

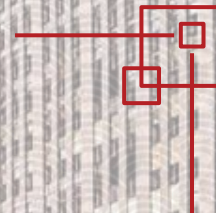


VBMA

Vietnam Bond Market Association

REPORT

VIETNAM BOND MARKET
QUARTER 1.2024



VIETNAM BOND MARKET QUARTERLY REPORT Q1.2024

MARKET HIGHLIGHTS

MACROECONOMIC OVERVIEW IN Q1.2024

In the March meeting, the Fed maintained the projection of lowering rate by 75 points in 2024 even though inflation appeared hotter and the labor market tighter than expectations in the first months of the year.

In Vietnam, the central bank (SBV) kept accommodative monetary policy with low interest rates and conducting open market operations flexibly to hinder the depreciation of VND. The SBV issued bills totalling VND 171,199 billion in March amid a rising USD putting pressure on the USD/VND exchange rate.

GDP growth in Q1/2024 was estimated at 5.66% YoY, lower than Q4/2023 but this was the highest growth rate of the first quarter since 2020. Import-export stayed positive in the first quarter, trade surplus was estimated at about USD 8 billion thanks to improved demand in some major international markets.

Q1 inflation was also effectively controlled, average core CPI increased by 2.8%, headline CPI increased by 3.77%; lower than the target of 4-4.5% set by the National Assembly.

Interbank interest rates in January and early February stayed low due to little liquidity pressure amid negative credit growth. The rates ticked up following the Lunar New Year holiday in the second half of February, mainly as a result of seasonal effects. Low credit demand after Tet and abundant liquidity caused interbank rates to quickly cool down, mostly hovering below 0.5% in the later half of March.

VIETNAM BOND MARKET IN Q1.2024

PRIMARY MARKET

GOVERNMENT BOND

ISSUING VALUE	Q1/2024	Q4/2023	Q1/2023	%Q/Q	%Y/Y
3-year tenor	-	-	-	-	-
5-year tenor	14,750	4,950	4,950	198%	198%
7-year tenor	400	-	950	-	-58%
10-year tenor	33,423	20,490	47,127	63.1%	-29%
15-year tenor	28,271	18,350	47,891	54.1%	-41%
20-year tenor	1,170	-	1,000	-	17%
30-year tenor	2,215	4,805	2,955	-54%	-25%
Total	80,229	48,595	104,873	65.1%	-23%

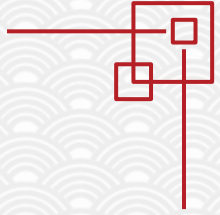
CORPORATE BOND

ISSUING VALUE	Q1/2024	Q4/2023	Q1/2023	%Q/Q	%YoY
Private	15,110	143,963	25,506	-90%	-41%
Public	7,877	17,905	3,521	-56%	124%
Total	22,987	161,868	29,027	-86%	-21%

SECONDARY MARKET

TRADING VOLUME	Q1/2024	Q4/2023	Q1/2023	%Q/Q	%Y/Y
GOVERNMENT BOND					
Outright	400,060	427,501	188,490	-6%	112%
Repo	195,123	99,549	103,365	96%	89%
Total	595,183	527,050	291,855	13%	104%

Unit: VND billion



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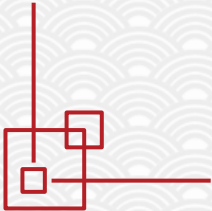
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CORPORATE BOND MARKET

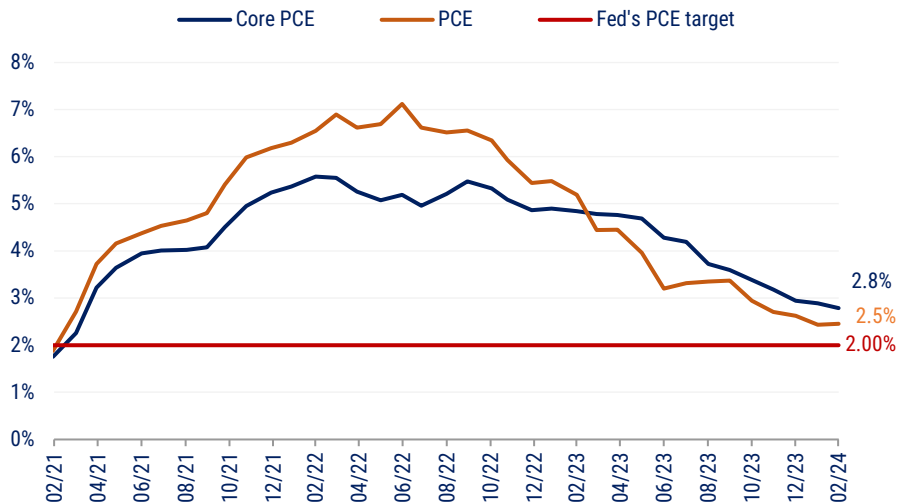
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01

MACROECONOMIC OVERVIEW

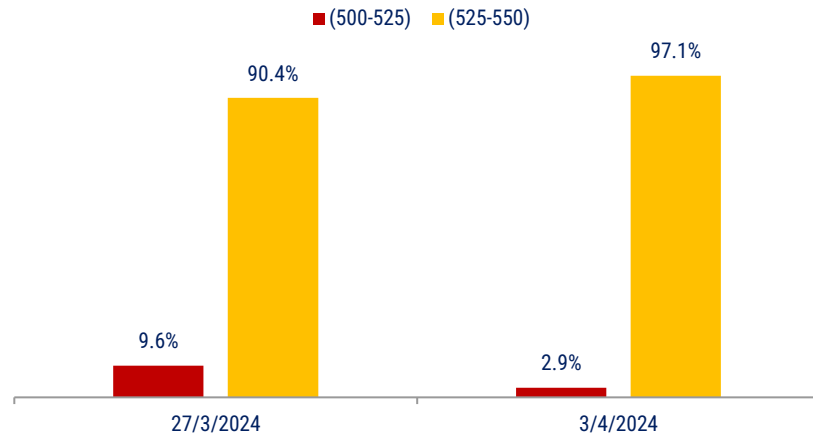
US Inflation by PCE and core PCE



Source: Fed St. Louis

US inflation continues to decelerate in the first two months of 2024, albeit still above the Fed's long-term 2% target. Specifically, the personal consumption expenditure index - PCE in February climbed 2.5% from a year earlier, lower than a 2.6% rise at the end of 2023. In addition, the core PCE index (excluding volatile food and energy prices) increased by 2.8% over the same period. The readings came in line with the expectations of Fed officials, according to Fed Chair Jerome Powell's remark at the Macroeconomic and Monetary Policy Conference on March 29.

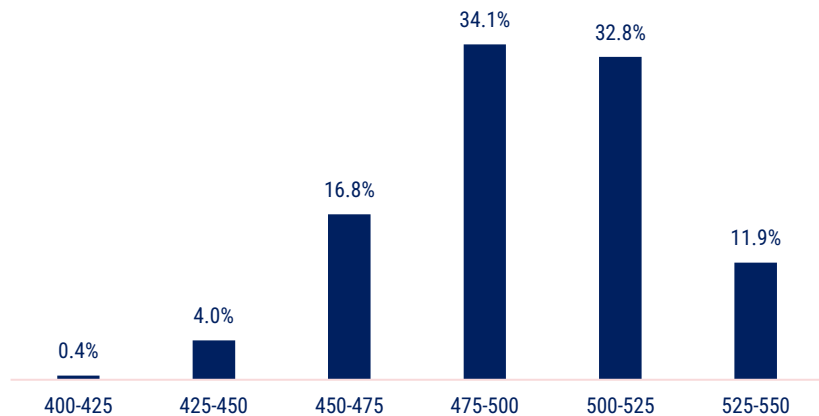
Market expectations on the Fed's policy rate at the meeting on May 1st, 2024



Source: CME FEDwatch tool

Fed officials maintain a cautious stance on the timing of interest rate cuts even though US inflation has cooled. Speaking at Stanford University on April 3, Fed Chair Jerome Powell claimed that the US central bank need to evaluate more economic data before lowering interest rates to ensure inflation is on a sustainable path to the 2% target. Accordingly, the market forecasts there is a 97% chance that the Fed will continue to keep interest rates unchanged around 525 – 550 bps at the policy meeting in early May.

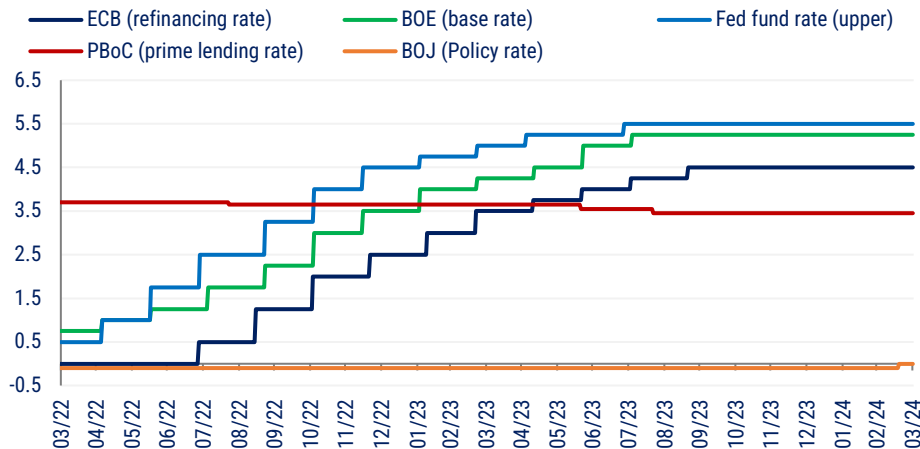
Market expectations on the Fed's policy rate in Dec meeting



Source: CME FED watch tool

Following a series of hot inflation and non-farm payrolls in the first 3 months of the year, market's expectation shifted from six rate cuts in 2024 to only 2, with the first cut occurring after summer. The March non-farm payrolls increased by 303,000 compared to the forecast of 200,000, hourly wage growth was 0.3%, same as expectations. The labor market in the US will likely continue to improve amid a surge in immigration to the US, increasing supply. With the recently announced CPI inflation reaching 3.5% YoY and the core CPI rising by 3.8%, there has been speculation that the Fed will no longer cut rates this year despite the March dot plot showing its projection of 75 points rate cut.

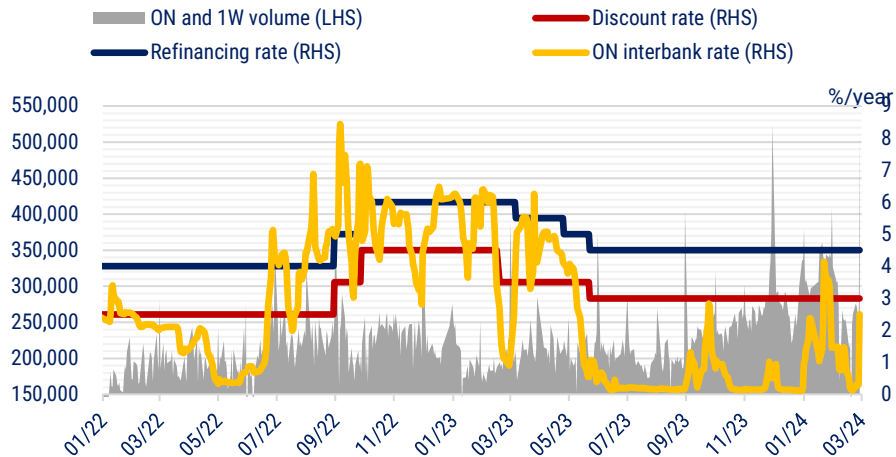
Policy rates of some major central banks



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

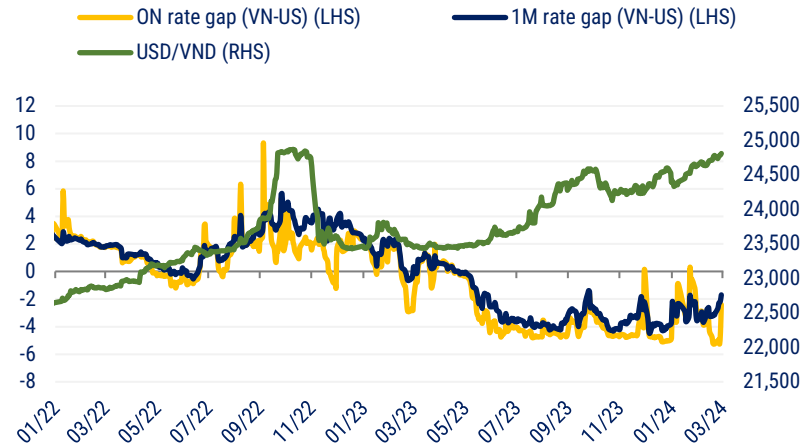
In Japan, BOJ hiked rate for the first time in more than a decade, ending negative rate and yield curve control policy. The shift in BOJ's monetary policy was not enough to strengthen the JPY against the USD as macroeconomic factors still supported the USD, the US-Japan yield gap was still substantial, US economy remained strong, and BOJ maintained a cautious stance in raising interest rates further. The USD/JPY exchange rate comes under rising pressure and set the new high of over 153 amid sticky US inflation. The Japanese government have not intervened in the market yet but the possibility is rising.

Market trading volume, Policy rate and Interbank rate



Source: SBV

Interest rate gap and exchange rate

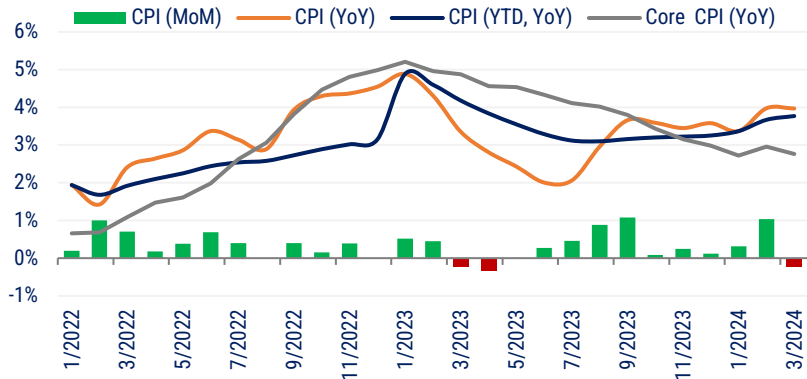


Source: VBMA, Refinitiv

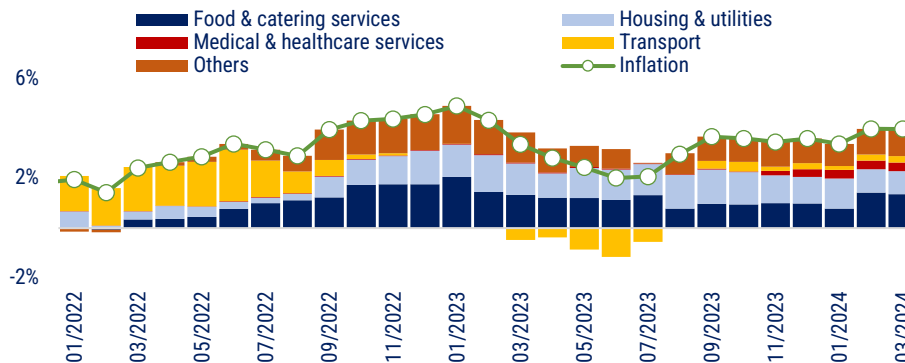
Policy rates in the first quarter remained low, in line with the Government’s directive of further supporting economic growth and creating favorable conditions for businesses and people to access credit for production and business.

Interbank interest rates in January and early February were low due to little liquidity pressure amid negative credit growth. The rates ticked up following the Lunar New Year holiday in the second half of February, mainly as a result of seasonal effects. Low credit demand after Tet and abundant liquidity caused interbank rates to quickly cool down, mostly hovering under 0.5% in the second half of March. The State Bank continuously issued SBV-bills from March 11 to absorb excess liquidity and reduce pressure on exchange rates amid the dollar’s appreciation. As of end-March, the SBV-bills has issued more than VND 171 trillion of bills, with a term of 28 days, and interest rates trending higher, from 1.4% to 2.5%. The temporary liquidity shortage at certain banks at the end of March also contributed to the rate increase.

Headline inflation and Core inflation



Contribution to headline inflation

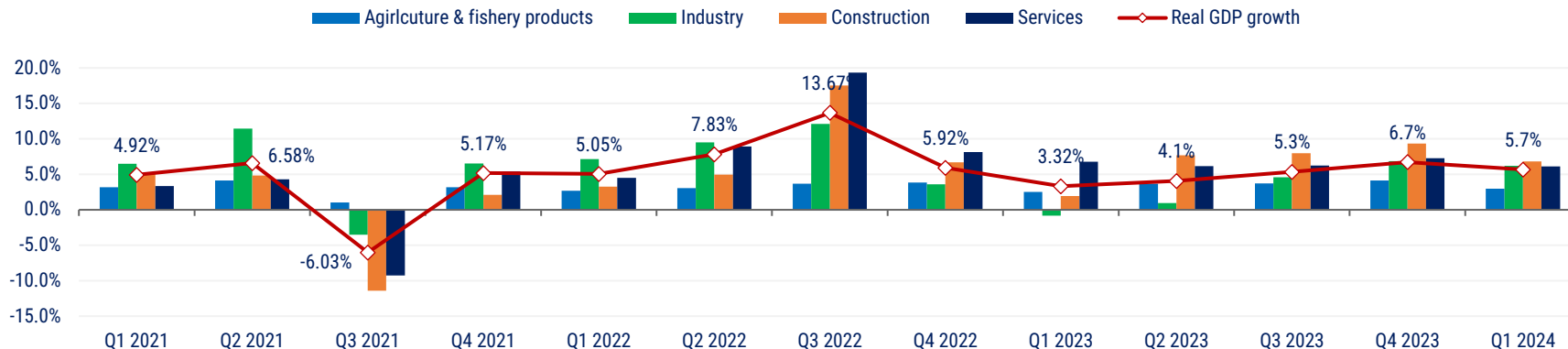


Q1 headline inflation averages 3.77%, lower than the National Assembly's full-year target of 4%-4.5%. The main reasons are the price increase of (1) rice (+21.7%) due to higher export prices, (2) education (+9.0%) and (3) housing and construction materials (+5.4%) due to higher raw material prices and rental housing prices. Meanwhile, core inflation in Q1.2024 came in at 2.8%.

Food & gasoline prices likely put pressure on inflation in 1H2024 due to the 2023 low base effect. Besides, international commodity prices have been surging since end-February with the Bloomberg Commodity Index reaching USD 102.9 from a bottom of USD 95.4. Vietnam imports raw materials to serve export industrial production, so fluctuations in input prices will markedly impact domestic inflation.

However, inflation is projected to be within the Government's target amid slow economic growth and weak purchasing power, coupled with government's efforts in stabilizing domestic goods' prices.

GDP growth rate by sectors



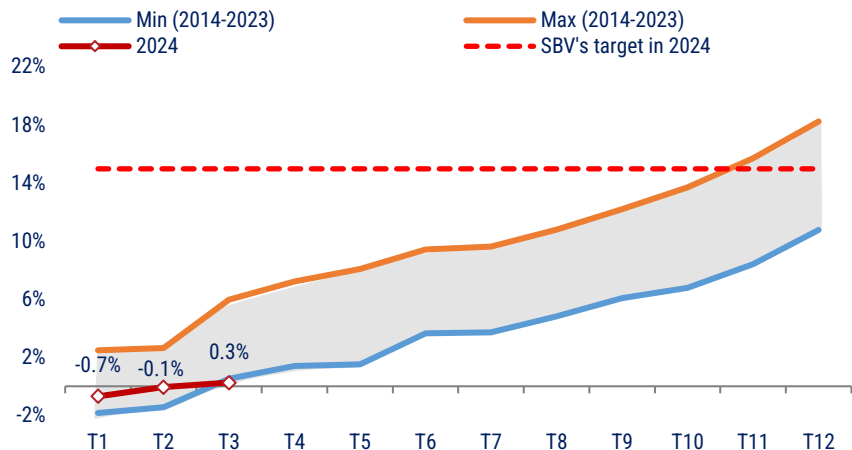
Source: GSO

GDP growth rate in Q1/2024 was estimated to be 5.66% compared to the same period last year, lower than Q4/2023 but this was the highest growth rate of the first quarter since 2020. In particular, the agriculture, forestry and fishery increased by 2.98%, contributing 6.09% to the increase in total added value of the entire economy; the industrial and construction sector increased by 6.28%, contributing 41.68%; and the service sector rose by 6.12%, contributing 52.23%.

Industrial production activities remained stable in Q1 with the mainstay being the processing and manufacturing industry, increasing by 6.98% over the same period, contributing 1.73 percentage points. The service sector also had positive growth when commercial activities were vibrant and tourism recovered strongly, as did transportation and warehousing; Accommodation and food services; Wholesale and retail; Repairing cars, motorbikes, motorbikes and other motor vehicles are industries with big increases in the service group.

Despite the improvements, it should be noted that GDP growth in Q1/2024 was partly thanks to the low base in Q1/2023. The GDP growth target of 6-6.5% in 2024 still face many challenges as the economy's ability to absorb capital is limited, credit growth only reached 0.26% in the first 3 months of the year while there is not much room for support from monetary policy as pressure are piling up on exchange rates, and interest rates are already low.

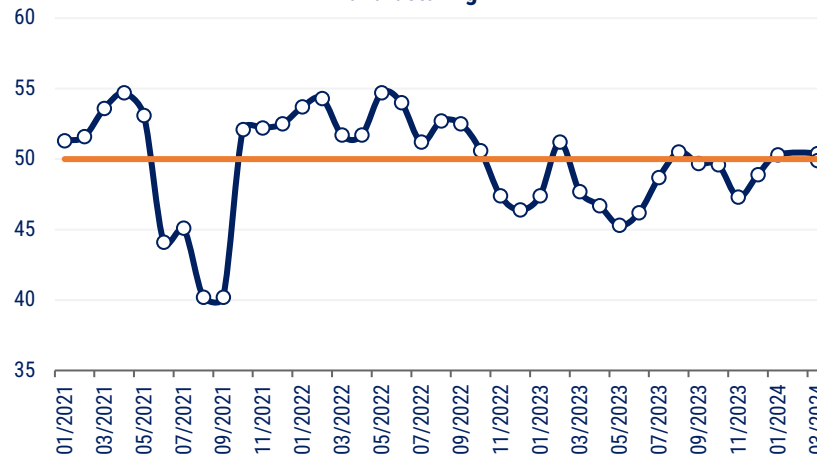
Historical and 2024 credit growth (YTD)



The credit situation in the first quarter was relatively gloomy with negative growth during the first two months of the year due to seasonal factors around the Lunar New Year and the low absorption capacity of the economy. Credit growth in March improved slightly, estimated to reach 0.26% compared to the end of 2023.

The 2024 credit growth target assigned by the State Bank at the beginning of the year is 15%, higher than the previous year's 14%, laying the foundation for banks to promote lending to further support businesses and people.

Manufacturing PMI

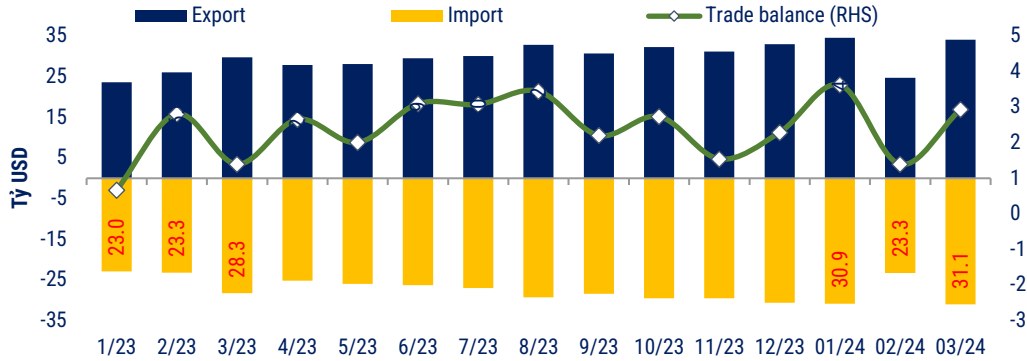


Source: IHS Markit

Following an improvement in the first two months of the year, Vietnam's manufacturing sector growth stalled in March as weak demand reduced new orders and output. The manufacturing PMI index in March dropped to 49.9 points after reaching 50.4 points in the previous month.

The positive point is that businesses are increasingly optimistic, believing that the manufacturing sector will rebound in the coming months, therefore manufacturers will boost hiring.

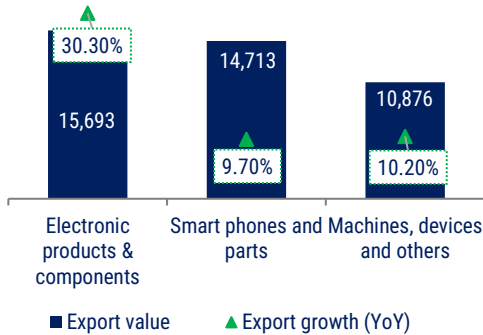
Monthly Vietnam trade balance



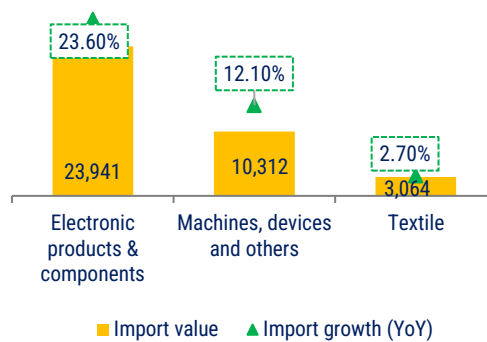
In the first quarter, export turnover of goods is estimated at USD 93 billion, up 17% YoY; imports is about at USD 85 billion, up 14% YoY. Accordingly, the trade balance is about USD 8 billion, of which the domestic economic sector has a trade deficit of USD 4.49 billion, and the foreign-invested sector has a trade surplus of USD 12.57 billion.

Vietnam's export activities saw some positive changes as demand in major export markets rebounded. Specifically, export volume in the first quarter to the US, China, and EU climbed by 25.5%, 5.2% and 16.3%, respectively over the same period in 2023. However, risks linger as the global economy is forecast to slow down in 2024, prolonged geopolitical instability and heightened protectionist policies prevailed in several countries.

Top 3 export goods in Q1 2024 by value



Top 3 import goods in Q1 2024 by value



Imports in Q1.2024 focus largely on production materials, accounting for 94% and up 14.5% over the same period last year. Meanwhile, consumer goods only accounts for 6% of total import, an increase of 4.6% from a year earlier. Increased imports of raw materials show that enterprises are accelerating production recovery with the expectation that the number of new orders will rebound.

02

GOVERNMENT BOND MARKET

In Q1/2024, the State Treasury called for 51 auction sessions of Government bond with the total offering value of VND 118,500 billion, the winning value was VND 80,229 billion, and the winning ratio was 68%.

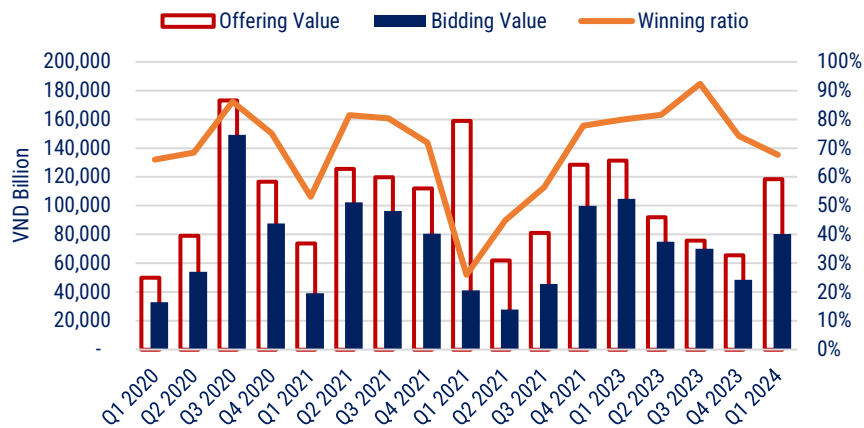
The total auction winning value since the beginning of 2024 reached 20% of this year's plan (VND 400,000 billion) and reached 63% of the 1st quarter's plan (VND 127,000 billion).

According to Decision No. 260/QĐ-TTg issued by the Prime Minister on March 31st, 2024, the Vietnam Development Bank (VDB) was approved to issue a maximum of VND 1,160 billion government-guaranteed bond, while the Vietnam Bank for Social Policies (VBSP) will not issue G-guaranteed bonds in 2024.

	Q1/2024	5Y	7Y	10Y	15Y	20Y	30Y	TOTAL
Issued value of Q1	14,750	400	33,423	28,271	1,170	2,215	80,229	
Plan of Q1	25,000	3,000	30,000	50,000	9,000	10,000	127,000	
% Completion	59.0%	13.3%	111.4%	56.5%	13.0%	22.2%	63.2%	

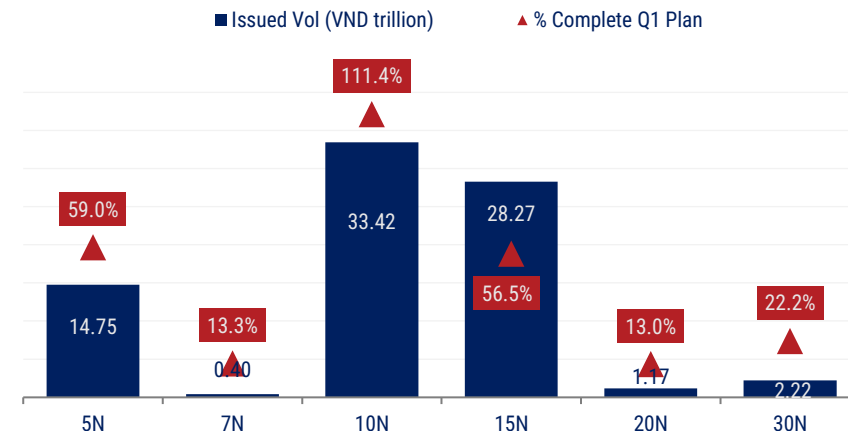
Unit: VND billion

Government Bond winning rate



Source: HNX

Issuing value by tenor in Quarter 1, 2024

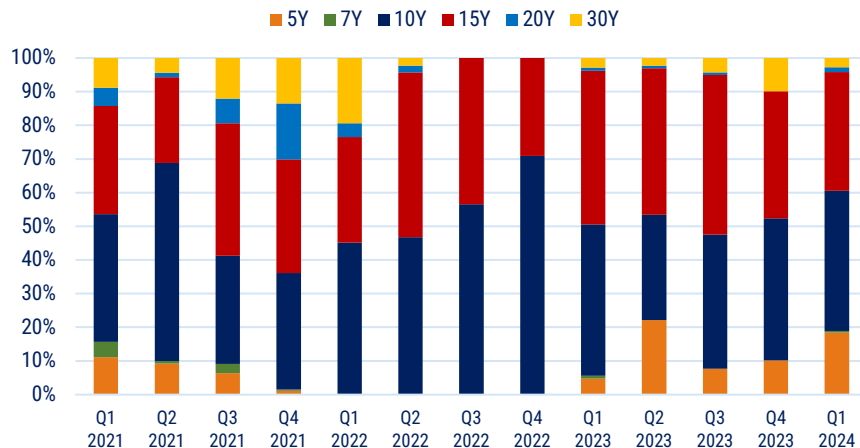


Source: HNX

In Q1/2024, 10-year and 15-year bonds continued to account for most of the total winning value with VND 33,423 billion and VND 28,271 billion, respectively. The issuing values of 5-year, 20-year and 30-year bonds were VND 14,750 billion, VND 1,170 billion and VND 2,215 billion, in that order. The VST resumed calling for auction 7-year bonds with the winning value of VND 400 billion. Meanwhile, the VST still did not call for auction 3-year bonds though the plan this year is to issue VND 30,000 billion of these bonds.

The average issuance tenor in the first quarter is 10.39 years, with an average interest rate of 2.01%.

Proportion of winning value by tenors

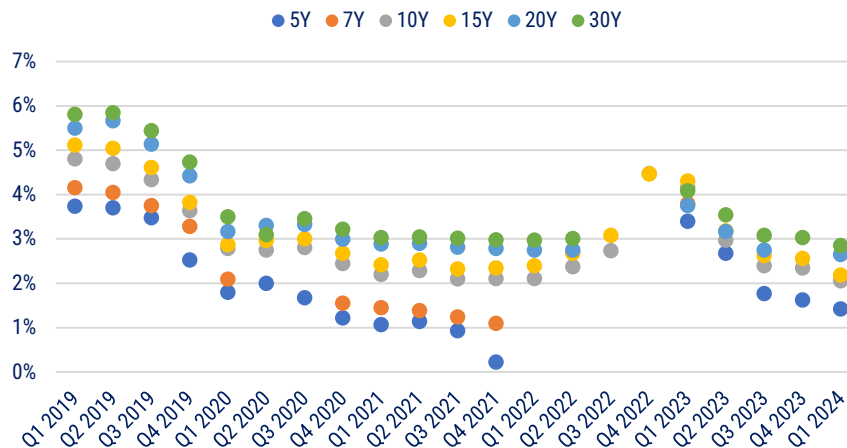


Source: HNX, VBMA

The average issuance interest rates in Q1/2024 maintained the downward trend since 2023 across all tenors. Specifically, interest rates for the 10-year tenor dropped to 2.31% (4 bps lower than the 4th quarter), the 15-year tenor decreased to 2.52% (down by 5 bps). The 5-year and 30-year interest rates also fell to 1.42% and 2.85%, respectively (18-20 bps lower). The average issuance interest rate for the 20-year tenor was 2.65% in this quarter.

In Q1/2024, the State Bank of Vietnam (SBV) maintained the regulatory interest rate at 4.5% to facilitate businesses' access to low-cost capital, partially stimulating economic growth. Positive signs of inflation and economic recovery have raised expectations for the SBV to sustain low interest rates throughout 2024.

Average issuing rate by tenors

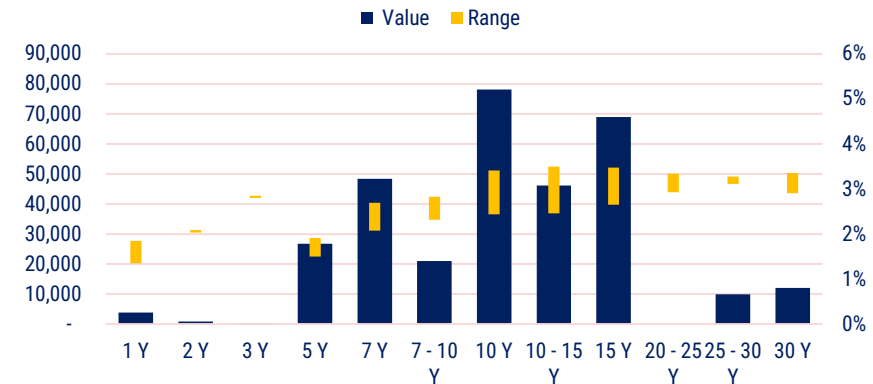


Source: HNX, VBMA

Total trading volume of Government and Government-guaranteed bond Q1/2024: **VND 595,183 billion**
 In which, Outright trading volume: **VND 400,060 billion**
 Repo trading volume: **VND 195,123 billion**

Total Outright transaction value in Q1/2024 slightly declined 6% while Repo transaction value soared 96% compared to the previous quarter. The average daily transaction value of Outright and Repo transactions reached VND 6,781 billion/day (up 3.1% QoQ) and VND 3,307 billion/day (up 116% QoQ). Amidst a backdrop of an improving economy, and the sustained increase in the demand for short-term borrowing, the value of Repo transactions has emerged from its trough and grew strongly in Q1/2024. Additionally, the State Bank of Vietnam (SBV) has resumed issuing 28-day term bills in the latter half of March, pulling VND 171,199 billion out of the system, further bolstering Repo activities. The value of Outright transactions has slightly decreased compared to Q4/2023, reaching VND 400,060 billion. By the end of Q1, tenors from 10 years to 15 years continued to account for most of the Outright transactions' values, with average transaction interest rates ranging from 2.44% to 3.5%. Repo transactions were primarily conducted with a 14-day term, with transaction interest rates ranging from 0.56% to 1.9%.

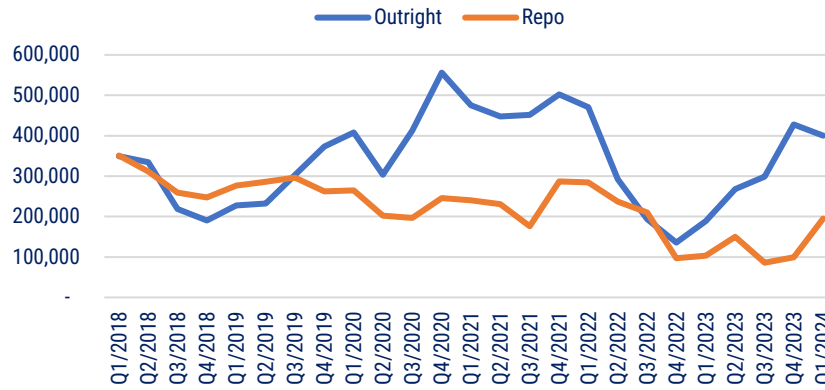
Trading value and yield range by remaining tenor



Unit: VND billion

Source: HNX, VBMA

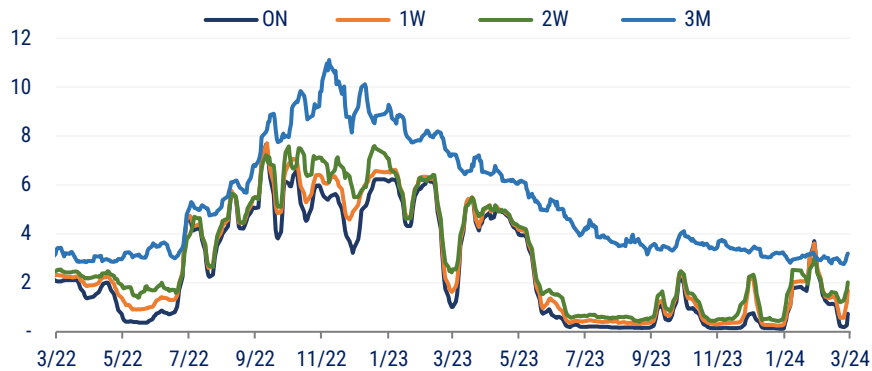
Trading value of outright and repo



Unit: VND billion

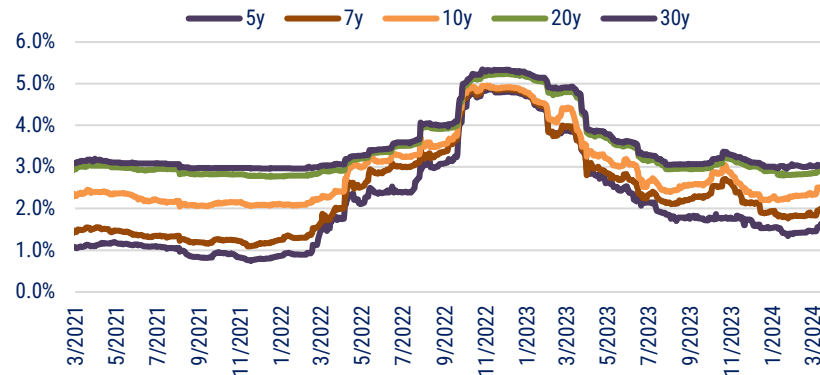
Source: HNX, VBMA

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 Q1/2024 rose across all tenors compared to Q4/2023. Specifically, yields for tenors under 7 years sharply increased by 350-383 bps, 10-year to 15-year tenors followed the upward trend, rose by 234-273 bps, 20-year and 30-year tenors also grew by 106 bps and 37 bps, respectively. The pressure on the USD/VND exchange rate escalated as US interest rates remained high alongside increasing inflation, which drove interbank interest rates upwards in the first quarter.

After peaking in February 2024, interbank interest rates plunged on March 21-22, specifically, the overnight (ON) rate dropped to 0.13% (0.01% higher than the bottom level in January 2024), the rates for 1W and 2W also decreased by 7-12 bps. However, towards the end of March, interest rates rebounded as credit showed signs of recovery, total credit balance to the economy at the end of March was 0.26% higher than year-end 2023, though credit growth in the first 2 months of 2024 was negative. Additionally, system liquidity was no longer excessively abundant as the State Bank resumed issuing SBV-bills, coupled with the rising demand for short-term borrowing, which lifted interbank interest rates at the end of Q1.

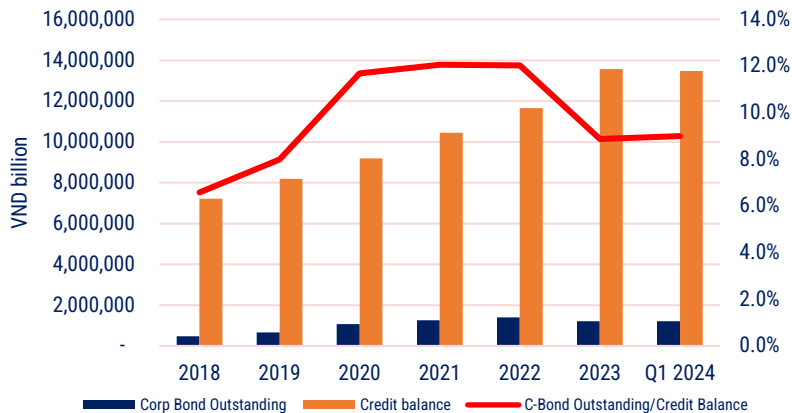
The US-Vietnam government bond yield gap widened as the Fed maintained high interest rates after its meeting in March. Expectations for 3 interest rate cuts in 2024 remained strong. However, after the release of economic data for February, many officials believed interest rates should be kept higher for longer or the Fed should reduce the number of rate cuts. Despite the State Bank's adjustment through the SBV-bills channel, pressure on VND/USD exchange rate was expected to persist until the Fed officially cuts interest rates.

In the Repo market, Q1 trading rates (according to VBMA Repo trading room) sharply increased by 149-155 bps at tenors under 1-month, also rose by 117 bps and 271 bps at 2-month and 3-month tenors, respectively.

03

CORPORATE BOND MARKET

Outstanding corporate bond and credit balance



(*The figure of credit balance was published as of January 2024 Sources: HNX, SBV, VBMA

Vietnam Corporate Bond market size: ~11.9% of GDP

The outstanding value of corporate bond accounted for about 9% of the total Vietnam economy's credit balance, increased by 0.1% compared to the end of 2023. Outstanding corporate bond value at the end of the first quarter of 2024 mostly unchanged compared to the end of 2023 at over VND 1.2 quadrillion while credit growth of the entire economy was negative in the first 2 months of the year. The market is expected to gradually recover as economic activity improve and stricter regulations help investor's sentiment bounce back.

Total domestic issuance :

Q1 2024 VND 22,988 billion ()**
-21% Y/Y

In the first quarter of 2024, there were 5 bond issuances through public offering worth VND 7,877 billion, accounting for 34.3% of the total issuance value; and 18 issuances through private placement worth VND 15,110 billion, accounting for 65.7%. The proportion of public issuance increased gradually in recent years and jumped to 34.3% in Q1/2024 from 4.1% in 2021. Since Decree 08 expired at the beginning of 2024, the primary market has been much more quiet than the last two quarters of 2023.

Public offering and private placement



(**) According to data published by HNX and SSC as of 5th April 2024

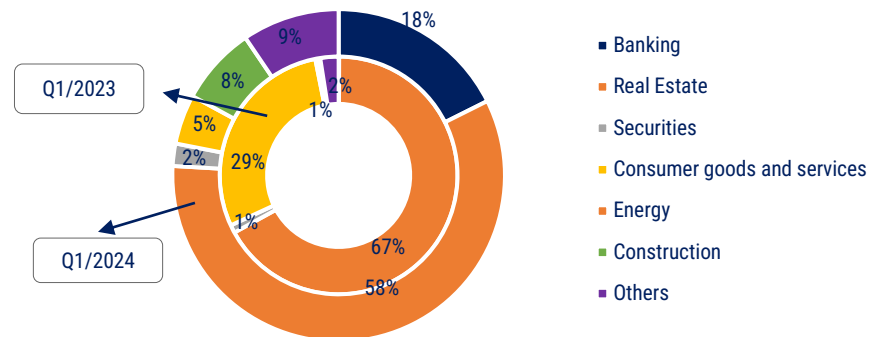
Sources: HNX, GSO, VBMA

Sector	Q1/2024	Q1/2023	%YoY
Banking	4,050	21	19608%
Real Estate	13,400	19,435	-31%
Securities	500	311	61%
Consumer goods and services	1,110	8,345	-87%
Energy		40	-100%
Construction	1,750	155	1029%
Others	2,178	720	202%
Total	22,988	29,027	-21%

Unit: VND billion

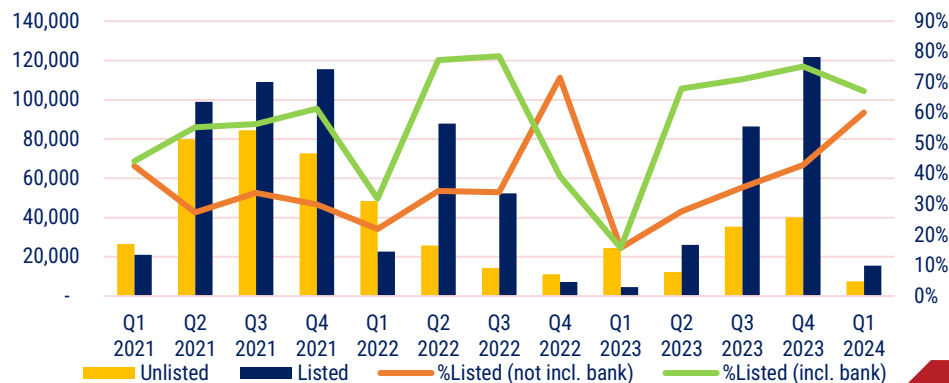
Compared to the same period last year, the value of corporate bonds issued in the first quarter decreased by about 21% to VND 22,988 billion. The majority of bonds issued belong to the Real Estate sector with VND 13,400 billion, accounting for 58% of the total issuance value. The Banking sector rank second, reaching VND 4,050 billion, equivalent to 18% of the total issuance value.

Proportion of issuing value by sectors



Source: HNX, VBMA

Issued value by listed companies



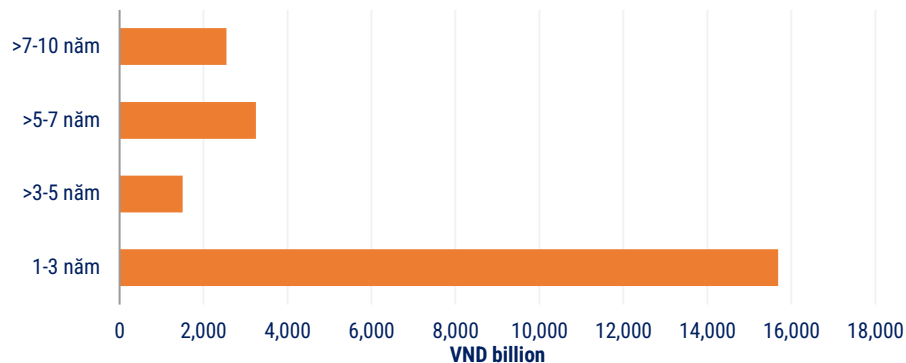
68% of corporate issued in Q1 had tenors from 1 to 3 years

Average issuing coupon rate in Q1/2024: **10.67%/year**

Average issuing tenor in Q1/2024: **4.27 year**

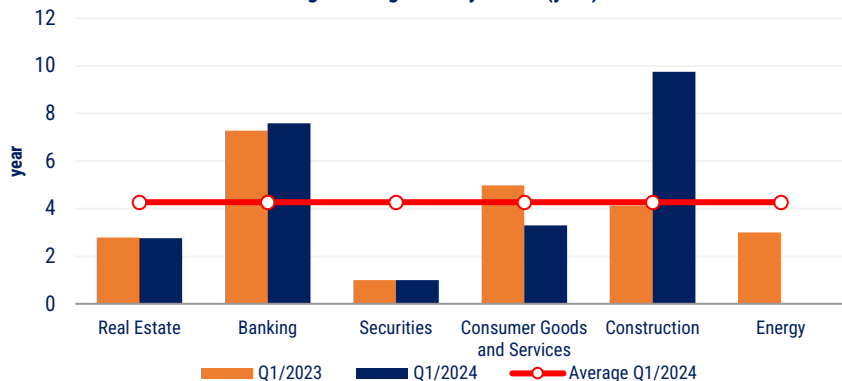
Issuing coupon rates increased in the first quarter as the majority of issued bonds came from the Real Estate sector, which usually had high coupon rates with big risk premium. Despite the generally high level of interest rates in the corporate bond market, it was not enough to attract investors due to concerns of defaults. The main focus of investors at this time is safety and capital recovery of the investment.

Issuing value by tenors in Q1/2024(VND billion)



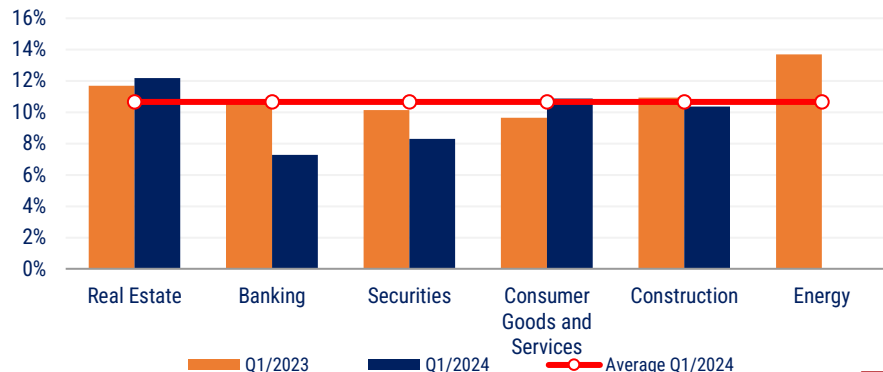
Sources: HNX, VBMA

Average issuing value by tenors (year)



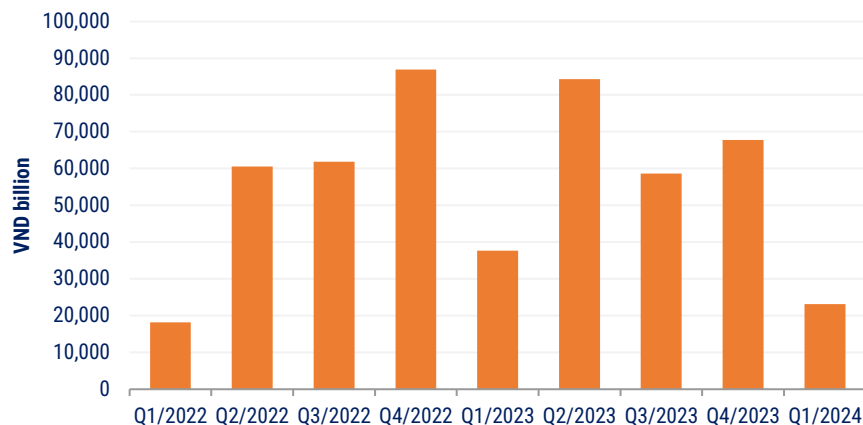
Source: HNX, VBMA

Average Coupon Rate



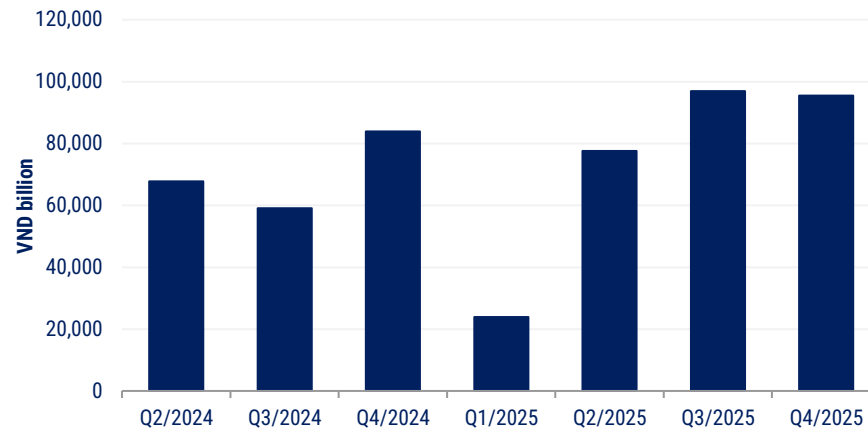
Source: HNX, VBMA

Total value of bonds redeemed before maturity



Source: HNX, VBMA

Corporate bond maturing value 2024-2025



Source: HNX, VBMA

In the first quarter of 2024, the value of bonds redeemed before maturity was VND 23,155 billion, down 38.5% compared to the same period in 2023. The value of bonds that will mature in the remaining 9 months of the year is VND 210,910 billion, of which VND 78,565 billion is real estate bonds, equivalent to 37.2%; and 25.5% are banking bonds, worth VND 53,847 billion. Real estate companies will continue to be under pressure to pay bond principal and interest in 2024 as they had considerable inventory of unfinished properties and cash flow challenges.

The value of bonds with delayed interest and principal payments in the first quarter of 2024 is VND 10,145 billion, more than 3 times lower compared to the peak of VND 33,326 billion in Q3/2023. The number of new default bonds is gradually lowering and some businesses have made partial or full payments of the default bonds to investors. The majority of accumulated defaults are real estate bonds, accounting for more than 60%.

On the secondary market, the value of privately-placed bond transactions reached VND 225,702 billion in Q1/2024, an average of USD 3,825 billion/day, the majority of bonds transacted were issued by banks.



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

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