

**ACBS**

# Money 360

**July 10, 2018**

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**By: Vi Phuc Tran**

## Macro Overview

**Trade war:** \$34bln imposed on China imported goods to US, and another \$16 bln coming, which we could expect China to retaliate equivalently. For now, the damages are yet to be foreseeable aside from the panic sell offs on a global scale. Volatilities surged and indices fell.

Here's what might be coming: A light to moderate trade war is happening, an all out confrontation is unlikely, for there are no victor in that scenario and both sides would be significantly damaged.

As everyone knows: China's holding a significant amount of US Treasury notes (\$1.2tn in the total of roughly \$3tn foreign reserves), that could be armed as a nuclear sell off to destroy the greenback's value, derailing the US economy.

Also, to the public's knowledge's, US's currently importing roughly 25% China's export. Whilst China's attempting to switch from industrial/ export economic drive to domestic demand driven, this process could take half a decade to implement.

An all out generally anticipated trade war could hence means trade cut down between US and China in form of Tariffs and Business Acquisitions restriction. Which China being the seller, become visibly worse off than US. The US is most likely face **stagflation** (Consumption drops, high inflation from goods scarcity), which would result in their currency's devaluation that derails the whole economy and financial market. All that are just the beginning.

Now, we assume China would start a significant sell off on their holding Treasury notes? **They won't.** Doing so means they are choking themselves of the remaining export values to the US, send the value of their non- treasuries reserves (\$1.8tn) down the cliff- that is assuming they liquidates the notes fast enough. Not mentioning all their oversea assets (mainly US based lands and companies) would also fall in value.

The possible consequences are many to the point of unimaginable. One thing for sure: **You can not push someone down the cliff if your legs are tied together.** An all out trade war would set US for another depression and seriously derailing China's economy. And surely both of them are aware of this.

So, with Donald Trump being Donald Trump, he would push his luck to defend his campaign promises (and reputation) and make both parties directly dented (and the rest of the world indirectly affected). I suppose both Trump and China would not make the matter excessively serious however, for they both are profit oriented. The trade offs are simply too big for them to deviate from the Nash equilibrium- which is to act tough and lash out light punches for the sake of intimidation rather than actually meant it.

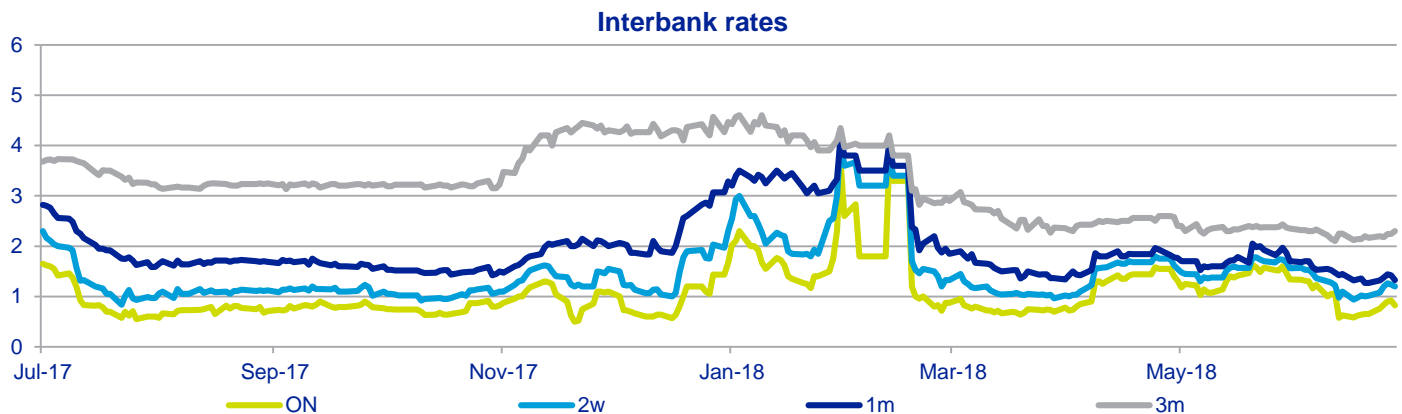
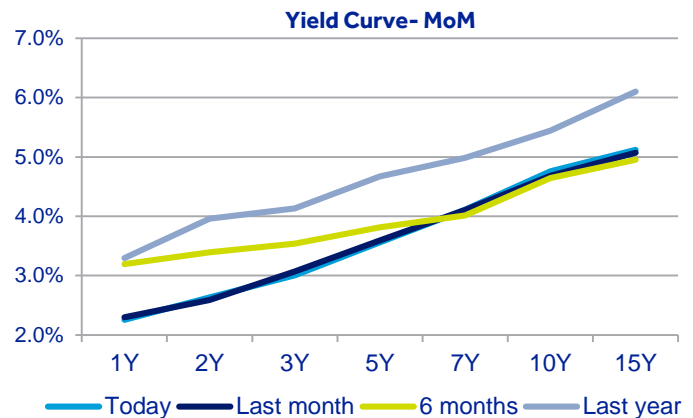
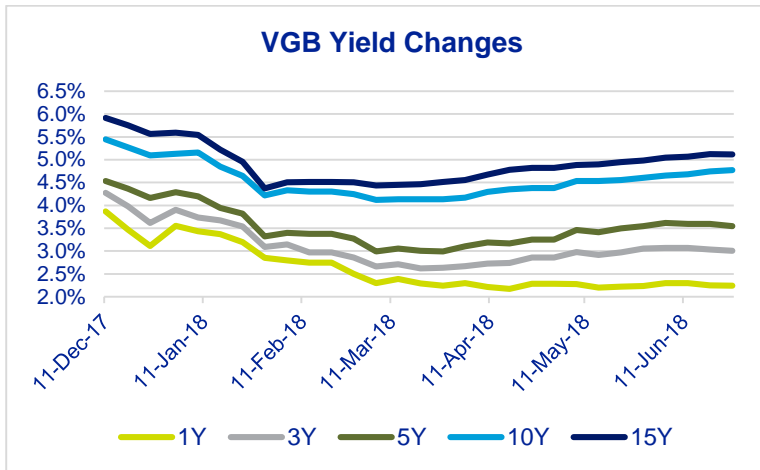
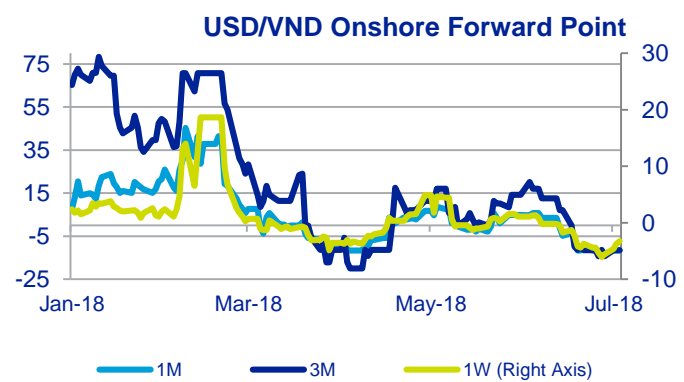
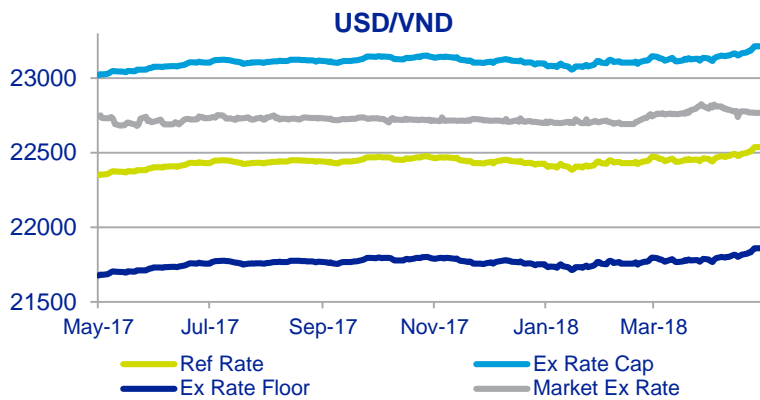
That being said, Vietnam is currently, and will be having a hard time for the years to come. Mainly from the foreign exchange side, which affect export, which affects domestic growth. The impact from US's protective trade policies shall be the reduction of Vietnam's trade balance (in which US is the largest buyer- and retaliation from Vietnam is not even an option). Next we shall see a influx of China's goods that competes with our domestic products and an appreciated VND (for we are semi pegged against a rising USD- The Feds are on their hiking path). All of these poses a downward pressure on the economy.

Suppose the Administration legislated themselves for another year of 6.5% above GDP growth, it comes at a inflationary cost (CPI figures already showing signs of overheating). Sooner or later, the SBV would have to crunch down credit injection - both to control inflation and maintain a steady exchange rate. Equities market shall suffer and so does the whole economy. And have I mentioned before that **we're having an increasing amount of outstanding Government bonds that needs to be paid within the next 3 years?**

As far as I concerns, the more Trump and China get on with their trade war, the more our economy get stuck in between. Do be careful with Financial and Real estates sector (tighter credit conditions), and keep an eye on Water, electricity and utilities sectors (they seems to have the highest FDI inflows recently).

## Vietnam Money market

### Domestic exchange rates, Interbank rates and Yield curve

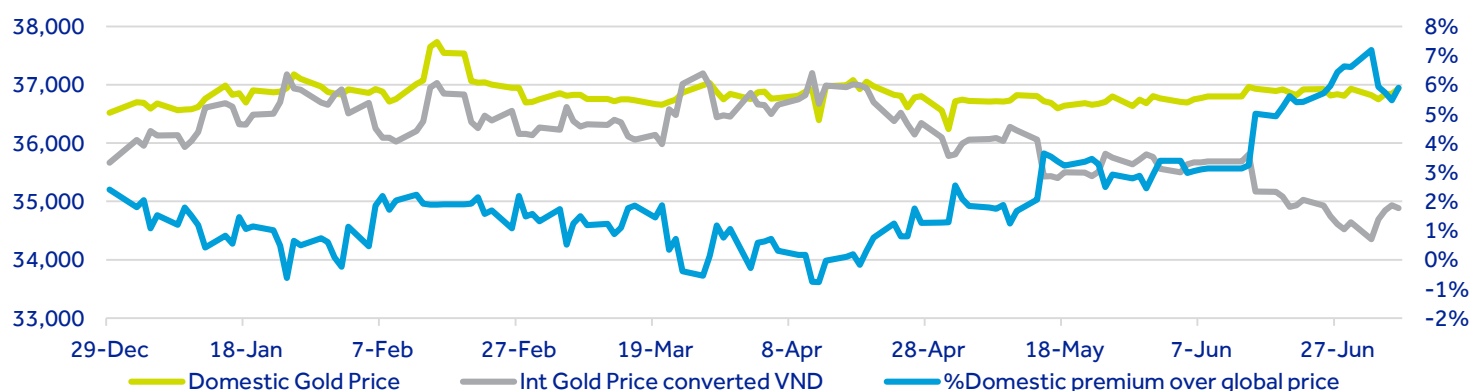


## Gold, Currencies, Commodities

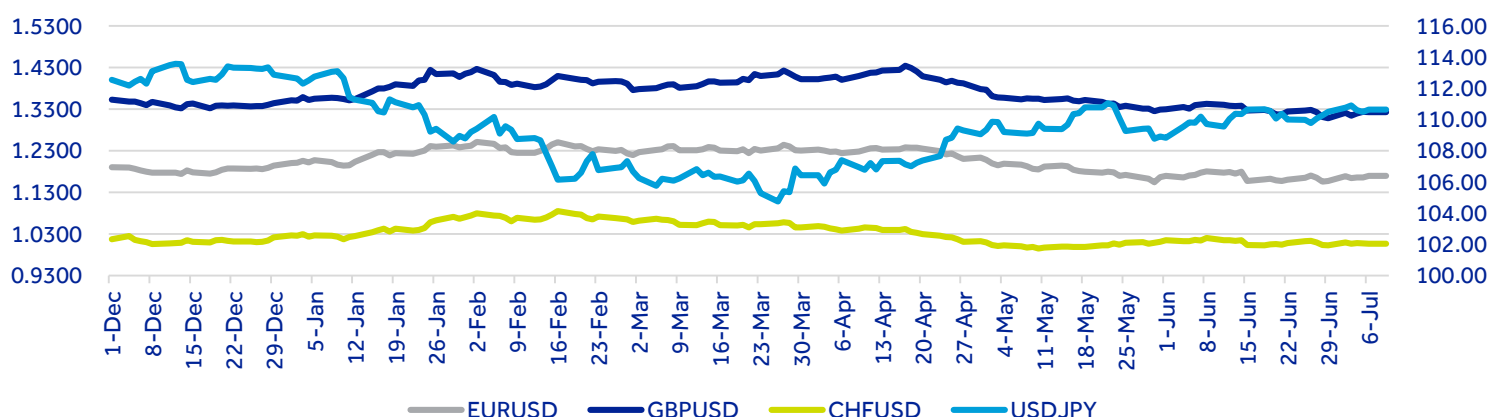
Gold Price in USD



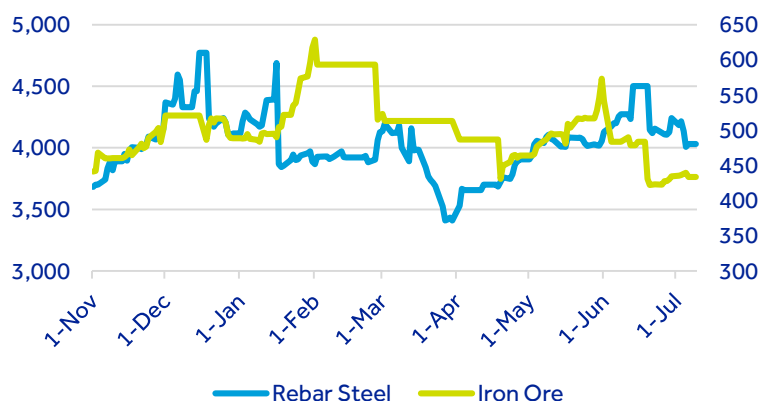
Domestic Vs Global Gold Price (VND. mln)



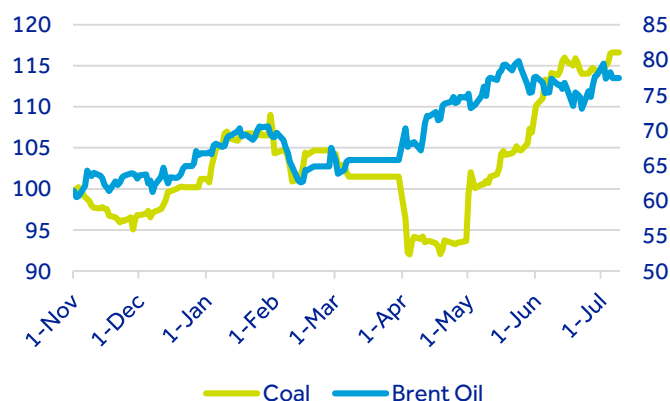
International Currencies



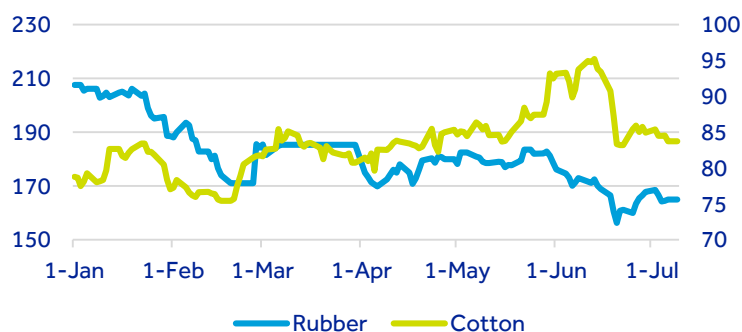
## Construction & Industrial



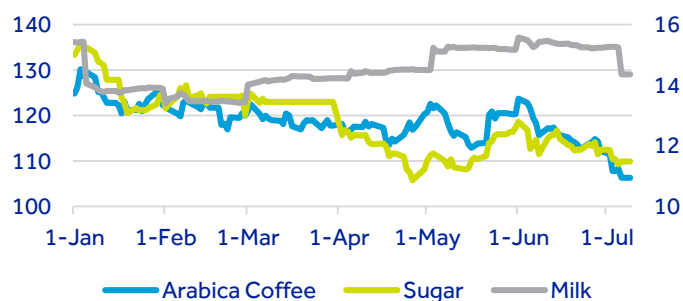
## Energy



## Commodities



## Commodities- Consumption



Source: Bloomberg, ACBS

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