

### PRIMARY MARKET

In October 2016, the State Treasury has issued VND 19,886 billion of government bond compared to a total of VND 31,000 billion planned for Q4 2016. After 10 months, the State Treasury has completed 96.16% of the issuance plan (VND 281,000 billion) for the whole year of 2016. The issuance of government bond in October could be considered as the most successful month in 2016 with the ratio of successful issuance/call amount reached 96.53%. The demand for government bond in this month remained high with the bidding amount equivalent to 128% of offered amount (with regards to 30 year-bond) and 332% (with regards to 5-year bond). A special note in October is the majority of bonds issued were 30-year bond, which accounted to 61.2% of total value issued. Other long-term bonds (10, 15 and 20 year) also received a lot of attention from the market and successfully accounted for large proportions of total value of bonds issued. Under the current circumstances of the market, there is a possibility that the State Treasury will complete its bond issuance plan within November 2016.

The bid-winning yield of government bond auctions in October continue to decline with regards to shorter than 15-year bonds. 5-year bonds had only one auction in the month and were issued at the yield of 4.9%, a large drop compared to the most recent issuance (86 basis points). 7-year and 10-year bonds also had their bid-winning yield achieved 5.45% and 6.14% in October, dropped by 75 and 36 basis points respectively compared to September 2016.

In contrast to the good results of government bonds issuance, government-guaranteed bonds (GGBs) did not received much attention from market participants. Total value of successful issued GGBs in October achieved on VND 2,579 billion, equivalent to 20.3% of the total value auctioned in October (VND 12,772 billion). The low yield spread between government bonds and GGBs is the main reason for this low success ratio. After 10 months, there were a total of VND 33,005 billion of GGBs issued, equivalent to 12.2% the total value of government bonds issued.

In the last 2 months of 2016, it is expected that the issuance of government bonds will carry on regularly to set the trends of market interest rates movements.

### SECONDARY MARKET

#### BOND YIELDS SLIGHTLY CHANGED

The government bond yields had a slight movement in terms of short term yield and 10-year yield in October 2016. The 2-year bond yield had the most significant drop of 43 basis point, however, this is still smaller than the minimum yield decrease in September. Most of the fluctuations happen with regards to 10-year and shorter term yield, other long-term yield did not have any significant change in October compared to the prior month. Government bond yield has reached a bottom in October and slightly increased at the end of this month. The yield of 5-year government bonds, which accounted for the largest proportion of trading volume in the market, has dropped to 5% before slightly bouncing back and end at 5.11% on the last day of October. It is possible that the bond yields will have slight movements in the remaining months of 2016 due to the on-going demands from investors such as commercial banks and insurance firms as well as the fact that the government bonds supply from primary issuance is no longer copious.

#### CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – OCTOBER IN COMPARISON TO SEPTEMBER 2016

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-10-2016 (%) (T Day)	3,50	3,98	4,43	5,11	5,59	6,20	7,22
30-09-2016 (%)	3,63	4,41	4,74	5,18	5,73	6,46	7,28
31-12-2015 (%)	4,97	5,31	5,82	6,63	6,95	7,18	7,75
T Day - 30 Change (Bp)	(12,50)	(43,70)	(30,80)	(6,90)	(13,20)	(26,30)	(6,60)
T Day - 31-12-2015 Change (Bp)	(147,40)	(133,70)	(139,00)	(151,70)	(135,70)	(97,50)	(53,30)

#### GOVERNMENT BOND ISSUANCE—OCTOBER 2016

Terms	Number of auctions	Call amount (VND Billion)	Bid amount (VND Billion)	Success amount (VND Billion)
5 Years	1	1.000	3.321	1.000
7 Years	2	2.000	6.517	1.700
10 Years	2	2.000	5.622	2.000
15 Years	1	1.000	2.579	1.000
20 Years	2	2.300	3.656	2.007
30 Years	3	12.300	15.793	12.179
<b>Total</b>		<b>20,600</b>	<b>37,488</b>	<b>19,886</b>

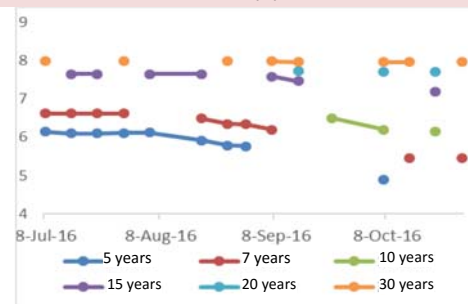
Source: HNX

#### RATIO OF SUCCESSFULL BID/OFFER



Source: HNX/VFM

#### BID-WINNING YIELD CHANGES IN THE LATER MONTHS OF 2016 (%)



Source: HNX/VFM

#### BOND YIELD CURVE—SEPTEMBER AND OCTOBER 2016 (%)



Source: Reuters, VFM

#### GOVERNMENT BOND YIELD CHANGES JULY—OCTOBER 2016 (%)

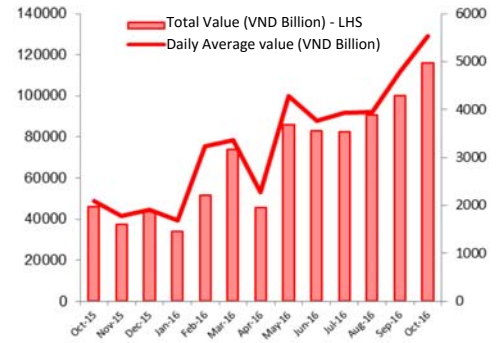


Source: HNX/VFM

### SECONDARY MARKET TRADING ACTIVITY CONTINUE TO INCREASE IN OCTOBER

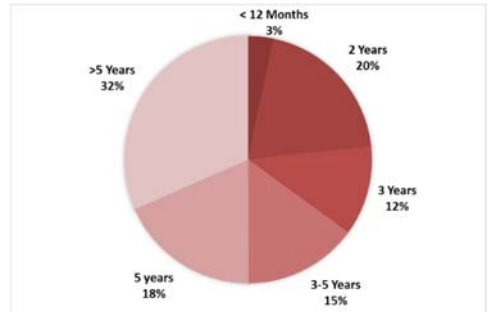
Secondary trading of bonds continued to rise strongly in October 2016. Total traded value in October achieved VND 116,030 billion, equivalent to a daily average of VND 5,525 billion. Both the total and daily average trading value has increased by 15.7% compared to September and by 27.8% compared to the averages of the 3rd Quarter. It could be considered that trading value had reached its peak of the year in October while the demand for bond investment tends to slightly decrease in the last 2 months of the year. Trading value in October is equivalent to 186% of the average monthly total trading volume in the first 6 months of 2016 and 127% of Quarter 3 2016. Similarly, daily average trading value in October also increased significantly with a rate of 78% compared to the average of the first 6 months and 31% compared to the 3rd Quarter. During this month, the trading activities focused on proportion of 2-year bonds and 5-year or longer bonds, which had the largest yield movements in this month. The demand for long-term (15 years and over) bond investment continue to be stable in the last months of the year. 2016 will be the year that have impressive growth in the bonds market, including primary and secondary markets.

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

PROPORTIONS OF TRADING VALUE BY BOND TERMS—  
OCTOBER 2016



Source: HNX/VFM