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STABLE EXCHANGE RATES, CORPORATE BOND MARKET RECOVERY IN A SUSTAINABLE DIRECTION.

Primary Government Bond Market

The total amount of government bonds issued through auctions in 2023 was 298.476 trillion VND, equivalent to nearly 98% of the adjusted annual plan (305,000 trillion VND), and achieved 74.6% of the initial plan. The issuance amount from the beginning of October reached 37.38% of the Q4/2023 plan. With the adjustment of the issuance plan by the State Treasury, the bid-winning ratio for government bonds at most tenors has successfully met the annual plan.

Secondary Government Bond Market

The secondary government bond market surged in December, with the total market transaction value exceeding 258 trillion VND due to the cyclical effect. Year to date, the total market transaction value reached 1,597.5 trillion VND, a decrease of 16.8% YoY. Among these, the total value of Outright transactions accounted for 73% of the total transaction value, reaching nearly 1,166 trillion VND, an increase of 6.8%. Yields in the secondary market have also sharply decreased in 2023 across all tenors, especially the 5-year tenor with a reduction of nearly 320 bps.

Corporate Bond Market

The total value of issued c.bonds in December was 65.617 trillion VND, an 84% increase compared to the previous month and a twelve times increase year over year. This is considered the highest issuance level in the past two years. In 2023, the total value of c.bond issuance was recorded at 282.601 trillion VND, a 5.5% increase. At the end of 2023, the real estate group issued bonds with an interest rate still at a high level - 11.5%, while the banking group had the lowest issuance interest rate - 6.3%. The absence of Decree 08 in the early months of 2024 is expected to bring difficulties for real estate companies with mature corporate bonds.

Foreign Exchange Market

In December, the exchange rate fluctuated within a narrow range, closing the year at 24,269, a 2.7% YTD decrease, and remained within the government's control. Although there were moments during the year when the exchange rate sharply increased to the range of 24,570-24,600, under the government's regulation and the good domestic factors with USD inflows, the exchange rate quickly cooled down. This helped to maintain the government's supportive policies throughout the past year.

Money Market

Interbank interest rates have slightly increased in the short term due to end-of-year factor. SBV has also flexibly utilized the OMO channel to support banks during this period. However, we still maintain the view that the systemic liquidity remains ample. Deposit growth throughout the year 2023 has been consistently higher than credit growth. The widening gap between deposit and credit growth indicated clearly the backlog of money within the banking system that is not flowing into the economy.

	2020	2021	2022	2023	YoY (+-bps/pips)	YTD (+-bps/pips)
Primary Government bond yield (10Y)	2.28%	2.08%	4.80%	2.20%	-260	-233
Secondary Government bond yield (10Y)	2.36%	2.09%	4.89%	2.22%	-256	-256
Corporate bond interest rate (%)	8.97%	7.86%	10.89%	8.15%	-420	-311
USDVND exchange rate	23,098	22,826	23,633	24261	642	636
Interbank interest rate (%ON)	0.18%	1.72%	4.97%	0.20%	67	-140
Average deposit interest rate 12M (SOB-%)	5.60%	5.50%	7.40%	5.23%	-250	-250

Sources: PHS