



## MONTHLY REVIEW – December 2023

## General Market Commentary

December closed 2023 with comparatively positive outcomes. Inflation was well controlled at +3.3% YoY, marking the 7<sup>th</sup> consecutive year that the inflation was below 4%. GDP increased 5.1% YoY. Although lower than the target of 6.5%, it was higher than the IMF's 4.7% forecast. The trade surplus reached a record \$28bn, which supported the currency's sustainability via strong FX reserves. In addition, the VND depreciated 2.7% against the USD, higher than CNY depreciation at 0.8% but lower than the JPY at around 4.0%.

During the first half of 2023, the whole market was in flux due to high lending rates, defaulting bonds, frozen liquidity, and a stalled property market. The money market fluctuated in high ranges of 4-8.5% for sub-3-months tenors, before cooling down in H2 with a clear downtrend. Many policy changes across the bond market and money market helped the financial and banking system to gradually untie the troubles of the previous year. During 2H23, surplus liquidity in the banking system became abundant. The rates stabilised in the low range, ending 2023 at 0.2-1.1%, which was totally opposite to the end of 2022.

## Vietnam Government Bond Market

Regarding Government bonds (VGBs), December had 16 VGB auctions, resulting in total issuances of VND 14.5tn (\$0.6bn), -26.4% MoM. By end of December, the annual cumulative issuance reached VND 298tn (\$12.3bn), +39% YoY. This accounted for 74.6% of the annual target (VND400tn), much higher than 54% in 2022 and more than 97.7% of 2023's adjusted plan (VND305tn, announced on 29/12/2023). The average VGB issuance tenor in 2023 was 12.6 years, the average issuance rate was 3.2%/year, and the average remaining term is 9.1 years.

Regarding yield, 2023 was a very good year for VGBs. Compared to end of 2022, yields dropped 230-320bps across all tenors. The curve steepened with bigger moves in short tenors vs longer tenors. Compared to beginning of the year, the shortest tenors (below 5-years) dropped more than 310bps while longest tenors (above 20 years) decreased around 250bps. At year-end, 1-year to 30-year VGB yields were in the narrow range of 2-3.3%.

Regarding trading volume, in December, outright transactions almost doubled compared to the previous month, reaching \$8.6bn. Transactions escalated to \$411m/day, a new record for daily transaction volume, above the previous high of \$405m/day in December 2020. Repo transactions were 2.6 times the November number at \$2.0bn for the whole month, averaging \$95.6m/day. Average monthly trading volume surpassed the level of \$214m/day in H2 after struggling in the low trading period from July 2022 to February 2023, showing good liquidity in the banking system

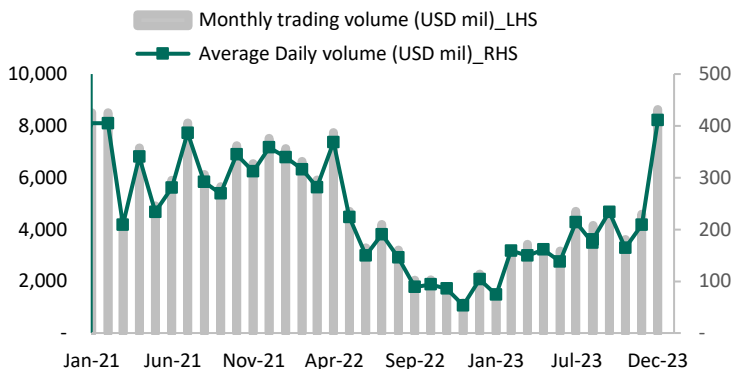
## VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

Tenor	Issuance Plan	Issuance Plan	Issued Value	Cumulative	Cumulative	% Completion	% Completion
	Q4-2023 (VND bn)	FY 2023 (VND bn)	Dec-23 (VND bn)	Issued Value Q4-2023 (VND bn)	Issued Value YTD (VND bn)	of Quarter Plan	of FY 2023 Plan
5-year	23,000	35,000	600	4,950	31,893	22%	91%
7-year	2,000	5,000	-	-	950	0%	19%
10-year	40,000	125,000	6,490	20,490	118,937	51%	95%
15-year	55,000	165,000	5,350	18,350	132,153	33%	80%
20-year	5,000	20,000	-	-	2,049	0%	10%
30-year	5,000	20,000	2,030	4,805	12,494	96%	62%
	<b>130,000</b>	<b>400,000</b>	<b>14,470</b>	<b>48,595</b>	<b>298,476</b>	<b>37%</b>	<b>75%</b>

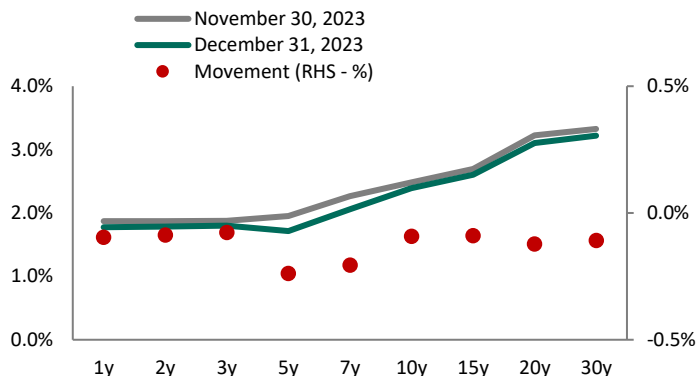
Source: HNX/VBMA

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### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE



Data Source: HNX/VBMA

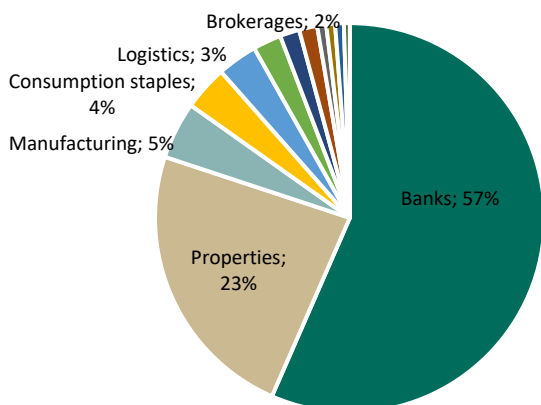
### Vietnam Corporate Bond Market

In December, 55 new issuances of VND42.8tn (\$1.76bn) were reported, +55.8% MoM. The average coupon rate was 7.1%/year and average tenor was 5.97 years. In 2023, the total issuance value was VND311tn (\$12.8bn), +12%YoY. This includes 29 issuances through public offerings at VND37tn (\$1.5bn), 11.9% of the total issuance, and 286 issuances through private placement worth VND275tn (\$11.3bn), 88.1% of the total. The banks led with VND176tn (\$7.2bn), 56.5% of the total issuance, and real estate was second with VND73tn (\$3.0bn), accounting for 23.5%. The remaining 20% of issuances were distributed over various sectors.

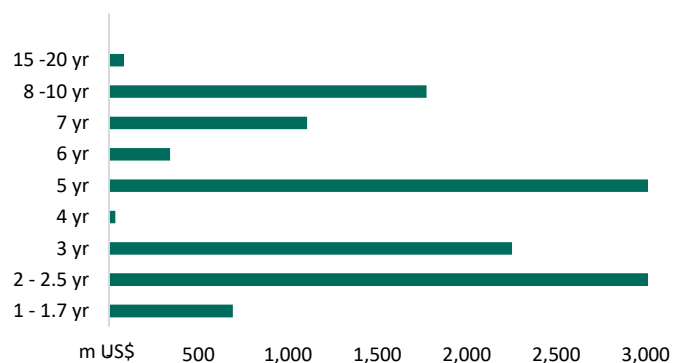
Regarding redemptions, roughly VND285tn (\$11.7bn) matured during 2023, of which VND111tn (\$4.6bn) were successfully extended. The early redemption was very interesting with a total of VND262tn (\$10.8bn). It suggests that the actual redeemed amount during the year exceeded the maturity figure. Compared to the tough period of 1Q23, the number of bond defaults decreased significantly. The change in regulations, low interest rate environment, and especially investor sentiment helped to calm the corporate bond market and restructure, mainly via extending maturity by 1-2 years.

In 2024 an estimated VND277bn (\$11.4bn) is due to mature. In current market conditions, there is a high chance that the issuers will be able to honour redemptions with total issuance prudently increasing.

### CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



### CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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