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The SBV continued to absorb a large amount of money and decided to increase the operating interest rate in September, causing interbank interest rates to be pushed up in all tenors. Credit growth in the first 9 months of the year reached 10.54% while capital mobilization grew only 4.04%. The SBV raised the selling rate to 23,925 VND/USD in the context that exchange rates in all markets increased sharply. STV issued VND 10,200bn 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 1.300bn of G-bonds in September.

Money Market

Interbank interest rates sharply rose, indicating that the system's liquidity is under extreme pressure. To support liquidity, the SBV resumed net inject on the open market.

The system's liquidity has recently been under pressure due to the SBV withdrawing more than VND 163tn in September alone via treasury bills with a term of 7-14 days and a fluctuating yield of 4%-4.5%/ year. To support the high liquidity demand, SBV also injected back nearly VND 80tn into the system by the method of interest rate bidding, with a term of 7-14 days with a competitive interest rate from 4.5%-6.9%/year.

Credit growth of the economy as of the first 9 months of the year reached 10.54% YTD, much higher than 7.17% in the same period last year. Contrasted with credit growth, deposit growth was only 4.04%, making a significant difference. SBV made the decision to significantly raise the operating interest rate, which includes an increase in the refinancing rate of 100bps, to 5%/year, and to increase the discount rate by 100bps, from 2.5% to 3.5%/year. As credit growth is 2.6 times higher than deposit growth, deposit interest rates are expected to continue to rise and put upward pressure on lending rates.

The SBV started to inject money again in recent weeks with a large volume and high OMO interest rates making banks unable to access cash flow through the open market channel, while in urgent need of capital to balance liquidity, they had to borrow on interbank loans, pushing interest rates higher. A Bloomberg survey shows that the overnight interbank interest rate is trading at 7.1%/year, a sharp increase from the interest rate of 3.67% at the end of August. Other tenors also have interest rates that are roughly the same level of 6.8%-6.93%/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.

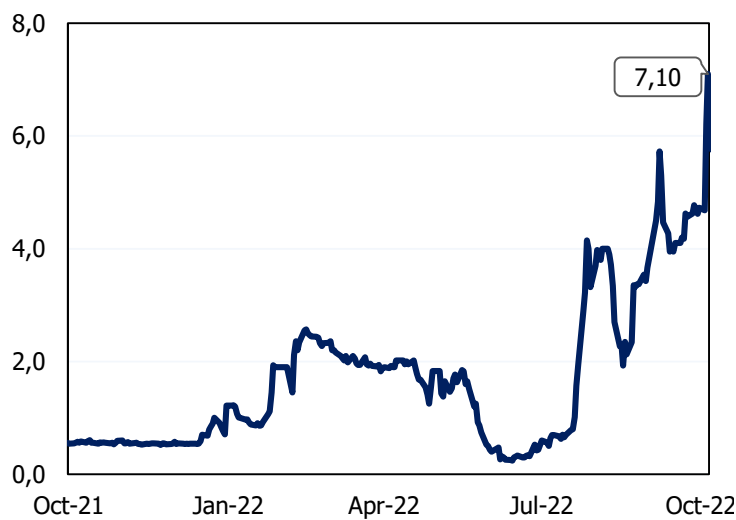
SBV continued to raise the selling price of USD.

According to the GSO, in 9 months, the trade balance of goods is estimated to have a trade surplus of USD 6.52bn. However, the exchange rate is still under pressure due to the strong trend of the USD and rising demand for foreign currency, the SBV made the decision to adjust the selling rate of the USD. The SBV raised the selling price of USD by 225 VND, from 23,700 VND to 23,925 VND. This is the 4th time, the SBV has increased the selling price of USD this year with a total increase of 905 VND, equivalent to 3.9%. Compared to the end of August, the USD/VND exchange rate on the free market went up by VND 45 per USD and is

currently trading at 24,105 VND/USD. The central and interbank rates were traded at VND 23,422 per USD, up VND 203 per USD and VND 23,652 per USD, up VND 317 per USD. The SBV's sharp increase in the selling price of the USD is primarily defensive in preparation for the impending Fed rate hikes while also reducing the amount of VND that is not absorbed. Thereby, the SBV has more time to adjust monetary policy.

At the beginning of October, DXY Index recorded at 112.23, the highest price level in the past 20 years and still shows no signs of peaking. The dollar is trading higher as the market bets on a strong nonfarm payrolls report that will keep the Fed in a positive tightening for a while. Accordingly, the Fed Governor has warned that interest rates will continue to rise next year, while the Fed Chairman said that he expects the federal funds rate to reach 4.75% before the Fed stops tightening. The belief that monetary policy must be actively used to prioritize reducing domestic inflation, demonstrates that the US is unlikely to intervene to slow the rise of the dollar.

Figure 1. Interbank overnight lending rate (%)



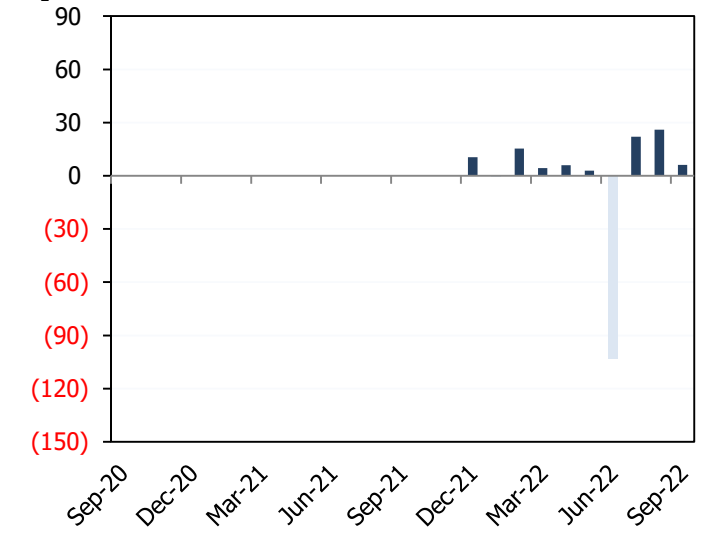
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/06	0.53	1.01	1.35	2.05
29/07	3.32	3.52	3.44	3.70
31/08	3.67	3.77	3.83	4.33
07/10	7.10	6.93	6.90	6.80

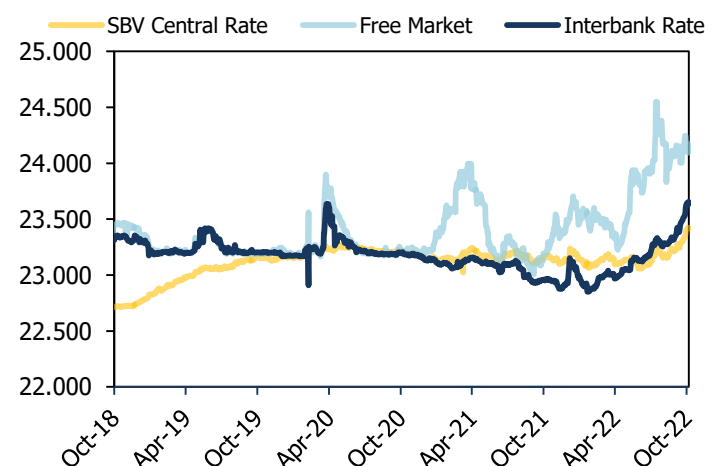
Source: Bloomberg.

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



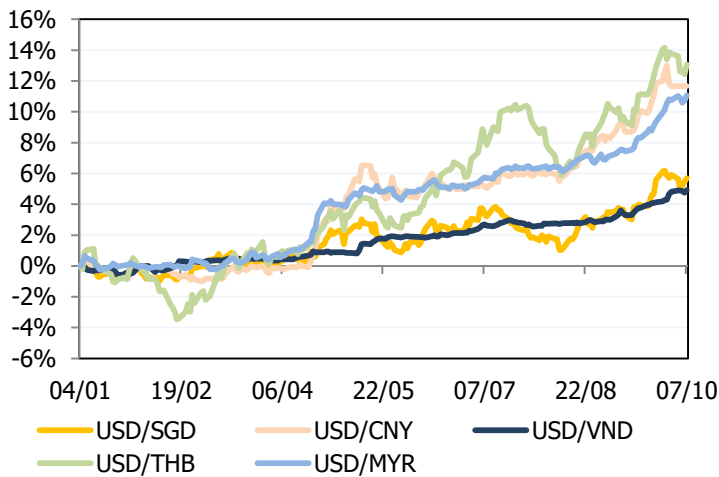
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



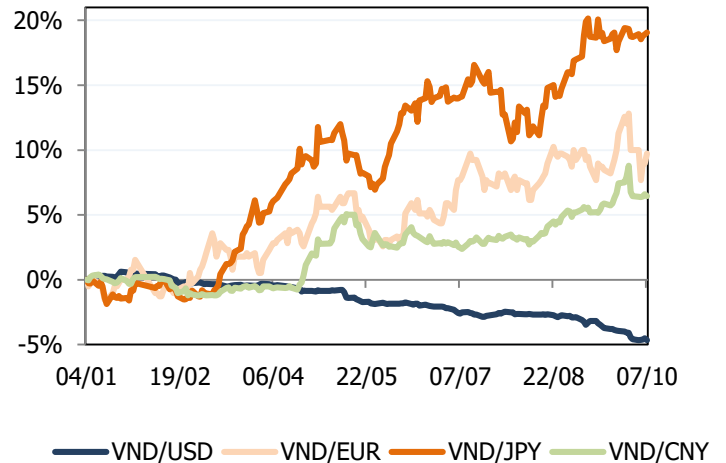
Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2022



Source: Bloomberg.

Figure 6. VND compared to major currencies in 2022



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 10,200bn of G-bonds this month with the winning yield inching up compared to the previous month.

In September, the G-bond issuance situation decreased significantly compared to August, although it has promoted bidding at tenors, the successful issuance volume is still concentrated in two main tenors 10Y and 15Y. In the VND 27,500bn proposed, there were VND 10,200bn of G-bonds successfully mobilized, at the rate of 37%. Up to now, STV has only issued more than VND 114tn of G-bonds, currently only reaching a quarter of the 2022 plan of VND 400tn. In addition, the Bank for Social Policies offered VND 4bn worth of bonds with a term of 3Y in the month, of which VND 500bn was mobilized at an interest rate of 3.7%/year.

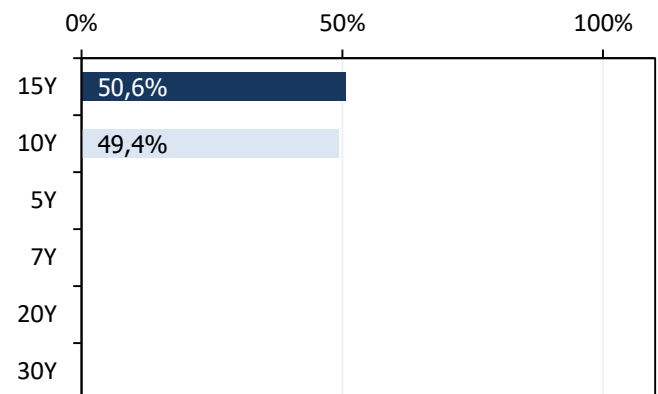
The winning yield of the bonds rose strongly compared to the end of September. The yield for 10Y and 15Y terms were 3%/year and 3.3%/year, both tenor up 27-32bps compared to the end of August. Yields are expected to rise again in the near term to attract more investment amid slow disbursement of public investment.

Figure 7. G-bond auction result in September 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,000	0	0%	0.00%
7Y	1,000	0	0%	0.00%
10Y	12,000	5,035	42%	2.85%
15Y	12,000	5,165	43%	3.23%-3.3%
20Y	500	0	0%	0.00%
30Y	1,000	0	0%	0.00%
Total	27,500	10,200	37%	Unit: VND bn

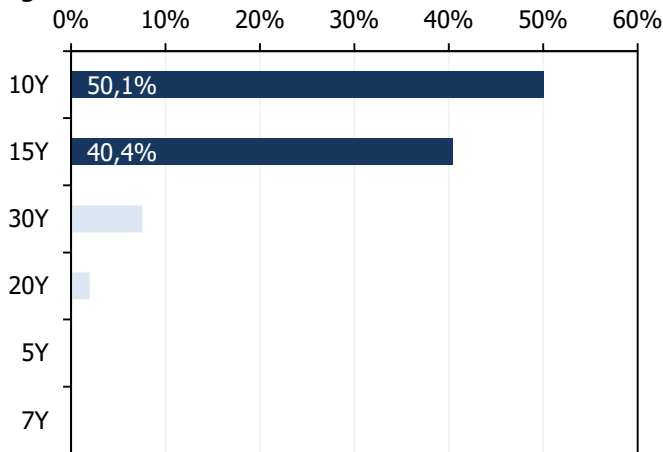
Source: HNX.

Figure 8. G-bond successful issuance September 2022



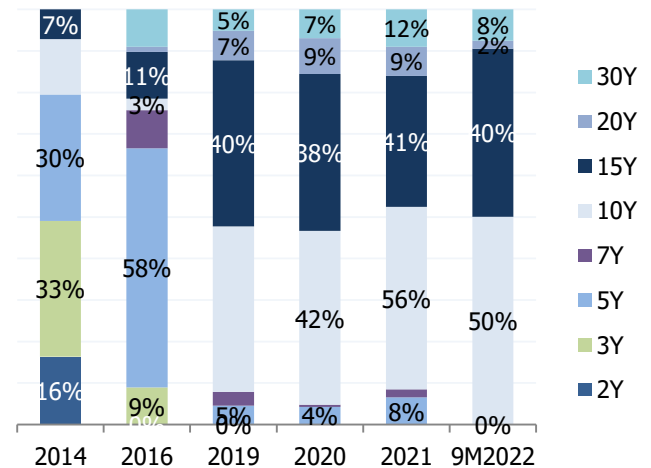
Source: HNX.

Figure 9. G-bond successful issuance in 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	57,472	41%
15Y	150,000	46,420	31%
20Y	30,000	2,265	8%
30Y	35,000	8,625	25%
Total	400,000	114,782	29%

Source: VST, HNX

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

As at 30/09/2022

*Bps changed compared to last closing

Market	Last closing	Last week*	Last month	31/12/2021*
U.S.	3.83	14.40	63,6	231.9
EU	2.11	8.40	56,7	228.5
Japan	0.24	0.70	1,8	17.3
China	2.75	7.00	10,6	-2.9
South Korea	4.08	-4.50	37,0	182.7
India	7.40	0.60	20,9	94.5
Malaysia	4.41	13.30	43,8	84.4
Singapore	3.50	22.50	50,8	177.5
Indonesia	7.37	8.40	24,5	99.1
Philippines	5.36	27.98	103,3	300.8
Thailand	3.31	16.29	66,7	134.8
Vietnam	4.76	37.50	121,7	259.2

Source: Bloomberg.

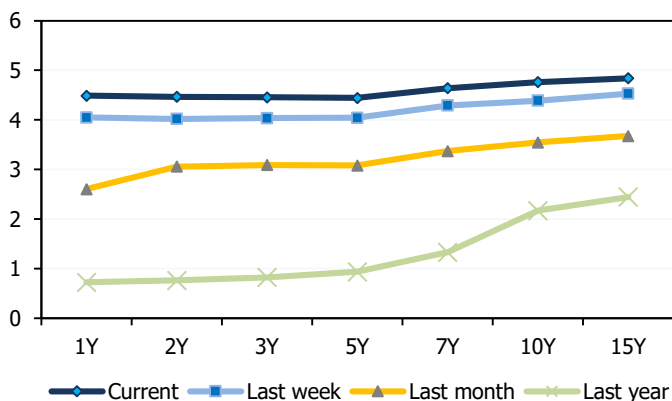
Secondary Market

G-bond yield rose during the month. Average transaction volume on the secondary G-bond market went up by 9.7%. Foreign investors net sold VND 1,300bn of G-bonds this month.

At the end of September, the 10Y yield was at 4.76%/year, whereas the 2Y yield was at 4.47%/year. Since the beginning of the year, the 2Y yield has increased by 370 bps while the 10Y term yield has decreased by 259 bps. G-bond yields in many in the world as well as in Vietnam have increased in the past month.

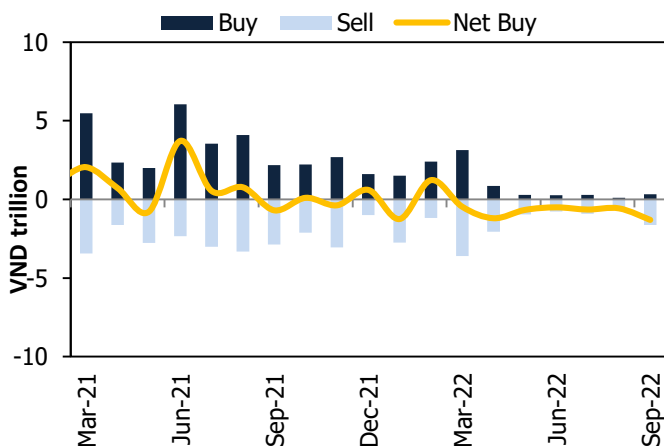
Transactions on the secondary government bond market improved compared to the previous month with daily average volumes of VND 6.7tn, up 9.7%. Of which, outright trading accounted for 42% of the volume this period and VND 56.9tn. Average transaction was VND 2.8tn/day, up by 20% from the previous month's average. Average repos trading volume increased by 3% compared to August, reaching VND 3.9tn/day. In September, foreign investors net sold G-bonds with an amount of VND 1,300bn. Overall, foreign investors have sold VND 5,358bn in 2022 and VND 5,024bn in the past 12 months.

Figure 13. Vietnam T-bond Yield (%)



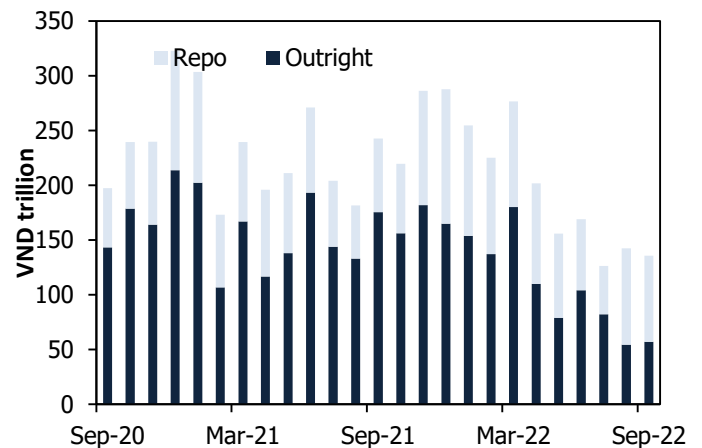
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



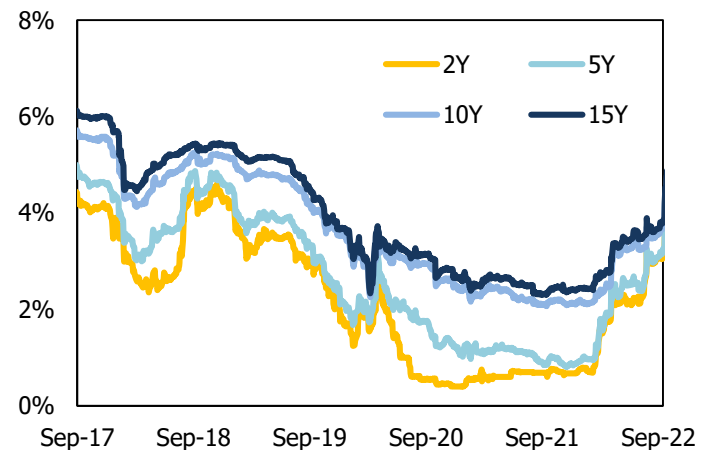
Source: HNX.

Figure 14. Outright and Repo transaction volume



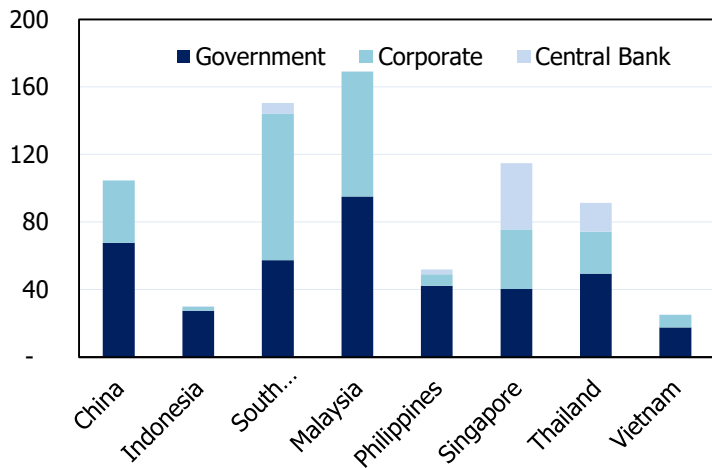
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



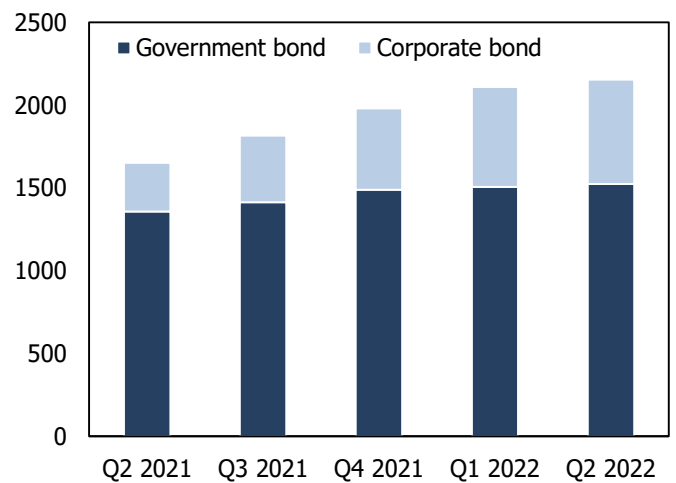
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

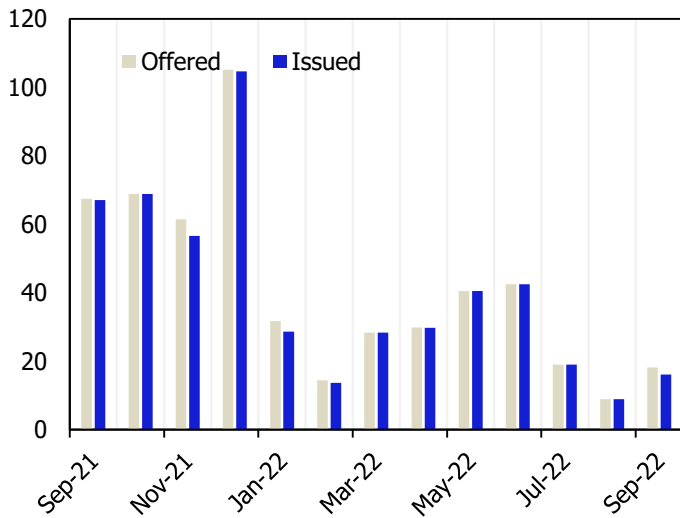


Source: ADB.

Corporate Bond Market

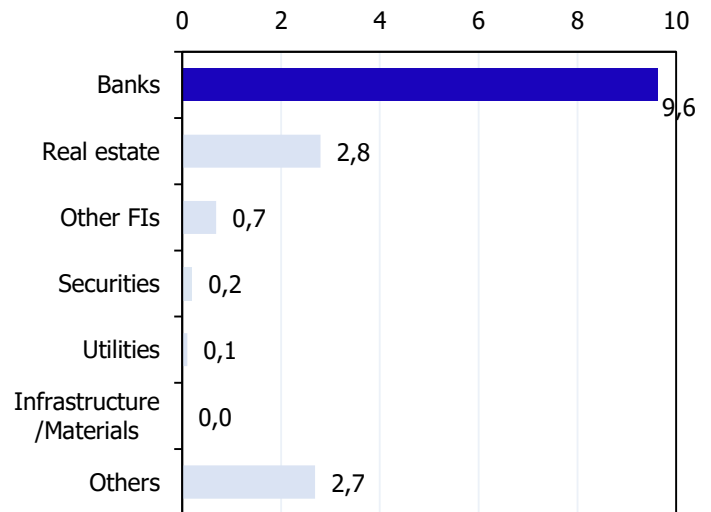
FiinPro data showed that in September, VND 16,098bn of corporate bonds were issued in the domestic market. Of which, Vietnam Joint Stock Commercial Bank For Industry And Trade issued the most significant bond volume of VND 3,090bn. The banks sector is the top issuer, accounting for the most monthly volume of VND 9,623VND.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in September 2022

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8-10	3,090	N/A
	CÔNG TY TNHH NO VA THẢO ĐIỂN	5	2,300	N/A
VPB	Ngân hàng Thương mại Cổ phần Việt Nam Thịnh Vượng	1	2,000	N/A

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	1,800	N/A
MSN	Công ty Cổ phần Tập đoàn Masan	5	1,500	9.5%
SSB	Ngân hàng Thương mại Cổ phần Đông Nam Á	5	750	N/A
	CÔNG TY CỔ PHẦN ĐẦU TƯ THÀNH THÀNH CÔNG	7	600	N/A
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	7-15	560	N/A
	CÔNG TY CỔ PHẦN ĐẦU TƯ BẤT ĐỘNG SẢN SƠN KIM	3	500	N/A
	CÔNG TY TÀI CHÍNH TNHH MTV HOME CREDIT VIỆT NAM	1,5	500	N/A
	Ngân hàng Nông nghiệp và Phát triển Nông thôn Việt Nam	6-10	488	N/A
	CÔNG TY CỔ PHẦN SẢN XUẤT VÀ KINH DOANH VINFAST	3	300	N/A
ABB	Ngân hàng Thương mại Cổ phần An Bình	3	300	N/A
TPB	Ngân hàng Thương mại Cổ phần Tiên Phong	3	300	N/A
	CÔNG TY TNHH KHAI THÁC CHẾ BIẾN KHOÁNG SẢN NÚI PHÁO	5	290	10%
BAB	Ngân hàng Thương mại Cổ phần Bắc Á	7-8	235.4	7.5%-8.4%
VDS	Công ty Cổ phần Chứng khoán Rồng Việt	1	200	N/A
	Công ty TNHH Đầu tư Sài Gòn 3 Capital	1	185	N/A
VBB	Ngân hàng Thương mại Cổ phần Việt Nam Thương Tín	7	100	N/A
EVF	Công ty Tài chính Cổ phần Điện Lực	2	100	N/A
MBB	Ngân hàng Thương mại Cổ phần Quân đội	7	0.1	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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