



# **Economic & Bond Commentary**

**September 6, 2016**

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**Mr. Vi Phuc Tran**  
08/29/2016 – 09/2/2016

## MARKET OVERVIEW

Korean's Marine shipping company - Hanjin Shipping declared bankruptcy last week, declined on further contracts starting on August 31<sup>st</sup>. As the company made up to 5% of the transportation market, domestic frequent exporters/ importers will be facing a stressful month of increased costs from alternate suppliers.

US Nonfarm payroll came out below expectation; therefore, FED rate rise is less likely to happen in September meeting. Until the actual result came out from FED September meeting, the green note as well as gold shall experience sideways fluctuations.

China recognized 11 yr high bad loans level, whilst credit growth skyrocketed, raising concerns for a possible financial crisis. Without speculating into the uncertain future, it is safe to state that their economy would be decelerating from liability impacts, and other Asia Countries would be viewed more attractive.

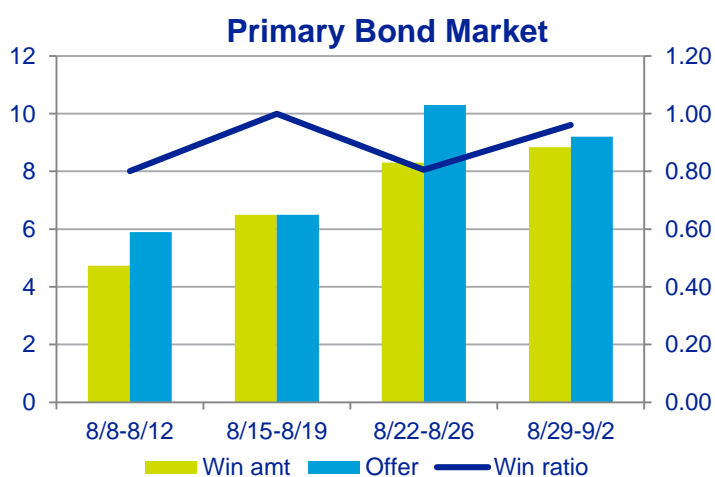
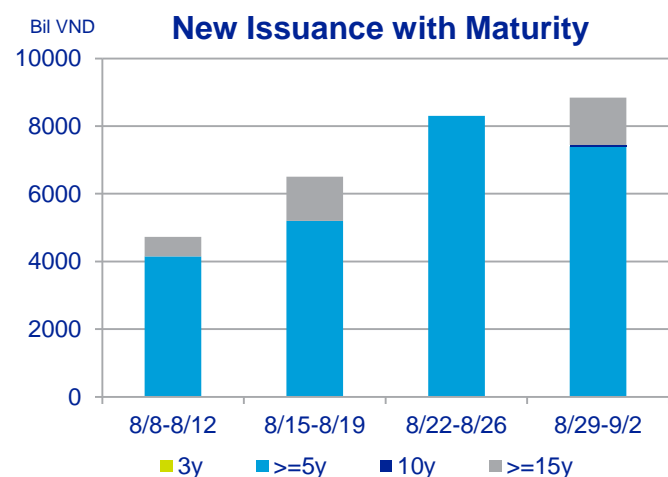
Domestically, last week's improvement in 1Y CDS (from 41 down to 22) states that Vietnam is an attractive short term market to international investors.

Foreign sales eased out from a strong outflow this week, VND remains stable regardless of record low interbank rate as well as bond yields. SBV has bought \$10 bln reserves up to date, stabilized the USD/VND rate. As SBV bill outstanding remains high at 75 tln, funds mobility thus still ample.

In general, H2/2016 arrived more decent than anticipated, the usual cyclical interest rate surge for the peak season might not come as a result.

## VGB-GGB MARKET

### PRIMARY BOND MARKET



Source: HNX, ACBS

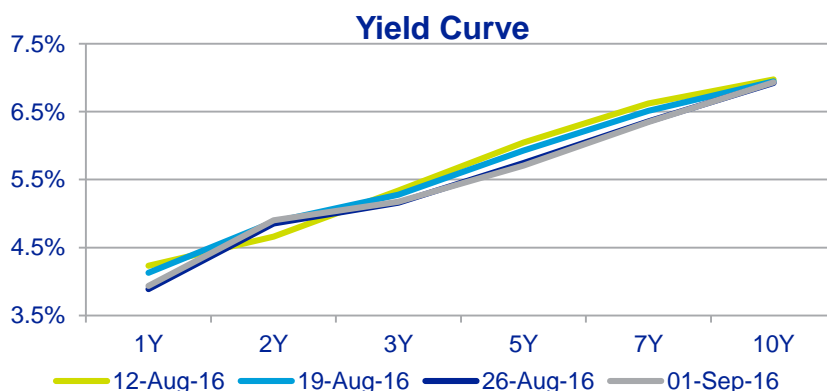
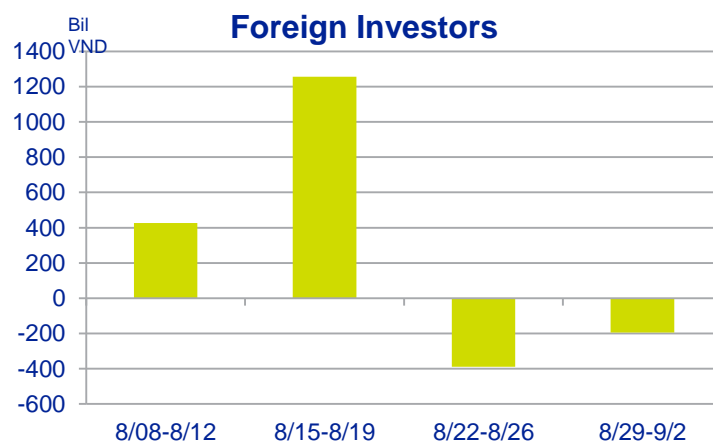
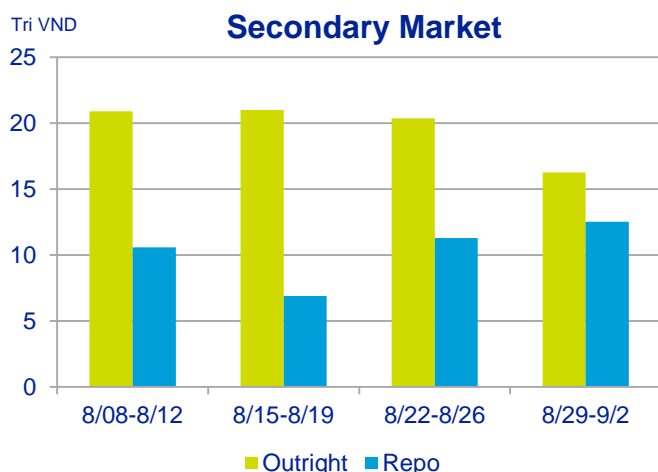
VND 8.8tln of VGB was issued last week. With this, the issuance target of 2016 has been achieved 96%. Money market's fund excess was reflected by the complete absorption of new issuances. As the remaining issuance amount would be deemed insignificant, the overabundance of funds shall be prolonged through the last quarter.

## Bond Issuance Schedule This Week

09/05/2016-09/09/2016

Issuer	Offer Amount	Issue Date	Maturity	Tenor
Ba Ria Vung Tau Province People's Committee	500,000,000,000	09/09/2016	09/09/2021	5
State Treasury	1,000,000,000,000	08/09/2016	09/06/2046	30
State Treasury	3,000,000,000,000	08/09/2016	08/09/2023	7
State Treasury	2,000,000,000,000	08/09/2016	04/08/2031	15
Vietnam Bank for Social Policies	200,000,000,000	06/09/2016	06/09/2026	10
Vietnam Bank for Social Policies	300,000,000,000	06/09/2016	06/09/2031	15
Vietnam Bank for Social Policies	500,000,000,000	06/09/2016	06/09/2021	5

## SECONDARY BOND MARKET

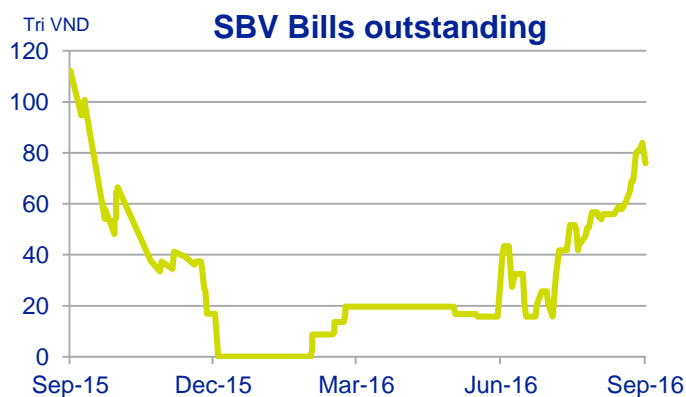
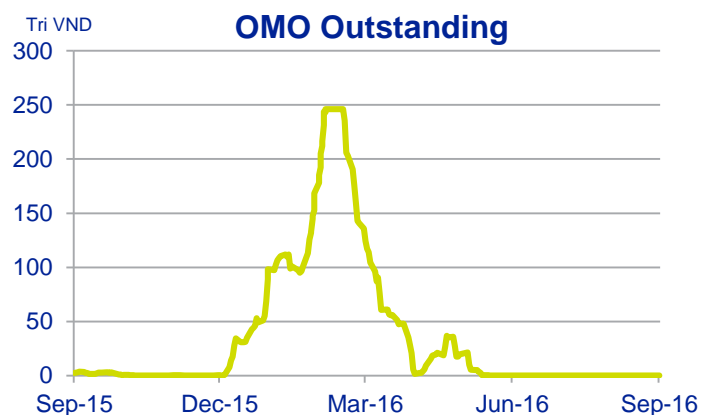
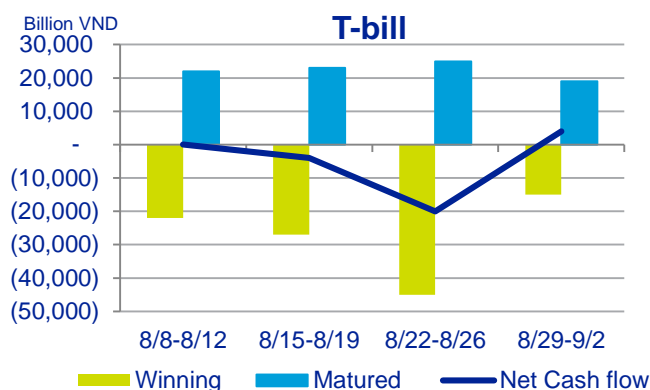
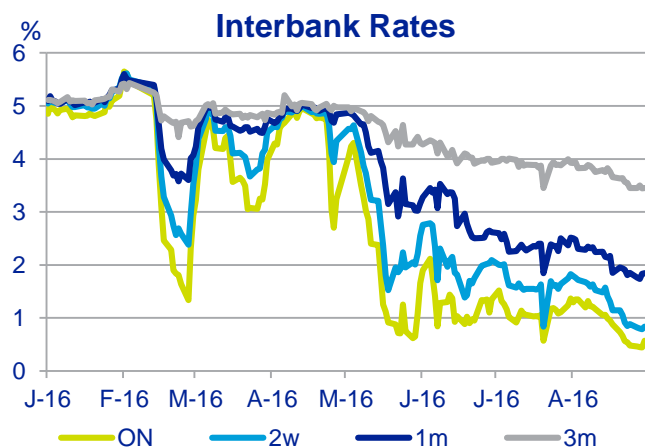


Source: HNX, VBMA, ACBS

Secondary market activity eased from the previous weeks' busyness, and net outflow from foreign funds also reduced.

VGB yield declining trend is still holding, on one hand resulted from the excess funds of the banking sector. The future VGB issuances would as well be reduced on the other hand (96% issuance target reached). We are expecting significant excess amount of funds in the last quarter, along with considerable credit growth.

## MONEY MARKET



Source: ACBS, Bloomberg

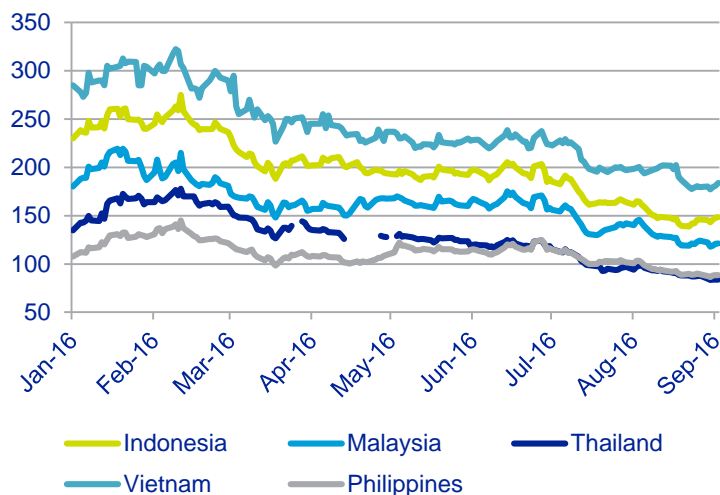
Outstanding SBV bills surged considerably through August to 75tn in 09/01. Moreover, banking sector funds are ample, further enhanced by record low interbank rates and positive T-bill cash flow

Inflationary risk was unlikely visible, hence also a future interest rate hike.

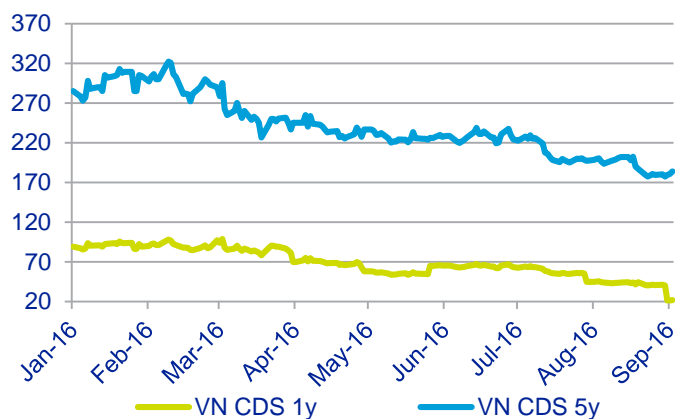
## OTHER MARKETS

### SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

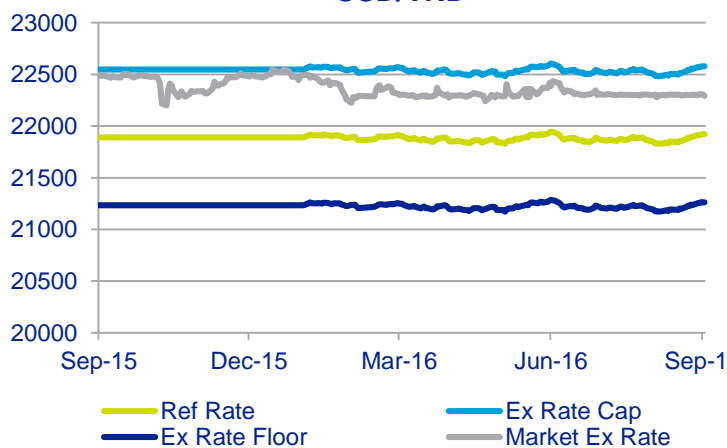


Source: Bloomberg

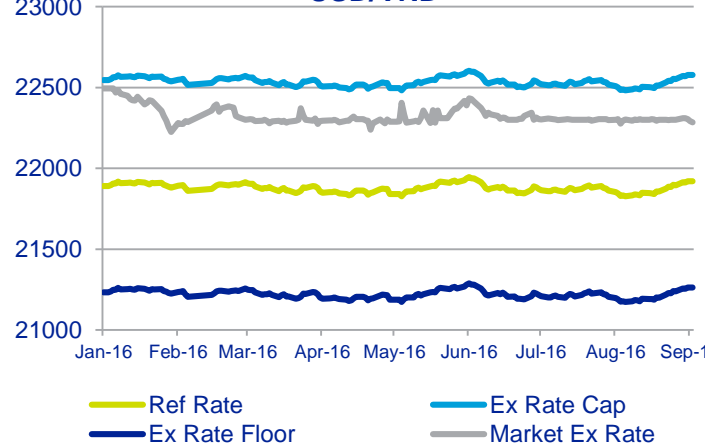
Vietnam 1Y CDS dropped 50% last week (41 to 22) without any major event, international investors are holding high expectation in our short term performances.

### FOREX MARKET

USD/VND



USD/VND

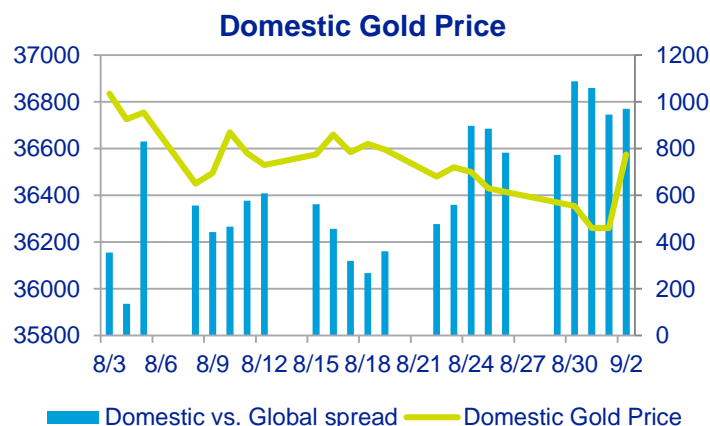


Source: SBV, Bloomberg

The USD/VND was relatively stable in contrast of the considerable decline of domestic rates. When compared to the YoY previous fluctuations, this is a significant divergence.

As net export recorded a \$2.4bln surplus, with SBV's foreign currencies purchases (\$10bln est bought), the economy is relatively safe from FX risks.

## GOLD MARKET



Source: Bloomberg, ACB.

Nonfarm Payroll came out below expectations, dimming the scenario of a September FED rate hike, gold price increased as a result.

No transparent trend for global gold price at least until September 21<sup>st</sup>, when FED starts their meeting

## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
29/08/2016	22,270	22,340	24,774.89	25,071.50	214.95	219.06
30/08/2016	22,265	22,335	24,297.49	25,025.56	214.79	218.90
31/08/2016	22,265	22,335	24,670.82	24,966.19	213.10	217.18
01/09/2016	22,260	22,330	24,681.89	24,977.39	212.40	216.46
02/09/2016	22,260	22,330	24,681.89	24,977.39	212.40	216.46

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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