

# Fixed-income Perspectives

## SBV pulls back liquidity as interbank rates drift

### SBV reduces liquidity withdrawal

In 41W24 (07 to 11 October), the SBV continued to withdraw liquidity, though at a modest level, amid the ongoing sharp increase in exchange rates. Specifically, the SBV did not issue any repo contracts, while VND10.79tn matured, resulting in a moderate net withdrawal of the same amount from the banking system. Additionally, SBV has not issued T-bills for six consecutive weeks.

### Interbank rates decline across all tenors

In 41W24 (07 to 11 October), interbank rates continued to drop across tenors, with short-term rates experiencing more significant declines. Specifically, overnight (ON), 1-week (1W), 2-week (2W), 1-month (1M), 3-month (3M), and 1-year (1Y) rates dropped by 38bps, 33bps, 28bps, 23bps, 10bps, and 5bps respectively, reaching 3.15%, 3.30%, 3.45%, 3.53%, 3.85%, and 4.95%. The average daily trading volume decreased by 12.67% compared to the previous week, settling at VND370.14tn.

### USDVND continues its upward trajectory

In 41W24 (07 to 11 October), USDVND continued its upward trend as the DXY also increased. The interbank USDVND rate rose by 0.24% or 59 pips compared to the previous week, settling at 24,815 on Friday. On the global front, key U.S. labor market data released during the week presented mixed signals. Friday's PPI data implied further disinflation, as lower-than-expected producer inflation offset some of the upside surprises in consumer inflation data. Consequently, the DXY continued to rise, gaining 0.36% to settle at 102.9 by the end of the week. On the domestic front, foreign investors returned to net selling on HOSE, totaling VND0.30tn, or 0.4% of the weekly traded value.

### Vietnam economic indicators

	24-Apr	24-May	24-Jun	24-Jul	24-Aug	24-Sep	Corr. <sup>1</sup>
FDI %YoY	8.1	9.4	9.4	9.5	5.3	13.2	-0.17
Retail sales %YoY	8.6	8.9	8.9	8.6	8.4	7.6	-0.18
Export %YoY	11.0	14.6	13.1	20.2	14.5	11.0	-0.16
Import %YoY	18.8	25.7	14.7	25.0	12.4	11.5	-0.06
Trade balance (USD bn)	1.4	-0.5	3.2	2.0	4.5	2.3	-0.12
CPI %MoM	0.07	0.05	0.17	0.48	0.00	0.29	-0.08
Credit %YoY	12.7	14.0	15.3	15.1	14.9	14.6	-0.23
USDVND %MoM	2.19	0.45	0.02	-0.81	-1.48	-1.24	-0.40
PMI (pts)	50.3	50.3	54.7	54.7	52.4	47.3	-0.25
VNINDEX return (%)	-5.8	4.8	-1.2	0.7	2.6	0.8	1.00

Source: SBV, GSO, Bloomberg, KIS

<sup>1</sup> Correlation to VNINDEX's monthly return

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

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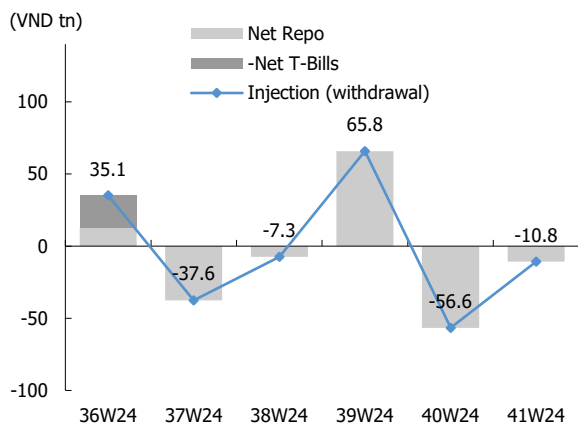
# I. SBV reduces liquidity withdrawal

**SBV halts repo issuance for the first time since 2022.**

In 41W24 (07 to 11 October), the SBV continued to withdraw liquidity, though at a modest level, amid the ongoing sharp increase in exchange rates. Specifically, the SBV did not issue any repo contracts, while VND10.79tn matured, resulting in a moderate net withdrawal of the same amount from the banking system. Additionally, SBV has not issued T-bills for six consecutive weeks.

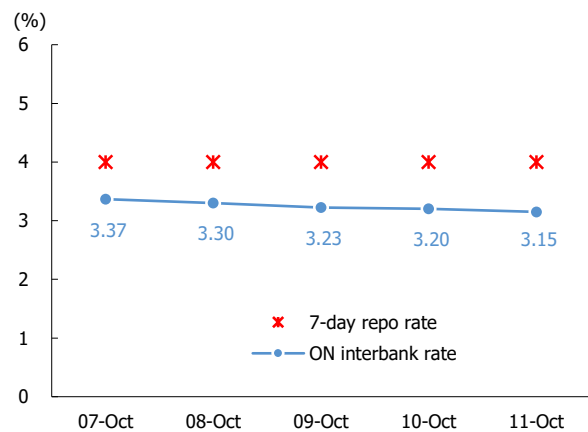
As seen in the previous week, the SBV's actions highlight its cautious stance as global conditions become increasingly unstable and unpredictable. This continued cautious approach signals prudence in its forthcoming decisions.

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



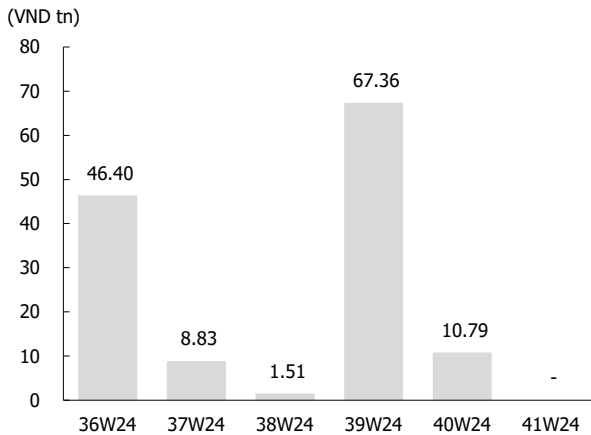
Source: SBV, KIS

**Figure 2. Interest rate corridor**



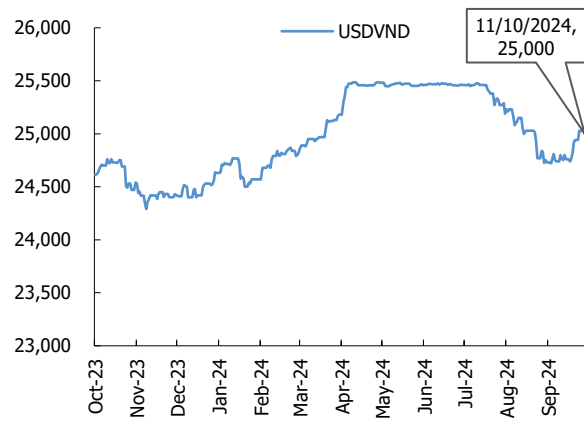
Source: SBV, KIS

**Figure 3. Outstanding amount of repos**



Source: SBV, KIS

**Figure 4. USDVND movements**



Source: SBV, KIS

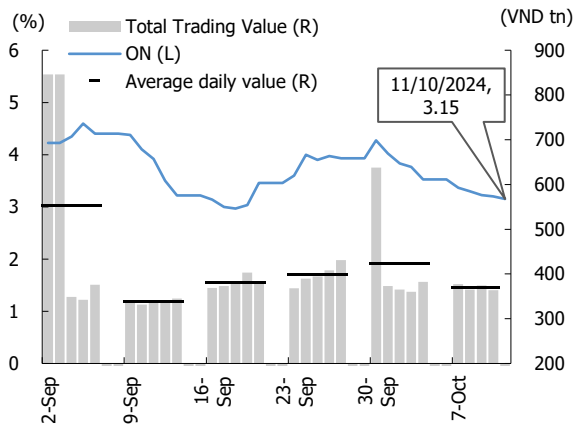
## II. Interbank rates decline across all tenors

### Interbank rate curve continues its downward shift

In 41W24 (07 to 11 October), interbank rates continued to drop across tenors, with short-term rates experiencing more significant declines. Specifically, overnight (ON), 1-week (1W), 2-week (2W), 1-month (1M), 3-month (3M), and 1-year (1Y) rates dropped by 38bps, 33bps, 28bps, 23bps, 10bps, and 5bps respectively, reaching 3.15%, 3.30%, 3.45%, 3.53%, 3.85%, and 4.95%. The average daily trading volume decreased by 12.67% compared to the previous week, settling at VND370.14tn.

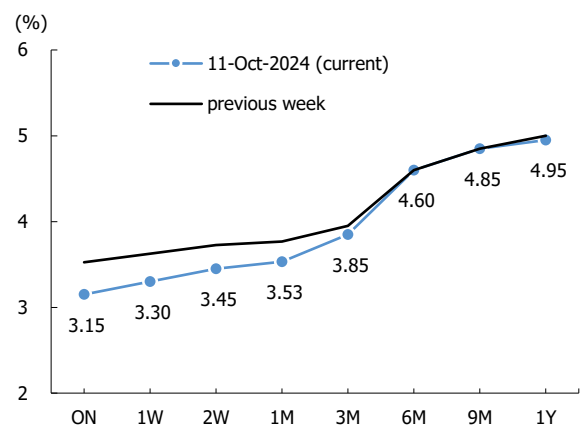
During the week, the drop in interbank rates was primarily driven by the SBV's decision to withdraw liquidity following a period of significant injections. The ample liquidity from previous weeks allowed banks to adjust their positions, reducing the need for borrowing in the interbank market. This led to a downward shift in the rate curve across all tenors.

Figure 5. Interbank daily transaction



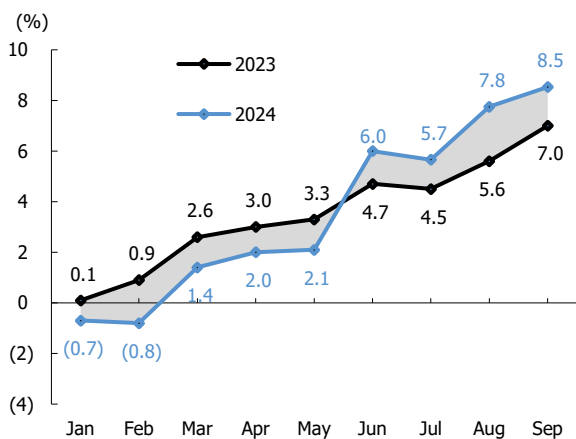
Source: SBV, Bloomberg, KISVN

Figure 6. Interbank rate curve



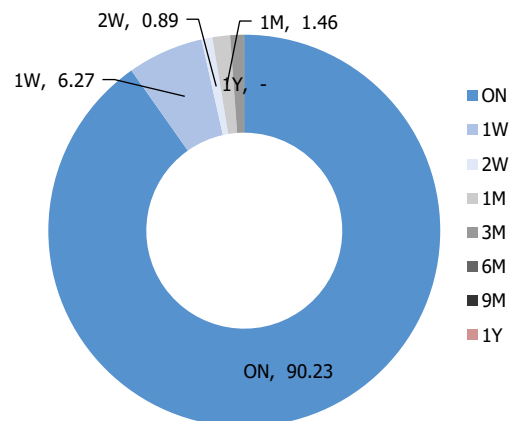
Source: SBV, Bloomberg, KISVN

Figure 7. Credit growth by month of the year



Source: SBV, Bloomberg, KISVN  
Note: Updated by 27 September

Figure 8. Interbank transaction structure



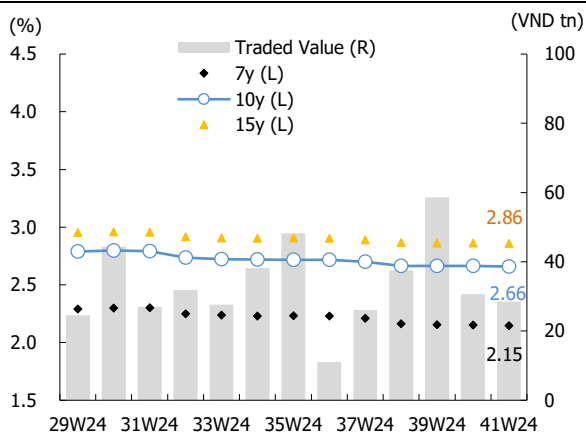
Source: SBV, Bloomberg, KISVN

### III. G-bond yields remained relatively stable

**G-bond yields remains stable amid high uncertainty**

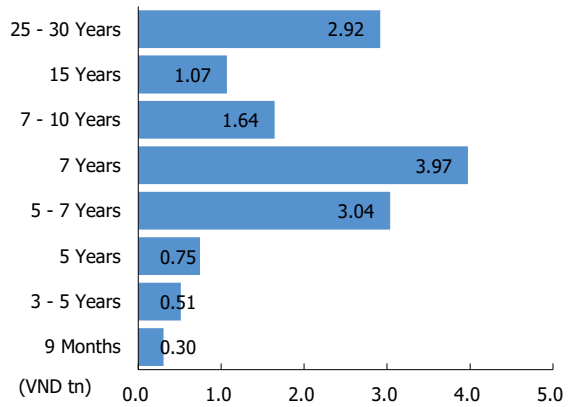
In 41W24 (07 to 11 October), government bond (G-bond) yields remained nearly unchanged compared to the previous week, while trading value declined notably. Specifically, yields for 5-year bond and 10-year bonds fell by 1bps, settling at 1.90% and 2.66% respectively. The total traded value reached VND28.53tn, with a daily average of VND5.71tn, marking a 6.82% decrease WoW. Overall, demand continued to decrease for two consecutive weeks as liquidity sharply declined, while yields remained stable, reflecting investors' cautious sentiment toward the market amidst global developments and the upcoming actions of the SBV.

**Figure 9. G-bond traded value by week**



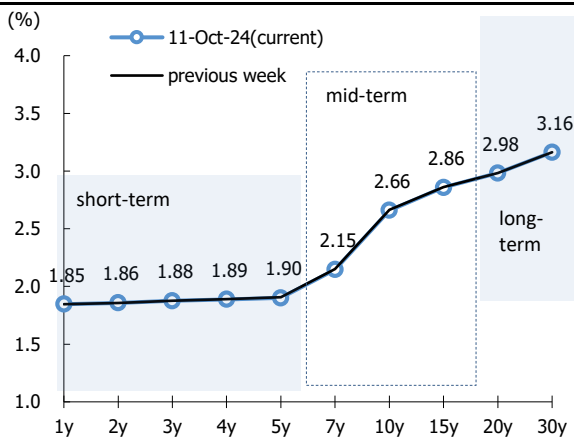
Source: HNX, Bloomberg, KIS

**Figure 10. G-bond traded value by tenor**



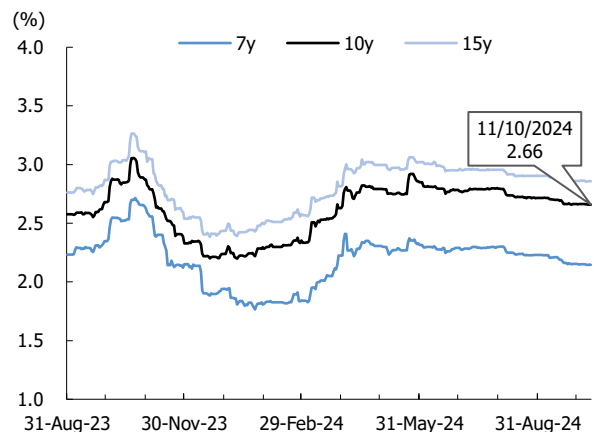
Source: HNX, Bloomberg, KIS

**Figure 11. G-bond trading yield curve**



Source: HNX, VBMA, KIS

**Figure 12. Historical daily government bond yields**

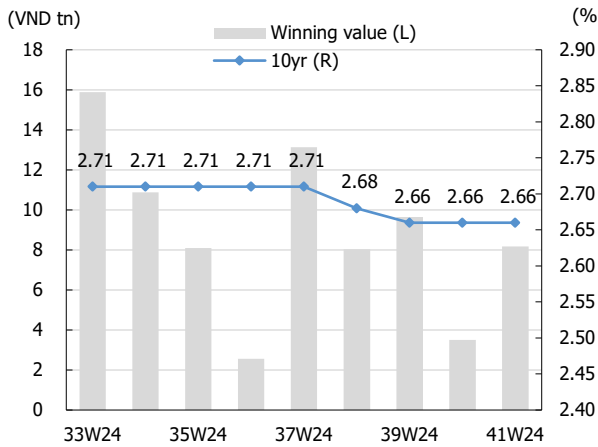


Source: HNX, VBMA, KIS

In the primary market, 41W24 showed sustained strong demand, with the winning yield unchanged despite a significant increase in the winning value. Specifically, the VST successfully issued VND8.18tn this week, with the winning yield were unchanged. To date, the VST has issued a total of VND283.36tn since the beginning of the year, achieving 70.84% of its 2024 target. This year's progress is notably faster than the same period last year, with a completion rate up by 5.19% YoY. The primary driver behind this acceleration is likely to expedite

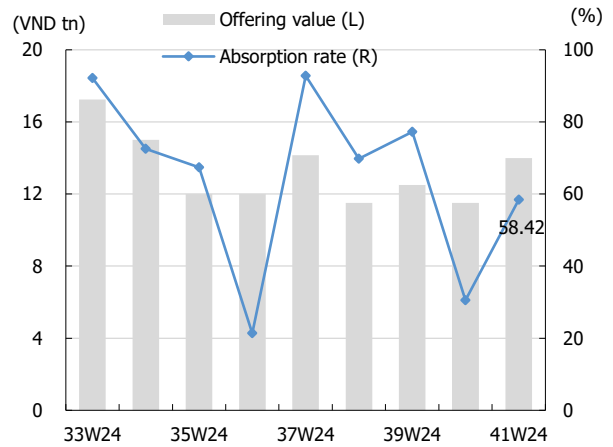
public investment disbursement in the final quarter, in line with the government's objectives for 2024.

**Figure 13. Weekly winning values**



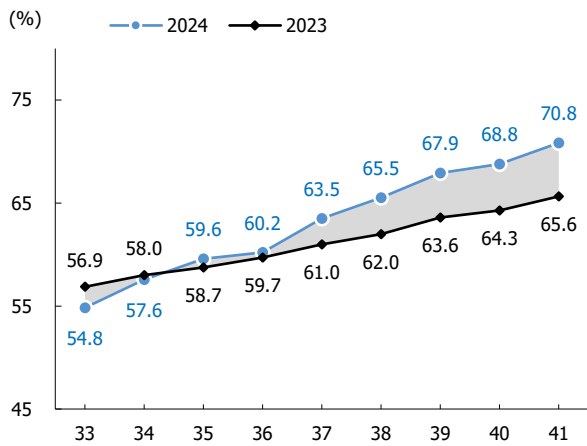
Source: HNX, KIS

**Figure 14. Weekly absorption rate**



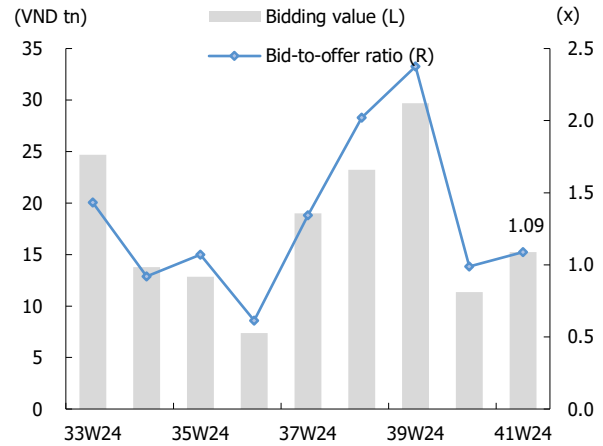
Source: HNX, KIS

**Figure 15. Completion ratio by week-of-the-year**



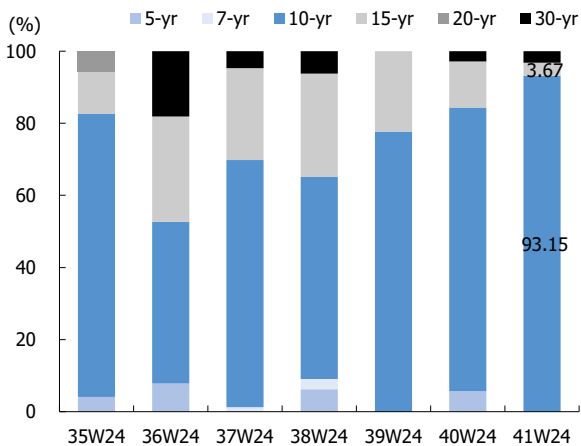
Source: HNX, KIS

**Figure 16. Weekly bid-to-offer ratio**



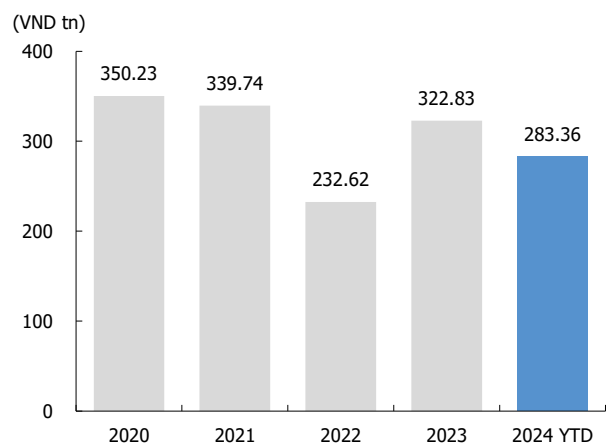
Source: HNX, KIS

**Figure 17. Weekly winning G-bond structure**



Source: HNX, KIS

**Figure 18. Yearly issued amount of G-bond**



Source: HNX, KIS

## IV. USDVND continues its upward trajectory

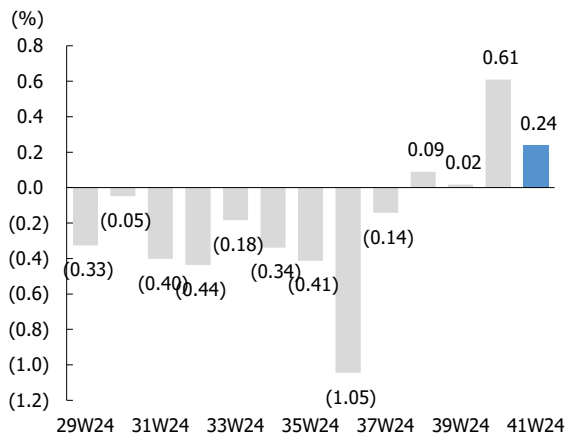
### *DXY remains on an upward path*

In 41W24 (07 to 11 October), USDVND continued its upward trend as the DXY also increased. The interbank USDVND rate rose by 0.24% or 59 pips compared to the previous week, settling at 24,815 on Friday.

On the global front, key U.S. labor market data released during the week presented mixed signals. While September inflation data showed an increase, initial jobless claims in the first week of October surged due to storm impacts. However, Friday's PPI data implied further disinflation, as lower-than-expected producer inflation offset some of the upside surprises in consumer inflation data. Consequently, the DXY continued to rise, gaining 0.36% to settle at 102.9 by the end of the week. On the domestic front, foreign investors returned to net selling on HOSE, totaling VND0.30tn, or 0.4% of the weekly traded value. Despite renewed selling pressure, it remained relatively modest compared to the previous week.

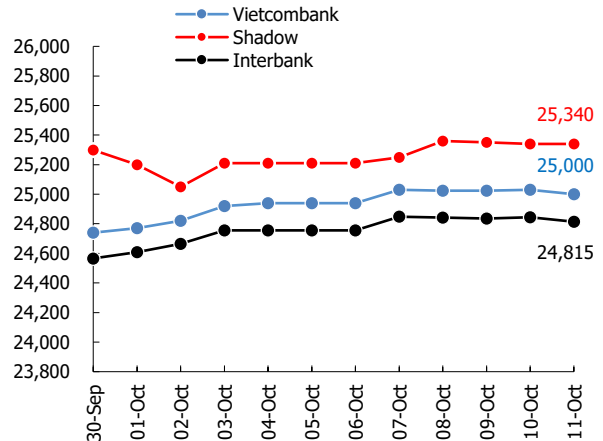
In terms of FX market developments, the ask price at Vietcombank increased by 0.24% or 60 pips, while the shadow market saw a notable rise of 0.52% or 130 pips compared to the previous week. On Friday, ask prices at Vietcombank and the shadow market were recorded at 25,000 and 25,340 per U.S. dollar, respectively.

**Figure 19. Weekly USDVND performance**



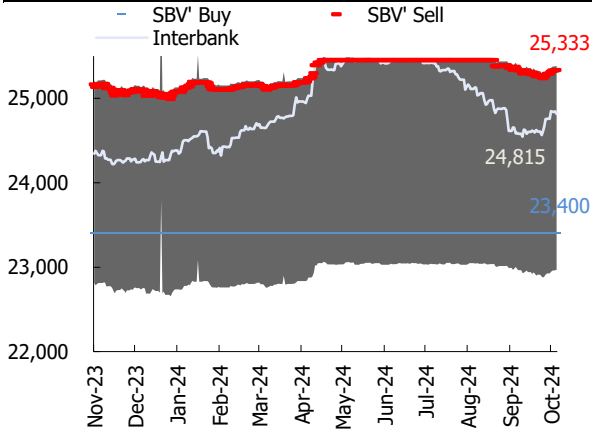
Source: Bloomberg, KIS

**Figure 20. VCB & shadow market USDVND spread**



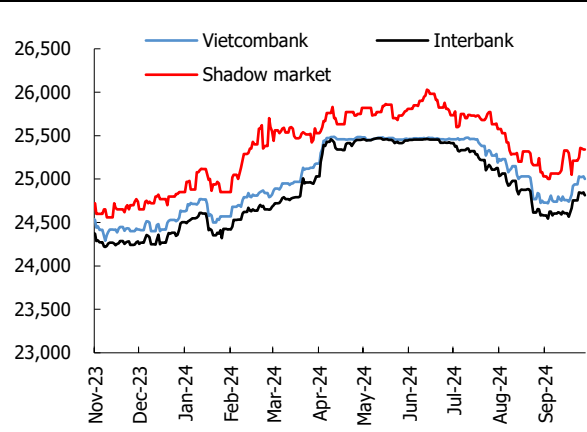
Source: SBV, Vietcombank, KIS

**Figure 21. SBV's movement**



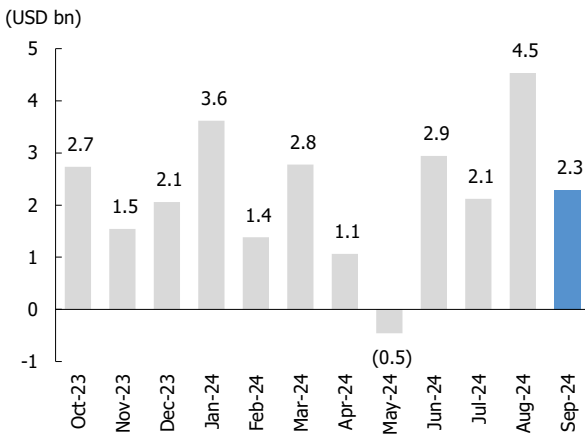
Source: SBV, Bloomberg, Fiiipro, KIS  
 Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

**Figure 22. USDVND by market**



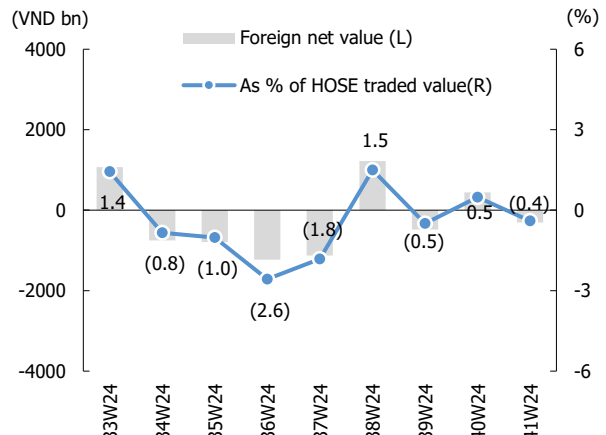
Source: SBV, Bloomberg, KIS

**Figure 23. Vietnam's trade balance by month**



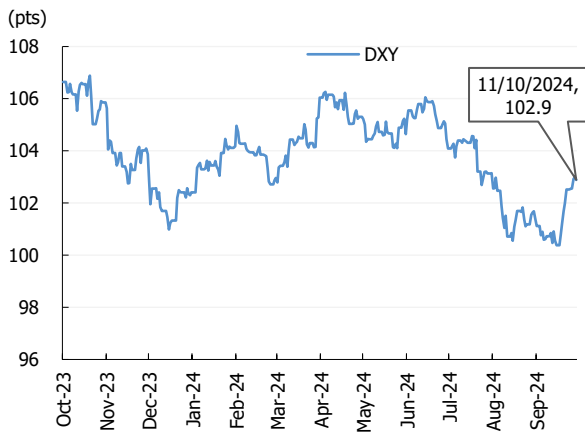
Source: GSO, KIS  
 Note: Updated until 06 October, 2024

**Figure 24. Trading of the foreign bloc in Vietnamese stock market**



Source: Fiiipro, KIS

**Figure 25. Historical DXY**



Source: Bloomberg

**Figure 26. Weekly change of USDVND and peers**

	Regime	39W24	40W24	41W24	2024YTD
DXY	U.S. Dollar Index	-0.34	2.13	0.36	1.54
USDCNY	Managed floating	-0.51	0.11	0.69	-0.47
EURUSD	Floating	0.00	-1.68	-0.34	-0.92
USDJPY	Floating	-1.14	4.56	0.29	5.74
USDKRW	Floating	-1.85	2.87	0.20	4.88
USDSGD	Basket-band-crawl	-0.74	1.83	0.02	-1.17
USDTHB	Floating	-1.97	1.96	0.92	-2.34
USDVND	Managed floating	0.02	0.61	0.24	2.26

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

## Macro scorecard

	24-May	24-Jun	24-Jul	24-Aug	24-Sep	4Q23	1Q24	2Q24	3Q24	2020	2021	2022	2023
Real GDP growth (%)						6.72	5.66	6.93	7.40	2.91	2.58	8.02	5.05
Registered FDI (USD bn)	1.80	4.13	2.82	2.53	4.26	16.40	6.18	9.01	9.59	28.53	31.15	27.72	36.61
GDP per capita (USD)										3,521	3,725	4,110	4,285
Unemployment rate (%)						2.28	2.24	2.29	2.24	2.48	3.22	2.32	2.26
Export (USD bn)	32.81	33.09	35.92	37.59	34.05	96.53	93.06	98.2	108.6	282.7	335.7	371.85	355.5
Import (USD bn)	33.81	30.15	33.80	33.06	31.76	90.17	84.98	94.0	99.7	263	331.1	360.65	327.5
Export growth (%)	15.84	10.52	19.11	14.54	10.70	8.80	16.98	13.59	15.82	7.02	18.74	10.61	-4.4
Import growth (%)	29.90	13.12	24.73	12.38	11.06	8.01	13.88	20.65	17.19	3.81	25.9	8.35	-8.9
Inflation (%)	4.44	4.34	4.36	3.45	2.63	3.54	3.77	4.39	3.48	3.24	1.84	3.15	3.25
USD/VND	25,458	25,458	25,320	24,860	24,093	24,260	24,786	25,458	24,093	23,126	22,790	23,650	23,784
Credit growth (%)	14.0	15.2	15.1	14.6	14.6	10.82	11.6	13.5	15.3	12.17	12.97	12.87	11.09
10Y gov't bond (%)	2.86	2.81	2.79	2.83	2.66	2.23	2.59	2.81	2.66	2.01	2.11	5.08	2.39

Source: GSO, Bloomberg, FIA, IMF

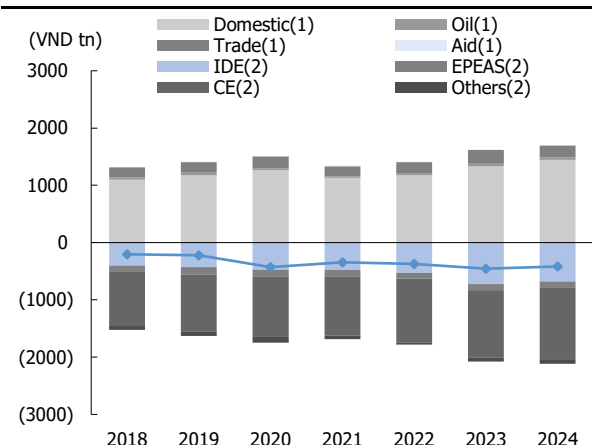
### \*\*Glossary

- \* Winning yield rate = each group's highest bidding rate, 2.66%
- \* Absorption rate = winning value / offering value, 58.42%
- \* Bid to offer ratio = offering value / bidding value, 1.09%
- \* DXY = U.S. Dollar Index, ~102.9
- \* OMO = Open market operation
- \* Tenor = due for payment
- \* ON = overnight interbank interest rate, ~3.15%

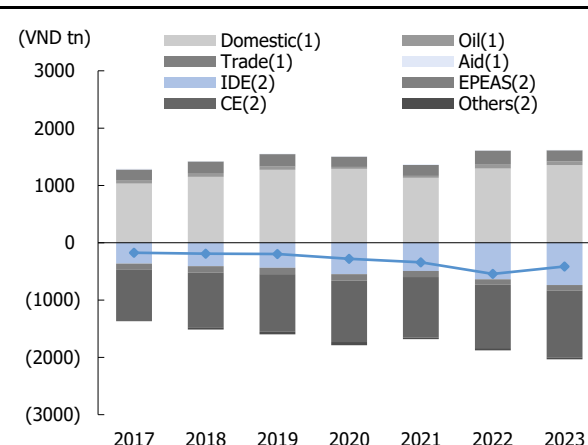


## Appendix

**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	1Q24	2Q24
<b>Current account</b>	15.1	(4.6)	(1.1)	25.1	5.2	4.5
Goods, credit (exports)	282.6	335.9	371.3	354.7	92.9	97.9
Goods, debit (imports)	251.9	318.5	345.6	310.7	81.0	89.3
Balance on goods	30.7	17.5	25.7	44.0	11.9	8.5
Services, credit (exports)	7.6	4.2	12.9	19.6	5.7	5.5
Services, debit (imports)	17.9	19.9	25.5	29.1	8.0	8.3
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	9.0	5.4
Secondary income, credit	11.4	13.6	12.2	16.1	4.3	3.8
Secondary income, debit	2.0	3.2	6.7	3.1	1.0	1.1
<b>Financial account</b>	(8.5)	(30.9)	(9.5)	(2.8)	1.4	(6.3)
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	3.6	5.0
Portfolio investment, assets	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0
Portfolio investment, liabilities	(1.3)	0.3	1.5	(1.2)	(0.5)	(1.6)
Other investment, assets	8.4	0.6	13.7	(14.3)	0.2	(5.2)
Other investment, liabilities	2.8	15.9	6.4	(7.4)	(1.8)	(4.4)
<b>Net errors and omissions</b>	(6.9)	(10.4)	(31.1)	(16.6)	(8.0)	(4.3)
<b>Reserves and related items</b>	16.6	15.9	(22.7)	(5.6)	1.4	6.1

Source: SBV, IMF, KIS

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