

ACBS

Money 360

March 2022

April 6, 2022

Minh Trinh Viet

Associate – Macro

Macro Update

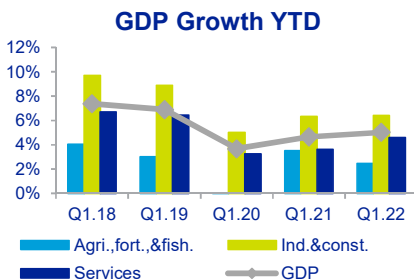
After several months of switching to the living-with-COVID-19 strategy, Vietnam's economy has basically regained its growth momentum and continued to record relatively good fundamentals in 1Q2022.

Specifically, GDP in 1Q2022 increased 5.03% YoY compared with 1Q2021. Industrial activities continued to recover and accelerate, in which IIP recorded positive growth rate of 6.44% YoY 1Q2022 (vs +5.74% YoY in 1Q2021). Furthermore, the PMI continued to show signs recovery in three consecutive months in 1Q2022 (January – 53.7, February – 54.3, March – 51.7).

Disbursed FDI remained strong in 1Q2022 (+7.8% YoY vs +6.5% YoY in 1Q2021) as travel restrictions eased and industrial activities continued to recover and accelerate. Even though registered FDI in 1Q2022 decreased 21.9% YoY, it remained high compared with 2020 and 2019 (+10.4% and +42.2% over 1Q2020 and 1Q2019 respectively) and we are optimistic FDI inflows in the future will remain strong as Vietnam continues to be an attractive investment destination for FDI firms. Last but not least, Consumer Price Index (CPI) 1Q2022 increased 1.92% YoY, a little on the high side due to rising gasoline prices, but inflation still remain far below government's target 4% and remained under control.

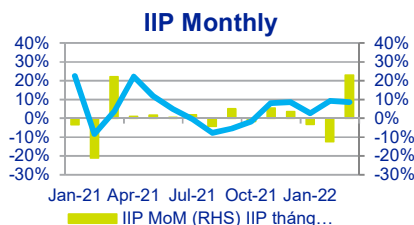
Over the past months, there have been several events which could affect Vietnam's economy in terms of growth prospects which include (1) FED rate hike (2) geopolitical tensions at the Russia-Ukraine border; (3) China lockdowns several major cities due to COVID-19 outbreaks, included Shenzhen, Dongguan, Shanghai and Xi'an city; and (4) surging inflation globally. However, despite fear of those events could slowed our growth prospects in upcoming quarters of 2022, we still maintain our expectation that GDP growth rate will gradually recover in the last three quarters of 2022 with supported by (1) the continuing recovery of all industrial activities which will push activities from FDI sector in term of investment and export; and (2) the recovery of service sectors after relaxing majority of service businesses included reopening international tourism and normalization of transportation.

Furthermore, the fiscal and monetary stimulus package worth 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 will be disbursed starting in 2Q2022, along with over VND453tn (of total VND530tn) realized Capital under State Budget needed to disburse in 2022 will pushed socio-economic recovery in the last three quarters of 2022. Overall, we maintain our view that Vietnam's economy will have good performance in 2022.



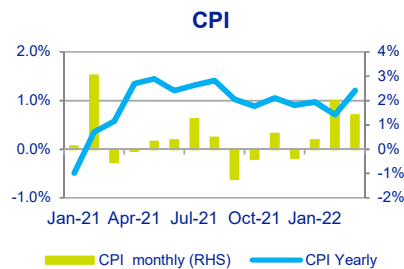
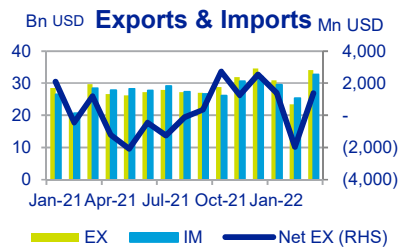
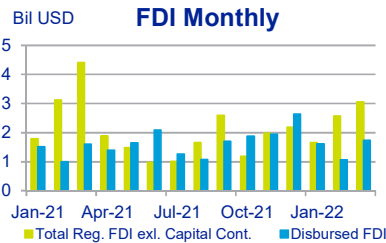
Vietnam's economy continued to record relatively good fundamentals in 1Q2022

- Generally, GDP in 1Q2022 rose 5.03% YoY, in which:
 - Agriculture, forestry and fishery sector grew 2.45% YoY in 1Q2022 (vs +3.51% YoY in 1Q2021);
 - Industry and construction sector increased 6.38% YoY in 1Q2022 (vs +6.33% YoY in 1Q2021); and
 - Service sector increased 4.58% YoY in 1Q2022 (vs +3.62% in 1Q2021).



Vietnam's industrial activities continued to recover and accelerate in 1Q2022

- IIP 1Q2022 increased 6.44% YoY (vs +5.74% YoY in 1Q2021), in which:
 - Manufacturing increased 7.04% YoY in 1Q2022 (vs +7.95% in 1Q2021);
 - Production and distribution of electricity IIP increased 7.10% YoY in 1Q2022 (vs +3.32% in 1Q2021);
 - Water supply and waste treatment IIP increased 5.25% YoY in 1Q2022 (vs +6.38% in 1Q2021);
 - Mining IIP growth grew 1.00% YoY in 1Q2022 (vs -8.13% in 1Q2021).



FDI inflows recovered in 1Q2022 and are expected to remain stable in 2022

- Disbursed FDI in Vietnam reached USD4.4bn in 1Q2022 – increasing 7.8% compared with same period last year, while registered FDI in 1Q2022 decreased 21.9% YoY reached USD7.3bn. The capital contribution & share repurchase increased 102% YoY to USD1.6bn in 1Q2022.
- Vietnam's top 3 FDI investors registered in 1Q2022 are Singapore (USD1.8bn, -59% YoY), Korea (USD1.5bn, +35% YoY) and Denmark (USD1.3n).
- Vietnam's top 3 sectors are the manufacturing sector with USD5bn of registered FDI; the real estate sector with registered capital of USD1.7bn; and the production and distribution of electricity, gas, air conditionals sector accounted for USD183mn.

Total trade value of Vietnam remained strong

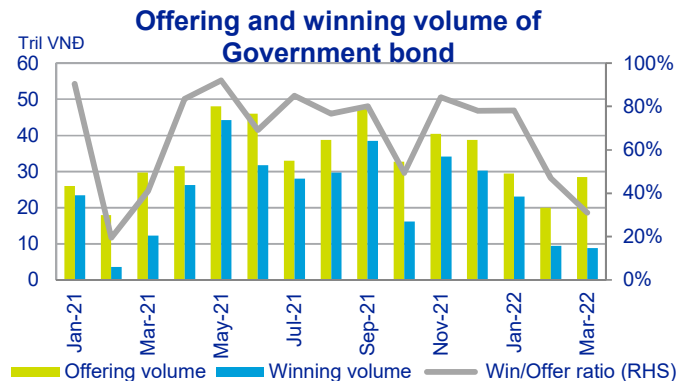
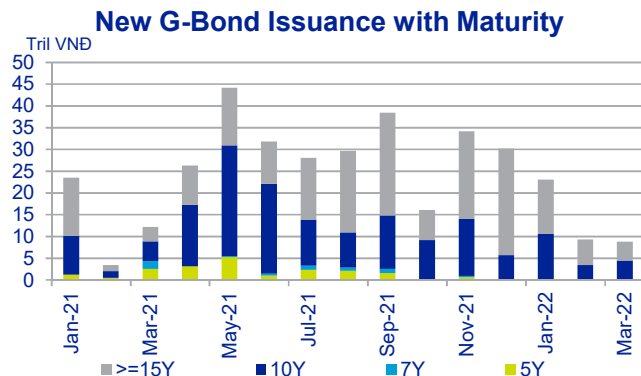
- Generally, according to GSO, total export-import turnover in 1Q2022 reached USD176bn (+14.5% YoY) with exports reaching USD88.6bn (+13.0% YoY) and imports USD87.8bn (+16.1% YoY). As a result, trade surplus in 1Q2022 reached over USD809mn.

Inflation remained under control, and still far below government's target 4%

- Generally, CPI average in 1Q2022 increased 1.92% compared to average 1Q2021. In addition, average core CPI of 1Q2022 stood at 0.81% YoY.

VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

Total G-bonds issued in March 2022 reached VND8.8tn (vs VND12.2tn in March 2021). Yields of all terms remain almost the same during March, and all yield terms remain a little bit lower than same period last year. The winning rate of all terms decreased 30.9% in March 2022, which was also decreased by 46.9% in February 2022 mainly due to unattractive offering rate.

10Y and 15Y attracted investor's attention in March 2022 accounted for 51% and 34% of the total issuance amount respectively, and winning rate reach 45% and 29% respectively.

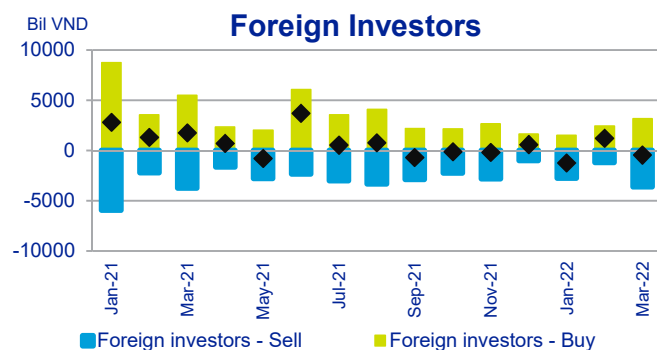
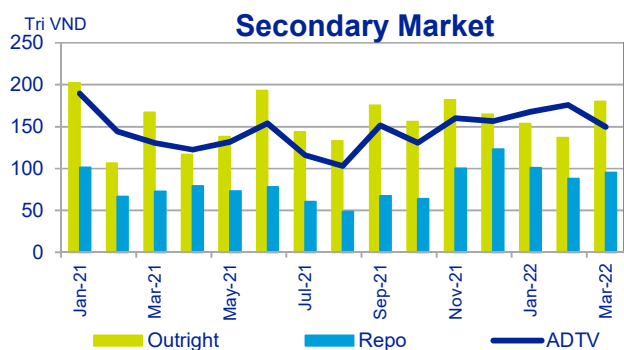
Bond Yields in the primary market						
	5Y	7Y	10Y	15Y	20Y	30Y
End of March 2022	0.76%	1.10%	2.15%	2.45%	2.75%	3.00%
vs February 2022	0.76%	1.10%	2.09%	2.39%	2.75%	2.98%
vs March 2021	1.06%	1.45%	2.22%	2.45%	2.89%	3.05%

By the end of March, the VST only issued VND41.3tn of G-bonds in 1Q2022, fulfilling only 39% of 1Q2021's issuance plan (VND105tn) and 10.3% 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%	30,000	0	0.0%
7-year	5,000	0	0.0%	15,000	0	0.0%
10-year	35,000	18,642	53.3%	140,000	18,642	13.3%
15-year	40,000	12,950	32.4%	150,000	12,950	8.6%
20-year	10,000	1,685	16.9%	30,000	1,685	5.6%
30-year	10,000	8,005	80.1%	35,000	8,005	22.9%
Total	105,000	41,282	39.3%	400,000	41,282	10.3%

ANALYST COMMENT: We expect that the VST will ramp up issuances in the last three quarters of 2022 as the government needs to push disbursement of public investment and finance their fiscal and monetary stimulus package, which was planned to disburse starting in 2Q2022, in order to boost economic development after end of COVID-19 outbreak and start a new normal strategy in 2022. In addition, VST also need to increase offering rates especially short-term rates to increase winning rate of issuance which was currently low due to unattractive low yields.

SECONDARY BOND MARKET

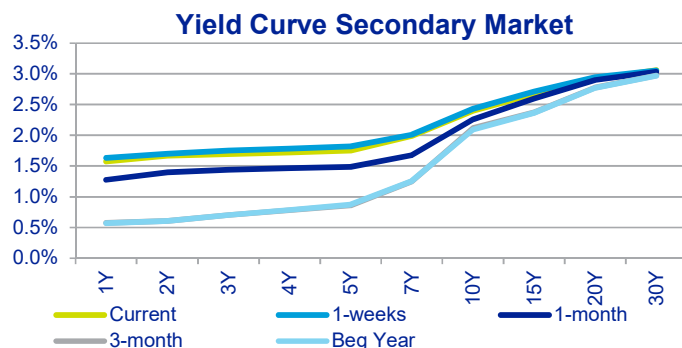
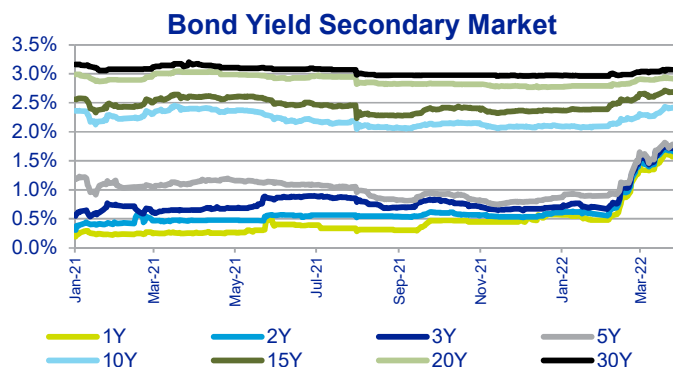
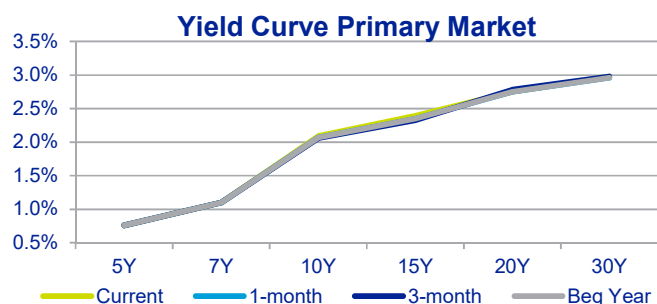
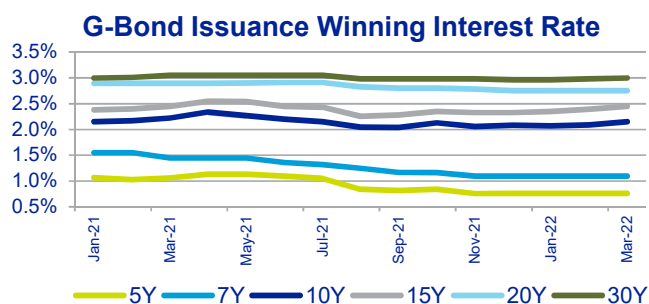


Source: HNX, ACBS

Total trading volume of outright and repos in the secondary market in March 2022 increased 22.4% compared with last month, reaching VND275.5tn and with the average daily trading value (ADTV) reaching VND12tn (-14.8% MoM). Of the total trading volume in the secondary market, outright transactions accounted for 65% and ADTV of outright decreased 9% MoM to VND7.8tn. Of the total trading volume in the secondary market, repo transactions accounted for 35%.

Foreign investors trading position recorded a net sell of VND465bn in March 2022, the cumulative net sell since start of 2022 increased to VND485bn

Yield Curve



Source: HNX, VBMA, ACBS

Primary bond yields remained almost the same during March 2022, and all yields remained low compared with same period last year. In addition, bond yields in the secondary market increased during March compared to last month, especially short-term yields due to the liquidity constraints in banking system coming from rising credit growth and major holidays, which caused a sharp increase in the supply of Government Bonds of commercial banks.

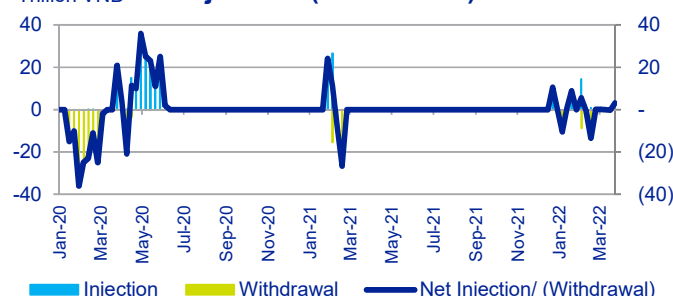
Bond Yields in the primary market										
					5Y	7Y	10Y	15Y	20Y	30Y
End of March 2022					0.76%	1.10%	2.15%	2.45%	2.75%	3.00%
+/- MoM (bps)					0	0	6	6	0	2
Bond Yields in the secondary market										
	1Y	2Y	3Y	4Y	5Y	7Y	10Y	15Y	20Y	30Y
End of March 2022	1.57%	1.67%	1.70%	1.72%	1.75%	1.99%	2.40%	2.67%	2.91%	3.06%
+/- MoM (bps)	34	35	33	32	31	35	16	10	4	4

ANALYST COMMENT: In our opinion, the VST will need ramp up issuances in upcoming quarters of 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.

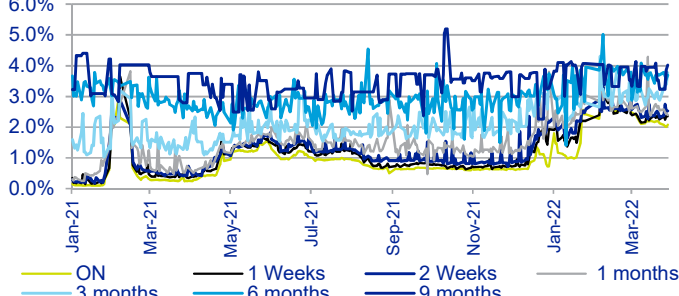
In the secondary market, March saw fairly sharp increases in yields, especially in the shorter term tenors driven by short term spending demand during the Tet holidays and rising credit growth. We expect those yields in the secondary market could normalize in 2Q2022, but will likely find stability at levels slightly higher than beginning of 2022.

MONEY MARKET

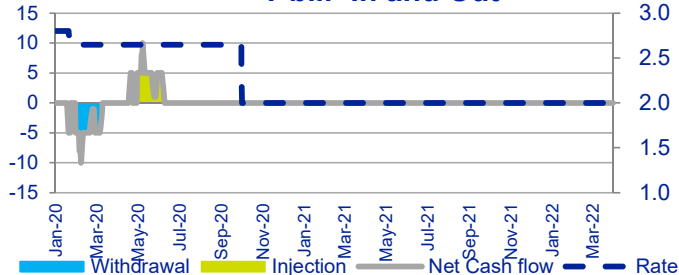
Trillion VND **Net Injection/ (Withdrawal) from OMO**



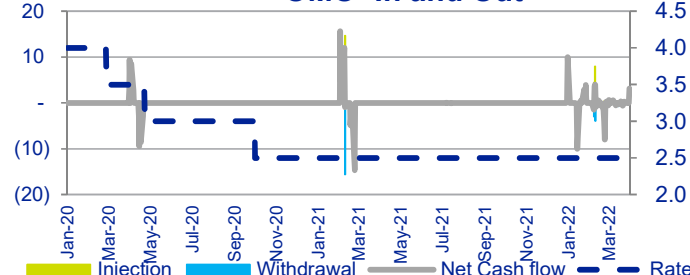
Interbank Rate



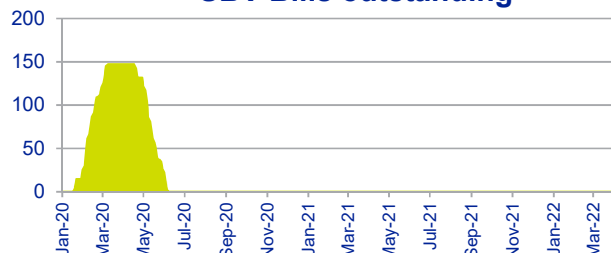
Trillion VND **T-bill- In and Out**



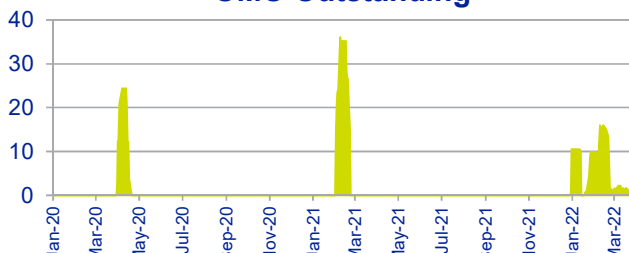
Trillion VND **OMO- In and Out**



Trillion VND **SBV Bills outstanding**



Trillion VND **OMO Outstanding**



Source: SBV, ACBS

Interbank interest rates decreased throughout March 2022 as liquidity of banking system stabilized after being constrained in January and February due to rising spending demand during major holidays and rising credit growth at the beginning of 2022 (+2.49% YTD in January 2022 and +4.03% YTD in March 2022 vs. +0.76% YTD in January 2021 and +2.95% YTD in March 2021). During March, the SBV had also pumped in over VND3tn into system which continued to support short-term liquidity, which were constrained in January and February, and stabilized interbank rate in March.

Interbank Rate

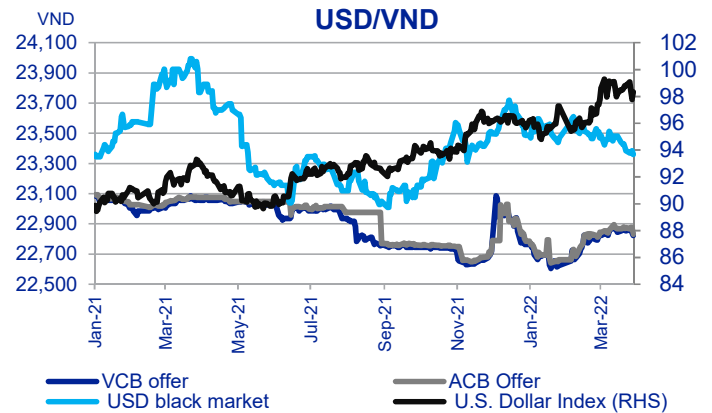
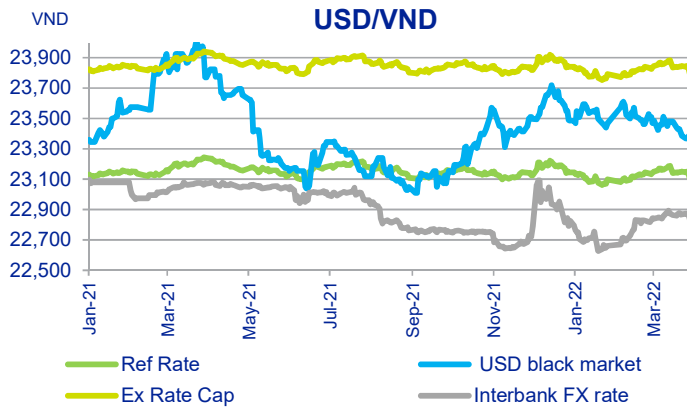
	ON	1 Weeks	2 Weeks	1 months	3 months	6 months	9 months
Average of January 2022	2.23%	2.33%	2.53%	2.67%	3.14%	3.62%	3.68%
+/- MoM (bps)	-52	-43	-15	-24	-4	-32	-11

ANALYST COMMENT:

We expect banking system liquidity will stabilize in 2Q2022 and the SBV will also help maintain the stability in short-term by using reverse repos OMO when needed to curb the interbank interest rate surging aggressively. However, due to rising credit growth (+4.03% YTD in March 2022 vs +2.95% YTD in March 2021), we expect that interbank rate will not return to low level of 2021 but will stay around 1-1.5% in upcoming months of 2022.

OTHER MARKETS

FOREX MARKET



Source: SBV, Bloomberg, ACBS

The USD/VND interbank exchange rate almost unchanged in March 2022. As the end of March 2022, USD/VND exchange rate of the market stood at VND22,837 (+0.07% MoM and -0.99% YoY). In addition, USD/VND exchange rate in black market also appreciated slightly to VND23,360 (-0.72% MoM and -2.36% 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 despite the FED rate hike, supported by:

- (1) Inflation remained low and under control below 4%;
- (2) Exports which is the country's key economic growth driver, will remained strong as manufacturing activities gradually recovered and is expected to continue its upward trajectory given the recovery of the global economy. In addition, our trade balance in 1Q2022 also recorded trade surplus of USD809mn.
- (3) FDI inflows disbursement remain stable in 1Q2022 (+7.8% YoY); and
- (4) Abundant foreign reserves (stood at around USD113bn at the end of 2021).

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24) 3942 9407

RESEARCH DEPARTMENT

Associate Director

Gigi Nguyen Binh
(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Manager – Property

Truc Pham
(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

Manager – Financials

Hung Cao, CFA
(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

Associate – Consumer-related, Technology

Chi Luong
(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

Associate – Consumer-related, Media

Trung Tran
(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Associate – Oil & Gas

Hung Phan
(+84 28) 3823 4159 (x354)
hungpv@acbs.com.vn

Associate – Macro

Minh Trinh Viet
(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

Analyst – Construction materials

Huy Huynh
(+84 28) 3823 4159 (x325)
huyha@acbs.com.vn

Analyst – Technical

Phuoc Luong
(+84 28) 3823 4159 (x354)
phuocld@acbs.com.vn

Associate – Macro

Hoa Nguyen
(+84 28) 3823 4159 (x352)
hoant@acbs.com.vn

Director - Head of Institutional Client

Tyler Cheung
(+84 28) 38 234 876
tyler@acbs.com.vn

Trading Manager

Huong Chu
(+84 28) 3824 6679
huongctk@acbs.com.vn

Trader

Thanh Tran
(+84 28) 3824 7677
thanhtt@acbs.com.vn

Customer Support Institutional Client

Thanh Le
(+84 28) 3823 4798
thanhln@acbs.com.vn

Trader

Dung Ly
(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader

Nhi Nguyen
(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

DISCLAIMER

Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.