Money 360

April 2022

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Macro Update

Vietnam's economy has basically regained its growth momentum and continued to record relatively good fundamentals in April 2022.

Specifically, industrial activities continued to recover and accelerate, in which IIP recorded positive growth rate of 9.4% YoY in April 2022 (vs +22.2% YoY in April 2021) and posted a 7.5% YoY growth rate in 4M2022 (vs +10.0% YoY in 4M2021). Furthermore, the PMI continued to show signs recovery in April which remained unchanged at 51.7 compared with last month thanks to improved business conditions for the seventh consecutive month.

Disbursed FDI remained strong in 4M2022 (+7.6% YoY vs +6.8% YoY in 4M2021) as travel restrictions eased and industrial activities continued to recover and accelerate. Even though registered FDI in 4M2022 decreased 19.8% YoY, it remained high compared with pre-pandemic 2019 (+20.5% compared with 4M2019) 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, average Consumer Price Index (CPI) 4M2022 increased 2.1% 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.

There have been several events which may bring uncertainties to Vietnam's economy in terms of growth prospects in upcoming months of 2022, which include:

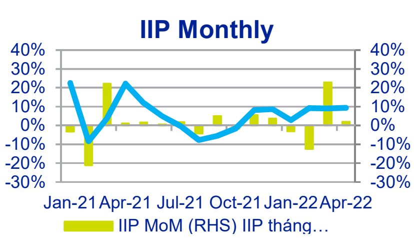
(1) FED and other major central banks rate hike (the US Fed announced a 50bps hike on May 5th, lower than the rumored 75bps hike);
(2) Quantitative Tightening program of FED;
(3) prolonged geopolitical tensions at the Russia-Ukraine border;
(4) China lockdowns several major cities due to COVID-19 outbreaks, included Shenzhen, Dongguan, Shanghai and Xi'an city; and
(5) surging inflation globally.

However, despite fears that these events could slow Vietnam's 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 all 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 VND420tn (of total VND530tn) of Capital under State Budget needed to disbursed toward the year end of 2022, which will push socio-economic recovery in the last three quarters of 2022. Overall, we maintain our view that Vietnam's economy will have good performance and range between 5.8% - 6.9% in 2022.

Vietnam's industrial activities continued to recover and accelerate in 4M2022

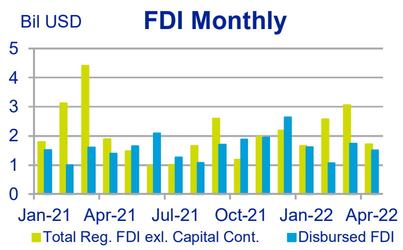
- IIP in April 2022 increased 2.0% MoM and 9.4% YoY (vs +22.2% YoY in April 2021), and IIP in 41M2022 grew 7.5% YoY (vs +10.0% YoY in 41M2021), in which:



	April 2022	April 2021	4M22	4M21
IIP	9.36%	22.17%	7.51%	9.96%
Mining and quarrying	2.29%	-0.70%	2.63%	-5.66%
Manufacturing	11.31%	26.36%	8.28%	12.69%
Prod. and dist. of electricity	2.81%	19.83%	6.58%	6.55%
Water supply and waste treatment	0.43%	11.79%	1.12%	7.54%

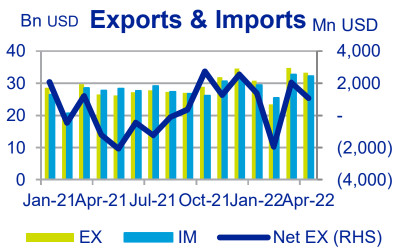
Disbursed FDI continued to be strong in 4M2022

- Disbursed FDI in Vietnam reached USD5.9bn in 4M2022 – increasing 7.6% compared with same period last year, while registered FDI in 4M2022



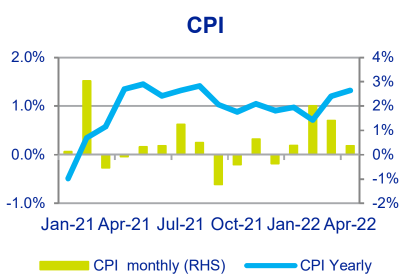
decreased 19.8% YoY reached USD8.9bn. The capital contribution & share repurchase increased 74.5% YoY to USD1.8bn in 4M2022.

- Vietnam's top 3 FDI investors registered in 4M2022 are Singapore (USD2.6bn, -44% YoY), Republic of Korea (USD1.6bn, +34% YoY) and Denmark (USD1.3n).
- Vietnam's top 3 sectors are the manufacturing sector with USD5.8bn of registered FDI; the real estate sector with registered capital of USD1.7bn; and the wholesale and retail trade sector accounted for USD567mn.



Total trade value of Vietnam remained strong and keep accelerating

- According to the GSO, exports and imports in April 2022 reached USD33.3bn (+25.3%YoY) and USD32.2bn (+15.9%YoY) respectively.
- Generally, according to GSO, total export-import turnover in 4M2022 reached USD242bn (+16.3% YoY) with exports reaching USD122.4bn (+16.6% YoY) and imports USD119.8bn (+16.0% YoY). As a result, trade surplus in 4M2022 reached over USD2.5bn.

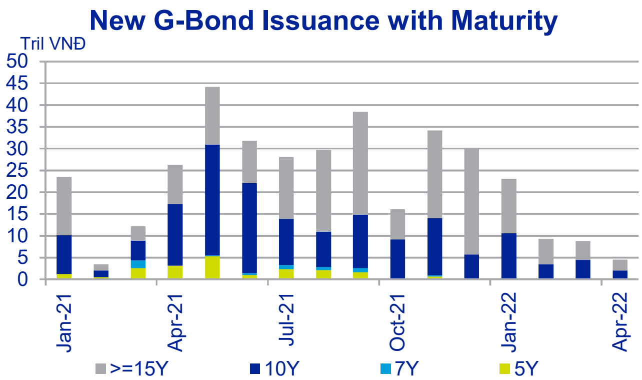


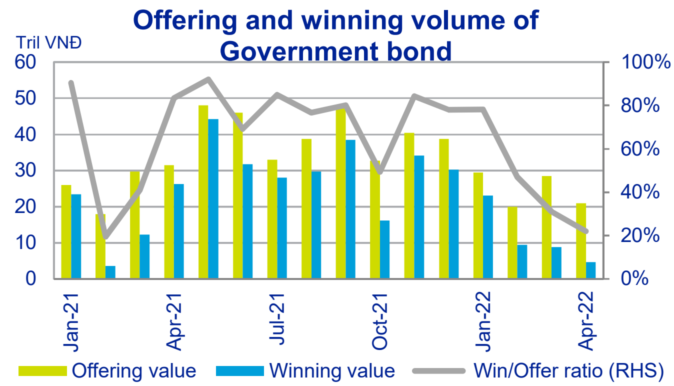
Inflation remained under control, and still far below government's target 4%

- CPI in April increase 0.18% MoM and increased 2.64% YoY. In addition, core CPI of April 2022 stood at 1.47% YoY.
- Generally, CPI average in 4M2022 increased 2.10% compared to average 4M2021. In addition, average core CPI of 4M2022 stood at 0.97% YoY.

VGB-GGB MARKET

PRIMARY BOND MARKET





Source: HNX, ACBS

Total G-bonds issued in April 2022 reached only VND4.6tn (vs VND26.3tn in April 2021). Winning yields of all mid- and long-terms slightly increased during April, but due to high bidding rate and no winning value in April, short-term yield remained the same compared with last month. The winning rate of all terms decreased 22% in April 2022 (downed from 30.9% in March 2022). In addition, due to unattractive offering rate, winning value continued to decrease by 48% and 82% compared with March 2022 and April 2021 respectively.

10Y and 15Y attracted investor's attention in April 2022 which both accounted for 43% of the total issuance amount, and winning rate all reach 24%.

Bond Yields in the primary market						
	5Y	7Y	10Y	15Y	20Y	30Y
End of April 2022	0.76%	1.10%	2.24%	2.54%	2.75%	3.01%
vs March 2022	0.76%	1.10%	2.15%	2.45%	2.75%	3.00%
vs April 2021	1.13%	1.45%	2.34%	2.55%	2.89%	3.05%

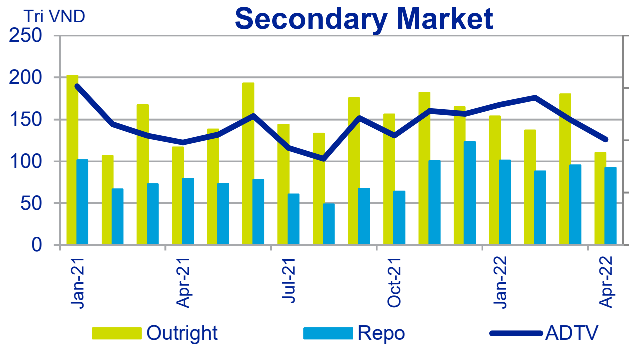
By the end of April, the VST only issued VND4.6tn of G-bonds in 2Q2022, fulfilling only 3.9% of 2Q2021's issuance plan (VND120tn) and 11.5% of 2022's issuance plan (VND400tn).

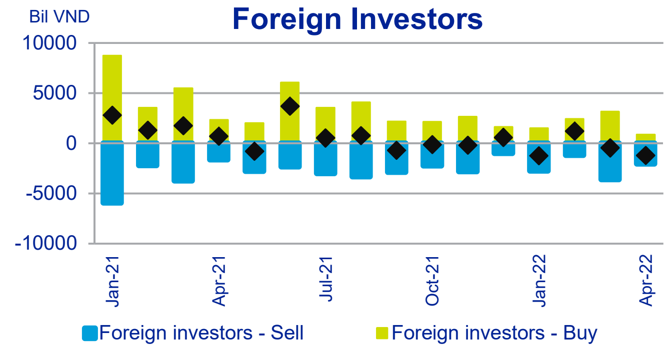
Government Bond Issuance Plan

VND Bn	2Q2022 Target	QTD Issuance	QTD Issuance/Target	2022 Target	2022 YTD Issuance	2022 YTD Issuance/ Target
5-year	10,000	0	0.0%	30,000	0	0.0%
7-year	5,000	0	0.0%	15,000	0	0.0%
10-year	45,000	2,000	4.4%	140,000	20,642	14.7%
15-year	35,000	2,000	5.7%	150,000	14,950	10.0%
20-year	10,000	500	5.0%	30,000	2,185	7.3%
30-year	15,000	120	0.8%	35,000	8,125	23.2%
Total	**120,000**	**4,620**	**3.9%**	**400,000**	**45,902**	**11.5%**

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 needs 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



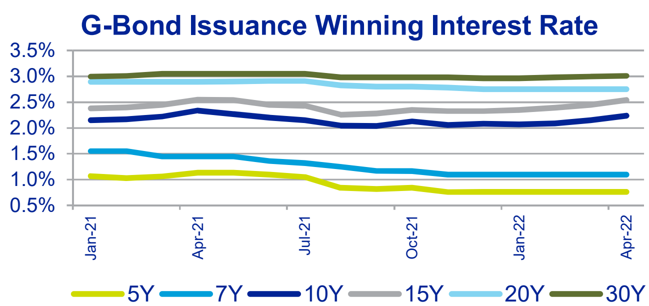


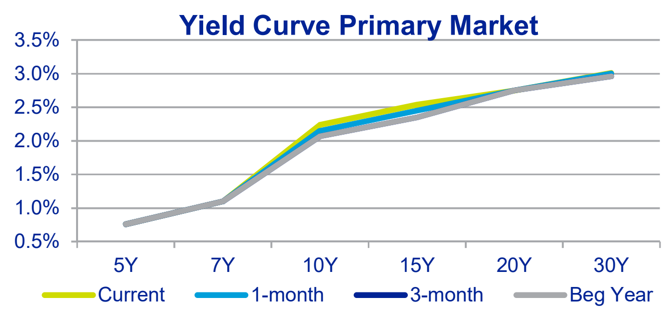
Source: HNX, ACBS

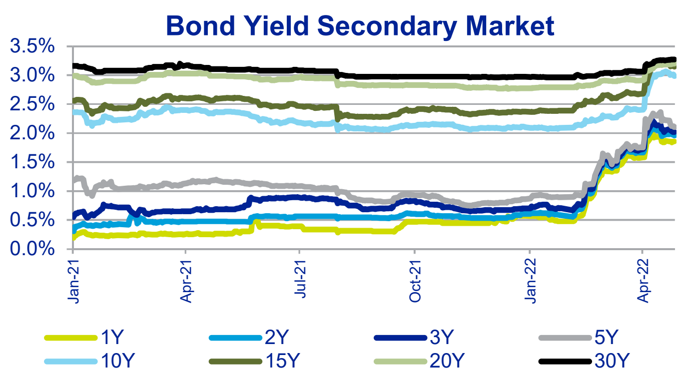
Total trading volume of outrights and repos in the secondary market in April 2022 decreased 26.8% compared with last month, reaching VND201.7tn and with the average daily trading value (ADTV) reaching VND10tn (-15.8% MoM). Of the total trading volume in the secondary market, outright transactions accounted for 54% and ADTV of outright decreased 30% MoM to VND5.5tn. Of the total trading volume in the secondary market, repo transactions accounted for 46%.

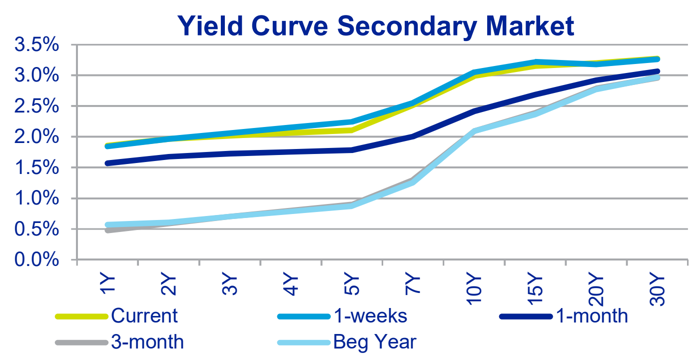
Foreign investors trading position recorded a net sell of VND1,194bn in April 2022, the cumulative net sell since start of 2022 increased to VND1.7tn

Yield Curve









Source: HNX, VBMA, ACBS

Primary bond yields, except mid-terms, remained almost the same during April 2022 compared with same period last year. In addition, bond yields in the secondary market increased during April compared to last month due to the liquidity constraints in banking system coming from rising credit growth and pressure from rising interest rate of central banks globally, which caused a sharp increase in the supply of Government Bonds among financial institutions.

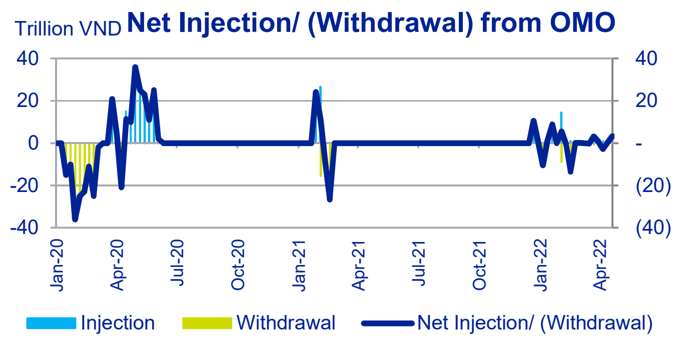
Bond Yields in the primary market										
					5Y	7Y	10Y	15Y	20Y	30Y
End of April 2022					0.76%	1.10%	2.24%	2.54%	2.75%	3.01%
+/- MoM (bps)					0	0	9	9	0	1
Bond Yields in the secondary market										
	1Y	2Y	3Y	4Y	5Y	7Y	10Y	15Y	20Y	30Y
End of April 2022	1.86%	1.96%	2.02%	2.06%	2.11%	2.51%	2.99%	3.15%	3.20%	3.27%
+/- MoM (bps)	28	30	32	34	36	52	59	48	29	21

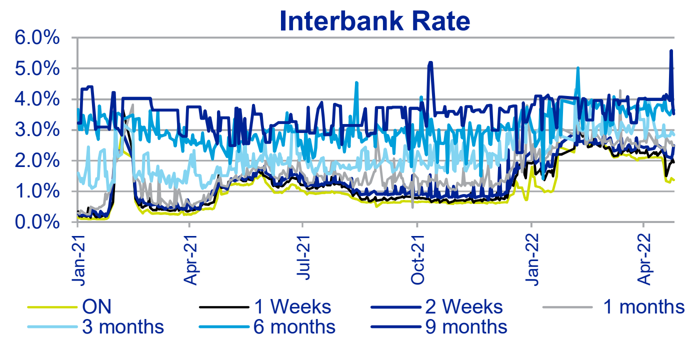
ANALYST COMMENT: In our opinion, the VST will need ramp up issuances in upcoming quarters of 2022. As a result, if the VST wants to fulfill their 2022's issuance plan, they need to increase their offering yield in order to attract more investors, as winning value of bond issuance recently was low compared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

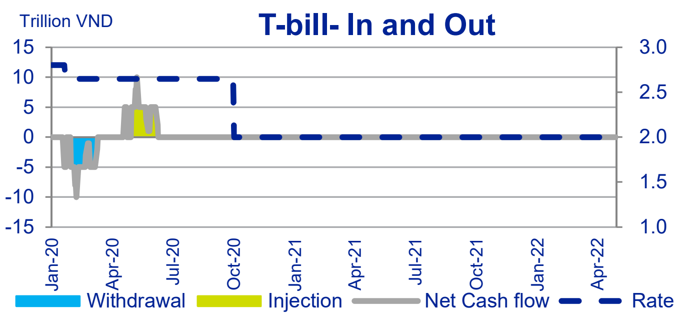
In the secondary market, April saw fairly sharp increases in yields driven rising credit growth and pressure of rising interest rate globally. We slightly revised our expectation that yields in the secondary market could increase slightly in range of 0.5-1% in upcoming months of 2022 due to rising interest rate globally in conjunction with Quantitative Tightening plans for Federal Reserve's Balance Sheet*.

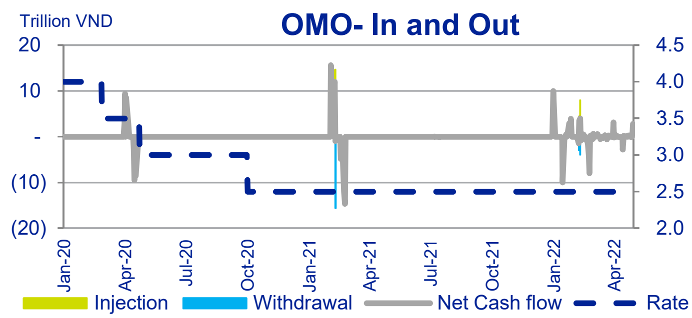
* Recently, FED announce Quantitative Tightening plans for Federal Reserve's Balance Sheet in FOMC meeting in 4-5 May 2022: FED will begin allowing its Federal Reserve's securities holding to decline in June at an initial combined monthly pace of USD47.5bn (USD30bn per month for Treasury securities and USD17.5bn for agency debt and agency mortgage-backed securities) and stepping up over three months to USD95bn (USD60bn per month for Treasury securities and USD35bn for agency debt and agency mortgage-backed securities). With this plan, FED expected to reduce around USD400bn of its balance sheet by the end of 2022. In addition, FED also announce to lift Fed Funds Rate (FFR) by 50bps.

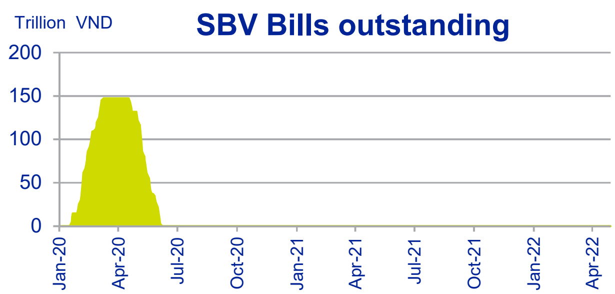
MONEY MARKET

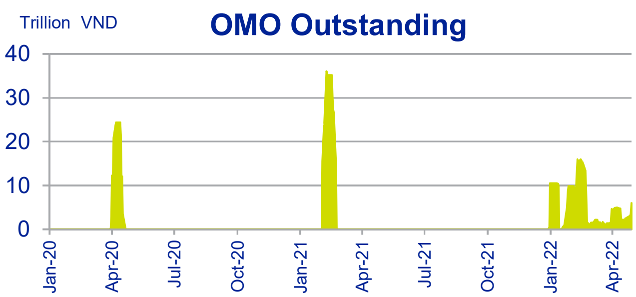












Source: SBV, ACBS

Interbank interest rates continued decrease throughout April 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. During April, the SBV had also pumped in over VND7tn into system which continued to support short-term liquidity and stabilized interbank rate in April.

Interbank Rate

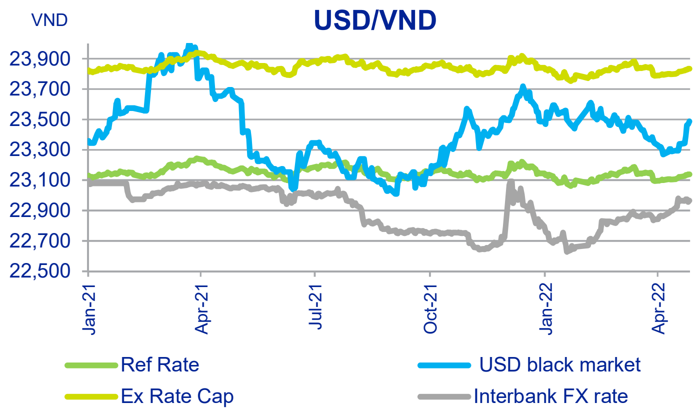
	ON	1 Weeks	2 Weeks	1 months	3 months	6 months	9 months
Average of April 2022	1.86%	2.14%	2.36%	2.60%	3.01%	3.69%	4.07%
+/- MoM (bps)	-36	-19	-17	-7	-13	7	38

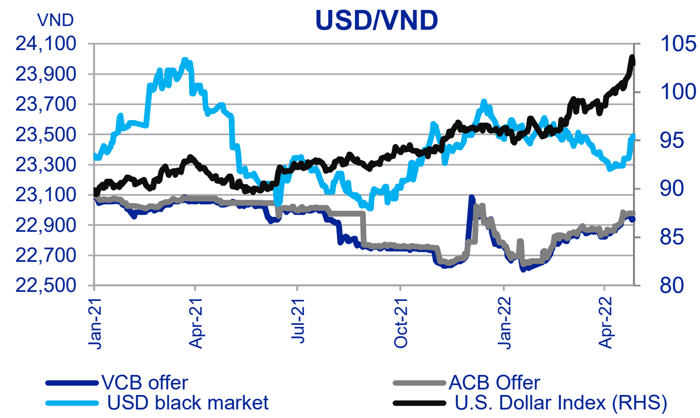
ANALYST COMMENT:

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 (+6.75% YTD in April 2022 vs +4.17% YTD in April 2021), we expect that interbank rates will not return to low level of 2021 but will move in range 0.5-1% in upcoming months of 2022.

OTHER MARKETS

FOREX MARKET





Source: SBV, Bloomberg, ACBS

The USD/VND interbank exchange rate and USD/VND exchange rate in black market depreciated slightly in April 2022 compared with last months but still remained stronger than same period last year. As the end of April 2022, USD/VND exchange rate of the market stood at VND22,968 (+0.57% MoM and -0.37% YoY). In addition, USD/VND exchange rate in black market also depreciated slightly to VND23,488 (+0.55% MoM and -0.71% 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) Inflation remained low and under control below 4%;
(2) Exports which is the country's key economic growth driver, will remain 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 4M2022 also recorded trade surplus of USD2.5bn.
(3) FDI inflows disbursement remain stable in 4M2022 (+7.6% YoY); and
(4) Abundant foreign reserves (stood at around USD113bn at the end of 2021).

However, potential risks to a strong VND in the upcoming months of 2022 include:

(1) FED and other major central banks such as ECB are planning to raise interest rate in other to combat with rising inflation. Recently in FOMC meetings in 4-5 May 2022, FED announced to increase its Fed Funds Rate (FFR) by 50bps. Furthermore, we expected that if FED lift FFR by a half-point in June and July and then raises rates by a quarter-point at each of the remaining meetings in September, November and December, the FFR would surge to between 2.5 and 2.75% by the end of 2022;
(2) FED announce its Quantitative Tightening program in FOMC meeting in 4-5 May 2022, FED will begin allowing its Federal Reserve's securities holding to decline in June 2022 at an initial combined monthly pace of USD47.5bn (USD30bn per month for Treasury securities and USD17.5bn for agency debt and agency mortgage-backed securities) and stepping up over three months to USD95bn (USD30bn per month for Treasury securities and USD35bn for agency debt and agency mortgage-backed securities). With this plan, FED expected to reduce around USD400bn of its balance sheet by the end of 2022. In addition, ECB also plans to follow FED with its Quantitative Tightening program. Those events will affect VND strength in upcoming months;

(3) FDI inflows registered decreased in 4M2022 (-19.8% YoY, vs +13.7% YoY in 4M2021), this may put another depreciation pressure on foreign exchange rate in upcoming months;

(4) China still continues to pursue zero-COVID-19 strategy and continued to lockdown several major cities due to COVID-19 outbreaks, included Shenzhen, Dongguan, Shanghai and Xi'an city; which could cause another major disrupt to global supply chains and further inflated shipping cost and in turn may impact our export and import activities and may put another depreciation pressure on foreign exchange rate in upcoming months.

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