

Vietnam Monthly Review 03/2016

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

- Continued to maintain growth momentum in February, VN-Index and HNX-Index increased respectively by 3.6% and 1.2% in the first half of March. However, in the second half of March, profit taking was strong at resistance level of 580 points, led market to return scores which rose earlier. Closing 31/3 trading session, VN-Index and HNX-Index closed in turn at 561.2 points and 79 points, up 0.3% and 0.4% from the previous month.
- Foreigners were net buyers on both exchanges in March. Specifically, their net buying value on the HSX and HNX were respectively 483.7 billion and 238.6 billion.
- P/E of VN-Index and HNX-Index reached respectively 12.03 and 10.25, slightly higher than P/E of the previous month and remained at a low level compared to other countries in the region.

Our recommendation

- Based on evaluation of market information, the two scenarios are proposed by VN-Index reference in 2016Q2:
 - **Scenario 1: Where, VN-Index maintains the level of 550 points in the first 2 weeks, VN-Index will accumulate and range between 550-570 at the end of April, fall in May and accumulate back in June to close at 580 points.**
 - **Scenario 2: VN-Index falls below 550 points in April, keeps the low ground in May and rose back above 560 points in June.** The market may decline below 550 points if the market receives the negative information. Cutting margin operation will increase rapidly when the market falls deeply. Oil and gas stocks, bank stocks may be main factors for this scenario. The stagnation processing may be prolonged into May and only recovered slightly in June.
- Based on assessing of current information, we favor the scenario 1 and that the market may be about 560 points at the end of month. The market will be strong differentiation, liquidity declines at the end of April.

Vietnam Macro in 02/2016

Economic growth

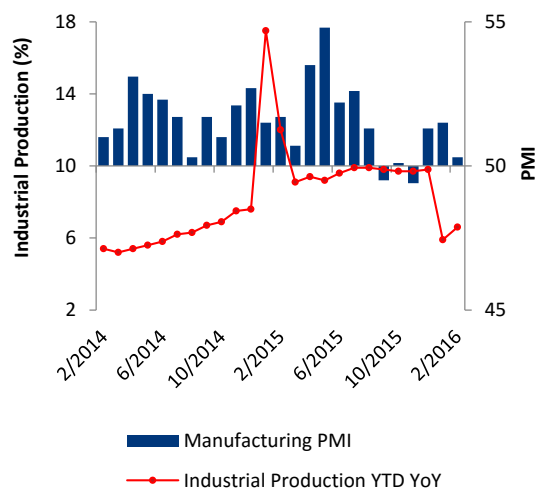
- **Industrial production was slow down due to a long holiday;**
- **PMI manufacturing retreated to the area without growth.**

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



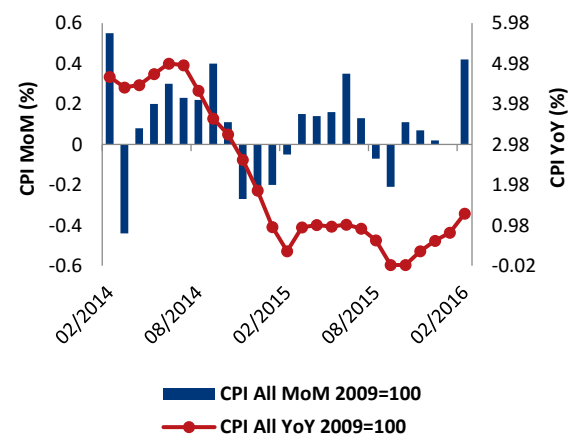
Source: GSO, Markit, BSC Research

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.

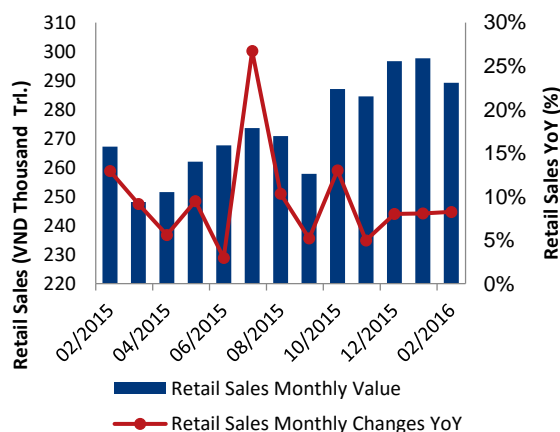
Retail sales of goods and services reached VND 288 trillion in February, up by 6.8% YoY. In the first 2 months, retail sales reached VND 587 trillion, up by 9.7% YTD YoY, equivalent to an increase of 8.3% YTD YoY after excluding increasing price factors.

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

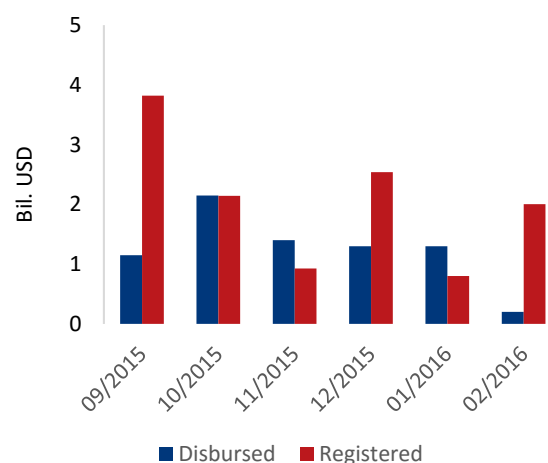
Foreign direct investment (FDI)

- **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);

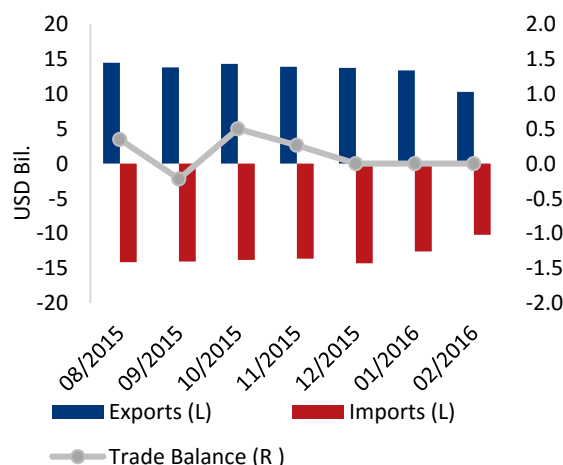
- New Wing's Factory of headphones, connecting wire project (Bac Giang), with a total investment of USD 0.1 billion from New Wing Interconnect Technology Bac Giang Co., LTD (Singapore).

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).

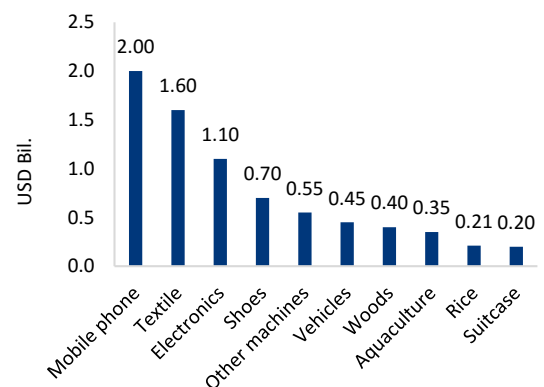
Chart 5
Trade balance (USD Bil.)



Source: GSO, BSC Research

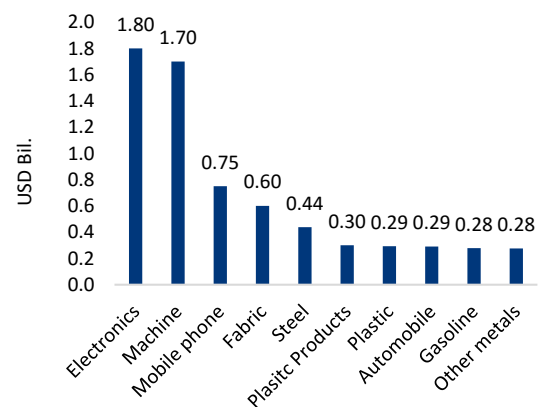
In 2/2016, Vietnam exported 10.3 billion USD (downed 22.9% MoM, up 7.3% YoY). Meanwhile, the country imported 10.2 billion USD of goods (downed 19% MoM, up 9.6% YoY).

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

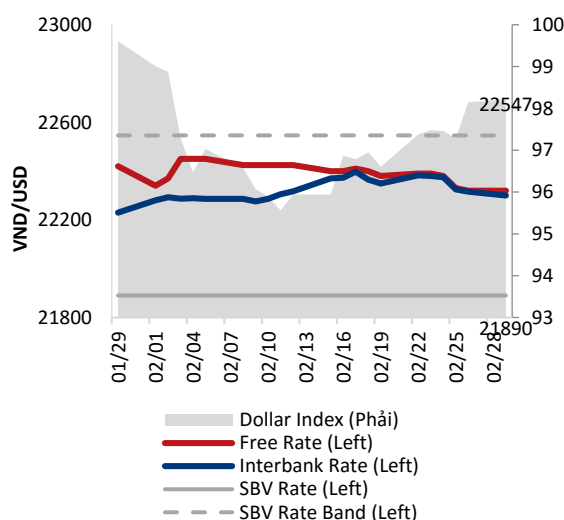
- The foreign exchange market was stability and balance in February;
- On the international market, the USD weakened, USD index volatility decreased.

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

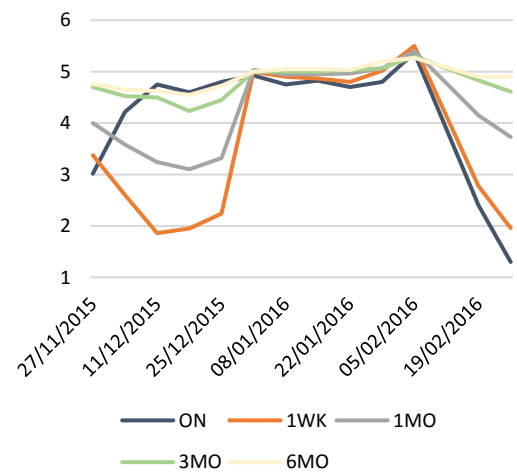
Terms	2015	2016M2	Changes
VND			
VND Demand deposit and below 1 month	0.8 – 1.0	0.8 – 1.0	0
VND 1 month – below 6 month	4.5 – 5.4	4.5 – 5.4	0
VND 6 month - 12 month	5.4 – 6.5	5.4 – 6.55	0.05
VND above 12 month	6.4 – 7.2	6.4 – 7.3	0.10
USD			
USD for people	0	0	0
USD for enterprise	0	0	0

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

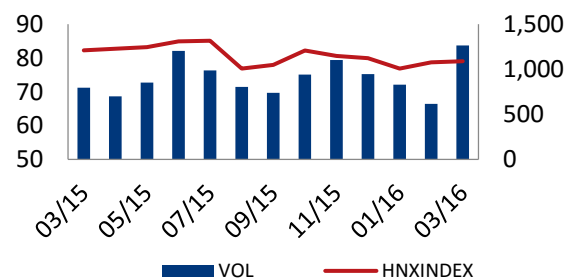
Vietnam stock market movements in 3/2016

Market overview

Continued to maintain growth momentum in February, VN-Index and HNX-Index increased respectively by 3.6% and 1.2% in the first half of March. However, in the second half of March, profit taking was strong at resistance level of 580 points, led market to return scores which rose earlier. Closing 31/3 trading session, VN-Index and HNX-Index closed in turn at 561.2 points and 79 points, up 0.3% and 0.4% from the previous month.

Chart 10

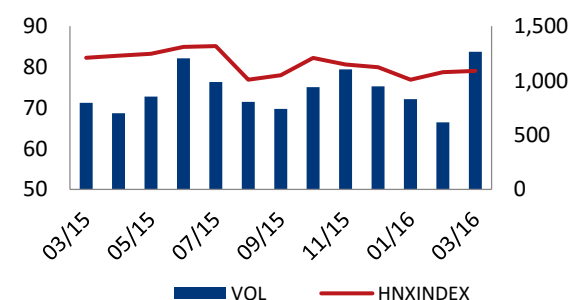
VN-Index movements



Source: HSX, Bloomberg, BSC Research

Chart 11

HNX-Index movements

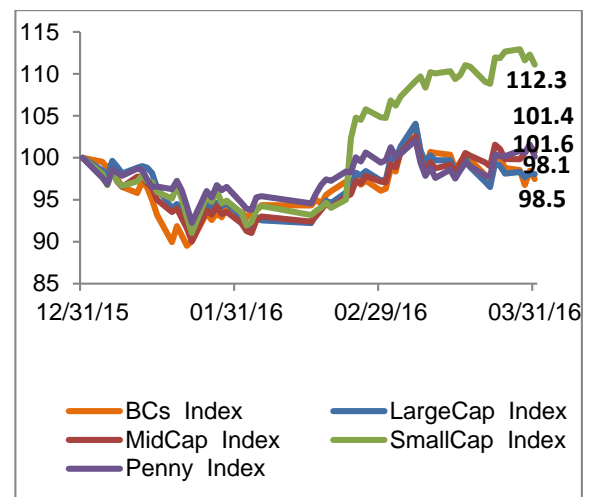


Source: HNX, Bloomberg, BSC Research

Stock movements by capitalization size

Chart 12

Movements of the index groups



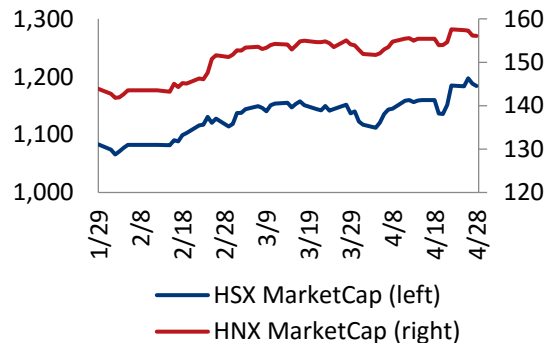
Source: Bloomberg, BSC Research

Small-Caps as stocks rose the strongest in March. Specifically, Small-Caps held the best increased position in the market at 6.3%, Penny and MidCap groups also occupied the next positions with increasing not much at 1.6% and 1.4%. Two groups fell slightly in March as Large Caps and BCs with a falling respectively of 1.9% and 2.5%. This showed that not really to appear a large-cap stocks that could lead the market, and investment opportunities are coming from small-cap stocks due to the improvement of business results 2015.

Market capitalization

Market capitalization on both exchanges was 1,293 trillion (equivalent to \$58.1 billion), up 2.2% compared to 2/2016. Capitalization didn't change not much because price of shares only rose slightly, while no large capitalization enterprises listed new in March of this year.

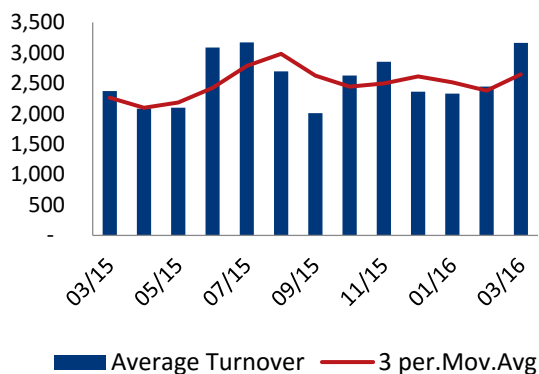
Chart 13
The scale of market capitalization



Source: Bloomberg, BSC Research

Market liquidity

Chart 14
Average trading value



Source: Bloomberg, BSC Research

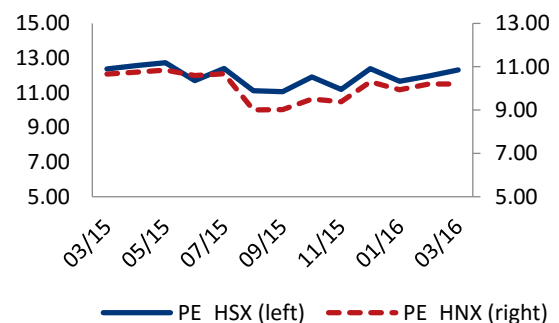
Average liquidity in 3/2016 continued to increase 3% to 3,162 billion/day, mainly due to (1) Business results 2015 news and shareholder meeting continued to support the market, and (2) foreign investors continued to buy net significantly in last March.

Stock price level

P/E of VN-Index and HNX-Index reached respectively 12.03 and 10.25, slightly higher than P/E of the previous month and remained at a low level compared to other countries in the region.

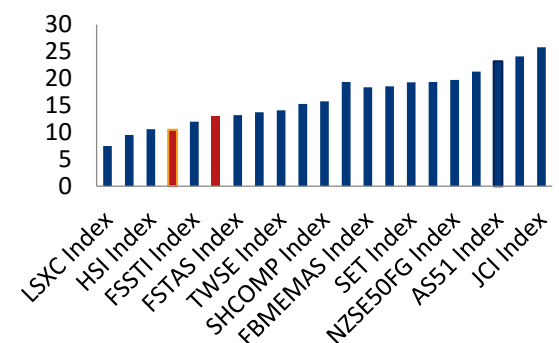
The slightly increasing of the market in March helped P/E to increase. Specifically P/E of VN-Index and HNX-Index reached 12.03 and 10.25, continued stand respectively the 4th and 6th out of 20 countries in the region, this position was not much different from 2/2016.

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

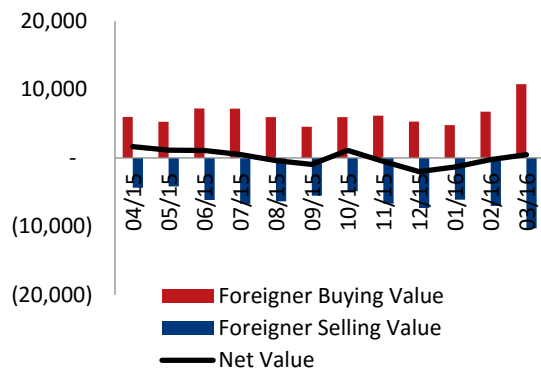
Foreigners were net buyers on both exchanges in March. Specifically, their net buying value on the HSX and HNX were respectively 483.7 billion and 238.6 billion.

The shares which were bought much in 3/2016 were STB (308 billion), MBB (246 billion) and DXG (163 billion). In reverse, the stocks which were sold the most were VIC (517 billion), HSG (196 billion) and PPC (124 billion).

Source: BSC Research

Chart 17

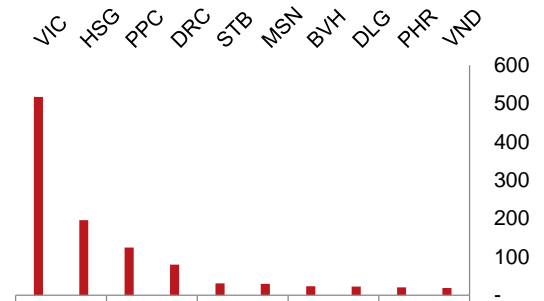
Foreign transaction in HSX



Source: BSC Research

Chart 19

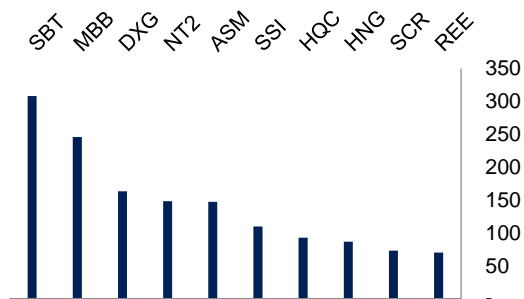
Top 10 stocks net selling by foreigners



Source: BSC Research

Chart 18

Top 10 stocks net buying by foreigners



Market outlook in 4/2016

The Fed's decision not to raise interest rates and cut its forecast of the ability to raise interest rates in the FOMC meeting 15-16/3 before the uncertainty of the economy and world financial markets continued to support the uptrend of the stock market and commodity markets. World commodity prices, particularly oil prices increased 13.6% impact positive on energy stocks, thereby helped index gaining. The impact of this issue was analyzed through 2 our reports: Update petroleum industry and Update natural rubber industry in February and March.

Stock index in emerging markets led the rally, MSCI of emerging regions increased by 13%, in which Brazil market increased 15.4%, China rose 11.7% and India up 10.7% outstanding compared with an increase of 6.5% of world stock index. The stock market of developed countries including US, Europe and Japan had an average increase of 5%. The group of emerging markets increased the worst only 1.1% point, Vietnam market rose 0.3%.

Except for Japan and China market, foreign investment flows were net buyers in the region, supported the market uptrend.

Table: Foreign investors net withdrawal in region in Feb 2016

Country	Net trading in January (million USD)	Net trading February (million USD)
India	3,177	305
Indonesia	178	315
Japan	(24,367)	(57,119)
Phillippines	204	76
S. Korea	3,128	757

Sri Lanka	(3)	(14)
Taiwan	5,123	4,982
Thailand	698	493
China	(46,620)	(193,310)
Pakistan	(6)	(96)
Vietnam	22	(47)

Source: Bloomberg, BSC Research

Factors affecting the market in April 2016

Event	Impact on the stock market
The macroeconomic indicators last quarter I	Neutral
Business results in 2015, preliminary first quarter, Shareholder information (business plan and dividend payments in 2016, open room, ...)	Positive and gradually saturated
OPEC expects meet to freeze output in 17/4	Positive and decreasing effect
FED meet 26-27/4	Most likely not raise interest rates, positive
FED meet 14-15/6	High possibility to raise interest rates
Markets adjust to cyclical, reduces in right price for the correlation with the world.	Positive
Vote for decision of UK should leave EU-Brexit 23/06	Positive
Circulars 07 và high margin	Positive

Market trends showed movement signs in the opposite compared to the world market in the second half of March. Circular 07, effective in 15/3 with the provisions of "the securities companies must not spend money, assets of the company or the customer to ensure payment obligations to third parties ", limited a

part cash flow margin on the market was one of the factors that make this shift. Turn to April, market information in the world, in the country affect quite balanced to VN-Index. Most likely the Fed will push back to increase interest rates roadmap to session 14-15/6, will help cash flow of foreign investors to continue net buying. Info of business results in quarter I, and the orientations of the shareholder meeting will help the market stabilize at a low price level, and strong differentiation in groups and stocks which have positive information. However, index is now entering the short-term adjustment cycle, liquidity decreases and quite susceptible to negative rumors. Margin operation maintains at a high level, is also one of the risks in the short term.

According to statistics recent 6 years ago, quarter II is not positive moment for the market due to the index enters the adjustment period after a good growth of quarter I and information-lying areas of the AGM season. This volatility was an exception in 2015 when foreign investors bought in bulk after the decision not to raise interest rates of the Fed as an earlier conjecture and expectation information of opening room foreign. The second quarter of 2016 developments will likely return to old cycle when foreign capital flows are reduced compared to previous years. Foreign cash flow has returned to the emerging markets and regions in recent 1 month, but the shift of emerging markets including Vietnam is negligible. This shift will also be able to end soon with the decision to raise interest rates by the Fed (most likely in the middle June).

Two scenarios in April:

- **Scenario 1: Where, VN-Index maintains the level of 550 points in the first 2 weeks, VN-Index will** accumulate and range between 550-570 at the end of April, fall in May and accumulate back in June to close at 580 points. Low price level is

equivalent to the beginning in March and business results quarter I of 2014 will be good motivation to help the market accumulate soon, after technical recoveries decrease the fall of the index. Information open room of large stock will influence strong to the market. Market performance in May will have a negative fluctuations when no supporting information. Negative trends continue for the first half of June before stabilizing again after the Fed and ahead trends of business results of quarter II.

- **Scenario 2: VN-Index falls below 550 points in April, keeps the low ground in May and rose back above 560 points in June.** The market may decline below 550 points if the market receives the negative information. Cutting margin operation will increase rapidly when the market falls deeply. Oil and gas stocks, bank stocks may be main factors for this scenario. The stagnation processing may be prolonged into May and only recovered slightly in June.

Based on assessing of current information, we favor the scenario 1 and that the market may be about 560 points at the end of month. The market will be strong differentiation, liquidity declines at the end of April.

Details of our stocks selection are recommended investors can refer to in the report:

- Prospects for the sector in 2016, the recommended stocks in the Investment Advisory report weekly (Link) and update sector/business report.
- Stocks are out of room and can be accepted open room policy during the AGM in 2016, or the dividend exceeds expectations.

- The new listed stocks, stocks with outstanding results, business activities change positive and benefit from M&A activity on UPCOM.

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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