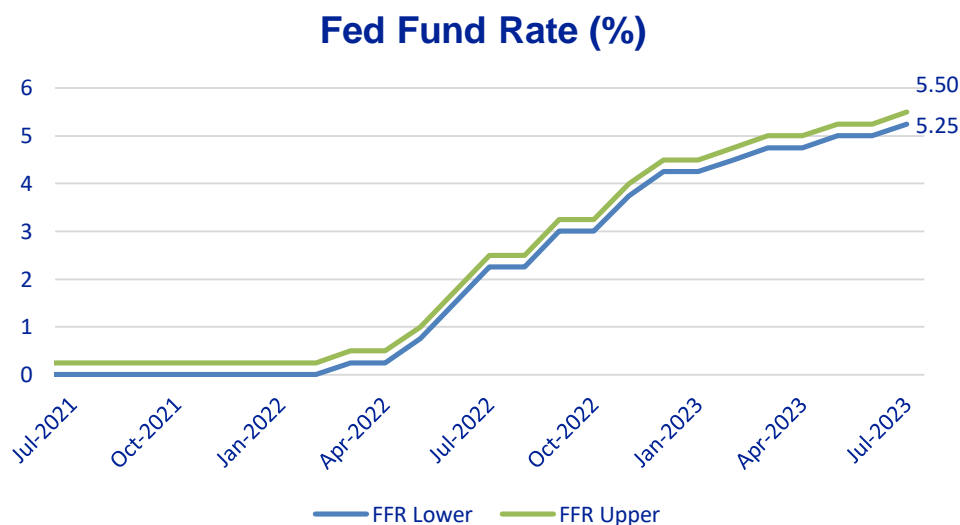


27/07/2023

The US Federal Reserve (Fed) raised its interest rates by a quarter of a percentage point bringing the Fed Fund Rate to 5.25% - 5.50% and has not signal of monetary tightening cycle ending.

At its meeting last night on July 26, 2023, the Fed raised interest rates by a quarter of a percentage point (0.25%), bringing the Fed Fund Rate to 5.25%-5.5% range, the level last seen in housing market crisis 2007 and the highest level for about 22 years, and will continue to scrutinize additional information and the impact of interest rate increases on the economy. The US economy grew by 2% in the first quarter of 2023, better than the Fed's forecast of 1.8%, and survey data show that the second quarter growth will be higher than previous quarter, combining with the unemployment rate remains low, reflect that The US economy is able to withstand the Fed's tightening monetary policy. Although inflation has shown signs of weakening but Fed supposed that it will be a long way to bring the inflation to target without a recession, and the Fed is still open to the next options and has not shown any signs of ending the monetary tightening cycle and decisions can only be made on a meeting-by-meeting basis. Our analysts suppose that the US inflation is easing but challenged by the rising wages and the recovery of energy prices, and the Fed is taking a very cautious to determine with the inflation goal and avoiding the economy against recession while.



Recently, Vietnamese interest rates are reducing after the State Bank of Vietnam cut policy interest rates and make other policies to support the economy growth. This Fed rate hike could bring the different of interest rates of US Dollar and Vietnam Dong higher and causing USD/VND exchange rate fluctuations and impact to foreigner capital. We suppose that the current situation with abundant supply of the foreign currency thanks to stable remittances, record trade surplus and FDI inflows and we expect that new FDI inflows will be continued in the rest of year thanks to government's investment promotion policy and stable remittances could support to Vietnam Dong in next months. Given this Fed rate hike is in line with market expectation, we supposed that the impact to Vietnamese currency and stock market is limited. Main motivations for Vietnamese economy growth are expected from services sector thanks to demand-stimulating policies such as the VAT reduction to 8% and the strong growth of domestic travelling and international visitors to Vietnam given the transportation infrastructure system is upgrading and favorable policies on visas and official entry and exit have effective from 15/8/2023, and recovery of the construction industry which is expected to grow stronger in the third and fourth quarters thanks to the policies to promote public investment and the lower interest rate, and in turn, positive effect to listed companies earnings in the rest of this year.

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