

Relieve pressure on foreign exchange rate

- Interbank rates hiked above 4% by end of Jul indicating liquidity shortage in the system.
- Credit growth is expanding three times faster than capital mobilization, prompting banks to continuously raise input rates.
- The DXY has weakened as rate cut bets rise amid US inflation is on the right track.

Deposit rates are still on the rise

Interbank rates are approaching 5% threshold at all terms

In Jul, the SBV has been using T-Bills and OMO channel simultaneously to stabilize the banking system's liquidity. Notably, the amount of money injected through OMO channel in Jul has scaled up 4 times as compared to last month. By the end of this month, the central bank has pumped a net amount of about VND 392.5tn with interest rates of 4.5% and tenors of 7 days, including VND 236.1tn of matured T-bills. It is estimated that about VND 33.6tn T-bills will mature in Aug. At the same time, a total of VND 148.1tn T-bills with interest rates of 4.5%, tenors of 14 days were issued in Jul.

The interbank interest rates have been hovering above the 4% threshold at all terms throughout the month. On Jul 9th, the overnight rate skyrocketed to 4.9% - highest level since end of May - signifying a liquidity shortage in the system after the SBV's aggressive money withdrawal in the past two months. In addition, the economy's credit growth as of Jun 30th spiked to 6% is another factor contributing to the upsurge of interbank rates. Despite numerous interventions of the SBV, the overnight rate is still anchoring at 4.7% by the end of Jul. Apart from that, interest rates span between 4.7% to 4.8% for different tenors, ranging from one week to one month.

Input rates are still on the cusp of ascending

As of Jul 25th, 16 banks (including 4 large-scale banks: MBB, VPB, Sacombank, and BIDV) have raised their deposit interest rates with the increase fluctuating between 0.1% - 0.7%, some banks' rates even surpassed 6%/year, amidst credit growth is expanding three times faster than capital mobilization. This has prompted banks to increase deposit rates to reinforce its attractiveness against other investment channels in the market. Following VietinBank's move, BIDV was the second bank in the group of state-owned commercial banks to altered deposit rates. The bank announced that online deposit interest rates for 24-36 month longer terms increased slightly by 0.1%/year.

We expect input rates to inch up by 50 bps in the second half of 2024

We believe that credit demand will start increasing sharply from 3Q2024 in the context of strong production and investments growth. For 6M24, the index of industrial production (IIP) increased by 7.7% yoy and the Purchasing Managers Index (PMI) rose to 54.7 in Jun. Moreover, public and private investments increased by 3.5% and 6.7% respectively. We forecast that the 12-month deposit rate of large commercial banks will be able to inch up by 50 bps and progressively return to 5.2%-5.5% by the end of 2024. However, we believe that

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output rates will remain the same as regulators and commercial banks are actively striving to provide credit capital for businesses.

Diminishing pressure on the exchange rate

The DXY slipped as the economy showed signs of stagnation

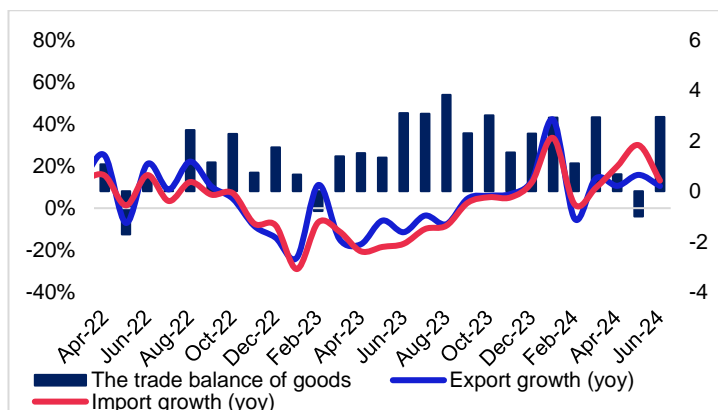
The DXY index has been on a downward trend throughout the month. Starting off with 105.9 at the beginning of Jul, the DXY fell below the 104 thresholds to reach 103.7 on Jul 17th driven by a string of favorable inflation data including: CPI in June increased at the slowest pace in over 3 years, unemployment rate crept above 4% for the first time in more than 2 years, shelter inflation - the biggest hurdle to CPI slowing – recorded the coolest reading in 2 years. After which, the US dollar has slightly recovered and is currently hovering around 104.2, while the market cautiously waits for more economic data to gain a clearer view of the Fed’s interest rate stance. There is now a 90% probability that the Federal Reserve will reduce its target range for the key interest rate by a quarter percentage point to 5% - 5.25% in September.

The exchange rate is on the verge of declining

The weakened DXY index, along with the effective intervention of the SBV via FX reserves, has eased the pressure on the VND/USD exchange rate in Jul. As of July 3rd, SBV has sold approximately USD 6.4bn since the end of April to curb the rise of exchange rate. Moreover, the SBV's maintenance of a higher interbank interest rate also helped in reducing the interest gap between the US dollar and the Dong, thereby providing an additional buffer against the depreciation of the Dong. The interbank USD/VND dropped to 25,314 in Jul, marking a 3.9% increase since the start of the year. The free-market rate decreased sharply to 25,645 VND/USD, while the central rate is standing at 24,249 VND/USD, showing rises of 3.6% and 1.8%, respectively, compared to the start of 2024.

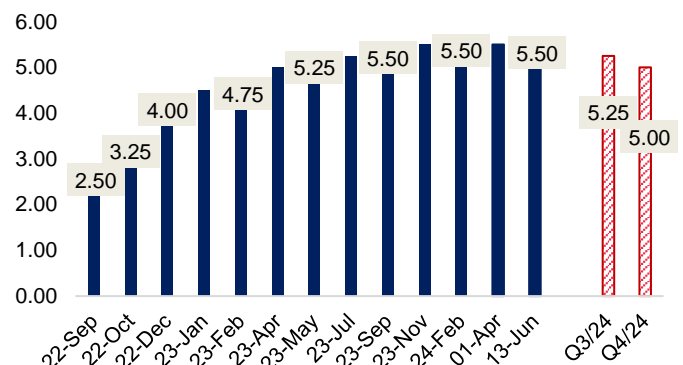
We believe the pressure on VND will ease and expect the USD/VND to range within 25,100 – 25,300 in 4Q24. Supportive factors for VND including: positive trade surplus (~US\$11.6bn in 6M24), net FDI inflows (US\$10.8bn, +8.2% yoy) and a rebound of international tourist arrivals (+58% yoy in 6M24). The stability of the macro environment is likely to be maintained and further improvement will be the basis for stabilizing the exchange rate in 2024.

Figure 1: Import-export growth and monthly trade surplus



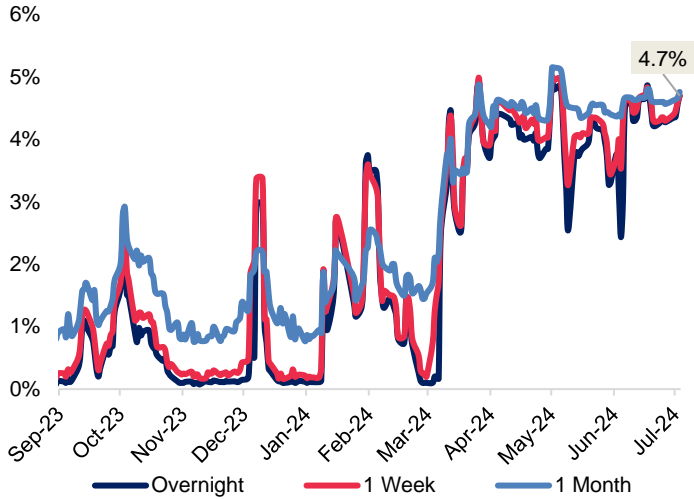
Source: GSO, MBS Research.

Figure 2: FED is expected to cut interest rates from the end of 3Q24, bringing rates down to 5% by the end of the year



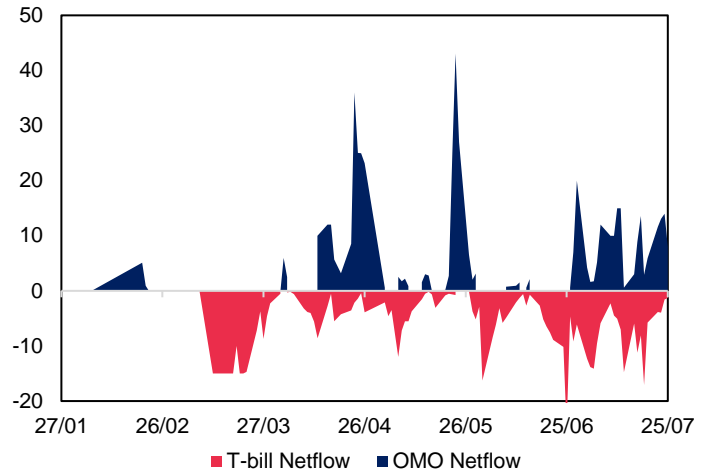
Source: Bloomberg, MBS Research

Figure 3: Interbank lending rate in tenors (%)



Source: Bloomberg, MBS Research.

Figure 4: SBV's Open Market Operation (Liquidity) [VND tn]



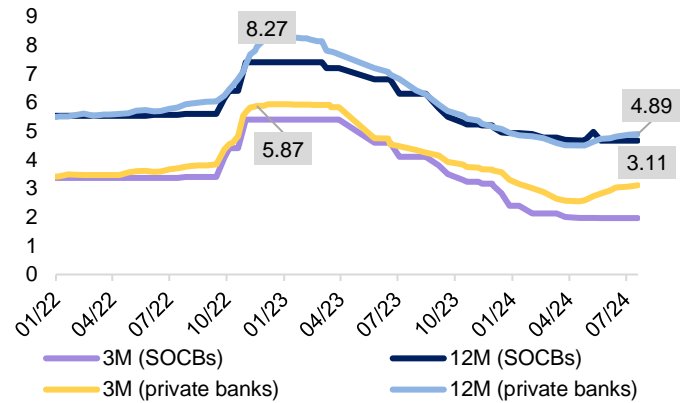
Source: SBV, MBS Research

Figure 5: Interbank interest rate (%)

Date	Overnight	1 Week	2 Week	1 Month
30/04	4.4	4.6	4.7	4.6
30/05	3.2	3.6	4.1	4.5
28/06	4.5	4.6	4.7	4.7
25/07	4.7	4.7	4.7	4.8

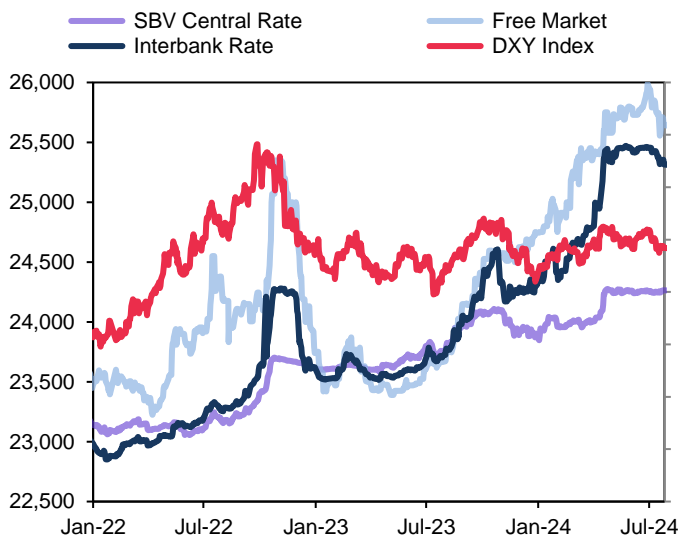
Source: Bloomberg, MBS Research

Figure 6: Commercial banks deposit rate (%)



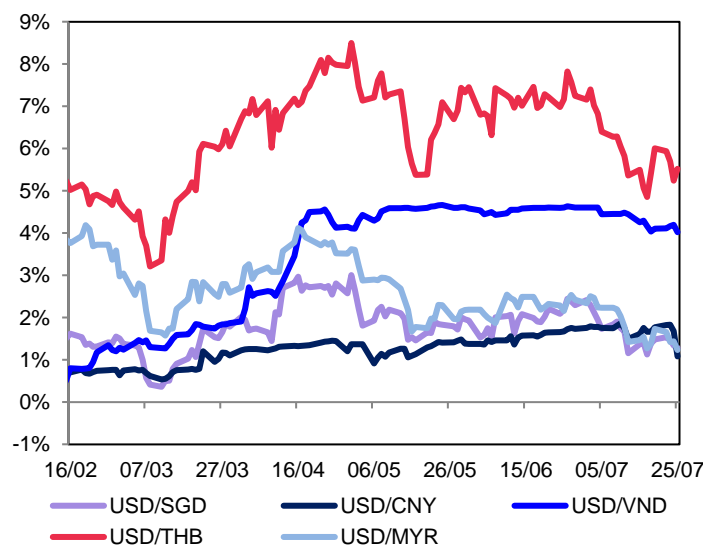
Source: SBV, Bloomberg, MBS Research

Figure 7: VND/USD exchange rate



Source: Bloomberg, MBS Research

Figure 8: Regional currencies performance against USD



Source: Bloomberg, MBS Research

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MBS RECOMMENDATION FRAMEWORK

Stock Ratings

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Add	The stock's total return is expected to reach 15% or higher over the next 12 months
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

Segment Ratings

Positive	Stocks in the segment have, on a market cap-weighted basis, a positive absolute recommendation
Neutral	Stocks in the segment have, on a market cap-weighted basis, a neutral absolute recommendation.
Negative	Stocks in the segment have, on a market cap-weighted basis, a negative absolute recommendation.

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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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