

Tuan Hoang

Chief Economist

Tuan.hoangcong@mbs.com.vn

Anh Le

Research Analyst

Anh.LeMinh@mbs.com.vn

Interbank interest rates dropped sharply at all tenors showing a continuing state of liquidity abundance. SBV continues to inject money through OMO channel to regulate currency supply. VND is appreciating against the USD. STV has successfully issued nearly VND 21tn of G-bonds while Vietnam Bank for Social Policies raised VND 2tn during the period. Secondary G-bonds yields decreased slightly compared to the previous month. Foreign investors net sold VND 164bn of G-bonds in December.

Money Market

Interbank interest rates dropped sharply due to the liquidity of the banking system is gradually stabilizing. SBV has injected nearly VND 84tn through the open market channel with long terms.

In the first two weeks of December, SBV continued to inject VND 83,554.26bn into the banking system through the purchase of 14-91 days with the winning interest rates were all at 6%-7.05%/year. The SBV net injected a large amount of money with a long term to compensate for more than VND 82,000bn maturing in the period. At the same time, the SBV also returned to the trading channel to buy foreign currencies, injecting VND into the market. This helps to support liquidity in the system when it is gradually approaching the peak time of year-end.

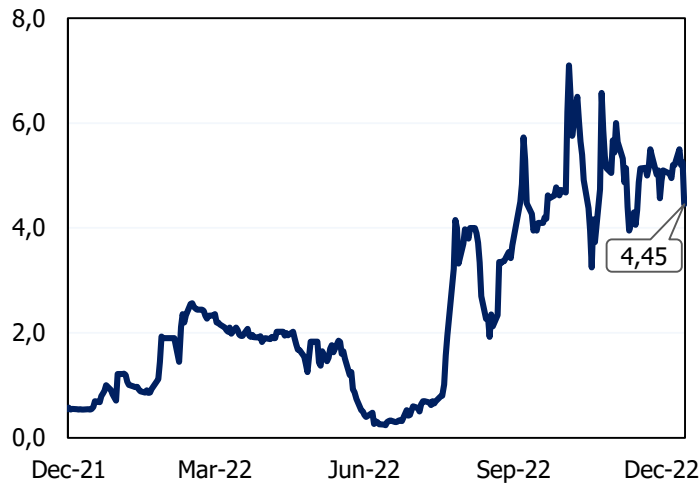
Stable liquidity is also reflected in the decrease in interbank interest rates compared to the beginning of the month. A Bloomberg survey showed that the overnight interbank rates are trading at 4.45%/year, down by 12 bps compared to the end of last month. Interest rates for other terms are also around 5.15%-6%/year, a decrease of about 8-32 bps compared to the end of November. Credit growth in Q4 has been impressive. Up until September, the growth rate was merely 10.96% but by the end of November, the total credit size of the economy has increased by 12.2% compared to the end of 2021. With the SBV's decision to adjust credit targets in early December, it will create conditions for businesses to access credit capital, combined with the year-end season, it is expected that credit growth this year will reach over 14%.

VND/USD exchange rate adjusted downwards.

The SBV injected net money quite strongly in the past two weeks and the international USD recorded a decline. In the first half of December, the domestic exchange rate decreased significantly. SBV has reduced the selling price of USD to VND 24,830. Compared to the end of November, the VND/USD exchange rate on the free market decreased by VND 970 per USD and is currently trading at 24,000 VND/USD. The central and interbank rates were respectively traded at 23,652 VND/USD, down VND 13 per USD and 23,592 VND/USD, down 592 per USD.

The USD Index fell to 104.62. The dollar fell sharply after data showed lower-than-expected inflation, twelve-month CPI fell to 7.1%, the smallest rise since December 2021. At the same time, Fed decided to raise interest rates by 50 basis points as expected and made some changes to its official statement. Many central banks also collectively increased 50 basis points in the operating interest rate last week. It is expected that the safe-haven greenback will likely continue to receive support from the fear of a global economic slowdown.

Figure 1. Interbank overnight lending rate (%)



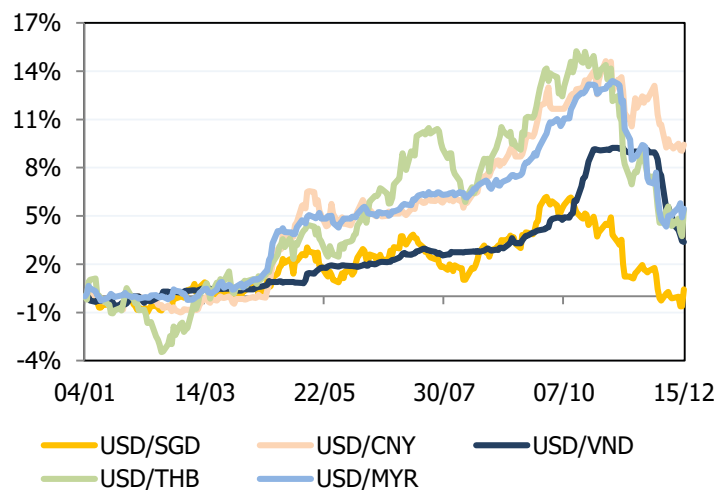
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

| | O/N | 1 Week | 2 Week | 1 Month |
|-------|------|--------|--------|---------|
| 30/09 | 4.73 | 4.90 | 4.98 | 4.98 |
| 31/10 | 5.05 | 6.30 | 6.88 | 7.43 |
| 30/11 | 4.57 | 5.23 | 5.67 | 6.27 |
| 15/12 | 4.45 | 5.15 | 5.35 | 6.00 |

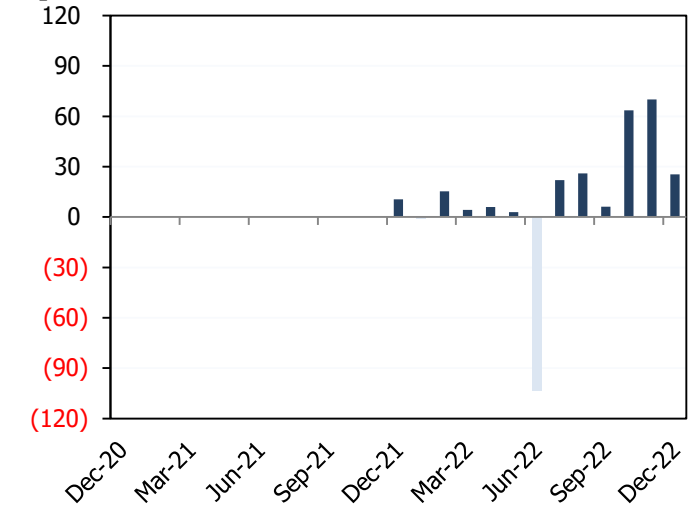
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



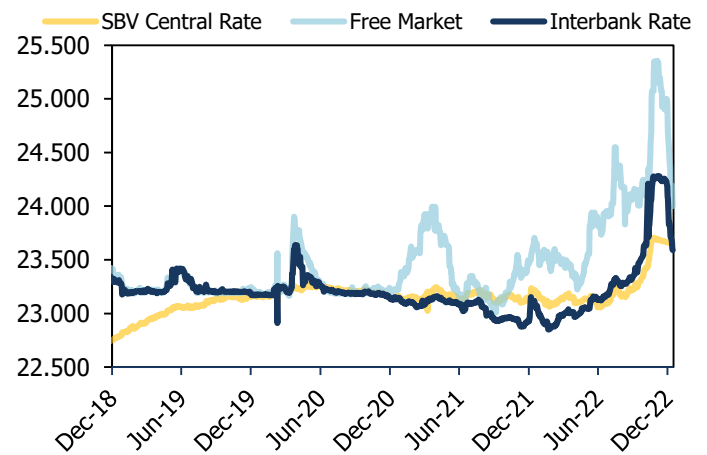
Source: Bloomberg.

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



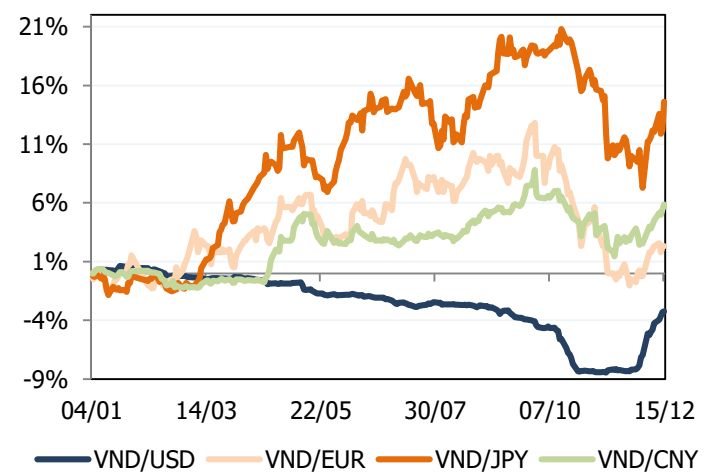
Source: SBV, MBS Research.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2022



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued nearly VND 21tn of G-bonds during the period, in addition Vietnam Bank for Social Policies managed to raised VND 2tn.

In December, the G-bonds trading volume increased sharply compared to the same period in November, STV only offered G-bonds for two main tenors, 10Y and 15Y. Of the VND 21,000bn of bonds offered for sale, a total of VND 21,000bn was mobilized, a rate of 100%. Of which, VND 15tn of 10Y and VND 5tn of 15Y bonds were auctioned and issued. In addition, the Bank for Social Policies offered VND 2,000bn worth of bonds with a term of 3Y and 5Y in the month, of which all VND 2,000bn was mobilized at yield of 4.7%-4.8%/year.

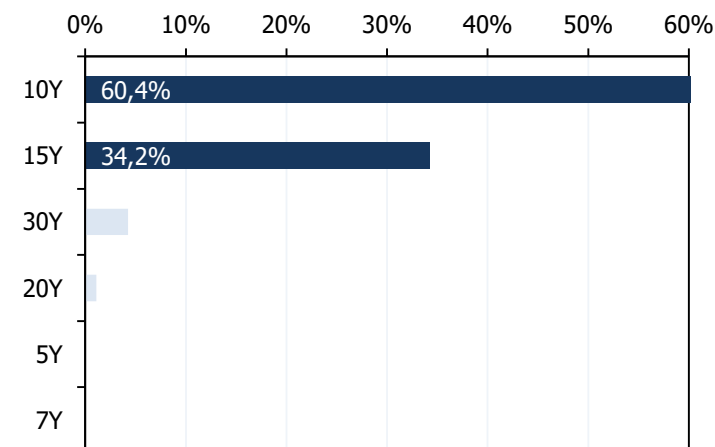
Winning yields of bonds increased sharply compared to the previous period. Yields for 10Y and 15Y tenor were 4.8%/year and 4.9%/year, respectively, up by 80 bps compared to the end of last month. Although the subscription value exceeded the bid value, very few bonds were raised successfully. The low issuance rate is expected to push the STV to raise the winning yield of bonds to attract investors in the next offering sessions.

Figure 7. G-bond auction result in December 2022

| Tenor | Offering value | Winning value | Issuance rate | Yield |
|--------------|----------------|---------------|---------------|---------------------|
| 5Y | | | | |
| 7Y | | | | |
| 10Y | 15,000 | 15,000 | 100% | 4.8% |
| 15Y | 6,000 | 6,000 | 100% | 4.9% |
| 20Y | | | | |
| 30Y | | | | |
| Total | 21,000 | 21,000 | 100% | Unit: VND bn |

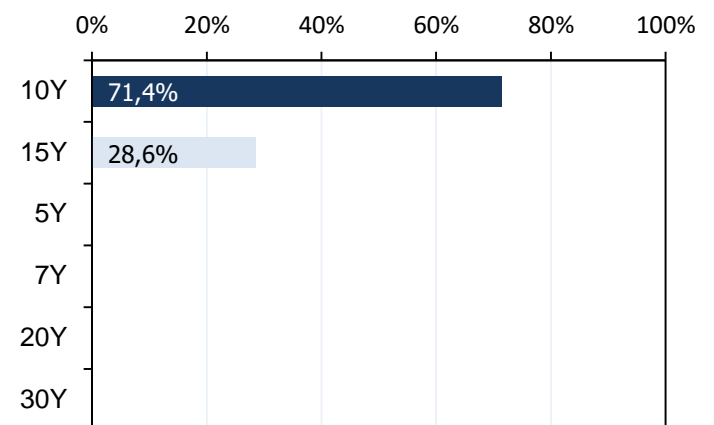
Nguồn: HNX

Figure 9. G-bond successful issuance in 2022



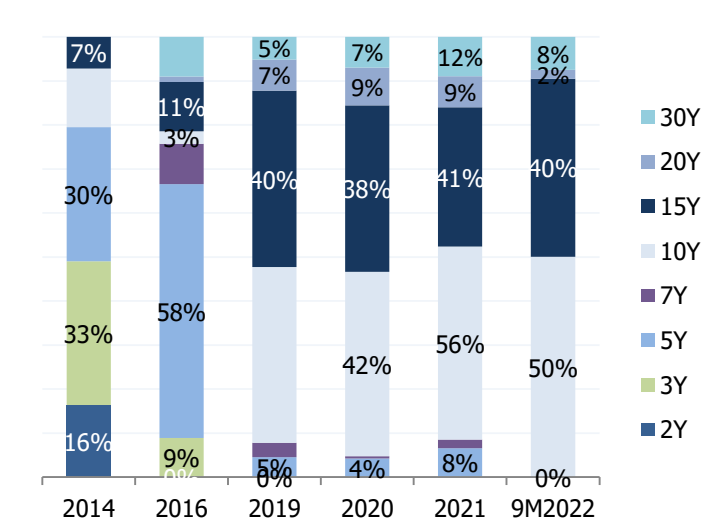
Nguồn: HNX

Figure 8. G-bond successful issuance December 2022



Nguồn: HNX.

Figure 10. G-bond successful issuance over the years



Nguồn: 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 | 122,812 | 88% |
| 15Y | 150,000 | 69,520 | 46% |
| 20Y | 30,000 | 2,265 | 8% |
| 30Y | 35,000 | 8,625 | 25% |
| Total | 400,000 | 203,222 | 51% |

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/12/2022

*Bps changed compared to last closing

| Market | Last closing | Last week* | Last month | 31/12/2021* |
|----------------|--------------|--------------|-------------|--------------|
| U.S. | 3.45 | -3.56 | -15,9 | 209.5 |
| EU | 2.08 | 26.30 | 15,3 | 210.7 |
| Japan | 0.26 | 0.10 | 0,3 | 18.2 |
| China | 2.92 | -0.30 | -0,6 | 14.3 |
| South Korea | 3.37 | -16.20 | -30,8 | 142.5 |
| India | 7.27 | -2.00 | -1,2 | 82.6 |
| Malaysia | 4.01 | -6.10 | -9,6 | 53.9 |
| Singapore | 2.99 | 1.83 | -6,6 | 133.7 |
| Indonesia | 6.89 | -7.30 | -4,7 | 55.7 |
| Philippines | 4.69 | -5.69 | -22,1 | 255.9 |
| Thailand | 2.54 | -9.03 | -18,7 | 76.5 |
| Vietnam | 4.89 | -1.20 | -2,2 | 274.5 |

Source: Bloomberg.

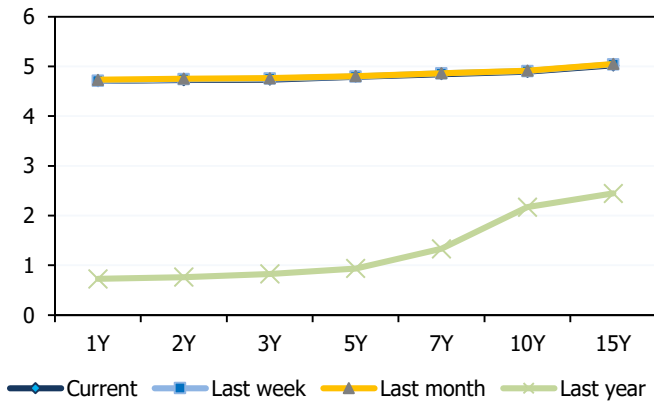
Secondary Market

Secondary G-bond yields declined slightly during the month. Average transaction volume on the secondary G-bond market went up by 12.7%. Foreign investors net sold VND 164bn of G-bonds this period.

, the 10Y yield was at 4.92%/year, up 3 bps compared to the previous month whereas the 2Y yield grew to 4.76%/year, did not increase compared to the previous month. Since the beginning of the year, the 2Y yield has increased by 4%bps while the 10Y term yield has also increased by 3%bps.

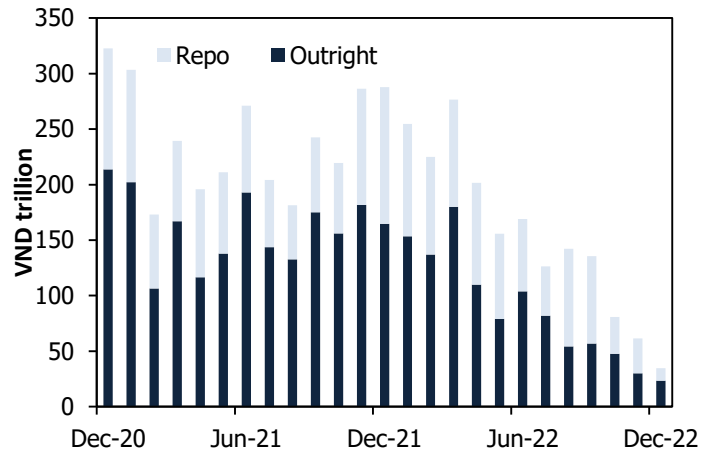
Government bond transactions in the secondary market in the first half of December reached VND 3.1tn daily average, 12.7% more than its November level. Of which, outright trading accounted for 68% of the volume this period and VND 23tn. The average transaction was VND 2.1tn/day, up by 55% from the previous month's average. Average repos trading volume declined by 28% compared to November, reaching VND 1tn/day. Foreign investors net sold VND 164bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 7,260bn of G-bonds in 2022.

Figure 13. Vietnam T-bond Yield (%)



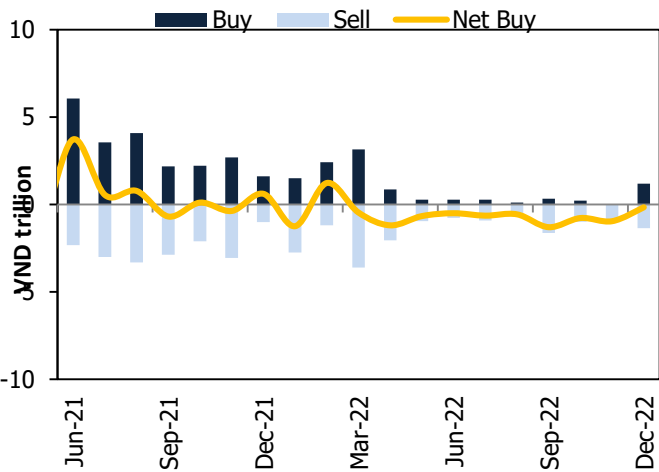
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



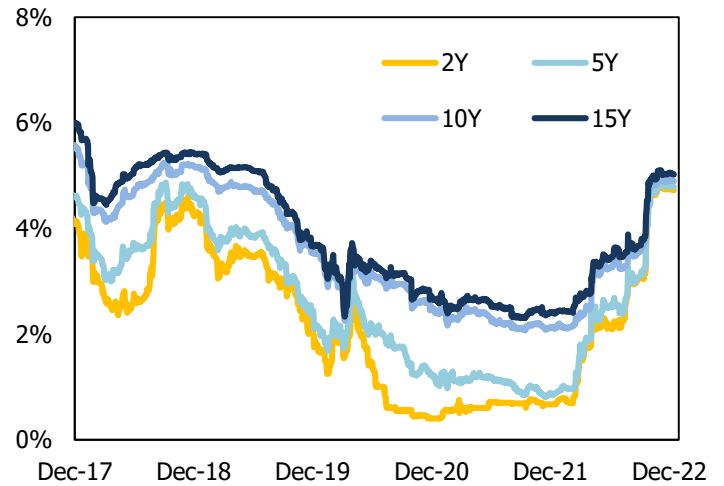
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



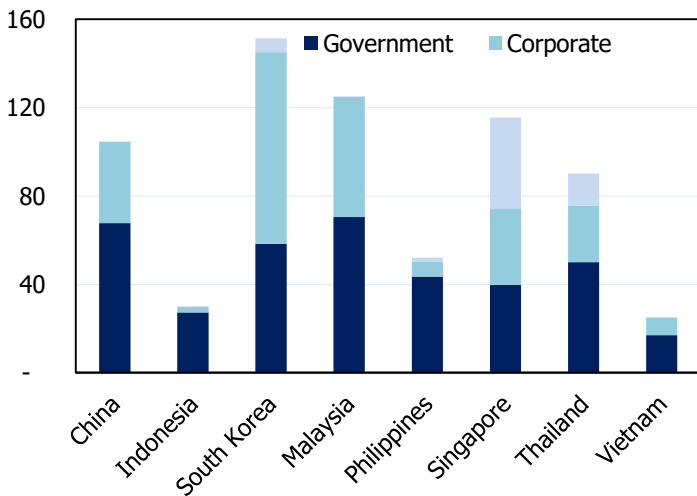
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



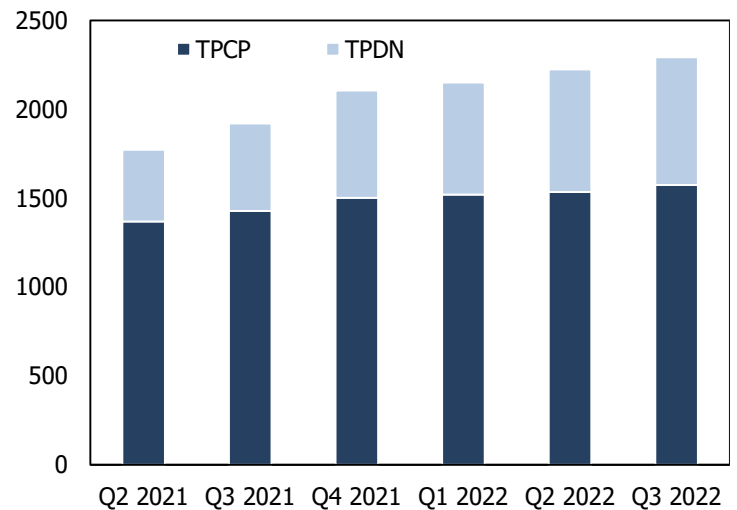
Source: Bloomberg.

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



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

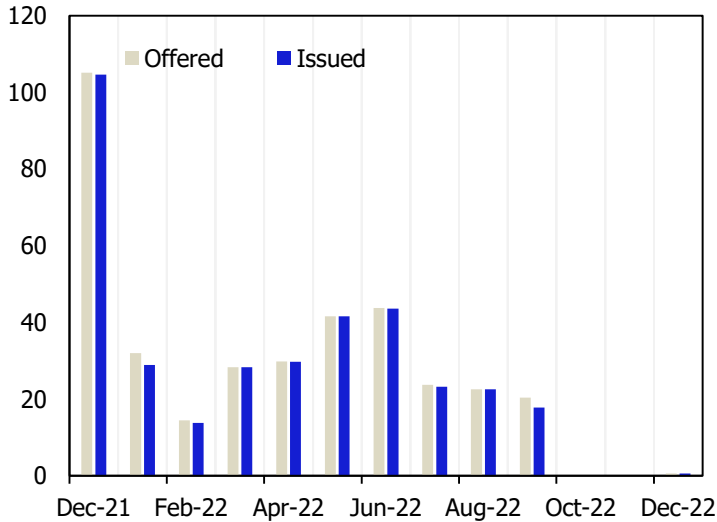


Source: ADB.

Corporate Bond Market

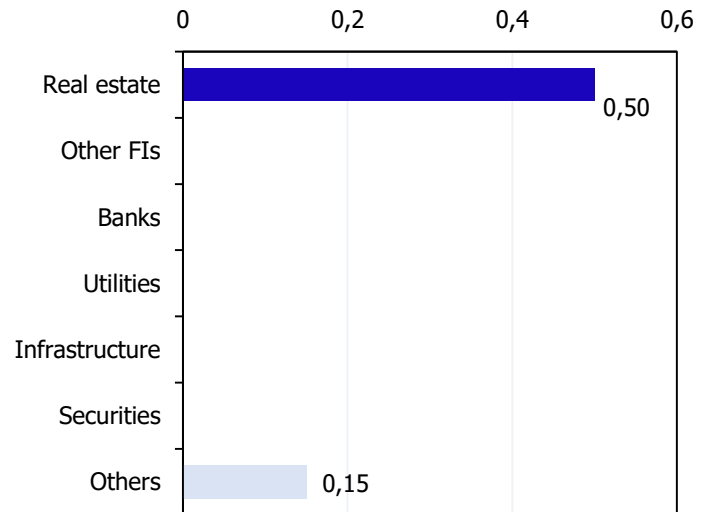
FiinPro data showed that in December, VND 650 bn of corporate bonds were issued in the domestic market. Of which, Tenamyd Pharmaceutical Joint Stock Company issued bonds with a volume of VND 150bn and Thanh Nguyen Energy Investment and Development Co., Ltd issued bonds with a volume of VND 500bn.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in December 2022

| Ticker | Issuer | Tenor (years) | Amount (VND tn) | Coupon rate (%/year) |
|--------|---|---------------|-----------------|----------------------|
| | Công ty TNHH Đầu tư và Phát triển Năng lượng Thành Nguyên | 5 | 500 | N/A |
| | Công ty cổ phần Dược phẩm Tenamyd | 1-6 | 150 | N/A |

Source: HNX, FiinPro, MBS Research.

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.

MBS RESEARCH CENTER

We offer economic and equity research. The Economic Research Team offers periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team offers reports on listed firms, private equities and sector reviews. MBS Research Center also offers regular market commentaries - The Investor Daily.

MB SECURITIES (MBS)

Established since May 2000, MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development, MBS has become one of the leading securities companies in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi, Ho Chi Minh City, Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management, MB Capital and Viet R.E.M.A.X (Viet REM), MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009;
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy; and
- A trusted provider of investment banking services for corporate clients.

MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

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

Website: www.mbs.com.vn

DISCLAIMER

Copyrights, ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy/sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.