

Vietnam Monthly Review 02/2016

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 maintained stable in the context of the dollar's downward trend. The interest rate quoted by several banks moved slightly in the short terms; while the longer terms ones have a clearer changes.

Stock market

- In January, market created a new bottom and stop at the strong support range of 513-520 points which was formerly 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 02/2016

Economic growth

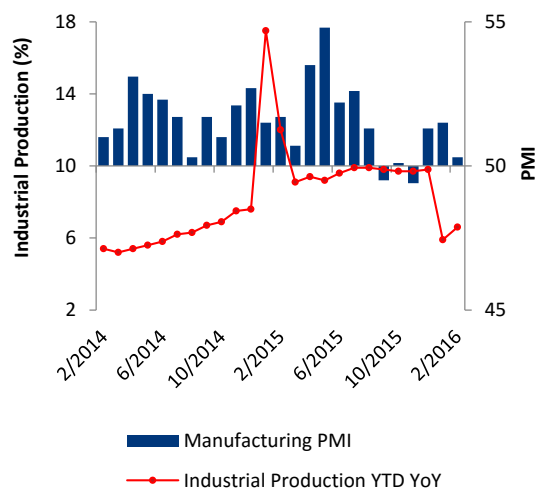
- **Industrial production was slow down due to a long holiday;**
- **PMI manufacturing retreated to the area without growth.**

Industrial production was slowdown in February due to the long Lunar New Year holiday. IIP index fell by 22.3% MoM, but still up by 7.9% YoY compared to that in 2/2015.

As of 01/02/2016, the consumption of the processing and manufacturing industry grew in January. The industrial consumption sales decreased by 3.8% MoM though still up by 8.6% YoY. Industrial raw materials demand focused on metals, pharmaceutical, and electrical equipment.

Along with that, the inventory industry index rose by 8.9% YoY. Inventories tended to decrease in the chemical, pharmaceutical, vehicles and tobacco. Meanwhile, inventories increased in the group of beverages, metals, motor vehicles, textiles, and garments.

Chart 1
Industrial Production & PMI



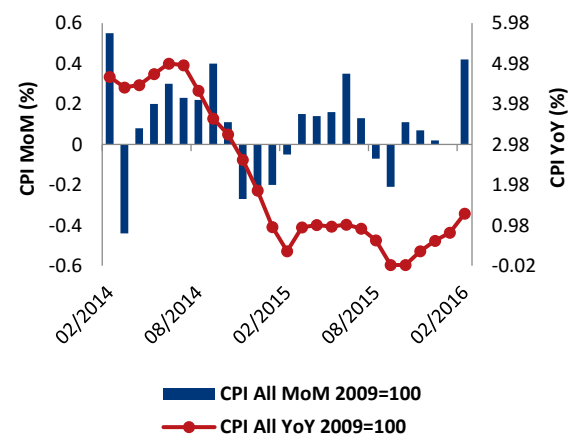
Source: GSO, Markit, BSC Research

PMI index fell to 50.3 in February from 51.5 in the previous month. Overall, the manufacturing sector of Vietnam remained stable. However, the declining input cost caused output prices go down that made the PMI index move sideways in February.

CPI

- **CPI in February rose slightly;**
- **Consumer demand rose in Tet holiday, focusing mainly on foods;**
- **Gasoline prices continued to fall ensure the price stability of the major commodities;**
- **Retail expansion was narrower than that in the last year.**

Chart 2
Monthly CPI movements



Source: GSO, BSC Research

Prices rose slightly in February due to the increasing consumer demand of Tet holiday. CPI rose by 0.42% MoM, up by 1.27% YoY.

The falling of gasoline prices continued to drag transport goods price down sharply. There is no significant change in price of other commodity groups. Meanwhile, the foods, catering and beverages price soared

comparing to the rest since the people's demand increased in the Tet holiday.

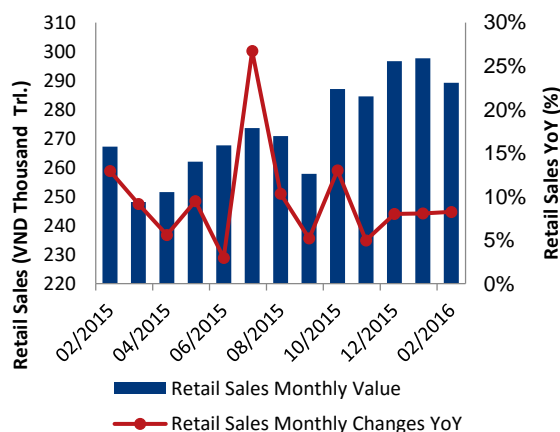
Retail sales of goods and services reached VND 288 trillion in February, up by 6.8% YoY. In the first 2 months, retail sales reached VND 587 trillion, up by 9.7% YTD YoY, equivalent to an increase of 8.3% YTD YoY after excluding increasing price factors.

Table 1
Monthly goods price changes (%)

TT	Goods/Services	MoM (%)	YoY (%)
1	Foods and Catering Services	1.98	1.66
2	Transportations	-3.96	-7.44
3	Health Cares	0.06	1.72
4	Housing, Construction Materials	-0.41	2.36
5	Entertainment	0.71	1.89
6	Beverage and Cigarette	1.15	2.42
7	Clothing	0.45	2.66
8	Housing Appliance	0.19	1.45
9	Education	0.26	3.36
10	Telecommunication	-0.16	-0.54
11	Others	0.80	2.09

Source: BSC Research

Chart 3
Retail sales



Source: GSO, BSC Research

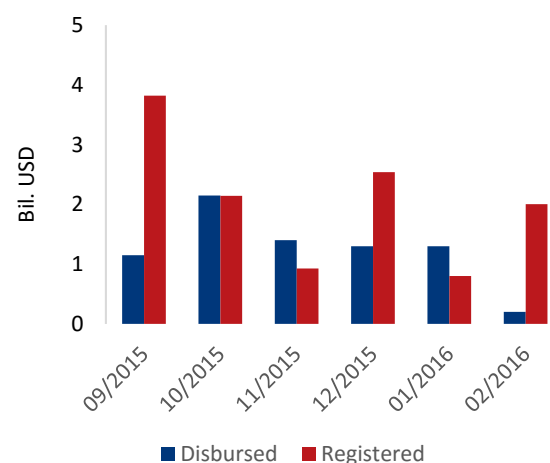
Foreign direct investment (FDI)

- **Disbursed FDI is expanding despite a long holiday in February;**
- **Registered FDI surged.**

Disbursed FDI was USD 0.2 billion in February, significantly declining from that in January (-84% MoM) and that in the same period last year (-71% YoY). Disbursement speed plummeted by the fewer number of days in February, as well as the more holidays rather than other months. However, the disbursement value in the first 2 months is still higher by 15% YoY compared to that in the first 2 months of 2015.

New registered FDI reached USD 2 billion in February, up by 278% YoY. During the first 2 months, registered FDI reached USD 2.8 billion, up by 135% YoY. Manufacturing and processing sector attracted the most investment that accounts for 71% of total registered FDI instead of 68% in the previous month.

Chart 4
FDI in Vietnam (USD Bil.)



Source: GSO, BSC Research

Typical projects in 2/2016:

- Plant of Processing and recycling steel furnace dust project (Ba Ria - Vung Tau), with a

total investment of USD 0.11 billion from Zinco Resources Public Limited Company (England);

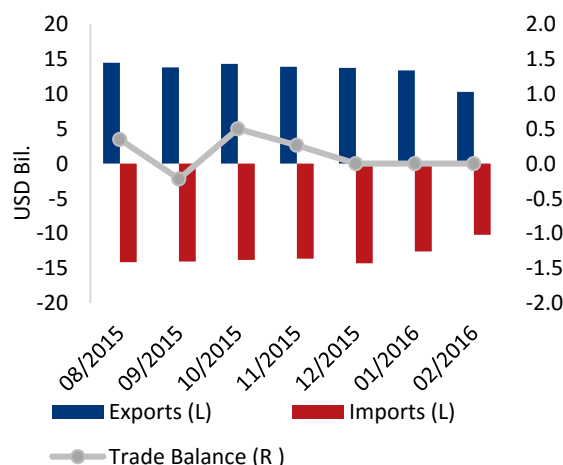
- New Wing's Factory of headphones, connecting wire project (Bac Giang), with a total investment of USD 0.1 billion from New Wing Interconnect Technology Bac Giang Co., LTD (Singapore).

Trade, Import-Export

- **February, Vietnam traded surplus of 100 million USD (equivalent to 1.4% of export turnover).**
Accumulation of 2 months, the trade balance of Vietnam was surplus of 0.86 billion USD;
- **Trade activity declined in February, though still expanded over the same period in 2015.**

Revision of fact, import and export operations in January were lower than the previous estimate. Specifically, exports in January reached 13.4 billion USD (lower than 13.5 billion estimate); imports in January reached 12.6 billion USD (significantly lower than 14 billion USD predicted).

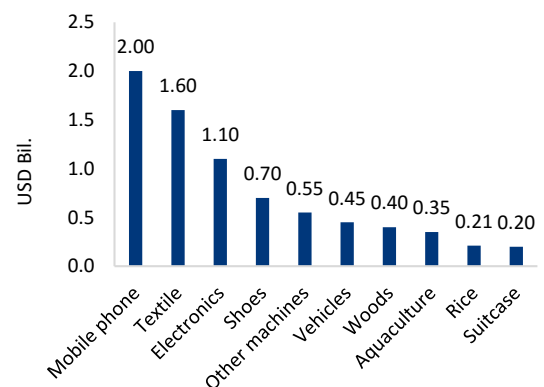
Chart 5
Trade balance (USD Bil.)



Source: GSO, BSC Research

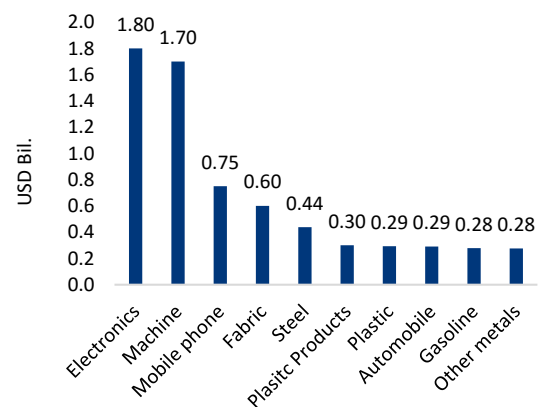
In 2/2016, Vietnam exported 10.3 billion USD (downed 22.9% MoM, up 7.3% YoY). Meanwhile, the country imported 10.2 billion USD of goods (downed 19% MoM, up 9.6% YoY).

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

Basically, the majority of exports were reduced by 1/3 in the last month. Some items fell almost 2/3, such as rubber (-59% MoM). A few dropped not much such as rice (-3% MoM), power cables (-3% MoM). Gasoline and crude oil were only 2 productions increased in last month (respectively up 4% and 5%)

Similarly, the value of imports fell sharply (downed 1/3) in majority of the items. Notably, commodities fell sharply focused on the food, chemical, paper and textile accessories. Quantity of commodities which increased import were modest, included telephone (+1% MoM), gasoline (+10% MoM) and animal feed (+13% MoM).

Foreign Exchange Market

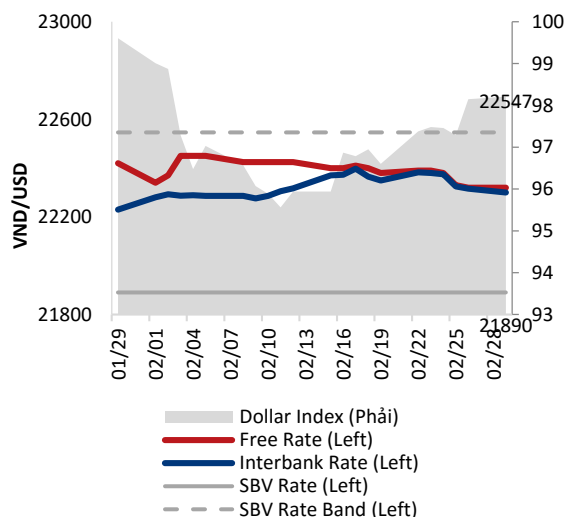
- The foreign exchange market was stability and balance in February;
- On the international market, the USD weakened, USD index volatility decreased.

The interbank exchange rate in February ranged from 22,276- 22,398 VND/USD, downed sharply from the band 22,230-22,495 VND/USD in January. The average level in month was 22,325 VND/USD.

Similarly, free exchange rate plummeted about range 22,320-22,450 VND/USD from 22,420-22,670 VND/USD in January. The average free exchange rate in month was 22,395 VND/USD.

Chart 8

Exchange rates



Source: Bloomberg, BSC Research

USD index in world markets fell sharply in February, in the range of 95.56-99.01 compared with amplitude 98.2-99.6 in January.

Bank - Interest rates

- The deposit and lending interest rate of VND were stability. Some short-term interest rates adjusted slightly in several banks. Increased was clearly in longer terms. USD lending rate was stable while USD deposit interest rates remained at 0%;
- Interbank interest rates fell sharply in month, back close on the interest rates in 11/2015.

Interest rate levels tended to increase in long-term rates. Lending rates of production and business sectors were regular at 6.8 to 9%/year for short-term, 9.3 -11%/year for medium and long terms. Some banks raised interest rates for long-term loans (from 12-60 months) amounted to 11.5%. 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 terms. USD lending interest rates were stable at around 3-5.3% in the short term and 5.3 to 6.2% of medium and long terms.

Table 2

Lending rates

Terms	2015	2016M2	Changes
VND short-term	6.8 - 9	6.8 - 9	0
VND mid & long-term	9.3 - 11	9.3 - 11.5	0.5
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

Deposit rates had rising slightly signs, especially in the group of small joint-stock commercial banks. The interest rate of 6-12 months inched more 0.05% while the interest rate on 12-month increased about 0.1%. In

addition, some banks also adjusted short-term interest rates increased from 0.1 to 0.4%.

Table 3
Deposit rates

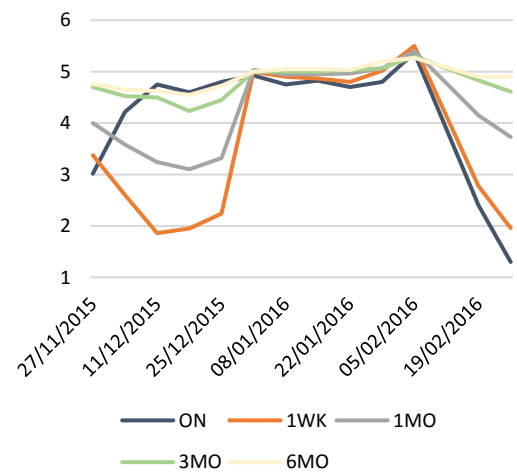
Terms	2015	2016M2	Changes
VND			
VND Demand deposit and below 1 month	0.8 – 1.0	0.8 – 1.0	0
VND 1 month – below 6 month	4.5 – 5.4	4.5 – 5.4	0
VND 6 month - 12 month	5.4 – 6.5	5.4 – 6.55	0.05
VND above 12 month	6.4 – 7.2	6.4 – 7.3	0.10
USD			
USD for people	0	0	0
USD for enterprise	0	0	0

Source: SBV, BSC Research

Interbank interest rates fell sharply in February, especially since the Tet holiday

week. Last month, short-term rates fell sharply to below 2%/year for the interest rate of less than 1 week, 3.7%/year for 1-month term and 4.6-4.9%/year for interest rates from 3–6 months.

Chart 9
Interbank rates



Source: SBV, BSC Research

Vietnam Macro Outlook in 3/2016

Many macro factors can affect to the economic as well as manufacturing operations in March.

Most notable is the volatility of world commodity prices. Predominantly price trend rise, stretching from the energy (oil and gas), to agricultural groups (typically sugar, rubber, cattle), and especially metals group (nickel, tin, construction steel, copper, zinc ...). No sufficient elements to confirm the rise of commodity prices in the near future, but happens is positive meaning on the in short term: On the one hand, increase production costs, which push the cost of output for enterprise; On the other hand, enterprises have more advantages in managing inventories when prices rise. **However, the rise in commodity prices has not show sustainability. Therefore, the positive impact on the economy from rising commodity prices can only occur in the short term.**

In addition, periodically business review at the end of Q1 and the National Assembly session in March also reveal much less about health and prospects of economic in the near future.

Table 4

Vietnam Macroeconomic data

Criteria/Month	2015M8	2015M9	2015M10	2015M11	2015M12	2016M1	2016M2
GDP yoy (%)	-	6.81	-	-	6.68	-	-
GDP ytd yoy (%)	-	6.50	-	-	7,01	-	-
PMI	51.3	49.5	50.5	49.4	51.3	51.5	50.3
IIP yoy (%)	9.0	10.1	8.8	8.9	9.0	5.9	7.9
IIP ytd yoy (%)	9.9	9.8	9.7	9.7	9.8	5.9	6.6
Retail Sales yoy (%)	10.1	9.7	6.7	6.6	9.5	11.7	6.6
Retail Sales ytd yoy (%)	10.1	9.8	9.6	9.4	9.5	11.7	9.7
Retail Sales (price adjusted) (%)	9.1	9.1	8.4	8.3	8.4	11.0	8.3
CPI mom (%)	-0.07	-0.21	0.11	0.07	0.02	0	0.42
CPI yoy (%)	0.61	0	0	0.34	0.6	0.8	1.27
Registered FDI (USD Bil.)	7.87	11.04	19.3	0.92	2.54	1.33	2.00
Disbursed FDI (USD Bil.)	8.5	9.65	11.8	1.4	1.3	0.8	0.2
Exports (USD Bil.)	106.3	120.7	134.6	13.9	13.7	13.4	10.3
Imports (USD Bil.)	109.9	124.5	138.7	13.6	14.3	12.6	10.2
Trade balance (USD Bil.)	-3.6	-3.9	-4.1	-0.2	-0.6	0.76	0.1
FX (VND/USD)	22,482	22,483	22,350	22,430	22,506	22,407	22,325
Credit growth (%)	9.54	10.23	12.51	13.98	17.17	-0.2	-
Non-performing loans (%)	-	-	-	-	2.72	-	-

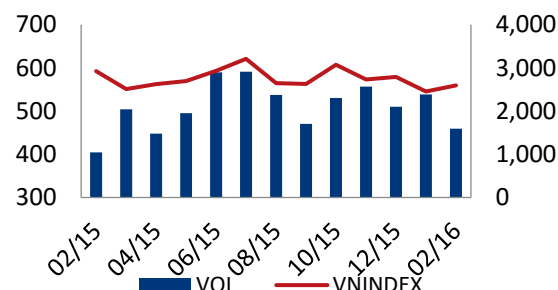
Source: BSC Research

Vietnam stock market movements in 2/2016

Market overview

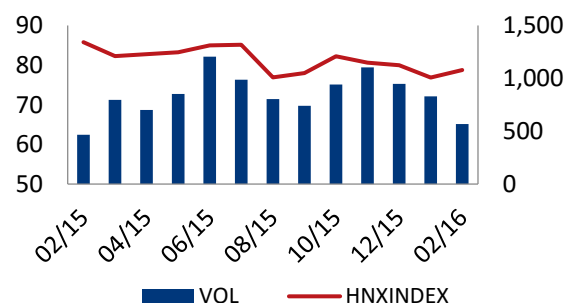
After rose momentum from 1/2016, VN-Index continued to soar in February, recorded the first monthly of rising since being dropped points 7/2015. The primary motivation for the rally came from the lead of financial stocks (VCB, BVH, SSI), food stocks (VNM, KDC), oil and gas stocks and construction stocks.

Chart 10
VN-Index movements



Source: HSX, Bloomberg, BSC Research

Chart 11
HNX-Index movements



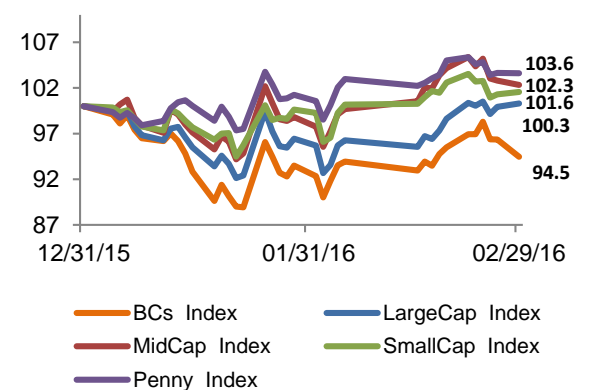
Source: HNX, Bloomberg, BSC Research

In February, foreign investors bought net on the HSX 90 billion dong and 73 billion dong on HNX, which not to mention the value of net buying 566 billion in MBB stock.

Closing date 29/02, VN-Index and HNX-Index closed at 559.4 points and 78.7 points, along with increasing 2.6% compared to last month.

Stock movements by capitalization size

Chart 12
Movements of the index groups



Source: Bloomberg, BSC Research

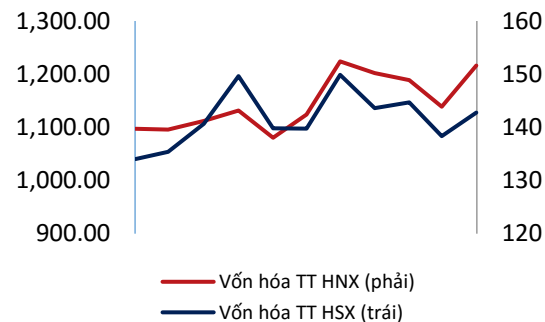
The stocks increased with nearly equal in February. Although Penny group kept the best increased position both markets with an increase of 3.6%, however, MidCap, SmallCap and LargeCap groups also occupied positions with not much difference were 2.3%, 1.6% and 0.3%. It showed that circulation increased steadily between stock lines on the market were going on. In turn, the stocks such as Bank, Oil & Gas, Construction, Construction Materials, Minerals were gained rotation. This was one of the elements necessary to sustain market momentum was sustainable in the near future.

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.

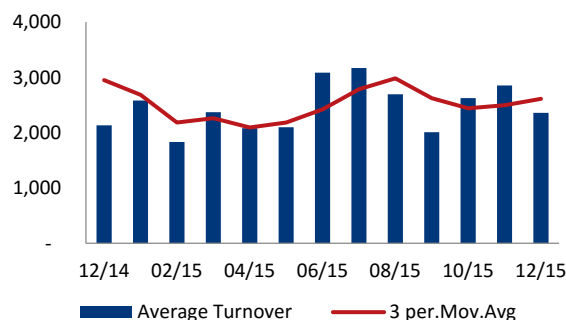
Chart 13
The scale of market capitalization



Source: Bloomberg, BSC Research

Market liquidity

Chart 14
Average trading value



Source: Bloomberg, BSC Research

After dropping slightly in January, the average liquidity in 2/2016 increased slightly of 5% to 2446 billion USD/day, mainly due to:

- (1) The world market was more positive performance due to the recovery of oil prices,
- (2) The story of opening room helped stocks which emptied room increased, and
- (3) Market sentiment was incautious after the success of Party Congress 12th.

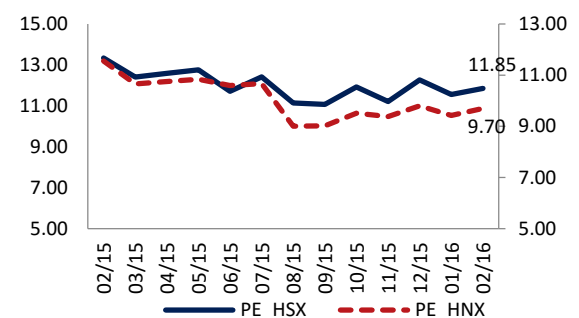
Stock price level

P/E of VN-Index and HNX-Index reached respectively 11.85 and 9.70, increased slightly compared to previous month and remained at

a low level compared to other countries in the region.

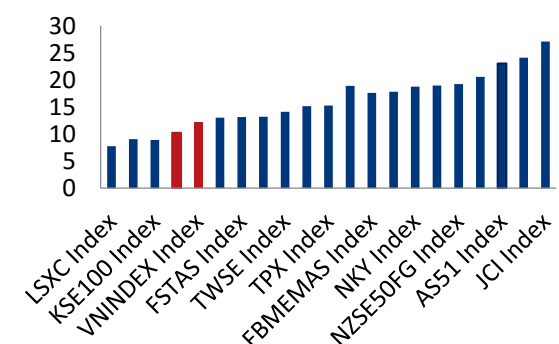
The positive gain of the market in February helped P/E rose slightly. Specifically P/E of VN-Index and HNX-Index reached 11.85 and 9.70, continued stand respectively 4th and 5th of 20 countries in the region. The increased of market was a major factor caused P/E increased slightly and remained position compared to 20 countries 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

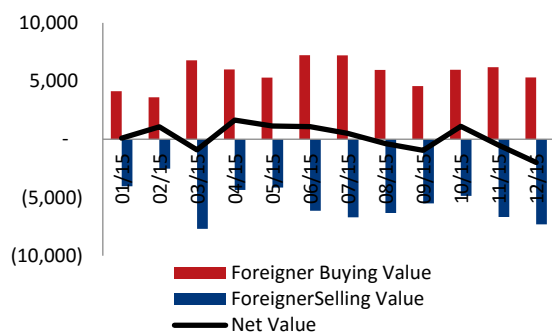
Foreign investors' transaction

Foreigners bought net on both exchanges in last February. Specifically, their net buying value on the HSX and HNX were respectively 90 VND billion and 73 VND billion.

The stocks which the best bought in 1/2016 were EIB (VND 147 billion), CII (VND 115 billion) and BHS (VND 55 billion). In reverse, stocks which sold the most were VIC (VND 1.003 billion), HPT (VND 176 billion) and HAG (VND 122 billion).

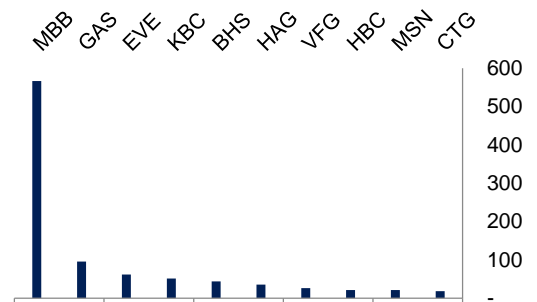
Foreigners returned to buy net on both markets after selling net in last months. On the one hand, two ETFs also maintained a stable size. On the other hand, the recovery of oil prices also made to foreign capital flows return to search for investment opportunities when the market increased. Besides, the MBB opened room for foreign investors led trading value of foreign net to surge. However, if excluding the value of MBB agreement, foreign investors remained net selling on the HSX.

Chart 17
Foreign transaction in HSX



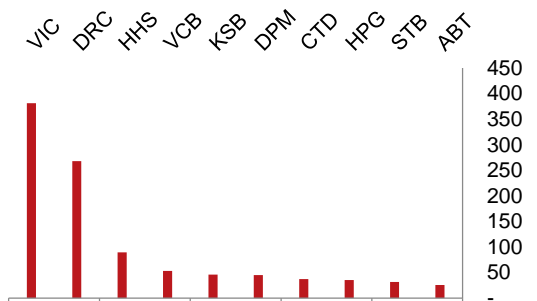
Source: BSC Research

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 3/2016

World markets and commodity markets continued in February complicated. The key stock index dropped to an average of 10%, oil prices fell 22% in just the first 2 weeks of February. The shift of capital flows makes the gold market, commodity, and currency fluctuations up and down very complicated. But the second half of February, along with the rise of the key commodity, stock market of the countries has recovered rapidly and a positive impact on Vietnam market which is not affected consumption psychology pole due to coincide with the Tet holiday. Ending months of trading, the major stock markets rose to return the price level at the end at January, thereby reducing the pressure of foreign investors to withdraw capital from the market. Activity of net withdrawal of foreign investors in February fell sharply compared to January. Some regional markets, foreign investors were net buyers again as Taiwan, Indonesia, Thailand and Sri Lanka. This is a positive change after a period of prolonged net withdrawal since August 2015.

Table: Foreign investors net withdrawal in region in Feb 2016

Country	Net trading in January (million USD)	Net trading February (million USD)
India	-1,757.7	-920.8
Indonesia	-165.1	302.7
Japan	-9,897.1	-14,108.8
Phillippines	-42.7	-84.9
S. Korea	-2,326.2	-42.7
Sri Lanka	-18.8	8.8
Taiwan	-1,783.2	1,526.5

Thailand	-218.8	13.0
China	-157,690.0	NA
Pakistan	-46.1	-39.5
Vietnam	-58.4	-10.9

Source: Bloomberg, BSC Research

Factors affecting the market in March 2016

Events	The impact on the stock market
Volatility of world market (stock market and commodity market)	Positive
Inflows of foreign change to the state of net buying due to purchase shares in the open room and not pressured withdrawal from the ETF.	stable and positive
The macroeconomic indicators last quarter I	Positive
Earnings in 2015, preliminary first quarter, Shareholder information (business plan and dividend payments in 2016, open room, ...)	Positive
World markets, as well as the domestic back price level at the end of 2015, the potential advantages gained by the low price level is no longer.	Non positive
Hoạt động cơ cấu danh mục của các ETF trong quý I năm 2016.	Liquidity increased but unpredictable

The market performance in February was positive the second half of February as our recommendation. Stocks of the market in February focused on the group:

- Stocks in “Open room” group : EVE, TNG, VHC, MBB...
- Stocks state divestments:KSB, C32...
- Stocks of oil and gas recovered from the bottom (from 21/1/2016 to present)

In the first half of March, the convenience factor continues to be maintained in the same direction as the movement of global markets, foreign investors were net buyers, internal cash flow growth, market information, support information macroeconomic news in first quarter, first quarter earnings results and shareholders meeting of the listed enterprise will continue to help market to sustain the uptrend. The short-term positive changes in the stock market and world commodity markets will facilitate for internal cash flow boost circulated in March. However, with price growth as in February, the market will no longer maintain advantage of the low price, short-term profit-taking activities accelerate market fragmentation and accumulated cycles entered the second half of March. bull in the first quarter and dropped again in the second quarter should be noted in 2016, particularly in the context of international investment channels are very complex fluctuating and unpredictable.

Two scenarios in March:

- **Scenario 1: VN-Index breakout medium-term resistance at 575-580 points, peaking 615 points, and dropped back to 580 points by the end of March.** The market is an advantage strong gains thanks to by psychological stability positive performance of global

markets, information support and good cash flow. The largest stocks rose less than the market respectively as Banks group, Real estate group and stocks of exhausted room can create effects breakout and keep momentum for VN-Index. Good liquidity increased, the rotation in the stocks gradually push up the price level.

- **Scenario 2: VN-Index is expected to continue to accumulate in the range 575 -580 points.** Markets lack of consensus from the large stocks from trading activities of foreign investors led trading sideways, the indicators do not go away from strong resistance. Cash flow will shift to small and medium stocks or basic stocks with low liquidity.

In general we favor the scenario 1 and that the market may rise above 600 points in March, but also noted the market may return to the region 580 points at the end of March if the world market is negative fluctuations (this view continues to forecast consistent with the VN-Index in the Report 2016 in month, when VN-Index reached 582 points identified late March). Liquidity will grow well in the first half of March and back to stabilize in the second half March.

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

- Sector Outlook 2016, recommendations of the stock are in the Weekly Investment Advisory Report and Daily Report.
- The stock has been oversold in the past, with supporting information
- Stocks of exhausted room and the room can be opened during the shareholders meeting 2016.

Disclosure

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