

VIETNAM WEEKLY BOND MARKET & INDEXES

CONTENTS

1. Headlines
2. Vietnam Macro Indicators
3. Vietnam Bond Market
4. Auction information
5. Comments & Recommendation

HEADLINES

Macro Economy

- ◆ World Bank (WB) recently gave forecast that Vietnam's inflation this year would be at 10.5 percent.
- ◆ The decision by the State Bank of Vietnam to float the interest rates has made businesses worried. Businessmen say they have been put under hard pressure which has forced them to reconsider the borrowing and the business plan for 2011.
- ◆ Moody's downgrades Vietnam sovereign debt—Intellasisa
- ◆ Vietnam shipbuilder can't make debt payment—Intellasisa
- ◆ Banks reach consensus on ceiling VND mobilizing rate at 14% p.a.—State Bank of Vietnam

Import—Export

- ◆ Ministry of Industry and Trade (MoIT) on December 9 said that the Vietnam's price index of 11 export items in November continued to increase by 1.4 percent from the previous month, and 10.8 percent versus the same period last year.
- ◆ Vietnam is striving to reduce the trade deficit to 14% by 2015 and to obtain the payment balance in a few years. However, this proves to be a very difficult task, for many reasons.
- ◆ The total value of imports-exports through Lao Cai border gate is estimated to earn over US\$470 million by the end of this year.
- ◆ The trade deficit will increase to as much as US\$14 billion next year, up from this year's estimated \$12 billion, according to a forecast from the Ministry of Planning and Investment's Economic Services Department.

Bond News

- ◆ Vietnam's government bonds and currency held steady after the central bank set a limit for dong deposit interest rates at lenders.
- ◆ Treasury may face risk of failure in its plan of issuing about VND16 trillion (US\$820.7 million) of government bonds this month when just a handful of participants register for the purchase of the bonds.
- ◆ Vietnam's five-year government bonds held steady. The dong was little changed. "The bond market is very inactive these days, probably because banks are more keen on making loans than investing in the notes," said [Dam Trung Kien](#), a Hanoi-based trader at Bao Viet Fund Management Co., a unit of Vietnam's biggest insurer. "It's more profitable for banks to lend money than to hold bonds now."

Others

- ◆ The Vietnam Dairy Products Joint Stock Co (Vinamilk – coded VNM) has lately been granted the "2010 Best Enterprise" award among Top 200 best enterprises in Asia by Forbes Asia.
- ◆ New tax cuts on car imports, released by the Ministry of Finance last week, will spell benefits for car buyers from January 1.
- ◆ While the gas prices have been increasing sharply, some big gas suppliers unexpectedly reduce the retail prices. The move by the suppliers has been criticized as anti-competitive behaviour and believed to trigger a "gas price war".

HEADLINES**Markets Gold**

- ♦ Gold prices on December 16 morning regained VND100,000 to VND35.94million/tael after falling by over VND300,000/tael this morning as dollar prices rose to VND21,130 in the free market.
- ♦ Depositors in the form of gold deposit certificates shall be subject to personal income tax of 5 percent. This incident has arose surprise to many people. Meanwhile, many banks are embarrassing with where to be applicable, where not.
- ♦ Viet Nam is to establish a national gold trading floor. The proposal from the Bank for Investment and Development of Viet Nam (BIDV) comes as part of a move to replace the current climate of speculation and turmoil with a transparent gold market.

Banking—Finance

- ♦ The average overnight interest rate on December 14 undercut the 13% threshold to 12.68% p.a., down 0.42% from one day ago, according to the State Bank of Vietnam (SBV)'s data on December 16.
- ♦ Commercial banks now pay more heed to small- and medium-sized enterprises (SMEs) and look at them strategically as potential borrowers, rather than simply lending loans to State-owned enterprises as before.
- ♦ Viet Nam, Nigeria and Kazakhstan are amongst “frontier” markets that Franklin Templeton expects to place its biggest bets on in 2011 as it seeks opportunities in countries shunned by most money managers, its emerging markets head Mark Mobius said yesterday.

Markets Oil-Gas & Petroleum

- ♦ Retail petroleum prices would not increase until the end of March next year, Deputy Minister of Industry and Trade Nguyen Cam Tu told a conference yesterday in Ha Noi.
- ♦ PV Gas South, a state-run PetroVietnam offshoot which holds 60 percent of the market share, reduced cooking gas retails by VND8,000 (US\$0.41) for a 12-kilogram cylinders Wednesday.
- ♦ Dung Quat Oil Refinery Plant has total investment capital of over US\$3 billion and its designed capacity is 6.5 million tonnes of crude oil, meeting one third of the country's oil and gas consumption demand.

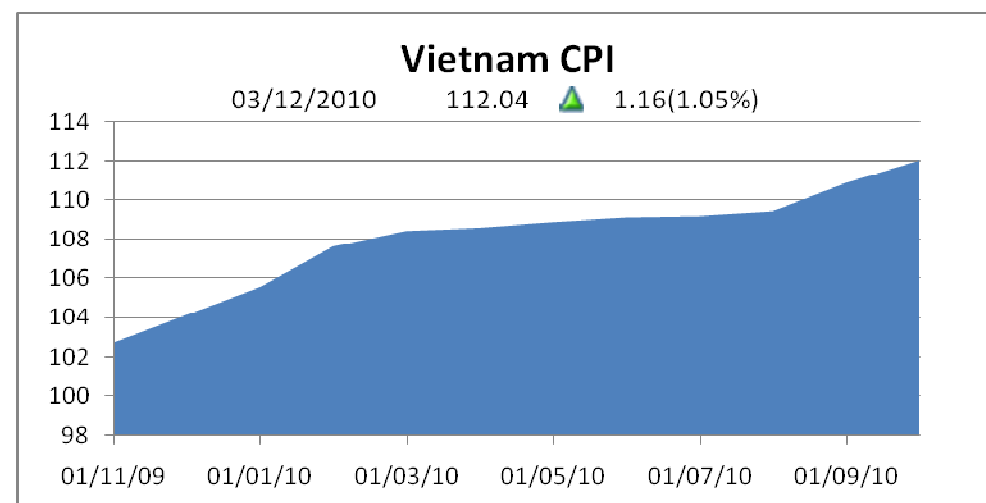
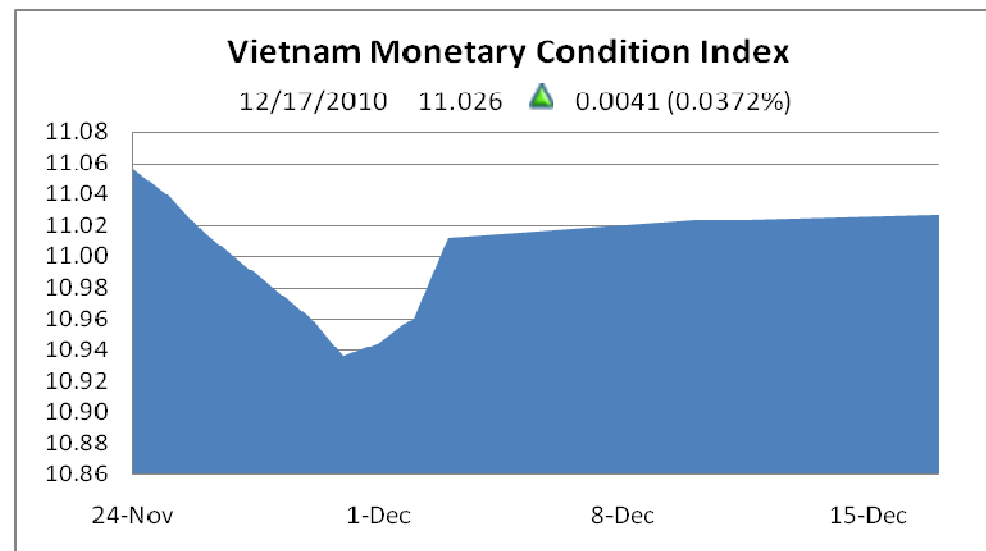
Real Estate

- ♦ Vietnam's property market would maintain strong growth and prices would continue rising as the housing needs of the people are increasing.
- ♦ Indochina Land has created the third real estate investment fund with total registered capital of \$180.3 million, its managing director Peter Ryder said, the new fund will invest in 5-8 projects in Vietnam. First project of the third fund is Saigon South Residences.
- ♦ Experts believe that sooner or later a land fever will occur , , and this should not be seen as a spontaneous phenomenon, but as the result of the lack of appropriate economic regulations.
- ♦ Luxury apartments are carrying high risk of losses to speculators as the segment has been hit hard by many difficulties this year, analysts said.

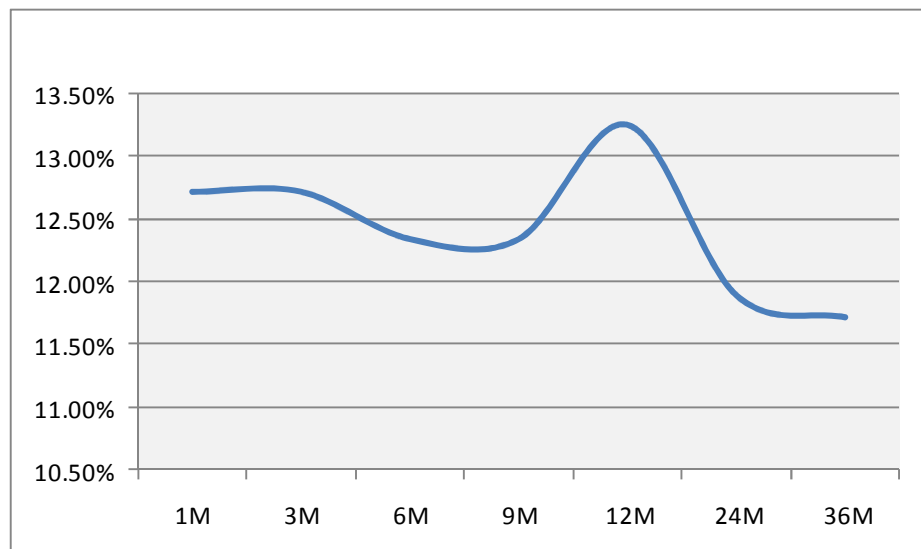
VIETNAM MACRO INDICATORS
Macro Indicators

Date	Q3/2010	Q2/2010	Pct change
GDP (Bill VND)	1.364.196	855.200	60%
CPI	110.88	109.13	2%
Export (Mill USD)	134.287	78.120	72%
Import (Mill USD)	158.465	94.874	67%
Trade Deficit (Mill USD)	-24178	-16754	44%
FDI	30.610.000	20.637.000	48%

Date	Nov-2010	Oct-2010	Pct change
CPI	114.13	112.04	1.87%
Export (Mill USD)	64,281	57,776	11.26%
Import (Mill USD)	74,937	67,278	11.38%
Trade deficit (Mill USD)	-10,656	-9,502	12.14%



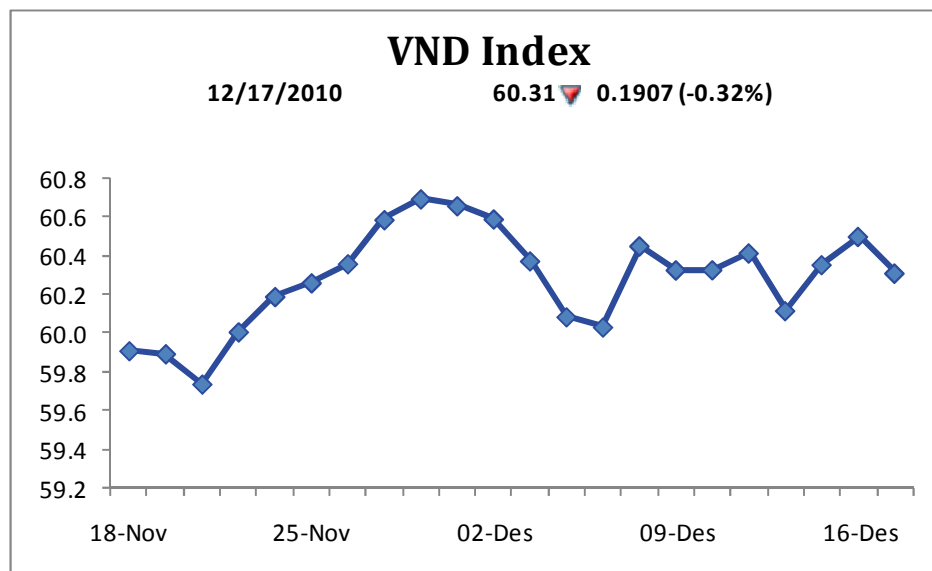
Average Vietnam Banks' Interest Rates



Yield Curve	1M	3M	6M	9M	12M	24M	36M
VCB	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
ACB	13.38%	13.38%	12.38%	12.38%	15.50%	11.10%	10.90%
Vietinbank	12.00%	12.00%	12.00%	12.00%	12.00%	11.50%	11.00%
BIDV	13.50%	13.50%	13.00%	13.00%	13.50%	13.00%	13.00%
Average	12.72%	12.72%	12.35%	12.35%	13.25%	11.90%	11.73%

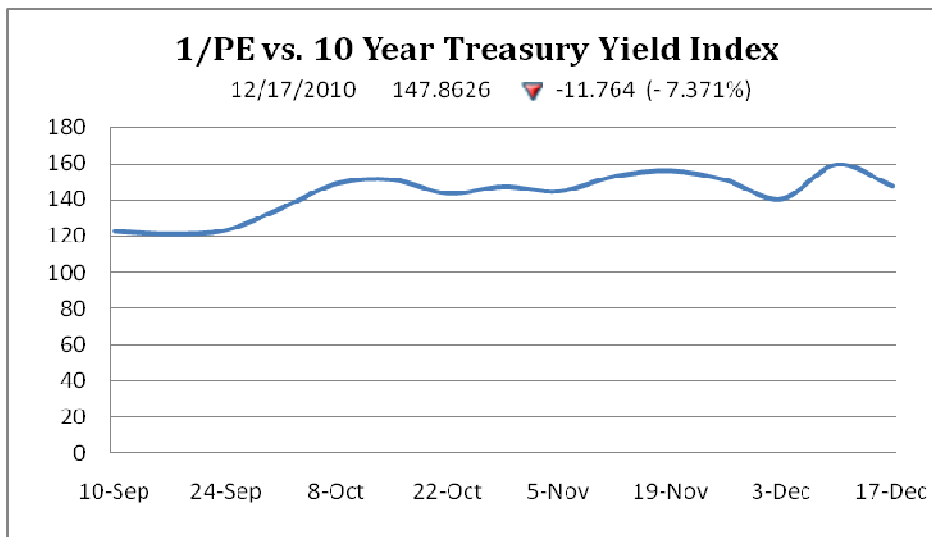
Source: VCB. ACB. Vietinbank. BIDV

VND Index



Date	Market movers				
12/10/2010	USD	19,498	■	-	0.00%
12/10/2010	EUR	25,852	▼	(65.00)	-0.25%
12/10/2010	JPY	233	▲	0.55	0.24%
12/10/2010	CNY	2,930	▲	1.45	0.05%
12/10/2010	TWD	648	▲	0.82	0.13%
12/10/2010	SGD	14,886	▲	13.00	0.09%
12/10/2010	KRW	17	▼	(0.05)	-0.29%

P/E - 10 year Treasury Yield Index



1/PE vs. 10-Year Treasury Yield Index is the metric of bond investor confidence, comparing return on two common investment channels, stock and bond. If the return on stock or 1/PE increases (with EPS constant in one quarter), showing that stock price or stock demand decreases and therefore, we can interpret that cash is flowing into bond market, and vice versa. The rise of the index implies that bond investors are more confident.

Consumer Confidence Index

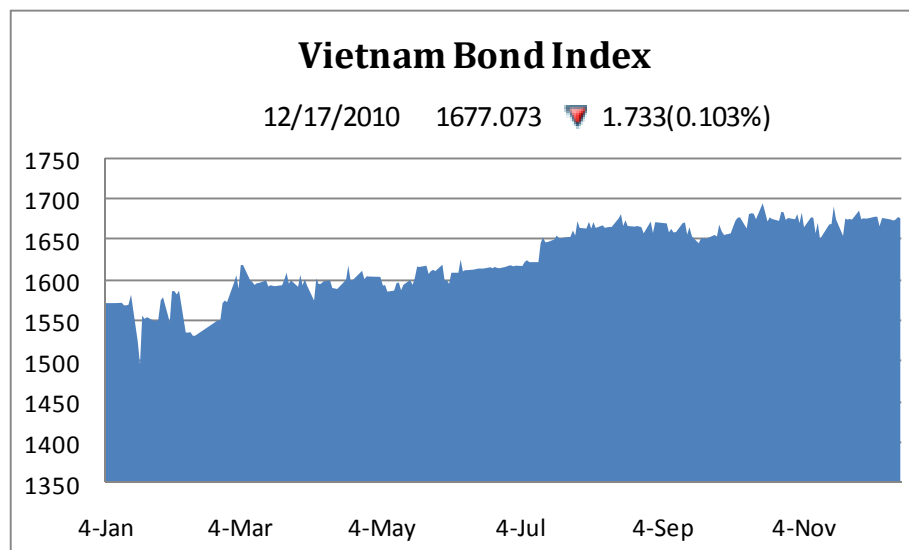
Indexes	Sep-10	Jun-10	Change	% chg
VN Consumer Confidence Index	131.17	135.35	-4.18	-3.19%
VN Consumer Present Confidence Index	128.05	126.91	1.14	0.89%
VN Consumer Future Expectation Index	133.25	140.98	-7.73	-5.80%

Vietnam Consumer Confidence Index dropped by 3.19% in Q3rd 2010, as consumers lost their confidence in economic condition and their financial wealth as well. Even Vietnam Consumer Present Confidence Index rose a little by 0.89%. Vietnam Consumer Future Expectation Index fell significantly by 5.8%, indicating that consumers' assessment of financial conditions even weakened further in future.

This may result from some recent bad news such as rating downgrade of Vietnam and its' two major banks by Fitch (Vietcombank and ACB); Circular 13 that requires bank' CAR ratio to increase from 8% to 9%; or instability of forex market, and so on. As a result, consumers seem to be more cautious. They might prefer saving instead of spending and investing. Actually, good news from macroeconomic is very necessary to recover consumer belief in economic conditions.

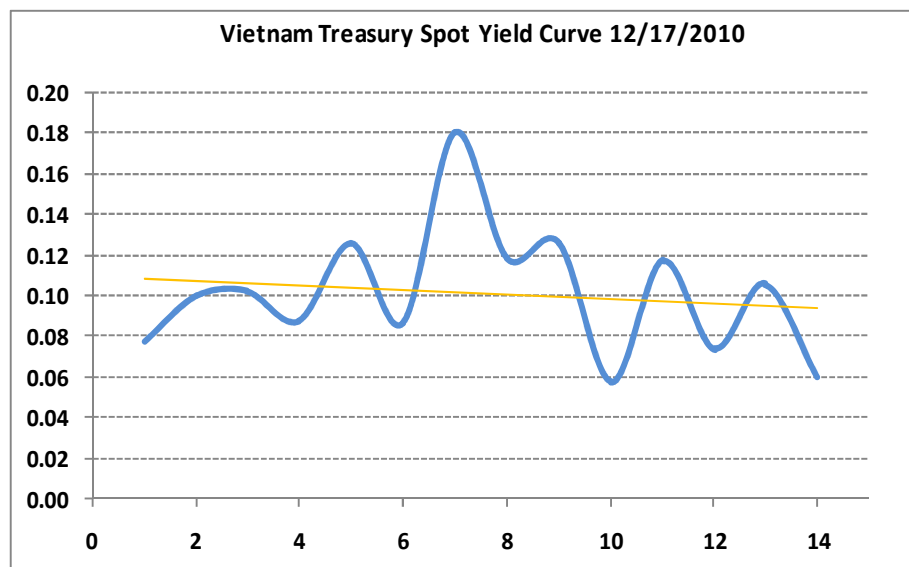
Vietnam Weekly Bond Market & Indexes

Vietnam Bond Index



Name	Value	Change
Vietnam Bond Index - Corporate	1,221.95	■ 11.79 0.97%
Vietnam Bond Index - Government	1,683.42	▼ -0.85 -0.05%
Vietnam Bond Index - Composite	1,677.07	▼ -0.05 0.00%
Vietnam Bond Index - Treasury	1,721.57	▼ -0.95 -0.06%
Vietnam Bond Index - Municipal	1,124.14	■ 8.08 0.72%
Vietnam Bond Index - Financials	1,186.59	■ 17.17 1.47%
Vietnam Bond Index - Utilities	1,284.66	■ 0.00 0.00%
Vietnam Bond Index - Industrials	1,248.79	■ 0.00 0.00%
Vietnam Bond Index - 1-3 Year Treasury	1,408.42	▼ -11.18 -0.79%
Vietnam Bond Index - 3-5 Year Treasury	1,654.85	▲ 8.24 0.50%
Vietnam Bond Index - 5-7 Year Treasury	1,128.92	▲ 0.04 0.00%
Vietnam Bond Index - 7-10 Year Treasury	1,618.58	▲ 8.38 0.52%
Vietnam Bond Index - 10-15 Year Treasury	1,653.47	■ 0.00 0.00%

Vietnam Treasury Spot Yield Curve



Name	Value	Change
Vietnam 1 Year Zero-coupon Treasury Spot Yield	0.077	▲ 0.0014 1.91%
Vietnam 2 Year Zero-coupon Treasury Spot Yield	0.100	▲ 0.0128 14.67%
Vietnam 3 Year Zero-coupon Treasury Spot Yield	0.103	▼ -0.0042 -3.93%
Vietnam 4 Year Zero-coupon Treasury Spot Yield	0.088	▼ -0.0027 -3.01%
Vietnam 5 Year Zero-coupon Treasury Spot Yield	0.126	▼ -0.0003 -0.24%
Vietnam 6 Year Zero-coupon Treasury Spot Yield	0.087	▼ -0.0001 -0.16%
Vietnam 7 Year Zero-coupon Treasury Spot Yield	0.180	▼ -0.0007 -0.38%
Vietnam 8 Year Zero-coupon Treasury Spot Yield	0.119	▼ -0.0005 -0.41%
Vietnam 9 Year Zero-coupon Treasury Spot Yield	0.126	▼ -0.0001 -0.09%
Vietnam 10 Year Zero-coupon Treasury Spot Yield	0.058	▼ 0.0000 -0.03%
Vietnam 11 Year Zero-coupon Treasury Spot Yield	0.117	▼ 0.0000 -0.02%
Vietnam 12 Year Zero-coupon Treasury Spot Yield	0.074	▼ 0.0000 -0.02%
Vietnam 13 Year Zero-coupon Treasury Spot Yield	0.106	▼ 0.0000 -0.03%
Vietnam 14 Year Zero-coupon Treasury Spot Yield	0.060	▼ 0.0000 -0.03%

Trading Summary on Secondary
Auction Calendar

Trading date	Total Volume	Total Value (VND)
12/13/2010	2,000,000	215,518,000,000
12/14/2010	1,000,000	109,153,000,000
12/15/2010	10,480,000	1,390,384,720,000
12/16/2010	10,500,000	1,135,372,700,000
12/17/2010	3,480,000	382,758,240,000
Total	27,460,000	3,233,186,660,000

No plan

Updated: 12/10/2010

Auction Results

Issuers	Maturity	Date of Auction	Winning Volume	Coupon	Yield	Lowest Yield	Highest Yield	Ceiling Yield
State Treasury—Ministry of Finance	3 year	12/09/2010	0	0.00	0.00	0.00	0.00	9.55
State Treasury—Ministry of Finance	5 year	12/09/2010	0	0.00	0.00	0.00	0.00	10.20
State Treasury—Ministry of Finance	10 year	12/09/2010	0	0.00	0.00	0.00	0.00	10.70
State Treasury—Ministry of Finance	5 year	11/30/2010	0	10.29	0.00	11.60	12.00	10.00
State Treasury—Ministry of Finance	3 year	11/30/2010	0	9.65	0.00	11.30	11.80	9.50
State Treasury—Ministry of Finance	10 year	11/30/2010	0	10.80	0.00	0.00	0.00	10.50

Corporate Bonds

Issuers	Maturity	Issuing Date	Total Value	Yield (%)	Type
Saconbank Securities Company (SBS)	1 year	12/13/2010	300,000,000,000	na	na
Saconbank Securities Company (SBS)	1 year	11/30/2010	300,000,000,000	na	na
Saconbank Securities Company (SBS)	1 year	11/15/2010	100,000,000,000	na	na
Ocean Hospitality (OCH)	3 year	10/25/2010	2,000,000,000,000	14	Normal
HAGL Joint Stock Company	3 year	10/08/2010	530,000,000,000	15.2	Normal
Vinafco Joint Stock Company (VFC)	1 year	09/30/2010	150,000,000,000	8	Convertible
Sacombank Securities Companies	1 year	09/22/2010	400,000,000,000	13	Normal
Thu Duc house development J.S.C (code TDH-HOSE)	3 year	11/01/2010	600,000,000,000	7	Convertible
Habubank	1 year	09/16/2010	1,050,000,000,000	10.49	Convertible
HAMICO Dong Nam A export J.S.C Corporation	2 year	08/01/2010	63,000,000,000	8.00	Convertible
Na Rì HAMICO	2 year	08/01/2010	350,000,000,000	8.00	Convertible
Maritime Bank	Not available	07/14/2010	3000,000,000,000	na	Normal
Thu Duc house development J.S.C (code TDH-HOSE)	3 year	07/01/2010	600,000,000,000	7.00	Normal
Vietnam House J.S.C	1 year	07/01/2010	40,000,000,000	4.00	Normal

COMMENTS & RECOMMENDATION

Vietnam Bond Markets was quite steady for the whole week as trading volume kept at more than VND 3,000 billion and VBI—Composite just increased by 1.39 point, relative to 0.08%. In which, the short-term bonds fell by 0.15% while long-term ones rise by 0.55%. Obviously, short-term yields were quite attractive now. However, Moody has downgraded Vietnam sovereign debt, raising worries among investors.

The primary market was still unsuccessful in raising capital due to investors expected more than the ceiling yields that government could offer. Actually, banks have been hard to face to the liquidity of their own capital, so that they could not pay attention to the bonds.

Indeed, dynamic interest and exchange rate was hot issue recently. It is necessary for macro environment to be more stable to lure cash flow into the bond market.

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