



Money 360

February 20, 2017

Mr. Vi Phuc Tran

02/13/2017 – 02/17/2017

MARKET OVERVIEW

Domestically, the upward regulation pressure on the Green note was visible last week when the offer price from SOE bank (VCB) was frequently on par and occasionally exceeded private bank's offers (ACB). Based on the loss of steam in the black market price, we can safely assume the appreciation of the green note was institutionally driven. The whole banking sector is letting the Dollar slide (initiated by the SBV). Peculiarly enough, the reference price issued by the SBV didn't move upward by the same magnitude, suggesting that they have been recently purchased more reserves. In front of the coming tax policy from the US (which would most likely drive up the green note), we are sufficiently prepared.

One thing to put in mind though, the VND has been sliding moderately in value against USD whilst other currencies have been freely floated, means a relatively more expensive VND, which could put us into trade disadvantages.

For gold, the recent weeks' rally was caused by skepticism over US's stability, regardless of the promised tax policy that favors businesses, or the remarks from FED that more interest rate hikes are needed in 2017. The demand for a safe haven remains in the prospect of Germany, France and Netherland election with candidates who are inspired by protectionism and favors exiting the EU. Worst case scenario would be the collapse of the EU, which would drive gold sky high. Otherwise, I presume there would still be long term stable demands for bullion.

Another bullish factor for gold comes from Northern Asia, with the death of Kim Jong Nam (who has been under China's protection) last week, the famous North Korean Dictator is now cleared of potential legitimate rivals. Beijing and the White house are engaged to put Kim Jong Un under control after his irrationality and consecutive missile tests. China first move was to suspended their coal imports from North Korea, potentially compromised 20% of their total trade. An arm race is happening in the Eastern region, the US is putting a defense system called Thaad in South Korea, Beijing would most likely follow soon enough and it is still unclear how Pyongyang would retaliate.

Another safe haven alongside gold would be the Japanese Yen. Even though reported a 24 months high trade deficit, and an ever struggle to meet the 2% inflation target, Japan seems to be quietly reflation (Bloomberg showed increase in Nominal GDP, private consumption and business investment levels). With coming expected higher US Dollars, thus weaken Yen, a moderate recovery from the Aggregate Demand side for Japan is to be happened.

In Vietnam, bond market lost some steam compared to the previous week. VND 7.5tln issued with absorption rate of 80%, 10Y and 15Y tenors was the best sellers.

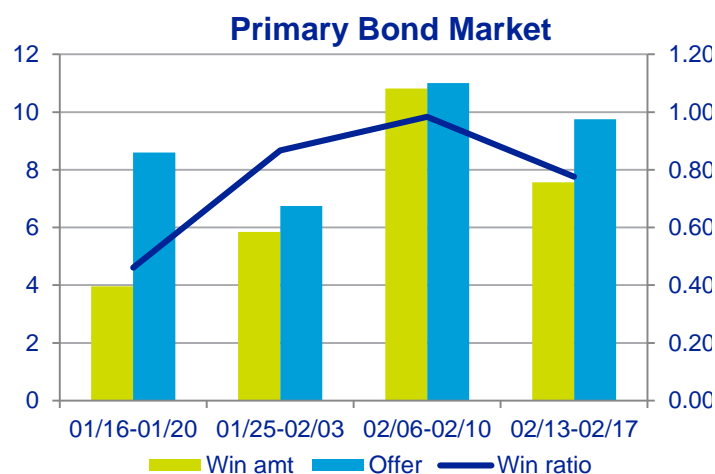
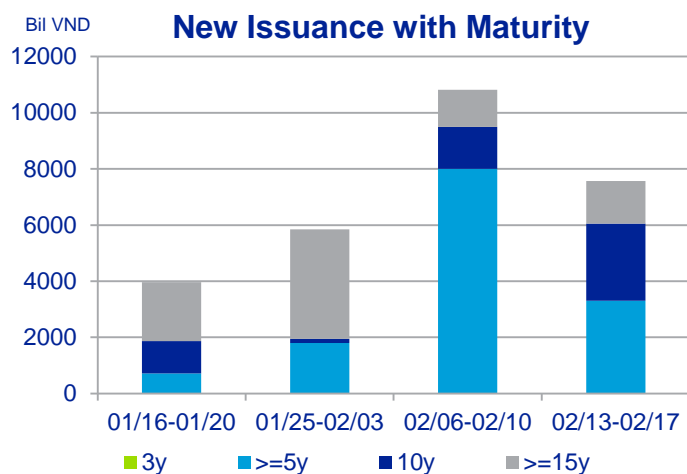
Intriguingly, repo transaction out traded outright transaction last week with nearly VND 1.2tln foreign sell off, a tremendous change from last week's VND 2.5tln purchased. Possible explanation was the remarks from Fed about the faster than expected interest rate hike that caused investors to shift into the States' assets. The yield curve signaled a selloff in shorter term bonds, although looking from the CDS perspective, we can assume this is only temporary.

A slight strain in funds mobilization with OMO issued VND 1-2tln daily last week, and O/N interbank rates climbing back to 4.7%. VND 45tln of T-bills is to be expired next week would reduce the strain, otherwise we can expect VND/USD exchange rate to increase by foreign reserve purchases.

With that, we wish you another successful trading week, look out for the next White house moves along with Fed, and please mark your calendar to keep track on Europe's elections. Thank you

VGB-GGB MARKET

PRIMARY BOND MARKET



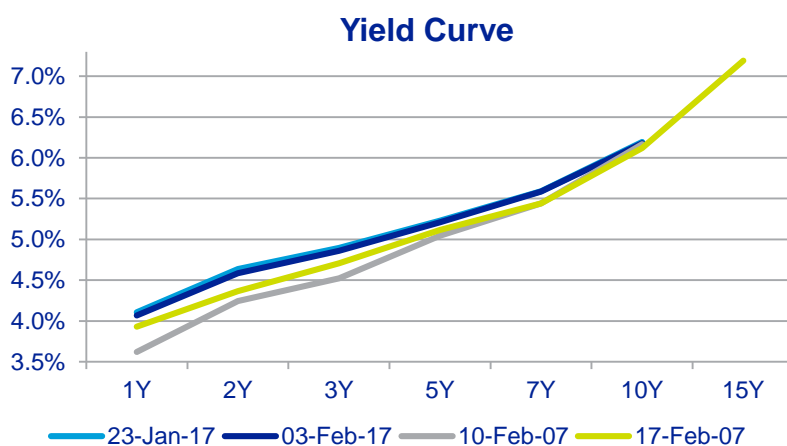
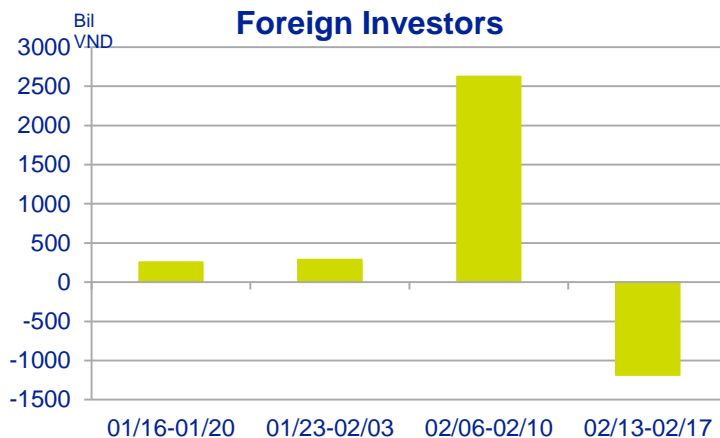
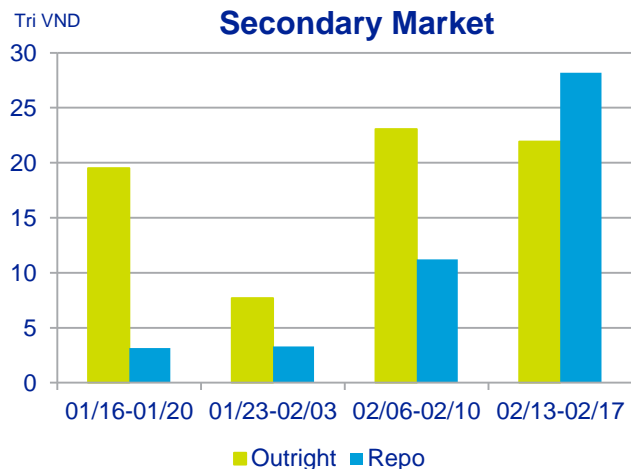
Source: HNX, ACBS

Bond market lost some steam compared to the previous week. VND 7.5tn issued with absorption rate of 80%, 10Y and 15Y tenors was the best sellers.

Bond Issuance Schedule This Week

02/20/2017 - 2/24/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
TD1722378	State Treasury	2,000,000,000,000	23/02/2017	16/02/2022
TD1724412	State Treasury	2,000,000,000,000	23/02/2017	12/01/2024
TD1732401	State Treasury	1,500,000,000,000	23/02/2017	05/01/2032
BVDB17317	Vietnam Development Bank	500,000,000,000	22/02/2017	14/02/2032
BVDB17268	Vietnam Development Bank	1,000,000,000,000	22/02/2017	14/02/2027

SECONDARY BOND MARKET

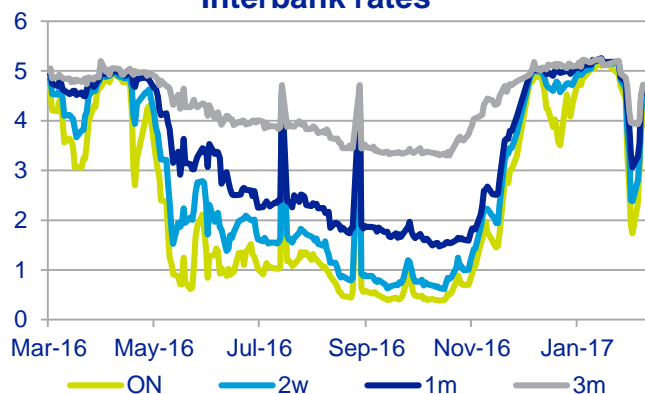


Source: HNX, VBMA, ACBS

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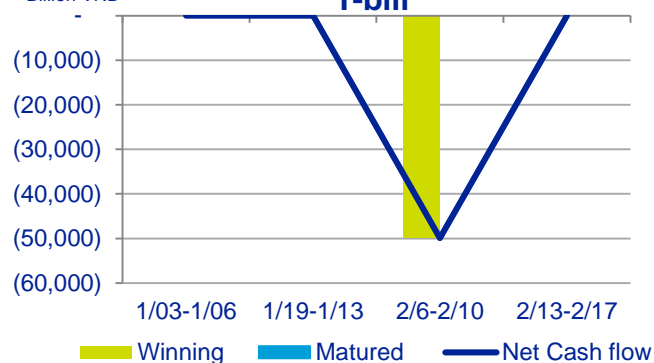
MONEY MARKET

Interbank rates

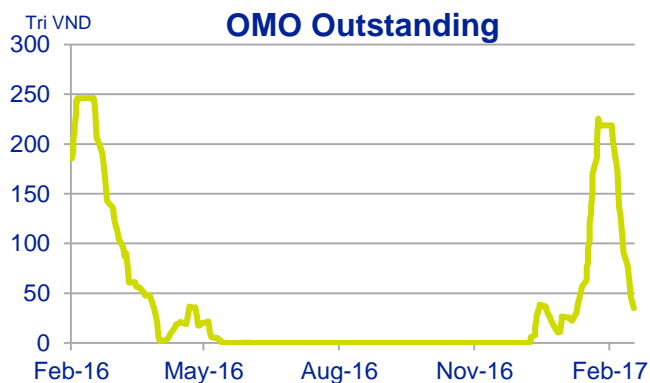


Billion VND

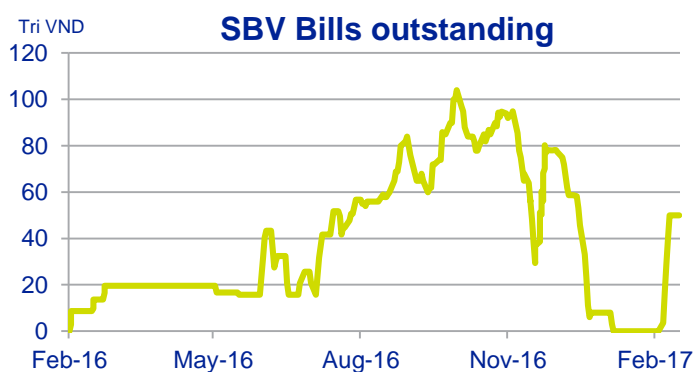
T-bill



OMO Outstanding



SBV Bills outstanding

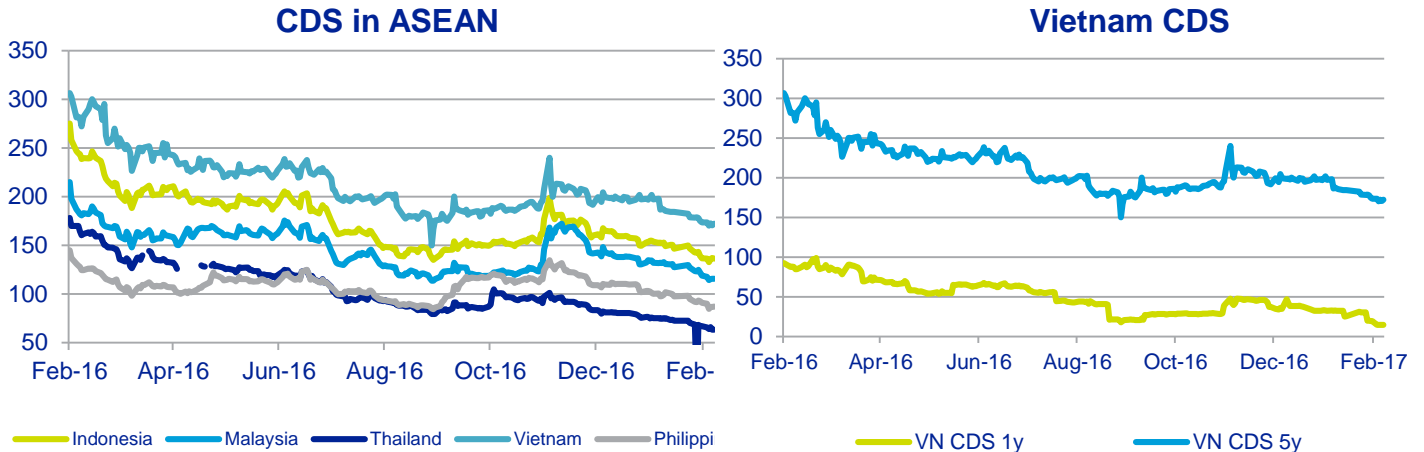


Source: ACBS, Bloomberg

A slight strain in funds mobilization with OMO issued VND 1-2tn daily last week, and O/N interbank rates climbing back to 4.7%. VND 45tn of T-bills is to be expired next week would reduce the strain, otherwise we can expect VND/USD exchange rate to increase by foreign reserve purchases.

OTHER MARKETS

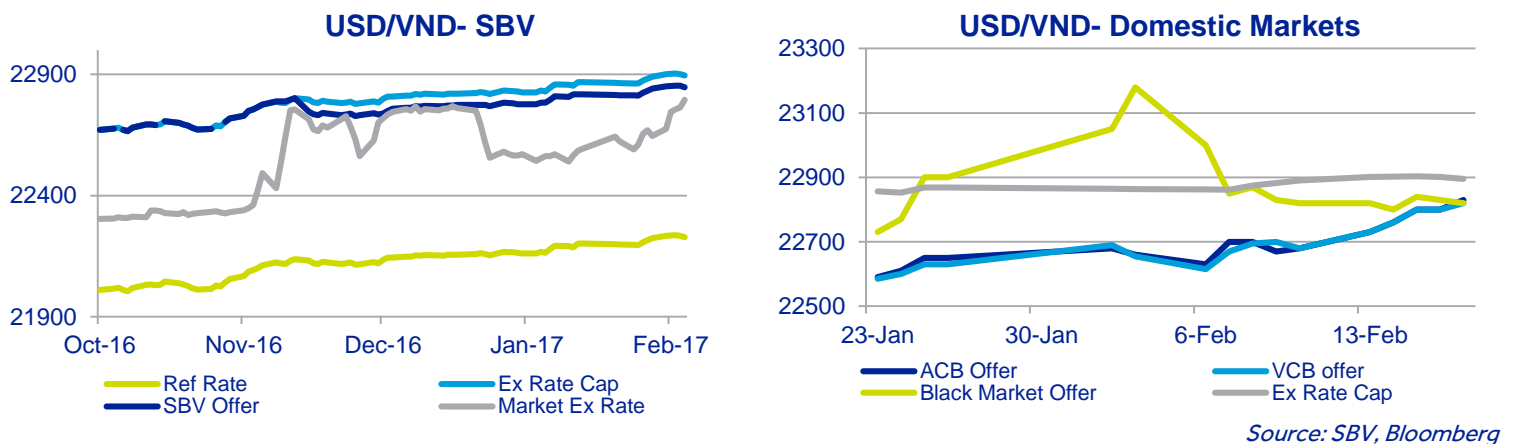
SOVEREIGN CDS



Source: Bloomberg

From the CDS aspect, ASEAN region and Vietnam saw their credibility improved with Vietnam 1Y CDS halved to 15 points from last week of 30, suggest that the current selloff of bonds from foreign investors is only temporary

FOREX MARKET



Source: SBV, Bloomberg

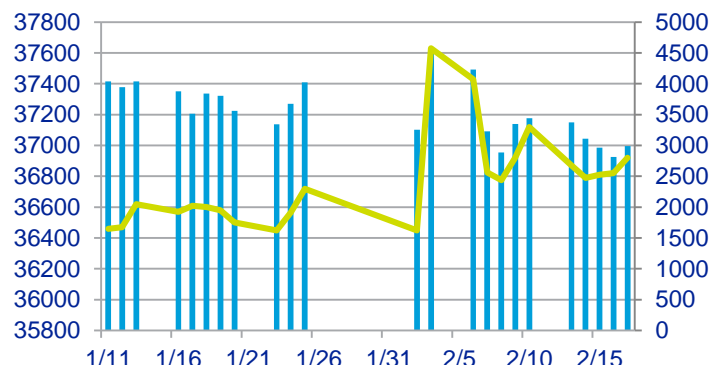
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GOLD MARKET

Gold Price in USD



Domestic Gold Price



Domestic vs. Global spread Domestic Gold Price

Source: Bloomberg, ACB.

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APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
2/13/17	22,660	22,730	23,956.14	24,242.57	196.76	200.52
2/14/17	22,690	22,760	23,971.31	24,257.90	197.48	201.25
2/15/17	22,730	22,800	23,874.19	24,159.59	195.83	199.58
2/16/17	22,730	22,800	24,006.73	24,293.70	196.93	200.70
2/17/17	22,750	22,820	24,073.07	24,360.82	198.92	202.72
2/13/17	22,660	22,730	23,956.14	24,242.57	196.76	200.52

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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