

VBMA Bond market report

Third quarter - 2022

SUMMARY

MACROECONOMIC OVERVIEW

- Vietnam's third-quarter real GDP grew 13.67% from a year earlier, the fastest pace in a decade, partially driven by a low-base effect in the year-ago period when the Covid-19 pandemic hit the local economy hard.
- Almost all major central banks in the world have raised their policy rates in an attempt to fight back domestic inflation except for China and Japan.
- In line with the US Dollar rally mainly driven by Fed's aggressive rate hikes, Asia countries witnessed one of the biggest drawdown of foreign reserves in recent years, since their central banks needed to deploy FX reserves in fighting currency bears.
- The consumer price index (CPI) posted a year-on-year increase of 2.73% in the first 9 months on average, while the core inflation rose 1.88%.

PRIMARY MARKET

| GOVERNMENT BOND | Q3/2022 | Q2/2022 | Q3/2021 | %Q/Q | %Y/Y | % quarterly plan | % annual plan (YTD) |
|-----------------|---------------|---------------|---------------|------------|-------------|------------------|---------------------|
| 5-year tenor | - | - | 6,079 | - | - | - | - |
| 7-year tenor | - | - | 2,700 | - | - | - | - |
| 10-year tenor | 25,830 | 13,000 | 33,748 | 99% | -23% | 86% | 41% |
| 15-year tenor | 19,865 | 13,605 | 37,984 | 46% | -48% | 57% | 31% |
| 20-year tenor | - | 580 | 7,065 | - | - | - | 8% |
| 30-year tenor | - | 620 | 11,613 | -100% | -100% | - | 25% |
| Total | 45,695 | 27,805 | 99,189 | 64% | -54% | 54% | 29% |

CORPORATE BOND

| | Q3/2022 | Q2/2022 | Q3/2021 | %Q/Q | %Y/Y |
|-------------------|---------------|----------------|----------------|-------------|-------------|
| Public offering | 59,771 | 112,833 | 190,262 | -47% | -69% |
| Private placement | 1,603 | 300 | 2,000 | - | - |
| Total | 61,374 | 113,133 | 192,262 | -46% | -68% |

SECONDARY MARKET

| GOVERNMENT BOND | Q3/2022 | Q2/2022 | Q3/2021 | %Q/Q | %Y/Y |
|----------------------------|----------------|----------------|----------------|-------------|-------------|
| Outright transaction value | 193,163 | 103,962 | 451,804 | 86% | -57% |
| Repo transaction value | 210,114 | 66,671 | 176,269 | 215% | 19% |
| Total | 403,277 | 170,633 | 628,073 | 136% | -36% |



01

**MACROECONOMIC
OVERVIEW**

02

**GOVERNMENT BOND
MARKET**

03

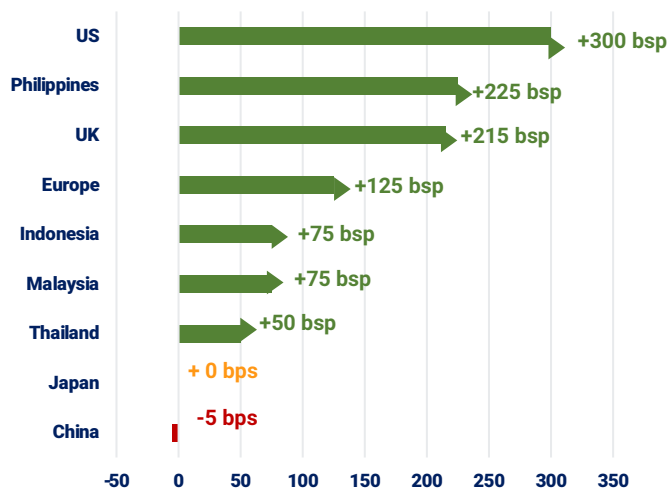
**CORPORATE BOND
MARKET**

1.

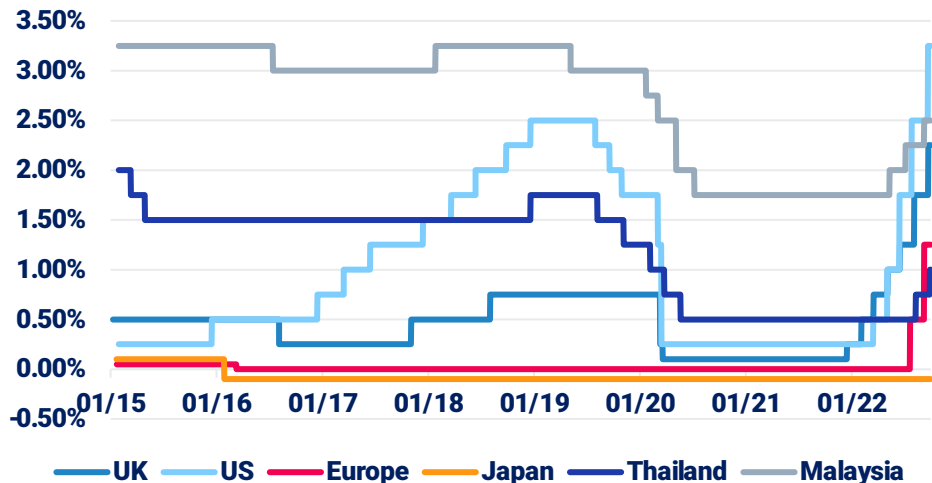
MACROECONOMIC OVERVIEW

Strong USD exerting pressure on developing countries

Change in policies rate since Jan 2021

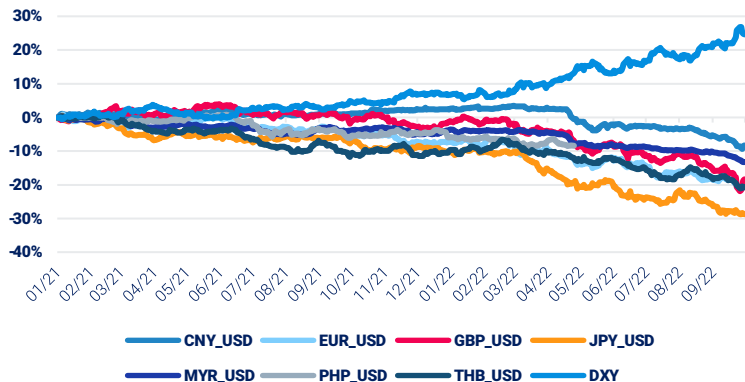


Policies rates

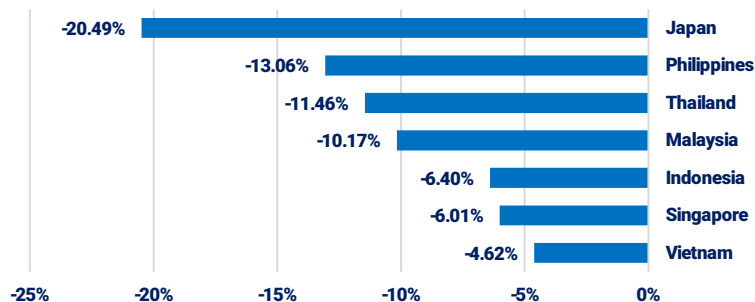


Almost all major central banks in the world have raised their policy rates in an attempt to fight back domestic inflation. Developed countries (UK, US, Europe) are the first economies to kick off a rate-hiking cycle as they experienced a recovery phase in 2021, earlier than developing economies such as Thailand, Malaysia, and Vietnam. China and Japan are exceptions, where policymakers intend to support the economy by keeping the rate at an ultra-low level. Following a global monetary tightening, the State Bank of Vietnam (SBV) decided to lift their policy rates by 100 basis points, effective from 23rd September, 2022.

DXY and currencies since 2021



Currencies performance YTD



| Country | 12/1/2021 | 9/30/2022 | Δ in USD bn | Δ in percent |
|---------------|-----------|-----------|-------------|--------------|
| Singapore (*) | 417.9 | 286.1 | -131.84 | -31.5% |
| Philippines | 108.8 | 95.0 | -13.80 | -12.7% |
| Indonesia | 144.9 | 130.8 | -14.10 | -9.7% |
| Malaysia | 116.9 | 106.1 | -10.80 | -9.2% |
| Thailand | 221.5 | 202.8 | -18.74 | -8.5% |
| Japan | 1,294.0 | 1,240.0 | -54.00 | -4.2% |

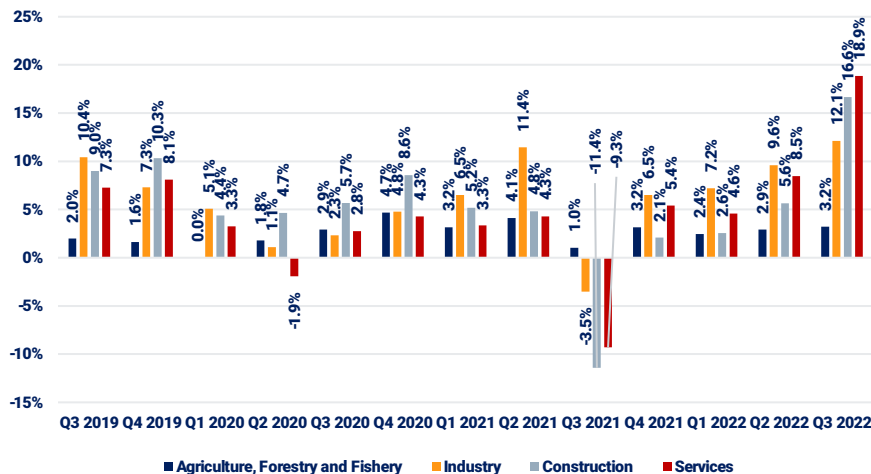
(*) Monetary Authority of Singapore (MAS) have a mechanism to transfer assets that they deem to be in excess of the requirement to maintain the exchange rate back to Government. MAS made SGD 75 billion (USD 52.2 billion) to Government in April 2022. Therefore, the actual decline in foreign reserve should be USD 79 bn, equivalent to a decline of 22% of the total reserve

In line with Fed's aggressive rate hikes, the greenback has ruled the roost in 2022. Closing at 112.12 points by the end of September, the US Dollar Index (DXY) continues to set new highs in the recent two decades. Until now, despite numerous attempts to defend the local currency amid the dollar rally, all the major currencies in the ASEAN-6 region have depreciated against the USD, ranging from about 4.62% to as much as 13.6%.

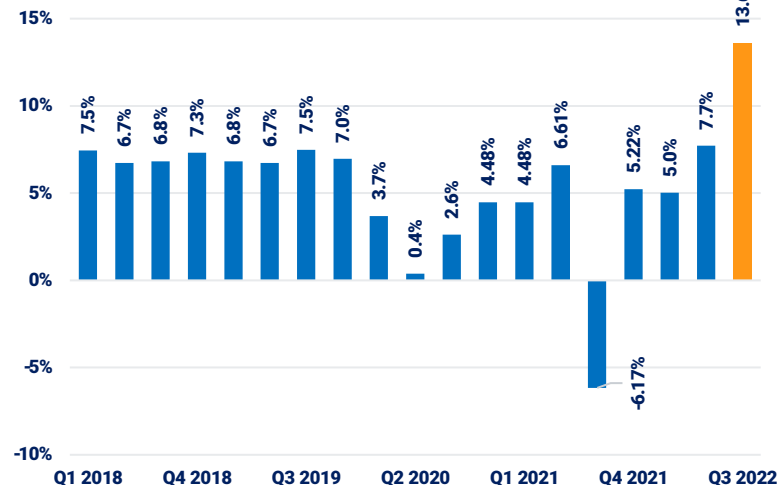
According to Reuters, the 6-month drawdown of foreign reserves in Asia was about 6.2% total FX reserves of all countries, the biggest level since 2015-16.

Vietnam's economy registered a double-digit growth in QIII/2022, partially thanks to a low base effect

Real GDP growth of sectors



Real GDP growth

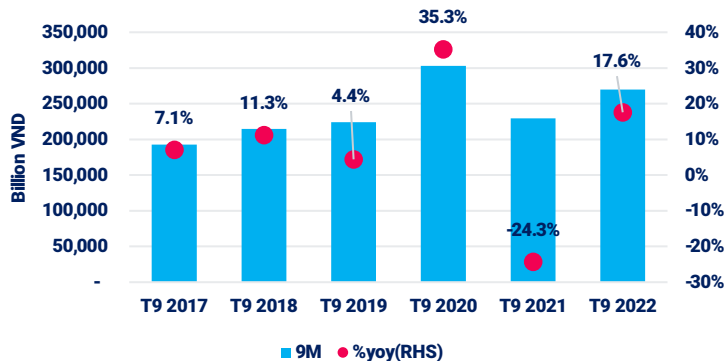


Vietnam's third-quarter real GDP grew 13.67% from a year earlier, the fastest pace in a decade, partially driven by a low-base effect in the year-ago period when the Covid-19 pandemic hit the local economy hard. Many aspects of the economy have been performing quite well: (1) the total retail of consumer goods and services in the 3rd quarter increased 41.7% yoy, (2) realized FDI in the first 9 months of 2022 increased 16.3%, and (3) a trade surplus in the first 9 months of 2022 amounted to US\$6.52 billion compared to the deficit figure of US\$2.55 billion the same period of last year. Another positive information in this quarter is that Moody's Investors Service ("Moody's") upgraded the Government of Vietnam's long-term issuer and senior unsecured ratings to Ba2 from Ba3 and changed the outlook to stable from positive.

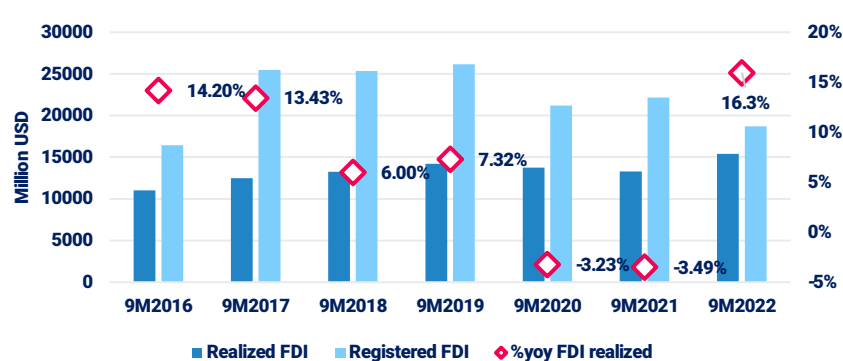
Note: GDP growth rate in 3rdQ of 2022 is calculated based on the latest number published by General Statistics Office (GSO) and these figures are different from the ones published in the same period last year.

Vietnam's economy registered a double-digit growth in QIII/2022, partially thanks to a low base effect

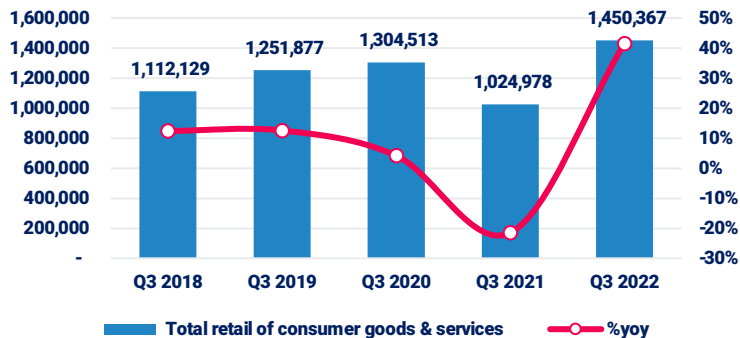
Capital disbursed from State Budget



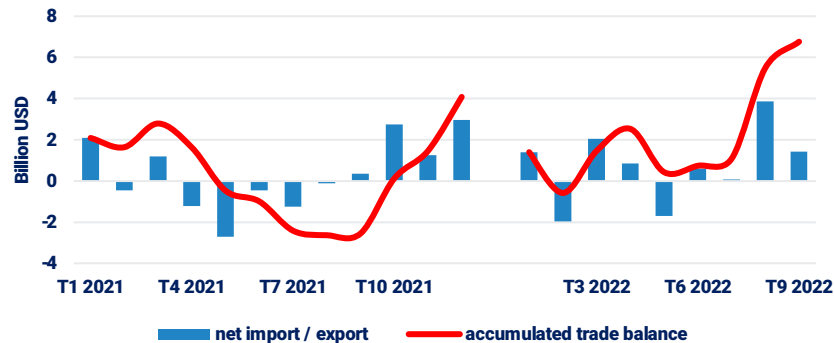
FDI Capital



Total retail value of consumer goods and services

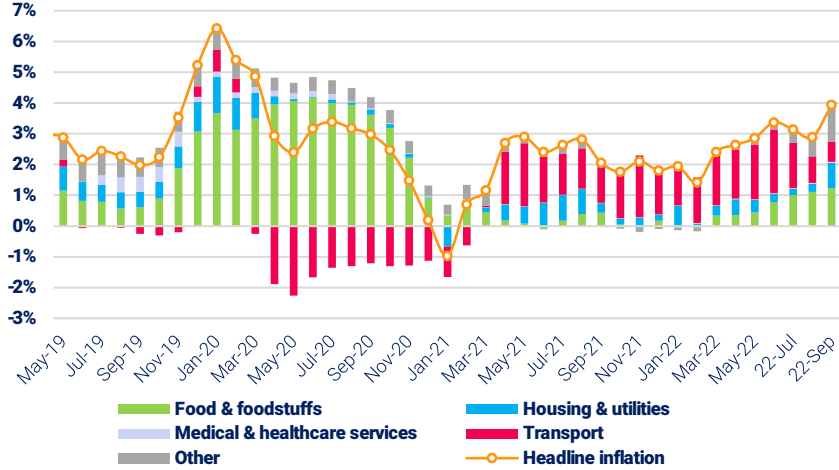


Trade balance

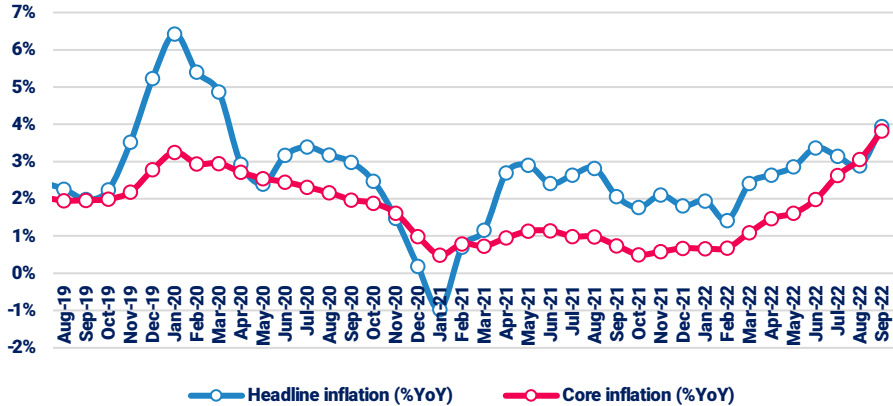


Spill-over effect of inflation

Contribution to Headline CPI



Inflation (%YoY)



In September, headline inflation and core inflation were 3.94% and 3.82% respectively. As usual, the Food & foodstuffs inflation reading continues to be the main drivers of headline inflation, contributing 1.2%, as this group has the highest weight in the CPI basket. Housing & utilities as well as education are also major contributors.

A rising core inflation indicates that not-so-temporary increase commodities-like categories, such as energy and foods, are transmitted to other groups as well. After the pandemic is controlled by vaccination, demand for commercial townhouses in tier 1 cities resumed, pushing up the price for such locations. Moreover, these property owners' might also jack up the rent to make up for a period without renters last year. Normally, the rent is the huge fixed cost of many businesses, so an increase in rent might have a spill-over effect to many other goods and services. Moreover, the rent of condominium also increased as students are allow to attend face-to-face lecture again. The transportation inflation eased up thanks to the high-base of oil price last year.

2.

GOVERNMENT BOND MARKET

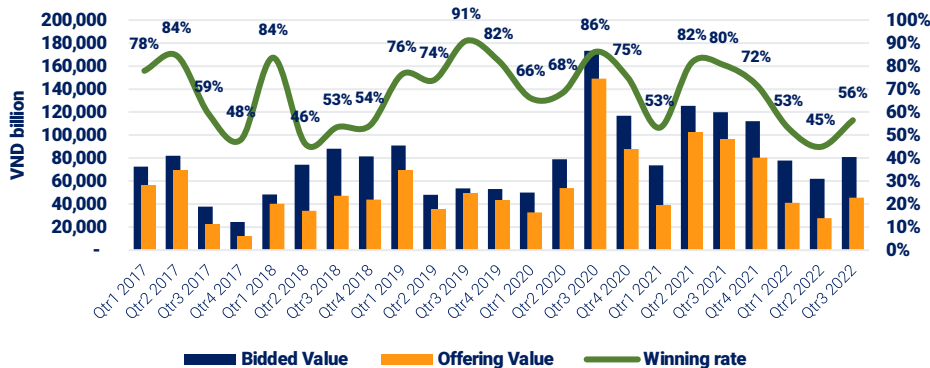
1. PRIMARY MARKET

Auction Result

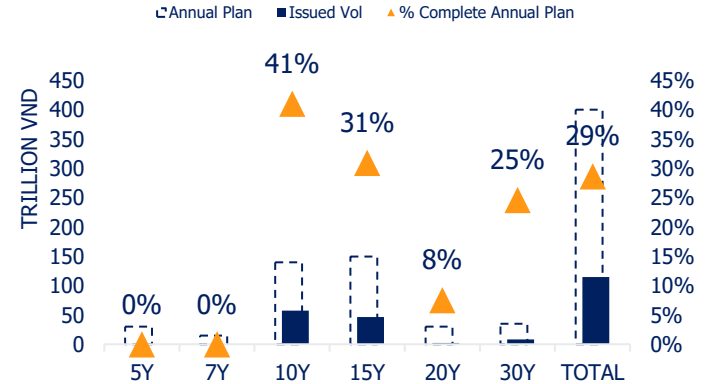
In QIII/2022, the State Treasury (VST) called for auction a total of VND 81,000 billion of Government Bond at tenors of 5 years (VND 2,000 billion), 7 years (VND 2,000 billion), 10 years (VND 37,000 billion), 15 years (VND 36,000 billion), 20 years (VND 1,500 billion) and 30 years (VND 2,500 billion), in which the winning value was VND 45,695 billion, the winning rate was 56.4%, the bidding rate was 139.4%. The total value of G-Bond issued in QIII/2022 reached 54% of the quarterly plan. Accumulated the 2 quarters of 2022, G-Bond's issuing value has reached 29% of 2022 plan.

| QIII/2022 | 5N | 7N | 10N | 15N | 20N | 30N | TOTAL |
|----------------------|-------|-------|--------|--------|-------|-------|--------|
| QIII plan | 5,000 | 5,000 | 30,000 | 35,000 | 5,000 | 5,000 | 85,000 |
| Issued value in QIII | 0 | 0 | 25,830 | 19,865 | 0 | 0 | 45,695 |
| % completion | 0% | 0% | 86% | 57% | 0% | 0% | 54% |

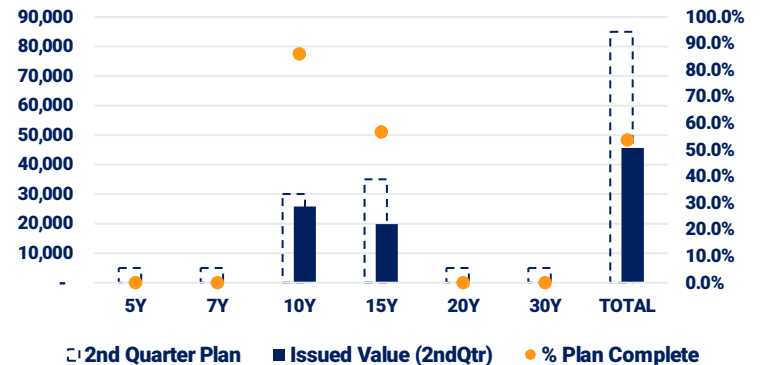
Government Bond winning rate



ISSUED VALUE BY TENORS



Auction results in QIII/2022

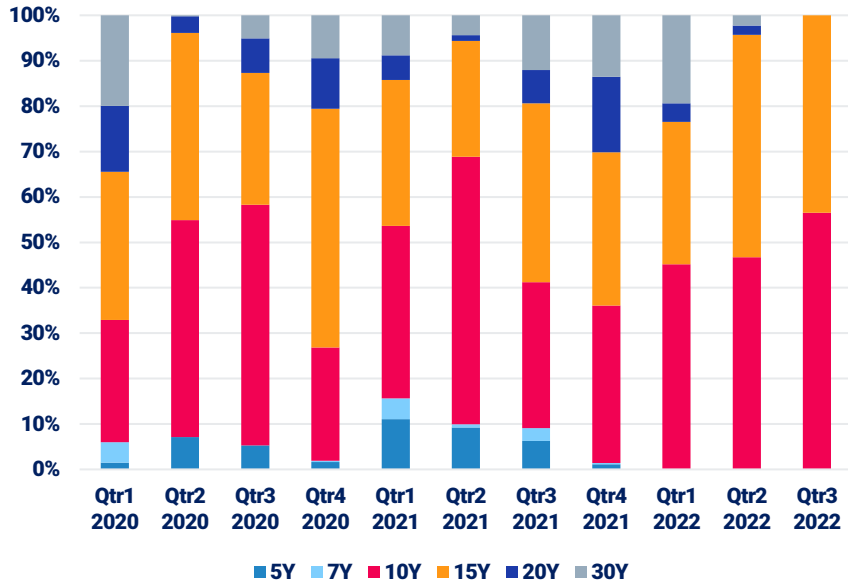


Tenors and issuing yields

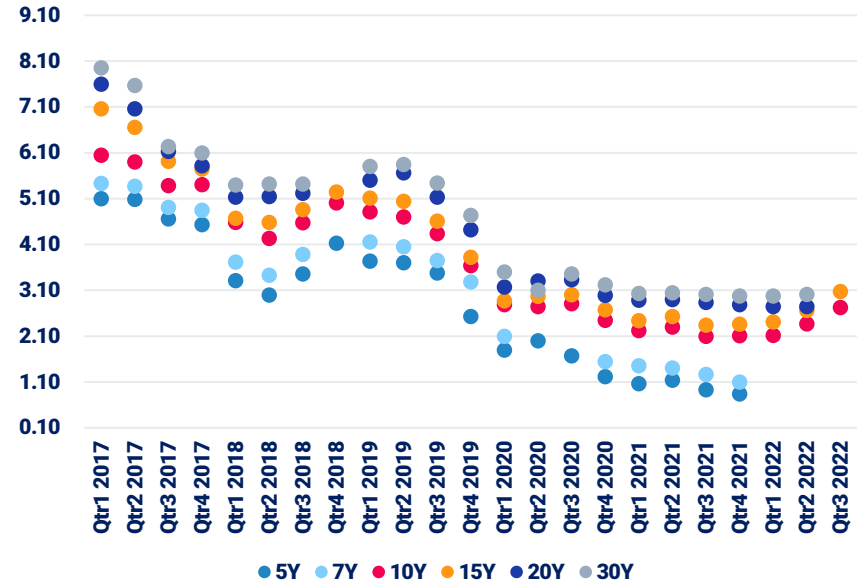
In the third quarter of 2022, 10-year and 15-year tenor bonds were issued the most, accounting for 56% and 44% of the total issuing volume. Other tenor bonds failed to call for bids.

Compared to QII/2022, the issuing rates increased at tenors of 10 years (+36 points), 15 years (+42 points).

Proportion of winning value by tenors

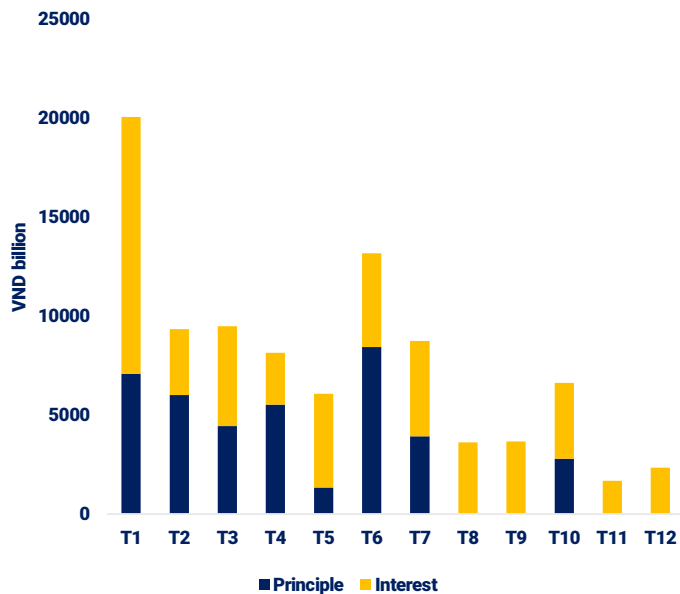


Average issuing rate by tenors

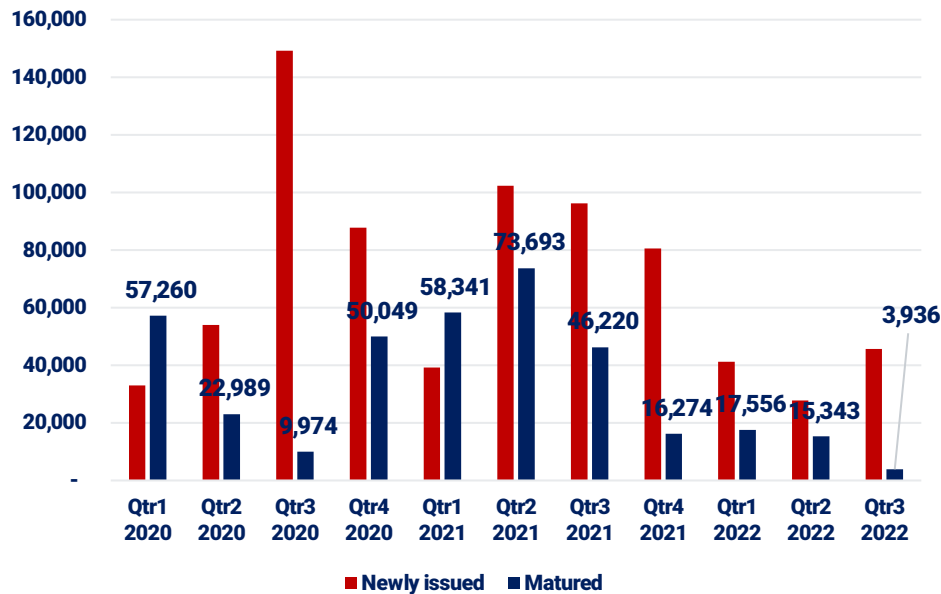


The volume of G-bonds matured in 2022 is about 40 trillion VND, mainly in the first 6 months of the year, in which there was about VND 17,556 billion in the first quarter and VND 15,343 billion in the second quarter. In QIII/2022, there was only 3,936 billion of G-bond matured in July. In QIV/2022, there will also be only 2,809 billion of G-bond matured in October.

G-bond maturity schedule



Issuing value compared to maturing value



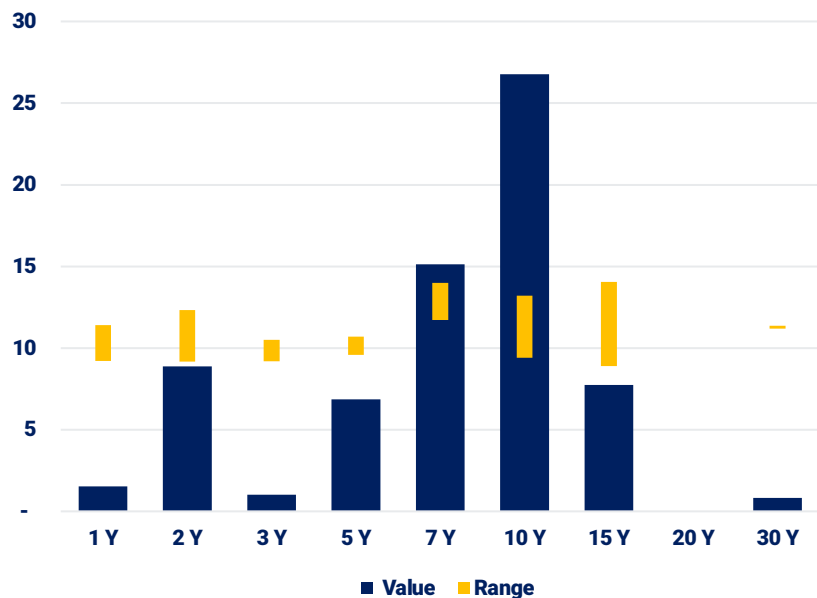
2. SECONDARY MARKET

Total trading volume of Government Bond : VND 403,277 billion
 In which, Outright trading volume : VND 193,163 billion
 Repo trading volume : VND 210,114 billion

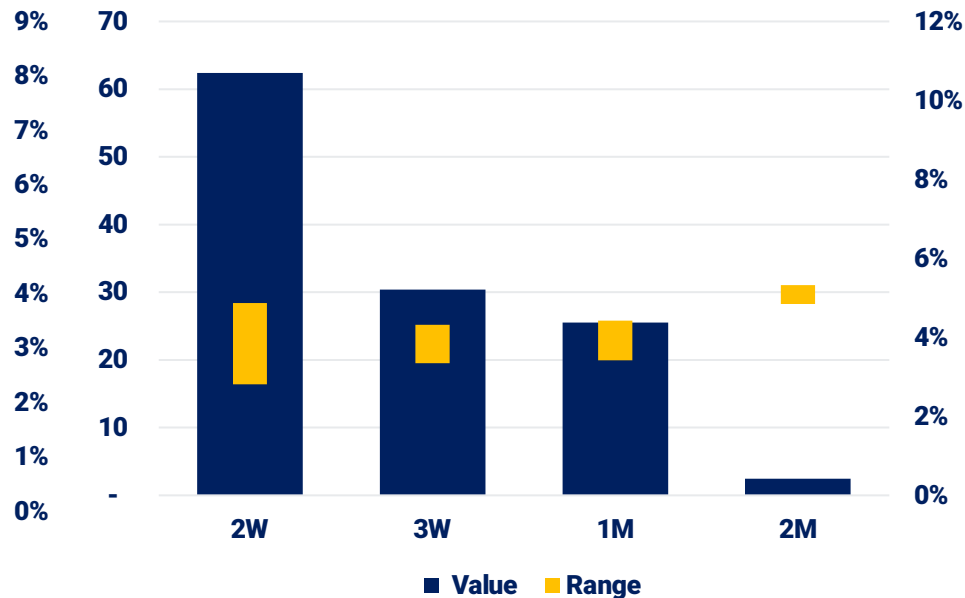
Outright transaction: 7-year bond and 10-year bond were traded the most, with trading yield ranging from 3.52% - 4.2% for 7-year tenor and 2.82% - 4.0% for 10-year tenor.

Repo transaction: 2-week and 3 week tenors were traded the most, with trading yield ranging from 2.81% - 4.9% for the 2-week tenor and 3.35 - 4.3% for the 3-week tenor.

Trading value and yield range by remaining tenors



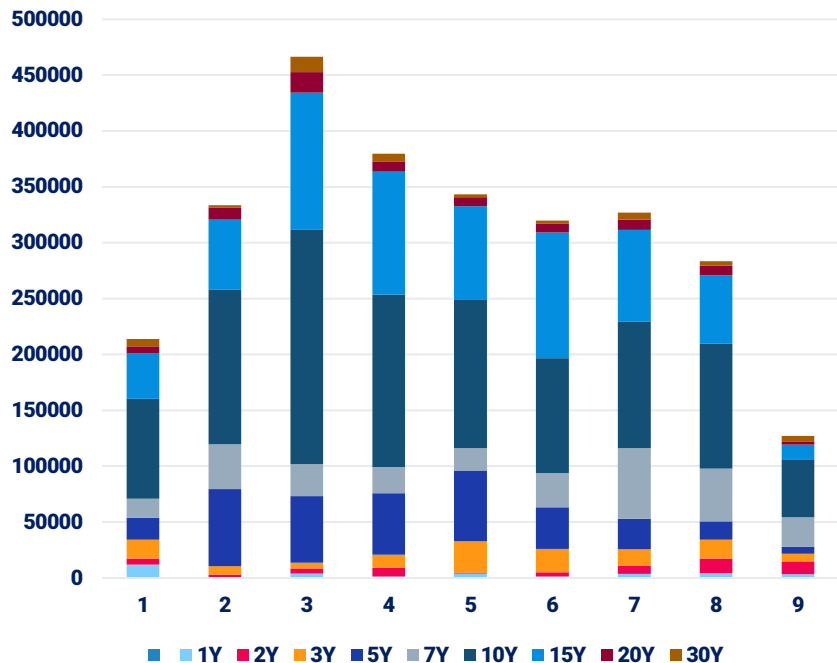
Trading value and yield range by remaining tenors



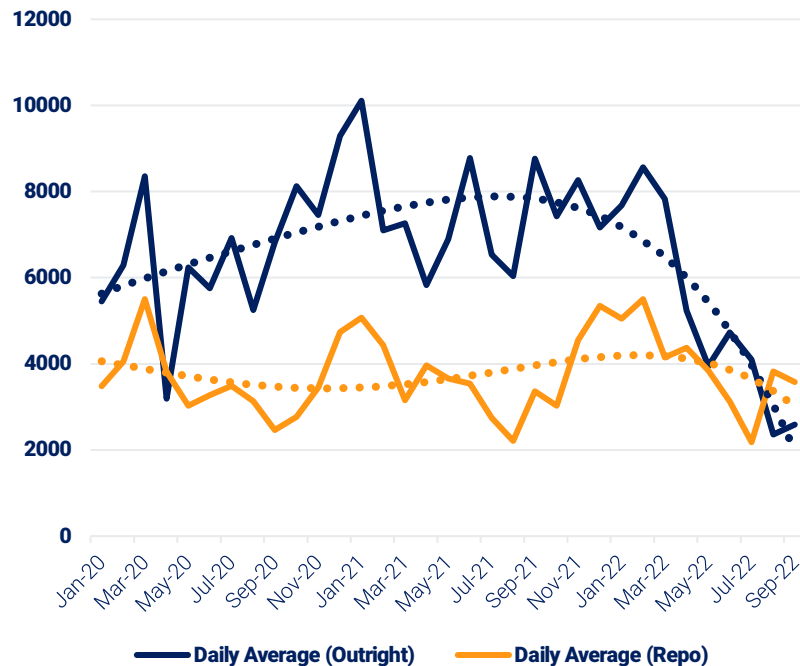
The total trading volume of Outright Government bonds decreased by 34% compared to QII/2022 and by 57.2% compared to the same period of 2021. The total volume of Repo transaction decreased by 11.5% compared to QII/2022, however, increased by 19.2% compared to the same period of 2021.

The average daily volume of Outright transactions decreased by 34.9% compared to QII/2022 and decreased by 57.6% in comparison with the same period of 2021. The average daily volume of Repo transactions decreased by 15.6% compared to QII/2022, however, increased by 15.1% in comparison with QIII/2021

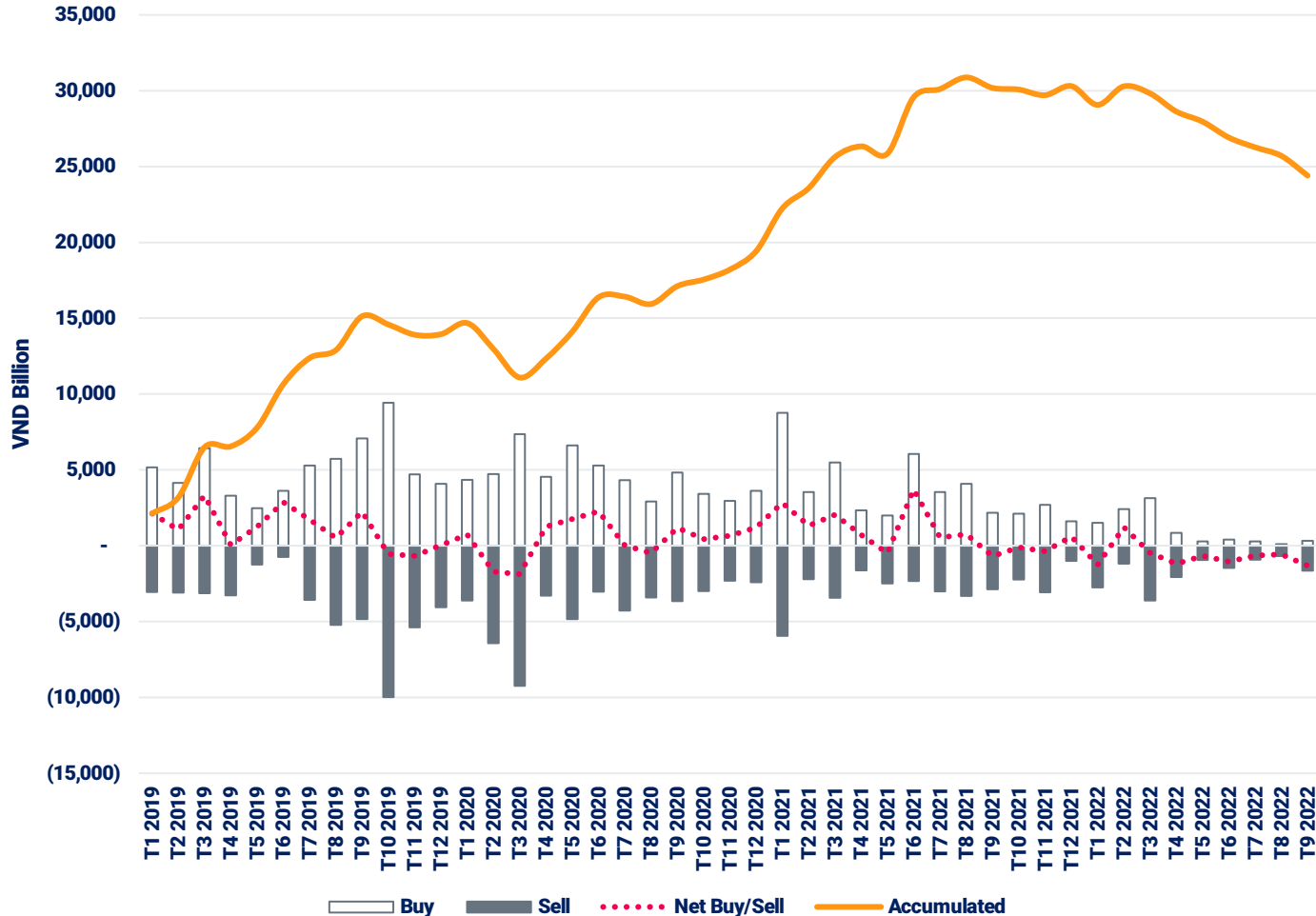
Proportion of trading value by tenors



Average daily trading volume



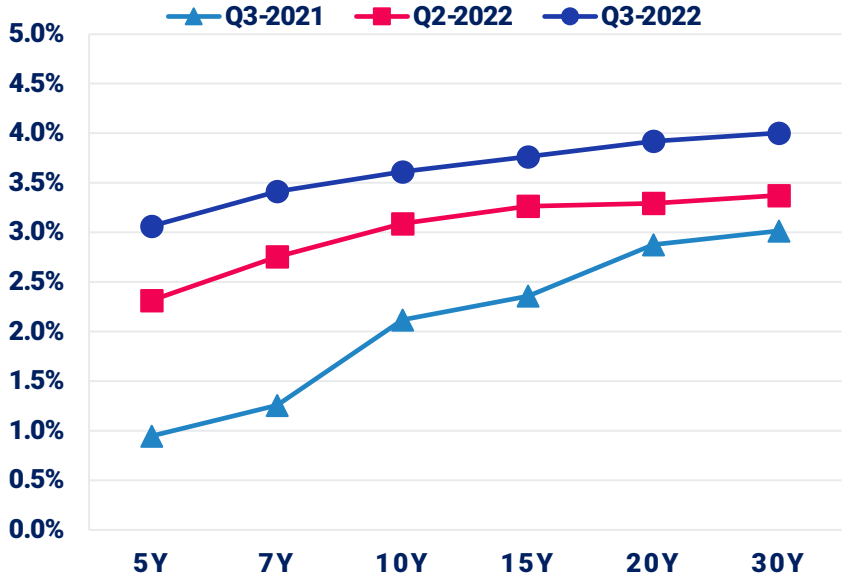
Foreign investors' trading value



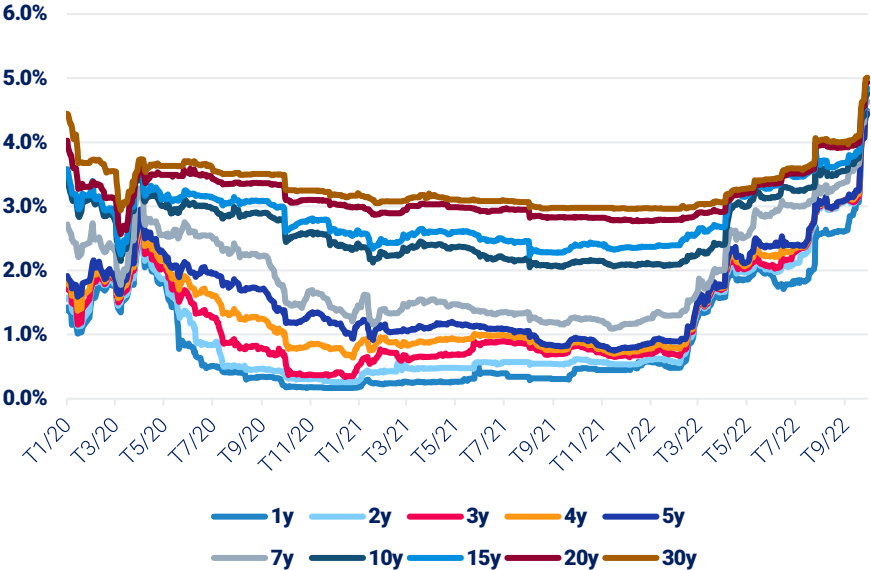
In QIII/2022, foreign investors net sold VND 2,508 billion of Government Bond (bought VND 724 billion and sold VND 3,232 billion). Accumulated since the beginning of the year, foreign investors have net sold 5,904 billion of G-bond. The total buying and selling volumes of foreign investors in QIII/2022 were 40% lower than the previous quarter and 79% lower than the same period last year.

The most-traded tenors were 25 years and 7 year. The Outright trading value of foreign investors accounted for 1.3% of the whole market's outright trading value.

VBMA government bond yield



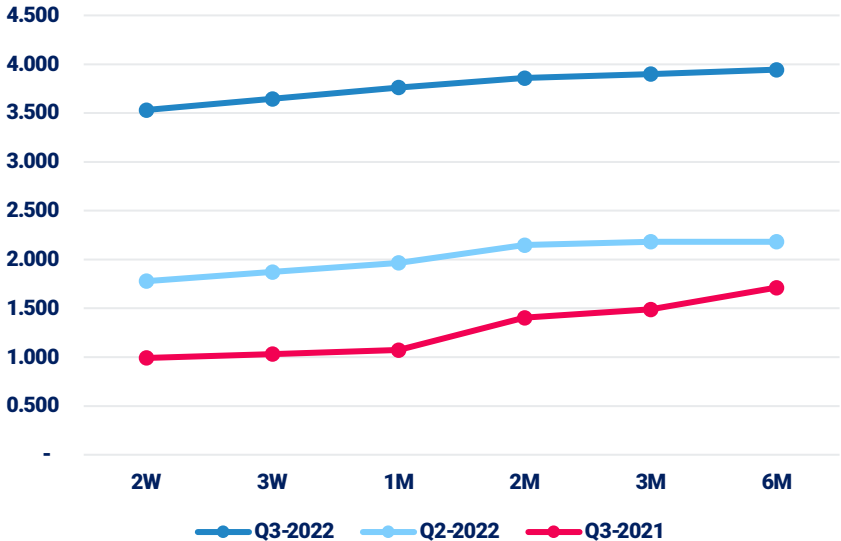
VBMA government bond yield movement



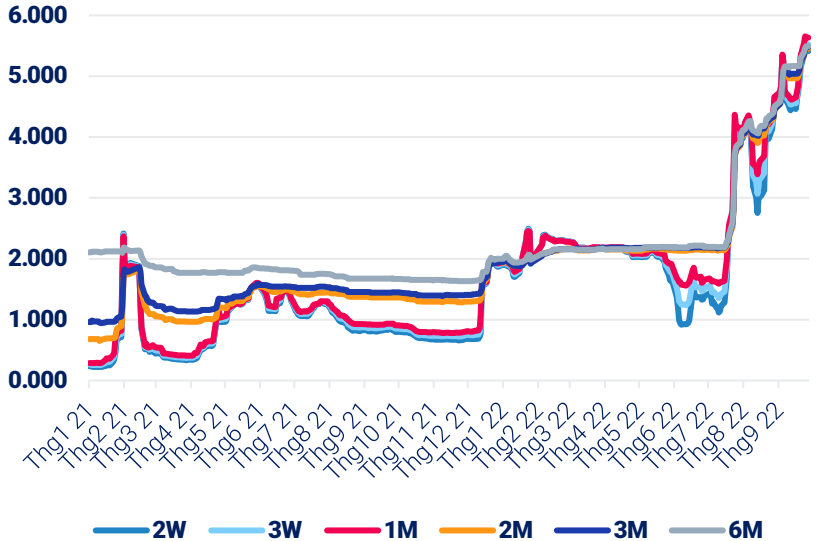
VBMA Outright trading yield in QIII/2022 increased by 50 points to 96 points at every tenor compared to QII/2022, in which 2-year yield increased the most (+96 points), following by 3-year yield (+93 points), 1-year yield (+78 points) and 5-year yield (+75 points).

Compared to the same period last year, trading yields in QIII/2022 were 99 to 242 points higher at all tenors. Yields increased strongly at short and medium tenor, in which 2-year yield rose the most (+242 points)

VBMA short-term bench mark rate



VBMA repo movement



In comparison with QII/2022, VBMA Repo rate increased at all tenors.

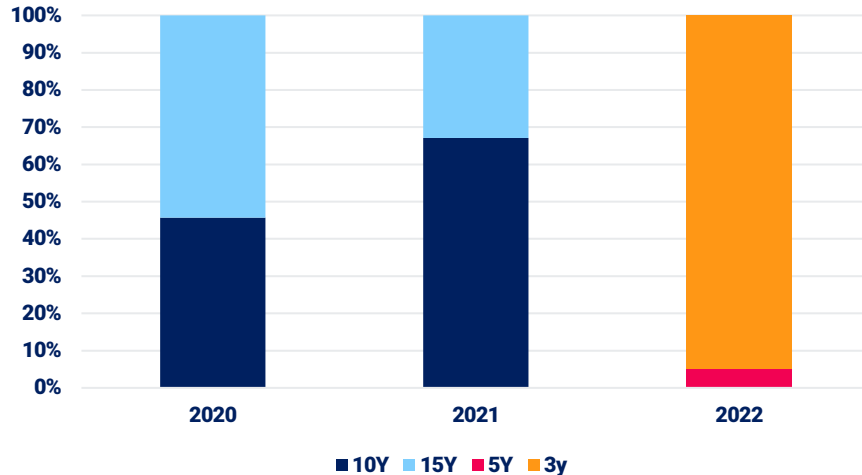
Repo trading rate increased compared to the same period last year, especially at tenors of 1 month (+269 points) and 3 weeks (+261 points).

Auction result

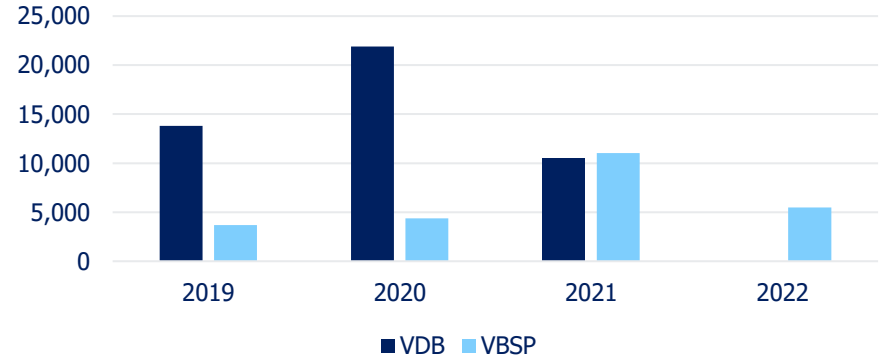
In QIII/2022, Vietnam Bank for Social Policy (VBSP) called for auction VND 36,500 billion of Government-Guaranteed Bond over 49 sessions at tenors of 3 years (VND 8,500 billion), 5 years (VND 13,500 billion), 10 years (VND 8,000 billion) and 15 years (VND 6,500 billion). The bidding rate was 24.8% with only 3-year tenor successfully auctioned with total value of VND 500 billion.

Vietnam Development Bank has not called for auction any Government-Guaranteed Bond in the first 3 quarters of 2022.

VBSP



Government Guaranteed Bond Issued Value



| Tenor | Sessions | Offering value (VND billion) | Bidding value (VND billion) | Winning value (VND billion) | Winning rate | Bidding rate |
|--------------|-----------|------------------------------|-----------------------------|-----------------------------|--------------|--------------|
| 3 years | 10 | 8,500 | 4,500 | 500 | 5.9% | 52.9% |
| 5 years | 13 | 13,500 | 2,500 | 0 | 0.0% | 18.5% |
| 10 years | 13 | 8,000 | 1,150 | 0 | 0.0% | 14.4% |
| 15 years | 13 | 6,500 | 900 | 0 | 0.0% | 13.8% |
| Total | 49 | 36,500 | 9,050 | 500 | 1.4% | 24.8% |

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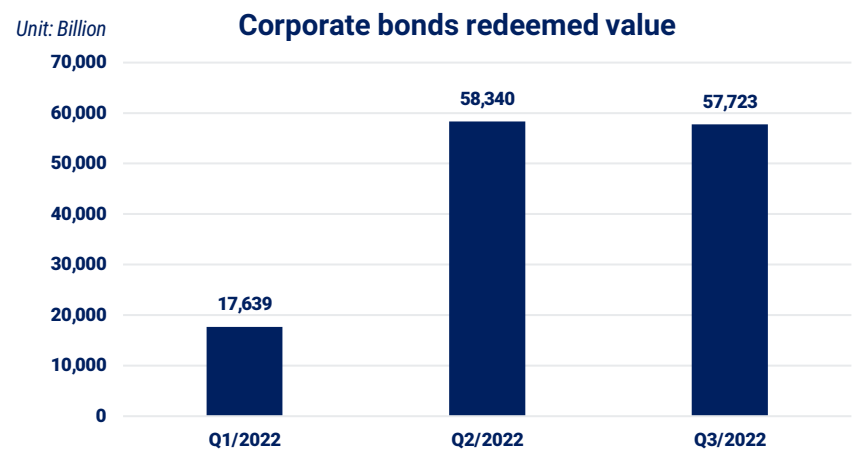
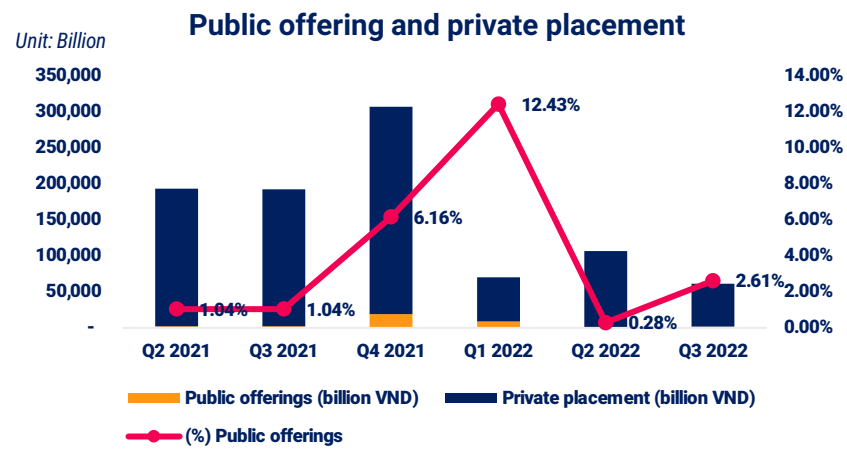
CORPORATE BOND MARKET

**Q3
2022**

61,374 Billion VND (*)
-68% Y/Y

The total value of issued bonds in the third quarter of 2022 was 61,374 billion VND. In which, the proportion of private placement accounted for 97.39% of the issuing value, the total value of issuance under public offering was VND 1,603 billion, accounting for 2.61%.

In the third quarter, the value of corporate bonds being redeemed was VND 57,723 billion, slightly down compared to the second quarter of 2022.



(*) The data consolidated by VBMA was collected from HNX and SSC by the bond issuing date till 10/10/2022, the total bond issuing value in Q3/2022 recorded by the issuing completion date was 66,683 VND

In the third quarter of 2022, the total issuing value decreased by about 68% compared to the same period in 2021. Construction and Real Estate was the 2 sectors with highest fall in issuing value, decreasing by 98.7% and 93.4%, respectively.

Banking was the leading sector in terms of issuing value, with total value at VND 45,542 billion, 33% lower compared to the third quarter of 2021.

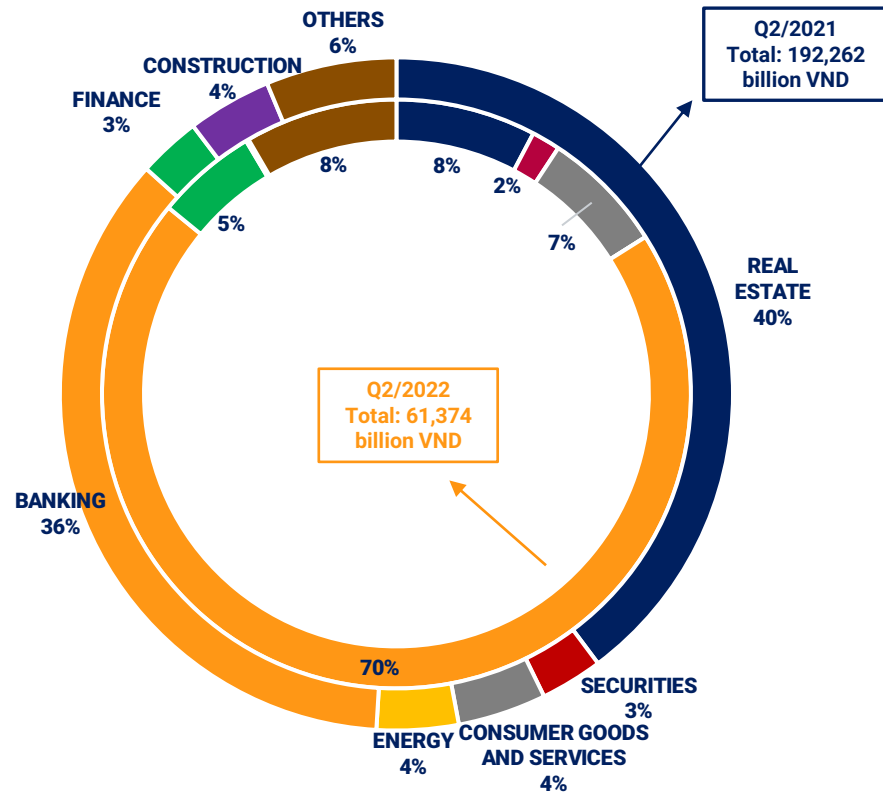
Real Estate ranked second with a total issuing value of VND 5,020 billion, down 93.4% over the same period last year.

Not only Real Estate and Construction, the issuing value of other sectors also decreased significantly, such as Securities (-82%), Consumer Goods and Services (-45%) and Energy (no issuance in Q3/2022).

| | Q3 2022 | Q3 2021 | %Y/Y |
|-----------------------------|---------------|----------------|-------------|
| REAL ESTATE | 5,020 | 75,527 | -93% |
| BANKING | 45,542 | 67,817 | -33% |
| SECURITIES | 1,019 | 5,688 | -82% |
| CONSUMER GOODS AND SERVICES | 4,424 | 8,079 | -45% |
| ENERGY | | 7,454 | |
| CONSTRUCTION | 100 | 7,689 | -99% |
| OTHERS | 5,463 | 11,926 | -54% |
| | 61,374 | 192,262 | -68% |

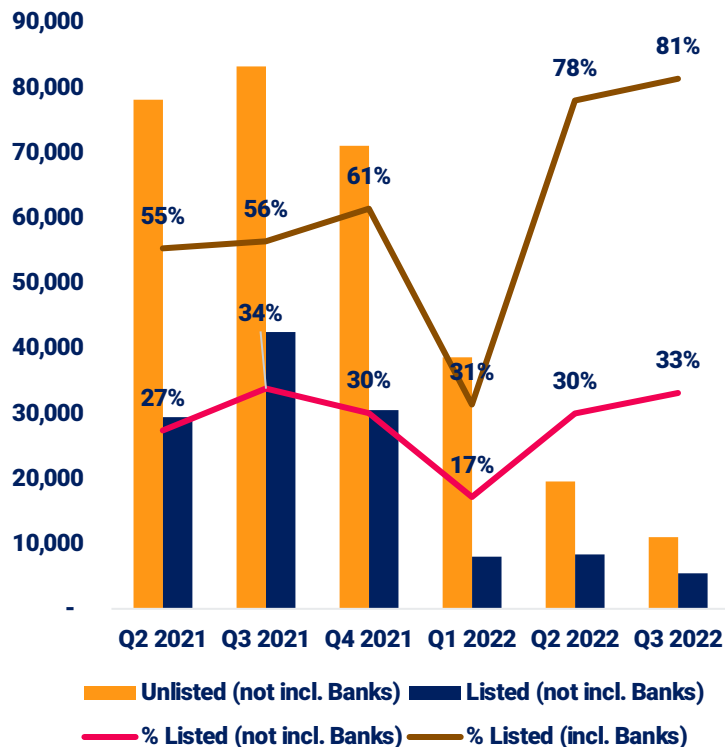
Unit: billion VND

ISSUING PROPORTION BY SECTORS



Unit: billion VND

Issuing value of listed firms

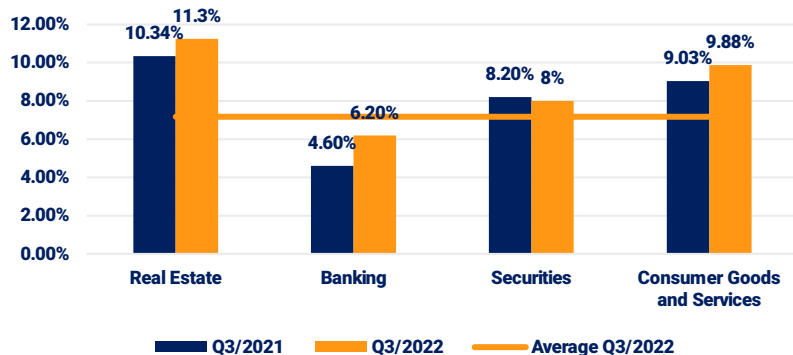


| NUMBER OF NEW ISSUERS | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|-----------------------|---------|---------|---------|---------|---------|
| REAL ESTATE | 41 | 33 | 12 | 3 | 4 |
| SECURITIES, FINANCE | 5 | 2 | 1 | 0 | 0 |
| CONSUMER SERVICES | 7 | 5 | 1 | 2 | 0 |
| CONSUMER GOODS | 6 | 3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

The proportion of corporate bonds issued by listed companies accounted for 81% of the total issuing value during the period.

In the third quarter of 2022, there were a total of 8 newly issued companies, of which there was only 1 listed company. Most of the newly issuers were in the Real Estate sector.

Average Issuing Coupon Rate

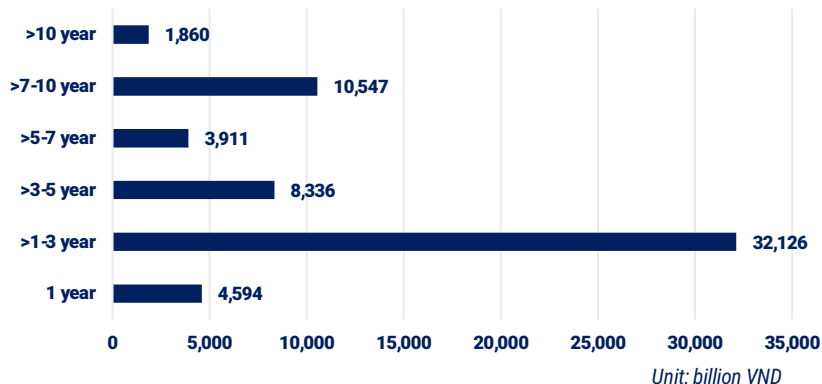


The average issuing tenor in Quarter III/2022 was 5.36 years, increasing by 0.91 years compared to the same period of 2021. The average issuing tenor also nearly doubled compared to the first quarter of 2022 (2.83 years), mainly due to higher issuing tenor of the banking sector and this group accounted for most of the issuing value.

Most corporate bonds issued in the third quarter of 2022 had tenor from 1 to 3 years, accounting for about 52% of the total issuing value.

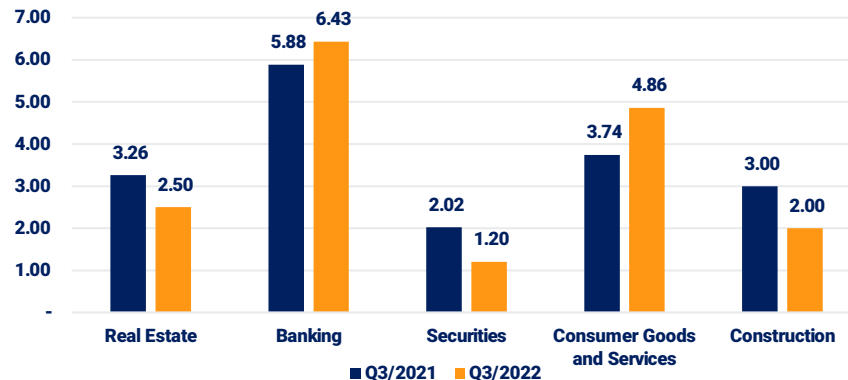
The average issuing coupon rate in the third quarter of 2022 was 7.17%, a slight increase compared to the second quarter of 2022.

Issuing value by sector

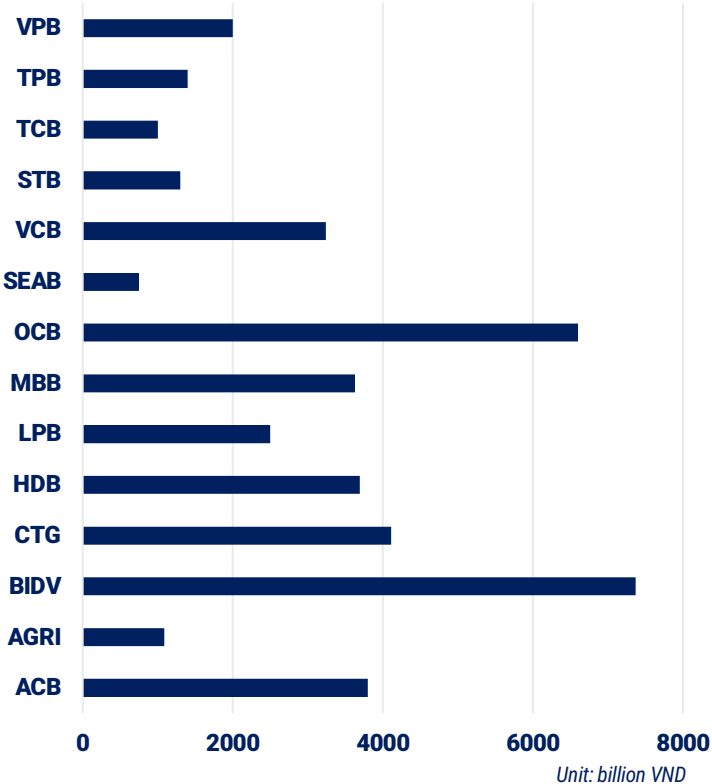


Unit: billion VND

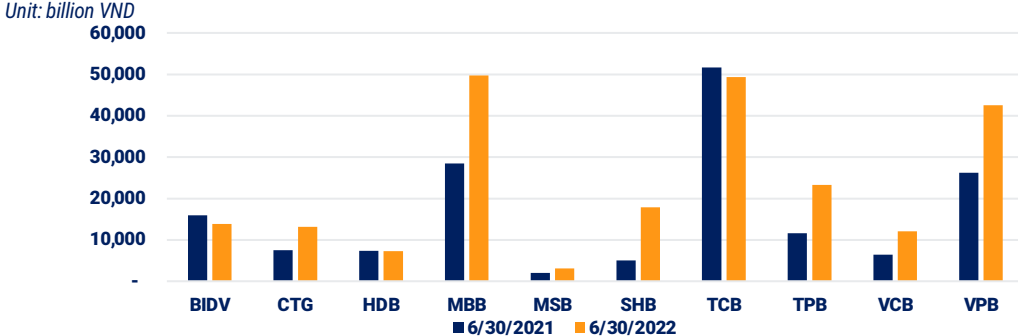
Tenor of major sectors



Issuing value of FI bond Q3/2022

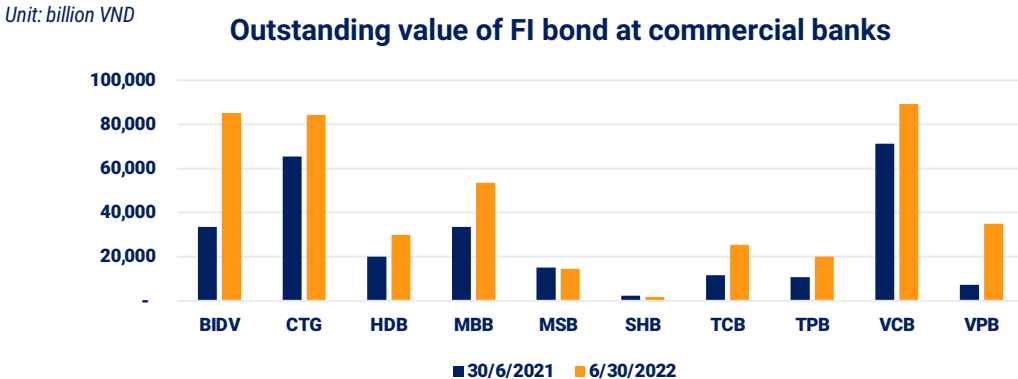


Corporate bond outstanding at commercial banks (not including Fi bond)



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

CREDIT INSTITUTIONS

| Issuers | Vol (Billion VND) | Average Tenor (Year) |
|---|-------------------|----------------------|
| Joint Stock Commercial Bank For Investment and Development of Vietnam | 7,367 | 8.26 |
| Orient Commercial Joint Stock Bank | 6,600 | 3 |
| Vietnam Joint Stock Commercial Bank For Industry and Trade | 4,110 | 10.73 |

REAL ESTATE

| Issuers | Vol (Billion VND) | Average Tenor (Year) |
|---|-------------------|----------------------|
| No Va Thao Dien Company Limited | 2,300 | 5 |
| Fuji NutriFood JSC | 1,000 | 1 |
| Khang Dien House Trading and Investment JSC | 800 | 3 |

Finance

| Issuers | Vol (Billion VND) | Average Tenor (Year) |
|--|-------------------|----------------------|
| EVN Finance JSC | 1,825 | 6 |
| Home Credit Vietnam Finance Company Limited | 1,100 | 1.66 |
| MB Shinsei Finance Limited Liability Company | 500 | 2 |

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