

Macro Report

August 2024 Update: Easing exchange rate pressure aids expansionary policy

Global economy – Adjusted Q2 data suggests FED won't need to cut rates too quickly in 2024

US Q2 GDP increased to 3.0% YoY after adjustment (from an estimated 2.8% YoY). With the adjusted GDP rose and improved in unemployment data in August, along with a cautious interest rate stance, TVS Research expects FED would have 2 interest-cut of 0.25% per cut in 2024, rather than three rate cuts anticipated by the market.

In China, TVS Research believes PBOC needs to continue lowering interest rates in Q4 2024 to meet economic growth targets, as key sectors such as real estate and industrial production remain weak.

Vietnam economy – Exports remains as the main growth driver in 2024

Trade growth remains robust, with exports increasing by 15% YoY and imports by 12% YoY in August 2024. The rise in imports indicates strengthening manufacturing activity and provides a foundation for export growth in H2 2024.

Money Market – Exchange rate plummeted in August while expectations towards FED's September rate cuts decision.



The USD/VND exchange rate continued to decline by 1.5% in August, as global markets anticipated FED's rate cuts in the September meeting. The reduced exchange rate pressure gives SBV more room to maintain an expansionary monetary policy and ease its net withdrawal through treasury bills. As a result, interbank rates may decrease in the near future.

Commodities Market – Commodities' prices remain stable

Global commodity prices were stable, with the BCOM index flat in August. Input prices, such as crude oil, coal, and iron ore remained unchanged, whereas precious metals like gold saw significant increase.

Global Indicators	Aug	% MoM	%YTD
Inflation:			
USA	3.0%	0%	-0.2%
EU	2.6%	0.1%	-0.3%
China	0.6%	0.1%	0.6%
PMI:			
USA	50.0	-0.1	2.7
EU	45.4	-0.4	1
China	49.1	-0.3	0.5
Vietnam Indicators			
CPI	3.5%	0.0%	4.0%
PMI	52.4	-2.3	1.9
IIP	9.5%	2.0%	9.5%
Exports (USD bn)	37.6	4.6%	14.5%
Imports (USD bn)	33.1	-2.2%	12.4%
Retails (VND tn)	528.3	0.4%	7.9%
PI Disbursement (VND tn)	62.1	8.8%	2.0%
Registered FDI (USD bn)	2.5	-10.3%	32.4%
Money Market			
USD/VND	24,875	-1.5%	2.5%
Commodities Market			
BCOM Index	96	-0.1%	-2.5%

Notice:

 Weaker than last term
 Better than last term

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Global economy

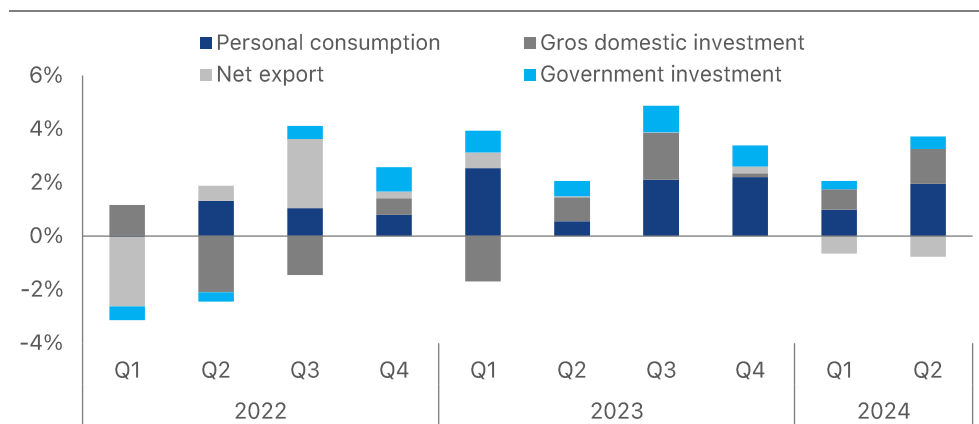
Stronger-than-expected Q2 GDP growth and improved job market conditions in August could ease the pressure on the Fed to cut interest rates.

US Q2 GDP increased to 3.0% YoY after adjustment, up from an estimated 2.8% YoY. This improvement was primarily due to stronger consumer spending (+2.8% YoY vs. an estimated +2.5% YoY).

Given the revised Q2 GDP and the decline in the US unemployment rate in August, along with the Fed's cautious stance on interest rate management for 2024, TVS Research anticipates a 0.25% rate cut in September rather than a more aggressive 0.5% cut as the market expects. Additionally, the Fed is likely to take time to assess the impact of this rate cut before making further reductions. Consequently, TVS Research considers two rate cuts totaling 0.5% in 2024 to be the most appropriate approach.

Figure 1: Adjusted US GDP increases by 3.0% thanks to consumers spending

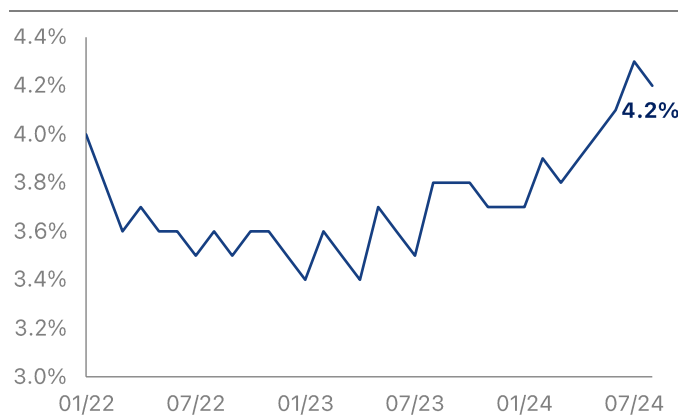
US GDP growth from 2022 - 2024 [%]



Source: S&P, TVS Research

Figure 2: Unemployment Rate has slowed down in August

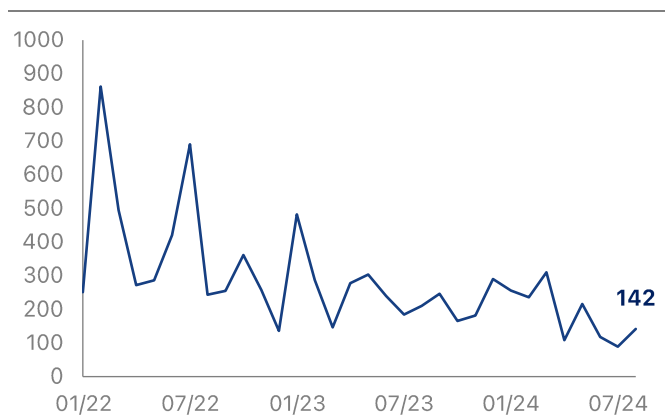
US unemployment rate [%]



Source: FRED, TVS Research

Figure 3: Non-farm new jobs report stopped dropping in August

Increase/Decrease in new non-farm jobs [Thousand of jobs]



Source: FRED, TVS Research

TVS Research believes that the PBOC may continue to cut interest rates due to weak economic growth in China during Q2.

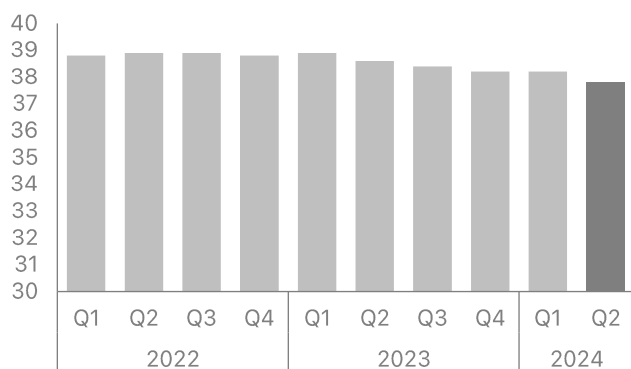
China's economy grew weakly at 4.8% YoY in Q2 2024, falling short of the 5% target for the year due to sluggish industrial production and an unrecovered real estate market.

Currently, China's main growth driver in 2024 is export activity. However, this momentum could be impacted by the US presidential election, as both candidates have protectionist trade views. Notably, former US President Donald Trump initiated a trade war with China in 2018.

The PBOC reduced its lending rate by 0.2% to 2.3% in July to support the real estate market and stimulate consumption. However, improvements in these areas remain elusive. TVS Research believes that PBOC needs to cut rates more to stimulate the real estate market and consumption to achieve the 5% growth target in 2024.

Figure 4: Chinese household's Real Estate credit balance kept declining in Q2

Chinese household's real estate credit balance [CNY Tril]



Source: Bloomberg, TVS Research

Figure 5: Industrial production in China remains weakened

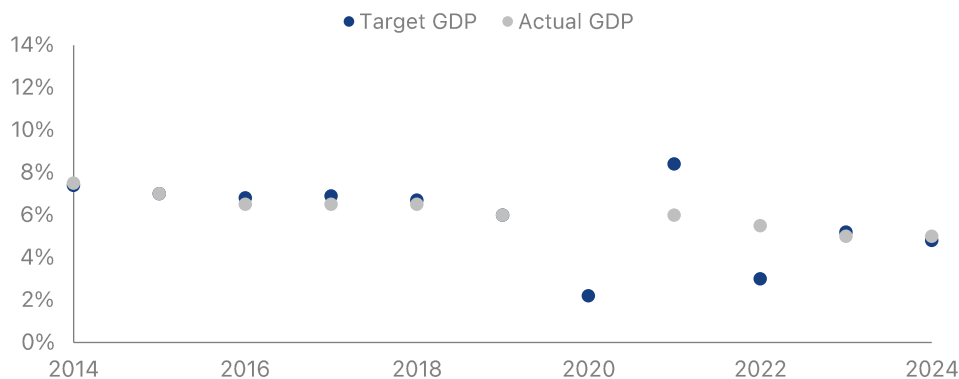
China's Industrial PMI [Points]



Source: S&P, TVS Research

Figure 6: China's GDP may not achieve target in 2024

GDP actual and target of China during 2012 - 2024 [%]



Source: Bloomberg, TVS Research

Vietnam Economy

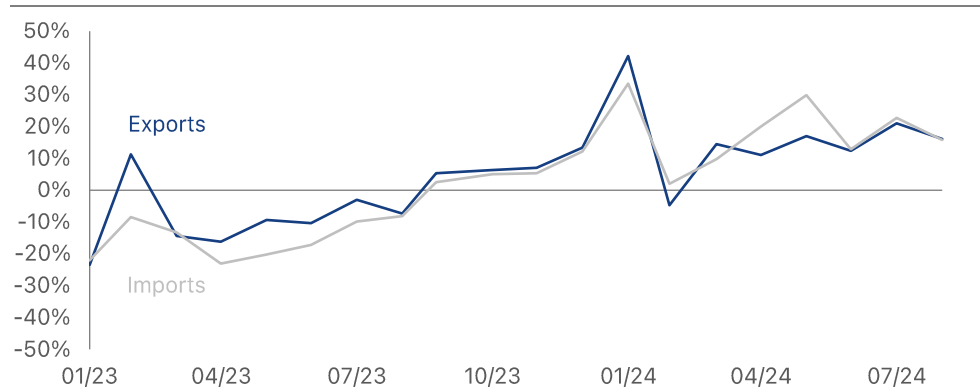
Exports increased significantly in August 2024.

Exports value reached \$37.6 billion in Aug 2024 (+14.5% YoY). FDI sector exports continued strong growth, with computers up 30.4% YoY and machinery & equipment up 34.2% YoY. Also, key export items from domestic enterprises, such as textiles and seafood, also showed a positive recovery, meeting our previous expectations, with growth rates of 18.4% YoY and 18.5% YoY, respectively.

We maintain our expectation that export activity will continue to drive economic growth in 2024, forecasting a 15% increase in exports, consistent with previous reports. We believe that strong export growth will largely come from FDI products like phones and computers, driven by a global market recovery ([see Macro Strategy Report H2 2024 for details](#)). Also, growth will be supported by sectors such as textiles and seafood, due to a significant rise in raw material imports over the past four months. We anticipate increased consumption and inventory accumulation in major markets, such as: the US and Europe to prepare for the festive season.

Figure 7: Exports growth continues in Aug 2024

Export growth from Jan 23 – now [%YoY]



Source: GSO, TVS Research

FDI flow into Vietnam remains stable in August 2024.

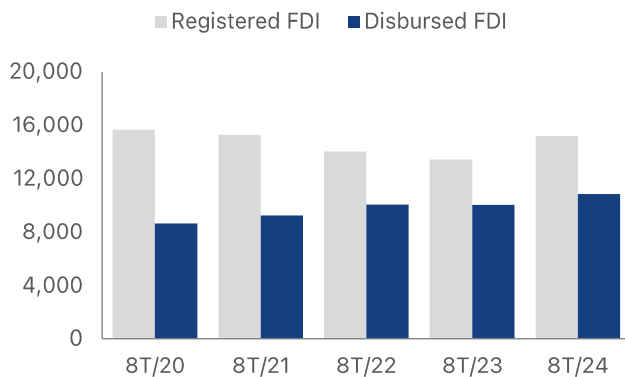
In August 2024, registered and disbursed FDI amounted to \$2.5 billion (+32.3% YoY) and \$1.6 billion (+5.3% YoY), respectively. For 8M 2024, registered and disbursed FDI totaled \$20.5 billion (+13.1% YoY) and \$14.2 billion (+8% YoY). The manufacturing sector continued to lead with a total registered value of \$14.2 billion (+15% YoY), followed by the real estate and automotive sectors.

FDI inflows have shown steady growth since the beginning of the year, indicating that foreign investors continue to find attractive conditions in Vietnam for long-term investments. We maintain our expectation of strong FDI growth this year, supported by factors such as:

- **Sustaining the existing competitive advantages of the domestic manufacturing sector**, such as stable economic and social conditions, a strategic location, and a steady labor force. A stable business environment ensures uninterrupted operations, which is critical for investors, given the geopolitical tensions in various regions worldwide (e.g., the Middle East, Russia-Ukraine, Bangladesh, etc.)
- **Upgrading strategic partnerships with the US and Japan (2023) and Australia (2024)** will also help boost trade and attract FDI. Also, strategic cooperation with major countries contributes to social stability amid ongoing global geopolitical uncertainties

Figure 8: Disbursed and registered FDI inflows continues significant growth

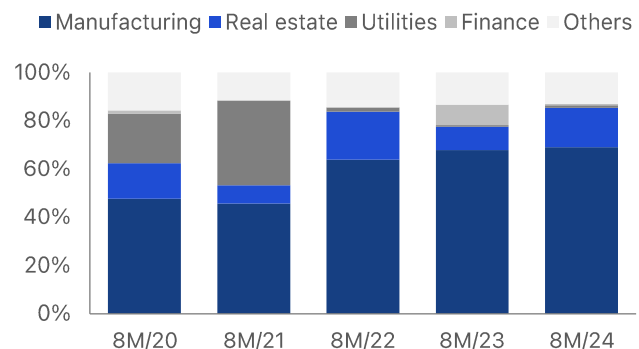
Accumulated annual disbursed & registered FDI in 8M [USD bn]



Source: Fiinpro-X, TVS Research

Figure 9: Manufacturing and real estate were the main drivers of FDI inflow

Breakdown of FDI inflows by sector [%]



Source: Fiinpro-X, TVS Research

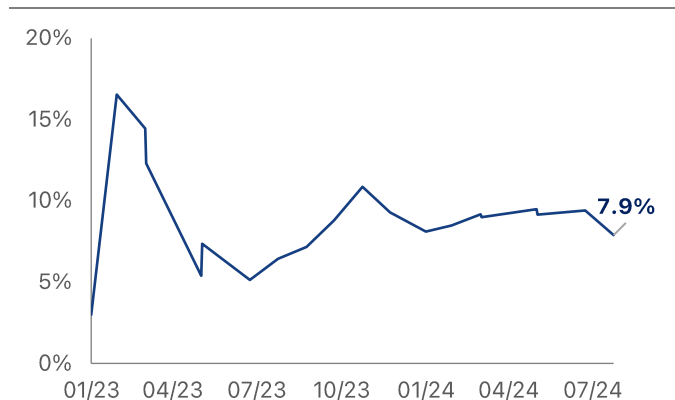
Retail sales in August 2024 slightly increased compared to the previous month.

Retail sales growth in August 2024 **reached +7.9% YoY and +0.4% MoM**. For 8M 2024, retail sales increased by 8.5% YoY and 5.3% when excluding price effects. We believe the slow growth in domestic retail has partly resulted from the slight decrease in the labor's average income (see Figure 13).

In the H2 2024, we expect average income to improve as employment rises with the continued recovery in production. Additionally, the government is maintaining supportive policies, such as extending the VAT reduction to 8% until the end of 2024 and implementing a wage reform that has increased the base salary by 30% and the minimum wage by 6% since July 2024, which should enhance consumer purchasing power.

Figure 10: Retail sales growth in Aug 2024 achieved 7.9% YoY

Monthly retail sales growth from Jan 23 - now [% YoY]



Source: Fiinpro-X, TVS Research

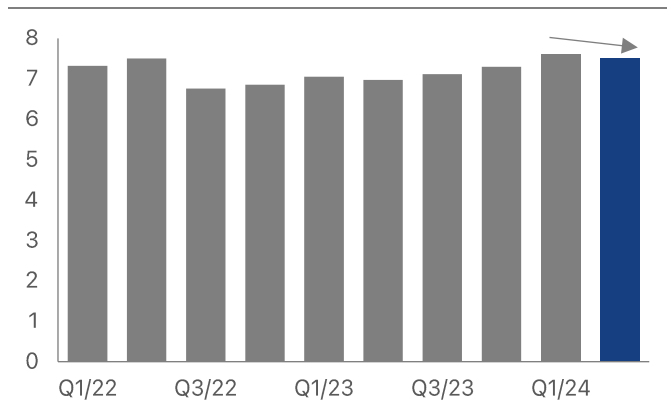
TVS Research believes that the inflation will remain at around 4% for the upcoming months.

Inflation in August 2024 remained stable compared to the previous month. The Consumer Price Index (CPI) increased by 3.5% YoY in August, unchanged from July. Most goods and services saw a slight increase of 0.1-0.3% MoM, except for the Transportation sector, which dropped by 2.0% MoM (contributing to a 0.2 percentage point reduction in the overall CPI) due to a 5-8% decrease in fuel prices. Domestic fuel prices fell in line with global oil price trends, driven by concerns about weak economic recovery in China potentially reducing demand.

We expect CPI to remain under government control, staying below 4.0%. Global oil price trends are likely to keep domestic fuel prices lower compared to the same period in 2023, easing domestic inflation pressures. Also, a declining exchange rate towards the end of the year will help reduce import costs for raw materials, thereby lowering domestic production costs.

Figure 11: Average income of workers decrease slightly in Q2 compared to past quarters

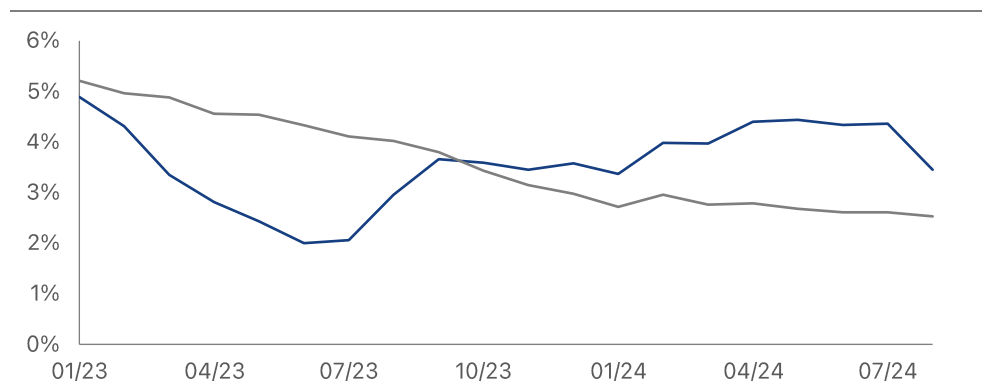
Worker's average income in Vietnam by quarter [VND mn]



Source: GSO, TVS Research

Figure 12: CPI in Aug 2024 remained stable compared to July

Monthly core CPI and CPI from Jan 22 - now [%YoY]



Source: GSO, TVS Research

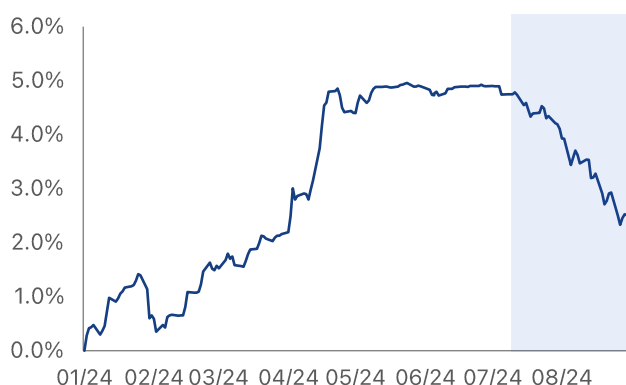
Money Market

TVS Research maintains that exchange rates pressure will further cool down in H2 2024.

The USD/VND exchange rate continued its downward trend, as noted in our [July 2024 Macro Report](#), falling to 24,875 at the end of August 2024, a decrease of 1.5% for the month. VND has depreciated by only 2.5% YTD, a significant drop since the period between April-July. The reduced exchange rate pressure in August was due to the market's increased expectations of FED's rate cut in their Sept 2024 meeting. This anticipation led to DXY's 2.3% decline in August. The lower exchange rate allows the SBV to maintain its expansionary monetary policy. Also, reduced import costs due to the lower exchange rate will help control domestic inflation.

Figure 13: Exchange rates pressures subsides in August 2024...

Fluctuations in USD/VND since 2024 [% YTD]



Source: Bloomberg, TVS Research

Cooling exchange rate gives more room for SBV to maintain their monetary policy.

In August 2024, SBV significantly reduced net withdrawals through treasury bills, with the amount outstanding dropping to around VND 20 trillion by the end of the month. Meanwhile, the volume of reverse repos remained steady compared to July 2024. As a result, the interbank rates gradually eased to around 4% by the end of August.

We anticipate that the reduced exchange rate pressure towards the year-end will provide the SBV more room to maintain their monetary policy and reduce net withdrawals through treasury bills. Consequently, interbank rates may continue to decline. However, we believe that interbank rates will be unlikely to fall sharply to around 1% as seen in the first 4M of the year due to (1) the existing interest rate differential between VND and USD, with the expectation of FED cutting rates by only 50 bps in 2024, and (2) slower growth in deposits relative to credit, which will exert upward pressure on interbank rates.

Figure 14:... mostly due to the weakening USD as FED's rate cut chance emerges in their Sept meeting

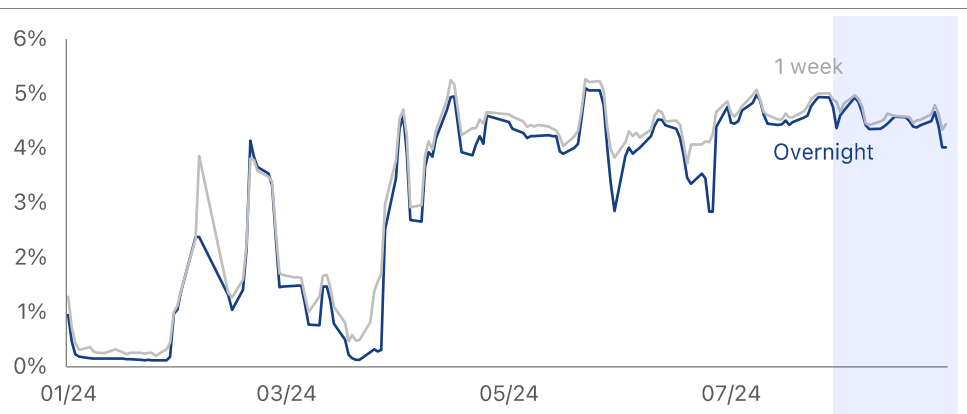
DXY index [points]



Source: Bloomberg, TVS Research

Figure 15: Interbank rates of all terms decrease 30-40 bps in August 2024

Interbank rates from beginning of 2024 – Current [%/year]



Source: FiinPro-X, TVS Research

Commodities Market

Global demand for commodities flattens in August 2024.

Global commodity prices remained stable, with the BCOM index unchanged in August. During the month, fuel prices, including crude oil, coal, and iron ore, showed little movement, while precious metals like gold experienced a significant increase.

Figure 16: BCOM index went sideways in August 2024

BCOM Index [Points]



Source: Bloomberg, TVS Research

Fuel Price

- **Brent crude oil** price in August 2024 was \$78.4 per barrel, down 0.4% MoM.
- **Natural gas price** in August 2024 remained stable at \$1.84 per mmBTU, down 1% MoM.
- **Newcastle coal** stayed at \$144.8 per ton, unchanged from the previous month.

Metal and Industrial Goods Prices

- **Gold futures on COMEX** rose to \$2,522 per ounce (+3.2% MoM). This increase is attributed to demand for gold as a hedge against global economic downturns.
- **Iron ore price** on the Singapore commodities exchange remained at \$101 per ton, unchanged from the previous month.

Agriculture Products Prices

- **Wheat futures** increased to \$532 per bushel in August

Figure 17: Oil price slightly adjusted in August

Brent oil price [USD/barrel]



Source: Bloomberg, TVS Research

Figure 18: Gold prices hike did not cease in August

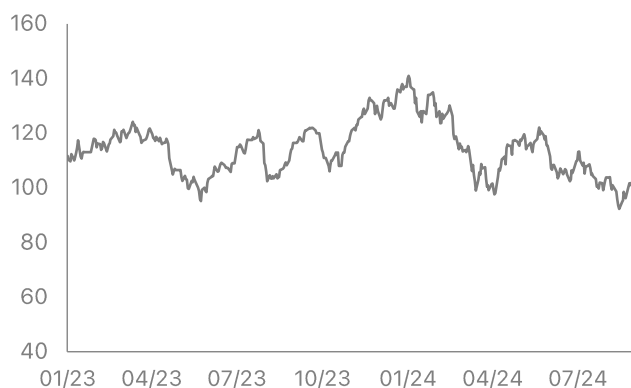
Gold price [USD/ounce]



Source: Bloomberg, TVS Research

Figure 19: Iron Ore price remained stable

Iron ore price [USD/ton]



Source: Bloomberg, TVS Research

Figure 20: Wheat prices saw slight increase

Wheat price [USD/bushel]



Source: Bloomberg, TVS Research

Notable economics event in September

Dates	Event	Impact
02/09/2024	Announcement of Vietnam's Manufacturing PMI	Medium
06/09/2024	Announcement of Vietnam's economic data in August 2024	High
06/09/2024	Announcement of the US unemployment data in August 2024	High
11/09/2024	Announcement of the US CPI in August 2024	Medium
12/09/2024	ECB's September policy meeting	Medium
18/09/2024	FOMC's September policy meeting	High
19/09/2024	Expiration of VN30 Index futures contracts	High
20/09/2024	BOJ's September policy meeting	Medium

List of issued reports

Categories	Titles	Company/Industry	Release Date
Company report	Initiation Report	DGC	10/9/2024
Company report	Follow-Up Report Q1 2024	VIB	07/8/2024
Macroeconomic update	Macroeconomics Report July 2024	Macroeconomics	06/8/2024
Market update	Equity Market Report in July 2024	Market	06/8/2024
Macroeconomic update	Macroeconomics Report June 2024	Macroeconomics	08/7/2024
Market Update	Equity Market Report in June 2024	Market	08/7/2024
Company report	Follow-Up Report	KBC	19/6/2024
Company report	Equity Market Report May 2024	Market	07/6/2024
Company report	Macroeconomics Report May 2024	Macroeconomics	07/6/2024
Company report	Equity Market Report in April 2024	Market	08/5/2024
Company report	Macroeconomic in April 2024	Macroeconomics	08/5/2024
Company report	Shareholders' meeting update 2024	NLG	08/5/2024
Company report	Shareholders' meeting update 2024	DXG	08/5/2024
Market update	Shareholders' meeting update 2024	VHM	08/5/2024

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The recommendations of Buy, Sell, or Hold for stocks are determined based on the expected total return, which is the sum of the difference between the target price and the current market price of the stock, plus the expected dividend yield. Specific definitions for each recommendation level are as follows:

Recommendation ratings	Definition
BUY	Expected stock total return over 1 year > 20%
HOLD	Expected stock total return over 1 year is between -10% to 20%
SELL	Expected stock total return over 1 year < -10%

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