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## MONEY MARKET

### INTEREST RATES

*Interbank interest sharply decreased during the period 1-13 Feb, 2017 (down 2.3% for overnight tenor, 1.6% for one week tenor, 1.3% for two week tenor and 1% for one month tenor to 3.2%, 3.4%, 3.6% và 4.03%, respectively, signaling the relief of banking system liquidation. Indeed, interbank interest is expected to stabilize right after the Tet Holiday. Central reference rate of VND/USD rose by 28 to 22.209 compared to previous two weeks. The exchange rate in commercial banks stayed at 22.604 (up VND 71 against January second half).*

The interbank interest rate drastically declined from Feb 1/2017 to Feb 13/2017 (down 2.3% for overnight tenor, 1.6% for one week tenor, 1.3% for two week tenor and 1% for one month tenor to 3.2%, 3.4%, 3.6% và 4.03%, respectively), implying that banking system liquidation tension had been relieved and started to stabilize as before the Tet Holiday.

Based on our previous prediction, the SBV has started net absorbing in order to stabilize system liquidity as well as credit demand.

Deposit rate maintained in general but there were slight increases in some commercial bank such as OCB, PVcombank, TP bank, Techcombank, DongA bank, etc. (up 0.1 – 0.2%/year for several short tenors). However, according to the SBV, this does not imply the market trend. Current deposits and below-one- month deposit rate is 0.8-1%/year; 1-6 month rates range from 4.5-5.4%/year; 6-12 month rates range 6.4-7.2%/year. Lending rates range from 6-7%/year for high-priority sectors, 6.8-9% for manufacturing, and 9.3-11%/year for mid and long term. To increase credit by 18-20%, we believe that lending rates will be stable but other factors such as inflation and rising interest rate by the FED might cause some slight increases in the lending rates. Besides, the USD deposit rate still stays at 0%.

Central reference rate of VND/USD rose by 11 to 22.209 compared to two previous weeks. Exchange rate in commercial banks went up by 71 to 22.604. During this first half of February, the USD increased in the World money market and the ICE index reach 100.95 in Feb 13 due to the market's anxiety towards chaotic political situations in France, Netherland, Italia and Germany causing the declines in the Euro while the USA is attracting investors increasingly.

Jan/2017 CPI has increased 0.46% MoM and 5.22% YoY. According to GSO, among 11 primary groups of goods and services, 9 have increased. In detail, transport was the biggest gainer with a rise of 3.21%; followed by medicine and health care (1.01%), drinks and cigarettes (0.78%), housing and cons material (0.57%), etc. On the other hand, only the prices declined, including food and food stuff (0.24%) and telecommunication (0.15%). The fact that gasoline price increase in Dec. 20/2015, Jan 4/2017 and Jan 19/2017 also causes rise in prices of materials of 6.41% compared to previous month, contributing 0.27% to the overall rise of CPI. Besides, due to the high demand in transportation, public transportation services have also increased by 1.05%.

We believe the fact that OPEC countries came to an agreement to reduce production of WTI oil, which is expected to stay at \$54/barrel. The EIA forecast that for short term, oil prices will also be at \$54/barrel. Based on this prediction, inflation will hardly rise, creating increases in interest rate

### Key interest rates

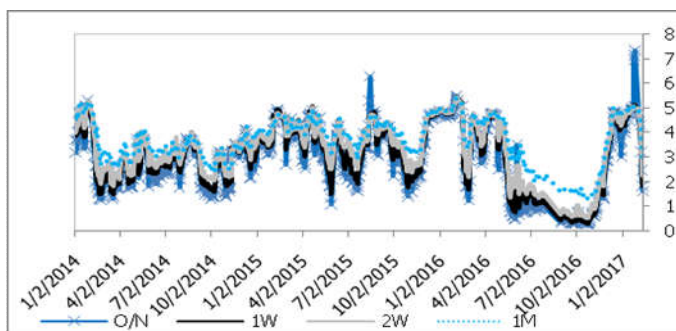
Rate	Before	Present
Basic	9%	9%
Refinancing	7%	6,5%
Discounting	5%	4,5%
Ceiling of deposit rate	6%	5,5%
OMO rate	5,5%	5%

### Thuật ngữ viết tắt

CDS: Credit Default Swap  
GSO: General Statistics Office  
HNX: Hanoi Stock Exchange  
MBS: MB securities  
SVB: State Bank of Vietnam  
VDB: Vietnam Development Bank  
VST: Vietnam State Treasury  
USD: United States Dollar

for short term.

**Chart 1: Interbank interest rates in VND (%)**



Sources: MB & SBV

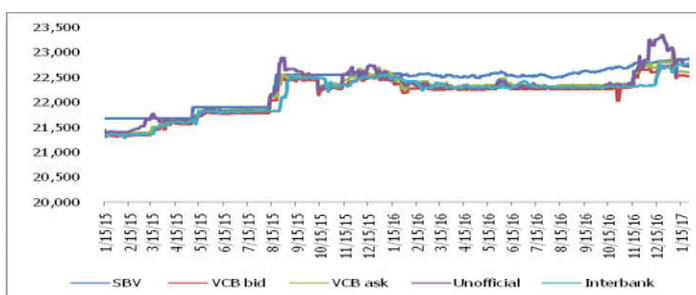
## VND/USD EXCHANGE RATE

**Central reference rate of VND/USD rose VND 28 up to 22,209 compared to previous two weeks. The exchange rate quoted in commercial banks also increased to 22,604 (up VND 71 against the previous half).**

During this first half of February, the USD increased in the World money market and the ICE index reached 100.95 in Feb 13. On the other hand, the market's anxiety toward chaotic current political situation in France, Neitherland, Italia and Germany also caused the Euro to devaluate while the USA is attracting investors.

In Vietnam, as the result of the USD appreciation and people depositing more USD after the Tet Holiday, the SBV has set the central reference rate of VND/USD at 22,234 on Feb.13 in order to have enough room to adjust the USD. We believe that in the short-run, the USD might have unpredictable movements; however, the fact the US economy keeps demonstrating positive signs (labour market, trade balance, oil price, etc) will cause the USD to increase in the long-run.

**Chart 2: VND/USD exchange rate**



Sources: MB, MBS

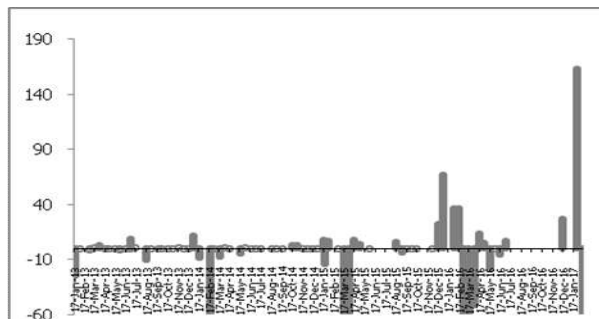
## OPEN MARKET OPERATIONS

**The SBV net absorbed VND 119,529 bn.**

In the first half of February, the SBV continued newly-pumping through OMO with amount of VND 1,863 bn plus VND 49,900 bn through T-bill while mature amount reached VND 171,292 this week. As the result, net absorption reached VND 119,529 bn.

According to our prediction in previous report, right after Tet holiday, the SBV has started net absorbing in order to stabilize system liquidity, Besides, interbank interest rate tends to sharply decrease implying that credit demand has been relieved. This decline also favors the SBV net-absorption.

**Chart 3: OMO net injection (trillion VND)**



Sources: MB & Bloomberg

## **BOND MARKET**

**Primary market: Government bond started blooming, mainly focus on 5-year tenor.**

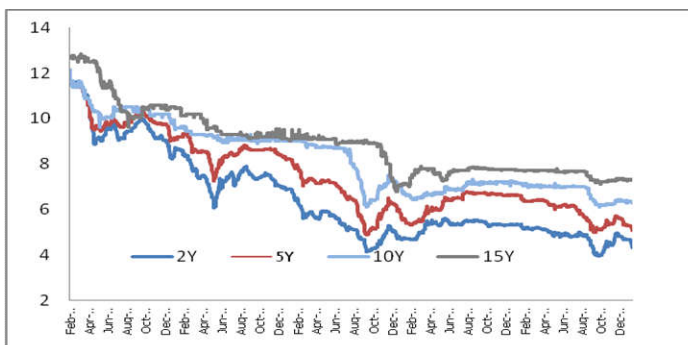
Total successful bidding for all tenors has soared in the past two weeks, reaching VND 14,315 bn (six times the amount of previous 2 weeks), accounting for 99% of total bid calling. Of which, 5-year GBs were most successfully bid (49%); followed by 17% of 7-year GBs while 15 year, 30 year took smaller proportions with 8% and 6% respectively.

There was a slight rise in bidding rates (from 5.25% to 5.45%/year). In comparison to previous two weeks, 15-year bond yield went up to 7.63%/year from 7.2%/years two weeks ago while 30-year bidding rates slightly decreased down to 7.97%/year.

**Secondary market:** Total trading value in secondary market mainly focuses on trading GB with the total value reaching VND 59,612 bn (up 3% against previous 2 weeks). GBs trading still dominated the share with 97.1% while the remaining belong to GGBs. In which, total transaction value of domestic investors accounted for nearly 90% of the total trading value.

Yield curve tends to slightly decrease toward under 10-years bond implying a significant rise in bond demand. Demand for below 5-year bond increased the most while 10 and 15-year tenors also presented some positive signs.

**Chart 4: Vietnam government bond yields (%)**



Sources: Bloomberg

### Domestic bond market

**Table 2: Recent VGB auctions on HNX**

#	Issuer	Tenor	No. of auctions	Auctions value	Registered value	Winning bit vale	Winning bid IR(%/yr)
1	VDB	10	2	3000.00	8000.00	3000.00	6.65-6.7
2	VDB	5	3	6500.00	20921.00	6500.00	5.02-5.45
3	VDB	15	2	1000.00	2016.50	1000.00	7.63-7.65
5	VST	7	1	2000.00	4361.00	2000.00	5.44
6	VST	30	1	1000.00	1586.00	815.00	7.97

Sources: HNX

**Table 3: Bond Auctions Schedule on HNX**

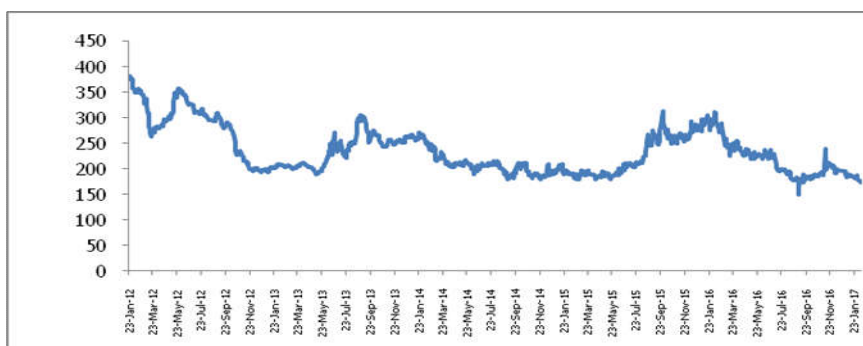
#	Issue date	Issuer	Type	Volume	Tenor(yr)	Mature date
1	14/02/2017	VDB	First time	1500	10	14/02/2027
2	14/02/2017	VDB	First time	1500	5	14/02/2022
3	14/02/2017	VDB	First time	500	15	14/02/2032
4	9/2/2017	VST	Latch back	3000	5	12/1/2022
5	9/2/2017	VST	Latch back	2000	7	12/1/2024
6	9/2/2017	VST	Latch back	1000	30	12/1/2047
7	8/2/2017	VDB	First time	1500	10	8/2/2027
8	8/2/2017	VDB	First time	2000	5	8/2/2022
9	8/2/2017	VDB	First time	500	15	8/2/2032

### Regional Bond Market

**Table 5: Government bond yield rate (%)1-13/2/2017**

	10Yr	7Yr	5Yr	3Yr	2Yr	1Yr
Vietnam	6.338	5.525	5.075	4.55	4.282	3.612
Indonesia	7.545	7.594	7.206	7.118	7.545	6.6
Malaysia	4.124	3.909	3.698	3.371	4.124	3.105
Japan	0.093	0.005	-0.08	-0.146	0.093	-0.259

### Vietnam 5 year CDS



## PRODUCT

This product covers the latest information about Vietnam macroeconomics. Reports focus on important issues such as the money market and the stock market. The product also forecasts figures which have impacts on the stock market and bond market.

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