

ACBS

Money 360

January 2022

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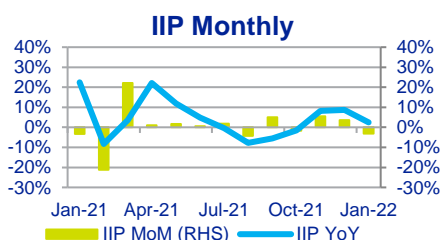
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Analyst – Macro

Macro Update

Vietnam's economy started 2022 with relatively good fundamentals. After several months of switching to the living-with-COVID-19 strategy, Vietnam has basically regained its growth momentum. Specifically, industrial activities continued to recover, in which IIP continued to record positive growth (+2.4% YoY in January 2022). Furthermore, the PMI continued to show signs recovery in January 2022 (53.7, up from 52.5 in December 2021), major industrial areas in Southern area (Binh Duong, Dong Nai, Long An and Tay Ninh Province) and Northern areas (Bac Giang and Bac Ninh Province) continued to resume their operations after implementing living-with-COVID-19 strategy, which has helped Vietnamese manufacturers get back to business and be more confident in the future growth outlook.

Disbursed FDI also recovered in January 2022 and recorded a positive growth (+3.6% YoY in January 2022 vs -20.94% YoY in January 2021), and we are also optimistic about the FDI inflows in the future will continue to recover as registered FDI remained strong. Last but not least, Consumer Price Index (CPI), which increased slightly 0.19% MoM and 1.94% YoY remained low and under control.

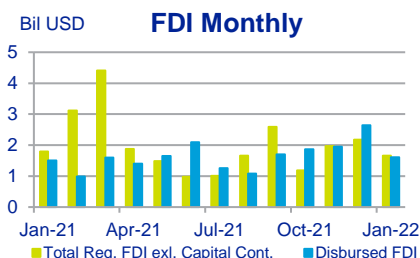
Furthermore, the Government has just approved a fiscal and monetary stimulus package in an extraordinary session of the 15th National Assembly on January 11 2022, which in total is estimated to be over VND337tn (VND291tn for fiscal package and VND46tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 pandemic. With this package and positive recovery signs after several months living-with-COVID-19, we expected that our economy will continue to perform well in 2022.



Vietnam's industrial production slowed in January 2022

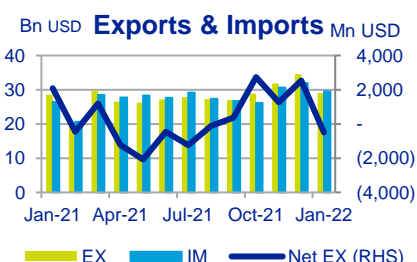
- IIP in January 2022 decreased 3.1% MoM and increased 2.4% YoY (vs +22.5% YoY in January 2021), in which:

	January 2022	January 2021
IIP	2.4%	22.5%
Mining and quarrying	-4.6%	2.0%
Manufacturing	2.8%	27.2%
Prod. and dist. of electricity	5.1%	11.0%
Water supply and waste treatment	1.2%	9.6%



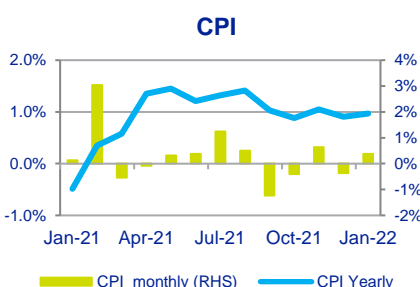
FDI inflows expected to remain positive in upcoming months

- Disbursed FDI in Vietnam reached USD1.6bn in January 2022 –increasing 6.8% compared with same period last year, while registered FDI in January 2022 reached USD1.6bn (-7.7% YoY). The capital contribution & share repurchase increased 100% YoY to USD443mn in January 2022.
- Vietnam's top 3 FDI investors in January 2022 are Singapore (USD309mn, -48% YoY), Korea (USD452mn, +498% YoY) and China (USD440mn, -27.9% YoY).
- Vietnam's top 3 sectors in January 2022 are the manufacturing sector with USD1.2bn of registered FDI; the real estate activities sector with registered capital of USD472mn; and the administrative activities and supporting services sector accounted for USD221mn.



Trading activities remained solid

- According to the GSO, exports and imports in January 2022 reached USD29bn (+1.6%YoY) and USD29.5bn (+11.5%YoY) respectively. Generally, according to GSO, total export-import turnover in 1M2022 reached VND58.5bn (+8.1% YoY)

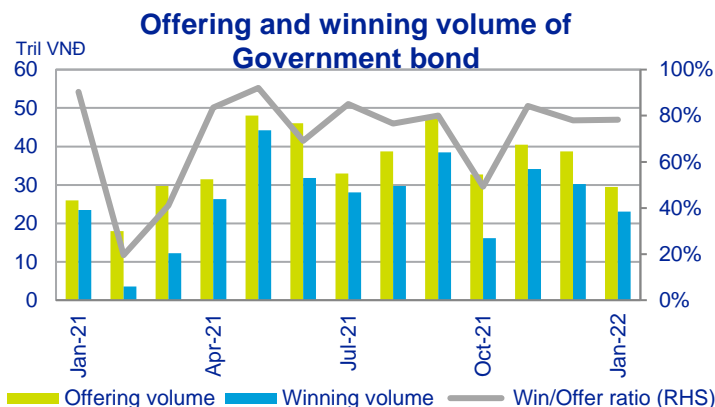
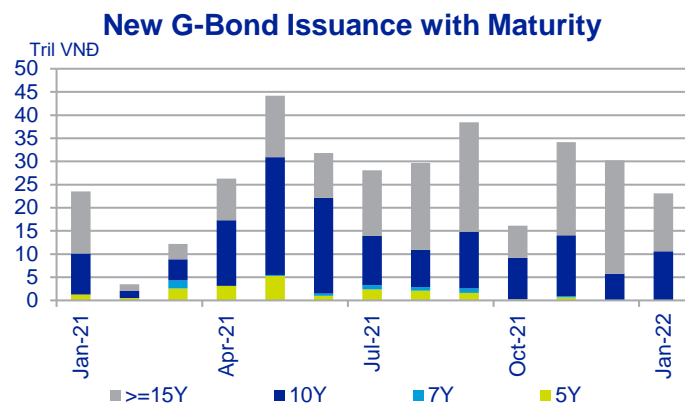


Inflation remained low even toward Lunar New Year

- CPI in January increase 0.19% MoM and 1.94% YoY. In addition, core CPI of January 2022 stood at 0.66% YoY.

VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

Total G-bonds issued in January 2022 reached VND23tn (vs VND23.5tn in January 2021). Yields of all terms remain almost the same during January, and all yield terms remain a little bit lower than same period last year. The winning rate of all terms remained 78% in January 2022 which equaled winning rate in December 2021.

10Y and 15Y attracted investor's attention in January 2022 accounted for 46% and 30% of the total issuance amount respectively, and winning rate reach 85% and 73% respectively.

Bond Yields in the primary market						
	5Y	7Y	10Y	15Y	20Y	30Y
End of January 2022	0.76%	1.10%	2.07%	2.35%	2.75%	2.96%
vs December 2021	0.76%	1.10%	2.08%	2.33%	2.75%	2.96%
vs January 2021	1.07%	1.55%	2.15%	2.38%	2.89%	3.00%

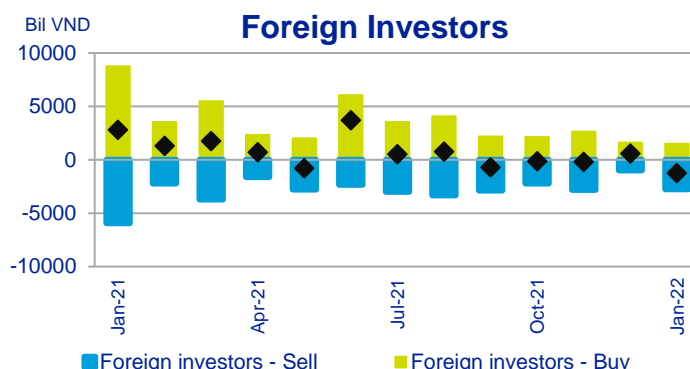
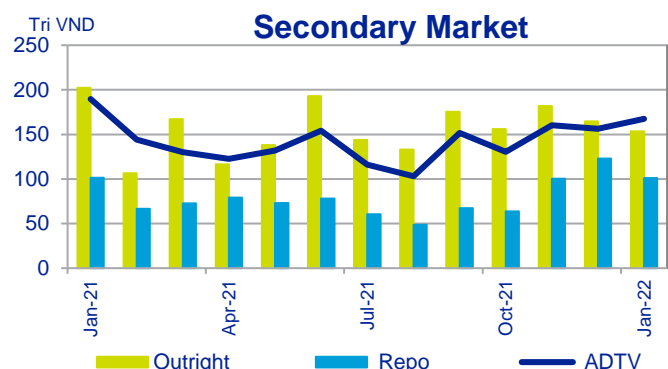
By the end of January, the VST issued VND23tn of G-bonds in 1Q2022, fulfilling 22% of 1Q2021's issuance plan (VND105tn) and 5.8% of 2022's issuance plan (VND400tn).

Government Bond Issuance Plan

VND Bn	1Q2022 Target	QTD Issuance	QTD Issuance/Target	2022 Target	2022 YTD Issuance	2022 YTD Issuance/Target
5-year	5,000	0	0.0%	n/a	0	n/a
7-year	5,000	0	0.0%	n/a	0	n/a
10-year	35,000	10,627	30.4%	n/a	10,627	n/a
15-year	40,000	6,950	17.4%	n/a	6,950	n/a
20-year	10,000	1,085	10.9%	n/a	1,085	n/a
30-year	10,000	4,420	44.2%	n/a	4,420	n/a
Total	105,000	23,082	22.0%	400,000	23,082	5.8%

ANALYST COMMENT: We expect that the VST will ramp up issuances in 2022 as the government needs to push disbursement of public investment and finance their fiscal and monetary stimulus package in order to boost economic development after end of COVID-19 outbreak and start a new normal strategy in 2022.

SECONDARY BOND MARKET

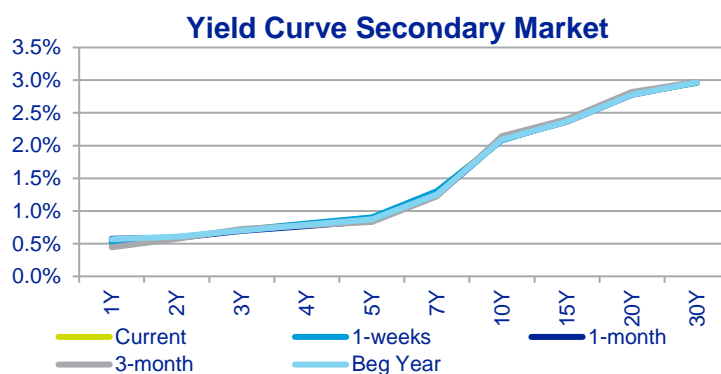
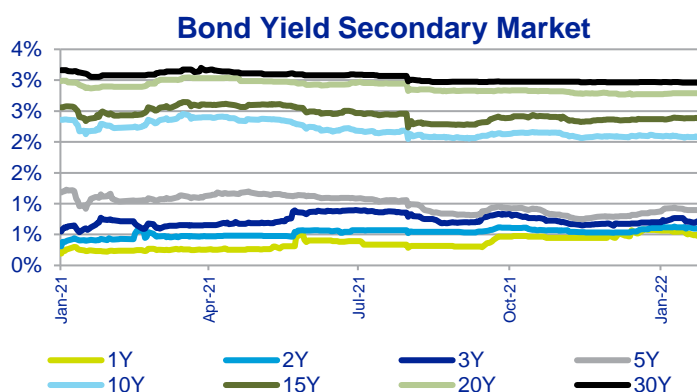
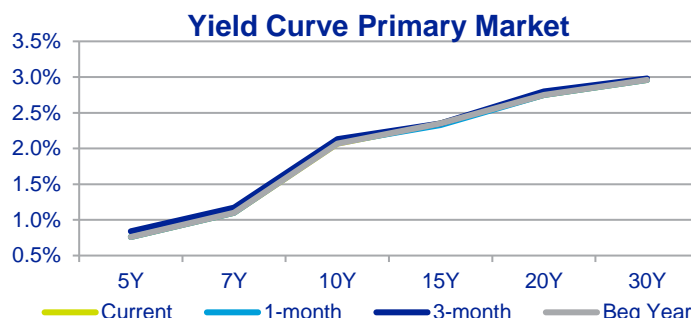
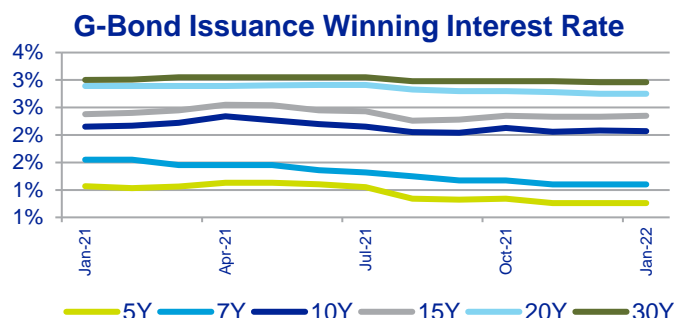


Source: HNX, ACBS

Total trading volume of outright and repos in the secondary market in January 2022 decreased 11.5% compared with last month, reaching VND255tn and with the average daily trading value (ADTV) reaching VND13.4 tn (+7.1% MoM). Of the total trading volume in the secondary market, outright transactions accounted for 60% and ADTV of outright increased 13% MoM to VND8tn. Of the total trading volume in the secondary market, repo transactions accounted for 40%.

Foreign investors trading position recorded a net sell of over VND1.2tn in January 2022.

Yield Curve



Source: HNX, VBMA, ACBS

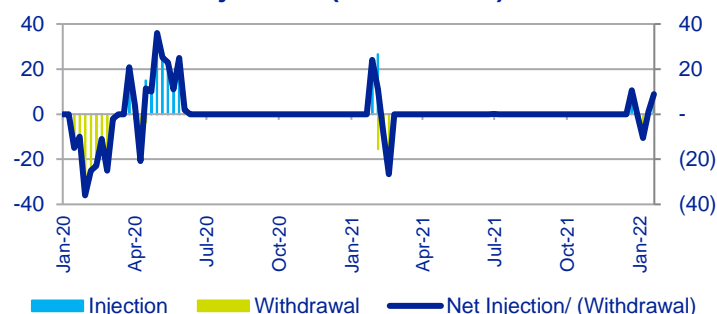
Primary bond yields remain almost the same during January 2022, and all yields remained low compared with same period last year. In addition, bond yields in the secondary market decreased slightly during January compared to last month, especially short-term yields.

Bond Yields in the primary market										
					5Y	7Y	10Y	15Y	20Y	30Y
End of January 2022					0.76%	1.10%	2.08%	2.33%	2.75%	2.96%
+/- MoM (bps)					0	0	2	0	-3	-2
Bond Yields in the secondary market										
	1Y	2Y	3Y	4Y	5Y	7Y	10Y	15Y	20Y	30Y
End of January 2022	0.48%	0.59%	0.71%	0.80%	0.90%	1.30%	2.09%	2.39%	2.79%	2.96%
+/- MoM (bps)	-10	-2	1	2	4	5	-1	2	1	-1

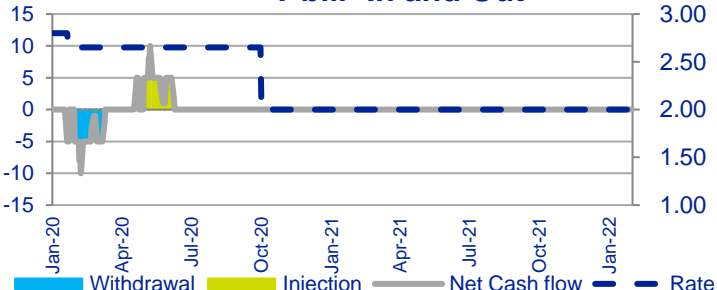
ANALYST COMMENT: In our opinion, the VST will need ramp up issuances in 2022. As a result, if the VST wants to fulfill their 2022's issuance plan, they need to increase their offering yield in order to attract more investors, as winning value of bond issuance recently was low compared with total registering value due to high bidding rates, so we remained our expectation that bond yields may increased slightly in 2022.

MONEY MARKET

Trillion VND **Net Injection/ (Withdrawal) from OMO**



Trillion VND **T-bill- In and Out**



Trillion VND **SBV Bills outstanding**



Source: SBV, ACBS

Interbank interest rates increased throughout January 2022 as liquidity of banking system was constrained toward Lunar New Year which people spend and use a lot of cash. Given the reduction of liquidity of banking system toward Lunar New Year, the SBV had pump over VND10tn into system on last two weeks of January 2022 and another VND14tn in week after Lunar New Year to ease the short-term liquidity constraints.

Interbank Rate

	ON	1 Weeks	2 Weeks	1 months	3 months	6 months	9 months
Average of January 2022	1.45%	1.82%	2.09%	2.40%	2.79%	3.18%	3.91%
+/- MoM (bps)	63	64	65	62	26	10	57

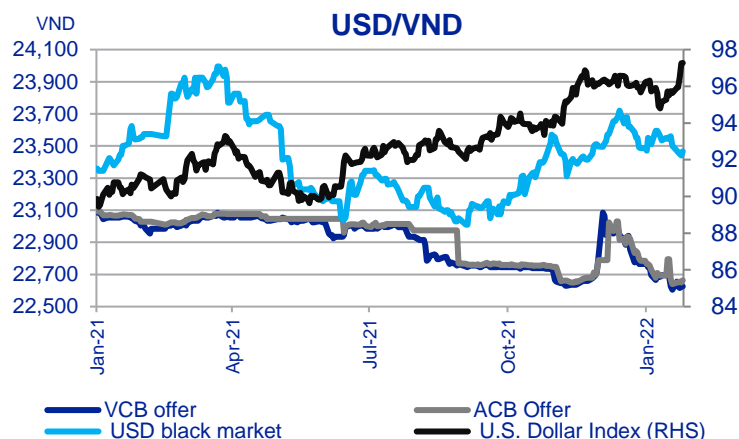
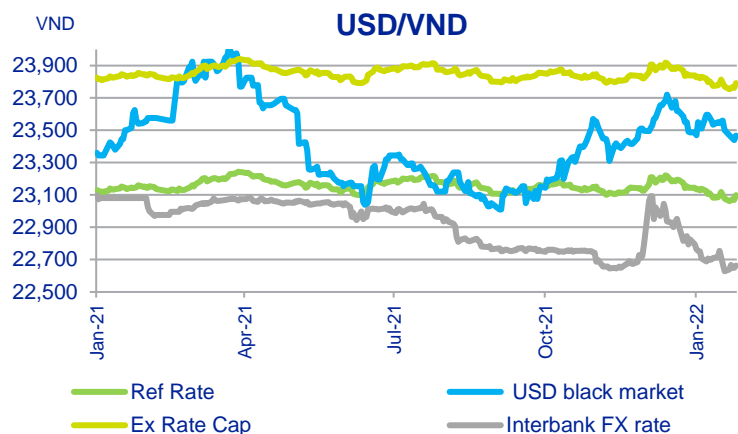
ANALYST COMMENT:

We expect that the interbank interest rate may increase slightly especially throughout 1Q2022 as liquidity in banking system may be squeezed in January and February as we have a lot of holidays especially around the Lunar New Year, which people might have to use a lot of cash and spend for a lot of activities.

But we expect banking system liquidity will be stabilized in 2Q2022 and the SBV will also help maintain the stability in short-term by using reverse repos OMO (as in the last 2 weeks of January 2022 and the week before Lunar New Year, SBV pumped over VND24tn which helped ease short-term liquidity constraints) when needed to curb the interbank interest rate surging aggressively.

OTHER MARKETS

FOREX MARKET



Source: SBV, Bloomberg, ACBS

The USD/VND interbank exchange rate appreciated slightly in January 2022. As the end of January 2022, USD/VND exchange rate of the market stood at VND22,663 (-0.71% MoM and -1.81% YoY), which still around new SBV's buying price of VND22,550 (down from VND22,650 in 19th January 2022). In addition, USD/VND exchange rate in black market also decreased slightly to VND23,468 (-0.08% MoM and -0.31% YoY).

ANALYST COMMENT: We expect the VND in general (in banking system and in black market) will maintain its strength in upcoming months of 2022 supported by:

- (1) Vietnam and United State of America (US) have reached an agreement in August to resolves a dispute over the designation of Vietnam being a currency manipulator. To abide with the agreement, Vietnam pledged not to deliberately weaken its currency for the purposes of gaining an unfair trade advantage;
- (2) SBV stopped purchasing USD using forward contracts with 6-months terms and switched to the spot market in 11st August 2021 which also help SBV flexibly managed foreign exchange rate. In addition, SBV continued to reduce the SBV's buying price for USD to VND22,550 (down from VND22,650) recently which supported the strengthen of VND in upcoming months of 2022;
- (3) FDI inflows disbursement recovered recently and FDI inflows registered to Vietnam is expected to continue to after we control the outbreak of COVID-19 cases across country and reopen our economy, especially the manufacturing sector, given our long list of Free Trade Agreements (FTAs) achieved up to now; and
- (4) Abundant foreign reserves (stood at around USD111bn at the end of September 2021).

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