

Tuan Hoang

Chief Economist

Tuan.hoangcong@mbs.com.vn

Anh Le

Research Analyst

Anh.LeMinh@mbs.com.vn

The high demand for liquidity at the end of the year caused interbank interest rates to rise again. SBV continued to net inject VND 61tn in the open market to the banking system during the time at the same time also withdraw more than VND 187tn. USD/VND continues its downtrend while the USD in the international market cools down. STV issued VND 20,832bn of G-bonds with the winning rate increasing sharply to 97% in the first half of January. Secondary G-bonds yields decreased sharply compared to the previous month. Foreign investors net bought VND 138bn of G-bonds in January.

Money Market

Demand for liquidity increased at the end of the year, causing interbank interest rates rise again. SBV continued to net inject VND 61tn through OMO channel and issue VND 187tn through bill channel.

SBV in the first half of January focused on the treasury bill channel. The SBV issued VND 187t of 7-day bills, while there were VND 201tn of bills maturing during this period, resulting in a net injection of more than VND 61tn through this channel and through operations. buy 7-day term, winning interest rates are at 6%/year. This helps to support liquidity in the system when it is gradually approaching the peak time of the Lunar New Year.

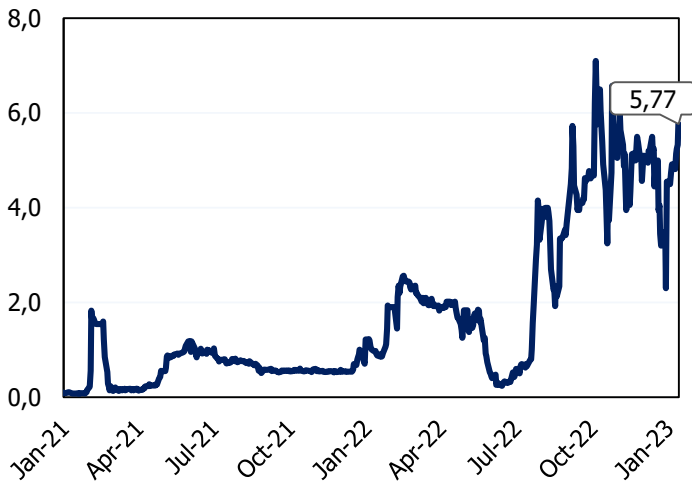
Demand for liquidity increased at the end of the year, causing interbank interest rates rise again. A Bloomberg survey showed that the overnight interbank rates are trading at 5.77%/year, up by 122 bps compared to the end of last month. Interest rates for other terms are also around 6.2%-7.1%/year, an increase of about 10-73 bps compared to the end of last year.

VND/USD exchange rate adjusted upwards.

The USD Index fell to 101.87. The US Department of Labor released a consumer price index (CPI) report showing that prices in the country fell by 0.1% in December from the previous month. Markets are betting on a 90% chance that the Fed will raise rates only with a 0.25 percentage point jump in February. Fed officials were quick to emphasize that the CPI data is on track but the Fed stands firm and focus on bringing inflation to the 2% threshold. They think interest rates will increase slowly, but increase for a longer time and will rise to higher levels.

The USD tends to weaken in the international market. In the first two weeks of January, the domestic exchange rate continued its downtrend. Compared to the end of December, the VND/USD exchange rate on the free market decreased by VND 320 per USD and is currently trading at 23,420 VND/USD. The central and interbank rates were respectively traded at 23,602 VND/USD, down VND 10 per USD and 23,522 VND/USD, down 101 per USD.

Figure 1. Interbank overnight lending rate (%)



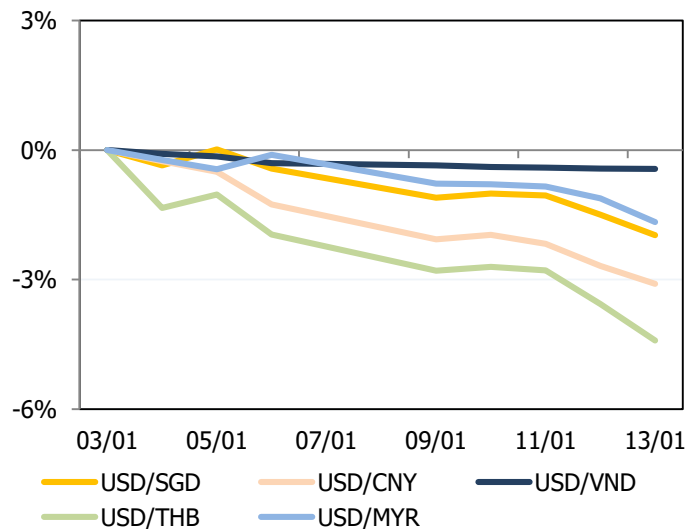
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/10	5.05	6.30	6.88	7.43
30/11	4.57	5.23	5.67	6.27
30/12	4.57	5.23	5.67	6.27
15/01	5.77	6.20	6.50	7.10

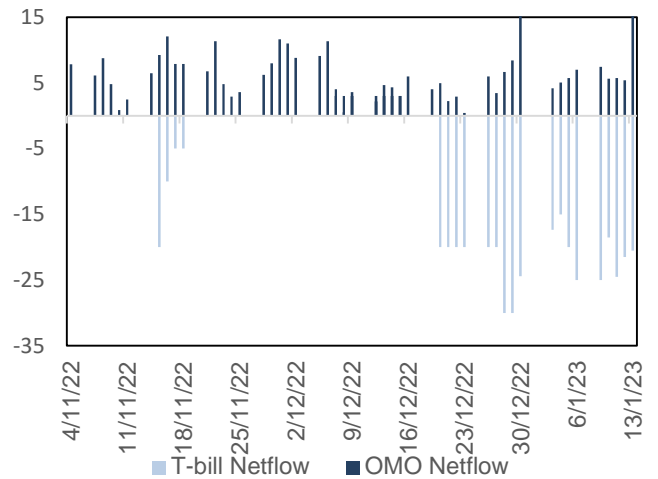
Source: Bloomberg.

Figure 5. Regional currencies performance in 2023



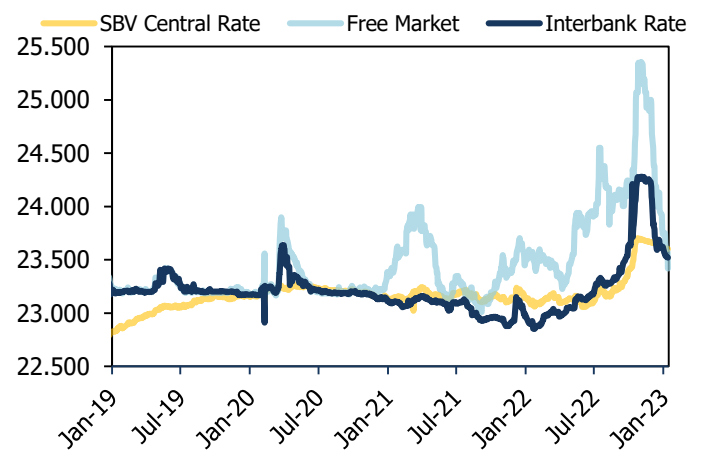
Source: Bloomberg.

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



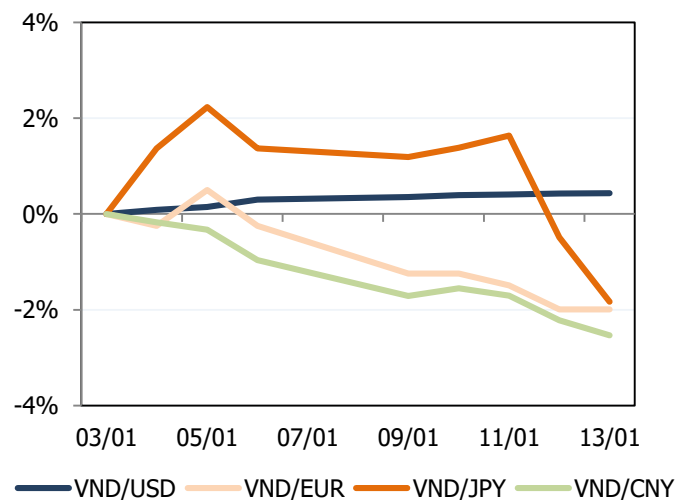
Source: SBV, MBS Research.

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 nearly VND 20,832bn of G-bonds during the period, in the period with a slight decrease in yield compared to the end of December.

In the first half of January, of the VND 21,000bn of G-bonds offered for sale, a total of VND 20,832bn was mobilized, a rate of 97%. Of which, 10Y and 15Y tenors were issued VND 10,332bn and VND 10,500bn respectively. STV offered to sell G-bonds with a term of 5Y with a volume of VND 500bn, but there were no winning bonds.

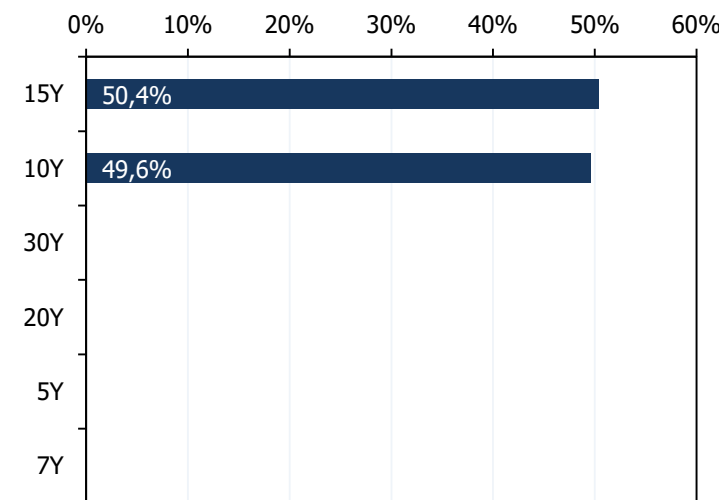
The latest G-bond winning yield continues to decrease compared to the end of December. Yields for 10Y and 15Y tenor were 4.45%/year and 4.67%/year, respectively, down by 2-13 bps compared to the end of last month.

Figure 7. G-bond auction result in January 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	500	0	0%	0.00%
7Y				
10Y	10,500	10,332	98%	4.45-4.53%
15Y	10,500	10,500	100%	4.67-4.72%
20Y				
30Y				
Total	21,500	20,832	97%	Unit: VND bn

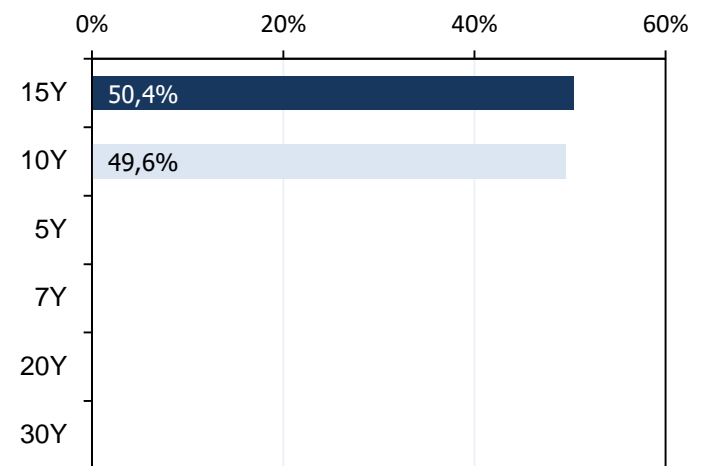
Nguồn: HNX

Figure 9. G-bond successful issuance in 2023



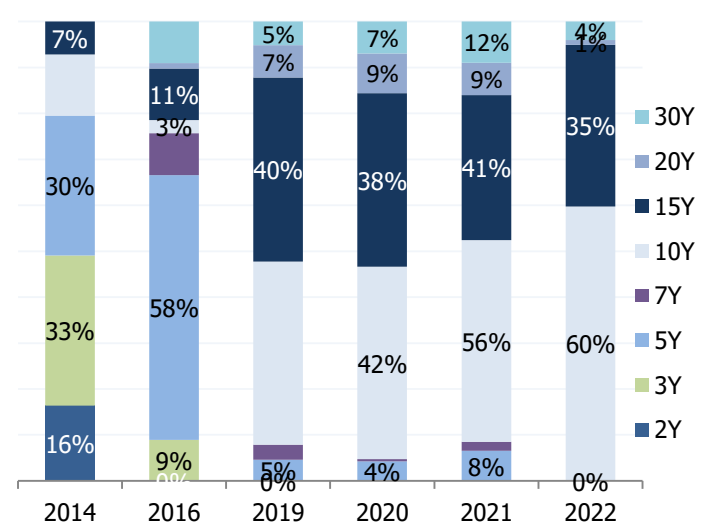
Nguồn: HNX

Figure 8. G-bond successful issuance January 2023



Nguồn: HNX.

Figure 10. G-bond successful issuance over the years



Nguồn: HNX

Figure 12. 10Y G-bond yields (%) in selected countries

As at 15/01/2023

*Bps changed compared to last closing

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	3.50	-5.45	-37,1	-37.1
EU	2.17	-4.20	-40,3	-40.3
Japan	0.51	0.70	9,0	9.0
China	2.90	6.30	5,9	5.9
South Korea	3.30	-28.00	-44,0	-44.0
India	7.30	-7.40	-2,8	-2.8
Malaysia	3.94	-7.70	-12,9	-12.9
Singapore	2.81	-7.50	-26,2	-26.2
Indonesia	6.69	-28.60	-25,0	-25.0
Philippines	4.82	-11.00	-2,3	-2.3
Thailand	2.46	-13.29	-17,1	-17.1
Vietnam	4.71	-15.00	-20,4	-20.4

Source: Bloomberg.

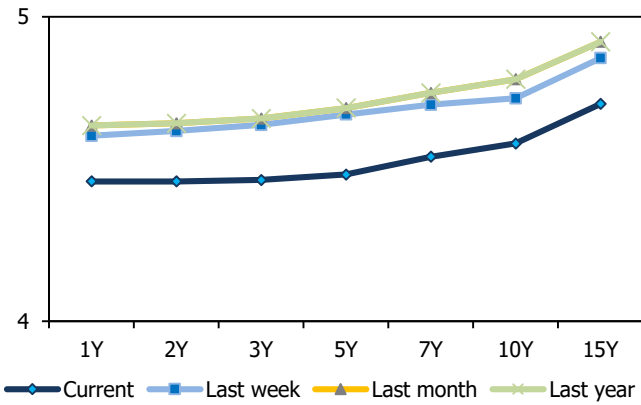
Secondary Market

Secondary G-bond yields declined significantly in all terms. Average transaction volume on the secondary G-bond market went down by 12%. Foreign investors net bought VND 138bn of G-bonds this period.

In the first half of January, the 10Y yield was at 4.58%/year, down 21 bps compared to the previous month whereas the 2Y yield fell to 4.73%/year, down 3bps. Since the beginning of the year, the 10Y G-bonds yield of many countries experienced down trend.

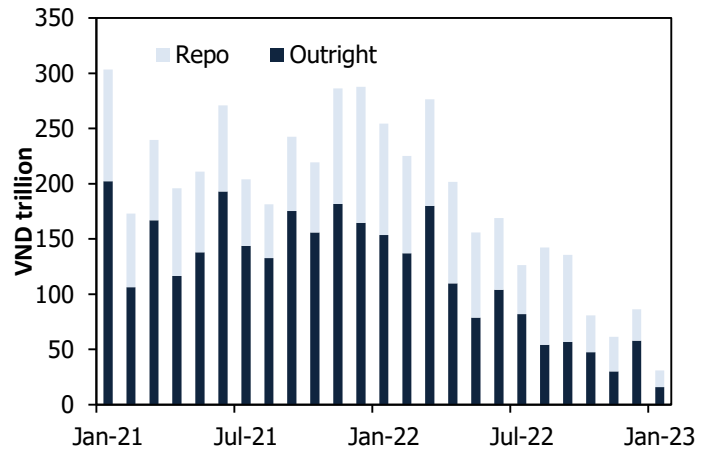
Government bond transactions in the secondary market in the first half of December reached VND 3.4tn daily average, 12% lower than its December level. Of which, outright trading accounted for 51% of the volume this period and VND 15tn. The average transaction was VND 1.7tn/day, down by 33% from the previous month's average. Average repos trading volume increased by 28% compared to December, reaching VND 1.6tn/day. Foreign investors net bought VND 138bn of G-bonds in this period.

Figure 13. Vietnam T-bond Yield (%)



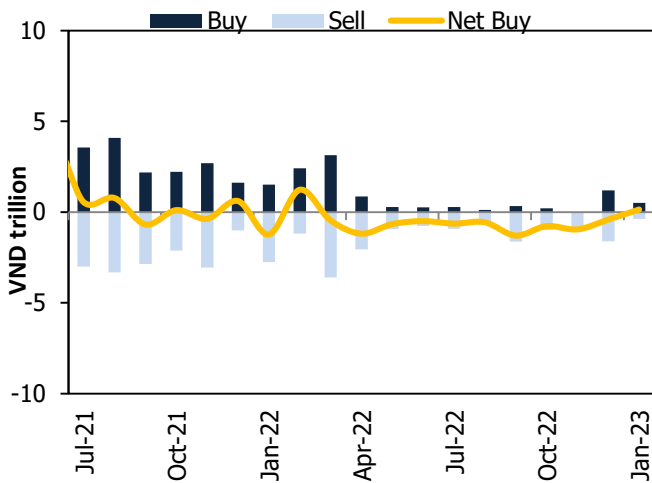
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



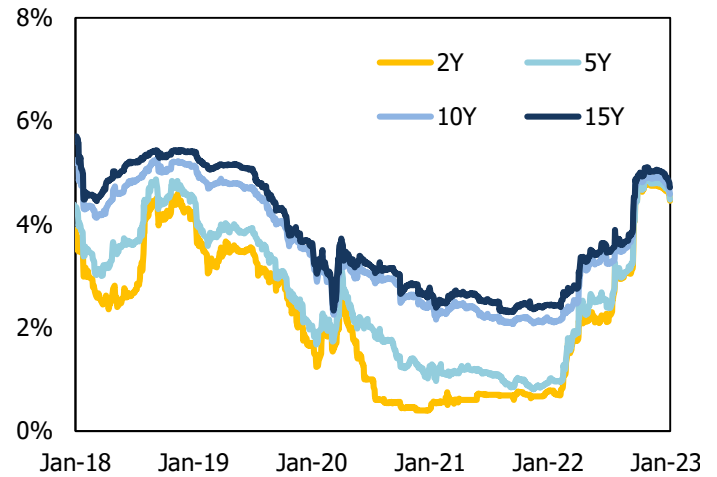
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



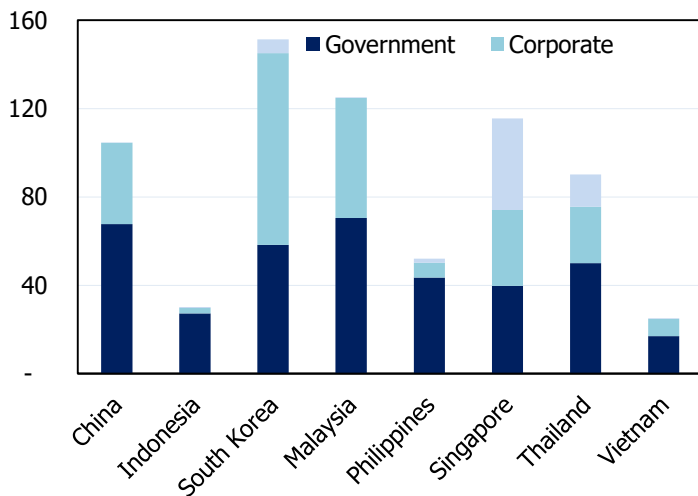
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



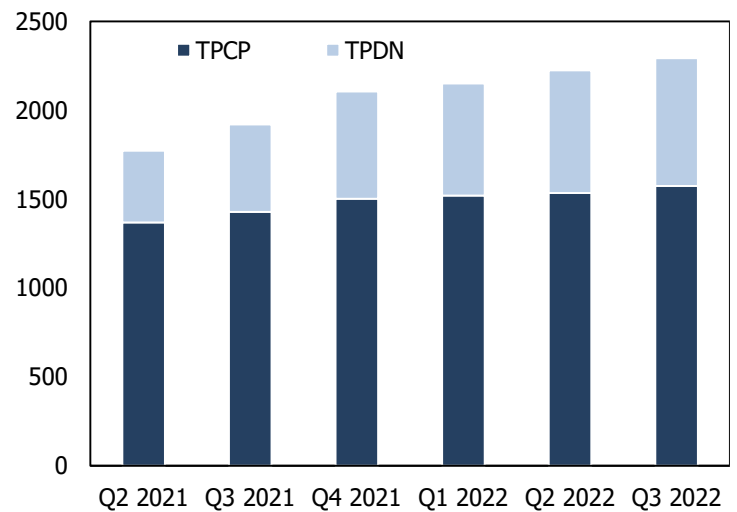
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q3 2022)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

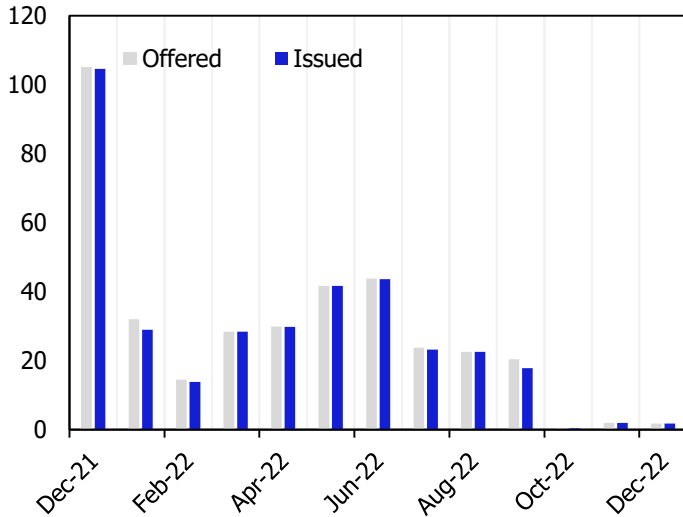


Source: ADB.

Corporate Bond Market

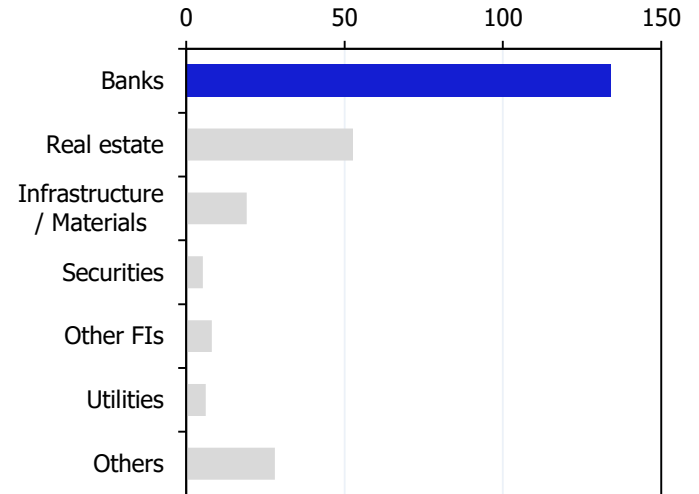
Fiinpro data showed that in the first two weeks of January 2023, no individual corporate bond issuance has been recorded. In total, in 2022, VND 253.3tn of corporate bonds were privately issued in the country, with an average maturity of 3.78 years and USD 625mn issued to the international market.

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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MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

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

Website: www.mbs.com.vn

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