

Viet Nam

Yield Movements

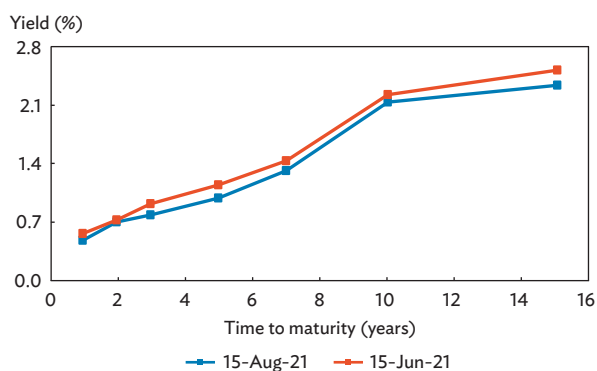
The yields of local currency (LCY) government bonds in Viet Nam declined for all tenors between 15 June and 15 August, shifting the yield curve downward (**Figure 1**). Yields fell 11 basis points (bps) on average across the curve. The smallest drop was seen for the 2-year tenor (3 bps), while the largest drop was for the 15-year tenor (18 bps). The yield spread between the 2-year and 10-year tenors narrowed during the review period from 152 bps to 145 bps.

The downward movement of the yield curve reflected risk aversion amid renewed uncertainties posed by the more contagious variants of COVID-19, and abundant liquidity in the market. This resulted in the continued preference for safe-haven assets like government securities. The accommodative monetary policy of the State Bank of Vietnam (SBV) and inflation remaining low also offset any upward pressure on the bond yields.

The SBV announced that it would keep its accommodative monetary policy stance and dismissed speculation it would adopt a looser policy approach in the near term.⁹ The central bank stated that the timing of any adjustment to the policy rate will be properly assessed based on the actual situation. With sufficient liquidity, low credit demand, and the pandemic still underway, the SBV determined that easing monetary policy further would be inappropriate at present. Thus, the key policy rate remained at 4.00% after the SBV had reduced it by a total of 200 bps in 2020 to support the economy.

The prices of consumer goods in Viet Nam inched up by 2.8% year-on-year (y-o-y) in August, accelerating from a 2.6% y-o-y gain in July. The upward movement in prices was largely driven by food and foodstuffs due to increased stockpiling and higher cost of transportation as the government has limited the mobility of the population. Year-to-date through the end of August, consumer price inflation was 1.8% y-o-y, far below the government ceiling of 4.0% for 2021.

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



Source: Based on data from Bloomberg LP.

Viet Nam's economy continued to expand as its gross domestic product grew 6.6% y-o-y in the second quarter (Q2) of 2021, accelerating from 4.5% y-o-y growth in Q1 2021 and significantly higher than the 0.4% y-o-y increase in Q2 2020. The domestic economy managed to sustain its growth despite the resurgence of COVID-19 cases in April. The government is targeting annual gross domestic product growth of 6.5% for full-year 2021.

The Vietnamese dong remained relatively steady against the United States dollar from the start of the year through the middle of August. The domestic currency traded at VND22,822.0 per USD1.0 on 15 August, reflecting a year-to-date appreciation of 1.2%. The stability of the dong was supported by inflows of worker remittances and foreign direct investment, as well as the adequate foreign reserve position of the central bank.

Size and Composition

The LCY bond market in Viet Nam expanded 6.1% quarter-on-quarter (q-o-q) to VND1,759.0 trillion (USD76.5 billion) at the end of Q2 2021, reversing the previous quarter's contraction of 0.3% q-o-q (**Table 1**). The quarterly growth was mainly driven by the corporate sector as outstanding government debt slightly decreased.

⁹ Hanoi Times. 2021. Policy Rate Cut Not in Sight at Present: C. Bank. 11 August. <http://hanoitimes.vn/policy-rate-cut-not-in-sight-at-present-cbank-318340.html>.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2020		Q1 2021		Q2 2021		Q2 2020		Q2 2021	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,379,762	59	1,658,262	72	1,758,977	76	(1.2)	11.7	6.1	27.5
Government	1,183,518	51	1,364,303	59	1,357,573	59	(7.6)	5.0	(0.5)	14.7
Treasury Bonds	1,039,610	45	1,220,377	53	1,221,237	53	4.9	11.5	0.1	17.5
Central Bank Bills	0	0	0	0	0	0	(100.0)	(100.0)	-	-
Government-Guaranteed and Municipal Bonds	143,908	6	143,927	6	136,337	6	(6.1)	(11.5)	(5.3)	(5.3)
Corporate	196,244	8	293,959	13	401,404	17	70.3	81.8	36.6	104.5

(-) = negative, - = not applicable, 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 accounted for 77.2% of Viet Nam's bond market at the end of June, while corporate bonds comprised 22.8%. On an annual basis, the bond market expanded 27.5% y-o-y in Q2 2021, up from a gain of 18.7% y-o-y in Q1 2021.

Government bonds. The government bond market slightly contracted 0.5% q-o-q in Q1 2021, trimming the government's outstanding debt to VND1,357.6 trillion. A smaller amount of government-guaranteed and municipal bonds outstanding and the absence of central bank bills offset the marginal increase in Treasury bonds.

Treasury bonds outstanding increased 0.1% q-o-q to VND1,221.2 trillion in Q2 2021 after dropping 0.6% q-o-q in the preceding quarter. The expansion occurred due to large bond sales from the State Treasury of Vietnam amounting to VND102.3 trillion, which exceeded the programmed VND100.0 trillion issuance and more than offset the considerable amount of maturing securities during the quarter.

Outstanding government-guaranteed and municipal bonds declined 5.3% q-o-q to VND136.3 trillion due to maturities and the absence of issuance in this government bond segment in Q2 2021. There were no outstanding central bank bills at the end of Q2 2021 as the SBV remained committed to supporting liquidity in the market.

Corporate bonds. Corporate bonds surged on 36.6% q-o-q growth in Q2 2021, up from a 3.3% q-o-q

gain in Q1 2021, raising the total amount of corporate bonds outstanding to VND401.4 trillion at the end of June. The growth was underpinned by sizable debt sales from the corporate sector during the quarter. Bonds are still an attractive channel for firms to raise funds, especially with the SBV's strict control of credit in potentially risky sectors like property. Moreover, higher debt sales from the banking sector that helped banks increase their capital base boosted issuance from the corporate sector.¹⁰

The top 30 LCY corporate issuers had aggregate bonds outstanding of VND257.8 trillion at the end of June, or 64.2% of the total corporate bond market (**Table 2**). Banks dominated the list with cumulative outstanding bonds equal to VND172.1 trillion, comprising a 66.7% share of the top 30's outstanding bonds. Property firms were the next most prolific issuers with VND52.6 trillion in bonds outstanding, or 20.4% of the top 30's total debt. The Bank for Investment and Development of Vietnam remained the single-largest issuer at the end of Q2 2021 with outstanding debt of VND25.9 trillion, up from VND22.0 trillion at the end of Q1 2021.

Issuance from the corporate sector in Q2 2021 climbed to VND112.6 trillion, about six times the debt sales in Q1 2021. There were 75 corporate bond issuers in Q2 2021, more than doubling the number in the previous quarter. A majority of issuers were from the property (28 issuers) and banking (15 issuers) sectors. In terms of sales, banks dominated the debt market, raising an aggregate VND64.9 trillion during the quarter,

¹⁰ Vietnam News. 2021. Banks Boost Fundraising Through Bonds. 7 June. <https://vietnamnews.vn/economy/967735/banks-boost-fundraising-through-bonds.html>.

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	25,902	1.13	Yes	Yes	Banking
2.	Ho Chi Minh City Development Joint Stock Commercial Bank	18,348	0.80	No	Yes	Banking
3.	Vietnam Prosperity Joint Stock Commercial Bank	18,050	0.78	No	Yes	Banking
4.	Masan Group	16,900	0.73	No	Yes	Finance
5.	Asia Commercial Joint Stock Bank	16,500	0.72	No	Yes	Banking
6.	Tien Phong Commercial Joint Stock Bank	15,649	0.68	No	Yes	Banking
7.	Vietnam International Joint Stock Commercial Bank	15,393	0.67	No	Yes	Banking
8.	Lien Viet Post Joint Stock Commercial Bank	14,100	0.61	No	Yes	Banking
9.	Vietnam Joint Stock Commercial Bank for Industry and Trade	10,435	0.45	Yes	Yes	Banking
10.	Vinhomes Joint Stock Company	8,890	0.39	No	Yes	Property
11.	Orient Commercial Joint Stock Bank	8,635	0.38	No	No	Banking
12.	Saigon Glory Company Limited	8,000	0.35	No	No	Property
13.	Sovico Group Joint Stock Company	7,550	0.33	No	Yes	Property
14.	Bac A Commercial Joint Stock Bank	6,140	0.27	No	Yes	Banking
15.	Golden Hill Real Estate JSC	5,701	0.25	No	No	Property
16.	Vietnam Maritime Joint Stock Commercial Bank	5,699	0.25	No	Yes	Banking
17.	Vingroup	5,425	0.24	No	Yes	Property
18.	Vietnam Technological and Commercial Joint Stock Bank	5,000	0.22	No	Yes	Banking
19.	Saigon - Hanoi Commercial Bank	4,600	0.20	No	Yes	Banking
20.	Trung Nam Dak Lak 1 Wind Power JSC	4,500	0.20	No	No	Energy
21.	Phu My Hung Corporation	4,497	0.20	No	No	Property
22.	Ho Chi Minh City Infrastructure Investment Joint Stock Company	4,370	0.19	No	Yes	Construction
23.	Nui Phao Mining and Processing Co., Ltd.	4,310	0.19	No	No	Mining
24.	NoVa Real Estate Investment Corporation JSC	3,907	0.17	No	Yes	Property
25.	Orient Commercial Joint Stock Bank	3,900	0.17	No	Yes	Banking
26.	An Binh Commercial Joint Stock Bank	3,700	0.16	No	No	Banking
27.	Vincom Retail Joint Stock Company	3,050	0.13	No	Yes	Retail Trading
28.	Tuong Minh Investment and Real Estate Company Limited	2,950	0.13	No	No	Property
29.	TNL Investment and Leasing Joint Stock Company	2,926	0.13	No	No	Property
30.	Phu Long Real Estate Joint Stock Company	2,800	0.12	No	No	Property
Total Top 30 LCY Corporate Issuers		257,826	11.21			
Total LCY Corporate Bonds		401,404	17.45			
Top 30 as % of Total LCY Corporate Bonds		64.2%	64.2%			

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

Notes:

1. Data as of 30 June 2021.

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.

which accounted for 57.8% of total issuance; property firms were second, raising VND26.5 trillion. Notable bond issuances during the quarter are listed in **Table 3**. Golden Hill Real Estate JSC topped the list with a VND5,700.6 trillion issuance of 3-year bonds.

Table 3: Notable Local Currency Corporate Bond Issuances in the Second Quarter of 2021

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
Golden Hill Real Estate JSC		
3-year bond	-	5,701
Asia Commercial Joint Stock Bank ^a		
3-year bond	-	2,500
3-year bond	-	2,500
3-year bond	-	2,000
3-year bond	-	2,000
Voyage Investment		
4-year bond	-	2,300
Ho Chi Minh City Development Joint Stock Commercial Bank ^a		
3-year bond	-	2,000
3-year bond	-	2,000
Trung Nam Group		
3-year bond	-	2,000

- = not available, VND = Vietnamese dong.

^a Multiple issuance of the same tenor indicates issuance on different dates.

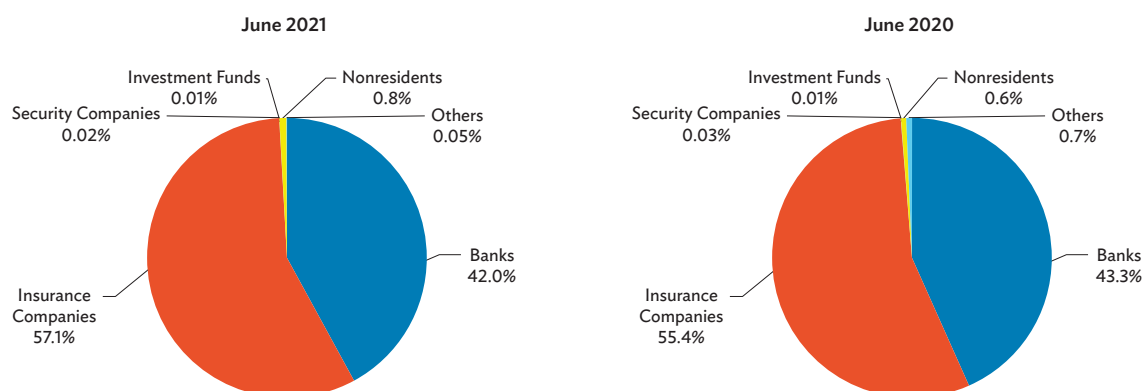
Sources: Vietnam Bond Market Association.

In Q2 2021, two firms tapped the international bond market to raise funds. In April, Vingroup raised USD500.0 million in its first international bond issuance. The corporate security has a 5-year maturity and a coupon of 3.0%. Proceeds will be used to pay loans and increase the capital of its subsidiaries. In May, BIM Land had its inaugural issuance of a USD-denominated bond worth USD200.0 million and with a maturity of 5 years and a coupon of 7.38%. It was the first corporate green bond issued by a domestic firm outside of Viet Nam. The proceeds will be used to fund Excellence in Design for Greater Efficiencies-certified real estate projects.

Investor Profile

Government securities outstanding were held almost entirely by insurance firms and banks at the end of June, which together accounted for 99.1% of the total holdings. Insurance firms held 57.1% of government securities, up from 55.4% at the end of June 2020, while banks held 42.0%, down from 43.3% during the same period. The remaining outstanding bonds were held by securities companies, investment funds, offshore investors, and other investors. Foreign investors held 0.8% of government securities at the end of June, increasing from 0.6% a year earlier. Viet Nam's LCY bond market continued to have the smallest foreign holdings share among all emerging East Asian economies.

Figure 2: Local Currency Government Bonds Investor Profile



Source: Ministry of Finance, Government of Viet Nam.

Policy, Institutional, and Regulatory Developments

Hanoi Stock Exchange Launches 10-Year Government Bond Futures

On 28 June, the Hanoi Stock Exchange launched the 10-year government bond futures, which will be traded on the exchange's derivatives market. The base asset of the derivatives product is a 10-year government bond issued by the State Treasury of Viet Nam amounting to VND100,000 and with an annual interest rate of 5.0%. According to the Hanoi Stock Exchange, the new bond futures product aims to diversify derivatives securities in the market and provide more risk prevention tools for long-term government bonds. The 10-year government bond futures is the third derivatives product in the Vietnamese bond market, following the VN30 Index and 5-year government bond futures.