

Vietnam Monthly Review 2018 M01

BSC Research

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Macroeconomic

- The PMI increased to 53.4 points, up 1.7% compared to the previous month.
- Total retail sales of consumer goods and services in January 2018 reached VND 361.1 trillion, up 9.5% over the same period last year .
- FDI in January decreased significantly by 36.8% over the same period last year, while the disbursed capital only increased slightly by 10.5%. The distribution of electricity, gas, hot water and air conditioning, and manufacturing were still the two main leading sectors in attracting FDI.
- The VND/USD interbank exchange rate was maintained at the end of December, with a slight decrease in volatility of 22,735 – 23,084 VND/USD. The interbank interest rate rose but their rates are currently on the downward trend, indicating that liquidity remains abundant.

Stock market

- The market movement of VN-Index and HNX-Index increased strongly in most of January. The VN-Index and HNX-Index increased 12.8% and 7.7% respectively compared to end of December.
- Average liquidity on both Exchanges increased 54.93% compared to December of 2017, and remained at VND 9,640 billion per session, corresponding to USD 423.45 million per session due to the impact of cash accumulation after two suspended trading session.
- Foreign investors had a net buying of VND 7,172 billion on the HSX and net sold of VND 418 billion on HNX.
- P/E of VN-Index and HNX-Index are 20.33 and 13.81, respectively. P/E of HNX-Index declined to 18th, P/E of VN-Index advanced to 5 in the region.

Market outlook

- VN-Index moved in the range of 1,020-1,115 points. Forecasts are subject to pressure of correction in the first 1-2 weeks of February, then accumulated and recovered at the end of the month, the proposed scenarios are as follows.:
 - In positive case, VN-Index stayed above the support level at 1,063 points and tested the old peak soon. The major stocks and Banking stocks are the support for the market. Foreign investors played an important role in stabilizing the index and helped to re-allocate capital and reduce the market's margin.
 - In negative case, VN-Index fell to the support threshold of 1,020 points, then accumulating and recovering. The selling pressure remained strong, foreign investors reduced their net buying. The high margin continued to adjust strongly.
- **Recommended stocks:**
 - Industry sector and stocks were positively evaluated in the Industry Outlook 2018 ([Link](#)) and ([Link](#)).
 - Banking and financial stocks have improved dramatically and benefited from the Law on Supporting Restructuring of Credit Institutions and NPLs;
 - Real estate and construction stocks benefited from the recovery of economy;
 - Stocks of Steel, Oil and gas gained from rising world fuel price;
 - Leading stocks in the retail sector have high growth and dividend yields.
- In long-term, BSC's recommended stocks will be listed in the 2018 Sector Outlook ([Link](#)), Stocks with good performance are recommended in the weekly report ([Link](#)) and Industry / Enterprise Update Report ([link](#)).

Macroeconomic of January 2018

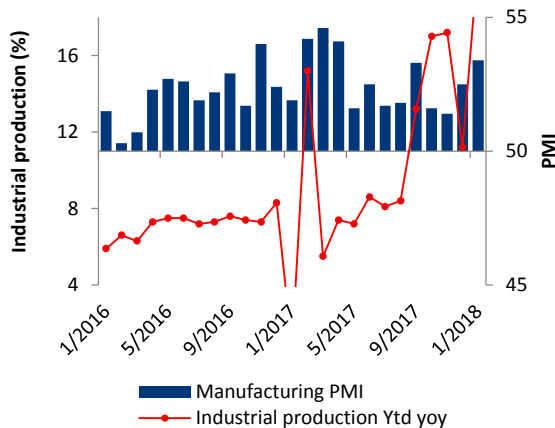
Economic growth

- The industrial production index in January 2018 increased to 53.4 (+1.7% mom).

Industrial production index in January was estimated to increase by 20.9% yoy. Of which, processing and manufacturing increased by 23.8%; electricity production and distribution increased by 15.4%; mining industry increased by 10.5%; water supply and waste disposal increased by 6.8%.

Chart 1

Industrial production index & PMI



Source: GSO, Markit, BSC Research

The PMI increased in January. The PMI rose to 53.4 points, mainly because this Lunar New Year holidays does not include a portion of January as 2017 and is the time when enterprises concentrates on producing goods to meet the consumer demand in this holiday.

Inflation

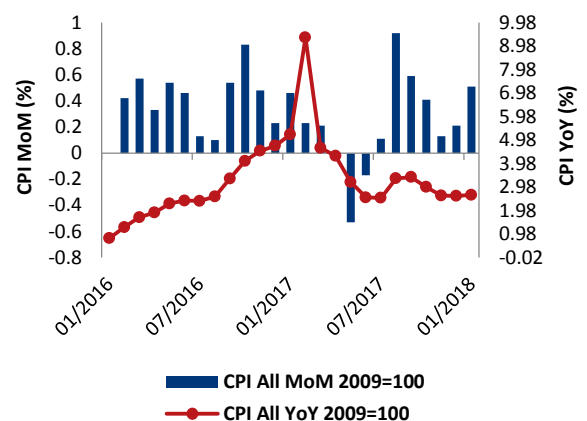
- CPI in January increased 0.51% MoM, mainly due to the highest increase in medicine and medical sector (+1.83%) as 9 provinces adjusted the price of

health services for people without insurance cards.

Consumer Price Index (CPI) in January increased 0.51% MoM, and up 2.65% ytd. Basic inflation in January 2018 increased 0.18% MoM and up 1.18% YoY.

Chart 2

Monthly CPI Development



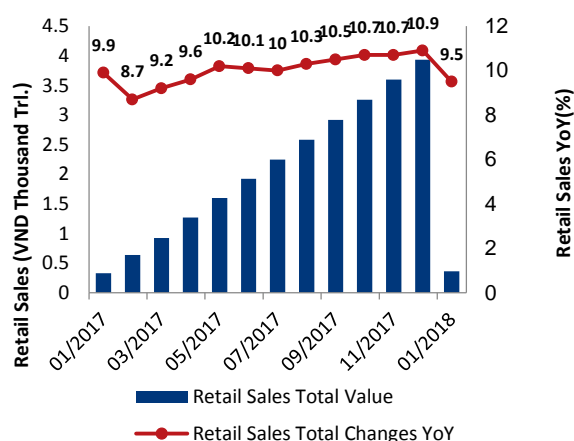
Source: GSO, BSC Research

In January, price indexes of 10/11 commodity and service groups recorded growth, of which the group of medicine and medical services rose the most with 1.83% due to the impact from the adjustment of prices of medical services for people without insurance card in 9 provinces in this month (impact on CPI increased by 0.09%); traffic sector increased significantly by 1.17%, mainly due to the impact from the adjustment of petrol prices on 4/1/2018 and 19/1/2018, housing and construction material sector increased by 0.55%

Total retail sales of consumer goods and services in January were estimated at VND 361.1 trillion, up 3% MoM and up 9.5% YoY. Retail sales reached 272 trillion, up 3.5% mom and up 8.3% yoy; Revenue from hospitality, catering services was VND 45.1 trillion, up 0.5% mom and up 14.7% yoy; Tourism revenue

reached 3.9 trillion, up 3.9% mom and up 39.3% yoy; Other revenue was VND 40.1 trillion, up 1.8% mom and up 9.9% yoy.

Chart 3
Retail Sale



Source: GSO, BSC Research

Table 1
Changes of Goods and Service in the month

No	Goods & Service Group	MoM (%)	YoY (%)
1	Restaurant and Food	0.44	-1.13
2	Transportation	1.17	3.94
3	Pharmaceutical & Healthcare	1.83	28.83
4	Housing & Construction Material	0.55	4.64
5	Entertainment	0.07	0.67
6	Beverage & Cigarettes	0.35	0.93
7	Apparel, hats & footwear	0.34	1.24
8	Household Appliances	0.16	1.05
9	Education	0.03	6.82
10	Postage & telecommunications	-0.09	-0.41
11	Other	0.40	2.25

Sources: GSO, BSC Research

Foreign direct investment (FDI)

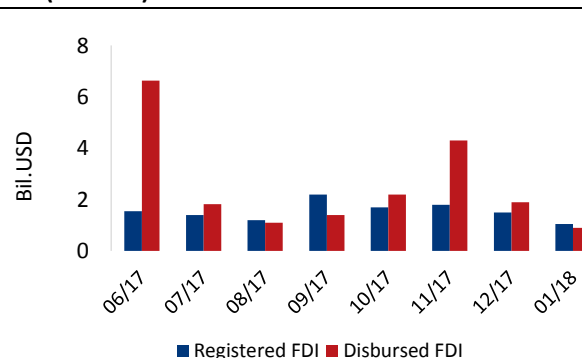
- Newly registered foreign investment decreased sharply in January while the

disbursed capital made only slightly increased.

- Investment flowed mainly into the processing & manufacturing; and electricity & gas distribution, air conditioning sector.

FDI in January 2018 was estimated at \$ 1.05 billion, up 10.5% over the same period in 2017.

Chart 4
FDI (Bil. USD)



Source: GSO, BSC Research

In January, the processing & manufacturing sector attracted the amount of FDI with newly-registered amount reaching USD 330.6 million, accounting for 74.7% of the total newly-registered capital; the producer and distributor of electricity, gas, hot water, steam and air conditioning reached USD 60 million, accounting for 13.5%; the remaining sectors reached USD 52 million, accounting for 11.8%. Including additional registered capital, the total foreign investment capital in manufacturing and processing industries reached USD 746.8 million, accounting for 83% of the total registered capital. Top three provinces attracted FDI: Ho Chi Minh City (86.2 million USD - 19.5%), Nam Dinh (80.2 million USD - 18.1%), Ninh Thuan (60 million USD - 13.6%).

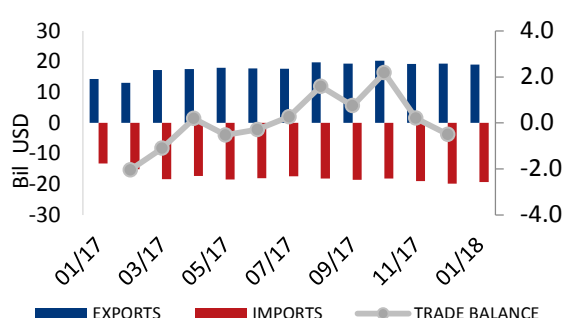
In January this year, Singapore was the largest direct investor with a capital of USD 147.7 million, accounting for 33.4% of the total newly

registered capital, followed by Korea with USD 70.4 million, accounting for 15.9% and Norway with USD 70.1 million, accounting for 15.8%.

Import/Export Activities

- **Trade balance in January was estimated to be a deficit of USD 300 million.**

Chart 5
Import/Export (Bil. USD)



Source: GSO, BSC Research

Export turnovers in January were estimated at USD 19 billion, down 3.3% against the last month, but up 33.1% over the same period of 2017. Of which the domestic economic sector gained USD 5.41 billion, down 5.2% mom, and up 31.6% yoy. The Foreign invested sector recorded USD 13.59 billion, down 2.6% mom, and up 33.7% yoy.

Import turnovers were estimated at USD 19.3 billion, down 3% against the last month, but up 47.4% over the same period of 2017. Of which the domestic economic sector gained USD 7.8 billion, down 4.7% mom, and up 4.2% yoy. The Foreign invested sector recorded USD 11.5 billion, down 1.7% mom, and up 50.4% yoy.

Table 2

Top 10 Export Goods.

No	Export Goods	Value (USD Bil.)	%YoY
1	Mobile phone	4.2	80.7

2	Textile	2.3	7.6
3	Electronics	2.2	37.9
4	Shoes	1.3	11.5
5	Other machine	1.1	18.2
6	Woods	0.73	22
7	Vehicles	0.62	3.5
8	Coffee	0.34	7.7
9	Vegetables	0.32	36.4
10	Cashew nuts	0.29	75

Source: GSO, BSC Research

Export value of some major products continued to increase over the same period of last year. Of which, mobile phones and components value was still in first place with USD 4.2 billion, up 80.7% yoy. Textiles reached USD 2.3 billion, up 7.6% yoy.

Table 3

Top 10 Import Goods

No	Import Goods	Value (bil USD)	%YoY
1	Electronics	3.75	72.3
2	Machine	2.80	25.4
3	Mobile phone	1.80	115.8
4	Fabric	1.0	51.9
5	Steel	0.83	26.4
6	Plastic	0.69	53.9
7	Gasoline	0.55	10.8
8	Plastic products	0.49	51.5
9	Other metals	0.48	29.4
10	Textile Material	0.41	28.1

Source: GSO, BSC Research

Import turnover of all commodities increased sharply by 47.4% over the same period last year, mainly due to an increase in the demand for importing goods for production and consumption in the Lunar New Year. Of which, electronics and computers reached USD 3.75 billion and up 72.3% over the same period in 2017. The strong growth was mobile phone and components reaching 1.8 billion, up 115.8% over the same period last year.

Forex market

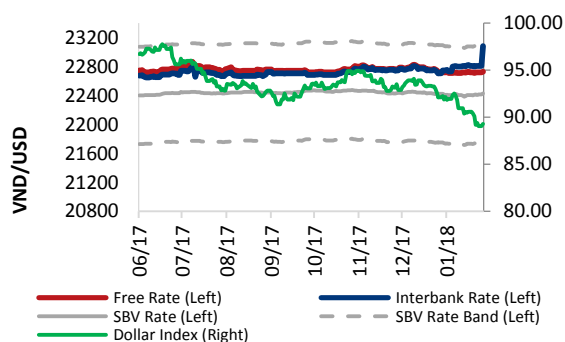
- The exchange rate remained stable in the last months of 2017 and early 2018.

VND/USD central exchange rate in January 2018 fluctuated in the range of 22,386 - 22,426 VND/ USD, down from the range of 22,419 to 22,454 VND/USD in December 2017. This month's average level was 22,409 VND/USD.

VND/USD interbank exchange rate in January 2018 fluctuated in the range of 22,735 - 23,084 VND/ USD, relatively stable compared to the range of 22,705 - 22,810 VND/USD in December 2017. This month's average level was 22,801 VND/USD.

VND/USD free exchange rate in January 2018 fluctuated in the range of 22,710 - 22,730 VND/ USD, down from the range of 22,720 - 22,825 VND/USD in December 2017. This month's average level was 22,718 VND/USD.

Chart 6
Price movement



Source: Bloomberg, BSC Research

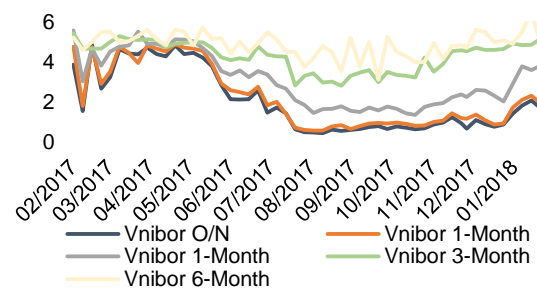
Banking – Interest rate

- The deposit and lending interest rates are stable
- The interbank rates increased sharply in most terms, except for the 6-month term

Most of the interbank rates increased sharply in

the first half of January, but then these interest rates have signaled a declining momentum. The State Bank of Vietnam (SBV) applied the policy of net withdrawal in the first half of January, but then changed to the policy of net injection. As of January 26, the SBV withdrew a net of VND 21,441.5 bn via OMOs and T-bills.

Chart 7
Interbank interest rate



Source: Bloomberg, BSC Research

The deposit interest rate was stable compared to the previous month. As of 18/01/2018, the average one-month term deposit rate was 0.9%, 1 month – 6 months was 4.9%, 6 months - 12 months was 5.9%, and more than 12 month was 6.9%. Lending rates are stable compared to the beginning of the year. Lending rate in top 5 priority sectors are 6%. In the normal business sectors, the general interest rate is 9.3-10.3% for terms of 6 months or more.

As of January 29, interbank rates for overnight, one-week, one-month, and three-month terms respectively rose to 1.53%, 1.64%, 3.66%, and 5.22%,. Excluding the 6-month interest rate sharply down to 4.5%, these rates are all higher than at the end of December. However, all these rates have declined compared to their respective peaks in the middle of December. Net withdrawal via OMO and T-bill; and the downward trend of interbank rates last week showed a small reduction in the system liquidity.

Macro Forecast in February 2018

On the global scale, there will be no noticeable events in February significantly affecting the Vietnam macro-economy.

In regards to the domestic condition, the focus in the February included the following events:

(1) Amending the provision on objects not subjected to VAT. This is a prominent feature of Decree No. 146/2017 / ND-CP (effective from 01/02/2018), amending Decree No. 100/2016 / ND-CP and Decree No. 12/2015 / ND-CP on VAT and CIT. Accordingly, exported products related to natural resources and minerals are not subject to VAT if they fall into either of the following two categories: (1) Exported products are natural resources and mineral not yet processed into other products; (2) Exported products are goods processed directly from the materials which mainly are natural resources and minerals, with the total value of natural resources and mineral plus energy costs accounting for 51% or more of the cost of production, except in the following cases : (1) Exported products are processed indirectly from natural resources and; (2) The main materials used in producing Exported products are not natural resources and minerals.

(2) Investment incentives for Da Nang Hi-tech Park. Decree 04/2018 / ND-CP stipulates preferential mechanisms and policies applicable to Da Nang Hi-Tech Park, effective from February 20. New investment projects in the Da Nang Hi-Tech Park will be subject to the corporate income tax rate of 10% for 15 years. For projects with the scale of VND 3,000 billion or more, the preferential tax rate of 10% will be applied for 30 years. Not only that, these enterprises are also exempt from corporate income tax for 4 years, 50% reduction of tax payable for the next 9 years. The Government will also exempt all land rent for: Land for construction of traffic works and technical infrastructure, greenery land, land with water surface and public use park; Land for construction of non-business works of public organizations; Land for building hi-tech human resource training establishments; Land for implementation of housing projects for specialists and laborers hired when working in high-tech parks, and so on.

(3) New regulations on logistics. Decree No. 163/2017 / ND-CP regulating the logistics service business, effective from February 20, stipulates the liability of logistics enterprises with customers. Noteworthy, foreign investors doing logistic services in the form of road freight transport may cooperate in business or establish an enterprise or contribute capital, purchase shares or capital shares in enterprises, However, the capital contribution of foreign investors is not more than 51%.

(4) New regulation on non-deductible expenses when calculating CIT. This content is regulated in Decree No. 146/2017 / ND-CP amending the Decree No. 100/2016 / ND-CP and Decree 12/2015 / ND-CP of the Government. The decree takes effect from 1/2/2018. Accordingly, the expenses not deductible when determining the income subject to CIT have the following changes: The expense in excess of VND 3 million/month/person (the current stipulation is VND 1 million) for voluntary retirement fund, employees' life insurance; The amount exceeds the prescribed level of social insurance, health insurance to deduct social security funds, health insurance fund and accident insurance fund for employees.

(5) Revision of regulations on social insurance. From February 15, Decree No. 161/2017 / ND-CP of the Government amended Article 12 of Decree No. 21/2016 / ND-CP will take effect. The Decree allows the

social insurance agency to deduct a part of the penalty for late payment discovered through inspection in order to support the improvement of the inspection capability, facilities and to award organizations and individuals who record achievements in specialized inspection of social insurance, accident insurance and health insurance.

(6) Interest rates and exchange rates are stable. With the credit growth target of 17% in 2018 and the total liquidity of around 16%, this will create significant pressure to maintain the liquidity and stabilize the interest rate of the system. However, after the holiday season, a decrease in the demand for payment will help the bank system and interest rates to be stable. In addition, the exchange rate will be stable as (1) the Fed is expected to keep interest rates unchanged after the end of the January policy meeting on Jan. 31, the next meeting will be on 20-21/3, USD will not fluctuate strongly before this time; (2) Foreign currencies are abundant at the beginning of the year helping the State Bank to actively stabilize exchange rates. We believe that the interest rate will remain unchanged and the interbank exchange rate will be stable in the range of 22,380 - 22,450 VND/USD.

(7) An increase in Necessary commodities' prices has put pressure on inflation to stabilize at 4% this year. The CPI of the month after the Lunar New Year has been on a downward trend, however, the price of food and foodstuff accounting for a large increase in price will put a strong pressure on stabilizing

Table 4
Monthly Macro Indicators

Indicator/Month	2017M6	2017M7	2017M8	2017M9	2017M10	2017M11	2017M12	2018M1
GDP yoy (%)	6.17	-	-	6.41	-	-	6.81	-
GDP ytd yoy (%)	6.17	-	-	6.41	-	-	6.81	-
PMI	52.5	51.7	51.8	53.3	51.6	51.4	52.5	53.4
IIP yoy (%)	8.6	8.1	8.1	13.2	17	17.2	11.2	20.9
IIP ytd yoy (%)	6.2	6.5	6.7	6.7	8.7	9.3	9.4	20.9
Retail Sales yoy (%)	11.6	10.3	11.7	12.1	12.7	11.7	11.2	9.5
Retail Sales ytd yoy (%)	10.1	10.0	10.3	10.5	10.7	10.7	10.9	9.5
CPI mom (%)	0.17	0.11	0.92	0.59	0.41	0.13	0.21	0.51
CPI yoy (%)	2.54	2.52	3.35	3.4	2.98	2.62	2.60	2.65
Registered FDI (Bil. USD)	11.84	12.9	13.5	21.3	23.5	27.8	29.7	0.9
Disbursed FDI (Bil. USD)	7.7	9.1	10.3	10.3	14.2	16	17.5	1.05
Export (Bil. USD)	17.8	17.5	18.2	19	19.4	19.2	19.3	19
Import (Bil. USD)	18.0	17.8	17.8	18.6	18.5	19	19.8	19.3
Trade balance (Bil. USD)	-0.2	-0.3	0.4	0.4	0.9	0.2	-0.5	-0.3
Exchange rate (VND/USD)	22,744	22,793	22,748	22,743	22,755	22,761	22,750	22,801
Credit growth (%)	7.54	-	10.06	11.02	13.5	-	18.17	0.6

Source: BSC Research

Stock market in January 2018

Market Outlook

The market indexes on both exchanges have continuously increased and are heading to the historical peak in 2007. Up to 31/01/2018, the VN-Index increased 126.1 points compared to the previous month, equivalent to 12.8% and HNX-Index increased 9 points compared with the previous month, equivalent to 7.7%.

Table 5
Market index performances in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND trillion)
1	1110.36	5.55	3,010.36
12	984.24	3.78	2,614.15
11	949.93	3.97	2,520.48
10	837.28	3.20	2,146.08
9	804.42	2.84	2,058.08
8	782.76	4.43	1,985.19

Source: HSX, Bloomberg, BSC Research

Bluechip stocks are the main growth engines for VN-Index. Top 5 leaders were GAS (contributed 18 points), VCB (contributed 16.2 điểm), BID (contributed 10.7 points), HPG (contributed 8.7 points), VIC (contributed 8.5 points). Top 2 laggards were ROS (reduced 3.3 points) and VNM (reduced 2.4 points).

The capital flow in the market increased strongly in the VN30 and the LargeCap stocks. In particular, most of the leaders that helped the market gained points have a performance of over 20% except for VIC (11.25%). In January, the market movements driven by sector as the sessions usually had a sector leading market sentiment. In January, oil & gas, banking, real estate and steel rose sharply leading market sentiment. The VN-Index has no resistance as the bulls have surpassed their historical peaks to raise excitement in the

month. However, the correction of the last trading day of the month (January 31) seems to be the beginning of the short-term correction for the market to shifting capital flows. VN30-Index also increased strongly with 21 advancers compared to December 31.

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

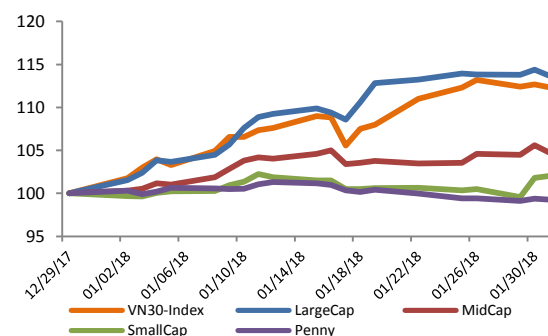
Month	Index	Volume (Bil shares)	Capitalization (VND trillion)
1	125.90	1.83	234.64
12	116.86	1.36	222.90
11	114.72	1.20	221.39
10	105.16	1.14	192.80
9	107.66	1.15	196.16
8	103.88	1.41	190.56

Source: HNX, Bloomberg, BSC Research

All market cap type stocks performances

Group of stocks by market capitalization has high consensus and strong growth, only Penny stocks has negative performance.

Chart 8
All market cap type stocks performances



Source: Bloomberg, BSC Research

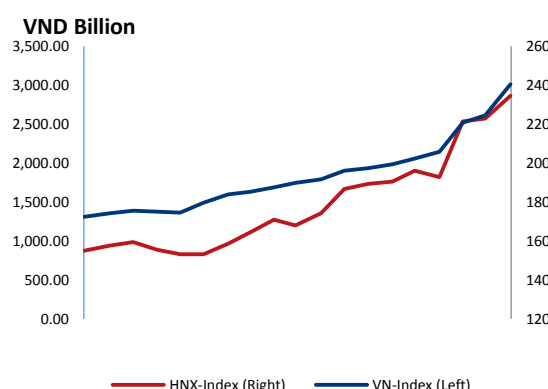
VN30 increased 12.34%, LargeCap increased 13.68%, MidCap increased 4.74%, SmallCap

increased 2.03%, Penny declined 0.73%, compared to last trading session of December. VN30 and LargeCap group leading the market sentiment in January with an impressive growth and attract a most amount of market capital. The Penny stocks were negative in the second half of January due to the lack of liquidity since investors focused on blue chip and large cap stocks.

Capitalization scale

The total market capitalization of both exchanges reached 3,245 trillion, increasing by 14.05% MoM. In January, on the HOSE, there were 304.8 million shares newly listed and 314.63 million additional listed shares, 103.5 million additional listed ETFs. Market capitalization rose sharply in mostly contributed by foreign investors net bought value, especially in banking stocks.

Chart 9
Market capitalization scale



Source: Bloomberg, BSC Research

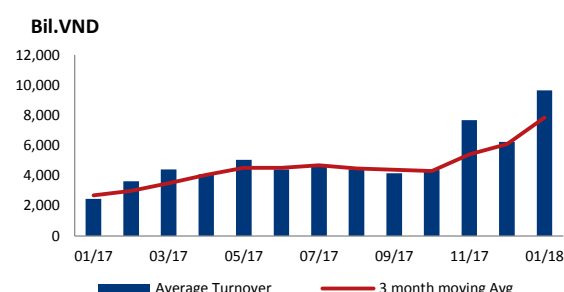
Capitalization of HSX growth is 15.16% MoM, while market capitalization growth is 5.27% MoM.

Average market liquidity

Average liquidity on the two exchanges increased 54.93% compared to December 2017, and remained at VND 9,640 billion per session and equivalent to nearly USD 423.45 million per session. January witnessed a

session with trading value of VND 12,172.6 billion after two days of suspended transaction due to electronic exchange system fixing.

Chart 10
Average market liquidity

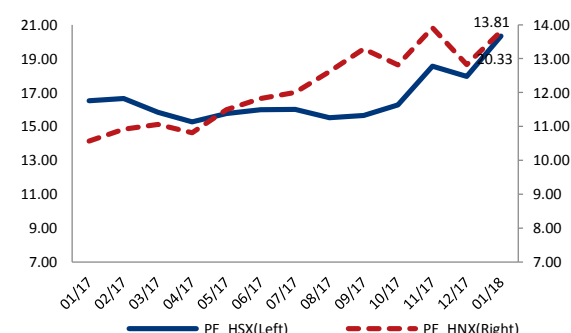


Source: Bloomberg, BSC Research

Price level of VN stock market

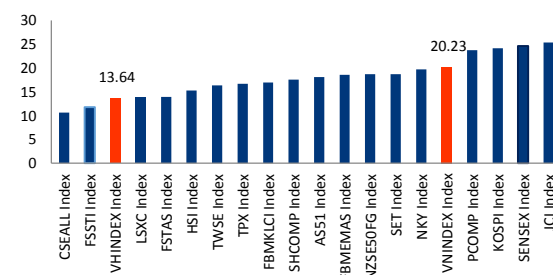
P/E of VN-Index and HNX-Index are 20.33 and 13.81, respectively. P/E in both exchanges soared in January. In the whole region, HNX-Index dropped one rank to 18th and VN-Index increased 2 rank place to 5th.

Chart 11
P/E indicator performances on both exchanges



Source: Bloomberg, BSC Research

Chart 12
Vietnam's P/E indicator compared the region



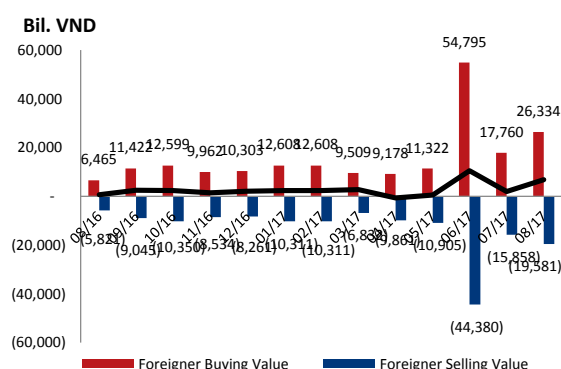
Source: Bloomberg, BSC Research

Foreign investors' trading activities

In January, foreign investors were net buyers on the HSX and net sellers on the HNX, of which VIC was bought aggressively and CTD was the strongest sold stock in the month.

Chart 13

Foreigners transaction performances on both Exchanges



Source: BSC Research

Up to January 31, foreigners were net buyers on the HSX with VND 7,172 billion and net sellers with VND 418 billion on the HNX. On the HSX, foreign investors bought VIC (VND 1179.3 billion), MSN (VND 673 billion), DXG (VND 487.1 billion), BID (VND 399.2 billion), PLX (VND 331.3 billion) and sold CTD (VND -430.1 billion), VNM (VND -311.2 billion), HPG (VND -233.5 billion). On HNX, the group focused on buying SHB (VND 39.7 billion), VCG (VND 22.6 billion), TNG (VND 8.1 billion) and selling TAG (VND -271.6 billion) and PVS (VND -99.0 billion).

Table 7

Top 10 stocks traded on HSX in January

Ticker	Traded value (VND Billion)	Ticker	Traded value (VND Billion)
VIC	1179.32	CTD	-430.10
MSN	673.02	VNM	-311.16
DXG	487.13	HPG	-233.52
BID	399.17	DHG	-143.75
PLX	331.30	GMD	-92.73
KDC	311.60	BCI	-85.06
VJC	309.98	SSI	-80.93
STB	265.98	VHC	-75.81
GAS	212.93	SCR	-75.04
ROS	212.62	BFC	-41.60

Source: BSC Research

Table 8

Top 10 stocks traded on HNX in January

Ticker	Traded value (VND Billion)	Ticker	Traded value (VND Billion)
SHB	39.72	TAG	-271.56
VCG	22.62	PVS	-99.02
TNG	8.15	VGC	-76.80
NDN	5.72	VND	-22.40
CVT	4.35	BCC	-11.26
IDV	3.85	NTP	-7.97
MAS	3.08	HLD	-6.02
WCS	2.50	DNP	-5.94
TTZ	2.21	PTI	-5.70
HMH	1.74	PLC	-4.75

Source: BSC Research

Stock market outlook: February

China is a leader in the group of large economies that announced growth in 2017, in which economic growth was 6.9%, far higher than the targeted rate of 6.5% and much higher than the forecast of the world analysis. The United States also announced its GDP growth of 2.3%, highest in 2 years. According to the IMF, the global economy is estimated to grow by 3.7%, the strongest since 2007, and especially growth recorded in every large countries and areas. This rebound promoted demand from overseas markets for Chinese goods as a major driver of the impressive economic recovery of the world's second-largest economy. Optimistic psychology about world economic growth in 2017 and the outlook for 2018 have pushed up prices of raw materials, and especially the sharp rebound in oil prices, to 7.1% in January.

Thanks to the efforts at APEC in Vietnam, the Comprehensive Partnership Agreement and the Trans-Pacific Partnership (CPTPP) which do not include US in place of the earlier TPP Agreement, is expected to be signed in mid-March in Chile. This breakthrough is a strong message and commitment to trade development, strengthening cooperation among Asia Pacific countries in the context of the globalization process and increasing protectionism. Following tough moves to withdraw from the TPP, the re-negotiation of the NAFTA agreement, the US president appears to have softened consideration of re-joining the TPP if the terms were improved. This new move brings the expectation that international trade will still follow the current trajectory and conflicts will also occur in the second half of the presidency.

These positive changes along with key national central banks continue to maintain the current policy to help the stock market to attract investment capital. According to the Bank of America, in the week of January 24, investors

poured USD 33.2 billion into the stock market, of which USD 7 billion into US and USD 4.6 billion into Europe (the strongest in 37 weeks) and USD 8.1 billion in the new market. This has pushed the index to a record high. In January, the US market increased on average by 6.2%, Europe by 2%, Japan by 1.5%, BRIC by 7.3%. Foreign capital inflows also pushed up regional markets, which helped the regional markets rise by nearly 4%, with Vietnam's growth 12.8%.

Table 9
Foreign investors trading in January

Country	January liquidity (mil USD)
India	2,080
Indonesia	132
Japan*	5,674
Malaysia	852
Phillipines	45
Korea	1,960
Sri Lanka	26
Taiwan	2,856
Thailand	(177)
Pakistan	90
Vietnam	392

Source: Bloomberg, BSC Research (*) until 19/1

In domestic, at the end of December, the SBV issued Circular 19/2017 / TT-NHNN amending and supplementing a number of articles of Circular 36, which stipulates the maximum rate of short-term capital for medium and long term loans from 01/01/2018 to 31/12/2018 of the Bank at 45% compared to 40% and the purchase rate; Investing in government bonds is 30%, higher than that of SOCBs at 25%; and 35% for commercial banks and foreigners. These changes are tighter control and gradually upgrading of the standards but are also adjusted to stretch the roadmap, creating more favorable conditions for credit institutions to actively prepare to meet the

requirements. Safety criteria as regulated by the SBV. At the end of January, the SBV also requested credit institutions and foreign banks to shift their credit structure to focus on capital for production and business. In the text, SBV also requires strict supervision of the use of consumer loans, but actually to invest, trade in real estate and securities.

Total outstanding margin loans by the securities companies to the market at the end of 2017 reached VND 38 trillion, up 50% over the same period last year, accounting for 1% of market capitalization compared to nearly 2% of some markets. However, in order to help the market grow more sustainably, the SSC has also reported to the Ministry of Finance to issue a new margin lending regulation as previously announced and is expected to apply on March 1, raising the margin to 60% from the current 50%. The new regulations apply only to new and failed loans with previous disbursed loans. The proposal was made after the agreement of 22 securities companies accounted for 88.3% market share. Together with the SBV's requirement to supervise consumer lending, the new margin regulation will limit the flow of hot money to invest in the stock market. Investors will have to structure investment activities in the direction of reducing investment value respectively, or increase the proportion of self-made up to reduce the margin to keep current investment status.

Favorable factors at the end of 2017 are positive global movements, stable macroeconomic conditions, foreign and domestic cash inflows, Equitization in many large scale companies, excited psychology of investors and Q4 results were maintained and helped the market continue to maintain strong momentum in both index and liquidity. In general, VN-Index increased 12.8% and closed at 1,100.4 points. Liquidity increased sharply by 54.9% to VND 9,640 billion per session.

In January, we issue a review report and recommendations for prospects in 2018 including the Macroeconomic Outlook for 2018 ([Link](#)) and the sector outlook for 2018 ([Link](#)) and ([Link](#)). Industry sector assessment report in 2017 and industry prospects in 2018, including Positive reviews for Banking, Oil & Gas, Real Estate, Construction, Non-life Insurance life, Technology, Electricity, Steel and Fertilizer; Neutral for Natural Rubber, Seaports, Tiles, Textiles, Cement, Plastics, Tires and Pharmaceuticals; Negative for Sugar, Sea transport and Aquaculture. In addition, we update and analyze TNG ([Link](#)).

Notes for February:

The State Bank of Vietnam (SBV) boosted the purchase of foreign currencies, mainly from indirect investment FII. Foreign currency reserves increased to USD 54.5 billion in the first half of January, net foreign currency purchases increased by USD 1.5 billion in just a week showing the influx of foreign money that most likely from FII is flowing into Vietnam. The SBV has to step up its efforts to neutralize the supply of foreign currency for the purpose of stabilizing the macro economy and controlling inflation. This also partly explains the strong boosted net purchase of foreigners and continued in January with VND 6,754 billion and the purchase value of USD 296 million through auction activities composing of three large companies BSR, PVOil and PVPower of the gas seal group. Investment activities of foreign investors remained in February and help the market stabilize at the correction.

The season of Q4 results is going to the ending phase. Total EAT in Q4 increased by 25.3% in the same period last year, the level of profit improvement was concentrated in Banking stocks, the rest of the market has a strong division. Money flow into Banking sector in January is suitable to the level of improved business reports of this sector.

As of January 31, 734 companies, accounting for 78% of companies listed on 2 exchanges, announced the fourth quarter. The total EAT of the whole market reached VND 32,997 billion, up 25.3% over the same period of 2016. Top 10 leading stocks include BID, VCB, VRE, NVL, GAS, VPB, DHG, MBB, HPG and SAB contributing VND 6,331 billion, accounting for nearly 95% of the increase of profit of the whole market. The top 10 losers were PPC, REE, HSG, DCM, PVI, NVT, KDC, SGR, DXG, CHP. Particularly, the VN30 stocks with 18/30 companies announced Q4 business results, EAT increased VND 4.975 billion accounting for 75% of the increase of the market. In general, 284 stocks has EAT increased, only 38.7% of total market. This data continues to show a large division in the improvement of profitability in the fourth quarter which mainly focused on 10 large cap companies.

The effect from the business report in fourth quarter is already in the final stage, however, the outstanding performance of the Banking stocks will be the support of the market in the correction and momentum of the market in 2018.

Equitization activities of large enterprises are being promoted. The market will have more quality products, but the concern about absorption capacity is also followed by hot money slowing down as new policies are implemented. The role of foreign capital becomes more important.

In January, large-scale equitized companies, including Binh Son Petrochemicals, Pvoil and Pvpower, attracted \$ 737 million calculated by average winning prices (FDI accounted for 54 percent, or \$ 398 million). In February, there will be 3 companies divesting, including Vietnam Rubber Group, Electricity Generating Corporation 3, Sugarcane Corporation II with total auction value of VND 13,410 billion (calculated by starting price). After the successful completion of three joint-stock companies in January, the attractiveness is

decreasing as the registered volume of the rubber group on 2/2 only accounts for 21% of offer volume. This decline was explained by the fact that the stocks of the next auction are not attractive, but domestic cash flow and excitement are showing signs of slowdown is also a important factor to watch. Equitization will be accelerated in 2018, with the capital inflows from the beginning of the year, the absorption of the current bid volume is feasible although the pressure will increase in the second half of the year and the demand need a new momentum to meet the amount of capital to equitize and state divestment in 2018.

Macro policy has not changed compared with the orientation in 2017 for GDP growth target of 6.7% and control of average CPI of about 4%.

Maintaining a macroeconomic stability, controlling inflation, ensuring balance of the economy, improving the business environment, promoting sustainable economic growth continue to be set in 2018. Active, flexible and cautious with tight fiscal policy, discipline. In the context of favorable domestic and international economic environment, growth is faster than forecast which brings many hidden risk. Vietnam is an open economy, so it will be affected by the external environment so this policy still shows prudence and necessity..

Lunar New Year is from 14-20/2, will cool psychology investors before and after the holiday can cause the market fluctuations and liquidity decline.

The Lunar New Year will begin from the middle of third week to the fourth week of the month, together with the possibility of applying new margin rules from 1/3 to promote early profit taking and psychological of the holidays. The market is likely to be corrected, then fluctuating with liquidity gradually decrease.

Table 10
Factors affecting the market in February 2018:

Event	Impact on the stock market
Resolutions 01 of the Government, continue to maintain policy in 2017.	Positive
Foreigners moved to Vietnam and boosted net buying.	Positive
Q4 business results of listed companies.	Tích cực, hiệu ứng giảm dần
Large-scale equitization. Stock market will have more quality goods	Diluting, depending on the cash flow
Lunar New Year Holiday	Psychological distress, reduced liquidity
Circular revised margin rate	Proposed, negative impact.
Hearings of serious economic cases, expanding with new cases.	Appearance element surprise
Price growth beyond profit growth makes P / E, P / B VN-Index stay high, the value of margin remains high.	Potential risk when psychological factors, cash flow change

Source: BSC Research

Continuing its upward momentum at the end of 2017, the stock market continued its strong rally in January and created a new record of liquidity. Supportive factors such as global stock market, domestic macro, cash flow and psychology are all positive and supporting the uptrend of the market. However, in short-term, the pressure of profit taking before the holiday and the act of selling to reduce margin before the application of new margin regulation is slowing down the market. Based on the assessment of market movements and short-term market information, the price and volatility scenarios proposed in February are as follows: VN-Index is moving between 1,020-1,115 points. Forecasts are subject to pressure

adjustment in the first 1-2 weeks of February, then accumulate and rebound at the end of the month.

- In positive case, VN-Index kept above support at 1,063 points. The large cap stocks and Banking stocks are the support for the market. Liquidity decreased and accumulation created momentum for market recovery after the holiday. Foreign investors played an important role in stabilizing the index and re-allocating capital and reducing the market's margin.
- In case of negative, VN-Index fell to the support level of 1,020 points (fibonacci 50%), accumulate and recover. The selling pressure remained strong, foreign investors reduced their net buying. The high margin continued to adjust strongly.

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

- Sector and stock that we consider to be Positive 2018 Industry Outlook ([Link](#)) and ([Link](#));
- Banking and financial stocks have improved significantly and benefited from the Law on Support to Restructure of Credit Institutions and NPLs;
- Real estate and construction stocks benefited from the recovery economy;
- Stocks of Steel, Oil and gas gained from rising world fuel price.
- Leading stocks in the retail sector have high growth and dividend yields.
- In long-term, BSC's recommended stocks will be listed in 2018 Sector Outlook ([Link](#)), Stocks with good performance are recommended in the weekly report ([Link](#)) and Industry / Enterprise Update Report ([link](#)).

Disclosure

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