

Vietnam Monthly Review 2018 M08

BSC Research

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Macroeconomics

- The PMI rebounded to 53.9, up sharply from 51.5 last month, and was 53.4 points higher than the yearly average (52.6 points average in 2017).
- Total retail sales of consumer goods and services in October were estimated at VND378.6 trillion, up 1.3% month on month and up 12.4% on year.
- FDI in 10 months decreased by 8.5% yoy but disbursed FDI increased 6.3% yoy. The manufacturing and real estate industries are the two leading players in attracting FDI
- The interbank exchange rate fluctuated between 23,344 and 23,356 VND/USD, increasing by 23,050 - 23,299 VND/USD in September. The interbank rates in all terms increased in the second half of October , especially short-term interest rate

Stock Market

- Both HNX and HNX declined and tested 900 points area. VN-Index officially dropped 102.37 points compared to the end of last month (-10.06% MoM), -69.48 points (-7.06% YTD) and the HNX-Index dropped 10.93 points (-9.4% MoM), -11.51 points (-9.85% Ytd).
- The average liquidity on both exchanges increased 9.45% compared to September, 2018, and maintained at 5.883 billion per session and equivalent to nearly 252.5 million USD per session.
- In October, foreigners net bought VND 9272.54 billion on HSX, net sold VND -30 billion on HNX. Since the beginning of the year, they net bought VND 39.54 trillion on the HSX and net sold VND1.1 billion on the HNX.
- P/E of the VN-Index dropped to 15.97 points, -10.77% MoM, -12.44% YTD and P/E of the HNX-Index fell to 9.19%, -8.85% MoM and -26.49% Ytd. Compared to September, the P / E of the VN Index fell to 9th place and the HNX-Index stayed at 17th position in Asia.

Market outlook next month

The market fluctuations in October did not fully reflect the macro stability and the enterprises' positive performance. the selling force was not large as the securities companies' margin value fell to nearly this year's beginning and fell by more than 20% compared to the peak. The market will be able to form its bottom at the old bottom of 885-900 points and will retest 1,000 points in November, if there are no significant impacts from the global markets.

- In a positive case, VN-Index will form a bottom at 885-900 points and increase again with the expectation of over 1,000 points. The reasonable price level will facilitate cash flows in several sectors and stock groups.
- In the negative case, the negative news from the world and the decline of foreign capital flow will cause a sharp drop far away from the support level of 885 points and will form the recession.
- **Recommended Stocks:**
 - Sectors and stock valuations that we consider important – 2018 Sector Outlook and Viet Nam Sector Outlook 4Q2018;
 - Banking stocks - highly-improved business results, Petroleum stocks benefiting from oil price and other stocks benefiting from trade agreements and trade shift from trade war;
 - Real estate stocks from revenue and profit cycle;
 - Highly-defensive stocks such as Electricity, Information and Technology, Consumer and Retail have high growth and dividend;

Macroeconomics of October 2018

Economic growth

- The PMI rebounded to 53.9, up sharply from 51.5 last month, and was 53.4 points higher than the yearly average (52.6 points average in 2017).

Industrial production index in October increased by 7.7% against same period last year, of which the mining sector decreased by 9.5%; processing and manufacturing sector increased by 10.1%; electricity production and distribution increased by 8.9%; water supply and waste disposal, waste water increased by 9.5%.

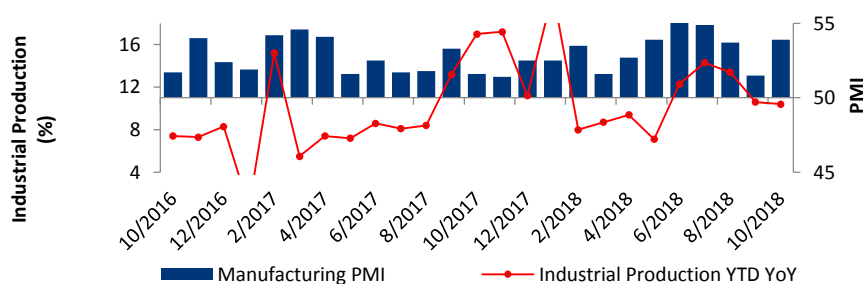
Generally, industrial production index increased 10.4% over the same period last year, higher than the increase of 9.6% in the same period of 2017. In which, the manufacturing and manufacturing sector increased by 12.7%, contributing 9.8% percentage point to IIP growth rate; Power production and distribution increased 9.6%, contributing 0.9 percentage points; Water supply and waste disposal increased by 6.6%, contributing 0.1 percentage point; Mining alone dropped 2.6%, down 0.4 percentage dragging the growth down by 0.4 percentage point.

In second-tier industries, the top three sectors saw a 10-month increase in production over the same period last year: coke production, refined petroleum products up 58%; metal production increased by 21.9%; production of medicines, pharmaco-chemicals and pharmaceuticals increased by 21.6%; Production of motor vehicles increased by 15.3%.

Some main industrial products increased by 8 months in comparison with the same period last year: gasoline and oil increased by 47.4%; iron, crude steel up 40.5%; television increased by 26.3%; liquefied petroleum gas (LPG) increased by 24.6%; Aluminum increased by 23.5%; Woven fabrics of synthetic or man-made fibers increased by 21.4%; Phone accessories increased 18.8%; Aquaculture food increased by 17.2%.

Chart 1

Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

The PMI rebounded to 53.9, up from 51.5 in the previous month, and was 53.4 points higher than the yearly average (52.6 points average in 2017). Vietnam's manufacturing sector grew stronger in October as manufacturing growth, employment and purchasing of inputs increased due to the rapidly increasing number of new orders. At the same time, the pace of increase in input costs has been reduced to the slowest since July 2017 and output prices have fallen for two consecutive months. Specifically:

- The number of new orders increased significantly and at a faster rate than September thanks to strong domestic demand and foreign demand. In fact, the number of new export orders rose at the fastest pace in three months as companies benefited from the expansion of new markets and larger customers. Subsequently, manufacturers have increased production in 11 consecutive months, with the strongest level since July.
- Vietnamese producers also increased the volume of raw materials and semi-finished products, as input purchases increased sharply and faster than September.
- Increased purchases helped companies increase inventories. Inventories of inputs have increased significantly in October, with the fastest pace since March 2011. Similarly, inventories of finished goods have risen sharply and at the fastest pace in nearly three and a half years.
- Although input costs continue to rise, growth has slowed to the weakest level in 15 months, encouraging some producers to reduce output prices and others keeping output prices unchanged. Output prices in the manufacturing sector fell for the second month in a row, although the decline was mild.
- Manufacturers in Vietnam are expected to diversify their products, strong demand and targets to increase output over the next 12 months. However, overall positive optimism fell in October and was below the historical average.

In addition, China's PMI fell to 50.2 from 50.9 last month. The downward trend of China's PMI and Vietnam's PMI rebound indicates that Vietnamese exports are benefiting from the US-China trade war.

Inflation

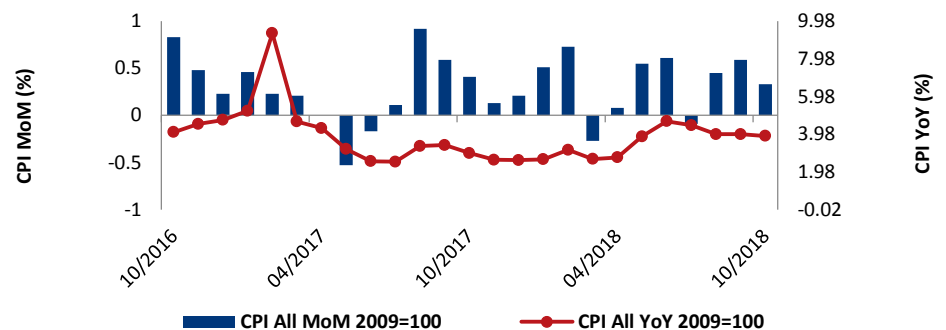
- **CPI in October increased by 0.33% over September, thanks to 10/11 commodity groups with the leader as transportation sector.**

Consumer Price Index (CPI) in October increased by 0.33% over the previous month, and increased 4.46% over the same period in 2017. Basic inflation in October 2018 increased by 0.13% against the previous month and 1.67% over the same period last year.

Average CPI in the first 10 months of 2018 rose 3.6% over the same period last year. The average inflation in the first 10 months of 2018 rose 1.43% over the same period last year.2017.

Chart 2

Monthly CPI movements



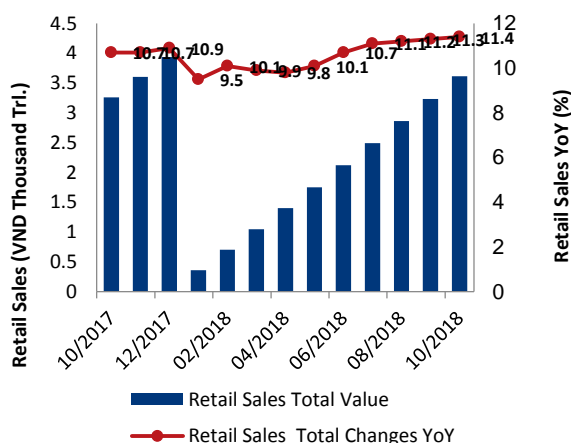
Sources: GSO, BSC Research

In October, the price index of 7/11 commodity and service groups recorded price increases, in which the traffic group increased the most. Movements of CPI in the month are caused by the following reasons::

- **The traffic group saw the highest increase of 1.55%**, mainly influenced by the adjustment of petrol and oil prices as of October 6/ 2018 despite the decrease in petrol price as of October 22/2018, causing petrol prices to rise by 3.45%.
- **The education group increased by 0.6%** due to the fact that seven localities have implemented the roadmap for increasing tuition fees in accordance with the Government's Decree No. 86/2015 / ND-CP dated October 2, 2015.
- **Housing material and construction increased by 0.3%** mainly due to a 3.17% increase in gas price; prices of home repair services increased by 0.56%;

Chart 3

Retail Sales



Source: GSO, BSC Research

Table 1

Increase/decrease of service sectors in July

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	0.87	4.79
2	Transportation	0.13	8.67
3	Health care	0.02	3.03
4	Housing & Construction material	3.73	3.73
5	Entertainment	0.19	1.47
6	Beverage and Cigarettes	0.11	1.42
7	Clothing	1.53	1.53
8	House appliance	0.1	1.25
9	Education	0.46	6
10	Telecommunication	-0.07	-0.73
11	Other	0.13	2.31

Source: GSO, BSC Research

Total retail sales of consumer goods and services in October were estimated at VND 378.6 trillion, up 1.3% MoM and up 12.4% YoY. For 10M2018, total retail sales of goods and services were estimated at VND 3,612.8 trillion, up 11.4% over the same period last year,

Retail sales reached 286.9 trillion dong, up 1.7% MoM and up 14.2% YoY; Revenue from accommodation and food services reached VND 44.3 trillion, up 1.7% MoM and up 14.2% YoY; Tourism revenue reached 3.3 trillion, down 3.8% over the previous month and up 5.5% over the same period last year; Other service revenue was VND44.1 trillion, down 0.1% MoM and up 5.6% on year.

Foreign Direct Investment (FDI)

- **As of October 20, 2018, registered FDI decreased 8.5% over the same period last year. However, disbursed FDI increased 6.3% compared to last year.**
- **Foreign investment mainly in the processing industry, manufacturing and real estate.**

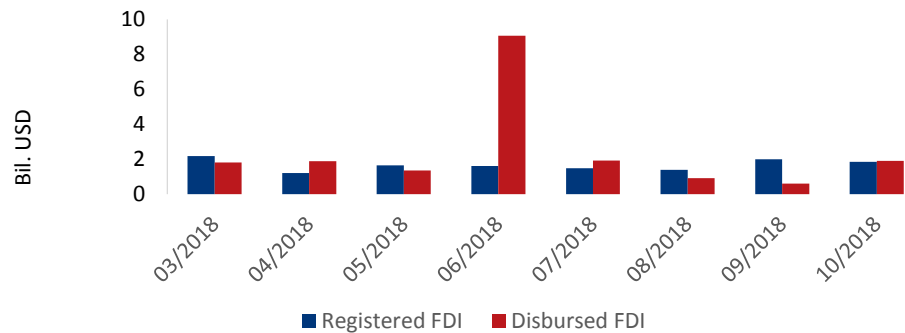
The total registered FDI and increased to the end of 20/10/2018 of 2,458 projects (+ 18.7% YoY) reached \$ 15,028.2 million (-7.8% YoY), plus \$ 6.553 million adjusted capital of 954 projects licensed in the previous years. Thus, total newly registered FDI and additional capital reached USD 19,066 million (-4% yoy).

Foreign direct investment in 10 months was estimated at \$ 15.1 billion, up 6.3% over the same period in 2017.

In the first 10 months, the largest foreign direct investment (FDI) industry with registered capital of newly licensed projects was US \$ 6,855.6 million, accounting for 45.6% of the total registered capital. new; real estate business reached \$ 5,102.6 million, accounting for 34%; Other sectors reached USD 3.070 million, accounting for 20.4%. Including additional registered capital of licensed projects from previous years, foreign direct investment in manufacturing and processing in the first 10 months of this year was USD 11,542.4 million, accounting for 53.5% of the total registered capital; real estate business reached US \$ 5,192.2 million, accounting for 24.1%; the remaining sectors reached USD 4,836.9 million, accounting for 22.4%.

Char 4

FDI (USD Bil)



Source: GSO, BSC Research

Top 3 regions attracting registered FDI in the whole country: Hanoi (4,987.1mil - 42.9%); Ba Ria-Vung Tau (1,794.1 million USD - 13.1%), Binh Duong (834.2 million USD - 13.1%).

In the first 10 months of this year, Japan is the largest direct investor in Vietnam with total capital of \$ 5,898.3 million, accounting for 39.2% of the total newly licensed capital; followed by South Korea with USD 3,314.8 million, accounting for 22.1% and Singapore with USD 1,061.3 million, accounting for 7.1%.

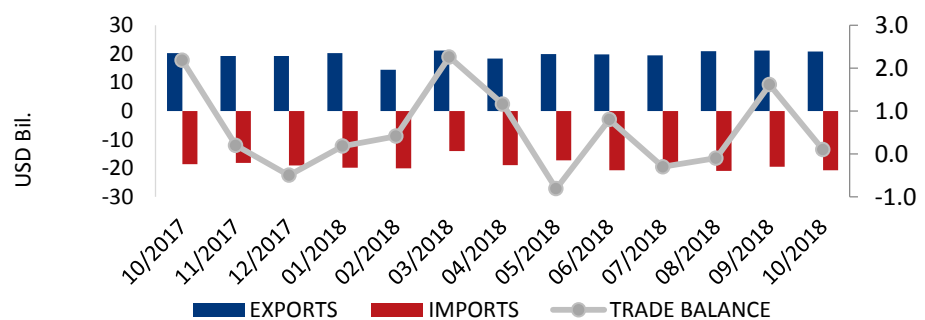
Trade balance, Import and Export

- Trade balance in October was estimated to be a surplus of \$ 100 million.
- From the beginning of the year to October 2018, Vietnam exports a surplus of 6.43 bill USD.

Export turnover in October was estimated at \$ 20.8 billion, down 1.5% against last month, and up 2.3% over the same period of 2017, of which the domestic economic sector gained \$ 5.63 billion, up 1.5% against last month, and up 9.3% over the same period last year; Foreign invested sector reached USD 15.17 billion, down 2.6% over the previous month, and decreased 0.1% over the same period last year.

Chart 5

Import and Export (Bil USD)



In the first 10 months of 2018, export turnover was estimated at USD 200.27 billion, up 14.2% over the same period last year, of which the domestic economic sector gained USD 56.82 billion, up 16.8%; Foreign invested sector (including crude oil) reached USD 143.45 billion (accounting for 71.6% of total export value), rising by 13.2%. Some key export items continued to increase over the same period last year. From the beginning of the year to Oct. 15, electronic component phones continued to hold the top spot, reaching \$ 38.8 billion (+ 14.2%) thanks to Samsung's Note 9 and Samsung Galaxy 9. Next; textiles and garments grew by 17.1%

Table 2
Top 10 export items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	38.8	14.2%
2	Textile	23.8	17.1%
3	Electronics	22.9	16.4%
4	Other machines	12.8	29.4%
5	Shoes	12.4	11.1%
6	Aquaculture	6.8	3.5%
7	Woods	6.7	14.7%
8	Vehicles	6.2	15.8%
9	Camera	3.8	48.6%
10	Steel	3.5	53.5%

Source: GSO, BSC Research

Table 3
Top 10 imported goods

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	32.7	13.7%
2	Machine	26.0	-2.7%
3	Fabric	11.7	0.1%
4	Mobile phone	9.9	13.8%
5	Steel	7.9	11.0%
6	Plastic	7.0	19.4%
7	Gasoline	6.5	22.0%
8	Other metals	5.9	30.3%
9	Plastic Products	4.6	8.9%
10	Textile Materials	4.5	4.7%

Source: GSO, BSC Research

Import turnovers in October were estimated at \$ 20.7 billion, up 6.1% over the previous month and slightly up 13.6% over the same period last year. Of which, the domestic economic sector gained \$ 8.15 billion, up 8.8% last month; up 14% over the same period last year. Foreign invested sector reached \$ 12.55 billion, up 4.4% over the previous month, and up 13% over the same period last year.

For the first 10 months, import turnover was estimated at \$ 193.84 billion, up 11.8% against the same period last year, of which the domestic economic sector gained \$ 77.50 billion, up 12%; Foreign invested sector reached 116.34 billion USD, increasing by 11.7% (accounting for 59.31% of export share). From the beginning of the year to the date of October 15, some items imported in October had a large turnover: \$ 32.7 billion (+ 13.7% yoy) in mobile phones and its accessories 26 billion (-2.7% yoy) in machinery & equipment, and fabric reached 11.7 billion (+ 0.1% yoy).

Forex market

- The domestic exchange rate in October only increased slightly with a narrower range than September, and the movement trend was almost flat.
- The exchange rate moved sideways in October, but the devaluation of the Yuan would put a heavy pressure on VND when the government

allowed the use of the Yuan in the 7 northern borders provinces in December. With the impact from the trade war and the Fed's interest rate hike in December, the uptrend momentum of VND exchange rate will last until the end of the year. However, the foreign exchange reserves of VND 60 billion will continue to help the State Bank maintain a stable upside margin in the forthcoming time.

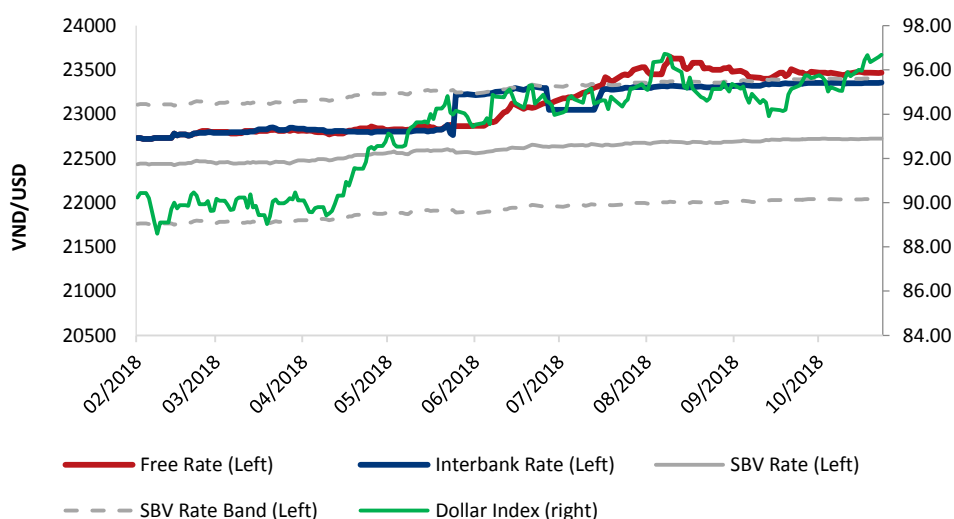
Central exchange rates in October fluctuated from 22,713 – 22,724 VND/USD, increased from the range of 22,630– 22,669 VND/USD in September. The monthly average is 22,719 VND /USD.

Interbank exchange rate in October ranged from 23,296 – 23,322 VND / USD, increased from the range of 23,050 – 23,299 VND/USD in September. The average monthly was 23,308 VND / USD.

Free exchange rates in October ranged from 23,440 – 23,650 VND/USD, increased from the band of 23,050 – 23,299 VND/USD in July. The average free exchange rate in the month was 23,528 VND / USD.

The October US dollar index rose by 1.6% from the end of September, increased by 2.3% from the same month last year. This index ranged from 95 to 96.7 points, with a monthly average of 95.8 points. The index now stands at 96.68 points.

Chart 6
Exchange rate movements



Source: Bloomberg, BSC Research

Bank - Interest rate

- Interbank interest rates increased sharply after the second half of October. The exchange rate trend was flat, while the interbank rates continued to rise, suggesting that the SBV is actively maintaining the stable exchange rate of VND /USD.
- The deposit and medium and long term interest rates are quite stable.

Economic policy is still directed to the economic growth cycle.

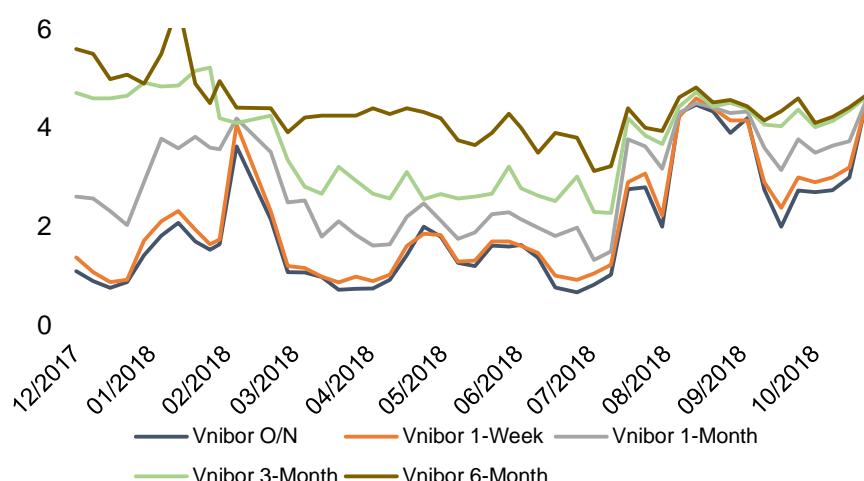
Short-term (overnight and one week) interbank interest rates increased sharply in the second half of October. Transactions on the interbank system focused mainly on short-term groups. Volatility is also the strongest among the others. At present, overnight rates, 1 week, 1 month, 3 months and 6 months are 4.53%, 4.5%, 4.57%, 4.63% and 4.67%, respectively.

In the fourth week of October, the SBV injected VND46.414 billion through the treasury channel. The net pump movement has returned and interest rates started to rise again in the second half of October mainly due to the depreciation of the yuan. The yuan on Tuesday(30/10) rallied at 6.9613 RM / USD, the lowest level since 2008, and was down more than 6.5 percent against the Dollar since early this year. China's central bank set its official RMB midterm to its lowest level in more than a decade yesterday as worries over the recession are the result of the US-China trade war. The pressure from devaluation and China central bank's policy will continue to put pressure on the liquidity of the banking system.

The mobilizing rates in VND are common at 0.6-1% pa for demand deposits and short-term deposits of less than one month; 4.3-5.5% pa for term deposits from 1 month to less than 6 months; 5.3-6.5% per annum for term deposits from 6 months to less than 12 months; term of over 12 months is 6.5-7.3% per year. At the same time, the VND lending rate was at 6.0-9.0% per annum for the short term; 9.0-11% / year for medium and long term.

Chart 7

Interbank interest rates



Source: Bloomberg, BSC Research

Macro Forecast in August 2018

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

- (1) Trade war.** After the imposition of a tax on \$ 200 billion of Chinese goods. Trade war has had a significant impact on the Chinese economy. The Chinese PMI returned to low level of 50.2 and the quarter 3 GDP growth has increased by 6.5%. Besides, the Yuan exchange rate is also depreciating, \$ 1= 6.96 Yuan. However, during the upcoming G20 meeting, President Donald Trump and General Secretary Xi Jinping have vowed to continue discussing US – China trade relations in the future. The outcome of this discussion will determine the course of this trade war, moving on to the next steps, or postponing the trade war that will have major impact on all global economies.
- (2) Mid-term Election of US Congress (6/11).** This election is the focus of attention in many countries around the world. Whether the Democratic Party can win majority of seats in Congress which can directly determine the next phase of the Trade war. If Democrats account for more than 51%, It can completely and effectively disrupt Trump's edicts when it comes to US Congress. Currently, YouGov's survey shows that 47% of 1,296 Americans favor the Democratic Party.
- (3) Fed meeting (7/11) and ECB meeting (13/11).** In the next meeting, ECB and Fed are expected not to increase interest rate. However, in this meeting investors will watch the policy of the increasing interest rate of Fed when interest rates of US Government bonds are quite high, reaching 3.15% and the rate of Fed's IOER has exceeded the ceiling 2.2% allowed. The ECB meeting may not have a major impact on the global market when the Board does not hastily remove the Zero Interest Rate Policy (ZIRP), and President of Mario Draghi & Co. can maintain the scenario like which that central bank will follow the plan of reducing quantitative easing (QE) program before the December deadline.

Vietnam macro-economy in November has the following impacts:

(1) Adjustment of wind power purchase price: On 10/9/2018, Prime Minister issued Decision 39/2018 / QĐ-TTg amending and supplementing some articles of Decision 37/2011 / QĐ-TTg about the mechanism to support the development of wind power project in Vietnam. Particularly, the buyer of wind power must buy its from the wind power project at sea at the price of VND 2,222 / kWh and from the wind power project in the mainland with the price is VND 1,928 / kWh.

(2) Bank is prohibited from arbitrarily providing customer's information. This issue is effective from November 1, Decree **117/2018/NĐ-CP** regulates strictly about the protection of confidentiality and customers' informations at banks. According that, banks is allowed to provide customers' information

only in two cases: the approval of customers and other organizations and individual have right to request providing customers' information as stipulated in laws and decrees of National Assembly.

(3) Increase the level of fines for illegal multi-level marketing. Effectively on November 25, Decree 141/2018 / ND-CP stipulate fines from VND 80-100 million to organizations that commit one of the illegal multi-level marketing. A fine of up to 2 times higher than the fine level if violation is committed in two or more provinces or cities.

(4) Interest rates and exchange rates have maintained the upward momentum. Thanks to information that Fed increased interest rates and the international and domestic exchange rate recovered after this new, BSC forecasts that in the next two months, the exchange rates will increase slightly in the fourth quarter when the information about the Federal Reserve raises interest rates, trade wars, executing the yuan trading in the seven northern border provinces and the People's Bank of China's exchange rate policy continue to have an impact on the dollar. Due to the increasing inflationary pressure and the rebounding interbank interest rates in all periods, we expect that the interest rates will continue to increase slightly in next two months.

Table 4
Monthly macro indicators

Indicator / Month	2018M3	2018M4	2018M5	2018M6	2018M7	2018M8	2018M9	2018M10
GDP YoY (%)	7.38	-	-	6.79	-	-	6.88	-
GDP ytd YoY (%)	7.38	-	-	7.09	-	-	6.98	-
PMI	51.6	52.7	53.9	55.7	54.9	53.7	51.7	53.7
IIP YoY (%)	8.7	9.4	7.1	10.5	14.3	13.4	9.1	7.7
IIP ytd YoY (%)	11.6	11.4	9.7	12.3	10.9	11.2	10.6	10.4
Retail Sales YoY (%)	22.4	1.3	6.1	12.5	14.7	12.6	12.5	12.4
Retail Sales ytd YoY (%)	9.9	9.8	10.1	10.7	13.3	11.7	13.4	11.4
CPI MoM (%)	-0.27	0.08	0.55	0.61	-0.09	0.45	0.59	0.33
CPI YoY (%)	2.66	2.80	3.86	4.67	4.46	3.98	3.98	3.89
Registered FDI (Bil USD)	3.91	5.8	7.15	16.23	18.15	19.06	19.67	20.0
Disbursed FDI (Bil USD)	3.88	5.1	6.75	8.37	9.85	11.25	13.25	11.25
Export (Bil USD)	19.8	18.2	19.2	19.8	20.3	23.4	21.1	20.8
Import (Bil USD)	19.0	17.5	19.7	19.0	20.69	20.95	19.5	20.7
Trade Balance (Bil USD)	0.8	0.7	-0.5	-0.8	-0.6	-0.1	0.7	0.1
Exchange rate (VND/USD)	22,820	22,800	22,840	22,967	22,840	23,308	23,147	23,351
Credit growth (%)	2.23	-	-	6.35	-	-	9.52	-

Source: BSC Research

Stock Market October 2018

Market Outlook

In October, the index fell sharply to around 900 points due to psychological concerns about macroeconomic outlook and sell-off wave spread from major markets in the world and the region. However, positive sentiment from market investors returned to the market at the end of the month with strong recovery after 9 consecutive losing sessions. As of 31/10/2018, VN Index dropped 102.4 points as compared to last month (-10.06% MoM) and HNX-Index decreased 10.93 points (-9.39% MoM).

Sharp decline compared to September, cashflow in the market had strongly spread into smaller capitalization stock groups and clearly expressed in the period from 28/8 to 7/9 (more detail in stock movements by capitalization) The large cap stocks and the VN30 had strong corrections, but smaller cap stocks were not under selling pressure at similar levels but continued rising or sideways movement. In October, the HSX had 80 stocks up, 284 stocks down and 5 stocks unchanged, 5 stocks including VNL increased 6.92% (1.33 points), YEG increased 25.72% (0.56 points). SAB gained 0.68% (0.3 points), HPX increased 10.93% (contributed 0.14 points), AVN increased 14.55% (contributed 0.12 points). VN-Index declined by -21.7% (down -16.07 points), VNM dropped -15.44% (-11.62 points), VCB dropped -10.61% (-7.49 points lost), GAS decreased -10.11% (-7.08 points) and BID -16.19% (-6.1 points). In October, the industry has decreased, the most powerful is the oil and gas industry.

Table 6

Fluctuation in the last 6 months on HOSE

Month	Index	Volumn (Bil shares)	Capitalization (VND Trillion)
10	914.76	3.82	2,939.08
9	1,017.13	3.36	3,254.42
8	989.54	3.67	3,160.67
7	956.39	3.10	3,020.45
6	960.78	2.84	3,041.04
5	971.25	2.89	2,944.71

Source: HSX, Bloomberg, BSC Research

Table 7

Fluctuation in the last 6 months on HNX

Month	Index	Volumn (Bil shares)	Capitalization (VND Trillion)
10	105.35	1.1	190.41
9	116.28	0.96	204.58
8	112.79	1.51	202.20
7	106.16	0.87	201.08
6	106.17	0.87	199.50
5	114.91	1.11	213.74

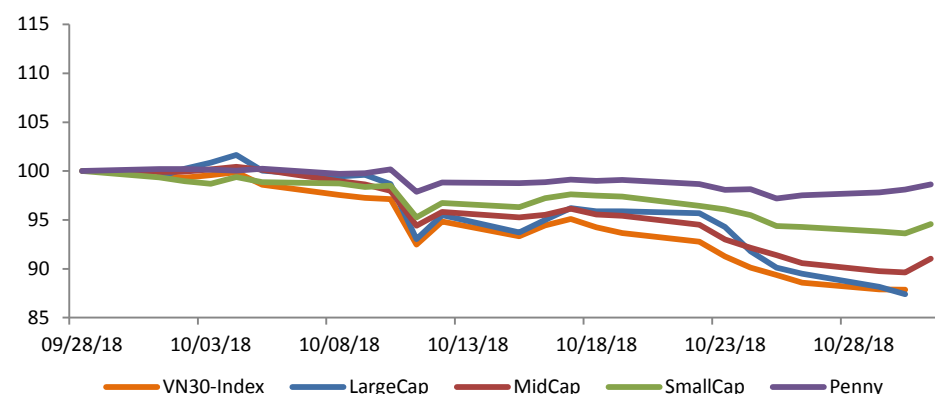
Source: HNX, Bloomberg, BSC Research

Stock groups performances

Equity groups have fallen sharply and unevenly. In October, all groups were negative. VN30 fell 9.36%, LargeCap fell 9.98%, MidCap fell 8.97%, SmallCap fell 5.41% and Penny fell 1.36%. In the period from October 11th to October

30th, the index was under strong selling pressure as nervous sentiment from international and regional markets put pressure on the domestic market despite positive Q3 results. The negative impact of the market has affected large stocks with large capitalization, but stocks with small cap are less affected.

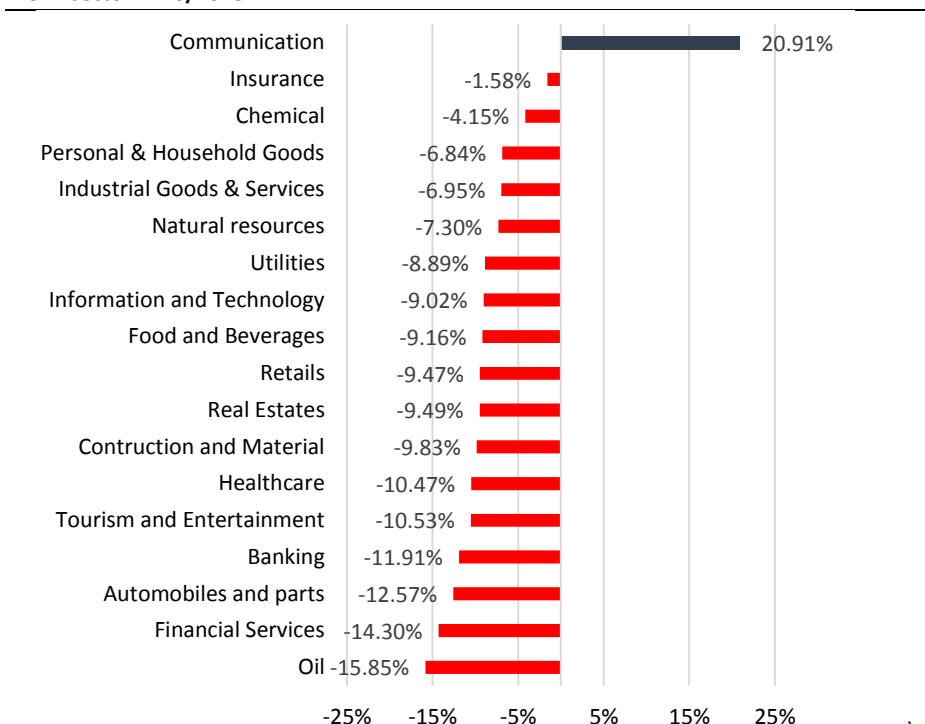
Chart 9
Stock group performances



Source: Bloomberg, BSC Research

In October, the market has 1/18 sector increased. In particular, the media increased the most with a performance of 20.91% due to the contribution of YEG shares with the increase of 25.72%. Oil and gas sector was the biggest loser with performance of -15.85% due to the strongest decrease of GAS -10.11% and PVD -19.57%.

Chart 10
Tier 2 sector in 10/2018



Nguồn:
Fiinpro, BSC Research

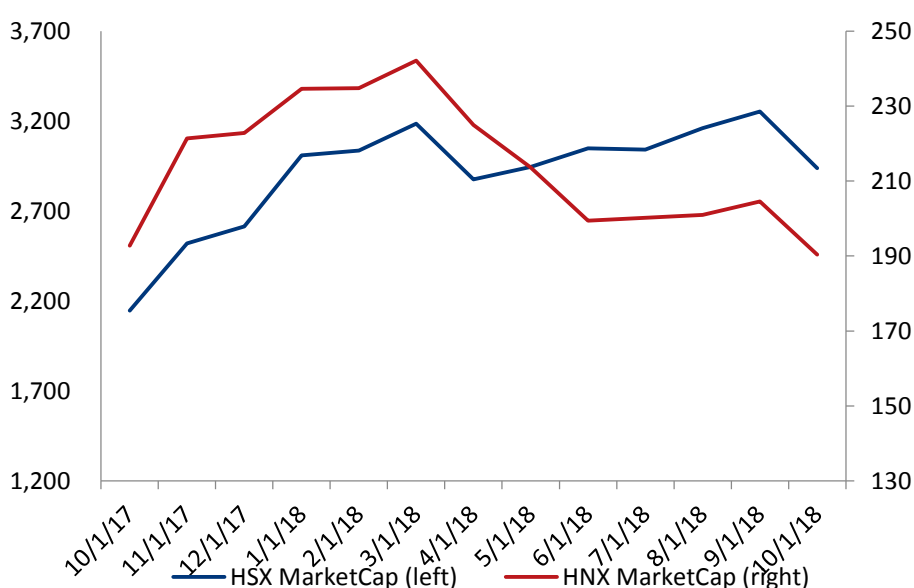
Capitalization scale

The market capitalization on both exchanges was VND3,129 trillion or US \$ 134.3 billion, down 9.53% MoM and 10.31% Ytd. In October, 142.5 million shares were listed on the HOSE, 132.1 million shares were listed on the HOSE. 8.1 million additional ETFs and 10.3 million delisted shares.

On the scale of listing on HOSE on October 31, the floor was listed 74.16 billion shares worth VND 741.6 trillion (95.09% of market value), 350.5 million bonds worth VND 35.06 trillion (4.5% 279.5 million ETF equals 2.7 trillion (0.36% of the market value).

Chart 11

Capitalization scale

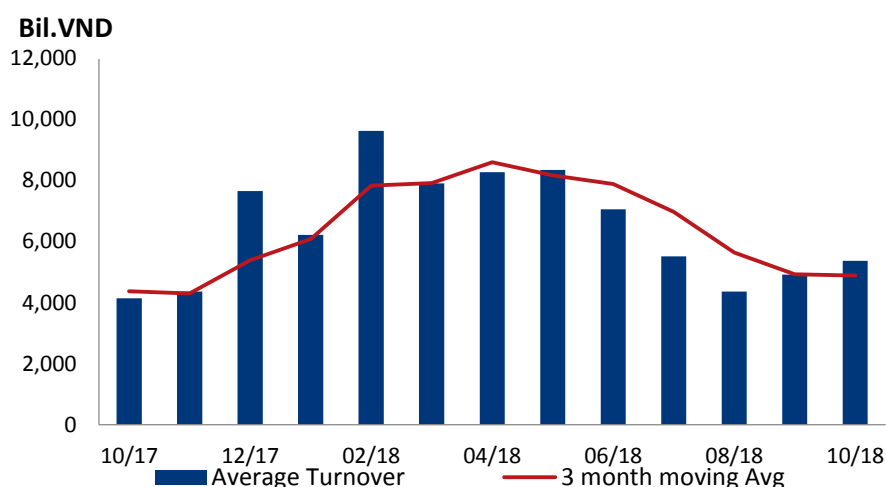


Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on both exchanges increased 9.45% compared to September, 2018, and increased to 5.884 billion per session and equivalent to nearly 252.5 million per session. In October, liquidity continued to recover strongly and approached the average level at the end of 2017 with the spread of money from big cap and blue chips to small cap stocks.

Chart 12
Average market liquidity

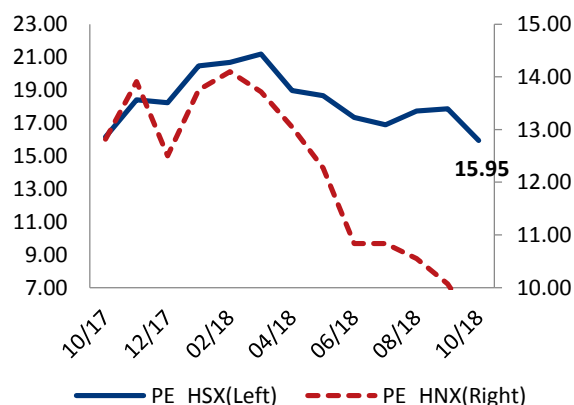


Source: Bloomberg, BSC Research

Price level of Vietnam stock market

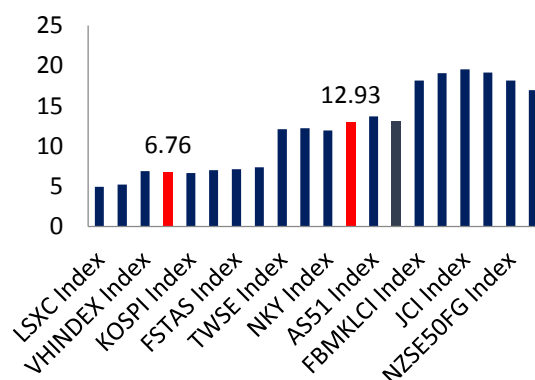
P/E of the VN-Index fell sharply to 15.97 points, -10.77% MoM, -12.44% YTD and the HNX-Index fell to 9.19%, respectively -8.85% MoM, -26.49% Ytd. P/E of the HSX and HNX fell sharply to the lowest level in 2018. Compared to September, P/E of VN-Index dropped to 9th and HNX-Index stayed in position. 17th 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

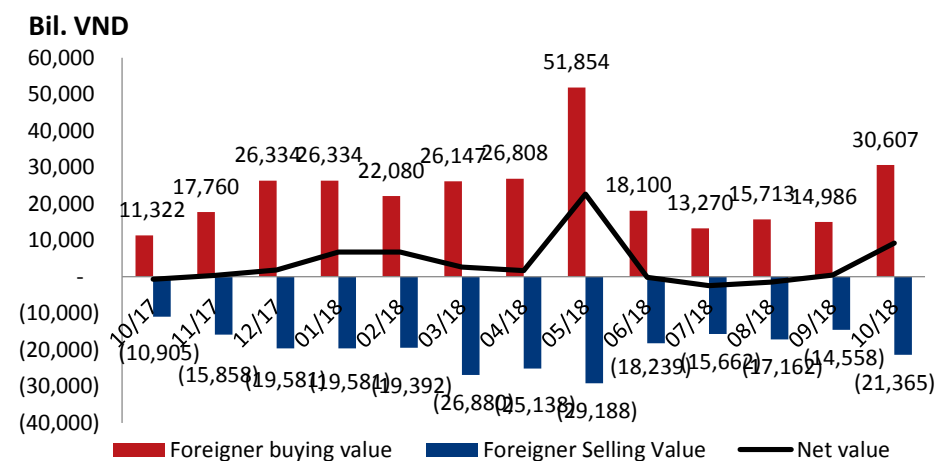
Foreigner trade

In October, foreign investors increased their net buying on the HSX and reduced their net selling on the HNX. They sold a net of VND 82.9 billion on

Upcom, they focused on buying VND 82.2 billion POW and VND64.8 billion QNS while selling VND -217.77 billion BSR.

Chart 15

Foreigner transaction performances on both Exchanges



Source BSC Research

In October, foreigners net bought VND 9272.54 billion on the HSX with 74 stocks being sold and 130 stocks being bought and sold a net of VND -30 billion on the HNX with 27 stocks being sold and 40 stocks being bought. On the HSX, foreigners bought MSN (VND 10,589 billion), STB (VND 337 billion), DHG (VND 313 billion), BID (VND 238 billion), HBC (VND 172 billion) and sold VIC VND 825 billion), MSN (VND -553 billion), VJC (VND -356 billion). On the HNX, they focused on buying CEO (VND 37.2 billion), VCG (VND 25.1 billion) and ACB (VND -62.7 billion) and SHB (VND -21.3 billion). In addition, foreigners were net sellers of VND -86.24 billion on Upcom.

Table 8

Top 10 foreign traded stocks on HSX in 10/2018

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
MSN	10,589	VIC	-825
STB	337	VJC	-553
DHG	313	VNM	-356
BID	238	NVL	-327
HBC	172	VHM	-246
SSI	165	PVD	-141
SBT	159	VCB	-126
VPB	158	VHC	-103
YEG	86	AAA	-83
GMD	78	CII	-83

Source: BSC Research

Table 9

Top 10 foreign traded stocks on HNX in 10/2018

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
CEO	37.2	ACB	-62.7
VCG	25.1	SHB	-21.3
PVS	19.7	PVB	-16.3
SHS	15.4	VNC	-14.1
VCS	5.6	VGC	-11.9
DXP	2.5	CSC	-4.9
DHT	2.3	API	-4.4
ART	1.9	MBS	-3.3
HUT	1.7	TNG	-3.2
DTD	1.5	PLC	-2.4

Source: BSC Research

November market outlook

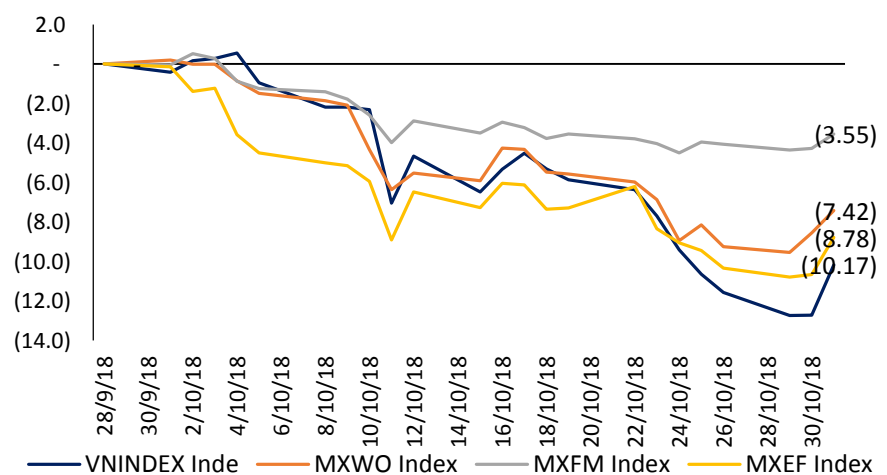
The US-China trade war continuously has a negative impact on the global economic outlook reflecting through the lower global growth forecasts from the IMF and international organizations. This view is reinforced by the news that China's GDP growth showed declining signs. China's third-quarter GDP increased by just 6.5% comparing to the previous forecasts of 6.6% and 6.7%, respectively. The yuan depreciated and approached the psychological threshold of 7 CNY/USD. Chinese central bank continued to reduce the compulsory reserve rate, raising worries about the rapid decline in the world's second-largest economy. The information not only affected the Chinese stock market but also spread to other markets. This happened in the situation of rising US 10-year bond yields and the US midterm election. The global stock markets fell sharply, fluctuated widely and overwhelmed the positive effect from the third-quarter business results. Monetary and commodity markets were volatile; however, their effects were sectional in certain markets and commodities.

In term of the foreign exchange market, USD index rose 2.1%, mainly thanks to the EUR (-2.6%), CHF (-2.7%), and CNY (-1.7%). Some domestic currency rose after the bearish cycle, TRY (Turkey) increased 7.8%, BRL (Brazil) increased 8.4%, and ARS (Argentina) increased 4.7%, while PKR (Pakistan) fell 6.8%.

In terms of commodity markets, the BCOM Index dropped by -2.4% in October, many of which fell sharply such as WTI fell 13.5%, metals such as Copper, Aluminum, Lead fell by over 5%. Some agricultural products increased strongly such as sugar rose 26.6% and coffee rose 10%.

Graph 15

MSCI Emerging and Marginalized Growth Index (in USD)



Source: Bloomberg, BSC Research

In terms of stock markets, all of the MSCI indices decreased. The MXWO fell by -7.4%, the MXEF and the MXFM declined by -8.8% and -3.6%, respectively.

In developed markets, several typical countries were down more than -5%, the most laggard was Japan which dropped by -9.9%.

In the BRIC region, the Brazilian market had continuously increased in the past 2 months by 10.4%, against the general trend as other countries fell more than 5%, led by a 7.8% decline in the Chinese market.

In the regional markets, the whole area also decreased, led by a -10.1% reduction of the Vietnamese market, only two countries fell below 5% including Philippines (-1.9%) and Indonesia (-2.4%). Foreign investors sold a net of in almost all of regional markets except for Japan, Vietnam and Sri Lanka (until the middle of this month).

Graph 16
Volatility of stock indexes in October

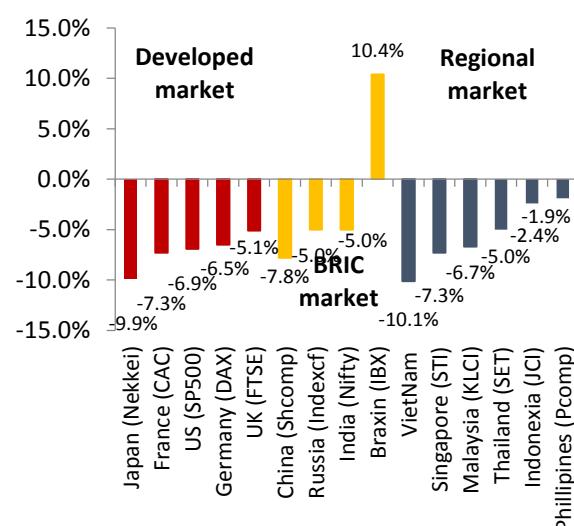


Table 9
Foreign investors were net sellers in October (Mio.USD)

Country	October (million USD)	10 months (million USD)
India	(3,698)	(5,704)
Indonesia	(224)	(3,911)
Japan*	11,909	(39,978)
Malaysia	(405)	(2,534)
Philippines	(202)	(1,772)
Korea	(4,058)	(6,147)
Sri Lanka	27	7
Taiwan	(4,917)	(10,587)
Thailand	(1,963)	(8,480)
Pakistan	(84)	(411)
Vietnam	413	1,795

Source: Bloomberg, BSC Research

The VN-Index fell sharply by 102.3 points in October, in equivalent to 10.1%, which is out of our expectations. Highly-capitalized declining stocks were one of the reasons why VN-Index fell sharply in the third-quarter business results season. In terms of stocks' influence degree, the five leading stocks dropped by 48.5 points, in equivalent to 47.4% downside of the whole market, including VHM (-21.7%, contributing -16.1 points), VNM (-15.4%, contributing -11.6 points), VCB (-10.6%, contributing -7.5 points), GAS (-10.1%, contributing -7.1 points) and BID (-16.2%, contributing -6.2 points). In contrast, NVL (+6.9%, contributing 1.3 points), YEG (+25.7%, contributing 0.6 points), SAB (+0.7%, contributing 0.3 points), HPX (+10.9%, contributing 0.1 point) and ANV (+14.5%, contributing 0.1 point) were the market's pillars. In addition, the significant decrease in international stock markets also affected the Vietnamese market. External factors included increasing trade war's

tension; surpassed 3% in 10-year US bonds yields, China's lower-than-expected growth rate, and yuan depreciation has strongly influenced on investors' sentiment and cash flows, and completely overwhelmed the third quarter business results. The index fell significantly and lasted for most of the trading time in this month.

In October, we release the fourth-quarter sector strategic report ([Link](#)), in which outperform outlook for Banking, Petroleum, Electricity, Information Technology, Non-Life Insurance, Real Estate and Consumer. In addition, we have met enterprises and released the analysis and recommendation reports and updated reports such as IDI ([Link](#)), EVE ([Link](#)), GMD ([Link](#)), CTI ([Link](#)), HDG ([Link](#)), NRC ([Link](#)), and TDT ([Link](#)).

Attentions in November

Most of the third-quarter business results were announced with approximately 24% growth rate, leading to the 9-months growth of 23% over the same period. Good performance contributed to the decline in P/E VN-Index which dropped to 15.97 - the lowest P/E in 1 year. This will be a pillar for the market in the last months of the year. By 31/10/2018, about 619/759 companies listed on the HSX and HNX (or 82%) posted the third-quarter business results. Total profit after tax recorded at 44,706 billion, up 24% yoy. Third quarter business results also showed a differentiation among 320 companies (or 51.6%) having profit growth over the same period. The number of loss-making companies in the third-quarter only accounted for 4% of the total. Top leaders were VHM, GAS, VCB, ACB and MBB, contributing 67% of the third-quarter earnings growth. In contrast, VPB, HNG, POM, HDB, and HSG were the laggards over the same period. According to earning results, Banking stocks saw good growth, however, there are differences between this quarter and 6M2018 in which VCM, ACB, and MBB maintained their momentum, meanwhile, VPB, HDB, SHB, and STB were not able to do so over the same period. Q3 earnings performance will be basically completed in the week of 29/10 - 2/11 and the P/E market will continue to improve and support the market in the last months of the year.

The 14th National Assembly of the 6th session will decide several important issues such as socio-economic development, budgeting, personnel and new laws. The 14th National Assembly of the 6th session will take place from 22/10 to 20/11, in which many important issues on socio-economic development, budgeting, personnel and some new laws will be considered and voted. The 2018 socio-economic content and 2019 targets will be discussed and adjusted, this will be the orientation for the 2019 policy implementation. The National Assembly will also consider 16 draft laws, notably, the revised tax administration law and the amended and supplemented investment law. The 2 laws are expected to seek for comments before voting in parliamentary sessions in 2019, some changes in the tax law relate to the fertilizer industry while the investment law will

involve in the creation of a legal basis which aims to reinforce the public investment, and this will affect the infrastructure investment in 2019.

The midterm election of the United States: negative results will disrupt the current situation, have a strong impact on American politics and incumbent President's decisions during the second half of the term. Time is counting down day by day for the US mid-term election on 6/11. The Democrats need an additional 25 seats in the House of Representatives and two seats in the Senate to have the majority; thereby they can keep President Donald Trump from current controversial policy implementations in trade and foreign affairs. Campaigns have been pushed up by the two parties aiming to take advantages of unspecified voters. In the interview with "Fox & Friends", Donald Trump also mentioned the possibility of losing majority seats in the House of Representatives. Even in cases where the Republican Party controls the House of Representatives but loses some seats, the bill is harder to pass. In case the Republicans lose one of the two houses, many bills are likely to be blocked. On the other hand, the Democrats can conduct a formal investigation related to Trump over his business deals or cooperating with Russia allegations. These are unwanted scenarios with the US president. The adverse outcome of the election will make it difficult to implement the current policies under Trump's administration.

The Fed has a policy meeting on 8/11, but the most attractive days will be at the end of November, at the G20 summit in Buenos Aires on 29/11, including talks between the two leaders, the United States and China in an effort to cool down the trade war. The Fed will have a policy meeting on 8/11. Although it is expected to raise interest rates again in 2018, its possibility is quite low. According to a Bloomberg survey, the possibility in the November meeting increased slightly from 2.7% at the end of September to 5.5% at the end of October, while the possibility in the December meeting increased from 71% to 73%. This indicates that the market has not raised interest rates in the November meeting, but this ability will be higher in the December meeting. In the context of US-China trade war expanding is also a topical issue. The G20 summit in late November where the two heads of states officially meeting will be an opportunity to restore personal ties and cool down the trade war. The United States has continued to put pressure on China by planning an additional tax on all imports which is worth USD 257 billion. The plan is intended to the public in early December, after 60 public consultation days. The event will continue to be a difficult exercise when China always keeps hard at its position. Anyway, this is also the most awaited information since the trade war took place from 6/7 this year.

Oil prices fell in October, though there is a potential of rising again as the United States imposed sanctions on Iran's energy sector on 5/11. After a sharp increase last month, WTI oil slumped by 10.8% in October due to concerns related to oil demand along with the slowdown in world economic growth and the forecast of an additional US tariff on Chinese goods. Iran's exports fell to about 1.1 million barrels/day in October, from a peak of 2.5

million barrels/day in April - the time before the US withdrew from the 2015 nuclear deal and re-imposed its sanctions on Iran. This exports figure was down from 1.6 million barrels/day in September. Although some countries such as China and India have maintained their views on imports from Iran, it is difficult to ensure that Iran's oil exports can remain at current levels when sanctions are enforced on 5/11. This is posing a challenge to OPEC countries which will increase production to offset this shortfall. Oil prices will have the opportunity to increase, if production activities do not cover the deficit.

Table 12

Factors affecting the market in November 2018:

Events	Impact on stock market
Despite the good economic growth and macroeconomic stability, exchange rates, inflation and interest rates still need to be paid attention in the last months of the year.	Positive
Third-quarter business results grew well; annual growth is forecasted over 20%. P/E VN-Index fell sharply to over 15 and this was the lowest in 12 months.	Positive
The 14th National Assembly of the 6th session will decide on important issues such as socio-economic development, budgeting, personnel and new laws.	Affect sentiment
The margin of the whole market fell sharply to the level at the end of 2017.	Reduce the sell-offs risk at strong shakes
Influences from the trade war: commodity and raw material prices have declined; however, oil prices are likely to rise towards the situation of lacking supplies from Iran.	Affect Petroleum stocks
The US mid-term election on 6/11, if it causes a detriment to the Republican Party, it will affect the US administration in the second half of the term.	Strongly affect global and domestic market
The G20 summit in Buenos Aires on 29/11, talks between the two US and Chinese leaders in an effort to cool down the trade war.	Strongly affect sentiment and regional and global stock market

Source: BSC Research

The market fluctuations in October did not fully reflect the macro stability and the enterprises' positive performance. Market and investors' psychology are strongly influenced by international information. However, the selling force was not large as the securities companies' margin value fell to nearly this year's beginning and fell by more than 20% compared to the peak. Therefore, we assume that the market will be able to form its bottom at the old bottom level of 885-900 points and will retest 1,000 points in November, if there are no significant impacts from the global markets.

- In a positive case, VN-Index will form a bottom at 885-900 points and increase again with the expectation of over 1,000 points. The reasonable price level will facilitate cash flows in several sectors and stock groups.
- In the negative case, the negative news from the world and the decline of foreign capital flow will cause a sharp drop far away from the support level of 885 points and will form the recession.

Investors can refer to a number of topics, and updated reports in the months:

- Sectors and stock valuations that we consider important – 2018 Sector Outlook and Viet Nam Sector Outlook 4Q2018;
- Banking stocks - highly-improved business results, Petroleum stocks benefiting from oil price and other stocks benefiting from trade agreements and trade shift from trade war;
- Real estate stocks from revenue and profit cycle;
- Highly-defensive stocks such as Electricity, Information and Technology, Consumer and Retail have high growth and dividend;
- In the long run, BSC's recommended stocks will be listed in the Viet Nam Sector Outlook 4Q2018, good performance stocks are recommended in the weekly investment consult report ([Link](#)) and Sector/Companies update report ([link](#)).

Khuyến cáo sử dụng

Bản báo cáo này của Công ty Cổ phần Chứng khoán Ngân hàng Đầu tư và phát triển Việt Nam (BSC), chỉ cung cấp những thông tin chung và phân tích về tình hình kinh tế vĩ mô cũng như diễn biến thị trường chứng khoán. Báo cáo này không được xây dựng để cung cấp theo yêu cầu của bất kỳ tổ chức hay cá nhân riêng lẻ nào hoặc các quyết định mua bán, nắm giữ chứng khoán. Nhà đầu tư chỉ nên sử dụng các thông tin, phân tích, bình luận của Bản báo cáo như là nguồn tham khảo trước khi đưa ra những quyết định đầu tư cho riêng mình. Mọi thông tin, nhận định và dự báo và quan điểm trong báo cáo này được dựa trên những nguồn dữ liệu đáng tin cậy. Tuy nhiên Công ty Cổ phần Chứng khoán Ngân hàng đầu tư và phát triển Việt Nam (BSC) không đảm bảo rằng các nguồn thông tin này là hoàn toàn chính xác và không chịu bất kỳ một trách nhiệm nào đối với tính chính xác của những thông tin được đề cập đến trong báo cáo này, cũng như không chịu trách nhiệm về những thiệt hại đối với việc sử dụng toàn bộ hay một phần nội dung của bản báo cáo này. Mọi quan điểm cũng như nhận định được đề cập trong báo cáo này dựa trên sự cân nhắc cẩn trọng, công minh và hợp lý nhất trong hiện tại. Tuy nhiên những quan điểm, nhận định này có thể thay đổi mà không cần báo trước. Bản báo cáo này có bản quyền và là tài sản của Công ty Cổ phần Chứng khoán Ngân hàng Đầu tư và Phát triển Việt Nam (BSC). Mọi hành vi sao chép, sửa đổi, in ấn mà không có sự đồng ý của BSC đều trái luật. Bất kỳ nội dung nào của tài liệu này cũng không được (i) sao chụp hay nhân bản ở bất kỳ hình thức hay phương thức nào hoặc (ii) được cung cấp nếu không được sự chấp thuận của Công ty Cổ phần Chứng khoán BIDV.

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