



Money 360

Report

November 29, 2016

Mr. Vi Phuc Tran

11/21/2016 – 11/29/2016



MARKET OVERVIEW

USD/ VND rate was the star of the week when market price reached record high of VND22,800 on Thursday. The bid-ask spread quoted by VCB was briefly narrowed down to VND40 from the usual VND100. The green note appreciation stress was visible. The SBV however tackled this rather moderately, increased the reference rate by considerably lesser amount (VND20 reference per diem price versus VND200 in market price), attempted to pin down the rate. Though the green note has cooled off thus reduced the upward stress, the international market price is still significantly close to the SBV ceiling rate (VND80 gap), any further rally of the US dollar might cause exchange rate risks domestically and a sharp rise of VND borrowing rate as a measure to limit the impacts. The shocks would still be unpleasant due to rigid reference rates if any.

FED released their meeting minute, cited that the majority of their members are inclined for a hawkish decision in December meeting. Considering the reasonably- stabilized US economy, reflected through recent improvements in employment, a rate rise in December is most likely to happen, the appreciation of USD could thus be expected as a result.

Putting into perspective that a December hike hence USD appreciation is inevitable, the remaining weeks of 2016 could witness higher VND borrowing rates and a decline of National reserves of \$40bn in the extreme case.

The bigger risk however is the hidden bears of the USD. The green note and US equities reached new record highs since 2008 due to EXPECTATIONS of a stronger US economy under Donald Trump. No fundamentals confirmed, nor solid economic baseline. Keep in mind that those rallies had already decelerated as we speak and are moving sideways. They are currently at their oversold levels; we should be aware of a violent correction. Donald Trump has not been keeping his stance regarding the Mexican wall and climate change perspective, whilst keen on withdrawing from TPP. All the policies that was promised and resulted in confidences toward the US might as well be declaimed. Until the day he actually takes the White house and make his statements clear on January 8th, all the global market movements up until now are caused by sentiments and expectations thus exposed to a reversal risk.

Upon the Domestic money market, Interbank lending rate skyrocketed over the weekend by 1% O/N (From 1.7% to 2.7% as of 28th Nov). Also on this day, no treasuries were issued regardless of the previous week of higher rate. Liquidity seems to become less ample between depository institutions, the rest of 2016 would certainly experience a higher interest rate. Parliament's credit growth target could hence be compromised.

Foreign Investor kept their short position on Bond Market of VND 2tln, which was a tremendous amount when the biggest selling position for 2016 was 800bln, if we exclude last week's 3tln.

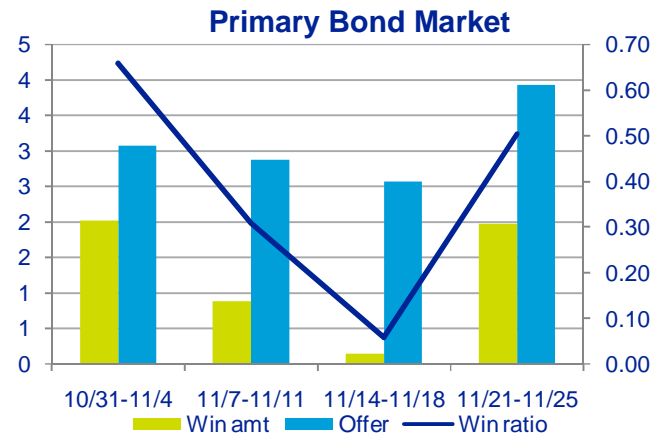
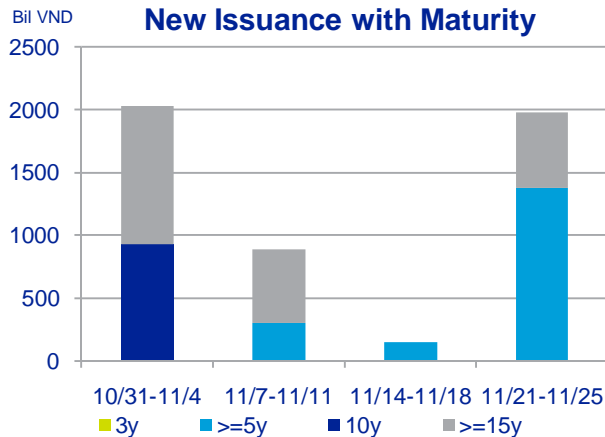
GSO published the Economic & Social Report of November. CPI YTD was 4.5%, securing the 2016 target of 5% inflation. Medical & educational services keep being the main CPI drivers. Garments, clothing & production machineries are the top of the IPP statistics.

With all that, we wish you a lucky trading week, please beware of the USD movements.



VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

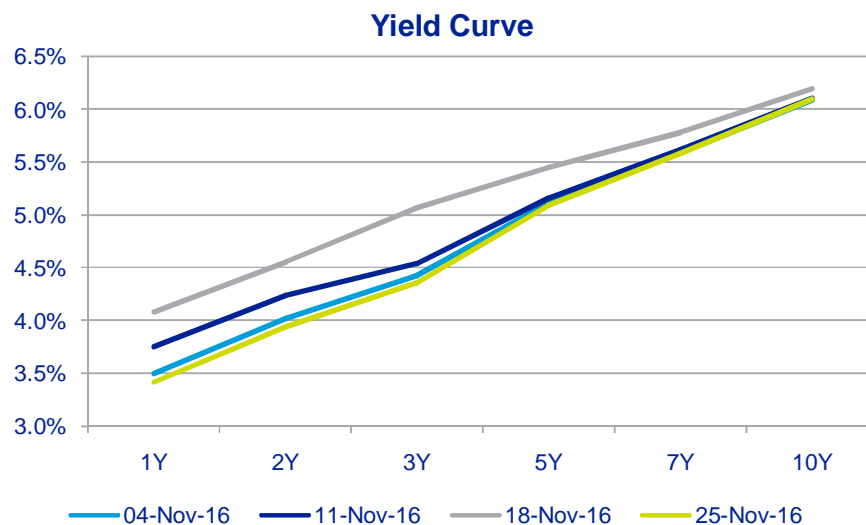
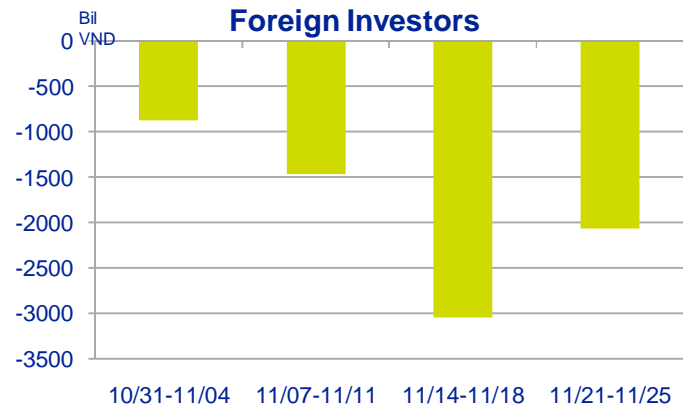
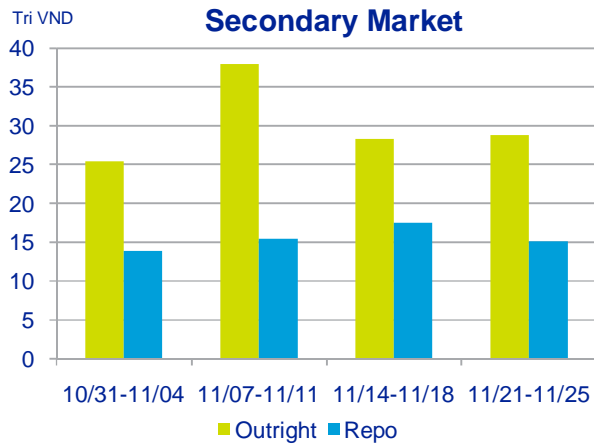
Primary bond market traded for 1.9tln from last week of 150bln, even though not fully sold like back in October, this is still a significant recovery.

Bond Issuance Schedule This Week

11/28/2016-12/02/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	3,000,000,000,000	01/12/2016	24/11/2021	5
State Treasury	1,000,000,000,000	01/12/2016	01/12/2023	7
Vietnam Bank for Social Policies	424,000,000,000	29/11/2016	29/11/2021	5



SECONDARY BOND MARKET



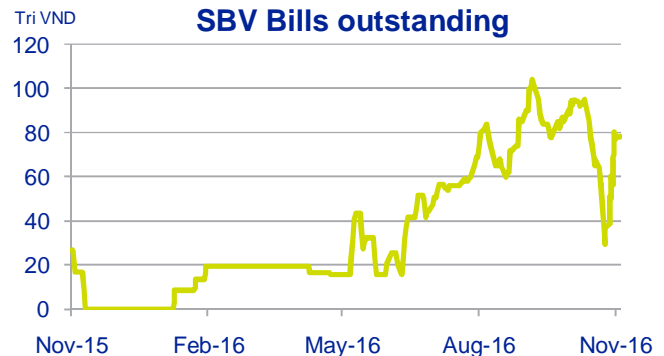
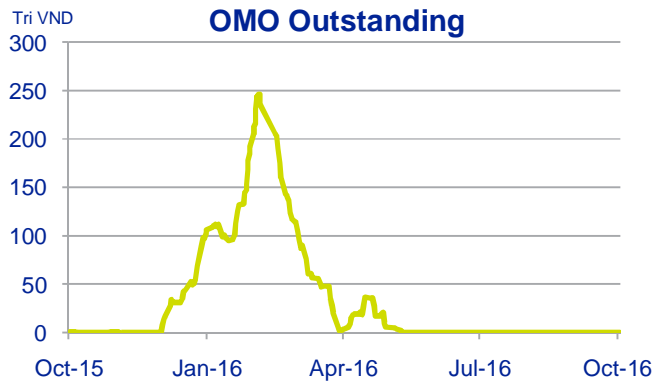
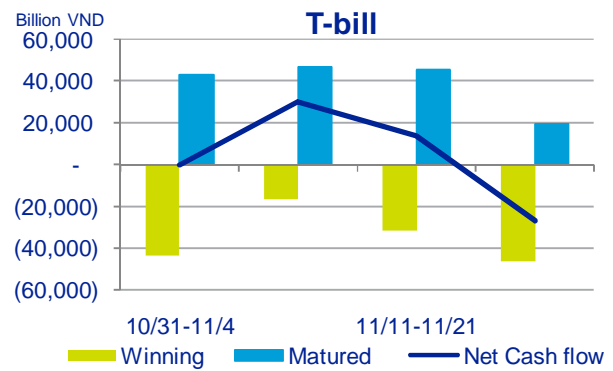
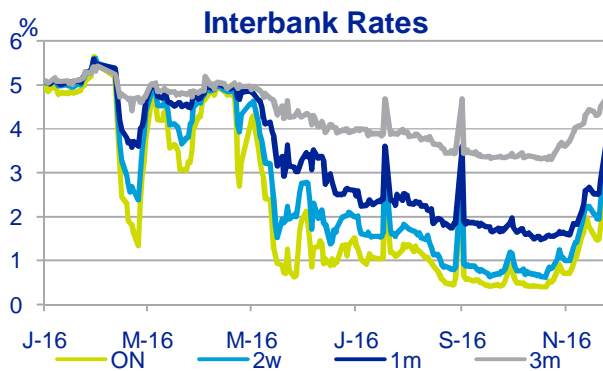
Source: HNX, VBMA, ACBS

Foreign investor sold a net amount of 2tln, all the demand that drove the yield curve downward was from Domestic funds.

Yield curve rose upward in shorter terms for 20- 100 points in previous weeks and reverted lower to early November levels last Friday. Even though Donald Trump caused a Vietnamese Bond Selloff, it seems that the demand recovered after the fiesta.



MONEY MARKET



Source: ACBS, Bloomberg

Outstanding Tbills recovered up to 78tln as of 28th November, with the cost of higher rate (1.5% for 14d term and 2.5% for 28d term)

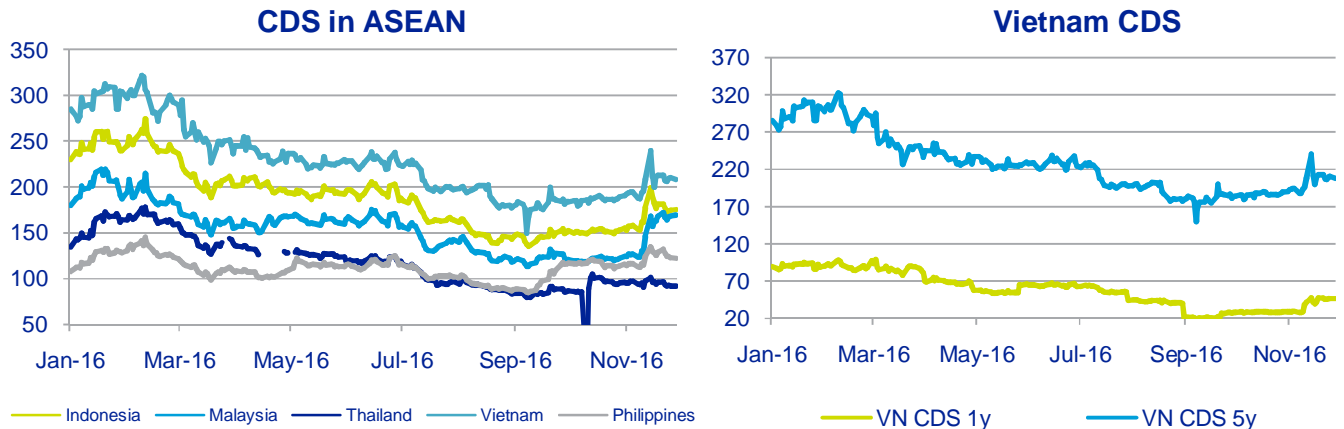
Note that on 28th November, zero Tbills were sold, and the Interbank rates increased sharply by 1% O/n term, up to 2.7%

It is safe to assume that we will see higher borrowing rates for the rest of 2016



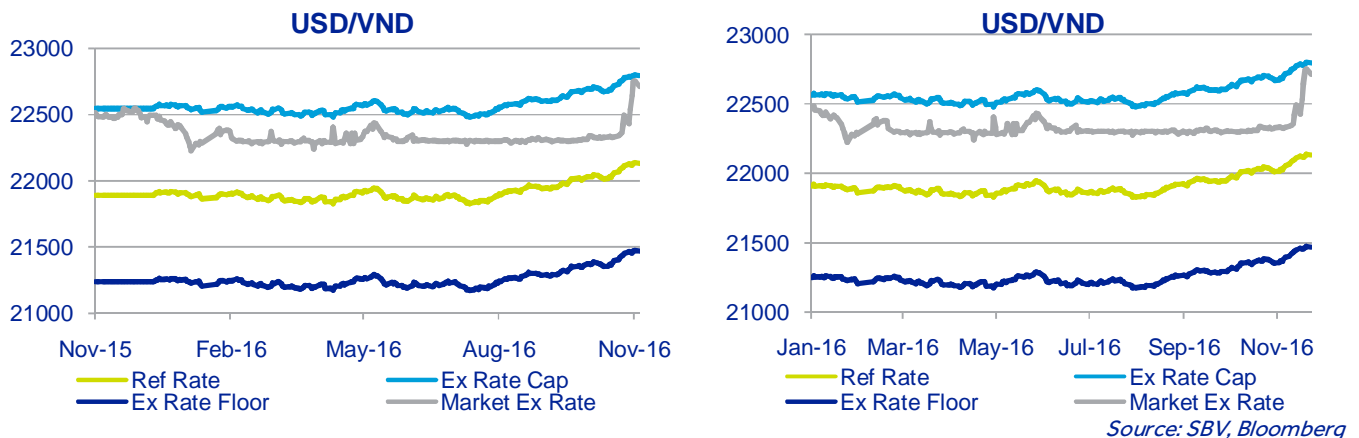
OTHER MARKETS

SOVEREIGN CDS



From the CDS perspective, the whole ASEAN region has become less attractive to Foreign Investors. The US prospects were too bright to even consider smaller economies.

FOREX MARKET



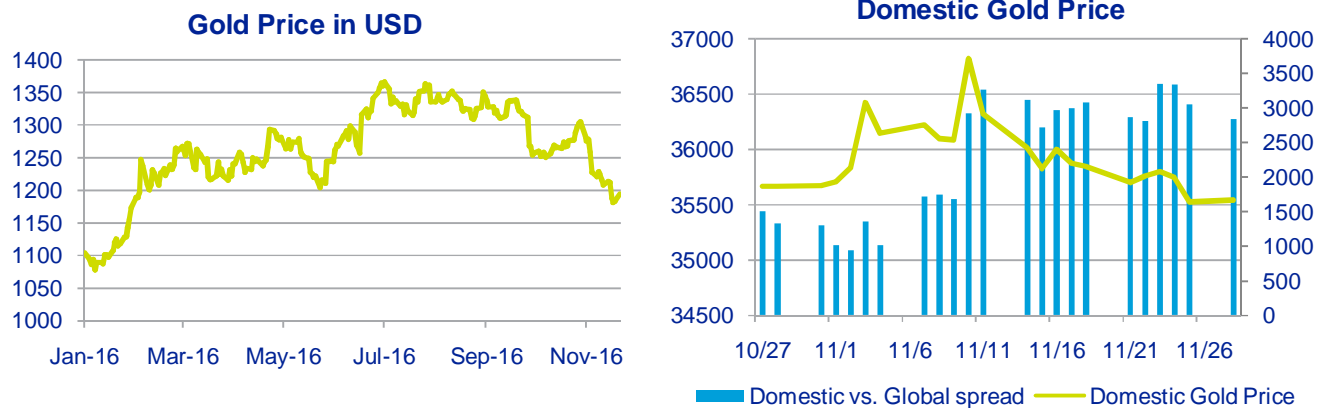
International market price came significantly close to the SBV ceiling rate (VND 80d gap), any further rally of the US dollar might cause exchange rate risks domestically and a sharp rise of VND borrowing rate as a measure to limit the impacts. The shocks would still be unpleasant due to rigid reference rates, if any

Putting into perspective that a December hike hence USD appreciation is inevitable, the remaining weeks of 2016 could witness higher VND borrowing rates and a decline of National reserves of \$40bn in the extreme case.

Downward risks remain for the green note, and will be more violent scenario than an upward movement. Until the day Donald Trump actually takes the White house and make his statements clear on January 8th, all the global market movements (especially USD) up until now are caused by sentiments and expectations thus exposed to a reversal risk.



GOLD MARKET



Source: Bloomberg, ACB.

Gold went below \$1200/ ounce; the domestic prices is tracking down slowly. The international- domestic price spread remains high at VND2.8mIn/ ounce 28th November.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
11/28/16	22,660	22,760	24,039.68	24,348.51	200.21	204.21
11/25/16	22,680	22,780	23,893.83	24,140.11	198.05	201.92
11/24/16	22,680	22,780	23,828.38	24,134.44	197.94	201.90
11/23/16	22,590	22,690	23,895.90	24,192.33	201.25	205.18
11/22/16	22,515	22,595	23,790.98	24,086.27	200.52	204.45
11/21/16	22,480	22,580	23,813.35	24,108.92	200.74	204.67

Source: Vietcombank

Deposit Interest Rate	2 weeks	1 month	3 months	6 months	1 year	2 years
10/7/2016	1%	4.60%	5.0%	5.60%	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 – Consumer- related, Technology, Seafood

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

Associate – Industrial, Logistics, Agri, Power

Yen Tran
(+84 8) 3823 4159 (x326)
yentran@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 – Industrial, Steel, Sugar

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

Analyst – Macro Vi Phuc Tran

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

Analyst– Property, Construction

Hung Cao
(+84 8) 3823 4159 (x250)
hungcv@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 (x311)
nghialta@acbs.com.vn



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