



Money 360

May 24, 2017

Mr. Vi Phuc Tran

05/15/2017 – 05/22/2017

MARKET OVERVIEW

National Congress meeting on 22nd of May mentioned the NPL liquidation proposal, urging for it to be approved. As the proposal carries, Financial institutions shall be legally supported to liquidate the NPL's collaterals more effectively. Thus banking sector's performance shall be greatly improved. Banking stocks has been rising since from positive expectations.

Along with that is the signs of improving fund liquidity. OMO outstanding is approaching zero ground (VND 2.5tln last checked) from last week's VND 6tln. O/N interbank rates fell down to 3.82%, lowest level since early March. I would expect T-bills to be back on trades after next week. The banking sector is currently relieved of fund shortage; they have enjoyed a record high 1Q 2017 credit growth (might already be overheated).

VGB issuance target for 20-30yr tenors have been exceeded, we should not see any new issuances of them for the rest of the year. The overall primary market however performed exceedingly well last week with registered amount was above 300% of the amount offered. The yields dropped 6 percentage points on 5-7yr tenors as a result.

With the Yield curve getting steeper for the past few weeks, I suppose the trend would be prolonged when consider the money market still have more room to absorb. Fund ampleness is just starting to recover after all.

Donald Trump is seeking \$3,6tln budget cut that to finance the other side of his policies. Slashing funds for Education, Healthcare, Agriculture and Federal to finance Administration, the Wall, Military, Warfare & tax reduction. \$7.2\$tln were estimated to add into the already huge pile of national debt. Seeing how unethical the slashing side were, it is likely that the Congress would look away from the Fiscal Budget as a whole. The taxation reform that can cause the US growth boom shall remain unlikely unless financed by more favorable approach. The very best he can do to spur another "Trump trade" is to revoke Dodd-Frank regulation, setting the finance sector loose.

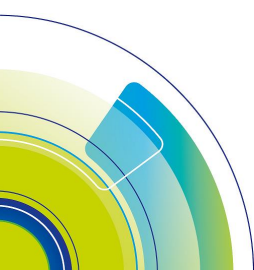
OPEC meeting on Thursday 25th upon continuing the Production Agreement would be a nice touch to global markets. The upside effects (If there is any) however would not be as strong as when the first agreement was reached. The current downside fundamentals still stand.

China is trying to deleveraging their economy, the yield curve is currently inverted (short term yields higher than long term yield. At the very least, instability of the economy was signaled. Capital outflows would become more severe if the situation holds, CNY is downwardly pressured. Current Account of their long time trading partners (roughly the rest of the world) might thus be affected. Our GDP target of 6.7% for 2017 may face challenges. The next GSO report would provide us a clearer look.

Fundamentally speaking, the currency with the most upside potentials for 2017, ceteris paribus are the JPY and EUR, the skepticism falls on the USD and CNY.

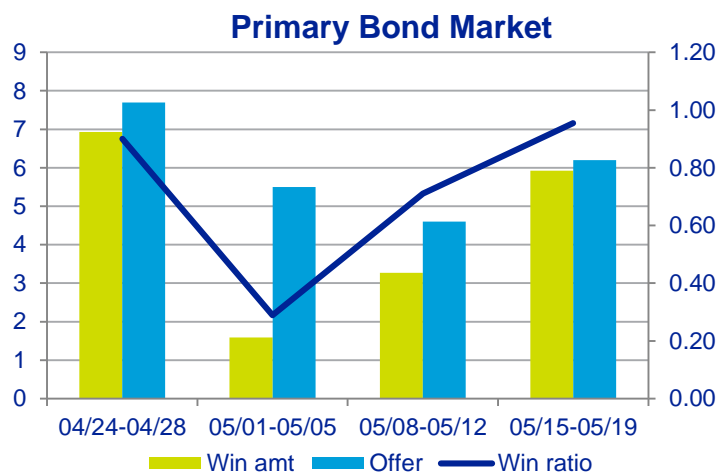
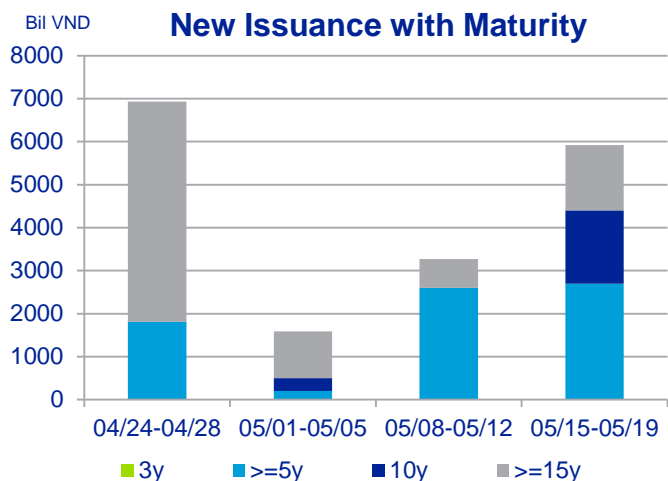
With that, we wish you another successful trading week.

Derivative market with the VN30 index contracts will start trading next Friday the 2nd of June, please be prepared. Thank you.



VGB-GGB MARKET

PRIMARY BOND MARKET



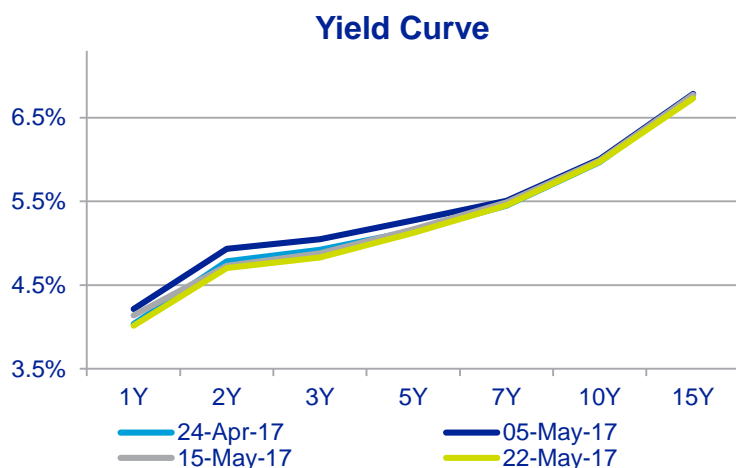
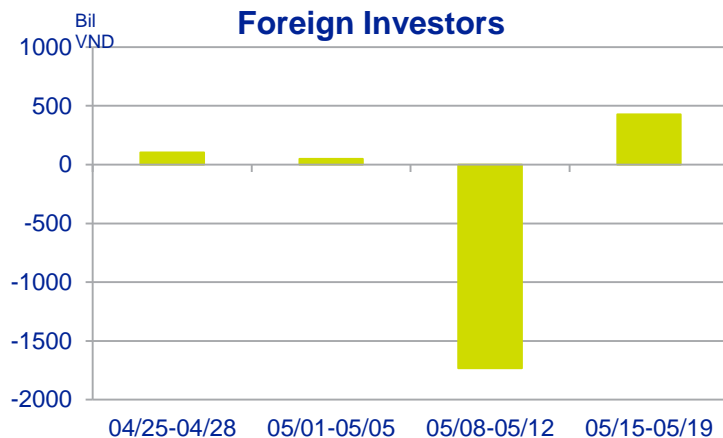
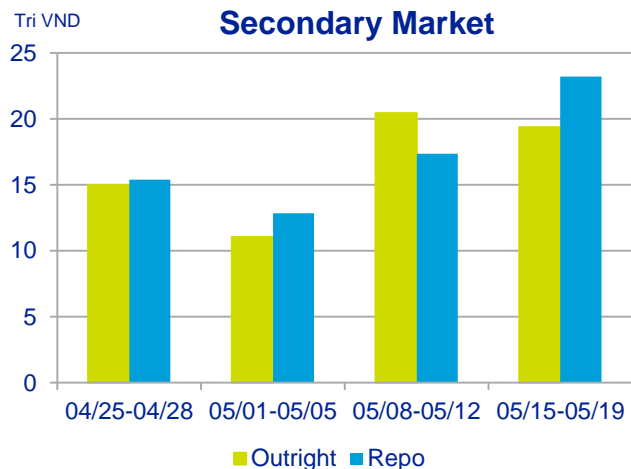
Source: HNX, ACBS

Above 300% registered amount over offered. Bond market is picking up the pace after weeks of sluggishness. Last week's VGB absorption rate was 100% with 6 percentage points decline on the yields.

Bond Issuance Schedule This Week

05/22/2017 - 05/26/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,500,000,000,000	5/25/2017	5/18/2024	7
State Treasury	1,000,000,000,000	5/25/2017	5/11/2037	20
State Treasury	1,500,000,000,000	5/25/2017	4/14/2022	5
State Treasury	1,000,000,000,000	5/25/2017	4/7/2047	30
Vietnam Bank for Social Policies	400,000,000,000	5/23/2017	5/23/2032	15
Vietnam Bank for Social Policies	400,000,000,000	5/23/2017	5/23/2027	10
Vietnam Bank for Social Policies	200,000,000,000	5/23/2017	5/23/2022	5

SECONDARY BOND MARKET

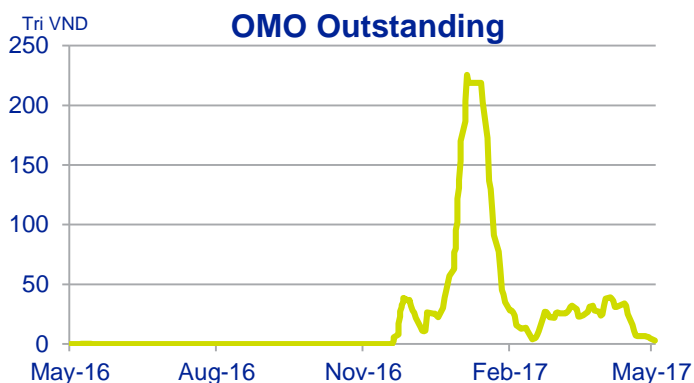
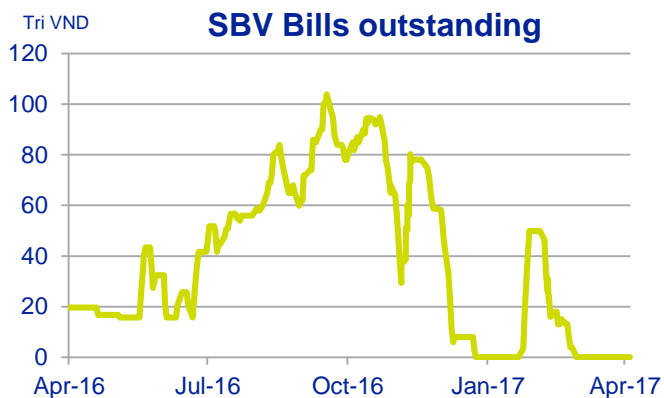
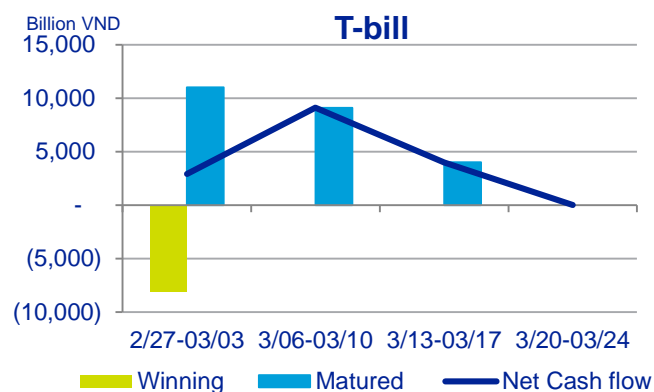
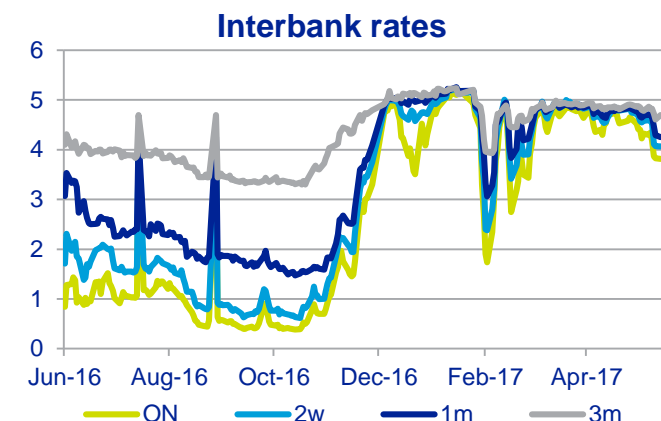


Source: HNX, VBMA, ACBS

Record high trading volume in weeks in the secondary market, repo transaction reflects strong interests. Foreign investor purchase recover to VND 42 bln from last week's VND 1,700bln selloff. Note that the amount purchased was the highest in a month.

Yield curve continued to steepen. The trend is expected to carry on as the money market's fund ampleness starting to recover.

MONEY MARKET



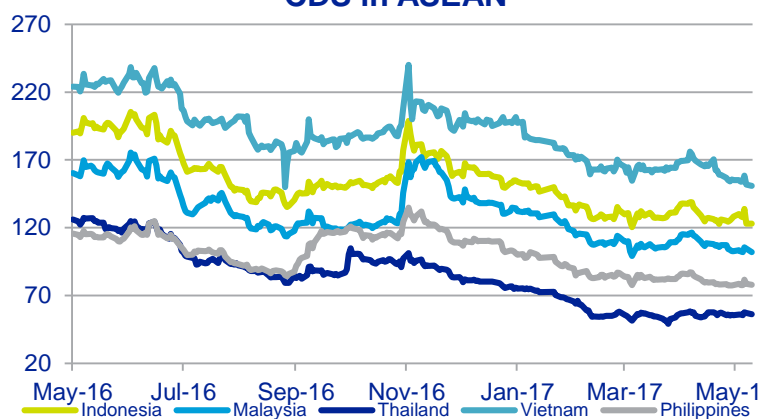
Source: ACBS, Bloomberg

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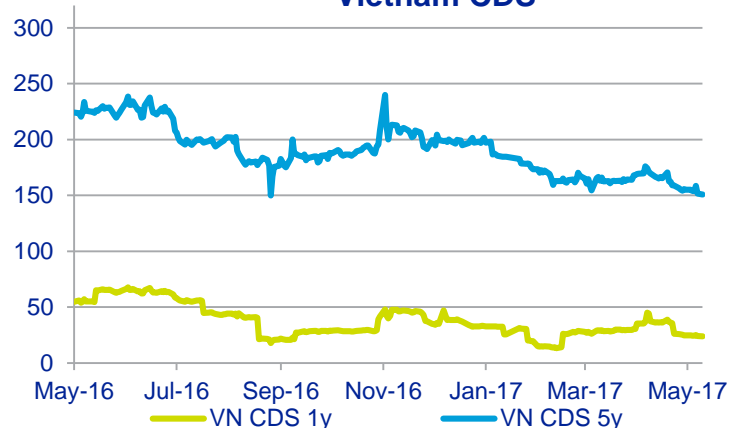
OTHER MARKETS

SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

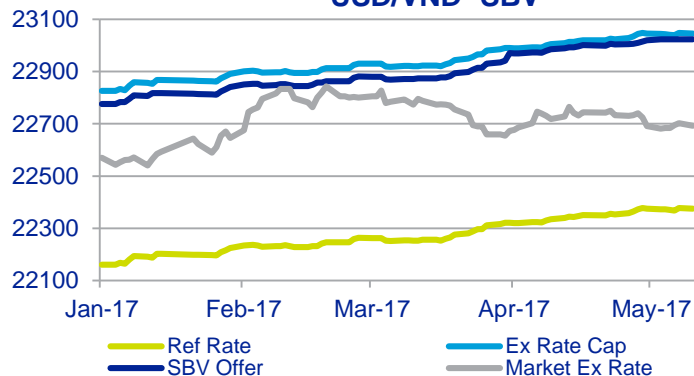


Source: Bloomberg

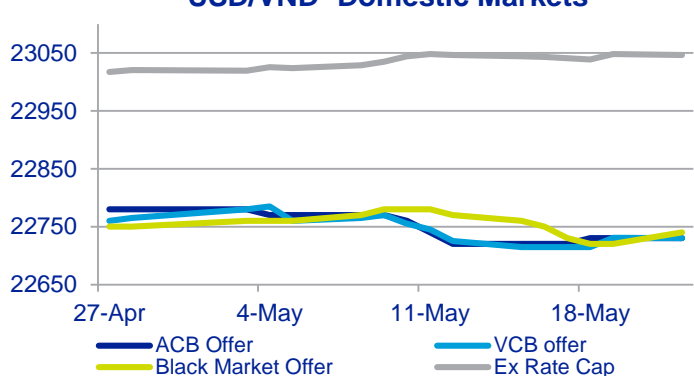
5yr CDS from Vietnam fall back to its record low level. The 1yr contracts however is still reflecting some skepticism for our short term performance.

FOREX MARKET

USD/VND- SBV



USD/VND- Domestic Markets

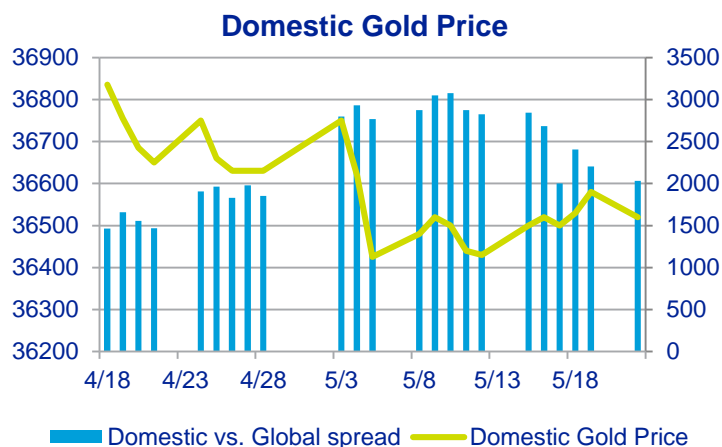


Source: SBV, Bloomberg

A moving sideways US Dollars created a chance for SBV to purchase more reserves. The target of 3 rate hikes for 2017 from FED is currently an "at most" scenario instead of "at least". Fewer hikes are more likely than vice versa. We are currently anticipated and hedged against currency shocks.

Fundamentally speaking: JPY and EUR has the most upside potentials. CNY and USD are more vulnerable for selloffs.

GOLD MARKET



Source: Bloomberg, ACB.

Gold is currently moving sideways with bullish tendency as safe havens are currently limited. A hedging position is thus advised.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
15-May-17	22,645	22,715	24,600.66	24,894.81	197.16	200.93
16-May-17	22,645	22,715	24,825.77	25,122.62	197.06	200.82
17-May-17	22,645	22,715	24,972.10	25,270.70	198.54	202.34
18-May-17	22,661	22,731	25,087.70	25,387.66	201.74	205.59
19-May-17	22,660	22,730	25,061.16	29,527.09	201.13	204.97
22-May-17	22,660	22,730	25,208.18	25,509.59	200.57	204.40

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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