VIBRANT BOND MARKET IN THIRD QUARTER

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Primary Government Bond Market

In third quarter (Q3), the State Treasury held bond auctions totaling VND 171.4 trillion, with accepted amount reaching nearly VND 115 trillion—equivalent to a 67% acceptance ratio. Both the offering and accepted amounts reached their highest levels in the past three years. The strong surge in government bond demand in third quarter can be attributed to three main factors: (1) The Federal Reserve's new interest rate policy, (2) the State Bank of Vietnam's monetary policies, and (3) expectations regarding future policy directions. Demand for government bonds seemed to peak in August, leading PHS to suggest that acceptance ratio will likely decrease as bond yields become less attractive. The State Bank of Vietnam may take stronger measures to implement supportive policies; however, it is uncertain whether policymakers will reduce policy rates, especially given the current low deposit interest rates.

Secondary Government Bond Market

Liquidity in the secondary government bond market continued to increase sharply in Q3 compared to Q2, reaching its highest level since Q1.2022. This shows the growing attractiveness of government bonds during this period. The average daily trading value reached VND 8.35 trillion, up 9.04% from second quarter and 96% from the same period last year. By the end of Q3, government bond yields in the secondary market decreased across most tenors compared to the end of Q2. Bonds with 7-year, 10-year, and 20-year tenors, which have high liquidity and large yield fluctuations, saw yields decrease by 12-14 bps compared to the end of Q2.

Corporate Bond Market

The total value of corporate bond issuance in Q3 amounted to VND 114.46 trillion, down 15.1% compared to the previous quarter but up more than 19% compared to the same period last year. Although issuance activity in Q3 was lower than the 3-year peak seen in Q2, this level of issuance is still very positive given that the corporate bond market has only recently recovered and the real estate sector remains weak. PHS believes that the high pressure of bond maturity will force many companies to continue reissuing bonds to raise capital in Q4. Therefore, we expect bond issuance and buyback activities to remain vibrant in the coming period. Interest rates are projected to stay high, especially for real estate companies, while bank interest rates may rise slightly as they have bottomed out and deposit rates have started to increase again.

Table 1: Bond market situation

	2021	2022	2023	2024F	Jul-24	Aug-24	Sep-24	YTD (+-bps/pips)
Primary Government bond yield (10Y)	2.08%	4.80%	2.20%	2.60%	2.76%	2.71%	2.66%	+46
Secondary Government bond yield (10Y)	2.09%	4.89%	2.22%	2.65%	2.80%	2.72%	2.66%	+44
Corporate bond interest rate (%)	7.86%	10.89%	8.15%	7.50%	6.60%	6.90%	7.00%	-115
Interbank interest rate (%ON)	1.72%	4.97%	0.20%	3.70%	4.47%	4.47%	4.47%	+427

Sources: HNX, PHS compiled