

PRIMARY MARKET

In August, the State Treasury (ST) only mobilized VND3,179 billion of Government bonds, downed sharply 20.96% compared to the previous month's volume (VND15,170 billion). The winning ratio also fell significantly from July's with 92.50% to 24.45% in August (the lowest ratio since September 2015). The decline in mobilization was caused by reduction in the weekly calling amount from the State Treasury (from VND3,000 billion to VND2,000 billion per week) and signs of slowing down in the demand for additional bonds from investors. Bid-to-cover ratio dropped sharply to 1.973 times (halved compared to July), while there were only 7 over 17 sessions successfully mobilized in August. Winning State Treasury bond yields in primary market tends to fluctuate. Yield of 5-year tenor increased by 0.12% pa, whereas 7-year and 30-year tenors decreased respectively by 0.15% pa and 0.12% pa. The other maturities remain unchanged compared to July (20-year maturity did not mobilize successfully).

At the end of August 2017, the total outstanding value of Vietnam government bonds, government guaranteed bonds, municipal bonds was VND985,592 billion. In that, the outstanding value of Vietnam government bonds was VND822,947 trillion, accounting for 83.50% while government guaranteed bonds was VND141,339 trillion, accounting for 14.35%. The smallest portion that is municipal bonds accounting for 2.16%, worth VND21,250 trillion. Beside current outstanding bonds in the market, there are VND424 trillion bonds issued separately for Vietnam Social Insurance. For the first eight months of 2017, the State Treasury issued a total of VND144,095 billion, equivalent to 78.61% of the full year plan. With 4 months for the remainder of 2017, ST can flexibly amend their issuance plan to achieve the announced plan of the year. However, in both July and August ST has only raised VND18,349 billion, so the possibility to complete the third quarter plan (VND45,000 billion) is very low. For government guaranteed bonds, there was no new issuance had been issued in August, however, the draft amendment to Circular 36 redefining the concept of government bonds including government guaranteed bonds, will make these bonds easier to issue at the end of the year.

GOVERNMENT BOND ISSUANCE—AUG 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	3,000	9,184	300	4.60	3.061
7 Years	3	2,000	7,113	1,000	4.80	3.557
10 Years	3	2,500	3,233	900	5.38	1.293
15 Years	3	2,500	3,385	800	5.75	1.354
20 Years	2	1,500	1,102	-	-	0.735
30 Years	2	1,500	1,631	179	6.10	1.087
Total	17	13,000	25,648	3,179		1.973

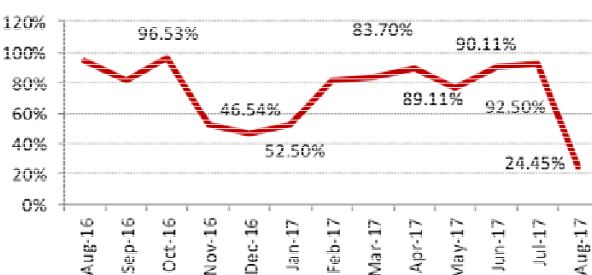
Source: HNX/VFM

TOTAL ISSUED AMOUNT AND TARGET PLAN 2017

Terms	Winning amount in Jul & Aug 2017	Plan for Q2	% Plan Q2	Total issued amount	Yearly plan 2017	% Yearly plan 2017
5 Years	3,600	18,000	20%	31,900	49,300	65%
7 Years	3,300	3,000	110%	31,330	31,000	101%
10 Years	1,900	6,000	32%	13,336	20,000	67%
15 Years	3,400	6,000	57%	21,443	27,000	79%
20 Years	3,700	6,000	62%	18,898	23,000	82%
30 Years	2,449	6,000	41%	27,187	33,000	82%
Total	18,349	45,000	41%	144,095	183,300	78,61%

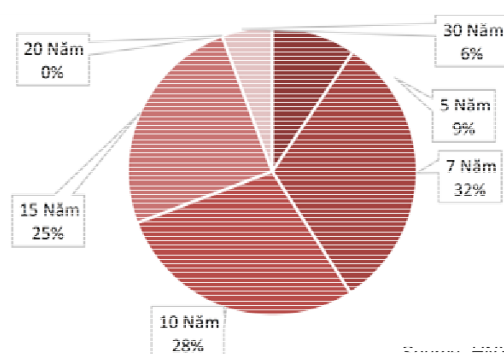
Source: HNX/VFM

RATIO OF SUCCESSFUL BID/OFFER ON PRIMARY MARKET



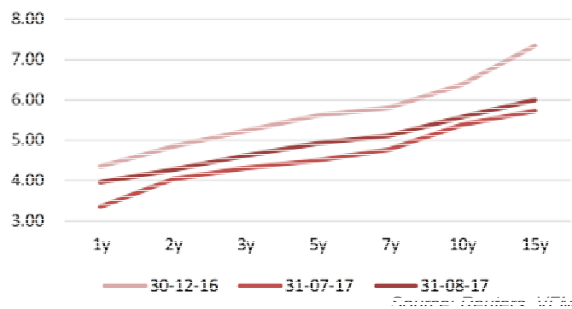
Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN AUG 2017



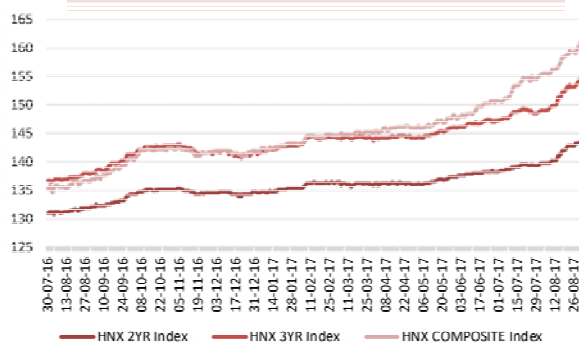
Source: HNX/VFM

BOND YIELD CURVE—JUL AND AUG 2017 (%)



Source: Reuters, VFM

HNX INDEX RETURN



Nguồn: Bloomberg/VFM

SECONDARY MARKET

SECONDARY MARKET WAS QUIET

Trading volume on the secondary market declined along with investors' caution. Total transaction value was VND94,694 billion, downed 7.25% compared to July's value. In which, average daily trading value was only VND4,117 billion, declined 15.31% MOM. Secondary market transactions in August still focused mainly on terms of less than five years, accounting for 52.61% of total volume. However, during the month, favorable tenor moved from short terms to long one that were more than 10-year terms, especially for 20-year and 30-year terms, with profit-taking transactions and demand for loans from investment funds as well as insurance companies. Foreign trading amount in August reached VND10,400 billion (down 25% YOY), equivalent to 10.98% of total transaction value. Foreign investors were net sellers for the first month in 2017 with VND900 billion causing total net-buying from the beginning of the year slightly dropped to VND14,948 billion.

INVESTORS BECAME MORE CAUTIOUS

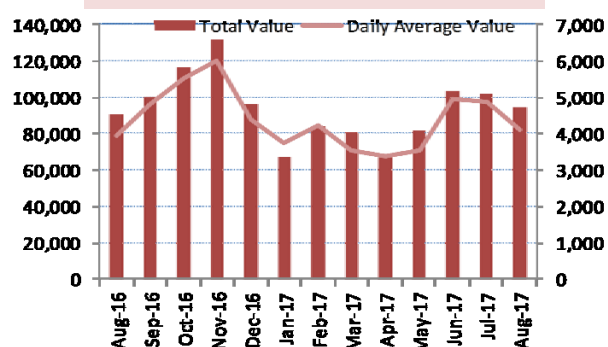
The short-term profit-taking pressure coupled with fears of strong credit growth in the rest of the year has boosted government bond yields in the secondary market, rising 18 bps to 59 bps along the curve. Demand for bonds is also showing signs of decline as the forecasted maturity in the next 6 months is just only VND14,590 billion, and banks are also waiting for the new Circular to amend Circular 36 which mentions loan structure and ratio of government bond investment. In September, the market will need to closely observe movement of the CPI (which rose sharply by 0.92% in August), credit disbursement process and SBV policies aiming to achieve credit growth target of 21%.

CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – AUG IN COMPARISON TO JUL 2017

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-08-2017 (%) (T Day)	3.94	4.27	4.61	4.90	5.10	5.56	6.00
31-07-2017 (%)	3.35	4.02	4.28	4.48	4.76	5.38	5.73
31-12-2016 (%)	4.35	4.83	5.21	5.60	5.81	6.38	7.34
T Day - 30 Change (Bp)	59.00	25.00	33.00	42.00	34.00	18.00	27.00
T Day - 31-12-2016 Change (Bp)	- 41.00	- 55.50	- 60.30	- 70.00	- 71.30	- 81.50	- 134.30

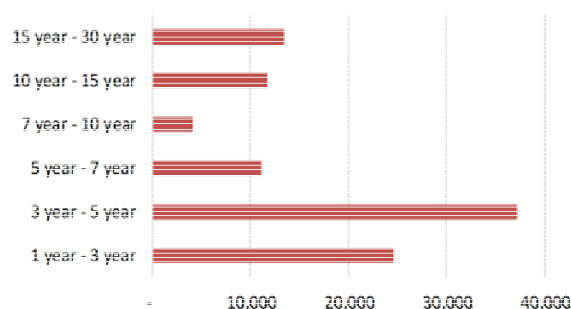
	HNX 2YR INDEX	% RETURN	HNX 3YR INDEX	% RETURN	HNX COMPOSITE INDEX	% RETURN
31-07-17	143.49		154.38		160.71	
Month to date	139.43	2.91%	148.72	3.81%	155.01	3.68%
Quarter to date	137.36	4.46%	145.92	5.80%	147.75	8.77%
Yield to date	134.63	6.58%	141.70	8.95%	141.95	13.22%

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM