

EASING CURRENCY PRESSURE BOOSTS BOND MARKET CONFIDENCE.

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Money Market

The State Bank of Vietnam (SBV) has continuously conducted money absorption through the Bills channel and money injection through the OMO channel to regulate liquidity in the interbank market since the beginning of March. As of now, the OMO rate has been raised from 4% to 4.5%, and the Bills rate has also increased from 1.4% to 4.5%. Consequently, interbank market interest rates have also risen, trading at high levels with ON-1W around 4.5 – 5%.

Foreign Exchange Market

As of July 15, the USD/VND exchange rate has shown slight cooling, trading around 25,400, a 4.5% increase compared to the beginning of the year (down from the peak of 5% previously reached). Four main factors have supported the exchange rate in recent times: (1) reduced foreign currency demand; (2) significantly diminished psychological pressure from the global USD (USD-Index); (3) positive FDI inflows; and (4) narrowing USD-VND interest rate differential.

Primary Government Bond Market

In the first six months of the year, the State Treasury conducted a total of 258.5 trillion VND in government bond auctions. The acceptance ratio was 57.4%. The Amount accepted and yields accepted showed a sharp decline in 2Q compared to Q1 (down 14.9%) despite tBid to cover ratio remaining high across most maturities. Investors are expecting higher yields as interbank interest rates rise, while the State Treasury is not in a rush to mobilize funds due to slow public investment disbursement.

Secondary Government Bond Market

Liquidity in the secondary government bond market continued to increase strongly in 2Q compared to Q1. The yield on government bonds in the secondary market at the end of 2Q also rose significantly compared to the end of Q1 and the beginning of the year, especially for tenors of 5 to 15 years. The yield for 5-7 year tenors increased by 35-45 basis points compared to the beginning of the year, while the yield for 10-15 year tenors increased by 50-55 basis points.

Corporate Bond Market

The value of corporate bond issuance in June recorded the highest level since December 2021. Cumulatively in 2Q, the total value of corporate bond issuance reached 116.82 trillion VND, 3.5 times higher than in Q1 and 3.6 times higher than in 2Q/2023.

	2021	2022	2023	Apr-24	May-24	Jun-24	YTD (+bps/pips)
Primary Government bond yield (10Y)	2.08%	4.80%	2.20%	2.50%	2.66%	2.74%	54
Secondary Government bond yield (10Y)	2.09%	4.89%	2.22%	2.82%	2.85%	2.79%	57
Corporate bond interest rate (%)	7.86%	10.89%	8.15%	8.00%	7.00%	7.25%	-90
USDVND exchange rate	22,826	23,633	24,267	25,449	25,450	25,455	1188
Interbank interest rate (%ON)	1.72%	4.97%	0.20%	3.95%	3.90%	4.74%	454
Average deposit interest rate 12M (SOB-%)	5.50%	7.40%	5.23%	4.60%	4.70%	4.70%	-53

Sources: PHS compiled