

# Fixed-income Perspectives

## SBV re-offers T-bills amid escalating USDVND

### SBV returns T-bill offerings

In 42W24 (14 to 18 October), SBV returns to use T-bills after six weeks to extend the liquidity withdrawal liquidity for three consecutive weeks amid a sharp increase in exchange rates. Specifically, the SBV issued 14-day and 28-day T-bills with a total value of VND12.30tn on Friday, resulting in a moderate net withdrawal of the same amount from the banking system. Besides, the SBV did not issue any repo contracts this week.

### Interbank rates drop further

In 42W24 (14 to 18 October), interbank rates prolonged the reduction phase across all tenors, with short-term rates experiencing more significant declines. Specifically, overnight, 1-week, 2-week, and 1-month rates dropped by 42bps, 50bps, 48bps, and 20bps to reach 2.73%, 2.80%, 2.97%, and 3.33%, respectively. The average daily trading volume decreased by 8.85% compared to the previous week, settling at VND341.76tn.

### USDVND accelerates

In 42W24 (14 to 18 October), USDVND sharply rose as the DXY strengthened. The interbank USDVND rate rose by 1.41% or 350pips compared to the previous week, settling at 25,165 on Friday. On the global front, the DXY surged to an 11-week high, as U.S. retail sales in September exceeded expectations and initial jobless claims in the second week of October sharply declined. Moreover, the upcoming U.S. presidential election is crucial for FX market development. On the domestic front, foreign investors expanded their net selling on the HOSE, adding pressure on the exchange rate stability.

### 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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**Research Dept.**

researchdept@kisvn.vn

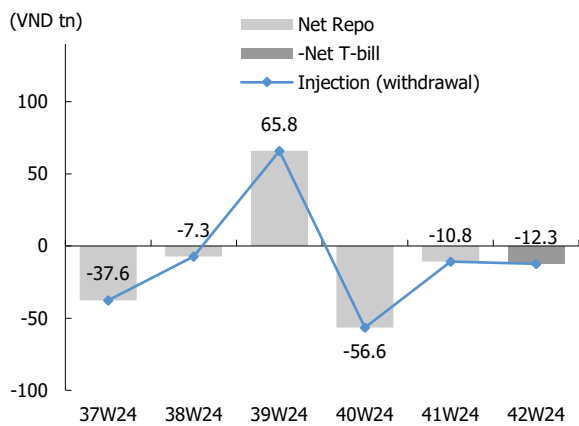
# I. SBV returns T-bill offerings

## **SBV withdrew liquidity for the third consecutive week**

In 42W24 (14 to 18 October), SBV returns to use T-bills after six weeks, and continues to withdraw liquidity for three consecutive weeks amid a sharp increase in exchange rates and persistently low interbank interest rates. Specifically, the SBV issue 14-day and 28-day T-bills contracts with a total value of VND12.30tn on Friday, resulting in a moderate net withdrawal of the same amount from the banking system. Besides, the SBV did not issue any repo contracts this week.

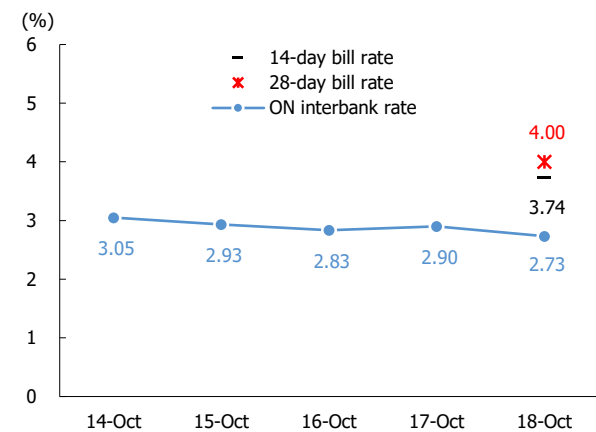
The SBV's decision to withdraw liquidity through the T-bill contracts was fueled by the continuously rising exchange rate. This action aims to adjust market liquidity to reduce speculative pressure on the exchange rate in the short term. It is expected to push up interbank interest rates, helping to narrow the interest rate gap between USD and VND.

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



Source: SBV, KIS

**Figure 2. Interest rate corridor**



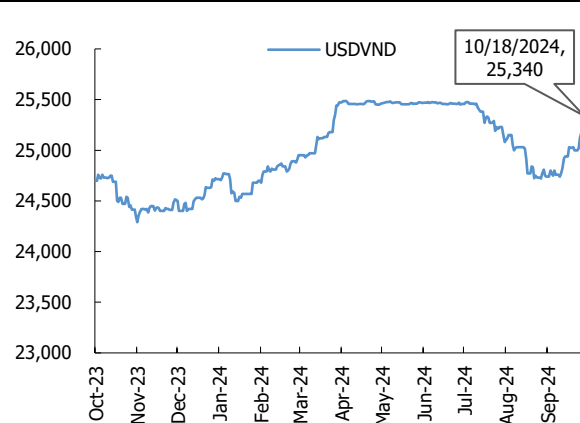
Source: SBV, KIS

**Figure 3. Bill issuance: detail information**

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
18-Oct-24	15-Nov-24	28	4.40	3.74
18-Oct-24	1-Nov-24	14	7.90	4.00
<b>Total</b>			<b>12.30</b>	

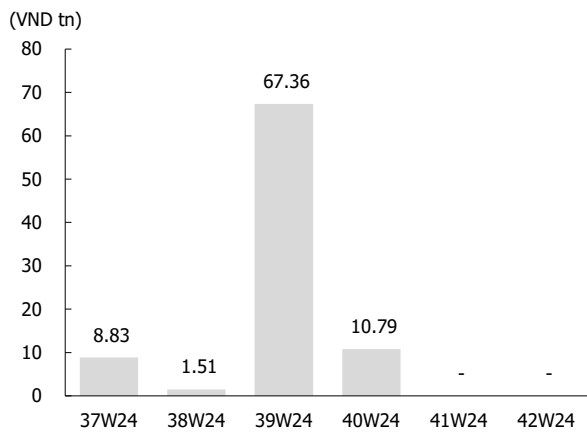
Source: SBV, KIS

**Figure 4. USDVND movements**



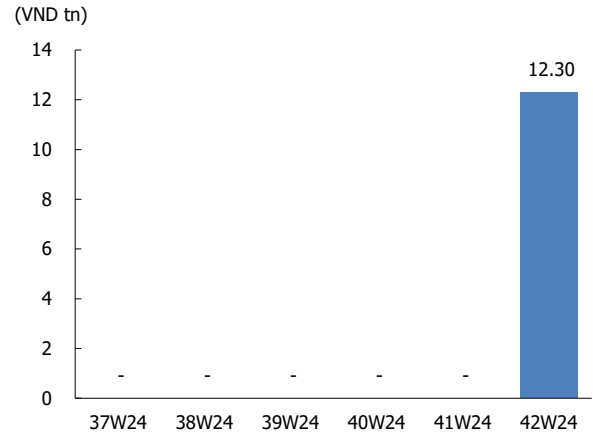
Source: SBV, KIS

**Figure 5. Outstanding amount of repos**



Source: SBV, KIS

**Figure 6. Outstanding amount of bills**



Source: SBV, KIS

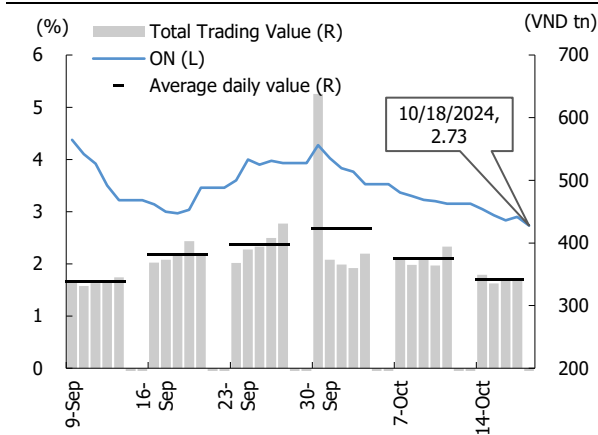
## II. Interbank rates drop further

### Interbank rate curve continues its downward shift

In 42W24 (14 to 18 October), interbank rates prolonged the reduction phase across all 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 6-month (6M) rates dropped by 42bps, 50bps, 48bps, 20bps, 5bps, and 5bps respectively, reaching 2.73%, 2.80%, 2.97%, 3.33%, 3.80%, and 4.55%. The average daily trading volume decreased by 8.85% compared to the previous week, settling at VND341.76tn.

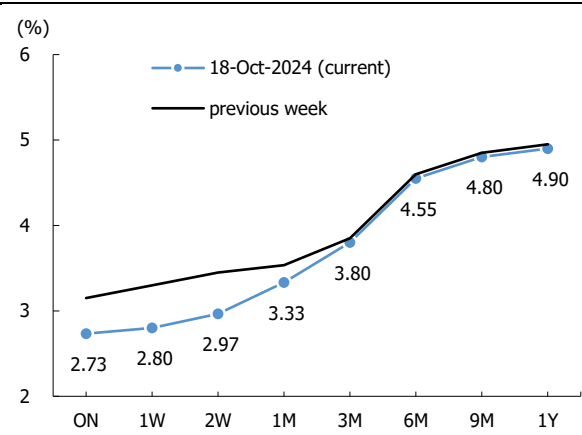
The SBV's reactivation of T-bill contracts indicates its intention to withdraw excess liquidity from the banking system to stabilize the exchange rate. This is expected to drive interbank rates higher in the coming weeks to limit speculative activities in the interbank market.

Figure 7. Interbank daily transaction



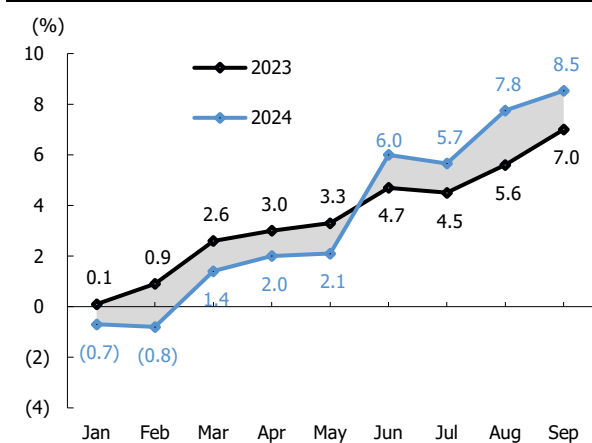
Source: SBV, Bloomberg, KISVN

Figure 8. Interbank rate curve



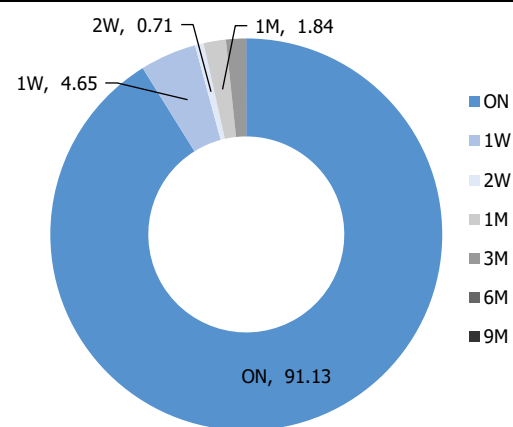
Source: SBV, Bloomberg, KISVN

Figure 9. Credit growth by month of the year



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

Figure 10. Interbank transaction structure



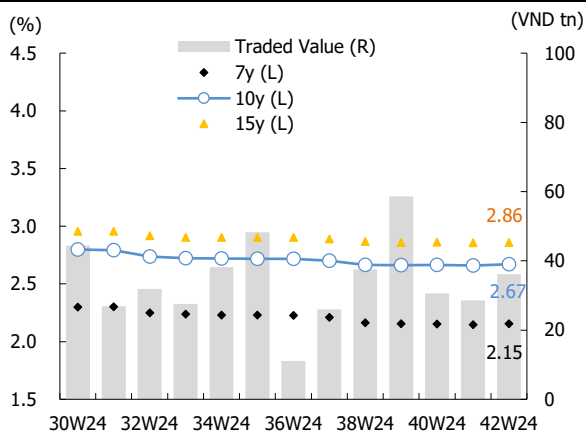
Source: SBV, Bloomberg, KISVN

### III. G-bond yields remains stable

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

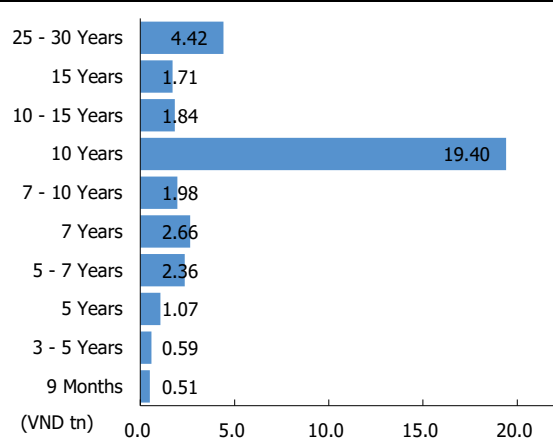
In 42W24 (14 to 18 October), government bond (G-bond) yields remained nearly unchanged compared to the previous week, while trading value sharply rose. Specifically, yields for 7-year bond and 10-year bonds rose by 1bps, settling at 2.15% and 2.67% respectively. The total traded value reached VND36.13tn, with a daily average of VND7.23tn, marking a 26.63% increase WoW. Overall, demand increased slightly after two consecutive weeks of decline, while yields remained stable, reflecting investors' cautious sentiment toward the market amidst global developments and the upcoming actions of the SBV.

**Figure 11. G-bond traded value by week**



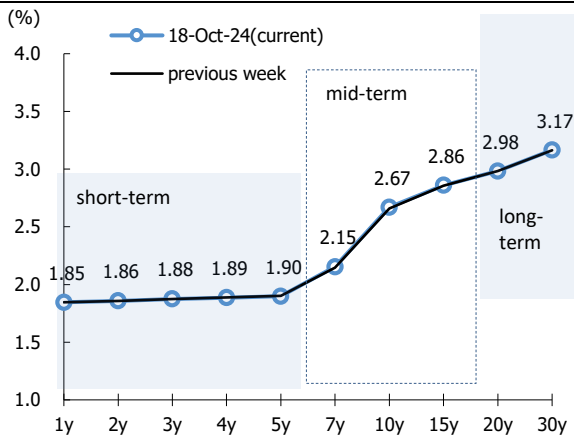
Source: HNX, Bloomberg, KIS

**Figure 12. G-bond traded value by tenor**



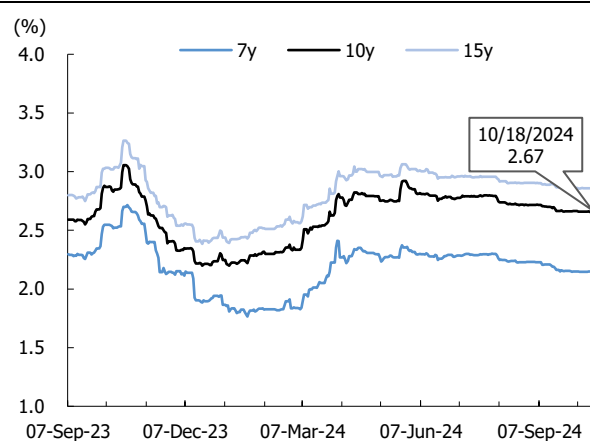
Source: HNX, Bloomberg, KIS

**Figure 13. G-bond trading yield curve**



Source: HNX, VBMA, KIS

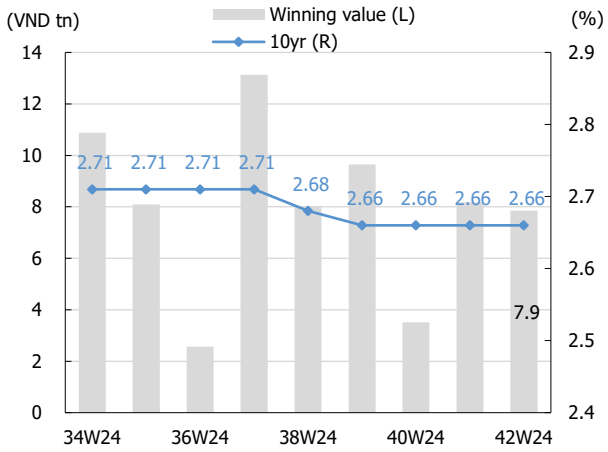
**Figure 14. Historical daily government bond yields**



Source: HNX, VBMA, KIS

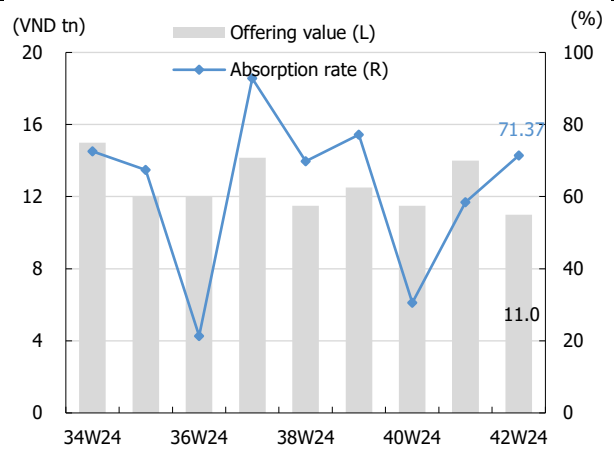
In the primary market, 42W24 showed insignificant change in demand compare to the previous week, with the winning yield unchanged and a reduction in the winning value. Specifically, the VST successfully issued VND7.85tn this week, with the winning yield remaining unchanged. To date, the VST has issued a total of VND291.21tn since the beginning of the year, achieving 72.80% of its 2024 target. This year's progress is notably faster than the same period last year, with a completion rate up by 6.09% 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 15. Weekly winning values**



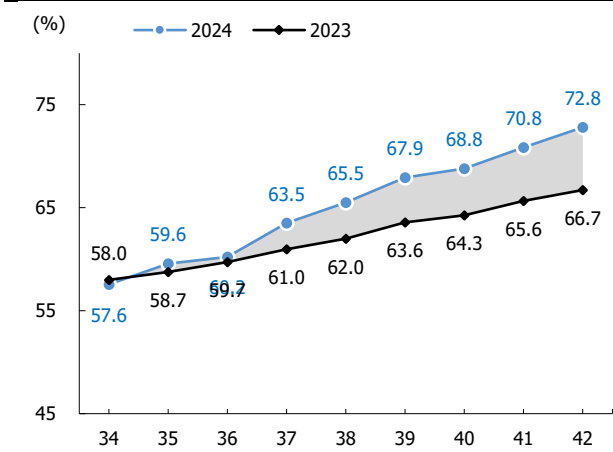
Source: HNX, KIS

**Figure 16. Weekly absorption rate**



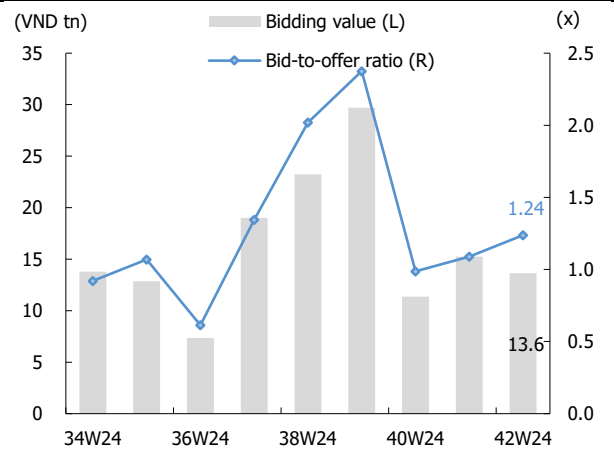
Source: HNX, KIS

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



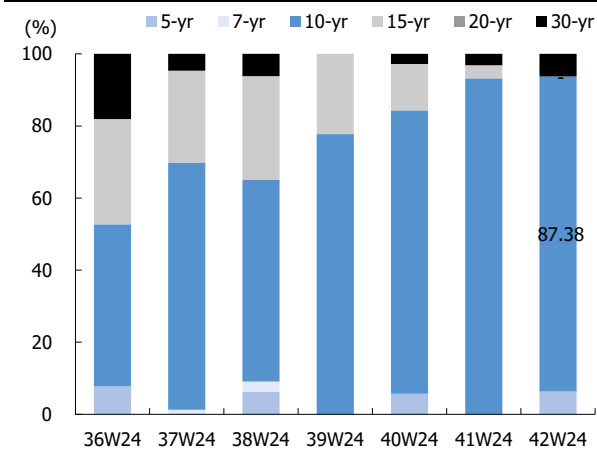
Source: HNX, KIS

**Figure 18. Weekly bid-to-offer ratio**



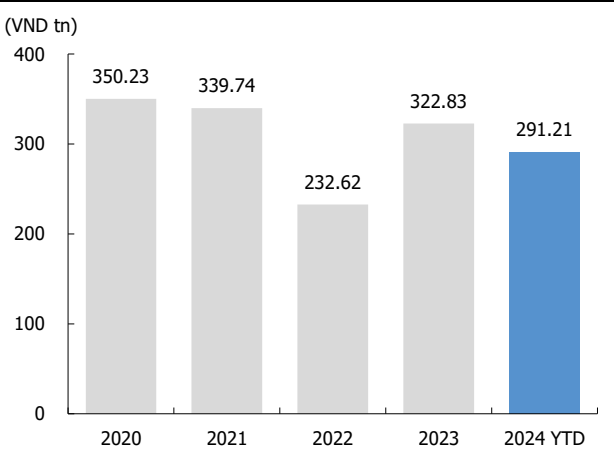
Source: HNX, KIS

**Figure 19. Weekly winning G-bond structure**



Source: HNX, KIS

**Figure 20. Yearly issued amount of G-bond**



Source: HNX, KIS

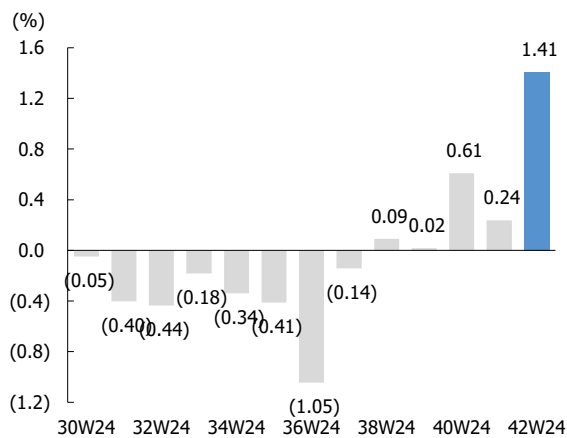
## IV. USDVND accelerates

### ***DXY remains on an upward path***

In 42W24 (14 to 18 October), USDVND sharply rose as the DXY also increased. The interbank USDVND rate rose by 1.41% or 350pips compared to the previous week, settling at 25,165 on Friday. In the global front, the DXY surged to an 11-week high, rising by 0.59% to reach 103.5 on Friday, as U.S. retail sales in September exceeded expectations and initial jobless claims in the second week of October sharply declined. This bolstered the likelihood that the Fed may moderate interest rate cuts in the upcoming FOMC meetings as the U.S. economy shows robust growth. Additionally, the upcoming U.S. presidential election is a key factor influencing the market. Policies, including tax cuts, financial regulation rollbacks, and high tariffs on trade partners, are perceived as hardline from former President Donald Trump, who is gaining momentum in his re-election campaign, further fueled upward pressure on the USD. Furthermore, the rise in safe-haven demand amid escalating concerns over conflicts in the Middle East also contributed to the upward pressure on the greenback. On the domestic front, foreign investors expanded their net selling on the HOSE due to concerns over the rising exchange rate, totaling VND2.08tn, or 2.6% of the weekly traded value. Additionally, a trade balance surplus of USD0.38bn for the first half of October contributed to the strengthening of the VND against the USD. Although this put upward pressure on the USDVND, the impact was relatively insignificant this week.

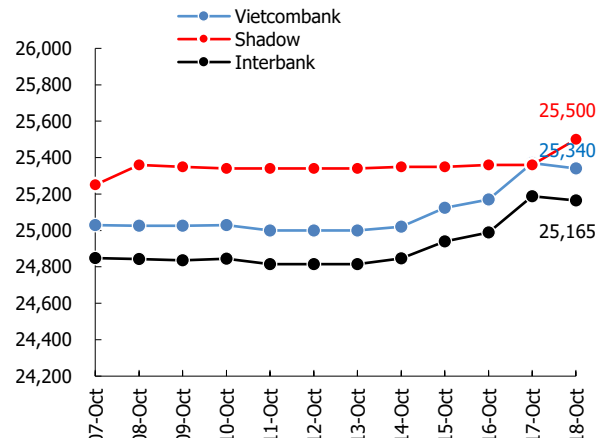
In terms of FX market developments, the ask price at Vietcombank increased by 1.36% or 340pips, while the shadow market saw a notable rise of 0.63% or 160pips compared to the previous week. On Friday, ask prices at Vietcombank and the shadow market were recorded at 25,340 and 25,500 per U.S. dollar, respectively.

**Figure 21. Weekly USDVND performance**



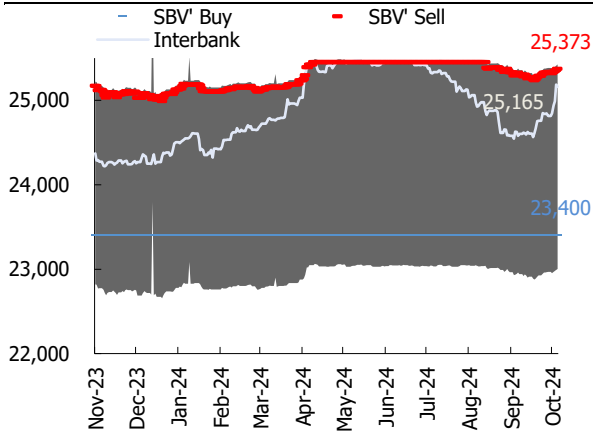
Source: Bloomberg, KIS

**Figure 22. VCB & shadow market USDVND spread**



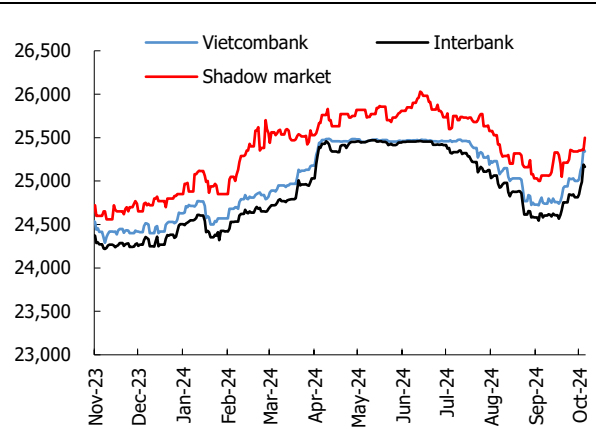
Source: SBV, Vietcombank, KIS

**Figure 23. SBV's movement**



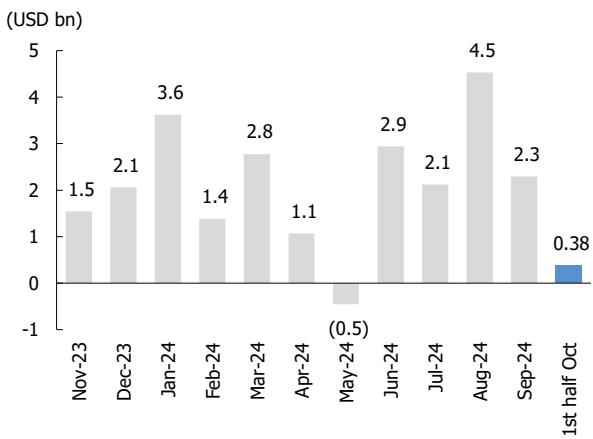
Source: SBV, Bloomberg, Fiiipro, KIS  
 Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

**Figure 24. USDVND by market**



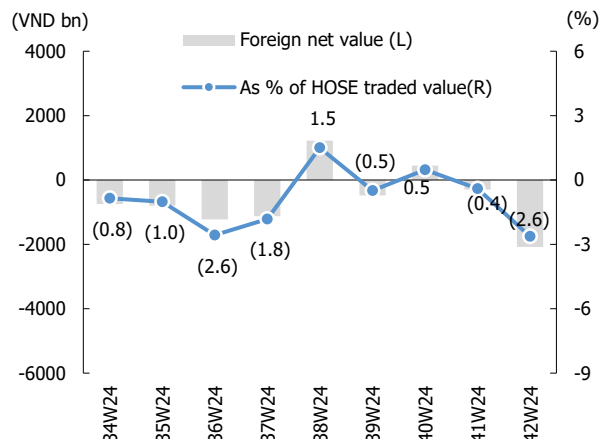
Source: SBV, Bloomberg, KIS

**Figure 25. Vietnam's trade balance by month**



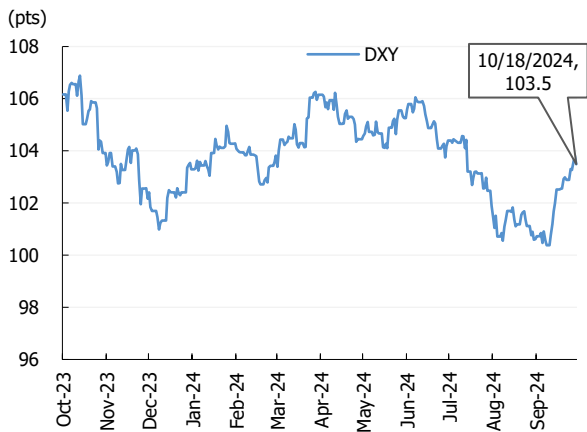
Source: GSO, KIS  
 Note: Updated until 15 October, 2024

**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	40W24	41W24	42W24	2024YTD
DXY	U.S. Dollar Index	2.13	0.36	0.59	2.13
USDCNY	Managed floating	0.11	0.69	0.50	0.03
EURUSD	Floating	-1.68	-0.34	-0.64	-1.56
USDJPY	Floating	4.56	0.29	0.27	6.02
USDKRW	Floating	2.87	0.20	1.32	6.27
USDSGD	Basket-band-crawl	1.83	0.02	0.41	-0.77
USDTHB	Floating	1.96	0.92	-0.54	-2.86
USDVND	Managed floating	0.61	0.24	1.41	3.70

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

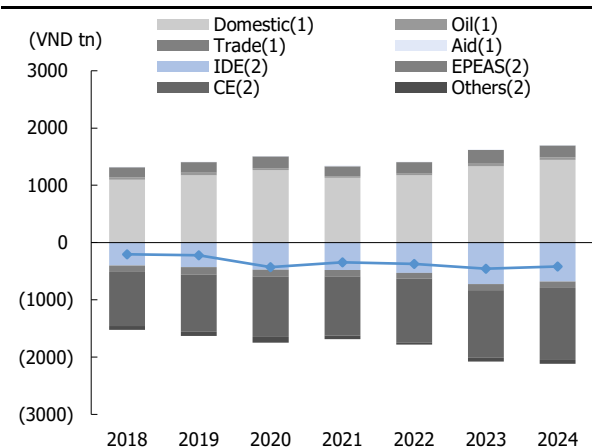
Source: GSO, Bloomberg, FIA, IMF

### \*\*Glossary

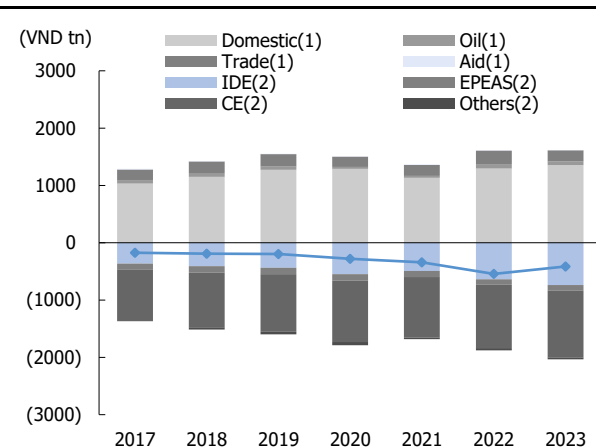
- \* Winning yield rate = each group's highest bidding rate, 2.66%
- \* Absorption rate = winning value / offering value, 71.37%
- \* Bid to offer ratio = offering value / bidding value, 1.24%
- \* DXY = U.S. Dollar Index, ~103.5
- \* OMO = Open market operation
- \* Tenor = due for payment
- \* ON = overnight interbank interest rate, ~2.73%

## 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
Current account	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
Financial account	(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)
Net errors and omissions	(6.9)	(10.4)	(31.1)	(16.6)	(8.0)	(4.3)
Reserves and related items	16.6	15.9	(22.7)	(5.6)	1.4	6.1

Source: SBV, IMF, KIS

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#### **VIET NAM**

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

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