondary G-bond market went down by 21% MoM with the proportion of outright transactions decreasing gradually. Foreign investors net sold VND 565bn of G-bonds this month.

At the end of August, the 10Y yield was at 3.55%/year, whereas the 2Y yield was at 3.06%/year, up 14bps. Since the beginning of the year, the 2Y yield has increased by 230 bps while the 10Y term yield has decreased by 138 bps. G-bond yields in many countries around the world have fluctuated in contrast to Vietnam in recent times.

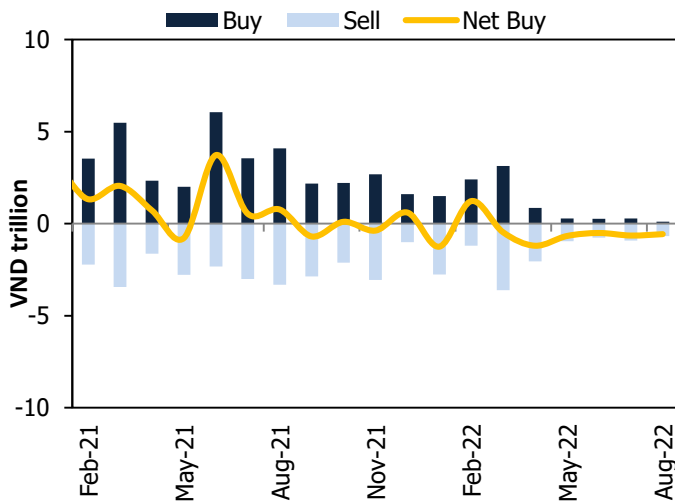
Transactions on the secondary government bond market remained unchanged compared to the previous month with daily average volumes of VND 6tn, up 2%. Of which, outright trading accounted for 38% of the volume this period and VND 54.2tn. Average transaction was VND 2.3tn/day, down by 39% from the previous month's average. Average repos trading volume decreased by 62% compared to July, reaching VND 3.8tn/day. In August, foreign investors net sold G-bonds with an amount of VND 565bn. Overall, foreign investors have sold VND 4,058bn in 2022 and VND 4,415bn in the past 12 months.

Figure 13. Vietnam T-bond Yield (%)



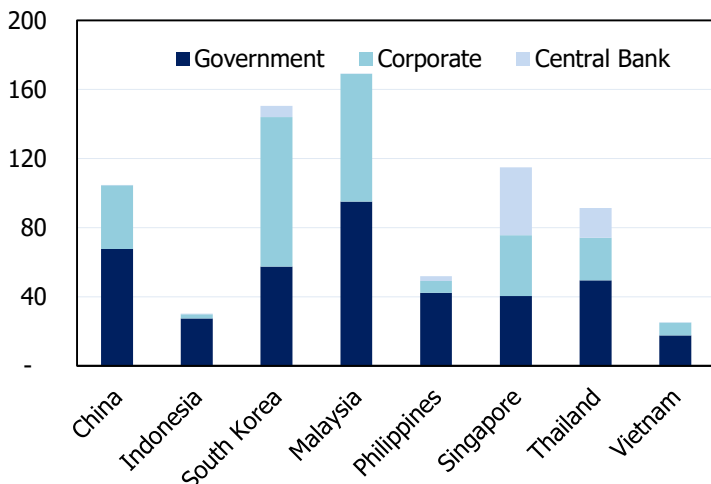
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



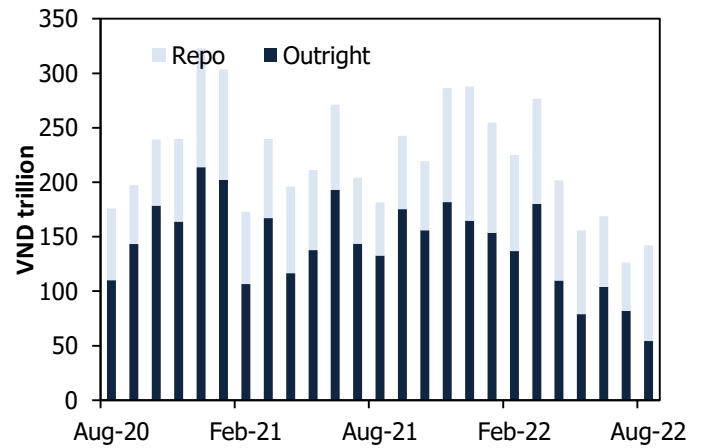
Source: HNX.

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



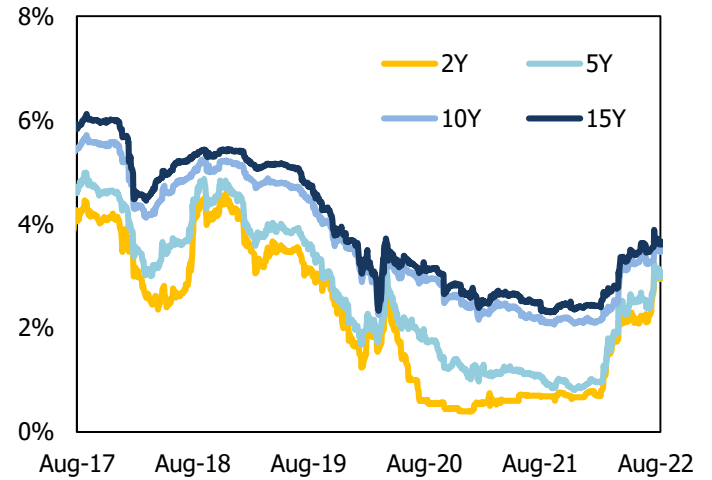
Source: ADB.

Figure 14. Outright and Repo transaction volume



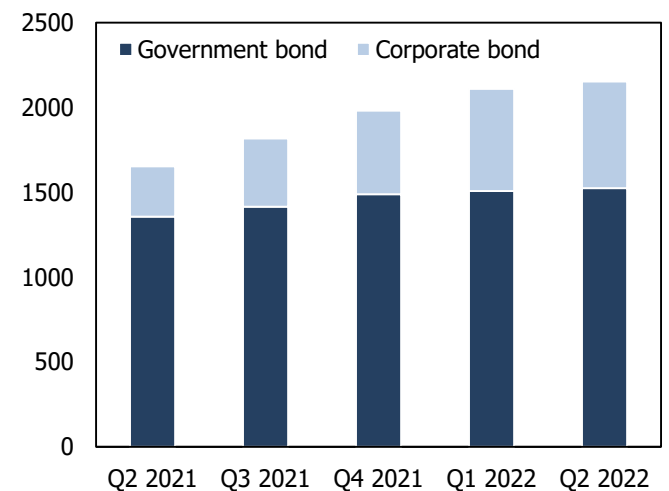
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

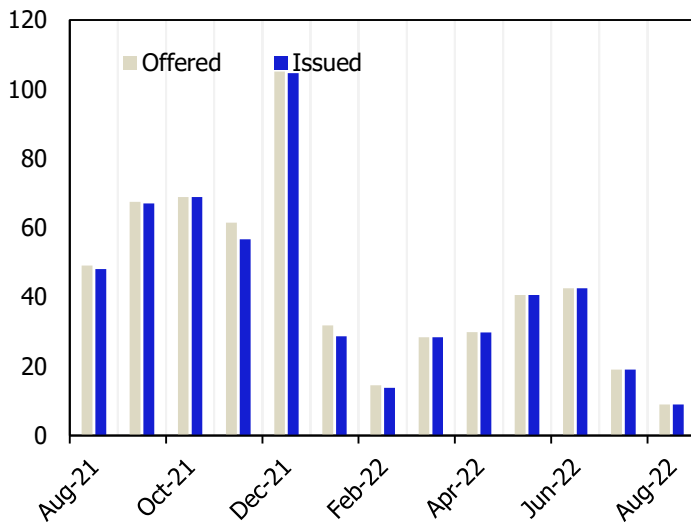


Source: ADB.

Corporate Bond Market

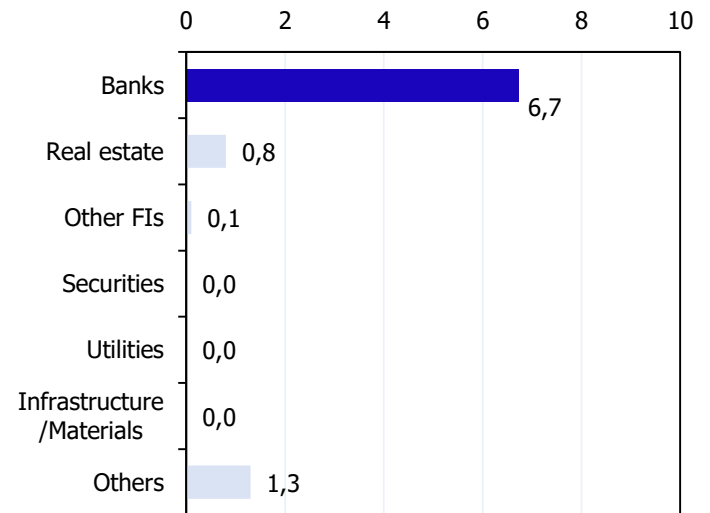
FiinPro data showed that in August, VND 8,940bn of corporate bonds were issued in the domestic market. Of which, Joint Stock Commercial Bank for Foreign Trade of Vietnam of Vietnam issued the most significant bond volume of VND 1,600bn. The banks sector is the top issuer, accounting for the most monthly volume of VND 6,740VND, reaching nearly 75% of the issuance volume in the month.

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

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
VCB	Ngân hàng Thương mại Cổ phần Ngoại thương Việt Nam	8-10	1.600	N/A
STB	Ngân hàng Thương mại Cổ phần Sài Gòn Thương Tín	3	1.300	N/A
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	3	1.000	N/A
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	1.000	N/A
	Công ty Cổ phần Fuji Nutri Food	1	1.000	N/A
KDH	Công ty Cổ phần Đầu tư và Kinh doanh nhà Khang Điền	3	800	N/A
	Ngân hàng Nông nghiệp và Phát triển Nông thôn Việt Nam	10	600	N/A
MBB	Ngân hàng Thương mại Cổ phần Quân đội	3	500	N/A
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8-15	380	N/A
BAF	Công ty cổ phần Nông nghiệp BAF Việt Nam	3	300	10,5%
ACB	Ngân hàng Thương mại Cổ phần Á Châu	1	300	N/A
	Công ty Tài chính TNHH Ngân hàng Việt Nam Thịnh Vượng SMBC	2	100	N/A
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	7	60	8,6%

Source: HNX, FiinPro, MBS Research.

PRODUCT

This product is issued fortnightly with chief focus on the Vietnam's bond market. In this report, we connect macroeconomic indicators with changes in the money market and the bond market. MBS issues this report, however, errors and inaccurate information, if existed, belong to the author. We thank our valued customers for reading and giving feedbacks on our products.

MBS RESEARCH CENTER

We offer economic and equity research. The Economic Research Team offers periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team offers reports on listed firms, private equities and sector reviews. MBS Research Center also offers regular market commentaries - The Investor Daily.

MB SECURITIES (MBS)

Established since May 2000, MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development, MBS has become one of the leading securities companies in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi, Ho Chi Minh City, Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management, MB Capital and Viet R.E.M.A.X (Viet REM), MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009;
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy; and
- A trusted provider of investment banking services for corporate clients.

MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

Website: www.mbs.com.vn

DISCLAIMER

Copyrights, ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy/sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.