

Macro Report

October 2024 Update: Exchange rate pressure returns in October

Global Economy – USD may strengthen as Donald Trump returns & FED's cut rates slower

Donald Trump's win in the U.S. presidential election may lead to increased U.S. tariffs on imports.

The FED continues to cut interest rates but at a slower pace, reflecting a cautious policy approach. If this pace holds, TVS Research expects the USD to strengthen as other countries accelerate their rate cuts.

Vietnam Economy – Import & export activities continue to propel economic growth

Exports and imports maintained positive growth in October 2024. The recent growth in imports is a positive sign, indicating improved production activity toward year-end, which supports exports.

Money Market – Exchange rates & interbank rates increased

The USD/VND exchange rate rose sharply in October due to a stronger USD and a sudden surge in demand for foreign currency due to (1) state treasury bought in USD to pay the upcoming \$1 billion debt, (2) USD demand for repatriating profits from FDI corporations, and (3) Increasing USD payments from import businesses. However, pressure on VND eased toward the end of 2024 as short-term USD demand subsided and USD supply increased.

The SBV flexibly used open-market operations to stabilize both the exchange rate and interest rates. While interbank rates saw significant fluctuations, deposit rates remained stable, changing by just 10-20 bps. Deposit rates may rise slightly toward year-end due to the high credit-deposit growth gap.

Commodities Market – Prices decline in October

Global commodity prices fell, with the BCOM index down 2.2% MoM in October. Crude oil prices rose slightly (+1.9% MoM), while iron ore prices in Singapore dropped sharply (-5.9% MoM) as hopes for a recovery in China's real estate market faded.

Global's Indicators	Oct 24	% MoM	%YTD
Inflation (%):			
US	2.7%	0%	-0.3%
EU	2%	0.3%	-0.9%
China	0.4%	-0.2%	0.7%
PMI (point):			
US	46.5	-0.7	-0.2
EU	46	0.1	2.9
China	50.1	0.3	0.6
Vietnam's Indicators			
CPI	2.9%	0.3%	2.9%
PMI	51.2	+3.9	+1.6
IIP	4%	+3.9%	+7.0%
Export (USD bn)	35.6	+4.4%	+10.1%
Imports (USD bn)	33.6	+5.8%	+13.6%
Retail (VND trillion)	545.7	+1.2%	+7.6%
PI Disbursement (VND trillion)	68.4	+6.2%	+1.8%
Reg. FDI (USD bn)	2.5	-42%	-55%
Money market			
USD/VND	25,280	2.7%	3.9%
Commodities market			
BCOM Index	98	-2.2%	-4.8%

Note:

■ Weaker than last term
■ Better than last term

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Global Macro

Donald Trump's victory and slower FED rate cut will likely strengthen USD.

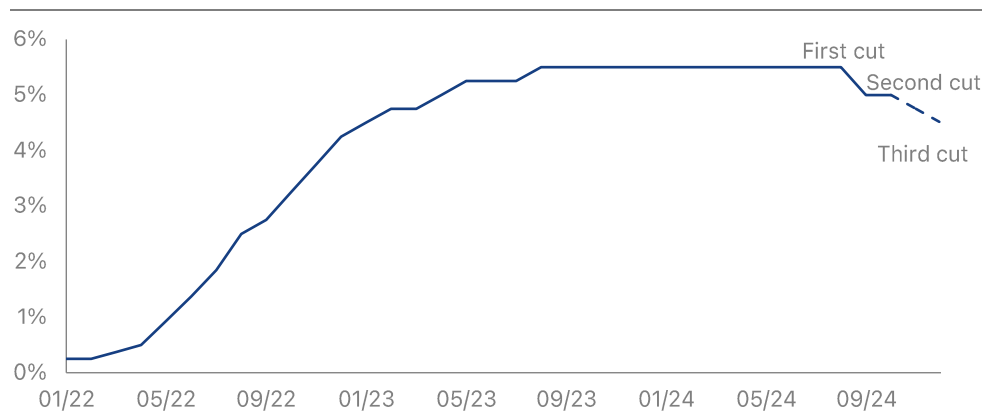
In November, TVS Research believes that 2 events may impact global economy in the upcoming time:

- (1) **Donald Trump's victory in the U.S. presidential election** signals potential tariff hikes under his protectionist policies. General import tariffs to the U.S. may rise from 10% to 20%, with tariffs on Chinese goods potentially reaching 60%. Such measures could renew U.S.-China trade tensions similar to 2018–2021, slowing global economic growth. Countries with large trade surpluses with the U.S., including Vietnam, would likely be among the first affected. Some forecasts suggest global GDP could fall by 0.5% if these tariffs are implemented after Trump takes office.
- (2) **FED lowered interest rates by 0.25% in November.** In October, the U.S. unemployment rate remained steady at around 4.1%, but layoffs and resignations increased significantly. We expect this trend to continue, further weakening the labor market. Additionally, U.S. inflation is gradually approaching the 2% target. Given these factors, TVS Research believes the FED has a basis for another 0.25% rate cut in December.

TVS Research expects the USD to continue strengthening after Trump takes office due to the impact of higher import tariffs. At the same time, as the FED slows rate cuts and other countries continue to lower rates, the USD is likely to strengthen relative to other currencies, especially those of U.S. export partner countries.

Figure 1: FED cut rates by 0.25% in November and may make similar cuts in December

Effective FED fund rate [%]



Source: FRED, TVS Research

Figure 2: US unemployment ratio stalled in October

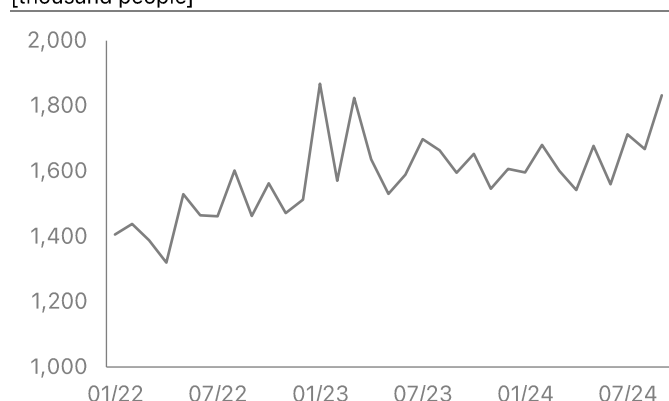
Unemployment rate in the US [%]



Source: FRED, TVS Research

Figure 3: Non-farm resignation data surged in October

Monthly amount of non-farm workers resigned or laid off [thousand people]



Source: FRED, TVS Research

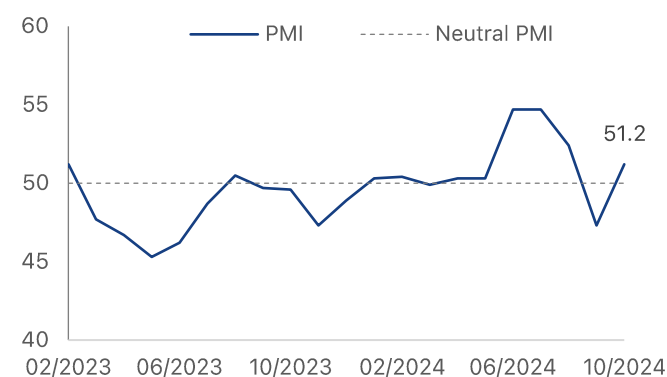
Vietnam Macro

The industrial manufacturing sector rebounded after Typhoon No.3 in October 2024.

The industrial manufacturing sector rebounded from the impact of Typhoon No. 3 in October 2024, supported by restoration efforts in Northern provinces. This is reflected in PMI (+3.9 points MoM) and IIP (+4% MoM) data. Compared to the same period last year, industrial production improved across most sectors (Figure 5), indicating a broad recovery in domestic manufacturing activities. Additionally, the workforce grew by 1% MoM and 5.7% YoY in October, suggesting continued recruitment activities at the end of the year. We view these as positive signs for the industrial sector and manufacturing activities will continue to grow in the remaining months of 2024.

Figure 4: Vietnam PMI returned to 51.2 in October

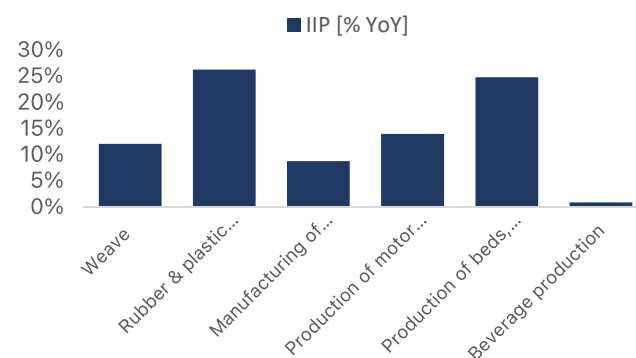
Vietnam monthly PMI index [points]



Source: GSO, Fiinpro-X, TVS Research

Figure 5: IIP showed a stable increase in key manufacturing sectors 10M 2024

The growth rate of main manufacturing sectors 10M 2024 [%YoY]



Source: Fiinpro-X, TVS Research

Import & Export activities maintain stable growth in October 2024.

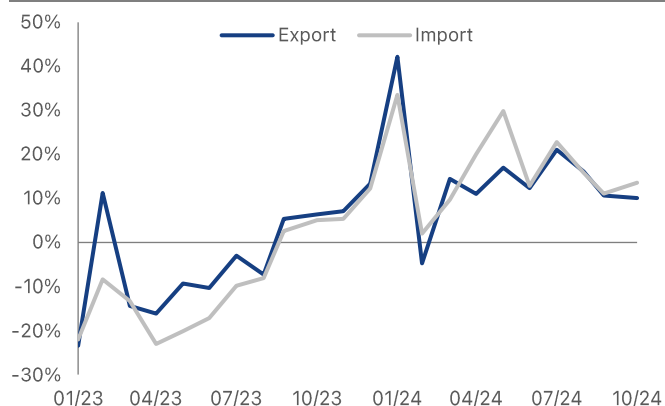
Trade activity continued to grow, with exports and imports in October 2024 reaching USD 35.6 billion (+10.1% YoY) and USD 33.6 billion (+13.6% YoY), respectively. In the first 10 months of 2024, key exports like computers & components (+26.1% YoY), machinery & equipment (+21.5% YoY), and textiles (+10.5% YoY) showed positive growth.

Alongside stable export growth, imports of production materials increased in October (+5.8% MoM), especially in FDI sectors like electronics, computers & components (+23.7% YoY), machinery & equipment (+17% YoY), and fabrics (+14.7% YoY). This suggests higher export orders in the final months of 2024.

We expect exports to maintain growth through the year-end, supported by tax incentives, capital support for manufacturers, a recovery in global markets like the U.S. and Europe, and economic stimulus in China.

Figure 6: Import & export activities maintained growth in October

Export & Import growth Jan 2023-Current [% YoY]



Source: Fiinpro-X, TVS Research

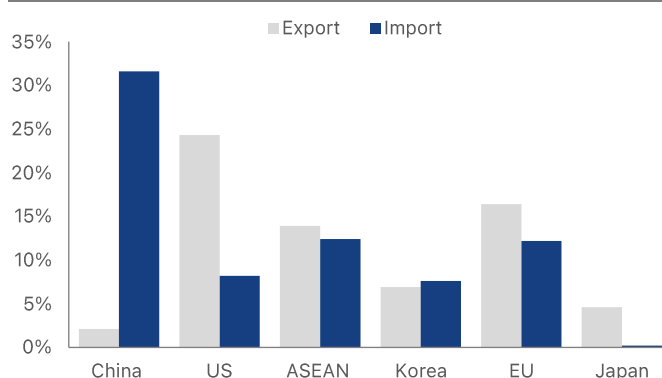
The manufacturing sector attracted the most registered FDI inflow.

In October 2024, total FDI registered and disbursed reached USD 2.5 billion (-55.4% YoY) and USD 2.2 billion (+7.6% YoY), respectively. In the accumulated 10M 2024, FDI registered and disbursed grew positively, reaching USD 27.3 billion (+5.8% YoY) and USD 19.6 billion (+8.8% YoY). Singapore and China remained the top FDI investors, accounting for 28.6% and 13.3% of total investment, respectively.

In the remaining months, we expect FDI to continue growing steadily, supported by competitive advantages such as strategic location and a young, abundant workforce. Additionally, factors like a recovery in manufacturing orders, the government's Decree 10/2024/ND-CP to support high-tech zone investments, impacts from free trade

Figure 7: Major countries' trade growth in 10M 2024

Trade growth by major countries in 10M 2024 [% YoY]

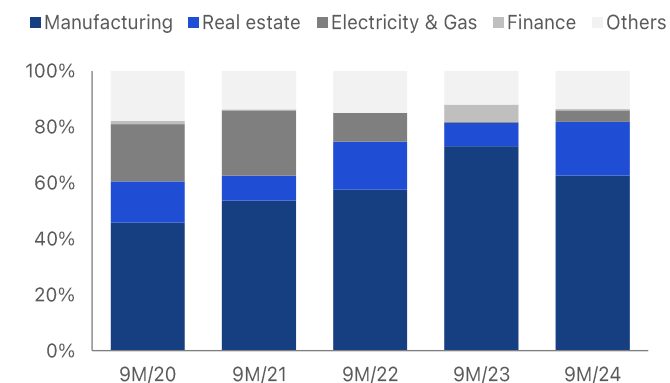


Source: Fiinpro-X, TVS Research

agreements (EVFTA and CPTPP), and comprehensive partnerships with developed countries (U.S., Japan, Australia) will further attract foreign investors.

Figure 8: FDI registered and disbursed by sector 10M 2024

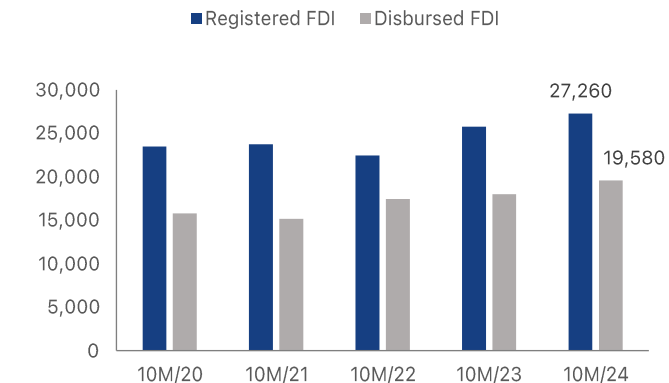
FDI disbursed and registered by sector 10M 2024 [USD bn]



Source: Fiinpro-X, TVS Research

Figure 9: 10M 2024 FDI inflow grew positively compared to the same period last year

FDI registered and disbursed growth of 10M, annually [VND bn]



Source: Fiinpro-X, TVS Research

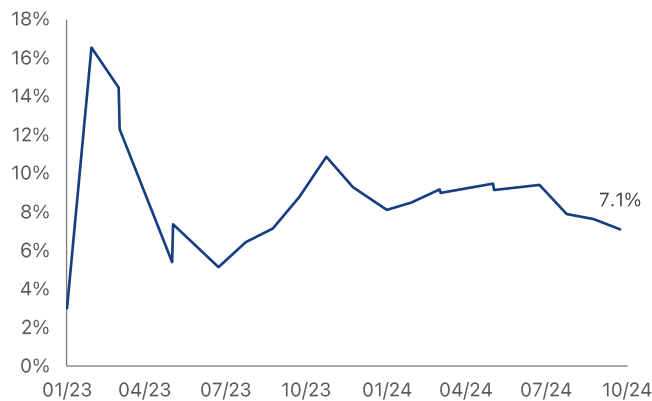
We expect Tet holiday demand will boost retail sales in the remaining months of 2024.

In October 2024, retail sales of goods and services grew by +7.1% YoY and +2.4% MoM. Accumulated 10M 2024, retail sales increased by 8.5% YoY and 4.6% YoY if adjusted for inflation. While October's retail growth was moderate, it still implies potential for recovery in the final months of the year, driven by higher consumer demand in preparation for upcoming holidays. Additionally, the number of international visitors rose in October (+11% MoM) as the tourism sector entered its year-end peak.

We believe both domestic and international tourist numbers will increase in the upcoming months thanks to festivals and public holidays. The recovery in manufacturing activities accompanied by government support policies will improve household income, strengthening consumers' purchasing power.

Figure 10: October retail sales growth reached 7.1% YoY

Retail & service revenue growth by month [% YoY]



Source: GSO, TVS Research

October inflation increased by 0.3% compared to September, still within the government's target range.

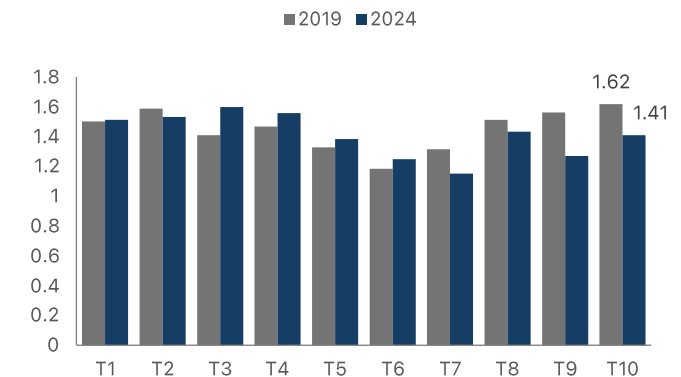
In October 2024, inflation increased by 0.3% compared to September.

The biggest contributor to the overall increase was the Food & Beverage group (+0.6% MoM), contributing 0.2 percentage points to the overall increase. The prices of key food items rose slightly in October compared to September suggesting persistent supply chain disruptions from last month's floods. Additionally, the Transportation group increased by 0.7%, contributing a 0.1% point increase to the CPI due to (1) a 1.7-2.0% rise in fuel prices, and (2) a 32.7% increase in air passenger transport costs as demand for year-end travel rose.

In the coming months, we expect CPI to rise slightly but remain within the government's target range of 4.0-4.5%. Increasing geopolitical tensions in the Middle East could drive oil prices higher, affecting domestic fuel prices. Conversely, food prices in the North are likely to stabilize once post-typhoon Yagi reconstruction activities are completed.

Figure 11: The amount of international tourists to Vietnam hit 1.4 million people

Number of international visitors to Vietnam 2019 & 2024 [million people]

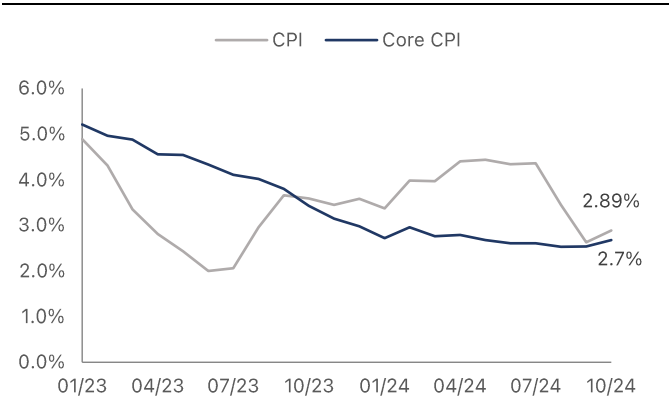


Source: GSO, TVS Research



Figure 12: CPI October 2024 increased 2.89% compared to the same period in 2023

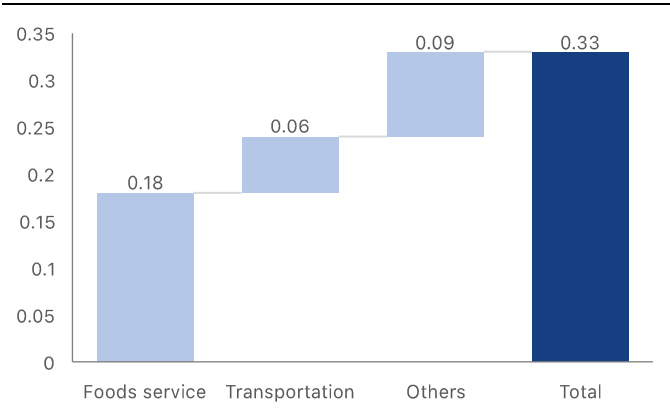
Headline CPI & core CPI from Jan 2023 – Current [% YoY]



Source: Fiinpro-X, TVS Research

Figure 13: F&B group is the biggest contributor to CPI T10 increase

October CPI growth, breakdown by components [pts]



Source: Fiinpro-X, TVS Research

Money Market

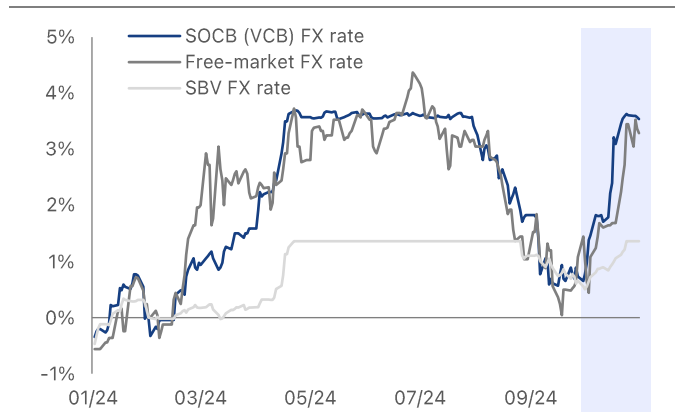
TVS Research maintains forecasts for VND easing depreciation pressure by the year-end of 2024.

The USD/VND exchange rate rose sharply in October 2024, depreciating VND against the USD to over 4%. We believe the strengthening of the USD relative to other currencies (as reflected in the DXY index) is a contributing factor. Additionally, the surge in foreign currency demand from businesses (to import raw materials and goods) and the government (to pay foreign-denominated bonds maturing in November 2024) also put pressure on the USD/VND exchange rate in October.

For the remainder of 2024, TVS Research maintains the forecast that depreciation pressure on the VND will ease, with the USD/VND exchange rate expected to increase by around 2-3% for the year. As stated in [September 2024 Macro Update](#), we expect the exchange rate to ease toward year-end due to (1) a narrowing USD/VND interest rate gap as the FED continues its rate-cutting cycle and (2) an increase in USD supply in the final months of the year from trade surplus, FDI disbursements, and remittances. However, updating our last report, we believe the risk of a stronger USD in the medium term has increased following Donald Trump's re-election, due to his protectionist trade policies such as imposing tariffs on imports, especially from major partners like China.

Figure 14: The exchange rate surged in October due to strengthening USD & increased USD demand

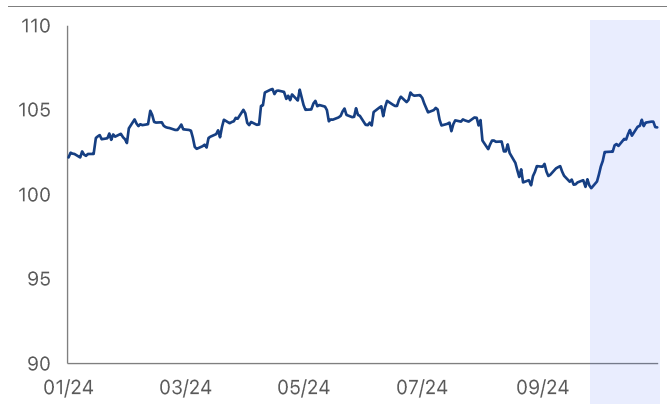
USD/VND exchange rate from beg. 2024 [% YTD]



Source: FiinPro-X, TVS Research

Figure 15: the USD appreciated in expectation of Trump's victory

DXY Index [points]



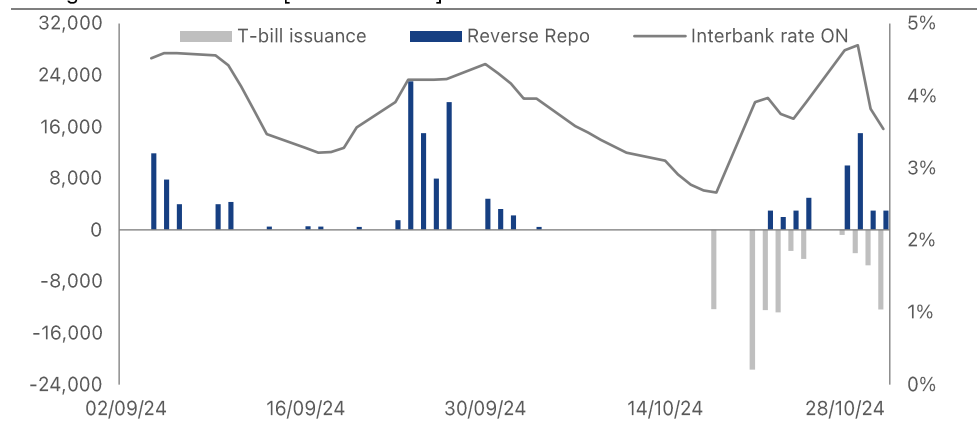
Source: Bloomberg, TVS Research

The SBV flexibly used open market operations to stabilize the exchange rate and interest rates. Unlike its liquidity injection in September 2024, the SBV shifted to net withdrawal by selling treasury bills on the open market from mid-October 2024. This, along with the resumption of foreign currency intervention sales, helped limit the increase in the

USD/VND exchange rate. At the same time, the SBV also provided liquidity to credit institutions through repo operations. As a result, the interbank interest rate, which rose to about 4.7% in the second half of October, declined to below 4.0% by the end of the month. Overall, overnight and one-week interbank rates fell nearly 40 basis points from the previous month.

Figure 16: SBV flexibly utilized OMO to stabilize the exchange rate and the interbank rate

Volume of treasury bills & reverse repo of SBV issued via OMO [column – LHS – VND bn] & average ON interbank rate [line – RHS – %]



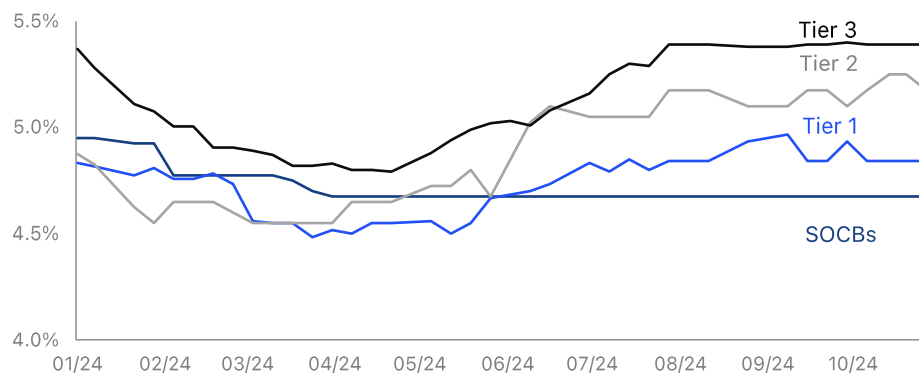
Source: FiinPro-X, TVS Research

TVS Research maintains a forecast that the deposit rates of commercial banks may increase slightly at year-end.

Unlike the significant fluctuations in interbank rates, deposit rates were relatively stable. Some smaller banks increased rates by 10-20 basis points, while a few medium-sized banks reduced rates by 10 basis points. With the gap between credit and deposit growth remaining high (as of October 21: credit +9.14% YTD, deposits +4.22% YTD), TVS Research expects upward pressure on deposit rates as year-end approaches to meet credit disbursement demand.

Figure 17: Deposit rate remained stable, with small banks' rates increase by 10-20 bps

12M savings deposit interest rate for individuals at some commercial banks [%]



Notes: SOCBs – Agribank, BID, CTG, VCB; Tier 1 – ACB, MBB, SHB, STB, TCB, VPB; Tier 2 – HDB, LPB, MSB, VIB; Tier 3 – BAB, EIB, KLB, NAB, NVB, OCB, PGB, SGB, VAB, VBB.

Source: Banks' website, complicated by TVS Research

Commodities Market

Global commodities' prices declined as China's stimulus expectations faded.

Global commodity prices fell, as reflected by the BCOM index decline in October (-2.2% MoM). In October, crude oil prices rose slightly (+1.9% MoM), while iron ore prices in Singapore dropped sharply (-5.9% MoM), following the fading expectations of a recovery in China's real estate market due to the economic stimulus package.

Figure 18: BCOM Index decreased in October

BCOM Index [points]



Source: Bloomberg, TVS Research

Energy Prices

- **Brent crude prices** in October 2024 reached 73.1 USD/barrel, +1.9% MoM
- **LNG prices** in October 2024 remained stable at 2.58 USD/mmBTU, +1% MoM
- **Newcastle coal prices** were flat at 146.5 USD/ton in October 2024, unchanged from the previous month

Precious metal & industrial products prices

- **Gold futures** on the COMEX rose to 2,738 USD/oz, +3.9% MoM
- **Iron ores prices** on the Singapore commodity exchange were 103.6 USD/ton, down 5.6% MoM

Agriculture products

- **Wheat futures** dropped to 570 USD/bushel in October 2024

Figure 19: Oil prices increased slightly in October

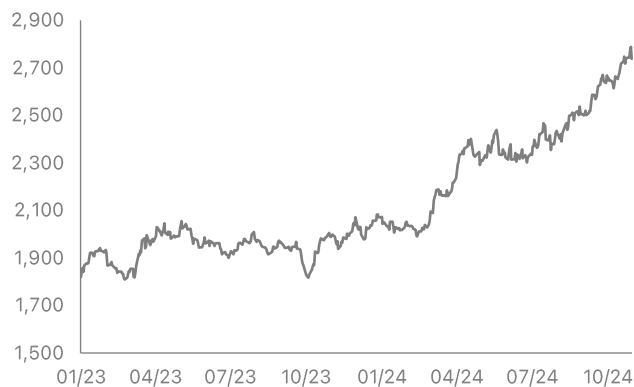
Brent crude oil [USD/barrels]



Source: Bloomberg, TVS Research

Figure 20: Gold continued its hike in October

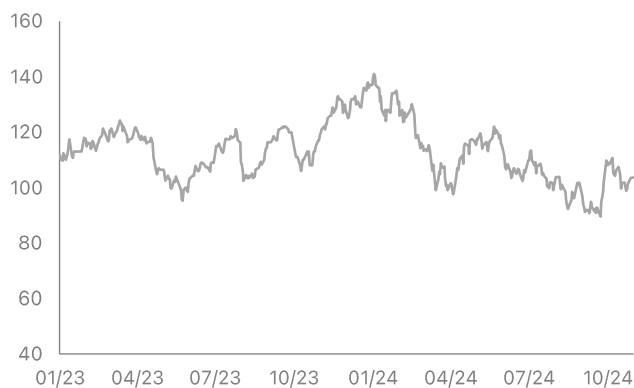
Gold FT [USD/ounce]



Source: Bloomberg, TVS Research

Figure 21: Iron ores decreased in October

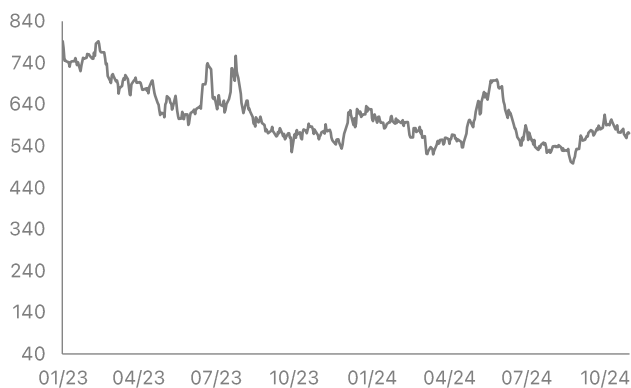
Iron ore [USD/tonne]



Source: Bloomberg, TVS Research

Figure 22: Wheat prices decreased slightly

Wheat [USD/bushel]



Source: Bloomberg, TVS Research

Notable economic events in November

Date	Event	Level of Impact
1/11/2024	Vietnam PMI report announcement	Moderate
6/11/2024	US election results	High
	US – Unemployment Report August	High
	VN- Economic reports September	High
7/11/2024	FOMC policy meeting	High
9/11/2024	China-CPI report	Moderate
13/11/2024	US- CPI October	Moderate
21/11/2024	The maturity date of VN30 Index future contract	High
29/11/2024	EU's October CPI report	Moderate

List of issued reports

Categories	Titles	Company/Industry	Release Date
Earnings update	Earnings update Q3 2024	Market	05/11/2024
Company report	Earnings update Q3 2024	TCB	31/10/2024
Macro update	Macro update September 2024	Macro	10/10/2024
Market update	Market update September 2024	Market	10/10/2024
Company report	AGM update	DXG	07/10/2024
Macro update	Macro update August 2024	Macro	12/09/2024
Market update	Market update August 2024	Market	12/09/2024
Company report	Initial report	DGC	10/9/2024
Company report	AGM update H1	VIB	07/8/2024
Macro update	Macro update July 2024	Macro	06/8/2024
Market update	Market update July 2024	Market	06/8/2024
Macro update	Macro update June 2024	Macro	08/7/2024
Market update	Market update June 2024	Market	08/7/2024
Company report	AGM update	KBC	19/6/2024

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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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