

## Viet Nam

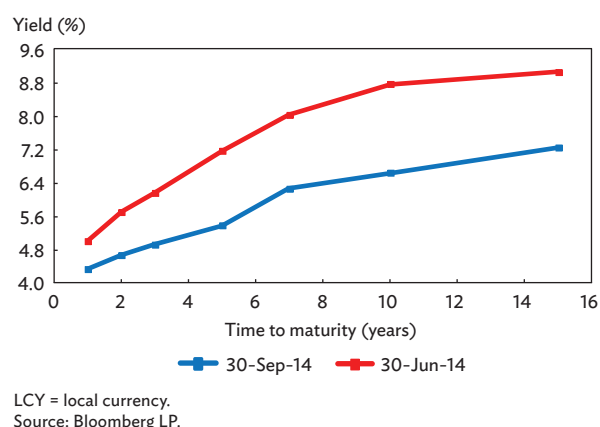
### Yield Movements

Viet Nam's local currency (LCY) government bond yields fell sharply for all tenors between end-June and end-September, with declines ranging from 67 basis points (bps) to 212 bps (**Figure 1**). The yield spread between 2-year and 10-year bonds tightened to 197 bps from 306 bps at end-June.

Quickening economic growth, benign inflation, and a credit rating upgrade from Moody's in July likely helped reduce Viet Nam's borrowing costs. Real gross domestic product (GDP) growth accelerated to 6.2% year-on-year (y-o-y) in 3Q14 from revised growth of 5.4% in 2Q14. For the first 3 quarters of 2014, the country's GDP growth stood at 5.6% on an annualized basis, up from 5.2% in the first 2 quarters of the year, driven by the services sector as well as the industrial and construction sectors. Meanwhile, inflation remained benign, easing to 3.6% y-o-y in September—the slowest pace since October 2009—from 4.3% in August. Price increases for food and foodstuffs (4.5%), housing and construction materials (3.1%), and transport (0.5%) moderated compared with the previous month.

Indications of a possible upgrade from Fitch Ratings may have added to Viet Nam's positive momentum. In September, Fitch commented that it may raise Viet Nam's rating in the next 12–18 months to BB–, three levels below investment grade, from B+ on stronger external finances.

**Figure 1: Viet Nam's Benchmark Yield Curve—LCY Government Bonds**



### Size and Composition

Total LCY bonds outstanding in Viet Nam continued to grow on both a quarterly and an annual basis in 3Q14 to reach VND802.8 trillion (US\$38 billion), driven by expansion in the government sector (**Table 1**).

**Government Bonds.** LCY government bonds outstanding rose to VND791.0 trillion (US\$37 billion) at end-September, up 1.9% quarter-on-quarter (q-o-q) and 54.5% y-o-y.

Government issuance amounted to VND229 trillion in 3Q14, with issuance from the State Bank of Viet Nam

**Table 1: Size and Composition of the LCY Bond Market in Viet Nam**

	Outstanding Amount (billion)						Growth Rate (%)			
	3Q13		2Q14		3Q14		3Q13		3Q14	
	VND	US\$	VND	US\$	VND	US\$	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>527,304</b>	<b>25</b>	<b>788,313</b>	<b>37</b>	<b>802,796</b>	<b>38</b>	<b>(8.8)</b>	<b>18.8</b>	<b>1.8</b>	<b>52.2</b>
Government	511,945	24	775,943	36	790,976	37	(8.7)	24.8	1.9	54.5
Treasury Bonds	267,800	13	412,263	19	408,560	19	(17.4)	22.4	(0.9)	52.6
Central Bank Bills	46,405	2	153,926	7	173,038	8	6.5	110.3	12.4	272.9
State-Owned Enterprise Bonds	197,741	9	209,754	10	209,377	10	2.3	16.7	(0.2)	5.9
Corporate	15,359	1	12,370	0.6	11,820	0.6	(10.0)	(54.1)	(4.4)	(23.0)

( ) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Bloomberg LP end-of-period LCY-US\$ rates are used.

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

Source: Bloomberg LP.

Table 2: Corporate Issuers of LCY Corporate Bonds in Viet Nam

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (VND billion)	LCY Bonds (US\$ billion)			
1.	Techcom Bank	3,000.00	0.14	No	No	Finance
2.	Asia Commercial Joint Stock	3,000.00	0.14	No	Yes	Finance
3.	HAGL JSC	2,480.00	0.12	No	Yes	Real Estate
4.	Vincom	1,000.00	0.05	No	Yes	Real Estate
5.	Vinpearl	1,000.00	0.05	No	Yes	Resorts and Theme Parks
6.	Kinh Bac City Development	500.00	0.02	No	Yes	Real Estate
7.	Saigon Telecommunication	300.00	0.01	No	No	Computer Services
8.	Binh Chanh Construction	300.00	0.01	No	Yes	Building and Construction
9.	Tan Tao Investment	130.00	0.01	No	No	Real Estate
10.	Ho Chi Minh City Securities	110.00	0.01	No	No	Finance
<b>Total LCY Corporate Issuers</b>		<b>11,820.00</b>	<b>0.56</b>			

LCY = local currency.

Notes:

1. Data as of end-September 2014.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg data.

comprising VND202 trillion, or close to 90% of the total issuance during the quarter.

**Corporate Bonds.** LCY corporate bonds stood at VND11.8 trillion (US\$0.6 billion) at end-September. A total of 10 issuers comprised the entire corporate bond sector (Table 2).

## Policy, Institutional, and Regulatory Developments

### Viet Nam Releases New FCY Rules for Vietnamese Nationals

On 17 July, the Government of Viet Nam issued Decree No. 70/2014/ND-CP allowing Vietnamese nationals to deposit foreign currency (FCY) in local banks and withdraw principal and interest in the currency deposited. The decree also allows resident and nonresident to buy, transfer, or carry FCY abroad without the need to show certification of fulfilment of tax obligations in Viet Nam. Residents with FCY-denominated incomes from exports

or other income sources abroad may transfer them into their FCY-denominated accounts in licensed credit institutions in Viet Nam. On the other hand, if residents intend to retain such income abroad, they must first acquire permission from the SBV.

### VSD Issues Rules on Securities Lending

On 6 September, the Viet Nam Securities Depository (VSD) released the list of securities to be used as collateral under its Decision No. 111/QD-VSD on securities lending regulations. This comprises 223 codes listed on Viet Nam's two national stock exchanges, including government bonds and government-guaranteed bonds listed on the Ha Noi Stock Exchange. The rate to be deducted from the prices of securities used as collateral was set at 5% for government and government-guaranteed bonds, 30% for securities in the VN30 and HNX30 packages, and 40% for all other bonds. Lending rates shall be based on the agreement between the borrower and lender, but should not exceed 120% of the rate regulated by the SBV.