

Macroeconomics

- PMI rose from 51.9 in July to 52.2 points. Manufacturing activity continued to expand during the past 9 months.
- Sales of retail and services decreased slightly by 0.3% and increased by 8.8% yoy. CPI in August rose 0.1% due to the increase in prices of medicines and medical services, making the CPI increase by 2.58% in 8 months.
- FDI continues to be a bright spot with the implementation of USD 9.8 billion, up 8.9% yoy. Processing and manufacturing industry accounted for 68.7% registered capital. Registered capital reached USD 9.8 billion, increased by 24.3% over the same period.
- The trade surplus reached USD 200 million in August and USD 2.4 billion over 8 months.
- USD price was stable from VND 22,270-22,302 per USD, plentiful supply enables the purchase of central bank for reserves. The interest rate was stable, decreased for 1-month terms, but increased slightly for under 1-month terms.

Stock Market

- VN-Index increased by 3.4%, exceeding the 0.8% rise of HNX-Index by the appreciation of the big stocks like VNM, GAS. Markets have been sharply divergent.
- Liquidity in July reached VND 3.505 billion per day, up 14% MoM and was at the highest level in the last 1 year. Local investors boost trading, making liquidity increase well.
- P/E of VN-Index and HNX-Index were 16.33x and 10.7x respectively. Ranking unchanged over the previous month, the P/E of VN-Index is reaching the average P/E in the region while the P/E of HNX-Index was low and decreased compared to the early year
- Foreign investors net sold VND 1,909 billion, compared with net buying of VND 1,278 billion in July.

September Market Overview

The market is forecast to correct and follow sideways momentum in the first 2 weeks of September, before breaking up in the second half of the month. VN-Index is forecast to range from 650 to 680 points. Important support level of the month are 622 and 648, while resistance is 680.

Investment recommendation for September could be found for more details in the following reports:

- Stocks with positive second quarter earning results, and promising third quarter outlook. However, investors should avoid stocks in ETF portfolio in the first 2 weeks of September.
- Stocks with positive cycle prospects such as Real Estate, Construction, Construction Materials, Port, and Power;
- Stocks under SCIC divestment plan and loosening ownership room for foreign investors
- In the long term, the stock recommendations of the BSC will be addressed in the 3Q2016 sector outlook ([Link](#)), stocks with positive changes recommended in our weekly report ([Link](#)) and company/industry updates ([Link](#)).

Vietnam Monthly Review August 2016

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Macroeconomic overview August 2016

Economic growth

- **Industrial production index estimated in August rose by 7.3% from the same period last year;**
- **Percentage of total inventory processing, manufacturing industry on average of 7 months in 2016 is 69.1%,**

The index of industrial production in August of the whole industry is estimated at 7.3% compared to the same period last year, which fell by 5.1% in the mining sector; processing, manufacturing industry up 10.6%; production and distribution of electricity increased by 11.9%; water supply and sewage treatment, garbage rose by 6.1%.

8 months this year, a number of industrial products manufacturing index increased compared with the same period last year: Televisions increase by 83.2%; rolled steel rose by 22.3%; auto up 21.8%; animal feed rose by 21.3%; iron, crude steel up 15.9%; cement up 15.2%; liquefied petroleum gas (LPG) increased by 13.8%; steel bar, angle steel up 13.5%

Percentage of total inventory processing , manufacturing industry, the average of 7 months in 2016 is 69.1%, while some sectors have high inventory rate: Manufacturing products from Prefabricated metal 130.8%; drug manufacturing, pharmaceutical and medicinal 113.4%; chemical manufacturers and chemical products 105.7%; food production and processing 91.1%.

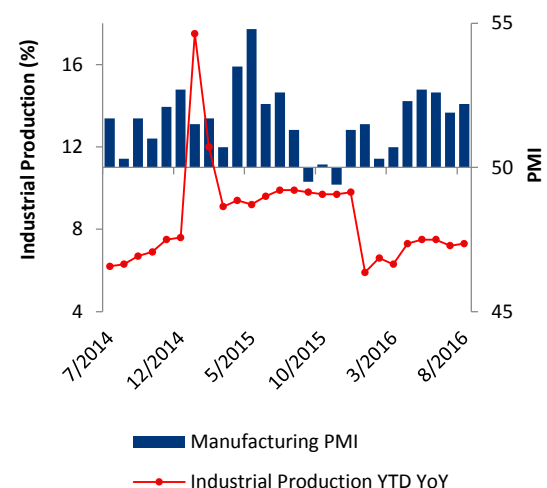
PMI index maintained gains for 9 consecutive months. PMI reached 52.2 points, supported by faster growth of employment and inventory purchases.

Total retail sales of goods and services in August were estimated at 292.8 trillion Dong, down 0.3% from the previous month and up 8.8% from the same period last year, including:

revenue from retail sales reached 223.6 trillion, up 0.6% and up 9.5%; Lodging revenue, dining reach 33.8 trillion, down 4% and up 4.6%; tourism revenue reached 3 trillion, down 5.4% and up 0.5%; Other service revenues reached 32.4 trillion, down 2% and 9.2%.

Chart 1

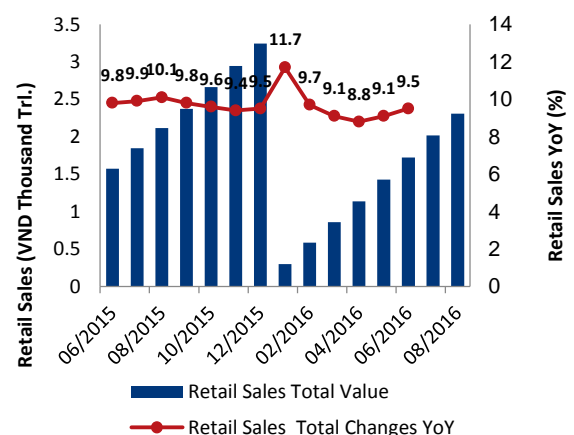
Industrial Production & PMI



Source: GSO, Markit, BSC Research

Chart 2

Retail sales



Source: GSO, Markit, BSC Research

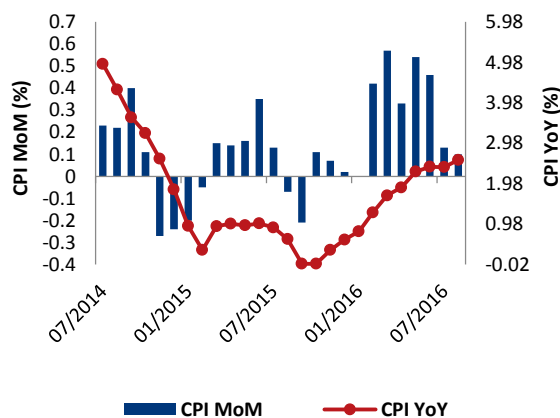
Inflation

- **Basic Inflation in August 2016 rose by 0.09% compared to the previous**

month and increased by 1.83% over the same period last year;

- The main factor causing the CPI increasing in August was medicine and health services.

Chart 3
Monthly CPI movements



Source: GSO, BSC Research

Consumer price index (CPI) rose by 0.1% in August 2016 compared to the previous month, in which the group of medicines and medical services with the highest increase of 6.18% (medical services increased by 8.12%) .

Table 1
Increase/Decrease of services sector in August

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 factor causing the CPI increased in August was medicine and health services, 16 provinces and cities directly under the central government done to increase the price of medical services step 2 under Joint Circular No. 37/2015 / TTLT-BYT-BTC dated 29/10/2015 of the Ministry of Health and Ministry of Finance as the impact CPI rose by 0.28%. In addition, education increased 0.47%, while educational services increased by 0.5% due to the 9 provinces and cities implementing the roadmap to increase tuition by Decree No. 86/2015 / ND-CP dated 02 / 10/2015 of the Government.

The foreign direct investment FDI

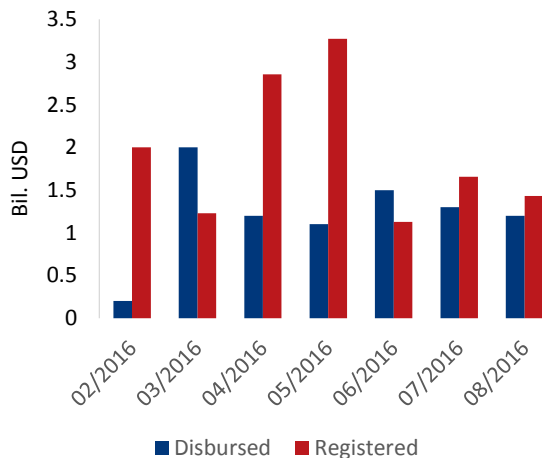
- The total registered capital of the new projects and additional capital for 8 months of this year reached US \$ 14,366.7 million, up 7.7% compared to the same period last year.
- Processing, manufacturing industry attracted foreign direct investment with the largest registered capital of licensed projects.
- Korea is the largest investor with US \$ 3840.8 million, accounting for 39.2% of total newly registered capital

Capital of foreign direct investment in 8 months was estimated at \$ 9.8 billion, up 8.9% from the same period in 2015.

Foreign direct investment since the beginning of the year to date August 20 2016 attract 1619 new licensed projects with total registered capital reached 9795.6 million, up 32.8% of total projects and 24, 3% of registered capital over the same period in 2015.

Chart 4

FDI in Vietnam (USD Bil.)



Source: GSO, BSC Research

8 months of this year, processing, manufacturing industry attracted foreign direct investment the largest with registered capital of newly licensed projects reached 6734.6 million, accounting for 68.7% of total newly registered capital; business property reached 859.3 million, accounting for 8.8%; the remaining branches reach 2201.7 million, accounting for 22.5%.

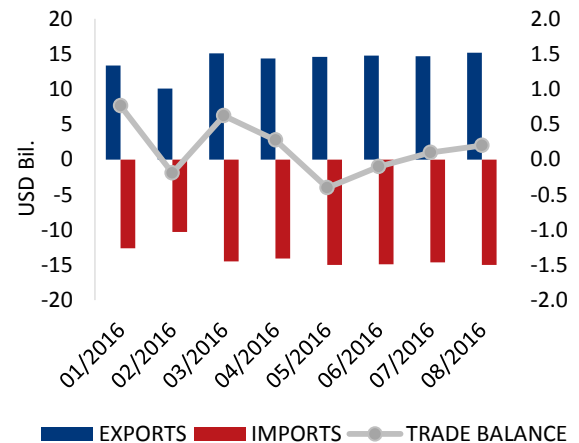
Trade, export - import

- Trade surplus in August is estimated at \$ 200 million, 8 months period, the trade surplus \$ 2.45 billion (same period in 2015 of \$ 3.6 billion trade deficit).

Export turnover in August was estimated at 15.20 billion USD, up 2% from the previous month, while the domestic sector reached 4.54 billion dollars, up 2.8%; areas where foreign investment (including crude oil) reached USD 10.66 billion, up 1.6%.

Chart 5

Trade balance (USD Bil.)



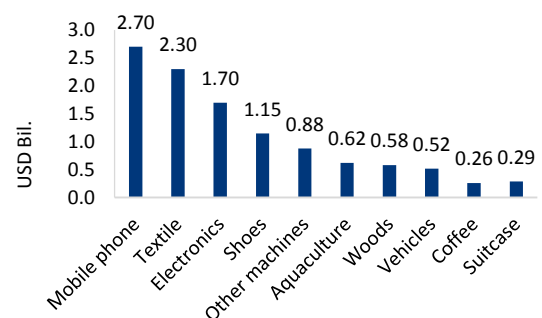
Source: GSO, BSC Research

Value of imports in August was estimated at 15.00 billion dollars, up 4.6% from the previous month, while the domestic sector reached 6.15 billion dollars, up 4.9%; areas where foreign investment reached US \$ 8.85 billion, up 4.4%.

On the export market, after 8 months, the United States remains the largest export market of Vietnam with 24.6 billion dollars, up 13% compared to the same period in 2015. Next to the EU reached 21.9 billion dollars, up 8.8%; China reached \$ 12.6 billion, up 15%; Japan reached \$ 9.3 billion, up 0.2%; South Korea reached US \$ 7 billion, up 30.7%. Particularly exports to the ASEAN market reached \$ 11.1 billion, down 10% from crude oil exports to this market plummeted.

Chart 6

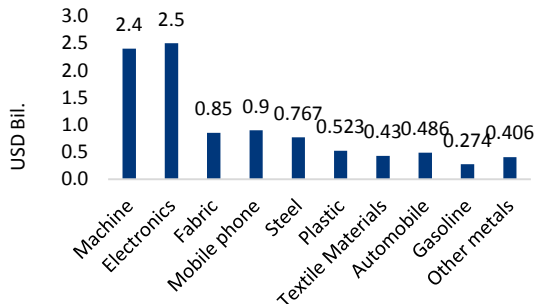
Top 10 exported goods (USD Bil.)



Source: FIA, BSC Research

Chart 7

Top 10 imported goods in 2015 (USD Bil.)



Source: FIA, BSC Research

On the import market, after 8 months, imports from some major markets decreased compared to the same period last year, imports from China reached 31.6 billion US dollars, down 2.8% compared to the same period in 2015 [11]; imports from ASEAN reached 15.2 billion US dollars, down 3.4%; from Japan reached \$ 9.5 billion, down 2.5%; EU reached \$ 6.9 billion, down 0.2%; United States reached \$ 5.2 billion, down 3.3%. Only imports from Korea reached \$ 20.3 billion, up 9.3% as imports of gasoline and electronic goods, computers and components rose sharply.

Export turnover of some key products increased over the same period last year: Phones and components reached \$ 22.3 billion, up 10.6%; textiles reached 15.5 billion, up 4.2%; electronics, computers and components reached \$ 11.1 billion, up 11.2%; footwear reached \$ 8.6 billion, up 8.1%; machinery, appliances or other parts reached \$ 6.2 billion, up 20.6%; aquatic products reached \$ 4.3 billion, up 4.8%; Coffee reached \$ 2.2 billion, up 19.6%; bags, suitcases, hats, umbrellas reached \$ 2.2 billion, up 12.1%; cashew nuts reached \$ 1.8 billion, up 13.3%; vegetables reached \$ 1.6 billion, up 28%.

Import turnover of some products decreased: including Machinery and equipment, other spare parts reached \$ 17.7 billion, down 4.2%; phones and accessories reached \$ 6.5 billion, down 9.2%; textile materials, footwear reached

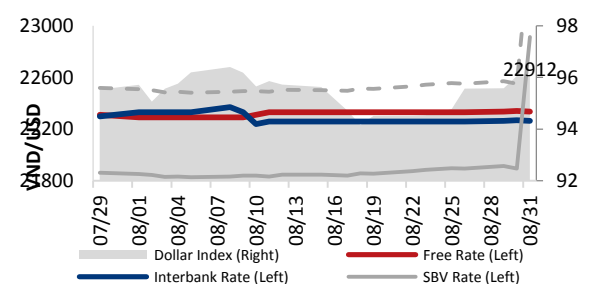
3.4 billion dollars, down 0.3%; gasoline reached \$ 3 billion, down 17.1% (22.9% increase); animal feed and raw materials reached \$ 2.1 billion, down 5.8%; chemicals reached \$ 2 billion, down 5.1%; wood and wood products reached \$ 1.1 billion, down 21.2%; fertilizer reached 748 million, down 18.6%.

Forex Market

- **US dollar price index fell by 0.05% in 8/2016 compared to the previous month;** fell by 1.07% compared to 12/2015 and increased by 1.84% over the same period in 2015.
- **Domestic gold price increased following global gold price movements.** Gold price index rose by 1.72% in 8/2016 compared to the previous month; increased by 17.54% compared to 12/2015 and increased by 17.50% over the same period last year.

Chart 8

Exchange rates



Source: Bloomberg, BSC Research

USD / VND stayed stable. Central exchange rate applied on 08/31/2016 was at 21,921 VND for 1 USD. USD / VND fluctuated in the range of 22270-22302, in 8 month period it fell by 1.07% (in the same period in 2013 increased by 1.59%, in 2014 rose by 0.42%, increased by 2.33% in 2015).

Dollar index declined sharply towards about 94, recovered gradually to 96 at the end of the month, currently fluctuating around 96 with a lower trading band compared to July.

Banking – Interest rates

- State Bank has controlled reasonably money supply in favor of stable interest rates and been striving to reduce lending rates, supporting stable exchange rate and the issuance of government bonds, increasing foreign reserves state foreign while ensuring inflation controlled.
- **Interbank interest rates maintained downward trend for the period.** The average interest rate fell slightly overnight by 0.46% to 0.59% / year. Moreover, the 1 week and 2 week interest rates decreased by 0.54% and 0.47% to 0.67% and 0.92% / year. respectively.

Table 2
Lending rates

Terms	2015	2016M8	Difference
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

Terms	2015	2016M7	Difference
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

Interbank interest rates fell to low levels while there is abundant supply in money system. In August, the State Bank has withdrawn VND 130 trillion by issuing bills to neutralize the money supply to buy dollars.

Currently, the deposit rate is at 4.5 to 5.4% VND / year for terms of 1 month to less than 6 months; 5.4 to 6.5% / year for deposits with a term of 6 months to less than 12 months; 6.4 to 7.6% / year for term of more than 12 months

Macro forecast in 9/2016

September macro picture may be affected by following factors (1) According to the forecast, it is likely that higher interest rates by the US Federal Reserve (Fed) may affect the exchange rate adjustment, partly influence the interest rate change in the last months (2) China's economy is predicted to experience lower growth to 6.6% due to lower demand as well as declined external investment activities and private investment, this can continue devalue the yuan in the coming months. Currently, this has an impact on Vietnam in a way that Vietnam's exports fell while imports from Chinese still dominate, create pressure on the trade deficit in the last months. However, the renminbi devaluation can also lower the cost of production goods imported from China.

Table 4: Vietnam Macro data

Indicator/Month	2016M2	2016M3	2016M4	2016M5	2016M6	2016M7	2016M8
GDP YoY (%)	-	5.46	-	-	-	5.55	5.55
GDP ytd YoY (%)	-	5.46	-	-	-	5.55	5.55
PMI	50.3	50.7	52.3	52.7	52.6	51.9	52.2
IIP YoY (%)	7.9	6.2	7.9	7.8	7.4	7.2	7.3
IIP ytd YoY (%)	6.6	6.3	7.3	7.5	7.5		
Retail Sales YoY (%)	6.6	8.8	8.5	9	11		
Retail Sales ytd YoY (%)	9.7	9.1	8.8	9.1	9.5		
Retail Sales (price adjusted) (%)	8.3	7.9	7.5	7.8	7.5		
CPI MoM (%)	0.42	0.57	0.33	0.54	0.46	0.13	0.1
CPI YoY (%)	1.27	1.69	1.33	2.28	2.4	2.39	2.57
Registered FDI (USD Bil.)	2	1.23	2.85	3.27	1.23	1.665	
Disbursed FDI (USD Bil.)	0.2	2	1.2	1.16	1.5	1.3	
Exports (USD Bil.)	10.1	15.1	14.1	14.6	14.8	14.7	15.2
Imports (USD Bil.)	10.3	14.5	14	15	14.9	14.6	15
Trade balance (USD Bil.)	-0.19	0.62	0.1	-0.4	-0.1	0.1	0.2
FX (VND/USD)	22,325	22,300	22,294	22,400	22,177	22.47	21.91
Credit growth (%)	0.39	1.54	3.57	-	-	-	-
Non-performing loans (%)	-	-	-	-	-	-	-

Source: BSC Research

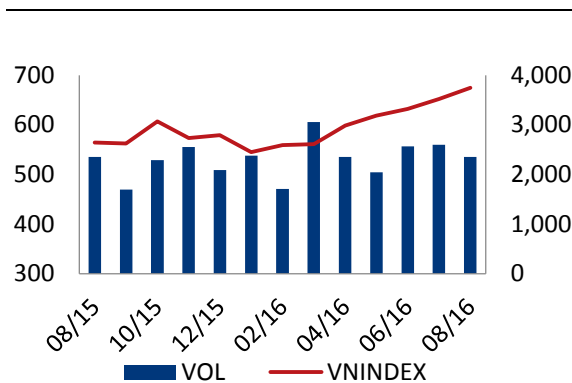
Market overview August 2016

Source : HNX, Bloomberg, BSC Research

Market overview

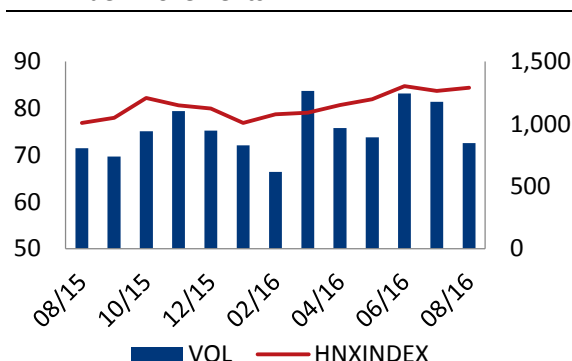
Although both key indexes were higher but the VN Index has increased more dramatically than the HNX-Index. Ending the last trading session of August, VN-Index closed at 674.6 (+ 3.4% MoM), while the HNX-Index closed at 84.4 (+0.8% MoM). VN-Index traded fairly active in August when it rebounded after short-term correction ended at 622.5 in the first week of August and retested the previous top 675-680. HNX-Index also ended the short-term correction at 80.4, however, the recovery of HNX-Index was less than VN-Index (VN-Index increased by 8.4% from the bottom of the short-term correction while HNX-Index increased only 4.8%).

Chart 9
VN-Index movements



Source: HSX, Bloomberg, BSC Research

Chart 10
HNX-Index movements

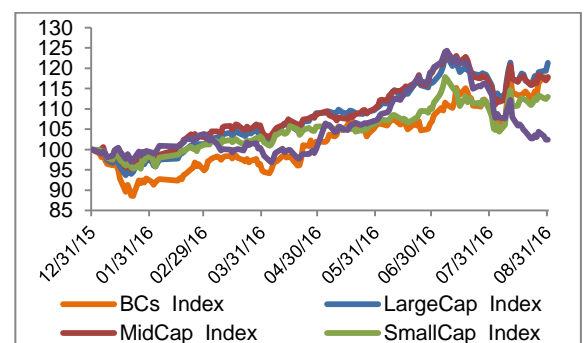


Although VN-Index recovered impressively in the month but market growth was divergent and not all sectors has benefited from market development. Commercial (-4.9%), real estate (-4.8%), securities (-3.1%), production (-2.9%) and mineral (-1.1%) went down while the steel (+ 10.5%), pharmaceuticals (+ 9.3%) and technology (+ 8.9%) gained well. Bank Group, after surging in July, has suffered correction in June 8. Meanwhile, construction, energy, education, fisheries, transport and plastic can still keep growth momentum from the previous month.

Stock movements by market capitalization

The stocks classified by market capitalization also showed strong divergence. Bluechip (+ 5.64%) continued to be the strongest gainers, helping VN-Index recovered in May. Largecap, Midcap, Smallcap rate of returns were 2.42%, 0.05% and 1%, respectively. Notably, Penny extended strong decline from last month with a monthly loss of up to 11%..

Chart 11
Movement of index groups



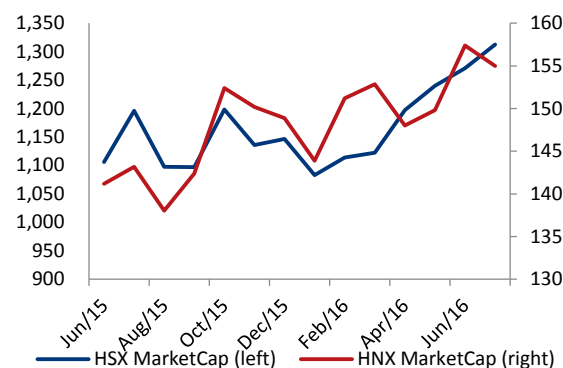
Source: Bloomberg, BSC Research

Market capitalization

Market capitalization on both exchanges was VND 1509.24 trillion in total, corresponding to

more than USD 67.92 billion, up 2.8% MoM. This rate did not change much compared to the growth rate of the previous month Market cap. Market cap continued to rise due to strong surge of the Bluechip, including VNM, VCB, MSN, BVH, GAS, HPG, KDC, HSG. The increase in Market cap on two floors showed a big difference when the rate of increase reached 3.1% on the HSX but only 0.6% on the HNX.

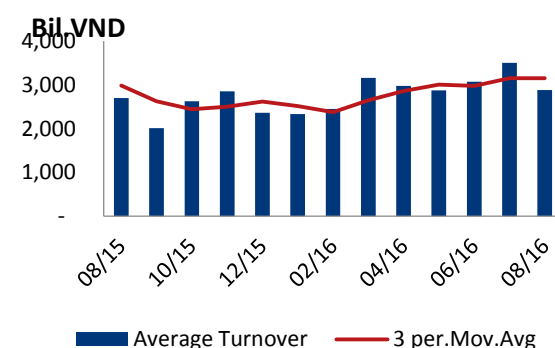
Chart 12
Market capitalization scale



Source: Bloomberg, BSC Research

Market liquidity

Chart 13
Average trading value of 2 floors



Source: Bloomberg, BSC Research

The average liquidity on 2 exchanges fell by 18% in May 8/2016 though it can still maintain upward trend since the beginning of the year and remains at VND 2882 billion / day corresponding to nearly USD 129 million / day. Liquidity on average per session on 2 floors

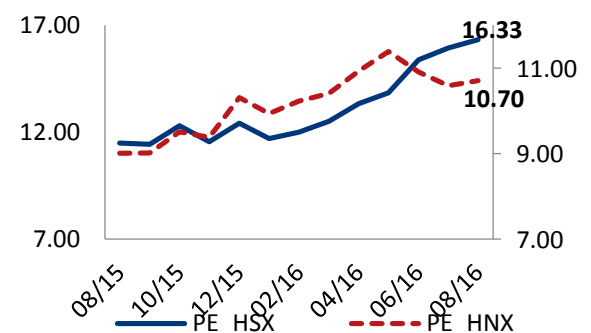
were falling in August, the average liquidity on the HNX dropped by 36% while on the VN-Index fell by 12% compared to the previous month. The period when VN-Index bottomed at 622 and when it moved sideways in 665-670 were the time that market liquidity weakened during the month.

Stock price level

P / E of VN-Index and HNX-Index reached 16.33 and 10.7, sustaining the same positions in regional ranking compared to last month.

P / E of VN-Index and HNX-Index rose by 2.4% and 1.1% compared to the previous month, respectively. Notably, while the P / E of VN Index increased less than the price increase of the VN-Index (3.4%), the P / E of HNX-Index surged more than the price increase of HNX-Index (0.8%). Ranks of P / E of VN-Index and HNX-Index remained unchanged, at 2nd and 8th, respectively, in the region.

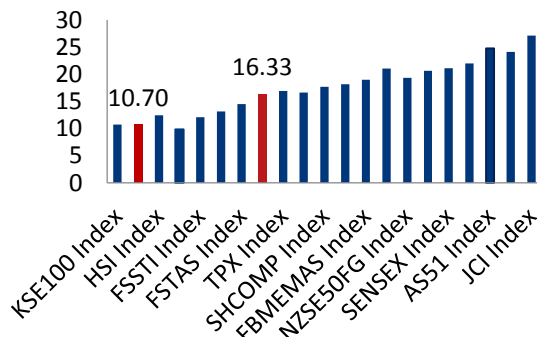
Chart 14
P/E movements of 2 floors



Source: Bloomberg, BSC Research

Chart 15

Vietnam P/E compared to other regional countries



Source: Bloomberg, BSC Research

Foreign investors' transaction

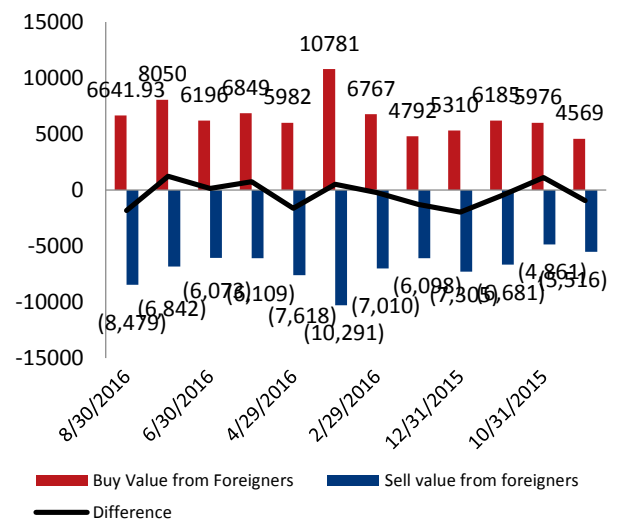
Foreign sold net strongly in August up to VND 1847 billion equivalent to USD 82 million on HSX, bought net up to VND 250 billion equivalent to USD 11 million on HNX.

In August, foreign investors focused net buying on KBC, DRC, BVH, VIC, VFG and net selling on HBC, VNM, MSN and VCB on HSX. On HNX, stocks that foreign investors bought net the most were PVS, BSV, VND, PTI, NET while net sold the most were AAA, VNR, SCR, BCC and PVC. Some notable points regarding net transactions of foreign investors in the month include: (1) keep net sell streak on VNM from previous month, (2) stop net buying on VIC and HPG (3) for the first time, put PVT into the top net buying (4) buy net MidCap such as EVE, PAC.

Chart 16

Foreigner's transaction on both floors (VND trillion)

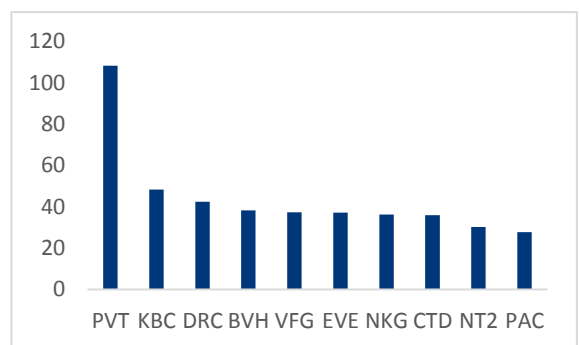
Bil. VND



Source: BSC Research

Chart 17

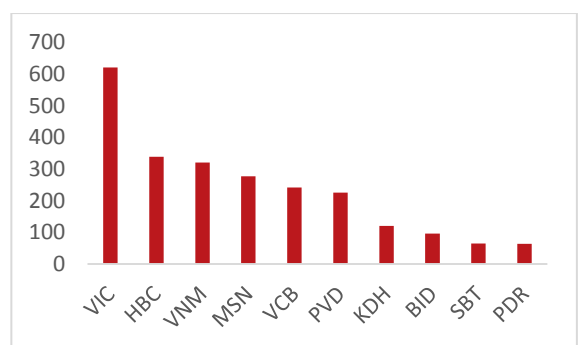
Top 10 net buy by foreign investors on HSX (VND billion)



Source: BSC Research

Chart 18

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



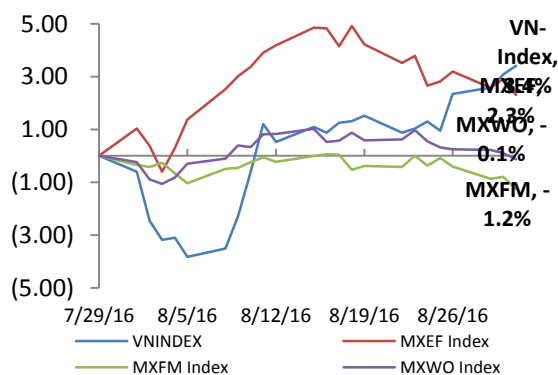
Market Outlook in 9/2016

World markets rallied during the month thanks to the recovery of oil prices, the major economies enjoyed positive changes and Central Banks maintained expansion monetary policy. Late messages last month of the Fed to raise interest rates led to decreasing tendency.

In terms of the MSCI stock indices of the region, the MSCI Emerging Markets Index led the growth with an increase of 2.3%, the global MSCI index fell by -0.1%, the MSCI frontier market fell by -1.2%.

Chart 19

Main stock indices movement in August (USD)



Source: Bloomberg, BSC Research

Emerging markets led the rally for the 2nd month in a row thanks to the recovery in oil prices and shifting international cash flow to invest in this area.

Table 5

Net buy – sell of foreign investors in August

Country	Net transaction on in August (Million USD)	Net transaction in Q3 (Million USD)	2016
India	1,325	3,015	5,971
Indonesia	985	1,891	2,875
Japan	(6,257)	(7,386)	(59,102)
Phillipine	(34)	384	1,025
Korea	(75)	4,665	8,014

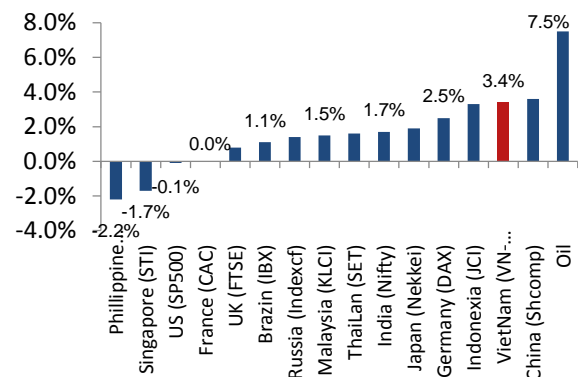
Sri Lanka	7	17	(25)
Taiwan	2,403	7,787	14,031
Thailand	988	2,255	3,292
Pakistan	(20)	3	(38)
Vietnam	(85)	(41)	(122)

Source: Bloomberg, BSC Research

In terms of the national stock indices, stock index of China, Indonesia, Germany, Japan, India topped the group of key markets. Philippine market after 2 months of surging has dropped by -2.2%.

Chart 20

Developments of key markets in August



Source: Bloomberg, BSC Research

In the context of positive international and domestic markets, Vietnam's stock market continued to rally, extended the gaining streak to 7 consecutive months. VN-Index remained at the top in 8 years, up 16.5% from the beginning of the year with positive trading liquidity.

The market segmented, cash has not flown to new sectors. Stocks in focus in August:

- The degree of market divergence in August was greater than in July when VNM (+ 16.9%), GAS (9.4%) contributed 19.9 points, 16.7 points more than the increase of the VN-Index.
- Group of gainers: Steel industry (HPG+ 14.1%, HSG + 10.2%, NKG+ 55.7%), Food

(VNM+ 21.3%, KDC + 33.2%), Energy (GAS+ 9.4%; VSH + 7.7), Pharmaceuticals (DMC+ 32.2%, IMP + 23.8%). These are still the industries which have increased sharply since the beginning of the year.

- Group of decliners: Securities industries fell after rising sharply in the previous month (SSI- 6.4%, HCM-7.4%), real estate experienced no positive change (VIC-5.7%, DIG- 11.5%), oil and gas sectors decreased inversely to the movements of oil price (PVD-1.2%, PVC-1.74%, only PVS +24.3%)

Last month, we made a number of business reports, including stocks with positive performance such as MWG (Link), CTI (Link). Recommended stocks which have good return such as DAG, BMI, PVI, and VSC.

In September, the world market is expected to fluctuate more complex after the messages of Fed Chairman to raise interest rates in the next few months. Unlike strong fluctuations in the dollar which rose by 1.3% immediately, the stock market did not react significantly to this information. Bernanke's statement, however, has raised speculation that the Fed will raise the basic interest rate in the next meeting on 09.21.2016. According to statistical data by Bloomberg, the probability that interest rates would be raised in the next meeting on 21/9 soared after the speeches by Fed chairman dated on 26/8 from 32% to 42% and decreasing thereafter. On the other hand, the increase in interest rates by 0.25% or 0.5% is most likely with the probability of 64% compared to increase by 0.5% or 0.75% with probability of 36%.

Table 6
Probability that Fed raises interest rate in meetings in 2016

Date	25/8	26/8	31/8
forecast Session			
21/09/2016	32%	42%	36%

02/11/2016	38%	47%	41%
14/12/2016	57%	66%	60%

Stock market performance in US and Bloomberg statistics show that the market has not highly considered the possibility of raising interest rates in September. We also believe that the possibility that Fed would raise interest rates in September is not high when considering the Fed's cautious steps over time but a rise of 0.5% would occur in November.

Foreign cash flow are showing signs of leveling off in regional countries and the net withdrawal in Vietnam. Fed to raise interest rates in September would be a surprise and put strong impact on market performance in September.

Table 7

Factos will affect market in 9/2016:

Event	Impact on stock market
Government resolutions to stimulate economy	pushes Positive
SICI plan to divest from 10 listed companies, Sabeco and Habeco before divesting	Listing Positive before
Expected Q3 business results	Positive
Oil price back to top zone, OPEC plans a meeting to freeze output	Positive, Diminishing effect
FED considers to raise interest rate on 21/09 though probability to do so is not high	Negative
P/E and P/B stay at high levels in many and is about average	Depends on regional domestic cash flow, high risk
China economy lacks motivation for growth	Negative on exports and exchange rate

Source: BSC Research

Of the factors affecting the market in September and till the end of the year, we still highly consider the domestic factors. New direction of government policy will remove many unreasonable provisions and unleash resources for development. Expansion monetary policy continues to maintain, good liquidity to help stabilize interest rates by (1) a stable exchange rate, central bank reserves increased buying by abundant supply of foreign currency. High domestic money supply pushed the interbank interest rates low; (2) Inflation rose but remained well under controlled thanks to stable world commodity; Budget disbursement is slow; and the negative impact from the policy lag has not yet appeared.

Stable interest rates, abundant liquidity in the banking system somewhat reflected on the stock market. Market liquidity improved remarkably on the demand of domestic investors, the correction is shorter and not deep reductions. This factor will continue to be an important one, as is the base for stock market growth in the remaining months of 2016.

Besides, the role orientation of the stock market to the economy by the Government is firmly established and is the basis for many solutions on developing strong market deployment and synchronization. Ministry of finance is also directing the synchronized implementation of securities industry, effective solutions to the market restructuring, improvement of the quality and diversification of products; research and modify mechanism to attract indirect foreign investment; implement derivative market from 2017; accelerate implementation of the mutual

model to submit to the government in the Q3 / 2016. The stock market is facing huge change to reach new higher position.

Based on market information evaluation, the proposed VN-Index scenarios in September are:

- The market continued the trend of retesting the top 680 point by the appreciation of the large stocks. However, the probability to overcome this resistance is not large due to lack of cash flow consensus and supportive information. Forecasting that market will correct and sideways in the first 2 weeks in September and soar through the second half of the month. VN - Index is expected to range from 650 from 680. The important supports are 622 and 648 points, while resistance at 680 points.
- For investment orientation in September, investors may refer to the detail recommended stocks in the reports:
 - Stocks with good second quarter earnings results, positive business outlook in third quarter. However, avoid buying stocks in the ETF portfolio in the first 2 weeks in September.
 - Stocks positive by business cycle such as real estates, Construction, constructional Materials, Port, Power;
 - Stocks from SCIC divestment plan and room opened for foreign investors;
 - In the long term, the stock recommendations of the BSC will be referred in the sector outlook report Q3 2016 ([Link](#)), recommended stocks with positive movements in the weekly Investment Advisory report ([Link](#)) and industry / company updates ([Link](#))

Disclosure

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