

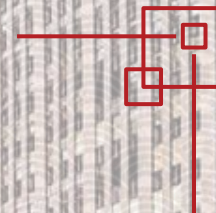


VBMA

Vietnam Bond Market Association

REPORT

VIETNAM BOND MARKET
QUARTER 3.2023

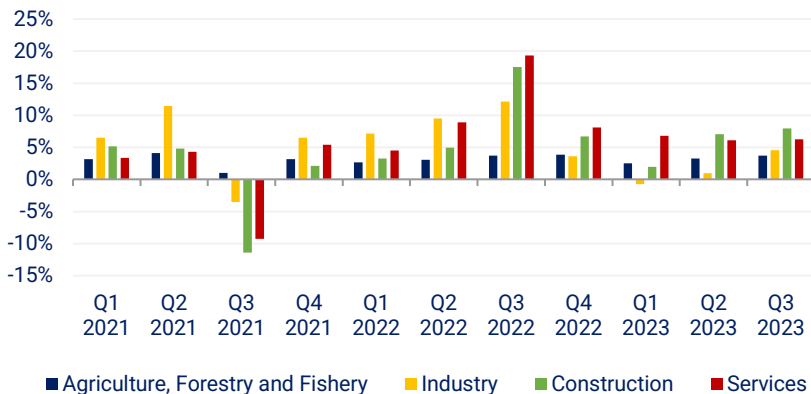


MACROECONOMIC OVERVIEW IN Q3.2023

Though US inflation (measured by core PCE) shows signs of cooling, the Fed has signalled another rate hike by year end-2023. Meanwhile, SBV still keeps interest rates low to support economic recovery. Although Vietnam credit growth accelerated at the end of the third quarter, businesses' ability to absorb capital remained weak.

Against this backdrop, liquidity in the banking system has been abundant. Besides, foreign exchange rates are under pressure due to the significant gap of ON interest rates between the US (~5.5%) and Vietnam (~0.19%). On 21st September, the SBV resumed issuing SBV-bills via OMO to drain excess liquidity and discourage FX speculation in the short term.

GDP growth rate by sectors



VIETNAM BOND MARKET IN Q3.2023

PRIMARY MARKET

GOVERNMENT BOND

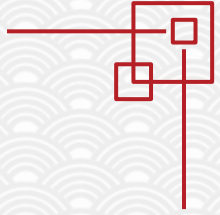
ISSUING VALUE	Q3/2023	Q2/2023	Q3/2022	%Q/Q	%Y/Y	9T 2023	9T 2022	%Y/Y
3-year tenor	-	-	-	-	-	-	-	-
5-year tenor	5,394	16,599	-	-68%	-	26,943	-	-
7-year tenor	-	-	-	-	-	950	-	-
10-year tenor	27,848	23,472	13,000	19%	114%	98,447	57,472	71%
15-year tenor	33,250	32,662	13,605	2%	144%	113,803	46,420	145%
20-year tenor	500	549	580	-9%	-14%	2,049	2,265	-10%
30-year tenor	2,997	1,737	620	73%	383%	7,689	8,625	-11%
Total	69,989	75,019	27,805	-7%	152%	249,881	114,782	118%

CORPORATE BOND

ISSUING VALUE	Q3/2023	Q2/2023	Q3/2022	%Q/Q	%Y/Y	9T 2023	9T 2022	%Y/Y
Private	81,415	32,909	65,154	147%	25%	139,830	240,595	-42%
Public	11,447	5,456	1,603	110%	614%	20,424	10,599	93%
Total	92,863	38,364	66,757	142%	39%	160,253	251,194	-36%

SECONDARY MARKET

TRADING VOLUME	Q3/2023	Q2/2023	Q3/2022	%Q/Q	%Y/Y	9T 2023	9T 2022	%Y/Y
GOVERNMENT BOND								
Outright	298,982	267,821	193,163	12%	55%	755,293	956,510	-21%
Repo	86,018	150,324	210,114	-43%	-59%	339,707	731,958	-54%
Total	385,000	418,145	403,277	-8%	-5%	1,095,000	1,688,468	-35%



CONTENTS

01

MACROECONOMIC OVERVIEW

4

02

GOVERNMENT BOND MARKET

1. Primary market

12

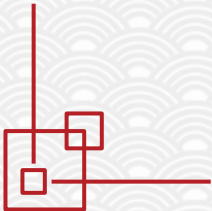
2. Secondary market

15

03

CORPORATE BOND MARKET

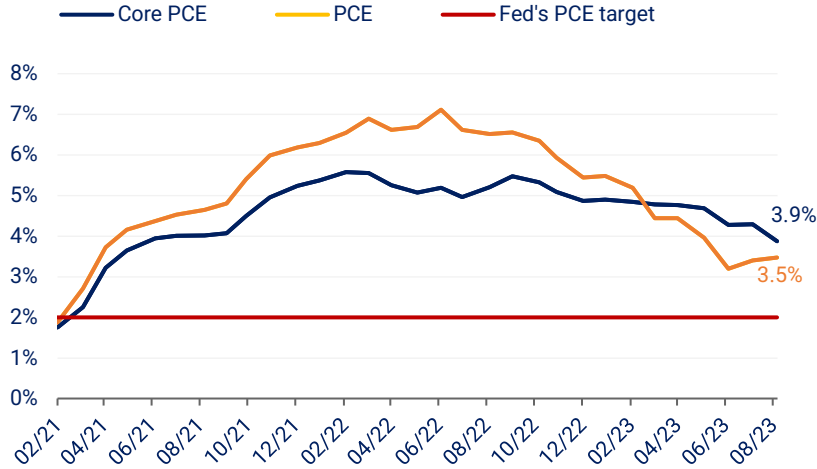
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01

MACROECONOMIC OVERVIEW

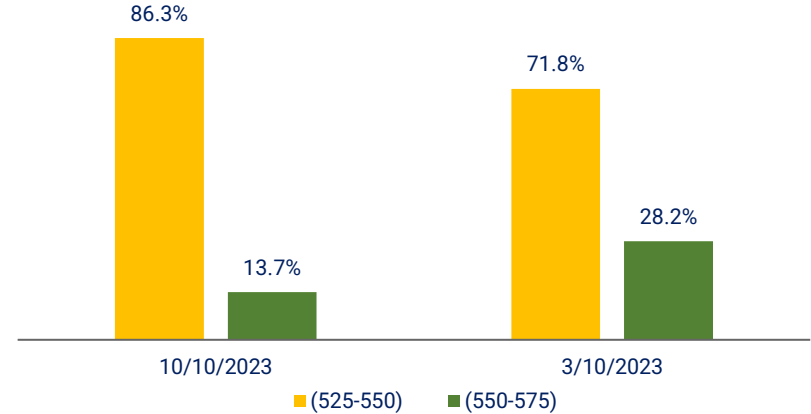
US Inflation measured by PCE and core PCE



Source: Fed St. Louis

In August, PCE index rose by 3.5% YoY, up 10 bps compared to the July inflation rate, due to energy prices soaring by 6.1% MoM. On the positive side, core PCE inflation (excluded volatile food and energy prices), the Fed's preferred gauge, slowed to 3.9%, the lowest increase since September 2021.

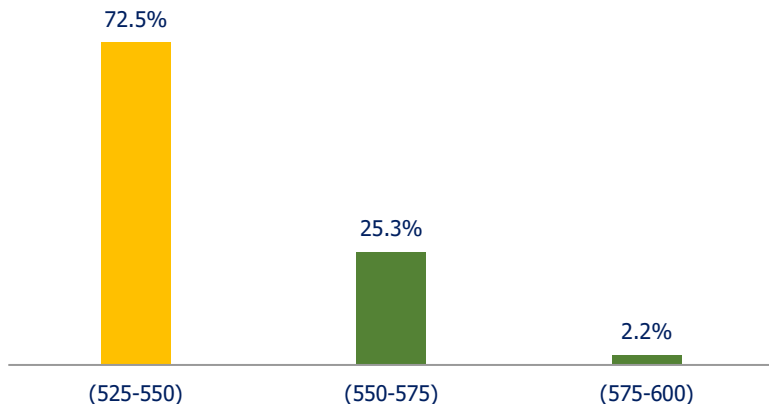
Market expectations on the Fed's policy rate at the meeting on November 01, 2023



Source: CME FED watch tool

After the release of September labor market report on October 6, traders are leaning more towards the possibility that the Fed will keep interest rates unchanged for the upcoming meeting on November 1st. This is due to the fact that the average hourly earnings have reversed from the previous month, decreasing by 0.1%, and the unemployment rate remains steady at 3.8%, despite a strong increase in new non-farm jobs. Specifically, the probability of the Fed keeping interest rates unchanged in the next meeting has risen from 71.8% to 86.3%.

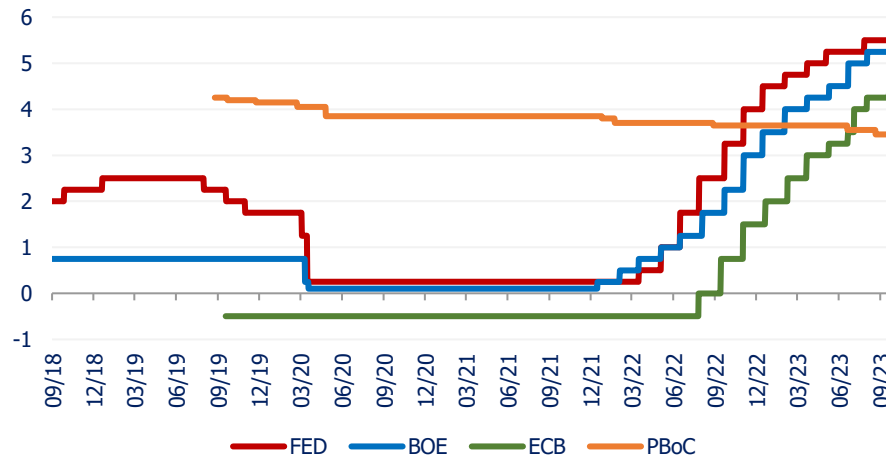
Market expectations on the Fed's policy rate - End of 2023



Source: CME FED watch tool

For the end of 2023, the market is expecting a 72.5% probability that the Fed's policy rate will be kept in the 5.25% - 5.50% range, and a 25.3% chance for the range of 5.50% - 5.75%, which is 25 bps higher than current levels.

Policy rates of some major central banks

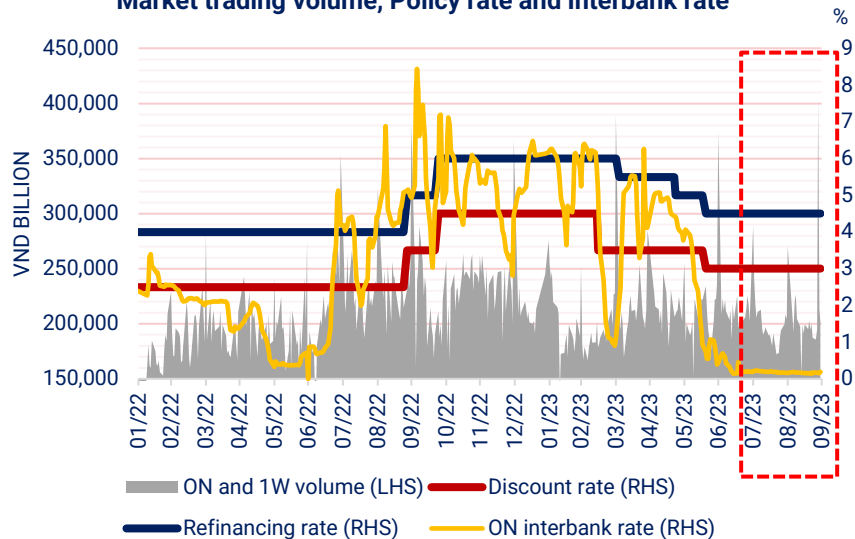


Sources: BOE, Fed St.Louis, ECB, CEIC

In mid-August, the Central Bank of China (PBoC) further loosened its monetary policy by lowering interest rates for the second time since the start of the year to 3.45% (-10 bps), the sharpest decrease since 2020 in order to boost its muted economic growth.

In contrast, other major central banks in the world maintained tight monetary policies. In early August, BoE lifted its interest rates by 25 bps to a 15-year high of 5.25%. However, in the September meeting, BoE left its key rates unchanged after a surprise plunge in August inflation. Besides, the third quarter saw the ECB hiked its deposit rate 3 times to the record level of 4.5%.

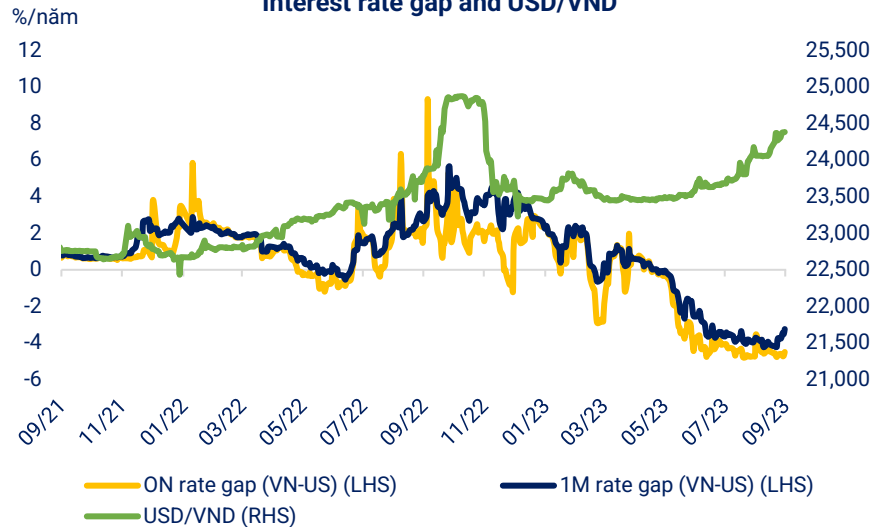
Market trading volume, Policy rate and Interbank rate



Source: SBV

Although SBV cut interest rates four times in the first half of the year to support the economic recovery, credit growth was slow due to businesses' weak ability to absorb capital. Consequently, the banking system's liquidity was abundant in the third quarter. Interbank overnight interest rates in Q3/2023 remained near record lows, fluctuating around 0.23%.

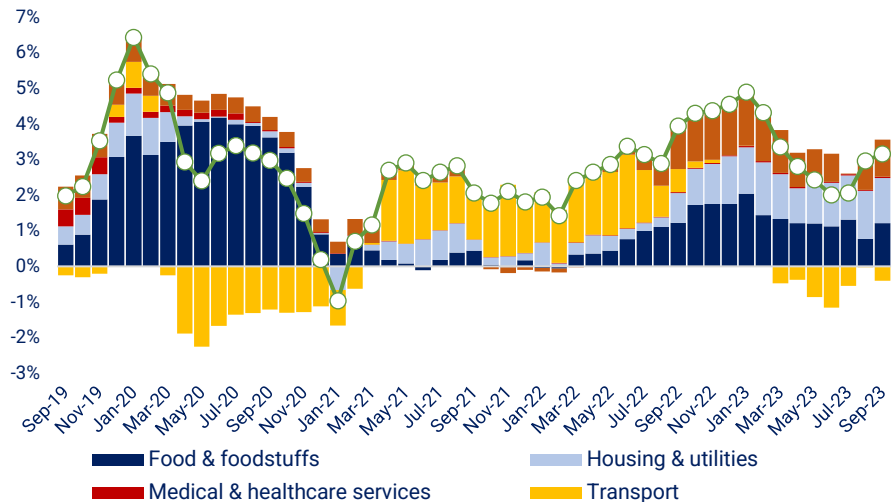
Interest rate gap and USD/VND



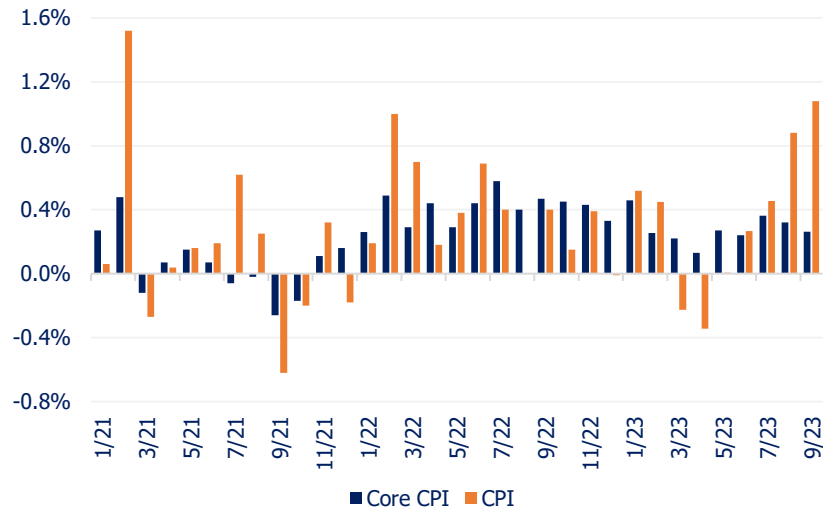
Source: VBMA, Refinitiv

In the third quarter, pressure on the USD/VND exchange rate was higher due to the strength of the greenback (measured by DXY index), especially after the FOMC meeting on September 20 as the FED signaled another rate hike before year's end. In that context, the SBV resumed draining excess liquidity by issuing SBV-bills through open market operations to lessen the pressure on exchange rate speculation in the short term and regulate liquidity in the interbank market.

Contribution to inflation



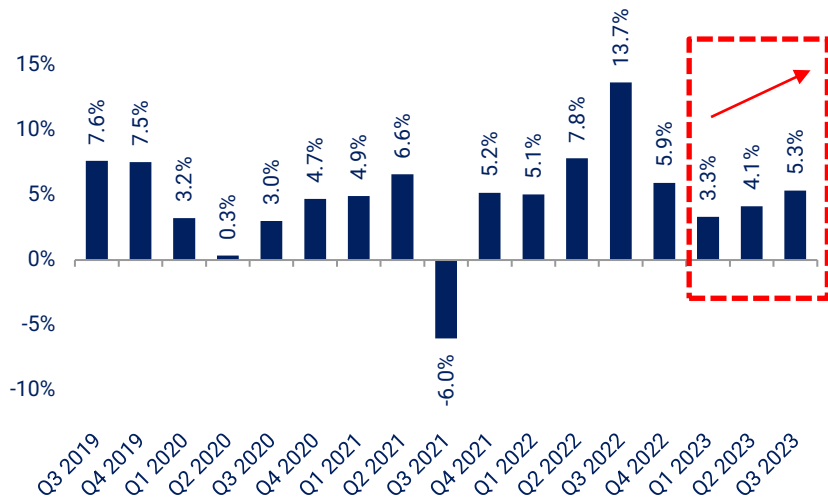
CPI and core CPI (%MoM)



Source: GSO

Inflation pressure tended to broaden in the last two months of the third quarter. The Consumer Price Index (CPI) in September inched up by 1.08% over the previous month, the highest monthly increase since March 2021, mainly caused by the increase in (1) domestic rice prices amidst escalating world prices due to the ban on rice exports by India, Russia and Ukraine, (2) tuition fees in line with the roadmap in Decree No. 81/ 2021/ND-CP, (3) gasoline prices due to OPEC’s oil supply cut and (4) housing rental prices due to increased demand during the new school year season. Meanwhile, core CPI inflation slowed down over the months (July: 0.36%, August: 0.32%, September: 0.26%). On 9-month average, CPI rose by 3.16% YoY, lower than the Government’s target of 4.5%.

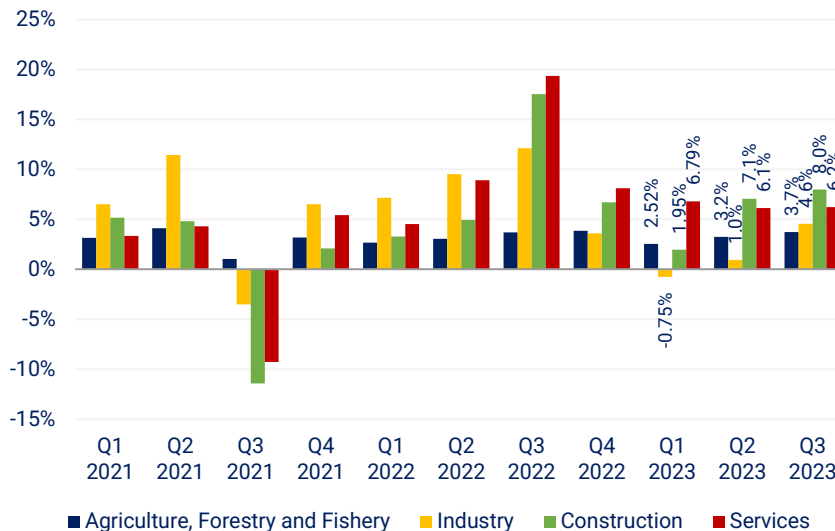
GDP growth rate by quarters (YoY)



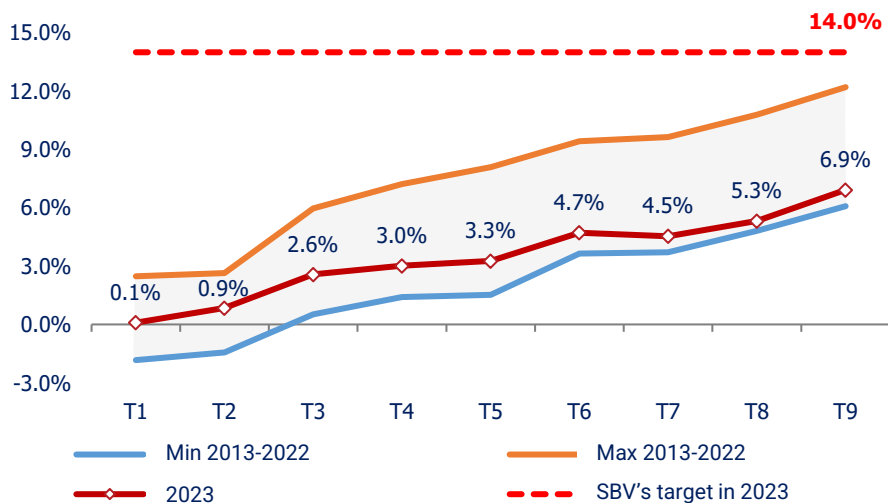
Source: GSO

Vietnam's economy continued its stable recovery in the third quarter with GDP growth of 5.3%, marking the second straight quarter of improvement (Q1: 3.3%, and Q2: 4.1%). The expansion was primarily supported by the recovery of the Service sector, up 6.24%, contributing 53.34% to the overall growth thanks to the rebound of tourism demand post-pandemic, along with the government's stimulus policies. Notably, the Industry sector recorded a jump of 4.6%, nearly 5 times higher than 1.0% increase in Q2.2023 as export orders in Asian countries improved. For 9M2023, GDP growth rose by 4.24%YoY, much lower than the Government 2023 target of 6.5%. To achieve this target, GDP growth in Q4 needs to be at least 12%, much higher than the previous 3 quarters.

GDP growth rate by sectors



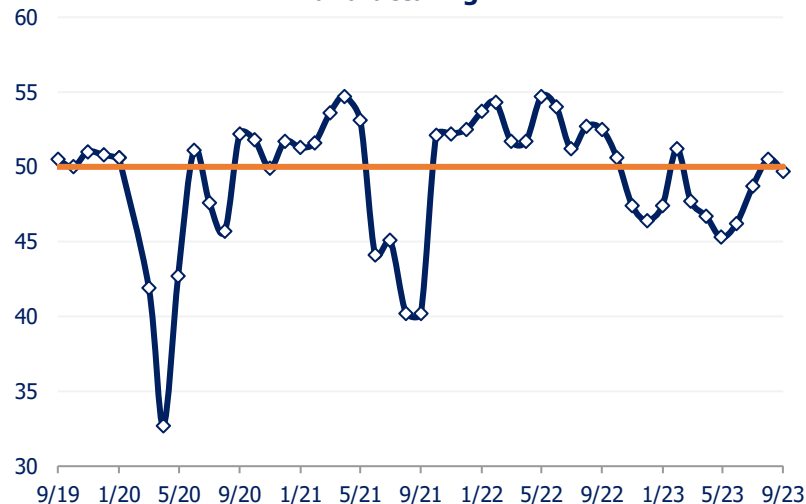
Historical and 2023 credit growth (YTD)



Sources: SBV, VBMA

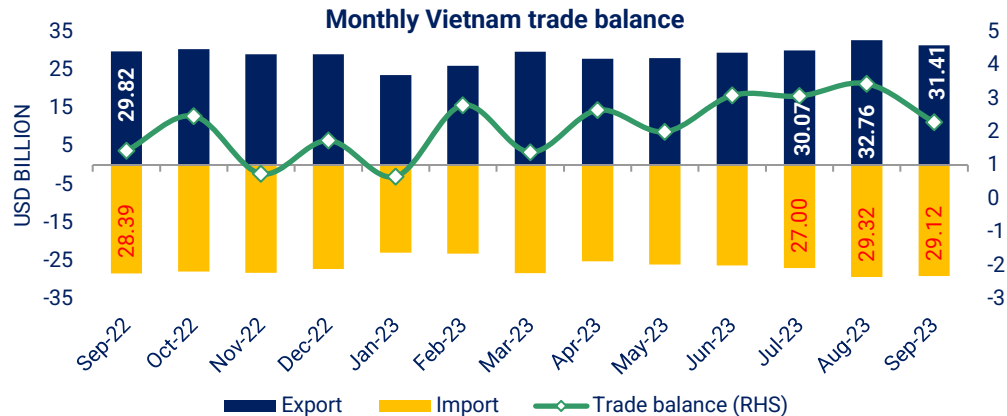
As of September 29, total credit balance is estimated to reach 12,749 trillion, equivalent to 6.9% YTD increase, much lower than the same period in 2022 (11%) and the SBV's target of 14% for 2023 despite SBV's 4 rate cuts. The slow credit growth stemmed from (1) businesses' weak ability to absorb capital due to falling income amid economic difficulties (2) the slow recovery of real estate market (accounting for about 20% of credit outstanding in 2022) (3) little relaxation in lending conditions of credit institutions to mitigate credit risks for the entire system.

Manufacturing PMI



Source: IHS Markit

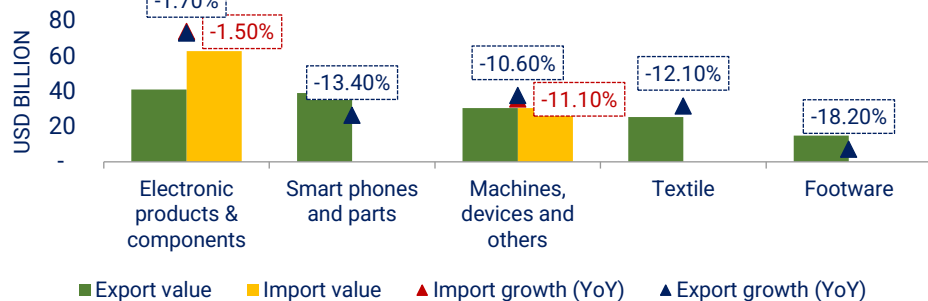
PMI in September was back below the 50 threshold, standing at 49.7 points, showing a slight deterioration in the health of the manufacturing industry after its recovery in August (50.5 points). This was mainly due to companies' reduction in employment and output amid excess production capacity and high inventories. On the positive side, the number of new orders continued to increase for the second consecutive month, boosted by rising demand in Asian countries .



Accumulated in the first 9 months of 2023, total import-export turnover reached USD 497.7 billion (-11% YoY). Specifically, exports value was USD 259.7 billion (-8.2% YoY), and imports figure was about USD 238 (-13.8% YoY). As a result, Vietnam posted a trade surplus of 21.7 billion USD in 9M2023.

Regarding exports, goods with the highest growth in 9M2023 are (1) vegetables (+71.8% YoY) thanks to increasing demand from the Chinese market after its border reopening and (2) rice (+40.4% YoY) due to a plunge in rice supply from the world's leading rice exporters like India & Pakistan, significantly raising Vietnam's rice prices and export orders. Regarding key export products such as electronics and components (-1.7% YoY), they were still hit by the global economic slowdown as well as tightening policies in key export markets such as the US and EU, curtailing spending on non-essential items.

Key exported and imported goods with the value of over USD 10bn in 9M2023



Regarding imports, the amount of inventory was still high, and the number of orders did not increase significantly, making manufacturers' demand for importing raw materials to serve export production remain low. Almost all key imported items recorded a YoY decrease in values: Electronics products & components (-1.5%), machines, devices & others (-11.1%),...

02

GOVERNMENT BOND MARKET

In Q3/2023, the State Treasury called for 44 auction sessions of Government bond with total offering value of VND 75,750 billion, in which the winning value was VND 69,989 billion, the winning ratio was 92.4%. The total winning value since the beginning of the year reached 62.5% of this year's plan (VND 400,000 billion) and since early July reached 63.6% of the third quarter's plan (VND 110,000 billion).

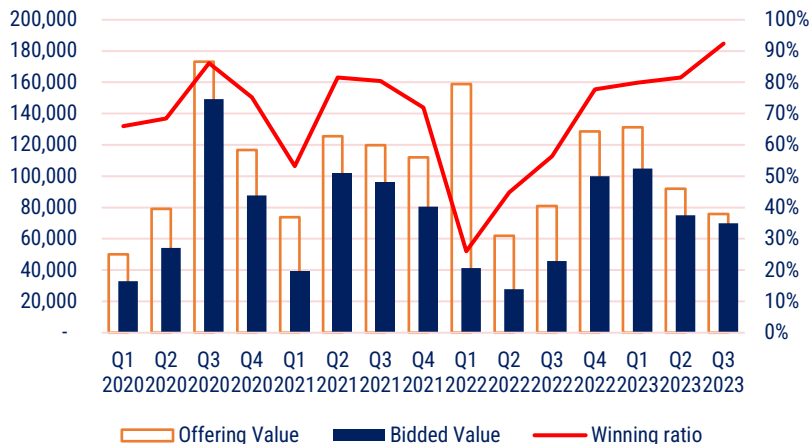
The Vietnam Bank for Social Policies called for 10 auctions of government guaranteed bonds in Q3/2023 with the total offering value of VND 9,000 billion, the winning value was VND 4,450 billion, equivalent to 49.4% of the winning ratio at 5-year, 10-year and 15-year tenors.

3-year bond this year so far has not been offered for bidding.

	Q3/2023	5Y	7Y	10Y	15Y	20Y	30Y	TOTAL
Issued value of Q3	5,394	-	27,848	33,250	500	2,997	69,989	
Plan of Q3	10,000	3,000	35,000	48,000	7,000	7,000	110,000	
% Completion	53.9%	0.0%	79.6%	69.3%	7.1%	42.8%	63.6%	

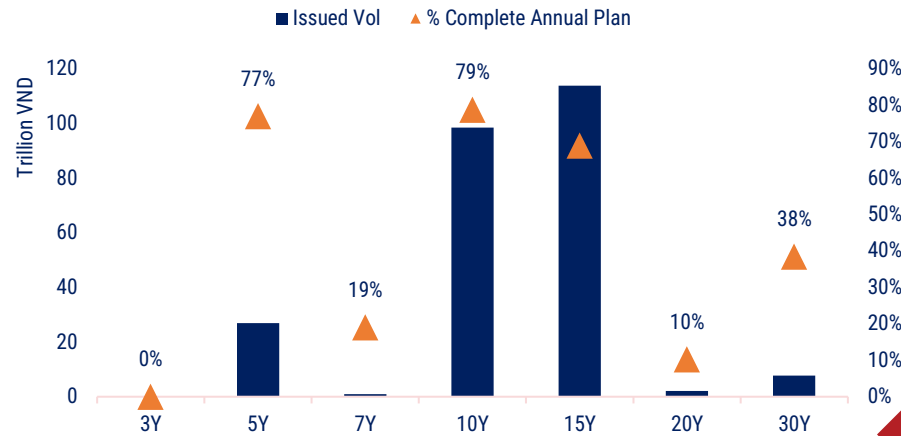
Unit: VND billion

Government Bond winning rate



Source: HNX

Issued value by tenors



Source: HNX

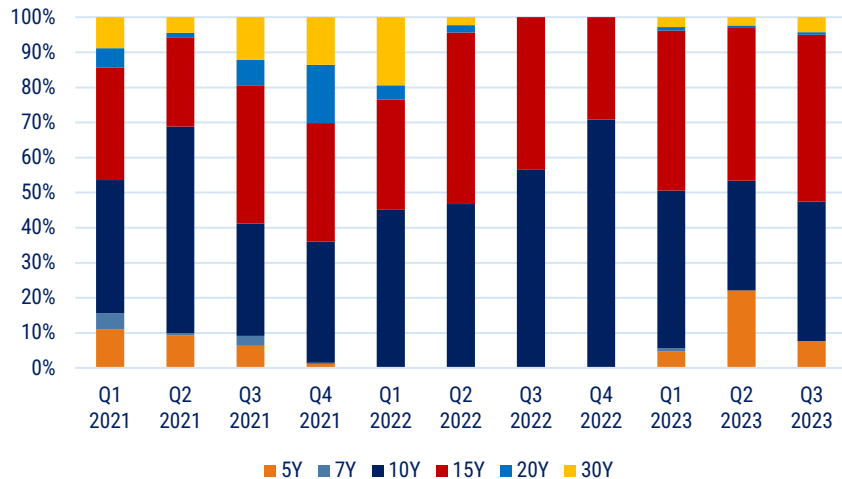
In the third quarter of 2023, winning values of 10-year and 15-year bonds continued to be the largest.

Specifically, the issuing value of 5-year bonds was VND 5,394 billion, 10-year was VND 27,848 billion, 15-year was VND 33,250 billion, 20-year was VND 500 billion and 30-year was VND 2,997 billion. The VST did not call for auction 3-year and 7-year bonds.

The average issuing interest rate in Q3/2023 maintained the downward trend since the beginning of the year across all tenors, down by 53 bps to 1.79% at tenor 5-year and dropped by 60 bps to 2.39% at tenor 10-year, the other tenors all declined from 40 to 50 bps.

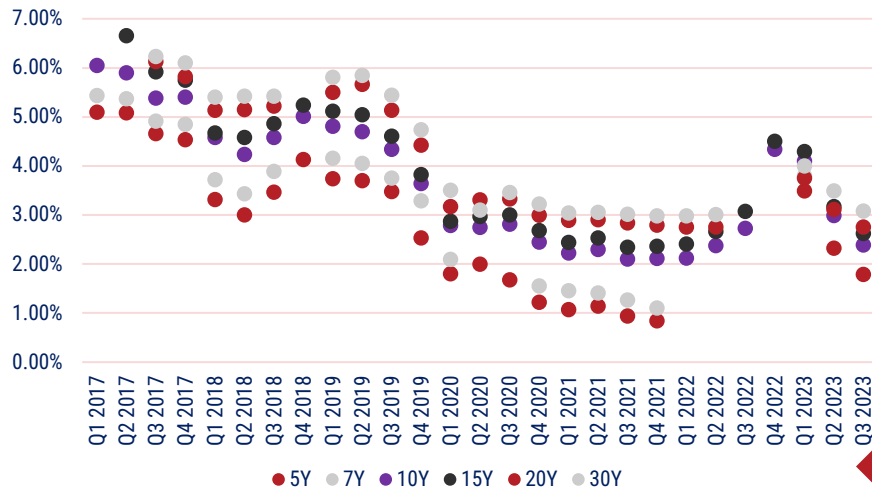
In this quarter, the SBV keep regulatory interest rates unchanged. However, the SBV has resumed issuing bills through Open Market Operations (OMO) since September 21st to reduce the VND supply and lower the pressure on the interest gap between VND and USD.

Proportion of winning value by tenors



Source: HNX, VBMA

Average issuing rate by tenors



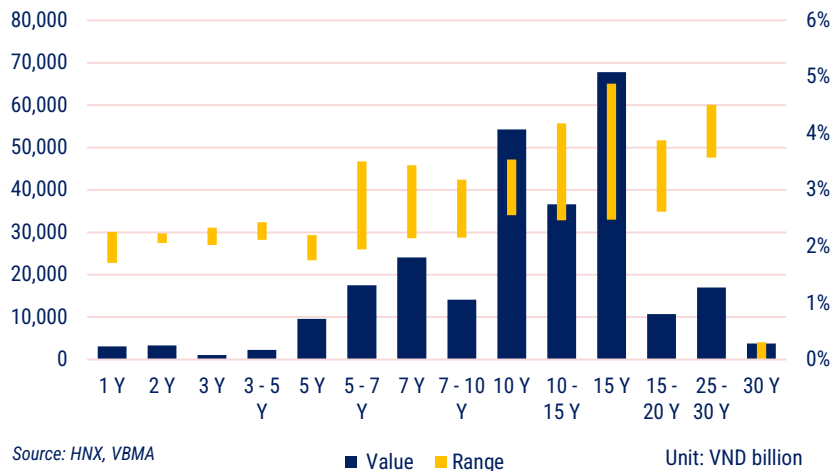
Source: HNX, VBMA

Total trading volume of Government and Government-guaranteed bond Q3/2023: **VND 385,000 billion**
 In which, Outright trading volume: **VND 298,982 billion**
 Repo trading volume: **VND 86,018 billion**

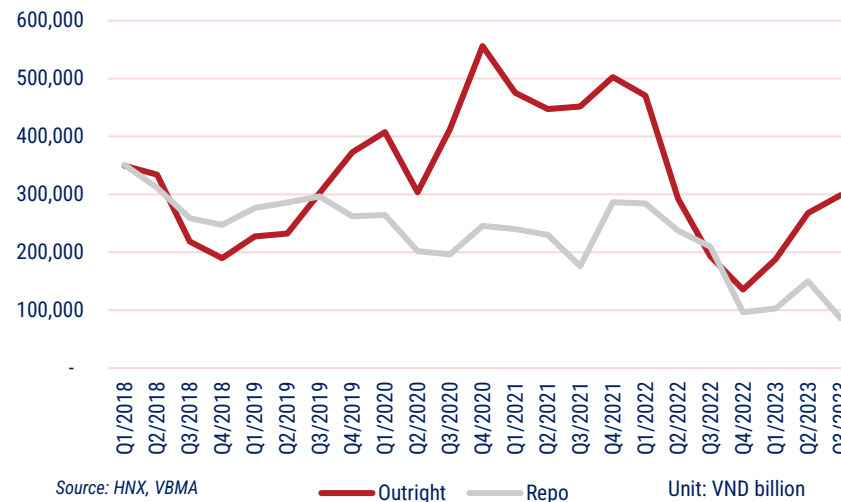
Total Outright transaction value in Q3/2023 rose by 11.6% and Repo transaction declined by 42.8% compared to the previous quarter. The average daily transaction value of Outright and Repo transactions reached VND 4,746 billion/day (up 16.9% QoQ) and VND 1,365 billion dong/day (down 40.1% QoQ). The market liquidity remained abundant, proven by the continuous improvement of Outright transactions value since Q4/2022.

However, the excess liquidity in the banking system also pushed the Repo transactions value lower than Q4/2022's low as the short-term borrowing demand was quite modest. Outright transactions mainly focused on 10-year and 15-year tenors, with the trading yields ranged from 2.55% - 4.9%. 14-day tenor accounted 74.6% of all Repo transactions, with the interest rates ranged from 2.97% - 4.5%.

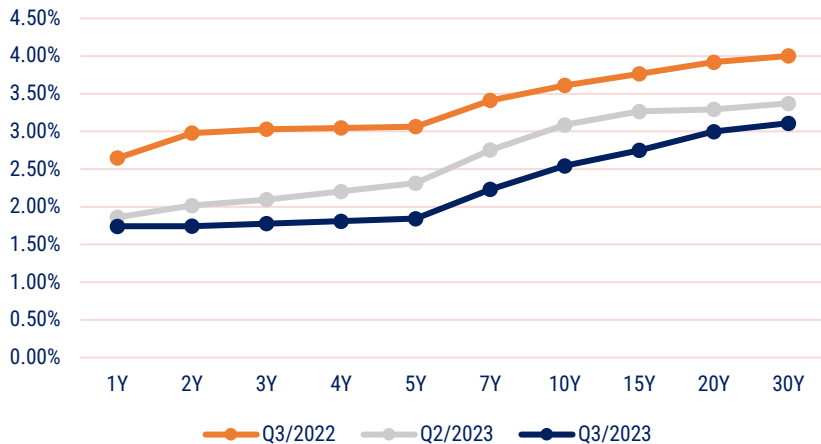
Trading value and rates range of Outright transactions by remaining tenors



Trading value of outright and repo

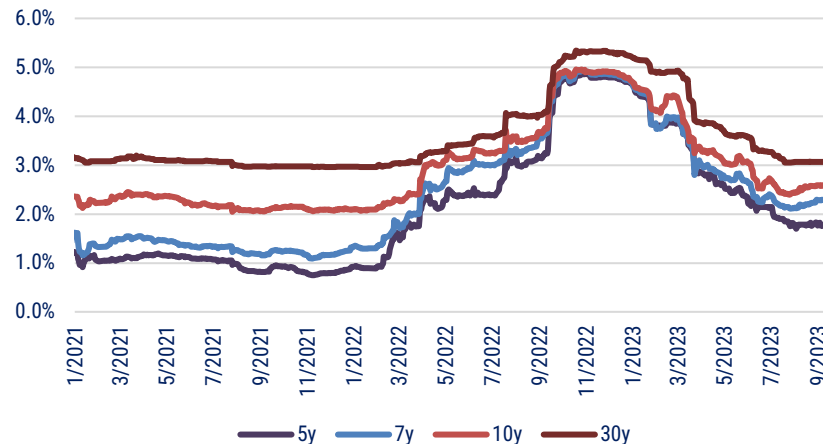


VBMA Government Bond Yield Movement



Source: VBMA

G-BOND YIELD - SECONDARY MARKET



According to the VBMA Outright trading room, Government bond yields in Q3/2023 declined by 40 bps at 1-year to 5-year tenors and went sideways across the other tenors compared to the end of Q2/2022. It seems that the bottom of government bond yields has been formed with yields only weakening in July and mostly moving sideways, even increasing slightly at some terms in August and September.

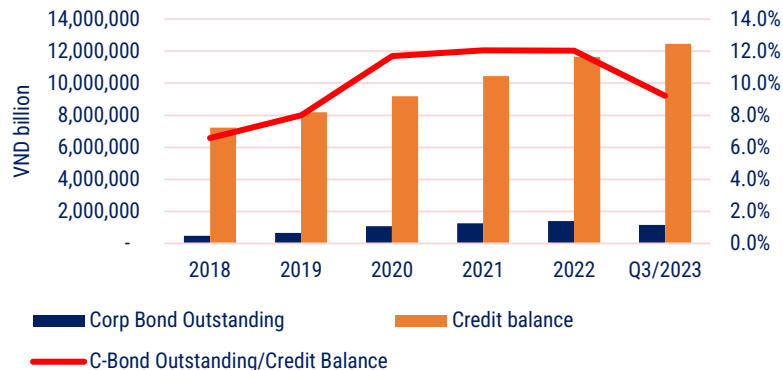
In the last 10 days of September, the State Bank of Vietnam issued nearly VND 100,000 billion of SBV bills with 28 days terms. The negative gap between VND and USD interest rates will continue to put upward pressure on USD/VND exchange rate even if the Fed stopped raising rates. Therefore, the SBV may continue to issue bills to support VND in the last few months of 2023. As yields has been continuously going down since the beginning of the year and the State Bank is issuing bills to limit the increase in the USD/VND exchange rate, the downward trend of yields will not have much room left.

In the Repo market, Q3 trading rates (according to VBMA Repo trading room) dropped sharply from 70 to 160 bps across all tenors compared to the end of Q2/2023.

03

CORPORATE BOND MARKET

Outstanding corporate bond and credit balance



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

Vietnam Corporate Bond market size: ~11.55% of GDP (*)

The outstanding value of corporate bond accounted for about 9.2% of the total Vietnam economy's credit balance, declined by 2.8% compared to the end of 2022. Going through lots of difficulty in the first 2 quarters of 2023, the market conditions in Q3 seemed to improve significantly as many companies successfully issued bonds, bringing the total outstanding value of corporate bond to more than VND 1.1 trillion. However, the total corporate bond's outstanding value was still lower than that in the 2021 – 2022 period.

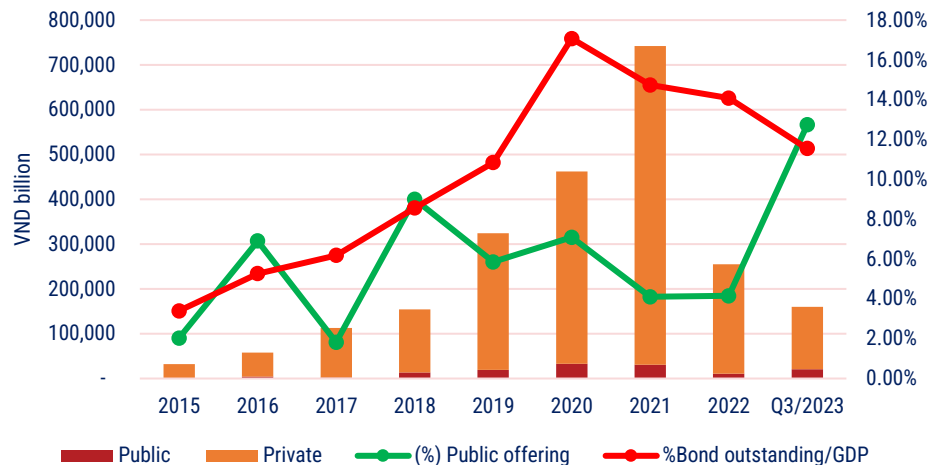
(*) According to data collected from HNX and GSO at the end of September, 2023.

Total domestic issuance :



In the third quarter of 2023, there were 22 public offering of corporate bond worth VND 20,424 billion, accounting for 14.5% of total issuing value; and 129 issuances under private placement worth VND 139,830 billion, accounting for 85.5%.

Public offering and private placement



(**) According to data published by HNX and SSC as of 30th September 2023

Sources: HNX, GSO, VBMA

Unit: VND billion

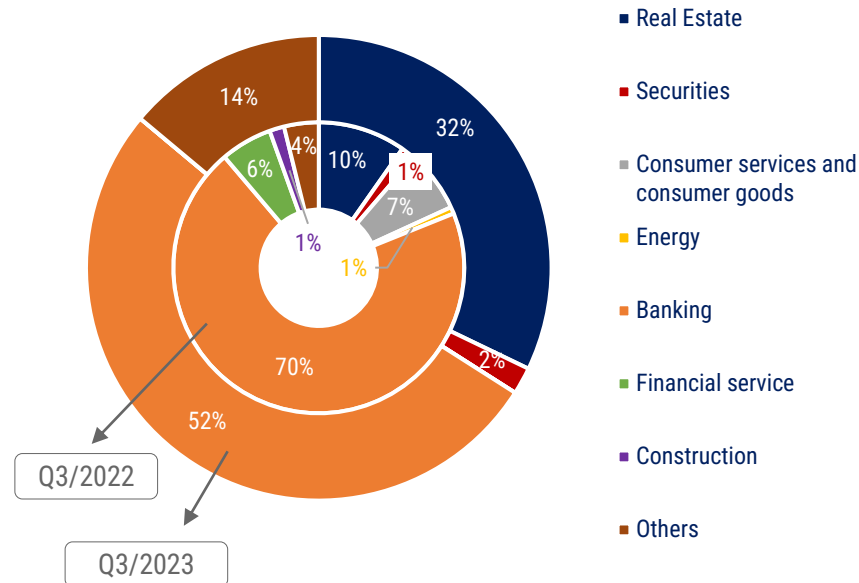
Sector	Q3/2023	Q3/2022	%YoY
Real estate	29,847	6,509	358.56%
Securities	1,750	1,048	67.05%
Consumer goods and services	0	4,570	-
Energy	0	500	-
Banking	48,343	46,642	3.65%
Finance	0	3,831	-
Construction	0	1,090	-
Others	12,923	2,568	403.29%
Total	92,863	66,757	39.11%

Compared to the same period of 2022, the corporate bond value issued in Q3/2023 improve substantially, increased by 39.11% to VND 92,863 billion. Banking contributed the most to the issuance value in the quarter with VND 48,343 billion, equivalent to 52.1%. Real estate ranked second, issued VND 29,847 billion and accounted for 32.1%. The real estate market is still facing difficulties in the context of weak economic growth and low investor confidence.

According to a report by DatXanh Services, the new supply in the real estate market is still quite scarce in the first 9 months of the year, the absorption rate also decreased to about 20%. Thus, bond issuances from this group may only be for the purpose of restructuring debt and extending debt repayment time.

In the third quarter, the total value of corporate bonds' delayed payment was VND 24,901 billion, most of whom were corporations in Real estate sector.

Proportion of issuing value by sectors



Source: HNX, VBMA

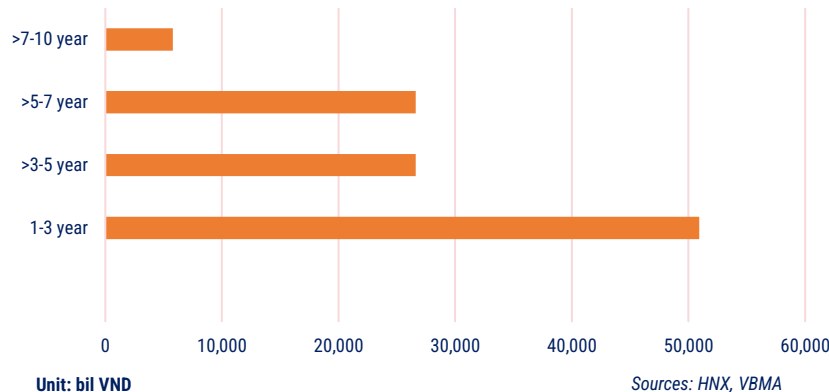
48% of corporate issued in Q3 had original tenors of 5 years or less

Average issuing coupon rate in Q3/2023: **9.06%/year**

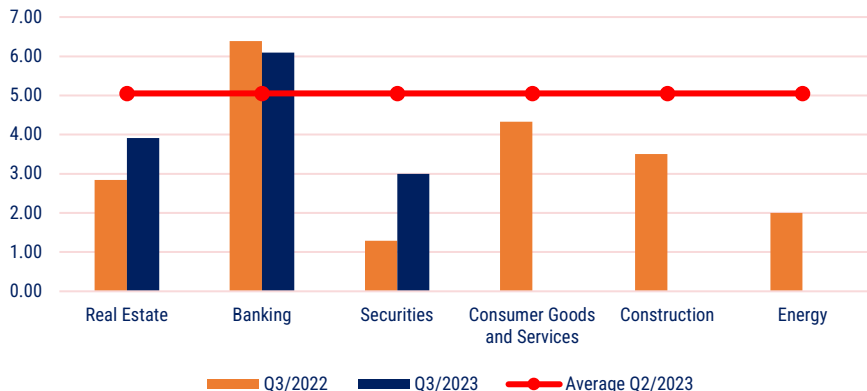
Average issuing tenor in Q3/2023: **5.05 year**

Issuing coupon rate in Q3/2023 was slightly lower than that in Q2/2023, down from 10.04%/year to 9.06%/year, thanks to the low level of average interest rate in other sectors. The issuing coupon rates of the banking group were above 7%/year, while those of Real estate group ranged from 12% - 15%. Lower issuance rates were in line with the downward trend in other markets after 4 rate cuts by the SBV since the beginning of the year. However, it remained relatively high compared to last year as investor's confidence in the corporate bond market has not recovered completely. The average issuance tenor in Q3/2023 remained static compared to the same period last year, edging up to 5.05 years from 5.01 years.

Issuing value by tenors

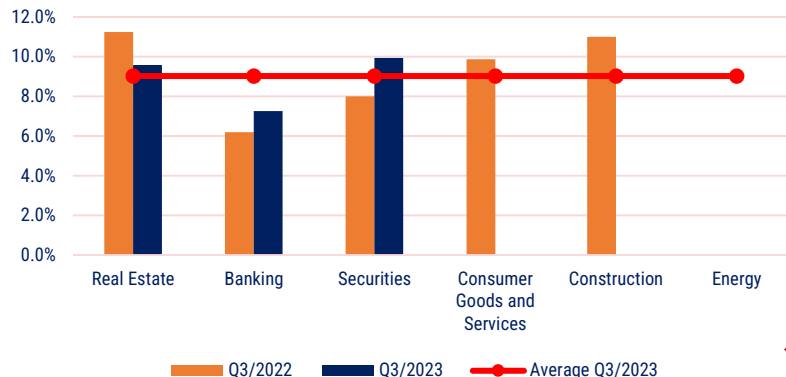


Average issuing value by tenors (year)



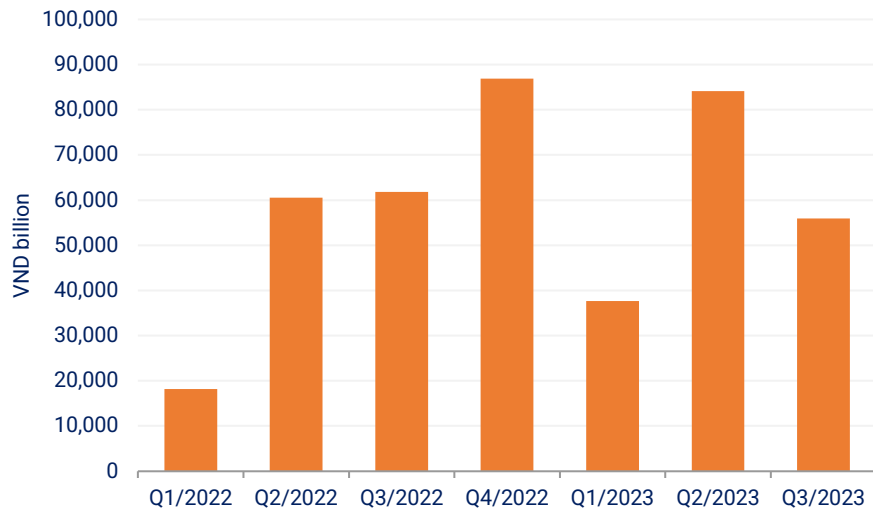
Source: HNX, VBMA

Average Coupon Rate



Source: HNX, VBMA

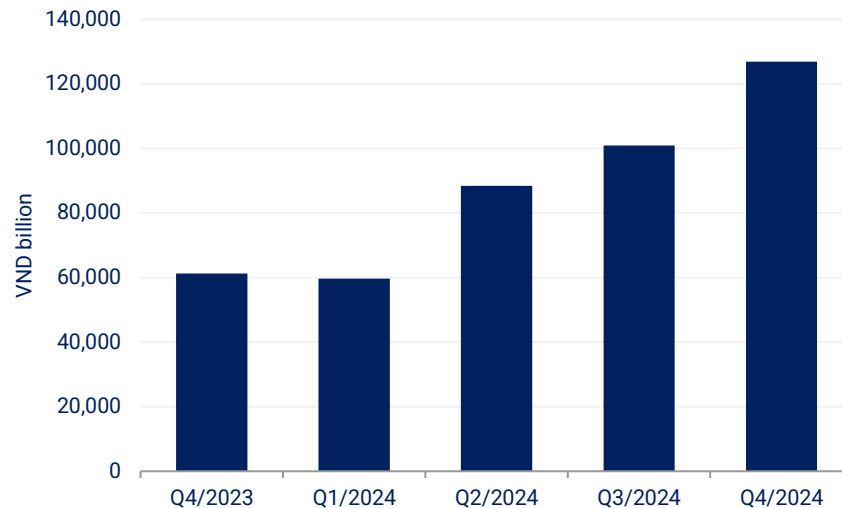
Total value of bonds redeemed before maturity 2022-2023



Source: HNX, VBMA

In Q3/2023, companies redeemed bonds worth VND 55,963 billion before maturity, down 9.5% over the same period in 2022. Most of the bonds were in the banking group (VND 30,186 billion, accounting for 53.9% of the total redeemed value, equivalent to 6.9% of this group's outstanding bonds). Ranked below were the Construction and Real estate sectors, the redeemed value of these two was VND 5,955 billion (equal to 10.6%) and VND 5,821 billion (equal to 10.4%), respectively. The pressure to mature in Q4/2023 is not too great with about VND 61,000 billion of bonds coming due, of which the Real Estate group's bonds accounted for 40.6%. Although the real estate market still faces many challenges, businesses in this sector have often reached agreements to extend bonds' interest and principal payment periods with investors recently. This will reduce the delay in paying interest and principal in the short-term, giving businesses more time to restructure their cash flow and improve their ability to repay debt.

Corporate bond maturing value 2023-2024





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

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