



Economic & Bond Commentary

August 8, 2016

Ms. Anh Le

08/01/2016 – 08/05/2016

MARKET OVERVIEW

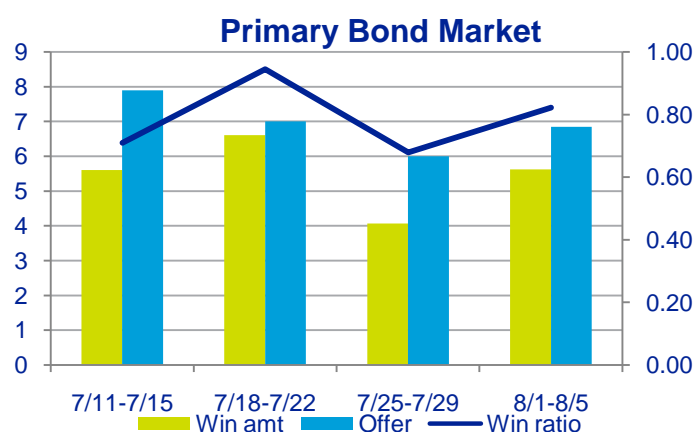
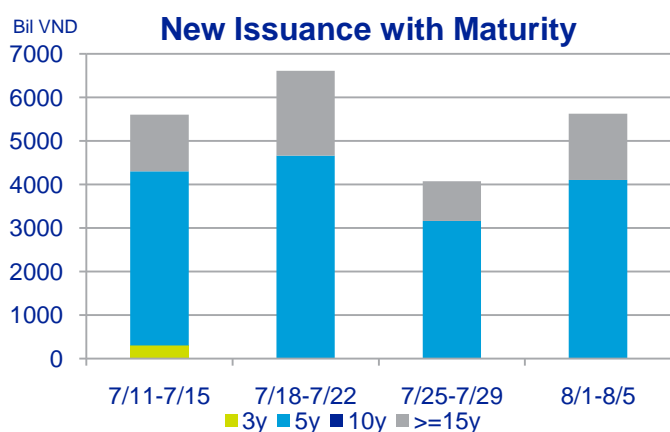
The listed banks have fully disclosed their financial statements. Generally, Tier 1 banks, including VCB, BID, CTG, MBB and ACB, had quite good credit growths (10% or higher) which outperformed the industry average of 8.16%. Meanwhile, tier 2 banks recorded much slower credit growth. This growth structure might help improve banking sector's asset quality and lessen investors' concerns related to new NPL. If this trend continues, the new M&A wave in the banking sector might come to improve the sector's efficiency.

Fund mobilization rates increased slightly as banks are preparing funds for the Holiday season. However, short-term interest rate remains at low level. The Treasury has new plan of converting some VGBs for lengthen its debt duration and it is still quite aggressive in the primary market. With this, the government's fund demand seems to be stronger than earlier expectations. Hence, short-term rate might increase slightly in the coming weeks as we enter the peak season but the VGB's yields might not increase remarkably.

The USD/VND exchange rate remained at USD/VND 22,250-22,330 despite to weakening USD in the global market. With this, VND is weakened against major trading currencies, excluding CNY. However, the reference rate kept decreasing during the week and made the current banks' offers closer to the cap. We consider this as a risky move as the current spread of less than 1% might not be sufficient to absorb market shocks, if any. However, the current market is still overly stable and we have not seen any warning signals.

VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

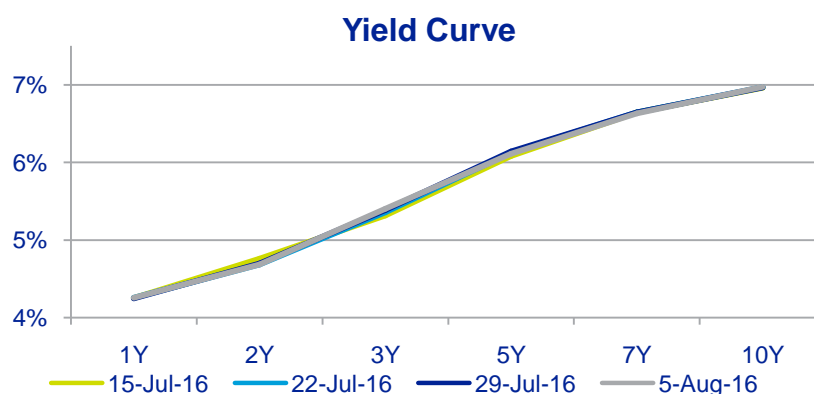
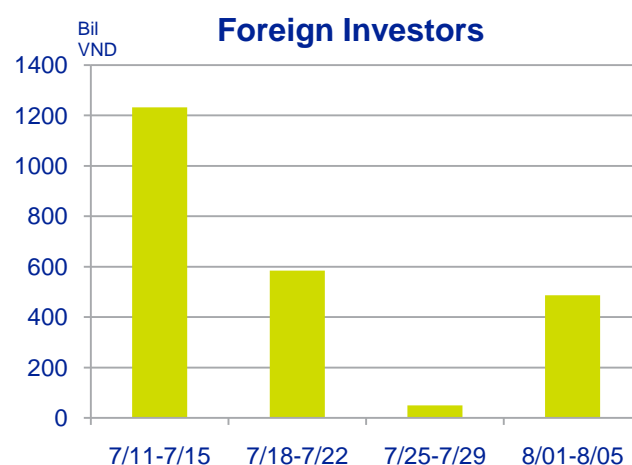
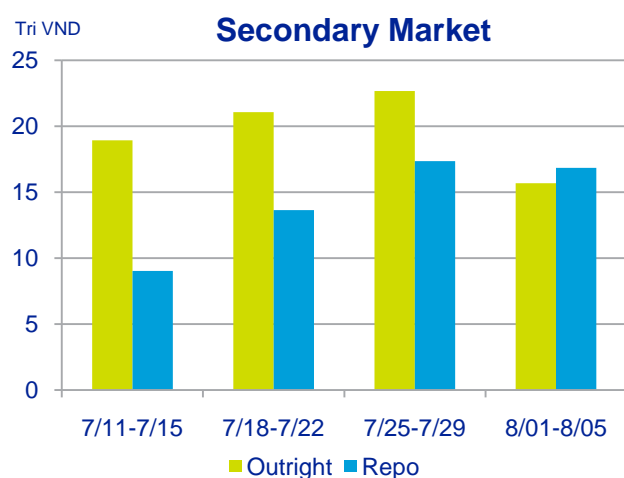
The Treasuries issued VND 5.4 tln of VGB last week, including VND 1.5 tln of 15Y VGB. The Treasury is trying to increase the government debt duration by a VGB conversion program. Details have not been disclosed but with this, the net issuance value might increase and indicates stronger VGB supply. However, this can help improve the government's credibility which enhance VGB valuation. Hence, we do not see VGB yield to move significantly in the coming days.

Bond Issuance Schedule This Week

08/01/2016-08/05/2016

Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,000,000,000,000	8/11/2016	7/7/2023	7
State Treasury	2,000,000,000,000	8/11/2016	8/4/2021	5
State Treasury	1,000,000,000,000	8/11/2016	6/9/2046	30
VSP	200,000,000,000	8/9/2016	8/9/2026	10
VSP	500,000,000,000	8/9/2016	8/9/2021	5
VSP	300,000,000,000	8/9/2016	8/9/2031	15

SECONDARY BOND MARKET

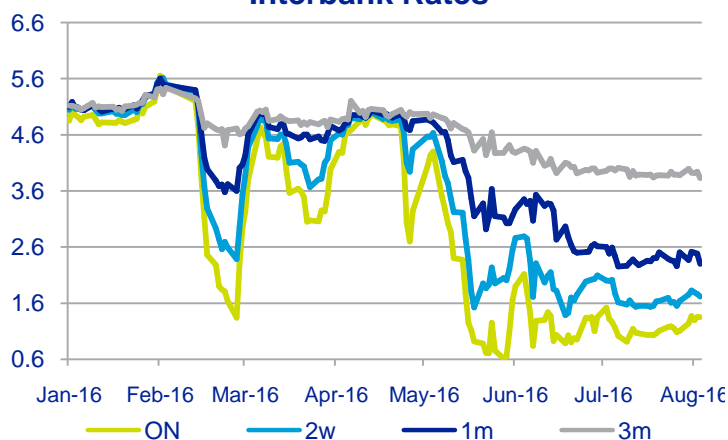


Source: HNX, VBMA, ACBS

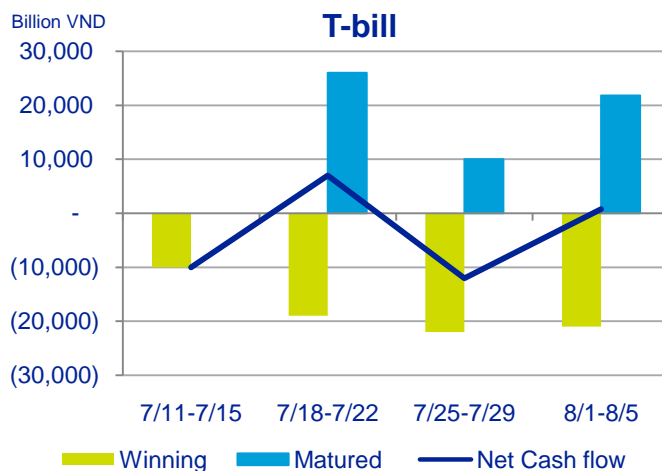
Not much has changed since our previous report but foreign investors continued buying at more significant amount.

MONEY MARKET

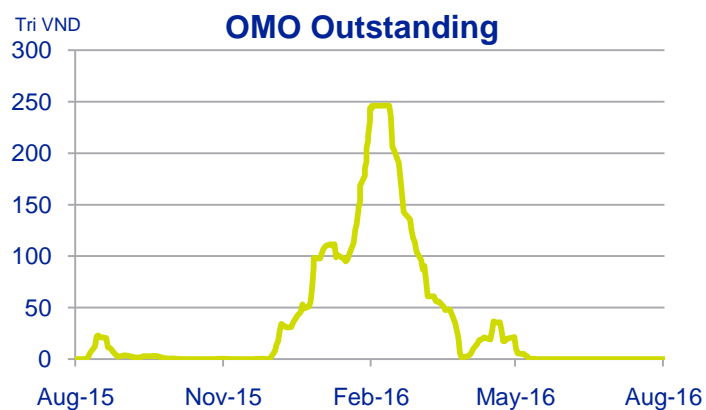
Interbank Rates



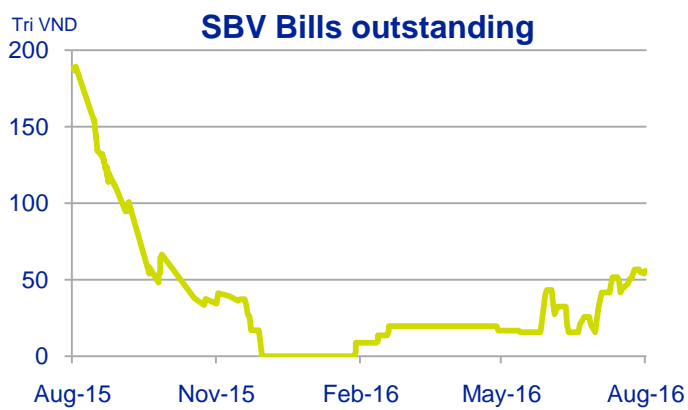
T-bill



OMO Outstanding



SBV Bills outstanding

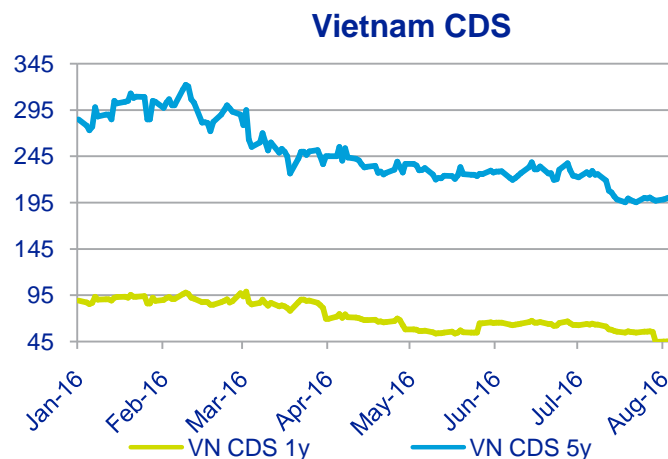
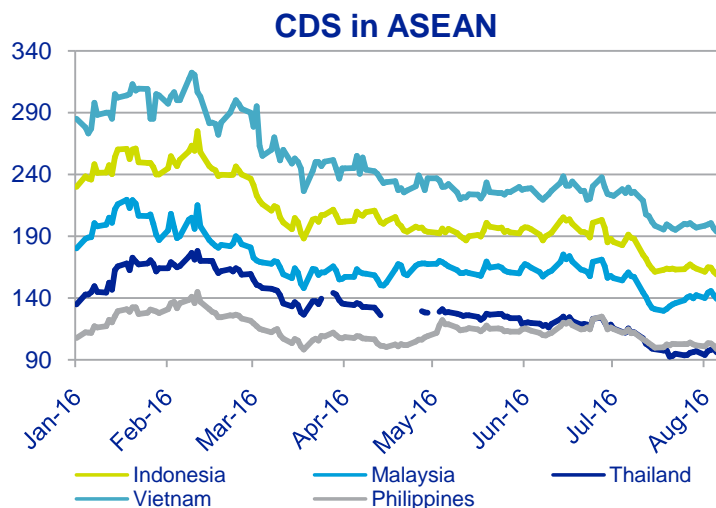


Source: ACBS, Bloomberg

The interbank interest rates, especially for shorter terms, increased slightly in last 2 weeks and the SBV's bill outstanding stopped increasing last week. However, considering that commercial banks have bought VND 5.4 tln VGB in net term last week, the short-term interest rates might not be a warning signal. With remarkable "liquidity reserves", we still view interest rates to be relatively stable.

OTHER MARKETS

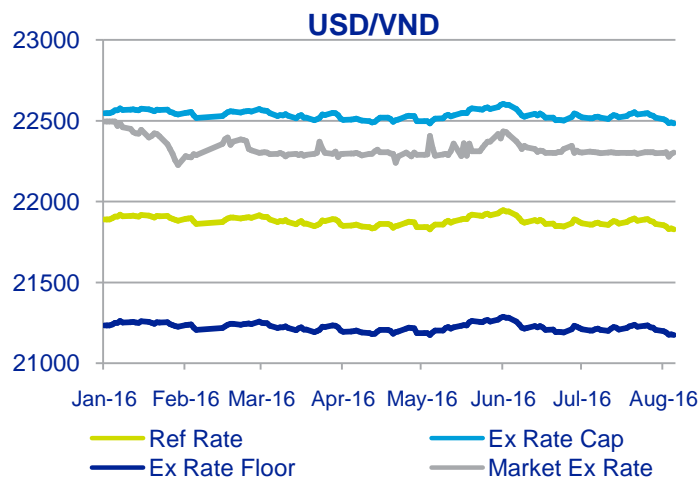
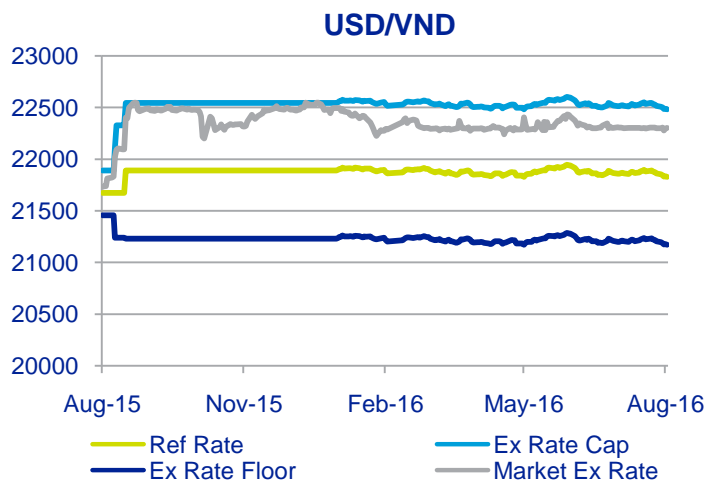
SOVEREIGN CDS



Source: Bloomberg

Both 1Y CDS and 5Y CDS were quite stable last week.

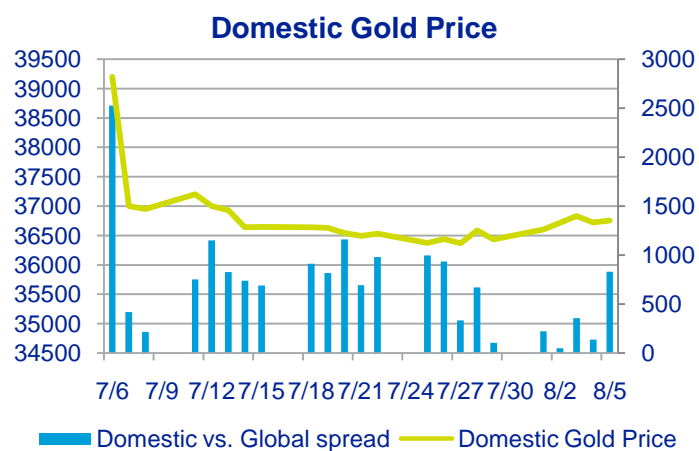
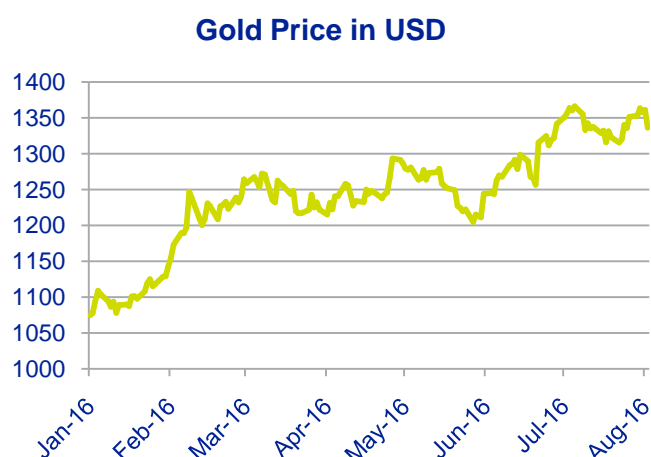
FOREX MARKET



Source: SBV, Bloomberg

The USD/VND exchange rate remained at USD/VND 22,250-22,330 despite to weakening USD in the global market. With this, VND is weakened against major trading currencies, excluding CNY. However, the reference rate kept decreasing during the week and made the current banks' offers closer to the cap. We consider this as a risky move as the current spread of less than 1% might not be sufficient to absorb market shocks, if any. However, the current market is still overly stable and we have not seen any warning signals.

GOLD MARKET



Source: Bloomberg, ACB.

The gold fever is cooled down faster than our expectation globally. Investment appetite for gold is still weak at this moment.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
8/1/2016	22,260	22,330	24,712.88	25,008.75	214.04	219.89
8/2/2016	22,260	22,330	24,790.35	25,087.15	214.17	220.01
8/3/2016	22,260	22,330	24,819.12	25,116.27	216.24	222.14
8/4/2016	22,260	22,330	24,661.97	24,957.23	216.16	222.06
8/5/2016	22,260	22,330	24,639.84	24,934.83	217.46	221.62

Source: Vietcombank

Deposit Interest Rate	2 weeks	1 month	3 months	6 months	1 year	2 years
7/12/2016	1%	4.60%	4.90%	5.50%	6.20%	6.50%

Source: ACB

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