



# Money 360

April 18, 2017

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**Mr. Vi Phuc Tran**

04/11/2017 – 04/17/2017

## MARKET OVERVIEW

Failed attempt of testing nuclear warheads last weekend from North Korea sparked the rally of gold. Seeing how Kim Jong Un carried on the tests without consideration for US and China's threats of military actions, we should not expect the Dictator to be sensible and would unhesitatingly retaliate if provoked.

Here are the possible scenarios:

1: A moderate and peaceful cooperation from both the US and China to reign in North Korea by both economically and military might demonstration. Applying sanctions, tariffs and mobilizing defense systems around the peninsular would be an effective and non-violent move to put North Korea on the negotiation table. "No urge to take on military actions, yet. We would work with China about the available options to put them under control"

At least, that was the official announcements from the White House. So far, the US diplomats have yet to successfully contacted their North Korean counterparts for any negotiation.

2: As April 25th is the ceremony of North Korea's Military Foundation, another nuclear test would be most likely. If the test were to success, a preemptive attack from the US on North Korea's military facilities is possible. Such attacks would be swift and without warnings. After all, it is wiser to disable the threats as soon as possible instead of procrastinating until they have successfully developed the capacity to retaliate. Also wiser to provide a 1 week (at least) window for non-Koreans (mostly reporters) to flee the country.

So on one hand, we have the official remarks that the US shall work with China on a non-aggressive approach. On the other hand, is the possible chance of a zero-warning military strike from the US when considered their current available options. US warships has been mobilized to the Peninsular from Singapore camp, whilst China's military were deployed to the Northern border.

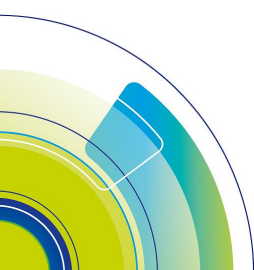
Were the scenarios going for the worse, the green note, Chinese Yuan, Japanese Yen would tumble, and gold shall rally.

Lets not forget the France Election on the 23rd of April. A victory for Marine Le Pen might trigger a flight from the EUR, or a major recovery if vice versa. The EUR at the moment lack of fundamental supports, and facing downward pressures both politically and economically. One thing can be sure that next Monday shall be a volatile day for this currency, more bearish views than bullish.

Relating to Vietnam, with current global outlook, the US dollars depreciated strongly thus making the SBV increased their USD purchase price to VND22,675 (increased by VND 100) to support the market, institutional offer prices for the green note exceeded the free market prices. At the same time, reference rate cap remains relatively high from market price and SBV seems to have purchased more reserves. We are reasonably hedged against foreign exchange rates shocks, if there should be any.

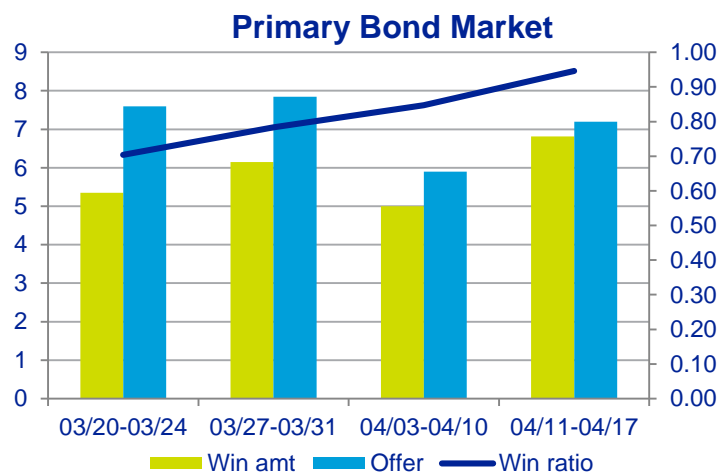
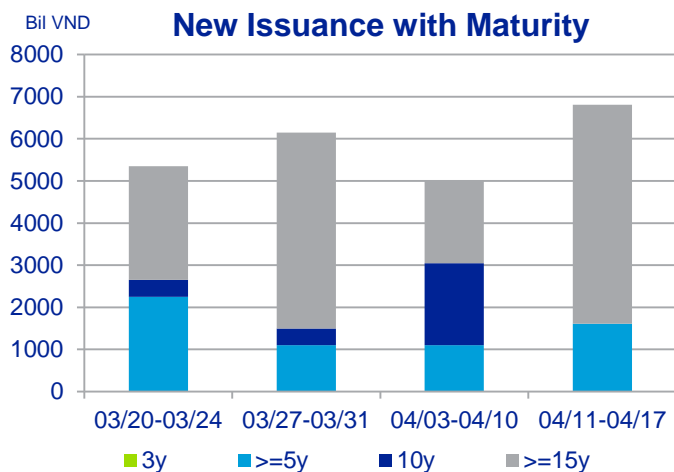
Continuing the recent trend, long term VGBs kept outperforming shorter terms. The banking sector prioritized excess funds for operational activities. VGBs purchases are most likely for hedging and trading purposes.

Other than that, most things remain unchanged from last week. Please mark your calendar on the 23rd and 25th of April, thank you.



## VGB-GGB MARKET

### PRIMARY BOND MARKET



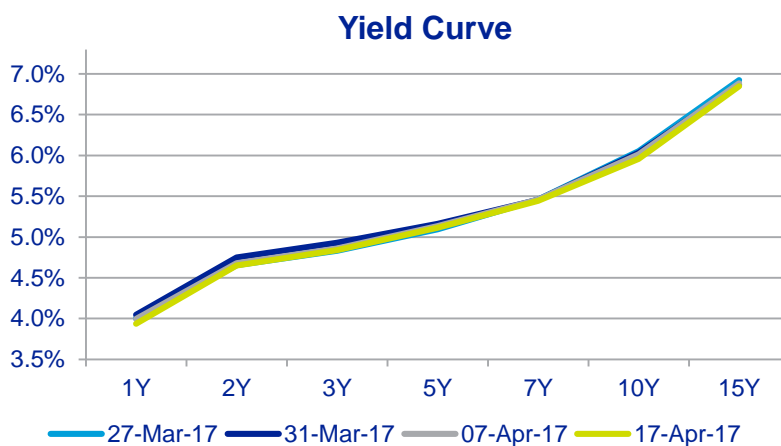
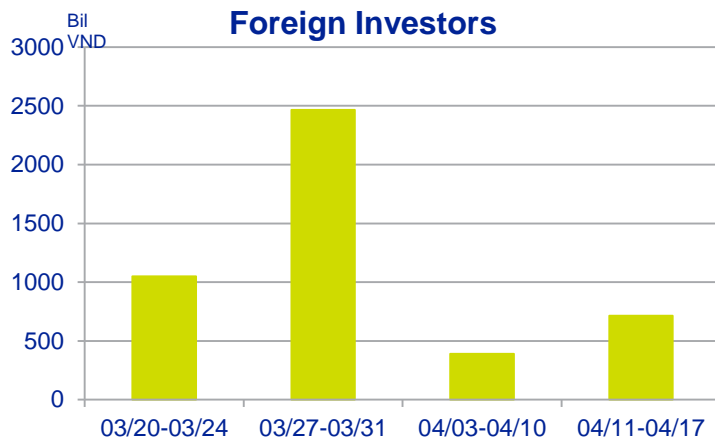
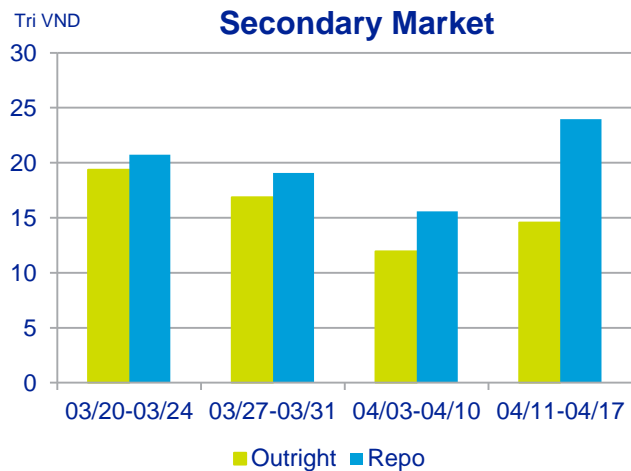
Source: HNX, ACBS

A visible trend for the recent weeks was the high demands for long term VGBs. Unlike previous months when most VGBs are highly absorbed both on short and long terms, lately tendency of undesired short term VGBs reflects a lack of funds excessiveness within depository institutions.

### Bond Issuance Schedule This Week

04/17/2017 - 04/21/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,500,000,000,000	4/20/2017	3/9/2022	5
State Treasury	2,000,000,000,000	4/20/2017	4/20/2047	30
State Treasury	1,000,000,000,000	4/20/2017	3/30/2037	20
State Treasury	1,500,000,000,000	4/20/2017	2/16/2027	10
State Treasury	1,500,000,000,000	4/20/2017	3/9/2022	5

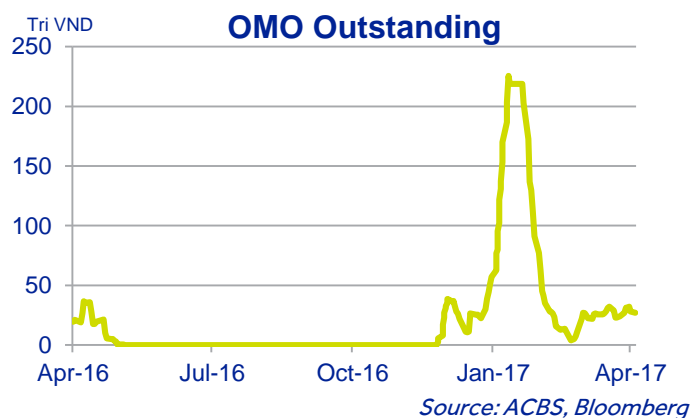
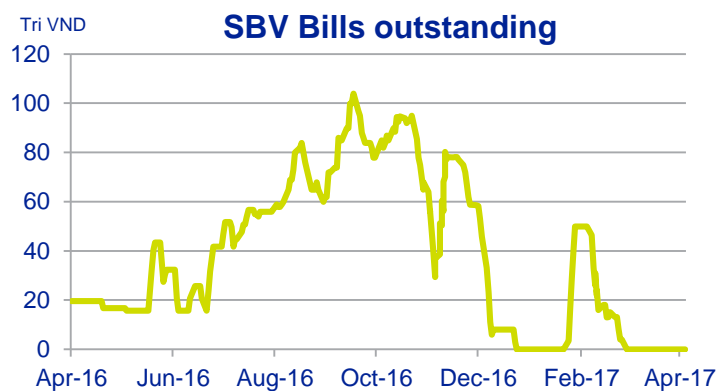
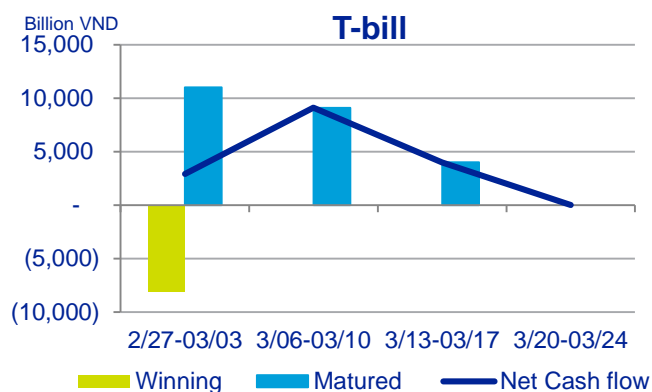
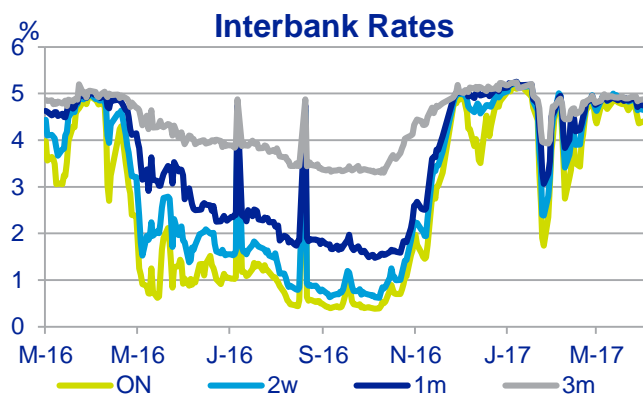
## SECONDARY BOND MARKET



Source: HNX, VBMA, ACBS

Net bond purchase from foreign investors recovered with VND 715bln, significant rise of trading volume on repo transactions. Primary market seems to be rather sluggish lately. Funds have been hording to other investment channels.

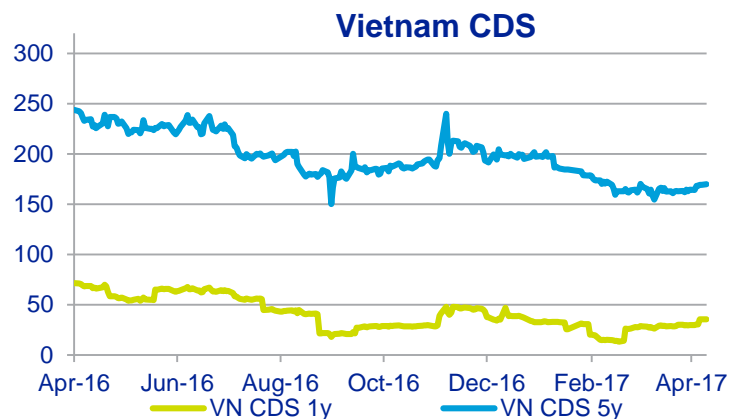
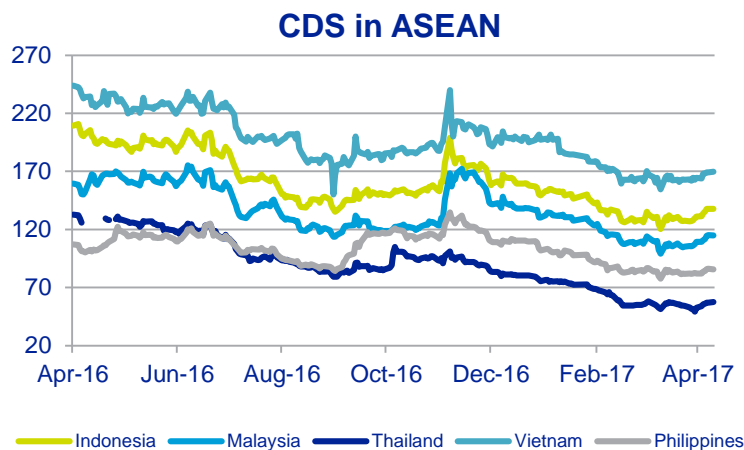
## MONEY MARKET



Looking on the interbank market, the relatively wider gap between lending & depositing rates suggests the same lack of excess funds between the banks with no liquidity strains. Transaction on OMO market remained stable with almost no changes. Banks are on high demand for extra funds to expand operation without having much of operating liquidity issue. We can expect a decent performance for 2017 coming from the banking sector.

## OTHER MARKETS

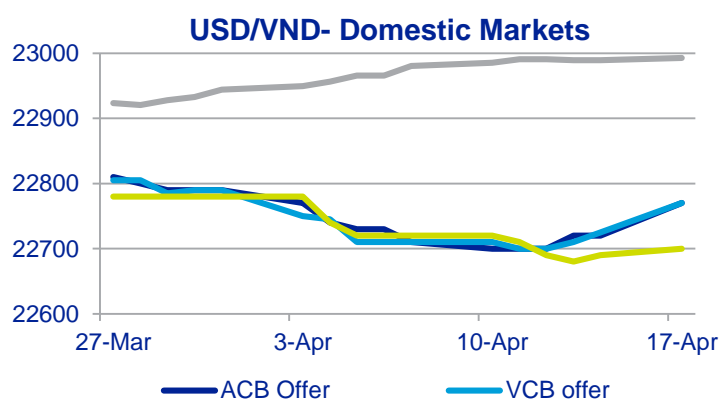
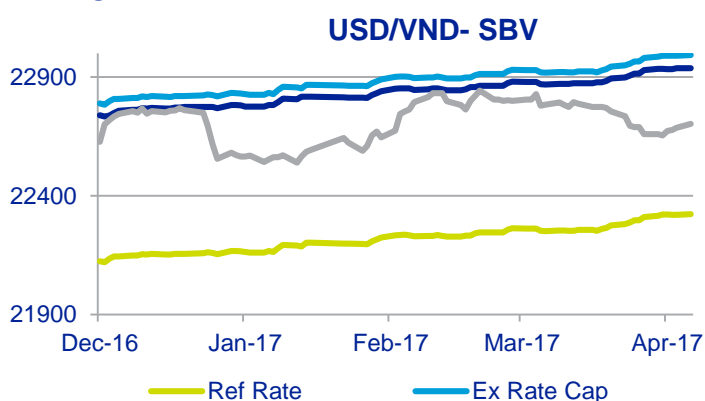
### SOVEREIGN CDS



Source: Bloomberg

CDS slightly increased last week on ASEAN region. I suppose it was the flight to Gold that temporarily downgraded the attractiveness of emerging markets.

### FOREX MARKET

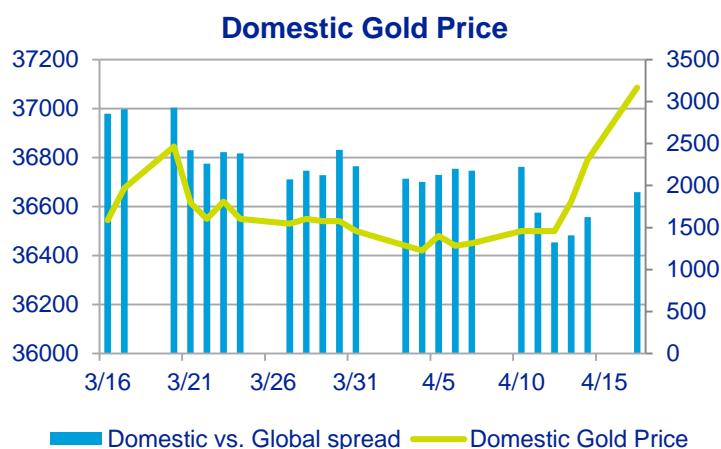
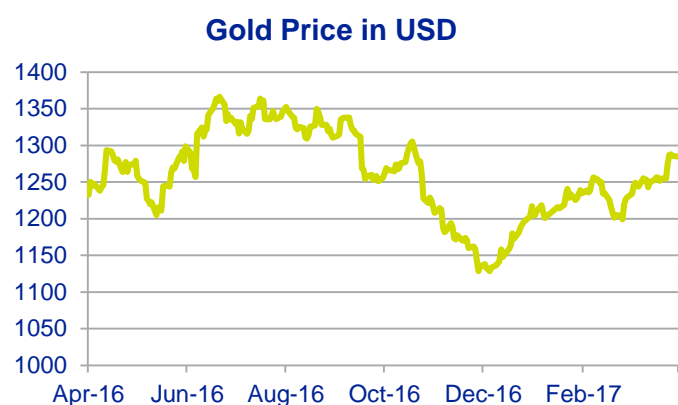


Source: SBV, Bloomberg

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EUR, JPY, USD, CNY are all facing downward pressures, politically.

## GOLD MARKET



Source: Bloomberg, ACB.

With coming France election and possible nuclear tests from North Korea, demand for Gold soared to 4 months high. If the anticipated risks are to unfold, gold might rally up to \$1350/ ounce internationally. Domestic gold price would most likely to follow.

## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
10-Apr-17	22,640	22,710	23,806.00	24,090.65	200.59	204.43
11-Apr-17	22,630	22,700	23,808.24	24,092.94	202.11	205.97
12-Apr-17	22,630	22,700	23,854.00	24,139.24	204.07	207.97
13-Apr-17	22,640	22,710	24,019.85	24,307.07	205.39	209.31
14-Apr-17	22,655	22,725	23,908.84	24,194.71	205.35	209.27
17-Apr-17	22,700	22,770	23,976.60	24,266.28	206.93	210.89

Source: Vietcombank

Deposit Interest Rate	2 weeks	1 month	3 months	6 months	1 year	2 years
03/28/2017	1%	4.90%	5.10%	5.60%	6.30%	6.60%

Source: ACB

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