

# Fixed-income Perspectives

## Funding costs persist low despite the long holiday

### OMO remains devoid of activity

During the period of 35W23 (from 28 August to 3 September), the open market still remained silent resulted from the ample liquidity in the market and the government's easing stance, which is intended to promote economic expansion. We anticipated that the silent OMO will persist till the lending performance improves significantly.

### Unchanged interbank rates despite the long holiday

Interbank rates this week continued to stick to its low level, with most tenors edging down from last week. Specifically, most traded tenors – overnight (ON), 1W, and 2W decreased by 10bps, 18bps, and 25bps to 0.05%, 0.13%, and 0.25%, respectively, nearly zero-free benchmark. It is expected that the interbank rates will likely to jump in upcoming months when government's urge for economic growth taking effective.

### USDVND hits new high

USDVND gained further for the seventh week with 0.31% WoW, reaching 24,085 dong, or a 75bps climb. This continuous increase was likely triggered by higher input demand from local importers and the stronger greenback. Over the week, the DXY index strengthened by 0.17%, reaching 104.22 points. In the market, VCB comparably raised its bid/ask quotes by 90/90bps to 23,870/24,240, while the movements were more dramatic in the shadow market, by 240/140bps to 24,100/24,200.

## Vietnam economic indicators

	23-Mar	23-Apr	23-May	23-Jun	23-Jul	23-Aug	Corr. <sup>1</sup>
Disbursed FDI %YoY	2.0	1.7	0.6	0.9	3.2	23.6	0.06
Retail sales %YoY	11.5	11.7	8.1	6.7	6.9	7.6	-0.13
Export %YoY	-14.4	-16.2	-9.1	-10.8	-2.2	-7.6	-0.03
Import %YoY	-13.3	-23.1	-20.6	-17.9	-11.6	-8.3	0.02
Trade balance (USDbn)	1.4	2.7	2.0	3.1	3.1	3.8	-0.01
CPI %MoM	-0.2	-0.3	0.0	0.3	0.5	0.9	-0.02
Credit %YoY	10.5	9.7	9.1	8.5	9.0	8.7	-0.05
USDVND %MoM	-1.3	-0.1	0.1	0.4	0.4	1.4	-0.37
PMI (pts)	47.7	46.7	45.3	46.2	48.7	50.5	-0.16
VNINDEX return (%)	4.0	-1.4	2.6	4.4	9.3	-3.0	1.00

Source: SBV, GSO, Bloomberg, KIS

<sup>1</sup> Correlation to VNINDEX's monthly return; <sup>2</sup> Bloomberg estimates

Green = acceleration; yellow = deceleration; red = contraction.

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**Research Dept.**

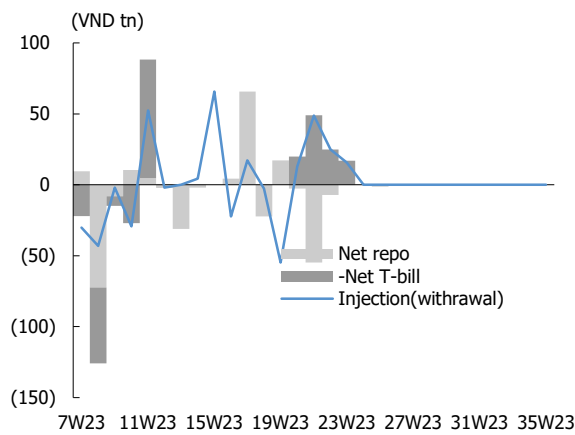
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# I. OMO remains devoid of activity

## *OMO tranquil pattern persist*

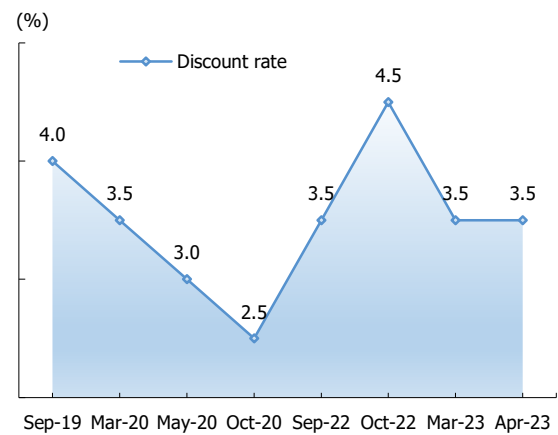
During the period of 35W23 (from 28 August to 3 September), the open market still remained silent resulted from the ample liquidity in the market and the government's easing stance, which is intended to promote economic expansion. In general, the State Bank of Vietnam (SBV) persists in its direction to lower lending interest rates as a means of aiding businesses. Consequently, a prerequisite for reducing lending interest rates is to also lower deposit interest rates. We anticipated that the silent OMO will persist till the lending performance improves significantly.

**Figure 1. Net injection (withdrawal) of liquidity**



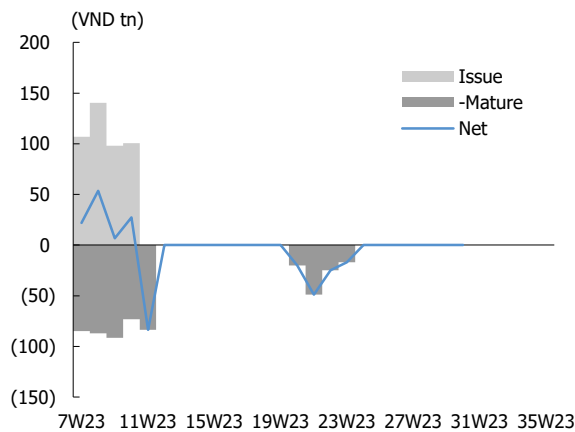
Source: SBV, Bloomberg, KIS

**Table 1. Historical policy rate**



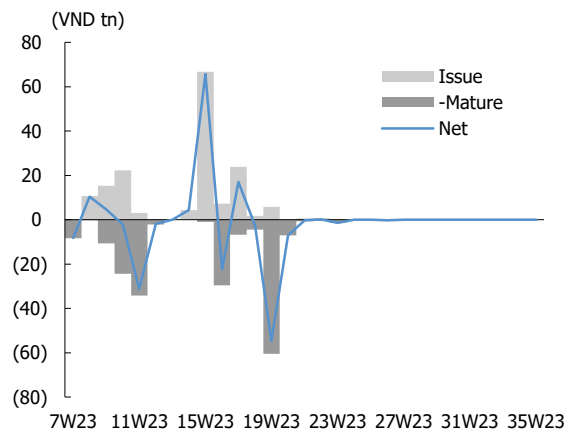
Source: SBV, Bloomberg, KIS

**Figure 2. T-bill amount by week**



Source: SBV, Bloomberg, KIS

**Figure 3. Repo amount by week**



Source: SBV, Bloomberg, KIS

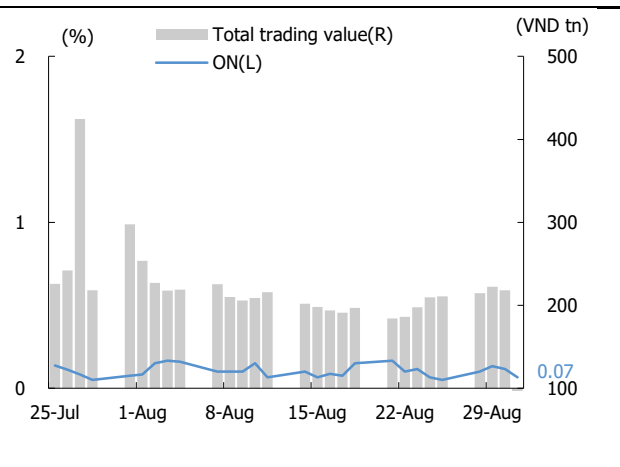
## II. Unchanged interbank rates despite the long holiday

### ON remains at low level

Interbank rates this week continued to stick to its low level even before long holiday, indicating the lower liquidity demand from borrowers. Specifically, most traded tenors – overnight (ON), 1W, and 2W inched up by 2bps, 4bps, and 2bps to 0.07%, 0.17%, and 0.27%, respectively, hovering near the zero-free rate benchmark.

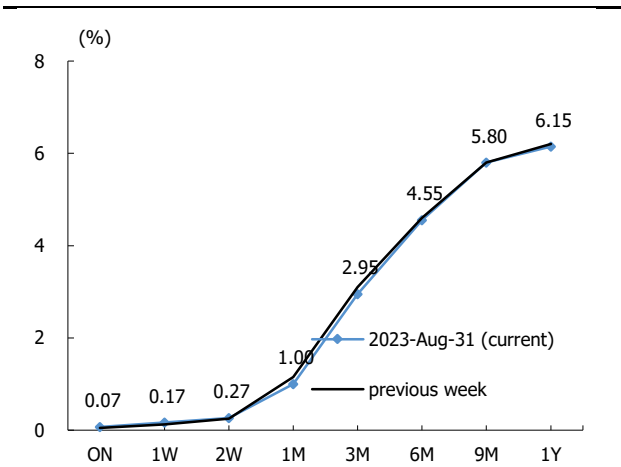
As aforementioned, the aggregate loan balance has returned to grow after recording a reduction in July. According to the unofficial source, the credit growth reached 5.03% YTD on 24<sup>th</sup> August, 47bps-higher than the previous month. Hence, the lending performance of the whole banking system seems to improve further for remaining months of 2023 when the impact of government policies on promoting economic activities become more material. We predict that the development in the first lending market could put upward pressure on interbank rates in the coming months.

**Figure 4. Interbank daily transaction**



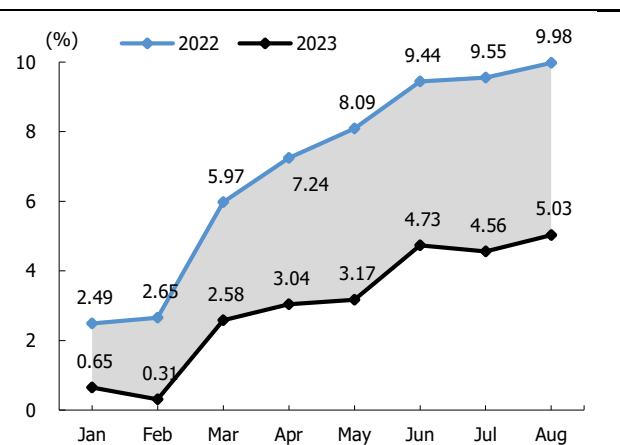
Source: SBV, Bloomberg, KISVN

**Figure 5. Interbank rate curve**



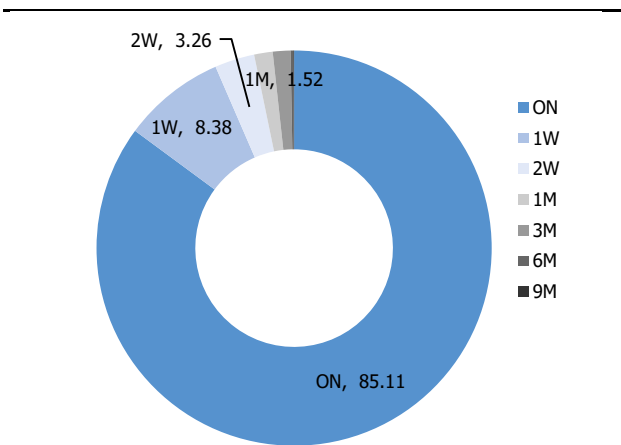
Source: SBV, Bloomberg, KISVN

**Figure 6. Credit growth by month**



Source: SBV, Bloomberg, KISVN

**Figure 7. Interbank transaction structure**



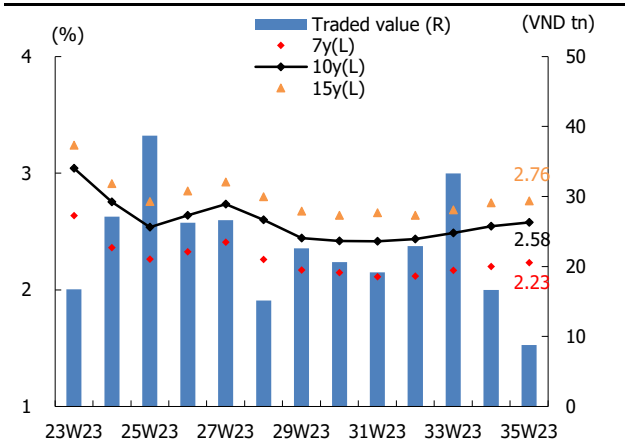
Source: SBV, Bloomberg, KISVN

### III. G-bond yields uptick further

**Trading yields edge up for the fourth week**

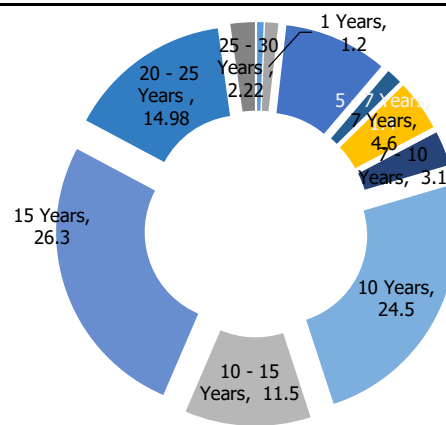
G-bond yield movements remained similar for the last four weeks, with an uptick in trading yields and stability in winning yields. Specifically, trading yields for 7-year, 10-year, and 15-year tenors edged up by 3bps, 3bps, and 2bps to 2.23%, 2.58%, and 2.76% this week. The average trading volume slightly dropped by 12.17% WoW. The yield curve remained similar to last week as the pickups were distributed equally across all tenors.

**Figure 8. G-bond trading value**



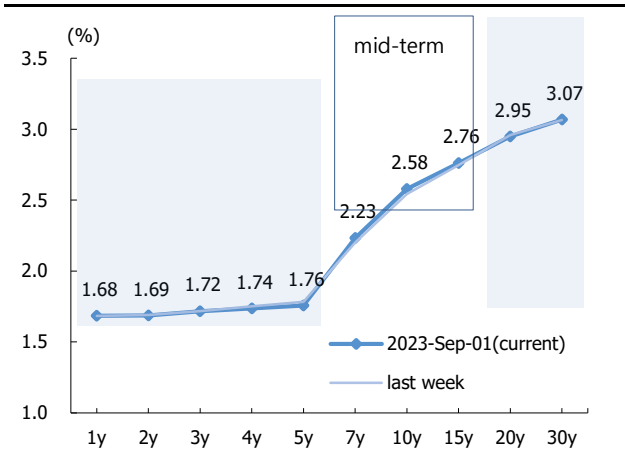
Source: HNX, KIS

**Figure 9. Trading value by tenor this week**



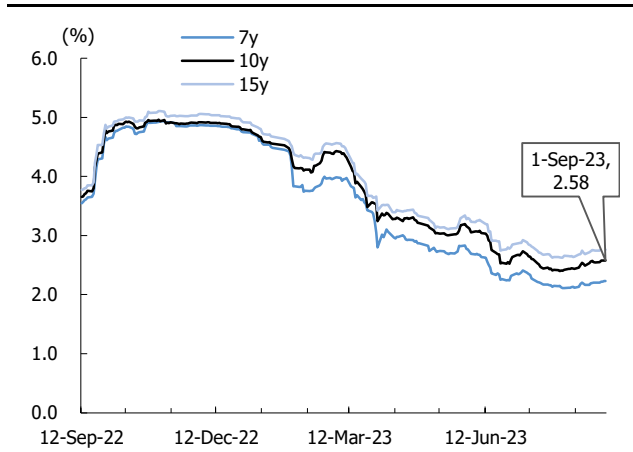
Source: HNX, KIS

**Figure 10. G-bond trading yield curve**



Source: HNX, VBMA, KIS

**Figure 11. Historical daily government bond yield**

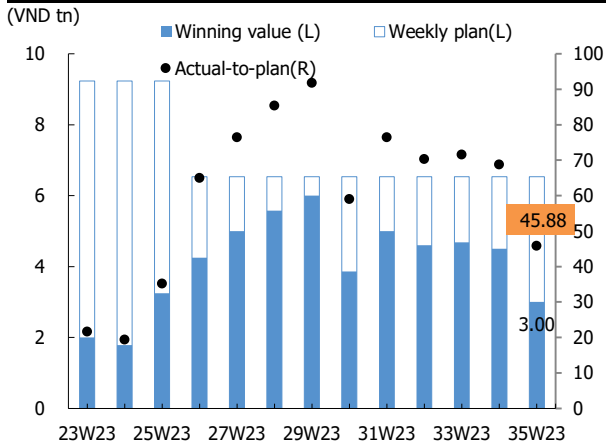


Source: HNX, VBMA, KIS

**Winning yields remain unchanged**

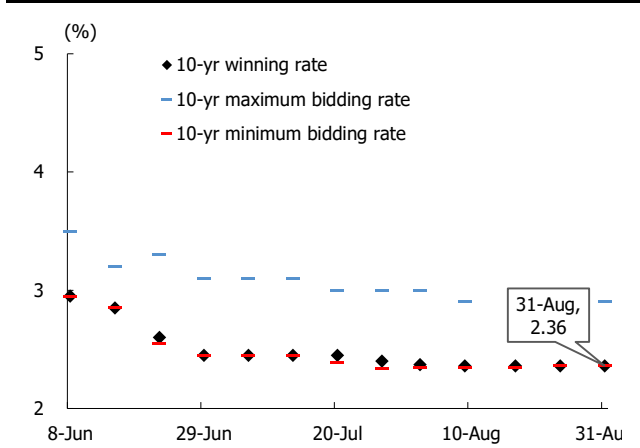
In terms of G-bond issuance, the winning yields held firm at their low points, standing at 2.36% for the 10-year maturity and 2.59% for the 15-year maturity. In cumulative terms, the total issuance reached 54.91% of the 3rd quarter plan and 44.51% of the full-year 2023 plan, respectively.

**Figure 16. Winning value by week**



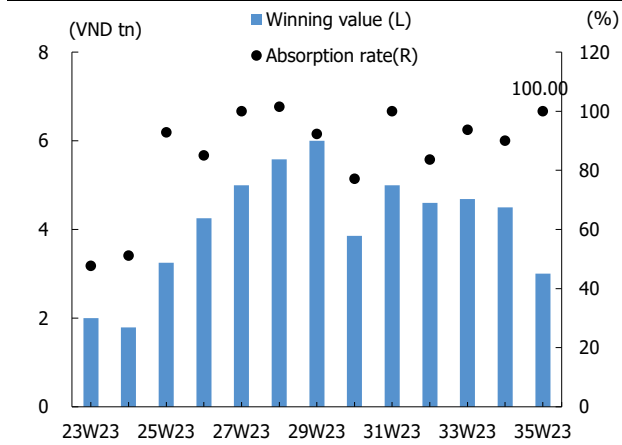
Source: HNX, KIS

**Figure 17. Winning yields by week**



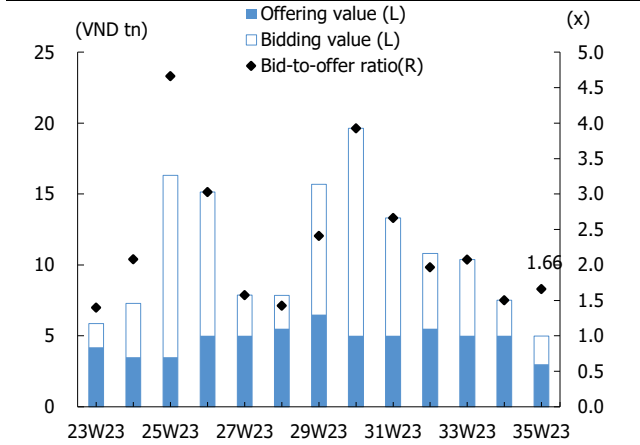
Source: HNX, KIS

**Figure 18. Absorption ratio**



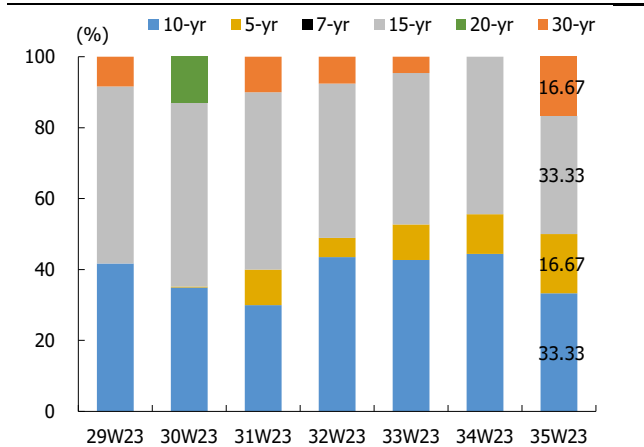
Source: HNX, KIS

**Figure 19. Bid-to-offer ratio**



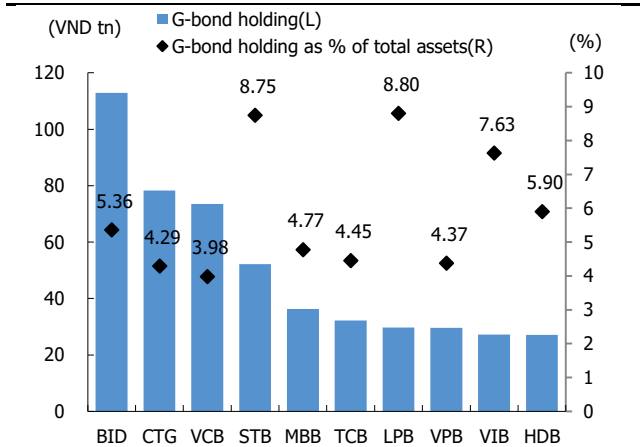
Source: HNX, KIS

**Figure 20. Winning yields by week**



Source: HNX, KIS

**Figure 21. Top G-bond holding by bank as of 2Q23**



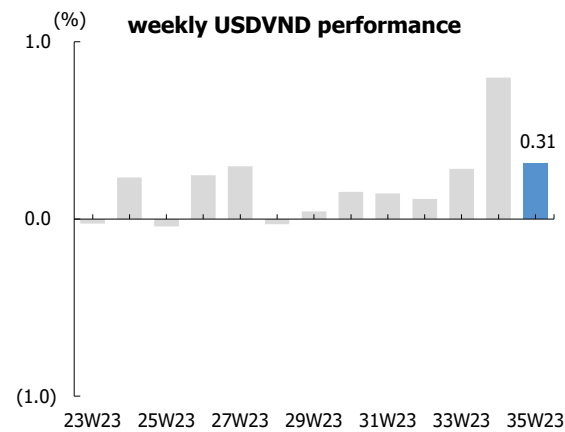
Source: HNX, FiiPro, KIS

## IV. USDVND hits new high

### USDVND reaches one-year high

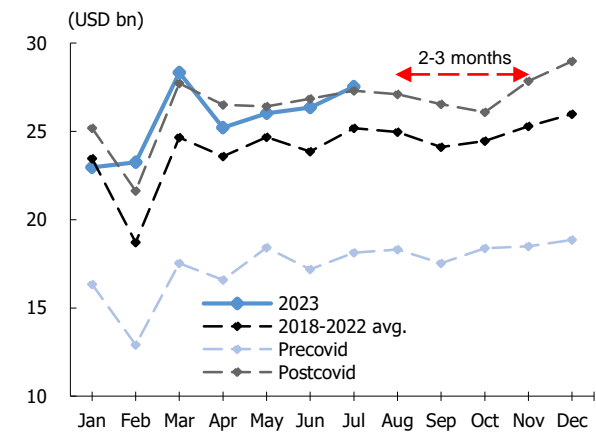
USDVND gained further for the seventh week with 0.31% WoW, reaching 24,085 dong, or a 75bps climb. This continuous increase was likely triggered by higher input demand from local importers and the stronger greenback. Over the week, the DXY index strengthened by 0.17%, reaching 104.22 points. In the market, VCB comparably raised its bid/ask quotes by 90/90bps to 23,870/24,240, while the movements were more dramatic in the shadow market, by 240/140bps to 24,100/24,200. Also, SBV kept raising its selling price, by 36bps to 25,125 this week.

Figure 22. Weekly USDVND performance



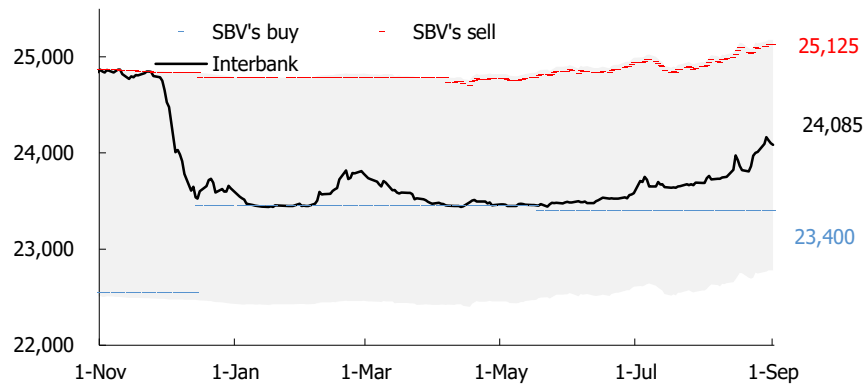
Source: SBV, Bloomberg

Figure 23. USD demand and import activities



Source: SBV, KIS

Figure 24. SBV's movement

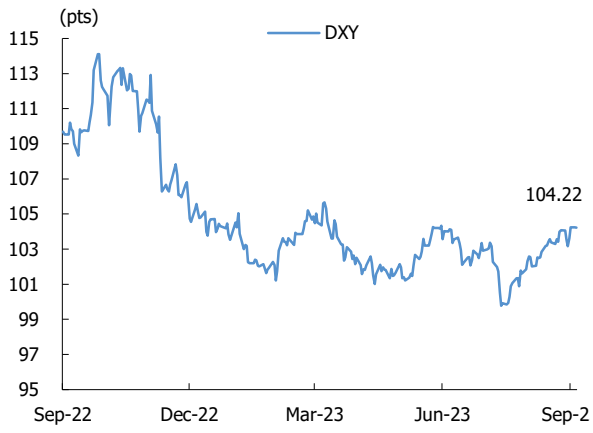


Source: SBV, Bloomberg, Fiiipro, KIS

Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

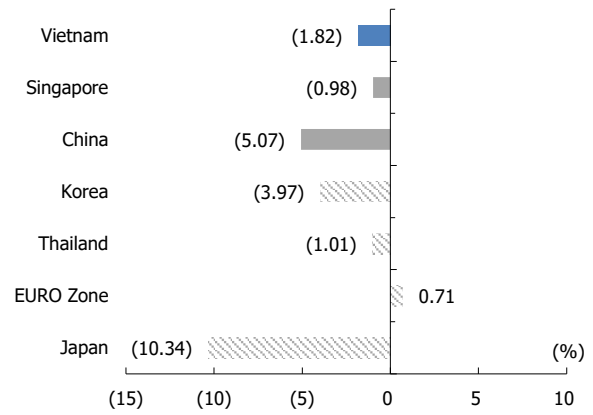
Aside from VND, most currencies under our watchlist appreciated against the greenback over the week. SGD, CNY, KRW, THB, and JPY narrowed down their depreciations to 0.98%, 5.07%, 3.97%, 1.01%, and 10.34% YTD while EUR slightly retraced to 0.71% appreciation.

**Figure 25. Historical DXY**



Source: SBV, Bloomberg

**Figure 26. 2023 YTD performance of major currencies against USD**



Source: SBV, Bloomberg

Note: striped bars represent countries following the floating FX regime.

## Macro scorecard

	23-April	23-May	23-Jun	23-Jul	23-Aug	3Q22	4Q22	1Q23	2Q23	2019	2020	2021	2022
Real GDP growth (%)						13.67	5.92	3.21	4.14	7.03	2.91	2.58	8.02
Registered FDI (USD bn)	3.43	1.98	2.57	2.81	1.91	4.67	8.96	5.45	13.43	38.02	28.53	31.15	27.72
GDP per capita (USD)										3,398	3,521	3,725	4,110
Unemployment rate (%)						2.28	2.32	2.25	2.25	2.25	2.48	3.22	2.32
Export (USD bn)	27.54	29.05	29.30	29.68	32.37	96.48	89.50	79.17	83.42	263.6	282.7	335.7	371.85
Import (USD bn)	26.03	26.81	26.71	27.53	28.55	90.71	85.07	75.10	76.01	254.4	263	331.1	360.65
Export growth (%)	(17.15)	(5.86)	(11.41)	(3.47)	(7.60)	17.22	(6.07)	(11.90)	(14.16)	8.16	7.02	18.74	10.61
Import growth (%)	(20.54)	(18.44)	(16.94)	(9.92)	(8.26)	8.12	(3.90)	(14.67)	(22.30)	7.41	3.81	25.9	8.35
Inflation (%)	2.81	2.43	2.00	2.06	2.96	3.32	4.41	4.18	2.41	2.79	3.24	1.84	3.15
USD/VND	23,459	23,493	23,583	23,688	24,135	23,712	23,633	23,471	23,583	23,173	23,126	22,790	23,650
Credit growth (%)	3.04	3.04	4.73	4.56	5.03	10.47	12.87	1.61	3.36	13.75	12.17	12.97	12.87
10Y gov't bond (%)	3.21	3.28	3.50	2.41	2.58	4.39	5.08	3.54	3.50	3.37	2.01	2.11	5.08

Source: GSO, Bloomberg, FIA, IMF

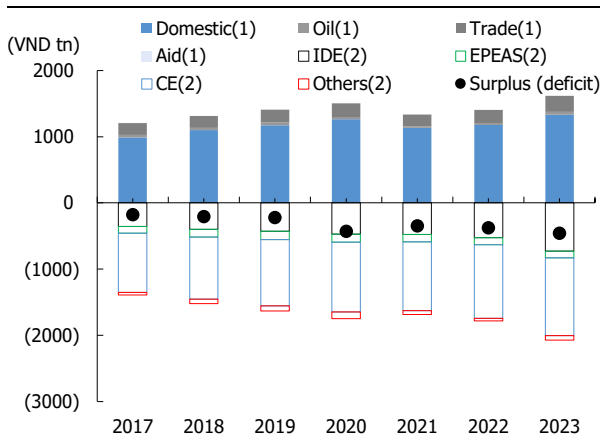
### \*\*Glossary

- \* Winning yield rate = each group's highest bidding rate, ~3.05%
- \* Absorption rate = winning value / offering value, ~100.00%
- \* Bid to offer ratio = offering value / bidding value, ~1.66
- \* DXY = U.S. Dollar Index, ~104.22
- \* OMO = Open market operation
- \* Tenor = due for payment
- \* ON = overnight interbank interest rate, ~0.05%

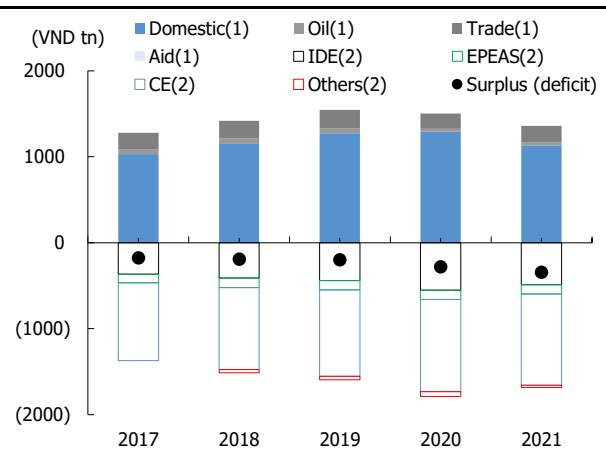


## Appendix

**Figure 1. Vietnam's state budget by year: plan**



**Figure 2. Vietnam's state budget by year: actual**



Source: MoF, SBV, KIS

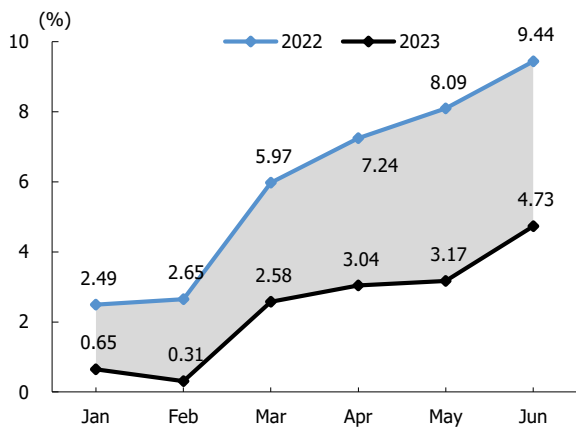
Domestic= Domestic revenues; Oil= Crude oil revenues; Trade= Balanced income from export and import activities; Aid= Revenue from aid.

IDE= Investment and development expenditures; EPEAS= Interest payment expenses & Aid spending; CE= Current expenditures

(1) indicates the item belongs to the revenue

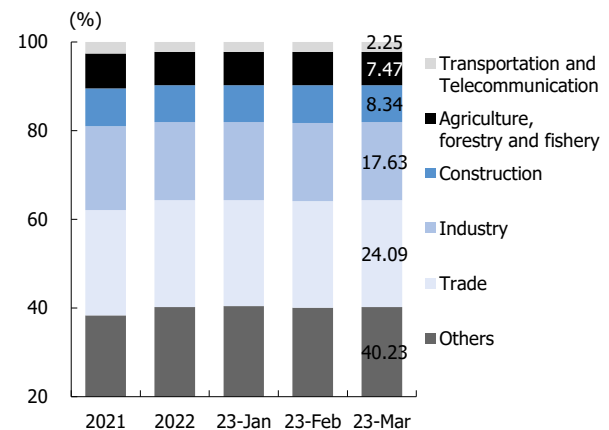
(2) indicates the item belongs to the expenditure and plotted as a negative number

**Figure 3. Vietnam's total credit % YTD by month**



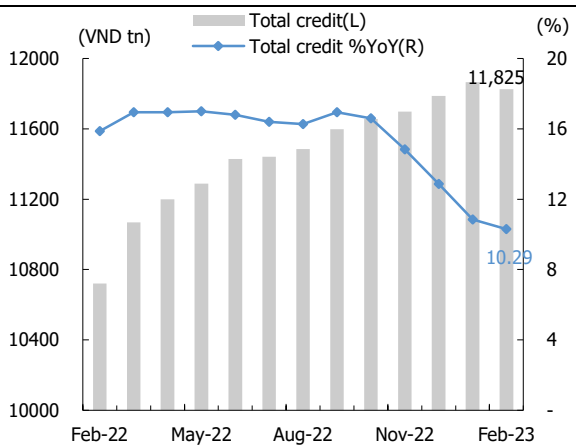
Source: SBV, KIS

**Figure 4. Vietnam's total credit by sector**



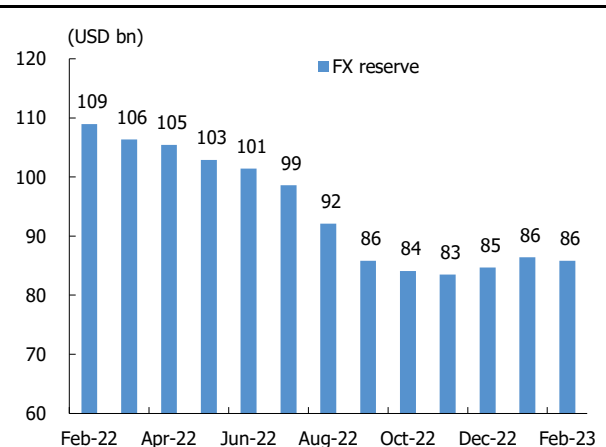
Source: SBV, KIS

**Figure 5. Historical Vietnam's credit**



Source: SBV, KIS

**Figure 6. Historical Vietnam's FX reserve**



Source: IMF, Bloomberg, KIS

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