

# Economic Perspectives

## Sep FOMC meeting: What to expect?

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The upcoming September FOMC meeting, set to take place in just a few days, is widely regarded as a pivotal event. The Fed has maintained a wait-and-see stance throughout 2025 after cutting rates by one percent in 2024, and markets are now almost fully convinced that another rate reduction is imminent. One notable aspect will be the release of the updated Economic Projections, which will offer valuable insight into the Fed's view of the economy and, importantly, the likely path of interest rates in the months ahead. Attention will also be on the Fed's ability to preserve its institutional independence, as questions grow over whether political pressure from the Trump administration is beginning to influence policy deliberations.

### Implications for Vietnam

For Vietnam, a Fed rate cut would support exchange rate stability at a time when pro-growth and stimulus-oriented policies are being implemented. It could also encourage capital flows toward emerging markets, with Vietnam expected to benefit given the prospect of a market upgrade by FTSE in the near future. Moreover, lower global rates are likely to ease volatility in international gold prices, contributing to a steadier domestic gold market as recent efforts to improve transparency begin to curb speculation. Taken together, these developments provide a more favorable backdrop for equities as capital gradually shifts from gold and foreign currency into stocks.

### Vietnam economic indicators

	25-Mar	25-Apr	25-May	25-Jun	25-Jul	25-Aug	corr.
Disbursed FDI %YoY	9.9	7.7	9.8	8.7	10.3	11.9	-0.22
Retail sales %YoY	9.8	9.3	9.5	8.3	8.6	10.6	-0.17
Export %YoY	14.5	19.7	17.0	16.4	16.0	14.5	-0.07
Import %YoY	19.0	22.8	14.1	20.2	17.8	17.7	0.02
Trade balance (USD bn)	1.6	0.6	0.6	2.9	2.3	3.7	-0.05
CPI %MoM	-0.03	0.07	0.16	0.48	0.11	0.05	-0.04
Credit %YoY	14.1	17.6	18.5	16.8	19.1	19.9	-0.28
USDVND %MoM	0.03	1.64	0.15	0.30	0.39	0.55	-0.32
PMI (pts)	50.5	45.6	49.8	48.9	52.4	50.4	-0.07
VNINDEX return (%)	0.1	-6.1	9.2	3.5	9.3	12.1	1.00

Source: SBV, GSO, Bloomberg, KIS

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

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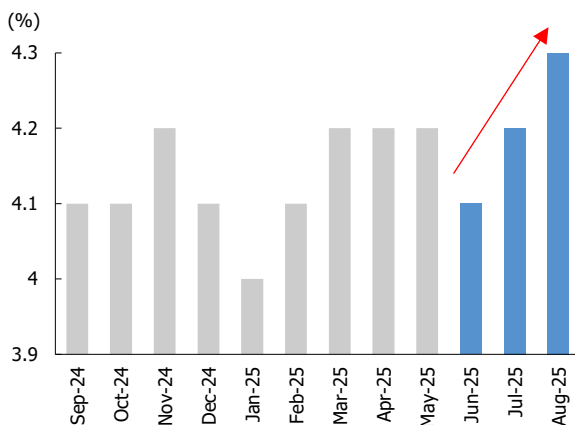
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# I. FOMC meeting: what to expect?

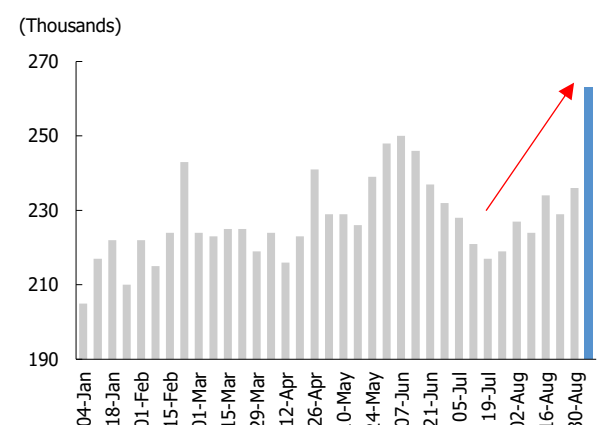
**Market expectations for a Federal Reserve interest rate cut at the September FOMC meeting have now approached near-certainty, fueled by mounting evidence of labor market weakness.** Recent data releases — including a rising unemployment rate, persistently elevated initial jobless claims, and downward revisions to payroll figures — have collectively underscored a material slowdown in hiring momentum. This broad-based cooling has strengthened the conviction among investors that policy easing is imminent. While a standard 25-basis-point reduction remains the baseline expectation, a small but meaningful segment of market participants is even pricing in a more forceful 50-basis-point move, reflecting heightened anxiety that a swift and decisive response may be required to prevent a deeper economic downturn.

**Figure 1. U.S. Unemployment Rate**



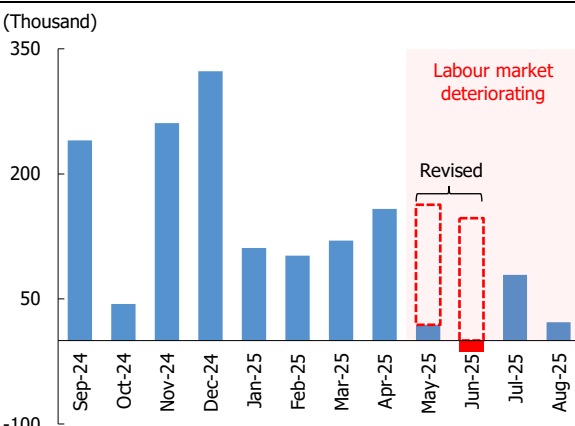
Source: BLS, KISVN

**Figure 2. U.S. Initial Jobless Claim**



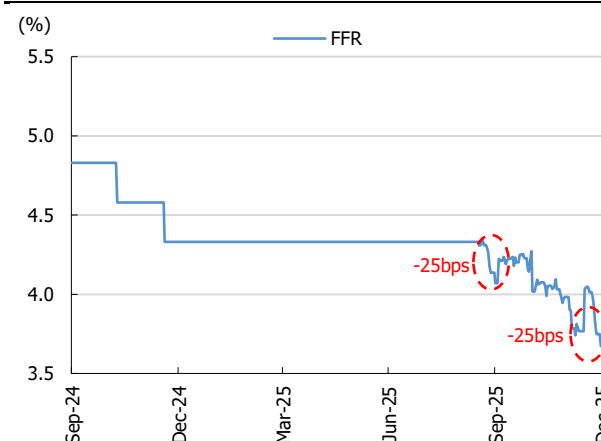
Source: U.S. Department of Labor, KISVN

**Figure 3. U.S. New jobs**



Source: U.S. Bureau of Labor Statistics, KISVN

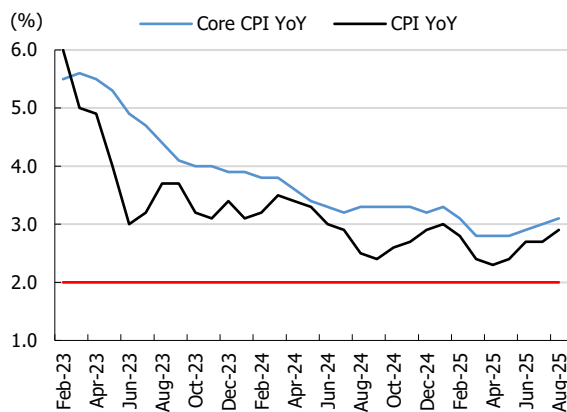
**Figure 4. Fed cut expectation**



Source: Bloomberg, KISVN

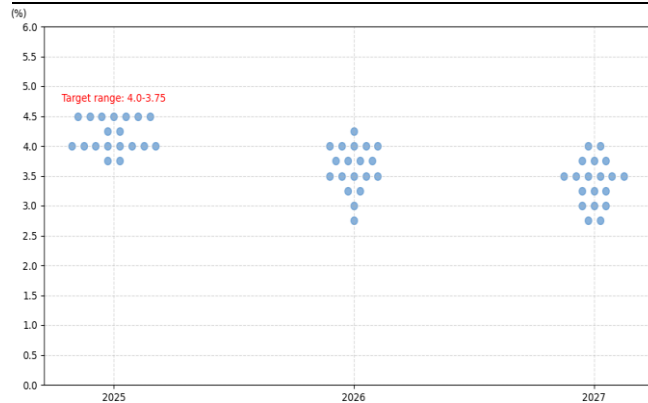
The Fed's upcoming decision is uniquely complex, as even a modest quarter-point cut carries the risk of reigniting inflationary pressures that have yet to be fully contained. This concern is amplified by the potential for fresh upward pressure on goods prices stemming from the Trump administration's tariff agenda. As a result, market attention is not solely focused on the rate cut itself but also on the release of the Fed's updated Summary of Economic Projections (SEP). These projections are essential for gauging the Committee's policy outlook, offering a collective perspective on growth, inflation, and labor market conditions, and providing critical guidance on how the rate path might evolve in the quarters ahead.

**Figure 5. U.S. consumer price index**



Source: Bloomberg, KISVN

**Figure 6. FOMC Dotplot**



Source: SEP, KISVN

**Equally important is the question of the Federal Reserve's institutional independence amid persistent political pressure.** Since his re-election, President Trump has intensified calls for aggressive rate cuts, openly threatened to dismiss Chair Jerome Powell before the end of his term, and signaled a desire to install a successor more aligned with the administration's policy preferences.

**Recent developments have raised legitimate concerns about a potential erosion of this independence.** Governors M.W. Bowman and C.J. Waller — both perceived as sympathetic to the administration's stance — have publicly advocated for cuts, while the early resignation of Governor Kugler enabled the White House to quickly nominate its preferred replacements. Most recently, the move to remove Governor Lisa D. Cook further cemented the administration's effort to consolidate influence over the Board of Governors. With Powell's chairmanship set to expire in mid-2026, the administration has effectively secured four of the seven seats, intensifying the debate over the Fed's ability to maintain policy autonomy in the face of mounting political intervention.

**Table 1. Fed Board Governors terms and stances on interest rate**

Governor	Board term ends	Stance on rates
<b>Jerome H. Powell</b> (Chair)	<b>May 15, 2026</b>	<b>Cautious</b>
<b>Philip N. Jefferson</b> (Vice Chair)	<b>Jan 31, 2036</b>	<b>Neutral</b>
<b>Michelle W. Bowman</b> (Vice Chair for Supervision)	<b>Jan 31, 2034</b>	<b>Dovish</b>
<b>Michael S. Barr</b>	<b>Jan 31, 2032</b>	<b>Cautious</b>
<b>Lisa D. Cook</b>	<b>Jan 31, 2038</b>	<b>Cautious</b>
<b>Christopher J. Waller</b>	<b>Jan 31, 2030</b>	<b>Dovish</b>
<b>Stephen Miran</b>	<b>Jan 31, 2026</b> (completing Kugler's seat)	<b>Dovish</b>

Source: KIS

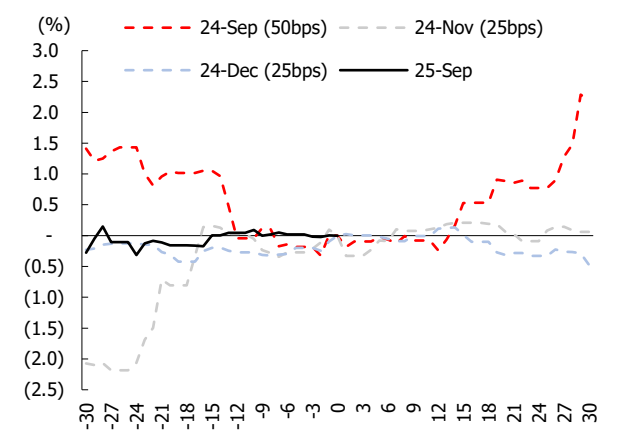
**Should the Federal Reserve's policy stance come under significant influence from the White House, markets are likely to witness a reallocation of capital across asset classes.** A perceived erosion of transparency and mounting inflation risk would likely trigger a rotation out of longer-dated U.S. Treasuries, as investors seek to minimize duration exposure while positioning for anticipated short-term rate cuts. Such a shift would exert upward pressure on the long end of the yield curve, resulting in a pronounced steepening. At the same time, concerns over inflation and policy credibility could prompt investors to diversify away from U.S. government bonds altogether, favoring safe-haven assets with inflation-hedging properties — most notably gold — as a means of preserving real returns in an environment of heightened policy uncertainty.

## II. Implications for Vietnam

A Federal Reserve rate cut would be broadly supportive for Vietnam's exchange rate dynamics, as it would help narrow the U.S.–Vietnam interest rate differential at a time when the VND has already depreciated significantly since 2024. Much of this depreciation has been driven by the need to meet maturing obligations of the State Treasury as well as by tariff-related pressures. Nevertheless, the implications are not uniformly positive, especially if the Fed's decision deviates from market consensus.

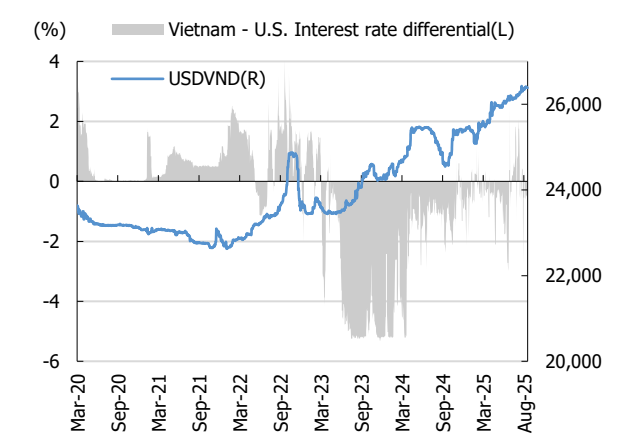
If the Fed chooses to hold rates steady, the wide interest rate gap would persist, keeping USDVND under pressure in the near term—albeit partially capped by the SBV's recent forward USD sales. Conversely, a larger-than-expected 50-basis-point cut could replicate the dynamics seen in the September 2024 FOMC meeting, when an outsized move triggered position-unwinding among Vietnam's money market participants, inadvertently worsening USDVND instead of easing it.

**Figure 7. USDVND performances 30d before and after Fed's decisions**



Source: Bloomberg, KIS

**Figure 8. Vietnam – U.S. interest rate differential**

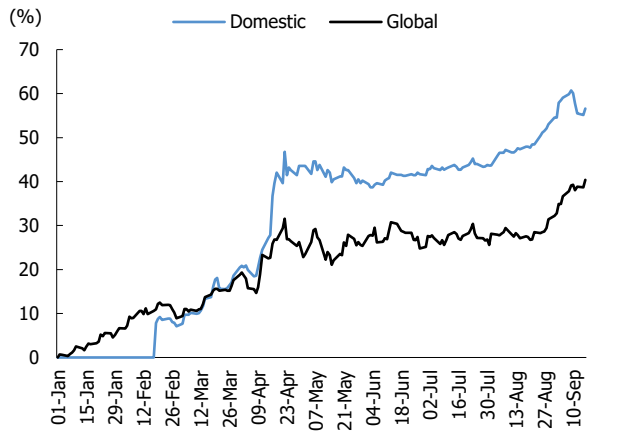


Source: SBV, Bloomberg, KIS

**Beyond FX considerations, global gold prices are expected to strengthen on the back of these factors, which could ultimately benefit Vietnam.** With the government having recently stepped up interventions to prevent speculation and gradually liberalize the domestic gold market, this upward pressure may not fully transmit to local prices. Specifically, Resolution 278/NQ-CP (September 13, 2025) and Decree 232/2025/ND-CP (effective October 10, 2025) aim to curb speculation and improve market transparency. As a result, domestic gold prices have at times diverged from global trends — just last week, local prices fell even as global prices rose, causing the USDVND in the shadow market rate to drop by about 455 pips. The combination of easing gold and FX pressures creates a favorable backdrop for Vietnam's equity market, in terms of alternative investment channels. Moreover, under the government's plan to establish an International Financial Center (IFC), six new exchanges — including a gold exchange — are being developed. This initiative is expected to further enhance transparency, reduce

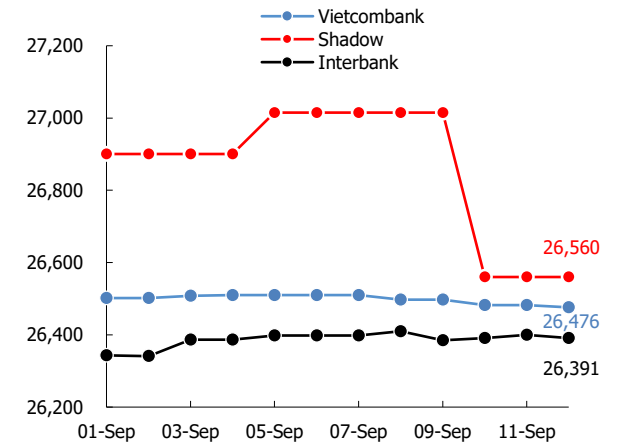
physical gold speculation, and channel capital toward equities and other productive investment vehicles.

**Figure 9. Domestic vs global gold prices YTD**



Source: Fiipro, tygiausd.org, KIS

**Figure 10. VCB & shadow market USDVND spread**



Source: SBV, KIS

## Macro scorecard

	25-Apr	25-May	25-Jun	25-Jul	25-Aug	3Q24	4Q24	1Q25	2Q25	2021	2022	2023	2024
Real GDP growth (%)						7.43	7.55	7.05	7.96	2.58	8.02	5.05	7.09
Registered FDI (USD bn)	4.08	2.82	3.14	2.57	2.05	9.59	13.44	10.98	10.54	31.15	27.72	36.61	38.23
GDP per capita (USD)										3,725	4,110	4,285	4,479
Unemployment rate (%)						2.23	2.22	2.20	2.22	3.22	2.32	2.26	2.24
Export (USD bn)	38.51	37.45	39.49	42.27	43.39	108.6	105.9	102.84	116.93	335.7	371.85	355.5	405.5
Import (USD bn)	36.88	36.87	36.66	40.00	39.67	99.7	101.9	99.68	112.52	331.1	360.65	327.5	380.8
Export growth (%)	14.49	19.75	16.31	15.95	14.50	15.82	11.46	10.64	18.03	18.74	10.61	-4.4	14.3
Import growth (%)	18.99	22.95	20.16	17.77	17.71	17.19	14.91	17.03	18.77	25.9	8.35	-8.9	16.7
Inflation (%)	3.13	3.12	3.57	3.19	3.24	3.48	2.87	3.22	3.31	1.84	3.15	3.25	3.63
USDVND	25,565	25,983	26,121	26,199	26,345	24,093	25,386	25,565	26,121	22,790	23,650	23,784	25,386
Credit growth (%)	16.3	18.53	17.48	19.12	19.91	16.1	13.8	16.3	17.48	13.61	14.2	13.7	13.8
10Y gov't bond (%)	3.06	3.20	3.34	3.45	3.69	2.66	2.94	3.06	3.34	2.11	5.08	2.39	2.94

Source: GSO, Bloomberg, FIA, IMF

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