

Deposit rates edged up slightly in July

- The overnight interbank rate hovered above 4% throughout the month, before dropping to 3.1% by month-end following SBV's net injection efforts.
- Deposit rates at some banks slightly ticked up in July. By the end of the month, the average 12-month deposit rate at commercial banks reached 4.89%.
- The narrowing VND-USD interest rate differential during the month helped curb the upward pressure on the exchange rate. By the month-end, the interbank exchange rate reached 26,198 VND/USD (+2.9% ytd).

The DXY made a comeback, hitting a 2-month high by July's end

The DXY surged 3.2% in July, marking the first monthly gain of the year

Kicking off June at 96.8, the DXY maintained a fairly steady upward trend throughout the month and ended July strongly at a 2-month peak of 99.9 – marking a 3.2% monthly gain in July, its first rise this year. This development occurred against the following backdrop: Firstly, de-escalating trade tensions helped reduce risks to economic growth. Specifically, as of July, 11 economies had reached tariff agreements with the U.S., including the UK, China, Vietnam, the Philippines, Indonesia, Japan, the EU, South Korea, Cambodia, Thailand, and Pakistan. Other countries will face tariffs ranging from 10% to 41% starting August 1. Additionally, all goods identified as transshipped to avoid tariffs will incur an extra 40% tariff. Secondly, the U.S. dollar was also supported by solid economic data, with Q2 GDP growth reaching 3%; however, inflationary pressures persisted, with the June PCE index rising 2.6% yoy. Consequently, this led the Federal Reserve to maintain interest rates unchanged for the seventh consecutive meeting.

The exchange rate maintained an upward trend, yet at a softer pace in July

The upward trend of the interbank exchange rate slowed, with a modest increase of 0.3% in July. This was partly supported by the narrowing VND-USD interest rate differential, amid the overnight interbank interest rate consistently anchoring above 4% throughout July. Additionally, the VND was bolstered by robust export activities, yielding a positive trade surplus. According to the Ministry of Industry and Trade, export turnover in July was estimated at USD 41.6 billion, with a trade surplus of USD 1.7 billion. Furthermore, the State Treasury ceased purchasing USD from commercial banks. Altogether, this helped to alleviate pressure on USD supply. However, external pressures still weighed on the exchange rate as the DXY index recovered 3.2% from a three-year low recorded at the end of June. Consequently, the interbank exchange rate ended the month at 26,198 VND/USD (+2.9% ytd), while the free-market rate hovered at 26,445 VND/USD (+2.7% ytd). Meanwhile, the central exchange rate was significantly adjusted upward to 25,240 VND/USD, up 3.7% ytd.

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, including: (1) Persistent USD-VND interest rate differential despite the FED cutting rates to 4%. (2) Higher import demand due to 0% tariffs on U.S. goods. Conversely, exports will slow down in 2H25, leading to a narrower trade surplus in 2025. (3) Slower FDI inflows as investors await clearer tariff information. (4) Domestic-global gold price gap amid rising gold prices. Hence, **we expect the**

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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 eased by month-end following SBV's substantial net injection

The overnight interbank rate eased to 3.1% by month-end after hovering above 4% throughout July

Following the SBV's strong net injection in June, the overnight interbank interest rate dropped significantly by 3.4% from the end of June to 3.5% in early July. However, since then, interbank rates have steadily risen through the end of the month, even peaking at a one-month high of 6.2% on July 25. This signals liquidity pressure despite the SBV's efforts to conduct net injections during the month. Specifically, the SBV ceased issuing treasury bills from July 17. During the month, the SBV issued nearly VND 45.8 trillion in treasury bills with interest rates of 3.4% - 3.5% and a 7-day tenor. Concurrently, the SBV significantly increased the scale of capital injection through the OMO channel, reaching over VND 426.4 trillion (more than three times the previous month) at a 4% interest rate for tenors ranging from 7 to 91 days. The total matured OMO capital and T-bills were approximately VND 362.8 trillion and VND 68.3 trillion, respectively. Cumulatively, the SBV conducted a net injection valued at nearly VND 86.2 trillion. By the end of the month, the overnight rate cooled significantly to 3.1%. Meanwhile, rates for tenors ranging from one week to one month fluctuated between 3.7% and 4.6%.

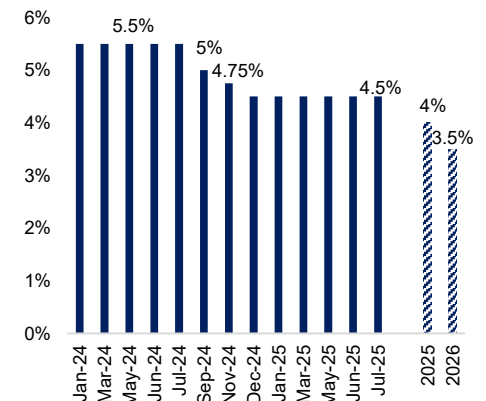
Deposit rates started to edge up slightly in July

After stabilizing in June, the deposit interest rate level showed a slight upward trend in July. Among the banks we monitored, three banks - TPB, VPB, and EIB - slightly increased their deposit interest rates by 0.1% - 0.2% per year for tenors ranging from 1 to 36 months. This development occurred amid robust credit growth in recent times. According to the SBV, as of July 29, credit growth has increased by 9.8% compared to the end of 2024 and by 19.8% yoy. We estimate that credit growth outpaced deposit growth by approximately 1.3 - 1.5 times. Consequently, this has exerted some upward pressure on deposit interest rates among private commercial banks to attract deposits. By the end of July, the average 12-month deposit rate at commercial banks increased slightly by 2 bps compared to June and decreased by 16 bps from the beginning of 2025, reaching 4.89%, while the rate for state-owned banks remained steady at 4.7%.

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

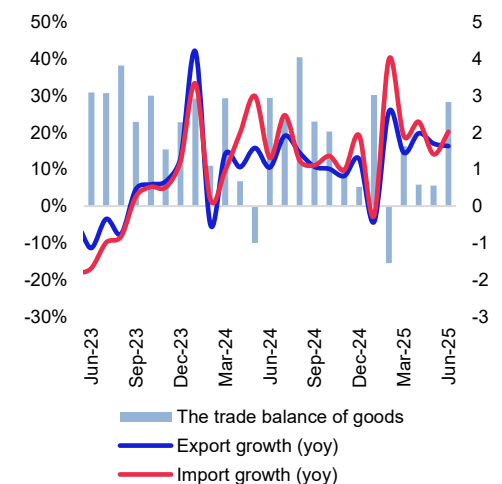
Toward year-end, deposit rates may face pressure from credit growth, particularly following the SBV's announcement of increased credit growth quotas for banks to meet the economy's capital needs. However, the SBV also requested credit institutions to implement comprehensive measures to stabilize and strive to reduce deposit interest rates, contributing to stabilizing the money market and creating room to lower lending interest rates. This, combined with the expectation of a 50 bps interest rate cut by the FED in the second half of 2025, will help narrow the VND-USD interest rate gap and create room for the SBV to maintain a low interest rate environment. Based on these factors, we anticipate that the average 12-month deposit rates of large commercial banks will have room to decrease slightly by 2 bps, easing to 4.7% by the end of 2025.

Fed has kept interest rates at 4.5% amid sticky inflationary pressure



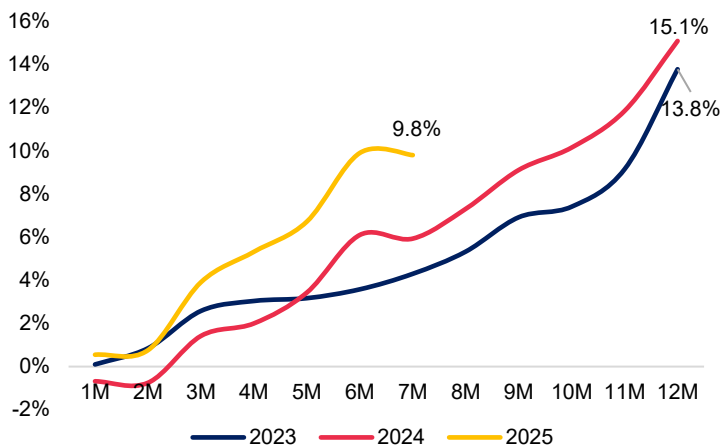
Source: Bloomberg, MBS Research

Import-export growth and monthly trade



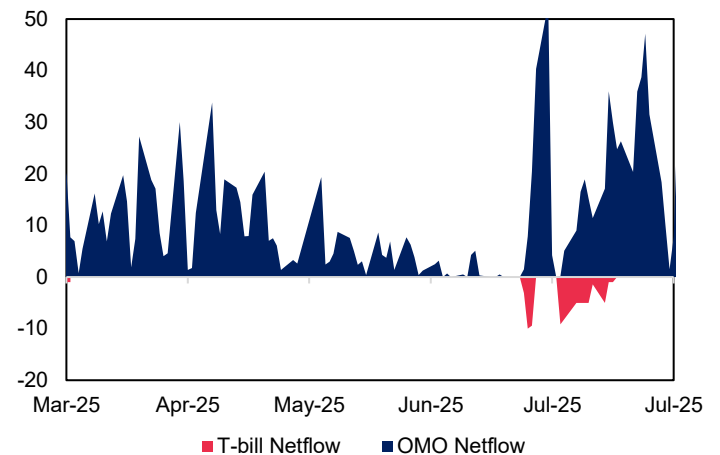
Source: GSO, MBS Research

Figure 1: Credit growth (% ytd)



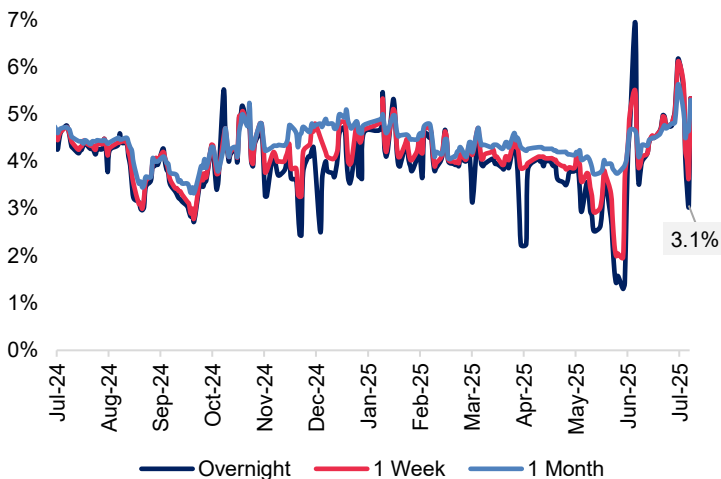
Source: Bloomberg, MBS Research

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



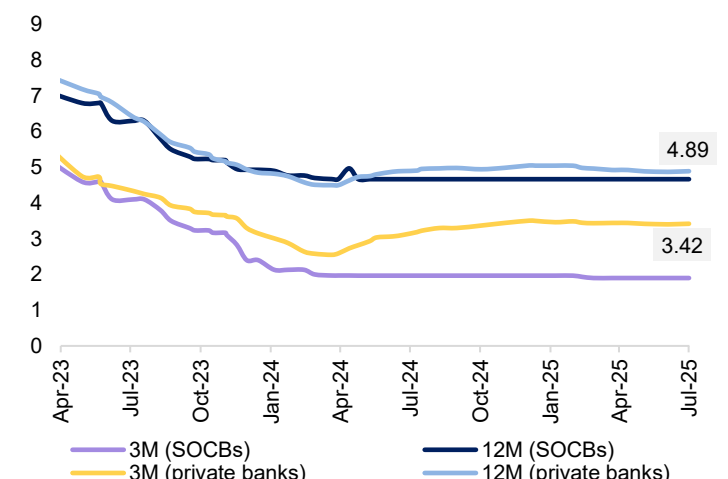
Source: SBV, MBS Research

Figure 3: Interbank lending rate in tenors (%)



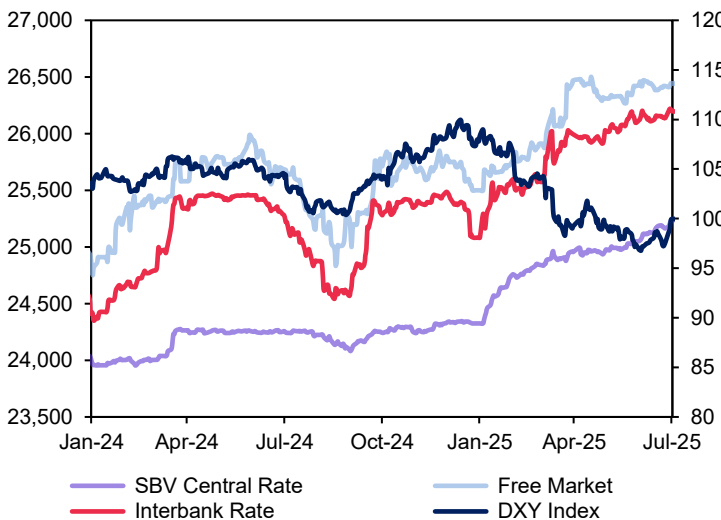
Source: Bloomberg, MBS Research

Figure 4: Commercial banks deposit rate (%)



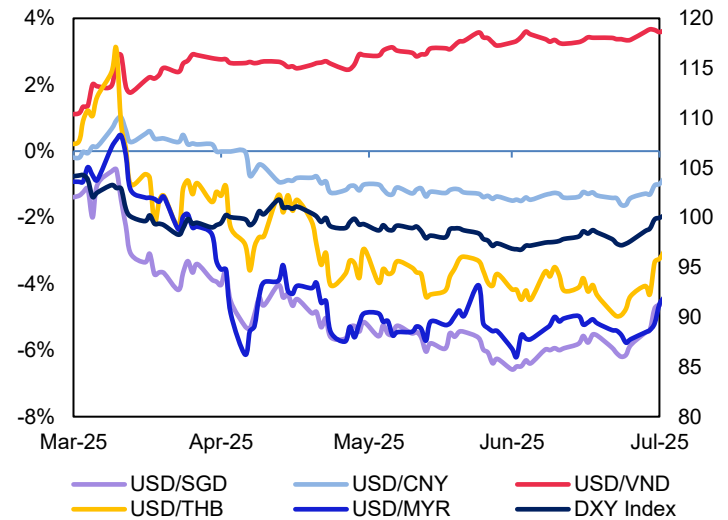
Source: Banks, MBS Research

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%
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Sector rating

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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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