

Deposit interest rates at banks have fallen for the 5th consecutive month

- System liquidity is abundant, the open market continues to generate no transactions during the month.
- Despite the Fed's decision to raise interest rates throughout the month, the domestic exchange rate increase slightly while the USD lost value relative to other currencies in the area.
- STV issued VND 28,837bn during the month with a substantial decline in yield with the highest successful issuance rate of the year.

MONEY MARKET

Liquidity is abundant, there were no transactions on the open market throughout the month.

In July, the interbank rate hit this year's low of 0.05% before bouncing back up. Currently, the overnight interest rate is trading at 0.1%/year, down by 17 bps compared to the end of June. Interest rates for other terms are also around 0.3%-1.5%/year, a decrease of about 65-131 bps comparing to the data at the end of June. With excess liquidity persisting, interbank interest rates are expected to remain low over the next few weeks.

The deposit interest rate of commercial banks has decreased for the 5th consecutive month. Currently, the group of state-owned banks has a current 12-month term interest rate of only 6.3%/year, while long terms deposit interest rates of other joint-stock commercial banks ranges from 6.1%-7%/year. The market no longer offers an interest rate of 8%/year for 12-month term. The decline in deposit interest rates will be the main driver of further reduction in lending interest rates.

SBV publicly announced that it has replenished foreign exchange reserves of about USD 6bn in the first half of 2023, raising foreign exchange reserves to about USD 93bn. This contributed to the circulation of a significant amount of VND and created excess liquidity in the market, refraining any further transactions in July on the open market.

Exchange rate still pose a risk to economy, in our view

The domestic exchange rate witnessed a slight increase during Jul while USD showed signs of a decline with some currencies in the region. Compared to the end of June, the VND/USD exchange rate on the free market surged by VND 145 per USD and is currently trading at 23,750 VND/USD. The central and interest rates were respectively traded at VND 23,825 per USD, up VND 25 per USD and VND 23,776 per USD, up VND 84 per USD.

The USD index weakened to the 15-month low of 99.5 in the first half of Jul following the FED's probability of ending the hiking cycles. However, the index bounced back since mid-Jul to current 102.1 as strong economic data push against dovish policy narrative. The better-than-expected U.S. economic data continued to dampen investors' expectations for relatively dovish monetary policy from the Federal Reserve. Fed Governor said that additional interest rate hikes will likely be needed to lower inflation to the U.S. central bank's 2% target.

Chief of Economics

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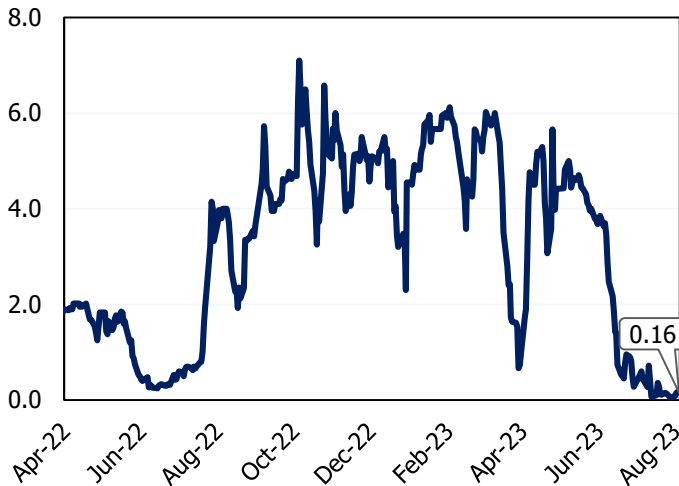
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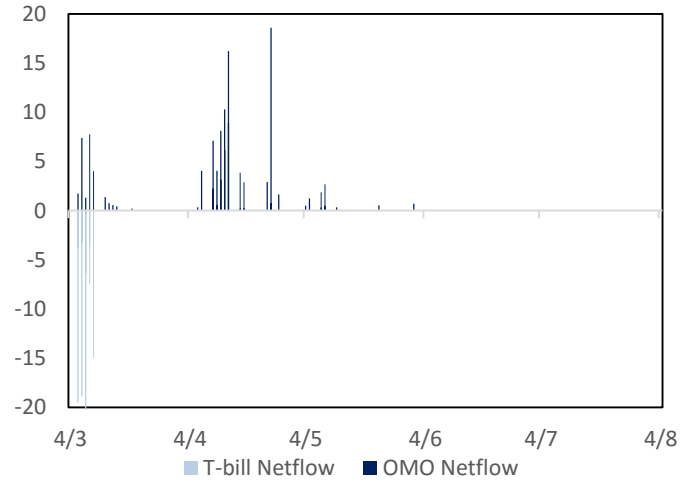
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Figure 1. Interbank overnight lending rate (%)



Source: Bloomberg, MBS Research

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



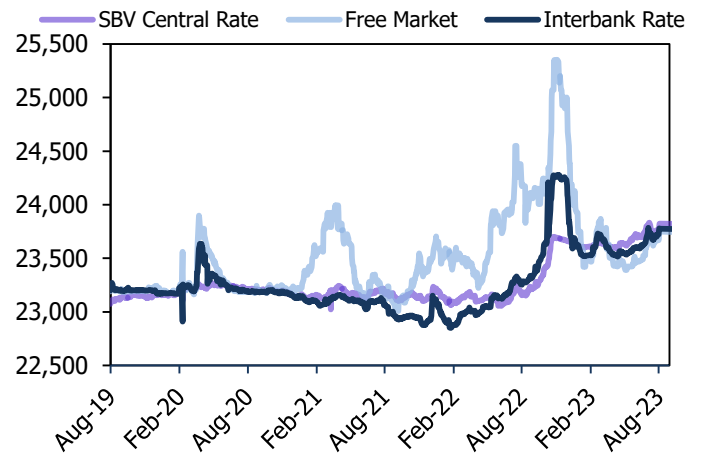
Source: SBV, MBS Research

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/04	4.4	4.4	4.6	5.0
31/05	3.6	3.8	4.0	4.3
30/06	0.3	1.0	1.5	2.8
04/08	0.16	0.3	0.5	1.5

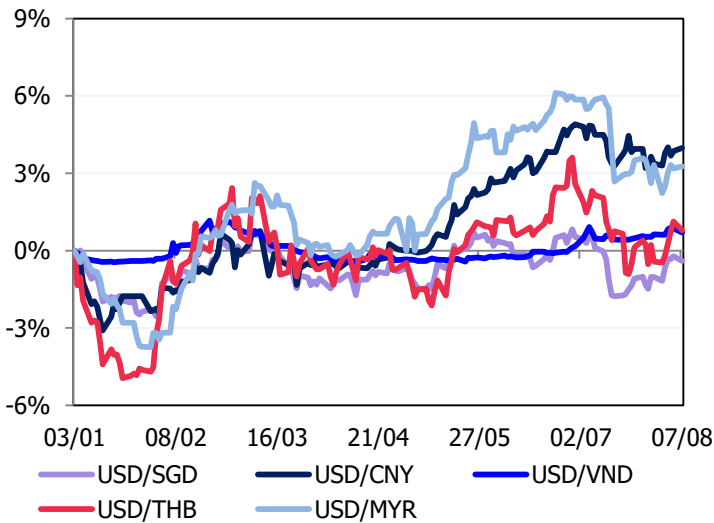
Source: Bloomberg, MBS Research

Figure 4. USD/VND exchange rate



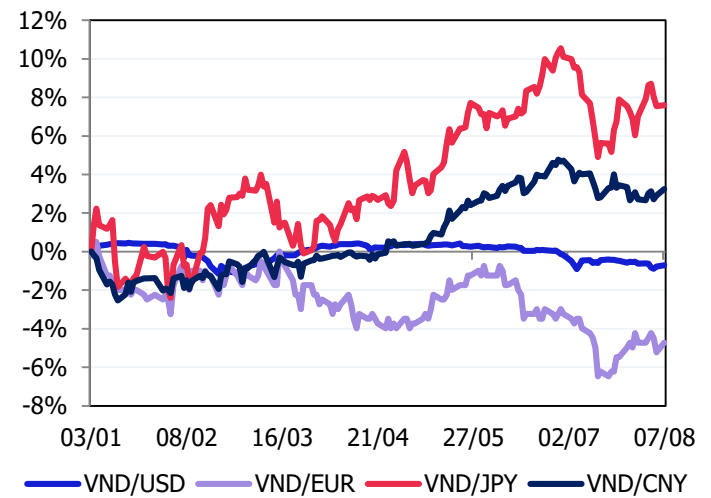
Source: SBV, Bloomberg, MBS Research.

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 28,837bn of G-bonds this month with the winning yield continuing to fall compared to the previous month.

In July, G-bonds issuance situation has improved compared to the previous month, especially the two tenors 15Y and 30Y successfully issued the entire volume of G-bonds calling for bidding. The amount of G-bonds successfully issued by STV reached VND 30,500bn out of a total of VND 28,837bn proposed, at the rate of 95%. In addition, Vietnam Bank for Social Policies (VBSP) offered VND 5,000bn of G-bonds with maturities from 3Y to 15Y in the month, of which VND 4,450bn was mobilized at the interest rate of 2.3%-3%.

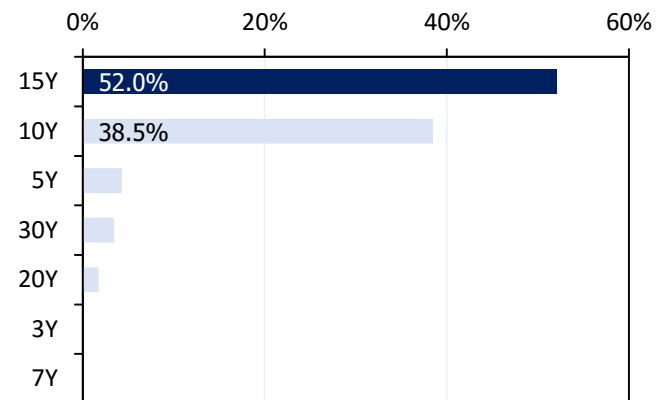
STV has set out a plan to issue G-bonds in Q3 of 2023 at VND 110,000bn (including the issuance volume for Vietnam Social Insurance), of which 10Y and 15Y terms are expected to have the largest issuance volume, respectively at VND 35,000 and VND 48,000. Winning yields of G-bonds significantly decreased during the month. The yield for 10Y and 15Y terms were 2.4%/year and 2.6%/year, respectively, down 5-10 bps compared to the end of June. The 5Y term yield fell by 20 bps to 1.8%/year.

Figure 7. G-bond auction result in July 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	2,250	1,239	55%	1.8%-2.3%
7Y				
10Y	11,750	11,098	94%	2.4%-2.7%
15Y	15,000	15,000	100%	2.6%-3.0%
20Y	500	500		2.75%
30Y	1,000	1,000	100%	3.1%-3.2%
Total	30,500	28,837	95%	Unit: VND bn

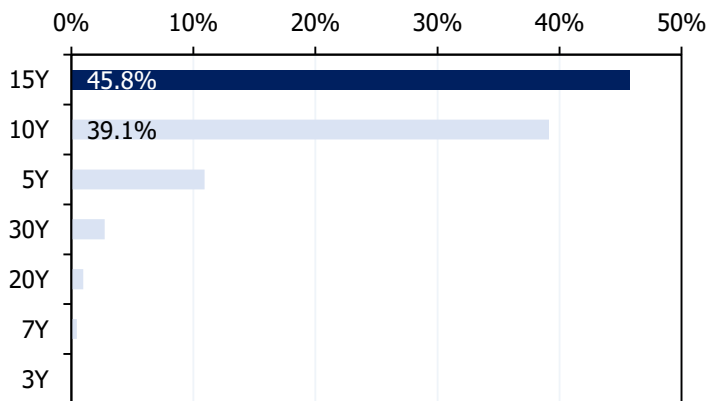
Source: HNX, MBS Research

Figure 8. G-bond successful issuance July 2023



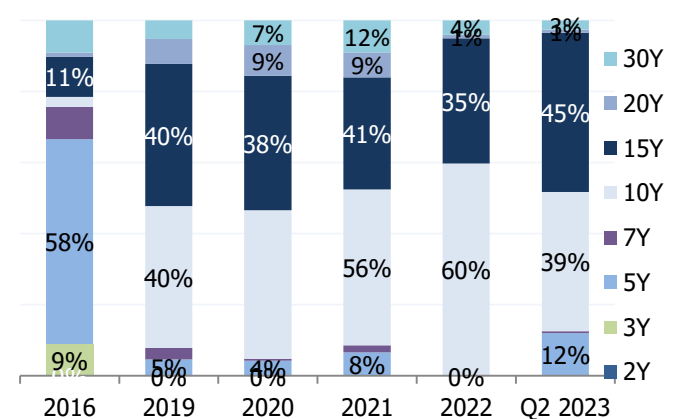
Source: HNX, MBS Research

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	22,788	65%
7Y	5,000	950	19%
10Y	125,000	81,697	65%
15Y	165,000	95,553	58%
20Y	20,000	2,049	10%
30Y	20,000	5,692	28%
Total	400,000	208,729	52%

Figure 12. 10Y G-bond yields (%) in selected countries (As at 31/07/2023).

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	4.03	7.50	19.7	15.9
EU	2.56	6.98	16.9	-1.0
Japan	0.65	3.70	24.8	22.7
China	2.66	-0.42	1.7	-18.1
South Korea	3.87	10.90	21.3	13.9
India	7.19	1.44	7.3	-13.9
Malaysia	3.87	3.20	1.4	-20.0
Singapore	3.08	3.23	1.9	0.9
Indonesia	6.35	9.55	8.5	-59.4
Philippines	5.03	16.58	16.4	18.4
Thailand	2.64	2.75	4.8	0.9
Vietnam	2.42	0.10	-22.1	-237.8

Note: (*) bps changed compared to last closing

Source: Bloomberg, MBS Research

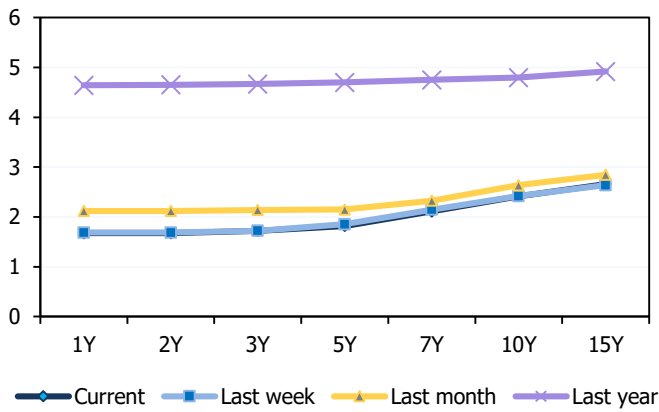
Secondary Market

Secondary G-bond yields decreased during the month. Average transaction volume on the secondary G-bonds market went down by 26% MoM with the proportion of outright transactions increasing gradually. Foreign investors net purchased of VND 547bn of G-bonds this month.

At the end of Jul, the 10Y yield was at 2.42%/year, down 22 bps compared to the previous month and the 2Y yield fell to 1.68%/year, down 45 bps. The current secondary yield has fallen to the level of the same period last year. Domestic bond yields fluctuate contrary to the trend of other countries due to the support of reducing the government's key interest rates.

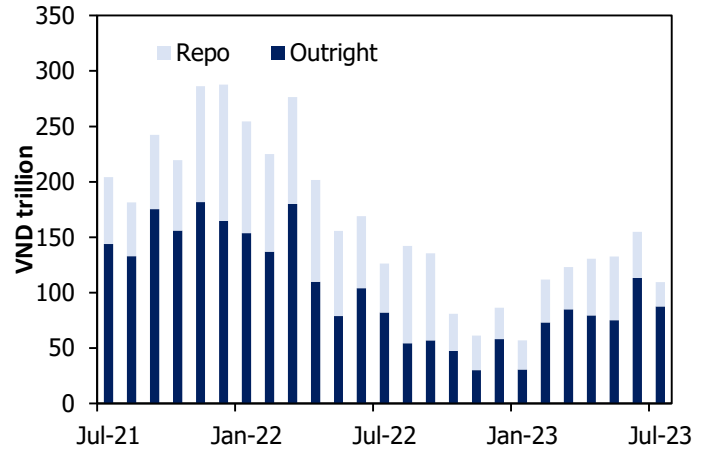
The volume of G-bonds transactions in the secondary market reached VND 5.2tn daily average, down 26% from the previous month. Of which, outright trading accounted for 80% of the volume this month and nearly VND 87tn. Average transaction was VND 4.1tn/day, down 19% from the previous month's average. Average repos trading volume decreased by 44% compared to June, reaching VND 1tn/day. In Jul, foreign investors net purchased G-bonds with an amount of VND 547bn. Overall, foreign investors net sold a total of VND 4,516bn of G-bonds in 2023 and VND 8,539bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



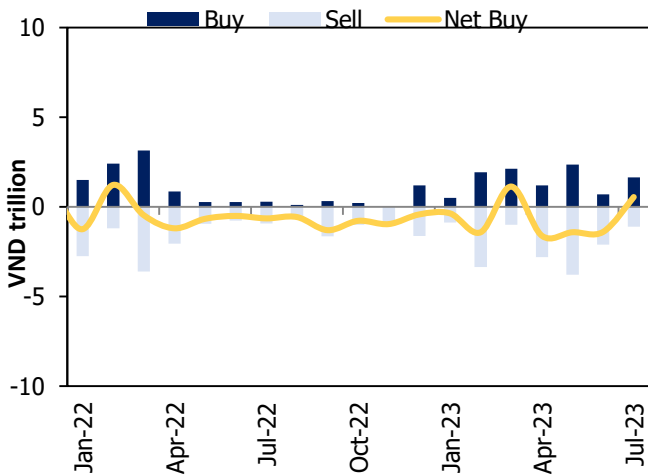
Source: Bloomberg, MBS Research

Figure 14. Outright and Repo transaction volume



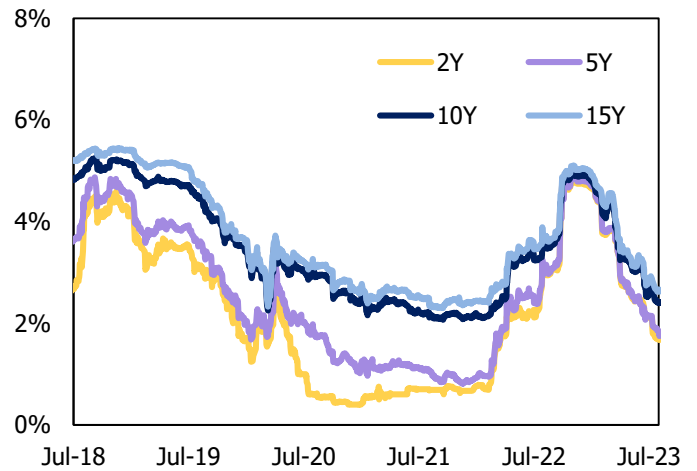
Source: HNX, MBS Research

Figure 15. Foreign investors' activity in secondary market



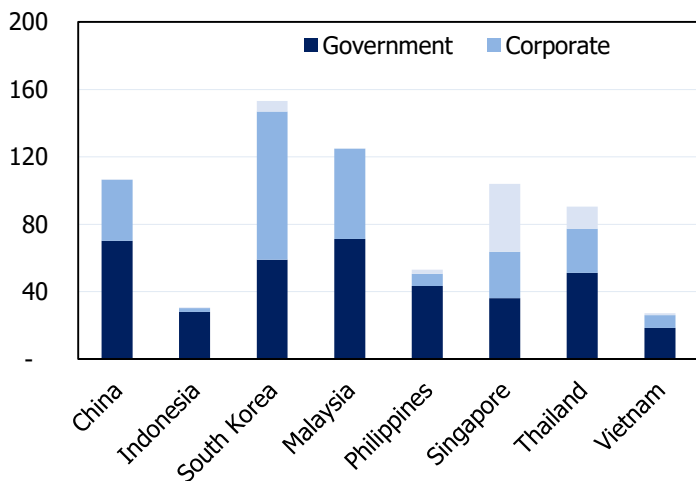
Source: HNX, MBS Research

Figure 16. G-bond yield curve – Secondary Market



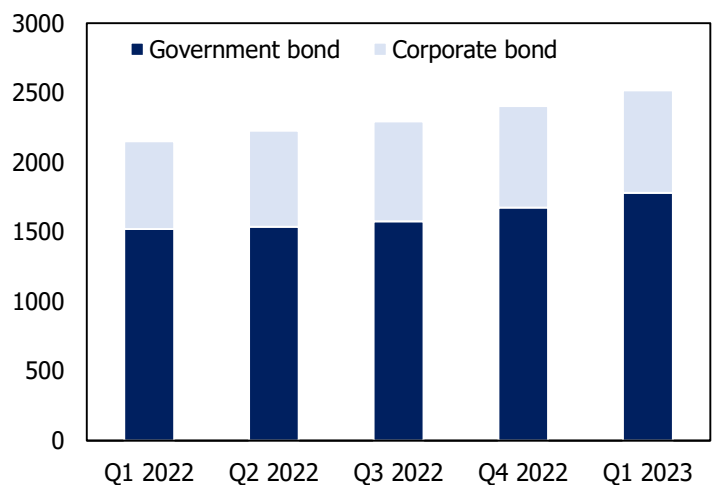
Source: Bloomberg, MBS Research

Figure 17. Size of bond markets (%GDP Q1 2023)



Source: ADB, MBS Research

Figure 18. Vietnam bond market size (VND tn)



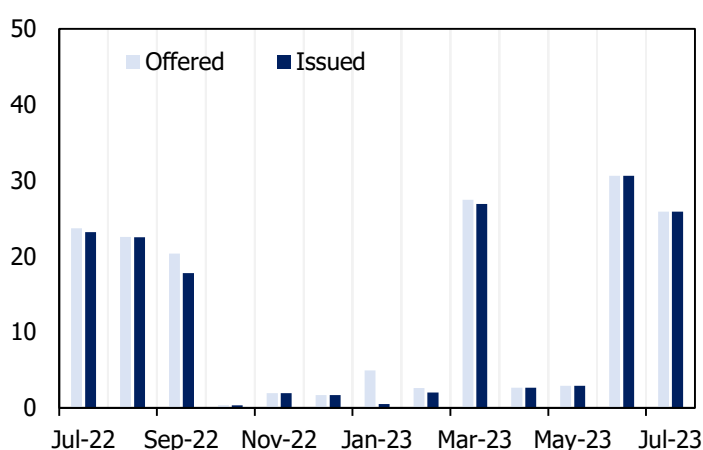
Source: ADB, MBS Research

COPRORATE BOND MARKET

In July, approximately VND 25.880bn of corporate bonds were issued in the domestic market. Of which, Vietnam Technological and Commercial Joint-stock Bank issued bonds with largest volume of VND 6,700bn with the coupon rate of 6%-9.4%/year. In addition, Vinfast Trading and Production Joint-stock Company issued bonds with the highest coupon rate of 14.4%/year. The banking sector continued to account for the largest issuance proportion reaching VND 14.4tn, accounting for more than 55% of the issuance in the month.

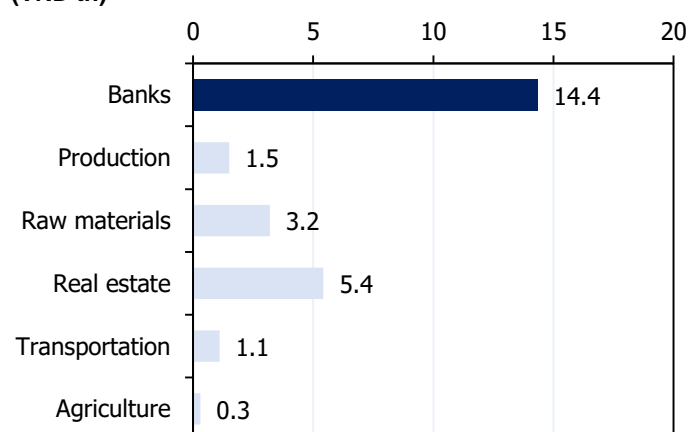
The total value of callable bonds that were bought back before maturity in July was about VND 19,469bn from the issuance of 31 companies. In which, the banking sector accounted for the largest proportion of bond repurchases, reaching about VND 16tn, accounting for 82%, followed by the real estate sector ranked second with a total value of more than VND 1,000bn. From the beginning of the year, the total value of callable bonds is approximately VND 135,661bn.

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



Source: HNX, FiinPro, MBS Research

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



Source: HNX, FiinPro, MBS Research

Figure 21. Top issuers in July 2023

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
TCB	Ngân hàng Thương mại Cổ phần Kỹ thương Việt Nam	2-3	6,700	6.0%-9.4%
	Công Ty TNHH Capitaland Tower	5	5,000	1.0%
	Công Ty TNHH Khai Thác Chế Biến Khoáng Sản Núi Pháo	5	3,200	9.0%
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	3,000	7.5%
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8-15	2,500	7.5%
	Công ty Cổ phần Sản xuất và Kinh doanh Vinfast	1.5	1,500	14.4%
VJC	Công ty Cổ phần Hàng không Vietjet	5	1,100	12.0%
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	1,000	7.5%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	7-15	655	7.6%
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	7	500	N/A
BAF	Công ty Cổ phần Nông nghiệp BAF Việt Nam	3	300	10.5%
	Công ty TNHH Khu đô thị mới Trung Minh	5	300	12.5%
	Công ty Cổ phần Tập đoàn TASECO	2	125	12.0%

Source: HNX, FiinPro, MBS Research

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