



Money 360

December 27, 2016

Mr. Vi Phuc Tran

12/20/2016 – 12/27/2016

MARKET OVERVIEW

Concluding the last financial week of 2016 was the sluggishness of the bond market, zero VGB was issued for 2 weeks, followed by foreign investor sell off of VND 400bln last week. For this week, we are seeing earlier than expected VGB issuance of 5, 15 and 30yr tenors for total of VND 5tln.

Equally worth noticing, outstanding T-Bills and OMO are reducing to their considerable low levels (VND 6tln and VND 14tln respectively) when compared YTD, outstanding OMO was 68tlns back in December 2015 and T bills was fully matured around the same period. Interbank rates also cooled off 1% O/N term down to 3.88% as of December 16th against 4.7%-5% range back in 2015. Depository institutions are hoarding up funds between themselves. We might see impressive credit growth for Q4 2016 or Q1 2017.

SBV kept adjusting the USD/VND exchange rate cap upward (if you count the VND 4 increase). Though the offer price announced remains lower than the ceiling (VND 50 instead of the usual zero gap) and SBV offer price is nearly on par with free market USD price. The moment they do, we would either see the domestic currency slide (beneficial for exports) or foreign reserves to kick in until domestic speculation on USD ease off. Ceteris Paribus: USD wont devalue anytime soon.

Improved from last week, yield curve moved downward for shorter terms from last week, bond views are more pessimistic in the short term but kept their expectation high for Vietnam's longer term growth.

Gold, VND 4.8mln/ ounce spread between domestic and international prices (VND 5.2mln last Thursday). The major correction for Domestic Gold Price is foreseeable **once the pressure on USD/ VND rate reduced**. So it is wise to stay off Gold in domestic market. Internationally however, gold presents a **speculative opportunity**, given its relatively low price around the monthly support level of \$1050.

Head ups for precaution purposes:

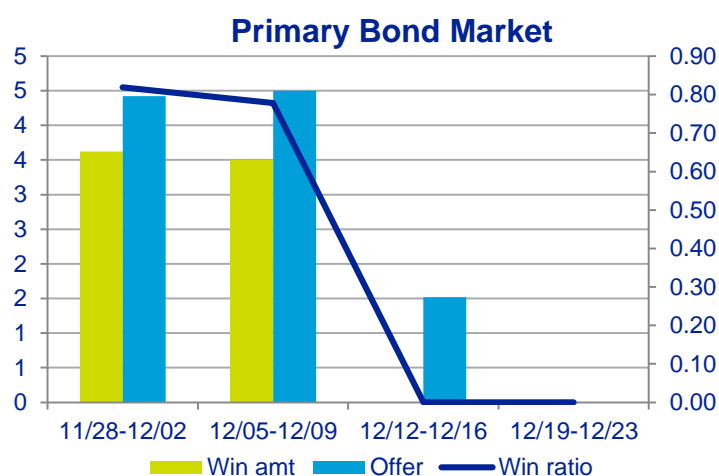
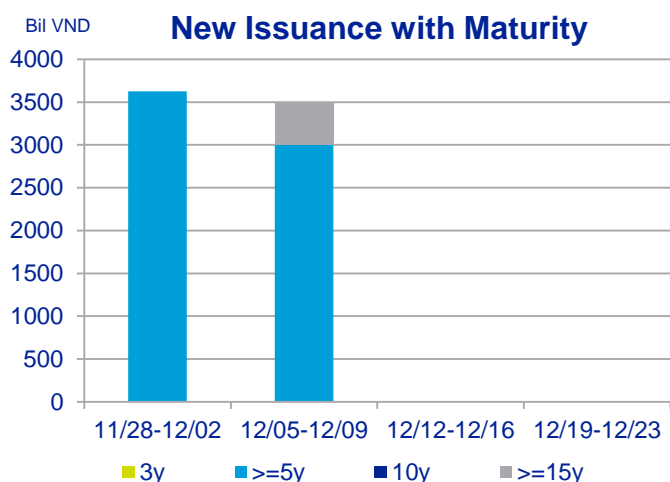
Though slightly, the USD contains reversal risks. The recent rallies are mostly caused by expectations of a Donald Trump Policy driven US economy along with Yellen's announced positive economic outlook for the US. A violent correction in Trump's disappointments (if any) would be more tremendous if he were to default on his promises and policies. His first remark as the head of the Whitehouse is January 8th.

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.

With all that, enjoy your holidays, we will see you in 2017

VGB-GGB MARKET

PRIMARY BOND MARKET



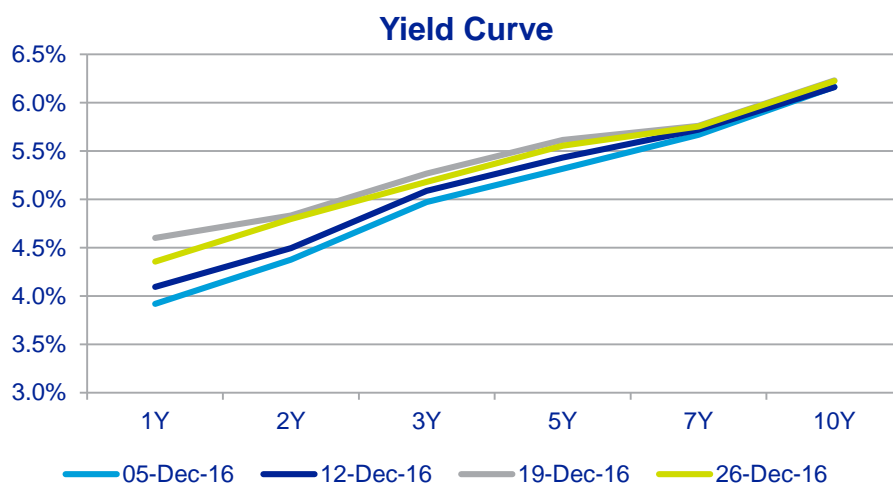
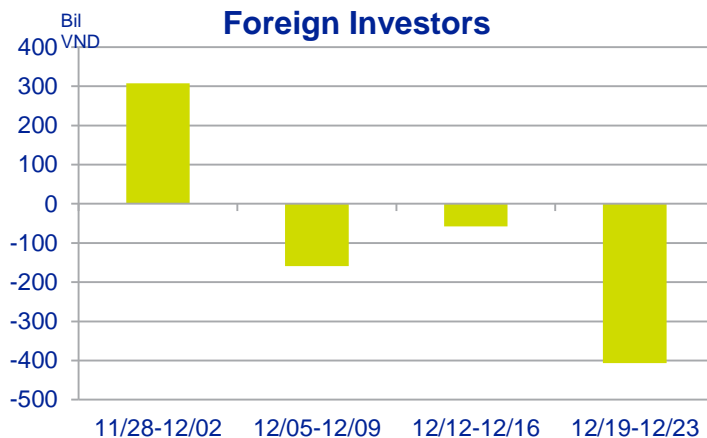
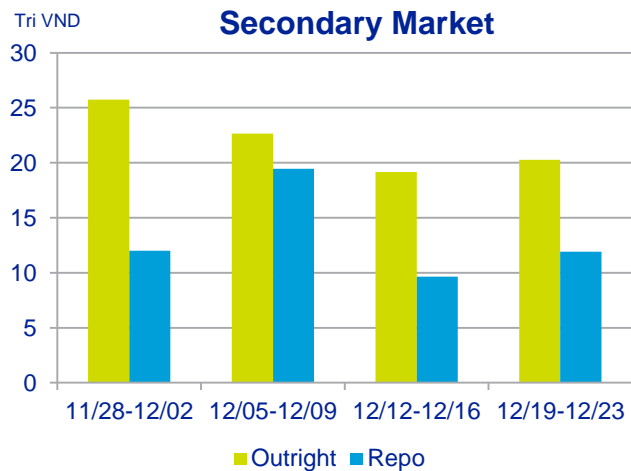
Source: HNX, ACBS

With the completion of VGB 2016 issuance target (VND 281tln issued), zero VGBs was issued for 2 weeks. Last week of 2016, we are seeing earlier than expected VGB issuance of 5, 15 and 30tyr tenors for total of VND 5tln.

Bond Issuance Schedule This Week

12/26/2016- 12/30/2016				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
The Vietnam Development Bank	521,000,000,000	30/12/2016	30/12/2026	10
The Vietnam Development Bank	1,000,000,000,000	30/12/2016	30/12/2021	5
State Treasury	1,000,000,000,000	29/12/2016	15/09/2031	15
State Treasury	1,000,000,000,000	29/12/2016	13/10/2046	30
State Treasury	2,000,000,000,000	29/12/2016	24/11/2021	5

SECONDARY BOND MARKET



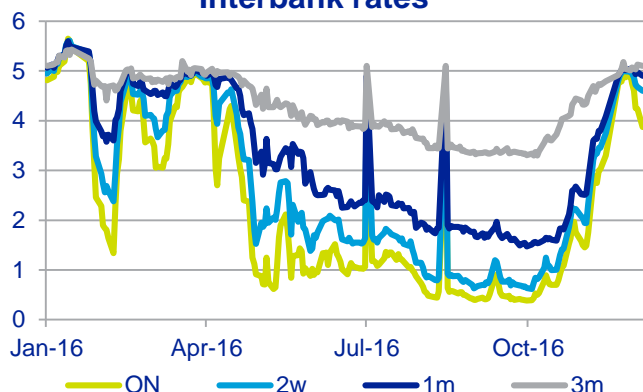
Source: HNX, VBMA, ACBS

Improved from last week, yield curve moved downward for shorter terms from last week, bond views are more pessimistic in the short term but kept their expectation high for Vietnam's longer term growth.

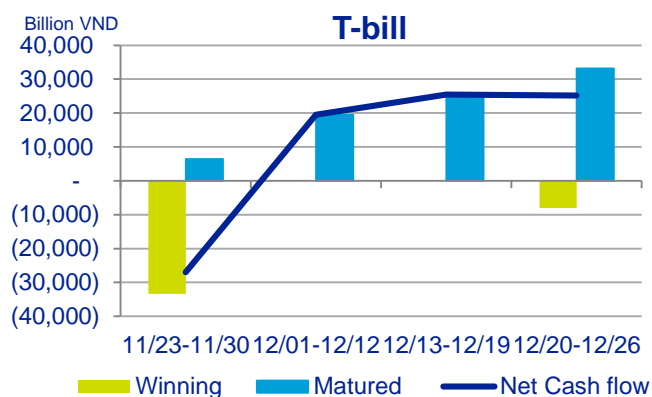
Putting the yield curve in perspective, it seems that the VND 400bln sell off from foreign investors might be a forming trend.

MONEY MARKET

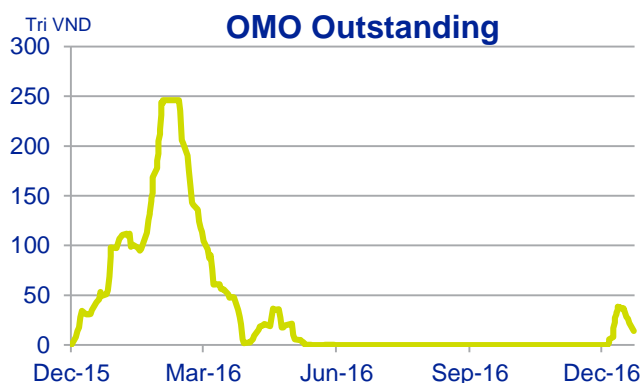
Interbank rates



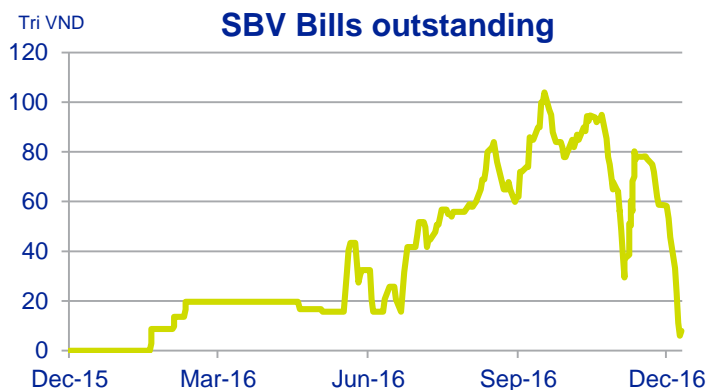
T-bill



OMO Outstanding



SBV Bills outstanding



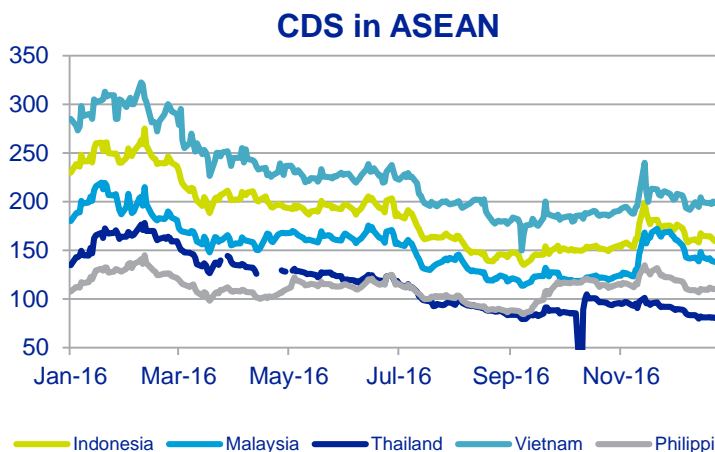
Source: ACBS, Bloomberg

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We might see impressive credit growth for Q4 2016 or Q1 2017.

OTHER MARKETS

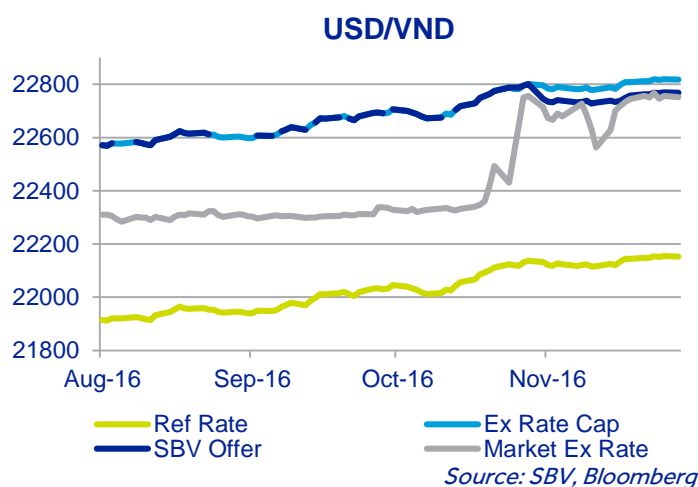
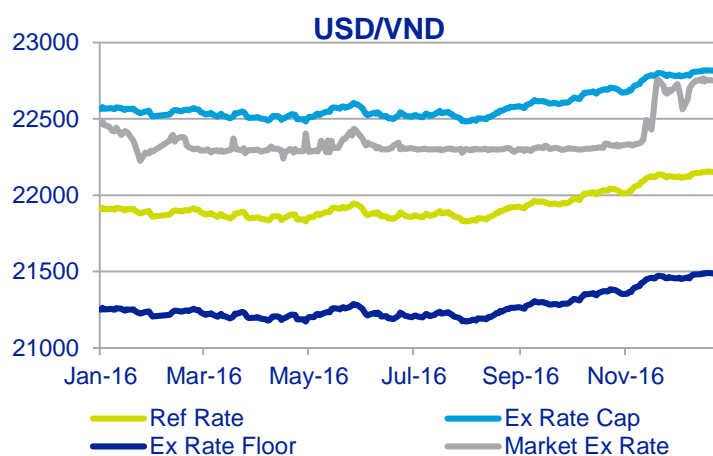
SOVEREIGN CDS



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

SBV kept adjusting the USD/VND exchange rate cap upward (if you count the VND 4 increase- SBV is keen on pinning the rate). Though the offer price announced remains lower than the ceiling (VND 50 instead of the usual zero gap) and SBV offer price is nearly on par with free market USD price. The moment they do, we would either see the domestic currency slide (beneficial for exports) or foreign reserves to kick in until domestic speculation on USD ease off.

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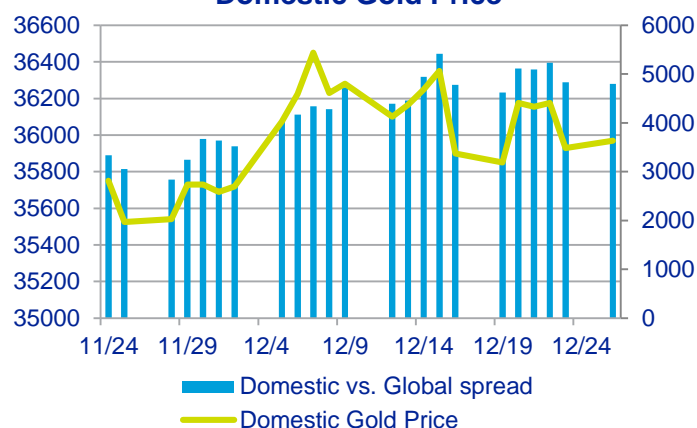
Ceteris Paribus: USD wont devalue anytime soon.

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
12/26/16		22,720	22,790	23,630.88	23,913.37	191.64	195.31
12/23/16		22,720	22,790	23,589.55	23,871.54	190.96	194.62
12/22/16		22,720	22,790	23,573.74	23,855.54	190.65	194.30
12/21/16		22,720	22,790	23,493.05	23,773.88	190.57	194.21
12/20/16		22,720	22,790	23,452.37	23,732.73	190.41	194.05
12/19/16		22,715	22,785	23,659.58	23,942.41	191.56	195.21

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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