

Fixed-income Perspectives

SBV returns to liquidity injections

SBV returns to liquidity injection

In 39W24 (23 to 27 September), after two consecutive weeks of liquidity withdrawal, the SBV returned to the net injecting liquidity into the banking system at the strongest level in five months. Specifically, SBV issued VND67.36tn in new repo contracts while only VND1.51tn will mature next week, resulting in a substantial net injection of VND65.85tn into the banking system. Besides, The SBV did not issue any T-bills, nor were there any maturing bills this week.

Interbank rates rise notably on short tenors

In 39W24 (23 to 27 September), interbank rates on short-term tenors rose notably while others on longer-term were nearly unchanged. In more detail, overnight (ON), 1-week (1W), 2-week (2W), 1-month (1M), and 3-month (3M) rates increased by 47bps, 45bps, 53bps, 33bps, and 20bps, reaching 3.93%, 4.03%, 4.03%, 4.00%, and 4.00%, respectively. In contrast, 6-month (6M), 9-month (9M), and 1-year (1Y) rates insignificantly dropped by 5bps, settling at 4.75%, 5.00%, and 5.10%, respectively. The average daily trading volume rose by 2.10% compared to the previous week, reaching VND389.99tn.

USDVND continues its recovery

In 39W24 (23 to 27 September), USDVND continued to rise slightly compared to the previous week, while the DXY declined at the end of the week. Interbank USDVND increased by 0.02% or 4pips compared to the previous week, settling at 24,606 on Friday. On the global front, the influence of the Fed's rate cut in the previous FOMC along with key economic data showed the resilience of the U.S. economy, reinforcing the possibility of an additional 50bps rate cut by the Fed later this year, signaling ongoing downward pressure on the USD. As a result, the DXY dropped by 0.34% and settled at 100.4, marking its lowest level in 2024.

Vietnam economic indicators

	24-Mar	24-Apr	24-May	24-Jun	24-Jul	24-Aug	Corr. ¹
FDI %YoY	3.2	8.1	9.4	9.4	9.5	5.3	-0.17
Retail sales %YoY	9.7	8.6	8.9	8.9	8.6	7.9	-0.20
Export %YoY	13.0	11.0	14.6	13.1	19.1	14.5	-0.16
Import %YoY	9.0	18.8	25.7	14.7	24.7	12.4	-0.07
Trade balance (USD bn)	2.8	1.1	-0.5	3.2	2.1	4.5	-0.10
CPI %MoM	-0.23	0.07	0.05	0.17	0.48	0.00	-0.08
Credit %YoY	12.5	12.7	14.0	15.2	15.1	14.6	-0.23
USDVND %MoM	0.57	2.19	0.45	0.02	-0.81	-1.48	-0.40
PMI (pts)	49.9	50.3	50.3	54.7	54.7	52.4	-0.24
VNINDEX return (%)	2.6	-5.8	4.8	-1.2	0.7	2.6	1.00

Source: SBV, GSO, Bloomberg, KIS

¹ Correlation to VNINDEX's monthly return

Green = acceleration; yellow = deceleration; red = contraction.

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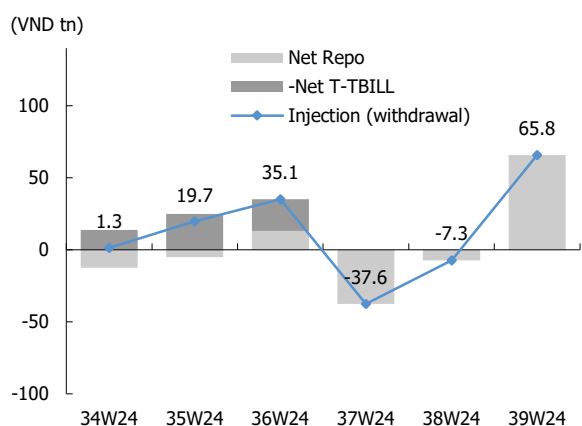
I. SBV returns to liquidity injection

SBV makes substantial liquidity injections

In 39W24 (23 to 27 September), after two consecutive weeks of liquidity withdrawal, the SBV returned to the net injecting liquidity into the banking system at the strongest level in five months. Specifically, SBV issued VND67.36tn in new repo contracts while only VND1.51tn will mature next week, resulting in a substantial net injection of VND65.85tn into the banking system. Besides, The SBV did not issue any T-bills, nor were there any maturing bills this week.

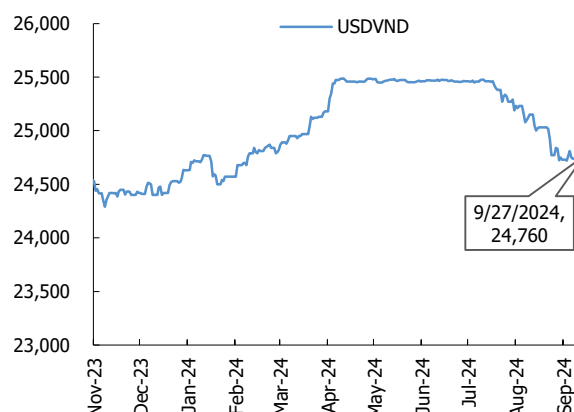
This development underscores the SBV's efforts to support economic recovery after several natural disasters, while the Fed continues to signal a "dovish" stance on interest rate cuts. The SBV is expected to implement further monetary policy easing in the coming months, which could exert some downward pressure on the VND. However, with the current favorable exchange rate, along with the interest rate decisions from the Fed and SBV's efforts to stabilize the exchange rate, it is expected that the domestic currency will continue to stabilize, laying the groundwork for the SBV to boost the economy in the upcoming period.

Figure 1. Net injection (withdrawal) of liquidity



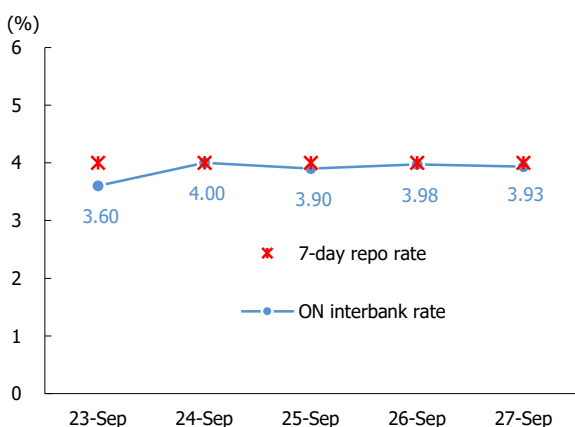
Source: SBV, KIS

Figure 2. USDVND movements



Source: Vietcombank, KIS

Figure 3. Interest rate corridor



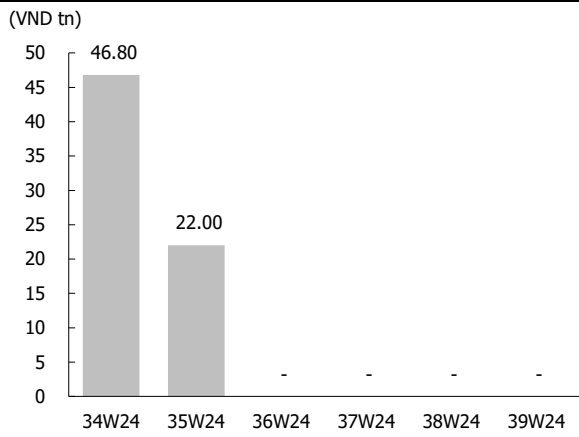
Source: SBV, Bloomberg, KIS

Figure 4. Repo issuance: detail information

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
23-Sep-24	30-Sep-24	7	1.52	4.00
24-Sep-24	1-Oct-24	7	23.05	4.00
25-Sep-24	2-Oct-24	7	15.00	4.00
26-Sep-24	3-Oct-24	7	7.96	4.00
27-Sep-24	4-Oct-24	7	19.83	4.00
Total		7	67.36	4.00

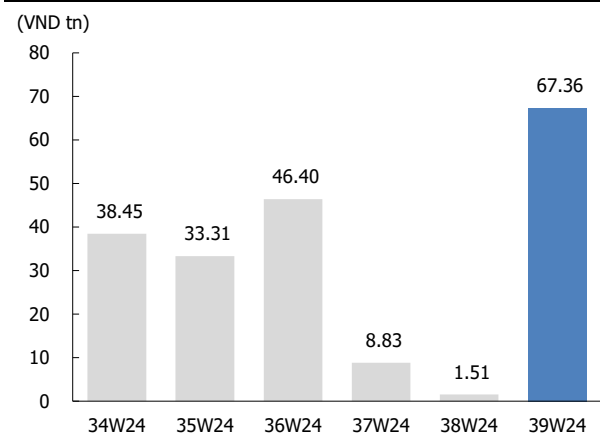
Source: SBV, KIS

Figure 5. Outstanding amount of bills



Source: SBV, KIS

Figure 6. Outstanding amount of repos



Source: SBV, KIS

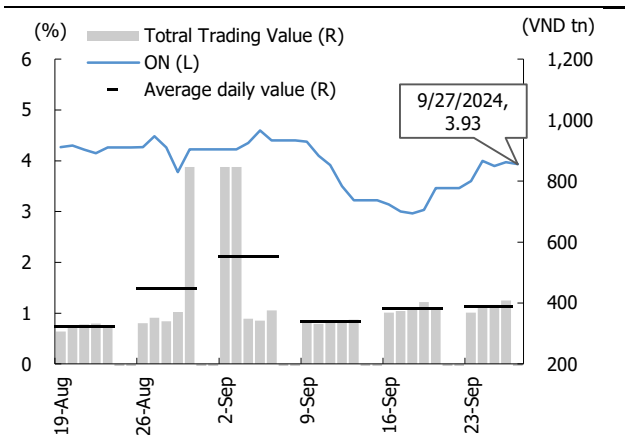
II. Interbank rates rise on short tenors

Higher interbank rates in the week of the quarter-end

In 39W24 (23 to 27 September), interbank rates on short-term tenors rose notably while others on longer-term were nearly unchanged. In more detail, overnight (ON), 1-week (1W), 2-week (2W), 1-month (1M), and 3-month (3M) rates increased by 47bps, 45bps, 53bps, 33bps, and 20bps, reaching 3.93%, 4.03%, 4.03%, 4.00%, and 4.00%, respectively. In contrast, 6-month (6M), 9-month (9M), and 1-year (1Y) rates insignificantly dropped by 5bps, settling at 4.75%, 5.00%, and 5.10%, respectively. The average daily trading volume rose by 2.10% compared to the previous week, reaching VND389.99tn.

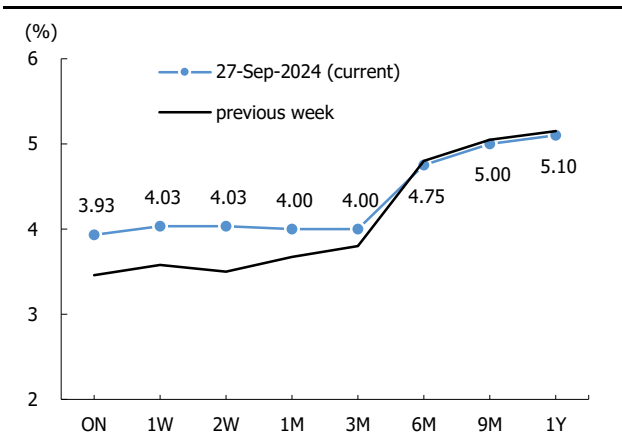
Demand for short-term interbank loans to meet regulatory ratios were seasonally high around the quarter-ends, causing interbank rates to increase. The development in the interbank market this week seemed to follow this pattern.

Figure 7. Interbank daily transaction



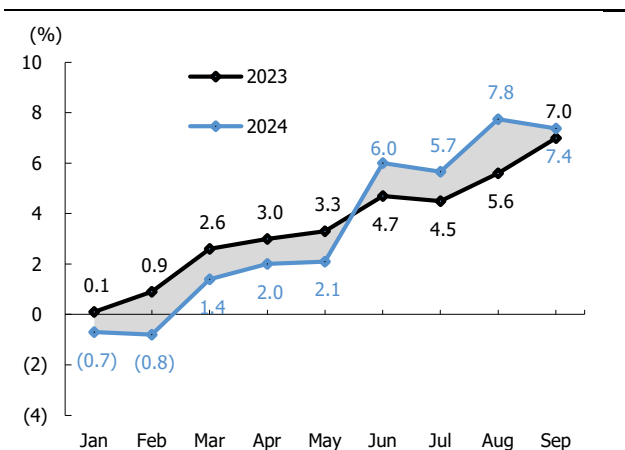
Source: SBV, Bloomberg, KISVN

Figure 8. Interbank rate curve



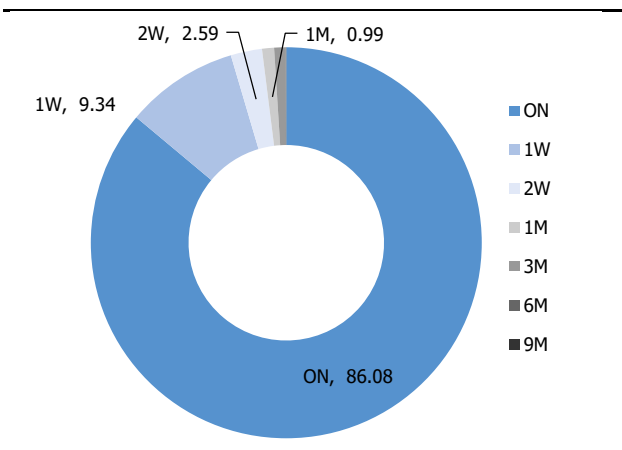
Source: SBV, Bloomberg, KISVN

Figure 9. Credit growth by month of the year



Source: SBV, Bloomberg, KISVN
Note: Updated by 17 September

Figure 10. Interbank transaction structure



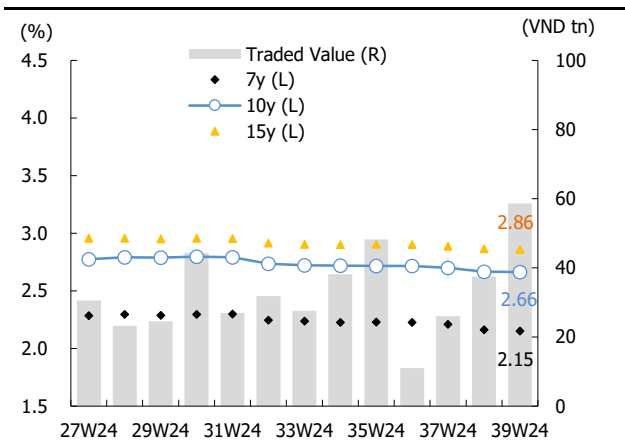
Source: SBV, Bloomberg, KISVN

III. G-bond yields extend the drop

G-bond yields decline across tenors

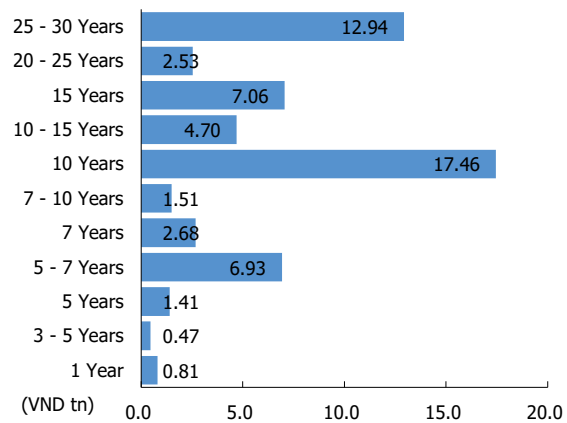
In 39W24 (23 to 27 September), government bond (G-bond) yields saw a slight decrease compared to the previous week, while trading volume continued to rise. Specifically, yields for 2-year, 3-year, 4-year, and 5-year bonds fell by 1bps, 1bps, 3bps, and 4bps, settling at 1.86%, 1.88%, 1.89%, and 1.91%, respectively. The total traded value reached VND58.57tn, with a daily average of VND11.71tn, marking a 56.20% increase WoW. Overall, demand intensified significantly during the week as liquidity increased sharply and yields dropped, reflecting optimistic sentiment of the market.

Figure 11. G-bond traded value by week



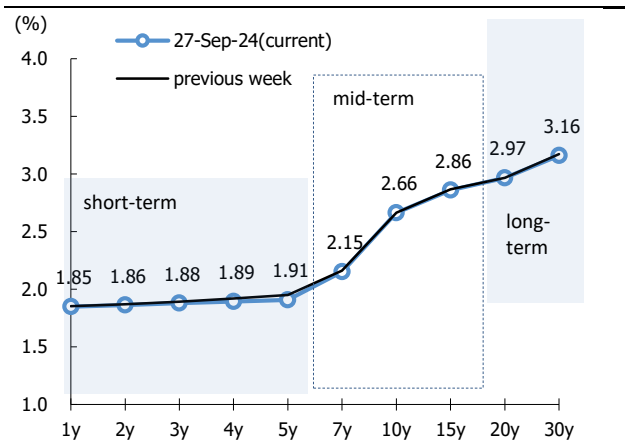
Source: HNX, Bloomberg, KIS

Figure 12. G-bond traded value by tenor



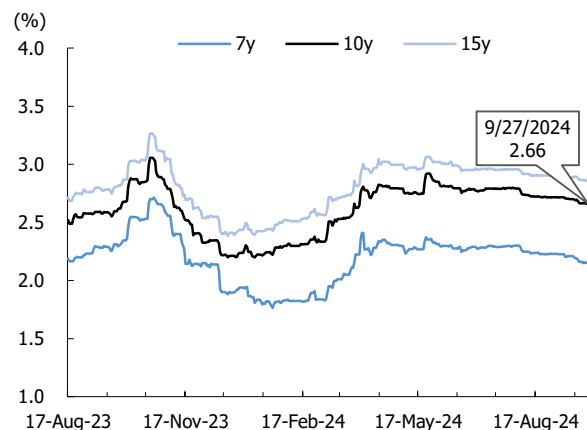
Source: HNX, Bloomberg, KIS

Figure 13. G-bond trading yield curve



Source: HNX, VBMA, KIS

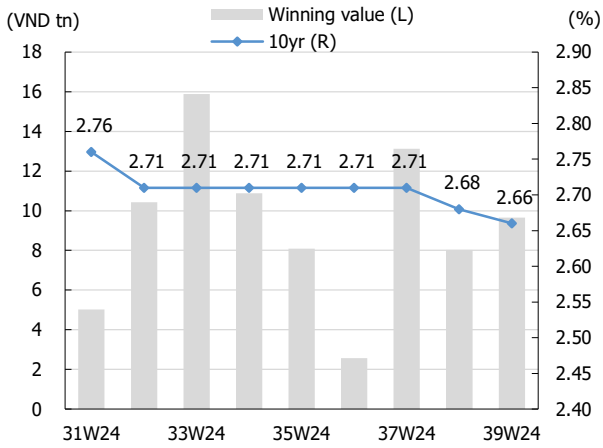
Figure 14. Historical daily government bond yields



Source: HNX, VBMA, KIS

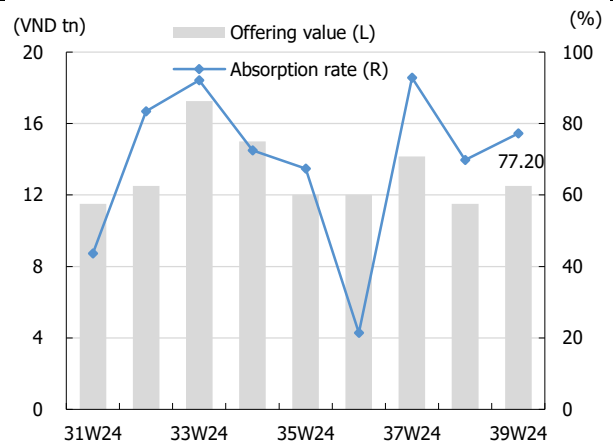
For the development in the primary market, 39W24 showed sustained strong demand, with the winning yield declining despite a reduction in winning value. Specifically, the VST successfully issued VND9.65tn this week, with the winning yield falling by 2bps to 2.66%. To date, the VST has issued a total of VND271.67tn since the beginning of the year, achieving 67.92% of its 2024 target. This year's progress is notably faster than the same period last year, with a completion rate up by 4.34% YoY. The primary driver behind this acceleration is likely the push to expedite public investment disbursement in the final quarter, in line with the government's objectives for 2024.

Figure 15. Weekly winning values



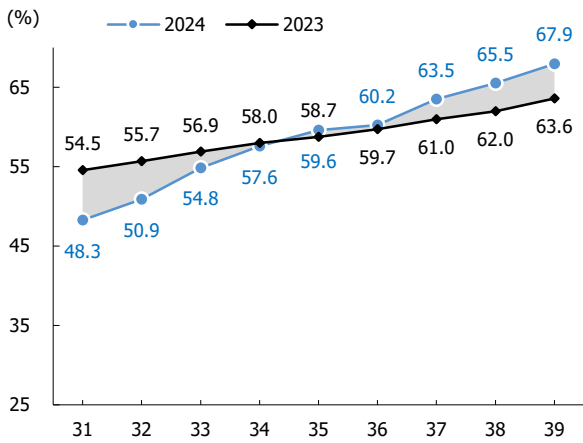
Source: HNX, KIS

Figure 16. Weekly absorption rate



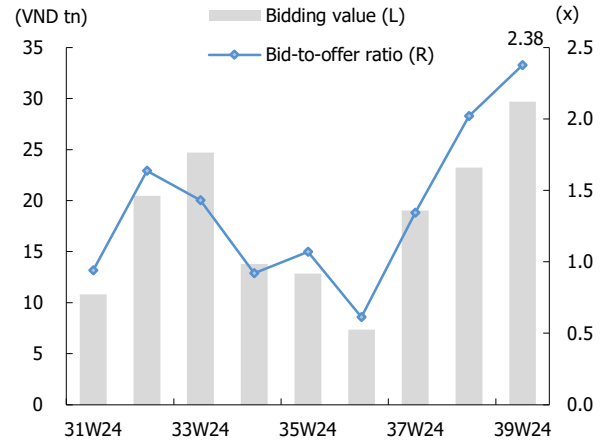
Source: HNX, KIS

Figure 17. Completion ratio by week-of-the-year



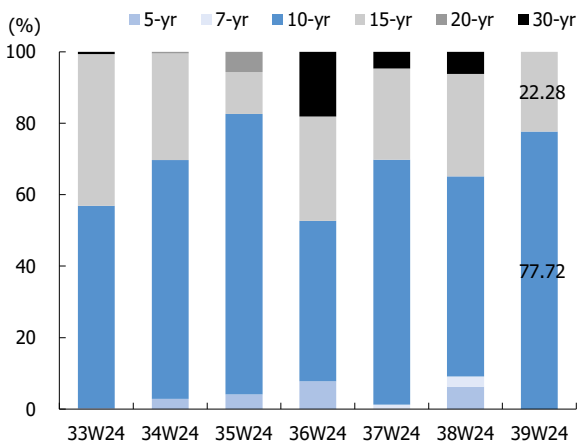
Source: HNX, KIS

Figure 18. Weekly bid-to-offer ratio



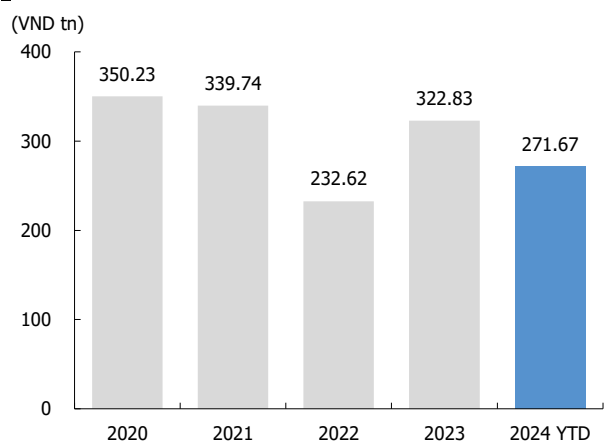
Source: HNX, KIS

Figure 19. Weekly winning G-bond structure



Source: HNX, KIS

Figure 20. Yearly issued amount of G-bond



Source: HNX, KIS

IV. USDVND continues its recovery

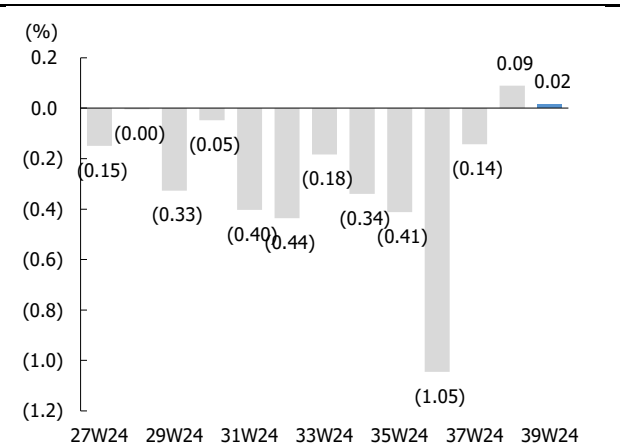
USDVND continued to recover despite the DXY's decline

In 39W24 (23 to 27 September), USDVND continued to rise slightly compared to the previous week, while the DXY declined at the end of the week. Interbank USDVND increased by 0.02% or 4pips compared to the previous week, settling at 24,606 on Friday. On the global front, under the influence of the Fed's rate cut in the previous FOMC along with key economic data, such as 2Q24 GDP growth, lower-than-expected August's core PCE, and a decrease in initial jobless claims, the U.S. economy showed resilience, reinforcing the possibility of an additional 50bps rate cut by the Fed later this year, signaling ongoing downward pressure on the USD. As a result, the DXY dropped by 0.34% and settled at 100.4 at the end of the week, marking its lowest level in 2024.

On the internal front, foreign investors returned to net selling on HOSE, amounting to VND0.48tn, equivalent to 0.5% of the weekly traded value. Although selling pressure resurfaced after net buying in the previous week, it remained relatively insignificant. Additionally, a trade balance deficit of USD0.50bn for the first half of September and the SBV monetary easing policies in an effort to stimulate the economy contributed to the weakening of the VND against the USD, putting upward pressure on USDVND.

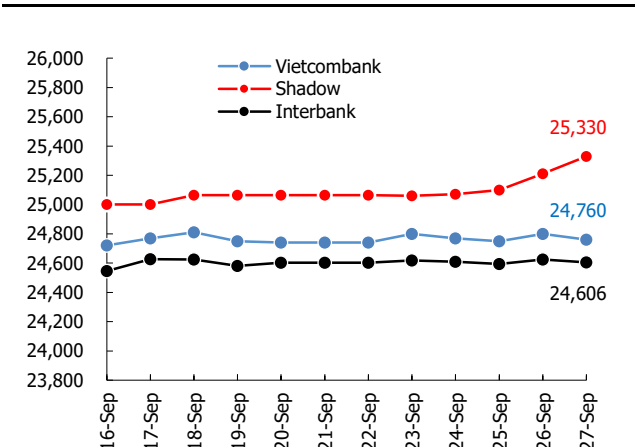
In terms of FX market developments, the ask price at Vietcombank increased by 0.08% or 20pips, while the shadow market saw a notable increase of 1.06% or 265 pips compared to the previous week. On Friday, the ask prices at Vietcombank and the shadow market were recorded at 24,760 and 25,330 per U.S. dollar, respectively.

Figure 21. Weekly USDVND performance



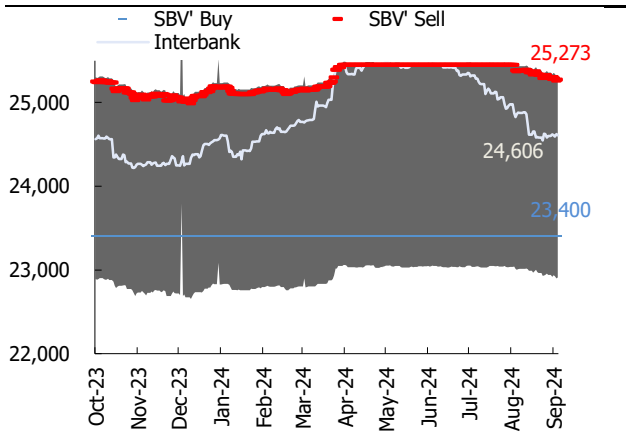
Source: Bloomberg, KIS

Figure 22. VCB & shadow market USDVND spread



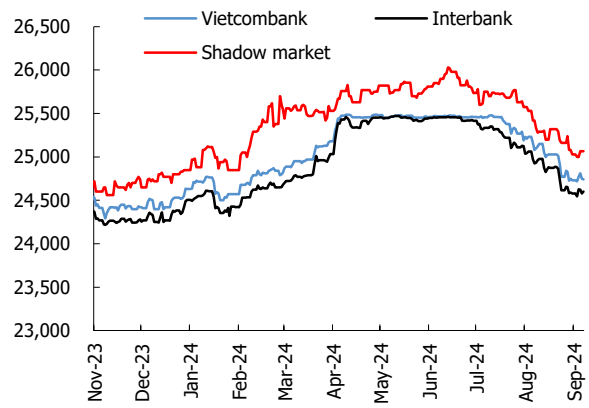
Source: SBV, Vietcombank, KIS

Figure 23. SBV's movement



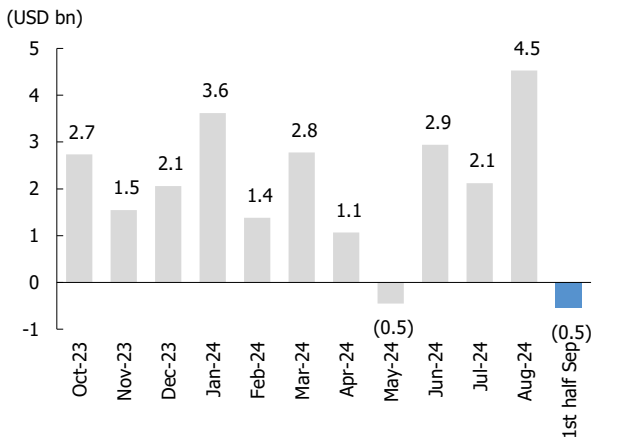
Source: SBV, Bloomberg, Fiiipro, KIS
 Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

Figure 24. USDVND by market



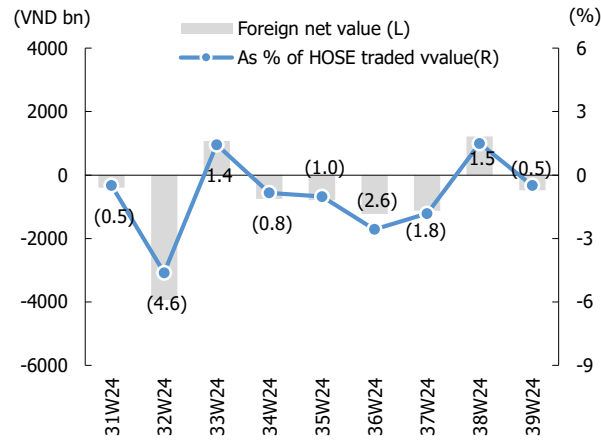
Source: SBV, Bloomberg, KIS

Figure 25. Vietnam's trade balance by month



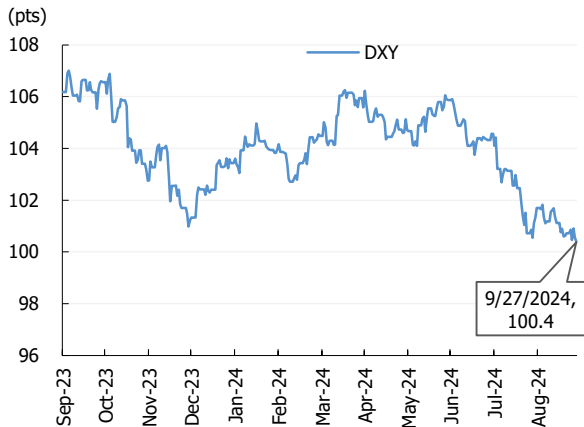
Source: GSO
 Note: Updated until 15 September, 2024

Figure 26. Trading of the foreign bloc in Vietnamese stock market



Source: Fiiipro, KIS

Figure 27. Historical DXY



Source: Bloomberg

Figure 28. Weekly change of USDVND and peers

	Regime	37W24	38W24	39W24	2024Y TD
DXY	U.S. Dollar Index	-0.06	-0.39	-0.34	-0.94
USDCNY	Managed floating	-0.01	-0.71	-0.51	-1.25
EURUSD	Floating	-0.08	0.79	0.00	1.11
USDJPY	Floating	-1.02	2.13	-1.14	0.83
USDKRW	Floating	-0.11	0.12	-1.85	1.74
USDSGD	Basket-band-crawl	-0.39	-0.55	-0.74	-2.98
USDTHB	Floating	-0.56	-0.83	-1.97	-5.09
USDVND	Managed floating	-0.14	0.09	0.02	1.40

Source: SBV, Bloomberg
 Note: Green = appreciation; yellow = appreciate at slower pace; red = depreciation.

Macro scorecard

	24-Apr	24-May	24-Jun	24-Jul	24-Aug	3Q23	4Q23	1Q24	2Q24	2020	2021	2022	2023
Real GDP growth (%)						5.33	6.72	5.66	6.93	2.91	2.58	8.02	5.05
Registered FDI (USD bn)	3.10	1.80	4.13	2.82	2.53	6.78	16.40	6.18	9.01	28.53	31.15	27.72	36.61
GDP per capita (USD)										3,521	3,725	4,110	4,285
Unemployment rate (%)						2.25	2.28	2.24	2.29	2.48	3.22	2.32	2.26
Export (USD bn)	30.94	32.81	33.09	35.92	37.59	94.62	96.53	93.06	92.9	282.7	335.7	371.85	355.5
Import (USD bn)	30.26	33.81	30.15	33.80	33.06	86.02	90.17	84.98	85.1	263	331.1	360.65	327.5
Export growth (%)	10.60	15.84	10.52	19.11	14.54	(2.38)	8.80	16.98	12.46	7.02	18.74	10.61	-4.4
Import growth (%)	19.87	29.90	13.12	24.73	12.38	(5.79)	8.01	13.88	19.81	3.81	25.9	8.35	-8.9
Inflation (%)	4.40	4.44	4.34	4.36	3.45	2.89	3.54	3.77	4.39	3.24	1.84	3.15	3.25
USD/VND	25,334	25,458	25,458	25,320	24,860	24,300	24,260	24,786	25,458	23,126	22,790	23,650	23,784
Credit growth (%)	12.7	14.0	15.2	15.1	14.6	6.92	10.82	11.6	13.5	12.17	12.97	12.87	11.09
10Y gov't bond (%)	2.79	2.86	2.81	2.79	2.83	2.60	2.23	2.59	2.81	2.01	2.11	5.08	2.39

Source: GSO, Bloomberg, FIA, IMF

**Glossary

- * Winning yield rate = each group's highest bidding rate, 2.66%
- * Absorption rate = winning value / offering value, 77.20%
- * Bid to offer ratio = offering value / bidding value, 2.38%
- * DXY = U.S. Dollar Index, ~100.4
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~3.93%

Appendix

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

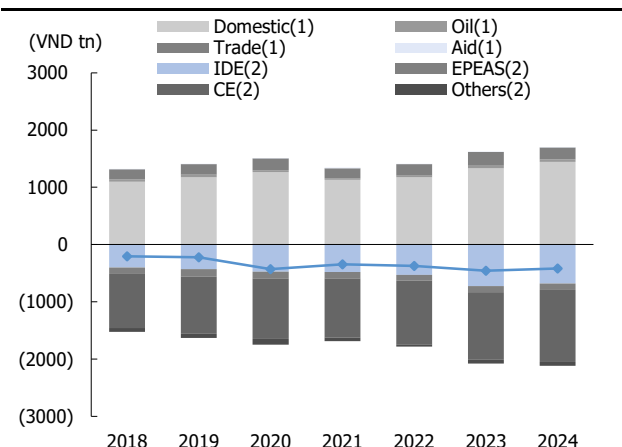
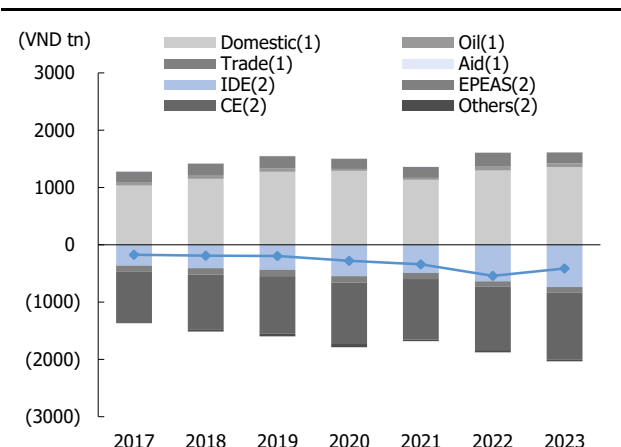


Figure 2. Vietnam's state budget by year: actual



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 balance of payment (USD bn)

	2020	2021	2022	2023	4Q23	1Q24
Current account	15.1	(4.6)	(1.1)	25.1	6.4	5.2
Goods, credit (exports)	282.6	335.9	371.3	354.7	95.7	92.9
Goods, debit (imports)	251.9	318.5	345.6	310.7	84.8	81.0
Balance on goods	30.7	17.5	25.7	44.0	10.9	11.9
Services, credit (exports)	7.6	4.2	12.9	19.6	5.4	5.7
Services, debit (imports)	17.9	19.9	25.5	29.1	8.1	8.0
Primary income, credit	1.4	1.0	2.3	4.6	1.4	1.4
Primary income, debit	16.2	17.7	22.0	27.0	6.8	9.0
Secondary income, credit	11.4	13.6	12.2	16.1	4.4	4.3
Secondary income, debit	2.0	3.2	6.7	3.1	0.9	1.0
Financial account	(8.5)	(30.9)	(9.5)	(2.8)	(1.6)	1.4
Direct investment, assets	0.4	0.3	2.7	1.6	(0.1)	(0.1)
Direct investment, liabilities	15.8	15.7	17.9	18.5	5.8	3.6
Portfolio investment, assets	(0.0)	(0.0)	(0.0)	0.0	(0.1)	0.0
Portfolio investment, liabilities	(1.3)	0.3	1.5	(1.2)	(0.1)	(0.5)
Other investment, assets	8.4	0.6	13.7	(14.3)	(4.1)	0.2
Other investment, liabilities	2.8	15.9	6.4	(7.4)	(2.6)	(1.8)
Net errors and omissions	(6.9)	(10.4)	(31.1)	(16.6)	(2.3)	(8.0)
Reserves and related items	16.6	15.9	(22.7)	(5.6)	(2.5)	1.4

Source: SBV, IMF, KIS

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