

**PRIMARY MARKET**

The specifically low interest rate on money market and the slow credit growth compared to deposit growth has directly affected the government bond issuance results on primary market in August 2016. Besides, market participants have been fully informed about the adjusted bond issuance plan in 2016 as well as the signals from State Bank of Vietnam about maintaining sound liquidity of interbank market. These factors have significantly pushed the demand for bonds investment from the banks, consequently escalated trading volume and value on both primary market and secondary market.

The ratio of successful bidding amount over calling amount on primary market has sharply increased in August 2016 compared to July and achieved 94.62%, which accurately reflects the market demand (and also consistent with the fact that total bidding amount this month is 2.84 times total calling amount). In August, the State Treasury has successfully raised VND 32,406 billion of bonds, in which the total value of 5-year and 7-year bonds has been 100% successfully sold. These were also the terms that had the successful bidding yields continuously decreasing since the start of August. Compared to the end of July, the yields at the end of August has decreased by 36 and 28 basis points respectively. However, similar to prior months, bonds that have maturity of 10 year and longer did not receive as much attention compared to 5 and 7-year bonds. The successful bidding yield for 15 and 30-year bond did not change. The issuance of 10 and 20-year bond was not successful in July and August.

After 8 months, the State Treasury has successfully issued bonds with total value of VND 239.28 thousand billion (equivalent to 95.71% of the adjusted plan in 2016). In which the 5-year bond achieved 105.5% the planned amount of 2016 (raised 152.85 thousand billion) and 7-year bond also have a higher-than-planned issued amount. The completion of 5-year and 7-year bonds issuance (which received most of the attention) would lead to a stop in issuing bonds of these terms for the rest of the year, which would put pressure on secondary market. Under the circumstances of sound liquidity on interbank market and imbalanced credit growth among the banks, the demand for government bonds investment will be pushed in the remaining months of 2016.

**SECONDARY MARKET**
**BOND YIELDS HAD STRONG FLUCTUATIONS FOR HEAVILY TRADED TERMS**

Together with the movements of the successful bidding yield on primary market, by the end of August 2016, the yields of 5-year and 7-year bonds has decreased significantly by 33 and 28 basis points compared to the end of July. While the 1-year yield sharply decreased (by 23 basis points) due to the fluctuations of money market interest rate, the 2-year yield increased by 4.9 points. The bond yield movement on secondary market accurately reflects the demand on the market with regards to different terms of maturity. The 3, 5 and 7-year bonds account for the most of trading activity on the market. The statistics shows that the trading value of bonds with remaining time to maturity of 3 to 5 year account for 62% of total trading value of the market in August 2016. It is expected that the yields will continue their downward trend with respect to 7-year and shorter term bonds while 15 year and higher bonds will have their yields maintained.

**CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – AUGUST IN COMPARISON TO JULY 2016**

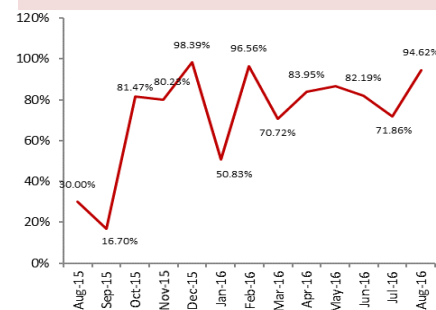
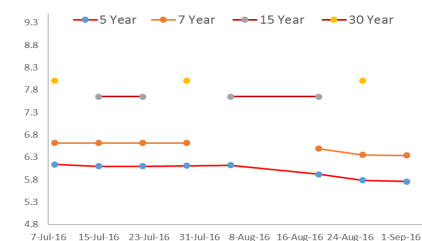
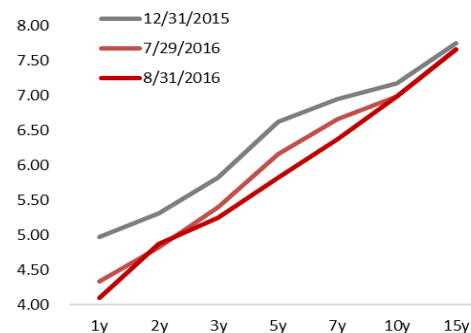
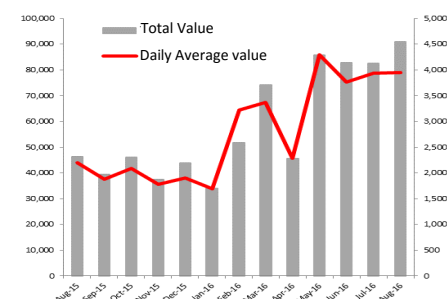
	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years	15 Years
31-08-2016 (%) (T Day)	4.10	4.87	5.25	5.82	6.38	6.99	7.67
29-07-2016 (%)	4.33	4.82	5.40	6.16	6.66	6.98	7.67
31-12-2015 (%)	4.97	5.31	5.82	6.63	6.95	7.18	7.75
T Day - 30 Change (Bp)	(23.50)	4.90	(15.00)	(33.50)	(28.00)	0.90	(0.20)
T Day - 31-12-2015 Change (Bp)	(87.60)	(44.60)	(57.00)	(80.30)	(57.00)	(18.30)	(8.20)

**SLIGHT INCREASE OF SECONDARY MARKET TRADING**

The increase in demand has made total outright transaction value on secondary market sharply rose in August compared to July (increase by 9.87%) however, daily average transaction value only increase by 0.32% due to a higher number of trading days in August (2 additional days). In August, total outright transaction value achieved VND 90,800 billion and daily average transaction value achieved VND 3947 billion/day. The majority of transaction in August concentrated on the bonds with 2-5 years of maturity, which account for 74.15% total transaction value. Transaction of long than 5 year bonds has increased in August after a strong decline in July, which account for 18.88% total transaction value. The trend of trades concentration on shorter than 5 year bond will continue to persist in the coming months as long as the maturity satisfy the demand of commercial banks.

**GOVERNMENT BOND PRIMARY ISSUANCE—AUGUST 2016**
*Source: HNX*

Terms	Offer Amount	Bid Amount	Success Amount	Yield	Bid/Offer Ratio
5 Year	16.000	58.368	16.000	5,76-6,12	364,80%
7 Year	11.700	32.137	11.700	6,34-6,60	274,68%
15 Year	3.250	4.590	2.827	7,65-7,65	141,24%
20 Year	1.000	1	-	-	0,10%
30 Year	2.300	2.148	1.879	8,00-8,00	93,39%
<b>Total</b>	<b>34.250</b>	<b>97.244</b>	<b>32.406</b>		<b>283,92%</b>

**RATIO OF SUCCESSFUL BID/OFFER**

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

*Source: Reuters, VFM*
**BOND YIELD CURVE – JULY AND AUGUST 2016 (%)**

*Source: Reuters, VFM*
**VALUE OF OUTRIGHT TRANSACTION OVER MONTHS**

*Source: HNX/VFM*