



MONTHLY REVIEW – January 2024

General Market Commentary

Macro indicators were positive in January. Inflation increased 0.3% MoM and 3.4% YoY. The trade balance remained robust, achieving a surplus of \$2.9bn, bolstered by strong export performance. The DXY increased 1.9%, causing depreciations in major currencies: the EUR by 2.0%, the JPY by 4.1%, and the CNY by 1.0%. The Vietnamese Dong (VND) saw a comparatively modest depreciation of 0.6%, although the VND interbank interest rates continued to fall further against the USD interbank rates.

Deposit rates continued to fall to record lows, with the 1-month rate at 1.8%, the 3-month rate approaching 2.0%, and the 12-month rate falling below 4.8% at month-end. Money market rates remained exceptionally low for most of the month, with overnight to 1-week rates between 0.1% and 0.4%. However, rates for shorter tenors edged up to around 2.0% towards the month's end, influenced by seasonal factors.

Vietnam Government Bond Market

The State Treasury set the total issuance target for Government bonds (VGBs) in 2024 at VND 400tn (\$16.3bn), mirroring the initial target for FY 2023. The Q1 2024 target is VND 127tn (\$5.2bn), VND 3tn lower than the Q4 2023 but VND 17trn YoY higher. The key tenors are still 10 and 15-years, representing 63% of the total target. 5-year and 30-year VGBs have gained prominence in Q1 2024 with tentative contributions of 20% and 8% respectively, increasing compared to the FY23 average of 11% and 4%.

There were 21 auctions in January. The total issuance was VND 19.5tn (\$0.8bn), only 50% of the target but a 34% increase from December 2023, with the decreasing interest rate environment being the key driver. However, the low bid-to-cover ratio showed market fatigue, attributed to the seasonal effect before the Tet holiday, FX pressure from an increasing DXY, and high global interest rates. Regarding yields, Primary rates for 10 and 15-year tenors slightly increased by 5-10bps, while the 30-year rate decreased by 15bps. Secondary market rates showed small changes for 10 and 15-years, increasing just 3bps, while the shorter tenors reduced 20-40bps. The curve steepened in the middle tenors, with the 5-years 100bps lower than 10-years. The whole yield curve moved in an upward trajectory in the range of 1.35% to 3.2% from 1-year to 30-years.

Outright transactions were down from their high volume in December. Total transactions decreased by 32% to VND 143tn (\$5.9bn). This was still higher than previous periods bar December 2023, however, with almost VND 6.5tn (\$267m) traded per day. Repo transactions remained high, reducing by only 10% from December 2023, and 2.4 times the November value at VND 43.6tn (\$1.8bn) for the whole month, averaging \$81m/day. These numbers indicate the sustained strong liquidity in the banking system.

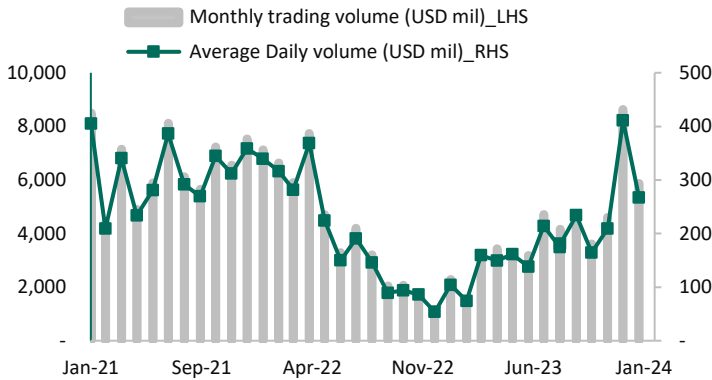
VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

| Tenor | Issuance Plan | Issuance Plan | Issued Value | Cumulative | Cumulative | % Completion | % Completion |
|---------|---------------------|---------------------|--------------------|-------------------------------------|---------------------------------|-----------------|-----------------|
| | Q1-2024 (VND bn) | FY 2024 (VND bn) | Jan-24 (VND bn) | Issued Value Q1-2024 (VND bn) | Issued Value YTD (VND bn) | of Quarter Plan | of FY 2023 Plan |
| 5-year | 25,000 | - | 3,750 | 3,750 | 3,750 | 15% | - |
| 7-year | 3,000 | - | - | - | - | 0% | - |
| 10-year | 30,000 | - | 7,328 | 7,328 | 7,328 | 24% | - |
| 15-year | 50,000 | - | 5,216 | 5,216 | 5,216 | 10% | - |
| 20-year | 9,000 | - | 1,000 | 1,000 | 1,000 | 11% | - |
| 30-year | 10,000 | - | 2,215 | 2,215 | 2,215 | 22% | - |
| | 127,000 | 400,000 | 19,509 | 19,509 | 19,509 | 15% | 5% |

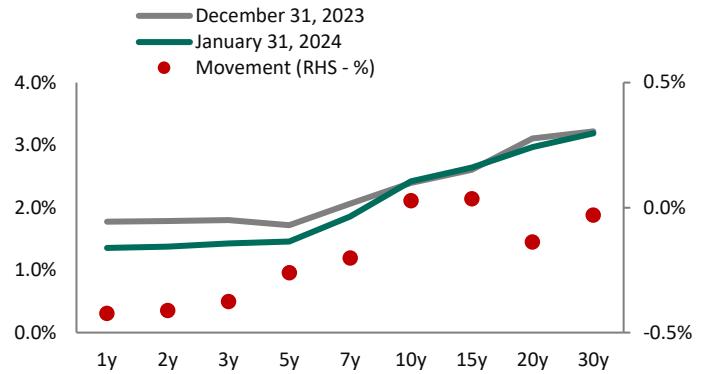
Source: HNX/VBMA

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VGB OUTRIGHT TRADING VALUE



VGB SECONDARY MARKET YIELD CURVE



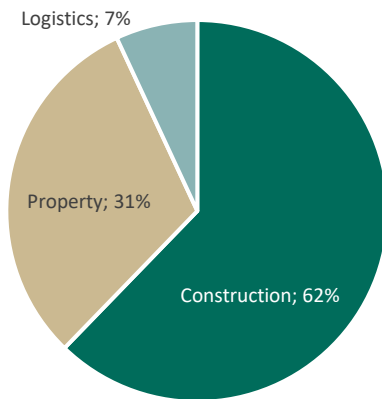
Data Source: HNX/VBMA

Vietnam Corporate Bond Market

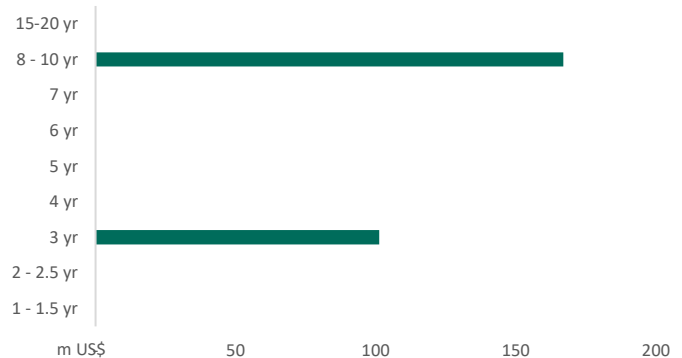
January saw subdued activity in the corporate bond market with only 3 straight issuances totalling VND 3.6tn (\$147m). A significant portion came from VIC's public bond, with the remainder from two private construction firms. CII also issued a convertible bond with a value of VND 2.8tn (\$116m). An estimated VND 277bn (\$11.4bn) in bonds is due for maturity in 2024. In current market conditions, there is a cautiously optimistic outlook for issuer redemption capabilities with total issuances prudently increasing.

Looking back at 2023, the total issuance value was VND 311tn (\$12.8bn), +12%YoY. This includes 29 issuances through public offerings at VND 37tn (\$1.5bn), accounting for 11.9% of the total issuance, and 286 issuances through private placement worth VND 275tn (\$11.3bn), 88.1% of the total. The banks led with VND176tn (\$7.2bn), accounting for 56.5%, and real estate was second with VND73tn (\$3.0bn), 23.5%. The remaining 20% of issuances were distributed over various sectors. The number of bond defaults decreased significantly from the tough period of 1Q23, attributed to regulatory changes, a low-interest rate environment, and improved investor sentiment, facilitating market calm and maturity extensions.

CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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