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SBV sold foreign currencies and withdrawal in a large amount through the open market, which put pressure on the system's liquidity, and caused interbank interest rates to increase sharply in all terms in the last week of July. The USD/VND exchange rate cooled down after the stressful period in mid-July. STV issued VND 9,335bn of G-bonds during the month. Secondary G-bonds yields increased sharply compared to the previous month. Foreign investors net sold VND 642bn of G-bonds in July.

Money Market

Interbank interest rates increased sharply in July when the SBV sold foreign currencies and net withdrew in large volumes. The SBV net injected VND52.2tn through the open market to support liquidity.

In the second half of July, SBV withdrew VND 24tn through the T-bills channel with a term of 56 days, which decreased sharply compared to VND 220tn in the first half of the month, the yield of bills fluctuated from 0.9%-2.4%/years. The SBV's withdrawal and foreign currency sales throughout July put pressure on liquidity. To support the high liquidity demand, the SBV also injected back into the system VND 52.2tn by interest rate auction, 7-14 days term with a competitive interest rate from 3.8%- 4% years.

SBV's net withdrawal pushed up interbank interest rates sharply. A Bloomberg survey showed that overnight interbank interest rates had increased six times since the end of last month, from 0.53%/year to 3.32%/ year. Interest rates for other terms are also around 3.52%-3.7%/year, a dramatic increase compared to the end of June. As the pressure of inflation and exchange rate from now until the end of the year makes investors act cautiously, we predict that interbank interest rates will unlikely return to the level in 2021.

The USD/VND exchange rate cools down in the second half of July.

Compared to the end of June, the free market's USD/VND exchange rate increased by VND 455 per USD and is currently trading at VND 24,195 per USD. The central and interbank rates traded at VND 23,163 per USD, up VND 44 per USD and VND 23,263 per USD, up VND 64 per USD, respectively. With the great intensity of money withdrawal and the continuous sale of USD by the SBV, VND interest rates rose again in the interbank market and help to cool the exchange rate. The central and interbank rates USD exchange rate has simultaneously decreased from VND 50-60 per USD, while on the free market decreased about VND 300 per USD in both trading directions after the stressful period in mid-July.

Last July, the DXY Index recorded at 105.27, USD touched its lowest level since mid-June. In July, the Fed raised the benchmark overnight interest rate by 0.75 percentage points and several important US macro figures have been released, including GDP growth and the PCE price index. The decline in GDP for the second quarter in a row signaled a recession amid the Fed's aggressive rate hikes in an effort to prevent inflation from soaring. The US dollar cooled as investors weighed the possibility that the US Federal Reserve (Fed) would slow down the pace of interest rate hikes, after data showed the US economy fell in the second quarter.

Figure 1. Interbank overnight lending rate (%)



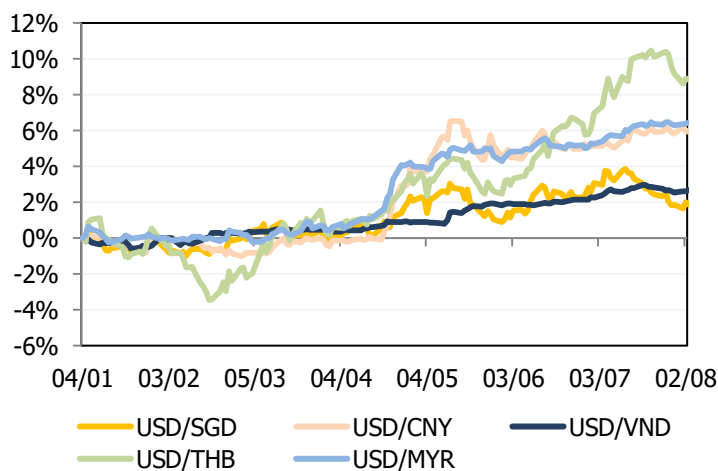
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
29/04	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
29/07	3.32	3.52	3.44	3.70

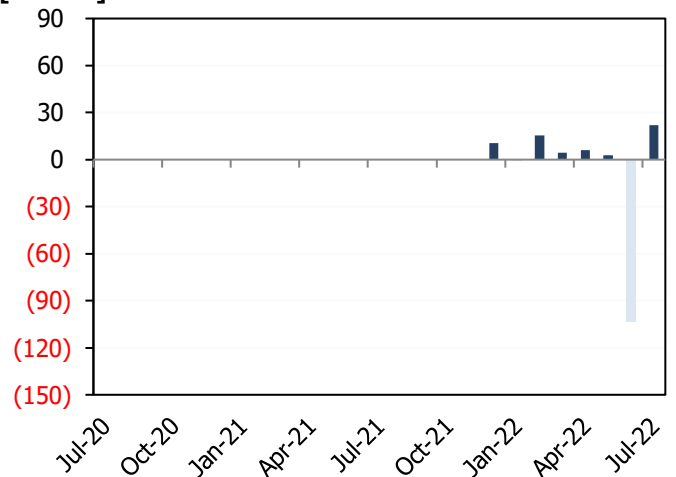
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



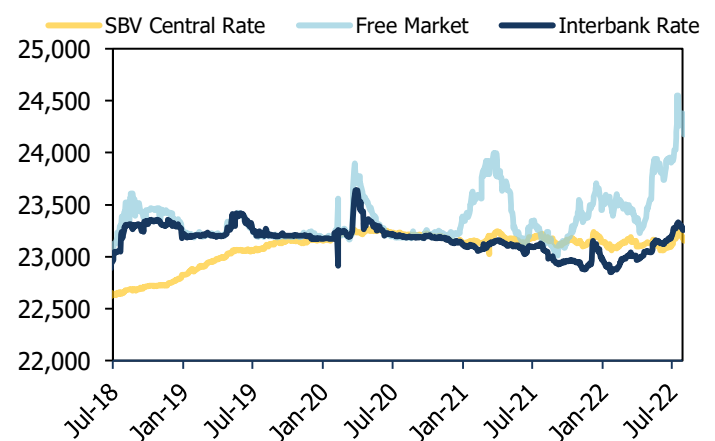
Source: Bloomberg.

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



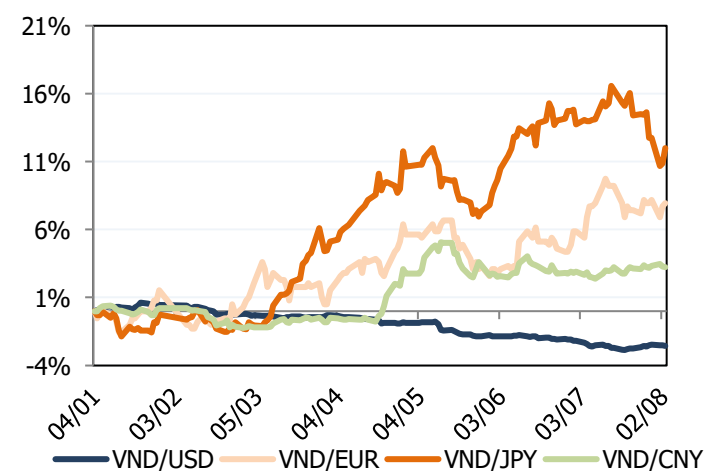
Source: SBV, MBS.

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 9,335bn of G-bonds this month with the winning yield inching up compared to the previous month.

In July, the situation of issuing government bonds was somewhat slower than at the end of June. In the VND 21,000bn proposed, there were VND 9,335bn of G-bonds successfully mobilized, at the rate of 44%. The number of successful issuances decreased compared to VND 17,375bn in June. By the end of July, STV slowed down a lot with the annual plan when the mobilization volume reached VND 78,422bn of G-bonds, reaching 20% of the year plan. 5Y and 10Y terms are being issued mainly when reaching 28% and 19% of the year plan, respectively

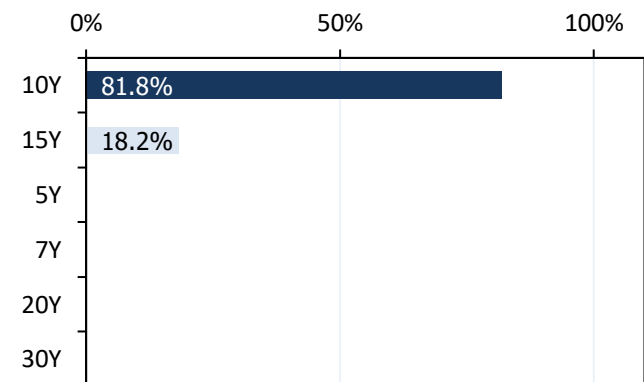
The winning yield of the bonds rose compared to the end of June. The yield for 10Y and 15Y terms were 2.58%/year and 2.83%/year, respectively, up 5-10bps compared to the end of June. With no pressure to release to finance public investment projects, yield bond rate in the primary market adjusted quite 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 July 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y				
10Y	10,000	7,635	76%	2.51%-2.58%
15Y	9,000	1,700	19%	2.83%
20Y	1,000	0	0%	0.00%
30Y	1,000	0	0%	0.00%
Total	21,000	9,335	44%	Unit: VND bn

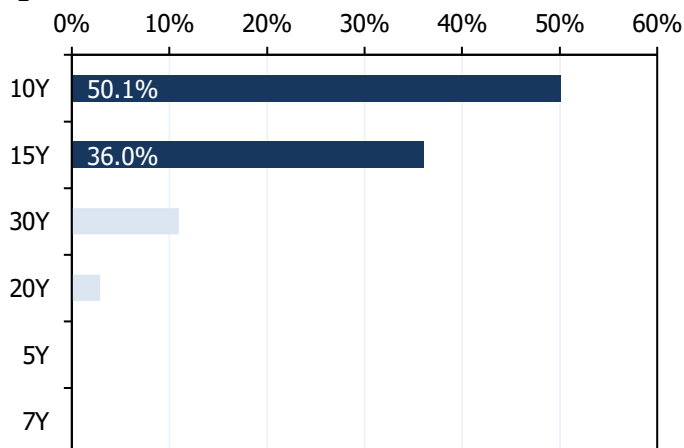
Source: HNX.

Figure 8. G-bond successful issuance July 2022



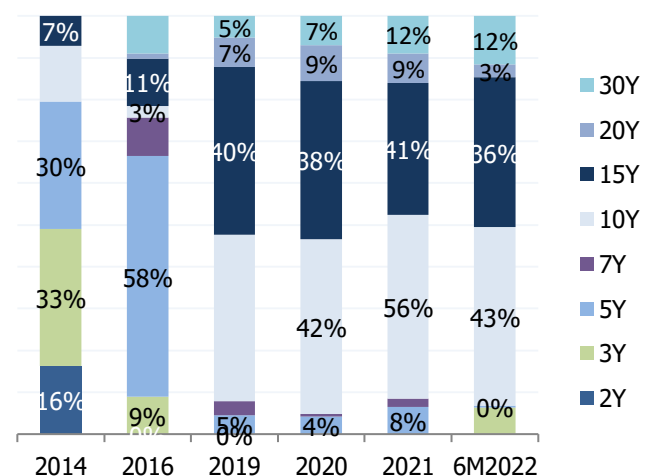
Source: HNX.

Figure 9. G-bond successful issuance in 2022



Source: HNX.

Figure 10. G-bond successful issuance 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	39,277	28%
15Y	150,000	28,255	19%
20Y	30,000	2,265	8%
30Y	35,000	8,625	25%
Total	400,000	78,422	20%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 29/07/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.65	-10.17	-36.4 	113.9
EU	0.82	-21.40	-51.9 	99.4
Japan	0.19	-3.00	-4.6 	11.4
China	2.77	-2.10	-5.1 	-1.4
South Korea	3.13	-17.60	-49.6 	87.0
India	7.32	-10.00	-13.2 	86.3
Malaysia	3.88	-12.40	-42.2 	31.8
Singapore	2.66	-16.78	-33.7 	94.0
Indonesia	7.12	-36.30	-9.8 	74.0
Philippines	4.13	-24.67	-49.2 	178.0
Thailand	2.71	-9.84	-31.7 	75.3
Vietnam	3.50	20.60	 25.9	133.1

Source: Bloomberg.

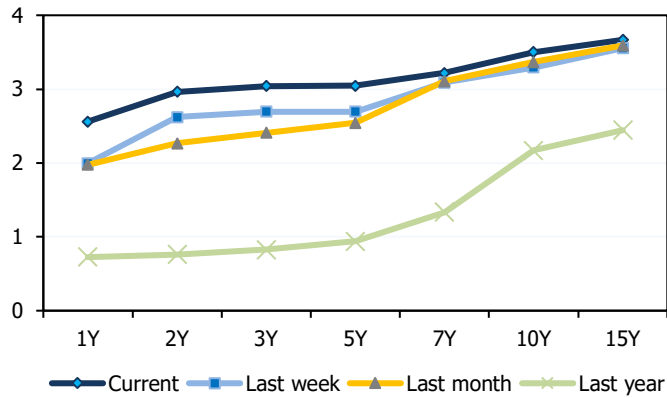
Secondary Market

G-bond yield increased during the month. Average transaction volume on the secondary G-bond market declined MoM with the proportion of outright transactions increasing compared to previous month. Foreign investors net sold VND 642bn of G-bonds this month.

At the end of July, the 10Y yield was at 3.5%/year, whereas the 2Y yield was at 2.96%/year, up 14bps. Since the beginning of the year, the 2Y yield has increased by 220 bps while the 10Y term yield has decreased by 133 bps. G-bond yields in many countries around the world have fluctuated in contrast to Vietnam in recent times.

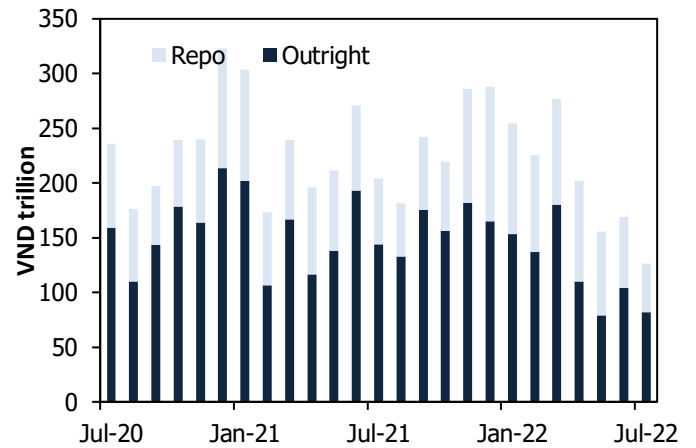
Transactions on the secondary government bond market continued to be gloomy compared to the previous month with daily average volumes of VND 6tn, down 21%. Of which, outright trading accounted for 65% of the volume this period and VND 81.9tn. Average transaction was VND 3.9tn/day, down by 17% from the previous month's average. Average repos trading volume decreased by 28% compared to June, reaching VND 2.1tn/day. In July, foreign investors net sold G-bonds with an amount of VND 642bn. Overall, foreign investors have sold VND 3,492bn in 2022 and VND 3,081bn in the past 12 months.

Figure 13. Vietnam T-bond Yield (%)



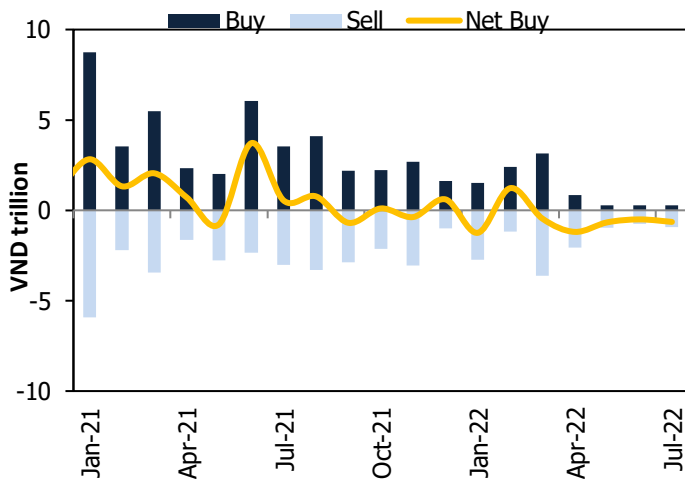
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



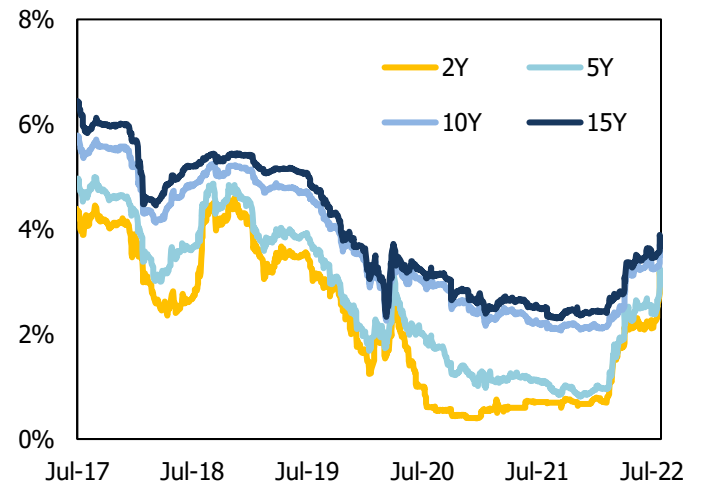
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



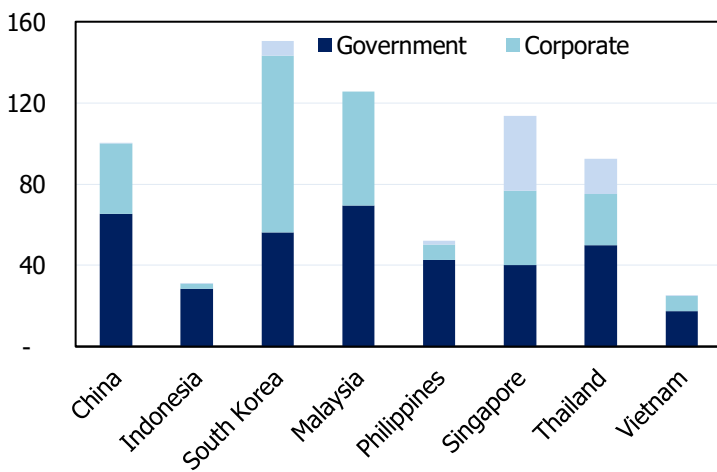
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



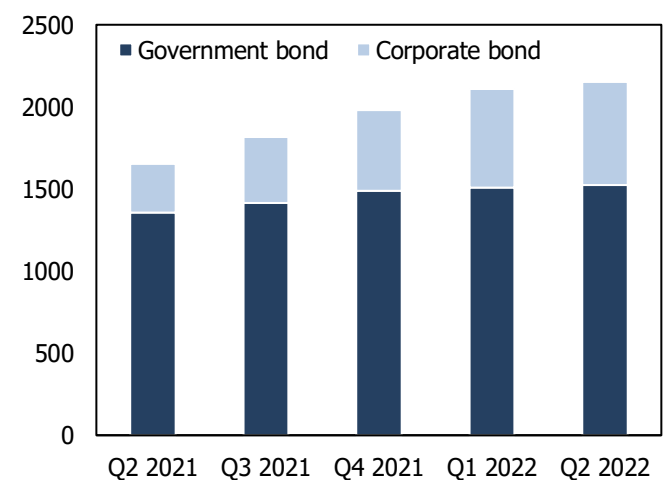
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

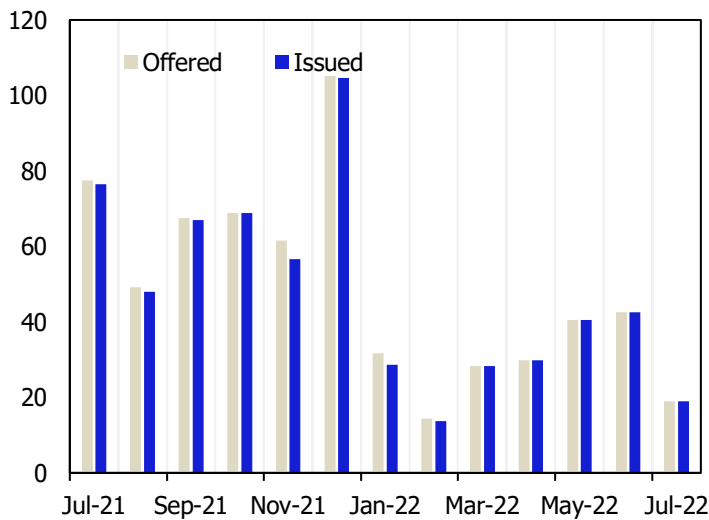


Source: ADB.

Corporate Bond Market

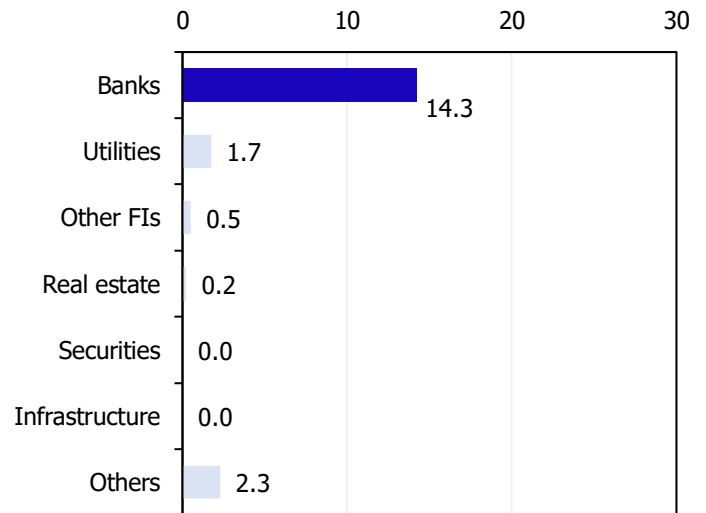
FiinPro data showed that in July, VND 19,021bn of corporate bonds were issued in the domestic market. Of which, Joint Stock Commercial Bank for Investment and Development of Vietnam issued the most significant bond volume of VND 4,494bn. The banks sector is the top issuer, accounting for the most monthly volume, 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 July 2022(VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in July 2022

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	1.75-8	4,494	6.33%-6.48%
	Công ty Cổ phần Đầu tư và Phát triển Du lịch Phú Quốc	5	2,285.57	N/A
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	3-10	2,184	N/A
EVF	Công ty Tài chính Cổ phần Điện Lực	10	1,725	N/A
VCB	Ngân hàng Thương mại Cổ phần Ngoại thương Việt Nam	8-15	1,550	6.80%
LPB	Ngân hàng Thương mại Cổ phần Bưu Điện Liên Việt	3	1,500	N/A
TPB	Ngân hàng Thương mại Cổ phần Tiên Phong	3	1,100	N/A
TCB	Ngân hàng Thương mại Cổ phần Kỹ thương Việt Nam	3	1,000	N/A
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	1,000	N/A
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8-15	540	N/A
	Công ty Tài chính TNHH MB Shinsei	2	500	N/A
ACB	Ngân hàng Thương mại Cổ phần Á Châu	1	500	N/A
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	2	400	N/A
	Công ty Cổ phần Đầu tư Kinh doanh Bất động sản Hà An	4	210	N/A
MBB	Ngân hàng Thương mại Cổ phần Quân đội	3	3	N/A

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.

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