



## MONTHLY REVIEW – Aug 2022

## General Market Commentary

The currency was the key market driver in Aug. During the month, the USD Index (DXY) rose to 108.7, from 105.9 at end-Jul. It increased 2.64% mom and 15% ytd. The VND, on the other hand, was at 23,420 to the USD, -0.34% compared to the end of last month. The VND has lost a total of 2.76% against the USD ytd, reversing its 1.27% gain from 2021. However, compared to most other currencies, the VND has held up quite well. For example, the Euro has lost 11.2% against the dollar ytd, falling from 1.1323 to 1.006, while JPY has weakened some 20.8% from 115.06 to 138.96. In the meantime, after the Fed raised interest rates by 75 bps in Jul, the overall interest rate environment is trending up strongly and has shifted up by some 50-60 bps for tenors from one to 10 years and 30 bps for 20 to 30 years. The US Treasury rates were in the range of 3.0-3.5% at the month-end compared to 0.4-2.1% at the beginning of the year. Thai 10-year Government bonds were fairly stable at 2.4% (-10 bps) mom.

Money market rates in Vietnam increased sharply in Aug, from 2% to around 4% due to pressure on the VND. VGB screen rates continued rising in Aug but at a slower pace. The 2- and 5-year tenors rose by some 12-16 bps while the other tenors were only 6-8 bps higher. These moves are much smaller than the 60-80 bps in Jul. Compared to end-2021, the VGBs have increased more than 200 bps in the 1-7 years tenors while 10- and 15-year tenors rose by some 150 bps. Currently, 1- to 5- year VGBs are traded in the range of 2.75% to 3.23%, while the 10- to 15-year VGBs are at 3.69% and 3.61%, respectively.

## Vietnam Government Bond Market

The Vietnam State Treasury's (VST) primary issuance plan for 2022 targeted issuing VND 400trn of Government bonds (VGBs). Of that, the target for 1Q22 was VND 105trn; for 2Q22, VND 120trn; and for 3Q22, VND 85trn, focusing on 10- and 15-year tenors. There were 15 VGB auctions in Aug, with an issued amount of VND 26.2trn. Ytd there have been a total of 115 auctions, with an issued amount of VND 104.6trn, while the auctioned amounts were VND 32.5trn in Aug and 189.5trn ytd. The fill ratio was 55.8% ytd, which was higher than the 40.5% in Jul but still lower than the average of 72.9% for FY2021. From May 2022, VST allowed primary interest rates to rise by some by 3 to 6 bps in the auctions. This helped to push up the winning ratios of 10- and 15-year tenors to 66% and 54% from 23-26% in 1Q but still far from what they were in FY2021 at 84% and 71%. This indicates a discrepancy between supply and demand and implies a very weak market. That being said, the interest rate jump in Jul caused a return in demand for VGBs in Aug. VGBs are now still trading in the secondary market at a level 70-80bps higher than the primary rates. The pressure from on the VND, the expected increase in inflation, illiquidity in the corporate bond market, money market tightening and increasing lending rates created clear pressure on VGB interest rates. State Treasury reduced the 3Q22 issuance target to VND 85trn, the lowest level ytd. By end-Aug, the total newly issued VGBs was only 26% of the full-year target.

On the secondary market, trading volume declined in Aug. The total outright values were only VND 48trn (-64% vs last month) and was the lowest amount in the last five years. On the other hand, repos were VND 77trn (more than double vs last month), indicating short-term demand in the money market. The average daily trading value of outright transactions for the month was VND 2.1trn. The 7- and 15-year VGBs were the most traded tenors, at a value of VND 37.5trn, or 68% of the total outright transactions.

## VGB PRIMARY ISSUED vs ISSUANCE PLAN

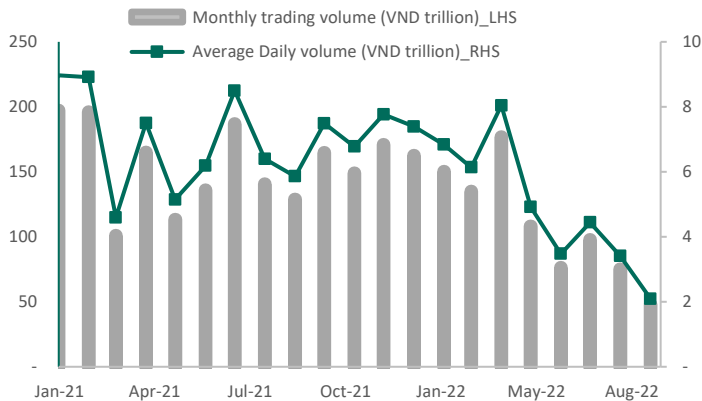
Tenor	Issuance Plan Q3-2022 (VND bn)	Issuance Plan FY 2022 (VND bn)	Issued Value in Aug 2022 (VND bn)	Cumulative Issued Value Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarter Plan	% Completion of FY 2022 Plan
5-year	5,000	30,000	-	-	-	0%	0%
7-year	5,000	15,000	-	-	-	0%	0%
10-year	30,000	140,000	13,160	20,795	52,437	69%	37%
15-year	35,000	150,000	13,000	14,700	41,255	42%	28%
20-year	5,000	30,000	-	-	2,265	0%	8%
30-year	5,000	35,000	-	-	8,625	0%	25%
<b>Total</b>	<b>85,000</b>	<b>400,000</b>	<b>26,160</b>	<b>35,495</b>	<b>104,582</b>	<b>42%</b>	<b>26%</b>

Source: HNX/VBMA

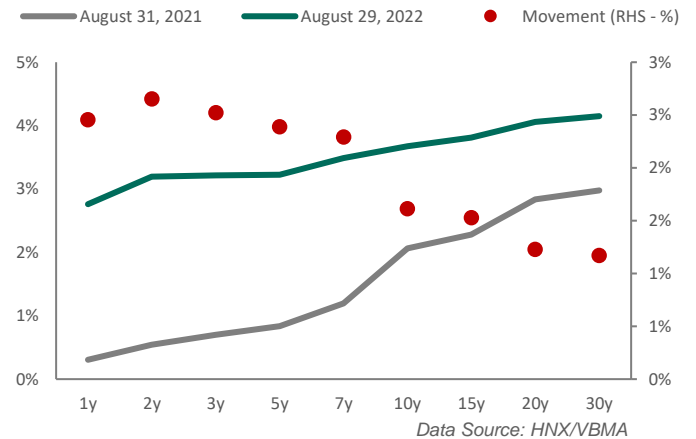


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### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE

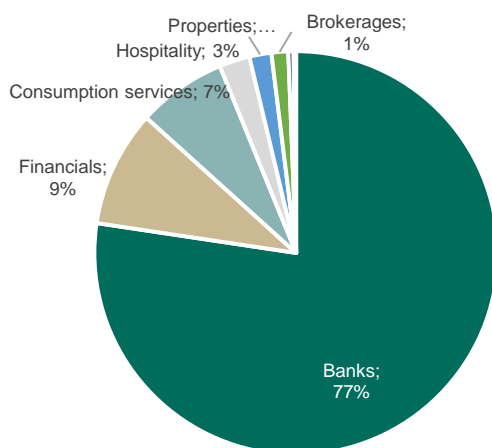


### Vietnam Corporate Bond Market

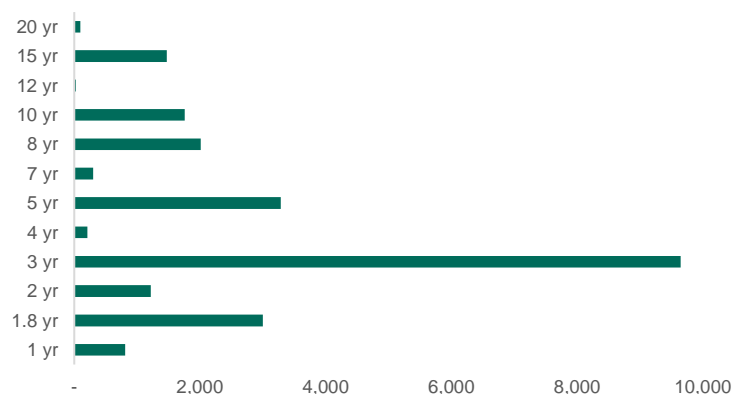
In Aug, with consolidated data from the HNX and the VBMA, there was one issuance through public offering, and 25 issuances through private placements. The issued amount was VND 12.7trn (-32% vs reported number and -47% vs the updated number last month). Compared to the 45 and 63 bonds issued in Jun and Jul and the VND 23.8 and 42.5trn in value issued during the same period, the new issuance declined significantly in Aug. The key reasons were rising interest rates and limited credit room being offered by banks. Regarding issuers, banks still dominated with 77% of new issuances, followed by financials at 9% and consumption services at 7%. Property issuers were at a record low of 2% from 4% in Jun and 28% in May. Hospitality and other sectors contributed the remaining 5%. 3-years was the most issued tenor in Aug. The average maturity decreased slightly to 4.8 years compared to 5.1 years in Jul. The effect from TanHoangMinh has gradually calmed down. The new regulation for private placement bond issuance is expected to be announced soon.

Ytd, there have been 370 issuances with a total value of VND 239.9trn. Of that, 351 bonds were issued through private placements with a total value of VND 215trn, or 89.6% of the total issuance; 18 bonds were issued through public offerings with a total value of VND 9.3trn, or 3.9% of the total; and two international bonds in USD were issued by Vingroup with a value of \$625m, or 6.5% of the total issuance ytd.

### CORPORATE BOND – PRIMARY ISSUANCE BY ISSUER



### CORPORATE BOND – PRIMARY ISSUANCE BY TENORS



Source: HNX/VBMA

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