



Economic & Bond Commentary

November 9, 2016

Mr. Vi Phuc Tran

10/31/2016 – 11/9/2016

MARKET OVERVIEW

Donald Trump is the new President of the United States. Global major meltdowns happened in most equity markets, most unlikely to recover from their lows for the next few days. (Dow plunged 3.7%, Nikkei Dropped 5.9%, VN Index dropped 1.31%).

Swiss Franc, Japanese Yen, Sterling's, Gold & Silver soared as they provide safe havens for upcoming financial turbulences. Gold pierced \$1300/ ounce, up by 70\$/ ounce (4%), whilst USD/ JYP went below 102.0 (~3.2%) within 5 hours. Those are just the initials; all the trends are expected to be prolonged for at least another week with no major pullbacks (from profit taking, if any).

Given the situation, it is less likely that the FED and ECB will implement a rate hike in their next meeting at a first. It is more stressful however for the Japan Economy. Having stagnation on their own, a stronger JPY requires strong and immediate action from BOJ to keep their economy holding together. It is more likely that Kuroda would further expand his monetary policy, a "Helicopter money" approach might as well become visible in the next BOJ meeting.

The short term winners are Developed Countries' Bonds, currencies and precious metal markets, equities are surely not a good investment option.

Relating to Vietnam, TPP would most likely get cancelled as long as Trump remains in his presidency. All of the tariff benefited export goods from the agreement such as rice, coffee & garments etc... might compromise the GDP growth as well as export growth. The long term economic perspective for Vietnam thus drawn down. On the opposite, milk and fertilizer would benefit from existing domestic tariff.

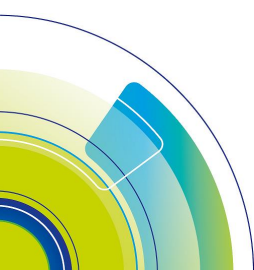
Upon money market, global uncertainty rises would trigger selloffs in emerging countries' bond, result in the increase in yields issued. Updated on November 9th, primary bond market traded for 800bln, with long term VGB undesired (20YR sold for 8%, 30YR sold for 51%). Outstanding Treasuries dropped to 74tln from last week of 97tln. All of this in addition to increase risks & existing record low interbank rates suggests a coming hike in domestic borrowing costs.

Parliament's Economic plan for 2016-2020 is 6.7% growth on GDP, 7% on export growth. Whether these targets can be achieved or not given the current prospects, we need further observations in the next few months. For the moment, upward risks regarding USD/VND exchange rate presents, reference rate as well as trading rates are predicted to incline in the coming weeks due to decreased redundancy of funds (evidenced by outstanding T-bills of 74tln with rate of 1%). Government foreign reserves of \$40bln would be sufficient to absorb the exchange rate shocks however.

This is the Initial impacts on a Trump Presidency, short term turbulences, bumpy ride from all market are foreseeable in the upcoming months. This is a good opportunity for speculators.

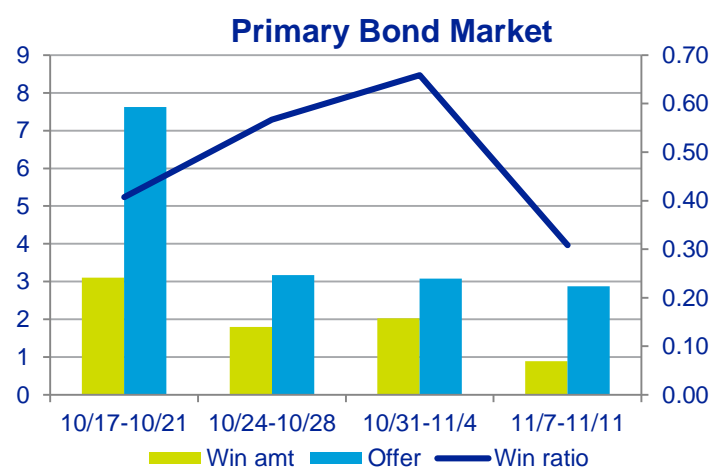
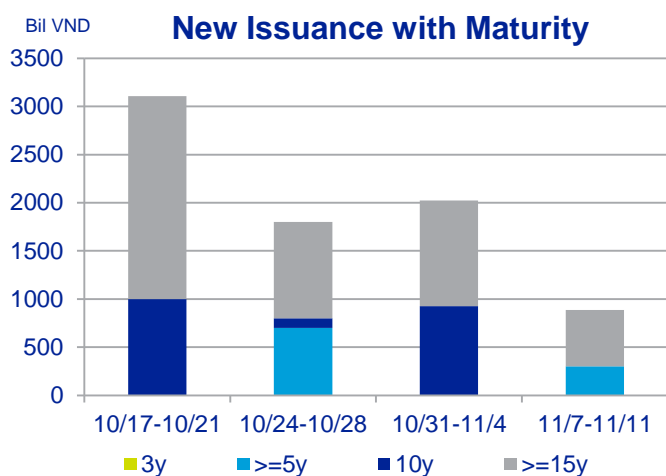
Slightly related but interesting, Canada's Immigration website has recently crashed from overload. Globally, the so called Trump Escape Programs are highly sought after.

With that, we wish you a successful trading week. It is advised to reduce your margins in domestic equities, stay bullish for gold and safe currencies, as well as be aware of the declining US Dollars.



VGB-GGB MARKET

PRIMARY BOND MARKET



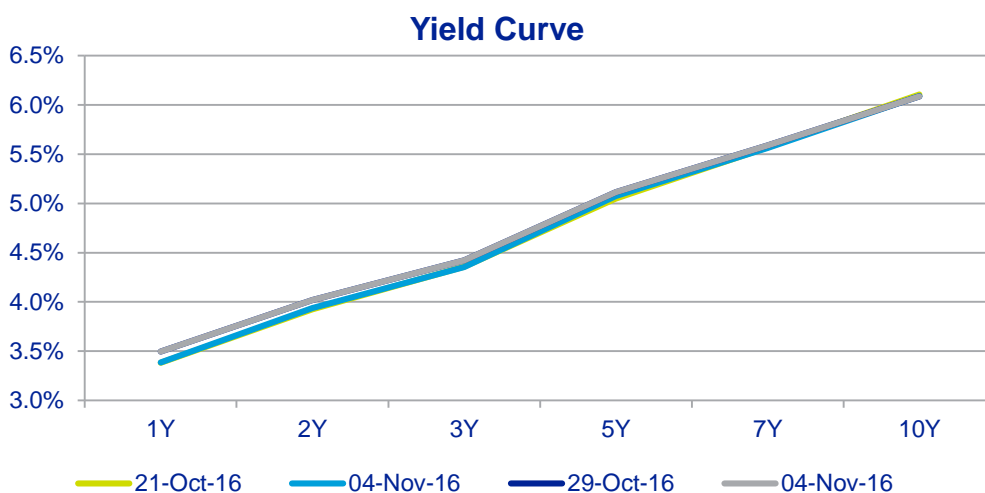
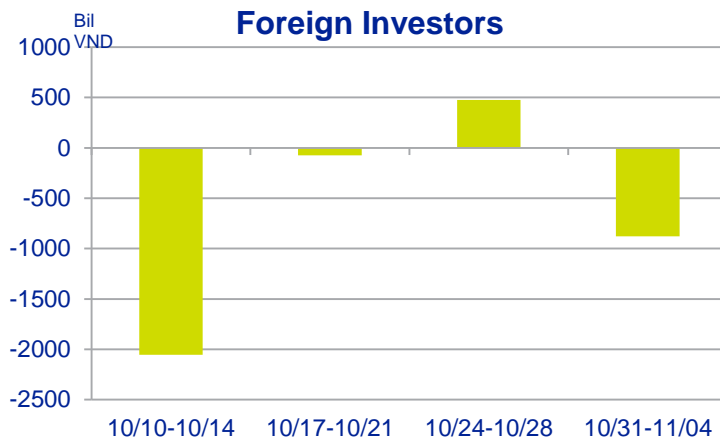
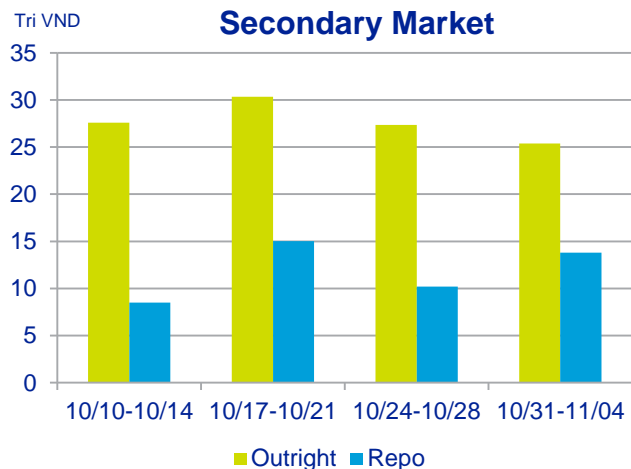
Source: HNX, ACBS

Primary bond market traded for 800bln, with long term VGB undesired (20YR sold for 8%, 30YR sold for 51%). Outstanding Treasuries dropped to 77tln as of November 8th from last week of 97tln. All of this in addition to increase risks & existing record low interbank rates suggests a coming hike in domestic borrowing costs.

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 | 11/10/2016 | 10/6/2036 | 20 |
| State Treasury | 1,000,000,000,000 | 11/10/2016 | 9/15/2046 | 30 |
| Vietnam Bank for Social Policies | 200,000,000,000 | 11/8/2016 | 11/8/2026 | 10 |
| Vietnam Bank for Social Policies | 300,000,000,000 | 11/8/2016 | 11/8/2021 | 5 |
| Vietnam Bank for Social Policies | 374,000,000,000 | 11/8/2016 | 11/8/2031 | 15 |

SECONDARY BOND MARKET

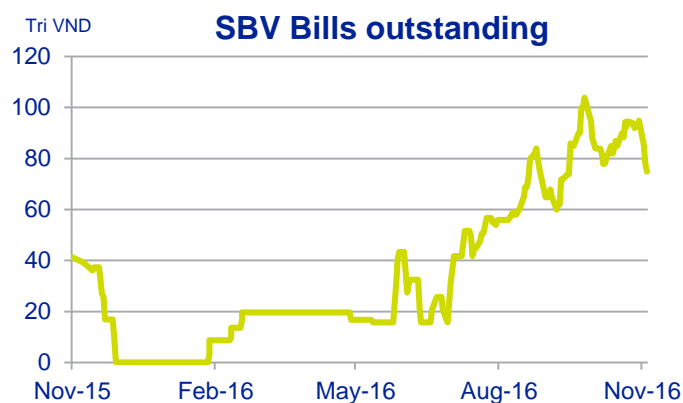
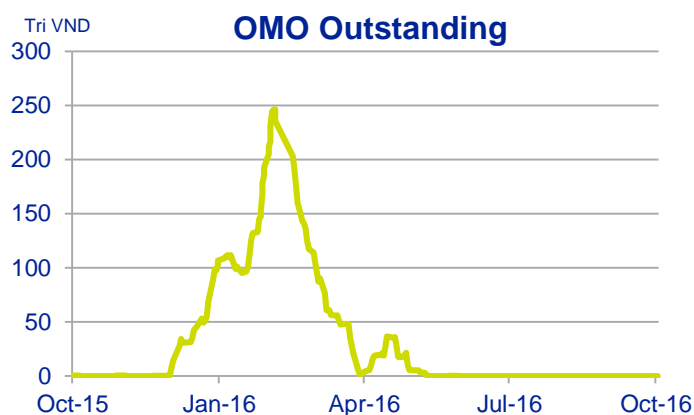
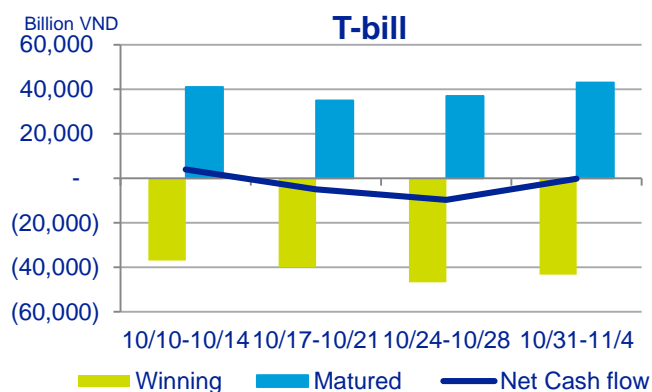
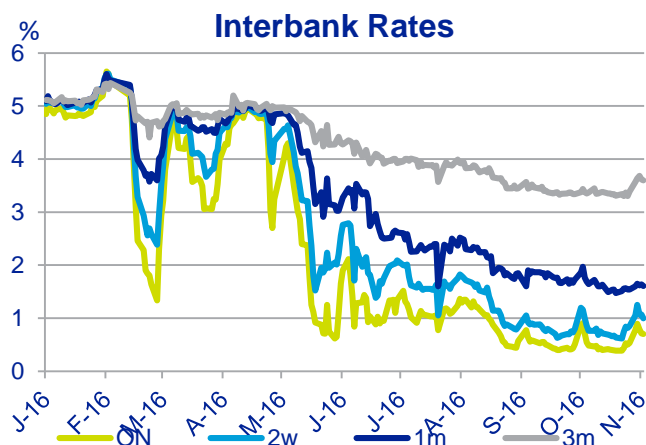


Source: HNX, VBMA, ACBS

Yield increased slightly for last week.

We expect the yield curve to become steeper, considering the increased long term risks. Foreign investors are predicted to withdraw from bond market in short term.

MONEY MARKET

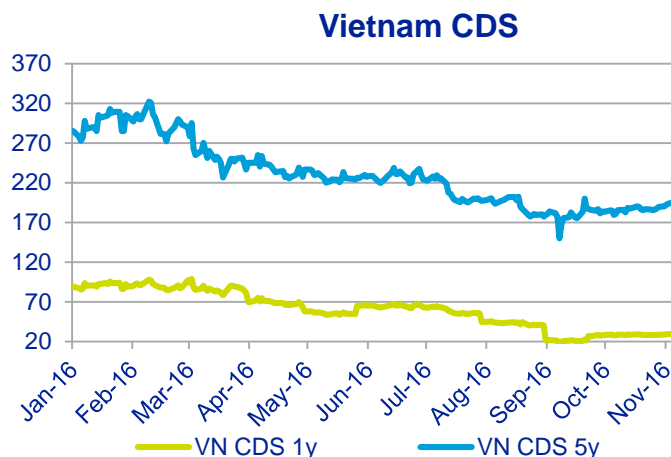
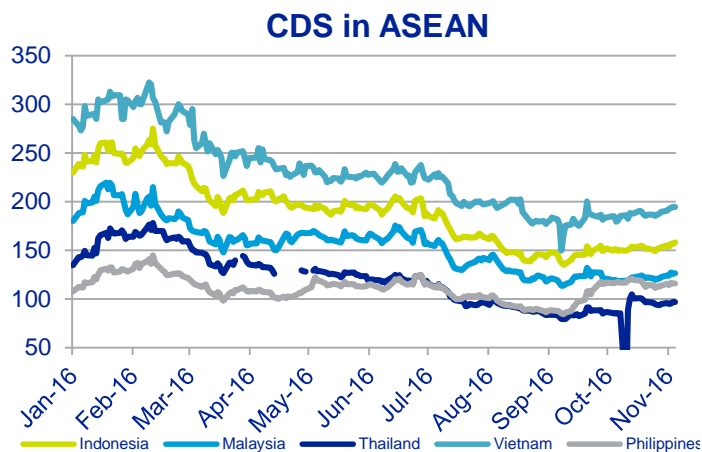


Source: ACBS, Bloomberg

Outstanding SBV dropped to 74tln from last week of 97tln, current rate is 1%. Interbank rates had increased during last week, all suggests a coming hike in domestic borrowing costs.

OTHER MARKETS

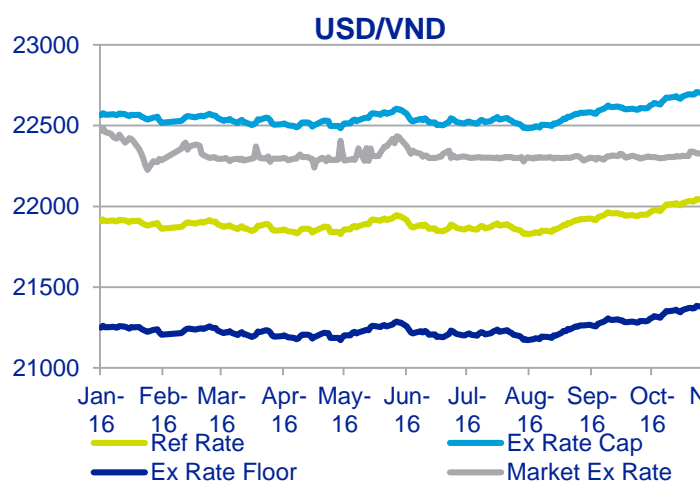
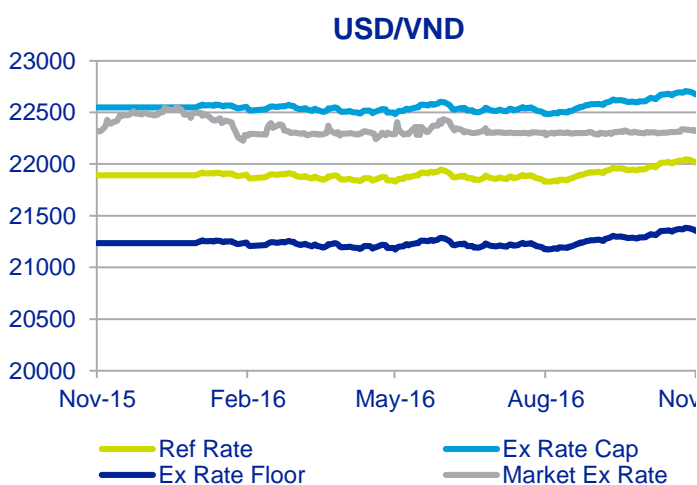
SOVEREIGN CDS



Source: Bloomberg

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

FOREX MARKET



Source: SBV, Bloomberg

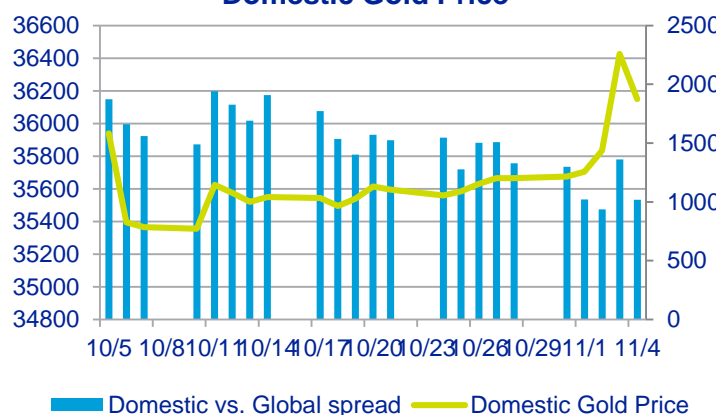
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GOLD MARKET

Gold Price in USD



Domestic Gold Price



Source: Bloomberg, ACB.

Gold pierced \$1300/ ounce, up by 70\$/ ounce (4%), whilst USD/ JYP went below 102.0 (~3.2%) within 5 hours. Those are just the initials; all the trends are expected to be prolonged for at least another week with no major pullbacks (from profit taking, if any). it is a good time to be bullish on gold

APPENDIX

| FX rate | USD | | EUR | | JPY | |
|----------|--------|--------|-----------|-----------|--------|--------|
| Date | Bid | Ask | Bid | Ask | Bid | Ask |
| 11/4/16 | 22,290 | 22,360 | 24,597.64 | 24,892.10 | 213.23 | 217.30 |
| 11/3/16 | 22,285 | 22,355 | 24,627.58 | 22,922.41 | 214.05 | 218.14 |
| 11/2/16 | 22,285 | 22,355 | 24,552.24 | 24,846.17 | 212.34 | 216.39 |
| 11/1/16 | 22,285 | 22,355 | 24,300.83 | 24,591.75 | 209.97 | 213.99 |
| 10/31/16 | 22,285 | 22,355 | 24,296.40 | 24,587.27 | 209.95 | 213.97 |

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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