



BOND MARKET REVIEW

General Market Comment

With rates at record levels and shorter tenures (ask-side) close to zero, the potential for further rallies in VGB's is limited. The 1 and 2yr VGB's which are linked to the policy rates and are heavily in under-supply came up by 1.5bps in December, while the longer ones, more subject to market psychology, rose some 5-10bps. Going forward, there is probably a slight upward bias on rates, as the lower end of the curve is stuck. Although the last two YoY CPI readings were very benign at 1.48% and 0.19%, the inflation, in the light of recovery from the pandemic, is likely to rise moderately. SBV may reduce dollar buying while the credit growth may recover further from last reported number of some 11%. Consequently, SBV is less likely to continue pursuing its aggressive expansive monetary policy and turn more neutral. Thus, interbank rates maybe higher than in 2020. That said, external balances, with for instance the trade FY 2020 surplus at some USD 19billion and USD 10.9billion in 2019, most likely will remain positive and make it possible for SBV to focus on other macroeconomic fundamentals. But all-in all, VGB's have limited potential from here, although one may argue that the longer tenures based on the future inflation path, in theory, are reasonably priced but lack any risk premium. The corporate bond market continues to be in a strange state. The onshore funds are scrambling desperately to find listed bonds which are increasingly becoming a scarce item and moreover, the allotment process in these has not always been very transparent. In order, for the market to move forward, the listing process must be much less cumbersome. The buyers of the unlisted bonds are mostly retail investors which don't face the same regulatory constraints. As many issuers may not have strong credit and most retail investors lack knowledge how to analyze them, the need for a credible domestic credit rating agency is getting more and more apparent. Today there is one good contestant with operations just up and running, and a second one in the projection phase.

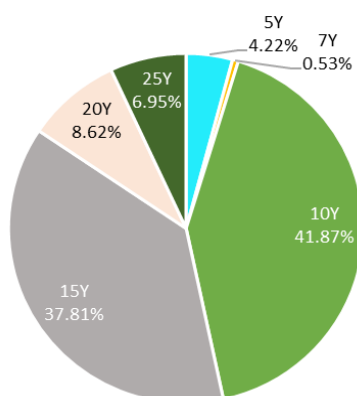
Vietnam Government Bond (VGB) Market 2020

At 31/12/2020, the value of listed bonds on HNX is VND1315.7 trillions, among those value of VGB is 1212.2 trillions. Vietnam State Treasury (VST) finished 2020 VGB issuance in flying colors. Total of VND324 trillion has been issued (124.6% of 2020 planned amount) and VST successfully increasing average tenor of issued bonds and reduce interest cost. Primary issuance winning rates decreased in range of 64 to 98 basic points (see table). On secondary market, total VND 1593.52 trillion value of VGB changed hands in 2020 in outright transactions and tenors of 5,10 and 15 years are most liquidity. Secondary bond yields reduced 106bps, 114 bps and 126 bps correspondingly for tenors 5,10 and 15 year in period from 1 Jan 2020 to 28 December 2020. In 2021, VST is expected to issue similar amount of VGB to 2020 or slightly higher to finance public investment.

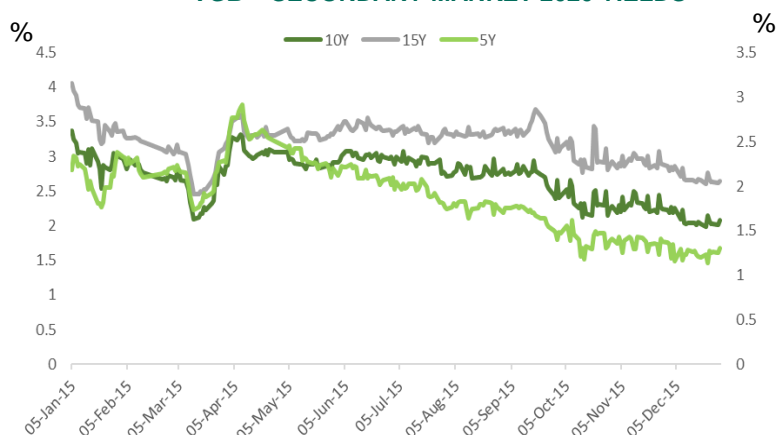
VIETNAM GOVERNMENT BOND ISSUANCE 2020

No.	Tenor (Year)	Number of Call	Call Amount (VND Bil)	Bid Amount (VND Bil)	Issued Amount (VND Bil)	Issuance Plan 2020 (VND Bil)	% Issuance/Plan	Bidding Yield Range (%/Year)	Winning Yield Range (%/Year)
1	5	26	28,500.0	51,083.0	13,670.0	20,000	68.4%	1.1 - 3.6	1.22 - 2.2
2	7	9	8,000.0	16,185.0	1,730.0	15,000	11.5%	1.54 - 3.5	1.55 - 2.24
3	10	46	163,000.0	493,035.5	135,648.0	90,000	150.7%	2.05 - 4.2	2.18 - 3.1
4	15	49	149,500.0	363,719.0	122,473.0	100,000	122.5%	2.35 - 3.9	2.5 - 3.2
5	20	34	38,000.0	85,728.9	27,915.0	20,000	139.6%	2.7 - 4.7	2.89 - 3.63
6	25	29	32,000.0	64,469.0	22,516.5	15,000	150.1%	2.85 - 5.1	3 - 3.8
Total		193	419,000.0	1,074,220.4	323,952.5	260,000	124.6%		

VGB – PRIMARY ISSUANCE STRUCTURE 2020



VGB – SECONDARY MARKET 2020 YIELDS





DISCLAIMER

This document has been prepared by Dragon Capital Markets Limited (“Dragon Capital”).

This document is not an offer or invitation to apply for shares, and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever.

The information contained in this document is for background purposes only, and is subject to updating, revision and amendment, and no representation or warranty (express or implied), is made, and no liability whatsoever is accepted by Dragon Capital or any other person, in relation thereto.

Any investment must be made on the basis of the relevant offering documents alone. Past performance is not necessarily a guide to the future.

You are advised to exercise caution in relation to this document. If you are in any doubt about any information contained in this document, you should obtain independent professional advice.

The information contained in this document is strictly confidential and is intended only for the use of the individual or entity to whom Dragon Capital has provided the report. No part of this report may be divulged to any other person, distributed, and/or reproduced without the prior written permission of Dragon Capital.