

#### PRIMARY MARKET

The State Treasury has achieved great success in issuing primary government bond (GB) in May 2016 with the amount of successful bid equivalent to 86.74% of the amount offered. Total issued bond value in the month achieved VND 43,370 billion, increased by 43% compared to April 2016. After two months of the 2<sup>nd</sup> quarter, the State Treasury has successfully issued 92.1% the maximum value of bonds planned to be issued in 2<sup>nd</sup> quarter of 2016. The bonds with maturity in 5 and 15 years continue to get the major attention of the market with the value of issuance in May are VND 33,380 and 4,361 billion respectively. The value of 5-year government bond issued in April and May total up to VND 50,457 billion, equivalent to 123% of the maximum amount of planned issuance for this maturity in 2<sup>nd</sup> Quarter 2016. Accumulated from the beginning of the year until June 3<sup>rd</sup> 2016, the total value of 5-year government bond issued is VND 92,196 billion, equivalent to 92.5% this year plan. The results of the issuance for primary bond has raised a question regarding the adjustment for government bond issuance plan in the second half of 2016 while the amount left for 5-year and 15-year bond is limited and the possibility that the State Treasury finish its target for issuing bond in these 2 maturity group in the first half of 2016 is relatively high. The adjustment of the bond issuing plan for the second half of 2016 will be balanced between the issuing capability (beside the factor of increasing public debt and debt maturity) and credit growth to support economic growth.

The fact that State Bank of Vietnam (SBV) has buy in foreign currency to improve the reserves has injected a large amount of VND into the banking system, strongly increase the liquidity, which, incorporate with the slow credit growth (4.52% compared to the end of 2015), has generated a surge in demand for investing in government bond in May 2016. The yield of issuing bonds has been decreasing with regards to 5-year and less than 5-year maturity bonds while the successful bidding yield for 15 year and longer maturity bond does not have any movement. The successful bidding yield for 5-year bond has decreased by 26 basis points from May 6<sup>th</sup> to June 3<sup>rd</sup>, from 6.36% to 6.10%. Similarly, winning yield for 3-year bond also declined by 25 basis points, to 5.25% in the same period. The movements of winning yield strongly represent the market demand. With regard to bond with 15 year or longer maturity, the investors are mainly insurance companies did not have any change in bidding yield. While shorter term bond (3 and 5 year), which are attractive to banks due to its suitability with the banks' cash flow and trading activity, has been strongly affected as a result of the change in liquidity of the banking system. This development has occurred in 2015 and is continuing to persist in 2016.

#### SECONDARY MARKET

##### BOND YIELD DECREASE AT MONTH END

Bond yields of all maturity on secondary market has slightly decreased at the end of April 2016. The 2 - year yield had the largest reduction compared to March, which is 6.6 basis points. The 7-year yield took the second place with 4.6 basis point reduction. Similarly, the bonds guaranteed by government also experience a same down trend. However, the demand for government-guaranteed bond is not as high as last month which decrease the attractiveness of the spread. In comparison to the start of this year, bond yields for 2 to 7 year of maturity on secondary market has decrease by 20 -26 basis points. On the other hand, there is no significant change for yields of longer than 15-year maturity bonds, they were approximately equal to the rate on primary market due to the specific demand for buy-and-hold strategy of the insurance companies, which are the main investors for the long term bonds

##### CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – MAY 2016

	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	15 Years
31-05-2016 (%) (T Day)	4,50	4,86	5,35	6,18	6,79	7,00	7,71
29-04-2016 (%)	4,92	5,11	5,56	6,38	6,73	7,01	7,72
31-12-2015 (%)	4,97	5,31	5,82	6,63	6,95	7,18	7,75
30-day change (basis points)	(42,00)	(24,50)	(21,30)	(19,80)	6,20	(1,20)	(1,00)
Changes compared to 31/12/2015 (basis point)	(47,40)	(44,90)	(47,00)	(44,50)	(16,30)	(17,50)	(4,30)

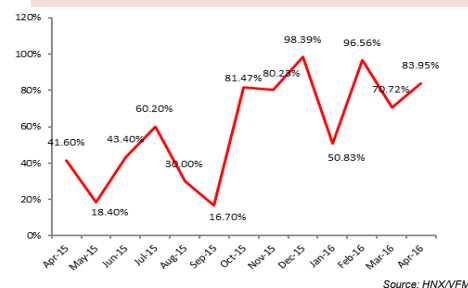
##### SIGNIFICANT INCREASE IN SECONDARY MARKET TRADING VOLUME

Total value of outright transactions and average daily transaction value in May 2016 has noticeably increased compared to April. May is also the month with highest total and daily average transaction value in 12 consecutive months since May 2015. After the first 5 months of 2015, monthly and daily average trading value has increased by 21% and 27% respectively, compared to 2015. Transaction in May 2016 concentrated in 5-year bond with 42% of total transaction value. The other 31% of total transaction value are 3-year bond transaction. The trend of trading focus on 3-year is consistent with the movements on primary markets.

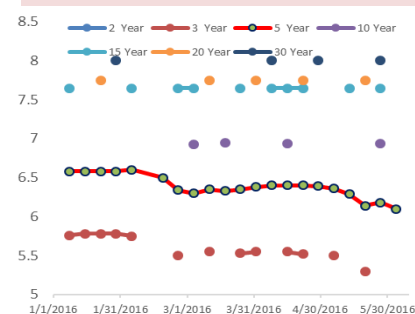
PLAN FOR BOND ISSUANCE IN Q2 2016 AND COMPLETION PROGRESS IN 5 MONTHS 2016 (VND Billion)

Terms	Issuing value – 2 months Q2 (VND Billions)	Issuing value – Accumulated (VND Billions)	% Completion (Q2 Plan)	% Completion of yearly plan
3 Year	11,717	22,490	73.2%	34.1%
5 Year	50,457	92,467	123.1%	92.5%
10 Year	403	2,103	10.1%	17.5%
15 Year	8,589	14,598	85.9%	81.1%
20 Year	87	431	2.2%	3.6%
30 Year	2,425	4,425	48.5%	36.9%
<b>Total</b>	<b>73,678</b>	<b>136,514</b>	<b>92.1%</b>	<b>62.1%</b>

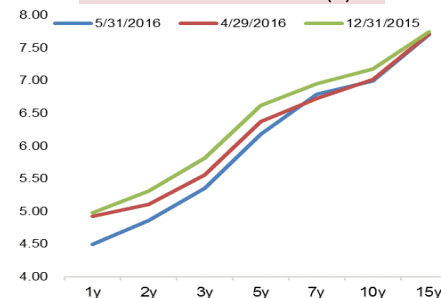
RATIO OF SUCCESSFUL BID/OFFER ON PRIMARY MARKET



SUCCESSFUL BIDDING YIELD FOR PRIMARY ISSUANCE OF GOVERNMENT BOND - FIRST 5 MONTHS OF 2016



BOND YIELD CURVE - 2016 (%)



VALUE OF OUTRIGHT TRANSACTION OVER MONTHS

