

### PRIMARY MARKET

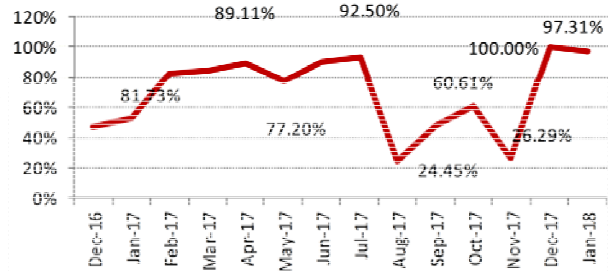
Hanoi Stock Exchange and the State Treasury have had a very successful month for many years. Auction sessions were successful in the context of liquidity of the banking system was substantially abundant. In total, after 5 sessions with all 6 standard terms, the State Treasury has called for VND19,900 billion and mobilized VND19,365 billion. The winning ratio of government bonds reached 97.9%, got the highest level over the same period for last 3 years (2015: 91.60%, 2016: 50.8% and 2017: 60.6%). By the end of January, the Treasury had announced issuance plans for the first quarter and for the whole year 2018. Accordingly, the maximum total amount of Treasury expected to be issued in 2018 through the primary market is VND200 trillion and in the first quarter of 2018, it is going to mobilize VND45 trillion, in which, the long-term bonds were over-10-year accounting for more than 77 percent of the first quarter plan.

Primary supply continued to be reduced as the volume released in the first quarter of 2018 under the plan of the State Treasury was only VND45,000 billion, much lower than the plan of previous years (2017 is VND65,000 billion) which proved that Treasury is also cautious. In addition, with the current situation when the budget is not able to disburse, the mobilization of extra capitals at this point is not necessary. Besides, the positive supporting news from the macro economic as well as policies from the State Bank have made overbidding sessions in the primary market.

Bond yields fell dramatically in January. The 10-year and 15-year tenors (the primary yield downed 70 to 77 basis points) attracted a lot of interest from the market as the yields and investment horizons for these two tenors were in line with investment tastes of commercial banks, who are the main investors with overwhelming demand. The term of 20-year and 30-year bonds used to be considered as the private playground of insurance companies receiving the high demand for investment by the banking sector, resulting their winning rates decreased 62 basis points per term.

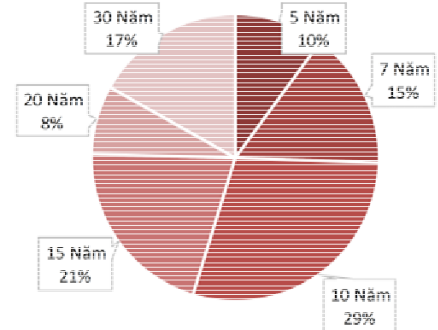
Government guaranteed bonds in January have not been issued as the State Treasury might discuss with the Ministry of Finance to unify the calling volume as well as issuance schedule for this kind of bonds. Given the large fluctuations in the yields of government bonds, government guaranteed bonds would have been expected to attract a lot of investors' attention if they had been released again.

RATIO OF SUCCESSFULL BID/OFFER



Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN JAN 2018



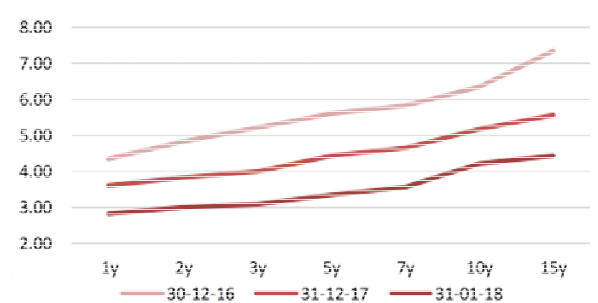
Source: HNX/VFM

GOVERNMENT BOND ISSUANCE—DEC 2017

Terms	Number of auctions	Call amount (VND Billion)	Bid amount (VND Billion)	Success amount (VND Billion)	Winning Yield	Bid/Offer Ratio
5 Years	1	1,950	7,013	1,950	4.30-4.30	3.596
7 Years	1	3,000	7,800	3,000	4.35-4.35	2.600
10 Years	4	6,000	32,216	5,655	4.38-5.15	5.369
15 Years	3	4,000	25,643	4,000	4.50-5.20	6.411
20 Years	1	1,500	2,350	1,500	5.20-5.20	1.567
30 Years	2	3,450	9,830	3,260	5.40-5.40	2.849
<b>Total</b>	<b>12</b>	<b>19,900</b>	<b>84,852</b>	<b>19,365</b>		<b>4.264</b>

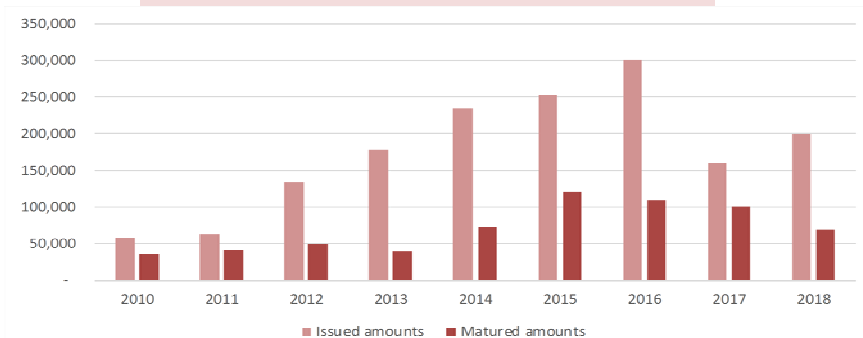
Source: HNX/VFM

BOND YIELD CURVE— JAN 2018 AND DEC 2017 (%)



Source: Reuters, VFM

GOVERNMENT BOND ISSUANCE—DEC 2017



Source: HNX/VFM

INSUANCE PLAN FOR THE FIRST QUARTER OF 2018

Terms	Calling amount in Q1 (bil VND)	Mobilized amount (bil VND)	Success ratio (%)
5 Years	5.000	1.950	39,00%
7 Years	5.000	3.000	60,00%
10 Years	11.000	5.655	51,41%
15 Years	11.000	4.000	36,36%
20 Years	5.000	1.500	30,00%
30 Years	8.000	3.260	40,75%
<b>Total</b>	<b>45.000</b>	<b>19.365</b>	<b>43,03%</b>

Source: HNX/VFM

#### SECONDARY MARKET

##### PROFITIOUS SECONDARY MARKET IN THE FIRST MONTH

Liquidity of the secondary market in January 2018 erupted again following a sharp decline in government bond yields. The total value of transactions in the last month was VND 118,223 billion, slightly up 2.3% compared to December 2017; however, the average daily trading value decreased tediously by 2.35% to VND 5,374 billion. Market liquidity mildly increased in January due to the fact that forward transactions executed by investors at the end of December 2017, were settled in January 2018, while the yields of government bonds in January has fallen sharply, giving investors more opportunities to trade. Repo transactions in January also increased significantly, the total volume of repo transactions reached 118,127 billion, accounting for 49.9% of total market transactions. Foreign investors have also had a positive trading month. Total value of foreign investors in January reached VND17,098 billion (upped 50.48% compared to that in December 2017), equivalent to the market participant ratio of 7.23%. Foreigners were net-buyers in January with a net buying volume of VND788 billion, of which the strongest buying period was that of less than one year with a net buying of 787 billion and the strongest selling of 3 years (471 net selling billion).

##### THE MARKET 2018 IS THREATENED BY INFLATION RISK

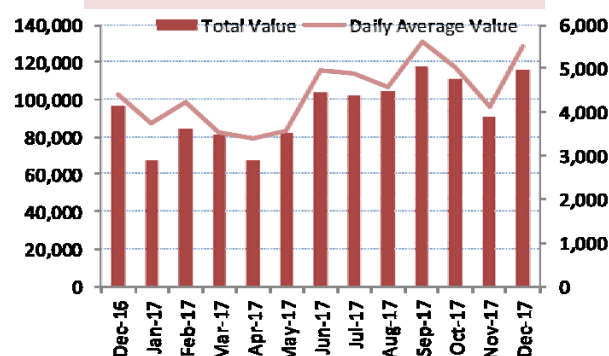
January 2018 is a special month when all the good news is focused in this month, making the Vietnamese securities market a month of sublimation. Monetary policy of the State Bank has tended to loosen through policy lowering interest rates OMO 0.25% right from the beginning of the year and many of large commercial banks reduced lending interest rates for some priority sectors. In addition, the liquidity of the interbank market was still very good and guaranteed by large amounts of money from sales of the state capital, while the State Bank bought foreign currency (totalled USD4 billion at the end of January). However, the price of bonds has fallen sharply and runs away with its intrinsic value, making Vietnam's bond yields in comparison with that in other same level of development countries being too low. It is obviously that dramatic increase will limit the possibility of further up in bond prices in 2018 when potential risks remain, especially the inflation risk. Moreover, in the structure of investors holding the current government bonds, the number of domestic investors is very high, which will make bond yields less sensitive to change in exchange rate (optimistic forecast) but extremely volatile with inflation (pessimistic forecast) and interest rates.

##### CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – JAN 2018 IN COMPARISON TO DEC 2017

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-01-2018 (%) (T Day)	2.84	3.00	3.08	3.35	3.57	4.23	4.45
31-12-2017 (%)	3.61	3.82	4.00	4.43	4.67	5.17	5.59
31-12-2016 (%)	4.35	4.83	5.21	5.60	5.81	6.38	7.34
T Day - 30 Change (Bp)	- 77.00	- 82.00	- 92.00	- 108.00	- 110.00	- 94.00	- 114.00
T Day - 31-12-2016 Change (Bp)	- 151.00	- 182.50	- 213.30	- 225.00	- 224.30	- 214.50	- 289.30

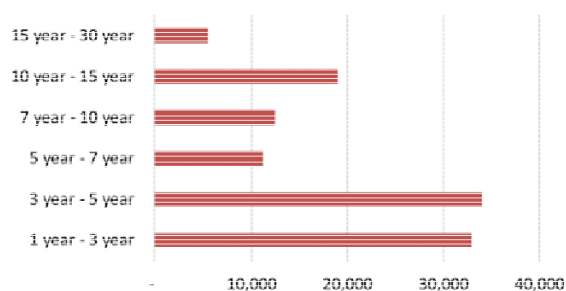
Source: VFM

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM