

## SBV cut interest rates for four times in a row

- SBV cut down key interest rates the fourth time in order to support the economic recovery.
- The VND/USD exchange rate fluctuates in a small range meanwhile US dollar went down after Fed's remained rate decision.
- STV reduced the amount of offering value, STV issued VND 5,940bn of G-bonds during the period.

### MONEY MARKET

#### Liquidity is abundant, SBV only injected small volume via OMO channel

In the first half of June, SBV injected only VND 703bn to support the banking system with an interest rate of 4.5%/year, tenor of 7-28 days. Total maturity from this period reached VND 1,355bn, bringing the amount of OMO in circulation to VND 294bn. The entire 91-day T-bill matured and all the money returned to the banking system.

In order to contribute to controlling the inflation, maintaining the macro-economic stability, stabilizing the money market, and making efforts to reduce the lending interest rates in support of the economic recovery, the SBV has decided to continue to cut the key interest rates, with the new adjustments taking effect on June 19, 2023, specifically as follows: Accordingly, the overnight interest rate for the inter-bank electronic payments and the interest rate applied to loans to finance short-term balances in the clearing transactions between the SBV and the credit institutions is lowered from 5.5% p.a. to 5.0% p.a.; the refinancing rate is reduced from 5.0% p.a. to 4.5% p.a.; the rediscounting rate is cut down from 3.5% p.a. to 3.0% p.a.; the maximum VND mobilization interest rate for time deposits of 1-month to below 6-month terms is reduced from 5.0% p.a. to 4.75% p.a; the interest rate cap applied to VND short-term loans provided by the credit institutions to meet the capital demand in a number of priority sectors and areas in line is reduced from 4.5% p.a. to 4.0% p.a.

The overnight interbank interest rates are trading at 1.4%/year, down sharply from 3.7% at the end of last month. Interest rates for other terms are also around 1.6%-3.2%/year, interest rates have halved from the level of interest rates at the end of May. Commercial banks accordingly also began to adjust deposit interest rates, simultaneously reducing the interest rate of 1-5 months to 4.75%/year.

#### VND/USD exchange rate fluctuated in opposite directions

The domestic exchange rate continued to fluctuate. Compared to the end of May, the VND/USD exchange rate on the free market went up by 30 per USD and is currently trading at 23,485 VND/USD. The central and interbank rates were respectively traded at VND 23,704 per USD, down 10 per USD and VND 23,620 per USD, up 18 per USD.

The USD Index is staying at 102.2. The USD index has come under strong downward pressure after the Fed kept interest rates steady as expected at its June meeting. However, the greenback later received a boost as the Fed forecasts at least two more hikes this year, despite pausing a series of rate hikes, as inflation continues to trend above the central bank's target range.

**Chief of Economics**

**Tuan Hoang Cong**

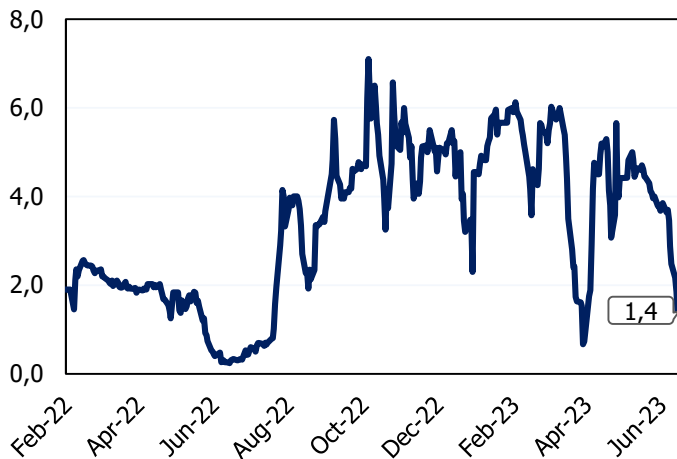
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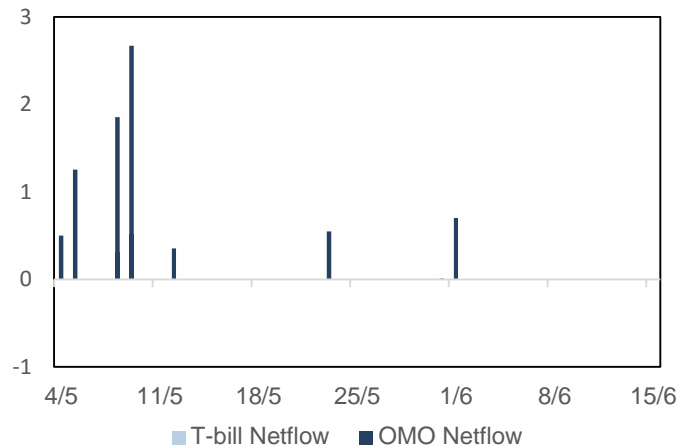
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Figure 1. Interbank overnight lending rate (%)



Source: SBV, MBS Research

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



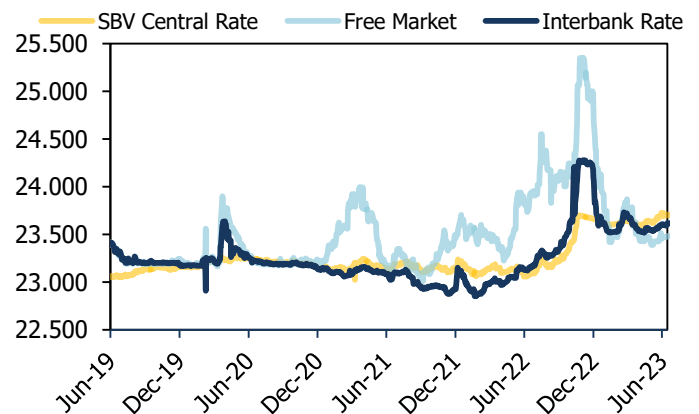
Source: SBV, MBS Research

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/03	1.0	1.8	2.4	4.0
30/04	4.4	4.4	4.6	5.0
31/05	3.6	3.8	4.0	4.3
15/06	1.4	1.6	2.0	3.2

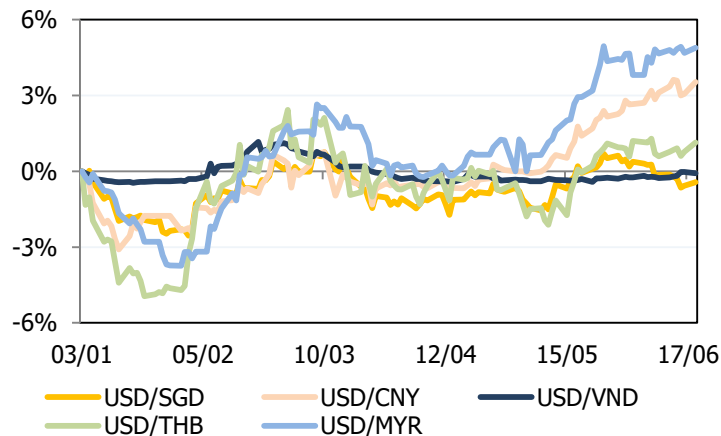
Source: SBV, MBS Research

Figure 4. USD/VND exchange rate



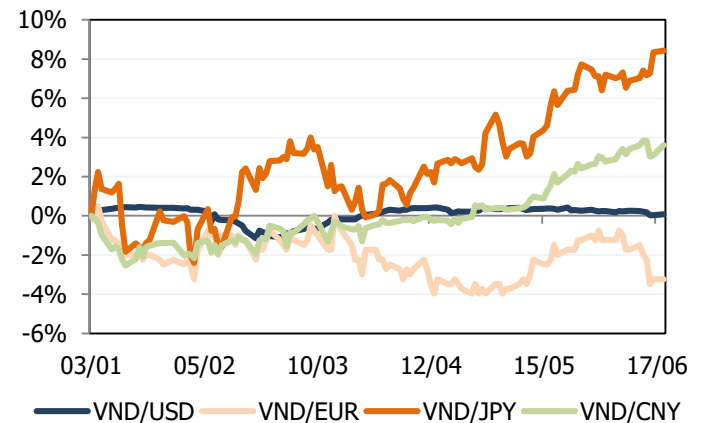
Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2023



Source: SBV, MBS Research

Figure 6. VND compared to major currencies in 2023



Source: SBV, MBS Research

## GOVERNMENT BOND MARKET

### Primary market

STV successfully issued VND 5,940bn of G-bonds this period with the winning yield continuing to decrease.

In June, STV reduced the volume of calling for G-bonds, but the winning rate was quite high. The amount of G-bonds successfully issued by STV reached VND 7,750bn out of a total of VND 5,940bn proposed, at the rate of 77%. Thus, since the beginning of the year, STV has issued a total of VND 168,892bn of G-bonds, completing 42% of the year plan.

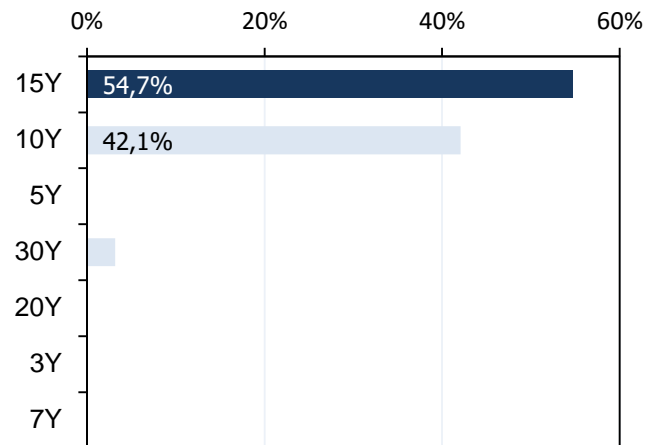
Winning yields of G-bonds fell in the month. 10Y tenor yields were 2.85%/year 10 bps compared to the end of last month while the yields for 15Y is unchange. In the context that the economy is still potentially risky and credit growth is not high, Investors' cash flows are increasingly motivated to flow into safe areas such as G-bonds, even though issuance rates have fallen sharply in recent months.

Figure 7. G-bond auction result in June 2023

Tenor	Offering value	Winning value	Issuance rate	Yield
3Y				
5Y	1,500	0	0%	0.00%
7Y				
10Y	2,500	2,500	100%	2.85%-2.95%
15Y	3,250	3,250	100%	3.05%
20Y				
30Y	500	190	38%	3.19%
<b>Total</b>	<b>7,750</b>	<b>5,940</b>	<b>77%</b>	<b>Unit: VND bn</b>

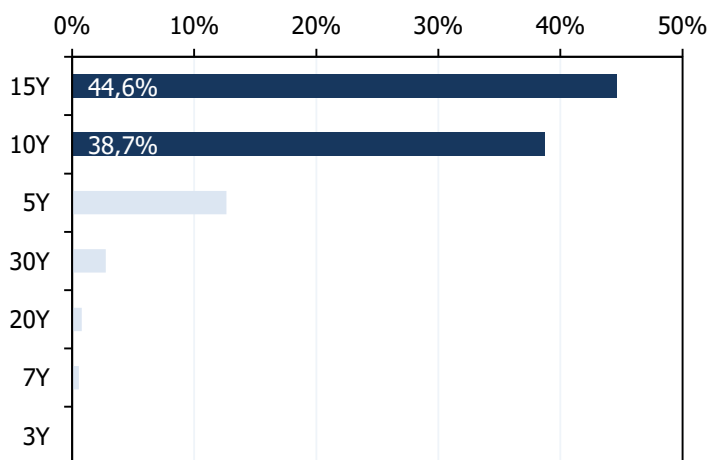
Source: HNX, MBS Research

Figure 8. G-bond successful issuance June 2023



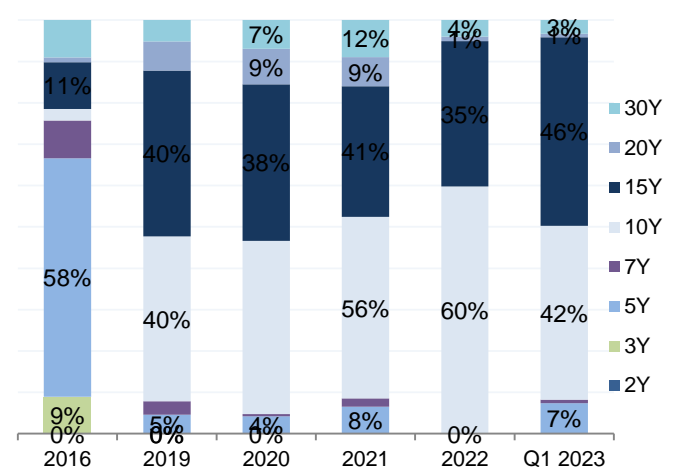
Source: HNX, MBS Research

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	21,349	61%
7Y	5,000	950	19%
10Y	125,000	65,349	52%
15Y	165,000	75,303	46%
20Y	20,000	1,309	7%
30Y	20,000	4,632	23%
<b>Total</b>	<b>400,000</b>	<b>168,892</b>	<b>42%</b>

Source: VST, HNX, MBS Research

Figure 12. 10Y G-bond yields (%) in selected countries (As at 15/06/2023).

Market	Last closing	Last week*	Last month	31/12/2021*
U.S.	3.72	-0.14	7,4	-15.8
EU	2.50	10.13	22,2	-6.7
Japan	0.43	-0.90	-0,7	0.7
China	2.67	-4.15	-4,3	-17.4
South Korea	3.69	5.30	16,5	-5.0
India	7.04	2.00	5,3	-28.7
Malaysia	3.73	-1.30	3,1	-33.5
Singapore	3.00	3.96	15,7	-7.5
Indonesia	6.30	-6.70	-7,5	-64.5
Philippines	4.83	-2.51	5,3	-2.2
Thailand	2.58	4.80	3,6	-5.3
<b>Vietnam</b>	<b>2.90</b>	<b>-18.00</b>	<b>-24,1</b>	<b>-189.7</b>

Note: (\*) bps changed compared to last closing Source: Bloomberg

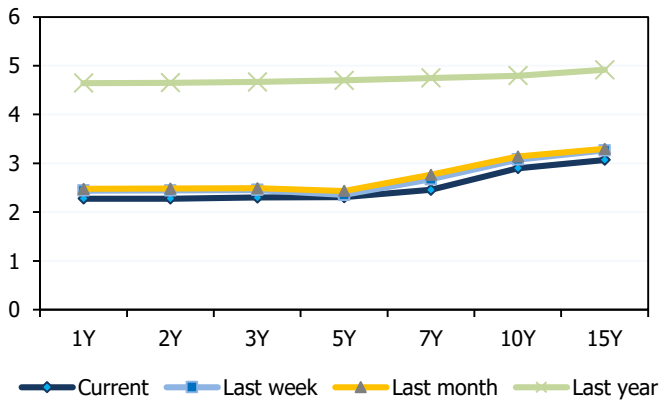
## Secondary Market

Secondary G-bond yields decreased during the month. Average transaction volume on the secondary G-bonds market went down by 17% MoM. Foreign investors net sold of VND 814bn of G-bonds this month.

Currently, the 10Y yield was at 2.9%/year, down 24 bps compared to the previous month and the 2Y yield fell to 2.28%/year, down 21 bps. The current secondary yield has fallen to the level of the same period last year.

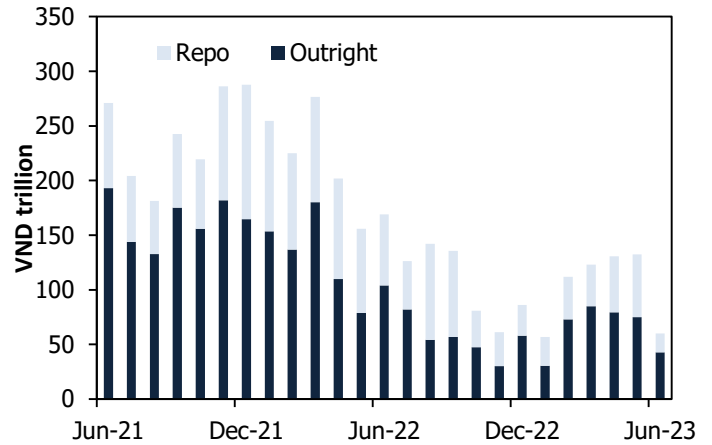
The volume of G-bonds transactions in the secondary market reached VND 5.4tn daily average, down 17% from the previous month. Of which, outright trading accounted for 71% of the volume this month and nearly VND 42tn. Average transaction was VND 3.8tn/day, up 3% from the previous month's average. Average repos trading volume decreased by 45% compared to May, reaching VND 1.5tn/day. In June, foreign investors net sold G-bonds with an amount of VND 814bn. Overall, foreign investors net sold a total of VND 4.482bn of G-bonds in 2023 and VND 9,147bn of G-bonds in the last 12 months.

**Figure 13. Vietnam T-bond Yield (%)**



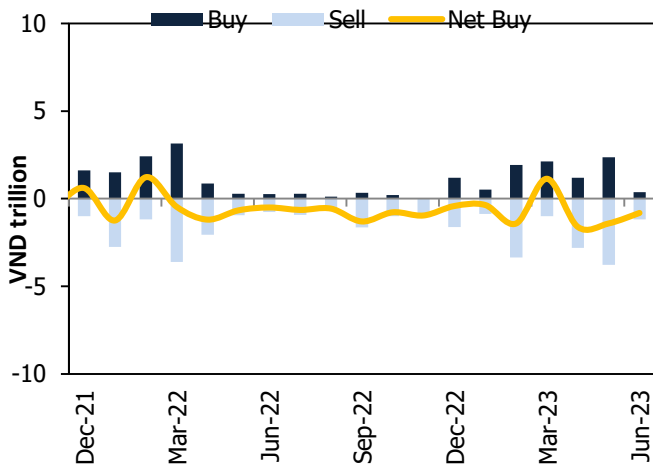
Source: Bloomberg, MBS Research

**Figure 14. Outright and Repo transaction volume**



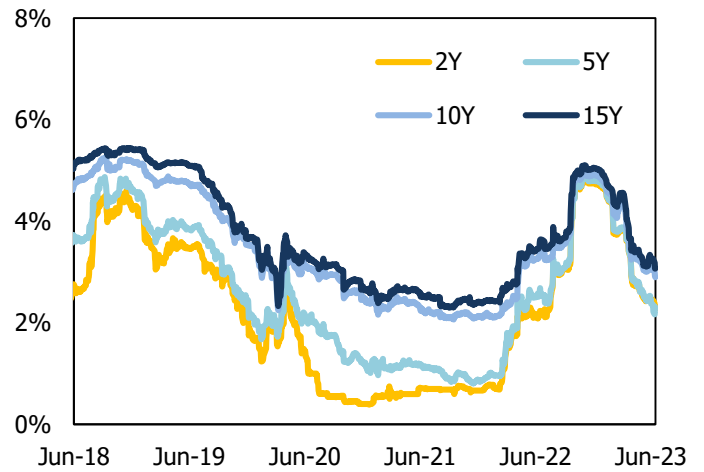
Source: HNX, MBS Research

**Figure 15. Foreign investors' activity in secondary market**



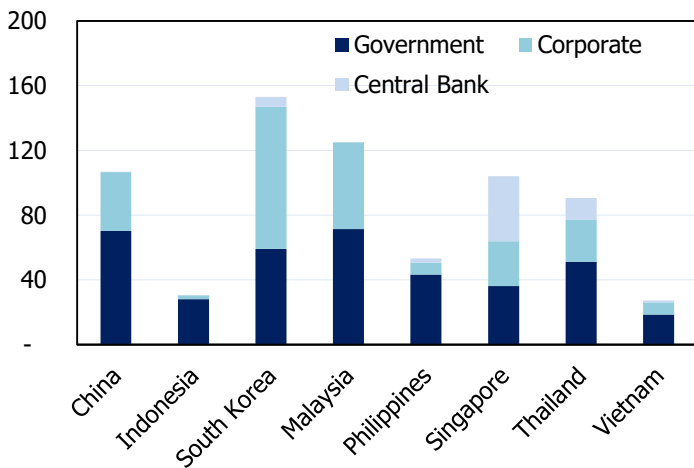
Source: HNX, MBS Research

**Figure 16. G-bond yield curve – Secondary Market**



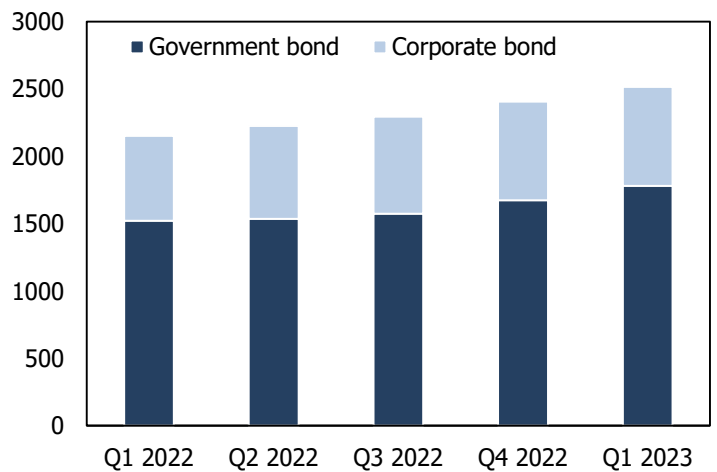
Source: Bloomberg, MBS Research

**Figure 17. Size of bond markets (%GDP Q1 2023)**



Source: ADB, MBS Research

**Figure 18. Vietnam bond market size (VND tn)**



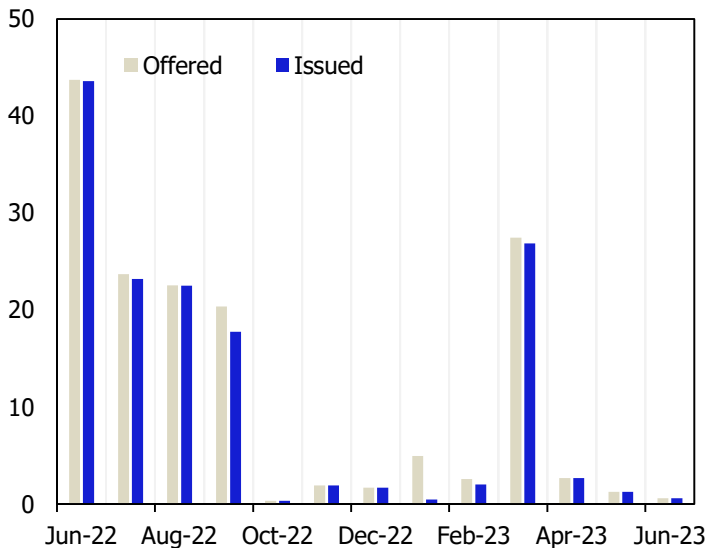
Source: ADB, MBS Research

## COPRORATE BOND MARKET

FiinPro data shows that in first half of June, only VND 600bn of corporate bonds were issued in the domestic market. Of which, Techcom Securities issued bonds with the volume of VND 300bn, the coupon rate of 10.5%/year and the term of 2 years. In addition, VietJet Aviation Joint Stock Company issued bonds with the same volume, the coupon rate of 12%/year and the term of 5 years.

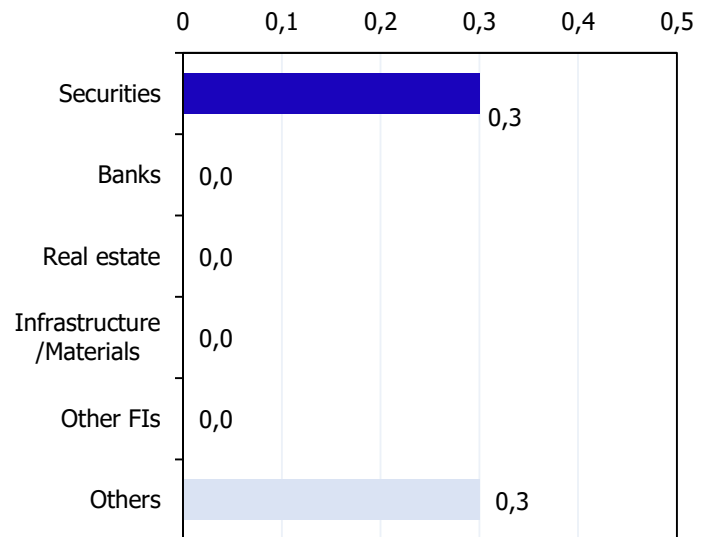
According to our statistics, the total value of callable bonds that were bought back before maturity in June was about VND 26,300tn from the issuance of 47 companies. In which, the banking sector accounted for the largest proportion of bond repurchases, reaching about VND 17tn, accounting for 65%. In addition, the infrastructure/materials sector is also in second place with a repurchase volume of about VND 1tn, accounting for 4% of the total value of callable bonds. From the beginning of the year, the total value of callable bonds is approximately VND 86,756bn.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

**Figure 21. Top issuers in June 2023**

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty Cổ phần Chứng khoán Kỹ Thương	2	300	10.5%
VJC	Công ty Cổ phần Hàng không Vietjet	5	300	12.0%

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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