



## MONTHLY REVIEW – January 2023

### General Market Commentary

January 2023 was a short month, with a one week break for the Tet holidays. CPI increased 0.5% MoM and 4.8% YoY, not dissimilar to other Tet months. The pressure on FX has been eased. The USD was continually weakening with the DXY losing another 1.38%. From beginning of November 2022, the USD has lost 8.5%. This helped the VND gain 0.9% MoM and strengthen by roughly 5.6% compared to end of October 2022.

PMI increased slightly to 47.4, up 1 notch from the low of 46.4 in December 2022. FDI registration and disbursement were not strong, at \$1.69bn and \$1.35bn, -16.0% and -19.5% YoY respectively.

The race of increasing deposit rates to attract individuals has ended. Banks had to adjust down their deposit rates by roughly 100bps. This action did not solve the problem for small banks, who then had to borrow more in money in the market. Furthermore, the increasing liquidity needs for Tet pushed the money market back to levels of above 6% for o/n rates, from the December 2022 levels of 3-3.5%. Concurrently, the interbank rate remained at 8-8.5% for 1-3 month tenors. This implies the whole system still had a thirst for liquidity given the context of a high interest rate environment.

### Vietnam Government Bond Market

The primary issuance plan for Government bonds (VGBs) in FY23 was VND 400tn, but no further confirmation has been announced. January had eight VGB auctions with a total issuance of VND 32.8tn. This was a slight increase from December despite the short month due to Tet. The winning rate dropped roughly 40bps in January with ten-year VGBs dropping from 4.7% in December 2022 to 4.3% in January 2023. The strong liquidity in big state-owned banks and demand from social insurance were the key drivers for January.

On the secondary market, the shape of the yield curve remained extremely flat. All tenors traded in the narrow range of 4.4-4.7%, universally shifting down 40bps. The gap between primary and secondary yields remained unchanged from December 2022 at 20-27bps.

This was still a big drop compared to 100 bps at the end of October 2022 and 170 bps in 3Q22.

On the secondary market, the outright daily trading volume dropped back to VND 1.74tn per day (-29.4% MoM). This level is very close to the record daily low in November 2022 (VND 1.33tn/day) and broke the good signal in December 2022 when liquidity increased to VND 2.46tn/day. Absolute trading volume reduced MoM because of the Tet holiday break. Outright trading volume was VND 29.5tn (-45% MoM and -27.2% on adjusted numbers). Conversely, repos reduced by only 9.1% to VND 25.5tn, but for adjusted numbers, it increased 21.1%. This indicates better liquidity in the money market, in parallel with yield movements.

The seven to ten-year VGBs were the most traded tenors, accounting for 45% of the total outright transactions. This was a big change compared to previous periods, when tenors of above ten years accounted for 70-90% of the trading volume.

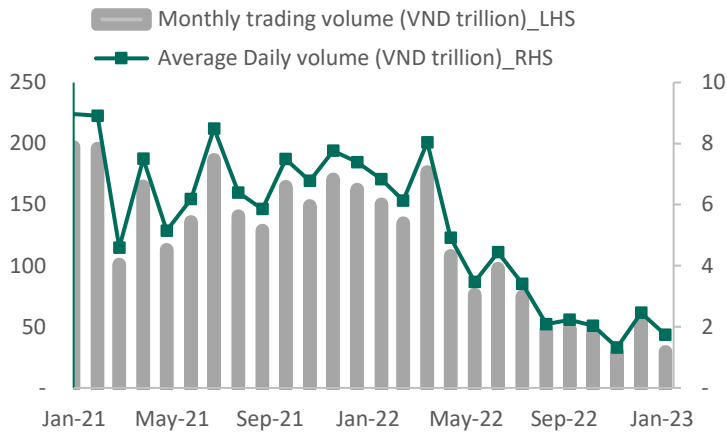
### VGB PRIMARY ISSUED vs ISSUANCE PLAN

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	4,000	-	-	-	-	0%	N/A
7-year	4,000	-	-	-	-	0%	N/A
10-year	45,000	-	16,332	16,332	16,332	36%	N/A
15-year	45,000	-	16,500	16,500	16,500	37%	N/A
20-year	5,000	-	-	-	-	0%	N/A
30-year	5,000	-	-	-	-	0%	N/A
<b>Total</b>	<b>108,000</b>	<b>400,000</b>	<b>32,832</b>	<b>32,832</b>	<b>32,832</b>	<b>30%</b>	<b>8%</b>

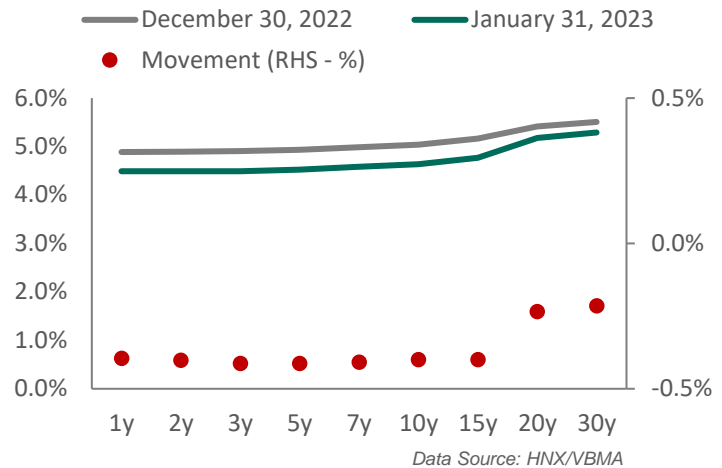


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### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE

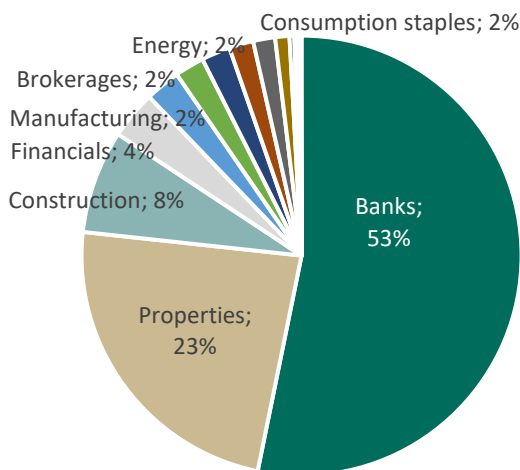


### Vietnam Corporate Bond Market

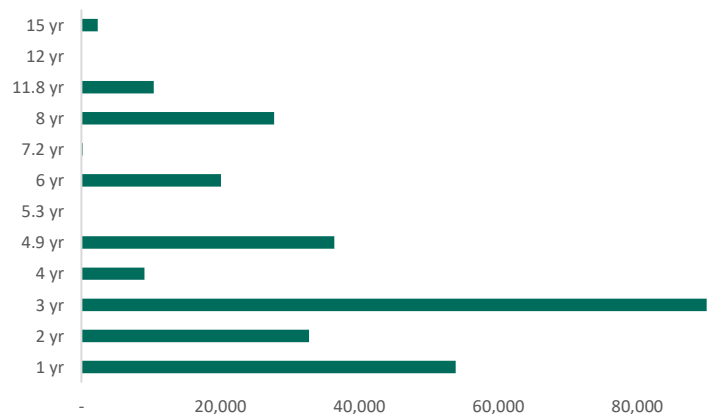
The corporate bond market remained quiet in January. Roughly VND 8.0tn of outstanding bonds were redeemed early, but no new corporate bond issuance was reported in January. The reported numbers were for December 2022. The revised numbers for FY22 were: 465 new issuances, of which 19 were through public offerings, 444 through private placements and 2 through international issuances. The revised total 2022 issuance was VND 282.7tn, accounting for 42.8% for FY21, and banks were the biggest single issuers with a total of 150.7tn. Property and construction were still the second biggest sectors with VND 88tn, making up 31.1%, despite the tough environment. Financials were the next largest sector with 3.5%. 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 of roughly VND 150-170tn.

The MOF has requested new guidance for Decree 65 that will delay its enforcement by roughly one 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.

### CORPORATE BONDS – PRIMARY ISSUANCE



### CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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