

Viet Nam

Yield Movements

Viet Nam's local currency (LCY) government bond yield curve shifted downward between 31 August and 15 October (**Figure 1**). Bond yields for all tenors fell, with yields shedding an average of 26 basis points (bps) across the curve. The 5-year tenor and 15-year tenor declined the most at 38 bps each. Yields generally fell more at the longer end than the shorter end of the curve, leading to a narrowing of the 2-year versus 10-year yield spread from 126 bps on 31 August to 118 bps on 15 October.

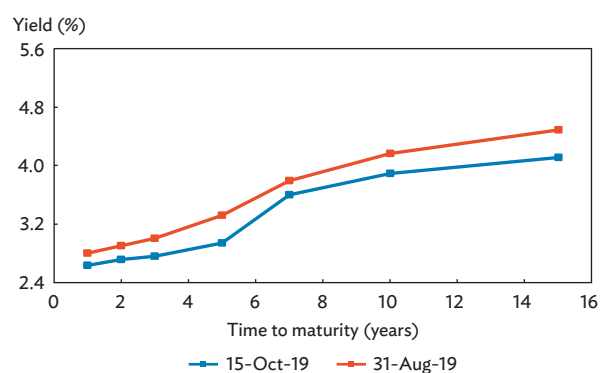
The downward yield movement was driven largely by a policy rate cut by the State Bank of Vietnam (SBV) on 13 September. The SBV reduced its key policy rates 25 bps each, bringing the refinancing rate to 6.0%, the rediscounting rate to 4.0%, and the overnight rate to 7.0%. Unlike other central banks in the region, the SBV's move was largely in response to easing monetary policies in advanced economies as opposed to declines in domestic growth. The SBV cited negative developments in the global economy and easing monetary policy in the United States (US) and European Central Bank. The SBV also noted that the domestic economy remains stable with inflation controlled.

Viet Nam's gross domestic product growth remained strong in 2019. In the third quarter (Q3) of 2019, Viet Nam's economy grew 7.3% year-on-year (y-o-y) after rising 6.7% y-o-y in the second quarter (Q2) of 2019.

Viet Nam continues to be a beneficiary of the ongoing People's Republic of China–US trade war as businesses reallocate production to Viet Nam. The government indicated that for the first 3 quarters of 2019, manufacturing was the main driver of economic growth. Exports grew 8.3% y-o-y during the same period.

Despite Viet Nam's strong economic growth, inflation remained manageable. Consumer price inflation rose slightly to 2.2% y-o-y in October from 2.0% y-o-y in the prior month. For the first 10 months of the year, inflation was 2.5% y-o-y.

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



Source: Based on data from Bloomberg LP.

Size and Composition

Viet Nam continued to have the smallest LCY bond market in emerging East Asia, with outstanding bonds of VND1,277.7 trillion (USD55.1 billion) at the end of September (**Table 1**). The overall growth of the LCY bond market accelerated to 3.4% quarter-on-quarter (q-o-q) in Q3 2019 from 2.6% q-o-q in Q2 2019. The gain was solely driven by government bonds as corporate bonds posted a q-o-q decline. On a y-o-y basis, total bonds outstanding grew 1.9% y-o-y.

Government bonds. At the end of Q3 2019, the outstanding stock of LCY government bonds climbed to VND1,172.5 trillion, growing 4.0% q-o-q after rising 3.2% q-o-q in Q2 2019. The bulk of the q-o-q growth was driven by significant gains in central bank bills, which expanded 118.2% q-o-q in Q3 2019, while Treasury bonds only grew 0.9% q-o-q. Government-guaranteed and municipal bonds, on the other hand, contracted 1.7% q-o-q. On a y-o-y basis, total government bonds grew 1.7% in Q3 2019.

Treasury bonds remained the largest contributor to the stock of government bonds, accounting for an 80.2% share at the end of Q3 2019. Total outstanding Treasury bonds reached VND940.8 trillion at the end

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2018		Q2 2019		Q3 2019		Q3 2018		Q3 2019	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,254,004	54	1,235,789	53	1,277,742	55	9.2	17.7	3.4	1.9
Government	1,152,989	49	1,127,565	48	1,172,498	51	8.9	14.7	4.0	1.7
Treasury Bonds	896,681	38	932,040	40	940,811	41	4.6	12.5	0.9	4.9
Central Bank Bills	75,010	3	32,999	1	71,997	3	257.2	257.2	118.2	(4.0)
Government-Guaranteed and Municipal Bonds	181,298	8	162,526	7	159,690	7	0.7	(2.9)	(1.7)	(11.9)
Corporate	101,015	4	108,224	5	105,244	5	13.1	67.2	(2.8)	4.2

- = not applicable, () = 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.

of September. Growth in the government bond stock was capped by a decline in planned issuance of the State Treasury during the quarter. In August, the number of auctions was reduced from weekly to once every 2 weeks.

While the amount of outstanding central bank bills grew significantly at 118.2% q-o-q to VND72.0 trillion, growth moderated from 573.5% q-o-q (coming from a low base) in Q2 2019. Growth in central bank bills also declined 4.0% y-o-y.

Corporate bonds. The outstanding amount of LCY corporate bonds fell 2.8% q-o-q in Q3 2019 to VND105.2 trillion. On a y-o-y basis, however, corporate bonds grew 4.2%. *AsianBondsOnline* data on corporate bonds in Viet Nam, obtained from Bloomberg, showed that the entire corporate bond market comprised 45 institutions. Many corporates in Viet Nam issue bonds through private placements in which information is mostly undisclosed.¹³

The aggregate bonds outstanding of the 30 largest bond issuers in Viet Nam amounted to VND101.1 trillion (**Table 2**), accounting for 96.1% of the corporate bond total at the end of September. In the top spot was Vinhomes, with outstanding bonds of VND12.5 trillion,

followed by Masan Consumer Holdings at VND11.1 trillion. Vingroup, which previously held the top spot, dropped to the third spot at VND10.1 trillion. Together, the top three firms accounted for 32.0% of the corporate bond total. 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

State Treasury Plans to Issue VND70 Trillion Worth of Government Bonds in Q3 2019

In August, the State Treasury announced its plan to issue VND70 trillion worth of government bonds in Q3 2019. The issuance plan comprises (i) 5-year Treasury bonds worth VND4 trillion, (ii) 7-year Treasury bonds worth VND2 trillion, (iii) 10-year Treasury bonds worth VND27 trillion, (iv) 15-year Treasury bonds worth VND26 trillion, (v) 20-year Treasury bonds worth VND6 trillion, and (vi) 30-year Treasury bonds worth VND5 trillion. The volume of issuance, however, may be adjusted subject to market conditions and the funding needs of the government.

¹³ 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.	Vinhomes	12,500	0.54	No	Yes	Real Estate
2.	Masan Consumer Holdings	11,100	0.48	No	No	Diversified Operations
3.	Vingroup	10,100	0.44	No	Yes	Real Estate
4.	Vietnam Joint Stock Commercial Bank for Industry and Trade	8,200	0.35	Yes	Yes	Banking
5.	Vinpearl	7,500	0.32	No	No	Hotel Operator
6.	Asia Commercial Joint Stock Bank	6,800	0.29	No	No	Banking
7.	Lien Viet Post Joint Stock Commercial Bank	3,100	0.13	No	Yes	Banking
8.	Hoang Anh Gia Lai	3,000	0.13	No	Yes	Real Estate
9.	Vietnam Technological and Commercial Joint Stock Bank	3,000	0.13	No	No	Banking
10.	Vietnam Prosperity Joint Stock Commercial Bank	3,000	0.13	No	Yes	Banking
11.	Bank for Investment and Development of Vietnam	2,700	0.12	Yes	Yes	Banking
12.	Sai Dong Urban Investment and Development	2,600	0.11	No	No	Real Estate
13.	Ho Chi Minh City Infrastructure Investment	2,570	0.11	No	Yes	Infrastructure
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 Group	1,500	0.06	No	Yes	Finance
21.	Masan Resources	1,500	0.06	No	Yes	Mining
22.	Nui Phao Mining	1,500	0.06	No	No	Mining
23.	Saigon-Hanoi Securities	1,150	0.05	No	Yes	Finance
24.	SSI Securities	1,150	0.05	No	Yes	Finance
25.	Mobile World Investment	1,135	0.05	No	Yes	Manufacturing
26.	Pan Group	1,135	0.05	No	Yes	Consumer Services
27.	TTC Education Joint Stock Company	951	0.04	No	No	Education Services
28.	Sai Gon Thuong Tin Real Estate	870	0.04	No	Yes	Real Estate
29.	Vietnam Bank for Agriculture and Rural Development	760	0.03	Yes	No	Banking
30.	Nam Long Investment	660	0.03	No	Yes	Real Estate
Total Top 30 LCY Corporate Issuers		101,132	4.36			
Total LCY Corporate Bonds		105,244	4.54			
Top 30 as % of Total LCY Corporate Bonds		96.1%	96.1%			

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

Notes:

1. Data as of 30 September 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.