

Fixed-income Perspectives

USDVND halts its rally

OMO remains stagnant

During the period of 36W23 (from 4 to 10 September), the open market still remained silent resulted from the ample liquidity in the market and the government's easing stance, which is intended to promote economic expansion. We anticipated that the silent OMO will persist till the lending performance improves significantly.

Low interbank rates persist

Interbank rates this week continued to stick to its low level, indicating the lower liquidity demand from borrowers. Specifically, most traded tenors – overnight (ON), and 1W, declined by 2bps, and 3bps to 0.10%, and 0.28%, respectively, hovering near the zero-free rate benchmark. It is expected that the interbank rates will likely to jump in upcoming months when government's urge for economic growth taking effective.

USDVND cools down

USDVND ended seven rallying weeks with 0.10% WoW down, standing at 24,061 or 24bps fall, despite DXY registered an eight-straight week of gains. By Friday, the bid/ask price in the shadow market changed by 0bps/(20bps) to 24,100/24,180 while the contrast adjustment of 20bps/20bps was seen in Vietcombank price, settling at 23,890/24,260. At the same time, SBV raised its selling price by 17bps to 25,142.

Vietnam economic indicators

	23-Mar	23-Apr	23-May	23-Jun	23-Jul	23-Aug	Corr. ¹
Disbursed FDI %YoY	2.0	1.7	0.6	0.9	3.2	23.6	0.06
Retail sales %YoY	11.5	11.7	8.1	6.7	6.9	7.6	-0.13
Export %YoY	-14.4	-16.2	-9.1	-10.8	-2.2	-7.6	-0.03
Import %YoY	-13.3	-23.1	-20.6	-17.9	-11.6	-8.3	0.02
Trade balance (USDbn)	1.4	2.7	2.0	3.1	3.1	3.8	-0.01
CPI %MoM	-0.2	-0.3	0.0	0.3	0.5	0.9	-0.02
Credit %YoY	10.5	9.7	9.1	8.5	9.0	8.7	-0.05
USDVND %MoM	-1.3	-0.1	0.1	0.4	0.4	1.4	-0.37
PMI (pts)	47.7	46.7	45.3	46.2	48.7	50.5	-0.16
VNINDEX return (%)	4.0	-1.4	2.6	4.4	9.3	-3.0	1.00

Source: SBV, GSO, Bloomberg, KIS

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

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Research Dept.

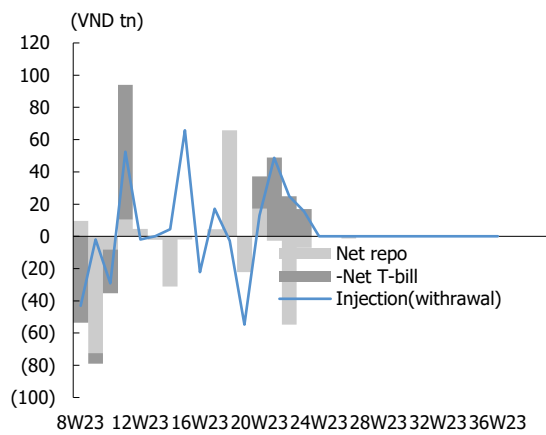
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I. OMO remains stagnant

OMO tranquil pattern persist

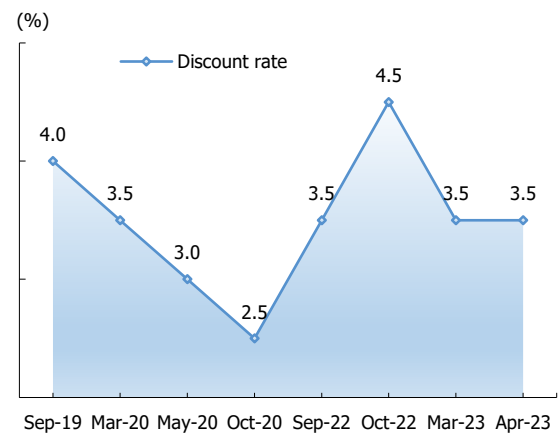
During the period of 36W23 (from 4 to 10 September), the open market still remained silent resulted from the ample liquidity in the market and the government's easing stance, which is intended to promote economic expansion. In general, the State Bank of Vietnam (SBV) persists in its direction to lower lending interest rates as a means of aiding businesses. Consequently, a prerequisite for reducing lending interest rates is to also lower deposit interest rates. We anticipated that the silent OMO will persist till the lending performance improves significantly.

Figure 1. Net injection (withdrawal) of liquidity



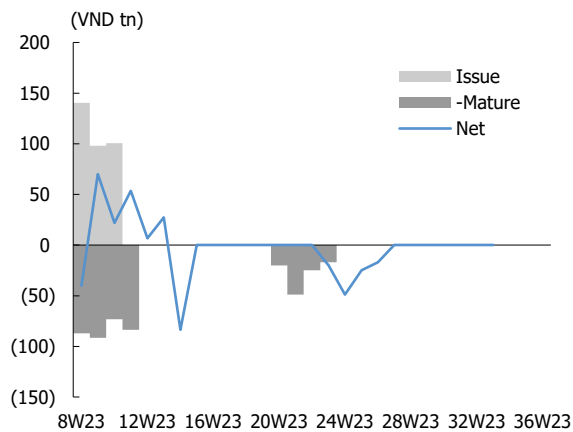
Source: SBV, Bloomberg, KIS

Table 1. Historical policy rate



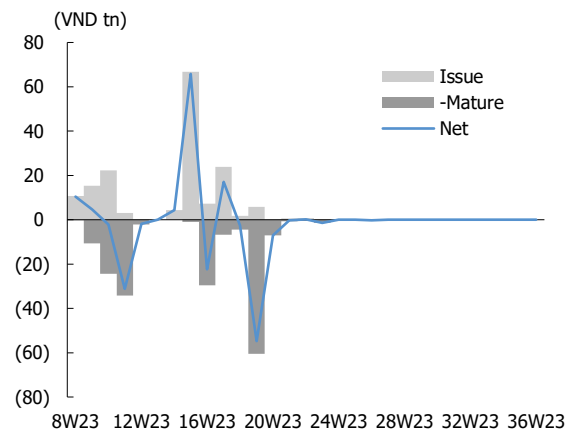
Source: SBV, Bloomberg, KIS

Figure 2. T-bill amount by week



Source: SBV, Bloomberg, KIS

Figure 3. Repo amount by week



Source: SBV, Bloomberg, KIS

II. Low interbank rates persists

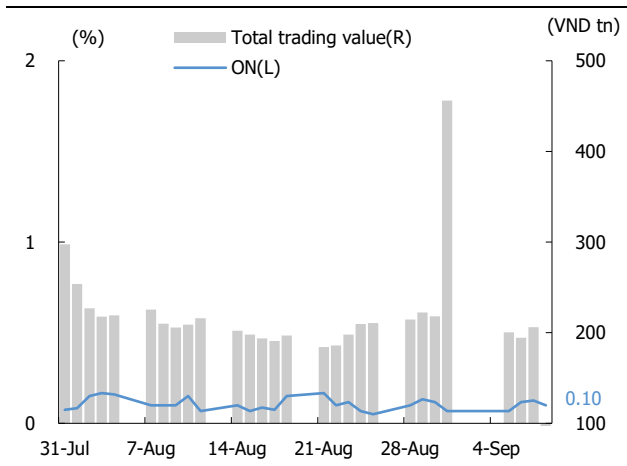
ON remains at low level

Interbank rates this week continued to stick to its low level, indicating the lower liquidity demand from borrowers. Specifically, most traded tenors – overnight (ON), and 1W, declined by 2bps, and 3bps to 0.10%, and 0.28%, respectively, hovering near the zero-free rate benchmark.

Shortly after Circular 06/2023/TT-NHNN came into force on September 1, 2023, several banks have initiated measures to extend loans to individual customers for early loan repayment, offering advantageous interest rates ranging from 6% to 8%, depending on the preferential duration. Moreover, they are facilitating the transfer of the remaining loan term and collateral assets to their respective banks. This development has sparked concerns regarding the imminent rise in competitive pressures on lending interest rates.

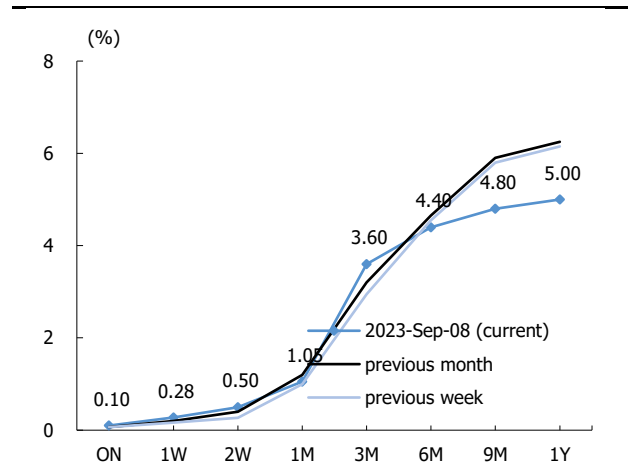
Additionally, the aggregate loan balance has returned to grow after recording a reduction in July. Unofficial reports indicate that as of August 24th, year-to-date credit growth reached 5.03%, marking a 47 basis point increase compared to the previous month. Consequently, it appears that the lending performance of the entire banking system is poised to continue improving throughout the remaining months of 2023, particularly as the influence of government policies aimed at stimulating economic activities becomes more pronounced. We anticipate that this development in the primary lending market may exert upward pressure on interbank rates in the forthcoming months.

Figure 4. Interbank daily transaction



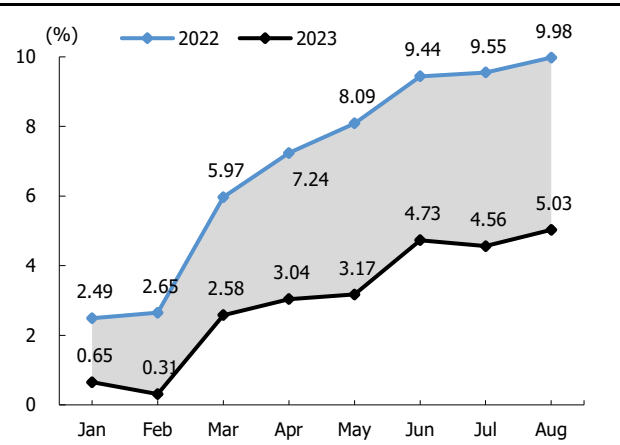
Source: SBV, Bloomberg, KISVN

Figure 5. Interbank rate curve



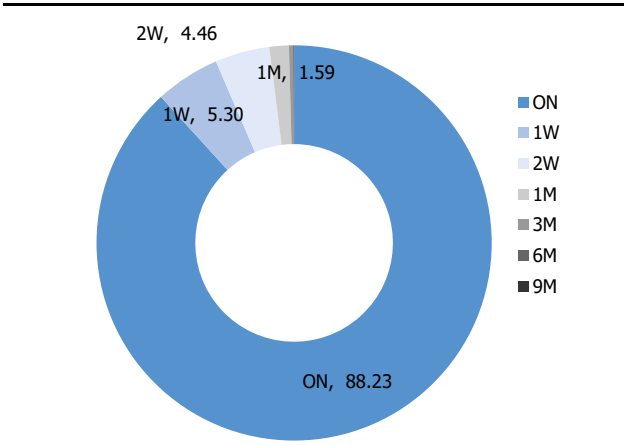
Source: SBV, Bloomberg, KISVN

Figure 6. Credit growth by month



Source: SBV, Bloomberg, KISVN

Figure 7. Interbank transaction structure



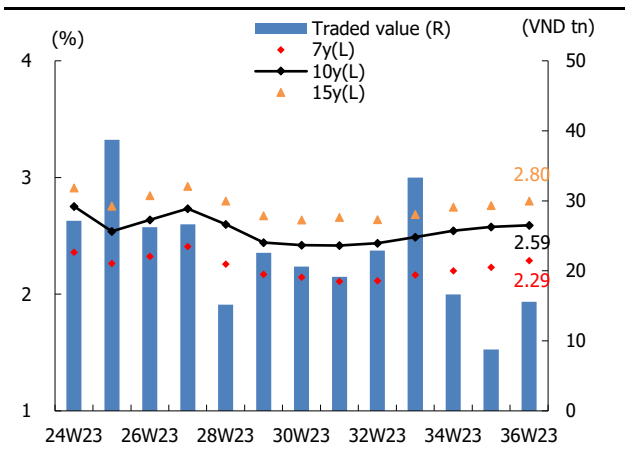
Source: SBV, Bloomberg, KISVN

III. G-bond yields increment further

Trading yields notch for the fifth week

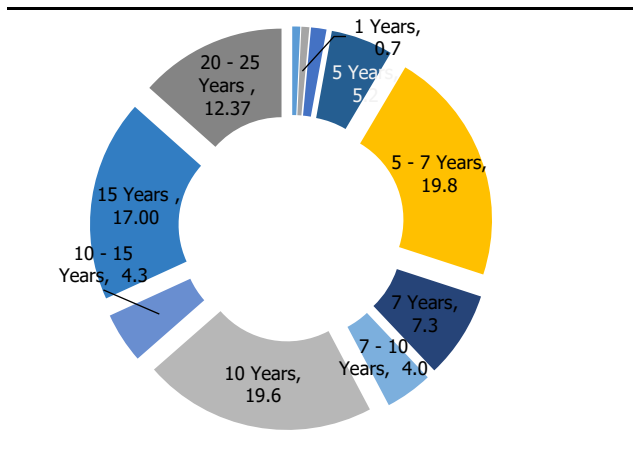
In the G-bond market, yield movements have maintained a consistent pattern over the past five weeks, characterized by slight increases in trading yields and stability in winning yields. Specifically, trading yields saw marginal upticks of 6bps, 1bps, and 4bps for the 7-year, 10-year, and 15-year maturities, reaching 2.29%, 2.59%, and 2.80%, respectively. Notably, trading volume rebounded to its typical level at VND15.5tn. The yield curve showed a slight upward trend in the mid-term tenors (7 to 15 years), increasing by 4bps, while other tenors remained unchanged.

Figure 8. G-bond trading value



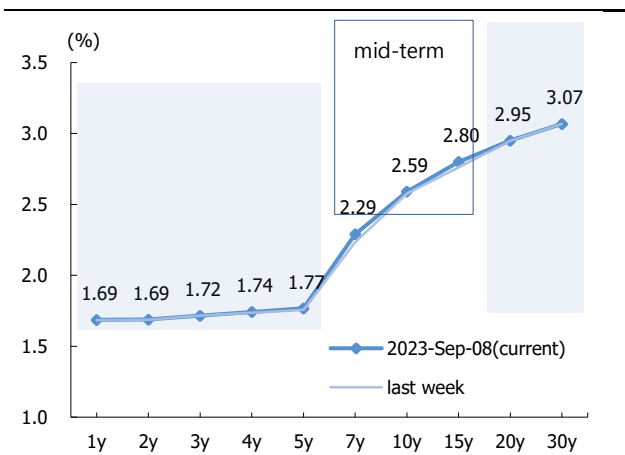
Source: HNX, KIS

Figure 9. Trading value by tenor this week



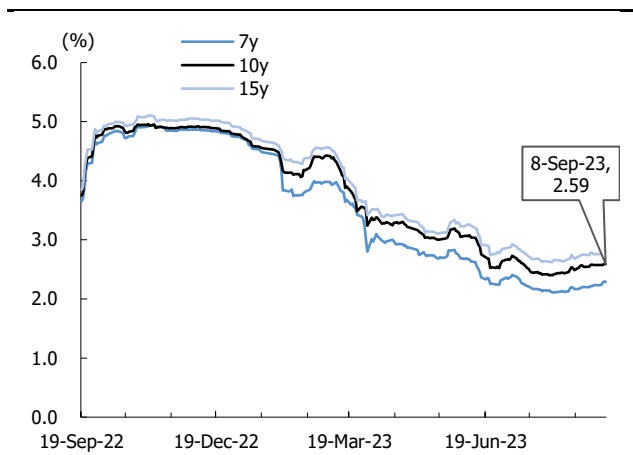
Source: HNX, KIS

Figure 10. G-bond trading yield curve



Source: HNX, VBMA, KIS

Figure 11. Historical daily government bond yield

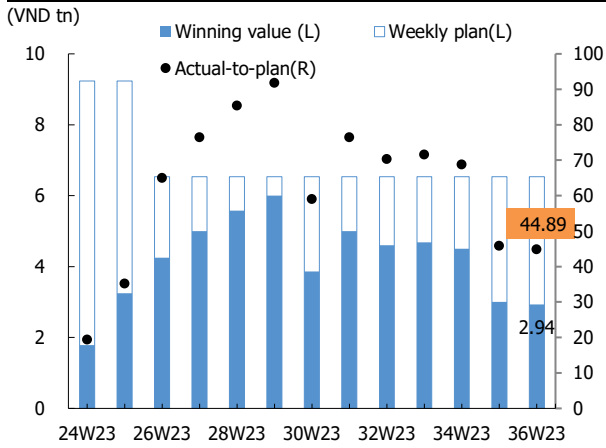


Source: HNX, VBMA, KIS

Winning yields persisted

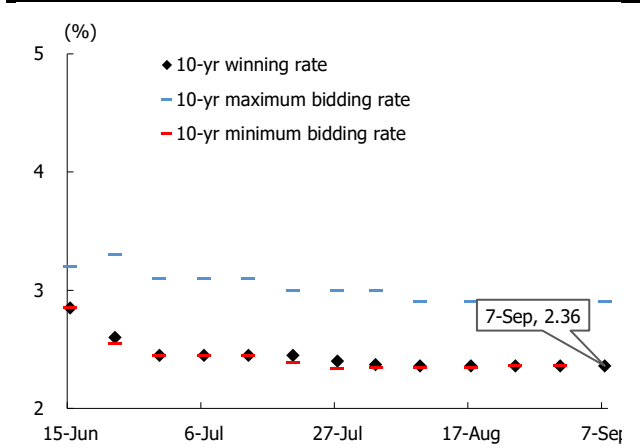
In terms of G-bond issuance, the winning yields held firm at their low points, standing at 2.36% and 2.59% for the 10-year and 15-year maturities. Notably, the actual-to-plan issuance ratio maintained very low at 44.89% for the second week. Additionally, VST announced a 23.58% YoY surge in G-bond repurchase amount for 3Q23 from its idle capital, reaching VND99.10tn. Moreover, the growth rate of public investment disbursed over the first 8 months of the year slowed to 23.10% YoY, down from 28.40% over the 7-month period. This suggests a potential deceleration in public investment disbursement, which typically experiences acceleration in the latter half of the year.

Figure 16. Winning value by week



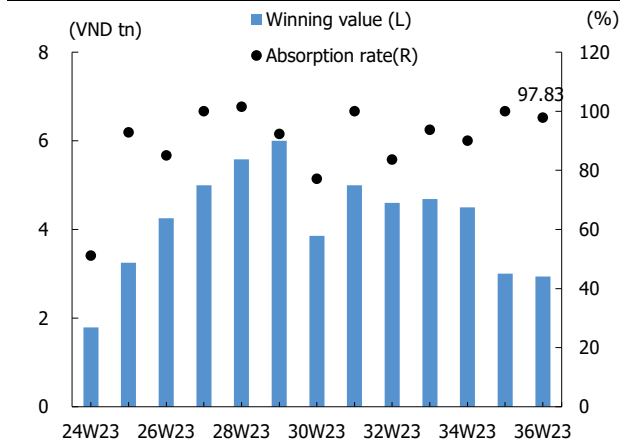
Source: HNX, KIS

Figure 17. Winning yields by week



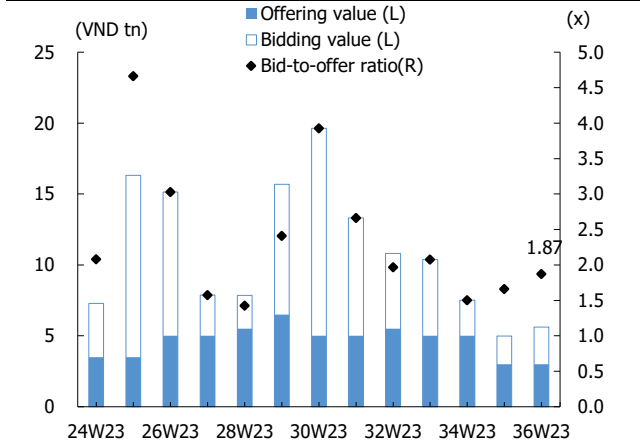
Source: HNX, KIS

Figure 18. Absorption ratio



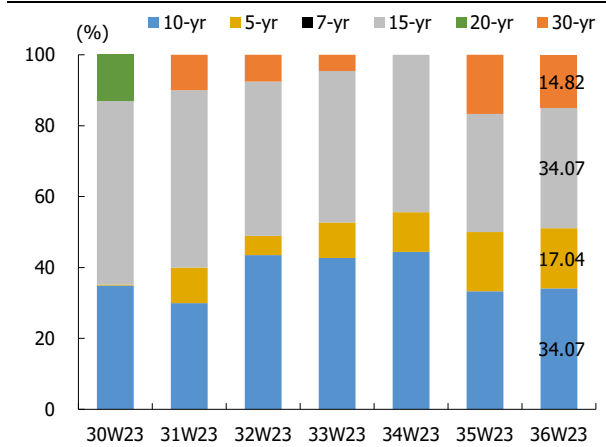
Source: HNX, KIS

Figure 19. Bid-to-offer ratio



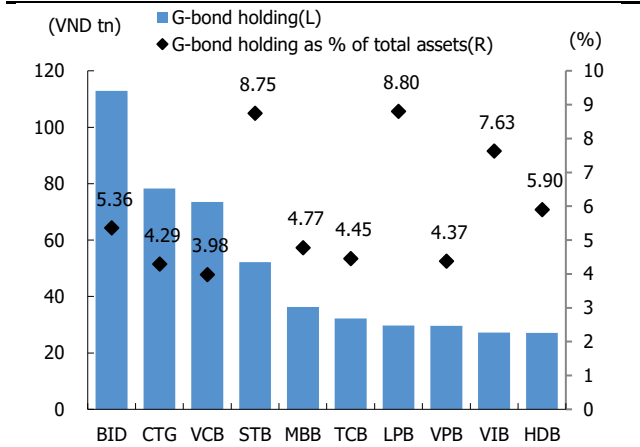
Source: HNX, KIS

Figure 20. Winning yields by week



Source: HNX, KIS

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



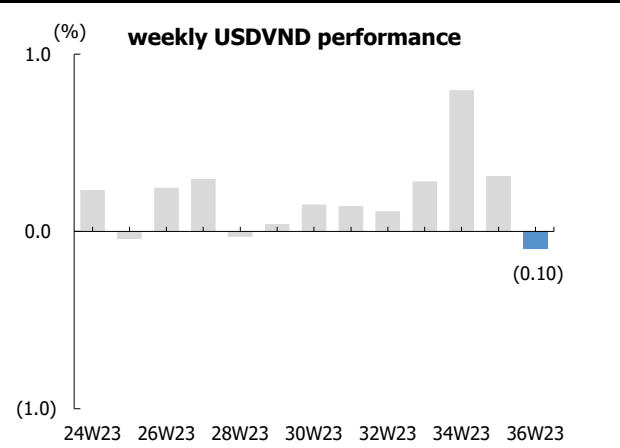
Source: HNX, FiiPro, KIS

IV. USDVND cools down

USDVND ends seven rallying weeks

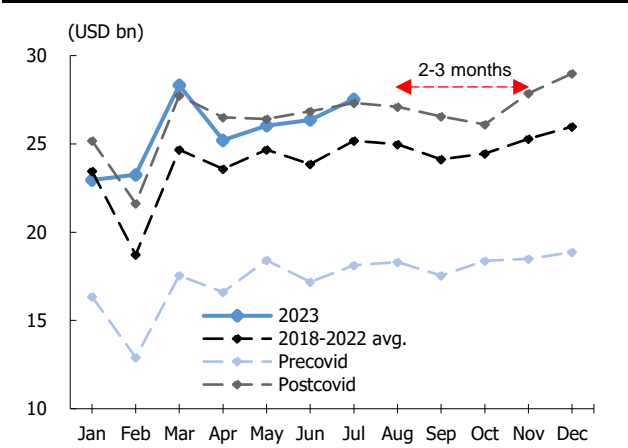
USDVND ended seven rallying weeks with 0.10% WoW down, standing at 24,061 or 24bps fall, despite DXY registered an eight-straight week of gains. By Friday, the bid/ask price in the shadow market changed by 0bps/(20bps) to 24,100/24,180 while the contrast adjustment of 20bps/20bps was seen in Vietcombank price, settling at 23,890/24,260. At the same time, SBV raised its selling price by 17bps to 25,142.

Figure 22. Weekly USDVND performance



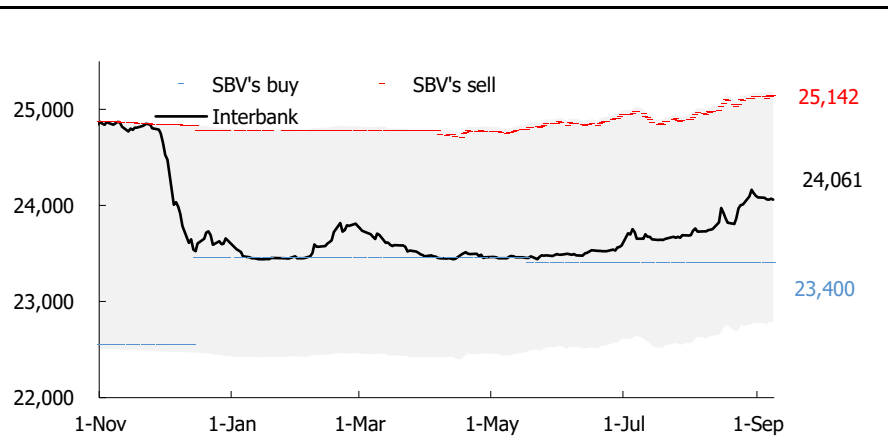
Source: SBV, Bloomberg

Figure 23. USD demand and import activities



Source: SBV, KIS

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 dollar index's weekly winning streak was its longest since 2014, bolstered by recent data suggesting the U.S. economy is still resilient, settling the week at 105.09 or 0.82% WoW gain. Following the VN-US diplomatic relationship upgrade to Comprehensive Strategic Partnership, Vietnam Airlines will sign a proposal acceptance to buy 50 Boeing 747 Max aircrafts, estimating at USD20.00bn, putting further upward pressure on USDVND regarding the payment timeline.

As the greenback strongly gained over the week, all currencies under our watchlist depreciated further. Specifically, SGD, CNY, KRW, THB, and JPY

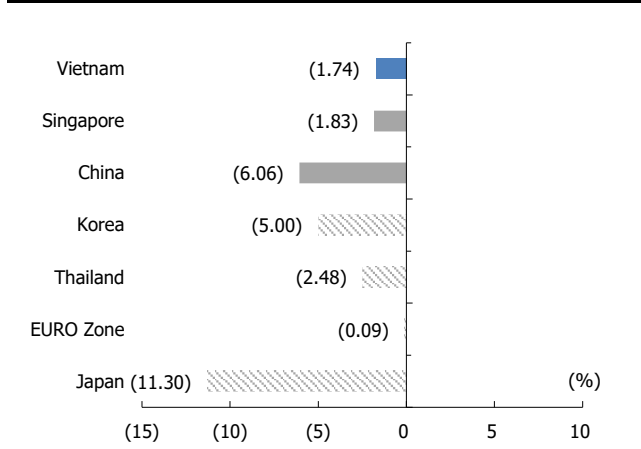
deepened more to -1.83%, -6.06%, -5.00%, -2.48%, -11.30% YTD. Inevitably, EUR turned to depreciation against USD, marking -0.09% YTD from 0.71% last week.

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

	23-April	23-May	23-Jun	23-Jul	23-Aug	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)	3.43	1.98	2.57	2.81	1.91	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)	27.54	29.05	29.30	29.68	32.37	96.48	89.50	79.17	83.42	263.6	282.7	335.7	371.85
Import (USD bn)	26.03	26.81	26.71	27.53	28.55	90.71	85.07	75.10	76.01	254.4	263	331.1	360.65
Export growth (%)	(17.15)	(5.86)	(11.41)	(3.47)	(7.60)	17.22	(6.07)	(11.90)	(14.16)	8.16	7.02	18.74	10.61
Import growth (%)	(20.54)	(18.44)	(16.94)	(9.92)	(8.26)	8.12	(3.90)	(14.67)	(22.30)	7.41	3.81	25.9	8.35
Inflation (%)	2.81	2.43	2.00	2.06	2.96	3.32	4.41	4.18	2.41	2.79	3.24	1.84	3.15
USD/VND	23,459	23,493	23,583	23,688	24,135	23,712	23,633	23,471	23,583	23,173	23,126	22,790	23,650
Credit growth (%)	3.04	3.04	4.73	4.56	5.03	10.47	12.87	1.61	3.36	13.75	12.17	12.97	12.87
10Y gov't bond (%)	3.21	3.28	3.50	2.41	2.58	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, ~97.83%
- * Bid to offer ratio = offering value / bidding value, ~1.87
- * DXY = U.S. Dollar Index, ~105.09
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~0.10%

Appendix

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

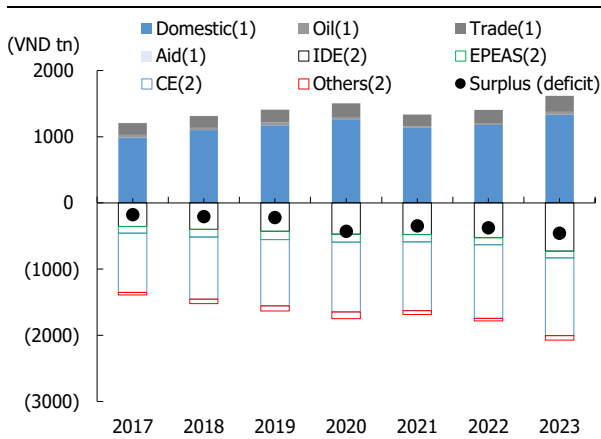
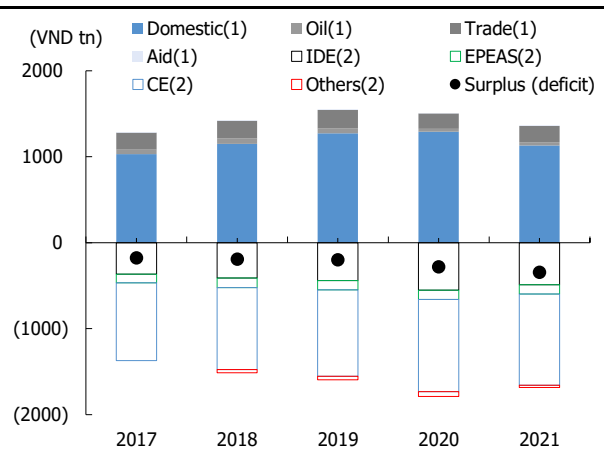


Figure 2. Vietnam's state budget by year: actual



Source: MoF, SBV, KIS

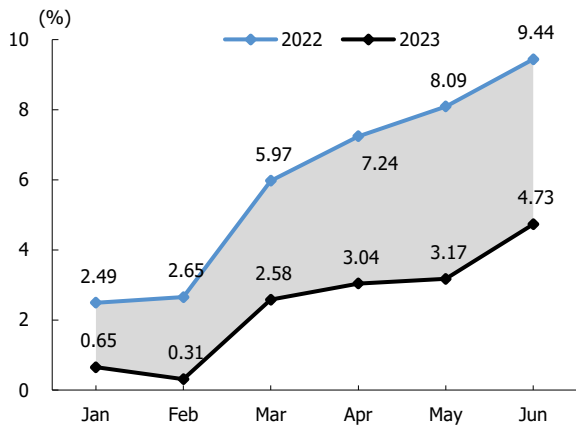
Domestic= Domestic revenues; Oil= Crude oil revenues; Trade= Balanced income from export and import activities; Aid= Revenue from aid.

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

(1) indicates the item belongs to the revenue

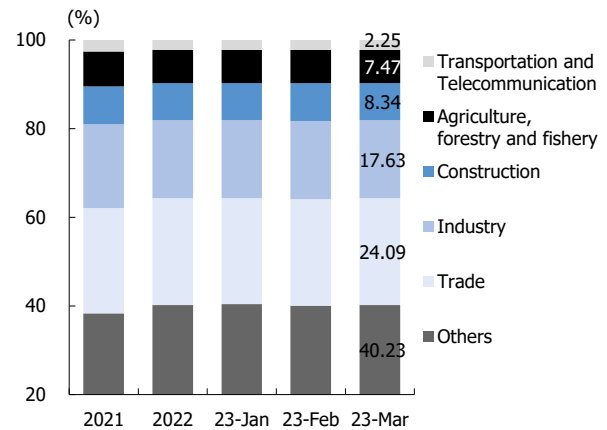
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



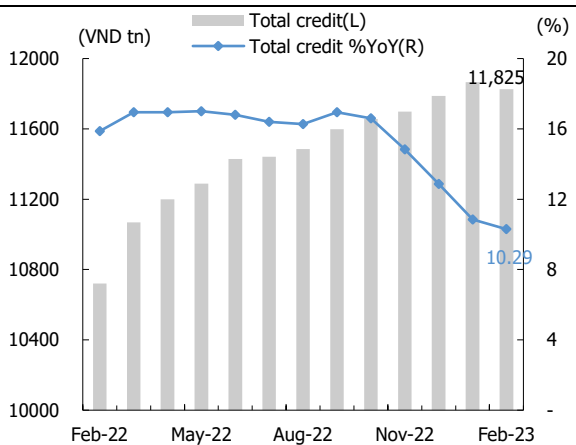
Source: SBV, KIS

Figure 4. Vietnam's total credit by sector



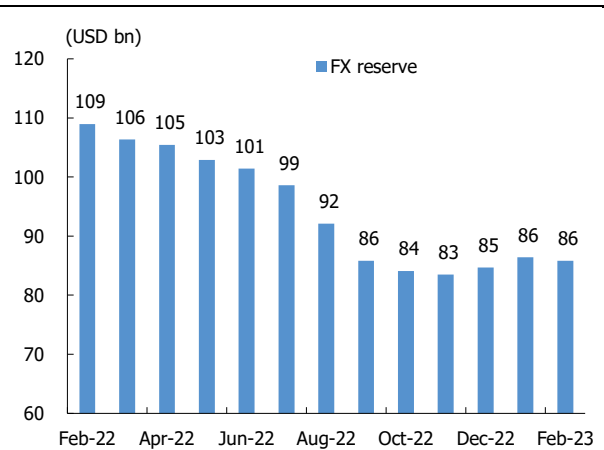
Source: SBV, KIS

Figure 5. Historical Vietnam's credit



Source: SBV, KIS

Figure 6. Historical Vietnam's FX reserve



Source: IMF, Bloomberg, KIS

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