

Economic Perspectives

SBV calibrates FX quotation amid global uncertainties

SBV starts to raise the USD selling price

On 11 February, 2025, SBV revised its methodology for determining USD selling and buying prices, shifting to a daily adjustment mechanism based on central rate fluctuations instead of maintaining fixed levels. As a result, SBV raised its selling price by 248 pips to 25,698. This move, amid rising global uncertainties, enhances exchange rate flexibility to better absorb external shocks. Mounting global pressures, including a deteriorating trade outlook, the Fed's unexpectedly hawkish stance despite rate cuts, and strong capital flows into AI-driven U.S. stocks and cryptocurrency, have fueled a sharp rise in the DXY, intensifying exchange rate pressures.

Implications for Vietnamese stock market

Since 2020, the VNIndex and exchange rate have faced short-term pressure whenever SBV raises the USD selling price. VND depreciation could raise selling pressure from foreign investor bloc, as currency losses erode USD-denominated returns, leading to possible outflows and heightened volatility. While a weaker VND theoretically benefits exporters, their limited representation in the stock market prevents them from offsetting broader declines.

Vietnam economic indicators

	24-Aug	24-Sep	24-Oct	24-Nov	24-Dec	25-Jan	Corr. ¹
FDI %YoY	5.3	13.2	7.6	-6.7	25.2	2.0	-0.16
Retail sales %YoY	8.4	7.1	9.4	8.4	9.3	9.5	-0.18
Export %YoY	15.2	10.7	10.1	8.2	12.9	-7.0	-0.16
Import %YoY	14.7	11.1	13.6	9.8	19.2	0.2	-0.07
Trade balance (USD bn)	4.0	2.3	2.0	1.1	0.5	1.2	-0.11
CPI %MoM		0.29	0.33	0.13	0.29	0.98	-0.06
Credit %YoY	15.7	16.1	16.6	15.8	13.8	N/A	-0.23
USDVND %MoM	-1.48	-1.24	2.91	0.25	0.55	-1.59	-0.39
PMI (pts)	52.4	47.3	51.2	50.8	49.8	48.9	-0.25
VNINDEX return (%)	2.6	0.8	-1.8	-1.0	1.5	-0.1	1.00

Source: SBV, GSO, Bloomberg, KIS

Notes: Green = acceleration; yellow = deceleration; red = contraction.

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I. SBV starts to raise the USD selling price

On 11 February, 2025, SBV adjusted its methodology for calculating both USD selling and buying prices, shifting to a mechanism primarily based on daily central rate fluctuations instead of maintaining fixed levels for a specific period. By this, the central bank raised its selling price by 248 pips to 25,698. This move, taken amid heightened global uncertainties, enhances the flexibility of Vietnam's exchange rate regime, allowing it to better absorb external shocks. Global pressures, including a worsening international trade outlook, the Fed's unexpectedly hawkish stance despite rate cuts, and strong capital flows into AI-driven U.S. stocks and cryptocurrency, have driven a sharp increase in the DXY, adding to exchange rate pressures.

The resurgence of Donald Trump has further complicated global exchange rate stability, as his aggressive tariff policies disrupt trade dynamics. In 2024, initial tariff announcements strengthened the USD, but the currency later retraced when implementation stalled on his inauguration day. However, after returning to office, Trump swiftly imposed tariffs on key trading partners, including a 25% tariff on steel and aluminum imports from all countries. These actions triggered retaliatory measures, fueling concerns of an escalating trade war. With tariffs sustaining inflationary pressures in the U.S., the Fed remains constrained in cutting rates aggressively, reinforcing USD strength and limiting capital flows. As a result, emerging market currencies, including the VND, continue to face depreciation pressure.

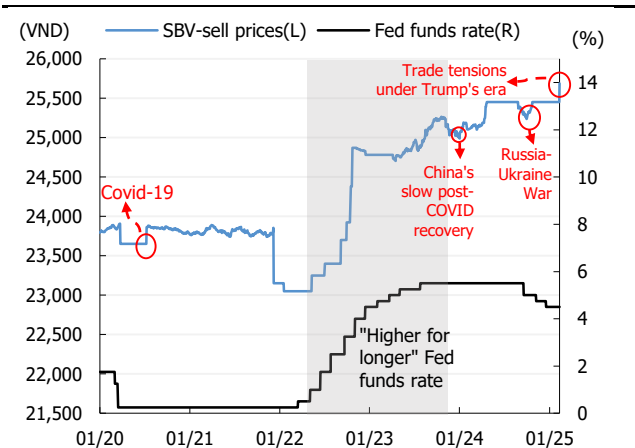
From our perspective, SBV's adjustment in calculating its USD listing price enhances exchange rate flexibility, allowing it to better reflect global market fluctuations. A similar approach was implemented by China in August 2015, when the PBC adjusted its central parity quoting mechanism, initially leading to volatility but ultimately improving exchange rate flexibility. This transition allowed the RMB to better absorb external shocks while maintaining stability against a broader currency basket. Vietnam's move signals a step toward a more adaptive exchange rate regime, potentially reducing long-term pressures amid global uncertainties.

Figure 1. DXY as tariffs announcements



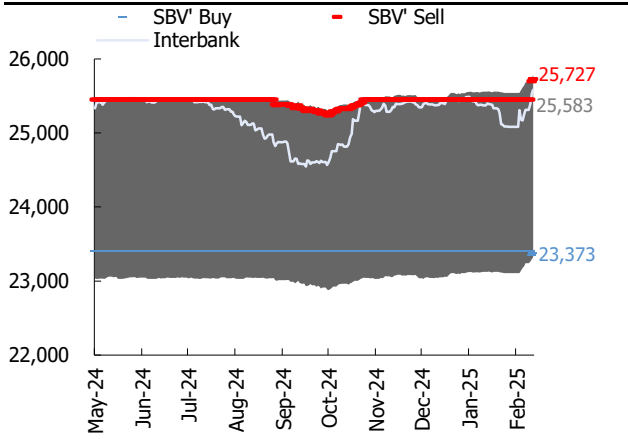
Source: Bloomberg, KIS

Figure 2. Historical movement



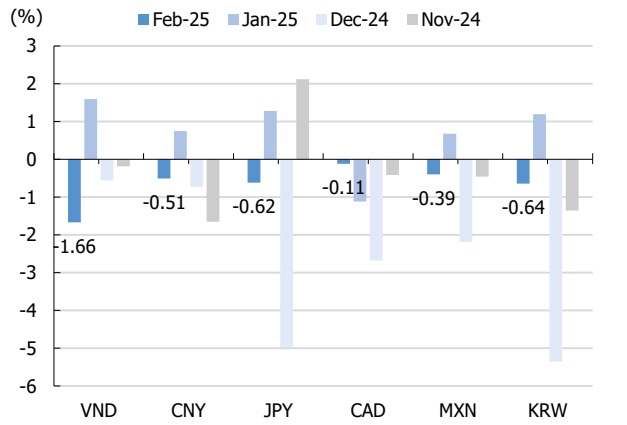
Source: SBV, Bloomberg, KIS

Figure 3. USDVND movement



Source: SBV, Bloomberg, KIS

Figure 4. Change of major U.S exporters currency



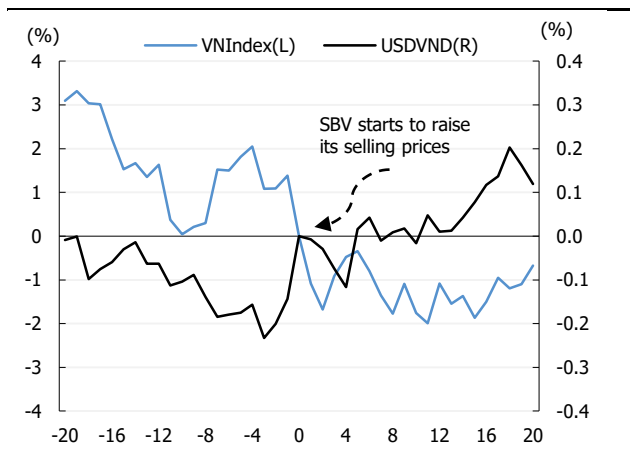
Source: Bloomberg, KIS

II. Implications for Vietnamese stock market

Historically, the exchange rate and VNIndex have faced short-term pressure whenever SBV starts to raise the USD selling price, trend observed since 2020. The depreciation of the VND has intensified foreign investor net selling, as currency losses erode USD-denominated returns, triggering capital outflows and amplifying market volatility while weakening domestic sentiment. Combined with the Fed's hawkish stance, this further pressures the VNIndex. Although a weaker VND theoretically benefits exporters, their limited stock market representation prevents them from offsetting broader declines.

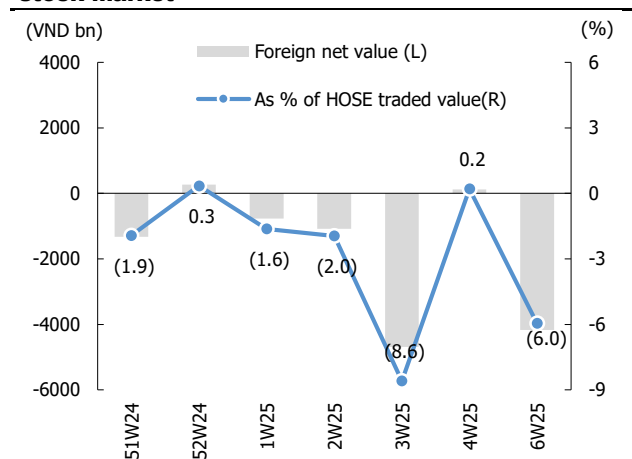
However, in the long term, Vietnam's export sector is expected to maintain steady growth despite potential global tariff risks. Competitive labor costs, a strategic location, and strong international trade commitments position the country well to expand its market share, particularly in the U.S. Strengthening U.S.-Vietnam ties under the Comprehensive Strategic Partnership further reinforce the outlook for sustainable trade and investment growth.

Figure 5: USDVND & market performance before and after SBV's action



Source: SBV, Bloomberg, FiiProX, KIS

Figure 6: Trading of the foreign bloc in Vietnamese stock market



Source: FiiProX, KIS

Macro scorecard

	24-Sep	24-Oct	24-Nov	24-Dec	25-Jan	1Q24	2Q24	3Q24	4Q24	2021	2022	2023	2024
Real GDP growth (%)						5.66	6.93	7.43	7.55	2.58	8.02	5.05	7.09
Registered FDI (USD bn)	4.26	2.48	4.12	6.85	4.34	6.18	9.01	9.59	13.44	31.15	27.72	36.61	38.23
GDP per capita (USD)										3,725	4,110	4,285	4,479
Unemployment rate (%)						2.24	2.29	2.23	2.22	3.22	2.32	2.26	2.24
Export (USD bn)	34.05	35.59	33.73	35.53	32.15	93.06	98.2	108.6	105.9	335.7	371.85	355.5	405.5
Import (USD bn)	31.76	33.60	32.67	35.00	30.92	84.98	94.0	99.7	101.9	331.1	360.65	327.5	380.8
Export growth (%)	10.70	10.09	8.16	12.85	-6.97	16.98	13.59	15.82	11.46	18.74	10.61	-4.4	14.3
Import growth (%)	11.06	13.56	9.81	19.23	0.21	13.88	20.65	17.19	14.91	25.9	8.35	-8.9	16.7
Inflation (%)	2.63	2.68	2.77	2.94	3.63	3.77	4.39	3.48	2.87	1.84	3.15	3.25	3.63
USD/VND	24,093	25,282	25,346	25,386	25,082	24,786	25,458	24,093	25,386	22,790	23,650	23,784	25,386
Credit growth (%)	16.1	16.2	15.8	13.8	N/A	12.5	15.3	16.1	13.8	13.61	14.2	13.7	13.8
10Y gov't bond (%)	2.66	2.70	2.76	2.94	2.99	2.59	2.81	2.66	2.94	2.11	5.08	2.39	2.94

Source: GSO, Bloomberg, FIA, IMF

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