



## MONTHLY REVIEW – February 2024

### General Market Commentary

February was characterised by significant volatility within the foreign exchange and money markets. Immediately following Tet, the spotlight was on the FX and gold prices, driven by a confluence of factors. These included seasonal factors, the impact of rising US interest, and record-setting performances in both gold and cryptocurrencies. This was juxtaposed against Vietnam's low interest rate environment, spurring a trend among Vietnamese individuals to accumulate gold and USD. The USD/VND exchange rate increased by 0.9% in February, a rise from January's 0.6%, bringing the year's depreciation of the VND to 1.5%. This depreciation was still lower than the 2.8% YTD increase of the DXY, however, and the JPY and the EUR have depreciated by 6.1% and 2.1% YTD, respectively.

Interbank interest rates were also volatile, with overnight rates spiking to above 4.0% from 0.15% prior to Tet. Conversely, deposit interest rates were reduced by most commercial banks. The average deposit interest rate is currently below the range of 2-3% for 6-months, and below 4.8-5.5% for above 12-months. We expect this to help lending rates remain low and continue to support the recovery of the economy.

A highlight in February was the continued strong performance of macroeconomic indicators. The balance of payments notably remained in a surplus, totalling \$1.8bn for the month and reaching \$4.7b YTD, primarily fuelled by strong exports. FDI also remained at a high level with registrations reaching \$4.3bn and disbursements reaching \$2.8bn YTD, an increase of 38.6% YoY and 9.8% YoY, respectively. Despite the impact of Tet causing inflation in February to increase 1.04% MoM, a high uptick compared to previous months, it was 3.98% YoY, well within manageable levels.

### Vietnam Government Bond Market

There were only 12 issuances of VGB issuances in February due to the Tet holiday, much lower than the normal average of 20 issuances per month. Still, issuances increased by 44% MoM, reaching VND 28.2tn (US\$ 1.15bn). The winning ratio reached 95%, a sharp increase from the previous month's 50%, with winning rates increasing by about 3 to 5bps in all tenors. This indicates sustained high demand for government bonds, albeit with some reservations. A positive development was the State Treasury's increased flexibility, which facilitated higher issuance volumes without substantial hikes in interest rates. In the secondary market, interest rates were almost unchanged. The 10 and 15-year terms fluctuated between -1 to +2bps, while medium terms from 5 to 7 years saw a slight increase of approximately 3-7bps. The yield curve maintained its narrow range from 1.4% - 3.1% for 1 to 30-years.

In February, the total number of outright transactions decreased by 39% from January. The total volume was only VND 86.7tn (\$3.5bn), equivalent to VND 5.4tn/day (\$219m/day). Liquidity declined from the high level of the previous two months and was below the average levels of H2 2023. However, the volume of REPO transactions witnessed a rise over previous months, achieving a 17-month high with VND 55tn (\$2.2bn) in December. This marked a 13% increase from January and was approximately 61% above the average for FY 2023. This movement reflected short-term reluctance towards government bond positions and stable 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)	Feb-24 (VND bn)	Issued Value Q1-2024 (VND bn)	Issued Value YTD (VND bn)	of Quarter Plan	of FY 2024 Plan
5-year	25,000	70,000	6,000	9,750	9,750	39%	14%
7-year	3,000	15,000	-	-	-	0%	0%
10-year	30,000	100,000	12,000	19,328	19,328	64%	19%
15-year	50,000	140,000	10,000	15,216	15,216	30%	11%
20-year	9,000	20,000	170	1,170	1,170	13%	6%
30-year	10,000	25,000	-	2,215	2,215	22%	9%
	<b>127,000</b>	<b>400,000</b>	<b>28,170</b>	<b>47,679</b>	<b>47,679</b>	<b>38%</b>	<b>12%</b>

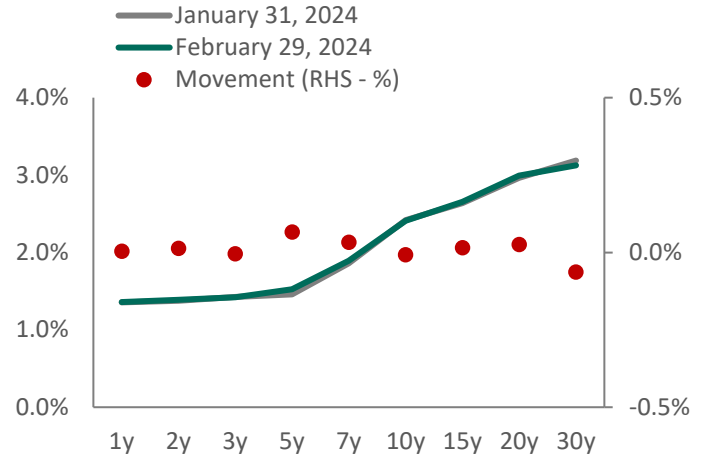
Source: HNX/VBMA

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### VGB OUTRIGHT TRADING VALUE



### VGB SECONDARY MARKET YIELD CURVE



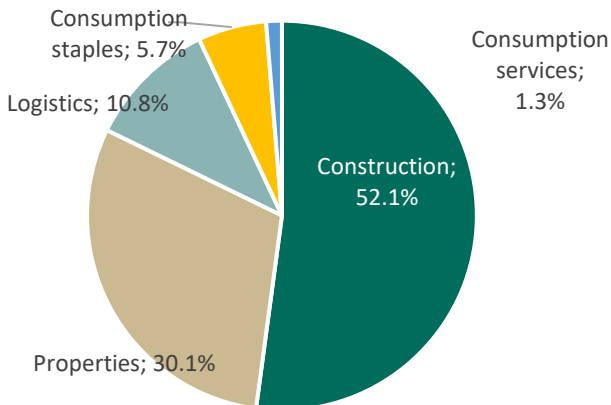
Source: HNX/VBMA

### Vietnam Corporate Bond Market

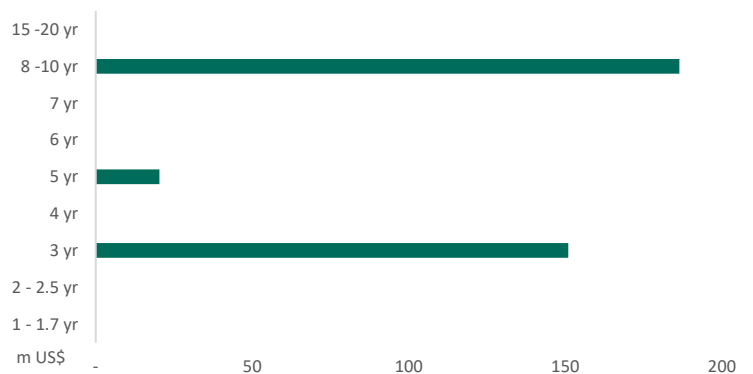
The corporate bond market was very quiet during the first two months of the year. Only nine new bonds were issued, comprising one convertible bond and eight straight bonds with a total value of VND 8.8tn (\$0.35bn). Nearly two-thirds of this issuance was attributed to three bonds issued through public offerings from Vingroup, CII and VPI. The remaining six individual bonds were from several small companies.

The seasonal impacts from Tet holiday, the Q1 auditing period, low bank lending rates, and a measured recovery of the economy were the main factors affecting the volume of new issuances YTD. The low credit growth notably impacted banks, the most active issuing group in 2023, causing them not to resume their offerings in the primary market. Overall, for the first two months of the year, construction and infrastructure companies were the most active issuers, accounting for 52.1% of new issuances. Next were real estate and transportation companies, accounting for 30.1% and 10.8% respectively. The remaining 7% was distributed among manufacturing and consumer services companies.

### CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



### CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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