



# **Economic & Bond Commentary**

**November 22, 2016**

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**Mr. Vi Phuc Tran**

**11/11/2016 – 11/21/2016**

## MARKET OVERVIEW

In his latest public remark on Monday, Donald Trump announced that the cancellation of TPP would be prioritized during his first days taking the White House. Thus TPP is seem to be abandoned by its initiator, along with the promised trade benefits of the involved parties. In accordance to that, the pro- free trade individuals had another plan: China and Russia proposed Trade Agreement (Without the US of course). Australia has already oriented some trade deals with China and showed their interests in joining a TPP alternative. It is expected for the rest of the Free Trade-favored parties to follow.

Relating to Vietnam as US accounts for 20% of our exports, a TPP without US means higher price competition (From tariffs) on top of existing quality standards. It is a tougher ground, less beneficial for our export growth, not necessarily damaging. The alternative Trade Pact from China and Russia is still highly theoretical and the Trump-suggested bilateral Trade deals are yet to be seen. Most of the current swings in equity and fixed income market are mainly sentimental. However, it is a challenge for Parliament's targets for 2017.

Upon the money market, last week was a heated one with massive funds withdrawals, evidenced by the plunge of outstanding T-Bills from 58tln down to 29tln during the week. Luckily recovered to 51tln as of 21<sup>st</sup> Nov, the stress on short term liquidity thus eased with the 1 week increased rate of 1.5% for 14d term (from 0.7) and 2% for 28d term (from 1.5) as a price. Bear in mind that all the long term T bills issued were matured last week. It is the recently issued – short term bills that provides liquidity in the market.

VGB had a down week without any new winning issues, all of the ones that come due in 2016 has already been matured and paid. We can expect zero fund injection from this channel till the rest of the year.

Interbank market reached a new peak of 1.97% for O/N rate last Thursday, cooled down to 1.58% on Monday. Given the lack of fund in the market, and the decline in foreign sentiments toward Vietnam (3tln net sold in secondary market), it is safe to assume that even though reduced, the upward interest rate stress is still there. A coming hike in borrowing rate is foreseeable.

The USD/VND exchange rate also saw a stressful week when the SBV had to increase the reference rate to the record high YTD trading USD/ VND reached the top of 22,600VND/USD ask price reported by Vietcombank during last week, although retraced moderately, it is unlikely that the VND would be appreciating against the USD anytime soon, putting current global prospect into consideration. The Non Deliverable Forwards for VND increased with less extremity suggests that faith in VND though weaken, still remains.

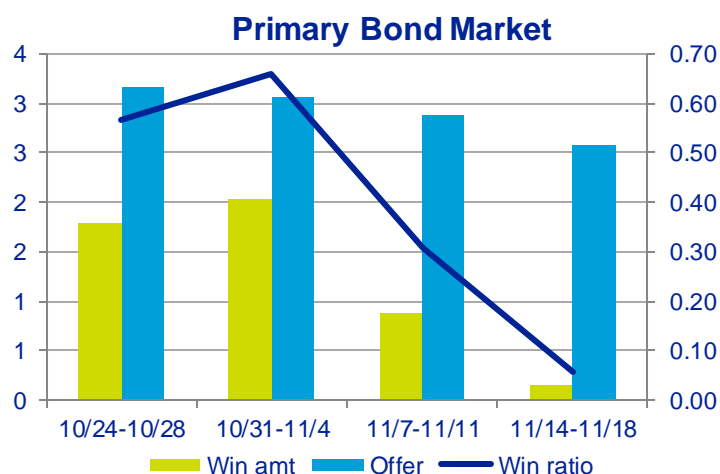
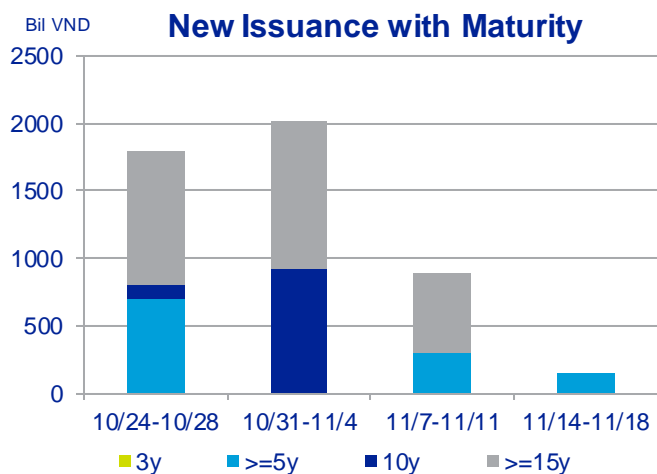
Oil surged 4% once more on a "positive prospect" of OPEC production deal. Again, such surge in price is sentimentally based, the final result will be out November 31th. Unless speculative driven, it is suggested to withdraw from Oil - related investments until the actual result announced.

Gold is still hovering around its Brexit level, Vietnam domestic gold price tailed alongrather moderately, keeping the domestic/ international price spread up to VND2.8mln/ounce up to date. Domestic demand for gold are simply not that strong to drive the market in accordance to international prices.

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

## VGB-GGB MARKET

### PRIMARY BOND MARKET



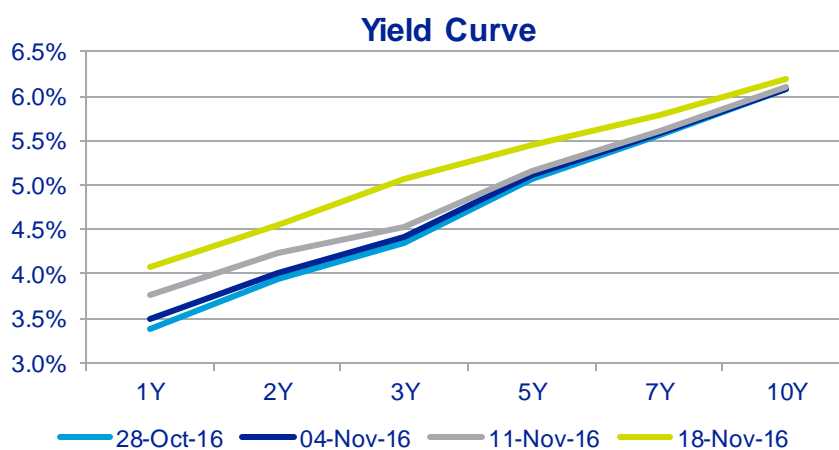
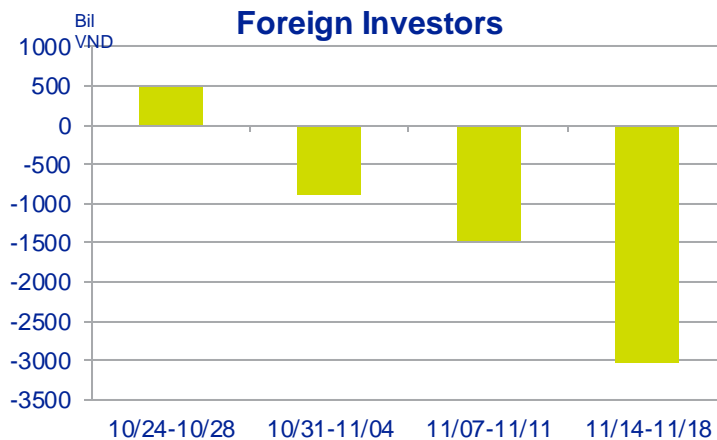
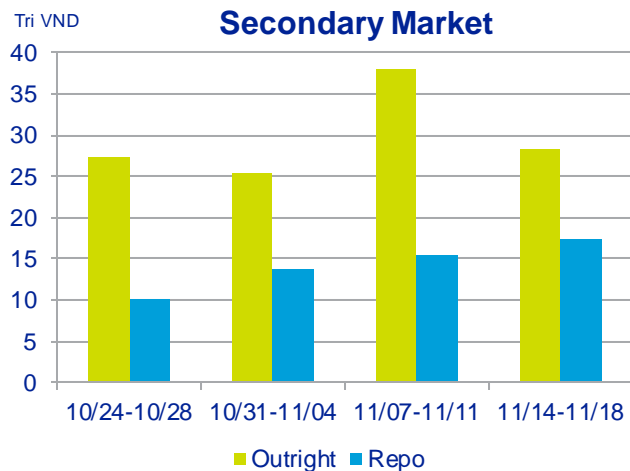
Source: HNX, ACBS

Primary bond market traded for 150bln, with all the VGBs failed to be issued. The market are in lack of funds, now having any to spare

### Bond Issuance Schedule This Week

11/14/2016-11/18/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	2,000,000,000,000	24/11/2016	24/11/2021	5
State Treasury	500,000,000,000	24/11/2016	15/09/2046	30
State Treasury	1,000,000,000,000	24/11/2016	15/09/2031	15
Vietnam Bank for Social Policies	424,000,000,000	22/11/2016	22/11/2021	5

## SECONDARY BOND MARKET

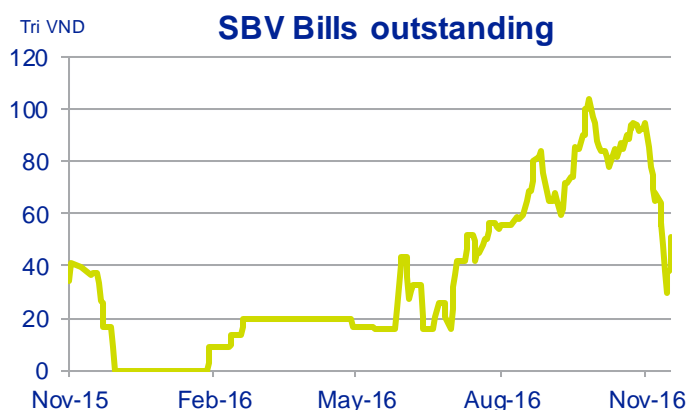
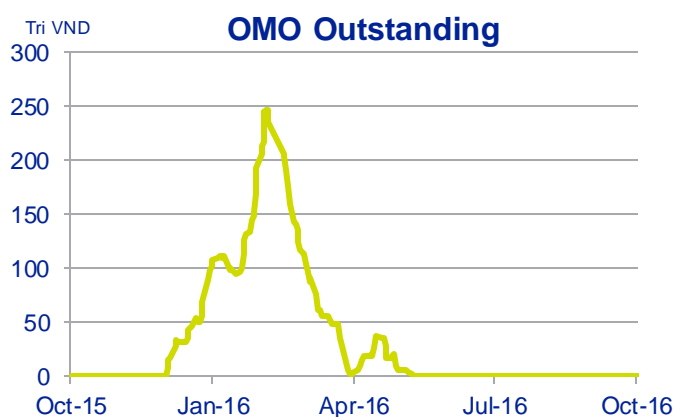
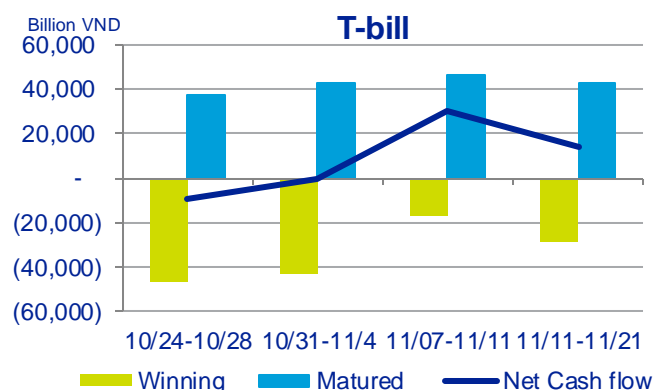
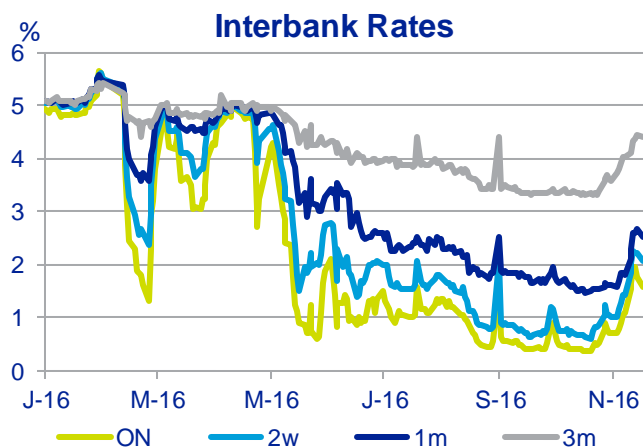


Source: HNX, VBMA, ACBS

Record selloff by 3tln on secondary market from foreign investors, short term yields increased significantly from last week (4.08% from 3.75%)

From foreigner's perspective, Vietnam has been less of an attractive investment.

## MONEY MARKET



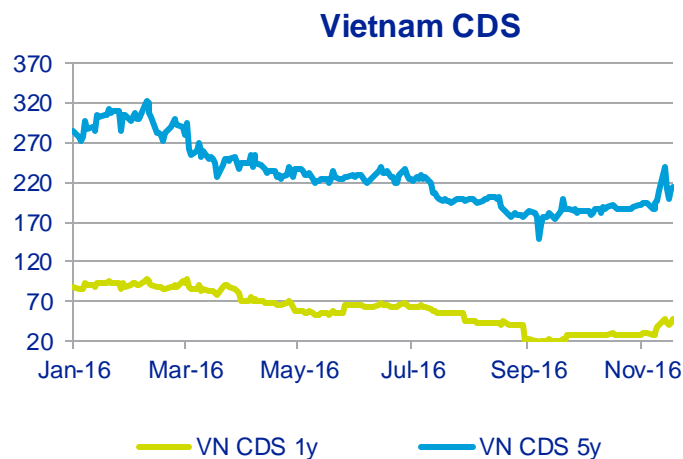
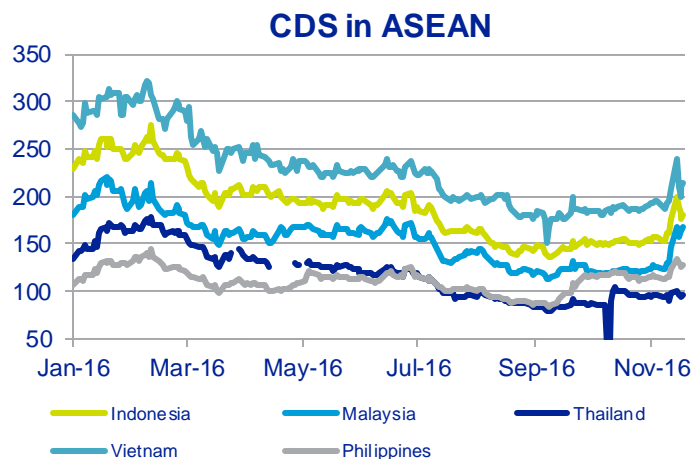
Source: ACBS, Bloomberg

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## OTHER MARKETS

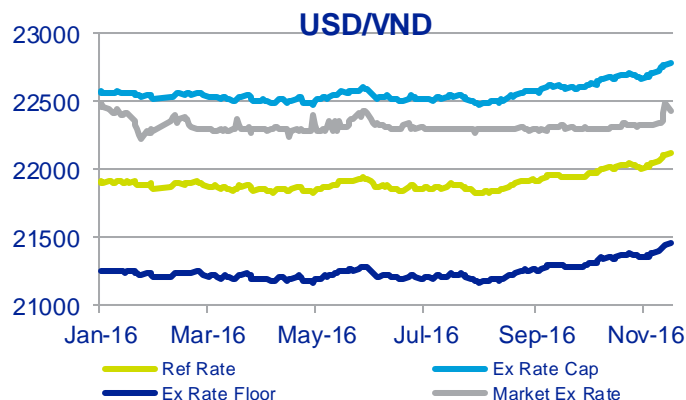
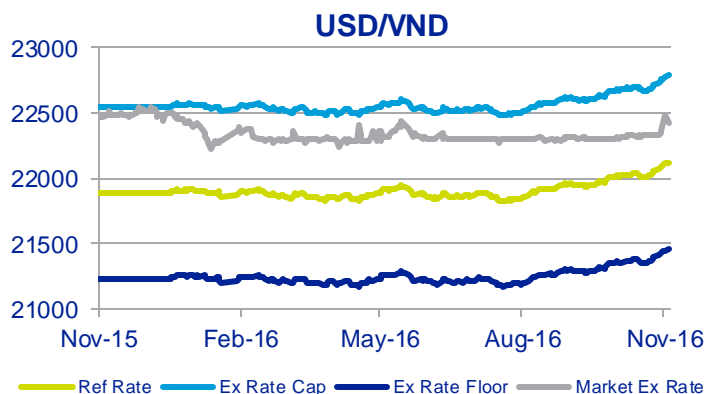
### SOVEREIGN CDS



Source: Bloomberg

In the scenario of TPP without US, ASEAN CDS rates increased all around, Vietnam 5Y rate went up 211 from 208 previously. Confidence towards emerging markets declined in upfront of a higher prospects US economy.

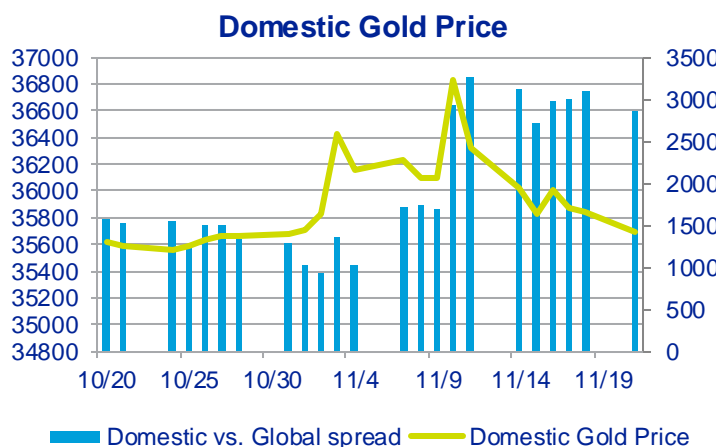
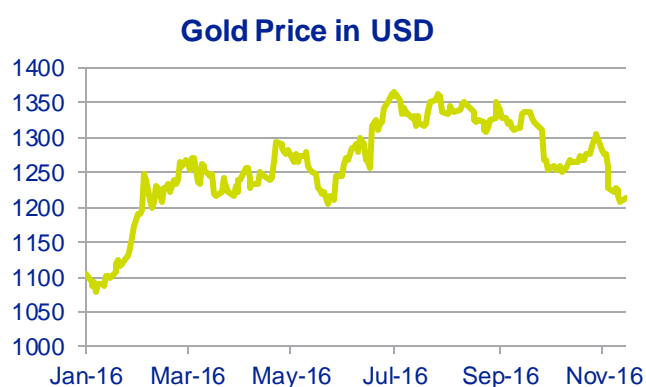
### FOREX MARKET



Source: SBV, Bloomberg

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## GOLD MARKET



Source: Bloomberg, ACB.

Gold is still hovering around its Brexit level, Vietnam domestic gold price tailed along rather moderately, keeping the domestic/ international price spread up to VND2.8m/ounce up to date. Domestic demand for gold are simply not that strong to drive the market in accordance to international prices.

## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
11/18/16	22,450	22,550	23,689.39	23,972.80	200.52	204.36
11/17/16	22,395	22,465	22,877.80	24,163.54	203.13	207.10
11/16/16	22,345	22,415	23,814.34	24,099.36	201.55	205.40
11/15/16	22,310	22,380	23,950.26	24,236.95	203.59	207.49
11/14/16	22,305	22,375	23,868.96	24,154.68	204.52	208.44

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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