

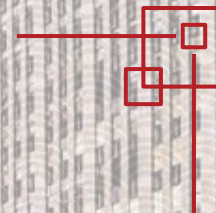


VBMA

Vietnam Bond Market Association

REPORT

VIETNAM BOND MARKET
QUARTER 3.2024



VIETNAM BOND MARKET QUARTERLY REPORT Q3.2024

MARKET HIGHLIGHTS

MACROECONOMIC OVERVIEW IN Q3.2024

In Q3.2024, the Federal Reserve cut rates by 50 bps for the first time since March 2020, in response to a decline in inflation towards the target of 2% and slowing labor market. However, future cuts are likely to revert to 25 bps as the September non-farm payroll report showed stronger-than-expected job growth, indicating that the U.S economy remains robust and does not require such aggressive measures. China has also announced a series of easing measures, including lowering interest rates and launching new funding programs, to help its economy recover from a real estate crisis and rising deflation risks.

The USD/VND exchange rate cooled during the quarter, benefiting from a weaker USD against major currencies. As exchange rate pressures reduced, the State Bank of Vietnam lowered the OMO rate by 50 bps and SBV-bill rate by 35 bps, continuing its monetary easing policy to support economic recovery. Interbank rates slightly decreased compared to the beginning of Q3, while deposit rates continued to rise from their April lows. By the end of September, credit growth reached 8.53%, nearly double the 4.79% growth in deposit.

Vietnam's GDP growth in Q3.2024 unexpectedly reached 7.4% YoY, despite the significant damage caused by Typhoon Yagi in early September. Trade activities remained positive, recording a YTD trade surplus of \$20.79 billion.

The average Consumer Price Index (CPI) for Q3.2024 increased by 3.48% YoY, indicating that inflation remains firmly under control. For the first nine months of 2024, the average CPI rose by 3.88% compared to the same period last year, which is below the National Assembly's target range of 4-4.5%.

VIETNAM BOND MARKET IN Q3.2024

PRIMARY MARKET

GOVERNMENT BOND	Q3/2024	Q2/2024	Q3/2023	%QoQ	%YoY
3-year tenor	-	-	-	-	-
5-year tenor	3,400	20,500	5,394	-83.4%	-37%
7-year tenor	395	-	-	-	-
10-year tenor	80,662	40,966	27,848	96.9%	189.7%
15-year tenor	26,903	9,935	33,250	170.8%	-19.1%
20-year tenor	2,060	2,800	500	-26.4%	312%
30-year tenor	1,749	2,072	2,997	-15.6%	-41.6%
Total of G-bond	115,169	76,273	69,989	51%	64.6%

CORPORATE BOND

	Q3/2024	Q2/2024	Q3/2023	%QoQ	%YoY
Private	113,349	121,936	106,761	-7%	6%
Public	12,864	2,500	15,002	415%	-14%
Total corporate bond	126,213	124,436	121,763	1%	4%

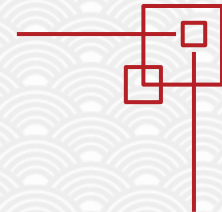
SECONDARY MARKET

GOVERNMENT BOND	Q3/2024	Q2/2024	Q3/2023	%QoQ	%YoY
Outright	442,626	423,880	298,982	4.4%	48%
Repo	321,403	265,007	86,018	21.3%	273.6%
Total of G-bond	764,029	688,887	385,000	10.9%	98.4%

CORPORATE BOND

	Q3/2024	Q2/2024	Q3/2023	%QoQ	%YoY
Total corporate bond	244,645	265,456	20,100	-8%	1117%

Unit: VND billion



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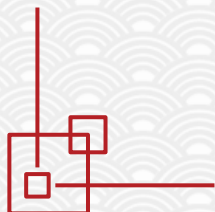
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CORPORATE BOND MARKET

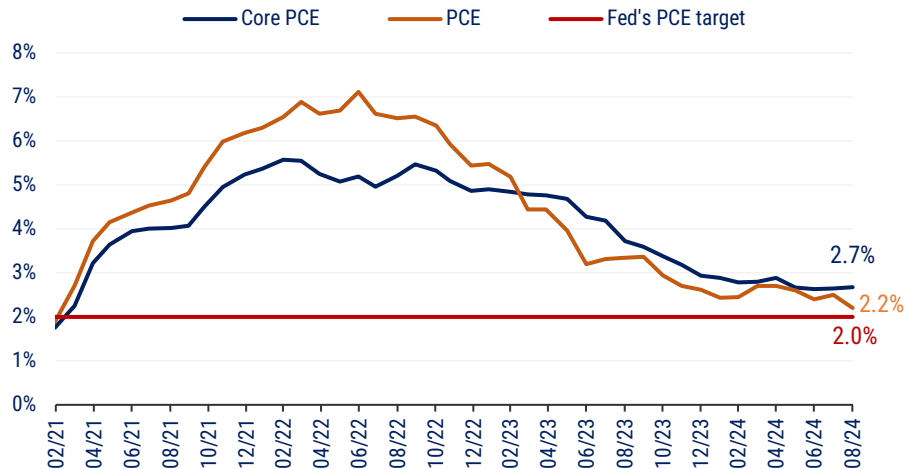
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01

MACROECONOMIC OVERVIEW

US Inflation by PCE and core PCE



Source: Fed St. Louis

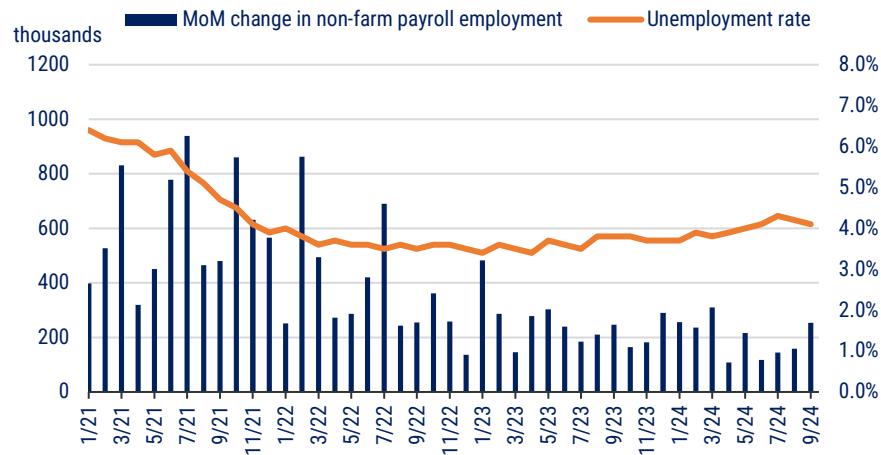
In August 2024, U.S. inflation moved closer to the Federal Reserve's 2% target. The Personal Consumption Expenditures (PCE) price index rose 2.2% YoY, down from a 2.5% increase in July. The core PCE, the Fed's preferred inflation gauge, increased by 0.1% MoM and 2.7% YoY, matching expectations.

At an event on September 30, Fed Chairman Jerome Powell emphasized that the Fed would continue to lower interest rates in Q4 2024, with two cuts of 25 basis points each according to the baseline scenario of the Dot Plot chart, if economic data unfolds as expected by Fed officials.

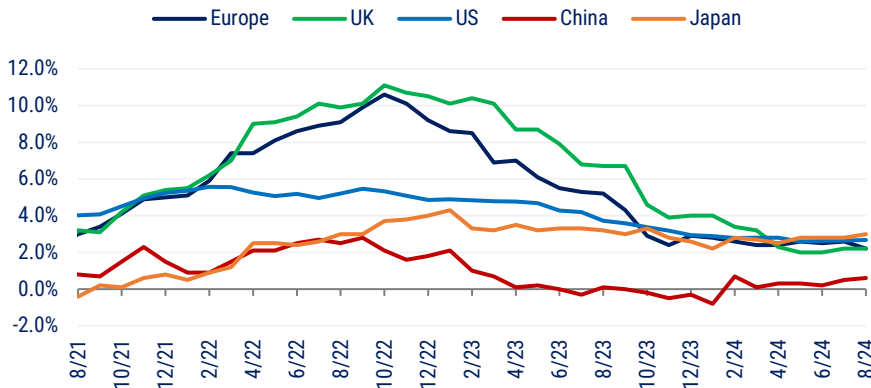
Subsequent US employment data for September showed a stronger-than-expected increase, further supporting the scenario for Fed's 25-basis point rate cuts. US non-farm jobs rose by 254,000, the highest increase in 6 months. The unemployment rate surprisingly dropped to 4.1%, lower than the estimated 4.2%.

According to CME FedWatch on October 9, the market anticipates an over 80% probability that the Fed will reduce rates by 25 basis points during its policy meeting in early November.

US Employment Situation



Inflation situation in some major countries



Source: BOE, FED St.Louis, ECB, CEIC, Trading Economics

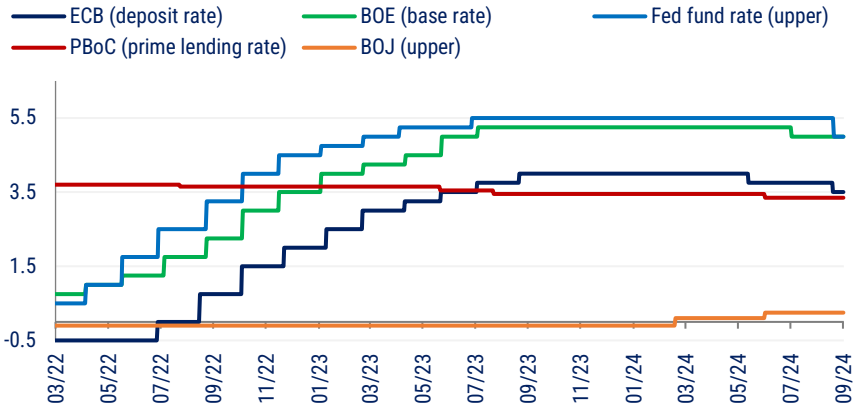
Following a prolonged period of monetary tightening since 2021, major banks around the world began to ease monetary policy in Q3.2024 due to concerns about slowing economic growth and labor market conditions.

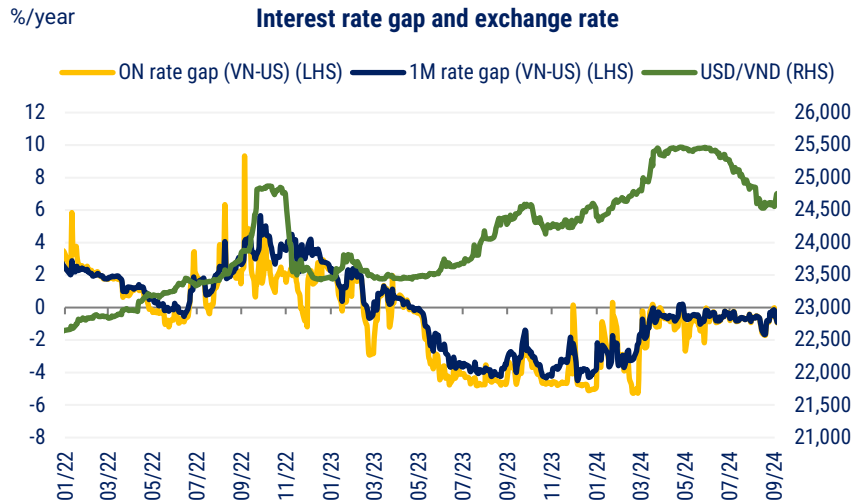
ECB implemented two cuts of 25 bps each in June and September, bringing the rate down to 3.5% due to weak economic growth and cooling inflation. Besides, PBoC lowered its interest rate by 10 bps in July and subsequently rolled out a significant stimulus package in September, including reducing mortgage rates, lowering reserve requirement ratios, and relaxing home purchase regulations to revive the struggling economy and real estate market.

The Bank of England (BoE) also decided to cut its rate to 5% (-25 bps) in August to stimulate economic growth; however, this rate was maintained in September due to inflationary pressures in the services sector. During its September meeting, the Fed announced a 50 bps rate cut to manage potential risks arising from a cooling labor market. However, the room for further large cuts in November has narrowed after stronger-than-expected labor market data for September was released.

Conversely, the Bank of Japan (BoJ) raised its interest rate by 0.25% at the end of July, reaching its highest level in 15 years to counteract the weakening yen and rising inflation risks.

Policy rates of some major central banks

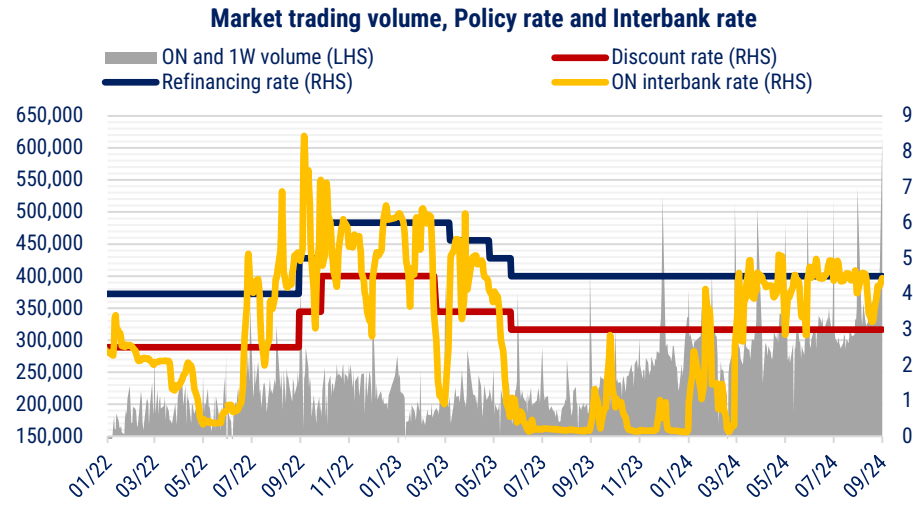




Source: SBV

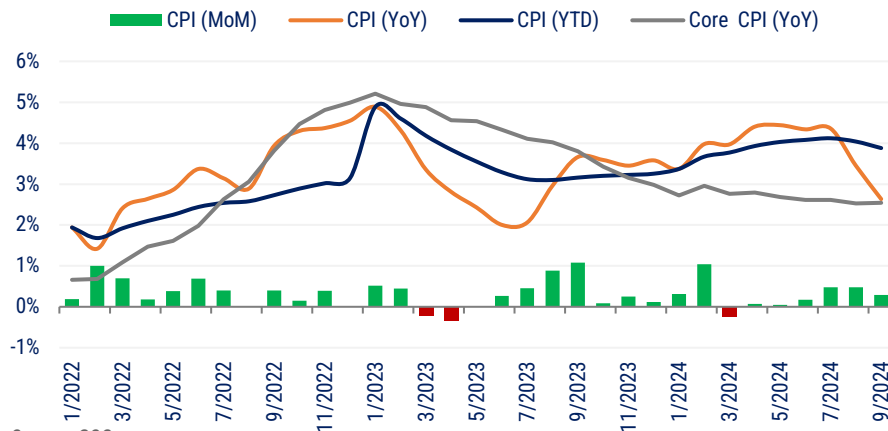
The USD/VND exchange rate has significantly cooled since late June, influenced by the weakening of the U.S. dollar and expectations about Fed's monetary easing cycle. As of the end of Q3.2024, the VND depreciated by approximately 1.66% against the USD, an improvement compared to late May when it had lost about 5%.

The reduction in exchange rate pressure creates room for the State Bank of Vietnam (SBV) to maintain a stable policy, promoting credit growth and supporting the economy and business operations. The SBV halted the issuance of SBV- bills at the end of August. In the third quarter, the SBV net injected nearly VND 165,000 billion via the open market operation (OMO), including nearly VND 122,000 billion from matured SBV-bills, to support liquidity in the banking system, especially as interbank interest rates rose sharply. Additionally, the OMO rate was reduced twice in August and September, from 4.5% to 4%, facilitating banks in deposit mobilization and lending. By the end of Q3, the ON interbank interest rate has decreased slightly compared to the beginning of the quarter but remains significantly higher than the 2.85% seen at the end of Q2.



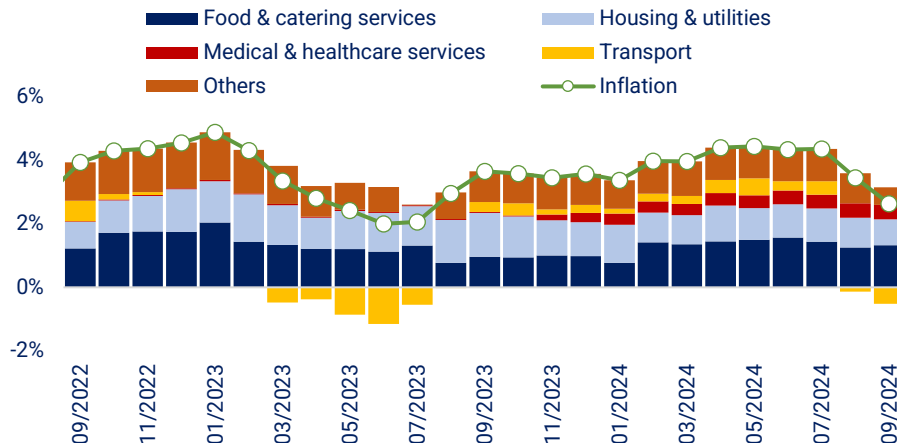
Source: VBMA, Refinitiv

Headline and core inflation



Source: GSO

Contribution to inflation

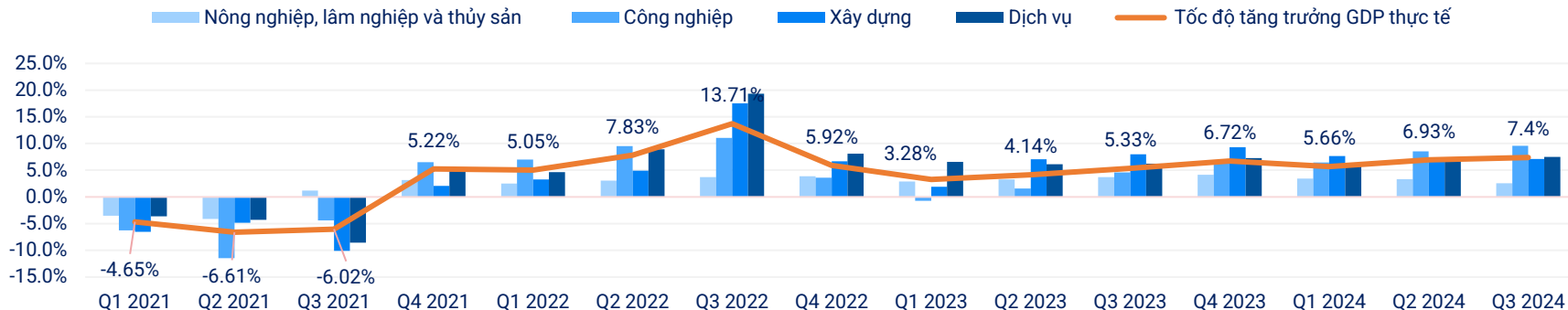


The average CPI in Q3.2024 increased by 3.48% YoY, while the core CPI rose by 2.54% YoY. Inflation is currently under control, with the average CPI for the first nine months of 2024 rising by 3.88% compared to the same period last year, which is lower than the target range of 4-4.5% set by the National Assembly.

In the first nine months of 2024, the price index for food and dining services increased by 4% YoY, contributing 1.34 percentage points to the overall CPI, primarily due to a 14.2% YoY increase in food prices driven by rising consumer demand and adverse impacts from floods on agriculture. The housing and construction materials price index rose by 5.33%, contributing an additional 1 percentage point. The education price index increased by 7.51%, as some localities adjusted tuition fees according to a planned schedule, contributing 0.46 percentage points to the CPI.

The global trend of cooling inflation has also helped reduce import inflation pressures for Vietnam, with the overall import price index decreasing by 1.73% YoY in the first nine months of 2024. Therefore, in Q4 2024, if there are no significant fluctuations in commodity prices, controlling inflation within the target range should not pose many challenges for Vietnam.

GDP growth rate by sectors



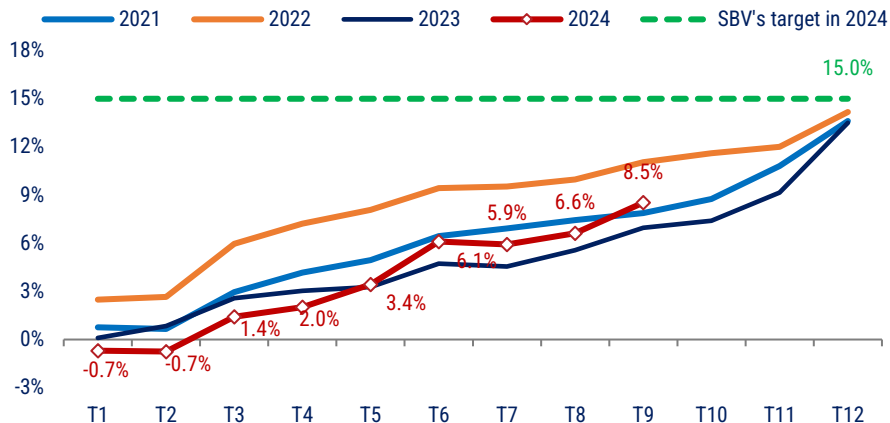
Source: GSO

Vietnam's GDP growth in Q3.2024 unexpectedly reached 7.4% YoY, the highest level since Q4 2022, despite the significant damage caused by Typhoon Yagi in early September. The industrial and construction sectors maintained a positive growth of 9.11% YoY and contributing 48.88% of the total value added. Notably, the processing and manufacturing sector was the primary driver of this growth, recording an impressive 11.4% YoY increase, marking the highest growth rate in six years. The services sector also showed resilience, growing by 7.5% YoY and contributing 47% to overall GDP growth, fueled by rising domestic demand and a recovery in international tourist arrivals to Vietnam. However, the agricultural, forestry, and fishery sectors experienced their lowest growth rate in four years at 2.58% YoY, largely due to the adverse effects of the typhoon.

For the first nine months of 2024, GDP is estimated to rise by 6.82%YoY, significantly higher than the 4.4% YoY growth recorded in 2023. Looking ahead to the last quarter of the year, there is still potential for growth driven by positive export trends thanks to increased consumer demand during the holiday season and heightened public investment, typically seen at year-end.

According to estimates from the General Statistics Office (GSO), achieving the government's annual growth target of 6.5 - 7% will require Q4 GDP growth of 7.5% for the upper target and 6.76% for the lower target.

Historical and 2024 credit growth (YTD)



Note: The credit growth rate for August 2024 is an estimate. The growth rate for September 2024 is based on estimates from the General Statistics Office (GSO) as of September 27.

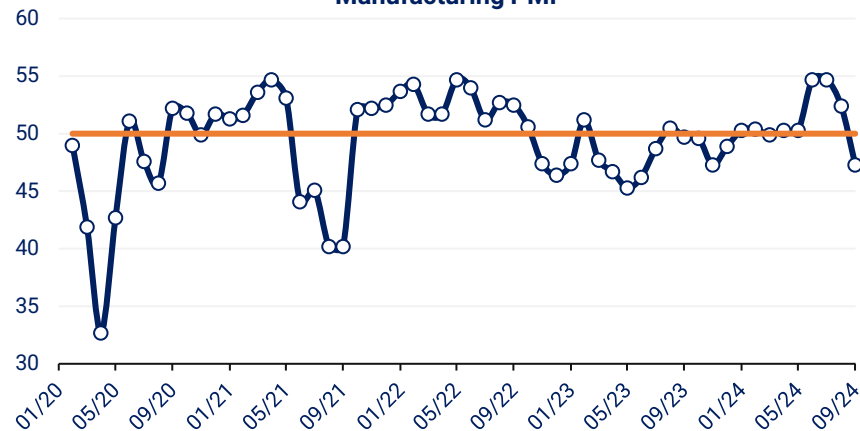
Source: SBV, GSO, VBMA

As of September 27, according to GSO, credit growth is estimated at 8.53% compared to the end of 2023, nearly double the 4.79% growth rate of capital mobilization.

Since August 28, 2024, the SBV has allowed credit institutions (CIs) with a credit growth rate of 80% of the SBV's target for 2024 to proactively increase their credit limits based on their ranking scores without having to request approval from regulatory authorities.

By the end of August, lending rates had decreased by more than 1 percentage point compared to last year-end, following SBV directives aimed at facilitating businesses' access to capital for expanding production and operations.

Manufacturing PMI

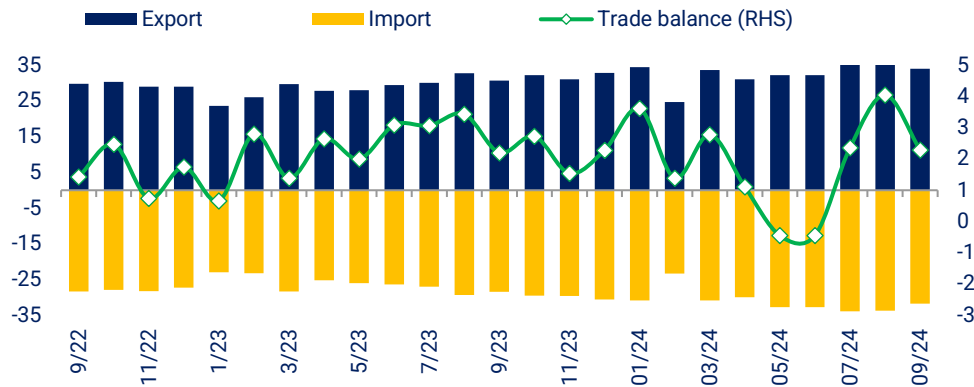


Source: S&P Global

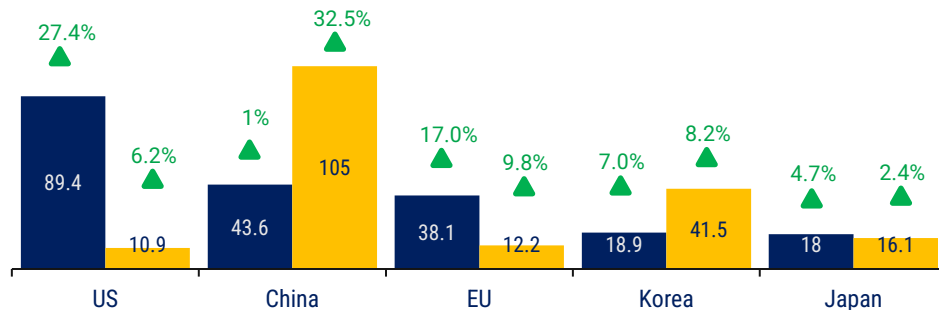
Vietnam's manufacturing activity in September experienced a sharp decline due to the severe impact of Typhoon Yagi. Prolonged heavy rainfall and flooding disrupted production lines and supply chains across Northern Vietnam. The PMI dropped sharply to 47.4, marking the lowest level in five months, as output, delivery times, and new orders all fell.

Despite these challenges, this situation is expected to be temporary. Businesses are anticipated to stabilize soon, especially with increased international demand during the year-end holiday season.

Monthly Vietnam trade balance



Import & Export in 9M2024 (by country)



Vietnam's export and import activities in Q3.2024 maintained a positive growth, despite the impact of Typhoon Yagi in September. The estimated export turnover for Q3 reached \$108.6 billion, marking a 15.8% YoY increase and a 10.6% rise compared to Q2. Imports were estimated at \$99.7 billion, reflecting a 17.2% YoY increase and a 6.1% QoQ growth. The cumulative trade balance recorded a surplus of \$20.79 billion, with the foreign-invested sector contributing a significant surplus of \$38.17 billion.

The easing inflation, the gradual loosening monetary policies in various countries, and improved global market demand have led to an increase in export orders. Notably, there were 30 items that achieved export values exceeding \$1 billion, accounting for 92.3% of the total export value for the first 9 months of the year.

In terms of markets, the United States continued to be Vietnam's largest export destination, with an estimated turnover of \$89.5 billion (+27.4% YoY). China remained the largest source of imports, with an estimated value of \$105 billion (+32.5% YoY).

02

GOVERNMENT BOND MARKET

In Q3/2024, the State Treasury called for 54 auction sessions of Government bond with the total offering value of VND 171,400 billion, the winning value was VND 115,169 billion, and the winning ratio was 67.2%.

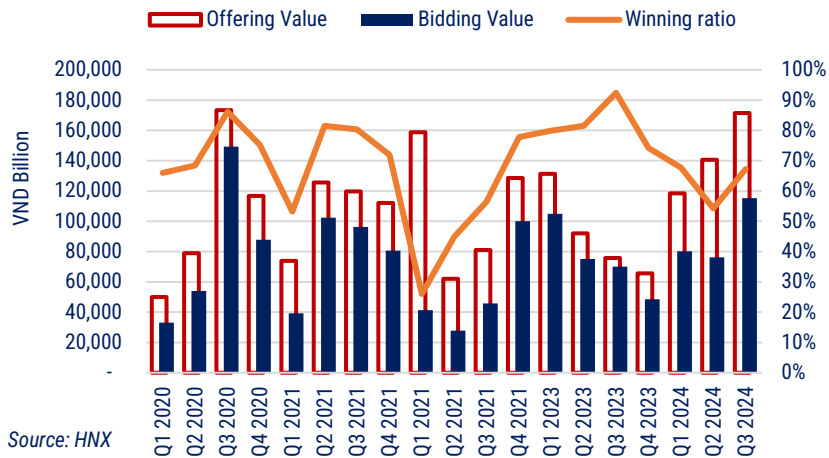
The total auction winning value since the beginning of 2024 reached 67.9% of this year's plan (VND 400,000 billion), while the issued value of G-bonds in Q3 reached 76.8% of the 3rd quarter's plan (VND 150,000 billion).

The Vietnam Development Bank (VDB) and the Vietnam Bank for Social Policies (VBSP) do not issue G-guaranteed bonds in 2024.

	Q3/2024	5Y	7Y	10Y	15Y	20Y	30Y	TOTAL
Issued value of Q3	3,400	395	80,662	26,903	2,060	1,749	115,169	
Plan of Q3	15,000	5,000	55,000	65,000	5,000	5,000	150,000	
% Completion	22.7%	7.9%	146.7%	41.4%	41.2%	35%	76.8%	

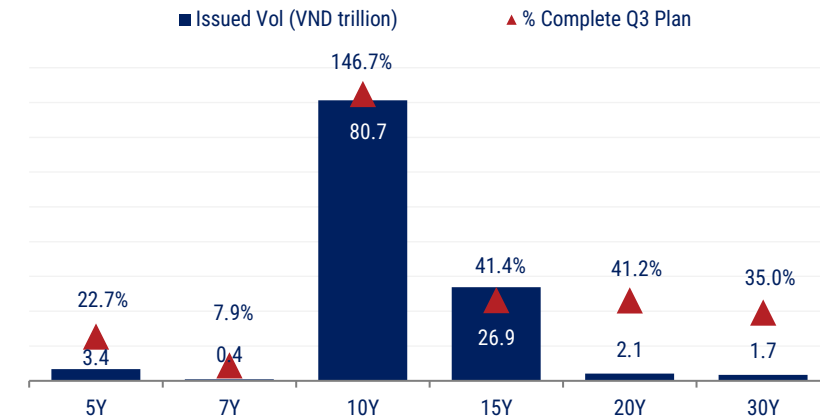
Unit: VND billion

Government bond auction winning rate



Source: HNX

Issuing value by tenor in Quarter 3, 2024



Source: HNX

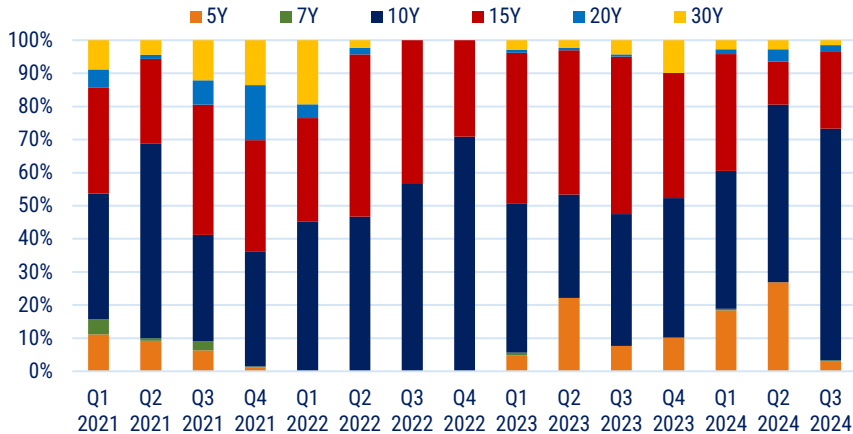
In Q3/2024, 10-year and 15-year bonds dominated most of the total winning value with VND 80,662 billion (accounted for over 70%), and VND 26,903 billion (accounted for 23.4%), respectively. The issuing values of 5-year, 7-year, 20-year and 30-year bonds were VND 3,400, 395, 2,060 and 1,749 billion, in that order. 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 Q3 was 11.49 years, with an average interest rate higher than Q2, at 2.75%.

The average issuance interest rate in Q3/2024 continued the upward trend from the previous quarter. Specifically, the 5-year, 15-year and 20-year issuance rates experienced the highest increase from 17-29 bps, reached 1.94%, 2.9% and 2.98%, respectively. The 10-year and 30-year tenors both increased by 5 bps to 2.72% and 3.1% respectively. In this quarter, the 7-year issuance rate was 2.05%.

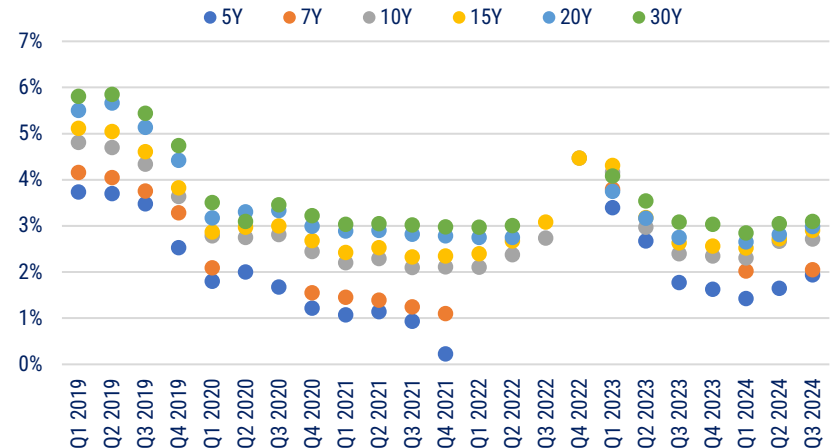
The total auction value of government bonds by STV in Q4 is projected to be VND 128,000 billion, with specific values for the 5, 7, 10, 15, 20, and 30-year tenors at VND 10,000 billion, VND 5,000 billion, VND 53,000 billion, VND 48,000 billion, VND 6,000 billion, and VND 6,000 billion, respectively.

Gov' bond auction winning value by tenors



Source: HNX, VBMA

Average issuing rate by tenors



Source: HNX, VBMA

Total trading volume of Government and Government-guaranteed bond Q3/2024: **VND 764,029 billion**

In which, Outright trading volume:

VND 442,626 billion

Repo trading volume:

VND 321,403 billion

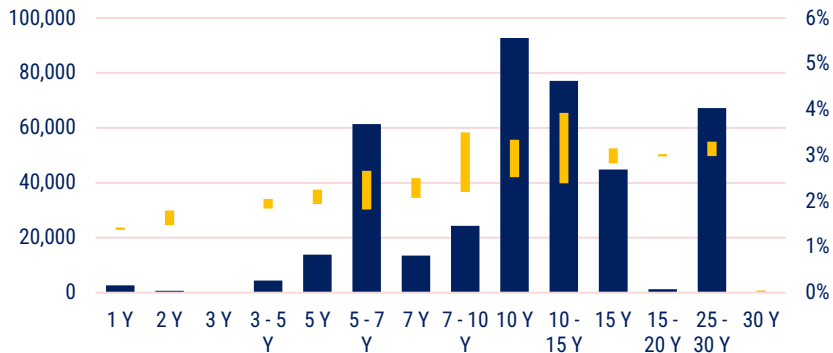
Total Outright transaction value in Q3/2024 increased by 4.4% and Repo transaction value rose about 21.3% compared to the previous quarter. The average daily transaction value of Outright and Repo transactions reached VND 6,916 billion/day (down 0.5% QoQ) and VND 5,022 billion/day (up 15.6% QoQ).

Amid easing exchange rate pressures, the State Bank of Vietnam (SBV) had more room to loosen monetary policies to support the economy and boost credit growth. Increased loan demand, along with the SBV continuing to issue bills in the first 2 months of Q3, pushed Repo transactions values up to VND 321,403 billion.

From August 26, 2024, the SBV stopped issuing bills while purchasing valuable papers, with a total value of VND 478,121 billion in Q3. This improved the value of Outright transactions, which reached VND 442,626 billion. Transactions with tenors from 10 to 15 years continued to dominate most of outright transaction values, with average yields ranging from 2.39% to 3.9%. Repo transactions were mainly conducted with a 14-day tenor, with transaction rates ranging from 3.95% to 4.5%.

Trading value and yield range of Outright transactions, by remaining tenors

■ Value ■ Yield Range

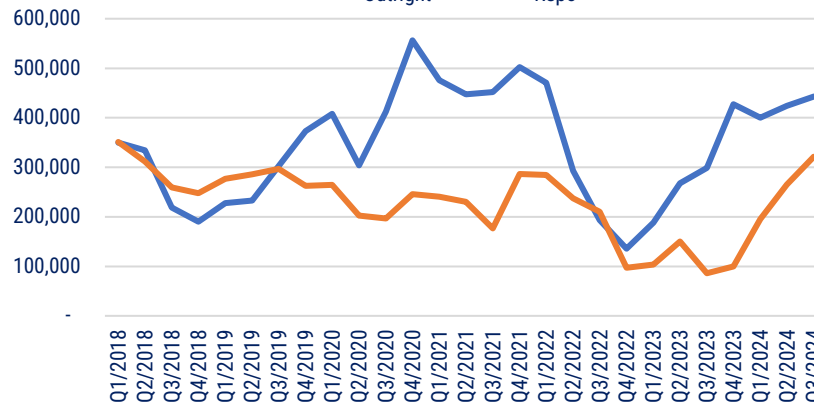


Unit: VND billion

Source: HNX, VBMA

Gov' bond outright and repo trading value

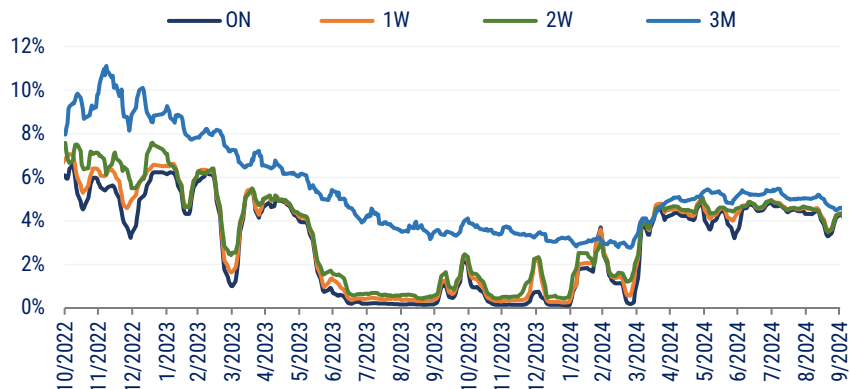
— Outright — Repo



Unit: VND billion

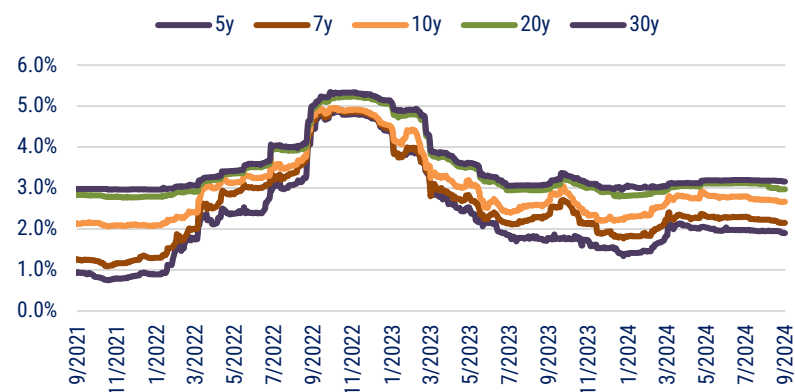
Source: HNX, VBMA

Average interbank interest rate



Source: SBV, VBMA

G-Bond yield - Secondary market



Source: VBMA

According to the VBMA Outright trading room, Government bond yields by the end of Q3/2024 decreased across all maturities compared to the end of Q2. Specifically, yields for maturities under 5 years and the 30-year tenor dropped by 20-77 bps, yields for 7-20 tenors declined from 91 to 143 bps.

The gap between US and Vietnam bond yields narrowed in Q3 as the Federal Reserve cut the Fed fund rate by 50 bps for the first time since March 2020, reducing to 4.75%-5%. After this decision, Fed Chairman, Jerome Powell indicated that “the FOMC does not feel the need to lower rates rapidly”. The base scenario was two more quarter-point cuts this year rather than a larger 50 bps reduction, as September’s CPI only increased by 2.4% YoY (down by 0.1% from August), the August PCE index slowed to 2.2%, while the unemployment rate in September stood at 4.1% (-10 bps MoM). However, Chairman Powell emphasized that if inflation persists, the Fed may slow down the pace of rate cuts.

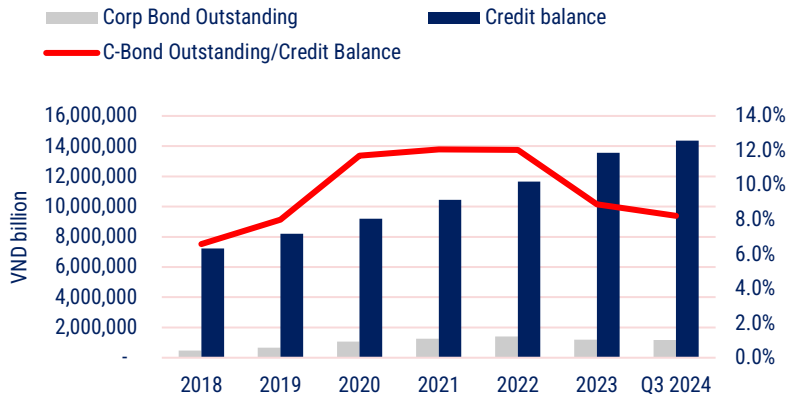
Domestically, the State Bank of Vietnam (SBV) halted SBV-bills issuance from the end of August, lowered OMO and SBV-bills’ rates, and injected almost VND 165,000 billion into the system in Q3 to support liquidity, boost credit growth, and maintain low interbank interest rates. Interbank rates for Q3 decreased across most tenors, with 1W, 2W, 1M, and 3M rates dropping by 27-63 bps compared to the end of Q2. 6M and 9M rates saw a slight reduction of 4-11 bps, while overnight (ON) rates increased by 5 bps. Given this situation, the SBV is expected to continue easing monetary policy in the near future to support the economy.

In the Repo market, transaction rates quoted by VBMA Repo market makers dropped by about 67 bps for maturities under 2 months, and by 18-27 bps for the others.

03

CORPORATE BOND MARKET

Outstanding corporate bond and credit balance



(*)The figure of credit balance was as of July 2024

Sources: HNX, SBV, VBMA

At the end of Q3.2024, the outstanding balance of corporate bonds decreased slightly by 1.9% compared to the end of 2023, down to VND 1.18 million billion, equivalent to 8.2% of the total credit outstanding of the entire economy. This rate is lower than the 8.9% at the end of last year.

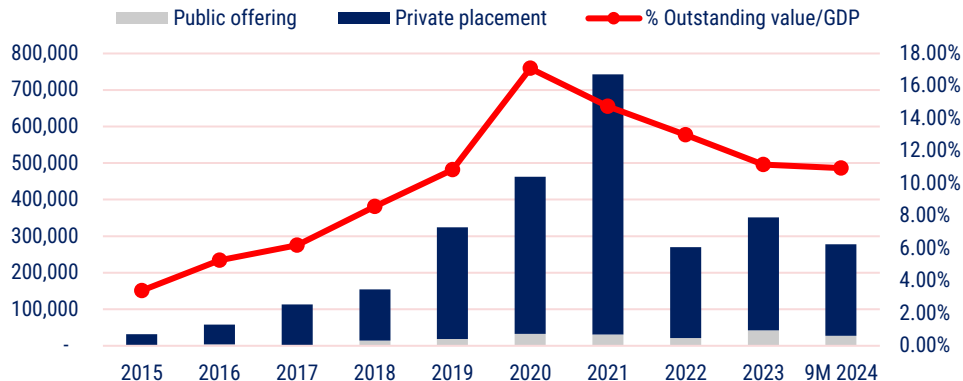
In the first nine months of 2024, the value of newly issued bonds (VND 277,450 billion) was 14.3% higher compared to the value of bonds maturing in 2024, which is estimated at VND 242,578 billion.

Total domestic issuance :



In the third quarter of 2024, there were four public bond issuances totaling VND 12,864 billion, accounting for 10.2% of the total issuance value. Additionally, 126 bond issuances under private placement amounted to VND 113,349 billion, making up 89.8% of the total. In 2024, corporate bonds are primarily issued through private placements, which represent about 90% of the market. The market size relative to GDP has been on a continuous decline since peaking at 17.1% in 2020, dropping to 10.9% by the end of September 2024.

Public offering and private placement



Sources: HNX, GSO, VBMA

(**) According to data published by HNX and SSC as of 30th September 2024, the data between reports may vary depending on the time of consolidation.

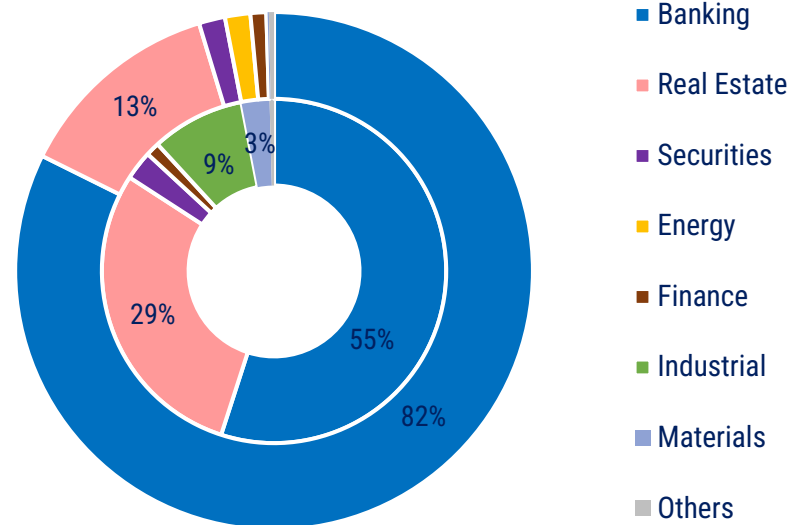
Unit: VND billion

Sector	Q3 2023	Q3.2024	%YoY
Real Estate	35,520	16,398	-54%
Securities	3,333	2,059	-38%
Industrials	10,696	100	-99%
Banking	66,939	103,910	55%
Materials	3,200	100	-97%
Finance	1,565	1,246	-20%
Energy		2,000	
Others	510	400	-22%
Total	121,763	126,213	4%

Data was collected by VBMA from HNX and SSC websites as of Sep 30, 2024

In the third quarter of 2024, the value of corporate bond issuance increased slightly by 4% year-on-year, reaching VND 126,213 billion. The majority of these bonds were issued by the banking sector, totaling VND 103,910 billion, accounting for 82% of the total issuance value. The active issuance from banks has helped maintain a stable market size, while the issuance values across all other sectors have significantly decreased compared to the same period last year.

Corporate bond issuance value by sectors Q3/2024 (outer circle) and Q3/2023 (inner)



Source: HNX, VBMA

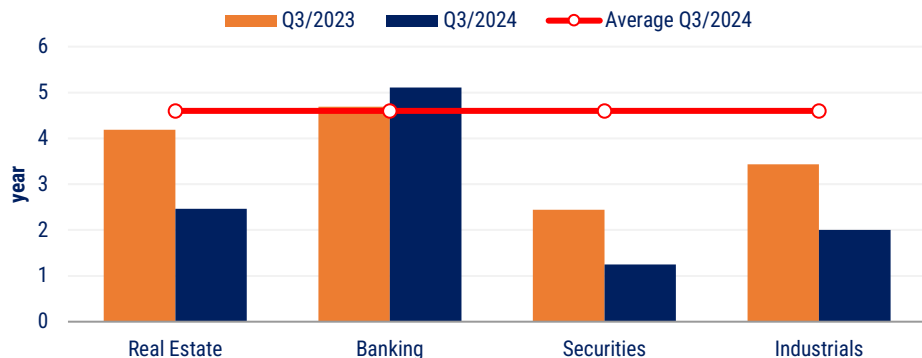
65% of corporate issued in Q3 had tenors from 1 to 3 years

Average issuing coupon rate in Q3/2024: **6.68%/year**

Average issuing tenor in Q3/2024: **4.6 year**

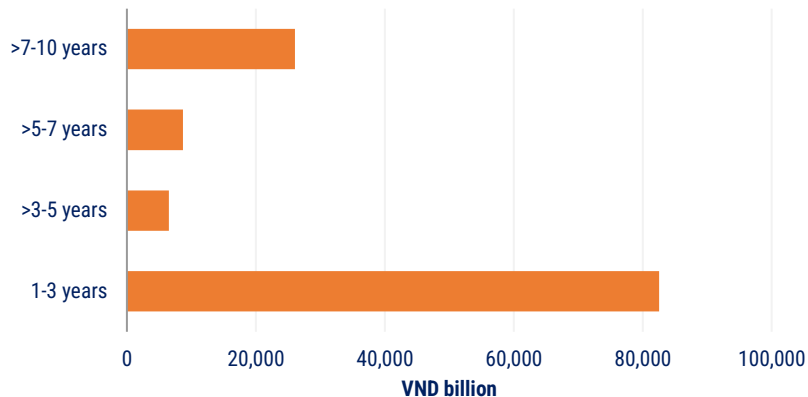
In Q3/2024, the issuing interest rates for corporate bonds decreased across most sectors compared to the same period last year, with the average rate dropping by 1.33 percentage points. However, compared to Q2 2024, the average rate increased slightly by 6 basis points, aligning with the upward trend in deposit interest rates. The faster growth rate of credit compared to capital mobilization is the main reason for the increase in interest rates, despite the State Bank of Vietnam (SBV) maintaining easing policy aimed at keeping interest rates low to stabilize economic recovery. The maturity periods for bond issuances across various sectors are trending downward, except for a slight increase in the banking sector.

Average issuing value by tenors (year)



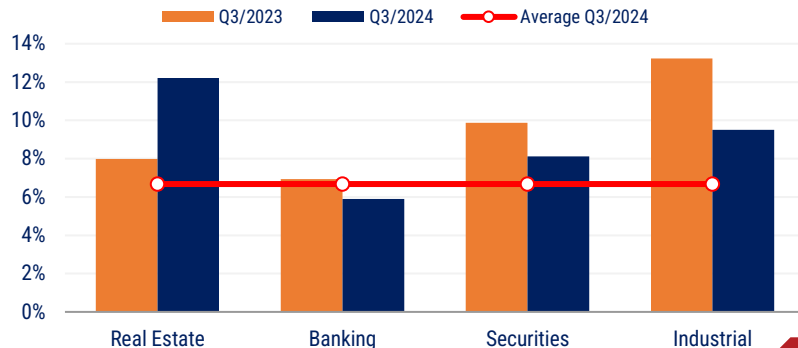
Source: HNX, VBMA

Issuing value by tenors



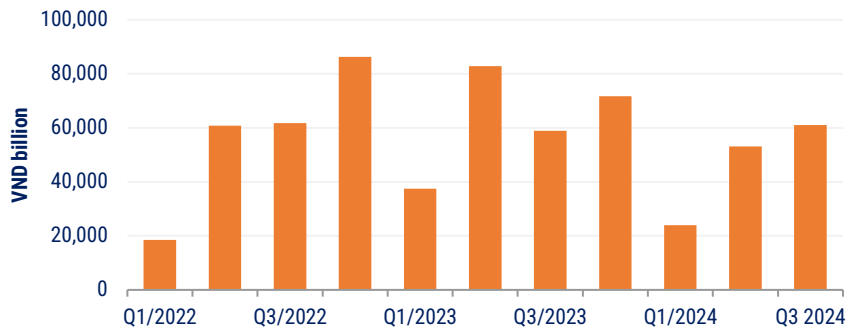
Source: HNX, VBMA

Average Coupon Rate



Source: HNX, VBMA

Corporate bond redeeming value



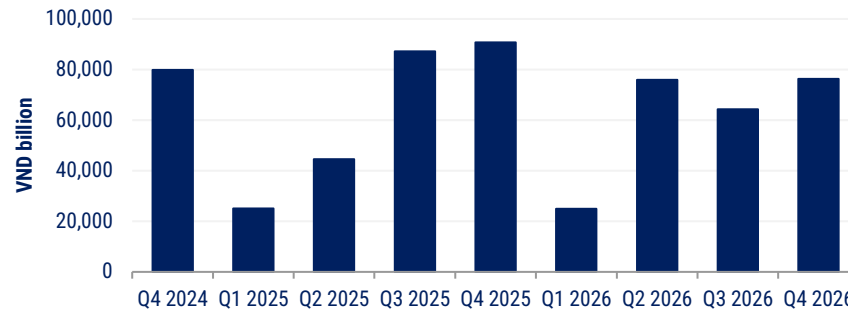
Source: HNX, VBMA

In Q3/2024, the value of early redeemed bonds reached VND 61,021 billion, an increase of 3.6% compared to the same period in 2023. The total value of bonds maturing in the last three months of the year was estimated at VND 79,858 billion, of which VND 35,137 billion (44%) are real estate bonds, and 10.6% (approximately VND 8,500 billion) was bank bonds.

The value of bonds with overdue interest and principal payments in Q3.2024 was VND 4,133 billion, reflecting a slight decrease of 10% compared to Q2 2024. The majority of overdue payments from 2021 to date were real estate bonds, accounting for 74% of the total value of overdue payments.

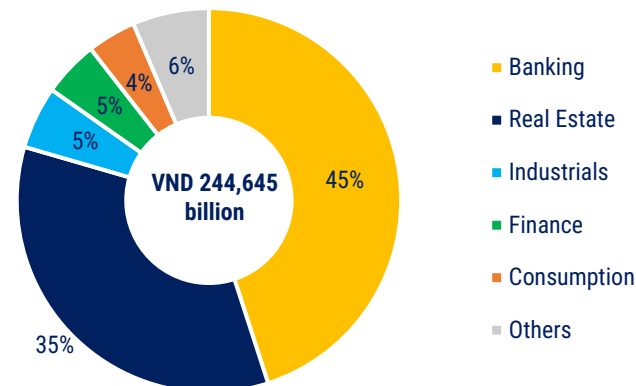
In the secondary market, the value of transactions for privately issued bonds reached VND 244,645 billion in Q3.2024, averaging VND 3,823 billion per day, a 12.2% decrease compared to Q2 2024. Most transaction values were attributed to bank bonds, accounting for 45%. Among the top 10 issuers with the most traded bonds in Q3, five were from the banking sector.

Corporate bond maturing value 2024-2026



Source: HNX, VBMA

Trading value of private corporate bonds in Q3/2024





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

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