

Interest rates declined, US dollar went up

- Interbank interest rates fell sharply following the decision of the SBV to reduce the key interest rates.
- The VND/USD exchange rate fluctuates in opposite directions in a small range meanwhile US dollar went up after debt-ceiling optimism
- STV issued VND 23,269bn during the month with winning yields falling for the 3rd consecutive month

MONEY MARKET

SBV injected only 558bn VND in the last 2 weeks of May

In the second half of May, SBV injected only VND 558bn to support the banking system with an interest rate of 4.5%-5%/year, tenor of 7-28 days. Total maturity from this period reached VND 36,411bn, bringing the amount of OMO in circulation to VND 1,650bn. On the other hand, about VND 85,700bn of 91-day T-bills has matured, helping to push a large amount of money back into the banking system and thereby making it more abundant.

Abundant liquidity has supported the SBV to have room to further reduce interest rates. The SBV has decided to reduce the key policy rates, with the adjustments taking effect on May 25, 2023, specifically as follows: The overnight interest rate for the inter-bank electronic payments and the interest rate applied to loans to finance short-term balances in the clearing transactions between the SBV and the credit institutions is lowered from 6.0% p.a. to 5.5% p.a.; the refinancing rate is reduced from 5.5% p.a. to 5.0% p.a. Furthermore, the maximum VND mobilization interest rate for time deposits of 1-month to below 6-month terms decreases from 5.5% p.a. to 5.0% p.a.; the maximum VND mobilization interest rate for short-term loans in VND applied to the People's Credit Funds and the Micro Finance Institutions is cut down from 6.0% p.a. to 5.5% p.a.

The overnight interbank rates are trading at 3.6%/year, down by 73 bps compared to the end of last month. Interest rates for other terms are also around 3.84%-4.3%/year, a decrease of about 59-72 bps compared to the end of April. Commercial banks started reducing both deposit and lending rates, with a decrease of 0.2-0.6 percentage points after the SBV's decision.

VND/USD exchange rate fluctuated in opposite directions

The SBV has changed its bid price for USD since last Dec last year. According to SBV, from May 18, the purchase price of USD has decreased by 50 per VND, from 23,450 VND/USD to 23,400 VND/USD. Compared to the end of Apr, the VND/USD exchange rate on the free market went down by 20 per USD and is currently trading at 23,470 VND/USD. The central and interbank rates were respectively traded at VND 23,722 per USD, up 75 per USD and VND 23,601 per USD, up 53 per USD.

The USD Index is staying at 103.5. The dollar strengthened during the month as it was affected by negotiations on raising the US debt ceiling limit, hurting investors' risk-taking sentiment, causing them to look to the dollar as a safe-haven asset. However, the dollar has shown signs of weakness in recent sessions following the announcement that Philadelphia Fed President Patrick Harker said that the central bank should not raise interest rates at its next meeting in Jun, despite high inflation is decreasing at a slow rate.

Chief of Economics

Tuan Hoang Cong

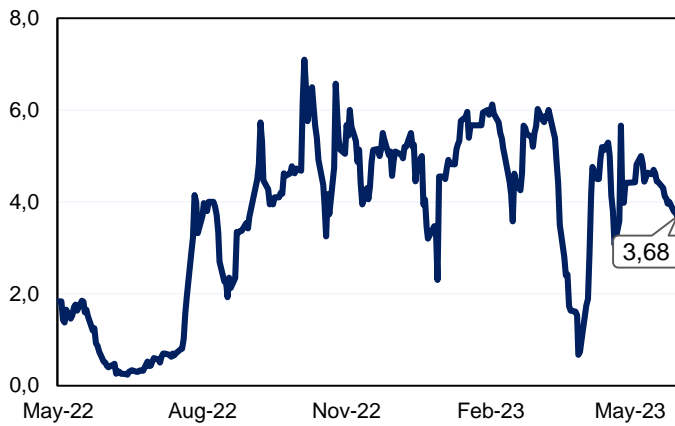
Tuan.hoangcong@mbs.com.vn

Analyst

Anh Le

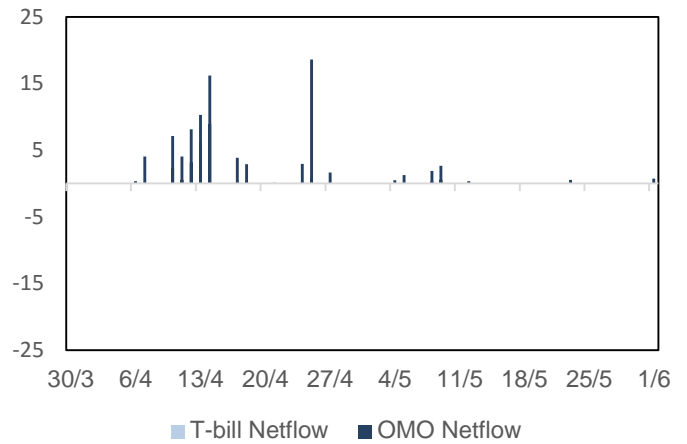
Anh.leminh@mbs.com.vn

Figure 1. Interbank overnight lending rate (%)



Source: SBV, MBS Research

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



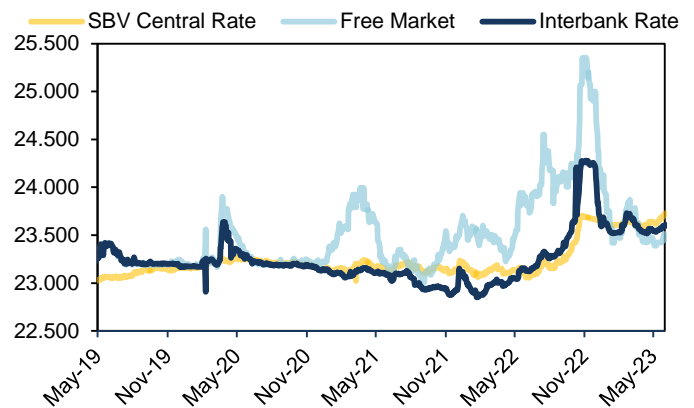
Source: SBV, MBS Research

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
28/02	5.2	5.8	6.1	6.7
31/03	1.0	1.8	2.4	4.0
30/04	4.4	4.4	4.6	5.0
31/05	3.6	3.8	4.0	4.3

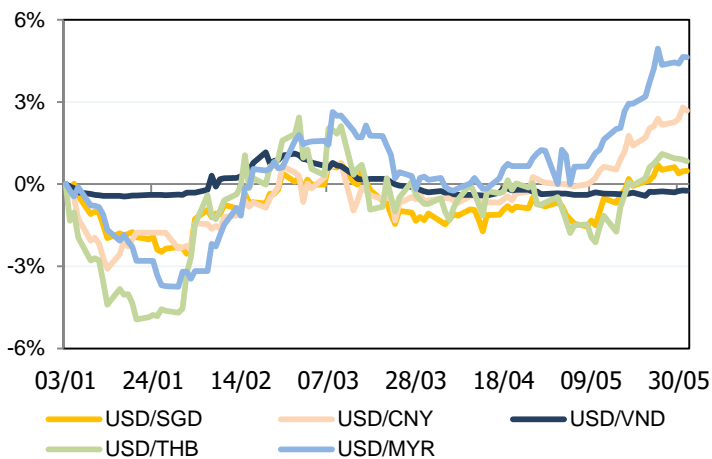
Source: SBV, MBS Research

Figure 4. USD/VND exchange rate



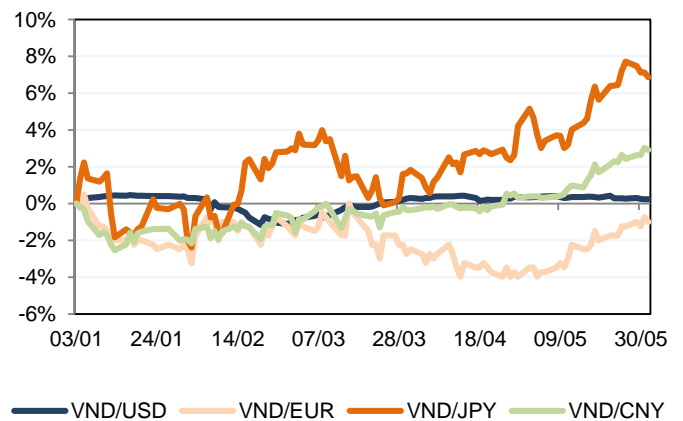
Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2023



Source: SBV, MBS Research

Figure 6. VND compared to major currencies in 2023



Source: SBV, MBS Research

GOVERNMENT BOND MARKET

Primary market

STV successfully issued VND 23,269bn of G-bonds this month with the winning yield decreasing continuously for 3 months.

In May, STV reduced the volume of calling for G-bonds, but the winning rate was quite high. The amount of G-bonds successfully issued by STV reached VND 23,269bn out of a total of VND 31,000bn proposed, at the rate of 75%. Thus, since the beginning of the year, STV has issued a total of VND 162,952bn of G-bonds, completing 41% of the year plan.

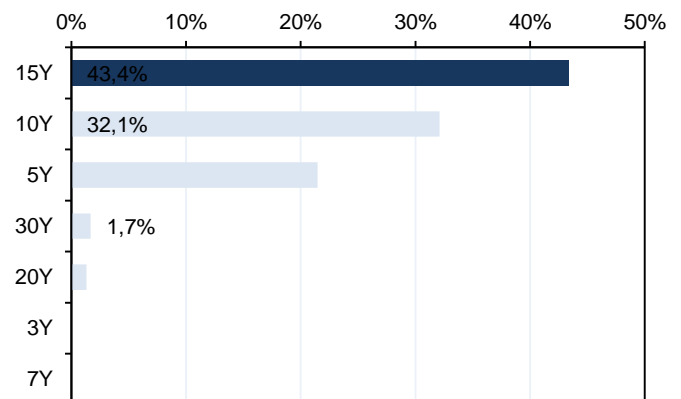
Winning yields of G-bonds fell sharply in the month. At the end of May, 10Y and 15Y tenor yields were 2.95%/year and 3.05%/year respectively, down 27-28 bps compared to the end of last month. The yields for 5Y tenor fell 35 bps to 2.4%/year and have returned to the level of the same period last year. The disbursement of public investment is still taking place quite slowly when the General Statistics Office said that by the end of May the investment capital was made from the State budget was estimated at VND 177tn, 25.5% of the plan. This makes the government more cautious in issuing G-bonds when there is still a lot of idle money.

Figure 7. G-bond auction result in May 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	8,250	4,996	61%	2.4%-2.65%
7Y				
10Y	8,750	7,472	85%	2.95%-3.12%
15Y	13,000	10,100	78%	3.05%-3.25%
20Y	500	309		3.19%
30Y	500	392	78%	3.4%
Total	31,000	23,269	75%	Unit: VND bn

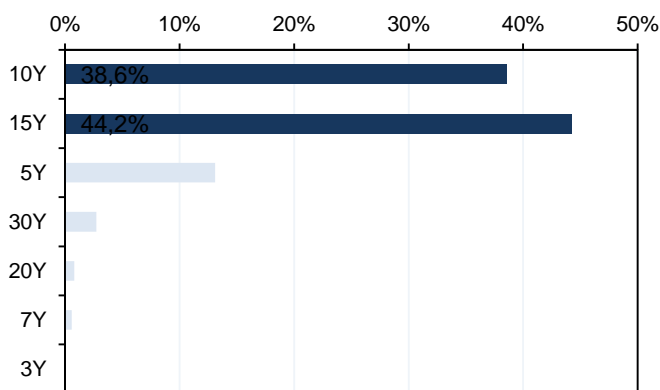
Source: HNX, MBS Research

Figure 8. G-bond successful issuance May 2023



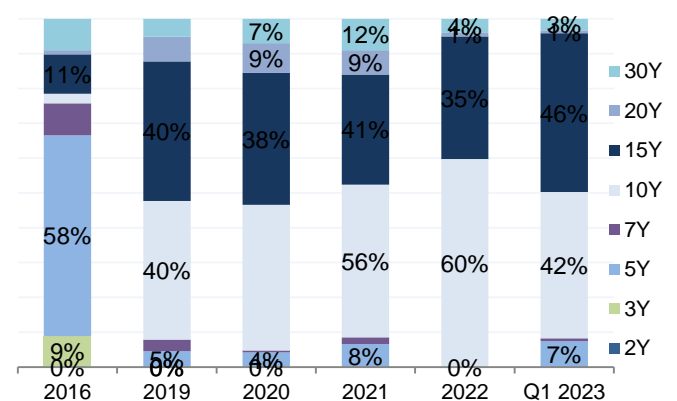
Source: HNX, MBS Research

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	21,349	61%
7Y	5,000	950	19%
10Y	125,000	62,849	50%
15Y	165,000	72,053	44%
20Y	20,000	1,309	7%
30Y	20,000	4,442	22%
Total	400,000	162,952	41%

Source: VST, HNX, MBS Research

Figure 12. 10Y G-bond yields (%) in selected countries (As at 31/05/2023).

Market	Last closing	Last week*	Last month	31/12/2021*
U.S.	3.64	-9.93	22,1	-23.2
EU	2.28	-19.03	-3,1	-28.9
Japan	0.44	2.20	4,2	1.4
China	2.71	0.10	-7,2	-13.1
South Korea	3.52	1.30	15,3	-21.5
India	6.99	-0.30	-13,1	-34.0
Malaysia	3.70	-6.30	-2,5	-36.6
Singapore	2.84	-13.87	7,5	-23.2
Indonesia	6.37	-5.40	-16,2	-57.0
Philippines	4.77	-5.22	15,3	-7.5
Thailand	2.54	-1.67	0,9	-9.0
Vietnam	3.14	10.40	-7,3	-165.6

Note: (*) bps changed compared to last closing Source: Bloomberg

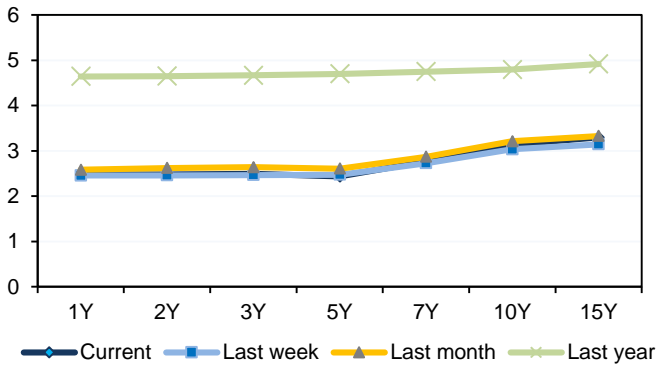
Secondary Market

Secondary G-bond yields reduced slightly during the month. Average transaction volume on the secondary G-bonds market went up by 22% MoM with proportion of outright transactions increasing. Foreign investors to net sold of VND 1,413bn of G-bonds this month.

At the end of May, the 10Y yield was at 3.14%/year, down 7 bps compared to the previous month and the 2Y yield fell to 2.48%/year, down 14 bps. The rate of decline of secondary yields this month has slowed down compared to the previous month.

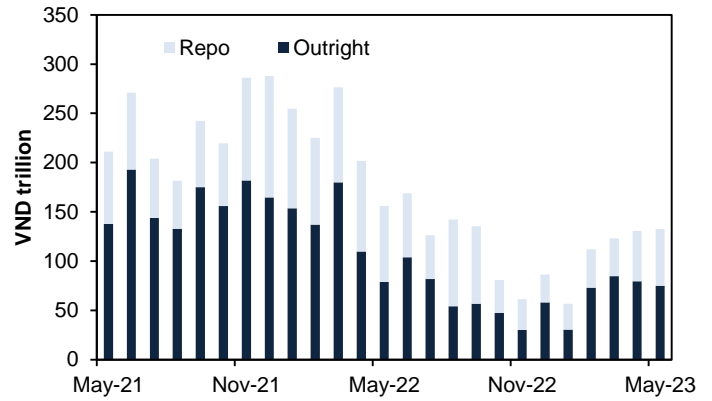
The volume of G-bonds transactions in the secondary market became less active in May as it reached VND 6.6tn daily average, up 2% from the previous month. Of which, outright trading accounted for 57% of the volume this month and nearly VND 75tn. Average transaction was VND 3.7tn/day, up 7% from the previous month's average. Average repos trading volume increased by 12% compared to April, reaching VND 2.8tn/day. In May, foreign investors net sold G-bonds with an amount of VND 1,413bn. Overall, foreign investors net sold a total of VND 3.667bn of G-bonds in 2023 and VND 8,836bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



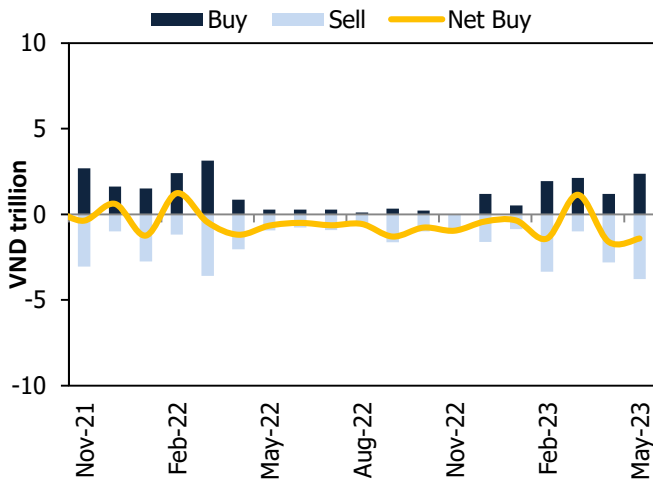
Source: Bloomberg, MBS Research

Figure 14. Outright and Repo transaction volume



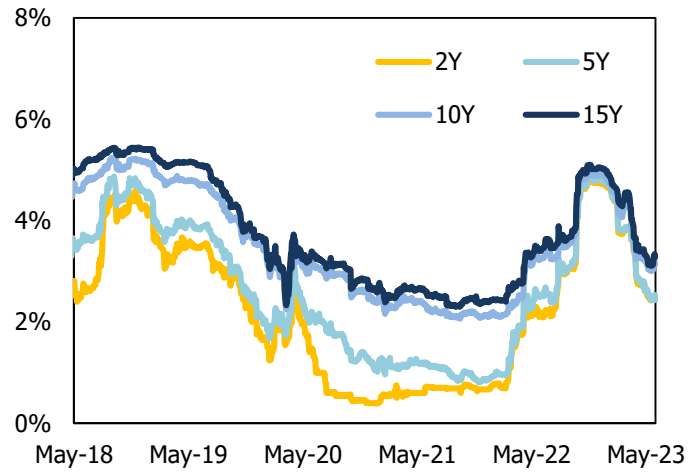
Source: HNX, MBS Research

Figure 15. Foreign investors' activity in secondary market



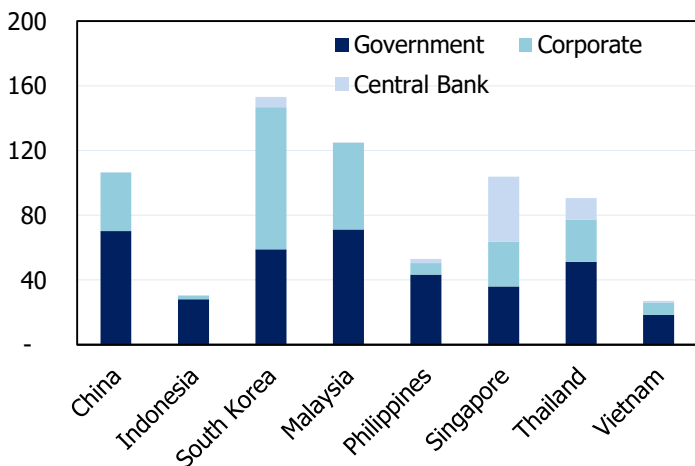
Source: HNX, MBS Research

Figure 16. G-bond yield curve – Secondary Market



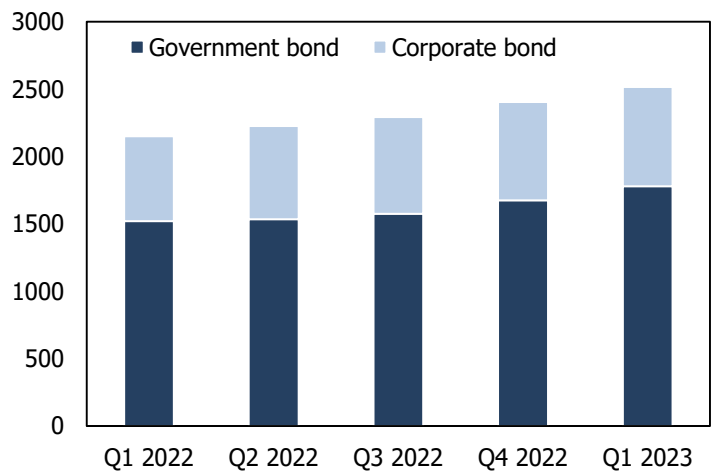
Source: Bloomberg, MBS Research

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

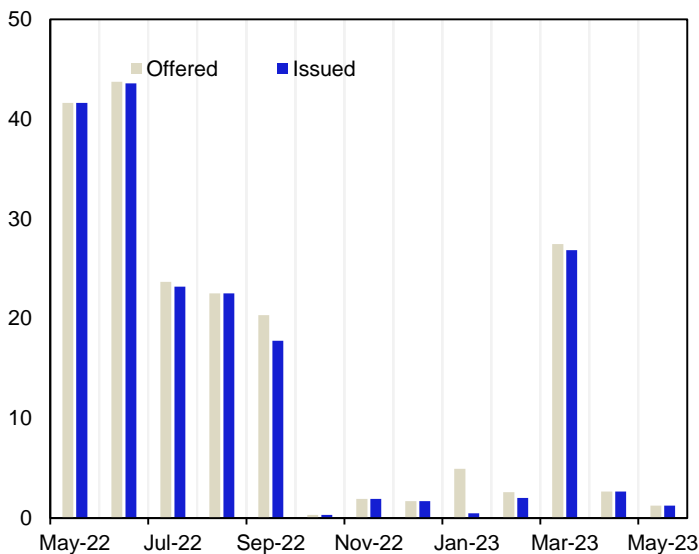
COPRORATE BOND MARKET

FiinPro data shows that in May, VND 1,250bn of corporate bonds were issued in the domestic market. The total amount of bonds issued belongs to Nui Phao Mining and Mineral Processing Company Limited with a term of 5 years and an interest rate of 9%/year.

According to our statistics, the total value of callable bonds that were bought back before maturity in May was about VND 10,623tn from the issuance of 23 companies. In which, the banking sector accounted for the largest proportion of bond repurchases, reaching about VND 8,406bn, accounting for 79%. In addition, the power sector is also in second place with a repurchase volume of about VND 1,256 billion, accounting for 12% of the total value of callable bonds. From the beginning of the year, the total value of callable bonds is approximately VND 60,282bn.

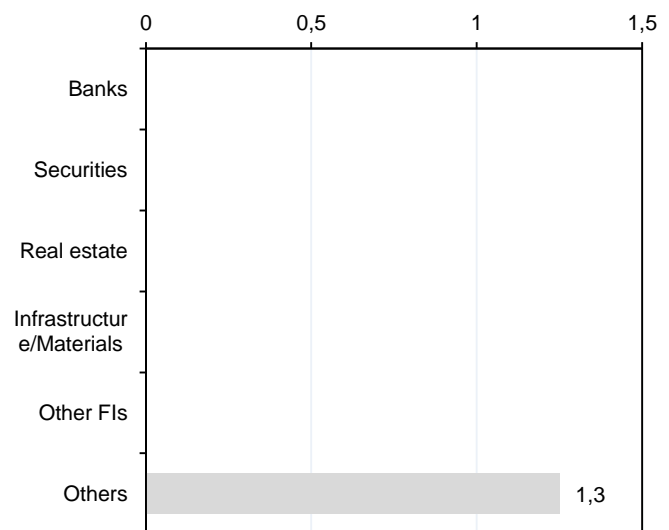
Total corporate bonds currently reach about VND 1,095tn, of which the total corporate bond balance of late payment enterprises accounts for about VND 157tn, accounting for 14% of the total outstanding debt of corporate bonds. Particularly in 2023, the total outstanding corporate bonds with late payment will reach about VND 47tn out of a total corporate bonds of VND 233tn, accounting for 20%. In which, the real estate sector accounted for the largest proportion, about 92% of the late payment volume.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in May 2023

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Nui Phao Mining and Mineral Processing Company Limited	5	1,250	9%

Source: HNX, FiinPro, MBS Research

PRODUCT

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Address: MB Building, 21 Cat Linh, Dong Da, Hanoi

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

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