



# **Economic & Bond Commentary**

**September 13, 2016**

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**Mr. Vi Phuc Tran**

**09/05/2016 – 09/09/2016**

## MARKET OVERVIEW

Major news from last week was the ECB announcement of refraining from a further QE stimulus, which resulted in a meltdown on global bond markets, driving yields to record high since Brexit.

FED's speakers had been providing controversial "suggestions" of their rate rise path, causing turbulences globally throughout the weekend. Except for the S&P 500, which has moderated back to their previous level on Monday, the bond markets and metal commodities has yet to recovered from their drop.

Though increased slightly, expectation for a September FED rate rise remained low as economics data have yet to indicate a strong economy that can handle the contractionary stress, such a rate rise in September with too much uncertainties would no doubt increase volatility. Global markets (especially bonds and commodities) would drop significantly.

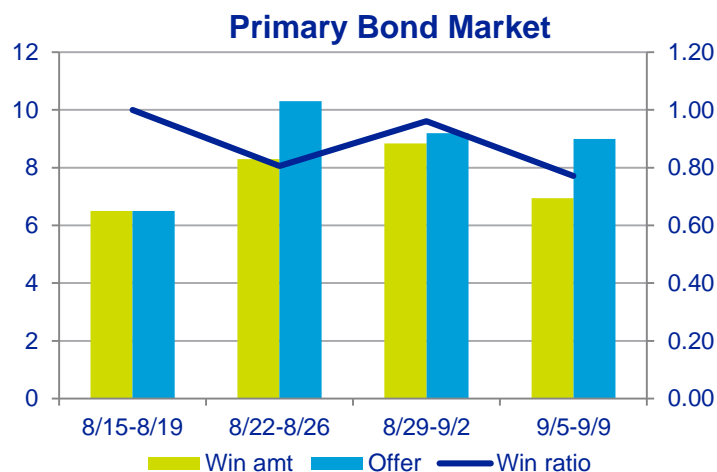
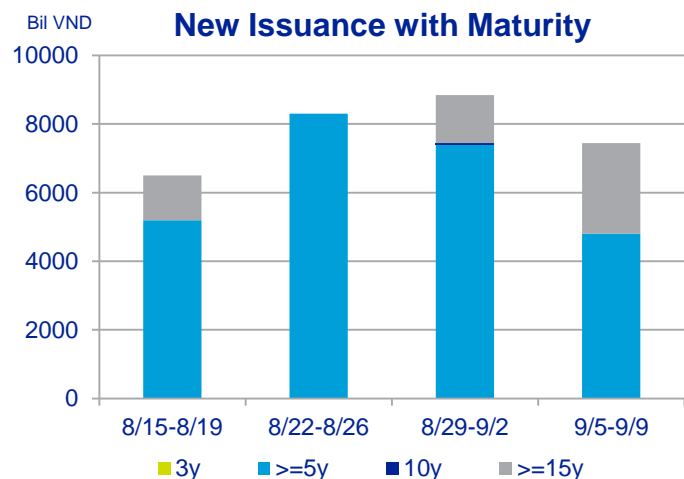
On the other hand, if a September rate rise is not happening, one of the two remaining chances for a hike would be 2<sup>nd</sup> November, 6 days away from the US Presidential Election. A rate rise in November could create a global financial earthquake, considering how unnecessarily the market reacted from speeches of FED speakers, to Hillary Clinton's health.

Domestically, foreign investors backed out from both Equity and Bond Market for the last 2 weeks, all activities are mostly domestically driven.

Excess of funds, even though reduced, are still ample. Without significant inflationary risks, a rise in borrowing cost seems unlikely to happen for H2 2016 for Vietnam.

## VGB-GGB MARKET

### PRIMARY BOND MARKET



Source: HNX, ACBS

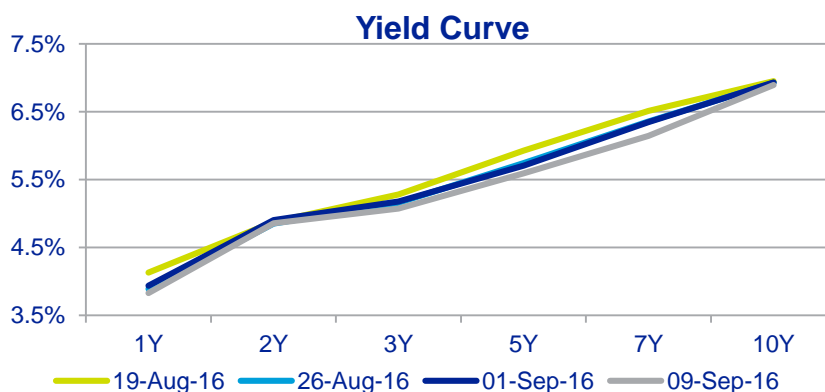
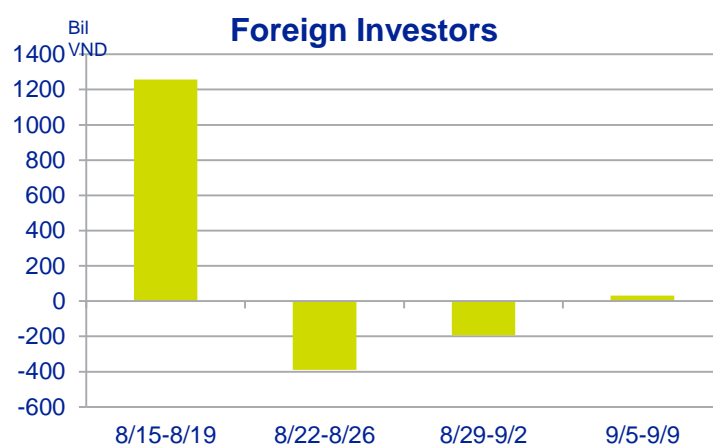
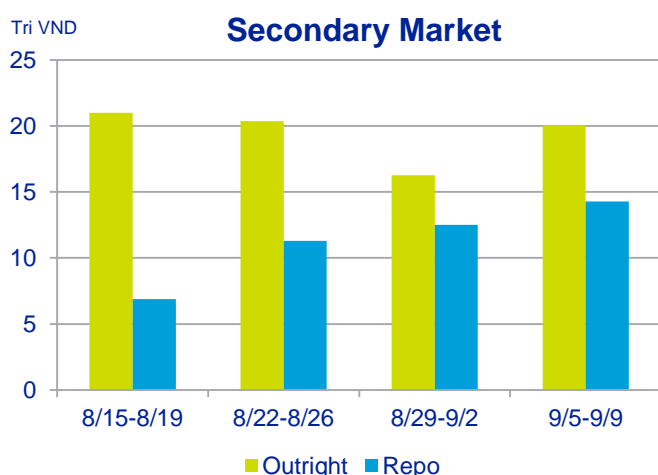
VND 9tln of VGB was issued last week with 77% absorption rate, there was a deceleration in short-term bond purchases. With this, the issuance target of 2016 has been achieved 98%. As the remaining issuance amount would be deemed insignificant, the overabundance of funds shall be prolonged through the last quarter.

## Bond Issuance Schedule This Week

09/05/2016-09/09/2016

Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,500,000,000,000	15/09/2016	21/01/2036	20
State Treasury	2,000,000,000,000	15/09/2016	15/09/2031	15
State Treasury	1,500,000,000,000	15/09/2016	15/09/2046	30
Vietnam Bank for Social Policies	200,000,000,000	13/09/2016	13/09/2026	10
Vietnam Bank for Social Policies	500,000,000,000	13/09/2016	13/09/2021	5
Vietnam Bank for Social Policies	500,000,000,000	13/09/2016	13/09/2019	3
Vietnam Bank for Social Policies	300,000,000,000	13/09/2016	13/09/2031	15

## SECONDARY BOND MARKET

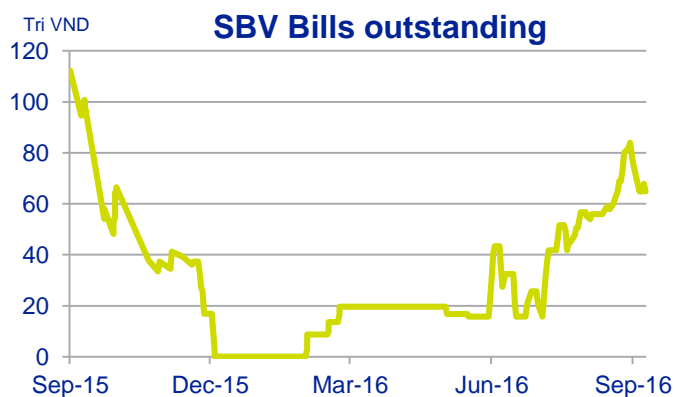
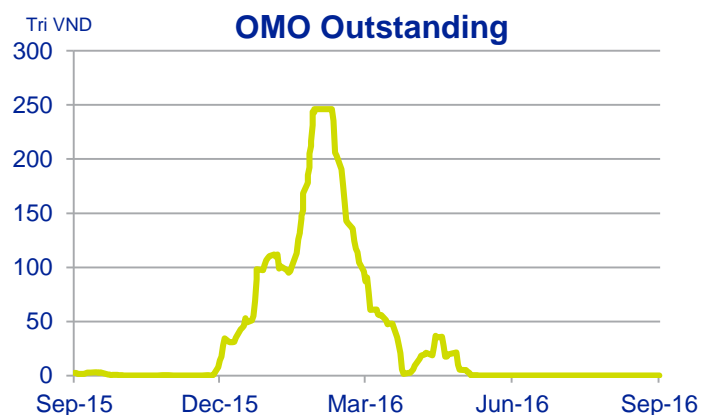
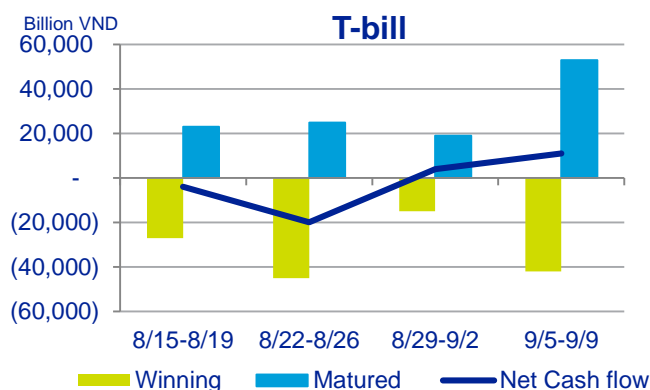
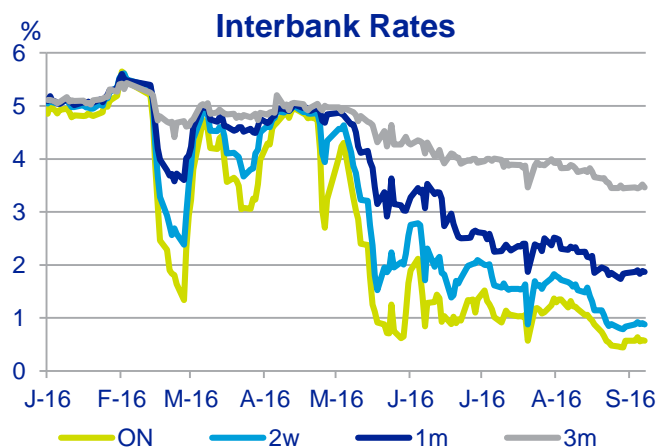


Source: HNX, VBMA, ACBS

Secondary market gained their pace throughout last week, with mostly from domestic demands, net foreign investor funds improved from previous 2 weeks.

Apart from a significant decline in medium term yield, nothing much changed from last week. Bond market is still an attractive investment.

## MONEY MARKET



Source: ACBS, Bloomberg

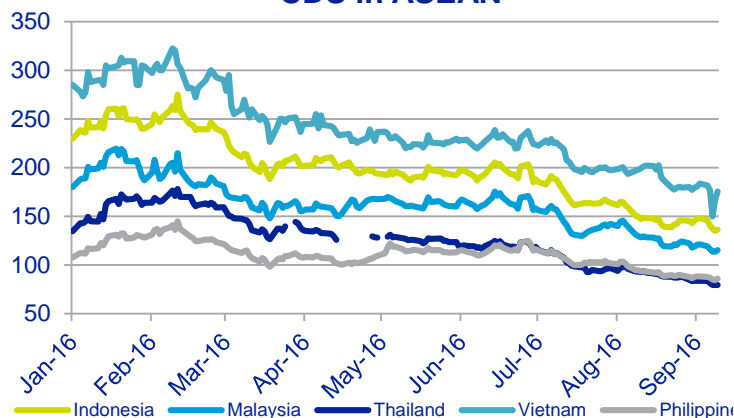
The excess of funds seems to be slightly reduced, interbank rates rebounded from previous low, whilst outstanding SBV bill traced back to 65tln.

Nevertheless, funds are still considerably ample, unless inflationary risks increased, we expect rates to remain low for H2 2016.

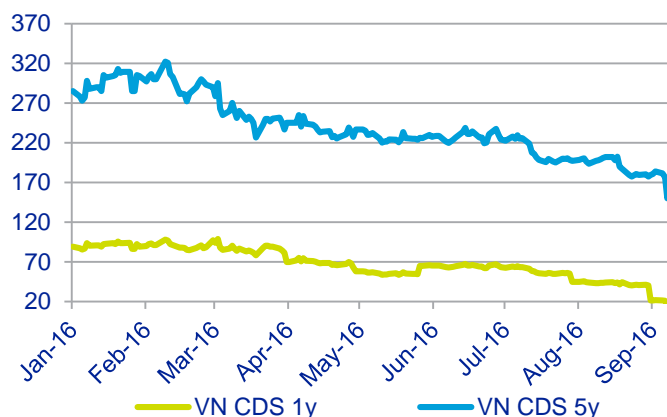
## OTHER MARKETS

### SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

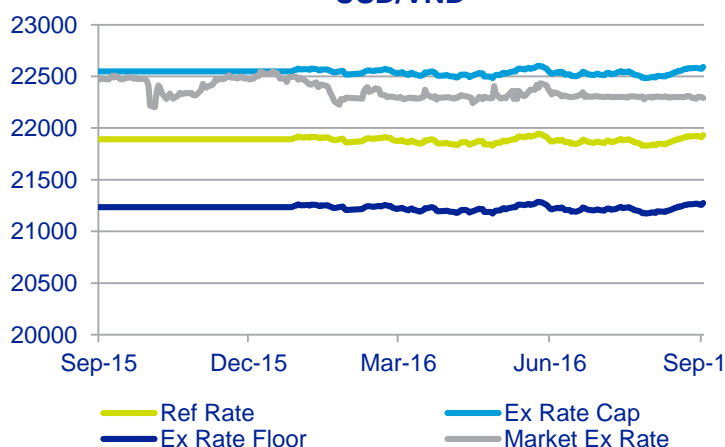


Source: Bloomberg

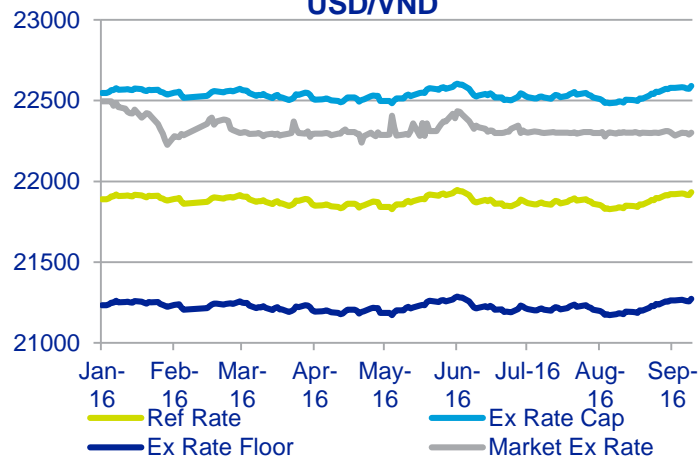
Vietnam 5Y CDS experienced a sudden drop and recovered within last week, closed at 176, 1Y CDS remains the same. Short and medium term expectation in Vietnam from International investors are still high.

### FOREX MARKET

USD/VND



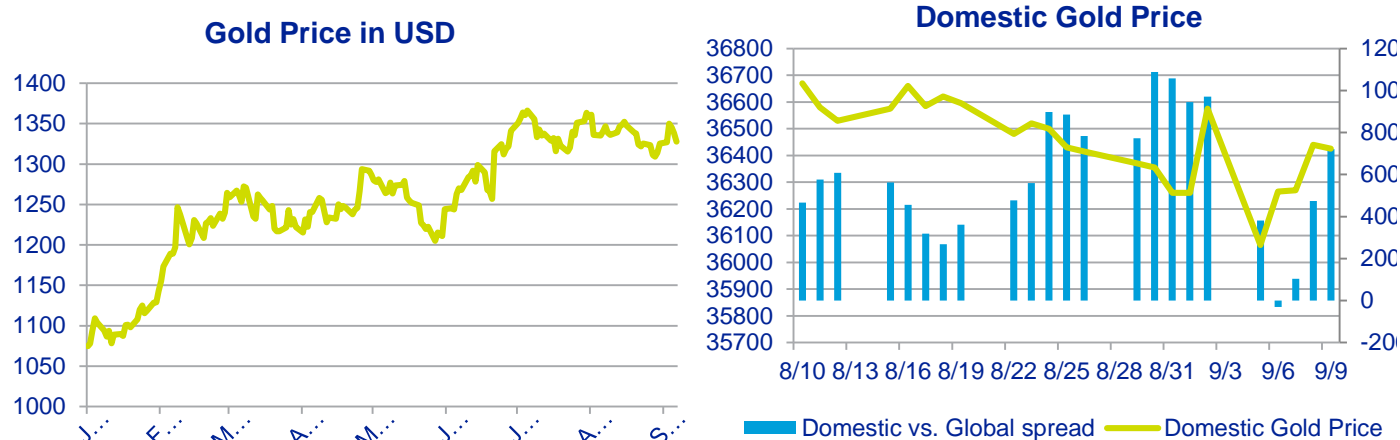
USD/VND



Source: SBV, Bloomberg

SBV raised their USD/ VND reference rate last week in preparation for future FED rate rise, strengthening the FX risks hedging position.

## GOLD MARKET



Source: Bloomberg, ACB.

ECB and FED announcements sent gold market tumbling last week, too much information, too many uncertainties.

Until FED's meeting on 21<sup>st</sup> Sept, gold is expected to move sideways without any clear direction

## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
09/09/2016	22,260	22,330	24,940.86	25,239.46	215.17	219.28
08/09/2016	22,260	22,330	24,954.14	25,252.90	216.37	220.51
07/09/2016	22,260	22,330	24,892.16	25,190.19	216.69	220.84
06/09/2016	22,260	22,330	24,677.46	24,972.91	212.10	216.15
05/09/2016	22,260	22,330	24,717.30	25,013.23	212.62	216.69

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

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