



Economic & Bond Commentary

August 23, 2016

Mr. Phuc Tran

08/15/2016 – 08/19/2016

MARKET OVERVIEW

WTI oil price had a significant surge toward the range of USD48- 50/barrel throughout the previous week. It is a 2 months record high due to the expectations that the OPEC meeting would come to a unified agreement of reducing the oil supply. The depreciated USD and decline in US oil reserves also did further support the oil price, resulted in Vietnam Energy Stocks' impacts. Bear in mind though, oil price and energy stocks might seem too bullish as the trend is not expected to last in long term since it was caused by expectations rather than facts. The OPEC meeting results as well as the risk of the inevitable rising FED rates is still dangling above the Oil market. Currently, oil price drops to below USD49 per barrel as the supply level from Iraq and Nigeria are forecasted to increase. Before the result of the OPEC meeting is known, energy stocks are expected to be moderately fluctuated, waiting for the big shifts.

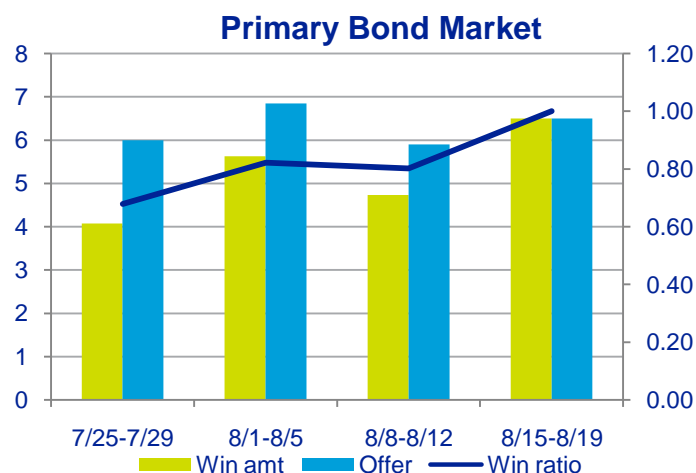
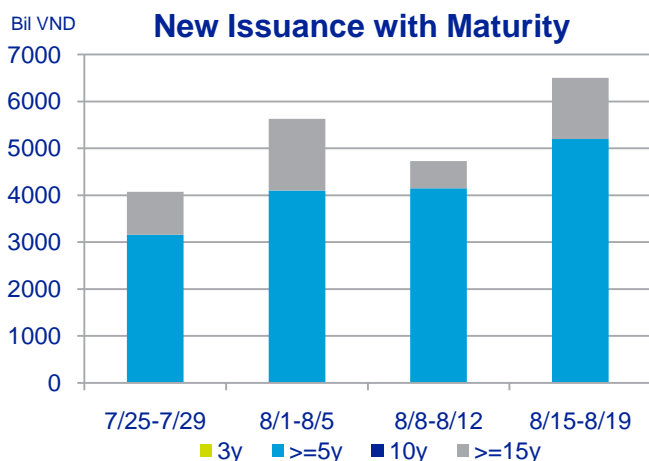
On the bond market, foreign transactions tripled from the previous week, suggest in a decline in short term foreign sentiments in equity market. Fund liquidity hence improved slightly whilst the VGB keeps raising their issuance amounts on 10-Year or less government bonds with increasing winning ratio. Therefore, the market confidence towards Vietnam Government seems to be strong for the mean time.

As the Holiday season approaches, interest rate still remains at low level. Although the coming peak season would cause a rate hike, government reserves for funds increased by the market absorption of the steadily raised issuance amount. Thus, we are expecting cyclical rate movement in the last quarter of the year instead of significant policy drives.

The USD/VND stabilized in the range of USD/VND 22,250-22,330 regardless of the weakening USD. Furthermore, the spread between USD/VND market rate and ceiling exchange rate was widened, which then lower risks of future fragility in the time of market shocks, especially in the upcoming busiest season of global financial markets.

VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

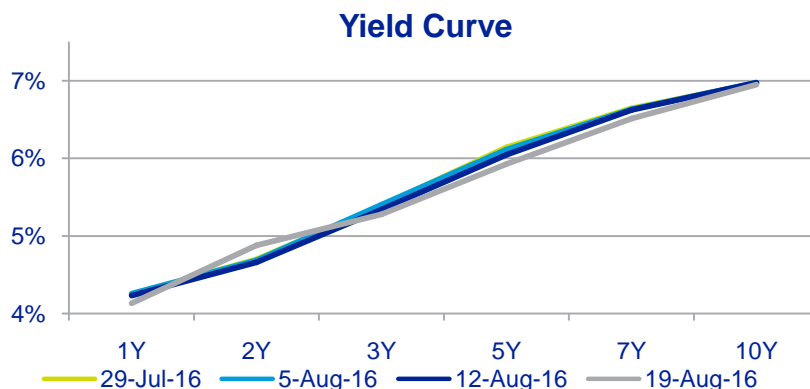
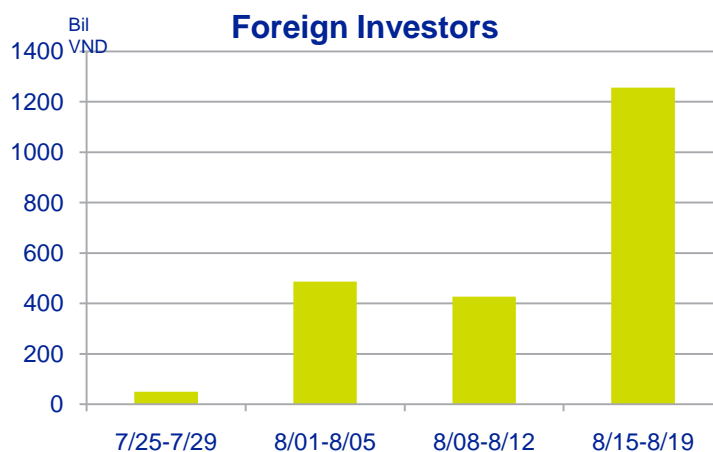
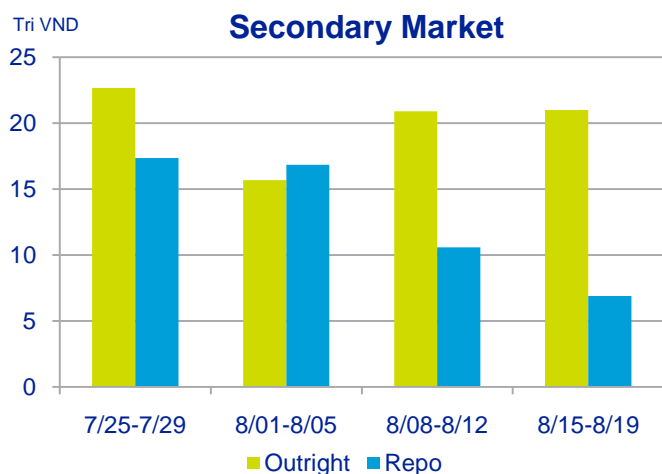
VND6.5tn of VGB was issued last week, including VND1.3tn of 15Y VGB and no further publications on the conversion programs. Based on the increase in short term issuance and winning ratio, we expect an increase in Government's activities. Yield remains stable at least till the conversion program's disclosed and the coming changes would be mostly cyclical.

Bond Issuance Schedule This Week

08/22/2016-08/26/2016

Issuer	Offer Amount	Issue Date	Maturity	Tenor
Ba Ria Vung Tau Province People's Committee	500,000,000,000	8/29/2016	8/29/2021	5
State Treasury	3,000,000,000,000	8/25/2016	8/25/2023	7
State Treasury	3,000,000,000,000	8/25/2016	8/18/2021	5
State Treasury	1,000,000,000,000	8/25/2016	8/25/2036	20
Vietnam Bank for Social Policies	200,000,000,000	8/23/2016	8/23/2026	10
Vietnam Bank for Social Policies	500,000,000,000	8/23/2016	8/23/2021	5
Vietnam Bank for Social Policies	300,000,000,000	8/23/2016	8/23/2031	15

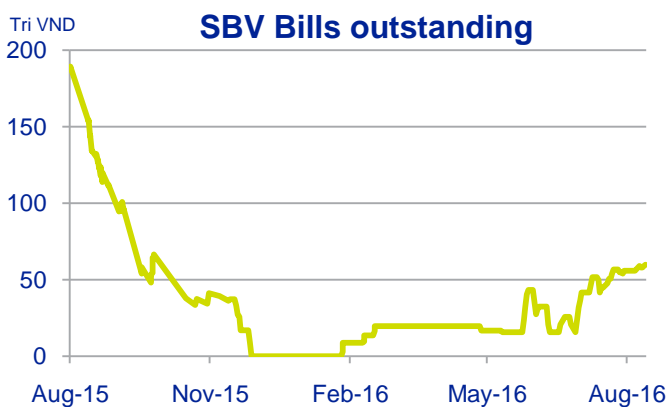
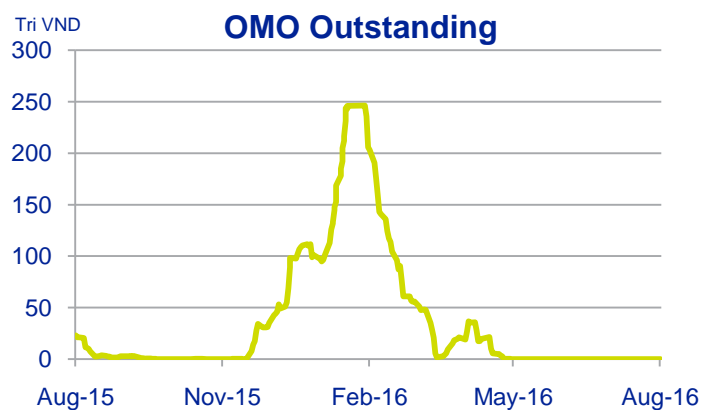
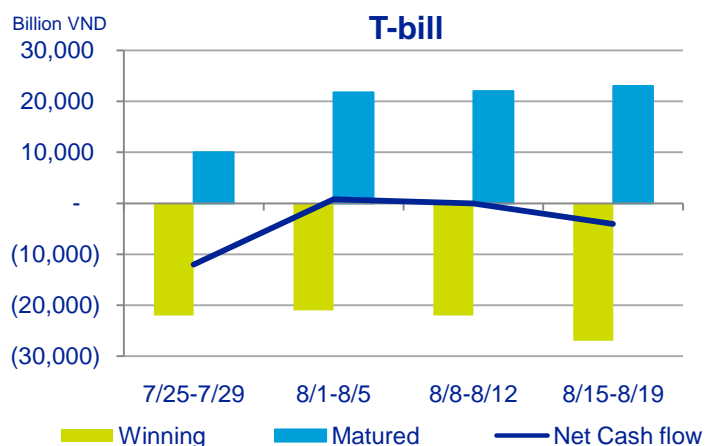
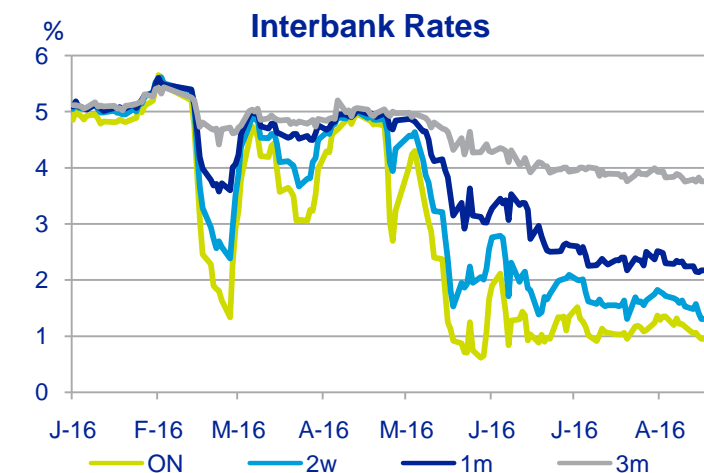
SECONDARY BOND MARKET



Source: HNX, VBMA, ACBS

Foreign Investor tripled their transactions despite of the declined yield curve last week, which was caused by the significant increase in offer amount by the government. With that, the complete absorption from the market has signaled the concerns for the equity market.

MONEY MARKET

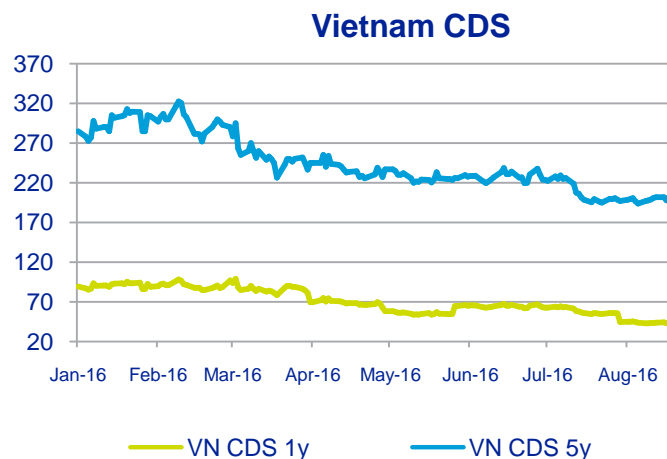
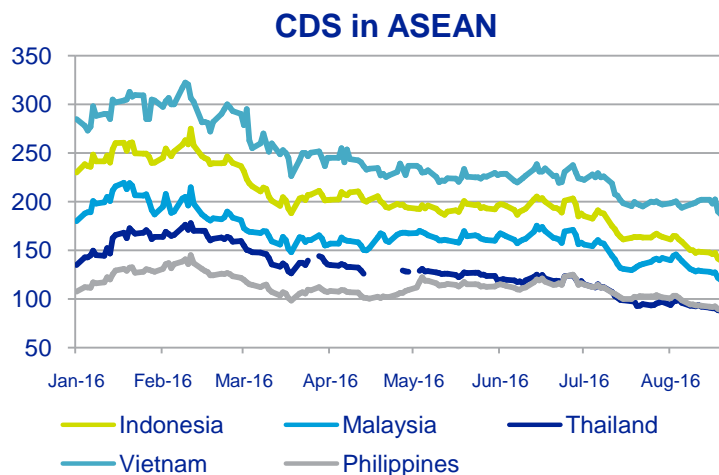


Source: ACBS, Bloomberg

Interbank rate fell slightly last week, and outstanding SBV Bills increased by a notch throughout the weeks of Augusts. Net cash flow from T bill for the week was negative which indicated a liquidity fall in the market. Moreover, the interest rate for T-bill (14 days) kept decreasing and remained low. With that in mind, we see low chances that the rate might increase in short term.

OTHER MARKETS

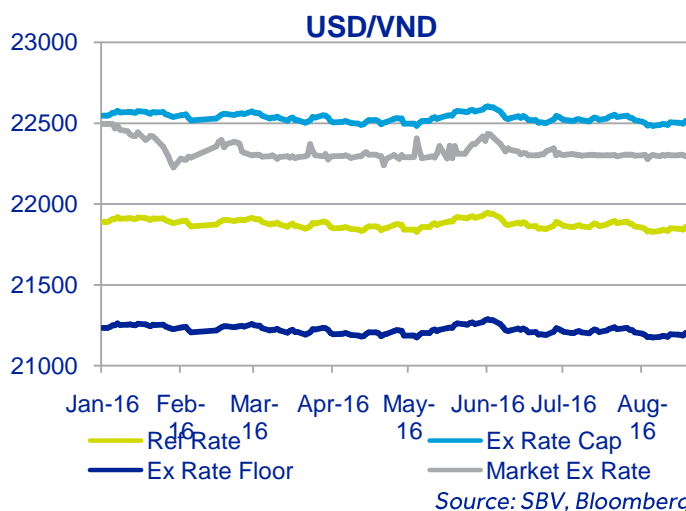
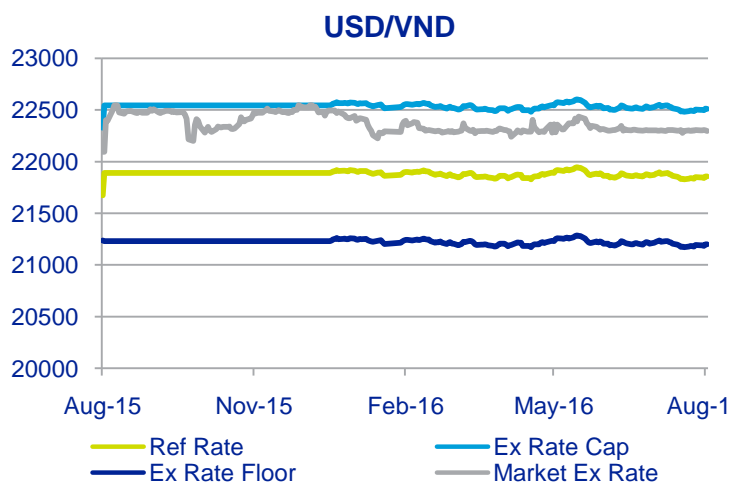
SOVEREIGN CDS



Source: Bloomberg

The ASEAN as well as Vietnam are having their credit improved throughout the year. In terms of trend, the VN 5Y CDS posed a highly positive signal as it plunged to below 190. Thus, the foreign investors are gaining confidence toward Vietnam's future economic prospects.

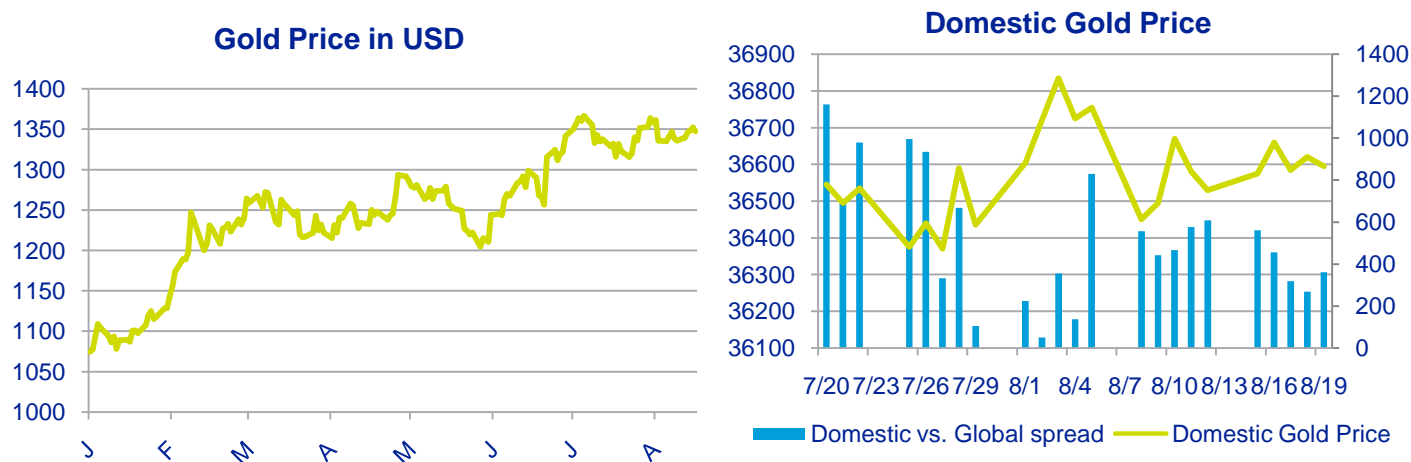
FOREX MARKET



Source: SBV, Bloomberg

The USD/VND stabilized in the range of USD/VND 22,250-22,330 regardless of the weakening USD. Moreover, the spread between USD/VND market rate and ceiling exchange rate was widened, which then lower risks of future fragility in the time of market shocks, especially in the upcoming busiest season of Global financial markets.

GOLD MARKET



Source: Bloomberg, ACB.

The demand for gold has been lowered. However, we should keep in mind that with the uncertainties of oil price, Fed's decision on interest rates and the existing global instabilities, gold would soon enter the peak trading season in the upcoming quarter.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
8/15/2016	22,260	22,330	24,723.94	25,019.95	217.35	221.52
8/16/2016	22,260	22,330	24,909.88	25,208.10	219.23	223.42
8/17/2016	22,260	22,330	24,920.94	25,219.30	218.16	222.33
8/18/2016	22,260	22,330	25,062.60	25,362.66	219.44	223.64
8/19/2016	22,260	22,330	25,095.80	25,396.26	219.20	223.39

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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