

### PRIMARY MARKET

Primary market in October showed improvement compared to September when market sentiment was somewhat familiar with new interest rate level and liquidity support from SBV buying foreign currencies. In October, HNX held 13 auction sessions with 5 tenors called (no raising for 15 years), mainly for 5-year, 7-year and 10-year terms. As a result, the State Treasury raised VND6,910 billion, up 69.11% against last month's VND4,086 billion. The winning ratio has improved slightly to 60% in this month, whereas last month's was only 48%. Compared to September, auction winning yields on 5-year and 7-year Treasury bonds fell while yields of 10-year term slightly increased. The winning rate of 5-year bonds were in the range of 4.50-4.65% pa, 7 years is 4.83% pa, 10 years is 5.42% pa. Long-term bonds (over 15 years) in October were having difficulty mobilizing and could not successfully mobilize any term.

In the first 10 months of 2017, Treasury has raised VND 155,091 billion of Government bonds. In October, the State Treasury has announced the adjustment of issuance plan for the 4th quarter and the total amount of bond mobilization for 2017. Accordingly, the State Treasury will reduce its initial issuance to VND 170 trillion VND for the entire year 2017 and VND 21 trillion for the fourth quarter. With the mobilization of over VND155 trillion in the first ten months (91.12% of the new plan), the volume released for the last two months is only VND15 trillion. Also in last month, Government guaranteed bonds (GGB) started to be re-issued and successfully raised VND600 billion after two auction sessions. The winning yields of 10-year and 15-year GGB bonds are at 6.2% per annum and 5.90% per annum respectively (corresponding to the spread of 30 and 45 basis points over 10-year and 15-year Government bond).

As of the end of October 2017, total outstanding value of Government bond, GGB and municipal bond is VND996,988 billion. The market share of Government bonds in total bond outstanding value was 83.63% or VND833,743 billion, came next was GGB with 14.24% or VND141,995 billion and the remaining 2.13% is municipal bond.

GOVERNMENT BOND ISSUANCE—OCT 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	5,300	17,214	3,060	4.60	3.248
7 Years	3	2,150	7,103	1,400	4.80	3.304
10 Years	4	2,950	9,494	2,450	5.38	3.218
15 Years	-	-	-	-	-	-
20 Years	1	500	1,351	-	-	2.702
30 Years	1	500	739	-	-	1.478
<b>Total</b>	<b>16</b>	<b>8.600</b>	<b>27.009</b>	<b>4.086</b>		<b>3,141</b>

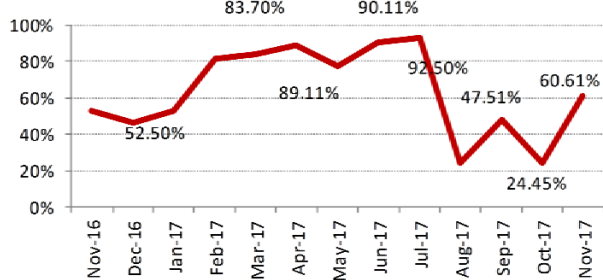
Source: HNX/VFM

TOTAL ISSUED AMOUNT AND TARGET PLAN 2017

Terms	Winning amount in Q3 2017	Plan for Q3	% Plan Q3	Total issued amount	Yearly plan 2017	% Yearly plan 2017
5 Years	60,311	175,859	36,896	2.92	49,300	74.84%
7 Years	43,700	108,522	33,630	2.48	31,000	108.48%
10 Years	20,850	51,334	16,786	2.46	20,000	83.93%
15 Years	25,550	68,607	21,443	2.69	27,000	79.42%
20 Years	22,350	60,966	18,898	2.73	23,000	82.17%
30 Years	33,700	90,024	27,437	2.67	33,000	83.14%
<b>Total</b>	<b>206,461</b>	<b>555,312</b>	<b>155,091</b>	<b>2.69</b>	<b>183,300</b>	<b>84.61%</b>

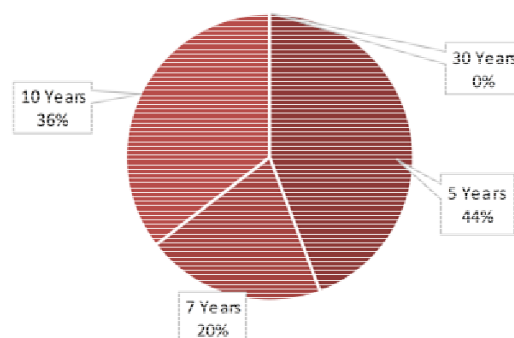
Source: HNX/VFM

RATIO OF SUCCESSFULL BID/OFFER



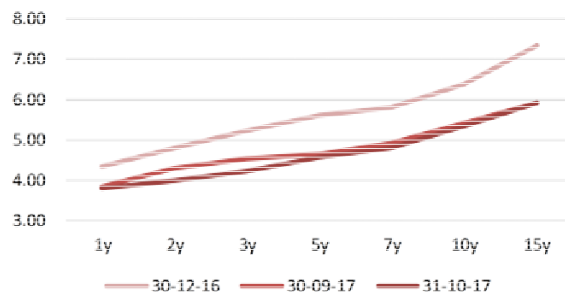
Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN OCT 2017



Source: HNX/VFM

BOND YIELD CURVE— SEP AND OCT 2017 (%)



Source: Reuters, VFM

### SECONDARY MARKET

#### LOWER LIQUIDITY ON THE SECONDARY MARKET

Trading on the secondary market tended to decrease, especially at the end of October. The total trading value decreased slightly by 5.34% M-O-M to VND100,160 billion and the average daily transaction value also declined to VND4,553 billion, down 9.56% M-O-M. The average daily trading volume in the first two weeks of October remained the same as previous months of VND6,000-7,000 billion per session, but fell to VND2,000-3,000 billion in the last two weeks of the month. That was mainly caused by the fact that commercial banks have actively reduced their trading volume since the market has not been volatile too much for a long time, and some investors have partially fulfilled their targets for 2017. Lower liquidity in the secondary market liquidity will continuous happen in November and December. In terms of tenor, trading in October are still concentrated in short terms of less than 7 years (accounting for nearly 70% of total trading volume) and the trading volume in the period 15-year, 20-year and 30-year bonds significantly decreased from 17.65% last month to 10.19% of total trading value. Foreign investors are also quite inactive in the bond market in October when the trading volume reached only VND4,500 billion, much lower than the previous months

#### STATE TREASURY REDUCED ISSUED AMOUNT, INTEREST RATE WAS STABLE

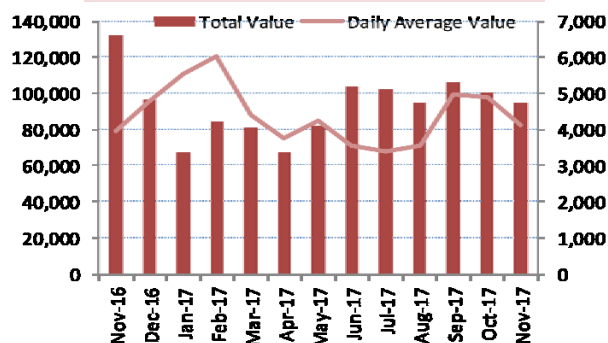
With announcement from the State Treasury on the reduction of the volume of government bonds issuance, it was revealed that the precedent was not available in the previous years, which is decline in the number of planned projects, thereby tightening the bond supply. This adjustment is reasonable in the context of Vietnam's public debt is very high in recent years (approaching 65% of GDP), while supporting the interest rate market bond remained low. Apart from supporting factors, market risk still exists, when the interbank interest rates are showing signs of a slight recovery because of the State Treasury's consecutive disbursement deposit money from commercial banks. In the last two months of the year, credit growth of more than 2.5% must be reached to achieve the target set at the beginning of the year. By the end of the year, the information strengthen possibility of rising in interest rates is more dominant than the factors that put downward pressure on the government bond interest rate. Interest rates will have a divergence between the primary and secondary market, and the gap will tend to increase, especially when tightening of bond supply mainly affects the primary market, while Market demand is evident in the secondary market.

#### CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – OCT IN COMPARISON TO SEP 2017

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-10-2017 (%) (T Day)	3.80	4.00	4.25	4.57	4.81	5.35	5.91
30-09-2017 (%)	3.85	4.32	4.54	4.67	4.94	5.44	5.93
31-12-2016 (%)	4.35	4.83	5.21	5.60	5.81	6.38	7.34
T Day - 30 Change (Bp)	- 5.00	- 32.00	- 29.00	- 10.00	- 13.00	- 9.00	- 2.00
T Day - 31-12-2016 Change (Bp)	- 55.00	- 82.50	- 96.30	- 103.00	- 100.30	- 102.50	- 143.30

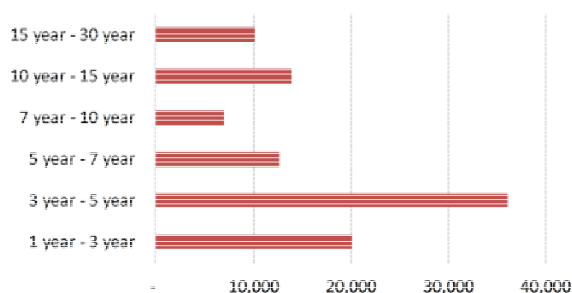
Source: VFM

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM