



## MONTHLY REVIEW – December 2022

General Market  
Commentary

December closed the year with comparatively good macro parameters. GDP advanced 8.0% YoY, vastly outperforming the 2.58% during the 2021 Covid lockdowns. CPI was near flat at -0.01% MoM and ended at 4.55% YoY, with core inflation at 4.99% YoY. This number was higher than that of 1.84% in 2021, but better than its ASEAN peers, with Indonesia and Thailand both coming in at around 5.5% YoY.

In the first week of December, the SBV announced an additional credit limit increase of 1.5-2%, which implied that an additional liquidity equivalent of roughly VND 200tn (~US\$ 8.5bn) would be pumped out in the last month of the year, helping the whole market tremendously. Concurrently, the weakening USD and the surplus of liquidity in good banks, which had no remaining quotas for lending more money, helped the interest rate market to decrease compared to the peaks in November. The money market cooled down as the o/n rate continued to drop from 5% at the end of November to 3-3.5%, after peaking at 11-12% in October, while 12-month deposit rates adjusted downwards to around 8.2-9.5%, after peaking at 10.8-11%. The VND was almost unchanged in December, after recovering 0.8% in November. The VND depreciated by roughly 3.5% FY22, while the money market ticked up in the range of 3-6% for all tenors, and deposit rates increased by approximately 3-4%.

Vietnam Government  
Bond Market

The primary issuance plan for FY22 was VND 400tn of Government bonds (VGBs). Of that, the target for 1Q22 was VND 105tn; for 2Q22, VND 120tn; for 3Q22, VND 85tn; and for 4Q22, VND 100tn; focusing on 10 and 15-year tenors. In December, there were eight VGB auctions with a total issuance of VND 32.5tn for the month and 223.7tn YTD. This was +5% vs the previous month and nearly three times the monthly average of 9M2022. By the end of December, the total value of newly issued VGBs was roughly 214.7tn YTD, or 53.6% of the full-year target, in which Q4 accounted for 20.8%.

The yield curve remained extremely flat in December with all tenors in the narrow range of 4.86-5.16%. Secondary yields continued to decline slightly by 9-13bps. The gap between primary and secondary yields increased by 14-23bps compared to the 30bps in November, but was still a big drop compared to 100 bps at the end of October and 170 bps in Q3.

On the secondary market, the outright daily trading volume increased significantly, up by 85% vs November, breaking the down-trend from August. This is a good signal from the market showing that liquidity has improved and demand-supply has been met on yields. Outright trading volume in the secondary market was VND 54.1tn, up 85% from November, but still roughly 57% of the monthly average for 1H22, staying within the low trading range of the last five years. On the other hand, repos reduced to VND 28tn, down 8.6% from the previous month, indicating short-term liquidity was still stagnant in the money market. The average daily trading value of outright transactions for the month was just VND 2.46tn. >10-year VGBs were the most traded tenors, at a value of VND 39tn, or 72% of the total outright transactions.

## VGB PRIMARY ISSUED vs ISSUANCE PLAN

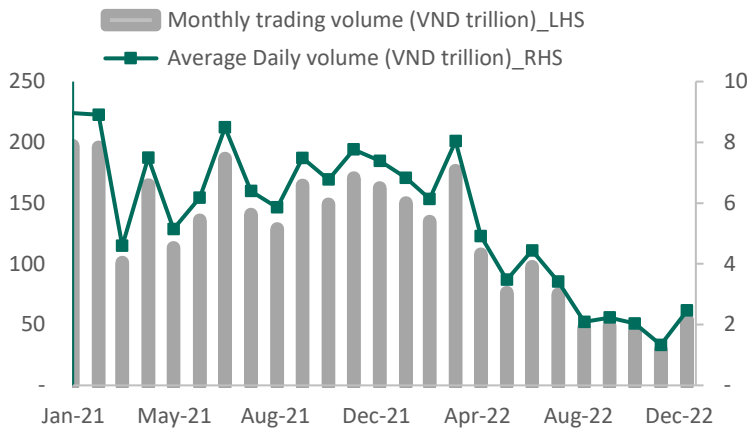
Tenor	Issuance Plan Q4-2022 (VND bn)	Issuance Plan FY 2022 (VND bn)	Issued Value in Dec 2022 (VND bn)	Cumulative Issued Value Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarter Plan	% Completion of FY 2022 Plan
5-year	3,000	30,000	-	-	-	-	-
7-year	2,000	15,000	-	-	-	-	-
10-year	60,000	140,000	20,500	70,840	128,312	118%	92%
15-year	30,000	150,000	12,000	29,100	75,520	97%	50%
20-year	2,000	30,000	-	-	2,265	0%	8%
30-year	3,000	35,000	-	-	8,625	0%	25%
<b>Total</b>	<b>100,000</b>	<b>400,000</b>	<b>32,500</b>	<b>99,940</b>	<b>214,722</b>	<b>100%</b>	<b>54%</b>

Source: HNX/VBMA

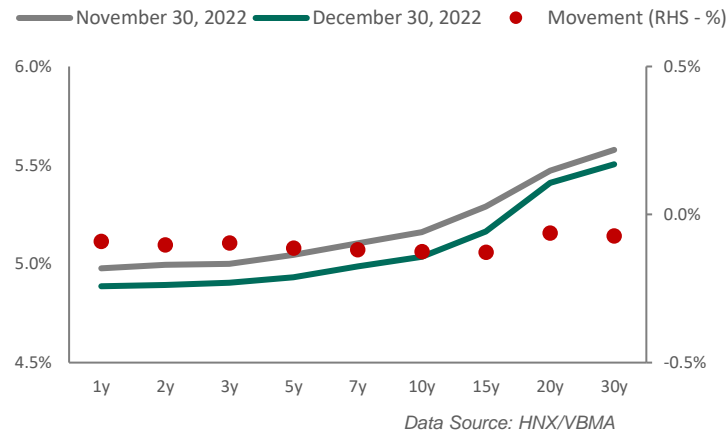


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### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE

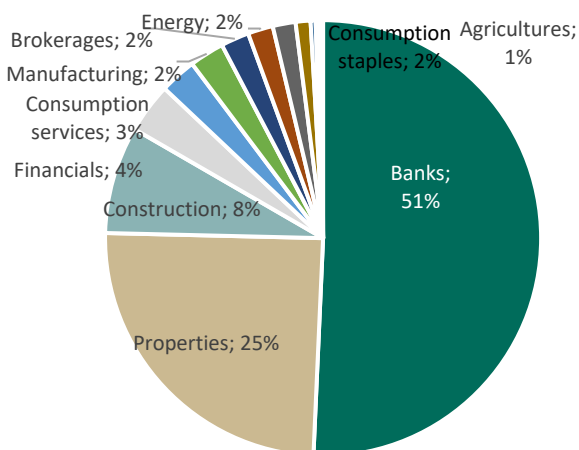


### Vietnam Corporate Bond Market

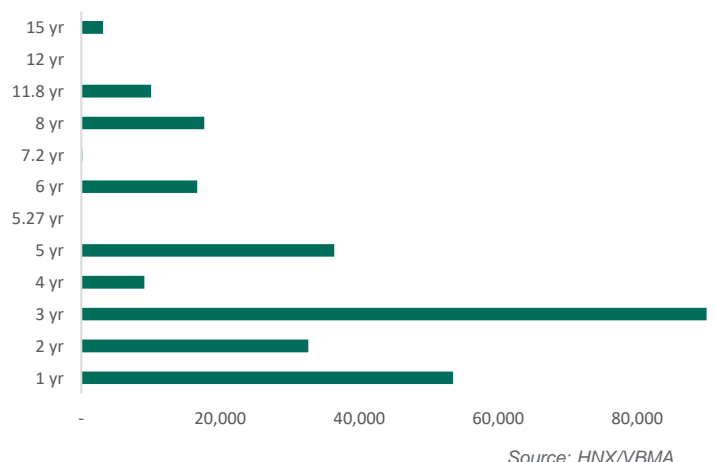
The market recovered from its worst ever month in November 2022, with positive changes based on the government guidance regarding bond restructuring. There is a new draft for the implementation of Degree 65 for bond private placement, which was issued in September 2022. It is focused on delaying the enforcement of Degree 65 by roughly one more year with the potential for bond tenor extension of up to two years. This was the reason for anxious bond holders to think twice about the restructuring of alternatives rather than pushing an issuer into default, especially in technical cases.

There were 11 new issuances in December, better when compared to the single issuance in November. For the whole year, there were 452 new issuances, of which 19 were through public offerings, 431 through private placements and 2 through international issuances. The total issuance amount was VND 269.7tn, accounting for 41.5% of FY21, and banks were the biggest single issuers with a total of 136.8tn, 50.7% of the total. Property and construction were still the second biggest sectors with VND 88tn, making up 32.6%, despite the tough environment. Financials were the next largest sector with 3.7%. The remaining 13% was made up of a smaller mix of issuers. Bond buy-backs before maturity or swaps were used for restructuring and were fairly active, with the total amount between VND 100-150tn.

### CORPORATE BOND – PRIMARY ISSUANCE BY ISSUER YTD



### CORPORATE BOND – PRIMARY ISSUANCE YTD BY TENORS YTD



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## NEWS UPDATE

*From April 2022, after the Tan Hoang Minh, FLC, and other related events, the government has enacted many measures to rectify issues in the capital market, with a focus on dealing with insider transactions, the private placement of bonds, and investor protection. On 16<sup>th</sup> September, Decree 65/2022, substituting and amending Decree 53/2020 on private bond placement, was released. We believe that in the long run, investors, especially retail, will benefit from this campaign to enhance the transparency, formalisation and professionalism of the market. This should lead to an improved capital market in the future, helping to restore investor sentiment.*

*On 8<sup>th</sup> October 2022, local and international media published news about charges being brought against Mrs. Truong My Lan, the chairwoman of Van Thinh Phat (VTP) Group, along with her three assistants, on allegations of fraud in the issuance and distribution of bonds. VTP is one of the biggest property developers in HCMC, with many large property holdings in prime locations.*

*Since this is a group of private companies, none of the local funds belonging to Dragon Capital Vietnam (including open-ended funds, pension funds, and ETFs) have any exposure to this company or its affiliates. Our two bond funds, DCIP and DCBF, currently have 70-90% NAV invested in bonds issued by public companies. Of that, 80-90% of the corporate bonds are listed or public bonds. We apply credit analysis and internal rating methodologies to classify and filter the credit risk. Based on that, the credit risk is managed and diversified at a reasonable level.*

*In November, there were huge redemptions of public bond funds. Within a period of only one week (8-17<sup>th</sup> November), the total AUM of these funds dropped by more than 30%. Almost all fund managers had to sell off their listed bonds to service liquidity needs. NAV/share dropped in the range of 1-22%, which has never before happened to the bond funds. Compared to 7<sup>th</sup> October, the total AUM of local bond funds dropped by more than 50%. Our bond funds were affected by -1.3% to -2.7% of NAVPS. Our priority is maintaining liquidity needs to meet redemptions from investors. We will share your loss by waiving the redemption fee over the next few months.*

*Based on the recent positive changes in liquidity and market conditions, we look forward to a more positive 2023. We are grateful for your confidence in our funds and we will continue to do our best to serve investors' interests.*

*We are monitoring the situation very closely and will keep you informed of any developments.*

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