GB issuances under strain to meet record funding goal

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- GB issuance in July fell 29% y/y to VND25.9tn, but through 7M25 it still grew 17% y/y to VND226.7tn, equivalent to 45% of the annual plan. This pace signals the need for stronger efforts to achieve the record-high 2025 issuance target.
- Secondary yields rose for a 5th month, with 10Y yield up 12bps m/m to 3.37% as of 8 August, slightly above our YE forecast of 3.2%, while 5Y yield (2.77%) edging towards 3.0% YE forecast, indicating stronger-than-expected upward pressure.
- The interbank O/N rate fluctuated in July and stayed elevated at 6.25% in early August, prompting the SBV to inject a net VND86.2tn in July and an additional VND9.6tn in the first eight days of August via OMOs to support market liquidity.

New issuances slow down, completion rate trails last year

July government bond (GB) issuance totaled VND25.9tn (off 29% y/y and 15% m/m), with the 10Y tenor dominating at VND21.7tn (84% of total). Through 7M25, issuance rose 17% y/y to VND226.7tn, or 45% of the government's full-year plan, though slightly behind last year's pace (48%). The State Treasury's 3Q plan targets VND120tn, with a heavy focus on 10Y bonds, implying stronger issuance will be needed in the coming months to meet the record-high 2025 funding goal of VND500tn. Yields rose for a 4th straight month to 3.2% on average (up 46bps y/y and 12bps m/m), with all key tenors climbing, while the avg. issuance success rate fell to 50% (from 62% in June).

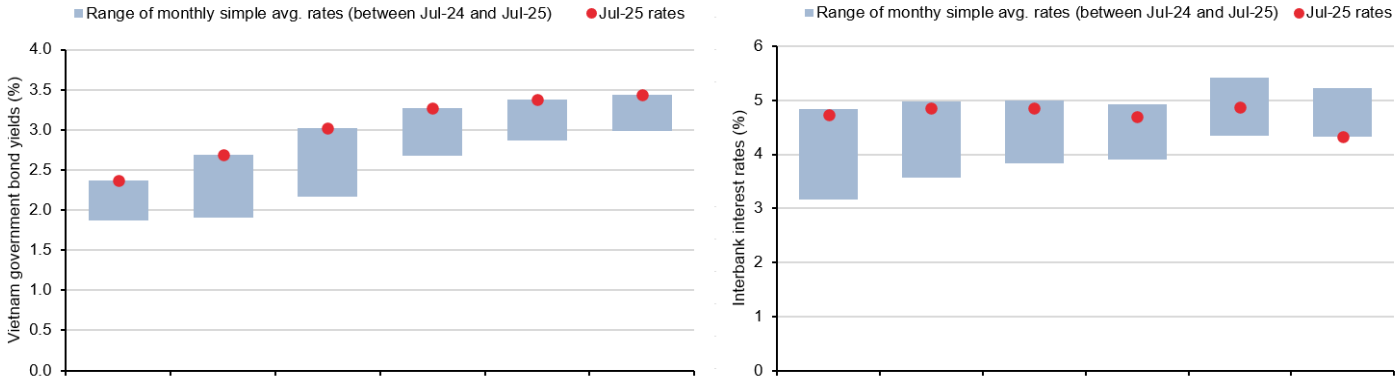
Strong liquidity and rising yields in the secondary market

The secondary government bond market saw a sharp rise in liquidity in July, with total trading value up 20% y/y and 28% m/m to VND315tn, driven mainly by outright transactions (64%). Yields climbed 38-78bps y/y and 7-16bps m/m across all tenors in July. The 10Y yield (3.37%) slightly surpassed our year-end forecast of 3.2%, while the 5Y yield (2.77%) continues to trend towards our 3% projection, suggesting stronger upward pressure on yields. Foreign investors returned with net buying of USD7.8mn, bringing YTD inflows to USD77.8mn, 9x higher y/y, underscoring renewed confidence in Vietnam's bond market.

Interbank rates swinging, due to temporary liquidity constraints

Interbank rates saw sharp swings in July, with the overnight (O/N) rate spiking to 6.5% before easing to 3.35% by months-end. The SBV temporarily paused bill issuance from 17 July due to tight interbank liquidity, subsequently injecting a net VND85.2tn through open market operations (OMOs) to alleviate short-term funding pressures amid rising credit demand. Trading activity surged, with average daily turnover hitting a record USD20.8bn, driven by a 63% y/y jump in O/N transactions, which accounted for 95% of the total. In the first eight days of August, despite a net OMO injection of VND9.6tn, the O/N rate remained elevated at 6.25%, and pushed the VND-USD overnight spread to 194bps. Looking ahead, the SBV is expected to sustain a flexible OMO approach to balance credit growth support with macro-financial stability.

Figure 1: Summary of government bond market and interbank rates in July 2025



Source: CEIC, VBMA, HSC Research

Government bond market update for July

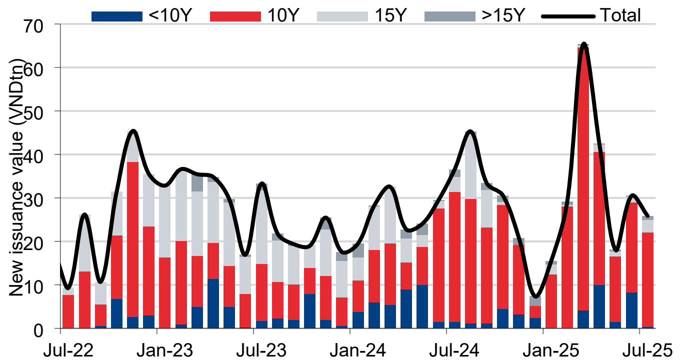
The GB market in July saw slower primary issuance, with VND25.9tn raised (off 29% y/y), bringing the 7M25 total to 45% of the government's full year target, trailing last year's pace. Secondary market liquidity strengthened sharply, with trading value up 28% m/m and yields climbing across the curve; indeed, the 10Y yield (3.37%) exceeded our year-end forecast. Foreign investors were net buyers in July, lifting YTD inflows to USD77.8mn, nearly 9x higher y/y. Interbank rates were volatile, with the O/N rate still elevated at 6.25% in early August. In response, the SBV injected a record VND85.2tn via OMOs in July, and further VND9.6tn in early August to ease temporary liquidity strains.

Primary market

In July, the government bond market recorded a total issuance value of VND25.9tn, marking a 29% y/y and 15% m/m decline. This said, the total issuance in the first seven months of 2025 rose 17% y/y to VND226.7tn (Figures 2-3) (for more details, see Figure 19 in the Appendices). In terms of tenor structure, issuance activity in July continued to be heavily concentrated in the 10-year tenor, which accounted for VND21.7tn (down 28% y/y but up 5% m/m), representing 84% of total July's issuance. This was followed by the 15-year tenor (VND2.9tn), 30-year tenor (VND904bn), and 5-year tenor (VND400bn).

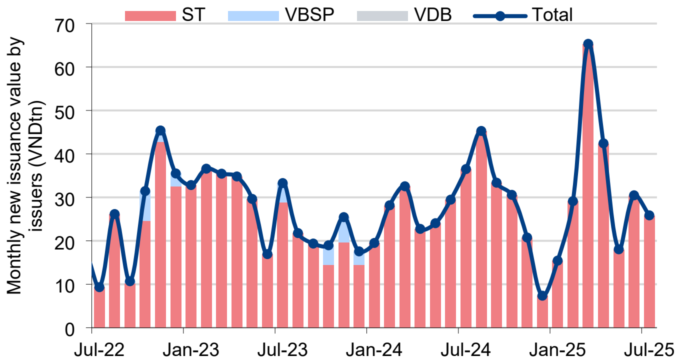
Recently, the State Treasury announced its 3Q issuance plan, targeting a total of VND120tn, equivalent to the 2Q plan. The focus remains on the 10-year tenor (VND50tn), followed by the 5-year and 15-year tenors (each at VND30tn).

Figure 2: Monthly new issuance value by maturity
New issuance value in July dropped 29% y/y and 15% m/m, dominated by 10-year tenor at 84% of the total



Source: VBMA, HSC Research

Figure 3: Monthly new issuance value by issuer
Government bonds for the past 19th months have only been issued by the State Treasury



Source: VBMA, HSC Research

Figure 4: Government bonds issuance plan for 2025 (VNDtn)
Actual issuances in the first seven months of 2025 have only fulfilled 45% of the full-year plan

Tenors	2025 plan	3Q25 plan	Jul-25 actual	3Q25 through July actual	7M25 actual	% of 3Q25 plan	% of 2025 plan
3Y		0.0	0.0	0.0	0.0	0%	
5Y		30.0	0.4	0.4	24.4	1%	
7Y		2.0	0.0	0.0	0.0	0%	
10Y		50.0	21.7	21.7	188.9	43%	
15Y		30.0	2.9	2.9	10.0	10%	
20Y		3.0	0.0	0.0	0.5	0%	
30Y		5.0	0.9	0.9	2.8	18%	
Total	**500.0**	**120.0**	**25.9**	**25.9**	**226.7**	**22%**	**45%**

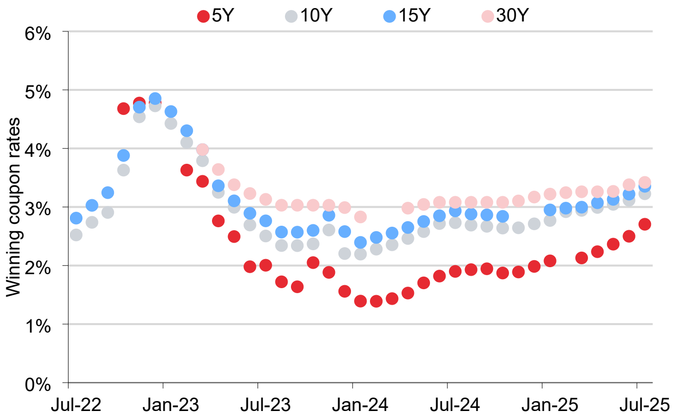
Source: VBMA, HSC Research

With July's issuance, the State Treasury has fulfilled 22% of its 3Q target, bringing total issuance in 7M25 to 45% of the full-year plan (Figure 4). However, the pace of issuance is slightly trailing last year's progress, when 48% of the full-year target had been achieved by the end of Jul-24. This suggests that greater issuance efforts will be required in the coming months to stay on track with record-high 2025 funding target.

Primary market yields continued to climb for the fourth consecutive month, rising 46bps y/y and 12bps m/m to reach 3.2% on average. Yields across all tenors posted notable increases, ranging from 34 to 81 bps y/y, and 4 to 21 bps m/m. Specifically, yields on key tenors stood at 2.7% for the 5-year, 3.2% for the 10-year, and 3.4% for the 15-year bonds. Despite the upward trend in yields, the average winning ratio dropped sharply to 50%, down from 62% in the previous month. (Figures 5-6).

Figure 5: Monthly winning yield movement (% p.a.)

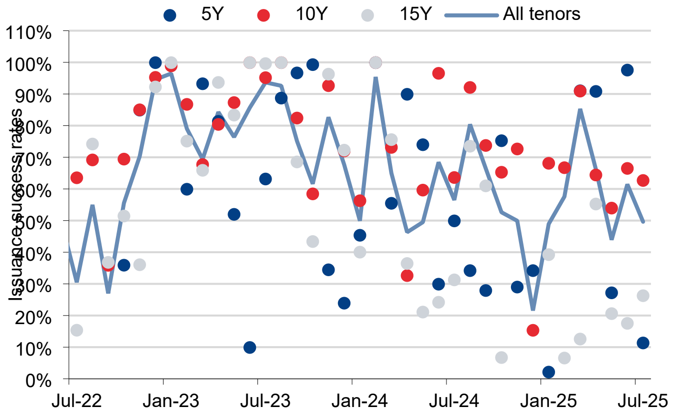
In the primary market, winning yield continued to rise for a 4th straight month



Source: VBMA, HSC Research

Figure 6: Government bonds: Issuance success rate

Issuance success rate slid to 50% from 62% in the previous month



Source: VBMA, HSC Research

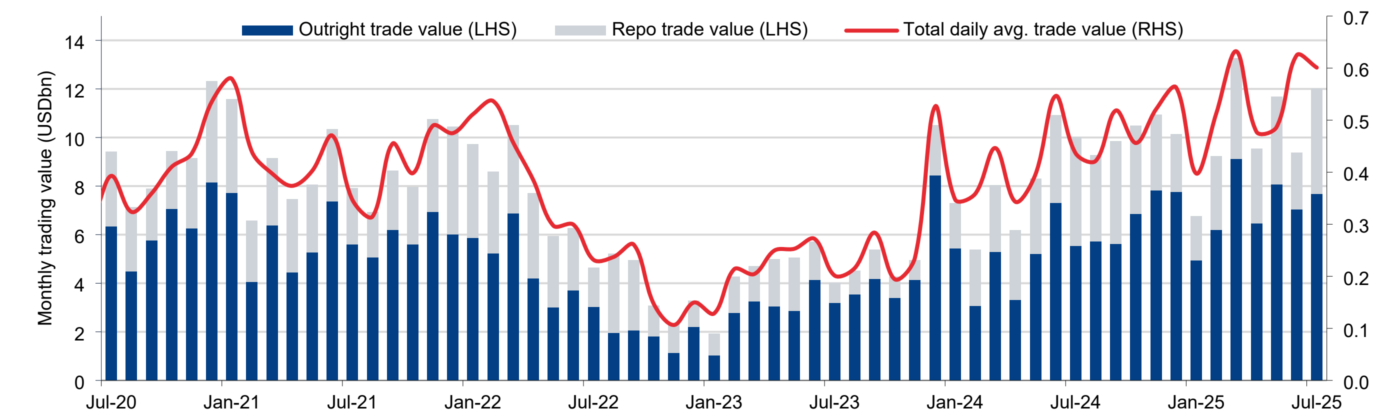
Secondary market

In July, liquidity in the secondary government bond market improved markedly, with total trading value reaching VND314tn, up 20% y/y and 28% m/m. Average daily trading volume stood at VND15.7tn, rising 38% y/y despite a slight 4% decline m/m. The outright transactions remained dominant, accounting for 64% in the market, while repo transactions make up 36% (Figure 7).

Yields in the secondary market continued to rise for the fifth consecutive month, with increases of 38-78 bps y/y and 7-16bps m/m across the yield curve. By the end of July, 5-year and 10-year yields reached 2.76% and 3.34%, respectively (Figures 8-9). Notably, the 10-year yield has slightly surpassed our year-end forecast of 3.2%, while the 5-year yield continues to trend toward our 3.0% projection, suggesting stronger-than-expected upward pressure on yields.

Figure 7: Monthly trading value and average daily liquidity

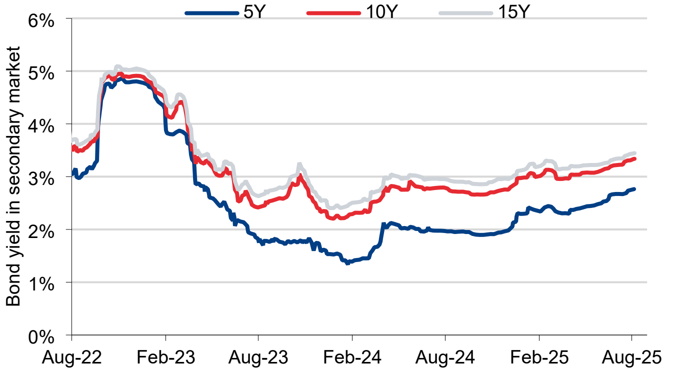
Daily liquidity in the secondary market rose 38% y/y but slightly down 4% m/m to VND15.7tn



Source: CEIC, HSC Research

Figure 8: Movement of government bond yields

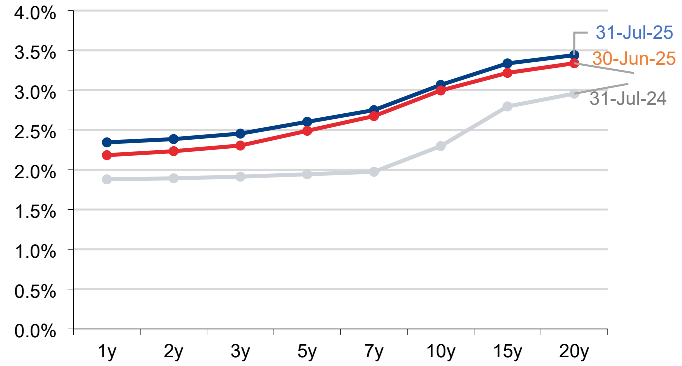
Secondary yields across all tenors rose by 7-16 bps m/m



Source: VBMA, HSC Research

Figure 9: Movement of government bond yield curves

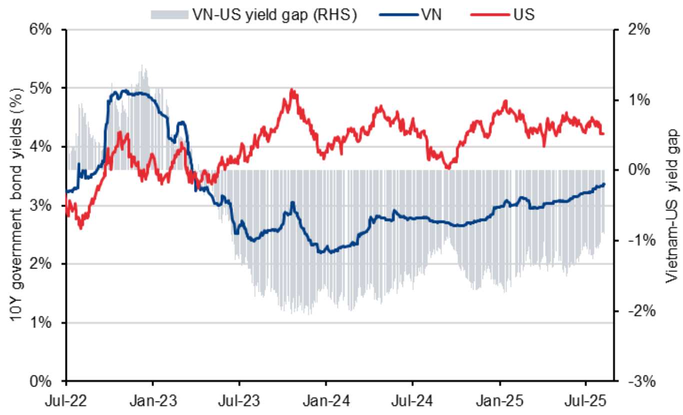
Bond yield curve moved upwards by 38-78bps y/y in July



Source: VBMA, HSC Research

Figure 10: 10-year government bond yields: VN vs. US

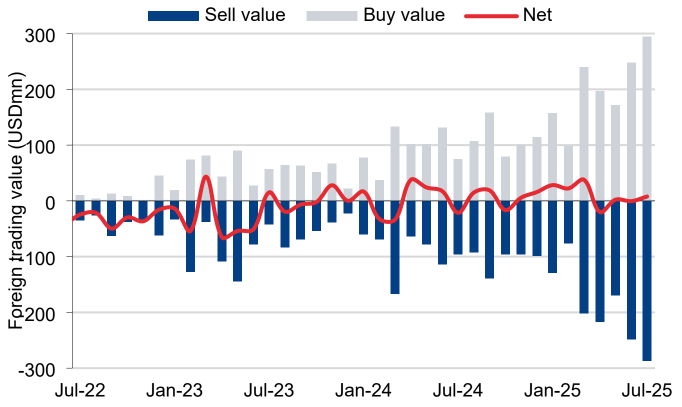
The VN-US yield spread by 8 August stood at negative 90bps



Source: VBMA, VIRA, HSC Research

Figure 11: Monthly foreign trading in secondary market

Foreign investors remained net buyers for 7M25



Source: CEIC, HSC Research

Entering August, yields continued to edged up slightly to 2.77% for 5-year bond and 3.37% for 10-year bond, following the sharp increase in the previous month. As public investment disbursement accelerates to support economic growth, the government's funding needs may intensify in the coming months. This is expected to keep Vietnam's government bond yields elevated to remain attractive to market participants.

Meanwhile, on the global front, growing expectations of an upcoming rate-cutting cycle by the Fed in September may help cap further increases in global government bond yields. In the US, 10-year Treasury yields fluctuated between 4.3% and 4.5% in July before easing to 4.27% in early August, narrowing the 10-year VN-US yield spread to negative 90bps as of 8 August (Figure 10).

A notable highlight was the return of foreign investors to the Vietnamese government bond market. In July, offshore investors recorded a net purchase of USD7.8mn (VND205bn), reversing the net selling of USD0.5mn (VND13.5bn) seen in June. For the first seven months of 2025, foreign net buying surged ninefold y/y to USD77.8mn (VND2tn), compared to USD8.4mn (VND219bn) during the same period last year. This trend reflects renewed investor confidence in Vietnam's bond market, amid increasingly attractive domestic yield outlooks (Figure 11).

Interbank market and OMOs

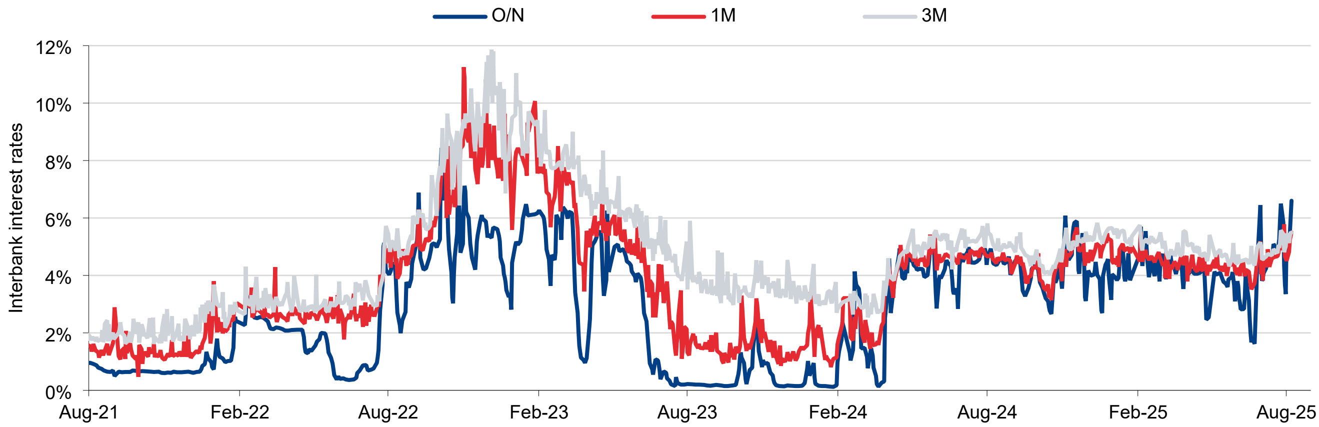
Interbank market

Interbank rates saw heightened volatility in July, reflecting temporary liquidity strains within the banking system. Notably, the O/N rate surged to 6.5% on 25 July, before rapidly retreating to 3.35% by month-end. The 1-month and 3-month rates also declined by 54bps and 13bps m/m, respectively, to settle at 4.64% and 5.02% (Figure 12).

By 8 August, the overnight rate spiked again to 6.25%, indicating persistent liquidity pressure, driven by the SBV's directive to boost credit growth while maintaining low deposit and lending rates to support economic growth.

Figure 12: Interbank interest rates (% p.a.)

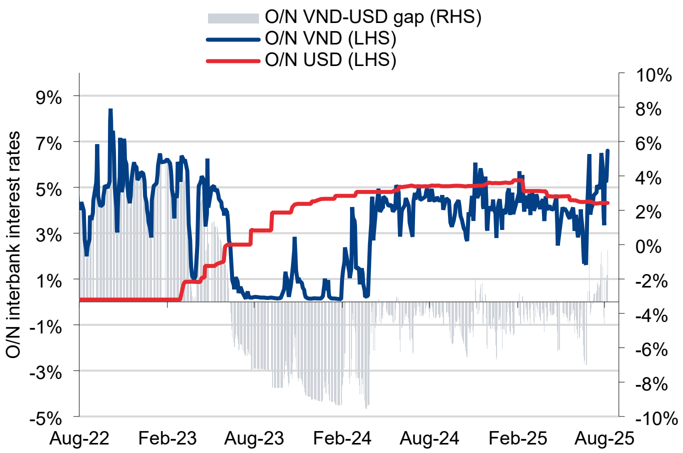
Interbank interest rates experienced significant volatility in July. As of 8 August, the O/N rate spiked to 6.25%, signaling persistent liquidity stress



Source: CEIC, HSC Research

Figure 13: VND-USD O/N interbank interest rates (% p.a.)

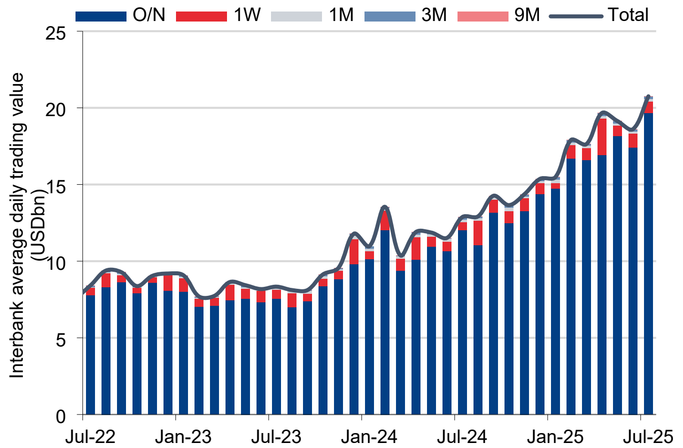
The O/N VND-USD interbank rates gap continued to widen to 194bps by 8 August



Source: CEIC, HSC Research

Figure 14: Interbank average daily trading value

Interbank daily liquidity hit USD20.8bn in July, rising 12% y/y and 61% m/m



Source: CEIC, HSC Research

While VND O/N yield stayed elevated, the O/N USD interbank rate remained stable at around 4.32%, pushing the VND-USD O/N rate spread to 194bps by 8 August (compared to negative 95bps at the end of July) (Figure 13).

On the liquidity front, the average daily trading volume (ADTV) in the interbank market hit a record high in July, rising 12% y/y and 61% m/m to USD20.8bn. Overnight transactions continued to dominate, accounting for 95% of total turnover and surging 63% y/y to USD19.7bn (Figure 14).

OMOs market

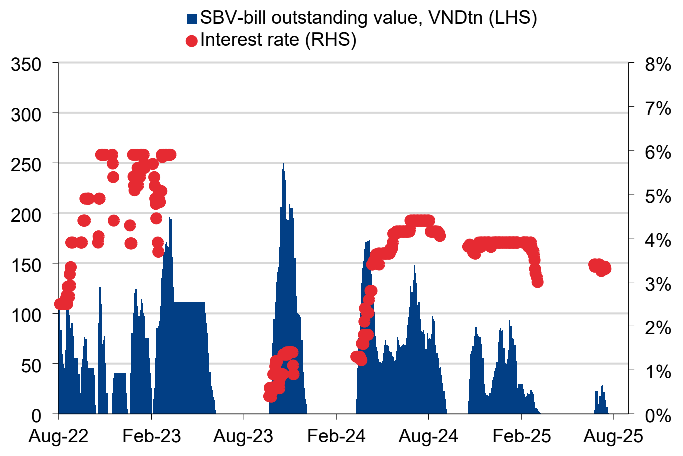
In response to the elevated overnight interbank rate, the SBV continued to play an active role in managing system liquidity through the OMO market. In July, the SBV issued VND45.8tn in SBV-bills, offset by VND68.3tn in maturities, resulting in a net injection of VND22.5tn via this channel. At the same time, reverse repo activity increased significantly, with a record high VND426.4tn injected and VND362.7tn maturing, leading to a net injection of VND63.7tn.

Overall, the SBV injected a total net amount of VND86.2tn into the system via OMOs in July, helping to ensure adequate liquidity amid rising credit demand. In the first eight days of August, an additional VND9.6tn through reverse repos was injected into the market, while SBV-bill issuance was temporarily paused due to the liquidity constraint in the interbank market (Figures 15-16).

YTD, the SBV has withdrawn VND297.1tn via SBV-bill issuances while injecting VND1,817tn through lending operations. As of 8 August, there were no outstanding SBV-bills (held by commercial banks), while the outstanding reverse repos (held by the SBV) amounted to VND216.5tn, bringing the cumulative net injection to VND216.5tn.

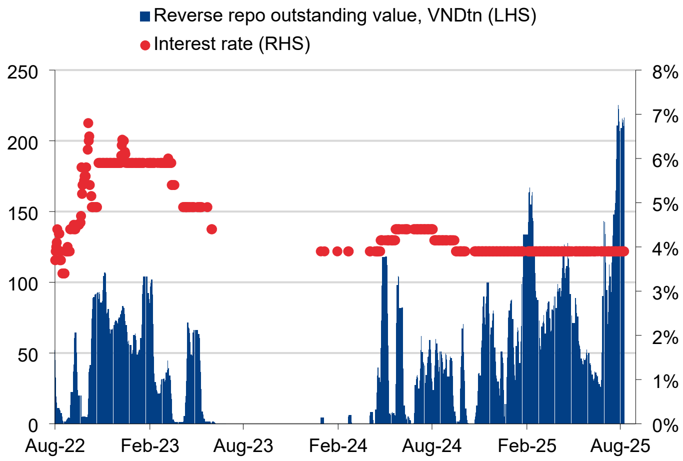
Looking ahead, given the current monetary policy stance prioritizing growth support while safeguarding macroeconomic stability, the SBV is expected to maintain a flexible OMO approach. This should help anchor short-term rates and prevent prolonged liquidity imbalances in the banking system.

Figure 15: SBV-bill outstanding value (indicating money withdrawal level from SBV)
The SBV temporarily paused SBV-bill issuance from 17 July due to liquidity constraint in the interbank market…



Source: SBV, HSC Research

Figure 16: Reverse repo outstanding value (indicating money injection level from SBV)
… and continued net injecting VND9.6tn through lending operations in the first 8 days of August

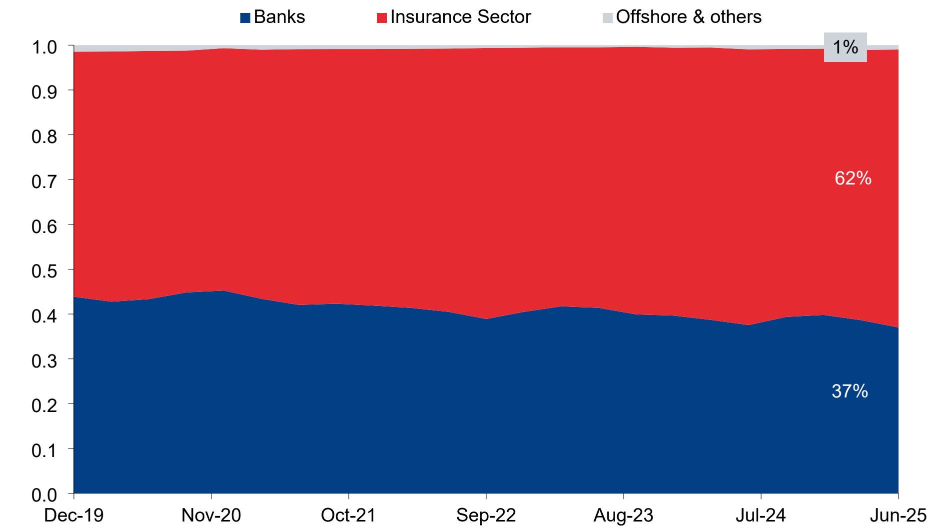


Source: SBV, HSC Research

Appendices

Figure 17: Outstanding government bonds by investor

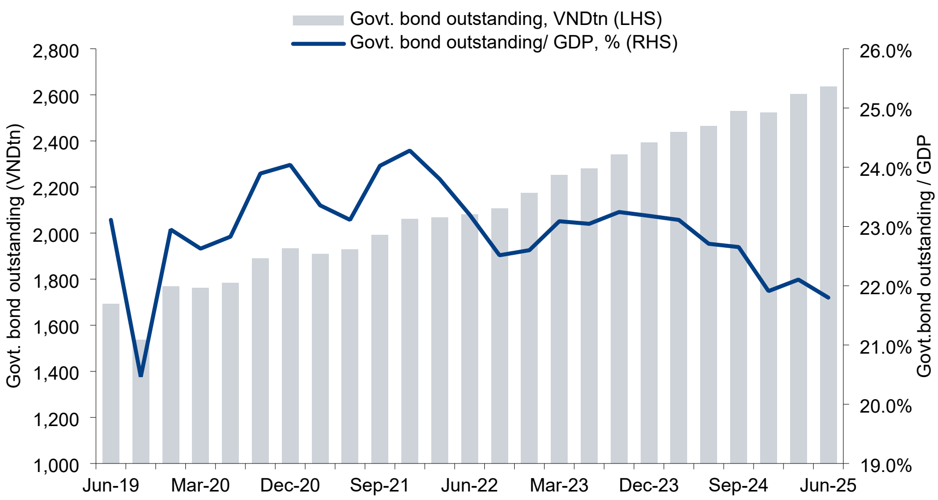
Insurance (including VSSF and private companies) sector accounted for roughly 62% of total outstanding at the end second quarter 2025



Source: ADB, HSC Research

Figure 18: Size of government bond market

Government bond outstanding as of Jun-25 accounted for 21.8% of TTM GDP



Source: ADB, HSC Research

Figure 19: New government bond issuances in July

Issuance date	Tenor (year)	Offering value (VNDbn)	Bidding value (VNDbn)	Winning value (VNDbn)	Interest rate (%, p.a.)
7/2/2025	5	1,000	100	-	-
7/2/2025	10	6,500	5,050	2,100	3.21
7/2/2025	15	2,000	800	-	-
7/2/2025	30	500	295	295	3.42
7/9/2025	5	1,000	100	-	-
7/9/2025	10	6,000	5,261	611	3.21
7/9/2025	15	2,000	900	500	3.35
7/9/2025	30	1,000	206	-	-
7/16/2025	5	500	100	-	-
7/16/2025	10	7,000	7,090	4,690	3.24
7/16/2025	15	2,000	700	-	-
7/16/2025	30	500	113	113	3.44
7/23/2025	5	500	100	100	2.70
7/23/2025	10	7,000	7,605	6,255	3.28
7/23/2025	15	2,000	2,550	1,750	3.37
7/23/2025	30	500	412	412	3.45
7/30/2025	5	500	300	300	2.75
7/30/2025	10	8,000	11,176	8,000	3.29
7/30/2025	15	3,000	750	650	3.40
7/30/2025	30	500	84	84	3.45

Source: VBMA, HSC Research

Figure 20: Actual and HSC-projected macroeconomic data

	2019	2020	2021	2022	2023E	2024E	2025F	2026F	2027F
Currency									
Currency (VND: USD) (at YE)	23,155	23,085	22,765	23,555	24,265	25,480	26,600	26,800	26,800
Currency (VND: CNY)	3,317	3,535	3,579	3,415	3,418	3,491	3,619	3,646	3,622
GDP and employment									
GDP annual growth rate (%)	7.36	2.87	2.58	8.10	5.05	7.09	7.30	7.10	8.00
GDP (USDbn)	332	346	370	411	433	476	501	532	574
GDP per capita (USD)	3,398	3,558	3,757	4,132	4,317	4,702	4,898	5,158	5,516
Current account to GDP (%)	3.67	4.35	-2.20	-0.26	6.51	5.48	3.60	2.44	2.61
Public debt to GDP (%)	42.8	43.8	44.7	37.4	36.9	37.0	37.0	38.0	39.1
Government debt to GDP (%)	37.4	38.5	39.6	34.7	33.3	33.0	33.4	34.7	36.1
Gov't budget deficit (% of GDP)	2.09	2.71	2.55	3.08	3.48	3.47	3.68	4.15	4.55
Credit to GDP (%)	106.3	115.0	124.4	125.3	132.7	135.7	141.6	146.3	151.7
Disbursed FDI to GDP (%)	6.1	5.8	5.3	5.4	5.4	5.3	5.4	5.2	5.1
Unemployment rate, year-end (%)	2.15	2.37	3.56	2.32	2.26	2.22	2.50	2.60	2.50
Prices									
12M average inflation (y/y %)	2.8	3.2	1.8	3.1	3.3	3.6	3.4	3.3	3.2
CPI, year-end (y/y %)	5.2	0.2	1.8	4.5	3.6	2.9	3.4	3.5	3.4
Money and rates									
Policy interest rate (%)	6.00	4.00	4.00	6.00	4.50	4.50	4.00	4.00	4.00
Overnight interbank rate (%)	1.4	0.2	0.7	4.4	0.5	4.0	3.8	3.3	3.3
Credit growth (y/y %)	13.6	12.2	13.6	14.2	13.5	15.1	16.0	13.0	14.0
Money supply M2 (VNDtn)	10,574	12,111	13,402	14,227	15,999	17,915	20,243	22,875	25,849
Money supply M2 (y/y %)	14.8	14.5	10.7	6.2	12.5	12.0	13.0	13.0	13.0
FX reserves (USDbn)	79	95	107	85	90	81	78	75	85
VCB 12M deposit interest rate (%)	6.8	5.6	5.5	7.4	4.8	4.6	4.6	4.7	4.7
Deposit rate cap (< 6m, %)	5.0	4.0	4.0	6.0	4.75	4.75	4.75	4.75	4.75
Government bond 5Y (%)	2.4	1.2	1.0	4.6	1.9	2.4	3.0	3.1	3.2
Government bond 10Y (%)	3.2	2.0	2.9	4.8	2.2	2.8	3.2	3.3	3.4
Trade and external sector									
Balance of trade (USDbn)	10.9	19.9	3.3	12.1	28.4	24.9	20.1	18.9	22.7
Current account balance (USDbn)	12.2	15.1	-8.1	-1.1	28.2	26.1	18.0	13.0	15.0
Imports (USDbn)	253	263	333	360	326	381	431	454	488
Imports (y/y %)	6.7	3.7	26.7	8.0	-9.2	16.7	13.0	5.5	7.5
Exports (USDbn)	264	283	336	372	355	406	451	473	511
Exports (y/y %)	8.0	6.9	18.9	10.6	-4.6	14.4	11.0	5.0	8.0
External debt (USDbn)	123	129	140	149	142	155	164	174	179
External debt to GDP (%)	36.9	37.3	37.7	36.2	32.7	32.6	32.8	32.8	32.8
FDI disbursement (USDbn)	20.4	20.0	19.7	22.4	23.2	25.4	26.9	27.7	29.3
FDI commitment (USDbn)	38.0	28.5	31.2	27.7	39.4	38.2	42.0	40.8	44.9
Business & consumer									
Manufacturing PMI (year-end)	50.8	51.7	52.5	46.4	48.9	49.8	51.0	50.0	51.0
Industrial production index (y/y %) (at YE)	6.2	9.5	8.7	0.2	5.8	8.8	8.3	7.0	7.5
Manufacturing prod'n index (y/y %) (at YE)	7.0	13.1	10.9	0.6	7.6	10.2	9.0	7.5	8.5
Annual manufacturing production index (%)	10.5	4.9	6.0	8.0	3.6	9.8	10.5	6.5	9.5
Annual nominal retail sales (%)	11.3	-0.9	-9.1	19.8	9.4	9.0	10.0	11.0	12.0

Notes: The 12M average inflation is the 12M trailing average inflation of monthly headline inflation y/y using geometric mean calculation 12-month average inflation at time t0 = [(1 + y/y inflation at time t-11)x…x((1 + y/y inflation at time t0)]^(1/12)-1.
Source: Bloomberg, GSO, IMF, MoF, WB, HSC Research

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