

# 2019 foreign exchange reserves

## Reaching a record high

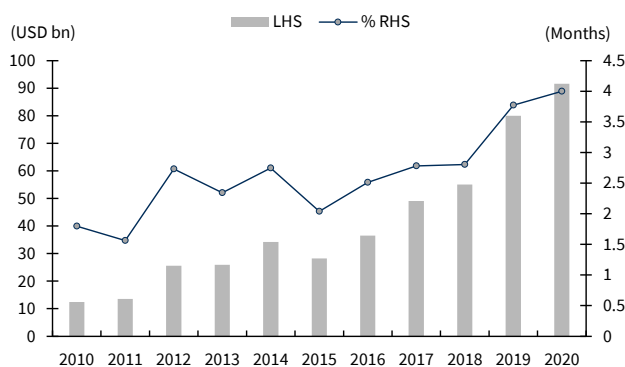
Foreign exchange (FX) reserves by the end of 2019 was estimated at USD80 billion – or 3.8 months of import cover

- Data from the State Bank of Vietnam (SBV) shows that in 2019, the Bank purchased USD20 billion to raise total FX reserves to USD80 billion – equivalent to 3.8 months of import cover and about 6% GDP (new method of calculation).
- The SBV also successfully controlled market liquidity through bills and open market operations in case of unexpected liquidity movements. In 2019, SBV net-withdrew VND64 trillion in total.

Given positive case, we forecast SBV would buy USD10 – 12 billion to increase FX reserves to roughly USD92 billion

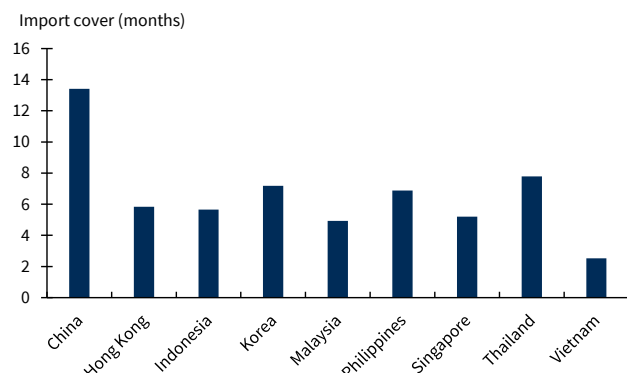
- Given large trade surplus and stable remittances in the future, the SBV should continue to purchase more USD10 – 12 billion to raise the total FX reserves to USD92 billion (or four months cover).
- Vietnam FX reserves are still low compared to other counterparts in the region, which might be used as a reasonable explanation for the purchase of foreign currencies if Vietnam is still on the US “watchlist”. In addition, Vietnam has not violated the criterion of current account surplus/GDP of less than 2% (according to the new GDP calculation method), so the risk of being labeled as a “currency manipulator” is not high, even if Vietnam violates the criterion of net foreign currency purchase.

Fig 1. FX Reserves & % import



Source: IMF, KB Securities Vietnam

Fig 2. FX reserves of Vietnam and other countries (2018)



Source: World Bank, KB Securities Vietnam

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## 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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