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Head of Macro & Strategy Tran Duc Anh

anhtd@kbsec.com.vn

Analyst Le Hanh Quyen

quyenlh@kbsec.com.vn

# Currency manipulation

## The US reaffirms Vietnam is not a currency manipulator

### The US reaffirms that Vietnam is not a currency manipulator

— On December 3, 2021, the US Department of the Treasury submitted to Congress the semiannual report on Macroeconomic and foreign exchange policies of major trading partners of the United States during the year through June 2021. Specifically, the Treasury reported that Vietnam and Taiwan had exceeded three thresholds for possible currency manipulation, namely trade surpluses, current accounts and foreign exchange interventions. Having said that, it found neither Vietnam nor Taiwan sought to manipulate their currencies and was satisfied with progress made by Vietnam (Table 1).

### A higher REER means stronger VND against the currency basket of trading partners

— From our observation, the State Bank of Vietnam (SBV) has stopped excessively intervening in the foreign currency market, indicated by a sharp fall in foreign currency purchases to USD13 billion in 2021 vs. USD16 billion in 2020 and USD23 billion in 2019 (according to the IMF), and respected the supply–demand nature of foreign exchange market more when it lowered the ask price of USD three times. As of November 30, Vietnam's REER appreciated 4.44% YTD, similar to stronger VND against the currency basket of trading partners. It was driven by abundant source of foreign currency, helping the VND to increase in value against the strong USD that has appreciated considerably since the beginning of the year along with the US economic recovery and soaring inflation which prompted the Fed to signal the acceleration of monetary policy normalization).

### Good news had a positive impact on the operations of the SBV and stock market

- The fact that the US did not label Vietnam a currency manipulator reflects positive results gained from diplomatic activities of the SBV with the US Treasury. Accordingly, the SBV will continue to flexibly manage monetary policy and exchange rate policy in a reasonable manner so as to curb inflation, stabilize macro economy, and support economic growth, not to create an unfair competitive advantage in international trade.
- With the USD purchases not regarded as currency manipulation, the SBV will buy a large amount of foreign currency, objective condition permitting, to accumulate foreign exchange reserves and maintain the abundance of the liquidity of the banking system. The stock market and the banking sector therefore will also benefit from this although not much because the news was recognized before.



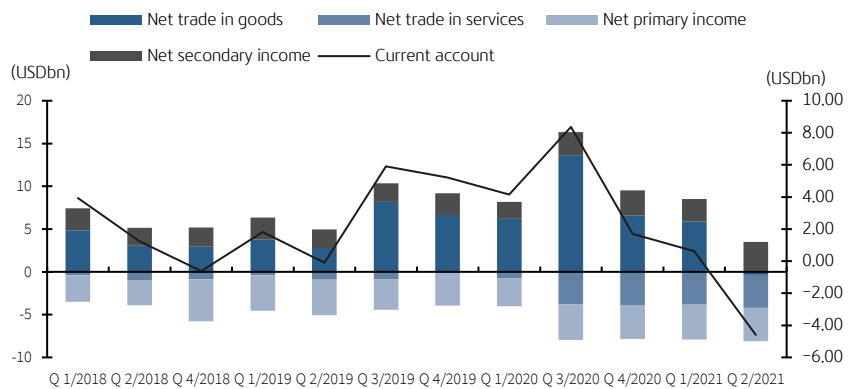
**Table 1. US – Manipulation thresholds**

Criteria	Limit	Vietnam
Total goods surplus with the US	> USD20 billion	USD76.9 billion
Current account	> 2% of GDP	4% of GDP
Net foreign currency purchase and time period of consecutive purchase (months)	> 2% of GDP net purchase consecutively in 6 out of 12 months	9% of GDP and net purchase consecutively in 6 months

Source: KB Securities Vietnam

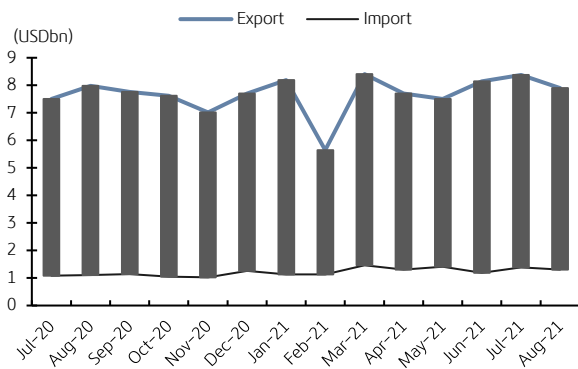
\*Evaluation criteria are for the period 3Q20 to 2Q21

**Fig 1. Vietnam – Current accounts (USDbn)**



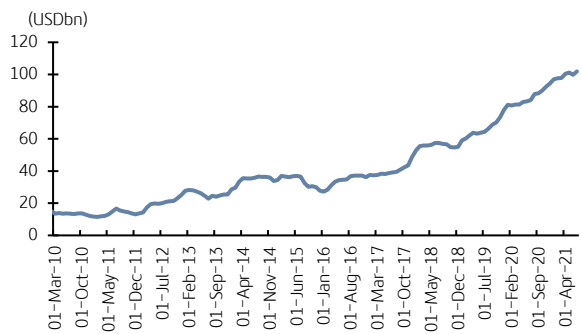
Source: State Bank, KB Securities Vietnam

**Fig 2. Vietnam – Exports to the US (USDbn)**



Source: General Department of Vietnam Customs, KB Securities Vietnam

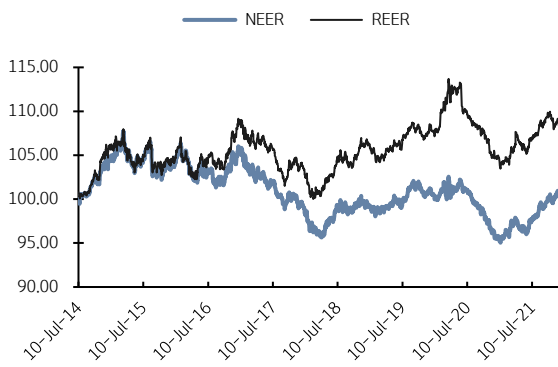
**Fig 3. Vietnam – Foreign exchange reserves (USDbn)**



Source: International Monetary Fund, KB Securities Vietnam

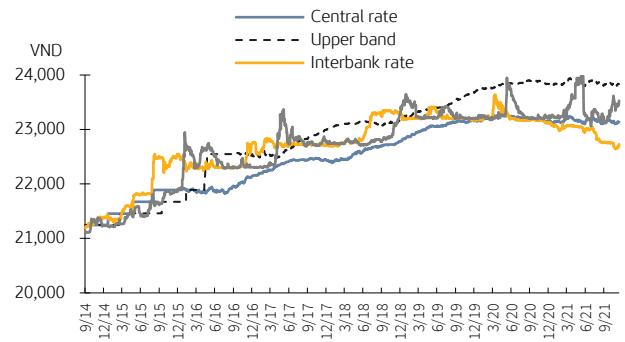


Fig 4. Vietnam – NEER and REER (points)



Source: Bloomberg, KB Securities Vietnam

Fig 5. Vietnam, US – USD/VND exchange rate (VND)



Source: Bloomberg, KB Securities Vietnam

## KB SECURITIES VIETNAM RESEARCH

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**Nguyen Xuan Binh**  
Head of Research  
binhnx@kbsec.com.vn

### Equity

**Duong Duc Hieu**  
Head of Equity Research  
hieudd@kbsec.com.vn

**Nguyen Anh Tung**  
Senior Analyst – Financials & Information technology  
tungna@kbsec.com.vn

**Pham Hoang Bao Nga**  
Senior Analyst – Property  
ngaphb@kbsec.com.vn

**Le Anh Tung**  
Senior Analyst – Oil & Gas & Banks  
tungla@kbsec.com.vn

**Nguyen Ngoc Hieu**  
Analyst – Power & Construction Materials  
hieunn@kbsec.com.vn

**Pham Nhat Anh**  
Analyst – Industrial Real Estate & Logistics  
anhpn@kbsec.com.vn

**Luong Ngoc Tuan Dung**  
Analyst – Consumers & Retailing  
dunglnt@kbsec.com.vn

**Research Division**  
research@kbsec.com.vn

### Macro/Strategy

**Tran Duc Anh**  
Head of Macro & Strategy  
anhtd@kbsec.com.vn

**Le Hanh Quyen**  
Analyst – Macroeconomics & Banks  
quyenlh@kbsec.com.vn

**Thai Huu Cong**  
Analyst – Strategy & Mid cap Stocks  
congth@kbsec.com.vn

**Tran Thi Phuong Anh**  
Analyst – Strategy & Mid cap Stocks  
anhttp@kbsec.com.vn

### Support team

**Nguyen Cam Tho**  
Assistant  
thonc@kbsec.com.vn

**Nguyen Thi Huong**  
Assistant  
huongnt3@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

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### Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

## CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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