



Economic & Bond Commentary

November 15, 2016

Mr. Vi Phuc Tran

11/7/2016 – 11/11/2016

MARKET OVERVIEW

Despite the initial negative forecasts, global markets recovered within 2 days after the election to their previous levels and even beyond. After one day of sheer panics, investors decided that Donald Trump's upcoming policies would be beneficial for the US. Greenback and treasuries yield rose to their new highs, whilst gold plunged to \$1224/ ounce from the election day high of \$1340.

Regardless of the sharp decline on international gold price, Vietnam domestic gold price retreated rather moderately, widening the domestic/ international price spread up to VND2.7mln/ounce up to date. Domestic demand for gold are simply not that strong to drive the market in accordance to international prices.

Upon the money market, signs of increasing borrowing costs are bared.

Overnight interbank rate went above 1%, up to 1.5% as of November 14th, as well as SBV's outstanding fell steeply to 63tln with rates of 1% for 2wks and 1.5% for 4wks. The Yield Curve also flattened due to 0.2% rate increase in 1Y term from last week up to 3.8%. The redundancy of funds had been significantly reduced. Upcoming interest rate hikes are signaled.

US Dollars appreciated globally, putting stress on USD/ VND's short term stability as expected, predictions of the possibly inflation-causing policies from Donald Trump as well as the increasing chance of a December rate hike from FED (quantitated of 70%) drove the greenback upward. Because those movements are mostly short term- sentimentally based, pull backs and corrections can be expected thus upcoming high volatility. US dollar would be bullish from the long term perspective however.

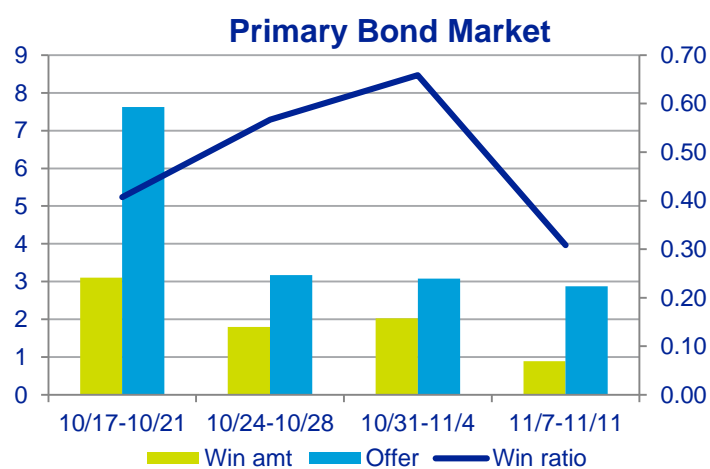
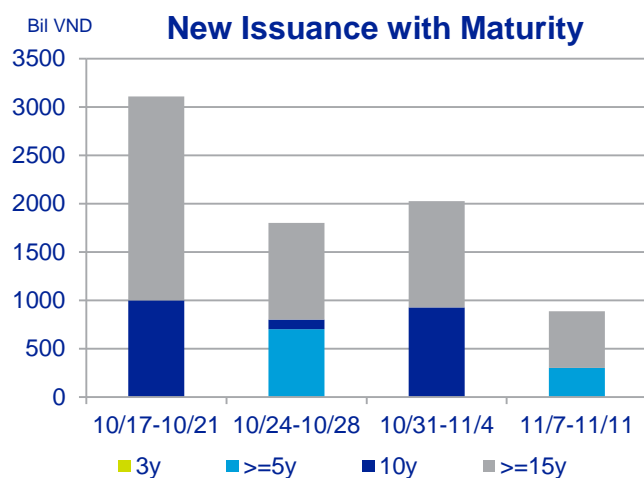
Emerging countries bond markets suffered from global selloffs, Vietnam Secondary market was net 1.4tln sold from foreign investors. At the same time, primary market traded for 800bln, with long term VGB undesired (20YR sold for 8%, 30YR sold for 51%).

In the scenario of a more likely to be cancelled TPP, ASEAN CDS rates increased all around, Vietnam 5Y rate went up 208 from 195 of previous week and 1Y rate climbed to 42 from 29 of previous week. Confidence towards emerging markets declined in upfront of a higher prospects US economy.

For the short term, the economic prospect of Vietnam has been downwardly deemed, evidenced straightforwardly by the money market. The long term prospect is blurred & uncertain, at least until TPP is officially cancelled by Donald Trump. Only the coming domestic interest rate hike is guaranteed.

VGB-GGB MARKET

PRIMARY BOND MARKET



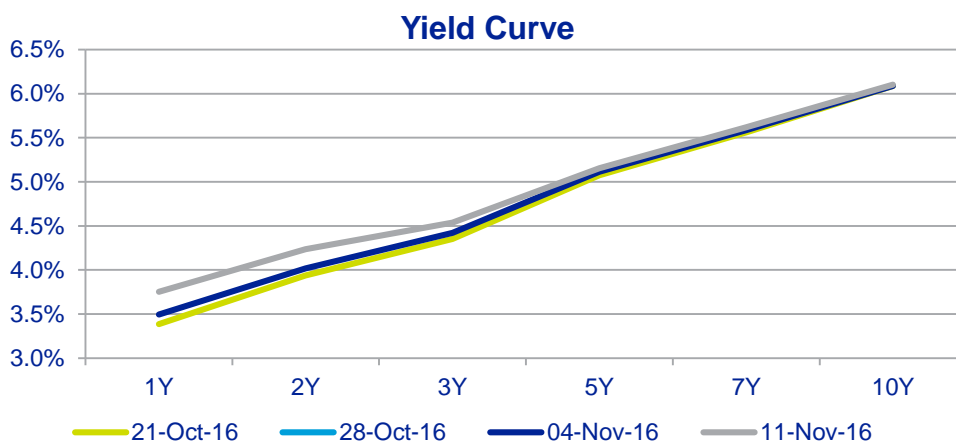
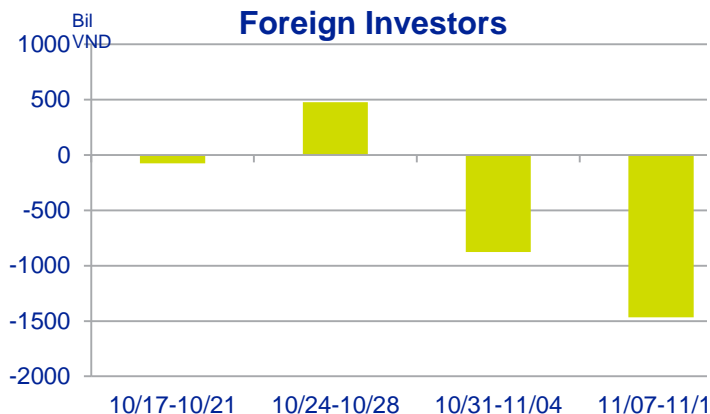
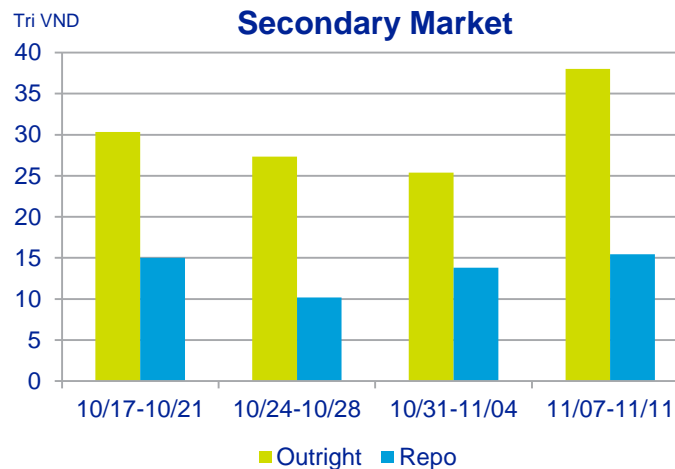
Source: HNX, ACBS

Primary bond market traded for 800bln, with long term VGB undesired (20YR sold for 8%, 30YR sold for 51%).

Bond Issuance Schedule This Week

11/14/2016-11/18/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,000,000,000,000	17/11/2016	17/11/2023	7
State Treasury	1,000,000,000,000	17/11/2016	06/10/2026	10
Vietnam Bank for Social Policies	300,000,000,000	15/11/2016	15/11/2021	5
Vietnam Bank for Social Policies	274,000,000,000	15/11/2016	15/11/2031	15

SECONDARY BOND MARKET

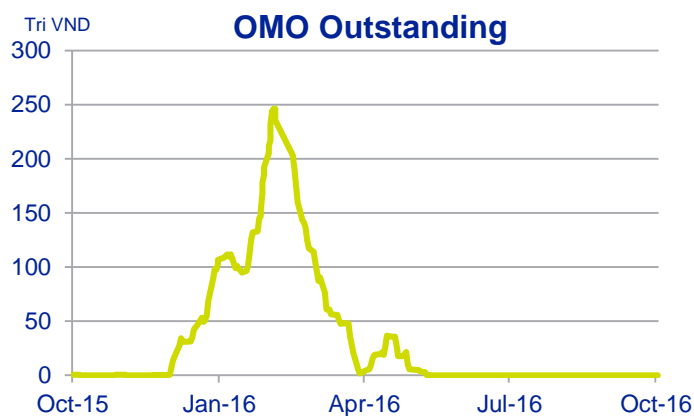
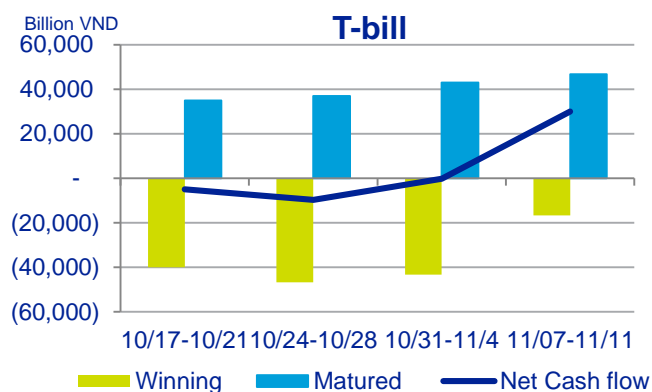
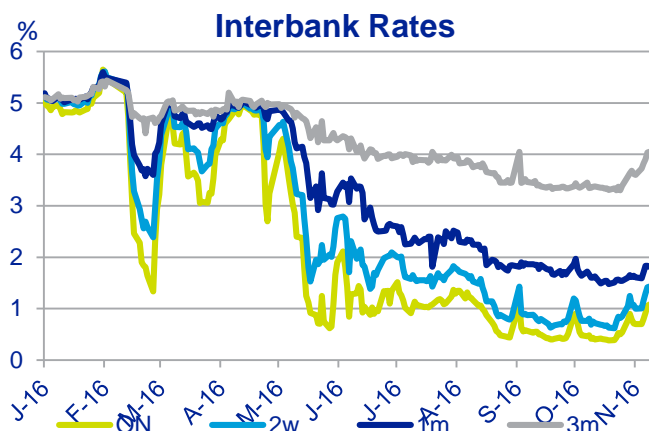


Source: HNX, VBMA, ACBS

Emerging countries bond markets suffered from global selloffs, Vietnam Secondary market was net 1.4tn sold from foreign investors.

The Yield Curve also flattened due to 0.2% rate increase in 1Y term from last week up to 3.8%. Short term views toward Vietnam was depreciated.

MONEY MARKET



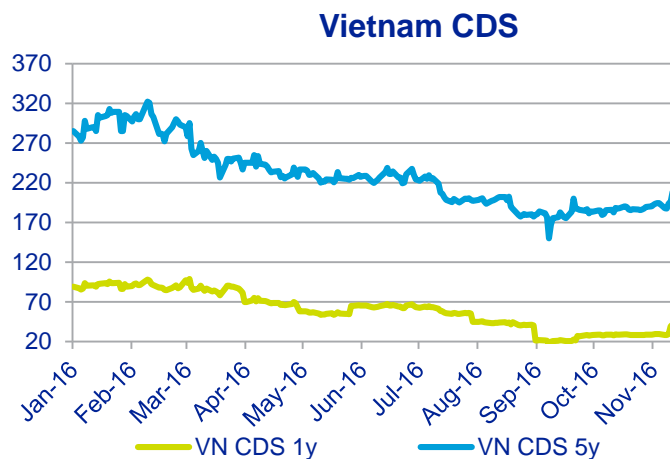
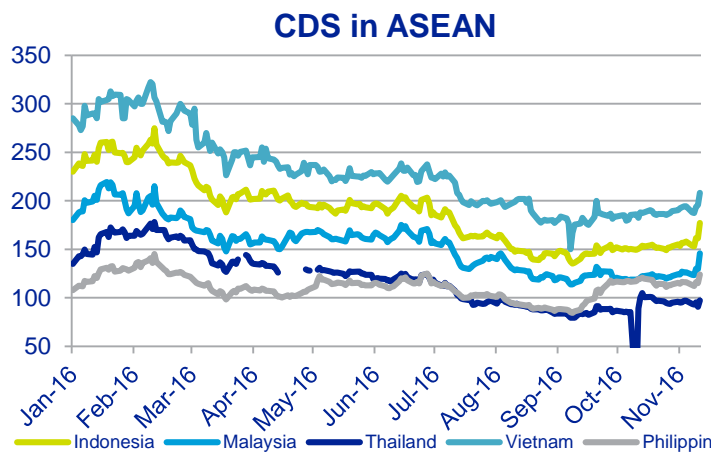
Source: ACBS, Bloomberg

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The redundancy of funds had been significantly reduced. Upcoming interest rate hikes are signaled.

OTHER MARKETS

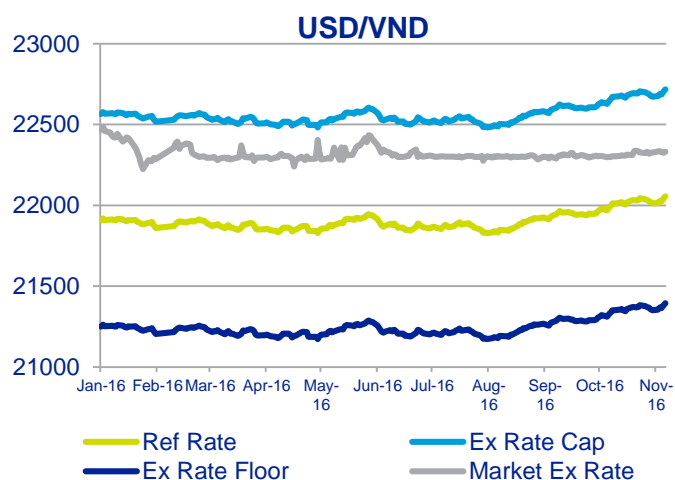
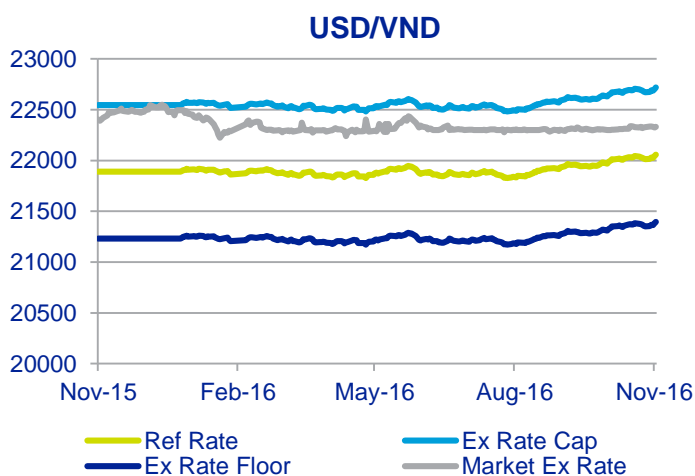
SOVEREIGN CDS



Source: Bloomberg

In the scenario of a more likely to be cancelled TPP, ASEAN CDS rates increased all around, Vietnam 5Y rate went up 208 from 195 of previous week and 1Y rate climbed to 42 from 29 of previous week. Confidence towards emerging markets declined in upfront of a higher prospects US economy.

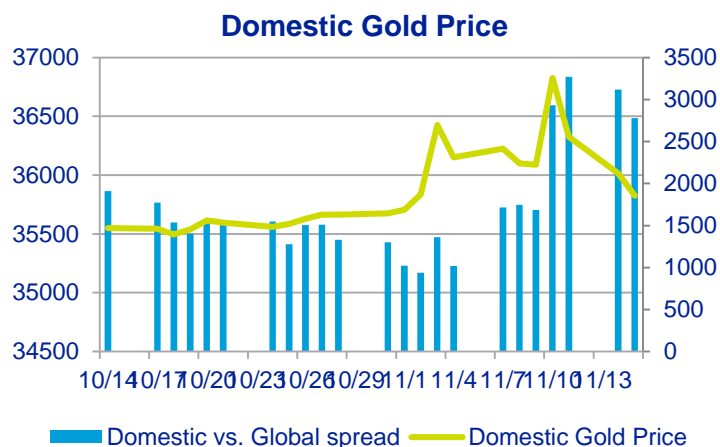
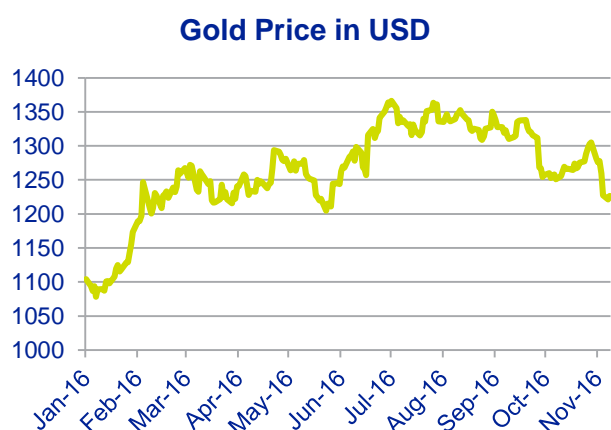
FOREX MARKET



Source: SBV, Bloomberg

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GOLD MARKET



Source: Bloomberg, ACB.

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APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
11/11/16	22,285	22,355	24,124.57	24,413.38	206.47	210.42
11/10/16	22,285	22,355	24,210.99	24,500.83	208.29	212.27
11/9/16	22,290	22,360	24,602.07	24,896.59	212.81	216.88
11/8/16	22,295	22,365	24,467.92	24,760.83	210.94	214.97
11/7/16	22,295	22,365	24,518.90	24,812.42	210.82	214.85

Source: Vietcombank

Deposit Interest Rate	2 weeks	1 month	3 months	6 months	1 year	2 years
10/7/2016	1%	4.60%	5.0%	5.60%	6.20%	6.50%

Source: ACB

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