

# Fixed-income Perspectives

## Liquidity relief could be short

### SBV rises T-bill offering amid easing interbank rates

In the 33<sup>rd</sup> week (from 15<sup>th</sup> August to 21<sup>st</sup> August), SBV mainly offered T-bills to drain liquidity from the banking system when interest rates on interbank loans eased. Specifically, SBV newly issued a total amount of VND94.43tn, nearly 5-times higher than matured value this week and thus resulting in a net withdrawal of VND72.73tn via this instrument.

### The interbank curve becomes steeper

In this week (from 15<sup>th</sup> to 21<sup>st</sup> August 2022), the interbank market witnessed slight reductions in short-dated loans (below one month) but sharp increases in longer loans (1 month and above), resulting in a steeper interbank curve.

### USDVND witnessed a slight advance

The USDVND witnessed a slight increase followed by a significant rise in the U.S dollar index (DXY). This week's increase of the DXY recorded its biggest weekly gain since April 2020. Stabilizing the USDVND exchange rate was likely the SBV's top priority currently as its selling price of the greenback remained the same at 23,400 for over five consecutive weeks. For instance, even market experienced a sharp increase in the DXY but the USDVND still fluctuated at the VND 23,400 zone.

### KIS leading economic index

	2Q21	3Q21	4Q21	1Q22	2019	2020	2021
GDP (%)	6.61	(6.02)	2.58	5.03	7.02	2.91	2.58
Trade balance (USD bn)	(3.75)	(1.00)	5.22	0.82	10.42	19.01	4.61
CPI (%)	2.67	2.16	1.89	1.93	5.23	3.24	1.84
Discount rate (%)	3.00	3.00	3.00	3.00	4.00	3.00	3.00
USD/VND	23,020	22,761	22,790	22,870	23,231	23,255	22,790
US GDP (%)	NA	7.90	NA	NA	2.29	(3.41)	5.97
China GDP (%)	NA	6.00	NA	NA	5.95	2.34	8.02

Source: KIS

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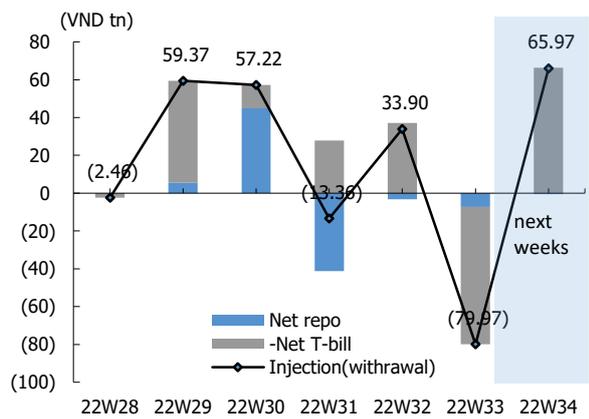
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## I. SBV rises T-bill offering amid easing interbank rates

### SBV drains liquidity amid easing interbank rates

In the 33<sup>rd</sup> week (from 15<sup>th</sup> August to 21<sup>st</sup> August), SBV mainly offered T-bills to drain liquidity from the banking system when interest rates on interbank loans eased. Specifically, SBV newly issued a total amount of VND94.43tn, nearly 5-times higher than matured value this week and thus resulting in a net withdrawal of VND72.73tn via this instrument. SBV kept winning yields of 7-day and 14-day T-bills unchanged at 2.60% and 3.00%, respectively. On the other hand, the new issuance of 7-day repo contracts was significantly lower than the previous week, resulting in a net withdrawal of VND7.24tn through this instrument. Besides, SBV sustained the auction method of floating price with a winning rate of 3.50% this week. In summary, SBV drained VND79.97tn from its counterparties this week in the open market.

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



Source: SBV, Bloomberg, KIS

**Table 1. Historical policy rate change**

Effective date	Discount rate (%)	Refinancing rate (%)
March 26, 2013	6.0	10.0
May 13, 2013	5.0	7.0
March 18, 2014	4.5	6.5
July 10, 2017	4.3	6.3
September 16, 2019	4.0	6.0
March 17, 2020	3.5	5.0
May 13, 2020	3.0	4.5
October 1, 2020	2.5	4.0

Source: SBV, Bloomberg, KIS

**Table 2. Daily repo transactions of this week**

Issue date	Maturity date	Tenor (days)	Issued amount (VND tn)	Winning rate (%)
August 15, 2022	August 22, 2022	7	0.46	3.50

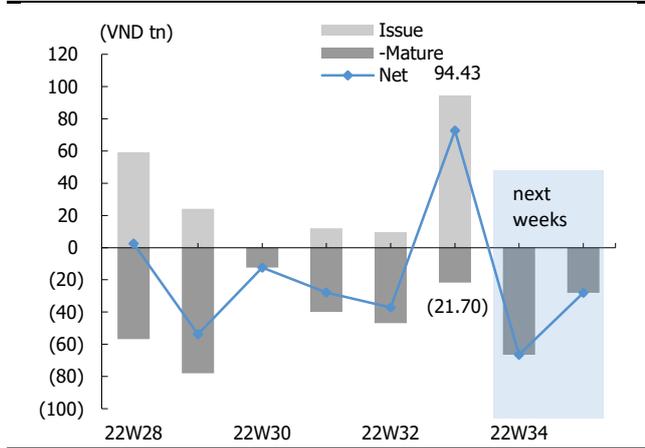
Source: SBV, Bloomberg, KIS

**Table 3. Daily T-bill transactions of this week**

Issue date	Maturity date	Tenor (days)	Issued amount (VND tn)	Winning yield (%)
August 15, 2022	August 22, 2022	7	17.60	2.60
August 16, 2022	August 23, 2022	7	20.00	2.60
August 16, 2022	August 30, 2022	14	10.60	3.00
August 17, 2022	August 24, 2022	7	18.63	2.60
August 17, 2022	August 31, 2022	14	17.40	3.00
August 18, 2022	August 25, 2022	7	10.20	2.60

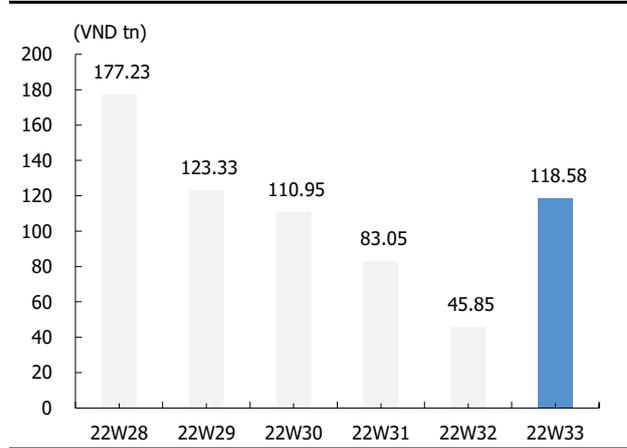
Source: SBV, Bloomberg, KIS

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



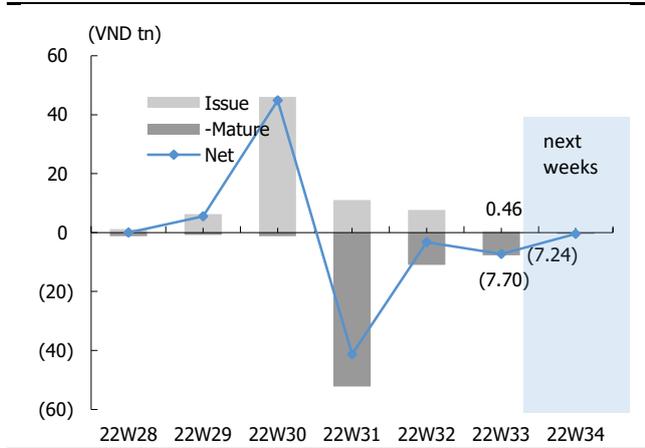
Source: SBV, Bloomberg, KIS

**Figure 3. Outstanding T-bill by week**



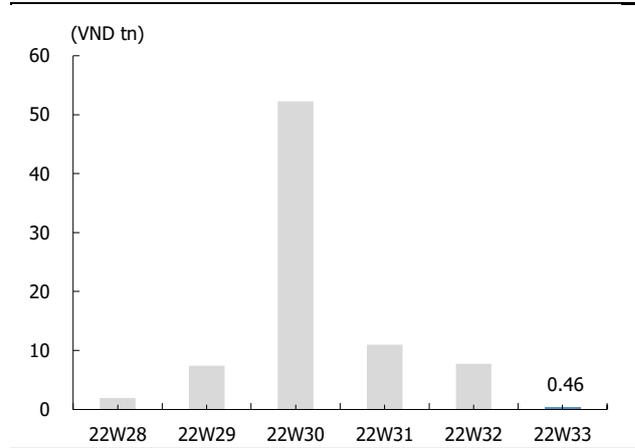
Source: SBV, Bloomberg, KIS

**Figure 4. Issued Repo by week**



Source: SBV, Bloomberg, KIS

**Figure 5. Outstanding Repo by week**

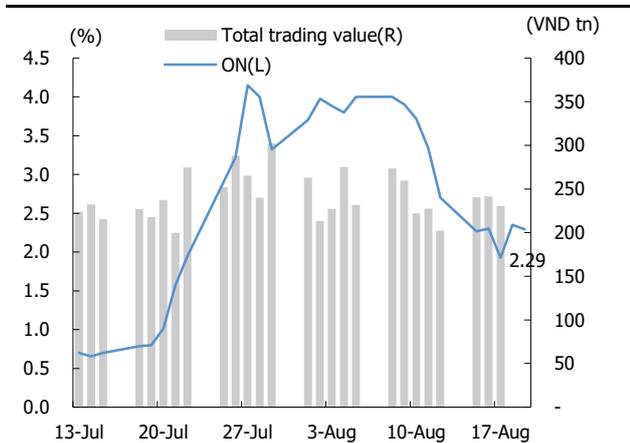


Source: SBV, Bloomberg, KIS

## II. The interbank curve becomes steeper

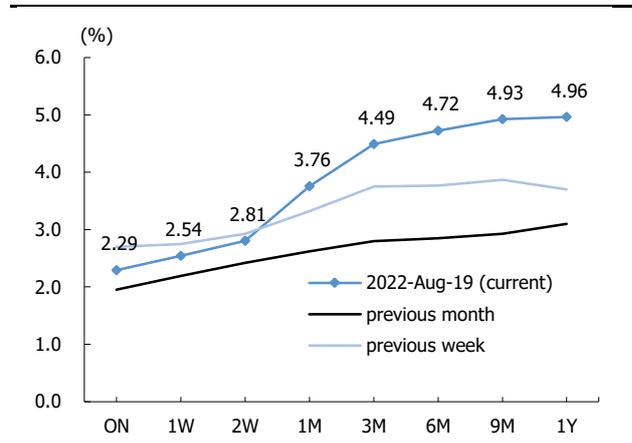
In this week (from 15<sup>th</sup> to 21<sup>st</sup> August 2022), the interbank market witnessed slight reductions in short-dated loans (below one month) but sharp increases in longer loans (1 month and above), resulting in a steeper interbank curve. More specifically, interest rates on overnight (ON), 1-week, and loans reduced by 41 basis points (bps), 21bps, and 12bps compared to the previous weekend to 2.29%, 2.54%, and 2.81%, respectively. Oppositely, the long-end of the interbank curve experienced a sharp increase when 1-month, 3-month, 6-month, and 9-month rates rose by 43bps, 74bps, 96bps, and 106bps to 3.76%, 4.49%, 4.72%, and 4.93%, respectively.

**Figure 6. Interbank daily transaction**



Source: SBV, Bloomberg, KIS

**Figure 7. Interbank bank curve**



Source: SBV, Bloomberg, KIS

Lower short-term interbank rates with the smaller trading value this week could indicate that demand for short-dated loans has eased for several reasons. The most understandable reason was that matured amount of T-bills in recent weeks was significant, mitigating partly the previous thirst for liquidity. Furthermore, the floating discount rate tends to anchor to the 3.5%-4.0% band, providing the cap for interbank rates.

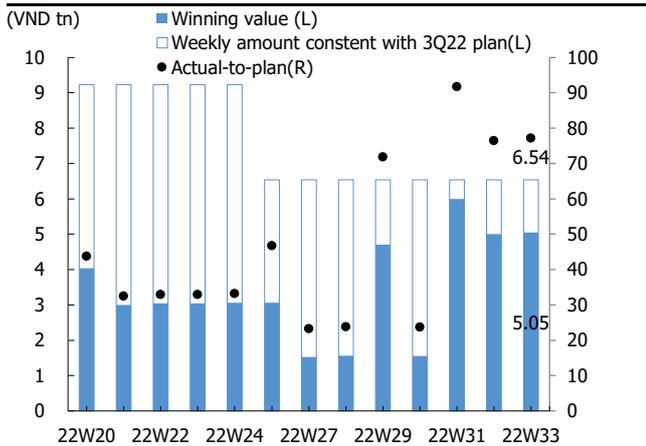
### III. Higher yields improve auctions

#### G-bond offering was improving

Government auction this week (33<sup>rd</sup> week) sustained the recovery momentum from the early of August when higher yields appear more attractive to investors. Specifically, VST successfully issued VND5.05tn of G-bond with VND2.55tn for 10-year tenor and VND2.50tn for 15-year tenor. This issued amount equals 77.16% of the weekly plan (we estimated from the 3Q22 plan of VND85.00tn released on [13<sup>th</sup> July 2022](#)) and resulted in a cumulative amount of VND92.02tn, accounting for 23.00% of the 2022 plan. Winning yields made another uptick when 10-year and 15-year tenors rose slightly by three basis points (bps) and 5bps to 2.75% and 3.05%, respectively.

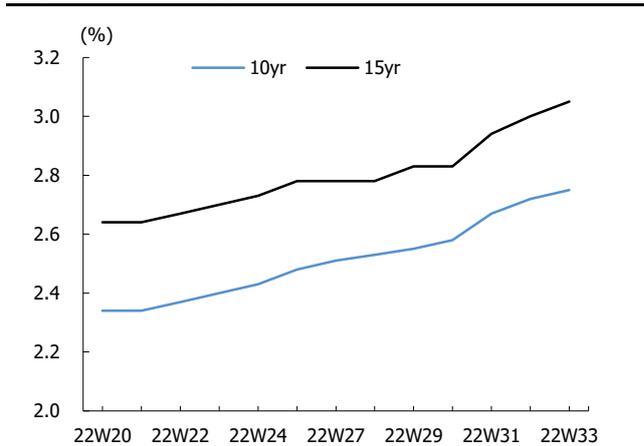
33W22's auction result showed that the first G-bond market was improving via some aspects. First, although the winning amount was just similar to the previous week, it was significantly higher than several weeks before August and therefore resulted in higher absorb rates. Second, bidding values in recent August's weeks were generally higher than before, indicating the investors paid more attention to those fixed income assets. Therefore, bid-to-offer ratio was not much lower than previous weeks although offering values have increased significantly.

**Figure 8. Winning value by month**



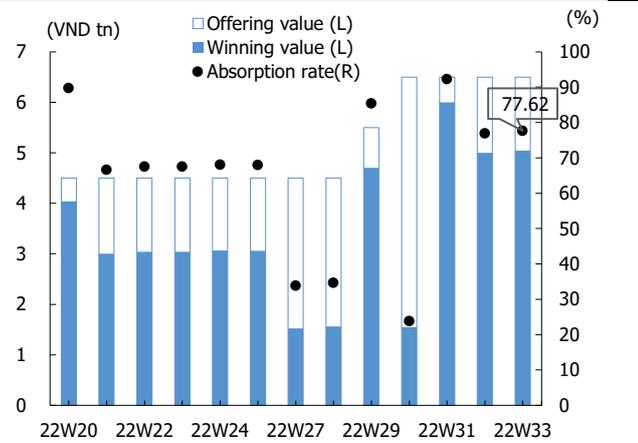
Source: HNX, KIS

**Figure 9. Winning yields by week**



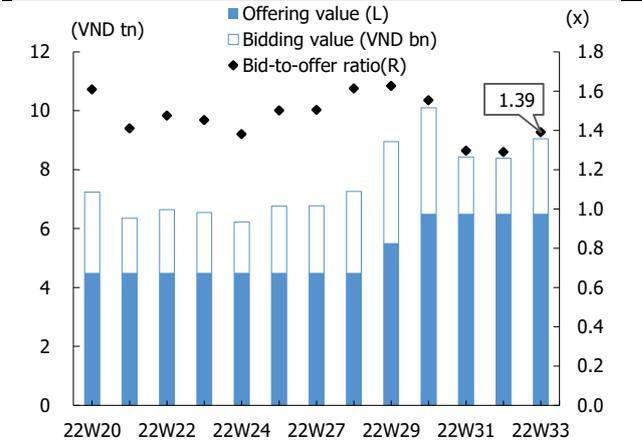
Source: HNX, KIS

**Figure 10. Absorption ratio**



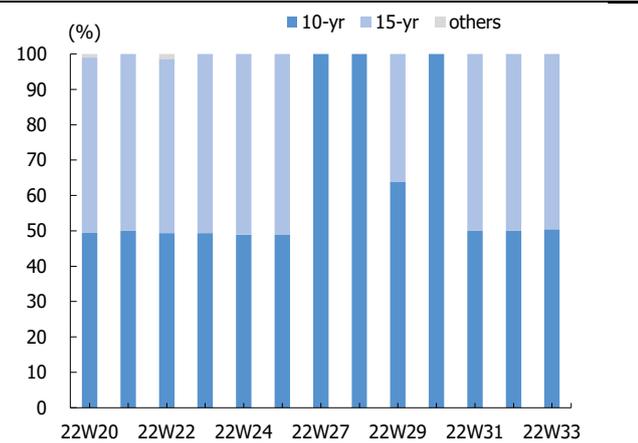
Source: HNX, KIS

**Figure 11. Bid-to-offer ratio**



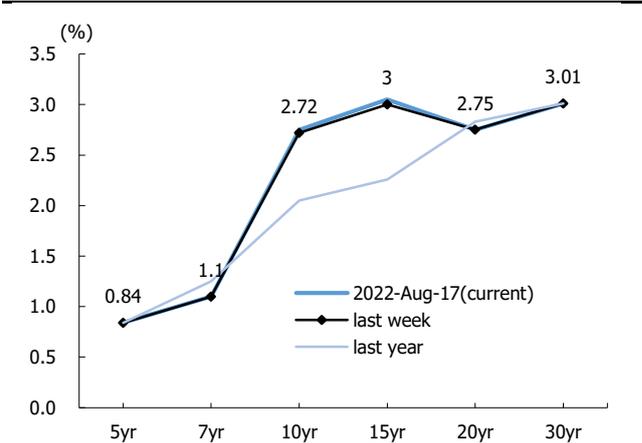
Source: HNX, KIS

**Figure 12. Winning value by tenor**



Source: HNX, KIS

**Figure 13. Yield curve in primary market**



Source: HNX, KIS

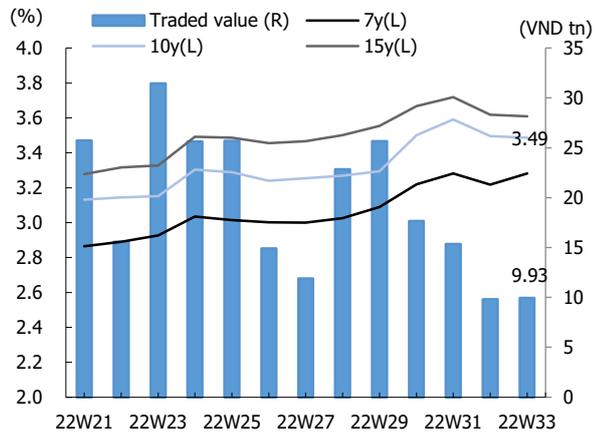
## IV. Unchanged G-bond yields amid low trading activity

### G-bond yields were unchanged

G-bond trading this week (33W22) kept recording low with unchanged yields amid the easing interbank rates. Specifically, yields on 10-year and 15-year tenors (most traded tenors) both declined by one basis point (bps), reaching 3.49% and 3.61% while the 7-year yield rose by 6bps to 3.28% this week. The traded value remained low with a similar amount of VND9.93tn as the previous week, equivalent to VND1.99tn per trading session.

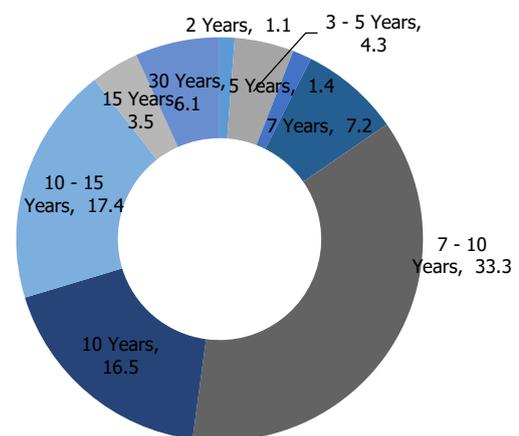
Liquidity condition in the money market was easing with lower short-term interbank rates seems mainly attributed to the development of the secondary G-bond market this week. Regarding value structure, transactions continued focusing on tenors from 7 years to 15 years tenors with their joint portion of 77.90%.

Figure 14. G-bond trading value



Source: HNX, KIS

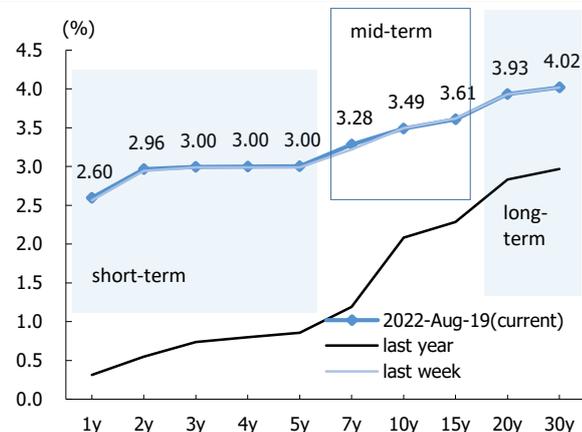
Figure 15. Trading value by tenor this week



Source: HNX, KIS

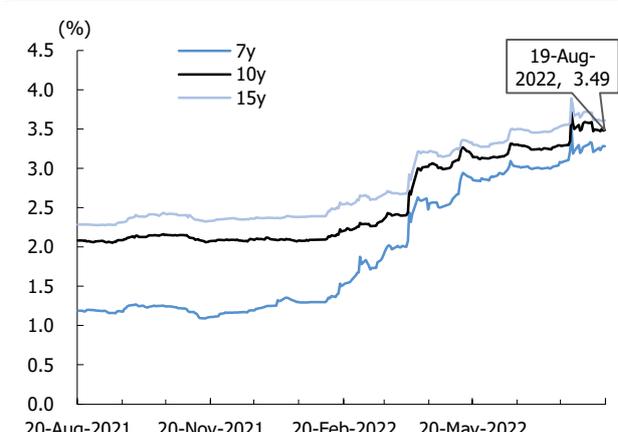
Regarding the yield curve, the steepness was mostly unchanged this week when the fluctuation in the G-bond market was trivial. Short-term tenors (less than seven years) rose by 2bps on average compared to 32W22 while mid-term tenors (from seven to ten years) reduced by 2bps on average.

Figure 16. G-bond yield curve



Source: HNX, VBMA, KIS

Figure 17. Historical daily government bond yield



Source: HNX, VBMA, KIS

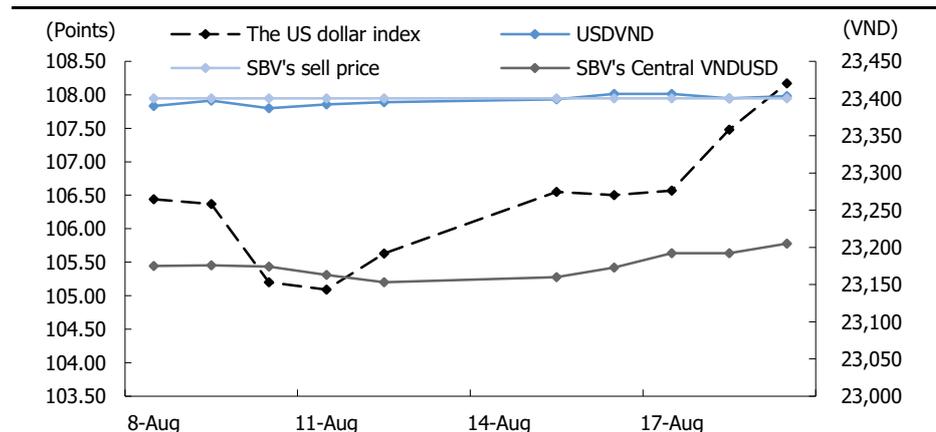
## V. USDVND witnessed a slight advance

### USDVND witnessed a slight advance

In comparison with last week's data, the USDVND witnessed a slight increase followed by a significant rise in the DXY. In general, the DXY was 108.17 on Friday this week, 2.40% higher than that on the previous weekend and hit a five-week high. This week's increase of the DXY recorded its biggest weekly gain since April 2020.

In the first three-day trading session this week, the DXY remained stable at around the 106.50 zone. The DXY started to climb a day later which reached 107.48 points on Thursday and the peak of 108.17 points on Friday as investors are betting that the greenback is benefiting from safe-haven inflows after China's weak data and the surprise rate cut by China's Central Bank on Monday 15<sup>th</sup> August following the release of data of weak industrial output and retail sales. This indicated that the world's second-largest economy has struggled to grow amid strict anti-Covid-19 restrictions still being implemented. Furthermore, the US Federal Reserve will likely continue to raise interest rates to combat inflation which resulted in the rise of the DXY.

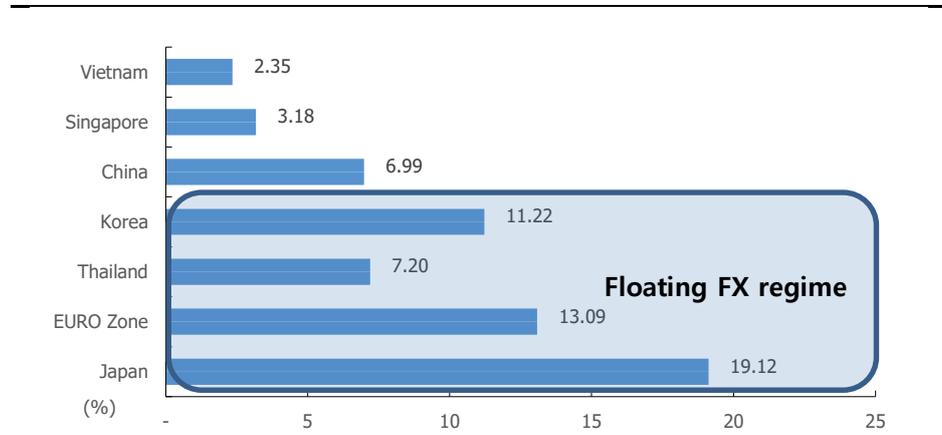
**Figure 18. Daily USDVND, DXY and SBV's central rate and selling price**



Source: Bloomberg, KIS

The DXY and the USDVND on Friday this week were around 108.17 (+2.40% WoW) and 23,403 (+0.03% WoW) respectively. The central rate of VND versus USD on Friday 19<sup>th</sup> was VND 23,205, 0.22% higher than Friday last week. In addition, stabilizing the USDVND exchange rate was likely the SBV's top priority currently as its selling price of the greenback remained the same at VND 23,400 for over five consecutive weeks. For instance, even market experienced a sharp increase in the DXY but the USDVND still fluctuated at the VND 23,400 zone.

**Figure 19. YTD performance of local currencies**



Source: Bloomberg, KIS

As can be observed that Vietnam once again has surpassed Singapore to become the least depreciated country by the U.S dollar at around 2.35% so far this year (YTD) while Singapore was around 3.18%(YTD). Currently, SBV continued to keep anchoring the selling price of the USDVND at 23,400 and increasing the foreign currency sales to stabilize the exchange rate. In contrast, countries with the floating FX regime, such as Japan and European countries, depreciated sharply against the USD. Last week, Japan was the most affected against the U.S dollar followed by the Eurozone and Korea.

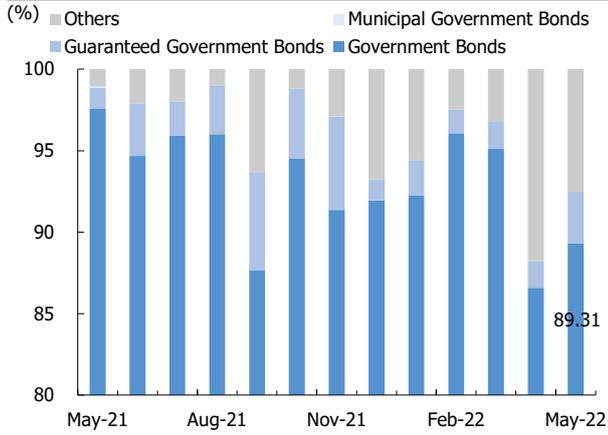
## Macro scorecard

	22-Mar	22-Apr	22-May	22-Jun	22-Jul	3Q21	4Q21	1Q22	2Q22	2018	2019	2020	2021
Real GDP growth (%)						-6.02	5.22	5.03	7.72	7.08	7.03	2.91	2.58
Registered FDI (USD bn)	2.89	3.91	0.98	2.32	1.51	6.88	9.01	8.91	5.12	35.47	38.02	28.53	31.15
GDP per capita (USD)										3,202	3,398	3,521	3,725
Unemployment rate (%)										2.21	2.25	2.48	3.22
Export (USD bn)	34,061	33,258	30,480	32,650	30,323	82.12	95.26	86.01	96.83	243.5	263.6	282.7	335.7
Import (USD bn)	32,672	32,189	32,210	32,370	30,302	83.12	88.72	87.45	97.58	236.7	254.4	263	331.1
Export growth (%)	14.84	24.98	16.38	19.98	8.82	2.99	20.43	13.43	21.02	13.19	8.16	7.02	18.74
Import growth (%)	14.64	15.45	12.85	16.32	3.42	18.85	15.42	15.17	15.72	11.01	7.41	3.81	25.9
Inflation (%)	2.41	2.64	2.86	3.37	3.14	2.51	1.89	1.92	2.96	3.54	2.79	3.24	1.84
USD/VND	22,837	22,968	23,195	23,254	23,343	22,761	22,790	22,837	23,139	23,175	23,173	23,126	22,790
Credit growth (%)	4.13	6.37	7.62	8.51	9.14	7.88	12.97	4.13	8.51	10.77	13.75	12.17	12.97
10Y gov't bond (%)	2.46	3.11	3.25	3.38	3.50	2.14	2.11	2.40	3.24	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF

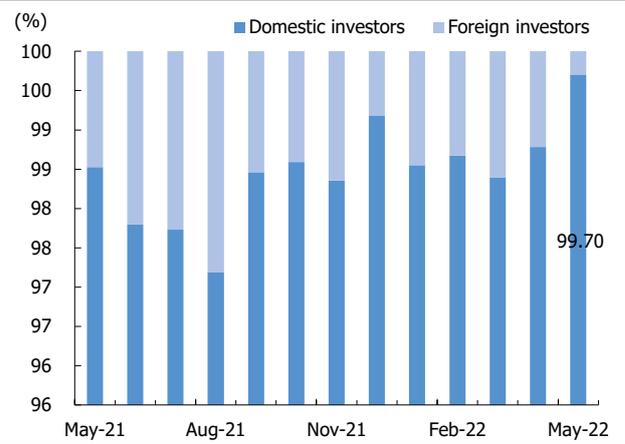
## Appendix

**Figure 20. Secondary government bond : trading value by bond type**



Source: HNX, KIS

**Figure 21. Secondary government bond: trading value by investor**



Source: HNX, KIS

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