



Money 360

May 17, 2017

Mr. Vi Phuc Tran

05/8/2017 – 05/15/2017

MARKET OVERVIEW

We saw an improvement of fund amplexness within the banking sector last week. Outstanding OMO dropped down to VND 6tln as of 15th May for the first time since March, a total of VND 18tln injection to the market. O/N interbank rates fell down to 4.6% accordingly. It seems that the month long liquidity shortage is coming to an end.

With that, fixed income market is expected to become more active starting from this week. Shorter term VGBs would be back on demand as there are now funds available to absorb them. We should see the Yield Curve steepen up from now on.

Oddly enough, foreign investors sell off by VND 1.7tln was rather intriguing when consider the improving status of interest rates, thus the should be increasing shorter term bond price. One possible explanation is that they have been closing in their longer term bond positions. If that were the case, we should see a recovery next week.

The "Trump rally" since November 2016 has been completely neutralized. With the US' President currently having his handful of reputational crisis, the bullish bets on a stronger US economy thus vanished. The President is facing risks of prosecution; his pro-growth policies would be put on hold. So the FED would not have that much incentives to follow their plan of 3 rate hikes this year.

Germany, France and Japan also showed positive statistics of a decent economic recovery. Whilst the EU still carrying the burden of higher indebted countries. I would say that the recent rally of the Euro was sentimentally driven rather than fundamentally. Subdued political risk were a push, we should be wary of a sudden drawback though.

Japan on the other hand has a more solid background. With the economy showing signs of positive growth without picking up inflation (yet), the bullish views toward Abenomic thus enforced. We might see the JPY appreciate against the USD for quite a while.

So far: Bullish supports for the US economy were diminished by their administration crisis. The hopes are now shifted to Japan and the EU. The respective currencies should behave accordingly.

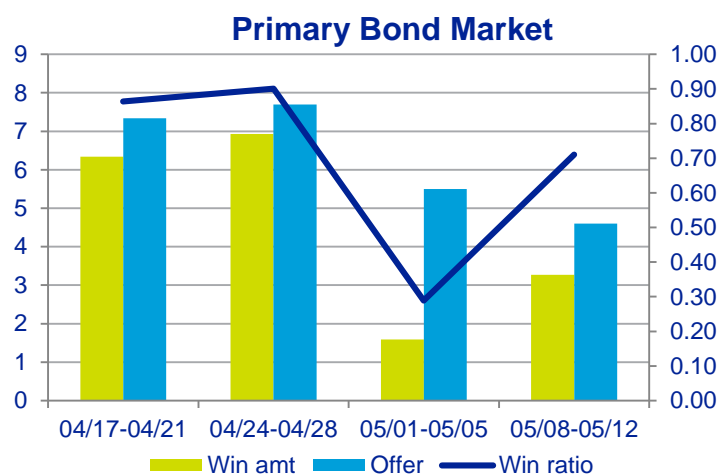
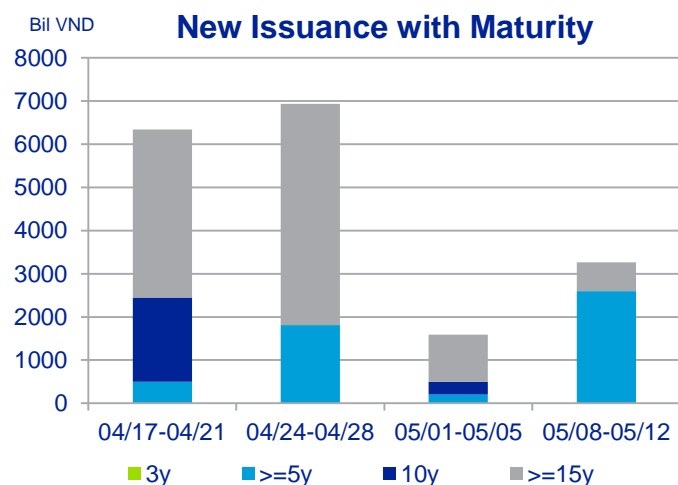
The effects such event poses on Vietnam's economy are beneficial. Ceteris Paribus, we should face less upward pressures on the USD/VND exchange rates, not so high as anticipated interest rates, better performance in the fixed income market and an improving Current Account balance.

Keep in mind though, there are still lurking risks: The next elections of EU countries, the Korea Peninsular risks (though a war is unlikely, the unfolding events could still affect the global financial markets). The US political risk should as well be anticipated.

Please consider those risks in your investment decisions. For now, the safer bet lies in Japan, Euro, Gold and the Swiss Currency, thank you.

VGB-GGB MARKET

PRIMARY BOND MARKET



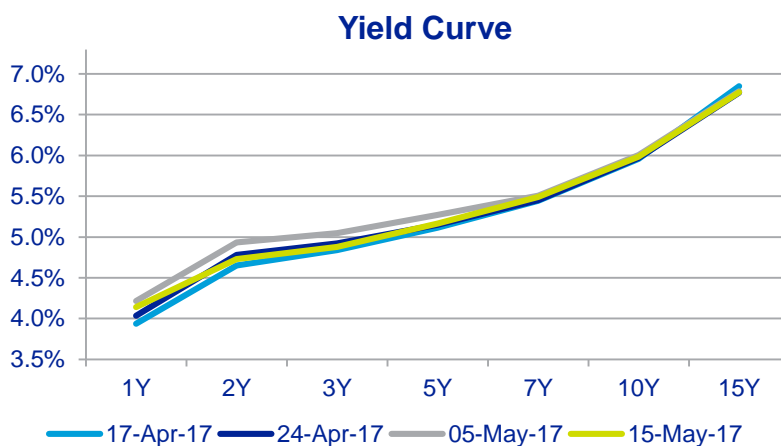
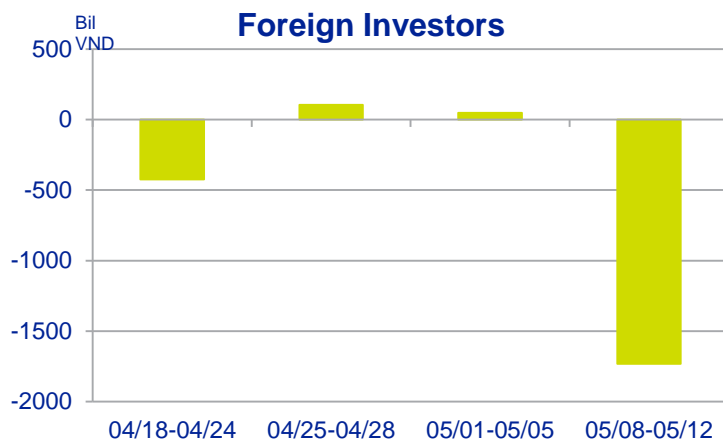
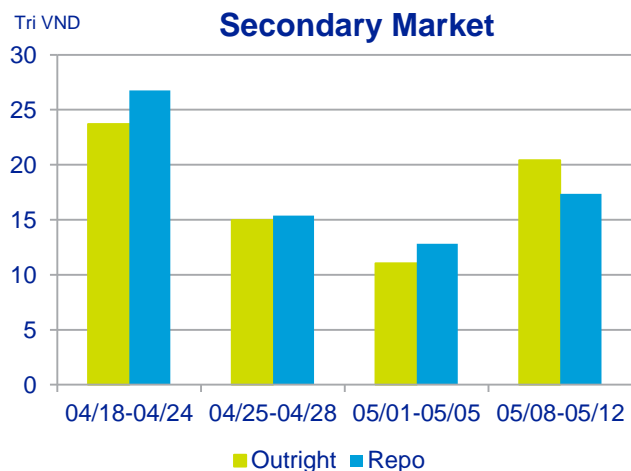
Source: HNX, ACBS

Short term VGBs were fully absorbed last week, primary market performance though improved, still below pre- holidays level.

Bond Issuance Schedule This Week

05/15/2017- 05/17/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,000,000,000,000	5/18/2017	5/18/2024	7
State Treasury	1,000,000,000,000	5/18/2017	5/4/2027	10
State Treasury	1,000,000,000,000	5/18/2017	4/14/2022	5
State Treasury	1,000,000,000,000	5/18/2017	4/27/2032	15
Vietnam Bank for Social Policies	400,000,000,000	5/16/2017	5/16/2032	15
Vietnam Bank for Social Policies	400,000,000,000	5/16/2017	5/16/2027	10
Vietnam Bank for Social Policies	200,000,000,000	5/16/2017	5/16/2022	5

SECONDARY BOND MARKET

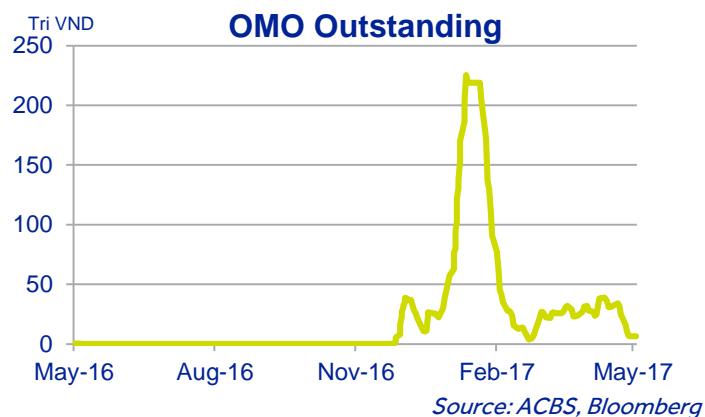
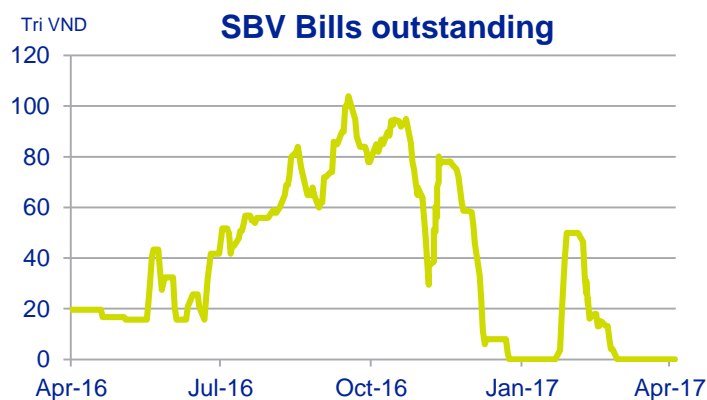
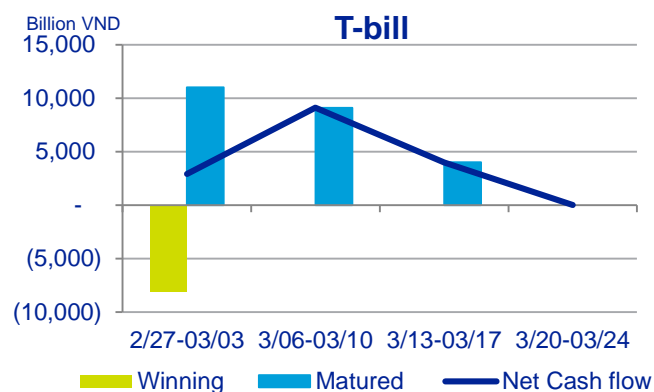
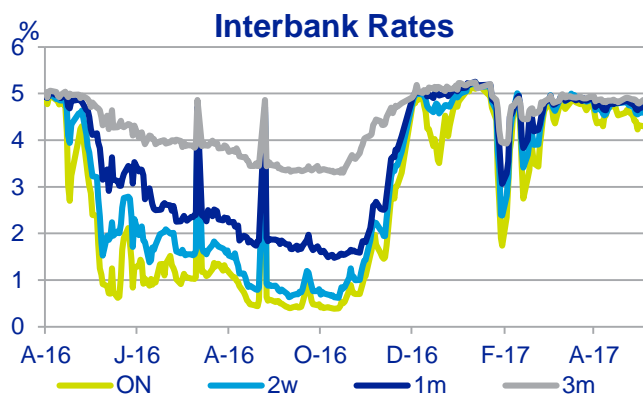


Source: HNX, VBMA, ACBS

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MONEY MARKET

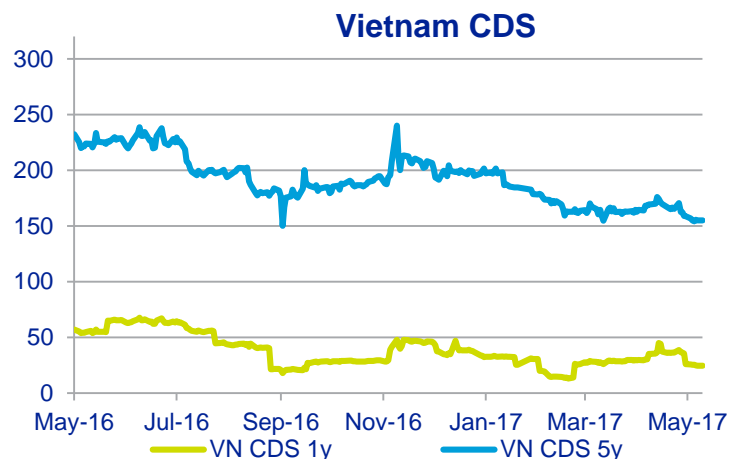
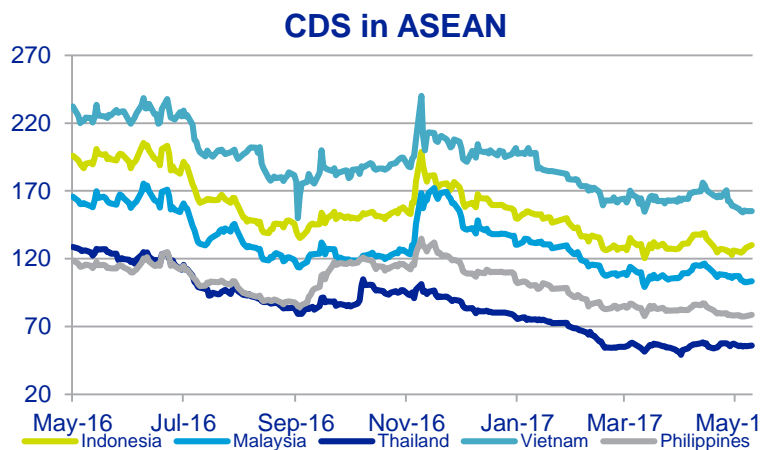


Source: ACBS, Bloomberg

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OTHER MARKETS

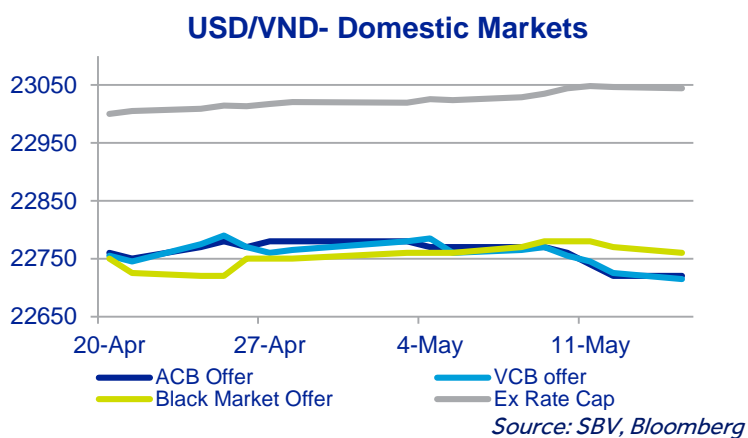
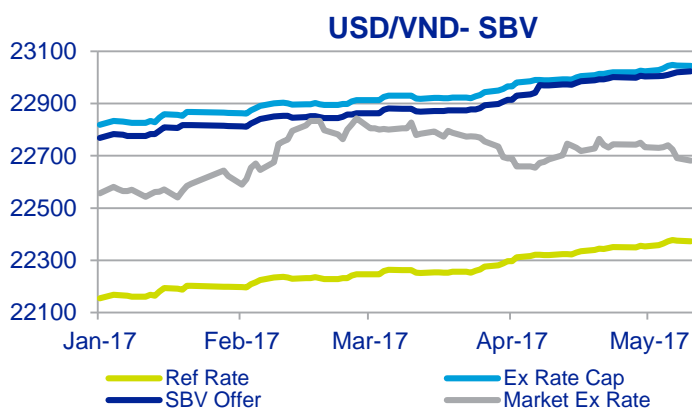
SOVEREIGN CDS



Source: Bloomberg

Not much changes from the CDS perspective, emerging markets and UK economy becomes relatively more attractive due to uncertainties from the US and Korea Peninsular

FOREX MARKET

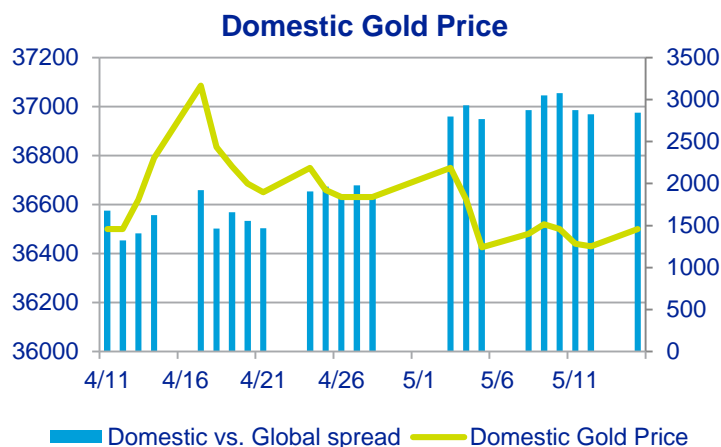
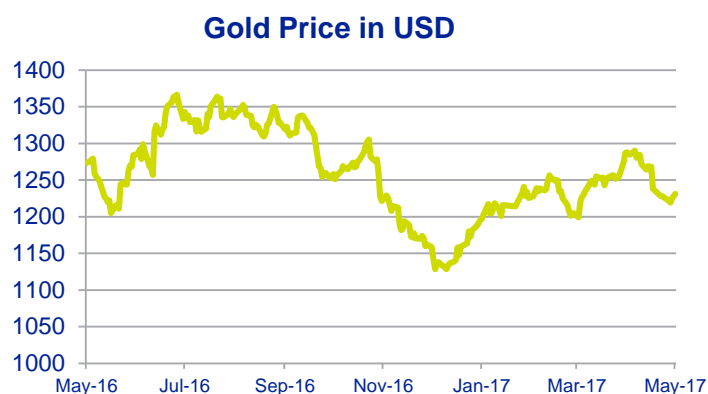


Source: SBV, Bloomberg

The "Trump rally" since November 2016 has been completely neutralized. With the US' President currently having his handful of reputational crisis, the bullish bets on a stronger US economy thus vanished. The President is facing risks of prosecution; his pro-growth policies would be put on hold. So the FED would not have that much incentives to follow their plan of 3 rate hikes this year.

We are currently anticipated and safely hedged against currency shocks.

GOLD MARKET



Source: Bloomberg, ACB.

Down from the France Election result and up from US' political risk, Gold is currently advised to hold as a hedging measurement.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
08-May-17	22,695	22,765	24,760.95	25,056.98	198.69	202.50
09-May-17	22,700	22,770	24,621.98	24,916.34	197.34	201.11
10-May-17	22,685	22,755	24,547.10	24,840.57	196.72	200.49
11-May-17	22,675	22,745	24,527.27	24,820.52	196.04	199.78
12-May-17	22,655	22,725	24,452.97	24,745.36	196.80	200.56
15-May-17	22,645	22,715	24,600.66	24,894.81	197.16	200.93

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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