

**Viet Nam money market chartbook**

**Declining interest rates, easing FX pressure**

- The market now forecasts the FED terminal rate at 5-5.25%. That means there are 2 more rate hikes in Mar (0.25 % pts) and May (0.25 % pts).
- Lower pressure on VND exchange rate as DXY dropped after SVB crash.
- Domestic deposit rate started to decline from mid-Feb 23, especially for terms of 6 months and above.

**FED could be less hawkish about monetary policy after the collapse of SVB**

The recent collapse of Silicon Valley Bank (SVB) is putting the US Federal Reserve (FED) in a difficult position. On the one hand, the FED is still under pressure to raise its policy rates to control the persistent inflation in the U.S. On the other hand, a high interest rate environment will put financial institutions in jeopardy as real asset values are much lower than book values (as higher interest rates cause bond prices to plummet). So, while still believing that the FED will continue to raise its benchmark rates to control inflation, the market now expects the FED to be less hawkish than it was before the SVB crash. The market now forecasts the FED terminal rate at 5-5.25%, lower than the forecast of 5.5-5.75% before the SVB crash. In addition, the market now expects that the FED could start reducing its policy rates from the fourth quarter of 2023, earlier than the previous forecast of the first quarter of 2024.

**Lower pressure on VND exchange rate as DXY dropped after SVB crash**

Dollar Index (DXY) dropped sharply after the collapse of Silicon Valley Bank (SVB) as markets expected the FED to be less hawkish on monetary policy. As of Mar 13, 2023, DXY fell to 104.0pts, down 1.3% before the SVB crash. The softer DXY has brought the US\$/VND down 0.1% ytd to 26,612. We see lower pressure on the VND exchange rate in 2Q23 as the FED could deliver more dovish messages on monetary policy at its next meeting in Mar 23. Consequently, we expect USD/VND exchange rate to fluctuate between 23,600 - 23,800 in the second quarter of 2023.

**Deposit interest rates declined markedly in Feb 23**

As of Mar 9, 2023, the 12 month-term deposit rates of private banks and state-owned commercial banks (SOCBs) were 7.8% and 7.2% respectively, down 41 and 20 basis points, respectively, from the end of Jan 23. We expect deposit rates to drop a bit more until the end of 2023, based on the following reasons: (1) weak lending demand due to economic slowdown and murky residential property market, (2) the government promotes public investment thereby injecting more money into the economy and (3) SBV will be more proactive in supporting market liquidity through open market channel. However, the upcoming reduction will not be large as falling interest rates will put more pressure on the exchange rate in the context that the FED will continue to raise its policy rates until the middle of this year and maintain that high interest rate until the end of 2023.

**Some commercial banks have launched preferential lending programs**

Along with the move to reduce deposit interest rates, some commercial banks have also announced a series of preferential interest rate programs, mainly targeting short-term loans for production and business and lending to SMEs. In the field of real estate, four state-owned commercial banks have agreed to spend a credit package of VND120,000bn to provide loans for social housing development for workers and low-income people. Satisfactory social housing projects can enjoy a lower interest rate of 1.5-2.0% compared to the average lending rate of banks in the market.

Analyst(s):

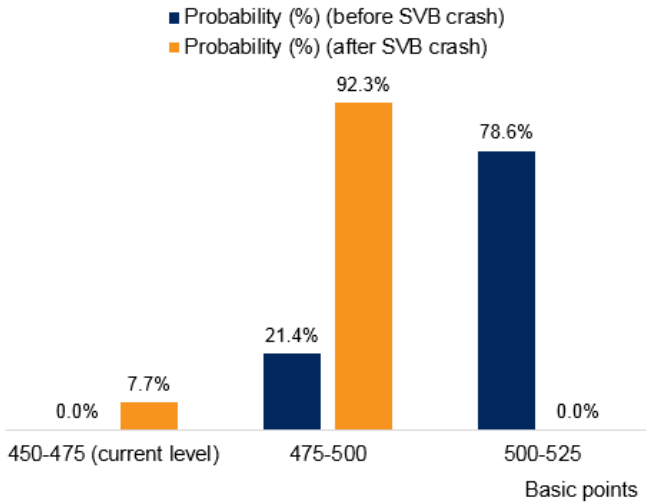


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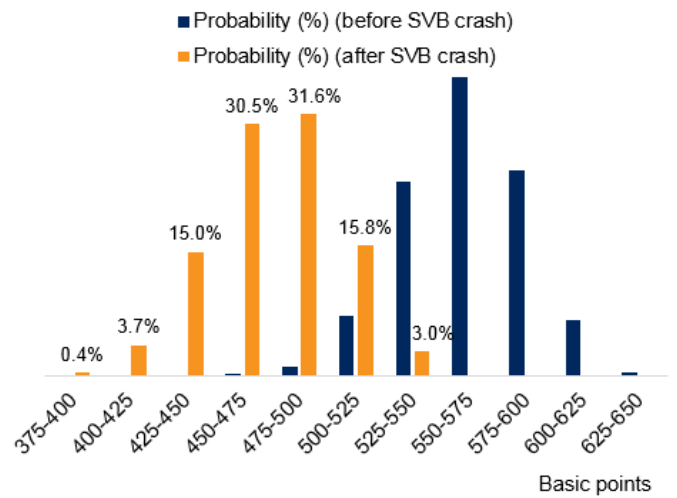
**CHARTS IN FOCUS**

**Figure 1: Markets bet that FED might raise the benchmark interest rate by 25 basis points at its next meeting in mid-Mar**



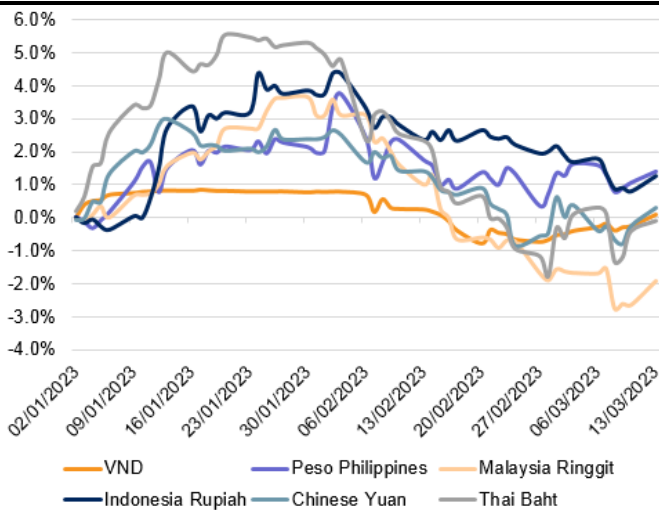
Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 2: The probability of FED fund target rate at the Dec 23 meeting**



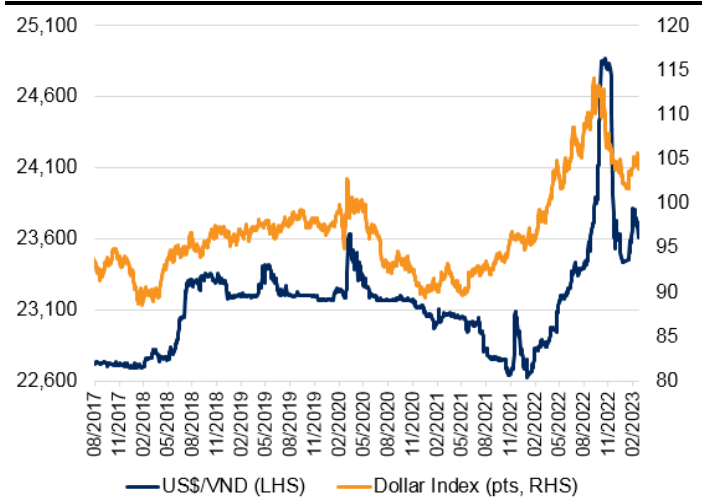
Source: CME GROUP, VNDIRECT RESEARCH

**Figure 3: Regional currency movements against the US\$ (+/- % ytd)**



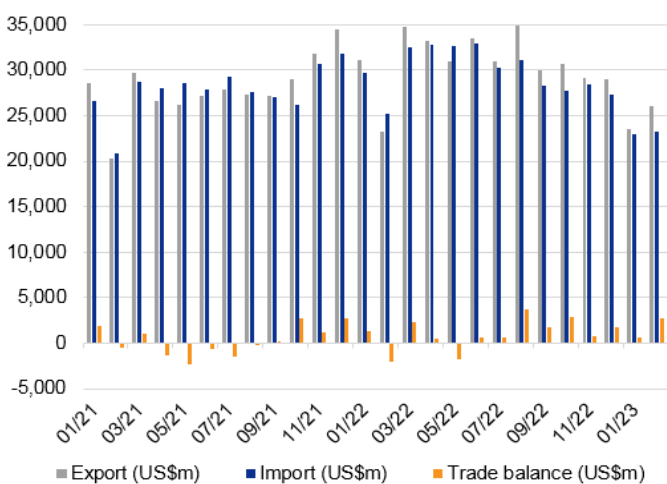
Source: CME GROUP, VNDIRECT RESEARCH

**Figure 4: The US\$/VND exchange rate movements (Jul 17- Mar 23)**



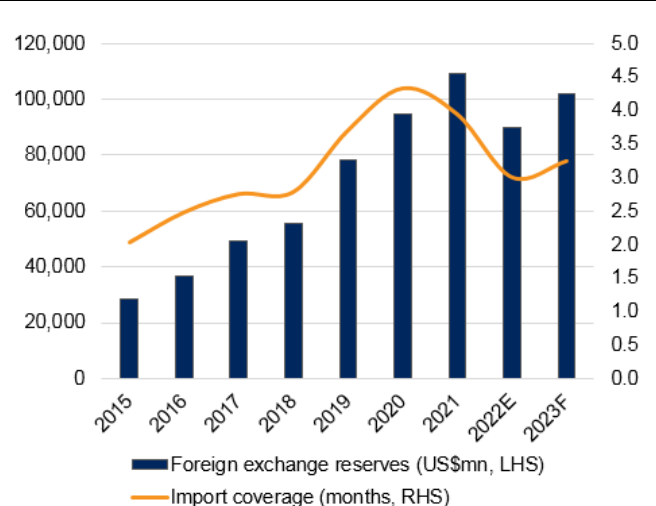
Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 5: Vietnam's recorded a trade surplus of US\$3.4bn in 2M23 (vs. trade deficit of US\$0.3bn in 2M22)**



Source: BLOOMBERG, VNDIRECT RESEARCH

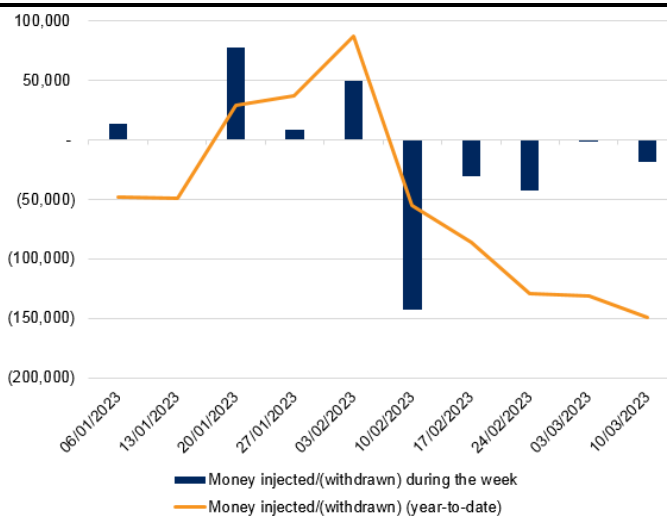
**Figure 6: Vietnam's import coverage (month) and FX reserves**



Source: GSO, SBV, VNDIRECT RESEARCH

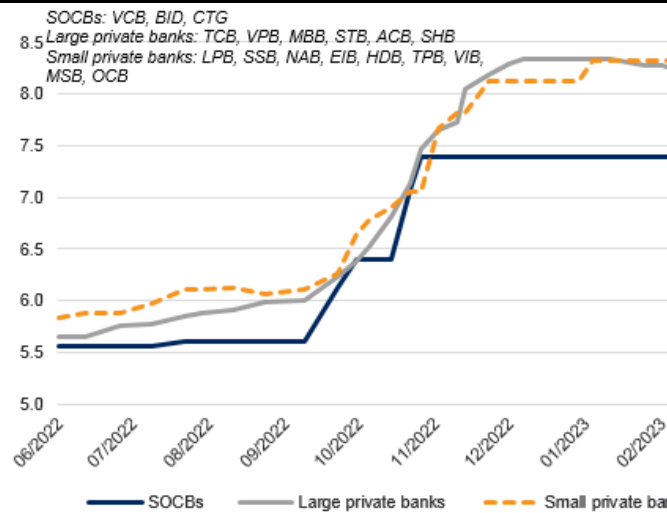
**CHARTS IN FOCUS**

**Figure 7: Money injected/(withdrawn) by SBV (Unit: VNDbn)**



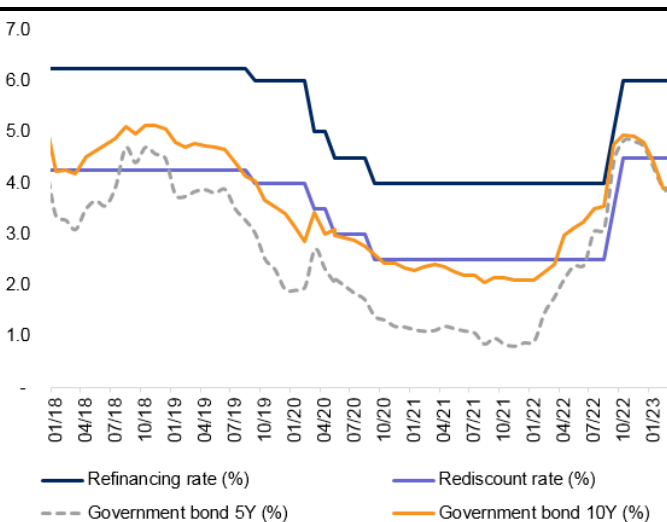
Source: SBV, BLOOMBERG, VNDIRECT RESEARCH

**Figure 9: The deposit interest rates declined markedly in Feb 23 (Unit: %)**



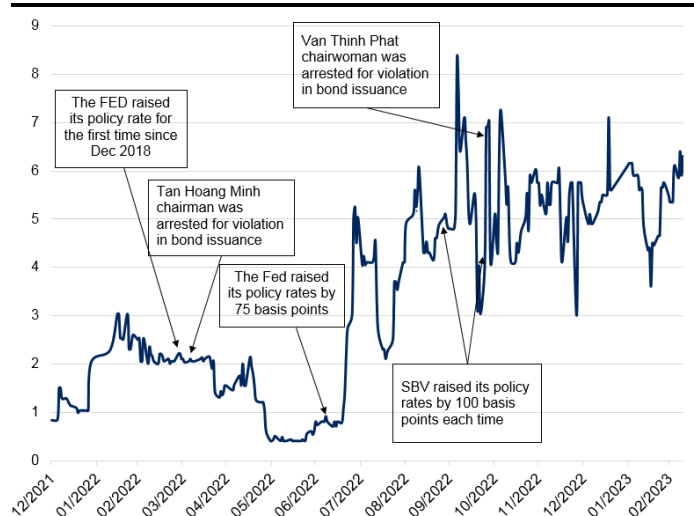
Source: Commercial banks, VNDIRECT RESEARCH

**Figure 11: We expect SBV's policy rate to keep unchanged in 2023F**



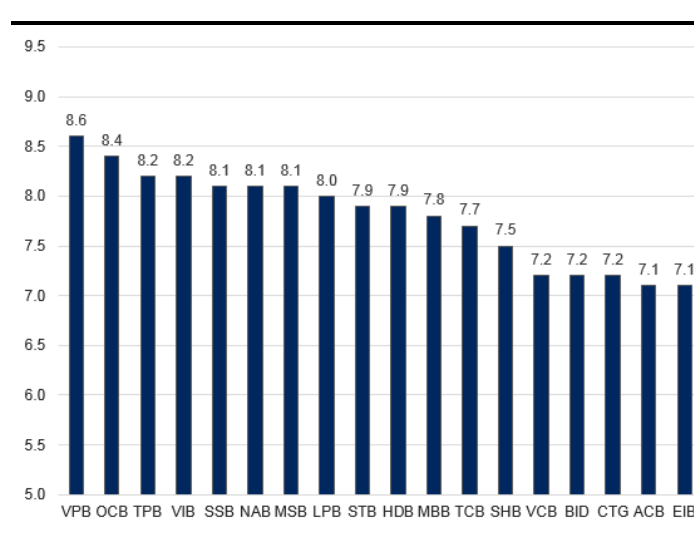
Source: SBV, BLOOMBERG, VNDIRECT RESEARCH

**Figure 8: The interbank overnight interest stayed above 6.0% (Unit: %)**



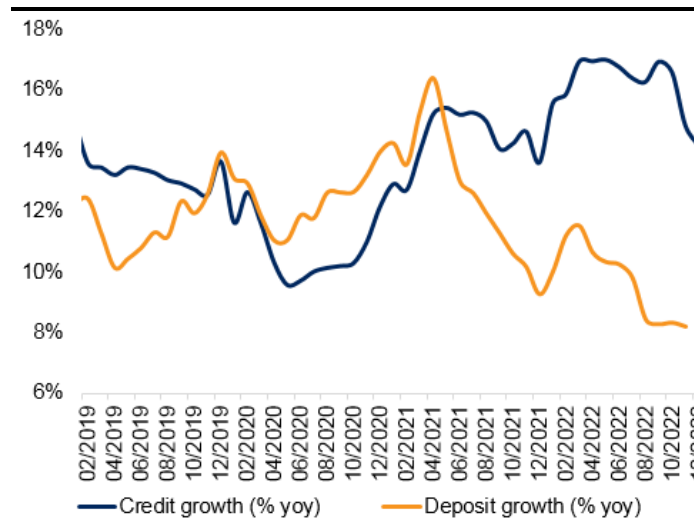
Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 10: 12-month term deposit rates of some commercial banks (%)**



Source: Commercial banks, VNDIRECT RESEARCH

**Figure 12: Credit growth vs. deposit growth**



Source: SBV, VNDIRECT RESEARCH

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### Stock Ratings

Definition:

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.

*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.*

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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