SBV spot USD purchases

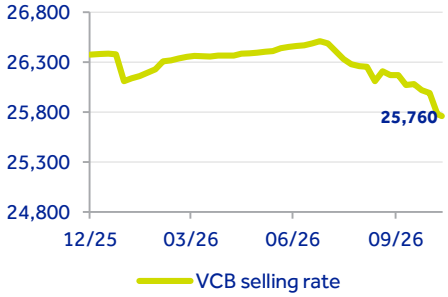
10-Nov-26

Hung Cao, CFA

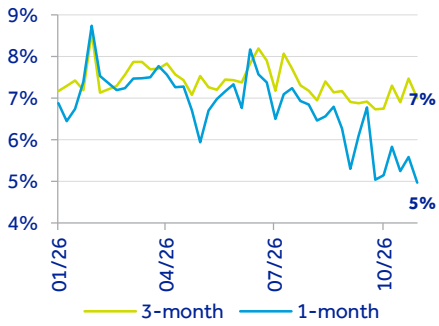
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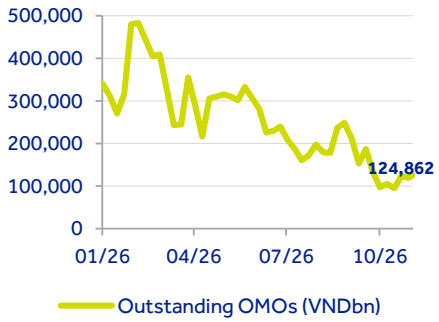
USD price down 2.3%



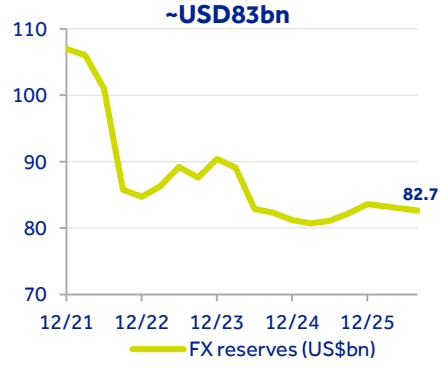
Interbank rates ease



Outstanding OMOs decline



FX reserves remain low at ~USD83bn



SBV SPOT USD PURCHASES: LONG-TERM VND INJECTION SUPPORTS LOWER INTEREST RATES

Starting Nov 11, 2026, the SBV will buy spot USD at VND25,500/USD every Monday and Wednesday. We view this as a positive signal now that exchange-rate pressure has eased, and as an important complementary tool for the policy of lowering overall interest rates.

The move follows the SBV's 182-day USD/VND swap of up to USD2bn on Nov 6 and marks a substantial expansion of VND supply channels to the banking system, after more than three years without a comparable large-scale FX purchase.

Unlike OMOs (repos and FX swaps), which have fixed tenors, spot FX purchases carry no obligation to return VND at a predetermined date and therefore add to base liquidity in the banking system. This may ease pressure on banks to raise high-cost funding and create room to lower their cost of funds, particularly at longer tenors. However, the actual impact depends on how much USD the SBV is able to buy and on the extent of offsetting liquidity management. Purchase volumes are also capped by credit institutions' FX positions, while room for easing remains constrained by inflation, the possibility of further Fed rate hikes, and net foreign capital outflows. For banks, a faster decline in funding costs would partly offset the NIM pressure from lending-rate reduction programs.

Purchase price of VND25,500/USD is close to market levels

The SBV will buy USD from credit institutions with long FX positions, up to the amount that brings their positions back to balance (based on data at the end of the previous business day). The purchase price of VND25,500/USD is 0.5% above the posted buying rate (VND25,350/USD) and in line with the interbank rate (VND25,547/USD on Nov 9). **Banks therefore have an incentive to sell to the SBV when market rates move back close to this level.**

Every USD1bn of spot purchases injects roughly **VND25,500bn** into the system, equivalent to one-fifth of outstanding OMOs (VND124,862bn at end-Nov 9). This would be a sizable amount if fully implemented.

Exchange rate eases on trade and FDI

The USD price at commercial banks has fallen about 2.3% YTD and moved away from the upper limit of the trading band (VCB's selling rate was VND25,760/USD on Nov 10, versus a peak of 26,510 in late July), while the free-market rate has declined 3.6%.

FX supply has improved on the back of (1) trade surpluses of USD1.3bn in September and USD7.31bn in October, (2) FDI disbursements of USD24.08bn in 10M26 (+13.1% YoY), (3) foreign borrowing by banks and corporates, and (4) year-end remittances, against the backdrop of a weaker USD.

FX reserves were estimated at USD82.65bn in August 2026, equivalent to about 1.8 months of imports and below the commonly cited benchmark of around three months. With reserves still limited, the SBV has an incentive to take advantage of the favorable exchange-rate environment to rebuild FX reserves while supplying VND to the system. The move resembles 2023, when the SBV bought more than USD6bn to replenish its reserves, injecting a significant amount of VND into the banking system.

VND supply creates room for lower interest rates

Interest rates are declining. Short-term interbank rates have fallen back to around the OMO rate (overnight at 4.6% and one-week at 4.95% on Nov 9), while longer tenors remain relatively high at 7-8%. The steepness of the yield curve suggests that the system is short of long-term funding rather than short-term liquidity, a gap that 7-91-day OMOs can do little to address.

The key difference with spot FX purchases is that the VND supplied carries no repayment obligation at maturity, unlike the 182-day FX swap. This makes the added liquidity more structural and reduces banks' reliance on interbank funding and high-cost deposits. However, the SBV can still drain liquidity through OMOs, SBV bills or other instruments. The amount of VND injected through these purchases therefore does not equate to net liquidity that remains permanently in the system.

The move provides meaningful support to the Government's and the SBV's policy of lowering interest rates. Specifically, the SBV has asked banks to cut deposit rates by at least 0.5 ppt for tenors of six months and longer, and to focus on lowering lending rates by 1.5-2 ppts for production, business and priority sectors. By end-October, average rates on new deposits had fallen by about 0.4 ppt from mid-month, while rates on new loans had declined by about 0.2-0.5 ppt.

We expect 6-12-month deposit rates to have further room to decline in 4Q26-1Q27 as VND supply improves. However, the pace of the decline will depend on the actual scale of FX purchases, credit growth and each bank's ability to balance its funding.

Inflation, the Fed and the VND-USD rate differential limit room for easing

We believe the SBV will calibrate the scale of FX purchases to exchange-rate situation, rather than an unlimited VND injection program, for three main reasons:

(1) **Fed monetary policy:** Markets are pricing in a probability of about 83% that the Fed will hike by 25 bps in December 2026. Meanwhile, the VND-USD overnight rate differential has narrowed to about 0.75 ppt (4.60% vs. 3.85% on Nov 9). If VND rates continue to fall faster than USD rates, pressure on the exchange rate could return.

(2) **Capital flows and FX demand**: Foreign investors have continued to net sell equities, with net sales of VND24,024bn on HOSE in October alone. At the same time, year-end FX demand for imports, external debt repayment and profit repatriation may rise, putting pressure on the FX supply-demand balance.

(3) **Inflation pressure**: October CPI rose 5.09% YoY, while average CPI for 10M26 rose 4.57% and core inflation rose 4.24%. With CPI growth above 5% YoY, the SBV needs to be cautious about expanding the money supply, particularly if energy prices and import costs rise again.

Accordingly, the move should be viewed as a controlled liquidity support measure under favorable exchange-rate conditions, rather than a signal that the SBV is shifting decisively into a broad-based monetary easing cycle. The actual scale of SBV support will follow USD inflows, which in turn depend on the Fed and developments in international geopolitical conflicts.

Implications for the banking sector

Faster declines in funding costs would partly offset NIM pressure from lending-rate reduction programs, limiting downside risk to 2027F earnings. Direct beneficiaries are banks with long FX positions that are eligible to sell USD to the SBV. Meanwhile, banks with high LDRs and heavy reliance on interbank funding or high-cost deposits could benefit indirectly if system-wide liquidity improves and deposit rates ease.

However, the degree of NIM improvement will vary across banks, depending on how quickly funding costs adjust relative to lending yields, the maturity structure of funding, and the share of loans subject to rate adjustments. Lower interest rates also help reduce borrowers' debt-servicing burden and support real estate demand, which could improve asset quality over the medium term, although the effect will take time to show up in NPLs.

We have not changed our forecasts or recommendations for the banks under our coverage at this stage.

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OUR RECOMMENDATION SYSTEM

BUY	: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months
OUTPERFORM	: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months
NEUTRAL	: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months
UNDERPERFORM	: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months
SELL	: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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