



Money 360

January 10, 2017

Mr. Vi Phuc Tran

01/03/2017 – 01/09/2017

MARKET OVERVIEW

Brexit is now coming to light, Theresa May announced on Jan 8th that the UK would separate themselves from the EU in terms of migration, thus restricted labor movements for the start. And at the same time hoping to maintain commercial benefits with the EU (which is most likely to be denied by the EU members). Sterling plunged further against the USD since. Euro and Sterling are most likely to remain low against the greenback.

China sent Bitcoin to a 15% decline after a 23% surge within a week, the implied expected regulations regarding the usage of crypto currency were to restrict the outflow of domestic yuan as the economy's hardly picking up their pace. 2016 marked the massive USD outflows from China Foreign Reserves to support the domestic currency, which can only decelerate the inevitable. Note that China's Housing Fiesta has cooled down, the excess construction materials (steel/ cement, etc) thus become export- profitable by the low Yuan. So it is wise to beware of the price- competitive commodities that they can flood the market with.

So far, the announced reports suggested that the OPEC deal stands. Iraq and Russia claimed that they have so far fulfilled their parts. Here are the risks:

1-It is practically impossible to monitor all OPEC member's rigs, ships and storages without a considerable time lag, hence we cannot actually verify their claims. 2- The US is an oil exporter themselves and didn't commit to the pact, we need to observe their (conveniently) frequent oil statistics.

With the global scenario as it is, gold recovered as demand for safe haven rises. Domestically, gold traded at VND 4mln price spread from international contracts.

VND 3tln worth of VGB offered last week, 7% (VND 200bln) issued in 15y term, this week issuance of 5,7 and 30Y term with VND 1tln each could provide us a glimpse of the moving trend. In the meantime, Yield curve inclined slightly in shorter terms.

Outstanding T-Bills hits zero as OMO reached 30tln. Recalling to January 2016, OMO traded around VND 100tln level, the seasonal fund shortage exists at a more manageable level. With O/n Interbank rate approached 4.75% against 3.51% last day of 2016, we can assume that Depository institutions are loading themselves in preparation for Tet Holidays.

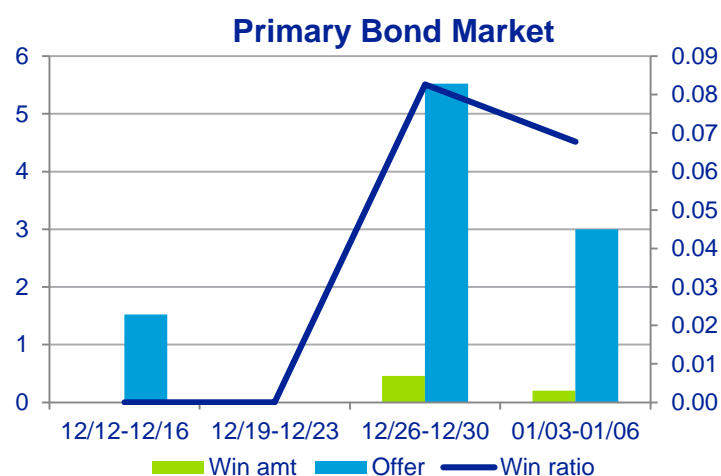
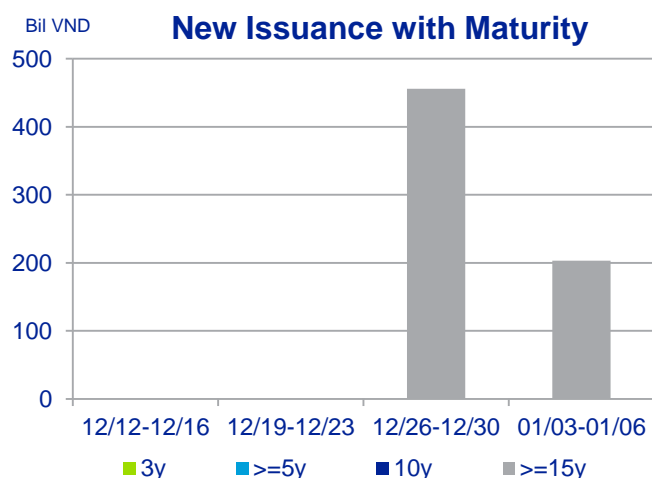
Divergence in the USD/VND market when SBV offer price (VND 22.783) and ceiling price (VND 22.833) increased slightly while market price (internationally and domestically) dropped significantly from various possible reasons (domestic speculations eased off, Trump trades decelerated, international settlements at the end of 2016...). Bottom line: The pressures from USD/VND exchange rate has cooled off for the moment, it is possible that the SBV would start stacking in more reserves and target the gold market (VND 4mln international- domestic price spread).

As a matter of fact, SBV increased their purchase price for the green note up to VND 22.575 to support the VND from appreciation further (USD/ VND fell down to 22.560 on free market the previous day). For that, the concerns regarding national reserves eased away along with the exchange risks for foreign investors, we can expect better foreign investment flows for upcoming periods

Donald Trump is taking the Whitehouse in 10 days, his first remark as the US' newest nuclear launch code holder could drive up volatilities in all global markets. We should be paying attention.

VGB-GGB MARKET

PRIMARY BOND MARKET



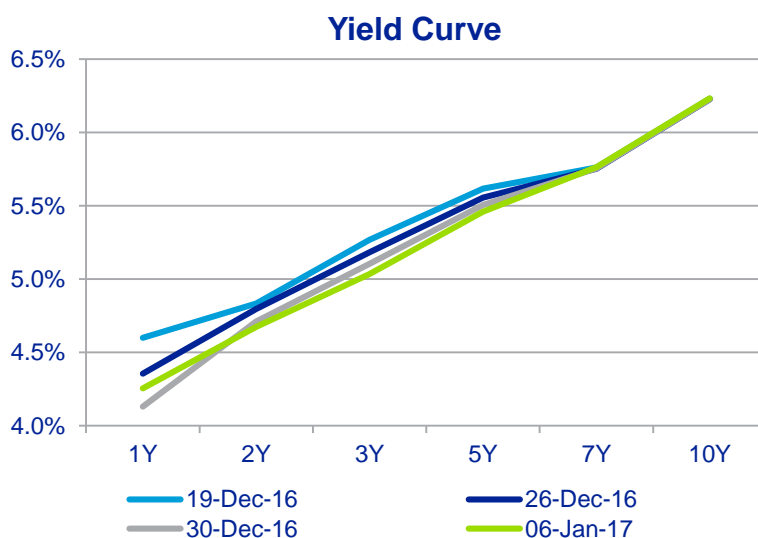
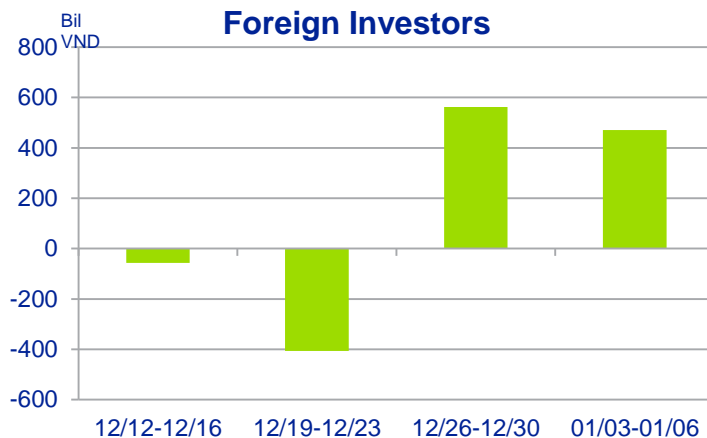
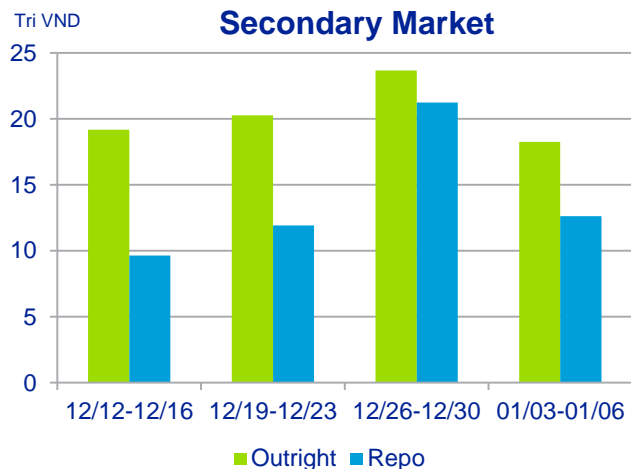
Source: HNX, ACBS

VND 3tln worth of VGB offered last week, 7% (VND 200bln) issued in 15y term, this week issuance of 5,7 and 30Y term with VND 1tln each could provide us a glimpse of the moving trend. In the meantime, yield curve inclined slightly in shorter terms.

Bond Issuance Schedule This Week

1/9/2017 - 1/13/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	1,000,000,000,000	12/01/2017	12/01/2022	5
State Treasury	1,000,000,000,000	12/01/2017	12/01/2024	7
State Treasury	1,000,000,000,000	12/01/2017	12/01/2047	30
The Vietnam Development Bank	300,000,000,000	10/01/2017	10/01/2032	15
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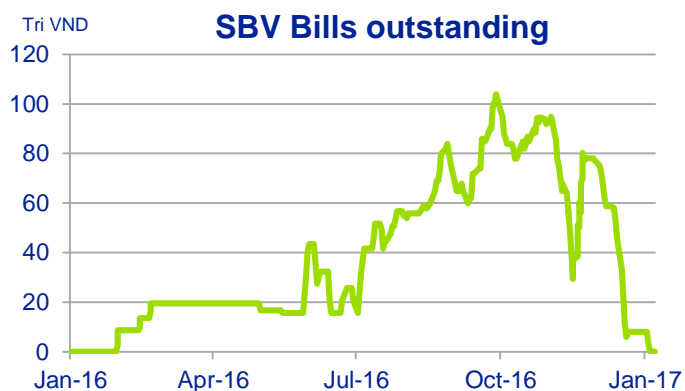
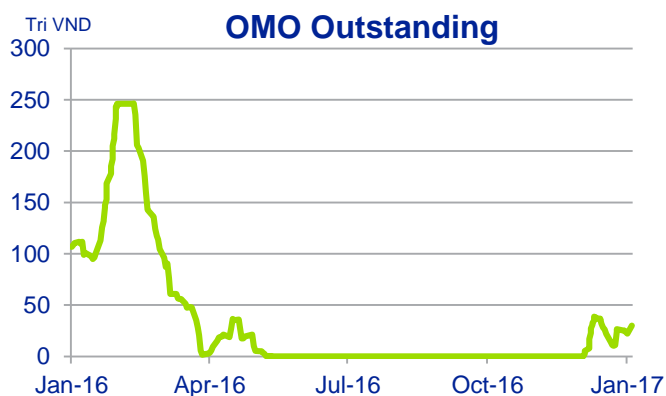
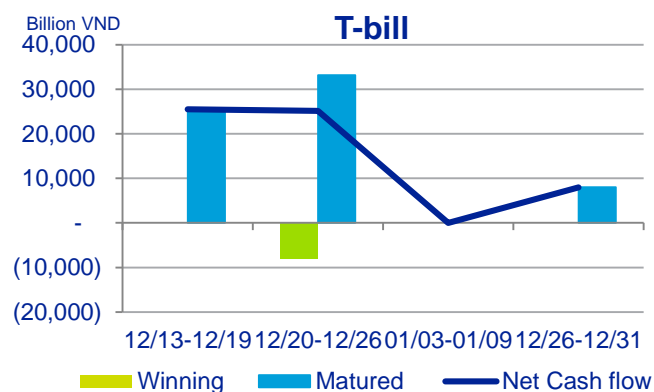
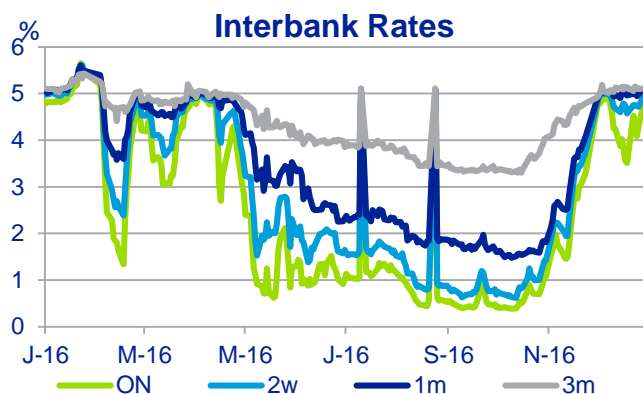
SECONDARY BOND MARKET



Source: HNX, VBMA, ACBS

As stated before, the expectations for Vietnam longer terms growth remains high, evidenced by the stability of longer term yields and the fluctuations (and recovery) of shorter term yields (inclined slightly in shorter terms last week). Foreign investors kept purchasing last week with smaller volumes.

MONEY MARKET



Source: ACBS, Bloomberg

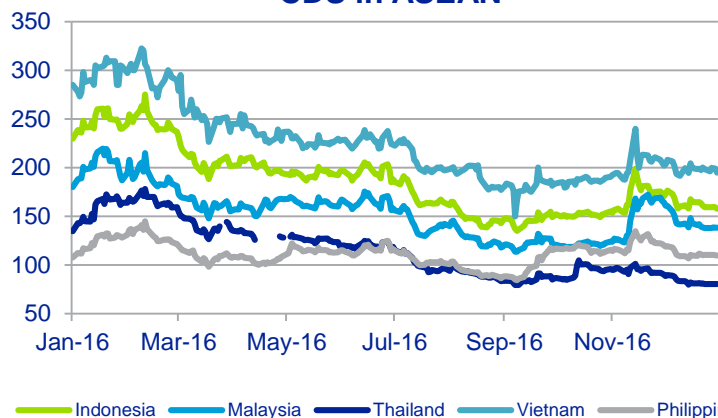
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We might see impressive credit growth for Q1 2017.

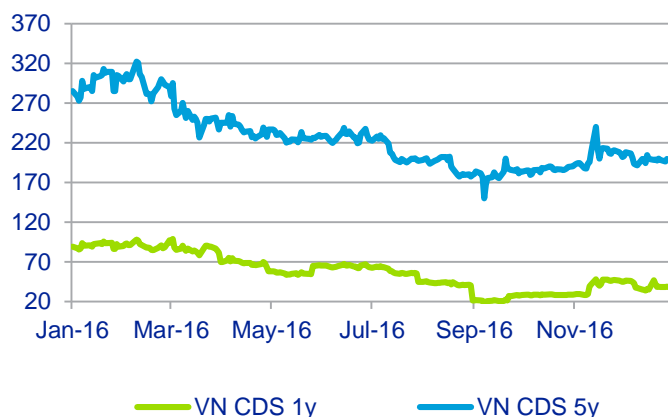
OTHER MARKETS

SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

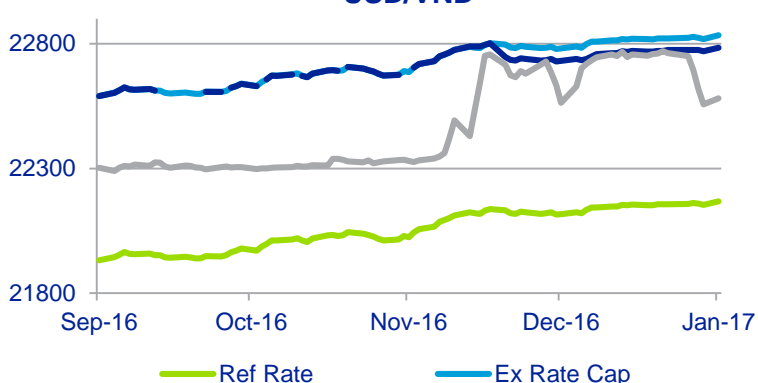


Source: Bloomberg

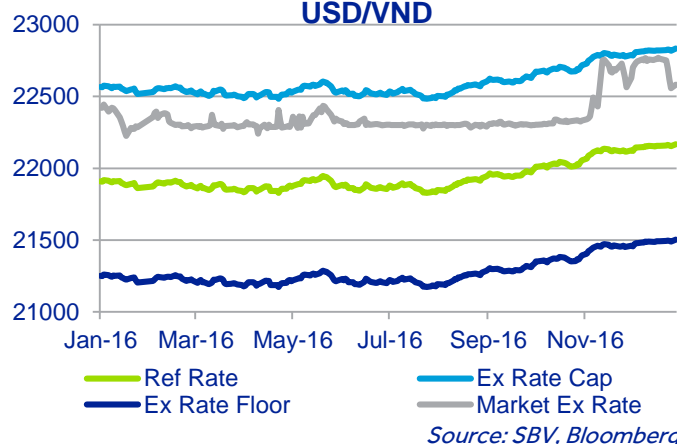
From the CDS perspective, the whole ASEAN region is now tracing back to pre- US election levels. The fundamental attractiveness is still there, only dimmed by a brighter contestant, which you already knew.

FOREX MARKET

USD/VND



USD/VND



Source: SBV, Bloomberg

Divergence in the USD/VND market when SBV offer price (VND 22.783) and ceiling price (VND 22.833) increased slightly while market price (internationally and domestically) dropped significantly from various possible reasons (domestic speculations eased off, Trump trades decelerated, international settlements at the end of 2016...). Bottom line: The pressures from USD/VND exchange rate has cooled off for the moment, it is possible that the SBV would start stacking in more reserves and target the gold market (VND 4mln international- domestic price spread).

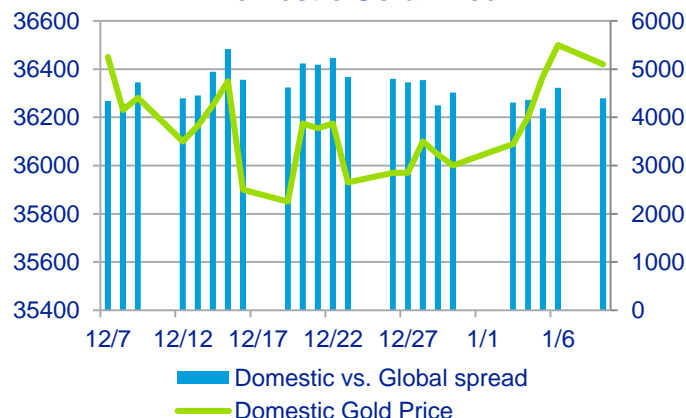
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GOLD MARKET

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
1/9/17	22,540	22,620	23,591.16	23,883.92	189.51	193.21
1/6/17	22,520	22,600	23,729.92	24,024.43	191.73	195.49
1/5/17	22,595	22,665	23,579.83	23,890.63	191.58	195.33
1/4/17	22,655	22,275	23,480.93	23,772.16	189.86	193.58
1/3/17	22,720	22,790	23,634.05	23,927.09	191.12	194.86

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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