

Further deposit rate decreases are delivered

- Interbank overnight interest rate remains at low level and fluctuates in narrow range due to excess liquidity.
- The domestic USD exchange rate increased sharply during the month as the interest rate difference between VND and USD remained high.
- STV issued VND 21,784bn during the month with a small decline in mid and long term yield.

MONEY MARKET

Deposit interest rates at commercial banks continued to record downward adjustments.

SBV said that as of August 29th, 2023, economic credit had climbed to roughly VND 12.56bn, up 5.33% from the end of 2022 (a 9.87% increase from the same period in 2022). The surplus in liquidity will push lending interest rates continue to decrease, giving credit institutions favorable conditions to provide credit capital to the economy.

In Aug, the interbank interest rate hovered at a low base around 0.1%. Currently, the overnight interest rate is trading at 0.13%/year, up by 17 bps compared to the end of July. Interest rates for other terms are also around 0.3%-1.3%/year, an increase of about 10 bps comparing to the data at the end of July. With excess liquidity persisting, interbank interest rates are expected to remain low over the next few weeks.

Deposit rates of commercial banks maintained a declining trend throughout the month. Notably, the state-owned banking company has adjusted by 0.3-0.5% over a number of terms and has now overtaken all other banking groups in the market for the lowest interest rate. Currently, the 12-month term interest rate of those banking group is recorded at 5.8%.

Exchange rate escalated under the influence of the key policies

Throughout the month, the domestic exchange rate displayed a steady increasing trend. Currently, overnight interest rates in USD between banks are above 5%, expanding the differential between USD and VND interest rates, which encourages USD holdings and puts pressure on VND. The VND/USD exchange rate officially exceeds 24,000 VND. Compared to the end of July, the VND/USD exchange rate on the free market up by VND 470 per USD and is currently trading at 24,140 VND/USD. The central and interest rates were respectively traded at VND 23,991 per USD, up VND 233 per USD and VND 24,035 per USD, up VND 312 per USD.

The latest data shows that the dollar index has now soared to 104.8, a recent five-month high. This is a result of investors moving to the US dollar as a safe haven currency due to concerns about global growth, particularly in China. China's services activity grew at an 8-month slowest pace in Aug, as weak demand continued to weigh on the second-largest economy and incentive measures cannot restore rational consumption.

We expect the exchange rate to reach VND 24,500 with a view that the Fed may raise interest rates further this year, but the pressure may not be strong due to the domestic trade surplus recorded at a high level compared to recent years.

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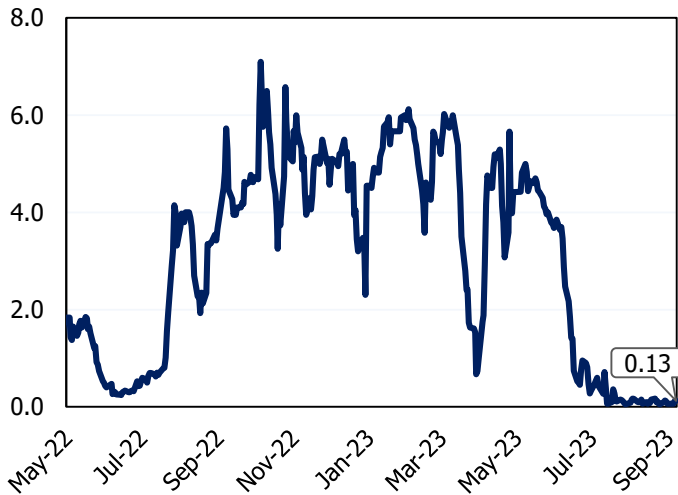
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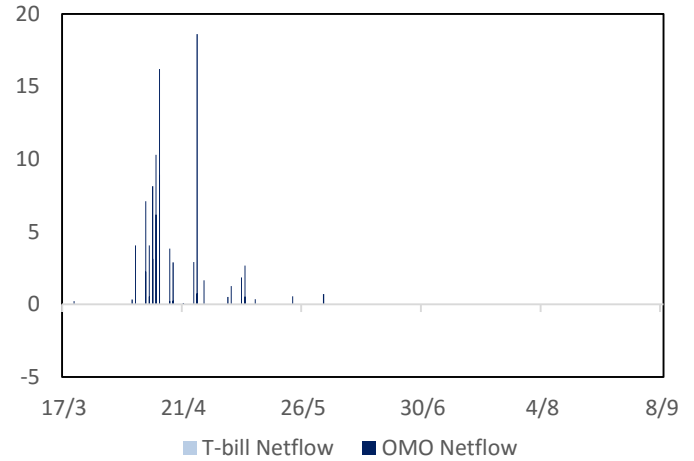
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Figure 1. Interbank overnight lending rate (%)



Source: Bloomberg, MBS Research

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



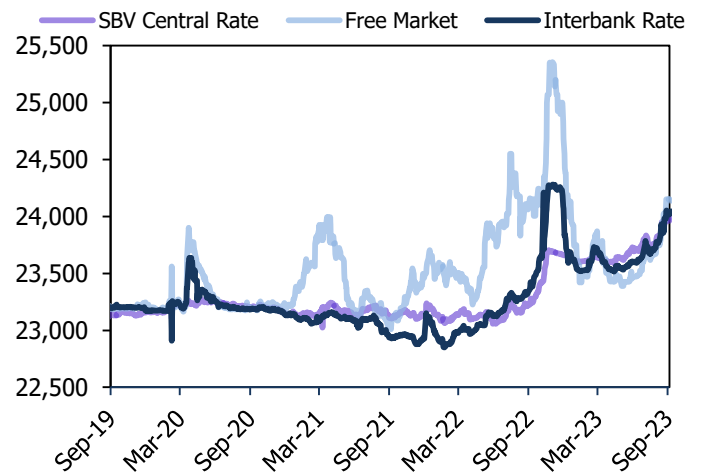
Source: SBV, MBS Research

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/05	3.6	3.8	4.0	4.3
30/06	0.3	1.0	1.5	2.8
31/07	0.1	0.2	0.5	1.5
08/09	0.1	0.3	0.5	1.3

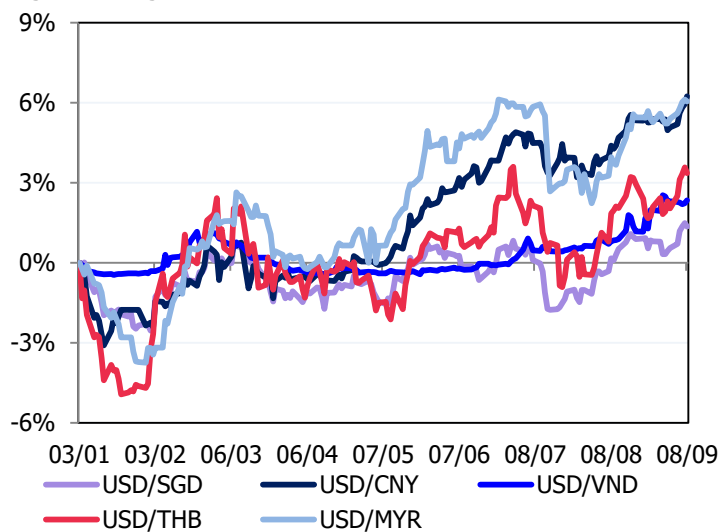
Source: Bloomberg, MBS Research

Figure 4. USD/VND exchange rate



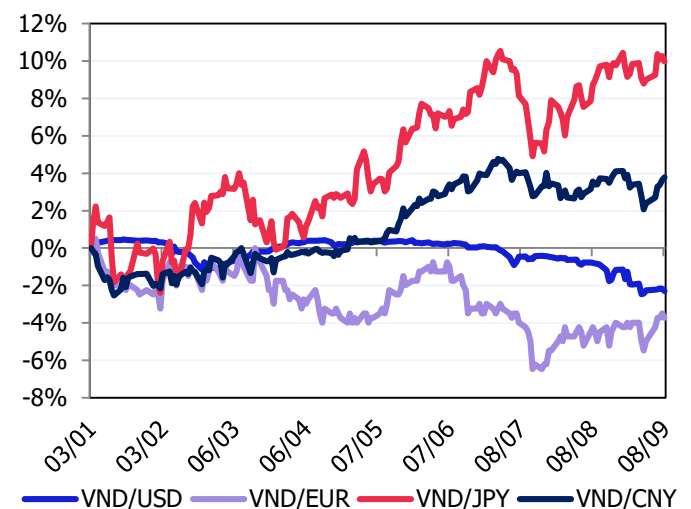
Source: SBV, Bloomberg, MBS Research.

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 21,782bn of G-bonds this month with the winning yield continuing to fall compared to the previous month.

In August, STV reduced the volume of G-bonds offering but the winning rate was still quite high. The amount of G-bonds successfully issued by STV reached VND 21,782bn out of a total of VND 23,500bn proposed, at the rate of 93%. Two tenors 10Y and 15Y continued to be successfully issued during the month with a winning rate of 100%. 5Y and 10Y tenors are being mobilized quite quickly compared to plan, reaching 71% and 72% of the yearly plan, respectively. Thus, since the beginning of the year, STV has issued a total of VND 230,511bn of G-bonds, completing 58% of the year plan.

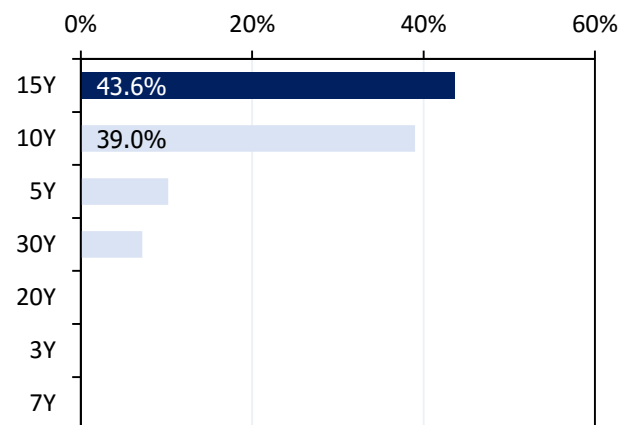
Winning yields of G-bonds decreased slightly during the month. The yield for 10Y and 15Y terms were 2.36%/year and 2.59%/year, respectively, down 1-4 bps compared to the end of July. The 5Y term yield fell by 10 bps to 1.7%/year.

Figure 7. G-bond auction result in August 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	2,500	2,220	89%	1.7%-1.8%
7Y				
10Y	8,500	8,500	100%	2.36%-2.37%
15Y	9,500	9,500	100%	2.59%-2.6%
20Y	500	0	0%	0.00%
30Y	2,500	1,562	62%	3.50%
Total	23,500	21,782	93%	Unit: VND bn

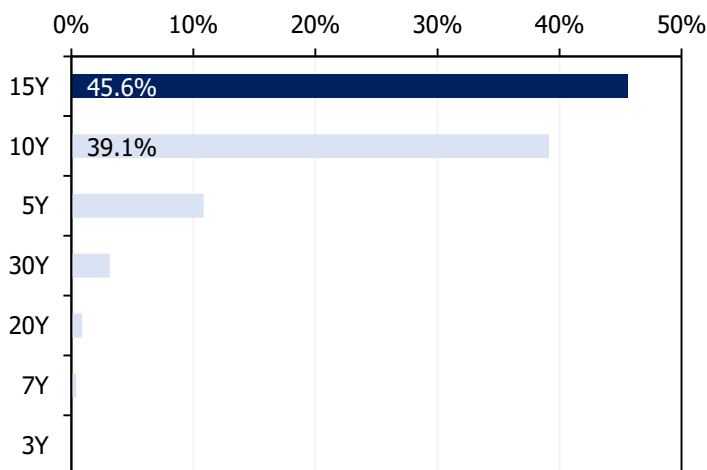
Source: HNX, MBS Research

Figure 8. G-bond successful issuance August 2023



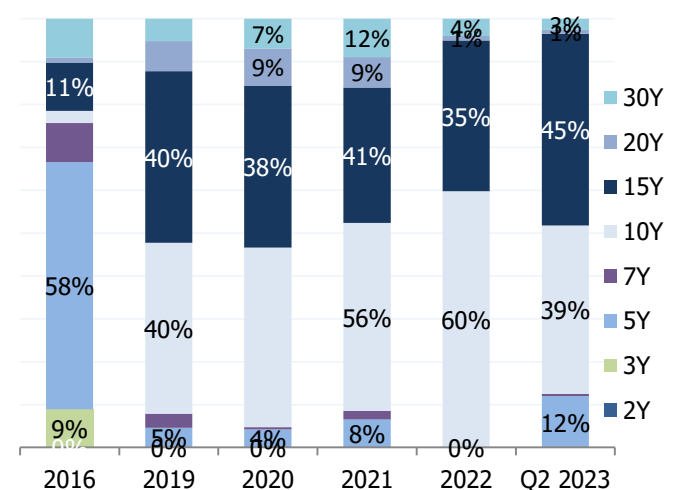
Source: HNX, MBS Research

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	25,008	71%
7Y	5,000	950	19%
10Y	125,000	90,197	72%
15Y	165,000	105,053	64%
20Y	20,000	2,049	10%
30Y	20,000	7,254	36%
Total	400,000	230,511	58%

Figure 12. 10Y G-bond yields (%) in selected countries (As at 31/08/2023).

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	4.11	-12.90	 14.9	23.3
EU	2.47	-4.70	-2.6 	-10.5
Japan	0.65	-0.50	 3.9	22.9
China	2.58	2.80	-8.1 	-25.8
South Korea	3.83	-5.20	 6.0	9.0
India	7.16	-3.30	-1.1 	-16.4
Malaysia	3.84	-1.00	 0.8	-22.4
Singapore	3.14	-10.32	 9.4	7.1
Indonesia	6.38	-14.89	 12.9	-56.1
Philippines	5.09	-10.15	 22.8	24.7
Thailand	2.75	-1.36	 13.3	11.4
Vietnam	2.58	2.70	 16.1	-221.8

Note: (*) bps changed compared to last closing

Source: Bloomberg, MBS Research

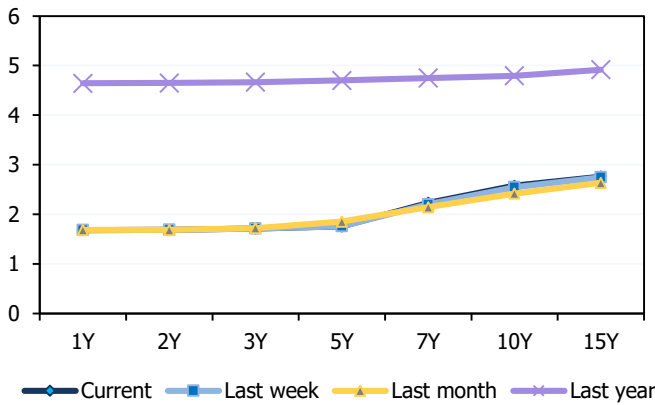
Secondary Market

Secondary G-bond yields decreased during the month. Average transaction volume on the secondary G-bonds market went up by 12% MoM. Foreign investors to net sold of VND 508bn of G-bonds this month.

At the end of Aug, the 10Y yield was at 2.58%/year, up 16 bps compared to the previous month and the 2Y yield remains unchanged at 1.69%/year. The yield on 10Y G-bonds of the domestic market rose in line with the world trend.

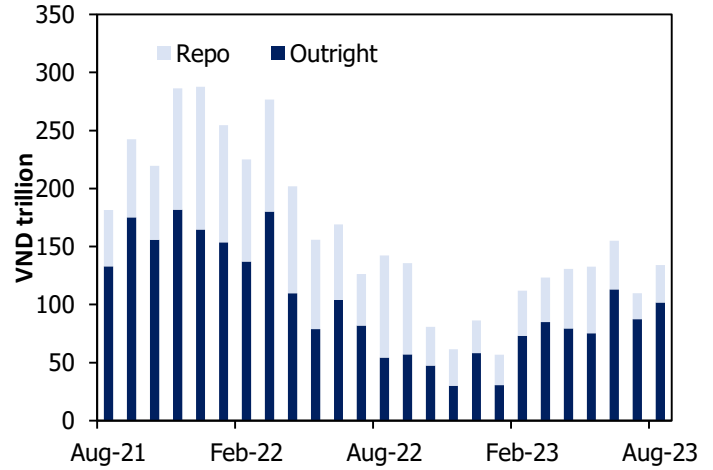
The volume of G-bonds transactions in the secondary market reached VND 5.8tn daily average, up 12% from the previous month. Of which, outright trading accounted for 76% of the volume this month and nearly VND 101tn. Average transaction was VND 4.4tn/day, up 6% from the previous month's average. Average repos trading volume decreased by 38% compared to July, reaching VND 1.4tn/day. In Aug, foreign investors net sold G-bonds with an amount of VND 508bn. Overall, foreign investors net sold a total of VND 5,025bn of G-bonds in 2023 and VND 8,482bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



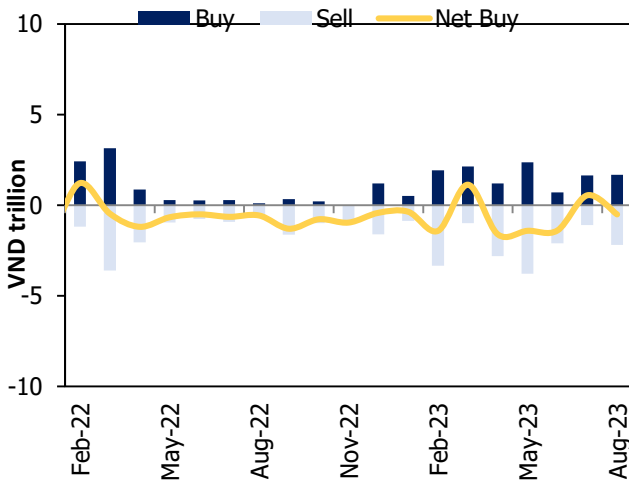
Source: Bloomberg, MBS Research

Figure 14. Outright and Repo transaction volume



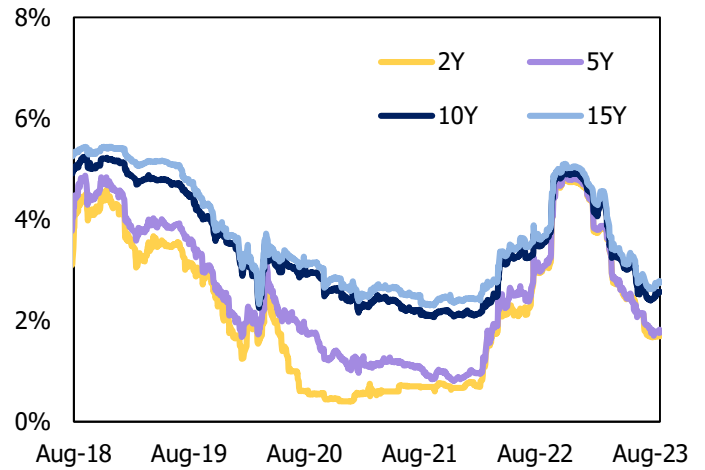
Source: HNX, MBS Research

Figure 15. Foreign investors' activity in secondary market



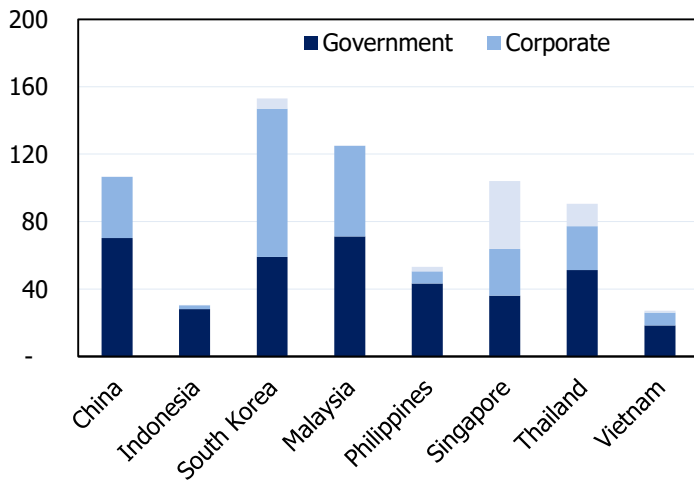
Source: HNX, MBS Research

Figure 16. G-bond yield curve – Secondary Market



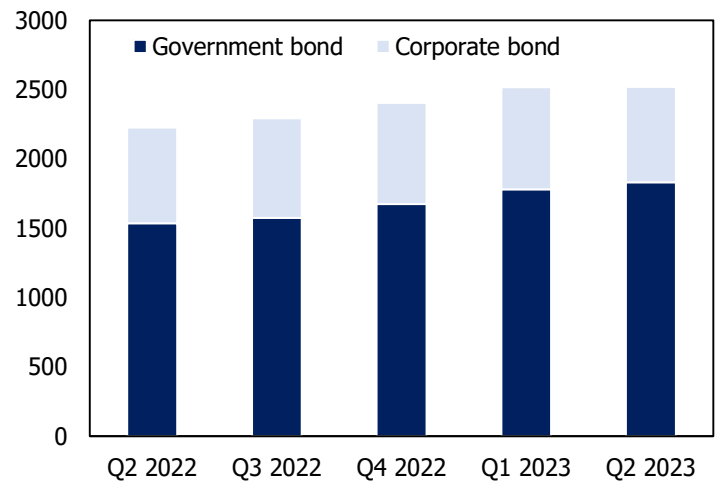
Source: Bloomberg, MBS Research

Figure 17. Size of bond markets (%GDP Q2 2023)



Source: ADB, MBS Research

Figure 18. Vietnam bond market size (VND tn)



Source: ADB, MBS Research

COPRORATE BOND MARKET

In Aug, approximately VND 27,739bn of corporate bonds were issued in the domestic market. Of which, Asia Commercial Bank issued bonds with largest volume of VND 8,000bn with the coupon rate of 6.5%/year. In addition, VietJet Air and Lien Lap Investment Business Real Estate Company Limited issued bonds with the highest coupon rate of 12%/year. The banking sector continued to account for the largest issuance proportion reaching VND 17.8tn, accounting for more than 64% of the issuance in the month. From the beginning of the year, the total issuance value of corporate bonds has reached about VND 119,251bn.

The total value of callable bonds that were bought back before maturity in August was about VND 18,431bn from the issuance of 49 companies. In which, the banking sector accounted for the largest proportion of bond repurchases, reaching about VND 8tn, accounting for 44%, followed by the tourism sector ranked second with a total value of more than VND 2tn. From the beginning of the year, the total value of callable bonds is approximately VND 163,376bn.

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

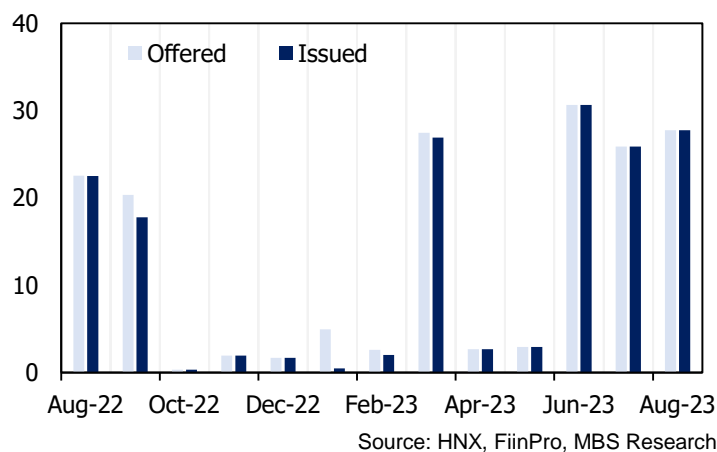


Figure 20. Corporate bond issued by sectors in August 2023 (VND tn)

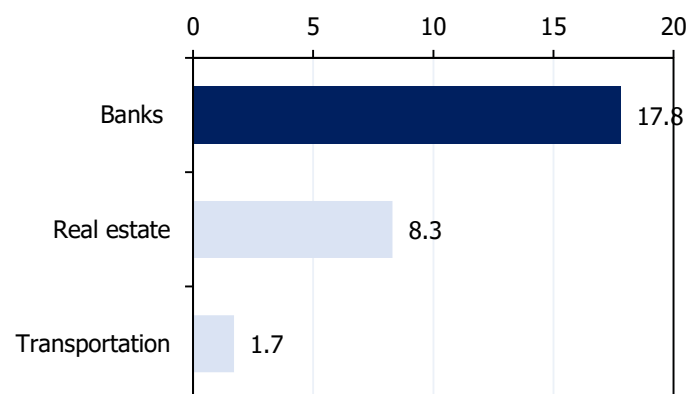


Figure 21. Top issuers in August 2023

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
ACB	Ngân hàng Thương mại Cổ phần Á Châu	2	8,000	6.5%
	Công ty TNHH Bất Động Sản Lan Việt	1.25	4,100	13.3%
ABB	Ngân hàng Thương mại Cổ phần An Bình	2-3	3,000	6.4%-6.6%
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	2-3	3,000	6.3%-6.6%
	Công ty Cổ phần Phú Thọ Land	1	1,900	10.5%
VJC	Công ty Cổ phần Hàng không Vietjet	5	1,700	12.0%
	Công ty TNHH Đầu Tư Kinh Doanh Bất Động Sản Liên Lập	5	1,470	12.0%
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	1,000	7.5%
	Công ty TNHH Đầu tư Nhà ở Xã hội Thuận Thành	5	800	N/A
BAB	Ngân hàng Thương mại Cổ phần Bắc Á	3	800	6.5%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	8-20	700	7.7%
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	7	500	N/A
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	15	385	7.5%
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	6	384,38	9.0%

Source: HNX, FiinPro, MBS Research

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