



MONTHLY REVIEW – August 2023

General Market Commentary

Inflation increased by 0.9% MoM and 3.0% YoY, marking the steepest rise over the past 18 months. This uptick was primarily driven by escalating global rice and oil prices, coupled with a robust USD. PMI rose to 50.5, improving from 48.7 in the preceding month and breaking a five-month streak below 50. Year-to-date, FDI registrations have grown to \$18.1bn (+8.2% YoY), while disbursements reached \$13.1bn (+1.3% YoY). Exports for August increased to \$227.7bn YTD, reflecting a decrease of 7.6% YoY, and imports amounted to \$207.5bn YTD, down by 8.3% YoY. This has led to a substantial trade surplus of \$20.2bn YTD, markedly up from the \$5.3bn in 8M22. The primary driver was a reduction in imports, which may hint at weaker future prospects in conjunction with the contracted PMI. The VND experienced a significant depreciation of 1.8% MoM due to the strong movement in global markets, the negative swap rate between VND and USD, and the surplus liquidity within the Vietnamese banking system. Money market rates in Vietnam hovered at sub-1% levels. The overnight money market rate stood between 0.2-0.3%, from 4% at the end of May, while rates for 1-month and 3-month terms receded to 1.4% and 3.3% respectively, further declining by 0.3% MoM.

The SBV abstained from implementing further policy rate reductions in the July-August period, following its fourth decrease by June, which ranged between 1-1.5% across all terms. Banks persistently lowered deposit rates throughout August, with a reduction spanning 20-50bps. Currently, all banks offer less than 12-month deposits at rates below 7%. Notably, the SOCBs have set rates even lower, under 5% for tenors ranging from 1 to 9 months. These rates are nearing the historical lows witnessed in 2022. On the credit side, the SBV postponed several important provisions within Circular 06/2023, which were initially slated for implementation from 1 Sep 2023. These provisions pertain to mortgage and property loans. This is anticipated to alleviate commercial banks' reservations and bolster credit growth towards the end of the year. However, credit growth within the banking system remains a concern. By end of July, credit growth was 4.6% YTD, slightly below the 4.7% in June, significantly trailing the 9.5% of 7M2022, and well short of the full year target of 14-15% for 2023.

Vietnam Government Bond Market

With regards to Government bonds (VGBs), August had 20 VGB auctions in August, culminating in total issuances of VND 21.8tn (\$0.9bn), representing a 25% MoM decrease. By August's end, the cumulative issuance reached 230.5tn YTD (\$9.6bn), equating to 58% of the annual target. Despite apparent market fatigue, the State Treasury persistently moderated the weekly target to uphold the fill-up ratio. Consequently, primary rates remained stable, yet the secondary yield escalated, broadening the spread between the two. The secondary yield curve steepened slightly; 1-5 years decreased by 1-15bps while the 10-15 years rose by 10-17bps.

Secondary market outright trading volume escalated by 15% MoM to 4.2bn, with daily transactions escalating to \$181m/day. Repos also increased by 58% to \$1.3bn/month or \$56.9m/day. Foreign investors re-engaged with net selling activity in August, accumulating to roughly \$21.2m. Notably, tenors spanning 5 to 15 years constituted a mere 79% of the total outright transactions, marking a significant resurgence compared to the 52% recorded in preceding months.

VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

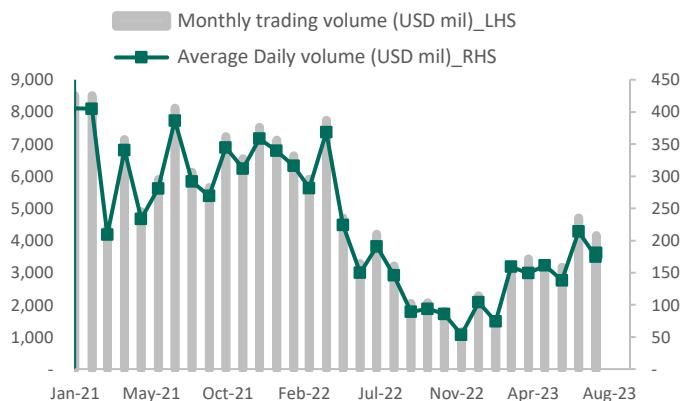
Tenor	Issuance Plan Q3-2023 (VND bn)	Issuance Plan FY 2023 (VND bn)	Issued Value in Current Month (VND bn)	Cumulative Issued Value in Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarterly Plan	% Completion of FY 2023 Plan
5-year	10,000	35,000	2,220	3,459	25,008	35%	71%
7-year	3,000	5,000	-	-	950	0%	19%
10-year	35,000	125,000	8,500	19,598	90,197	56%	72%
15-year	48,000	165,000	9,500	24,500	105,053	51%	64%
20-year	7,000	20,000	-	500	2,049	7%	10%
30-year	7,000	20,000	1,562	2,562	7,254	37%	36%
Total	110,000	400,000	21,782	50,619	230,511	46%	58%

Source: HNX/VBMA

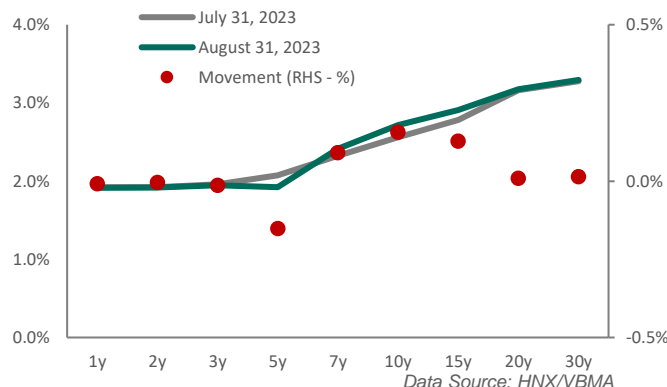


MONTHLY REVIEW – August 2023

VGB OUTRIGHT TRADING VALUE



VGB SECONDARY MARKET YIELD CURVE

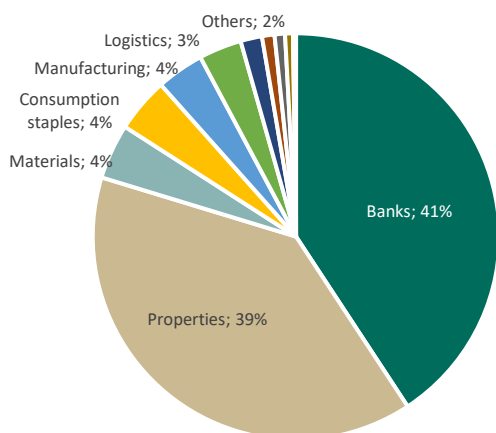


Vietnam Corporate Bond Market

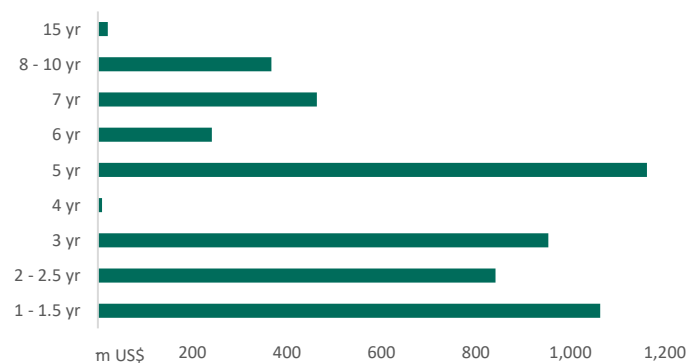
New corporate bond issuances were reported to remain at VND 25.0tn (\$1.04bn), -20% MoM, but +95% compared to July's estimates. This is a good signal, double the monthly average of new issuances in H1 2023 and continuing the positive trend from June, reflected across 22 bonds from 13 issuers in various sectors. Since the start of the year, there have been 118 bond issuances, totalling VND 132.3tn or \$5.5bn, with 73.5% of these issued in June-August. The banking sector regained prominence, accounting for 41% of the total outstanding issuances. Following closely, the real estate sector emerged as a significant contributor, forming 39% of the YTD new issuances, with the remaining 20% dispersed across various other sectors.

Regulatory changes underscore the rigorous involvement and commitment of policymakers. Firstly, the major amendments to Decree 8 in March allow issuers to renegotiate terms by up to two years, giving holders the option to receive cash or assets as repayment, and extending the deadline until year-end for the requirements of professional investor status and professional credit rating. Secondly, the new dedicated platform for private corporate bonds with T+0 settlement was launched by HNX in July, marking a significant step for the corporate bond market, centralising information and enhancing transparency. Finally, the postponing of key provisions of Circular 06/2023 by the SBV in August releases banks from constraints to restructure real estate loans and bonds. Of the approximated total of VND 300tn (\$12.8bn) maturing in 2023, it is estimated that around VND 42tn (\$1.7bn) were maturity extensions of up to two years.

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.