

**BondXpress | May 2024**

# Does the rising trend of deposit interest rates have an impact on the corporate bond market outlook?

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*Date of issue: June 26th 2024*



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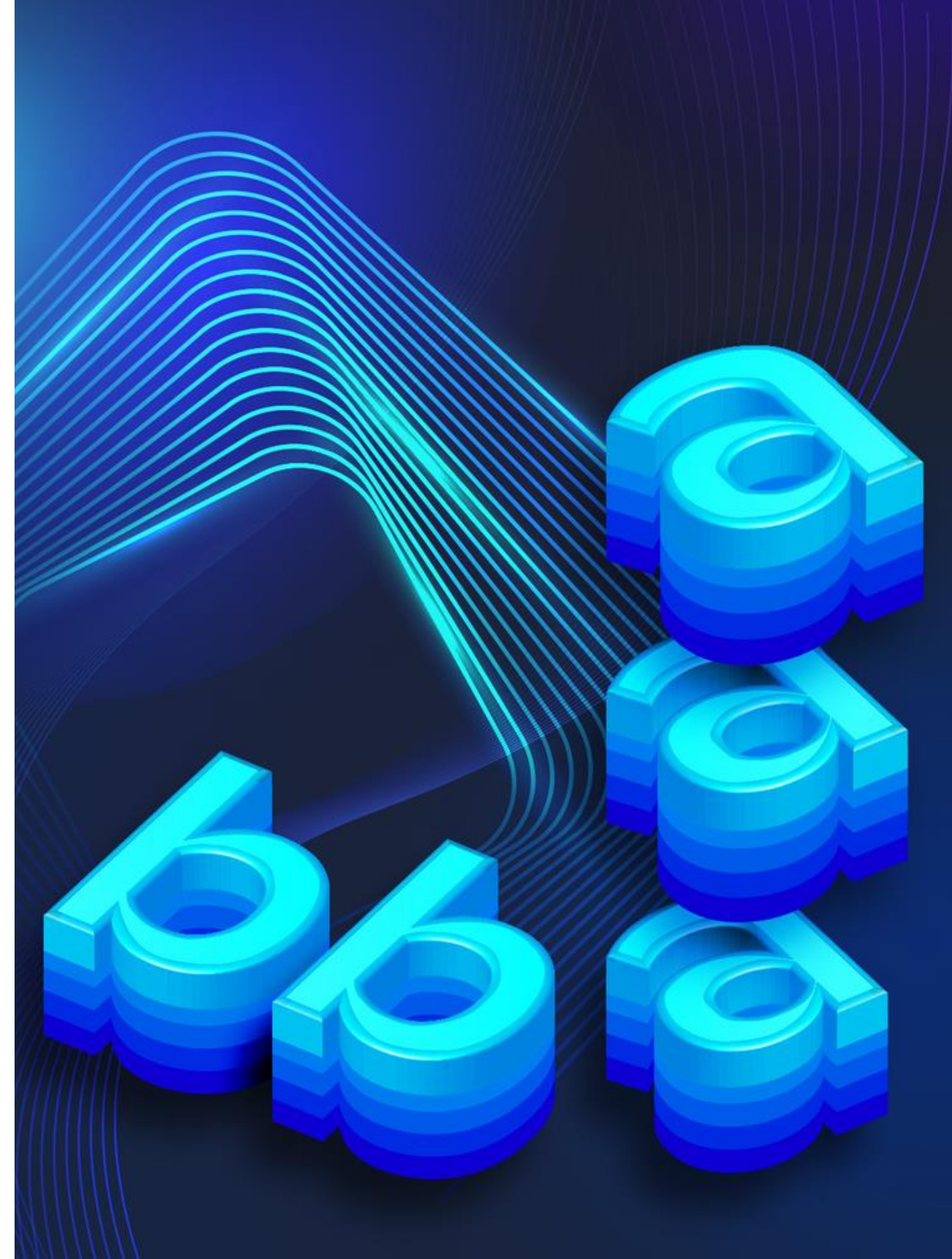
- 01** Macroeconomic context

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- 02** Corporate Bond Market Update

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- 03** Appendix



# Summary

## Outlook for credit growth and corporate bond market

- **The credit demand in general and bond issuance will improve significantly in the second half of 2024 thanks to:**
  - The recovery of the manufacturing sector, reflected in the growth of raw material imports in May 2024;
  - The easing monetary & credit policies to continue supporting the economic development and business recovery;
  - Signs of recovery in various key sectors, including affordable housing in some localities.
- **Therefore, issuance of bank bonds is expected to have a busier year compared to previous years:** We forecast that banks will accelerate credit growth in the second half of 2024. To meet the credit growth, banks currently have plans to raise equity or debt capital, including privately-issued bonds.
- Moreover, as banks remain the primary investors in the corporate bond market under the current legal and policy framework, the diversification of financing methods for businesses will also **lay the groundwork for the continued recovery of bonds.**
- **The domestic deposit interest rates have recently reversed and started to rise again, which could be a catalyst for long-term bonds with fixed interest rates.** Although the international interest rate environment shows signs of cooling down, the 12-month savings interest rates of private joint-stock banks have increased by an average of 19 and 17 basis points in May and June, respectively. This will impose risk on corporate bonds with floating interest rates as Vietnam maintains the practice of determining bond interest rates based on the premium on large banks' deposit rates. However, on the other hand, this is also one of the catalysts that will drive businesses to issue long-term bonds with fixed rates to take advantage of the low-interest-rate environment and reduce interest rate risks.
- **The risk of VND depreciation has decreased but still remains under significant pressure:** The exchange rate continued to rise sharply in May, and the pressure on the VND to depreciate remains high due to strong net selling by foreign investors in the stock market. The international interest rate environment remains high, leading to a sharp decrease in investment inflows, affecting Vietnam's capital account balance. The control of the gold market and the strong measures taken by the State Bank of Vietnam in recent times will contribute to stabilize the exchange rate in the coming period.



# Summary

## Primary market

- The primary market in May 2024 witnessed strong growth with a total issuance value reaching VND 23.3 trillion, mainly from financial institutions, while the real estate sector decreased by 30.3% compared to the previous month. Taking advantage of the low-interest rate environment, financial institutions have increased the issuance of medium to long-term bonds to ensure compliance with the State Bank of Vietnam's prudential ratios and to prepare capital sources as credit growth is likely to recover in the second half of the year.

- The pressure of bond maturities remains high in Q3 and Q4 of 2024, with the real estate sector accounting for 64% of the total mature corporate bonds, given the context that many businesses have to request an extension of repayment period and adjust their buyback plans.

## Secondary market

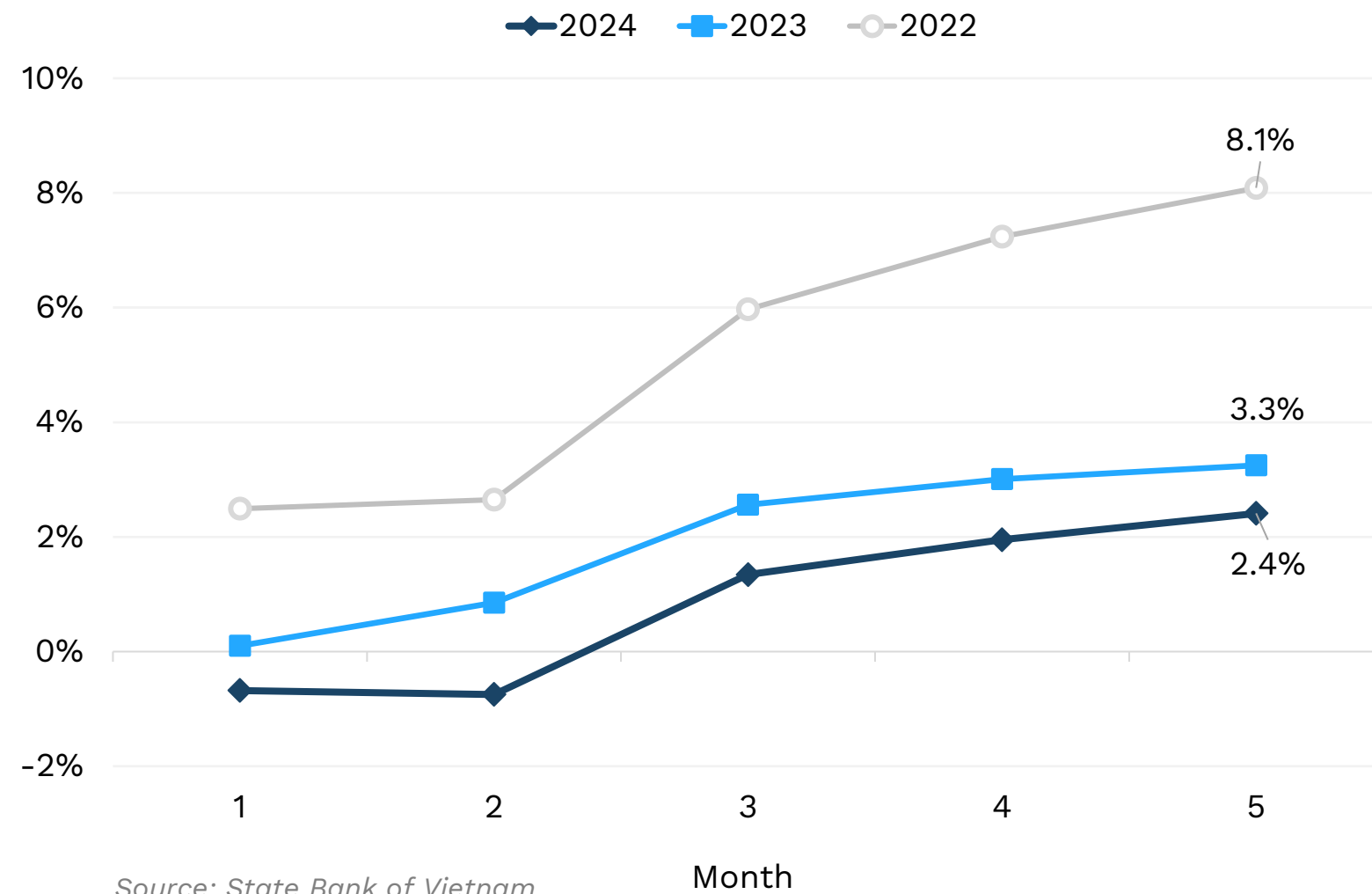
- The secondary market in May 2024 recorded a significant increase of the trading value of privately-issued bonds to over VND 106 trillion (+43.7% compared to the previous month). The banking and real estate sectors still accounted for the majority of transactions, with the trading value of bank bonds increasing by more than 80%, and real estate by 18%.

- The yield of bank bonds fluctuates between 5-9%, while the yield of non-bank corporate bonds ranges from 7-13%. However, we also note that some non-bank bond batches have much higher yields than the market average, indicating that the secondary market is increasingly reflecting the level of risk in bond pricing.

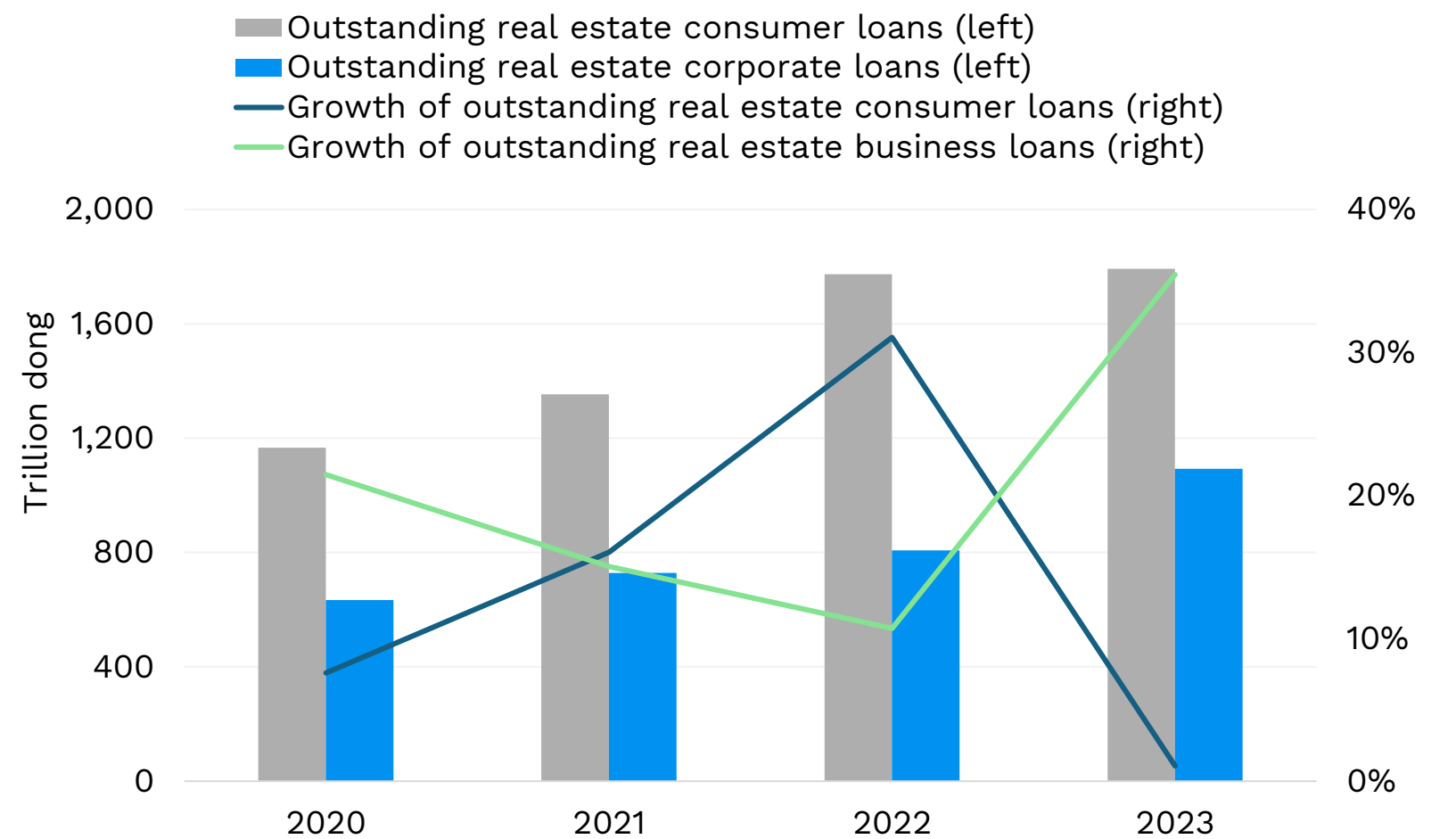
# 01 | Macroeconomic context

Despite slow credit growth in the early months of the year, the demand for loans and corporate bonds is forecast to accelerate in the second half of this year.

**Chart 01: Credit growth (% compared to the end of the previous year)**



**Chart 02: Outstanding real estate loans and growth compared to the previous year (%)**



# 01 | Macroeconomic context

**Despite low lending rates and abundant liquidity, credit has been sluggish since 2023.** This reflects the economy's weak capital absorption capacity, resulting in low credit growth within the banking system, including both customer loans and corporate bond investments.

**With the macroeconomic recovery in progress, we forecast that the demand for borrowings and corporate bond issuance will accelerate in the second half of 2024, contributing to the achievement of the SBV's full-year target of 14-15%.**

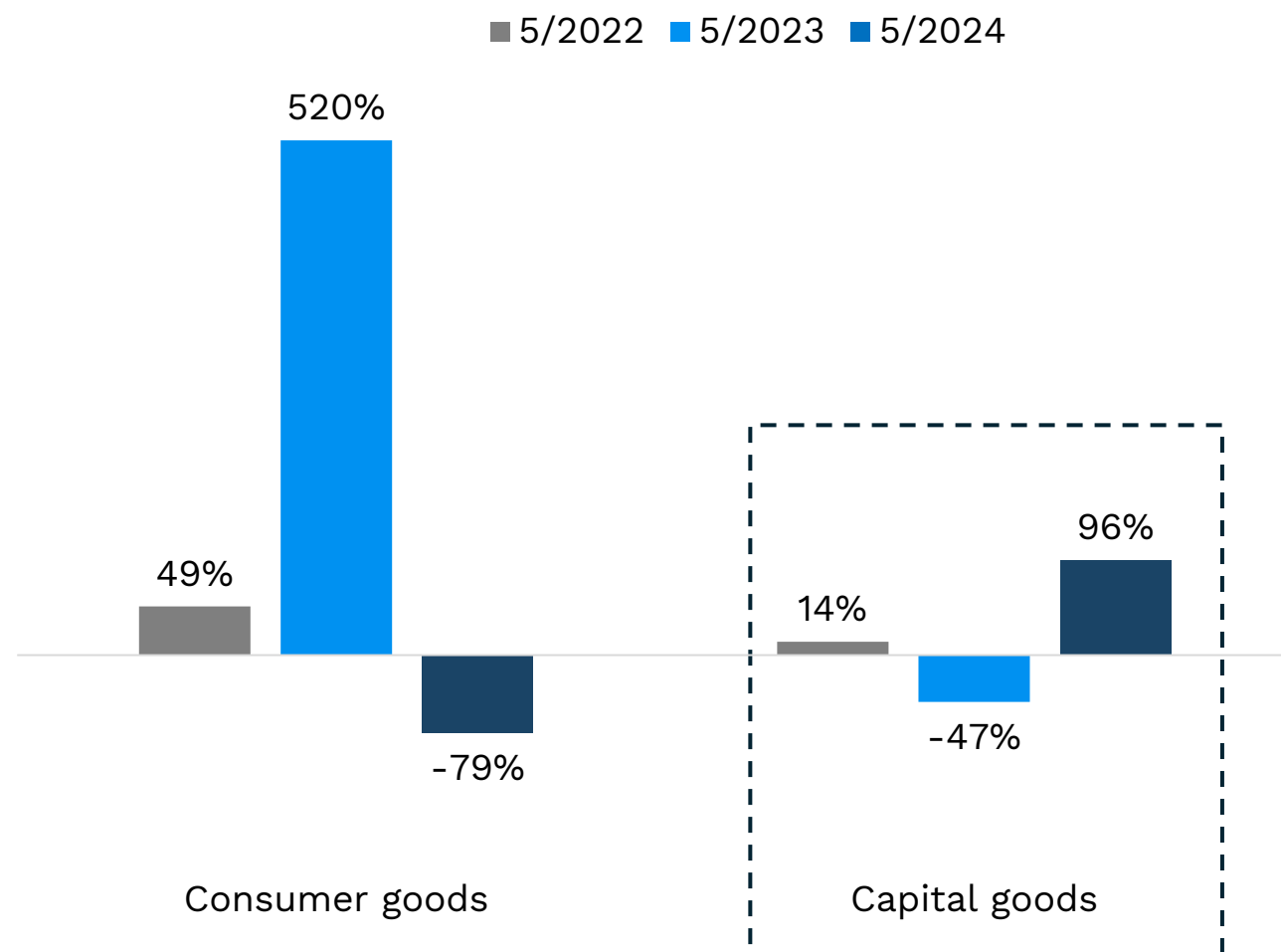
- Vietnam's exports have resumed growth thanks to the economic recovery in key markets, thereby improving the capital needs of manufacturing enterprises (details on Page 8).
- Credit growth for the real estate business sector, which includes real estate corporate bond investment by commercial banks, is recovering as legal bottlenecks are gradually removed. In addition, the passing of new laws is expected to facilitate the recovery of the real estate market.
- To meet the increasing credit demand in the second half of the year, financial institutions will need to strengthen their sources of medium to long-term funding, including issuing bonds to boost the Tier 2 capital. Therefore, the issuance of corporate bonds by financial institutions will be busy in the near future.

**As the largest group of corporate bond investors, strengthened corporate bond investment by credit institutions is an important factor in boosting the corporate bond market in the second half of this year.**

# 01 | Macroeconomic context

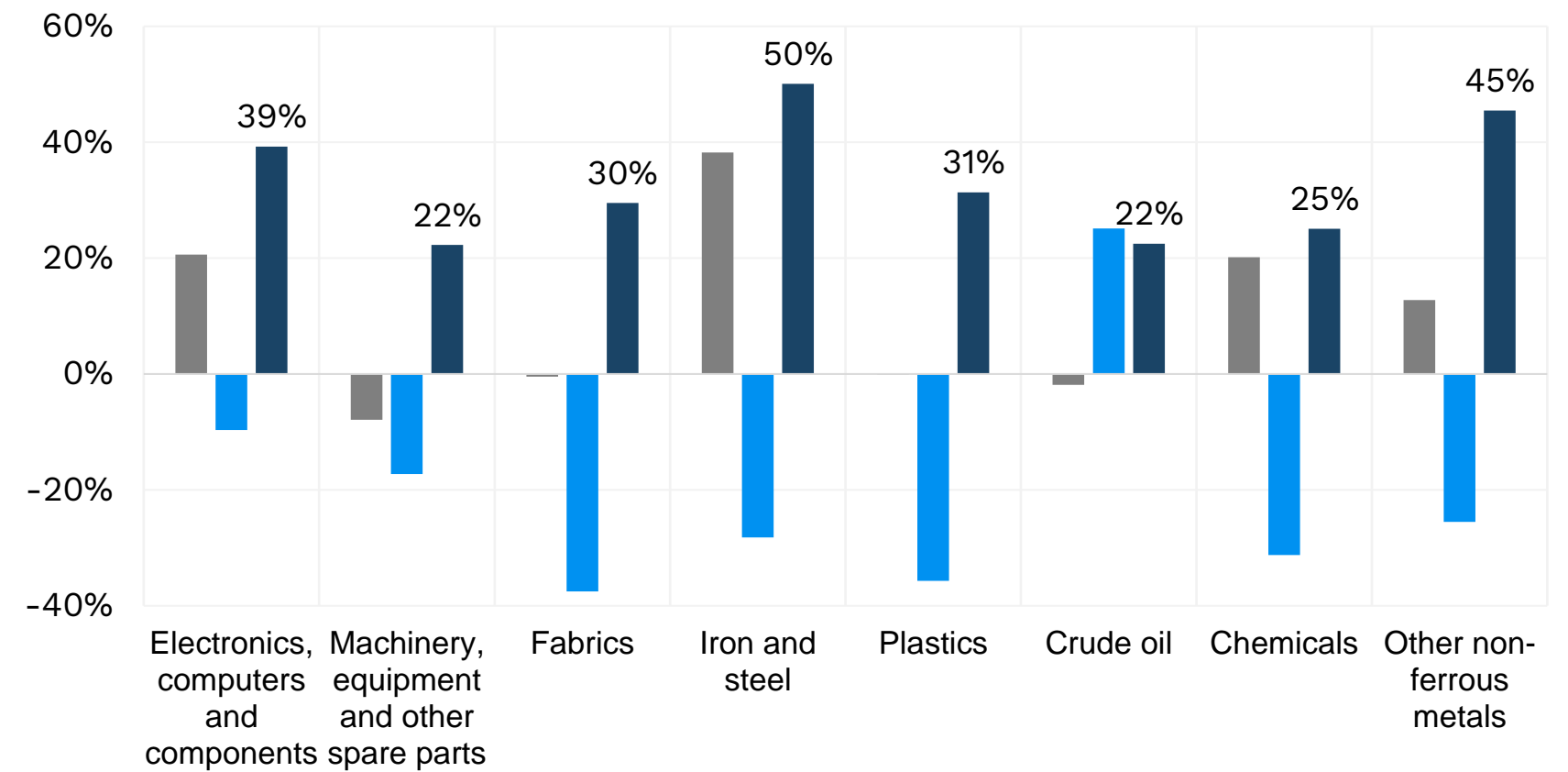
The trade deficit in May, due to increased imports of raw materials, indicates a recovery in the manufacturing sector, while opening up positive signals for the ability of businesses to absorb capital.

Chart 03: Imports by group in May 2024 (% growth compared to the same period last year)



Source: FiinProX, GSO

The largest groups of capital goods by import value

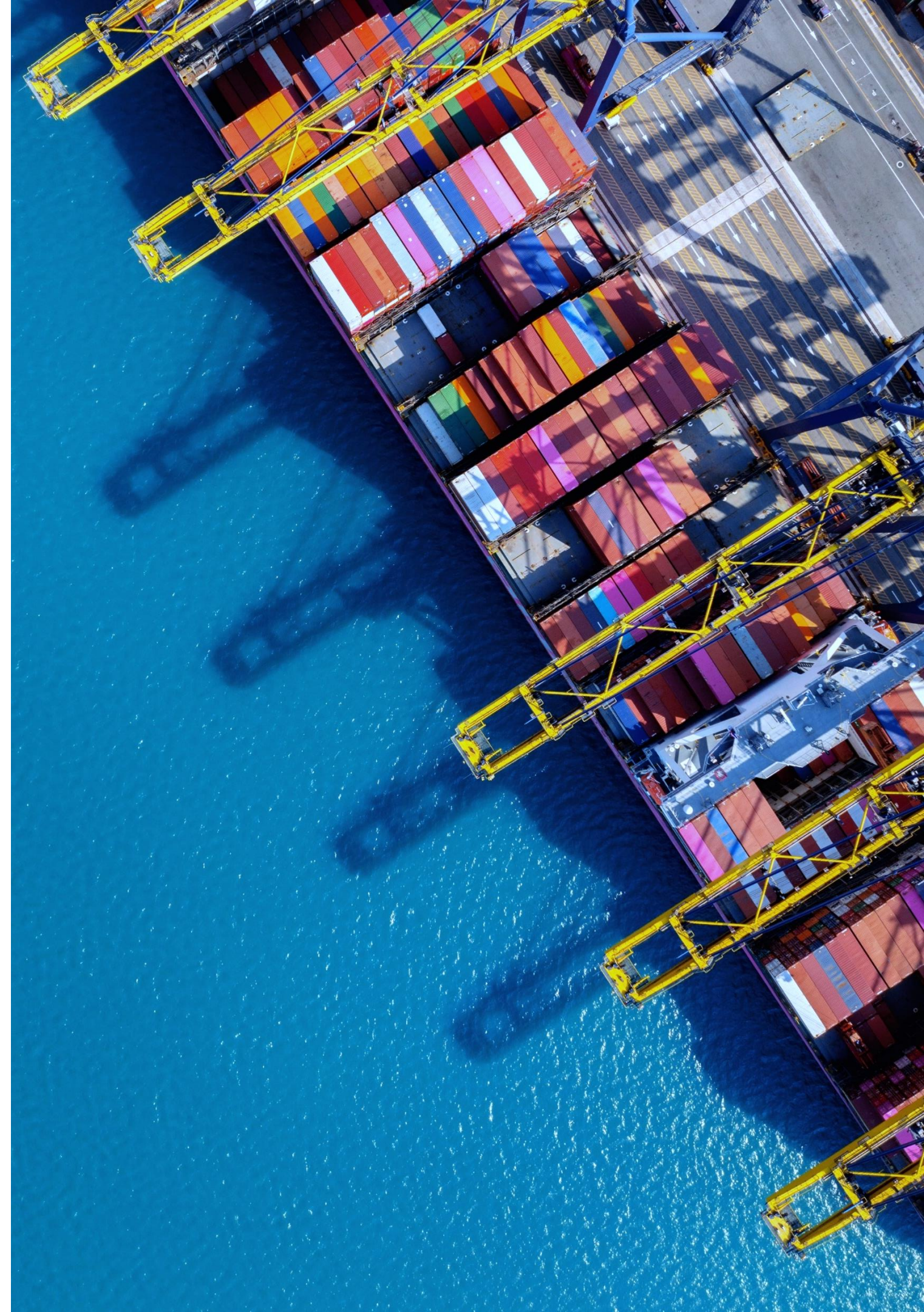




# 01 | Macroeconomic context

**Vietnam recorded a trade deficit for the first time in nearly two years, reaching USD 1 billion.** The increase in imports was mainly in capital goods, while imports of consumer goods declined. Key manufacturing materials such as electronic components, machinery, fabrics, and metals all saw double-digit growth compared to the same period last year.

**The strong imports of input materials indicates a recovery in the manufacturing sector in general, as well as an increased demand for capital mobilization by manufacturing enterprises.** Business activities weakened significantly in 2023 due to a lack of orders, leading to a decrease in the demand for loans. The recovery of the manufacturing sector this year will improve capital absorption and boost overall credit growth in the economy.

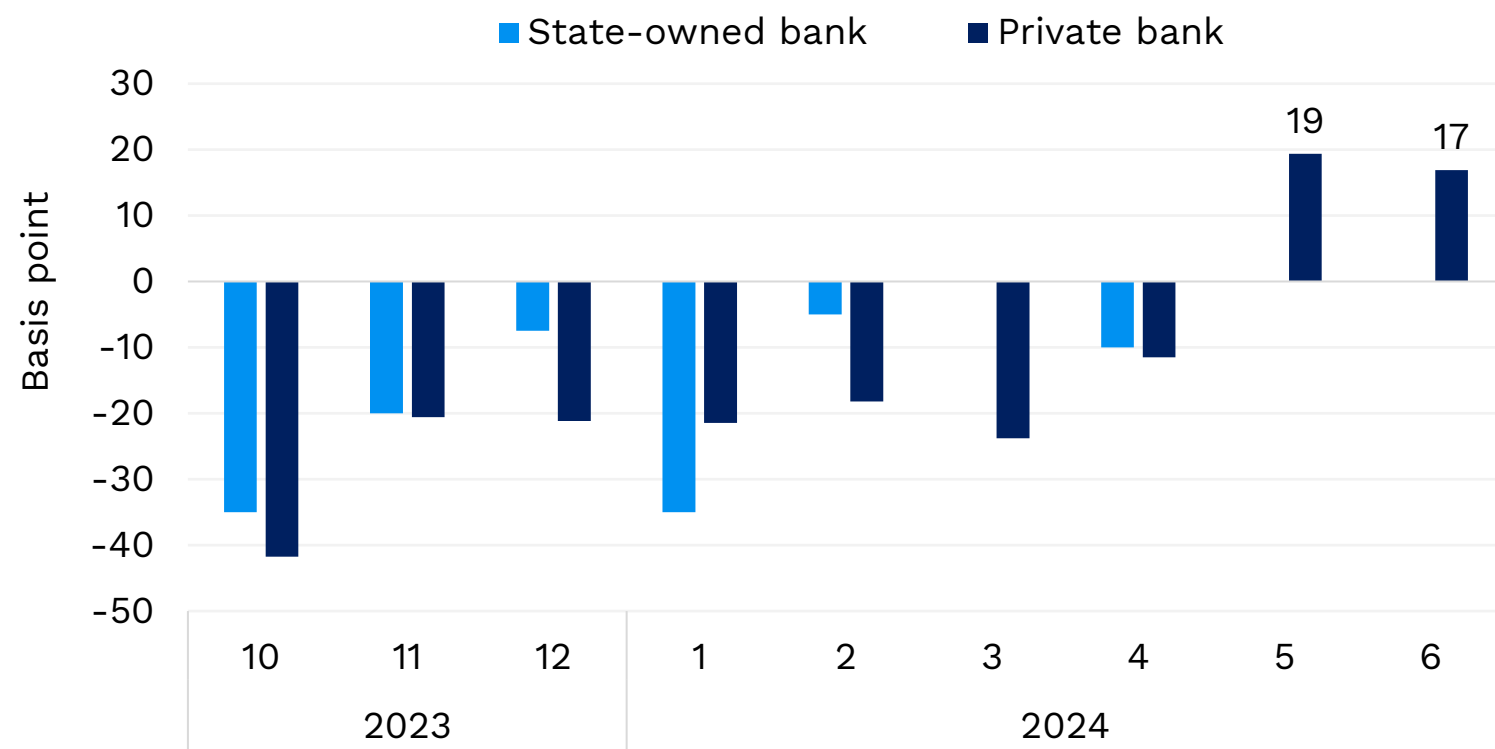




# 01 | Macroeconomic context

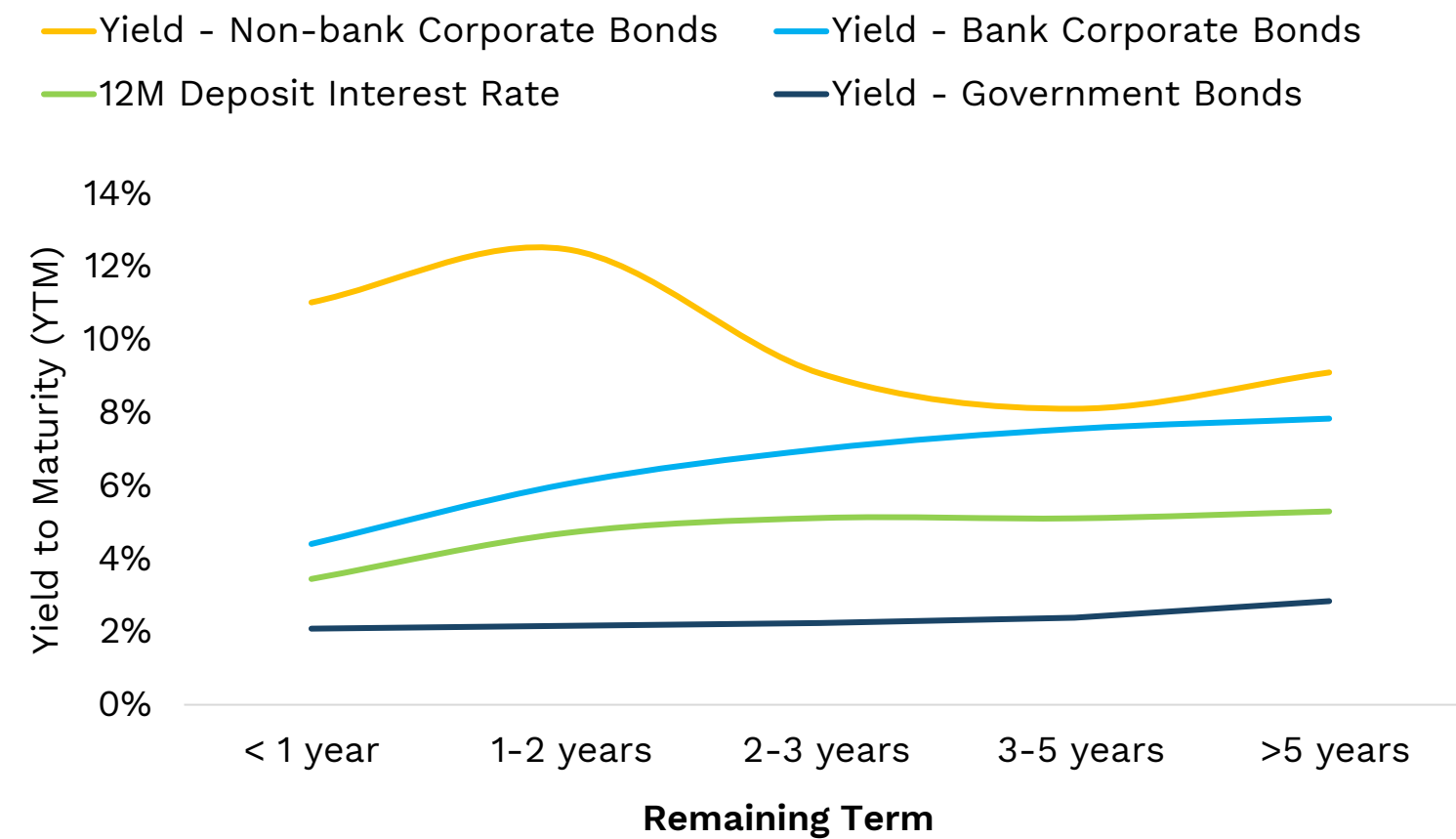
The reversal trend of deposit interest rates will put upward pressure on costs in the near future, especially for floating rate bonds.

**Chart 04: 12-Month Deposit Interest Rates at Commercial Banks (Change from the Previous Month)**



Source: FiinProX. Note: State-owned banks include Agribank, Vietcombank, Vietinbank, and BIDV. Private banks include 17 other joint-stock commercial banks.

**Chart 05: Average Yield to Maturity by Remaining Term**



Source: FiinProX



# 01 | Macroeconomic context

**Although deposit rates at commercial banks have bottomed out since April, the interest rate levels at state-owned banks (Big4 banks) have remained stable, so there is no immediate impact on the interest costs for floating-rate bonds** (pegged to the reference rate of the average deposit rate of the Big4 banks). According to FiinRatings' statistics, in May and June, the average 12-month savings interest rate of commercial banks increased by 19 and 17 basis points, respectively, compared to the previous month.

**However, reduced liquidity in the system will also lead state-owned banks to increase their deposit interest rates in the near future, posing a risk to bonds with floating interest rates.** Bondholders of these bonds will face higher interest costs and need to balance cash flows to pay interests. The reversal of interest rate trends will also be an important factor affecting companies' bond issuance plans this year.

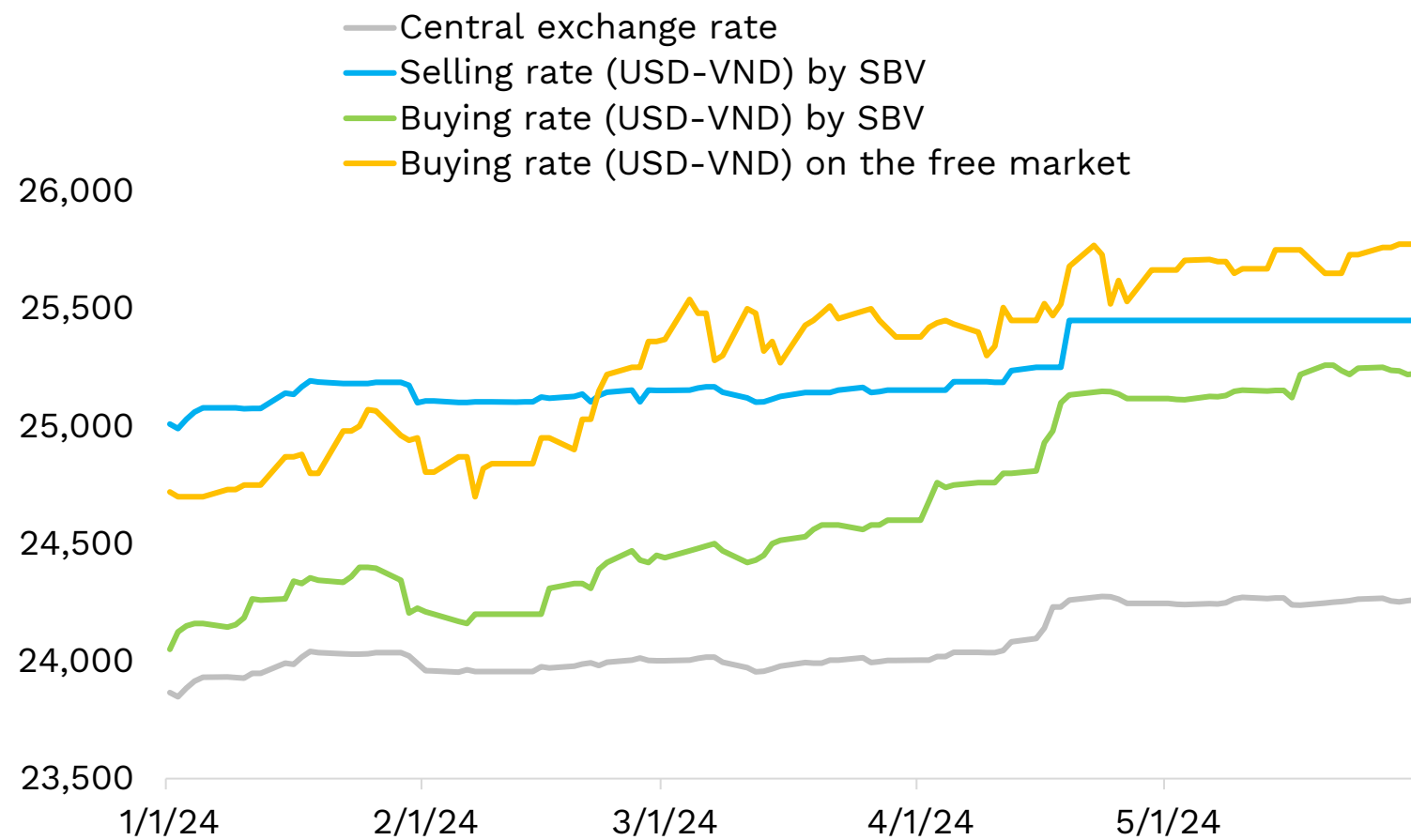
**Conversely, this will be a driving factor for issuing long-term bonds with fixed interest rates amidst the current low interest rate environment** especially bonds guaranteed by reputable international organizations or issued by high credit-rated enterprises targeted at non-bank investors.



# 01 | Macroeconomic context

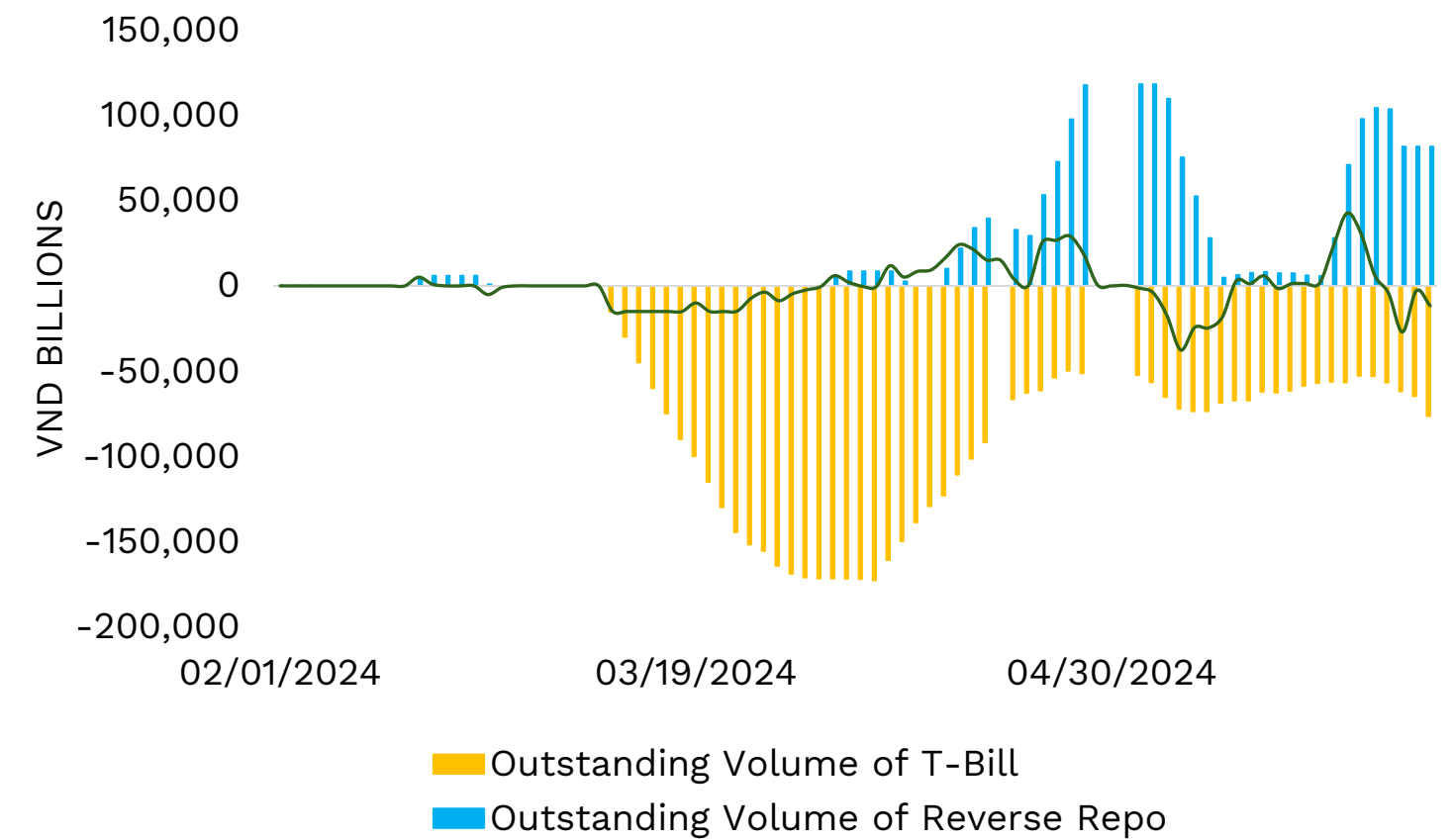
The exchange rate continued to rise in May, and the pressure remains high.

Chart 06: USD/VND Exchange Rate



Source: FiinProX

Chart 07: Activities in the OMO market and the SBV



Source: FiinProX



# 01 | Macroeconomic context

**The SBV maintained intervention measures in the context a continued rise in the exchange rate.** In May, the SBV continued utilizing the issuance of treasury bills with a total value of VND 79,540 billion and adjusted the rate to 4.25%. At the same time, it sold USD at the spot market for the price level of VND 25,450 and controlled the gold market to curb the depreciation of the Vietnamese dong. Additionally, the SBV injected VND 122,516 billion through the OMO channel to regulate system liquidity.

**In fact, the demand for USD was very high in May and will likely remain so in the coming months, as evidenced by the trend of a trade deficit and net selling by foreign investors in the stock market (around VND 30 trillion since the beginning of this year) as well as capital account fluctuations, which have continued to devalue the VND.** The FED's decision to keep interest rates unchanged and postpone the rate cuts until the end of 2024 may dampen the effects of domestic exchange rate management policies. Therefore, the SBV will adopt stronger measures to absorb VND for exchange rate stabilization.

In addition, the corporate bond market in Vietnam currently lacks the participation of foreign investors, although they have shown great interest in this type of fixed investment. Therefore, **the situation of high exchange rates makes the C-bond investment less attractive, while creating barriers that slow down the process of foreign entities entering the corporate bond market.**





## 02 | Market Updates for Corporate bonds

2.1

Primary market

2.2

Secondary market

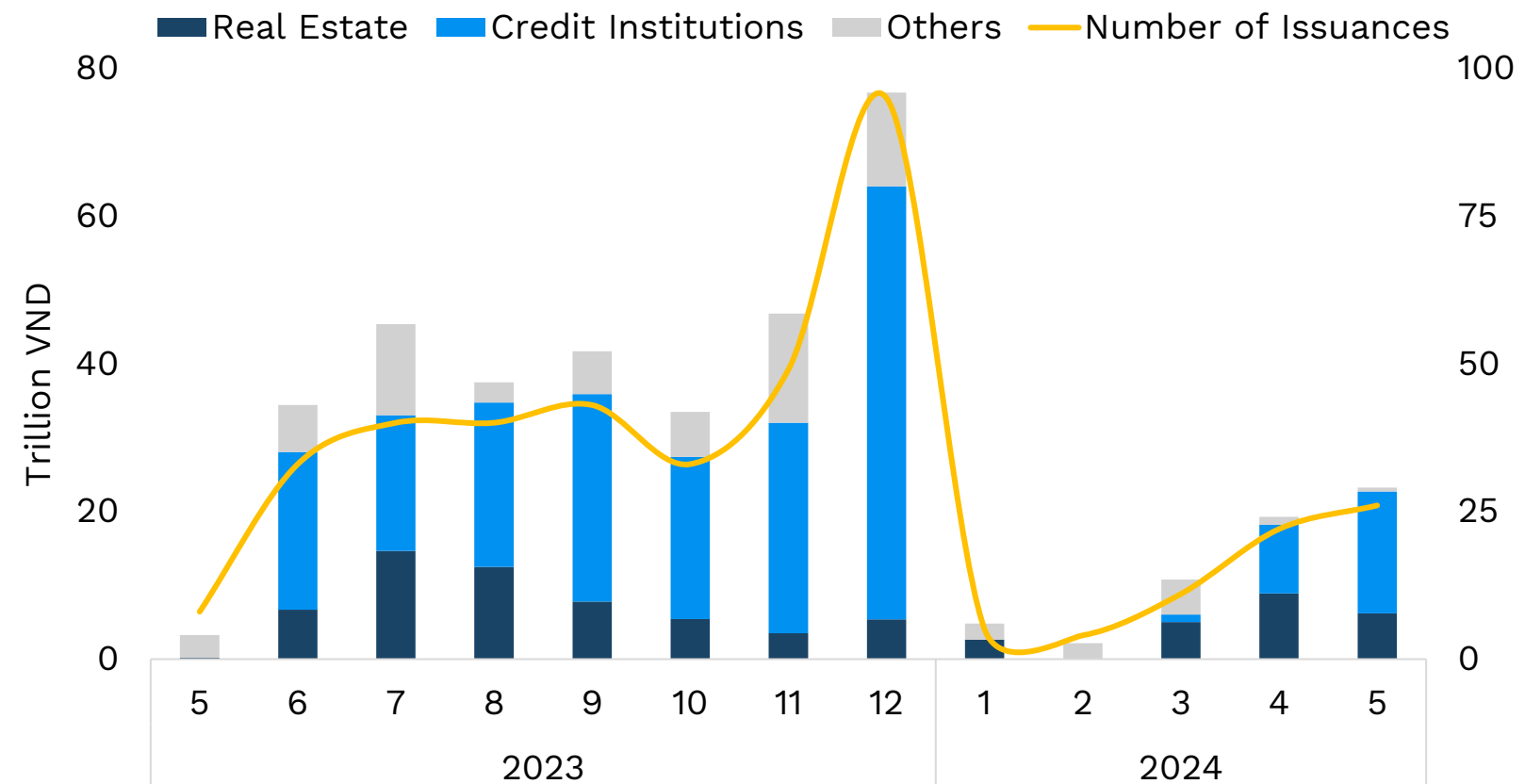
2.3

Issuance Plan Updates

# 2.1 | Corporate Bond Market Primary market

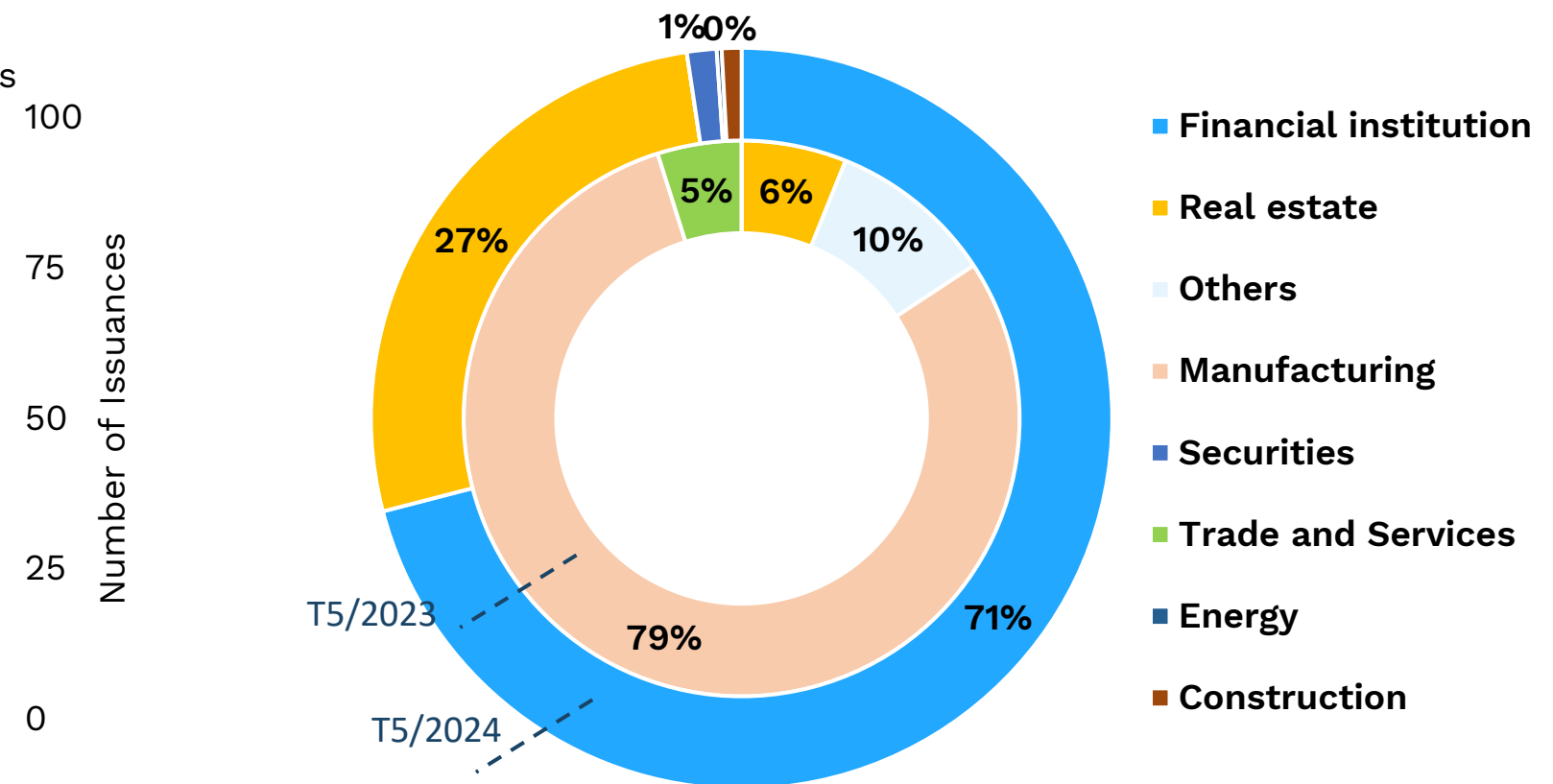
Credit institutions issued prominently in May 2024 and are expected to continue in the second half of 2024

Chart 08: Primary market issuance status in May 2024



Source: FiinRatings, HNX

Chart 09: Issuance structure in the primary market in May 2024



Source: FiinRatings, HNX



## 2.1 | Corporate Bond Market Primary market

**The private corporate bond market in May 2024 continued to grow both in the number of issuances and in the issuance value.** As of June 6, 2024, the market saw 26 new issuances in May with a total value of VND 23.2 trillion, an increase of 20.6% compared to the previous month and approximately 6.1 times higher than the same period last year.

**This growth mainly came from credit institutions sector with 19 issuances valued at VND 16.5 trillion** (+76.8% compared to the previous month), with BIDV and TCB having the largest issuances at VND 5.3 trillion and VND 3 trillion, respectively. Taking advantage of the low-interest rate environment, credit institutions increased bond issuances to strengthen prudential ratios related to capital and medium- and long-term funds, and to meet capital needs in preparation for credit growth in the second half of the year, aiming to achieve the 14-15% annual growth target set by the SBV.

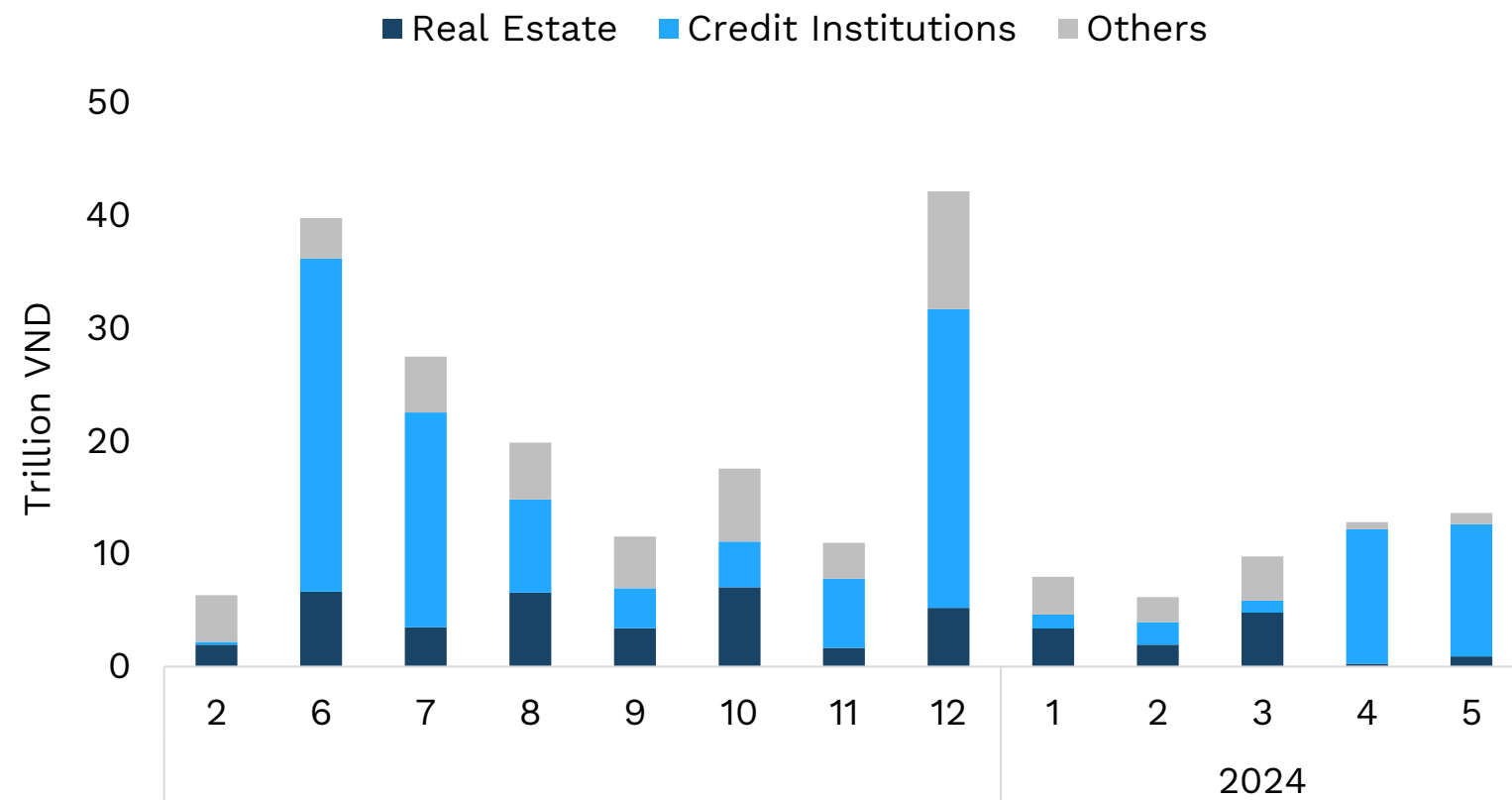
On the other hand, the real estate sector recorded a total issuance value of VND 6.2 trillion (-30.3% compared to the previous month). Other sectors also witnessed lower issuance trends compared to the peak in March 2024. (Details of the new bond issuances are in the Appendix).

**Newly issued bonds were mainly concentrated in the terms of 2-3 years and 7-8 years.** Bonds issued by credit institutions had an average term of 5 years and an average interest rate of 5.4%. Specifically, the state-owned bank BIDV issued long-term bonds, while commercial banks mainly issued bonds with a 3-year term. The real estate sector mainly recorded a series of bonds from Vingroup with an average term of 2 years and an interest rate of 12-12.5%, aimed at debt restructuring.

# 2.1 Corporate Bond Market Primary market

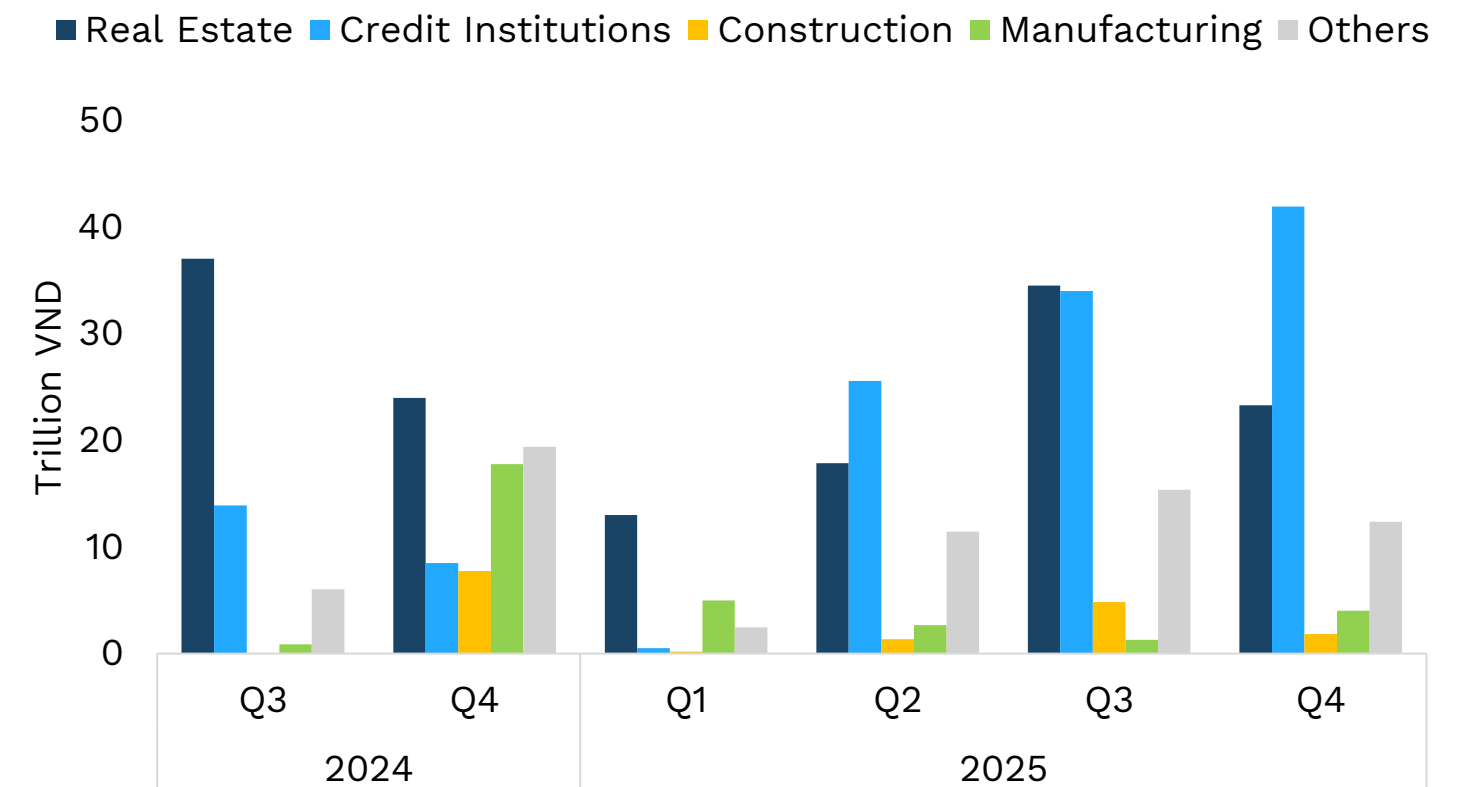
Maturity pressure peaks in Q3/2024 for the real estate sector

Chart 10: Value of bonds repurchased before maturity in May 2024



Source: FiinRatings, HNX

Chart 11: Outstanding bonds expected to mature



Source: FiinRatings, HNX

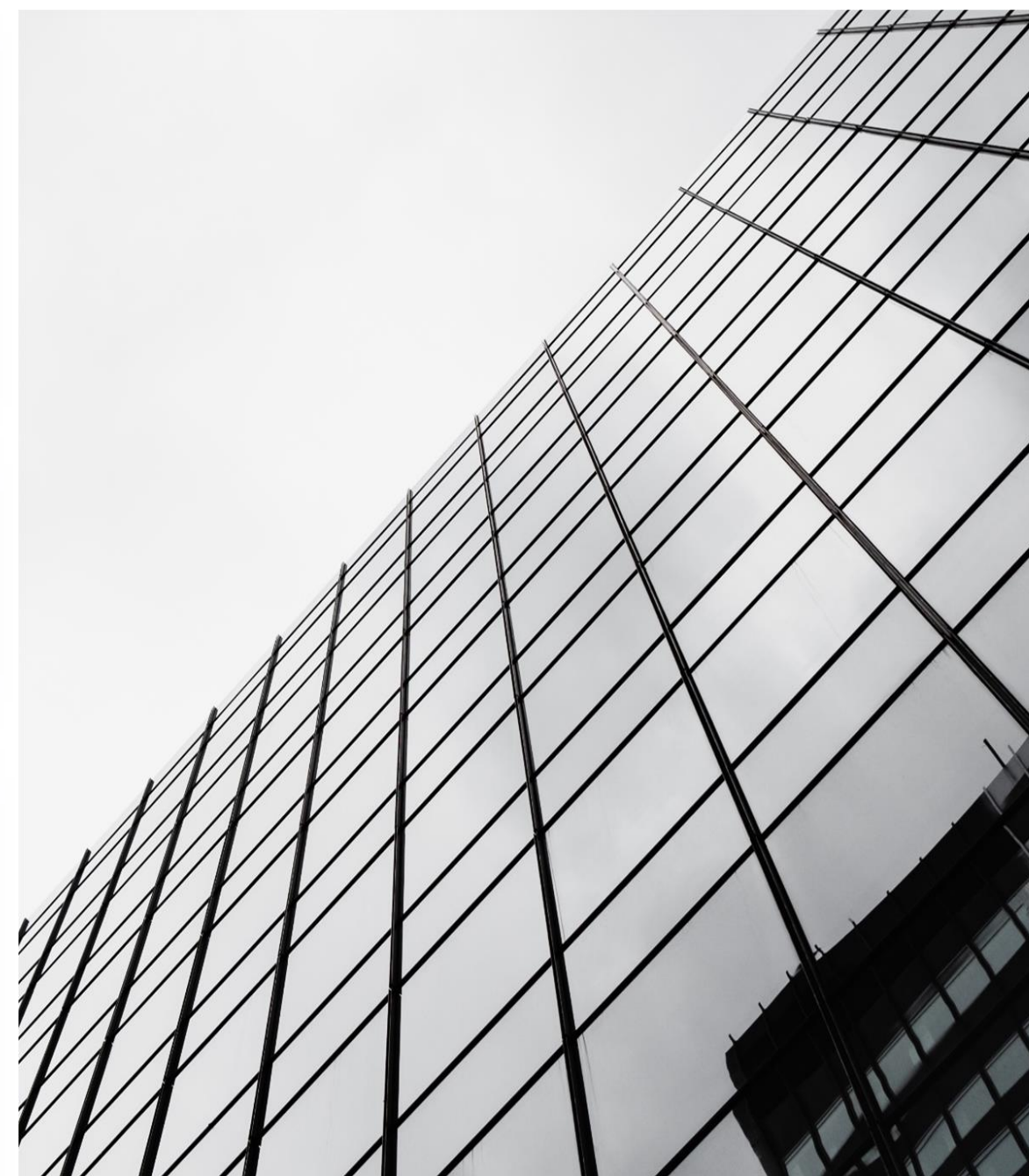


## 2.1 | Corporate Bond Market Primary market

The redemption of corporate bonds in May 2024 reached VND 13.6 trillion (+6.2% compared to the previous month). Banks continued to be the **primary redeeming entities**, accounting for up to 86% of the total value this month. Most of the repurchased bonds have a 3-year maturity and will mature next year, indicating that banks are exercising early redemption clauses and issuing new bonds to meet the ratio related to medium and long-term capital.

The value of bonds maturing in Q3 2024 and Q4 2024 is VND 57.9 trillion and VND 77.4 trillion, respectively. Notably, **the real estate sector faces significant payment pressure in Q3 2024, with a value of VND 37 trillion, accounting for 64% of the total maturing corporate bonds.**

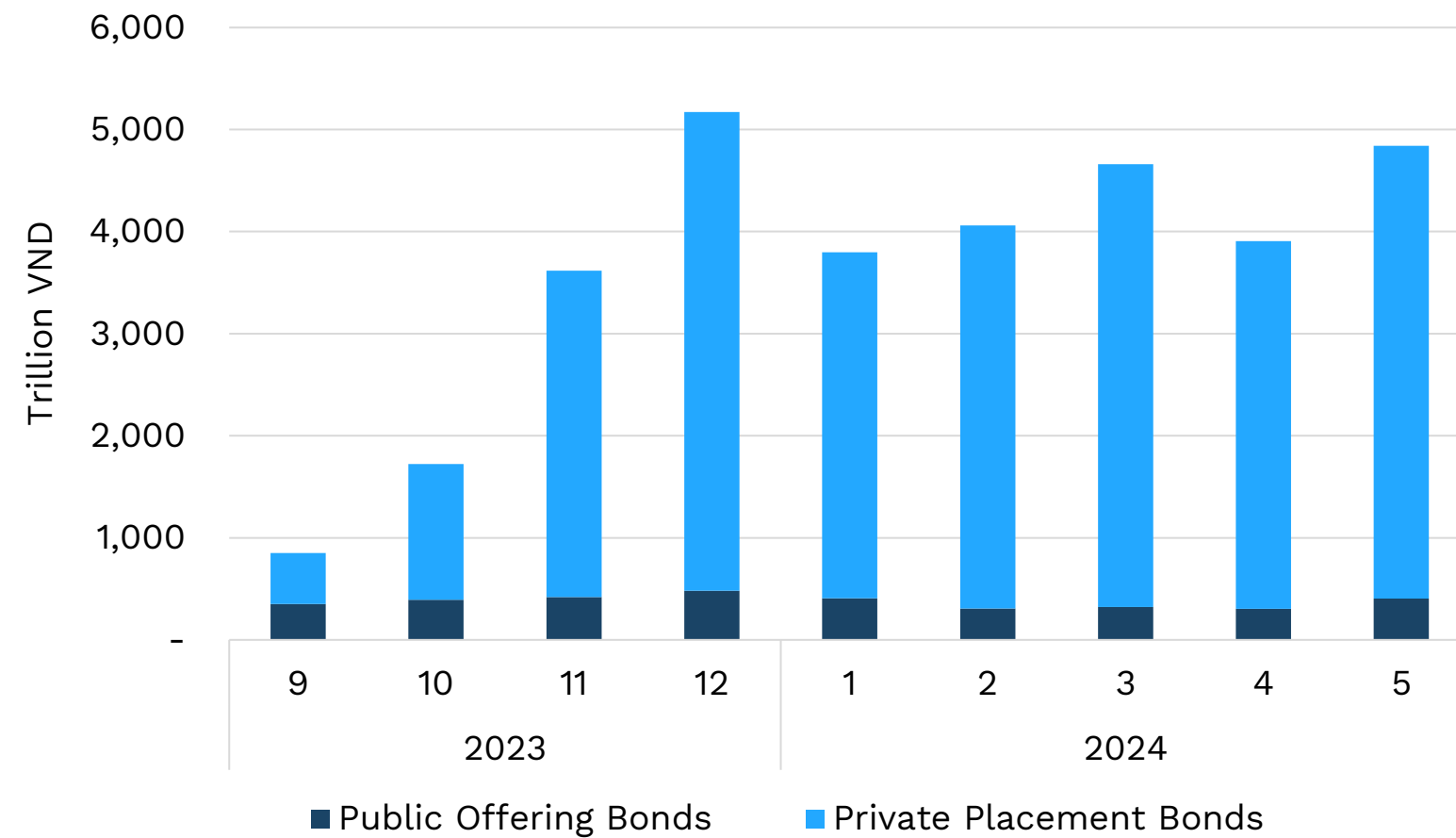
A significant number of enterprises have recently deferred principal debt payments and amend their redemption plans, alleviating immediate payment pressure. Since the beginning of the year, the market has recorded approximately VND 20 trillion in delayed corporate bond payments, including 72% of the bond value being deferred for 1-2 years. This approach continues to provide businesses with additional time to focus on addressing production and business challenges and balancing cash flows, particularly for the real estate sector, which still has low repayment capacity amidst a slow recovery in the housing market.



# 2.2 Corporate Bond Market Secondary market

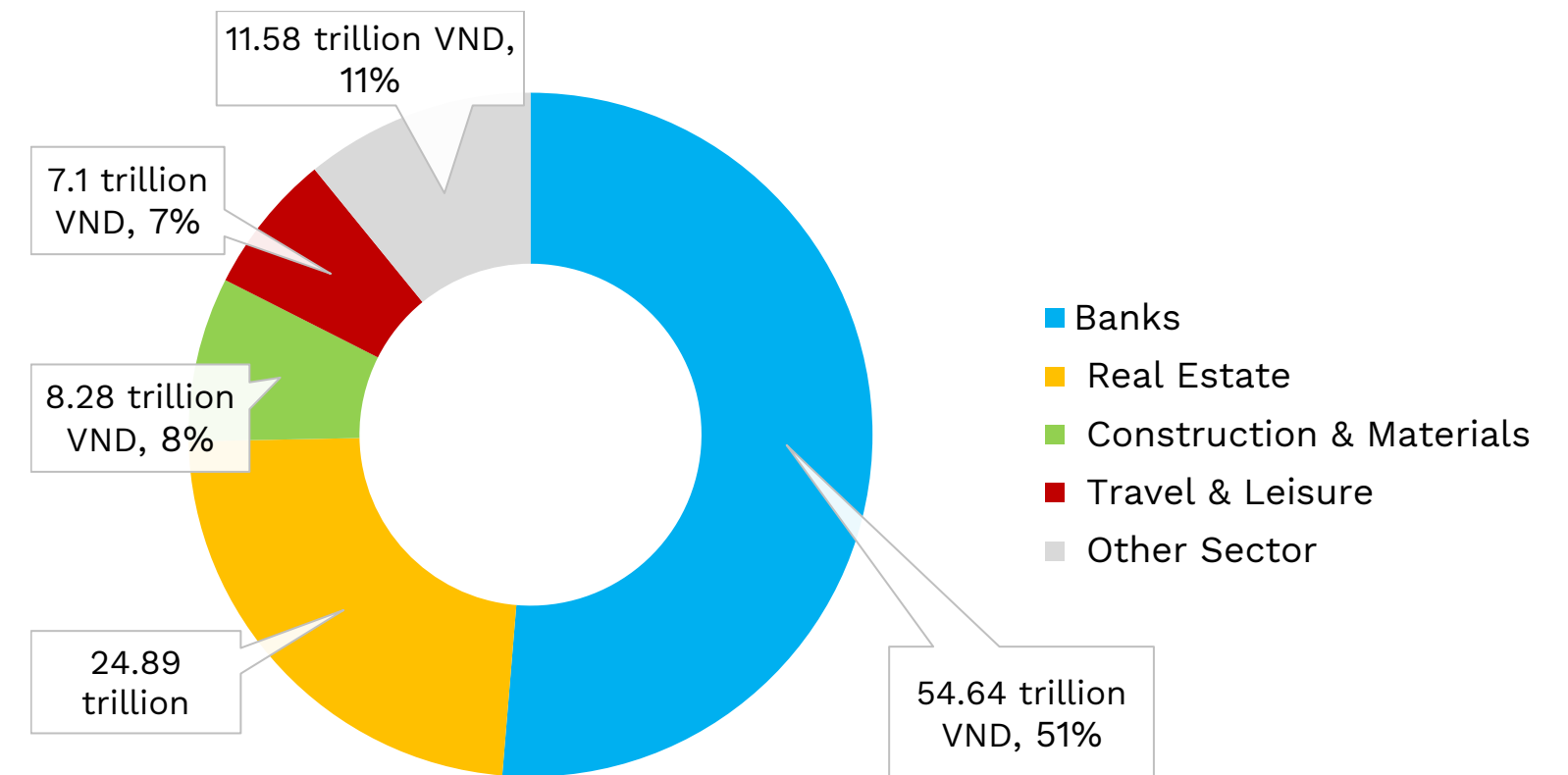
The market witnessed a robust trading value in the real estate and banking bond groups in May 2024.

**Chart 12: Average Daily Trading Value in the Secondary Market from September 2023 to May 2024**



Source: FiinProX

**Chart 13: Secondary Market Trading Structure by Sector in May 2024**



Source: FiinProX



## 2.2 | Corporate Bond Market Secondary market

**In May 2024, the total trading value of bonds (both publicly issued and privately placed) exceeded VND 106 trillion**, an increase of 43.7% compared to the previous month. The trading volume through matching orders (entirely publicly issued bonds) decreased by 12.8% compared to April and accounted for a low proportion of the total market liquidity, at only 0.23%. The average daily liquidity in May reached VND 4.8 trillion, 1.24 times higher than the previous month.

**The Banking and Real estate sectors continued to dominate the trading volume in this month**, with proportions of 51.3% and 23.4%, respectively. The volume of traded bank bonds surged by more than 80% compared to the previous month, maintaining their attractive position compared to other sectors. Real estate bond trading volume increased by up to 18% amidst forecasts indicating that the real estate market is entering a new cycle, with many projects being launched in the southern regions such as Ho Chi Minh City, Binh Duong, Vung Tau, Long An, and in the northern regions around Hanoi.

Thus, the recovery signals in the real estate sector also serve as a foundation to boost related industries in the economy. According to observations, the trading of Construction and Materials bonds increased by 23.4%, while Tourism and Entertainment bonds saw an increase of 88.6% over the past month.

## 2.2 | Corporate Bond market Secondary market

The level of risk is gradually being reflected in the pricing of trading interest rates.

Yield to Maturity (YTM) of the Top 10 Banks with the Largest Outstanding Bond Values (as of June 10, 2024)

No	Issuer	Outstanding value (billion VND)	Average YTM	Average remaining term (months)	<6M	6 - 12M	12 - 18M	18 - 24M	24 - 36M	3 - 5Y	5 - 7Y	>7Y
1	BIDV	38,328.57	6.25%	82.87							6.18%	6.56%
2	Techcombank	31,433.65	7.09%	21.96			<b>9.41%</b>	5.32%				
3	Orient Commercial JCB	28,933.73	7.06%	22.31			7.92%		6.65%			
4	ACB	25,637.12	6.42%	12.13			6.48%		4.61%			
5	HDBank	23,113.81	7.16%	52.37				4.61%			7.40%	7.38%
6	VietinBank	20,538.94	5.50%	100.80							<b>4.82%</b>	<b>5.92%</b>
7	TPBank	17,800.32	5.23%	50.38				4.38%	5.46%			
8	LienVietPostBank	17,145.67	5.44%	25.05				5.11%	5.73%			
9	MBBank	14,988.93	7.45%	51.75					6.45%	7.11%	9.03%	
10	VIBBank	14,638.52	6.32%	30.77			4.22%		5.01%		8.12%	

- **For the banking group**, the YTM primarily ranges from 5-9% depending on the remaining maturity. Overall, there is not much difference in the YTM within this group.



## 2.2 | Corporate Bond Market Secondary market

**Yield to Maturity (YTM) of the Top 10 Non-Banking Enterprises with the Largest Outstanding Bond Value (as of June 10, 2024)**

No	Issuer	Outstanding value (billion VND)	Average YTM	Average remaining term (months)	<6M	6 - 12M	12 - 18M	18 - 24M	24 - 36M	3 - 5Y	5 - 7Y	>7Y
1	Vinhomes	21,913.19	8.88%	20.66	7.12%		9.46%	7.92%	<b>10.64%</b>			
2	Vinfast Trading and Production JSC	19,612.38	7.85%	7.68	5.92%	8.56%	9.05%					
3	Vietjet Air	19,092.51	10.19%	33.00						10.19%		
4	Capitaland Tower	10,810.00	4.48%	50.20						4.48%		
5	Trung Nam Dak Lak 1 Wind Power	9,370.54	7.75%	123.00					<b>7.56%</b>		7.82%	
6	Becamex IDC	7,144.24	4.23%	30.09	8.33%			0.00%		10.47%		
7	SDI Corporation	6,581.70	12.44%	6.27		12.44%						
8	VinGroup	6,000.00	14.16%	22.67				<b>14.16%</b>				
9	Phu Quoc Tourism Development and investment JSC	5,163.37	13.37%	37.02					13.46%	13.34%		
10	Luxury Living Furniture Trading Company Limited	5,135.87	0.98%	45.73						0.98%		

- **For the non-banking business group**, the YTM primarily ranges from 7-13%, mostly concentrated among major developers with established brands and proven operational histories such as Vinhomes (VHM), Nam Long (NLG), Khang Dien (KDH), and Becamex (BCM). This group also represents the most liquid bonds in the market.
- However, as of June 10, 2024, we also observed some bond lots trading with an average YTM exceeding 20% for maturities under 6 months, including Trung Nam Renewable Energy (26.86%), Mai Vien Real Estate Investment (27.26%), BKAV Pro (41.79%), and Licogi 13 (27.6%). However, the total trading value of these lots accounted for only a very small proportion of the total outstanding value (under 0.3%).
- It can be said that the secondary market is gradually reflecting the level of risk in the pricing of bond, with higher-risk groups bearing higher interest rates.

## 2.3 | Issuance plan Updates

### Announced Bond Issuance Plan of Some Enterprises (Updated on June 10, 2024)

Time	Bond ticker	Issuer	Expected issuance value in 2024 (billion VND)	Expected issuance value in 2025 (billion VND)	Term (Years)	Coupon(%)
06/30/2024	HDB_BOND2023_3	HDBank	1.000	-	7,00	n/a
06/30/2024	BAB201-07L	Bac A Bank	900	-	7,00	n/a
06/30/2024	BAB201-07C	Bac A Bank	600	-	7,00	n/a
06/30/2024	BAB201-08C	Bac A Bank	500	-	8,00	n/a
06/30/2024	TCSCPO2325003	Techcom Securities JSC	500	-	1,00	7,73%
08/31/2024	VICD2328001	VinGroup	8.419	-	5,00	10,00%
09/30/2024	VHM_BOND_2024	Vinhomes	10.000	-	2,00	n/a
12/31/2024	DIG_RL_2023	DIC Corp	2.100	-	3,00	n/a
12/31/2025	VTR_TPCĐ_RL2024	Vietravel JSC	-	500	3,00	n/a
<b>Total</b>			<b>24.019</b>	<b>500</b>		

Source FiinProX

Note: n/a (Coupon rate not determined)

According to forecasts, banks will need to issue a significant amount of Tier 2 capital bonds. However, as of June 10, 2024, only a few banks have announced plans with specific issuance dates, totaling approximately VND 3,000 billion. For non-banking enterprises, issuance plans will depend on the macroeconomic situation as well as the interest rate environment.



# 03 | Appendix

## List of Bonds Issued in May 2024 (Updated as of June 6, 2024)

Bond ticker	Issuer	Outstanding value (billion VND)	Issuing date	Term (Years)	Coupon(%)
<b>Credit institutions</b>		<b>16,495</b>		<b>5.5 (average)</b>	<b>5.4% (average)</b>
BABL2427002	Bac A Commercial JCB	500	5/15/2024	3	5.10%
BABL2427003	Bac A Commercial JCB	500	5/21/2024	3	5.20%
BIDL2432008	The Joint Stock Commercial Bank for Investment and Development of Vietnam	2,000	5/29/2024	8	5.90%
BIDL2439002	The Joint Stock Commercial Bank for Investment and Development of Vietnam	1,000	5/21/2024	15	6.50%
BIDLH2431001	The Joint Stock Commercial Bank for Investment and Development of Vietnam	950	5/10/2024	7	5.80%
BIDLH2431003	The Joint Stock Commercial Bank for Investment and Development of Vietnam	245	5/22/2024	7	5.80%
BIDLH2431005	The Joint Stock Commercial Bank for Investment and Development of Vietnam	50	5/24/2024	7	5.80%
BIDLH2431007	The Joint Stock Commercial Bank for Investment and Development of Vietnam	700	5/28/2024	7	5.80%
BIDLH2432004	The Joint Stock Commercial Bank for Investment and Development of Vietnam	50	5/22/2024	8	5.90%
BIDLH2432006	The Joint Stock Commercial Bank for Investment and Development of Vietnam	300	5/24/2024	8	5.90%
MBBL2431011	Military Commercial JCB	200	5/27/2024	7	6.20%
HCVCL2427001	HOME CREDIT VIETNAM	1,000	5/31/2024	3	7.40%
HDBL2427001	Ho Chi Minh City Developmetn Commercial JCB ( HDBANK)	2,000	5/9/2024	3	4.80%
MSBL2427003	Vietnam Maritime Commercial JCB	1,000	5/16/2024	3	3.90%
SBVCL2427001	SHINHAN BANK VIETNAM LIMITED	1,000	5/27/2024	3	5.40%
SBVCL2427002	SHINHAN BANK VIETNAM LIMITED	1,000	5/29/2024	3	5.40%
TCBL2427002	Vietnam Technological and Commercial JCB	1,500	5/10/2024	3	4.80%
TCBL2427003	Vietnam Technological and Commercial JCB	1,500	5/27/2024	3	4.50%
TPBL2427001	Tien Phong Commercial JCB	1,000	5/30/2024	3	5.10%
<b>Real estate Enterprises</b>		<b>6,200</b>		<b>2.7 (average)</b>	<b>12.2% (average)</b>
VHMB2426005	VINHOMES JSC	2,000	5/15/2024	2	12.00%
VICH2426003	VINGROUP COMPANY - JSC	2,000	5/7/2024	2	12.50%
VICH2426004	VINGROUP COMPANY - JSC	2,000	5/13/2024	2	12.50%
HCMCH2429001	HOANG TRUC MY LIMITED LIABILITY COMPANY	200	5/21/2024	5	12.00%
<b>Other Enterprises</b>		<b>550</b>		<b>2.3 (average)</b>	<b>9.8% (average)</b>
F88CH2425002	F88 Business JSC	50	5/3/2024	1	11.50%
IDTCH2427001	IDTT JSC	200	5/3/2024	3	11.00%
MBSH2427002	MB Securities JSC	300	5/20/2024	3	6.90%



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