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**THE ESCALATING PRESSURE ON EXCHANGE RATES**

**Primary Government Bond Market**

The total amount of government bonds issued through auctions in the first two months of 2024 is 47.679 trillion VND, equivalent to nearly 12% of the annual plan (400 trillion VND) and reaching nearly 37.5% of the first quarter plan for 2024 (127 trillion VND). The bid-winning ratio in the first two months of the year only reached 69.6% due to the low winning yields.

**Secondary Government Bond Market**

The liquidity of the secondary government bond market continued to increase significantly in the first two months of the year, with the total market transaction value reaching over 329 trillion VND. Although the average daily transaction value in the first two months of the year was 5.481 trillion dong, a sharp decrease compared to December due to the passing of the annual cycle effect, but, compared to the same period last year, the average daily transaction value has nearly doubled. This somewhat indicates positive liquidity in the secondary market from the early months of the year. Yields have been trending upward continuously since the beginning of February until now.

**Corporate Bond Market**

According to data from the Hanoi Stock Exchange (HNX), there were only 7 rounds of corporate bond issuances in the first two months of the year, a significant decrease compared to the end of 2023. This is partly due to seasonal factors and partly due to certain provisions in Decree 65 taking effect again, making regulations on corporate bond issuances stricter. The issuance interest rates remain high for most enterprises, especially those in real estate and construction, showing no signs of cooling down compared to the end of 2023.

**Foreign Exchange Market**

As of March 18th, the USD/VND exchange rate has consistently experienced significant fluctuations, increasing by more than 1.9% compared to the beginning of the year, trading around the range of 24,700-24,725, despite the fact that the State Bank of Vietnam has resumed issuing bonds in March. Exchange rate pressure stems from various reasons both domestically and in the international market. However, compared to other countries in the region, the VND is still considered a relatively stable currency.

**Money Market**

SBV has flexibly managed monetary tools in the first two months of the year by injecting a total of 6,040.2 trillion VND, with a 7-day tenor and an interest rate of 4% at times around the Lunar New Year exchange rate, the SBV resumed issuing bills for the first time in four months. As of March 18th, the total outstanding of bills reached 90,000 trillion dong, with each session calling for 15,000 trillion VND, a 28-day tenor, and an interest rate of 1.4%. Interbank interest rates surged after the SBV issued bills but later cooled down to around 0.4-0.5% for the ON 1W tenor. The deposit rate on primary market also continued to trend downwards.

	2020	2021	2022	Feb-24	YoY (+-bps)	YTD (+-bps)
Primary Government bond yield (10Y)	2.08%	4.80%	2.20%	2.31%	-181	11
Secondary Government bond yield (10Y)	2.09%	4.89%	2.22%	2.35%	-203	13
Corporate bond interest rate (%)	7.86%	10.89%	8.15%	7.40%	-611	-50
USDVND exchange rate	22,826	23,633	24,261	24,648	857	387
Interbank interest rate (%ON)	1.72%	4.97%	0.20%	1.47%	-381	127
Average deposit interest rate 12M (SOB-%)	5.50%	7.40%	5.23%	4.80%	-240	-43

Source: PHS compiled