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Ho Chi Minh Stock Exchange (HOSE) vs. Australian Securities Exchange (ASX): Comparative Lessons in Stock Market Development and Resilience (2005 - 2025)

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Introduction

Financial markets are essential channels for mobilising savings, allocating capital, and maintaining systemic stability. However, exchanges evolve differently depending on their institutional frameworks, investor base, and regulatory environments. The contrast between the Ho Chi Minh Stock Exchange (HOSE) and the Australian Securities Exchange (ASX) from 2005 to 2025 illustrates this vividly.

The ASX is a highly developed, globally integrated market characterised by depth, liquidity, and advanced risk-control mechanisms. Anchored by compulsory superannuation flows and a diversified investor base, it is consistently ranked among the world's top exchanges. In contrast, HOSE represents the rapid rise of an emerging market. From a small base in the early 2000s, it has grown into a significant financial venue, but it remains constrained by structural weaknesses such as volatility, sectoral concentration, retail dominance, and infrastructure bottlenecks

This report compares the two exchange markets across five dimensions: (i) scale and depth, (ii) index performance under stress, (iii) sectoral structure, (iv) microstructure and regulation, and (v) investor base and foreign ownership. The goal is to extract policy-relevant lessons that can guide Vietnam's capital-market reforms in its effort to reduce systemic risk and enhance resilience.

Scale and Depth

ASX ranks among the world's most liquid markets. By December 2024, market capitalisation was 99.14% of GDP, closely aligned with global averages of around 130% (see Figure 1). Daily turnover in March 2025 was A$8.5 billion, supported by an order-to-trade ratio of 9.2:1 (see Table 1). These metrics reflect not only a deep market but also confidence in execution conditions, underpinned by robust institutional flows. HOSE, by contrast, demonstrates greater cyclicality. Market capitalisation surged to 76% of GDP in 2021 but fell back to 43% by 2024. While impressive for an emerging market, this volatility underscores fragility in investor sentiment. The exchange also lists fewer than 450 companies compared to nearly 1,900 in Australia, limiting investment diversity and heightening concentration risks.

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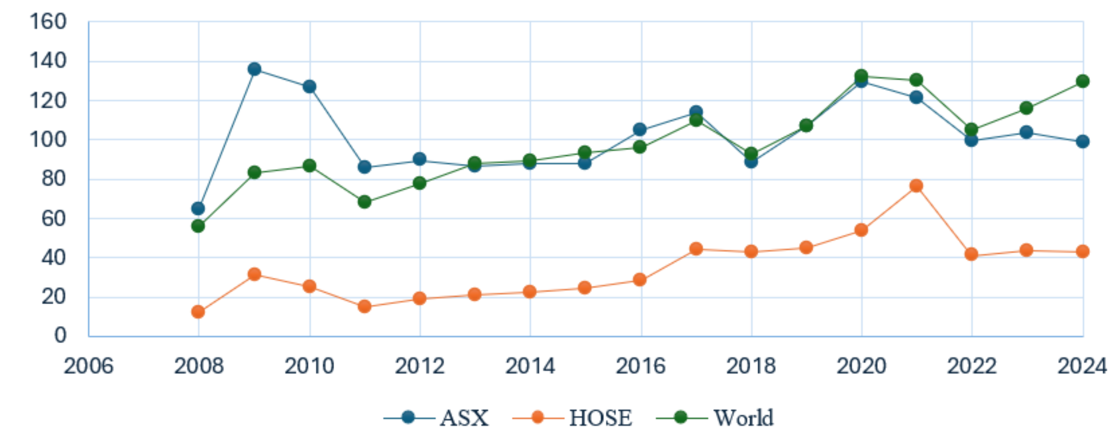
Figure 1: Market capitalization of listed domestic companies (% of GDP)



Source: World Bank (2025)

Table 1: Scale and depth of ASX and HOSE		
Metrics	ASX	HOSE
Market Cap / GDP (2024)	99.14%	42.95%
Turnover Ratio (2024)	48.24%	30.6%
Daily Turnover (Mar 2025)	A$8.5 billion	VND 20,806 billion
Order-to-Trade Ratio (Mar 2025)	9.2:1	NA
Listed Companies (2022)	1,900	402

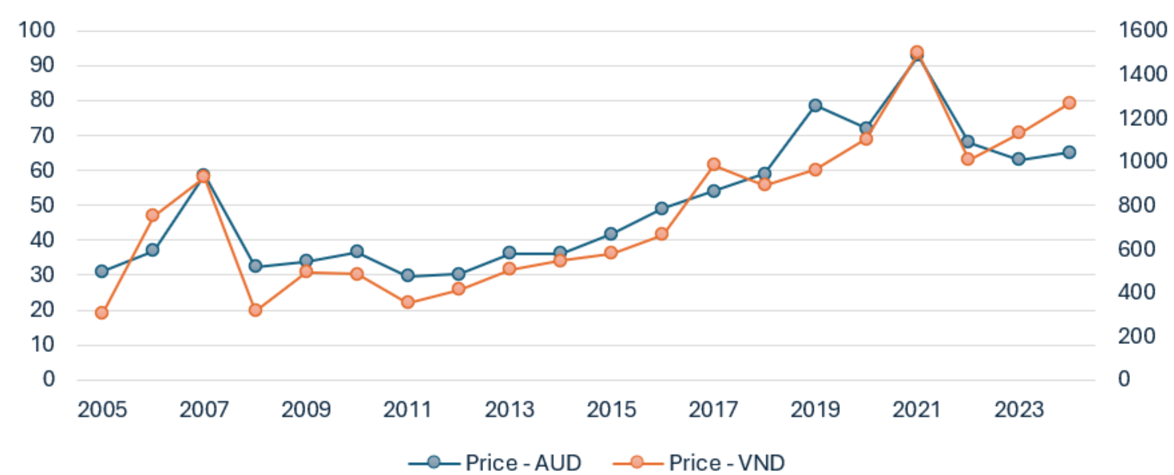
Sources: World Bank (2025), ASIC (2025)[2] and SSC (2025)[3]

Index Performance and Crisis Stress Tests

The resilience of stock indices under global shocks offers another sharp contrast. The ASX200 reflects stability typical of a mature market. It rose steadily until 2007, lost about 33–35% during the Global Financial Crisis (GFC), but rebounded quickly by 2010. In the COVID-19 crisis of 2020, the index dropped around 20% but recovered rapidly thanks to deep liquidity and institutional stabilisers.

HOSE, however, displays dramatic boom-and-bust cycles. It nearly quadrupled during 2006–2007, fuelled by speculative trading and margin lending, before collapsing by more than 70% during the GFC. Unlike the ASX, recovery was slow, reflecting structural weaknesses in market depth and sectoral composition. In 2020, HOSE lost 28% in the first quarter, more than the ASX's decline, and again rebounded more slowly.

Figure 2: HOSE and ASX-200 Performance



Source: Compustat Global (2025)

These episodes reveal how HOSE's retail-driven investor base and limited hedging instruments amplify volatility. By contrast, ASX market benefits from institutional anchors and derivatives that support faster recovery.

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Sectoral Structure

Sectoral composition further differentiates the two markets. The ASX200 is heavily weighted toward Financials (34%), Materials (23%), and Health Care (10%). While this structure exposes the index to commodity and credit cycles, the rise of Health Care and IT has provided stabilising counterweights. Companies like CSL in biotech and Afterpay in fintech demonstrate how sectoral diversification broadens resilience.

HOSE, in contrast, is dominated by banks (46%) and real estate (12%). This concentration creates pro-cyclical dynamics: during booms, bank lending and property prices fuel sharp rallies; during downturns, losses are magnified. Although IT and materials are growing, they remain small relative to financials. With the top 10 companies accounting for nearly 44% of market capitalisation, HOSE faces a higher concentration risk than ASX.

Table 2. Sector Concentration Comparison July 2024

Exchanges/ Benchmark	Financials / Banks	Materials	Health Care	Real Estate	Energy	IT	Others	Top-10 Weight
ASX200	34%	23%	10%	7%	4%	4%	25%	49%
HOSE	46.17%	7.98%	5%	11.76%	NA	9.29%	NA	43.83%

Sources: S&P Global (2024)[5] and HOSE-Index Series (2024)[6]

Market Microstructure and Regulation

Market microstructure - the rules and safeguards governing trading - is central to resilience.

ASX's system relies on dynamic and multi-layered volatility controls. Anomalous Order Thresholds (AOTs) automatically reject orders outside a dynamic band around reference prices, while Extreme Trade Ranges (ETRs) pause trades if price deviations exceed 5% within a minute. These tools, complemented by regulated short-selling, venue competition, including ASX and Cboe, and robust disclosure enforcement, ensure orderly price discovery even during stress.7 HOSE, in contrast, uses static daily price bands (±7%, reduced to ±5% in crises).8 While these bands cap losses, they can also delay price discovery, with pent-up orders amplifying volatility once the bands reset. The absence of short-selling infrastructure and limited derivatives until 2017 (VN30 futures) further constrain risk management. The 2021 trading congestion crisis, where orders were delayed for over a minute, exposed systemic vulnerabilities and highlighted the urgency of the 2025 Korea Exchange (KRX) system rollout. 9,10 Thus, while ASX benefits from layered, adaptive mechanisms, HOSE relies on blunt instruments that often exacerbate rather than mitigate volatility.

Investor Base and Foreign Ownership

The composition of the investor base plays a critical role in shock absorption. In Australia, foreign investors hold roughly one-third of listed equities, while domestic institutional investors - especially superannuation funds - anchor stability.11 By 2025, superannuation assets exceeded A$4.3 trillion, supported by mandatory contributions of 12% of wages.12 These steady inflows cushion volatility and provide liquidity during crises.

Vietnam's market, by contrast, remains overwhelmingly retail driven. By 2025, 99% of accounts were held by domestic individuals, with foreign investors making up less than 1%.13 Foreign Ownership Limits (FOLs), historically capped at 49% for most firms and 30% for banks, have deterred global asset managers despite gradual liberalisation since 2015. Decree 69 in 2025 has eased restrictions, but retail dominance continues to amplify volatility and limit long-horizon flows.14 This contrast illustrates the stabilising effect of institutional investors. Without them, markets are more susceptible to speculative cycles and abrupt sentiment shifts.

Policy Lessons for Vietnam

The comparison yields several practical reforms that could accelerate HOSE's development and resilience:

1. **Adopt dynamic volatility controls:** Replace static daily price bands with AOT/ETR-style mechanisms to improve price discovery and reduce pent-up volatility.
2. **Introduce phased short-selling:** Supervised, covered short-selling with disclosure requirements would enhance liquidity and allow investors to hedge risk.
3. **Expand derivatives and ETF (exchange traded funds) markets:** Building on VN30 futures, Vietnam should develop index options, sector futures, and low-cost ETFs to diversify participation.
4. **Continue foreign ownership liberalisation:** Clearer pathways to higher caps in non-sensitive sectors would attract global capital and deepen liquidity.
5. **Strengthen disclosure and governance:** Aligning with ASX-style continuous disclosure rules and improving English-language reporting would reduce information asymmetries.
6. **Encourage sectoral diversification:** Supporting listings in manufacturing, healthcare, atechnology can broaden resilience and attract thematic investment flows

Conclusion

The comparative evidence highlights both progress and persistent challenges. The ASX demonstrates how market resilience stems from a combination of depth, sectoral diversity, institutional inflows, and adaptive regulation. By contrast, HOSE, while dynamic and fast-growing, remains constrained by retail dominance, sectoral concentration, and static safeguards.

Reforms since 2015—including foreign ownership liberalisation, the 2019 Securities Law, and the 2025 KRX rollout—signal important progress. Yet further reforms are needed to broaden the institutional base, deepen hedging instruments, and align governance with international standards.

If HOSE adapts these lessons from ASX, it can reduce volatility, attract long-term capital, and strengthen its case for inclusion in global equity benchmarks. Such progress would not only enhance financial stability but also channel savings and foreign inflows into more sustainable economic growth, supporting Ho Chi Minh City's broader ambition to become a regional financial hub.

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