

Vietnam Monthly Review 2016 M10

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Macro Economy

- PMI in October stood at 51.7, slightly down from 52.9 in September. Output was stable slightly affecting PMI though other components grew. IIP in October increased slower than in September because mining industry was still being in struggle, down 11.3% YoY
- CPI rose by 0.83% MoM, highest rise since beginning of the year due to higher price of health care and fuel. Ending October, CPI rose by 4.09% YoY, close to the 5% target planned from beginning of the year
- Central exchange rate kept rising from beginning October, currently being at the highest level of the year. 10-month trade balance is estimated at USD 3.52 billion, positive FDI disbursement, exchange rate rose because of FOMC and presidential election in November
- 10-month credit growth is at 11.81% YtD. Interbank rate declined to record level in mid October, rebounded slightly at month end

Stock markets

- 2 indices moved sideways and showed tendency of declining in month-end trading sessions. Ending October, VN-Index closed at 675.8 (-1.45% MoM) while HNX-Index closed at 82.25 (-3.24% MoM).
- Foreign Investors executed net buy on both floors, specifically, net buy of USD 3.18 million on HSX, USD 1.79 million on HNX
- PE of VN-Index and HNX-Index stood at 15.92 and 10.67, respectively, kept the same positions in regional ranking compared to previous month

Next month market outlook

- VN-Index is expected to correct and go sideways above 670 in the first 2 weeks of November. Index trend will be clearer after American presidential election on 8/11
 - Hillary winning the election will be good news for markets, pulling cash flow back. VN-Index has chance to overcome 690 and head for 700 - 720
 - Trump winning the election will be negative news, similar to Brexit, which will put large impact on investors' sentiment. VN-Index may lose strong resistance 670, retreat to 650 or even worse.
- **Stock recommendation:**
 - Real estates, constructional materials due to rebounding real estates market, high liquidity and reasonable valuation
 - Stocks benefit from trade agreement including seaports, infrastructure, industrial estates
 - Stocks affected by input price including Oil, steel, Sugar and by climate change such as hydroelectric power, rubber, seafood and fertilizer
 - Stock divested by government, opened room for foreign investors, newly listed
- For detail, please refer to:
 - Vietnam Sector Outlook 2016Q4 ([Link](#));
 - Weekly review: Vietnam Weekly Review([Link](#));
 - Sectors and company reports ([Link](#));

Macro economy in 10/2016

Economic growth

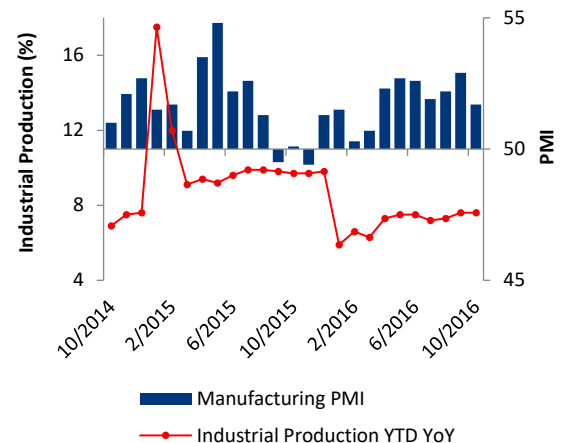
- Mining industry is still in trouble
- PMI in October stood at 51.7, slightly down from previous month, new orders surged
- Consumption rate high, some industries had lower inventories
- Retail sales showed slower rise, -2.4% MoM

IIP rose by 7% YoY, down from 7.6% last month. Growth of manufacturing and processing surged by 11.9%, producing and distributing electricity also rose by 13.6%, however, mining stumbled by 11.3% YoY. Considering year to date, IIP rose by 7.2%, lower than previous year's level. Mining declined 5.5% ytd YoY is the main reason that halted growth of industrial index while manufacturing and processing rose by 10.7%, contributing 7.5% to the whole growth.

Consumption rate of the whole manufacturing industry in September rose by 2.9% MoM, 8.6% YoY and 8.2% ytd YoY. Growth of inventories stayed at 8.9% YoY. Some industries whose inventories declined include: electricity appliance manufacturing -7.9%, pharmaceutical -8.9%, production from metal -12.7%, leather production -24.9%. Number of employees in industrial firms rose by 4.8% YoY, -1.7% in stated-owned and +1.7% in others.

Graph 1

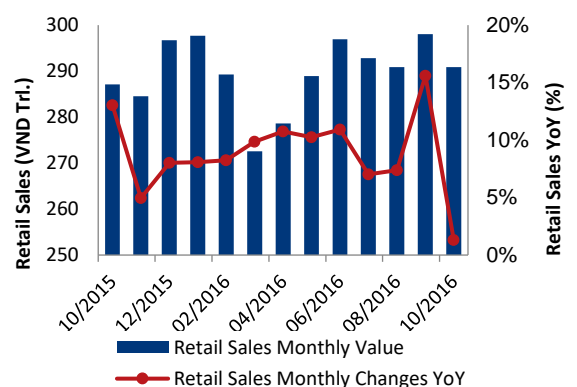
IIP and PMI



PMI in October stayed at 51.7, slightly down from previous month level, showing that economy kept growing. New orders soared in context that both foreign and domestic demand rose, inventory rose by record level while output stabilized, number of employees also rose at a slower rate than in September.

Graph 2

Retail sales



Source: GSO, BSC research

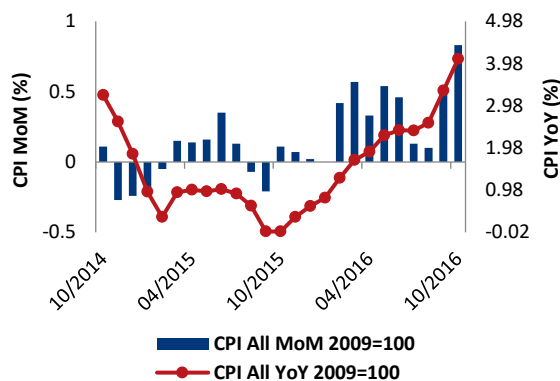
Sales showed sign of slowing down. Year to date, total retail and services sales reached VND 2,896 billion, rose by 1.9% MoM and 9.3% YoY. Retail sales in October decreased by 2.4% MoM due to goods sales declined 3.8% MoM.

Inflation

Inflation in October was 0.83%, the highest level ytd after showing acceleration in August and in September. Year to date, CPI rose by 4.09% YoY, quite close to target 5% planned from beginning of the year.

Graph 3

Monthly CPI



Source: GSO, BSC research

Health cares rose by 10.07%, transportation also increased by 2.02% due to health care reforms and fuel price adjustment. In contrast, goods and services rose slightly while telecommunication even down.

Table 1

Increase/decrease of services sector in October

TT	Sectors	MoM (%)	YoY(%)
1	Food and catering services	0.83	4.09
2	Transportations	2.02	-3.74
3	Health cares	10.07	46.84
4	Housing, construction materials	0.31	3.41
5	Entertainments	-0.02	1.36
6	Beverage and cigarette	0.06	2.03
7	Clothing	0.05	1.61

8	Housing appliance	0.04	0.93
9	Education	0.61	10.92
10	Telecommunication	-0.12	-0.79
11	Others	0.17	2.12
CPI		0.83	4.09

Source: GSO, BSC research

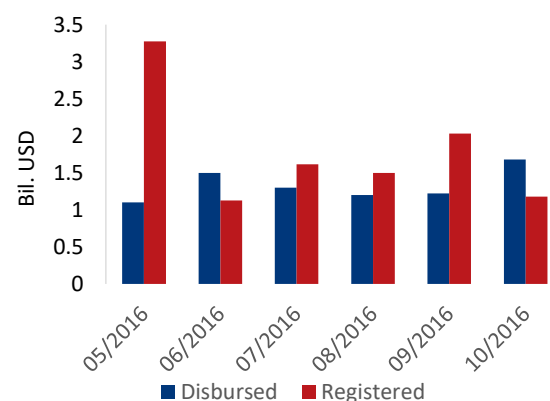
FDI

- Ytd FDI disbursement till 20/10 kept growth YoY
- Hai Phong attracted the most FDI, reached USD 2.73, 15.5% of total investment amount.

10-month newly registered FDI projects reached 2061 with investment amount registered at USD 17.61 billion (after adjustment of investment amount for last year projects), number of projects +24.5% and value -8.7% YoY. FDI disbursement reached USD 12.7 billion, +7.6% YoY. However, registered FDI declined by 40% YoY and MoM

Graph 4

Monthly FDI registered and disbursement



Hai Phong attracts the most FDI, reached USD 2.73 billion, 15.% of newly registered FDI, next is Hanoi with USD 2.03 billion, 11.5%

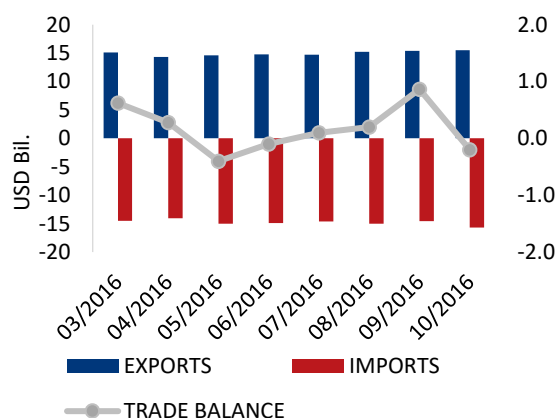
Countries that supplied the most FDI are Korea (31.9%), Japan (10.9%) and Singapore (10%)

Trade, export - import

- Year to date, trade balance surplus is estimated at USD 3.52 billion
- In October, trade deficit is estimated at USD 200 million
- Galaxy note 7 incident affected trade balance of mobile and related items, but not too much

Graph 5

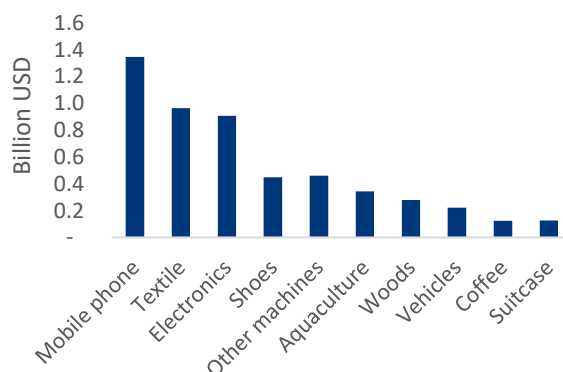
Import – export



Source: GSO, BSC research

Graph 6

Top 10 exported good in first half October



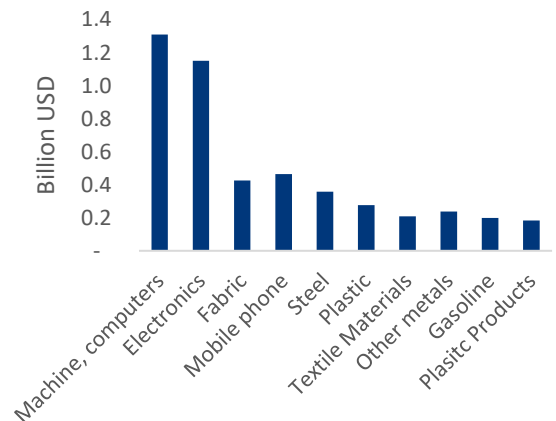
Source: GSO, BSC Research

Export in October is expected at USD 15.5 billion, +0.5% MoM, 7.2% YoY. Import in October is estimated at USD 15.7 billion, +7.9% MoM, 7.2% YoY. Year to date, export is

estimated at USD 144.1 billion while import is estimated at USD 140.6 billion, bringing the whole trade balance to USD 3.52 billion surplus.

Graph 7

Top 10 imported good in first half October



Source: GSO, BSC Research

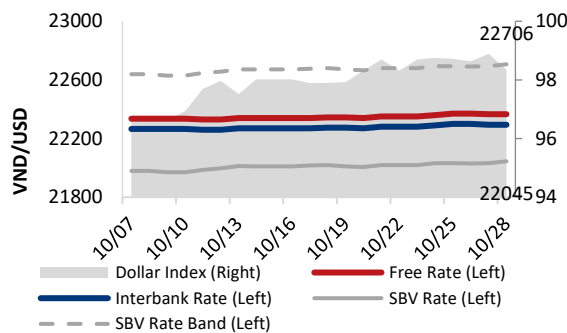
Galaxy note 7 incident affected trade balance of mobile and related items, but not too much because large part of Note 7 is distributed in Vietnam and Samsung has pushed export of other products. In 15 first days of October, export rose slightly by 2.1% MoM

Forex market

Central exchange rate kept rising trend from beginning of the month and is currently at highest level of the year. Exchange rate volatiled in the same direction with DXY when this index soared in October and is now at peak of the year. In contrast, EURVND is standing at lowest level in March, 24, 465 VND/EUR, similar with CNY when VND/CNY is at 3,297

Graph 8

Exchange rates



Source: Bloomberg, BSC research

Banking – interest rate

- Credit growth in October stayed at 11.81%, reached only 67% of target
- Credit growth may be pushed faster at year end when Prime Minister is demanding higher Q4 growth, 7.1% - 7.3%
- Interbank rate is dragged down to record low level in mid October

Table 2

Lending rates

Terms	2015	2016M10	Diff.
VND short term	6,8 - 9	6,7-7,0	-0,1 – 2
VND mid, long term	9,3 - 11	9,0-10	-0,3 - 1
USD short term	3 – 5,3	2,8-6,0	-0,2
USD mid, long term	5,5 – 6,5	5,0-6,0	-0,5

Source: SBV, BSC Research

Table 3

Deposit rates

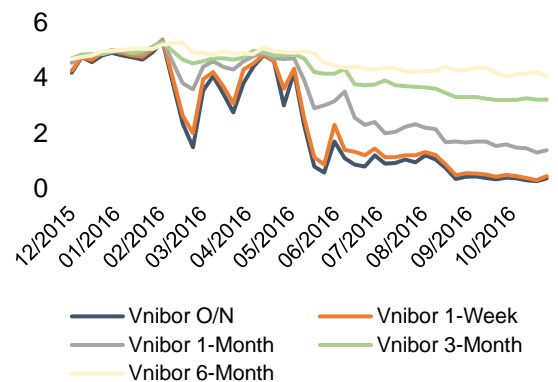
Terms	2015	2016M10	Diff.
VND			
Demand deposit and below 1 month	0,8 - 1,0	0,8 – 1,0	0
1 month - 6 month	4,5 – 5,4	4,5 – 5,4	0
6 month - 12 month	5,4 – 6,5	5,4 – 6,5	0,05
over 12 month	6,4 – 7,2	6,4 – 7,2	0
USD			
Citizen	0	0	0

Institution	0	0	0
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Source: SBV, BSC Research

Graph 9

Interbank rates



Source: Bloomberg, BSC Research

Credit growth ytd stayed at 11.81%, reached only 67% planned target, down 5.6% YoY.

Mobilizing rate stayed unchanged compared to last month. Lending rate declined, especially at short and mid term (6.6 – 7% for short term and 9 – 10.% for mid term), USD lending rate slightly down for short term.

In interbank market, interest rates decreased to record low level in mid October before rebounding in the last week. Currently, overnight rate, 1 week, 1 month are at 0.371, 0.457 and 1.386 %, respectively.

Table 4

Indicators in month 10

indicators/Month	2016M2	2016M3	2016M4	2016M5	2016M6	2016M7	2016M08	2016M09	2016M10
GDP YoY (%)	-	5.46	-	-	-	5.55	5.55		-
GDP ytd YoY (%)	-	5.46	-	-	-	5.55	5.55	5.93	-
PMI	50.3	50.7	52.3	52.7	52.6	51.9	52.2	52.9	51.7
IIP YoY (%)	7.9	6.2	7.9	7.8	7.4	7.2	7.3	7.6	7
IIP ytd YoY (%)	6.6	6.3	7.3	7.5	7.5				
Retail Sales YoY (%)	6.6	8.8	8.5	9	11	9.3	9	9.7	9.3
Retail Sales ytd YoY (%)	9.7	9.1	8.8	9.1	9.5	9.4	9.3	9.5	9.3
Retail Sales (<i>price adjusted</i>) (%)	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	0.54	0.83
CPI YoY (%)	1.27	1.69	1.33	2.28	2.4	2.39	2.57	3.34	4.09
FDI registered (billion USD)	2	1.23	2.85	3.27	1.23	1.665			1.18
FDI disbursed (billion USD)	0.2	2	1.2	1.16	1.5	1.3			1.68
Export (billion USD)	10.1	15.1	14.1	14.6	14.8	14.7	15.2	15	
Import (billion USD)	10.3	14.5	14	15	14.9	14.6	15	15.1	
Trade balance (billion USD)	-0.19	0.62	0.1	-0.4	-0.1	0.1	0.2	-0.1	-0.2
Exchange rate (VND/USD)	22,325	22,300	22,294	22,400	22,177	22.47	21.91	21.94	22320
Credit growth (%)	0.39	1.54	3.57	-	-	-	9.67	10.46	11.81
Bad debt (%)	-	-	-	-	-	-			

Stock Market October 2016

Market Overview

Both VN-Index and HNX-Index had a narrow fluctuation range and became weaker by the end of Oct. As of Oct 31st, VN-Index and HNX-Index end at 675.8 pts (-1.45% MoM) and 82.25

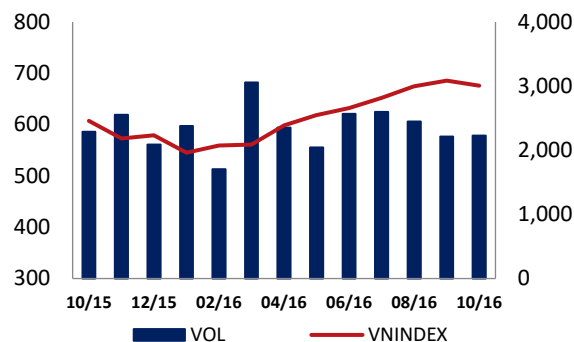
pts (-3.24% MoM), respectively.

Trading/Moving variably during this month, VN-Index fluctuated between 680 pts to 690 pts and continued failing to break up strong resistance of 590 pts. This situation became more negative as it suddenly backed to re-test

lower support level of 670 – 675 pts by the end of Oct.

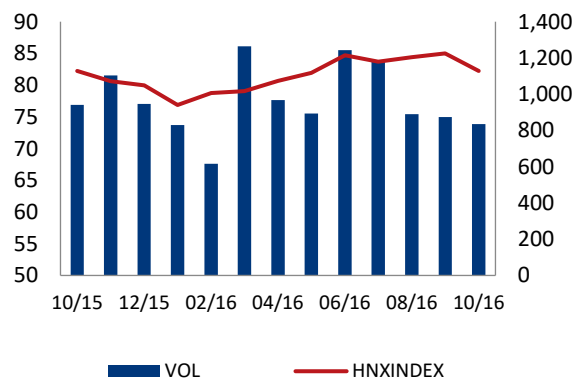
Similarly, HNX-Index showed a stable movement around 85 pts. However, this index also decreased during last week of Oct, as a result, two support levels of 84 pts and 83 pts were alternatively broken down coupling with a slight shortfall of trading volume.

Graph 10
Movement of VN-Index



Source: HSX, Bloomberg, BSC Research

Graph 11
Movement of HNX-Index



Source: HNX, Bloomberg, BSC Research

As of Oct 24th, there were 18/20 sectors had downward trend in Oct with the modest level. Specifically, Real estate, Steel, pharmaceutical, Oil&Gas, Material Construction & Construction demonstrated decreases of 9.27%, 7.7%, 7.44%, 7.28%, 5.81% and 5.36% MoM, respectively. On the other hand, Education and

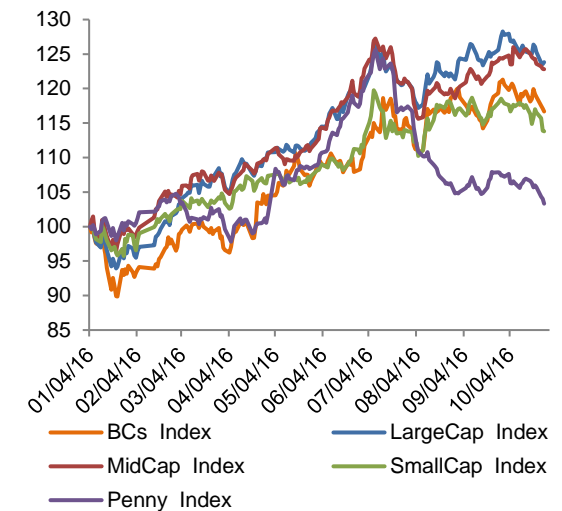
Aquaculture rose by 2.34% and 0.44% MoM, respectively.

Movements of stocks by market capitalization

Các nhóm cổ phiếu phân loại theo vốn hóa cũng đồng thời suy yếu mạnh như các nhóm ngành.

In term of market-cap stock groups, Penny and LargeCap witnessed largest reductions with the decline of 4.3% and 4.1% MoM. The next are SmallCap, BlueChip, MidCap with the negative falls of 3.8%, 3.1%, 2.0% MoM.

Graph 12
Movements of stocks by market capitalization

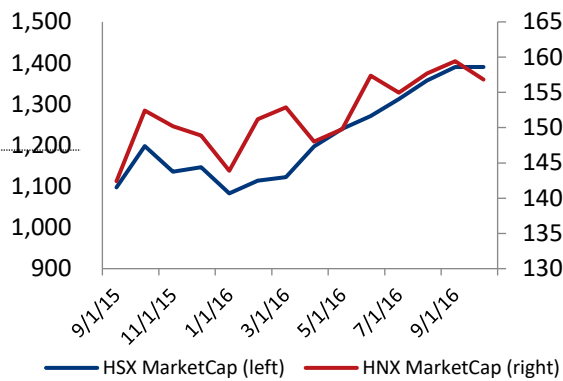


Source: Bloomberg, BSC Research

Capitalization

In term of market capitalization, total HSX and HNX's market cap reached thousand VNDb 1547.2, or USDb 69.38 (-0.16% MoM). This slight reduction is driven by a decrease of price level of BCs such as VCB, MSN, BVH, GAS and HPG. While HNX's market cap fell by -1.64% MoM, that of HSX slightly rose by 0.01% MoM.

Graph 13
Market Capitalization

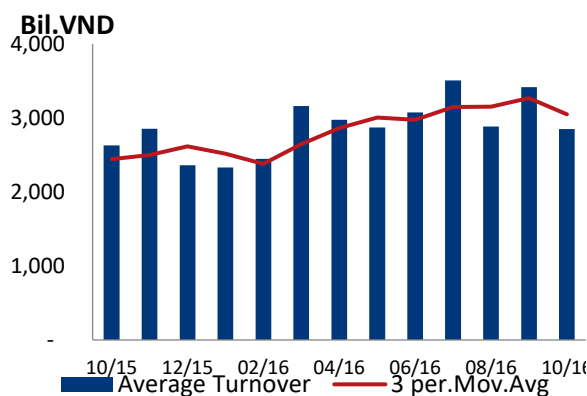


Source: Bloomberg, BSC Research

Average trading volume

Graph 14

Average trading value



Source: Bloomberg, BSC Research

Market's average trading value had a drop of 16.6% MoM, equating a value of USDm 127.66 per session. Specifically, average trading value per session of HNX and HSX respectively decreased by 11.12% MoM and 17.5% MoM.

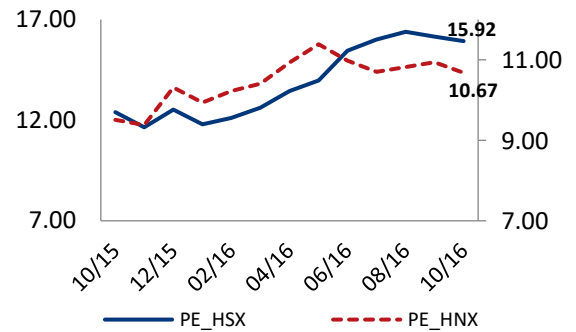
PE level of VN Index

P/E ratio of VN-Index and HNX-Index were 15.92 and 10.67 respectively, indicating an unchanged ranks versus those of other regional countries.

This ratio of VN-Index and HNX-Index, which respectively ranked 8th and 12th compared with other regional countries, all fell by 1.44% MoM and 2.45% MoM.

Graph 15

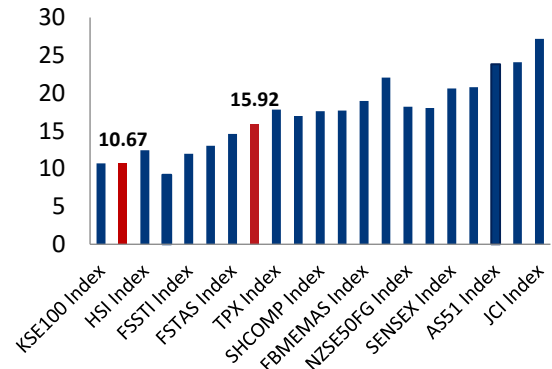
Vietnam stock markets P/E movements



Source: Bloomberg, BSC Research

Graph 16

P/E of VN market in comparison with others



Source: Bloomberg, BSC Research

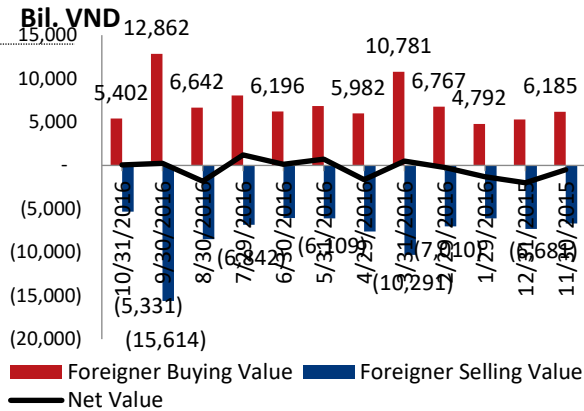
Foreign investors' transactions

October witnessed a slight net buying activity of foreign investors in both exchanges, specifically, foreign net buy was VND 71bn (US\$ 3.18mn) in HSX, and VND 40bn (US\$ 1.79mn) in HNX.

In October, foreign investors focused on buying net HAH, DAG, PAN and selling net CTD, VHC, SBT in HSX. In HNX, foreign investors bought net HUT, DBC, BVS most while sold net SCR, VKC, IVS most.

Graph 17

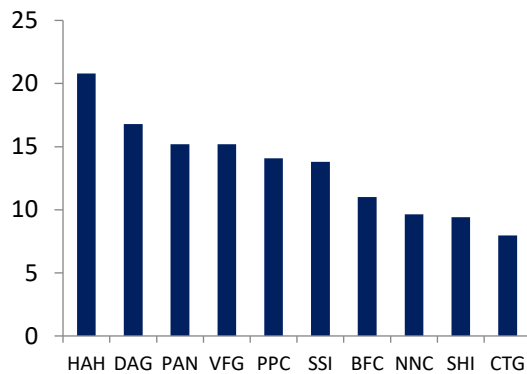
Buy-Sell activities of foreign investors on HSX



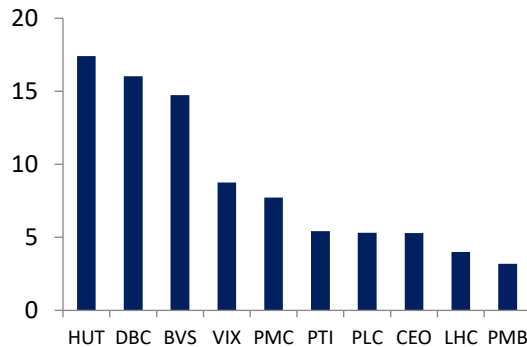
Source: BSC Research

Graph 18

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

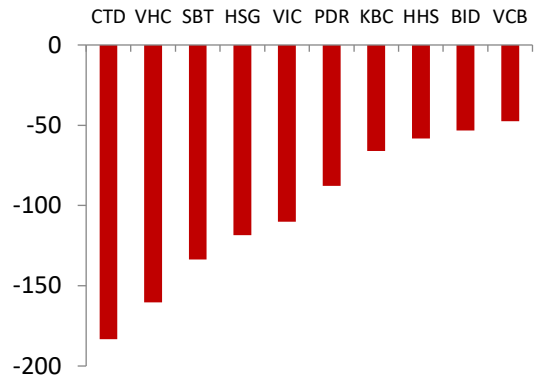


Source: BSC Research

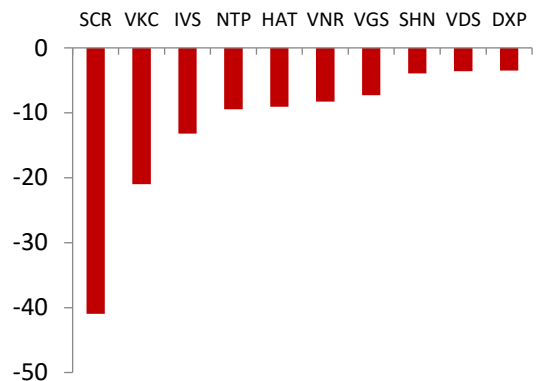


Graph 19

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



Source: BSC Research

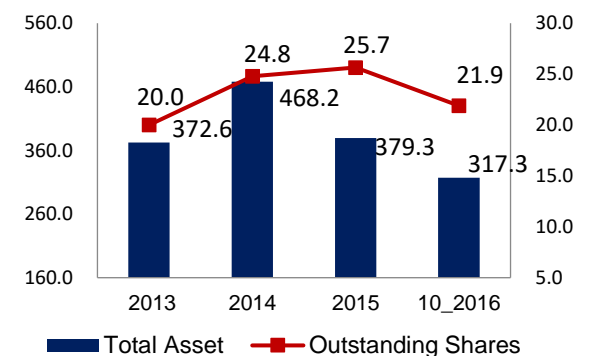


ETF funds' activities

From the beginning of 2016, the number of fund certificates (FCs) of VNM ETF decreased by 3.75mn (US\$ 5.24 mn), equivalent to VND 90.04 bn of sale. The number of FCs of FTSE ETF declined by 1.84 mn (US\$ 3.75mn) equivalent to VND 85.56bn of sale.

Graph 20

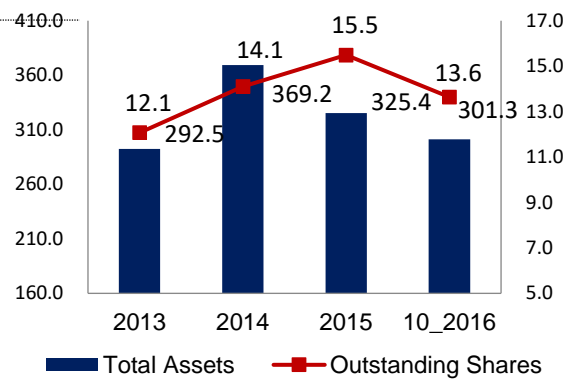
Total assets and outstanding shares of ETF VNM



Source: BSC Research

Graph 21

Total assets and outstanding shares of ETF FTSE



Source: BSC Research

November stock market prospect

The third quarter business results could not help VN-Index to break through 690 points, with high divergence in large cap stocks and high pressure of profit taking in the peak. VN-Index sidewayed in the range 670-690 during October. VN-Index drops slightly, with many stocks adjusted after a strong gain in 9M2016. A few notable stock groups in October:

- Large Cap stocks diverged: VNM (+1.4%), MWG(+4.1%); while GAS(-6.4%), VCB(-6%), VIC(-4.5%). ROS became the pillar for VN-Index with a phenomenal growth of 153%, contribute 11.4 points growth for the index;
- Declining sectors: Oil & Gas (PVS-9.4%, PVT-9.3%), Steel (HPG-10.8%, VGS-10.4%), and Pharmaceutical phẩm (DHG-12.1%, DMC-16.8%). These stocks have adjusted after strong gain since year beginning;
- Gaining sectors: A few groups have not yet increased/ or only have slight growth with supporting information: Fisheries with improving business results (HVG+9.4%, FMC+1.3%), education sector with increase tuition fee (HPT+52.0%, HBE+20%), Plastic packaging (TPP+18.5%, SPP+19.3%).

In October, we concentrate on company visits and published some reports: Outperform assessments for SMC ([Link](#)), GMX ([Link](#)), DHC ([Link](#)), ITD ([Link](#)), ELC ([Link](#)), and WSB ([Link](#)). A few stocks with Underperform assessments: KBC ([Link](#)), BFC ([Link](#)), LHG ([Link](#)), TRA ([Link](#)), PNJ ([Link](#)), and DAG ([Link](#)). Besides, we issued the 4th quarter sector reports, with Outperform assessments for Real Estate, Construction, Tiles, Technology, Ports and Power ([Link](#)).

In November, the global context is complicated and unpredictable. FED will have the official meeting to inform the monetary policy in 1st – 2nd November. 1 week later, the US president election will take place. These will strongly affect the stock market all around the world, as well as in Vietnam.

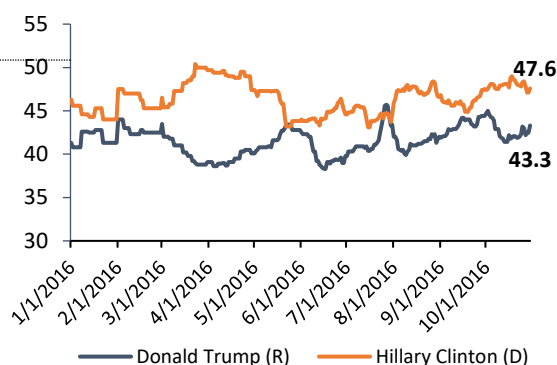
According to the Bloomberg statistics, the probability of raising interest in November is quite low, declining from 41% as of August-end to 17.1% currently, under the influence of the presidential election. The probability of rate hike in December is quite high, increasing from 60% to 69.2%. A rise of 0.5 – 0.75% is considered highly probable if rate hike takes place in December, while a rise of 0.25-0.5% has high probability for November.

Table 5
FED's rate hike probability in 2016

Criteria \ Meeting date	Probability of rate hike	Increase 0.25-0.5%	Increase 0.5-0.75%
02/11/2016	17.1%	82.9%	17.1%
14/12/2016	69.2%	30.8%	58.4%

Also according to the Bloomberg statistics, the Democratic candidate Mrs. Clinton is only 4.3% ahead of the Republican candidate Mr. Trump on Nov 30th, a fast decline compared to the 7% ahead one week earlier. This gap is likely to be shortened with FBI reopened the investigation into Mrs. Clinton's email usage affair. The race to White House has become tougher and more unpredictable.

Graph 22
Foreign investors' trading activities in HSX



The global and domestic stock market slowed down and move sideways in the final week of October, and this trend would continue in the early weeks of November due to the major events from the US in the first 2 weeks of November.

Table 6
Factors affecting the market in Sep 2016:

Events	Impact on stock market
The government continues to pursue growth policies, monetary easing, promote restructuring of SOEs.	Positive
Large enterprises such as Sabeco, ACV, Vinatex, ... will be gradually listed and have positive impact on the market	Positive
OPEC meeting on 30 Nov will discuss to cut production	Positive on oil & gas sector, , negative on inflation
Fed meeting held on 1st – 2nd Nov, the possibility of raising interest rates is low.	Increase- Negative, Unchange - Neutral
US presidential election held on 8th Nov, potentially unpredictable factors and difficult to predict	Positive – Hillary and Negative - Trump
Judging 6 serious economic cases in the Q4	Negative
Valuation ratio (P/E, P/B) of VN Index and margin market have been high for many years. The	High potential risk

speculative stocks sharply increase the index.

Source: BSC Research

Macroeconomy will continue to be stable and maintain the growth momentum in the fourth quarter. The increase in inflation and budget deficit raising concerns in policy management were early recognized by the Government and would be controlled.

The prices were showing signs of adjustment even though the index fell slightly. Unlike HNX-Index with the basic valuation P/E, P/B equivalent to those in early year, the VN-Index increased considerably; however, if removing unusual factors, the index is unlikely expensive as what the current figures show:

- Excluding the impact of ROS stock, listed on 1st Sep, increased by 584.9% and contributed 16.2 points, the VN-Index was at 659.6 points.
- P/E and P/B of the VN-Index were at 15.7 and 1.9, increased sharply by 25.5% and 12.3% respectively while HNX-Index was only 10.6 and 1, up 2.9% and down 0.3%. In another view, if we exclude stocks with negative earnings and the stocks having a P/E greater than 30 (including 1 couple of large cap such as ROS, VIC, ITA, STB and BVH) equivalent to exclude 50/313 listed stocks, the P/E of the market was about 13x. This data reflected accurately the majority of shares listed on the HSX.
- As of 31st Oct, 227/313 listed firms on HSX announced third-quarter earnings results. Firm group having net income increased in absolute value included KDC, HPG, VCB, CII, CTG, while decreased group consisted of GAS, DPM, BCI, RIC, DXG. The total after-tax profit grew by 18%.

The market is adjusting, while earnings have improved market will soon reach equilibrium after adjustments and will increase again when there are supportive information.

Based on evaluation of market information, the VN-Index script reference proposed in November:

- VN-Index continued to trend sideways and correct slightly above 670 points in the first 2 weeks of Nov. The trend of the index will be clearer after the US presidential election day 8/11

In case Hillary is elected, this would be good news for the market. Pulling back the cash flow after the correction and accumulate. VN-Index may reach 690 points and towards the target of 700-200 points.

- In case Trump is elected this would be bad news for the market, similar to the Proposed referendum on United Kingdom membership of the European Union. This information will influence investor sentiment. World financial markets will react negatively, and affect Vietnam market. VN-Index may take the strong support of 670 points, 650 points back of price ranges and can also more negative developments.

Oriented investment in November, for more detail about our selected stock, investors may refer to the reports.

- Real Estate Stocks warm thanks to real estate, high liquidity and a reasonable price level.
- Stocks affected by climate change, hydropower, Rubber, Seafood, Sugar and Fertilizer;
- State divestments, room opening and new listings especially with beer sector stocks when two leading companies in the industry Sabeco and Habeco new listings.
- In the long term, the stock recommendations of the BSC will be addressed in the sector outlook report Q32016 ([Link](#)), stocks with positive changes recommended in the report weekly Investment Advisory ([Link](#)) and Report updated industry / business ([Link](#))

Disclosure

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