

Vietnam Monthly Review 01/2016

BSC Research

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Macro

- PMI increased for the 2nd consecutive month to 51.3 from 51.3 in the previous month. PMI could be more positive in the next month as the industrial production and TPP have positive expectations.
- Registered and disbursed FDI both grew, respectively an increase of 101% and 23% yoy. The manufacturing industry is the most attracting area for FDI inflows.
- The exchange rate is cooling down from the 2nd half month. Interbank rate moved in the range between 22.320 – 22.495 VND/USD, decreasing from the range of 22.470 – 22.547 VND/USD in December. The average rate of the month is 22.407 VND/USD.

Stock market

- In January, market created a new bottom and stop at the strong support range of 513-520 points which was firmly created in the previous sharp decline, such as the South China Sea dispute, the oil prices fell in 2014 and PBOC yuan devaluation in 2015). At closing in 29/1, VN-Index closed at 545.2 points and the HNX-Index closed at 76.7 points, down 5.83% and down 4% from the previous month.
- Foreign investors sold a net value of VND 1,305 billion on the HSX while sold VND 49 billion on the HNX in January. Along with strong sales activity in the VIC by conversion of bonds, the ETF promoted the sale of VND 406.5 billion that made BCs stocks and the market fell sharply.
- 2 indices' P / E fell to a low for many years, 11.01 and 9.08 for VN-Index and HNX-Index, respectively.

Our recommendation

- The market in February has various positive as well as negative factors. Markets are favorable from the low price level for many years, and information support from earnings year business plan information in 2016, dividend and open room in the upcoming AGM. Conversely, chaotic fluctuations from the stock market, commodities, currencies in the world, and foreign investors capital withdraw are hindering the recovery of the market. However, we assess that the market will rally in February (scenario 1), and Focus rally will take place in late February in the second half of the following scenario:
 - **Scenario 1: VN-Index breakout resistance at 545 points and reach the point of 555-570 points by the end of February.** With the advantage of the low price level, internal capital flows will gradually shift to find investment opportunities ahead of fiscal year earnings expectations and business plan, dividend and open room at the AGM. However, lack of consensus from the market Foreigners do not have the strongest growth and inadequate liquidity.
 - **Scenario 2: VN-Index is expected to continue to accumulate in the range 535 -555 points.** When the world market movements continue to negatively, ETF sold and stock market will continue to accumulate at low prices and wait for support information. The indices are to fluctuate, hammer with low liquidity.
- For details, investors can refer to the BSC Vietnam Sector Outlook 2016. In addition, we also note that the full-room stock and companies that have good Q4 earnings would have the mutation good increase.

Vietnam Macro in 01/2016

Economic growth

- **Industrial production was slowed; yet, PMI manufacturing index showed a recovery in the 2nd month in a row;**
- **Inventory and industrial consumption index got positive results as of 01/01/2016;**
- **Domestic demand increased before Tet holiday.**

The index of industrial production increased by only 5.9% yoy which is the significant down from the average level of 8.9% in the previous three months as well as the rise of 17.5% in the same period of 2014.

Fabrication processing industry consumption index achieved positive results in 2015 with 12.4% yoy. At 01/01/2016, the index rose by 8.5% mom, equivalent to 11.9% yoy 12/2014. Industrial consumption trends follow up the mainstream in the recent year which is the shift from chemical, rubber, metal, textile group to leather, pharmaceutical, food.

Industry inventory index remained stable in the last month. At 01/01/2016, industrial inventories rose 9.2% yoy. Inventories of the metal, chemicals, paper group tended to decrease, while those of electrical, electronics, leather, rubber and plastic increased.

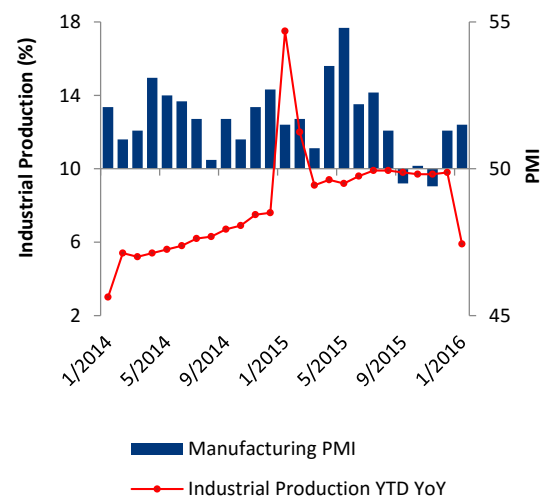
Total retail sales of goods and services was estimated at VND 297.7 trillion, up by 3.5% mom and increased by 11.7% yoy, equivalent to 11% yoy, after excluding price increases.

PMI in January rose to 51.5 from 51.3 in 12/2015. Manufacturing sector was marginally improved due to the lower oil prices. The labor market was also more positive in the context of increased demand for human resources in order to meet export orders increased. PMI

will have support factors in the coming months when the conclusion of the TPP completed.

Chart 1

Industrial Production & PMI



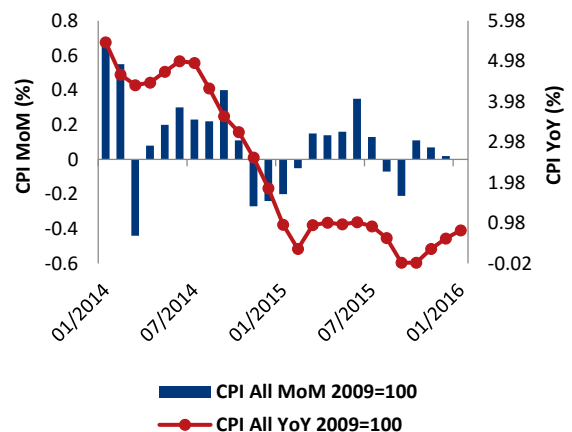
Source: GSO, Markit, BSC Research

CPI

- **CPI unchanged in January from the previous month due to the impact of gasoline price discounts;**
- **Retail sales rose before the Tet holiday.**

Chart 2

Monthly CPI movements



Source: GSO, BSC Research

Consumer price index remained stable.

Specifically, CPI in January was unchanged from 12/2015, up 0.8% yoy.

Due to the impact of 2 times of gasoline prices decreased in January, the consumption price has not changed significantly in the last month. The strongest catalog increased was education only up 1.03% while the biggest drop was traffic of 2.82%.

Table 1

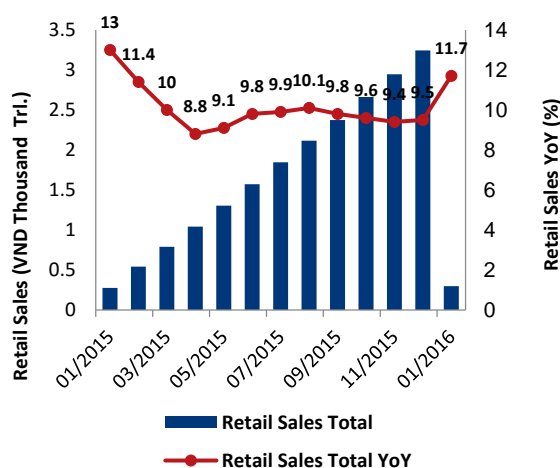
Monthly goods price changes (%)

TT	Goods/Services	MoM (%)	YoY (%)
1	Foods and Catering Services	0,25	0,94
2	Transportations	-2,82	-7,66
3	Health Cares	0,21	1,71
4	Housing, Construction Materials	0,30	2,36
5	Entertainment	0,16	1,55
6	Beverage and Cigarette	0,44	2,13
7	Clothing	0,37	2,66
8	Housing Appliance	0,16	1,51
9	Education	0,89	3,25
10	Telecommunication	-0,06	-0,47
11	Others	0,29	2,06

Source: BSC Research

Chart 3

Retail sales



Source: GSO, BSC Research

Foreign direct investment (FDI)

- FDI attractement seasonal fell in January, yet it still positive compared to the same period last year.

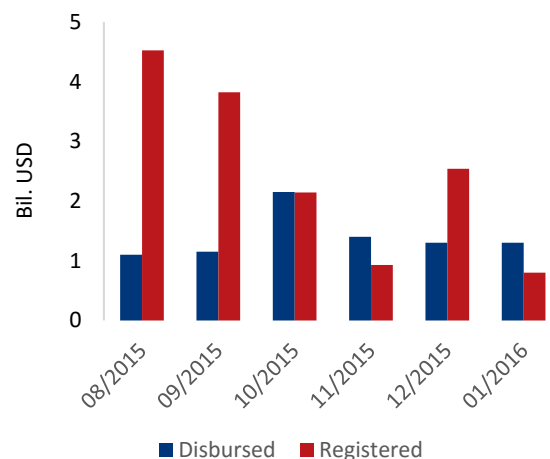
FDI disbursement in January was 0.8 billion, up 23% yoy.

FDI registration reached 1.3 billion dollars in the first months of the year, up 101% yoy.

Inflows registration in month continued put on the projects of the processing and manufacturing industry (68%); the rest belonged to entertainment and other fields.

Chart 4

FDI in Vietnam (USD Bil.)



Source: GSO, BSC Research

Typical projects in 1/2016:

- Lottery systems procurement and operation project (Hanoi), with a total investment of USD 0.21 billion from Berjaya Corp. (Malaysia);
- Costume factory project (Bac Ninh), with a total investment of USD 0.11 billion from Maple (Singapore).

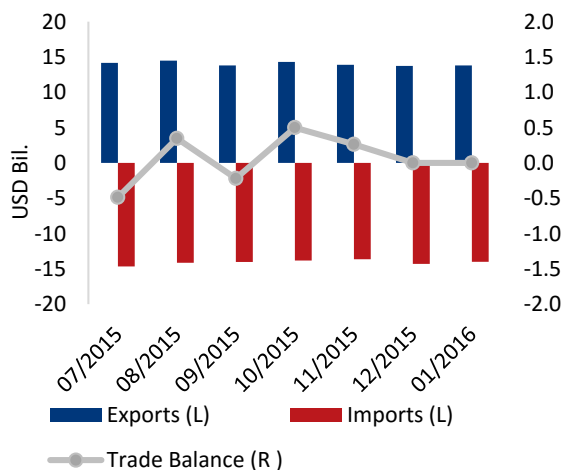
Trade, Import-Export

- **In January, Vietnam's trade deficit was of USD 200 million (Equivalent to 1.4% of export turnover)**
Revision of 2015, Vietnam's trade deficit was of \$ 3.5 billion (equivalent to 2.2% of export turnover in 2015);
- **Imports in month fell slightly, while exports rose marginally;**

Revision of 2015, exports reached USD 162.1 billion (decreased USD 0.3 billion than expected); imports reached USD 165.6 billion (equivalent to approximately).

In 1/2016, Vietnam exported USD 13.8 billion (up 0.5% mom, 2.2% yoy). Meanwhile, the country imported about USD 14 billion of goods (down 2.1% mom, 0.8% yoy).

Chart 5
Trade balance (USD Bil.)



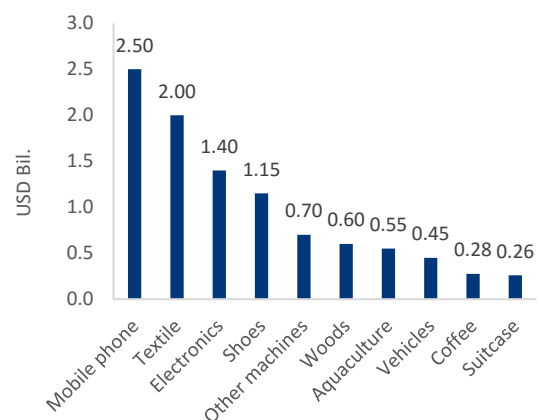
Source: GSO, BSC Research

Exports of assembling goods grown, especially compared to 12/2015 the impressive increase of export telephone (+ 45%). Ceramics were also meager goods with export turnover reached positive in the last month (+ 16%). Many agricultural commodities dropped on exports, such as seafood, coffee, cashew nuts, and especially tea (-33%). Exports of industrial materials such as crude oil, rubber, iron and

steel declined dramatically in the past month, respectively -40%, -25%, and -26%.

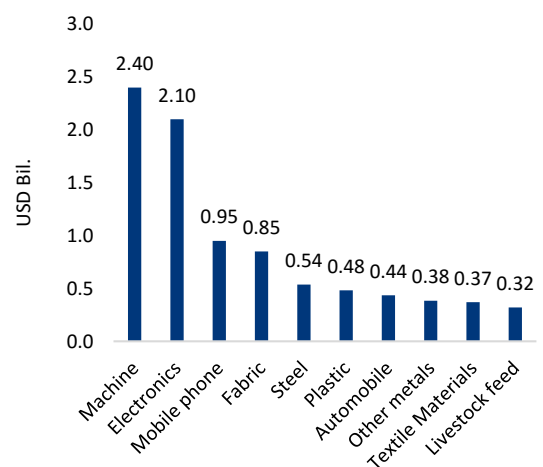
Imports last month declined dramatically in the automobiles, transport, petroleum, steel, and fertilizer. Consumer products tended to increase, typical electronics, machinery, milk, seafood and wheat.

Chart 6
Top 10 exported goods (USD Bil.)



Source: FIA, BSC Research

Chart 7
Top 10 imported goods in 2015 (USD Bil.)



Source: FIA, BSC Research

Foreign Exchange Market

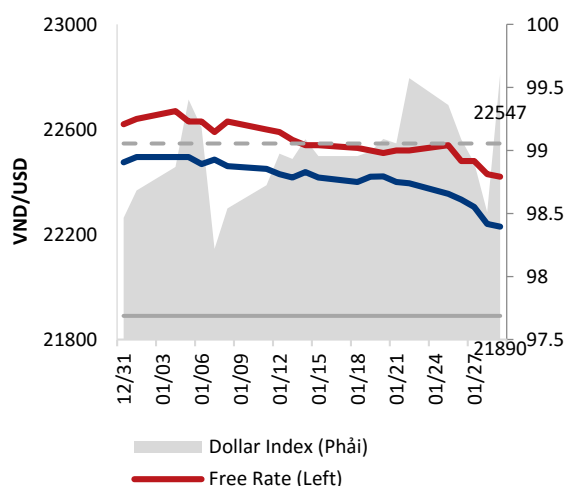
- Rate was cooldown and tended enjoyed rapid ramp at the end of January.

Interbank rates in January ranged from **22.230-22.495 VND / USD**, down from the range 22.470-22.547 VND/USD in December. The average level for the month was 22.407 VND/USD.

Similarly, free exchange rate plummeted about around **22.420-2.2670 VND/USD range** from the rate between **22.620-22.750 VND/USD** in December. Average free exchange rate monthly was 22.550 VND/USD.

USD index in the world market fluctuated in a narrow range compared with the previous month, in the range of 98.2 - 99.6 compared with amplitude 97-100 in December.

Chart 8
Exchange rates



Source: Bloomberg, BSC Research

Bank - Interest rates

- Credit decline cyclical in January each year;
- The interest rate deposit and lending VND had not changed; USD lending interest

rate was stability while USD deposit interest rate remained at 0%;

- Interbank interest rate was balance back, there were no disparity between the term more.

Credit growth downed **0.2% compared to the end of 2015**. In January, in the time before the Lunar New Year, so the loans tended to mature in this month that the credit reduced. Moreover, volatility in the world markets also made the enterprise considered for the expansion of production.

Lending interest rate unchanged in January compared with 12/2015. Lending rate of production and business sectors were regular at 6.8 to 9%/year for short-term, 9.3 -11%/year for the medium and long term. For these priority areas, the interest rates were prevalent in 6-7%/year for the short term and from 9 -10.5%/year for the medium and long term. USD lending interest rate stabled at around 3-5.3% in the short term and 5.3-6.2% of medium and long term.

Table 2
Lending rates

Terms	2015	2016M1	Changes
VND short-term	6,8 - 9	6,8 – 9	0
VND mid & long-term	9,3 - 11	9,3 – 11	0
USD short-term	3 – 5,3	2,8 – 5,2	-0,2
USD mid & long-term	5,5 – 6,5	5,3 – 6,2	-0,3

Source: SBV, BSC Research

Table 3
Deposit rates

Terms	2015	2016M1	Changes
VND			
VND Demand deposit and below 1 month	0,8 - 1,0	0,8 – 1,0	0
VND 1 month – below 6 month	4,5 – 5,4	4,5 – 5,4	0
VND 6 month - 12	5,4 – 6,5	5,4 – 6,5	0

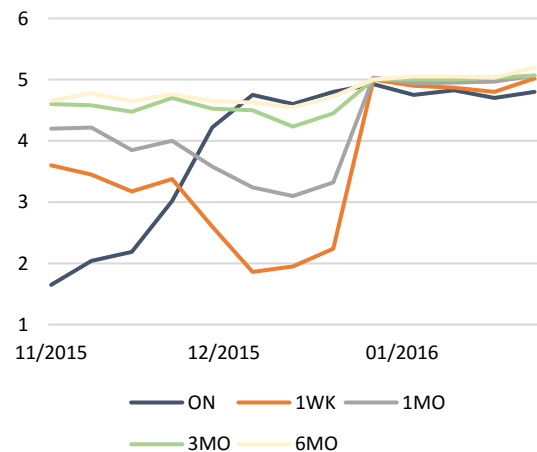
month			
VND above 12	6,4 – 7,2	6,4 – 7,2	0
month			
USD			
USD for people	0	0	0
USD for	0	0	0
enterprise			

Source: SBV, BSC Research

Interbank interest rate after the increase in the short term in December was stabled around 4.5-5%/year. The difference in interest rates between the terms was not much. In particular, the average interest rate overnight to 1 month was in the range of 4.8-5%/year; The average interest rate on 3-month period was in the range of 5.1-5.2%/year.

Chart 9

Interbank rates



Source: SBV, BSC Research

Vietnam Macro Outlook in 2/2016

February brings relatively positive expectations for Vietnam macro. First, the TPP agreement will be expected to sign in early February, will basically bring a positive impact on the field of trade, production and investment as well as on the macroeconomic for Vietnam. Second, stable movements of the USD in the world market (in the context of US economic growth is slowed down) make USD in country is not much volatility, indirect stable banking activity - Forex - interest rate. Manufacturing and the credit in the next months is likely to slow down due to a long traditional holiday in February.

Table 4

Vietnam Macroeconomic data

Chỉ tiêu/Tháng	2015M7	2015M8	2015M9	2015M1 0	2015M1 1	2015M1 2	2016M 1
GDP yoy (%)	-	-	6.81	-	-	6.68	-
GDP ytd yoy (%)	-	-	6.50	-	-	7,01	-
PMI	52.6	51.3	49.5	50.5	49.4	51.3	51.5
IIP yoy (%)	11.3	9.0	10.1	8.8	8.9	9.0	5.9
IIP ytd yoy (%)	9.9	9.9	9.8	9.7	9.7	9.8	5.9
Retail Sales yoy (%)	12.3	10.1	9.7	6.7	6.6	9.5	11.7
Retail Sales ytd yoy (%)	9.9	10.1	9.8	9.6	9.4	9.5	11.7
Retail Sales (<i>price adjusted</i>) (%)	8.3	9.1	9.1	8.4	8.3	8.4	11.0
CPI mom (%)	0.13	-0.07	-0.21	0.11	0.07	0.02	0
CPI yoy (%)	0.90	0.61	0	0	0.34	0.6	0.8
Registered FDI (USD Bil.)	8.8	7.87	11.04	19.3	0.92	2.54	1.33
Disbursed FDI (USD Bil.)	7.4	8.5	9.65	11.8	1.4	1.3	0.8
Exports (USD Bil.)	92.30	106.3	120.7	134.6	13.9	13.7	13.8
Imports (USD Bil.)	95.60	109.9	124.5	138.7	13.6	14.3	14
Trade balance (USD Bil.)	3.37	-3.6	-3.9	-4.1	-0.2	-0.6	-0.2
FX (VND/USD)	21,839	22,482	22,483	22,350	22,430	22,506	22,407
Credit growth (%)	7.32	9.54	10.23	12.51	13.98	17.17	-0.2
Non-performing loans (%)	-	-	-	-	-	2.72	-

Source: BSC Research

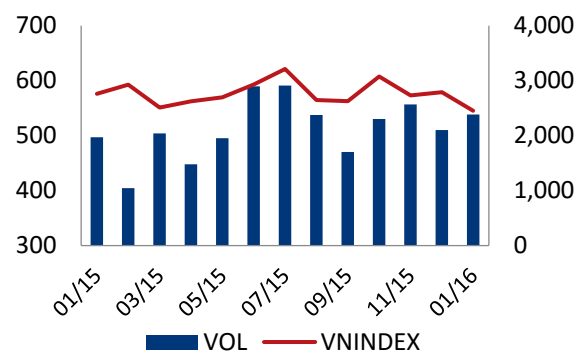
Vietnam stock market movements in 1/2016

Market overview

Before the negative impact of the world market, the VN-Index continued its downward trend of November 2015 consecutive break as important milestones and just stop at the strong support 513-520 points, the support formed by the bottom of the strong decline in 2014 include SCS event, the oil price plunged in 2015 and from PBOC with the event of yuan devaluation. Closing date 31/12, VN-Index closed at 545.2 points and the HNX-Index closed at 76.7 points, down 5.83% and down 4% from the previous month.

Chart 10

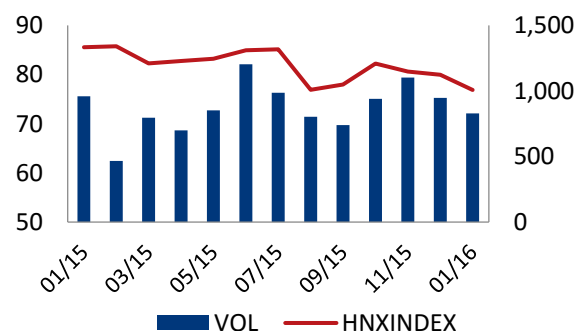
VN-Index movements



Source: HSX, Bloomberg, BSC Research

Chart 11

HNX-Index movements



Source: HNX, Bloomberg, BSC Research

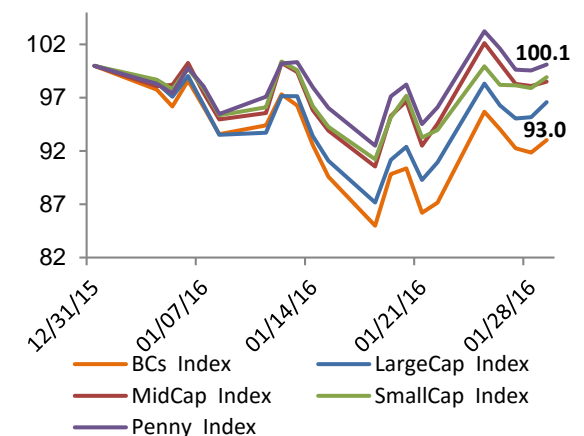
In the context of low liquidity, supporting information is not clear, the market is strongly influenced by the activity of foreign investors to withdraw capital and negative movements of the world market.

In January, foreign investors implemented net sale 1.305 billion VND on the HSX, and make a purchase by 49 billion VND on the HNX. Net sales activities are mainly concentrated in VIC shares worth from 1,003 billion VND and 406.5 billion VND from downsizing activities 2 ETFs. ETF VNM made downsized 0.85 million certificates equivalent to sell 186.6 billion VND and the FTSE reduced 0.52 million certificates equivalent to sell 219.9 billion VND.

Stock movements by capitalization size

Chart 12

Movements of the index groups



Source: Bloomberg, BSC Research

Blue-chips group led the downtrend, only Penny group slight increase. BCs group had the biggest decline -6.98%, followed by LargeCap stocks, MidCap stocks and SmallCap stocks dropping respectively -3.4%, -1.5% and -

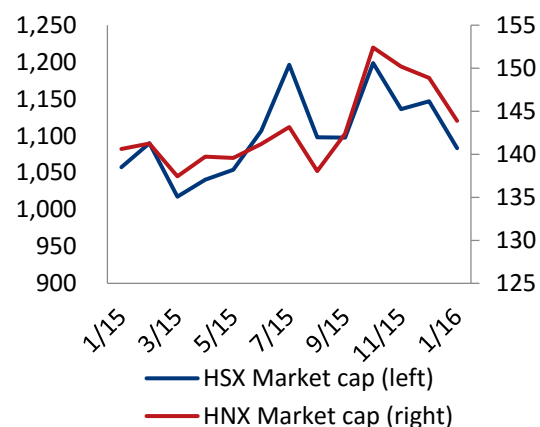
1%. Penny stocks are the only stocks gained 0.1% new growth.

Foreigners, especially ETF net capital withdrawal has a strong influence on BCs group and LargeCap stocks. A decline of 2 major groups also caused the index to lower for past 2 years.

Market capitalization

Market capitalization of 2 floors reached 1,227 trillion VND (corresponding to 55.2 billion US dollars), down 4.1% compared to December 2015. Capitalization declined mainly due to the BCs stocks have sharp decline, especially in large stocks such as HAG, HNG.

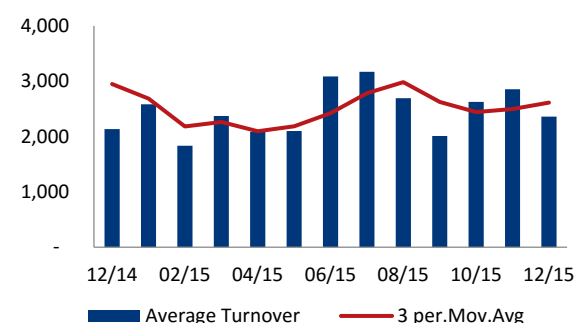
Chart 13
The scale of market capitalization



Source: Bloomberg, BSC Research

Market liquidity

Chart 14
Average trading value



Source: Bloomberg, BSC Research

Liquidity has the 2nd month of consecutive decline while only reaching 2.329 billion VND/ session. Mainly due to:

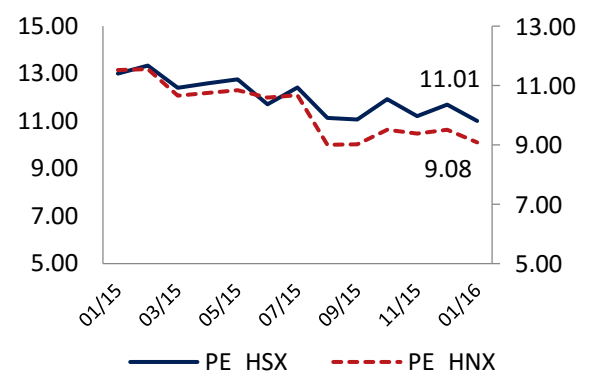
- (1) Negative developments of the world market,
- (2) net selling pressure from foreign investors, and
- (3) the market sentiment cautious before and after the 12th Party Congress.

Stock price level

P / E of VN-Index and HNX-Index reached 11,01 and 9,08, respectively, continued to fall against the value P / E of the previous month and remained low compared to other countries in the region.

The market fell sharply, along with fourth quarter earnings improve gradually be announced, that helped the P / E fell sharply from the previous month. Specifically P / E of VN-Index and HNX-Index reached 11,01 and 9,08, continue stand respectively 4th and 5th out of 20 countries in the region. The market decline is the main factor causing P / E fell, and the decline is similar to the reduction in the region.

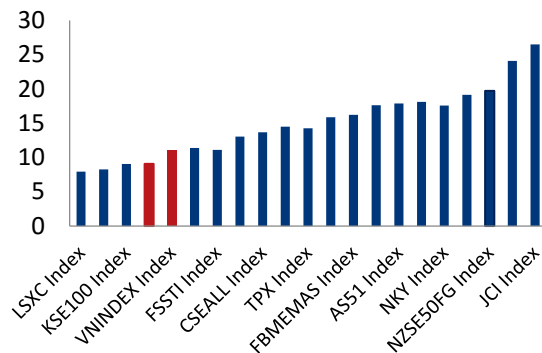
Chart 15
P/E movements



Source: Bloomberg, BSC Research

Chart 16

Vietnam P/E compared to other countries in the region



Source: Bloomberg, BSC Research

Foreign investors' transaction

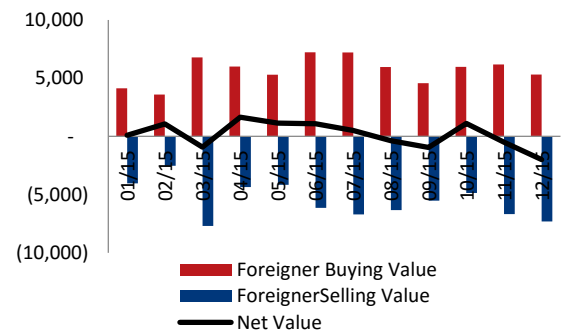
Foreign investors were net sold 1.305 billion VND on the HSX while net purchase 49 billion VND on HNX in January 2016.

The shares were bought in May 2016 EIB (147 billion VND), CII (115 billion VND) and BHS (55 billion VND). In reverse, the groups was sold the most including VIC (1,003 billion VND), HPT (176 billion VND) and HAG (122 billion VND).

Foreigners were net sellers with the 3rd month on the two floors. Net sales activities mainly due to the sale of convertible bonds VIC by foreign investors, and 2 downsized ETFs. This movement also stems from the negative developments in the key stock markets and activities that continued withdrawal of capital from emerging markets and frontier markets.

Chart 17

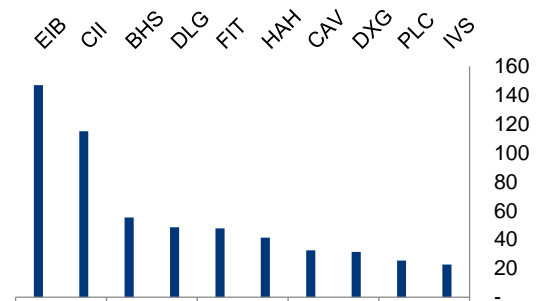
Foreign transaction in HSX



Source: BSC Research

Chart 18

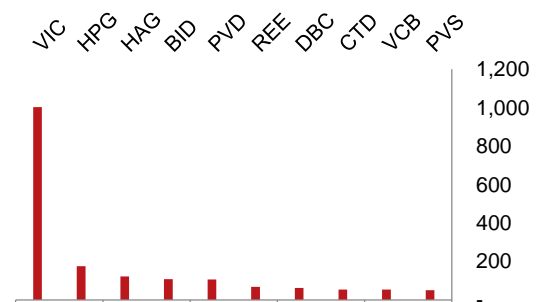
Top 10 stocks net buying by foreigners



Source: BSC Research

Chart 19

Top 10 stocks net selling by foreigners



Source: BSC Research

Market outlook in 2/2016

The World in the begin of 2016 undergone many complex changes on many markets such as the stock market, commodity markets (gold, oil), and money market (up and down movements of the major currencies as USD, EUR, JPY and Yuan). This instability led to the withdrawal of foreign investors in most countries in the region.

Table: Foreign investors net withdrawal in region in January 2016

Countries	Net sales in month (million USD)
India	-1,757.7
Indonesia	-165.1
Japan	-9,897.1
Phillippines	-42.7
S. Korea	-2,326.2
Sri Lanka	-18.8
Taiwan	-1,783.2
Thailand	-218.8
China	-157,690.0
Pakistan	-46.1
Vietnam	-58.4

Source: Bloomberg, BSC Research

Factors affecting the market in February 2016:

Events	The impact on the stock market
Volatility of world market (stock market and commodities market) affecting withdrawal activities of Foreigners	Negative
Tet holiday lasted from 6-14 February	Negative
Withdraw activity of foreign investors	Negative
Market are available with low price, the enterprise gradually announced earnings in 2015	Positive
Through TPP	Positive

The market in February has many positive and negative factors alternately. Negative

developments of the world market on the one hand affect negatively market sentiment, on the other hand affect to withdrawal the capital of foreign investors. Also Tet holiday lasted from 6-14 in February will cause moderate trading with sentiment of waiting. In fact, in recent four years, the market was not active trading with low liquidity in February but tend to rise thanks to the buying activity of the ETF. However the negative volatility of the world market will cause capital inflows can only come back after one or a few months. In reverse, the market has the advantage of low price level compared to the past and regions, while 2015 earnings and dividend plans of shareholder meeting is slowly released that will help the stabilize and positive market at the end of February.

Two scenarios of VNIndex in February:

- Scenario 1: VN-Index breakout the resistance 545 points and reach the point of 555-570 points by the end of February.** With the advantage of the low price level, internal capital flows will gradually shift to find investment opportunities, ahead earnings of fiscal year expectations of shareholder meeting plan, dividend and open room at the shareholder meeting. However, lack of consensus from Foreigners, the market had not yet the strong growth and trading volume remained only average.
- Scenario 2: VN-Index is expected to continue to accumulate in the range 535 - 555 points.** When the world market movements continue to negatively, foreign investors ETF sold downsized, the market will continue to accumulate at low prices and wait for support information. Fluctuations and low liquidity are mainly.

However we favor the scenario 1 and believe that the market will rise slightly in February (This view is in line with forecast the VN-Index in the Report in 2016 by month unit). Liquidity remained at average level, and will put a positive trend in the second half of February.

Details of stocks that we select, investors can refer to them in the report:

- Vietnam Sector Outlook 2016
- Vietnam Weekly and Daily Reviews.

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

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