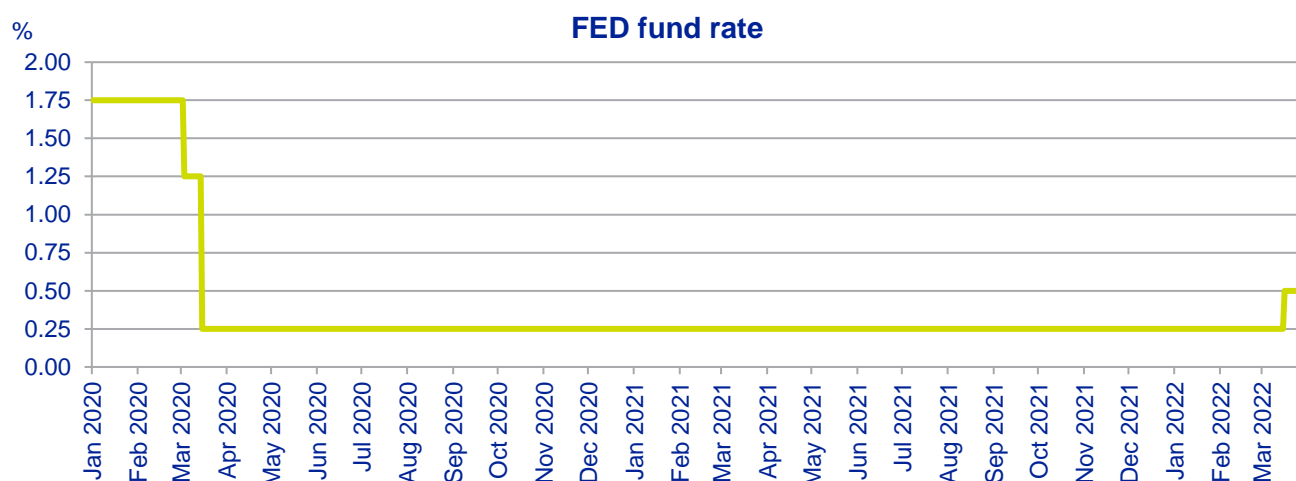


FED raise its benchmark federal-funds rate by a quarter percentage point

Federal Reserve officials voted to raise interest rates by a quarter percentage point and signaled six more rate hikes toward yearend to combat inflation, which remained high (+7.9% YoY in Feb 2022). In addition, according to Mr. Powell, FED ended asset-purchase stimulus program last week and could finalize a plan to shrink its USD9tn asset portfolio at its next meeting on May 3rd-4th (start Quantitative Tightening program), and to implement it in June 2022. And if inflation does not decline by mid-2022, we expected that FED is likely to have more interest rate hikes toward yearend 2022 in conjunction with accelerate its QT program.



We remain in our view that the FED rate hikes will not have a major impact on the monetary policy management of the State Bank of Vietnam in 2022 (we expect rates in Vietnam will likely to increase in the second half of year by maximum 0.5%), which remain expansionary in order to support the socio-economic recovery and development program after the impact of the COVID-19 pandemic, if:

- (1) the FED will only increase interest rate with total increase reach as high as 2% but FED will not start their Quantitative Tightening up until June 2022 (which withdraw money from the system);
- (2) Vietnam's inflation rate under controlled and stay within 4%, our monetary policy tends to continue to be expansionary for supporting the economic recovery; and
- (3) Exports, which are one of the country's key economic growth drivers, remain strong as manufacturing activities gradually recovered and is expected to continue its upward trajectory given the recovery of the global economy and a long list of Free Trade Agreements (FTAs) achieved to date such as EVFTA, UKVFTA, CPTPP.

The main impact of the FED rate hikes could be mainly on foreign capital flows. In short-term, with the history of others FED rate hikes, portfolio capital flows into emerging markets will turn negative and Vietnam could see continued net selling on the equity markets. Despite short term fluctuations, Vietnam, with good macroeconomic fundamental and as long as inflation stay below 4%, will continue to be an investment destination for FDI companies, especially in the manufacturing industry.

Despite the FED rate hike, we expect the VND in general (in banking system and in black market) will maintain its strength in upcoming months of 2022 supported by:

- (1) Exports, as noted above are expected to remain strong;
- (2) FDI inflows disbursement recovered recently and FDI inflows registered to Vietnam is expected to continue to after we control the outbreak of COVID-19 cases across country and reopen our economy, especially the manufacturing sector, given our long list of Free Trade Agreements (FTAs) achieved up to now; and
- (3) Abundant foreign reserves (stood at around USD111bn at the end of September 2021).

Analyst, Research Department

Minh Trinh Viet

minhtvh@acbs.com.vn

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24) 3942 9407

RESEARCH DEPARTMENT

Associate Director

Gigi Nguyen Binh

(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Manager– Banking

Hung Cao, CFA

(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

Manager– Property

Truc Pham

(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

Associate – Consumer- related, Technology

Chi Luong

(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

Associate – Consumer- related, Media

Trung Tran

(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Associate– Oil & Gas

Hung Phan

(+84 28) 3823 4159 (x354)
hungpv@acbs.com.vn

Analyst – Industrials

An Phuc Tran

(+84 28) 3823 4159 (x325)
phuctta@acbs.com.vn

Associate – Industrials

Huy Huynh

(+84 28) 3823 4159 (x218)
huyha@acbs.com.vn

Associate – Macro

Minh Trinh Viet

(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

Analyst – Technical

Phuoc Luong

(+84 28) 3823 4159 (x354)
phuocld@acbs.com.vn

Associate – Macro

Hoa Nguyen

(+84 28) 3823 4159 (x352)
hoant@acbs.com.vn

Director - Head of Institutional Client

Tyler Cheung

(+84 28) 38 234 876
tyler@acbs.com.vn

Trading Manager

Huong Chu

(+84 28) 3824 6679
huongctk@acbs.com.vn

Trader

Thanh Tran

(+84 28) 3824 7677
thanhtt@acbs.com.vn

Trader

Dung Ly

(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader

Nhi Nguyen

(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

Customer Support Institutional Client Thanh Le

(+84 28) 3823 4798
thanhln@acbs.com.vn

DISCLAIMER

Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.