



Thematic Reports

SBV's T-bills issuance and stock market

12/03/2024



What is treasury bill issuance?

State Bank's Monetary Policy Management Tools

Monetary Policy Management Tools

- Reserve requirement
- Refinancing
- **OMOs:** SBV's T-bill, Government bonds, Government warrants,, Local government bonds
- Interest rate
- Exchange rate
- Other tools

Operational Objectives

- Reserve funds
- Interest rate
- Exchange rate

Intermediate Objectives

- Money supply
- Medium – Long term interest rate
- Exchange rate
- Desired inflation

Final Objectives

- Price stability
- Economic growth
- Creating jobs

Transmission channel:

- Exchange rate
- Interest rate
- Asset price
- Credit
- Expectation
- ...

❖ Treasury bill is one of the tools under OMOs (open market operations) for state banks to manage their monetary policy.

What is T-bill issuance?

SBV's
T-bills

Pursuant to the provisions of
Circular No.16/2019/TT-
NHNN and related
documents

1

What is T-bill?

- Circular No.16/2019/TT-NHNN: State Bank 's T-bills are short-term valuable papers issued by the SBV to implement the national monetary policy. (Click [link](#) for more details).

2

Entities participating in T-bills transactions.

- State Bank of Vietnam (SBV);
- Credit institutions having payment accounts in Vietnamese Dong at the SBV.

3

Objectives of issuing T-bills

- Short term: Regulate liquidity in the market in the short term to affect exchange rates;
- Long-term: Stabilize exchange rates, interest rates, liquidity,... to serve the long-term goals of monetary policy.

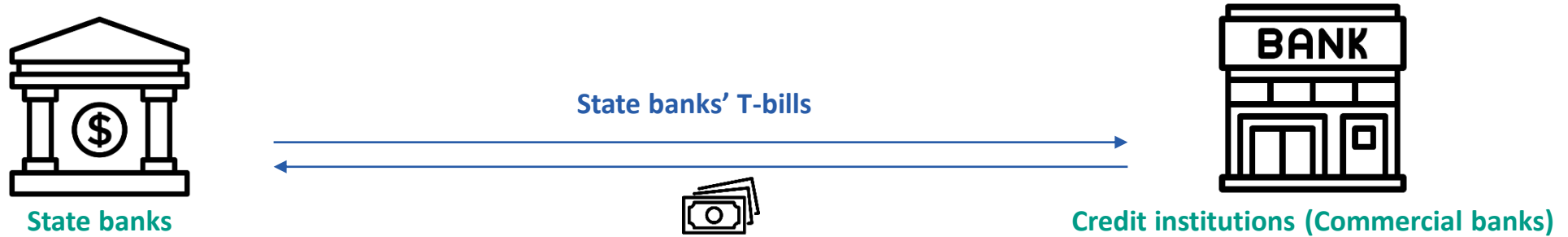
How to issue T-bills?

Issued through bidding (Vietnam is applying)

- State banks issue T-bills through open market operations (OMOs);
- State banks buy back the T-bills when they mature.

Issued by mandatory method

- Credit institutions purchase T-bills according to the decision;
- State banks may consider buying back the T-bills before maturity.



- ❖ Regulating excess liquidity in the system that credit institutions have not used;
- ❖ State banks pay interest to credit institutions holding T-bills;
- ❖ Limiting foreign currency speculation.



Issuing treasury bills in 2018-2023

Statistics on the issuance of T-bills for the period 2018 - 2023

Year	Number of issuances	Average number of days/ Issuing period	In each issuing cycle	
			Average issuing value	Largest issuing value
2023	6	17	(96,170)	(239,163)
2022	12	10	(48,873)	(191,100)
2020-2021	3	22	(37,247)	(146,989)
2019	13	10	(27,151)	(68,997)
2018	13	8	(28,792)	(120,100)

Conclusions:

- Issuing T-bills is a normal and basic operation of the State Banks.
- In Vietnam, in the period 2018 - 2023, SBV had performed this operation regularly many times in a year.
 - ✓ SBV conducted an average of 9.4 issuances per year, with an average of approximately 13.4 days per period of issuances.
 - ✓ Average issuing value per period was VND **47,647** billions.
 - ✓ Largest issuing value per period was VND **239,163** billions in 2023 (from 21/09 – 08/11/2023).

The volatility of VN-Index during the period of T-bills issuance from 2018 to 2023

Year	< VND 50,000 billion		VND 50,000 – 100,000 billion		> VND 100,000 billion		Average volatility of index (%)	Average decreasing volatility of index (%)
	No. Of issuance	Probability of VNI decreasing	No. Of issuance	Probability of VNI decreasing	No. Of issuance	Probability of VNI decreasing		
2018	9	22%	0	0%	2	50%	(1,57%)	(2,85%)
2019	11	36%	1	0%	1	-	0,91%	(0,93%)
2020	1	0%	-	-	1	100%	(2,04%)	(14,63%)
2021	-	-	-	-	-	-	-	-
2022	2	100%	1	0%	3	67%	0,01%	(3,14%)
2023	3	33%	1	0%	2	100%	(2,08%)	(5,26%)

When the net issuing volume was less than 100,000

When the net issuing volume is more than 100,000

The SBV mainly issued

billion, the VN-Index had a higher probability of

billion, the VN-Index has a higher probability of

< VND 50,000 billions per cycle

increasing

decreasing

- When the net issuing volume was <50,000 billion and <100,000 billion, the probability of VNI decreasing was 33.33%
- When the net issuing volume was > 100,000 billion, the probability of VNI decreasing was 66.67%.
- The average of VNI decreasing was 50%.

(Note: Calculation does not include figures for 2020)

The volatility of VN-Index when the net issuing volume was larger than VND 100,000 billion.

Year	From	To	No. of issuing days	Issuing volume	VN-Index				Volatility of VN-Index		
					Starting day (1)	Ending day (2)	Highest (3)	Lowest (4)	(2) : (1)	(3) : (1)	(4) : (1)
2018	22/02/2018	07/03/2018	13.00	(125,118.70)	1,076.03	1,112.26	1,121.54	1,076.03	3.37%	4.23%	0.00%
2018	11/06/2018	27/06/2018	16.00	(120,100.00)	1,039.02	968.91	1,039.02	962.16	(6.75%)	0.00%	(7.40%)
2019	12/02/2019	21/03/2019	37.00	(189,868.80)	937.54	981.78	1,011.86	937.54	4.72%	7.93%	0.00%
2020	20/01/2020	09/03/2020	49.00	(146,989.10)	978.63	835.49	991.46	882.19	(14.63%)	1.31%	(9.85%)
2022	21/06/2022	13/07/2022	22.00	(191,184.75)	1,172.47	1,173.92	1,218.10	1,149.61	0.12%	3.89%	(1.95%)
2022	18/10/2022	24/10/2022	6.00	(136,079.45)	1,063.66	986.15	1,063.66	1,019.82	(7.29%)	0.00%	(4.12%)
2022	19/12/2022	29/12/2022	10.00	(137,769.18)	1,038.40	1,009.29	1,038.40	985.21	(2.80%)	0.00%	(5.12%)
2023	03/02/2023	02/03/2023	27.00	(239,163.38)	1,077.15	1,037.61	1,089.29	1,021.25	(3.67%)	1.13%	(5.19%)
2023	21/09/2023	08/11/2023	47.00	(194,649.70)	1,212.74	1,080.29	1,212.74	1,028.19	(10.92%)	0.00%	(15.22%)
2024(*)	12/03/2024			(14,999.80)	1,235.49						
Average (**)			25	(164,547)	1,066	1,021	1,087	1,007	-4.21%	2.05%	-5.43%

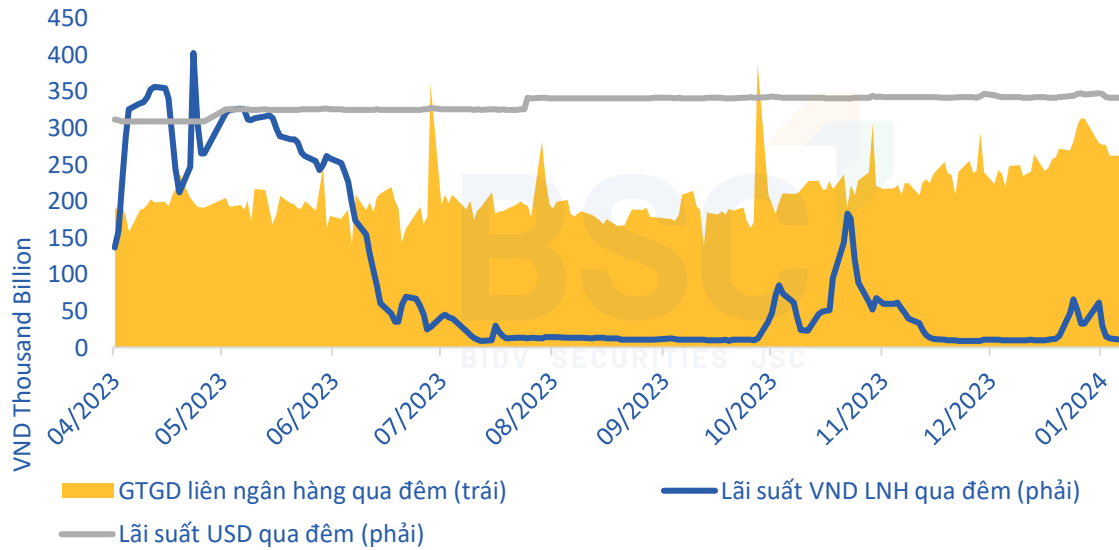
(*) The SBV started issuing bills from March 11, 2024

(**) The average value do not include figures for 2024

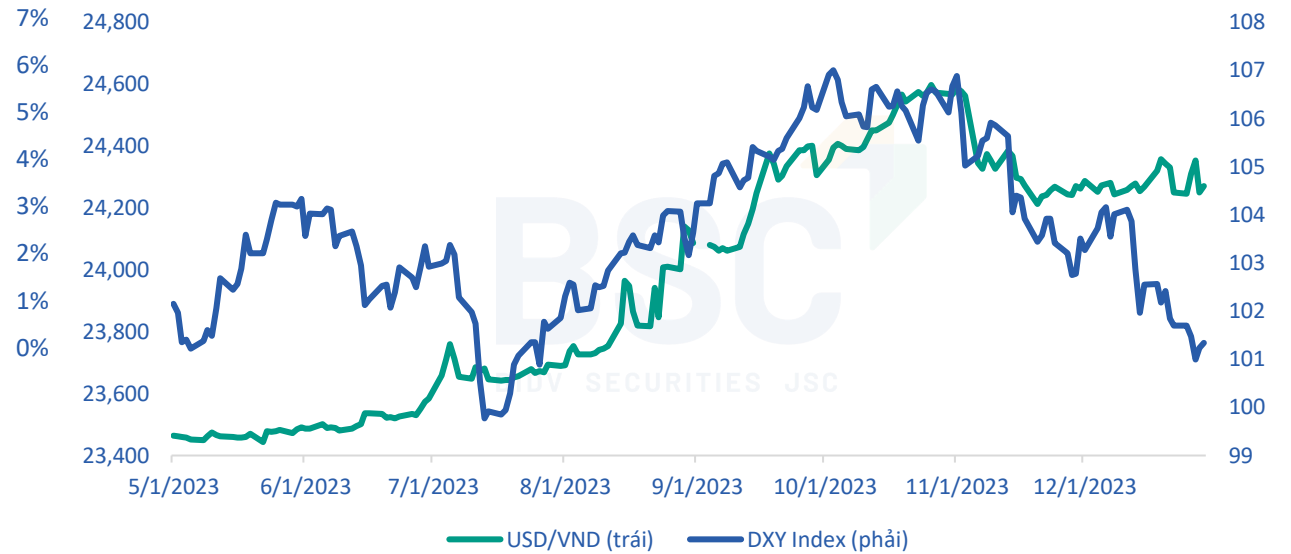


Looking back at VN-Index's reaction when the SBV issued T-bills in October 2023

The SBV issued T-bills from 21/09 to 08/11/2023



Source: FiinproX, BSC Research



Source: Bloomberg, BSC Research

Contexts:

- USD/VND exchange rate increased significantly (+3.48% from the beginning of 3Q/2023 to 21/9/2023), DXY Index +1.74%;
- Excess system liquidity: Citad balance ~ VND 400 trillion (compared to RR at about VND 280 trillion);
- Interbank interest rate was low from July 2023, at <1%.

SBV's actions:

- Issued T-bills from 21/9 to 8/11/2023, net issuing of VND 194,649.7 billion during this period;
- Continued to maintain expansionary monetary policy.

Results:

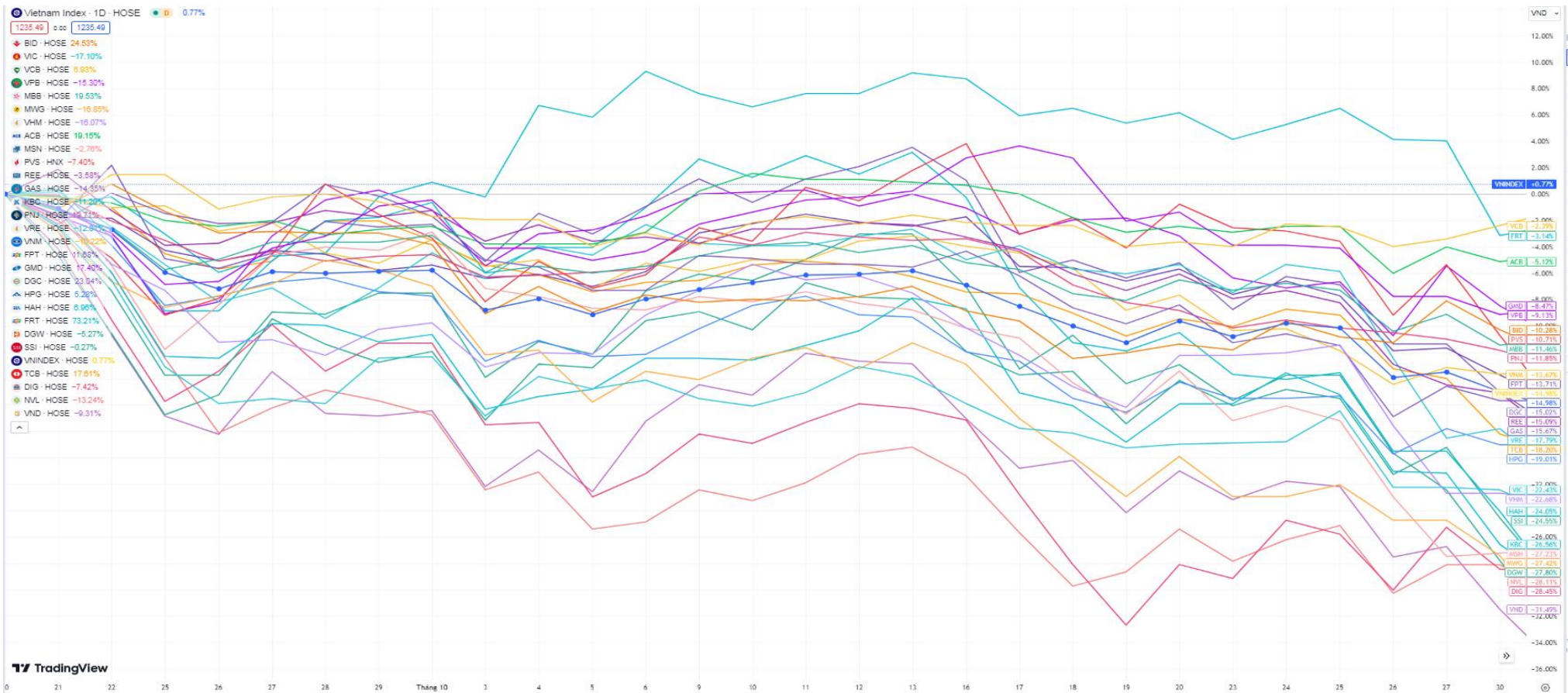
- Exchange rate decreased by -0.29% from 21/9 to 8/11/2023 and continued to maintain this downtrend to the end of November, 2023;
- Overnight interbank interest rate increased sharply by more than 2% from 21/9 to 25/10/2023 - responding to the withdrawal of SBV, but quickly decreased again.

The fluctuation of industries when the net issuing volume was greater than 100,000 billion

Industries	7/03/2018	27/06/2018	21/03/2019	13/07/2022	24/10/2022	29/12/2022	2/03/2023	7/11/2023	Average
Telecommunication	-2.80%	-3.29%	43.00%	22.94%	-11.33%	-7.69%	-3.20%	2.26%	4.99%
Tourism and Entertainment	4.19%	-6.02%	0.50%	1.86%	-3.89%	0.30%	-4.14%	-1.67%	-1.11%
Medical	-2.46%	-3.69%	13.78%	2.46%	-0.41%	1.10%	1.03%	-4.50%	0.91%
Bank	3.76%	-8.49%	4.74%	5.96%	-5.71%	-0.97%	-0.69%	-4.66%	-0.76%
Automobile	-1.22%	-8.57%	7.49%	8.57%	-6.43%	3.22%	-2.77%	-5.18%	-0.61%
Industrial goods and services	4.84%	-2.00%	1.87%	1.71%	-3.13%	-0.90%	-2.52%	-6.02%	-0.77%
Insurance	-0.84%	-10.75%	1.53%	5.21%	-6.01%	-0.14%	-0.92%	-7.30%	-2.40%
Electricity, water & gasoline	5.03%	-4.33%	6.21%	-8.94%	-1.58%	0.91%	0.75%	-7.34%	-1.16%
Media	5.45%	-0.48%	5.65%	-9.95%	-4.58%	-1.67%	44.14%	-7.48%	3.88%
IT	4.31%	-6.03%	2.38%	-5.59%	-5.27%	-0.09%	-0.57%	-8.63%	-2.43%
Personal & household goods	-0.73%	-8.30%	5.76%	-3.22%	-5.26%	-0.40%	-0.77%	-8.72%	-2.71%
Basic materials	1.17%	-5.77%	7.65%	6.24%	-11.37%	-7.50%	-1.35%	-10.78%	-2.72%
Food and beverage	0.96%	-4.44%	0.66%	-1.67%	-5.31%	0.48%	-3.85%	-10.85%	-3.00%
Construction & Materials	0.32%	-9.85%	4.90%	6.55%	-10.36%	-3.24%	-0.10%	-11.01%	-2.85%
Oil	8.56%	-4.33%	3.60%	-11.30%	-11.53%	-2.73%	3.65%	-11.92%	-3.25%
Chemical	0.37%	1.12%	14.78%	-4.65%	-11.92%	-6.45%	-6.13%	-13.66%	-3.32%
Real estate	7.40%	-4.95%	7.68%	-1.24%	-7.09%	-3.16%	-8.76%	-15.51%	-3.20%
Financial services	5.36%	-9.38%	5.02%	15.08%	-13.31%	-9.08%	-4.96%	-17.76%	-3.63%
Retail	-3.48%	-4.29%	1.09%	-11.83%	-11.63%	-7.24%	-11.15%	-20.21%	-8.59%



Price movements of some stocks from 21/09/2023 to 31/10/2023



VHM	-13.67%
FPT	-13.71%
VNINDEX	-14.98%
DGC	-15.02%
REE	-15.09%
GAS	-15.67%
VRE	-17.79%
TCB	-18.20%
HPG	-19.01%
VIC	-22.43%
VHM	-22.68%
HAH	-24.05%
SSI	-24.55%
KBC	-26.56%
MSN	-27.23%
MWG	-27.42%
DGW	-27.80%
NVL	-28.11%
DIG	-28.45%
VND	-31.49%
	-32.00%

Compare two periods of SBV issuing bills in 2023 and 2024

	21/09/2023-08/11/2023	From 11/03/2024
Highest VN-Index	-15.22%	
Most fluctuated industries	Retail, Financial services, Retail ...	
Information on T-bills issuance		
Reasons for the issuance	Exchange rate grew significantly due to : (1) Interest rate difference in VND and USD; (2) DXY-Index increased as Fed applied contractionary monetary policy (DXY 107); (3) Contrast views on monetary policy management between the US (tightening) and Vietnam (loosening) and there was a cash flow into USD.	Exchange rate grew significantly due to : (1) Interest rate difference in VND and USD; (2) DXY-Index increased (But still at low level of 102.8); (3) The Fed signaled to postpone the time of lowering interest rate from the first quarter to the second quarter of 2024.
Volume (VND billion)	194,649.7	14,999.8 (11/03/2024), about 100,000 – 150,000 billion based on historical data
Term (days)	28	28
Average interest rate	1.13%	1.40% Forecast: The average interest rate of this issuance is at 1.0%-1.3%
Domestic macro information		
USD/VND exchange rate	21/09/2023: 24,303 – Free market: 24.379	11/03/2024: 24,647 - Free market: 25,700
% USD/VND growth before T-bill issuance	1/6-21/9/2023: +3.48%	20/11-11/3/2024: +1.8%
% USD/VND fall after the issuance	2/11-20/11/2023: -1.48%	
Average overnight interbank interest rate	0.92%	1.17%
Credit growth %YTD	29/9/2023: 6.9%	16/02/2024: -1.0%
CPI	T9/2023: +3.16% YoY - T10/2023: 3.2% YoY	T2/2024: +3.98% YoY
Domestic event	SBV issued T-bills from 21/09/2023	SBV issued T-bills from 11/03/2024
(*) SBV's T-bill issuing volume in 11/03/2024		

On T-bills issuance

- The issuance of T-bills is one of the market regulation tools and is an activity that has always been performed by the SBV.
- In the period 2018 – 2023, SBV mainly had a net issuing volume of less than 50 trillion per period.
- The SBV's T-bills issuance in 2023 was mainly aimed at stabilizing the exchange rate.
- The reopening of T-bills issuance by the SBV from March 12, 2024 has some similarities and differences compared to the period September-November 2023. ([Click link for more detail](#)).

On security market:

- If the net issuing volume is low, the stock market's movement is not clear, showing that this information does not have a material influence.
- When the net issuing volume is 100,000 billion-150,000 billion, VN-Index has a high probability of decreasing; especially on the industries including Retail, Financial Services, Real Estate, Chemicals...

Investors should pay attention to these factors:

- Exchange rate (including exchange rate on free market), DXY;
- Net absorption scale, issuance interest rate, and overnight interbank interest rate;
- Industries that have strong decline in the past, serve as an indicator of the level of impact on the stock market, if any.

Conclusion: The issuance of treasury bills is a professional activity, a regulatory tool and has no implication of policy reversal. BSC recommends that investors should not be too concerned, but should monitor and objectively evaluate market information to have appropriate investment strategies.

Khuyến cáo sử dụng

Bản báo cáo này của Công ty Cổ phần Chứng khoán BIDV (BSC). Báo cáo này không được xây dựng để cung cấp theo yêu cầu của bất kỳ tổ chức hay cá nhân riêng lẻ nào hoặc các quyết định mua bán, nắm giữ chứng khoán. Nhà đầu tư chỉ nên sử dụng các thông tin, phân tích, bình luận của Bản báo cáo như là nguồn tham khảo trước khi đưa ra những quyết định đầu tư cho riêng mình. Mọi thông tin, nhận định và dự báo và quan điểm trong báo cáo này được dựa trên những nguồn dữ liệu đáng tin cậy. Tuy nhiên Công ty Cổ phần Chứng khoán BIDV (BSC) không đảm bảo rằng các nguồn thông tin này là hoàn toàn chính xác và không chịu bất kỳ một trách nhiệm nào đối với tính chính xác của những thông tin được đề cập đến trong báo cáo này, cũng như không chịu trách nhiệm về những thiệt hại đối với việc sử dụng toàn bộ hay một phần nội dung của bản báo cáo này. Mọi quan điểm cũng như nhận định được đề cập trong báo cáo này dựa trên sự cân nhắc cẩn trọng, công minh và hợp lý nhất trong hiện tại. Tuy nhiên những quan điểm, nhận định này có thể thay đổi mà không cần báo trước. Bản báo cáo này có bản quyền và là tài sản của Công ty Cổ phần Chứng khoán BIDV (BSC). Mọi hành vi sao chép, sửa đổi, in ấn mà không có sự đồng ý của BSC đều trái luật. Bất kỳ nội dung nào của tài liệu này cũng không được (i) sao chụp hay nhân bản ở bất kỳ hình thức hay phương thức nào hoặc (ii) được cung cấp nếu không được sự chấp thuận của Công ty Cổ phần Chứng khoán BIDV.

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