

## Vietnam Monthly Review 2017 M11

### BSC Research

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### Macroeconomic

- The PMI decrease to 51.4 points level from 51.6 points due to continuous rising of inventory level.
- Total retail sales of consumer goods and services in November 2017 reached VND 344.8 trillion, up 11.7% over the same period last year.
- FDI in November increased sharply, doubling that of the previous month while the disbursed capital only increase slightly. The distribution of electricity, gas, hot water and air conditioning and manufacturing are still the two main leading sectors in attracting FDI.
- The VND/USD interbank exchange rate was maintained at the end of October, with a slight increase in volatility of 22,745 - 22,800 VND/USD. The interbank interest rates rose but these rates are currently on the downward trend, indicating that liquidity remains abundant.

### Stock market

- VN-Index and HNX-Index soared in most of November. VN-Index and HNX-Index increased 13.45% and 9.1% respectively compared to October.
- Market liquidity increased 75.51% MoM, at the level of 7,668 billion VND/session, corresponding to 336.8 million USD/session, thanks to unusual trading sessions of VNM and other stocks in divesting plan of SCIC. Foreigners net bought on HSX and HNX by VND 10,055.84 and VND 359 billion respectively.
- P/E of VN-Index and HNX-Index reached 18.65 and 13.91 respectively. P/E of HNX-Index ranked up to the 15<sup>th</sup>, P/E of VN-Index ranked up to 6<sup>th</sup> in the whole region.

### Market outlook

- VN-Index increased sharply and set new peak as reported in October and will actively move in the range of 900-1,000 points in December. Index may have a slight correction period early in the month to create a breakthrough momentum over the psychological resistance level of 1,000 points with the support of key stocks, the reference scenarios are as follows:
  - In the bullish case, VN-Index will surpass 1,000 points with the support of Bluechips and the rotation of large-cap stocks such as banks, real estate, consumption and production. Foreign net buying still played a major role. Bank stocks, large shares of state-owned divestments will remain the mainstay of the market.
  - In bearish case, VN-Index will return to the level below 900 points when the large stocks reach saturation, limited cash flow from domestic and foreign investors in the context of negative news from the world.
- **Recommended stocks:**
  - Large-scale, industry-leading stocks, divestments of state-owned capital, stocks that increase ownership for foreign investors, newly listed stocks.
  - Stocks with improved performance such as banks, real estate, construction.
  - Stocks with low valuations and sound fundamental, the large and medium cap stocks that rising slowly or have not rising yet will catch up with the level of the VN30 and the market
  - Defensive stock that are moving or are expected to improve due to rising oil, electricity, technology and consumption prices.
- In the long run, BSC's recommended stocks will be listed in the Q4 / 2017 Outlook ([Link](#)), stocks with good performance are recommended in the Weekly Report on Investment Advisory ([Link](#)) and Sector/ Company Update Report ([Link](#)).

## Macroeconomic of November 2017

### Economic growth

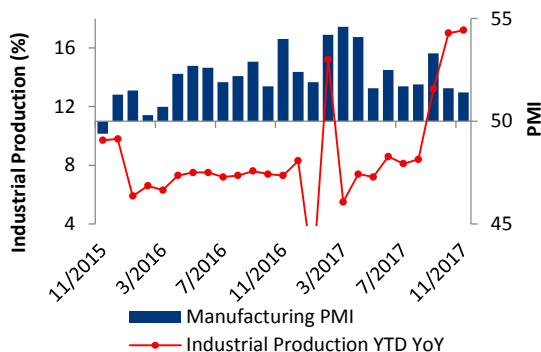
- The industrial production index in November 2017 decreased slightly to 52.9 (+2.5MoM).
- Retail sales increased by 17.05% YoY

Industrial production index in November was estimated to increase by 17.2% YoY. Of which, processing and manufacturing increased sharply by 24.3%; electricity production and distribution increased by 13%; water supply and waste disposal increased by 10%. Only mining industry decreased by 4.1%.

The consumption index of the whole processing industry in October 2017 increased by 0.8% MoM and by 18.2% YoY. In total of the first 10 months, consumption index of manufacturing sector rose by 12.6% YoY. Industries with high consumption growth rates are textiles (+30.5%), metal production (+26.6%) and pharmaceutical production (+23.7%); leather production and related products (+18.7%); production of beds, cabinets, tables and chairs (18.2%); Apparel production (+15.4%).

Chart 1

Industrial production index & PMI



Source: GSO, Markit, BSC Research

**Inventory index of the entire manufacturing and processing sector as of November 1, 2017 increased by 9.3% YoY.** Sectors that have higher

inventory growth than average were beverage production (+48.2%), production of motor vehicles (+46.9%); Non-metallic mineral products (mainly cement) (+28.3%); rubber and plastic products (+21.7%).

The PMI decreased slightly in November. The PMI went down to the 51.4 level due to the growth of inventor index.

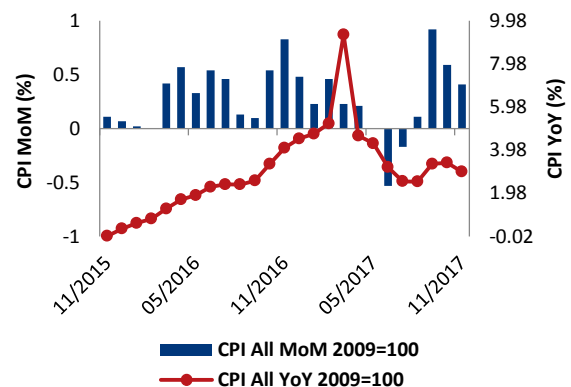
### Inflation

- Average CPI in 11M2017 was 3.61% higher than the same period in 2016.
- CPI in November increased 0.13% MoM, mainly due to the highest increase of traffic sector (+0.68%) due to the increase in petrol price.

Consumer Price Index (CPI) in November increased 0.13% MoM, up 2.62% YoY and up 2.38% ytd. Basic inflation in November 2017 increased 0.06% MoM and increased 1.28% YoY. The average basic inflation in 11 months increased by 1.42% over the same period in 2016.

Chart 2

Monthly CPI Development



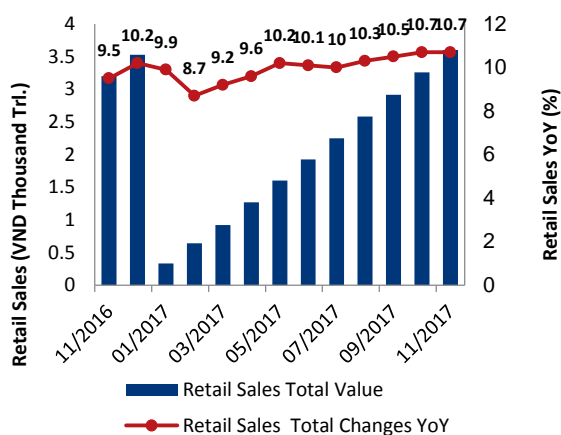
Source: GSO, BSC Research

In November, price indexes of 9/11 commodity and service groups recorded growth, of which the traffic group rose the most with 0.68% due

to the influence from the adjustment of petrol price increase at 4/ 11/2017 and 20/11/2017 (impact on CPI increased by 0.07%); medicine and medical services rose by 0.2%, of which the health service increased by 0.23% as the two provinces adjusted the price of health services to those who did not have health insurance cards; garment, hats and footwear up 0.15%.

**Total retail sales of consumer goods and services in November were estimated at VND 344.8 trillion, up 1.8% MoM and up 11.7% YoY.** Retail sales reached 258.3 trillion, up 1.7% mom and up 12.3% yoy; Revenue from hospitality, catering services was VND 41.8 trillion, up 2.2% mom and up 7.3% yoy; Tourism revenue reached 3.5 trillion dong, up 2.3% mom and up 22.5% yoy; other revenue rose to VND 41.2 trillion, down 1.7% mom and up 11.3% 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	0.13	-1.6
2	Transportation	0.68	4.23
3	Pharmaceutical & Healthcare	0.2	31.22
4	Housing & Construction Material	-0.04	4.63
5	Entertainment	-0.01	0.71
6	Beverage & Cigarettes	0.05	1.41
7	Apparel, hats & footwear	0.15	0.96
8	Household Appliances	0.09	1.05
9	Education	0.04	7.29

10	Postage and telecommunications	0.03	-0.46
11	Other	0.14	2.27

Sources: GSO, BSC Research

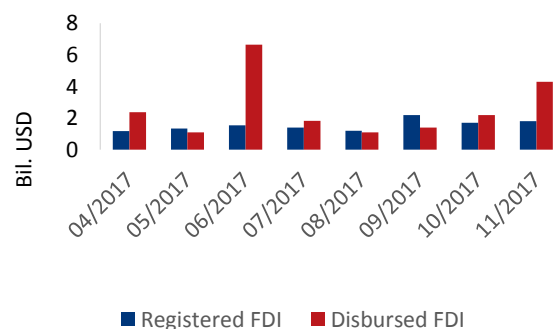
## Foreign direct investment (FDI)

- Newly-registered foreign direct investment increased sharply in November while the disbursed FDI made only slight increase
- Investment flowed mainly into electricity & electric distribution, air conditioning sector and processing & manufacturing sector.

Accumulating to 20th November 2017, the total of newly-registered foreign investment of 2,293 projects reached USD 19.8 billion (+52% yoy), adding up USD 8 billion adjusted capital of 1,100 plans which gained approval in previous years, the total FDI registered in 11M2017 was USD 27.8 billion. Of which, newly-registered FDI in October was USD 4.3 billion, up 8 times YoY.

Foreign direct investment (FDI) in the first eleven months was estimated at \$ 16 billion, up 11.9% over the same period in 2016. Newly implemented FDI in November was \$ 1.8 billion, up 6% over the previous month and 12% compared with the same period last year.

Chart 4  
FDI (Bil. USD)



Source: GSO, BSC Research

Generally for 11 months, the producer and distributor of electricity, gas, hot water, steam and air conditioning attracted the largest

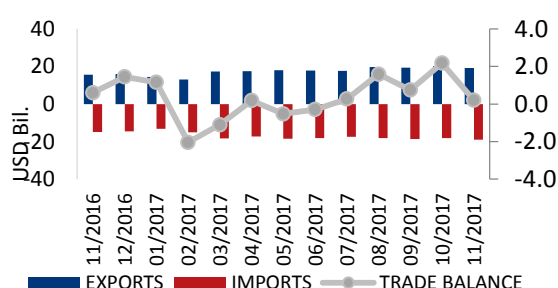
amount of FDI with newly-registered amount reaching USD 8.4 billion, accounting for 42.3% of the total newly registered capital; Manufacturing and processing industry gained USD 6.3 billion, accounting for 31.7%; the remaining sectors reached USD 5.1 billion, accounting for 26%. Including additional registered capital, the total foreign investment capital in manufacturing and processing industries reached \$ 14.9 billion, accounting for 45.2% of the total registered capital. The top three leading provinces in FDI were Thanh Hoa with USD 3.1 billion (15.9%), Khanh Hoa with USD 2.6 billion (13.1%), Nam Dinh with USD 2.1 billion (10.8%)

Up to November 2017, Japan was the biggest investor with a capital of USD 7.66 billion, accounting for 38.7% of total newly registered capital, followed by Korea with USD 3.88 billion, making up 19.1%. In the third place was Singapore with USD 3.25 billion (16.4%).

## Import/Export Activities

- Trade balance in the November 2017 was estimated to be surplus USD 200 million; total trade surplus was USD 2.8 billion cumulatively in the first 11 months.

Chart 5  
Import/Export (Bil. USD)



Source: GSO, BSC Research

Export turnovers in November were estimated at \$ 19.2 billion, down 5.4% against last month, of which the domestic economic sector gained \$ 5.0 billion, down 2.2% mom; Foreign invested sector reached \$ 14.2 billion, down 6.5% mom. Import turnovers in November were estimated

at \$ 19.0 billion, up 4.9% against last month, of which the domestic economic sector gained \$ 7.6 billion, up 7.1% mom; Foreign invested sector reached US \$ 11.4 billion, up 3.5% mom.

Table 2

Top 10 Export Goods.

No	Export Goods	Value (USD Bil.)	%YoY
1	Mobile phone	41.3	30.6
2	Textile	23.6	38.1
3	Electronics	23.6	9.5
4	Shoes	13.0	11.6
5	Other machine	11.5	27.0
6	Aquaculture	7.6	18.7
7	Woods	6.9	10.5
8	Vehicles	6.4	16.2
9	Cashew nuts	3.2	23.3
10	Vegetables	3.2	43.1

Sources: 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 41.3 billion. Electronics, computer and component reached USD 23.6 billion, up 38.1% yoy

Table 3

Top 10 Import Goods.

No	Import Goods	Value (bil USD)	%YoY
1	Electronics	34	34.0
2	Machine	30.7	20.7
3	Mobile phone	14.4	50.2
4	Fabric	10.3	8.0
5	Steel	8.3	14.3
6	Plastic	6.7	17.8
7	Gasoline	6.3	39.3
8	Textile Material	5	8.1
9	Other metals	5	13.9
10	Plastic products	4.9	22.3

Sources: GSO, BSC Research

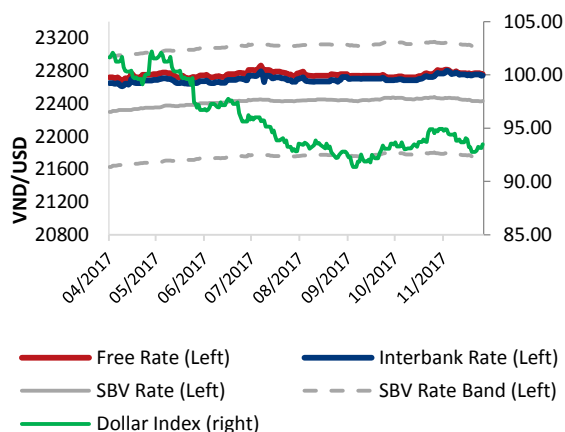
Import turnover of all commodities increased slightly over the same period last year. Of which, electronics, computers and components 34 billion USD and 34.0% increase compared to the same period in 2016. The strong growth was electronic and computer communication reached 14.4 billion, up 50.2% over the same period last year.

### Forex market

- The interbank exchange rate fell slightly in November, back to 22,745 VND/USD.

USD/VND interbank exchange rate in November 2017 fluctuated in the range of 22,745 - 22,800 VND/USD. This month's average level increased by 0.27% MoM, up to 22.761 VND/USD. In November, the central parity rate maintained the trading range from 22,428 - 22,470 VND/USD, with the average value in November was 22,451 VND/USD, down 0.06% comparing to that of the previous month.

Chart 6  
Price movement



Source: Bloomberg, BSC Research

Free exchange rate had the same performances with interbank exchange rate, **free exchange rate increased and fluctuated with the wider range than last month, which is about 22,755 VND/USD- 22,815 VND/USD**. Average exchange rate in 11/2017 increased by 0.2% compared to that of October, reaching 22,780 VND/USD.

The **USD price index at 30/11/2017 has decreased by 1.39% compared to the end of October 2017**. The USD price index went side way in the first half of November and dropped to 92.78 as political uncertainty revolved around President Donald Trump's tax law reform. But, the index has promptly recovered to the 39 point threshold by a positive reaction from the news that the US economic growth in

the third quarter reached 3.3% and expecting the tax reform law passed.

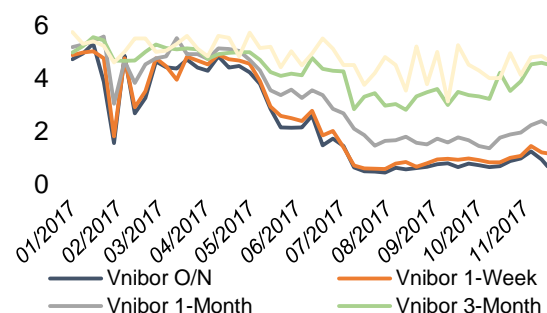
### Banking - Interest rate

- Interbank interest rates continued to remain low.

Most of the interbank interest rates increased sharply in mid-November but at the end of the month, these interest rate has signaled a declining momentum. State Bank of Vietnam (SBV) applied the policy of net injection in the first half of November but the other half of November, they switched to a net withdrawal policy through the OMO channel. Specifically, in the fourth week (November 18-24), the SBV net withdrew a total of VND 15.8 trillion through OMOs and T-bills.

According to the National Financial Supervisory Commission, although capital mobilization in the first 10 months of 2017 grew at a slower rate than the same period last year, but still fairly good, estimated to increase by 12% compared to the end of 2016 (last year increased 14.7% same period). In particular, customer deposits increased 11.5% over the end of 2016; valuable papers expected to increase 24.4%. Foreign currency mobilization increased by 3.7%, accounting for about 10.1% of total deposits. Capital mobilization in VND was estimated to increase by 13%, accounting for 89.9% of total deposits.

Chart 7  
Interbank interest rates



Source: Bloomberg, BSC Research

The deposit interest rate was stable compared

to the previous month. As of October, the average one-month deposit rate was 4.7%, six months was 5.7%, 12 months was 6.8%, and 12-36 months was 7.1%. Lending rates slightly decreased compared to the beginning of the year. At present, lending interest rates in five priority sectors are 6.5%, especially with commercial banks at 6%. In the normal business sector, the general interest rate is 9.3-11% for 6 months or more.

As of November 28th, the interbank rates for overnight, one-week, one-month, and three-month terms rose to 0.67%, 1.16%, 2.25%, 4.53% and 4.70%, respectively. Excluding overnight interest rates, these rates are all higher than at the end of October. However, all these interest rates have declined compared to their respective peaks in the middle of November. Net withdrawal via OMO and the downtrend of interbank rates last week showed the conversion of system liquidity.



## Macro Forecast in November 2017

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

**(1) FED meeting in the end of year:** The Fed meeting on December 12-13 will be the fourth interest rate hike in this year. According to Wall Street Journal survey, up to 98% of investors expect the Fed to raise interest rates to 1.5% in the upcoming next session as positive signals from US GDP growth reached 3.3%, marking the second consecutive quarter set a growth rate of over 3%. The Fed's rate hike will continue to shift cash flow into investment channels such as stock market and will have a positive impact on the global stock market. In addition, the impact of the tax reform of President Donald Trump (formally passed by the Senate) will also have a positive effect on trade activities between the US and the world.

**(2) Brexit Negotiation:** On 14-15 of December, EU summit will take place with the main focus of the Brexit talks. Currently, the estimated UK compensation amount is € 45-55 billion. The specific agreement will take place on Monday (4 December) when Theresa May discussed the issue with the EU Commission President. After that, UK could move on to focus on negotiations on a trade agreement between UK and EU. However, the process of negotiating the Brexit may be delayed when EU allows Ireland to be the decisive force to move this negotiation to the next stage or not. Ireland would be unlikely to agree when EU failed to resolve the border and travel problems between the Republic of Ireland and Northern Ireland. Trade agreements between UK and EU will have a huge impact on the economy between EU and UK, which will affect large export-import businesses in the European Union and UK.

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

**(1) Reduction of the notarization fee for auction asset and fee for registration of secured transactions:** From 11/12, adjusting the fee level for the notarization of the auction asset sale contract, the new fee level shall be calculated on the value of the sold assets, specifically as follows: With the asset value of under VND 5 billion, the fee is 90,000 VND/case; Between VND 5 billion and under VND 20 billion, the fee is VND 270,000/case; Over VND 20 billion, the fee is VND 450,000/case. Besides, the fee for registration of written notices on realization of security assets is VND 30,000/file and the charge for the issuance of copies of documents certifying the contents of registration of security transactions is regulated as 25,000 VND/case. The government maintains a continuation of reforms to speed up the handling of bad debts and disbursing VND 600 trillion into the economy.

**(2) Electricity price increased to VND 1,720 / kWh.** The official electricity price was adjusted to 1,720 VND/kWh (not including VAT), up 6.08% compared to the current average electricity price (1,622 VND/kWh). The price level for each group of customers is complied with the provisions of the Prime Minister's Decision No. 28/2014 / QĐ-TTg of 7/4/2014 stipulating the retail price structure. Increasing electricity prices will not significantly affect inflation in the last month of the year. However, it will be difficult to reach the target of fewer than 4% in 2018.

**(3) Interest rates and inflation:** Commercial banks' interest rates continue to be under pressure from the 21% credit growth policy and interest rate increased by Fed this month which is expected to be happened. In addition, CPI continued its uptrend with 9/11 sectors grew, especially thanks to the transportation sector. CPI in December will continue to be under pressure from the growth of

consumer sector as well as the rising in gasoline and electricity prices. The SBV will continue to operate in a controlled and relaxed manner to support the government's 6.7% growth target.

Table 4

**Monthly Macro Indicators**

Indicator/Month	2017M4	2017M5	2017M6	2017M7	2017M8	2017M9	2017M10	2017M11
GDP yoy (%)	-	-	6.17	-	-	6.41	-	-
GDP ytd yoy (%)	-	-	6.17	-	-	6.41	-	-
PMI	54.1	51.6	52.5	51.7	51.8	53.3	51.6	51.4
IIP yoy (%)	7.4	7.2	8.6	8.1	8.1	13.2	17	17.2
IIP ytd yoy (%)	5.1	5.7	6.2	6.5	6.7	6.7	8.7	9.3
Retail Sales yoy (%)	9.6	11.6	11.6	10.3	11.7	12.1	12.7	11.7
Retail Sales ytd yoy (%)	9.6	10.2	10.1	10.0	10.3	10.5	10.7	10.7
CPI mom (%)	0.00	0.53	0.17	0.11	0.92	0.59	0.41	0.13
CPI yoy (%)	4.30	3.19	2.54	2.52	3.35	3.4	2.98	3.62
Registered FDI (Bil. USD)	9.24	10.24	11.84	12.9	13.5	21.3	23.5	27.8
Disbursed FDI (Bil. USD)	4.8	6.15	7.7	9.1	10.3	10.3	14.2	16
Export (Bil. USD)	17.5	17.9	17.8	17.5	18.2	19	19.4	19.2
Import (Bil. USD)	17.3	18.4	18.0	17.8	17.8	18.6	18.5	19
Trade balance (Bil. USD)	0.2	-0.5	-0.2	-0.3	0.4	0.4	0.9	0.2
Exchange rate (VND/USD)	22,680	21,724	22,744	22,793	22,748	22,743	22,755	22,761
Credit growth (%)	-	-	7.54	-	10.06	11.02	13.5	-

Source: BSC Research



# Stock market in November 2017

## Market Outlook

**The indexes of both exchanges rallied strongly and surpassed all short and medium term resistance levels.** As of 30<sup>th</sup> November, VN-Index increased 112.65 points compared to last month, equivalent to 13.45% and HNX-Index increased 9.56 points compared to last month, equivalent to 9.1%.

Table 5

**Market index performances in the last 6 months on HOSE**

Month	Index	Volume (Bil Shares)	Capitalization (VND trillion)
11	949.93	3.97	2,166
10	837.28	3.20	2,058
9	804.42	2.84	1,985
8	782.76	4.43	1,936
7	783.55	4.06	1,903
6	776.47	3.97	1,792

Source: HSX, Bloomberg, BSC Research

**Key stocks are the main growth engines for VN-Index.** 5 key stocks VNM (contributed 19.6 points), VIC (contributed 15.96 points), SAB (contributed 10.49 points), VCB (contributed 9.64 points), and CTG (contributed 7.8 points). Among the laggards, there are 2 speculative stocks ROS (reduced 3.9 points) and LGC (reduced 0.2 points).

**The market capital flow in this month increased strongly and not only focused on key stocks but also spread out of the VN30 stock group.** Of which, VRE received a lot of attention from foreigners and was the main factor for HSX to have a VND 20,000 billion trading value session on 7<sup>th</sup> November. From the middle of November, the market became more active with the widespread of capital flow from VN30 group to the remaining of the market after a long muted time. Average from

the middle of November, trading value of outside VN30 group increased about 1000 billion VND/session. The VN-Index almost have no resistances when the key stocks breakout last peaks one by one helping create the confidence for the rest of the market to rise. The VN30-Index also rallied strongly with 28 advancers compared to 30<sup>th</sup> October. The two decliners were ROS (declined 11.15%) after breakout time and SBT due to unfavorable sector outlook.

Table 6

**Market index performances in the last 6 months on HNX**

Month	Index	Volume (Bil Shares)	Capitalization (VND trillion)
11	114.72	1.20	194
10	105.16	1.14	196
9	107.66	1.15	191
8	103.88	1.41	189
7	101.18	1.46	187
6	99.14	1.33	174

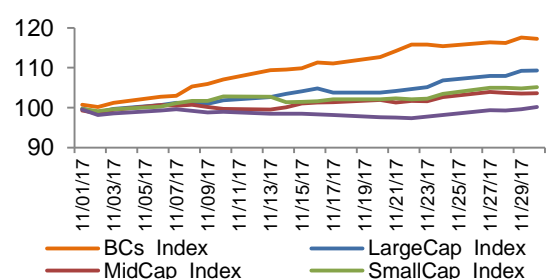
Source: HNX, Bloomberg, BSC Research

## All market cap type stocks performances

**Stock groups by market capitalization had a high consensus and very good growth, of which BCs and large cap group had the best performances.**

Chart 8

**All market caps type stocks performances**



Source: Bloomberg, BSC Research

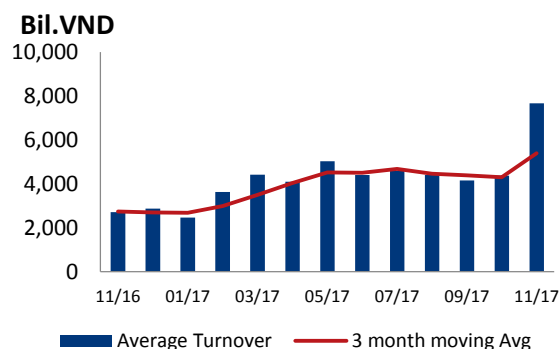
BCs increased 17.3%, LargeCap increased 9.35%, SmallCap increased 5.14%, MidCap Increased 3.57%, and Penny stocks increased 0.19%, compared to last session of October. BCs group leading market sentiments in November with impressive growth and slowly spread to LargeCap, MidCap and SmallCap helping these groups increased most of the time in November. **Penny** stocks had the worst performance (positive only on 30/11).

## Capitalization scale

**Market capitalization reached VND 2,741.38 trillion, up 17.21% (MoM).** In November, the HOSE had 18 million shares IPO and 316.78 million shares seasoned issue, 28.2 million ETF seasonality issue and 3.6 million ETF delisted. Market capitalization increased mainly due to foreigners' net buying, especially in VNM and the strong spread of cash flow.

Chart 9

**Capitalization scale**



Capitalization growth on HSX was 17.45% MoM, while capitalization growth on HNX was 14.57% MoM.

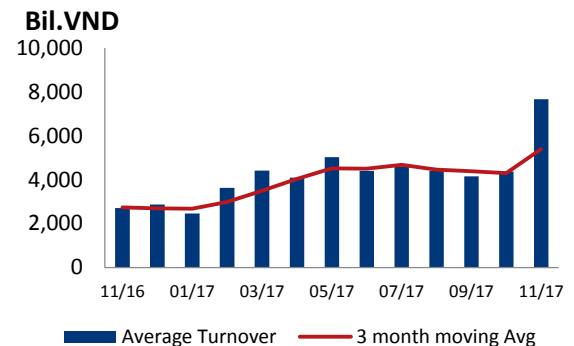
## Average market liquidity

**Average market liquidity increased 75.51% compared to October, and remaining at 7,668 billion VND/ session, corresponding to 336.8 mil USD/session.** November witnessed the

large volume of foreigners' net buying together with the spread of cash flow outside VN30 group.

Chart 10

**Average market liquidity**



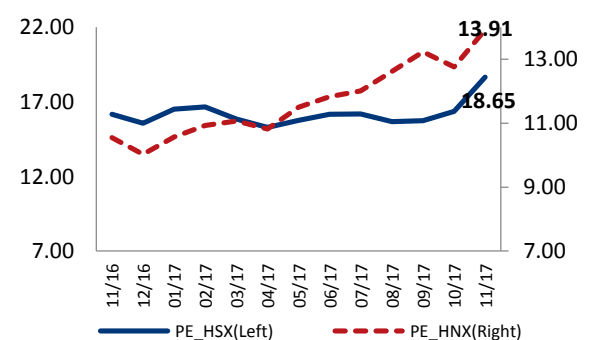
Source: Bloomberg, BSC Research

## Price level of VN stock market

**VN-Index and HNX-Index respectively reached 18.65 and 13.91.** P/E of both indexes soared strongly in November. In the whole region, both HNX-Index and VN-Index ranked up. Particularly, HNX-Index ranked up 3 positions to the 15<sup>th</sup> and VN-Index ranked up 6 positions to the 6<sup>th</sup>.

Chart 11

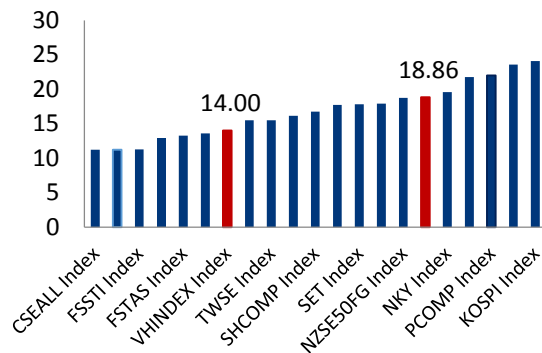
**P/E indicator performances on both Exchange**



Source: Bloomberg, BSC Research

Chart 12

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



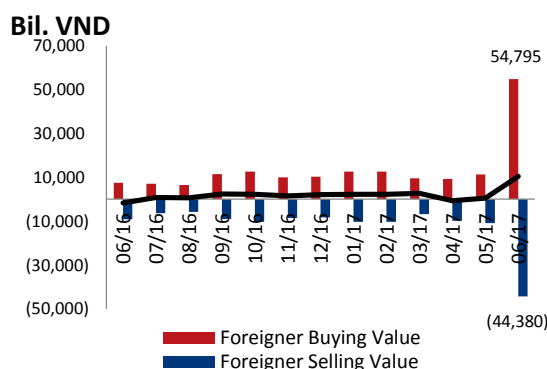
Source: Bloomberg, BSC Research

## Foreign investors' trading activities

**In November, foreigners had a net bought on both HSX and HNX, in which VNM had the largest amount of purchase and MSN had the largest amount of net sold.**

Chart 13

**Foreigner transaction performances on both Exchange**



Source: BSC Research

As of 30<sup>th</sup> November, foreigner had a net bought of VND 10,055 billion on HSX, and net bought VND 359 billion on HNX. On HSX, foreigner bought nets of VNM (VND 2677.07 billion), DIG (VND 1014.71 billion), VJC (VND

518.17 billion), VIS (VND 377.01 billion), HPG (VND 307.04 billion) and sold nets of MSN (VND -632.5 billion), VIC (VND -545.63 billion), CII (VND -456 billion). On HNX, they strongly bought VCG (VND 68.31 billion), SHB (VND 45.87 billion), HUT (VND 24.61 billion) and sold VGC (VND -52.52 billion), NTP (VND -25.1 billion).

Table 7

**Top 10 stocks traded on HSX in November**

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VNM	2677.07	MSN	-632.50
DIG	1014.71	VIC	-545.63
VJC	518.17	CII	-456.01
VIS	377.01	NVL	-215.27
HPG	307.04	BMP	-135.70
SSI	281.81	SBT	-75.05
CTD	250.58	KBC	-59.53
BID	232.77	VSC	-55.57
VCB	175.75	KDC	-42.53
HCM	139.99	BFC	-41.51

Source: BSC Research

Table 8

**Top 10 stocks traded on HNX in November**

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VCG	68.31	VGC	-52.52
SHB	45.87	NTP	-25.10
HUT	24.61	DHT	-15.81
MAS	9.25	RCL	-7.80
PVS	6.39	PHP	-7.46
IDV	6.08	DGL	-6.89
CEO	5.21	CVT	-6.17
VCS	5.02	VNR	-4.85
LAS	3.79	ECI	-3.34
THB	3.62	NDN	-2.99

Source: BSC Research

## Market Outlook in December

The US and Japan have seen positive changes. In the US, the 3<sup>rd</sup> quarter GDP growth is 3.3%, the unemployment rate is 4.1% which is the lowest rate since 2000. In Japan, DPG increased by 1.4%, thereby keeping the 7th quarter consecutive growth chain. Fed kept the same interest rate in November meeting. Jerome Powell, who has a quite similar policy viewpoint with Janet Yellen, was appointed to Fed's President. Donald Trump's reform tax bill, which cuts \$ 1.4 trillion in taxes, will reduce the percentage of businesses to 20% from 35%. Besides, the proposal of reforming the policy of international trade and temporarily reducing personal taxes might be passed. Positive information faded the fears of political crisis in Germany when Angela Merkel failed to form a political alliance after four weeks of negotiations. The US stock market rose on an average of 3% and Japan increased by 3.2% against the downtrend in other key markets. The BRIC's stock market decreased by an average of 1% and other countries in the region also decreased except for Singapore and Vietnam.

Table 9

### Foreigners' net purchase/sale value in November

Country	November (USD million)	Year-to-date (USD million)
India	3,045	8,847
Indonesia	(1,376)	(2,641)
Japan	(2,797)	10,802
Malaysia	(3)	2,220
Philippines	(28)	1,040
Korea	418	9,365
Sri Lanka	(13)	118
Taiwan	(1,350)	7,210
Thailand	(581)	(521)
Pakistan	(32)	(470)
Vietnam	459	959

Source: Bloomberg, BSC Research

Foreign investors decreased net buying and increased net selling in November, leading to a decline in many markets in the region.

Successful completion of APEC, the effect from the sale of VNM, listing VRE helped the Vietnam stock market to be the exception in the region when it increased sharply by 13.45% in November. Foreigners also net bought for 459 million USD. Liquidity increased sharply thanks to the buying activities of foreign investors at VNM, VRE, DIG. Cash flow has spread at the end of the month, but most of the time the uptrend only focused on blue-chips. Top 6 stocks such as VNM, VIC, SAB, VCB, CTG and GAS showed sharp increases of 23.6%, 27.3%, 15.2%, 17.2%, 29.6% and 14.3% respectively, contributing 70.7 points or 63% increase of VN-Index.

In November, we updated and analyzed some stocks: HAG ([Link](#)), CTD ([Link](#)), MBB ([Link](#)), PVS ([Link](#)), FPT ([Link](#)), DIG ([Link](#)), and SAB ([Link](#)). Particularly, there were some good stocks such as MBB, PVS, FPT.

Important news in December:

***Important macroeconomic information such as GDP growth, inflation, export and import, FDI, etc. in Q4 and December are forecasted to continue to improve and be a prerequisite for the Government to formulate policy and follow the socio-economic purpose in 2018 (issued by the National Assembly in the direction of sustainability and quality).***

Thanks to the outstanding growth rate in the third quarter, the target of 6.7% growth no longer puts too much pressure and the government is free to implement the solutions for 2018. Besides the 11-month CPI of 3.61 %, the government has increased electricity prices

by 6% since 1 December to secure resources for the electricity sector and take advantage of price hikes this year to ease CPI pressure next year. The next year's growth target is not reflected in the resolution on the National Assembly's socio-economic development plan in 2018. The resolution proposes set some targets as follows: (1) Gross domestic product (GDP) increases by 6.5% - 6.7%, (2) Total export turnover increases by 7% - 8%, (3) ) The ratio of trade deficit to total export turnover is less than 3%, (4) Average rate of increase of CPI is about 4%, (5) Total investment for development of the whole society is 33% - 34% of GDP. Vietnam's economy will be more sustainable. Economic incentives also have the potential to improve both in quality and quantity, thanks to administrative reform and support to the private sector.

***The expectation of earnings improvement in Quarter 4. However, in short-term, the effect of SCIC's capital divestment and other equitization is expected.***

4th quarter earnings will be announced by some listed companies. Generally, the results were nearly 10% above the same period last year, but the increase was far below the market price improvement. On the other hand, the improvement in profits was mainly concentrated in the banking sector, real estate, construction materials and securities sector, which led to a large divide in the market. Therefore, in the short run, the market will focus more attention on the divestment of SCIC. On December 8, SCIC will sell 96.2 million VCG at a starting price of 25,600 VND/share. Following the successful divestment of VNM, the VCG auction will be an important test. The success will create good effects not only for the market but also for the SCIC divestment and near future large-scale IPOs.

**Foreign investors continue to net bought with the participation of new investors, creating**

**price competition and boosting the market growth.**

By the end of November, foreign investor bought nearly \$1 billion in the stock market. They also executed intra-block transactions to free up large amounts of funds in previously-invested stocks. Singapore Jardine Cycle & Carriage (JC&C), institutional investor who won a spectacular 3.33% stake in SCM after the SCIC's divestment, continued to create a shock when it agreed to raise its stake to over \$ 1 billion. In addition, JC&C has not stopped while continuing to raise its stake in REE. New large-scale foreign investors' participation in the short term is signaling the competition for investment funds and institutional investors before the opportunity to divest state-owned capital. The large market size will also attract many foreign investors to join and will also create surprises for the market both in terms of score and market size. The market outlook is quite bright as the article "Vietnam is no longer a baby fish" on Bloomberg, in which Vietnam stock market is no longer the frontier market.

***Economic policies and key negotiations in foreign countries were carried out in December.***

The Fed is likely to raise interest rates for the fourth time in a meeting on Dec 12-13 with positive signals from US GDP growth and unemployment rate. FED rates will affect the flow of money into investment channels such as securities, creating a divide between the markets and somehow affect the stock market in the world. The tax reform of President Donald Trump is creating a positive effect on the US stock market and will need approval by the Senate. The United States is preventing the WTO from recognizing that China is a market economy, following a piracy investigation into China that shows potential contradictions of the trade war between the major powers.

The process of negotiating a Brexit compensation of € 45-55 billion for EU will take

place next December. In addition, whether or not the German Chancellor cabinet forms a political alliance to block the political crisis in Germany is also a worth noting event in December.

**Table 10**  
**Factor may affect stock market in Dec 2017:**

Event	Effect on stock market
Monetary and fiscal policy in 2018	Positive
Net buy of foreign investors	Positive, strongly affected
Divestment of SCIC's capital and auction of VCG 8/12	Positive, strongly affected
Fed committee meeting, tax reform in US	Rate hike is more likely, tax reform have more impact
Hearings of corruption case, including Trinh Xuan Thanh investigation	Unexpected factors
Cash flow rotation between large-cap stock, establish new price level, PE of market rally	Positive but inherently risky as cash flow change

Sources: BSC Research

The index movement is positive and continues to establish new highs in the year. Price movements, however, are still focused mainly on large-cap stocks. However, thanks to strong buying force from foreign investors, the amount of money was quite ample, therefore, the market is likely to form a new price level. Based on the assessment of market movements and short-term market information, the price and volatility scenarios proposed in December are as follows: VN-Index is moving in the range of 900-1,000 points. The index may have a slight fluctuation early this month to create momentum over the psychological threshold of 1,000 points with the support of large-cap stocks, buying activities of foreign investors and expectation of capital divestment from SCIC.

- In the bullish case, VN-Index will surpass 1,000 points with the support of Bluechips and the rotation of large-cap stocks such as banks, real estate, consumption and production. Foreign net buying still played a major role. Bank stocks, large shares of state-owned divestments will remain the mainstay of the market.

- In bearish case, VN-Index will return to the level below 900 points when the large stocks reach saturation, limited cash flow from domestic and foreign investors in the context of negative news from the world.

Scenario 1 will be more likely, due to positive macroeconomic recovery, positive buying activity of foreign investors and positive psychology from investors. Any correction in December is just the foundation for the next price increase phase.

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

- Large-scale, industry-leading stocks, divestments of state-owned capital, stocks that increase ownership for foreign investors, newly listed stocks.
- Stocks with improved performance such as banks, real estate, construction.
- Stocks with low valuations and sound fundamental, the large and medium cap stocks that rising slowly or have not rising yet will catch up with the level of the VN30 and the market
- Defensive stock that are moving or are expected to improve due to rising oil, electricity, technology and consumption prices.
- In the long run, BSC's recommended stocks will be listed in the Q4 / 2017 Outlook ([Link](#)), stocks with good performance are recommended in the Weekly Report on Investment Advisory ([Link](#)) and Sector/ Company Update Report ([Link](#)).



## Disclosure

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