

Market correction trend in 2017

1. Stock market developments

After reaching a peak of 970 points on December 4th and increased by 46% from the beginning of the year, VN-Index has its strongest corrections in the year, marking the end of the 9 consecutive weeks. Short-term factors were:

- Foreigners were net sellers of VND 1,154 billion from 11/12 - 15/12;
- Margin tension in some securities companies due to rising investment demand;
- The market sentiment was effected by unsuccessful auction of VCG;
- Information of arresting former PVN leader sparked other unfavorable rumors on banking sector.

The decline in prices over the past 3 years: (1) Average length of about 17 sessions, the longest correction composed of 29 sessions. (2) The average decrease rate is 10.58%. At the moment, VN-Index decreased by 5.73% comparing to its peak during this year.

Table 1: Major declines

Begin	End	Event	No. of sessions	P/E	Loss
4/14/2014	5/15/2014	South China sea	24	12.9	-14.10%
11/14/2014	12/16/2014	Oil prices	23	13.2	-14.50%
3/10/2015	4/2/2015	TT 36	18	12.2	-9.00%
7/17/2015	8/26/2015	China exchange rate	29	10.7	-18.70%
11/20/2015	10/12/2015	Strong net sell	8	11.1	-5.20%
4/1/2016	22/1/2016	Instability in the stock market, commodities and currencies	15	11.9	-10.95%
20/7/2016	5/8/2016	Brexit	14	16.3	-6.43%
4/12/2017	Currently	Regulating cycles and arresting rumors.	5	18.5	-5.73%
Average			17	13.4	-10.58%

Source: BSC Research

According to historical factors, this decline is not as strong as other waves as a correction after a long rally trend. However, when the market rises too much, it will cause a sharp short-term downward pressure. Stock market might decline for another 3-10 sessions, with a possible addition loss of 5% compared to the average decline and cyclical factors.

2. Technical Analysis VN-Index

VN-Index officially fell below SMA20 at 927 points, confirming the short-term downtrend.

- Technical indicators have fallen out of overbought zone.
- The speed of decrease rose after a balanced session when negative information circulated the market and created gaps for rumors to appear.
- Liquidity is down 20% compared to the average of 20 sessions.

Scenarios can occur:

- In the case of VN-Index corrected sharply and recovered in a V-shape model, the market will have about 2-4 decrease trading days with the 1st support level (890 points - Fibonacci 38.2%), 2nd support level (870 points - Fibonacci 50% and SMA50) of the short cycle. The market will recover quickly when there is positive news from SAB on 15 - 18/12 or other information. **This scenario is noted.**
- VN-Index will correct with the 1st and 2nd support levels then accumulate and recover thanks to supporting information. The cumulative correction will occur for a long period, perhaps in term of weeks or even months.

3. Market outlook:

The current correction occurred during a long period of rally market. The adverse information and rumors is reversing market sentiment, putting pressure on market leading stocks. However, in a strong bull market, the current correction is a necessity. The market is supported by some information which can balance with bad news (the most recent is SAB auction, followed by big auctions of PVN). In spite of the fact that the market is experiencing a negative state for short-term period, investors believed that the arrests would be handled quickly in order to minimize macroeconomic impact and the divestments of state-owned enterprises would be a decisive factor in stabilizing the budget and macro in 2018 so that the market can rebound quickly in short term. However, if the foreign market continues to sell aggressively, the market will require a long period to accumulate to the equilibrium point which could be counted by weeks or even months.