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GOVERNMENT BOND MARKET PICKS UP WHILE CORPORATE BOND MARKET REMAINS QUIET

- The government has demonstrated its flexibility in issuing bonds in line with market trends by increasing the issuance volume for the 10-year tenor and gradually raising yields appropriately to meet this year’s ambitious funding target.
- Government bond yields in both the primary and secondary markets are expected to continue a slight upward trend in Q2.
- Despite facing various challenges, PHS believes that if the US economy slows significantly and forces the Fed to cut interest rates more aggressively than expected, the SBV may continue to maintain low policy rates and adopt a flexible, proactive monetary policy stance.
- The corporate bond market remained quiet in Q1 due to both internal and external factors. However, a recovery is expected to return in Q2.

Primary Government Bond Market: More Active Market Activity

Primary Market:

In Q1/2025, the State Treasury of Vietnam organized government bond auctions totaling VND 159.5 trillion, up 19.5% from the previous quarter and 34.6% YoY. Of this, the total accepted amount reached over VND 110.4 trillion – equivalent to an acceptance ratio of 69% and a sharp increase of 87.3% compared to Q4/2024. Investor demand for government bonds returned in the very first quarter of 2025, especially during March. The accepted amount in March alone accounted for more than 59% of the total accepted amount for the entire quarter.

(1) Interbank Interest Rates Decrease: The winning rate for State Bank of Vietnam (SBV) bills has significantly decreased since the end of February. Starting from February 20, the interest rate has continuously dropped from 4% per annum to 3.7% per annum. By early March 2025, the interest rate continued to decline, reaching 3.1% per annum, while the volume of issuance gradually decreased. On March 5, the SBV officially stopped issuing bills. Along with halting bill issuance, the SBV has implemented Open Market Operations (OMO) with tenors of up to 91 days to inject longer-term liquidity into the banking system.

The SBV’s decision to reduce the bill interest rate aims to support liquidity for the banking system and establish a lower interbank interest rate level. This move comes in the context of less pressure on the USDVND exchange rate, allowing the SBV to manage monetary policy more flexibly to boost economic growth. As of the end of March, the ON-1W interest rates have decreased to around 3.1%-4.1% (a reduction of 25-50 bps YTD), which is the lowest level since the beginning of the year (Figure 1 - Appendix).

	2022	2023	2024	2025F	Jan-25	Feb-25	Mar-25	YTD (+-bps/pips)
Primary Government bond yield (10Y)	4.80%	2.20%	2.77%	2.90%	2.83%	2.97%	2.96%	19
Secondary Government bond yield (10Y)	4.89%	2.22%	2.96%	3.10%	3.00%	3.09%	2.96%	0
Corporate bond interest rate (%)	10.89%	8.15%	7.26%	8.50%	7.00%	7.00%	8.20%	94
Interbank interest rate (%ON)	4.97%	0.20%	2.65%	3.00%	4.60%	4.60%	3.15%	-48

Sources: PHS compiled

The decrease in interbank interest rates and the higher liquidity have encouraged commercial banks to invest in the government bond market.

- 2) **Credit Growth Remains Modest:** As of March 21, credit growth increased by 2.17% (Figure 2), higher than the same period last year (+1.42%), but still lower than the same period in previous years over the past 5 years. This indicates that credit growth remains relatively modest. In this context, government bond investments have also been boosted.
- 3) **Yield Spread Between the Primary and Secondary Markets:** The Treasury has also significantly raised the accepted yields on government bonds by 5-20 bps, particularly for the 10-year tenor (20 bps), to align with market demand (Table 2). As a result, the yield spread between the primary and secondary markets has almost converged for tenors above 10 years. This has, to some extent, made government bond auctions more attractive compared to the previous period.
- 4) **US Treasury Yields Decline:** Since the beginning of the year, US Treasury yields have decreased by more than 35 bps as the Fed maintains its forecast of three interest rate cuts this year. Additionally, some recent economic reports indicate that U.S. economic growth is showing signs of slowing down, particularly in consumer spending and production. If economic growth stagnates, the Fed may cut interest rates sooner and more aggressively to support the economy, leading to a decrease in Treasury yields. Market concerns and caution regarding Trump's policies are also driving investors to move capital into government bonds – a safe asset.

The acceptance ratio in Q1 reached 69%, significantly higher than in previous quarters, indicating a resurgence in the primary government bond market. Among them, the 10-year tenor maintained the highest success rate (79.5%), with the bid to cover ratio exceeding 1.2. To align with market demand, the 10-year tenor accounted for nearly 80% of the offering amount in Q1 across all tenors.

With the planned target of VND 111 trillion in government bonds for Q1 (Table 1), the State Treasury has exceeded its goal for the 10-year tenor (241%). However, the remaining tenors are still challenging to complete, as their yields are not yet attractive and the liquidity for longer tenors remains low.

Compared to the planned target for Q1, the government has demonstrated its flexibility in issuing bonds in line with market trends by increasing the offering amount for the 10-year tenor and gradually raising yields appropriately. This also aligns with the previous forecast by PHS in the 2024 year-end bond market overview report.

2025 also sees the largest bond auction target to date (Figure 3), with VND 500 trillion for all tenors, which aligns with the government's record public investment disbursement needs this year. Therefore, PHS expects government bond issuance to continue to be intensified this year. Yields in the primary market are expected to continue rising significantly for both under-10-year and over-10-year tenors (+20 bps) to better match market supply and demand. For the 10-year tenor, yields may increase by an additional 10-15 bps.

For the policy interest rate, the SBV will face more challenges as new tax measures from Trump may confuse the Fed in its interest rate decisions. However, PHS leans towards the possibility that a sharp slowdown in US economic growth will force the Fed to cut rates more than expected. As a result, the SBV may continue to maintain low policy rates and manage monetary policy flexibly and proactively. The goal is to control the exchange rate, stabilize inflation, and ensure system liquidity. The SBV will also continue to use open market operations to regulate short-term liquidity in the interbank market.

Secondary Government Bond Market:

Investment activity in the secondary market also showed dynamism in Q1, particularly in March. The total transaction value across the market in Q1 reached over VND 780 trillion, up 31% compared to the same period last year and down 11.9% compared to the previous quarter. **The average transaction value for government bonds per session was nearly VND 8.7 trillion, a high level, second only to Q4/2024 (Figure 11).**

Of this, the Outright transaction value in Q1 reached VND 544.6 trillion, up 36.1% compared to the same period last year and down 13.1% compared to the previous quarter. Outright transactions also accounted for nearly 70% of the total government bond trading value in the secondary market.

Regarding the investor structure, commercial banks still dominate the trading market, accounting for 50.92% of Outright transactions and 93.39% of Repos across the entire market, while securities companies account for the remaining 49.08% of Outright transactions.

Although government bond yields in the secondary market dropped sharply in March compared to February, with investment demand increasing nearly 1.4 times, yields only recorded a slight increase compared to the beginning of 2025. Notably, the yields for the 5-year and 10-year tenors remained almost unchanged, while other tenors, which had not seen significant increases earlier, experienced stronger adjustments, ranging from 10-15 bps.

One reason for the yields staying high is largely due to the government's large-scale government bond issuance plan this year, aimed at financing the budget deficit and accelerating public investment. This abundant supply is keeping yields high, despite improvements in liquidity within the banking system.

PHS believes that government bond yields in the secondary market are likely to continue rising slightly, following the increase in yields in the primary market, as the State Treasury accelerates its issuance activities. This is especially true in the context of domestic growth drivers, particularly public investment, which need to be strongly promoted to offset the weakening of FDI flows and global trade activities. PHS also forecasts that interbank interest rates (MM) will remain stable within the range of 3.5% – 4.0% (for ON-1W tenors) to maintain stable interest rate levels and flexibly control the exchange rate, especially as the exchange rate is trading around the high level of 26,000 due to new tariff pressures from the US. In this context, we believe that the 10-year government bond yield may increase by about 20 bps in Q2/2025 compared to Q1.

Corporate Bond Market: Issuance activity is somewhat sluggish.

According to data from HNX, as of the publication date (31/03), there were only 5 corporate bond issuance events in Q1, with 4 in January, none in February, and 1 in March (Table 3). The total issuance value in Q1 reached just over VND 6 trillion, which is one-fifth of the same period last year and the lowest level in the past 5 years. The reasons for this decline may include:

- (1) The caution of both investors and businesses amid high interest rates and increasingly strict requirements for issuance transparency;
- (2) Many businesses are opting for alternative funding sources such as bank loans or issuing stocks to raise capital;
- (3) Some businesses have not yet significantly expanded production or business activities in early 2025, especially in sectors like real estate, construction, and consumer goods manufacturing. Meanwhile, the pressure from bond maturities from previous years has led companies to prioritize restructuring rather than new issuances;
- (4) The global trade slowdown, geopolitical risks, and other pressures have created a double burden for domestic businesses, affecting their decision to issue bonds.

Maturing Corporate Bonds: As of March 31, the corporate bond repurchase activity in Q1 reached nearly VND 23 trillion, down 5.3% compared to the same period last year and down 67.6% compared to the previous quarter. Of this, the Real Estate and Construction group accounted for 38.2%, the Banking and Finance group accounted for 30.6%, followed by the Energy group with 21.3% (Figure 21).

Corporate bond maturities: It is forecasted that in the remainder of 2025, the total value of bonds maturing will exceed VND 165 trillion. Notably, the real estate sector accounts for 48.4% of the total value of maturing bonds, followed by the banking sector with 27%.

The highest concentration of maturing bonds will occur in Q3, accounting for more than 39% of the total value of bonds maturing in 2025. Additionally, as mentioned in our previous Bond Market Overview Report, a large volume of bonds will also mature in the Q2-Q3 period after the regulation limiting bond extensions to a maximum of two years expires. These factors will somewhat impact the corporate bond market for the remainder of 2025.

Although the corporate bond market remained relatively subdued in Q1, several signals suggest that issuance activity may pick up in Q2/2025, as businesses gradually finalize their financial plans and the need for capital raising becomes clearer. Notably, the banking sector is expected to continue leading the supply of corporate bonds to meet the demand for Tier 2 capital, supporting credit growth in line with the Government's direction. Additionally, the demand for refinancing and capital restructuring will become more pronounced as the maturity pressure from old bonds approaches, especially for capital-intensive sectors such as real estate, energy, and construction.

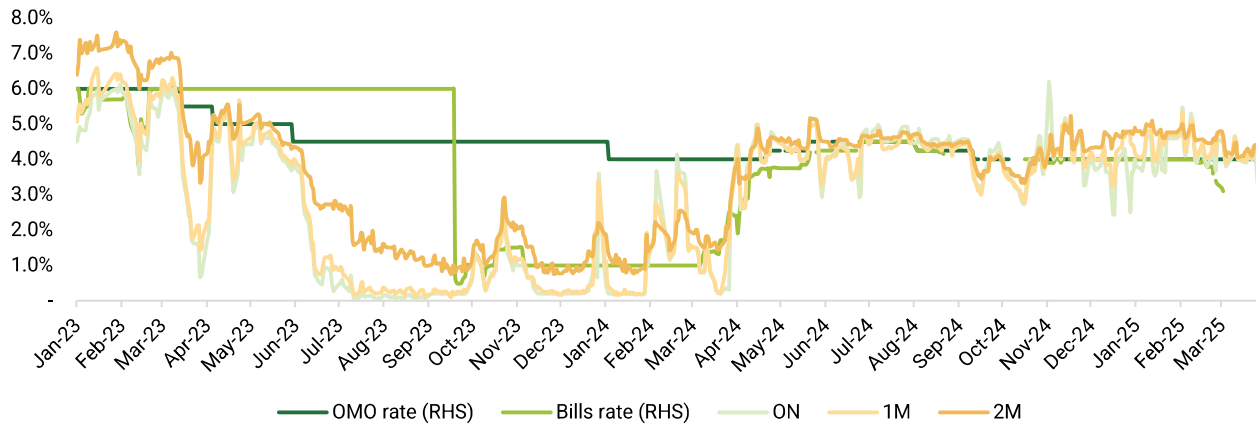
On the demand side, new regulations regarding private bond issuances and public offerings, expected to be implemented in the second half of 2025, will contribute to improving the quality of bonds in the market. This is expected

to help attract more investors to the corporate bond market, especially as savings interest rates remain low.

Appendix:

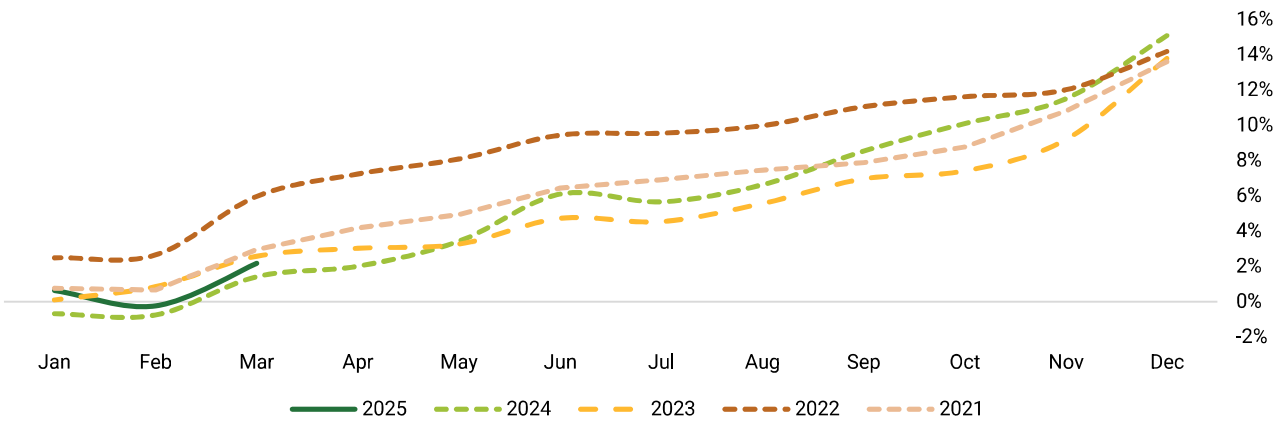
Government Bonds

Figure 1: Interbank market interest rates (As of 31/03/2025)



Sources: Refinitiv, SBV, PHS compiled

Figure 2: Credit growth (As of 21/03/2025)



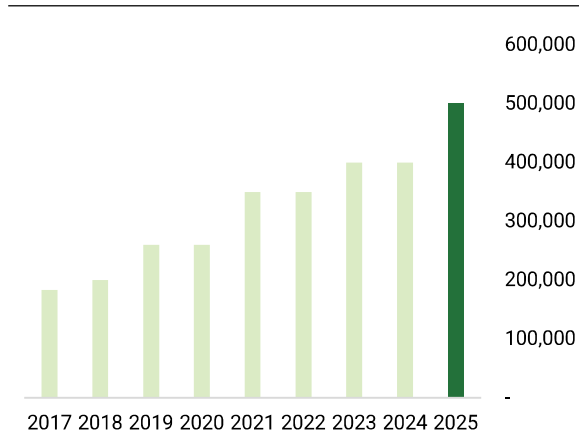
Sources: SBV, PHS compiled

Table 1: Government Bond Issuance Plan for 2025.

Tenor (year)	Government Bond Issuance Plan (Bil VND)	
	Q1/ 2025	2025
3		40,000
5	25,000	100,000
7	2,000	10,000
10	42,000	230,000
15	35,000	85,000
20	2,000	10,000
30	5,000	25,000
Total expected issuance volume	111,000	500,000

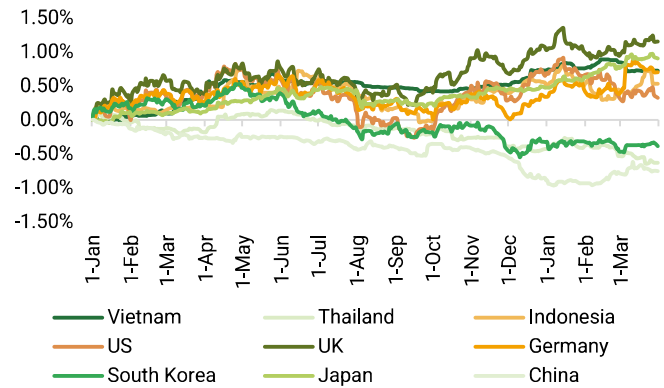
Sources: VBMA, PHS compiled

Figure 3: Government Bond Issuance Plan (Bil VND)



Sources: HNX, PHS compiled

Figure 4: 10-year Government bond yields fluctuations of countries worldwide compared to the beginning of the year (As of 31/03/2025).



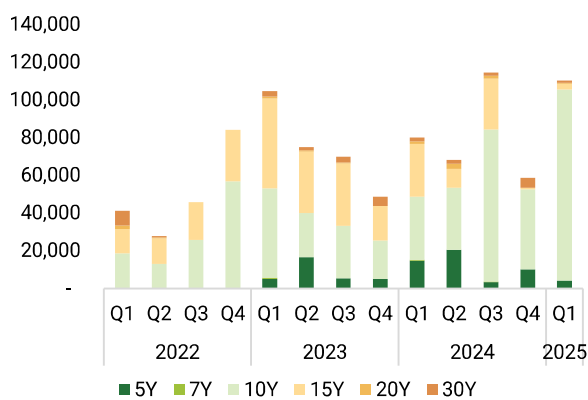
Sources: Bloomberg, PHS compiled

Table 2: Results of the State Treasury's Government bonds issuance in first quarter 2025.

Tenor (year)	Offering amount (Bil VND)	Bids received (Bil VND)	Amount accepted (Bil VND)	Yields accepted (%)	Yields accepted on Sep 25, 2024 (%)	Acceptance (%)	Bid to cover ratio
5	10,500	5,200	4,200	2.10 - 2.15	2.15	40.0%	0.5
10	127,500	157,604	101,399	2.77 - 2.96	2.96	79.5%	1.2
15	13,500	8,990	3,040	2.95 - 3.05	3.05	22.5%	0.7
20	1,500	500	500	3.05		33.3%	0.3
30	6,500	1,507	1,301	3.22 - 3.28	3.28	20.0%	0.2

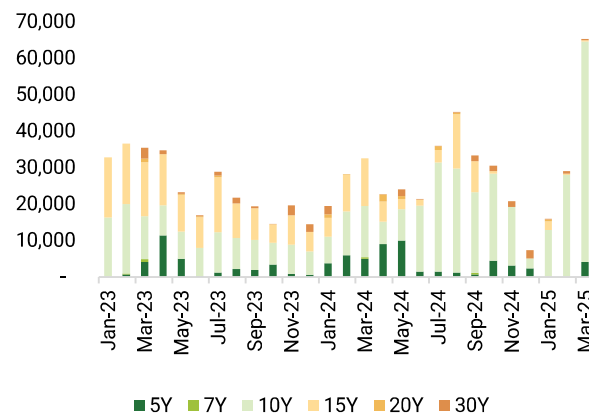
Sources: HNX, PHS compiled

Figure 5: The quarterly amount of primary issuance of Government bonds (billion VND).



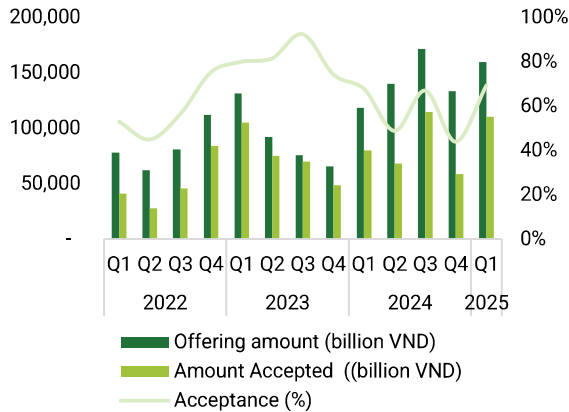
Sources: HNX, PHS compiled

Figure 6: The monthly amount of primary issuance of Government bonds (billion VND).



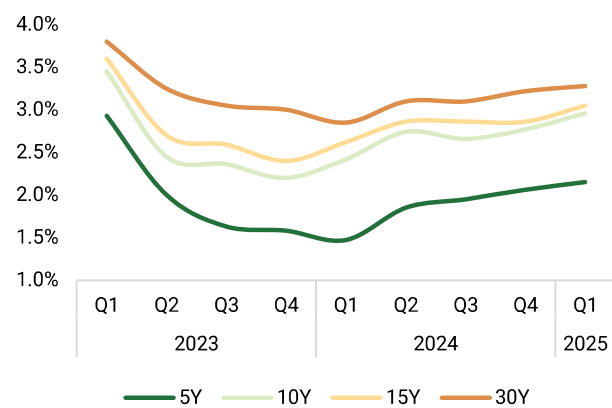
Source: HNX, PHS compiled

Figure 7: The offering and accepted amount monthly in the primary market



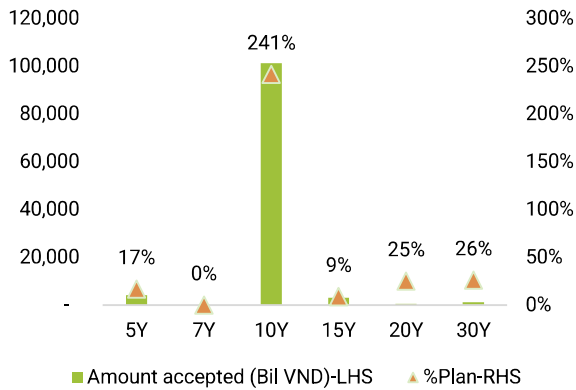
Source: HNX, PHS compiled

Figure 8: Yield accepted



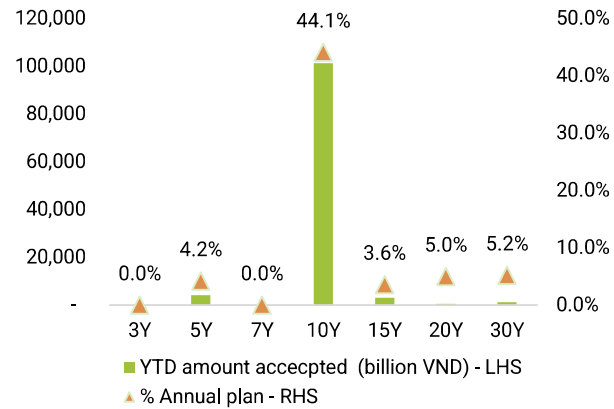
Source: HNX, PHS compiled

Figure 9: Issuance value in Q1 compared to the Q1/2025 plan



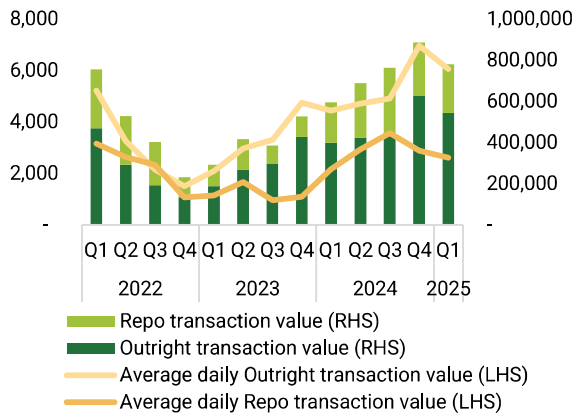
Source: HNX, PHS compiled

Figure 10: Cumulative issuance value compared to the full-year 2025 plan



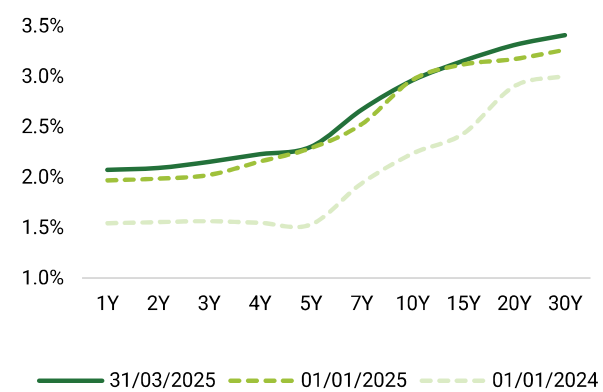
Source: HNX, PHS compiled

Figure 11: Quarterly Outright and Repo transaction value (billion VND)



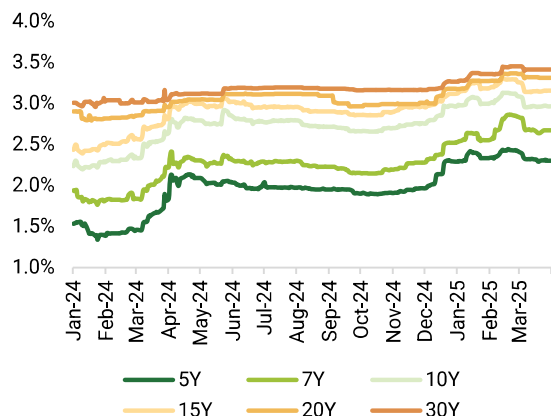
Sources: HNX, PHS compiled

Figure 12: Secondary Government bond yield curve



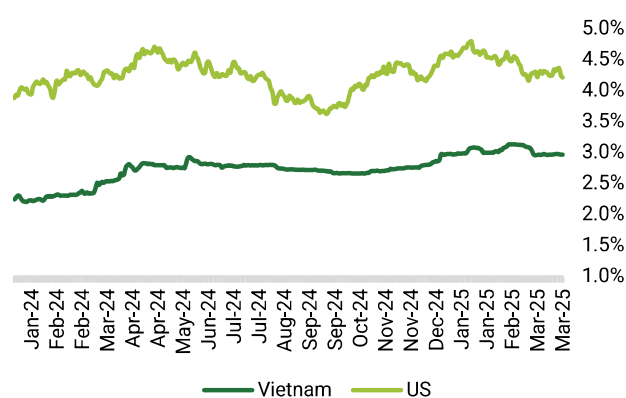
Sources: HNX, PHS compiled

Figure 13: Government bond yields movements (As of 31/03/2025)



Sources: HNX, PHS compiled

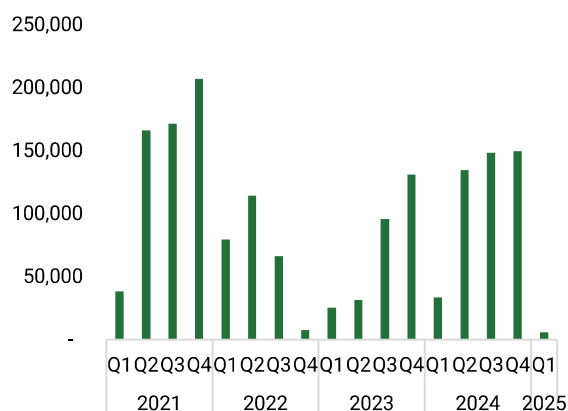
Figure 14: 10-year Government bond yields (As of 31/03/2025)



Source: Bloomberg, PHS compiled

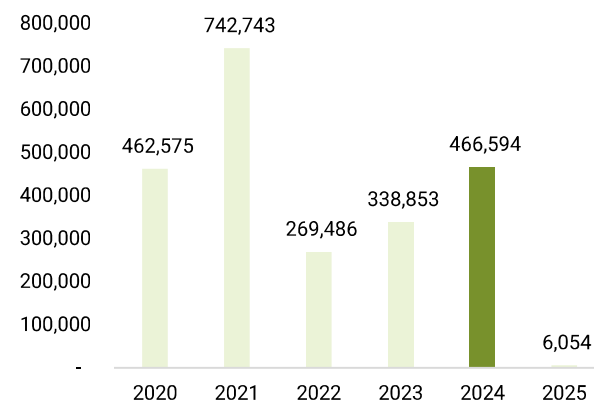
Corporate Bond

Figure 15: Quarterly issuance value (billion VND), (As of 31/03/2025)



Sources: HNX, PHS compiled

Figure 16: Annual issuance value (billion VND), (As of 31/03/2025)



Sources: HNX, PHS compiled

Table 3: Top businesses issuing bonds in the first quarter in 2025 (As of 31/03/2025).

	Companies	Sectors	Issuance value (Bil VND)	Average interest rate (%/year)	Average term (year)
1	DSE - DNSE Securities Joint Stock Company	Securities	300	8.5	2.0
2	BVB - Viet Capital Commercial Joint Stock Bank	Bank	1,254	8.2	6.0
3	CTG - Vietnam Joint Stock Commercial Bank for Industry and Trade	Bank	4,000	5.8	9.0
4	VDS - Viet Dragon Securities Corporation	Securities	500	8.2	1.0

Sources: HNX, PHS compiled

Table 4: Top businesses issuing bonds in 2024.

	Companies	Sectors	Issuance value (Bil VND)	Average interest rate (%/year)	Average term (year)
1	TCB - Vietnam Technological and Commercial Joint Stock Bank	Bank	36,090	5.0	3.1
2	ACB - Asia Commercial Bank	Bank	34,390	5.4	3.2
3	HDB - Ho Chi Minh City Development Commercial Bank (HDBank)	Bank	28,440	6.7	5.7
4	OCB - Orient Commercial Joint Stock Bank	Bank	27,500	5.4	2.9
5	VHM - Vinhomes Joint Stock Company	Real Estate	20,500	12.0	2.6
6	MBB - Military Commercial Joint Stock Bank	Bank	24,751	6.0	5.9
7	TPB - Tien Phong Commercial Joint Stock Bank	Bank	23,446	6.2	7.2
8	BID - Vietnam Investment and Development Commercial Joint Stock Bank (BIDV)	Bank	22,000	5.9	8.3
9	VIB - Vietnam International Bank	Bank	20,000	5.4	3.4
10	MSB - Vietnam Maritime Commercial Joint Stock Bank	Bank	15,800	5.1	3.2

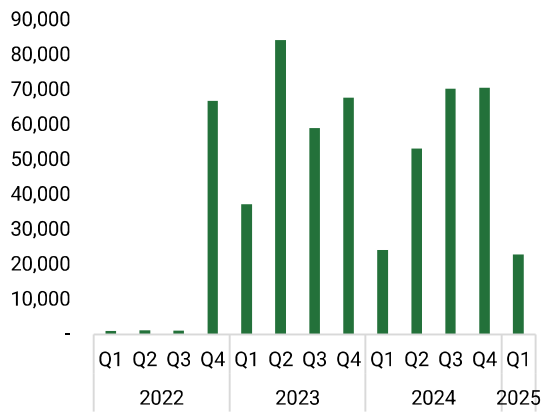
Sources: HNX, PHS compiled

Figure 17: Corporate bond issuance interest rate (%) (As of 31/03/2025).



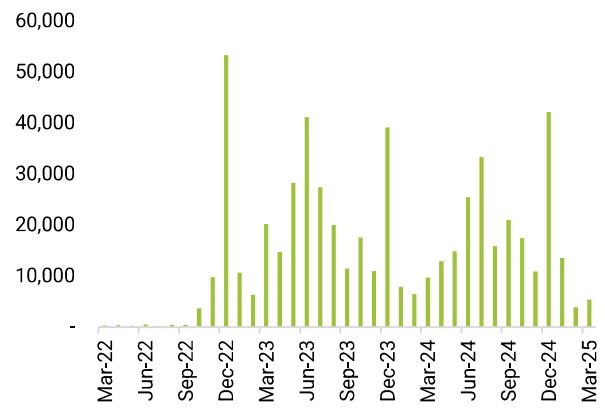
Sources: HNX, PHS compiled

Figure 18: Quarterly premature bond repurchase amount (billion VND), (As of 31/03/2025).



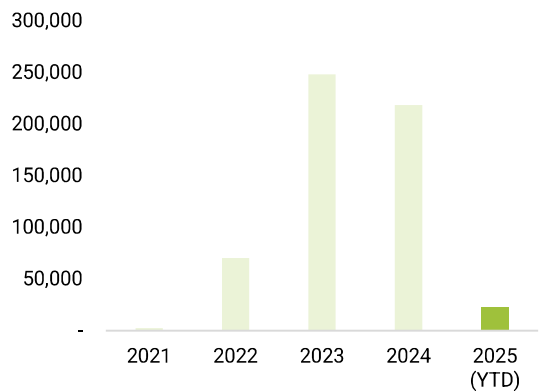
Sources: HNX, PHS compiled

Figure 19: Monthly premature bond repurchase amount (billion VND), (As of 31/03/2025).



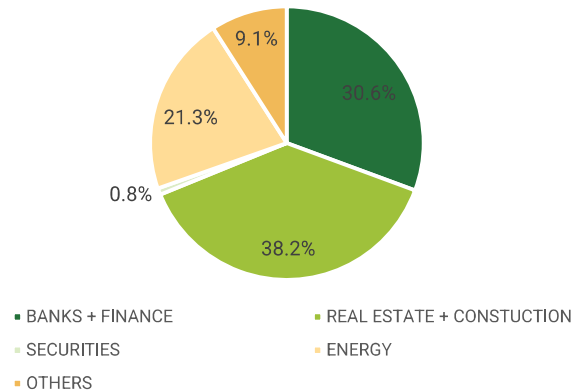
Sources: HNX, PHS compiled

Figure 20: Premature bond repurchase amount (billion VND), (As of 31/03/2025).



Sources: HNX, PHS compiled

Figure 21: Proportion of premature bond repurchase in the first quarter by sectors (As of 31/03/2025).



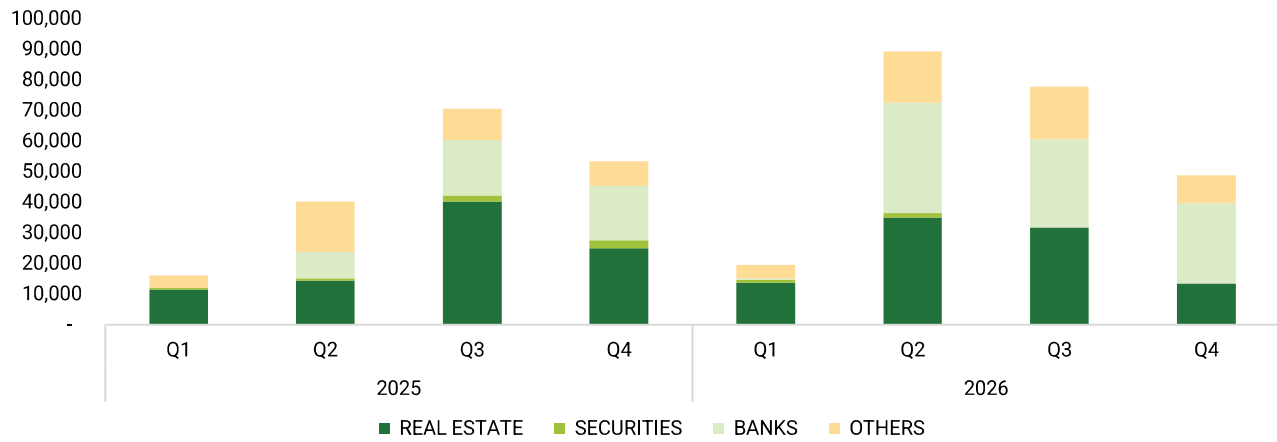
Sources: HNX, PHS compiled

Table 5: Summary of bond repurchase situation in the first quarter 2025

	Repurchase amount (Bil VND)	Average tenor (years)	Average time to maturity (years)	% Total bond amount
BANKS	4,013	5.48	2.40	17.53%
REAL ESTATE	8,499	5.44	0.99	37.13%
CONSTRUCTION	248	5.59	2.04	1.08%
ENERGY	4,876	9.85	5.63	21.30%
SECURITIES	177	1.67	0.49	0.77%
OTHERS	3,000	5.00	0.15	13.10%
BANKS	2,079			9.08%

Sources: HNX, PHS compiled

Figure 22: The amount of maturing corporate bonds, net of pre-maturity repurchases by enterprises, as of 31/03/2025 (Billion VND)



Sources: HNX, PHS compiled

Analyst Certification

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