

## Viet Nam

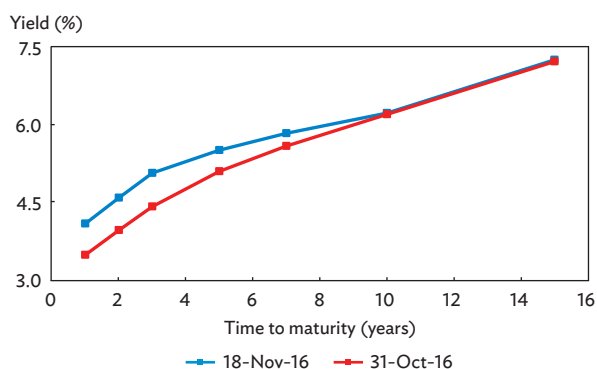
### Yield Movements

Between 31 October and 18 November, local currency (LCY) government bond yields in Viet Nam rose for all tenors (**Figure 1**). Yields gained the most at the shorter end of the curve, rising an average of 62 basis points (bps) for the 1-year through 3-year maturities. Yields climbed the least at the longer end and were up by an average of only 3 bps for the 10-year through 15-year tenors. An overall flattening of the yield curve resulted, with the spread between the 2-year and 10-year maturities narrowing from 223 bps on 31 October to 163 bps on 18 November.

Government bond yields in Viet Nam initially declined in October due largely to ample liquidity in the banking system as the State Bank of Vietnam actively purchased United States (US) dollars to bolster its foreign reserves. Yields then rose following the release in October of minutes from the September meeting of the US Federal Open Market Committee, which indicated the increased likelihood of a rate hike by the Federal Reserve in December. In November, yields were driven higher by uncertainty relating to the economic policies of the incoming US administration.

Real gross domestic product growth reached 5.9% year-on-year (y-o-y) in the first 3 quarters of the year, up from 5.5% y-o-y in the first half of the year, but down from 6.5% y-o-y in the first 3 quarters of 2015. Industry

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



Source: Based on data from Bloomberg LP.

and construction output grew 7.5% y-o-y in January–September and services output rose 6.7% y-o-y, while the agriculture sector grew a marginal 0.7% y-o-y.

### Size and Composition

Viet Nam's LCY bond market expanded to VND1,038.2 trillion (USD47 billion) at the end of September, remaining the smallest in terms of size in emerging East Asia (**Table 1**). Growth was positive on both a quarter-on-quarter (q-o-q) and y-o-y basis in the third quarter of 2016 (Q3 2016). Much of the growth was contributed by government bonds, which account for 96.1% of the aggregate LCY bond market.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2015		Q2 2016		Q3 2016		Q3 2015		Q3 2016	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>848,760</b>	<b>38</b>	<b>969,903</b>	<b>43</b>	<b>1,038,164</b>	<b>47</b>	<b>(11.9)</b>	<b>(13.3)</b>	<b>7.0</b>	<b>22.3</b>
Government	821,988	37	931,111	42	998,070	45	(12.5)	(14.6)	7.2	21.4
Treasury Bonds	534,576	24	717,149	32	718,287	32	(2.1)	1.1	0.2	34.4
Central Bank Bonds	90,279	4	9,999	0.4	69,999	3	(54.9)	(59.5)	600.0	(22.5)
State-Owned Enterprise Bonds	197,133	9	203,963	9	209,784	9	2.4	(6.6)	2.9	6.4
Corporate	26,772	1	38,792	2	40,094	2	9.4	67.0	3.4	49.8

( ) = negative, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, VND = Vietnamese dong, y-o-y = year-on-year.

Notes:

1. Bloomberg LP end-of-period local currency–USD rates are used.

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

Sources: Bloomberg LP and Vietnam Bond Market Association.

**Government Bonds.** The outstanding stock of LCY government bonds climbed to VND998.1 trillion at the end of September, up 7.2% q-o-q and 21.4% y-o-y. Growth largely stemmed from increases in the stock of State Bank of Vietnam bills, which soared to VND70.0 trillion at the end of September from only VND10.0 trillion at the end of June. Contributing to the overall growth in government bonds were state-owned enterprise bonds and other bonds, as well as (to a lesser extent) Treasury bonds.

In Q3 2016, government bond issuance more than doubled to reach VND406.6 trillion due largely to an uptick in central bank issuance. In addition, a VND500 billion municipal bond was issued during the quarter by Ba Ria Vung Tau province to fund various infrastructure projects.

**Corporate Bonds.** The outstanding stock of corporate bonds climbed to VND40.1 trillion at the end of September, up by 3.4% q-o-q and 49.8 y-o-y in Q3 2016. Viet Nam's corporate bond market accounts for only 3.9%

of the aggregate LCY bond market stock and comprises issues from 21 corporate entities (**Table 2**). The composition of the top three corporate issuers remained the same as in the previous quarter. Masan Consumer Holdings was the largest corporate bond issuer with outstanding bonds valued at VND11.1 trillion, representing a 27.7% share of the entire corporate bond segment. Real estate firm Vingroup was in the second spot with bonds outstanding of VND8.0 trillion, followed by Asia Commercial Joint Stock with VND4.6 trillion.

Five corporate firms tapped the bond market in Viet Nam for their capital requirements in Q3 2016. Real estate firm Hoangquan had the largest new debt issue, raising VND500 billion from the sale of 1-year fixed rate bond with a coupon of 6.0% (**Table 3**). It was followed by Khang Dien House Trading and Investment, which issued VND452 billion of 4-year bonds. In terms of maturity, the longest new debt issues were 5-year bonds from An Phat Plastic and Green Environment and Son Ha International.

**Table 2: Corporate Issuers of Local Currency Corporate Bonds in Viet Nam**

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (VND billion)	LCY Bonds (USD billion)			
1. Masan Consumer Holdings	11,100	0.50	No	No	Diversified Operations
2. Vingroup	8,000	0.36	No	Yes	Real Estate
3. Asia Commercial Joint Stock	4,600	0.21	No	Yes	Finance
4. Hoang Anh Gia Lai	4,000	0.18	No	Yes	Real Estate
5. Techcom Bank	3,000	0.13	No	No	Banking
6. Ho Chi Minh City Infrastructure	2,102	0.09	No	Yes	Infrastructure
7. DIC	1,000	0.04	Yes	No	Chemicals
8. Ocean Group	980	0.04	No	Yes	Consulting Services
9. Saigon-Hanoi Securities	950	0.04	No	Yes	Finance
10. Hoangquan	500	0.02	No	Yes	Real Estate
11. Saigon Securities	500	0.02	No	Yes	Finance
12. Tasco	500	0.02	No	Yes	Engineering and Construction
13. Vietinbank Securities	500	0.02	Yes	Yes	Finance
14. Khang Dien House Trading and Investment	452	0.02	No	Yes	Building and Construction
15. An Phat Plastic & Green Environment	450	0.02	No	Yes	Industrial
16. Sotrans	400	0.02	No	No	Logistics
17. Vietnam Investment Construction and Trading	350	0.02	No	Yes	Building and Construction
18. Hung Vuong	300	0.01	No	Yes	Food
19. Ha Do	200	0.01	No	Yes	Construction
20. Son Ha International	110	0.005	No	Yes	Building and Construction
21. Dongnai Plastic	100	0.004	No	Yes	Industrial
<b>Total LCY Corporate Issuers</b>	<b>40,094</b>	<b>1.80</b>			

LCY = local currency, USD = United States dollar, VND = Vietnamese dong.

Notes:

1. Data as of end-September 2016.

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 LP and Vietnam Bond Market Association data.

**Table 3: Notable Local Currency Corporate Bond Issuance in Q3 2016**

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
Hoangquan		
1-year bond	6.00	500
Khang Dien House Trading and Investment		
4-year bond	9.50	452
Saigon Securities		
2-year bond	7.00	200
An Phat Plastic & Green Environment		
5-year bond	7.00	150
Son Ha International		
5-year bond	9.80	110

Q3 = second quarter, VND = Vietnamese dong.  
Source: Bloomberg LP.

## Policy, Institutional, and Regulatory Developments

### Hanoi Stock Exchange to Test Run Derivatives Product in November and December

The Hanoi Stock Exchange is continuing with preparations to launch a derivatives market. The exchange recently announced that regulations for future contracts on equity indices and government bonds will be implemented in November. The exchange will also test the trading system for the derivative products in November and December.