

Fixed-income Perspectives

SBV's liquidity support on the holiday demand

SBV supports liquidity before the long holiday

In 17th week of 2023 (from 24 April to 30 April), SBV backed to support its counterparties amid higher cash demand for the long holiday by primarily injecting VND17.10bn through repo contracts. In addition, starting from 24 April 2023, Circular No. 02/2023/TT-NHNN and Circular No.03/2023/TT-NHNN would be effective in the aim of improving credit activities for the whole industry. Therefore, we expect SBV to manage the liquidity condition to facilitate commercial banks to lower their lending rates.

Interbank rates surge to serve holiday demand

17W23 witnessed a sharp increase in interbank rates concentrating on short-tenors to serve long-holiday liquidity demand. The most significant moves were seen in ON, 1W, and 2W tenors with 152bps, 124bps, and 78bps hikes. Notably, the transaction structure heavily shifted toward 1W and 2W tenors, peaking at 23.02% and 3.68% from 5.14% and 1.48% last week.

USDVND declined slightly

In 17W23, USDVND declined by 0.22% compared to last week, followed by a slight fall of DXY by 0.16%. Generally, the USDVND peaked on Monday at VND23,496 before decreasing to VND23,465 on Friday, closing the week with a decrease of 0.22%. Besides, SBV continued to add its selling price by 5bps to 23,770. Notably, this week's market price was still higher than SBV's buying price and settled at 23,465, possibly resulting in no change in foreign reserves. We expect the central bank to await the upcoming US FOMC in May before changing its quotes.

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	23,633	23,471	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 supports liquidity before the long holiday

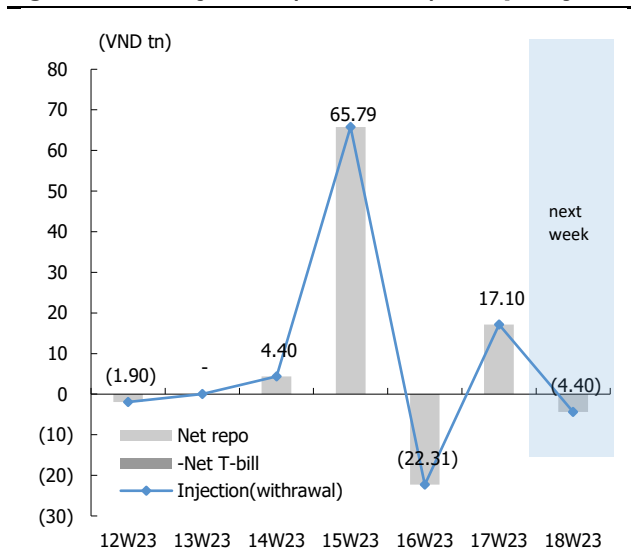
SBV supports its counterparties

In the 17th week of 2023 (from 24 April to 30 April), SBV backed to support its counterparties amid higher cash demand for the long holiday. Specifically, the winning value in repo offerings this week was VND23.29tn in both 14-day and 28-day tenors, at a winning rate of 5%. On the other hand, 17W23 continued to record no T-bill transactions. Jointly, the banking system this week received an amount of VND17.10bn from the SBV.

In addition, starting from April 24, 2023, the banking sector has begun the implementation of two notable documents. First, Circular No. 02/2023/TT-NHNN dated April 23, 2023, on the rescheduling of debt payment and the maintenance of debt groups by the credit institutions and the foreign bank branches to support the customers in difficulties. Second, Circular No.03/2023/TT-NHNN on the termination of the effectiveness of Paragraph 11, Article 4 of Circular No.16/2021/TT-NHNN dated November 10, 2021, regulating the trading of corporate bonds by the credit institutions and the foreign bank branches. We expect these two Circulars to improve credit activities for the whole industry.

As per the future situation, we expect that SBV will continue to manage its OMO tool to support the liquidity of the banking system, facilitating commercial banks to lower their lending rates.

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↓

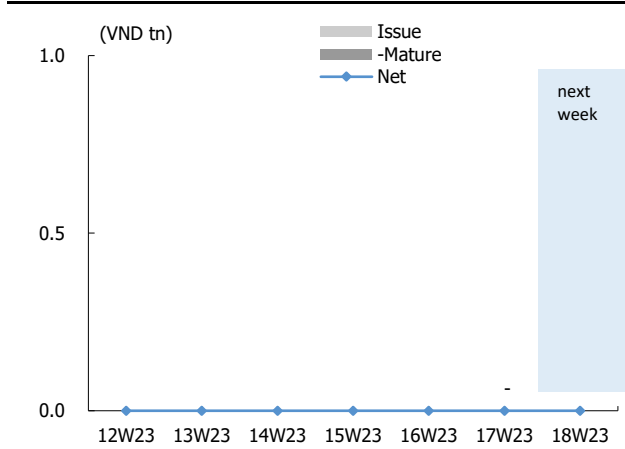
Source: SBV, Bloomberg, KIS

Table 2. Daily repo transactions of this week

Issue date	Maturity date	Tenor (days)	Issued amount (VND tn)	
24-Apr-23	8-May-23	14	2.92	
25-Apr-23	9-May-23	14	18.60	
25-Apr-23	23-May-23	28	0.75	
27-Apr-23	11-May-23	14	1.65	
Total		14.44¹	23.92	

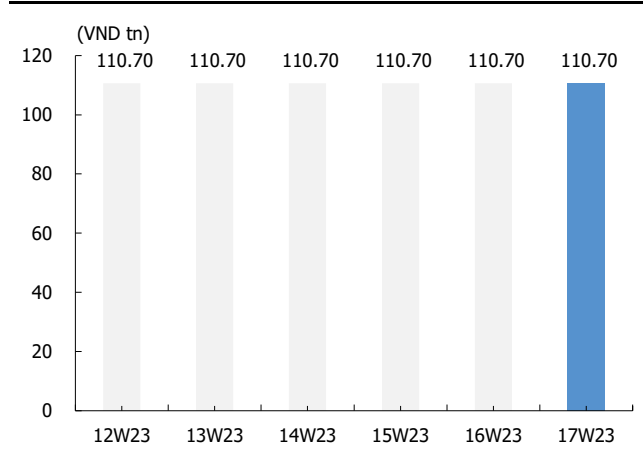
Source: SBV, Bloomberg, KIS
¹ value-weighted average tenor; ² value-weighted average winning rate

Figure 2. Issued T-bill by week



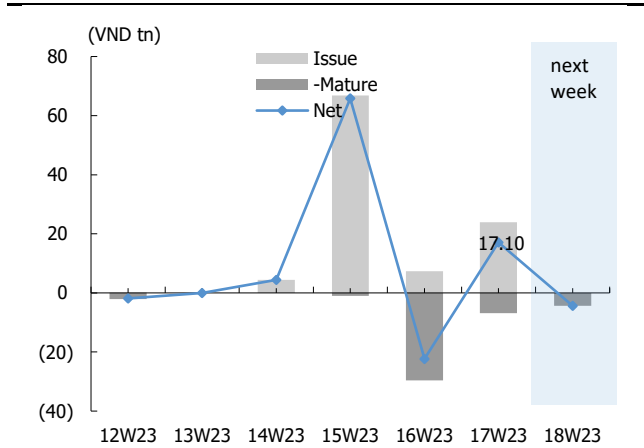
Source: SBV, Bloomberg, KIS

Figure 3. Outstanding T-bill by week



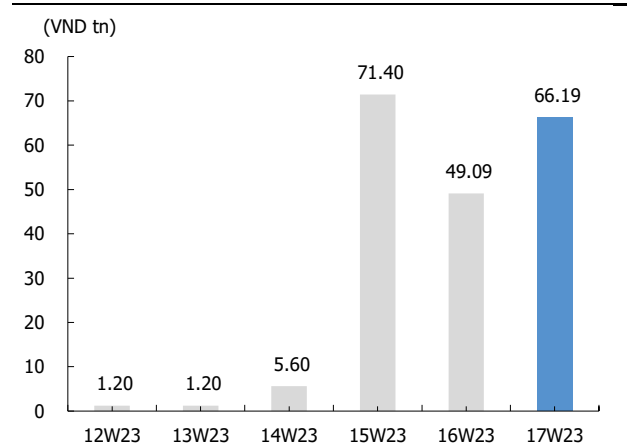
Source: SBV, Bloomberg, KIS

Figure 4. Issued repo by week



Source: SBV, Bloomberg, KIS

Figure 5. Outstanding repo by week



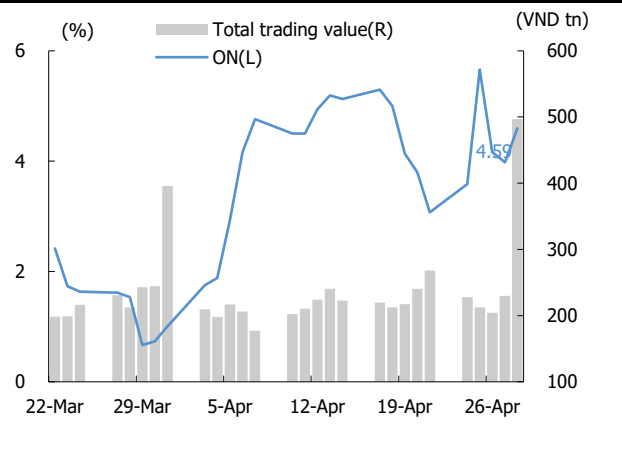
Source: SBV, Bloomberg, KIS

II. Interbank rates surge on holiday demand

Interbank rates hike sharply

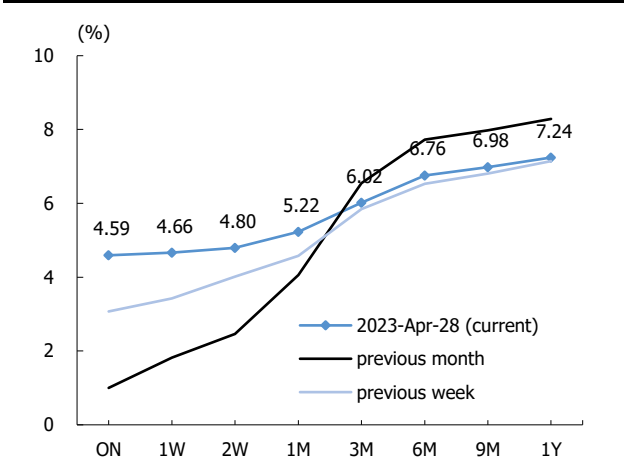
17W23 witnessed a sharp increase in interbank rates concentrating on short-tenors to serve long-holiday liquidity demand. The most significant moves were seen in ON, 1W, and 2W tenors with 152bps, 124bps, and 78bps hikes. Notably, Friday recorded a 2.5x one-day trading volume to preserve liquidity for a long holiday. The transaction structure heavily shifted toward 1W and 2W tenors, peaking at 23.02% and 3.68% from 5.14% and 1.48% last week.

Figure 6. Interbank daily transaction



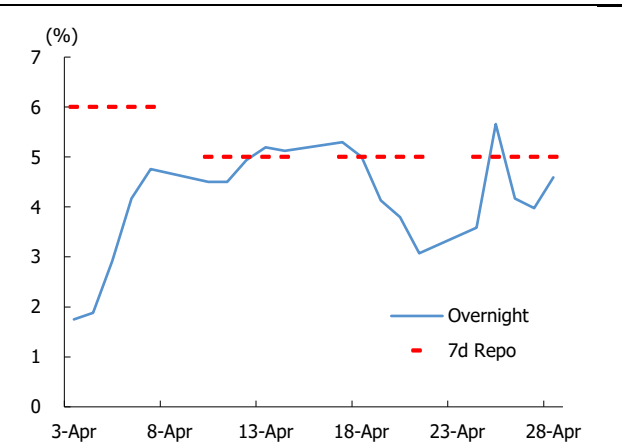
Source: SBV, Bloomberg, KIS

Figure 7. Interbank rate curve



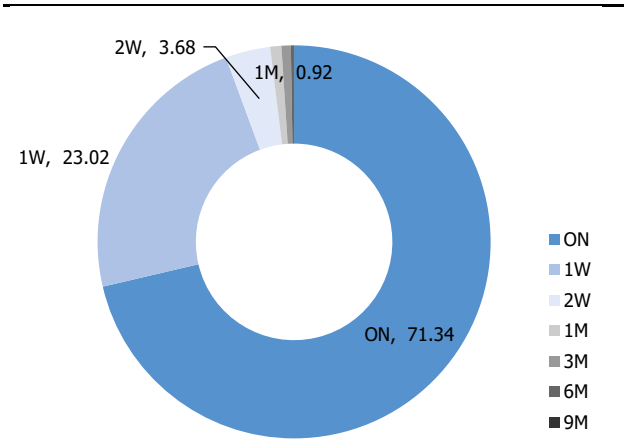
Source: SBV, Bloomberg, KIS

Figure 8. Interbank rate corridor



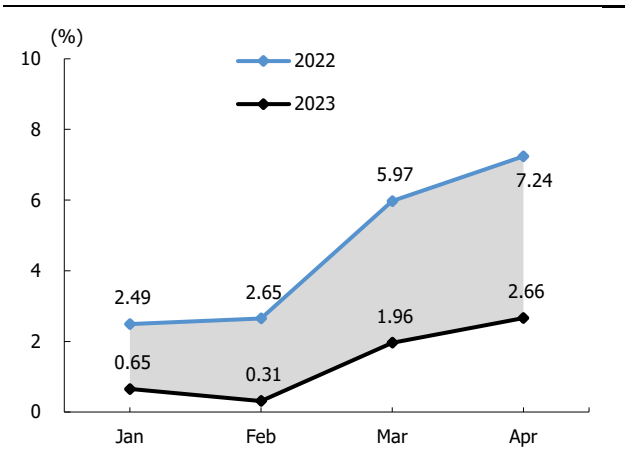
Source: SBV, Bloomberg, KIS

Figure 9. Interbank transaction structure



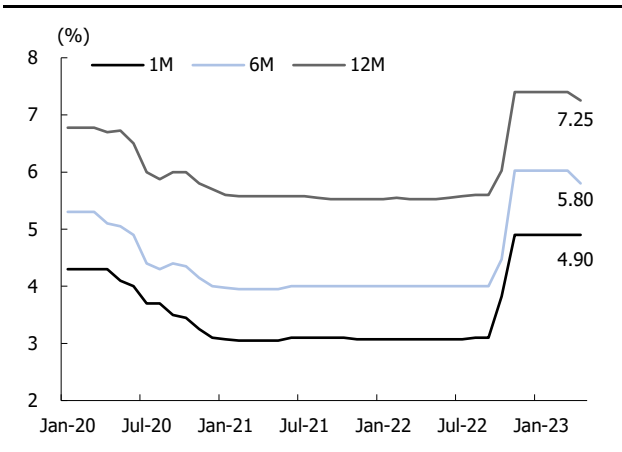
Source: SBV, Bloomberg, KIS

Figure 10. Credit growth by month



Source: SBV, Bloomberg, KIS

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



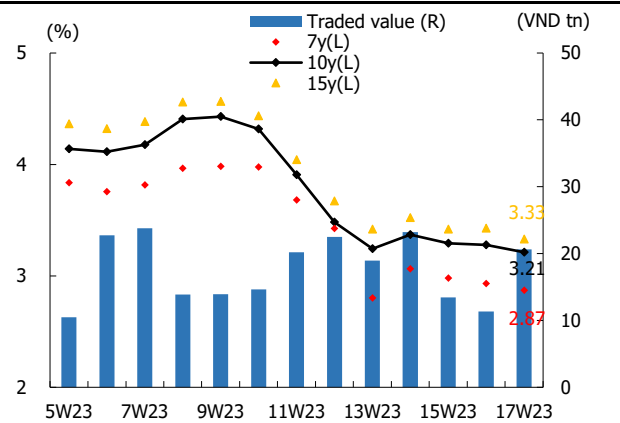
Source: Vietnambiz.vn, KIS

III. G-bond yields continue its downturn

Trading volume recovers

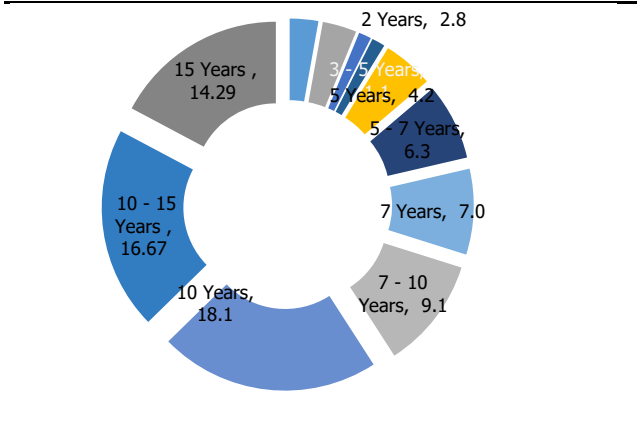
Sharing the same movement with the primary market, trading g-bond yields continued its downward momentum this week. Specifically, trading yields fell by 6bps, 7bps, and 10bps for 5-year, 7-year, and 10-year tenors. Notably, trading value surged significantly by 82.24% to VND20.62tn this week after two inactive trading weeks.

Figure 12. G-bond trading value



Source: HNX, KIS

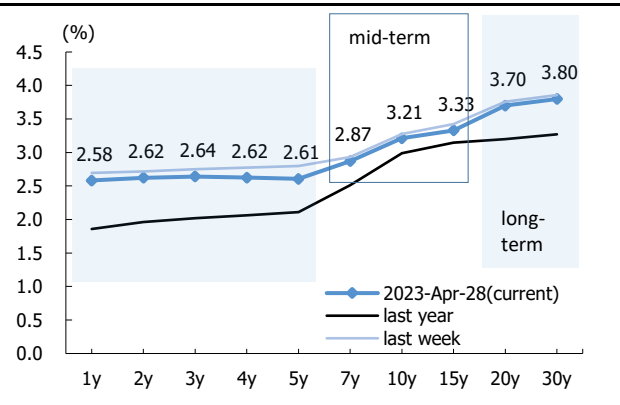
Figure 13. Trading value by tenor this week



Source: HNX, KIS

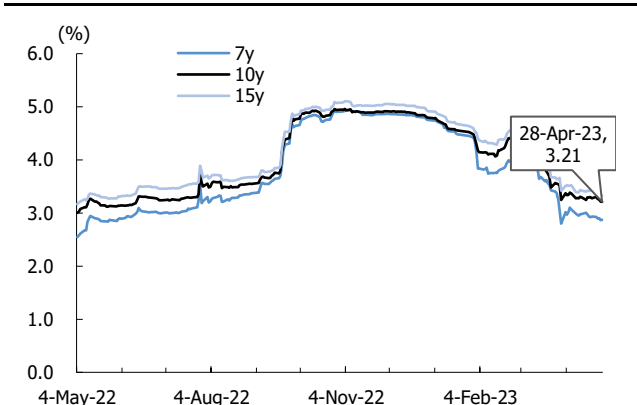
Regarding value structure, transactions kept concentrating on tenors from 7 to 15 years, with a joint portion of 65.23%. The yield curve was steeper than the previous week as the yield reduction concentrated in the short tenors. Specifically, short-term tenors (1 year to 5 years) fell significantly by 13bps while it was less notable in the mid-term (7 years to 15 years) and long-term (above 15 years) with 7bps and 6bps decreases.

Figure 14. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 15. Historical daily government bond yield

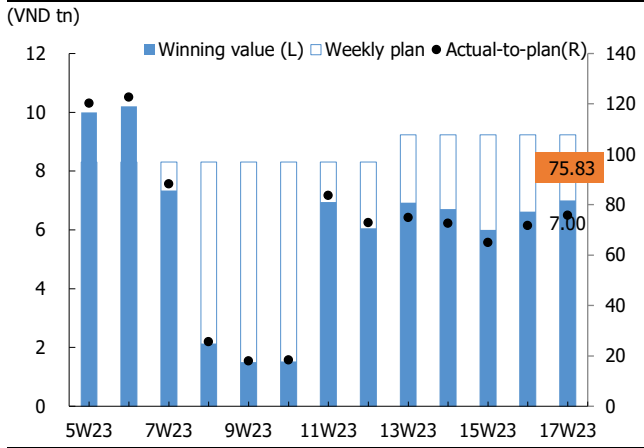


Source: HNX, VBMA, KIS

Winning yields stay unchanged

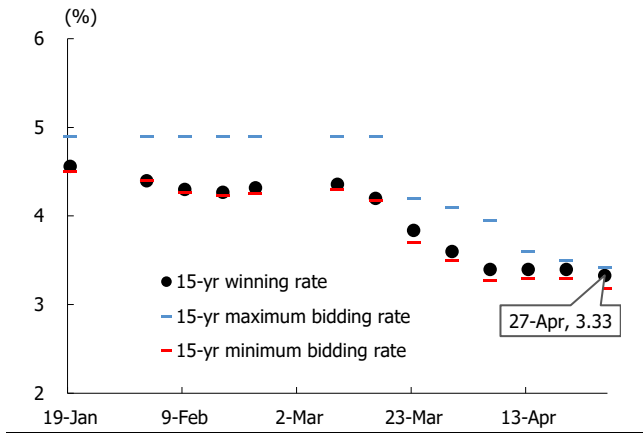
Regarding the development of G-bond issuance, the winning yields are back to their downward momentum this week after one week's pause. Specifically, winning yields for 5-year, 10-year, and 15-year tenors (the most issued tenors) fell by 3bps, 6bps, and 7bps, respectively. 17W23 witnessed a similar issuance amount compared to previous weeks, standing at VND7.00tn or 5.68% upside over the week. Cumulatively, VST fulfilled 21.95% and 25.20% of the second quarter and annual plans.

Figure 16. Winning value by week



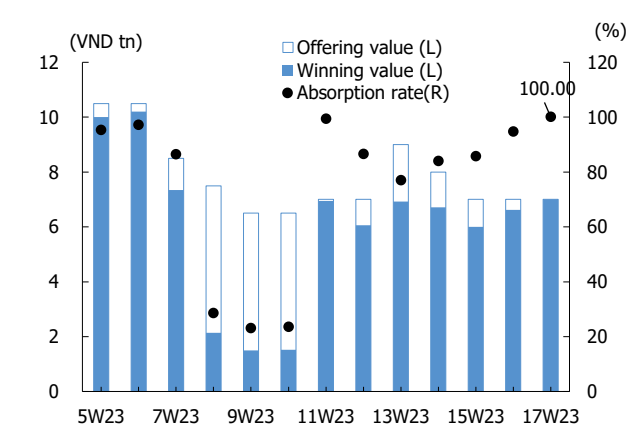
Source: HNX, KIS

Figure 17. Winning yields by week



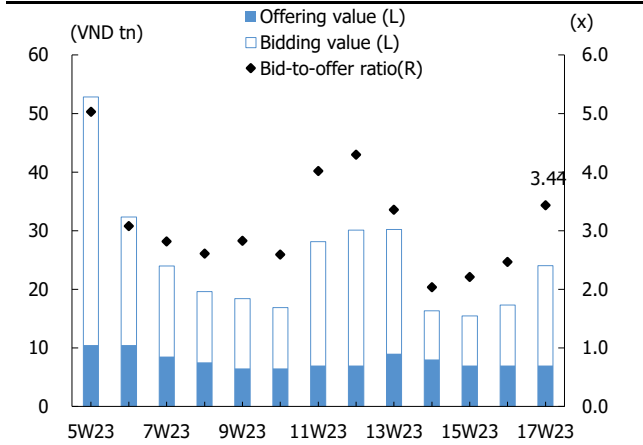
Source: HNX, KIS

Figure 18. Absorption ratio



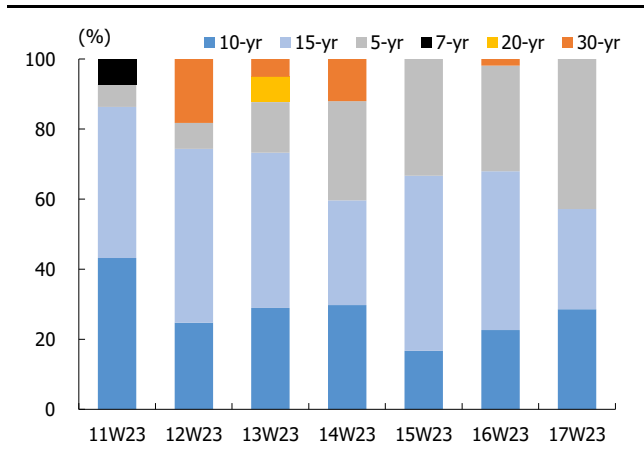
Source: HNX, KIS

Figure 19. Bid-to-offer ratio



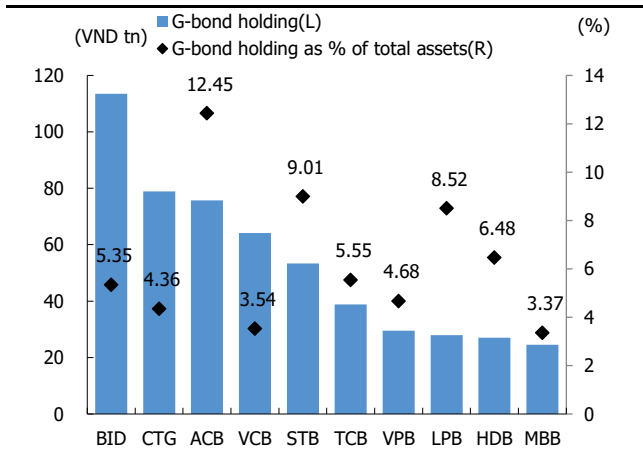
Source: HNX, KIS

Figure 20. Winning value by tenor



Source: HNX, KIS

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



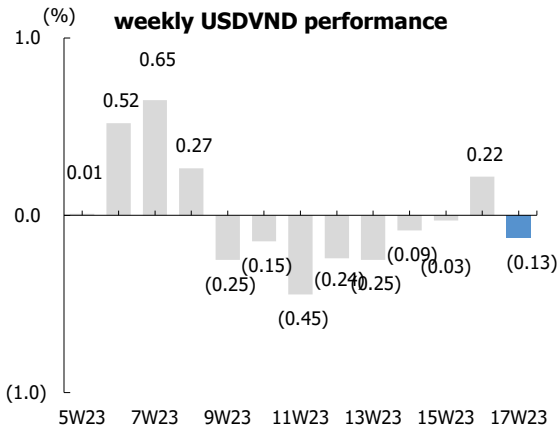
Source: HNX, Company filings, KIS

IV. USDVND declined slightly

**VND appreciated
this week**

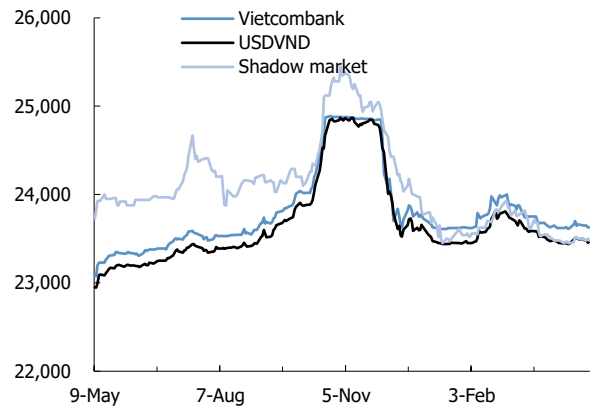
In the 17W23, USDVND declined by 0.22% compared to last week, followed by a slight fall of DXY by 0.16%. Generally, the USDVND peaked on Monday at VND23,496 before decreasing to VND23,465 on Friday, closing the week with a decrease of 0.22%. Similarly to the 30-dong decline in the interbank market, VCB's bid/ask declined by 30bps over the week to 23,260/23,630. Oppositely, the shadow market buying/selling price increased by 20bps to 23,430/23,480.

Figure 22. Weekly USDVND performance



Source: SBV, Bloomberg

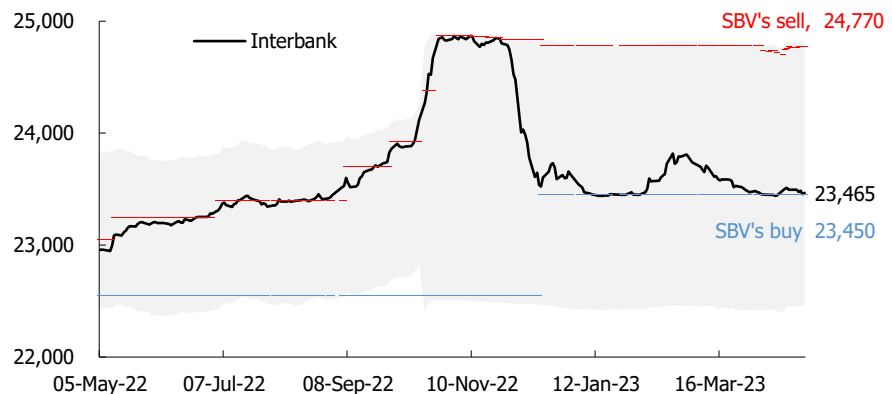
Figure 23. Historical USDVND by market



Source: SBV, Bloomberg, Fiinpro, tygiadola.net

In 17W23, SBV continued to add its selling price by 5bps to 23,770. Notably, this week's market price was still higher than SBV's buying price and settled at 23,465, possibly resulting in no change in foreign reserves. We expect the central bank to await the upcoming US FOMC in May before changing 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 17th October, 2022).

According to the U.S. Bureau of Economic Analysis, the U.S. economy in 1Q23 grew by an annualized 1.1 percent, slowing from a 2.6 percent expansion in the previous quarter and missing market expectations of a 2 percent growth. Furthermore, the U.S. personal consumption expenditure price index (PCE) rose by 4.2%YoY in March 2023, the lowest since May 2021. Therefore, DXY declined right after the release of economic data. Besides, DXY seems to have no momentum to increase at this time.

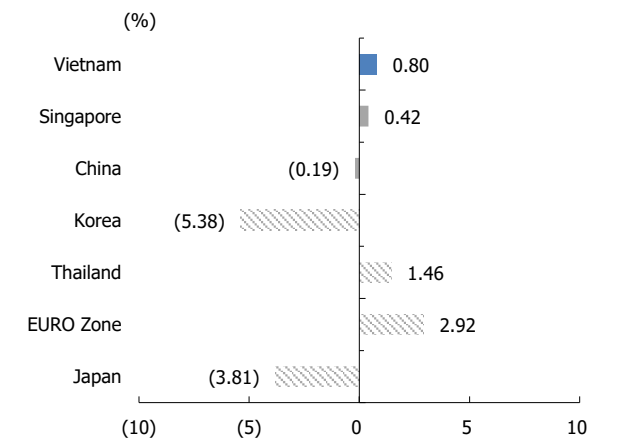
The weakening greenback this week extended the appreciation of most currencies under our watch list since the beginning of the year. Specifically, SGD, THB, and EUR appreciated further over the week to 0.42%, 1.46%, and 2.92% YTD while CNY and JPY narrowed down their depreciation to 0.19% and 3.81%. Notably, KRW extended its depreciation against USD from -4.65% to -5.38% WoW.

Figure 25. Historical DXY



Source: SBV, Bloomberg

Figure 26. 2023 YTD performance of major currencies against USD



Source: SBV, Bloomberg

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

Macro scorecard

	22-Dec	23-Jan	23-Feb	23-Mar	23-April	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)	2.58	1.66	1.41	2.35	3.43	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	4,110
Unemployment rate (%)						2.32	2.28	2.32	2.25	2.25	2.48	3.22	2.32
Export (USD bn)	29.66	25.08	25.88	29.57	27.54	96.83	96.48	89.50	79.17	263.6	282.7	335.7	371.85
Import (USD bn)	29.16	21.48	23.58	28.92	26.03	97.58	90.71	85.07	75.10	254.4	263	331.1	360.65
Export growth (%)	(13.96)	(21.28)	10.97	(14.78)	(17.15)	21.02	17.22	(6.07)	(11.90)	8.16	7.02	18.74	10.61
Import growth (%)	(8.14)	(28.92)	(6.65)	(11.10)	(20.54)	15.72	8.12	(3.90)	(14.67)	7.41	3.81	25.9	8.35
Inflation (%)	4.55	4.89	4.31	3.35	3.55	2.96	3.32	4.41	4.18	2.79	3.24	1.84	3.15
USD/VND	23,633	23,449	23,785	23,471	23,465	23,139	23,712	23,633	23,471	23,173	23,126	22,790	23,650
Credit growth (%)	12.87	0.65	0.31	1.96	2.66	8.51	10.47	12.87	1.61	13.75	12.17	12.97	12.87
10Y gov't bond (%)	5.08	4.59	4.39	3.24	3.21	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, ~3.7%
- * Absorption rate = winning value / offering value, ~100%
- * Bid to offer ratio = offering value / bidding value, ~3.44
- * DXY = U.S. Dollar Index, ~101.7
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~4.59%

Appendix

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

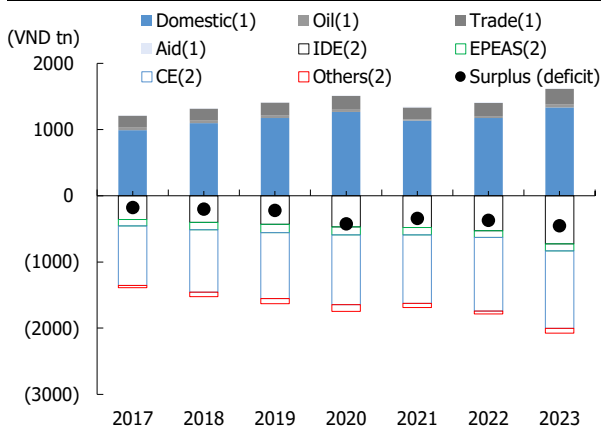
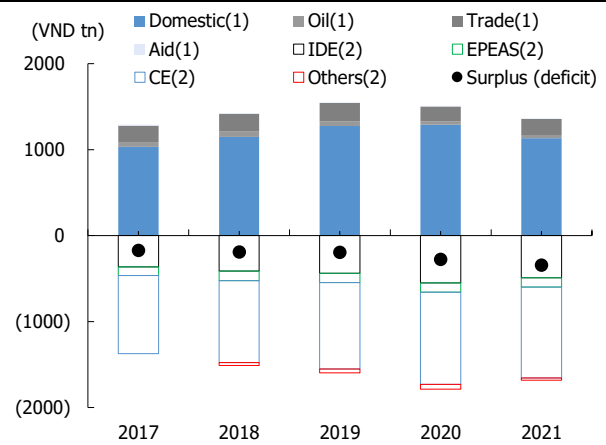


Figure 2. Vietnam's state budget by year: actual



Source: MoF, SBV, KIS

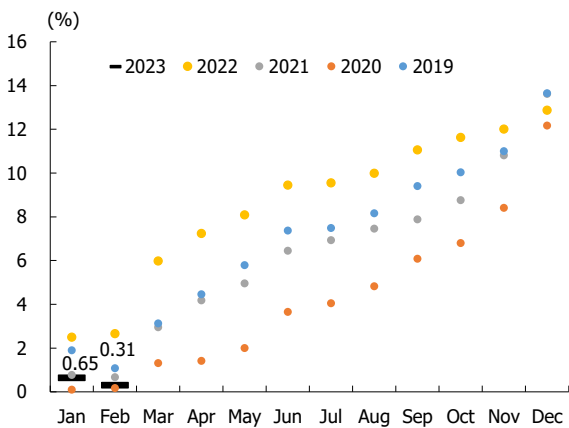
Domestic= Domestic revenues; Oil= Crude oil revenues; Trade= Balanced income from export and import activities; Aid= Revenue from aid.

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

(1) indicates the item belongs to the revenue

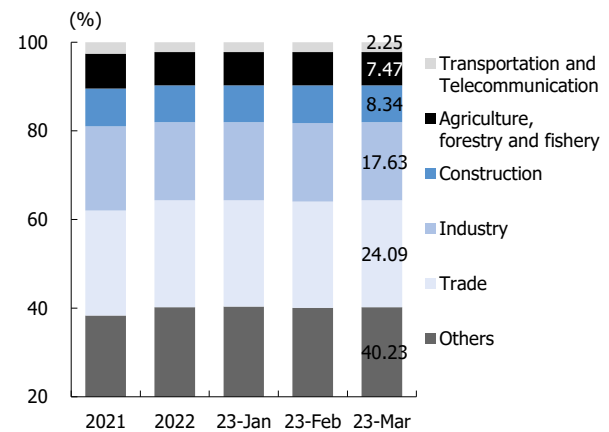
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



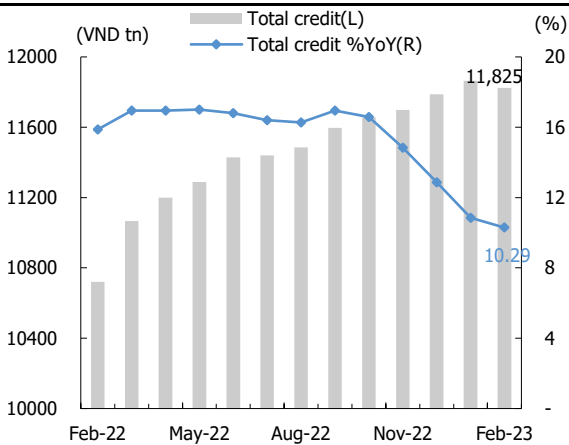
Source: SBV, KIS

Figure 4. Vietnam's total credit by sector



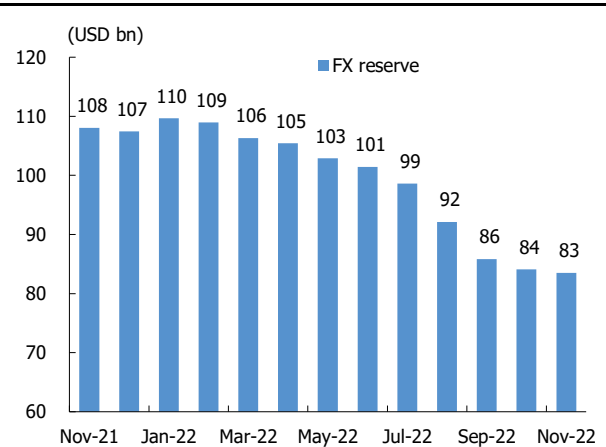
Source: SBV, KIS

Figure 5. Historical Vietnam's credit



Source: SBV, KIS

Figure 6. Historical Vietnam's FX reserve



Source: IMF, Bloomberg, KIS

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