



Money 360

December 20, 2016

Mr. Vi Phuc Tran

12/12/2016 – 12/19/2016

MARKET OVERVIEW

FED concluded for a hawkish decision last week, and the BOJ kept the status quo earlier today.

Along with the recent terrorist- suspected attack in Germany, and the assassination of Russia's Ambassador in Turkey, the future of EU currency turns rather gloomy. Such events plus the existing weak economic fundamentals globally (excluding the US) drove the green note to record high and strengthen the underlying trend since the Election. Ceteris Paribus: The USD would not devalue anytime soon.

As a result, SBV started adjusting the USD/VND exchange rate cap upward moderately (VND 30 since last week). Though the offer price announced stays lower than the ceiling (VND 50 instead of the usual zero gap) demonstrates the SBV's resolution of pinning down the rate. USD price is expected to continue its rally in 2017 due to FED's rate path. Nevertheless, it will be a moderate rally and manageable for the SBV to control, given their abundant foreign reserves.

With the completion of VGB 2016 issuance target (VND 281tln issued), we would not see any activity yet in the bond market at least until 2017. Zero was issued last week and offered this week. As a result, transactions on Secondary market also fell.

Looking on the Yield Curve, we can see an obvious butterfly move. Shorter term yields increased rather remarkably (0.6% increased for 1Y term). The 5 and above tenors increased just slightly however, the bond traders became more pessimistic in the short term but kept their expectation highly for Vietnam's longer term growth.

Gold on the other hand is experiencing a VND 4.6mln/ ounce spread between domestic and international prices. The Government is having their hand full managing the exchange rate, 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 20th O/N Interbank rate retraced down to 4.75% from last Friday of 4.82%, 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 doubled with VND 36.8tln issued as of December 19th from VND 17tln last Monday.

Head ups for precaution purposes:

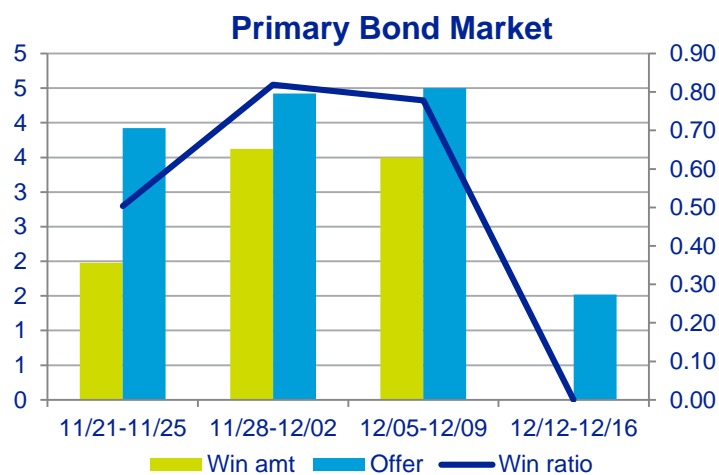
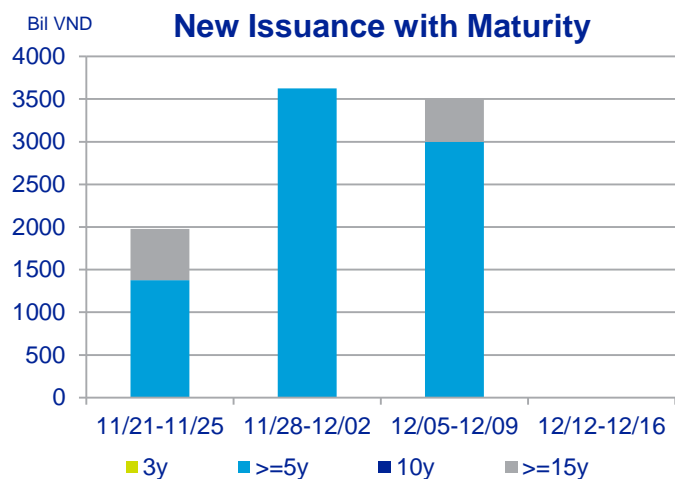
Though slightly, the USD contains reversal risks. The recent rallies are mostly caused by expectations of a Donald Trump Policy driven US economy along with Yellen's announced positive economic outlook for the US. A violent correction in Trump's disappointments (if any) would be more tremendous if he were to default on his promises and policies.

OPEC Deal: Although announced an agreement established. The production allocation details are yet published. Given the OPEC has the historical tendency to default on their agreements and the risks that the US would offset the deal by producing at their full capacity (shall be initially reflected by this Thursday's Crude Inventory Statistic). I would recommend to beware of Oil Market.

The Holliday season is just around the corner; we wish you a Merry Christmas.

VGB-GGB MARKET

PRIMARY BOND MARKET



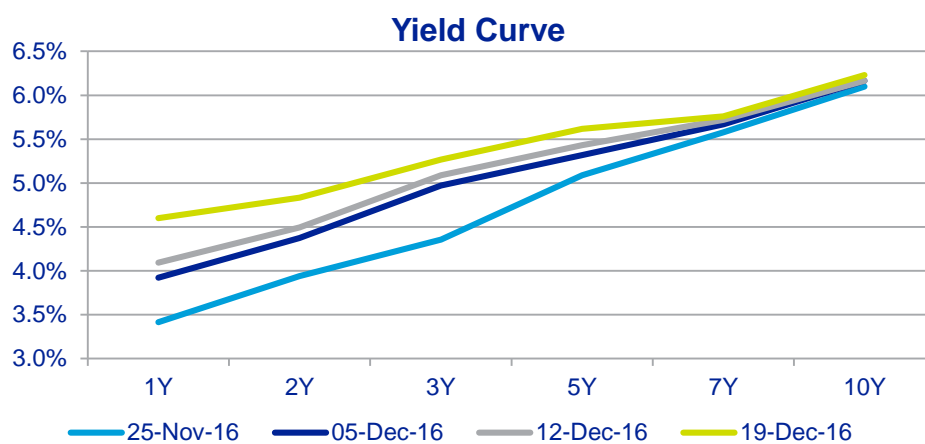
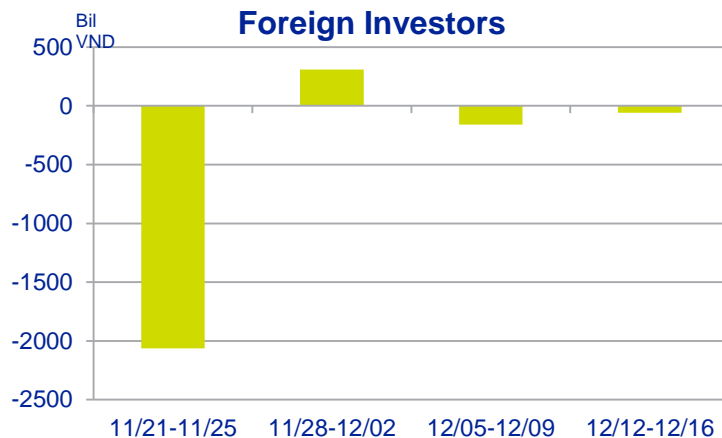
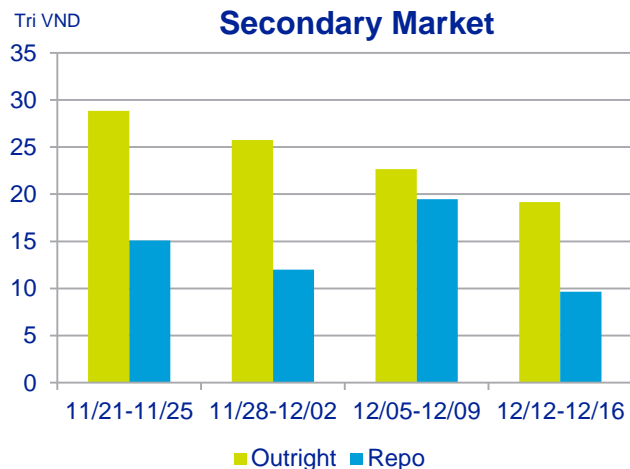
Source: HNX, ACBS

With the completion of VGB 2016 issuance target (VND 281tln issued), we would not see any activity yet in the bond market at least until 2017. Zero was issued last week and offered this week.

Bond Issuance Schedule This Week

12/19/2016- 12/23/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
-	-	-	-	-

SECONDARY BOND MARKET

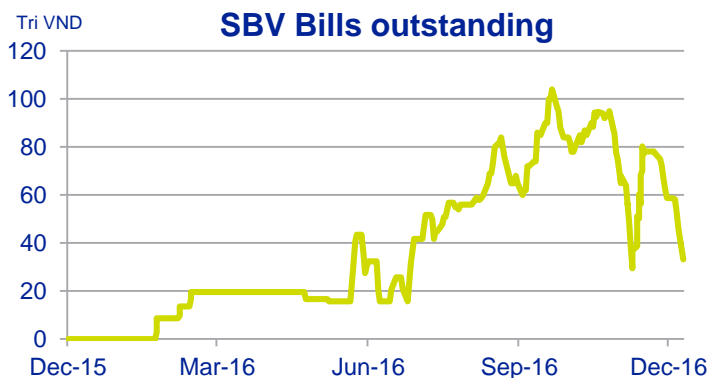
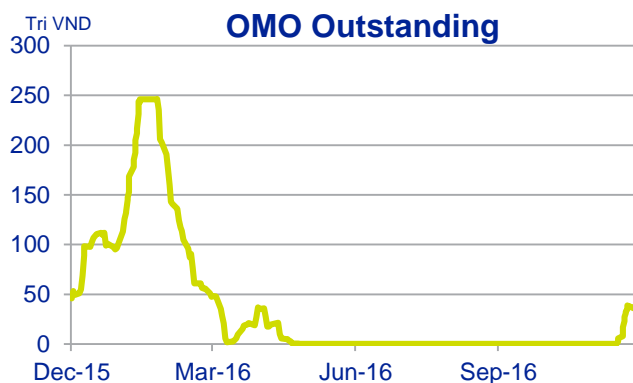
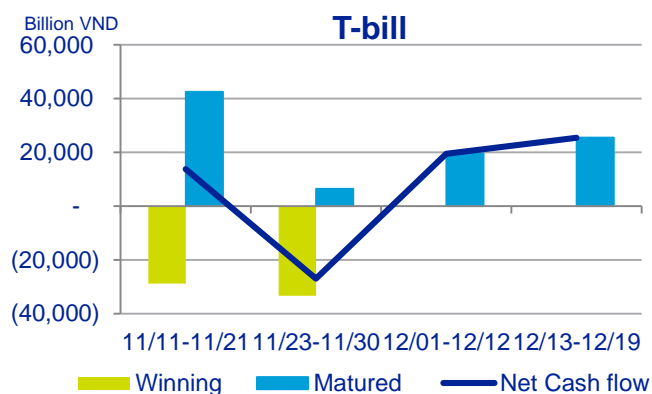
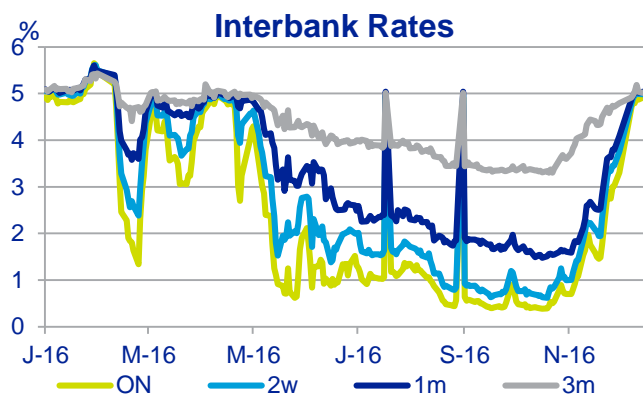


Source: HNX, VBMA, ACBS

As a result, transactions on Secondary market also fell. Considering last month's trillions sell off from foreign investors, this week 50bn sold can be seen as a profit taking nip.

Looking on the Yield Curve, we can see an obvious butterfly move. Shorter term yields increased rather remarkably (0.6% increased for 1Y term). The 5 and above tenors increased just slightly however, the bond traders became more pessimistic in the short term but kept their expectation highly for Vietnam's longer term growth.

MONEY MARKET



Source: ACBS, Bloomberg

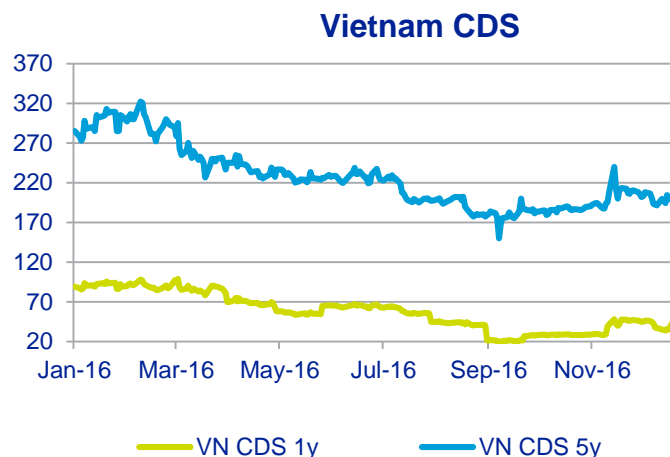
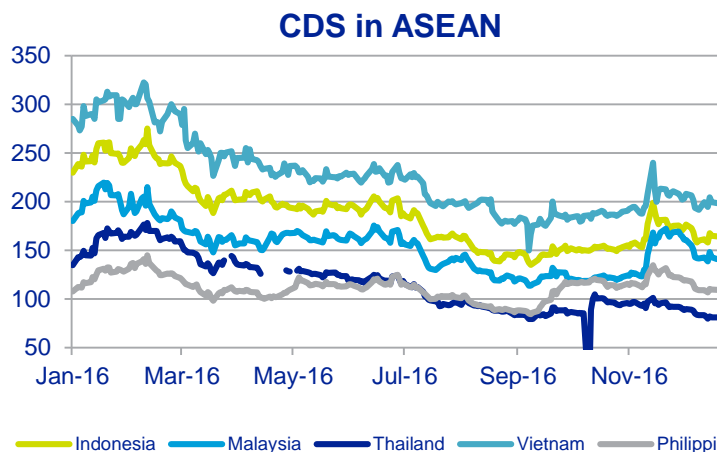
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Treasury notes dropped to 33tln, none issued last week.

It is safe to assume that we will see higher borrowing rates for early 2017.

OTHER MARKETS

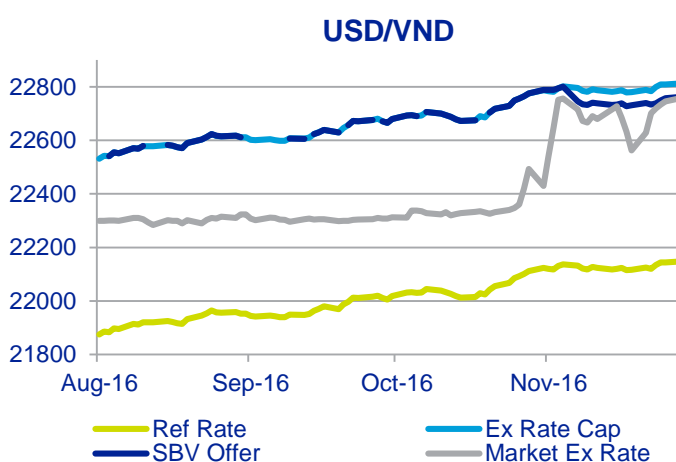
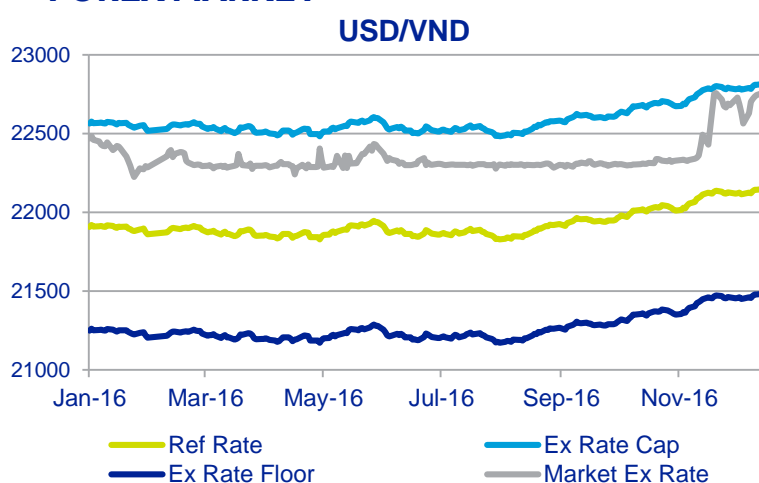
SOVEREIGN CDS



Source: Bloomberg

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

FOREX MARKET



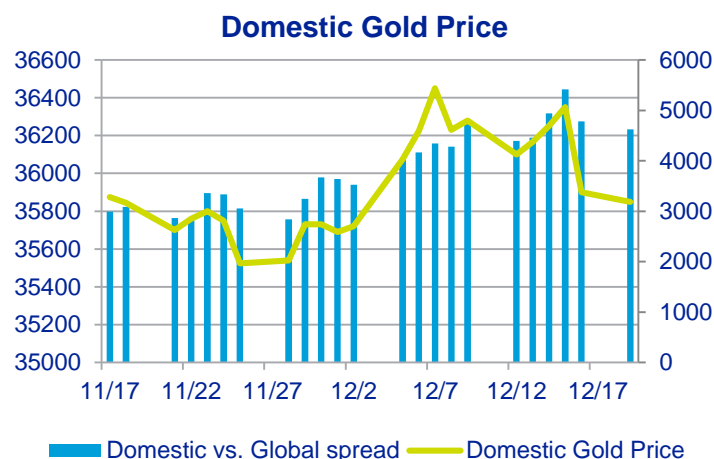
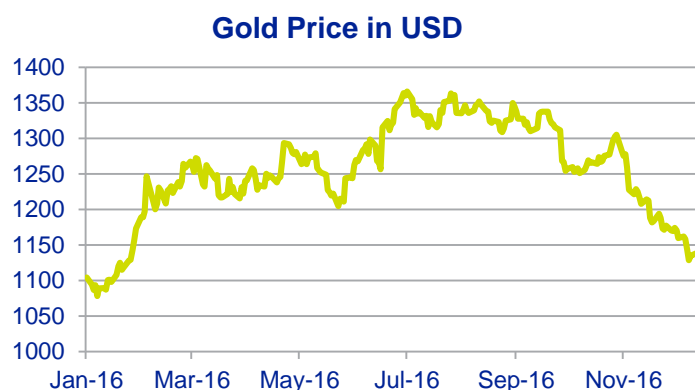
Source: SBV, Bloomberg

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GOLD MARKET



Source: Bloomberg, ACB.

Gold on the other hand is experiencing a VND 4.6mln/ 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.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
12/19/16	22,715	22,785	23,659.58	23,942.41	191.56	195.21
12/16/16	22,705	22,775	23,504.78	23,886.36	189.26	193.69
12/15/16	22,700	22,770	23,657.36	24,064.99	190.55	195.05
12/14/16	22,670	22,750	23,985.57	24,272.33	194.55	198.27
12/13/16	22,640	22,720	23,953.95	24,240.35	194.12	197.83
12/12/16	22,600	22,680	23,749.77	24,044.38	192.61	196.39

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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