

Fixed-income Perspectives

SBV turns to liquidity withdrawal as pressures eased

SBV backs to withdrawal

In 48W24 (25 to 29 November), the SBV turns to liquidity withdrawal from the banking system after four consecutive weeks of net liquidity injections. Specifically, the SBV issued VND9.98tn in T-bills while VND7.95tn matured, resulting in a net withdrawal of VND2.03tn via this instrument. Additionally, VND54.00tn in new repo contracts were issued, while VND68.00tn matured, leading to a net withdrawal of VND14.00tn. Overall, the SBV recorded a net liquidity withdrawal of VND16.03tn from the banking system.

Interbank rates decline on short tenors

In 48W24 (25 to 29 November), interbank rates continue to dropped notably in short tenors while longer-term slightly rose compared to previous week. Specifically, overnight, 1-week, 2-week, and 1-month rates decreased by 110bps, 60bps, 30bps, and 20bps, respectively, down to 3.27%, 3.80%, 4.13%, and 4.23%. In additional, 3-month rates increased by 5bps, reach to 4.55%.

USDVND pressure eased

In 48W24 (25 to 29 November), USDVND decreased sharply after two weeks of increase, driven by the plunge in strength of the DXY. The interbank USDVND rate dropped by 0.30%, or 76 pips from the previous week, settling at 25,346 on Friday. Globally, the DXY decreased significantly by 1.69% to 105.7 on Friday. The development of the USD's decline during the week came as the USD's momentum stalled when President-elect Donald Trump's tariff threats unsettled financial markets and the nomination of key cabinet positions in his upcoming administration. Domestically, after 7 weeks of net selling, foreign investors returned to net buying this week with a total of VND1.00tn or 1.6% of the weekly trading value on HOSE, contributing to easing exchange rate pressure during the week.

Vietnam economic indicators

	24-May	24-Jun	24-Jul	24-Aug	24-Sep	24-Oct	Corr. ¹
FDI %YoY	9.4	9.4	9.5	5.3	13.2	7.6	-0.17
Retail sales %YoY	8.9	8.9	8.6	8.4	7.6	7.1	-0.23
Export %YoY	14.6	13.1	20.2	14.5	11.0	10.3	-0.16
Import %YoY	25.7	14.7	25.0	12.4	11.5	13.8	-0.07
Trade balance (USD bn)	-0.5	3.2	2.4	4.5	2.3	2.0	-0.10
CPI %MoM	0.05	0.17	0.48	0.00	0.29	0.33	-0.08
Credit %YoY	14.0	15.3	15.3	15.7	14.6	14.1	-0.23
USDVND %MoM	0.45	0.02	-0.81	-1.48	-1.24	2.91	-0.39
PMI (pts)	50.3	54.7	54.7	52.4	47.3	51.2	-0.25
VNINDEX return (%)	4.8	-1.2	0.7	2.6	0.8	-2.2	1.00

Source: SBV, GSO, Bloomberg, KIS

¹ Correlation to VNINDEX's monthly return

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

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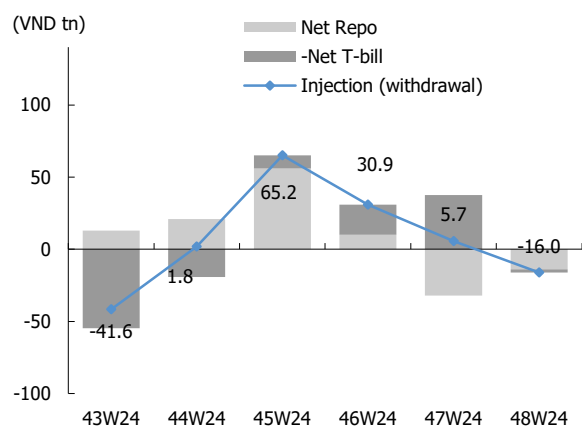
I. SBV backs to withdrawal

SBV backs to withdrawal after four consecutive weeks of net liquidity injections

In 48W24 (25 to 29 November), the SBV turns to liquidity withdrawal from the banking system after four consecutive weeks of net liquidity injections. Specifically, the SBV issued VND9.98tn in T-bills while VND7.95tn matured, resulting in a net withdrawal of VND2.03tn via this instrument. Additionally, VND54.00tn in new repo contracts were issued, while VND68.00tn matured, leading to a net withdrawal of VND14.00tn. Overall, the SBV recorded a net liquidity withdrawal of VND16.03tn from the banking system.

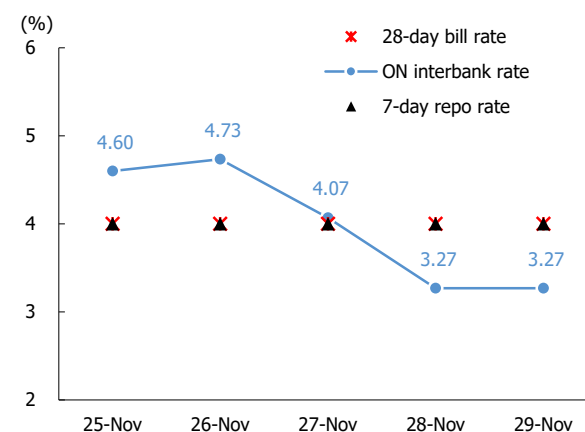
This week, the SBV's net liquidity withdrawal indicates that liquidity conditions have softened after four consecutive weeks of net injections. However, mounting exchange rate pressures remain a growing challenge, likely to pose significant hurdles for the SBV in managing its economic policy in the coming weeks.

Figure 1. Net injection (withdrawal) of liquidity



Source: SBV, KIS

Figure 2. Interest rate corridor



Source: SBV, KIS

Figure 3. Repo issuance: detail information

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
25-Nov-24	23-Dec-24	28	0.50	4.00
26-Nov-24	24-Dec-24	28	0.30	4.00
27-Nov-24	25-Dec-24	28	0.25	4.00
28-Nov-24	26-Dec-24	28	4.15	4.00
29-Nov-24	27-Dec-24	28	4.78	4.00
Total		28	9.98	4.00

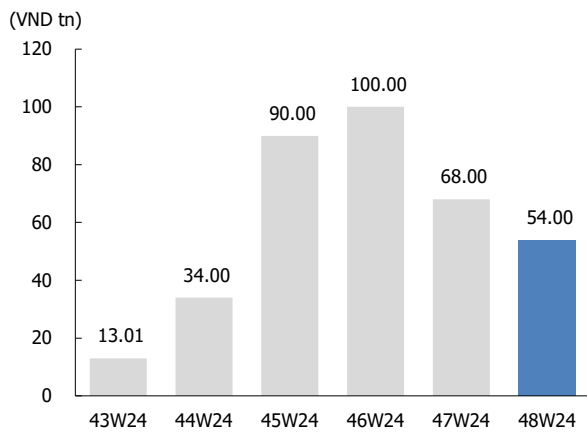
Source: SBV, KIS

Figure 4. 28-day bill issuance: detail information

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
25-Nov-24	2-Dec-24	7	20.00	4.00
26-Nov-24	3-Dec-24	7	20.00	4.00
27-Nov-24	4-Dec-24	7	10.00	4.00
28-Nov-24	5-Dec-24	7	3.00	4.00
29-Nov-24	6-Dec-24	7	1.00	4.00
Total		7	54.00	4.00

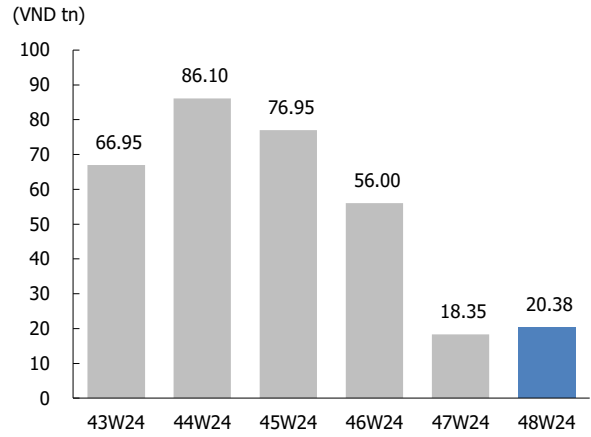
Source: SBV, KIS

Figure 5. Outstanding amount of repos



Source: SBV, KIS

Figure 6. Outstanding amount of bills



Source: SBV, KIS

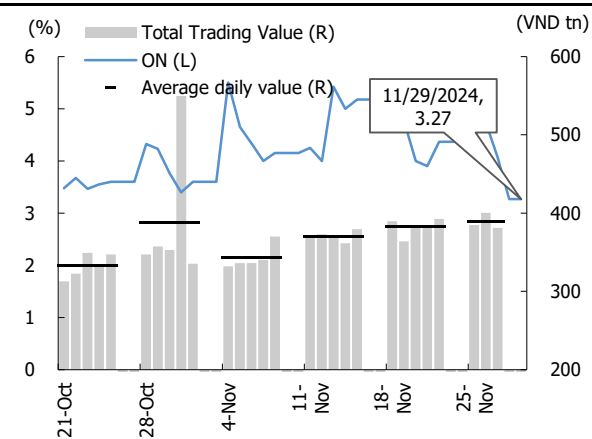
II. Interbank rates decline on short tenors

Interbank rate curve drops notably in short-tenors

In 48W24 (25 to 29 November), interbank rates continue to drop notably in short tenors while longer-term slightly rose compared to previous week. Specifically, overnight (ON), 1-week (1W), 2-week (2W), and 1-month (1M) rates decreased by 110bps, 60bps, 30bps, and 20bps, respectively, down to 3.27%, 3.80%, 4.13%, and 4.23%. In addition, 3-month (3M) rates increased by 5bps, reach to 4.55%.

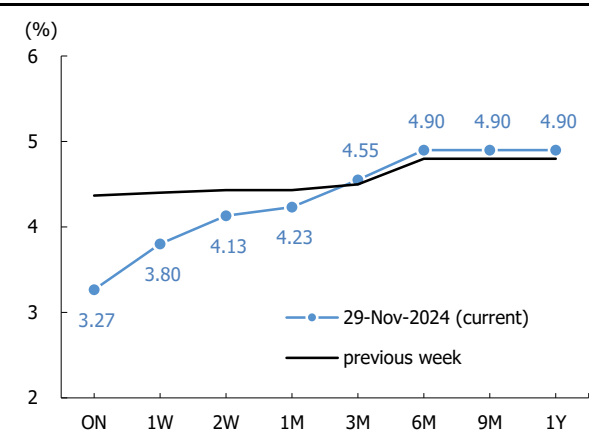
This week's interbank rate developments indicate that liquidity pressures have eased within the banking system after four consecutive weeks of net injections. In the coming weeks, we expect the interbank rate curve to fluctuate more as a credit race is anticipated in December to meet the government's 15% credit growth target. In addition, the abundant foreign currency supply in the final month of the year is likely to play a crucial role in stabilizing the exchange rate and supporting liquidity within the banking system.

Figure 7. Interbank daily transaction



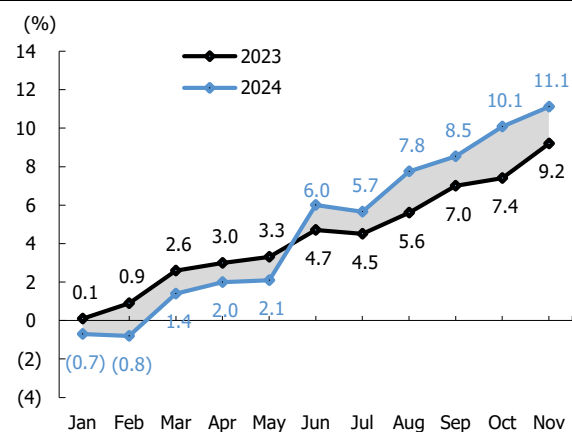
Source: SBV, Bloomberg, KISVN

Figure 8. Interbank rate curve



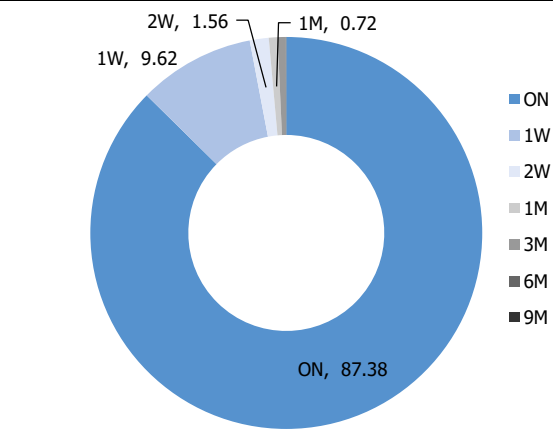
Source: SBV, Bloomberg, KISVN

Figure 9. Credit growth by month of the year



Source: SBV, Bloomberg, KISVN
Note: Updated by 20 November

Figure 10. Interbank transaction structure



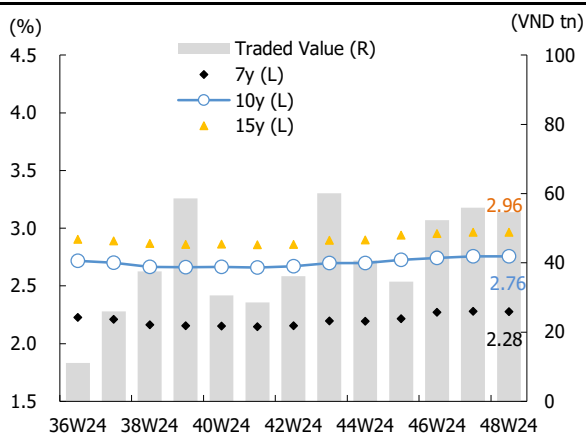
Source: SBV, Bloomberg, KISVN

III. G-bond yields remain stable

G-bond yields are mostly unchanged, but demand is gradually declining

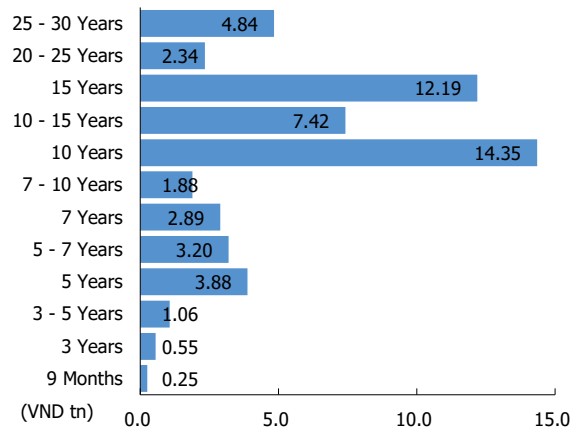
In 48W24 (25 to 29 November), government bond (G-bond) yields remained almost unchanged compared to the previous week, while trading value declined slightly. Specifically, G-bond yields across most tenors showed no change, with only the 20-year yield rising slightly by 2bps to 3.01%. The total traded value edged down to VND54.65tn, with a daily average of VND10.93tn, marking a moderate decrease of 2.25% compared to the previous week. Overall, over the past three weeks, demand has improved significantly while yields rose moderately, albeit with a slight dip in demand this week, reflecting a recovery in investor confidence in the upcoming period.

Figure 11. G-bond traded value by week



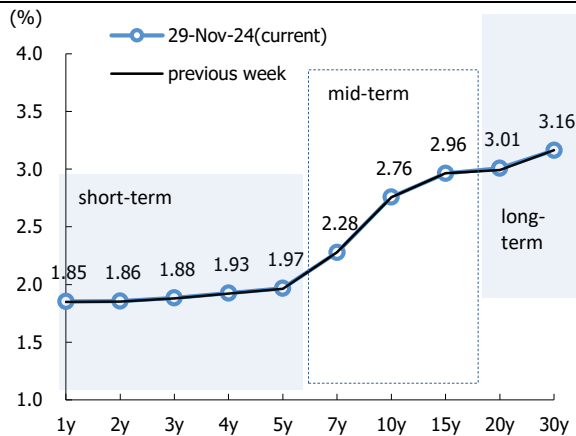
Source: HNX, Bloomberg, KIS

Figure 12. G-bond traded value by tenor



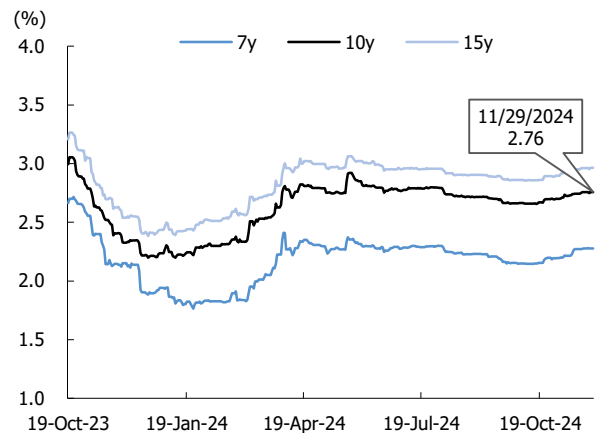
Source: HNX, Bloomberg, KIS

Figure 13. G-bond trading yield curve



Source: HNX, VBMA, KIS

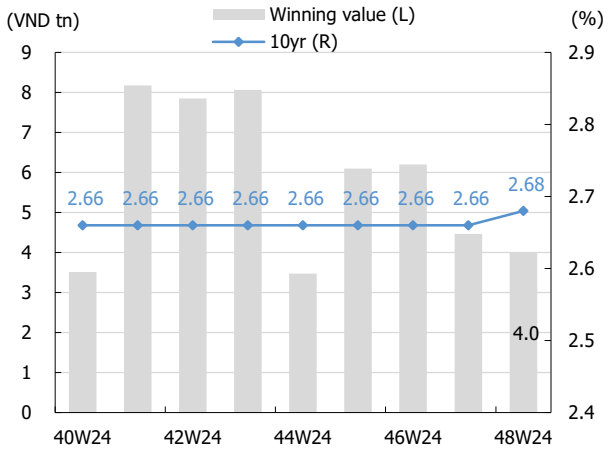
Figure 14. Historical daily government bond yields



Source: HNX, VBMA, KIS

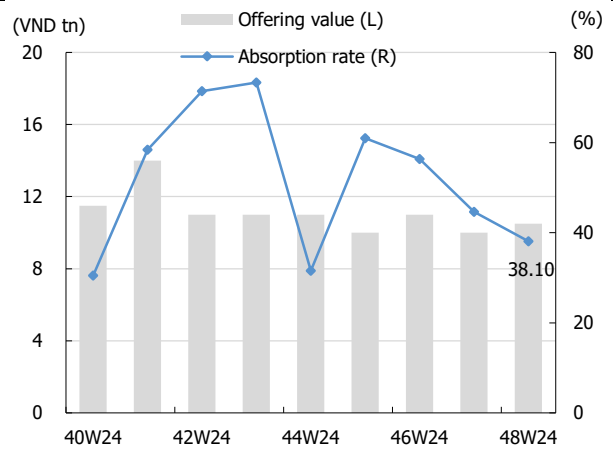
In the primary market, 48W24 showed a continuous decline in demand for the third consecutive week, with the winning yield rising slightly and the winning value continuing to decrease. Specifically, the VST successfully issued VND4.00tn this week, with the winning yield ticking up 2bps to 2.68%. To date, the VST has issued a total of VND323.50tn since the beginning of the year, achieving 80.88% of its 2024 target. This year's progress is notably faster than the same period last year, with a completion rate up by 4.56% YoY.

Figure 15. Weekly winning values



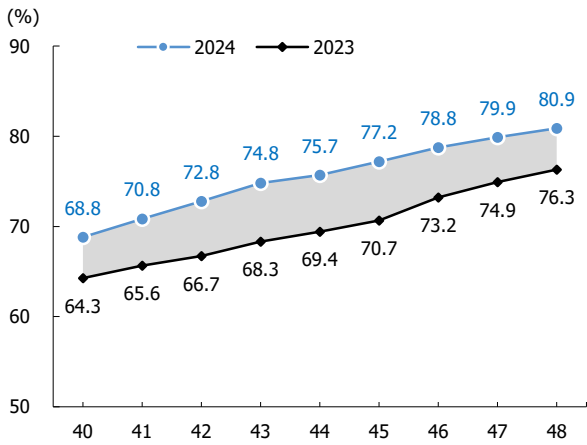
Source: HNX, KIS

Figure 16. Weekly absorption rate



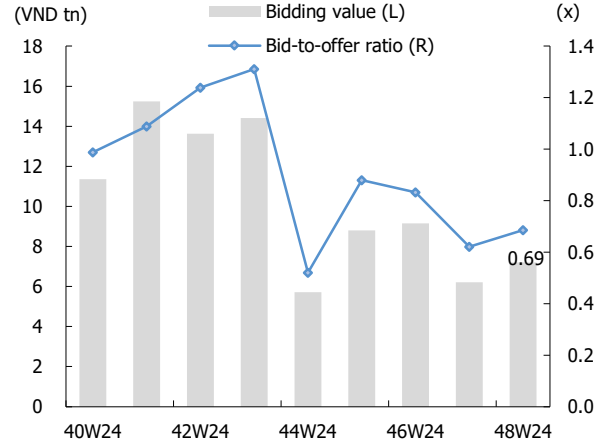
Source: HNX, KIS

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



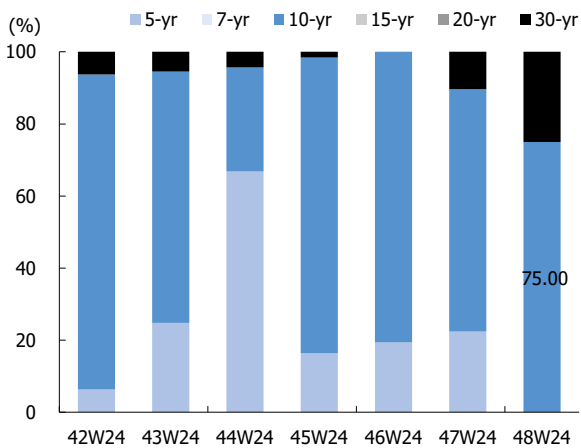
Source: HNX, KIS

Figure 18. Weekly bid-to-offer ratio



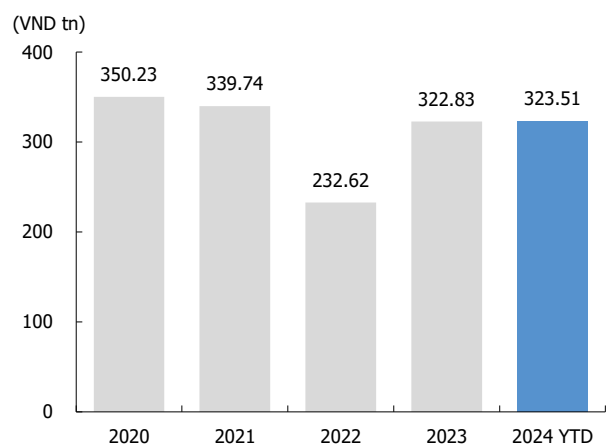
Source: HNX, KIS

Figure 19. Weekly winning G-bond structure



Source: HNX, KIS

Figure 20. Yearly issued amount of G-bond



Source: HNX, KIS

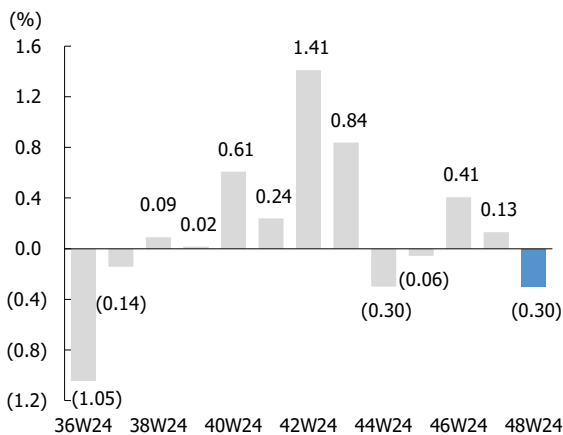
IV. USDVND pressure eased

DXY momentum halted as expectations of a more dovish stance during Trump's term emerged

In 48W24 (25 to 29 November), USDVND decreased sharply after two weeks of increase, driven by the plunge in strength of the DXY. The interbank USDVND rate dropped by 0.30%, or 76 pips from the previous week, settling at 25,346 on Friday. Globally, the DXY decreased significantly by 1.69% to 105.7 on Friday. The development of the USD's decline during the week came as the USD's momentum stalled when President-elect Donald Trump's tariff threats unsettled financial markets, and the nomination of Mr. Scott Bessent as the next U.S. Treasury Secretary pushed U.S. government bond yields lower, further heightened investor expectations that the Fed would continue to cut interest rates in its upcoming FOMC meeting, and thereby reducing the value of the greenback during the week. Domestically, after 7 weeks of net selling, foreign investors returned to net buying this week with a total of VND1.00tn or 1.6% of the weekly trading value on HOSE, contributing to easing exchange rate pressure during the week.

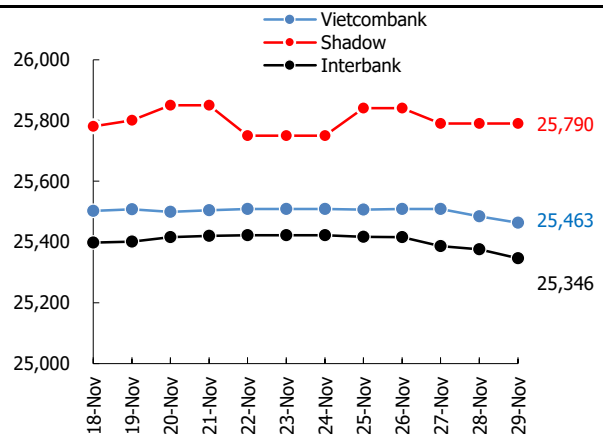
In terms of FX market developments, the ask price at Vietcombank decreased by 0.18% or 46 pips, while the shadow market increased by 0.16% or 40 pips compared to the previous week. On Friday, ask prices at Vietcombank and the shadow market were recorded at 25,463 and 25,790 per U.S. dollar, respectively.

Figure 21. Weekly USDVND performance



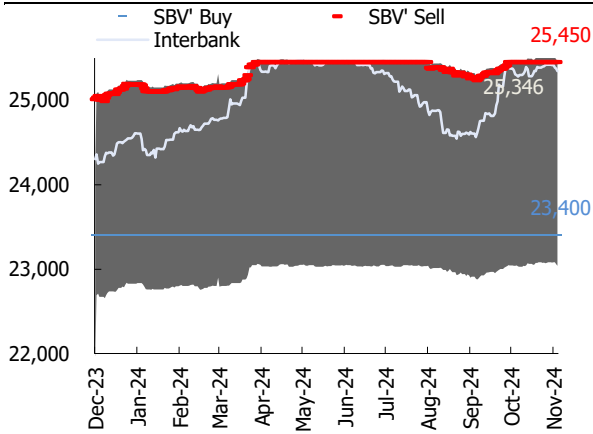
Source: Bloomberg, KIS

Figure 22. VCB & shadow market USDVND spread



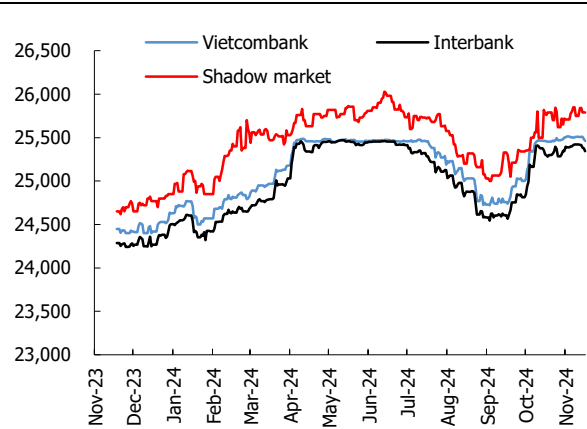
Source: SBV, Vietcombank, KIS

Figure 23. SBV's movement



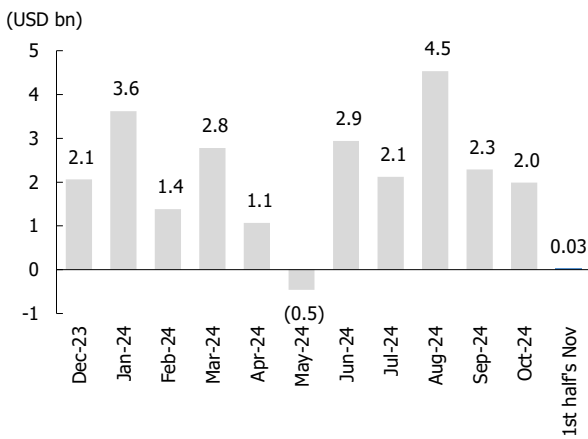
Source: SBV, Bloomberg, Fiiipro, KIS
 Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

Figure 24. USDVND by market



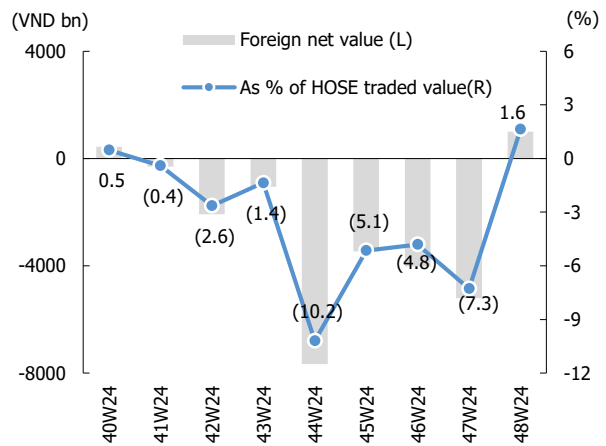
Source: SBV, Bloomberg, KIS

Figure 25. Vietnam's trade balance by month



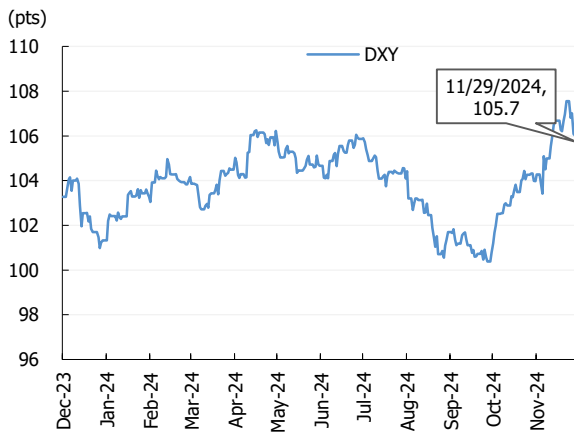
Source: GSO, KIS
 Note: Updated until 20 November, 2024

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	46W24	47W24	48W24	2024YTD
DXY	U.S. Dollar Index	1.61	0.81	-1.69	4.35
USDCNY	Managed floating	0.63	0.26	-0.02	2.07
EURUSD	Floating	-1.66	-1.16	1.53	-4.19
USDJPY	Floating	1.09	0.31	-3.24	6.19
USDKRW	Floating	0.18	0.54	-0.63	8.47
USDSGD	Basket-band-crawl	1.24	0.35	-0.53	1.45
USDTHB	Floating	2.37	-0.71	-0.79	0.47
USDVND	Managed floating	0.41	0.13	-0.30	4.45

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

Macro scorecard

	24-Jun	24-Jul	24-Aug	24-Sep	24-Oct	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)	4.13	2.82	2.53	4.26	2.48	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)	33.09	35.92	37.59	34.05	35.59	96.53	93.06	98.2	108.6	282.7	335.7	371.85	355.5
Import (USD bn)	30.15	33.80	33.06	31.76	33.60	90.17	84.98	94.0	99.7	263	331.1	360.65	327.5
Export growth (%)	10.52	19.11	14.54	10.70	10.09	8.80	16.98	13.59	15.82	7.02	18.74	10.61	-4.4
Import growth (%)	13.12	24.73	12.38	11.06	13.56	8.01	13.88	20.65	17.19	3.81	25.9	8.35	-8.9
Inflation (%)	4.34	4.36	3.45	2.63	2.68	3.54	3.77	4.39	3.48	3.24	1.84	3.15	3.25
USD/VND	25,458	25,320	24,860	24,093	25,270	24,260	24,786	25,458	24,093	23,126	22,790	23,650	23,784
Credit growth (%)	15.3	15.1	14.9	14.6	16.6	10.82	11.6	13.5	15.3	12.17	12.97	12.87	11.09
10Y gov't bond (%)	2.81	2.79	2.83	2.66	2.80	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, 2.68%
- * Absorption rate = winning value / offering value, 38.10%
- * Bid to offer ratio = offering value / bidding value, 0.69%
- * DXY = U.S. Dollar Index, ~105.7
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~3.27%

Appendix

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

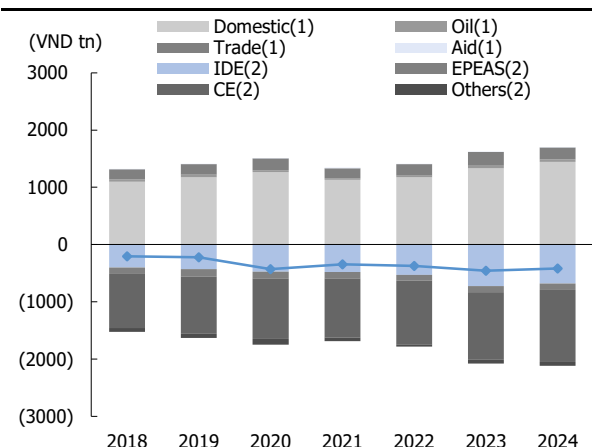
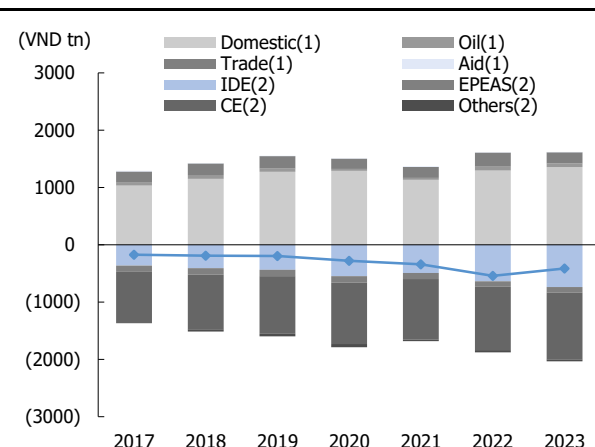


Figure 2. Vietnam's state budget by year: actual



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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