Money 360

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By: Vi Phuc Tran

MARKET OVERVIEW

2017 was a successful year in terms of economics development: GDP grew (6.8% versus 6.7% target), CPI came out 3.53% Yoy-well below Administration's cap. Net export of USD 2.7bln with record high trading volume of USD 400bln, most benefited from the stable and declining VND/USD exchange rate.

Also noticeable is the credit market. The Administration raised banking sector's credit growth ceiling from 18% to 22%, allowing major banks to push lending above 18%. Such monetary stimulus policy was one of the main driver of domestic GDP in 2017. With loosen credit conditions: financial institutions boosted their lending activities to record high since 2012, which led to their year long impressive profit and stock performances.

Here's the risks: VND 700 trillion injected into the economy throughout 2017 without showing up onto the CPI (yet, if we exclude the January's figures that was rationalized as seasonal effect). At this moment, most credit institutions are showing signs of cash hoarding (no VGB purchases, stable and low interbank rates with moderate seasonal (lower when compared YoY) surge in T-bills holding and nearly zero OMO bills circulating. Deposit rates are also slowly rising last checked. The big question is: When will CPI and lending rates start to pick up? A wild guess would be 2018 Q3 at the latest.

Thus, two possible scenarios: Either we'll have a moderate CPI level with no rush to increase the lending rates, at the cost of financial sector's narrower profit margin, or we will have an overheated economy thus higher borrowing cost by the later half of the year.

The other point to be concerned would be the equity market, grew to 60% of GDP in 2017 with rapidly increasing turnover. The growth of risky assets investment enhanced by current monetary stimulus is rather unstable, any surge in borrowing rate would create a downward pressure on equity market's margin. A milder vision is strong downward movements on banking stocks that affect general sentiments.

The already rising commodity prices could also be another dragging factor to our economy (Crude went up 16%, rice up 30%, steel up 19%, Coal up 30%, etc. The advantage of a cheap US dollar on our export would soon be diminished as the FED is currently going hawkish. 2018 might thus be a slow year compare to 2017

Potential investment opportunities for 2018 might be Utilities sector of Vietnam (Electricity, water, etc.) from the essential nature of them and considerable large recent FDI inflows into these sectors. Record high current account activities suggests a possible investment for logistic stocks (international shipping, warehousing, etc..), which related to retails and services, pharmacy (being the major lead In CPI components). Shorter term (until H2 2018) would be banking sectors (please beware of the stated risks).

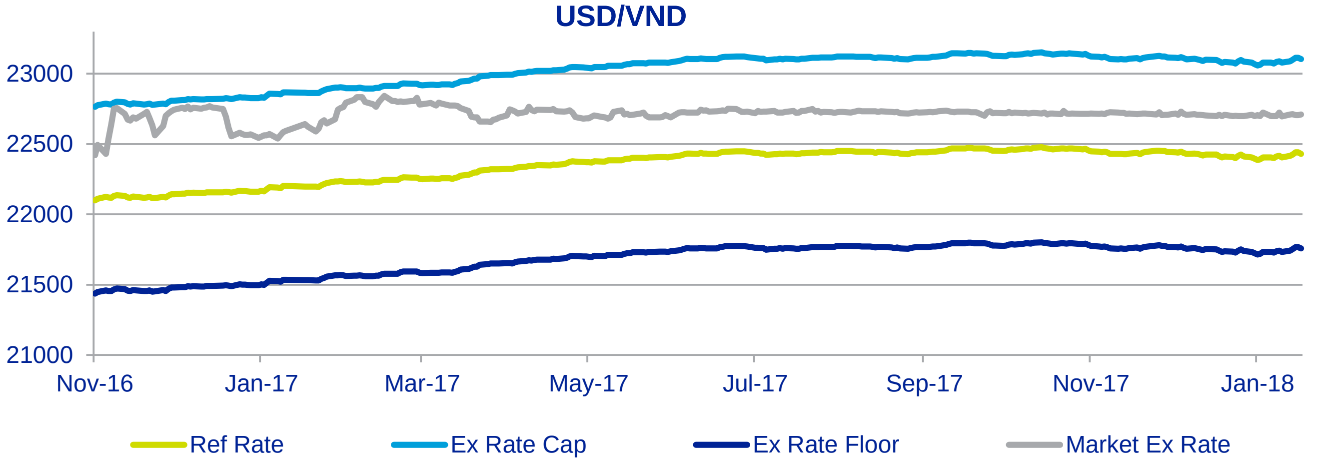
Internationally speaking, we are seeing possible surges of USD, Gold, JPY and downward risks from the EUR and GBP. Reasons being: FED's rate hike path can lead to USD appreciation, recent weeks of financial turbulences (including cryptos) caused demands for safe haven (E.g. Gold, JPY), BOJ recent statements also signal chances of tapering that made the JPY surged against US Dollars.

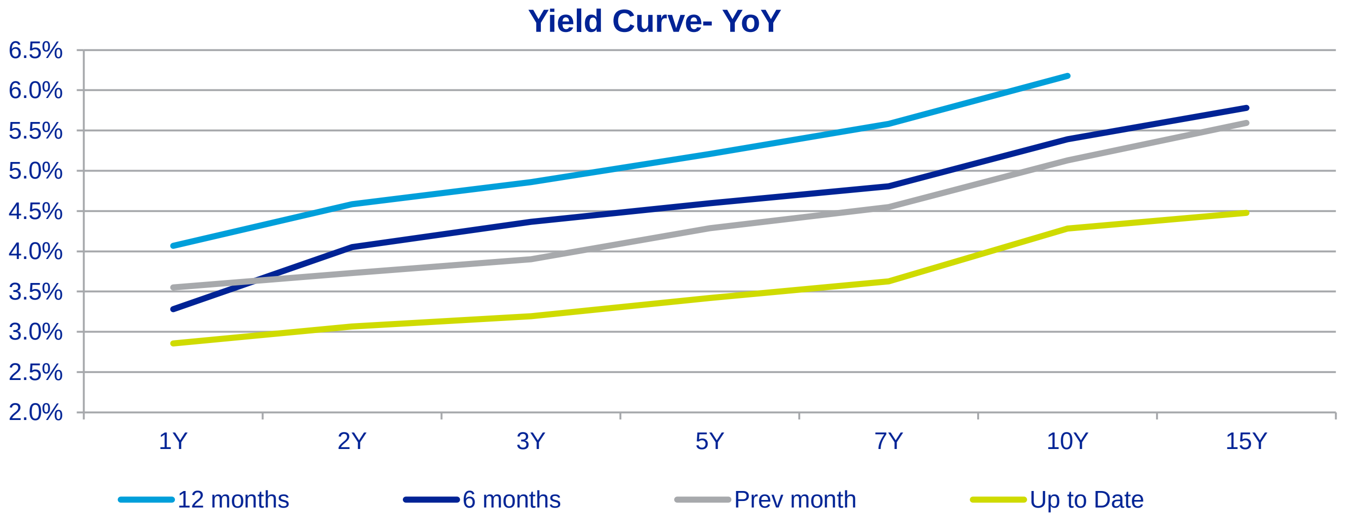
Ceteris paribus: 2018 should not be a booming year like 2017, the equity market might see some big corrections on the uptrend. We shall have either a slower but soundly growing economy, or a slightly overheated one, downward risks are yet to be imminent.

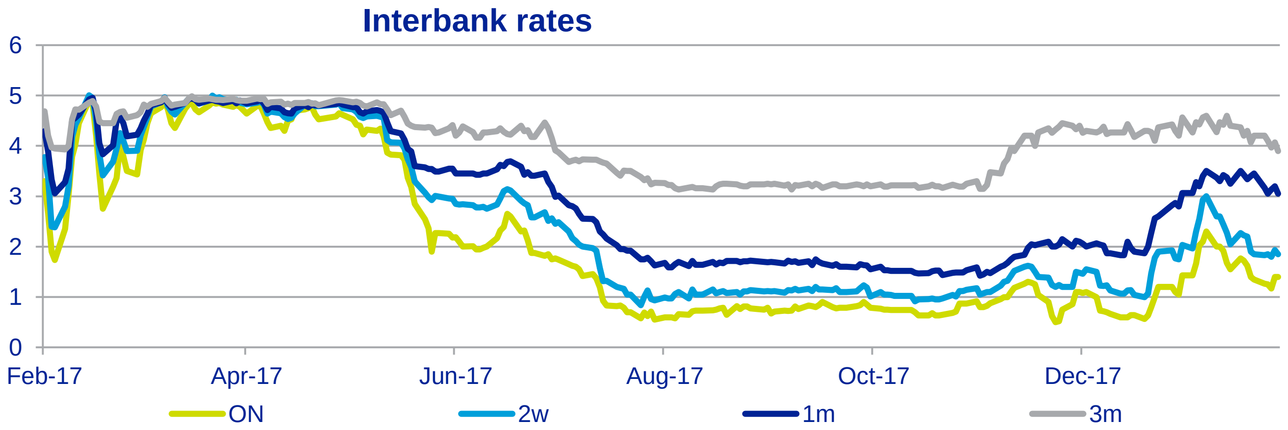
This is a short note of macro headups prior 2018, next issues shall be more detailed on commodities and other topics. Thank you.

Vietnam Money market

Domestic exchange rates, Interbank rates and Yield curve



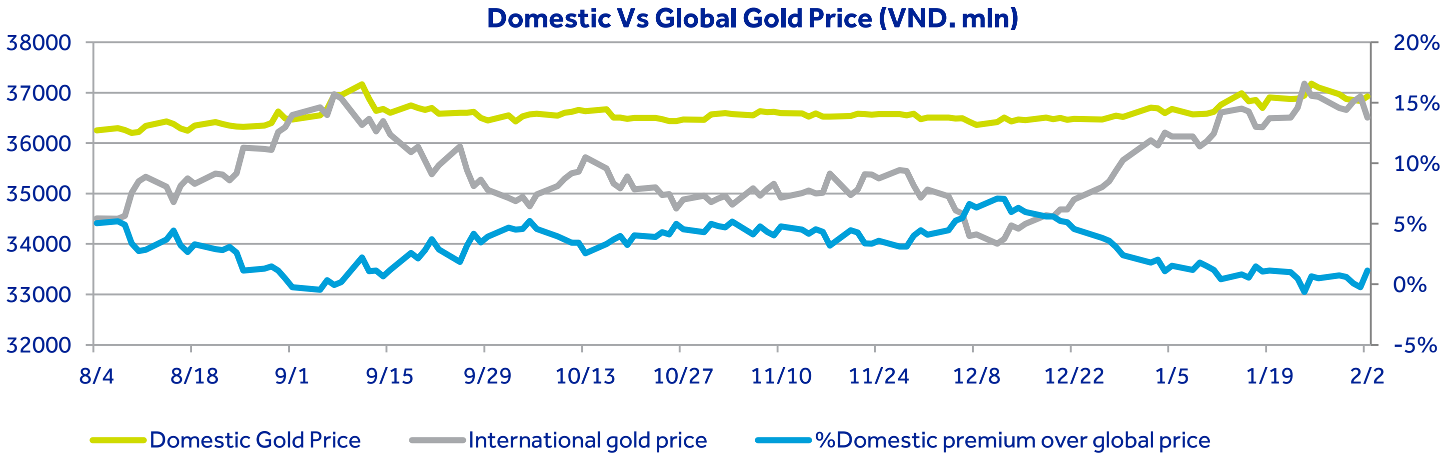


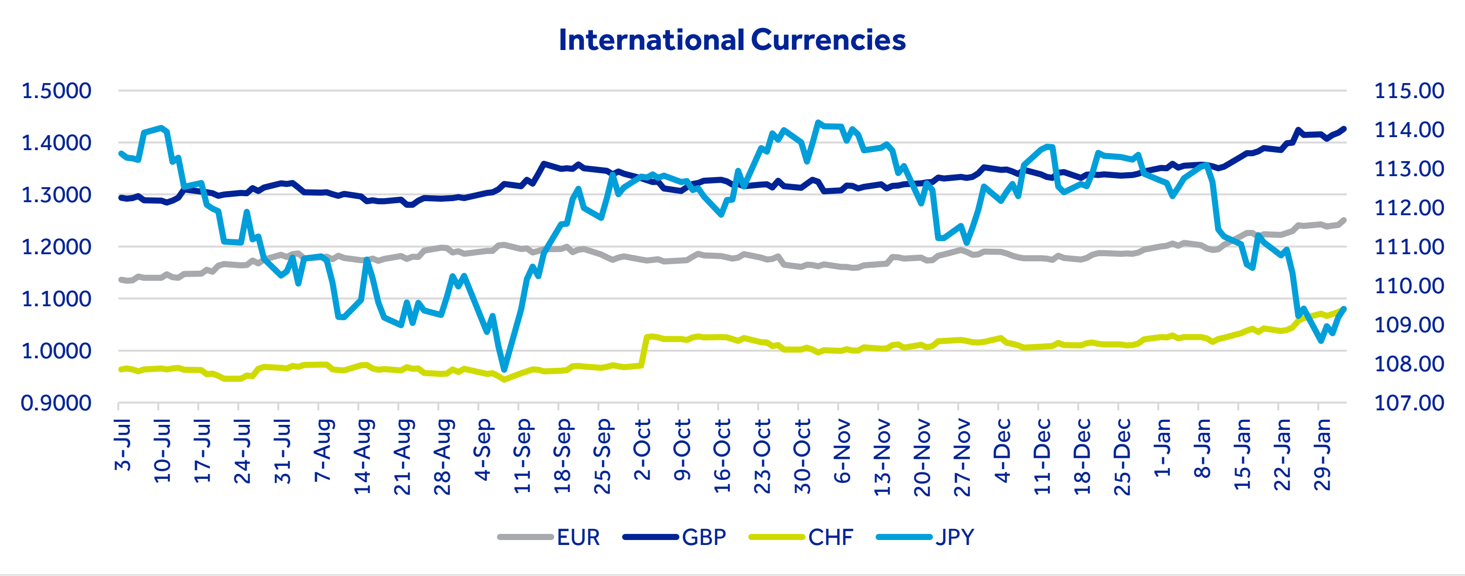


Stable USD/VND exchange rates through out 2017, which benefited greatly to our exports. There were no major pressures on the exchange rate management.

Flatter and lower yield curve over a year, we are deemed as a sound and stable economy. Low interbank rates indicate a fund abundant financial sector

Gold and Currencies





Source: Bloomberg, ACBS

Eco- politic disputes caused gold to appreciate, recently enhanced by the fall of cryptos market, at the very least, we shall see a strong rise in domestic gold price during the early months. The gold premium would not stay near zero for too long.

Swiss franc and JPY has more upward potentials, in contrast to EUR and GBP. USD is overall viewed as appreciating

CONTACTS

Ho Chi Minh City Head Office
41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

Hanoi Office
10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24)3942 9407

RESEARCH DEPARMENT

Manager – Fundamental Analysis
Gigi Nguyen Binh
(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Associate – Consumer-related, Technology
Chi Luong
(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

Associate – Steel, Logistics, Agri, Power
Yen Tran
(+84 28) 3823 4159 (x326)
yentran@acbs.com.vn

Associate– Property
Truc Pham
(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

Analyst – Consumer-related, Technology
Trung Tran
(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Analyst – Steel, Power
Cuong Nguyen
(+84 28) 3823 4159 (x218)
cuongnt@acbs.com.vn

Analyst– Oil & Gas
Hung Phan
(+84 28) 38234159 (x354)
hungpv@acbs.com.vn

Analyst – Macro, Bonds, Technical.
Vi Phuc Tran
(+84 28) 3823 4159 (x250)
phuctv@acbs.com.vn

Analyst – Industrials
Minh Trinh
(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

Analyst – Technical
Phuoc Luong
(+84 28) 3823 4159 (x250)
phuocld@acbs.com.vn

Director - Head of Institutional Client
Tyler Cheung
(+84 28) 54 043 070
tyler@acbs.com.vn

Senior Associate Institutional Client
Hung Dang
(+84 28) 3823 4798
hungdm@acbs.com.vn

Senior Associate Institutional Client
Diep Phan
(+84 28) 3823 4159 (x307)
diepph@acbs.com.vn

Manager - Trading
Hanh Huynh
(+84 28) 5404 6632
hanhhtm@acbs.com.vn

Trader
Hang Nguyen
(+84 28) 38234160
hangnx@acbs.com.vn

Trader
Thanh Tran
(+84 28) 54046626
thanhtt@acbs.com.vn

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