

Fixed-income Perspectives

Cheap money resulted from weak credit performance

Ten consecutive weeks of silent OMO

In 32W23 (from 7 to 13 August), OMO (Open market operations) remained stagnant with no issuance of T-bills or Repos recorded, extending the inactive OMO transaction for ten weeks. The current OMO situation was attributable to the ample liquidity and the government's easing stance to stimulate the economic growth. We expect subdued OMO will persist till the lending performance improves significantly.

The overnight rate fluctuates at its record low

Interbank rates this week continued to stick to its low level, falling slightly compared with last week. Specifically, most traded tenors – overnight (ON), 1W, and 2W declined by 3bps, 1bps, and 2bps to almost negligible level at 0.13%, 0.32%, and 0.52%, respectively. It is expected that interbank rates will remain below 1% for the overnight rate in the upcoming weeks, as there is no potential growth in lending activities. However, based on the Government's implementation, the overnight rate will undergo a gradual increment once more during the latter part of the year.

USDVND extends gaining streak

In 32W23, US dollar extended its gaining streak in a four weeks row, explained by prolonged USD-VND negative interest rate gap and positive US inflation data. Specifically, USDVND inched up by 26bps to 23,752, equivalent to 0.11% WoW. In Asian markets, sentiments were adversely affected by renewed concerns surrounding China. This sentiment was fueled by disappointing inflation and trade data releases during the week, coupled with escalating fears of a potential collapse in the property market.

Vietnam economic indicators

	23-Feb	23-Mar	23-Apr	23-May	23-Jun	23-Jul	Corr. ¹
Disbursed FDI %YoY	12.4	2.0	1.7	0.6	0.9	3.2	0.07
Retail sales %YoY	15.5	11.5	11.7	8.1	6.7	7.1	-0.13
Export %YoY	11.0	-14.8	-17.1	-6.0	-10.8	-3.0	-0.03
Import %YoY	-6.7	-11.1	-20.5	-17.8	-17.1	-9.8	0.03
Trade balance (USDbn)	2.3	0.6	1.5	2.2	2.6	2.2	-0.01
CPI %MoM	0.5	-0.2	-0.3	0.0	0.3	0.5	-0.01
Credit %YoY	12.2	10.5	9.7	9.1	8.5	8.6	-0.04
USDVND %MoM	1.4	-1.3	-0.1	0.1	0.4	0.3	-0.37
PMI (pts)	51.2	47.7	46.7	45.3	46.2	48.7	-0.16
VNINDEX return (%)	-7.7	4.0	-1.4	2.6	4.4	9.3	1.00

Source: SBV, GSO, Bloomberg, KIS

¹ Correlation to VNINDEX's monthly return; ² Bloomberg estimates
Green = acceleration; yellow = deceleration; red = contraction.

Contents

I. Ten consecutive weeks of silent OMO.....	1
II. The overnight rate fluctuates at its record low	2
III. G-bond yields stabilizes at its low	4
IV. USDVND extends gaining streak	6
Macro scorecard.....	8
Appendix	9

Research Dept.

researchdept@kisvn.vn

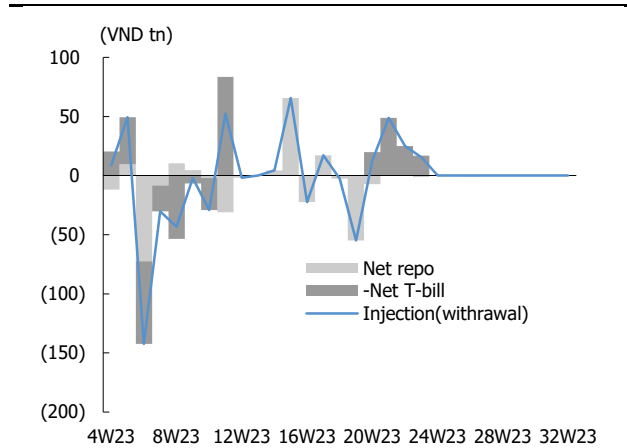
I. Ten consecutive weeks of silent OMO

No liquidity support needed

In 32W23 (from 7 to 13 August), OMO (Open market operations) remained stagnant with no issuance of T-bills or Repos recorded, extending the inactive OMO transaction for ten weeks. The current OMO situation was attributable to the ample liquidity and the government's easing stance to stimulate the economic growth.

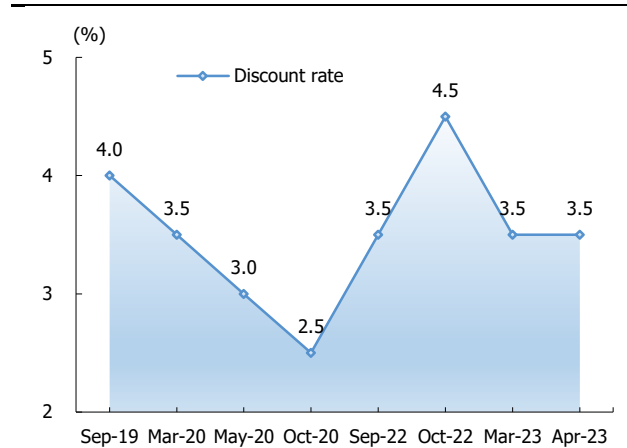
On one hand, interbank rates for various tenors stuck to their lows in the last week, reflecting the persistently abundant liquidity of the banking system. On the other hand, the government showed a strong will in renewing the economic acceleration through public investments, fiscal support, and FDI attracting, T-bill issuance would contradict these efforts. Therefore, we expect subdued OMO will persist till the lending performance improves significantly.

Figure 1. Net injection (withdrawal) of liquidity



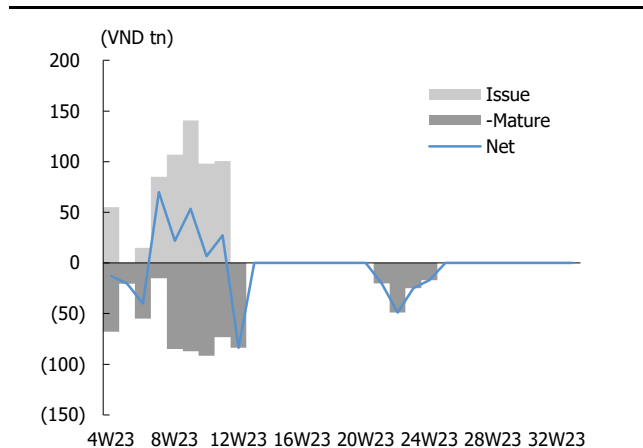
Source: SBV, Bloomberg, KIS

Table 1. Historical policy rate



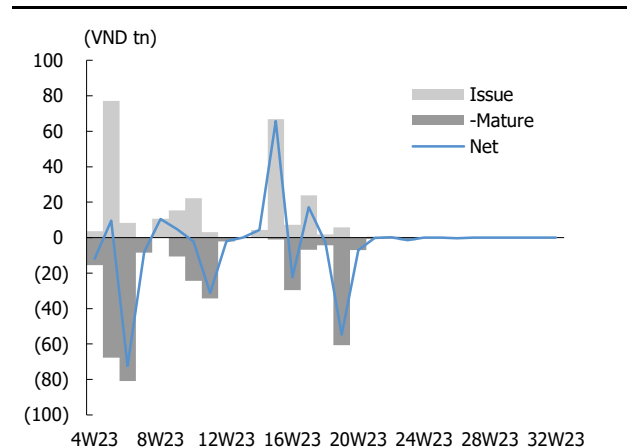
Source: SBV, Bloomberg, KIS

Figure 2. T-bill amount by week



Source: SBV, Bloomberg, KIS

Figure 3. Repo amount by week



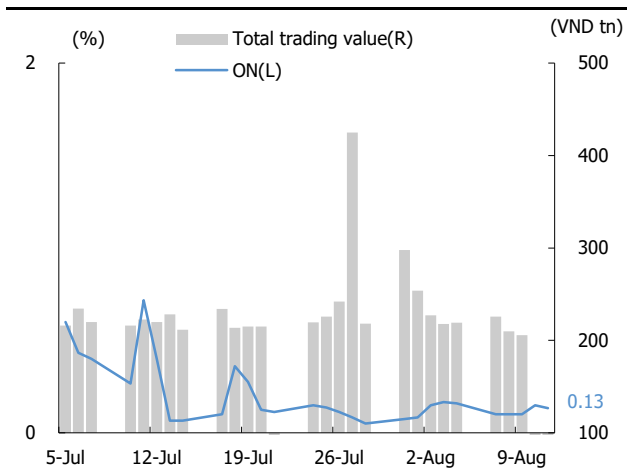
Source: SBV, Bloomberg, KIS

II. The overnight rate fluctuates at its record low

ON remains at low level

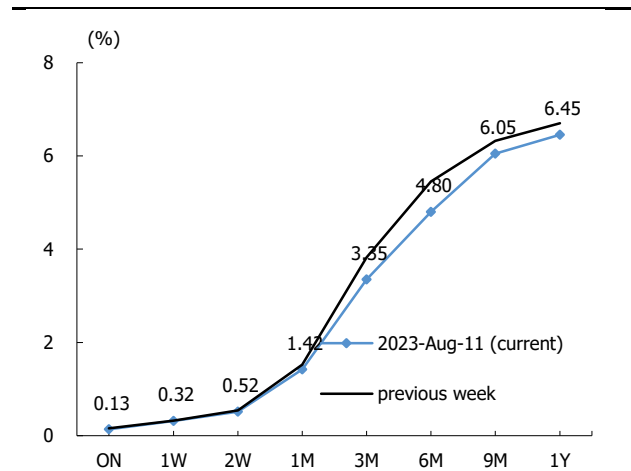
Interbank rates this week continued to stick to its low level, falling slightly compared with last week. Specifically, most traded tenors – overnight (ON), 1W, and 2W declined by 3bps, 1bps, and 2bps to almost negligible level at 0.13%, 0.32%, and 0.52%, respectively. Thus, the 25bps increase in July has resulted in a spread of approximately 500bps between the (ON) and the Fed's fund rate. It is expected that interbank rates will remain below 1% for the overnight rate in the upcoming weeks, as there is no potential growth in lending activities. However, based on the Government's implementation, the overnight rate will undergo a gradual increment once more during the latter part of the year.

Figure 6. Interbank daily transaction



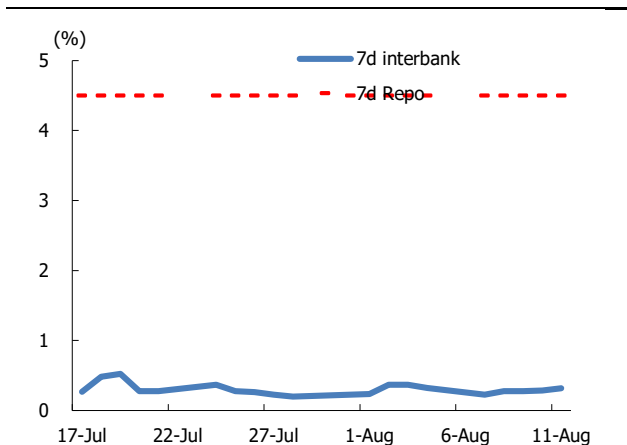
Source: SBV, Bloomberg, KISVN

Figure 7. Interbank rate curve



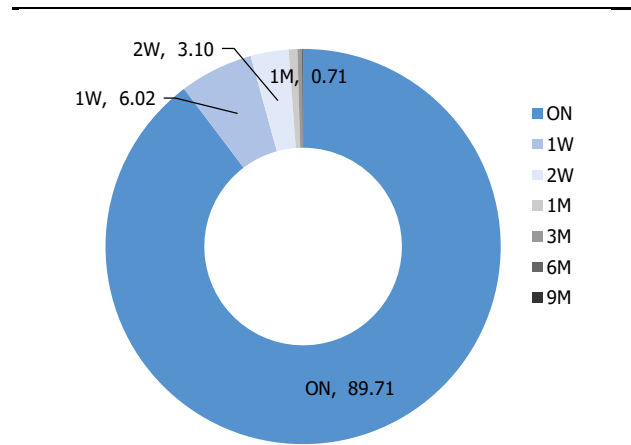
Source: SBV, Bloomberg, KISVN

Figure 8. Interbank rate corridor



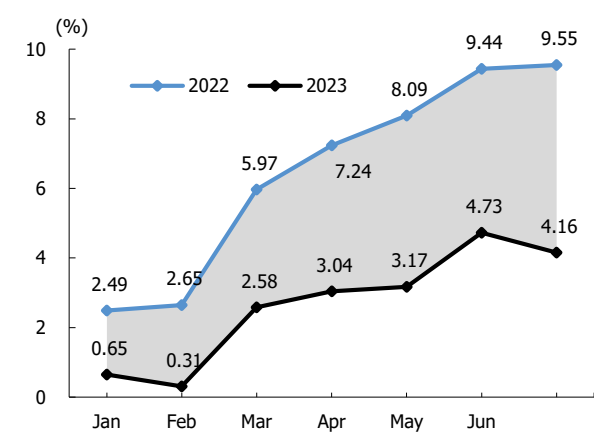
Source: SBV, Bloomberg, KISVN

Figure 9. Interbank transaction structure



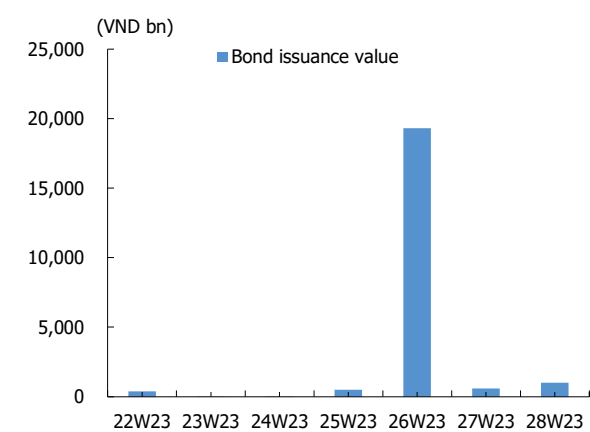
Source: SBV, Bloomberg, KISVN

Figure 10. Credit growth by month



Source: SBV, Bloomberg, KISVN
Data as of 30 June 2023

Figure 11. Banks' bond issuance in 2023



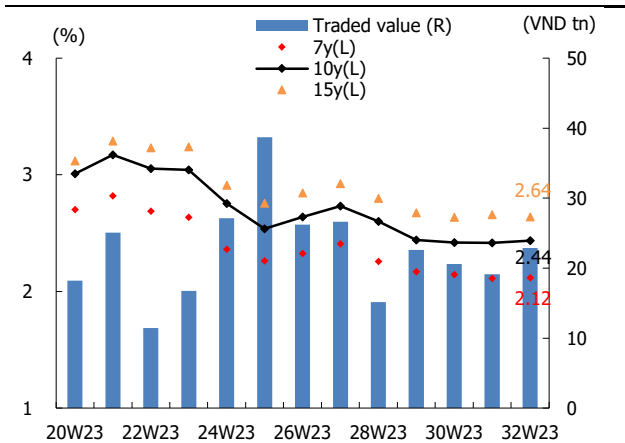
Source: Fiinpro, KISVN

III. G-bond yields stabilizes at its low

Flattening trading yields exhibit flat

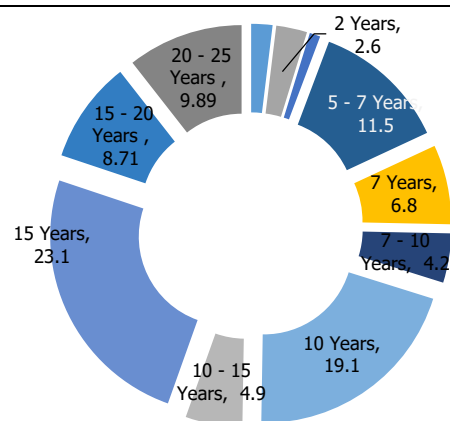
In 32W23, G-bond trading yields remained flat, similarly to newly issued yields. The weak credit demand remained unsolved along with cautious lending activities from banks contributed to the excessive liquidity in the system, continuously drove G-bond yields to this low level, and mostly persisted further until the next rate cut release. Over the week, trading yields for 7-year, 10-year, and 15-year tenors fluctuated negligibly by 1bps, 2bps, and -2bps to settle at 2.12%, 2.44%, and 2.64%.

Figure 12. G-bond trading value



Source: HNX, KIS

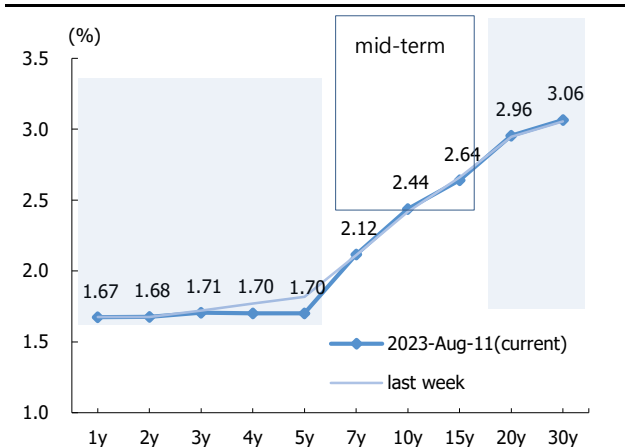
Figure 13. Trading value by tenor this week



Source: HNX, KIS

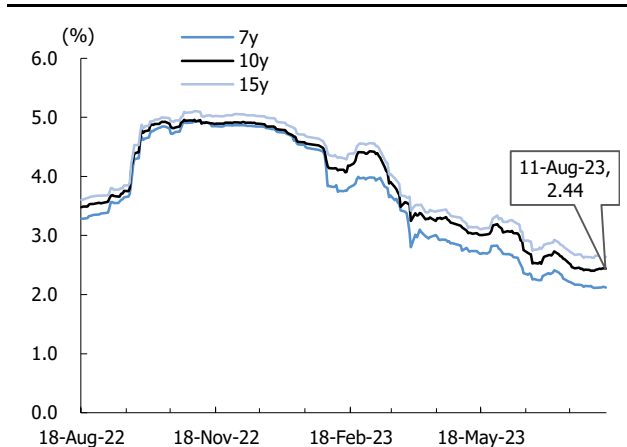
The yield curve fell in short-tenor (1 to 5 years) by 4bps while remained unchanged in medium (7 to 15 years) and the long-tenor (above 15 years).

Figure 14. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 15. Historical daily government bond yield

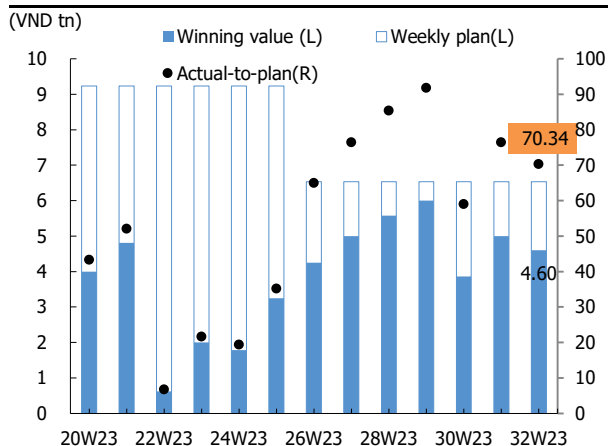


Source: HNX, VBMA, KIS

Winning yields slightly fell

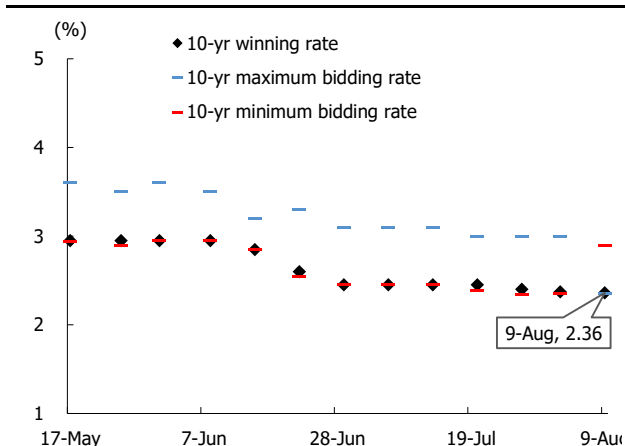
Regarding G-bond issuance, winning yields dropped moderately in 5-year tenor by 5bps to 1.75% while it was less notable in 10-year and 15-year with a 1bps fall in both terms to 2.36% and 2.59%, respectively. The issued amount this week remained below the weekly plan, which fulfilled 70.34%. Cumulatively, the total issuance amount achieved 40.58% and 41.46% of the 3Q23 and 2023 plans, accordingly with the public investment disbursed speed.

Figure 16. Winning value by week



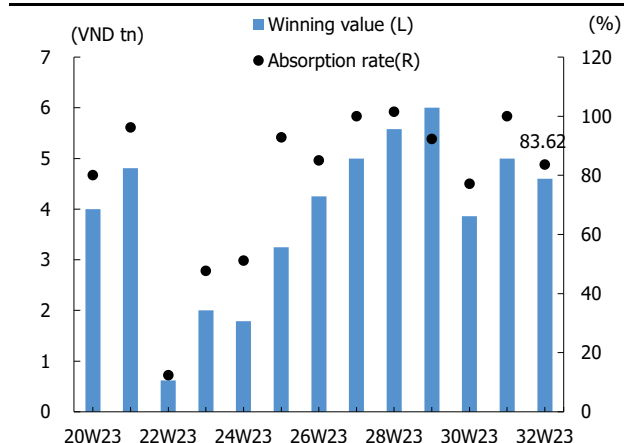
Source: HNX, KIS

Figure 17. Winning yields by week



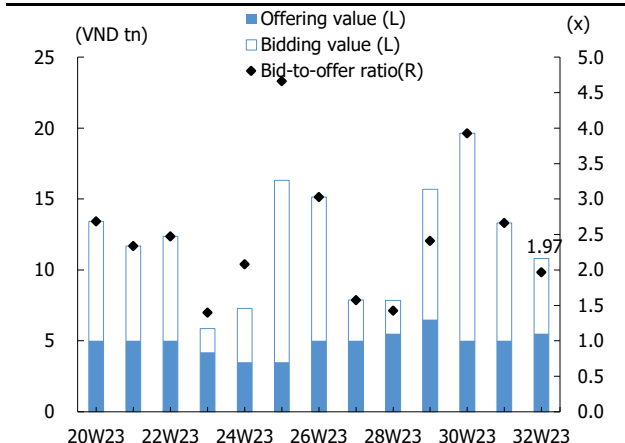
Source: HNX, KIS

Figure 18. Absorption ratio



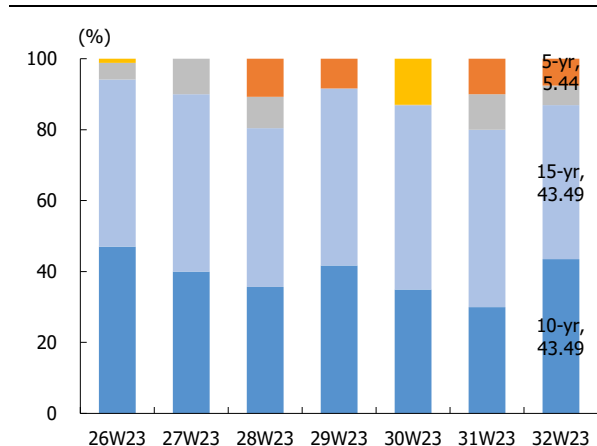
Source: HNX, KIS

Figure 19. Bid-to-offer ratio



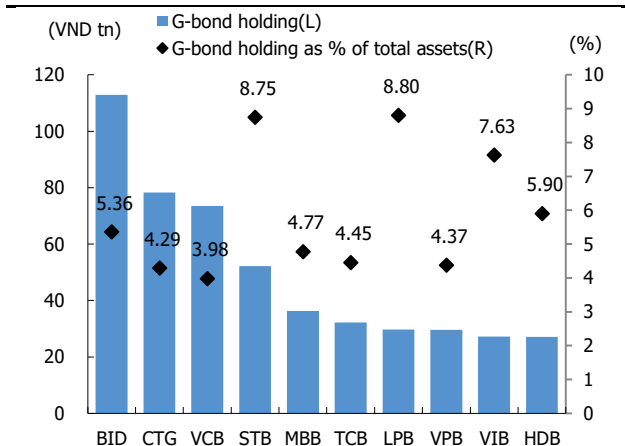
Source: HNX, KIS

Figure 20. Winning yields by week



Source: HNX, KIS

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



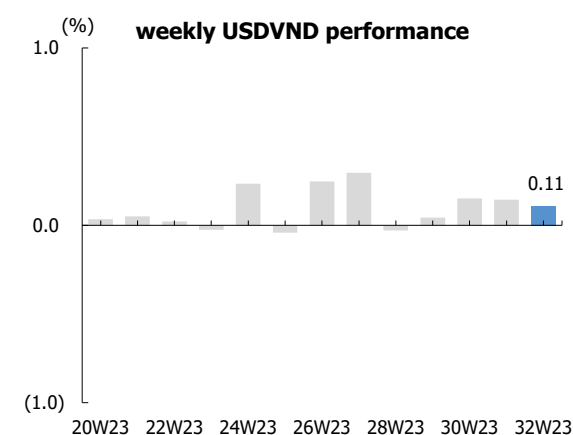
Source: HNX, FiiinPro, KIS

IV. USDVND extends gaining streak

USD strengthens

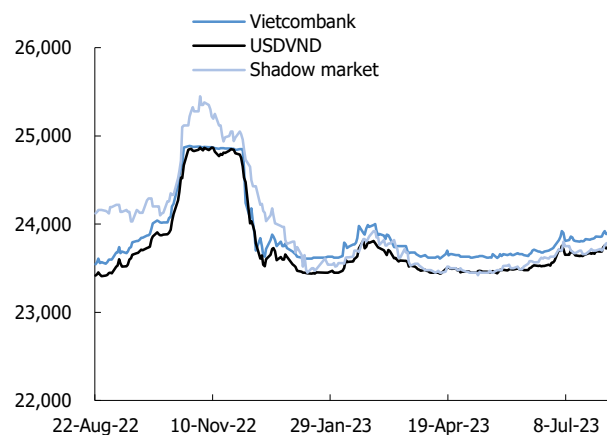
In 32W23, US dollar extended its gaining streak in a row of four weeks, explained by prolonged USD-VND negative interest rate gap and positive US inflation data. Specifically, USDVND inched up by 26bps to 23,752, equivalent to 0.11% WoW. VCB raised its bid/ask price by 20/20bps to 23,540/23,910 while that in the shadow market moved more significantly by 35/35bps to 23,765/23,815. DXY kept extending its bounce back notably this week, settling at 102.84 or 0.81% WoW. Regarding the policy exchange rate, SBV raised its selling price further by 12bps to 24,978 while maintaining its buying price unchanged at 23,400.

Figure 22. Weekly USDVND performance



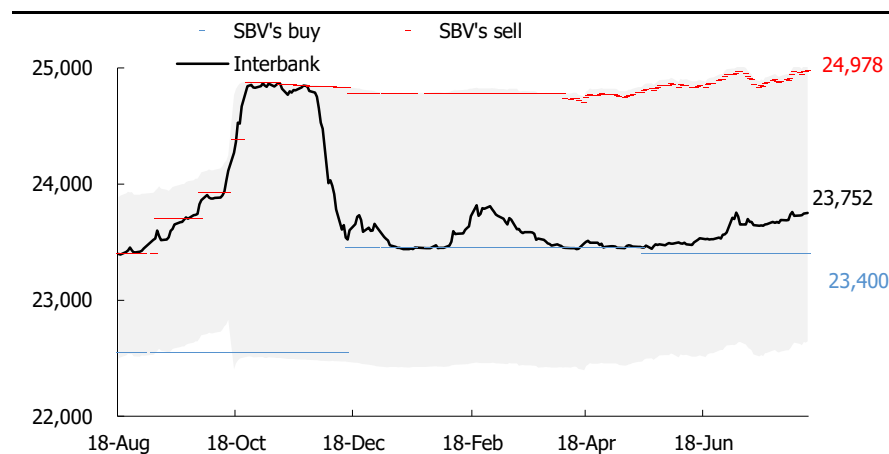
Source: SBV, Bloomberg

Figure 23. Historical USDVND by market



Source: SBV, Bloomberg, Fiinpro, tvgiadola.net

Figure 26. 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 anticipated growth of 0.2% MoM or 3.2% YoY in the US July CPI has further reinforced expectations for the Federal Reserve to maintain its current interest rates in September, consequently boosting the US dollar index (DXY) throughout the week.

In Asian markets, sentiments were adversely affected by renewed concerns surrounding China. This sentiment was fueled by disappointing inflation, trade data releases during the week, and escalating fears of a potential collapse in the property market. Particularly noteworthy is the situation of Country Garden Holdings, the largest property developer in terms of 2022 revenue. Despite being listed by the government as a "high-quality" developer eligible for funding support from state-owned banks since November 2022, the company missed its dollar-denominated bond payment. This development has cast doubt on the recovery of the real estate market (contributing 30% of GDP) and could potentially trigger substantial institutional bondholder-driven selling, amounting to USD20in foreign bonds for this company alone.

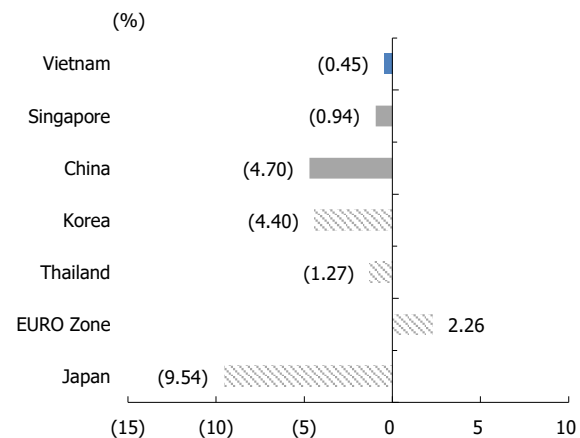
The consequence of these events was a decline in the year-to-date performance of several Asian currencies against the US dollar. The Chinese Yuan (CNY) extended its depreciation from 3.83% to 4.70% over the week. Similarly, the South Korean Won (KRW), Thai Baht (THB), Euro (EUR), and Japanese Yen (JPY) fell further against the greenback, reaching -4.40%, -1.27%, 2.26%, and -9.54% YTD, respectively. In contrast, the Singapore Dollar (SGD) managed to narrow its depreciation from -0.94% to -0.10% over the same period.

Figure 27. Historical DXY



Source: SBV, Bloomberg

Figure 28. 2023 YTD performance of major currencies against USD



Source: SBV, Bloomberg

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

Macro scorecard

	23-Mar	23-April	23-May	23-Jun	23-Jul	3Q22	4Q22	1Q23	2Q23	2019	2020	2021	2022
Real GDP growth (%)						13.67	5.92	3.21	4.14	7.03	2.91	2.58	8.02
Registered FDI (USD bn)	2.35	3.43	1.98	2.57	2.81	4.67	8.96	5.45	13.43	38.02	28.53	31.15	27.72
GDP per capita (USD)										3,398	3,521	3,725	4,110
Unemployment rate (%)						2.28	2.32	2.25	2.25	2.25	2.48	3.22	2.32
Export (USD bn)	29.57	27.54	29.05	29.30	29.68	96.48	89.50	79.17	83.42	263.6	282.7	335.7	371.85
Import (USD bn)	28.92	26.03	26.81	26.71	27.53	90.71	85.07	75.10	76.01	254.4	263	331.1	360.65
Export growth (%)	(14.78)	(17.15)	(5.86)	(11.41)	(3.47)	17.22	(6.07)	(11.90)	(14.16)	8.16	7.02	18.74	10.61
Import growth (%)	(11.10)	(20.54)	(18.44)	(16.94)	(9.92)	8.12	(3.90)	(14.67)	(22.30)	7.41	3.81	25.9	8.35
Inflation (%)	3.35	2.81	2.43	2.00	2.06	3.32	4.41	4.18	2.41	2.79	3.24	1.84	3.15
USD/VND	23,471	23,459	23,493	23,583	23,688	23,712	23,633	23,471	23,583	23,173	23,126	22,790	23,650
Credit growth (%)	1.96	3.04	3.04	3.36	3.79	10.47	12.87	1.61	3.36	13.75	12.17	12.97	12.87
10Y gov't bond (%)	3.24	3.21	3.28	3.50	2.41	4.39	5.08	3.54	3.50	3.37	2.01	2.11	5.08

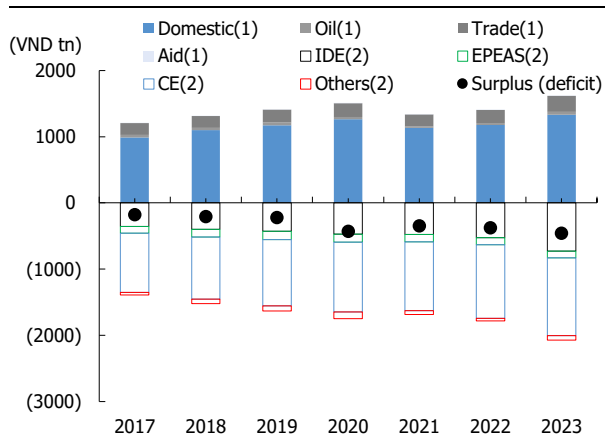
Source: GSO, Bloomberg, FIA, IMF

**Glossary

- * Winning yield rate = each group's highest bidding rate, ~3.15%
- * Absorption rate = winning value / offering value, ~83.62%
- * Bid to offer ratio = offering value / bidding value, ~1.97
- * DXY = U.S. Dollar Index, ~102.84
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~0.13%

Appendix

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



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 2. Vietnam's state budget by year: actual

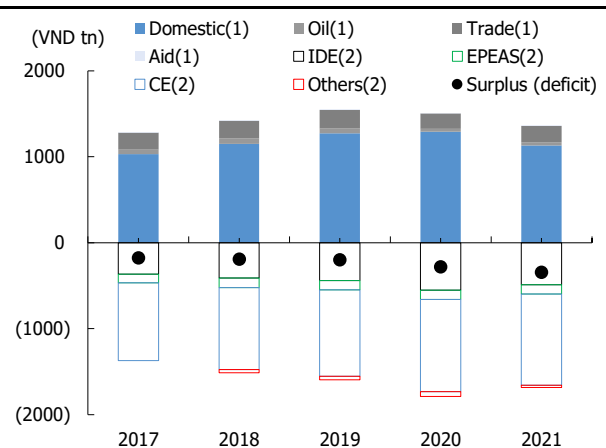
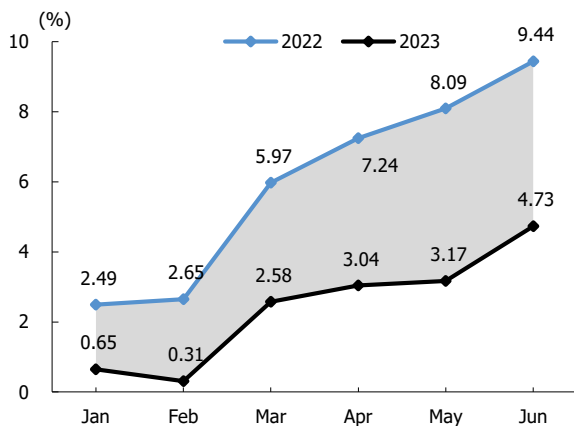
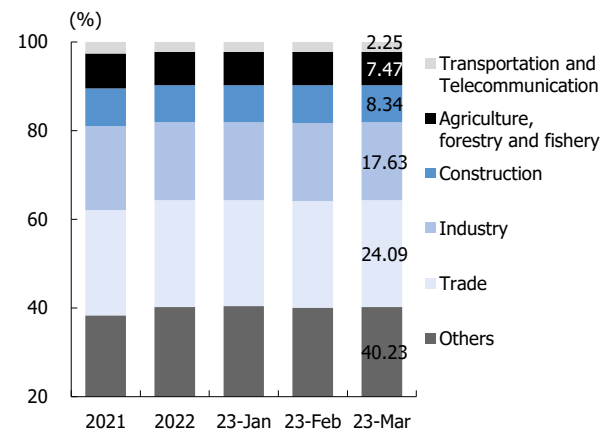


Figure 3. Vietnam's total credit % YTD by month



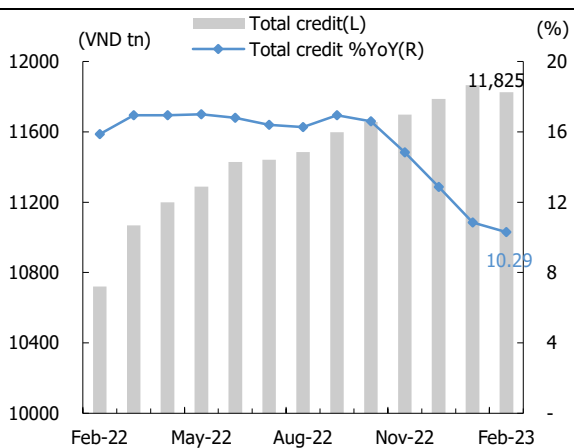
Source: SBV, KIS

Figure 4. Vietnam's total credit by sector



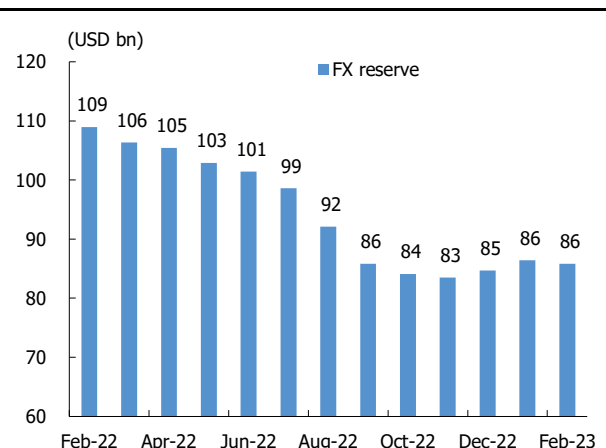
Source: SBV, KIS

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

JAЕ 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.