

Deposit rates tick higher as credit demand surges toward year-end

- The SBV conducted strong net liquidity injections from mid-October, enabling the overnight interbank rate to fall sharply from a two-month high of 6.1% to 4.5% by month-end.
- Deposit rates at private banks inched up slightly since early October.
- The interbank exchange rate continued to cool, easing by 0.5% from its peak.

Diverging movements in domestic exchange rates

The market anticipates the Fed to deliver one more rate cut in December

The DXY faced downward pressure since early October as the U.S. government shutdown overshadowed economic outlook and delayed the release of key indicators such as non-farm payrolls and retail sales. Additionally, ADP's report showed that private-sector employment fell by 32,000 jobs in September, marking the steepest drop since March 2023. Consequently, the Fed cut rates by 25bps for the second time this year, bringing the policy rate range down to a three-year low of 3.75% - 4%.

Nevertheless, the Greenback rebounded by month-end, reaching 99.48 (+1.8% mom), supported by the Yen's depreciation as markets anticipated potential large-scale economic stimulus from Japan's new government. Besides, the Euro also weakened following the resignation of France's Prime Minister less than a month after taking office, heightening political uncertainty in the Eurozone's second-largest economy. Moreover, Fed Chair Powell's remarked that another rate cut in December was "not a foregone conclusion" helped strengthen the Dollar. Despite this, the CME FedWatch still shows a 75% probability of another rate cut in December.

The domestic FX market showed divergent movements

Domestic exchange rates showed divergent movements, with the central and interbank rates continuing to decline, while the free-market rate maintained its upsurge. By the month end, the interbank exchange rate fell 0.5% from its peak to 26,307 VND/USD (-0.4% mom, +3.3% ytd), and the central rate decreased 0.8% from its peak to 25,093 VND/USD (-0.4% mom, +3.1% ytd). The domestic currency was partly supported by a positive VND - USD interest rate gap, as interbank rates hovered above 4% throughout the month and even peaked at 6.1% on Oct 22nd. Additionally, during the month, the SBV also intervened by conducting two rounds of USD sales through 180-day cancellable forward contracts to banks with negative foreign currency positions at a fixed price of 26,550 VND/USD, thereby somewhat alleviating pressure on the exchange rate.

Conversely, the free-market rate jumped 4.7% during the month to 27,825 VND/USD (+8.1% ytd), driven by widening domestic-global gold price spreads boosting USD demand in the unofficial market. In response, on Oct 24th, the SBV coordinated with the Ministry of Public Security, Ministry of Industry and Trade, and the Government Inspectorate to strengthen supervision and penalize violations in FX trading.

The Fed's rate cuts in September and October, coupled with expectations of an additional 25bps cut in December (totaling 75bps for the year), will help ease exchange rate pressure toward year-end. At the same time, it will also create

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more room for the SBV to maintain a low interest rate environment to promote economic growth.

Deposit rates edged up in early 4Q

The overnight interbank rate hit 6.1% before easing to 4.5% by month-end

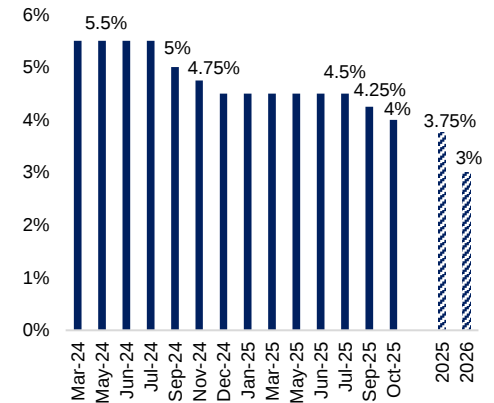
In the first half of the month, the SBV consistently conducted net withdrawals of over VND 58.3 trillion. Subsequently, this drove the overnight interbank rate up from 4.3% at the start of the month to a two-month high of 6.1% on Oct 22, signaling tighter liquidity conditions. Amid this, the SBV conducted a net injection of VND 46 trillion on the same day—marking the third-largest daily injection this year—and actively resumed liquidity injections until month-end. In total, the SBV injected over VND 283.8 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 244.5 trillion. Cumulatively, the SBV injected a net amount of over VND 39.3 trillion. Therefore, the overnight rate cooled to 4.5% by month-end, while rates for tenors ranging from one week to one month fluctuated between 5% and 5.2%.

Deposit rates edged up in early 4Q

Among 18 banks we monitored, six raised deposit rates in October. In which, LPB is currently offering the highest 12-month rate at 6.1%/year. The upward movement in deposit rates at the start of 4Q was mainly due to seasonal factors, as banks increase capital mobilization to meet the typically sharp year-end surge in credit demand. According to the SBV, as of Oct 30th, credit growth has increased by 15% compared to the end of 2024, and is projected to reach 19% - 20% by year-end.

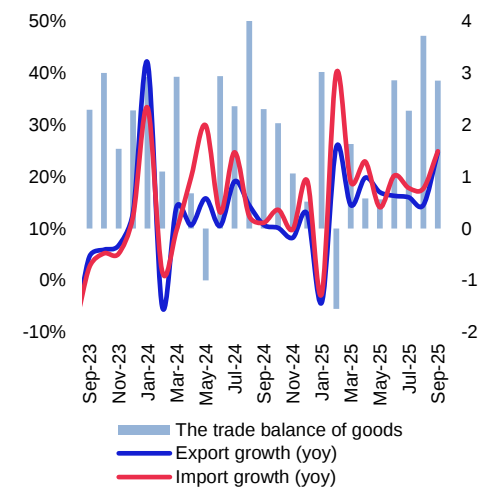
By the end of October, the average 3-month deposit rate at private banks reached 4.1%. The average 12-month deposit rate for this group hovered at 5.3%. Meanwhile, the rate for state-owned banks still held steady at 4.7%. Consequently, the average 12-month deposit rate of commercial banks increased by 15bps since the beginning of the year, reaching 5% as of end-October.

Fed cut rates by 25bps in Oct, bringing the interest rate range to 3.75% - 4% amid mounting risks to the labor market



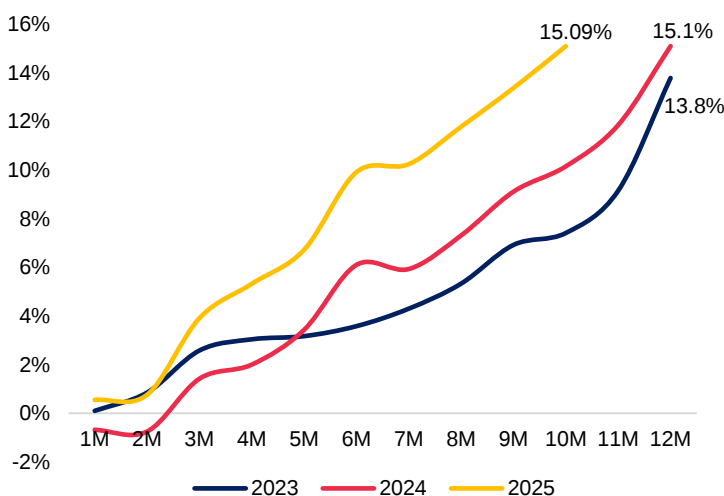
Source: Bloomberg, MBS Research

Import-export growth and monthly trade



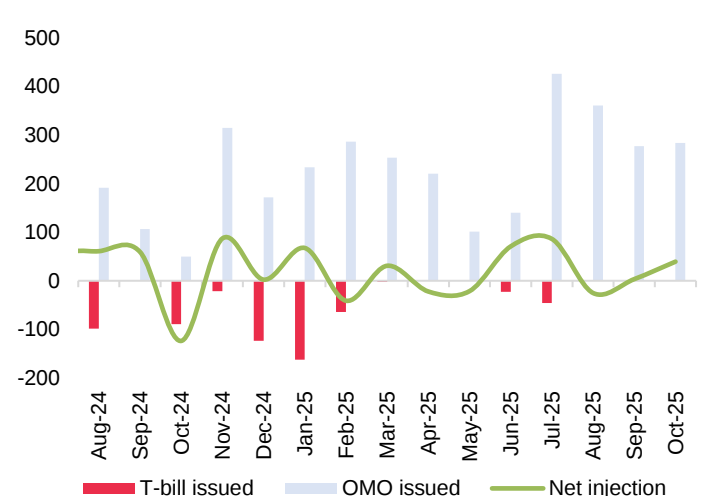
Source: GSO, MBS Research

Figure 1: Credit growth (% ytd)



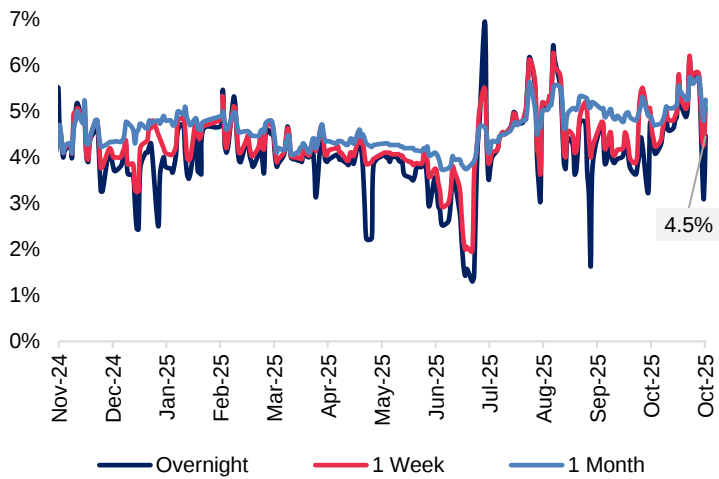
Source: Bloomberg, MBS Research

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



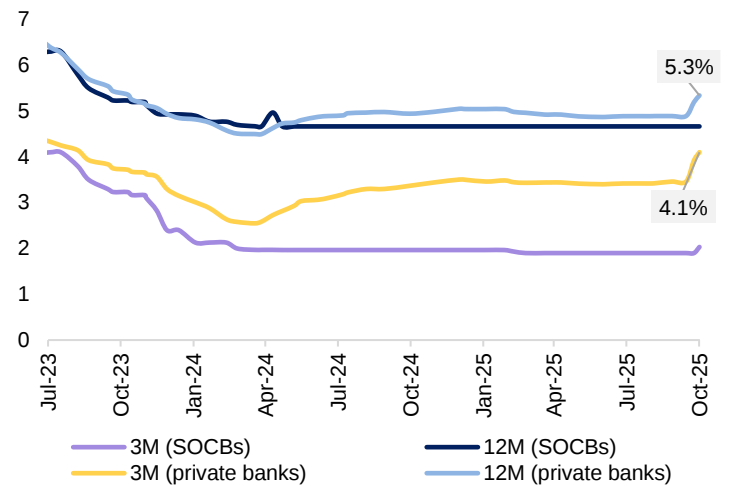
Source: SBV, MBS Research

Figure 3: Interbank lending rate in tenors (%)



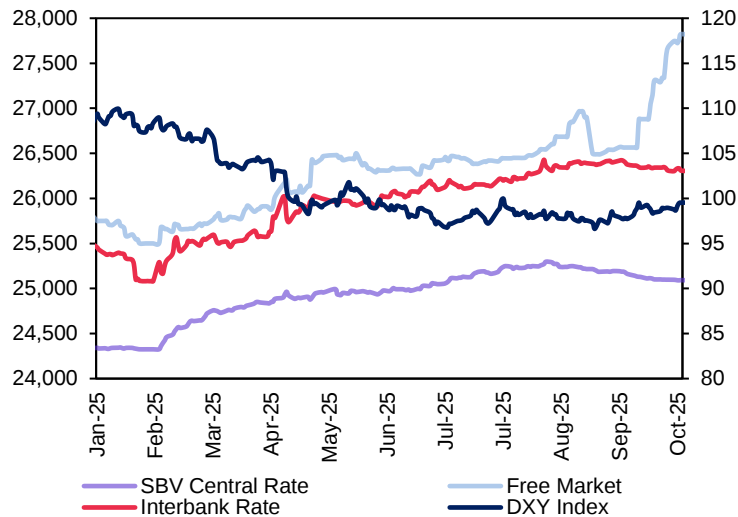
Source: Bloomberg, MBS Research

Figure 4: Commercial banks deposit rate (%)



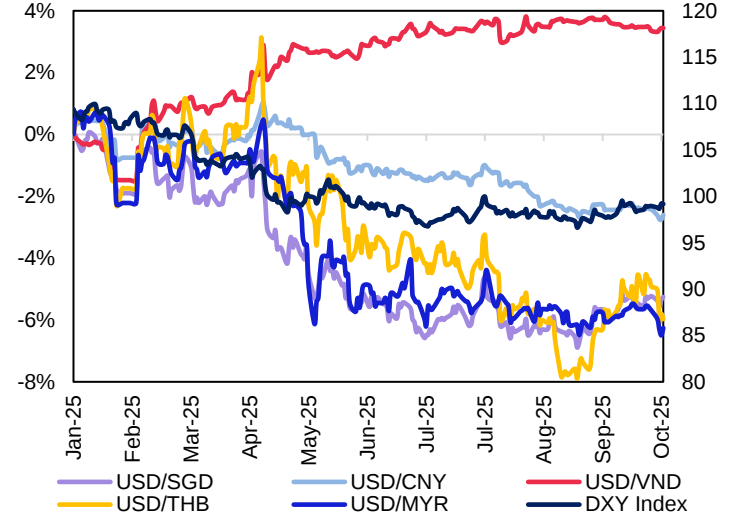
Source: Banks, MBS Research

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%
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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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