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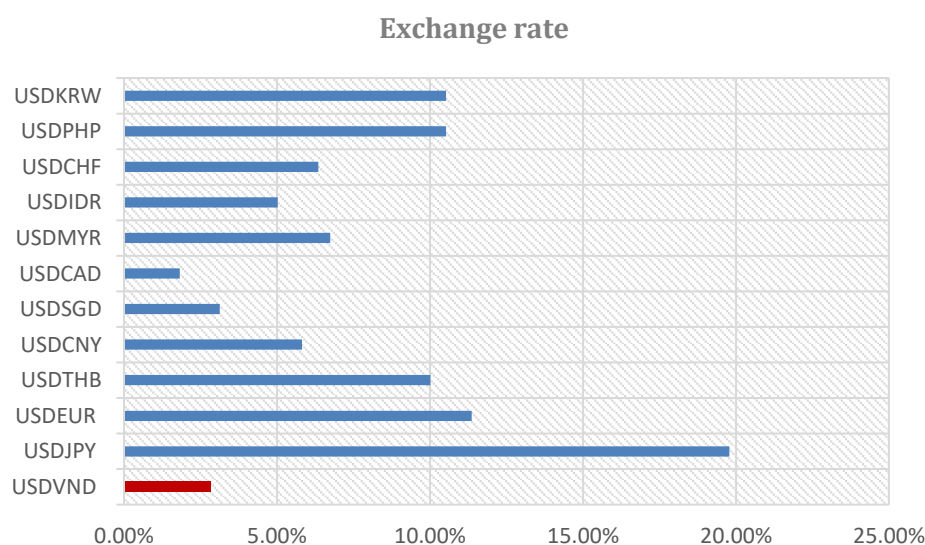
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Amidst the inflation headwind in the world, the currency and monetary policy story have been hot topics since the beginning of the year. Facing the movements of exchange rates, interest rate and inflation pyramid, we see the difficulty of the SBV in using policy tools.

In this first edition of Monetary Digest, GTJAS wants to give some key observations in the currency market as well as reflections on the impact of monetary insight into the market and the economy. The first topic we want to mention is the strengthening of the USD and the latest interest rate hike of the State Bank of Vietnam.

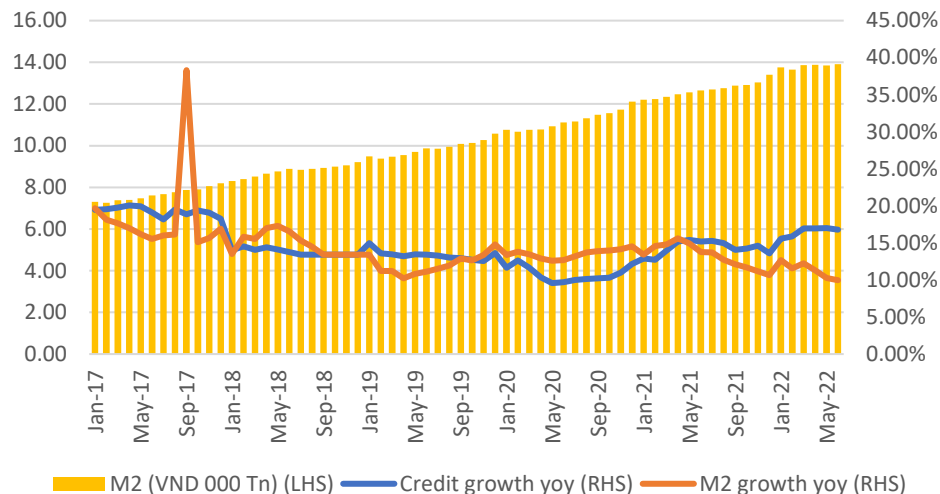
A STRENGTHENING USD AND MONEY FLOWS BACK TO USA

The Federal Reserves (FED) hikes interest rates for several times since the beginning of the years to curb inflation, making USD strengthening against other currencies and money seems to be net withdrawn from countries in over the world. Vietnamdong and Vietnam is not the exemption.



Sources: Bloomberg, GTJASVN

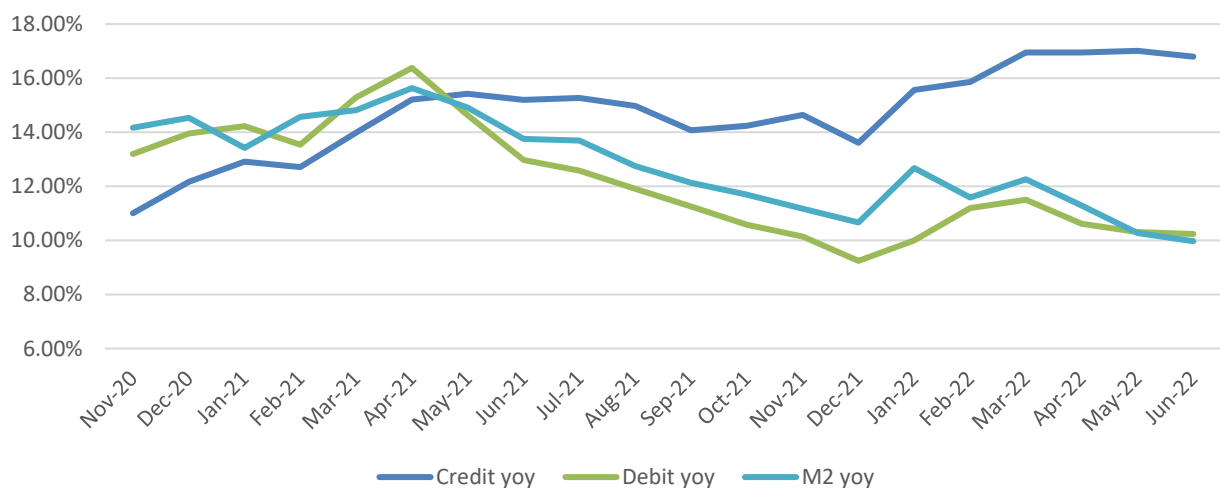
In Vietnam, the flow of USD (foreign currency reserves) plays a very important role in monetary base or exogenous money supply. Therefore, in the case USD strengthening and being withdrawn, the monetary supply in the economy will be impacted.



Sources: Fiinpro, GTJASVN

THE STATE BANK OF VIETNAM OFFICIALLY HIKES POLICY RATE

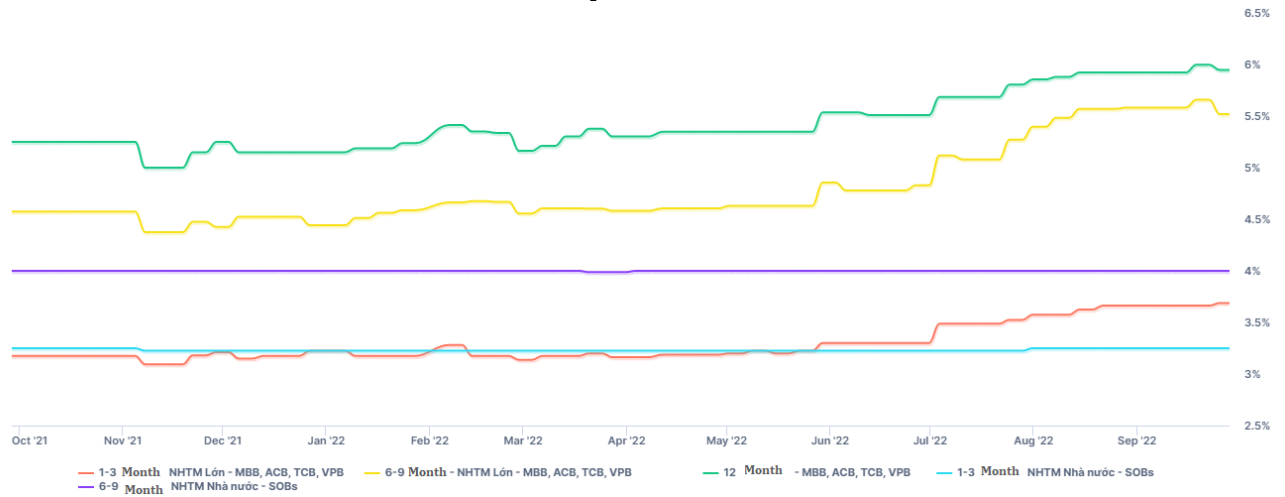
When the amount of money in the economy is lacking, the pressure on the liquidity of the banking system and interest rates is inevitable. However, in the context that Vietnam's economy needs support to recover from Covid, with the increased demand for capital, it is necessary to try to delay raising interest rates for as long as possible. Even though, raising interest rates remains the most direct defense against a strong dollar and USD outflow. Therefore, after a period of prioritizing interest rate factor, the State Bank of Vietnam (SBV) has recently issued an official document to raise some types of operating interest rates.



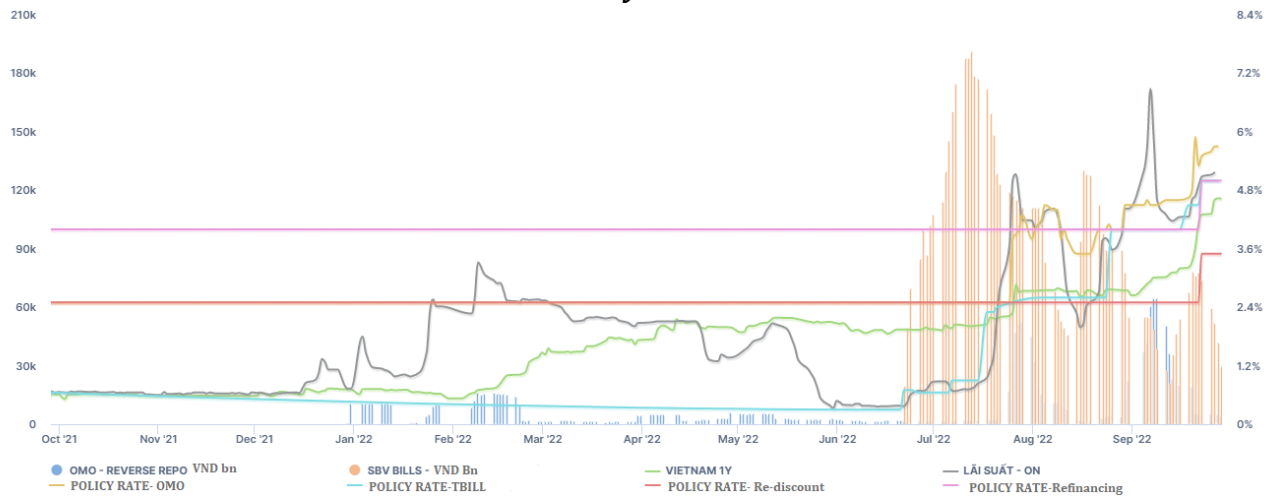
Sources: Wichart, GTJASVN



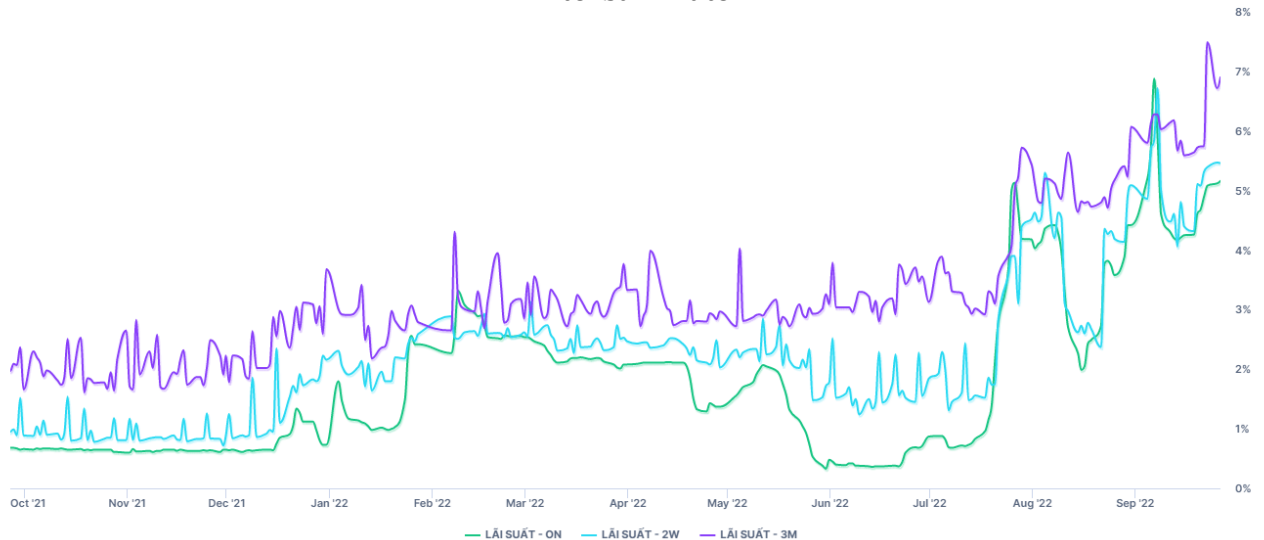
Deposit rate



Policy rate



Interbank rate



Sources: Wichart



Table of interest rate changes

	Old rate	New rate
Refinancing interest rate	4.0%	5.0%
Re-discount interest rate	2.5%	3.5%
Overnight rate for inter-bank electronic payment and interest rate for loans	5.0%	6.0%
Ceiling interest rate for deposit:		
- No tenor and under 1 month contract		0.50%
- 1–6-month tenor		5.0%

Sources: SBV, GTJASVN

Curbing inflation requires that the money supply is not loosened too strongly, but on the contrary, it must not be tightened too much, in the context of having to defend against the pressure of net withdrawal from a strong dollar, which is really a lot of goals to achieve. However, SBV's operating policy so far has shown flexibility and reasonableness.

GTJA VIETNAM'S COMMENT

We believe that the SBV's interest rate hike should be understood as a confirmation move (when the interest rate base in market 1 and market 2 has already increased) and is the directional action. And the guidance here is one that is more focused on defending the flow of money throughout the economy: defending against the pressure of the dollar and defending against inflationary pressures. The monetary tools such as USD trading with commercial banks (both forward and spot) or credit room, or interest rates (on both market 1 and market 2) or OMO (open market operations) will continue to be used flexibly and depending on the specific period. It is not like there is going to be a "hard" trend for any tool.



COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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