

### PRIMARY MARKET

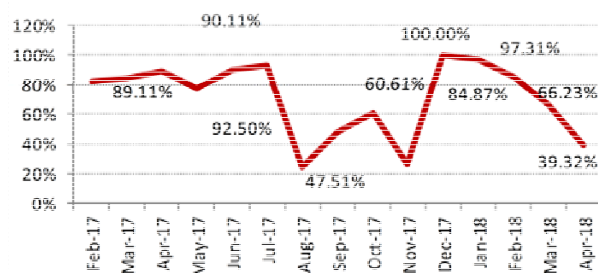
Primary market in April was less active with the winning ratio of 39.32%, much lower than the previous month as well as the same period of 2017 and 2016. The State Treasury has issued successfully 11 over 12 auction sessions, but only mobilized VND6,055 billion of government bonds in April 2018 (three quarters number of sessions only mobilized below VND500 billion), reaching more than 9.32% of the quarter II plan. Bid-to-cover ratio was 2.61 times and more than 60% of total winning volume in the month came from deposit insurance of Vietnam, which showed that government bond investing demand from banks dropped sharply in April compared to the first months of 2018. Accumulated from the beginning of the year to date, the State Treasury has successfully issued VND46,463 billion, reaching 23.23% of the plan for the year 2018.

The primary bond yields increased slightly by 3 basis points to 5 basis points in April. The yields on 5-year bonds were 2.97% per annum, 7 years at 3.43% per annum and 10 years in the range of 4.45- 4.47% per annum, year 20 years in the range of 5.10-5.12% per annum year, and 30 years was 5.42% per annum. The State Treasury and the Ministry of Finance have been operating monetary policy flexibly during this period when intentionally raising winning yield gradually over each auction to limit possible over-reaction in the bond market as what happened in previous periods (2015).

In April, the State Treasury also announced mobilized plans by issuing government bonds to raise capital for the state budget and development investment in the second quarter of 2018 with total issuance of VND65,000 billion (more than 44,4% compared with the plan of VND45 trillion in Q1/2018). In addition to increasing the calling volume, the State Treasury also adjusted the weight for each term, focusing on the term from 5 to 10 years instead of the longer term over 15 years as the previous phase, preparing for the rising yield period.

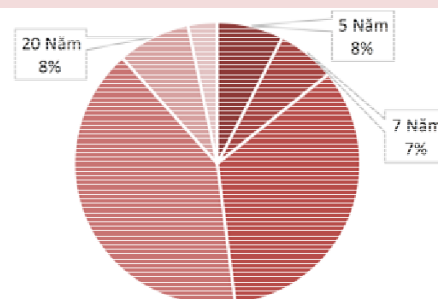
The Social Policy Bank also held the auction of VND500 billion of 10-year and VND500 billion of 15-year government guaranteed bonds and continued to not issue successfully. As the market is entering a period of rising bond yields, investors are becoming more concerned about the credit and liquidity risk, so the proportion of investment in government bonds has fallen sharply.

**RATIO OF SUCCESSFUL BID/OFFER ON PRIMARY MARKET**



Source HNX/VFM

**PROPORTIONS OF BOND TERMS ISSUED IN FEB 2018**



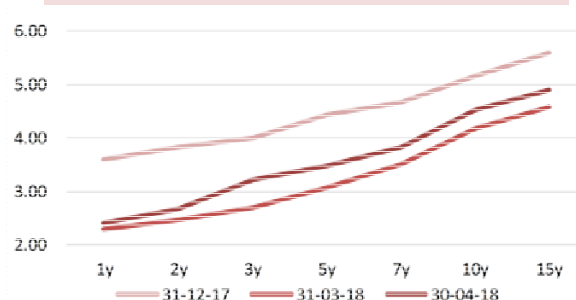
Source: HNX/VFM

**GOVERNMENT BOND ISSUANCE—APR 2017**

Terms	Number of auctions	Call amount (VND Billion)	Bid amount (VND Billion)	Success amount (VND Billion)	Winning Yield	Bid to cover Ratio
5 Years	2	2,000	8,705	455	2.97-4.00	4.353
7 Years	2	2,500	6,600	400	3.43-4.50	2.640
10 Years	3	4,450	12,390	2,050	4.00-5.10	2.784
15 Years	2	3,450	8,510	2,450	4.40-5.50	2.467
20 Years	2	2,000	2,915	500	5.10-5.70	1.458
30 Years	1	1,000	1,100	200	5.42-6.20	1.100
<b>Total</b>	<b>12</b>	<b>15,400</b>	<b>40,220</b>	<b>6,055</b>		<b>2.612</b>

Source: HNX/VFM

**BOND YIELD CURVE— FEB AND JAN 2018 (%)**



Source: Reuters, VFM

**TOTAL ISSUED AMOUNT AND TARGET PLAN 2018**

Terms	Call amount (VND Billion)	Winning amount	Plan for Q1	% Plan Q1	Yearly plan 2018	%Yearly plan 2018
5 Years	9,850	8,305	12,000	3.79%	50,000	16.61%
7 Years	8,950	6,250	12,000	3.33%	36,000	17.36%
10 Years	16,400	11,505	16,000	12.81%	37,000	31.09%
15 Years	13,400	8,815	13,000	18.85%	32,000	27.55%
20 Years	7,100	5,065	6,000	8.33%	20,000	25.33%
30 Years	8,050	6,523	6,000	3.33%	25,000	26.09%
<b>Total</b>	<b>63,750</b>	<b>46,463</b>	<b>65,000</b>	<b>9.32%</b>	<b>200,000</b>	<b>23.23%</b>

Source: HNX/VFM

#### SECONDARY MARKET

##### BOND LIQUIDITY WITNESSED AN IMPROVEMENT WHILE YIELD BOND CONTINUE TO INCREASE

The secondary bond market suddenly rebounded in April with the upward trend in all tenor bond yields. Total secondary trading value of government bonds traded in the last month reached VND117,127 billion, equivalent to VND6,125 billion per session, up 11.08% against trading value in March 2018 and the highest one since September 2017. The bond yields on the secondary market has increased by about 20 to 50 basis points each tenor and spreads between the primary and secondary market yields has been very high for many years (35-50 basis points). As of April 30, trading yields for the term of 2-year, 5-year, 10-year and 15-year bond were at 2.66%, 3.47%, 4.53% and 4.91% per annum respectively. The total repurchase volume reached over 1.34 billion bonds, equivalent to the value of transactions over VND140.2 trillion, downed 5.7% in value compared to March 2018. Government bond trading in April was affected by long holiday at end of the month raising investor's fear about risks in international market during holidays and reserves for liquidity from banking system. Foreigners in last month continued to participate Vietnam bond market at very modest levels, with outright trades worth over VND4.900 billion, while outright trades reached over VND5.100 billion.

##### INTERBANK RATE INCREASED MAKING NEGATIVELY IMPACT ON BOND MARKET

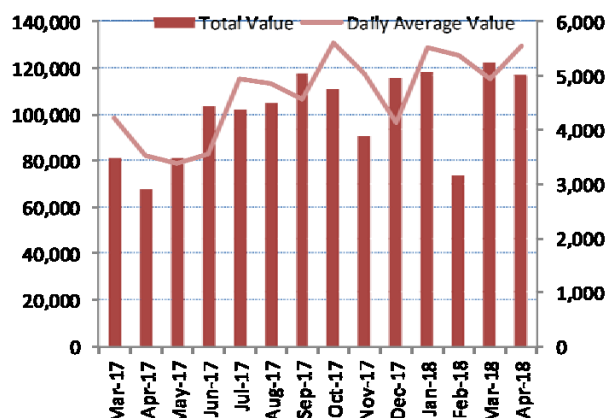
The liquidity of the VND interbank market was not plenty too much in April, but remained relatively stable over the same period last year. Interest rates have risen sharply from 80 to 90 in terms of less than one month and around 20 to 50 in terms of one to three months. Interest rate tends to increase sharply in April due to the resonance effect of cash flow and psychological factors: (1) Balance of deposits of large institutions such as State Treasury, State Bank at commercial banks tend to fluctuate more frequently as budget spending activities, especially development investment, have been accelerated in April 2018, (2) credit growth rate in April grew significantly and faster than the mobilization rate of VND 0.35%; and (3) market sentiment is also more prudent than previous months in all the stock, foreign exchange and government bond market due to risk aversion reversed after a prolonged optimistic period. However, the market liquidity remained quite stable as the SBV continued to maintain a flexible monetary policy, pumping nearly VND60 trillion in April mainly through the credit channel which also facilitated the interest rate to not grow so fast and generally remain at lower level than the same period last year's. Liquidity in the interbank market in May 2018 is expected to be more plentiful due to the mature of USD4 billion foreign currency forward purchases by the SBV due in May, June and July. Bond market in May is forecast to continue vibrant, the government bond yields are expected to slightly decrease compared to the end of April 2018 but difficult to restore the bottom of the quarter I/2018 and will soon return to the uptrend.

##### CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – APRIL 2018 IN COMPARISON TO MARCH 2018

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
30-04-2018 (%) (T Day)	2.42	2.66	3.21	3.47	3.82	4.53	4.91
31-03-2017 (%)	2.31	2.46	2.69	3.08	3.50	4.18	4.59
31-12-2017 (%)	3.61	3.82	4.00	4.43	4.67	5.17	5.59
T Day - 30 Change (Bp)	10.60	20.40	52.40	39.20	31.80	34.60	31.60
T Day - 31-12-2017 Change (Bp)	- 119.40	- 115.60	- 78.60	- 95.80	- 85.20	- 64.40	- 68.40

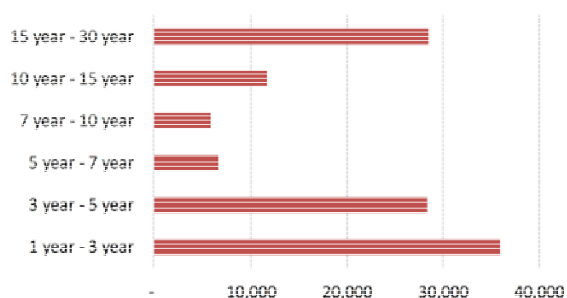
Source: VFM

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM