

Viet Nam

Yield Movements

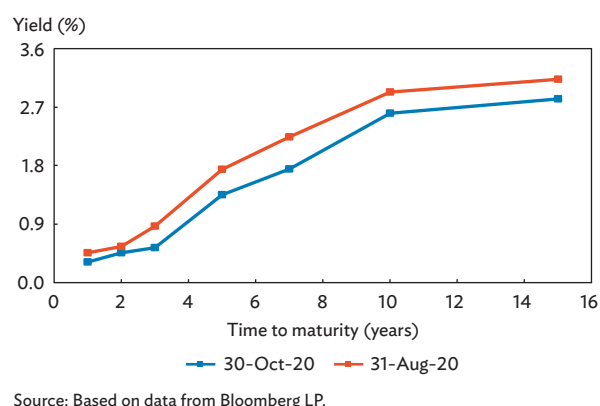
The yields of local currency (LCY) government securities in Viet Nam fell across the length of the curve between 31 August and 30 October (**Figure 1**). Yields on bonds with 1-year and 2-year maturities dropped 14 basis points (bps) and 10 bps, respectively, while yields on bonds with tenors from 3 years to 15 years had larger declines ranging from 31 bps to 50 bps, with 7-year bonds having the largest drop. The yield spread between the 2-year and 10-year tenors narrowed from 240 bps to 217 bps during the review period.

As elsewhere in the region, a low-interest-rate environment and abundant liquidity in the financial system, as a result of the State Bank of Vietnam's (SBV) accommodative monetary policy stance, and easing inflation drove the downward movement of the yield curve. Good volume participation was observed in bond auctions as investors continued to pick government bonds as a safe investment. Smaller yield declines for bonds with shorter maturities reflected investor interest in this portion of the curve, given the uncertainties brought about by the coronavirus disease (COVID-19) pandemic.

The SBV reduced the refinancing interest rate by 50 bps to 4.00%, effective 1 October, to sustain the domestic economic recovery. It was the third time in 2020 that the central bank had lowered the benchmark interest rate, resulting in a total rate cut of 200 bps, as part of its effort to prop up the economy amid the COVID-19 pandemic.

Weak inflationary pressures remained to keep yields floored. Consumer price inflation sustained its downtrend in October to 2.5% year-on-year (y-o-y) from 3.0% y-o-y in September, despite aggressive monetary easing by the SBV. Transport largely pulled down the inflation rate as prices declined 13.5% y-o-y. Meanwhile, the price of food and catering services increased 9.5% y-o-y. Inflation for the first 10 months of the year averaged 3.7% y-o-y, and the General Statistics Office of Viet Nam expects it to remain within the government's target of below 4.0% y-o-y for full-year 2020.

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



Viet Nam's economic expansion gained momentum in the third quarter (Q3) of 2020 on growth of 2.6% y-o-y, up from revised growth of 0.4% y-o-y in the second quarter (Q2); however, it is the slowest pace of Q3 growth recorded since 2011. The growth was largely supported by the gradual resumption of business operations as the COVID-19 pandemic, including its partial resurgence during the quarter, was successfully contained.

The Vietnamese dong's exchange rate was stable from 1 July through 30 October, with movement in the range of VND23,165 to VND23,206 to USD1. The stability of the dong was supported by the weakness of the United States dollar and the economy's high trade surplus, which allowed the SBV to build its foreign exchange reserves and manage the exchange rate.

Size and Composition

Viet Nam's LCY bond market grew 11.6% quarter-on-quarter (q-o-q) in Q3 2020, recovering strongly from a decline of 1.4% q-o-q in the preceding quarter (**Table 1**). Total bonds outstanding registered VND1,514.3 trillion (USD65.3 billion) at the end of September, supported by the government and corporate bond market segments, which both expanded during the quarter. On an annual basis, growth in LCY bonds outstanding accelerated to 17.0% y-o-y from 9.8% y-o-y in Q2 2020. The LCY bond market comprised 83.8% government bonds and 16.2% corporate bonds at the end of September.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2019		Q2 2020		Q3 2020		Q3 2019		Q3 2020	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,293,992	56	1,356,398	58	1,514,275	65	4.7	3.1	11.6	17.0
Government	1,186,748	51	1,162,754	50	1,268,599	55	5.2	2.9	9.1	6.9
Treasury Bonds	955,061	41	1,019,096	44	1,128,861	49	2.5	6.5	10.8	18.2
Central Bank Bills	71,997	3	0	0	0	0	118.2	(4.0)	–	(100.0)
Government-Guaranteed and Municipal Bonds	159,690	7	143,658	6	139,738	6	(1.7)	(11.9)	(2.7)	(12.5)
Corporate	107,244	5	193,644	8	245,677	11	(0.7)	5.1	26.9	129.1

(-) = negative, – = not applicable, 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 size of the government bond market grew 9.1% q-o-q in Q3 2020 to VND1,268.6 trillion, after declining 7.8% q-o-q in Q2 2020. The expansion was driven by Treasury bonds, which grew 10.8% q-o-q, or double the growth rate in Q2 2020, on the back of increased issuance from the State Treasury. There were no outstanding central bank bills at the end of Q3 2020 as the SBV continued to support liquidity in the market. Government-guaranteed and municipal bonds outstanding posted a decline in Q3 2020, albeit at a slower pace of 2.7% q-o-q compared with 6.1% q-o-q in Q2 2020. On an annual basis, total government debt outstanding grew 6.9% y-o-y in Q3 2020.

Issuance of government bonds in Q3 2020 totaled VND116.9 trillion, more than doubling the amount issued in Q2 2020. The State Treasury had a higher bond offering volume as it continued to raise funds for the government's COVID-19 pandemic response. Auctions were met favorably by investors as safe assets like government bonds remained attractive amid lingering uncertainty.

Corporate bonds. Corporate bonds outstanding continued to increase in Q3 2020, reaching VND245.7 trillion, on growth of 26.9% q-o-q and 129.1% y-o-y. While the corporate bond market grew, issuance activity in Q3 2020 was rather meek. Debt sales by corporates amounted to VND67 trillion, down from VND83 billion in Q2 2020. The decline is attributed to the government's Decree No. 81/2020/ND-CP, which

raises the standards for corporate bond issuance in the market. The bulk of the issuance was seen in August as firms took advantage of the time before the regulation came into effect on 1 September. In September, debt sales from the corporate sector dropped sharply by about 70% from August.

The combined bonds outstanding of the top 30 issuers in the corporate market amounted to VND189.4 trillion, or 77.1% of the total debt stock in the corporate segment (**Table 2**). Nearly half of the outstanding bonds, totaling VND93.7 trillion, were from the banking sector, followed by property firms with VND47.5 trillion, or 25.1% of the total. The Bank for Investment and Development of Vietnam, Vinhomes, Masan Group, Vietnam International Commercial Joint Stock Bank, and Ho Chi Minh City Development Joint Stock Commercial Bank had the largest amounts of bonds outstanding with over VND10 trillion each.

Banking and property firms remained the largest issuers in Q3 2020, as their combined debt sales comprised almost 75% of the total corporate issuances during the quarter. Notable issuances listed in **Table 3** were largely from banks and comprised of medium-term tenors. HSBC's (Viet Nam) VND600 billion issuance was the first debt sale of a foreign commercial bank in the local market. Proceeds will be used in the bank's operations and as a channel to diversify its funding sources to accelerate its business growth in Viet Nam.

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.	Bank for Investment and Development of Vietnam	20,350	0.88	Yes	Yes	Banking
2.	Vinhomes	16,390	0.71	Yes	Yes	Property
3.	Masan Group	13,500	0.58	Yes	Yes	Diversified Operations
4.	Vietnam International Commercial Joint Stock Bank	10,503	0.45	Yes	Yes	Banking
5.	Ho Chi Minh City Development Joint Stock Commercial Bank	10,248	0.44	Yes	Yes	Banking
6.	Vietnam Prosperity Joint Stock Commercial Bank	9,150	0.39	Yes	Yes	Banking
7.	Lien Viet Post Joint Stock Commercial Bank	9,100	0.39	Yes	Yes	Banking
8.	Vietnam Joint Stock Commercial Bank for Industry and Trade	8,850	0.38	Yes	Yes	Banking
9.	Asia Commercial Joint Stock Bank	8,300	0.36	Yes	Yes	Banking
10.	Saigon Glory Company Limited	8,000	0.35	No	No	Property
11.	Sovico Group Joint Stock Company	7,550	0.33	Yes	Yes	Diversified Operations
12.	Vingroup	7,000	0.30	Yes	Yes	Property
13.	Vinpearl	6,000	0.26	No	No	Hotel Operator
14.	Ho Chi Minh City Infrastructure Investment Joint Stock Company	4,690	0.20	Yes	Yes	Construction
15.	Bac A Commercial Joint Stock Bank	4,640	0.20	Yes	Yes	Banking
16.	Nui Phao Mining and Processing Co., Ltd.	4,310	0.19	No	No	Mining
17.	NoVa Real Estate Investment Corporation JSC	4,207	0.18	Yes	Yes	Property
18.	Orient Commercial Joint Stock Bank	3,635	0.16	No	No	Banking
19.	Sun Ha Long Co., Ltd.	3,500	0.15	No	No	Property
20.	Vietnam Technological and Commercial Joint Stock Bank	3,000	0.13	No	No	Banking
21.	Vietnam Maritime Commercial Joint Stock Bank	2,999	0.13	Yes	Yes	Banking
22.	TNL Investment and Leasing Joint Stock Company	2,926	0.13	No	No	Property
23.	Tien Phong Commercial Joint Stock Bank	2,911	0.13	Yes	Yes	Banking
24.	Phu Long Real Estate Joint Stock Company	2,800	0.12	No	No	Property
25.	Binh Hai Golf Investment and Development Joint Stock Company	2,745	0.12	No	No	Leisure
26.	Phu My Hung Corporation	2,640	0.11	No	No	Property
27.	Masan Resources	2,500	0.11	No	No	Manufacturing
28.	Hoan My Medical	2,330	0.10	No	No	Healthcare Services
29.	Refrigeration Electrical	2,318	0.10	Yes	Yes	Manufacturing
30.	Vincommerce General Trading Service Joint Stock Company	2,300	0.10	No	No	Retail Trading
Total Top 30 LCY Corporate Issuers		189,391	8.17			
Total LCY Corporate Bonds		245,677	10.60			
Top 30 as % of Total LCY Corporate Bonds		77.1%	77.1%			

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

Notes:

1. Data as of 30 September 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.

Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2020

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)	Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
HSBC (Viet Nam) Bank Limited			Saigon Glory Company Limited		
3-year bond	5.80	600	3-year bond	Floating	1,000
Vietnam International Commercial Joint Stock Bank			5-year bond	-	1,000
3-year bond	-	1,500	5-year bond	-	1,000
3-year bond	-	1,500	5-year bond	-	1,000
3-year bond	-	1,400	5-year bond	-	1,000
3-year bond	-	1,000	5-year bond	-	1,000
Lien Viet Post Joint Stock Commercial Bank			Bank for Investment and Development of Vietnam		
3-year bond	5.80	1,000	7-year bond	-	1,500
3-year bond	5.80	1,000			
3-year bond	5.80	1,000			
3-year bond	-	1,000			

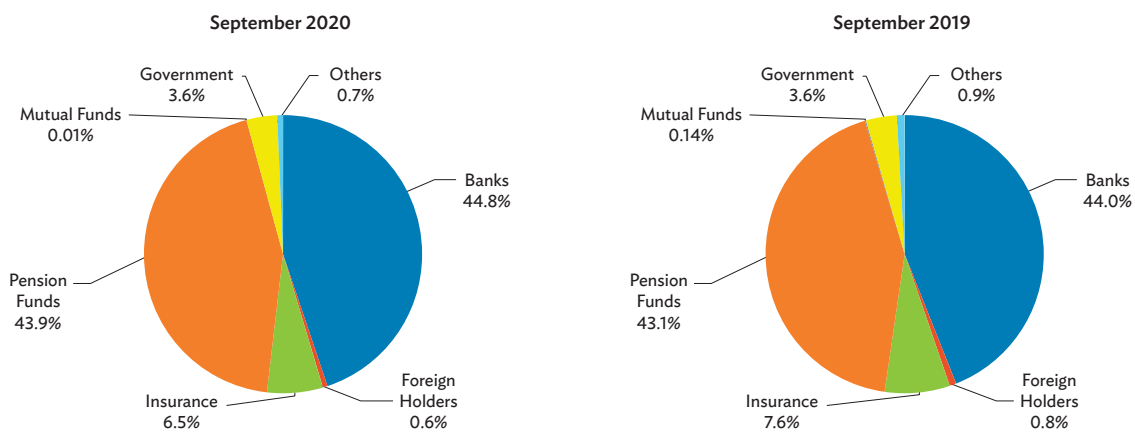
- = not available, VND = Vietnamese dong.
Sources: Bloomberg LP and Vietnam Bond Market Association.

Investor Profile

Banks were the major holders of LCY government bonds at the end of September, accounting for 44.8% of total government debt (Figure 2). This share was 0.8 percentage points higher than in September 2019. Pension funds were the second-largest holders with a 43.9% share, up from 43.1% a year earlier. The shares

of the remaining investor groups saw marginal declines between September 2019 and September 2020. Foreign investors held only 0.6% of government securities at the end of September 2020, which was the smallest foreign holdings share among all emerging East Asian economies. Mutual funds had the smallest holdings share in Viet Nam’s LCY government bond market at the end of September at 0.01%, down from 0.14% a year earlier.

Figure 2: Local Currency Government Bonds Investor Profile



Source: Viet Nam Ministry of Finance.

Policy, Institutional, and Regulatory Developments

Ministry of Finance Issues Guidance on Bond Issuance Information Disclosure

On 14 August, the Ministry of Finance issued Circular No. 77/2020/TT-BTC to provide guidance on its existing decrees, Decree No. 81/2020/ND-CP and Decree No. 163/2018/ND-CP, on the provision of bond issuance information in the domestic market. In particular, the circular guides the (i) information disclosure regime of bond issuers; (ii) information disclosure on the corporate bond website; and (iii) reporting regime of the stock exchange, corporate bond issuance consulting organizations, and bond depository organizations.¹¹

¹¹ The Ministry of Finance guides the issuance of corporate bonds. See <https://english.luatvietnam.vn/circular-no-77-2020-tt-btc-dated-august-14-2020-of-the-ministry-of-finance-on-guiding-a-number-of-provisions-of-the-governments-decree-no-81-2020-189347-Doc1.html>.