



## MONTHLY REVIEW – April 2023

General Market  
Commentary

CPI continued to decline in April, down 0.3% MoM and up 2.8% YoY. PMI fell further to 46.7, significantly down from 51.2 in February, the fifth contraction in six months. FDI registration and disbursement were moderate, at \$8.9bn and \$5.9bn YTD, respectively. These figures are lower when compared to 2022, implying lower total demand. FX strengthened as the VND appreciated 0.1% MoM, following the weakening of the DXY and stable liquidity in the Vietnam banking system. The DXY index contracted to 101.7 at month-end, -0.83% MoM, and -3.09% from its recent bottom of 104.9 at the end of February.

After the significant drop to 1% in March, interbank rates were revised back to 5-5.5%, regardless that there was another 0.5% cut on policy rates, effective from 3 April. The high short-term rates were in line with USD rates, which helped to maintain stable FX levels. Conversely, the deposit-lending rates moved in the opposite direction to the money market, decreasing by roughly 50-100bps, with lending rates moving in the same direction. The banking system has been struggling with credit growth; as of 1Q23, credit growth was 2.1% YTD and 11.2% YoY, while NPLs increased to 2.9% compared to 2.0% as of end of 2022 and 1.5% as of end of 2021. This is a key driver for strong liquidity in the banking system, which is a pre-requisite for reducing deposit and lending rates.

Vietnam Government  
Bond Market

Regarding Government bonds (VGBs), the primary issuance plan for FY23 is VND 400tn (\$17bn), with 10-15-year tenors accounting for 72.5% of issuances. The target for 2Q22 was VND 120tn (\$5.1bn), +14.3% QoQ; 81.6% of which is focused on 10 and 15-year tenors. In April, there were 14 VGB auctions with a total issuance of VND 34.8tn (\$1.5bn) for the month and 139.7tn YTD (\$6bn), equivalent to 35% of the full year target.

Following the sentiment in the interest rate market, April was another active month for the VGB market. Primary yields dropped 20bps further on 5-15-year tenors, with demand slowing down compared to March. On the secondary market, the yield curve shifted down another 10-40bps, with the strongest moves coming from the short-term tenors, 5-years and below. Compared to end of February, the yield curve has moved downwards by roughly 120bps, flattening out in the range of 2.8%-3.5% for 1-to-15-year tenors. The gap between primary and secondary yields narrowed to below 10-15bps, from 30-40bps in February.

The outright trading volume on the secondary market increased to \$161m/day (+7.9% MoM) or \$3.22bn/month. Repos were active, increasing by 51% to \$2.1bn/month or \$105.9m/day. Foreign investors returned to net-selling in April after net-buying in March, totalling around \$72.9m, with the comparatively low yields of VGBs a possible concern. The 5 to 15-year VGBs were the most traded tenors, accounting for 79% of total outright transactions.

## VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

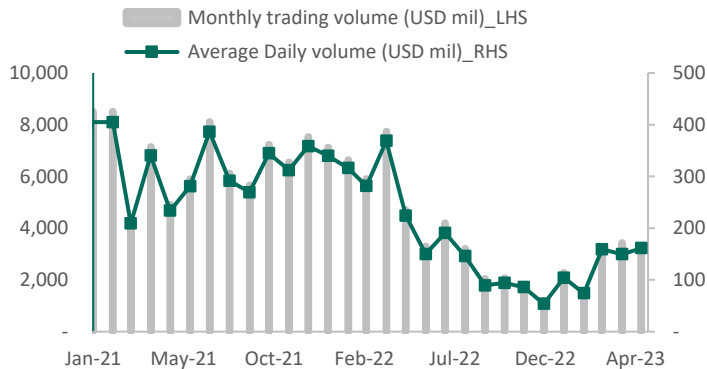
Tenor	Issuance Plan Q2-2023 (VND bn)	Issuance Plan FY 2023 (VND bn)	Issued Value in Current Month (VND bn)	Cumulative Issued Value in Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarterly Plan	% Completion of FY 2023 Plan
5-year	15,000	35,000	11,403	11,403	16,353	76%	47%
7-year	2,000	5,000	-	-	950	0%	19%
10-year	45,000	125,000	8,250	8,250	55,377	18%	44%
15-year	53,000	165,000	14,062	14,062	61,953	27%	38%
20-year	2,000	20,000	-	-	1,000	0%	5%
30-year	3,000	20,000	1,095	1,095	4,050	37%	20%
<b>Total</b>	<b>120,000</b>	<b>400,000</b>	<b>34,810</b>	<b>34,810</b>	<b>139,683</b>	<b>29%</b>	<b>35%</b>

Source: HNX/VBMA

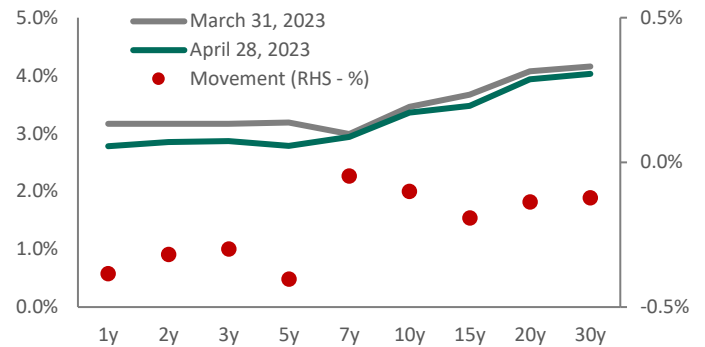


## MONTHLY REVIEW – April 2023

### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE



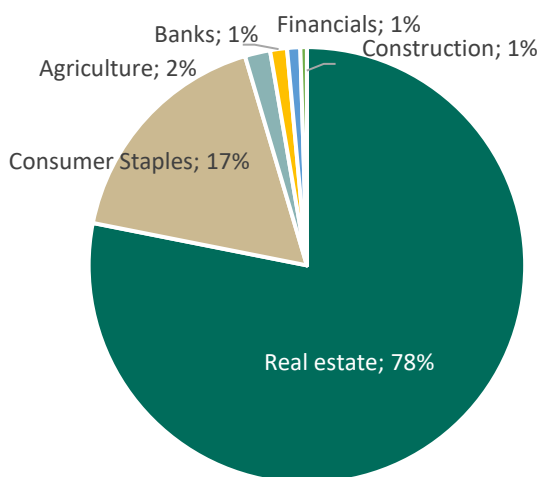
Data Source: HNX/VBMA

### Vietnam Corporate Bond Market

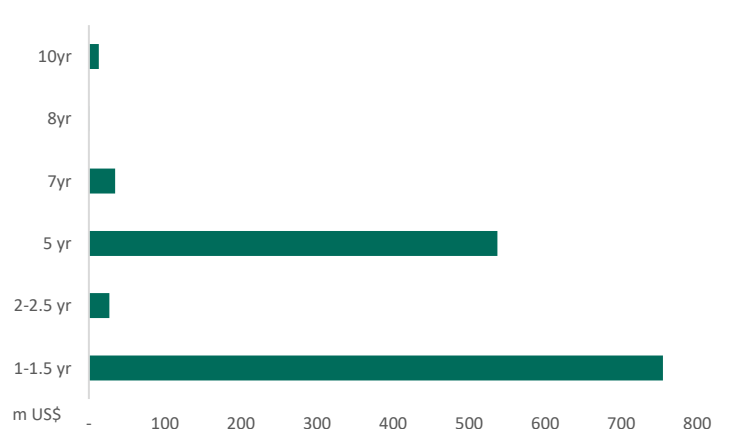
After much discussion, Decree 08/2023 was finally released on March 5<sup>th</sup>, amending Decree 65 after only five and a half months. The major amendments were (a) allowing issuers to renegotiate terms by up to two years; (b) giving holders the option to receive cash or assets as repayment; (c) extending 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. It was estimated that there were around 70 issuers in default or technical default in 1Q23. The total amount was roughly VND 94.4tn or nearly 10% of 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.

The corporate bond market started up again in March with the total reported value of VND 26.86tn (\$1.2bn). However, there was a substantial decline in April with only \$114m from just two issuances, of which \$85m was a MSN public offering. From the beginning of the year, there were 22 bond issuances with a total value of VND 32.0tn (\$1.4bn), of which; 84% were issued in March, 78% were from real estates developers, 17% from consumer staples (MSN), 2% from agriculture and the remaining 3% split evenly among banks, construction, and financials.

### 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.