

PRIMARY MARKET

In October, the primary market continued to be quiet with the winning ratio of only 24.61% of total bidding volume, much lower than 63.31% of last month and 60.61% for the same period in 2017. The mobilized term structure still focuses on years or more tenors, accounting for 85% of the total winning value. The winning rates of 5-year, 10-year and 15-year bonds rose by 0.15-0.20% to 4.20%; 4.95% and 5.20% respectively at 31/10/2018.

The need for reinvestment of commercial banks in the final months of 2018 and early 2019 is slightly large, due to the amount of maturity bonds are concentrated at this time and in the context of macroeconomic continues having many potential risks, especially in two factors of inflation and exchange rate, which makes investors become cautious in investing in bonds in the primary market. In addition, the commercial banks can buy long-term bills from the State Bank at the interest rate of 4.75% per year as the alternatives which has significantly reduced the demand for investment in government bonds.

By the end of October 2018, the State Treasury successfully mobilized VND125,027 billion from Government bonds, completing 71.44% of the plan for 2018. However, it is likely that the State Treasury will have an adjustment of the total calling volume (reduction of the plan for 2018 by VND10 trillion), from VND175 trillion to VND165 trillion as the budget deficit figures for the first 10 months remain unchanged. At the same time, the Treasury was still steadfast in keeping the winning yields stable.

By the end of October 2018, the total outstanding value of Government bonds, Government bonds, local government bond was 1,078,258 billion dong. The value of government bonds was VND 925,196 billion, accounting for 85.8% of the total, government bond guaranteed was VND 132,638 billion, accounting for 12.3% and local government bonds was VND 20,424 billion, accounting for 1.89%.

GOVERNMENT BOND ISSUANCE—JUNE 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	5	7,600	21,229	975	4.02-4.20	2.793
7 Years	1	500	1,850	-	-	3.700
10 Years	4	5,600	10,266	2,666	4.85-4.95	1.833
15 Years	5	6,600	10,175	1,725	5.00-5.20	1.542
20 Years	1	500	250	-	-	0.500
30 Years	2	1,000	1,000	-	-	1.000
Total	18	21,800	44,770	5,366		2.054

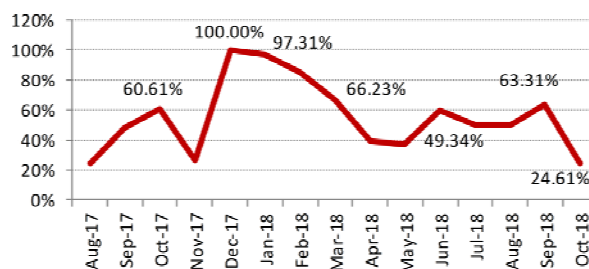
Source: HNX/VFM

TOTAL ISSUED AMOUNT AND TARGET PLAN 2018

Terms	Call amount (VND Billion)	Winning amount	Plan for Q2	% Plan Q2	Yearly plan 2018	%Yearly plan 2018
5 Years	32,900	126,204	12,409	37.72%	31,000	40.03%
7 Years	18,950	44,394	6,710	35.41%	11,000	61.00%
10 Years	72,450	171,407	51,966	71.73%	64,000	81.20%
15 Years	73,500	154,107	39,804	54.16%	51,000	78.05%
20 Years	15,600	24,665	7,565	48.49%	9,000	84.06%
30 Years	16,550	23,593	6,573	39.72%	9,000	73.03%
Total	229,950	544,371	125,027	54.37%	175,000	71.44%

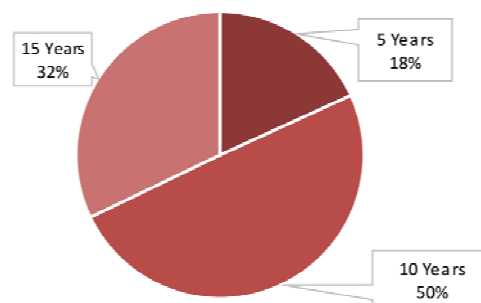
Source: HNX/VFM

RATIO OF SUCCESSFUL BID/OFFER ON PRIMARY MARKET



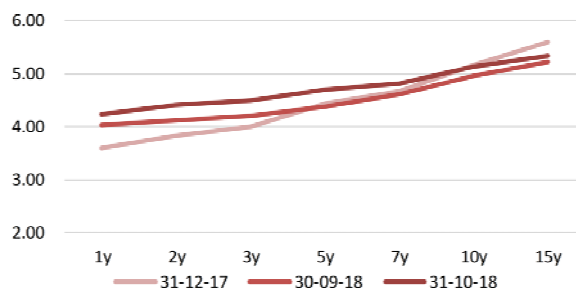
Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN OCTOBER 2018



Source: HNX/VFM

BOND YIELD CURVE— SEPTEMBER AND OCTOBER 2018 (%)



Source: Reuters, VFM

SECONDARY MARKET

BOND MARKET GETS TOUGH WHEN FUNDING COST IS INCREASING

The secondary market was also less active with average trading value of over VND2,000 billion, down 18% over the previous month and lower than the same period last year. The secondary bond yields in October continued to rise sharply by 20-30 basis points for 7-year tenors and 10-20 basis points for 10-to-15-year terms. The trend of increasing government bond yield in October 2018 is still influenced by two major factors: the direction of the State Bank and the changes in the interbank market. The SBV maintained tight monetary policy in October 2018 through market instruments such as OMO, Treasury bills to regulate the money supply, to limit the excess money in the market, to control inflation and to stabilize the exchange rate. Enhancing the winning interest rate for 7-day and 14-day terms by 0.25% to absorb excess liquidity in the market, while issuing only about 70-80% of demand for OMO supply when the market liquidity tougher tendencies and capital costs of commercial banks continue to be high. Liquidity in the interbank market continued to plunge especially in the second half of October with a sharp increase of 1.5-1.8% pa near the ceiling interest rate in the second half of the month; (2) Some SOCBs have continued to slightly raise deposit rates on the market 1 with an increase of 0.1-0.2% per annum for terms of 9 months or less.

KEEP INTEREST RATE AT HIGH LEVELS TO STABILIZE THE EXCHANGE RATES

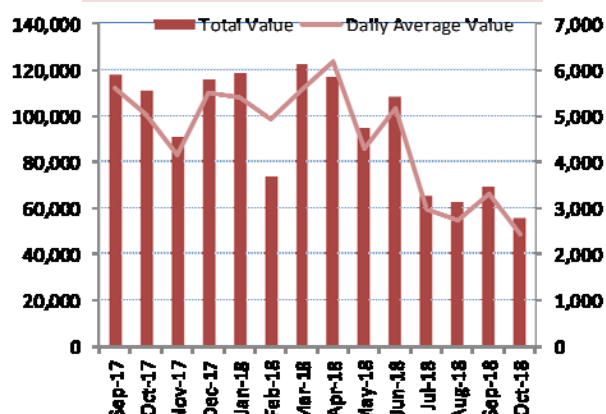
Investors' sentiment continued to remain cautious and anxious in the context of domestic and international macroeconomic potential risks. The DXY (a measure of the strength of the dollar versus a basket of six currencies) has risen sharply by 2.10% in October, exerting pressure on the global foreign exchange market. The focus of the market in November will be the following: (i) the results of the mid-term US Congress Elections; (ii) the escalation of the US-China trade war; (iii) the evolution of the Brexit problem and the settlement of Italy's budget with the EU, because the outcome of these events could cause further volatility in global financial markets. SBV had to sell nearly USD 2 billion in October to stabilize the VND/USD exchange rate and would have to continue selling in November, indirectly affecting the liquidity of the banking system and bond market. It is expected that the liquidity in the interbank market in November will be quite tense, interest rates are expected to remain high, fluctuating around 4.0-4, 7% per annum with term ON-1W.

CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – SEPTEMBER 2018 IN COMPARISON TO OCTOBER 2018

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-10-2018 (%) (T Day)	4.25	4.40	4.50	4.69	4.81	5.13	5.35
30-09-2018 (%)	4.05	4.12	4.21	4.39	4.60	4.95	5.23
31-12-2017 (%)	3.61	3.82	4.00	4.43	4.67	5.17	5.59
T Day - 30 Change (Bp)	20.30	28.10	29.20	29.80	20.60	17.60	11.70
T Day - 31-12-2017 Change (Bp)	64.00	58.40	50.30	26.10	13.60	-4.10	-24.00

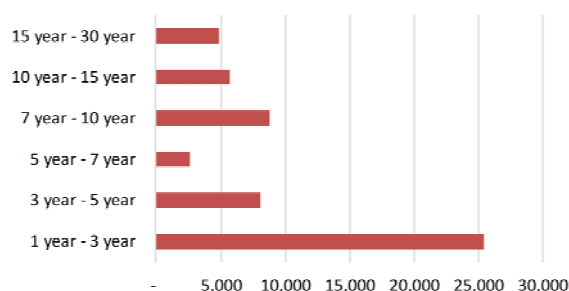
Source: VFM

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS



Source: HNX/VFM

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM