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The SBV continued to absorb a large amount of money and decided to increase the operating interest rate in second half of October, causing interbank interest rates to be pushed up in all tenors. The VND/USD exchange rate movement increased sharply after the SBV raised the spot exchange rate margin to 5%. STV issued VND 24,650bn of G-bonds during the month with a marginally higher yield. Secondary G-bonds yields jumped compared to the previous month. Foreign investors net sold VND 777bn of G-bonds in October.

Money Market

SBV continued to raise the operating interest rate for the second time this year in order to control inflation and reduce exchange rate pressure.

The system's liquidity has recently been under pressure due to the SBV withdrawing more than VND 209tn in October alone via treasury bills with a term of 7 days and a fluctuating yield of 3,98%-6%/ year. To support the high liquidity demand, SBV also injected back nearly VND 53tn into the system by the method of interest rate bidding, with a term of 7-14 days with interest rate from 5%-6%/year.

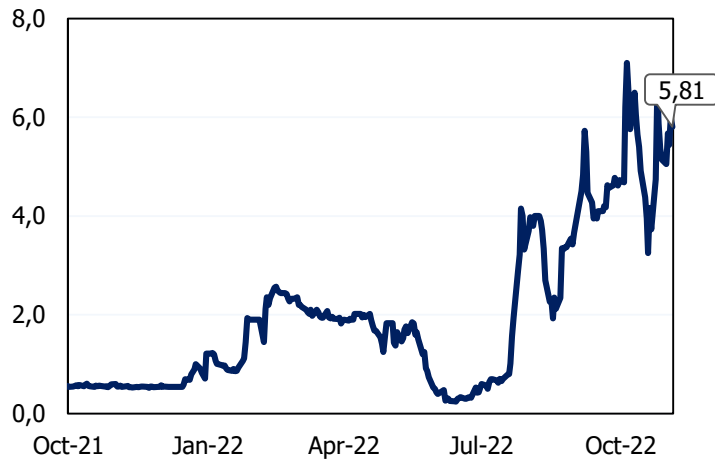
At the end of October, the SBV decided to continue to sharply increase the operating interest rate, this is the 2nd increase this year, in which includes an increase in the refinancing rate of 100bps, to 6%/year, and to increase the discount rate by 100bps, from 3.5% to 4.5%/year. At the same time, SBV also raised the demand deposit rate to 1%/year; the interest rate under 6 months is 6%. Immediately after SBV adjusted the operating interest rates, many commercial banks also adjusted their interest rates. A Bloomberg survey shows that the overnight interbank interest rate is trading at 5.81%/year, up by 108 bps compared to the end of last month. Other tenors also have interest rates that are roughly the same level of 6.74%-7.68%/year. SBV persisted in keeping the level of liquidity in the banking system from becoming overly abundant in order to keep the VND interbank interest rate high and maintain a reasonable gap with the USD interest rate to lessen the exchange rate's stress.

SBV continued to raise the selling price of USD.

The adjustment of the spot exchange rate range between VND and USD to +/-5% affected the exchange rate in October. Compared to the end of September, the USD/VND exchange rate on the free market went up by VND 1,205 per USD and is currently trading at 25,355 VND/USD. The central and interbank rates were traded at VND 23,693 per USD, up VND 293 per USD and VND 24,272 per USD, up VND 642 per USD.

At the end of October, DXY Index recorded at 112.88. The dollar rose slightly on a boost in Treasury yields after the U.S. Federal Reserve signaled interest rates could peak higher. Last week, the Fed raised the reference rate by 75 bps. The reference rate in the US is currently in the range of 3.75-4%. This is the highest level since January 2008. Thus, since the beginning of the year, the Fed has raised interest rates a total of 6 times. Fed chairman says it's too early to discuss pausing rate hikes to counter consumer prices, as he had no feeling that inflation would fall.

Figure 1. Interbank overnight lending rate (%)



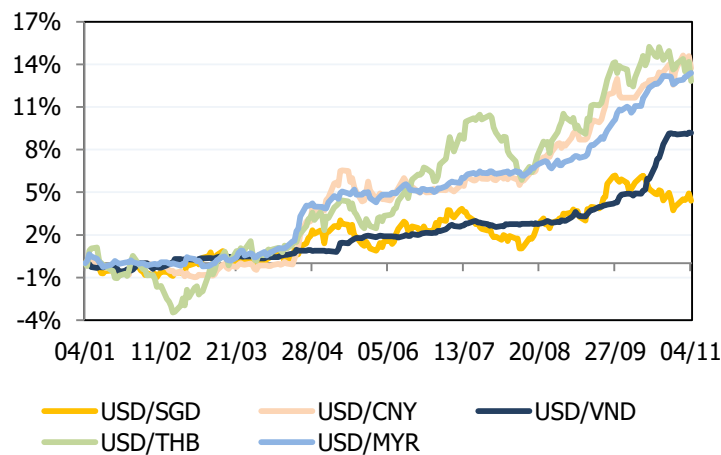
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

| | O/N | 1 Week | 2 Week | 1 Month |
|-------|------|--------|--------|---------|
| 29/07 | 3.32 | 3.52 | 3.44 | 3.70 |
| 31/08 | 3.67 | 3.77 | 3.83 | 4.33 |
| 30/09 | 4.73 | 4.90 | 4.98 | 4.98 |
| 04/11 | 5.81 | 6.74 | 7.23 | 7.68 |

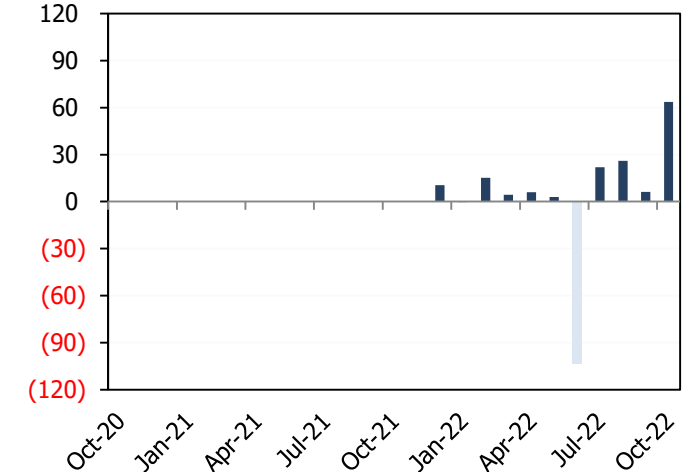
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



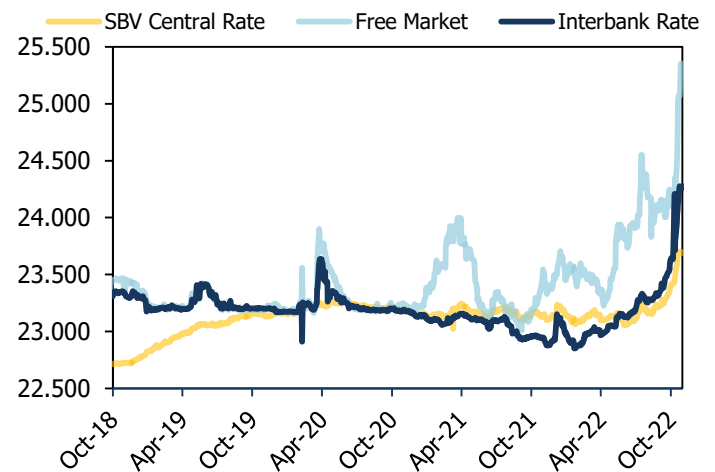
Source: Bloomberg.

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



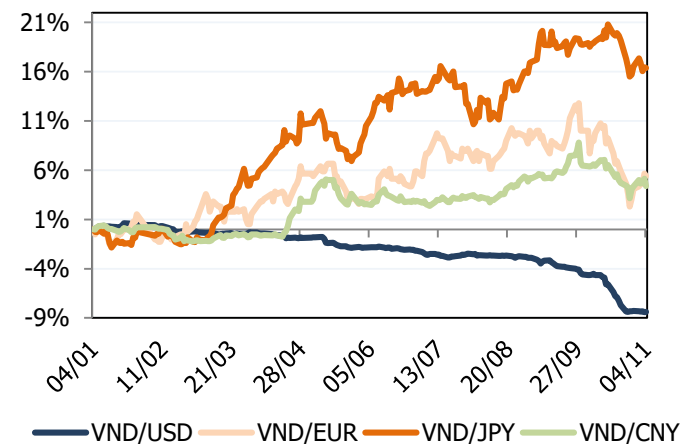
Source: SBV, MBS.

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 24,650bn of G-bonds this month with the winning yield climbing up compared to the previous month.

In October, the situation of G-bonds issuance improved significantly compared to September, only 2 tenors of 10Y and 15Y were successfully issued. In the VND 36,500bn proposed, there were VND 24,650bn of G-bonds successfully mobilized, at the rate of 68%. Up to now, the STV has only issued more than VND 139tn of G-bonds, currently only reaching one third of the 2022 plan of VND 400tn. In addition, the Bank for Social Policies offered VND 15bn worth of bonds with a term of 3Y and 5Y in the month, of which VND 6.8bn was mobilized at an interest rate of 4.5%-4.8%/year.

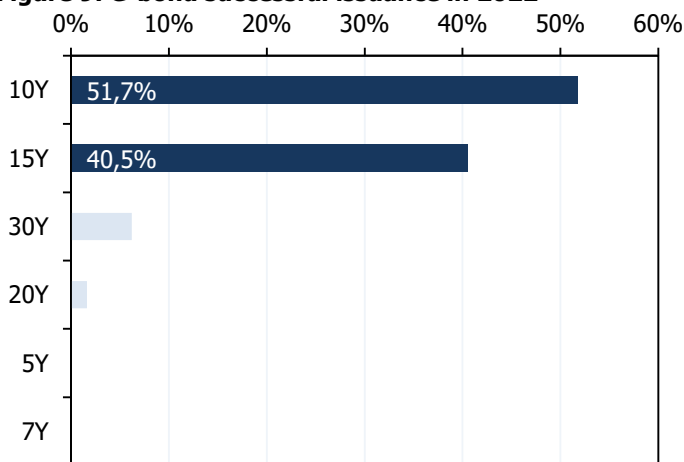
The winning yield of the bonds rose strongly compared to the end of September. The yield for 10Y and 15Y terms were 4%/year and 4.1%/year, both tenor up 50bps compared to the end of September. Bond yields are expected to continue to increase again in the coming time to attract more investment as the year-end approaches.

Figure 7. G-bond auction result in October 2022

| Tenor | Offering value | Winning value | Issuance rate | Yield |
|--------------|----------------|---------------|---------------|---------------------|
| 5Y | | | | |
| 7Y | | | | |
| 10Y | 18,500 | 14,600 | 79% | 3.3%- 4% |
| 15Y | 17,000 | 10,050 | 59% | 3.6%-4.1% |
| 20Y | 500 | 0 | 0% | 0.00% |
| 30Y | 500 | 0 | 0% | 0.00% |
| Total | 36,500 | 24,650 | 68% | Unit: VND bn |

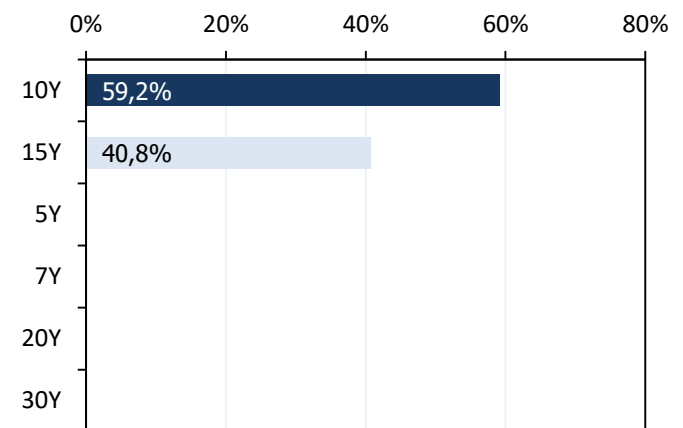
Source: HNX.

Figure 9. G-bond successful issuance in 2022



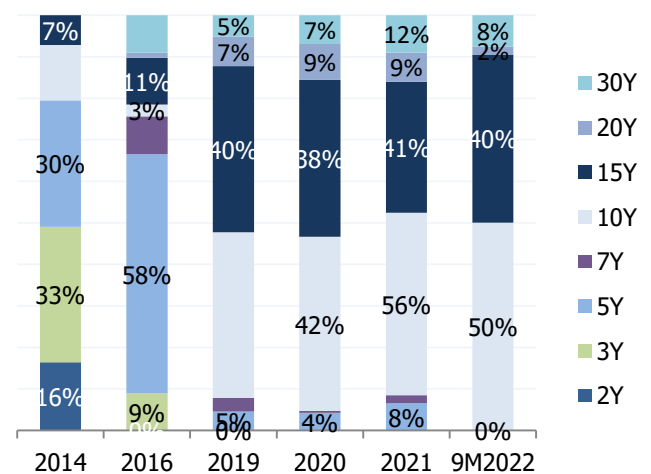
Source: HNX.

Figure 8. G-bond successful issuance October 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 | 72,072 | 51% |
| 15Y | 150,000 | 56,470 | 38% |
| 20Y | 30,000 | 2,265 | 8% |
| 30Y | 35,000 | 8,625 | 25% |
| Total | 400,000 | 139,432 | 35% |

Source: VST, HNX

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

| Market | Last closing | Last week* | *Bps changed compared to last closing | | 31/12/2021* |
|----------------|--------------|--------------|---------------------------------------|--|--------------|
| | | | Last month | | |
| U.S. | 4.05 | -19.46 | 21,9 | | 253.8 |
| EU | 2.14 | -18.80 | 3,4 | | 231.9 |
| Japan | 0.25 | -0.70 | 0,4 | | 17.7 |
| China | 2.65 | -7.20 | -10,2 | | -13.1 |
| South Korea | 4.23 | -29.30 | 14,5 | | 197.2 |
| India | 7.45 | -6.60 | 4,6 | | 99.1 |
| Malaysia | 4.37 | 437.20 | -3,5 | | 80.9 |
| Singapore | 3.44 | 343.90 | -5,9 | | 171.6 |
| Indonesia | 7.54 | -10.20 | 16,4 | | 115.5 |
| Philippines | 5.64 | -34.73 | 28,1 | | 329.0 |
| Thailand | 3.28 | 327.59 | -3,2 | | 131.6 |
| Vietnam | 4.95 | 10.00 | 18,3 | | 277.5 |

Source: Bloomberg.

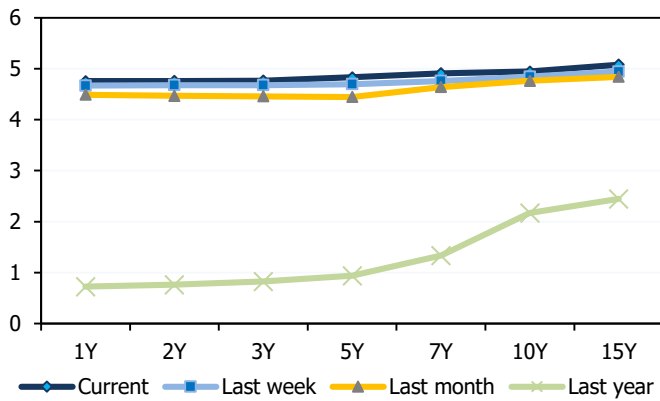
Secondary Market

G-bond yield rose during the month. Average transaction volume on the secondary G-bond market went down by 43%. Foreign investors net sold VND 777bn of G-bonds this month.

At the end of October, the 10Y yield was at 4.95%/year, up 18 bps compared to the previous month whereas the 2Y yield grew to 4.76%/year, up 29 bps. Since the beginning of the year, the 2Y yield has increased by 4%bps while the 10Y term yield has also increased by 3%bps.

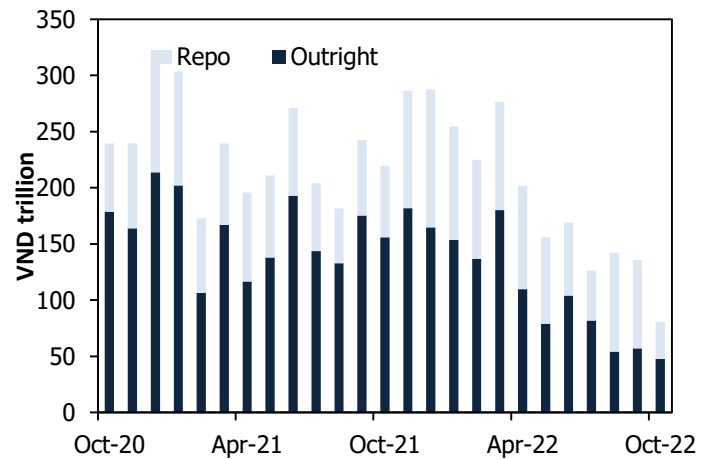
Transactions on the secondary government bond market improved compared to the previous month with daily average volumes of VND 3.8tn, down 43%. Of which, outright trading accounted for 59% of the volume this period and VND 47.5tn. Average transaction was VND 2.2tn/day, down by 20% from the previous month's average. Average repos trading volume increased by 60% compared to September, reaching VND 1.5tn/day. In October, foreign investors net sold G-bonds with an amount of VND 777bn. Overall, foreign investors have sold VND 6,136bn in 2022 and VND 5,904bn in the past 12 months.

Figure 13. Vietnam T-bond Yield (%)



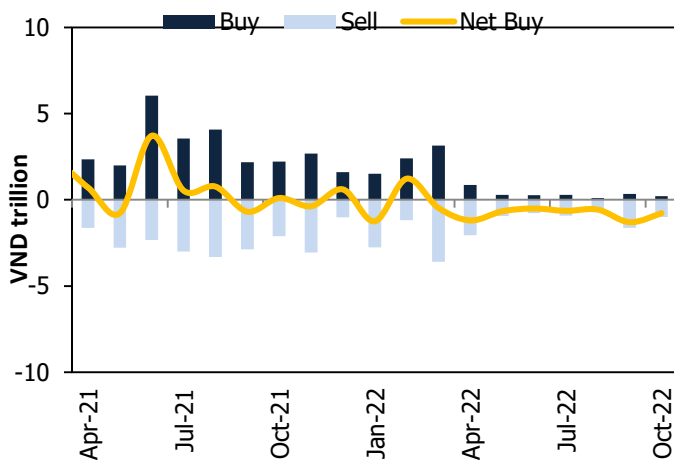
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



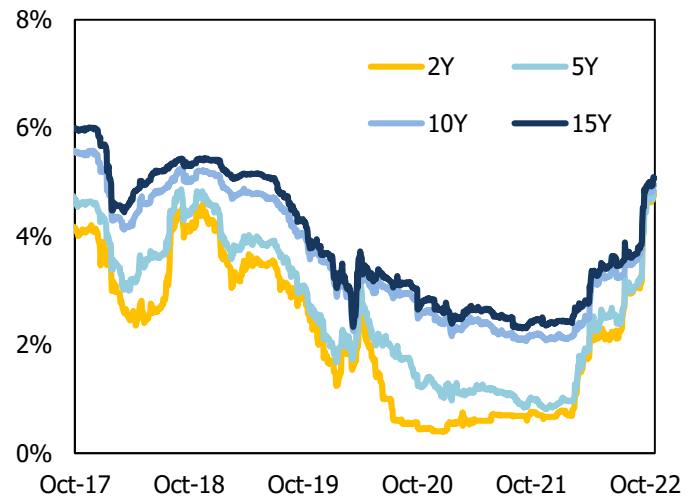
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



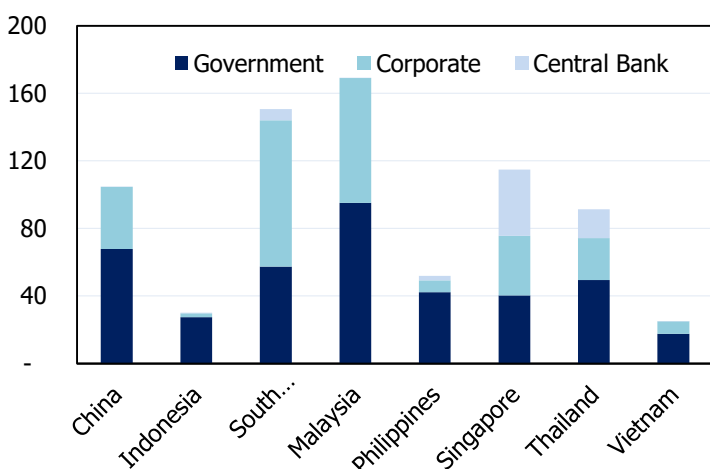
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



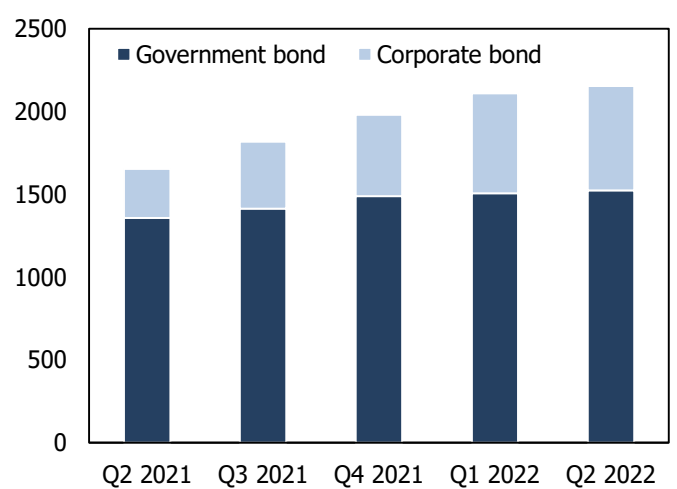
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

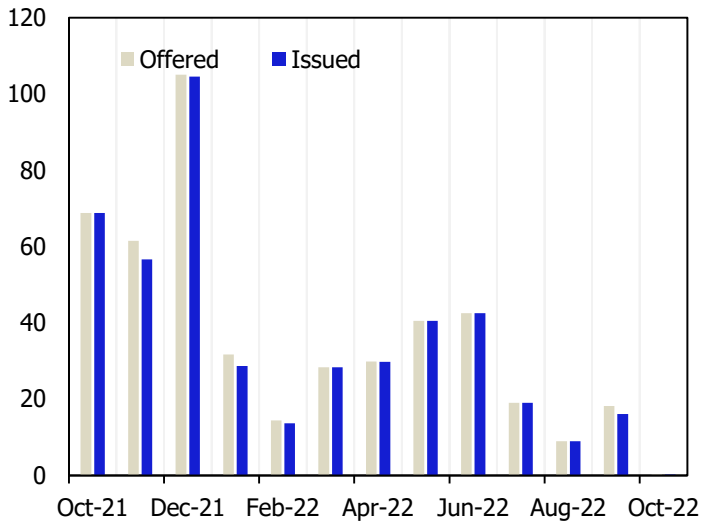


Source: ADB.

Corporate Bond Market

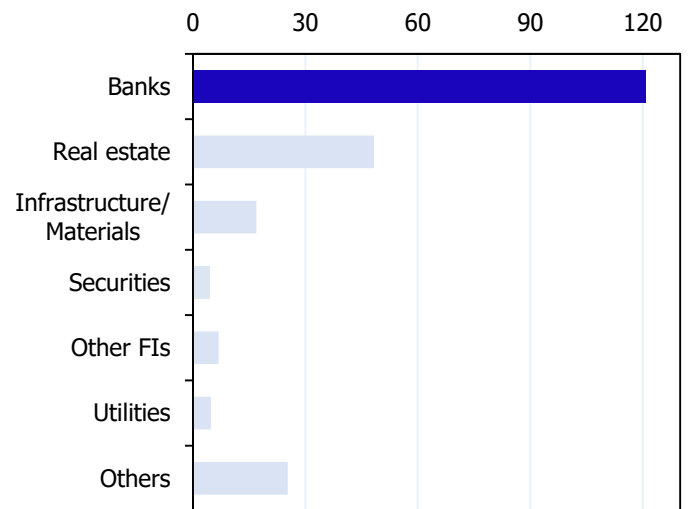
FiinPro data showed that in October, there was only one corporate bond issuance in the domestic market. Nui Phao Mining and Mineral Processing Co., Ltd issued a bond volume of VND 210 billion.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in October 2022

| Ticker | Issuer | Tenor (years) | Amount (VND tn) | Coupon rate (%/year) |
|--------|---|---------------|-----------------|----------------------|
| | CÔNG TY TNHH KHAI THÁC CHẾ BIẾN KHOÁNG SẢN NÚI PHÁO | 5 | 210 | 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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