

Easing FX pressure allow more space for supportive policies

- The SBV resumed net liquidity injections since late Sep, enabling the overnight interbank rate to drop to 3.2% before pivoting back to 4.7% by end-Sep.
- Deposit rates for short-term tenors rose slightly in Sep, while the average 12-month rate of commercial banks ground to a standstill at 4.78% for the third consecutive month.
- We expect the exchange rate to fluctuate in the range of 26,230 – 26,420 VND/USD by year-end, representing a year-to-date increase of 3% - 3.8%.

Forex pressure eased following Fed's rate cut

The US Dollar regained footing amid resilient US economic

Starting the month at 97.8, the DXY experienced a steady decline, and even hitting a four-year low of 96.6 on Sept. 16 as investors anticipated a rate cut at the September meeting, driven by softening labor market data. As expected, the Fed implemented a 25 bps interest rate cut for the first time in 9 months. The dot plot suggests most policymakers expect interest rates to reach 3.5% - 3.75% by the end of 2025, with two potential additional cuts by Dec. However, the DXY has swiftly recovered to 98.5 on Sep 25 amid robust economic data. Specifically, the economy achieved the fastest growth in nearly two years, with Q2 GDP revised upward to 3.8% amid strong consumer spending and a sharp trade deficit contraction. Thus, this weakens the case for rate-cut advocates, as sustained economic growth may prompt the Fed to adopt a less dovish stance to curb inflation (Aug PCE rose 2.7% yoy, while core PCE rose 2.9% - still above the Fed's target). Nevertheless, the market is still betting on two more rate cuts this year, thereby clouding the DXY's outlook toward the year-end. By the month-end, the greenback hovered at 97.9 (-10.5% ytd).

We expect the exchange rate to fluctuate in the range of 26,230 – 26,420 VND/USD by year-end

Exchange rate pressure eased in Sep amid a weakening USD in the first half of the month and growing expectations of two additional rate cuts this year, which may further weaken the USD. Additionally, the domestic currency was partly supported as the VND-USD interest rate gap narrowed greatly from -2.7% at the end of Aug to +0.6% by the end of Sep thanks to the Fed's rate cuts. Subsequently, the interbank exchange rate ended the month at 26,426 VND/USD (+0.3% mom, +3.8% ytd). In contrast, the free-market rate dropped 0.4% over the month, ending the month at 26,570 VND/USD (+3.2% ytd). Likewise, the central exchange rate decreased by 0.2% mom, currently stays at 25,187 VND/USD (+3.5% ytd).

The Fed's decision to begin cutting interest rates in Sep, with expectations of an additional 50 bps reduction in Q4, bringing the total reduction this year to 75 bps, will help ease exchange rate pressure toward year-end. At the same time, it will also create more room for the SBV to maintain a low interest rate environment to promote economic growth. Yet, we believe there are still downside risks to the exchange rate, including: (1) Trade surplus is projected to narrow to USD 16.3 - 20.4bn this year as exports is expected to slow down in Q4 as front-loading unwind, while Vietnam still need to ramp up imports from the US to avoid tariff risks. (2) Domestic-global gold price gap amid rising gold prices. (3) The Fed could adopt a less dovish stance to curb inflation if there is no clear evidence

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showing that the labor market or economy is weakening. Balancing the above factors, we expect the interbank exchange rate to fluctuate in the range of 26,230 – 26,420 VND/USD by the end of the year, representing a year-to-date increase of 3% - 3.8%.

The SBV conducted a slight net liquidity injection in Sep

The overnight interbank rate wavered steadily around 4% during the month

During Sep, the SBV injected over VND 277.3 trillion through the open market operation (OMO) channel at a 4% interest rate for tenors ranging from 7 to 91 days. While the total matured OMO capital was over VND 273.9 trillion. Cumulatively, the SBV injected a net amount of approximately VND 3.4 trillion in Sep.

From 4.7% at the start of Sep, the overnight interbank interest rate gradually declined and wavered steadily around 4% in the following days, before dropping sharply to 3.2% on Sep 29. This drop followed the State Bank of Vietnam (SBV)'s resumption of net liquidity injections of nearly VND 63.7 trillion from Sep 24 – 30, thereby supporting the banking system liquidity. Nevertheless, by the end of the month, the overnight rate pivoted quickly to the month's starting level of 4.7%. Meanwhile, rates for tenors ranging from one week to one month decreased slightly by 2 bps over the month, fluctuated between 4.9% and 5% by end-Sep.

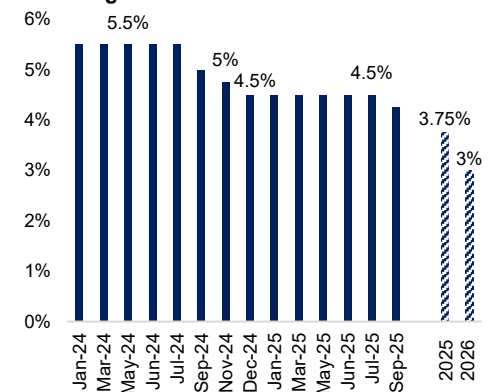
Deposit rates for short-term tenors rose slightly in Sep

Among the banks we monitored, VPB was the only one to adjust deposit rates, raising input rates by 30 bps for tenors from 1 to 9 months. Subsequently, the average 3-month deposit rate at private banks inched up by 4 bps to reach 3.46% by the end of Sep. Meanwhile, the average 12-month deposit rate for this group remained at 4.89% (down 16 basis points from the beginning of 2025). Likewise, the rate for state-owned banks still held steady at 4.7%. Consequently, the average 12-month deposit rate of commercial banks ground to a standstill at 4.78% for the third consecutive month as of Sep. Overall, deposit interest rates are still well-maintained at low levels to support economic growth, in line with the directives of the Prime Minister and SBV.

We expect deposit rates to stabilize at 4.8% by the end of 2025

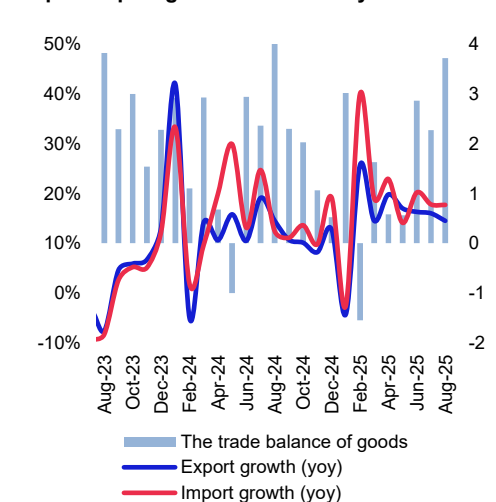
Toward year-end, deposit rates may face pressure from credit growth, particularly following the SBV's announcement of increased credit growth quotas for banks to meet the economy's capital needs. As of Sep 25, credit growth has increased by 13% compared to the end of 2024 and by 20.3% yoy. According to the Deputy Governor of the SBV, credit growth this year is estimated to reach 20.19%, the highest level in recent years. 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 expectations of the Federal Reserve cutting interest rates by an additional 50 bps in Q4/25, bringing the total reduction this year to 75 bps, will help to create room for the SBV to maintain a low interest rate environment. Based on these factors, we anticipate that the average 12-month deposit rate of commercial banks will stabilize at its current level of 4.8% by the end of 2025.

Fed cut rates by 25bps in Sep, bringing the interest rate range to 4% - 4.25% amid mounting risks to the labor market



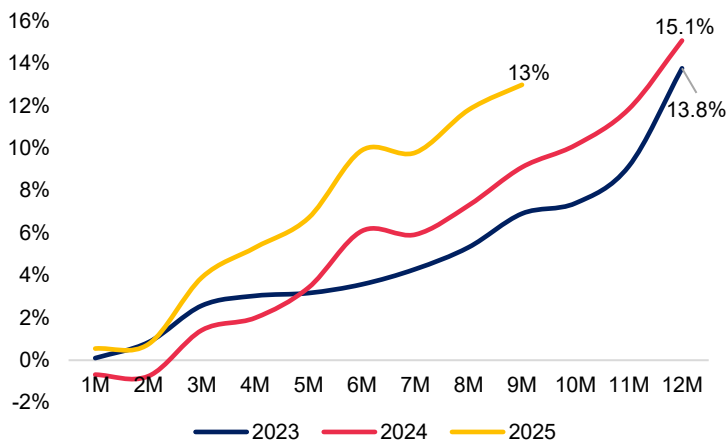
Source: Bloomberg, MBS Research

Import-export growth and monthly trade



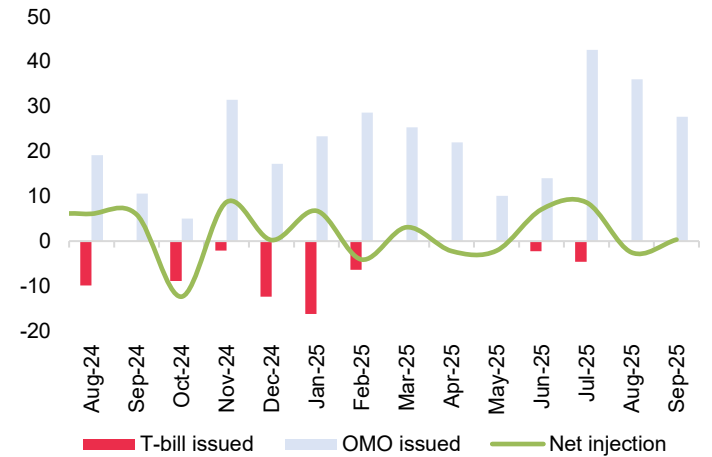
Source: GSO, MBS Research

Figure 1: Credit growth (% ytd)



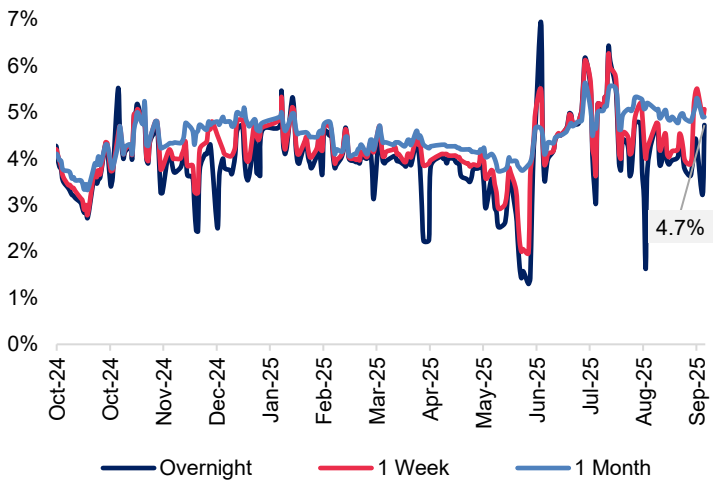
Source: Bloomberg, MBS Research

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



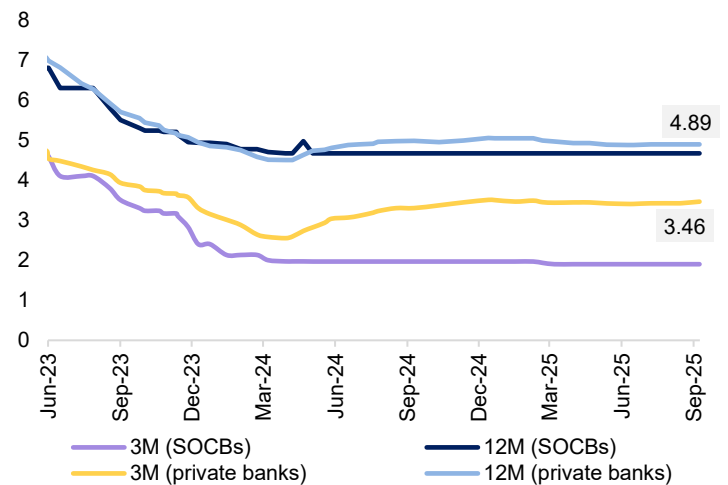
Source: SBV, MBS Research

Figure 3: Interbank lending rate in tenors (%)



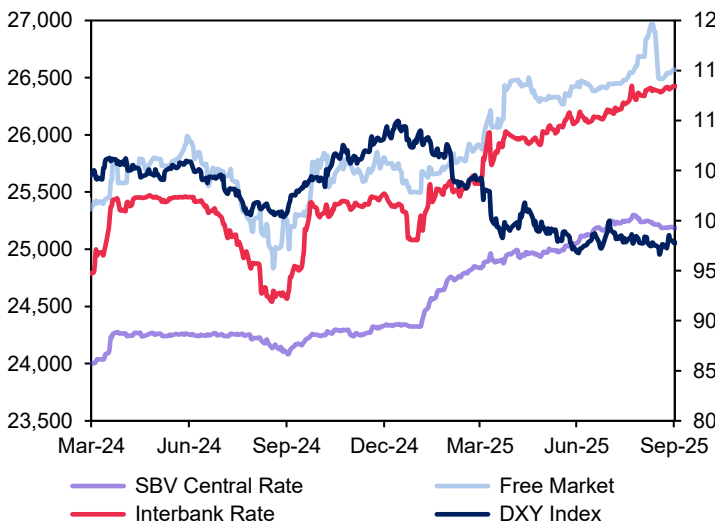
Source: Bloomberg, MBS Research

Figure 4: Commercial banks deposit rate (%)



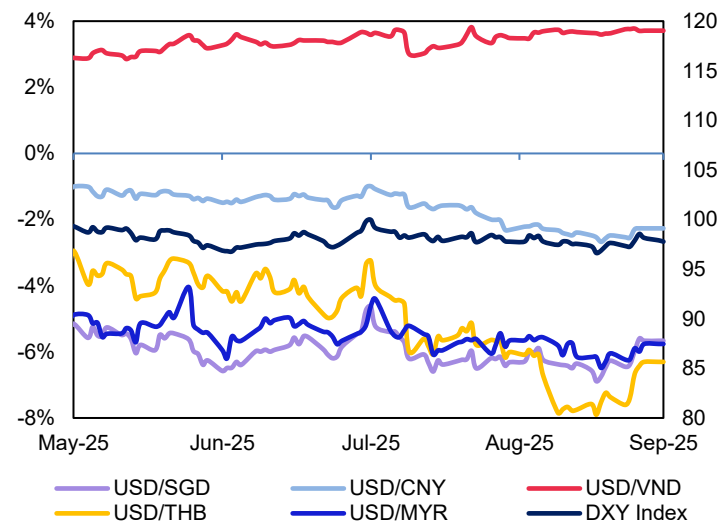
Source: Banks, MBS Research

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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