

## Vietnam Quarterly Review 2016 Q3

### BSC Research

#### Headquarter

Floor 10 – BIDV Tower  
35 Hang Voi Street - Hanoi  
Tel: +84 4 3935 2722  
Fax: +84 4 2220 0669

#### HCMC Branch

Floor 9 – 146 Nguyen Cong Tru Street  
District 1, HCMC  
Tel: +84 8 3812 8885  
Fax: +84 8 3812 8510

### Macroeconomy

- June PMI was 52.6 pts, the 11 month high. Disbursed FDI reached USD1.5 billion in June; accumulated registered FDI in first half of 2016 was USD11.28 billion, up +105.4% YoY.
- June CPI was up + 0.46% MoM and +2.40% YoY. 6-month average up +1.72% YoY. Domestic VND/USD exchange rate relies on FED money policy and was not affeted significantly by Brexit thanks to surplus trade balance.
- Credit growth had better pace after slowing period in April; Deposit rates were stable while lending rates declined slightly.

### Stock market

- In 6 months, VN-Index and HNX-Index enjoyed the gain at 10.0% and 5.9% respectively while MSCI Emerging Market Index was only up 5.0% YTD and down -0.3% in Q2 và MSCI Frontier Market Index only gained 1.7% YTD và 2.7% in Q2, indicating better movement was seen in Vietnam than other peers.
- June saw net buying from foreigners at VND123 billion on HOSE and VND175 billion on HNX.
- P/E of VN-Index rise to 13.74 from 13.59 and HNX-Index declined to 10.31 from 11.29 last month.

### Recomendations

- VN-Index is forecasted to traded between 605 – 640 in Q3. In July, due to Bluechips movements and positive sentiment, VN-Index will passthrough 640 pts in first week but then accumulate around 640 pts. In August, there will not much news releashed, market will enter low-lying areas of information and movements will depend on easing monetary policy of central bank. More easing will help the market to test the high at 640 pts and can go further from the 8-year peak. In September, according to our models, VN-Index is forecasted to trade nearly 620 points threshold.
- **Recommended stocks:**
  - Stocks with positive expected Q2 results such as Buliding materials, Technology, Cars and Pharmaceuticals.
  - Potential stocks including Real estates, Contruction, Building materials, Technology, Seaports and Ties.
  - Stocks with fundamental, high dividend, low beta.
  - Stocks openning room for foreigners, stocks with disvestment and merge and acquisition.
  - Upcom stocks might be allowed for margin trading under implementing timeline 1/7.

Stock recomemded BOUGHT by BSC last month showed good performance including APC (+14.5%), NKG (+13.6%), PVT (+10%), DGC (+11.6%), SVC (+10.5%), SMC (+6.6%) and VKC (+5.3%).

For further details on recomendation stocks, investors can refer to:

- Vietnam Sector Outlook 2016Q3(Link);
- Vietnam Weekly Review(Link);
- Sectors & Corporate (Link);

## Macro June 2016

### Economic Growth

- **Slower growth rate in the first 6 months of 2016 than first half of 2015, however growth momentum was gradually improved;**
- **Industrial manufacturing sector still struggled with a number of difficulties in this year;**
- **Consumption maintained positive;**
- **Retail sales keep good growth momentum, mainly contributed by goods retail.**

**6-months accumulated GDP growth estimated is 5.52% YTD YoY**, lower than the rate 6.28% YTD YoY of the same period in 2015. In particular, **services sector achieved the highest growth rate of about 5 years** at 6.35% YTD YoY, this sector still contributed the largest share in the economic structure. The leaders in services sector are Whole sale & Retail (+8.1% YTD YoY) and Finance, Banking & Insurance (+6.1% YTD YoY). The sector with the second largest share in economic structure – **Industry and Construction** – reached 7.12% YTD YoY growth rate. However, the second quarter growth rate is slightly lower than the first quarter's growth. The fall in the sector mainly due to the decrease of 2.2% YTD YoY of the mining industry compare to the increase of 8.4% YTD YoY in the same period of 2015 while other industries retain its growth momentums. In the opposite direction, agriculture decreased by 0.78% YTD YoY, dragged the whole **agriculture, forestry and fisheries sector** fell 0.18% over the same period last year. The positive thing is that the decline is concentrated in the first quarter due to the impact of the winter-spring crop and has recovered slightly in the second quarter.

**Compared with the previous year, industrial production in 2016 still facing several difficulties.** The Index of Industrial Production (IIP) is estimated to rise +7.4% YoY in June. The situation of the whole industry is not change much from the previous month when the manufacturing industry (+ 11.3% YoY) continue to offset the impact of mining industry (-6.1% YoY). For general in the first 6

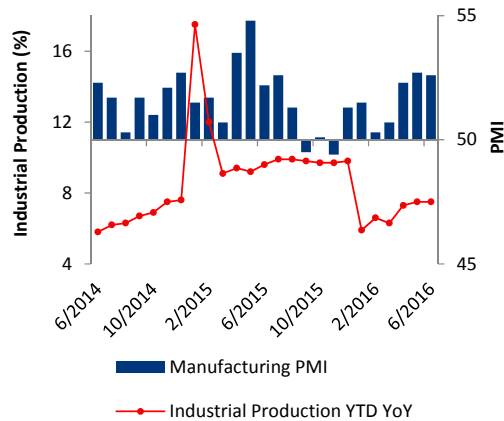
months, IIP increased 7.5% YTD YoY, a steady growth over the two quarters. Remarkable products with higher growth over the same period in 2015 includes **television, automobiles and steel.**

**Consumption index for the whole manufacturing sector rose 5.2% MoM and 7.8% YoY, and cumulative increased 8.8% YTD YoY.** All the mentioned products with high IIP are along with increasing consumption indexes over the same period in 2015. **The Inventories Index rose 9% YoY at 06.01.2016**, lower than the rate at 06/01/2015. The two indexes continued to show good ability of market consumption.

**PMI is 52.6 points in June, which means PMI maintained at a high level through the second quarter**, reflecting the health of the manufacturing sector continued to recover very well. Besides, the new orders continued to increase strongly, although the growth rate is not as in May, showed that manufacturing conditions have been continuously improved in the first half of 2016.

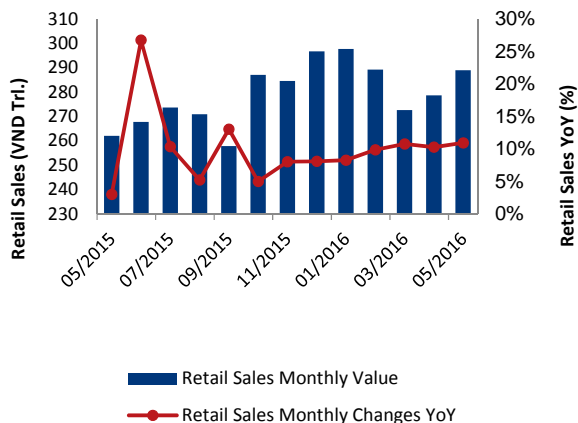
**The positive maintaining of purchasing power helped improving growth momentum.** Total retail & consumer services revenue is estimated at 295.8 trillion in June, up + 3% MoM and + 11% YoY, higher than the growth in May. Overall the 6 months, total retail revenue reached 1.724 trillion. The increase are +9.5% YTD YoY and 7.5% YTD YoY after adjustment for inflation, lower than same period of 2015. Largest contribution belonged to retail revenue with 76.2% of total, rose 9.5% YoY.

Chart 1  
**Industrial Production & PMI**



Source: GSO, Markit, BSC Research

Chart 2  
**Retail sales**

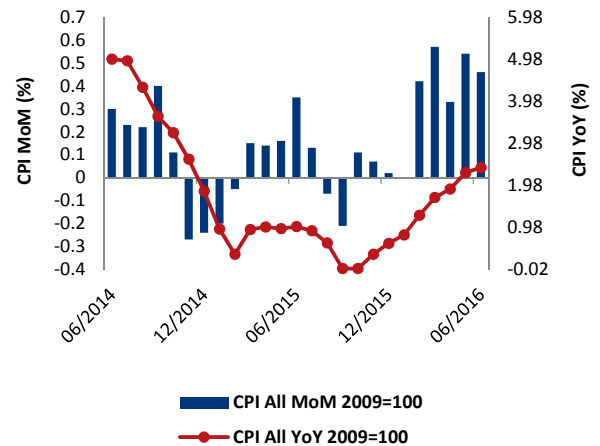


Source: GSO, BSC Research

## Inflation

- **CPI continued to rise in June, however CPI growth rate over the 6 months is not too high;**
- **Adjusted gasoline prices and high demand for electricity in hot weather were the main factors affecting the CPI.**

Chart 3  
**Monthly CPI movements**



Source: GSO, BSC Research

**CPI rose +0.46% MoM and +2.40% YoY in June.** The average growth rate for 6 months is +1.72% YoY, higher than the same period last year but still remain in low level compared with the increase in the few latest years.

Table 1

### Monthly goods price changes (%)

No.	Goods/Services	MoM (%)	YoY (%)
1	Foods and Catering Services	0.46	2.40
2	Transportations	2.99	-10.24
3	Health Cares	0.05	26.39
4	Housing, Construction Materials	0.55	1.92
5	Entertainment	0.18	1.48
6	Beverage and Cigarette	0.13	2.26
7	Clothing	0.06	2.20
8	Housing Appliance	0.06	1.12
9	Education	0.06	4.61
10	Telecommunication	-0.06	-0.61
11	Others	0.03	2.14

Source: GSO, BSC Research

**Increase in prices of Transportation** is still the leading factor by the impact of two times increase-adjusting for **petrol prices** at 20/5 and 4/6. Due to the impact of hot weather, the higher power demand for cooling makes electricity price index rose 1.27% led to the continuous increase of housing price index and construction materials price index.

### Foreign Direct Investment (FDI)

- Registered FDI maintained growth momentum in June.
- Haiphong replaced Hanoi to become the highest-attracted FDI province.

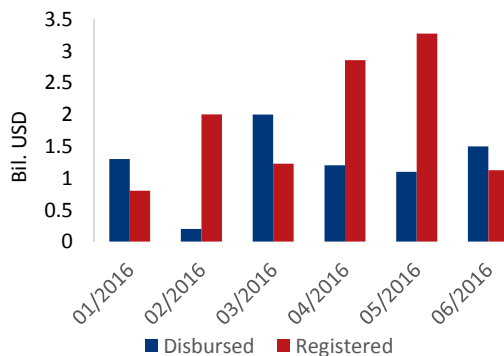
Disbursed FDI reached 1.5 billion USD in June, this made the accumulated disbursed FDI in 6 months reached 7.3 billion USD, increased +15.1% YoY.

Total registered FDI reached 11.28 billion USD in the first half of 2016, increased +105.4% YoY. This amount includes 7.5 billion USD from 1145 newly licensed projects and 3.79 billion USD from 535 projects licensed from previous years.

Registered FDI in **Processing & Manufacturing** reached 8.07 billion USD, equivalents to 71.5% of total registered capital, while **Haiphong** replaced Hanoi to become the highest-attracted FDI province with 1.86 billion USD, accounting for 21.8% of total registered capital.

**Korea** continues to be the largest investor with 3.13 billion USD, equivalent to 41.8% of total new capital, much greater than the second largest, Singapore.

Chart 4  
FDI in Vietnam (USD Bil.)



Source: GSO, BSC Research

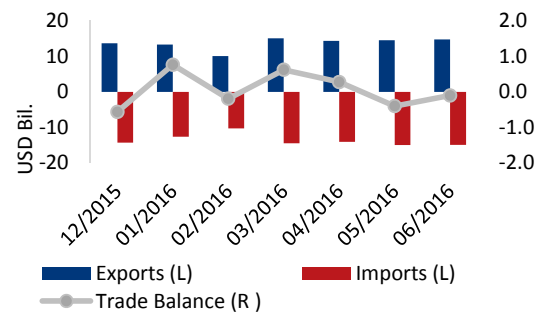
### Commerce, Export & Import

- In accumulation of the first half of 2016, the trade balance of Vietnam is still surplus.

- Trade deficit in June estimated is 100 million USD.
- Trade values are lower than estimated.

Merchandise trade deficit in May is 177 million USD, lower than estimated. Trade deficit in June is estimated at 100 million USD. In accumulation of the first half of 2016, Vietnam trade surplus is 1.5 billion USD, mainly contributed by trade surplus from foreign investment sector. This sector is also a large proportion of export & import value of Vietnam.

Chart 5  
Trade balance (USD Bil.)

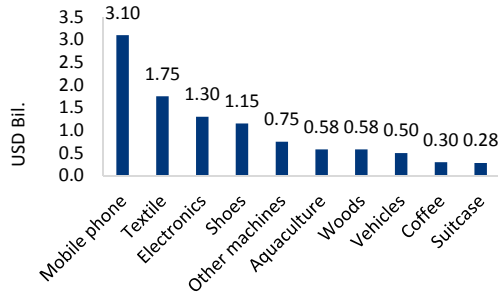


Source: GSO, BSC Research

Export turnover in June was estimated at 14.8 billion dollars, an increase of + 3% MoM, high growth can be seen in items such as **rice, textiles and electronics**. Real export turnover reached in May is 14.37 billion USD, 228 million lower than estimated. **US** remains as the largest export market of Vietnam with 14.6 billion USD, an increase of +12.8% YoY, followed by the EU and China.

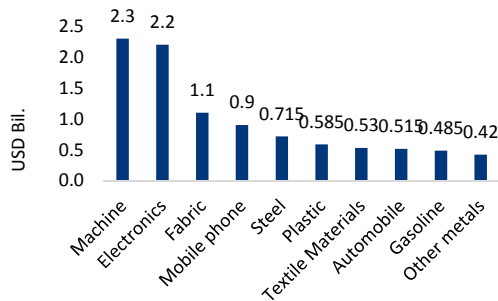
Import value in June was estimated at 14.9 billion dollars, an increase of + 2.4% MoM and + 4.9% YoY. Real import value reached in May is 14.55 billion USD, 451 million lower than estimated. China remains as the largest import market of Vietnam with a value of 19.2 billion US, despite the decrease of -2.9% YoY, followed by South Korea. The main import items are **electronics, machinery and fabrics**.

Chart 6  
**Top 10 exported goods (USD Bil.)**



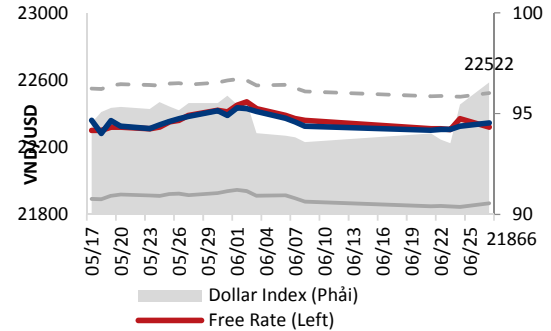
Source: FIA, BSC Research

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



Source: FIA, BSC Research

Chart 8  
**Exchange rates**



Source: Bloomberg, BSC Research

**Happened following BSC's prediction in our report in May, VND/USD exchange rate took little influence from Brexit as trade balance of Vietnam is still surplus and US dollars supply from FDI remain stable. The exchange rate had no big changes in the month due to Fed remains its interest rate policy.**

**Brexit showed impact on the domestic foreign exchange market** although it is not too large when the VND/EUR exchange rate had strongest fluctuations with the information from the vote of British people. In the opposite direction, with the demand for safe assets such as the Yen when it rose sharply in the world market, **VND/JPY also rose steadily in the month.**

## Forex

- **USD fell sharply in early of the month, and then remained stable** in the situation that less likely the Fed to raise interest rates in the near future.
- **EUR was fluctuated during the month**, particularly declined by 900 dong in Brexit Day.
- **JYP rose gradually with the world trends** but daily fluctuations are not too strong.

## Banking – Interest rate

- **Credit growth surged again after the period of slow growth in April.**
- **Deposit interest rates remained relatively stable, lending rates fell slightly.**

**Till the end of May, credit growth increased +5.48% YTD, up 17.59% YoY.** In particular, VND loans increased 6.75% YTD and foreign currency loans fell 5.96% YTD.

**Deposit growth reached 7.01% YTD, up 18.3 YoY.** Note that deposit growth and M2 growth are faster than credit growth since last January.

Table 2  
**Lending rates**

Terms	2015	2016M6	Changes
VND short-term	6,8 - 9	6 - 7	-2,0
VND mid & long-term	9,3 - 11	9 - 10	-1,0
USD short-term	3 - 5,3	2,8 - 5,2	-0,2
USD mid & long-term	5,5 - 6,5	5,1 - 6,2	-0,3

Source: SBV, BSC Research

Table 3  
**Deposit rates**

Terms	2015	2016M6	Changes
<b>VND</b>			
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 - 6,5	0

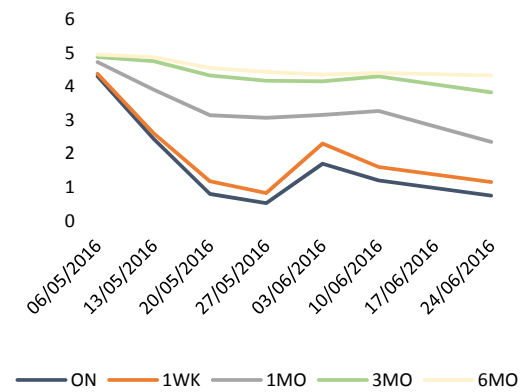
VND above 12 month 6,4 - 7,2 6,4 - 7,2 0

### USD

USD for people 0 0 0  
USD for enterprise 0 0 0

Source: SBV, BSC Research

Chart 9  
**Interbank rates**



Source: SBV, BSC Research

## Vietnam Macro Outlook in second half of 2016

On the **international level**, there will be a number of important issues as follows:

- (1) **The vote for Brexit could be seen as a "Black Swan" event for the world economy** as it is difficult to predict which might happen and following impacts. We had a preliminary assessment of the impact of Brexit to Vietnam in insight reports on this event. However, the next move of the concerned parties such as the EU, US, UK or Japan post-Brexit can make other unexpected developments associated with unpredictable impact for the world economy;
- (2) **Economy condition of the largest export markets will affect Vietnam** because the economy was supported by exports as the added value of exports accounted for 49.3% of GDP (Credit Suisse). The EU faced with geopolitical risks post-Brexit while China are facing slowing growth momentum in the context of credit risk was warned by a number of global institutions and organizations;
- (3) **In the US, the Fed's monetary policy has low possibility to change in the short-run** even US economy has shown more positive signs than negative;
- (4) **The negative interest rates of government bonds in developed countries can leave adverse effects on global economy.** The quantitative easing policy via asset purchasing pushed bond prices up before. Then risk averse sentiment rose globally, pushing demand of bond higher and leading the yields of the government bonds of developed countries (USA, Germany, Japan) decreased. Common negative interest rates will directly affect the global financial and credit system, affecting the supply of capital.

On the **domestic level**, the focus in the second half of 2016 to be able to mention as follows:

- (1) **The situation of processing and manufacturing business in the third quarter tends to stabilize and grow better** than the first half with the positive forecast about the volume of production and orders. Besides, economic growth will also be supported by consumption which continue to be positive, following the first 2 quarters despite of some issues relating to the upward adjustment of tax in some areas such as cars but influence only in a small range.
- (2) **The budget deficit has low possibility to narrow this year** due to unrealistic budget plans, increasing recurrent expenditure associated with higher debt payments and, especially, drop in values obtained from oil exports. Deficit to GDP likely to remain at a high level since 2013 due to the spending pressure to support growth in last 6 months.

Since then, the basic forecast of BSC will be as follows:

### Economic growth

**BSC cuts forecast of 2016 GDP growth to 6.3% - 6.5% (6.7% - 6.9% on previous forecast), noted that growth in the second half of 2016 will be more positive but due to impact of first 6 months the growth this year will be lower than 2015.** In the first half, GDP was strongly influenced by the agricultural sector which was under the impact of weather conditions such as drought. In the third quarter, the mangrove in the Mekong Delta or the rainy season will cause a negative impact but at a lower level than the first 6 months, to help the agricultural sector recover in order to reduce the burden on other areas of industry and services, which have shown strong growth and are major contributors to economic growth. However, the ability for 7.6% GDP growth in last 6 months, in order to lift the whole year economic growth of 6.7% target level, is not high.

### Inflation

**We maintain our forecast of CPI up 1.8% - 3.5% YOY in 2016.** The average inflation rate in the first 6 months remained low compared to previous years but showed uptrend. Oil price will hold main influence on the CPI both directly and indirectly. With the current demand and supply were fairly balanced and difficult to change in the short term, oil prices will fluctuate under the influence of macroeconomic factors, but overall oil prices will lengthen its slight recovery in the second half of 2016. Besides, with the pursuit of credit growth, monetary policy expansion will also increase inflationary pressures.

### Foreign direct investment

**Disbursed FDI value in 2016 was forecasted at USD 13.5 - 17 billion by BSC, we maintain this forecast** based on the results of the first half result reached approximately 50% expectation at USD 7.3 billion. In the second half of 2016, while the internal factors has many positive points, FDI may suffer from the instability of the global economy. Second half of the year, along with production and business situation has much improved, the free trade agreements such as the TPP, EVFTA, KVFTA ... will be able to bring significant improvements to the business environment and help Vietnam attract the attention of international investors despite the geopolitical volatility and other influential post Brexit may limit capital flows to emerging markets.

### Commerce

Current export sales growth target is quite hard to achieve in the context of world commodity prices could further decline with the difficulties of the world economy caused demand to slow down in many countries, strikingly EU market. In contrast, FDI flows could increase in the last 6 months can be momentum to restore 2016 exports growth. In the first forecast, we expect the trade balance will be USD 4-6 billion deficit. But thanks to strong exports from FDI sector, 6 month accumulated trade balance remained a surplus of USD 1.5 billion. In the last 2 quarters, the trade balance will turn to deficit but marginally due to the import demand of machinery and raw materials for the construction of infrastructure. **Therefore, we adjust our 2016 trade deficit forecast to about USD 200-400 million.**

### Forex market

**VND to USD exchange rate will be stable and controlled by the central bank.** Receive support from the balance of payments surplus as lower imports than forecast as long as better FDI in first half, foreign reserves of the central bank received good addition to give condition for controlling the exchange rate in 2016. Among influencers, the exchange rate will depend mainly on inflation and foreign currency demand due to the condition for Fed's rate hike will be no longer as favorable as the beginning 2016. Therefore, we believe that in the last 6 months, as demand for foreign currency for imports will increase seasonally, **VND will lose value 3-5% (original forecast with Fed rate hike was 5-8%).**

### Banking - Interest rates

The roadmap to cut interest rates will continue as Vietnam interest rates remained high in Asia, though there is still pressure from inflation. Movements in the credit market in the first half showed the abundant capital supply as growth of savings or M2 base was faster than credit. Another favorable condition for the reduction of interest rates is low inflation environment which is expected to maintain in the last 6 months. With the government's direction along with policies to support the credit system, **the reduction of interest rates is likely to continue in the third and fourth quarters with a view of credit growth target at 18%.**



Table 4  
Monthly macro indicators

Indicator/Month	2015M12	2016M1	2016M2	2016M3	2016M4	2016M5	2016M6
GDP YoY (%)	6.68	-	-	5.46	-	-	-
GDP ytd YoY (%)	7,01	-	-	5.46	-	-	-
PMI	51.3	51.5	50.3	50.7	52.3	52.7	52.6
IIP YoY (%)	9.0	5.9	7.9	6.2	7.9	7.8	7.4
IIP ytd YoY (%)	9.8	5.9	6.6	6.3	7.3	7.5	7.5
Retail Sales YoY (%)	9.5	11.7	6.6	8.8	8.5	9.0	11.0
Retail Sales ytd YoY (%)	9.5	11.7	9.7	9.1	8.8	9.1	9.5
Retail Sales ( <i>adjusted</i> %)	8.4	11.0	8.3	7.9	7.5	7.8	7.5
CPI MoM (%)	0.02	0	0.42	0.57	0.33	0.54	0.46
CPI YoY (%)	0.6	0.8	1.27	1.69	1.33	2.28	2.40
FDI resgistered (bil. USD)	2.54	1.33	2.00	1.23	2.85	3.27	1.23
FDI disbursed (bil. USD)	1.3	0.8	0.2	2.00	1.2	1.16	1.5
Exports (bil. USD)	13.7	13.4	10.1	15.1	14.1	14.6	14.8
Imports (bil. USD)	14.3	12.6	10.3	14.5	14	15.0	14.9
Balance (bil. USD)	-0.6	0.76	-0.19	0.62	0.1	-0.4	-0.1
Ex. rate (VND/USD)	22,506	22,407	22,325	22,300	22,294	22,400	22,177
Credit growth (%)	17.17	-0.2	0.39	1.54	3.57	-	-
Non-performing debt (%)	2.72	-	-	-	-	-	-

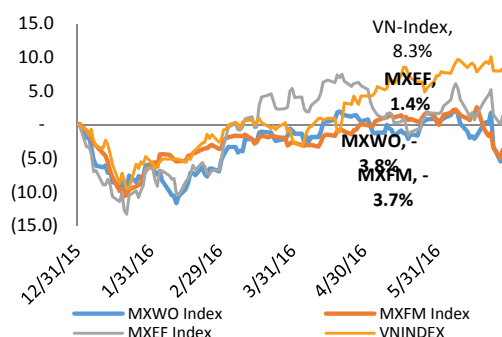
Source: BSC Research

# Stock Market Q2 2016

## Market Overview

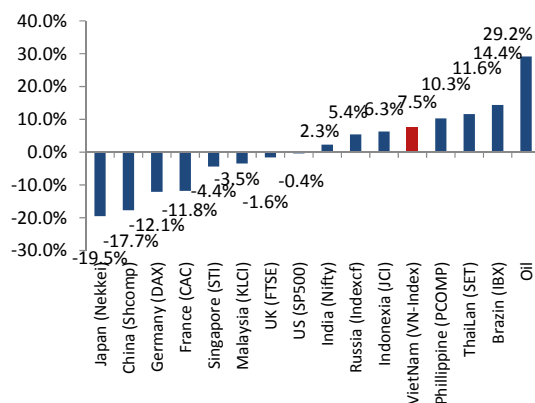
Together with the rebound of oil price and basic commodities, delay raising interest rates by the Fed drove global stock markets continue to surge. However, Brexit occurred near the end of June caused chaos in many markets and sank stock markets down. Among MSCI stock indices, only MSCI Emerging country index still remained higher by 1.4% compared to a year earlier, while global stock index and frontier market index decreased by 3.8% and 3.7%, respectively.

Graph 10  
MSCI indices in the last 6 months (USD)



Source: Bloomberg, BSC Research

Graph 11  
Changes of key market the last 6 months



Source: Bloomberg, BSC Research

The major stock markets, especially in Europe, China and Japan, suffered the strongest decrease (Nikkei -19.5%, Shcomp -17.7%, DAX -12.1%, CAC

-11.8%). The US market and other regions, though were also affected, were still able to keep rising momentum. The Southeast Asian countries such as Thailand, Philippines, Vietnam, Indonesia rose by 11.6%, 10.3%, 7.5% and 6.3%, respectively.

Net buying activity in the Southeast Asian market supported the market to rally and were not strongly influenced by Brexit.

Table 5  
Net buy-sell activities of foreign investors (million USD)

Country	Net transacti on June	Net transactio n Q2	2016
India	531	1,501	2,715
Indonesia	532	537	853
Japan	(3,739)	10,443	(51,649)
Phillipine	244	497	573
Korea	492	2,403	3,161
Sri Lanka	(4)	(29)	(42)
Taiwan	2,299	945	5,926
Thailand	327	299	842
China	(62,400)	(105,410)	(343,020)
Pakistan	71	56	(45)
Vietnam	3	(34)	(82)

Source: Bloomberg, BSC Research

Vietnam stock market experienced better movement than the regional and world markets. The interventions of the central bank to cut interest rates to support growth and enterprise opened gates for money to flow stably into the stock market. The market also attracted capital inflows Pnotes, which offset the capital withdrawals of the ETFs, and VIC convertible bond. VN-Index increased by 9.2% in the first 6 months, closed at 632.3 points.

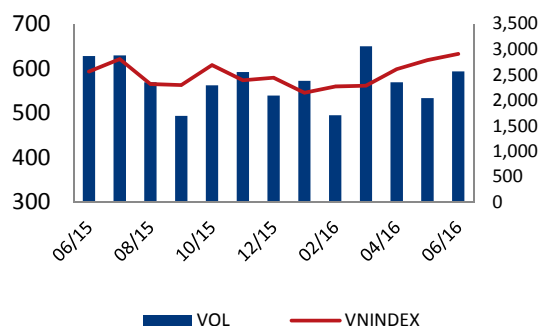
Closing the session on 30.06, VN-Index closed at 632.3, while the HNX-Index closed at 84.72. Calculated in Q2 2015, VN-Index increased by 12.7% while HNX-Index rose only by 7.2%.

From April to June, VN-Index continuously showed up and down movement in the rising channel and approached peak zone of 638-640 set from mid-2014 before witnessing the sharp volatility caused

by Brexit that shaken global financial and Vietnam markets.

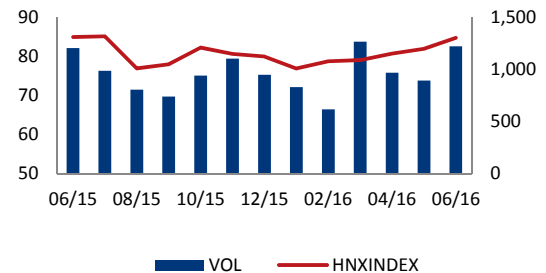
**The general trend of the Vietnam stock market in Q2 is going up.** In particular, continued the rise in March, VN-Index and HNX-Index continued impressive growth in April, largely due to the leadership of the oil and gas stocks and financial groups (Insurance, Bank). May effect "Sell in May and go away" was not true this year as many key markets maintained rising momentum. MSCI Global rose by 0.2%, the MSCI Frontier Market rose by 0.3%, only emerging market countries fell by 3.9% after rallying strongly in April. In particular, the VN stock market overtook the aforementioned market when in May, VN-Index up by 3.3% and HNX-Index up by 1.5%. June with strong influence from Brexit had taken away from VN-Index 34 points, equivalent to the cumulative rally of VN-Index since the beginning of May. The general decline in global stock markets, extreme volatility in commodities prices, FX, government bond markets came with concerns that foreign capital flows from these markets would be withdrawn when Brexit occurred made the VN Index shaken in 2 sessions on 06.24 and 27.06. However, the market recovered impressively in the last session in June, taking back the whole lost points to create momentum to conquer the peaks 638-640.

Graph 12  
**Movement of VN-Index**



Source: HSX, Bloomberg, BSC Research

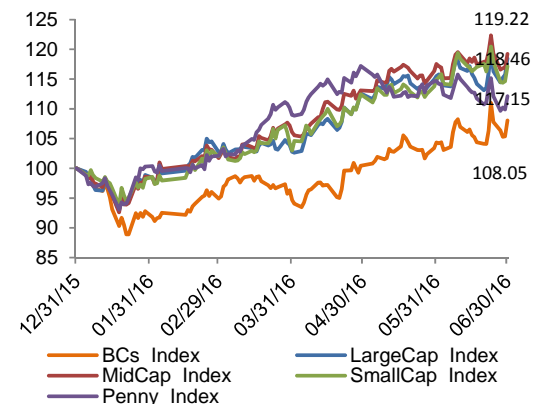
Graph 13  
**Movement of HNX-Index**



Source: HNX, Bloomberg, BSC Research

### Movements of stocks by market capitalization

Graph 14  
**Movements of stocks by market capitalization**



Source: Bloomberg, BSC Research

**In general, in Q2 all stocks sorted by market capitalization gained and was led by LargeCap and BCs, this is the support necessary for the firm rally and to challenge the old peak of VN-Index.**

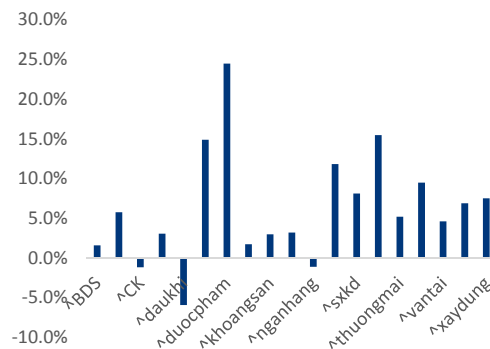
Continued momentum in May, in June, BCs continued to be the group leader when rising 3.6% MoM, followed by LargeCap, Penny, SmallCap and MidCap with an increase of 2.6%, 2.2%, 1.9 and 1.4% MoM, respectively. Considering Q2, there was a change in order when LargeCap led group with an increase of 15.2%, ranking behind are BCs (+ 14.1%), SmallCap (+ 13.7%), MidCap (12.9%) and

Penny (2.9%). Considering from beginning 2016, Penny couldn't maintain impressive growth in Q1 and down to the No. 4, giving the group leading position to MidCap. The MidCap (+ 19.2%) enjoyed the highest growth, the remaining stocks experienced also quite impressive gains, LargeCap (+ 18.5%), SmallCap (+ 17.1%), Penny (+ 12.1%), only BCs (+ 8%) has growth smaller than 10%.

### Movements of stocks by industry

In general, in June, most of the industry groups gained, only 3 groups declined, including Securities (-1.2%), Oil and gas (-5.9%), Banking (-1.1%). The industries rose more impressively than others consists of Pharmaceuticals (+ 24.5%), Steel (+ 15.5%), Services (+ 14.9%) and Plastics (+ 11.8%).

Graph 15  
Stocks by industry in June

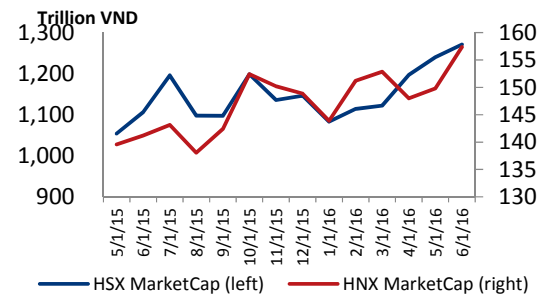


Source: Bloomberg, BSC Research

### Market Capitalization

**Market Cap of 2 floors tend to rise from early 04.2016 despite sharp correction near the end of June due to the impact from the Brexit.** Closing 30.06 session, market capitalization of HSX and HNX reached 1266 trillion (\$ 58 billion) and 157 trillion (\$ 7.2 billion), respectively, equivalent to an increase of 12.8% and 3% over the first quarter. BCs such as GAS, DHG, HPG, KDC and LargeCap such as POM LargeCap, TRA, CSM, SBT, PNJ market cap increased sharply in Q2, raising market cap of HSX.

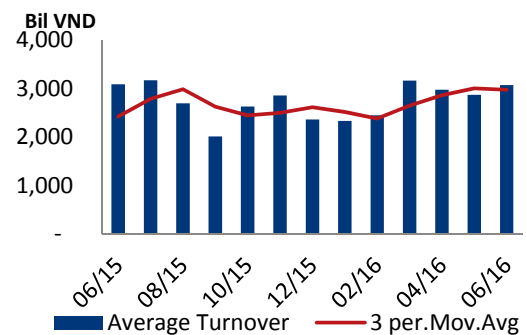
Graph 16  
Market Capitalization



Source: Bloomberg, BSC Research

### The average liquidity of market

Graph 17  
Average trading value



Source: Bloomberg, BSC Research

**In general, the trend of market liquidity since the beginning 2016 is rising.** Q2 2016 Market liquidity doesn't volatile much when trading value fell slightly in April and May, and increased again in June when the Brexit led the trading value increased sharply during the trading session on 24.06 (more than 260 million and 100 million shares changed hands on the HSX and HNX). In Q2, the 3 month average transaction value per day reached 2973 billion, equivalent to \$ 136 million / day, an increase of 12.4% compared to Q1 2016 and increased by 22.7% compared to the same period in 2015. Liquidity every month in Q2 were higher than Q2 2015 average liquidity, liquidity in May declined somewhat due to the cautionness of the market before the "Sell in may and go away", especially, liquidity in June rose to the second highest in year as the VN-Index constantly challenge the previous

top. In addition, there were a total of 22 stocks with liquidity over \$ 1 million in June.

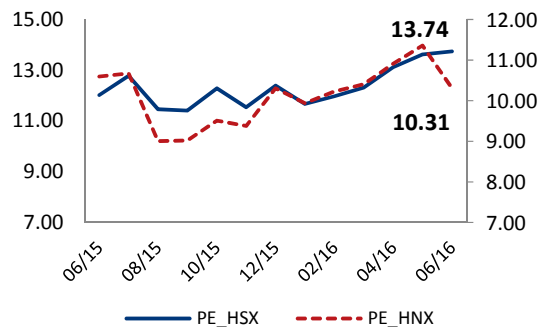
### The price level of the stock market in VN

**On 30.6, the PE of the Vietnam stock market remained low compared to other markets in the region and the world. PE of VN Index currently stands 8th at 13.74, up 1 position from May, and the HNX-Index PE currently stands 2nd at 10.31, down 2 positions from May.**

Calculating for 6 months, the general trend of the VN-Index PE is increasing. Notably, the increase of the VN-Index is 10% while the VN-Index PE is 10.9%, indicating that the VN-Index price is rising faster than its profits. In addition, the HNX-Index PE are down 0.1% YTD despite HNX Index gained 5.9%, which suggests that the price of the HNX-Index is moving not align with its profits.

Graph 18

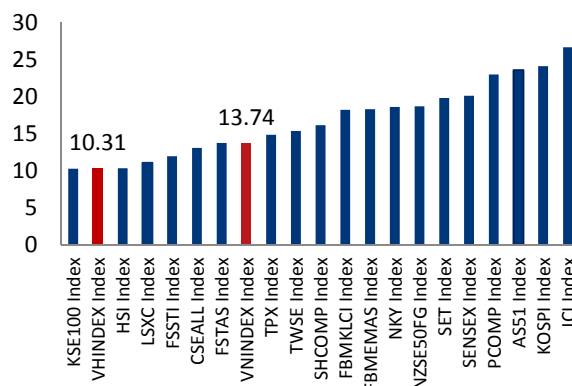
#### Vietnam stock markets P/E movements



Source: Bloomberg, BSC Research

Graph 19

#### P/E of VN market in comparison with others



Nguồn: Bloomberg, BSC Research

### Foreign investors' transactions

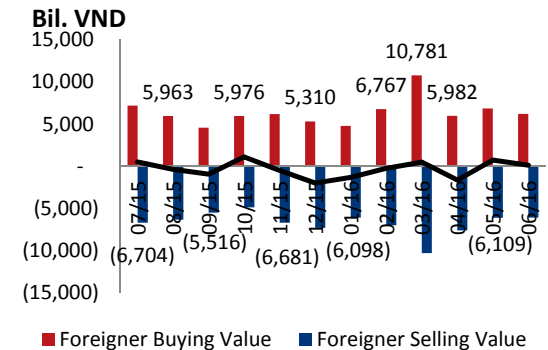
**In June, there was net buying activities of foreign investors with a net worth of VND 123 billion and VND 175 billion on the HSX and HNX.**

In Q2, foreign investors bought mainly MBB, GAS, SSI, VCB, PVD while sold VIC, HPG, VSH, CTD, HSG on HOSE. On HNX, foreign investors executed net buy mainly in PVS, SCR, PLC, SHB, VND, net sell insignificant.

In June, net purchases concentrated mainly on MBB, GTN, MSN, GAS, TMS and net sale transactions focused primarily on HPG, VIC, VNM, HHS, HSG. Foreign investors continued net selling on VIC, driving VIC's total net sales in Q2 to nearly VND 3300 billion.

Graph 20

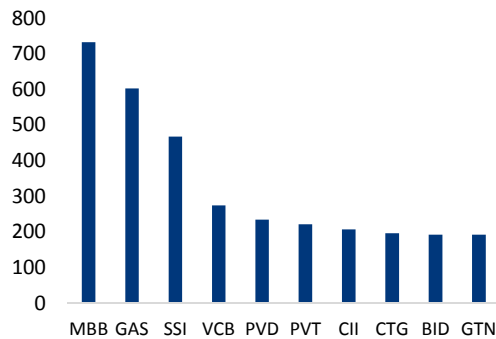
#### Buy-Sell activities of foreign investors on HSX



Source: BSC Research

Graph 21

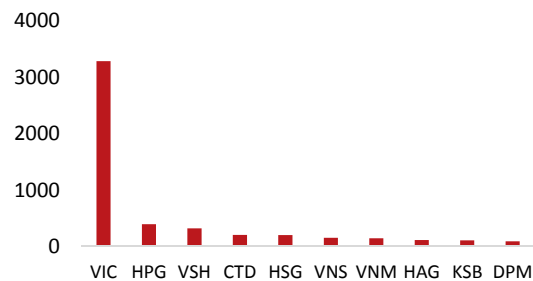
**Top 10 net bought stocks by foreign investors on HSX (Bil VND)**



Source: BSC Research

Graph 22

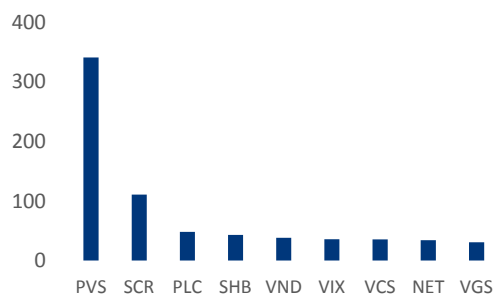
**Top 10 net sold stocks by foreign investors on HSX (Bil VND)**



Source: BSC Research

Graph 23

**Top 10 net bought stocks by foreign investors on HNX (Bil VND)**



Source: BSC Research

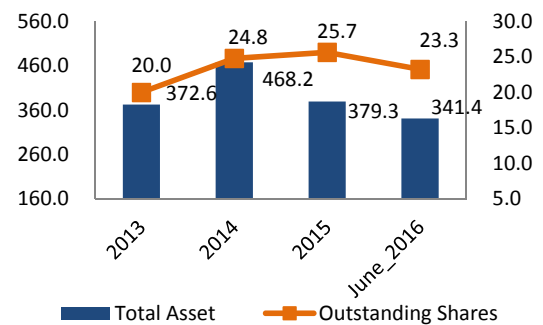
### Activities of ETFs

Since the beginning of 2016, the number of outstanding shares of VNM ETF fell 2.4 million (USD

2.2 million), equivalent to VND 47.86 billion sold. Number of FTSE ETF shares fell 0.53 million (USD 2.53 million), equivalent to VND 55.09 billion sold. 2 ETFs had the same movements in June when they reduced scale with relatively equivalent levels (VNM reduced USD 2.85 million, FTSE reduced USD 2.53 million). However, the two funds' movements started to diverge in the two months remaining in Q2 when VNM only reduced USD \$ 2.53 million, FTSE cut USD 10.03 million in May, VNM kept scale unchanged in April while FTSE increased by 1.53 million.

Graph 24

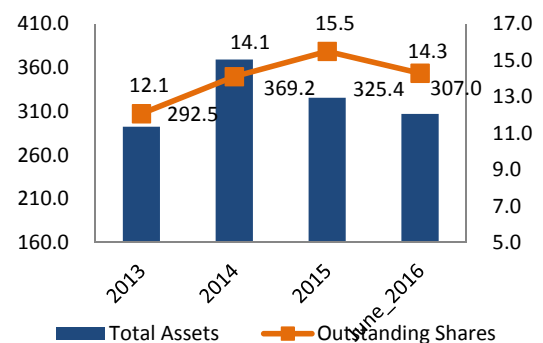
**Total assets and outstanding shares of ETF VNM**



Source: BSC Research

Graph 25

**Total assets and outstanding shares of ETF FTSE**



Source: BSC Research

## Market Outlook Q3 2016

In the first 6 months of 2016, the market has shifted notably compared to 2015:

Petroleum stocks, Steel lead the market: The role of market leader of Bank group in 2015 was moved into oil and gas group, steel group. Recovery of fuel material prices to help this two groups rose good stable for 6 months. Recovery trend was also observed in many other industries such as Sugar, Natural Rubber. BCs stocks create good foundation for the market, to help the rise of the stocks LargeCap, MidCap and SmallCap. The shares basic, low beta, high dividend payout ratio of these groups have very strong growth.

Cash flow and margin investing activities focused on basic stocks: Average Liquidity in 6 months reached 2,809 billion VND, an increase of approximately 20% compared to the same period of 2015. The cash flow tends to focus on a group of shares basic. Number of the shares had liquidity of \$ 1 million decrease from 32 to 22 stocks though stocks leading liquidity VNM, HPG, SBT, VIC alternative location for the shares "super liquidity" in 2015 as FLC, KLF, FIT, VHG. This process also helps to shift upward trend of the index is more stable, reducing the risk from the sharp decline from super-liquidity stocks as in 2015. Activities of margin is concentrated in so many stocks basic. Margin transaction size thus maintained at a high level, though this stability will also potentially the risks of accumulation margin level in basic stocks will be heavy and prolonged risk to investors when marketing reversal.

Foreign investors turned net sellers into the following years, Pnotes replace the role of ETFs: Foreign investors turned net sold position to 943 billion in the June 2016 after years of net buying. However, if excluding transactions 3,300 billion of convertible bonds from the VIC, foreign investors were net buyers actually more than 2,300 billion. Along with the sudden shift in the structure of foreign investors. If these ETFs contributed to net buying of foreign investors for many years now, it has reversed a net seller. Two ETFs withdrawn from the market about 76 million, of which \$ 56 million reduced scale, and reduce the proportion VNM ETF holds 20 million. Offset value net withdrawal from

the ETF and the net sale value at the VIC after foreign investors shift from bonds and sold through the floor and transactions, foreign capital flows from Pnotes contributed largely to buying foreign investors in the market.

The shift is expected to continue strong impact on major trends in the second half of 2016.

Factors affecting the market in May 7/2016:

Events	The content and impact on the stock market
The macroeconomic indicators last quarter	neutral
Circular 203 on the stock market trading tutorial takes effect 07/01/2016	2 content of interest: The daily trading deploy back to 2017; Regulation no margin for foreign investors are not influenced by foreign investors using margin restrictions. neutral
International Arbitral Awards (PCA) on the lawsuit SCS	Indirect effects, through the psychological impact on China's behavior Unpredictable
Second quarter 2016 earnings results	Positive
The Government's solution to achieve 6.7% growth target	Positive in the short term
The first session of the National Assembly XIV 20/7 - 07/29/2016	Focused content review and senior personnel decisions of state. neutral
FED meeting 26 - 27/7 and 20-21/9	Most likely not raise interest rates before the change from the Proposed referendum on United Kingdom membership of the European Union neutral
Margin maintained at a high level, liquidity is not extended	Negative



Vietnam market is benefiting from the net buying activities of foreign investors in the region. The shift of investment into the underlying shares has limited somewhat the risk of falling of the index before the change in the country and internationally.

Statistics of GDP growth was 5.52% period 6 months of 2015, lower than 6.32% in the same period last year shows that the economy is slowing down and risk losing growth momentum. On the one hand this is not positive information to the stock market, on the other hand opens to expect the next policy adjustments by the government in its efforts to pursue the goal of 6.7% growth. In the context of fiscal policy is no longer geographical balance by the debt ceiling and the deficit in half a year up to 82,900 billion, the loose monetary policy being considered as the main solution to take growth to the economy.

In fact the regulation of the State Bank has also recently helped the banking system liquidity improvement and reduced market interest rates despite the macro-economic conditions such as inflation, exchange rates and international environment unfavorable developments. Bank liquidity is abundant and interest rates go down what is always a good sign for the stock market.

Loose monetary policy is creating inflationary pressures (CPI rose 2.35% in 6 months). On the other hand, the world economy continues to face growing risks, countries maintain negative interest rate policy, complicated from the fact Proposed referendum on United Kingdom membership of the European Union, and surprised the US presidential elections will pose operating challenges in macroeconomic stability and support growth of government. This is the risk to the market in the medium term.

The market had increased 12% in the second quarter, the best in five years. Market performance statistics for the third quarter also showed negative figures while the 5 years average performance of the third quarter was only -0.4%. Whether further market developments rose sharply in the third quarter of this year or not will also depend on interest rate management policy, the exchange rate

of the Central Bank and the activities of foreign net buying in the near futur.

VN-Index from the second quarter of 2010 – 2015

	2010	2011	2012	2013	2014	2015
July	-2.0%	-4.6%	-1.1%	2.5%	3.1%	5.0%
August	-7.4%	5.7%	-4.0%	-4.0%	7.2%	0.1%
September	-0.9%	-1.8%	-2.4%	4.3%	-6.5%	0.1%
Quarter III	-3.5%	-0.2%	-2.5%	0.9%	1.3%	1.7%

Source: Bloomberg, BSC Research

VN-Index is forecasted in the range of 605-640 points in the third quarter.

July: With the movement of the shares of large BCs and psychological momentum, VN-Index will continue to campaign surpass 640 points gained in the first week but the overall trend is still in the accumulative area around the 640 points. The shares will continue to differentiation the postpartum period Proposed referendum on United Kingdom membership of the European Union and towards the second quarter earnings results. Open-room information for foreign on large stocks is the bracket for the market. Medium and small stocks are supported by positive earnings will attract investors. Note on geopolitical developments in the East Sea after an international arbitration ruling on the lawsuit "U-shaped road" and the evolution of oil prices.

August: Not much information domestically and internationally published market information entered low-lying areas and movements depend on the policy of the central bank monetary easing. More easing will help the market to check the top 640 points and can go further from the 8-year peak.

September: According to our quantitative model, VN-Index forecast to nearly 620 points threshold. The process of cyclical adjustment of the market in a state of high accumulation and sustained margin vulnerable by extraordinary information in the country and abroad. The adjustment process will create the background for the end of year rally beyond short-term peak as the supporting policies promote efficiency.

Investment orientation of the third quarter, shares details of our recommended to investors can refer to:



- Stocks expected to have a positive second quarter earnings results, noting Building Materials, Technology, Automotive, Pharmaceuticals.
- Stocks with positive outlook Real Estate, Construction, Building Materials, Technology, Ports, tires.
- Basic stocks, high dividend, low beta
- Stocks open room, shares divested operations and M & A.
- Stocks UPCOM granted when the roadmap for implementing margin 1/7
- In the long term, the stock recommendations of the BSC will be mentioned in Q32016 industry outlook report ([Link](#)), stocks with positive changes recommended in the report weekly Investment Advisory ([Link](#)) and report updated industry / business ([link](#)).

### Disclosure

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#### BSC Headquarters

BIDV Tower, 10th & 11th Floor  
35 Hang Voi, Hoan Kiem, Hanoi  
Tel: +84 4 3935 2722  
Fax: +84 4 2220 0669

#### Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor  
District 1, HCMC  
Tel: +84 8 3821 8885  
Fax: +84 8 3821 8510

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