

MONTHLY REVIEW – May 2023

General Market
Commentary

CPI remained flat in May, up 0.01% MoM and 2.4% YoY. PMI continued to fall to 45.3, significantly down from 51.2 in February, the third consecutive contraction in as many months. FDI registration and disbursement improved, at \$10.9bn and \$7.7bn YTD, respectively. 5M23 exports reached \$136.2bn, down 11.6% YoY, while imports stood at \$126.4bn, down 17.8% YoY. FX weakened slightly as the VND depreciated 0.1% MoM, following the strengthening of the DXY and stable liquidity in the Vietnam banking system. The DXY index surged to 104.3 at month-end, +2.6% MoM.

On 23 May, the SBV announced another cut of 0.5% on policy rates. This is the third time that they adjusted down the rates in as many months, totalling roughly 1% across all terms. The money market fell by 1.5% to around 4% for the overnight rate, 4.5% for 1-month and 5.5% for 3-month. Consequently, the deposit and lending rates moved in the same direction as the money market, decreasing by around 50bps. The banking system has also been struggling with credit growth; as of 9 May, credit was 2.7% YTD and 9.6% YoY. This has been 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 2Q23 was VND 120tn (\$5.1bn), +14.3% QoQ, of which 81.6% is focused on 10 and 15-year tenors. In May, there were 17 VGB auctions with a total issuance of VND 23.3tn (\$1.0bn) for the month and 162.9tn YTD (\$7.0bn), equivalent to 41% of the full year target. The issuance amount reduced significantly MoM by 33%. The main reason was psychological, as investors wait for the adjustment after strong movements in April and early May, combined with uncertainties regarding capital flows in Vietnam and global markets.

Following the sentiment in the interest rate market, VGBs had another month of reducing rates. Primary yields dropped 28-35bps on 5-15-year tenors, with diminishing volume from April, and the secondary market observed weaker movements. The yield curve shifted down by 3-20bps, with the strongest moves coming from the short-term tenors of 2-5years. Since March, the yield curve has moved down by roughly 140bps, 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 total outright trading volume on the secondary market was almost unchanged at \$3.2bn in May but the daily transaction number decreased to \$138.2m/day (-14.3% MoM). Repos remained good, increasing by 12% in total to \$2.5bn/month or \$106.4m/day. Foreign investors continued net-selling in May after net-buying in March, totalling around \$60.3m. The 5 to 10-year VGBs were the most traded tenors, accounting for 72% of total outright transactions.

VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

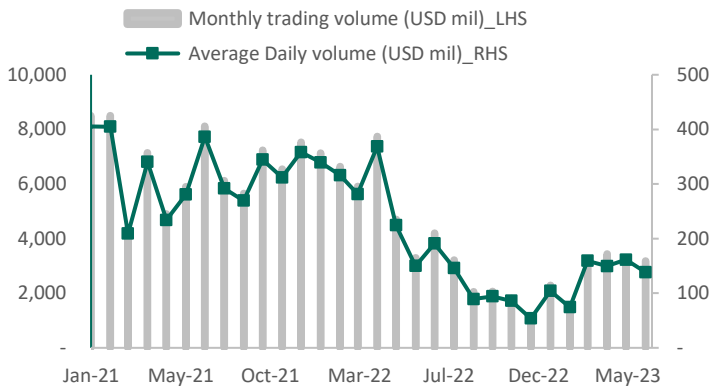
Tenor	Issuance Plan Q2-2023 (VND bn)	Issuance Plan FY 2023 (VND bn)	Issued Value in Current Month (VND bn)	Cumulative Issued Value in Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarterly Plan	% Completion of FY 2023 Plan
5-year	15,000	35,000	4,996	16,399	21,349	109%	61%
7-year	2,000	5,000	-	-	950	0%	19%
10-year	45,000	125,000	7,472	15,722	62,849	35%	50%
15-year	53,000	165,000	10,100	24,162	72,053	46%	44%
20-year	2,000	20,000	309	309	1,309	15%	7%
30-year	3,000	20,000	392	1,487	4,442	50%	22%
Total	120,000	400,000	23,269	58,079	162,952	48%	41%

Source: HNX/VBMA

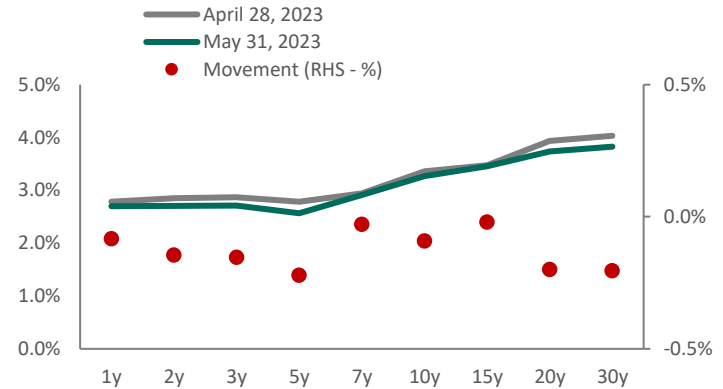


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VGB OUTRIGHT TRADING VALUE



VGB SECONDARY MARKET YIELD CURVE



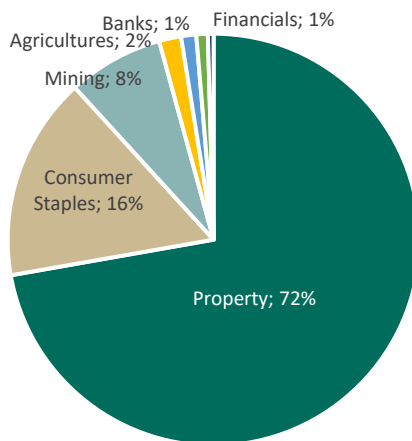
Data Source: HNX/VBMA

Vietnam Corporate Bond Market

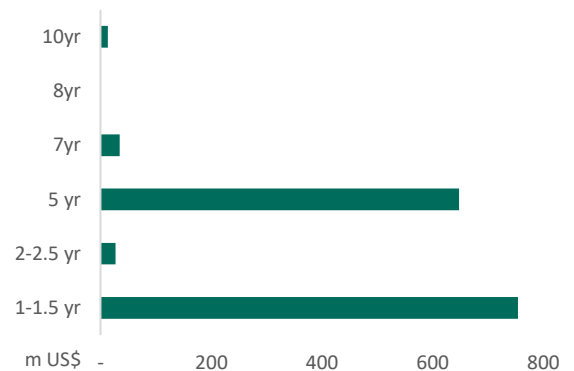
After much discussion, Decree 08/2023 was finally released on March 5th, amending Decree 65 after only five and a half months. The major amendments were (a) allowing issuers to renegotiate terms by up to two years; (b) giving holders the option to receive cash or assets as repayment; (c) extending the 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, intermediaries, 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 26.9tn (\$1.2bn). However, there was a substantial decline in April-May. New issuances were mostly unchanged in May at \$111m, all from 4 issuances by only 1 issuer – NuiPhao Mining. From the beginning of the year, there were 30 bond issuances with a total value of \$1.5bn, of which 77% were issued in March. Year-to-date, 72% were from real estate developers, 16% from consumer staples (MSN), 8% from mining; 2% from agriculture and the remaining 2% split evenly among banks, construction, and financials.

CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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