

VIETNAM WEEKLY BOND MARKET & INDEXES

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HEADLINES**Macro Economy**

- ◆ Dong deposit rate benchmark becomes stable. Standard & Poor's Ratings Services lowered Vietnam's long-term sovereign credit ratings by one notch on Thursday saying the country's banking system was more susceptible to financial or economic shocks. - Intellasia.
- ◆ Trade gap forecast at \$12b in 2010. The Ministry of Planning and Investment (MoPI) has recently forecast that Vietnam's total export turnover would be \$78 billion and import spending at \$92 billion in 2011, so the trade gap would be \$14 billion, higher than the figure of \$12 billion in 2010. —Intellasia.
- ◆ Vietnam default swaps soar as lenders await \$60 million Vinashin repayment.
- ◆ Vietnam's anti-corruption project receives funding from \$100 million integrity initiative.

Import—Export

- ◆ In 2010, Hanoi's total export turnover is estimated to have reached \$7.99 billion, up 26.3 percent from 2009, according to Hanoi Statistics Department.
- ◆ Bilateral trade between Viet Nam and the UK increased by an estimated 15 per cent this year, an impressive growth in light of the fact that much of the world is still struggling to achieve economic recovery.
- ◆ A conference on free trade agreement (FTA) between Vietnam and member countries of Customs Alliance to promote bilateral trade ties was held in Russia by the Vietnamese Embassy on December 21.
- ◆ A seminar to develop import-export activities and investment between Vietnam's south and southeast provinces and neighbouring Cambodia was held in Tay Ninh province on December 22.

Bond News

- ◆ G-bond mobilisation via state treasury reaches 68.3pct of year's target.
- ◆ Vietnams bonds drop on lack of funds, inflation expectations. Vietnamese bonds hold steady amid low trading, dong unchanged.
- ◆ US financial investment firm Goldman Sachs has signed contracts worth US\$55 million this week to buy convertible bonds from two HCM City Stock Exchange-listed companies, the HCM City Infrastructure Investment Company (CII) and Masan Group (MSN).

Others

- ◆ State-owned Vietnam Airlines said Thursday that it expects pretax profit of VND350 billion (\$18 million) this year, up from VND154 billion last year.
- ◆ Vincom has won a prompt victory in the lawsuit against Vincon, where it sues Vincon for imitating its famous brand.
- ◆ This year's festive season is predicted to be less hectic than usual as people experience lower purchasing power.
- ◆ Vietnam is estimated to have attracted \$18.1 billion foreign direct investment (FDI) capital in 2010, down \$3.38 billion from 2009.
- ◆ During past 20 years, Vietnamese enterprises have invested nearly \$8.4 billion in 558 projects in foreign countries.

HEADLINES**Markets Gold**

- ◆ Vietnamese seek safety in gold as currency wobbles.
- ◆ Local gold prices on December 21 morning eased further to VND35.85million/tael while world gold prices firmed as dollar prices retreated VND100 to VND21,100 in the free market.
- ◆ The National Financial Supervisory Committee (VNFC) is scheduled to hold a discussion this week on the proposal for government approval's of establishing local gold exchanges in 2011.

Banking—Finance

- ◆ Foreign bank branches allowed to increase charter capital.
- ◆ Credit growth slows to a crawl in December.
- ◆ Techcombank has boosted up lending interest rates on Techcombank Visa and Vietnam Airline Techcombank Visa credit cards to 23% p.a. from about 19-21% p.a. from December 21, the local newswire Dvt.vn reported December 23.
- ◆ Vietnam money-rates stabilise, but maybe not for long -bankers. Deposit and interbank rates in Vietnam have fallen over the past week after intervention by the authorities but bankers said there were signs this might not last very long.

Markets Oil-Gas & Petroleum

- ◆ Vietnam reduces import tax on cooking gas.
- ◆ The Ministry of Finance has cut import tax on gas from 5 per cent to 2 per cent to stabilise the domestic gas market. The new tariff came into effect last Friday and gas retailers PV Gas, Petrolimex Gas, Sai Gon Petro Gas, Vinagas and Gia Dinh Gas immediately cut their retail price by VND8,000 (US\$0.38) on 12kg canisters.
- ◆ Vietnam reduced the imported tax on petrol by a half to 6% from 12%, effective from 1 Jan 2011, the Ministry of Finance(MoF) announced on late December 22.

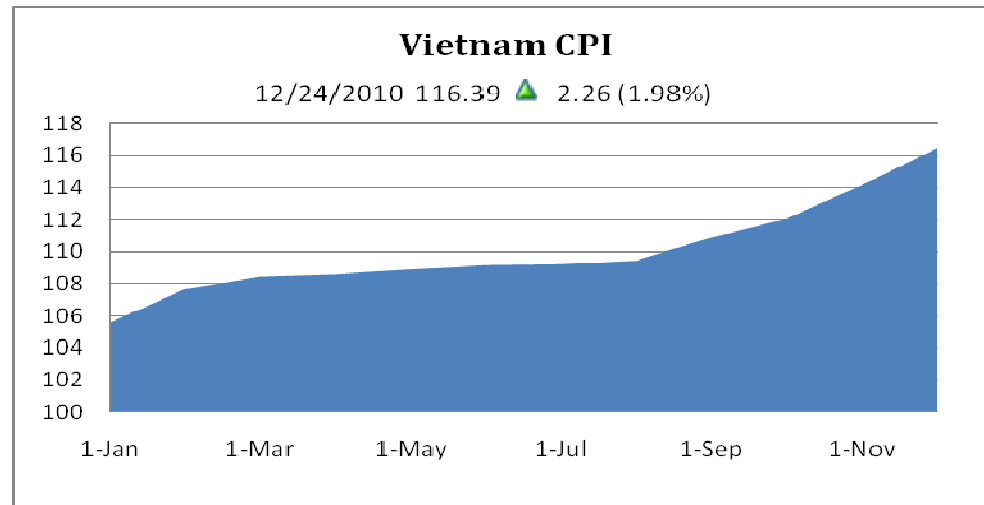
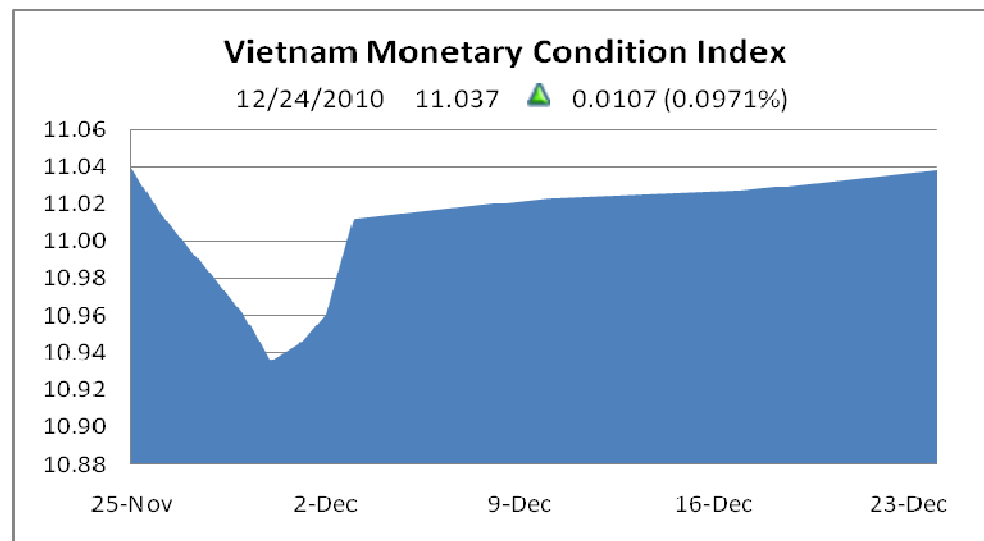
Real Estate

- ◆ The urban zone project in south of Lang Hoa Lac (Hanoi) or Happyland entertainment complex area (Long An province) is one of many noticeable realty projects being launched in 2010.
- ◆ Authorities of the capital city of Hanoi have approved land price frame for next year, which are almost unchanged from this year. The minimum land prices are set at 2.3 million dong (\$117.9) per square metre while the prices will be VND81 million (\$4,150) at maximum.
- ◆ The massive \$2 billion Hoang Dong Lang Son golf course and hotel complex has announced the first phase of its sale plan.
- ◆ EVN Land Saigon to carry out 6tr dong complex project. A complex project located at No 8-8bis Ham Tu St, ward 1, HCM City's Dist 5 with a total investment capital of six trillion dong has been approved recently.

VIETNAM MACRO INDICATORS
Macro Indicators

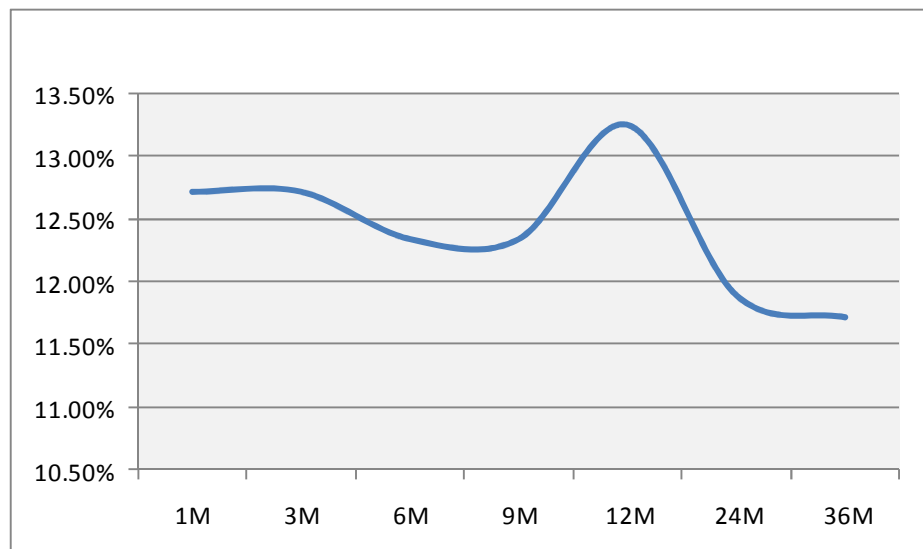
Date	Q3/2010	Q2/2010	Pct change
GDP (Bill VND)	1.364.196	855.200	60%
CPI	110.88	109.13	2%
Export (Mill USD)	134.287	78.120	72%
Import (Mill USD)	158.465	94.874	67%
Trade Deficit (Mill USD)	-24178	-16754	44%
FDI	30.610.000	20.637.000	48%

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%



Vietnam Weekly Bond Market & Indexes

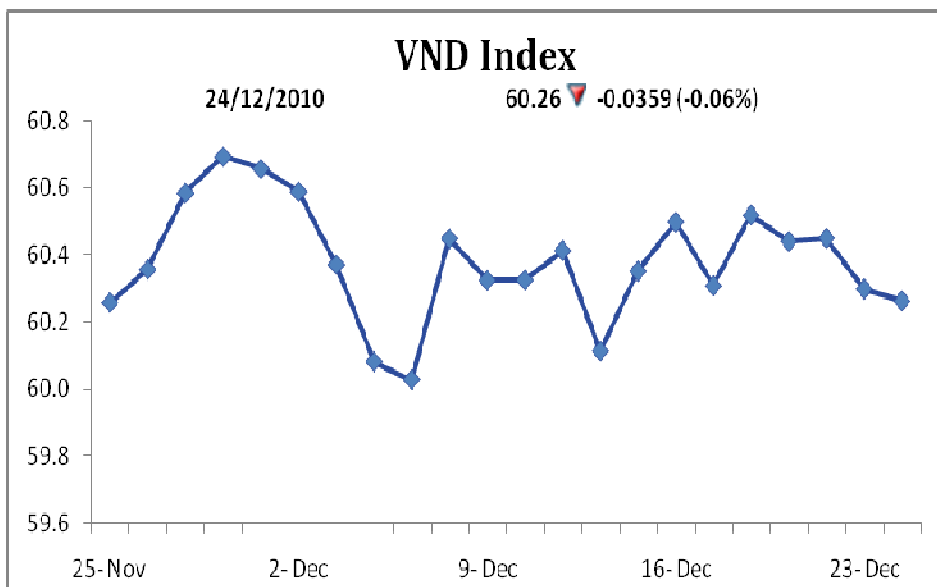
Average Vietnam Banks' Interest Rates



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



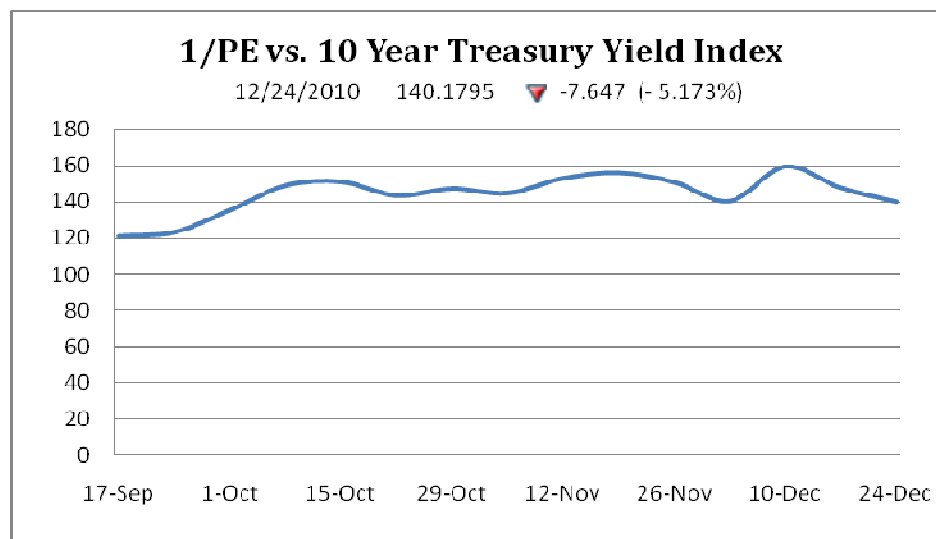
Date	Market movers				
12/24/2010	USD	19,495	▼	(3.00)	-0.02%
12/24/2010	EUR	25,591	▼	(16.00)	-0.06%
12/24/2010	JPY	235	▲	0.24	0.10%
12/24/2010	CNY	2,940	▲	4.87	0.17%
12/24/2010	TWD	654	■	-	0.00%
12/24/2010	SGD	14,980	▲	44.00	0.29%
12/24/2010	KRW	17	▼	(0.01)	-0.08%

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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.

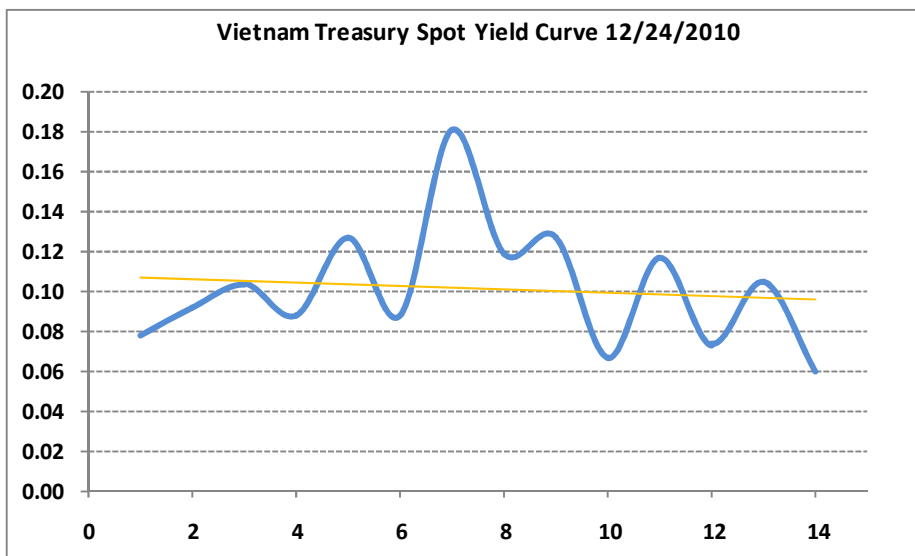
This may result from some recent bad news such as rating downgrade of Vietnam and its' two major banks by Fitch (Vietcombank and ACB); Circular 13 that requires bank' CAR ratio to increase from 8% to 9%; or instability of forex market, and so on. As a result, consumers seem to be more cautious. They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

Vietnam Bond Index



Name	Value	Change
Vietnam Bond Index - Corporate	1,210.12	■ -11.83 -0.97%
Vietnam Bond Index - Government	1,687.99	▲ 4.57 0.27%
Vietnam Bond Index - Composite	1,680.66	▲ 3.58 0.21%
Vietnam Bond Index - Treasury	1,726.45	▲ 4.88 0.28%
Vietnam Bond Index - Municipal	1,124.36	■ 0.22 0.02%
Vietnam Bond Index - Financials	1,169.41	■ -17.17 -1.45%
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	1,413.78	▲ 5.36 0.38%
Vietnam Bond Index - 3-5 Year Treasury	1,655.02	▲ 0.17 0.01%
Vietnam Bond Index - 5-7 Year Treasury	1,128.96	▲ 0.05 0.00%
Vietnam Bond Index - 7-10 Year Treasury	1,653.29	▲ 34.71 2.14%
Vietnam Bond Index - 10-15 Year Treasury	1,619.30	■ -34.18 -2.07%

Vietnam Treasury Spot Yield Curve



Name	Value	Change
Vietnam 1 Year Zero-coupon Treasury Spot Yield	0.077	▲ 0.0000 0.01%
Vietnam 2 Year Zero-coupon Treasury Spot Yield	0.091	▼ -0.0087 -8.75%
Vietnam 3 Year Zero-coupon Treasury Spot Yield	0.103	▲ 0.0005 0.50%
Vietnam 4 Year Zero-coupon Treasury Spot Yield	0.088	▲ 0.0003 0.40%
Vietnam 5 Year Zero-coupon Treasury Spot Yield	0.126	▲ 0.0003 0.20%
Vietnam 6 Year Zero-coupon Treasury Spot Yield	0.087	▲ 0.0003 0.39%
Vietnam 7 Year Zero-coupon Treasury Spot Yield	0.181	▲ 0.0002 0.09%
Vietnam 8 Year Zero-coupon Treasury Spot Yield	0.118	▼ -0.0003 -0.22%
Vietnam 9 Year Zero-coupon Treasury Spot Yield	0.127	▲ 0.0002 0.18%
Vietnam 10 Year Zero-coupon Treasury Spot Yield	0.066	▲ 0.0088 15.23%
Vietnam 11 Year Zero-coupon Treasury Spot Yield	0.116	▼ -0.0009 -0.74%
Vietnam 12 Year Zero-coupon Treasury Spot Yield	0.073	▼ -0.0006 -0.78%
Vietnam 13 Year Zero-coupon Treasury Spot Yield	0.105	▼ -0.0012 -1.18%
Vietnam 14 Year Zero-coupon Treasury Spot Yield	0.059	▼ -0.0006 -0.99%

Trading Summary on Secondary
Auction Calendar

Trading date	Total Volume	Total Value (VND)
12/20/2010	6,000,000	584,085,800,000
12/21/2010	7,532,000	864,159,332,000
12/22/2010	16,500,000	1,909,889,800,000
12/23/2010	13,000,000	1,421,526,000,000
12/24/2010	0	0
Total	43,032,000	4,761,660,932,000

No plan

Updated: 12/24/2010

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 advanced for the whole week as trading volume kept at more than VND 3,000 billion and VBI—Composite increased by 0.81%. In which, the 1-3 year bonds rose by 2.29%, the 7-10 year bonds rose by 2.14%, but the 3-5 year bonds fell by 0.01%. Relatively, yields decreased a little. After Moody, at the end of the week, Standard & Poor also downgraded Vietnam sovereign debt.

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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