Vietnam Monthly Review
August 2016

BSC Research

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BSC

Macroeconomics

- PMI reached 51.9 points, down from 52.6 in July, although still indicated the continous expansion of manufacturing activity for the eight executive months.
- Sales of retail and services maintained the positive momentum with a decent yoy growth of 9.4%. July CPI continued the upward trend, increasing by 0.13% mostly due to the increase in price of transport, housing and construction materials.
- FDI continues to be a bright spot, with the implementation value of $ 8.6 billion, up 15.5% yoy. Industrial processing sector accounted for 70.5% of registered capital.
- The trade balance yielded $ 100 million surplus, after 2 months of deficit. Accumulatively 7M2016 generated trade surplus of USD 1.8 billion.
- USD/VND fluctuated around the quoted exchange rate of 21,853. The interest rate remains stable, with 1-month rate decreased while less than 1 month rate had a slight rise.

Stock Market

- The two floor showed opposite performance in July: VN-index maintained the upward momentum, while HNX declined
- Liquidity in July reached VND 3,505 bil/day, up 14% mom and at the highest 1-year level. The main driver was domestic investors boosting up trading activities.
- P/E of VN-Index and HNX-Index was respectively 15.01 và 9.54, maintaining their rankings in the region from last month.
- July saw a strong net buying of foreign investors, which amointed to VBD 1,278 billion (VND 1,208 bil in HSX and VND 70 bil in HNX)

August Market Overview

Market is expected to continue the technical adjustment trend for the first half of August,followed by upward trend in the second half. VN-Index ranged in 600-650 points. Important support levels are 630 and 610 points, while resistance level are 650 and 680 points.

Investment recommendation for August and details of our recommended stocks could be find in the following reports:

- Stocks with strong second quarter earning results and positive business outlook with appropriate adjustment in price level.
- Stocks in sectors with positive prospects, including Real estate, Construction, Building Materials, Port, and Power;
- Stocks with good fundamental basis, high dividend and low beta;
- In long-term, BSC's stock recommendation could be find in our 3Q sector outlook report (Link), stocks with positive changes recommended in our weekly report(Link) và corporate reports (link).

Macroeconomic overview July 2016

Economic growth

- Industrial production index continued to trend down slightly from April stability;
- PMI had downward adjustment, lower than the second quarter;
- Retail sales resumed growth, with strongest gain from retail sales of goods.

The index of industrial production in July increase by 7.2% yoy, although lower than growth of the same period in 2015. Specifically, growth in mining sector fell, while manufacturing processing industry increased. A number of major industrial products increased compared to the same period last year including television, steel, automotive, food for livestock, iron, crude steel, cement, steel bar, angle steel and liquefied petroleum gas.

Index of consumption of processing industry in June rose by 0.7% mom and 7.8% yoy.

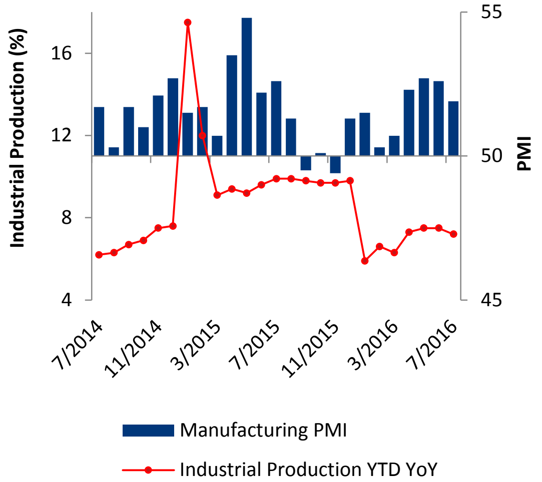
Inventory of processing industry had similar growth with + 9.2% yoy, lower than the 10.3% growth of the same period in 2015.

PMI declined from the 2nd quarter. PMI reached 51.9 points, in the context of the business condition is improving.

PMI had downward adjustment, lower than the second quarter. Accumulatively for 7M2016, , total retail sales of goods and consumer services was estimated at VND 2,016.9 trillion, up 9.4% yoy (Excluding the increase in price level of 7.4%, which is lower than the 8% increase in the same period in 2015.

Chart 1

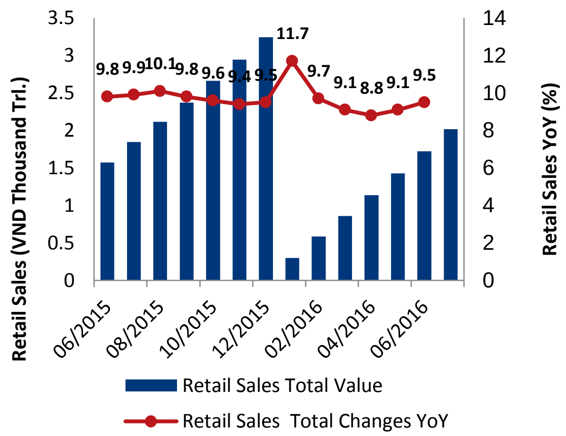
Industrial Production & PMI



Source: GSO, Markit, BSC Research

Chart 2

Retail sales

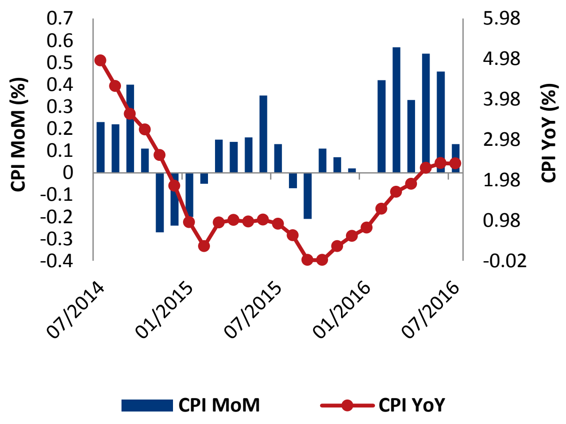


Source: GSO, Markit, BSC Research

Inflation

- CPI in July maintain the upward trend;
- The group of transportation, housing and construction materials, electricity and water are the main driver for increase in CPI. The remaining groups had lower increase or even decreased.

Chart 3
Monthly CPI movements



Source: GSO, BSC Research

In July, CPI had increased 0.13% MoM. The CPI in July 2016 increased by 2.48% compared with it in Dec 2015 and by 2.39% over the same period in 2015. The average CPI in the first 7 months 2016 increased by 1.82% compared with it in the same period 2015

Table 1
Increase/Decrease of services sector in July

TT	Sector	Compared with last month (điểm %)	Compared over same period 2015 (điểm %)
1	Foods and Catering Services	2.69	0.00
2	Transportations	-9.27	1.24
3	Health Cares	26.27	0.07
4	Housing, Construction Materials	1.89	0.19
5	Entertainment	1.38	0.06
6	Beverage and Cigarette	2.21	0.14
7	Clothing	2.03	0.09
8	Housing Appliance	1.09	0.11
9	Education	4.65	0.05
10	Telecommunication	-0.64	-0.05
11	Others	2.28	0.22

Source: GSO, BSC Research

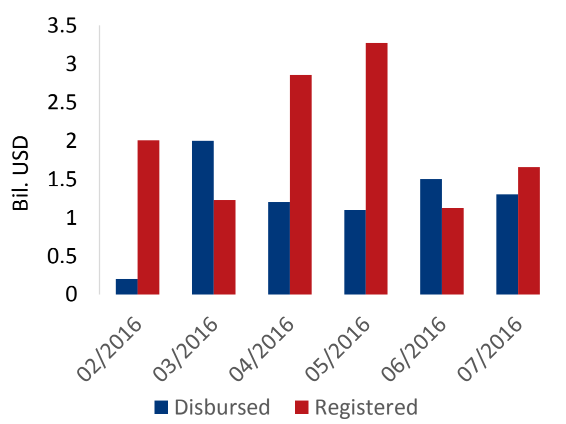
The main drivers which boosted CPI in July were Transportation, housing and construction material sectors. Specifically, the transportation and housing sectors were affected by oil and gas price increase. Plus, the construction material sector was also hit dramatically by steel belt and billet protection taxes application. The other sectors were not seen significant changes.

The foreign direct investment FDI

- Even though registered FDI had increased compared with last month, FDI disbursement actually witnessed slight decline.
- The processing and manufacturing sectors recorded highest licensed newly investment.

The FDI in the first 7 months was estimated to reach USD 8.6 bil, increased by 15.5% over the same period in 2015. Till 20th July 2016, FDI has flown to 1408 newly projects, increased by 31.08% in terms of number of project and increased by 25.5% in terms of value, compared over the same period in 2015, stood at USD 8695.2 mil

Chart 4
FDI in Vietnam (USD Bil.)



Source: GSO, BSC Research

The processing and manufacturing sector attracted largest newly licenced FDI in July 2016, standing at USD 5626 mil. The total FDI to the sector in the first 7 months 2016 has reached USD 9121.8 mil, accounted for 70.5% total registered FDI; real estate recorded USD 956.8 mil FDI invested, accounted for 7.4%; the remainings recorded USD 2861.8 mil, accounted for 22.1%

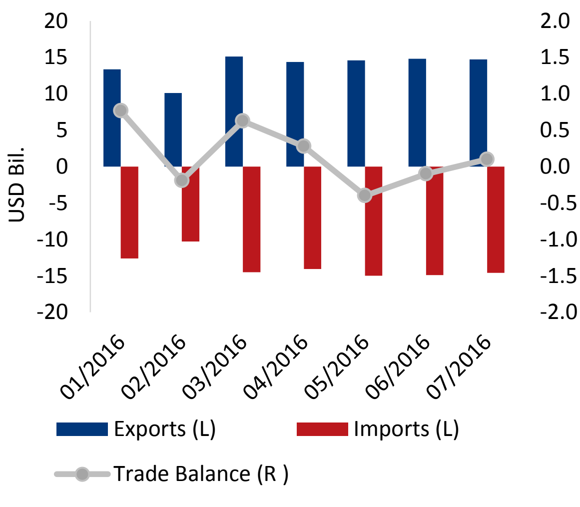
Import- export, Trade

- **The trade balance in June yielded deficit of USD 17 mil.**
- **In July, trade surplus was estimated at USD 100 mi.** In the first 7 months, trade surplus has reached USD 1.8 bil, in which domestic sectors had trade deficit of USD 11.7 bil, the FDI sectors (including crude oil) had trade surplus of USD 13.5 bil

The export value in July was estimated to reach USD 14.7 bil, decreased by 0.2% compared with last month, in which export from domestic sector recorded at USD 4.27 bil, decreased by 0.6%, export from FDI sector (including crude oil) stayed the same as last month, standing at USD 10.43 bil.

Chart 5

Trade balance (USD Bil.)



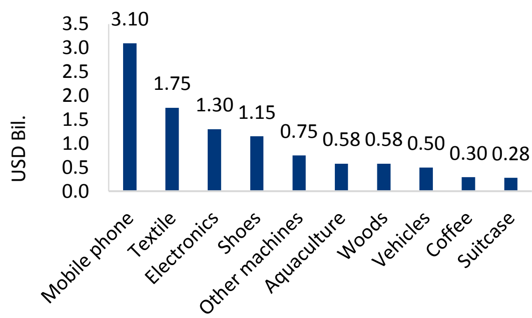
Source: GSO, BSC Research

Import value in July 2016 was estimated at USD 14.6 bil, decreased by 1% compared with last month, in which import of domestic sector recorded at USD 6.3 bil, decreased by 1.5%; import of FDI sector recorded at USD 8.3 bil, decreased by 0.6%.

In terms of export markets in first 7 months, USA remained to be the Vietnam's largest export market, with export value reached USD 21.3 bil, increased by 135 compared over the same period in 2015. The followings were EU (USD 19.1 bil, increased by 9.2%), China (USD 10.7 bil, increased by 13.7%), Korea (USD 6 bil, increased by 37%). Export to Asean markets reached USD 9.5 bil, decreased by 12.6%; to Japan reached USD 7.9 bil, decreased by 0.9%.

Chart 6

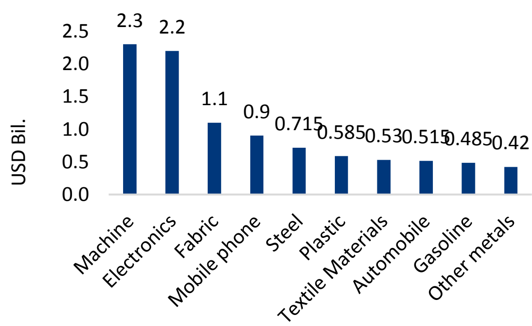
Top 10 exported goods (USD Bil.)



Source: FIA, BSC Research

Chart 7

Top 10 imported goods in 2015 (USD Bil.)



Source: FIA, BSC Research

In the period of seven months, the import from China reached at 27.4 billion USD (-3.1% yoy), the figure for was 13.4 billion USD for ASEAN (-4.1%); 8.2 billion USD for Japan (-4.1%); 5.9 billion USD for EU (-1.3%). However, the import from South Korean in the seven months was 17.4 billion USD (+6.5%) while there was 4.5 billion USD imported from USA (+0.2%).

The export turnover of major goods increased over the last year: the turnover was 19.4 billion USD for phones and accessories (+13.4% yoy); 13.2 billion for textile (+5.4%); 9.4 billion for for electronics, computers and components (+9.5% yoy); 7.5 billion for footwear (+8.1%); 5.3 billion USD for other machinery (+18.2%); 3.7 billion for seafood (+3.5%); nearly 2 billion for coffee (+16.6%); 1.9 billion for handbags, suitcases, umbrellas, etc. (+11.6%); 1.5 billion for cashew nút (+10.9%); 1.4 billion for vegetables (+32.7%).

The import turnover of input materials and machinery decreased: The figure was 15.4 billion USD for machinery and other components (-5.8%); 5.5 billion for phones and accessories (-10.9%); 3.3 billion for plastics (-0.6%); 2.8 billion for petroleum (-17.1%, the volume increased by 25.1%); 1.8 billion for animal feed and materials (-5.2%); 1.8 billion for chemicals (-6.4%); 1 billion for wood and wooden products (-20.6%).

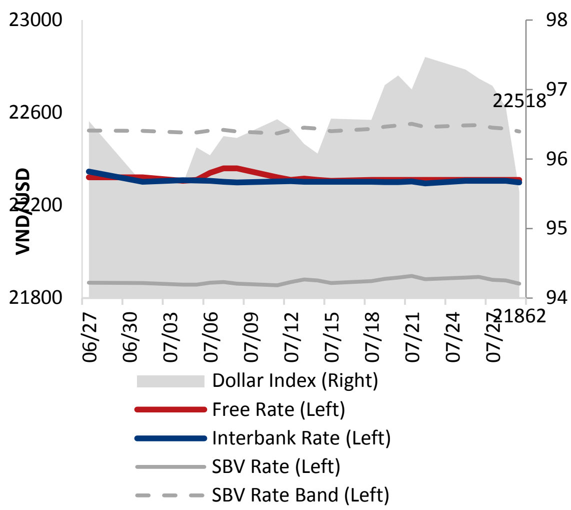
Foreign exchange market

- **The State Bank plans to synchronize measures and monetary policy instruments in order to stabilize the foreign exchange market and exchange rate in a entitled fluctuation band.**

- **USD depreciated,** traders simultaneously withdrew bets on the increase of interest rate, and this resulted in the depreciation of USD and the attraction of bonds.

- **The decreciation of JPY,** due to the insignificant difference between interest rates, the concerns about the world economic outlook, the speculation and the shift of investments from China goverment bonds to Japan goverment bonds.

Chart 8
Exchange rates



Source: Bloomberg, BSC Research

The USD/VND rate between commercial banks fluctuate insignificantly: The central rate were listed by the SBV at 21.853 VND/USD. Vietcombank listed the USD/VND at the buying rate of 22.260 VND/USD and the selling rate of 22.330 VND/USD. Vietinbank listed the USD/VND at 22.255 – 22.335 VND/USD for buying and selling rates respectively.

The international USD price index could not remain the trend towards to the 98 zone, and it has fluctuated around 96 compared with the range of 94-96 in June.

Banking – Interest rate

- **The VND interest rate was almost stable.** In the first half of this year, the SBV operated money supply effectively, and this facilitated stabilizing the interest rate level, reducing lending rates, remaining the stability of exchange rate, issuing government bonds, raising the foreign exchange reserve, but still controlling the inflation rate.

- The average interest rate on the interbank market decreased to 2.46%/year for 1 month term, but increased in most other key terms with less than 01 month.

Deposit rates remain stable compared to last month.

Table 2
Lending rates

Kỳ hạn	2015	2016M7	Chênh
VND short-term	6,8 - 9	7,8 – 9	0
VND mid & long-term	9,3 - 11	10 – 11	0
USD short-term	3 – 5,3	4.5 – 5.2	-0,1
USD mid & long-term	5,5 – 6,5	5.4 – 6,2	-0,3

Source: SBV, BSC Research

Table 3
Deposit rates

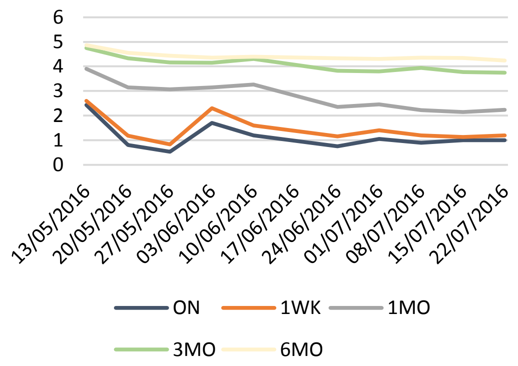
Kỳ hạn	2015	2016M7	Chênh
VND			
VND Demand deposit and below 1 month	0,8 - 1,0	0,8 – 1,0	0
VND 1 month – below 6 month	4,5 – 5,4	4,5 – 5,4	0
VND 6 month - 12 month	5,4 – 6,5	5,4 – 6,5	0,05
VND above 12 month	6,4 – 7,2	6,4 – 7,2	0,10
USD			
USD for people	0	0	0
USD for enterprise	0	0	0

Source: SBV, BSC Research

The current lending rate are at around 6-7% / year for short-term. State-owned commercial banks continued to apply lending interest on medium and long term at 9-10% / year. Lending rates of production and business sectors at 6.8% to 9% regular / year for short-term; and 9.3% to 11% for the medium and long term. For groups of business with healthy and transparent financial situation, lending rates was at around 5-6% / year.

Compared to the last week of June, the average interest rate on the interbank market decreased to 2.46%/year for 1 month term, but increased in most other key terms with less than 01 month. In particular, the average interest rate interbank overnight, 01 week and 02 week respectively increased to 1.31% / year, 1.63% / year and 1.99% / year, 01 month, 03 month , 06 month respectively by 2.46%, 4.10%, 4.66%.

Chart 9
Interbank rates



Source: SBV, BSC Research

Macroeconomic forecast – August 2016

At the international level, (1) China's economy gradually recovered with improvement in both PMI and NNI in the second quarter. China's trade also showed signs of recovery (2) For the second quarter, US economy grew by only 1.2% , lower than expected. During the meeting in July, Fed has kept interest rates unchanged for the third executive time, and make optimistic forecasts about the US economy. (3) Bank of Japan (BOJ) has disappointed the international market by not making any changes in the most recent meeting. (4) Negative interest rate in government bonds of developed countries will negatively impact the global economy: The quantitative easing policy of buying bonds had increased bond prices. Then, the increasing fear sentiment pushed demand for higher bond yields, which further lowered yield of most of developed countries' government bonds (USA, Germany, Japan). The popularity of negative interest rates among developed countries will directly affect the global financial market and credit system, as well as the global capital supply. On the domestic level, the Prime Minister delivered a message of reaffirming the determination to reach the Plan of socio-economic development for 2016, in a speech during the closing of the first session of the XIV National Assembly. The government maintai the macro perspective of building sustainable growth, with proactive, and flexible direction, coordinated between fiscal, monetary and other policies. Vietnam will continue to focus on controlling inflation control, reducing lending interest rates, and guaranteeing credit for the economy, especially in the priority areas. Effective management of the foreign exchange market, gold; increased foreign exchange reserves, ... Yet in the context of GDP reached 5.5% for 1H2016, to achieve 6.7% GDP growth for the whole year, the recond half must yield 7.6% growth, which is a major challenge for the government.

Table 4 **: Vietnam Macro data**

Chỉ tiêu/Tháng	**2016M1**	**2016M2**	**2016M3**	**2016M4**	**2016M5**	**2016M6**	**2016M7**
GDP YoY (%)	-	-	5.46	-	-	-	5.55
GDP ytd YoY (%)	-	-	5.46	-	-	-	5.55
PMI	51.5	50.3	50.7	52.3	52.7	52.6	51.9
IIP YoY (%)	5.9	7.9	6.2	7.9	7.8	7.4	7.2
IIP ytd YoY (%)	5.9	6.6	6.3	7.3	7.5	7.5	
Retail Sales YoY (%)	11.7	6.6	8.8	8.5	9	11	
Retail Sales ytd YoY (%)	11.7	9.7	9.1	8.8	9.1	9.5	
Retail Sales *(price adjusted) (%)*	11	8.3	7.9	7.5	7.8	7.5	
CPI MoM (%)	0	0.42	0.57	0.33	0.54	0.46	0.13
CPI YoY (%)	0.8	1.27	1.69	1.33	2.28	2.4	2.39
Registered FDI (USD Bil.)	1.33	2	1.23	2.85	3.27	1.23	1.665
Disbursed FDI (USD Bil.)	0.8	0.2	2	1.2	1.16	1.5	1.3
Exports (USD Bil.)	13.4	10.1	15.1	14.1	14.6	14.8	14.7
Imports (USD Bil.)	12.6	10.3	14.5	14	15	14.9	14.6
Trade balance (USD Bil.)	0.76	-0.19	0.62	0.1	-0.4	-0.1	0.1
FX (VND/USD)	22,407	22,325	22,300	22,294	22,400	22,177	22.47
Credit growth (%)	-0.2	0.39	1.54	3.57	-	-	-
Non-performing loans (%)	-	-	-	-	-	-	-

Source: BSC Research

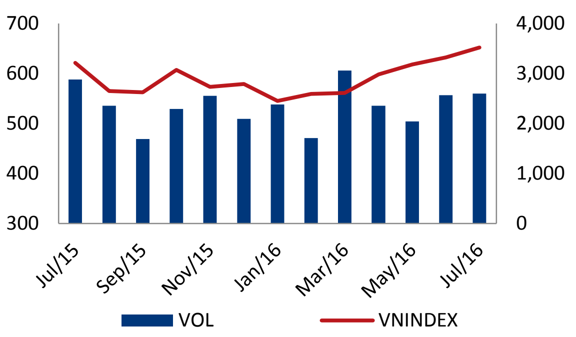
Stock market July 2016

Market overview

Both floors ended July with mixed performance, as while VN-Index kept increasing momentum from June, HNX-Index declined. Closing the last trading session of July, VN-Index ended at 652.2 (+3.2% MoM) while HNX-Index stayed at 83.71 (-1.2% MoM). VN-Index had an impressive performance in July, reaching the highest record since Feb 2008 with 657.66 points. On the other hand, after hitting the highest 1 year record of 88.29 points, HNX-Index continuously had technical correction since 8th August, dragging its return rate to a much lower level than of VN-Index.

Graph 10

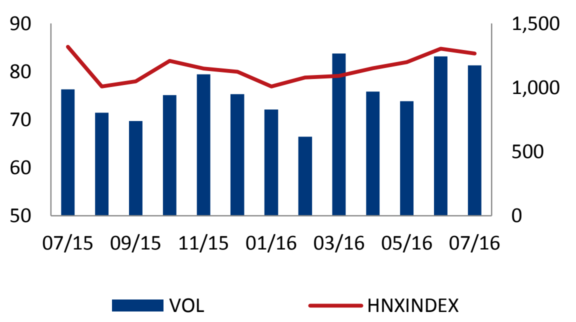
VN-Index movements



Source: HSX, Bloomberg, BSC Research

Graph 11

HNX-Index movements



Source : HNX, Bloomberg, BSC Research

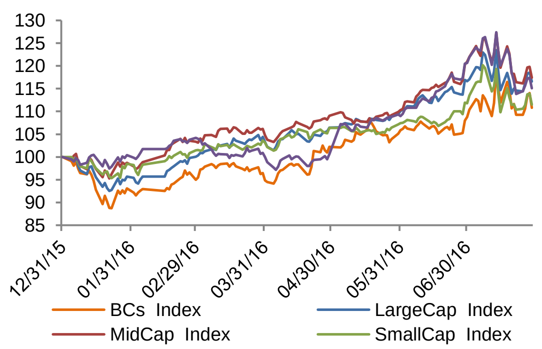
Though VN-Index enjoyed impressive rally, market ended mixed and not all industries benefited from market development. Stocks of Production (-9.5%), Oil (-4%), Rubber (-3.9%) and Phamarceutical (-2.1%) went against the rising trend of market while stocks of Steel (+8.6%) and seafood (+7.6%) could still extend the increasing tendency. After correcting in June, Banking and Securities rebounded in July, +7.6% and +6.4%, respectively. Rate of return of Constructional Materials and Plastic slowed down, from 6.9% and 11.8% from previous month to 1.8% and 3.1% in this month.

Stock movements by market capitalization

Stock groups classified based on Market Cap also ended mixed. While all groups had showed positive returns last month, this month, only Bluechip (+1.86%) rose and pushed VN-Index up to the new top. Other groups posted negative returns. Penny, which enjoyed the largest return last month (+11%), corrected the most strongly (-4.57%). Largecap, Midcap and Smallcap' returns were -0.1%, -2.9% and -0.3% in this month, respectively.

Graph 12

Movement of index groups



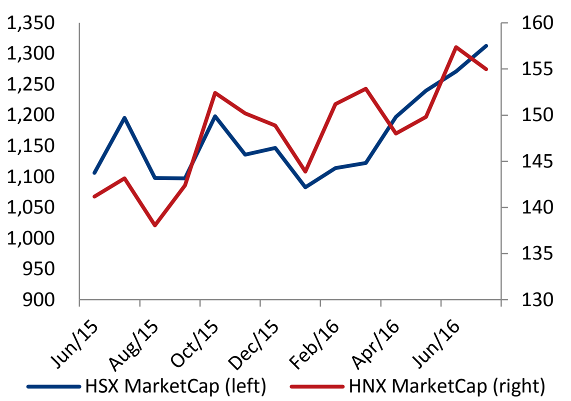
Source: Bloomberg, BSC Research

Market capitalization

Market Cap of both trading floors stood at VND 1,467.5 trillion, equivalent to more than USD 67 billion. Market Cap grew at the rate of 2.7% MoM, which is nearly unchanged from last month. Markep Cap continued to surge thanks to the rise of Bluechip including VNM, VCB, VIC, CTG, HPG, MWG and SSI. While Market Cap on HSX soared, Market Cap on HNX declined by 1.5% because HNX-Index has corrected much in July.

Graph 13

Market capitalization scale

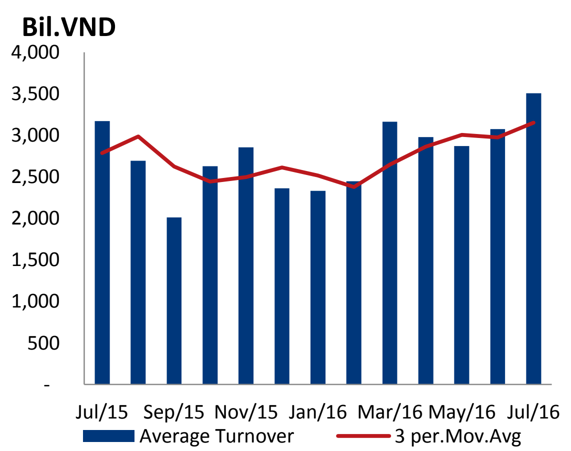


Source: Bloomberg, BSC Research

Market liquidity

Graph 14

Average trading value of 2 floors



Source: Bloomberg, BSC Research

Trading value kept rising trend established from beginning of the year and reached 3505 billion VND/session, equivalent to 160 million USD/session. Trading volume in July skyroketed (+14% MoM) to the highest level in one year. The fact that VN-Index successfully overcame strong resistant zones and surged to the highest level in many years spur the trading activities though trading volume decreased at month end.

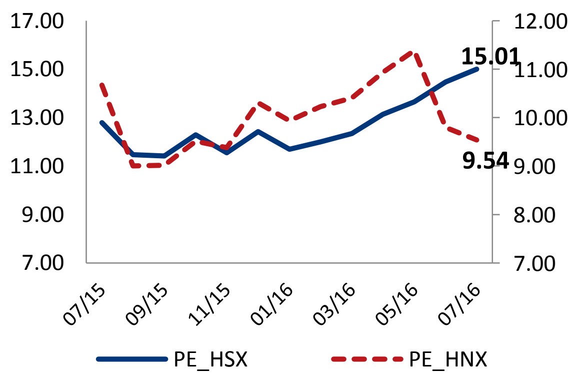
Stock price level

P/E of VN-Index and HNX-Index stood at 15.01 and 9.54, respectively, showing no change in regional ranking.

While P/E of VN-Index kept rising, P/E of HNX-Index extended downward trend because HNX-Index corrected in July. Currently, P/E of HNX-Index is even lower than the level at beginning 2016. The fact that VN-Index consistantly acquired new tops raised its P/E by 3.7%, even higher than its rate of return. VN-Index stood at 8th position, keeping it position in regional P/E ranking unchanged from previous month.

Graph 15

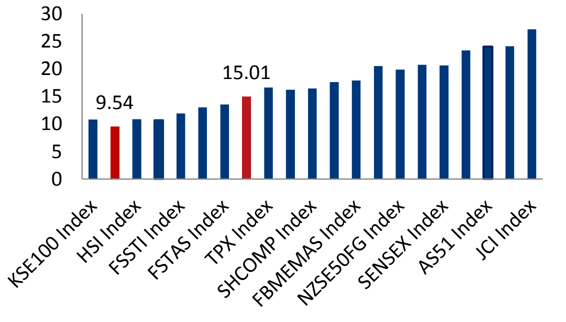
P/E movements of 2 floors



Source: Bloomberg, BSC Research

Graph 16

Vietnam P/E compared to other regional countries



Source: Bloomberg, BSC Research

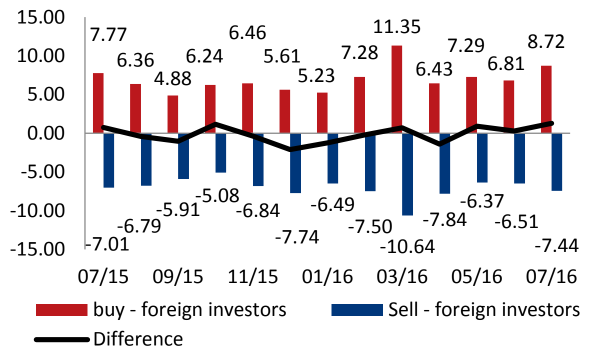
Foreign investors' transaction

Foreign investors held strong net-buy position in July with amount up to 1278 billion VND (1208 billion VND on HSX and 70 billion VND on HNX)

In July, foreign investors's net buy focused on HPG, VCB, CTG, SSI, PVE while their net sell are mostly on HSG, MSN, PVD, KSB, HBC on HSX. On HNX, their net buy concentrated on PVS, VND, SCR, VHL, VIX while their net sell are most strongly on NPT, NET, DBC, VNR, DXP. Remarkable transaction at month end are on MSN as foreign investors only need 2 net-sell sessions with 1.1 million and 600 thousand units to brought it up to second position in top net-sell ranking. Moreover, foreign investors also stop selling net HPG and VIC and started buying in these two stocks. They also brought VNM in to top net-buy ranking for the first time since beginning 2016.

Graph 17

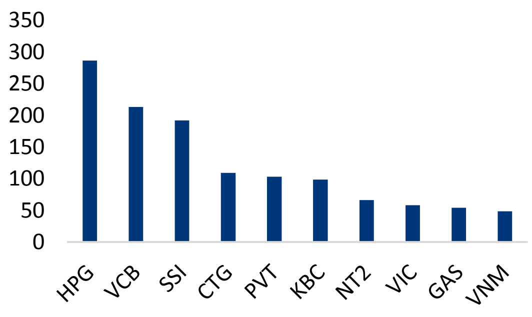
Foreigner's transaction on both floors (VND trillion)



Source: BSC Research

Graph 18

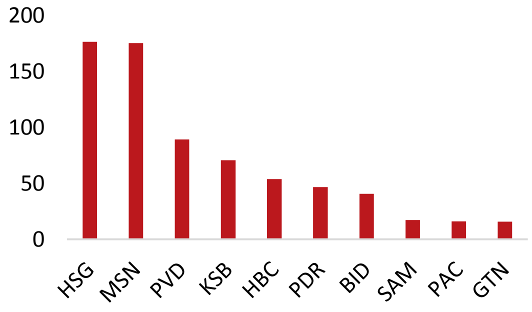
Top 10 net buy by foreign investors on HSX (VND billion)



Source: BSC Research

Graph 19

Top 10 net buy by foreign investors on HSX (VND billion)



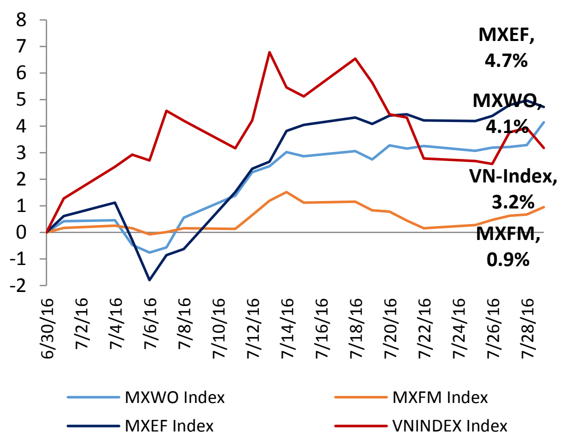
Source: BSC Research

Market outlook in August 2016

The world stock markets have recovered after the Brexit. Uptrend lasted till the end of July with supports from the Q2 earnings results and the information of unchanging interest rates after Fed's meeting in late of July. MSCI Emerging Market Index led the growth with an increase by 4.7%, the MSCI World Index also soared by 4.1%.

Graph 20

Evolution of major stock indices

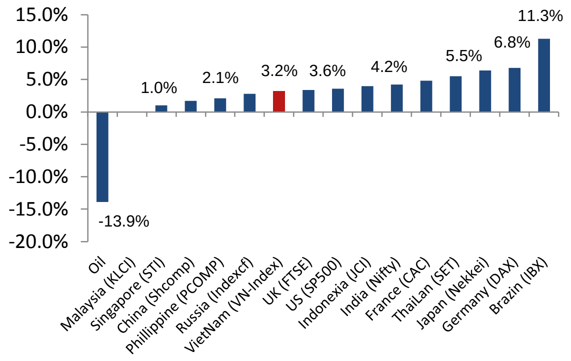


Source: Bloomberg, BSC Research

Along with Fed's assessment on the strong growth of the US labor market, significant increase of consumer spending and reduction of short-term risks which threaten the US economic outlook, the stock markets of US, Germany, France, Britain maintained the growth of over 3%, contributed mainly to the increase of the MSCI Global Index. Brazil stock index led the rally of emerging markets with an increase by 14.4%. In the region, stock indexes of Thailand and Indonesia posted good growth of 5.5% and 4%, respectively.

Graph 21

Evolution of key markets



Source: Bloomberg, BSC Research

Net-buying activities of foreign investors has been accelerated in July, helped the regional markets to maintain growth momentum.

Table 5:

Net buy and sell from foreign investors

Nations	Net trading value in July	Net trading value Q2	2016
India	1,689	1,533	4,645
Indonesia	905	405	2,029
Japan	(259)	10,443	(51,908)
Phillipine	418	489	1,074
Korea	3,677	2,240	7,286
Sri Lanka	10	(29)	(29)
Taiwan	5,384	756	12,062
Thailand	1,266	307	2,326
Pakistan	23	59	(18)
Vietnam	43	(33)	(38)

Source: Bloomberg, BSC Research

Vietnam stock market maintained a good growth momentum, surpassed the resistance at 640 points as expected in June's report. VN-Index peaked at 675 points, the highest level in 8 years and closed at 652 points. Liquidity improved strongly with the active participation of domestic investors. The market ended mixed strongly.

Key stock groups in July:

- **The three leading advancers**, which were VNM (9.9%), VCB (12%), and VIC (4.2%), contributed 17 points, equivalent to the gain of VN-Index in the month.

- **Gainer groups**: Steel (HPG +12.4%, DTL +40.8%, TLH +17.8%), Banking (VCB +14.2%, CTG +6%), Plastics (BMP +11.6%, AAA +18.7%) continued the rise from last month. Stocks which had not increased or increased less than the market moved positively such as Securities (SSI +10.1%, BSI +19.3%, VND +14.5%) and Seafood (VHC +15.4%, HVG +15.6%).
- **Decliner groups**: Oil & Gas (GAS, PVD, PVS, PVC...) due to the fall of oil prices; Automotive stocks fell sharply (HAX, HHS, HTL...) as a result of disappointed business results and stocks which rose sharply without supportive earnings or with negative information (TTF, EVE, KTS...).

Last month, we published the 3Q Sector Outlook Report (Link), in which we positively assess the Real Estate, Construction, Building Materials, Technology, Seaports, Textiles Garments, Electronics, Milk and Cable. About the consulted stocks in the month, PVT (Link) had positive movement but BMI (Link) and MBB (Link) was still in accumulation phase. The stocks which had update report in the month with good performance were APC, NKG, PVT, SMC and VKC.

Graph 6

Factors affecting stock market in August 2016:

Event	Impact
Stimulous policies to support the economy to reach 6.7% growth	Positive
2Q business performance	Positive
Brexit's impact on export activities	Negative in short term
Downward trend of oil price amid slowdown of global economy	Negative
High P/E, P/B	Market needs time to adjust
Unsustainble recovery of China	Negative for exports and exchange rate

Source: BSC Research

In the last months of the year, except the risk of slower growth in China, other world risk factors with the market were not observed. Fed is likely to maintain the current interest rates till the end of the year and foreign capital flows will continue to shift into emerging markets and border markets, which have low valuations. However, macroeconomic information and economic operating activities of the Government will be the key factor affecting the market in the last 5 months.

Macroeconomic is being higher challenged compare with the 2015. The target of 6.7% GDP growth is facing big challenge with the growth in first 6 months was only 5.5% and GDP growth will need to achieve 7.6% in the last 6 months. While inflation is showing signs of come back. 7-month CPI reached 2.48%, increased strongly from the level of 0.6% in 2015. Inflation movement also has potential unpredictable increasing factors such as medical services prices adjustment on August, October, November and December, the increase of educational services, the fluctuation of petroleum prices and the latency of monetary policy easing.

The decline of growth did not only came from the decline in mining sector as oil prices fell, the decrease in agriculture - forestry - fisheries as climate change but also from export activities. Export is an important motivation of Vietnam's economy growth over the years but is showing signs of going down. Export turnover by mid of July 2016 rose by only 6.5% over the same period, fell sharply compared with the average increase of 18% per year over the period 2011-2015.

Facing the economy's situation, the new Government still confirmed their determination to achieve the highest level of economic development plan for 2016. In fact, fiscal policy still has much room for growth when VGB mobilization was 187,700 billion in the first 6 months, while there was only 23% disbursed compared to 34% in the same period of 2015. In addition, the issued amount of government bonds was also adjusted to rise against the plan. Untie the knot in administrative procedures and procedures for construction investment to accelerate the disbursements will contribute to the growth.

At the same time, the easing monetary policy continued. Liquidity of banking system has improved since late of the second quarter, this situation was derived from temporary of VND after the State Bank of Vietnam bought about $8 billion. According to the General Statistics Office recent announcement, M2 growth as June 20th reached the level of 8.07% compared to the level of 5.09% in same period and deposit growth of credit institutions reached 8.23% compare to 4.58% of the same period. Credit growth at the same time reached 6.2%, was announced after at 8.16% for the first 6 months of 2016, higher than the level of 7.86% in the same period. Copious liquidity enables banks to buy 80,000 billion of government bonds and the State Bank also initiatively issued bills of about 40,000 billion. The excess amount however was still relatively large, which helped to improve the liquidity and contributed to the stable of interest rates level. The credit growth target of 18 to 20% this year is totally possible.

Macroeconomic difficulties partially affected to prospects of the stock market however this was offset by a policy of pursuing economic growth. The current situation is suitable for a growth of the stock market growth. Besides, viewpoint about the role of the stock market for economic growth were also defined clearly through the speech of Deputy Prime Minister in charge of economy: "In the next 5 years, our economy will need capital to maintain and improve the quality of growth. The stock market must heat up, become a channel for providing long-term capital, together with the short-term capital channel is banking system. As the market capitalization is now 36% of GDP, the Government's target is to reach 70% of GDP by 2020". In fact, the rate of market capitalization to GDP equal to 36% of Vietnam's stock market is still modest compared with other regional countries such as Singapore (104%), Thailand (107%), Malaysia (83%), Indonesia (70%) and the Philippines (68%). With a clear orientation, the potential growth of the stock market is still large as the equitization process, the divestment of state capital in joint stock companies and the listing on stock market will be intensified in the coming years. The market will continue to welcome many qualified stocks. Investment opportunities are expanding with the regulation of open room to maximum for foreign investors under the 60th Decree. Not waiting for this process to take place, the M&A market with the active participation of foreign investors has been strengthened in Viet Nam. M&A value of 2015 reached $5.2 billion. In the first 7 months of 2016, the value of M&A reached $3 billion, increased 28% over the same period. M&A value is forecasted to be able to reach $6 billion in 2016. The expectation of a Vietnam stock market with strong growth in the next 4 years is quite bright and investment opportunities are widely expanding.

Based on the assessment on market information, expected VN-Index scenarios for reference in August could be:

Market in August is expected to correct in first half, go sideways and rebound in the other half of the month. VN-Index would fluctuate in zone 600-650. Important supportive zone are 630 and 610 while resistant zone are 650 and 680.

Detail of stocks that we pick for investment recommendation in August can be found in:

- Stocks experienced good Q2 business results, exceptional business outlook yet their price corrected to attractive zone.

- Stocks have positive outlook based on business cycle such as Real Estate, Construction, Construction materials, Seaport and Electricity
- Fundamental stocks with high dividend payout, low beta

- In long term, recommended stocks by BSC can be found in Sector Outlook Q32016 (Link), Stocks experience healthy movements which recommended in Investment Advisory Report (Link) and Company/sector Updates Note (Link)

Disclosure

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