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Interbank interest rates cooled down in October after SBV stopped to the issuing bills and injecting large amounts of money in the open market. The VND/USD exchange increased sharply after the SBV widens spot exchange rate band of USD/VND to 5%. STV issued VND 10,150bn of G-bonds in the period with a slight increase in winning yield. The yield of secondary G-bonds increased sharply at tenors compared to the previous month. Foreign investors net sold more than VND 678bn of G-bonds in the period.

Money Market

Interbank interest rates cooled down because liquidity in the banking system was less tense. SBV has injected more than VND 130tn through the open market channel and is due mainly in October.

In the first half of October, SBV continued to inject VND 131,145.41bn into the banking system through the purchase of 7-28 days with the interest rate of 5%-6.9%/year. In the past few sessions, the SBV did not use the interest rate bidding method on OMO but switched to fixing the interest rate at 5%. Meanwhile, SBV also stopped issuing bills to attract money; while VND 45,399.3bn of T-bills issued last month were due this month.

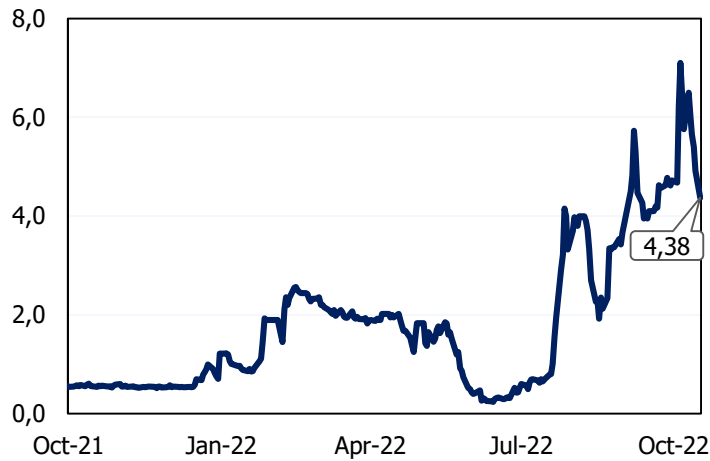
Liquidity in the system eased mainly thanks to the continuous net injection of money by the SBV, which caused interbank interest rates to drop sharply in a few sessions. A Bloomberg survey shows that overnight interbank rates are trading at 4.38%/year, down sharply from the peak of 7.1%/year of last week. Interest rates for other terms are also around 5.1%-5.92%/year, down more than 100 bps compared to last week. In addition, deposit interest rates at commercial banks since the beginning of October have recorded a very strong upward trend. Currently, the highest 12-month savings interest rate is over 8%/year, the interest rate is expected to increase slightly in the near future because the demand for loans at the end of the year is usually high.

USD/VND exchange rate still tends to increase.

The SBV has officially adjusted the spot exchange rate band between VND and USD from +/-3% to +/-5%. At the same time, SBV continued to increase the selling price of USD for the 5th time with an increase of 455 VND, from 23,925 VND to 24,380 VND. Exchange rate movements were volatile when commercial banks had to buy USD for spot at a higher price, and at the same time due to liquidity support from SBV. Compared to the end of September, the VND/USD exchange rate on the free market increased by 320 VND and is currently traded at VND 24,470 per USD. The central and interbank rates traded at VND 23,586 per USD respectively, up 186 VND and VND 23,953 per USD, up 323 VND.

The USD Index is currently at 112.04. The dollar continued to climb higher after the British Prime Minister fired the finance minister and removed parts of his policy. Meanwhile, the US Secretary of the Treasury did not show any coordinated action on exchange rate intervention. This causes other countries to find ways to mitigate the impact of a stronger dollar. In particular, a number of emerging economies had to raise interest rates to protect the local currency, even if this move slowed growth significantly. The latest US inflation data showed September CPI rose 8.2%, the metric bolstered expectations of another strong interest rate hike at the next FOMC meeting in early November to counter the inflation threat

Figure 1. Interbank overnight lending rate (%)



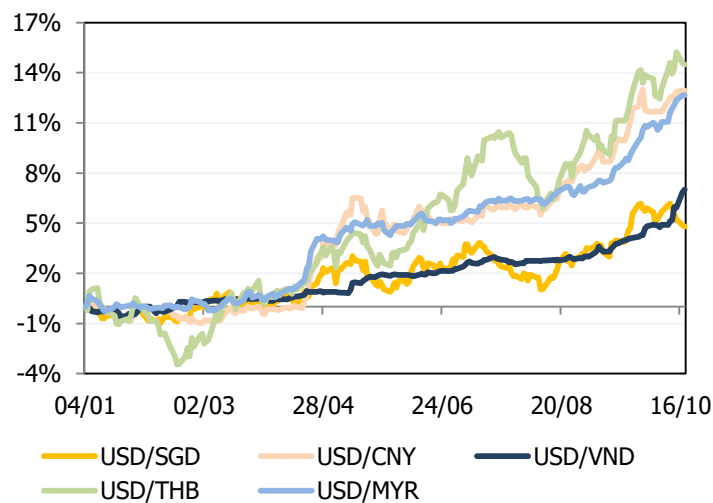
Source: Bloomberg.

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
17/10	4.38	5.10	5.50	5.92

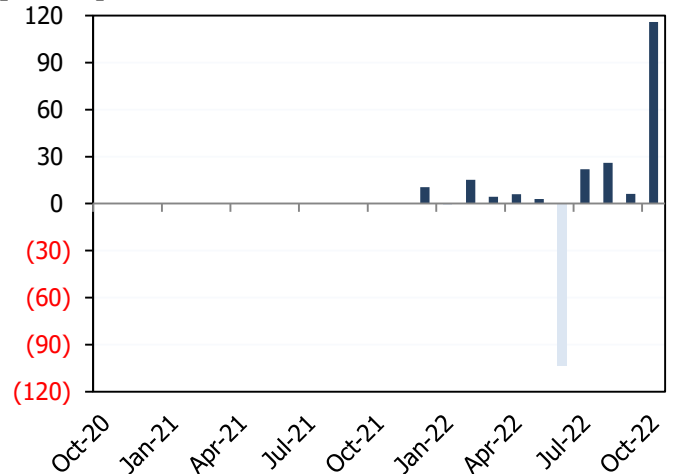
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



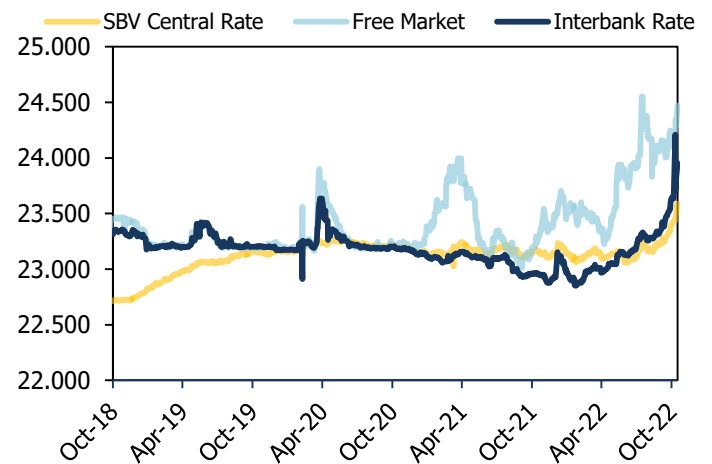
Source: Bloomberg.

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



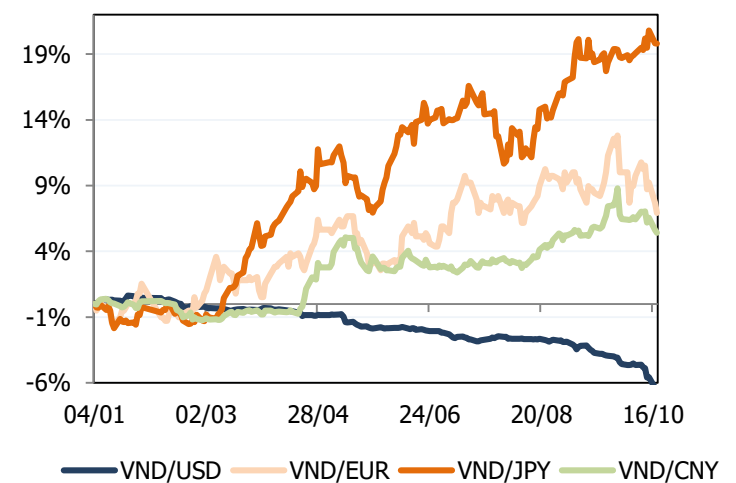
Source: SBV, MBS.

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 10,150bn of G-bonds during the period, with a strong increase in winning bid.

In the first half of October, the government bond trading volume increased sharply compared to September, the successful issuance volume was still concentrated in two main tenors 10N and 15N. Of the VND 19,000bn of bonds offered for sale, VND 10,150bn was mobilized, a rate of 53%. Successful issuance doubles the previous month's volume of 5,135. Since the beginning of the year, STV has only issued a total of VND 124,932bn of G-bonds, the bond issuance speed of STV is quite slow when it only reached 31% of the plan.

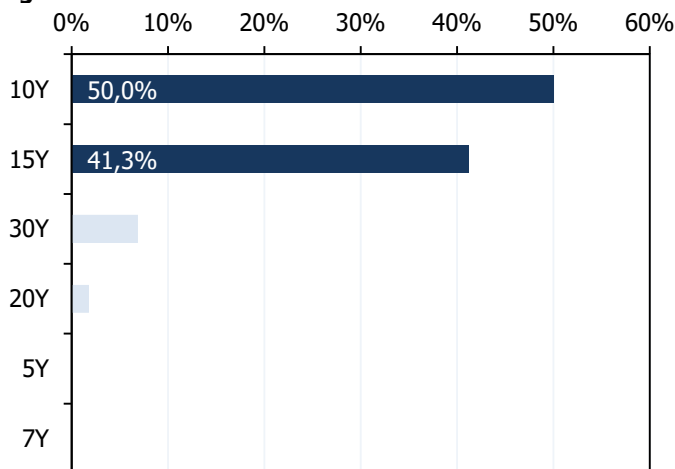
Winning yields of bonds increased sharply compared to the previous period. Yields for 10Y and 15Y tenor were 3.5%/year and 3.8%/year respectively, both terms increased by 50 bps compared to the end of last month. Although the subscription value exceeded the bid value, very few bonds were raised successfully. The low issuance rate is expected to push the STV to raise the winning yield of bonds to attract investors in the next offering sessions.

Figure 7. G-bond auction result in October 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,000	0	0%	0.00%
7Y	2,000	0	0%	0.00%
10Y	7,000	5,000	71%	3.3%- 3.5%
15Y	7,000	5,150	74%	3.6%-3.8%
20Y	500	0	0%	0.00%
30Y	500	0	0%	0.00%
Total	19,000	10,150	53%	Unit: VND bn

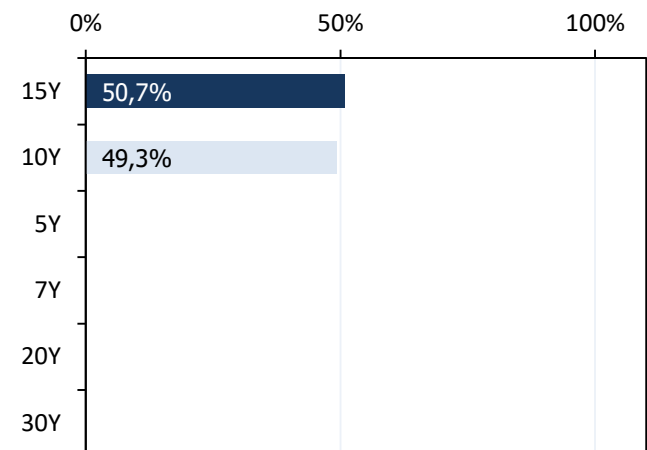
Source: HNX.

Figure 9. G-bond successful issuance in 2022



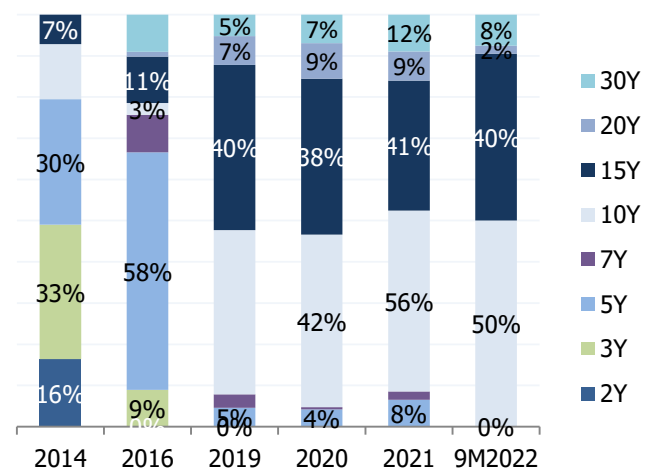
Source: HNX.

Figure 8. G-bond successful issuance October 2022



Source: HNX.

Figure 10. G-bond successful issuance since 2012



Source: HNX.

Figure 11. Government bond issuance 2022

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	62,472	45%
15Y	150,000	51,570	34%
20Y	30,000	2,265	8%
30Y	35,000	8,625	25%
Total	400,000	124,932	31%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/10/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	4.02	13.70	19,0	250.8
EU	2.35	15.20	23,8	252.3
Japan	0.25	-0.10	0,7	18.0
China	2.70	-4.80	-4,8	-7.7
South Korea	4.18	-3.00	9,8	192.5
India	7.47	1.20	6,8	101.3
Malaysia	4.46	12.40	4,9	89.3
Singapore	3.49	8.99	-0,3	177.1
Indonesia	7.38	13.00	0,6	99.7
Philippines	5.68	24.01	32,4	333.2
Thailand	3.28	10.55	-3,2	131.6
Vietnam	4.93	3.60	16,3	275.5

Source: Bloomberg.

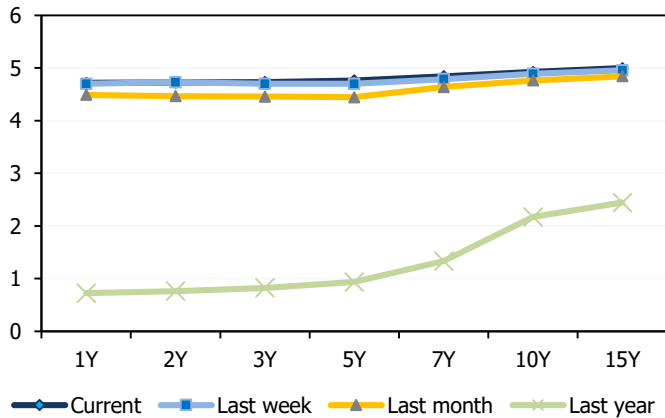
Secondary Market

Secondary G-bonds yields increased sharply at long terms. The average trading volume on the secondary government bond market decreased by 33% compared to the previous month. In the first half of October, foreign investors continued their net selling of VND 678bn of G-bonds

In mid-October, the 10Y yield was at 4.93%/year, up 16 bps from the previous month while the 2Y yield was up at 4.72%/year, up 26 bps. In the first half of October, 10Y tenor of G-bonds yields of many countries continued to increase.

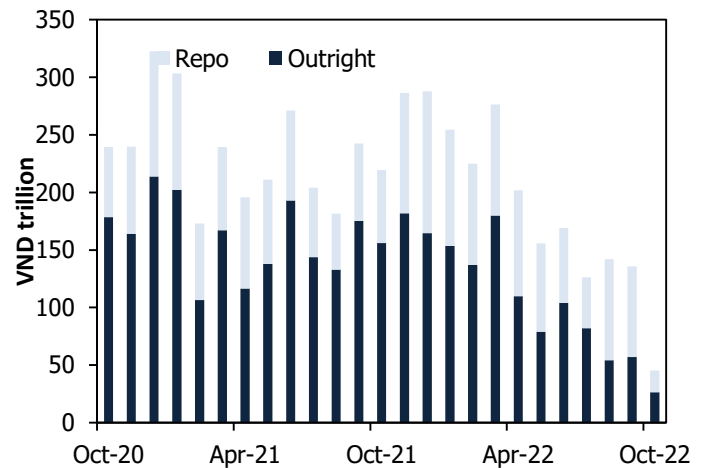
Trading in the secondary G-bonds market was more exciting when the average daily trading volume reached VND 4.5tn, down 33% from the previous month. In which, outright transactions accounted for 58% of the volume in the period with VND 26tn. Average transaction is VND 2.6tn/day, down 7% compared to last month's average. The average repos transaction volume decreased by 51% compared to September, reaching VND 1.9tn/day. Foreign investors net sold VND 678bn of government bonds in the period. In total, foreign investors net sold a total of VND 6,036bn of G-bonds in 2022 and net sold VND 5,805bn of government bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



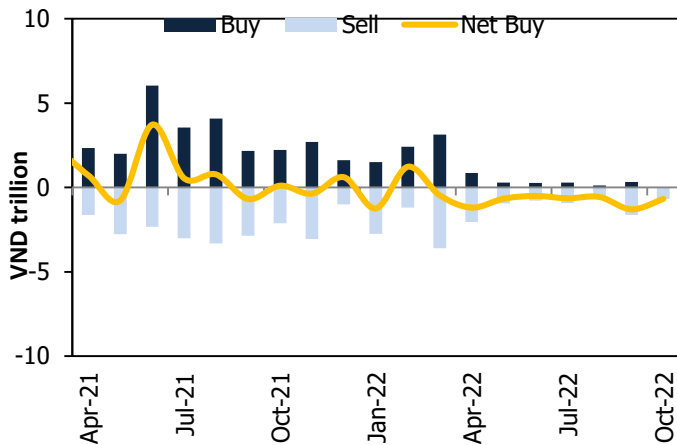
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



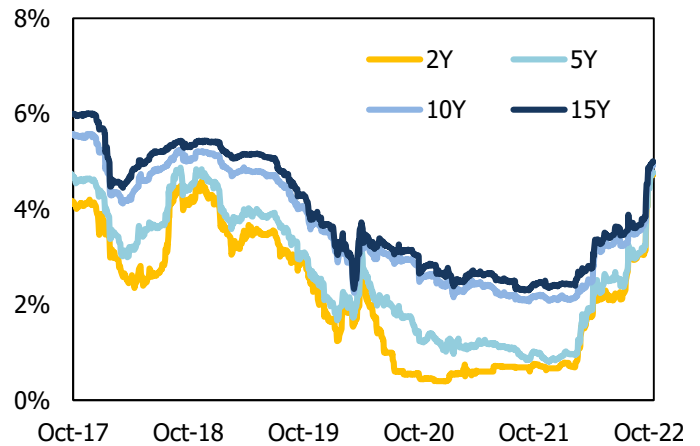
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



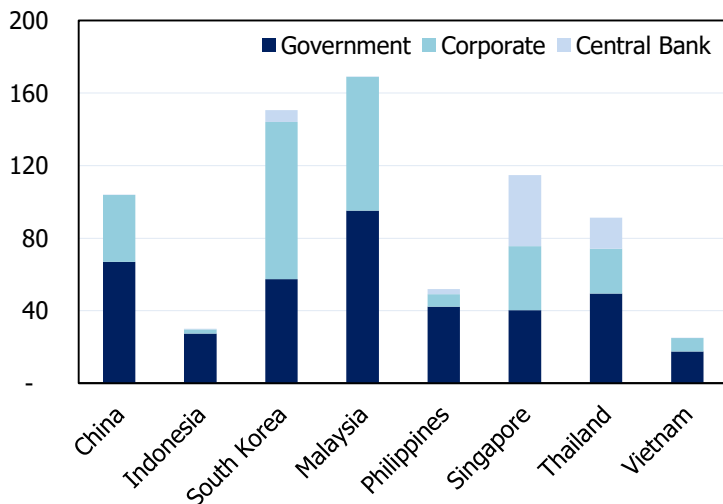
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



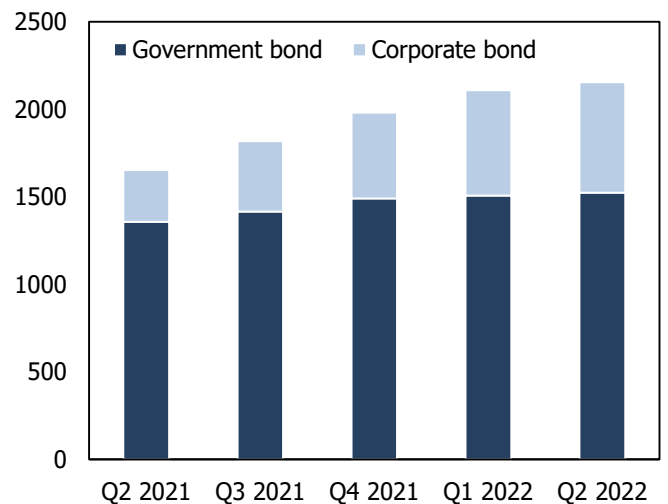
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

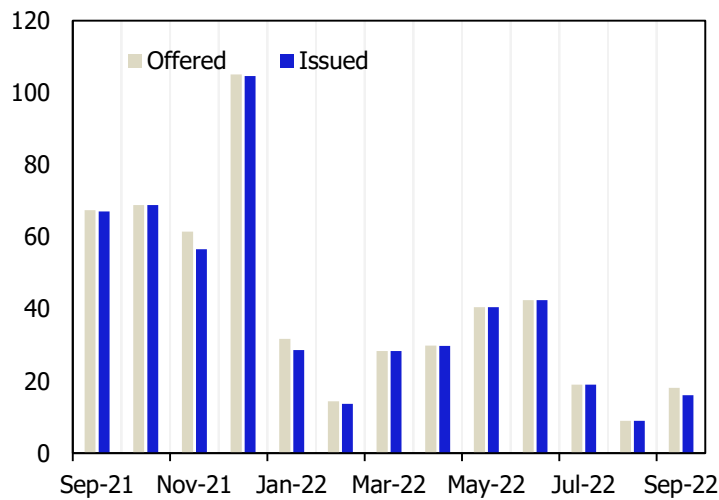


Source: ADB.

Corporate Bond Market

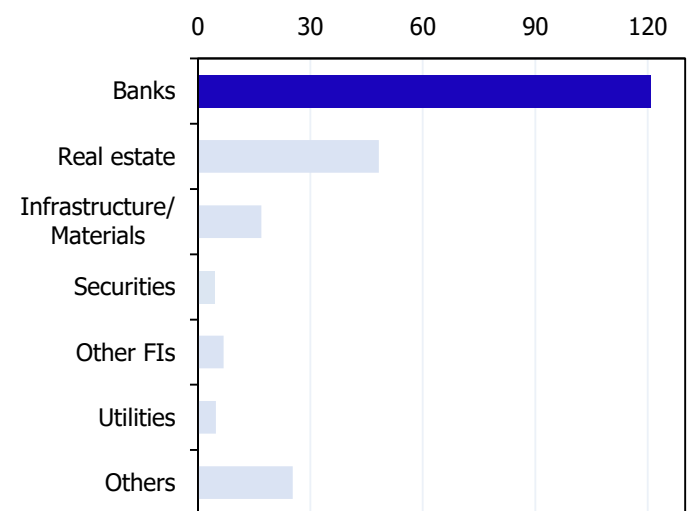
According to aggregated data from FiinPro and HNX, no corporate bond issuance has been recorded in October 2022. In September, the Government issued Decree 65/2022/ND-CP amending and supplementing Decree 153 on private placement of bonds (referred to as Decree 65). In particular, the additional Decree stipulates that issuers must obtain credit rating results in some specific cases in accordance with the Law on Securities. It is expected that the private corporate bond issue area will be increasingly narrowed, shifting completely to the area of issuance to the public. That's also where credit ratings come into play.

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.

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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