



Money 360

February 27, 2017

Mr. Vi Phuc Tran

02/20/2017 – 02/24/2017

MARKET OVERVIEW

A remarkable rise in USD/ VND exchange rate last week with the Institutional offer prices exceeded the black market prices during some sessions, partly resulted from the strong Current Account's February activities. GSO initially reported a Net Import of \$ 3bln for first period of Feb. Yet the SBV was keen on keeping the exchange rate under control, reference rate thus the exchange ceiling remained unchanged from last week. Recorded on Friday the 24th, institutional offer prices remain VND 70d below the cap of SBV.

To support the domestic exchange rate market, the SBV issued 3 sessions of higher than usual interest rates T-bills (5% on the 22nd and 2.5% on the 23rd and 24th). Such attractive interests drawn demands for VND thus cooled off the exchange rates. VND 16tln T-bills issued last week with total outstanding amount recorded identically. OMO market also issued VND 15tln last week, and the same outstanding amount recorded on 24th Feb.

ECB remarks from policymaker Jens Weidmann on Feb 25th stated that a sudden end for ECB asset purchase program is unlikely as Eurozone Countries are still under high debt burdens. A cut back from asset purchases is inevitable but not absolutely necessary for the mean time. That along with the coming Elections of Europe Nations drove up the speculations for a bear EU market. Bloomberg showed an increase in trader's bets against Europe on the derivative markets. With the slow but steady reflation of the Japan economy, upcoming stimulating tax policies from the US, The Eurozone would become less attractive of an investment. I suppose the Euro is on its way to depreciation for 2017.

Upon the Oil market, it seems that the only saving grace for oil price would be US producers to scale down their productions (which hasn't been the case). US oil companies are facing solvency problems. Out of \$197bln outstanding credits for US producers (mostly corporate's bonds), \$101bln of them have been junk-classified. With the oil price improved recently from the OPEC deal, they are facing a decision of pumping to the full capacity or default on their loans to support the market. They simply cannot afford to cut their production levels. The OPEC deal, to me, is inevitably compromised by a Non-member.

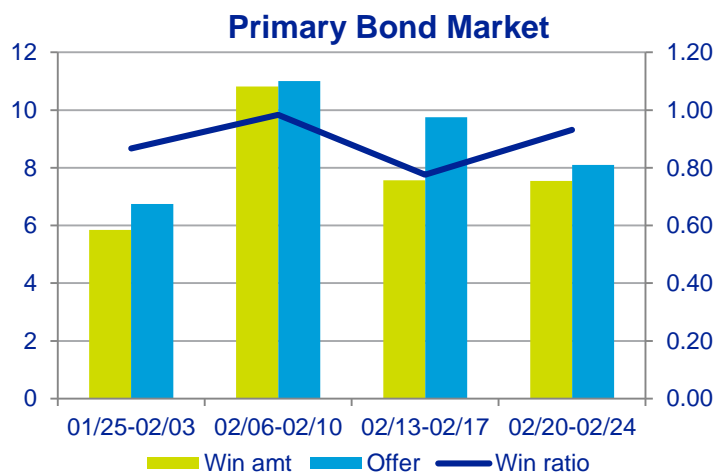
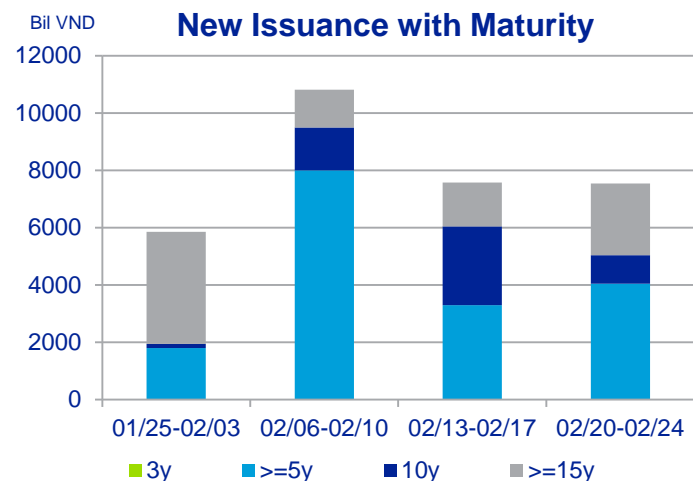
As the looming prospects from Europe (reflected by the derivative markets, gold rises as investors are taking precautions at least till the white house next move. Internationally, gold price should be moving sideways around current level (could be up to \$1300/ ounce) until: US's new tax policy announced or EU countries' election results. Domestically, Gold price cooled off after the Tet holidays, last checked 24th Feb showed a VND 2.5mln/ ounce gap against international price, a remarkable improvement.

Investor sell off in secondary bond market decelerated down to VND 300bln against last week's VND 1,100bln, the yield curve got slightly steeper this week as shorter term yield fell trivially. While Interbank rates fell drastically last week; the strain of liquidity should be eased off relatively this week as VND15tln OMO matured. A total of VND30tln circulating in both OMO and T-bills market is considerably low however against last year's VND 150tln at the same date. Credit institutions doesn't seem to have that level of fund ampleness when compared YoY.

With that, we wish you another successful trading week, please keep in mind that the Euro Countries' elections could determine the fate of their currency.

VGB-GGB MARKET

PRIMARY BOND MARKET



Source: HNX, ACBS

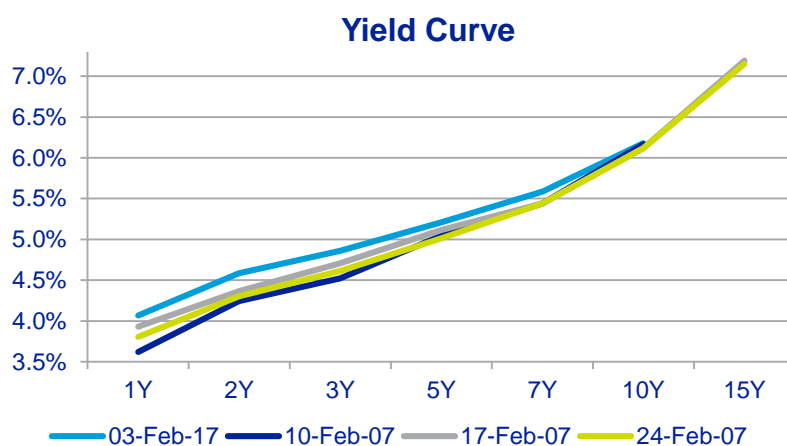
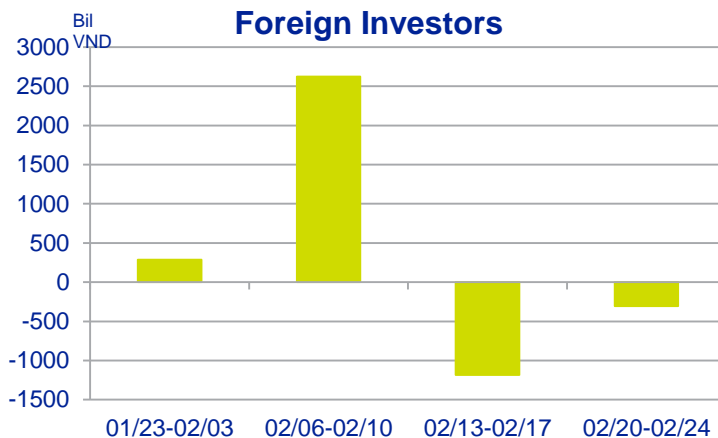
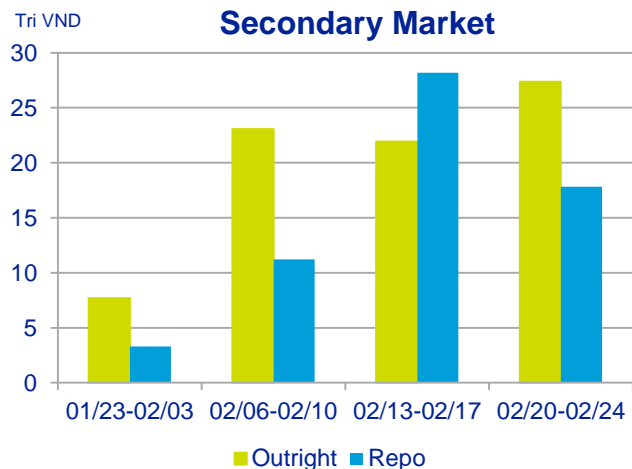
Longer term VGB was highly demanded this week, total issued volume fell with improvement in the absorption rate (this week 93% against last week's 78%).

Bond Issuance Schedule This Week

02/20/2017- 2/24/2017

| Issuer | Offer Amount | Issue Date | Maturity | Tenor |
|----------------|-------------------|------------|------------|-------|
| State Treasury | 2,000,000,000,000 | 03/02/2017 | 03/02/2024 | 7 |
| State Treasury | 1,000,000,000,000 | 03/02/2017 | 1/12/2047 | 30 |
| State Treasury | 1,000,000,000,000 | 03/02/2017 | 01/19/2037 | 20 |
| State Treasury | 2,000,000,000,000 | 03/02/2017 | 02/16/2022 | 5 |

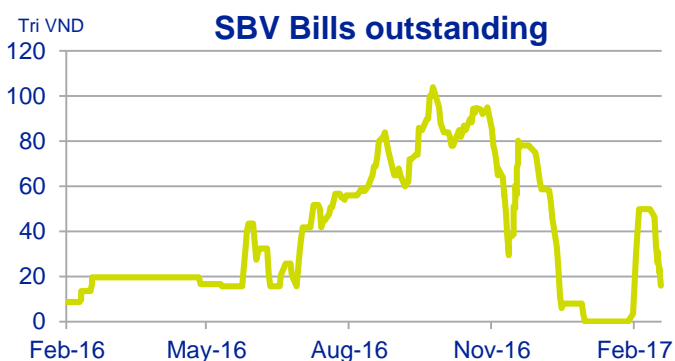
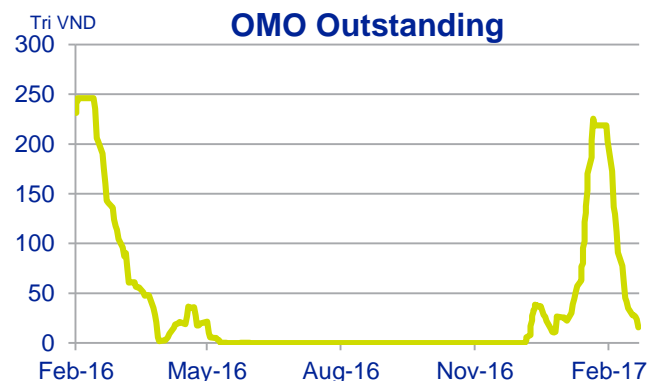
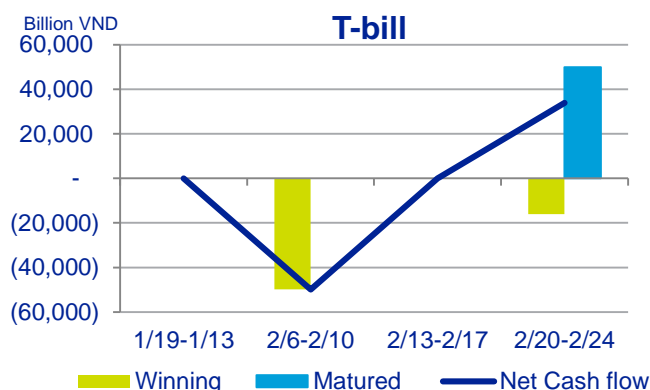
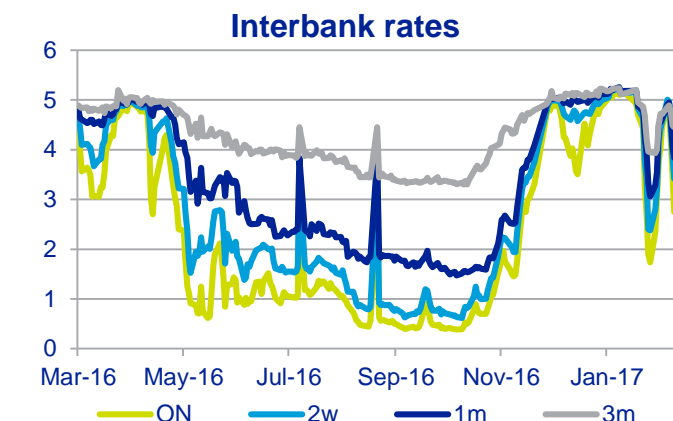
SECONDARY BOND MARKET



Source: HNX, VBMA, ACBS

Investor sell off in secondary market decelerated down to VND 300bln against last week's VND 1,100bln. The yield curve got slightly steeper this week as shorter term yield fell trivially.

MONEY MARKET



Source: ACBS, Bloomberg

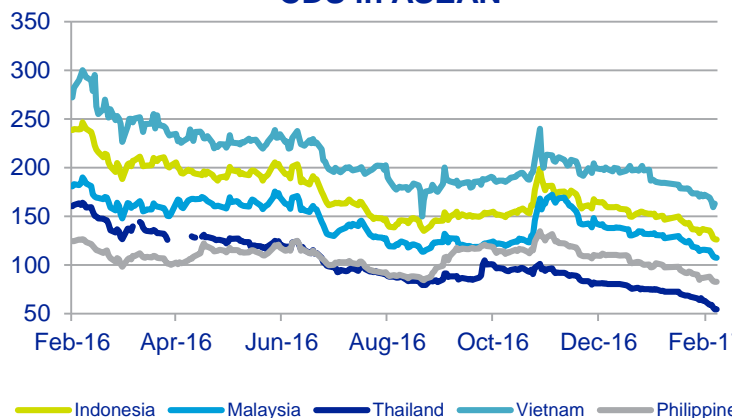
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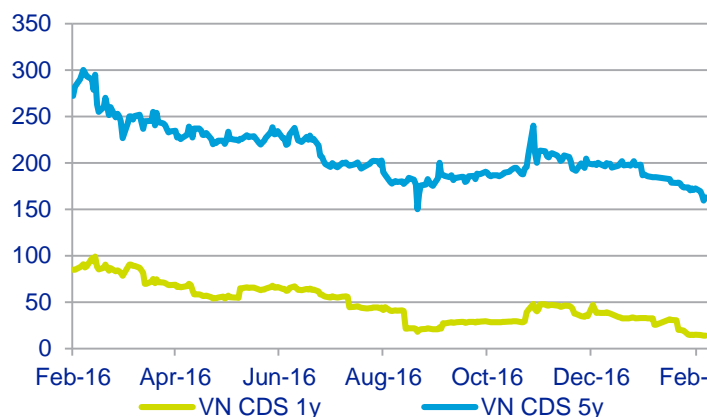
OTHER MARKETS

SOVEREIGN CDS

CDS in ASEAN



Vietnam CDS

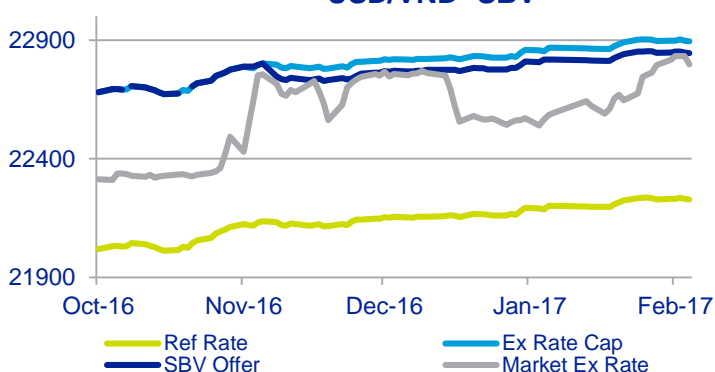


Source: Bloomberg

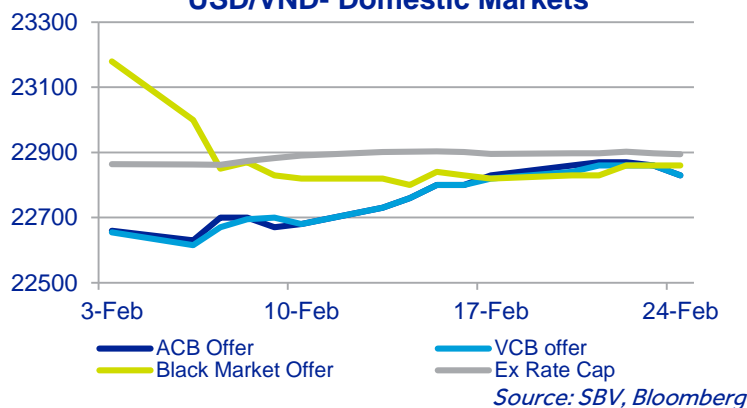
From the CDS aspect, ASEAN region and Vietnam saw their credibility improved with Vietnam 1Y CDS halved to 15 points from last week of 30, suggest that the current selloff of bonds from foreign investors is only temporary

FOREX MARKET

USD/VND- SBV



USD/VND- Domestic Markets



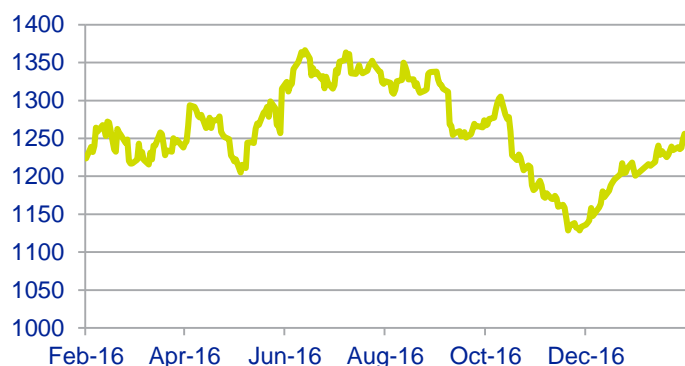
Source: SBV, Bloomberg

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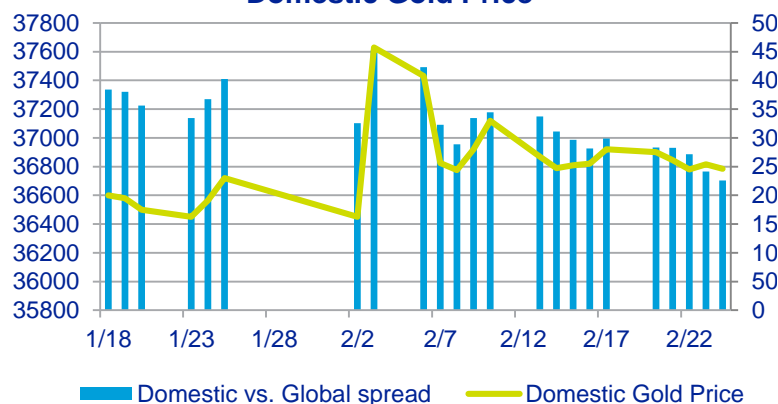
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GOLD MARKET

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 |
| 2/20/17 | 22,770 | 22,840 | 24,058.73 | 24,346.28 | 198.70 | 202.50 |
| 2/21/17 | 22,790 | 22,860 | 23,986.17 | 24,272.84 | 198.27 | 202.06 |
| 2/22/17 | 22,790 | 22,860 | 23,850.21 | 24,135.26 | 198.22 | 202.01 |
| 2/23/17 | 22,790 | 22,860 | 23,904.60 | 24,190.29 | 198.58 | 202.38 |
| 2/24/17 | 22,760 | 22,830 | 23,924.50 | 24,210.46 | 199.51 | 202.33 |

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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