MACROECONOMIC INSIGHT REPORT:THE SBV REACTIVATES FX SPOT PURCHASES – A CATALYST FOR LIQUIDITY EASING AND EXPECTATIONS OF COOLING COST OF FUNDS

1. Decoding the SBV's FX Market Intervention

On November 9, 2026, the State Bank of Vietnam (SBV) announced its plan to purchase USD on the spot market (FX Spot) from commercial banks at an intervention exchange rate of 25,500 VND/USD, scheduled periodically on Mondays and Wednesdays, effective from November 11, 2026.

From a macroeconomic perspective, this is a clear signal of quantitative monetary easing. Unlike Foreign Exchange Swaps (FX Swaps), which provide liquidity on a term basis, FX Spot transactions are outright purchases, meaning the SBV is directly injecting a permanent Monetary Base (M0) into the financial system. At the exchange rate of 25,500 VND/USD, for every $1 billion disbursed, the SBV will inject a corresponding 25,500 billion VND into the market. However, the actual Net Injection will depend on the offsetting regulatory actions via Open Market Operations (OMO) and Treasury bill (T-bills) issuance to neutralize localized excess liquidity.

2. Policy Action Chain: Affirming the Pivot towards Easing

The FX Spot operation is not an isolated move but rather a supplementary link in a series of synchronized interventions aimed at cooling down the Cost of Funds (COF) system-wide:

- Oct 18, 2026: Imposed a minimum 0.5% p.a. cut on deposit rates for terms of 6 months and above.
- Oct 21, 2026: Issued a decisive directive requiring commercial banks to strictly implement commitments to compress input interest rates.
- Nov 6, 2026: Activated a $2 billion FX Swap operation (182-day term), injecting approximately 48,800 billion VND in mid-term liquidity.
- Nov 11, 2026: Commenced periodic FX Spot purchases.

The seamless coordination between pricing tools (policy rates) and quantitative tools (OMO/FX liquidity injections) indicates that the regulatory authority's highest priority at this moment is to eliminate the risk of liquidity disruptions and compress interest rate spreads (NIM) to stimulate credit demand.

3. Spillover Effects on Market Interest Rate Structure

Short-term (Interbank Market - Market 2): The VND injected directly through the FX channel will act as a "liquidity cushion," neutralizing localized capital shortage shocks, thereby pulling down and maintaining the stability of the Overnight Interbank Rate.

Medium-term (Customer Market - Market 1): With abundant system liquidity and reduced liquidity reserve costs, commercial banks have stronger incentives and more room to cut deposit rates (especially across long-term tenors). The Transmission Mechanism to output lending rates will experience a lag (typically 3–6 months) due to hurdles from the term structure of the Cost of Funds, Non-Performing Loans (NPLs), and the risk appetite of individual banks against the economy's capital absorption capacity.

4. Assessing the Impact on the Vietnamese Stock Market (VN-Index)

The SBV's liquidity injection and directive to compress the interest rate level serve as a highly positive Macro Catalyst for both valuation and cash flows in the equity market:

- Valuation Dynamics: A lower Risk-Free Rate mechanically reduces the discount rate in Discounted Cash Flow (DCF) models, thereby elevating the market's fair valuation (Forward P/E).
- Asset Allocation Effect: As deposit yields decline, the Equity Risk Premium (ERP) widens, increasing the relative attractiveness of equities. This triggers a rotation of idle cash flows from defensive channels (savings) into risk assets (stocks).
- Corporate Health: Cooling lending rates cut financial expenses, directly improving the Net Profit Margin (NPM) and supporting EPS growth for highly leveraged listed companies (Real Estate, Construction, Manufacturing).

5. Strategic View from SBS

The SBV's resumption of FX Spot transactions is a testament to its operational flexibility, establishing a solid macro launchpad for the stock market as it enters a liquidity recovery cycle. The equity investment channel is standing before an opportunity to extend its medium-term uptrend driven by the return of the "cheap money" narrative.

However, for this upward trend to be sustainable, investors need to add key macro variables to their Watchlist: (1) The actual volume of USD purchased and the intensity of the Net Injection via OMO; (2) The credit absorption rate in the real economy; and (3) External exchange rate pressures stemming from the DXY trend and US Treasury Yields. The liquidity premise is now set; the market currently requires synchronization from the core corporate earnings recovery cycle.

Below is the history of SBV's FX Market Intervention:

Spot USD Purchase Period	Purchase Volume	Interbank Rate Reduction	Policy Rate Reduction	Lending Rate Reduction
02-10-2016	~10 billion USD	4.54% -> 1.46%	0	-0.5 to -1.0
01-12/2017	~13 billion USD	Decreased by 0.6-1.0 pps in July	-0.25	-0.5 to -1.0
01-06/02/2018	Over 4 billion USD	3.02% -> ~1.25%	0	0
02-05-2018	10.48 billion USD	Decreased in early year, increased towards year-end	0	0
01-12-2019	~20 billion USD	3.93% -> 1.82%	-0.25	-0.5
01-12-2020	~16 billion USD*	~0.11% at year-end	-2	-1.5
08-12-2021	Over 4 billion USD	0.77% -> 0.63% in August	0	-1
01-05-2023	Over 6 billion USD	~6.3% -> 4.05% in February	-1.5	-1.5
11-11-2026	Not yet executed	6.07% (Nov 6)	Pending	Pending

Source: SBV

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