



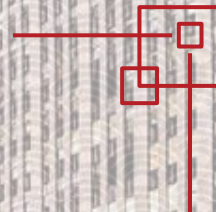
**VBMA**

Vietnam Bond Market Association

# REPORT

---

VIETNAM BOND MARKET  
**QUARTER 4.2023**



# VIETNAM BOND MARKET QUARTERLY REPORT Q4.2023

## MARKET HIGHLIGHTS

### MACROECONOMIC OVERVIEW IN Q4.2023

Amid cooling inflation and expectation of weakening economic growth, the Fed indicated 3 rate cuts of 25 bps each in 2024. In Vietnam, after SBV-bills were issued to limit the rise of exchange rates in the first half of Q4, the State Bank of Vietnam returned to its easing stance, requiring commercial banks to lower interest rates to support the economy.

Interbank rates remained low after the State Bank had stopped draining money from the market, averaging about 0.3% overnight. Credit growth jumped in the last 2 months of the year to 13.5%, nearly reaching the target of 14% set by the SBV.

Vietnam's economy has improved continuously in 2023 with GDP growth in each quarter higher than the previous one, but the whole year growth was only 5.05%, lower than the target of 6.5% due to the slowdown of the global economy. Both exports and imports slumped compared to the same period last year as consumer demand in major export markets declined.

However, there were several bright spots as FDI investment in Vietnam last year reached a record high and inflation was effectively controlled.

### VIETNAM BOND MARKET IN Q4.2023

#### PRIMARY MARKET

##### GOVERNMENT BOND

ISSUING VALUE	Q4/2023	Q3/2023	Q4/2022	%Q/Q	%Y/Y	2023	2022	%YoY
3-year tenor	-	-	-	-	-	-	-	-
5-year tenor	4,950	5,394	-	-8.2%	-	31,893	-	-
7-year tenor	-	-	-	-	-	950	-	-
10-year tenor	20,490	27,848	70,840	-26.4%	-71%	118,937	128,312	-7.3%
15-year tenor	18,350	33,250	29,100	-44.8%	-37%	132,153	75,520	75.0%
20-year tenor	-	500	-	-	-	2,049	2,265	-9.5%
30-year tenor	4,805	2,997	-	60.3%	-	12,494	8,625	44.9%
<b>Total</b>	<b>48,595</b>	<b>69,989</b>	<b>99,940</b>	<b>-30.6%</b>	<b>-51%</b>	<b>298,476</b>	<b>214,722</b>	<b>39.0%</b>

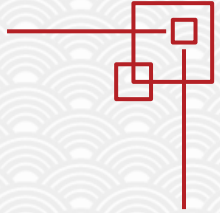
##### CORPORATE BOND

ISSUING VALUE	Q4/2023	Q3/2023	Q4/2022	%Q/Q	%YoY	2023	2022	%YoY
Private	121,989	106,761	7,654	14%	1494%	287,164	248,605	16%
Public	13,092	15,002	10,638	-13%	23%	37,070	21,237	75%
<b>Total</b>	<b>135,081</b>	<b>121,762</b>	<b>18,292</b>	<b>11%</b>	<b>638%</b>	<b>324,234</b>	<b>269,842</b>	<b>20%</b>

#### SECONDARY MARKET

TRADING VOLUME	Q4/2023	Q3/2023	Q4/2022	%Q/Q	%Y/Y	2023	2022	%YoY
<b>GOVERNMENT BOND</b>								
Outright	427,501	298,982	135,621	43%	215%	1,182,797	1,092,131	8.3%
Repo	99,549	86,018	96,836	16%	3%	439,256	824,794	-46.7%
<b>Total</b>	<b>527,050</b>	<b>385,000</b>	<b>232,457</b>	<b>37%</b>	<b>127%</b>	<b>1,622,053</b>	<b>1,916,925</b>	<b>-15.4%</b>

Unit: VND billion



# CONTENTS

**01**

## MACROECONOMIC OVERVIEW

4

**02**

## GOVERNMENT BOND MARKET

1. Primary market

12

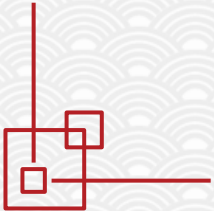
2. Secondary market

15

**03**

## CORPORATE BOND MARKET

17

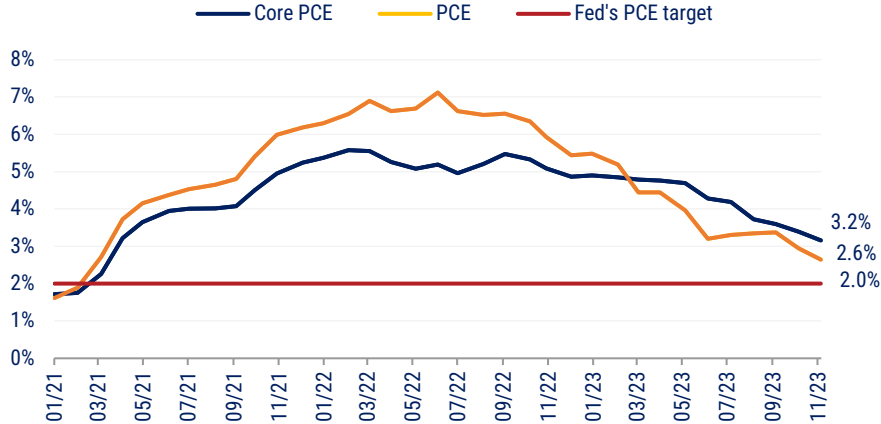


# 01

---

## MACROECONOMIC OVERVIEW

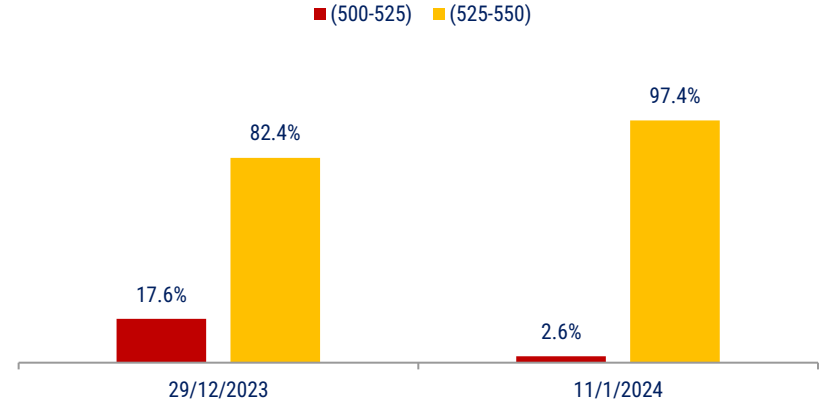
**US Inflation measured by PCE and core PCE**



Source: Fed St. Louis

In the last months of 2023, US inflation continued to soften. Specifically, US November PCE cooled down to 2.6%, markedly lower than 3.4% in September. In addition, the core PCE inflation (excluding food and energy prices), the gauge favored by the Fed when considering policy decisions, eased to 3.2% over the same period, the lowest since April 2021.

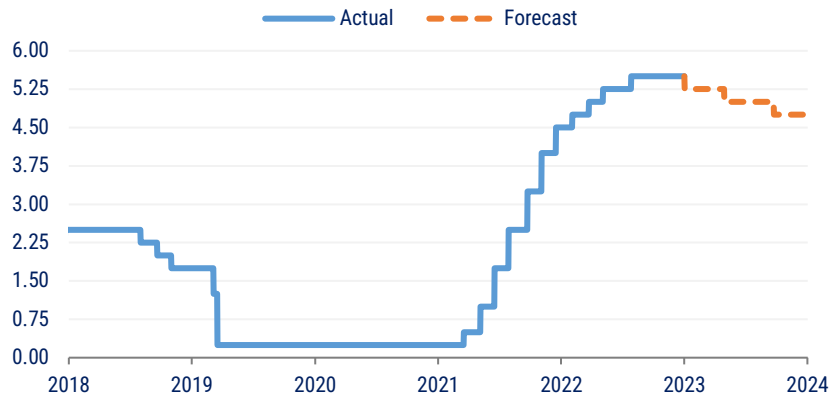
**Market expectations on the Fed's policy rate at the meeting on January 31st, 2024**



Source: CME FED watch tool

After the release of the Fed's December meeting minutes, futures traders overwhelmingly believed that the Fed would keep interest rates unchanged on the next meeting at the end of January. Although US inflation has cooled sharply since mid-2023, the minutes showed that interest rates will remain high for some time until inflation falls to the Fed's 2% target. In addition, US job growth and average hourly earnings in December were still higher than forecast.

### Fed policy rates and projection in 2024



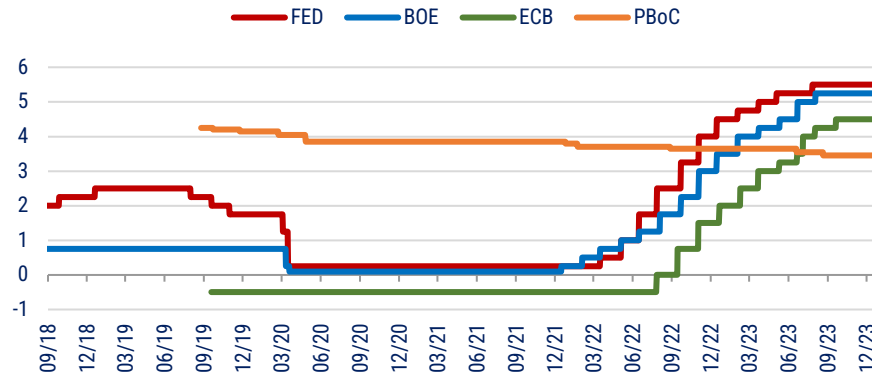
Source: The FED dot plot in December 2023

At the December FOMC meeting, the Fed held interest rates unchanged at 5.25 - 5.5% in line with market expectations and lowered the 2024 inflation forecast (measured by the core PCE index) to 2.4%. The dot plot chart shows that Fed officials expect there will be three 25 bps rate cuts in 2024 as inflation cools and GDP growth slows.

Contrary to the Fed, the European Central Bank (ECB) and Bank of England (BoE) appears more cautious and did not any clue at the last December meeting as to when they would start lowering rates. The ECB's President, Christine Lagarde, explained that inflation could come back, and price pressure remained high. She also said that inflation in Europe is mainly driven by wage growth which is currently still strong. However, the ECB may soon change its view as EU economy is much weaker than the US with the possibility of a recession in Q4 2023, and EU inflation has also decelerated significantly to only 2.9% in December, from 8.6 % at the start of 2023.

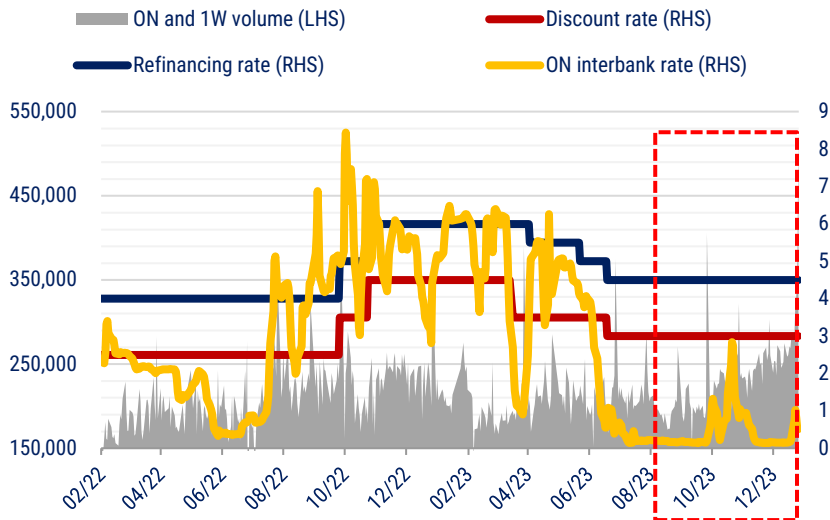
Regarding the BoE, the message in the December meeting was unchanged compared to November, emphasizing the importance of bringing inflation o the target level. BoE forecasts that it would take 2 years to complete this process. December inflation in the UK was 3.9%, relatively high compared to developed economies.

### Policy rates of some major central banks



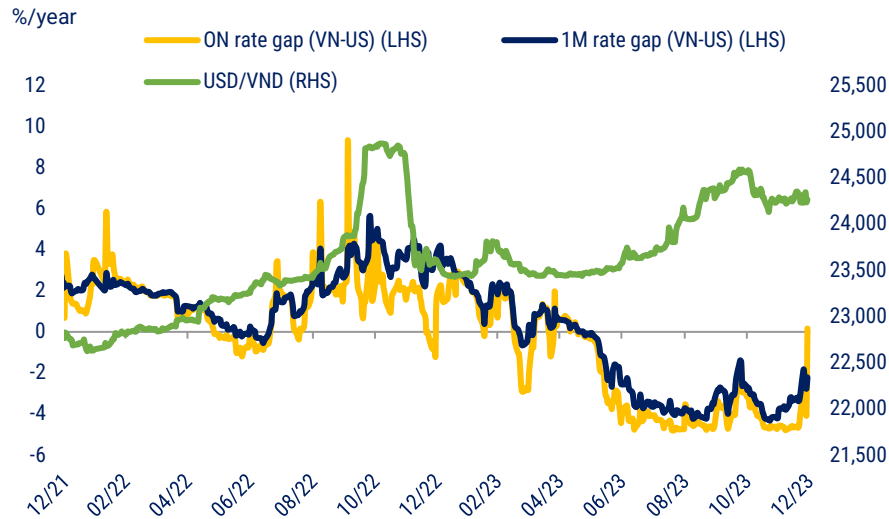
Sources: BOE, Fed St.Louis, ECB, CEIC

Market trading volume, Policy rate and Interbank rate



Source: SBV

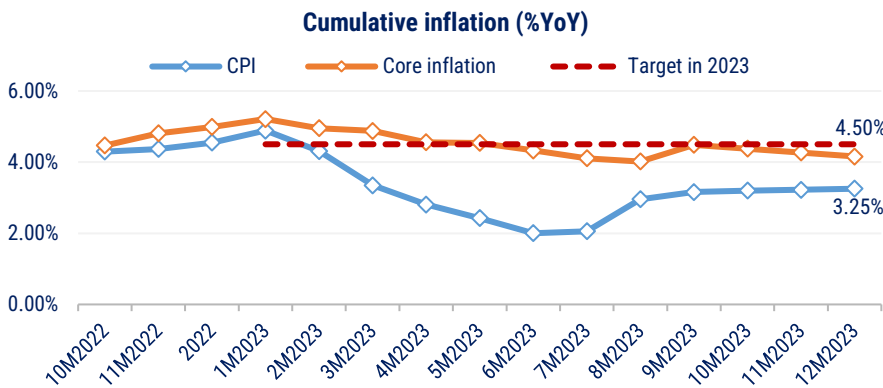
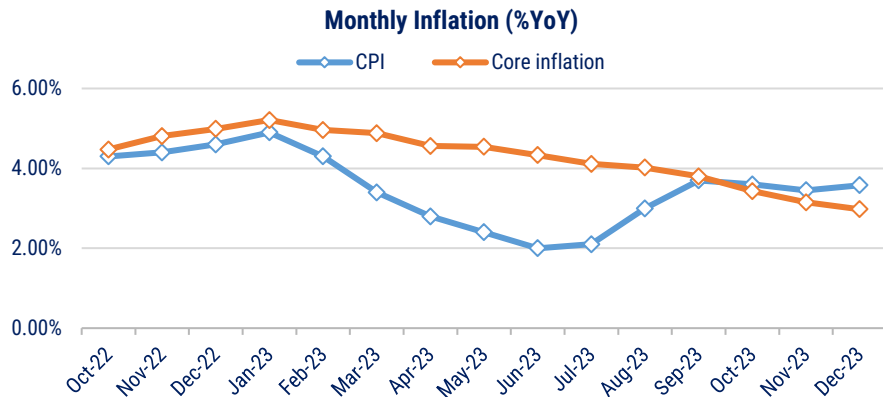
Interest rate gap and USD/VND



Source: VBMA, Refinitiv

In the 4th quarter, the State Bank of Vietnam (SBV) kept policy interest rates low to continue to support enterprises and people restore production and business, thus promoting economic growth.

Interbank rates climbed in early October, after the SBV started draining liquidity by issuing 28-day SBV-bills to regulate exchange rates and minimize speculation. The exchange rate became more stable in November when the USD fell sharply amid growing market bets about the Fed's rate-hike cycle coming to an end and possible rates cuts in 2024 in response to signs of cooling US inflation. Accordingly, the SBV stopped SBV-bill issuance from the beginning of November. System liquidity increased again when the previously issued batches of SBV-bills matured, leading to a sharp decrease in interbank interest rates, fluctuating around 0.2% since the second half of November. Interbank interest rates saw a significant growth in the last days of the year due to seasonal effects, but there was no liquidity shortage.



Source: GSO

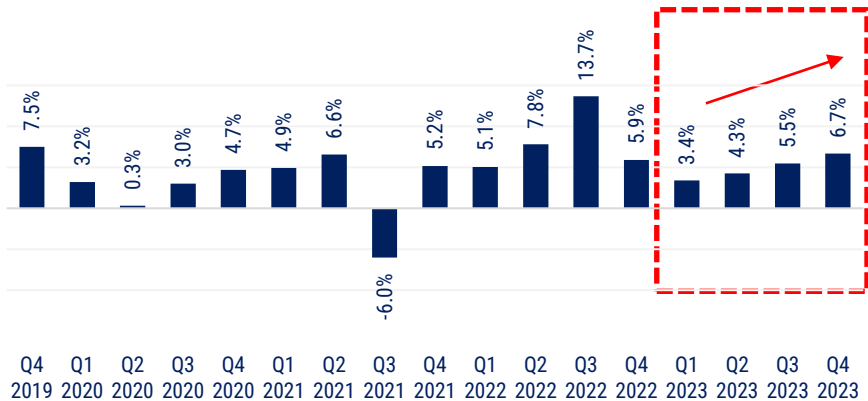
Inflation was controlled effectively in the 4<sup>th</sup> quarter, with an average increase of 3.54% over the same period. This increase mainly comes from education (+7.91%), housing and construction materials (+6.15%), and other goods & services (+6.01%).

The consumer price index (CPI) in 2023 increased by 3.25%, within the Government's target of 4.5% set at the beginning of the year. Inflation at the start of 2023 was relatively high, jumping to 4.89% in January but has decelerated for the rest of the year. The primary factor contributing to low inflation level was the decreased oil & gas prices, following the fall in world price due to low economic growth and concerns about supply surplus. Meanwhile, education; housing and construction materials; food and food stuff groups are the driving factors behind the increase in CPI.

Average CPI in 2024 is targeted to be controlled around 4-4.5%. Inflationary pressure next year is likely to increase as major central banks are expected to lower interest rates, which could push up international commodity prices. In addition, wages reform and increasing the minimum wage in some regions from July 2024, higher public investment disbursement, and increasing prices of health and education services will put upward pressure on inflation.



GDP growth rate

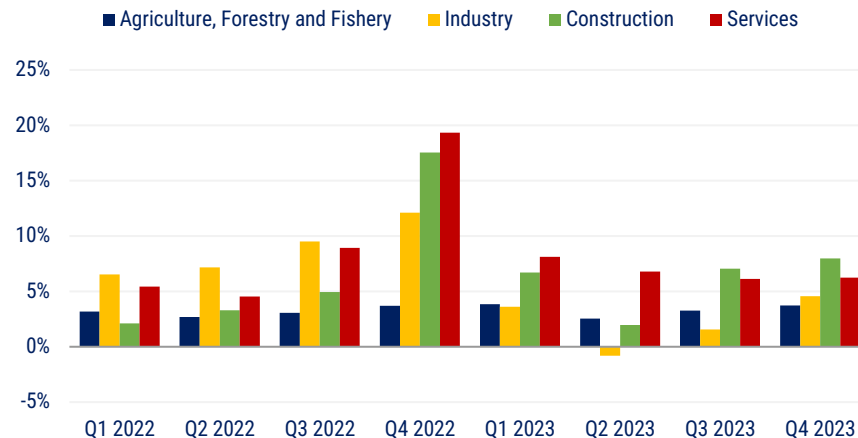


Source: GSO

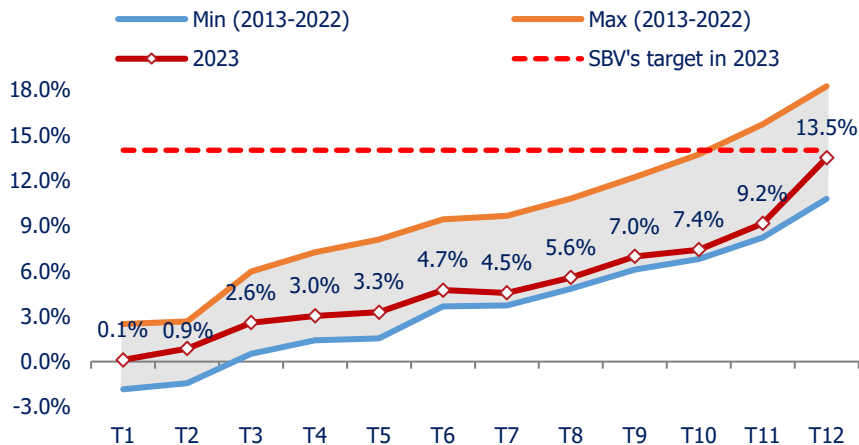
Vietnam's economy maintains its recovery momentum as Q4 GDP growth continues to improve compared to the previous quarters, reached about 6.7%. Specifically, the agriculture, forestry and fishery sector increased by 4.1%, contributing 7.5% to the increase in total added value of the entire economy; the industrial and construction sector grew by 7.4%, contributing 42.6%; and the service sector advanced by 7.3%, contributing 49.9%. GDP growth in 2023 is expected to reach 5.05%, lower than the Government's target of 6.5% amidst weak domestic and international demand. Major central banks around the world simultaneously raised policy rates sharply to curb inflation, decelerating the world economy, thus dampening consumer demand as well as the number of orders for manufacturing enterprises.

In 2024, although interest rates in developed economies were forecast to decrease, economic growth would likely still be muted, even lower than 2023 as economies start to "feel" the impact of high interest rates. For a relatively open economy like Vietnam, the decline in world demand will have a major impact on economic activities, import-export and the labor market. To achieve the 2024 GDP growth target of 6 - 6.5% set by the National Assembly, growth in export and disbursement of public investment capital will be the driving force behind the domestic economy.

GDP growth rate by sectors



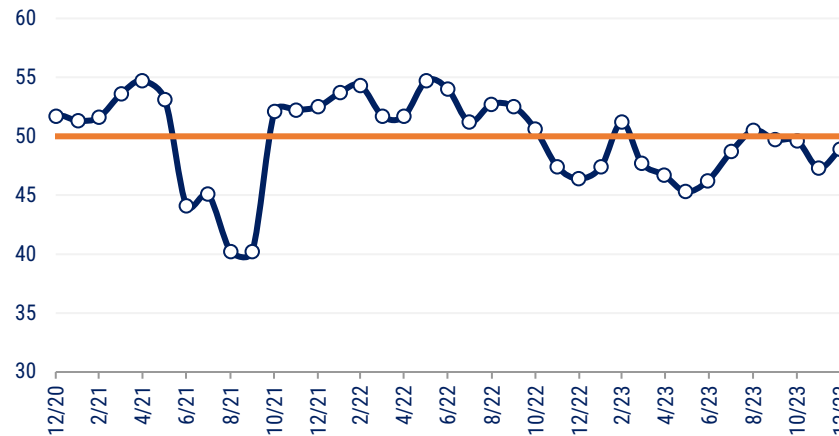
### Historical and 2023 credit growth (YTD)



Sources: SBV, VBMA

Credit growth in 2023 was about 13.5%, higher than 2022 and nearly reaching the SBV's target of 14-15%, according to the SBV at a press conference on January 3<sup>rd</sup>. The reading was impressive as credit growth in 10M2023 stood at only 7%. Lowering lending rates and simplifying loan procedures & documents have boosted credit growth sharply in the last 2 months of 2023. In addition, at the end of November, the SBV increased the credit limit for credit institutions (CIs), giving priority to institutions that direct credit to areas prioritized by the Government with low lending rates. Regarding the target for 2024, the SBV expects system-wide credit growth to reach 15%, sending the message that liquidity injection into the economy needs to be stronger.

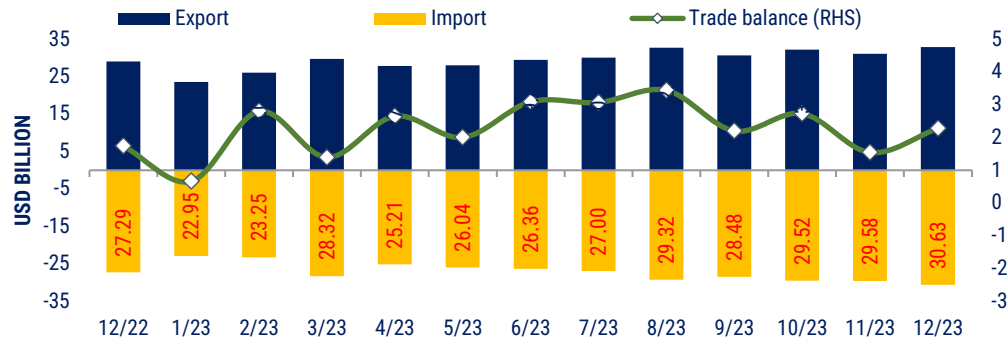
### Manufacturing PMI



Source: IHS Markit

Manufacturing PMI in December 2023 was in the contraction zone for the 4th consecutive month at 48.9 points. Weak demand continues to be the main factor causing a second consecutive monthly fall in new orders. PMI remains below the 50-point threshold for most of 2023, reflecting the difficult business environment in manufacturing sector as economic growth decelerated. The industrial production index in December increased by 5.8% over the same period last year and increased slightly by 0.1% over the previous month.

Monthly Vietnam trade balance

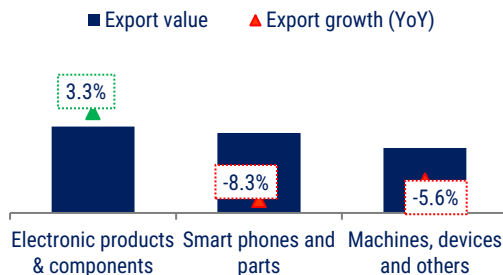


In the 4<sup>th</sup> quarter, Vietnam's import-export value improved thanks to increased consumer demand at the end of the year, along with a slow recovery in key export markets such as the US, China, etc. Specifically, exports was estimated to reach 96.5 billion USD (+8.8% YoY) while imports was estimated to reach 90.2 billion USD (+8% YoY).

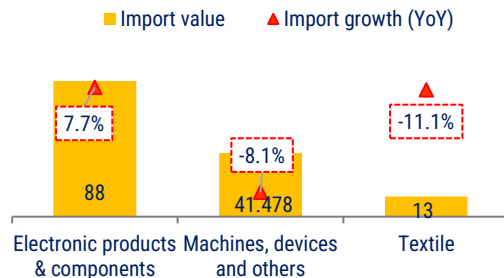
The trade balance of goods in 2023 was estimated to have a trade surplus of USD 28 billion due to import decreasing faster than export.

Regarding exports, goods with the highest growth in 2023 were (1) fruits and vegetables (+65.9% YoY) thanks to Vietnam having signed several export protocols, especially with China and (2) rice (+39.4%YoY) due to rice supply decrease from the world's leading rice exporting countries (India & Pakistan). Key export groups such as phones, machinery and equipment were still affected by the economic deterioration, except for the electronics & components group, up slightly by 3.3% YoY.

Top 3 export goods in 2023 by value



Top 3 import goods in 2023 by value



Accordingly, the import value of input materials for the electronics & components group increased correspondingly (+7.7%) to serve export orders. However, most of the remaining key product groups decreased by double digits, such as: textile (-11.1%); steel (-11.6%), and phones & components (-58.3%).

# 02

---

## GOVERNMENT BOND MARKET

In Q4/2023, the State Treasury called for 48 auction sessions of Government bond with the total offering value of VND 65,500 billion, the winning value was VND 48,595 billion, and the winning ratio was 74.19%.

The total auction winning value since in 2023 reached 97.86% of this year's adjusted plan (VND 305,000 billion) and the value since early October reached 37.38% of the 4<sup>th</sup> quarter's plan (VND 130,000 billion).

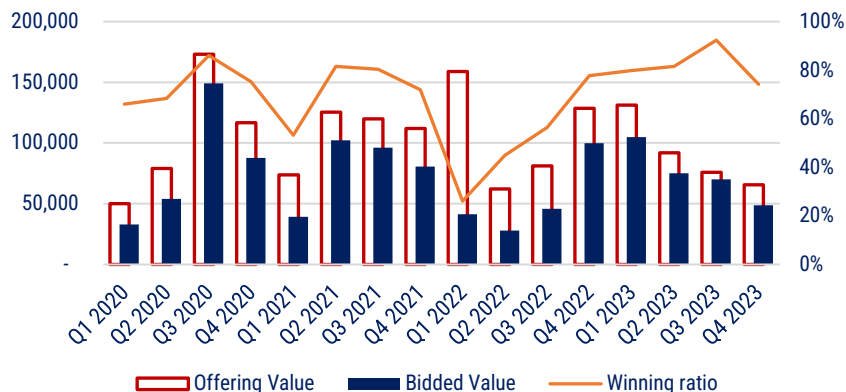
The Vietnam Bank for Social Policies called for 27 auctions of Government-guaranteed bonds in Q4/2023 with the total offering value of VND 29,422 billion, in which the winning value was VND 19,901 billion at 5-year, 10-year and 15-year tenors.

The People's Committee of Khanh Hoa province called for 2 auctions of municipal bonds at 10-year tenor but none had winning bid.

	Q4/2023	5Y	7Y	10Y	15Y	20Y	30Y	TOTAL
<b>Issued value of Q4</b>	4,950	-	20,490	18,350	-	4,805	48,595	
<b>Plan of Q4</b>	23,000	2,000	40,000	55,000	5,000	5,000	130,000	
<b>% Completion</b>	21.52%	0.00%	51.23%	33.36%	0.00%	96.10%	37.38%	

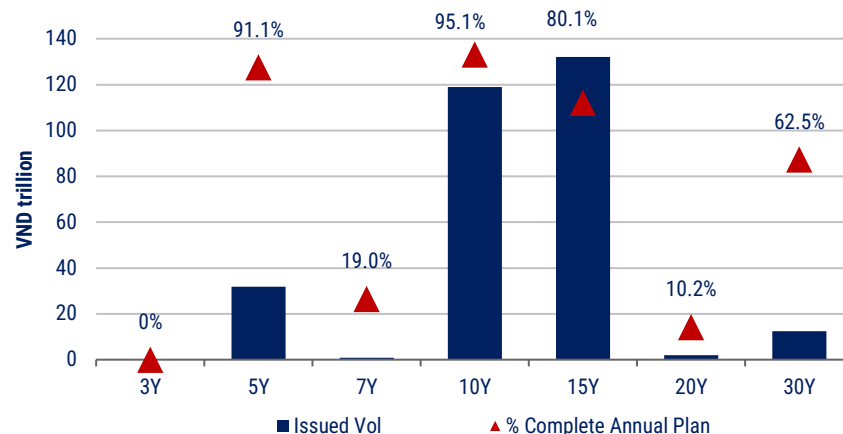
Unit: VND billion

**Government Bond winning rate (VND billion)**



Source: HNX

**Issuing value by tenor**



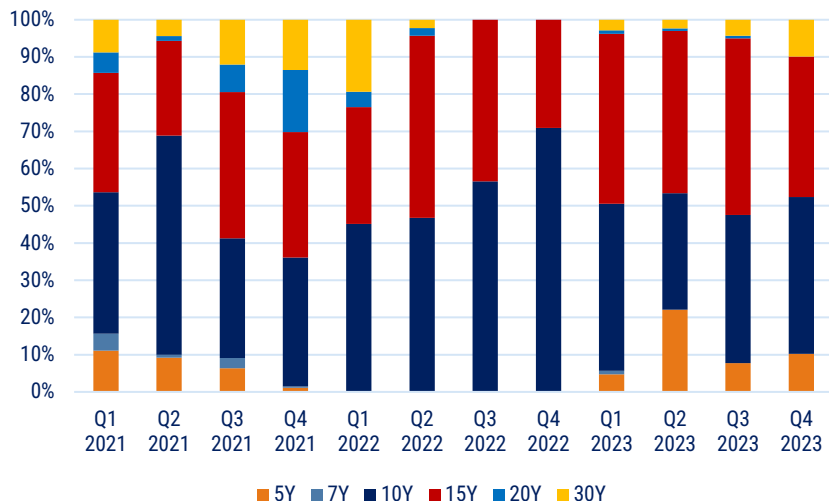
Source: HNX

In the last quarter of 2023, 10-year and 15-year bonds continue to account for most of winning values with VND 20,490 billion and VND 18,350 billion, respectively. The issuing value of 5-year and 30-year bonds was VND 4,950 billion, and VND 4,805 billion. Meanwhile, 20-year bonds auction were unsuccessful. The VST did not call for auction of 3-year and 7-year bonds.

The average issuing interest rate in Q4/2023 maintained the downward trend since the beginning of the year across all tenors, down by 17 bps to 1.62% at tenor 5-year and slightly dropped by about 5bps to 2.35%, 2.58% and 3.03% at tenor 10-year, 15-year and 30-year.

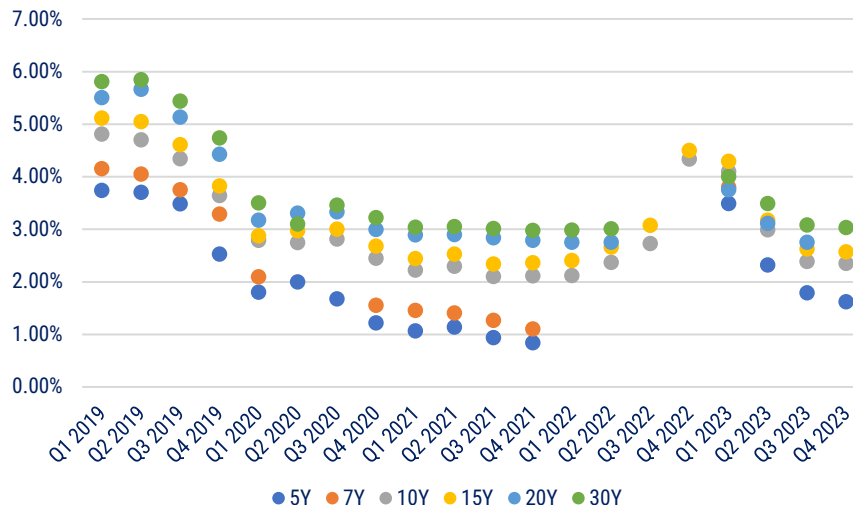
During this quarter, the SBV kept policy interest rates low to support economic growth. Moreover, the SBV stopped issuing SBV-bills and started to buy valuable papers with 7-day term, pumping back to the system VND 4,551 billion.

**Proportion of winning value by tenors**



Source: HNX, VBMA

**Average issuing rate by tenors**

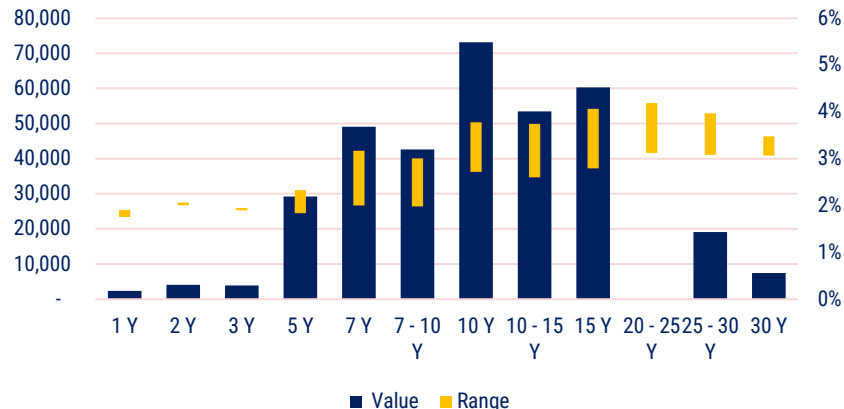


Source: HNX, VBMA

Total trading volume of Government and Government-guaranteed bond Q4/2023: **VND 527,050 billion**  
 In which, Outright trading volume: **VND 427,501 billion**  
 Repo trading volume: **VND 99,549 billion**

Total Outright transaction value in Q4/2023 rose by 42.9% and Repo transaction value also increased by 15.7% compared to the previous quarter. The average daily transaction value of Outright and Repo transactions reached VND 6,477 billion/day (up 36.48% QoQ) and VND 1,508 billion/day (up 10.47% QoQ). Repo market's activities improved at the end of the 4<sup>th</sup> quarter amid rising demand for short-term loans in the last days of the year. However, Repo transaction value had not yet escaped the bottom zone of Q4/2022 because since the beginning of November 2023, the State Bank of Vietnam has ceased issuing bills, causing an excess of liquidity in the system while banks had other channels to raise capitals. Outright transactions' value experienced a sharp increase in the 4<sup>th</sup> quarter, growing about 43% compared to Q3/2023, to VND 427,501 billion. Tenors from 10 years to 15 years continued to account for the majority of Outright transactions' value, with the average transaction interest rate ranging from 2.72% - 4.1%. Repo transactions were mainly conducted at 14-day term, with trading interest rates ranging from 0.48% - 1.7%.

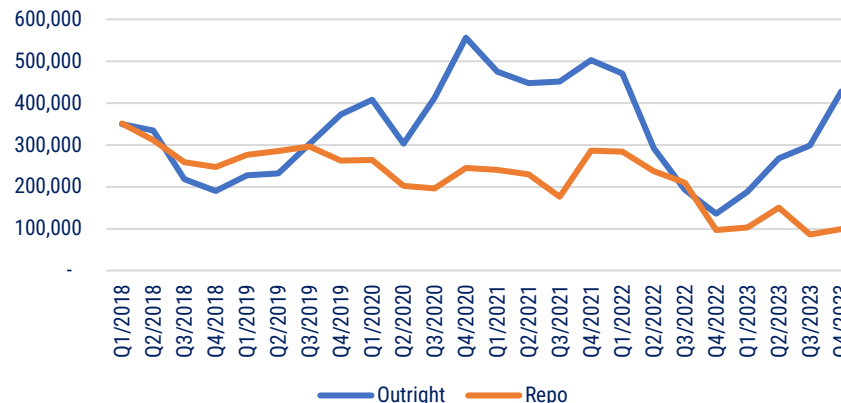
**Trading value and yield range by remaining tenor**



Unit: VND billion

Source: HNX, VBMA

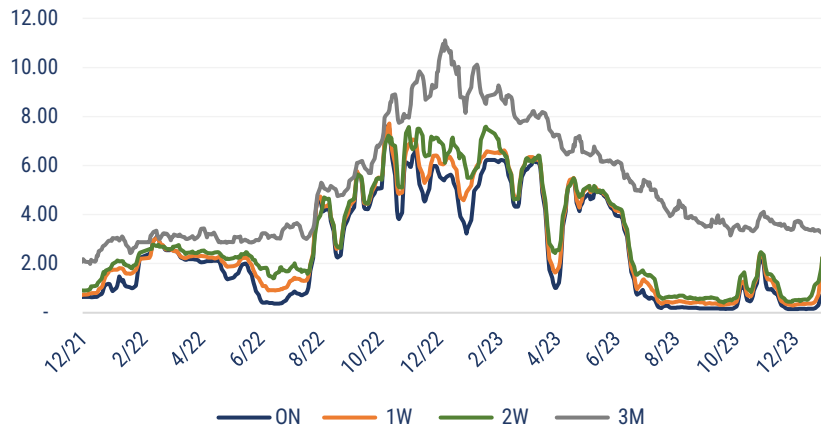
**Trading value of outright and repo**



Unit: VND billion

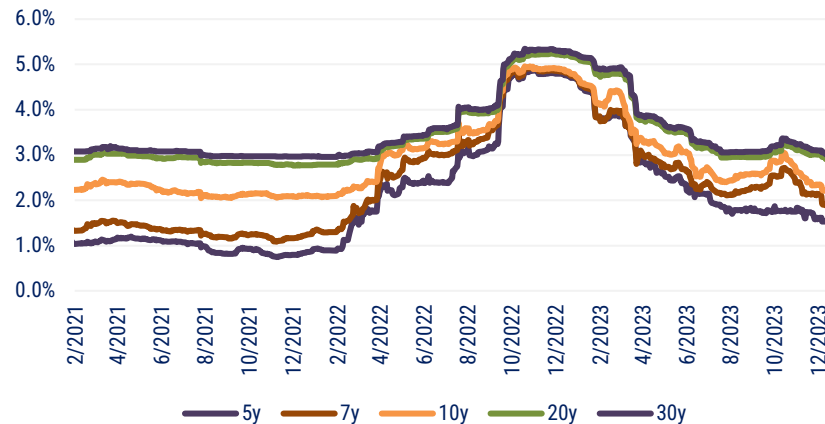
Source: HNX, VBMA

**Average Interbank Interest Rate**



Source: SBV, VBMA

**G-bond yield – Secondary Market**



Source: VBMA

According to the VBMA Outright trading room, Government bond yields at the end of Q4/2023 declined across all tenors compared to Q3/2023. Specifically, yields for tenors under 5 years decreased by 13-25 bps, 7-year to 15-year tenors dropped sharply by 40-44 bps, the others slightly declined by 8-9 bps. The State Bank of Vietnam maintained low policy rates, which contributed to the downturn of government bond yields.

Seasonal factors caused the interbank interest rate market to increase sharply in the last days of the year. In that context, the SBV resumed purchasing valuable papers with 7-day term on the open market after a 7-month pause. In addition, the SBV stopped issuing T-bills in November while all older batches of SBV-bills had matured by December 7, partially improving liquidity at this time.

The US-Vietnam yield gap continued to narrow as the Fed kept interest rates unchanged for the third consecutive meeting and projected to lower interest rates by 75 bps by the end of 2024. At the same time, the USD continuously declined in value, alleviate pressure on the USD/VND exchange rate. Thus, the SBV will have more room to loosen monetary policy and promote economic development in the near future.

In the Repo market, Q4 trading rates (according to VBMA Repo trading room) sharply increased by 85-108 bps at tenors 1-month and shorter, while slightly dropped by from 10-20 bps at tenors above 6 months and went sideways at the others.

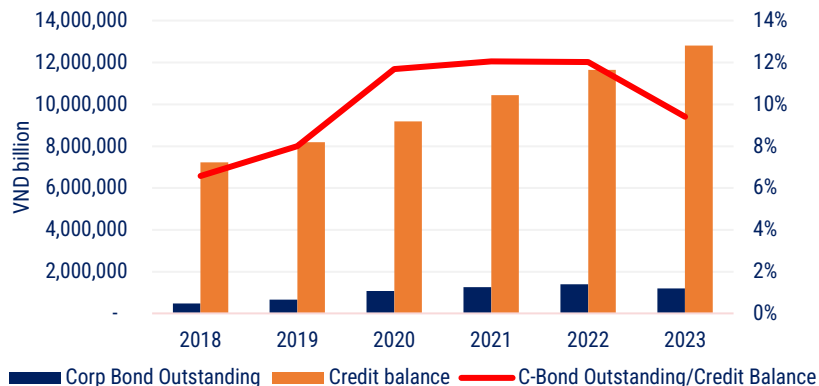


# 03

---

## **CORPORATE BOND MARKET**

### Outstanding corporate bond and credit balance



(\*)The figure of credit balance was published as of July 2023 Sources: HNX, SBV, VBMA

Vietnam Corporate Bond market size: ~11.8% of GDP

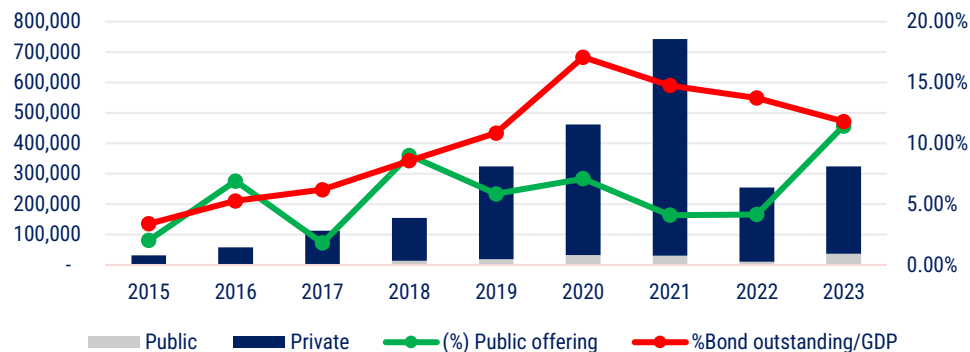
The outstanding value of corporate bond accounted for about 9.4% of the total Vietnam economy's credit balance, declined by 2.6% compared to the end of 2022. Corporate bond issuance improved sharply in the second half of the year, contributing to over 2/3 of the whole year's issuance value. Investor confidence has gradually returned since Decree 08/2023 was issued, allowing businesses to postpone bond payment and bonds can be converted to other assets.

Total domestic issuance :



In the 4<sup>th</sup> quarter of 2023, there were 3 bond issuances through public offering worth VND 13,092 billion, accounting for 9.69% of the total issuance value; and 149 issuances under private placement worth VND 121,987 billion, accounting for 90.31%. For the whole year 2023, the value of private bond issuance was 287,164 billion VND, the value of publicly issuance was 37,070 billion VND. The proportion of bond issuance to the public in 2023 soared to 11.43%, 7.3 percentage points higher than 2022, this was also the highest level since 2015.

### Public offering and private placement



(\*\*) According to data published by HNX and SSC as of 30<sup>th</sup> September 2023

Sources: HNX, GSO, VBMA

Sector	Q4/2023	Q4/2022	%YoY
Real estate	12,352	850	1,353.2%
Securities	406	345	17.8%
Manufacturing	9,580	-	-
Energy	2,230	500	346%
Banking	99,848	14,392	593.8%
Finance	3,000	-	-
Construction	1,495	95	1,480.3%
Others	6,170	2,568	140.3%
<b>Total</b>	<b>135,081</b>	<b>18,292</b>	<b>638.5%</b>

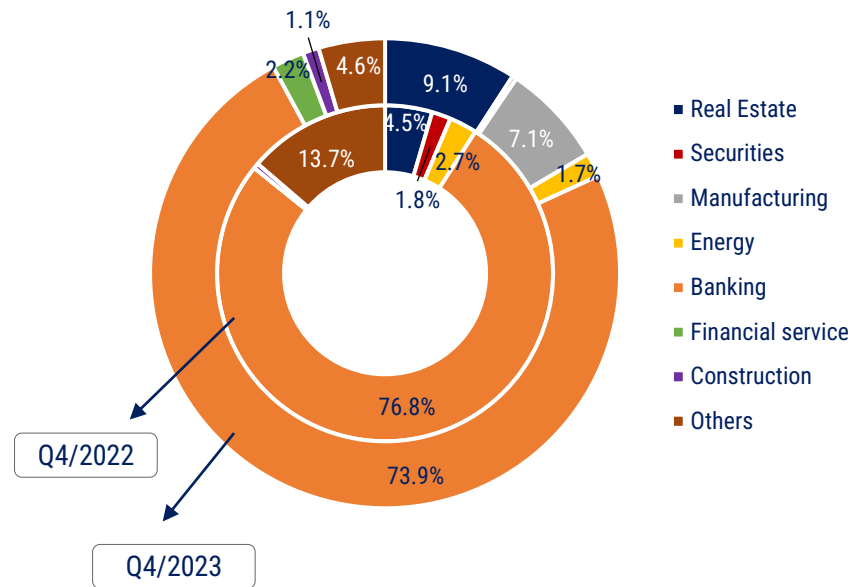
**Unit: VND billion**

Compared to the same period last year, the value of corporate bonds issued in Q4/2023 increased more than sevenfold to VND 135,081 billion. Banking accounted for the majority of issuance value in the quarter with VND 99,848 billion, equivalent to 74%. Followed by the Real Estate group, issuing VND 12,352 billion, accounting for 9%. For the whole year 2023, Banking group issued VND 188,163 billion (accounting for 58%) and Real estate issued VND 73,702 billion (accounting for 23%).

Banking was still the dominant group in terms of issuance value; however, the main buyers of these bonds were also commercial banks. According to the 3<sup>rd</sup> quarter 2023 financial reports, FI bonds holding of the 15 biggest banks reached over VND 460 trillion, nearly equivalent to the current outstanding value of banking bonds.

The improvement in issuance value was partly supported by the launch of the privately-issued corporate bond trading system, helping to increase liquidity and information transparency of the corporate bond market.

Proportion of issuing value by sectors



Source: HNX, VBMA

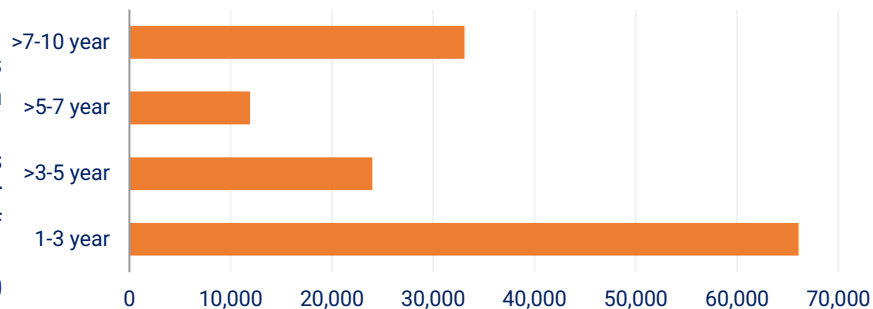
**67% of corporate issued in Q4 had original tenors of 5 years or less**

Average issuing coupon rate in Q4/2023: **7.65%/year**

Average issuing tenor in Q4/2023: **5.56 year**

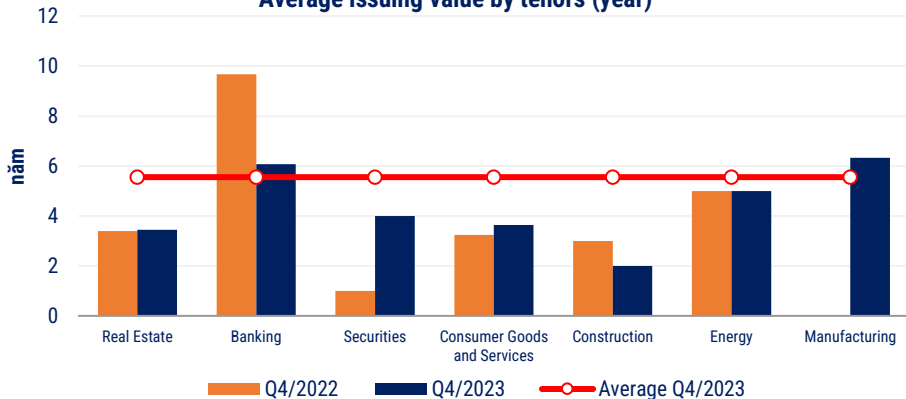
Issuing coupon rates remained in the downtrend in Q4, averaging at 7.65%/year, this was the fourth consecutive quarter of decline in 2023. Most banks' issuing coupon rates range from 5 to 7%/year, with only a few banks having coupon rates around 8%. The Real Estate group has common coupon rates from 9.7% to 12.5%/year. As corporate bond market activities warming up thanks to the recovery in investor confidence, coupon rates have tended to decrease in all groups since the beginning of the year until now. The low overall rates also helped pull down coupon rates. According to the SBV, interest rates had dropped to the lowest level in the past 20 years.

**Issuing value by tenors (VND billion)**



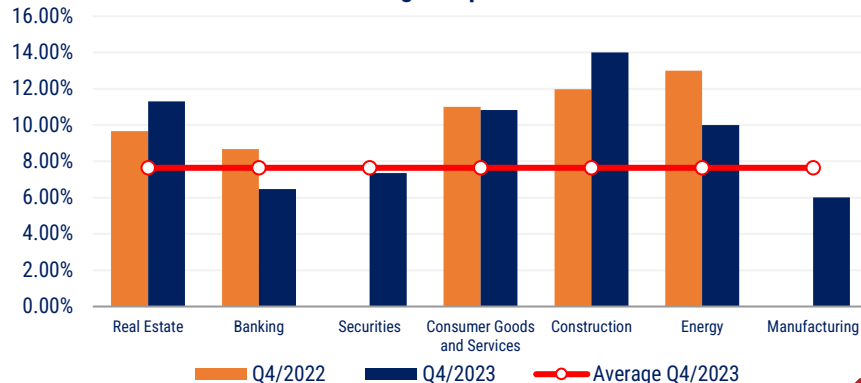
Sources: HNX, VBMA

**Average issuing value by tenors (year)**



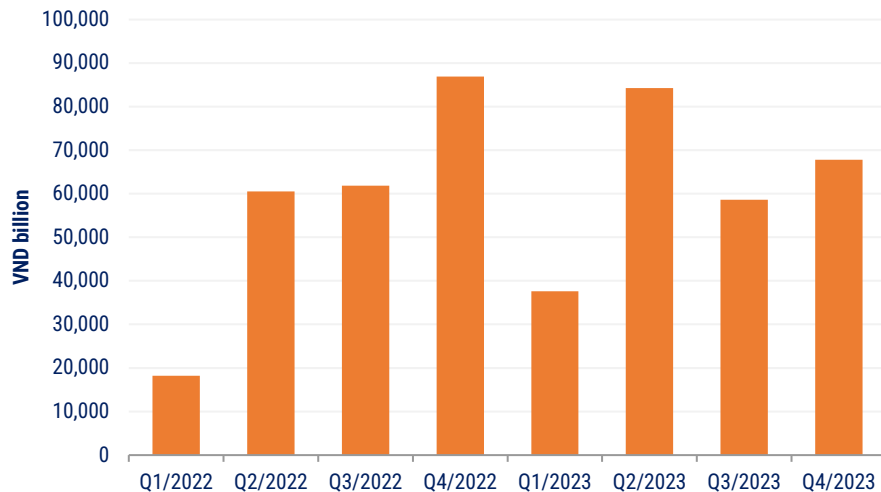
Source: HNX, VBMA

**Average coupon rate**



Source: HNX, VBMA

**Total value of bonds redeemed before maturity 2022-2023**

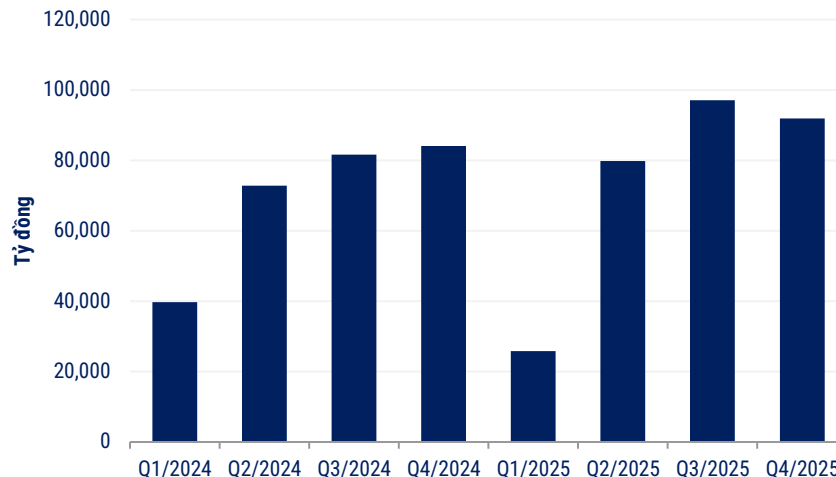


Source: HNX, VBMA

In Q4-2023, the value of bonds early redemption was VND 67,778 billion, down 22% compared to the same period in 2022. Of these, more than 85% were banking bonds with the total value of VND 57,939 billion, equivalent to 14.1% of the outstanding value of this group. The majority of bonds redemption belonged to banking group because 1) banks had ample finances, while non-banking businesses still faced cash flow challenges; 2) efforts to reach agreements between issuers and investors limited mandatory bonds redeeming, instead, issuers resorted to extending bond's tenor or converting bonds into other assets.

The maturity pressure in 2024-2025 is relatively high as a lot of bonds due in 2023 have been extended for another 1-2 years. Since the beginning of 2023, VND 36,915 billion of bonds were extended to 2024 - 2025. The total value of bonds mature in 2024 and 2025 are VND 278,210 billion and VND 294,436 billion, respectively, of which about 40% are real estate bonds. 2024 is also the year some articles of Decree 08 expires, and Decree 65 is reapplied, issuing new bonds to refinance debt may face difficulties as regulations on issuance become more stringent.

**Corporate bond maturing value 2023-2024**



Source: HNX, VBMA



Thank you for reading VBMA's Quarterly Bond Market Report. For more information, please contact:

**VIETNAM BOND MARKET ASSOCIATION**

17th floor, Gelex Tower, 52 Le Dai Hanh Str., Hai Ba Trung Distr., Hanoi

**Tel:** (84) 24 3974 8781

**Fax:** (84) 4 3974 8782

**Website:** <http://www.vbma.org.vn/>

---

**DISCLAIMERS:**

The information and opinions in this report are those of Vietnam Bond Market Association (VBMA) research activity. VBMA does not make any representation or warranty, express or implied, as to the fairness, accuracy, or completeness. VBMA accepts no liability whatsoever for any loss arising from use of this report or its contents. This report is being supplied solely for informational purposes and may not be reproduced, distributed or published by recipient for any purpose.