



Economic & Bond Commentary

October 4, 2016

Mr. Vi Phuc Tran

09/26/2016 – 09/30/2016

MARKET OVERVIEW

OPEC finished their meeting last week, came up to an agreement of output pact with Iran having the exemption, Brent oil rose above 50\$ on 3rd October as a result. The effect was rather caused by expectations and sentiments without a solid market base however as the actual deal is one month away from negotiation and up until 2017 for implementation. The downside risks remained where the Non- OPEC exporters (Eg: Russia/ US) could not compromise with the pact and extracting oil to full capacity, taking advantage of the elevated oil price. The OPEC meeting would thus become meaningless.

Another risk to lookout for is China's record high Oil Storage Level (600mln barrels back in **MAY**, as **Announced**), being the second largest oil consumer with a decelerating economy, an increase in Oil price could result in a loss in import demand from China. Beijing also reforming their economy to be more service/ technology oriented instead of industrialism. Oil price can recover for the moment from sheer expectations, the long run prospects are dimmed without a solid market support.

Spot Gold moved sideways between the 3months high and low. With the recovery of Oil price and equity market, it is less tempting for investors to hold too much of their portfolio in this commodity. Vietnam Domestic Gold price fell below 36mln VND/ ounce up to date. Be aware though, gold has always been a safe haven in times of uncertainty. A minor long position in Gold could be rewarded big time if for example: Donald Trump was to be US President. If not, gold price is expected to rise slightly up until 8th November due to hedging demands regardless.

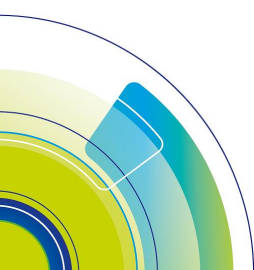
Vietnam 9 months Social Economics Report came out last Friday, GDP increased 5,93% YoY, decelerated from the previous YoY figure of 6,53%. Mostly caused by the underperformance of exploitation industry plus agricultural sector. The best performers were manufacturing and constructing sectors.

Government GDP target projected to be between 6.3%-6.5%, as the current performance, the latter is less likely to happen hence.

9months Credit Growth scored 10.46%, slightly lower than previous figure of 10.78%. On the other hand, M2 grew 11.76% from last year's 8.88%, fund mobilization also increased 12.02% from last year's 8.9%. As the Government 2016 Target was 18%-20% for Credit growth, to meet the target is to lower the borrowing rate, simultaneously and significantly. We are expecting interest rate to remain low Q4 2016 as a result.

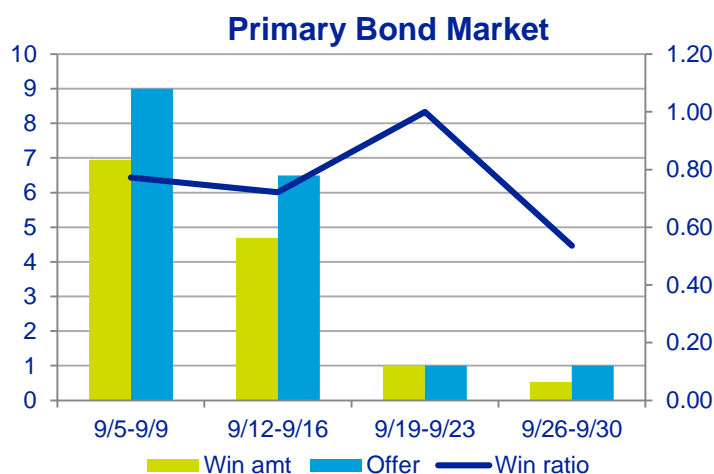
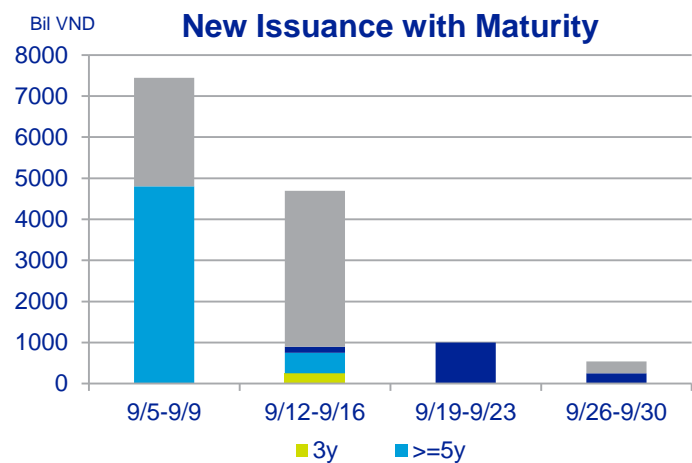
Bond market recovered as the Treasury announced further issuance target of 281tln to absorb the excess funds with tenors from 5- 30 years. This week issuance amounts are 1tln for 5yrs ,10yrs,15yrs notes each, and 4tln for 30yrs note.

Open market increased their rate to 0.8% from 0.5% previous week with 92tln outstanding, whilst yield curve saw a parallel downward shift from last month, indicated that the bond market is picking up activities.



VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

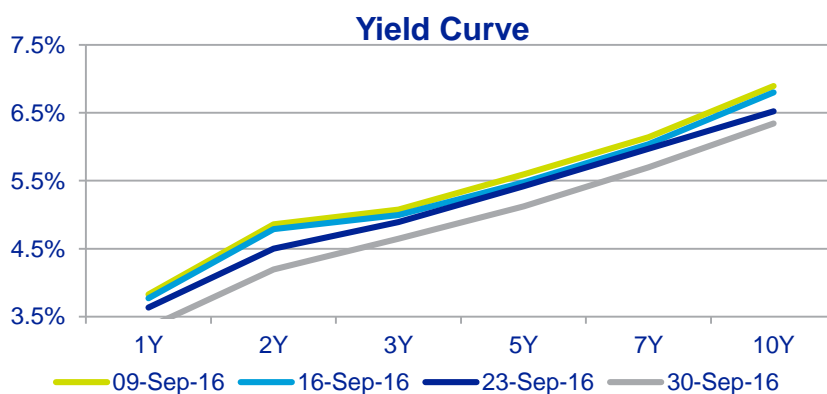
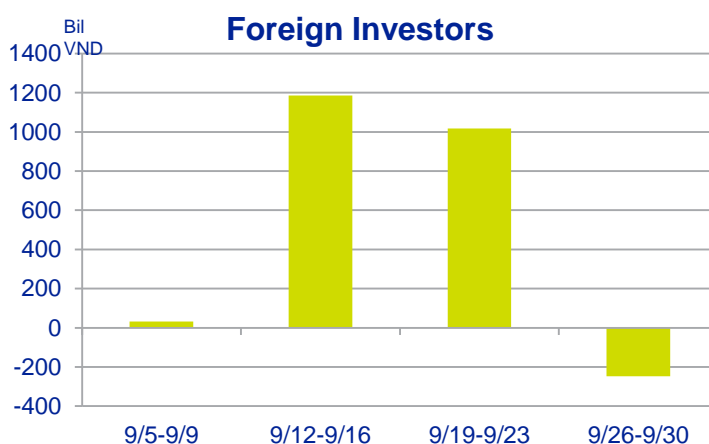
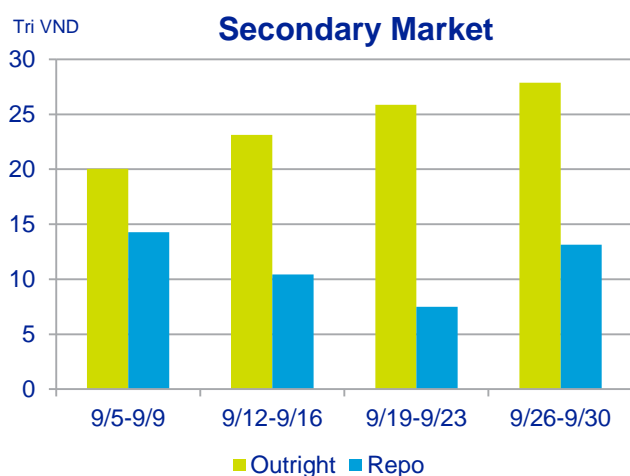
Primary market traded for 500bln last week. With the VGB issuance target raised to 280tln for 2016, the market would be picking up the pace this week.

Bond Issuance Schedule This Week

09/19/2016-09/23/2016

Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,000,000,000,000	06/10/2016	01/09/2021	5
State Treasury	1,000,000,000,000	06/10/2016	06/10/2036	20
State Treasury	4,000,000,000,000	06/10/2016	15/09/2046	30
State Treasury	1,000,000,000,000	06/10/2016	06/10/2026	10
Vietnam Bank for Social Policies	500,000,000,000	04/10/2016	04/10/2031	15
Vietnam Bank for Social Policies	500,000,000,000	04/10/2016	04/10/2026	10

SECONDARY BOND MARKET

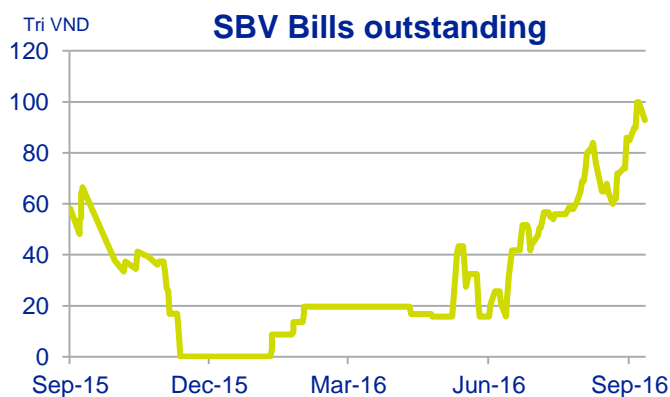
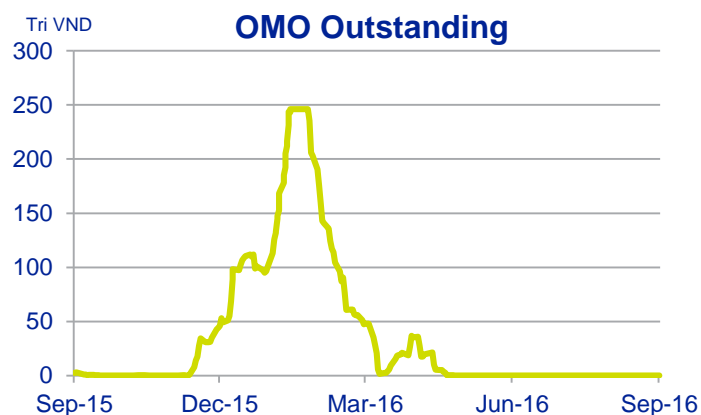
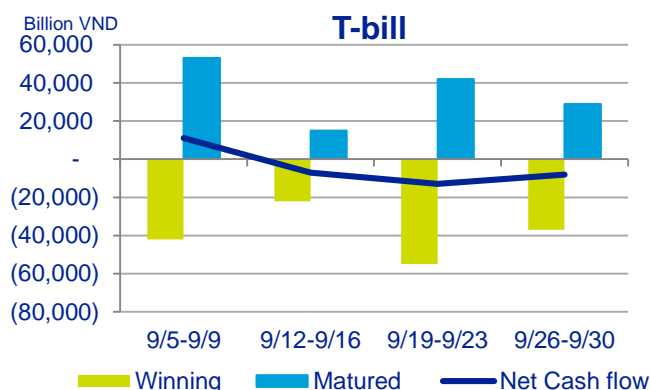
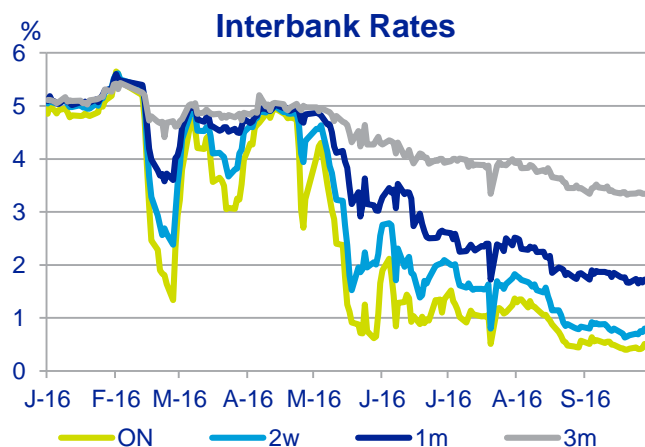


Source: HNX, VBMA, ACBS

Secondary market also increased their activity, mostly from domestic support as foreign funds backed out

Yield curve saw a parallel downward shift in 2 weeks.

MONEY MARKET



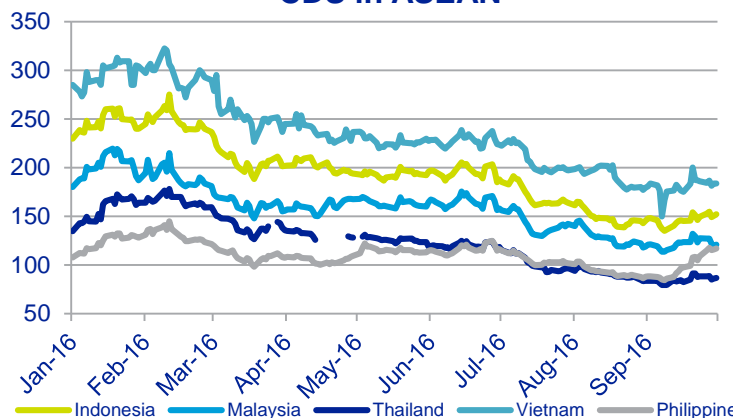
Source: ACBS, Bloomberg

Interbank short term rate increased slightly last week, despite net outflow from T-bills, funds are still ample in the market, evidenced by 92tn SBV outstandings.

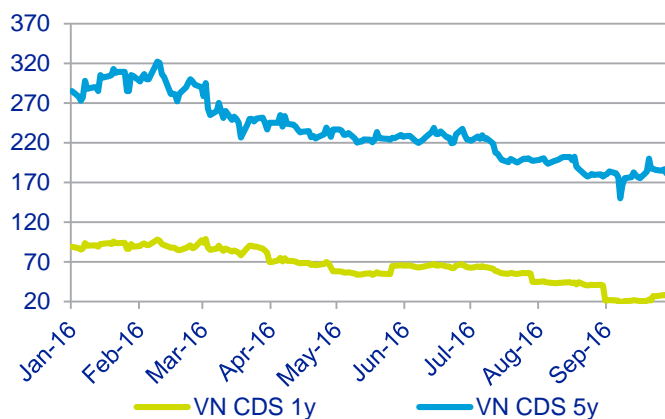
OTHER MARKETS

SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

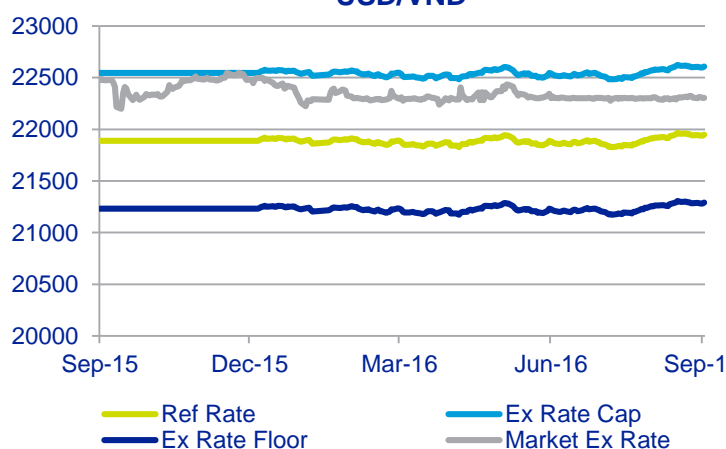


Source: Bloomberg

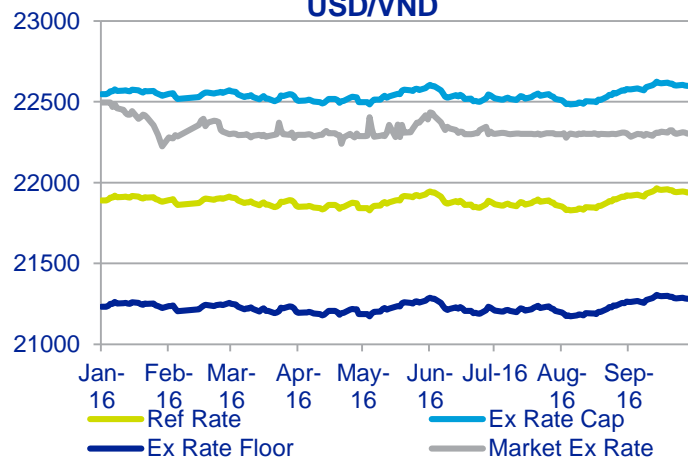
CDS in ASEAN fluctuates moderately with their previous declining trend, with an exception of Philippines that rose up to 117

FOREX MARKET

USD/VND



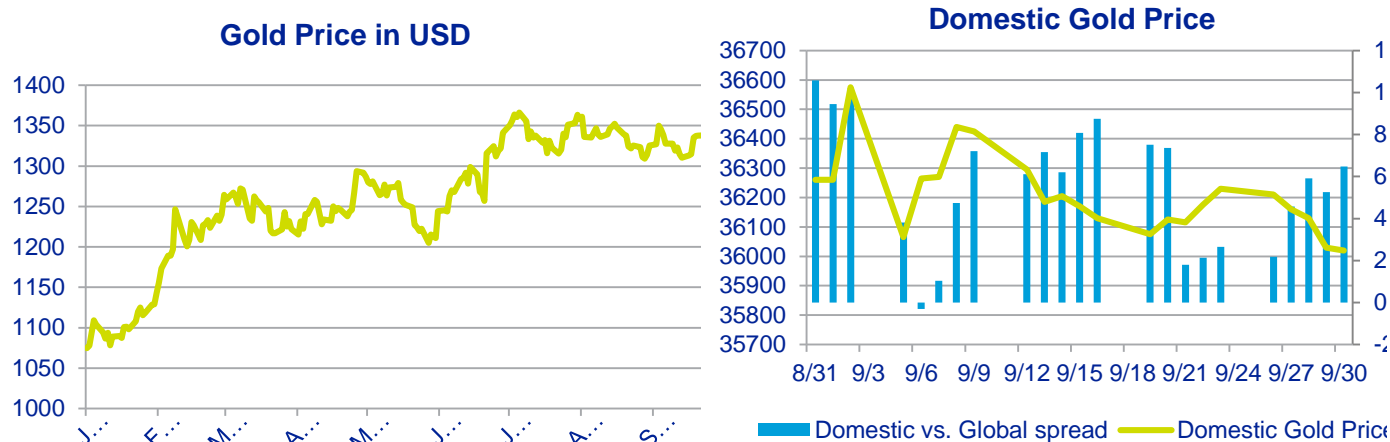
USD/VND



Source: SBV, Bloomberg

USD/ VND reference rate further increased. We are sufficiently hedged from dollar risks.

GOLD MARKET



Source: Bloomberg, ACB.

Spot gold price increased slightly, whilst domestic price plunged below 36m/ounce. Domestic vs Global price spread increased moderately.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
30/09/2016	22,265	22,335	24,826.91	25,124.14	216.55	220.69
29/09/2016	22,265	22,335	24,835.76	25,133.10	216.57	220.71
28/09/2016	22,270	22,340	24,816.97	25,114.08	218.69	222.87
27/09/2016	22,270	22,340	24,878.97	25,176.83	218.71	222.89
26/09/2016	22,270	22,340	24,881.18	25,179.07	218.84	223.03

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

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 8) 3823 4159
Fax: (+84 8) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 4) 3942 9395
Fax: (+84 4) 3942 9407

RESEARCH DEPARTMENT

Director – Head of Research

Anh Le

(+84 8) 3823 4159 (x354)
anhln@acbs.com.vn

Manager – Industry Coverage

Uyen Nguyen

(+84 8) 3823 4159 (x303)
uyennp@acbs.com.vn

**Associate– Property
Truc Pham**

(+84 8) 3823 4159 (x303)
trucptt@acbs.com.vn

**Associate – Steel,
Logistics, Agri, Power
Yen Tran**

(+84 8) 3823 4159 (x326)
yentran@acbs.com.vn

**Associate – Consumer-
related, Technology
Chi Luong**

(+84 8) 3823 4159 (x327)
chiltk@acbs.com.vn

**Analyst – Oil & Gas
Hung Phan**

(+84 8) 3823 4159 (x354)
hungpv@acbs.com.vn

**Analyst – Property, Plastic,
ETF**

Hung Vu
(+84 8) 3823 4159 (x323)
hungvq@acbs.com.vn

**Analyst – Consumer-
related, Technology
Trung Tran**

(+84 8) 3823 4159 (x351)
trungtn@acbs.com.vn

**Analyst– Property
Hung Cao**

(+84 8) 3823 4159 (x250)
hungcv@acbs.com.vn

**Analyst – Steel, Power
Cuong Nguyen**

(+84 8) 3823 4159 (x250)
cuongnt@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Director - Head of Institutional Client

Tyler Cheung

(+84 8) 54 043 070
tyler@acbs.com.vn

**Senior Associate
Institutional Client
Hung Dang**

(+84 8) 3823 4798
hungdm@acbs.com.vn

**Senior Associate
Institutional Client
Diep Phan**

(+84 8) 3823 4159 (x307)
diepph@acbs.com.vn

**Manager - Trading
Hanh Huynh**

(+84 8) 5404 6632
hanhhtm@acbs.com.vn

**Senior Trader
Ngoc Dinh**

(+84 8) 5404 6626
ngocdt@acbs.com.vn

**Trader
Nghia Le**

(+84 8) 3823 4160 (x 311)
nghialta@acbs.com.vn

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