

## Viet Nam

### Yield Movements

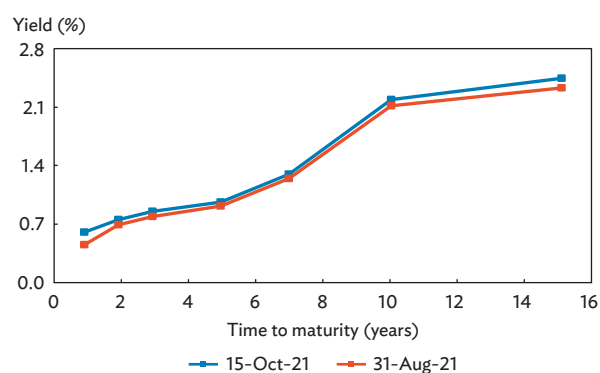
The yield curve of local currency (LCY) government bonds in Viet Nam shifted upward, with rates increasing across the board between 31 August and 15 October (Figure 1). Yields increased 8 basis points (bps) on average for all tenors. The largest increase was seen for the 1-year tenor at 15 bps, while the smallest gain was for the 5-year and 7-year tenors at 5 bps each. The yield spread between the 2-year and 10-year tenors marginally widened during the review period from 143 bps to 144 bps.

The upward adjustment of the yield curve is in line with the regional trend of increasing bond yields in response to the shift in the monetary stance of the United States Federal Reserve of cutting back its asset purchases later in the year and the possibility of earlier rate hikes thereafter. Viet Nam's economic downturn in the third quarter (Q3) of 2021 also affected the rise in yields as it renewed uncertainty over recovery prospects, prompting investors to ask for higher returns for the risks. Nonetheless, the increases were not as high as in other regional markets as the central bank maintained its accommodative stance, inflation rate remained low, and liquidity was still abundant.

Viet Nam's economy contracted in Q3 2021 with its gross domestic product (GDP) declining 6.2% year-on-year (y-o-y) after posting 6.6% y-o-y growth in the second quarter (Q2) of 2021. It is the largest recorded drop since quarterly GDP was tracked in 2000. The domestic economy managed to sustain its positive growth since the start of the coronavirus disease (COVID-19) pandemic in early 2020. However, the fourth wave of COVID-19 had a deeply adverse impact on the economy as the imposition of quarantine restrictions disrupted production and consumption. In the first 3 quarters of 2021, the Vietnamese economy expanded 1.4% y-o-y. The government forecasts GDP growth of 3.0% y-o-y to 3.5% y-o-y for 2021.

The State Bank of Vietnam (SBV) announced in October that there would be no rate cuts for the year and it would be monitoring the developments on the COVID-19 situation and its impact on the economy and financial markets to appropriately manage rates. The key policy

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



Source: Based on data from Bloomberg LP.

rate remained at 4.00% after the central bank last reduced it by 50 bps in October 2020. In 2020, the SBV cut the policy rate by a total of 200 bps to support the economy from the impact of the COVID-19 pandemic.

The prices of consumer goods in Viet Nam inched up 1.8% y-o-y in October, easing from a 2.1% y-o-y gain in September. The downward adjustment in prices was attributed to lower goods prices as the COVID-19 situation improved, decreased utilities demand, and lower housing rentals. Year-to-date through the end of September, consumer price inflation was 1.8%. The government has put a ceiling of 4.0% for inflation in 2021.

The Vietnamese dong traded at VND22,749.0 per USD1.0 on 15 October, appreciating only 0.2% from its value on 31 August, reflecting the stability of the domestic currency. The strength of the dong, while subtle, is supported by net inflows from trade and foreign direct investment.

### Size and Composition

Viet Nam's LCY bond market expanded 8.1% quarter-on-quarter (q-o-q) to VND1,902.1 trillion (USD83.6 billion) at the end of Q3 2021, on faster growth compared to the previous quarter's increase of 6.1% q-o-q (Table 1). The quarterly growth emanated from both the government and corporate segments as both posted quarterly

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2020		Q2 2021		Q3 2021		Q3 2020		Q3 2021	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	1,540,040	66	1,758,977	76	1,902,088	84	11.6	17.1	8.1	23.5
Government	1,289,363	56	1,357,573	59	1,414,481	62	8.9	6.8	4.2	9.7
Treasury Bonds	1,149,375	50	1,221,237	53	1,276,988	56	10.6	17.8	4.6	11.1
Central Bank Bills	0	0	0	0	0	0	-	(100.0)	-	-
Government-Guaranteed and Municipal Bonds	139,988	6	136,337	6	137,494	6	(2.7)	(12.5)	0.8	(1.8)
Corporate	250,677	11	401,404	17	487,607	21	27.7	132.4	21.5	94.5

(-) = 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.

increases. At the end of September, government bonds accounted for 74.4% of Viet Nam's bond market, while corporate bonds comprised 25.6%. On an annual basis, the bond market expanded 23.5% y-o-y in Q3 2021, slowing from 27.5% y-o-y growth in Q2 2021.

**Government bonds.** The government bond market increased 4.2% q-o-q in Q3 2021, reversing the slight contraction of 0.5% q-o-q in the previous quarter. The government's outstanding debt amounted to VND1,414.5 trillion, with increases across all government bond segments except for central bank bills, which remained at zero.

Treasury bonds outstanding increased 4.6% q-o-q to VND1,277.0 trillion in Q3 2021, accelerating from growth of 0.1% q-o-q in Q2 2021. The growth was supported by the issuance of Treasury bonds amounting to VND96.2 trillion during the quarter. Total debt sales were about 80% of the planned issuance of VND120.0 trillion for Q3 2021.

Outstanding government-guaranteed and municipal bonds also increased in Q3 2021, albeit slightly, by 0.8% q-o-q to VND137.5 trillion after declining by 5.3% q-o-q in the previous quarter. The rebound can be attributed to bond issuance during the quarter from the government-guaranteed Vietnam Bank for Social Policies totaling VND11.0 trillion, which offset the maturing debts. In Q2 2021, there was no issuance from the government segment, while there was a considerable amount of maturing securities.

**Corporate bonds.** The corporate bond market maintained its strong expansion at 21.5% q-o-q in Q3 2021, although this was slower compared to Q2 2021 growth of 36.6% q-o-q. Outstanding corporate bonds reached VND487.6 trillion at the end of September. The growth was underpinned by vibrant issuance activity in the corporate sector during the quarter.

The top 30 LCY corporate issuers had aggregate bonds outstanding of VND309.1 trillion at the end of September, comprising 63.4% of the total corporate bond market (**Table 2**). The outstanding bonds were largely from banks and property firms. Banks had the largest amount of outstanding bonds totaling VND217.2 trillion, or 70.3% of the top 30's total debt, and property firms had VND49.0 billion with a share of 15.8%. The Bank for Investment and Development of Vietnam remained the largest issuer at the end of Q3 2021 with outstanding debt of VND37.6 trillion, growing from VND25.9 trillion at the end of Q2 2021.

Issuance activity from the corporate sector remained fairly active in Q3 2021 with total debt sales of VND94.4 trillion. However, this was down 15.9% from total corporate bond issuance in Q2 2021, likely as a result of a fourth COVID-19 outbreak that hit economic centers and halted business activities during the most recent quarter.

Firms resorted to the bond market for funding as regulations from the SBV cautioned against lending to risky sectors. Despite the risk, corporate bonds,

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	37,590	1.65	Yes	Yes	Banking
2.	Asia Commercial Joint Stock Bank	20,400	0.90	No	Yes	Banking
3.	Ho Chi Minh City Development Joint Stock Commercial Bank	20,348	0.89	No	Yes	Banking
4.	Lien Viet Post Joint Stock Commercial Bank	20,100	0.88	No	Yes	Banking
5.	Vietnam Prosperity Joint Stock Commercial Bank	19,080	0.84	No	Yes	Banking
6.	Vietnam International Joint Stock Commercial Bank	17,150	0.75	No	Yes	Banking
7.	Masan Group	16,900	0.74	No	Yes	Finance
8.	Orient Commercial Joint Stock Bank	16,535	0.73	No	No	Banking
9.	Tien Phong Commercial Joint Stock Bank	15,649	0.69	No	Yes	Banking
10.	Vietnam Joint Stock Commercial Bank for Industry and Trade	13,339	0.59	Yes	Yes	Banking
11.	Vinhomes Joint Stock Company	8,890	0.39	No	Yes	Property
12.	Saigon - Ha Noi Commercial Joint Stock Bank	8,450	0.37	No	Yes	Banking
13.	Saigon Glory Company Limited	8,000	0.35	No	No	Property
14.	Sovico Group Joint Stock Company	7,550	0.33	No	Yes	Property
15.	An Binh Commercial Joint Stock Bank	7,000	0.31	No	No	Banking
16.	Vietnam Maritime Joint Stock Commercial Bank	6,699	0.29	No	Yes	Banking
17.	Bac A Commercial Joint Stock Bank	6,140	0.27	No	Yes	Banking
18.	Golden Hill Real Estate JSC	5,701	0.25	No	No	Property
19.	Vingroup	5,425	0.24	No	Yes	Property
20.	Mediterranean Revival Villas Company Limited	5,000	0.22	No	No	Property
21.	Vietnam Technological and Commercial Joint Stock Bank	5,000	0.22	No	Yes	Banking
22.	Bong Sen JSC	4,800	0.21	No	No	Manufacturing
23.	Trung Nam Dak Lak 1 Wind Power JSC	4,500	0.20	No	No	Energy
24.	Phu My Hung Corporation	4,497	0.20	No	No	Property
25.	Truong Hai Auto Corp	4,400	0.19	No	Yes	Manufacturing
26.	Ho Chi Minh City Infrastructure Investment Joint Stock Company	4,370	0.19	No	Yes	Construction
27.	Nui Phao Mining and Processing Co., Ltd.	4,310	0.19	No	No	Mining
28.	NoVa Real Estate Investment Corporation JSC	3,907	0.17	No	Yes	Property
29.	Vietnam Bank for Agriculture and Rural Development	3,760	0.17	Yes	No	Banking
30.	VP Bank Finance Company Limited	3,600	0.16	No	No	Finance
<b>Total Top 30 LCY Corporate Issuers</b>		<b>309,089</b>	<b>13.58</b>			
<b>Total LCY Corporate Bonds</b>		<b>487,607</b>	<b>21.42</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>63.4%</b>	<b>63.4%</b>			

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

Notes:

1. Data as of 30 September 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.

particularly from property firms, remained attractive to investors as they offered higher rates.

Banks dominated the debt market, raising an aggregate VND46.7 trillion in Q3 2021, which accounted for about half of total issuance. The debt sales were down from VND64.9 trillion in Q2 2021. Property firms were second, raising VND28.6 trillion, which was up from VND26.5 trillion in the previous quarter. Large bond issuances during the quarter are listed in **Table 3**. Bong Sen JSC had the largest single issuance with a 1-year

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

Corporate Issuers	Coupon Rate (%)	Issued Amount (VND billion)
Bank for Investment and Development of Vietnam <sup>a</sup>		
6-year bond	-	3,000
8-year bond	0.9% + average interest rate for 12-month deposit	3,000
8-year bond	-	2,000
Mediterranean Revival Villas Company Limited <sup>a</sup>		
1-year bond	-	2,500
1-year bond	-	2,500
Bong Sen JSC		
1-year bond	11.00	4,320
Asia Commercial Joint Stock Bank		
3-year bond	-	2,500

- = not available, VND = Vietnamese dong.

<sup>a</sup> Multiple issuance of the same tenor indicates issuance on different dates.

Source: Vietnam Bond Market Association.

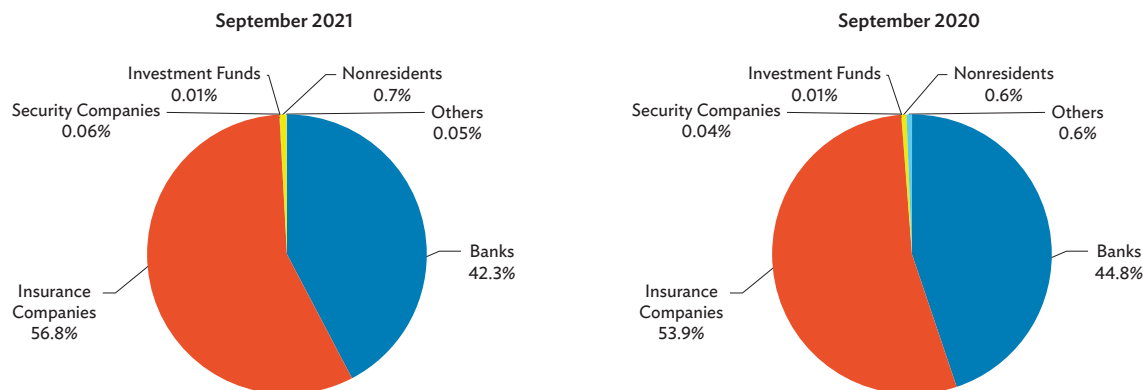
bond worth VND4.3 trillion. In aggregate terms, the Bank for Investment and Development of Vietnam was the biggest debt issuer in Q3 2021 with VND10.9 trillion.

In Q3 2021, two firms tapped the international bond market to raise funds. In July, Novaland issued more USD-denominated debt amounting to USD300.0 million after it had successfully mobilized USD500.0 million in April. The recently issued bond has a 5-year maturity and a coupon of 5.25%. The capital will be allocated to land acquisition and project development. In September, Vinpearl issued world's first exchange sustainable bond amounting to USD425.0 million with a maturity of 5 years and a coupon of 3.25%.

## Investor Profile

Government securities outstanding were held almost entirely by insurance firms and banks at the end of September, which together accounted for 99.1% of the total holdings. Insurance firms held 56.8% of government securities, up from 53.9% at the end of September 2020, while banks held 42.3%, down from 44.8% during the same period. The remaining outstanding bonds were held by securities companies, investment funds, offshore investors, and other investors. Foreign investors held 0.7% of government securities at the end of September, increasing from 0.6% a year earlier. Viet Nam's LCY bond market had the smallest foreign holdings share among emerging East Asian economies.

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



Source: Ministry of Finance, Government of Viet Nam.

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## Policy, Institutional, and Regulatory Developments

### State Treasury Implements Multiple Price Auction for 5-Year Treasury Bonds

On 6 October, the State Treasury implemented a pilot auction using a multiple price method for 5-year Treasury bonds. In a multiple price auction, the successful bidders pay the price stated in their respective bids for the allotted quantity of securities. The expected offering volume for the 5-year Treasury bond auctions was VND1,000–VND2,000 billion per session. For the rest of the tenors, the auction followed the uniform price method.<sup>14</sup>

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<sup>14</sup> Vietnam Bond Market Association. 2021. “The State Treasury to Implement Pilot Auctions of Government Bonds by Multi-Price Method.” 21 September. <https://vbma.org.vn/en/activities/kho-bac-nha-nuoc-thi-diem-trien-khai-phat-hanh-trai-phieu-chinh-phu-theo-phuong-thuc-dau-thau-da-gia>.