

Vietnam Monthly Review 2017 M10

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Macroeconomic

- The PMI dropped to 51.6 from 53.3. Industrial production index rose sharply over the same period last year and the inventory index of the pharmaceutical industry fell sharply.
- Total retail sales of consumer goods and services in October 2017 reached VND 340.9 trillion, up 12.7% over the same period last year.
- Foreign direct investment in October increased sharply (57.14% yoy). The distribution of electricity, gas sector, hot water and air conditioning and manufacturing are still the two leading sectors in attracting FDI.
- The VND/USD interbank exchange rate slightly increased compared to the end of September and tended to increase slightly in the future with the range of 22,695 - 22,755 VND/USD. The interbank interest rates declined sharply, showing very good liquidity.

Stock market

- VN-Index maintained its uptrend while HNX-Index fluctuated. VN-Index increased 4.08% mom to 837.28 points; HNX-Index decreased 2.3% to 105.16 points.
- The average liquidity on both exchanges increased 4.7% compared to that of September 2017 and remained at VND 4.530 billion/session or USD 201.61 million/session. Foreigners were net buyers on the HSX and HNX, with the value of VND 165 billion on the HSX and VND 252 billion on the HNX.
- P P/E of VN-Index and the HNX-Index were respectively at 16.56 and 12.49. P/E of HNX-Index stayed at 4th position, while P/E of VN-Index increased to 10th place.

Market Outlook next month

- VN-Index will remain around 840 points. The index is expected to increase in the first two weeks of November, after which there may be a downward pressure if there is no new cash flow after the APEC summit, the suggested scenarios are as follows::
 - In the bullish case, VN-Index will continue to conquer the new peak in early November with the support of Bluechips and other sectors such as Banking, Real Estate, Consumer, and Manufacturing. The index kept a high level when there was a new cash flow from foreign investors after APEC. Banking sectors, state-owned enterprises divestments will remain the pillar of the market.
 - In the bearish case, VN-Index will return to the level of 810 points when large-cap stocks reach saturation, cash flow is limited from domestic and foreign investors.
- **Recommended stocks:**
 - Industry and sector were rated positively in the Fourth Sector Outlook for 2017;
 - Sector that are directly benefited from high credit growth and outstanding earnings such as banks, real estate, construction;
 - Leading stocks, state shares divesting, stock that allow new room for foreign investor, newly listed stocks;
 - Low valuations in large and medium capitalization stocks, defensive stocks, or stock that are expected to improve profitability such as Consumer, Electricity and Technology.
- In the long run, BSC's recommended stocks will be mentioned in the Vietnam Sector Outlook Report of the fourth quarter in 2017 ([Link](#)), stocks with good performance are recommended in the Weekly Report ([Link](#)) and Industry Sector / Company Update report ([link](#)).

Macroeconomic of October 2017

Economic growth

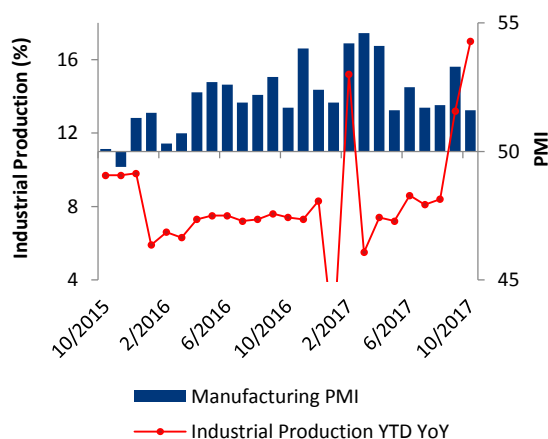
- The industrial production index in October 2017 fell sharply to 51.6 (-3.1% MoM)
- Retail sales increased by 17.05% YoY

Industrial production index in October was estimated to increase by 17% YoY. Mining industry increased by 2%, processing and manufacturing increased sharply by 22.3%; electricity production and distribution increased by 12%; water supply and waste disposal increased by 8%.

The consumption index of the whole processing industry in July 2017 increased by 1.6% MoM and by 8.3% YoY. Total the first 9 months, consumption index of manufacturing sector rose by 12% YoY. Industries with high consumption growth rates are textiles (+32.8%), metal production (+24.3%) and pharmaceutical production (+21.5%). Industries with a low growth rates are motor vehicle production (+3.6%), tobacco (+5.6%) and electrical equipment (+6.1%).

Chart 1

Industrial production index & PMI



Source: GSO, Markit, BSC Research

Inventory index of the entire manufacturing and processing sector as of October 1, 2017 increased by 8.8% YoY. Inventories of pharmaceutical products decreased by 17.9%. By contrast, sectors that have higher inventory growth than average were beverage production (+48.5%), metal production (+19.5%), electrical production (+14.9%).

The PMI fell slightly in October. The PMI fell to 51.6, returning near the level seen in May by manufacturing machinery.

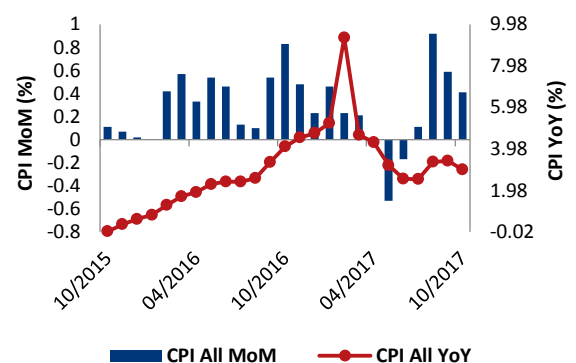
Inflation

- Average CPI in 10M2017 was 3.71% higher than the same period in 2016.
- CPI in October increased by 0.41% MoM due to rising price of core goods and services groups, especially in food and services group

Consumer Price Index (CPI) in October increased 0.41% MoM, up 2.98% YoY and up 2.25% ytd. Gold price index in October 2017 decreased 0.88% MoM; increased 5.18% ytd; increased by 1.39% yoy.

Chart 2

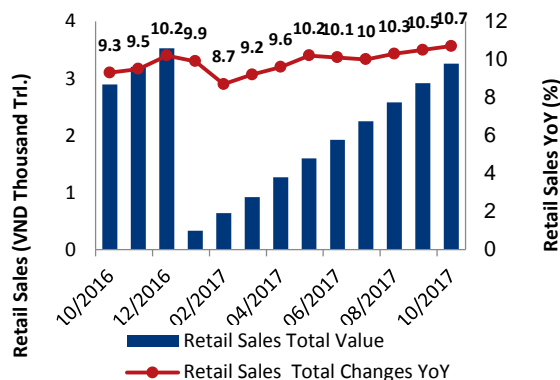
Monthly CPI Development



Source: GSO, BSC Research

Total retail sales of consumer goods and services in October were estimated at VND 340.9 trillion, up 1.4% MoM and up 12.7% YoY. Retail sales of consumer goods reached VND 253.8 trillion, up 1.3% MoM and up 11.4% YoY; Revenues from hospitality, food services was VND 44.1 trillion, up 3.1% MoM and up 16.1% YoY; tourism revenues reach VND 3.3 trillion, down 6.3% MoM and up 28.1% YoY, other service revenues reached to VND 39.7 trillion, down 1.2% MoM and up 11% 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	0.31	-1.23
2	Transportation	0.61	5.21
3	Pharmaceutical & Healthcare	2.14	32.13
4	Housing & Construction Material	0.63	5.18
5	Entertainment	0.06	0.75
6	Beverage & Cigarettes	0.01	1.40
7	Apparel, hats & footwear	0.17	1.05
8	Household Appliances	0.10	1.05
9	Education	0.19	7.26
10	Postage and telecommunications	0.01	-0.46
11	Others	0.12	2.27

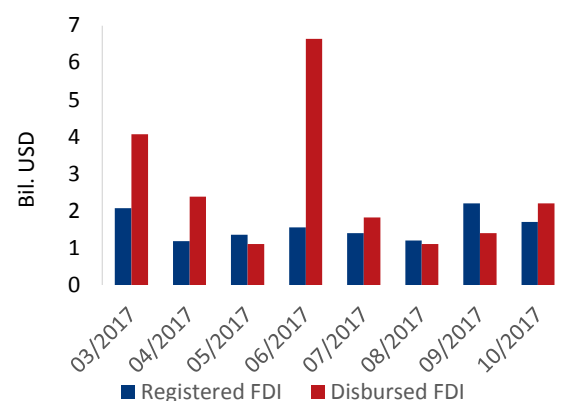
Source: GSO, BSC Research

Foreign direct investment (FDI)

- **Newly-registered foreign direct investment increased sharply in October.**
- **Investment flowed mainly into electricity & electric distribution, air conditioning sector and processing & manufacturing sector.**

Accumulating to 20th October 2017, the total of newly-registered foreign investment of 2,070 projects reached USD 16.3 billion (+32.9% yoy), adding up USD 7.2 billion adjusted capital of 1,001 plans which gained approval in previous years, the total FDI registered in 10M2017 was USD 23.5 billion. Of which, newly-registered FDI in October was USD 2.7 billion, up 57.14% MoM and up 86.4% YoY.

Chart 4
FDI (Bil. USD)



Source: GSO, BSC Research

In 10M2017 processing and manufacturing industry attracted the largest amount of FDI with the newly-registered amount reaching USD 5.8 billion, accounting for 35.3% of the total newly-registered investment. The second place belonged to electricity, gas and hot stream production and distribution with USD

5.6 billion which made up for 35.9%. If additional registered capital of previous projects and stock purchasing are added up, the total amount of foreign investment in processing and manufacturing sector reached USD 13.8 billion, comprising 48.7%. The top three leading provinces in FDI were Thanh Hoa with USD 3.15 billion (19.3%), Nam Dinh with USD 2.13 billion (16.4%), Ho Chi Minh City USD 1.9 billion (11.6%). Up to August 2017, Japan was the biggest investor with a capital of USD 4.83 billion, accounting for 35.9% of total newly registered capital, followed by Singapore with USD 2.84 billion, making up 21.1%. In the third place was Korea with USD 2.17 billion, accounting for 16.1%.

Accumulating to October 2017, Japan was the biggest investor to Vietnam with an investment of USD 4.97 billion, accounting for 30.5% of total newly-registered FDI, followed by Korea with USD 3.5 billion, making up 21.5% and Singapore with USD 31 billion, make up 19.3%. In the past three months, Korea had registered USD 1.56 billion investment since July, rising to the number 2.

Import/Export Activities

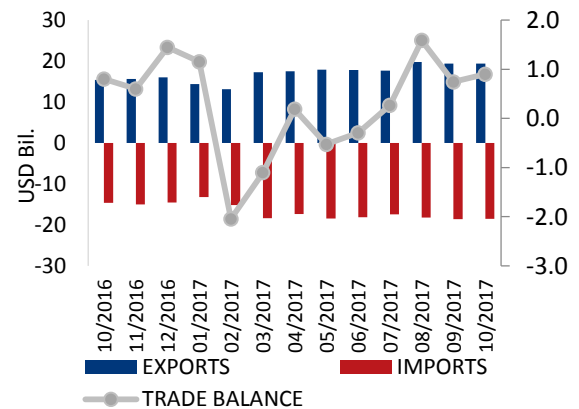
- **Trade balance in the October 2017 was estimated to be surplus USD 900 million; total trade surplus was USD 1.23 billion cumulatively in the first 10 months.**

Export turnover in October was estimated at USD 19.4 billion, up 0.3% against September, of which the domestic economic sector reached USD 5.2 billion, down 6.3%. Foreign invested sector reached USD 14.2 billion, up 3%. Export value in October 2017 was estimated at USD 19.4 billion, up 3% over September, of which the domestic economic sector reached USD 5.2 billion, down 0.6%; the foreign invested sector reached USD 14.2

billion, up 3%.

Chart 5

Import/Export (Bil. USD)



Source: GSO, BSC Research

Import value in October was estimated at USD 18.5 billion, up 1.4% compared to September, of which the domestic economic sector reached USD 6 billion, up 26.5%; foreign invested sector reached USD 12.5 billion, down 7.4%.

Table 2

Top 10 Export Goods

No	Export Goods	Value (USD billion)	%YoY
1	Mobile phone	36.5	28.8%
2	Textile	21.5	9.5%
3	Electronics	21	38.8%
4	Shoes	11.7	11.9%
5	Other machines	10.4	28%
6	Aquaculture	6.8	18.7%
7	Woods	6.2	10.9%
8	Vehicles	5.7	15.6%
9	Cashew nuts	2.9	24.4%
10	Vegetables	2.9	42.7%

Source: GSO, BSC Research

Export value of some major products continued to increase over the same period of last year. Mobile phone and component value was still in first place with USD 22.6 billion. Electronics, computer and component reached

USD 13.6 billion, up 43.3% yoy.

Table 3

Top 10 Import Goods

No	Import Goods	Value (USD billion)	%YoY
1	Electronics	28.7	33.8%
2	Machine	26.6	23.8%
3	Mobile phone	11.7	46.3%
4	Fabric	8.7	8.7%
5	Steel	7.1	13.8%
6	Plastic	5.7	19.8%
7	Gasoline	5.3	40.2%
8	Textile Materials	4.3	8.6%
9	Other metals	4.2	12%
10	Plastic Products	4.1	21.5%

Source: GSO, BSC Research

Import turnover of all commodities increased slightly over the same period last year, of which, electronics, computers and components USD 28 billion and up 23.1% over the same period in 2016.

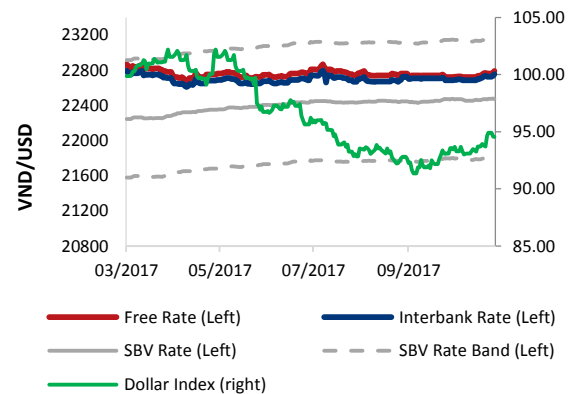
Foreign Exchange Market

- **Interbank exchange rate increased slightly 22,755 VND/USD.**

USD/VND exchange rate in October 2017 fluctuated in the range of 22,695 - 22,755 VND/USD. The average of this month decreased 0.03% MoM to 22700 VND/USD. In October, the central rate maintained high volatility from 22,451 to 22,477 VND/USD, with the average value in October of VND 22,465/USD, up 0.09% over the previous month.

Chart 6

Exchange Rate Development



Source: Bloomberg, BSC Research

The free exchange rate had the same performances with the interbank exchange rate, **the exchange rate increased and fluctuated in a wider range compared to the previous month, in the range of 22,720 - 22,790 VND/USD.** The average free exchange rate in October 2017 decreased 0.02% compared to September, reaching 22,734 VND/USD.

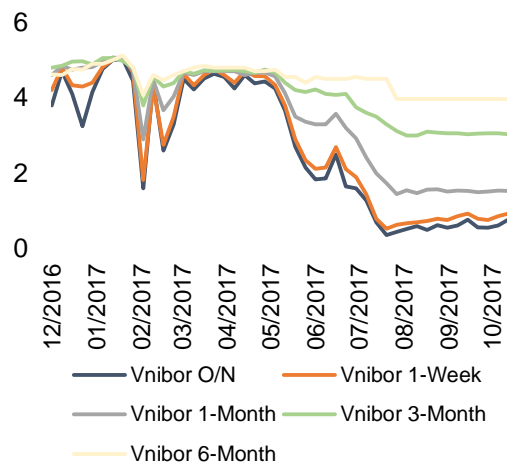
The USD price index at 31/10/2017 has increased 1.6% compared to the end of September 2017. The USD price index rose in October after information on the tax reform policy was mentioned and the US stock market hit a new peak.

Banking - Interest Rate

Most interest rate terms in October fell slightly. The bank maintains contraction monetary policy via OMO. The SBV net contraction VND 5,300 billion due to concerns about cash surplus in the liquidity system.

By the end of October, interest rates at commercial banks held downward trend. However, the pressure of raising interest rates came from inflation and the target of 17-18% credit growth will continue to be maintained.

Chart 7
Interbank Rates



Source: Bloomberg, BSC Research

At present, the interbank interest rates overnight, a week, a month, and 3 months decreased to 0.5%, 0.7%, 3%, 3.97% respectively. The net contraction via OMO and the downward trend of interbank interest rates continued to show that the liquidity of the whole monetary system was plentiful and fully self-supporting for the Government credit growth policy.

Macro Forecast in November 2017

On the global scale, Vietnam macro-economy in November may be affected by some of the following:

(1) Two Fed meetings in Quarter IV: The Fed will hold two meetings in late October and mid-December to determine the fourth rate hike in 2017. At the meeting on September 20, the Fed decided to start balancing its balance sheet of them in October. In addition, they have lowered their expected inflation in 2017 from 1.7% to 1.5%. According to the "dot plot" survey, 12 out of 16 FOMC members expect one more rate hike by the end of the year. The Fed contracting balance sheet will adjust the price of US government bonds to attractive prices for global investors. This may cause the flow of foreign money into the Vietnam market. It is notable that in the upcoming weeks, President Trump could choose a new candidate for Chairman of the Fed

(2) Brexit Negotiations: On September 29, the UK and the EU took a small step forward, including the civil rights issue in the fourth Brexit talks. However, no agreement had yet been reached on the trade agreement. Furthermore, the amount of UK compensation required to leave the EU had yet been discussed, as the UK had yet issued a specific amount for discussion. It is expected that the two parties will enter into bilateral trade agreement negotiations after October. This agreement will greatly affect the economy of the EU and UK, thereby affecting the large trading businesses in the EU and the UK.

With regard to the domestic condition, the focus in November included the following events:

(1) APEC Summit in Vietnam: The APEC Economic Leaders' Week (November 6-11) in Da Nang will be a regional economic forum to promote the economy and treaties in the region. With the participation of the Secretary-General of the United Nations and leaders of 20 member countries, this forum will also be an opportunity to promote Vietnam to global scale in many aspects such as investment promotion tourism. BSC expects that after this event, manufacturing sectors will find new strategic partners and the tourism of Da Nang as well as Vietnam in general will be developed to a new level.

(2) Covered Warrant is expected to launch in November: On the way to a transparent and developed financial system, derivative products will be an indispensable step. Following the success of the index futures contract launched in August this year, the HSX is expected to launch covered warrant product in November. With lower market prices and higher liquidity, value deprive from the underlying stock, this product is expected to create a breakthrough on the stock market.

(3) Interest rates and inflation: Interest rates of commercial banks continued to be under pressure from the 21% credit growth target and interest rate increase from the Fed in the fourth quarter when the policy was backed by 12/16 Fed members at their latest session. In addition, CPI continued its upward trend with 9/11 growth sectors, especially the education and transport group. As forecasted by BSC in the first half of 2017, third quarter inflation had grown stronger than the second quarter but still below the government target at 4%. CPI in the fourth quarter will continue to be under pressure from the growth of consumer groups as well as the increase in petrol prices. The SBV will continue to operate in a controlled and easy manner to support the 6.7% GDP growth target.

Table 4

Monthly Macro Indicators

Indicator/Month	2017M3	2017M4	2017M5	2017M6	2017M7	2017M8	2017M9	2017M10
GDP yoy (%)	5.1	-	-	6.17	-	-	6.41	-
GDP ytd yoy (%)	5.1	-	-	6.17	-	-	6.41	-
PMI	54.6	54.1	51.6	52.5	51.7	51.8	53.3	51.6
IIP yoy (%)	5.5	7.4	7.2	8.6	8.1	8.1	13.2	17
IIP ytd yoy (%)	5.5	5.1	5.7	6.2	6.5	6.7	6.7	8.7
Retail Sales yoy (%)	9.2	9.6	11.6	11.6	10.3	11.7	12.1	12.7
Retail Sales ytd yoy (%)	9.2	9.6	10.2	10.1	10.0	10.3	10.5	10.7
CPI mom (%)	0.21	0.00	0.53	0.17	0.11	0.92	0.59	0.11
CPI yoy (%)	4.65	4.30	3.19	2.54	2.52	3.35	3.4	3.91
Registered FDI (Bil. USD)	6.86	9.24	10.24	11.84	12.9	13.5	21.3	14.2
Disbursed FDI (Bil. USD)	3.6	4.8	6.15	7.7	9.1	10.3	10.3	23.5
Export (Bil. USD)	16.3	17.5	17.9	17.8	17.5	18.2	19	19.4
Import (Bil. USD)	17.4	17.3	18.4	18.0	17.8	17.8	18.6	18.5
Trade balance (Bil. USD)	-1.1	0.2	-0.5	-0.2	-0.3	0.4	0.4	0.9
Exchange rate (VND/USD)	22,829	22,680	21,724	22,744	22,793	22,748	22,743	22,755
Credit growth (%)	2.81	-	-	7.54	-	10.06	11.02	-

Source: BSC Research

Stock market in October 2017

Market Outlook

The indexes on two exchanges were in opposite direction in this month, while VN-Index maintained the uptrend, HNX-Index kept the same sideways trend of around 105-110 points throughout the month. The liquidity of both exchanges also had similar movement each respective index. Until 31/10/2017, VN-Index increased by 32.86 points to 837.28 points comparing to the index in the end of last month, equivalent to increase 4.08%. VN-Index closed at the resistance level of 845 points but was immediately corrected and returned below the support threshold of 840 points. In contrast, HNX-Index dropped by 2.5 points to 105.26 points comparing to that in last month end, corresponding to a decrease of 2.3%.

Table 5
Market index performances in the last 7 months on HOSE exchange.

Month	Index	Volume (Bil share)	Capitalization (VND Trillion)
10	837.28	3.04	2,166
9	804.42	2.84	2,059
8	782.76	4.43	1,985
7	783.55	4.06	1,936
6	776.47	3.97	1,903
5	737.82	4.39	1,792

Source: HSX, Bloomberg, BSC Research

The large-caps stocks were the main uptrend momentum for VN-Index in October. The three major contributor were VIC (7.5 points), SAB (6.4 points) and VCB (5.8 points), supporting for the increase of the VN Index. Excluding ROS due to its market characteristic (19.8 points), VN-Index increased only 13.06 points (1.62%) and reached the threshold of 817.48 points.

P/E of VN-Index increased against the previous month while P/E of HNX-Index remained unchanged, the uptrend in VN30 contributed significantly to the increase of P/E of VN-Index. P/E of VN-Index on 31/10 is at 16.56 points and P/E of HNX is 12.49 points.

Liquidity increased slightly and cash flow rotated through uptrend industries in October. At the beginning of October, the market had a strong correction and fell below the support level at 800 points as the red color covered all the large capitalization stocks in VN30. However, the market recovered immediately and maintained its upward momentum until the end of the month. The movement of the market mainly depended on large-cap stocks, typically VN30 and good fundamentals with Q3 positive results. The cash flow moved inside BCs group. It is noted that the movement trend of VN-Index is strongly affected by two speculative large-cap stocks namely ROS and SAB. In particular, ROS contributed more than 60% of the increase to VN-Index this month. However, the uptrend of VN-Index was also maintained thanks to a number of positive Q3 business results of businesses such as Banking sector (VCB, BID, MBB), Real estate (VIC, NVL, DXG), Construction (CTD, HBC) and Steel (HPG, NKG, VIS).

Table 6
Market index performances in the last 7 months on HNX

Month	Index	Volume (Bil share)	Capitalization (VND Trillion)
10	105.16	1.09	193
9	107.66	1.14	197
8	103.88	1.41	191
7	101.18	1.46	189
6	99.14	1.33	187

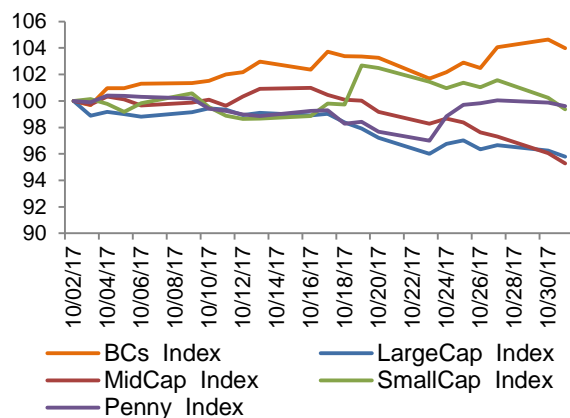
Source: HNX, Bloomberg, BSC Research

Movement of stocks by capitalization sector

Group of stocks divided in term of market capitalization tended to be in opposite direction in October. Of which, the only group of BCs showed a strong increase of 4%. Conversely, the rest of the group declined, with LargeCap and MidCap falling sharply by -4.21% and -4.72%, respectively. The two sectors composing of penny sector (-0.38%) and SmallCap sector (-0.63%) all declined slightly from the end of September.

Chart 8

All market caps sectors performance



Source: Bloomberg, BSC Research

Capitalization scale

The market capitalization on both exchanges reached VND 2,360 trillion, equivalent to USD 103.67 billion, up 4.39% (MoM). Since October 2017, there have been 612 million shares listed additionally on HOSE, more than 24.6 million delisted shares and 1.96 billion listed shares for the first time. About the ETF, there were 25.2 million additional fund certificates, 2.7 million delisted and 9.8 million initial listing certificates. Bond market has 53 million additional listed bonds. These factors contributed to the rise of market capitalization in October.

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Vietnam Monthly Review

October 2017

The HSX capitalization increase by 5.26% MoM, while HNX market cap decreased by -1.28% MoM.

The capitalization growth rate of the HSX was 0.89% MoM, while that on the HNX was 0.8% MoM.

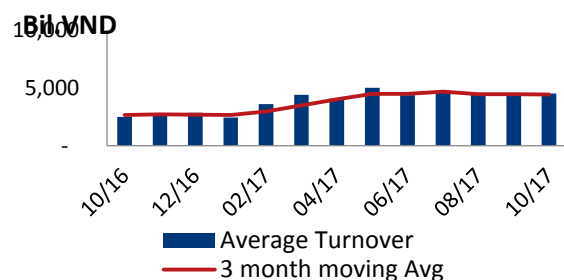
Average market liquidity

Average liquidity on the two exchanges increased 2.7% over the previous month, and remained at VND 4.530 billion/session and equivalent to nearly USD 201.61 million/session.

Besides the increase in general market index, the liquidity also recovered in October, but not enough to bounce back to the highest level in May with the average value of VND 5.034 billion per session.

Chart 9

Average transaction value



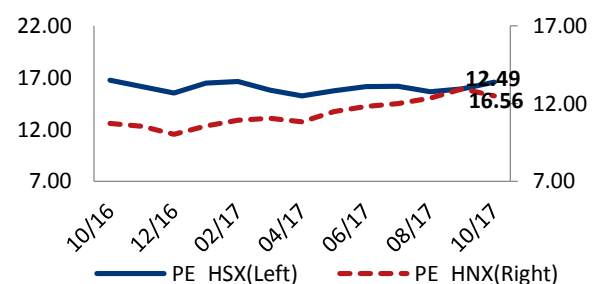
Source: Bloomberg, BSC Research

Price level of VN stock market

The P/E of VN-Index and HNX-Index reached 16.56 and 12.49 respectively.

Chart 10

P/E indicator performances on both Exchange

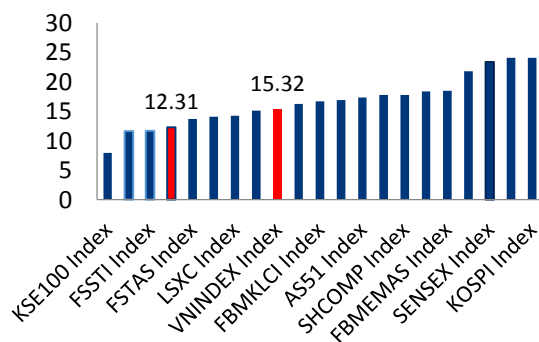


Source: Bloomberg, BSC Research

The movement of the index has a strong impact on the market P/E although the third quarter results have improved. While the P/E of VN-Index increased slightly, the P/E of HNX-Index decreased comparing to that of last month. Throughout the region, HNX-Index retained its rank of last month and the VN-Index moved up one rank compared to the previous month. The current P/E of HNX-Index is at the 4th position, P/E of VN-Index is at 10th position.

Chart 11

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



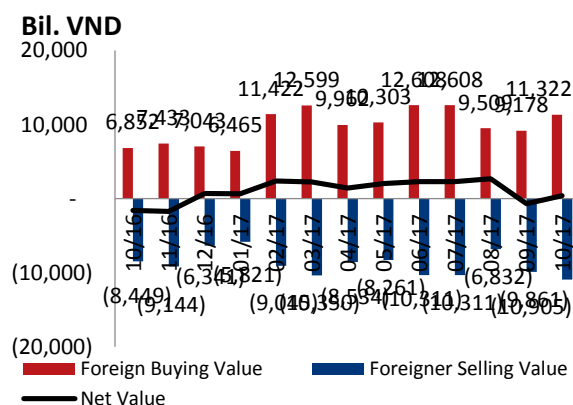
Source: Bloomberg, BSC Research

Foreign trading activities

In October, foreign investors continue to be net buyers on both exchanges, of which VIC and VNM were strongly bought by foreign investors in this month.

Chart 12

Foreigner transaction performances on both Exchanges



Source: BSC Research

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Vietnam Monthly Review

October 2017

As of to 31/10, foreigners were net buyers of VND 165 billion on the HSX and VND 252 billion on the HNX. Total value of buying activities on the HSX was VND 10.820 billion and HNX was VND 502 billion.

Table 7

Top 10 stocks traded on the HSX in August

Symbol	Net value (VND Billion)	Symbol	Net value (VND Billion)
VIC	253.30	KBC	-329.34
VNM	212.18	NVL	-255.42
BID	110.37	HSG	-252.49
PLX	101.48	MSN	-185.95
PVD	69.19	CII	-179.44
CTD	61.26	SSI	-77.54
CTG	54.58	VSC	-63.32
HPG	54.48	SAB	-57.97
NT2	52.41	SVI	-57.27
FCN	47.74	HBC	-55.20

Source: BSC Research

On the HSX, foreigners were strongly buy at VIC (VND 253.30 billion), VNM (VND 212.18 billion), BID (VND 110.37 billion), and KBC (VND 329.34 billion), NVL (VND 252.42 billion), HSG (-252.49). On HNX, the group focused on buying HUT (VND 30.89 billion), VCS (VND 21.95 billion), VGC (VND 13.12 billion) and PVS (VND 158.76 billion), KLS (VND142.56 billion).

Table 8

Top 10 net traded stocks on the HNX in August

Symbol	Net value (VND Billion)	Symbol	Net value (VND Billion)
HUT	30.89	PVS	-158.76
VCS	21.95	KLS	-142.56
VGC	13.12	NTP	-78.83
VCG	12.71	VGC	-33.15
HUT	11.74	CVT	-16.97
BVS	11.60	SAF	-8.47
DBC	7.45	SHS	-7.86
MAS	6.33	VCS	-7.67
LAS	6.16	PHC	-4.46
THB	6.00	HDA	-3.95

Market Outlook in November

Economic support continues to shrink. Following the United States and China, the ECB decided to reduce the size of its monthly bond purchasing program at its October 26 meeting. This decision would decrease the 60 billion euros per month to 30 billion euros a month from January 2018 and extend the implementation period to the end of September 2018. It coincides with the forecast so it has a positive impact on the market. Besides, the party of Prime Japanese Minister Abe also convincingly won the election on October 22, which has created conditions for it to maintain the position in the third term. In addition, the American president announced the largest tax reform package in the last three decades by the end of September, which helped the US economy to grow impressively at 3% in the third quarter of 2017. This positive news has overwhelmed the results of Catalonia's leaving Spain, helping the stock markets maintain their strong growth momentum in October. The Nikkei 225 rose 8.1%, which is the highest growth in the developed countries (the average growth rate of 2.5%). Net foreign buying in the region was slow and fragmented although regional indexes increased, except for the Malaysian market.

Table 9

Foreigners' net purchase/sale value in October

Country	October (USD million)	Year-to-date (USD million)
India	304	5,810
Indonesia	(459)	(1,265)
Japan	24,528	7,648
Malaysia	(55)	2,223
Philippines	2	1,068
Korea	2,713	8,947
Sri Lanka	13	131
Taiwan	1,724	8,560
Thailand	(220)	60

Pakistan	(5)	(433)
Vietnam	7	632

Sources: Bloomberg, BSC Research

GDP in the 3rd quarter, as well as export and import activities, increased sharply while other indicators such as inflation, exchange rates, and interest rates remained stable. Cash flow was abundant, credit in the first nine months of 2017 rose by 12.16%, equivalent to about 668.8 trillion dong disbursing into the economy. These changes continue to bring optimism for investors and help the market peaked at 845 points in the 30/10 session.

Movements of the index in October were positive. However, the cash flow only focused on a number of leading stocks, dragging down the stock level. Although there is the improvement of 3rd quarter business performance, it did not attract cash flow, which made fewer investment opportunities and the market segmentation more powerful. Moreover, the VN30 strongly provide a good opportunity for investors to buy Future Index contract.

By 31/10, 621 companies, accounting for 86% of companies listed on both indexes, announced its 3rd quarter business results. The total NPAT of the whole market reached about 28,797 billion, up by 15% compared with the same period of 2016.

Top 10 gainers including GAS, HPG, VPB, VCB, MBB, DXG, POM, VJC, PAN, ACB contributed 4.148 billion, offset the reduction of 2,500 billion of the 10 stocks with the biggest loss including KDC, BID, HVG, HSG, HT1, BVH, LGC, SSI, NT2, ANV. Particularly, the VN30 group has 20 out of 30 companies posted Q3 business results, NPAT increased by 1.032 billion, accounting for 26.7% of the increase of the

whole market and increased by 7.7% over the same period. The improvement of the VN30 is poorly compared to the general improvement of the market. In general, the market has 321 stocks with NPAT growth, accounting for 51.2% of the total market. From the above data, we see that the performance of the business is coming to an end. The NPAT distribution of listed companies is differentiated. The VN30 is moving aggressively but has improved marginally better than the market on average.

In October, we released the Industry Outlook for the fourth quarter of 2017 ([Link](#)). The report updates the industry situation in the third quarter and assesses the prospects of the industries in the fourth quarter, in which positive assessment sectors included Banking, Real Estate, Construction, Technology, Electricity, Fertilizer, and Rubber. In October, we updated and analyzed these following stocks: PPC ([Link](#)), PVT ([Link](#)), GMD ([Link](#)), VCS ([Link](#)), NTP ([Link](#)), CTD ([Link](#)), NT2 ([Link](#)), Pymepharco ([Link](#)), PNJ ([Link](#)), và RAL ([Link](#)).

Highlights in August:

The APEC Summit will be held in Vietnam from November 5th to 11th with the attendance of senior leaders from 20 member countries and businesses. This is a good opportunity to promote the Vietnamese image and attract foreign investment to Vietnam.

The APEC week is expected to have around 10,000 participants, including 2,000 official delegates, 3,000 journalists and 5,000 businessmen and unofficial delegates. Many important issues in economics, trade, human resource development, food security and sustainable agriculture will be discussed. Besides, bilateral and multilateral negotiations on some issues would be discussed in this week. The investment programs would also open the opportunities to attract FDI and FII of foreign investors.

Congress will discuss socio-economic policies in 2017 and 2018.

The growth prospect of 6.7% in 2017 is feasible, supported by the strong GDP growth in the 3rd quarter. The government is currently advocating loosening monetary policy, including extending credit growth and lowering interest rates in some areas to support growth. Credit growth reaching 21-22% this year are met with criticism. This content will also be discussed by Congress in this session. Policy orientation will not only affect the economic growth in 2017, the potential growth of 2018 but also have a considerable impact on the stock market.

Congress will discuss the economic and social justice of 2017 and 2018

Strong GDP growth in the third quarter, making GDP growth prospects of 6.7% in 2017 feasible. The government is currently advocating expansionary monetary policy, including extending credit growth and lowering interest rates in some areas to support growth. Credit growth, proposed to be 21-22%, is facing criticism in regards to its feasibility. Congress will also discuss this policy in the ongoing meeting session. Policy orientation will not only affect the economic growth in 2017, the potential growth of 2018 but also the stock market.

Divestment of listed companies, equitisation, new listed companies and new products-covered warrant. On November 6, Vincom retail (VRE) will be publicly listed 1.9 billion shares on HOSE with a reference price of 33,800 VND /share. With a market capitalization of US \$2.8 billion, VRE is among the largest capitalization companies on HOSE. Four days later, SCIC will auction 48.3 million VNM shares with a starting price of 150,000 VND/share. This new large-scale listing and divestiture will be an important test for the market and the demand of foreign investors. This activity also composed of large IPOs such as Becamex, Binh Son Petrochemicals, PVOil, PV Power, etc. as well as other SCIC's divestment of listed companies on the two

exchanges in the last two months of the year. . The covered warrant is expected to be implemented in November. The warrant will be traded in the same way as common stock but with attractive leverage features, fixed maximum losses and hedging characteristics. Consequently, covered warranted products are expected to attract investors from the IPO.

In the context that major countries were in the process of collapsing the monetary policy support the economy, United State policy changes were the highlights of November.

The Fed, having a policy meeting on November 1, 2017, decided to keep interest rates unchanged at the session. The focus of the meeting is on the decision to elect the president of the Fed during the next two-term of the US presidency in early November. The new president of the Fed will greatly influence the policy direction, especially when it is not Janet Yellen. Tax reform of the US President, the content awaited by many investors, will also face long legislative process. Added to this, some slightly negative information will also significantly affect not only the US stock market but also other market.

Table 10
Factor that may affect market in November, 2017:

Events	Effect
Monetary and fiscal policy in 2017 and 2018	Positive
Implementation of Resolution on bad debts of credit institutions, amending Circular 36.	Positive, but need time to implement
APEC summit	Positive
Covered Warrant	Positive, but need time to implement
New public listed companies, IPO and divestment of state-owned enterprise	Dilutive effect, depends on reaction of foreign investors
Fed meeting, Fed president election and tax reform in US	Comes with both

opportunities
and risk

Result of previous economics case and new corruption case. Unexpected factors

Price movement depends on some large-cap stocks with weaken movement in other sectors Potential risk, especially there is change in psychology of investors and cash flow

The indexes are moving toward a positive direction and continuously established new highs in the year. Price movement, however, relied heavily on some stocks that have supporting information such as VNM, ROS, GAS, VIC. In contrast, the price level is declining sharply, mainly from small and medium stocks despite the improvement in business results of the third quarter. This situation signals danger for the market as most of the information of leading stocks are about to end in mid-November. Based on assessment of market and market information in short term, the VN-Index will remain around 840 points. The index is forecasted to increase in the first two weeks of November, then it may confronted with strong downtrend pressure if there is no new cash flow from the foreign investor after APEC.

- In the bullish case, VN-Index will continue to conquer the new peak in mid-November with the support of Bluechips and the rotation among the group of large-cap stock such as banks, real estate, and production. Index may remain at high-level due to expectation of cash flow from foreign investors after APEC. Banking stocks and large-cap shares of state-owned divestments will remain the pillar of the market.

- In the bearish case, VN-Index will return to the price level below 810 points when the large-cap stocks reached the saturated point and cash flow from domestic and foreign investors is limited.

Scenario 1 will be more likely to occur due to the expansion monetary policy in pursuit of economic growth. However, in the short term,

the possibility of sharp correction may occur in the second half of November as the effect of supporting information diminishes and so does the new capital inflow of foreign investors.

Investors can refer to a number of topics, and updated reports in the months:

- Stocks benefited from high credit growth and outstanding earnings such as banks, real estate and construction.
- Leading stocks, state-owned divestments, stocks that open room for foreign investor ownership and new listed stocks.
- Stocks with low valuations, rising slowly or have not risen was large and medium stocks that have not caught up with the price level of VN30 and the market
- Stocks that are defensive, or are undergoing changes and expect to improve profitability such as Consumer, Electricity and Technology.

Disclosure

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