



Economic & Bond Commentary

September 20, 2016

Mr. Vi Phuc Tran

09/12/2016 – 09/16/2016

MARKET OVERVIEW

China Outstanding Credit to GDP ratio climbed to 30.1% in Q1 2016 (Source: BIS). The economy has been booming in terms of credit sales and ineffective fund liquidations resulted by Government's stimulus since 2008. Considering how the US' respective ratio was 10.1% back in 2008, a decelerating China economy with record high bad loan level and a might-be-forming housing bubble is going to rock up global volatility. A banking system owned and backed by the Government can only guarantee a less painful landing, not preventing it.

Russia Sovereign Funds was down to \$32.2bln 09/2016 from \$91.7bln back in 09/2014. As Oil Sector makes up for 37% of Russia Public income, a failure to negotiate a production cut from OPEC meeting next week could drain this fund by the end of H1 2017. Moscow last resort might be the remaining \$70bln from their Social Welfare Fund until an alternative implemented.

FED Meeting this week on 21st will be highly speculated as last week data wasn't supporting a rate rise scenario. Even among the FED members, there has been controversial views regarding the rate path. Some said the economy wasn't stable enough, others concerned about a yet to be seen overheated economy. Nevertheless, statistic figures did suggest there would be contractionary stresses hence global meltdown on bonds and commodity markets if interest are to be raised this week.

Otherwise, it would be less damaging for FED to hike the lending rate in their December meeting, one months away from the tsunami created by the Presidential Election.

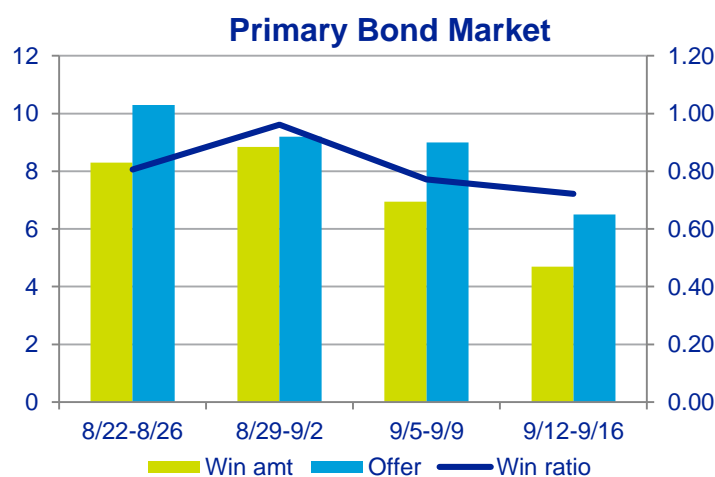
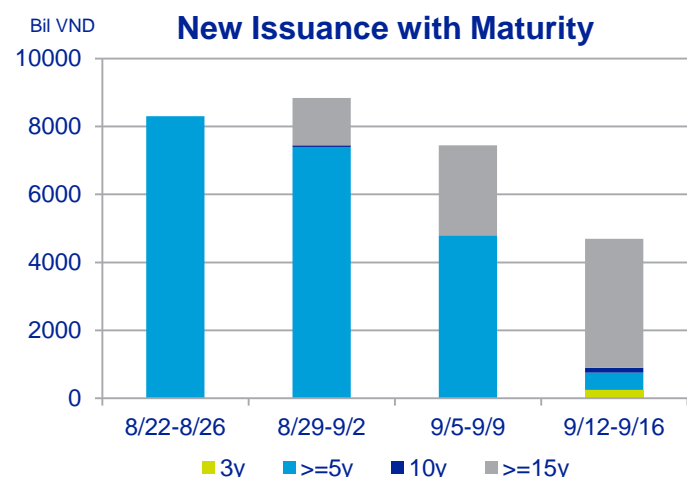
Within the same day of FED Meeting, BOJ will also make their announcement about upcoming plans for the Abenomics.

Domestically, ETFs completed their repositioning last week, we are expecting Equity market to be less volatile on the upcoming months.

VGB 2016 Issuance target has been completed, fund excess is expected to be prolonged till the end of the year, a chance of an interest rate rise H2 2016 is still unlikely.

VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

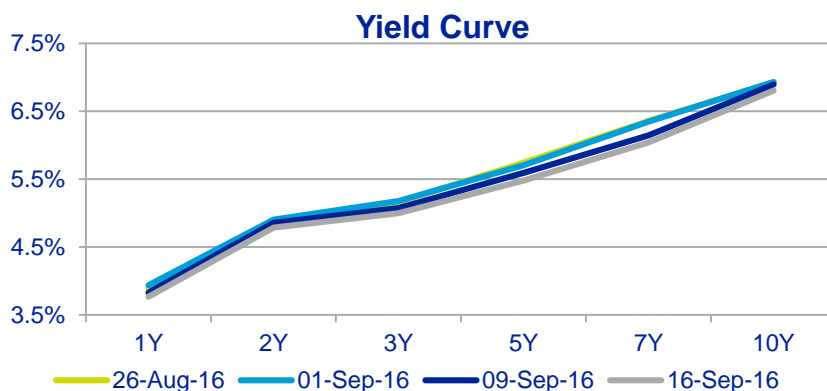
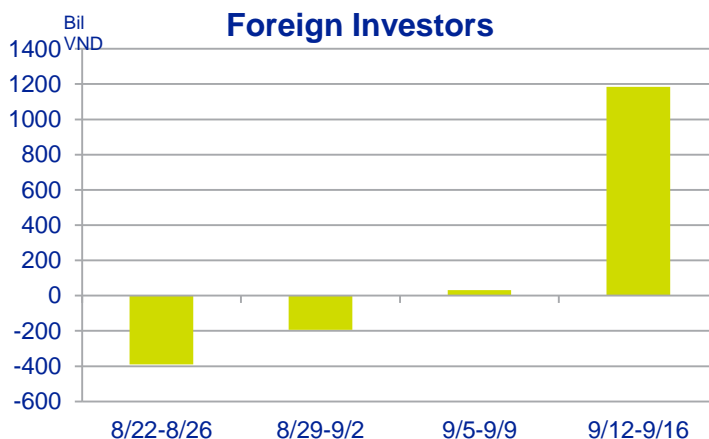
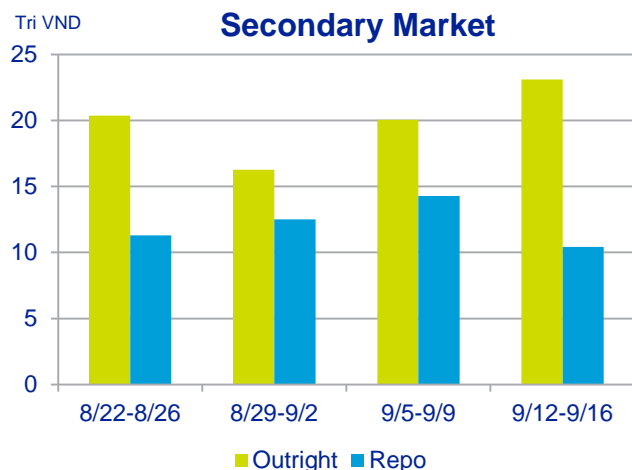
VGB issuance target of 2016 has been completed. Unless further issued, which would further enhance the already ample fund abundance, we are expecting less active periods on the primary market in upcoming months.

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	22/09/2016	03/03/2026	10

SECONDARY BOND MARKET

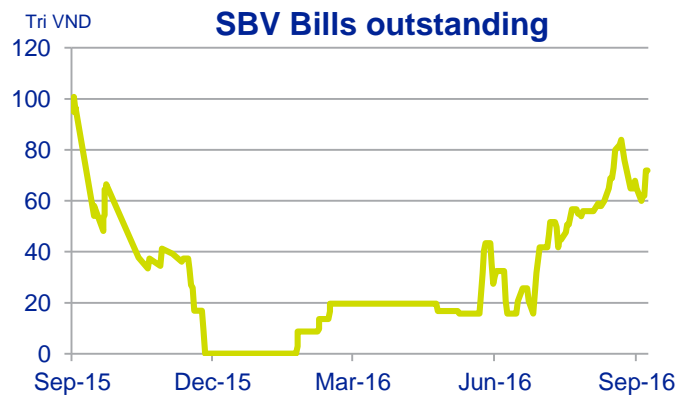
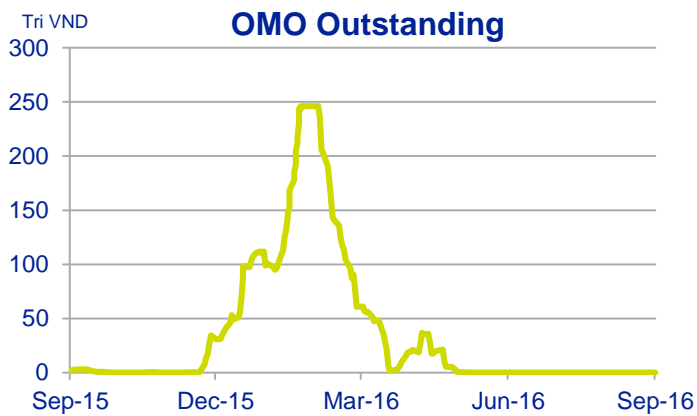
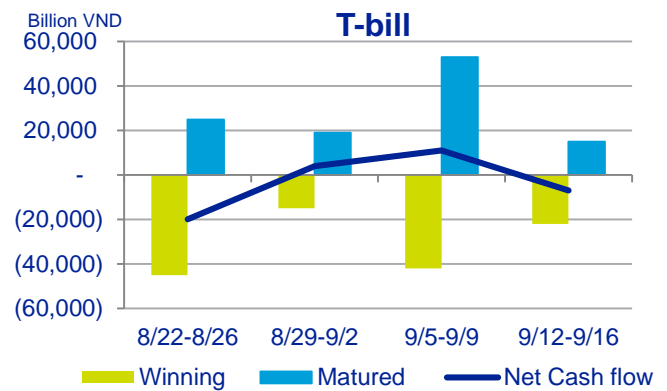
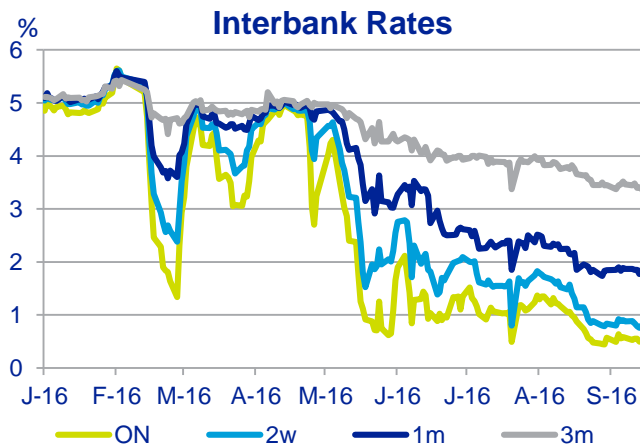


Source: HNX, VBMA, ACBS

Foreign investor funds picked up their pace last week with a significant 1,2tn transaction amount.

Bond yields declining trend still holds, though decelerating to their limits.

MONEY MARKET



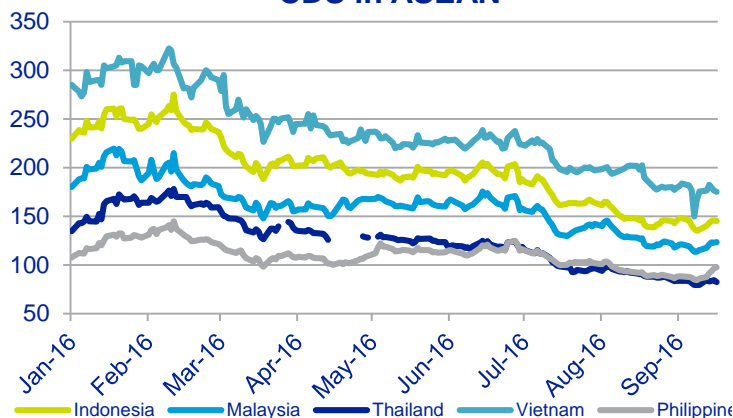
Source: ACBS, Bloomberg

An ample week of funds in the market, and soon to be enhanced by the upcoming matured T-Bills.

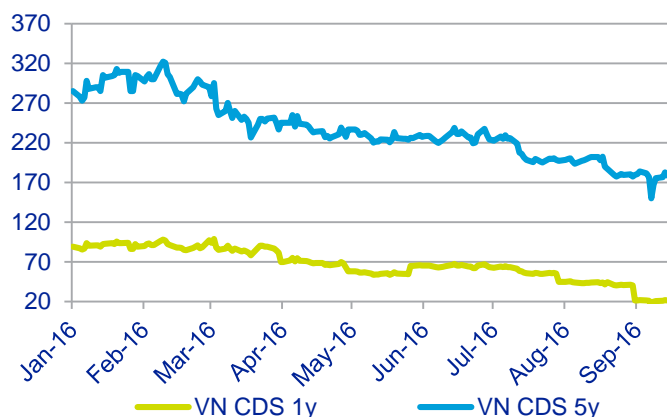
OTHER MARKETS

SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

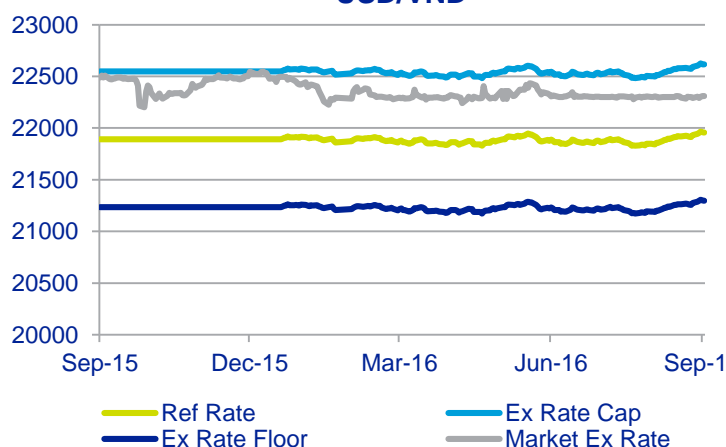


Source: Bloomberg

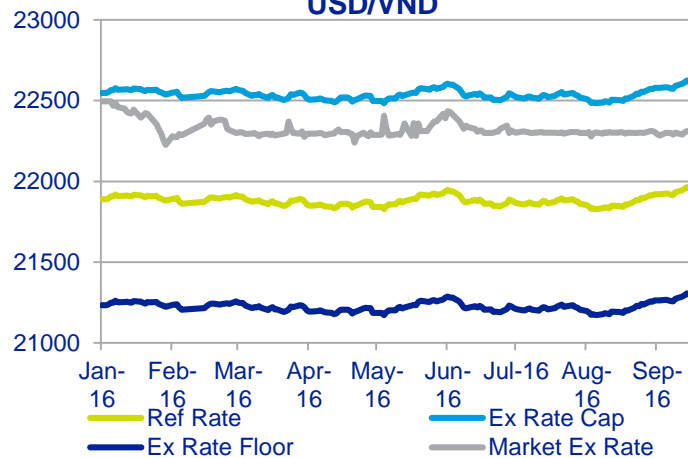
In contradiction with other ASEAN countries, Vietnam sees their Credit improved last week whilst others decreased, a good signal for potential international investments.

FOREX MARKET

USD/VND



USD/VND

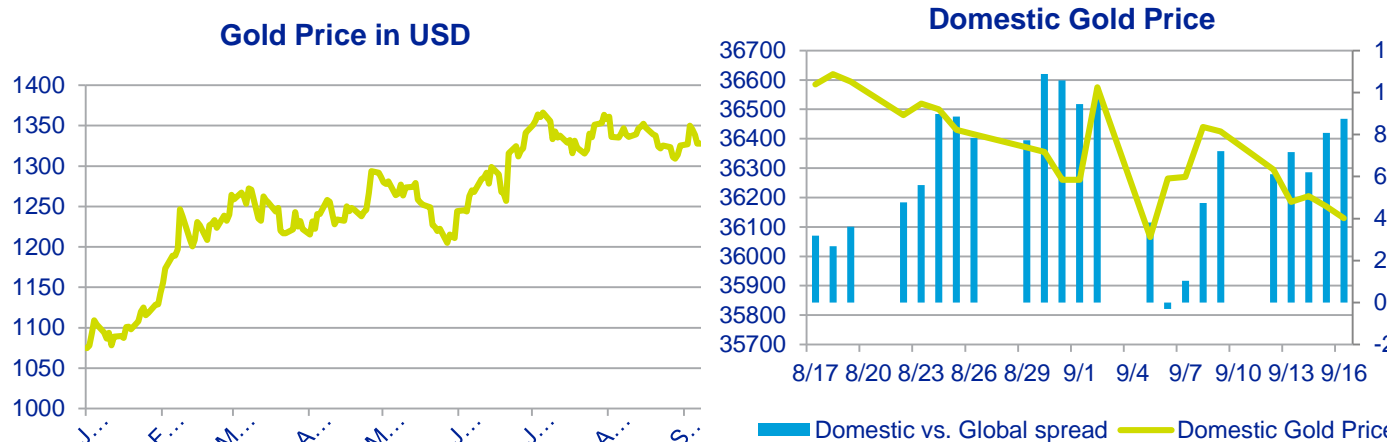


Source: SBV, Bloomberg

SBV raised their USD/ VND reference rate last week to the highest in 2016, strengthening the FX risks hedging position.

We are prepared for FED meeting this week as a start.

GOLD MARKET



Source: Bloomberg, ACB.

US Inflation data hammered gold price by 2% throughout the weekend, most of the global investment funds have backed out from Gold in expectations of this week rate rise.

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

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
16/09/2016	22,270	22,340	24,890.05	25,188.03	216.21	226.74
15/09/2016	22,270	22,340	24,892.26	25,190.27	214.78	218.89
14/09/2016	22,270	22,340	24,867.90	25,165.62	214.24	218.33
13/09/2016	22,260	22,330	24,836.83	25,134.19	215.65	219.78
12/09/2016	22,260	22,330	24,870.03	25,167.79	215.32	219.43

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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