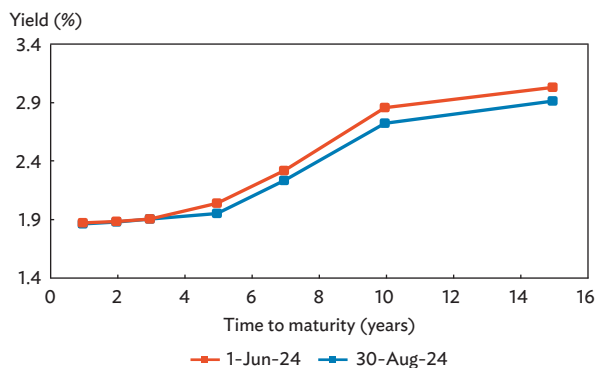


Viet Nam

Yield Movements

Between 1 June and 30 August, local currency (LCY) government bond yields in Viet Nam declined for most tenors. Yields decreased by an average of 6 basis points, with the 10-year tenor posting the largest decline of 13 basis points (Figure 1). The decline in yields was influenced by heightened expectations of a policy rate cut by the United States Federal Reserve in September, as signaled in its Federal Open Market Committee meeting on 30–31 July. Furthermore, to support liquidity in the economy, the State Bank of Vietnam, on 28 August, reduced the interest rate on central bank bills for the third time in August to 4.15%. Previously, the central bank cut the bills' interest rate from 4.50% to 4.25% on 5 August and was then further reduced to 4.20% on 20 August.

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

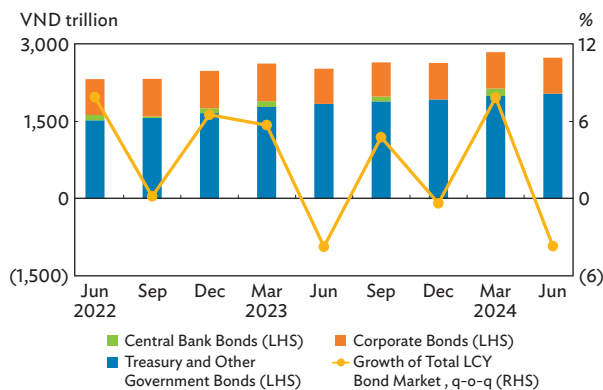


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Viet Nam's LCY bond market contracted in the second quarter (Q2) of 2024 on a high volume of maturities during the quarter. Total outstanding LCY bonds dropped 3.7% quarter-on-quarter (q-o-q) in Q2 2024, mainly driven by a large amount of maturities

Figure 2: Composition of Local Currency Bonds Outstanding in Viet Nam



(-) = negative, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, VND = Vietnamese dong.

Note: Other government bonds comprise government-guaranteed and municipal bonds.

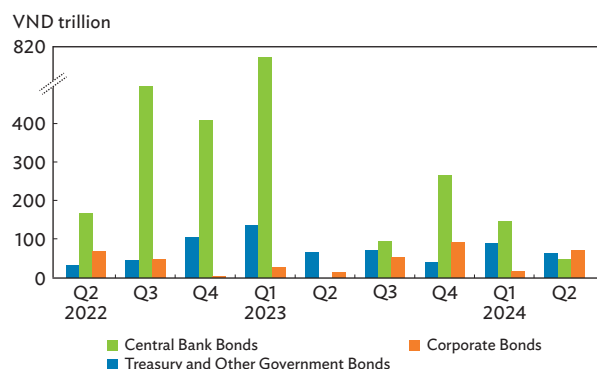
Sources: Vietnam Bond Market Association and Bloomberg LP.

for corporate bonds and central bank securities, which outpaced total issuance during the quarter (Figure 2). Due to the large amount of corporate bond maturities, the total corporate debt stock dipped 0.8% q-o-q even with increased issuance during the quarter. In contrast, despite weak issuance, outstanding Treasury and other government bonds grew 2.2% q-o-q in Q2 2024 due to a small volume of maturing bonds.

LCY bond issuance declined 29.4% q-o-q in Q2 2024 on tepid issuance from the government and central bank.

Issuance of Treasury and other government bonds contracted 33.8% q-o-q, reversing the first quarter's 136.9% q-o-q growth, due to several auctions not being fully awarded during the quarter as investors sought higher rates (Figure 3). Central bank securities issuance declined 67.7% q-o-q amid tightened liquidity due to elevated interest rates in the interbank market. Conversely, issuance of corporate bonds in Q2 2024 grew more than four-fold from VND17.6 trillion in the preceding quarter. The increase was mainly driven by the banking sector, as financial institutions raised capital to accelerate credit growth and ensure compliance with the prescribed safety ratios of the State Bank of Vietnam. The

Figure 3: Composition of Local Currency Bond Issuance in Viet Nam



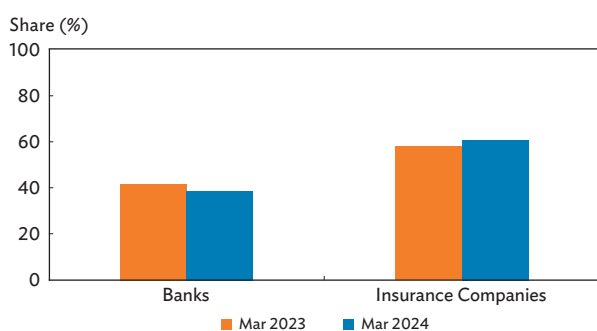
Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, VND = Vietnamese dong.
 Note: Other government bonds comprise government-guaranteed and municipal bonds.
 Sources: Vietnam Bond Market Association and Bloomberg LP.

property sector was the second-largest issuer of corporate bonds in Q2 2024, as property companies sought funding for debt restructuring after the central bank extended its policy on debt rescheduling until the end of 2024 amid the rising level of bad debts.

Investor Profile

Insurance companies and banks collectively held 99.5% of outstanding government bonds at the end of March. Viet Nam’s LCY government bond market had the least diversified investor profile in the region as bond holdings was highly concentrated in these two investor groups only (Figure 4). Insurance companies, whose holdings

Figure 4: Profile of the Two Dominant Investors for Local Currency Government Bonds



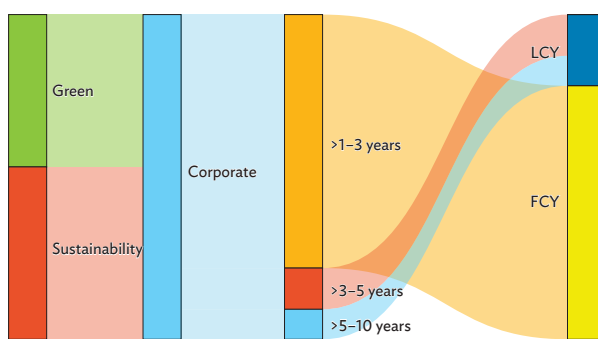
Source: Viet Nam Ministry of Finance.

share increased to 60.8% in March from 57.8% a year earlier, remained the single-largest investor group. This was followed by banks, whose holdings share decreased to 38.7% from 41.7% during the same period.

Sustainable Bond Market

At the end of June, the corporate sector remained the sole issuer of sustainable bonds in Viet Nam. The economy’s sustainable bond market comprised green and sustainability bond instruments in Q2 2024, most of which were foreign-currency-denominated and carrying tenors of 1–3 years (Figure 5). The total stock of sustainable bonds at the end of Q2 2024 remained at USD0.8 billion, more than half of which comprised sustainability bonds, while the remaining 46.9% were green bonds. Over 78.0% of total sustainable bonds outstanding at the end of June were denominated in foreign currency and nearly 80.0% carried maturities of 3 years or less, resulting in a size-weighted average tenor of 2.9 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Viet Nam at the End of June 2024



FCY = foreign currency, LCY = local currency.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.