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*Liquidity in the banking system is abundant after the SBV bought more than USD 3bn since the beginning of the year, creating conditions for interbank interest rates to also drop sharply. At the same time, SBV strongly attracted more than VND 250tn. The USD exchange rate increased according to the general trend in the region. STV issued VND 36,595bn of G-bonds during the month with a high winning rate. Secondary G-bonds yields declined compared to the previous month. Foreign investors net sold VND 1,417bn of G-bond during the month.*

## Money Market

**Interbank interest rates fell in February. In the second half of February, SBV withdrew more than VND 250tn through the open market channel.**

Recently, many banks have reduced deposit rates by 0.3-1% per year, currently ranging from 8.7-9% per year. A small number of banks list more than 9% per year. Falling deposit rates are enabling banks to continue reducing lending rates. At the same time, since the beginning of the year, the SBV has bought a large amount of foreign currency up to USD 3.5bn, making the national foreign exchange reserves quickly replenished after a series of days of selling to stabilize the exchange rate market and push the abundant amount of copper in the liquidity system. A Bloomberg survey showed that the overnight interbank rates are trading at 5.2%/year, down by 70 bps compared to the end of last month. Interest rates for other terms are also around 5.84%-6.77%/year, a decrease of about 41-79 bps compared to the end of January.

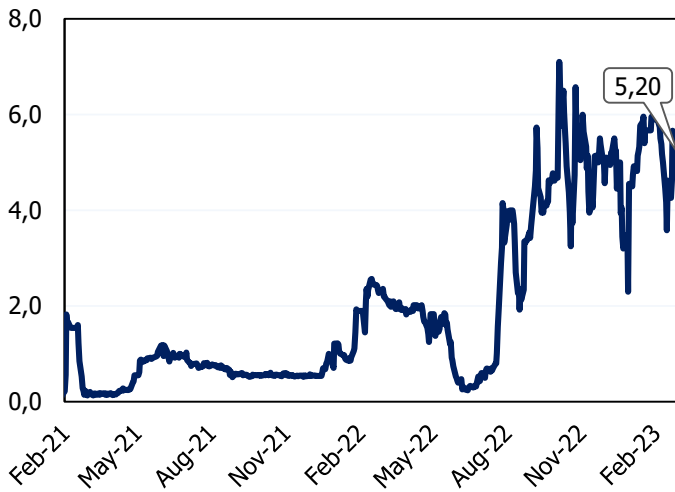
In the last two weeks of the month, the abundant liquidity created conditions for the SBV to pull money out of the system. Therefore, SBV has withdrawn more than VND 250tn in just over a week through the open market channel, with an interest rate of 4.69%-6%/year, term of 7-91 days. In addition, the SBV has reduced the amount of money injected into the system with nearly VND 12tn through the open market channel, with an interest rate of 6%/year, 7-day term.

## USD is appreciating against the VND.

The value of the USD against several currencies in the region tends to increase in the second half of February. Compared to the end of last year January, the USD/VND exchange rate on the free market went up by VND 360 per USD and is currently trading at 23,870 VND/USD. The central and interbank rates were respectively traded at VND 23,644 per USD, up VND 35 per USD and VND 23,718 per USD, up VND 188 per USD.

The USD Index is recording at 104.76. The USD index has gained nearly 3% in February, as a series of strong US economic data in recent weeks increased market expectations that the Federal Reserve (Fed) will have to raise interest rates higher and longer than previously anticipated by the market to combat inflation. Investors are now expecting the Fed funds rate to peak just above 5.4% in September, compared with a predicted peak of around 4.7% at the beginning of the month.

**Figure 1. Interbank overnight lending rate (%)**



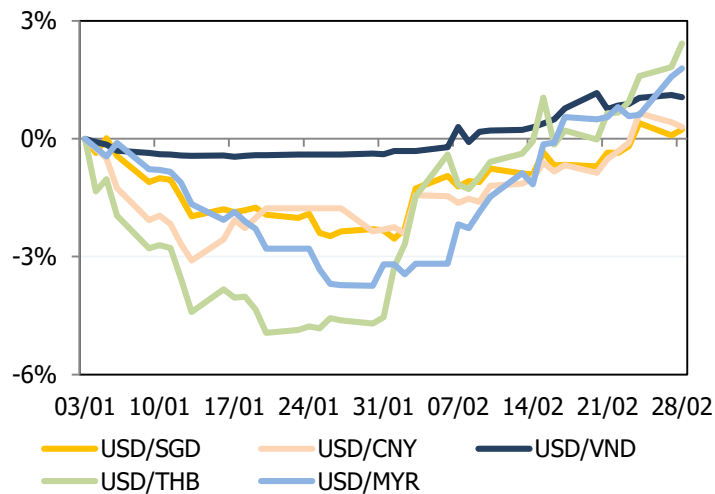
Source: Bloomberg.

**Figure 3. Interbank interest rate (%)**

	O/N	1 Week	2 Week	1 Month
30/11	4.57	5.23	5.67	6.27
30/12	4.57	5.23	5.67	6.27
31/01	5.90	6.25	6.65	7.20
28/02	5,20	5,84	6,16	6,77

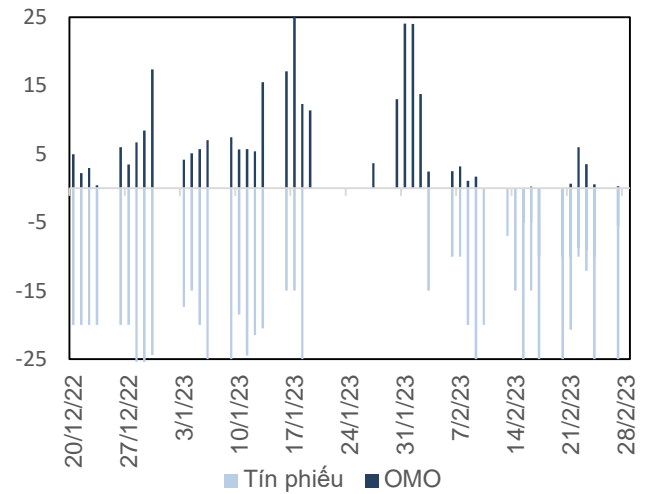
Source: Bloomberg.

**Figure 5. Regional currencies performance in 2023**



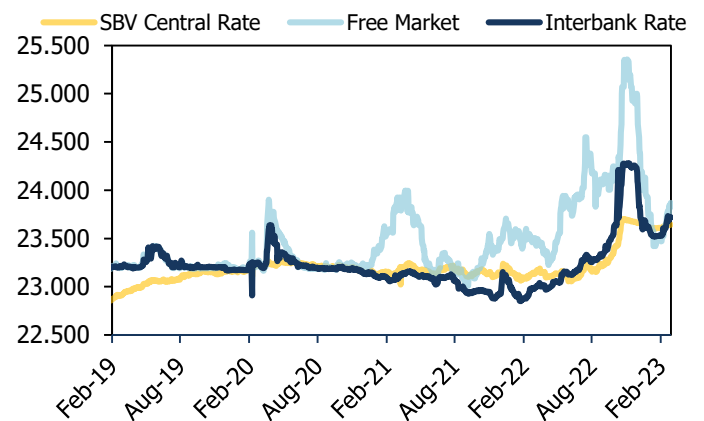
Source: Bloomberg.

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



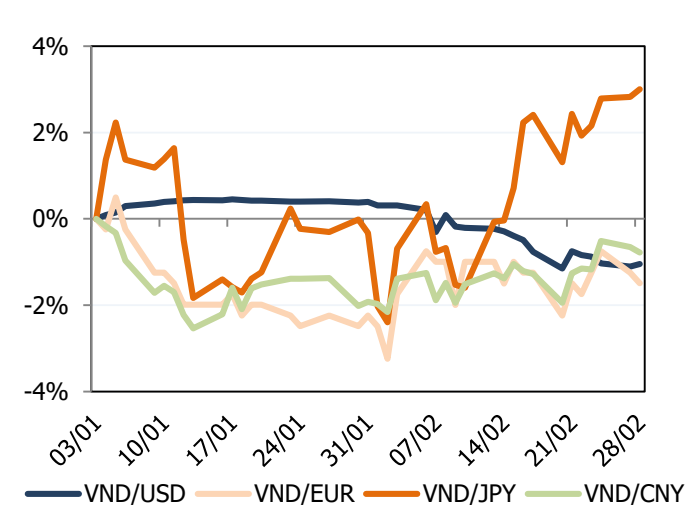
Source: SBV, MBS Research.

**Figure 4. USD/VND exchange rate**



Source: SBV, Bloomberg, MBS Research.

**Figure 6. VND compared to major currencies in 2023**



Source: Bloomberg.

**Government Bond Market**

**Primary market**

**STV successfully issued VND 36,595bn of G-bonds this month with the winning yield declined compared to the previous month.**

In February, STV has mobilized quite a lot of government bonds with a significantly improved winning rate. In the VND 46,250bn proposed, there were VND 36,595bn of G-bonds successfully mobilized, at the rate of 79%. 10Y and 15Y tenors are being mobilized quite quickly compared to the plan when reaching 79% and 73% of the quarterly plan, respectively.

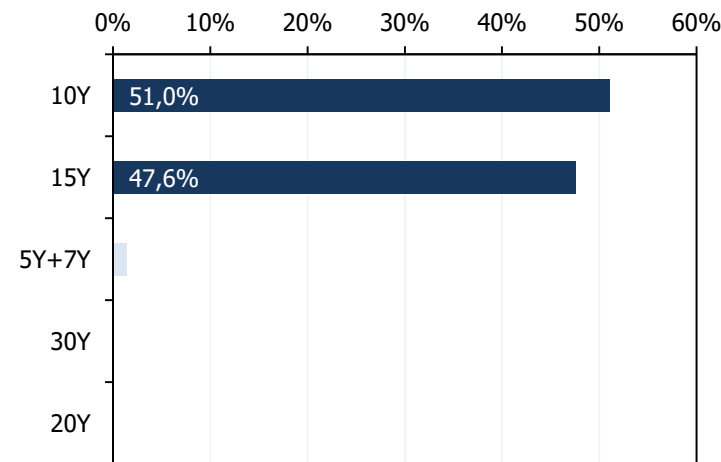
The latest winning yields continue to drop compared to the end of January. The yield for the 10Y term was 4.12%/year, down 24bps while the yield for the 15Y term was 4.32%/year, down 24bps compared to the end of January. The yield for 5Y term was at 3.65%/year. The current yield, although lower than last month, is in line with market expectations when the winning rate is relatively high.

**Figure 7. G-bond auction result in February 2023**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,250	750	60%	3.65%
7Y	1,000	200	20%	3.80%
10Y	22,000	19,100	87%	4.07-4.2%
15Y	22,000	16,545	75%	4.27-4.4%
20Y				3.65%
30Y				
<b>Total</b>	<b>46,250</b>	<b>36,595</b>	<b>79%</b>	<b>Unit: VND bn</b>

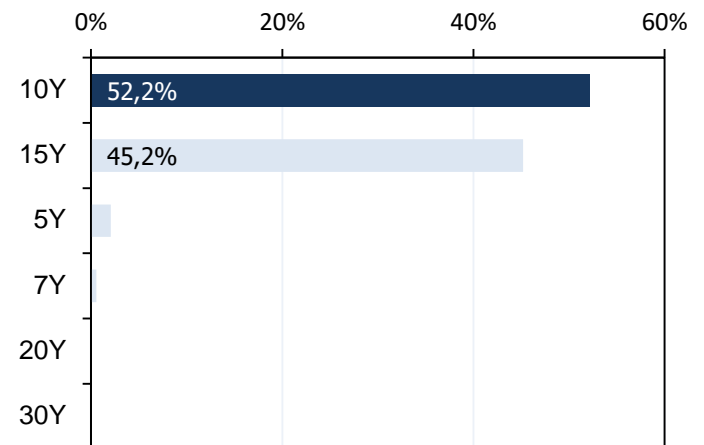
Source: HNX

**Figure 9. G-bond successful issuance in 2023**



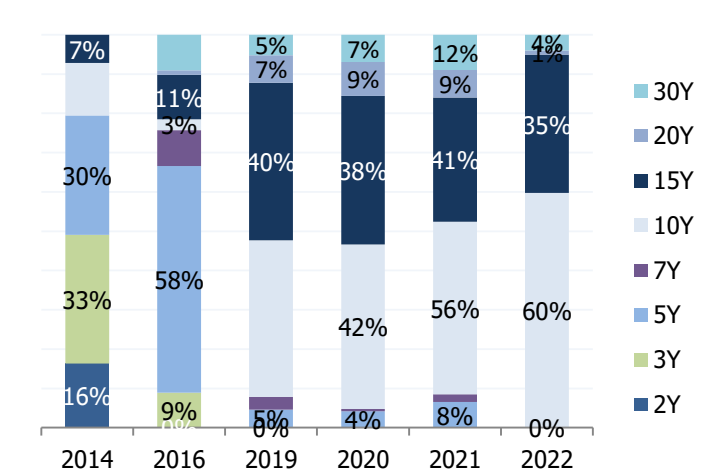
Source: HNX

**Figure 8. G-bond successful issuance February 2023**



Source: HNX.

**Figure 10. G-bond successful issuance over the years**



Source: HNX

**Figure 11. Government bond issuance 2023 (bn VND)**

Tenor	VST Q1 2023 plan	VST Q1 2023 issued	% VST 2023 plan
5Y + 7Y	8,000	950	12%
10Y	45,000	35,432	79%
15Y	45,000	33,045	73%
20Y	5,000	0	0%
30Y	5,000	0	0%
<b>Total</b>	<b>108,000</b>	<b>69,427</b>	<b>64%</b>

Source: VST, HNX

**Figure 12. 10Y G-bond yields (%) in selected countries** As at 28/02/2023

\*Bps changed compared to last closing

Market	Last closing	Last week*	Last month	31/12/2021*
U.S.	3.92	-3.25	41,3	4.5
EU	2.65	12.20	36,5	8.0
Japan	0.51	-0.10	0,9	8.3
China	2.92	-0.80	1,3	7.6
South Korea	3.76	16.50	48,0	2.5
India	7.43	6.90	8,9	10.5
Malaysia	3.91	2.00	12,4	-15.8
Singapore	3.32	13.22	32,9	24.8
Indonesia	6.90	15.30	19,2	-4.1
Philippines	5.15	-8.14	46,8	30.5
Thailand	2.61	2.60	7,9	-2.7
<b>Vietnam</b>	<b>4.39</b>	<b>11.70</b>	<b>-3,1</b>	<b>-41.0</b>

Source: Bloomberg.

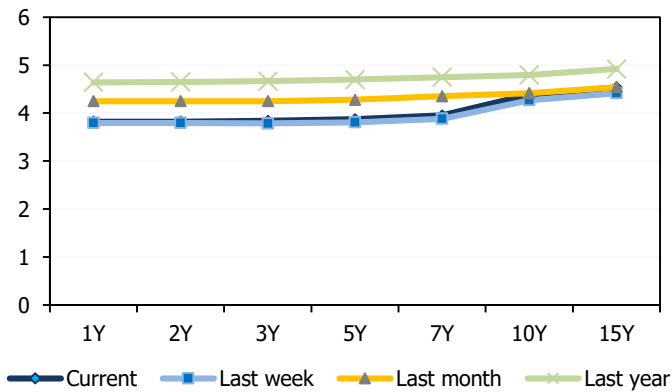
## Secondary Market

**Secondary G-bond yields reduced during the month. Average transaction volume on the secondary G-bonds market went up by 58%. Foreign investors net sold VND 1.417bn of G-bonds this month.**

At the end of February, the 10Y yield was at 4.39%/year, down 3bps compared to the previous month whereas the 2Y yield grew to 3.82%/year, down 43bps. The domestic market's 10Y secondary bond yield went against with the world trend.

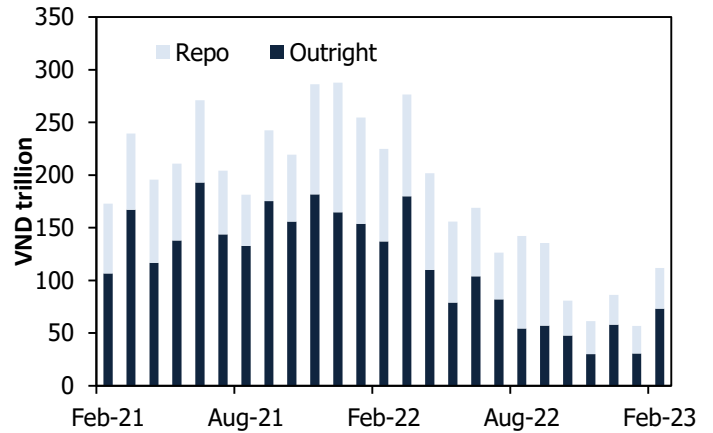
Government bond transactions in the secondary market in February reached VND 5.5tn daily average, 10% more than its January level. Of which, outright trading accounted for 65% of the volume this period and VND 73tn. Average transaction was VND 3.6tn/day, up by 91% from the previous month's average. Average repos trading volume increased by 18% compared to last year January, reaching VND 1.9tn/day. In February, foreign investors net bought VND 1,417bn. Overall, foreign investors net purchased a total of VND 1,779bn of G-bonds in 2023 and VND 9,273bn of G-bonds in the last 12 months.

**Figure 13. Vietnam T-bond Yield (%)**



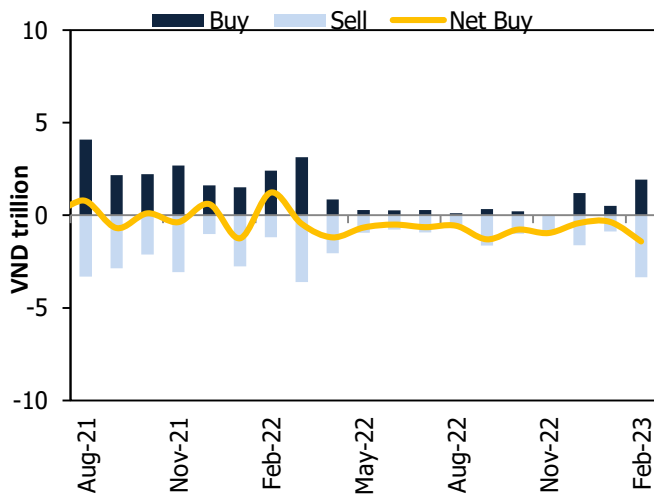
Source: Bloomberg.

**Figure 14. Outright and Repo transaction volume**



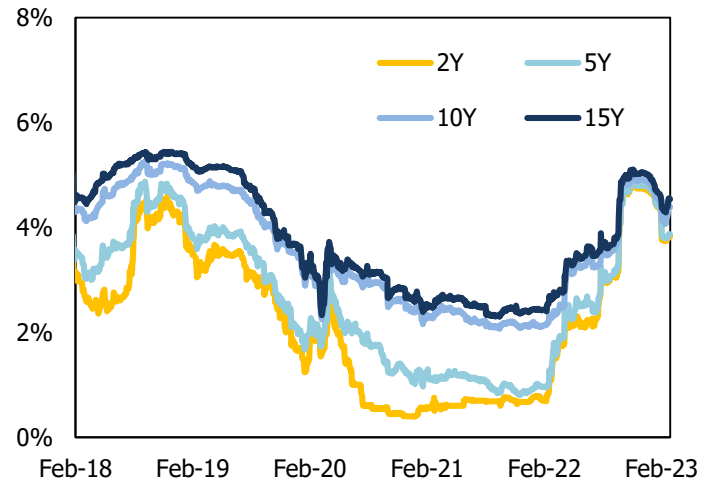
Source: HNX.

**Figure 15. Foreign investors' activity in secondary market**



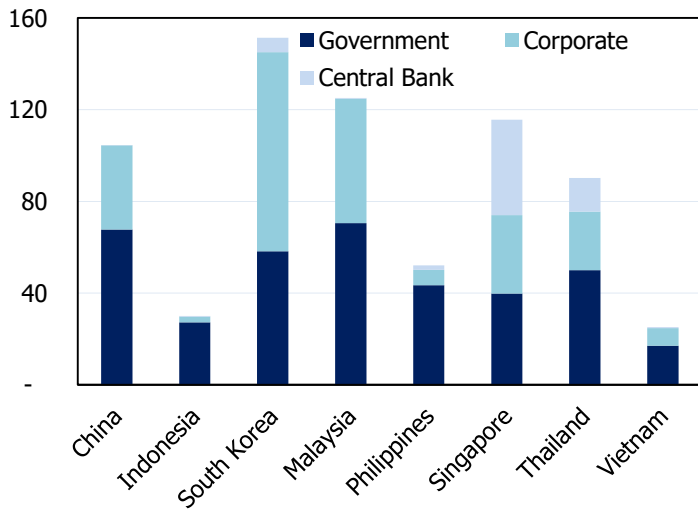
Source: HNX.

**Figure 16. G-bond yield curve – Secondary Market**



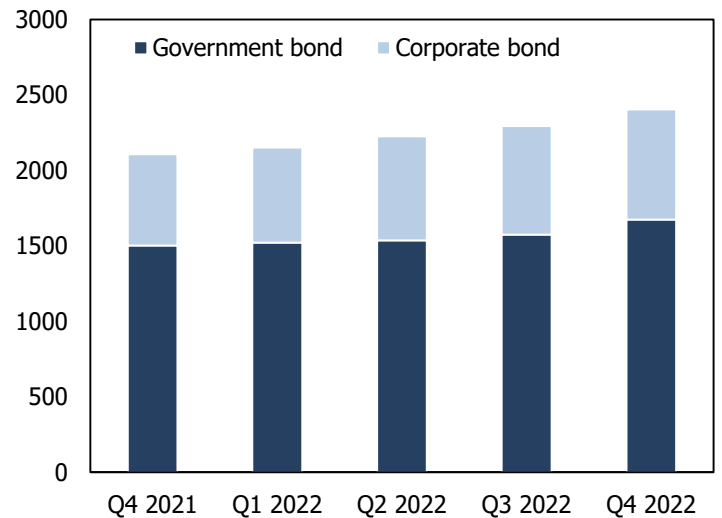
Source: Bloomberg.

**Figure 17. Size of bond markets (%GDP Q4 2022)**



Source: ADB.

**Figure 18. Vietnam bond market size (VND tn)**

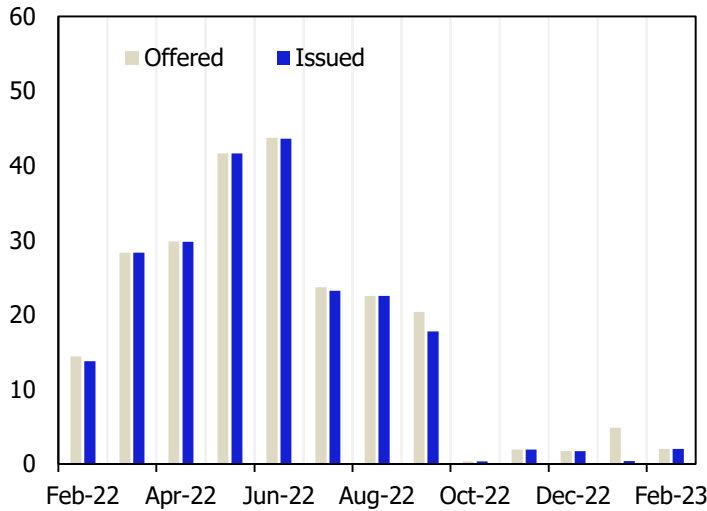


Source: ADB.

## Corporate Bond Market

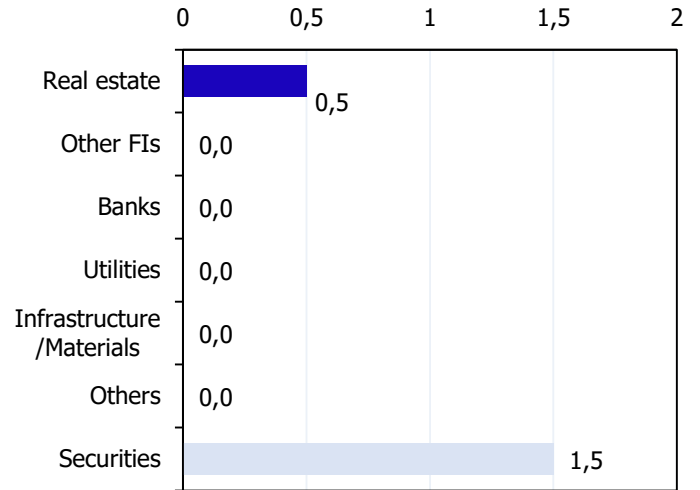
FiinPro data shows that in February, VND 2,000bn of corporate bonds were issued in the domestic market. The total amount of bonds issued to the public belongs to the Masan Group Corporation with a coupon rate of 9.5%/year and a term of 5 years.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

**Figure 21. Top issuers in February 2023**

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
MSN	Công ty Cổ phần Tập đoàn Masan	5	1,500	9.5%
	Công ty Cổ phần Đầu tư Bất động sản Sơn Kim	2.5	500	13.5%

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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