

Vietnam November Financial Highlights

6 December 2013



November Highlights

No surprise in macroeconomic indicators in November 2013, trend of improvement continues.

- November CPI increased by 0.34% m/m or 5.78% y/y, the lowest in 15 months.
- Trade balance posted a narrow surplus of USD50 million.
- Credit growth in November was 7.54%, up from 6.8% in October, far below 12% target set by SBV for 2013, reflecting weak demand.
- Registered FDI increased by 89.8% ytd y/y to USD13.8 billion in November. Manufacturing accounts for 71.1%, followed by production and distribution of electricity, gas, water, air condition at 15.5%.
- YTD FDI disbursement increased by 5.5% y/y to USD10.55 billion.

Foreign exchange market was stable in November. Deputy governor confirmed there will be no devaluation until year end. However, we expect USD/VND to trade at a wider range (from 21100-21200) in December given year end impacts and possible mismatch between demand and supply.

- USD/VND traded within a thin range in November of 21090-21130.
- Commercial banks sold some excess USD to SBV at 21100 during the month resulting from stronger than expected trade balance and ample liquidity contributed by strong overseas remittances and FDI disbursement.

Money market and lending rates were stable in November and was under downward pressure at month end as big amount of SBV notes matured. No change in policy rate expected.

- VND O/N interbank rate was stable at 4%-5%.
- SBV notes of around VND12 trillion were due in second half of November pushing downward pressure on overnight rate. As more SBV notes will mature in the first and second weeks of December, we expect O/N rate will be pushed down further to 3% level. Liquidity remained strong.

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Upward pressure on VND government bond yield was evident in November due to profit taking from banks and year end liquidity concerns. The easing of money market rates would mean VND government bond price would bounce back in December but we acknowledge continued year end profit taking activities.

- Total government bond issuance in November was VND9.7 trillion, significantly lower than October of VND12.45 trillion. Primary yield increased by 5 bps for 2 years from 7.3% to 7.35% and 9 bps for 3 years from 7.6% to 7.69%. Two-year bonds remained well bid (account for 64% of total issuance).
- Total issuance ytd is VND176 billion against the 2013 target of VND193 billion, which possibly created pressure on yield in December if Ministry of Finance wants to hit the target.
- Secondary market trading volume remained stable at VND17 trillion (Oct: VND16.8 trillion).

Corporate bond issuance volume in local currency increased as VND liquidity remained strong. Some improvement seen in secondary market trading.

- Some frequent issuers tapped the market in recent months (see below table). Several issuers are planning to go to the market in the next few months to tap the strong liquidity.

| Date | Issuer | Tenor | Size (VNDbn) | 1st year coupon (%) | Spread (%) |
|--------|-----------|----------|--------------|---------------------|------------|
| Aug-13 | BIDV | 10 years | 3,150 | 10.5 | N/A |
| Sep-13 | Vinacomin | 5 years | 5,000 | 11 | 3.3 |
| Sep-13 | VP Bank | 10 years | 2,500 | 10.6 | N/A |
| Sep-13 | VP Bank | 3 years | 2,000 | 10 | 2.2 |
| Oct-13 | HD Bank | 3 years | 1,000 | 10.5 | 2.2 |

November Highlights

VAMC speeded up bad debt acquisition via bond issuance and discussed methodology to sell the acquired bad debts to the market in 2014.

- By end of November, VAMC bought about VND14.7 trillion bad debts from 21 banks.
- Banks can refinance VAMC bonds at 2% lower than normal refinancing rate ie VAMC bonds can be discounted at 5% pa, 50 bps lower than OMO rate of 5.5% pa. This will help lower the financing cost for banks.

Portfolio flow was still very small to have any impact on financial market.

- Vietnam posted a combined inflow of USD1.7m to equity market, reversing last month's USD1.4m outflow, pointing to higher investor confidence. We expect the trend to continue.
- Bond flows continued its 6th straight week of outflows of USD7.1 million (October: USD5 million).

The National Assembly meetings in November agreed on key targets for 2014, expecting higher growth in 2014.

- GDP growth: 5.8%
- CPI: 7%.
- Export growth: 10%
- Trade deficit: 6% total import value
- Unemployment rate in cities: less than 4%

State Securities proposed an increase in foreign ownership in public companies, creating good sentiment in equity market.

- Ownership of voting shares of listed companies is proposed to increase to 60% from 49% (currently only applicable for strategic investors).

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