



MONTHLY REVIEW – June 2023

General Market
Commentary

CPI slightly increased in June, up 0.3% MoM and 2.0% YoY. PMI improved to 46.2, slightly up from 45.3 last month, though it still lags behind February's 51.2 - marking the fourth consecutive month below 50. GDP growth increased 4.1% YoY and 3.7% YTD, being low in periodic comparison but surpassing expectations. FDI registration advanced to \$13.4bn (-4.5% YoY) and disbursement was \$10.0bn YTD (+0.2% YoY). Exports for 6M23 were at \$164.5bn (-11.4% YoY), with imports totalling \$152.2bn (-18.2% YoY). Consequently, the trade surplus was at \$12.5bn, a significant increase from the \$1.2bn of 6M2022. The key driver was a reduction in imports, which may hint at weaker future prospects, in line with the low PMI. The VND experienced a depreciation of 0.4% MoM due to surplus liquidity in the Vietnam banking system. Despite the DXY index adjusting down to 102.9 at month-end (-1.34% MoM), the money market rate in Vietnam fell to below 1%, creating a negative swap rate and exerting pressure on foreign exchange.

The SBV announced another 0.5% cut on policy rates and a 0.25% reduction on the ceiling rate for short-term deposits. This represents the fourth downward adjustment since March, amounting to roughly 1-1.5% across all terms. The overnight money market rate dropped dramatically to 0.3% from 4% at the end of May, and rates for 1-month and 3-month terms decreased to 3.0% and 4.8% respectively (a reduction of 0.8-1.5% MoM). Deposit rates followed suit, decreasing by about 25-50bps. Despite this, credit growth in the banking system continued to pose a challenge; by 15 June, credit was at 3.4% YTD and 8.9% YoY, significantly below the 2023 full year target of 20%.

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 allocated to 10 and 15-year tenors. In June, there were 14 VGB auctions with a total issuance of VND 16.9tn (\$0.7bn), a 28% decrease MoM. By the end of H1 2023, the total issuance amounted to 179.9tn YTD (\$7.7bn), equivalent to 45% of the full-year target. In response to the demanding market, the State Treasury lowered the weekly target to boost the fill-up ratio. Given the positive sentiment in the interest rate market, VGBs enjoyed another month of reduced rates and high fill-up ratios. Primary yields dropped 20-50bps across tenors from 5 to 30 years, a significant movement for one month, albeit with declining volume from April. The secondary yield curve saw a substantial downward shift of 35-53bps, with the most pronounced moves in the 10 and 15-year tenors. Since March, the yield curve has moved down by approximately 200bps, settling in the range of 2.3%-2.9% for 1-to-15-year tenors. The gap between primary and secondary yields narrowed to below 10-15bps, down from 30-40bps in February.

The total outright trading volume on the secondary market increased by 48% MoM to 4.7bn in June, with daily transactions surging to \$214m/day (+55% MoM). However, repos saw a 28% reduction to \$1.8bn/month or \$80.7m/day. Foreign investors continued net-selling in June following net-buying in March, totalling approximately \$48.8m (-18.9% MoM). Tenors from 5 to 10 years remained the most traded, accounting for 75.5% of total outright transactions.

VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

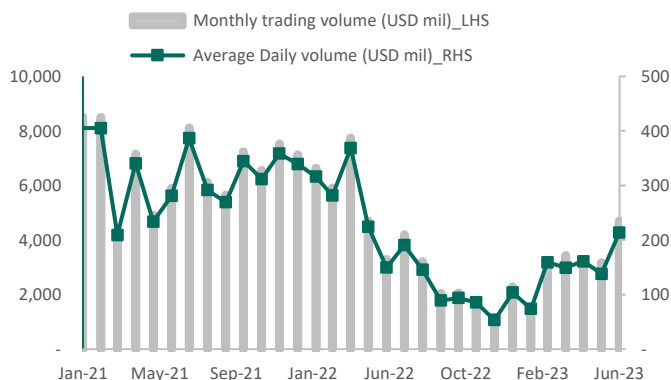
Tenor	Issuance Plan Q2-2023 (VND bn)	Issuance Plan FY 2023 (VND bn)	Issued Value in Current Month (VND bn)	Cumulative Issued Value in Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarterly Plan	% Completion of FY 2023 Plan
5-year	15,000	35,000	200	16,599	21,549	111%	62%
7-year	2,000	5,000	-	-	950	0%	19%
10-year	45,000	125,000	7,750	23,472	70,599	52%	56%
15-year	53,000	165,000	8,500	32,662	80,553	62%	49%
20-year	2,000	20,000	240	549	1,549	27%	8%
30-year	3,000	20,000	250	1,737	4,692	58%	23%
Total	120,000	400,000	16,940	75,019	179,892	63%	45%

Source: HNX/VBMA

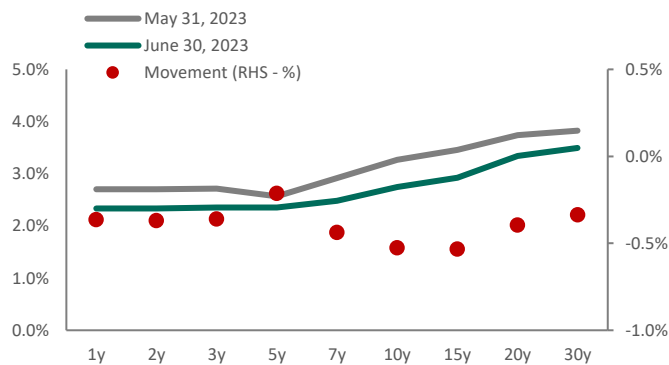


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VGB OUTRIGHT TRADING VALUE



VGB SECONDARY MARKET YIELD CURVE



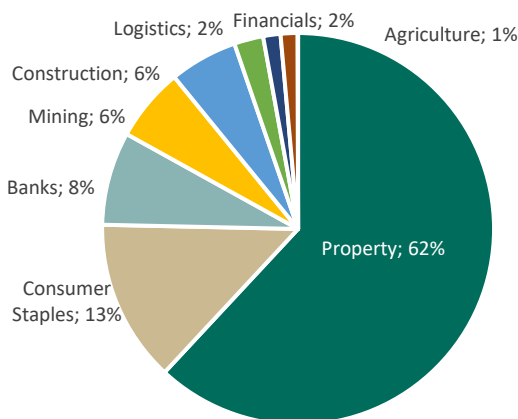
Data Source: HNX/VBMA

Vietnam Corporate Bond Market

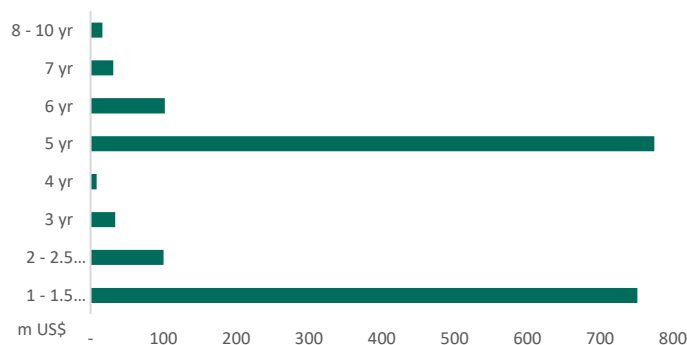
After the sizable volume in March, new corporate bond issuance remained subdued in April-May, with less than VND 3tn (\$127m) issued per month from very few issuers. In June, the amount increased to VND 8.17tn (\$347m), while the number of issuers expanded to 10 companies across various sectors. This is an encouraging signal after eight quiet months. Since the start of the year, there have been 46 bond issuances, totalling \$1.8bn, with 63% of these issued in March. Year-to-date, issuances were largely from real estate developers (62%), followed by consumer staples (MSN) at 13%, banks at 8%, mining and construction at 6% each, and the remaining 5% shared among logistics, financials, agriculture, and other sectors.

The major amendments of Decree 8 include: (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 offers a crucial framework for bond restructuring, but it will require concerted efforts from all market participants, including bond issuers, holders, intermediaries, and banks. Recently, news emerged about the imminent launch of a dedicated platform for private corporate bonds with T+0 settlement by HNX in July. This marks a significant step for the corporate bond market, centralising information and enhancing transparency. Of the total amount of approximately VND 300tn (\$12.8bn) maturing in 2023, it is estimated that around 30 issuers have successfully extended the maturity for two years, totalling VND 36tn (\$1.5bn); 62 issuers are still in default or technical default and are currently negotiating.

CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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