

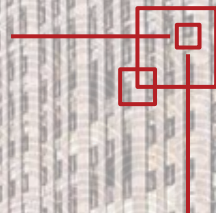


VBMA

Vietnam Bond Market Association

REPORT

VIETNAM BOND MARKET
QUARTER 2.2024



VIETNAM BOND MARKET QUARTERLY REPORT Q2.2024

MARKET HIGHLIGHTS

MACROECONOMIC OVERVIEW IN Q1.2024

Some major central banks such as the ECB and BoC began reducing interest rates in June to support economic growth. On the contrary, the Fed remains cautious and keeps interest rates at high level for longer. The Fed also reduced its forecast for the number of interest rate cuts in 2024 to 1 from its projection of 3 times in March.

The pressure on the USD/VND exchange rate remains high as the timing of the Fed's interest rate cuts continues to be delayed. The State Bank of Vietnam (SBV) has coordinated various monetary policy tools, including the issuance of SBV-bills, open market operations (OMO), and interventions by selling USD on the interbank market to regulate the exchange rate. The OMO interest rate, SBV-bill interest rate, and interbank interest rate all increased in Q2, and market liquidity has been maintained quite stably.

GDP growth in Q2/2024 is estimated to reach 6.93% YoY, the highest increase since Q4/2022. Import-export activities are still positive with accumulated trade surplus estimated at about USD 11.6 billion.

Average headline CPI in Q2/2024 gained by 4.39% over the same period a year ago. On average in the first half of 2024, headline CPI increased by 4.08% YoY, which is within the target range of 4-4.5% set by the National Assembly for 2024.

VIETNAM BOND MARKET IN Q2.2024

PRIMARY MARKET

GOVERNMENT BOND	Q2/2024	Q1/2024	Q2/2023	%QoQ	%YoY
3-year tenor	-	-	-	-	-
5-year tenor	20,500	14,750	16,599	38.98%	24%
7-year tenor	0	400	-	-	-
10-year tenor	40,966	33,423	23,472	22.57%	75%
15-year tenor	9,935	28,271	32,662	-64.86%	-70%
20-year tenor	2,800	1,170	549	139.32%	410%
30-year tenor	2,072	2,215	1,737	-6.46%	19%
Total of G-bond	76,273	80,229	75,019	-4.93%	2%

CORPORATE BOND

	Q2/2024	Q1/2024	Q2/2023	%QoQ	%YoY
Private	88,719	15,110	32,909	487%	170%
Public	2,500	8,878	5,456	-72%	-54%
Total coporate bond	91,219	23,988	38,364	280%	138%

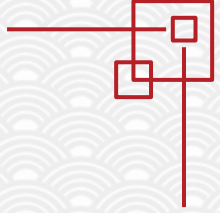
SECONDARY MARKET

GOVERNMENT BOND	Q2/2024	Q1/2024	Q2/2023	%QoQ	%YoY
Outright	423,880	400,060	267,821	6%	58%
Repo	265,007	195,123	150,324	36%	76%
Total of G-bond	688,887	595,183	418,145	16%	65%

CORPORATE BOND

	Q2/2024	Q1/2024	Q2/2023	%QoQ	%YoY
Total coporate bond	265,456	225,702		18%	

Unit: VND billion



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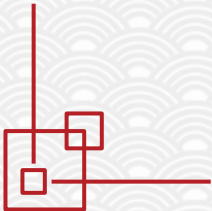
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CORPORATE BOND MARKET

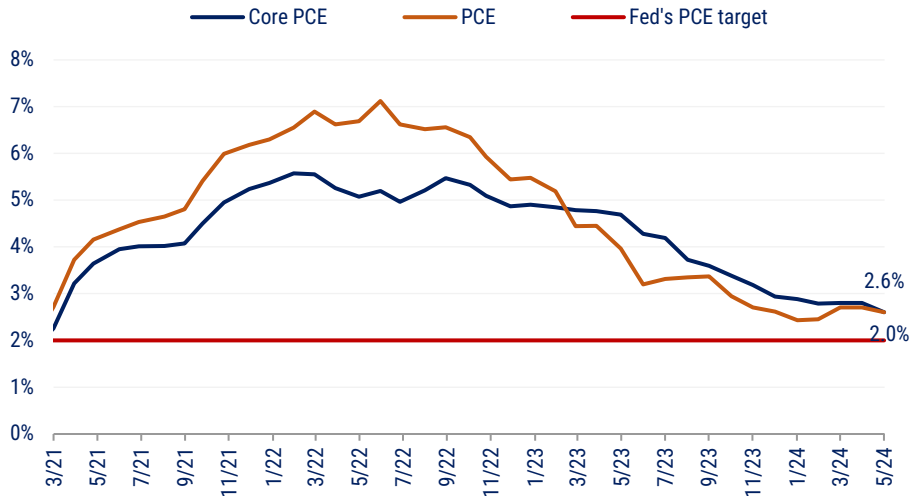
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01

MACROECONOMIC OVERVIEW

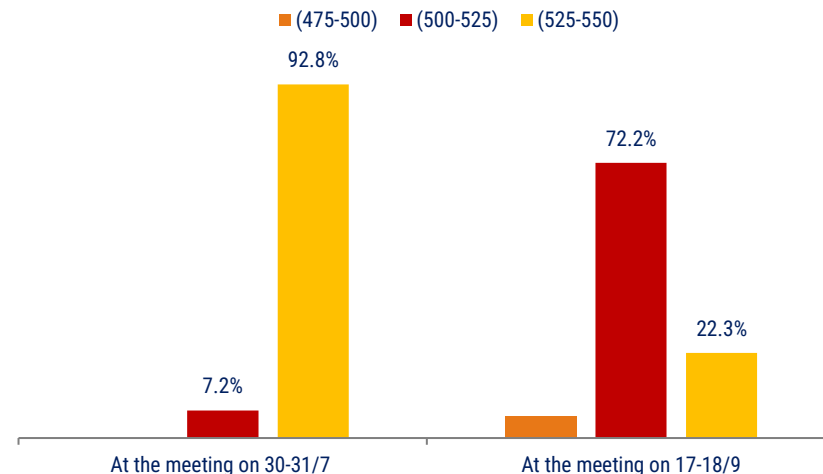
US Inflation by PCE and core PCE



Source: Fed St. Louis

After stalling in March and April, US inflation resumed its downward trend in May. The core PCE index (excluding food and energy prices) increased by 2.6% over the same period, down 2 bps compared to February. Minutes of the Fed's June meeting released on July 3 said that there has been "modest progress" on inflation in recent months compared to the previous meeting (April 30-May 1), but it remained high compared to the long-term target of 2%.

Market expectations on the Fed's policy rate

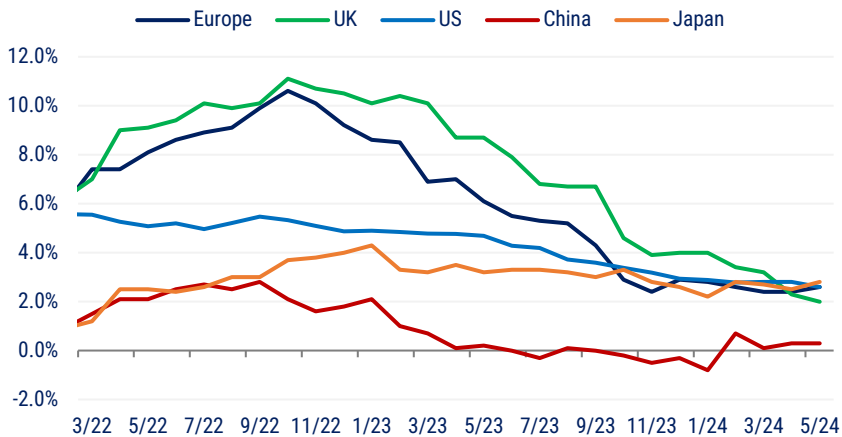


Source: CME FedWatch tool as of July 5th

The Fed meeting minutes reaffirm the need for more favorable economic data for Fed officials to be more confident that inflation will sustainably decline to the 2% target level.

According to CME FedWatch on July 5, the market expects nearly a 93% probability that the Fed will continue to maintain interest rates at the range of 525-550 basis points (bps) in the policy meeting at the end of July. The likelihood of the Fed cutting interest rates for the first time in September is forecasted to be 72%.

Inflation situation in some major countries

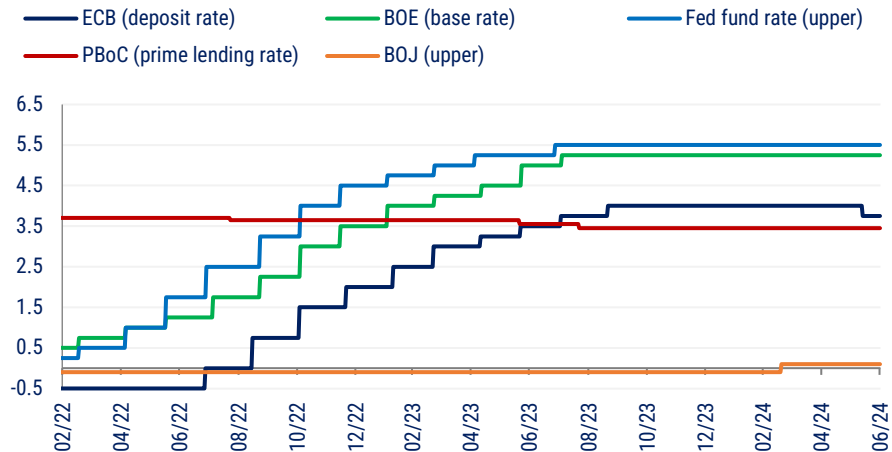


Source: CME FedWatch tool as of July 5th

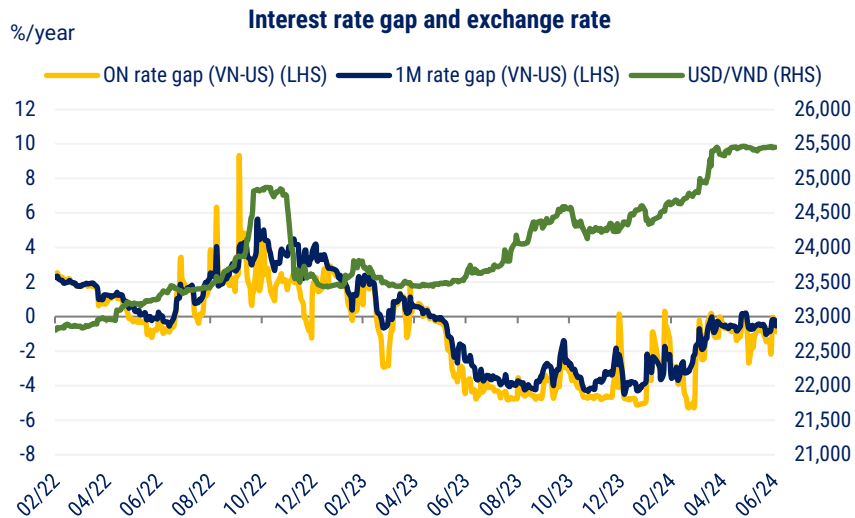
In the June policy meeting, the European Central Bank (ECB) reduced its policy rate by 25 bps to 3.75% to support economic recovery as inflation moving closer to the target of 2%. However, the ECB also said that inflationary pressure remains due to high wage growth, and simultaneously raised its inflation forecast for 2024.

Meanwhile, although UK inflation drops to the target level of 2% in May, the Bank of England (BoE) remains cautious and decides to hold interest rates unchanged due to elevated service inflation and wage growth. The Fed also keeps policy rates at a high level of 5.25%-5.5% at the recent June meeting even though inflation and the US labor market have cooled significantly. In addition, the Fed's "dot plot" chart predicts only one interest rate cut in 2024 instead of three times as in March 2024. However, the market is currently more optimistic when expecting two interest rate cuts in 2024, with more than a 70% probability of the first rate cut in September.

Policy rates of some major central banks



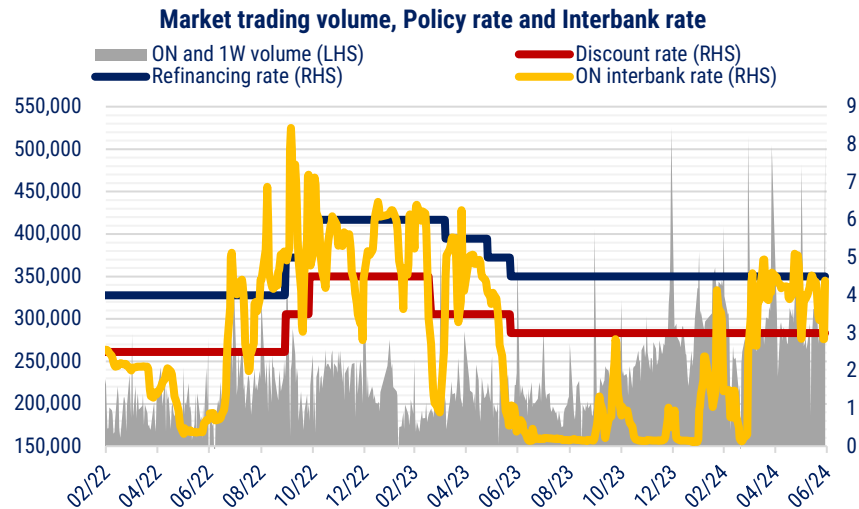
Sources: BOE, Fed St.Louis, ECB, CEIC



Source: SBV

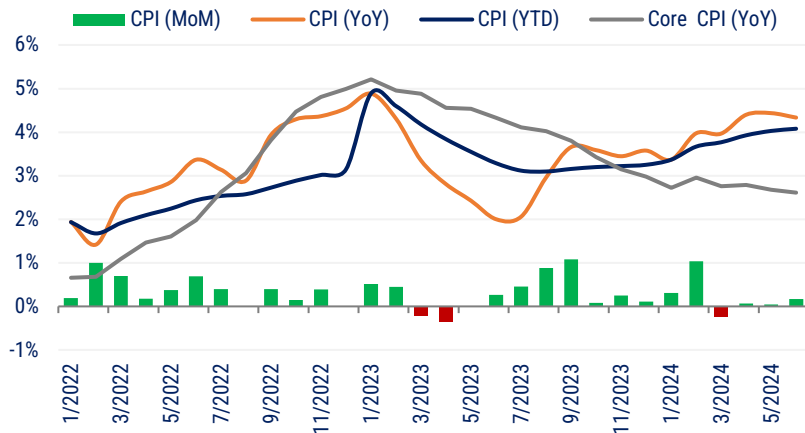
Amid the US dollar's surge, the USD/VND exchange rate in Q2 stayed high. In the first half of 2024, the VND has depreciated about 4.7% against the USD.

In that context, the State Bank continuously issued SBV-bills since March 11, and simultaneously issued OMO since the beginning of April to ease exchange rate pressure. By the end of Q2, both OMO and SBV-bills rates increased significantly to 4.5%, a QoQ rise of 50 and 200 bps, respectively. Accordingly, the ON interbank rate was higher than the previous quarter, fluctuating between 3%-5%. USD selling prices at Vietcombank have been close to or hit the prescribed ceiling since mid-April, although the State Bank of Vietnam intervened by selling billions of USD since April 19. System liquidity was generally quite stable in Q2, besides some seasonal pressures.



Source: VBMA, Refinitiv

Headline and core inflation

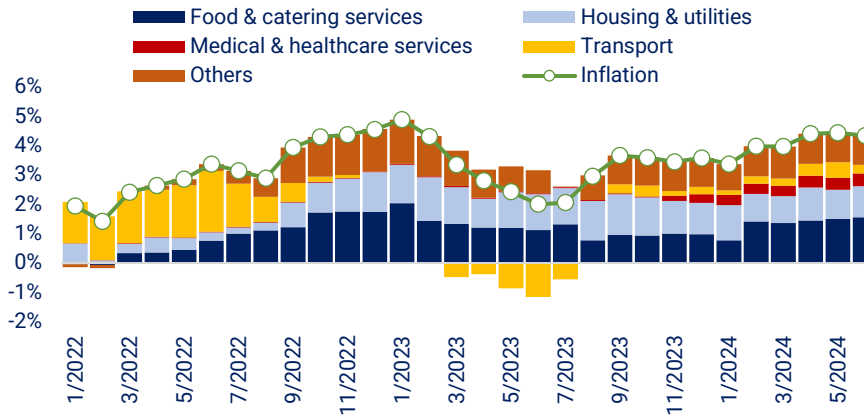


Source: GSO

Average CPI in Q2/2024 increased by 4.39% over the same period last year. On average, in 6M2024, headline CPI increased by 4.08%YoY, within the National Assembly's target range of 4-4.5% for 2024.

The increase in inflation in Q2 is mainly due to the price adjustment of certain groups and the low base level in the same period last year. Specifically, CPI of the education group in Q2 surged by 8.15% YoY due to the increase in tuition fees in some provinces and cities according to the resolution of the Provincial People's Council. CPI of the drug and medical services group rose by 7.63% YoY after being adjusted according to Circular No. 22/2023/TT-BYT of the Ministry of Health. Hot weather and the tourist season in June caused consumer demand and electricity demand to climb, thus increasing prices in many groups such as culture, entertainment and tourism (+2.1%), and housing, electricity and water, fuel and construction materials (+5.62%). Meanwhile, the postal and telecommunications group in Q2 decreased by 1.36% YoY.

Contribution to inflation





Source: GSO

GDP growth in Q2/2024 is estimated to reach 6.93%YoY, the highest level since Q4/2022, mainly thanks to the recovery of:

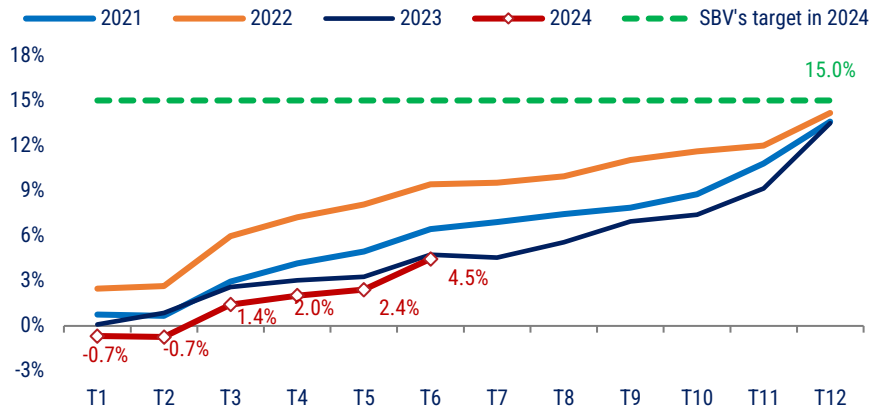
(1) Industrial and construction sector (+8.29%): The manufacturing and processing industry is the main growth driver (+10%YoY) thanks to the rebound in world consumer demand, demonstrated by the strong increase in the Vietnam manufacturing PMI index in June.

(2) Service sector (+7%): Travel demand of businesses and families climbed during the holiday period of April 30 - May 1 and students' summer vacation.

Overall, GDP growth in 6M2024 is estimated to be 6.42%, only lower than the growth rate of 6.58% in 6M2022 in the period 2020-2024. The agriculture, forestry and fisheries sector advanced by 3.38%, contributing 6%; The industrial and construction sector increased by 7.51%, contributing 44%; The service sector rose by 6.64%, contributing 50%.

Despite positive GDP growth in the first half of the year, the economic situation remains difficult as the number of businesses temporarily ceasing operation increased by 18.6% YoY, while the number of newly registered enterprises grew by only 6.1%. Besides, credit growth in 6M2024 is only nearly 4.5% and public investment disbursement has only reached about 30% of the Prime Minister's plan for the whole year.

Historical and 2024 credit growth (YTD)

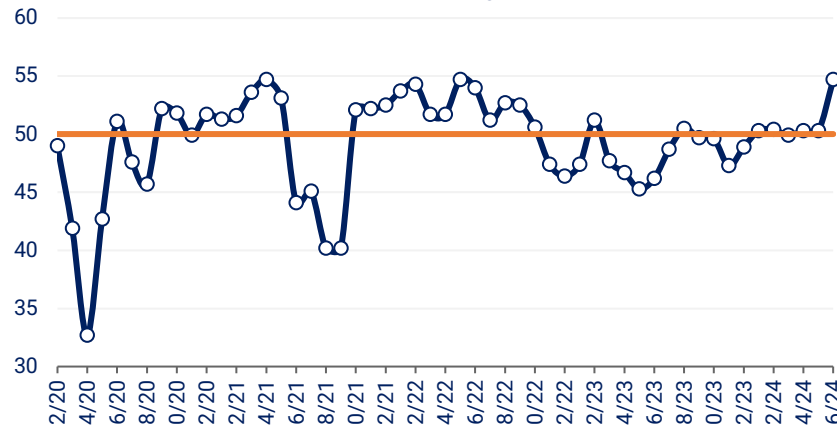


As of June 24, according to data from the General Statistics Office, the credit growth is estimated to reach 4.45% compared to the end of 2023, still quite slow compared to the first half of the previous years.

Credit growth in Q2 improved mainly thanks to the acceleration in June. Lending interest rates are aimed to remain low to stimulate credit demand, and create favorable conditions for businesses, even though deposit rates have recently increased by 0.5%/year.

In the second half of 2024, credit is expected to continue to strengthen as most credit contracts that businesses negotiated at the beginning of the year will be disbursed.

Manufacturing PMI

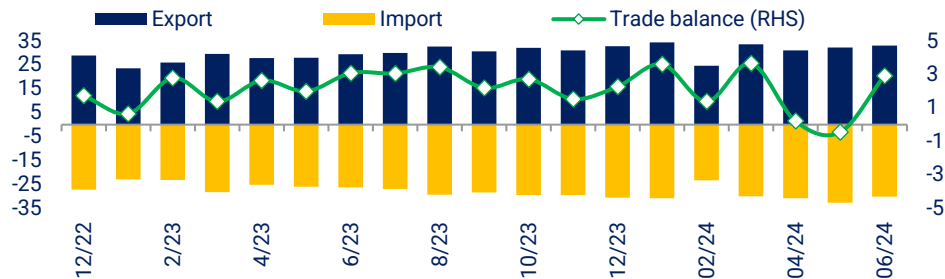


Source: IHS Markit

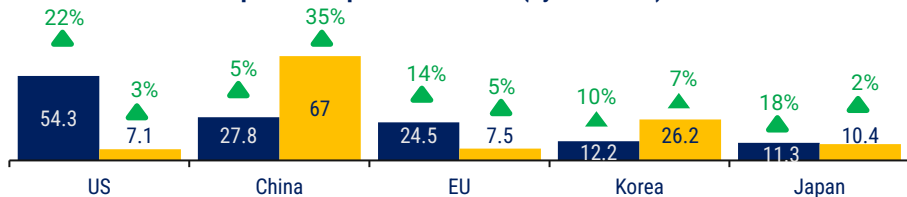
The Purchasing Managers' Index (PMI) for the manufacturing sector unexpectedly surged to 54.7 points in the final month of Q2 after hovering around the 50-point mark since the beginning of the year, indicating significantly improved business conditions. Specifically:

1. New orders saw their strongest increase since March 2022, leading to production levels reaching their highest growth in over 5 years.
2. Employment was also bolstered to meet operational capacities, supporting the rising production demand.
3. Delivery time was shortened for the first time this year due to improved availability of raw materials, though challenges in sea transportation persist.

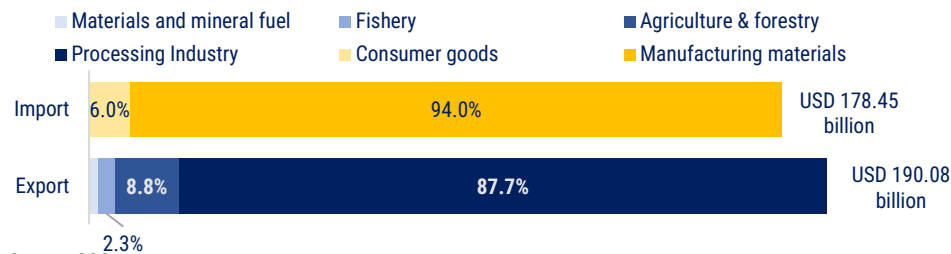
Monthly Vietnam trade balance



Exports & Imports in 6M2024 (by countries)



Exports and Imports in 6M2024 (by goods groups)



Source: GSO

Export turnover in Q2 is estimated to be USD 97.2 billion, up 12.5% YoY and up 4.6% QoQ. Imports are estimated at USD 93.4 billion, up 19.8% YoY and up 9.7% QoQ. Year to date, the trade balance has a surplus of USD 11.6 billion, with the domestic economic sector having a trade deficit of USD 12.4 billion, while the foreign-invested sector having a surplus of USD 24 billion.

Import activities in Q2 rose sharply compared to Q1. May 2024 recorded the first trade deficit since January 2023. Import growth mainly serve production demand and meet the increased number of export orders. Imports of production materials in Q2 accounted for the majority of import turnover (94%); an increase of about 9.9% QoQ and 17.3% YoY. Computers, electronic products and components have the largest import value with USD 24.7 billion, up 29% YoY.

In terms of trade partners, the United States is Vietnam's largest export market with about USD 54.3 billion (+22% YoY). China is the biggest import market with a total value of USD 67 billion (+35% YoY).

02

GOVERNMENT BOND MARKET

In Q2/2024, the State Treasury called for 60 auction sessions of Government bond with the total offering value of VND 140,500 billion, the winning value was VND 76,273 billion, and the winning ratio was 54.3%.

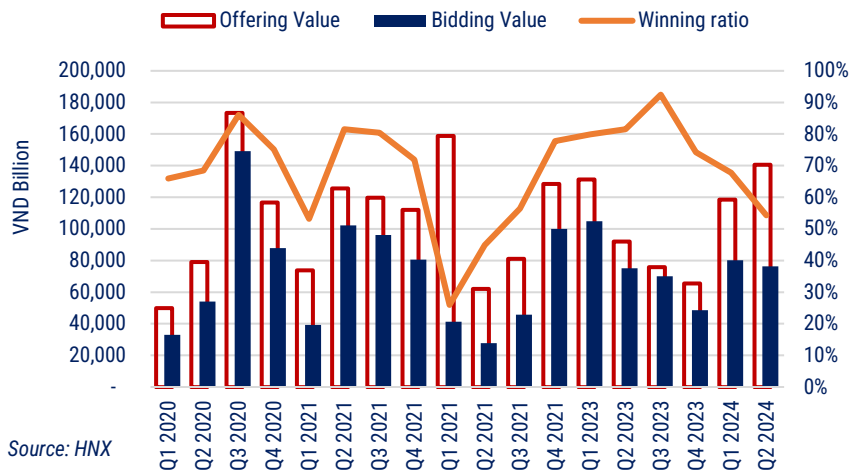
The total auction winning value since the beginning of 2024 reached 39.1% of this year's plan (VND 400,000 billion), of which the issued value of G-bonds in Q2 reached 63.6% of the 2nd quarter's plan (VND 120,000 billion).

In Q2, the Vietnam Development Bank (VDB) and the Vietnam Bank for Social Policies (VBSP) did not issue G-guaranteed bonds.

	Q2/2024	5Y	7Y	10Y	15Y	20Y	30Y	TOTAL
Issued value of Q2	20,500	0	40,966	9,935	2,800	2,072		76,273
Plan of Q2	20,000	5,000	40,000	45,000	5,000	5,000		120,000
% Completion	102.5%	0%	102.4%	22.1%	56.00%	41.4%		63.6%

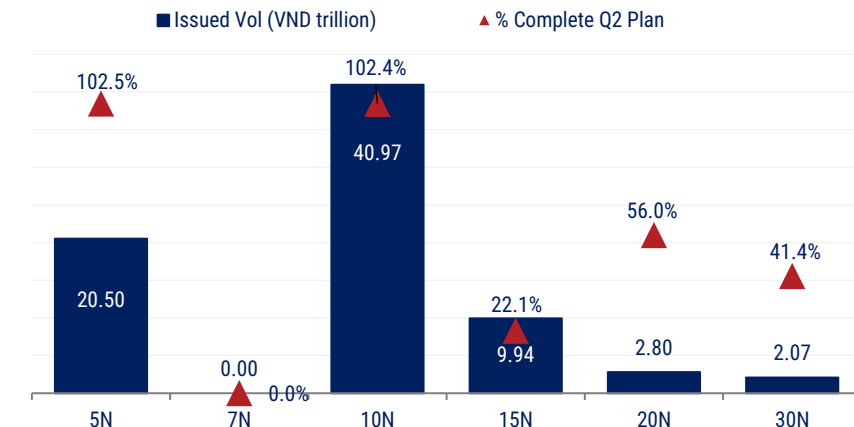
Unit: VND billion

Government Bond winning ratio



Source: HNX

Issuing value by tenor in Quarter 2, 2024



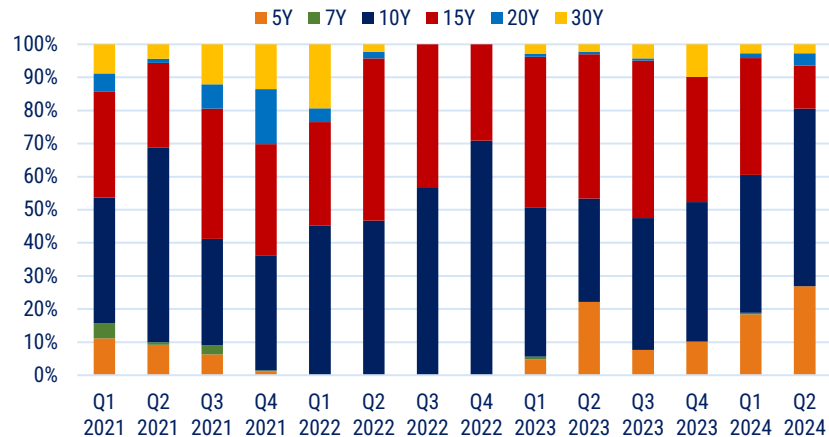
Source: HNX

In Q2/2024, 5-year and 10-year bonds accounted for most of the total winning value with VND 20,500 billion and VND 40,966 billion, respectively. The issuing values of 15-year, 20-year and 30-year bonds were VND 9,935 billion, VND 2,800 billion and VND 2,072 billion, in that order. There was no winning bid for 7-year bonds. 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 Q2 is 10.22 years, with an average interest rate of 2.42%.

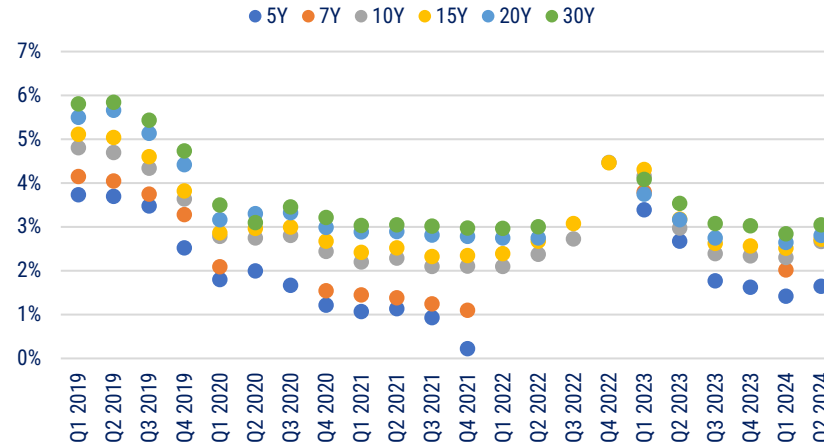
The average issuance interest rate in Q2/2024 ended the downward trend that had begun in early 2023 across all tenors. Specifically, the 20-year issuance rate reached 2.81% (16 bps higher than Q1), while the 15-year and 30-year tenors both increased by 20 bps to 2.72% and 3.05% respectively. The 5-year and 10-year tenors reached 1.65% and 2.67% (up 23-36 bps). There was no winning bid for 7-year tenor in the quarter.

Proportion of winning value by tenors



Source: HNX, VBMA

Average issuing rate by tenors



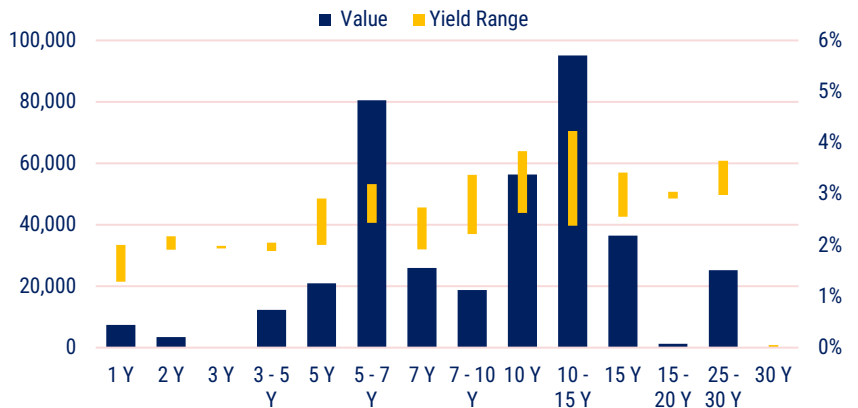
Source: HNX, VBMA

Total trading volume of Government and Government-guaranteed bond Q2/2024: **VND 688,887 billion**
 In which, Outright trading volume: **VND 423,880 billion**
 Repo trading volume: **VND 265,007 billion**

Total Outright transaction value in Q2/2024 increased by almost 6% and Repo transaction value rose about 36% compared to the previous quarter. The average daily transaction value of Outright and Repo transactions reached VND 6,949 billion/day (up 2.5% QoQ) and VND 4,344 billion/day (up 31.4% QoQ).

Q2 credit growth was slower than the same period in previous years but improved compared to Q1. The SBV continued to issue SBV-bills in the 2nd quarter, withdrawing VND 121,790 billion from the system, this helped Repo transactions surge to VND 265,007 billion. Outright transaction values also increased to VND 423,880 billion. Transactions with tenors from 10 to 15 years continued to dominate the outright transaction values, with average yields ranging from 2.38% to 4.2%. Most Repo transactions were conducted with a 14-day tenor, with transaction rates ranging from 3.64% to 4.2%.

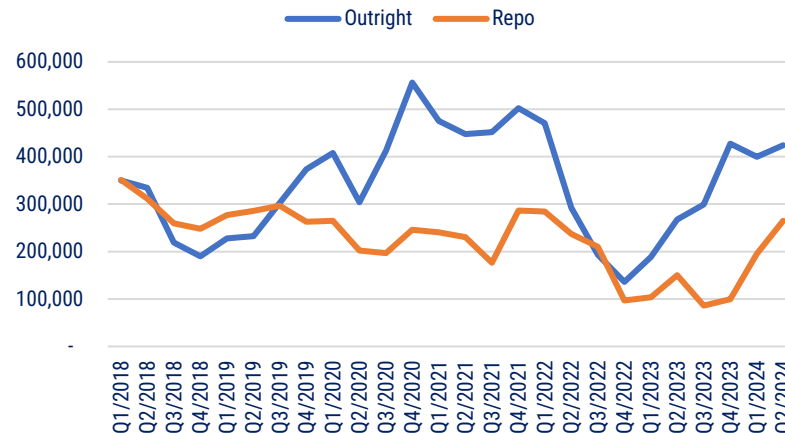
Trading value and yield range of Outright transactions by remaining tenors



Unit: VND billion

Source: HNX, VBMA

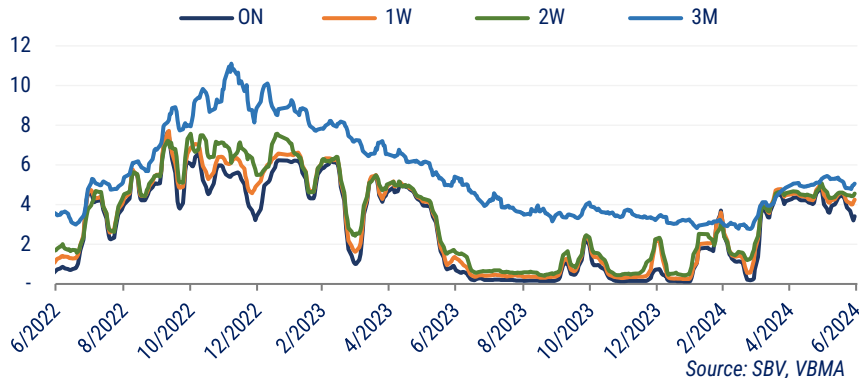
Trading value of outright and repo



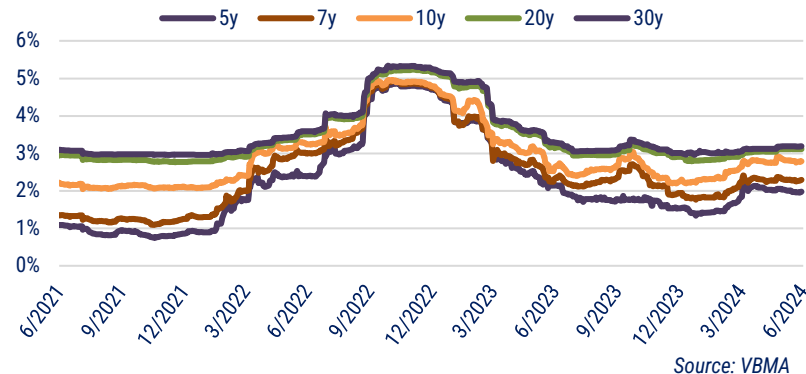
Unit: VND billion

Source: HNX, VBMA

Average interbank interest rate



G-Bond yield - Secondary market



According to the VBMA Outright trading room, Government bond yields across all maturities by the end of Q2/2024 increased compared to the end of Q1. Specifically: Yields for maturities under 5 years saw significant increases ranging from 164 to 296 basis points. Yields for maturities over 10 years rose from 138 to 158 basis points, while the 7-year maturity saw an increase of 66 basis points.

The gap between US and Vietnam bond yields remained high but narrowed in Q2 amid the backdrop of the US core PCE inflation slowing to 2.6% in May, reduced consumer demand, and an increase in unemployment rates in June, contributing to cooling inflationary pressures in the US. However, Federal Reserve Chairman Jerome Powell emphasized the need for further favorable economic data and expressed concerns that premature interest rate cuts could reignite inflation.

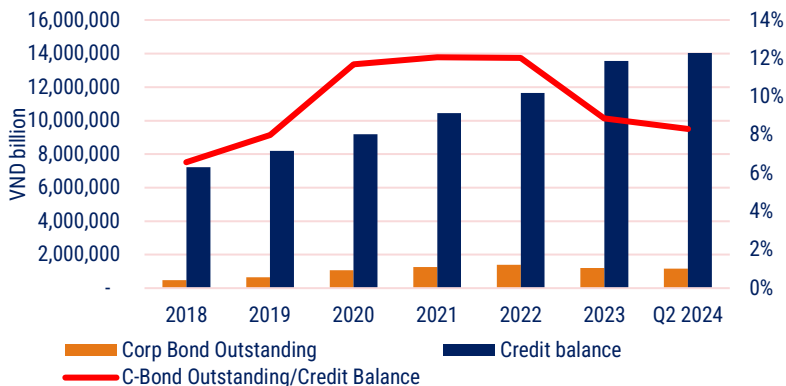
Domestically, the State Bank of Vietnam (SBV) continued issuing bills throughout Q2 and sold billions of USD to curb the appreciation of the USD/VND exchange rate. SBV's liquidity tightening actions, coupled with improved credit demand in Q2, contributed to higher interbank interest rates during this period. Specifically, overnight (ON), 1-week (1W), 2-week (2W), 3-month (3M), and 6-month (6M) interest rates were higher by 107 to 218 basis points compared to the end of Q1. Meanwhile, 1-month (1M) and 9-month (9M) term rates increased by approximately 77 to 97 basis points. However, the SBV is expected to maintain stable interest rates to support the domestic currency, stimulate credit growth, and foster economic development in the near term.

In the Repo market, transaction rates quoted by VBMA Repo market makers surged by 162 to 179 basis points for maturities under 3 months, and by 53 to 102 basis points for longer maturities.

03

CORPORATE BOND MARKET

Outstanding corporate bond and credit balance



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

Vietnam Corporate Bond market size: ~11.2% of GDP. Compared to other countries in South Asia as Malaysia (53.6% GDP), Thailand (26.7% GDP), the market size of Vietnam is relatively small.

The outstanding value of corporate bond accounted for about 8.4% of Vietnam economy's total credit balance, about 0.5 percentage point lower compared to the end of 2023. Outstanding corporate bond value at the end of Q2 of 2024 was 3% lower compared to the end of 2023 at over VND 1.17 quadrillion.

(**) According to data published by HNX and SSC as of 28th June 2024

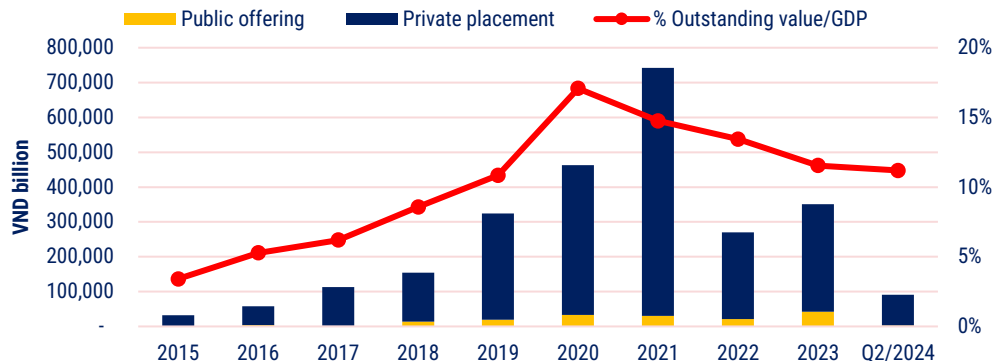
Total domestic issuance :



In Q2 of 2024, there were 4 bond issuances through public offering worth VND 2,500 billion, accounting for 2.7% of the total issuance value; and 84 issuances through private placement worth VND 88,719 billion, accounting for 97.3%.

In contrast to Q1, the issuance activity in Q2 became much more active, particularly with a significant surge in issuance from the Banking and Real Estate sectors. This increase can be attributed to improved credit activities by banks and the demand to offset maturing corporate bond. In the past quarter, nearly VND 67,800 billion of corporate bonds came due.

Public offering and private placement



Sources: HNX, GSO, VBMA

Unit: VND billion

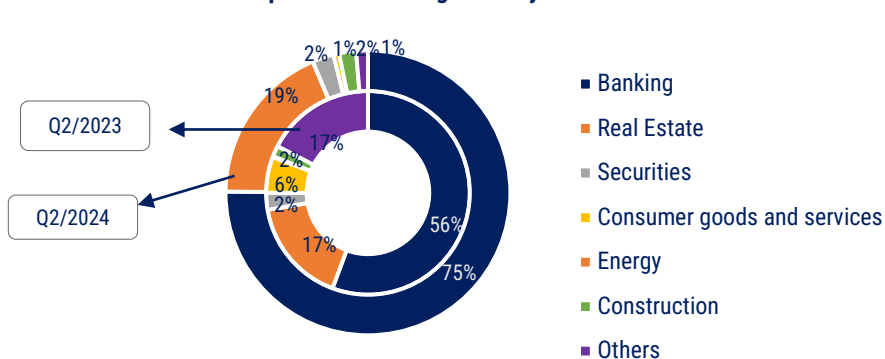
Sector	Q2/2024	Q2/2023	%YoY
Banking	68,546	21,356	221%
Real Estate	16,900	6,395	164%
Securities	2,216	1,023	117%
Consumer goods and services	590	2,200	-73%
Energy		40	-100%
Construction	1,750	671	161%
Others	1,217	6,680	-82%
Total	91,219	38,364	138%

Data was collected by VBMA from HNX and SSC websites as of June 28, 2024

Compared to the same period last year, the value of corporate bonds issued in Q2 increased by about 138% to VND 91,219 billion. The majority of bonds issued belong to the Banking sector with VND 68,546 billion, accounting for 75% of the total issuance value.

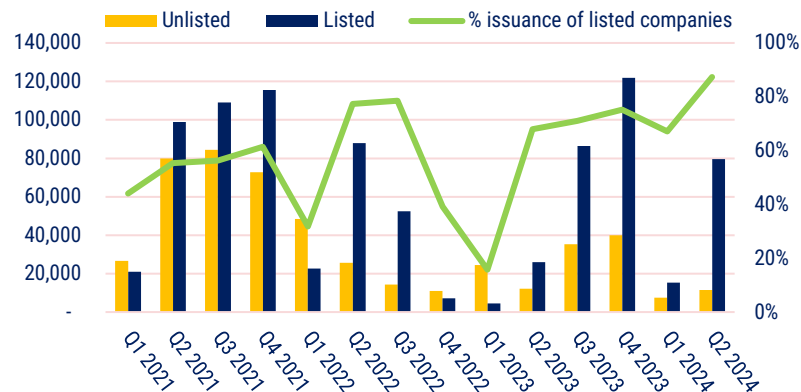
Issuance activities in the corporate bond market still have many difficulties as the amount of issuance from manufacturing, consumer goods and services enterprises are almost nonexistent. Most issuances come from commercial banks.

Proportion of issuing value by sectors



Source: HNX, VBMA

Bond Issuance Value by issuers' listing status

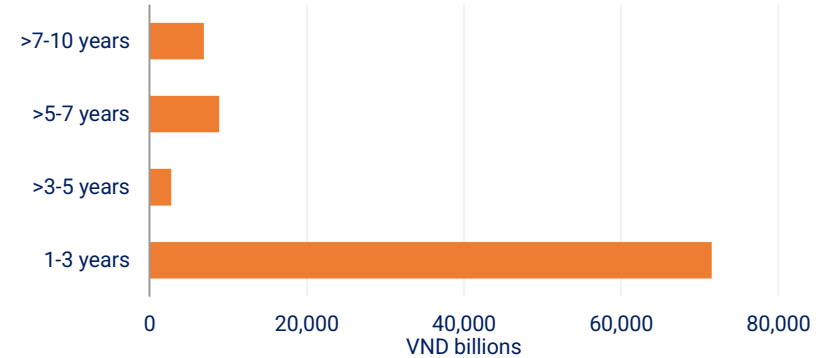


78% of corporate issued in Q2 had tenors from 1 to 3 years

Average issuing coupon rate in Q2/2024: **6.62%/year**
Average issuing tenor in Q2/2024: **3.66 year**

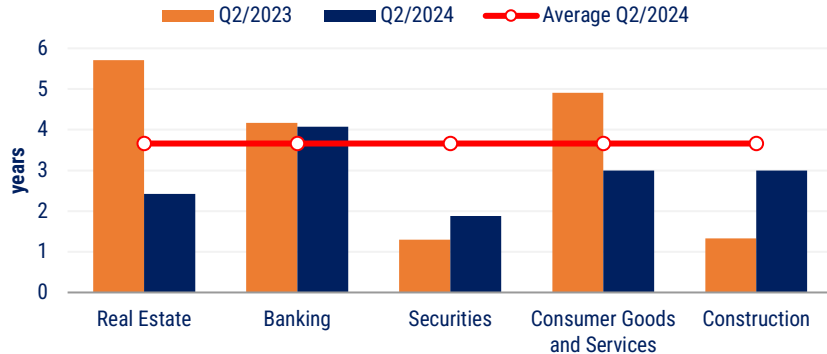
Corporate bond issuance interest rates in Q2 decreased in most sectors compared to the same period of 2023, the average interest rate slumped by 3.17 percentage points. Compared to Q1 of 2024, issuance interest rates also cooled down in all sectors except real estate. This trend is somewhat surprising given the overall rising interest rate environment in Q2, coupled with the need for issuances to offset maturing bond during the quarter.

Issuing value by tenors



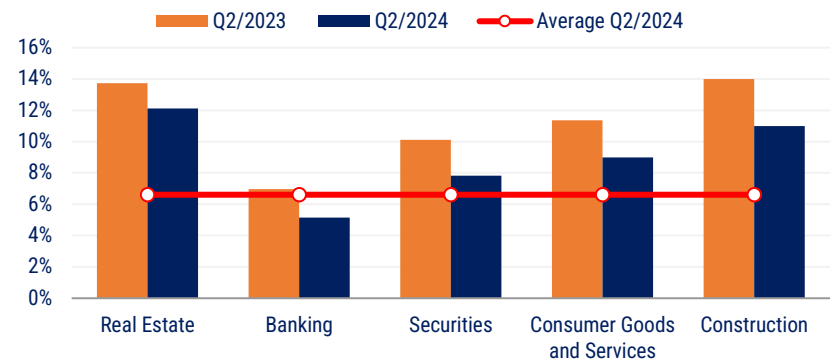
Source: HNX, VBMA

Average issuing value by tenors (year)



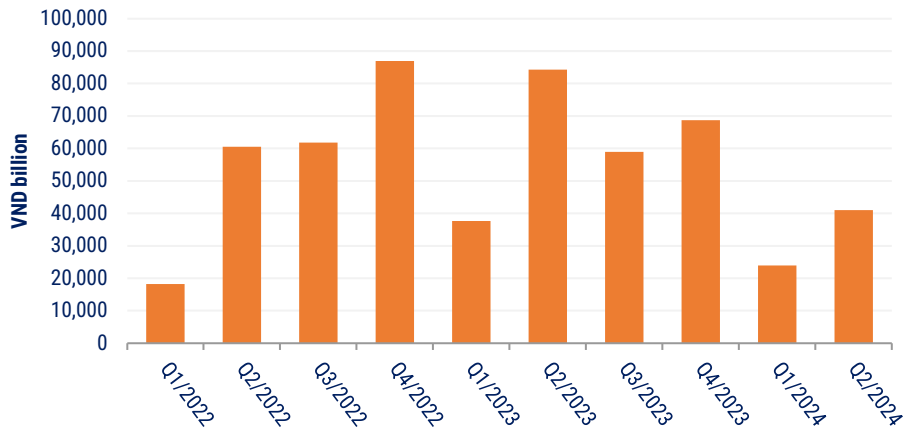
Source: HNX, VBMA

Average Coupon Rate



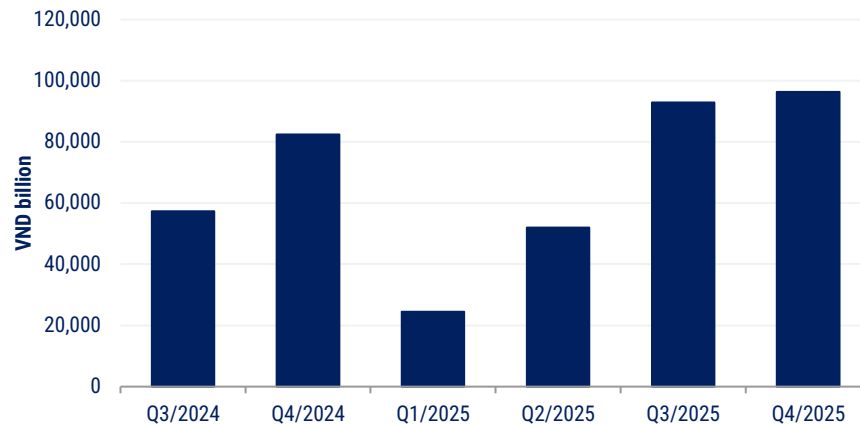
Source: HNX, VBMA

Total value of bonds redeemed before maturity



Source: HNX, VBMA

Corporate bond maturing value 2024-2025



Source: HNX, VBMA

In Q2 of 2024, the value of bonds redeemed before maturity was VND 41,011 billion, down 51.3% compared to the same period in 2023. The value of bonds maturing in the remaining 6 months of the year is VND 139,675 billion, of which VND 58,782 billion is real estate bonds, equivalent to 42%; and 16% are banking bonds, worth VND 22,498 billion.

The value of bonds with delayed interest and principal payments in Q1 of 2024 is VND 11,362 billion, slightly higher than Q1/2024. The majority of accumulated defaults from November 2022 are real estate bonds, accounting for 63% of the total default.

On the secondary market, the value of privately-placed bond transactions reached VND 265,456 billion in Q2/2024, an average of USD 4,352 billion/day, 17.6% higher than Q1/2024. The majority of bonds traded were issued by banks. Of the top 10 issuers with the most traded bonds, 6 were commercial banks.



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

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