

## Vietnam Monthly Review 2017 M02

### BSC Research

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### Macro economy

- PMI increased from 51.9 to 54.2, the highest increase since May 2015. This uptrend was witnessed for 15 months, thanks to higher production output, new purchase orders and higher inventory.
- Revenue from retail and service fell 6.5%mom after Tet holiday, yet still higher than that of last year (+7.2%). CPI increased 0.23%mom due to rising oil and gas price.
- FDI witnessed a positive uptrend. Total registered FDI reached USD 2,028.9 million, 6.5% higher than last year. Manufacturing industry and Real Estates attracted an increasing amount of foreign capital.
- Exchange rates fluctuated between 22,545 VND/USD – 22,790 VND/USD, due to a trade deficit of USD 1.2 billion. There were strong fluctuation in the interest rates level, but averagely lower than last month.

### The stock market

- Along with the return of speculative cash flow, VN-Index and HNX-Index increased 1.94 % and 2.8% MoM respectively with high liquidity.
- Liquidity in February reaches VND 3,654 billion on average per trading session (+48.2% MoM). There is a net buy from both exchanges of more than VND 618 billion on HSX and VND 26 billion on HNX.
- P/E of VN-Index and HNX-Index are respectively 16.59 and 10.88. Currently, the P/E of HNX-index is the lowest in the region, P/E of VN-index increased by one rank, up to the 9th position.

### Next month market outlook

- VN-Index is likely to fluctuate from 690 to 720 point in March. We suggest that there is a higher chance for a positive VN-Index.
  - VN-Index will enter accumulation phase of 690 – 720. Speculative cash flow is likely to decrease. The investors will lock in their profit of investment in attractive stock but this activity will not spread to the whole market. The market will in correction phase in the first half of March with great fluctuation around downward trend line and recover in the second half of March.
  - In a negative case, foreign investors is going to stop buying, profit acquisition activities is going to occur at the peak of VN-Index in short-term and go back to the previous accumulative range from 650 to 690 point.
- **Stock recommendation:**
  - Stock group that are being privatized, new large cap IPO stocks group, fundamental stocks that have low evaluation or not yet increased in accordance to market trend.
  - Stock group that is benefited from increasing price of raw material and government subsidiary programs
  - Stock group belongs to Industries that have changes and expectations of increasing profitability such as consumption, construction and electricity industry
  - Stock group with high dividend yield, low beta.
- For detail, please refer to:
  - Vietnam Sector Review 2016 ([Link](#)),
  - Vietnam Sector Outlook 2017 ([Link](#));
  - Vietnam Weekly Review([Link](#));
  - Sector and company reports ([Link](#));

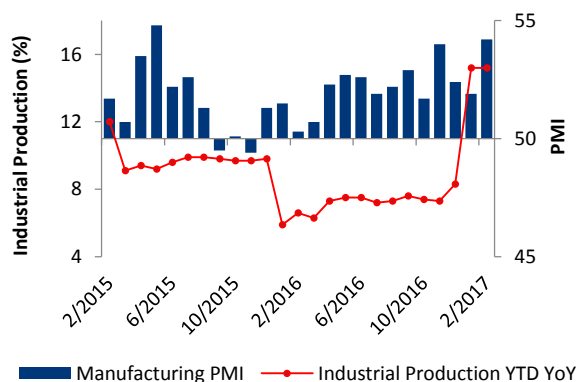
## Macroeconomic of February 2017

### Economic Growth

- **Industrial manufacturing improved significantly. PMI increased to 54.2 point (+4.43%MoM).**
- **Retail and service consumption dipped slightly after the Lunar New Year Holiday.**
- **Domestic manufacturing increased after the holiday.**

**Industrial Production index in February increased by 15.2% yoy.** PMI for the first two months in 2017 was higher than the beginning two months last year by 2.4%. Mineral extraction industry production experienced a sharp decrease to 13.5%, slowing down the uptrend of PMI in this month.

Chart 1  
**Industrial Production Index & PMI**



Source: GSO, Markit, BSC Research

**Industrial consumption of Manufacturing Industries fell by 4.4%yoy and 16%mom.** Some industries experiencing a lower consumption index compared to that of last year were: tobacco manufacturing fell by 16%, pharmaceutical production decreased 14.7%, leather and related product manufacturing was lower by 13.6%, production based on prefabricated metal (excluding machinery)

decreased 11.5%. Garment industry, electronic device and computer manufacturing and production of vehicles with engines experienced an improvement compared to last year.

**Industrial inventory rates of Industrial Production increased by 13.3% yoy.** Highest amount of inventory was in paper production companies (160.9%), followed by beverage industry inventory increased by 66.6%. The inventory amount increased in electronics device, computer and optical products, mineral based product manufacturing were 61.3% and 43.7% respectively.

**PMI in February increased to 54.2 point, production and manufacturing has been experienced a strong recovery** compared to January 2017 when there was a long Lunar New Year holiday at the end of the month (PMI in 01/2017 was at 51.9 point). Higher number of purchase orders in February had a great contribution to industrial production recovery.

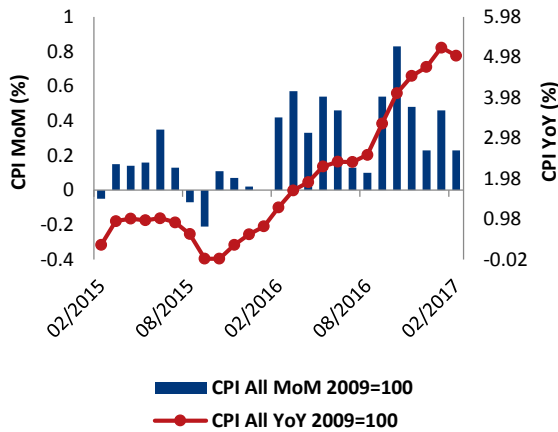
### Inflation

- **CPI of February increased MoM and YoY;**

**CPI of February increased by 0.23% mom and by 5.02% yoy.** In addition, core inflation also increased by 0.20% mom and 1.15% yoy.

**Housing and construction CPI had the highest increase of 0.77%,** mainly due to the upward adjustment of gas prices of VND 28,000 per cylinder at the beginning of the month, and higher domestic demand for electric and water. Transportation CPI increased by 0.56% due to oil and gasoline prices were adjusted twice this month. Other products and services' prices had lower price increase than average or declined.

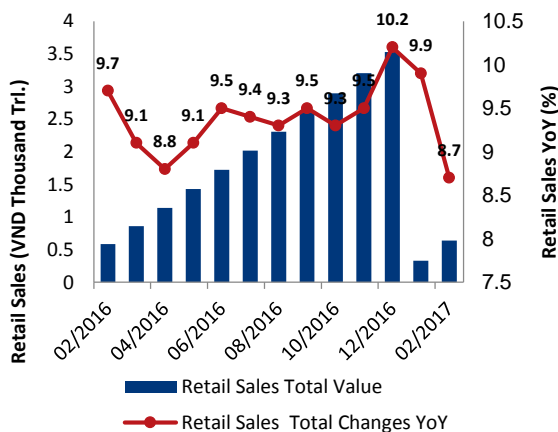
Chart 2  
CPI Monthly Development



Source: GSO, BSC Research

**Total revenue of consumer goods and services retails in February 2017 is estimated to be VND 309.3 trillion.** Consumer goods and services retails were in a declining trend as compared to last month. Total revenue is estimated to reduce by 6.5% mom and increase 7.2% yoy. In which, goods retails revenue reached VND 234.1 trillion (-7.6% mom), revenue from accommodation and catering reached VND 37.7 trillion (-1% mom), and revenue from tourism reached VND 2.5 trillion (-10.5% mom).

Chart 3  
Retail Sales



Source: GSO, BSC Research

Table 1  
CPI increase/decrease by goods and services this month

No.	Goods and services	MoM (% point)	YoY (% point)
1	Food and catering	0.11	0.50
2	Transportation	0.56	9.97
3	Healthcare	0.22	57.21
4	Housing, construction materials	0.77	4.77
5	Entertainment	0.15	0.78
6	Beverage and cigarette	-0.01	1.14
7	Clothing	-0.05	1.00
8	Housing appliance	0.05	0.91
9	Education	0.00	10.07
10	Telecommunication	-0.07	-0.71
11	Other	0.14	1.83

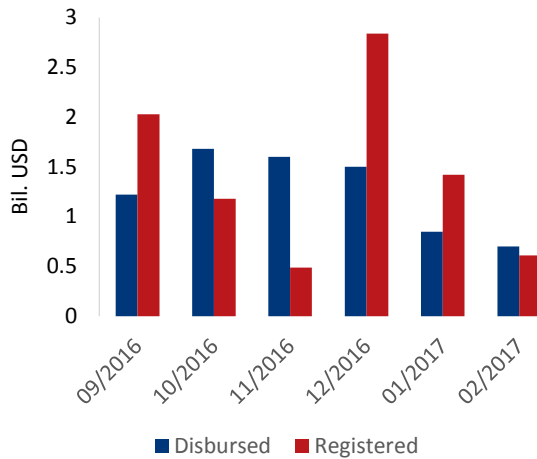
Source: BSC Research

## Foreign Direct Investment (FDI)

- There was a positive trend in FDI flow into Vietnam from the beginning of 2017 up to 20/02/2017.

**Registered FDI reached 2,028.9 million USD on the first two months of the year,** increased by 6.5% yoy and attracted 131 newly licensed projects. Disbursed FDI was 1,550 million USD (+3.3%yoy). The leading position in attracting FDI capital flow was Industrial Manufacturing projects with registered capital amount of USD 1,476.4 million (72.8% of total FDI), followed by real estate projects with USD 309 million (12.5%) and the remaining 12% of FDI capital belonged to other businesses. These projects were in 34 provinces and cities in Vietnam, but mostly concentrated in big cities such as Binh Duong, Tay Ninh, Bac Giang, Nghe An, Ho Chi Minh City, Dong Nai, Ba Ria – Vung Tau.

Chart 4  
FDI Capital (USD billion)



Source: GSO, BSC Research

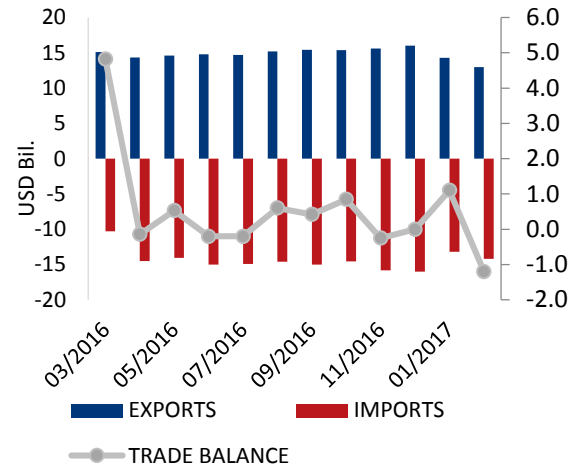
## Import-Export

- In February, Viet Nam got a trade deficit of VND 1.2 billion (being equivalent to 9.23% of export). Trade balance of the first two months was to USD -0.05 billion.
- Total export turnover experienced a slight decrease of 1.09% to USD 27.2 billion compared to January 2017.

February export turnover was expected to be USD 13 billion (-9.4%mom). In which, domestic business was 3.48 billion USD and FDI business was VND 9.52 billion (-6.5%mom). For the first two months of 2017, total export turnover was expected to be VND 27.3 billion (15.4%yoy).

Products that were major contributors to the growth level of export turnover in February experienced a dip as compared to last month, such as textile and garment products (-30.4%), shoes (-23%), vehicles and component parts (-25%), woods and related product (-34.3%) and aquaculture (-18.8%).

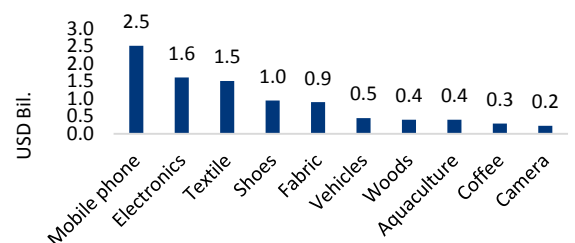
Chart 5  
Export, import and trade balance (USD billion)



Source: GSO, BSC Research

The US continued to be Vietnam biggest export market in the first two months of 2017, with an export turnover of USD 6 billion (+18.9%yoy). The EU was the second largest market with export turnover of USD 5.4 billion (+13.2%yoy), followed by China at USD 3.3 billion (+36.4%yoy), ASEAN at USD 2.9 billion (+15.9%yoy), export to Japan was USD 2.3 billion and to Korea was USD 1.9 billion (15.3% and 31.9% higher than last year).

Chart 6  
Top 10 export goods (USD billion)



Source: FIA, BSC Research

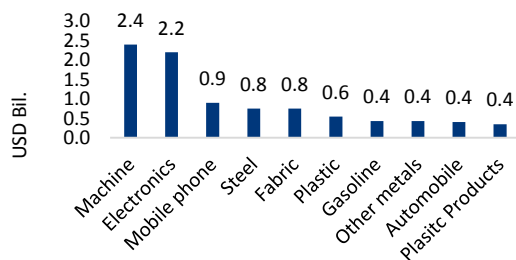
This month import turnover was estimated to be USD 14.2 billion, increased by 7.7% mom. In which, the main importer was FDI businesses, with a 12.1% increase of USD 8.6 billion. Domestic businesses also imported USD 5.6 billion, increased by 1.6%. The main reason is after the Tet holiday, businesses restarted their

production cycles with higher demand for imports than last month.

On import, several products with strong changes as compared to the second half of January 2017 were: electronics increased by USD 387 million; machine increased by USD 352 million; plastic increased by USD 151 million; steel increased by USD 138 million; mobile phone increased by USD 115 million; etc. In opposite, gasoline decreased by USD 94 million; soy bean decreased by USD 25 million; corn decreased by USD 15 million; etc.

Chart 7

### Top 10 import goods (USD billion)



Source: FIA, BSC Research

In the first two months of 2017, China is the largest import partner with import turnover of USD 8 billion (23.8% yoy). It is followed by Korea (USD 5.6 billion, 35% yoy); ASEAN (USD 3.6 billion, 11% yoy); Japan (USD 2 billion, -0.2% yoy); EU (USD 1.7 billion, 24.6% yoy); US (USD 1.4 billion, 31.4% yoy).

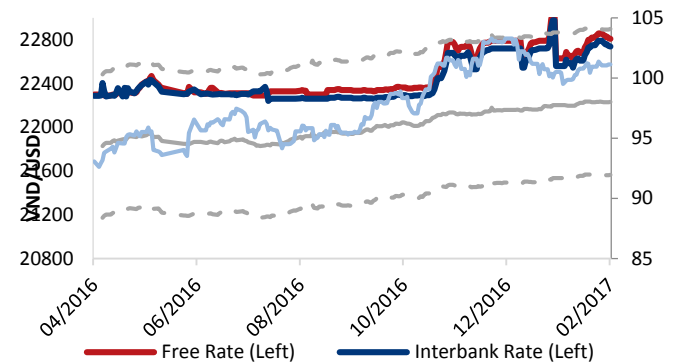
## FOREX market

- Exchange rates kept stable from the end of 2016 and rose slightly in the first two months of 2017.

**Interbank exchange rates in February fluctuated between 22,545 – 22,790 VND/USD,** The average rates in the month was 22,684 VND/USD. Central exchange rates on February 28 of 2017 was at 22,232 VND/USD.

Chart 8

### Exchange rates movement



Source Bloomberg, BSC Research

**Accordingly, free exchange rates changed between a smaller band of 22,615 – 22,860 VND/USD** compared to 22,790 – 23,050 VND/USD last month. The average free rates this month was at 22,754 VND/USD.

**Dollar index in 02/2017 increased 1.48% mom,** and 2.96% yoy. On Feb 21, the index reached its highest level in 02/2017 at 101.37 point then fell gradually to 101.12 point at the end of the month.

## Banking – Interest rate

- **Interbank interest rates have strong fluctuation in February in all terms, with long-terms more stable than short-terms.**
- **Lending and deposit interest rates level slightly reduce from last month thanks to (1) surplus capital flow back to the banking system; (2) lower demand for withdrawal; and (3) SBV's efforts to stabilize the interest rates level.**

**During the first half of February, the interest rates level of all terms significantly dropped** under the range of 1.55%-2.07% compared to Tet, when the shortage of money supply drove the interest rates level up. This demonstrated an abundant of liquidity in the banking system as the money surplus after Tet's consumption

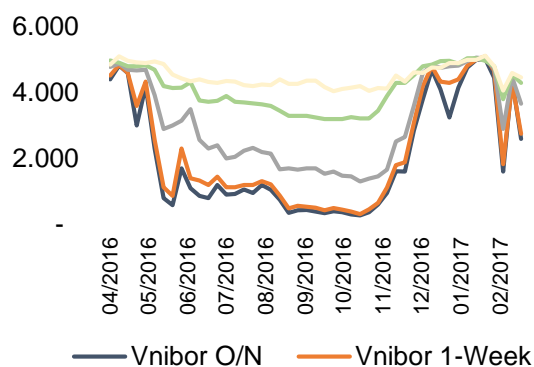
flew back to the system and there was a lower demand for money withdrawal.

**Over the remaining days of February, interest rates bounced back towards the beginning of the month's level.** As liquidity improved in the market up to the middle of February, SBV began withdrawing VND 161,613 billion by OMO and bond issues. The reduction of the money supply drove interest rates up. However, the interest rates level came to a downtrend at the end of the month.

**The interbank rates also repeated similar fluctuations.** However, long-term rates in generally were more stable than the short-terms.

Chart 9

**Interbank rates**



Source Bloomberg, BSC Research

## March 2017 Macro forecast

Externally, Vietnam's March 2017 macro picture may be affected by the following factors:

(1) **US Federal Reserve (FED) important meeting in March on interest rates adjustment.** Before the meeting, FED chairwoman Janet Yellen commented that the US policy makers should not wait too long to increase USD interest rates, due to a high probability of rising inflation as the US economy is recovering. The market bided a high odd on the probability of increasing interest rates immediately in March. If this happened, interests rates would be expected to increase a few more times in this year, a boost to USD value to be higher than expected, which could intensify pressures on the State Bank of Vietnam's efforts to balance its currency. An increasing USD will increase foreign debt pressures and adversely affect imports of materials for production. However, such increase will also benefit exports. Besides, the Vietnam's stock market will also be affected due to capital outflow of foreign investors towards the US market, which will reduce market demand.

(2) **The announcement of Trump's tax cut.** There is quite a high hope from investors to the newly elected President Donald Trump's policies to cut tax and strengthen economic growth, which has been demonstrated by the historic uptrends of Dow Jones recently. Generally, these policies could bring growth to America, the largest importer of Vietnam. Despite the US protectionism policies will be detrimental to Vietnam's exports, Vietnam's trades to the US could still have room to grow as the US domestic production will not suffice.

(3) **WTO's Trade Facilitation Agreement (TFA) officially came into force** at the end of February 2017, which help reduce custom procedures as well as taxes and duties on trades by 14.3%, facilitating exports, especially for emerging countries, including Vietnam. With the agreements of 164 countries, including the US, this deal is expected to boost global trade growth to 2.7% annually towards 2030 and create an additional 0.5% of global GDP growth rates.

Domestically, some remarkable points in the next month are:

(1) **Manufacturing activity.** Manufacturing activity in March 2017 is expected to continue its growth. Foreign investment will continue to flow to production industries and unemployment could be reduce. Next month PMI could reach 56.0.

(2) **Inflation.** Global commodity prices are under their uptrends, especially oil and production materials, creating strong pressure on Vietnam's inflation control. Under this pressure, there is a good chance that inflation will continue to have a slight gain in March.

(3) **Interest rates dip and exchange rates rise.** Due to the pressure from inflation, as well as the probability of an USD increase, VND/USD rates are expected to slightly increase. However, the magnitude will depend on the next FED meeting at the middle of March. We believe that the VND/USD free rates will increase in the first half of March due to expectation on interest rates hikes under the range of 22,900 – 23,200 VND. In case that the interest rates will not adjust, foreign exchange rates fluctuation in March will be similar to January when FED's January meeting took place. VND/USD rates will be adjusted to the February level, with a slightly increase to between 22,700 – 22,900 VND. However, VND/USD rates could reach 23,000 – 23,500 VND in the second half of March if FED raise its rates. To balance foreign exchange rates, control inflation, yet continue supporting credit growth for



its economic targets, VND interest rates will be higher than the 2016's level. Nevertheless, bank interest rates will continue its declining trend at the second half of February, from a very high interest rates level in January.

(4) **Import & Export.** Thanks to the depreciation of VND, combined with the recovery of the US economy and the new trade agreements, Vietnam's export is expected to increase. In a short-term looking, there are not too many trade protectionism policies on Vietnamese products. Therefore, exports could still benefit from that.

Table 2

**Monthly macro indicators**

Indicator/month	2016M8	2016M9	2016M10	2016M11	2016M12	2017M1	2017M2
GDP yoy (%)	-	6.68	-	-	6.68	-	-
GDP ytd yoy (%)	-	5.93	-	-	6.21	-	-
PMI	52.2	52.9	51.7	54	-	51.9	54.2
IIP yoy (%)	7.3	7.6	6.5	7.2	8.3	15.2	15.2
IIP ytd yoy (%)	7.3	7.6	7.4	7.3	8.3	15.2	15.2
Retail Sales yoy (%)	9	9.7	9.3		10.2	9.9	8.7
Retail Sales ytd yoy (%)	9.3	9.5	9.3	9.5	10.2	9.9	8.7
CPI mom (%)	0.1	0.54	0.83	0.48	0.28	0.52	0.23
CPI yoy (%)	2.57	3.34	4.09	4.52	4.7	5.22	5.02
Registered FDI (USD billion)	1.5	2.03	1.18	0.49	1.5	1.42	2.03
Disbursed FDI (USD billion)	1.2	1.22	1.68	1.6	2.84*	0.85	1.55
Export (USD billion)	15.2	15	15.4	15.6	16	7.3	13.0
Import (USD billion)	15	15.1	15.85	16	16.3	7.38	14.2
Trade balance (USD billion)	0.2	-0.1	-0.45	-0.4	-0.3	1.15	-1.2
Exchange rates (VND/USD)	21,910	21,940	22,320	22,720	22,760	23,050	22,648
Credit growth (%)	9.67	10.46	11.81	14	18	-	-

Source: BSC Research

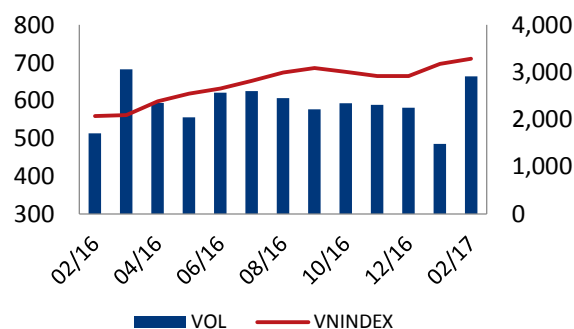


# Stock market in February 2017

## Market Overview

**Following the bullish trend from the end of January, two market indexes in February reached an impressive level in the context of the liquidity maintained at a high level.** On HOSE, after Tet holiday ended, VN – Index recorded its top within 10 years; whereas, the major contributors to this peak were BCs' members such as VNM, NVL or VIC. They contributed 2.18 points, 2.34 points and 4.07 points, respectively. On the contrary, banking stocks like VCB, CTG, along with BHN limited the rally of the index. Market liquidity has been improved and remained at a high level (average trading value per session in this month was more than VND 3.600 billion). Besides, the cash flow took a steady rotation among different sectors, supporting the index when it got a correction, which helped the market not to see a strong drop. On HNX, the index also reached a considerable gain in this month, which came from the supports of SHB (+ 0.58 to the point) and VCS (+0.51 to that).

Chart 10  
VN-Index development

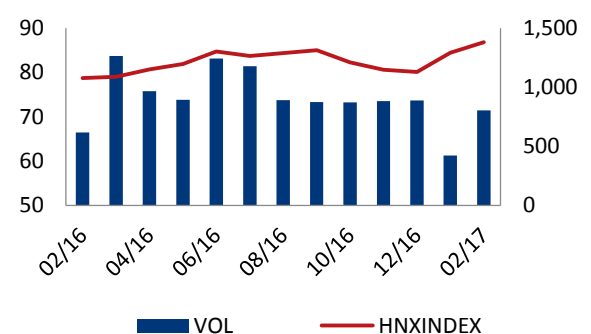


Source: HSX, Bloomberg, BSC Research

About the point, VN-Index closed at 710.79 at the end of the last session of February, being equivalent to a 13.51 point increase, compared

to the session on January, 25<sup>th</sup>. At the present, the index has tested around the resistance level at 710 after sustainably accumulating above the historical record at 700 in February. HNX- Index experienced a similar trend, passing through strong resistance level at 85 and currently reaching 86.83, meaning that it went up by 2.8% from that on January, 25<sup>th</sup>.

Chart 11  
HNX – Index development



Source: HSX, Bloomberg, BSC Research

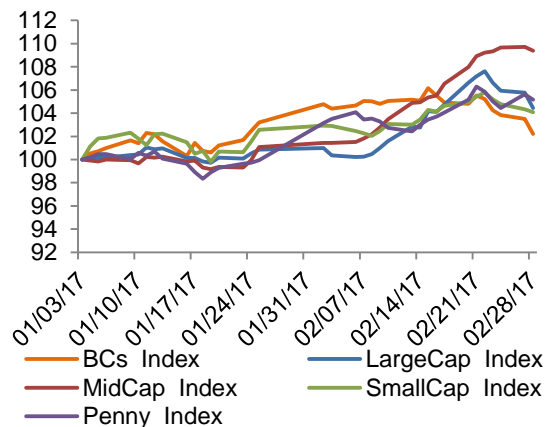
**Most sectors experienced growths from last month, thanks to the regular rotation of cash flow,** in which Construction group saw the highest rally (+12.34% MoM) due to the contribution of ROS and CTD. Real Estate ranked No.2 with a 10.88% increase because of the help of VIC, NVL. Only a few sectors got the correction, for example: Aviation, Banks; however, the decrease rate was less than 3%.

## The development of stocks classified based on market capitalization.

Most indexes of these stocks significantly went up from last month, excluding BCs. The group reached the strongest increase was Mid- Cap (+8.2%) whereas BCs took a slight correction (-0.26%). In the end period of February, Mid-cap kept on attracting the market cash flow while remaining groups considerably declined.

Chart 12

### Stock groups development



Source: Bloomberg, BSC Research

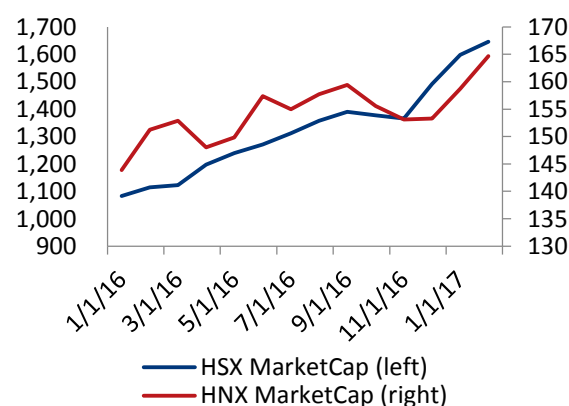
### Capitalization

**The total capitalization of two markets is VND 1,810.04 trillion (USD 79.56 billion), increased by 3.07% MoM.** From January 2017, HOSE market has an addition of 300 million shares listed for the first time, 12,2 million delisted shares, 433.42 million additional listed shares, and 2 million ETF certificates delisted, which contributed to the expand of market capitalization scale in February.

The growth rate of HNX was 3.07% MoM, being lower than that of HSX (3.77% on MoM).

Chart 13

### Market capitalization



Source: Bloomberg, BSC Research

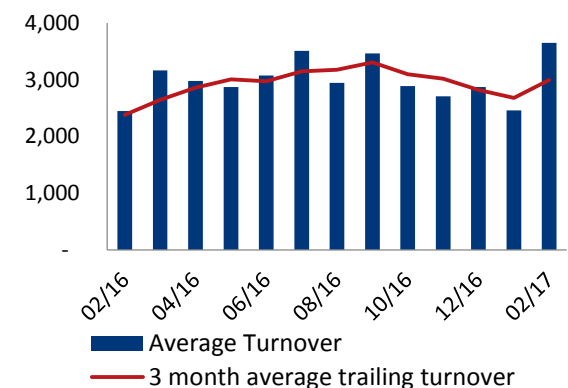
### Average trading volume

Average liquidity on both market increased strongly by 48.2% in comparison to January 2017, which completely reversed the downtrend from September 2016 to January 2017. The average liquidity is maintained at 3,645.82 billion/session, correspondingly 160 million USD/session.

Chart 14

### Average Trading Value

#### VND Bil



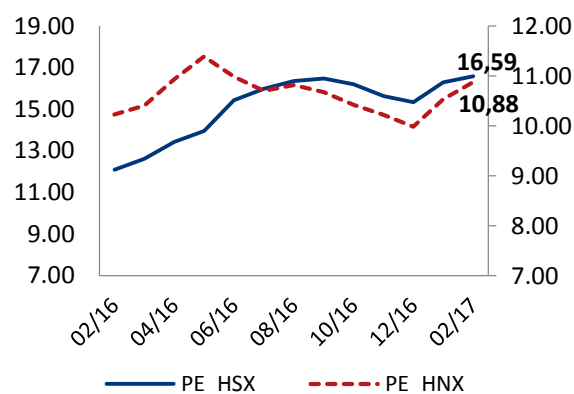
Source: Bloomberg, BSC Research

### PE level of VN stock market

**P/E of VN-Index and HNX-Index are respectively 16.59 and 10.88. While HNX Index has no significant movement, VN-Index has changed its rank in the region. Currently, P/E of HNX-Index is the region lowest, P/E of VN-Index, despite increasing, moves down to the 9<sup>th</sup> position.**

Chart 15

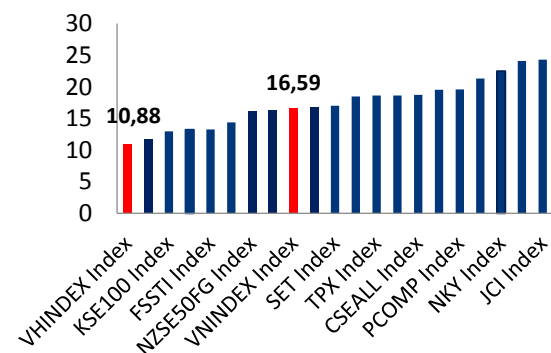
The development of P/E on the two exchanges



Source: Bloomberg, BSC Research

Chart 16

P/E of VN market in comparison with others



Source: Bloomberg, BSC Research

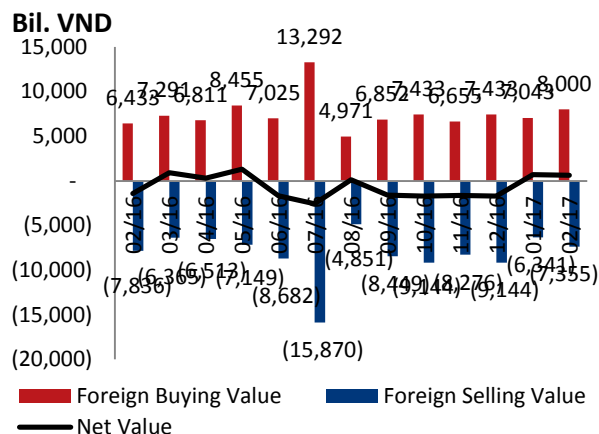
### Foreign investors' transactions

**In February, foreign investors continued investing in large-cap stocks that composed of Gas and Oil stocks, Real-estate stocks and Banking stocks. Transaction activities of foreign investors did not strongly affect the market sentiment.**

As of the 28/02 session, foreign investors had a net purchase of VND 618 billion on HOSE and VND 26 billion on HNX.

Chart 17

Trading activities of foreign investors on HSX



Source: BSC Research

Among these activities, on HSX market, foreign investors concentrated on VNM (VND 494.5 billion), CTD (VND 91.2 billion), SSI (VND 75.3 billion), ROS (VND 74.2 billion) and sold HPG (VND 114 billion), PVD (VND 71.6 billion), DRC (VND 66 billion). On HNX market, foreigners bought PVS (VND 18.1 billion), SHB (VND 13.4 billion) and sold PGS (VND 19.9 billion) and VND (VND 12.5 billion).

Chart 18

Top 10 net foreign purchase stocks in Feb (Bil VND)



Source: BSC Research

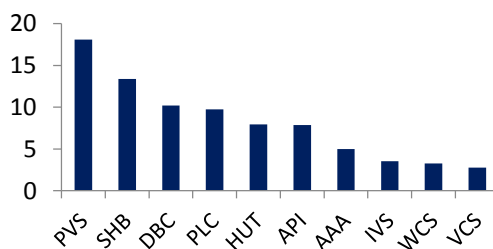
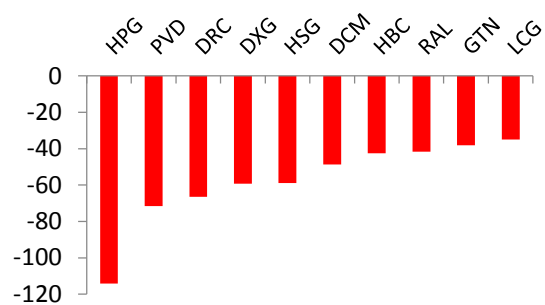
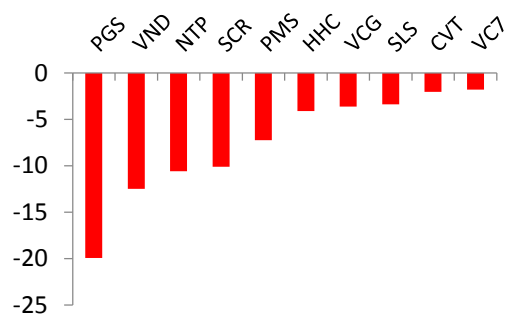


Chart 19

**Top 10 net foreign selling stocks in Feb (Bil VND)**



Source: BSC Research



## Stock market prospect: March

The US stock market is expected to repeatedly reach its peaks in March, raising global investors trading moods. Foreign capital flows have come back to emerging market including Vietnam. Speculative cash flows continuously enter the market will help VN-Index breakthrough 700 point and approach 720. The average price will increase as speculative cash will flow through all stocks from all industries. Liquidity will be higher and margin will be exploited further.

Chart 20

**Secondary Sector movements of HXS and HNX in February 2017**



Source: Finpro, BSC Research

There was strong differentiation of cash among large cap stock group. While real estate stock such as ROS, VIC, NVL contributed to VN-Index 8.7 point increase, VCB, BHN, HPG, BID takes 7.3 point decrease in the index. In general, there was a balance in stock price trend in large cap stock in February. Major cash

movement concentrated in penny stock due to the flow of speculative cash.

From industry perspective, 15/20 industries experience a rise in stock price such as real estate stock (VIC +7.1%, HAG +46.1%, FLC +58.6%, VPH +88.1%), construction and construction material (CVT+17.9%, VCS+18.6%, DIC+37.3%, HBC+39.3%, UDC+62.8%), financial service (SHS+34%, HBS+34.8%, FIT+36.3%) recovered 9.95%, 8.51% and 6.49% respectively after a low time. The market witnessed cash outflow in Insurance companies stock (BVH-2.6%, BIC-3.9%, VNR-4.2%) and banking (BID-2.7%, ACB-3.0%, VCB-4.8%) with 2.51% and 2.09% lower respectively.

From cash flow perspective, major cash stream flows through rubber companies, fertilizer manufacturers, plastic, fishery product at the beginning of the month, Oil and gas, pharmaceutical, mining and mineral, construction materials in the middle of the month and real estate stock at the end of the month. Penny stocks and stocks that had experienced a decrease in price also attract capital inflow. The cash flow stream has move throughout every industries.

In February, we conducted company visits and produced reports for HT1 ([Link](#)), AAA ([Link](#)), VGT ([Link](#)), MWG ([Link](#)), as well as several well-performed equities after publishing financial reports such as HT1, VGT, MWG. However, due to strong market movements, several stocks after these gains has came back to the original prices at the time of the reports.

Similar to the forecasts in the January report, the Vietnam stock market has many advantages to increase after the correction and

could close at over 700 points at the end of February. At the end of February, VN-Index closed at 710.79, which exceeds our expectations.

The market movements showed a good sentiment of investors, movements of speculative capital, and expansion of margin were factors that positively affect the stock market. However, to March, the market will receive several important international news, which increase its volatility (1) FED meeting in March; (2) OPEC meeting on 25 March; and (3) BOJ meeting to make interest rate adjustment announcement.

- The FED meeting will occur from 14 to 15 of March to consider raising the interest rates.
- BOJ will hold a meeting on 16 of March to announce interest rates and monetary policies. Interest rates are expected to be the same at -0.1% of the latest announcement on 30 January of 2017.
- OPEC meeting will be about the extension of output cut. As oil price recovered around 53 USD/barrel thanks to output cut agreement in November 2016. Many oil national producers prefer to extent this period. However, as oil prices did not gain much as the US boosts its production, it will be difficult to extent the cut.

The directions of the government to foster economic growth and facilitate business environment are currently supporting the capital market development. The flexible monetary policies to stabilize macroeconomics and promote economic growth is still effectively managed by the SBV using OMO and bonds tools. In February, foreign exchange rates had high pressure due to the demand for payment and trade deficit. Inflation should also be noted as commodities rise, combined with upward adjustments in gasoline and healthcare, which could make reducing interest rates target more difficult to achieve.

These factors are also notable in March. Most businesses has announced their business results of the forth quarter of last year with no significant improvement. The market in March will have lower expectation, and could not maintain the February rally, despite the upcoming shareholder meeting season.

**Table 3**  
**Factors affecting the market in 3/2017:**

Events	Market impacts
Stable macroeconomics, monetary easing, improvement in business support, restructuring state companies.	Positive
Large companies like VEAM, Petrolimex,... are listed	Short-term positive
shareholder meeting season	Positive
FED, BOJ, OPEC meetings	Risky and unpredictable
Continuing the adjudication of serious economic cases	Negative
P/E, P/B, VN-Index remain high, the market is influenced by sentiment, expansion of margin	Potential risk uses.

Source: BSC Research

Regarding the current market movements and news, the VN-Index scenarios in March will be: VN-Index will continue to fluctuate around 690 – 720 points in March.

- On the best case scenario, VN-Index will accumulate around 690-720 points. Speculative capital has a reduction trend, and the market will be separated. The market will correct in the first half of March in pikes, decline and then recover in the second half. Newly listed and large stocks such as VJC will support the index in short-term. However, the risks when ROS enter the ETF will lead to large sell when it is rebalanced.
- On the worst case scenario, the foreigners will stop buying and start selling before the FED meeting or under negative news from both international and domestic sources as most indexes are at high levels. This negative sentiment could generate a strong sell

pressure, VN-Index could drop to under 690 points, and back to its cumulative level in the past of 650 – 690 points.

Despite there will be many surprising news in March, the market will expect strong movements, the market still lacks an agreement to increase markedly in February. We still retain a positive view of the market at the first scenario, in which, in any change, VN-Index still has a good probability to be over 690 points. It is a stable cumulative level before the market rally. Our esteemed investors could reference to several of our topics and update reports within this month:

- State-owned capital withdrawal companies' equities, newly listed equities,

fundamentally strong, yet undervalued or not-reaching-intrinsic-value equities;

- Group of equities that benefit from the rise of commodity prices and supporting government policies;
- Defensive equities, or has positive changes such in profits such as Consumer, Pharmaceutical, Electric Construction, Technology;
- Stock group with high dividend yield, low beta;
- Over long-term horizon, the BSC's recommended stocks will be discussed in Vietnam Sector Outlook 2017 ([Link](#)). Equities with positive changes will be recommended in Vietnam Weekly Review reports ([Link](#)) and Sector/Company Update reports ([link](#)).



### Disclosure

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