



## MONTHLY REVIEW – February 2023

General Market  
Commentary

February data showed CPI is slowing when compared to January, increasing 0.45% MoM and 4.31% YoY. FX was volatile with the VND depreciating almost 1.2% MoM, following the trend of the DXY with its recovery to 104.8 at month-end from its recent bottom of 100.8 at the beginning of February, an increase of 2.3% MoM.

PMI increased significantly to 51.2, up 3.8 points from 47.4 in January, ending three months of contraction. FDI registration and disbursement were moderate, at \$3.1bn and \$2.55bn, respectively.

The race of increasing deposit rates has ended following guidance from the Government. Tier-2 banks reduced rates by 30-50bps while the tier-1 banks adjusted down by 20bps. Compared to the end of 2022, deposit rates were roughly 120-150bps lower. The interbank rate also cooled down with the 1-3M tenors in the range of 7.2-7.5%, dropping by around 100bps. However, the o/n and <1M tenors upped by roughly 30bps MoM. In the global environment of higher interest rates, the VND rate will have little room to move down further.

Decree 08/2023 was released on 5th March with important amendments to corporate bond issuance, and is expected to provide solutions for bond restructuring to create a high-functioning market.

Vietnam Government  
Bond Market

Regarding Government bonds (VGBs), the primary issuance plan for FY23 was VND 400tn, but no further confirmation has been announced. February had 17 VGB auctions with a total issuance of VND 36.6tn, +11.6% MoM. The winning rate dropped approximately 20bps in mid-February, before rebounding 15-17bps in the latter half. The winning rates were 2-3bps lower compared to beginning of the month. Strong liquidity in big state-owned banks and social insurance demand were still the key drivers for February.

On the secondary market, the shape of the yield curve was slightly steeper but remained flat. All tenors of less than 15Y were traded in the narrow range of 4.0-4.7%, shifting down 40bps for less than 7Y and 10bps for 10-15Y. The gap between primary and secondary yields slightly widened to 30-40bps vs 20-27bps in January.

The outright daily trading volume on the secondary market improved significantly, more than doubling the volume of the previous month, rising to VND 3.7tn per day. This level is very close to the daily volume of July 2022. Absolute trading volume increased even more due to the low base during the Tet break. Outright trading volume was VND 72tn (+144% MoM). Repos increased at lower speed by 48.7% to VND 37.9tn, indicating better liquidity in the interbank and money markets, in parallel with yield movements.

The seven to ten-year VGBs were the most traded tenors, accounting for 47% 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

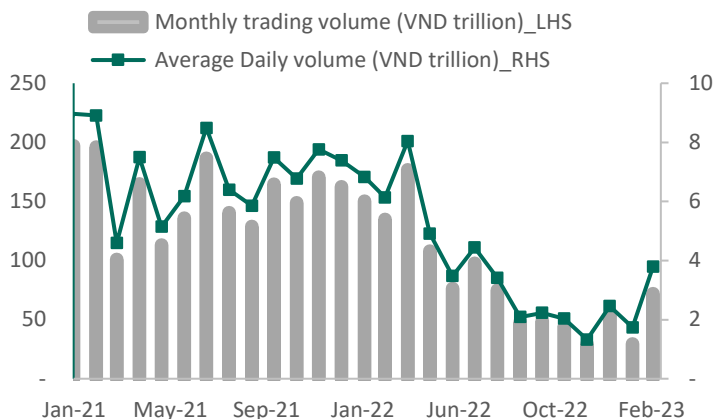
| Tenor        | Issuance Plan Q1-2023 (VND bn) | Issuance Plan FY 2023 (VND bn) | Issued Value in Current Month (VND bn) | Cumulative Issued Value Current Quarter (VND bn) | Cumulative Issued Value YTD (VND bn) | % Completion of Quarter Plan | % Completion of FY 2023 Plan |
|--------------|--------------------------------|--------------------------------|--|--|--------------------------------------|------------------------------|------------------------------|
| 5-year       | 4,000                          | -                              | 750                                    | 750  | 750                                  | 19%                          | N/A                          |
| 7-year       | 4,000                          | -                              | 200                                    | 200  | 200                                  | 5%                           | N/A                          |
| 10-year      | 45,000                         | -                              | 19,100                                 | 35,432   | 35,432                               | 79%                          | N/A                          |
| 15-year      | 45,000                         | -                              | 16,545                                 | 33,045   | 33,045                               | 73%                          | 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>36,595</b>                          | <b>69,427</b>                                    | <b>69,427</b>                        | <b>64%</b>                   | <b>17%</b>                   |

Source: HNX/VBMA

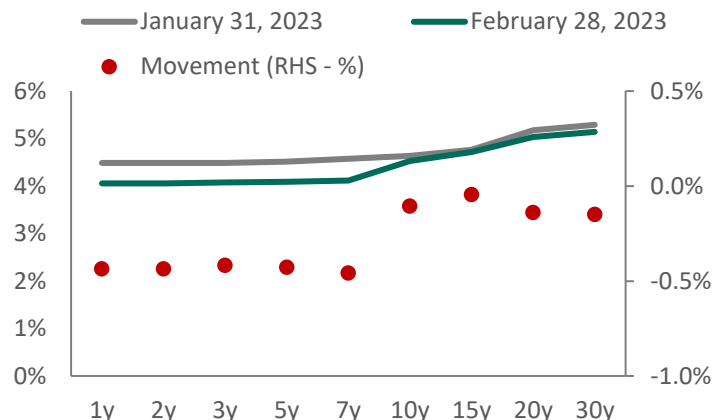


## MONTHLY REVIEW – February 2023

### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE



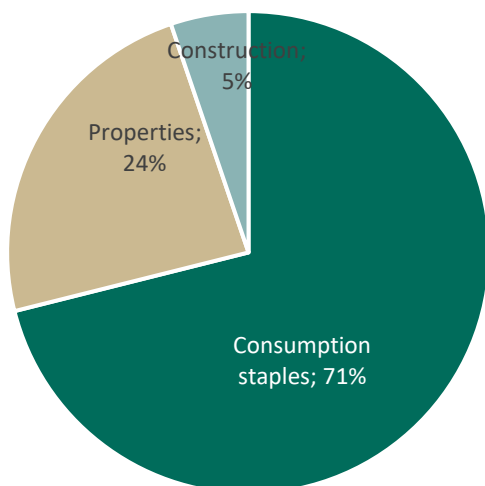
Data Source: HNX/VBMA

### Vietnam Corporate Bond Market

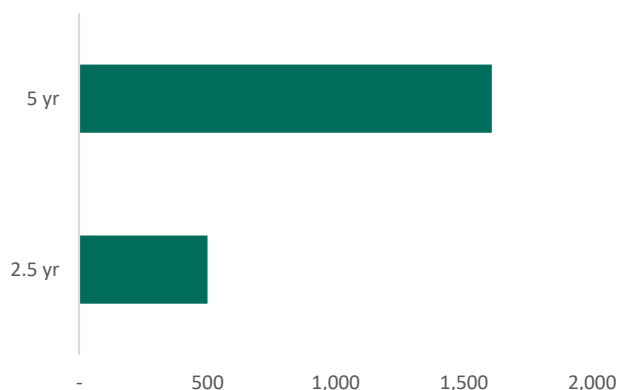
The corporate bond market remained quiet in February. There were three bonds reported issued in February with the total amount of VND 2tn, while the revised data for January was one bond issuance with the amount of VND 110bn. The four new issuances in January and February were under three names, in which Massan Group issued two bonds with a total amount of VND 1.5tn. The other two names were SonKim Land and PhanVu, both in real estate or construction. The amount of the latter two was only VND 600bn in total.

After much discussion, Decree 08/2023 was finally released on March 5<sup>th</sup>. It amended Decree 65 after only 5.5 month of efficiency. The major amendments were (a) allowing issuers to renegotiate terms by up to two years; (b) giving holders the option to receive cash or assets as repayment; (c) extended the deadline until year-end the requirement for professional investor status and professional credit rating requirements. The first point provides an important framework that gives guidance for bond restructuring. However, to make it effective, it will require a lot of effort from all market participants, including the issuers, bond holders, intermediates, and also banks.

### CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



### CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

### DISCLAIMER

This document has been prepared by Dragon Capital Vietnam ("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.