The Vietnamese stock and bond markets in 2020

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Hanoi, January 2, 2021

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A quick look at the Vietnamese economy can tell quite a bit about its expected future.

The first macroeconomic indicator one should look at is the fact that the PPP-converted gross domestic product of the nation has surpassed US\$ 1 trillion for the first time in its entire economic history, according to the government statistics reported at the end of 2020 [1]. (More exactly, the estimate by IMF postulates US\$ 1005 billion.)

For this total purchasing power of the economy, Vietnam's nominal GDP reached US\$ 343 billion, making the per capita GDP attain US\$ 3521. This new level of nominal GDP has been facilitated by an annual economic expansion of 2.91%. The 2020 economic growth rate is not perfect but has been quite phenomenal during the COVID-19 pandemic, seeing the hugely negative impacts it has inflicted on the world's economy.

The pace of economic growth can be seen as sustainable and perhaps represents a new transition stage as defined by [2].

The second set of indicators is related to the stock market's performance, where one can see that the Vietnam stock market has been able to restore confidence to its investors. According to [3-4], confidence and trust have been shown to be the single most important factor for the Vietnam stock to sustain its expansion. The restored confidence and trust, plus declining bank rates, have channeled record amounts of liquidity into the market.

The Vietnam stock market started the year in disappointment when all stock indexes had already been seriously affected right in January 2020, almost a month before the world experienced the hardship caused by the COVID-19 pandemic. By the end of March 2020, Vietnam stock indexes lost 34%, the lowest in three years [5].

However, when the war against the COVID-19 brought about positive results, with zero death counts till April 2020 and efficient public-health communication strategies [6], the market has shown an impressive comeback. The uptrend has continued for the rest of the year, resulting in a 60% increase in general price levels from the dip. For comparison, the 2019 increase of the main index, VN-Index, was 7.67% [5].

Improved market returns have triggered an influx of new investors, with roughly 350,000 new stock trading accounts having been activated during 2020. These newly registered securities accounts have pushed the total number of investor accounts for the first time in its entire history to have surpassed 2.7 million.

Fresh liquidity and investing sentiment have also sent the record level of daily trade value to VND 23,560 billion (approx. US\$1.02 billion) on June 15, 2020. The average daily trade value reached US\$430 million during December 2020.

The last trading day of 2020 saw the main VN-Index to close at 1,103.87 points, well above the 1000-point psychological threshold for many years [7].

Apart from the equity market, the bond market has witnessed another successful year for corporate bond issuing firms.

The Hanoi Stock Exchange bond market data show that for the first 11 months of 2020, publicly held companies have organized 2311 private offerings, of which 1970 sales events were considered successful.

The total bond values bought by bond-holders reached VND 348,400 billion, or US\$15 billion. Collectively, 237 successful issuing enterprises have shown a 68.5% success in terms of monetary value, representing a 25% increase compared to the monetary value of 2019 [8]. Thus, it looks like the emerging view regarding the "new politics of debt" continues to hold for the Vietnam corporate bond market in 2020 [9].

Final remarks:

As the stock market has increased by 60% in prices from the bottom at the end of March, the total market capitalization now reached US\$200 billion, equivalent to nearly 60% of the country's gross domestic product. Owning stock trading accounts has gradually become a means of building wealth for a rather large portion of Vietnam's urban population. With 30 listed enterprises now having a market capitalization of US\$1 billion or more, we could also expect a shift in both corporate cultures and their impacts on the Vietnamese private entrepreneurs [10].

With daily stock market trade gradually reaching US\$ 1 billion in value, our assessment is that the Vietnam stock market has come to the end of its "transition market" stage, as studied in [3], and will soon be regarded as an emerging equity market. Increased

liquidity will finally lead to lower transaction costs for both IPOs and SPOs. Increased risk appetite for bondholders also makes bond offerings more feasible for listed firms.

The market realities will encourage more enterprises to list their shares and find alternatives, including corporate bonds, to traditional bank loans.

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