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A sharp drop in interbank interest rates indicates that liquidity in the system is returning to a state of abundance. SBV net injected nearly VND 3,000bn through 14-days tenor on the open market. The USD/VND exchange rate on the free market increased strongly in May. STV issued VND 10,510bn of G-bonds during the month with the winning yields inching up from the previous month. The yield of secondary G-bonds continued to grow. Foreign investors net sold VND 666bn of G-bonds during the month.

Money Market

Interbank interest rates declined in May. In the second half of May, SBV injected more than VND 3tn through the open market channel and all this money was returned to the in the first half of June.

Although credit growth in the whole system in the first 5 months of the year reached 7.75%, double the same period in 2021, the liquidity of the banking system is in a state of abundance, reflected by the sharp drop in interbank interest rates in the second half of May. A Bloomberg survey showed that the overnight interbank rates are trading at 0.5%/year, crashed to interest rates at the end of last year after always trading at a high level since the beginning of the year. Interest rates for other terms also sank in the end of the month, around 1.1%-2.13%/year.

SBV updated the total deposit data of residents to VND 5.47 million in the first three months of 2022, equivalent to an increase of 3.28% compared to the end of 2021. The trend of increasing deposits occurs thanks to the increase in deposit interest rates from the beginning of the year so far. This is also the main reason why banks' liquidity improves positively.

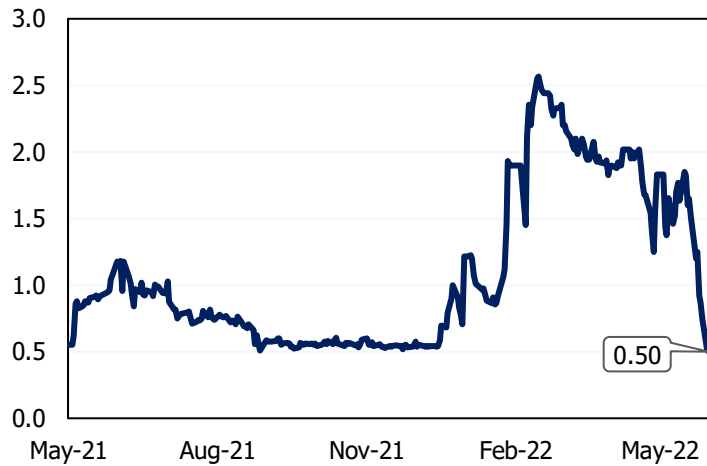
In the second half of May, SBV continued to net inject nearly VND 3tn via the OMO channel, with a rate of 2.5%/year, tenor of 2 weeks. Total maturity from this period reached VND 2,873.89bn, bringing the amount of OMO in circulation to VND 2,871.33tn. Thus, the whole amount will return to SBV in June.

USD/VND exchange rate climbed on the free market

The value of the USD compared to VND on the free market remained high as opposed to the bearish movement with some other currencies in the region in the second half of the month. The USD/VND exchange rate on the free market went up by VND 400 per USD compared to the end of April and is currently trading at 23,855 VND/USD. The central and interbank rates were respectively traded at VND 23,057 per USD, down VND 83 per USD and VND 23,126 per USD, up VND 72 per USD.

In April, the DXY Index dropped to 101.78. The greenback has slipped as the market adjusts its stance on the Fed's rate hike. Released data shows U.S. consumer spending rose more than expected in April as households ramp up purchases of goods and services and the rise in inflation slowed. Such positive economic data coupled with the fact that the market is betting on a cautious tightening path at a slower pace of the Fed has been weakening the dollar as it has been lately.

Figure 1. Interbank overnight lending rate (%)



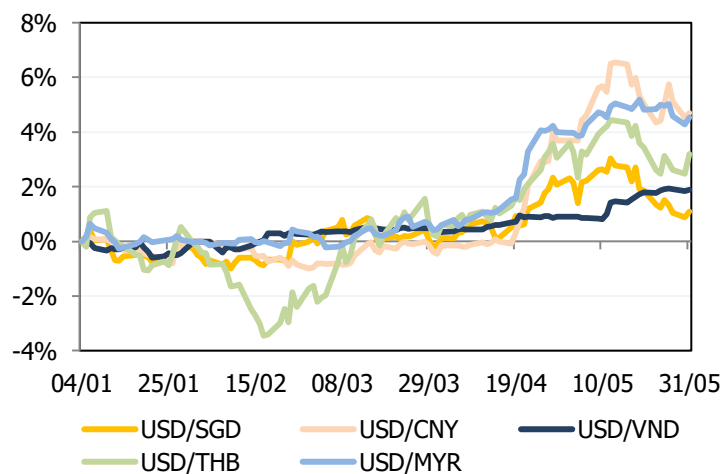
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
28/02	2.33	2.38	2.27	2.33
31/03	1.88	2.03	2.16	2.26
30/04	1.83	2.17	2.17	2.17
31/05	0.50	1.10	1.40	2.13

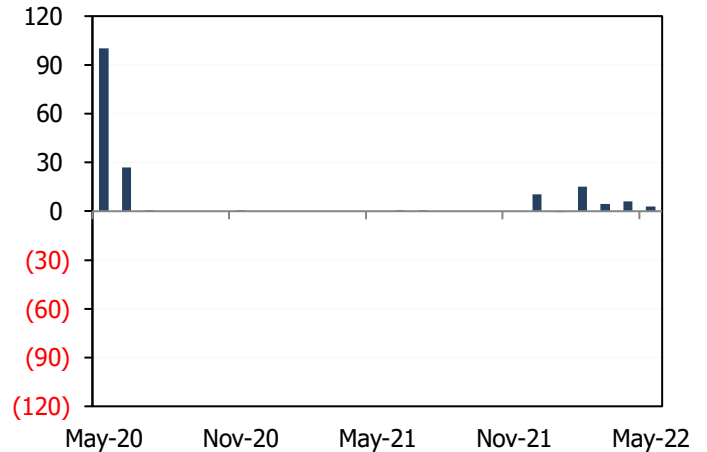
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



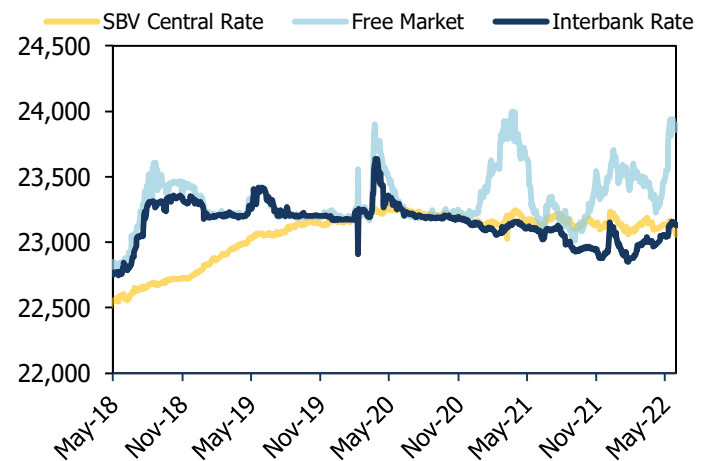
Source: Bloomberg.

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



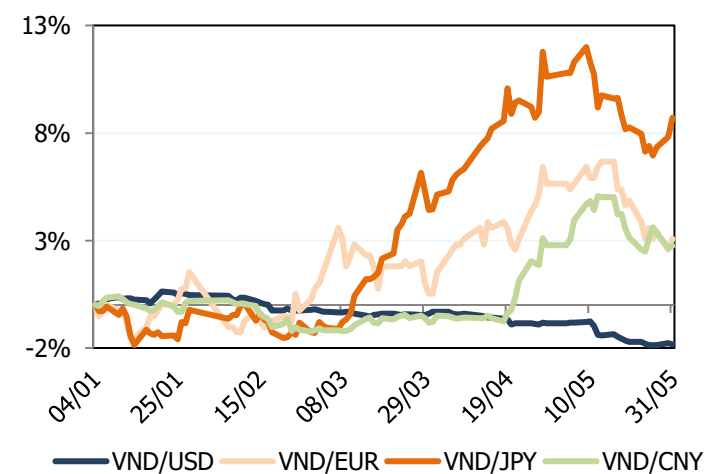
Source: SBV, MBS.

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 46,002bn of G-bonds this month with the winning yield inching up compared to the previous month.

In May, G-bond issuance continued to be continued to be bleak even though the SBV raised the volume of offerings. In the VND 33,500bn proposed, there were VND 10,510bn of G-bonds successfully mobilized, at the rate of 31%. The majority of the issuance still occurs in the two main terms, 10Y and 15Y. Vietnam Bank For Social Policies offered to sell VND 6,500bn of G-bonds with a term of 3Y in the month, there were VND 2,600bn of G-bonds successfully mobilized.

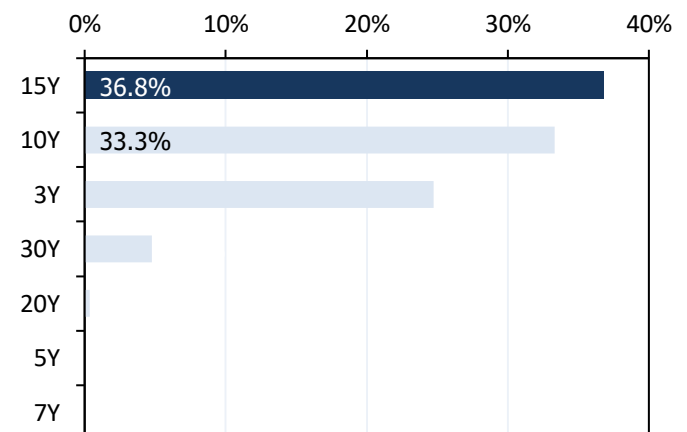
The winning yield of the bonds inch up compared to the end of April. The yield for 10Y and 15Y terms were 2.34%/year and 2.64%/year, both went up 6bps compared to the end of April. The 3Y term yield surged to 2.3%/year. We forecast that government bond yields will increase slightly in the coming months as the demand for bonds issued by the STV rises in line with the intention to accelerate the disbursement of public investment to stimulate the economy as well as provide financing capital for maturing bonds.

Figure 7. G-bond auction result in May 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y	6,500	2,600	40%	2.30%
5Y	3,000	0	0%	0.00%
7Y	500	0	0%	0.00%
10Y	11,000	3,500	32%	2.34%
15Y	10,500	3,870	37%	2.58%-2.64%
20Y	1,000	40	4%	2.75%
30Y	1,000	500	50%	3.01%
Total	33,500	10,510	31%	Unit: VND bn

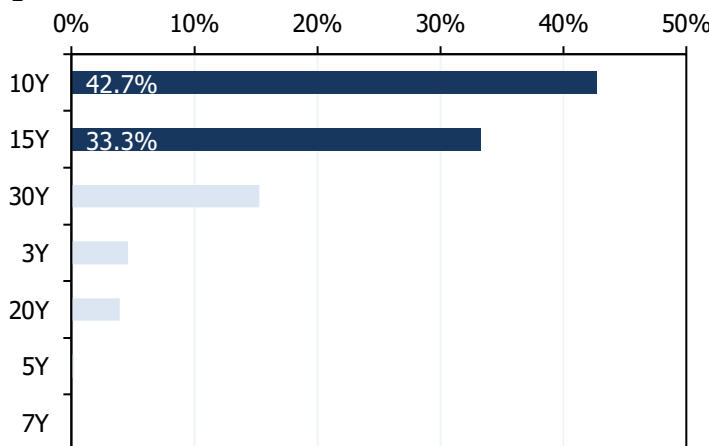
Source: HNX.

Figure 8. G-bond successful issuance May 2022



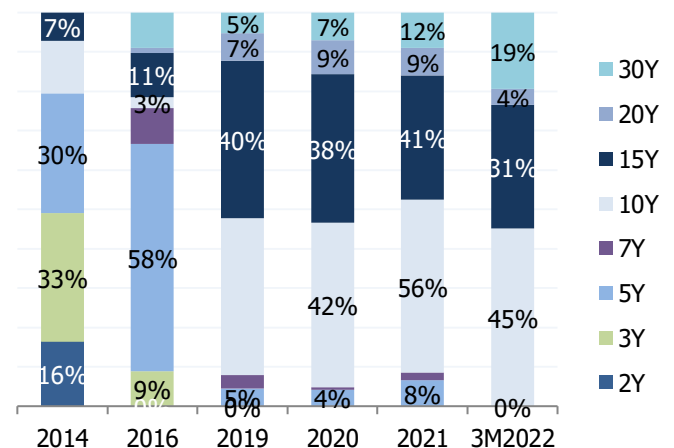
Source: HNX.

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	100	0%
7Y	15,000	0	0%
10Y	140,000	24,142	17%
15Y	150,000	18,820	13%
20Y	30,000	2,225	7%
30Y	35,000	8,625	25%
Total	400,000	53,912	13%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 31/05/2022

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2021*
			Last month		
U.S.	2.84	9.35	-9.0		133.4
EU	1.12	15.50		 18.4	129.9
Japan	0.24	0.60		 1.3	17.2
China	2.80	0.00	-4.2		1.8
South Korea	3.33	12.80		 9.5	107.5
India	7.42	5.80		 27.5	96.1
Malaysia	4.17	-5.90	-21.4		60.2
Singapore	2.74	11.33		 15.9	101.6
Indonesia	7.04	-19.30		 5.5	65.9
Philippines	4.16	-22.20	-11.8		180.8
Thailand	2.96	-7.61		 6.4	100.3
Vietnam	3.25	0.40		 13.9	107.5

Source: Bloomberg.

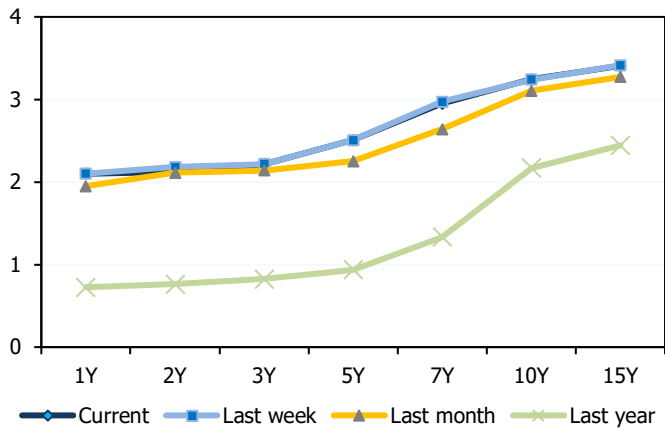
Secondary Market

G-bond yield increased slightly during the month. Average transaction volume on the secondary G-bond market went down by 23% MoM with the proportion of repos transactions increasing compared to previous month. Foreign investors net sold VND 666bn of G-bonds this month.

At the end of May, the 10Y yield was at 3.25%/year, up 14bps compared to the previous month whereas the 2Y yield went sideways to 2.13%/year, up 1bps. The yield curve is continuing its upward trend since the beginning of the year.

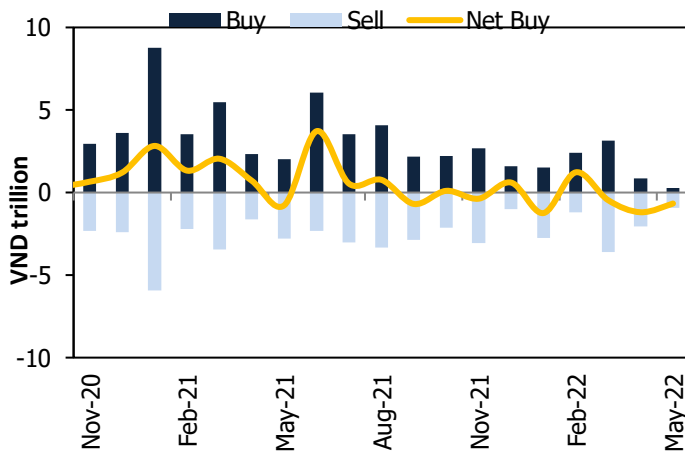
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 8tn, down 23%. Of which, outright trading accounted for 51% of the volume this period and VND 79tn. Average transaction was VND 3.9tn/day, down by 28% from the previous month's average. Average repos trading volume decreased by 16% compared to April, reaching VND 3.8tn/day. In May, foreign investors net sell G-bonds with an amount of VND 666bn. Overall, foreign investors have sold VND 2,346bn in 2022 and purchased VND 2,320bn in the past 12 months.

Figure 13. Vietnam T-bond Yield (%)



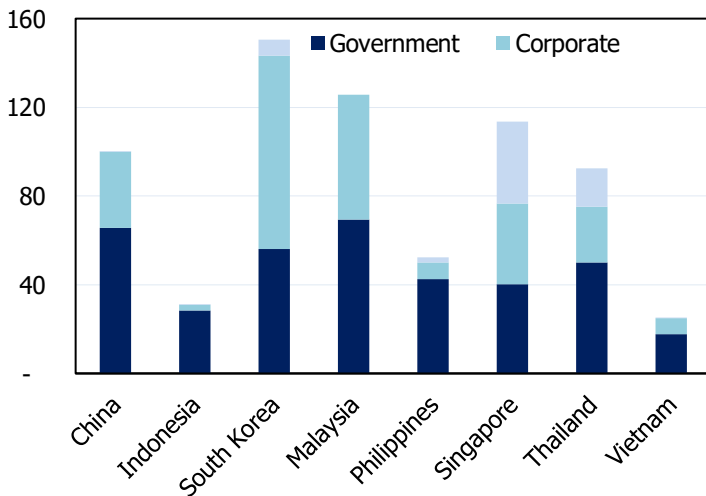
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



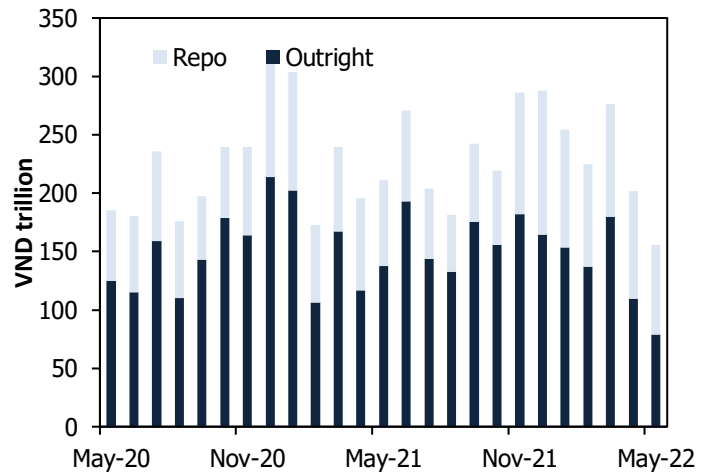
Source: HNX.

Figure 17. Size of bond markets (%GDP Q1 2022)



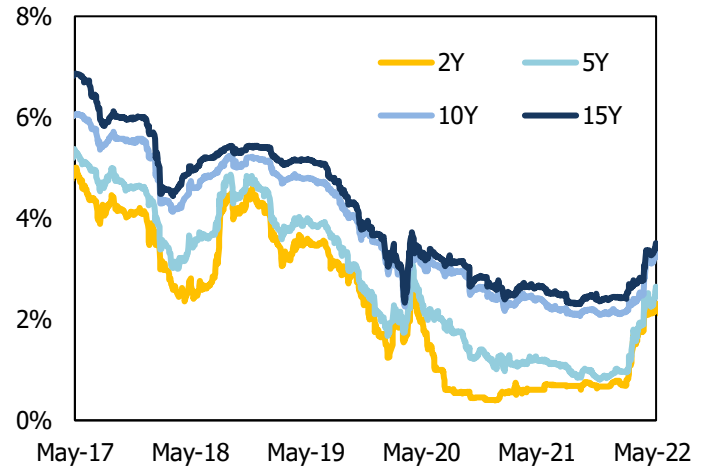
Source: ADB.

Figure 14. Outright and Repo transaction volume



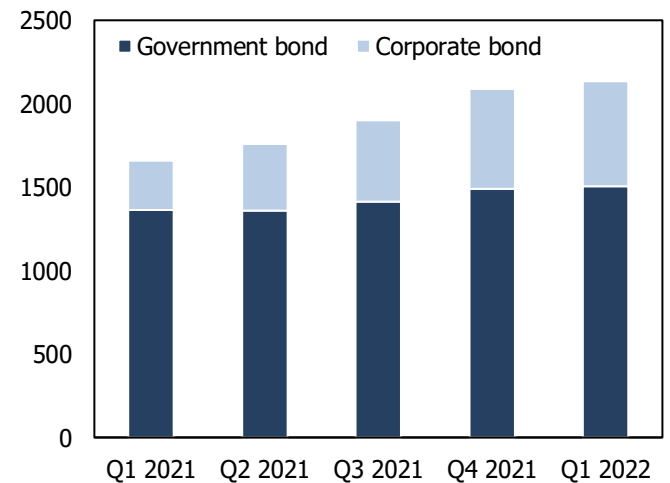
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

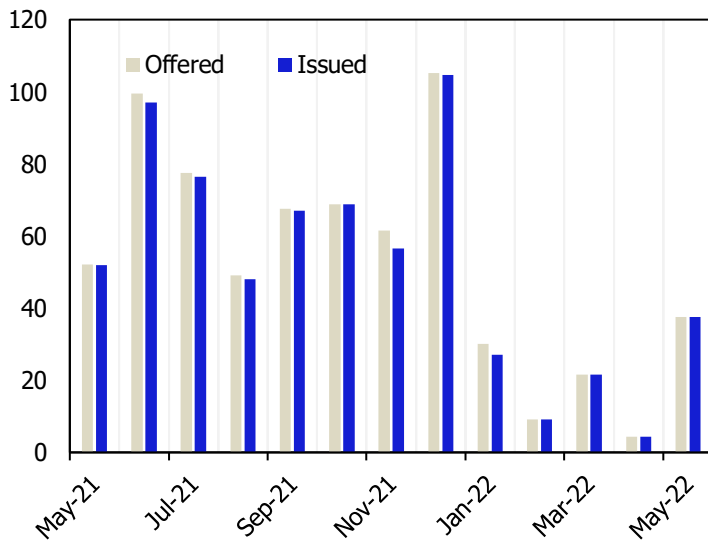


Source: ADB.

Corporate Bond Market

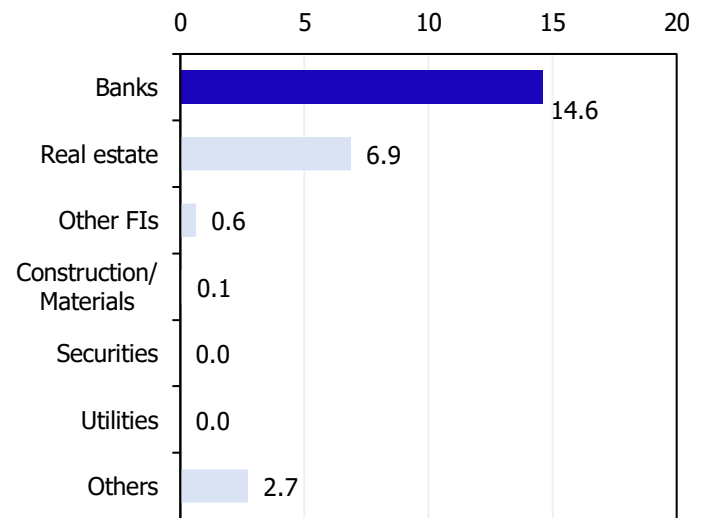
FiinPro data showed that in the first half of May, VND 37,527.81bn of corporate bonds were issued in the domestic market and USD 525mn of international convertible bonds was issued to the international market of Vingroup Joint Stock Company. Of which, No Va Land Investment Group Corporation issued the most significant bond volume of VND 5,774bn. In addition, TNG Investment and Trading Joint Stock Company issued bonds with the highest coupon rate of 10%/year. The banks sector is the top issuer, accounting for the most monthly volume, reaching nearly 60% of the issuance volume in the month.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in May 2022

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
VIC	Tập đoàn Vingroup - Công ty Cổ phần	5	12,150.08 (525 triệu USD)	N/A
NVL	Công ty Cổ phần Tập đoàn Đầu tư Địa ốc No Va	10	5,774	N/A
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	2,600	N/A
MBB	Ngân hàng Thương mại Cổ phần Quân đội	3-7	2,460	N/A
ACB	Ngân hàng Thương mại Cổ phần Á Châu	1	2,000	N/A
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	8-15	1,850	6.43%-6.73%
	Ngân hàng TNHH MTV Shinhan Việt Nam	2	1,800	N/A
	Công ty Cổ phần Đầu tư và Phát triển Du lịch Phú Quốc	5	1,229.74	N/A
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	1,000	N/A
TCB	Ngân hàng Thương mại Cổ phần Kỹ thương Việt Nam	3	1,000	N/A
	Công ty Cổ phần Sunbay Ninh Thuận	3-6	900	N/A
	Công ty TNHH Đầu tư và Kinh doanh Địa ốc Mỹ Phú	4	700	N/A
SSB	Ngân hàng Thương mại Cổ phần Đông Nam Á	2-3	699	N/A
	Công ty Tài chính TNHH Ngân hàng Việt Nam Thịnh Vượng SMBC	2	500	N/A

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
ABB	Ngân hàng Thương mại Cổ phần An Bình	3	500	N/A
TPB	Ngân hàng Thương mại Cổ phần Tiên Phong	3	500	N/A
AGG	Công ty Cổ phần Đầu tư và Phát triển Bất động sản An Gia	2	300	N/A
TNG	Công ty Cổ phần Đầu tư và Thương mại TNG	4	300	10.0%
ASG	Công ty Cổ phần Tập đoàn ASG	3	300	N/A
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	8	180	N/A
	Công ty Cổ phần Encapital Holdings	1	130	N/A
	Công ty Cổ phần Long Thành Riverside	4.6	105	N/A
	Công ty Cổ phần Đầu tư - Phát triển Đô thị Ấn Phú	3.5	50	N/A

Source: HNX, FiinPro, MBS Research.

PRODUCT

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