

# BOND MARKET REPORT

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Q1 - 2022

# SUMMARY

## MACROECONOMIC OVERVIEW

- A widespread and record-breaking inflation in developed countries has forced major central banks around the world to tighten monetary policy, increase policy rates.
- Inflation has gradually spread to the ASEAN region, however; most of the countries in the ASEAN-6 region are experiencing cost-push inflation.
- China's zero-Covid policy is rising tremendous risk to the global supply chain
- The domestic macro-economy has grown steadily with inflation still under control.

### PRIMARY MARKET

GOVERNMENT BOND	Q1/2022	Q4/2021	Q1/2021	%Q/Q	%Y/Y	% QTR. PLAN	2021	% ANN. PLAN
5-year tenor	0	920	1,440	-	-	0%	20,768	0%
7-year tenor	0	250	250	-	-	0%	5,481	0%
10-year tenor	18,642	27,872	21,873	-33%	-15%	53%	133,906	13%
15-year tenor	12,950	27,179	46,142	-52%	-72%	32%	103,704	9%
20-year tenor	1,685	13,380	9,765	-87%	-83%	17%	23,885	6%
30-year tenor	8,005	10,898	8,284	-27%	-3%	80%	30,469	23%
<b>TOTAL</b>	<b>41,282</b>	<b>80,499</b>	<b>87,754</b>	<b>-49%</b>	<b>-53%</b>	<b>39%</b>	<b>318,213</b>	<b>10%</b>

### CORPORATE BOND

	Q1/2022	Q4/2021	Q1/2021	%Q/Q	%Y/Y	2021
PUBLIC OFFERING	8,696	18,081	7,584	-52%	15%	30,165
PRIVATE PLACEMENT	47,978	209,067	40,049	-77%	20%	627,844
<b>TOTAL</b>	<b>56,674</b>	<b>227,148</b>	<b>47,633</b>	<b>-75%</b>	<b>19%</b>	<b>658,009</b>

### SECONDARY MARKET

GOVERNMENT BOND	Q1/2022	Q4/2021	Q1/2021	%Q/Q	%Y/Y	2021
OUTRIGHT	470,562	502,428	475,604	-6.34%	-1.06%	1,877,385
REPO	284,434	286,551	240,337	-0.74%	18.35%	933,715
<b>TOTAL</b>	<b>754,996</b>	<b>788,979</b>	<b>715,941</b>	<b>-4.31%</b>	<b>5.46%</b>	<b>2,811,100</b>



01

**MACROECONOMIC  
OVERVIEW**

02

**GOVERNMENT BOND  
MARKET**

03

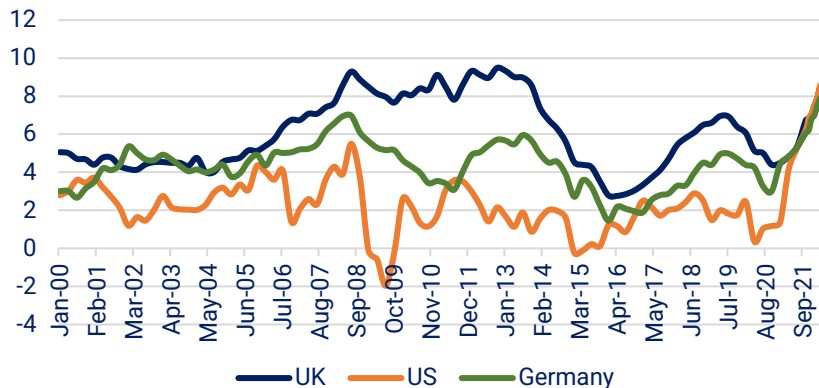
**CORPORATE BOND  
MARKET**

1.

# MACROECONOMIC OVERVIEW

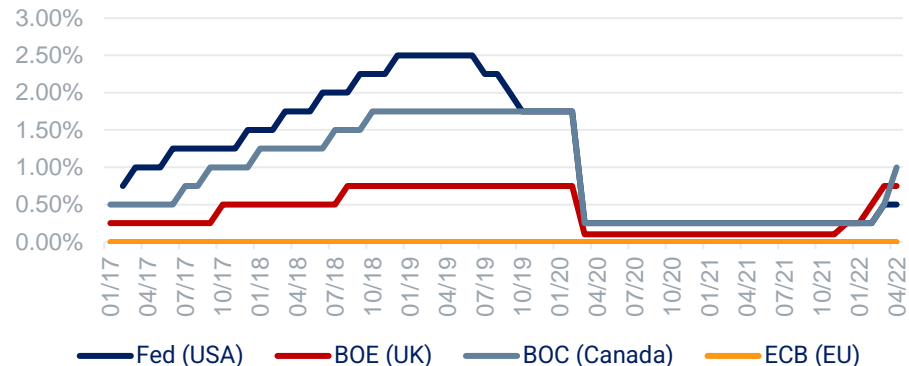
## Developed countries coped with record inflation on a large scale.

### Inflation status in developed countries



Contrary to Q4, when the Fed and economists were still arguing about the transience of inflation, in the first months of this year, the Fed chairman acknowledged that inflationary pressures are likely to persist for a longer time than expected and expressed more hawkish views than at the end of 2021. The same situation happened in other developed countries such as the UK, Germany, France... . These countries are also facing inflation pressure on a variety of categories, not only on food or energy.

### Policy rate performance in developed countries



In that situation, the world's major central banks have begun to tighten monetary policy by slowly raising policy rate. Since November last year, BOE - The Bank of England, has raised interest rates three times by 65 basis points. Then BOC - Central Bank of Canada followed with two lifts, which increased the operating rate by 75 basis points. Meanwhile, the Fed only raised the policy rate once in March 2022, to 0.5%. According to many economic forecasts, this is just the beginning because FED is being expected to raise the rate drastically in 2022, which will be 4 to 5 times in the whole year

## Inflation has shown signs of returning to economies in the ASEAN region.

Proportion in CPI (%) (1)	Singapore	Thailand	Malaysia	Indonesia	Philippines	Vietnam
Food, food and beverage services	21.0	40.3	28.4	20.1	34.7	33.6
Electric, water, gas	2.9	5.5	3.2	5.8	6.7	18.8
Transportation, Petroleum	1.9	12.4	8.5	6.9	2.4	9.7
Others	76.1	54.2	68.4	74.1	58.6	38.0

Contribution Point to the Inflation	Singapore	Thailand	Malaysia	Indonesia	Philippines	Vietnam
<b>CPI</b>	<b>4.2</b>	<b>4.7</b>	<b>2.2</b>	<b>2.3</b>	<b>3.4</b>	<b>1.92</b>
Food, food and beverage services	0.5	1.5	1.1	0.6	0.6	0.07
Electric, water, gas	0.3	1	0	0.1	1	
Transportation, Petroleum	0.2	2	0.8	0.1	0.9	1.56
Others	3.1	0.2	0.4	1.5	0.9	0.29

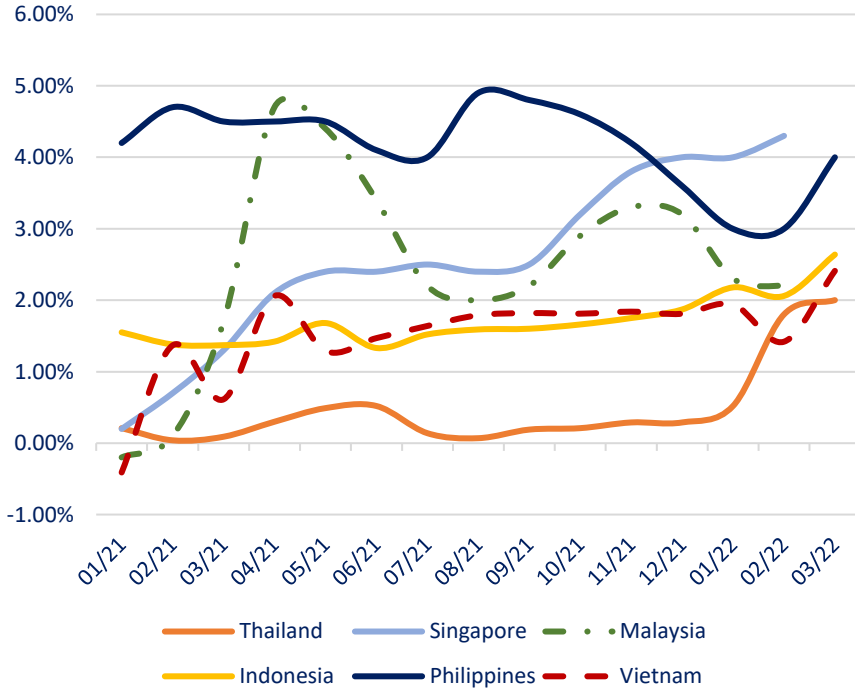
% contributing to the Inflation	Singapore	Thailand	Malaysia	Indonesia	Philippines	Vietnam (2)
<b>CPI</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Food, Food and beverage services	12.4	32.5	47.4	25.8	18.8	3.6
Electric, water, gas	8	21.5	0	5.1	28.5	
Transportation, Petroleum	4.7	42.6	35	3.4	25.7	81.3
Others	74.9	3.4	17.6	65.8	27	15.1

(1) Part of the impact of commodity price on the inflation of countries, especially crude oil, can be seen from three commodity groups: Food, Electric - Gas, Transportation - Fuel. If these three groups make large contributions to inflation, this is a sign that pressure mainly comes from cost-push inflation. On the contrary, if the "Other" component is the main contributors to the inflation index in Q1 or the first two months of the year, this means the country is experiencing widespread inflation and is likely to come from a recovery in demand on consumption, investment and the recovery of the economy.

(2) Unlike other countries, Vietnam does not have a pass-through mechanism to reflect changes in fuel prices in retail electricity prices (a rise in petrol prices does not mean a rise in consumer electricity prices). Instead, fuel price is mostly indicated in the structure of transportation costs. Therefore, in order to ensure comparability across countries, VBMA does not take into account the contribution structure of the "Electric, water, gas" group when considering the impact of commodity prices on Vietnam's inflation.

## Inflation has shown signs of returning to economies in the ASEAN region.

### Headline inflation in CPI of ASEAN-6 countries

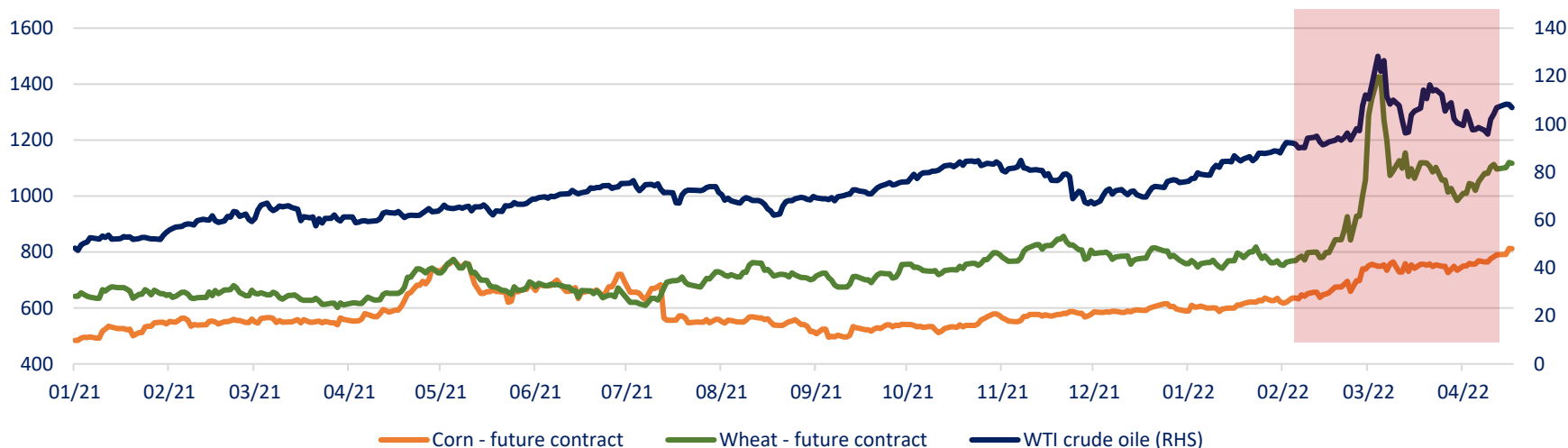


Inflation in the countries of the ASEAN-6 group has indicated signs of rapid increase since the beginning of 2022. However, the leading causes of inflation are not the same across countries. The first group, demand-pull inflation, includes Singapore and Indonesia. These two countries are experiencing inflationary pressure on a large scale (represented by the numerous contribution of "Other" commodity groups) instead of focusing on commodity groups subject to many fluctuations of geopolitical issues such as Food, Gas, and Petroleum. This inflationary pressure is related to Singapore's early tight monetary policy from October 2021 to April 2022. Singapore had three times raised the policy rate.

The second group, cost-push inflation, includes Thailand, Malaysia, Philippines, and Vietnam, is showing that inflation mainly comes from energy and gas prices. This is a supportive signal to keep policy rates low to prioritize the economic recovery in the coming time.

## WorldWide Spotlight: The war of Russia – Ukraine and Russia - Western countries

### Price movements of several commodities

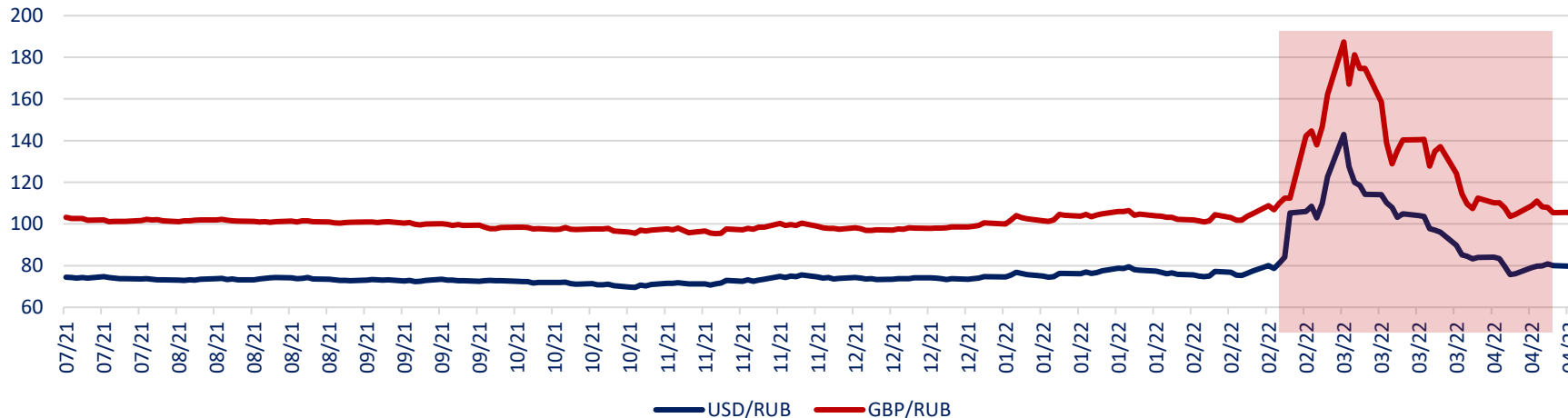


The world status spotlight is undoubtedly the Russia-Ukraine war, which began on February 24, 2022. This area exports many essential commodities to the world as crude oil, gas, corn, wheat, oats, zinc,... Therefore, the war between these two countries immediately increased the instability of the world financial and commodity markets.

At one point, crude oil increased by 34%, to the highest level of 126 USD/barrel. However, it cooled down to around 100-110 USD/barrel after US and OPEC continuously increased production when bringing out crude oil reserves to increase market supply. Other commodities have also surged from 18% (Corn) to more than 100% (Zinc). In addition to exports canceling from Russia and Ukraine, other countries have imposed export bans on several products, which shortened the world supply and pushed up international market prices.



## Price movements of Russian Ruble vs USD and GBP



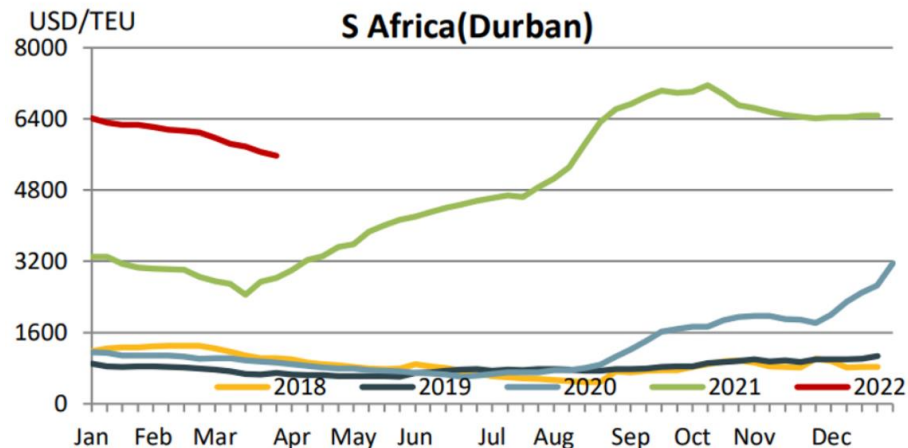
In the foreign exchange market, the ruble also once depreciated by 48% against the USD because the Russian stock market sold off when foreign investors sought to withdraw capital from this market. However, the exchange rate market stabilized somewhat when Russia imposed measures to avoid foreign currency bleeding, indirectly peg the Rub to Gold, and required buyers of gas and oil to pay in rubles. Russia's war with the West will still be in the spotlight and being a risk to the world economic outlook while economic sanctions are still being imposed and both sides are still trying find allies in this seemingly long-term war.

# China's zero-Covid policy is rising tremendous risk to global supply chain



Sources: the economist

Since February, most cities in China have been experiencing a large-scale social distancing, which put numerous pressure on container ports and freight traffic density around the globe. Cargo volume through China's major ports such as Shanghai and Shenzhen has decreased by about 20%-40% compared to the same period last year. Trucks at these ports also only reach about 80% capacity compared to 2021.

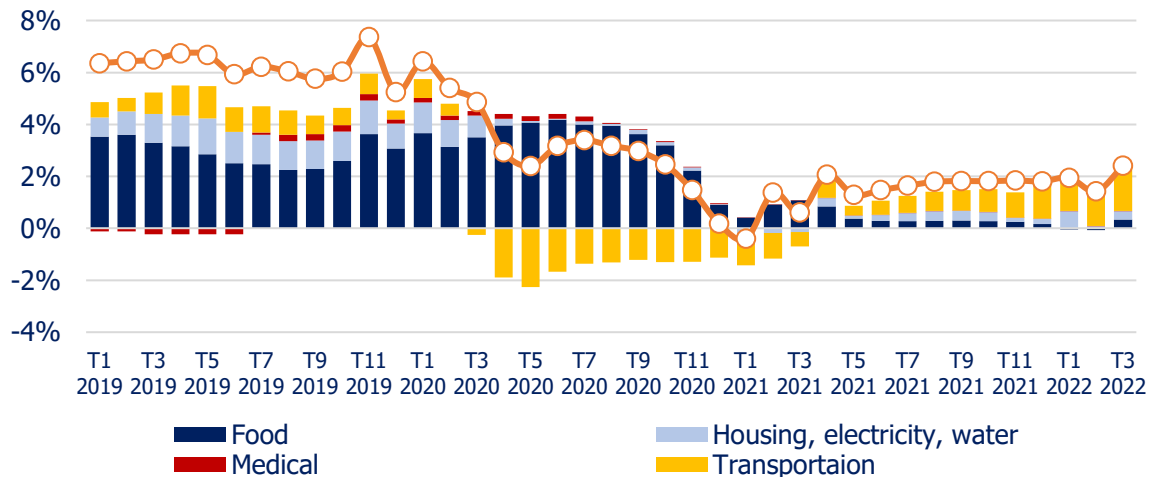


Sources: investec

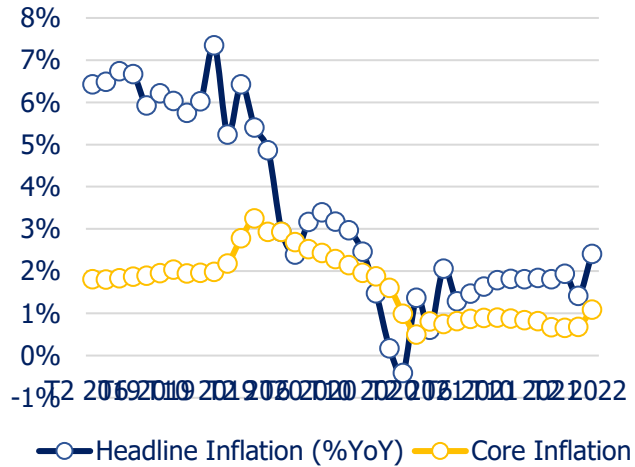
Freight rates have tended to cool down since the beginning of the year as consumer demand gradually shifted from goods to services. However, maintaining the zero-covid policy may cause waterway freight expenses to increase after these major ports are relieved, and the backlog of cargo which is five times higher than usual, will put pressure on freight rates spot delivery by shipping lines.

# Domestic macroeconomic status: Inflation is not a concern yet

## Contributing to Inflation



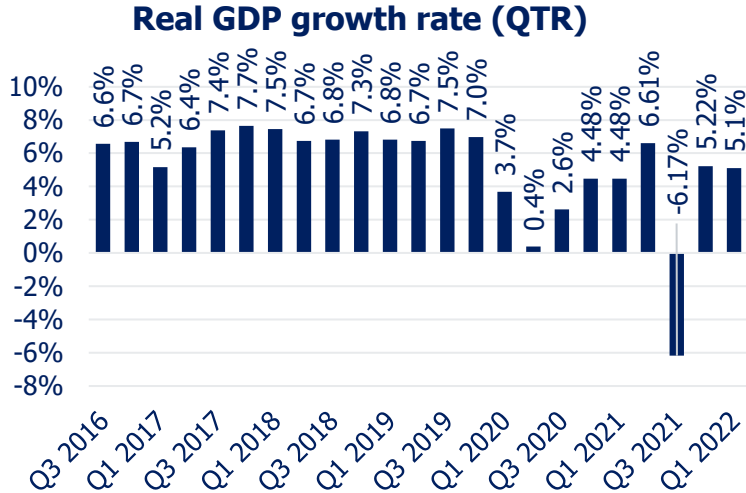
## Inflation over the last year



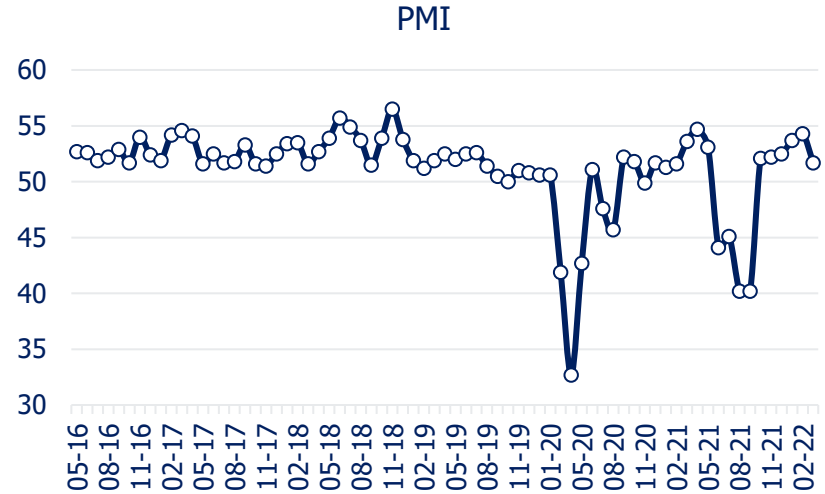
The country's consumer price index (CPI) in Q1 only increased by 1.92% over the same period last year, of which core inflation was only 0.82% for the whole quarter. Most of the 1.92% figure was caused by rising food and petrol prices. Other groups only contribute about 0.29% of inflation, so the current inflation pressure mainly comes from the supply side.

Compared to other countries, Vietnam's inflation is relatively low because the biggest component of the CPI, food price, is well controlled. The average hog price in March decreased by 2,000 to 3,000 VND compared to the end of February, price of fat and processed meat also decreased. Besides, the cost of educational services has decreased by 4.01% over the same period last year due to the tuition fee exemption, which also helped stabilize the domestic CPI. However, inflation has been rising since the middle of last year and is forecasted to continue higher as world raw material prices are already significantly higher due to the recent Russia-Ukraine conflict.

## Domestic Macroeconomic Status: GDP growth at 5.1%



In the first quarter of 2022, Vietnam's real GDP grew by 5.1% despite the wave of outbreaks in the country. The industry and service sectors contributed the most, which increased by 7.22% and 4.58%, and the group of agriculture, forestry, and marine products increased by 2.45%. Service activities were bustling again in the first quarter, such as banking and finance activities increased by 9.75% over the same period last year; transportation and warehousing increased by 7.06%; wholesale and retail increased by 2.98%.



PMI, which recovered and maintained at a high level of 53 - 54.5 points in the first two months of the year, dropped to 51.7 in March. According to G&P Global, business conditions are still good but not as positive as in previous months, mainly affected by the recent wave of the domestic epidemic that has caused businesses to face labor shortages. Business confidence also fell to a six-month low, but companies remain optimistic that the pandemic impact will ease and new orders will pick up.

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# GOVERNMENT BOND MARKET

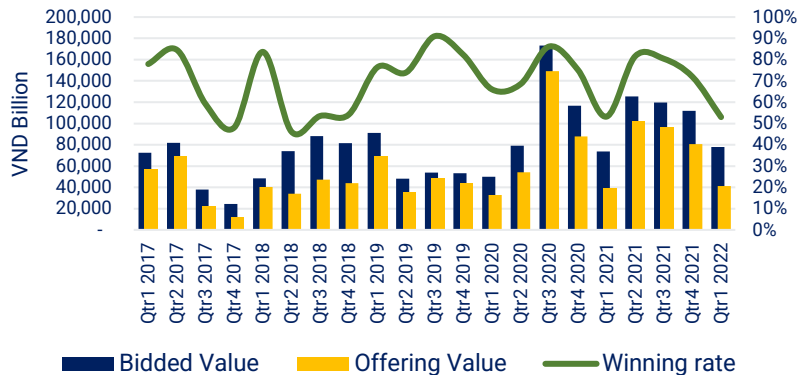
# 1. Primary Market

## Auction result

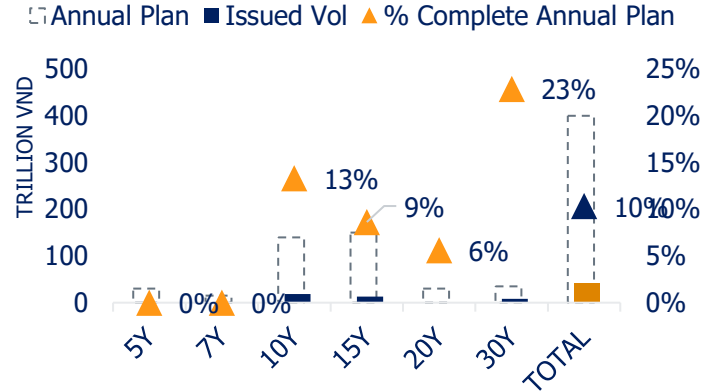
In the first quarter of 2022, the State Treasury called for 78,000 billion VND of Government bonds with the tenors of 5-year (1,000 billion VND), 7-year (2,000 billion VND), 10-year (30,500 billion VND), 15 years (VND 26,000 billion), 20 years (VND 6,000 billion) and 30 years (12,500 billion VND), of which the winning value was 41,282 billion VND, the winning rate was 52.9%, the bid/call rate was still relatively high at 203.6%. The total value of government bonds issued in the first quarter of 2022 reached 39% of the quarterly plan and 10% of the 2022 issuance plan.

Q1/2022	5N	7N	10N	15N	20N	30N	TOTAL
<b>Q1/2022 Plan</b>	500	500	35,000	40,000	10,000	10,000	<b>105,000</b>
<b>Issuing value of Q1</b>	0	0	18,642	12,950	1,685	8,005	<b>41,282</b>
<b>% completion</b>	0%	0%	53%	32%	17%	80%	<b>39%</b>

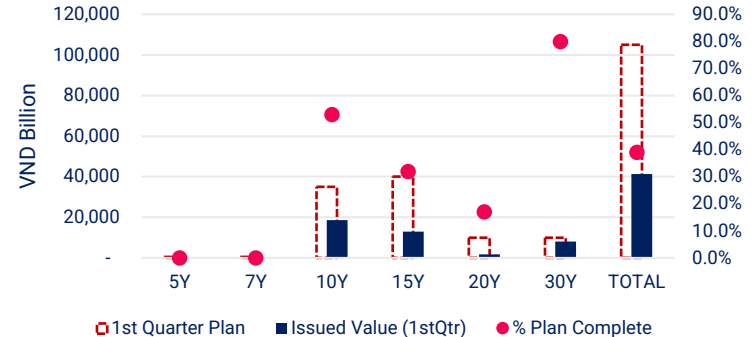
### GOVERNMENT BOND WINNING RATE



## ISSUED VALUE BY TENORS



## AUCTION RESULTS IN Q1/2022

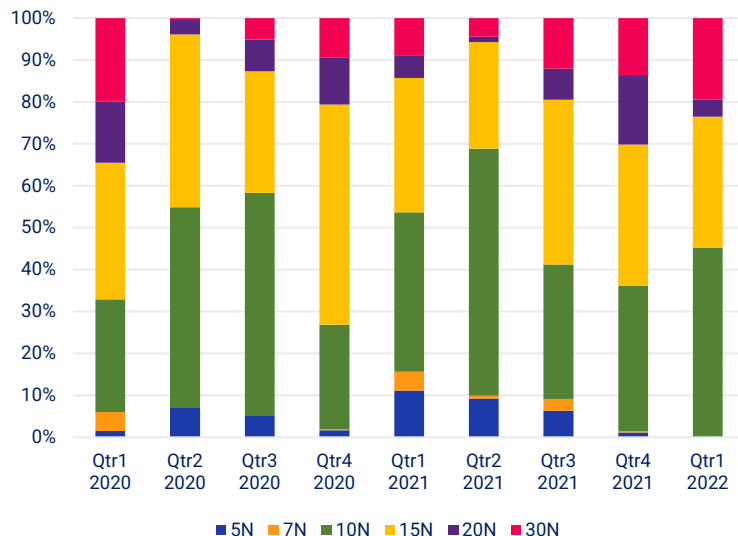


## Tenors and Yields

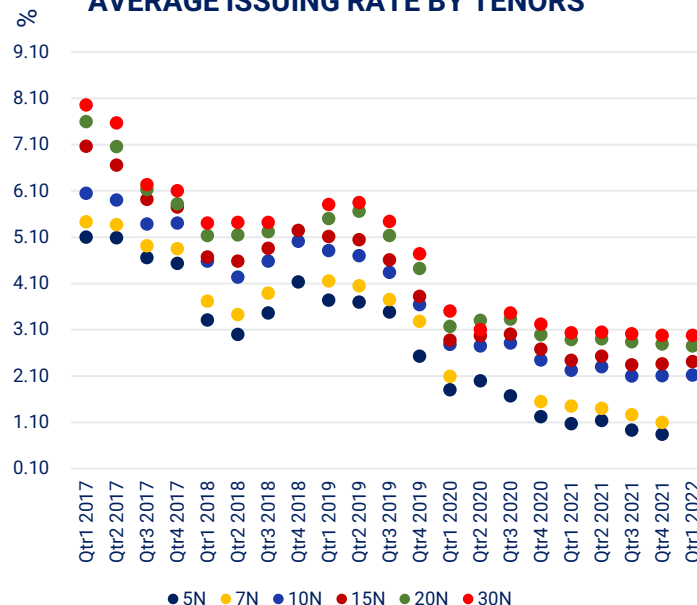
In the first quarter of 2022, 10-year and 15-year bonds had the highest winning rates, accounting for 45% and 31% of the total issuance volume. The 5-year and 7-year bonds failed to call for bids.

Compared to the fourth quarter of 2021, the issuing yields increased at tenors with large offering amounts: 10 years (up 1 point) and 15 years (up 5 points), decreased by 4 points for 20-year tenor, and remained unchanged for 30-year tenor.

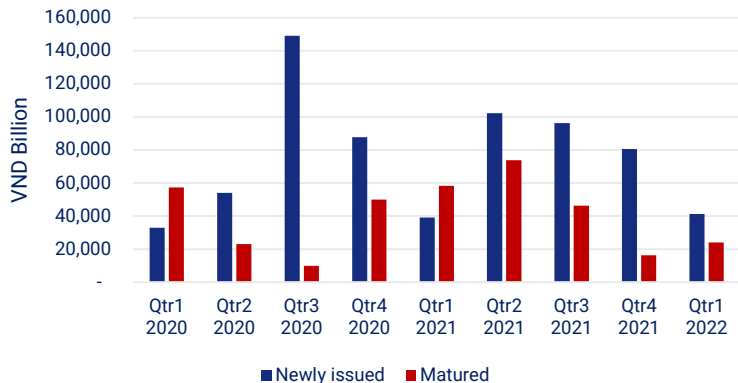
### PROPORTION OF WINNING VALUE BY TENORS



### AVERAGE ISSUING RATE BY TENORS



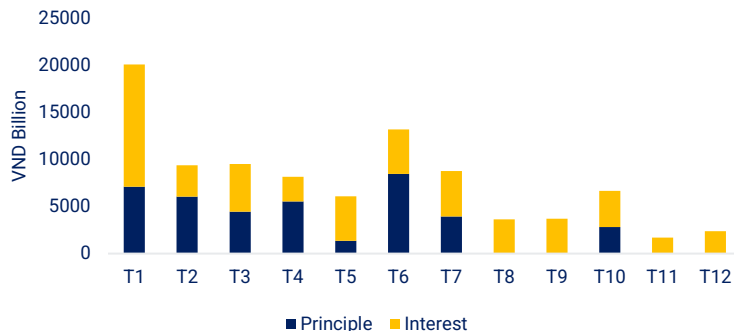
## ISSUING VALUE COMPARED TO MATURED VALUE



The matured volume in 2022 and the next 2-3 years will be low, in which, the volume of the bonds issued by the State Treasury matured in 2022 is about VND 40 trillion, mainly in the first 6 months. In the second quarter, there will be VND 15,343 billion of government bonds coming to maturity.

The issuance plan in the second quarter of 2022 is 120,000 billion VND, specifically:

## G-BOND MATURITY SCHEDULE



Tenor	Issuing value as plan
5 years	VND 10.000 billion
7 years	VND 5.000 billion
10 years	VND 45.000 billion
15 years	VND 35.000 billion
20 years	VND 10.000 billion
30 years	VND 15.000 billion
<b>Total</b>	<b>VND 120.000 billion</b>



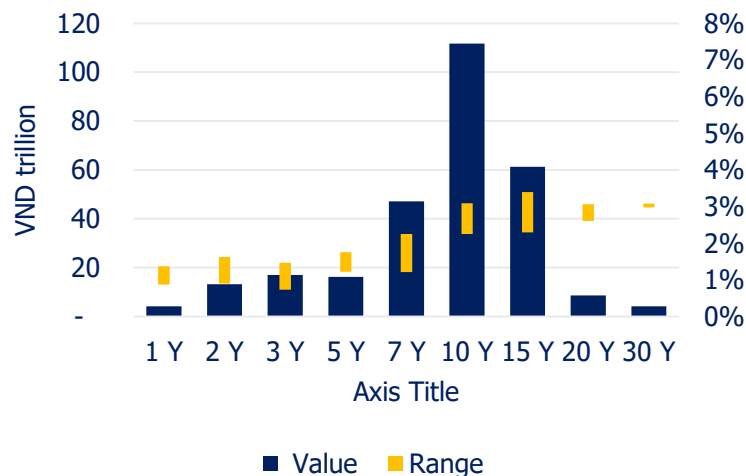
## 2. SECONDARY MARKET

Total trading volume of Government bond Q1/2022: **VND 754,996 billion**  
In which, Outright trading volume: **VND 470,562 billion**  
Repo trading volume: **VND 284,434 billion**

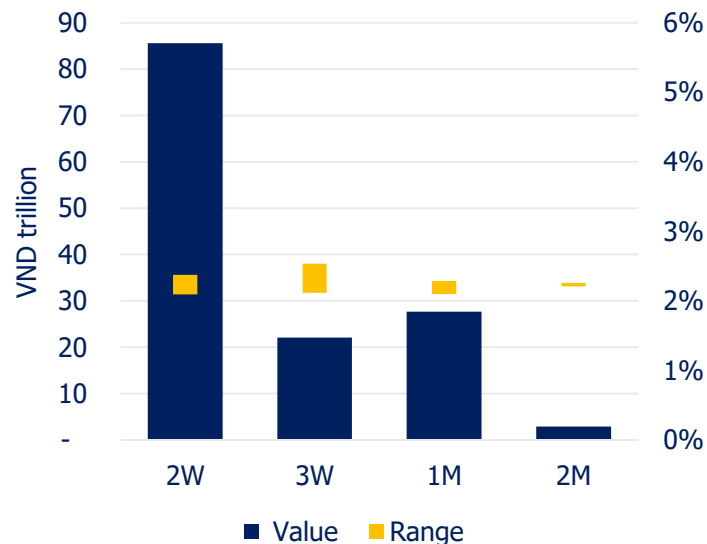
Regarding Outright transactions, 10 years and 15 years were the two most-traded tenors, with trading yield ranging from 2.25% - 3.1% for 10-year tenor and 2.29% - 3.4% for 15-year tenor.

Regarding Repo transactions, 2-week and 1-month tenors were traded the most, with trading yield ranging from 2.09% - 2.4% for the 2-week tenor and 2.1% - 2.3% for the 1-month tenor.

### Outright trading value and yield range by remaining tenors in Q1/2022

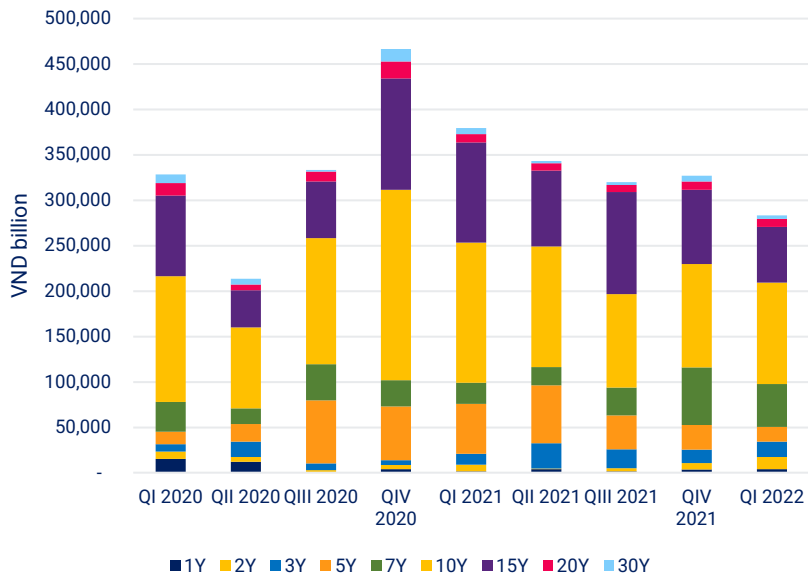


### Repo trading value and yield range by remaining tenors in Q1/2022



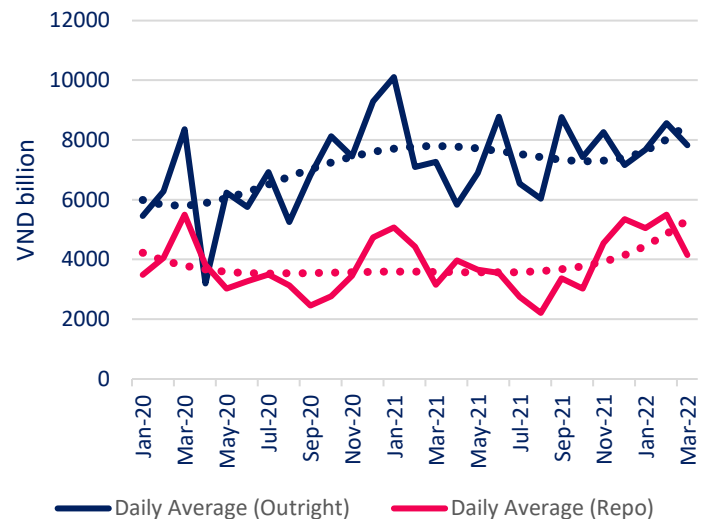
The total trading volume of Outright Government bonds decreased by 13% compared to Q4/2021 and by 25% compared to the same period of 2021. 10 and 15-year tenors were still the most-traded terms, accounting for 39% and 22% of the total volume.

### PROPORTION OF TRADING VALUE BY TENORS

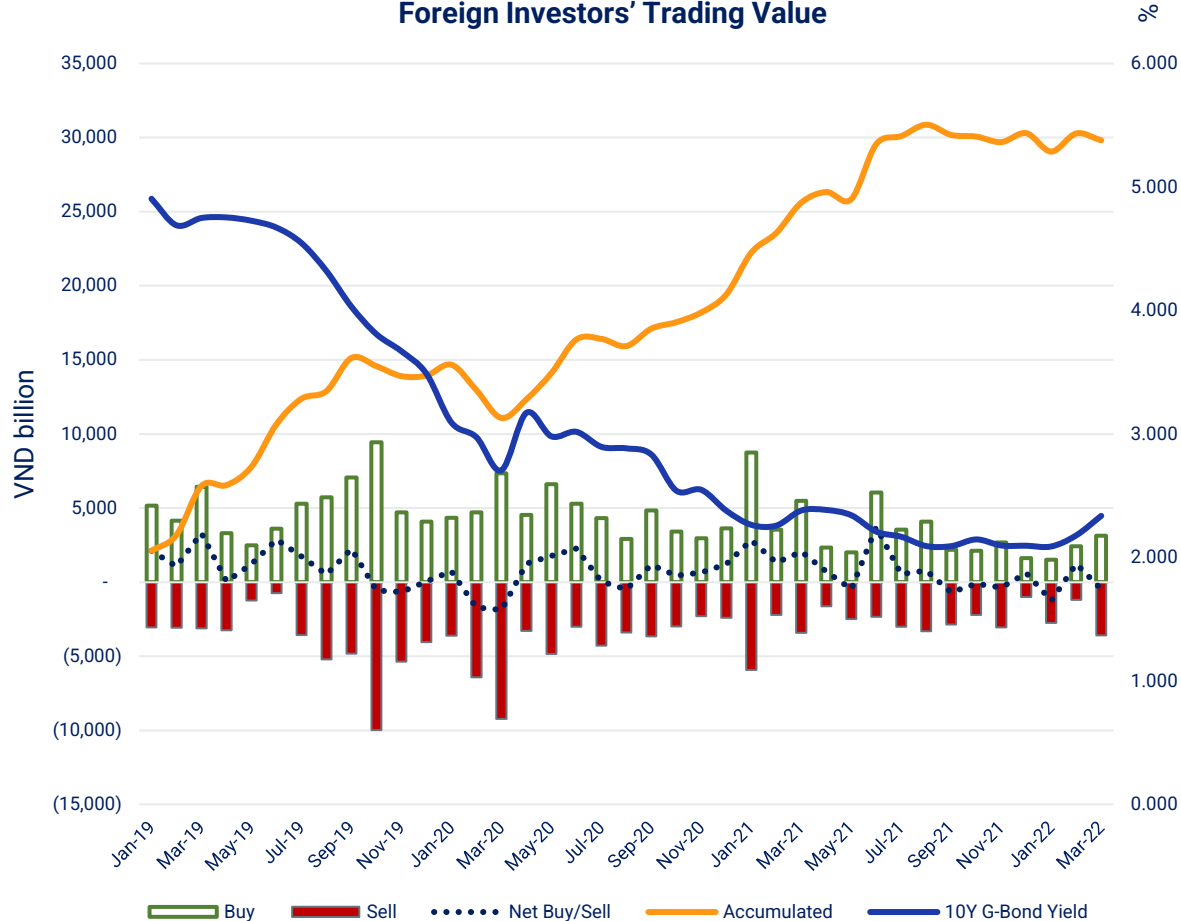


The average daily volume of Outright transactions increased by 5% compared to the fourth quarter of 2021 and decreased by 2% in comparison with the same period of 2021. The average daily volume of Repo transactions increased by 6% and 14% compared to the fourth quarter of 2021 and the first quarter of 2021, respectively.

### AVERAGE DAILY GOVERNMENT BOND TRADING VALUE



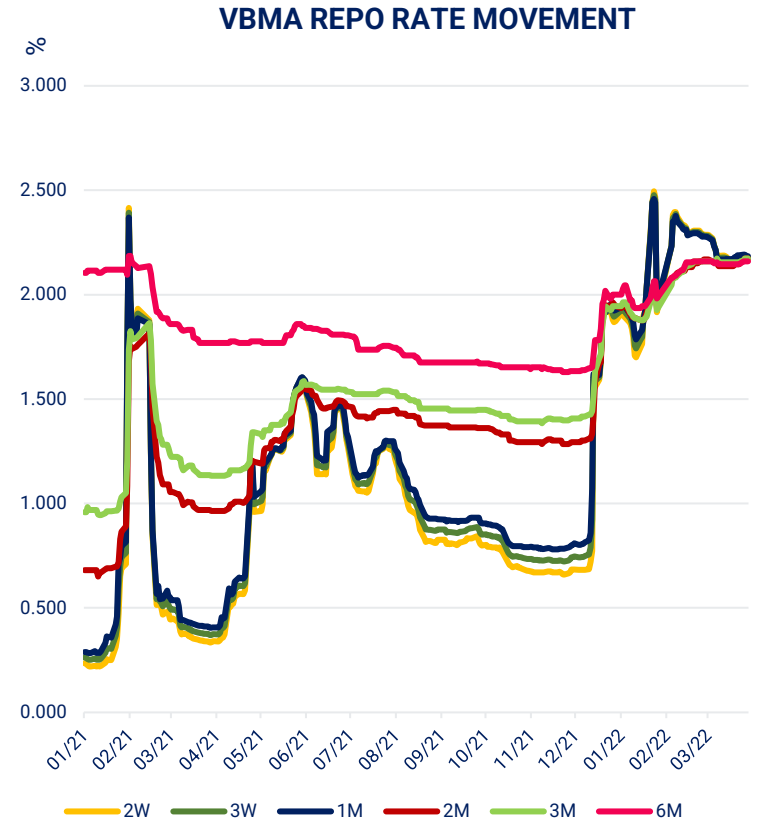
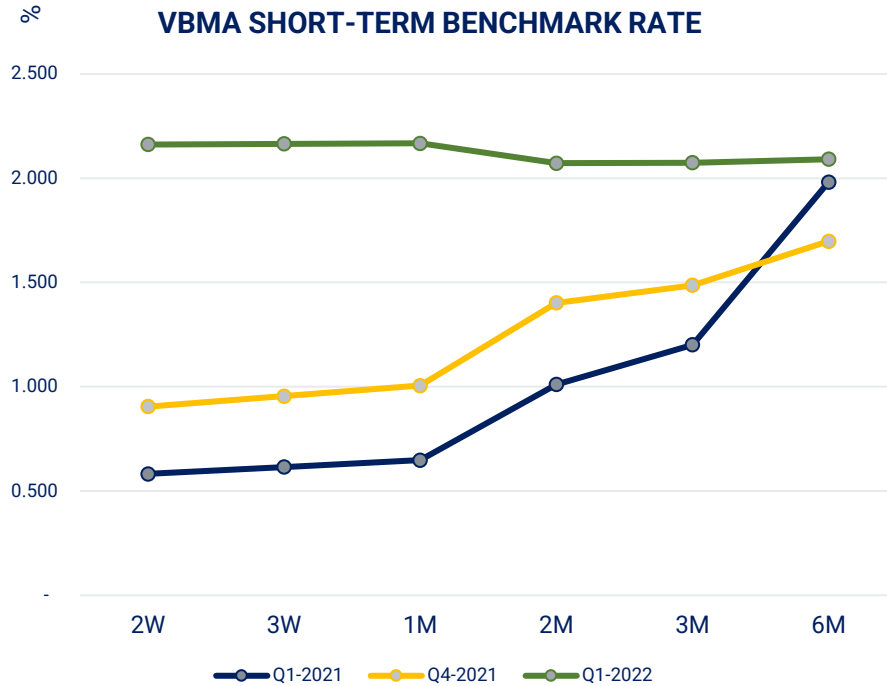
## Foreign Investors' Trading Value



Foreign investors net sold VND 1,245 billion of government bonds in January and 465 billion VND in March, net bought 1,225 billion VND of government bonds in February. Thus, in the first quarter of 2022, foreign investors net sold VND 486 billion of government bonds. The total buying and selling volume of foreign investors in Q1/2022 increased by about 15% QoQ, decreased by 59% YoY, and decreased by 60% compared to pre-pandemic volume.

The most-traded tenors were 10-15 years. Total Outright trading volume of foreign investors in the first quarter accounted for about 3.1% of the total trading volume of the whole market.



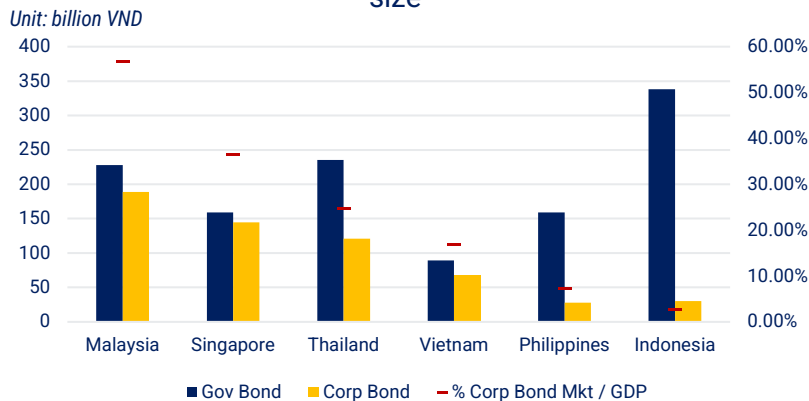


Repo trading interest rate increased at all tenors. According to VBMA Repo MMA, the rates for 2-week and 1-month tenors increased by 12 points compared to the previous quarter and increased by 15 points compared to the same period last year.

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# CORPORATE BOND MARKET

### Government bond and corporate bond market size

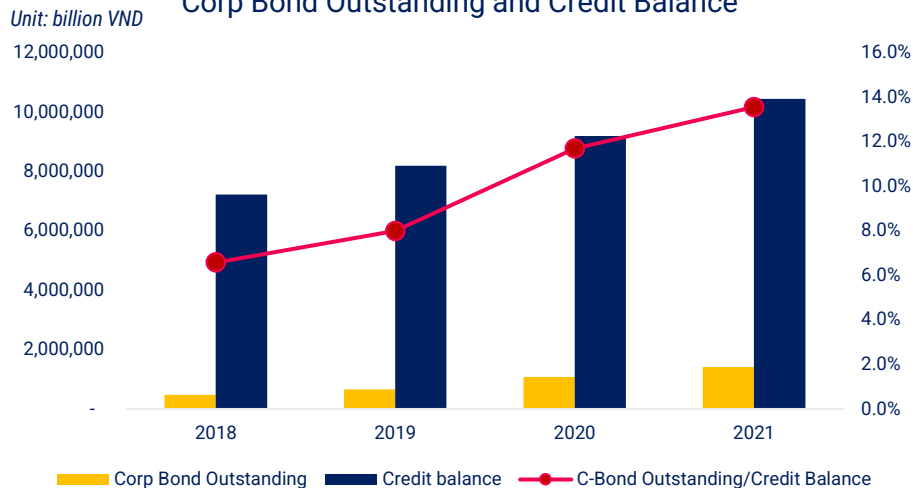


Source: ABO, SBV, VBMA consolidated

Concerning the size of the bond market by value, the Vietnamese market still has much room for growth compared to other countries in the region. As for the corporate bond market, in recent quarters, despite its rapid expansion with relatively considerable new issuance volume, the ratio of outstanding balance of corporate bonds to GDP was still much more inferior than some countries in the region such as Thailand, Singapore, and Malaysia.

The total size of Vietnam's bond market as of the fourth quarter of 2021 was about 41.11% of GDP, of which the corporate bond market occupied 16.85% of GDP.

### Corp Bond Outstanding and Credit Balance



Source: ABO, SBV, VBMA consolidated

By the end of 2021, according to data from the SBV, the ratio of outstanding balance of corporate bonds to total credit balance of the whole economy was about 13.5%, increasing by 15.8% compared to the end of 2020.

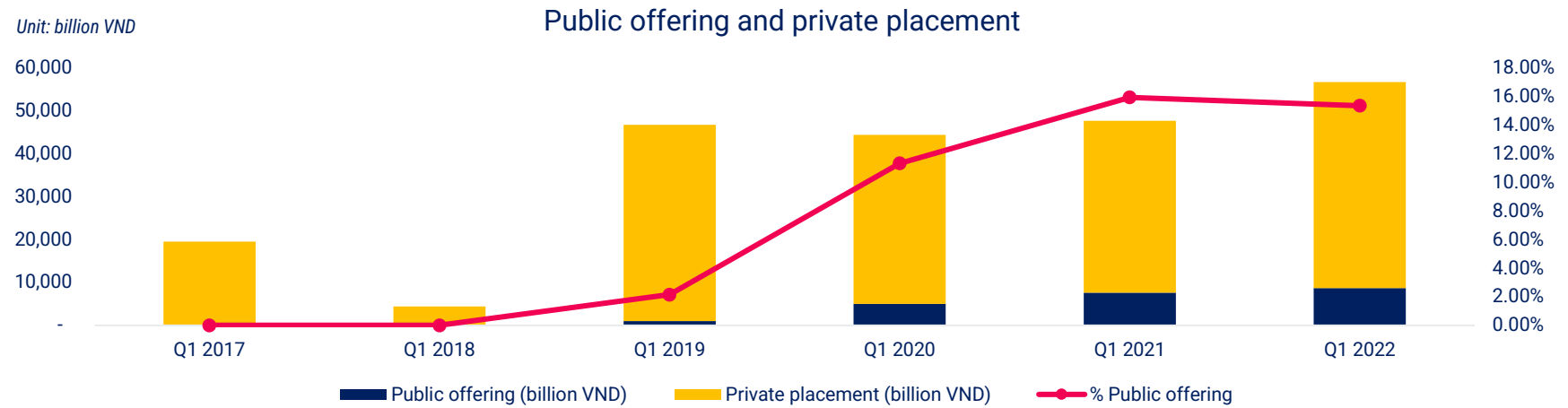
**Q1  
2022**

**56,674** BILLION VND(\*)  
**+19%Y/Y**

The total volume of issued bonds in the first quarter of 2022 reached 56,674 billion VND. In which, the rate of private placement accounted for 84.66% of the issuing volume and there were 9 issuances under public offering with a total value of 8,696 billion VND, accounting for 15.34%.

In the public offering of Q1/2022, 57.6% of the issuance volume was issued in January and Commercial Banks accounted for almost 50% of issuing volume under public offering.

(\*) According to published data by HNX and SSC till 14/04/2022





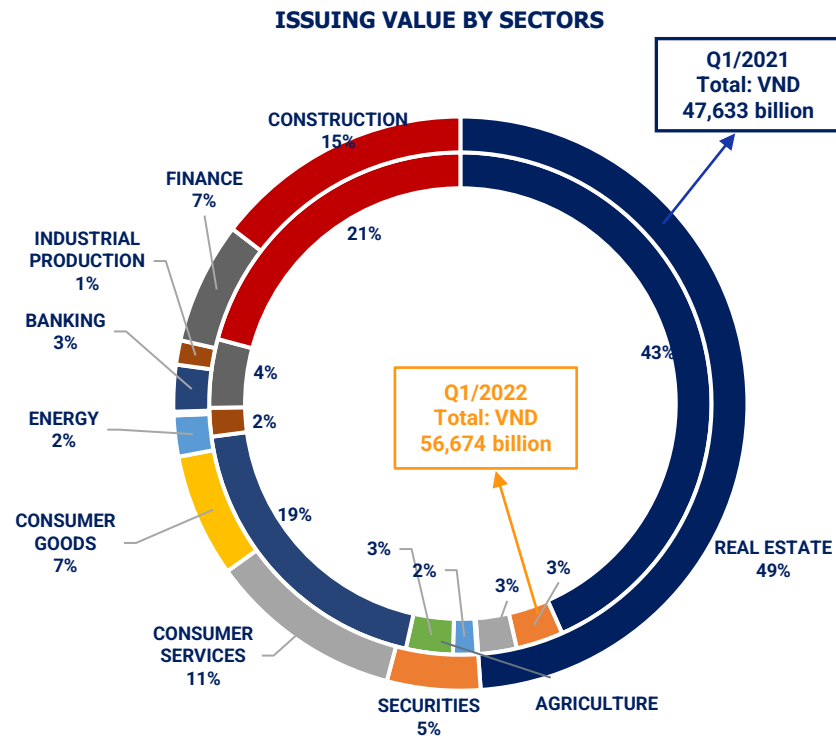
In the first quarter of 2022, the total issuance volume increased by about 18.98% compared to the same period in 2021, mainly from Real Estate, Banking and Construction groups (increasing by VND 18,346 billion).

Real Estate was the leading group in terms of issuance volume with total value at VND 28,581 billion, increasing by 22% compared to the first quarter of 2021, thanks to the economic recovery package with a budget of nearly VND 114 trillion for infrastructure, along with high inflation and improved interest in Real Estate of retail investors. Construction enterprises ranked second with a total issuance value of VND 8,280 billion.

Commercial banks were also notable with total issuance value increasing more than 7 times over the same period last year, at VND 9,353 billion while banks were still trying to increase capital to improve the Capital Adequacy Ratio (CAR). This was also the requirement to be granted additional credit limit and ensured the early completion of Basel II and III requirements.

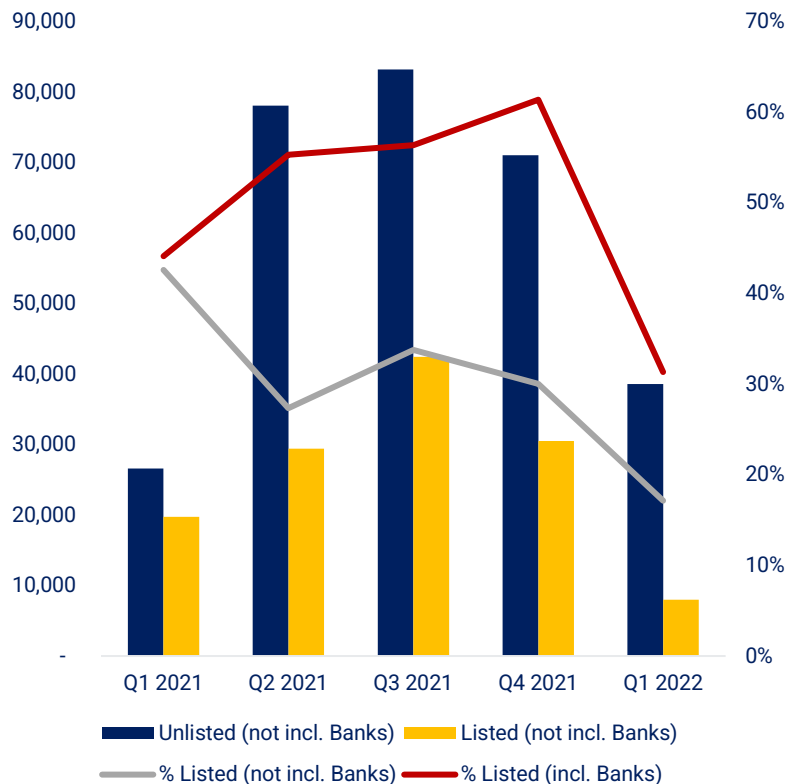
	Q1 2022	Q1 2021	%Y/Y
REAL ESTATE	28,581	23,279	23%
BANKING	9,353	1,250	648%
SECURITIES	1,205	2,503	-52%
CONSUMER GOODS AND SERVICES	220	8,530	-97%
ENERGY	600	1,100	-45%
CONSTRUCTION	11,890	6,950	71%
INDUSTRIAL PRODUCTION	730	652	12%
	<b>56,674</b>	<b>47,633</b>	<b>19%</b>

Unit: billion VND



## Issuing value of listed firms

Unit: billion VND



Number of new issuers	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>REAL ESTATE</b>	12	39	41	33	12
<b>SECURITIES, FINANCE</b>	3	2	5	2	1
<b>CONSUMER SERVICES</b>	6	2	7	5	1
<b>CONSUMER GOODS</b>	1	5	6	3	1
<b>ENERGY</b>	1	5	8	4	0
<b>AGRICULTURE</b>	0	0	1	3	2
<b>INDUSTRIAL PRODUCTION</b>	2	7	8	1	2
<b>CONSTRUCTION</b>	3	5	6	10	7
<b>TOURISM</b>	0	0	0	0	1
	<b>28</b>	<b>65</b>	<b>82</b>	<b>61</b>	<b>27</b>

The proportion of corporate bonds issued by listed companies accounted for 31% of the total issuing volume during the period.

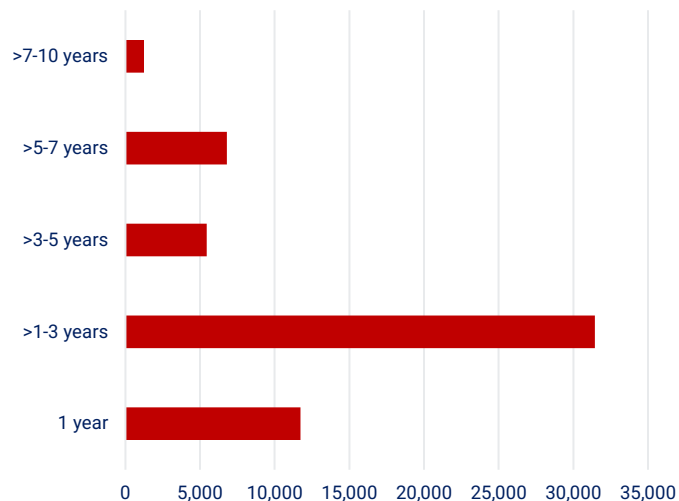
In the first quarter of 2022, there were 27 newly issued enterprises, of which 9/27 were listed companies. The majority of new issuers were in the Real Estate and Construction sectors. 10/12 newly issued enterprises in the Real Estate sector were unlisted.

Some newly issued companies with large volumes: Air Link Joint Stock Company (VND 3,810 billion), Kien Hung Tinh Construction Joint Stock Company (3,610 billion VND), Eagle Side Investment and Development JSC (VND 3,930 billion), Worldwide Capital Joint Stock Company (VND 3,410 billion)

The average issuing tenor in the first quarter of 2022 was 2.83 years, down 0.42 years compared to the same period in 2021, mainly due to the dominance issuing value of real estate enterprises while the issuing tenor of this group is shortened, the issuing tenor of the Energy, Construction, and Consumer Goods sectors also decreased significantly compared to the first quarter of last year (about 1.9 to 5.3 years).

Most of corporate bonds issued in the first quarter of 2022 had tenors from 1 to 3 years, accounting for about 76% of the issuing value. Bonds with tenors from more than 3 years to 7 years accounted for 21.6% and only about 2% of bonds had tenors over 7 years.

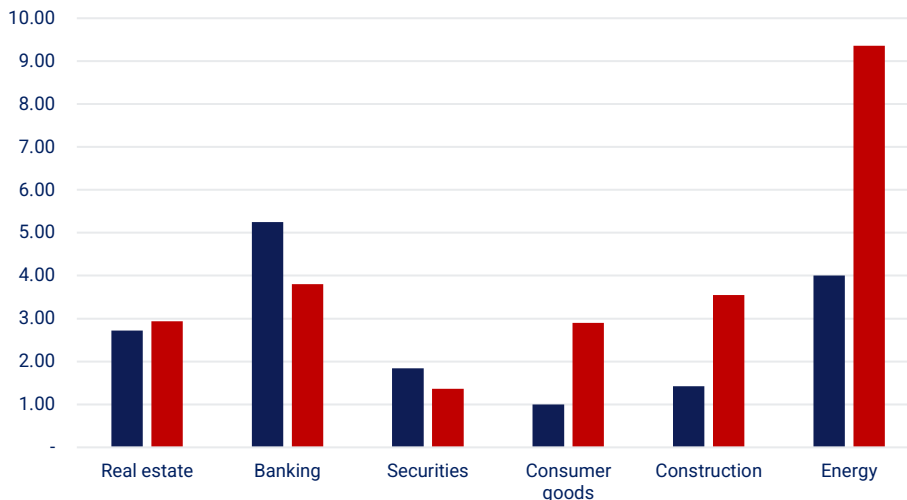
Issuing value by tenors



Unit: billion VND

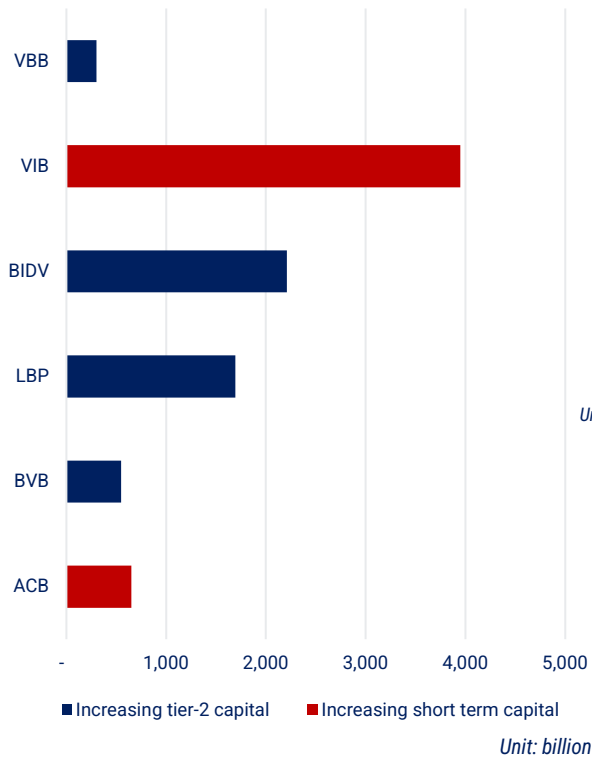
Issuing tenors of major sectors

Unit: billion VND

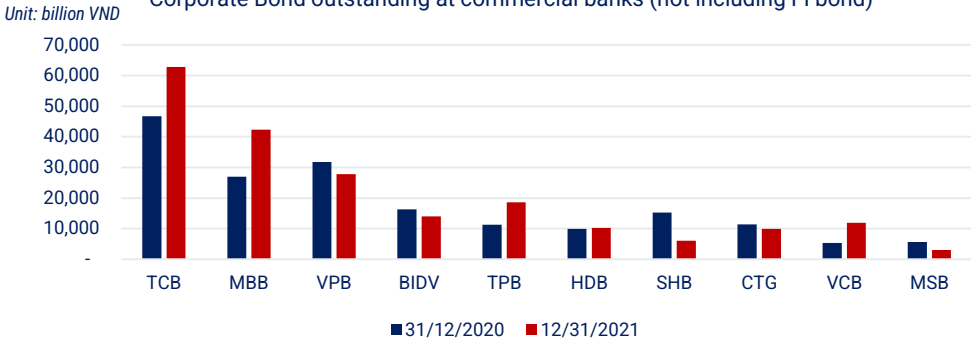


■ Q1/2022 ■ Q1/2021

### Issuing value of FI bonds Q1/2022

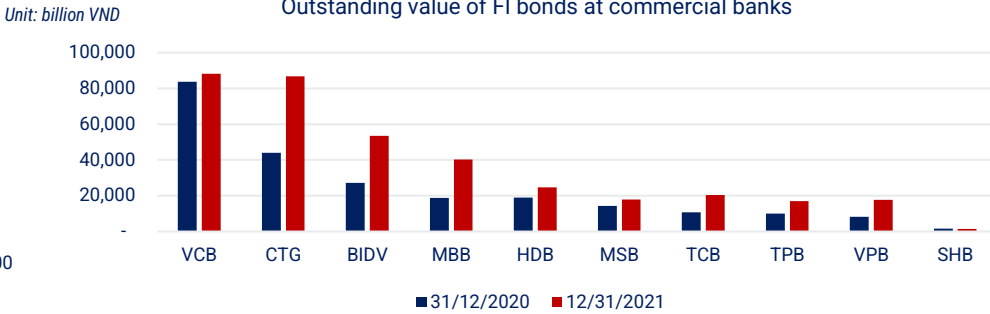


### Corporate Bond outstanding at commercial banks (not including FI bond)



Source: Commercial Banks' FS

### Outstanding value of FI bonds at commercial banks



Source: Commercial Banks' FS

## SOME BUSINESSES ISSUING LARGE NUMBER BY INDUSTRY GROUP

### REAL ESTATE

Issuers	Vol (Billion VND)	Average Tenor (Year)
Air Link JSC	3,810	1.5
Worldwide Capital JSC	3,410	1.5
Vast King Investment JSC	2,260	3
Hung Thinh Investment JSC	2,000	7

### CREDIT INSTITUTIONS

Issuers	Vol (Billion VND)	Average Tenor (Year)
Vietnam International Joint Stock Commercial Bank	3,948	2.57
joint Stock Commercial Bank For Investment and Development of Vietnam	2,209	7.66
Asia Joint Stock Commercial Bank	650	2
LienVietPost Joint Stock Commercial Bank	1,695	7.16

### CONSTRUCTION

Issuers	Vol (Billion VND)	Average Tenor (Year)
Kien Hung Thinh Construction JSC	3,610	1.5
Sunshine E&C Construction JSC	800	2
Minh Truong Phu Construction JSC	2,950	1
Tuong Khai Construction JSC	2,990	1

Thank you for reading VBMA's Quarterly Bond Market Report.  
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