



MONTHLY REVIEW – March 2023

General Market Commentary

March data showed CPI slowed compared to February, decreasing 0.23% MoM and 3.35% YoY. GDP increased 3.32% YoY, the second lowest 1Q since 2011. PMI once again came in below 50 at 47.7, significantly down from 51.2 in February. FDI registration and disbursement were moderate, at \$5.45bn and \$4.3bn, respectively. These figures are lower when compared to 2022, implying lower total demand. FX strengthened as the VND appreciated 1.2% MoM, following the weakening of the DXY due to the collapse of two US regional banks in March. The DXY index contracted to 102.5 at month-end from its recent bottom of 104.9 at the end of February.

Regarding the money markets, after the issues surrounding California-based Silicon Valley Bank (SVB) and New York's Signature Bank, a less hawkish tone was anticipated on interest rates from the Fed, based on signals of weakening macro conditions. As a result, global interest rates cooled, as did the DXY. In the domestic market, the interbank rates dropped dramatically from 20th March. The o/n rate ended at around 1% at month-end from 4.5%. Banks adjusted deposit rates down by some 20bps more, with a further 50bps reduction at beginning of April.

Vietnam Government Bond Market

Following the money market movements, the Vietnam Government bonds (VGBs) had seen a very active month in March. The primary yields dropped more than 70bps on 5-10-year tenors with very strong demand. The State Treasury issued 20 and 30-year VGBs after 9-months tenors were muted at 3.75% and 3.8% respectively. They also announced a detailed issuance plan for the rest of the year with a total value of VND 400tn, with 10-15-year tenors accounting for 72.5% issuances. After nearly six years of favouring longer terms, the State Treasury announced it will revisit 3-year tenors. The on-the-run curve will be extended from 3 to 30-years if this is successful.

March had 19 VGB auctions with a total issuance of VND 35.4tn, down 3.15% MoM, with more diversified tenors including 20 and 30-year. During 1Q, the 10 and 15-year VGB issuances exceeded the State Treasury's target, 7 and 20-year tenors saw the lowest volume, while total issued volume reached 97% of the monthly target. Strong liquidity in banks and non-bank institutions, with the expected lowering of interest rates, supported the strong demand throughout the month.

On the secondary market, the yield curve shifted down, dropping 90-113bps, with the strongest moves coming from the middle tenors, from 7 to 15 years. The gap between primary and secondary yields narrowed to below 20bps from 30-40bps in February.

The outright trading volume on the secondary market slightly reduced to US\$ 150m/day (-6.1% MoM) or US\$ 3.4bn/month. Repos were also down by some 14% to US\$ 1.4bn/month or US\$ 60.6m/day. The good news is that foreign investors returned to net-buying in March, totalling around US\$ 48m, after nearly 1.5 years of net-selling. The 7 to 15-year VGBs were the most traded tenors, accounting for 66% of the total outright transactions.

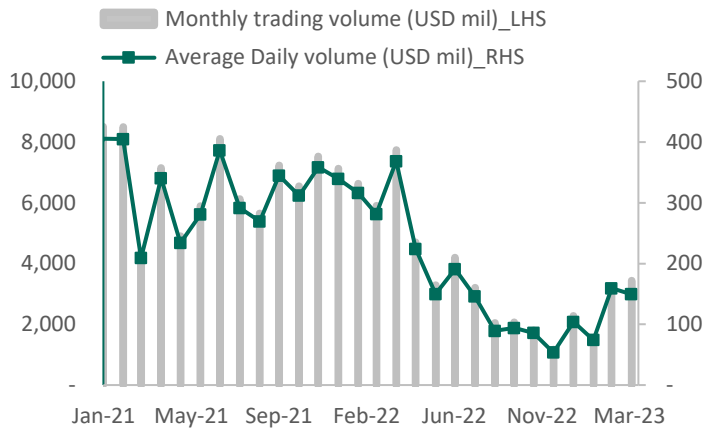
VGB PRIMARY ISSUED vs ISSUANCE PLAN

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	35,000	4,200	4,950	4,950	124%	14%
7-year	4,000	5,000	750	950	950	24%	19%
10-year	45,000	125,000	11,695	47,127	47,127	105%	38%
15-year	45,000	165,000	14,846	47,891	47,891	106%	29%
20-year	5,000	20,000	1,000	1,000	1,000	20%	5%
30-year	5,000	20,000	2,955	2,955	2,955	59%	15%
Total	108,000	400,000	35,446	104,873	104,873	97%	26%

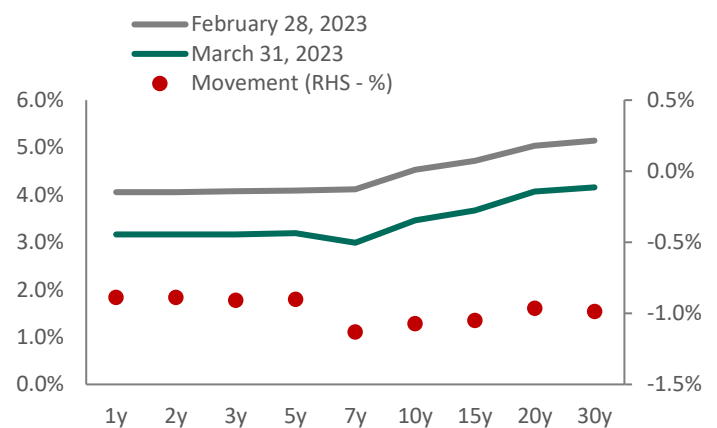


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VGB OUTRIGHT TRADING VALUE



VGB SECONDARY MARKET YIELD CURVE



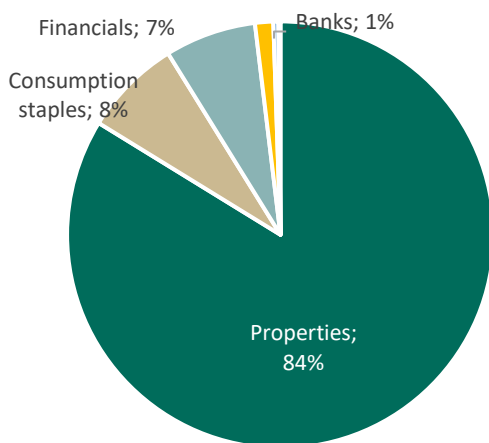
Data Source: HNX/VBMA

Vietnam Corporate Bond Market

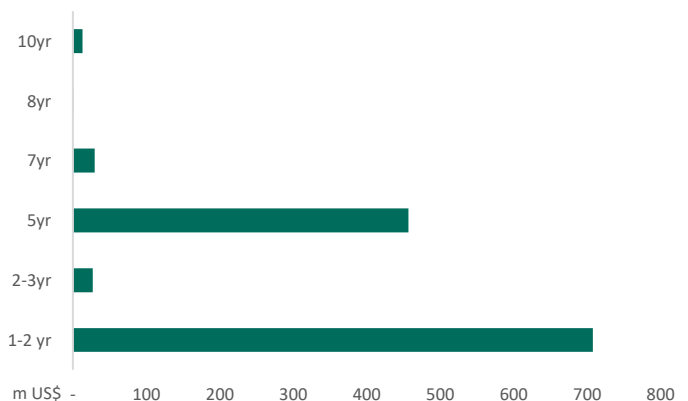
After much discussion, Decree 08/2023 was finally released on March 5th. It amended Decree 65 after only 5.5 months. The major amendments were (a) allowing issuers to renegotiate terms by up to two years; (b) giving holders the option to receive cash or assets as repayment; (c) extending the deadline until year-end for the requirement of 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 considerable effort from all market participants, including the bond issuers, holders, intermediates, and banks.

The corporate bond market started up again in March. There were twelve bonds reported issued with the total value of VND 26.4tn. This is a big jump compared the last six months when the corporate bond market had hardly seen any new issuances. However, 90% of the issuances in March were from real estates companies, concentrated in just 6 bonds, very likely due to cases of restructuring. On the other hand, it is estimated that there were around 70 issuers in default or technical default in 1Q2023. The total amount was roughly VND 94.4tn or nearly 10% of the total corporate bonds outstanding. With the recent positive moves in policy guidance, market liquidity, and investor sentiment, there is a high possibility that problematic bonds will be restructured and the default ratio may decrease.

CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



CORPORATE BONDS – PRIMARY ISSUANCE



Source: HNX/VBMA

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