

# Fixed-income Perspectives

## Liquidity pressure cools down

### SBV switches to net withdrawal

In the 16th week of 2023 (from 17 April to 23 April), SBV turned to take money out of the banking system after two consecutive weeks of net injection due to easing liquidity condition in the money market. Specifically, the winning value in repo offerings this week was VND7.29 in both 7-day and 28-day tenors, at a winning rate of 5%. As per T-bill transactions, this week continued to record no transactions via this channel. Jointly, SBV withdrew VND22.31bn from its counterparties this week.

### Interbank rates witness a decline

16W23 witnessed a sharp fall in interbank rate in all tenors, attributable to the easing of temporary liquidity demand. Taking short-tenors into consideration, ON, 1-week, and 2-week decreased sharply by 205bps, 169bps, and 111bps to 3.07%, 3.42%, and 4.01%, respectively. Less notably, long tenors such as 1-month, 3-month, and 6-month declined by 73bps, 387bps, and 54bps, respectively.

### USDVND loses its downturn

In the 16W23, USDVND lost its 7-week decline streak by increasing 0.22% compared to last week's data, followed by the fall of DXY by 0.28%. Generally, the USDVND peaked on Tuesday at VND23,513 then fall to VND23,495 on Friday, closing the week with a decrease of 0.28%. Similarly, compared to the 51-dong increase in the market rate, the shadow market buying/selling price increased by 50bps to 23,450/23,500 while VCB increased by 40bps over the week to 23,290/23,660. We saw that USDVND tended to rebound when hitting SBV's buying level.

### KIS leading economic index

	2Q22	3Q22	4Q22	1Q23	2020	2021	2022
GDP (%)	7.72	13.67	5.92	3.32	2.91	2.58	8.02
Trade balance (USD bn)	(0.75)	5.78	4.44	4.07	19.86	4.00	11.20
CPI (%)	2.96	3.32	4.41	4.18	3.24	1.84	3.15
Discount rate (%)	2.50	3.50	4.50	3.50	2.50	2.50	4.50
USD/VND	23,139	23,712	23,658	23,480	23,252	22,936	23,658
US GDP (%)	NA	NA	NA	NA	(3.40)	5.60	NA
China GDP (%)	0.4	3.9	2.9	NA	2.20	8.00	NA

Source: KIS

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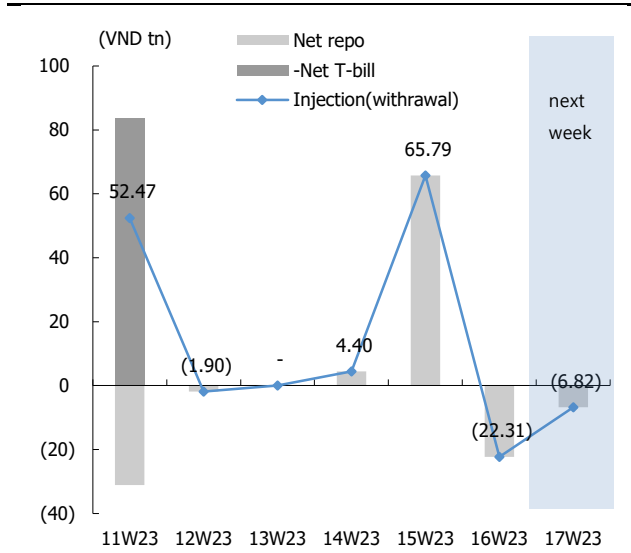
# I. SBV switches to net withdrawal

## SBV turns to net withdrawal from its counterparties

In the 16th week of 2023 (from 17 April to 23 April), SBV turned to take money out of the banking system after two consecutive weeks of net injection due to easing liquidity condition in the money market. Specifically, the winning value in repo offerings this week was VND7.29 in both 7-day and 28-day tenors, at a winning rate of 5%. As per T-bill transactions, this week continued to record no transactions via this channel. Jointly, SBV withdrew VND22.31bn from its counterparties this week.

This week, the money withdrawal of SBV was due to the easing in temporary liquidity shortfalls thanks to SBV's support during the past two weeks. Furthermore, OMO transactions could be more active next week, one week before a long holiday. As per the future situation, we predict that SBV will flexibly manage its OMO tool to bring the liquidity condition persistent with the easing orientation in the context that the pressures on inflation, exchange rate, and tightening of global monetary policy have partially passed.

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



Source: SBV, Bloomberg, KIS

**Table 1. Historical policy rate change**

Effective date	Discount rate (%)	Refinancing rate (%)
April 3, 2023	3.5	5.5↓
March 15, 2023	3.5↓	6.0
October 25, 2022	4.5↑	6.0↑
September 23, 2022	3.5↑	5.0↑
October 1, 2020	2.5↓	4.0↓
May 13, 2020	3.0↓	4.5↓
March 17, 2020	3.5↓	5.0↓
September 16, 2019	4.0↓	6.0↓
July 10, 2017	4.3↓	6.3↓
March 18, 2014	4.5↓	6.5↓
May 13, 2013	5.0↓	7.0↓

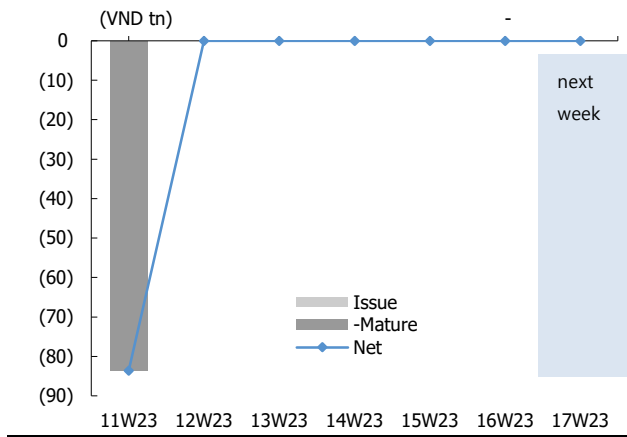
Source: SBV, Bloomberg, KIS

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

Issue date	Maturity date	Tenor (days)	Issued amount (VND tn)	Winning rate (%)
17-Apr-23	24-Apr-23	7	3.84	5.00
17-Apr-23	15-May-23	28	0.22	5.00
18-Apr-23	25-Apr-23	7	2.89	5.00
18-Apr-23	16-May-23	28	0.24	5.00
21-Apr-23	28-Apr-23	7	0.09	5.00
<b>Total</b>		<b>8.34<sup>1</sup></b>	<b>7.29</b>	<b>5.00<sup>2</sup></b>

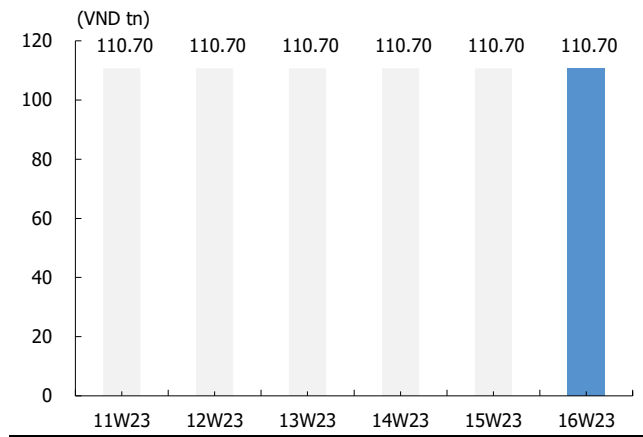
Source: SBV, Bloomberg, KIS  
<sup>1</sup> value-weighted average tenor; <sup>2</sup> value-weighted average winning rate

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



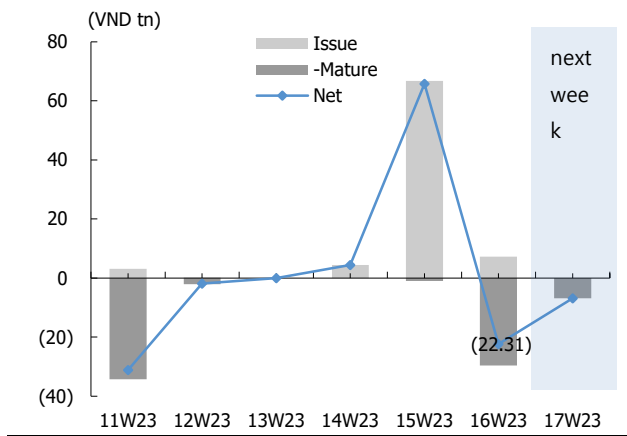
Source: SBV, Bloomberg, KIS

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



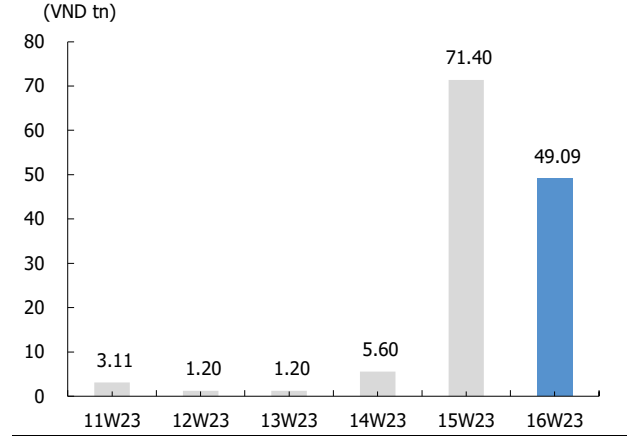
Source: SBV, Bloomberg, KIS

**Figure 4. Issued repo by week**



Source: SBV, Bloomberg, KIS

**Figure 5. Outstanding repo by week**



Source: SBV, Bloomberg, KIS

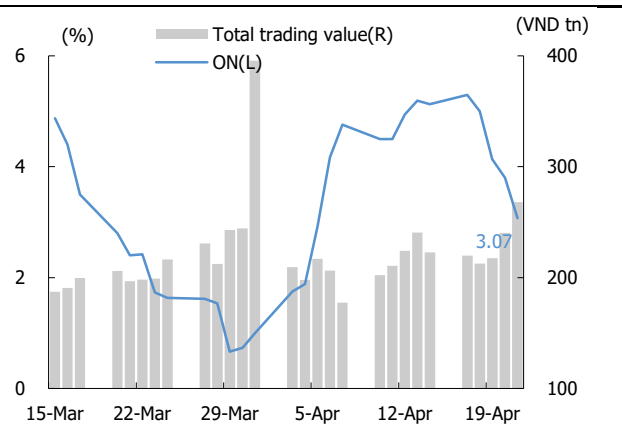
## II. Interbank rates witness a decline

### Interbank rates decline sharply

16W23 witnessed a sharp fall in interbank rate in all tenors, attributable to the easing of temporary liquidity demand. Taking short-tenors into consideration, ON, 1-week, and 2-week decreased sharply by 205bps, 169bps, and 111bps to 3.07%, 3.42%, and 4.01%, respectively. Less notably, long tenors such as 1-month, 3-month, and 6-month declined by 73bps, 387bps, and 54bps, respectively.

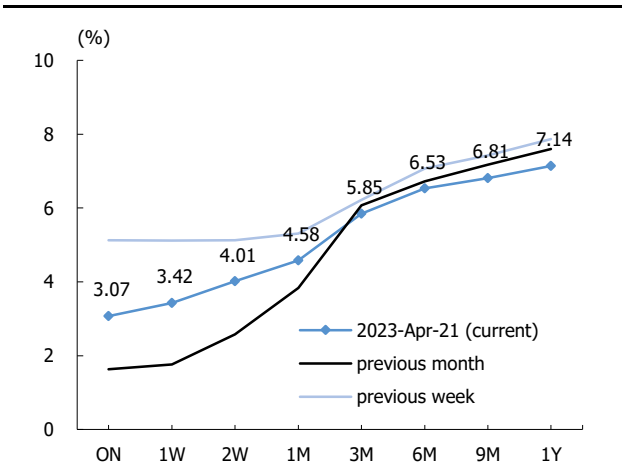
Remarkably, the average daily trading volume increased by 64.95%WoW to VND231.59tn from VND175.49tn last week. It is likely that the rate escalation would focus on the 1-week tenor next week to compensate for high liquidity needs during the upcoming long holidays. Hence, we expect interbank rates to remain high in the upcoming weeks.

**Figure 6. Interbank daily transaction**



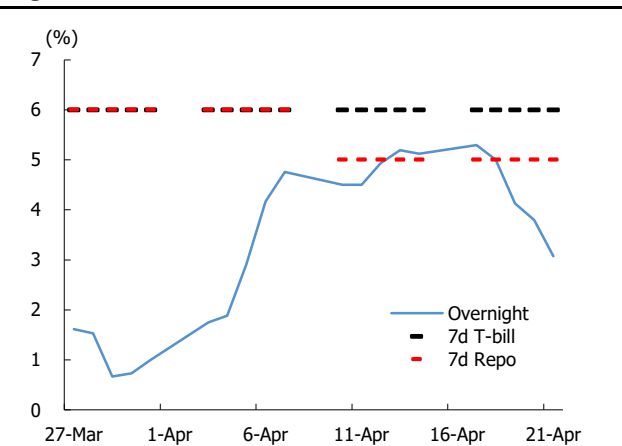
Source: SBV, Bloomberg, KIS

**Figure 7. Interbank rate curve**



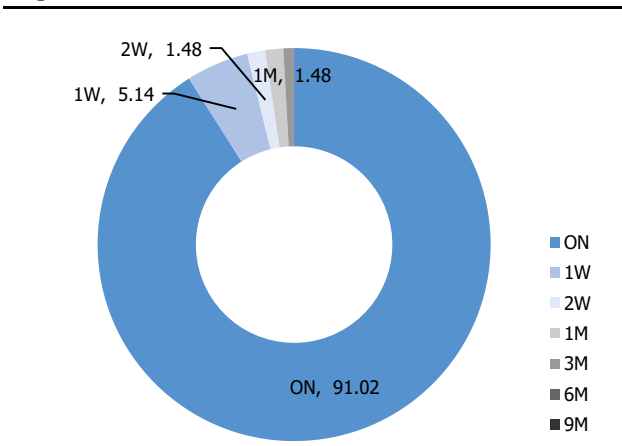
Source: SBV, Bloomberg, KIS

**Figure 8. Interbank rate corridor**



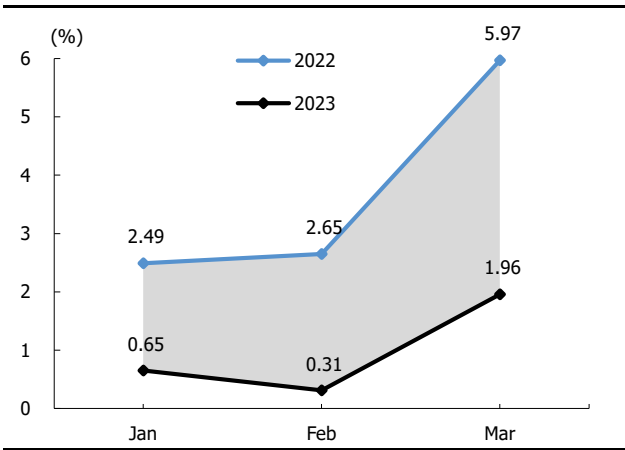
Source: SBV, Bloomberg, KIS

**Figure 9. Interbank transaction structure**



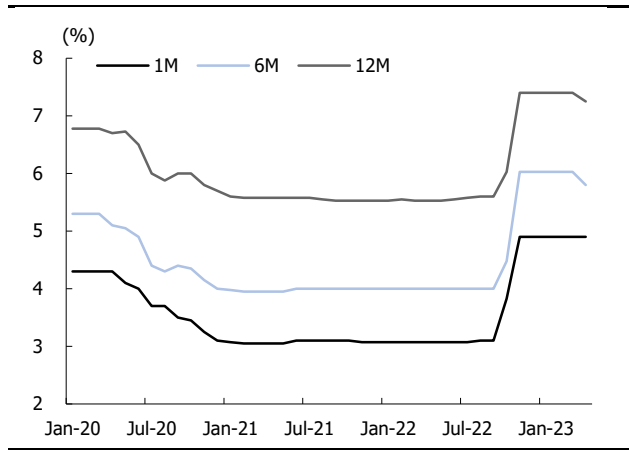
Source: SBV, Bloomberg, KIS

**Figure 10. Credit growth by month**



Source: SBV, Bloomberg, KIS

**Figure 11. Average deposit rates among four state-owned banks**



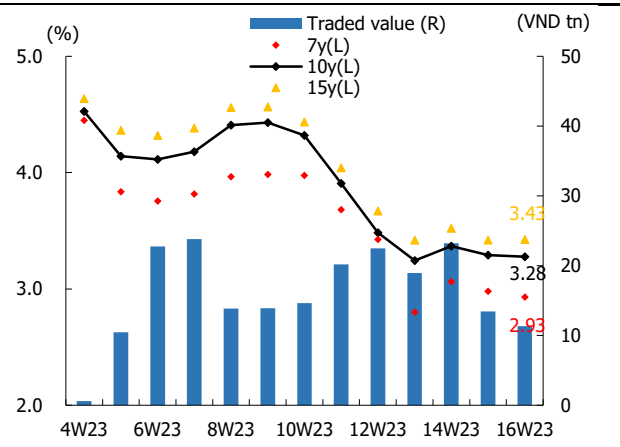
Source: Vietnambiz.vn, KIS

### III. G-bond yields slip slightly

#### Trading volume remained low

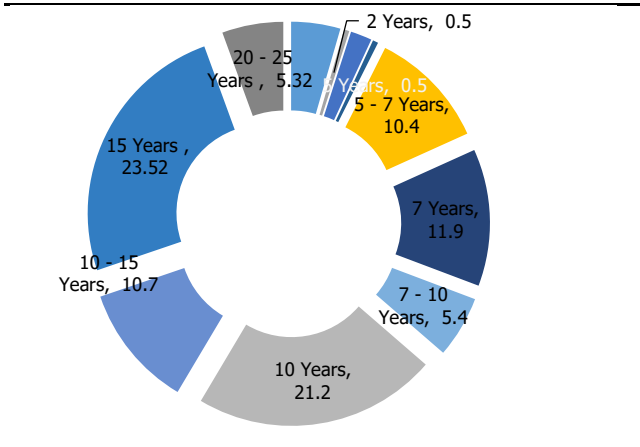
Trading G-bond yields slipped modestly while remaining unchanged in the primary market, aligned with the interest rate downward momentum. Specifically, trading yields decreased by 5bps, and 1bps for 7-year, and 10-year tenors while it insignificantly increased by 1bps for 15-year tenors. Notably, the trading volume diminished further by 15.73% WoW to VND11.32tn, recording a 10-week lowest level.

Figure 12. G-bond trading value



Source: HNX, KIS

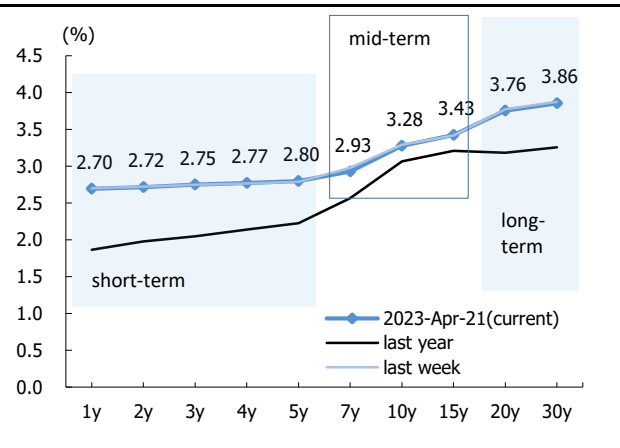
Figure 13. Trading value by tenor this week



Source: HNX, KIS

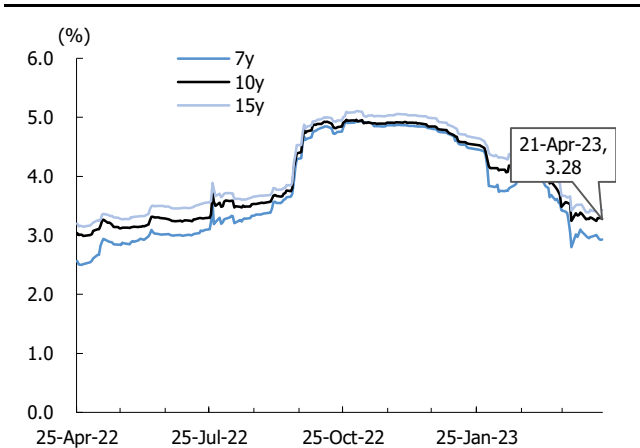
Regarding value structure, transactions kept concentrating on tenors from 7 to 15 years, with a joint portion of 72.69%. The yield curve stayed the same as last week as the reduction was distributed equally across tenors. Specifically, the short-term (1 year to 5 years) yields remained unchanged while the mid-term (7 years to 15 years) and long-term (above 15 years) fell by 2bps, respectively.

Figure 14. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 15. Historical daily government bond yield



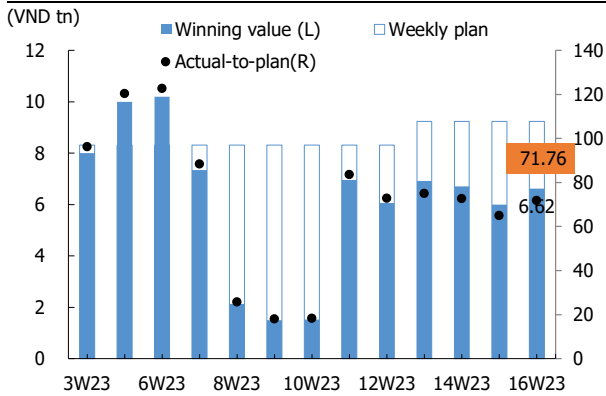
Source: HNX, VBMA, KIS

#### Winning yields stay unchanged

Regarding the development of G-bond issuance, the winning yields in the primary market stayed unchanged across tenors. Specifically, winning yields for 5-year, 10-year, and 15-year tenors (the most issued tenors) were unchanged at 2.78%, 3.28%, and 3.4%, respectively. 16W23 witnessed a similar issuance amount compared to previous weeks, standing at VND6.62tn or 10.40% upside over the week. The high absorption and bid-to-offer ratios indicate the currently offered yields remain attractive given the further rate-cut tendency from SBV.

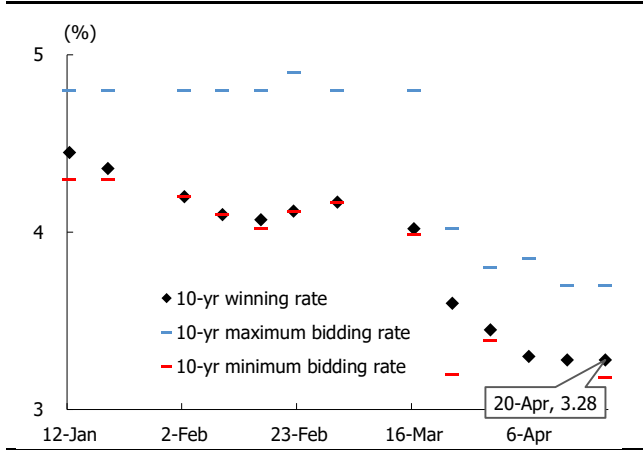
Cumulatively, VST fulfilled 16.11% and 23.45% of the second quarter and annual plans.

**Figure 16. Winning value by week**



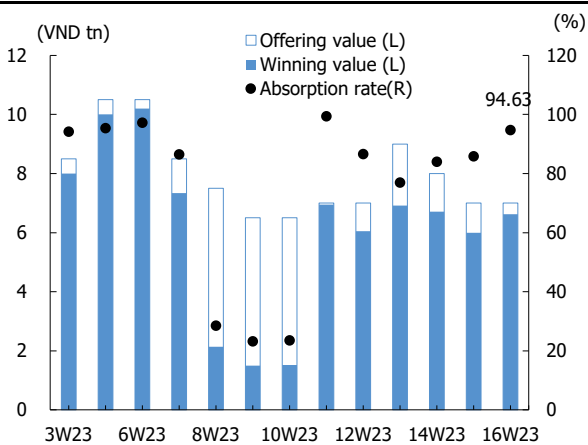
Source: HNX, KIS

**Figure 17. Winning yields by week**



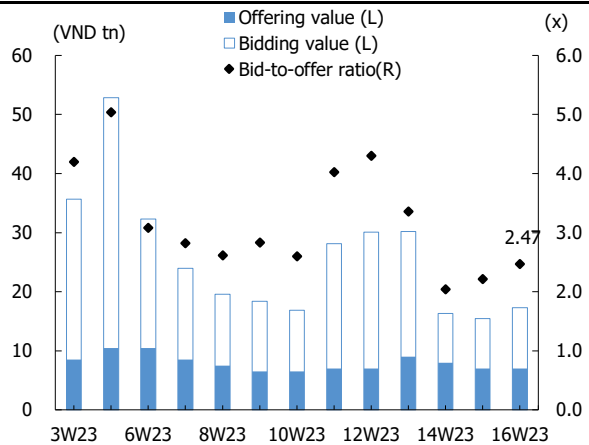
Source: HNX, KIS

**Figure 18. Absorption ratio**



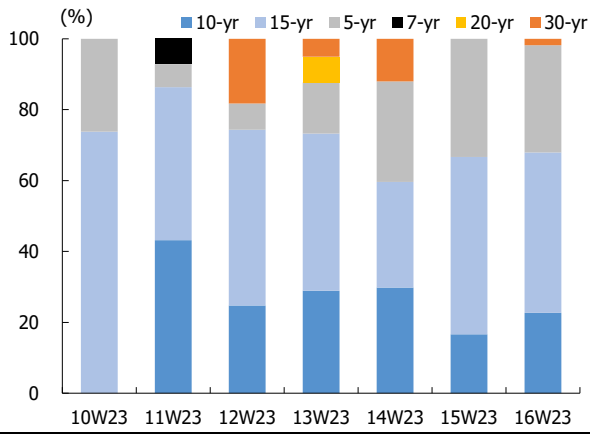
Source: HNX, KIS

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



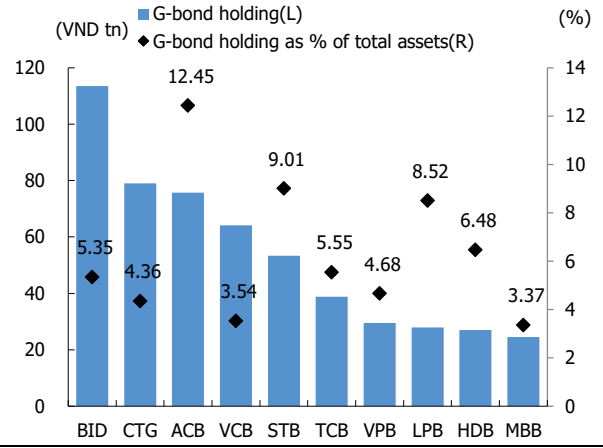
Source: HNX, KIS

**Figure 20. Winning value by tenor**



Source: HNX, KIS

**Figure 21. Top G-bond holding by bank as of 4Q22**



Source: HNX, Company filings, KIS

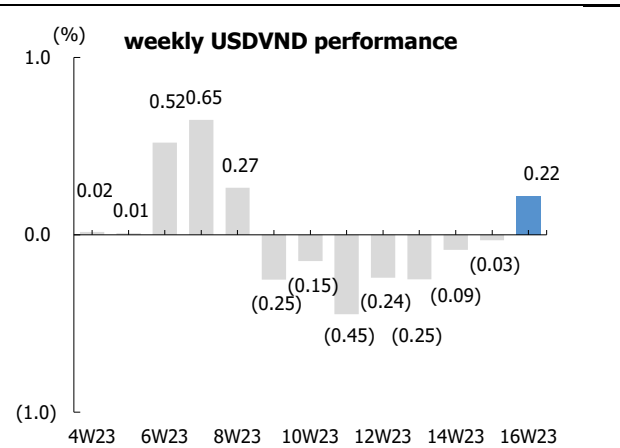


## IV. USDVND loses its downturn

### VND depreciated this week

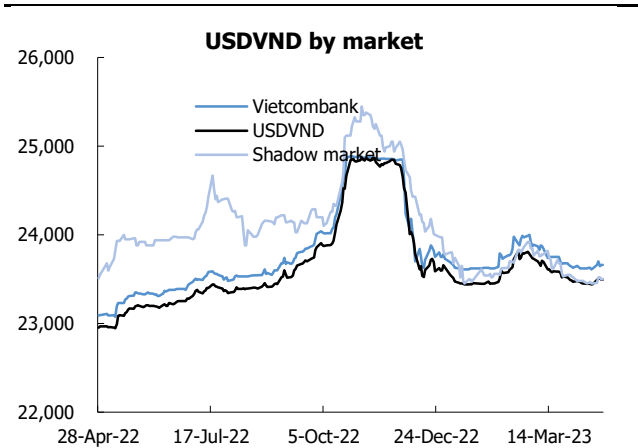
In the 16W23, USDVND lost its 7-week decline streak by increasing 0.22% compared to last week's data, followed by the fall of DXY by 0.28%. Generally, the USDVND peaked on Tuesday at VND23,513 then fall to VND23,495 on Friday, closing the week with a decrease of 0.28%. Similarly, compared to the 51-dong increase in the market rate, the shadow market buying/selling price increased by 50bps to 23,450/23,500 while VCB increased by 40bps over the week to 23,290/23,660. We saw that USDVND tended to rebound when hitting SBV's buying level.

Figure 22. Weekly USDVND performance



Source: SBV, Bloomberg

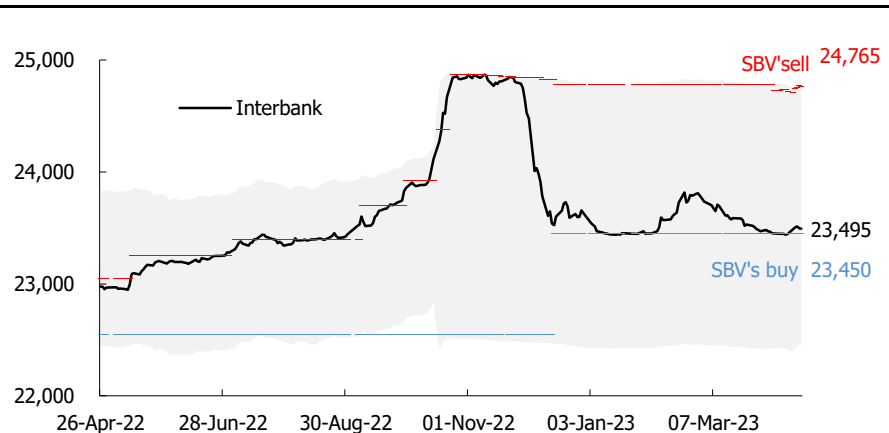
Figure 23. Historical USDVND by market



Source: SBV, Bloomberg, Fiinpro, [tygiadola.net](http://tygiadola.net)

This week, SBV increased its selling price by 48bps to 23,765 under the jumping of the exchange rate. Notably, the market price this week was higher than SBV's buying price and settled at 23,495, possibly resulting in no inflow of USD from SBV to enrich foreign reserves. We expect the central bank to await the upcoming US FOMC in May before making changes in its quotes.

Figure 24. SBV's movement



Source: SBV, Bloomberg, Fiinpro, KIS  
Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17<sup>th</sup> October, 2022).

The quarter point increase expected at the May meeting, bringing the benchmark interest rate to the range, between 5% and 5.25%, would likely be the peak for the current round of policy tightening due to the headline data since the Fed's last meeting has pointed to developing economic weakness and provided reasons to think inflation will slow. Indeed, Fed Board of Governors staff at the March meeting of the Federal Open Market Committee projected a "mild recession" would begin later this year. Therefore, DXY seems have no momentum to increase at the moment.

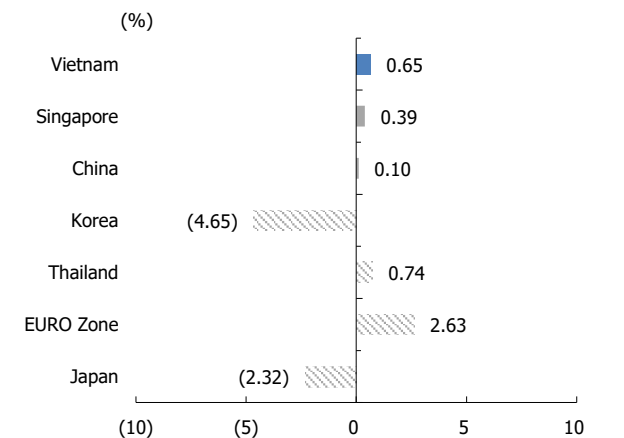
The weakening greenback this week extended the appreciation of most currencies under our watch list since the beginning of the year. Specifically, SGD, THB, and EUR appreciated further over the week to 0.68%, 1.14%, and 2.66% YTD while KRW and JPY narrowed down their depreciation to 2.51% and 2% YTD, respectively.

**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

	22-Nov	22-Dec	23-Jan	23-Feb	23-Mar	2Q22	3Q22	4Q22	1Q23	2019	2020	2021	2022
Real GDP growth (%)						7.72	13.67	5.92	3.21	7.03	2.91	2.58	8.02
Registered FDI (USD bn)	2.67	2.58	1.66	1.41	2.35	5.12	4.67	8.96	5.45	38.02	28.53	31.15	27.72
GDP per capita (USD)										3,398	3,521	3,725	
Unemployment rate (%)										2.25	2.48	3.22	
Export (USD bn)	29.50	29.66	25.08	25.88	29.57	96.83	96.48	89.50	79.17	263.6	282.7	335.7	371.85
Import (USD bn)	30.00	29.16	21.48	23.58	28.92	97.58	90.71	85.07	75.10	254.4	263	331.1	360.65
Export growth (%)	(7.40)	(13.96)	(21.28)	10.97	(14.78)	21.02	17.22	(6.07)	(11.90)	8.16	7.02	18.74	10.61
Import growth (%)	(2.04)	(8.14)	(28.92)	(6.65)	(11.10)	15.72	8.12	(3.90)	(14.67)	7.41	3.81	25.9	8.35
Inflation (%)	4.37	4.55	4.89	4.31	3.35	2.96	3.32	4.41	4.18	2.79	3.24	1.84	3.15
USD/VND	24,800	23,658	23,449	23,780	23,480	23,139	23,712	23,658	23,480	23,173	23,126	22,790	23,650
Credit growth (%)	11.50	12.87	NA	NA	NA	8.51	10.47	12.87	1.61	13.75	12.17	12.97	12.87
10Y gov't bond (%)	4.91	5.08	4.59	4.39	3.54	3.38	4.39	5.08	3.54	3.37	2.01	2.11	5.08

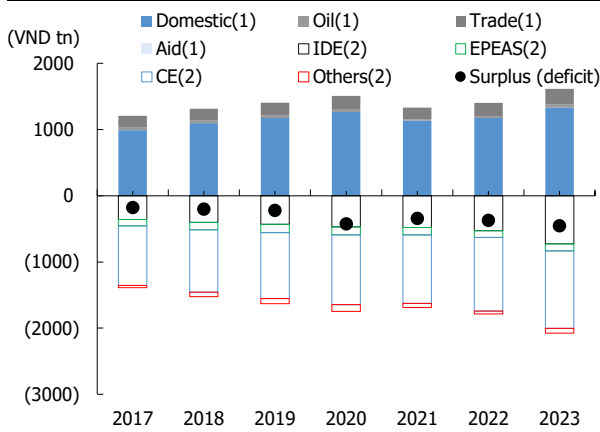
Source: GSO, Bloomberg, FIA, IMF

## \*\*Glossary

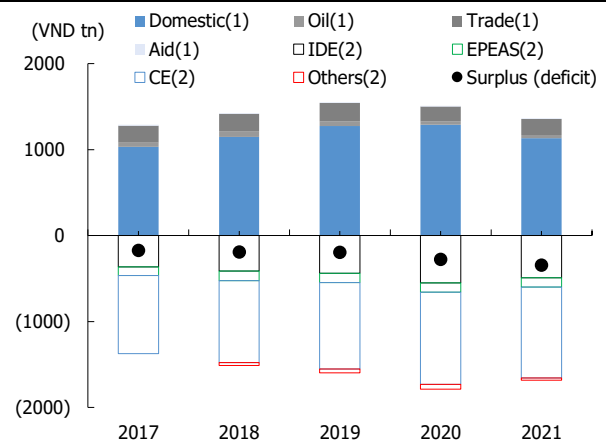
- \* Winning yield rate = each group's highest bidding rate, ~3.8%
- \* Absorption rate = winning value / offering value, ~94.63%
- \* Bid to offer ratio = offering value / bidding value, ~2.47
- \* DXY = U.S. Dollar Index, ~101.8
- \* OMO = Open market operation
- \* Tenor = due for payment
- \* ON = overnight interbank interest rate, ~3.07%

## Appendix

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



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



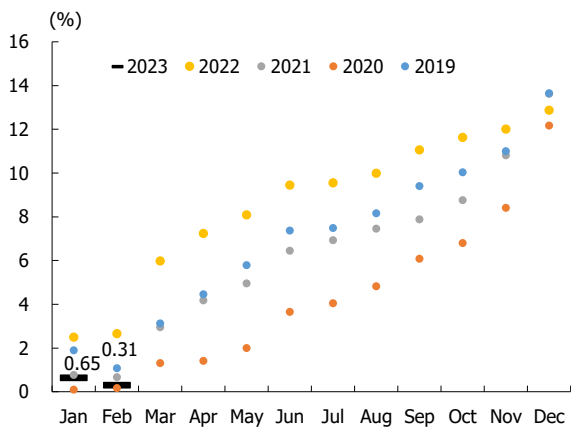
Source: MoF, SBV, KIS

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

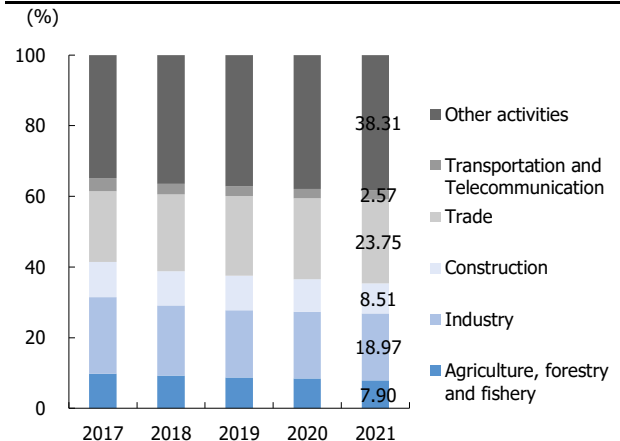
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



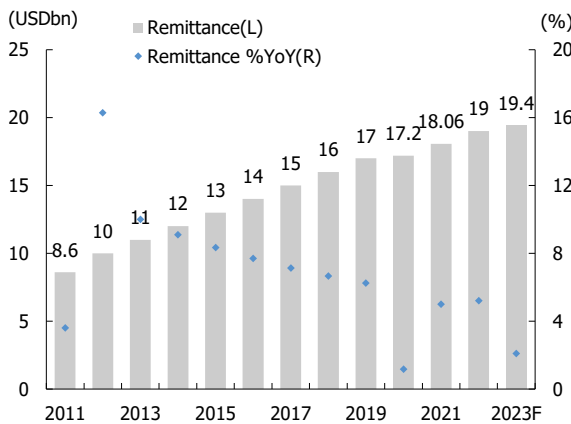
Source: SBV, KIS

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



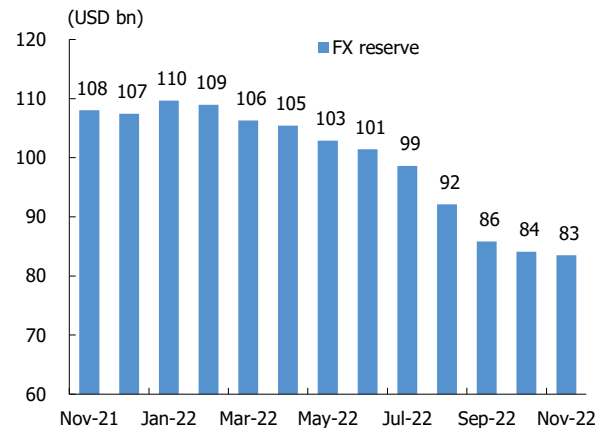
Source: SBV, KIS

**Figure 5. Vietnam's remittance over years**



Source: Worldbank, KNOMAD, KIS

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



Source: IMF, Bloomberg, KIS

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