

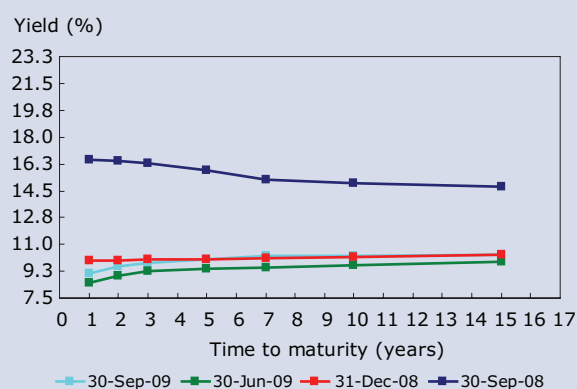
Viet Nam—Update

Yield Movements

The yield curve for Viet Nam's government bonds widened at the end of September 2009 from its end-June 2009 level as yields rose across all maturities (**Figure 1**). Yields for 2- and 10-year maturities climbed by 63 basis points and 60 basis points, respectively, to narrow the yield spread between 2- and 10-year maturities and produce a relatively flat yield curve.

The rise in government bond yields over the June–September period reflects expectations of economic recovery and renewed inflationary pressures in the near future. Viet Nam's gross domestic product (GDP) grew by 5.76% year-on-year (y-o-y) in 3Q09. Consumer price inflation for the month of September was 2.42% y-o-y, which was slightly higher than inflation of 1.97% in August. In addition, the government reported that GDP is expected to grow by 6.5% y-o-y in 2010, while annual consumer price inflation is likely to rise to 7.0%.

**Figure 1: Benchmark Yield Curve—
Local Currency Government Bonds**



Source: Bloomberg LP

Size and Composition

As of end-September 2009, the total amount of local currency (LCY) bonds outstanding in Viet Nam was about VND217 trillion (USD12.2 billion), which represented an increase of 0.6% quarter-on-quarter (q-o-q) and 2.2% y-o-y (**Table 1**). Government bonds, which comprised around 94% of total bonds, totaled VND203.3 trillion for a decline of 0.5% q-o-q. The quarterly drop in government bonds was induced by a 2.9% q-o-q fall in treasury bonds to a level of VND100.8 trillion. On the other hand, corporate bonds climbed by 16.9% q-o-q, or 54.6% y-o-y, to VND13.7 trillion on the back of a few large corporate issues in 3Q09, including Saigon Thuong Tin Commercial Bank (Sacombank) at VND2.0 trillion.

Policy, Institutional, and Regulatory Developments

Policy Rate Remains Unchanged

In September, the State Bank of Viet Nam (SBV) maintained the base interest rate at 7.0% per annum. SBV also kept other interest rates at their current levels, including the discount rate at 5.0% and the refinancing interest rate at 7.0%.

Hanoi Stock Exchange Introduces New Bond Trading System

The Hanoi Stock Exchange established an electronic bond trading system for government bonds in September. The newly-launched trading platform provides basic bond-related information such as issues, members, prices, schedules, and settlement, among others.

Bank for Investment and Development of Viet Nam to Provide Bond Services

In October, SBV granted the Bank for Investment and Development of Viet Nam (BIDV) the authority to render bond-related services (e.g., bond underwriting) and to serve as an issuing agent.

Table 1: Size and Composition of the Local Currency Bond Market in Viet Nam

	Amount (billion)						Growth Rate (%)										
	Jun-09		Jul-09		Aug-09		Sep-09		Jun-09		Jul-09		Aug-09		Sep-09		
	VND	USD	VND	USD	VND	USD	VND	USD	Y-o-Y	Q-o-Q	M-o-M	Y-o-Y	Q-o-Q	M-o-M	Y-o-Y	Q-o-Q	M-o-M
Total	215,636.4	12.1	219,313.1	12.3	220,863.1	12.4	216,966.6	12.2	7.6	3.9	1.7	7.6	3.9	0.7	2.2	0.6	(1.8)
Government	204,380.0	11.5	207,528.0	11.6	207,078.0	11.6	203,313.0	11.4	5.3	2.9	1.5	5.3	2.9	(0.2)	(0.0)	(0.5)	(1.8)
Treasury Bonds	103,860.7	5.8	105,210.7	5.9	104,585.7	5.9	100,820.7	5.7	18.9	(0.4)	1.3	18.9	(0.4)	(0.6)	4.8	(2.9)	(3.6)
Central Bank Bonds	0.0	0.0	1,736.0	0.1	1,736.0	0.1	1,736.0	0.1	(100.0)	—	—	(100.0)	—	0.0	(92.7)	—	0.0
Viet Nam Development Bank Bonds, State-Owned Enterprise Bonds and Other Bonds	100,094.3	5.6	100,581.3	5.6	100,756.3	5.7	100,756.3	5.6	20.6	6.1	0.5	20.6	6.1	0.2	20.6	0.7	0.0
Corporate	11,681.4	0.7	11,785.1	0.7	13,785.1	0.8	13,653.6	0.8	84.5	29.3	0.9	84.5	29.3	17.0	54.6	16.9	(1.0)

Y-o-Y = year-on-year, Q-o-Q = quarter-on-quarter, M-o-M = month-on-month.

Note:

1. Bloomberg end-of-period LCY-USD rates are used.

2. Growth rates are calculated from LCY base and do not include currency effects.

Source: Bloomberg LP.