

Vietnam Monthly Review 2019 M05

BSC Research

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Macroeconomics

- PMI index increased from 51.7 to 52.5 in April, which is lower than the 2018 average of 53.7 points.
- Total retail sales of consumer goods and services in 4 months were estimated at VND 793.8 trillion, an increase of 12.2% compared to the same period last year.
- In 4 months, registered FDI increased by 50.4% YoY while disbursed FDI increased by 7.5% compared to last year. FDI capital mainly focuses on processing and manufacturing industries.
- The interbank USD exchange rate fluctuated in the range of 23,240 - 23,265 USD/VND, a slight increase compared to the range of 23,200– 23,255 USD/VND in March. Interbank interest rates increased slightly in the first 2 weeks of the month and plummeted in the last 2 weeks of the month.

Stock Market

- HSX and HNX corrected slightly. VN-Index officially decreased by 19.8 points compared to the end of last month (-2.02% MoM), (+ 7.54% YtD) and HNX-Index fell 3.11 points (-2.89% MoM), (+ 0.12% YtD).
- The average liquidity on 2 exchanges increased by 11.14% compared to April 2019, and increased to VND 4,342 billion / session and equivalent to nearly USD 187.16 million / session.
- In May, foreign investors bought a net on the HSX of VND 3833 billion, net selling of VND 270 billion on HNX.
- P/E of VN-Index dropped to 16.57, -1.77% MoM, + 10.23% YtD and HNX-Index fell to 7.79, equivalent to -5.73% MoM, -10.54% YtD. Compared to April 2019, the P/E of VN-Index maintained its 9th position and the HNX-Index continued to hold the 19th position in Asia.

Market outlook in June

VN-Index is testing support level of 950 points with low liquidity. Large stocks and key sectors will soon return to support the market. VN-Index continues to forecast 950 points - 1,000 points in June. The trend of declining points at the bottom in the first week of June then stabilizes and recovers gradually at the end of the month. In June, BSC offers 2 scenarios as follows:

- In case of positive, VN-Index keeps above 950 points and will check 1,000 points. Liquidity increased gradually at the end of the month with the circulation of industries and the anticipation of Q2 earnings results.
- In case of negative, VN-Index may drop below 950 points if there are unfavorable information from the world.
- **Recommended stocks:**
 - Industries and stocks are evaluated positively in the Industry Prospects Report 2019 and Quarter II Industry Outlook ;
 - Stocks of Ports, Textiles, Fisheries, Furniture and Industrial Zones benefited from trade agreements and production shift from trade war;
 - Stocks traded based on volatility from NVL and oil prices;
 - High defensive stocks such as Electricity, Information Technology - Post, Retail consumption have high growth and dividends;
 - In the long term, BSC's recommended stocks will be mentioned in the IV quarter sector strategic reports , the stocks with good changes are recommended in the Weekly Investment Report and Industries / companies update report .

Macroeconomics of May 2019

Economic growth

- The PMI dropped from 52.5 in April to 52 points in May, and was lower than the 2018 average of 53.7 points.

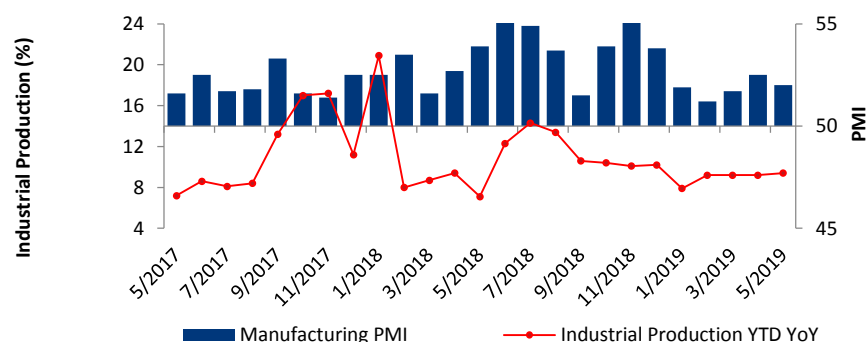
The industrial production index (IIP) in May 2019 was estimated to increase by 4.6% MoM and by 10% YoY, of which the mining industry fell by 1.5%; processing and manufacturing industry increased by 11.6%; electricity production and distribution by 11%; water supply, waste management and waste water increased by 8.4%. In the first 5 months of 2019, IIP is estimated to increase 9.4% over the same period last year, lower than the 10.3% increase of the same period in 2018

In the secondary industry level, the top three industries have a higher production index in May compared to the same period last year: Production of coke and refined petroleum products increased by 84%; metal production increased by 40.5%; metal ore mining increased by 14.9%.

Some major industrial products in 5M2019 increased highly compared to the same period last year: Petrol and oil increased by 74.7%; iron and crude steel increased by 66.2%; TV increased by 34.2%; liquefied petroleum gas (LPG) increased by 26.2%; automobile increased by 17.1%; urea excretion increased by 14.9%; chemical paint increased by 14.5%; aquatic food increased by 13%; Clean coal increased by 12.7%.

Some products increased low or decreased: Cigarettes increased by 2.6%; milk powder increased by 2.5%; natural gas in gas form decreased by 0.2%; cattle feed decreased by 1.6%; NPK mixed fertilizer decreased 2.9%; crude oil extraction decreased by 8%; diameter decreased by 13.6%; Phone components decreased by 17.9%.

Chart 1
Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

PMI dropped from 52.5 in April to 52 points in May, and lower than the 2018 average of 53.7 points. Vietnamese manufacturers have an additional month of improved business conditions in May with production and new orders increasing faster than that in April. Increasing customer demand is the main factor that leads to growth in the recent period, and the need to increase output has boosted purchases and increased input inventories. Specifically:

- The health of the manufacturing sector is reported to have a slower improve rate, although both output and new orders have increased significantly. The number of new export orders also increased sharply in May.
- The sector of basic investment goods production had the best performance in May when there was the fastest growth in output, the number of new orders and the number of new export orders.
- The slight decrease of the main index mainly reflects the third time decrease of employment in the last four months. The number of jobs decreased slightly, and the surveyed members mainly said that the cause was due to employees quitting or retiring.
- Manufacturers have increased their purchasing activity with a stronger and faster rate in May when they have to meet the demand for increased production. Meanwhile, finished product inventories decreased in May, from which the end of the seven-month increase period ended.
- The growth rate of input costs has decreased slightly, which is slower than the average of the index history. Where the price of inputs increases, the surveyed members cited the increase in electricity and gasoline costs. Relatively weak cost increases and weak demand is reported in some export markets, causing companies to reduce output prices in May. Output prices have fallen for six consecutive months.

Business optimism has improved for the third consecutive month to the highest level since November last year. The optimism about output growth reflects the expectation of the rising number of new orders and the introduction of new products.

In addition, China's PMI continued to decline deeply and hit 49.4 in May after the 50.2 level in April. PMI index weakened, falling below 50.0, showing that China's economy is at a great risk of contraction. Despite the economic stimulus package of US \$D 297 billion and USD 331 billion bonds of local government lending for infrastructure projects, the declining PMI indicates declining internal health and stability of China economy. China PMI's result will reinforce Trump's tough negotiating strategy in the upcoming US-China trade negotiations when the US is greatly effective.

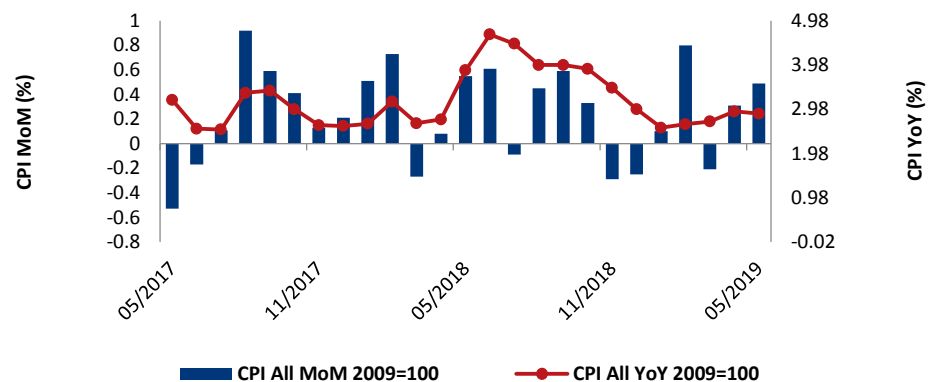
Inflation

- CPI in May increased by + 0.49% compared to April, in which CPI of 9/11 groups of goods and services in May increased compared to the previous month.

CPI of May increased by 0.49% compared to the previous month, and increased by 2.93% compared to the same period in 2018. Basic inflation in May 2019 increased by 0.13% over the previous month and increased by 1.9% compared to the same period of last year

Average CPI in 5M2019 increased 2.74% compared to the average of 2018. The average basic inflation in the first 5 months of this year also increased by 1.85% compared to the average of the same period in 2018.

Chart 2
Monthly CPI movements



Sources: GSO, BSC Research

Source: GSO, BSC Research

In May, price index of 9/11 sectors of goods and services recorded price increases. The fluctuation of CPI during the month is caused by the following reasons:

- Transportation sector had the highest increase of 2.69%, mainly due to the impact of 2 adjustments in gasoline and oil price on May 2, 2019 and May 17, 2019.
- Housing and construction materials sector increased by 1.28%, mainly due to the 6.86% increase in electricity price (April was 1.85%) compared to the previous month.
- The drinks and cigarettes sector increased by 0.18%.

May and June are the peak periods of electricity use in both production and family activities. The increase in production costs due to rising electricity prices will boost the overall price level of products across the whole economy and make CPI increase sharply in the next 2 months. This phenomenon will increase the average CPI of the year by 0.3% and maintain at 3.8-4.0%.

Chart 3
Retail Sales

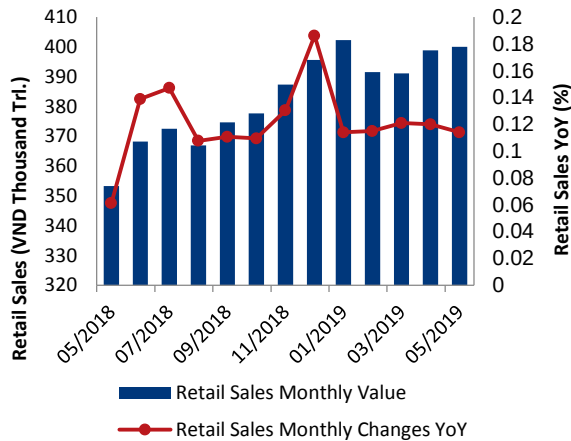


Table 1
Increase/decrease of service sectors in July

No.Sector	MoM (%)	YoY (%)
1 Food and catering	-0.57	4.28
2 Transportation	4.29	1.36
3 Health care	0.01	-0.21
4 Housing & Construction	0.6	3.25
5 Entertainment	0.1	1.94
6 Beverage and Cigarettes	0.08	1.78
7 Clothing	0.06	1.74
8 House appliance	0.11	1.31
9 Education	0.05	6.11
10 Telecommunication	-0.07	-0.78
11 Other	0.15	2.3

Source: GSO, BSC Research

Total retail sales of consumer goods and services in May 2019 were estimated at 403.8 trillion VND, up 1.9% from the previous month and 11.4% over the same period in 2018.

Retail sales of goods reached VND 306.9 trillion, up 1.7% MoM and up 12.7% YoY; revenue from accommodation and catering services reached 48.7 trillion VND, up 2.3% MoM and 9.6% YoY; travel tourism revenue reached 3.5 trillion, down 0.4% MoM and up 10.3% YoY; other service revenue reached 44.7 trillion VND, up 3.6% MoM and 5.2% YoY.

In the 5M2019, total retail sales of consumer goods and services were estimated at VND 1,983.7 trillion, up 11.6% over the same period last year, if excluding price factor, it increased by 8.6% (along with 2018 period increased by 8.5%).

Foreign Direct Investment (FDI)

- Registered FDI reached USD 9.09 billion and increased by 38.7% YoY while disbursed FDI reached 7.3 billion USD and increased by 7.8% YoY.

- Foreign direct investment focused mainly on processing and manufacturing industries, which accounted for 73.5% of the total registered capital.

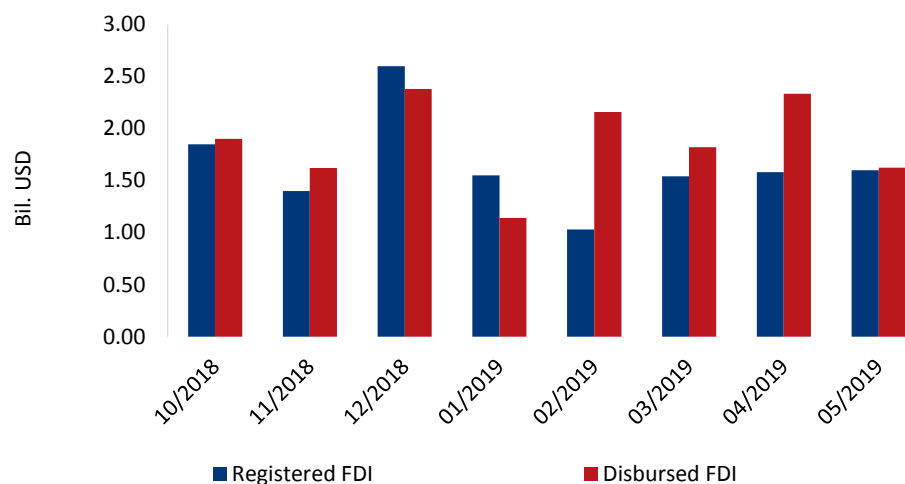
Total newly registered FDI and increased until the end of May 20, 2019 of 1,363 projects (+ 22.5% YoY) reached USD 6.46 billion (+ 26.7% YoY), plus 2.63 million USD of adjusted capital of 505 projects licensed in previous years. Thus, the total newly registered and added FDI capital reached USD 9.09 billion (+ 27.1% YoY).

Foreign direct investment in the first 5 months was estimated at USD 7.3 billion, up 7.5% compared to the same period in 2018.

In 5M2019, the processing and manufacturing sector attracted the largest FDI with the registered capital of newly licensed projects reaching USD 4.74 billion, accounting for 73.5% of the total newly registered capital; real estate business reached USD 742.3 million, accounting for 11.5%; the remaining sectors reached USD 971.2 million, accounting for 15% .

If including additional registered capital of projects licensed from previous years, foreign direct investment in processing and manufacturing industry in 5 months reached USD 7.01 billion, accounting for 77.2% of total registered capital; real estate business reached USD 752.1 million, accounting for 8.3%; the remaining sectors reached USD 1.32 billion, accounting for 14.5%.

Chart 4
FDI (USD Bil)



Source: GSO, BSC Research

Top 3 areas attracting FDI registration nationwide: Tay Ninh (USD 595.7 million - 9.1%), Binh Duong (USD 589.9 million - 9.1%), Bac Ninh (USD 559.3 million - 8.7%).

In 5M2019, China was the largest direct investor in Vietnam with an investment of USD 1.56 billion, accounting for 24.2% of the total newly registered capital; following closely behind is Korea with USD 1.05 billion, accounting for 16.2% and Singapore with USD 842.7 million, accounting for 13%.

Trade balance, Import and Export

- May's trade balance is expected to be a deficit of USD 1.3 billion.
- In the first 5M2019, trade deficit was 511 million USD, the domestic

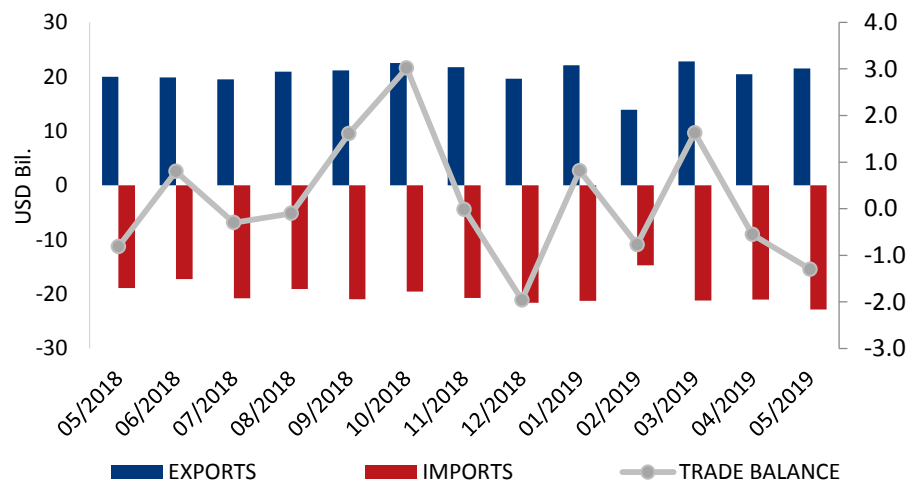
economic sector saw a trade deficit of 13.28 billion USD.

Export turnover in May is about USD 21.5 billion, up by 5.2% MoM, and by 7.5% YoY, of which domestic economic sector is USD 6.71 billion, up by 3.9% MoM and 10.7% YoY; foreign invested sector reached 14.79 billion USD, up 5.8% over the previous month, and up 6.1% over the same period last year.

In the first 5M2019, export turnover is estimated at USD 100.74 billion, up by 6.7% YoY, in which domestic economic sector is USD 30.33 billion, up by 11.6% YoY; foreign invested sector (including crude oil) reached USD 70.41 billion, up 4.7% YoY. From the beginning of the year to May 15, electric parts phones were at the top position, reaching 17.7 billion USD (+ 0.8%), the export speed slowed down because Samsung's business was in trouble. Next, Textile grew + 10.7% to USD 10.87 billion. Computer electronics in third place reached USD 10.63 billion (+ 11.1%).

Chart 5

Import and Export (Bil USD)



Source: GSO, BSC Research

Table 2

Top 10 export items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	14.07	-2.9%
2	Electronics	8.27	10.4%
3	Textile	8.26	12.8%
4	Other machines	4.62	6.2%
5	Shoes	4.61	52.1%
6	Vehicles	2.68	18.1%
7	Crude Oil	2.49	6.9%
8	Woods	2.09	0.5%
9	Aquaculture	1.26	7.7%
10	Steel	1.26	8.6%

Source: GSO, BSC Research

Table 3

Top 10 imported goods

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	13.86	23.1%
2	Machine	10.11	14.4%
3	Fabric	3.49	10.1%
4	Mobile phone	3.23	-16.1%
5	Steel	2.73	5.0%
6	Plastic	2.50	1.2%
7	Automobile	1.78	-8.7%
8	Plastic Products	1.73	9.5%
9	Other metals	1.60	8.1%
10	Textile Materials	1.51	-39.1%

Source: GSO, BSC Research

Import turnover in May is estimated at 22.8 billion USD, up by 8.6% MoM, and by 8.3% YoY. In which, domestic economic sector is 10.2 billion USD, up by 8.4% YoY. last month; and increased by 11.1% over the same period last year. The foreign-invested sector reached US \$ 12.6 billion, up 8.8% over the previous month, and up 6.2% over the same period last year.

Imports grew strongly from the group of high-tech equipment and goods, accompanied by a good growth rate of basic investment goods under the PMI survey, showing that Vietnamese enterprises are upgrading and expanding scale. Production to meet export orders arising from the US-China trade war.

Generally for 5M2019, import turnover was estimated at USD 101.28 billion, up 10.3% over the same period last year, of which the domestic economic sector reached USD 43.61 billion, up 15.2% YoY%; foreign invested sector reached 57.67 billion USD, up 6.9% YoY%. From the beginning of the year to May 15, the import items in May saw a large turnover of Computer Electronics reaching USD 18.01 billion (+ 21.4% YoY), machinery and equipment USD 13.25 billion (+ 16.3% YoY), fabric reached USD 4.78 billion (+ 7.2% YoY). The petroleum sector continued to maintain a strong decline since the beginning of the year thanks to recently re-operated Nghi Son oil refinery, reducing the proportion of imported oil in the market.

Forex market

- **The exchange rate in May increased sharply before the unsuccessful negotiation of the United States and China. The exchange rate of USD/CNY surpassed 6.7 on May 15 and reached 6.9 on May 31. The devaluation of the yuan has put strong pressure on the exchange rate of USD in the international foreign exchange market.**
- **Exchange rate movement in the second quarter will largely depend on the progress of the US-China trade negotiations and the Fed's policy in June.**

The central exchange rate in May fluctuated between 23,028 - 23,069 VND/USD, increasing compared to the margin of 22,976 - 23,018 VND/USD in April. The average monthly rate is 23,064 VND/USD. On May 31, the exchange rate is trading at 23,065, up + 1.0% YTD and + 3.1% YoY.

The interbank exchange rate in May ranged from 23,310 to 23,480 VND/USD, increasing from the range of 23,250 - 23,330 VND/USD in April. The average monthly rate is 23,420 VND/USD. On May 31, the exchange rate is trading at 23,475, up + 1.0% YTD and + 3.1% YoY.

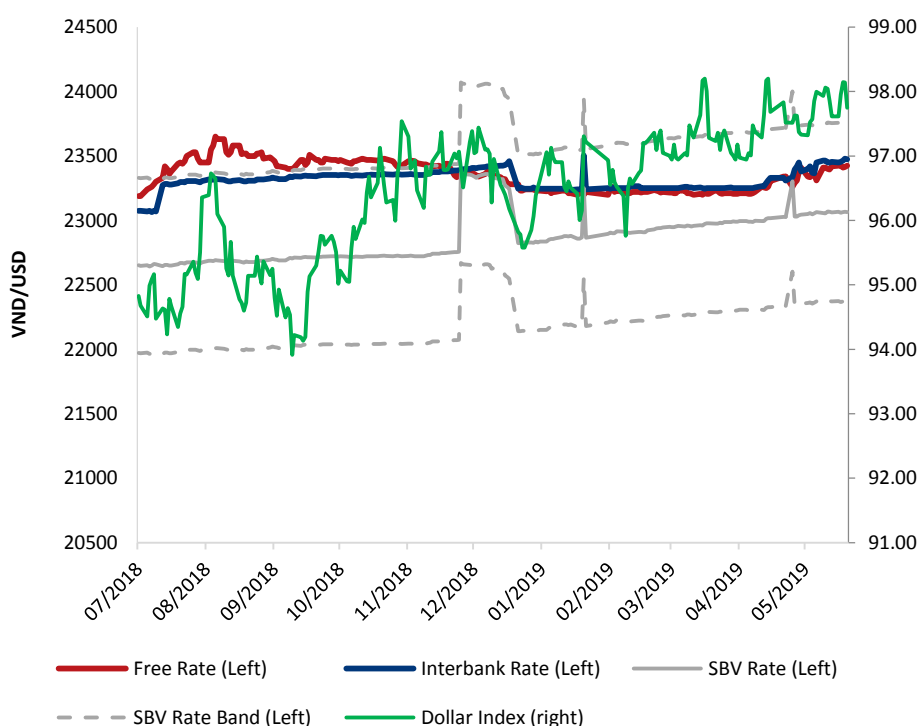
The free exchange rate in May fluctuated between 23,260 - 23,425 VND/USD, increasing from the range of 23,205 - 23,305 VND/USD in April. The average free exchange rate in the month is 23,372 VND/USD. On May 31, the exchange rate is trading at 23,425, up + 0.6% YTD and + 2.5% YoY.

USD price index in May increased by 0.1% compared to the end of April,

and increased by 4.0% compared to the same period last year. This index fluctuates in a range of 97.7-98.1 points, with a monthly average of 97.7 points. On May 31, the index reached 97.75 points.

From the beginning of the year until the end of May, the state bank has continuously raised the central exchange rate in order to prevent the a major shift in the USD/VND exchange rate fluctuations in case of unfavorable results from the US-China trade war. This continuing trend is consistent with the SBV's estimation of 2% increase of the exchange rate from the beginning of the year.

Chart 6
Exchange rate movements



Source: Bloomberg, BSC Research

Bank - Interest rate

- Interbank interest rates increased slightly in most terms in May except 6-month interbank interest rates. This phenomenon shows that the exchange rate only slightly affected the interbank interest rate thanks to the high foreign exchange reserves of the State Bank.
- The mid and long-term lending and saving interest rates are still stable and there is no strong fluctuation. Economic policy is in

alignment with the economic growth cycle.

Interbank interest rates increased slightly at the end of April for most periods in May (except for interbank interest rates in June which decreased slightly). This group of interest rates has increased sharply in the first half of May but then declined, and only increased by a slight margin at the end of May. On May 31, interest rates were overnight, 1 week, 1 month, 3 months, and 6 months respectively reached 2.8%, 2.97%, 3.37%, 3.87% and 4.13%.

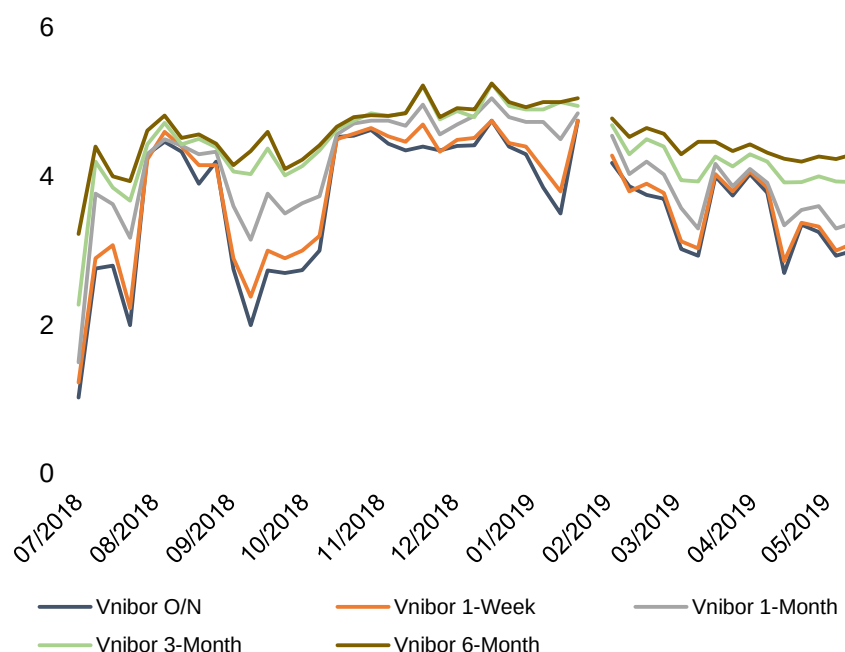
In May, the SBV injected a net of VND 23,596 billion in the first week, withdraw a net of VND 22,838 billion in the second week, net injected a net of VND 2,275 billion in the third week and withdraw a net of VND 38,348 billion in the last week. The liquidity of the system has been less abundant but still in a stable state when the foreign exchange reserves are high and the pressure from the interbank interest rate has only increased slightly.

Currently, the VND deposit interest rate is popular at the following levels:

- 0.5% -1% / year for demand deposits and maturities of less than 1 month;
- 4.5% -5.5% / year for term deposits from 1 month to less than 6 months;
- 5.5% -6.5% / year for term deposits from 6 months to less than 12 months;
- over 12-month term at 6.6% -7.3% / year.

The lending rate for Vietnamese dong is about 6% -9% / year for short term and 9% -11% / year for medium and long term.

Chart 7
Interbank interest rates



Source: Bloomberg, BSC Research

Macro Forecast for June 2019

On an international scale, Vietnam's macro-economic performance in June is affected by some of the following impacts:

- 1. Trade war.** The US-China trade negotiations ended with the United States raising the rent to 25% for USD 200 billion of goods and threatening to tax the remaining 300 billion dollars if China does not accept the agreements stated in the minutes of negotiations. Currently, there is no new information about negotiations between the two countries. Most likely, President Trump and President Xi Jinping will meet at the G20 meeting held on June 28 to discuss the US-China trade issue. From the US side, to give the USD 300 billion tax list, the US Department of Commerce will have to make a hearing about this tariff list in front of the US Congress on June 17. After a week, if Congress did not reject it, President Trump had the authority to tax this new list on June 24. From the Chinese side, Beijing will levy a tax of 5-25% to 60 billion US dollars of goods exported to China on June 1. The impact of the trade war is causing global anxiety about the economic downturn when US government bond yields hit a record low rate. Besides, the devaluation of the Yuan is also causing negative effects on the value of currencies in Southeast Asia as these countries have to devalue their currencies to compete with other products exported from China.
- 2. OPEC meeting (scheduled to be held on June 25-26, however, may be postponed until 03-04 July):** Russia will consider carefully the extension of the agreement to reduce oil production with OPEC members and other producers. Specifically, Moscow will consider the positive effect of the agreement on oil prices against the market share losses for US companies. For the most thorough consideration, Russia proposes to postpone the meeting until July 4th. Iran and some other OPEC countries are opposing the proposed change. They do not agree that OPEC should change its meeting to fit Russia, which is not a member of OPEC. Iran's complaints are a sign of a serious problem in OPEC. However, OPEC and especially Saudi Arabia, the most powerful member of OPEC, gave Russia a lot of power in recent meetings by allowing its decisions to revolve around the agreement (or disagreement) of Russia. Russia has the benefit of being the most influential voice in OPEC without sacrificing to agree with OPEC's requirements.
- 3. FED's monetary policy meeting (18-19/06).** The Federal Reserve decided to keep the interest rate at 2.25-2.5% at the May meeting. FED will continue to maintain flexible fiscal policy until the meeting in June with carefulness to follow American economy. A lot of information about the

US economy affecting the Fed's decision will be announced in the first week of June. In particular, one of the investor's focus is on the meeting of the Chicago FED. Tuesday and Wednesday of the first week of June. Fed Chairman Jerome Powell will speak at the conference opening on the monetary policy strategy. For months, analysts had hoped the conference would provide insight into how the Fed intended to address slow inflation. According to a survey by Wall Street Journal, 51% of economists and investors said that FED will cut interest rates in June because the US-China trade war is getting more intense and the US Government bond interest rate in 10 years was lower than the US interbank interest rate for overnight, 1 week and 3 month terms period.

4. **ECB monetary policy meeting (06/06).** The EU Board of Directors is about to decide whether to re-deploy any of its many tools - including a new round of bank lending - to boost growth and inflation. Some policy makers lost confidence in the prospect of their decision in April, according to a meeting minutes announced in the 3rd week of May. Data from that meeting was unconvincing, with apparent disconnection between surveys and market indicators illustrating the instability among economists. Part of the upcoming meeting will focus on pricing for a new round of long-term loans for banks starting in September. Some policymakers want to offer generous terms as a way to stimulate the economy, while others want to hold more restrictive tools to gently detoxify banks from the support of the central bank. In addition, the larger tools will be a quantitative easing restart - just six months after the ECB stops it - or somehow lower interest rates even though deposit rates are at a record low of 0.4%. This consideration will also revive the conversation about the ability to deposit interest rates at ECB banks - exempting some bank deposits fees from negative interest rates - to prevent the bank's profit decline. In addition, the ECB may pledge to keep interest rates low for a longer time, a move that will tie Draghi's successor hands. ECB said that interest rates will be at a record low at least until the end of this year.

For the domestic policy, the notable topics that will influence Vietnam economy in June are:

1. **The 7th meeting of the XIV National Assembly (20/05-17/6).** In this session, laws passed by the National Assembly are: Public Administrative Law, Architecture Law, Law on Prevention of Harm of Alcohol and Beer; Law on Tax Administration (amended); Law amends a number of articles of the Criminal Judgment Enforcement regulation, the Amendments and Supplements laws of some articles in Public Investment Regulation; Resolution on the program to develop laws and ordinances in 2020. Proposed Laws in the National Assembly that will have a great influence on the socio-economic included: Labor Code (amended), Securities Law (amended); Law amended and supplement a number of articles in the Land Regulations; Law amendment and supplementing some articles of Investment Law and Enterprise Regulations. In particular, the Amended

Securities Law will be the center attention as this draft law has introduced the comprehensive reform of Vietnam's stock market. All issues such as changing the trading band, short selling and opening new types of securities products and services will have a strong impact on Vietnam stock market.

2. **Funding sources for the supply of public products and services.** Decree 32/2019/ND-CP on assignment, order or bidding for the provision of public products and services using the state budget from regular expenditure sources takes effect.

In particular, regulations on funding sources for the supply of public products and services, including:

- State budget-funding sources for regular expenditures in the domains of non-business and economic activities according to the provisions of the State Budget Law;
- The left-behind-fee for service provision and fee collection according to the law on charges and fees;
- Sources of non-business public services in accordance with the non-business public services priced by the State;
- Other sources as prescribed by law (if any).

3. **Handling of road traffic infrastructure assets.** Decree 33/2019 / ND-CP on management, use and exploitation of road transport asset takes effect from June 17, 2019.

Accordingly, road traffic infrastructure assets are revoked in the following cases:

- When there is a change in planning, management decentralization;
- Assigned assets are not in the right objects and used for wrong purposes; lending property;
- Selling, leasing, donating, mortgaging, contributing capital, joint ventures and associates in contravention of regulations;
- Assigned assets but no longer need to use or inefficient exploitation;
- Other cases as prescribed by law.

4. **Handling cases of failing to meet the conditions for making books when selling shares of the State-owned enterprises.** Circular 21/2019 / TT-BTC guiding the sale of initial shares and state capital transfers by the method of setting up books for the subjects of equitisation.

Accordingly, if the actual volume of shares ordered and the number of investors actually subscribing does not meet the conditions for making a book under the plan of selling shares, the Equitisation Steering Committee shall:

- Decision to cancel the ordered book result;
- Reporting to the representative office (for state-owned enterprises) or the Members' Council / Chairman of State-owned enterprises (for grade-II enterprises) and announcing information on the cancellation of the ordered book results .

Investors are entitled to a refund of the deposit after the Equitisation Steering Committee publishes information about the cancellation of the ordered book.

Circular 21/2019/TT-BTC takes effect from June 3, 2019.

- 5. Promulgating the List of domestic medicines to meet the requirements of treatment and drug prices.** Circular 03/2019 / TT-BYT stated the List of domestically produced drugs meeting the requirements for treatment, drug prices and supply capacity effective from June 1, 2019. Accordingly, this list includes 640 types of drugs manufactured at domestic production establishments, such as Acarbose, Aceclofenac, Acenocoumarol, Acetyl leucin, Acetylcysteine, Acid Alendronic, Amino Acid The above drugs has been granted a circulation registration certificate, meeting the requirements of disease prevention and treatment at medical establishments according to the technical criteria of medicines thanks to reasonable drug prices and abundance supply capacity for medical establishments around the country.

Table 4
Monthly macro indicators

Indicator / Month	2018M10	2018M11	2018M12	2019M01	2019M02	2019M03	2019M04	2019M05
GDP YoY (%)	-	-	7.31	-	-	6.79	-	-
GDP ytd YoY (%)	-	-	7.08	-	-	6.79	-	-
PMI	53.7	56.5	53.9	51.9	51.2	51.9	52.5	52
IIP YoY (%)	7.7	9.6	11.4	7.9	10.3	9.1	9.3	10
IIP ytd YoY (%)	10.4	10.1	10.2	7.9	9.2	9.2	9.2	9.4
Retail Sales YoY (%)	12.4	12.2	11.4	12.2	11.5	12.1	12.0	11.4
Retail Sales ytd YoY (%)	11.4	11.5	11.3	12.2	12.2	12	11.9	11.6
CPI MoM (%)	0.33	-0.29	-0.25	0.10	0.8	-0.21	0.3	0.59
CPI YoY (%)	3.89	3.59	2.98	2.56	2.64	2.7	2.93	2.88
Registered FDI (Bil USD)	21.57	23.19	25.58	1.14	3.30	5.12	7.45	9.09
Disbursed FDI (Bil USD)	15.10	16.5	19.1	1.55	2.58	4.12	5.70	7.30
Export (Bil USD)	22.5	21.6	19.6	22.0	13.9	22.4	20.4	21.5
Import (Bil USD)	21.7	22.0	20.4	21.2	14.7	21.8	20.9	22.8
Trade Balance (Bil USD)	0.8	-0.4	-0.8	0.8	-0.8	0.6	-0.5	-1.3
Exchange rate (VND/USD)	23,351	23,363	23,351	23,243	23,252	23,245	23,261	23,420
Credit growth (%)	-	-	14	-	-	2.28	-	-

Source: BSC Research

Stock Market May 2019

Market Outlook

In May, the index corrected slightly due to investors' concerns about the increase in risks for the global economic growth prospect, especially the escalation of trade wars. - US trade, oil price dropped with concern of global economic recession when 10-year US government bond interest rate dropped sharply and was below 3-year bond rate. After a failed Sino-US trade agreement meeting, the US raised the tax rate from 10% to 25% for USD 200 billion of imports from China on May 10. In addition, the Chinese government responded with a 25% increase in taxes to USD 60 billion of US exports. Stress continues to escalate as the United States considers taxing an additional \$ 300 billion of Chinese goods and putting Huawei in the black list making the world market wobble. As of March 31, 2019, VN-Index officially decreased by 19.8 points compared to the end of last month (-2.02% MoM), (+ 7.54% YtD) and HNX-Index fell 3.11 points (-2.89% MoM), (+ 0.12% YtD).

Liquidity improved compared to April, cash flow focused on small cap group. In May, the HSX had 146 increased stocks, 224 decreased stocks and 9 unchanged stocks; 5 stocks supported VN-Index including SAB increased by 11.62% (contributed 5.33 points), HVN increased 9.73% (contributed 1.67 points), VJC increased 7.42% (contributed 1.39 points), PLX increased 5.39% (contributed 1.3 points), BHN increased 19.51% (contributed 1.11 points). Stocks that made VN-Index dropping the most were VHM down -10.87% (down -10.07 points), GAS decreased -7.54% (-4.91 points decrease), BID - 9.48% (-3.4 points decrease), BVH decreased -13.32% (-2.53 points decrease) and TCB -6.42% decrease (-1.63 points reduction). In May, 7/18 industries had the strongest growth rate, especially in tourism and entertainment.

Table 6

Fluctuation in the last 6 months on HOSE

Month	Index	Volumn (Bil shares)	Capitalization (VND Trillion)
5	959.88	2.6	3,228.55
4	979.64	2.4	3,207.75
3	980.76	3.63	3,211.00
2	965.47	2.52	3,161.18
1	910.65	2.32	2,979.23
12	892.54	2.70	2,875.55

Source: HSX, Bloomberg, BSC Research

Table 7

Fluctuation in the last 6 months on HNX

Month	Index	Volumn (Bil shares)	Capitalization (VND Trillion)
5	104.35	0.7	184.58
4	107.46	0.57	203.10
3	107.44	0.91	200.43
2	105.86	0.54	196.89
1	102.88	0.58	189.74
12	104.33	0.77	192.50

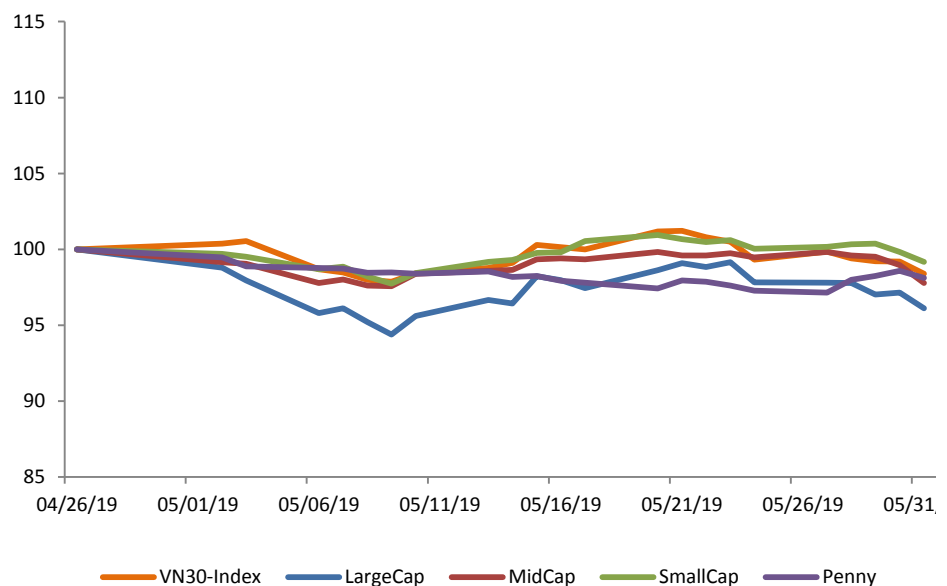
Source: HNX, Bloomberg, BSC Research

Stock groups performances

Stocks by capitalization all declined. In May, LargeCap and MidCap had the strongest decline in performance with -3.87% and -2.23% respectively. SmallCap, Penny and VN30 all have negative performance with decreases of -0.83%, -1.88% and -1.60% respectively. The market was affected by negative concerns when the tension from the Sino-US trade war continued to increase, the risk of the global economic crisis and the world oil price dropped, so stock groups to have reduced performance level. However, small-cap stocks are less affected than large and medium-cap stocks.

Chart 9

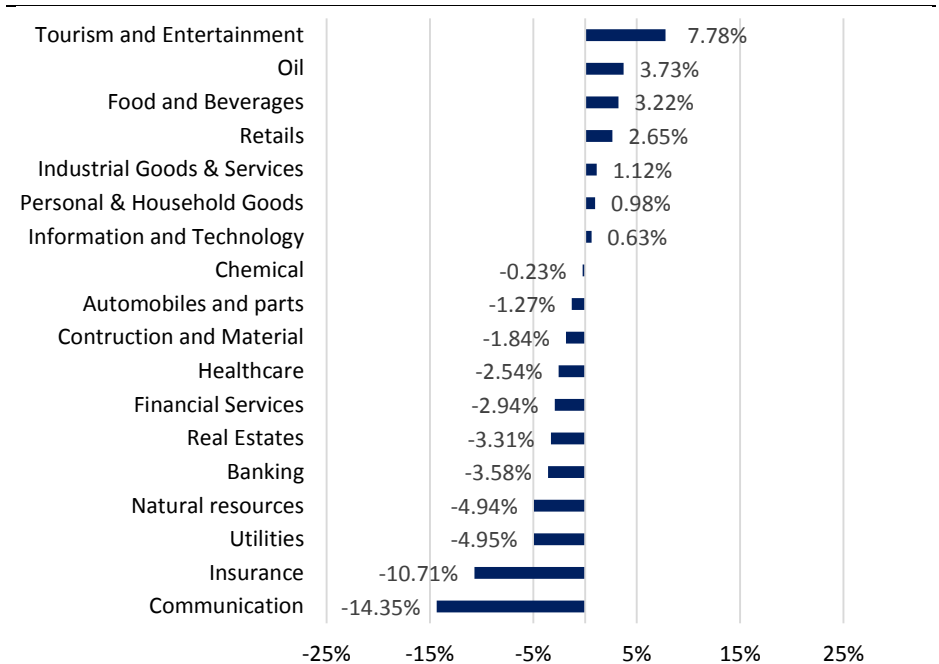
Stock group performances



Source: Bloomberg, BSC Research

In May, the market had 7/18 sectors gaining. In which, Tourism and Entertainment group increased the most with an performance of 7.78% due to the contribution of VJC and HOT shares with the increase of 7.42% and 14.25% respectively. The communication group is the group with the strongest decrease with the performance of -14.35%.

Chart 10
Tier 2 sector in 5/2019



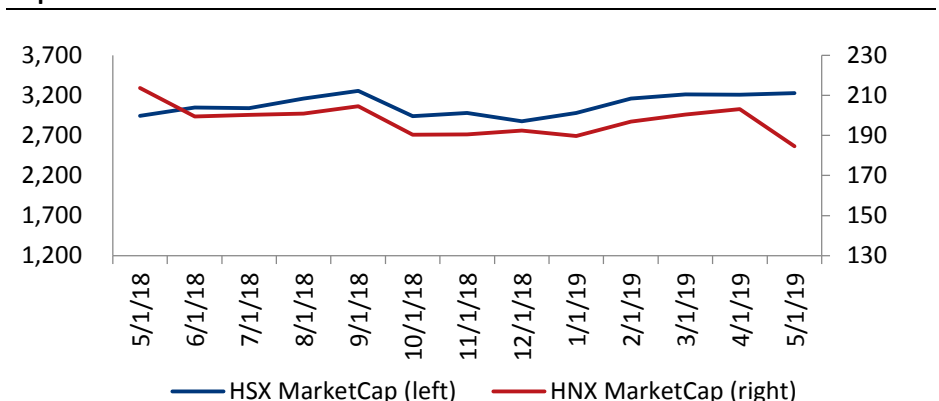
Source: Fiinpro, BSC Research

Capitalization scale

Market capitalization on both HSX and HNX reached VND 3,413.13 trillion, equivalent to USD 147.11 billion, up 0.07% MoM, + 11.25% YtD. Upcom floor fell slightly to 950.06 trillion in late May. In May, on HOSE, there were 180.75 million additional listed shares; 24.5 million shares listed for the first time; 211.09 million delisted shares; 8.4 million additional ETFs listed; 1.7 million ETF delisted shares; 30 million bonds listed for the first time and 0.01 million delisted bonds.

In terms of scale listed on HOSE on May 31, the floor is listing 80.92 billion shares equivalent to VND 849.37 trillion (95.27% of market value), 356.52 million bonds equivalent to VND 35.65 trillion (4.2% of market value), 413 million ETF shares equivalent to VND 4.13 trillion (0.49% of the market).

Chart 11
Capitalization scale

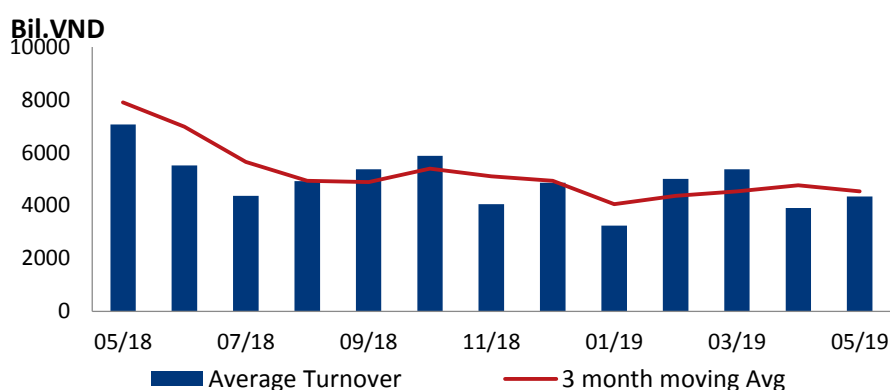


Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on 2 exchanges increased by 11.14% compared to April 2019, and increased to VND 4,342 billion / session and equivalent to nearly USD 187.16 million / session. In May, the cash flow focused on large-cap pillars of market and small stocks as well as stocks with good prospects. Improved sentiment and trading activity of foreign investors made liquidity recover positively.

Chart 12
Average market liquidity

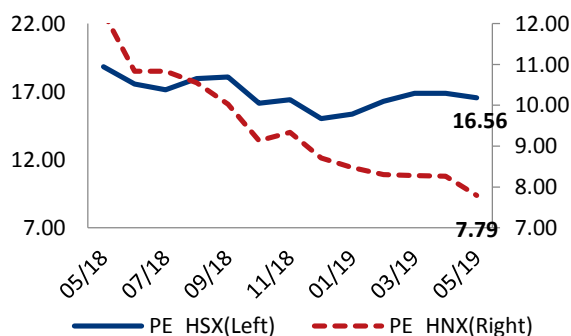


Source: Bloomberg, BSC Research

Price level of Vietnam stock market

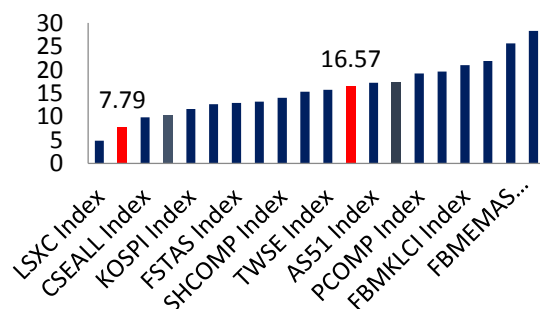
P/E of VN-Index dropped to 16.57, -1.77% MoM, + 10.23% YtD and HNX-Index fell to 7.79, equivalent to -5.73% MoM, -10.54% YtD. The P / E of the HSX dropped slightly and was the second consecutive month of decline, HNX also had a slight decrease and was the 6th month in a row. Compared to April 2019, the P/E of VN-Index maintained its 9th position and the HNX-Index continued to hold the 19th position in Asia.

Chart 13
P/E indicator performances on both Exchanges



Source: Bloomberg, BSC Research

Chart 14
Vietnam's P/E indicator compared to other countries in the region



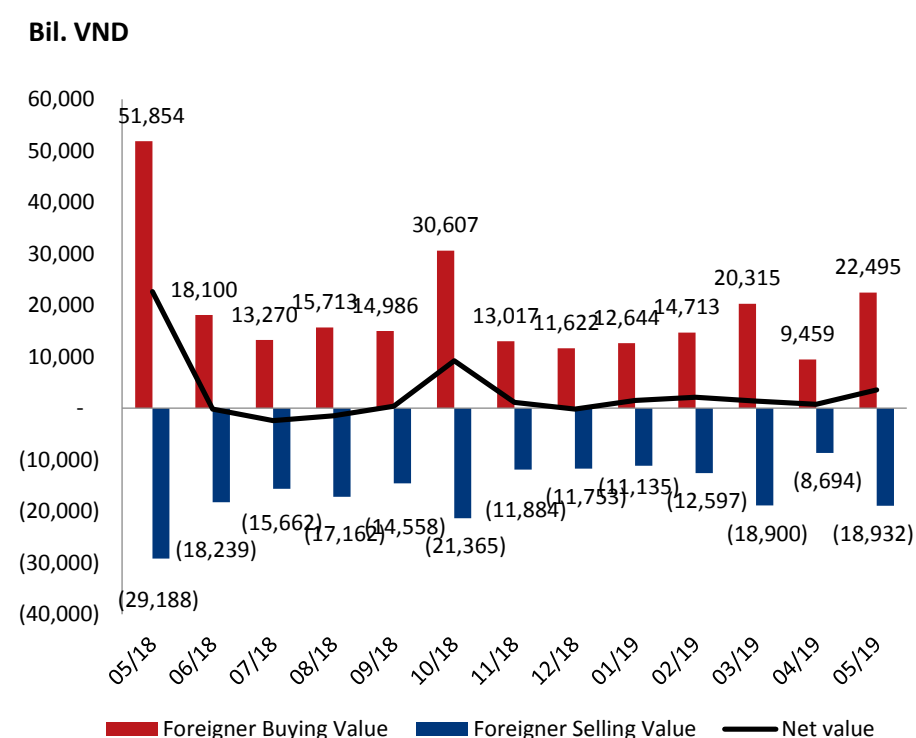
Source: Bloomberg, BSC Research

Foreigner trade

In May, foreign investors net bought strongly on HSX and net sold on HNX. Upcom in May continued net buying of VND 482.8 billion, they focused on net selling of VND 56.23 billion CTR and VND 34.44 billion LPB while buying VND 504.46 billion MPC and VND 52.59 billion VTP.

Chart 15

Foreigner transaction performances on both Exchanges



Source: BSC Research

In May, foreign investors bought a net on the HSX of VND 3833 billion with 160 stocks net bought and 182 shares net sold, net selling of VND 270 billion on HNX with 130 shares sold and 85 stocks were bought. On the HSX, foreign investors strongly bought VIC (VND 5601.29 billion), BVH (VND 185.97 billion), PLX (VND 154.2 billion), HVN (VND 144.67 billion), PDR (VND 134 billion) and sold VJC codes (VND -573.98 billion), VHM (VND -507.21 billion), HPG (VND -264.16 billion). On HNX, this group focused on buying PVI (VND 305.1 billion), PGT (VND 6.11 billion) and selling PVS (VND -196.62 billion), SHS (VND -36.49 billion).

Table 8

Top 10 foreign traded stocks on HSX in 5/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
VIC	5,601.29	VJC	(573.98)
BVH	185.97	VHM	(507.21)
PLX	154.20	HPG	(264.16)
HVN	144.67	VGC	(260.48)
PDR	134.00	VNM	(200.51)
FPT	78.02	HDB	(156.82)
HSG	59.86	PVD	(154.09)
PTB	44.87	BID	(110.81)
SAB	34.94	CII	(109.39)
NVL	31.14	DXG	(89.23)

Source: BSC Research

Table 9

Top 10 foreign traded stocks on HNX in 5/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
PVI	305.10	PVS	(196.62)
PGT	6.11	SHS	(36.49)
CDN	3.86	NTP	(30.90)
DGC	3.38	NDN	(14.29)
BCC	2.14	HUT	(12.61)
AMV	1.58	TNG	(8.96)
HHP	0.91	IVS	(7.85)
TTT	0.79	SRA	(7.20)
TIG	0.79	INN	(2.24)
HMH	0.70	IDJ	(2.20)

Source: BSC Research

Market outlook in June

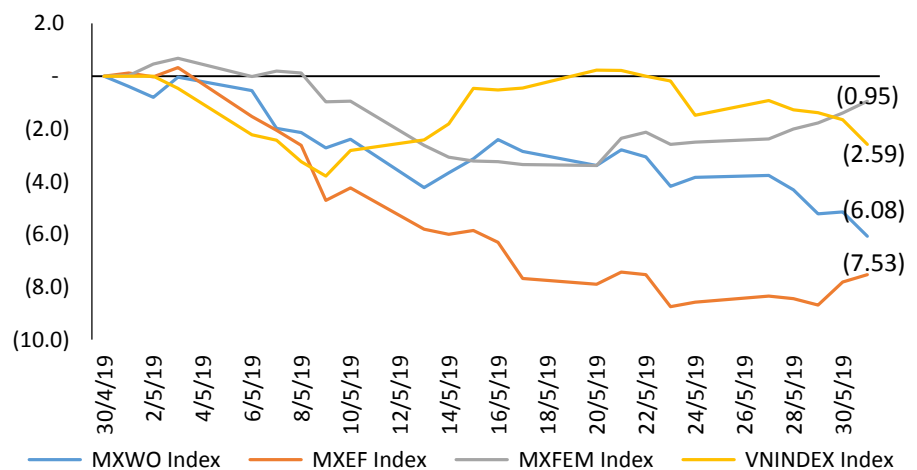
US-China trade talks are at risk of collapse when the US raises 10% tax to 25% with 200 billion imported goods from China. China is retaliating with 60 billion imported goods from the US. The trend is escalating when the US adds Huawei to the list of companies that require licenses to do business US's business entities. China is also taking the next steps to retaliate with the United States.

This information strongly affected the sentimental and cash flow of investors, overwhelmed the previous positive information such as the more positive growth rate of key economies in the Q12019, FED kept interest rates unchanged and tension between the US and Iran. Stock markets, money markets and commodities all fluctuated abnormally. The trend of dispersing into safe investment channels such as gold or speculation on bitcoin is boosted.

In the monetary market, CNY (China) is the focus when continuing to reduce the price by 2.4%, approaching the sentimental level of 7 CNY/USD. USD Index increased by 0.3% mainly compared to EU while other major currencies such as JPY and CHF increased by 2.8% and 1.8% respectively. Influence from USD appreciation and CNY depreciation, VND also depreciated by 0.8% and 0.5% YTD.

Chart 16

MSCI development, emerging and frontier regions in May 2019 (USD)



Source: Bloomberg, BSC Research

With the devaluation of the domestic currency and the movement of the key markets, MSCI regional indexes all fell. The emerging MSCI regional index (MXEF) leads the decline with -7.5%. MSCI development area (MXWO) also

no longer holds the rising trend and reversed by -6.1%. MSCI marginal area (MXFM) recorded a slight decrease of -0.9%.

In the developed market area, the Japanese market fell sharply by -7.5%, compared with the average increase of -5.2% for other key markets. UK is the market with the lowest decrease of -3.5% because the index did not increase from the previous month or stagnant price movement caused by the Prime Minister resign announcement.

In the BRIC countries, China is the only market that declined, with a decrease of -8.8% due to fears of trade war. All other markets are rebounding, led by the Russian market with a rise of 4.1%.

In the regional market, volatility in the markets that surged last month as the markets of Singapore and Thailand all saw strong drops of -8.3% and -3.2%. Malaysia and the Philippines are the only two rallying markets.

Chart 17

Fluctuations of countries' stock market in May

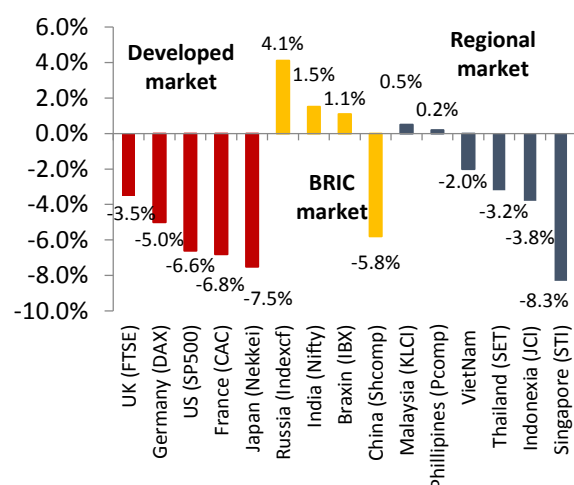


Table 10

Net buy/sell of foreign investors in May (Mio.USD)

Nations	May	5 Months
India	1,280	11,048
Indonesia	-514	4,070
Japan*	869	172
Malaysia	(558)	(1,232)
Philippines	(271)	546
Korea	(2,548)	4,240
Sri Lanka	(7)	(31)
Taiwan	(3,726)	2,263
Thailand	114	(187)
Pakistan	11	45
Vietnam	160	346

Source: Bloomberg, BSC Research

In the commodity market, the BCOM Index fell sharply by -3.6%, mainly from a decrease of 16.3% at WTI oil price, and an average decrease of 6% from metal products. The products increased strongly including Iron Ore (+ 17.1%), Natural Rubber (+ 19.4%), Wheat (+ 20.2%).

The domestic stock market was volatile and difficult to forecast, affecting from the world information, VIC sold its shares for more than USD 1 billion and iShares fund for portfolio restructuring. VN-Index fluctuated in Sin pattern. In May, VN-Index decreased by 19.8 points, equivalent to -2.0%.

After the first week of strong decline due to unfavorable information from the world, VN-Index recovered 2 weeks between months and only fell back in the last week of May. Market movement in the upward momentum focused on VIC and oil stocks. Cash flow did not increase and spread weakly and only actively at (1) stocks that benefited from trade war such as Textile, Fishery, Industrial zone (2) state divestment stocks and (3) stocks have positive Q1

results and speculative stocks. Sideway trend and rotation in a number of sectors that did not attract investors, led to a rapid decline when VN-Index approached the sentimental resistance level of 1,000 points that further enhance by strong selling pressure from foreign investors.

In terms of sectors, 7/18 level II sectors increased. Tourism and entertainment, Oil & Gas and Food and Beverage rose by 7.8%, 3.7% and 3.2% respectively, while Communications, Insurance and Utilities sectors saw the biggest drop of -14.4%, -10.7% and -5.0% respectively. Rising oil prices supported the oil and gas sector while Leading stocks in the media and insurance sector was falling sharply due to adverse information in their relative sectors.

In regards to stocks contribution, the top 5 stocks have contributed 10.8 points including SAB (+ 11.6%, contributed 5.3 points), HVN (+ 9.7%, contributed 1.7 points), VJC (7.4%, contributed 1.4 points), PLX (+ 5.4%, 1.3 points contribution), and BHN (+ 19.5%, contributing 1.1 points). On the other side, VHM (-10.9%, contributed -10.1 points), GAS (-7.5%, contributed -4.9 points), BID (-9.5%, contributed -3.4 points), BVH (-13.3%, contributed -2.5 points lower)) and TCB (-6.4%, down -1.6 points). Altogether, they took the market 22.5 points.

In May, we issued investment advisory reports including FPT, LHG, TNG , DRC, VHC, BCC, and NLG.

Notable information in June:

Macro economy in the first 5 months of the year is positive, stable main structures support growth. Vietnam still benefits from the US-China trade war. The socio-economic report of the General Statistics Office showed that the macro economy remained stable and had many bright spots in the first 5 months of 2019. The industrial production index (IIP) increased by 9.4% over the same period. In which, manufacturing and processing industry increased the highest in 5 years and electronics, computer and optical production recovered after 2 months of negative growth. FDI capital reached a new record of projects and newly registered capital. Total retail sales of services and consumer goods increased by 11.6% over the same period. Import and export turnover increased by 6.7% over the same period. Average CPI in 5 months increased 2.74% over the same period. The US dollar price index in May 2019 increased by 0.45% compared to the previous month but still decreased by 0.01% compared to December 2018.

The US-China trade war is drawing remarkable changes. China rose to become the largest investor in Vietnam with 1,561.4 million USD, accounting for 24.2% of the total newly registered capital. Export activity grew strongly in the US market with 28% growth while importing from China with an increase of 18.9%. Strong export growth in the US including phones and components increased 109.2%; electronics, computers and components increased by 58.4%; textiles and garments increased by 9.8%. These products are also American industries that have been applied tax tariff increases. The

export growth in the US market is quite a lot when the US announced the list of goods worth USD 300 billion and threatened to apply its soon. The total export value of China to the US coincides with the export of Vietnamese goods to the US at USD 12.3 billion.

Thus, Vietnam is benefiting a lot from the trend of restructuring international goods supply from China to marginal countries. This trend is expected to continue if the US-China does not reach a trade agreement and thereby boost economic growth through a spike and fill the market gap thanks to the tax gap on Chinese goods.

Covered Warrant (CW) is expected to operate June 28. This product has been waiting for a long time and was quite excited by investors. CW on the one hand to meet the criteria to upgrade the market on the other hand is a new product for investors to choose, especially to support foreign investors to access stocks that are out of room.

It is expected that 7 securities companies will register to issue 12 CW based on 6 stocks of the market. Securities companies will choose the appropriate stock to issue CW. Stocks selected were blue-chips, large-cap and high-liquidity. The type of CW deployed in the first place is the type of certificate of purchase on a single stock, exercising the European style, the method of payment in cash.

CW allows investors to use high leverage from 7-10 times, limited life cycle from 3 to 24 months, and the way to buy and sell as with common stock so it is easy to trade and prevent risks for Investors. However, CW also has market risks and the risk of insolvency from issuers.

With leverage, high profitability, low investment, CW will attract flexible cash flow. The selected shares to issue CW will receive greater attention before and during the listing CW. CW operation is positive information affecting investor psychology and cash flow of the market.

MSCI announced market rankings, FTSE and VNM ETFs restructured the portfolio in the second quarter. Following the announcement of the 2019 semi-annual market classification evaluation on May 13, MSCI will announce the market ranking on June 20. Accordingly the rating organization will reevaluate the level of satisfaction of the criteria for ranking markets. and effective 29/5. It is likely that Vietnam has not yet been included in the list of emerging market upgrades because there has been no significant improvement in many recent disclosures. However, the unresponsive criteria will be important information for the management agencies to quickly implement appropriate solutions when the revised Securities Law is expected to be passed by 2020. This process of complete change will help the market attract investors.

FTSE VN and VNM ETF will in turn announce the adjusted portfolio on June 7 and June 14. Trading activities will focus on the week from June 17-21, especially in the June 21 session. Securities companies all predict POW will

join the new portfolio and some other changes. The process of changing the floor of many companies from Upcom and HNX to Hose, in the next period of HVN, VGC will also have the opportunity to list as POW case. The portfolio structure also created volatility and created an opportunity for trading for future contracts to mature and increase liquidity for the market.

The US-China trade negotiations stalemate, the meeting with the two heads of state at the G20 summit in late June may open new opportunities.

US-China trade talks failed in May, the US raised taxes from 10% to 25% with 200 billion Chinese goods, bringing the total tax value to 250 billion while China also increased the tax rate to 60. billions of US goods, bringing the total tax value to 110 billion. The trade war showed signs of overcoming the scope of tariff barriers, when the US added Huawei Technologies to the blacklist, prohibiting the company from buying goods from the US or operating in the US, and some public companies. Other high-tech Chinese are in the sights of the United States. Beijing has prepared retaliatory measures, including restricting rare earth exports to the United States. The two sides still expressed their tough views and there is no signal that the negotiations will resume.

In that context, US and Chinese leaders will meet at the G20 summit at the end of next month in Japan. This event is an opportunity to resume negotiations as it happened at the G20 meeting in the last month of November 2018. However, the issue of the approach to negotiation and belief is still a big obstacle for a solution to be made. The trade war is therefore in danger of extending to the US presidential election in 2020.

FED kept the interest rate at the May meeting despite pressure from the US President. The interest rate may continue during the June meeting.

The FED kept interest rates at the beginning of May even though it was previously criticized by the US President. FED's view that the labor market is healthy and continues to grow, inflation will return to 2% over time and then will balance with their long-term goals. In the minutes of the FOMC policy meeting on May 23, FED officials kept the policy stance "patient" with interest rates, and said interest rates will not change in the coming time.

The next FED policy meeting will take place from June 18-19. According to survey data of Bloomberg, the ability to reduce the interest rate in June is only 16%, gradually increasing to 48% and 75% respectively in the July and September sessions. interest rates at the June meeting are quite low. FED is likely to maintain interest rates and wait for clearer signals at the end of the year.

Table 11

Factors affecting the market in June 2019:

Events	Impact on stock market
Stable macroeconomy, Vietnam is welcoming FDI flows from China.	
Public investment boosted disbursement at the end of the year when the amended Investment Law was adopted.	Positive

Preliminary forecast information on Q2 business results of some listed companies	Positive
Guaranteed certificate (CW) is expected to operate June 28	Positive, new cash flow
The ETFs announced and restructured the portfolio in the second quarter: June 7 and June 14, FTSE VN and VNM announced and traded from June 17-21.	Increase liquidity
MSCI announced market rankings on June 20	Vietnam is likely to not upgrade, updates will change in the coming year
Meeting with the two heads of US-China at the G20 Summit at the end of June, with the expectation of the deadlock of the US-China trade war	Strong impact on markets and investor sentiment
FED meeting policy from June 18 to June 19, continuing to maintain the current monetary policy.	Stable markets
The 176-OPEC meeting and the 6th meeting between OPEC and non-OPEC oil producers from June 25-26 evaluated and reviewed the possibility of further reductions in oil production.	Affects oil prices

Source: BSC Research

The market is rapidly decreasing due to the pressure of portfolio structure of ETFs along with weakened sentiment and cash flow. VN-Index is testing support level of 950 points with low liquidity. Large stocks and key sectors will soon return to support the market. VN-Index continues to forecast 950 points - 1,000 points in June. The trend of declining forms the bottom in the first week of June then stabilizes and recovers gradually at the end of the month.

- In case of positive, VN-Index keeps above 950 points and will check 1,000 points. Liquidity increased gradually at the end of the month with the circulation of industries and the anticipation of Q2 earnings results.

- In case of negative, VN-Index may drop below 950 points if there are unfavorable information from the world.

Investors can refer to some topics, and updated reports in the months:

- Industries and stocks are evaluated positively in the Industry Prospects Report 2019 ([Link](#)) and Quarter II Industry Outlook ([Link](#));
- Stocks of Ports, Textiles, Fisheries, Furniture and Industrial Zones benefited from trade agreements and production shift from trade war;
- Stocks traded based on volatility from NVL and oil prices;
- High defensive stocks such as Electricity, Information Technology - Post, Retail consumption have high growth and dividends;
- In the long term, BSC's recommended stocks will be mentioned in the IV quarter sector strategic reports ([Link](#)), the stocks with good changes are recommended in the Weekly Investment Report ([Link](#)) and Industries / companies update report ([link](#)).

Disclosure

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