

Fixed-income Perspectives

A silent money market after the long holiday

SBV slightly withdraws liquidity

18W23 (from 1st May to 7th May) witnessed a slight withdrawal from SBV as the liquidity back to normal after a holiday surge. Notably, SBV maintained the stoppage in T-bill issuance over the last eight weeks along with a negative net repo amount, settling the week with VND2.64tn of net withdrawal. According to the central bank governor, by the 25th of April, the credit for the whole economy grew slowly at 2.75% YTD from 2.6% at the end of March, reflecting the low demand along with unqualified conditions from borrowers despite strong wills to reduce the lending rate from SBV.

Interbank rates increase after holiday

18W23 experienced a slight increase in interbank rates concentrating on short-tenors after a long holiday. Specifically, ON, 1W, and 2W tenors increased by 41bps, 48bps, and 42bps hikes. The transaction remained concentrated on ON and 1W tenors, recording 86.18% and 10.13%, respectively. On 4 May 2023, The Federal Reserve increased its key interest rate by 0.25 percentage points - its 10th hike in 14 months. That pushed its benchmark rate to between 5% and 5.25%.

USDVND declined slightly

In the 18W23, USDVND remained flat, decreasing by just 0.04% compared to last week, followed by a slight fall of DXY by 0.44%. Generally, the USDVND peaked at the beginning of the week at VND23,465 before decreasing to VND23,450 on Friday.

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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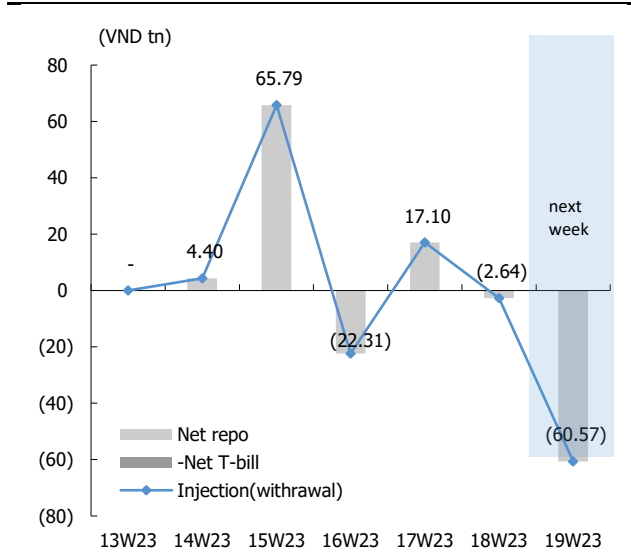
I. SBV slightly withdraws liquidity

Credit grows slowly over the month

18W23 (from 1st May to 7th May) witnessed a slight withdrawal from SBV as the liquidity condition was normalizing after a holiday surge. Notably, SBV maintained the stoppage in T-bill issuance over the last eight weeks along with a negative net repo amount, settling the week with VND2.64tn of net withdrawal. Specifically, SBV this week issued VND1.76tn of the repo at a 5% rate for a 14-day tenor, while the expired amount was higher at VND4.40tn.

According to the central bank governor, by the 25th of April, the credit for the whole economy grew slowly at 2.75% YTD from 1.96% at the end of March, likely reflecting cautious sentiment from commercial banks along with highly-concerned borrowers despite strong wills to reduce the lending rate from SBV. The situation indicated that the effectiveness of SBV's two recent rounds of rate cuts on the economy was limited. Under the depressed economic performance in April with lower export value and weak industrial production, we predict that SBV could provide more easing measures to promote economic activities soon.

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

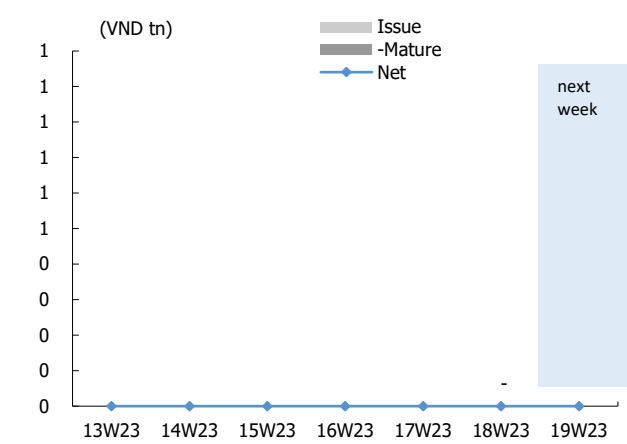
Table 2. Daily repo transactions of this week

Issue date	Maturity date	Tenor (days)	Issued amount (VND tn)	V
4-May-23	18-May-23	14	0.50	
5-May-23	19-May-23	14	1.26	
Total		14¹	1.76	

Source: SBV, Bloomberg, KIS

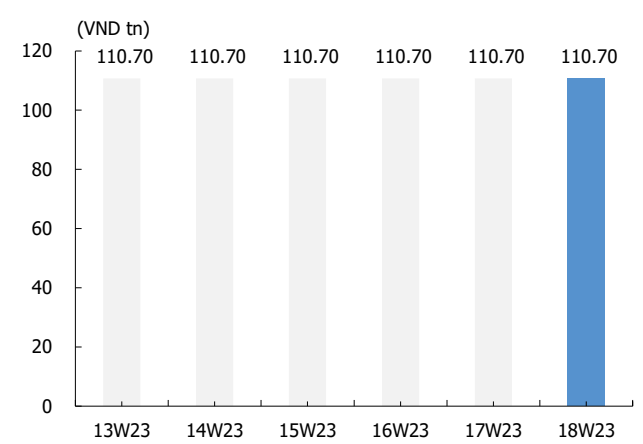
¹ value-weighted average tenor; ² value-weighted average winning rate

Figure 2. Issued T-bill by week



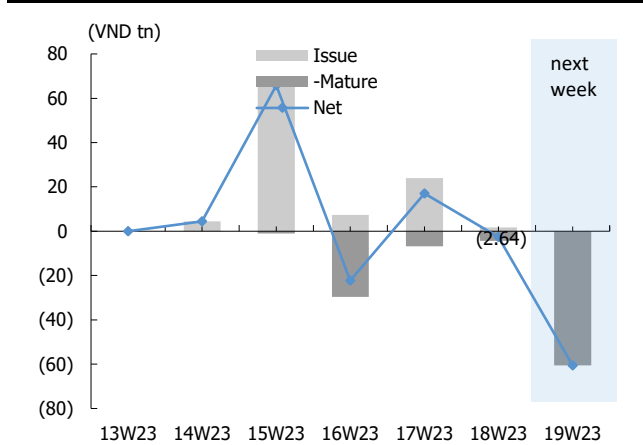
Source: SBV, Bloomberg, KIS

Figure 3. Outstanding T-bill by week



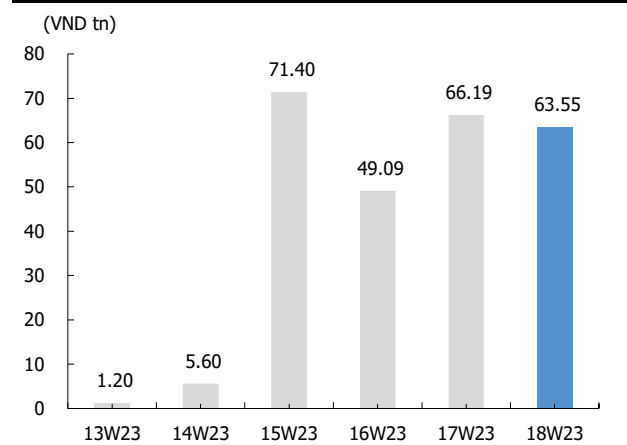
Source: SBV, Bloomberg, KIS

Figure 4. Issued repo by week



Source: SBV, Bloomberg, KIS

Figure 5. Outstanding repo by week



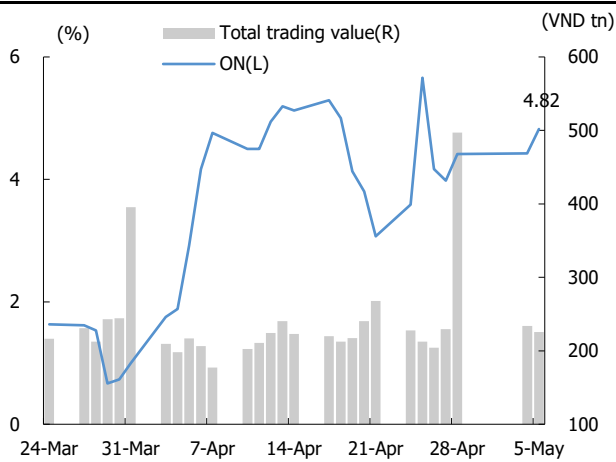
Source: SBV, Bloomberg, KIS

II. Interbank rates increase after holiday

Interbank rates hike slightly

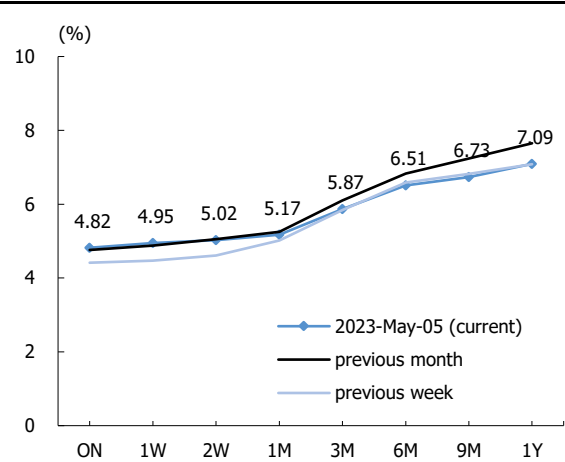
18W23 experienced a slight increase in interbank rates concentrating on short-tenors after a long holiday. Specifically, ON, 1W, and 2W tenors increased by 41bps, 48bps, and 42bps hikes. The transaction remained concentrated on ON and 1W tenors, recording 86.18% and 10.13%, respectively. On 4 May 2023, The Federal Reserve increased its key interest rate by 0.25 percentage points - its 10th hike in 14 months. That pushed its benchmark rate to between 5% and 5.25%. However, the impact of the Fed's decision on Vietnam was insignificant due to excessive liquidity in the banking system.

Figure 6. Interbank daily transaction



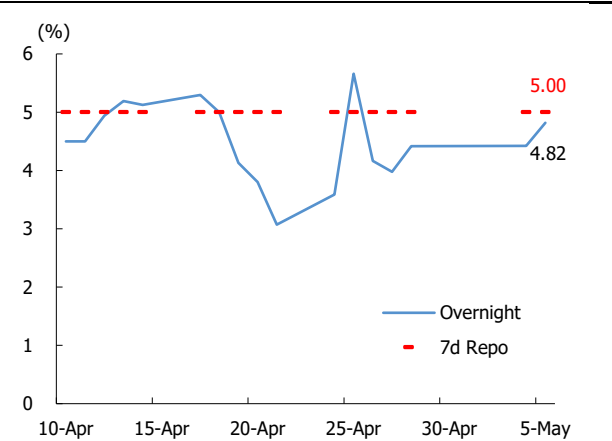
Source: SBV, Bloomberg, KIS

Figure 7. Interbank rate curve



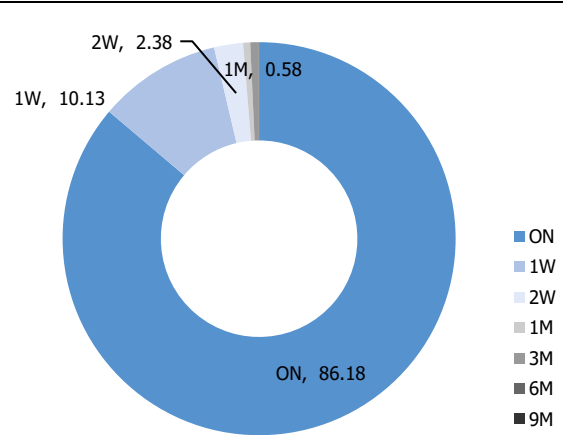
Source: SBV, Bloomberg, KIS

Figure 8. Interbank rate corridor



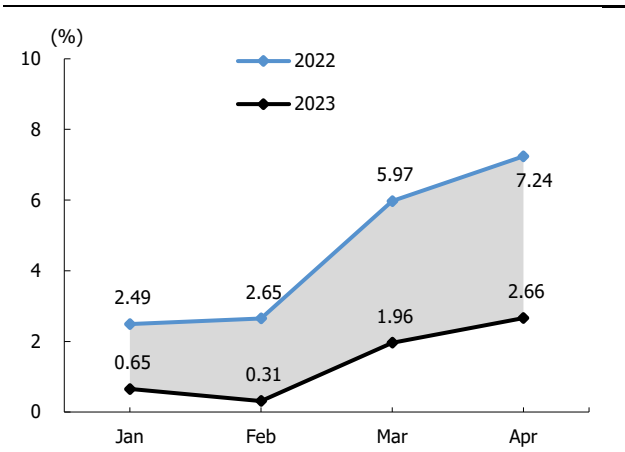
Source: SBV, Bloomberg, KIS

Figure 9. Interbank transaction structure



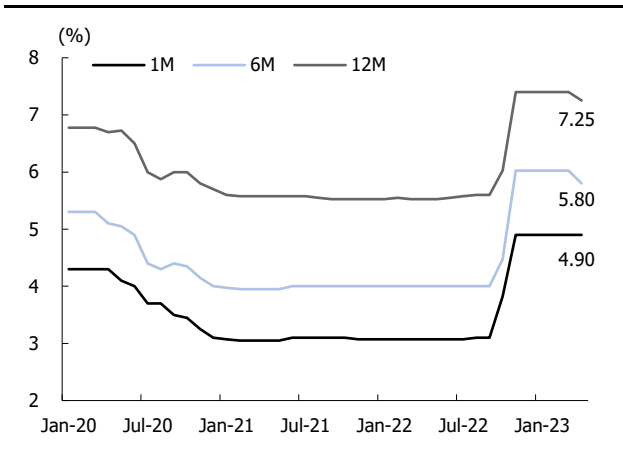
Source: SBV, Bloomberg, KIS

Figure 10. Credit growth by month



Source: SBV, Bloomberg, KIS

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



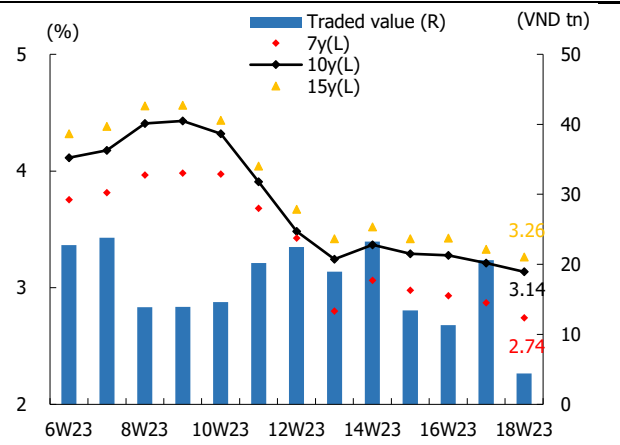
Source: Vietnambiz.vn, KIS

III. G-bond yields dip further

Trading yields progress its falling

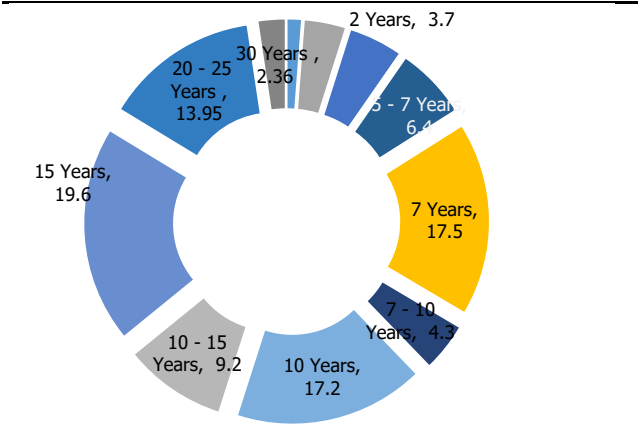
Sharing the same movement with the primary market, trading G-bond yields continued their declines for the fourth week. Specifically, trading yields dropped moderately by 13bps, 8bps, and 7bps for 5-year, 7-year, and 10-year tenors. Notably, as there were only two trading days after a long holiday, the daily average trading value plunged by 46.71% from VND4.12tn per day last week to VND2.20tn this week.

Figure 12. G-bond trading value



Source: HNX, KIS

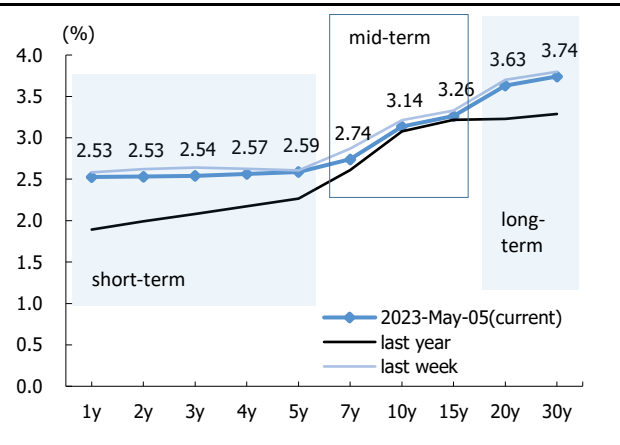
Figure 13. Trading value by tenor this week



Source: HNX, KIS

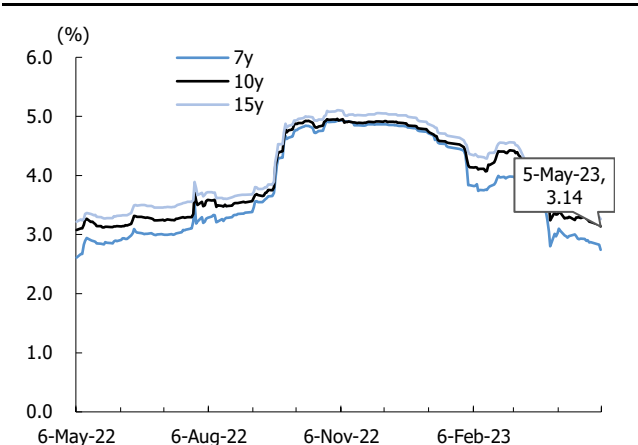
Regarding value structure, transactions kept concentrating on tenors from 7 to 15 years, with a joint portion of 70.28%. The yield curve slightly shifted downward with the yield reduction distributed equally across tenors. Specifically, short-term tenors (1 year to 5 years) and long-term (above 15 years) both fell by 6bps while the mid-term (7 years to 15 years) slipped more notably by 9bps.

Figure 14. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 15. Historical daily government bond yield



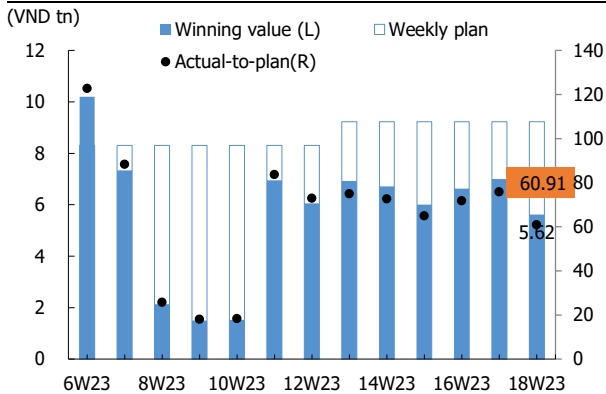
Source: HNX, VBMA, KIS

Winning yields continue their fall

Regarding the development of G-bond issuance, the winning yields fell further and hit the lowest level since September 2022. Specifically, winning yields for 5-year, 10-year, and 15-year tenors (the most issued tenors) fell by 10bps, 10bps, and 8bps to 2.65%, 3.12%, and 3.25%, respectively. 18W23 witnessed a roughly 20% fall in winning value, potentially due to the fewer working days,

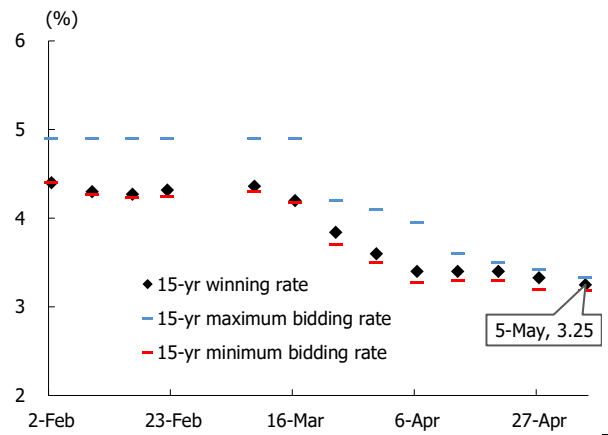
standing at VND5.62tn over the week. Cumulatively, VST fulfilled 26.63% and 26.60% of the second quarter and annual plans.

Figure 16. Winning value by week



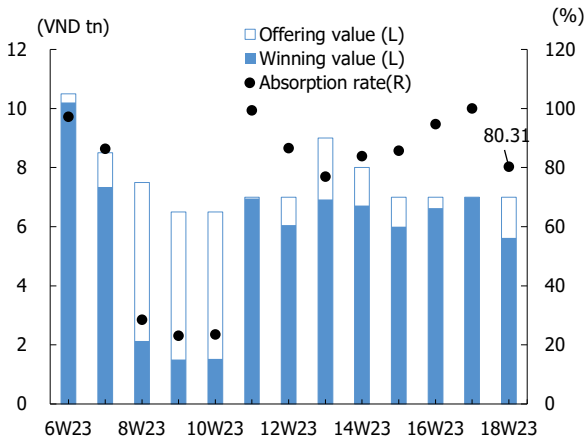
Source: HNX, KIS

Figure 17. Winning yields by week



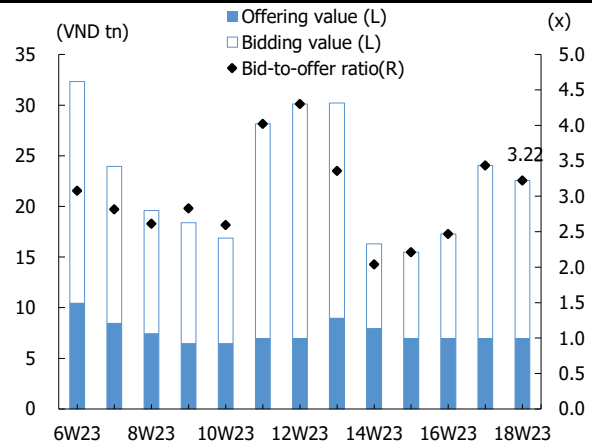
Source: HNX, KIS

Figure 18. Absorption ratio



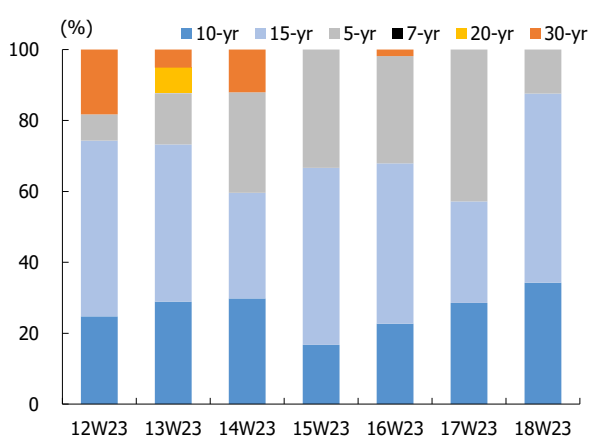
Source: HNX, KIS

Figure 19. Bid-to-offer ratio



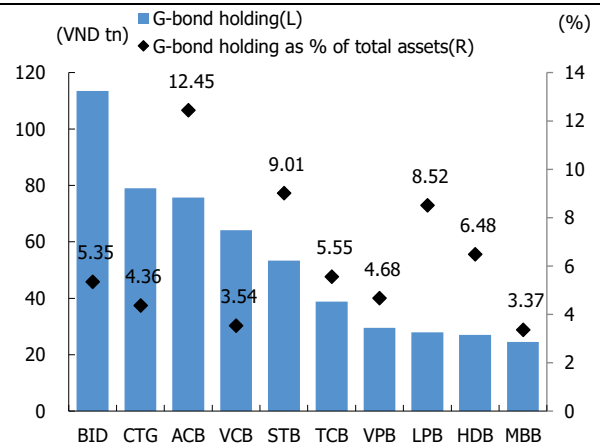
Source: HNX, KIS

Figure 20. Winning yields by week



Source: HNX, KIS

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



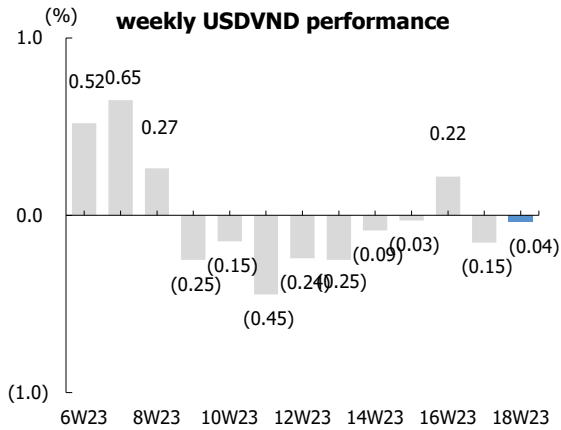
Source: HNX, Company filings, KIS

IV. USDVND remained flat

**VND appreciated
this week**

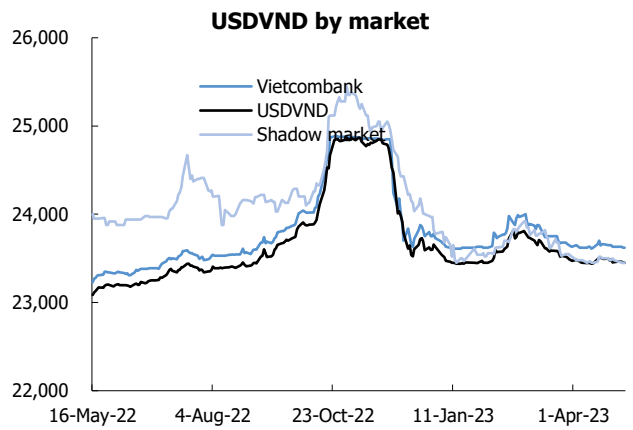
In the 18W23, USDVND remained flat, decreasing by just 0.04% compared to last week, followed by a slight fall of DXY by 0.44%. Generally, the USDVND peaked at the beginning of the week at VND23,465 before decreasing to VND23,450 on Friday. Similarly, VCB's bid/ask declined by 10bps over the week to 23,620/23,620. Notably, the shadow market buying/selling price decreased by 30bps to 23,400/23,450.

Figure 22. Weekly USDVND performance



Source: SBV, Bloomberg

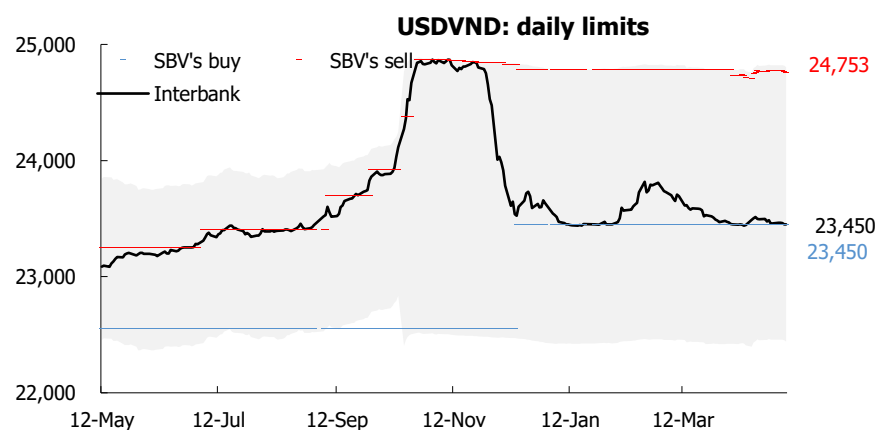
Figure 23. Historical USDVND by market



Source: SBV, Bloomberg, Fiinpro, tyqiadola.net

In 18W23, SBV decided to cut its selling price by 17bps to 23,753. Notably, this week's market price was at SBV's buying price and settled at 23,465, possibly resulting in a chance that SBV might enrich its foreign reserves. According to KIS's estimate, SBV has raised its foreign exchange reserves to approximately USD5bn.

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).

This week, besides the Fed's decision to bring the Federal target rate to the range between 5%-5.25%, the U.S. labor market defies rate hikes, posting strong job gains in April. Specifically, Nonfarm payrolls increased by 253,000 jobs last month. Data for March was revised lower to show 165,000 jobs added instead of 236,000 as previously reported. Furthermore, the unemployment rate

fell to 3.4% from 3.5% in March, beating the market forecast of 3.6%. The resilient U.S. job market indicated an upward pressure on wages and prices and the chance the FED might have to increase rates more to combat high inflation. Therefore, the U.S CPI next week would be the main concern to see how FED react in the next coming meeting.

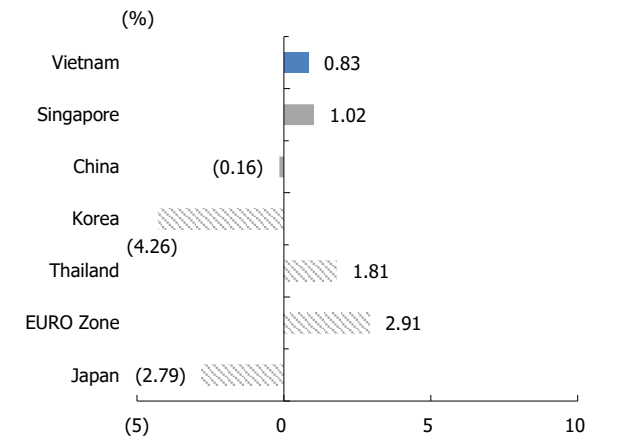
The depreciation of the greenback this week extended the appreciation of most currencies under our watch list since the beginning of the year. Specifically, SGD, THB, and EUR appreciated further over the week to 1.02%, 1.81%, and 2.91% YTD while CNY and JPY narrowed down their depreciation to 0.16% and 2.79%. Notably, KRW also narrowed its depreciation against USD from -5.38% to -4.26% WoW.

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-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, ~80.31%
- * Bid to offer ratio = offering value / bidding value, ~3.22
- * DXY = U.S. Dollar Index, ~101.2
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~4.82%

Appendix

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

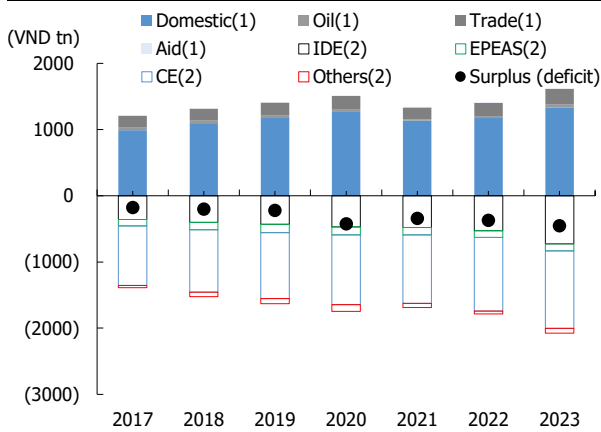
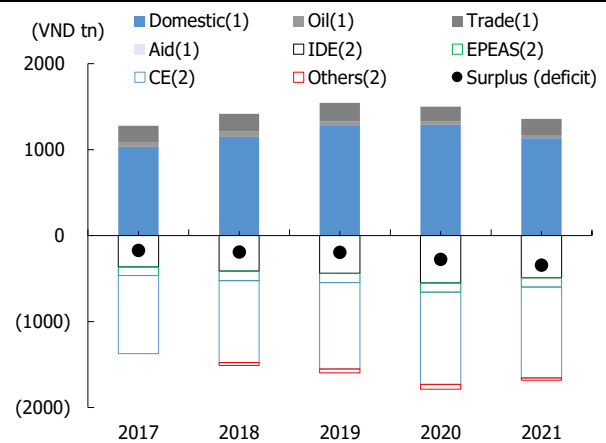


Figure 2. Vietnam's state budget by year: actual



Source: MoF, SBV, KIS

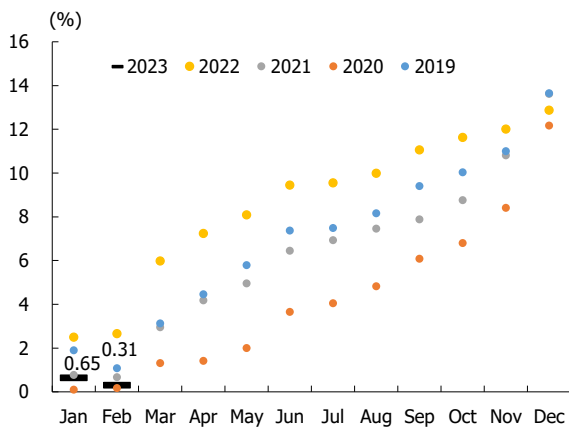
Domestic= Domestic revenues; Oil= Crude oil revenues; Trade= Balanced income from export and import activities; Aid= Revenue from aid.

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

(1) indicates the item belongs to the revenue

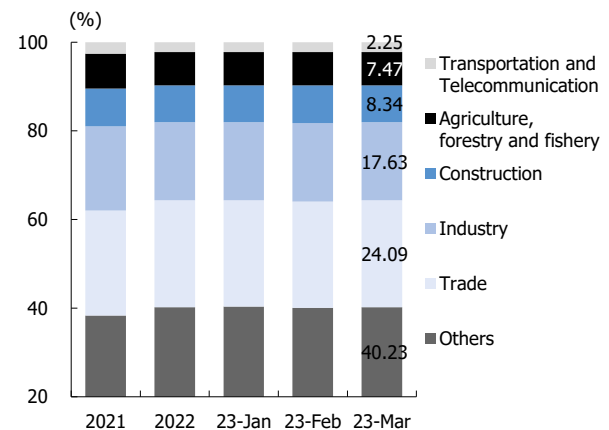
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



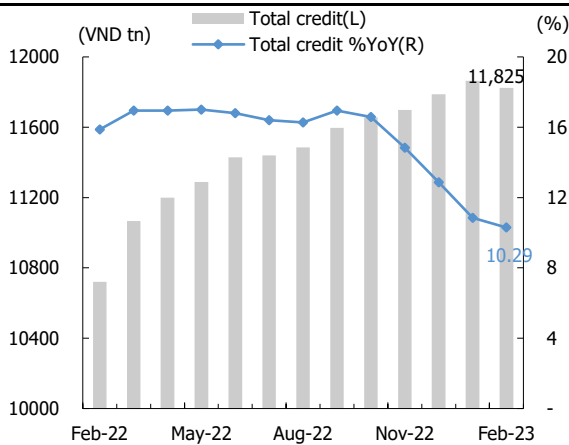
Source: SBV, KIS

Figure 4. Vietnam's total credit by sector



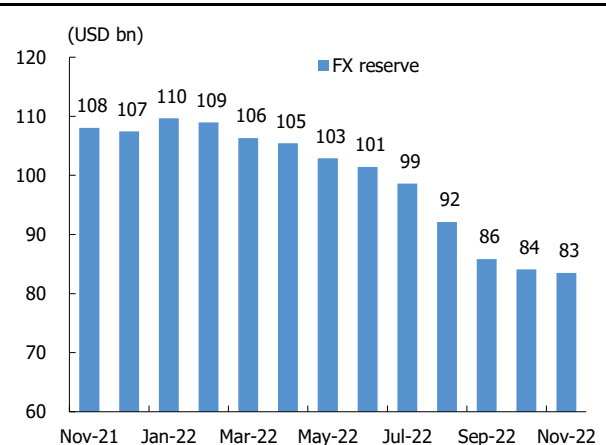
Source: SBV, KIS

Figure 5. Historical Vietnam's credit



Source: SBV, KIS

Figure 6. Historical Vietnam's FX reserve



Source: IMF, Bloomberg, KIS

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