

PRIMARY MARKET

The success rate of government bond auction in July 2016 has achieved 71.86%, a considerable reduction compared to June 2016. This is also the lowest rate since April 2016. Besides, the value of bonds offered in July is only VND 19,152 billion, which is the month with lowest value offered since January 2016. The relative values of bonds offered and awarded on primary market are only equivalent to 53.84% and 47.08% of the respective value in June. This significant change in auction outcomes of July resulted from the movements of both supply side where the State Treasury has completed the majority of its bond issuance plan for this year (issued VND 206,878 billion, equivalent to 82.75% of the adjusted planned amount) and buy side (mainly commercial banks) has been cautious before the ambiguity of monetary policy in the second half of 2016. Bonds issued in July mostly have 5-year term, however, the first-time issuance of 7-year bond has attracted a lot of attention from investors before having its attractiveness fading at the end of the month. 15 and 30-year bond still have its attention from insurance company and achieved the highest success rate in issuing, respectively 100% and 96.2%.

Yields of 7,15 and 10-year primary issued bonds did not have any movement in July. The bid-winning yield for 5-year bond had noticeable downtrend in July with a slight recover at the beginning of August. The movement of yield on primary market is completely consistent with the yield change on primary market.

Due to the high liquidity on interbank market, the banks will continue to keep its interest in primary auction of government bonds, concentrating on mainly 5 year and shorter term. Under the circumstances that State Bank of Vietnam's policy focus on stabilizing the interest rate in the rest of 2016, it is possible for the bid-winning yield in primary bond auctions will be maintained similarly to the movements of July. Most of the fluctuations will concentrated on 5-year bond which have the highest trading volume on the market.

SECONDARY MARKET
ALMOST NO FLUCTUATION IN BOND YIELDS

Similar to June 2016, bond yield on secondary market in July had almost no change in all terms expect 1 year and 2 year. Bond yields of all terms longer than 5 have been in a flat trend since May 2016 while the yields of under than 3 year bonds have noticeably fluctuated with a downward trend recently. The fluctuations of short term government bond might continue to persist as long as the interbank interest rate continues to be at low level compared to the beginning of the year. Considering the stability of bid-winning yield of government bonds and constant buying power from insurance company, it is expected that 15-year and longer bond yield will have no fluctuation in the short term.

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

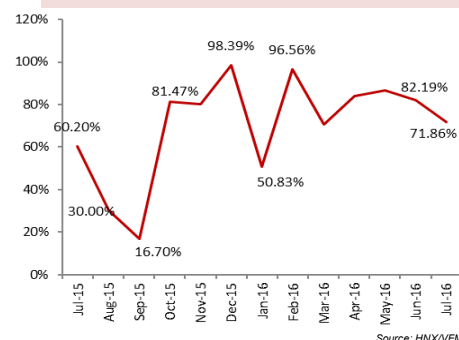
	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	15 Years
31-07-2016 (%) (T Day)	4.33	4.82	5.40	6.16	6.66	6.98	7.67
30-06-2016 (%)	4.44	4.89	5.38	6.16	6.68	6.97	7.65
31-12-2015 (%)	4.97	5.31	5.82	6.63	6.95	7.18	7.75
T Day - 30 Change (Basis points)	(10.70)	(7.30)	1.60	(0.70)	(2.00)	1.50	1.70
T Day - 31-12-2015 Change (Basis points)	(64.10)	(49.50)	(42.00)	(46.80)	(29.00)	(19.20)	(8.00)

SLIGHT REDUCTION OF SECONDARY MARKET TRADING

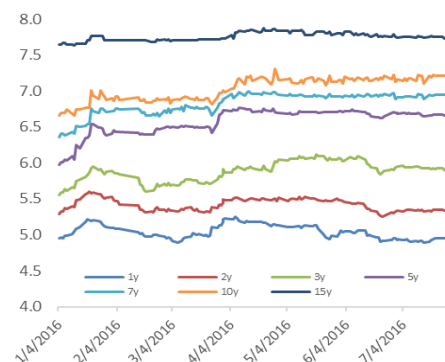
Total outright transaction value and daily average transaction value in June 2016 decrease compared to May. In June, total outright transaction value achieved VND 82,890 billion, decrease by 3% compared to May, however, daily average transaction value only equal to 87.9% of May. Accumulated from the beginning of the year, total outright transaction value achieved VND 373,913 billion, increase by 13.6% YoY. The average daily transaction value increase by 10.76% compared to 2015. Trading in June 2016 concentrated on 5 year and longer maturity bonds, which accounted for 39% total trading value while 3-year bond accounted for 23% of trading value. The trend of concentration on 5-year bond trading is consistent with the movement in primary market.

ADJUSTED PLAN FOR PRIMARY BOND ISSUANCE IN 2016
Source: HNX

Terms	Offer Amount	Bid Amount	Success Amount	Yield	Bid/Offer Ratio
5 Year	11.600	28.319	9.955	6.10-6.14	244.13%
7 Year	7.500	8.589	3.735	6.62-6.62	114.52%
10 Year	2.000	2	-	-	0.10%
15 Year	3.250	5.029	3.250	7.65-7.65	154.74%
30 Year	2.300	3.007	2.212	8.00-8.00	130.73%
Total	26.650	44.946	19.152		168.65%

RATIO OF SUCCESSFUL BID/OFFER

Source: HNX/VFM
BID-WINNING YIELD FOR GOVERNMENT BOND AUCTION IN JULY (%)

Date	5Y	7Y	15Y	30Y
8/7/2016	6.14	6.62		8.00
15/7/2016	6.10	6.62	7.65	
22/7/2016	6.10	6.62	7.65	
29/7/2016	6.11	6.62		8.00
5/8/2016	6.12		7.65	

Source: Reuters.
BOND YIELD MOVEMENTS - 2016 (%)

Source: Reuters, VFM
VALUE OF OUTRIGHT TRANSACTION OVER MONTHS
