



# **Economic & Bond Commentary**

**November 1, 2016**

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**Mr. Vi Phuc Tran**

**10/24/2016 – 10/28/2016**

## MARKET OVERVIEW

Published by GSO last week, October Social Economic report recognized the CPI increased by 0.83% MoM, making 4% increase YTD, most contributed by Health Care Service 13.3% MoM (64.4% YTD) and Educational Service (12.6% YTD). Recent development on global oil price contributed to the general increase in price level, which expected to be prolonged as long as OPEC is not calling off their deal. Regardless, given that Core Inflation was 1.86% YTD, the Government's target of 5% for 2016 is rather manageable.

Upon the IIP Statistic, it seems that the coal and gas exploitation business are the top October performers (22.5% and 6% increased respectively). Consider that coal price has reached its highest level since 2012 recently, as well as the sufficiently positive current outlook for oil, those two sectors are expected to be profitable for the last quarter of 2016 at the least. On the YTD basis, manufacturing in general and garment materials in specific remains the top producers (11.9% and 29.3% increased).

Overnight and 2 weeks interbank lending rate rose slightly last week, with the 1m and 3m also increased on a smaller magnitude. Still at their considerable low range, a moderate cyclical recover in the coming months is expected with no major hikes. General long term view for interest rate is still dovish.

Longer term VGB was highly demanded and lowly supplied, primary market traded for 1.8tln, with a complete absorption of 30yr VGB and 70% sold for 7yr VGB. With the reduction of primary market activity, money market is still ample with funds, most transparently shown by the 92tln outstanding T bills and low interbank rates, such abundance should be prolonged till the end of 2016 with moderate corrections.

SBV's Reference rate for USD/ VND is still moving upward to the highest of the year (22,045VND on Oct 28<sup>th</sup>), the risks from major USD movements thus reduced, especially when FED November meeting & US election date are drawing near.

A Head up for this week and next week major events. FED meeting is on November 2<sup>nd</sup> with quantitated 35% of a rate hike, 71% accordingly on December meeting. US Election date is November 8<sup>th</sup> with the result announced within the same day with Hilary Clinton slightly leading ahead of Donald Trump by 1%. The thing to keep in mind is: all the current predictions and favorability are quantitated and predicted through surveys of opinions and by no mean guarantees the actual result. The market could tumble violently ahead, in and post those major events if the outcome turns out unexpected. Advised to hold minor hedging positions in safe currencies and commodities as well as backing out from the market within event times. For speculator, this is a 50% chance bet, potential gains are high, so as losses.

Oil fell back below 50\$/ barrel earlier this week, we are reminded of the fragility of oil rallies. A certain, low risk rallies and short term recover for oil industry can only happen if OPEC managed to complete their treaty with no defaults. So far their efforts are somewhat encouraging. No certainties though until the treaty has been officially signed, their next meeting at the end of this month could provide a clearer perspective.

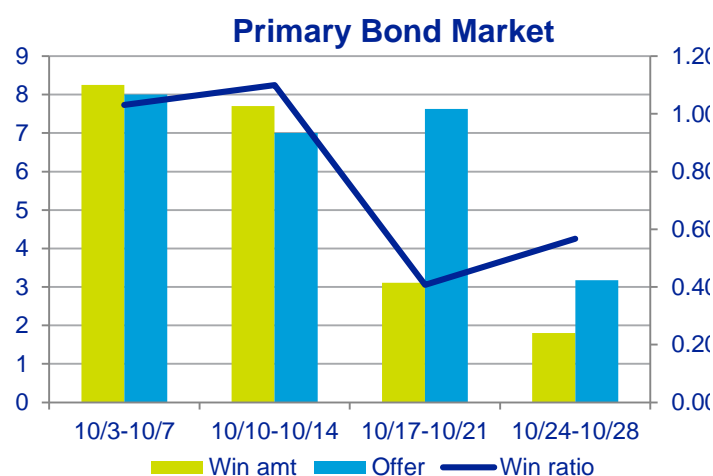
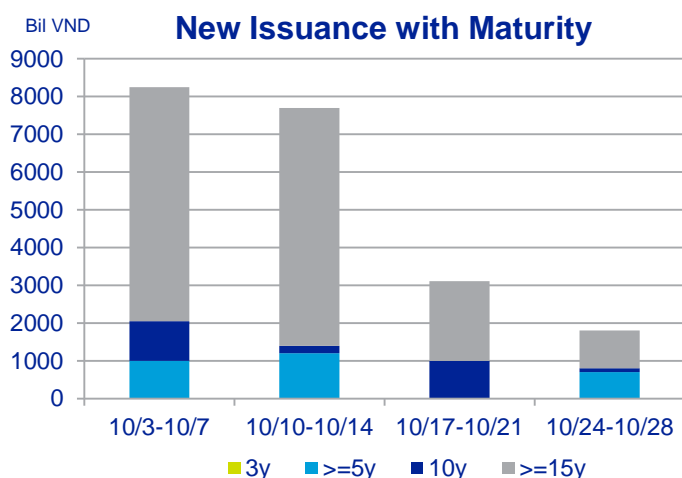
Up to October 28<sup>th</sup>, gold reached \$1275/ ounce. the current price provides fair risk/ reward ratio for a minor long position, which could be necessary when consider the incoming financial major news.

With all that, we wish you a successful trading week.

***\*NOTICE: NEXT WEEK'S REPORT WILL BE PUBLISHED ON WEDNESDAY, NOVEMBER 9<sup>TH</sup> TO COVER THE US PRESIDENTIAL ELECTION, THANK YOU FOR YOUR PATIENT.***

## VGB-GGB MARKET

### PRIMARY BOND MARKET



Source: HNX, ACBS

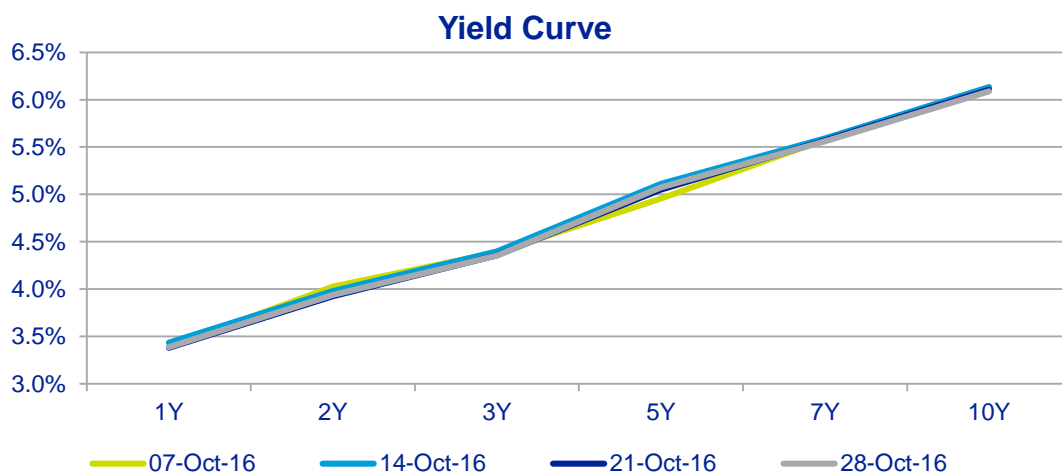
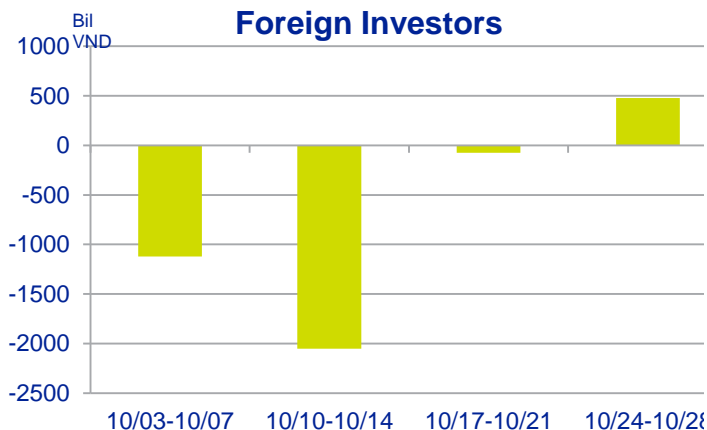
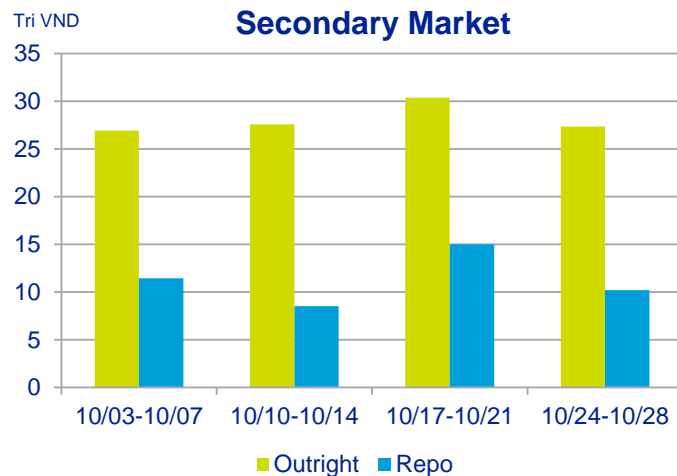
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For next week, we expect the 10YR and 15YR VGB to be sold out, market is still healthy to take in more even within the strong credit surge.

### Bond Issuance Schedule This Week

10/10/2016-10/14/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,000,000,000,000	11/3/2016	10/6/2026	10
State Treasury	1,000,000,000,000	11/3/2016	9/15/2031	15
Vietnam Bank for Social Policies	500,000,000,000	11/1/2016	11/1/2026	10
Vietnam Bank for Social Policies	574,000,000,000	11/1/2016	11/1/2031	15

## SECONDARY BOND MARKET

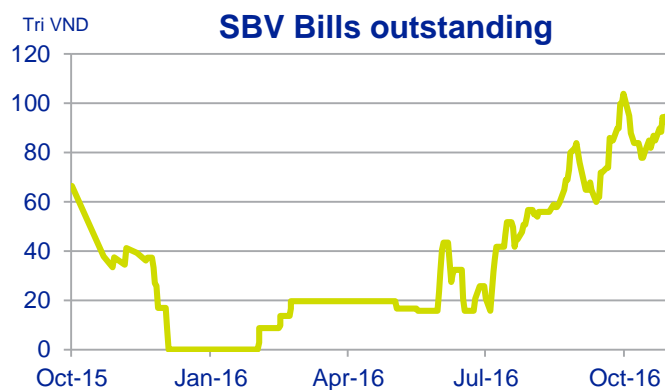
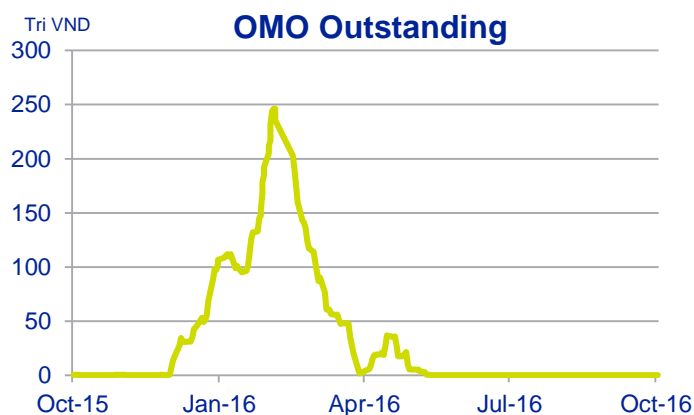
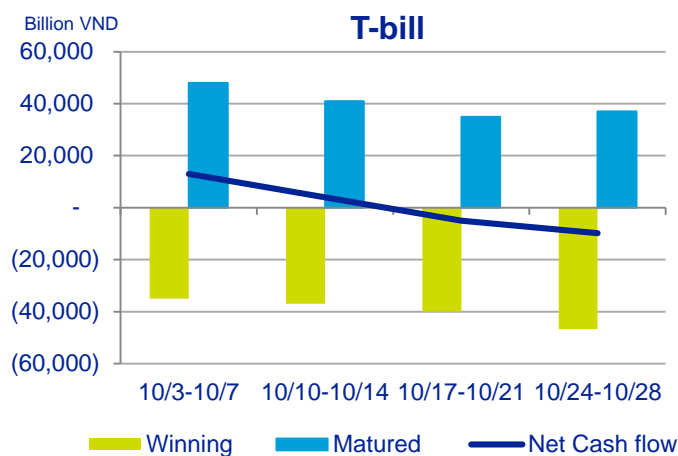
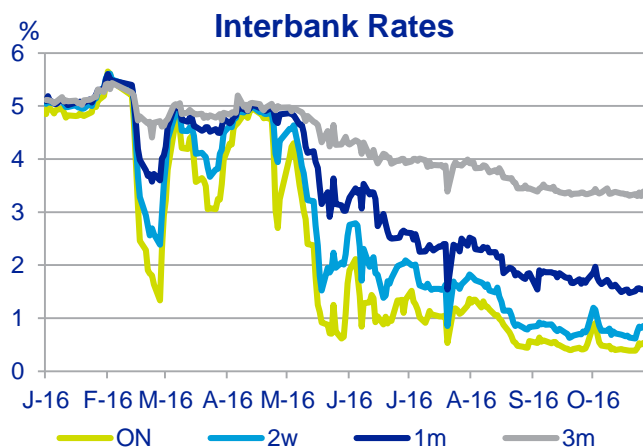


Source: HNX, VBMA, ACBS

Stable and strong is the right word to describe the secondary market, with foreign fund flow back in.

The Yield curve became flatter since the start of October, mainly due to the attractiveness of longer term bonds that pushed down their yields.

## MONEY MARKET

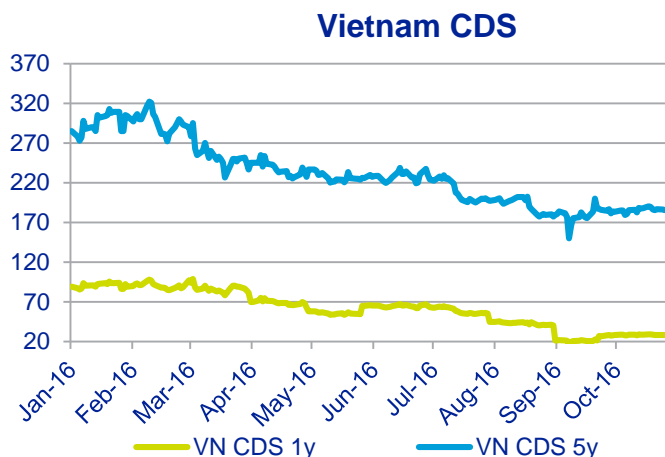
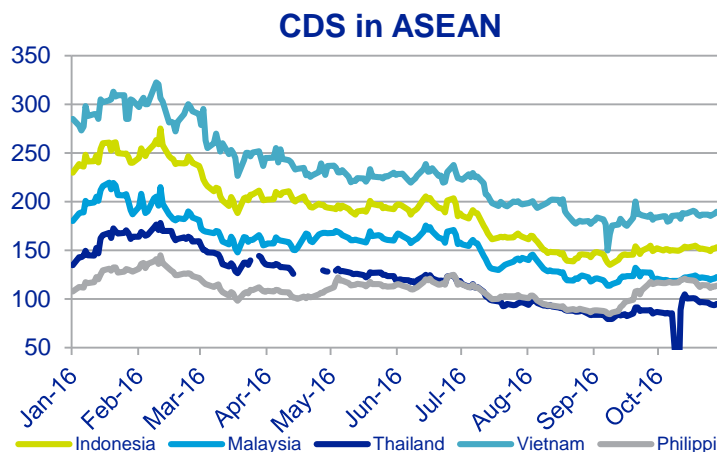


Source: ACBS, Bloomberg

Outstanding SBV recovered to 92tln, the economy's absorption of funds redundancy is continuously improved, we are expecting a slight increase of interbank rates in the upcoming weeks.

## OTHER MARKETS

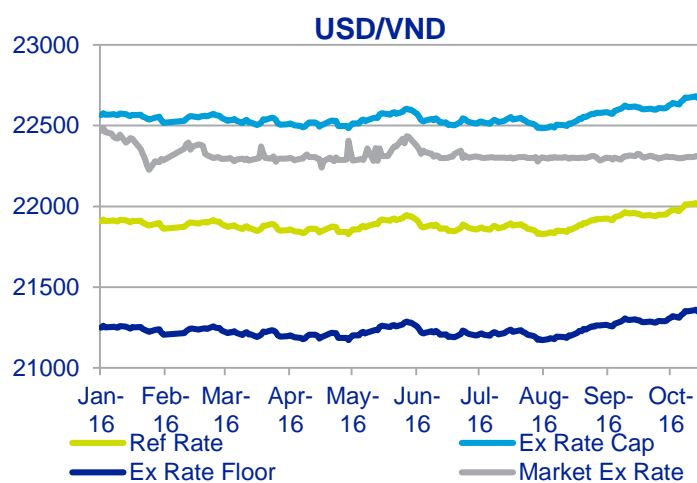
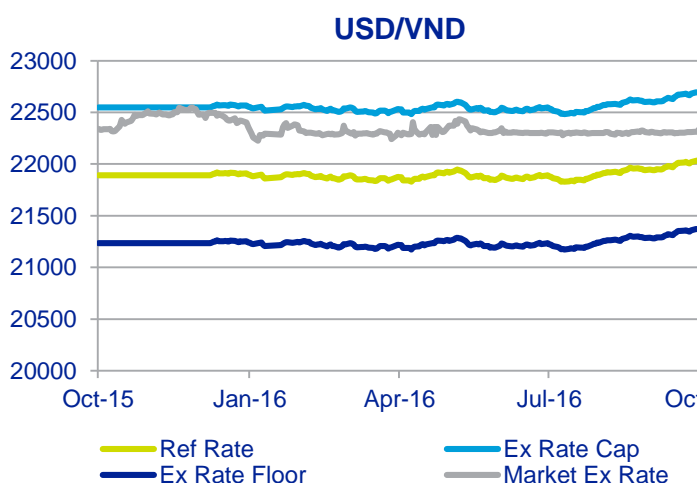
### SOVEREIGN CDS



Source: Bloomberg

From the CDS perspective, the whole ASEAN region has been moderately attractive for the past few weeks, no major movements occurred.

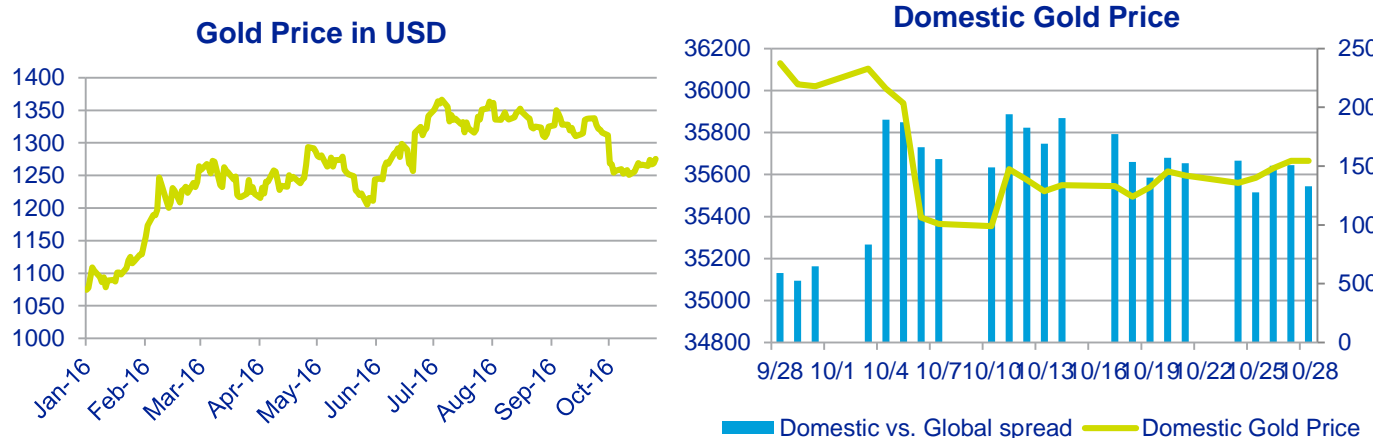
### FOREX MARKET



Source: SBV, Bloomberg

SBV's Reference rate for USD/ VND is still moving upward to the highest of the year (22,045VND on Oct 28<sup>th</sup>), the risks from major USD movements thus reduced, especially when FED November meeting & US election date are drawing near.

## GOLD MARKET



Source: Bloomberg, ACB.

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## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
10/28/16	22,295	22,365	24,165.44	24,454.73	209.33	213.33
10/27/16	22,295	22,365	24,180.96	24,470.43	210.37	214.39
10/26/16	22,300	22,370	24,215.20	24,505.07	211.61	215.66
10/25/16	22,300	22,370	24,111.00	24,399.63	210.80	214.83
10/24/16	22,290	22,360	24,095.77	24,384.23	211.84	215.89

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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