

Keep an eye on the foreign exchange

- Interbank interest rates remained steady and stable in the low range, while deposit rates at banks continued to decline.
- The VND/USD exchange rate rebounded in August. We forecast that the exchange rate may hit 24,500 VND throughout the last months of the year.
- STV issued VND 9,599bn during the period with high winning rate, the yield on tenors fell slightly compared to the end last month.

MONEY MARKET

Interbank interest rates were flat while deposit rates fell during the first two weeks of August.

Since the beginning of the year, the SBV has bought a large amount of foreign currency and extended foreign currency purchase transactions of credit institutions, thereby the SBV delayed the withdrawal of VND from the system to help ample liquidity, and stabilizing interbank interest rates at low levels. Currently, the overnight interest rate is trading at 0.15%/year, up by 8 bps compared to the end of last month. Interest rates for other terms are also around 0.3%-0.5%/year, an increase of 3 bps. Meanwhile, interest rate for 1 months terms is currently at 1.2%, down 28 bps compared to the end of July.

The open market does not generate any other transactions because the interbank interest rate is still lower than the OMO interest rate, commercial banks can borrow from each other in the market without the SBV's support. In addition, nearly 30 banks reduced deposit rates in the first half of August, bringing the highest level of deposit rate is at 7%/ year. Deposit rate reduction is concentrated on periods of six months and above with an average decline of 0.3-0.35%. Thus, compared to the peak period at the end of last year, deposit rates have decreased by 3-4%, especially with terms of 6 months or more.

The VND/USD exchange rate escalated to year-to-date high.

After keeping stable in the first 7 months of the year, the domestic exchange rate bounced back up since the beginning of August due to pressure from the world foreign exchange market. SBV once pushed up the selling price to 25,025 VND/USD, while the exchange rates at commercial banks have exceeded 24,000 VND/USD. Compared to the end of July, the VND/USD exchange rate on the free market up by VND 280 per USD and is currently trading at 23,950 VND/USD. The central and interest rates were respectively traded at VND 23,897 per USD, up VND 139 per USD and VND 23,827 per USD, up VND 104 per USD. We forecast that the VND will likely to depreciate against the USD and the VND/USD exchange rate may hit 24,500 VND (increase by 2.5% compared to the beginning of the year) before declining slightly again next year.

From the beginning of August, the USD index soared to 103.3. The dollar hit a two-month high as investors sought safe havens due to concerns about the health of global economy, particularly China. US CPI in July rose by 3.2% yoy. Although US inflation has cooled, the Fed's policy is to create a solid situation to bring inflation to 2%, Data this week shows that the U.S. economy is resilient, while at the same time that the Fed is expected to hike interest rates and remain them in the short term will support the USD's appreciation.

Chief of Economics

Tuan Hoang Cong

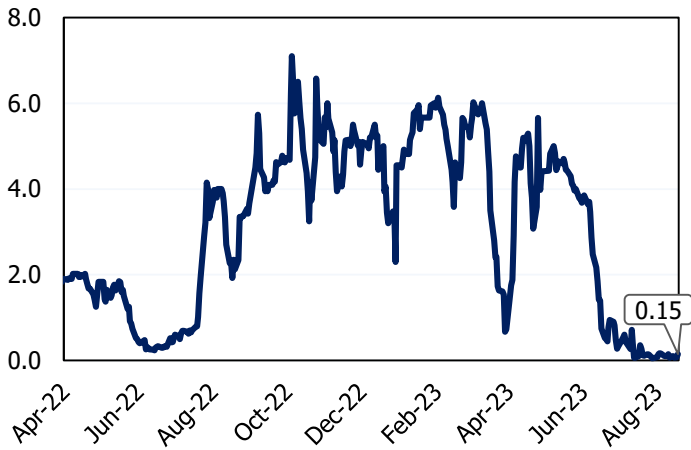
Tuan.hoangcong@mbs.com.vn

Analyst

Anh Le Minh

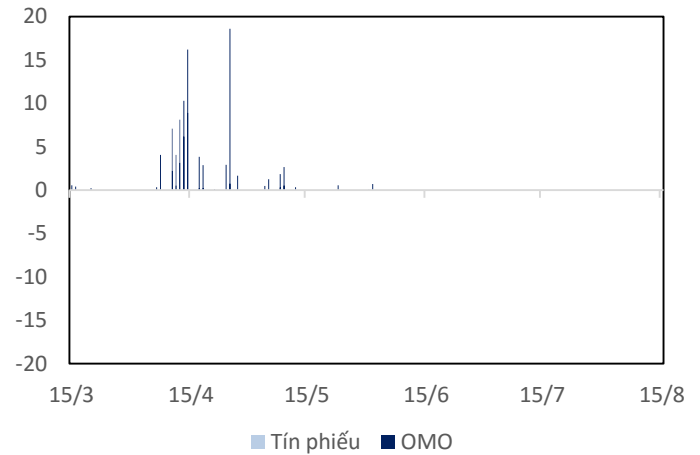
Anh.leminh@mbs.com.vn

Figure 1. Interbank overnight lending rate (%)



Source: Bloomberg, MBS Research

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



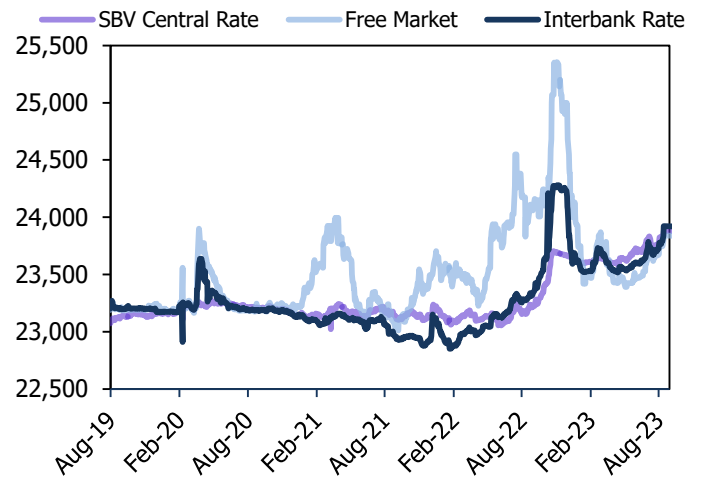
Source: SBV, MBS Research

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/05	3.6	3.8	4.0	4.3
30/06	0.3	1.0	1.5	2.8
31/07	0.1	0.2	0.5	1.5
18/08	0.15	0.3	0.5	1.2

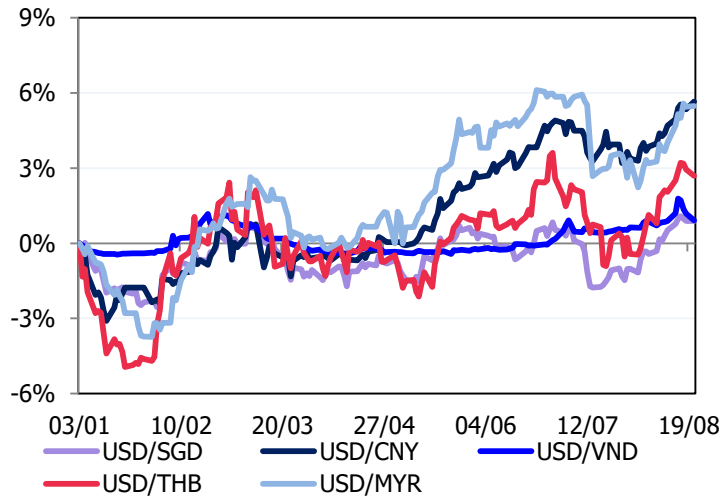
Source: Bloomberg, MBS Research

Figure 4. USD/VND exchange rate



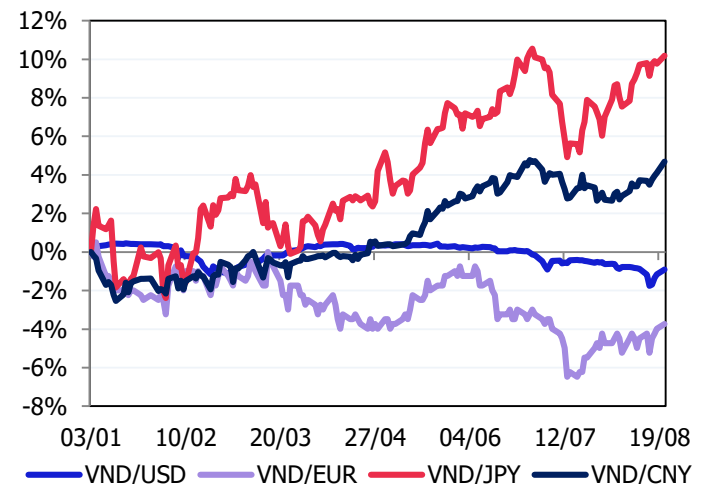
Source: SBV, Bloomberg, MBS Research.

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 9,599bn of G-bonds this period with winning yield decreased slightly to the end of July.

In the first half of August, STV reduced the volume of G-bonds offers compared to the same period last month, but the winning rate remained high. The amount of G-bonds successfully issued by STV reached VND 10,500bn out of a total of VND 9,599bn proposed, at the rate of 91%. In which, two tenors 10Y and 15Y achieved a winning rate of 100% with a total issuance value of VND 8,000 bn. Up to now, STV has gradually caught up with the year plan as currently the mobilization volume reached VND 195,121bn of G-bonds since the beginning of the year, reaching 50% of the year plan.

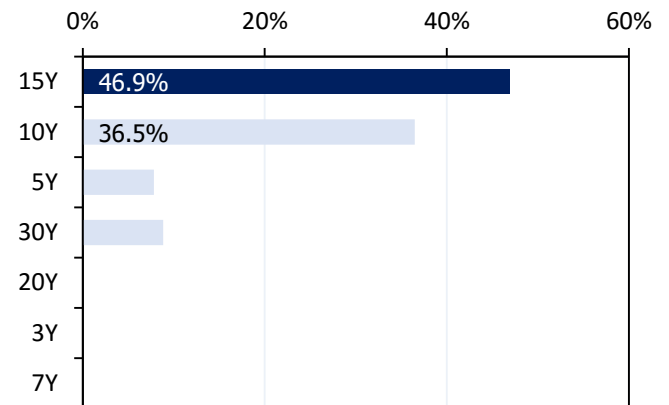
Winning yields of G-bonds decrease slightly compared to the end of July. The yield for 10Y and 15Y terms were 2.36%/year and 2.59%/year, respectively, down 1-4 bps compared to the end of July. The 5Y term yield fell by 5 bps to 1.75%/year. The pace of decline in G-bond yields has slowed in the past two months.

Figure 7. G-bond auction result in August 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	1,000	750	75%	1.75%-1.8%
7Y				
10Y	3,500	3,500	100%	2.36%-2.37%
15Y	4,500	4,500	100%	2.59%-2.6%
20Y				
30Y	1,500	849	57%	3.05%
Total	10,500	9,599	91%	Unit: VND bn

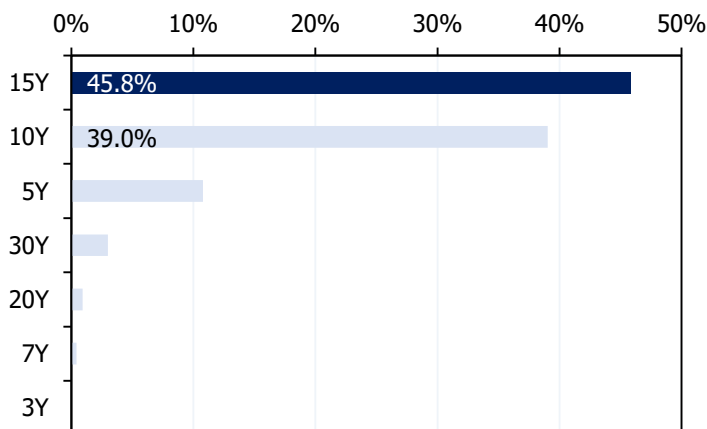
Source: HNX, MBS Research

Figure 8. G-bond successful issuance August 2023



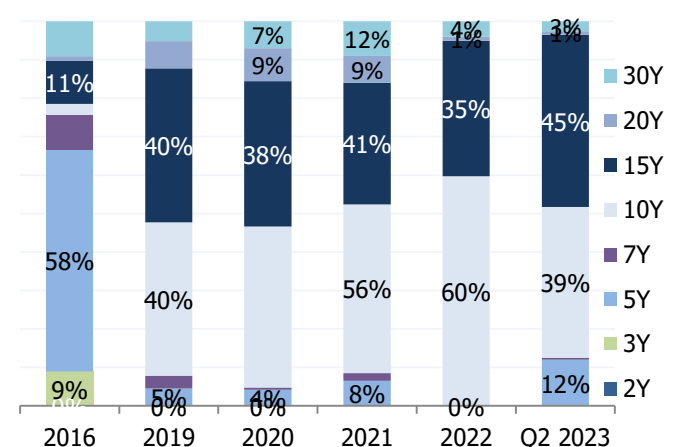
Source: HNX, MBS Research

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	23,538	67%
7Y	5,000	950	19%
10Y	125,000	85,197	68%
15Y	165,000	100,053	61%
20Y	20,000	2,049	10%
30Y	20,000	6,541	33%
Total	400,000	218,328	55%

Source: HNX, MBS Research

Figure 12. 10Y G-bond yields (%) in selected countries (As at 15/08/2023).

Market	Last closing	Last week*	Last month	31/12/2022*
U.S.	4.21	18.90	25.2	33.6
EU	2.67	20.34	18.1	10.1
Japan	0.63	2.20	2.0	21.0
China	2.58	-6.96	-8.6	-26.3
South Korea	3.90	16.30	13.5	16.5
India	7.21	4.1	3.0	-12.3
Malaysia	3.81	-4.70	-2.7	-25.9
Singapore	3.15	12.52	10.2	7.9
Indonesia	6.42	7.65	16.9	-52.1
Philippines	5.19	22.78	32.9	34.8
Thailand	2.63	-0.27	1.6	-0.2
Vietnam	2.50	6.80	8.6	-229.3

Note: (*) bps changed compared to last closing

Source: Bloomberg, MBS Research

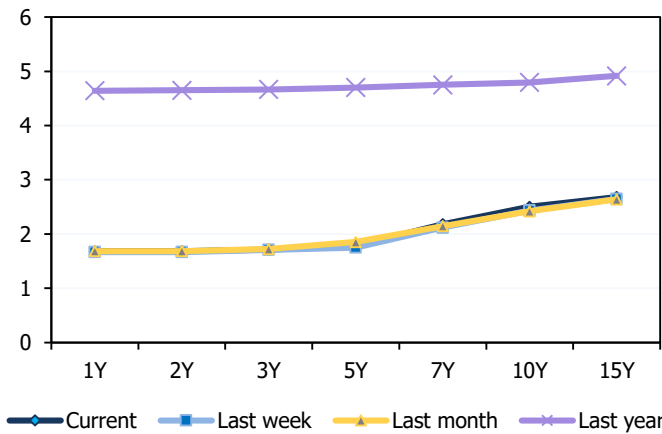
Secondary Market

Secondary G-bond yields changed in the opposite direction during the period. Average transaction volume on the secondary G-bonds market went up by 25% MoM. Foreign investors net sold of VND 358bn of G-bonds this month.

Currently, the 10Y yield was at 2.5%/year, up 8 bps compared to the previous month and the 2Y yield fell to 1.68%/year, down 1 bps. Since the beginning of the year, bond yields in Vietnam have declined sharply compared to yields in other countries around the world.

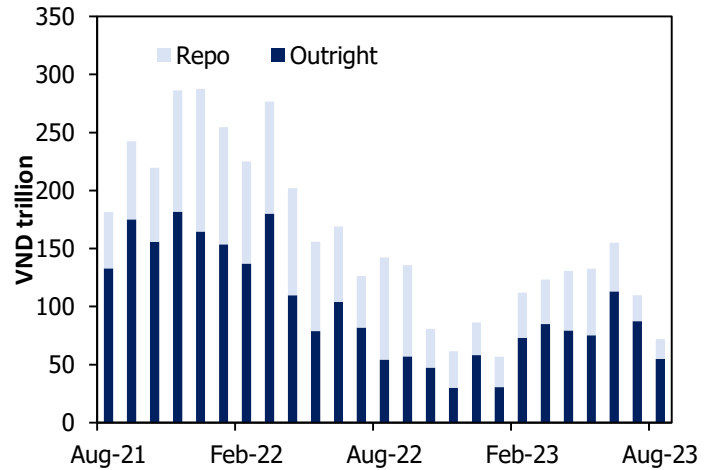
The volume of G-bonds transactions in the secondary market reached VND 6.5tn daily average, up 25% from the previous month. Of which, outright trading accounted for 76% of the volume this month and over VND 54tn. Average transaction was VND 4.8tn/day, up 19% from the previous month's average. Average repos trading volume increased by 46% compared to July, reaching VND 1.5tn/day. Foreign investors net purchased G-bonds with an amount of VND 358bn. 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 (%)



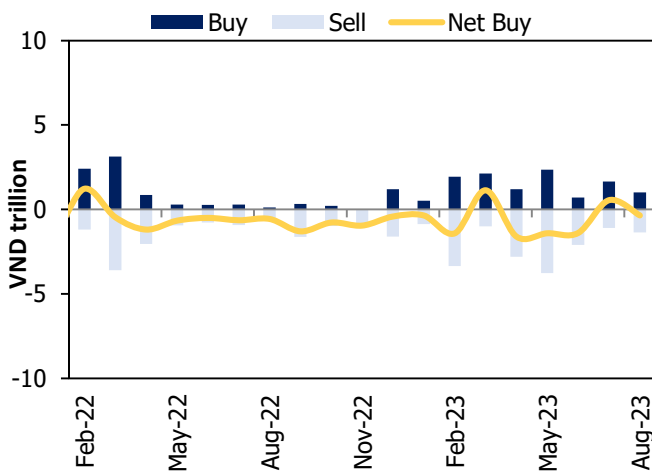
Source: Bloomberg, MBS Research

Figure 14. Outright and Repo transaction volume



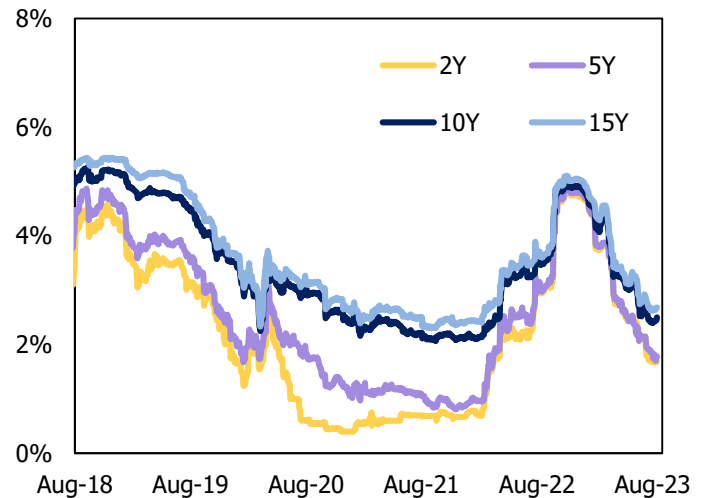
Source: HNX, MBS Research

Figure 15. Foreign investors' activity in secondary market



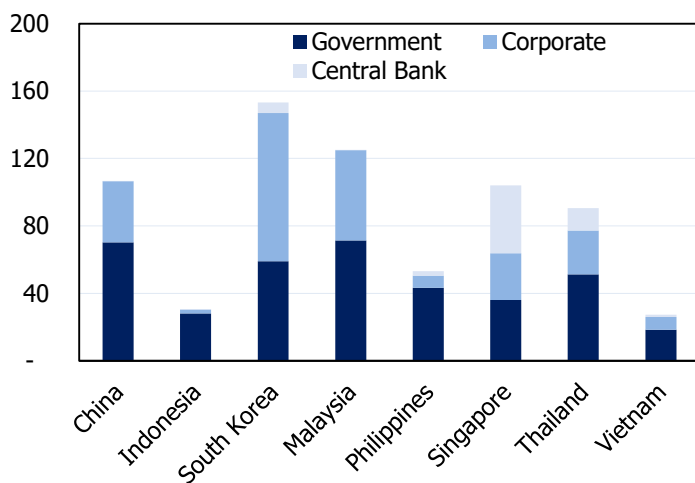
Source: HNX, MBS Research

Figure 16. G-bond yield curve – Secondary Market



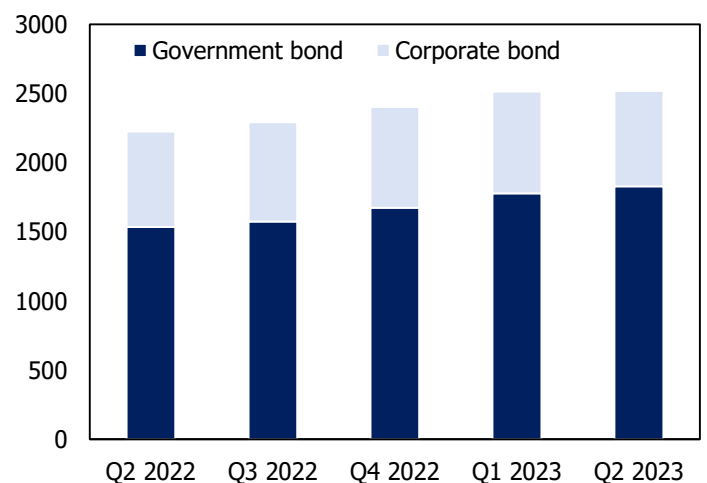
Source: Bloomberg, MBS Research

Figure 17. Size of bond markets (%GDP Q2 2023)



Source: ADB, MBS Research

Figure 18. Vietnam bond market size (VND tn)



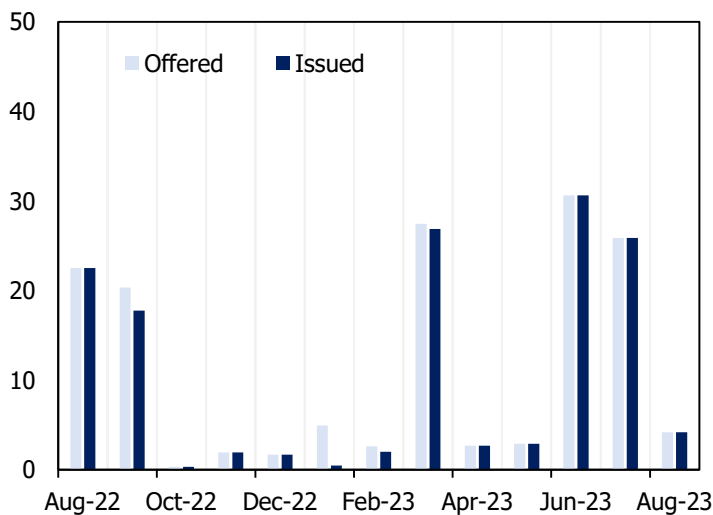
Source: ADB, MBS Research

COPRORATE BOND MARKET

In the first half of August, the total value of corporate bond issuance decreased significantly compared to July when only VND 4,200bn of corporate bonds were issued domestically. In which, the banking industry sector accounted for the majority of the total issuance value as there were 3 out of 4 companies issued in the month. Asia Commercial Bank issued bonds with the volume of VND 2,100bn with the coupon rate of 6.5%/year. In addition, VietJet Aviation Joint Stock Company issued bonds with the highest coupon rate of 12%/year.

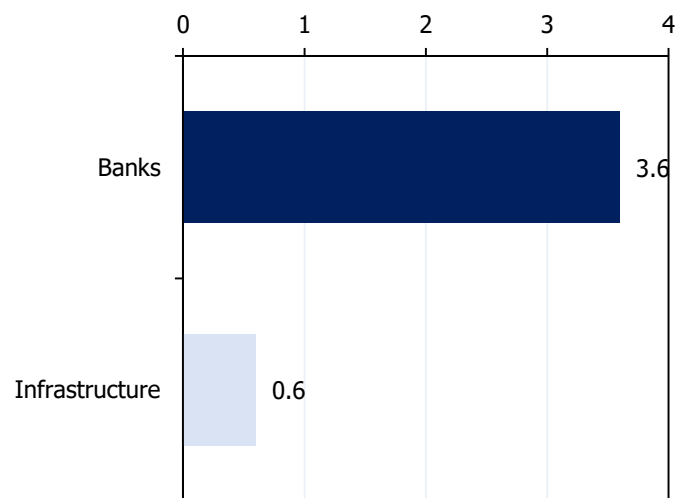
The total value of callable bonds that were bought back before maturity since the beginning of August was about VND 3tn from the issuance of 13 companies. In which, the banking sector still accounted for the largest proportion of bond repurchases, reaching about VND 1.2tn, accounting for 46%. Infrastructure sector took second place with about VND 650bn acquired, accounting for 24% of the total callable bonds.

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



Source: HNX, FiinPro, MBS Research

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



Source: HNX, FiinPro, MBS Research

Figure 21. Top issuers in August 2023

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
ACB	Ngân hàng Thương mại Cổ phần Á Châu	2	2,100	6.5%
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	1,000	7.5%
VJC	Công ty Cổ phần Hàng không Vietjet	5	600	12.0%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	20	500	7.7%

Source: HNX, FiinPro, MBS Research

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Address:

MB Building, 21 Cat Linh, Dong Da Dist., Hanoi

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

Website: www.mbs.com.vn