

Deposit interest rate decline comes to a halt

- The interbank rate hit a 15-month low of 1.3%, before surging to 7% by the end of the month - the highest level since October 2022.
- We anticipate that the average 12-month deposit rates of large commercial banks will reach 4.7% by the end of 2025.
- We expect the exchange rate to fluctuate in the range of 26,600 – 26,750 VND/USD by year-end, representing a year-to-date increase of 4.5% - 5%.

The interbank exchange rate continued to break records

The DXY marked its worst half-year in more than 50 years

Kicking off June at 98.7, the DXY plunged 2.5%, marking its worst first-half since 1973 with a 12% drop. On the economic front, the picture is mixed: the resilient labor market saw unemployment rate fall to 4.1% in June, manufacturing PMI soared to a 3-year high of 52.9, but retail sales dipped 0.9% mom in May. Notably, inflationary pressures remained persistent, with the inflation rate drifting further from the 2% target as the PCE went up to 2.3% yoy in May. Consequently, the Fed opted to hold interest rates steady while lowering its US GDP growth forecast for the year to 1.4% and projecting inflation at 3%. Strikingly, the Fed Chair revealed that a July rate cut isn't off the table if the labor market shows signs of weakening beyond expectations. On the tariff front, by the end of June, only Vietnam, China, and the UK had secured trade agreements with the U.S., with the 90-day tariff suspension deadline looming, heightening fears of tariff impacts and exerting further downward pressure on the DXY. By the end of June, the dollar slumped to a three-year low of 96.6, a level not seen since March 2022 - a dramatic fall for the world's traditional safe-haven currency.

The interbank exchange rate continued to break records throughout June

Despite the USD's sharp decline, the USD/VND exchange rate continued to rise, indicating that pressure largely stemmed from domestic market dynamics. In June, the State Treasury announced plans to purchase USD from commercial banks, with a maximum total value of USD 300mn, thereby raising the total USD purchased since the beginning of the year to nearly USD 1.9bn (close to the USD 2.1bn bought in 2024), tightening USD supply. Furthermore, the VND-USD interest rate gap widened in June, with the overnight interbank rate staying low for most of the month, even hitting a 15-month low of 1.3%. This further intensified depreciation pressure on the VND. Consequently, the interbank exchange rate trended upward, closing the month at 26,118 VND/USD (+2.6% compared to early 2025). Meanwhile, the free-market rate rose to 26,430 VND/USD, and the central rate reached 25,052 VND/USD, up 2.6% and 2.9%, respectively, from the start of the year.

Although the USD is expected to continue declining toward the end of the year as the Fed is projected to start cutting interest rates, we believe intrinsic pressures will be a key factor contributing to the surge in exchange rates. First, the key buffer for the USD/VND exchange rate - export activities - is projected to slow down as businesses have largely completed front-loading goods before the tariff suspension period ends on July 9. Consequently, demand in the domestic currency market is expected to be subdued in the near term. In fact, according to S&P's PMI report for June, export orders have continued to decline for the eighth consecutive month, with the June decline being the sharpest in the past two years. Meanwhile, Vietnam will tend to increase imports of goods from the U.S. with tariff rates approaching ~0% to demonstrate goodwill in narrowing

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the trade deficit. According to GSO, in 1H25, import turnover surged by 18% yoy, while export growth was only 14.4%, leading to a 34.4% yoy drop in the trade surplus for the period. Second, the VND-USD interest rate differential may widen further as we expect deposit interest rates still have room to decrease in Q3, while Fed fund rates are projected to decrease from September as the U.S. labor market remains resilient and inflationary pressure remains sticky. Hence, **we expect the exchange rate to fluctuate in the range of 26,600 – 26,750 VND/USD by year-end, representing a year-to-date increase of 4.5% - 5%.**

Overnight interbank rate hit 7% reflecting liquidity shortage by the end of Q2

The overnight interbank rate hit the highest level since Oct 2022

Since early June, the overnight interbank rate has consistently maintained a strong downward trend, even reaching a 15-month low of 1.3% on June 23. Consequently, this has exerted significant pressure on the exchange rate. In this context, the SBV resumed issuing treasury bills after nearly four months of suspension to raise the interbank interest rate level to support the exchange rate. During the month, the SBV issued VND 22.5tn in treasury bills with interest rates of 3.45% - 3.5% and a 7-day tenor. Concurrently, the SBV injected over VND 140.1tn through the OMO channel at a 4% interest rate for tenors ranging from 7 to 91 days, while the total matured capital was approximately VND 46.9tn. Cumulatively, the SBV conducted a strong net injection valued at nearly VND 70.8tn. However, by the end of the month, the overnight rate surged to 7% as liquidity demand typically spikes at the end of the quarter. Meanwhile, rates for tenors ranging from one week to one month fluctuated between 5% and 5.5%.

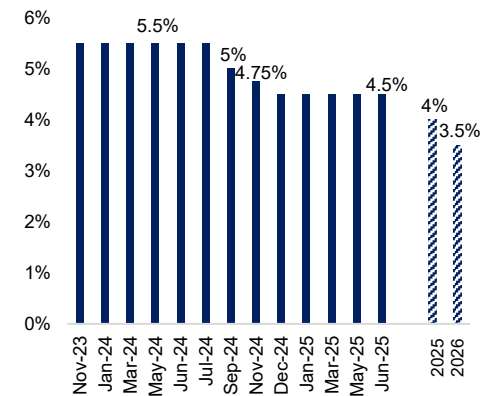
The downtrend in the deposit interest rate level has generally stabilized

The downward trend in deposit rates generally stabilized in June, with very few banks reducing their rates, and all adjustments were within a narrow range. During the month, only three banks - LPB, BAB, and VPB - lowered deposit rates by 0.1% to 0.2% per year across various tenors. By the end of June, the average 12-month deposit rate at commercial banks decreased slightly by 2 basis points compared to May and by 17 basis points from the beginning of 2025, reaching 4.87%, while the rate for state-owned banks remained steady at 4.7%. Thanks to maintaining low deposit interest rates, commercial banks have been able to support lower lending rates. Specifically, according to the SBV, the average lending rate for new loans has decreased by approximately 0.6% compared to the end of 2024, reaching 6.38% per year.

We expect deposit rates to reach 4.7% by the end of 2025

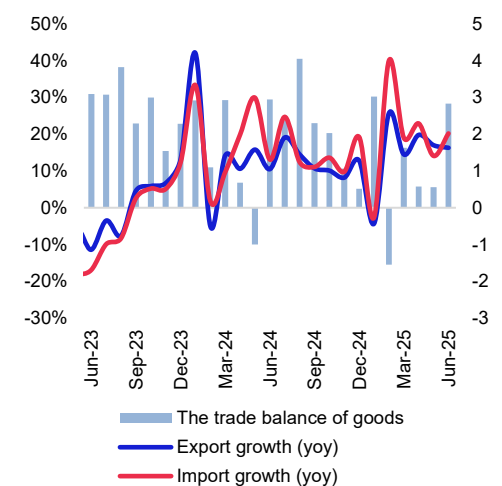
Although the average deposit interest rate has shown signs of stabilizing, we believe this is not yet the bottom and there is still room for a further reduction of in Q3. This is based on the fact that credit growth has surged significantly since April, yet interbank interest rates have remained stable and even recently shown a clear downward trend. This indicates that system liquidity is relatively stable, and liquidity shortages at the end of the quarter are merely seasonal. As of June, credit growth had increased by 9.9% compared to the end of 2024 and by 19.3% yoy, marking the highest credit growth in recent years. However, by Q4, under the pressure of credit growth - which typically accelerates toward the end of the year - deposit interest rates will likely tick up slightly. Therefore, we anticipate that the average 12-month deposit rates of large commercial banks will reach 4.7% by the end of 2025.

Fed has kept interest rates at 4.5% amid mounting uncertainty caused by the tariff crisis



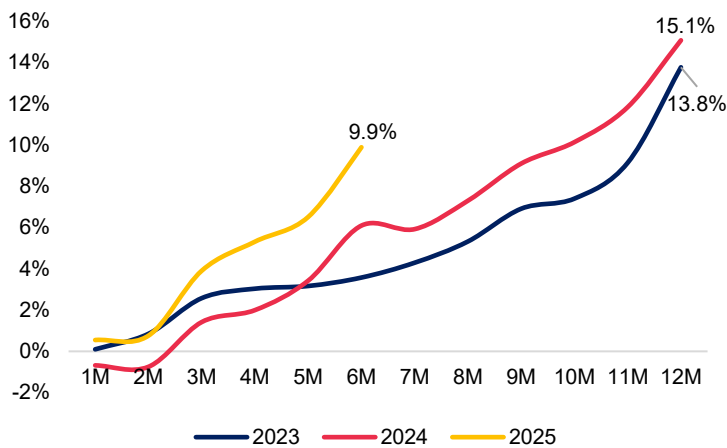
Source: Bloomberg, MBS Research

Import-export growth and monthly trade



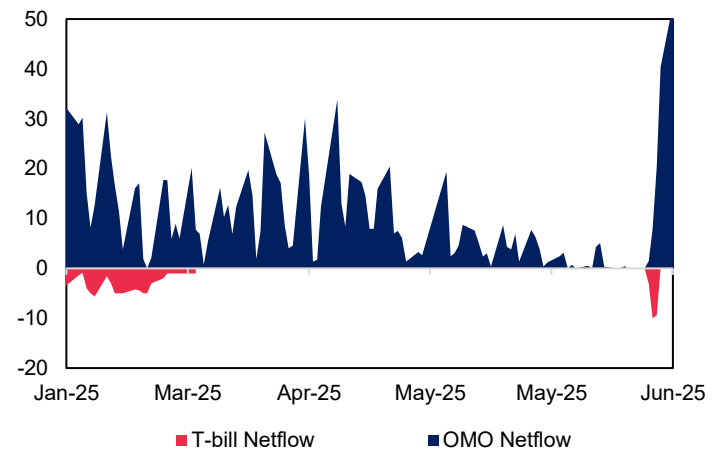
Source: GSO, MBS Research

Figure 1: Credit growth (% ytd)



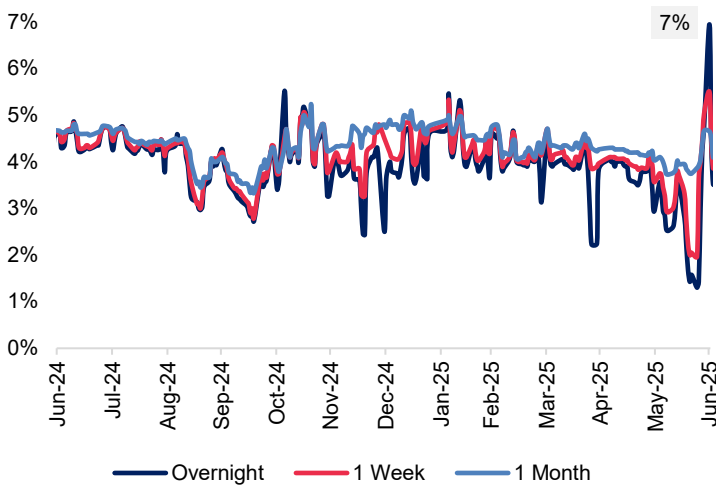
Source: Bloomberg, MBS Research

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



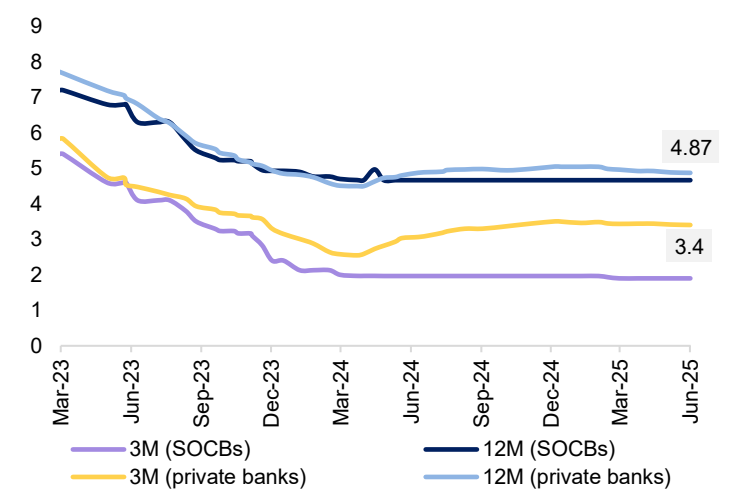
Source: SBV, MBS Research

Figure 3: Interbank lending rate in tenors (%)



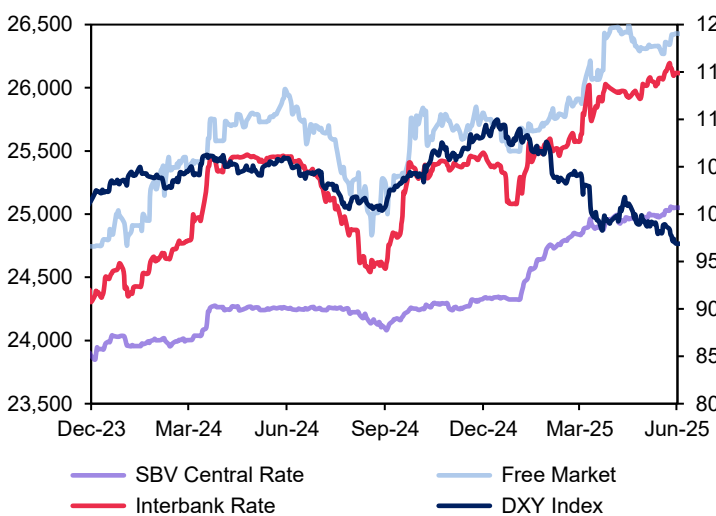
Source: Bloomberg, MBS Research

Figure 4: Commercial banks deposit rate (%)



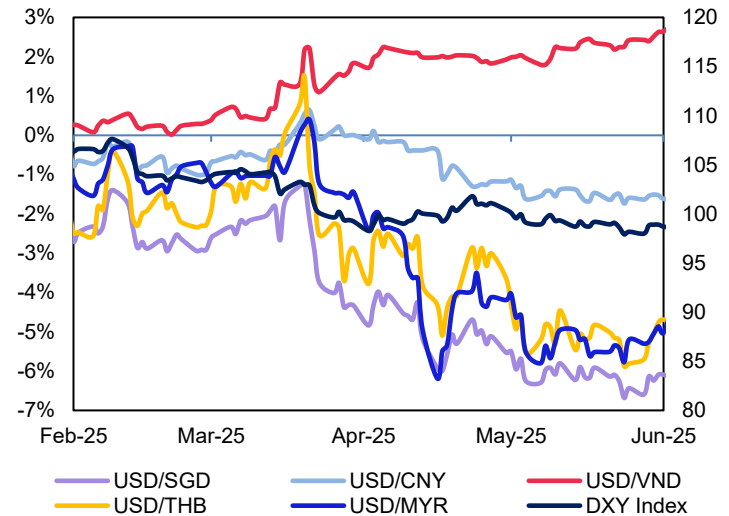
Source: Banks, MBS Research

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

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POSITIVE	Industry stocks have Add recommendations on a weighted market capitalization basis
HOLD	Industry stocks have Hold recommendations on a weighted market capitalization basis
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Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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