

## Vietnam Monthly Review 2017 M05

### BSC Research

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### Macroeconomic

- The PMI dropped to 51.6 from 54.1. Industrial production fell sharply mainly due to Mining sector continued to decline.
- Total retail sales of consumer goods and services in May 2017 reached VND 323.5 trillion, up 11.6% over the same period last year.
- Foreign investment in May increased slightly (+ 1.78% yoy). Manufacturing and mining are still the two leading industries in attracting FDI.
- The current VND / USD interbank exchange rate is approximately equal to the end of April, with a slight upward trend in the range of VND 22,640 - 22,710 / USD. The interbank rates fell sharply, showing a very high liquidity in the system.

### Stock market

- Both markets were in a strong uptrend both in scores and value in May. The VN Index and HNX-Index climbed 2.8% and 4.9% respectively compared to the end of April. The market index has broken out of the historic resistance level of 9 years with strong liquidity.
- Market liquidity in May reached an average of VND 5,034 billion / session (+ 23.11% MoM). Foreign investors were net buyers on the HSX and net sold on the HNX, with over VND 1.340 billion on the HSX and billion on the HNX.
- P / E of VN-Index and HNX-Index reached 15.88 and 11.38 respectively. The current P / E of the HNX-Index is in the second to last rank, P / E of the VN Index increased three places to 9th rank.

### Market Outlook next month

- VN-Index is expected to close at  $730 \pm 20$  points, the suggested scenarios are as follows:
  - In bull case, VN-Index will hold over 730 points and continue to aim for new highs in the month. Banking stocks continue to be the support of the market, cash flow rotation will continue to keep the market exciting and highly liquid. Foreign net buying activity and information of opening more room for foreign investors and divestments of government will support the market
  - In the bear case, the VN-Index dropped below 730 points as foreigners were not able to maintain their net buying momentum and shifted to net-selling position as FED raised interest rates, stocks such as Banking, Consumer, and Real Estate are no longer able to maintain the upward momentum.
- **Recommended stocks:**
  - SCIC's divestment tickers, out of room stocks, newly listed large cap stocks, corrected blue-chip stocks after Q1 business results. Banking and Finance stocks will benefit from the Law on Supporting Restructure of Credit Institutions and Handling NPLs when the National Assembly approves the law at the end of June.
  - SCIC's divestment, out of room stocks, newly listed large cap stocks, blue-chip stocks ahead of Q2 financial reports;
  - Group of stocks will be benefited from domestic support policies (anti-dumping, interest rate subsidy package etc.).
- In the long term, BSC's recommended stocks will be mentioned in the industry Outlook Report for Q2 2017 (Link), stocks with good performance will be recommended in the Weekly Reports (Link) and sector / company Updating Reports (link).

# Macroeconomic of May 2017

## Economic growth

- **Industrial production index in May 2017 fell sharply to 51.6 (-4.6% MoM);**
- **Retail sales increased by 11.6% YoY**

**Industrial production index in May is estimated to increase by 7.2% YoY.** Mining industry continued to decline, down by 7.8%; Processing and manufacturing increased by 11.2%; Electricity production and distribution increased by 13.8%; Water supply and waste disposal increased by 8.2%.

**The consumption index of the whole processing industry in May 2017 decreased by 0.9% mom and increased by 8.9% YoY.** Industries with relatively high consumption scores such as motor vehicle production increased by 28.9%; production of other vehicles increased by 19.5%; metal production increased by 14.9%; Manufacture of rubber and plastic products increased by 10.2%; Beverage production increased by 12.7%. Some sectors have a slightly increase or decrease in consumption index such as Textile production dropped sharply by 11.6%; Electrical appliance production increased by 7%; Production of drugs, Pharmaco-chemicals and pharmaceuticals increased by 7.5%; Electronic, computer and optical products production increased by 7.2%; Food production and processing increased by 4.1%; Cigarettes production increased by 0.8%; Bedding, cabinets, tables and chairs production were down by 3.7%.

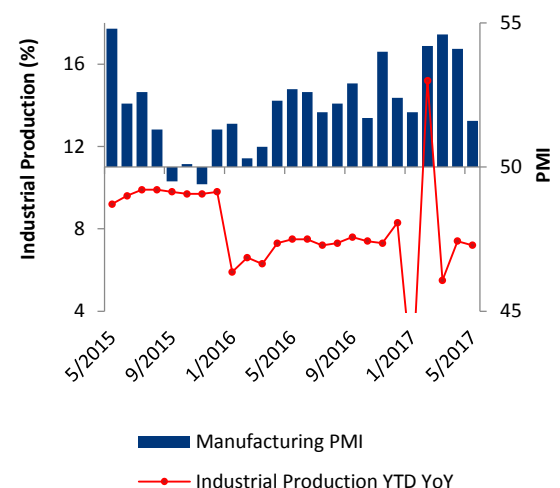
**Inventory index of the entire manufacturing and processing sector as of May 1, 2017 increased by 11% compared to the same period 2016.** Some industries' inventory increased slightly or decreased such as:

Production of other vehicles' inventory decreased by 43.1% ; Cigarette production's fell by 23.5%; Food production and processing's decreased by 1.9%; Medicines, Pharmaco-chemicals and pharmaceuticals' decreased by 0.1%; Textile's fell by 0.3%; Paper and paper products' increased by 1.5%; Clothing industry's increased by 11.5%; Some industries have higher inventories than overall level: Metal production sector's inventory increased 82.4%; Motor vehicles' increased by 69.8%; Electronic, computer and optical products' increased by 50.1%; Beverage's increased by 45.4%; Non-metallic mineral products' (mainly cement) increased by 31.5%; Electrical equipment's increased by 26.2%; Rubber and plastic products' increased by 15.7%.

**The PMI fell sharply in May 2017.** The PMI fell to 51.6, the lowest level in four months.

Chart 1

**Industrial production index & PMI**



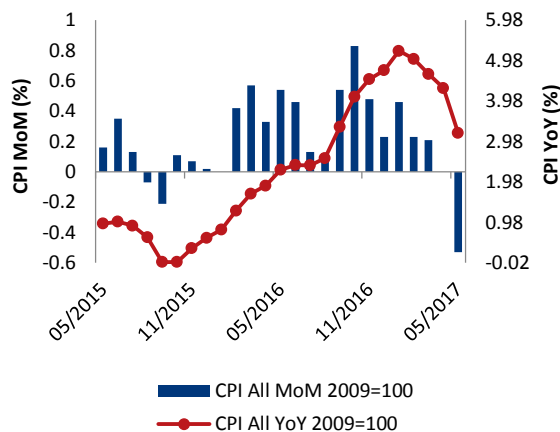
Source: GSO, Markit, BSC Research

### Inflation

- Average CPI in May 2017 was 3.19% higher than it was last year.
- CPI in May decreased compared to April mainly due to the sharp decrease in pork price, affecting the food service group.

**Consumer Price Index (CPI) in May dropped by 0.53% from the previous month and rose by 3.19% over the same period last year.** Core inflation in May 2017 increased by 0.08% over the previous month and increased by 1.33% over the same period last year.

Chart 2  
Monthly CPI Development



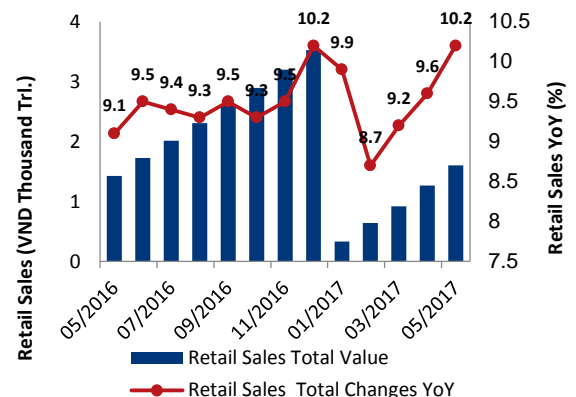
Source: GSO, BSC Research

In May, food services and restaurant's CPI fell sharply with 1.43% mom due to sharp fall in pork prices. Transport group's index decreased by 0.34%; Housing and construction materials's fell by 0.02%; Postage and telecommunications' decreased by 0.05%. The groups of consumer goods and services with increased price index include: Culture, entertainment, tourism 0.13%; household appliances and equipment increased by 0.1%; Beverages and cigarettes increased by 0.08%; Apparel, hats and footwear increased by 0.05%; Education increased by 0.02%; Other goods and services increased by 0.15%;

Pharmaceutical and healthcare services by 0.04%.

**Total retail sales of consumer goods and services in May were estimated at VND323.5 trillion, up 0.1 percent MoM and up 11.6 percent YoY.** Retail sales reached 242.9 trillion, up 0.4% MoM and up 11.2% YoY; Revenue from hospitality, food services was VND38.9 trillion, down 2.8% mom and up 16.6% YoY; Travel revenue reached 2.8 trillion, up 11.6% MoM and up 4.8% YoY; other services sales reached VND38.9 trillion, up 0.6% MoM and up 10.1% YoY.

Chart 3  
Retail Sale



Source: GSO, BSC Research

Table 1  
Changes of Good and Service in the month

#	Good & Service Group	MoM (%)	YoY (%)
1	Restaurant and Food Service	-1.43	-2.32
2	Transportation	-0.33	8.1
3	Pharmaceutical & Healthcare	0.04	46.20
4	Housing & Construction Material	0.02	3.38
5	Entertainment	0.13	0.82
6	Beverage & Cigarettes	0.08	1.53
7	Apparel, hats & footwear	0.05	1.06
8	Household Appliances	0.10	0.99
9	Education	0.02	9.78

10	Postage and telecommunications	-0.05	-0.69
11	Others	0.15	1.69

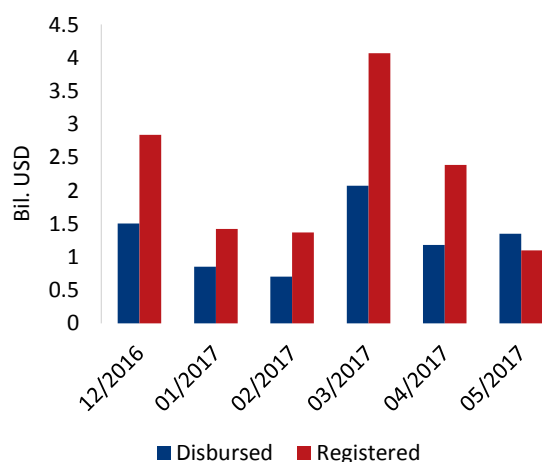
Source: GSO, BSC Research

## Foreign direct investment (FDI)

- Foreign investment maintained the uptrend in May
- Investments continued flowing into the manufacturing and mining sector

Total foreign investment registered capital to the end of May 2017 reached \$ 10.34 billion, up 1.78% over the same period last year. In particular, registered capital in May was \$ 1.10 billion, down 53.9% over the previous month and down 66.41% over the same period last year. Additionally, foreign direct investment in five months was estimated at \$ 6.15 billion, up 28.13% over the previous month and 6% over the same period of 2016.

Chart 4  
FDI (Bil. USD)



Source: GSO, BSC Research

The manufacturing industry attracted the largest amount of FDI with capital of \$ 8.09 billion, accounting for 66.7% of the total registered capital, followed by the mining sector \$ 1.28 billion, accounting for 10.5%. The top three provinces attracting FDI were Bac Ninh (22.7%), Binh Duong (13.5%), Ho Chi Minh City (11.4%).

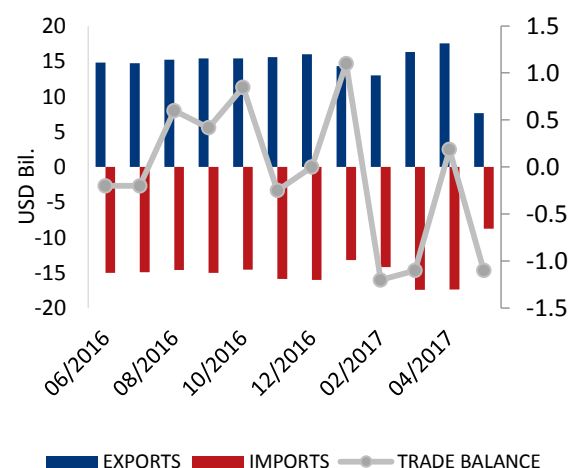
In May, South Korea led as the largest investor with capital of \$ 4.41 billion, accounting for 36.4% of total newly registered capital, followed by Japan with \$ 1.94 billion, accounting for 16%. In third place was Singapore with \$ 1.23 billion, accounting for 10.21%.

## Import/Export Activities

- Trade balance in the first half of May estimated trade deficit of 1.1 billion USD, from the beginning of the year to 15/05, trade deficit is 3.02 billion USD cumulatively.

Export value in the first half of May were estimated at 7.62 billion USD, down 20.7% compared to the second half of April, of which the domestic economic sector gained \$ 2.16 billion, down 17.56%; the foreign invested sector reached \$ 5.46 billion, down 21.9%.

Chart 5  
Import/Export (Bil. USD)

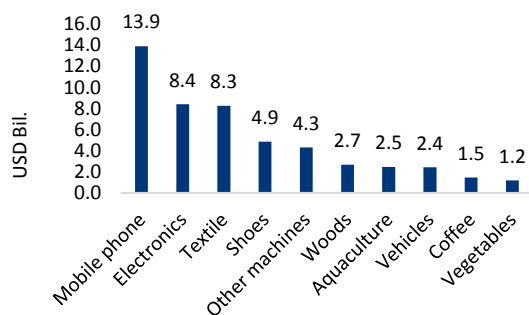


Source: GSO, BSC Research

Import value in the first half of April was estimated at 8.72 billion USD, down 2.5% compared to the last half of last month, of which the domestic economic sector reached 3.43 billion USD, up 3%; foreign invested sector reached \$ 5.29 billion, down 6%.

Chart 6

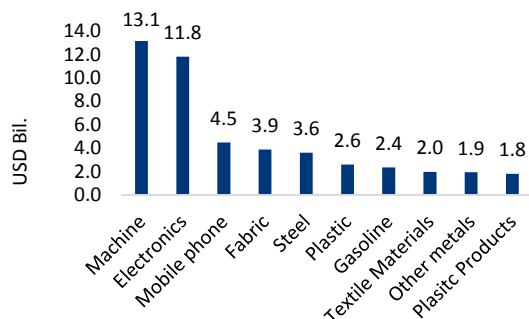
### Top 10 Export Goods (Bil. USD)



Source: FIA, BSC Research

Chart 7

### Top 10 Import Goods (Bil. USD)



Source: FIA, BSC Research

Export value of all major goods and commodities increased over the same period last year. Phone and components' value reached \$ 13.9 billion, up 9.1%; Electronics, computers and components' \$ 8.4 billion, up 50%; Textiles and apparel's reached \$ 8.3 billion, up 9.3%; Footwear's \$ 4.9 billion, up

12%; Machinery, equipment and spare parts' reached \$ 4.3 billion, an increase of 32.5%; Wood and wood products' reached \$ 2.7 billion, up 13.7%; Aquatic products' reached 2.5 billion, up 12.3%; Vehicles and spare parts' reached \$ 2.44 billion, up 14%; Coffee's reached \$ 1.45 billion, up 16.9%; Fruits and vegetables' reached \$ 1.2 billion, up 36.4%.

Import value of all goods and commodities increased sharply. Machinery, equipment and spare parts' imported value reached 13.1 billion, up 399%; Electronic and computer products' reached 11.8 billion, up 26.6%; Phone and components' reached \$ 4.5 billion, up 23.4%; Fabrics' reached \$ 3.9 billion, up 7.5%; Iron and steel' reached 3.61 billion, up 38.9%; Plastic materials' reached 2.59 billion, up 28.2%; Petroleum products' reached USD 2.37 billion, up 38.6%; Textile and footwear's reached USD 1.98 billion, up 7.61%; Other common metals' gained \$ 1.94 billion, up 17.9%; Plastic products' reached \$ 1.8 billion, up 20%.

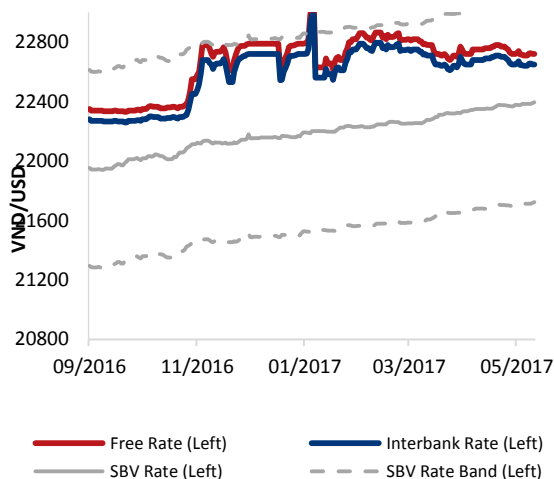
## Foreign Exchange Market

- The interbank rate was slightly down compared to in April but recovered in the second half of the month.

USD / VND interbank rates in May 2017 fluctuated in the range of 22,640 - 22,710 VND / USD. This month's average rate was at 22,673 VND / USD, an increase of 0.06% compared to the average exchange rate in April. In May, the central rate increased significantly from 22,350 VND / USD at the beginning of the month to 22,396 on 31/05.

Chart 8

### Exchange Rate Changes



Source: Bloomberg, BSC Research

The free exchange rate also moved similarly with the interbank exchange rate, **the exchange rate slightly decreased and fluctuated in narrower range compared to the previous month, in the range of 22,710 VND / USD - 22,780 VND / USD**. Free exchange rates in May 2017 decreased 0.34% compared to April, reaching 22,725 VND / USD.

**USD price index as of 31/05/2017 decreased 3.1% compared to the end of April 2017.** The USD price index increased in the first half of May as the market reacted to Fed rate adjustment information at the May 16 FOMC meeting session. The index declined due to the lower than expected U.S. economic data and the turmoil in the politics of the Trump's administration; the index fell to 96.98 at the end of the month.

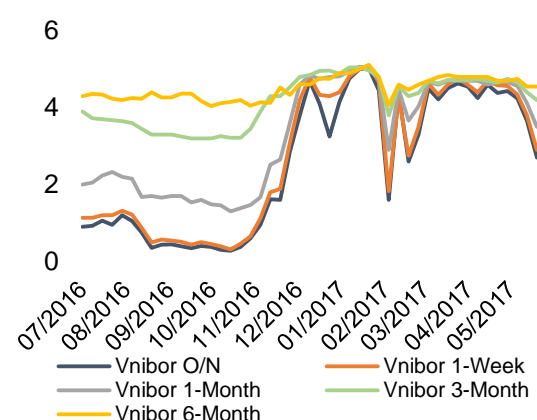
From the beginning of 2017, the VND / USD exchange rate in the floating market increased sharply in January, 2017, then slightly decreased in the first half of February. The exchange rate went up in March and fell down. The same trend was also expressed in the interbank exchange rate when the highest level in 3 months reached at 22,795 VND / USD in early March 2017 and was stable around the level of 22,650 VND / end of May 2017.

- **May interest rates fell sharply. The State Bank of Vietnam (SBV) has pushed net withdrawal via OMO. In the last week of May, the SBV net withdrew VND2,569bn via this channel.**

**By the end of May, interest rates at commercial banks tended to be stable** due to the abundant liquidity in the system and the State Bank required banks to maintain stable interest rates. However, the pressure from inflation and 17-18% credit growth to interest rate hikes still exist.

Currently, the overnight interbank rates, one week, one month, three month and six month terms are down 2.58%, 2.26%, 1.1%, 0.46%, and 0.13% respectively over the same period last month and is at the lowest point in the last 3 months. The net withdrawal via OMO and the strong downward trend of interbank rates last week continue to indicate that the liquidity of the whole system is abundant and strongly improved.

Chart 9  
**Interbank Rates**



Source: Bloomberg, BSC Research

## Banking - Interest Rate



## Macro Forecast in June 2017

On the global scale, Vietnamese macro-economy in June may be affected by the following events:

**(1) In the United States, the Fed will hold an important meeting mid-June to consider hiking interest rates.**

Investors find that the probability of raising interest rates in June meeting is very high at nearly 80%. At a meeting in May, most Fed officials said the early tightening of monetary policy would be appropriate and supported a plan to shrink \$ 4.5 trillion from balance sheet. At the same time, most participants said that if economic data coincides with their expectations, it will soon be time to move FOMC step by step in the process of loosening up monetary policy. They want to move towards a rate hike as early as mid-June meeting, although FOMC voting members warned it would be prudent to wait for further evidence that slower pace of the economy is only temporary.

**(2) The UK general election will take place on June 8.** On 3 May, the British parliament dissolved to open the way for the general election ahead of schedule on June 8, sooner than planned for nearly three and half years. Prime Minister Theresa May called for early elections to gain more power before entering the Brexit negotiation. If this is not achieved, the UK could suffer disadvantages in the negotiations and this is bad news for the pound in the short term. This election will determine the direction of Britain's exit negotiations with the European Union and the policy after Brexit. The pound fluctuated sharply after mixed reports of support for PM Theresa May ahead of the June 8 vote.

For the domestic situation, the focus in June included the following event:

**(1) Decree 61/2017 / CP-ND issued by the Government on 16 May 2012 will come into effect from 1 July 2017,** detailing the appraisal of the starting price of bad debt, the collateral of the bad debt and the establishment of the Council for auction of bad debts and collateral assets of bad debts and collateral assets of bad debts with great value.

**(2) Growth momentum in June production may slow down.** Although disbursed FDI in May increased by 28.13% YoY, the new FDI inflows as of May 20th will only increase by 1.78% YoY in terms of registered value. In addition, the inventory index of the whole manufacturing industry increased sharply by 11% YoY while the PMI manufacturing index decreased. This may also be a sign of slowdown in production activities of Vietnamese enterprises.

**(3) Interest rates and inflation, interest rates of commercial banks are likely to increase slightly in June.** Although the Prime Minister's request is not raising interest rates, the Fed's probability to raise interest rates in June along with the high credit growth target will create pressure to raise interest rates in the coming time. Inflation may slightly increase compared to May. The main cause of low inflation in May was mainly due to the price of pork - one of the most consumed food items - decreased sharply, dragging down general food cost by 2.27%. Meanwhile CPI in seven major goods and services groups rose slightly, and inflationary pressures from oil prices and healthcare prices which were likely to rise in June due to adjustments in social insurance and health insurance. **Therefore, the decline of inflation in May is not sustainable**

**Table 2**  
**Monthly Macro Indicators**

Indicator/Month	2016M10	2016M11	2016M12	2017M1	2017M2	2017M3	2017M4	2017M5
GDP yoy (%)	-	-	6,68	-	-	5.1	-	-
GDP ytd yoy (%)	-	-	6,21	-	-	5.1	-	-
PMI	51,7	54	52.4	51,9	54,2	54.6	54.1	51.6
IIP yoy (%)	6,5	7,2	8,3	15,2	15,2	5.5	7.4	7.2
IIP ytd yoy (%)	7,4	7,3	8,3	15,2	15,2	5.5	5.1	5.7
Retail Sales yoy (%)	9,3		10,2	9,9	8,7	9.2	9.6	11.6
Retail Sales ytd yoy (%)	9,3	9,5	10,2	9,9	8,7	9.2	9.6	10.2
CPI mom (%)	0,83	0,48	0,28	0,52	0,23	0.21	0.00	0.53
CPI yoy (%)	4,09	4,52	4,7	5,22	5,02	4.65	4.30	3.19
Registered FDI (Bil. USD)	1,18	0,49	1,5	1,42	2,03	6.86	9.24	10.24
Disbursed FDI (Bil. USD)	1,68	1,6	2,84*	0,85	1,55	3.6	4.8	6.15
Export (Bil. USD)	15,4	15,6	16	7,3	13,0	16.3	NA	NA
Import (Bil. USD)	15,85	16	16,3	7,38	14,2	17.4	NA	NA
Trade Balance (Bil. USD)	-0,45	-0,4	-0,3	1,15	-1,2	-1.1	NA	NA
Exchange Rate (VND/USD)	22.320	22.720	22.760	23.050	22.648	22.829	22.680	21.724
Credit Growth (%)	11,81	14	18	-	-	2.81	-	-

Source: BSC Research



# Stock market in May 2017

## Market Overview

**The market indexes on both exchanges a strong uptrend in both scores and trading value in May.** Up to 31/05/2017, VN-Index officially rose 20.09 points, up 2.8% and HNX-Index increased 4.37 points, respectively, up 4.9% compared to the last trading session of April.

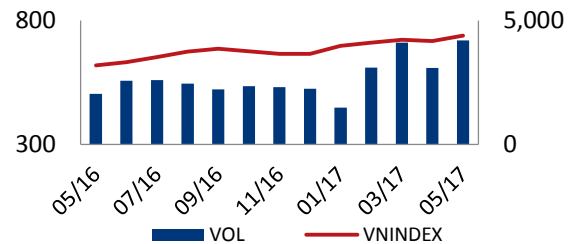
Market movement in May divided into two phases of fluctuations:

- Although the VN30 index has created a sustainable trend in the first half of month, due to the individually struggle of few large capitalization stocks, the VN-Index accumulated in a near sideways state. Cash flow of market mainly focused on Real estate stocks, causing a lot of stocks in this industry and small cap stocks increased strongly during the period. On 19 May, the market index broke out of the historic resistance of 730 points with the support of sudden liquidity and the widespread upward momentum of most market sectors, with the Banking sector played the leading role.

- In the next phase, banking stocks continued to soar, and the strong support from blue-chips such as PLX, VNM, GAS, brought the market index to the higher support level, the 740 points. Different sectors attracted market cash flow rotationally, Banks and Securities companies' stocks jumped higher, Oil & Gas and Rubber, Transportation – Port stocks recovered. Real estate stocks have signs of cooling down.

Chart 10

### VN-Index development

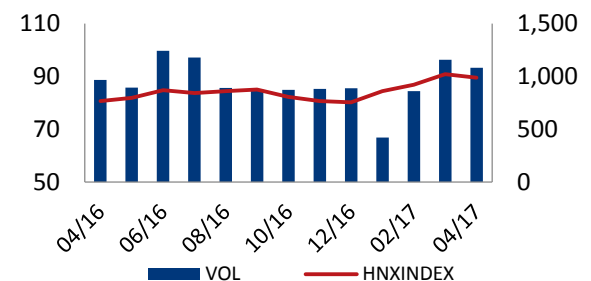


Source: HSX, Bloomberg, BSC Research

The market showed signs of correction due to the broad selling pressure in the last trading sessions of the month, causing the market index failed to hold support level of 740 points, liquidity remained high.

Chart 11

### HNX – Index development



Source: HSX, Bloomberg, BSC Research

**In terms of scores,** closed on 31/05, VN-Index was at 737.82 points. On Hanoi exchange, HNX-Index also moved similarly approach to the strong resistance at 94 points, the index reached 93.914 points, up 4.9% compared with April 28.

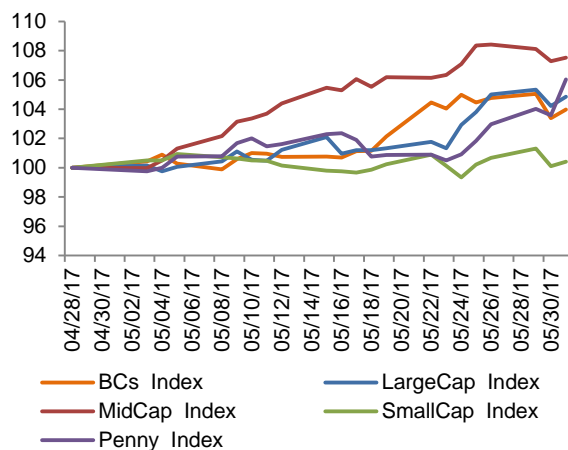
## The development of stocks classified by market capitalization.

All capitalization groups increased in May, with the Mid-Cap and Penny group had the best performance in the market, 7.53% and 6.03% respectively compared to April. Blue-chips And Large-Cap stocks are also in the positive upward trend, 3.97% and 4.85% respectively, formed the basis for the overall upward trend

of the market. Small-Cap stocks rose only 0.41% from the previous month.

Chart 12

### Stock groups development



Source: Bloomberg, BSC Research

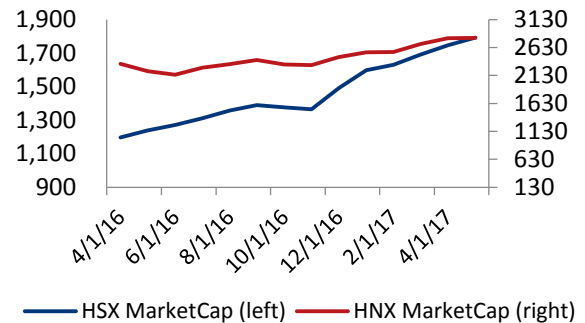
### Capitalization

**The market capitalization reached VND 1,966.67 trillion, equivalent to \$86.71 billion, up 2.71% MoM.** From May 20, there were 191,555 million additional listed shares on the HOSE, more than 21,990 million delisted shares, 0.5 million additional ETF listed. 329 stocks listed on the HSX had the value listed of 527 trillion, of which SBV, CEE, TCD, CTF listed on the exchange contributed VND 2.7 trillion of capital. These factors contributed to the increase of market capitalization in May.

The capitalization of the HSX increased 2.58% MoM, while the market capitalization gained at 4.01% MoM on the HNX.

Chart 13

### Market capitalization

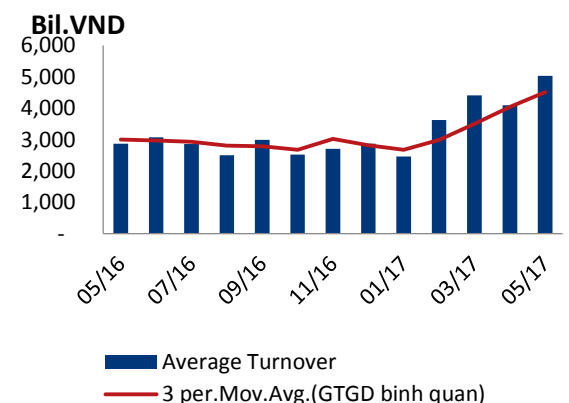


Source: Bloomberg, BSC Research

### Average trading volume

Chart 14

### Average Trading Value



Source: Bloomberg, BSC Research

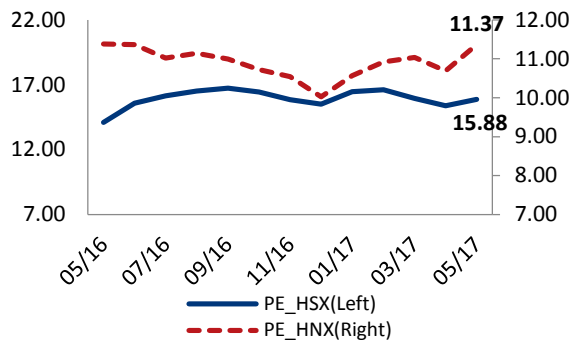
The average liquidity on the two exchanges increased by 23.11% compared to April 2017, followed the upward trend from the beginning of the year and remained at VND 5.034 billion / session and equivalent to nearly \$221.98 million / session.

### PE level of VN stock market

P / E of VN-Index and HNX-Index respectively reached 15.88 and 11.38. Throughout the region, HNX-Index kept their rankings compared to last month. The current P / E of the HNX-Index is in the second place, P / E of the VN Index increased three places to 9th place.

Chart 15

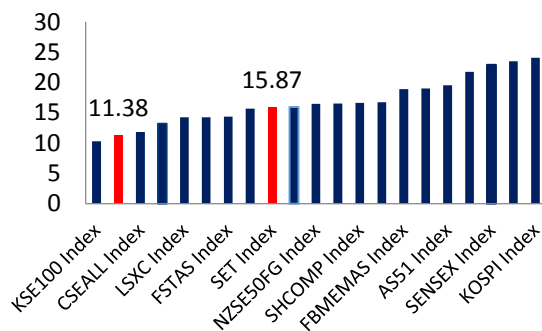
### The development of P/E on the two exchanges



Source: Bloomberg, BSC Research

Chart 16

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



Source: Bloomberg, BSC Research

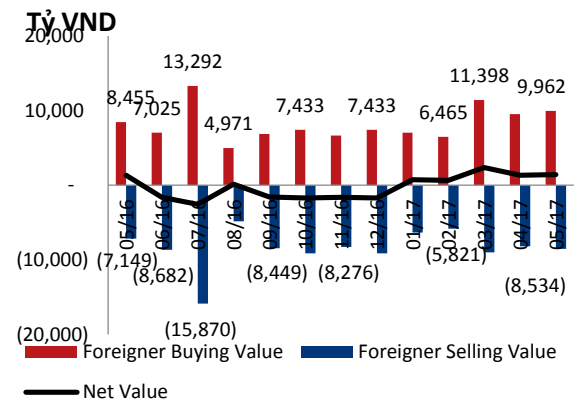
## Foreign investors' transactions

**In May, foreigners continued buying activities on both exchanges, of which VNM was strongly bought by foreigners in the month.**

As of May 31, foreigners were net buyers on the HSX at VND 1,340 billion and net buyers VND 89 billion on the HNX. On the HSX, foreign investors strongly bought VNM (VND 604.7 billion), HPG (VND 138.2 billion), CTD (VND 117.1 billion), HBC (VND 113.1 billion), GAS (VND 107.9 billion) and sold QCG (VND 267.3 billion) and VIC (VND 183.9 billion). On the HNX, the group focused on buying SHS (VND 23.6 billion), VND (VND 22.3 billion), MAS (VND 19.8 billion) and sold PVS (VND 31.7 billion), PGS (VND 20.2 billion).

Chart 17

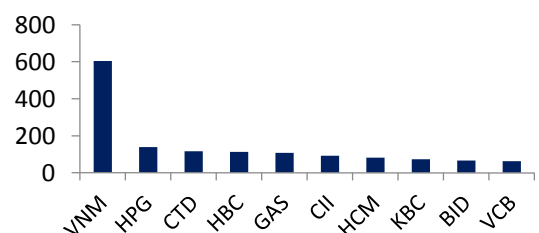
### Trading activities of foreign investors on HSX

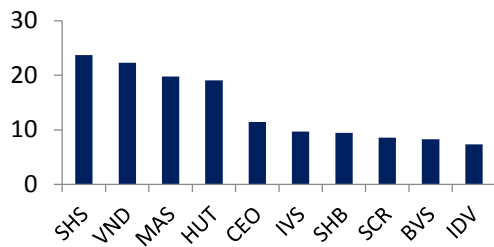


Source: BSC Research

Chart

### Top 10 net foreign purchase stocks in Apr (Bil VND)

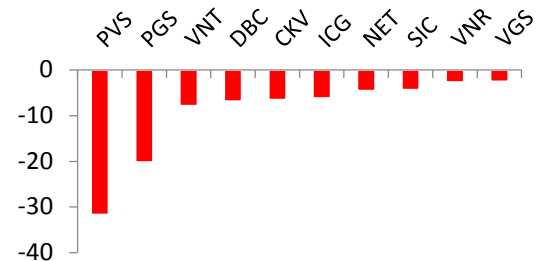
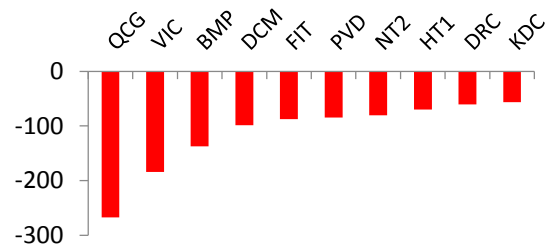




Source: BSC Research

Chart 19

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



## Market prospects in June

The global stock market was very active in May. The results of the French presidential election were as predicted, and there were no unexpected geopolitical events affecting psychology of international investors. Investment flows maintained net buy position since the beginning of the year in regional markets despite the message of Fed will raise interest rates soon.

Table 3

**Foreigners net buying in the region in May**

Country	Trade in May (USD in million)	YTD Trade (USD in million)
India	1,367	7,721
Indonesia	-47	1,628
Japan	6,352	2,017
Malaysia	457	2,326
Philippines	173	22
Korea	1,636	7,353
Sri Lanka	20	128
Taiwan	1,792	8,531
Thailand	161	398
Pakistan	(67)	(265)
Vietnam	52	295

Source: Bloomberg, BSC Research

Domestically, credit rating agencies such as Moody's Investors Service and Fitch Ratings have raised Vietnam's prospects from "stable" to "positive". Along with the news that the TPP Agreement does not have the United States, or re-launched "TPP 11", government's efforts to pursue GDP growth of 6.7% are helping the stock market continue to reach new highs YTD. Last month, VN-Index and HNX-Index rose 2.8% and 4.9%, respectively. Liquidity improved well and remained high due to attracting both foreign and domestic capital flows. Some highlights in May:

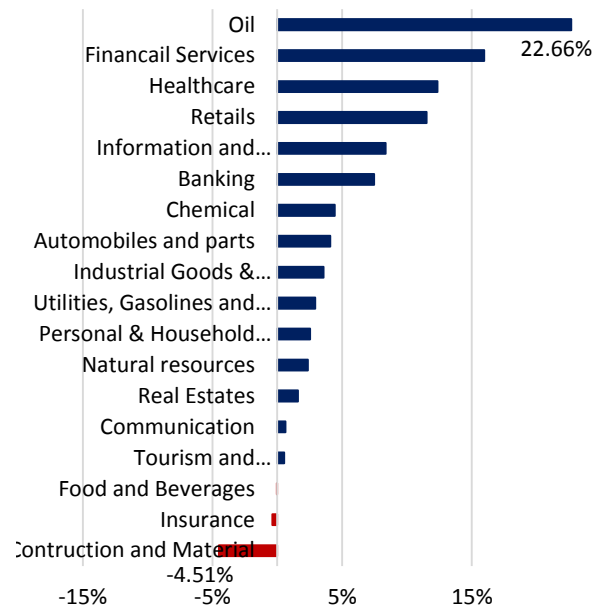
- The unexpected rise of PLX, VNM and key banking stocks (BID, CTG, MBB, VCB), which accounted for 98% of the VN Index, contributing 7.7 points, 3.4 points and 8.6 points respectively, helped the index reach the new peak. On the other hand, ROS is the stock pull the index 5.3 points down. The break out of the index has created a support for various industries and groups of stocks.
- The upward trend broadened with the number of point-increasing industries overwhelmed the market, 15 gainers/18

industry. Three sectors increased strongly were Oil & Gas (+ 22.6%), Financial Services (+ 15.95%) and Healthcare (12.35%), there were 3 industries dropped which are Construction Material (-4.51%), Insurance (-0.39%) and Food & Beverage (-0.01%). In the industrial sectors, stocks have a clear divergence. Oil and gas sector increased mainly due to PLX + 31.2% while PVD decreased -11.9%. For Financial services sector, leading stocks such as HCM increased + 31.6%, VND + 23.7%, ORS and HPG decreased by 12.9% and -5.7%, respectively. For Healthcare sector, DMC + 21.8%, DHG + 13.9% while JVC dropped -8.3%, VMD -3.1%. In addition, the real estate sector was the focus of the market when its liquidity accounted for 19% of the market value in May, it is also a very divergent sector. Leading stocks such as VIC and NVL fell -1.6% and -5.2% respectively, while small and medium cap stocks gained a lot from supportive news such as QCG (+ 161.6%), NVT (+ 107.8%), SCR (+ 32%)

- Foreign investors were net sellers slightly in the first week of the month only and returned to net buying position in the remaining 3 weeks on both exchanges. The net buying trend is still in the trend of pouring foreign cash flow into the region since the beginning of the year.

Chart 20

**Secondary Sector movement of HSX and HNX in May 2017**



Source: Finpro, BSC Research

In early May, we issued the Industry Outlook for the second quarter of 2017, which updates the sector's first quarter and industry prospects in the second quarter (Link). In addition, we updated and analyzed some stocks: RAL (Link), ACB (Link), PHR (Link), and VGC (Link). The good stocks included ACB, PHR, VGC. A number of recommended stocks this month included NKG, SCR, KBS, and MBB.

Notable news in June includes:

The Fed will hold a policy meeting on June 13-14, the meeting will discuss monetary policy combining and summarize economic forecasts. According to the previous message of FED members, it is likely that the Fed will consider raising interest rates in this meeting session. According to Bloomberg survey data, the possibility of raising interest rates is at 88.4%.

**Table 4**

**The possibility of FED to raise it rates in the June meeting session**

Meeting	Current date	31/5
	14/06/2017	88.4%

Source: Bloomberg

Domestically, the government is determined to pursue high target growth rate. Many policy

reforms are designed to unwind the private sector and mobilize resources for growth. The Prime Minister's visit to the United States will promote economic and trade relations between the two nations. The leaders agreed to effectively implement the Framework Agreement on Trade in Goods (TIFA) in the context of the US does not participate in TPP and through that opens opportunities for enterprises of the two countries.

To pursuit the high growth target, monetary and fiscal policies will be operated flexibly to the direction of loosening up and expanding to help the economy accelerate in order to compensate for slower growth at the beginning of the year. These policies will continue to be the supports of the stock market's growth in June and the second half of 2017.

In the stock market side, the derivatives market with stock index futures (VN30 and HNX30) and government bonds have the slower implement than expected. However, in the context of exciting markets, investors are waiting for new financial instruments and the introduction will be positive information if implemented in June.

Some listed companies continue to open room for foreign investors although the price effect has not been strong. The market waits for SCIC's divestments in listed companies under the 2017 plan. These are mostly quality stocks; an anticipatory investment trend is returning in late May.

**Table 5**  
**Factors affected the market in June 2017:**

Event	Impact to stock market
Policies for high economic growth, credit growth surged over many years, a package of \$ 100 trillion for high-tech agriculture.	Positive
Session III, National Assembly XIV will take place on 22/05	Modifying the law on credit institutions and dealing

	with bad debt.
Foreigners' buying activity follows the general trend of the region over the last few years	Positive compared to many years
Index Futures Contracts	Positive, need time to implement
FED Policy meeting on 13-14 June	High probability of increasing rate
Hearing of serious economic cases.	Forecasted, unexpected factor appearance
The P / E, P / B VN-Index remains high, the margin value is also high for many years.	Potential risks when the supporting factors change

Source: BSC Research

On the basis of assessing the current market situation and market information, suggested VN-Index scenario in May: VN-Index closes at  $730 \pm 20$  points.

- In bull case, VN-Index will hold over 730 points and continue to aim for new highs in the month. Banking stocks continue to be the support of the market, cash flow rotation will continue to keep the market exciting and highly liquid. Foreign net buying activity, and information of opening more room for foreign investors and divestments of government will support the market

- In the bear case, the VN-Index dropped below 730 points as foreigners were not able to maintain their net buying momentum and shifted to net-selling position as FED raised interest rates, stocks such as Banking, Consumer, and Real Estate are no longer maintain the upward momentum.

VN-Index has 4/5 months up since the beginning of the year and no significant correction. The market is in an active phase thanks to the foreign currency inflows and active domestic investors. The market rally is also in line with the economic cycle and is supported by the government's pursuit of high

economic growth. Although we are aware that the momentum of market won't last forever, we still highly appreciate the probability of a positive market in June. Investors can refer to few topics and update reports:

- Banking and Finance stocks will benefit from the Law on Supporting Restructure of Credit Institutions and processing NPLs when approved by the National Assembly at the end of June.

- SCIC's divestment, out of room stocks, new listing of large cap stocks, blue-chip stocks ahead of Q2 financial reports;

- Group of stocks will be benefited from domestic support policies (anti-dumping, interest rate subsidy package).

- In the long term, BSC's recommended shares will be included in the industry outlook reports for Q2 2017 ([Link](#)), stocks with good performance are recommended in the Weekly Reports ([Link](#)) and sector / company updating report ([link](#)).



### Disclosure

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