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## EXCHANGE RATES COOLING DOWN, LOOSE MONETARY POLICY CONTINUES TO BE MAINTAINED

### Primary Government Bond Market

In Nov 2023, the State Treasury organized 18 auctions for government bonds (G.bonds) with a total bidding amount of 22,750 billion VND, an 4.6% increase compared to the previous month, with a bid-winning ratio of 86.6%. The State Treasury is expected to not meet the G. bond bidding plan this year.

### Secondary Government Bond Market

The State Bank's cessation of Bill issuance has led the secondary G.bond market to become vibrant again, with Outright transaction values reaching their highest level since Mar-22. Accordingly, G.bond yields also decreased significantly across all tenors, especially in the 7 to 15-year tenor. In the short term, G.bond yields may remain at the current low level, but in the long term, we forecast G.bond yields will increase again when credit recovers and public investment is promoted.

### Corporate Bond Market

Corporate bond (C.Bond) issuance values in Nov-23 rebounded, rose 63% MoM and increased five times compared to the same period last year. In addition to the banking sector, Nov also saw a flourish in C.bond issuance by the manufacturing, aviation, and construction sectors. Interest rates remained low for the banking sector and remained high for most other sectors. The amount of bonds maturing in Dec is quite burdensome. However, we maintain the view that the most difficult phase of the C.bond market has passed.

### Foreign Exchange Market

The exchange rate cooled down in Nov, dropping by 1.7% compared to the previous month and increasing only 2.7% from the beginning of the year (a decrease from the 4.1% rise in Oct). The global USD experienced a significant decline due to market expectations that the Fed has approached the end of its interest rate hike path and is likely to reverse its policy in 2024, which is the primary factor causing the exchange rate to decrease. However, the difference in VND - USD interest rate is still high that prevented the USDVND not reduced as expected.

### Money Market

Interbank interest rates fell sharply in Nov after the State Bank of Vietnam (SBV) stopped issuing bills and the amount of maturing bills returned to the interbank market. We believe that interbank interest rates have returned to their previous bottom and will remain at this level for a few months until signs of improved credit growth emerge. In the primary market, lending rates are expected to continue to decline in the coming months as commercial banks continue to lower deposit interest rates.

	2020	2021	2022	Nov-23	YoY (+-bps/pips)	YTD (+-bps/pips)
Primary Government bond yield (10Y)	2.28%	2.08%	4.80%	2.28%	-252	-225
Secondary Government bond yield (10Y)	2.36%	2.09%	4.89%	2.33%	-259	-247
Corporate bond interest rate (%)	8.97%	7.86%	10.89%	8.15%	-197	-234
USDVND exchange rate	23,098	22,826	23,633	24,261	-441	+628
Interbank interest rate (%ON)	0.18%	1.72%	4.97%	0.20%	-487	-480
Average deposit interest rate 12M (SOB-%)	5.60%	5.50%	7.40%	5.23%	-215	-215

Sources: PHS