

## BELIEF IN A BRIGHT RECOVERY

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### Primary Government Bond Market

The total amount of government bonds successfully auctioned in Q4 was over VND 58.7 trillion, corresponding to an acceptance ratio of 44%, which is a sharp decline of 48.8% compared to Q3. In particular, the accepted amount of government bonds auctioned in December was only over VND 7.3 trillion, equivalent to a quarter of the average monthly level in the first 11 months of the year. This decrease can be explained by two main factors: (1) The State Bank of Vietnam's policies in the interbank market have become tighter as pressure on the exchange rate escalates. (2) The yield spread between the secondary and primary markets has been widening, making auction sessions less attractive. The amount of government bond issuances in the coming years is expected to be increased as public investment is identified as a key strategic focus. The yield on government bonds in the primary market will also be gradually raised to attract investors.

### Secondary Government Bond Market

In contrast to the sluggishness in the primary market, trading activities in the secondary market for government bonds remain active. Specifically, the value of Outright transactions reached VND 626.7 trillion, an increase of 41.6% compared to Q3 and 46.6% compared to 2023. This is also the highest trading value to date, with an average daily transaction value of nearly VND 7 trillion. The yield curve has trended higher since the beginning of November and increased sharply in December, encouraging investors to trade more actively in the secondary government bond market. The expected rise in government bond yields in the primary market is likely to push yields in the secondary market higher in 2025.

### Corporate Bond Market

The value of corporate bond issuances in Q4 was VND 130.42 trillion, a decrease of 12.1% compared to the previous quarter and little change compared to the same period last year. Although there was a slowdown compared to the total issuance volume in Q3, the corporate bond issuance volume in the last three quarters has shown significant growth compared to earlier periods. For the whole year of 2024, the total value of new issuances reached over VND 447 trillion, an increase of nearly 32% compared to 2023. This indicates that after the crisis of confidence in 2022, which led to a sharp decline in issuance volume, and a slight recovery in 2023, there has been a more noticeable improvement in 2024. The market in 2025 is expected to see more positive signals from the recovery of the economy and the real estate market.

**Table 1: Bond market situation**

|                                       | 2022   | 2023  | 2024  | 2025F | Oct-24 | Nov-24 | Dec-24 | YTD<br>(+bps/pips) |
|---------------------------------------|--------|-------|-------|-------|--------|--------|--------|--------------------|
| Primary Government bond yield (10Y)   | 4.80%  | 2.20% | 2.77% | 2.90% | 2.66%  | 2.68%  | 2.77%  | 57                 |
| Secondary Government bond yield (10Y) | 4.89%  | 2.22% | 2.96% | 3.10% | 2.70%  | 2.76%  | 2.96%  | 74                 |
| Corporate bond interest rate (%)      | 10.89% | 8.15% | 7.26% | 8.50% | 8.16%  | 7.30%  | 7.26%  | -89                |
| Interbank interest rate (%ON)         | 4.97%  | 0.20% | 2.65% | 3.00% | 3.40%  | 3.27%  | 2.65%  | 245                |

Sources: HNX, PHS compiled