

# Fixed-income Perspectives

## Upward pressure eases on the massive bill maturity

### SBV backs to net injection

In the week 43 (from 23 to 29 October), after five weeks of consistently draining liquidity in the banking system, the State Bank of Vietnam (SBV) backed to provide liquidity support to its counterparties. To be specific, the SBV carried out five sessions of bill offerings with a total amount of VND25.55tn, while USD73.80tn matured within the same week. As a result, the SBV injected USD48.25tn to assist its counterparties during this week.

### Interbank rates inch up

In the 43W23, interbank rates increased further but at a softer pace than last week. Specifically, interest rates on overnight, 1-week, and 2-week tenors rose by 33bps, 42bps, and 38bps to 1.57%, 1.82%, and 1.93%, respectively. The massive SBV's bill maturity was attributable to the interbank development this week.

### USDVND advances at a slower pace

USDVND extended but at a slower pace in the last three months, by 0.12% WoW or 29 dong, likely thanks to the rising overnight interbank rate by 33bps to 1.57%. With the similar magnitude, VCB raised their bid/ask prices by 30/30bps to 24,360/24,730 while the opposite movements were seen in the shadow market, changed by 0/(30)bps to 24,550/24,600. Remarkably, SBV reduced its selling price by 3bps, but still remains cautious as USDVND broke through 24,600 during the week.

### Vietnam economic indicators

	23-May	23-Jun	23-Jul	23-Aug	23-Sep	23-Oct	Corr. <sup>1</sup>
Disbursed FDI %YoY	0.6	0.9	3.2	23.6	7.0	3.2	0.06
Retail sales %YoY	8.1	6.7	6.9	6.9	8.2	7.0	-0.13
Export %YoY	-9.1	-10.8	-2.2	-6.5	2.1	5.9	-0.03
Import %YoY	-20.6	-17.9	-11.6	-5.8	0.3	5.2	0.02
Trade balance (USDbn)	2.0	3.1	3.1	3.4	2.2	3.0	-0.01
CPI %MoM	0.0	0.3	0.5	0.9	1.1	0.1	-0.02
Credit %YoY	9.1	9.3	9.0	9.4	9.9	9.3	-0.05
USDVND %MoM	0.1	0.4	0.4	1.7	0.9	1.1	-0.37
PMI (pts)	45.3	46.2	48.7	50.5	49.7	50.0 <sup>2</sup>	-0.16
VNINDEX return (%)	2.5	4.2	9.2	0.1	-5.7	-8.1	1.00

Source: SBV, GSO, Bloomberg, KIS

<sup>1</sup> Correlation to VNINDEX's monthly return; <sup>2</sup> KIS estimates  
Green = acceleration; yellow = deceleration; red = contraction.

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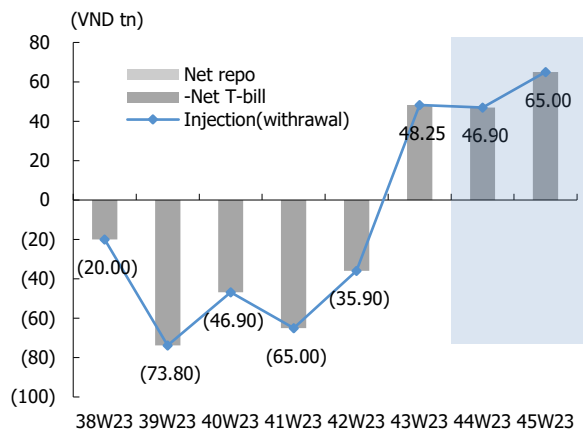
# I. SBV backs to net injection

## **SBV backs to support its counterparties**

In the week 43 (from 23 to 29 October), after five weeks of consistently draining liquidity in the banking system, the State Bank of Vietnam (SBV) backed to provide liquidity support to its counterparties. To be specific, the SBV carried out 5 bill issuance sessions totalling VND25.55tn, while USD73.80tn matured within the same week. As a result, the SBV injected USD48.25tn to assist its counterparties during this week.

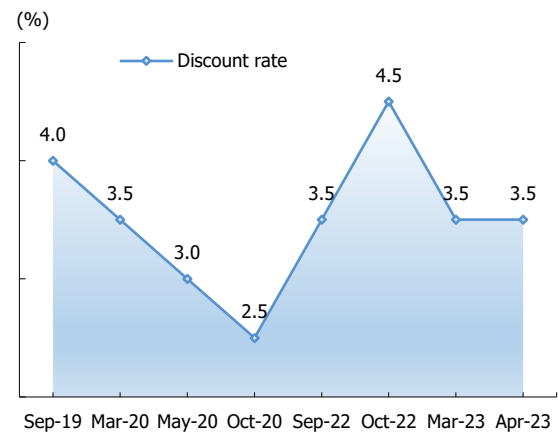
Next week, the FOMC meeting is scheduled, and it is widely expected that the Federal Reserve (FED) will maintain the current interest rate at 5.25%-5.50%. The open market operations (OMO) conducted by the State Bank of Vietnam (SBV) in the upcoming week might shed light on the central bank's strategy for preserving exchange rate stability. If SBV opts to issue a greater volume of new bills, it could signal their dedication to stabilizing the USD/VND exchange rate, even if this choice results in higher funding costs in the money market.

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



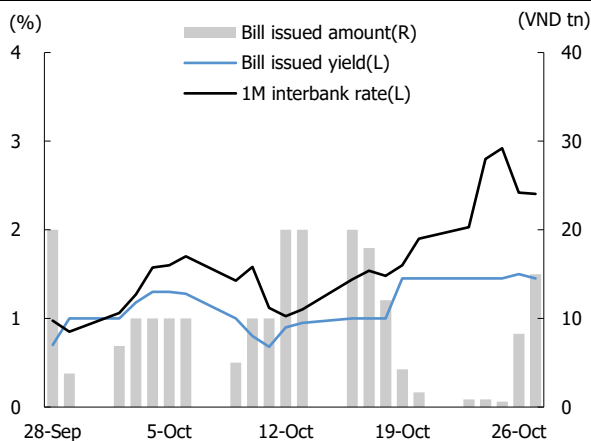
Source: SBV, Bloomberg, KIS

**Table 1. Historical policy rate**



Source: SBV, Bloomberg, KIS

**Figure 2. Bill offerings and interbank rates association**



Source: SBV, Bloomberg, KIS

**Figure 3. Daily bill issuance**

Issue date	Maturity date	Tenor (days)	Amount (VNDtn)	Yield (%)
23-Oct-23	20-Nov-23	28	0.85	1.00
24-Oct-23	21-Nov-23	28	0.85	1.00
25-Oct-23	22-Nov-23	28	0.60	1.00
26-Oct-23	23-Nov-23	28	8.25	1.45
27-Oct-23	24-Nov-23	28	15.00	1.45
<b>Total</b>		<b>28</b>	<b>25.60</b>	<b>1.50</b>

Source: SBV, Bloomberg, KIS

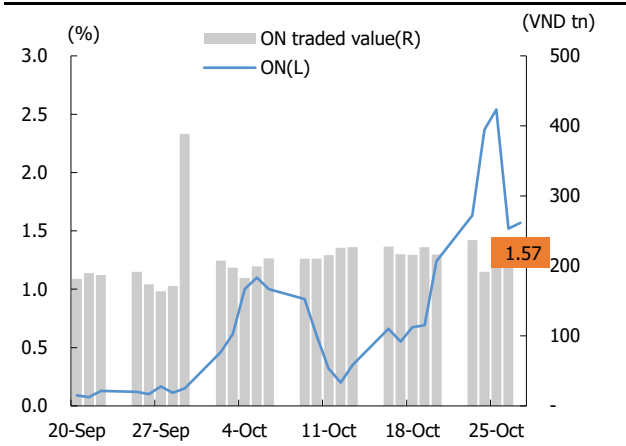
## II. Interbank rates inch up

### Interbank rates experienced a jump

In the 43W23, interbank interest rates saw a substantial increase. Specifically, the most actively traded tenors, such as overnight (ON), 1W and 2W saw an increase of 33 basis point (bps), 42bps, and 38bps to 1.57%, 1.82%, and 1.93%, respectively.

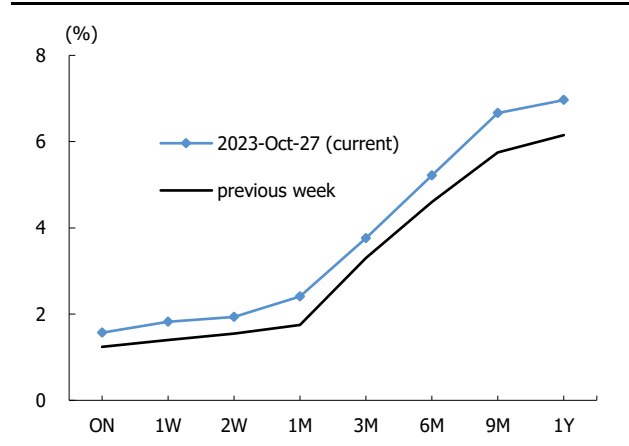
The SBV's goal is to persist in pushing overnight interbank interest rates, with the intention of narrowing the disparity between the USD and VND. In the end, this approach is designed to attain stability in the current USD/VND exchange rate.

**Figure 4. Interbank daily transaction**



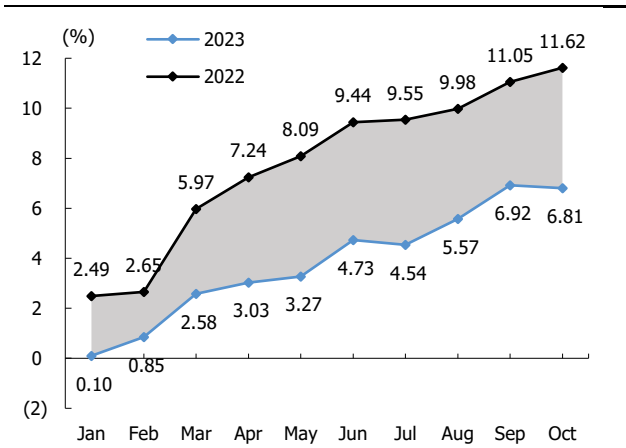
Source: SBV, Bloomberg, KISVN

**Figure 5. Interbank rate curve**



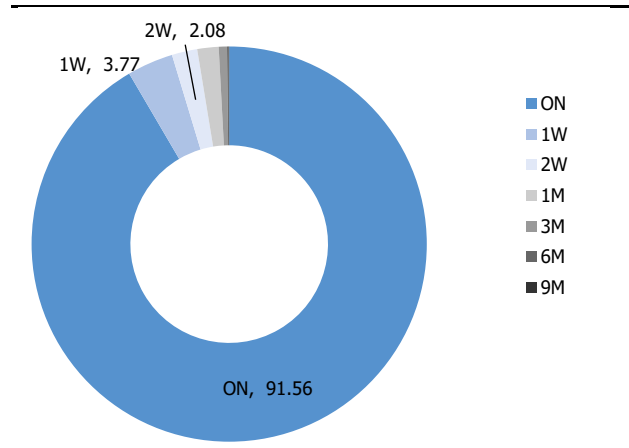
Source: SBV, Bloomberg, KISVN

**Figure 6. Credit growth by month**



Source: SBV, Bloomberg, KISVN

**Figure 7. Interbank transaction structure**



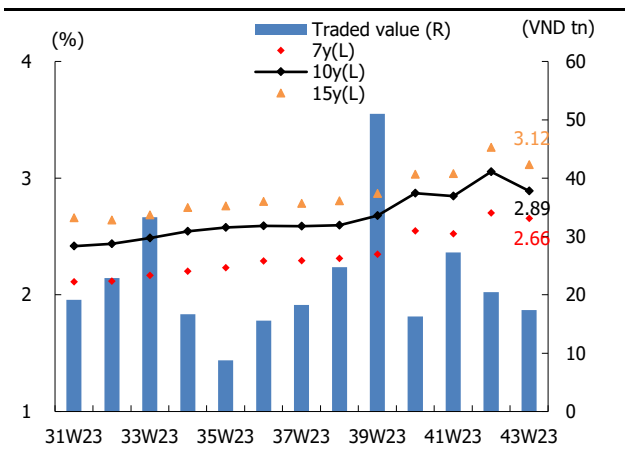
Source: SBV, Bloomberg, KISVN

### III. G-bond yields retrace amid upward trend

**Mid tenor yields fall the most**

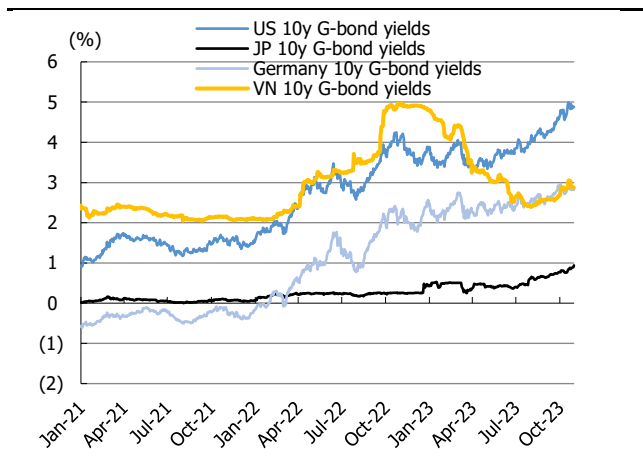
During the 43rd week of 2023, G-bond trading yields witnessed a significant decline, a notable shift from the upward trajectory that had been prevalent since August. This decline can be seen as a brief pause in the midst of the ongoing battle between long and short positions in global bond yields, an issue in which Vietnam is not exempt. More specifically, these trading bond yields experienced the most pronounced reduction in the mid-term tenors (ranging from 7 to 15 years), decreasing by an average of 15 basis points. In comparison, the short-term (1 to 5 years) and long-term (over 15 years) yields registered more moderate drops of 2 basis points and 5 basis points, respectively.

**Figure 8. G-bond trading value**



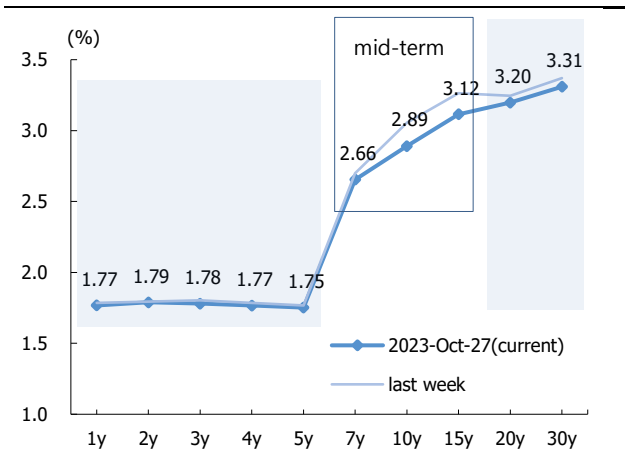
Source: HNX, KIS

**Figure 9. G-bond yields: Major developed economies**



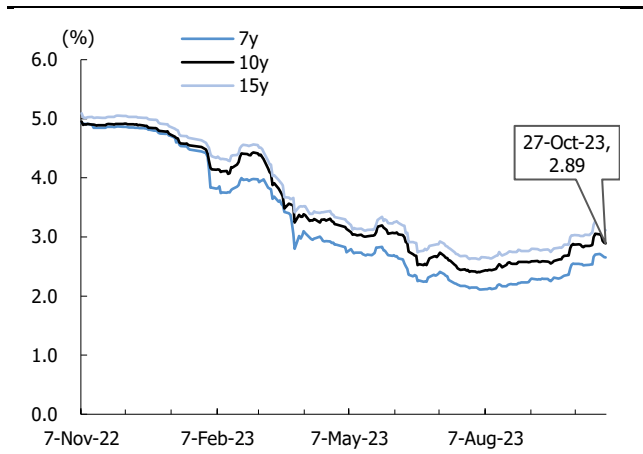
Source: Bloomberg, KIS

**Figure 10. G-bond trading yield curve**



Source: HNX, VBMA, KIS

**Figure 11. Historical daily government bond yield**

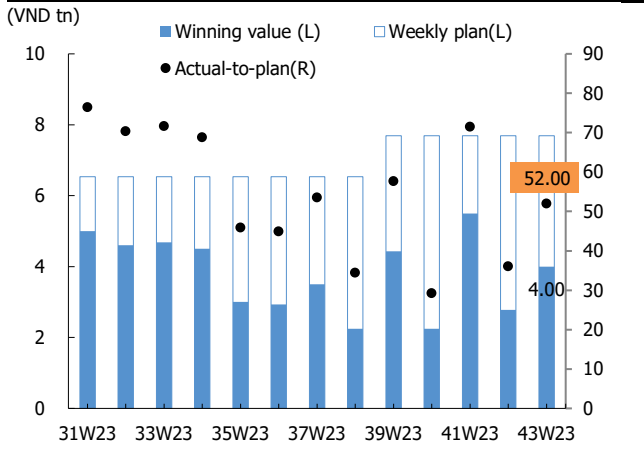


Source: HNX, VBMA, KIS

**Winning yields see a modest uptick**

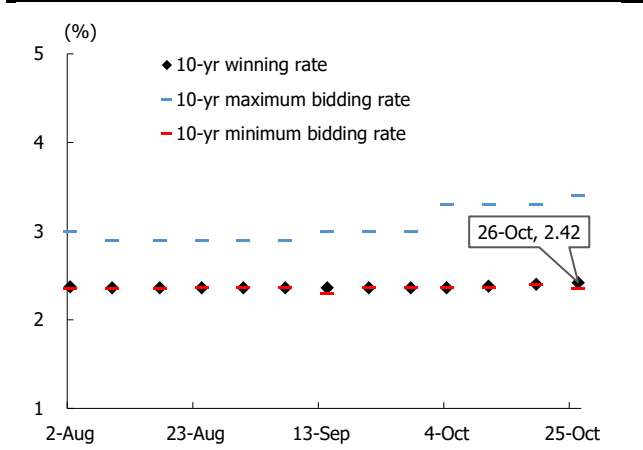
Additionally, for the third consecutive week, newly issued G-bond yields saw a modest increase of 2 basis points in both the 10-year and 15-year tenors, reaffirming the consensus for higher returns that is shared by buyers and sellers. In response to these rising yields, the winning amounts and absorption ratios displayed significant improvements, increasing by 44.14% WoW and 24.50% WoW, respectively.

**Figure 16. Winning value by week**



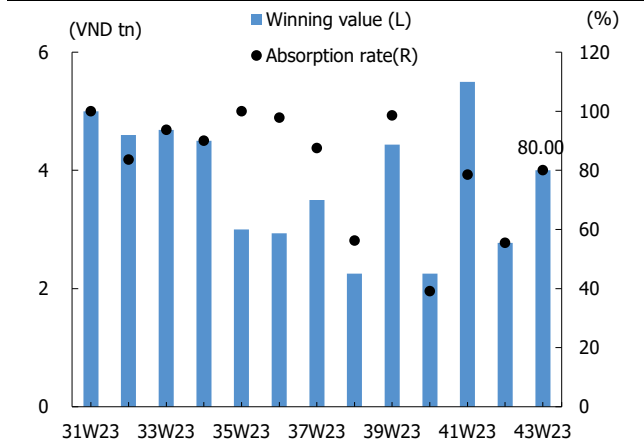
Source: HNX, KIS

**Figure 17. Winning yields by week**



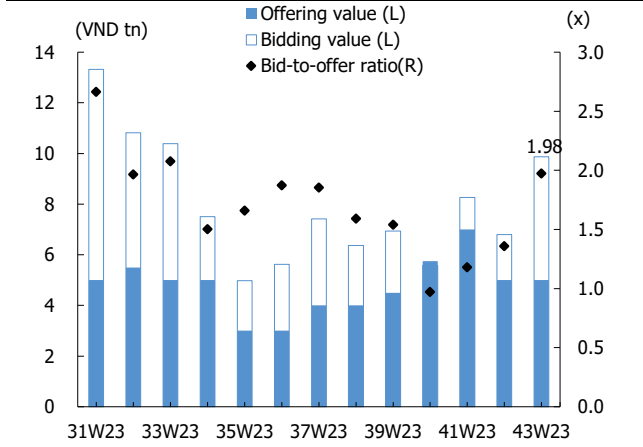
Source: HNX, KIS

**Figure 18. Absorption ratio**



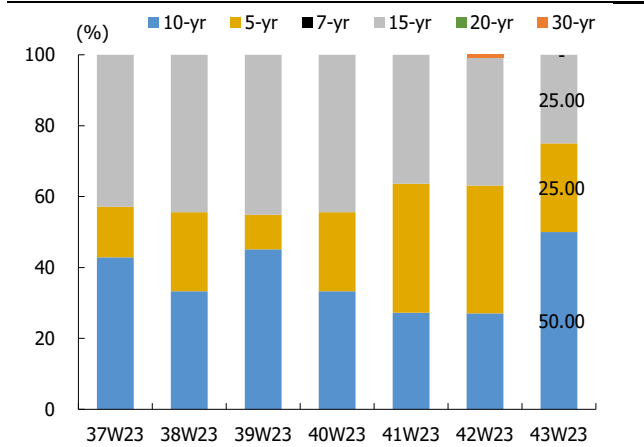
Source: HNX, KIS

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



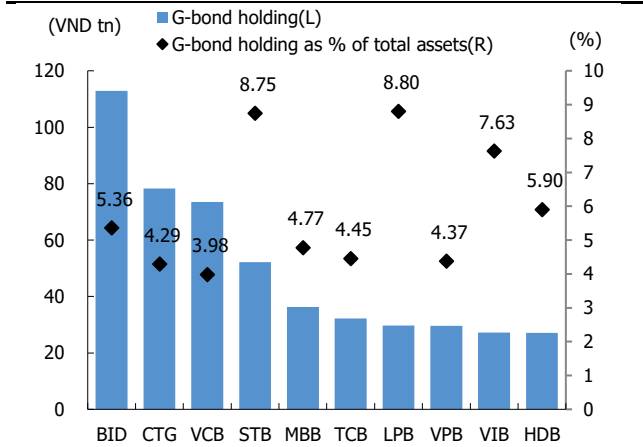
Source: HNX, KIS

**Figure 20. Winning yields by week**



Source: HNX, KIS

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

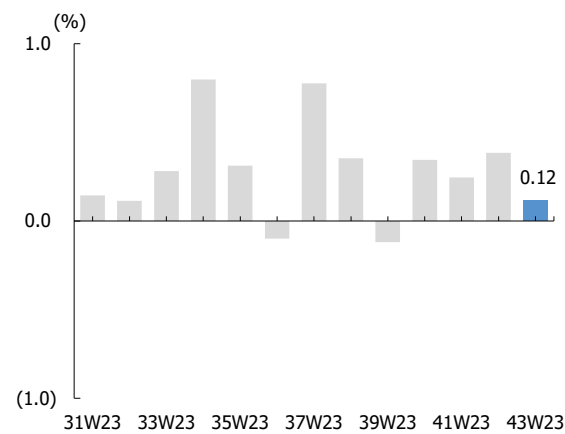


Source: HNX, FiiPro, KIS

## IV. USDVND advances at a slower pace

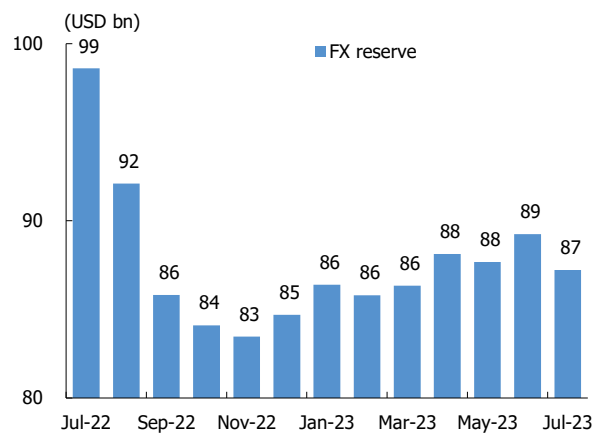
V. USDVND extended but at a slower pace in the last three months, by 0.12% WoW or 29 dong, likely thanks to the rising overnight interbank rate by 33bps to 1.57%. With the similar magnitude, VCB raised their bid/ask prices by 30/30bps to 24,360/24,730 while the opposite movements were seen in the shadow market, changed by 0/(30)bps to 24,550/24,600. Remarkably, SBV reduced its selling price by 3bps, but still remains cautious as USDVND broke through 24,600 during the week.

**Figure 22. Weekly USDVND performance**



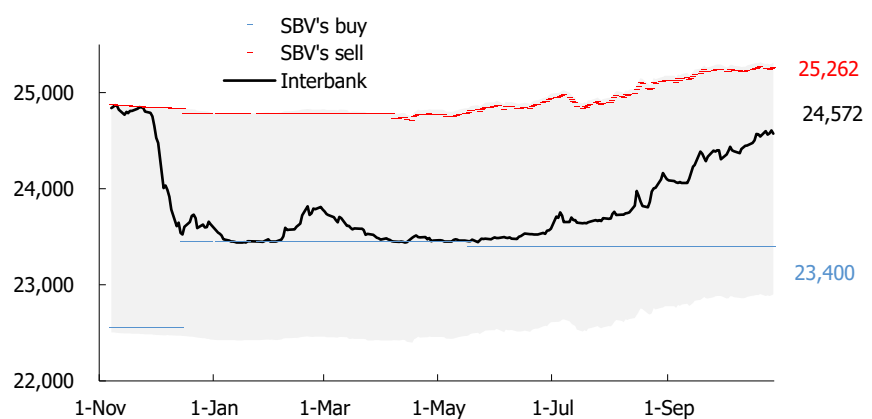
Source: SBV, Bloomberg

**Figure 23. Vietnam's FX reserve**



Source: Bloomberg, KIS

**Figure 24. 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 dollar strength index kept hanging at high level, closing the week at 106.56 or 0.37% WoW, further widening its appreciation against most currencies under our watchlist except JPY and THB.

**Figure 25. Historical DXY**



Source: SBV, Bloomberg

**Figure 26. Weekly performance of USD against some currencies**

	Regime	41W23	42W23	43W23	YTD
USDVND	Managed floating	0.25	0.38	0.12	3.92
USDJPY	Floating	0.17	0.19	-0.09	14.14
USDTHB	Floating	-2.28	0.93	-0.79	4.55
USDKRW	Floating	0.00	0.18	0.26	7.07
USDSGD	Basket-band-crawl	0.31	0.23	0.04	2.31
USDCNY	Managed floating	0.10	0.14	0.04	6.05
USDEUR	Floating	0.72	-0.79	0.25	1.39

Source: SBV, Bloomberg

Note: Green = appreciation; yellow = appreciate at slower pace; red = depreciation.

## Macro scorecard

	23-Jun	23-Jul	23-Aug	23-Sep	23-Oct	4Q22	1Q23	2Q23	3Q23	2019	2020	2021	2022
Real GDP growth (%)						5.92	3.21	4.14	5.33	7.03	2.91	2.58	8.02
Registered FDI (USD bn)	2.57	2.81	1.91	2.06	5.55	8.96	5.45	7.98	6.78	38.02	28.53	31.15	27.72
GDP per capita (USD)										3,398	3,521	3,725	4,110
Unemployment rate (%)						2.32	2.25	2.25	2.25	2.25	2.48	3.22	2.32
Export (USD bn)	29.30	29.68	32.37	31.41	32.31	89.50	79.17	83.42	94.62	263.6	282.7	335.7	371.85
Import (USD bn)	26.71	27.53	28.55	29.12	29.31	85.07	75.10	76.01	86.02	254.4	263	331.1	360.65
Export growth (%)	(11.41)	(3.47)	(7.60)	4.57	5.90	(6.07)	(11.90)	(14.16)	(1.25)	8.16	7.02	18.74	10.61
Import growth (%)	(16.94)	(9.92)	(8.26)	2.57	5.23	(3.90)	(14.67)	(22.30)	(4.50)	7.41	3.81	25.9	8.35
Inflation (%)	2.00	2.06	2.96	3.66	3.59	4.41	4.18	2.41	2.89	2.79	3.24	1.84	3.15
USD/VND	23,583	23,688	24,135	24,300	24,568	23,633	23,471	23,583	24,300	23,173	23,126	22,790	23,650
Credit growth (%)	4.73	4.54	5.57	6.92	6.81	12.87	1.61	3.36	5.56	13.75	12.17	12.97	12.87
10Y gov't bond (%)	3.50	2.41	2.58	2.60	3.02	5.08	3.54	3.50	2.60	3.37	2.01	2.11	5.08

Source: GSO, Bloomberg, FIA, IMF

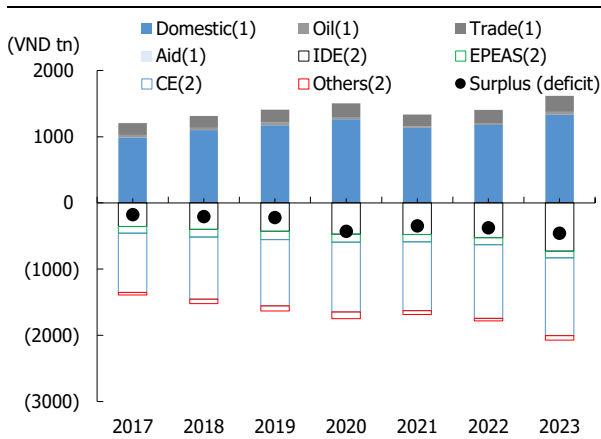
### \*\*Glossary

- \* Winning yield rate = each group's highest bidding rate, ~3.70%
- \* Absorption rate = winning value / offering value, ~80.00%
- \* Bid to offer ratio = offering value / bidding value, ~1.98
- \* DXY = U.S. Dollar Index, ~106.56
- \* OMO = Open market operation
- \* Tenor = due for payment
- \* ON = overnight interbank interest rate, ~1.57 %

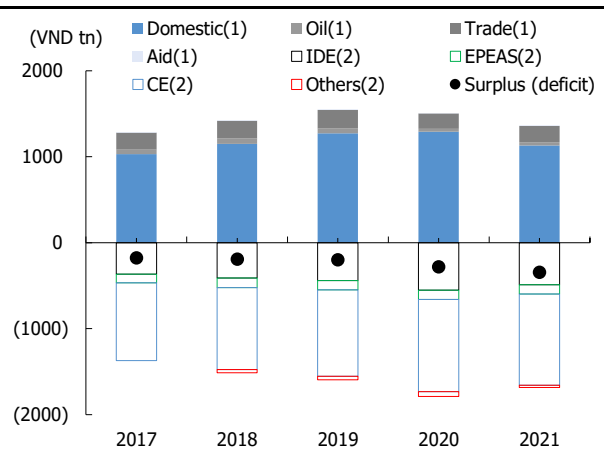


## Appendix

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



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



Source: MoF, SBV, KIS

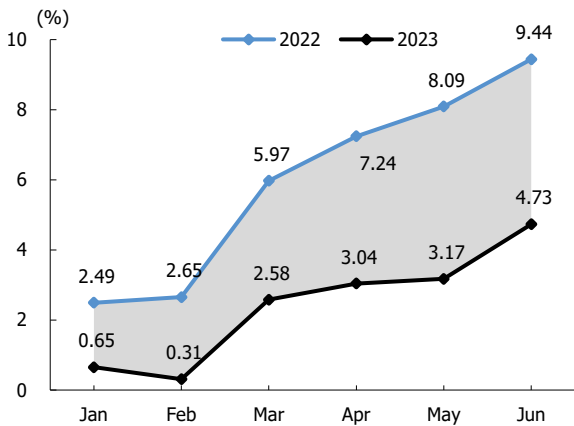
Domestic= Domestic revenues; Oil= Crude oil revenues; Trade= Balanced income from export and import activities; Aid= Revenue from aid.

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

(1) indicates the item belongs to the revenue

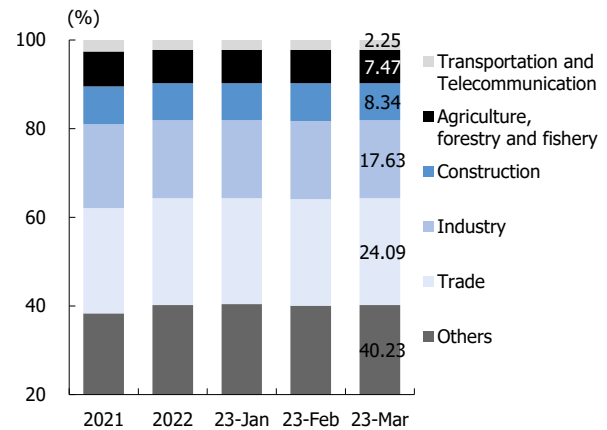
(2) indicates the item belongs to the expenditure and plotted as a negative number

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



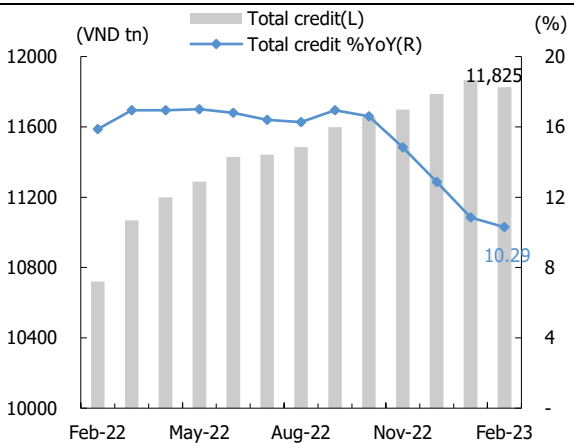
Source: SBV, KIS

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



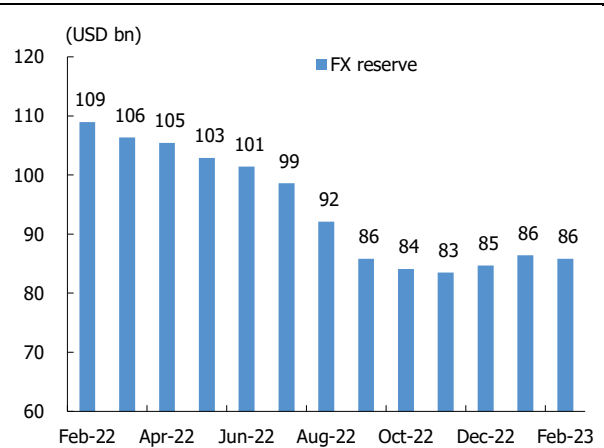
Source: SBV, KIS

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



Source: SBV, KIS

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



Source: IMF, Bloomberg, KIS

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