

### PRIMARY MARKET

After 3 months of successful issuance of Government Bonds, the issuance rate in November was not as positive as of prior months. In November, State Treasury (ST) has issued a total value of VND 7,588 billion of bonds (decreased by 61.85% compared to last month) over the amount of VND 13,500 billion called for auction, which indicate the ratio of successful bond issuance of 52.69%. After 11 months, State Treasury has issued VND 277,794 billion of bond, equivalent to 98.86% of 2016 plan (VND 281,000 billion). Although the demand for 5-year bond investment in November remain high (slightly less than October), the issuance auction was not completely successful due to the requirement of higher yield from investors. The primary issuance yield for 5-year bond has increased from 4.9% in prior months to 5.25% in November. Other bond terms did not receive as much attention from investors. Especially, 7-year bonds were not successfully issued in November. Nevertheless, the bid-winning yield for 10 year bonds has decreased by 4 basis points compared to October while other term such as 15,20 and 30-year remain constant.

Government-guaranteed bonds (GGB) was not popular on the market last month. The total value of successfully issued GGBs in November is VND 1,474 billion, equivalent to 16.4% of total call amount in the month (VND 8,980 billion). 7-year are the only bond term that was successfully issued this time. Total value of registered bid for GGBs is also significantly lower than the offer amount, which is only 64.12% of the latter.

The main reasons for the decline of primary market (and also secondary market) in November 2016 would include:

- The Fluctuations of VND/USD exchange rate: The central rate of State Bank of Vietnam (SBV) and interbank rate has appreciated 0.36% and 1.53% against the Vietnamese Dong in November. The upward trend of the Dollar is expected by the market to continue in December 2016.
- Interbank interest rate increased significantly at the end of November with the overnight rate reached 2.8%, a large change compared to the 0.93% at 31/10/2016
- Inflation continue to surge in November with a 0.48% change compared to October, effectively 4.5% since the beginning of 2016.

The issuance yield is expected to slightly increase with regards to under 10-year bond and not to fluctuate with regards to 15-year and longer term bonds.

### SECONDARY MARKET

#### BOND YIELD INCREASED

Government bond yield had been increased for short term bonds (under 7 years) in November 2016. 3-year bond yield had the most significant upward movement of 59 basis points, followed by 2-year and 1-year yields with 53 and 52 points increase respectively. There was hardly any change of long-term yield compared to last month. The government bond yield has reached its bottom in October, and started to slightly increase before making a significant upward change in November 2016. With regards to the reasons stated in the primary market section, the credit growth trend in December and the increase in demand for cash facilitating year-end trade, the possibility the bond yield will decrease in December is low. However, the long-term bond yield (greater than 15 years) will remain stable because of the steady demand from insurance firms.

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

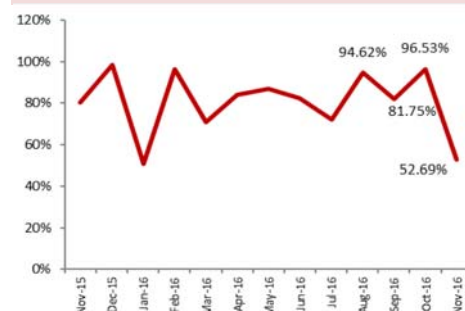
	1 year	2 years	3 years	5 years	7 years	10 years	15 years
30-11-2016 (%) (T Day)	4,02	4,51	5,02	5,37	5,75	6,23	7,26
31-10-2016 (%)	3,50	3,98	4,43	5,11	5,59	6,20	7,22
31-12-2015 (%)	4,97	5,31	5,82	6,63	6,95	7,18	7,75
T Day - 30 Change (Bp)	52,00	53,50	59,00	26,20	15,70	3,00	4,50
T Day - 31-12-2015 Change (Bp)	(95,40)	(80,20)	(80,00)	(125,50)	(120,00)	(94,50)	(48,80)

#### GOVERNMENT BOND ISSUANCE—NOVEMBER 2016

Terms	Number of auctions	Call amount (VND Billion)	Bid amount (VND Billion)	Success amount (VND Billion)	Yield	Bid/ Offer Ratio
5 Years	2	5,900	13,088	4,576	5.20-5.25	221.83%
7 Years	2	2,000	2,502	-	-	125.10%
10 Years	2	2,000	3,477	825	6.10-6.10	173.85%
15 Years	2	2,000	2,787	1,100	7.20-7.20	139.35%
20 Years	1	1,000	498	76	7.71-7.71	49.80%
30 Years	2	1,500	1,019	1,011	7.98-7.98	67.95%
<b>Total</b>		<b>14,400</b>	<b>23,371</b>	<b>7,588</b>		<b>162.30%</b>

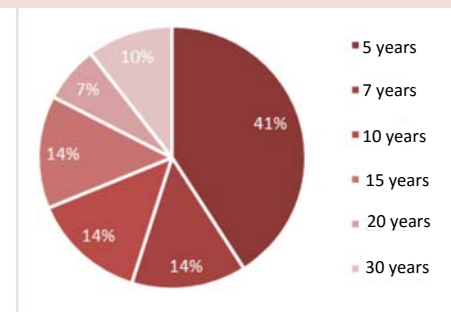
Source: HNX

#### RATIO OF SUCCESSFULL BID/OFFER



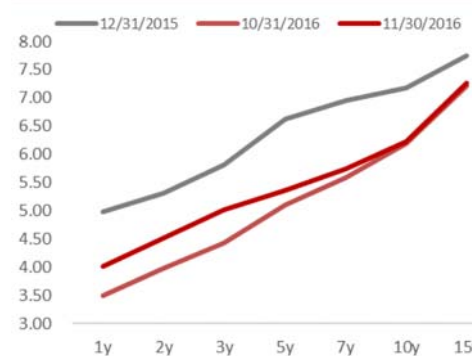
Source: HNX/VFM

#### PROPORTIONS OF BOND TERMS ISSUED IN NOVEMBER 2016



Source: HNX/VFM

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

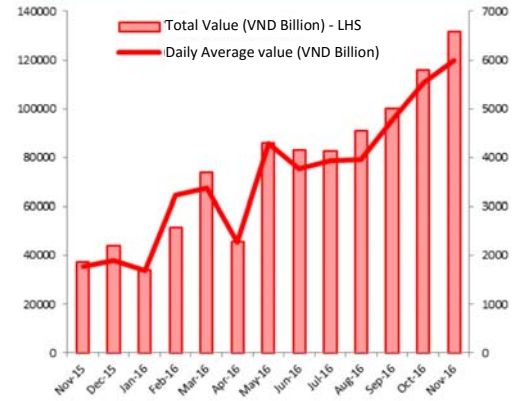


Source: Reuters, VFM

### SECONDARY MARKET TRADING VOLUME CONTINUE TO SURGE IN NOVEMBER

Trading activities on Secondary market continue to surge for the 4th consecutive month and reached the highest trading volume in November 2016. Total transaction value in November amount to VND 131,850 billion, a 13.6% increase compared to October. Daily average trading value is VND 5,993.2 Billion, 8.5% higher than October. The transaction of 5-year bonds and bonds of longer term accounted for the major proportion of total market traded value in November (26%), following by the 3-5 year term (21%). A noticeable fact in November is the VND 7,528 billion net sale value of foreign investor (buy value: VND 3,419 billion and sell value: VND 10,947 billion). This is the largest monthly amount of foreign net-sale since January 2016. November is also the second consecutive month that has positive net sale (October has VND 2,493 billion of net-sale). The change in exchange rate has significantly affected the investment decision of foreign investors. It is expected that secondary market trading volume will decrease in December in comparison to November.

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM