

Viet Nam

Yield Movements

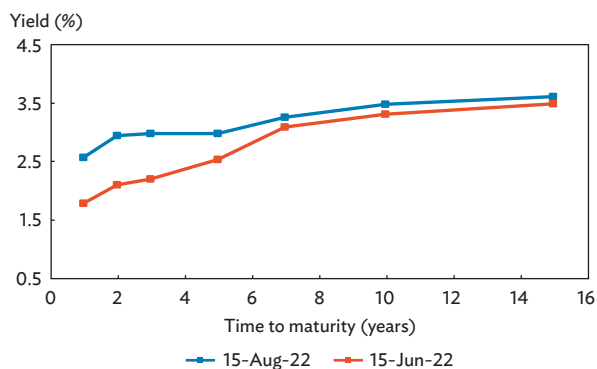
Local currency (LCY) government bond yields in Viet Nam rose for all tenors between 15 June and 15 August, leading the entire yield curve to shift upward (**Figure 1**). Bond yields for maturities of 3 years or less climbed the most, rising an average of 81 basis points (bps), while yields for maturities of 5 years or more gained an average of 23 bps during the review period. The yield curve flattened as yields at the shorter-end rose at a faster pace, causing the spread between the 10-year over 2-year tenors to narrow from 121 bps on 15 June to 54 bps on 15 August.

Bond yield movements in Viet Nam bucked the regional trend as it was the sole market in emerging East Asia where yields rose across the curve. The rise in yields was largely influenced by the State Bank of Vietnam (SBV) opting to utilize open market operations to manage the money supply and stabilize the exchange rate. The SBV is aiming to keep interbank rates elevated by setting an interest rate floor in its open market operations to maintain a spread between VND-denominated loans and USD-denominated loans. This move also indirectly contributed to the uptick in yields across the curve. In recent months, the central bank has resumed issuance of central bank bills and limited credit growth quotas for banks, withdrawing liquidity from the market.

The uptick in yields was also partly driven by Viet Nam's strong economic performance in the second quarter (Q2) of 2022. Real gross domestic product (GDP) growth climbed to 7.7% year-on-year (y-o-y) in Q2 2022 from 5.0% y-o-y in the first quarter (Q1) of 2022, the fastest pace to-date and higher than the government's full-year target. Economic growth was underpinned by the recovery in exports and growth across all industry sectors. Amid the strong GDP growth, the Ministry of Planning and Investment revised upward the 2022 growth target to 7.0% from 6.0%–6.5%.

The SBV has yet to raise policy rate unlike its peers in emerging East Asia, preferring to utilize open market operations to achieve its goals. Consumer price inflation has been relatively tame compared with that of other regional markets. Although inflation has been inching up

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



Source: Based on data from Bloomberg LP.

in recent months, it has remained below the government's limit of 4.0% for 2022. Consumer price inflation eased from 3.4% y-o-y in June to 3.1% y-o-y in July and 2.9% y-o-y in August. The government is confident that inflation will not exceed 4.0% this year.

Size and Composition

The LCY bond market's growth soared to 8.1% quarter-on-quarter (q-o-q) to reach a size of VND2,315.9 trillion (USD99.5 billion) at the end of June. Growth was faster than the 2.4% q-o-q expansion in the prior quarter (**Table 1**). The faster growth was contributed by both the government and corporate bond segments. Relative to the same quarter in the previous year, the bond market expanded 31.6% y-o-y in Q2 2022, up from the 29.2% y-o-y expansion in Q1 2022. The LCY bond market remained dominated by government bonds, which accounted for 70.2% share of the total bond stock at the end of June. The remaining 29.8% share was accounted for by corporate bonds whose share inched up from 29.4% in Q1 2022.

Government bonds. The outstanding size of Viet Nam's LCY government bond market reached VND1,626.2 trillion at the end of June on growth of 7.4% q-o-q. Much of the growth was contributed by central bank bills, which grew substantially during the review period.

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

| | Outstanding Amount (billion) | | | | | | Growth Rate (%) | | | |
|---|------------------------------|-----|-----------|-----|-----------|-----|-----------------|-------|---------|-------|
| | Q2 2021 | | Q1 2022 | | Q2 2022 | | Q2 2021 | | Q2 2022 | |
| | VND | USD | VND | USD | VND | USD | q-o-q | y-o-y | q-o-q | y-o-y |
| Total | 1,759,977 | 76 | 2,143,134 | 94 | 2,315,918 | 99 | 6.1 | 27.6 | 8.1 | 31.6 |
| Government | 1,357,573 | 59 | 1,513,514 | 66 | 1,626,199 | 70 | (0.5) | 14.7 | 7.4 | 19.8 |
| Treasury Bonds | 1,221,237 | 53 | 1,373,782 | 60 | 1,385,244 | 59 | 0.1 | 17.5 | 0.8 | 13.4 |
| Central Bank Bills | 0 | 0 | 4,387 | 0 | 102,410 | 4 | - | - | 2,234.6 | - |
| Government-Guaranteed and Municipal Bonds | 136,337 | 6 | 135,346 | 6 | 138,546 | 6 | (5.3) | (5.3) | 2.4 | 1.6 |
| Corporate | 402,404 | 17 | 629,620 | 28 | 689,719 | 30 | 36.4 | 105.1 | 9.5 | 71.4 |

(-) = 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.

Treasury bonds continued to account for a majority of government bonds in Viet Nam at a size of VND1,385.2 trillion. Growth, however, was marginal at 0.8% q-o-q in Q2 2022 versus 1.8% q-o-q in Q1 2022. The aggressive monetary policy action of the United States Federal Reserve acted as a drag on growth in most regional bond markets, resulting in the weakening of global financial conditions. This led to a decline in issuance in Viet Nam in Q2 2022, as investors sought higher returns. Issuance of Treasury bonds totaled VND27.8 trillion on a decline of 32.6% q-o-q in Q2 2022.

Government-guaranteed bonds, which accounted for 8.5% of the government bond total at the end of June, posted modest growth of 2.4%, a reversal from the 4.5% q-o-q contraction at the end of March. The increase in the bond stock was driven by the issuances of the Vietnam Bank for Social Policies, which issued several times each month during the quarter, totaling VND5.0 trillion.

Central bank bills posted the fastest growth among all bond segments, as robust issuance during the quarter lifted the central bank bond stock to VND102.4 trillion at the end of June from VND4.4 trillion at the end of March. The central bank has actively engaged in open market operations to manage liquidity conditions and the exchange rate. Amid the Federal Reserve's aggressive tightening, the SBV continued to issue bills to help stabilize the VND-USD exchange rate. Issuance of central bank bills during the quarter surged to VND167.7 trillion in Q2 2022 from only VND31.7 trillion in Q1 2022. SBV bill issuance during the quarter accounted for 83.6% of Viet Nam's government bond issuance total in Q2 2022.

Corporate bonds. At the end of June, the corporate bond stock climbed to VND689.7 trillion on growth of 9.5% q-o-q. Growth quickened from only 4.6% q-o-q at the end of March. The faster growth in outstanding corporate bonds was fueled by hefty issuance volume during the quarter, which totaled VND69.1 trillion for a 120.5% q-o-q hike, on renewed optimism as economic activities normalized and domestic economic growth outpaced expectations.

At the end of June, the outstanding bond stock of Viet Nam's top 30 corporate issuers totaled VND414.7 trillion, comprising 60.1% of the LCY corporate bond market (**Table 2**). Viet Nam's top corporate bond issuers were predominantly banks and property firms, which collectively held 55.5% of the total LCY corporate bonds outstanding at the end of June. State-owned Bank for Investment and Development of Vietnam (BIDV) remained the top issuer, with an outstanding bond stock of VND53.4 trillion at the end of June. BIDV accounted for 7.7% of the total corporate bond stock of Viet Nam at the end of Q2 2022.

Corporate bond issuance in Q2 2022 totaled VND69.1 trillion, rebounding during the quarter to rise 120.5% q-o-q after a 74.6% q-o-q drop in the previous quarter, as the strong economic recovery boosted investor confidence. The largest corporate bond issuances in Q2 2022 are presented in **Table 3**. Leading the list were three banking institutions. State-owned BIDV had aggregate issuance amounting to VND12.5 trillion in multiple tranches. Next were Military Commercial Joint Stock Bank with bond issuance totaling VND9.8 trillion in

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 | 53,368 | 2.29 | Yes | Yes | Banking |
| 2. | Vietnam Prosperity Joint Stock Commercial Bank | 29,250 | 1.26 | No | Yes | Banking |
| 3. | Vietnam International Joint Stock Commercial Bank | 28,950 | 1.24 | No | Yes | Banking |
| 4. | Ho Chi Minh City Development Joint Stock Commercial Bank | 24,998 | 1.07 | No | Yes | Banking |
| 5. | Asia Commercial Joint Stock Bank | 24,900 | 1.07 | No | Yes | Banking |
| 6. | Lien Viet Post Joint Stock Commercial Bank | 24,590 | 1.06 | No | Yes | Banking |
| 7. | Orient Commercial Joint Stock Bank | 23,935 | 1.03 | No | No | Banking |
| 8. | Masan Group | 18,300 | 0.79 | No | Yes | Finance |
| 9. | Tien Phong Commercial Joint Stock Bank | 17,649 | 0.76 | No | Yes | Banking |
| 10. | Military Commercial Joint Stock Bank | 15,046 | 0.65 | No | Yes | Banking |
| 11. | Vietnam Joint Stock Commercial Bank for Industry and Trade | 13,689 | 0.59 | Yes | Yes | Banking |
| 12. | Vietnam Technological and Commercial Joint Stock Bank | 13,600 | 0.58 | No | Yes | Banking |
| 13. | An Binh Commercial Joint Stock Bank | 11,000 | 0.47 | No | No | Banking |
| 14. | NoVa Real Estate Investment Corporation JSC | 10,981 | 0.47 | No | Yes | Property |
| 15. | Saigon - Ha Noi Commercial Joint Stock Bank | 10,150 | 0.44 | No | Yes | Banking |
| 16. | Vietnam Maritime Joint Stock Commercial Bank | 9,999 | 0.43 | No | Yes | Banking |
| 17. | Vinhomes JSC | 9,935 | 0.43 | No | Yes | Property |
| 18. | Sovico Group Joint Stock Company | 8,550 | 0.37 | No | Yes | Property |
| 19. | Saigon Glory Company Limited | 8,000 | 0.34 | No | No | Property |
| 20. | Bac A Commercial Joint Stock Bank | 7,300 | 0.31 | No | Yes | Banking |
| 21. | Southeast Asia Commercial Joint Stock Bank | 7,076 | 0.30 | No | Yes | Banking |
| 22. | Golden Hill Real Estate JSC | 5,701 | 0.24 | No | No | Property |
| 23. | Vingroup | 5,425 | 0.23 | No | Yes | Property |
| 24. | Mediterranean Revival Villas Company Limited | 5,000 | 0.21 | No | No | Property |
| 25. | Bong Sen JSC | 4,800 | 0.21 | No | No | Manufacturing |
| 26. | Thai Son-Long An JSC | 4,600 | 0.20 | No | No | Property |
| 27. | Vietnam Bank for Agriculture and Rural Development | 4,600 | 0.20 | Yes | No | Banking |
| 28. | Phu My Hung Corporation | 4,497 | 0.19 | No | No | Property |
| 29. | Trung Nam Dak Lak 1 Wind Power JSC | 4,400 | 0.19 | No | No | Energy |
| 30. | VPBank SMBC Finance Company Limited | 4,400 | 0.19 | No | No | Finance |
| Total Top 30 LCY Corporate Issuers | | 414,688 | 17.81 | | | |
| Total LCY Corporate Bonds | | 689,719 | 29.62 | | | |
| Top 30 as % of Total LCY Corporate Bonds | | 60.1% | 60.1% | | | |

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

Notes:

1. Data as of 30 June 2022.

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 Second Quarter of 2022

| Corporate Issuers | Coupon Rate (%) | Issued Amount (VND billion) | Corporate Issuers | Coupon Rate (%) | Issued Amount (VND billion) |
|---|--|-----------------------------|--|-----------------------|-----------------------------|
| Bank for Investment and Development of Vietnam ^a | | | Military Commercial and Joint Stock Bank ^a | | |
| 1.25-year bond | 3.80 | 2,300 | 3-year bond | 4.00 | 2,500 |
| 1.25-year bond | 3.80 | 1,700 | 3-year bond | - | 2,000 |
| 2-year bond | 4.20 | 1,000 | 3-year bond | - | 1,300 |
| 8-year bond | 0.9% + average interest rate for 12-month deposit | 2,000 | 3-year bond | - | 1,000 |
| 8-year bond | 0.9% + average interest rate for 12-month deposit | 1,981 | 3-year bond | - | 700 |
| 8-year bond | 0.9% + average interest rate for 12-month reference rate | 1,150 | 3-year bond | - | 700 |
| 8-year bond | 0.9% + average interest rate for 12-month deposit | 1,000 | 3-year bond | - | 200 |
| 8-year bond | 0.9% + average interest rate for 12-month reference rate | 500 | 5-year bond | - | 50 |
| 8-year bond | 0.9% + average interest rate for 12-month deposit | 460 | 5-year bond | - | 40 |
| 10-year bond | 1.3% + average interest rate for 12-month deposit | 200 | 5.27-year bond | 1.4% + reference rate | 50 |
| 10-year bond | 1.0% + average interest rate for 12-month deposit | 14 | 7-year bond | - | 1,010 |
| 15-year bond | 0.9% + average interest rate for 12-month reference rate | 200 | 7-year bond | - | 100 |
| | | | 7-year bond | 1.3% + reference rate | 100 |
| | | | 7-year bond | 7.05 | 50 |
| | | | 7-year bond | 1.3% + reference rate | 30 |
| | | | Vietnam Technological and Commercial Joint Stock Bank ^a | | |
| | | | 3-year bond | 4.30 | 1,500 |
| | | | 3-year bond | 4.20 | 1,500 |
| | | | 3-year bond | 4.30 | 1,500 |
| | | | 3-year bond | - | 1,000 |
| | | | 3-year bond | 4.20 | 1,000 |
| | | | 3-year bond | 4.20 | 1,000 |
| | | | 3-year bond | 4.20 | 500 |

- = not available, VND = Vietnamese dong.

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

Source: Vietnam Bond Market Association.

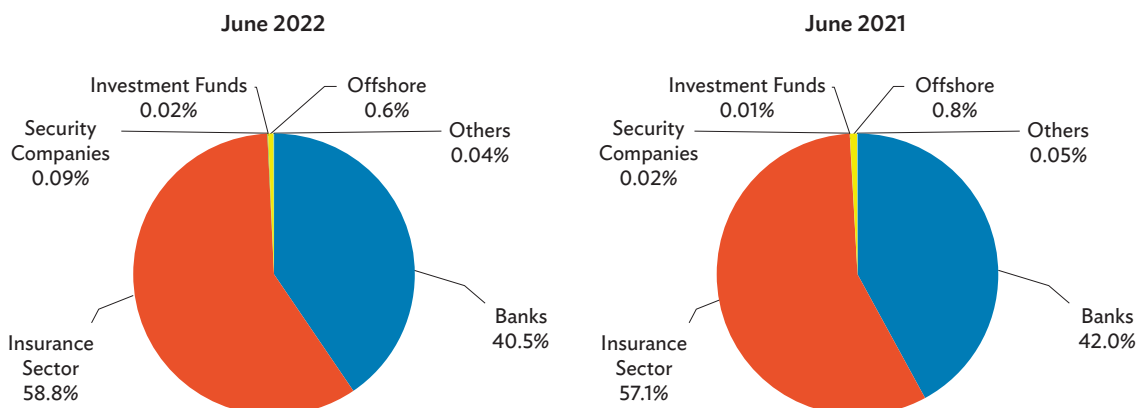
multiple issuances of 3-year, 5-year, and 7-year bonds and Vietnam Technological and Commercial Joint Stock Bank with issuances of VND8.0 trillion.

In Q2 2022, a total of 98 new corporate bonds were added to the corporate bond stock, with issuances coming from 38 corporate firms. The shortest-dated issuance for the quarter was a 1-year bond, while the longest was a 15-year bond. Most corporate bonds issued in Viet Nam carried floating-rate coupons. Most of the new bond issuances came from the banking sector.

Investor Profile

Insurance companies and banks continued to hold the majority of LCY government bonds in Viet Nam (**Figure 2**). Insurance companies' share of total government bonds outstanding rose to 58.8% at the end of June 2022 from 57.1% a year earlier. During the same period, banks' holdings of government bonds slipped to 40.5% from 42.0%. Foreign holdings of government bonds remained minimal at less than 1.0% at the end of June.

Figure 2: Local Currency Government Bonds Investor Profile



Source: Ministry of Finance, Government of Viet Nam.

Policy, Institutional, and Regulatory Developments

State Bank of Vietnam Releases Guidance for Corporates Issuing International Bonds

In July, the SBV released Circular No. 10/2022/TT-NHNN to provide guidance on foreign exchange management for corporates who issue bonds without a government guarantee in the international market. The circular provides the legal framework for borrowing and paying debt issued by corporates without guarantees. It also removed the requirement for a review of the bond issuance by a state-owned commercial bank. With the streamlined procedures, the regulation will encourage corporates to tap financing for their business operations through the issuance of international bonds.