

# Fixed-income Perspectives

## A stable money market on yet improved lending activities

### Liquidity resumes on T-bill maturity

20W23 (from 15 to 21 May) resumed liquidity injection with a significant T-bill amount matured, easing the temporary liquidity pressure from last week. This week ended up with VND12.90tn of net injection, contributed by VND20.00 T-bill matured and VND7.10tn repos expired. To improve the performance of lending activities, we predict SBV to maintain the easing stance through liquidity support to its counterparties.

### Interbank rates discount slightly

The interbank rate falls across tenors this week, potentially due to the large injection from SBV with a significant T-bill amount matured. Specifically, the interbank rates fell slightly in short-tenor while it was more notable in the long-tenor with 21bps, 14bps, and 14bps fall in ON, 1W, and 2W, respectively.

### USDVND gains slightly

In the 20W23, USDVND trivially jumped by just 0.03% compared to last week despite a rise of DXY by 0.50% to 103.20, its highest level in six weeks against other major currencies. Generally, the USD closed the week at VND23,469 against the VND on Friday. Notably, the SBV also reduced its USD buying price by 50bps to 23,400 on Thursday, suggesting that the downward pressure on USDVND could endure.

### 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.**

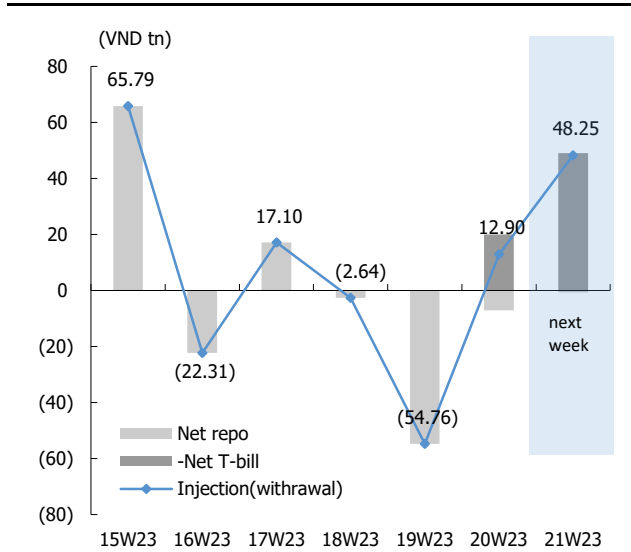
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# I. Liquidity resumes on T-bill maturity

**No additional OMO operation recorded**

20W23 (from 15 to 21 May) resumed liquidity injection with a significant T-bill amount matured, easing the temporary liquidity pressure from last week. This week ended up with VND12.90tn of net injection, contributed by VND20.00 T-bill matured and VND7.10tn repos expired, leaving VND49.00tn T-bill to be matured next week. Notably, the outstanding T-bill amount dropped by VND20.00 to VND90.70tn this week, while that of repos was reduced to a significantly low level at VND1.69tn, suggesting no capital outflow in the next few weeks. To improve the performance of lending activities, we predict SBV to maintain the easing stance through liquidity support to its counterparties.

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



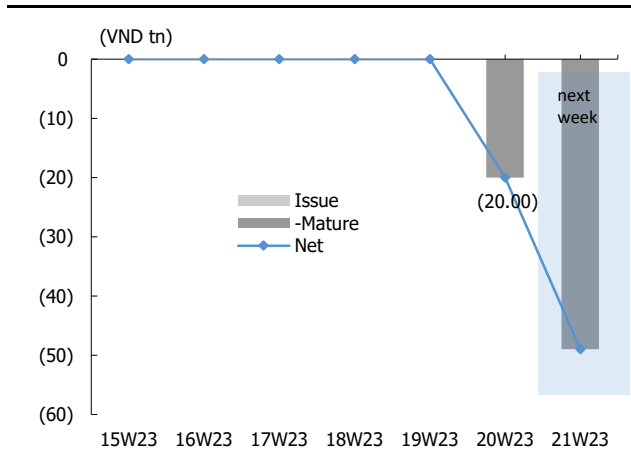
Source: SBV, Bloomberg, KIS

**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↓

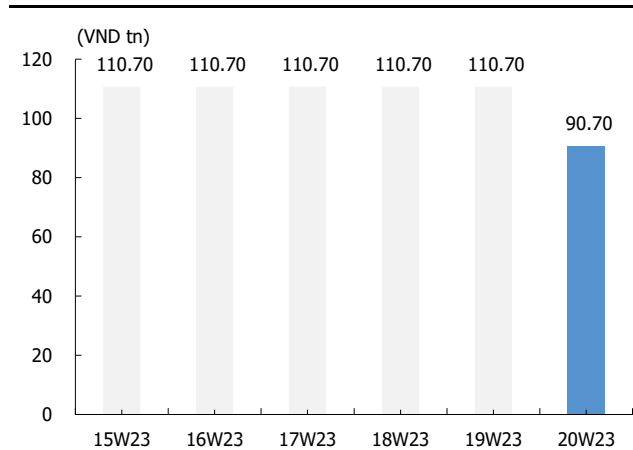
Source: SBV, Bloomberg, KIS

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



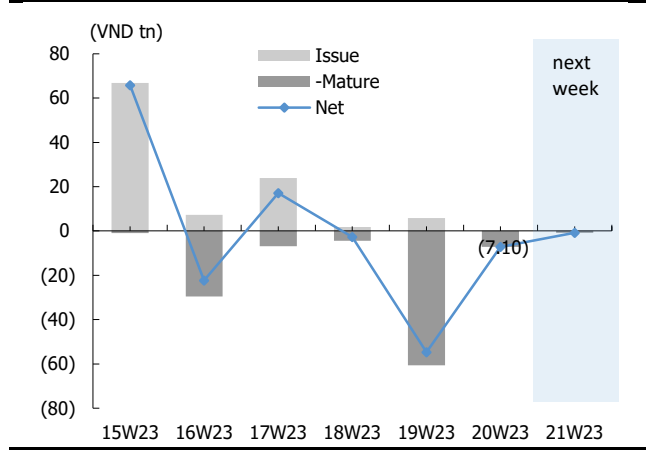
Source: SBV, Bloomberg, KIS

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



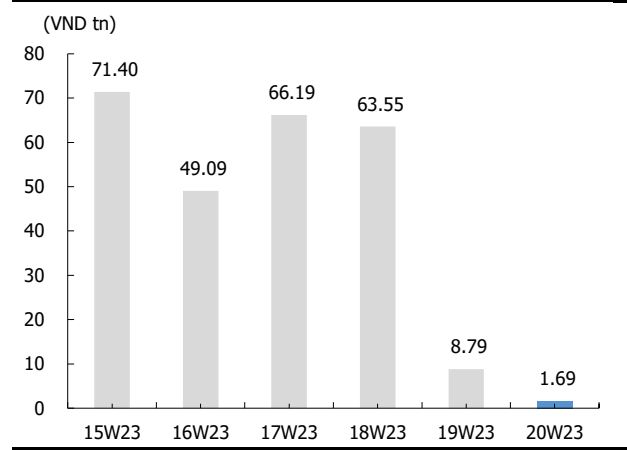
Source: SBV, Bloomberg, KIS

**Figure 4. Issued repo by week**



Source: SBV, Bloomberg, KIS

**Figure 5. Outstanding repo by week**



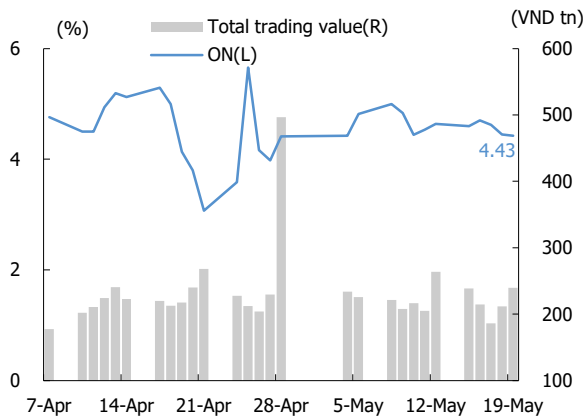
Source: SBV, Bloomberg, KIS

## II. Interbank rates discount slightly

### Interbank rates likely to fall further

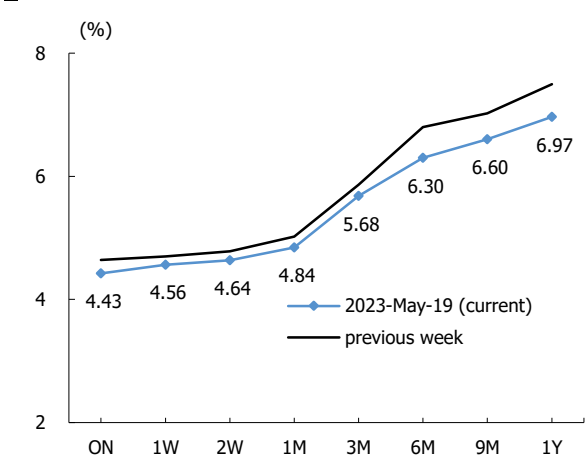
The interbank rate falls across tenors this week, potentially due to the large injection from SBV with a significant T-bill amount matured. Specifically, the interbank rates fell slightly in short-tenor while it was more notable in the long-tenor with 21bps, 14bps, and 14bps fall in ON, 1W, and 2W, respectively. We expect interbank rates to sustain the downturn in the upcoming weeks as the large T-bill amount is to be expired.

**Figure 6. Interbank daily transaction**



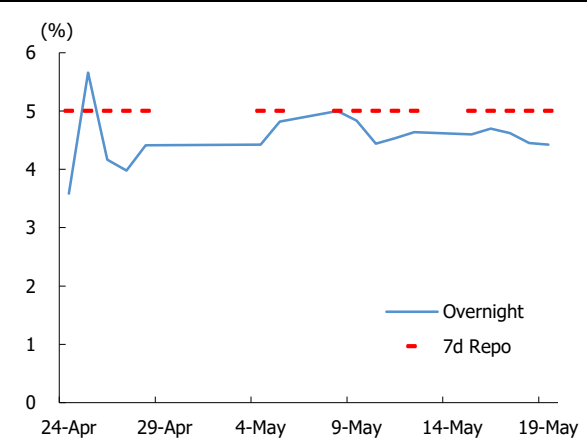
Source: SBV, Bloomberg, KIS

**Figure 7. Interbank rate curve**



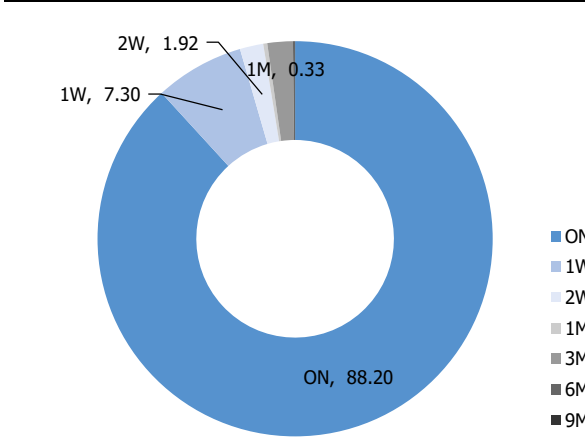
Source: SBV, Bloomberg, KIS

**Figure 8. Interbank rate corridor**



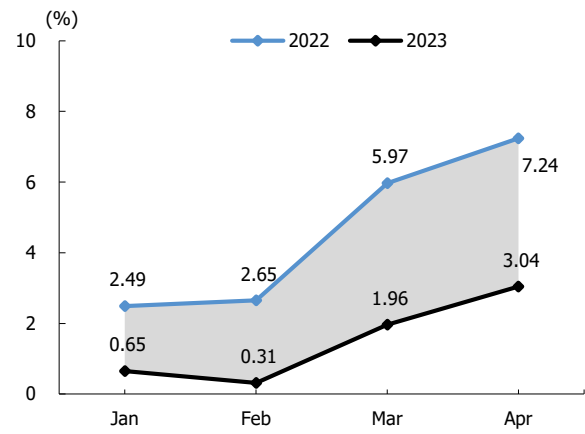
Source: SBV, Bloomberg, KIS

**Figure 9. Interbank transaction structure**



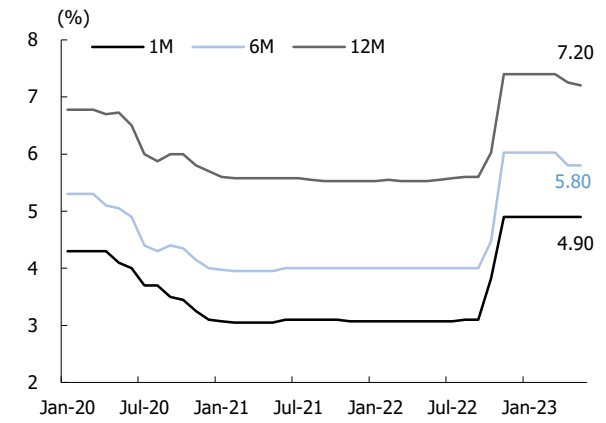
Source: SBV, Bloomberg, KIS

**Figure 10. Credit growth by month**



Source: SBV, Bloomberg, KIS  
Data as of 27 April, 2023

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



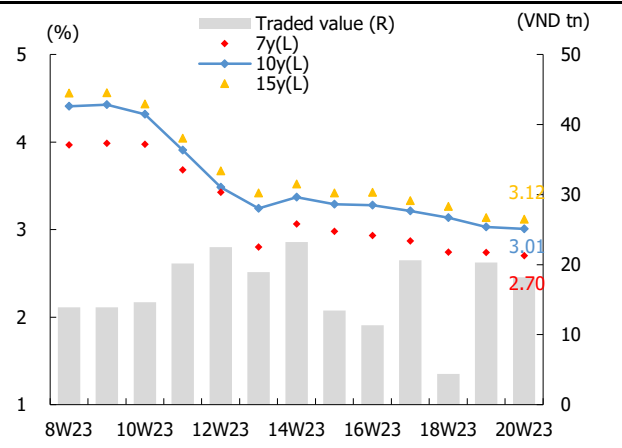
Source: Vietnambiz.vn, KIS

### III. G-bond yields progress its downturn

**Trading yields progress its falling**

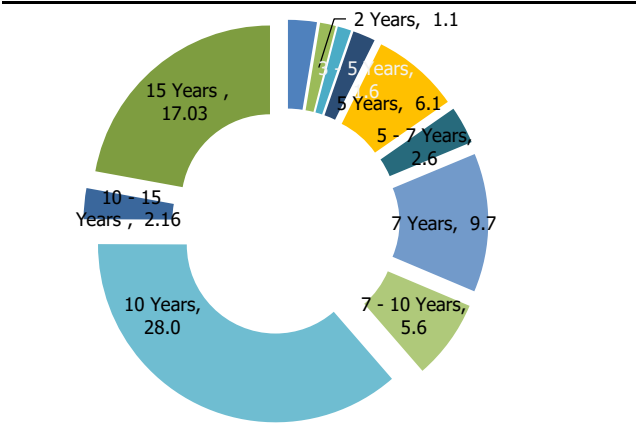
The yields on government bonds (G-bonds) witnessed a fall this week, hitting a new low this week. Specifically, the yields on 10-year and 15-year government bonds decreased by 11 basis points (bps) and 13 bps, respectively. Notably, the daily average trading value declined by 10.30% from VND4.06tn per day last week to VND3.64tn per day this week.

**Figure 12. G-bond trading value**



Source: HNX, KIS

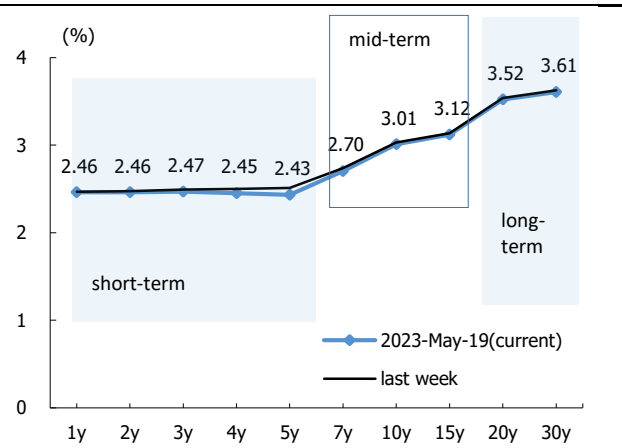
**Figure 13. Trading value by tenor this week**



Source: HNX, KIS

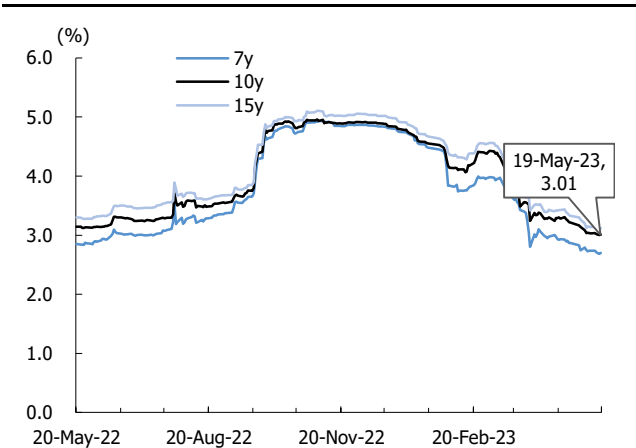
Regarding value structure, 62.54% of total government bond transactions were concentrated in bonds with tenors from 7 to 15 years. The yield curve shifted slightly downward, but its steepness remained unchanged, as the yield reduction was evenly distributed across tenors. To be more specific, mid-term tenors (7 years to 15 years) and long-term (above 15 years) fell by 2bps while the short-term (1 year to 7 years) slipped by 3bps.

**Figure 14. G-bond trading yield curve**



Source: HNX, VBMA, KIS

**Figure 15. Historical daily government bond yield**



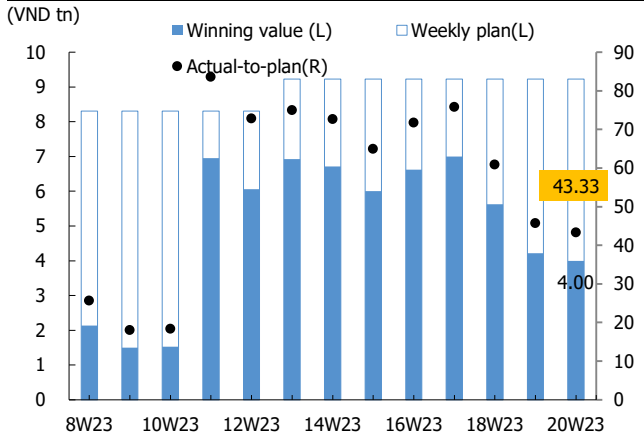
Source: HNX, VBMA, KIS

**Winning yields decline 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 4bps, 5bps, and 5bps to 2.45%, 2.95%, and 3.05%, respectively. This week, the winning value decreased by 5.19%, posting at VND4.22tn compared to last week's data.

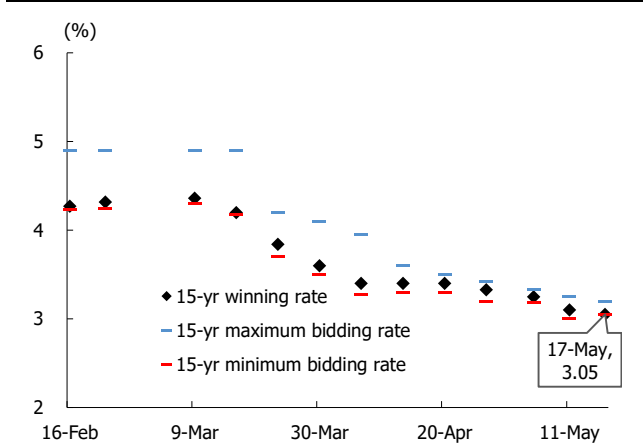
Cumulatively, VST fulfilled 35.91% and 29.03% of the second quarter and annual plans.

**Figure 16. Winning value by week**



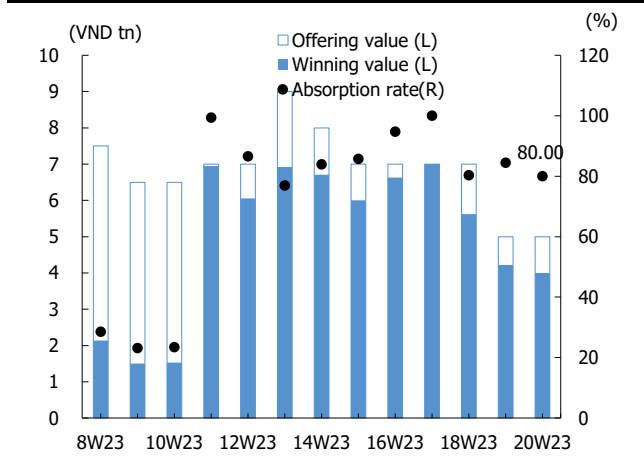
Source: HNX, KIS

**Figure 17. Winning yields by week**



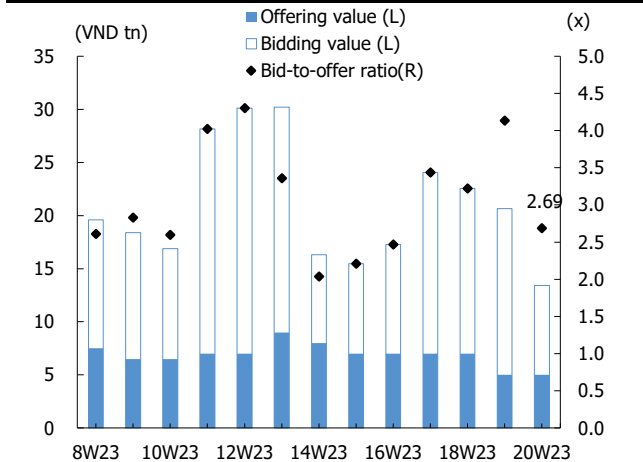
Source: HNX, KIS

**Figure 18. Absorption ratio**



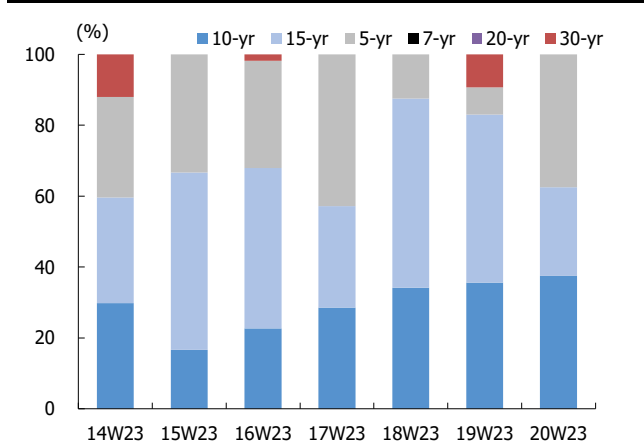
Source: HNX, KIS

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



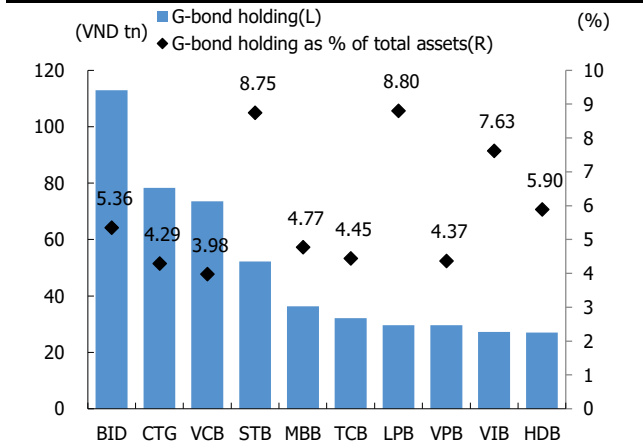
Source: HNX, KIS

**Figure 20. Winning yields by week**



Source: HNX, KIS

**Figure 21. Top G-bond holding by bank as of 2Q23**



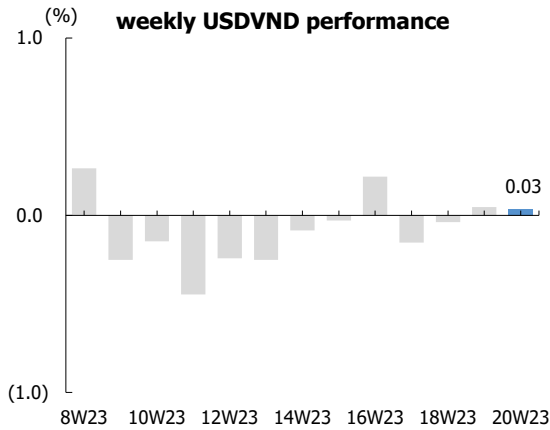
Source: HNX, Company filings, KIS

## IV. USDVND gains slightly

**VND depreciated  
this week**

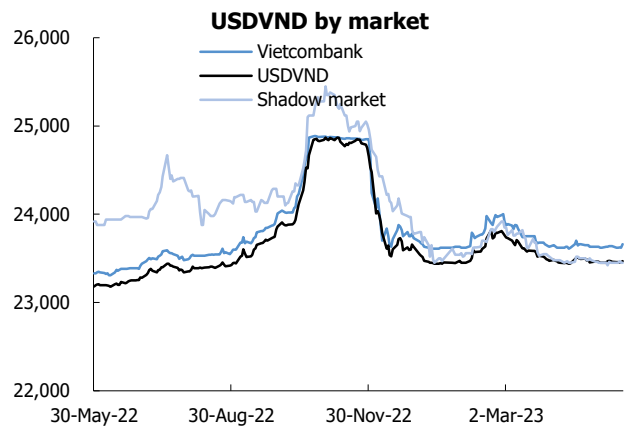
In the 20W23, USDVND trivially jumped by just 0.03% compared to last week despite a rise of DXY by 0.50% to 103.20, its highest level in six weeks against other major currencies. Generally, the USD closed the week at VND23,469 against the VND on Friday. Notably, VCB's bid/ask increased by 20bps over the week to 23,290/23,660. Notably, the shadow market buying/selling price remained unchanged at 23,400/23,450.

**Figure 22. Weekly USDVND performance**



Source: SBV, Bloomberg

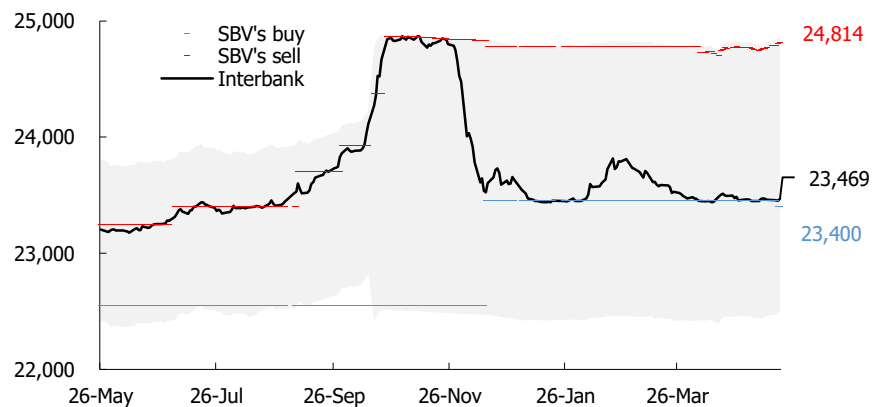
**Figure 23. Historical USDVND by market**



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

In 20W23, SBV increased its selling price of USD sharply by 40bps to 23,680. Notably, the SBV also reduced its USD buying price by 50bps to 23,400 on Thursday, suggesting that the downward pressure on USDVND could endure. As a result, the current USDVND exchange rate is lower than the buying price resulting in no USD buying from the SBV this week. 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 17 October, 2022).

The U.S Dollar strengthened against its major counterparts this past week. In fact, the greenback has bounced nearly 2% over the past two weeks. Several factors are probably at play. Firstly, a range of worries, such as the U.S. debt ceiling negotiations, the health of banks, and the outlook for the global economy,



are boosting the dollar's safe-haven appeal. Investors are seeking a safe place to store their money during times of uncertainty, and the dollar is seen as a relatively safe asset. Secondly, there are some signs that the Fed may have to raise rates again, making the dollar more attractive to investors who are looking for a currency with higher interest rates.

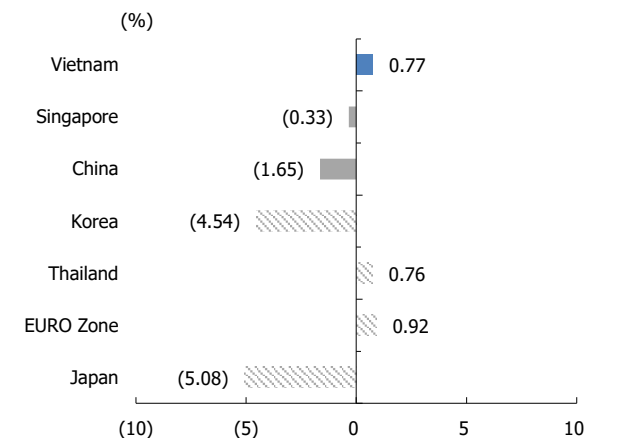
The appreciation of the greenback has slowed the appreciation of most currencies under our watch list since the beginning of the year. Specifically, Vietnam Dong (VND), Thai Baht (THB), and the Euro (EUR) had narrowed the appreciation level to 0.77%, 0.76%, and 0.92% YTD, respectively while the Chinese yuan (CNY) and Korean won (KRW) extended their depreciation to 1.65% and 4.54% YTD. Notably, the Japanese yen (JPY) witnessed the same trend by depreciating against the greenback by 5.08% YTD.

**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

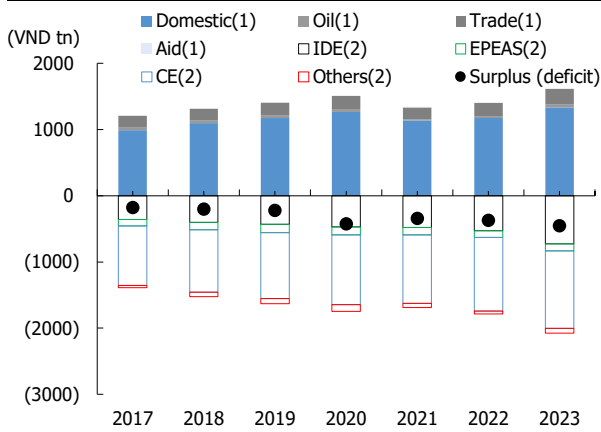
Source: GSO, Bloomberg, FIA, IMF

### \*\*Glossary

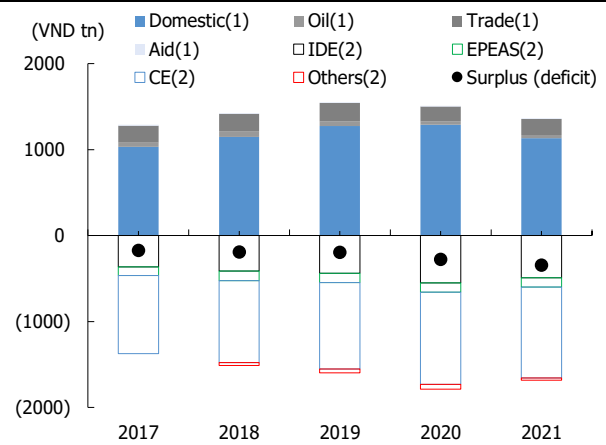
- \* Winning yield rate = each group's highest bidding rate, ~3.05%
- \* Absorption rate = winning value / offering value, ~80.00%
- \* Bid to offer ratio = offering value / bidding value, ~2.69
- \* DXY = U.S. Dollar Index, ~103.20
- \* OMO = Open market operation
- \* Tenor = due for payment
- \* ON = overnight interbank interest rate, ~4.43%

## Appendix

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



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



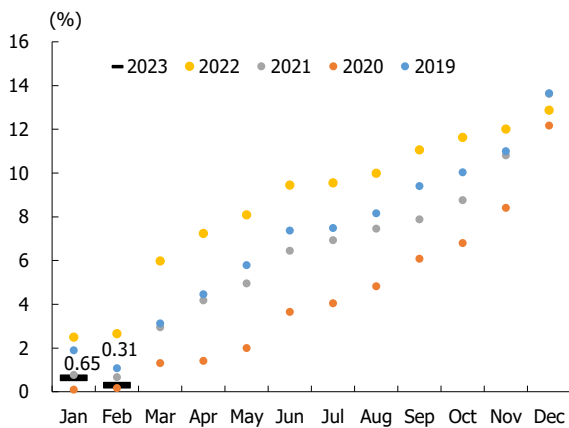
Source: MoF, SBV, KIS

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

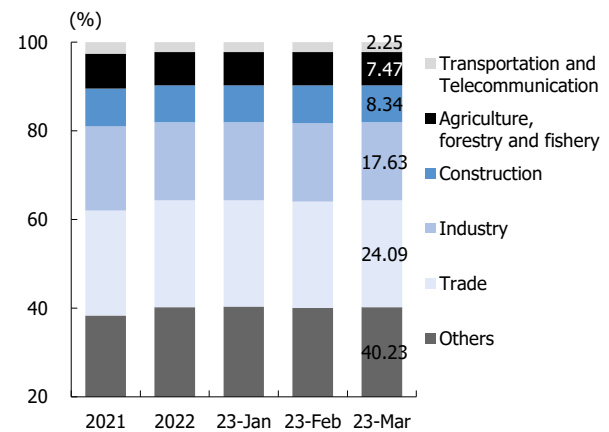
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



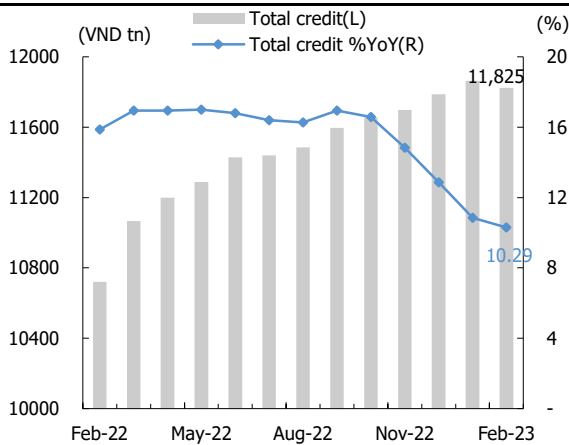
Source: SBV, KIS

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



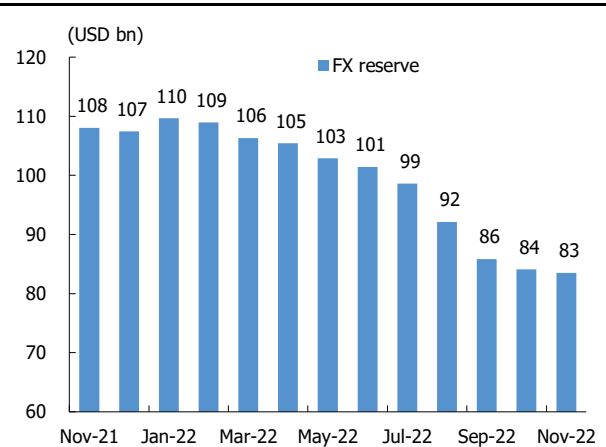
Source: SBV, KIS

**Figure 5. Historical Vietnam's credit**



Source: SBV, KIS

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



Source: IMF, Bloomberg, KIS

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