



Money 360

March 13, 2017

Mr. Vi Phuc Tran

03/06/2017 – 03/10/2017

MARKET OVERVIEW

There are 3 Major events this week that could rock the global financial markets: The BOJ, BOE and FED rate decision meeting. Here's the status:

For FED: The 15th March rate hike is considered at least 80% possible based on the derivative markets. They're anticipating Donald Trump's coming policies (which is a guaranteed deficit). Such moves would initially halt the correction moves of the green note (as speculators are turning skeptical toward the previous pro- US excitements). The bread and butter would be the detailed fiscal plan proposed by the White House, the green note could extend its rally if the plan came out satisfying (or even slightly less than expected (The underlying sentiments was the main driver rather than the fundamental effects). Otherwise, a hugely disappointing proposal could halt the advance of the USD, such scenario is considered less likely to happen than the vice versa. The release date for the plan is yet to be announced, bull is currently a safe bet for the green note, for the mean time.

For BOJ: Recent economic development showed signs of recovery, the depreciated JPY boosted their current account as a bonus. Their target is to keep the Government Bond purchase program around JPY 80tln/ year and can only be curbed when inflation level improved (BOJ targets 1%). The upcoming possible hike from FED could sabotage the effort however as it would drive JGB yield upward, hence forcing BOJ to increase their purchases to maintain the curve target. We expect this week's decision to remain unchanged, things might differ in the next BOJ meeting though.

BOE: Brexit Negotiation's deadline drawing near and turning sour as the Theresa May once again emphasize the willingness to implement a "Hard Brexit" instead of tolerating unreasonable terms for the UK. BOE thus limited for any action until an extraordinary Job/ Inflation figures or the fate of the Brexit negotiations. It is wise for BOE to remain flat.

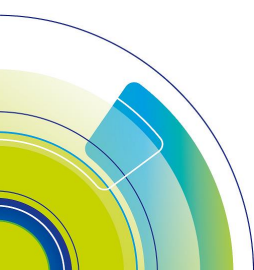
Relatable: ECB announced last week that they could consider an interest rate hike before the end of the QE programs, EUR went up 1% against the USD as a result. Note that the movement is speculative- driven and thus subjected to reversals. Words are words until actions follows it. If it does happen, a higher EU borrowing rate would still be negated by the QE, not to mention the increase of credit burdens on its member countries. Personal POV: EU interest rate hike won't be coming in a hurry.

Within our border, the banking sector showed signs of heat last week when O/N Interbank rate approaching 4.7%, outstanding T-bills at VND 40tln and OMO at VND 7tln. That is VND 5tln injected into the banking sector within a week with total circulating amount VND 47tln in both markets. Tight flows of funds between depository institutions. I suppose we can expect 1Q 2017 credit growth to be impressive.

Repo transactions saw a net purchase from foreign investors with VND 1.7tln with concentrations on medium- longer term bond, based on the yield curve. The economic outlook for Vietnam is positive on medium term, it is shorter terms that became unattractive due to better competitors.

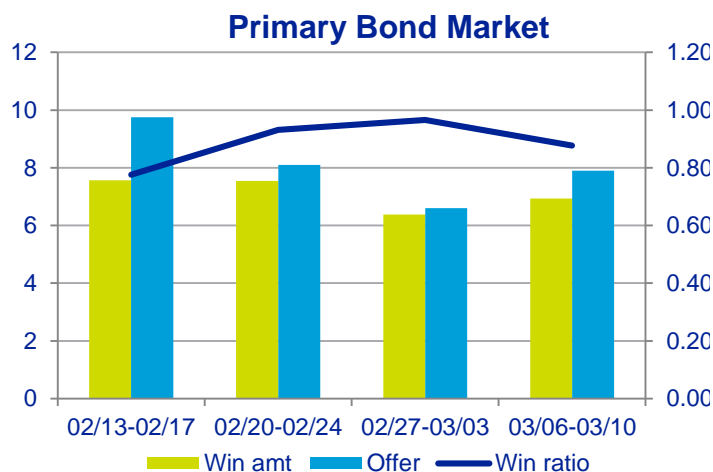
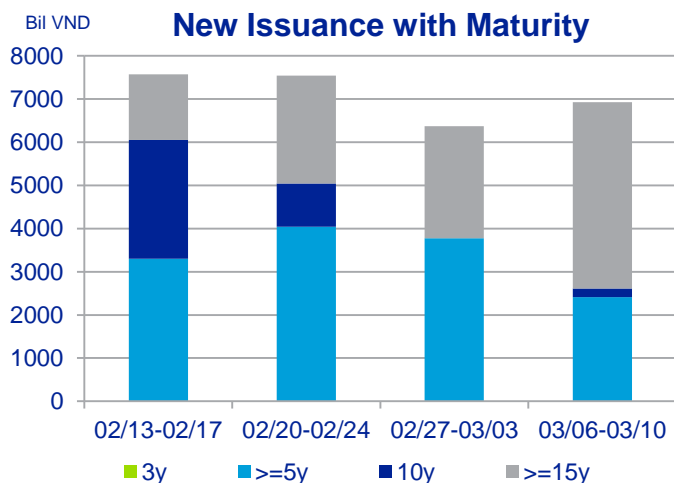
Meanwhile, the SBV has been increasing the USD/VND exchange rate steadily, and at the same time, increasing foreign reserves, based on the occasional exceed of VCB offer price against ACB's offer price.

With that, we wish you another successful trading week, thank you.



VGB-GGB MARKET

PRIMARY BOND MARKET



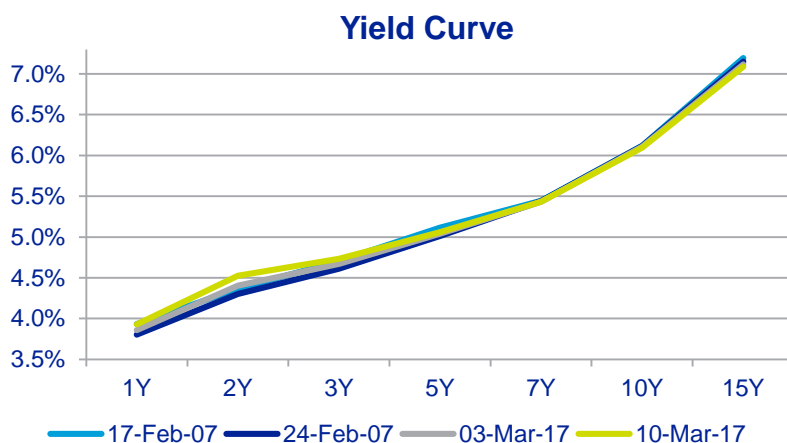
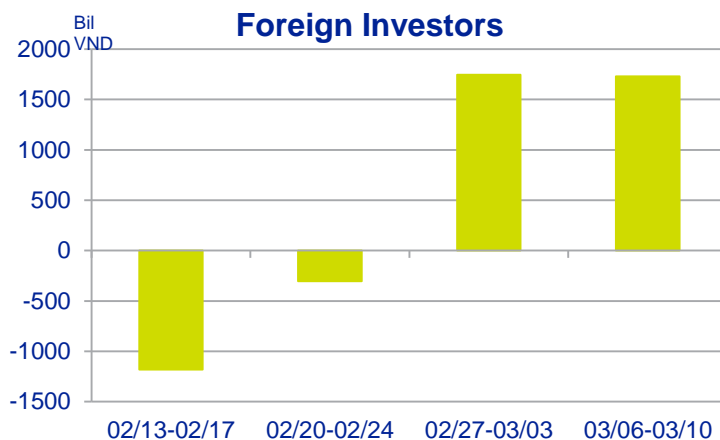
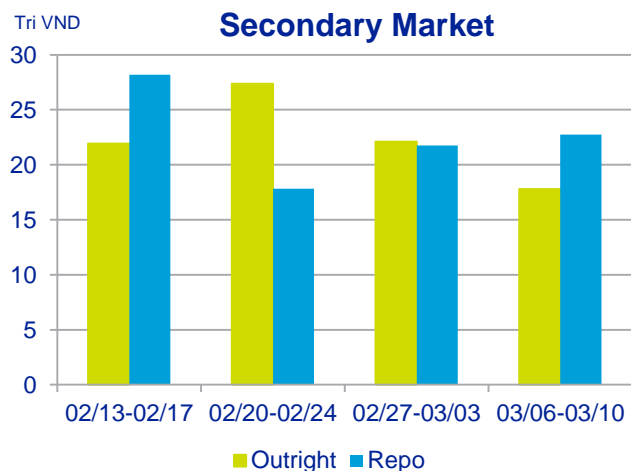
Source: HNX, ACBS

Last week was a moderate trading session on the primary market with longer term VGB outsold the shorter ones. A steady increase in volume in the past few weeks for longer term bonds purchases is worth noticing.

Bond Issuance Schedule This Week

03/13/2017- 03/17/2017				
Issuer	Offer Amount	Issue Date	Maturity	Tenor
State Treasury	2,000,000,000,000	16-Mar-2017	2-Mar-2024	7
State Treasury	1,000,000,000,000	16-Mar-2017	19-Jan-2037	20
State Treasury	2,000,000,000,000	16-Mar-2017	16-Mar-2032	15
State Treasury	1,000,000,000,000	16-Mar-2017	16-Mar-2047	30
State Treasury	1,000,000,000,000	16-Mar-2017	16-Feb-2027	10
Vietnam Bank for Social Policies	500,000,000,000	14-Mar-2017	14-Mar-2032	15
Vietnam Bank for Social Policies	200,000,000,000	14-Mar-2017	14-Mar-2027	10
Vietnam Bank for Social Policies	300,000,000,000	14-Mar-2017	14-Mar-2022	5

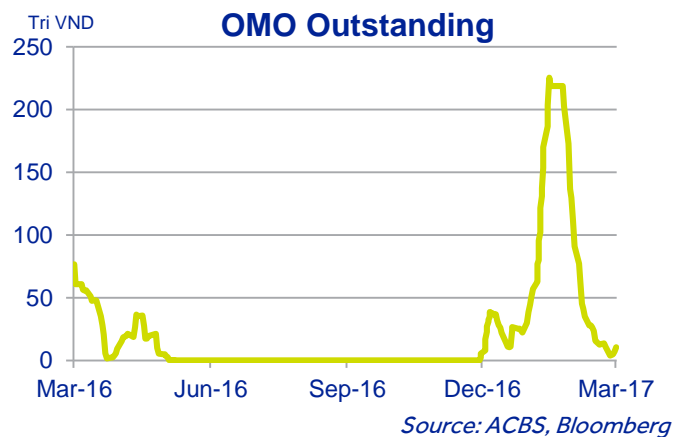
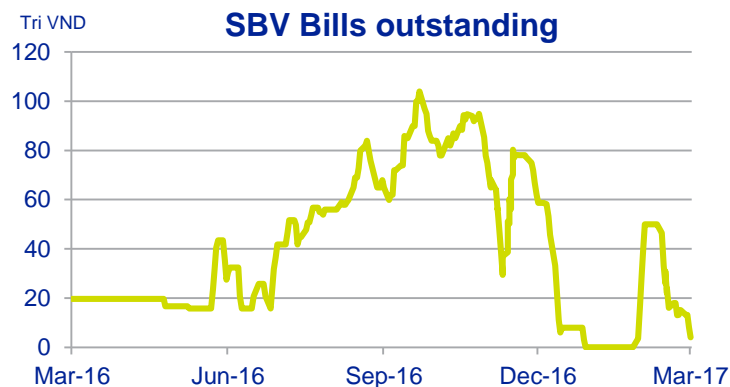
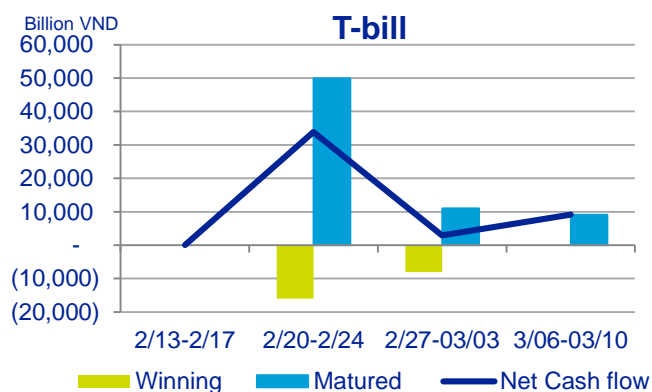
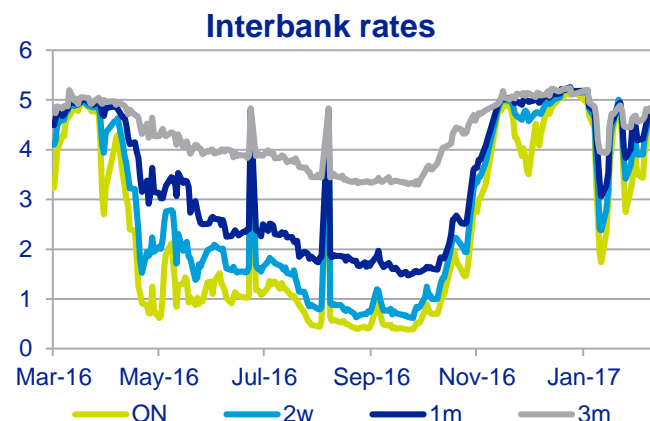
SECONDARY BOND MARKET



Source: HNX, VBMA, ACBS

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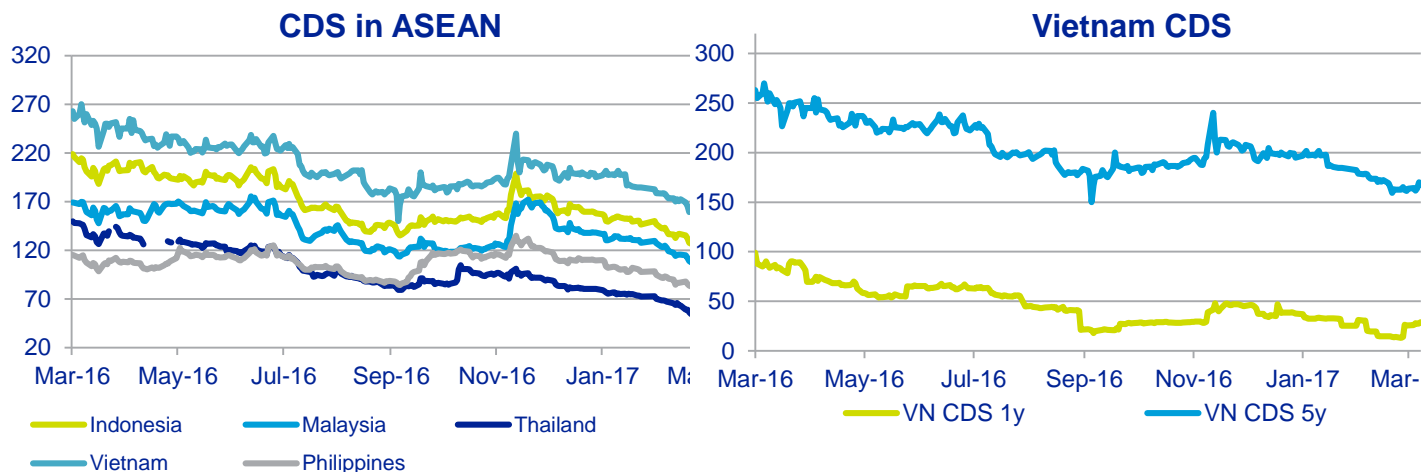
MONEY MARKET



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OTHER MARKETS

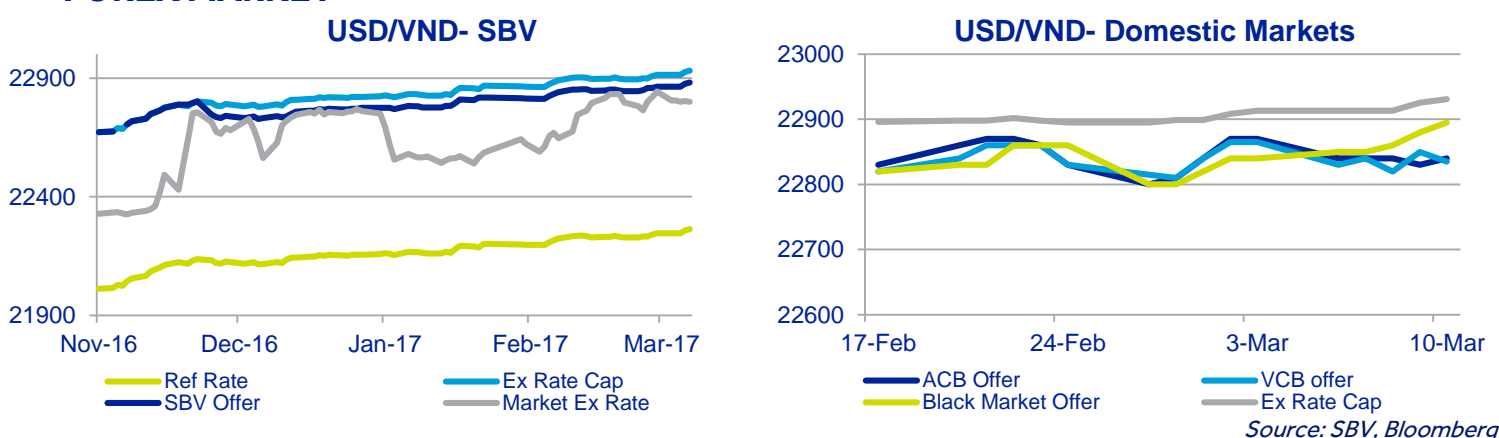
SOVEREIGN CDS



Source: Bloomberg

From the CDS aspect, ASEAN region and Vietnam saw their credibility improved, trending downward. For the shorter period, it seems that the US is a more attractive investment, reflected by the increase in Vietnam 1Y CDS rate

FOREX MARKET

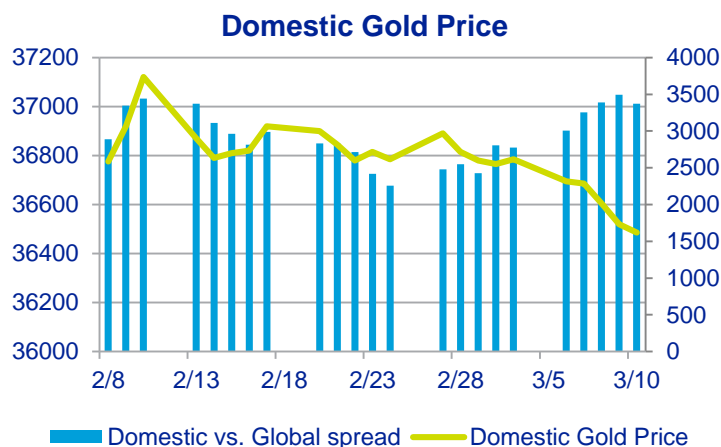


Source: SBV, Bloomberg

Meanwhile, the SBV has been increasing the USD/VND exchange rate steadily, and at the same time, increasing foreign reserves, based on the occasional exceed of VCB offer price against ACB's.

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GOLD MARKET



Source: Bloomberg, ACB.

First round of France Election is in April, until then, international gold price should be moving sideways around current level (could be up to \$1300/ ounce) unless: US's new tax policy comes out. Being within its consolidation level, any of the mentioned events could increase gold price's volatility by the same tremendous magnitude. Same thing applies for the Euro.

Personal assumption: Given the current positive beliefs toward the US, a tax policy from Trump would kick off the decline of gold, even if the details turns out below expectations. People would still be bullish toward the US, especially when there're yet to be any competitors. To me, gold poses a bigger shorting opportunity than buying.

APPENDIX

FX rate	USD		EUR		JPY	
Date	Bid	Ask	Bid	Ask	Bid	Ask
06-Mar-17	22,760	22,830	24,063.27	24,350.89	197.83	201.62
07-Mar-17	22,770	22,840	23,930.47	24,216.50	197.24	201.01
08-Mar-17	22,750	22,820	23,896.62	24,182.26	197.37	201.14
09-Mar-17	22,780	22,850	23,860.14	24,145.32	196.57	200.33
10-Mar-17	22,765	22,835	23,956.90	24,243.25	195.16	198.88

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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