



# **Economic & Bond Commentary**

**September 27, 2016**

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**Mr. Vi Phuc Tran**

**09/19/2016 – 09/23/2016**

## MARKET OVERVIEW

FED and BOJ kept the status quo last week, no extra stimulus nor contraction implemented, their economy simply needs a stronger- more stable development before any changes can be viable.

OPEC started their 3 days meeting this week, of which the outcome shall determines the global energy price. Iran, who have just relieved off their sanction seems unlikely to cooperate and planning to increase their supply to full capacity. A global production cut would hence become pure theory. In such cases, oil price would sink.

Upon Russia Sovereign Fund, in case the OPEC meeting failed to come up with an agreement, will be drained by H2 2017. They declared a balanced budget target by 2020, gradually reducing their deficit from 3.2% of GDP in 2016. That can only be the case if Oil price converges around \$40.

China and Japan have culled their stakes in Treasuries for three consecutive quarters, accelerated the most through the past 3 months. As foreign demand has been a considerable major income for US, the decline in bond market could raise concerns regarding their upcoming debt expenses. A rate hike from FED with a distressed bond market is rather risky.

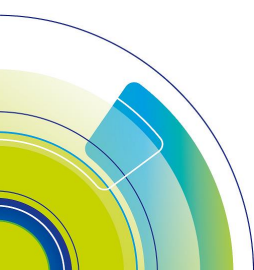
Equally risky, the US Presidential Election enters their final phase, both candidates are to debate directly for the first time today in NY. Each topic asked is given 2 minutes to answer from each candidate. This shall be the last chances for the new US President to gain supports from the public. Consider that Trump was known for his provocative speeches, perhaps this 2 minutes- on- each- topic format would be a chance for Clinton to shine. On the other hand, it could be that an exceedingly necessary honest personality is to American's appetite. We are still 48 days away from the final showdown.

FED might keep the rate unchanged in their November meeting thus, the new President, whoever it is should be rocking global markets on November.

Back to Vietnam, Interbank rates traced back to their record low. VGB issuance target of 2016 has been complete, the constant money demand has been erased, thus major banks dropped their rates last week to utilize the exceeded funds. We are expecting lower rates if September Credit growth came out disappointing.

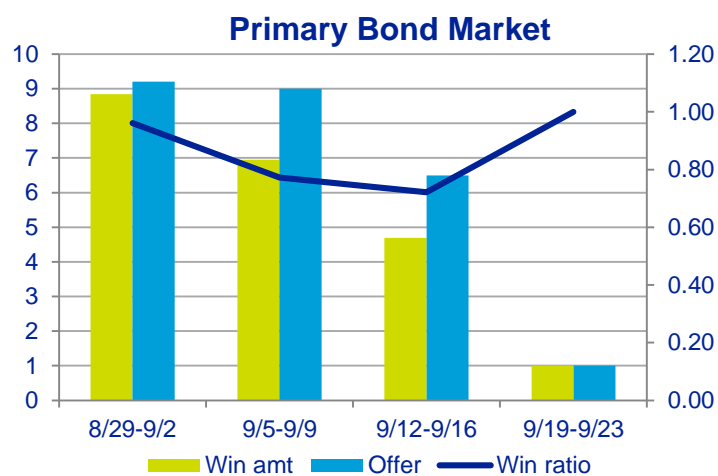
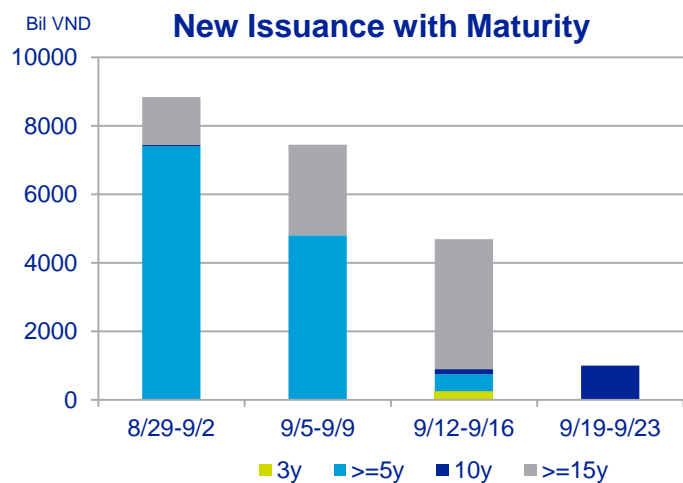
8M 2016 CPI increased 3,14% since December 2015, mostly contributed by Educational/ Medical Sectors. Government's inflation target for 2016 was 5%, if the upcoming CPIs are moderate, a rate hike for the rest of 2016 might not be happening.

Outstanding T bills hit new high at 89tln, whilst foreign funds recovered in the bond market.



## VGB-GGB MARKET

### PRIMARY BOND MARKET



Source: HNX, ACBS

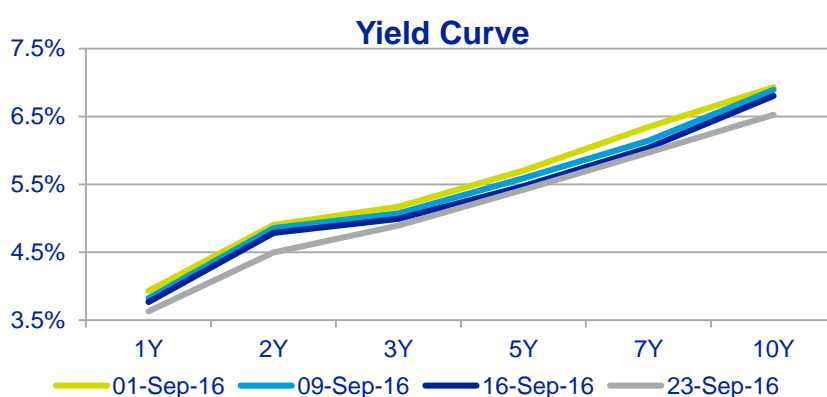
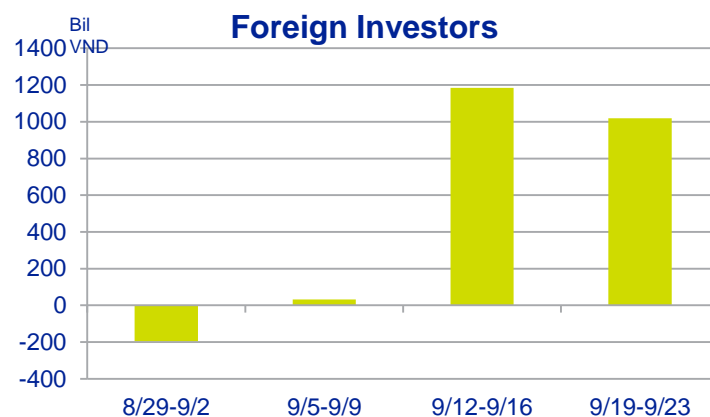
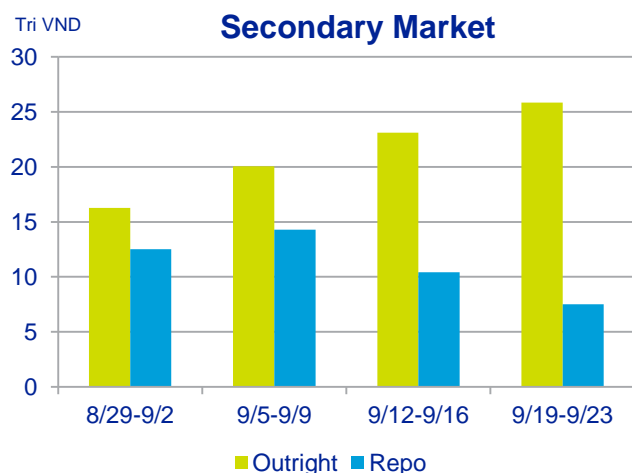
With 2016 target of VGB issuance completed, the primary market decelerated with 1tln transaction last week.

## Bond Issuance Schedule This Week

09/19/2016-09/23/2016

Issuer	Offer Amount	Issue Date	Maturity	Tenor
Vietnam Bank for Social Policies	500,000,000,000	27/09/2016	27/09/2031	15
Vietnam Bank for Social Policies	500,000,000,000	27/09/2016	27/09/2026	10

## SECONDARY BOND MARKET

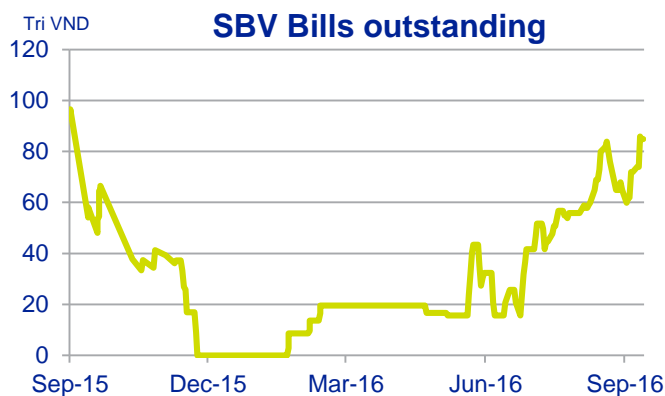
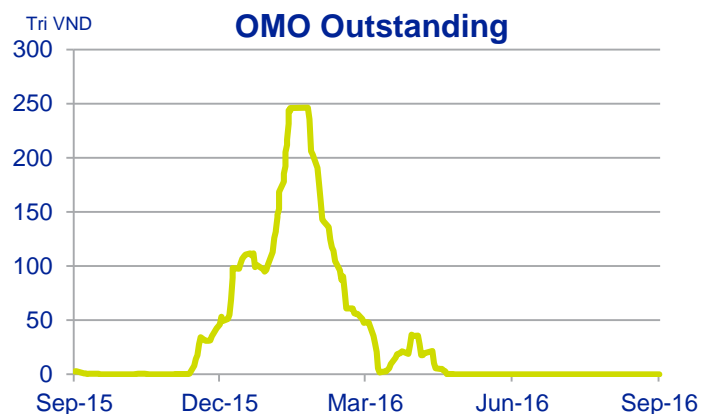
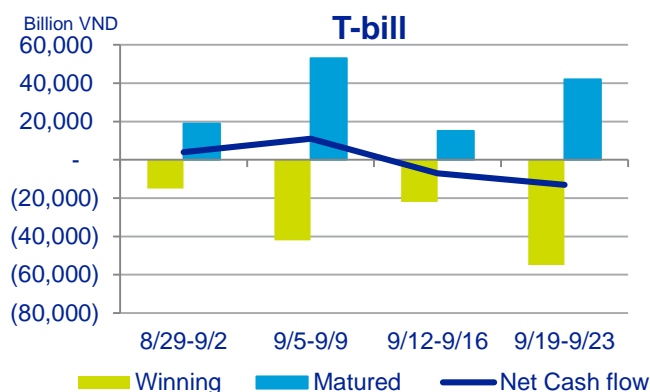
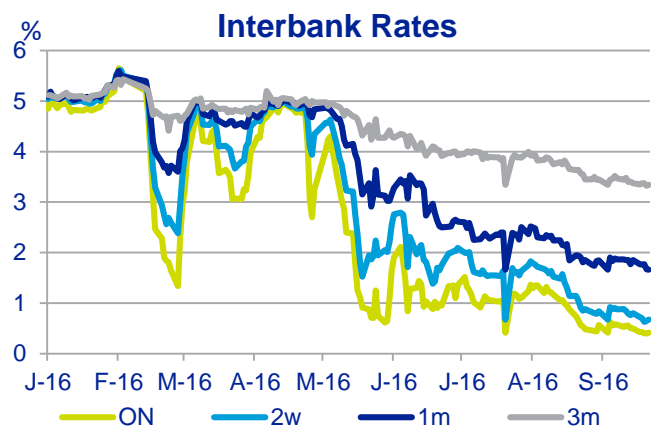


Source: HNX, VBMA, ACBS

In contrast, secondary market had an active week with the return of foreign investors

Yields are still declining, more significant on 2Y and 10Y terms

## MONEY MARKET



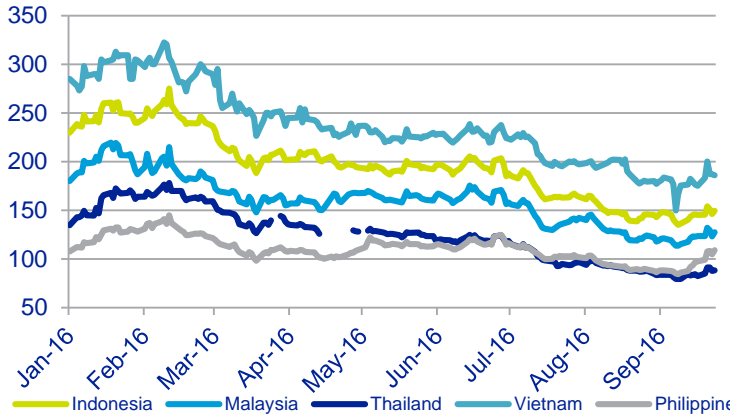
Source: ACBS, Bloomberg

Outstanding SBV bills reached 89tln, interbank rate fell to their record low, the excess of fund is increasing, evidenced by major banks' rate drops.

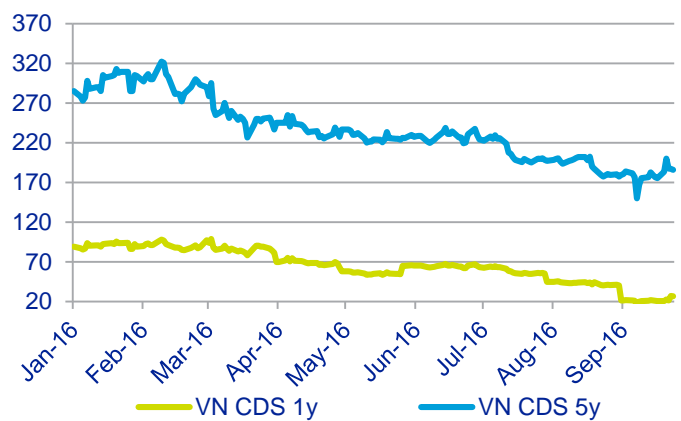
## OTHER MARKETS

### SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

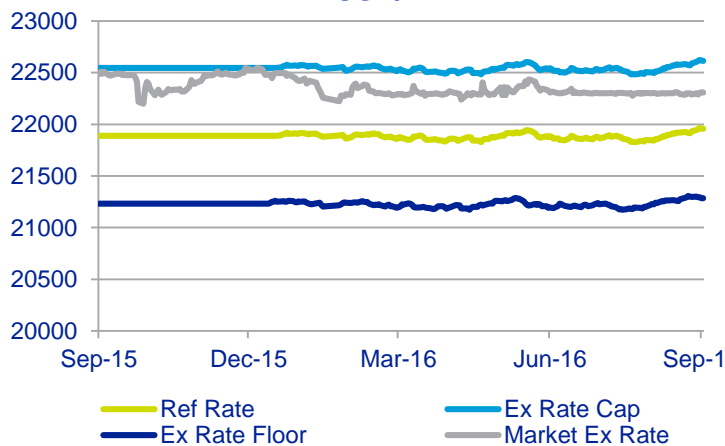


Source: Bloomberg

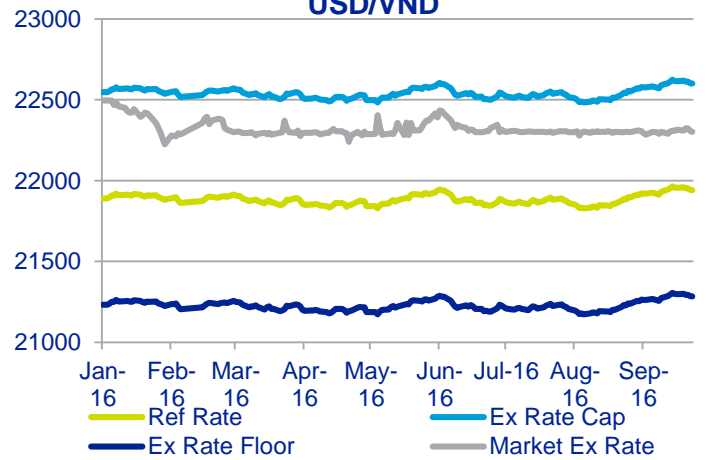
Nothing new from the CDS, a slight divergence in Vietnam 5Y and 1Y CDS trend is worth noticing, more confirmation needed.

### FOREX MARKET

USD/VND



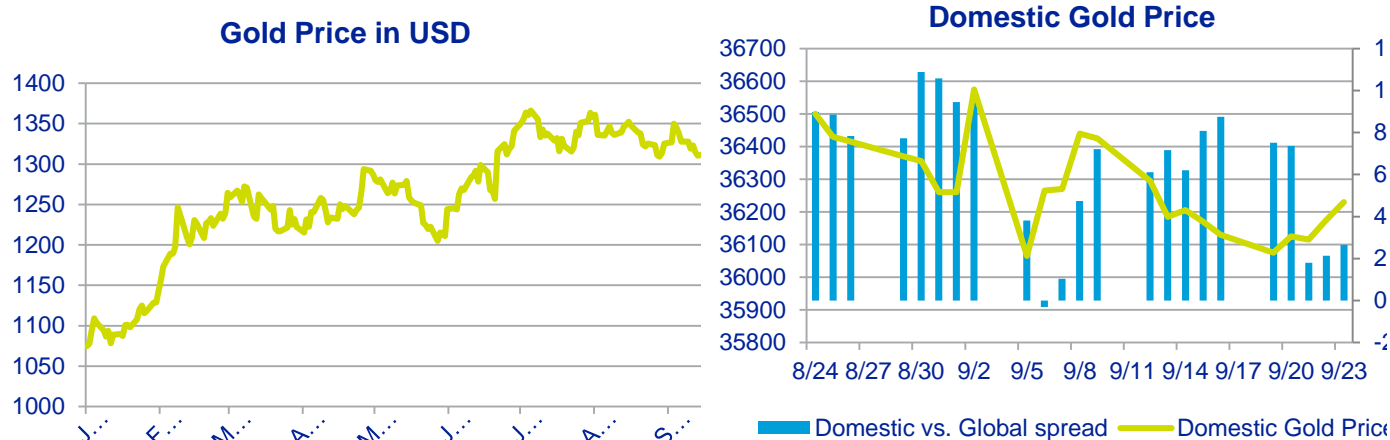
USD/VND



Source: SBV, Bloomberg

USD/ VND reference rate remains high. Consider the upcoming global major events, this is a safer position to be at.

## GOLD MARKET



Source: Bloomberg, ACB.

Gold retreated back to \$1,310 last week, the OPEC meeting this week could spice in more volatility.

## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
23/09/2016	22,270	22,340	24,812.54	25,109.60	217.32	221.48
22/09/2016	22,270	22,340	24,878.97	25,176.83	218.82	223.00
21/09/2016	22,280	22,350	24,706.25	25,002.03	216.17	222.30
20/09/2016	22,280	22,350	24,810.37	25,107.40	216.41	220.56
19/09/2016	22,275	22,345	24,729.51	25,025.57	215.58	219.71

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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