

## Vietnam Monthly Review 2017 M07

### BSC Research

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### Macroeconomic

- The PMI dropped to 51.7 from 52.5. Industrial production fell sharply due to the declining production of mining sector and the increase of all sector inventories.
- Total retail sales of consumer goods and services in July 2017 reached VND 327.6 trillion, up 10.3% over the same period last year.
- Foreign investment in July decreased sharply (-34.4% yoy). The distribution of electricity, gas, hot water and air conditioning and manufacturing are still the two leading industries in attracting FDI.
- The VND/USD interbank rate was the same as that at the end of June, have a small upside momentum in the range VND 22,660 - 22,795 / USD. Interbank rates declined sharply indicating abundant liquidity.

### Stock market

- Both markets were in a strong correction period for the first half of July and then, moved to the rebound period at the end of July. VN-Index and HNX-Index increased respectively by 0.91% and 2.06% compared to that at the end of June.
- The average liquidity on both exchanges increased 5.29% compared to June 2017, and remained at the 4.637 billion/session and equivalent to nearly 204.25 million USD/session.
- Foreigner had a net purchase on HSX of VND 2,551 billion and a net sale on HNX of VND 254 billion.
- P / E of VN-Index and HNX-Index respectively reached 16.43 and 12.47. The current P/E of the HNX-Index lowered to the bottom third rank, P/E of the VN-Index moved down to 11th rank.

### Market Outlook next month

- VN-Index is fluctuated cumulatively in the range 760-800 points. Forecast index increased during the first and second week of July, and then, differentiated and fluctuated cumulatively in sideways during the last two weeks of July, suggested scenarios are as follows:
  - In the positive case VN-Index continues to move towards new highs during the year and will be maintained above 780 points in corrective period. Banking stocks continue to be the main support for the market. Foreigners continue having stable net purchase trend, focusing on newly listed stocks.
  - In the negative case, VN-Index fell below 760 points as foreigners were not able to maintain their net purchase momentum and turned to be net sellers along with domestic investors before the risks of geopolitical economic turmoil. This case is considered to be very unlikely to occur.
- **Recommended stocks:**
  - Stocks and sectors that were rated as outperform in our 3rd Quarter Sector Outlook report
  - Banking and Finance stocks receive the expectation of the market when the law supporting the restructure of credit institutions and processing bad debts was approved by the National Assembly at the end of June;
  - Group of divested shares or full room stocks that announced divestment plan or when more room is opened;
  - Industry leading stocks in the retail sector that have high growth and dividend yields.
- In long term, BSC's recommended stocks will be mentioned in the 2017 Sector Outlook Report([Link](#)), 3rd quarter updated report, stocks with good performance will be recommended in the Weekly Reports ([Link](#)) and sector/company Updating Reports ([link](#)).

## Macroeconomic of July 2017

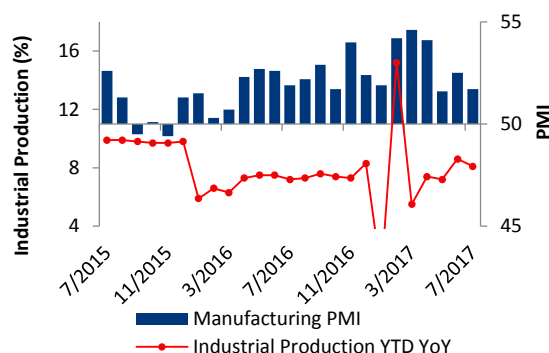
### Economic growth

- **Industrial production index in July 2017 fell sharply to 51.7 (-1.52% MoM);**
- **Retail sales increased by 11.5% YoY**

**Industrial production index in July is estimated to increase by 8.1% YoY.** Mining industry continued to decline, down by 3.5%; Processing and manufacturing increased by 11.3%; Electricity production and distribution increased by 12.2%; Water supply and waste disposal increased by 10%.

**The consumption index of the whole processing industry in June 2017 increased by 3.2% MoM and by 10.5% YoY.** Taking the first 6 months as a whole, consumption index of manufacturing sector rose by 8.4% YoY. Industries with relatively high consumption rates are metal manufacturing with an increase of 15.1% and other vehicle production with a rise of 13%.

Chart 1  
**Industrial production index & PMI**



Source: GSO, Markit, BSC Research

**Inventory index of the entire manufacturing and processing sector as of July 1, 2017 increased by 10.4% compared to the same**

**period 2016.** Inventory of other vehicle production (mainly ship building) declined significantly by 40.4%. By contrast, sectors that have higher inventory index than average were beverage manufacturing (+61.6%); metal production (+53%) and electric device production (+41.8%).

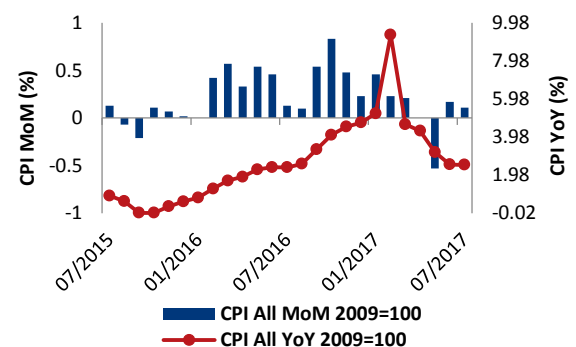
**The PMI fell slightly in July 2017.** The PMI fell to 51.7, nearly that in May as mining industry continued to diminish and its inventory index continued to rise.

### Inflation

- **Average CPI in 7M2017 was 3.91%, higher than that of last year.**
- **CPI in July increased by 0.11% compared to the previous month thanks to rising price of 8/11 goods and services group, especially food services and restaurants.**

**Consumer Price Index (CPI) in July rose by 0.11% compared to the previous month and by 2.52% over the same period of last year.** Core inflation in July 2017 increased by 0.11% over June and by 1.3% over the same period of 2016.

Chart 2  
**Monthly CPI Development**

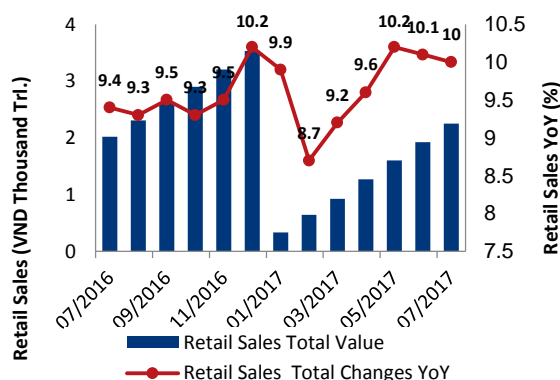


Source: GSO, BSC Research

In July, price of 8 out of 11 goods and services group saw a growth, especially foods services and restaurants which had the highest growth rate of 0.54% due to a rise of 0.87% in food price. The following was pharmaceutical and healthcare services with 0.36% increase as price adjustment plan of the government

**Total retail sales of consumer goods and services in July was estimated at VND 327.6 trillion, up 1.2% MoM and up 10.3% YoY.** Retail sales reached VND 244.3 trillion, up 1.2% MoM and up 10% YoY; Revenue from hospitality, food services was VND 41.5 trillion, up 2.2% MoM and up 11.3% YoY; Tourism revenue reached VND 3.4 trillion, up 2.4% MoM and up 15.1% YoY; other services sales reached VND 38.4 trillion, down 0.4% MoM and up 10.4% YoY.

Chart 3  
Retail Sale



Source: GSO, BSC Research

Table 1  
Changes of Good and Service in the month

No	Good & Service Group	MoM (%)	YoY (%)
1	Restaurant and Food Service	0.54	-2.52
2	Transportation	-1.52	1.43
3	Pharmaceutical & Healthcare	0.36	46.64
4	Housing & Construction Material	0.03	3.24
5	Entertainment	-0.03	0.78

6	Beverage & Cigarettes	0.04	1.46
7	Apparel, hats & footwear	0.04	1.06
8	Household Appliances	0.09	1.05
9	Education	0.05	9.85
10	Postage and telecommunications	-0.06	-0.60
11	Others	0.73	2.27

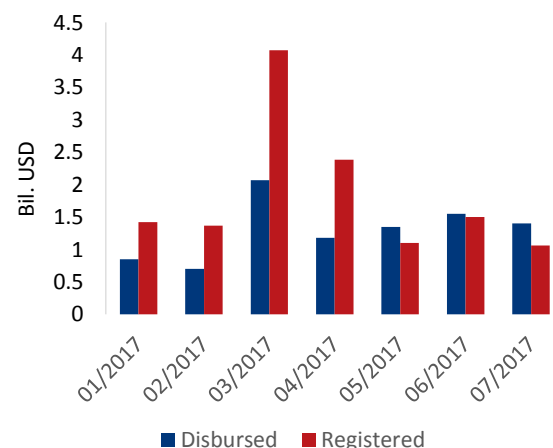
Source: GSO, BSC Research

## Foreign direct investment (FDI)

- New registered foreign investment declined sharply in July
- Investment flowed mainly into Electricity & Gas production and distribution and Processing & manufacturing sector.

As of 20 July 2017, the total of new registered foreign investment of 1,378 plans reached USD 12.9 billion (up 48.7% over the same period of 2016). Adding up USD 5.9 billion adjusted capital of 677 plans which gained approval in previous years, the total FDI registered in 7M2017 was USD 18.8 billion. In addition, newly registered FDI in July was USD 1.06 billion, down 29.3% compared to the previous month and down 34.4% over the same period of 2016.

Chart 4  
FDI (Bil. USD)



Source: GSO, BSC Research

In 7M2017, electricity, gas and hot steam production and distribution attracted the largest amount of FDI with the registered amount reaching USD 5.3 billion, accounting for 40.7% of the total capital. The second place belonged to processing and manufacturing industry with USD 4.5 billion which made up for 35.2%. If additional registered capital of previous plans is added up, the total amount of FDI flowed into processing and manufacturing sector reached USD 10.8 billion, comprising 49.4%. The top three provinces in attracting FDI were Thanh Hoa (23.6%), Nam Dinh (16.4%), Kien Giang (10.3%).

Up to July 2017, Japan was the biggest investor with a capital of USD 4.81 billion, accounting for 37.2% of total newly registered capital, followed by Singapore with USD 2.82 billion, making up 21.8%. In the third place was Korea with \$ 1.94 billion, accounting for 15%.

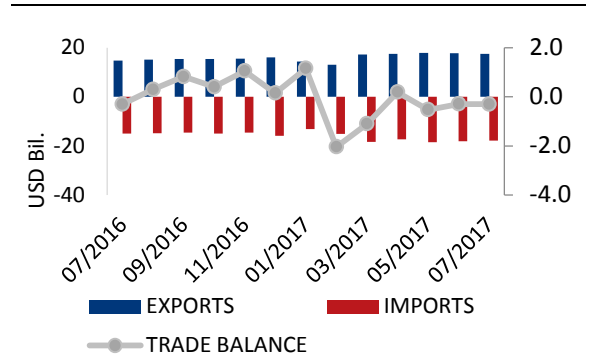
## Import/Export Activities

- **Trade balance in the July 2017 is estimated to be a deficit of USD 300 million and up to July 2017, total trade deficit is USD2.93 billion cumulatively.**

Export value in July 2017 was estimated at USD17.5 billion, down 1.7% over June, of which the domestic economic sector gained USD4.9 billion, down 3.2%; the foreign invested sector reached USD12.6 billion, down 1%.

Chart 5

### Import/Export (Bil. USD)



Source: GSO, BSC Research

Import value in July was estimated to be USD 17.8 billion, down 1.6% compared to that in June, of which the domestic economic sector reached USD7.1 billion, down 2.2%; foreign invested sector reached USD 10.7 billion, down 1.2%.

Table 2

### Top 10 Export Goods

No	Export Goods	Value (USD billion)	%YoY
1	Mobile phone	22.6	15.0%
2	Textile	14.2	8.1%
3	Electronics	13.6	43.3%
4	Shoes	8.4	12.9%
5	Other machines	6.9	29.5%
6	Aquaculture	4.3	18.1%
7	Woods	4.3	12.4%
8	Vehicles	4.0	20.0%
9	Coffee	2.1	8.3%
10	Vegetables	2.0	44.4%

Source: FIA, BSC Research

Export value of some major goods and commodities continued to increase over the same period of last year. Phone and components' value was still in first place, reaching USD 22.6 billion. Electronics, computers and components' was USD 13.6 billion, up 43.3% compared to the same period of last year.

Table 3  
Top 10 Import Goods

No	Import Goods	Value (USD billion)	%YoY
1	Machine	21.4	37.4%
2	Electronics	19.2	27.4%
3	Mobile phone	7.3	30.6%
4	Fabric	6.5	9.2%
5	Steel	5.2	16.7%
6	Plastic	4.1	24.4%
7	Gasoline	3.9	32.3%
8	Textile Materials	3.1	21.5%
9	Other metals	2.9	20.0%
10	Plastic Products	2.9	21.5%

Source: FIA, BSC Research

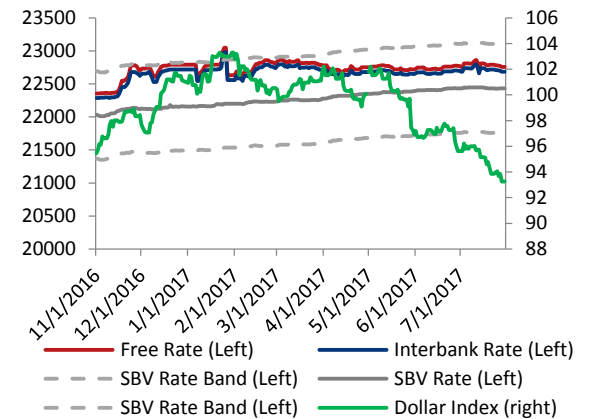
Import value of all goods and commodities increased sharply over the same period of last year. Machinery, equipment and spare parts' imported value led the list with USD 21.4 billion, up 37.4% in comparison with that in 2016.

## Foreign Exchange Market

- **The interbank rate at first increased significantly in the first half of July, but later moved down to the same rate at the end of June.**

USD/VND interbank rates in July 2017 fluctuated in the range of 22,660 – 22,795 VND/USD. This month's average rate increased by 0.23% mom, up to 22,725 VND/USD. In July, the SBV rate fluctuated within a high margin in the range 22,429 -22,449 VND/USD with an average value of 22,439 VND/USD, increased by 0.11% in comparison to the previous month.

Chart 6  
Exchange Rate Development



Source: Bloomberg, BSC Research

The free exchange rate also moved similarly to the interbank exchange rate, **the free exchange rate increased and fluctuated in a broader range compared to the previous month, between 22,710 VND/USD - 22,780 VND/USD.** The average free exchange rates in July 2017 increased by 0.21% compared to April, reaching 22,793 VND / USD.

**USD price index as of 30/07/2017 decreased by 2.48% compared to the end of July 2017.** The USD price index increased in the first half of July as the negative effect of international geo-politic disputes died down. However, this index declined due to the political turmoils surrounding Trump administration, U.S inflation rate did not reach FED's targeted rate; and the tense diplomatic relation between U.S and Russia.

After the sideways movement in quarter II/2017, from 22,700-22,780 VND/USD, the free exchange rate was in an uptrend period and it fluctuated in a broader marginal range. The interbank exchange rate also had similar movement and Dollar Index continued its downtrend movement since quarter II/2017.

## Banking - Interest Rate

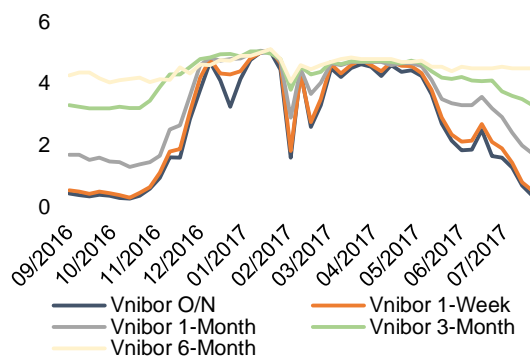
**Most interest rates periods in July continued to decline sharply. The SBV bank maintains its net withdrawal policy through the OMO**

channel. In the third week of July, the SBV had a net withdraw of 37,000 billion VND via this channel.

By the end of July, interest rates at commercial banks is maintaing their stable trend due to abundant system liquidity and SBV's policy. However, raising interest rate pressure from inflation and credit growth target of 17-18% still exists.

Chart 7

### Interbank Rates



Source: Bloomberg, BSC Research

Currently, the overnight interbank rates, one week, one month, three month and six month terms falls 0.37%, 0.53%, 1.73%, 3.30%, respectively. The net withdrawal development via OMO channel and the strong downward trend of last week interbank rates continue to indicate that the liquidity of the whole system is abundant and strongly improved.

## Macro Forecast in August 2017

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

(1) **U.S.-Russia diplomatic relationship.** At the end of the fourth week of July, both the upper house and lower house of U.S Congress approved its sanctions on Russia. The 184-page bill targets those allegedly violating human rights and corruption, focusing on key areas of the Russian economy such as arms sales and energy exports. In retaliation, Russia expelled 755 US diplomats from its territory. In addition, the EU also warned of possible retaliation for US sanctions on Russia if it affected European companies. In particular, the sanctions are certain to have an immediate impact for many common Russian-EU projects, such as the Nordstream II pipeline project. This political turmoil will cause investors' cash flow to spread into safe assets such as gold and bonds or in stock markets that are less affected by this geopolitical tension between Russia and the United States.

(2) **Brexit Negotiation.** On 17 July, the second round of negotiations between the EU and the UK took place with the attention of many countries around the world. However, after three days of discussion, the two sides still failed to reach an agreement on four key issues: EU compensation, citizenship, trade law and Brexit law. In the United Kingdom, Theresa May administration continued to be weakened as the internal government failed to reach a common consensus on the prospects behind Brexit and the outcome of the negotiation was not progressing. The current plan is to reach a consensus on the principle of the Brexit Act between October and December 2017.

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

(1) **The resolution on the processing of bad debt No. 42 of credit institutions will come into effect from 15/8/2017 to 15/8/2022.** This resolution will return the right to handle bad loans to banks, allow the sale of bad loans to banks, allow the sale of bad debts at any price to any buyer (counting neither the person nor the organization is a business entity). In addition, the issue of choosing an independent valuation organization, the resolution stipulating the organization of buying, selling and dealing with bad debts (including VAMC) shall be agreed with the CI on the selection of independent valuation organizations. The positive impact of this resolution will accelerate the pace of bad debt rebound of the banking sector, thereby improving the business results of the sector in the second half of 2017, contributing to the increase of capital in the market and Speeding up economic growth.

(2) **The derivatives market is scheduled to be opened in early August.** The initial product traded on the derivatives market in August will be the futures contract of VN30. Official information will be released to the market one month before the launch. For future contracts of government bond, the Ministry of Finance has assigned the Department of Finance and Banking to study and write approval for the product design. Also according to information provided by HNX, during opening period of this market, it is certain to attract mainly investment organizations and professional investors. Through HNX contacts with institutional investors in the market, their concern is enormous. Korean and Japanese securities corporations are also interested in learning about legal regulations of the derivatives market. The opening of the derivatives market will attract more foreign capital inflows into the Vietnamese stock market as well as create more modern investment tactics and tools for the current investors in the market.

(3) **Interest rates and inflation.** Interest rates of commercial banks continued to be under pressure from the credit growth policy of 18% and the Bad debt resolution that would increase the liquidity of Vietnam banking system. CPI also continued its uptrend with 8/11 growth and commodity due to food service sectors



as food prices adjusted after a swine price decline from May. This phenomenon also stimulated the growth of August's CPI. Under this circumstance of interest rate and inflation, the government ability to manage the banking system will continue to be tested in August.

**Table 4**  
**Monthly Macro Indicators**

Indicator/Month	2016M12	2017M1	2017M2	2017M3	2017M4	2017M5	2017M6	2017M7
GDP yoy (%)	6.68	-	-	5.1	-	-	6.17	-
GDP ytd yoy (%)	6.21	-	-	5.1	-	-	6.17	-
PMI	52.4	51.9	54.2	54.6	54.1	51.6	52.5	51.7
IIP yoy (%)	8.3	15.2	15.2	5.5	7.4	7.2	8.6	8.1
IIP ytd yoy (%)	8.3	15.2	15.2	5.5	5.1	5.7	6.2	6.5
Retail Sales yoy (%)	10.2	9.9	8.7	9.2	9.6	11.6	11.6	10.3
Retail Sales ytd yoy (%)	10.2	9.9	8.7	9.2	9.6	10.2	10.1	10.0
CPI mom (%)	0.28	0.52	0.23	0.21	0.00	0.53	0.17	0.11
CPI yoy (%)	4.7	5.22	5.02	4.65	4.30	3.19	2.54	2.52
Registered FDI (Bil. USD)	1.5	1.42	2.03	6.86	9.24	10.24	11.84	12.9
Disbursed FDI (Bil. USD)	2.84*	0.85	1.55	3.6	4.8	6.15	7.7	9.1
Export (Bil. USD)	16	7.3	13.0	16.3	17.5	17.9	17.8	17.5
Import (Bil. USD)	16.3	7.38	14.2	17.4	17.3	18.4	18.0	17.8
Trade Balance (Bil. USD)	-0.3	1.15	-1.2	-1.1	0.2	-0.5	-0.2	-0.3
Exchange Rate (VND/USD)	22,760	23,050	22,648	22,829	22,680	21,724	22,744	22,793
Credit Growth (%)	18	-	-	2.81	-	-	7.54	-

Source: BSC Research



# Stock market July 2017

## Market Outlook

Market indexes on both exchanges was in a correction trend in the first half of the month and rebound trend in the end of the month, continue to conquer the new short-term resistance level. Up to 31/07/2017, VN-Index officially increased by 7.08 points compared to the end of last month, equivalent to the increase 0.91% mom and HNX-Index increased 2.045 points compared to last month, equivalent to a rise of 2.06% mom.

Table 5

Market index performances in the last 6 months on HOSE exchange.

Month	Index	Volume ( Bil share)	Capitalization (VND Trillion)
7	783.55	3.80	1,919
6	776.47	3.97	1,903
5	737.82	4.39	1,792
4	717.73	3.09	1,747
3	722.31	4.11	1,691
2	710.79	3.09	1,630

Source: HSX, Bloomberg, BSC Research

**Main stocks continued to be the growth engines for the VN-Index.** Top 3 stocks are SAB (+7.5 points), GAS (+3.4 points), BID (+2.5 points).

Table 6

Market Index performances in the last 6 months on HNX Exchange

Month	Index	Volume ( Bil share)	Capitalization (VND Trillion)
7	101.18	1.38	188
6	99.14	1.33	187
5	93.91	1.34	174
4	89.54	1.14	168
3	90.82	1.16	171
2	86.83	0.86	164

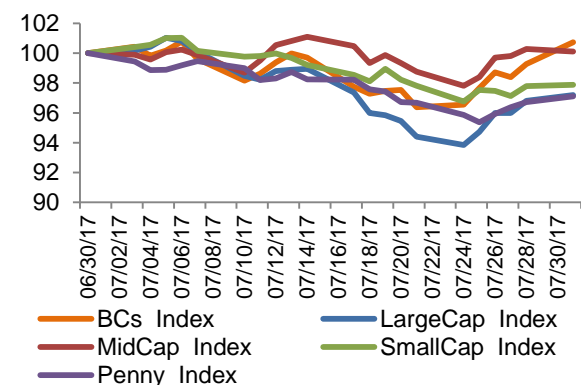
Source: HNX, Bloomberg, BSC Research

## Stock group performances

Group of stocks categorized by market capitalization had some corrections in July, in which the LargeCap and MidCap groups were positive performances while the other groups had negative performances against the market. The BCs index increased slightly by 0.7%, MidCap 0.1%, LargeCap -2.8%, Penny -2.9%, SmallCap -2.1%, compared to the end of June. In the correction period of the month, LargeCap was the most affected, BCs tended to rebound quickly in the last week of the month, supporting the market rebound momentum.

Chart 8

Stock group performances



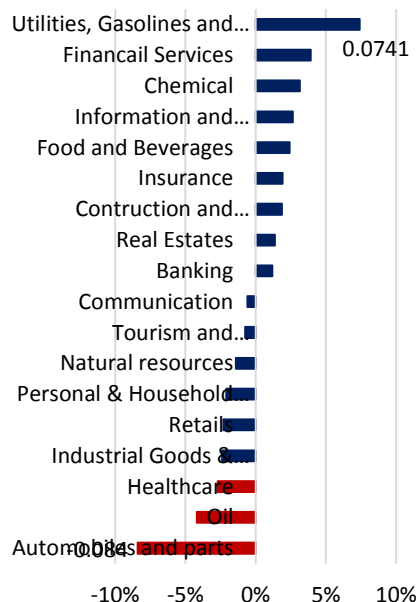
Source: Bloomberg, BSC Research

The market had correction sessions in middle of the month which created a strong differentiated in the market with 9 out of 18 uptrend sectors. The top three groups included: Petroleum Gas (ASP +27.2%, TMP +16.1%, VSH +14.6%), increased by 7.41%; Financial Services Sector (FIT +58.2%, MBS +21%, APS +16.7%) increased by 3.92% and Chemicals (HAI + 271%, RDP + 26.3%, TSC + 20.4%) increased by 3.15%. Three downtrend sectors including Automotive parts (VKC - 24.8%, HXX -18.6%, DRC -16.2%), Oil and Gas (PLX -9.0%, POS -8.2%, PVD -4.0%), Medical

sector (LDP-6.2%, DHG-6.4%, DMC-6.2%) had respective decline rates of -8.4%, -4.2% and -2.7%. Although Banking stocks increased by 1.19%, but it is the main force that helped the market rebound at the end of the month, including SHB increased 9.2%, BID increased 8.8% and MBB increased 6.7%.

Chart 9

### Development of secondary sectors in July



Source: Finpro, BSC Research

### Capitalization scale

The market capitalization on both exchanges reached VND 2,107.59 trillion, equivalent to USD 92.86 billion, increased 0.88 % (mom). From July 2017, on HOSE, there were 492 million additional listing shares, no shares delisted, and no additional ETF certificates listed, 162.78 million shares listed on the HSX at a listed price. These factors contributed to a slight increased in market capitalization in July.

The market capitalization growth of the HSX is 0.89% MoM, while the market capitalization growth on the HNX is 0.8% MoM.

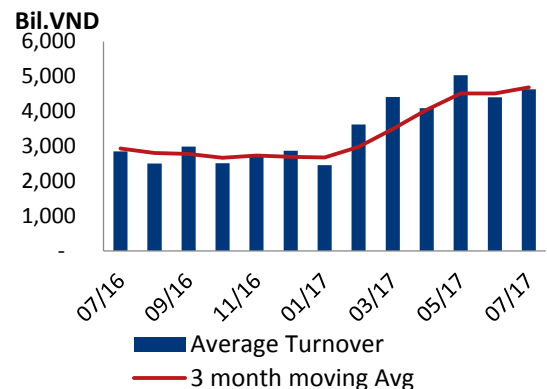
### Market average transaction value

The average transaction value on both exchanges increased by 5.29% compared to June 2017, and remained at 4,637 billion

**VND/session and equivalent to nearly USD 204.25 million per session.**

Chart 10

### Average transaction value



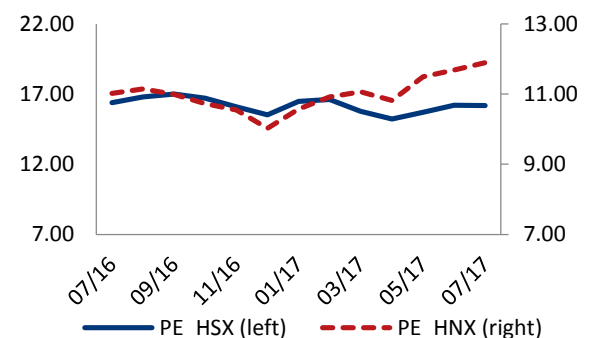
Source: Bloomberg, BSC Research

### Average price on Vietnam Stock market

**P/E of VN-Index and HNX-Index reached 16.43 and 12.47 respectively.** Along with the rising momentum of the market pushed forward P/E of the VN-Index and HNX-Index also increased rapidly in the first 7 months. Regarding to entire region, both HNX-Index and VN-Index deranked one tier compared to last month. The current P/E of HNX-Index got the 3rd bottom position, P/E of VN-Index got the 11th position.

Chart 11

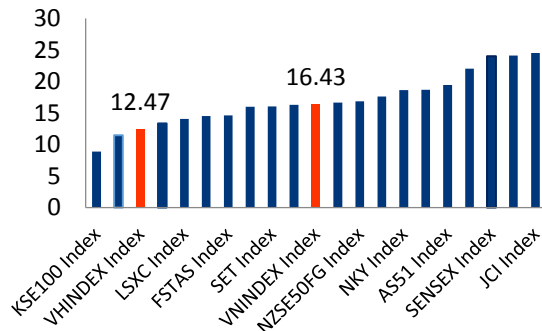
### P/E indicator performances on both Exchanges



Source: Bloomberg, BSC Research

Chart 12

### Vietnam's P/E ratio compared to other countries in the region



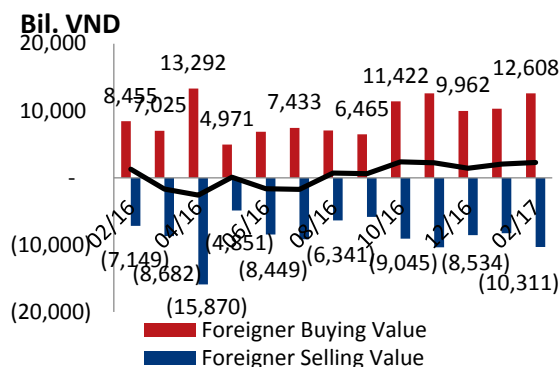
Source: Bloomberg, BSC Research

### Foreigner transactions

In July, foreigners continued to be net buyers on the HSX and net sellers on the HNX, in which PGD was bought aggressively by foreigners in this month.

Chart 13

### Foreigner transaction performances on both Exchanges



Source: BSC Research

As of July 30, foreigners were net buyers on the HSX with VND 2.551 billion, net sellers on the HNX with VND 254 billion. On the HSX, foreigners bought PGD (VND 1,271.47 billion), HPG (VND 364.62 billion), BID (VND 162.19

billion), VNM (VND 154.73 billion), DPM (VND 143.30 billion) and sold SSI (- VND 373.2 billion), HSG (- VND 272.78 billion), CTG (-VND 130.08 billion). On the HNX, foreigners focused on buying VCS (VND 21.22 billion), VND (VND 15.02 billion), VGC (VND 13.03 billion) and selling PVS (VND 176.93 billion) and SHB (VND 154.70 billion).

Chart 7

### Top 10 stocks traded on the HSX in June

Symbo	Net value	Symbo	Net value
I	(VND Billion)	I	(VND Billion)
PGD	1,271.47	SSI	-373.20
HPG	364.62	HSG	-272.78
BID	162.19	CTG	-130.08
VNM	154.73	MSN	-129.10
DPM	147.30	KBC	-98.34
KDC	119.43	VIC	-56.47
GAS	119.23	BMP	-53.29
SAB	102.19	HT1	-52.91
VCB	93.67	AAA	-50.67
HCM	78.07	PPC	-48.56

Source: BSC Research

Chart 8

### Top 10 net traded stocks on the HNX in June

Symbol	Net value	Symbol	Net value
	(VND Billion)		(VND Billion)
VCS	21.22	PVS	-176.93
VND	15.02	SHB	-154.70
VGC	13.03	ACB	-32.00
BVS	11.61	VCG	-9.31
HUT	9.43	VKC	-5.79
THB	6.00	DHT	-5.77
DBC	5.64	SHS	-4.42
KVC	4.87	NTP	-2.72
TEG	4.36	HOM	-2.68
QNC	3.88	PVE	-2.30

Source: BSC Research

## Market outlook in August

In July, most of the world's major stock markets rose because countries had no sudden policy adjustment and were in line with previous forecasts along with markets responded well to the second quarter's business results announcement. FED, ECB, and BOJ all maintained their respective monetary policy during their July meeting, whereby, FED did not change the current interest rates and would reduce its balance sheet from \$ 4.5 trillion to \$ 2 trillion; ECB maintained their easing monetary policy as it kept the low interest rates and the asset purchase program unchanged, however, it gave signals of the possibility that ECB would be discussing shrinking asset purchase programs in September; BOJ postpone the time to achieve the 2% inflation rate to 2019 before considering the current policy. In addition, Japan and EU signed a free trade agreement which helped the international trade outlook to be less negative. Oil prices rose sharply by 7.75% and foreign investors continued maintaining their net purchase policy in the region (except for Indonesia, Korea, Thailand and Pakistan), which caused the emerging markets to perform well.

Table 9  
Foreigners' net purchase/sale value in July

Country	July (USD million)	Year-to-date (USD million)
India	579	9,085
Indonesia	(798)	506
Japan	5,355	7,647
Malaysia	113	2,524
Phillipines	38	447
Korea	(31)	8,599
Sri Lanka	23	169
Taiwan	22	9,045

Thailand	(199)	194
Pakistan	(38)	(376)
Vietnam	47	418

Source: Bloomberg, BSC Research

In Vietnam, SBV issued regulations of reducing the policy rate which were valid from 10/7/2017. Policy rates, including refinancing interest rates, discount rates, overnight interest rates fell by 0.25%/year; Short term lending interest rate in VND of some industry sectors and economic sectors fell by 0.5%/year. As a result, the interbank interest rate has fallen sharply, which cause the deposit to decrease.

Business results in second quarter were also potential factors for the market; the improvements in business results, especially in the banking sector boosted the market at the end of the month. Along with domestic and international advantages, the market quickly overcame its short-term correction. In July, VN-Index increased by 0.91%, closed at 783.55 points, and reached a new peak of the year. Market liquidity decreased in last 2 months; nevertheless, it remained at a high rate with the active participation of both domestic and foreign investors.

In July, we issued the Sector Outlook Report for 3Q/2017. The report included the situation of sectors in 2Q and the assessment the potential of sectors in 3Q, positive assessments were gave to Real estate, Construction, Banking, Non-life insurance, Technology, Electricity, Natural Rubber and Fertilizer. In addition, we update and analyze several stocks: HNG, RAL,

PPC, and NKG. Stocks with positive developments included HNG, PPC.

Highlights in August:

**2Q business results announcement nearly completed, the total EAT rose by nearly 10% compared to the same period in last year. However, the increase was uneven, mainly composed of large stocks. However, the upside still exists due to sectors and stocks which had strongly improved business results.**

As of July 31, 600 companies, accounting for 83% of listed companies on 2 exchanges, had announced their Q2 business results. The total EATS of the whole market reached VND 27,356 billion, up by 10% over the same period in 2016. Top 10 stocks with highest profit growth rate which included PPC, VCB, FPT, VIC, CTG, BVH, MBB, VCS, SHB and KDC, contributed VND 3,567 billion, outranking the total increase of 2,487 billion due to being offset by the reduction of VND 2,600 billion of the top 10 losers such as MSN, HPG, FLC, DBC, PVS, NT2, DPM, BCC, SJS and SMC. In term of VN30 with 23/30 companies announcing Q2 business results, the total EAT increased by VND 1,338 billion, accounting for 54% of the total market increase. In general, 292 stocks which had EAT growth accounted for only 48.6% of the market. From the above data, we see that the announcement of the business results is coming to an end, almost all large stocks has announced their business results. The diversification in EAT of listed companies was strong, the growth rate of 10% over the same period mainly focused on the leading improved stocks as well as VN30.

The effect of the 2Q business results have already come to the final stage, however, the market developments showed that the music was still there. 2Q business results grew in Banking, Insurance, Securities and Real estate are helping VN-Index to maintain its uptrend in early August trading sessions.

***The market will shift attention to medium and long-term factors such as macroeconomic management policies, economic shifting, divestment and equitisation in the last months of the year.***

SBV's adjustments in monetary policy are aimed at supporting enterprises, and also included government's growth supporting methods. At the end of July, the Prime Minister set up an economic consultative team with the participation of domestic and foreign experts. A number of new solutions and proposals are expected to be approved soon to further strengthen the business activities of the private sector, which is an important component of the economy. Along with methods to boost public investment, which is quite sluggish in the 1H, and operating monetary policy towards a controlled easing economic growth will continue to improve in the 2H of the year.

In term of PLX and then VCI, we can see that foreign investors are very interested in Vietnam stock market although the investment opportunities are not many due to foreign ownership limitation or small number of free float stocks. Government was stimulating the listing, equitisation, and divestment is also a factor causing the stimulation of cash flow rotation and market's excitement.

***The monetary and economic policies of major nations in the world are not very volatile, but there are still geopolitical risk factors. Foreign cash flow continued to be net buyers.***

In August there will be no policy meetings of great nations. Nevertheless, new and old geopolitical issues such as the US sanctions on Russia, tensions between countries including Chian-India, Korea, Syria, etc, are creating confrontation and retaliation among the great nations. The weak factors are risky because the disputed parties are able to maintain self-control, but the occurrence of one of the conflicting events can cause a significant turmoil to economic and financial market

which has been growing well since the beginning of this year.

Table 10

Factors affecting the market in August of 2017

EVENT	IMPACTS ON THE STOCK MARKET
The number of policies for high economic growth and credit growth increased sharply over many years.	Positive
The interest rate is stable	
Deploying the resolution on handling bad debts of credit institutions.	Positive, need time to affect
Future index contracts	Positive, limited
Listing enterprises, including large scale commercial banks	Diluted, depend on cash flow
Serious geopolitical issues: Russian sanctions, tensions between China and India, Korea, Syria,.. creating confrontation and retaliation between great powers	The risk is not high, but unpredictable
Serious economic trials, expanding with new cases	Unexpected events
Price growth over the short-term profit growth led P/E, P/B of VN-Index to remain at high level, and margin value remained high for many year	Hidden risks when psychological factors and cash flow change

Source: BSC Research

Market movements are showing positive signs in recent years both in terms of price growth

and liquidity. In the basis of evaluating the short-term market movements and information in the short term, BSC formulated the following VN-Index scenarios in August : VN-Index continued moving within in the price region of 760-800 points. The index is forecasted to increase in the first 1-2 weeks of July, then diverge and fluctuate cumulatively in the remaining weeks

- In a positive case: VN-Index continues conquering new height price region in the year and will remain above 780 points in the corrective movements. The group of banking stocks continues to be the support for the market and the rotation between different sectors will continue to keep the market vibrant and stably liquid. Foreigners are stable net buyers, focusing on newly listed stocks.
- In a negative case: VN-Index will return to the region below 760 points when foreigners reversed their trading activity, back to net selling with domestic investors due to the occurrence of geopolitical events. However, this possibility is very unlikely and is underestimated.

Investors can refer to some of the reports and topics listed as follow:

- Industry Sectors and stocks were positively evaluated by us in the Sector Outlook for Q3/2017
- Banking – Financial Stocks were expected when the law of restructure of credit institutions and bad debts processing was approved by the National Assembly at the end of June.
- The Group of divested or full-room stocks that were announced for divestment and room opening .
- Leading stocks in the retail sector that have high growth and dividend yields
- In long term, BSC's recommended stocks will be mentioned in the 2017 Sector Outlook Report(Link), 3rd

quarter updated report, stocks with good performance will be recommended in the Weekly Reports

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(Link) and sector/company Updating Reports (link).



### Disclosure

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