

Fixed-income Perspectives

Exchange rate pressure returns as trade war escalates

SBV withdraws liquidity at a modest level

In 16W25 (14 to 18 April), the SBV continued to minimize the impact of maturing repo contracts by conducting a net liquidity withdrawal of VND8.36tn from the banking system. Specifically, the SBV issued VND63.68tn in new repos to partially offset VND72.04tn in maturing repos.

Interbank curve flattened

This week, interbank rates declined across most tenors. The yield curve flattened as longer-term rates recorded steeper declines compared to short-term ones, accompanied by a drop in trading volume from the previous week. Specifically, the overnight, 1-week, 1-month, 3-month, 6-month, and 9-month rates fell by 8bps, 7bps, 5bps, 10bps, 5bps, and 10bps, respectively, to 3.87%, 4.03%, 4.30%, 4.50%, 4.85%, and 4.90%, while 2-week rate edged up by 2bps to 4.27%. The average trading volume stood at VND481.34tn, down 13.82% from the previous week.

USDVND surges

This week, USDVND surged 0.73% this week to 25,926, while the DXY fell for the fourth consecutive week, dropping below 100 mark. The dollar's global weakness stemmed from a broad selloff in U.S. assets amid inflation concerns, Trump's aggressive tariff measures, and Fed Chair Powell's reaffirmed focus on inflation control over rate cuts—raising fears of an economic downturn. Domestically, USDVND surged as Vietnam faces one of the heaviest U.S. tariffs, prompting stronger USD demand for hedging and import payments.

Vietnam economic indicators

	24-Oct	24-Nov	24-Dec	25-Jan	25-Feb	25-Mar	Corr. ¹
FDI %YoY	7.6	-6.7	22.1	2.0	9.1	9.8	-0.19
Retail sales %YoY	9.4	8.4	7.0	9.9	9.4	10.8	-0.17
Export %YoY	10.5	8.4	12.9	-4.0	25.7	14.5	-0.13
Import %YoY	13.8	10.4	19.0	-2.6	40.0	19.0	-0.06
Trade balance (USD bn)	2.0	1.1	0.5	3.1	-1.5	1.6	-0.12
CPI %MoM	0.33	0.13	0.29	0.98	0.34	-0.03	-0.06
Credit %YoY	16.7	16.6	15.1	16.1	15.7	16.3	-0.24
USDVND %MoM	2.91	0.25	0.55	-1.59	1.89	0.14	-0.37
PMI (pts)	51.2	50.8	49.8	48.9	49.2	50.5	-0.24
VNINDEX return (%)	-1.8	-1.0	1.5	-0.1	3.2	0.1	1.00

Source: SBV, GSO, Bloomberg, KIS

¹ Correlation to VNINDEX's monthly return

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

Contents

I. SBV withdraws liquidity at a modest level	1
II. Interbank curve flattened	3
III. USDVND surges.....	4
Macro scorecard	6
Appendix	7

Research Dept.

researchdept@kisvn.vn

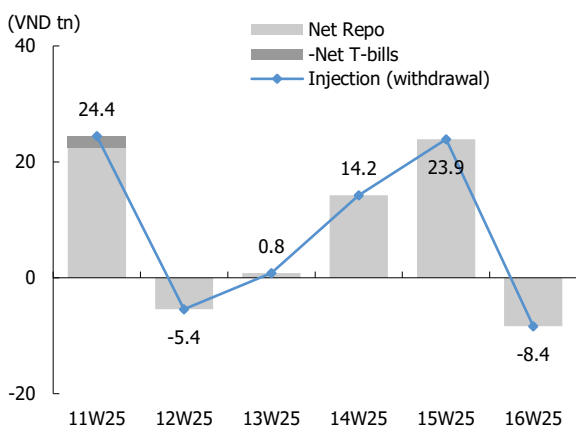
I. SBV withdraws liquidity at a modest level

SBV continues to minimize repo maturity pressure

In 16W25 (14 to 18 April), the SBV continued to minimize the impact of maturing repo contracts by conducting a net liquidity withdrawal of VND8.36tn from the banking system. Specifically, the SBV issued VND63.68tn in new repos to partially offset VND72.04tn in maturing repos.

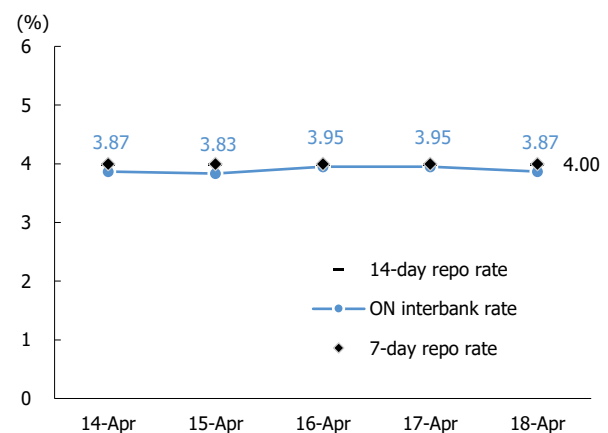
As noted in previous weeks, the SBV is expected to maintain a supportive stance toward the banking system to help stimulate economic activity and meet government targets, especially amid ongoing unfavorable macroeconomic conditions.

Figure 1. Net injection (withdrawal) of liquidity



Source: SBV, KIS

Figure 2. Interest rate corridor



Source: SBV, KIS

Figure 3. Repo transactions: 7-day tenor

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
14-Apr-25	21-Apr-25	7	4.03	4.00
15-Apr-25	22-Apr-25	7	6.80	4.00
16-Apr-25	23-Apr-25	7	6.37	4.00
17-Apr-25	24-Apr-25	7	2.20	4.00
18-Apr-25	25-Apr-25	7	6.45	4.00
Total		7	25.84	4.00

Source: SBV, KIS

Figure 4. Repo transactions: 14-day tenors

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
14-Apr-25	28-Apr-25	14	9.12	4.00
15-Apr-25	29-Apr-25	14	5.99	4.00
Total			15.12	4.00

Source: SBV, KIS

Figure 5. Repo transactions: 35-day tenor

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
14-Apr-25	19-May-25	35	4.15	4.00
15-Apr-25	20-May-25	35	1.73	4.00
17-Apr-25	22-May-25	35	1.30	4.00
Total			7.18	4.00

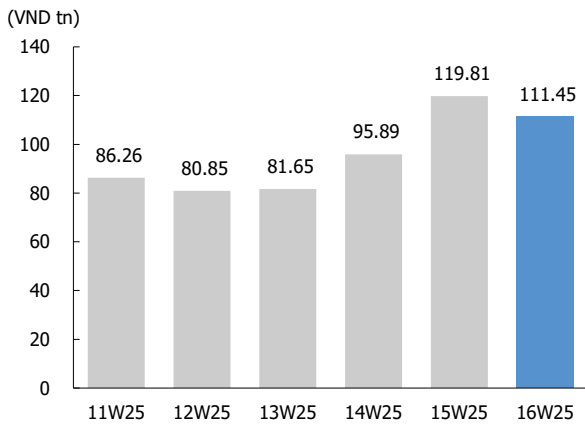
Source: SBV, KIS

Figure 6. Repo transactions: 21-day tenors

Issue date	Maturity Date	Tenor (days)	Amount (VNDtn)	Yields (%)
16-Apr-25	7-May-25	21	1.53	4.00
17-Apr-25	8-May-25	21	4.48	4.00
18-Apr-25	9-May-25	21	9.53	4.00
Total			15.54	4.00

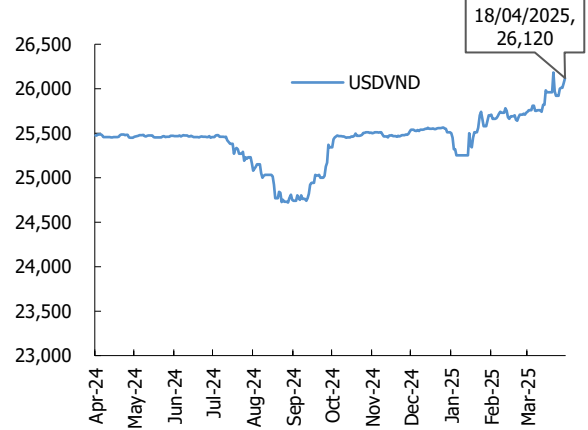
Source: SBV, KIS

Figure 7. Outstanding amount of repos



Source: SBV, KIS

Figure 8. USDVND movement



Source: SBV, KIS

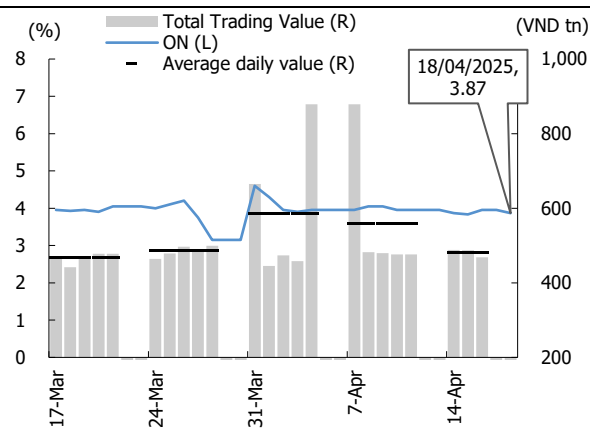
II. Interbank curve flattened

Interbank rates declined across tenors, with steeper drops at the longer end

This week, interbank rates declined across most tenors. The yield curve flattened as longer-term rates recorded steeper declines compared to short-term ones, accompanied by a drop in trading volume from the previous week. Specifically, the overnight (ON), 1-week (1W), 1-month (1M), 3-month (3M), 6-month (6M), and 9-month (9M) rates fell by 8bps, 7bps, 5bps, 10bps, 5bps, and 10bps, respectively, to 3.87%, 4.03%, 4.30%, 4.50%, 4.85%, and 4.90%, while 2-week (2W) rate edged up by 2bps to 4.27%. The average trading volume stood at VND481.34tn, down 13.82% from the previous week.

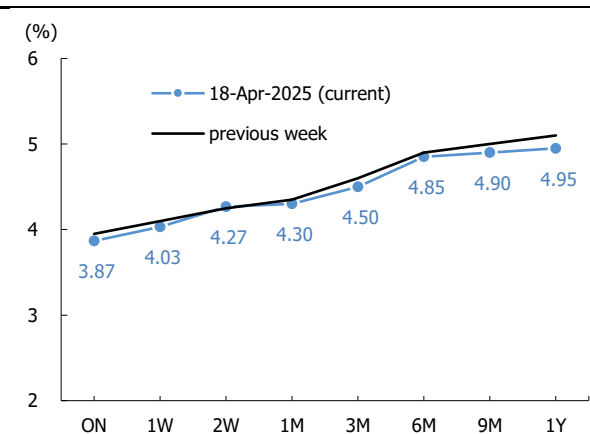
As previously noted, the SBV is minimizing rollover pressure from maturing monetary instruments, which has helped stabilize interbank rates in recent weeks. With the assumption that the SBV maintains this supportive stance, interbank rates are expected to remain steady in the near term. However, unexpected developments in global macro conditions may still pose risks to this outlook.

Figure 9. Interbank daily transaction



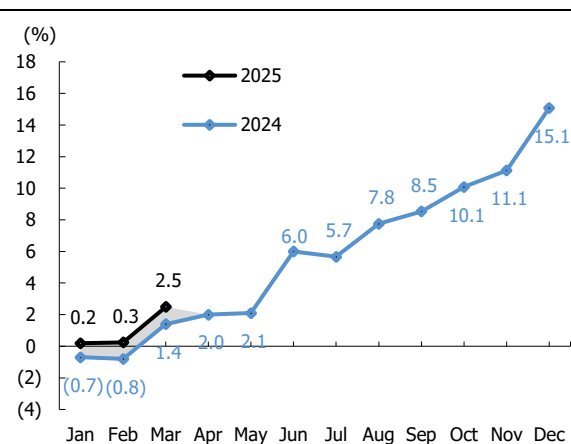
Source: SBV, Bloomberg, KISVN

Figure 10. Interbank rate curve



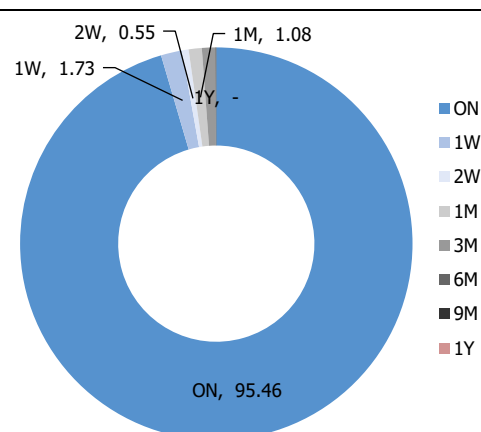
Source: SBV, Bloomberg, KISVN

Figure 11. Credit growth by month of the year



Source: SBV, Bloomberg, KISVN
Note: Updated by 25 March, 2024

Figure 12. Interbank transaction structure



Source: SBV, Bloomberg, KISVN

III. USDVND surges

U.S. dollar posted its fourth consecutive weekly decline

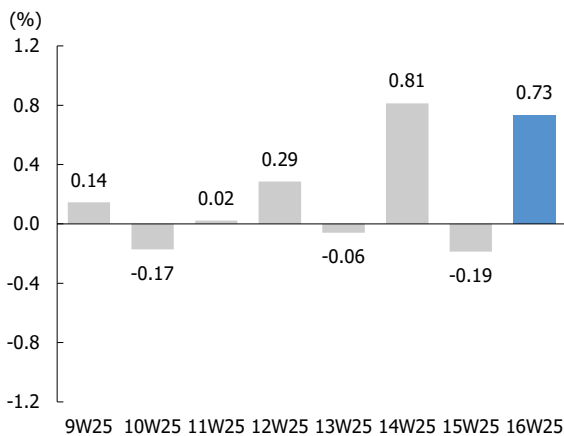
This week, USDVND surged while the U.S. dollar posted its fourth consecutive weekly decline. Specifically, the interbank USDVND rate rose by 0.73% (or 189ppts) from the previous week, settling at 25,926 on Friday.

On the global front, the DXY declined for the fourth consecutive week, falling below the 100 mark and losing 0.87% on Friday. This reflects mounting concerns over the greenback’s diminishing safe-haven appeal, amid a broad-based selloff across U.S. asset classes triggered by inflation fears and recession risks. These concerns stem primarily from former President Trump’s aggressive tariff policies, which have provoked retaliatory measures from major economies. Moreover, recent remarks by Fed Chair Jerome Powell, stressing the priority of controlling inflation rather than cutting interest rates, have intensified fears of a looming economic downturn, as U.S. businesses are now expected to face the combined pressure of elevated borrowing costs and tariffs impact.

However, USDVND surged 0.73% this week—diverging from the global trend. This reflected Vietnam’s unique position as one of the countries hardest hit by new U.S. tariffs, prompting stronger USD demand for hedging and import payments. Domestically, foreign net selling continued on the stock market with net outflows totaling VND4.81tn, equivalent to 4.33% of the week’s total trading value, and a USD1.94bn trade deficit in early April further tightened dollar liquidity.

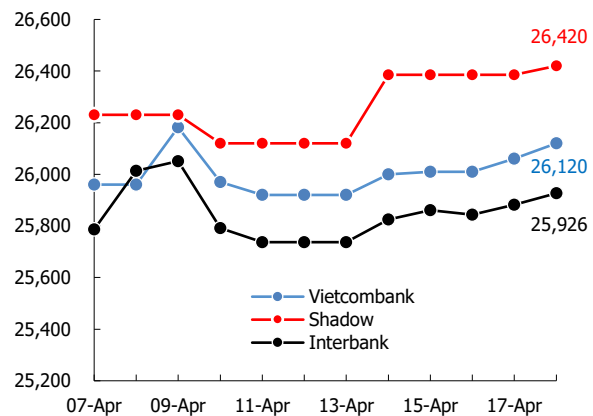
Considering FX developments across segments, the ask prices at both Vietcombank and the shadow market rose by 0.77% (200ppts) and 1.15% (300ppts), respectively, compared to the previous week. On Friday, ask prices were quoted at 26,120 and 26,420 VND per U.S. dollar.

Figure 13. Weekly USDVND performance



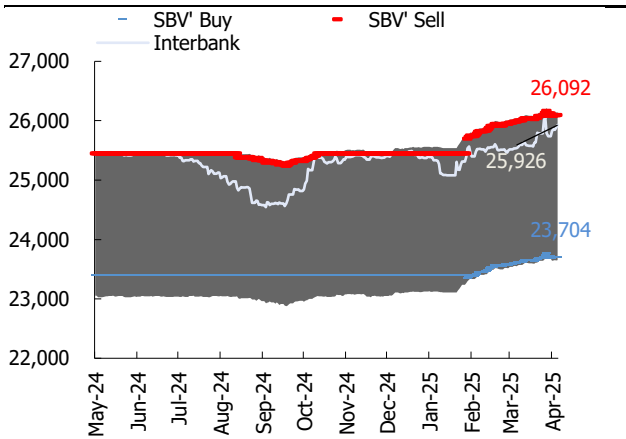
Source: Bloomberg, KIS

Figure 14. VCB & shadow market USDVND spread



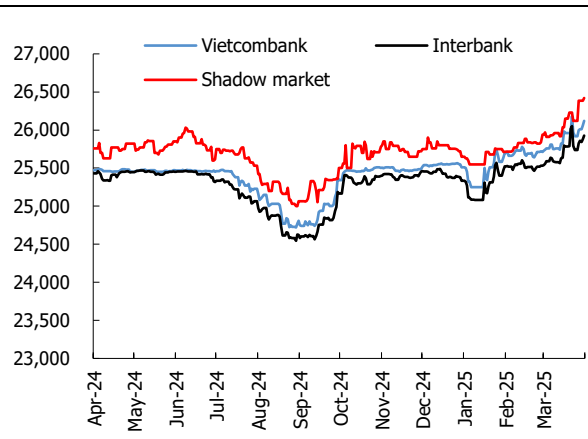
Source: SBV, Vietcombank, KIS

Figure 15. SBV's movement



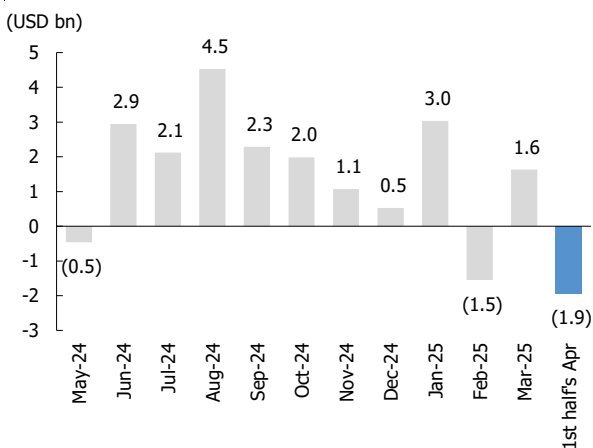
Source: SBV, Bloomberg, Fiiipro, KIS
 Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

Figure 16. USDVND by market



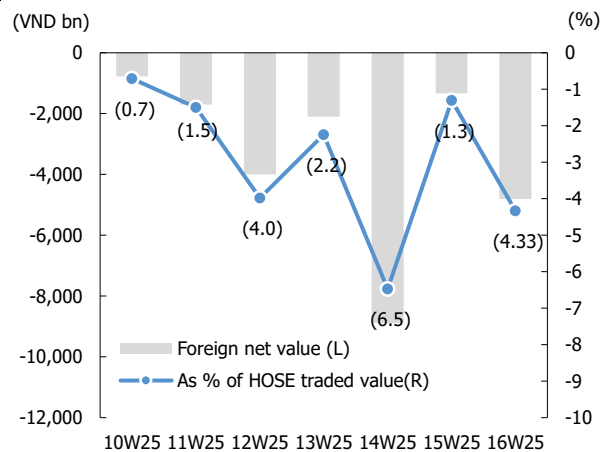
Source: SBV, Bloomberg, KIS

Figure 17. Vietnam's trade balance by month



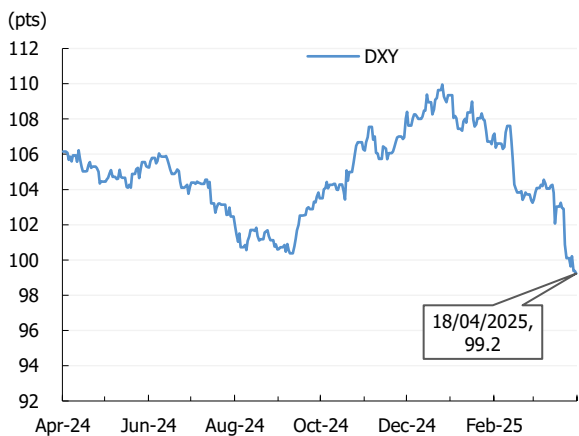
Source: GSO, KIS
 Note: Updated until 18 April, 2025

Figure 18. Trading of the foreign bloc in Vietnamese stock market



Source: Fiiipro, KIS

Figure 19. Historical DXY



Source: Bloomberg

Figure 20. Weekly change of USDVND and peers

	2024 Trade deficit (USDbn)		15W25	16W25	2025YTD
China	-295.40	USDCNY	0.14	0.10	0.01
EU	-235.57	USDEUR	-3.51	-0.33	-9.12
Mexico	-171.81	USDMXN	-0.58	-2.99	-5.03
Vietnam	-123.46	USDVND	-0.19	0.73	1.72
Canada	-73.93	USDCNY	-2.41	-0.21	-4.01
Taiwan	-68.47	USDTWD	-1.27	-0.19	-0.82
Japan	-66.01	USDJPY	-2.31	-0.95	-9.55
South Korea	-64.19	USDKRW	-2.77	0.15	-3.27
Thailand	-45.61	USDTHB	-1.67	-0.56	-1.91
DXY		U.S. Dollar Index	-2.84	-0.87	-8.53

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

Macro scorecard

	24-Nov	24-Dec	25-Jan	25-Feb	25-Mar	2Q24	3Q24	4Q24	1Q25	2021	2022	2023	2024
Real GDP growth (%)						6.93	7.43	7.55	6.93	2.58	8.02	5.05	7.09
Registered FDI (USD bn)	4.12	6.85	4.34	2.57	4.08	9.01	9.59	13.44	10.98	31.15	27.72	36.61	38.23
GDP per capita (USD)										3,725	4,110	4,285	4,479
Unemployment rate (%)						2.29	2.23	2.22	2.20	3.22	2.32	2.26	2.24
Export (USD bn)	33.73	35.53	32.15	31.11	38.51	98.2	108.6	105.9	102.84	335.7	371.85	355.5	405.5
Import (USD bn)	32.67	35.00	30.92	32.66	36.88	94.0	99.7	101.9	99.68	331.1	360.65	327.5	380.8
Export growth (%)	8.16	12.85	-4.05	25.67	14.49	13.59	15.82	11.46	10.64	18.74	10.61	-4.4	14.3
Import growth (%)	9.81	19.23	-2.32	39.99	18.99	20.65	17.19	14.91	17.03	25.9	8.35	-8.9	16.7
Inflation (%)	2.77	2.94	3.63	2.91	3.13	4.39	3.48	2.87	3.22	1.84	3.15	3.25	3.63
USD/VND	25,346	25,386	25,082	25,530	25,565	25,458	24,093	25,386	25,565	22,790	23,650	23,784	25,386
Credit growth (%)	16.6	15.1	16.1	15.7	16.3	15.3	16.1	13.8	16.3	13.61	14.2	13.7	13.8
10Y gov't bond (%)	2.76	2.94	2.99	3.18	3.06	2.81	2.66	2.94	3.06	2.11	5.08	2.39	2.94

Source: GSO, Bloomberg, FIA, IMF

**Glossary

- * DXY = U.S. Dollar Index, ~99.2
- * OMO = Open market operation
- * Tenor = due for payment
- * ON = overnight interbank interest rate, ~3.87%

Appendix

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

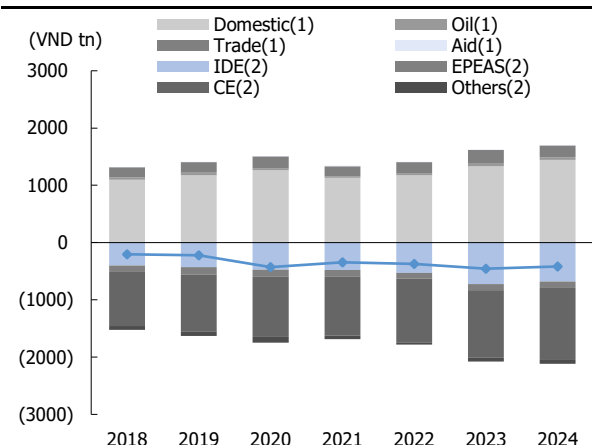
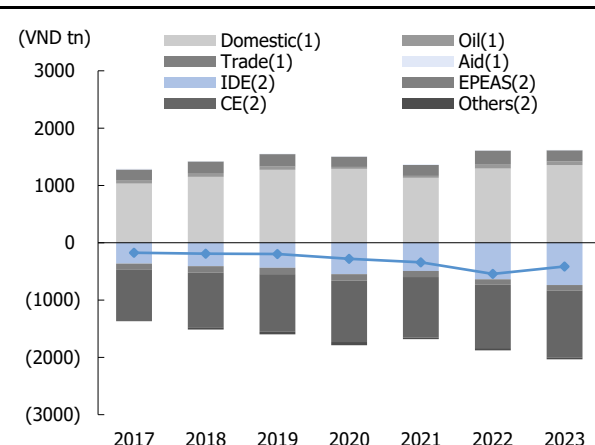


Figure 2. Vietnam's state budget by year: actual



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	2Q24	3Q24
Current account	15.1	(4.6)	(1.1)	25.1	4.5	7.8
Goods, credit (exports)	282.6	335.9	371.3	354.7	97.9	108.2
Goods, debit (imports)	251.9	318.5	345.6	310.7	89.3	94.6
Balance on goods	30.7	17.5	25.7	44.0	8.5	13.6
Services, credit (exports)	7.6	4.2	12.9	19.6	5.5	5.9
Services, debit (imports)	17.9	19.9	25.5	29.1	8.3	9.8
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	5.4	6.1
Secondary income, credit	11.4	13.6	12.2	16.1	3.8	3.9
Secondary income, debit	2.0	3.2	6.7	3.1	1.1	1.0
Financial account	(8.5)	(30.9)	(9.5)	(2.8)	(6.3)	(2.7)
Direct investment, assets	0.4	0.3	2.7	1.6	(0.1)	(0.2)
Direct investment, liabilities	15.8	15.7	17.9	18.5	5.0	5.2
Portfolio investment, assets	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.1)
Portfolio investment, liabilities	(1.3)	0.3	1.5	(1.2)	(1.6)	(0.8)
Other investment, assets	8.4	0.6	13.7	(14.3)	(5.2)	(2.6)
Other investment, liabilities	2.8	15.9	6.4	(7.4)	(4.4)	(4.2)
Net errors and omissions	(6.9)	(10.4)	(31.1)	(16.6)	(4.3)	(5.1)
Reserves and related items	16.6	15.9	(22.7)	(5.6)	6.1	(0.1)

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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