

PRIMARY MARKET

In the first month of Q3, the State Treasury issued VND 15,170 billion of government bonds, a sharp decrease of 32% from VND 22,348 billion of the previous month. The winning volume over the call volume has slightly increased from 90.11% in June to 92.50% in July. The decline in mobilization resulted from the willingness to reduce the volume of each session (from 4,000-5,000 billion to 3,000-4,000 billion VND per week) and carefulness of investors when bond yields have fallen dramatically in recent weeks. Bid-to-cover ratio remained high at 3.786 times, suggesting that buying demand from investors is still relatively high but the current yield is not attractive enough.

The bond market witnessed a historic month as bond yields fell sharply in all maturities. Yields on 5-year bonds fell 42 bps, 7-year downed 25 bps, 10-year decreased 27 bps, 15-year declined 55 bps and 20-year dropped 85 bps, 30-year reduced 88 bps. The winning yield of 5-year tenor has reached a bottom of 4.48% per year, breaking out from the lowest level of 4.80% pa in October 2014. Regarding maturity, 20-year and 5-year tenors accounted for the highest proportion, accounting for 24% and 22% of total issued bonds, respectively, while 10-year bond with only one auction accounting for 7% of the total (the lowest percentage).

For the first 7 months of 2017, the total number of bonds issued by the State Treasury is VND 140,916 billion dong, equivalent to 76.88% of the plan in 2017. The State Treasury also announced plans to issue bonds in the third quarter and announced changes in the issued plan of 2017, in which the total volume for the whole 2017 is still 183,300 billion, but adjusted declining the issuance volume of short term (no longer issue 3-year bond this year) and increasing long term issuance volume. The changes in total issuance volume of the State Treasury is considered reasonable as it will reduce the pressure on issuers as well as help market have more time to get familiar with the new interest rate level.

GOVERNMENT BOND ISSUANCE—JUL 2017

Terms	Number of auctions	Call amount (VND Billion)	Bid amount (VND Billion)	Success amount (VND Billion)	Winning Yield	Bid/Offer Ratio
5 Years	4	4,300	18,934	3,300	4.20-5.40	5.738
7 Years	2	2,300	7,752	2,300	4.90-5.60	3.370
10 Years	1	1,000	3,101	1,000	5.35-6.00	3.101
15 Years	2	2,600	10,562	2,600	5.70-6.80	4.062
20 Years	3	3,900	11,496	3,700	5.80-7.10	3.107
30 Years	2	2,300	5,586	2,270	6.10-7.60	2.461
Total	14	16,400	57,431	15,170		1.623

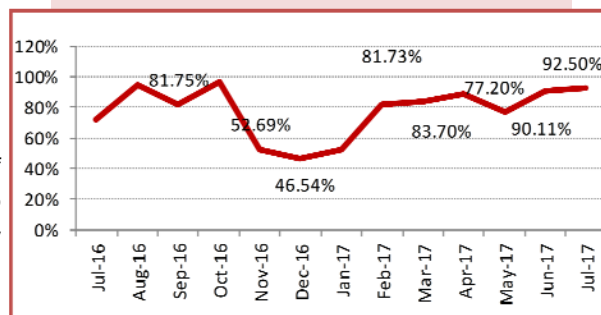
Source: HNX/VFM

TOTAL ISSUED AMOUNT AND TARGET PLAN 2017

Terms	Winning amount in April 2017	Plan for Q2	% Plan Q2	Total issued amount	Yearly plan 2017	% Yearly plan 2017
5 Years	3,300	18,000	18%	31,600	49,300	64%
7 Years	2,300	3,000	77%	30,330	31,000	98%
10 Years	1,000	6,000	17%	12,436	20,000	62%
15 Years	2,600	6,000	43%	20,643	27,000	76%
20 Years	3,700	6,000	62%	18,898	23,000	82%
30 Years	2,270	6,000	38%	27,008	33,000	82%
Total	15,170	45,000	34%	140,916	183,300	76.88%

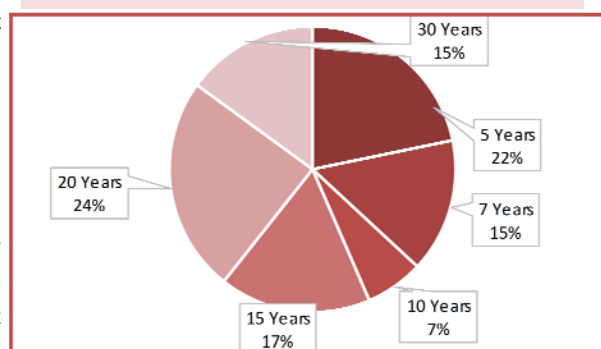
Source: HNX/VFM

RATIO OF SUCCESSFUL BID/OFFER ON PRIMARY MARKET



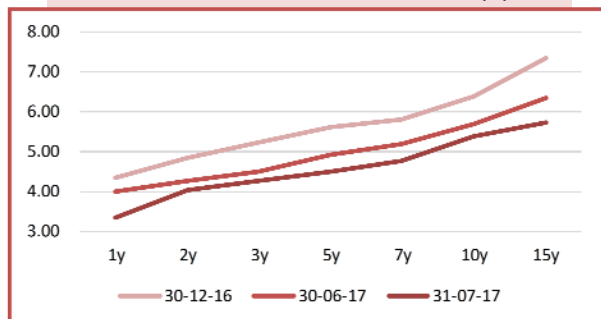
Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN JUL 2017



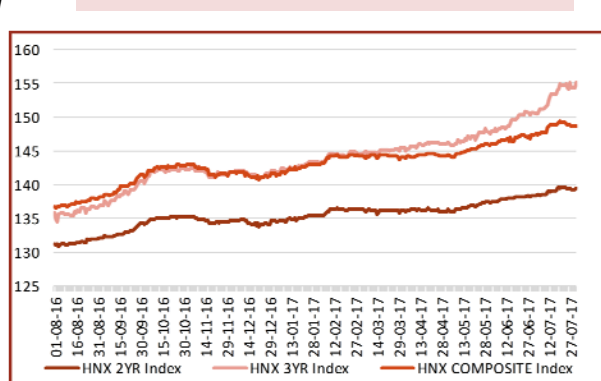
Source: HNX/VFM

BOND YIELD CURVE—JUNE AND JUL 2017 (%)



Source: Reuters, VFM

HNX INDEX RETURN



Nguồn: Bloomberg/VFM

SECONDARY MARKET

SECONDARY MARKET WAS CONTINUOUSLY ACTIVE

The secondary Government bond market liquidity in July decreased slightly compared to that in June but still significantly higher than the average trading volume of the last 12 months. Total transaction value has reached VND 102,091 billion, slightly declined 1.59% compared to volume of previous month. Average daily trading value was VND 4,861 billion, decreased 1.60% compared to June. Transactions on the secondary market in July were mainly focused on less-than-5-year tenors, accounting for 60.49% of total trading volume and tenors from 15 years to 30 years, representing 13.20%, with two major buyers are insurance companies and foreign banks. Trading value of foreigners in July has got VND13,865 billion (up 12.25% compared to June), equivalent to 6.31% of total trading value of the whole market. Foreign investors net bought VND 2,530 billion of bonds, accumulating YTD net buy of VND 15,848 billion.

MARKET WAS IN A BULLISH MOOD

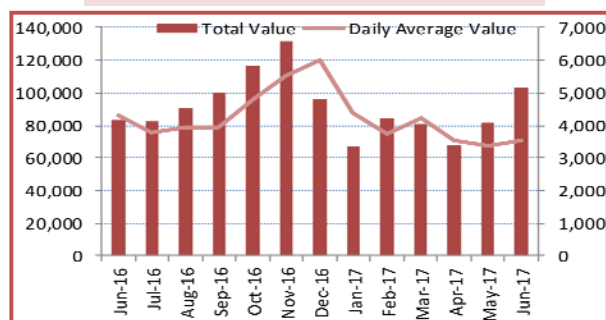
Market outlook in the early days of July combined with the effect of interbank rates continuously dropping from 150 basis points to 170 basis points each tenor which are less than a month, close to the bottom of record in the third quarter of 2016, has provided great support to bond investment. In August, bond yields are forecasted to rebound slightly after all the good news on the market is almost reflected in bond prices over time. In addition, (1) bad news on the banking sector, (2) quarterly results of some basic manufacturing sectors are not as expected and (3) investors become more cautious in their trading decisions.

CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – JULY IN COMPARISON TO JUNE 2017

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-07-2017 (%) (T Day)	3.35	4.02	4.28	4.48	4.76	5.38	5.73
30-06-2017 (%)	4.00	4.27	4.50	4.90	5.18	5.67	6.34
31-12-2016 (%)	4.35	4.83	5.21	5.60	5.81	6.38	7.34
T Day - 30 Change (Bp)	-65.00	-25.00	-22.00	-42.00	-42.00	-29.00	-61.00
T Day - 31-12-2016 Change (Bp)	-100.00	-80.50	-93.30	-112.00	-105.30	-99.50	-161.30

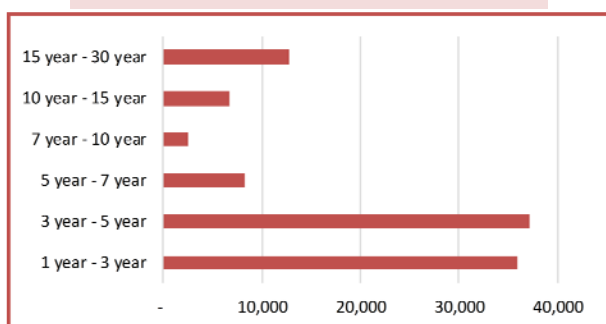
	HNX 2YR INDEX	% RETURN	HNX 3YR INDEX	% RETURN	HNX COMPOSITE INDEX	% RETURN
31-07-17	139.43		148.72		155.01	
Month to date	138.32	0.80%	147.30	0.96%	150.62	2.91%
Quarter to date	136.03	2.50%	144.18	3.15%	145.98	6.19%
Yield to date	134.63	3.57%	141.70	4.95%	141.95	9.20%

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM