

## Viet Nam

### Yield Movements

The yields of local currency (LCY) government securities in Viet Nam fell across the board between 15 June and 15 August (**Figure 1**). Yields on bonds with maturities from 1 year to 7 years averaged declines of 37 basis points (bps), while the 3-year tenor dropped the most at 48 bps. Smaller declines were observed for bonds at the longer-end of the curve, particularly 10- and 15-year tenors, whose yields fell 14 bps and 13 bps, respectively. The yield spread between the 2-year and 10-year tenors widened from 207 bps to 237 bps during the review period.

Strong demand from investors for government securities amid abundant liquidity was the main driver of the fall in bond yields. Lower yields in short- to medium-term paper, relative to longer tenors, indicate that investors remain on the sidelines in search for market leads amid the uncertainty.

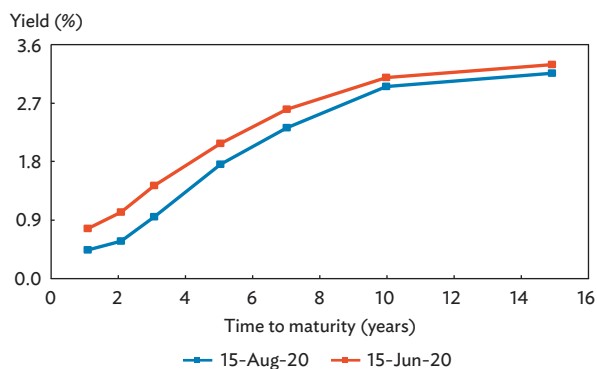
In the context of new cases of the coronavirus disease (COVID-19) reported in Viet Nam, the pandemic continues and the market remains weighed with risks. As risk aversion persists, safe-haven assets such as government securities are benefiting from strong demand, which is driving yields down.

The low-interest-rate environment, following a policy rate cut from the State Bank of Vietnam that reduced the refinancing rate to 4.5% from 5.0% on 13 May, is affecting the yield movements.

Inflationary pressures are also weak. Price increases for consumer goods in Viet Nam subsided to 0.07% month-on-month (m-o-m) in August from 0.4% m-o-m in July, marking the second month of consecutive slowdown. All commodity groups showed slight price increases except for garments; postal services and telecommunication; and culture, entertainment, and tourism where prices fell. On a year-on-year (y-o-y) basis, prices increased 3.2% in August. The inflation rate in the first 8 months of 2020 increased to 4.0% y-o-y.

The Vietnamese economy managed to grow in the second quarter (Q2) of 2020 despite the gloomy global economic forecast. Viet Nam's gross domestic product

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



Source: Based on data from Bloomberg LP.

posted growth of 0.4% y-o-y during the quarter, the slowest expansion in over 30 years, following growth of 3.8% y-o-y in the first quarter (Q1). The economy was hard hit in Q2 2020 by the measures put in place to contain the spread of COVID-19. The services sector dragged down Q2 2020 growth with its 1.8% q-o-q decline, while the agriculture, forestry, and fishing sector; and the industry and construction sector both expanded.

The Vietnamese dong traded at VND23,176 per USD1 on 15 August, appreciating by about 2.0% from its weakest value against the United States dollar in 2020 thus far of VND23,637 at the end of March. The strength of the dong owed to the favorable macroeconomic conditions and rising foreign exchange reserves.

### Size and Composition

Viet Nam's total LCY bonds outstanding declined 1.7% q-o-q to VND1,349 trillion (USD58.2 billion) at the end of Q2 2020, reversing the previous quarter's expansion (**Table 1**). On an annual basis, the bond market expanded 9.4% y-o-y in Q2 2020, although this was slower compared to Q1 2020. The quarterly contraction in market size was due to lower outstanding debt in the government sector even as the corporate bond stock increased. Government bonds accounted for a larger share of Viet Nam's bond market at 86.2% versus corporate bonds with a 13.8% share.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2019		Q1 2020		Q2 2020		Q2 2019		Q2 2020	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	1,233,519	53	1,373,100	58	1,349,263	58	2.6	4.1	(1.7)	9.4
Government	1,127,565	48	1,260,477	53	1,162,754	50	3.2	2.9	(7.8)	3.1
Treasury Bonds	932,040	40	970,436	41	1,019,096	44	1.4	8.7	5.0	9.3
Central Bank Bills	32,999	1	136,986	6	0	0	573.5	(43.5)	-	-
Government-Guaranteed and Municipal Bonds	162,526	7	153,055	6	143,658	6	(3.4)	(9.8)	(6.1)	(11.6)
Corporate	105,954	5	112,623	5	186,509	8	(3.4)	18.7	65.6	76.0

- = 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.

**Government bonds.** Total LCY government outstanding bonds in Viet Nam decreased 7.8% q-o-q to VND1,163 trillion at the end of June. The absence of outstanding central bank bills was one of the main drivers of the decline. Outstanding central bank bills matured in Q2 2020 from VND137 trillion in the previous quarter, while there was no new issuance from the State Bank of Vietnam to support liquidity in the market.

Fewer outstanding government-guaranteed and municipal bonds at the end of Q2 2020 also drove the decline. Together, they amounted to VND144 trillion, dipping 6.1% q-o-q.

Among all types of government securities, only Treasury bonds registered positive growth in Q2 2020. Treasury bonds outstanding increased 5.0% q-o-q to VND1,019 trillion at the end of June after marginally declining in Q1 2020. While Treasury bonds generally comprise the largest share of Viet Nam's bond market, this increase did not offset the declines in other bond segments.

On an annual basis, total government debt outstanding grew 3.1% y-o-y.

The increase in Treasury bonds outstanding came on the back of a higher volume of bond offerings and issuance by the State Treasury of Viet Nam during Q2 2020 compared to the previous quarter. The Treasury issued VND54.1 trillion during the quarter,

which was 61.5% q-o-q higher than the issuance in Q1 2020. The low-interest-rate environment has also been conducive for the State Treasury to accelerate fund mobilization to support the government's fiscal stimulus measures against the adverse economic impact of the COVID-19 pandemic. Despite low yields, Treasury bonds' attractiveness to investors reflects portfolio diversification to include safe-haven assets amid the pandemic and also indicates confidence in Viet Nam's economic prospects.

**Corporate bonds.** Corporate bonds posted growth of 65.6% q-o-q and 76.0% y-o-y in Q2 2020, bringing the total outstanding amount to VND187 trillion at the end of June. The significant increase was due to more data sources on Viet Nam's corporate bond market being used by *AsianBondsOnline*.<sup>8</sup> At the same time, corporates were active in mobilizing funds through bond issuance during the quarter as they reopened operations after pandemic restrictions were lifted. Also, an upcoming regulation that will raise the standards in the corporate bond market and result to stricter issuance guidelines made issuers rush to the bond market before it becomes effective on 1 September.

The aggregate bonds outstanding of the top 30 LCY corporate issuers amounted to VND147.1 trillion, or 78.9% of the total corporate bond market, at the end of June (**Table 2**). The top 30 corporate issuers were largely from the banking industry with cumulative outstanding bonds equal to VND62.7 trillion or nearly half of the top 30's outstanding debt. Firms from the property sector were

<sup>8</sup> *AsianBondsOnline* now includes corporate bond data from Vietnam Bond Market Association in addition to Bloomberg data.

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	21,390	0.92	No	Yes	Property
2.	Bank for Investment and Development of Vietnam	16,691	0.72	Yes	Yes	Banking
3.	Masan Group	9,500	0.41	No	Yes	Finance
4.	Asia Commercial Joint Stock Bank	8,300	0.36	No	Yes	Banking
5.	Vietnam Joint Stock Commercial Bank for Industry and Trade	8,250	0.36	Yes	Yes	Banking
6.	Ho Chi Minh City Development Commercial Joint Stock Bank	7,855	0.34	No	Yes	Banking
7.	Vinpearl	7,500	0.32	No	No	Hotel Operator
8.	Vingroup	7,000	0.30	No	Yes	Property
9.	Vietnam International Commercial Joint Stock Bank	4,203	0.18	No	Yes	Banking
10.	Sovico Group	4,050	0.17	No	Yes	Diversified Operations
11.	Vietnam Prosperity Joint-Stock Commercial Bank	3,900	0.17	No	Yes	Banking
12.	Sun Ha Long Co., Ltd.	3,500	0.15	No	No	Property
13.	Bac A Commercial Joint Stock Bank	3,240	0.14	No	Yes	Banking
14.	Lien Viet Post Joint Stock Commercial Bank	3,100	0.13	No	Yes	Banking
15.	Hoang Anh Gia Lai	3,000	0.13	No	Yes	Property
16.	Vietnam Technological and Commercial Joint Stock Bank	3,000	0.13	No	Yes	Banking
17.	TNL Investment and Leasing Joint Stock Company	2,926	0.13	No	No	Property
18.	Nui Phao Mining and Processing Co., Ltd.	2,920	0.13	No	No	Mining
19.	Binh Hai Golf Investment and Development Joint Stock Company	2,745	0.12	No	No	Leisure
20.	Ho Chi Minh City Infrastructure Investment	2,470	0.11	No	Yes	Infrastructure
21.	Hoan My Medical	2,330	0.10	No	No	Healthcare Services
22.	Refrigeration Electrical	2,318	0.10	No	Yes	Manufacturing
23.	Vincommerce General Trading Service Joint Stock Company	2,300	0.10	No	No	Retail
24.	Ho Chi Minh City Infrastructure Investment Joint Stock Company	2,220	0.10	No	Yes	Construction
25.	Tien Phong Commercial Joint Stock Bank	2,167	0.09	No	Yes	Banking
26.	Hong Phong1 Energy	2,150	0.09	No	No	Utility
27.	Masan Consumer Holdings	2,100	0.09	No	No	Diversified Operations
28.	Agro Nutrition International	2,000	0.09	No	No	Agriculture
29.	Joint Stock Commercial Bank for Foreign Trade of Vietnam	2,000	0.09	Yes	Yes	Banking
30.	Saigon Glory Company Limited	2,000	0.09	No	No	Property
<b>Total Top 30 LCY Corporate Issuers</b>		<b>147,124</b>	<b>6.34</b>			
<b>Total LCY Corporate Bonds</b>		<b>186,509</b>	<b>8.04</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>78.9%</b>	<b>78.9%</b>			

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

Notes:

1. Data as of 30 June 2020.

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.

next with VND39.8 trillion. Vinhomes held on to the top spot with VND21.4 trillion outstanding bonds in Q2 2020, almost double the amount at the end of Q1 2020.

Issuance from the corporate sector in Q2 2020 amounted to VND82.5 trillion, led by the banking sector with VND35.9 trillion in total issuances during the quarter from 65 banks. Property firms came next with VND27.9 trillion from 103 issuers. The combined issuances from the banking and property sectors comprised 77.4% of total corporate bond issuance in Q2 2020. **Table 3** lists selected bond issuances during the quarter. Vinhomes had the single-largest issuance (VND3,095 billion) followed by the Masan Group (VND3,000 billion).

## Investor Profile

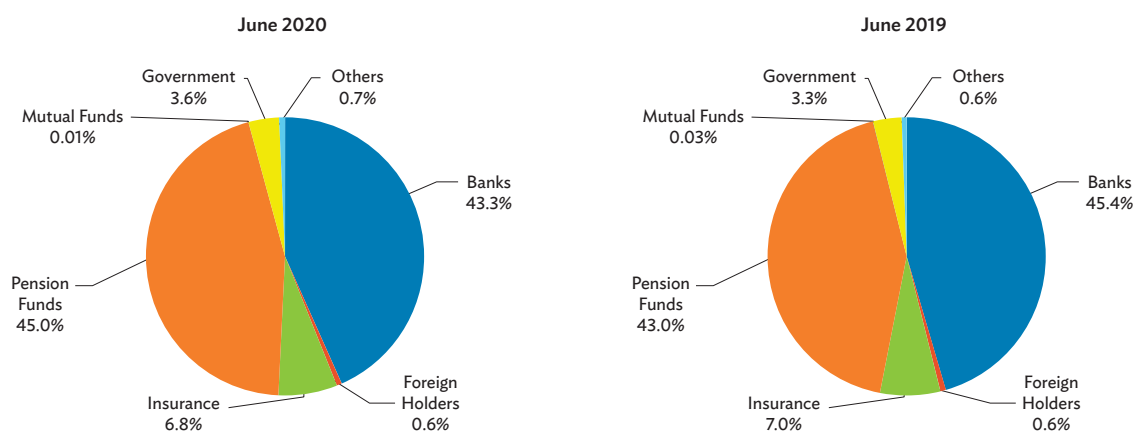
Pension funds and banks were the major holders of LCY government bonds at the end of June, with combined holdings of almost 90% of the total government bond stock (**Figure 2**). Pension funds holdings rose to a 45.0% share, up from 43.0% in June 2019. This increase outpaced banks whose share of government bond holdings, fell to 43.3% from 45.4% during the review period. The rankings of the remaining investor groups held steady and their shares were practically unchanged between June 2019 and June 2020. Foreign investors held only 0.6% of government securities at the end of June 2020, which is the smallest foreign holdings share among

**Table 3: Notable Local Currency Corporate Bond Issuance in the Second Quarter of 2020**

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
Vinhomes			Ho Chi Minh City Development Commercial Joint Stock Bank		
3-year bond	Floating	3,095	3-year bond	3.00	2,000
3-year bond	Floating	2,185	3-year bond	3.00	1,000
1.5-year bond	Floating	3,040	3-year bond	3.00	1,000
Masan Group			Bac A Commercial Joint Stock Bank		
3-year bond	Floating	3,000	2-year bond	6.30	1,000
Bank for Investment and Development of Vietnam			2-year bond	6.30	1,000
7-year bond	Floating	1,000	Sovico Group		
7-year bond	Floating	1,000	3-year bond	Floating	1,000
7-year bond	Floating	1,000			
6-year bond	Floating	2,300			
6-year bond	Floating	1,000			

VND = Vietnamese dong.  
Source: Bloomberg LP.

**Figure 2: Local Currency Government Bonds Investor Profile**



Source: Viet Nam Ministry of Finance.

all emerging East Asian economies. Mutual funds have the smallest holdings share in Viet Nam's LCY government bond market at 0.01%.

## Policy, Institutional, and Regulatory Developments

### Ministry of Finance Amends Decree to Tighten the Trading of Privately Placed Corporate Bonds

In July, Viet Nam's Ministry of Finance amended several points under Decree No. 163/2018/ND-CP to tighten the trading of privately placed corporate bonds in the domestic market. In the new version, depository organizations must provide information about corporate bond trading within 1 working day of the trade being completed. Regular updates about bond registration and depository must be provided to the stock exchange

monthly, quarterly, and yearly. The amended decree will take effect on 1 September 2020.<sup>9</sup>

### Viet Nam Government Issues New Decree to Raise the Standards in the Corporate Bond Market

In July, the Government of Viet Nam issued Government Decree No. 81 to raise standards in the corporate bond market and ensure information transparency. In particular, the decree will limit private issuance to minimize risks for individual investors and will impose more responsibility on underwriters when evaluating the financial capacity of issuers. The decree also states that the total bond issuance of a company cannot exceed its equity capital by five times and that the gap between two bond issuances must be at least 6 months. The issuer must also declare the purpose of the funds and provide a business plan for proper monitoring by investors. The new decree takes effect on 1 September.<sup>10</sup>

<sup>9</sup> Ministry of Finance, Government of Viet Nam. *New Regulations about Corporate Bond Issuance*. [https://www.mof.gov.vn/webcenter/portal/vclvcstcen/r/m/page190214/ft\\_chitiet66?dDocName=MOFUCM179280&\\_afrLoop=105313418565750659#%40%40%3F\\_afrLoop%3D105313418565750659%26dDocName%3DMOFUCM179280%26\\_adf.ctrl-state%3D1bxz51o5rj\\_282](https://www.mof.gov.vn/webcenter/portal/vclvcstcen/r/m/page190214/ft_chitiet66?dDocName=MOFUCM179280&_afrLoop=105313418565750659#%40%40%3F_afrLoop%3D105313418565750659%26dDocName%3DMOFUCM179280%26_adf.ctrl-state%3D1bxz51o5rj_282).

<sup>10</sup> Viet Nam News. *Decree Takes Effect in September to Raise Standards for Corporate Bond Market*. <https://vietnamnews.vn/economy/770204/decree-takes-effect-in-september-to-raise-standards-for-corporate-bond-market.html>.