

Fixed-income Perspectives

The money market waits for easing enhancements

Significant liquidity withdrawal on matured repos

In 19W23 (from 8 to 14 May), the significant withdrawal amount was contributed by a large matured repo amount while T-bill issuance remained paused. Specifically, this week witnessed an outflow from the banking system with VND54.76tn, fully contributed by the net repo of a similar amount. The repo winning rate remained unchanged at 5% since the latest refinancing rate cut on the 3rd of April and is expected to be sustained until another policy rate decision takes place.

Interbank rates ease as holiday pressure passed

Liquidity needs were back to normal as the holiday echo faded, likely contributing to the overall decline in the interbank rate this week. This drop concentrated on the short-tenor with 18bps, 25bps, and 24bps fall for ON, 1W, and 2W, respectively. At the same time, the average daily interbank transaction volume fell 19.84% WoW from VND278.06tn to VND222.89tn per day.

USDVND inches up

In the 19W23, USDVND trivially increased by just 0.05% compared to last week despite a dramatic rise of DXY by 1.45% to 102.68, its highest level in five weeks against other major currencies. Generally, the USDVND peaked on Wednesday at VND23,473 before decreasing to VND23,461 on Friday. Similarly, VCB's bid/ask increased by 20bps over the week to 23,270/23,270. Notably, the shadow market buying/selling price remained unchanged at 23,400/23,450

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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Research Dept.

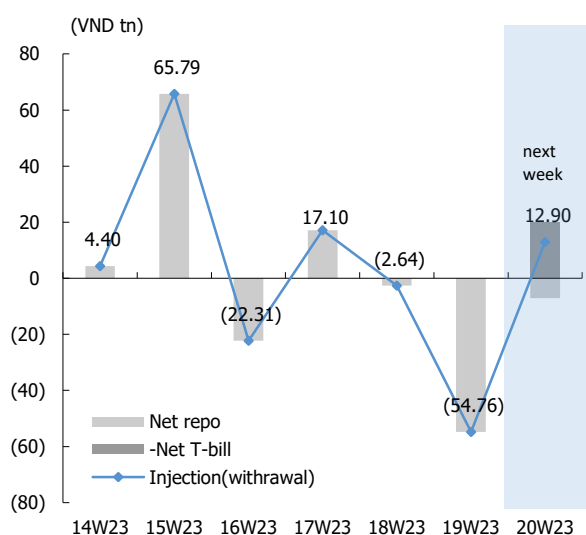
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I. Significant liquidity withdrawal on matured repos

T-bill issuance remains paused

In 19W23 (from 8 to 14 May), the significant withdrawal amount was contributed by a large matured repo amount while T-bill issuance remained paused. Specifically, this week witnessed an outflow from the banking system with VND54.76tn, fully contributed by the net repo of a similar amount. For the next week, an amount of VND20.00tn T-bill will be expired, easing the liquidity condition. On the opposite direction, a smaller amount of repo contracts week will mature in the next week, consequently requiring participants to prepare funds to submit. The repo winning rate remained unchanged at 5% since the latest refinancing rate cut on the 3rd of April and is expected to be sustained until another policy rate decision takes place.

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

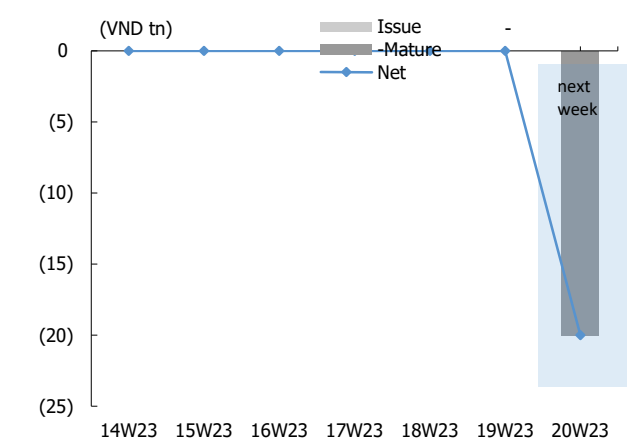
Table 2. Daily repo transactions of this week

Issue date	Maturity date	Tenor (days)	Issued amount (VND tn)	Winning rate (%)
8-May-23	15-May-23	7	1.86	5.00
8-May-23	5-Jun-23	28	0.32	5.00
9-May-23	16-May-23	7	2.67	5.00
9-May-23	6-Jun-23	28	0.52	5.00
10-May-23	7-Jun-23	28	0.10	5.00
12-May-23	19-May-23	7	0.35	5.00
Total		10.37	5.00	5.81

Source: SBV, Bloomberg, KIS

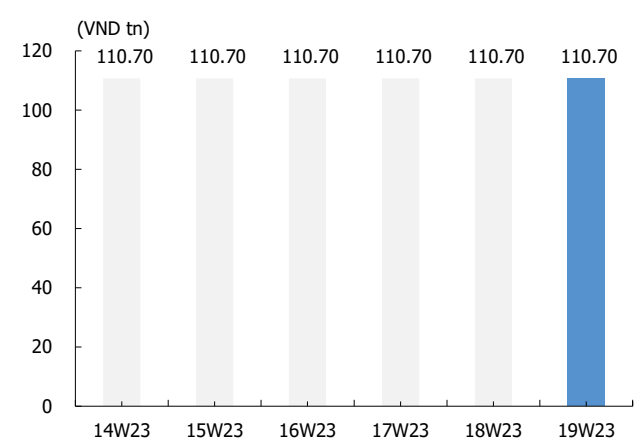
¹ value-weighted average tenor; ² value-weighted average winning rate

Figure 2. Issued T-bill by week



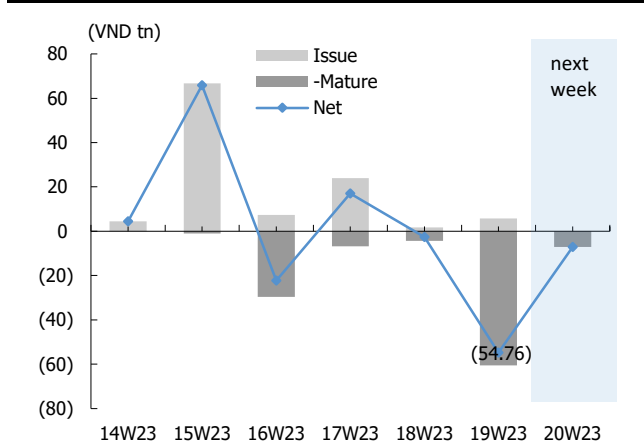
Source: SBV, Bloomberg, KIS

Figure 3. Outstanding T-bill by week



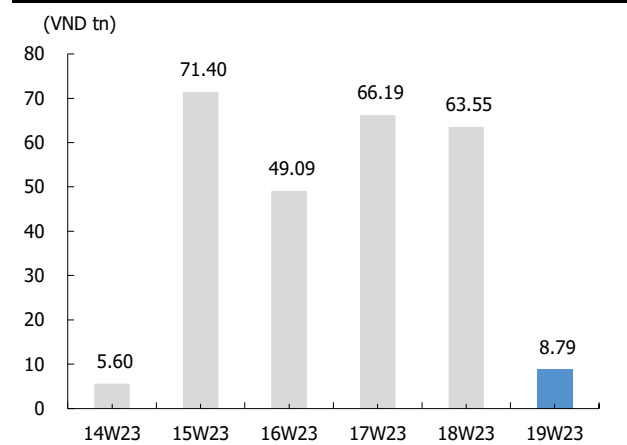
Source: SBV, Bloomberg, KIS

Figure 4. Issued repo by week



Source: SBV, Bloomberg, KIS

Figure 5. Outstanding repo by week



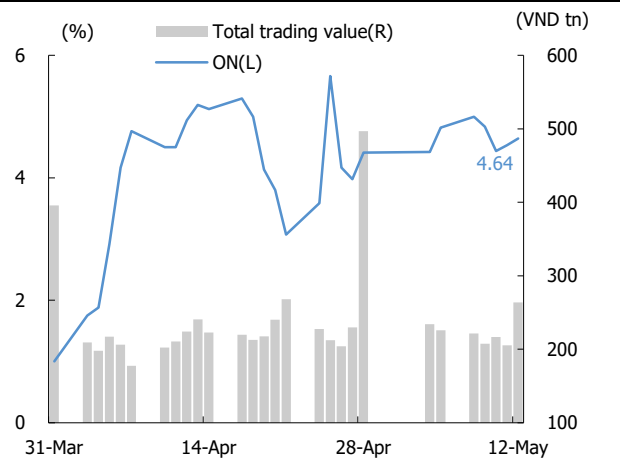
Source: SBV, Bloomberg, KIS

II. Interbank rates ease as holiday pressure passed

Interbank rates fall slightly

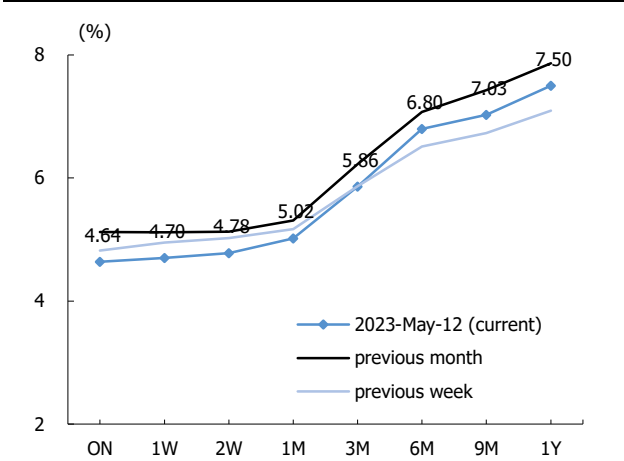
Liquidity needs were back to normal as the holiday echo faded, likely contributing to the overall decline in the interbank rate this week. This drop concentrated on the short-tenor with 18bps, 25bps, and 24bps fall for ON, 1W, and 2W, respectively. At the same time, the average daily interbank transaction volume fell 19.84% WoW from VND278.06tn to VND222.89tn per day.

Figure 6. Interbank daily transaction



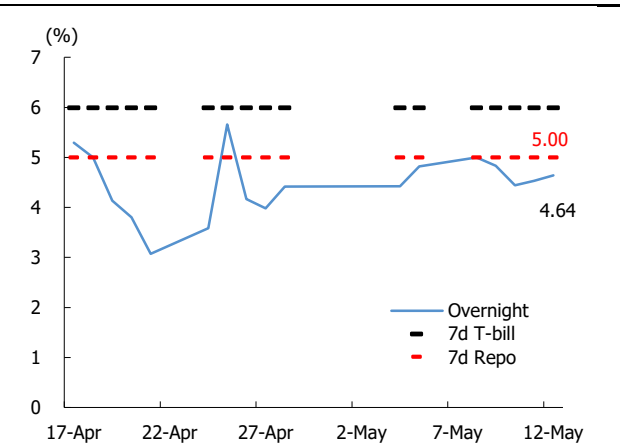
Source: SBV, Bloomberg, KIS

Figure 7. Interbank rate curve



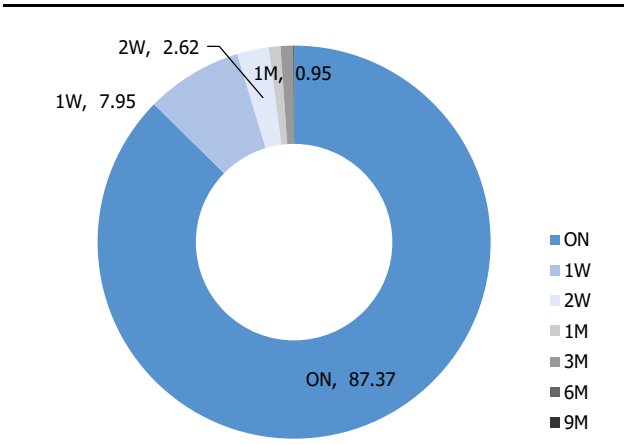
Source: SBV, Bloomberg, KIS

Figure 8. Interbank rate corridor



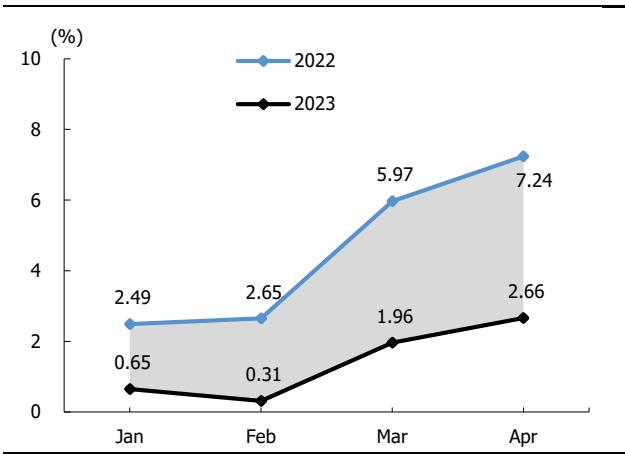
Source: SBV, Bloomberg, KIS

Figure 9. Interbank transaction structure



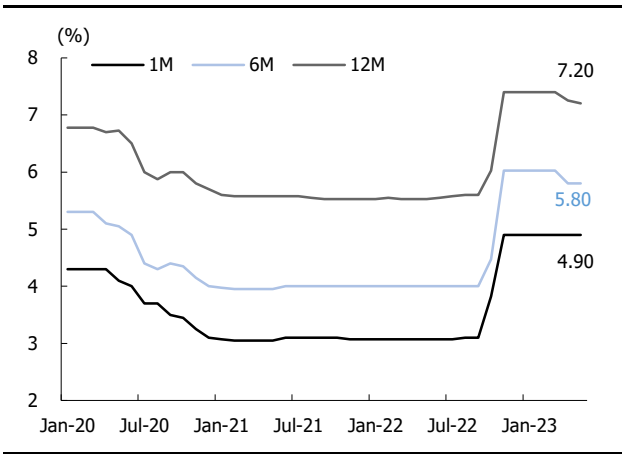
Source: SBV, Bloomberg, KIS

Figure 10. Credit growth by month



Source: SBV, Bloomberg, KIS

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



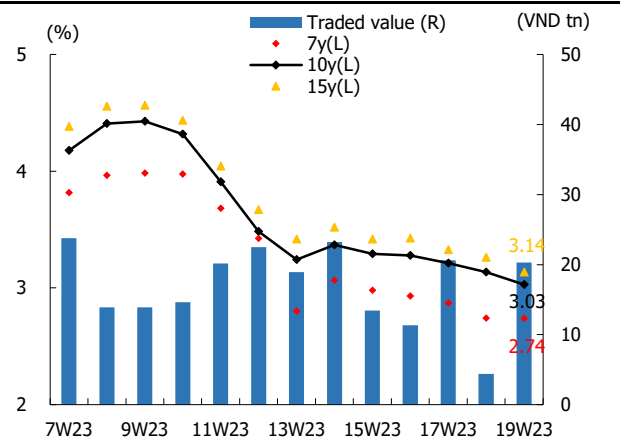
Source: Vietnambiz.vn, KIS

III. G-bond yields progress its downturn

Trading yields progress its falling

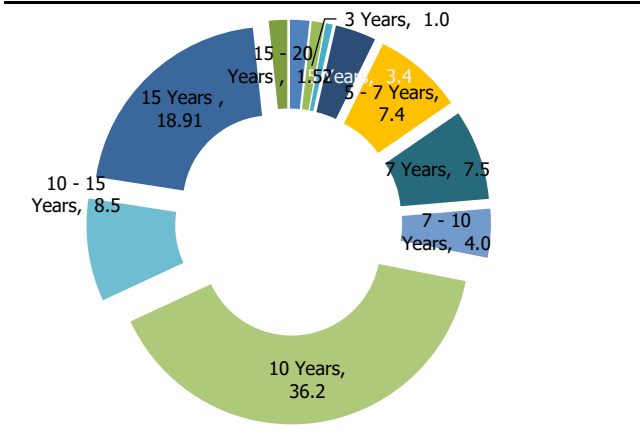
Trading G-bond yields continued their declines, hitting the 3-month low this week. Specifically, a slight decline was seen in trading yields of 10-year and 15-year by 11bps, and 13bps, respectively. Notably, the daily average trading value jumped sharply by 84.79% from VND2.20tn per day last week to VND4.06tn this week.

Figure 12. G-bond trading value



Source: HNX, KIS

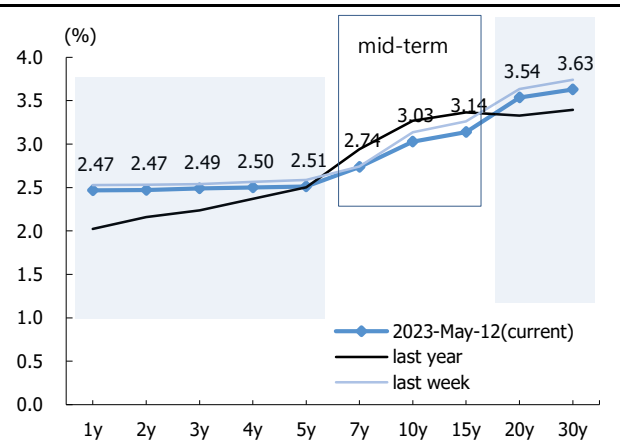
Figure 13. Trading value by tenor this week



Source: HNX, KIS

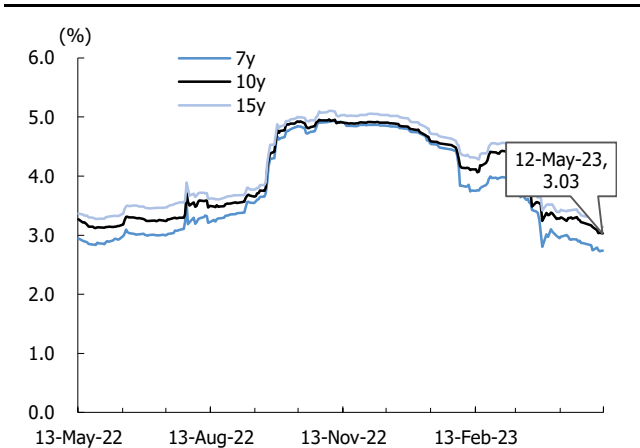
Regarding value structure, transactions concentrated on tenors from 7 to 15 years, with a joint portion of 75.98%. The yield curve shifted downward with an unchanged steepness as the yield reduction was distributed equally across tenors. To be more specific, short-term tenors (1 year to 5 years) and mid-term (7 years to 15 years) fell by 6bps, and 8bps while the long-term (above 15 years) slipped more notably by 11bps.

Figure 14. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 15. Historical daily government bond yield



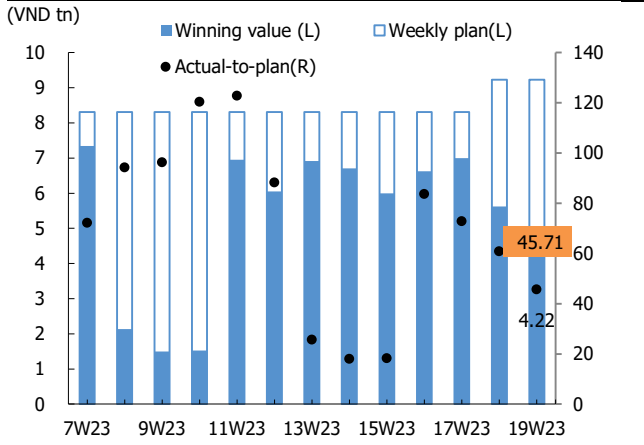
Source: HNX, VBMA, KIS

Winning yields fell in most issued tenors

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 16bps, 12bps, and 15bps to 2.49%, 3.00%, and 3.10%, respectively. This week, the winning value plunged sharply by 24.96%, posting at VND4.22tn compared to

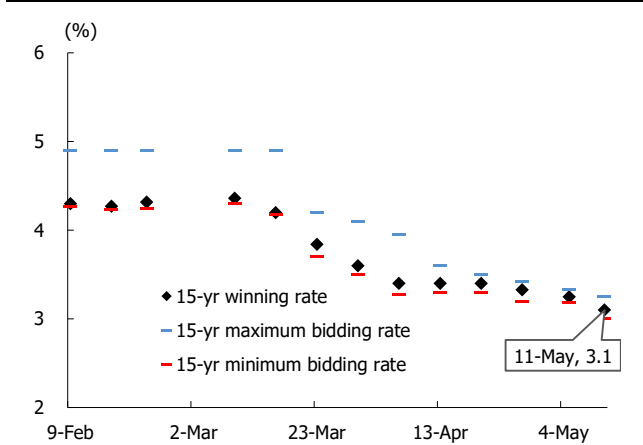
last week's data. Cumulatively, VST fulfilled 35.91% and 29.03% of the second quarter and annual plans.

Figure 16. Winning value by week



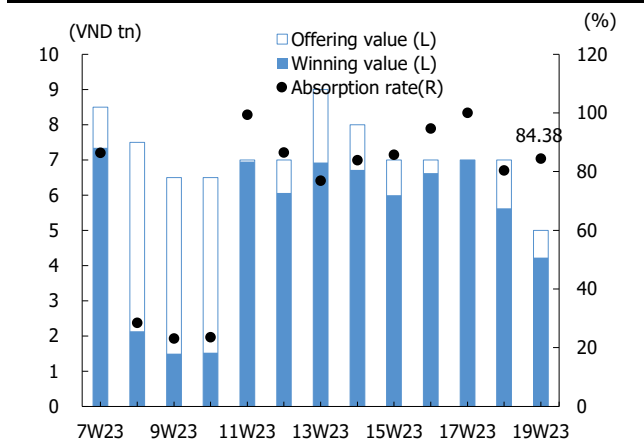
Source: HNX, KIS

Figure 17. Winning yields by week



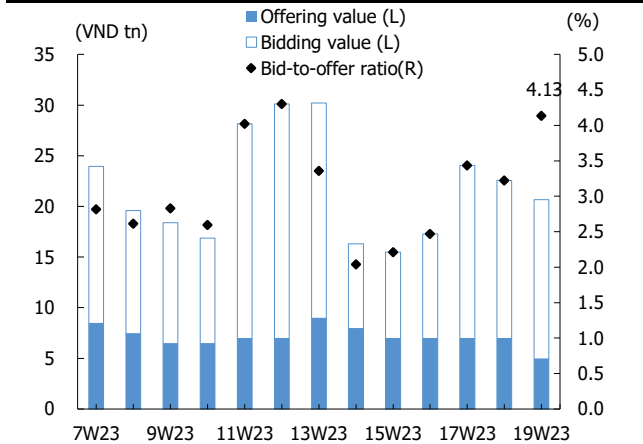
Source: HNX, KIS

Figure 18. Absorption ratio



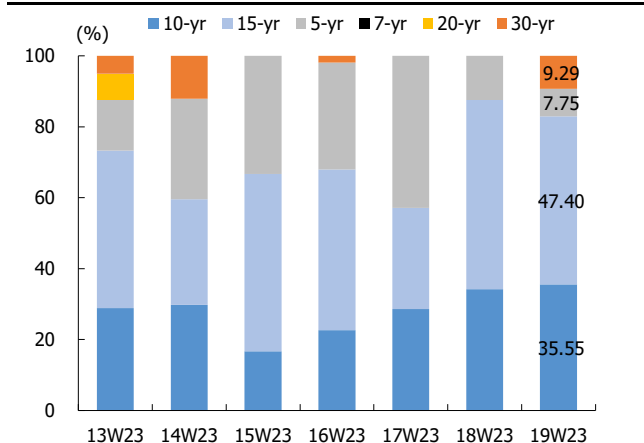
Source: HNX, KIS

Figure 19. Bid-to-offer ratio



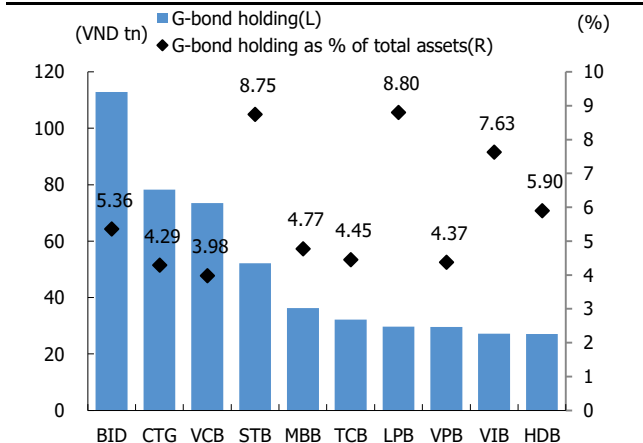
Source: HNX, KIS

Figure 20. Winning yields by week



Source: HNX, KIS

Figure 21. Top G-bond holding by bank as of 1Q23



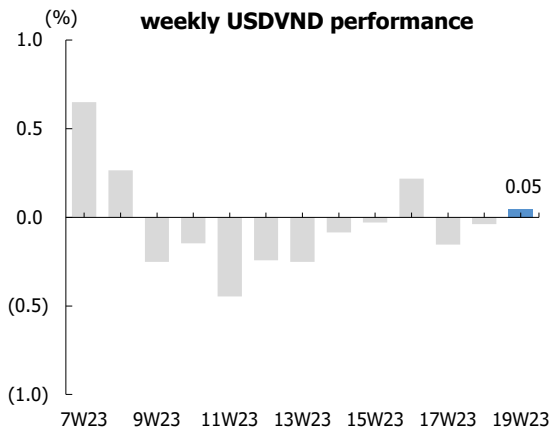
Source: HNX, Company filings, KIS

IV. USDVND inches up

**VND depreciated
this week**

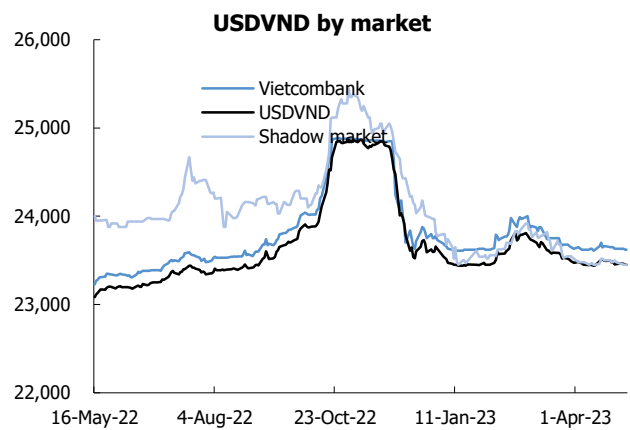
In the 19W23, USDVND trivially increased by just 0.05% compared to last week despite a dramatic rise of DXY by 1.45% to 102.68, its highest level in five weeks against other major currencies. Generally, the USDVND peaked on Wednesday at VND23,473 before decreasing to VND23,461 on Friday. Similarly, VCB's bid/ask increased by 20bps over the week to 23,270/23,270. Notably, the shadow market buying/selling price remained unchanged at 23,400/23,450.

Figure 22. Weekly USDVND performance



Source: SBV, Bloomberg

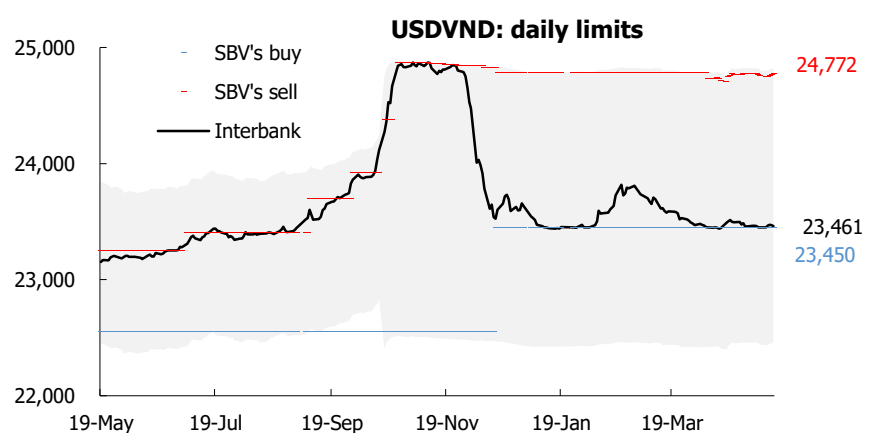
Figure 23. Historical USDVND by market



Source: SBV, Bloomberg, Fiinpro, tyqiadola.net

In 19W23, SBV decided to increase its selling price by 19bps to 23,772. Notably, this week's market price was higher than SBV's buying price and settled at 23,461, possibly resulting in no movement from SBV to enrich foreign reserves. According to KIS's estimate, SBV has raised its foreign exchange reserves to approximately USD6bn.

Figure 24. SBV's movement



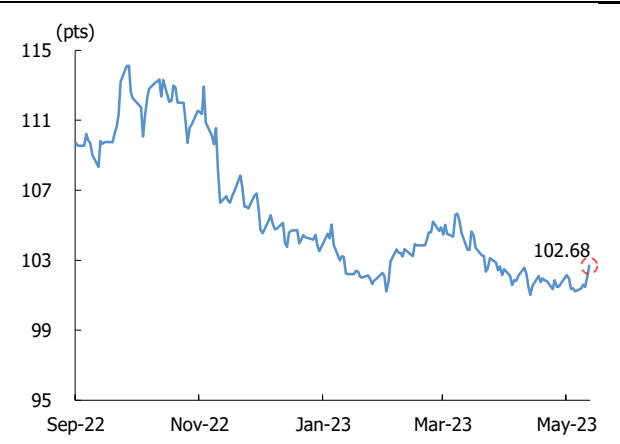
Source: SBV, Bloomberg, Fiinpro, KIS
Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17th October, 2022).

This week seen a packed of economic data which affected the movement of the DXY. According to the U.S. Bureau of Labor Statistics, the U.S. CPI rose 0.4%MoM and 4.9%YoY, slightly lower than market expectations. However, the U.S. Michigan consumer sentiment declined sharply to a six-month low of 57.7 in May, well below forecasts of 63, amid renewed concerns that political debates

over increasing the federal government's borrowing limit could lead to a recession. These factors have contributed to the positive outlook for the US dollar, resulting in the sharp rise of the DXY this week.

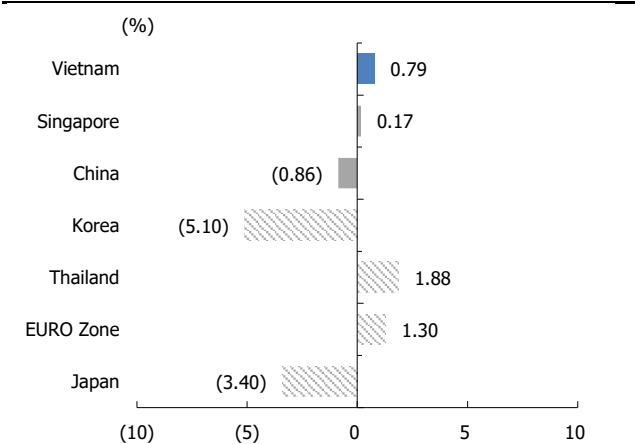
The appreciation of the greenback this week blocked the appreciation of most currencies under our watch list since the beginning of the year. Specifically, SGD and EUR had narrowed the appreciation level to 0.17%, and 1.30% YTD while CNY and JPY extended their depreciation to 0.86% and 3.40%. Notably, KRW witnessed the same trend by depreciating against USD from -4.26% to -5.10% 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, ~3.0%
- * Absorption rate = winning value / offering value, ~84.38%
- * Bid to offer ratio = offering value / bidding value, ~4.13
- * DXY = U.S. Dollar Index, ~102.68
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~4.64%

Appendix

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

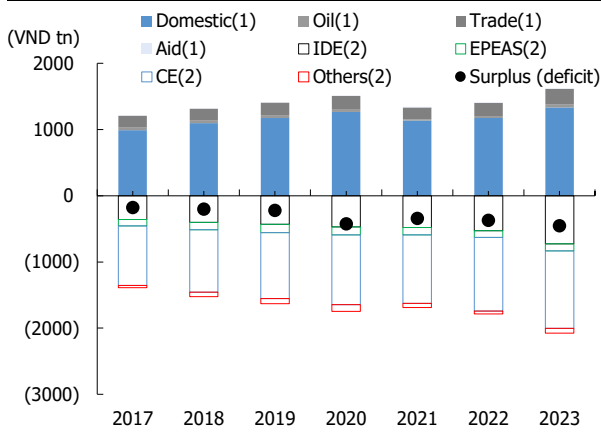
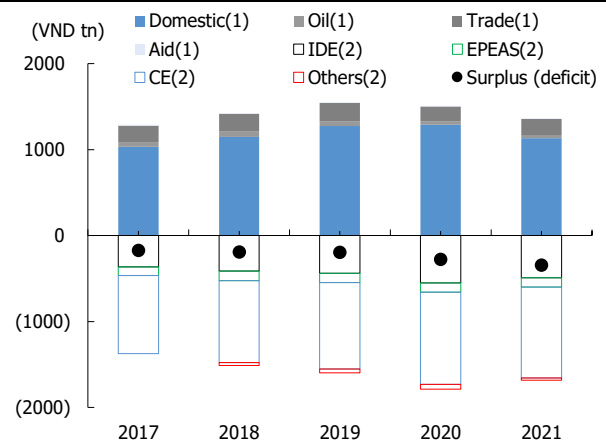


Figure 2. Vietnam's state budget by year: actual



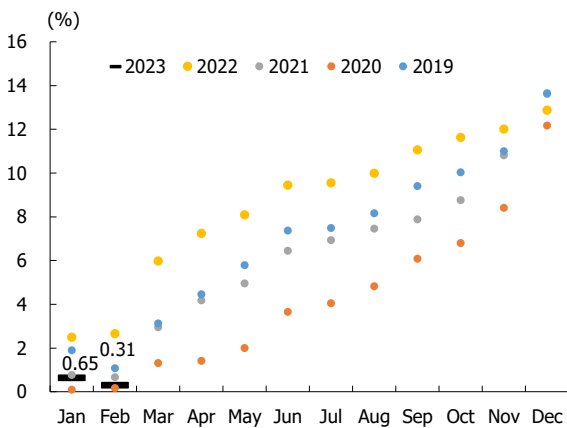
Source: MoF, SBV, KIS

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

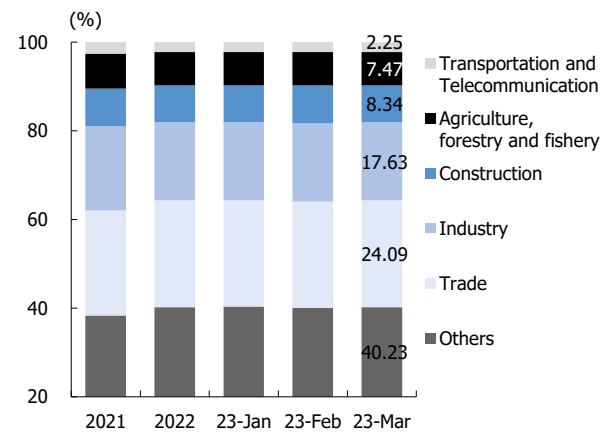
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



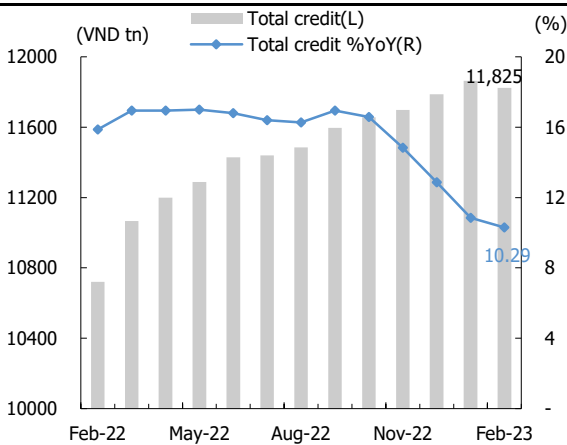
Source: SBV, KIS

Figure 4. Vietnam's total credit by sector



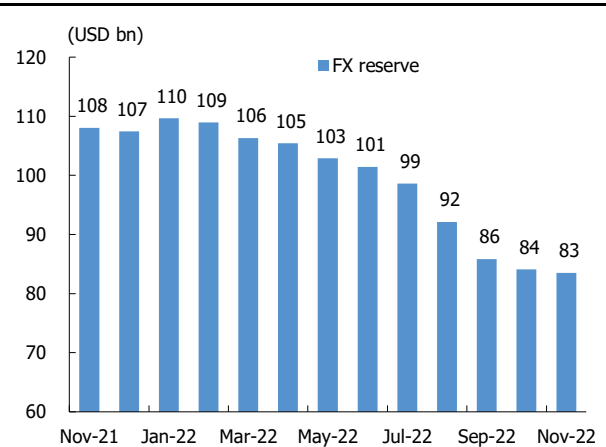
Source: SBV, KIS

Figure 5. Historical Vietnam's credit



Source: SBV, KIS

Figure 6. Historical Vietnam's FX reserve



Source: IMF, Bloomberg, KIS

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