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THE BOND MARKET GRADUALLY REGAINS ITS APPEAL

Primary Government Bond Market

In July, the State Treasury Government bond auctions totaling VND 64,500 billion, an increase of 50% compared to the previous month and double compared to the same period last year. Both supply and demand surged during the month due to (i) market expectations that interbank interest rates would soon ease as the Fed is anticipated to cut rates aggressively in the near future, (ii) improved interbank liquidity as pressures related to exchange rates are gradually lifted, and (iii) commercial banks starting to intensify reinvestment in their Government bond portfolios after a previous period of stagnation. Following the State Bank of Vietnam's rate cuts on OMO and Bills in early August, PHS forecasts that Government bond yields will experience positive developments, and the SBV will continue to implement supportive policies as exchange rates stabilize.

Secondary Government Bond Market

Liquidity in the secondary Government bond market in July decreased slightly by 9% compared to the peak in June. Among these, Outright transaction value fell by 24.7% compared to the previous month but increased by 65% compared to the same period last year. This indicates that investment flows into Government bond remain high compared to the average level last year. Government bond yields in the secondary market showed no significant changes from the previous month across all tenors and only began to show slight decreases in the first half of August after the SBV cut OMO and Bill rates by an additional 25 bps. Secondary market Government bond yields decreased by 5-7 bps for tenors ranging from 7 to 15 years.

Corporate Bond Market

According to data from HNX, ss of statistical date of 15/08/2024, there were 39 individual corporate bond issuances in July, totaling VND 37,757 billion, a decrease of over 56% compared to the previous month but an increase of nearly 32% compared to the same period last year. Notably, the issuance interest rate for banks showed a slight increase in July (6.08%, up 50 bps compared to June). PHS believes that although issuance interest rates have hit a bottom and showed signs of a slight increase in July, particularly for the banking sector where deposit rates have recently risen, the Government's commitment to supporting businesses and the overall economy this year will likely keep rates at a low level. This will facilitate companies in restructuring debt and alleviating capital cost pressures.

Table 1: Bond market situation

	2021	2022	2023	2024F	May-24	Jun-24	Jul-24	YTD (+-bps/pips)
Primary Government bond yield (10Y)	2.08%	4.80%	2.20%	2.60%	2.66%	2.74%	2.76%	+56
Secondary Government bond yield (10Y)	2.09%	4.89%	2.22%	2.65%	2.85%	2.79%	2.80%	+58
Corporate bond interest rate (%)	7.86%	10.89%	8.15%	7.50%	7.00%	7.25%	6.60%	-155
Interbank interest rate (%ON)	1.72%	4.97%	0.20%	3.70%	3.90%	4.74%	4.47%	+427

Sources: HNX, PHS compiled