

Fixed-income Perspectives

A stable money market heading to the Fed's rate decision

T-bill matured adds liquidity

In the week of June 5 to June 11, 23W23, the SBV continued to inject liquidity for the fourth consecutive week, albeit with a reduced amount of VND15.55tn, marking a decrease of 31.85% WoW. As anticipated by KIS in the previous week, OMO activities remained silent, with no new issuances in both T-bill and Repos. This cautious approach is likely due to awaiting the FOMC decision scheduled for the following Wednesday.

Interbank rates hit record lows

Interbank rates reached new lows this week as a result of the persistent abundance of liquidity, coupled with lackluster lending activities in May. Specifically, the rates for ON, 1W, and 2W declined by 138bps, 128bps, and 116bps to 2.47%, 2.72%, and 2.95%, respectively. We anticipate that interbank rates will remain around these lower levels until there is an improvement in lending activities, which is unlikely to occur in the short term.

USDVND levels off

The USDVND declined this week, by 0.03% compared to last week's data, ending the week at VND23,480. This was a recovery of VND from four consecutive weeks of depreciation. The U.S. Dollar Index (DXY), which measures the value of the USD against a basket of other currencies, also decreased slightly this week, by 0.44% to 103.56, falling from its peak at 104 a week ago. Notably, VCB's bid/ask remained unchanged, anchoring at VND23,280/23,650.

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

Contents

I. T-bill matured adds liquidity.....	1
II. Interbank rates hit record lows	2
III. G-bond yields stagnate	4
IV. USDVND levels off	6
Macro scorecard	9
Appendix	10

Research Dept.
researchdept@kisvn.vn

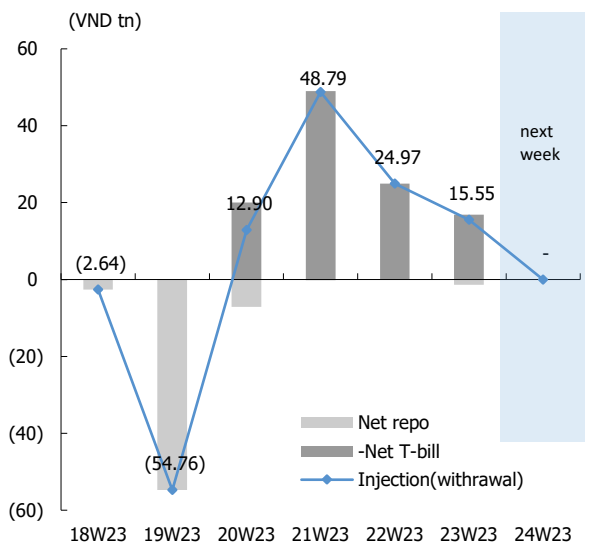
I. T-bill matured adds liquidity

OMO operations muted ahead FOMC

In the week of June 5 to June 11, 23W23, the SBV continued to inject liquidity for the fourth consecutive week, albeit with a reduced amount of VND15.55tn, marking a decrease of 31.85% WoW. As anticipated by KIS in the previous week, OMO activities remained silent, with no new issuances in both T-bill and Repos. This cautious approach is likely due to awaiting the FOMC decision scheduled for the following Wednesday. Based on CME Group data, 80.90% of market participants expect a pause in interest rate changes, indicating potential room for further easing actions by the SBV.

Notably, the outstanding amounts of T-bill and repos were completely drained, reaching VND0.00tn and VND0.2tn, respectively. It is anticipated that the SBV will resume OMO activities after the release of the FOMC decision to reinforce its easing stance.

Figure 1. Net injection (withdrawal) of liquidity



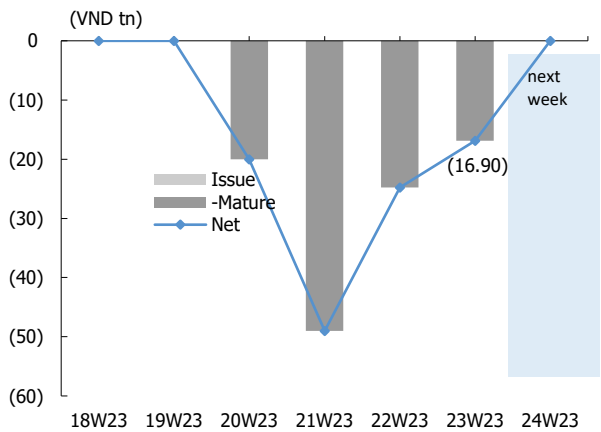
Source: SBV, Bloomberg, KIS

Table 1. Historical policy rate change

Effective date	Discount rate (%)	Refinancing rate (%)
May 25, 2023	3.5	5.0↓
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↓

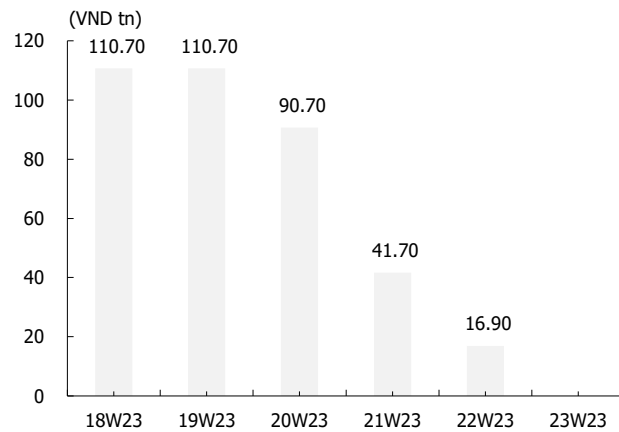
Source: SBV, Bloomberg, KIS

Figure 2. T-bill amount by week



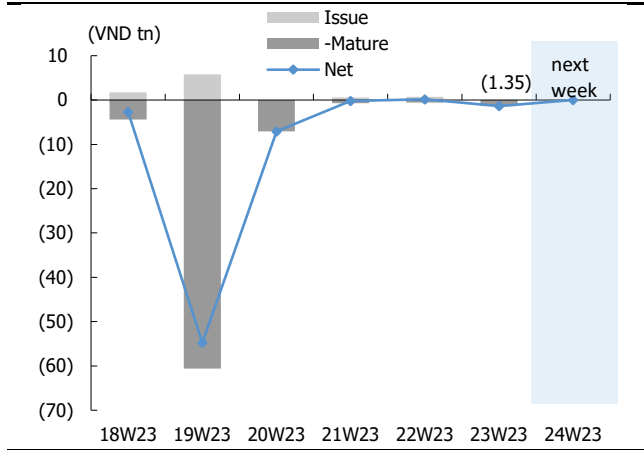
Source: SBV, Bloomberg, KIS

Figure 3. Outstanding T-bill by week



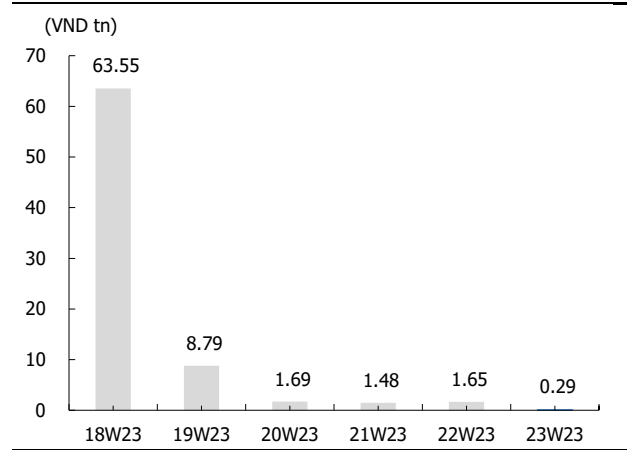
Source: SBV, Bloomberg, KIS

Figure 4. Repo amount by week



Source: SBV, Bloomberg, KIS

Figure 5. Outstanding repo by week



Source: SBV, Bloomberg, KIS

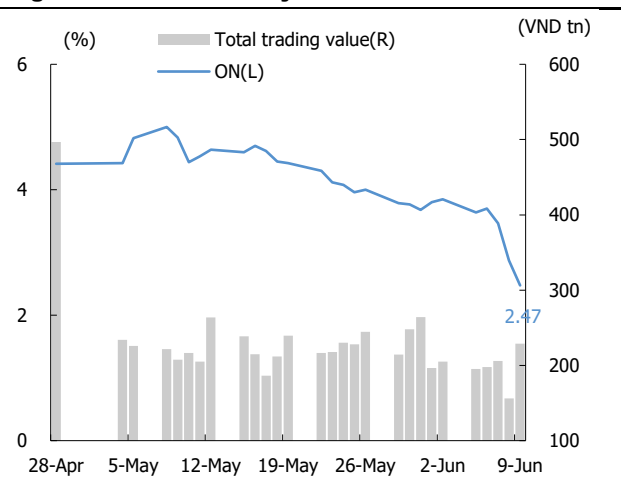
II. Interbank rates hit record lows

Interbank rates slump amid lingered excessive liquidity

Interbank rates reached new lows this week as a result of the persistent abundance of liquidity, coupled with lackluster lending activities in May. Specifically, the rates for ON, 1W, and 2W declined by 138bps, 128bps, and 116bps to 2.47%, 2.72%, and 2.95%, respectively. Additionally, the average daily interbank volume witnessed a 12.80% WoW decrease.

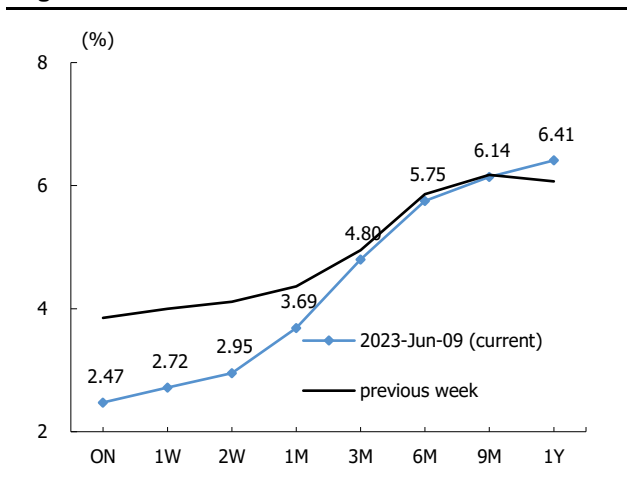
The prolonged abundance of liquidity, coupled with weak lending performance in May, contributed to the establishment of a new floor for interbank rates. Credit growth showed only a marginal increase from 3.04% in April to 3.17% in May, significantly lower than the 8.09% recorded during the same period last year. We anticipate that interbank rates will remain around these lower levels until there is an improvement in lending activities, which is unlikely to occur in the short term.

Figure 6. Interbank daily transaction



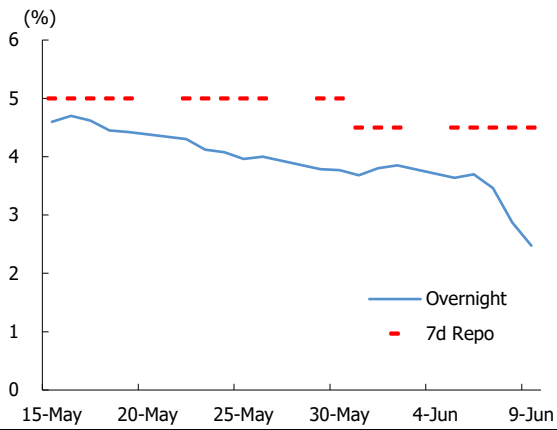
Source: SBV, Bloomberg, KIS

Figure 7. Interbank rate curve



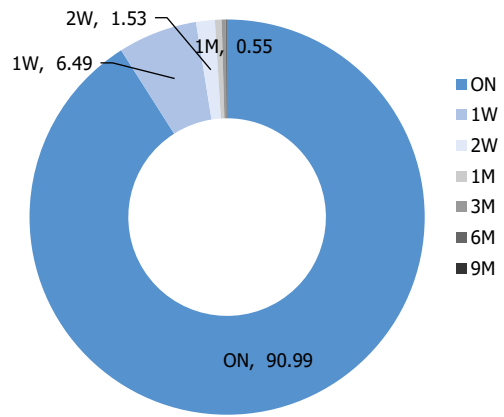
Source: SBV, Bloomberg, KIS

Figure 8. Interbank rate corridor



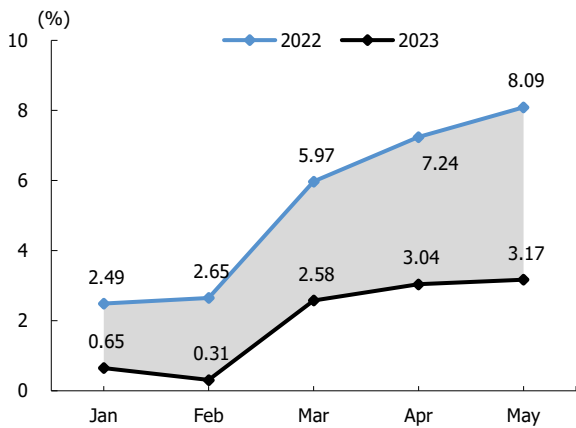
Source: SBV, Bloomberg, KIS

Figure 9. Interbank transaction structure



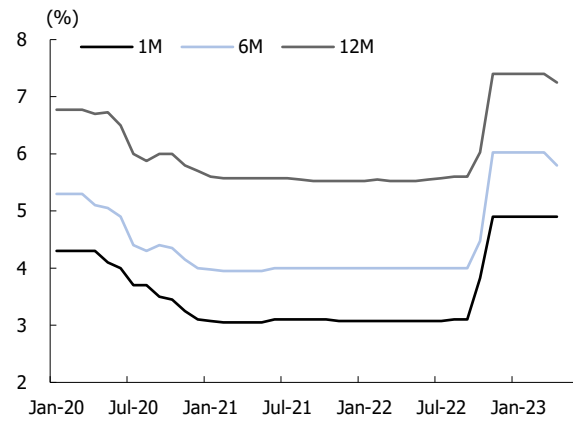
Source: SBV, Bloomberg, KIS

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

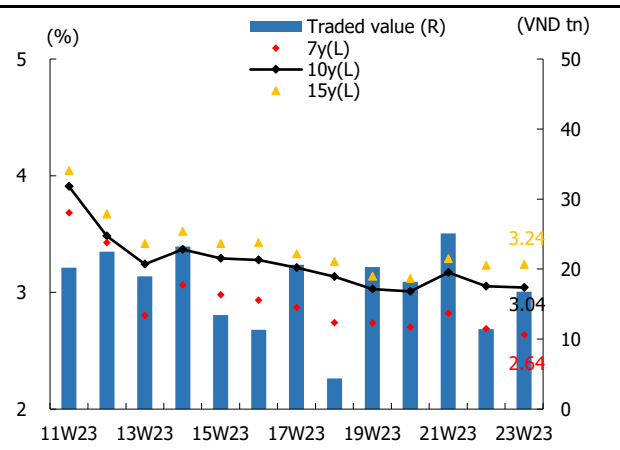
III. G-bond yields stagnate

Trading yields remained unchanged

Government bond yields remained steady this week. Specifically, 7-year, and 10-year G-bond yields decreased by 5bps, and 1bps to 2.64%, and 3.04% while 15-year G-bond yields inched up by 1bps to 3.24%. Notably, the average daily trading value this week increased sharply by 46.42%, from VND2.29tn per day last week to VND3.35tn per day this week.

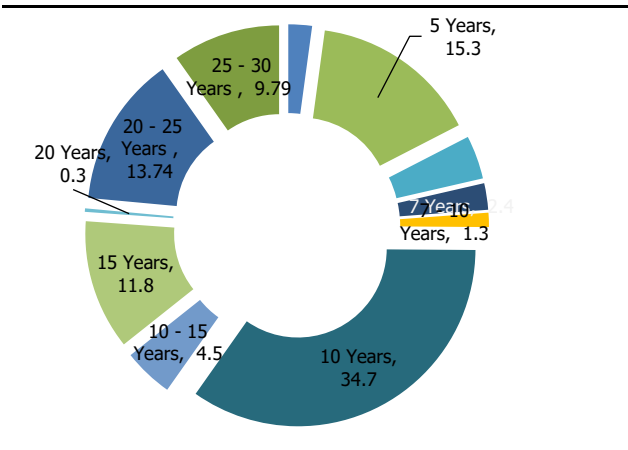
The government are taking steps to boost economic growth, including lowering interest rates to support businesses. However, manufacturing is still facing challenges, as evidenced by the fact that the PMI fell to 45.3 in May from 46.7 in April, making three consecutive months that the PMI has declined, signaling a worsening of business conditions. As a result, credit growth is expected to remain subdued in the near term, resulted in yields falling further, as alternative investment channels have not yet proven to be as effective in terms of risk-adjusted returns.

Figure 12. G-bond trading value



Source: HNX, KIS

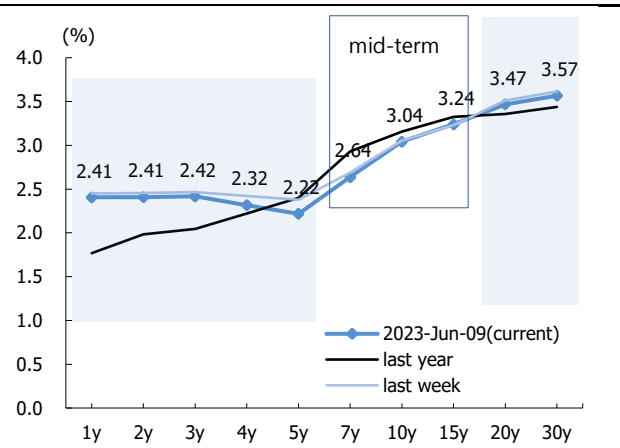
Figure 13. Trading value by tenor this week



Source: HNX, KIS

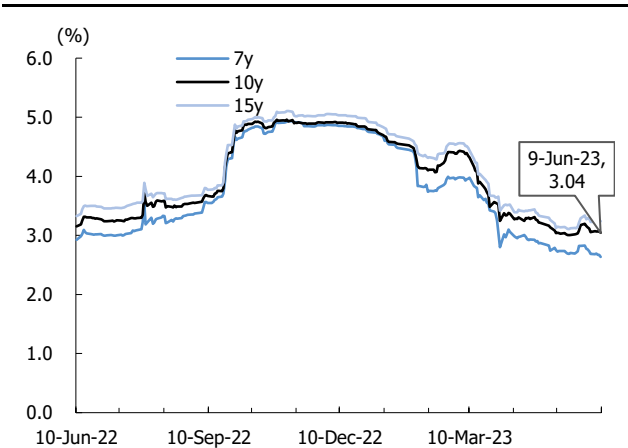
The proportion of bonds with tenors from 7 to 20 years fell from 64.08% last week to 60.76% this week. In 23W23, the yield curve become steeper mainly due to the sharp fall in the yield of short-term bonds (1 year to 5 years) by 8bps. Additionally, long-term tenors (above 15 years) and mid-term (7 years to 15 years) decrease by 5bps, and 2bps, respectively.

Figure 14. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 15. Historical daily government bond yield

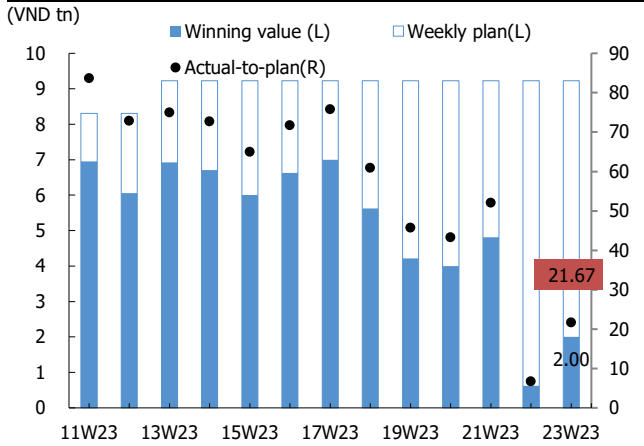


Source: HNX, VBMA, KIS

Winning yields unchanged

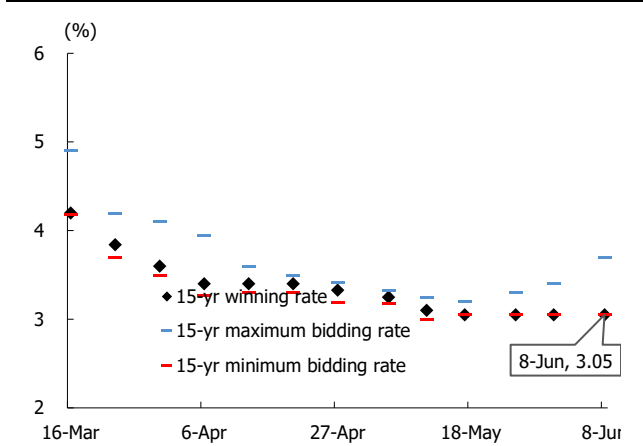
Regarding the development of G-bond issuance, the winning yields remained unchanged in almost tenors, recording the lowest level since September 2022. Specifically, winning yields for 5-year, 10-year, and 15-year tenors (the most issued tenors) are traded at 2.40%, 2.95%, and 3.05%, respectively. This week, the winning value declined significantly by 223%, posting at VND2.00tn compared to last week's data. Cumulatively, VST fulfilled 45.44% and 31.89% of the second quarter and annual plans.

Figure 16. Winning value by week



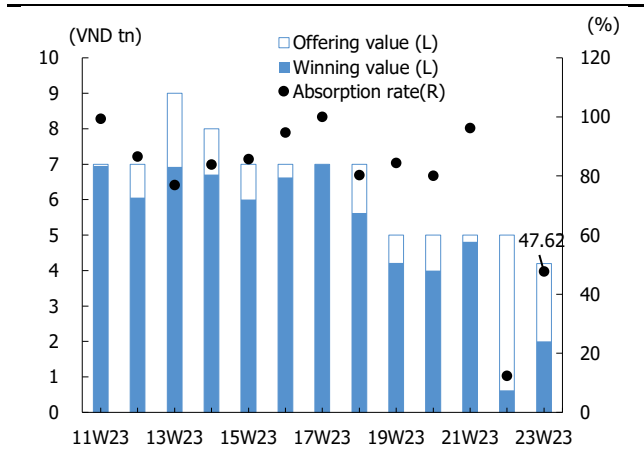
Source: HNX, KIS

Figure 17. Winning yields by week



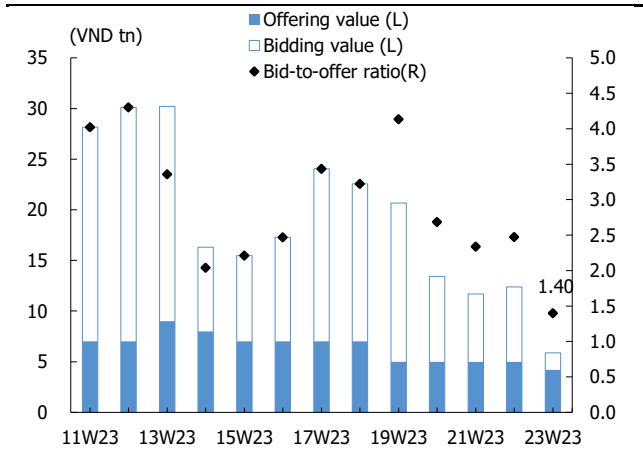
Source: HNX, KIS

Figure 18. Absorption ratio



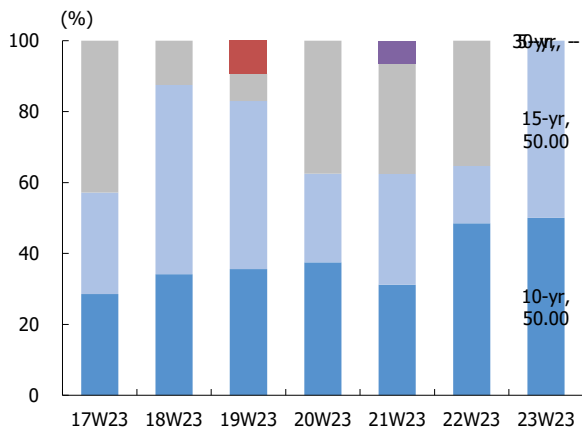
Source: HNX, KIS

Figure 19. Bid-to-offer ratio



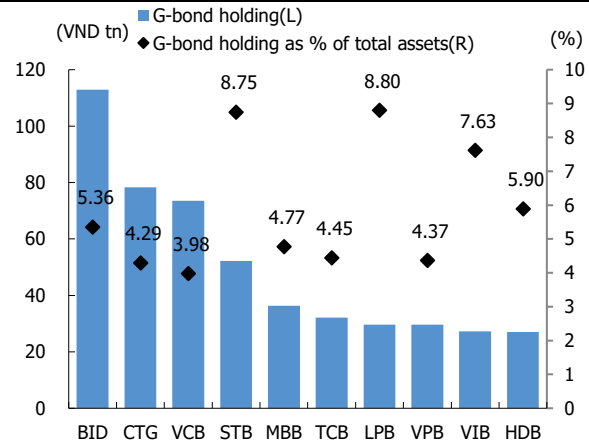
Source: HNX, KIS

Figure 20. Winning yields by week



Source: HNX, KIS

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



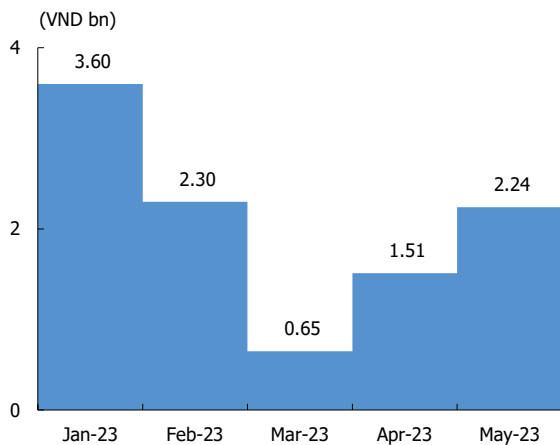
Source: HNX, Company filings, KIS

IV. USDVND levels off

VND appreciated this week

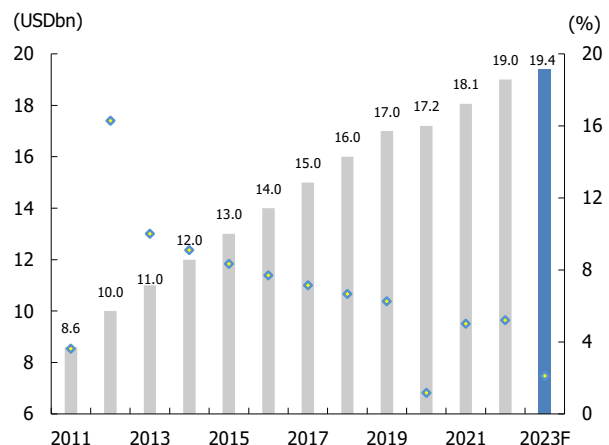
The USDVND declined this week, by 0.03% compared to last week's data, ending the week at VND23,480. This was a recovery of VND from four consecutive weeks of depreciation. The U.S. Dollar Index (DXY), which measures the value of the USD against a basket of other currencies, also decreased slightly this week, by 0.44% to 103.56, falling from its peak at 104 a week ago. Notably, VCB's bid/ask remained unchanged, anchoring at VND23,280/23,650.

Figure 22. Trade balance of Vietnam in 5M23



Source: GSO, Bloomberg

Figure 23. Historical USDVND by market



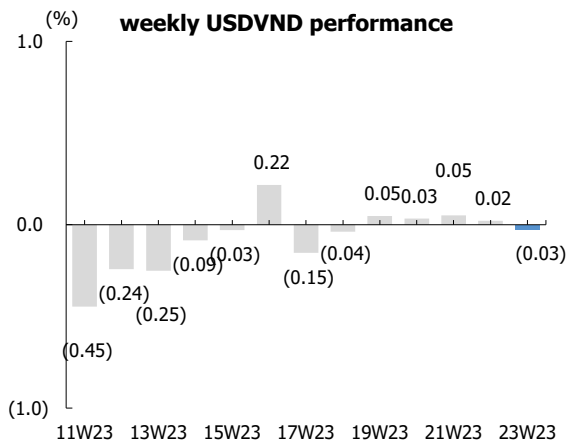
Source: World Bank, KNOMAD, KIS

Despite the strong appreciation of the U.S dollar, the USDVND still remained stable due to a number of factors that increased the supply of USD.

- **Mergers and acquisitions activities (M&A):** On January 2023, Japanese financial giant Sumitomo Mitsui Financial Group (SMFG) acquired a 15% stake in Vietnam's VPBank for USD1.5bn. This was the largest M&A deal in Vietnam's history and it injected a significant amount of USD into the Vietnamese economy.

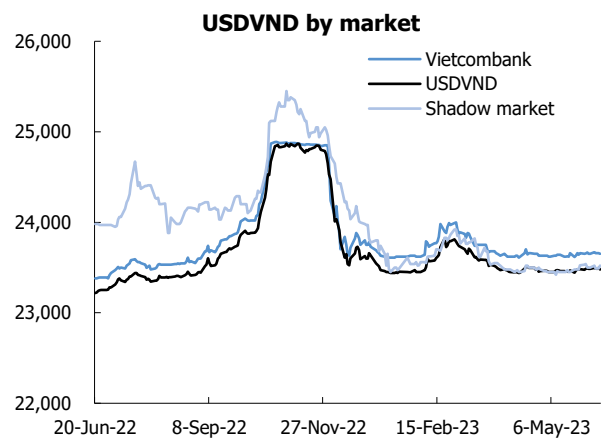
- Remittances: remittances are expected to increase in 2023. The Global Knowledge Partnership on Migration and Development (KNOMAD) forecasts that remittances will reach USD19.3bn, up from USD19.0bn in 2022. This increase in remittances will lead to an increase in the supply of USD in Vietnam.
- Trade surplus: Vietnam's exports exceeded its imports by USD10.3bn in the first five months of 2023. This trade surplus resulted in an additional supply of USD in the country

Figure 24. Weekly USDVND performance



Source: SBV, Bloomberg

Figure 25. Historical USDVND by market



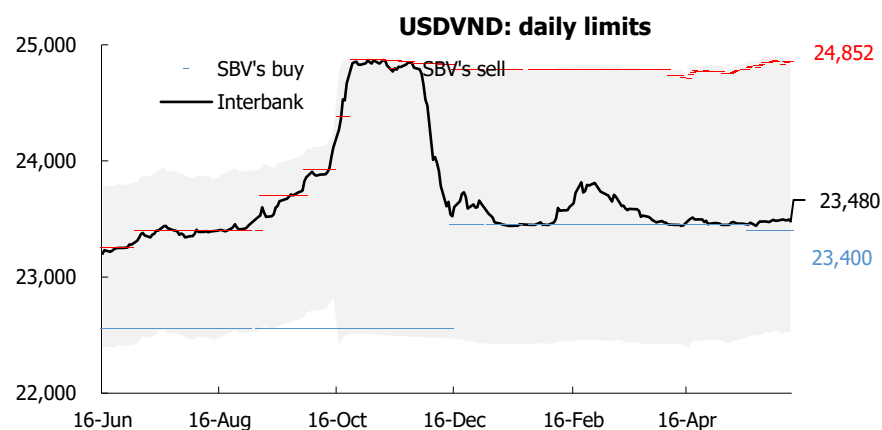
Source: SBV, Bloomberg, Fiinpro, tvgiadola.net

The SBV reduced its selling price of the U.S dollar by 6bps to VND24,852 this week. The move was in line with the easing of the US dollar index (DXY), while the buying price remained unchanged at VND23,400. As a result, the current USDVND exchange rate is 80bps higher than the buying price resulted in no USD enriching this week from SBV. According to KIS estimate, the SBV has raised its foreign exchange reserves to approximately USD6bn.

The USDVND exchange rate is expected to remain stable in the near future. First, the State Bank of Vietnam (SBV) has implemented flexible monetary policies to help stabilize the exchange rate. Secondly, the DXY index, which measures the value of the US dollar against a basket of other currencies, is also expected to decline, which will further support the Vietnamese dong. Additionally, there is a significant supply of the greenback in Vietnam, which will help to keep the exchange rate stable.

However, the market is closely watching the inflation data that will be released next week and the upcoming Federal Reserve meeting on June 15, 2023. If inflation data comes in higher than expected, this could increase the demand for the greenback and could negatively affect the USDVND.

Figure 26. SBV's movement



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

The market is eagerly awaiting the release of inflation data on June 13, 2023, which will be followed by a two-day Federal Reserve meeting. Inflation is expected to remain elevated in May, but at a slower pace than in April. Specifically, the consensus estimate for the Consumer Price Index (CPI) is 0.4% MoM vs 5.4% YoY in May.

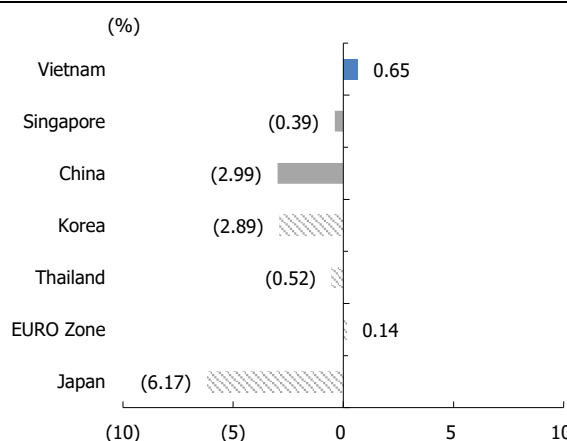
According to the CME Fed-watch tool, there is a high probability (78.1%) that the Fed will maintain the current target Fed fund rate at 5.00%- 5.25% in upcoming June meeting in June. However, there is also a significant chance (21.9%) that the Fed will increase the target rate by 25bps, bring the target rate to 5.25%-5.50%. The decision of whether or not to raise rates will likely depend on the CPI inflation data.

Figure 27. Historical DXY



Source: SBV, Bloomberg

Figure 28. 2023 YTD performance of major currencies against USD



Source: SBV, Bloomberg
 Note: stripped bars represent countries following the floating FX regime.

Among the currencies tracked by KIS, the Vietnamese dong has been the only one to remain strong against the US dollar so far this year. In fact, it has appreciated by 0.65% year-to-date (YTD). Meanwhile, countries following a floating exchange rate regime, such as Japan and South Korea, have experienced the most significant depreciation of their currencies against the US dollar, by 6.17% YTD and 2.89% YTD, respectively. The euro (EUR) has appreciated by 0.14% YTD against the USD due to ECB President Lagarde's hawkish view of a 25bps hike at the June 15th meeting to combat with inflation.

Macro scorecard

	23-Jan	23-Feb	23-Mar	23-April	23-May	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)	1.66	1.41	2.35	3.43	1.98	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)	25.08	25.88	29.57	27.54	29.05	96.83	96.48	89.50	79.17	263.6	282.7	335.7	371.85
Import (USD bn)	21.48	23.58	28.92	26.03	26.81	97.58	90.71	85.07	75.10	254.4	263	331.1	360.65
Export growth (%)	(21.28)	10.97	(14.78)	(17.15)	(5.86)	21.02	17.22	(6.07)	(11.90)	8.16	7.02	18.74	10.61
Import growth (%)	(28.92)	(6.65)	(11.10)	(20.54)	(18.44)	15.72	8.12	(3.90)	(14.67)	7.41	3.81	25.9	8.35
Inflation (%)	4.89	4.31	3.35	2.81	2.43	2.96	3.32	4.41	4.18	2.79	3.24	1.84	3.15
USD/VND	23,449	23,785	23,471	23,465	23,477	23,139	23,712	23,633	23,471	23,173	23,126	22,790	23,650
Credit growth (%)	0.65	0.31	1.96	3.04	3.04	8.51	10.47	12.87	1.61	13.75	12.17	12.97	12.87
10Y gov't bond (%)	4.59	4.39	3.24	3.21	3.28	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, ~3.04%
- * Absorption rate = winning value / offering value, ~47.62%
- * Bid to offer ratio = offering value / bidding value, ~1.40
- * DXY = U.S. Dollar Index, ~103.56
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~2.47%

Appendix

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

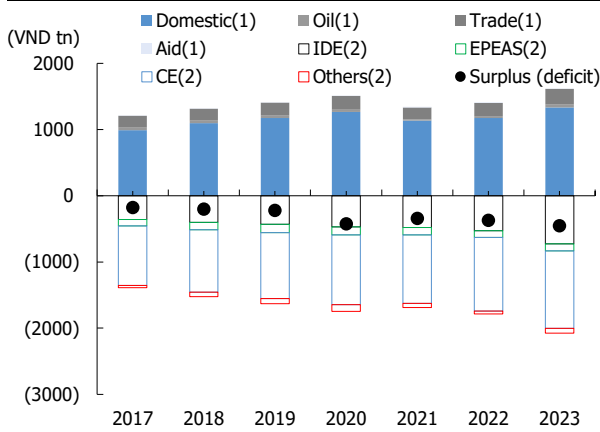
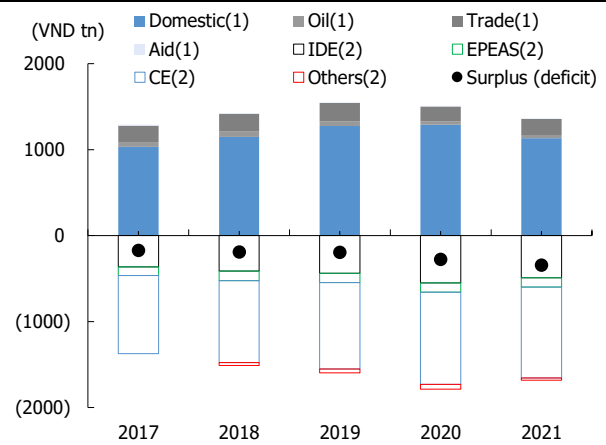


Figure 2. Vietnam's state budget by year: actual



Source: MoF, SBV, KIS

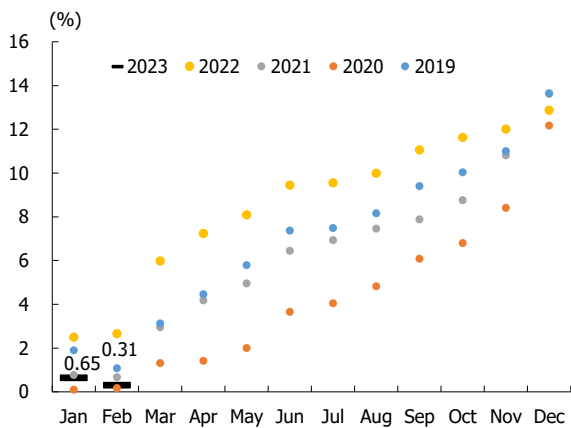
Domestic= Domestic revenues; Oil= Crude oil revenues; Trade= Balanced income from export and import activities; Aid= Revenue from aid.

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

(1) indicates the item belongs to the revenue

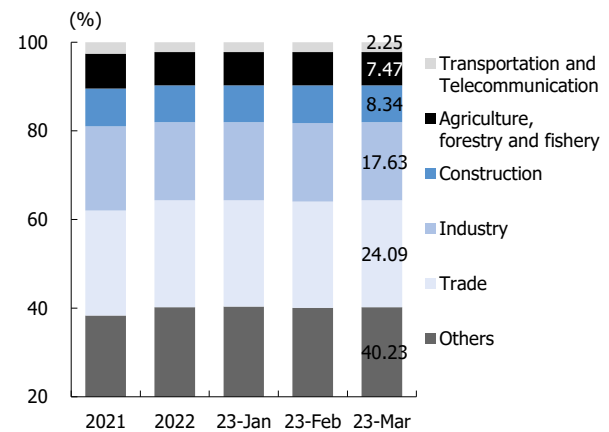
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



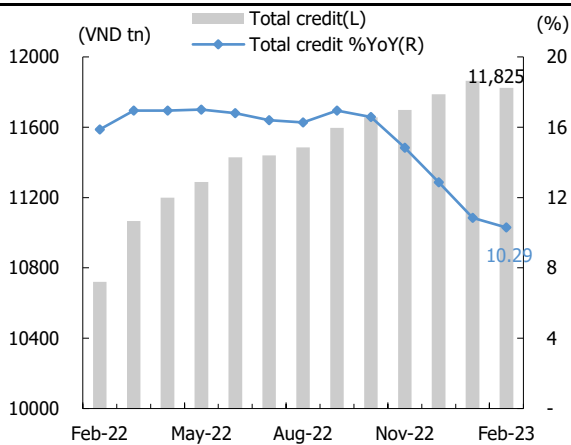
Source: SBV, KIS

Figure 4. Vietnam's total credit by sector



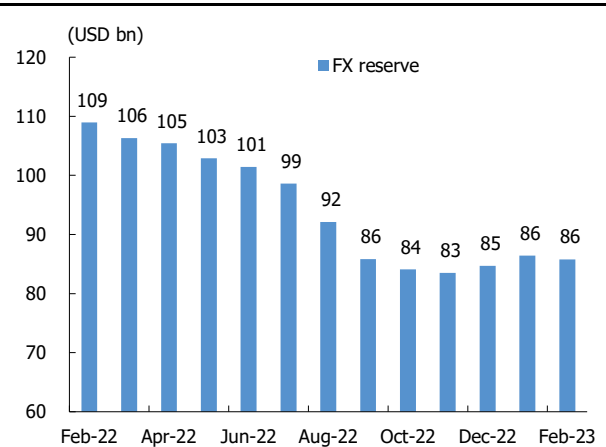
Source: SBV, KIS

Figure 5. Historical Vietnam's credit



Source: SBV, KIS

Figure 6. Historical Vietnam's FX reserve



Source: IMF, Bloomberg, KIS

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.

VIET NAM

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)
KIS Vietnam Securities Corporation
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.
Fax: 8428 3821-6898

SOUTH KOREA

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320
Fax: 822 3276 5681~3
Telex: K2296

NEW YORK

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)
Korea Investment & Securities America, Inc.
1350 Avenue of the Americas, Suite 1110
New York, NY 10019
Fax: 1 212 314 0699

HONG KONG

GREGORY KIM, Managing Director, Head of HK Sales (greg.kim @kisasia.com +852 2530 8915)
Korea Investment & Securities Asia, Ltd.
Suite 2220, Jardine House
1 Connaught Place, Central, Hong Kong
Fax: 852-2530-1516

SINGAPORE

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)
Korea Investment & Securities Singapore Pte Ltd
1 Raffles Place, #43-04, One Raffles Place
Singapore 048616
Fax: 65 6501 5617

LONDON

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)
Korea Investment & Securities Europe, Ltd.
2nd Floor, 35-39 Moorgate
London EC2R 6AR
Fax: 44-207-236-4811

This report has been prepared by KIS Vietnam Securities Corp. and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and the company accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is not intended for the use of private investors.

Copyright © 2020 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.