

# VBMA Bond market report

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Q2- 2022

## MACROECONOMIC OVERVIEW

- GDP in the second quarter grew 7.72%, the highest reading since 2011. Average CPI inflation in the first 6 months was 2.44%, well below the 4% ceiling target.
- A strong USD is exerting inflation pressure on the world and is an external source of risk for highly leveraged developing countries.
- According to the oil price scenario of S&L Global, the contribution of oil price to inflation in Vietnam may be alleviated thanks to the high base effect of the 2<sup>nd</sup> half of 2021. The postponement of raising the national tuition fee is also a positive signal to control inflation.
- Hog price in China may have entered a new bull cycle and might be the driver for Vietnam hog price. This is the must-watch factor of inflation in the second half of 2022

### PRIMARY MARKET

GOVERNMENT BOND	Q2/2022	Q1/2022	Q2/2021	%Q/Q	%Y/Y	% quarterly plan	% annual plan (YTD)
5-year tenor	0	0	9,419	-	-	0%	0%
7-year tenor	0	0	750	-	-	0%	0%
10-year tenor	13,000	18,642	57,386	-30%	-77%	29%	23%
15-year tenor	13,605	12,950	25,960	5%	-48%	39%	18%
20-year tenor	580	1,685	1,300	-66%	-55%	6%	8%
30-year tenor	620	8,005	4,505	-92%	-86%	4%	25%
<b>Total</b>	<b>27,805</b>	<b>41,282</b>	<b>99,320</b>	<b>-33%</b>	<b>-72%</b>	<b>23%</b>	<b>17%</b>

### CORPORATE BOND

	Q2/2022	Q1/2022	Q2/2021	%Q/Q	%Y/Y
Public offering	300	8,696	2,000	-97%	-85%
Private placement	106,435	61,284	191,063	-	-
<b>Total</b>	<b>106,735</b>	<b>69,980</b>	<b>193,063</b>	<b>53%</b>	<b>-45%</b>

### SECONDARY MARKET

GOVERNMENT BOND	Q2/2022	Q1/2022	Q2/2021	%Q/Q	%Y/Y	Q2/2022
Outright transaction value	292,785	470,562	447,550	-37.78%	-34.58%	292,785
Repo transaction value	237,410	284,434	230,340	-16.53%	3.07%	237,410
<b>Total</b>	<b>530,195</b>	<b>754,996</b>	<b>677,890</b>	<b>-29.78%</b>	<b>-21.79%</b>	<b>530,195</b>



01

**MACROECONOMIC  
OVERVIEW**

02

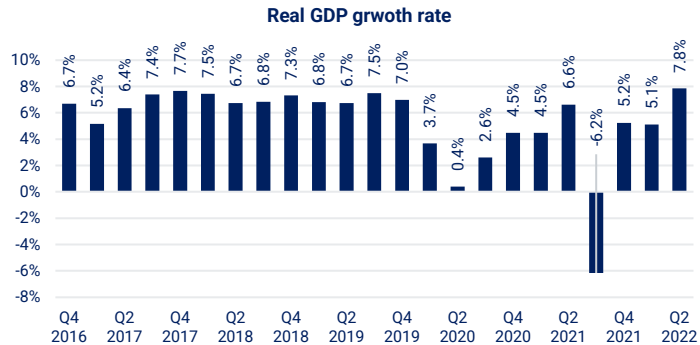
**GOVERNMENT BOND  
MARKET**

03

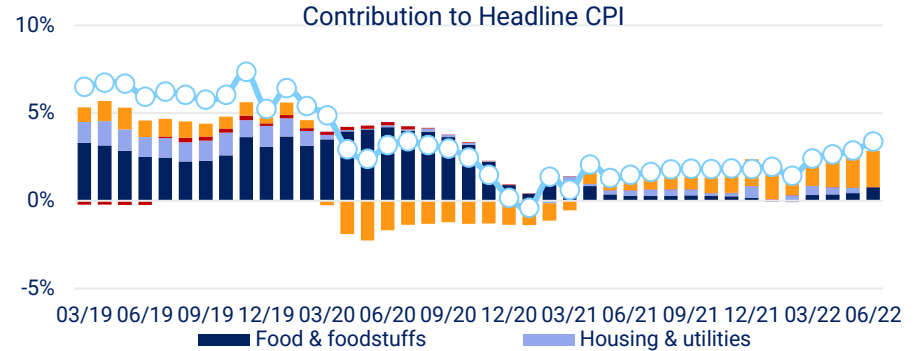
**CORPORATE BOND  
MARKET**

1.

# MACROECONOMIC OVERVIEW



In the second quarter of 2022, Vietnam's real GDP grew by 7.72%, the highest since 2011. The industrial contributed the most with an increase of 9.8% compared to the same period last year, followed by service sectors with the growth of 8.5%. The agriculture, forestry and fisheries sector increased by 3%. GDP growth rate in the second half of 2022 may be positive thanks to the low base growth rate in Q3 and Q4 2021.

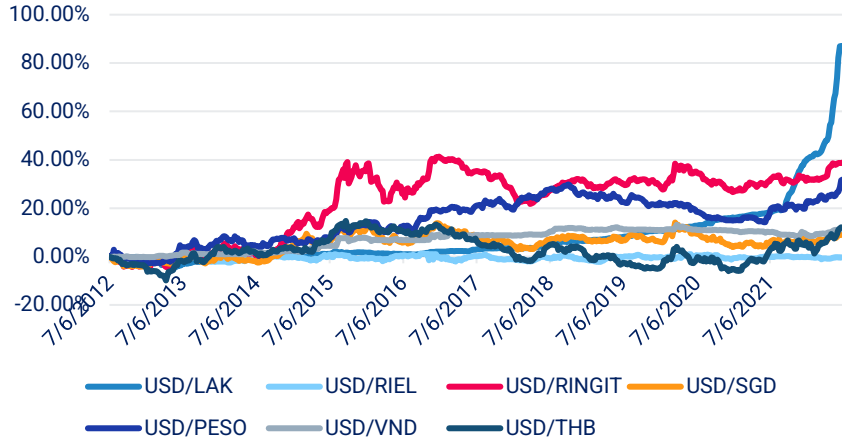


CPI and core CPI in June 2022 were up by 3.37% and 1.98% YoY. Transportation group were the biggest contributor to inflation rate, increased by 21% compared to last year. Food and foodstuffs were showing signs of price increase, boosted CPI up by 0.8%.

In June, the average monthly oil price in the global market decreased by about 7% compared to May, down to 105.76 USD/barrel, however, it was possible that domestic demand in the tourist season pushed the the price of transportation higher compared to May. In the last weeks of June, the price of pork also tended to increase slightly in the north when the import from China was affected by the lockdown. According to Bloomberg, China was very likely about to enter a new bull price cycle for pork price which could last 3 to 4 years. Historically, Vietnam's pork price had a relatively high correlation with the market the Chinese's pork market, therefore, this is likely to put more pressure on CPI in the second half of the year.

## Strong USD exerting pressure on developing countries

Movement of currencies in ASEAN

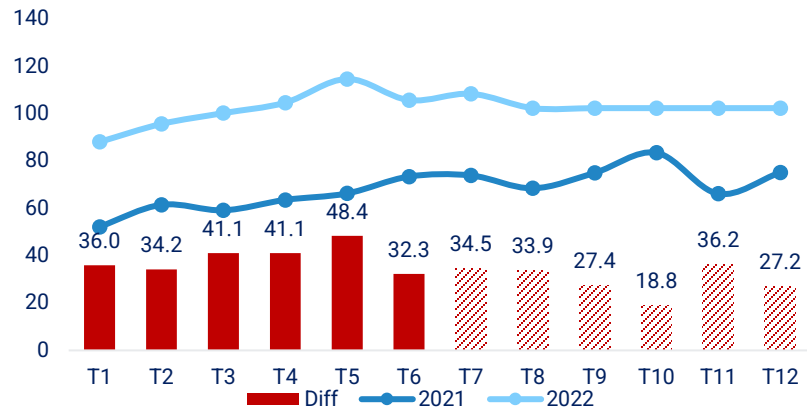


Besides the bull market of commodities, a strong green back is exerting inflation pressure on ASEAN countries. Except for the Riel, which is the currency of Cambodia – a country that has accepted the dollarization, other currencies were all depreciated against the USD.

Pair	Country	YTD	1Y	3Y	5Y
USD/LAK	Laos	-33.4%	-58.3%	-73.2%	-81.9%
USD/RIEL	Cambodia	0.2%	0.2%	0.1%	0.5%
USD/RINGIT	Malaysia	-4.7%	-5.9%	-6.6%	-2.5%
USD/SGD	Singapore	-3.0%	-3.7%	-2.7%	-1.0%
USD/PESO	Philippines	-7.3%	-12.0%	-7.6%	-8.9%
USD/VND	Vietnam	-2.5%	-1.2%	-0.2%	-2.3%

Of which, Laos is experiencing an exchange rate and debt crisis. Lao's official currency has lost 33% of its value YTD compared to the USD and about 58% compared to last year.

## Inflation pressure in the second half of 2022



Thanks to the high base in the end of 2021, the difference between the scenario in the second half of 2022 will be narrowed; therefore, the contribution to the oil price could be mitigated. According to S&P Global, average WTI price will be at 102.47 USD/BBL.

XÃ HỘI > GIÁO DỤC

### Kiến nghị miễn học phí bậc THCS, lùi lộ trình tăng học phí các cấp



HTV - Thời sự Hà Nội

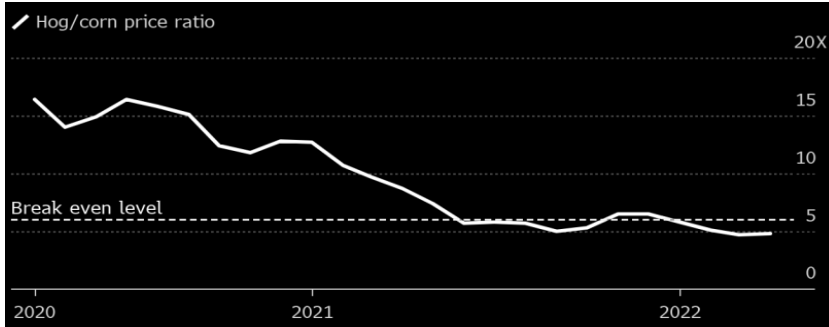
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**Chưa xem xét tăng học phí tại kỳ họp thứ 7, HĐND TP Hà Nội...**

At the regular Government meeting in June 2022, the Ministry of Education and Training also proposed (1) exempting lower secondary school fees from 2022 - 2023 instead of waiting until 2025 - 2026 as scheduled in the draft and (2) delaying the increase of tuition fees for preschool and high school of the public sector. The Hanoi People's Council has also signaled that it will consider the Resolution on tuition fees to support the impact of the COVID-19 epidemic, specifically, this matter will be discussed in September, before the new school year.

## Inflation pressure in the second half of 2022



### Hog price in China is quite low relative to breeding cost

Hog/corn ratio has been in the downtrend since 2020 as feedstock (corn, soybean, wheat) has increased about 57% while hog price continue to decrease. However, according to ICBC, historically, this ratio could remain at this low-level as long as 2.5 years.



### Breeding sow signal the decline in supply in the next 1-year horizon

The farming cycle of the hog is about 8 to 10 months; therefore, the breeding sow is usually the leading indicator of the supply of pork in 1 year. However, this number posted the third consecutive quarter in decline as the hog price has remain low in a long time and farmer tend to slaughter the breeding sow to avoid the cost.

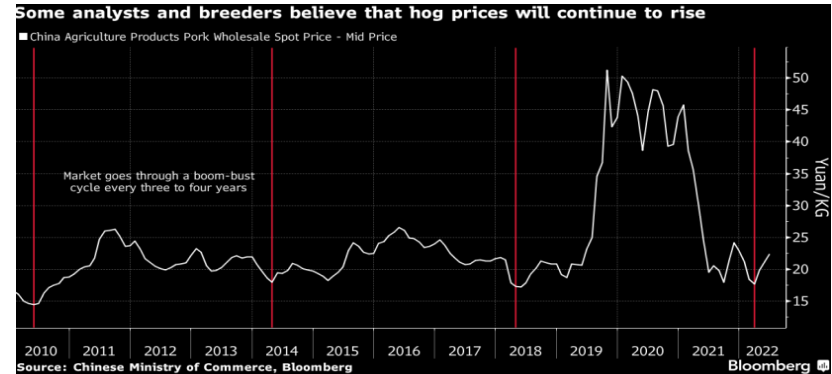


## Inflation pressure in the second half of 2022



### Traders in China is also waiting for the market signal

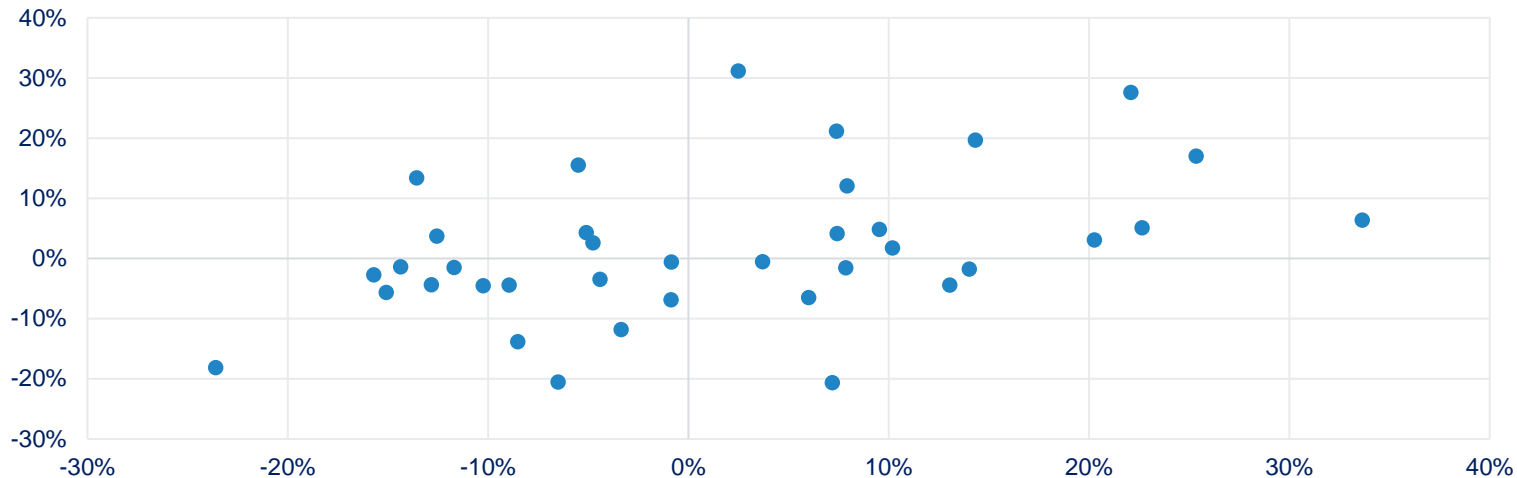
Since pork is an important commodity affecting China's CPI, the Government of this country often intervenes in the market by offering to buy pork for frozen storage when prices fall too deeply and opening sales to increase supply when market when prices are too high. However, in recent auctions, the amount of meat purchased on the market was relatively small as the traders keep inventories to wait for the market price to increase.



### A new cycle could be on the way

Pork prices in China are showing signs of increasing again every three to four years. Many indicators in China are confirming this trend. Compared to the bottom at the end of March 2022, pork prices in China have increased by 28%. Facing that situation, China's economic planning agency has convened a meeting with large production and distribution enterprises in China to request control of pork prices in an attempt to avoid the impact on inflation.

## Change in hog price of Vietnam and China from 2019 - 2022



According to VBMA's calculation, hog price in China and Vietnam has a correlation of about 0.42 with a 1-month lag time. The hog price in China tend to be the driver of hog price in Vietnam, especially in the North, via the un-official or smuggle of pork.

2.

# GOVERNMENT BOND MARKET

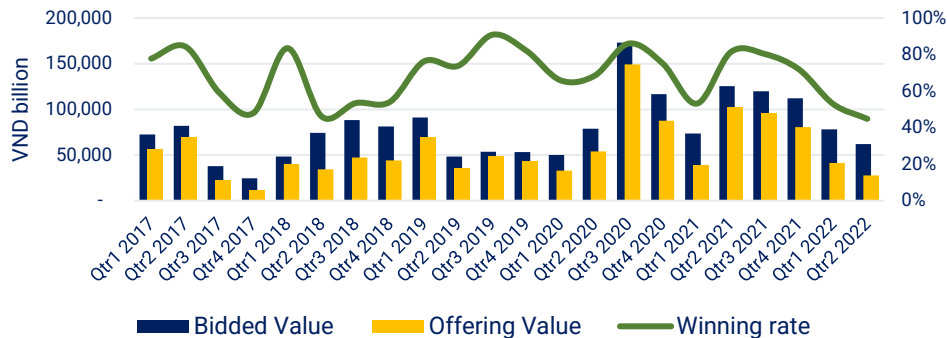
# 1. PRIMARY MARKET

## Auction Result

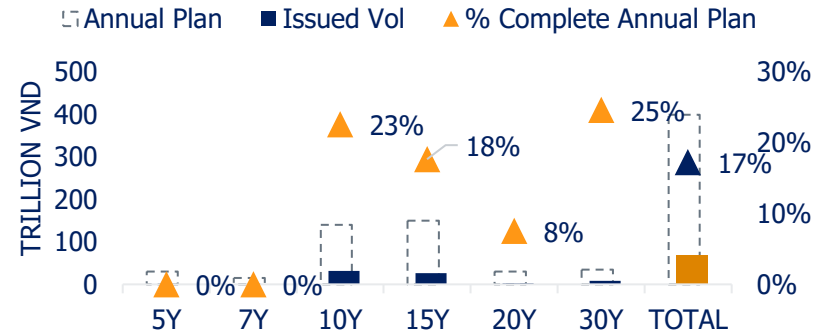
In QII/2022, the State Treasury (VST) called for auction a total of VND 62,000 billion of Government Bond at tenors of 5 years (VND 1,500 billion), 7 years (VND 1,000 billion), 10 years (VND 26,500 billion), 15 years (VND 26,500 billion), 20 years (VND 3,500 billion) and 30 years (VND 3,000 billion), in which the winning value was VND 27,805 billion, the winning rate was 44.8%, the bidding rate was 152.5%. The total value of G-Bond issued in QII/2022 reached 23% of the quarterly plan. Accumulated the 2 quarters of 2022, G-Bond's issuing value has reached 17% of 2022 plan.

	QII/2022	5N	7N	10N	15N	20N	30N	TOTAL
<b>QII plan</b>		10000	5000	45,000	35,000	10,000	15,000	<b>120,000</b>
<b>Issued value in QII</b>		0	0	13,000	13,605	580	620	<b>27,805</b>
<b>% completion</b>		0%	0%	29%	39%	6%	25%	<b>23%</b>

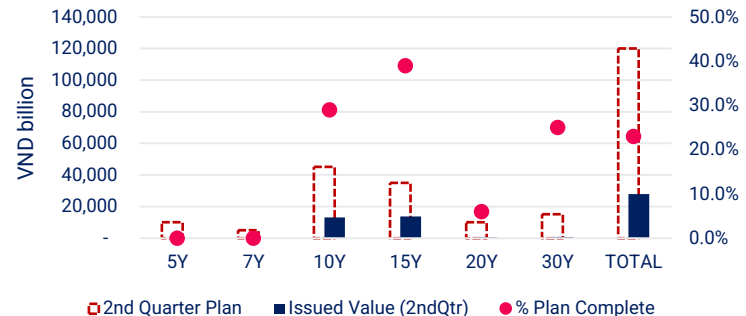
## GOVERNMENT BOND WINNING RATE



## ISSUED VALUE BY TENORS



## Auction results in QII/2022

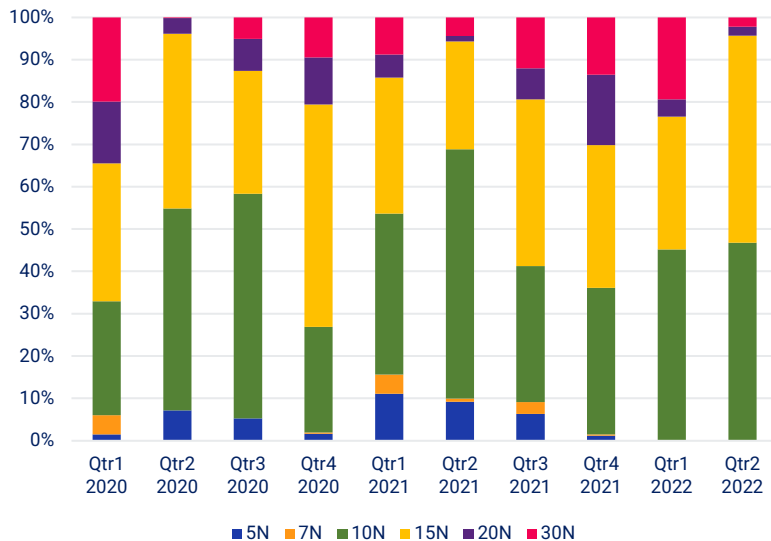


## Tenors and issuing yields

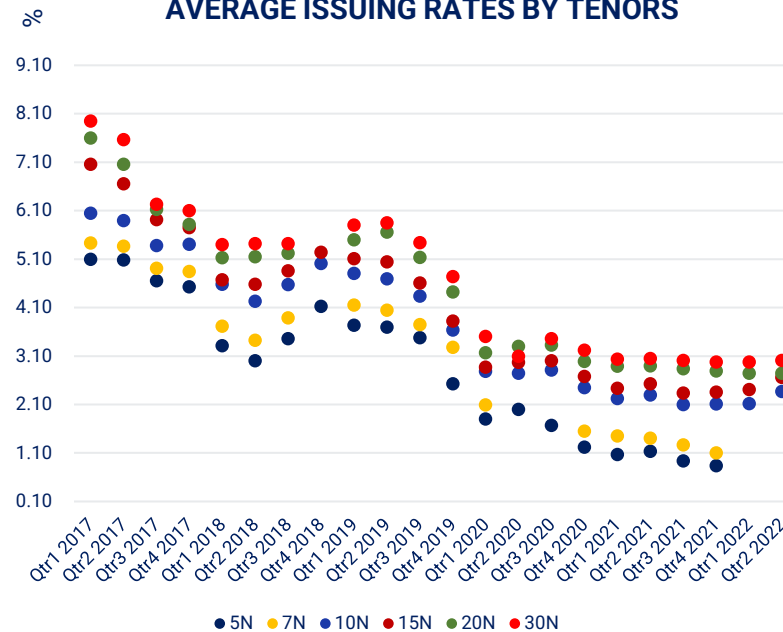
In the second quarter of 2022, 10-year and 15-year tenor bonds were issued the most, accounting for 49% and 51% of the total issuing volume. The 5-year and 7-year tenor bonds failed to call for bids.

Compared to Q1/2022, the issuing rates increased at tenors of 10 years (+26 points), 15 years (+25 points), 30 years (+3 points) and remained unchanged at 20-year tenor.

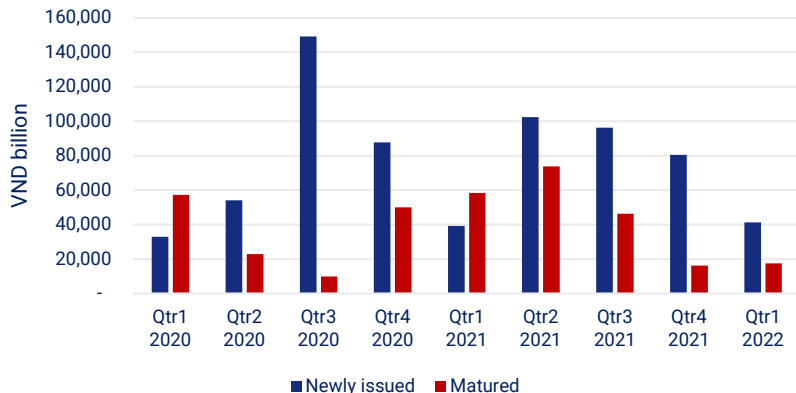
### PROPORTION OF WINNING VALUE BY TENORS



### AVERAGE ISSUING RATES BY TENORS



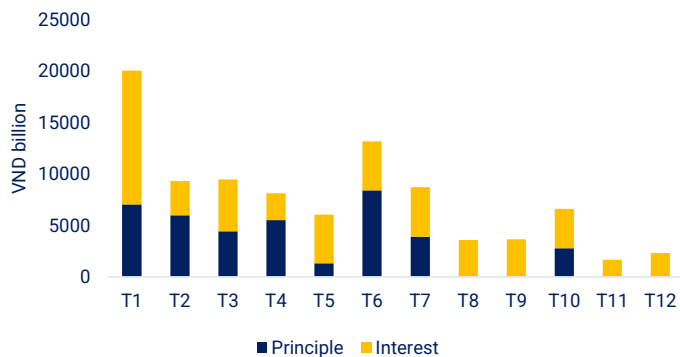
## ISSUING VALUE COMPARED TO MATURED VALUE



The volume of G-bonds matured in 2022 is about 40 trillion VND, mainly in the first 6 months of the year, in which there was about VND 17,556 billion in the first quarter and VND 15,343 billion in the second quarter. In QIII/2022, there is only 3,936 billion of G-bond matured in July.

The issuance plan in the second quarter of 2022 is 85,000 billion VND, specifically:

## G-BOND MATURITY SCHEDULE



Tenor	Planned issuing value
5 years	VND 5.000 billion
7 years	VND 5.000 billion
10 years	VND 30.000 billion
15 years	VND 35.000 billion
20 years	VND 5.000 billion
30 years	VND 5.000 billion
<b>Total</b>	<b>VND 85.000 billion</b>

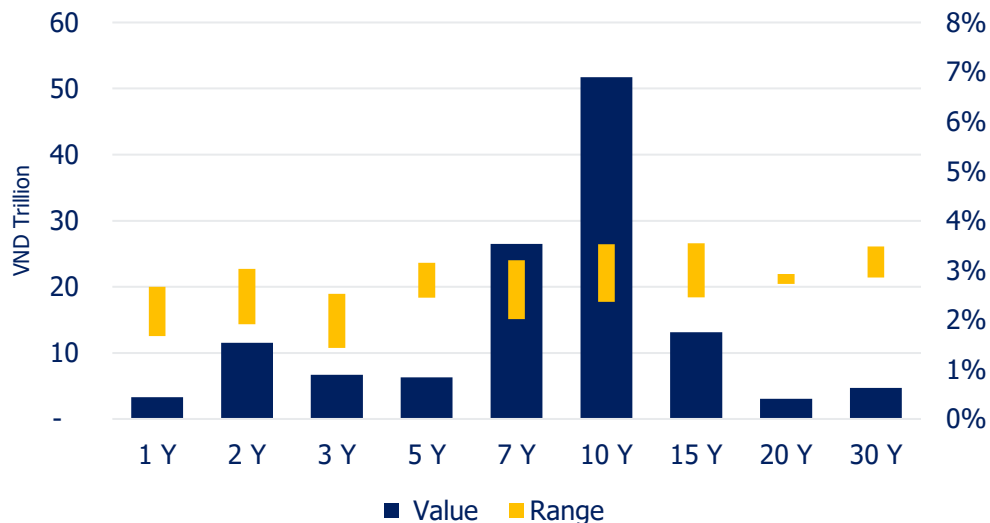
## 2. SECONDARY MARKET

Total trading volume of Government Bond : VND 530,195 billion  
 In which, Outright trading volume : VND 292,785 billion  
 Repo trading volume : VND 237,410 billion

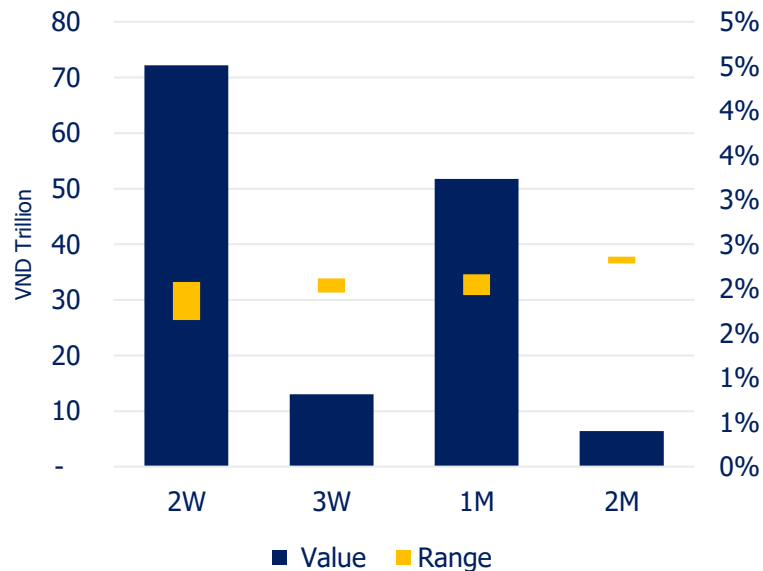
Outright transaction: 7-year bond and 10-year bond were traded the most, with trading yield ranging from 2.02% - 3.2% for 7-year tenor and 2.37% - 3.5% for 10-year tenor.

Repo transaction: 2-week and 1-month tenors were traded the most, with trading yield ranging from 1.65% - 2.1% for the 2-week tenor and 1.93% - 2.2% for the 1-month tenor.

### Trading value and yield range by remaining tenors



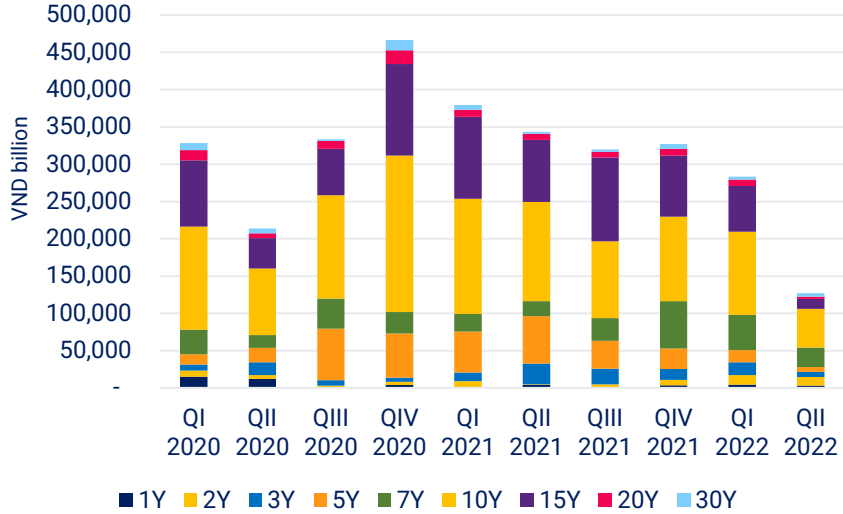
### Trading value and yield range by remaining tenors



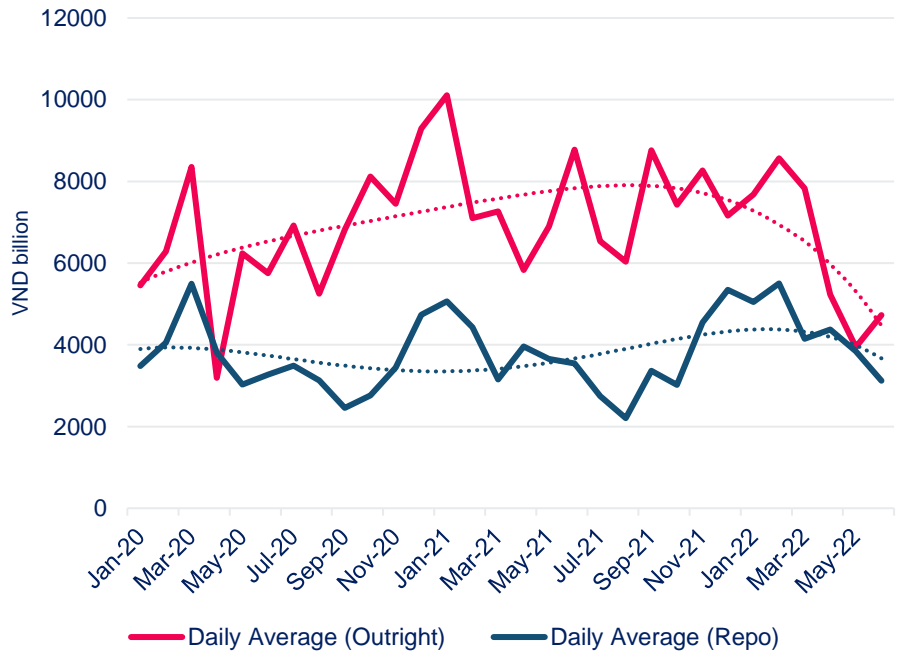
The total trading volume of Outright Government bonds decreased by 37.8% compared to Q1/2022 and by 34.6% compared to the same period of 2021. The total volume of Repo transaction decreased by 16.5% compared to Q1/2022, however, increased by 3.1% compared to the same period of 2021.

The average daily volume of Outright transactions decreased by 42% compared to Q1/2022 and decreased by 35% in comparison with the same period of 2021. The average daily volume of Repo transactions decreased by 23% compared to Q1/2022 and increased by 2% in comparison with QII/2021

### PROPORTION OF OUTRIGHT TRADING VALUE BY TENORS

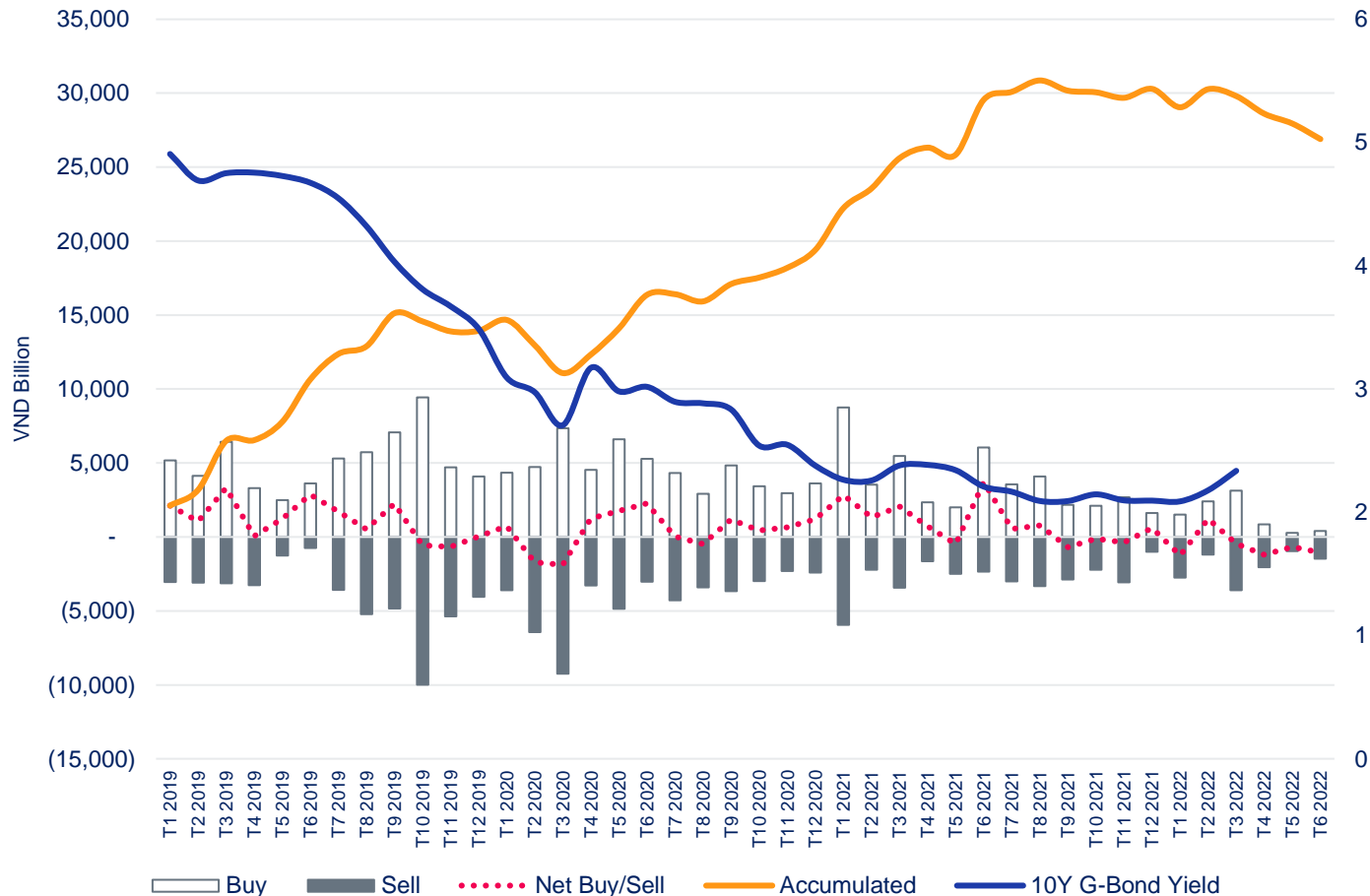


### Average daily G-Bond trading volume





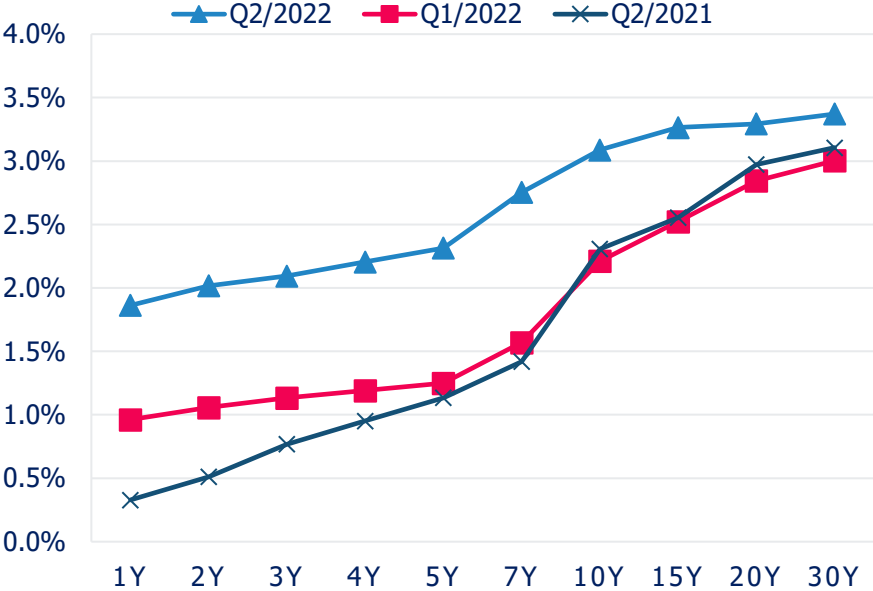
# TRADING VALUE OF FOREIGN INVESTORS



In QII/2022, foreign investors net sold VND 2,910 billion of Government Bond (bought VND 1,533 billion and sold VND 4,462 billion). Accumulated since the beginning of the year, foreign investors have net sold 3,395 billion of G-bond. The total buying and selling volumes of foreign investors in QII/2022 were 2.4 times higher than the previous quarter, however, 64% lower than the same period last year.

The most-traded tenors were 25 years and 10 years. The Outright trading value of foreign investors accounted for 2.05% of the whole market's outright trading value.

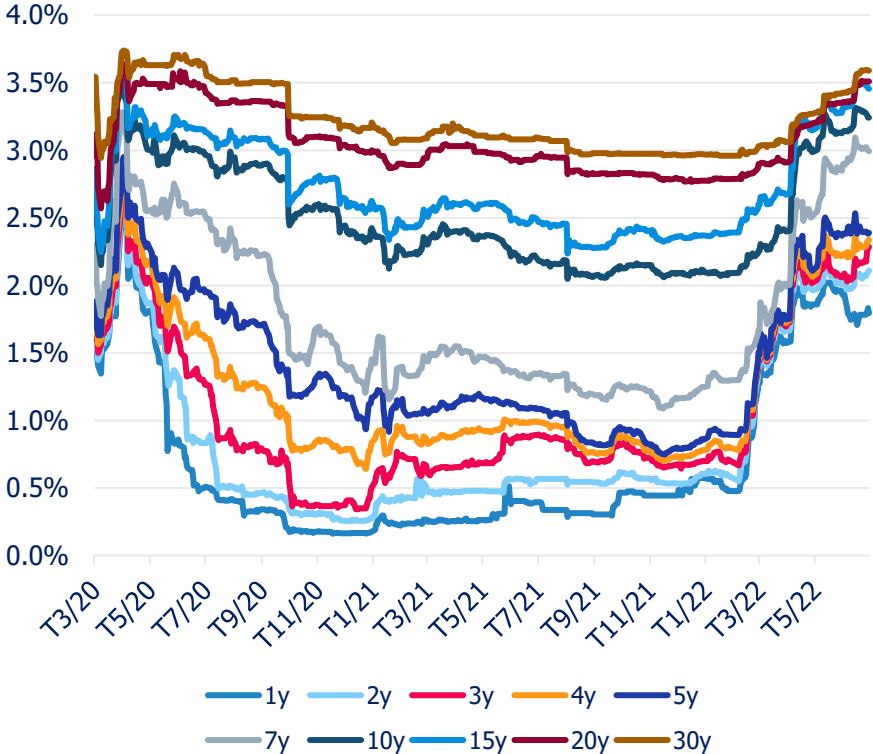
### VBMA GOVERNMENT BOND YIELD



VBMA Outright trading yield in QII/2022 increased by 44.9 points to 118.4 points at every tenor compared to QI/2022, in which 7-year yield increased the most (+118.5 points), following by 5-year yield (+106.5 points), 4-year yield (+101.3 points) and 3-year yield (+96.1 points).

Compared to the same period last year, trading yields in QII/2022 were 26.7 to 153.5 points higher at all tenors. Yields increased strongly at short and medium tenor, in which 1-year yield rose the most (+153.5 points)

### VBMA GOVERNMENT BOND YIELD MOVEMENT



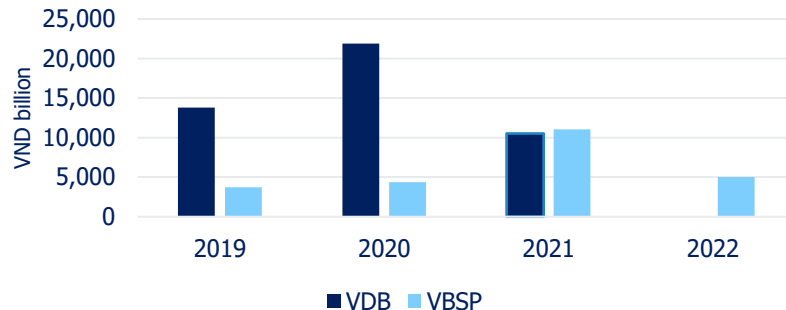


## Auction result

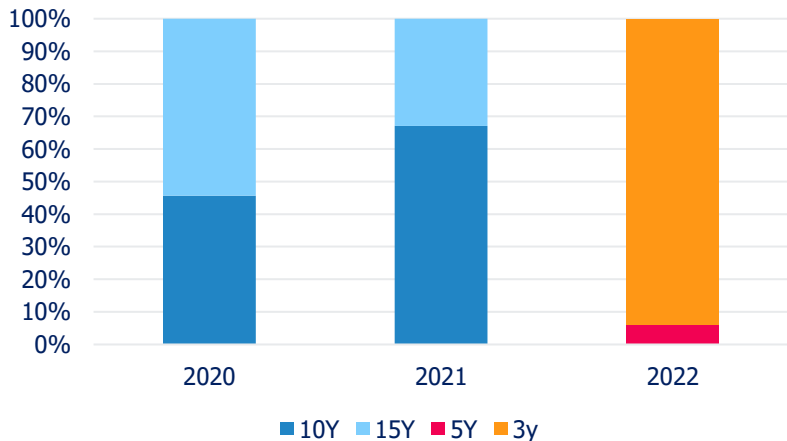
In QII/2022, Vietnam Bank for Social Policy (VBSP) called for auction VND 18,000 billion of Government-Guaranteed Bond over 30 sessions at tenors of 3 years (VND 13,000 billion), 5 years (VND 7,000 billion), 10 years (VND 5,800 billion) and 15 years (VND 5,200 billion). The winning value was VND 5,000 billion, the winning rate was 27.8%, the bidding rate was 52%, in which the issuing value of 3-year bond was VND 4,700 billion and of 5-year bond was VND 300 billion.

Vietnam Development Bank has not called for auction any Government-Guaranteed Bond in the first 2 quarters of 2022.

## Government Guaranteed Bond issued value



## VBSP



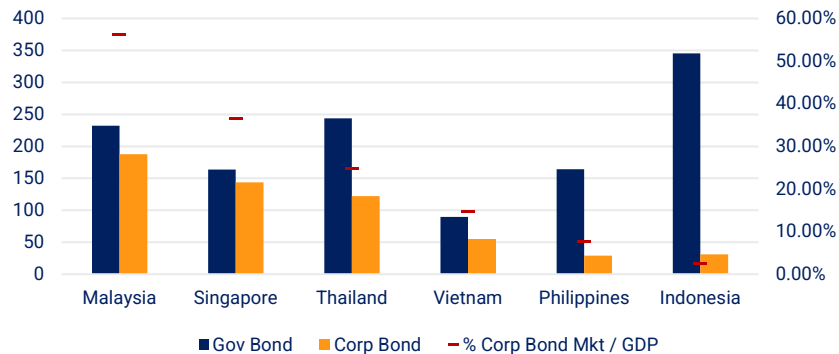
Tenor	Sessions	Offering value (VND billion)	Bidding value (VND billion)	Winning value (VND billion)	Winning rate	Bidding rate
3 years	10	13,000	12,100	4,700	36.2%	93.1%
5 years	10	7,000	6,350	300	4.3%	90.7%
10 years	10	5,800	1,806	0	0.0%	31.1%
15 years	10	5,200	1,200	0	0.0%	23.1%
<b>Total</b>	<b>30</b>	<b>18,000</b>	<b>9,356</b>	<b>5,000</b>	<b>27.8%</b>	<b>52.0%</b>

3.

# CORPORATE BOND MARKET

### Size of government bond and corporate bond market of regional countries

Unit: Billion USD



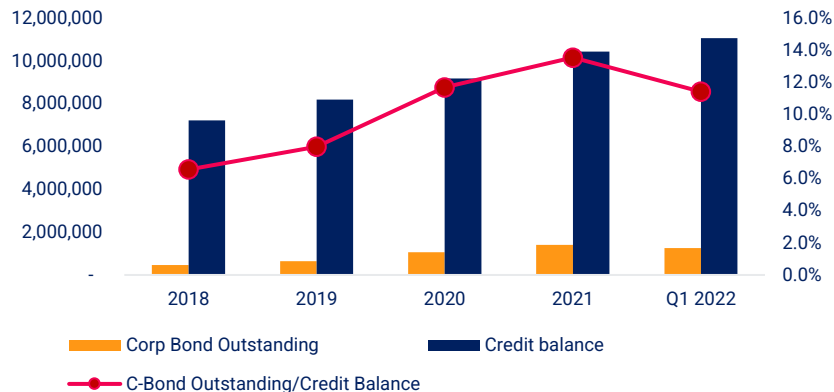
Source: ABO, NHNN, VBMA consolidated

Concerning the size of the bond market by value, the Vietnamese market was relatively small compared to other countries in the region, approximately USD 145 billion. As for the corporate bond market, the growth rate has slowed down as new issuing value was somewhat limited since the beginning of 2022, 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 first quarter of 2022 was about 38.63% of GDP, of which the corporate bond market occupied 14.76% of GDP.

### Corporate bond outstanding and credit balance

Unit: Billion USD



Source: ABO, NHNN, VBMA consolidated

By the end of Q1/2022, according to data from the SBV, the ratio of outstanding balance of corporate bonds to total credit balance of the whole economy was about 11.4%, decreasing by 15.7% compared to the end of 2021.

**Q2  
2022**

**106,735** Billion VND (\*)  
**-45%Y/Y**

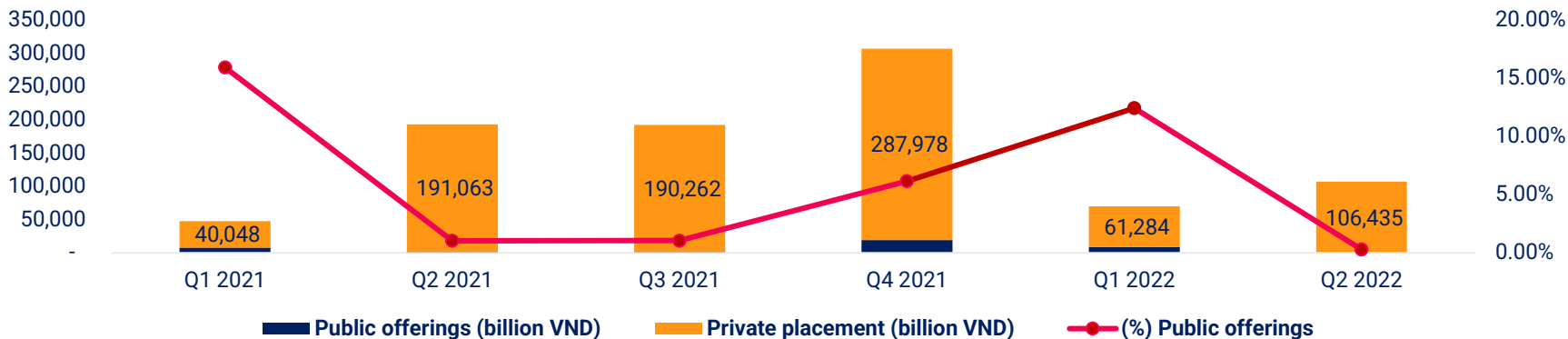
The total volume of issued bonds in the second quarter of 2022 reached 106,735 billion VND. In which, the proportion of private placement accounted for 99.72% of the issuing value and there was only 1 issuance under public offering with a value of VND 300 billion, accounting for 0.28%.

Most of the issuances were done in June with the value of VND 40,446 billion, equivalent to 37.9% of the total issuing value in Q2 2022.

(\*) According to published data by HNX and SSC till 08/07/2022

Đơn vị: tỷ đồng

### Public offering and private placement



In the second quarter of 2022, the total issuing value decreased by about 45% compared to the same period in 2021, mainly due to a sharp decrease in issuance of the Real Estate sector (down 83.4%).

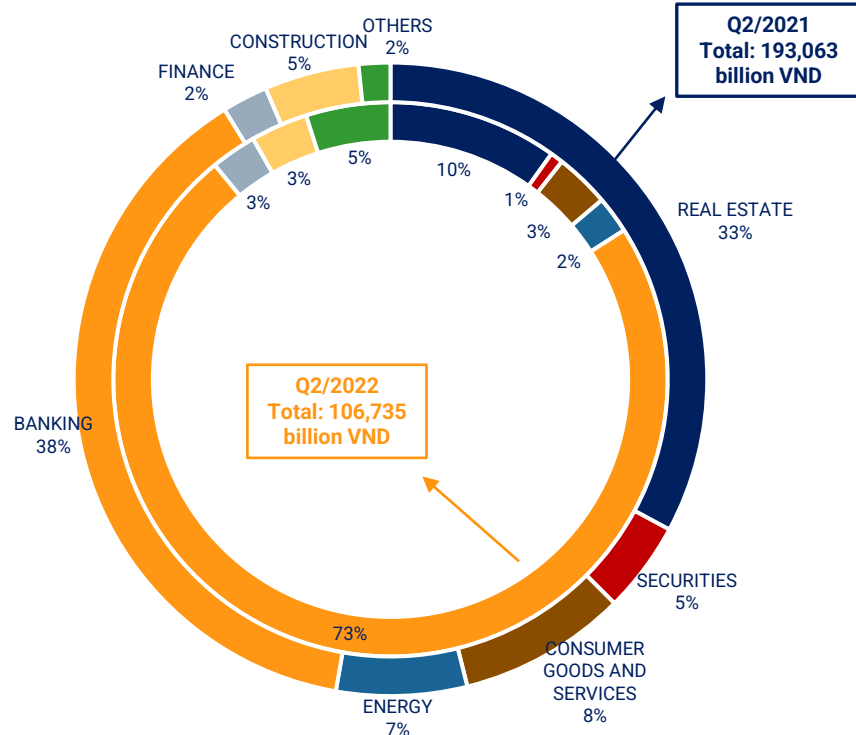
Banking was the leading sector in terms of issuing value, with total value at VND 78,039 billion, up 5% compared to the second quarter of 2021. Commercial banks still increase capital to improve capital adequacy ratio (CAR). This is also the requirement to be granted additional credit limit and ensure the early completion of Basel II and III targets.

Real Estate ranked second with a total issuing value of VND 10,533 billion, down 83.4% over the same period last year. The slump in scale was partly because Real Estate was no longer "hot" as in 2021 and prices showed signs of slowing down in the second quarter of 2022.

	Q2 2022	Q2 2021	%Y/Y
REAL ESTATE	10,533	63,451	-83%
BANKING	78,039	74,244	5%
SECURITIES	800	8,952	-91%
CONSUMER GOODS AND SERVICES	3,400	16,597	-79%
ENERGY	2,300	12,873	-82%
CONSTRUCTION	3,561	9,331	-62%
OTHERS	5,258	3,115	69%
	106,735	193,063	-45%

Unit: billion VND

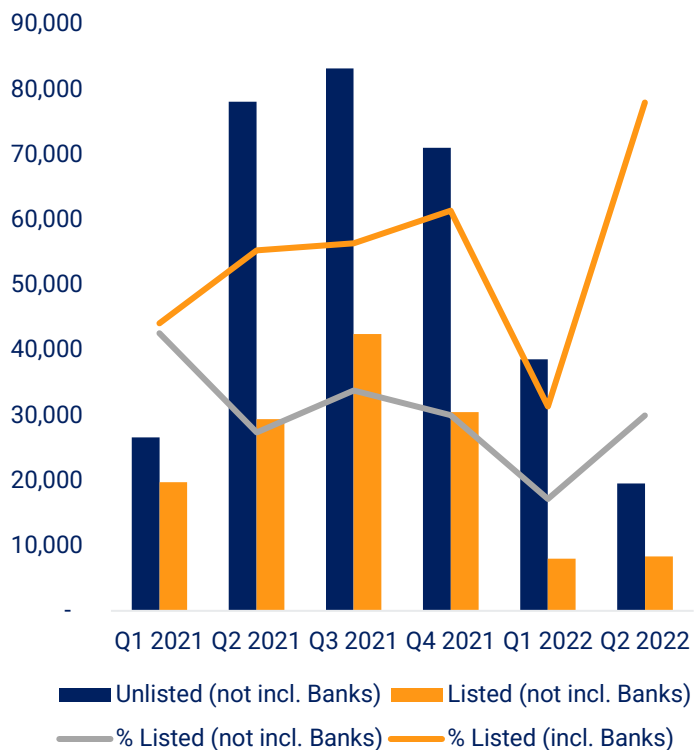
## ISSUING VALUE BY SECTOR





Unit: billion VND

## Issuing value of listed firms



NUMBER OF NEW ISSUERS	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<b>REAL ESTATE</b>	39	41	33	12	3
<b>SECURITIES, FINANCE</b>	2	5	2	1	0
<b>CONSUMER SERVICES</b>	2	7	5	1	0
<b>CONSUMER GOODS</b>	5	6	3	1	0
<b>ENERGY</b>	5	8	4	0	1
<b>AGRICULTURE</b>	0	1	3	2	0
<b>INDUSTRIAL PRODUCTION</b>	7	8	1	2	2
<b>CONSTRUCTION</b>	5	6	10	7	1
<b>OTHER SERVICES</b>	0	0	0	1	2
	<b>65</b>	<b>82</b>	<b>61</b>	<b>27</b>	<b>9</b>

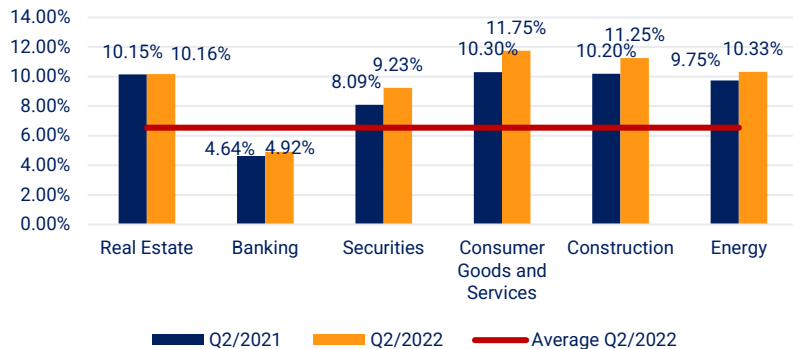
The proportion of corporate bonds issued by listed companies accounted for 78% of the total issuing volume during the period.

In the second quarter of 2022, there were 9 newly issued enterprises, of which only 1 enterprise was listed. The majority of new issuers were in the Real Estate, Production and Other Services sectors.

Some newly issued companies with large volumes:

My Phu Real Estate Trading and Investment Company Limited (VND 700 billion), Hoa Phat Hai Duong Steel JSC (VND 682 billion) và Education Infrastructure Group JSC (VND 622 billion).

### Average issuing coupon rate

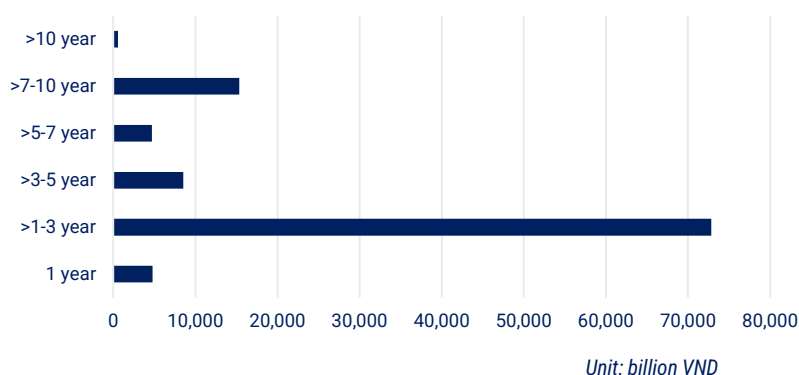


The average issuing tenor in the second quarter of 2022 was 4.04 years, increasing by 0.29 years compared to the same period in 2021 as the issuing tenors of the two largest groups (Banking and Real Estate) both increased.

Most corporate bonds' tenors issued in the second quarter of 2022 were from 1 to 3 years, accounting for about 68% of the issuing value, bonds with tenors from 3 years to 7 years accounted for 12.3% and about 14.9% of issuing bonds had tenors of more than 7 years.

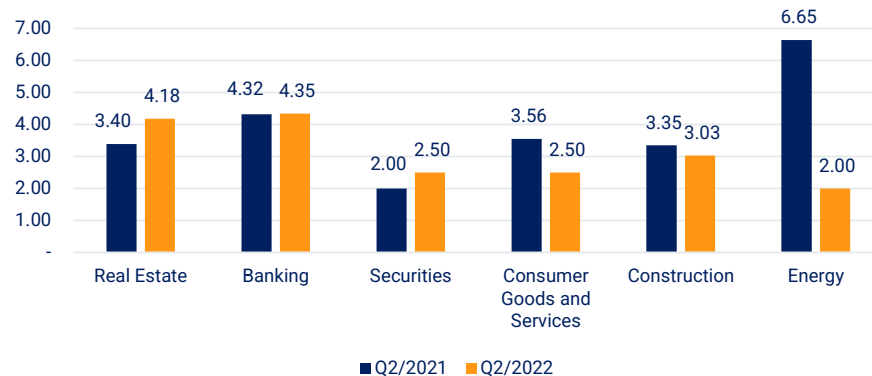
The average issuing coupon rate was 6.55%, down 1.67% over the same period in 2021 as the banking group accounted for the majority of the issuing value and this group had low coupon rate.

### Issuing value by sector

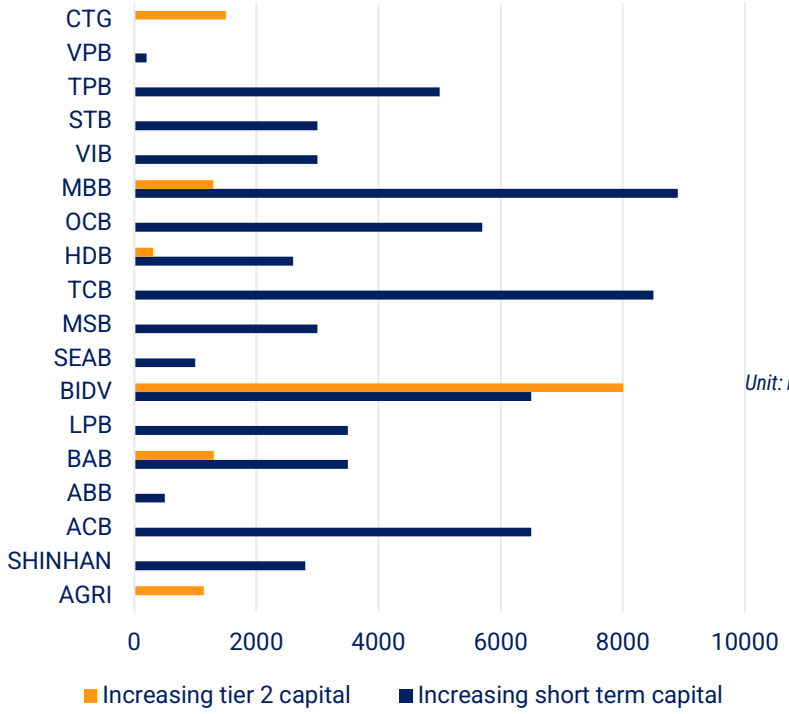


Unit: billion VND

### Tenor of major sectors

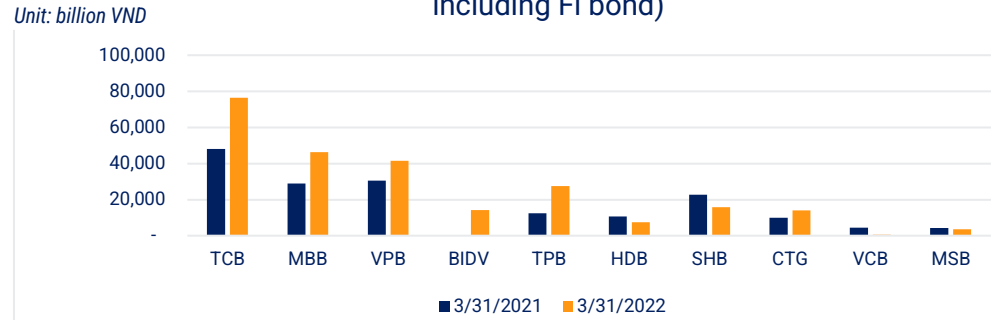


### Issuing value of FI bond Q2/2022



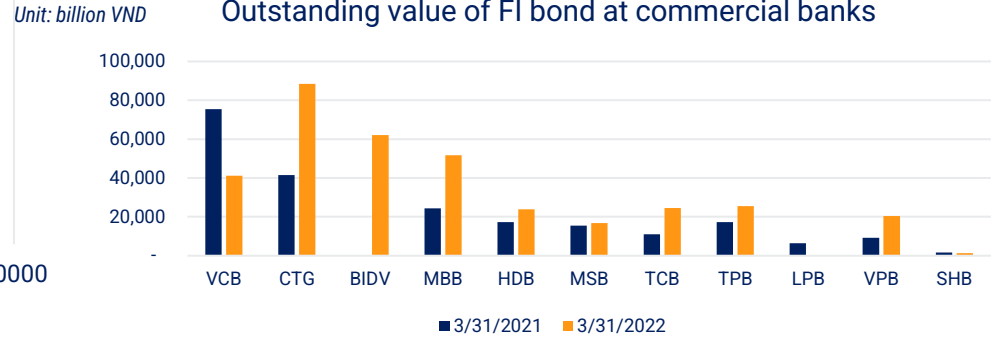
Unit: billion VND

### Corporate bond outstanding at commercial banks (not including Fi bond)



Source: Commercial bank's FS

### Outstanding value of FI bond at commercial banks



Source: Commercial bank's FS

## SOME BUSINESSES ISSUING LARGE NUMBER BY INDUSTRY GROUP

### REAL ESTATE

Issuers	Vol (Billion VND)	Average Tenor (Year)
No Va Land Investment Group Corporation	5,774	10
Dai Hung Real Estate Investment and Development Company Limited	1,500	4
Hoi An Invest JSC	1,000	2.375
My Phu Real Estate Trading and Investment Company Limited	2,000	7

### CREDIT INSTITUTIONS

Issuers	Vol (Billion VND)	Average Tenor (Year)
Joint Stock Commercial Bank For Investment and Development of Vietnam	14,505	6.91
Military Commercial Joint Stock Bank	10,190	4.76
Vietnam Technological and Commercial Joint Stock Bank	8,500	3
Asia Commercial Joint Stock Bank	5,500	1.375

### CONSTRUCTION

Issuers	Vol (Billion VND)	Average Tenor (Year)
Trung Nam Construction Investment Corp	2,000	2
Education Infrastructure Group JSC	1,341	5
MST Investment JSC	120	1
An Phu Urban Development and Investment JSC	100	3.585

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