



Money 360

December 13, 2016

Mr. Vi Phuc Tran

12/06/2016 – 12/13/2016

MARKET OVERVIEW

FED December Rate Decision will be announced 2a.m on Thursday (VN time). Here are the things that you should be aware of:

ECB published their plan of a continually- reduced monetary stimulus which drove EUR slightly upward against the green note. Along with the resignation of Italian Prime Minister by the failed constitutional reform Referendum, the coming outlook for Italy is not so positive as the reform means more aggressive policies to bail out the troubled economy. The EU area is simply having too many problems to tackle. Fundamentally viewing, US is a better investment alternative. EUR is currently hovering around the strong weekly support against the USD. A higher FED rate could break this support and send EUR steeply lower.

Regarding to USD/VND Exchange rate, SBV proved their determination last week of controlling the exchange rate by quoting their USD ASK price significantly lower than market price. Thanks to that, domestic speculative pressure on the exchange rate eased off. Consider the sufficient foreign reserves at hand from SBV and the coming anticipated stronger dollar, the impact of a FED rate rise should not be too serious, if any.

Gold on the other hand is experiencing a VND 4.4mln/ ounce spread between domestic and international prices. The Government is having their hand full managing VND Stability and movement, so the major correction for Domestic Gold Price is foreseeable **once the pressure on USD/ VND rate reduced**. It is reasonable to import gold and take arbitrageur profit in domestic market, particularly when the seasonal demand of Lunar New Year is approaching.

December 13th O/N Interbank rate reached 4.85% with borrower/ lender spread narrowed down to 0.1% instead of the usual 0.3%. Higher demand for funds from depository institutions was reflected clearly. Treasuries has been neglected and Open Market notes are back with 17tn issued since last Friday.

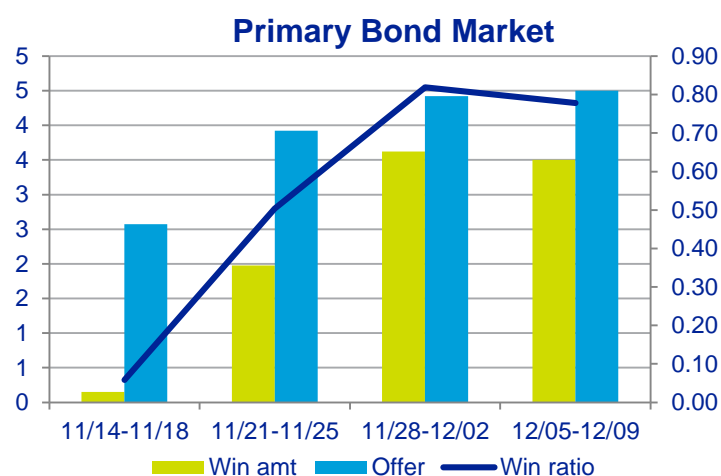
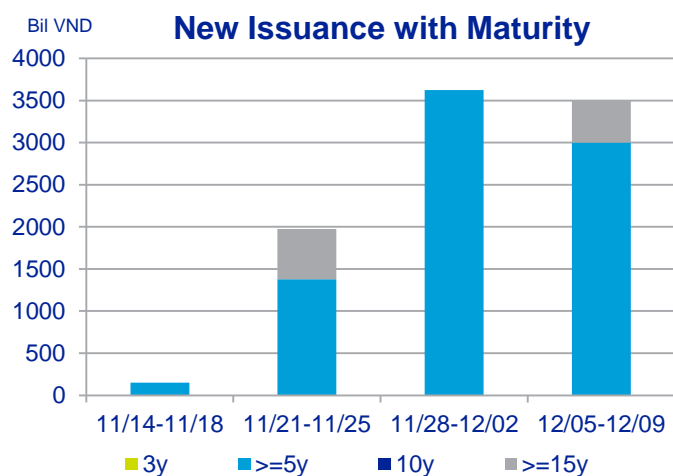
Foreign Investor went short on fixed income market for VND 150bln. Whether they would be more likely to increase buying VGB or not for the next few weeks will be seen on Thursday morning.

Another personal view regarding the FED Decision on December 14th. Futures market data as well as FOMC statements suggested a 100% chance of rate hike. Which could be the case to ensure FED's credibility. The current risks could be: US currencies and equities has been at their unusual highs, an increase in borrowing cost could strengthen the trends and the underlying expectations (The confidence toward US economic prospects). The violent correction in Trump's disappointments (if any) would be more tremendous. All the global market movements up until now are caused by sentiments and expectations, no fundamentals confirmed, nor solid economic baseline. Because reversal risk is on sight, a precautious move from FED of **delaying** the inevitable rate hike might as well be plausible.

Uk Supreme Court closed the case and announced that they would not overturn the result from the Brexit Referendum. It seems that the US Dollars would get significantly stronger if no surprises from FED and Donald Trump occurred, simply because US is currently overwhelmingly attractive in compared to the any other alternatives.

VGB-GGB MARKET

PRIMARY BOND MARKET



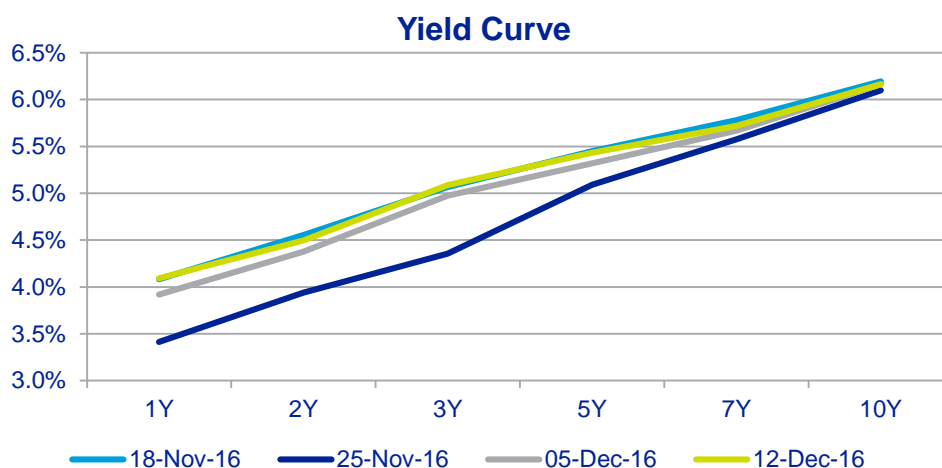
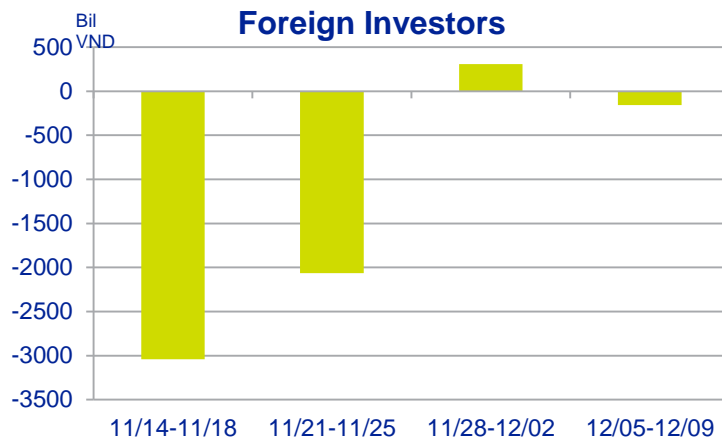
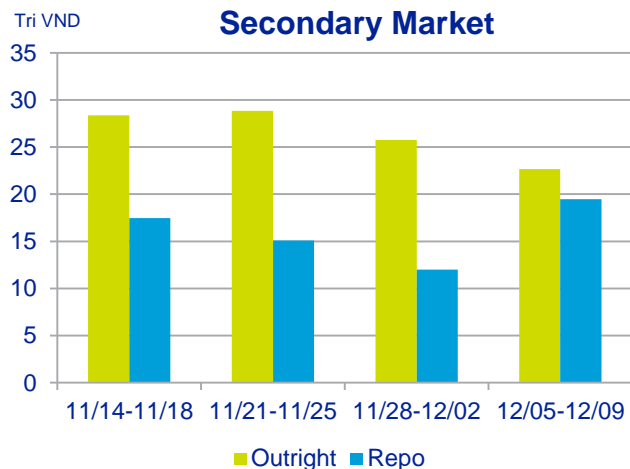
Source: HNX, ACBS

3.5TIn VGB sold last week with 5yr & 30yr terms, a decent recovery from previous weeks' idleness. Note that the yields had been increasing as a cost. VGB 5yr note is currently trading at 5.28% in compared to 5.25% most recently.

Bond Issuance Schedule This Week

12/12/2016- 12/16/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
Vietnam Development Bank	521,000,000,000	16/12/2016	16/12/2026	10
Vietnam Development Bank	1,000,000,000,000	16/12/2016	16/12/2021	5

SECONDARY BOND MARKET

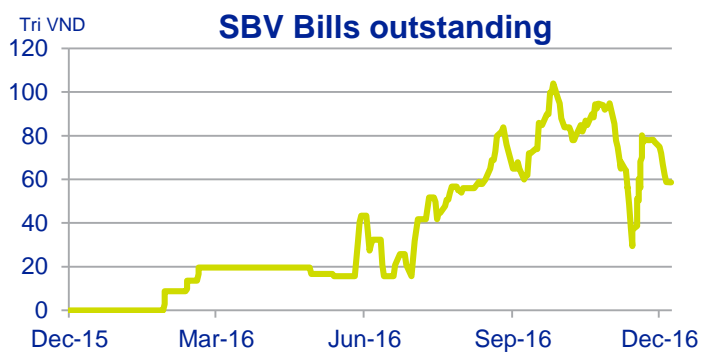
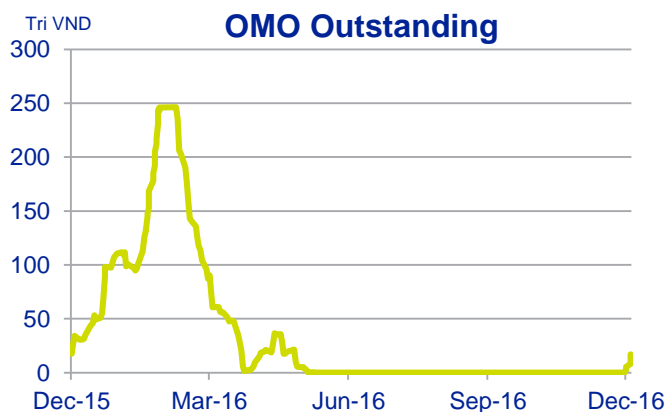
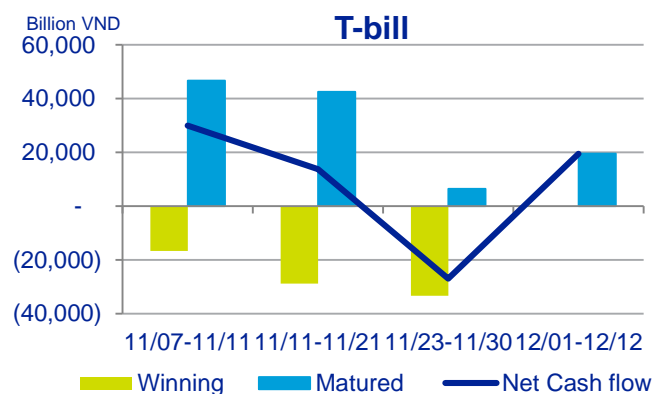
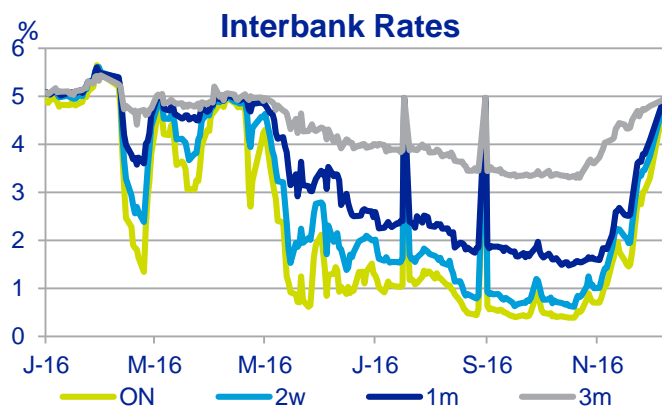


Source: HNX, VBMA, ACBS

Foreign Investor went short on fixed income market for VND 150bln. Whether they would be more likely to increase buying VGB or not for the next few weeks will be seen on Thursday morning.

Upward rise in shorter term yields since last week, back to early post US election level. The market is seeing more attractive investment alternatives than the bond market at the moment.

MONEY MARKET



Source: ACBS, Bloomberg

Outstanding T-bills dropped to 58tln as of 12th December, none were traded last week. All the long term bills had fully matured and only recently issued 14-28 day bills remained.

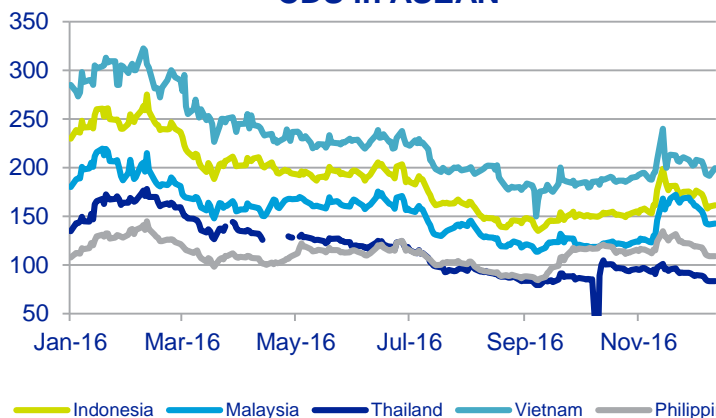
The Open Market is back with VND 17tln issued since last Friday. Against VND 3tln matured from T-bills.

It is safe to assume that we will see higher borrowing rates for the rest of 2016 and early 2017.

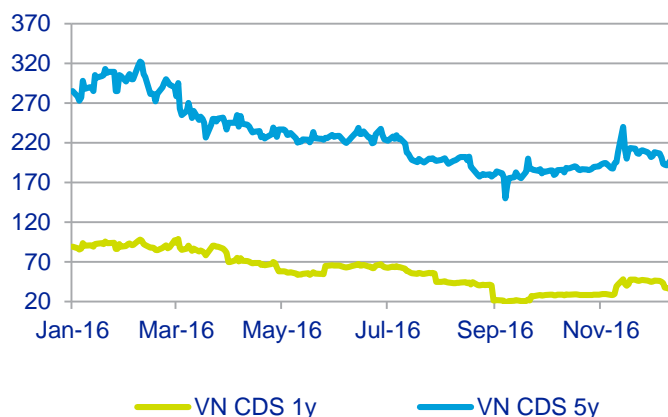
OTHER MARKETS

SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

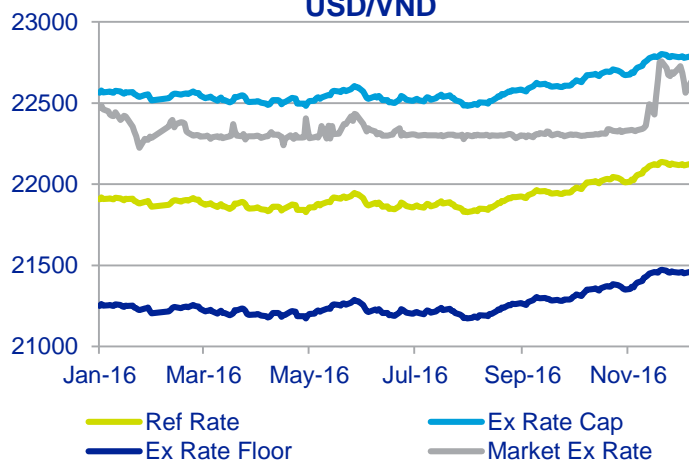


Source: Bloomberg

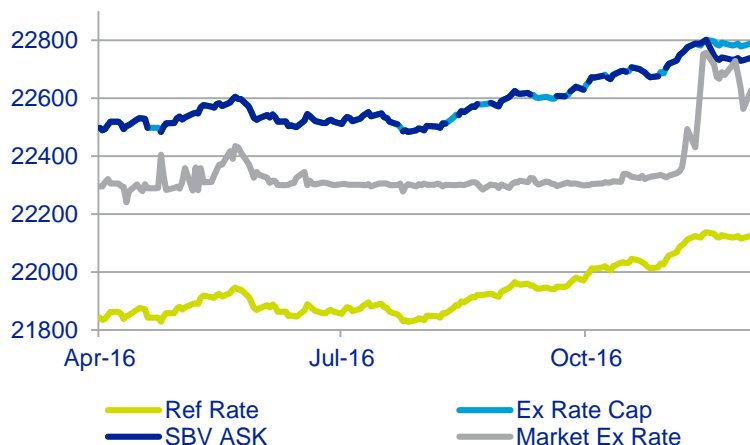
From the CDS perspective, the whole ASEAN region is now tracing back to pre- US election levels. The fundamental attractiveness are still there, only dimmed by a brighter contestant, which you already knew.

FOREX MARKET

USD/VND



USD/VND



Source: SBV, Bloomberg

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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 \$40bin the extreme case.

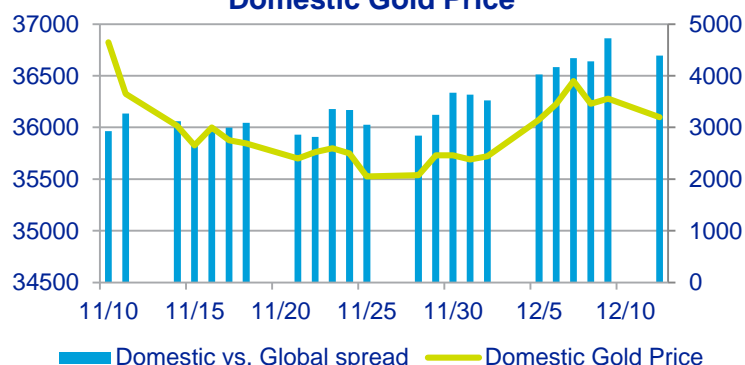
Downward risks remain for the green note, and will be more violent scenario than an upward movement. Until the day Donald Trump actually takes the White house and make his statements clear on January 8th, all the global market movements (especially USD) up until now are caused by sentiments and expectations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

GOLD MARKET

Gold Price in USD



Domestic Gold Price



Source: Bloomberg, ACB.

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APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
12/12/16	22,580	22,660	23,711.56	24,005.74	192.74	196.52
12/9/16	22,530	22,610	23,740.55	24,035.16	194.41	198.22
12/8/16	22,595	22,675	24,215.67	24,516.09	196.74	200.59
12/7/16	22,650	22,730	24,151.25	24,440.03	195.92	199.67
12/6/16	22,685	22,765	24,274.38	24,572.35	197.14	201.00
12/5/16	22,655	22,735	23,794.72	24,089.83	196.82	200.67

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

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