

FX risk tilt to the upside

- SBV's net injection helped interbank interest rates fluctuate within the range of 3.2% - 4.6% throughout the month.
- Although the DXY declined sharply during the month, the interbank USD/VND exchange rate remained at a high level, ending the month at 25,563 VND/USD (+0.4% compared to the beginning of the year).
- We expect deposit rates to range between 5.5% - 6% by the end of 2025.

Dollar Index hit a 5-month low as growth concerns bite

US Dollar dipped as tariff turmoil fuelled unease over the economic slowdown

The DXY had been dropping drastically during the month, and even hit a five-month low of 103.2 on March 18, as cracks began to emerge in the economy: Core PCE in February rose by 0.4% over the month, pushing the 12-month inflation rate to 2.8%. The unemployment rate rose to 4.1%, while the manufacturing sector weakened with the ISM PMI dropping to 49 in March. Consumer spending remained moderate in February, but consumers appeared to be more tactical and cautious in their spending habits due to concerns over sluggish growth and high inflation. Thus, the FOMC decided to maintain its key interest rate within a range of 4.25% - 4.5% and downgraded its outlook for economic growth while raising its inflation projections. Officials now anticipate the economy to expand at just 1.7% this year, while core inflation is expected to grow by 2.8% yoy. Despite the gloomy economic outlook, President Trump continues to escalate geopolitical tensions by announcing that China would face an additional 10% tariff, and all imported vehicles and auto parts would face a 25% tariff. In response, several countries, such as China and Canada, have taken various retaliatory measures, further adding to the tariff-related tensions. Facing this, US consumer confidence plunged to its lowest level in more than four years in March, as concerns over the impact of trade policies - particularly tariffs - continued to rise. Thus, the Dollar depreciated by 3.3% over the month, reaching 104.1 by month-end.

The exchange rate remained elevated despite a weakened USD

Despite the sharp depreciation of the USD throughout the month, the USD/VND interbank exchange rate remained elevated, fluctuating between 25,480 and 25,600 VND/USD in March. Although external pressures eased, strong domestic demand continued to exert upward pressure on the exchange rate. In March, the State Treasury announced plans to purchase US dollars from commercial banks, with a maximum total value of USD 730mn. This move tightened USD supply, adding further pressure on the exchange rate. As a result, the interbank exchange rate remained virtually unchanged from the previous month, reaching 25,563 VND/USD by the end of March (+0.4% compared to early 2025). Meanwhile, the free-market rate climbed to 25,910 VND/USD, while the central rate stood at 24,837 VND/USD, marking increases of 0.6% and 2%, respectively, from the start of the year.

We expect the exchange rate to fluctuate in the range of 25,500 – 26,000 VND/USD in 2025 as the new administration's plans for fiscal easing, combined with stricter immigration policies, along with high interest rates in the U.S. compared to other economies and the relatively high protectionism of the United States, is expected to support for a surge in the value of the USD. However, the VND is expected to receive support from a narrowing interest rate gap between

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the VND and USD. While the overnight USD interest rate was 1.6% – 5.2% higher than the VND during the first three months of 2024, this gap has narrowed to just 0.2% – 1.2% in the first three months of 2025. Additionally, factors such as a positive trade surplus (~US\$1.47bn in 2M25), disbursed FDI (US\$2.95bn, +5.4% yoy), and a rebound in international tourist arrivals (+30.2% yoy in 2M25) are expected to continue supporting the VND.

Deposit rates slid markedly following PM's directive

Interbank rates fluctuate within the range of 3.2% - 4.6% throughout the month

In March, the SBV issued nearly VND 2tn worth of 7-day T-bills, with interest rates ranging from 3.1% to 3.2%, and suspended the operation on March 5. At the same time, after several months, the SBV has resumed using long-term OMO contracts with maturities of 28, 35, and 91 days during the month. This move reflects a shift toward providing longer-term liquidity support to the banking system, especially as deposit rates are declining following the Prime Minister's directive, which could impact deposit inflows. Specifically, during the month, the central bank injected approximately VND 253.5tn through the OMO channel at an interest rate of 4% for 7- to 91-day tenors. As a result, the SBV conducted a net liquidity injection of around VND 30.9tn in March.

Throughout March, overnight interbank rates remained relatively stable, fluctuating between 4% and 4.6%. However, thanks to the SBV's net injection efforts, interbank interest rates sharply decreased from 4.6% at the end of February to 3.2% on March 28th. By month-end, the overnight rate stood at 4.6%, while rates for tenors ranging from one week to one month hovered around 4.7%.

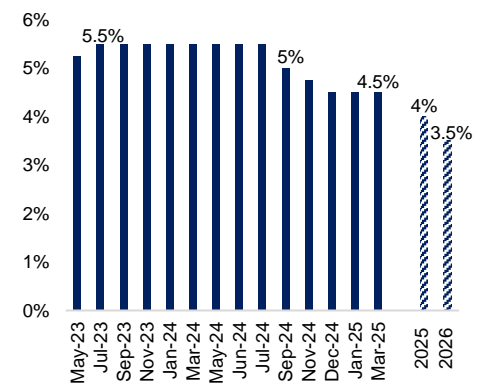
Deposit rates are on the verge of declining

In compliance with the Prime Minister's decisive directives, deposit interest rates have dropped significantly, with 25 banks simultaneously reducing rates by 0.1% to 1.05% per year across various tenors. Among state-owned banks, the average short-term interest rate has decreased by 7bps compared to the end of February, but the average 12-month deposit rate remained unchanged at 4.7%. Meanwhile, interest rates at private commercial banks have fallen across both short-term and long-term tenors. By the end of March, the average 12-month deposit rate at commercial banks had decreased by 9bps from the end of February, reaching 4.96%. Therefore, this has contributed to lowering lending rates, which helps support economic growth. According to the Director of the Monetary Policy Department at the SBV, the average lending rate has decreased by 0.6% in the first three months of this year.

We expect deposit rates to stay at 5.5% - 6% by the end of 2025

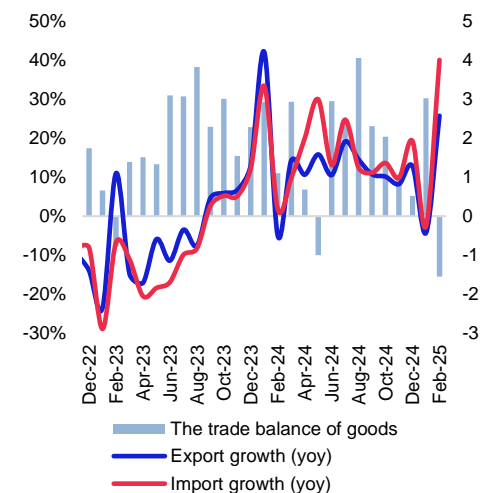
Although deposit rates have been on a downward trend following the PM's directive, we believe that input rates will gradually increase toward the end of 2025, driven by expectations of positive economic growth and credit growth. As of March 25th, credit growth had increased by 2.5% compared to the end of 2024, indicating a recovery in capital demand. We expect credit growth will reach 17 – 18% in 2025, driven by the recovery of the manufacturing sector and domestic consumption amid rising demand, as well as the acceleration of public investment disbursement. Therefore, we anticipate that the average 12-month deposit rates of large commercial banks will fluctuate within the range of 5.5% – 6% by the end of 2025.

Fed kept interest rates unchanged at 4.5% in the March meeting



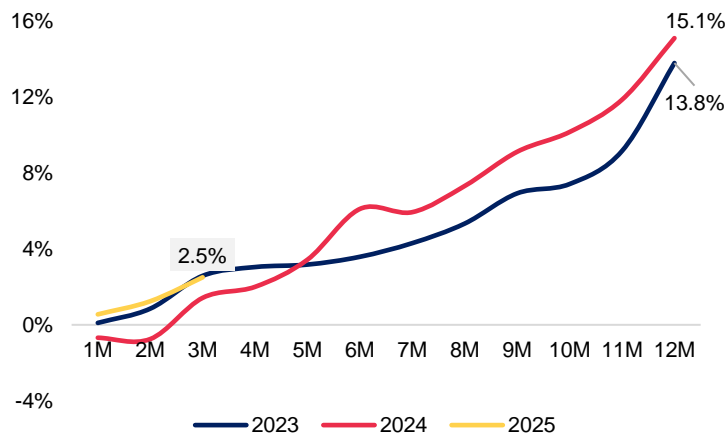
Source: Bloomberg, MBS Research

Import-export growth and monthly trade



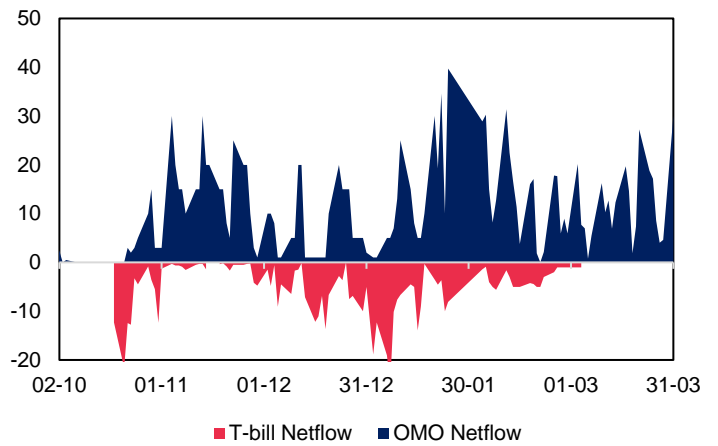
Source: GSO, MBS Research

Figure 1: Credit growth (% ytd)



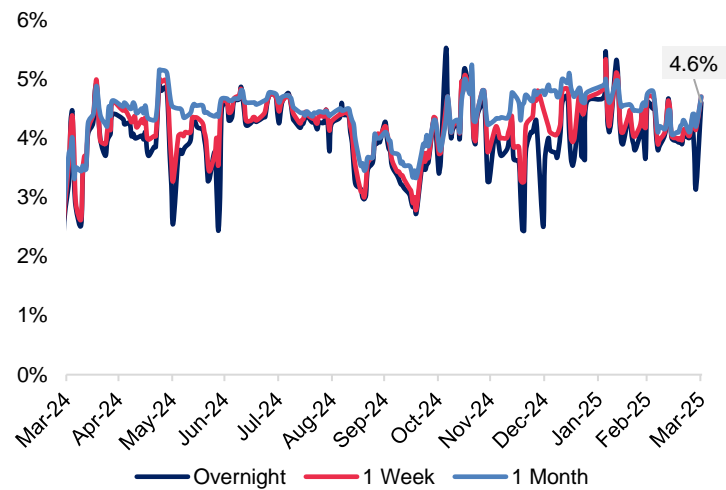
Source: Bloomberg, MBS Research

Figure 2: SBV's Open Market Operation (Liquidity) [VND tn]



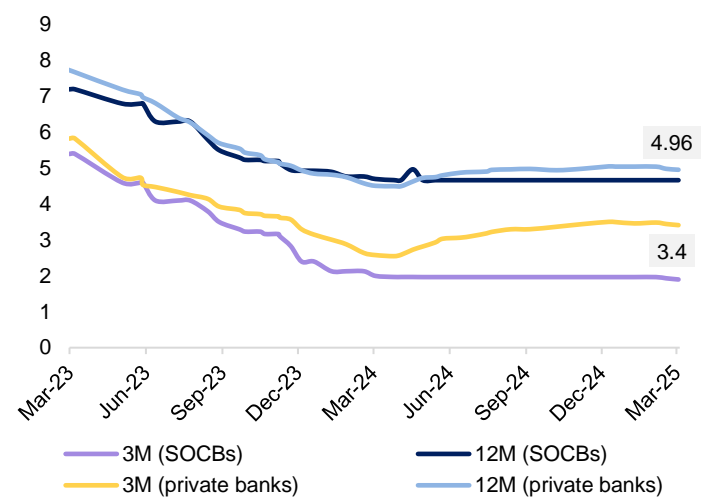
Source: SBV, MBS Research

Figure 3: Interbank lending rate in tenors (%)



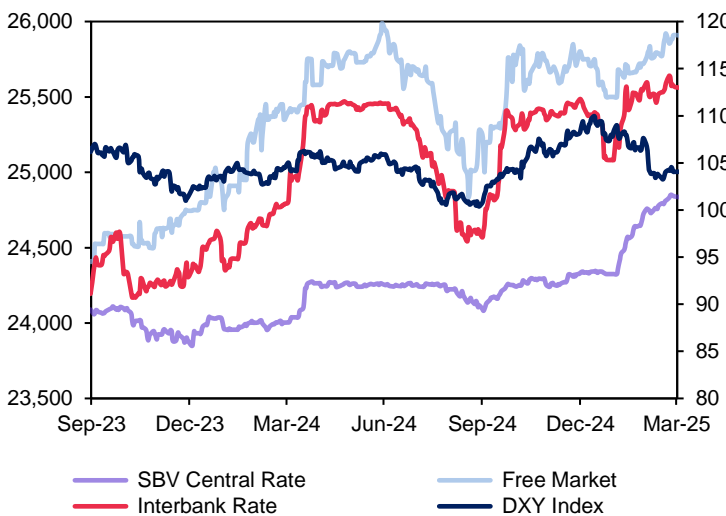
Source: Bloomberg, MBS Research

Figure 4: Commercial banks deposit rate (%)



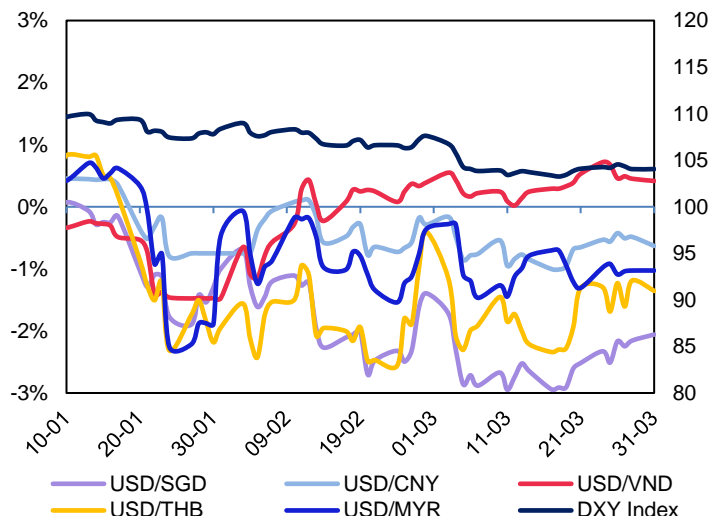
Source: Banks, MBS Research

Figure 5: VND/USD exchange rate



Source: Bloomberg, MBS Research

Figure 6: Regional currencies performance against USD



Source: Bloomberg, MBS Research

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ADD	The stock can generate a profitability of 15% or more
HOLD	The stock can generate a profitability of between -15% and 15%
REDUCE	The stock can generate a loss of 15% or more

Sector rating

POSITIVE	Industry stocks have Add recommendations on a weighted market capitalization basis
HOLD	Industry stocks have Hold recommendations on a weighted market capitalization basis
NEGATIVE	Industry stocks have Reduce recommendations on a weighted market capitalization basis

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