

## MACRO INSIGHTS: UPDATE USDVND EXCHANGE RATE

Flashnote 23 Feb 2024

#### RESEARCH DIVISION

**Nguyen Thi My Lien** Manager liennguyen@phs.vn

#### Bui Thi Quynh Nga

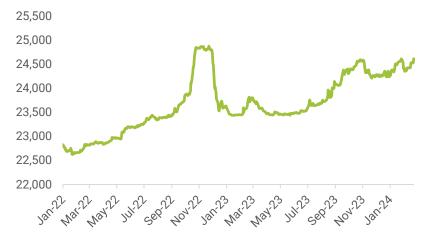
Senior analyst ngabui@phs.vn

# EXCHANGE RATE FLUCTUATES SIGNIFICANTLY RIGHT FROM THE BEGINNING OF THE YEAR

- The USDVND exchange rate has increased by 200 pips in just one week since the Lunar New Year 2024 due to:
- (1) Fed is expected to not decrease interest rates early and aggressively as forecasted by the market earlier this year;
- (2) Rapid recovery in raw material imports;
- (3) Early-year USD payment cycles of businesses;
- (4) Increasing trend of hoarding USD in both domestic and international markets.
- With a 1.5% YTD decrease, the VND remains considered a strong currency compared to other currencies of countries in the region.
- PHS believes that the exchange rate will continue to face pressure
  at least until the end of Q1. The USDVND could rise to around
  24,750 (a 2% increase from the beginning of the year unchanged
  from PHS's previous forecast). The probability of the exchange rate
  surpassing the all-time-high peak (24,875) is quite low, and we
  believe that the State Bank of Vietnam (SBV) has sufficient tools to
  control the exchange rate in the current context.

The USDVND exchange rate has surged after the Lunar New Year 2024. Specifically, the USDVND has increased by 200 pips in just one week and is currently trading at 24,600 - 24,610 - the highest level since November 2023 and only 1% below the highest level set in 2022 (24,876). Compared to the beginning of the year, the VND has depreciated by approximately 1.52% against the USD.

Figure 1: USDVND exchange rate (As of 22/02/2024)



### Sources: Bloomberg, PHS complication

The exchange rate fluctuations this year are quite different from previous years as it surged right at the beginning of the year. According to our data, the exchange rate usually remains relatively stable in the early months due to robust remittances and FDI inflows. However, the context of 2024 is notably different, especially with the interest rate differential between USD and VND being negative throughout a long period.