

## Viet Nam

### Yield Movements

Local currency (LCY) government bond yields in Viet Nam trended lower between 1 June and 15 August, leading the entire yield curve to shift downward (**Figure 1**). Bond yields declined an average of 44 basis points (bps) across the curve, with the 1-year and 7-year bonds shedding the least at 37 bps each. As a result, the spread between the 2-year and 10-year tenors widened to 136 bps from 129 bps. Viet Nam and the Philippines were the only markets in emerging East Asia that saw a widening of the spread between 2-year and 10-year yields during the review period.

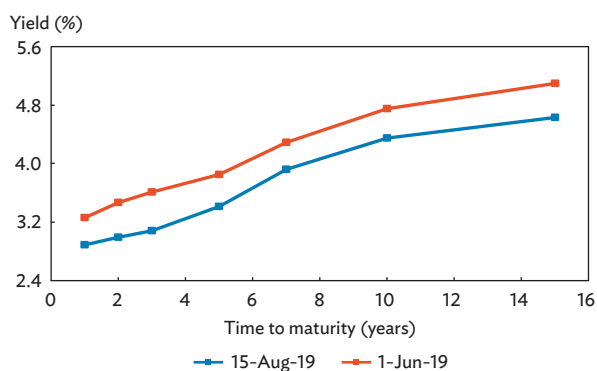
The downward trend in bond yields was largely driven by positive sentiments over Viet Nam's economy as the ongoing trade dispute between the People's Republic of China and the United States (US) turned into gains for the domestic economy. As the People's Republic of China and the US imposed tariffs on each other's goods, importers from both markets have turned to Viet Nam's manufacturing-driven economy for trade. While the US is also considering imposing tariffs on Vietnamese goods, trade pacts and concession agreements that Viet Nam has entered into with other markets can serve as a buffer against US tariffs.

Strong foreign inflows into the market also resulted in abundant liquidity, which led interbank rates to fall, leading yields to trend lower across the length of the curve. Dovish stances among the central banks of major advanced economies, on account of global growth moderation, also drove yields lower. To support economic growth, the US Federal Reserve cut the federal funds rate on 31 July. Other central banks in emerging East Asia have likewise engaged in monetary policy easing.

The State Bank of Vietnam held its refinancing rate steady at 6.25% and discount rate at 4.25%, levels that have been kept in place since July 2017. The central bank is opting to manage uncertainties in financial markets through macroprudential measures, including keeping the credit growth target at 14.0% for this year.

During the review period, the Vietnamese dong was one of two currencies in emerging East Asia that strengthened against the US dollar, gaining 0.9%. Foreign direct

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



Source: Based on data from Bloomberg LP.

investment and inflows into the equity market helped sustain the value of the dong, as well as intervention by the central bank.

Viet Nam continued to post robust economic growth in the second quarter (Q2) of 2019, outperforming its emerging East Asian peers. Real gross domestic product (GDP) growth reached 6.7% year-on-year (y-o-y) in Q2 2019, slightly easing from 6.8% y-o-y in the first quarter (Q1). However, on a year-to-date basis, GDP growth moderated, falling to 6.8% y-o-y from 7.1% y-o-y in the same 6-month period a year earlier. Growth was buoyed by industry and construction, which expanded 8.9% y-o-y, albeit this was down slightly from 9.1% y-o-y in the same period in the prior year.

### Size and Composition

Viet Nam continued to have the smallest LCY bond market in emerging East Asia, with outstanding bonds of VND1,233.5 trillion (USD52.9 billion) at the end of June (**Table 1**). Overall bond market growth rebounded in Q2 2019, rising 2.6% quarter-on-quarter (q-o-q) from 0.8% q-o-q in Q1 2019. In the same period, y-o-y growth also quickened to 4.2% from 0.5%.

**Government bonds.** At the end of June, the outstanding stock of LCY government bonds climbed to VND1,127.6 trillion, rising 3.2% q-o-q in Q2 2019, which was up from 0.9% q-o-q growth in Q1 2019.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2018		Q1 2019		Q2 2019		Q2 2018		Q2 2019	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	1,183,532	52	1,201,959	52	1,233,519	53	(1.0)	14.7	2.6	4.2
Government	1,095,953	48	1,092,228	47	1,127,565	48	(2.1)	12.2	3.2	2.9
Treasury Bonds	857,454	37	919,151	40	932,040	40	1.7	8.7	1.4	8.7
Central Bank Bills	58,400	3	4,900	0	32,999	1	(36.0)	-	573.5	(43.5)
Government-Guaranteed and Municipal Bonds	180,099	8	168,177	7	162,526	7	(2.5)	(4.0)	(3.4)	(9.8)
Corporate	87,579	4	109,731	5	105,954	5	14.7	58.2	(3.4)	21.0

- = not applicable, ( ) = negative, q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second 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.

The overall stock of government bonds was lifted by the surge in central bank bills in Q2 2019, while Treasury bonds posted a slower expansion and government-guaranteed and municipal bonds contracted during the review period. On an annual basis, growth in government bonds rebounded to 2.9% y-o-y following a 2.4% y-o-y contraction in the prior quarter.

Treasury bonds continued to account for a significant majority of the government bond stock, representing an 82.7% share of the government bond total. The stock of Treasury bonds totaled VND932.0 trillion at the end of June, up 1.4% q-o-q and 8.7% y-o-y.

The outstanding amount of central bank bills jumped to VND33.0 trillion, rising more than six-fold on a q-o-q basis. On a y-o-y basis, however, a contraction of 43.5% was recorded. The State Bank of Vietnam resumed issuing bills in March, following a 5-month hiatus, to siphon excess money from the banking system and safeguard the stability of the Vietnamese dong.

On the other hand, the outstanding stock of government-guaranteed and municipal bonds slightly declined to VND162.5 trillion at the end of June, slipping 3.4% q-o-q and 9.8% y-o-y.

**Corporate bonds.** The outstanding amount of LCY corporate bonds stood at VND106.0 trillion at the end of June, falling 3.4% q-o-q but rising 21.0% y-o-y. *AsianBondsOnline* data on corporate bonds in Viet Nam,

showed that the entire corporate bond market comprised 44 institutions. Many corporates in Viet Nam issue bonds through private placements in which information is mostly undisclosed.<sup>8</sup>

Aggregate bonds outstanding of the 30 largest bond issuers in Viet Nam amounted to VND89.7 trillion (**Table 2**), accounting for 84.7% of the corporate bond total at the end of June. In the top spot was Vingroup with outstanding bonds amounting to VND12.6 trillion, overtaking Vinhomes, which was a close second with VND12.5 trillion, and Masan Consumer Holdings, which was third with VND11.1 trillion. Together, the top three firms accounted for 34.2% of the corporate bond stock. The top 30 list was dominated by firms from the banking and real estate sectors. Of the list, 4 are state-owned firms and 20 are listed with the Ha Noi Stock Exchange.

## Policy, Institutional, and Regulatory Developments

### Ha Noi Stock Exchange Launches Government Bond Futures

In July, the Ha Noi Stock Exchange launched the government bond futures contract, marking the second derivatives product available in Viet Nam. The bond futures contract will utilize a hypothetical 5-year government bond issued by the State Treasury, which has a large listing volume and commands high liquidity. Initially, the 5-year bond futures will only be traded by

<sup>8</sup> As most bonds in Viet Nam are issued via private placement, our data on corporate bonds may be understated.

Table 2: Top 30 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.	Vingroup	12,600	0.54	No	Yes	Real Estate
2.	Vinhomes	12,500	0.54	No	Yes	Real Estate
3.	Masan Consumer Holdings	11,100	0.48	No	No	Diversified Operations
4.	Vietnam Joint Stock Commercial Bank for Industry and Trade	8,200	0.35	Yes	Yes	Banking
5.	Asia Commercial Joint Stock Bank	6,800	0.29	No	No	Banking
6.	Vinpearl	5,800	0.25	No	No	Hotel Operator
7.	Ho Chi Minh City Infrastructure Investment	3,550	0.15	No	Yes	Infrastructure
8.	Bank for Investment and Development of Vietnam	3,050	0.13	Yes	Yes	Banking
9.	Hoang Anh Gia Lai	3,000	0.13	No	Yes	Real Estate
10.	Masan Group	3,000	0.13	No	Yes	Finance
11.	Vietnam Prosperity Joint Stock Commercial Bank	3,000	0.13	No	Yes	Banking
12.	Vietnam Technological and Commercial Joint Stock Bank	3,000	0.13	No	No	Banking
13.	Sai Dong Urban Investment and Development	2,600	0.11	No	No	Real Estate
14.	Hoan My Medical	2,330	0.10	No	No	Healthcare Services
15.	Refrigeration Electrical	2,318	0.10	No	Yes	Manufacturing
16.	Vietnam International Commercial Bank	2,203	0.09	No	Yes	Agriculture
17.	Agro Nutrition International	2,000	0.09	No	No	Agriculture
18.	Joint Stock Commercial Bank for Foreign Trade of Vietnam	2,000	0.09	Yes	Yes	Banking
19.	Vietnam Electrical Equipment	1,800	0.08	No	Yes	Manufacturing
20.	Masan Resources	1,500	0.06	No	Yes	Mining
21.	Nui Phao Mining	1,500	0.06	No	No	Mining
22.	Saigon-Hanoi Securities	1,150	0.05	No	Yes	Finance
23.	SSI Securities	1,150	0.05	No	Yes	Finance
24.	Mobile World Investment	1,135	0.05	No	Yes	Manufacturing
25.	Pan Group	1,135	0.05	No	Yes	Consumer Services
26.	No Va Land Investment Group	1,000	0.04	No	Yes	Real Estate
27.	TTC Education Joint Stock Company	951	0.04	No	No	Education Services
28.	Vietnam Bank for Agriculture and Rural Development	760	0.03	Yes	No	Banking
29.	Nam Long Investment	660	0.03	No	Yes	Real Estate
30.	Khang Dien House Trading	534	0.02	No	Yes	Building and Construction
<b>Total Top 30 LCY Corporate Issuers</b>		<b>89,726</b>	<b>3.85</b>			
<b>Total LCY Corporate Bonds</b>		<b>105,954</b>	<b>4.55</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>84.7%</b>	<b>84.7%</b>			

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

Notes:

1. Data as of 30 June 2019.

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

Sources: *AsianBondsOnline* calculations based on Bloomberg LP and Vietnam Bond Market Association data.

institutional investors. The derivatives market saw rapid development after the VN-30 Index futures contract was launched in August 2017, which was aimed to limit risks in the equity market. As of June, trading volume had increased 10 times and open interest volume surged 2.7 times relative to 2017. The bond futures contract is expected to meet investors' investment needs for risk prevention and support the further deepening and development of Viet Nam's government bond market.

### Merger of Ha Noi Stock Exchange and Ho Chi Minh Stock Exchange into Viet Nam Stock Exchange

During the 36th session of the National Assembly Standing Committee held on 12–16 August, the merger of the Ha Noi Stock Exchange and the Ho Chi Minh Stock Exchange was announced. The merged entity will be known as the Viet Nam Stock Exchange and will be based in Ha Noi. It will be managed by the Ministry of Finance acting as a focal point for all stock- and securities-related activities. The National Assembly Standing Committee believes that the merger of the two stock exchanges will promote uniformity in the market, increase transparency and efficiency in governance, and ensure the legal rights of investors.