



# Money 360

January 17, 2017

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**Mr. Vi Phuc Tran**

01/09/2017 – 01/16/2017

## MARKET OVERVIEW

Vietnam PM Nguyen Xuan Phuc announced with Bloomberg that foreign ownership cap of Vietnam Banks (currently 30%) is expected to be elevated within 2017 in order to reform the banking sector, attracting foreign funds thus expanding the economy. The Banking sector is currently under stress from SOE's underperformance and the extraordinary increase of their NPLs.

Note that the PM hasn't proposed the new foreign ownership cap, as well as less than 5% of NPLs transferred to VAMC were cleared during 2016 (July, 2016- World Bank). The current positive sentiments toward banking sector hence need further evidences to maintain the trend. For the moment, SBV has lowered CAR requirements for banks down to 8% (previously 9%) by the end of 2020, which provide advantages for big financial institutions like ACB, VCB, CTG, BID, etc for their current financial healthy nature. Basel II is around the corner.

Across the borders, here are the things that we need to look out for:

UK: Tonight, PM Theresa May would hold a press meeting regarding the specific path for a Hard Brexit, along with a plan to stabilize the market turbulences afterward. It is impeccable to try to predict the global market reaction. So I suggest keeping it simple: Watch the speech, and the UK, US, EUR currencies as well as Gold.

US: 3 more days until D.Trump takes over the White house and make his first speech as the new holder of US nuclear suitcase. Seeing how the market reacted to his previous press conference (where he gets aggressively verbal toward unfavorable questions regarding his relationship to Russia- sent gold upward to \$1200/ ounce, green note depreciated for a week against major currencies), we could expect upcoming volatilities. It is wise to catch up with the man's speech on Friday night.

It is that time of the year when institutions are hoarding up funds for the Tet Holidays, all of the interbank rates exceeded 5% as of Jan 16<sup>th</sup> and unlikely to comeback down anytime soon.

Bond market recovered with VND 3.1 tln issued, largely in 5 and 7yr tenor, whilst the secondary market saw VND 1.5tln purchased from foreign investors, a moderate recovery compared to previous weeks of idleness. For 2017, the VGB Issuance target remains at VND 250tln, and the **borrowing rates are expected to increase in 2017 from the top down perspective.**

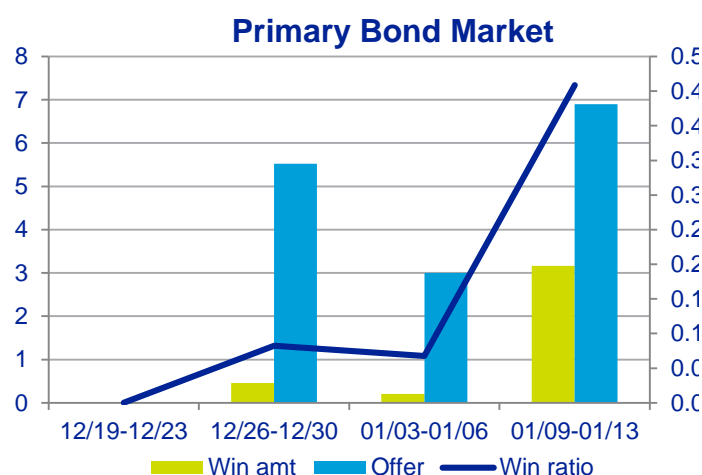
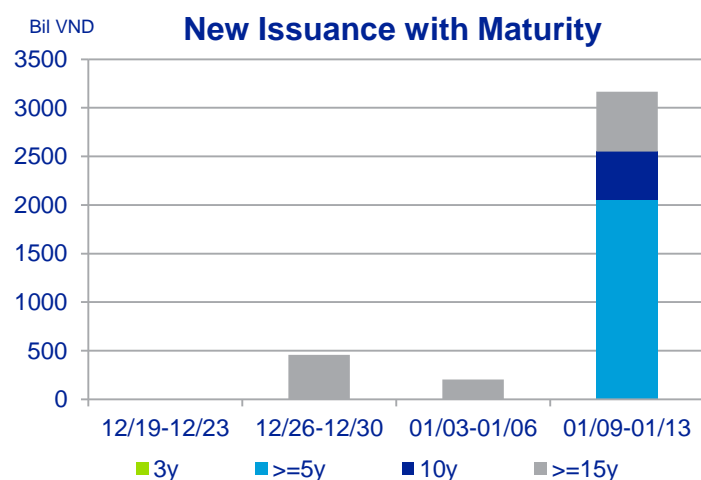
From other aspects, the USD/ VND Exchange rate stabilized (black market price increased seasonally- demands for Tet Holliday lucky money), For supporting the domestic currency, SBV increased their purchase price for the green note up to VND 22.575 For that, the concerns regarding national reserves eased away along with the exchange risks for foreign investors, we can expect better foreign investment flows for upcoming periods. Meanwhile, domestic gold price is moving in sync with international price (VND 3.8 mln/ ounce gap).

Oil market should be moving sideways until next production figures coming out, heads up for US inventories data.

For this week, Theresa May and D.Trump should be in the spotlight.

## VGB-GGB MARKET

### PRIMARY BOND MARKET



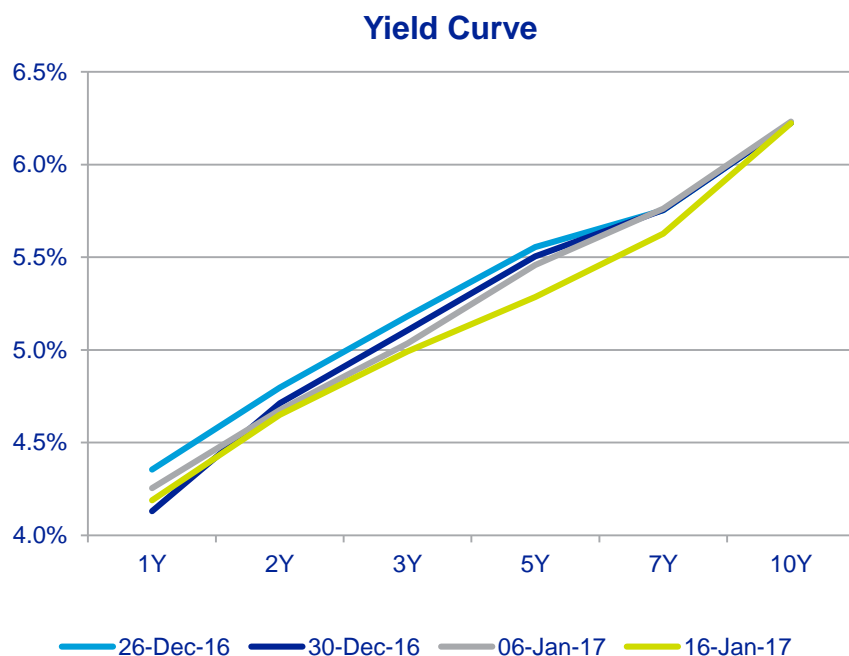
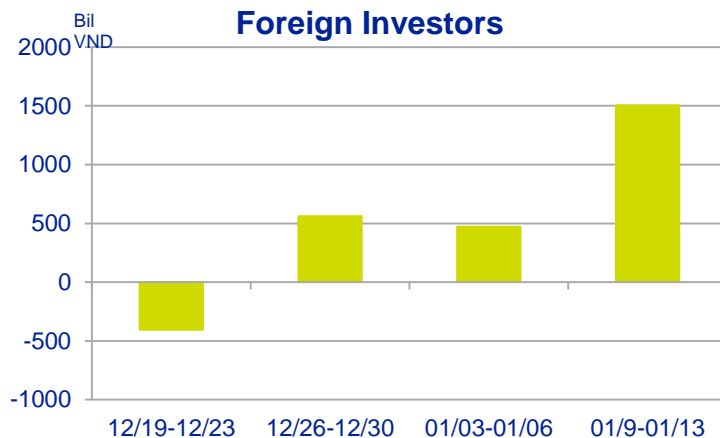
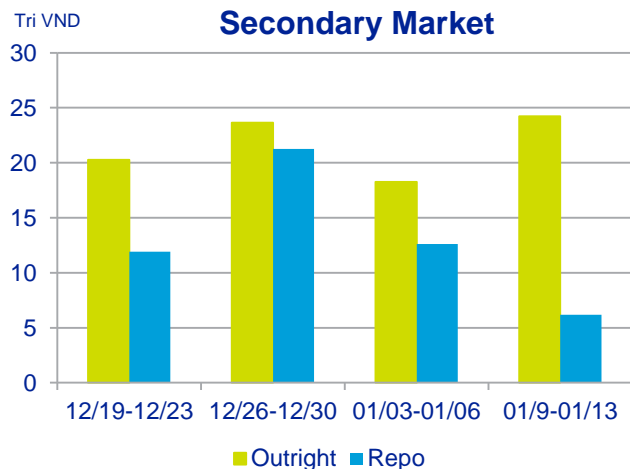
Source: HNX, ACBS

Bond market recovered with VND 3.1 tln issued out of 6.9 tln offered, largely in 5 and 7yr tenor. Though trivial, 48% winning ratio is still an improvement from 7% and 8% the previous weeks.

### Bond Issuance Schedule This Week

1/16/2017- 1/20/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	2,000,000,000,000	19/01/2017	12/01/2022	5
State Treasury	1,000,000,000,000	19/01/2017	12/01/2024	7
State Treasury	1,000,000,000,000	19/01/2017	19/01/2037	20
The Vietnam Development Bank	1,500,000,000,000	23/01/2017	23/01/2027	10
The Vietnam Development Bank	1,500,000,000,000	23/01/2017	23/01/2022	5
The Vietnam Development Bank	500,000,000,000	23/01/2017	23/01/2032	15
Vietnam Bank for Social Policies	200,000,000,000	17/01/2017	17/01/2027	10
Vietnam Bank for Social Policies	300,000,000,000	17/01/2017	17/01/2022	5
Vietnam Bank for Social Policies	300,000,000,000	17/01/2017	17/01/2032	15

## SECONDARY BOND MARKET

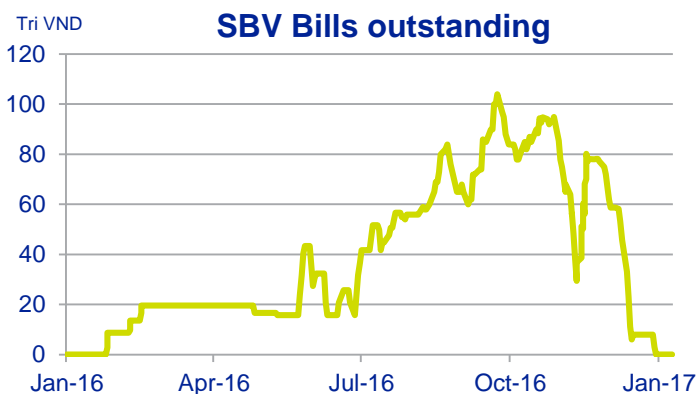
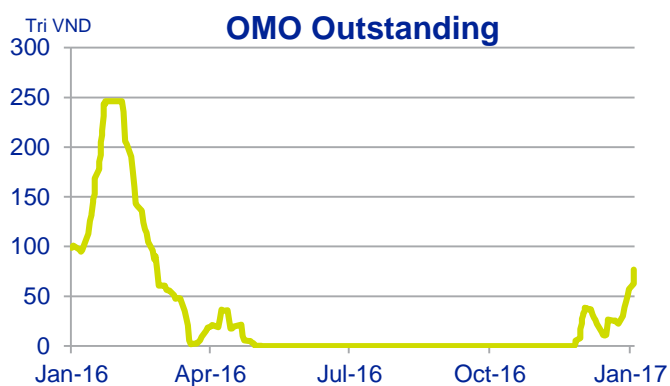
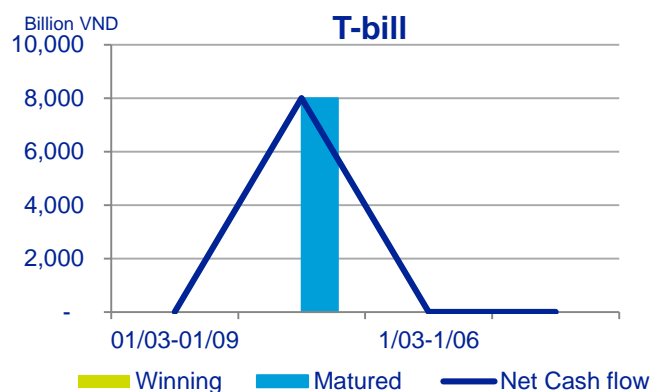
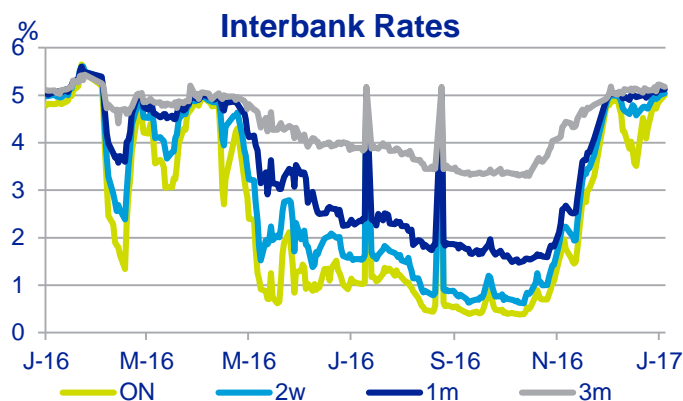


Source: HNX, VBMA, ACBS

the secondary market saw VND 1.5tln purchased from foreign investors, a moderate recovery compared to previous weeks of idleness. For 2017, the VGB Issuance target remains at VND 250tln, and the **borrowing rates are expected to increase in 2017 from the top down perspective.**

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).

## MONEY MARKET

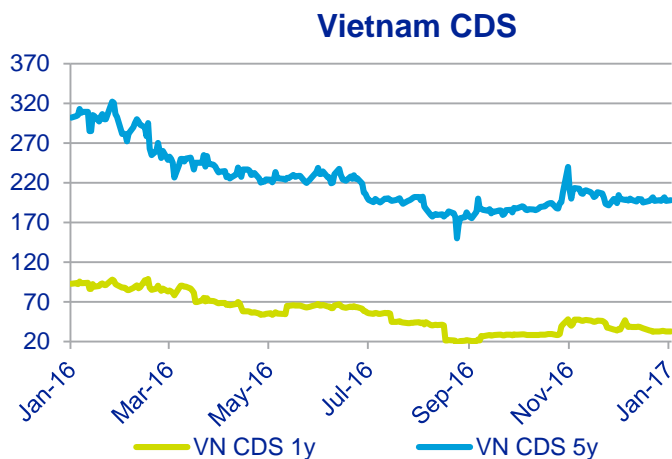
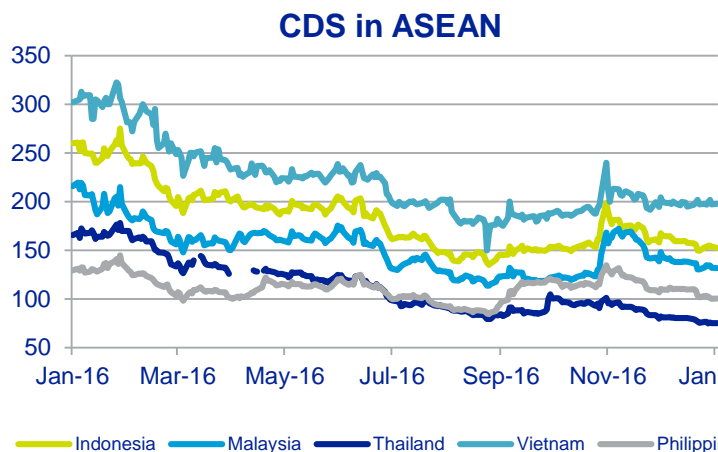


Source: ACBS, Bloomberg

It is that time of the year when institutions are hoarding up funds for the Tet Holidays, all of the interbank rates exceeded 5% as of Jan 16<sup>th</sup> and unlikely to comeback down anytime soon. T-bills hits zero and funds between depository institutions are still fairly ample when compared YoY OMO outstanding values.

## OTHER MARKETS

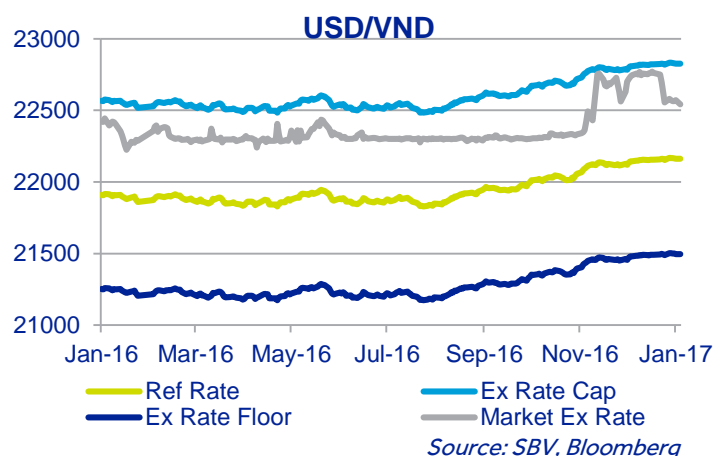
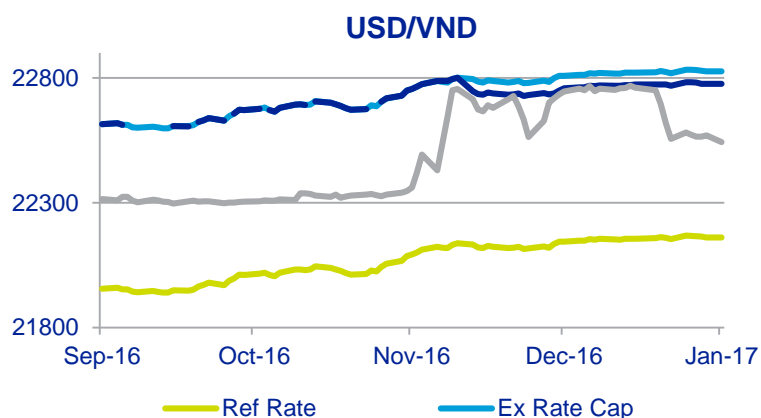
### SOVEREIGN CDS



Source: Bloomberg

Nothing new from the CDS aspect, things might change after D.Trump made his speech though.

### FOREX MARKET



Source: SBV, Bloomberg

The USD/ VND Exchange rate stabilized (black market price increased seasonally- demands for Tet Holliday lucky money)

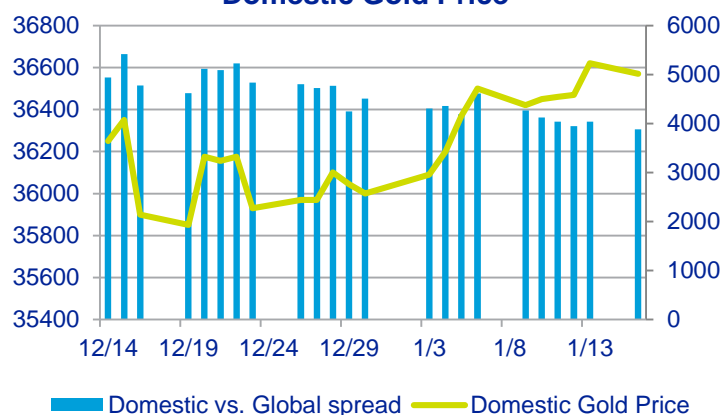
For supporting the domestic currency, SBV increased their purchase price for the green note up to VND 22.575 For that, the concerns regarding national reserves eased away along with the exchange risks for foreign investors, we can expect better foreign investment flows for upcoming periods

## GOLD MARKET

Gold Price in USD



Domestic Gold Price



Source: Bloomberg, ACB.

Meanwhile, domestic gold price is moving in sync with international price (VND 3.8 mln/ ounce gap). **It is still risky to invest in domestic gold.**

## APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
1/16/17	22,535	22,605	23,806.97	24,091.75	194.60	198.33
1/13/17	22,535	22,605	23,780.10	24,064.54	193.51	197.20
1/12/17	22,530	22,600	23,831.80	24,116.69	194.95	198.67
1/11/17	22,535	22,605	23,650.17	23,933.06	191.85	195.52
1/10/17	22,535	22,605	23,750.97	24,035.07	192.34	196.01
1/9/17	22,540	22,620	23,591.16	23,883.92	189.51	193.21

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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