

Vietnam Monthly Review 2018 M02

BSC Research

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Macroeconomic

- The PMI increased to 53.5 points, up 0.18% compared to the previous month and down 1.3% over the same period last year
- Total retail sales of consumer goods and services in February 2018 reached VND 350.4 trillion, down 0.9% compared to the previous month and up 13.2% over the same period last year.
- FDI in February decreased significantly by 12.84% over the same period last year, while the disbursed capital also decreased slightly by 7.14%. The distribution of electricity, gas, hot water and air conditioning, and manufacturing were the two main leading sectors in attracting FDI.
- The VND/USD interbank exchange rate fluctuated in the range of 22,705 - 23,094, up from the range of 22,735 - 23,084. Interbank interest rates are on the downward trend, indicating that liquidity remains abundant.

Stock market

- The market movement of the VN-Index and HNX-Index rallied lightly in February. The VN-Index and HNX-Index rose 1% and 1.71% respectively compared to the end of January.
- The average liquidity on both exchanges declined by 31% compared to January 2018 and remained at VND 6,651 billion per session due to Tet Holidays mood of investors.
- Foreign investors were net buyers on the HSX with the value of VND 2,811 billion and net sellers of VND 123 billion on HNX.
- P/E of VN-Index and HNX-Index reached 20.70 and 13.51 respectively. P/E of HNX-Index ranked up to 15th, P/E of VN-Index stayed 5th in the region.

Market outlook

VN-Index mobilizes to create momentum to surpass short-term peak 1,130 points and then over the top 11 years at 1,170 points, more specific:

- In the positive case, the VN-Index surpasses the peak of 1,170 points, forming the price level on this peak. Banking stocks are the main support for the market. Improved liquidity created the foundation for Q1's first quarter earnings.
- In negative case, VN-Index surpassed the peak of 11 years but failed to keep the high price range then corrected to 1,130 points. The negative movement of the US market and the net selling of foreigners were factors affecting market sentiment and cash flow into the market.
- **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 in Steel, Oil and gas (new listed stocks) sector gained from rising world materials price.
 - Leading stocks in the retail sector have high growth and dividend yields.
 - Buying small and medium stocks with good business results and positive outlook as VN-Index accumulating and widespread cash flow.
- 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 February 2018

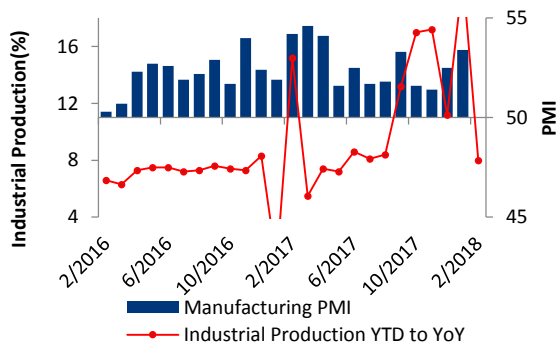
Economic growth

- The industrial production index in February 2018 increased to 53.4 (+0.18% MoM and -1.3% YoY).

Industrial production index in February was estimated to decrease by 17.1% YoY but up 8% YoY mainly due to February coincides with holiday Lunar New Year so the number of working days decreased. Of which, processing and manufacturing increased by 10.7%; electricity production and distribution increased by 3%; mining industry increased by 10.5%; water supply and waste disposal decreased by 1.8%.

Chart 1

Industrial production index & PMI



Source: GSO, Markit, BSC Research

The PMI increased slightly in February. The PMI rose to 53.5 points, mainly because this Lunar New Year holidays does not coincide with January as 2017 and is the time when enterprises concentrate on producing goods to meet the consumer demand in this holiday.

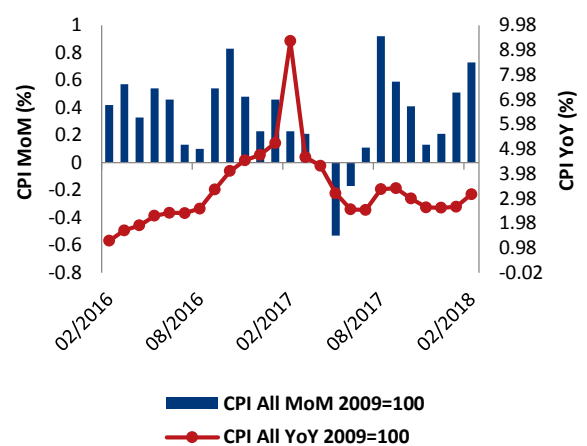
Inflation

- CPI in February increased 0.73% MoM, mainly due to the highest increase in Restaurant and Food sector (+1.53% MoM) during Lunar New Year and rice demand for export contracts.

Consumer Price Index (CPI) in February increased 0.73% MoM, and up 3.15% Ytd. Core inflation in February 2018 increased 0.49% mom and up 1.47% YoY.

Chart 2

Monthly CPI Development



Source: GSO, BSC Research

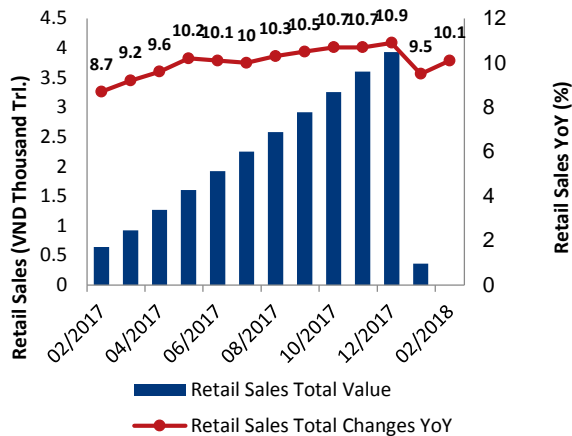
In February, price indexes of 9/11 commodity and service groups recorded growth, of which the group of restaurant and food rose the most with 1.53% due to rising consumer demand during the Lunar New Year and demand for rice for export contracts; traffic sector increased significantly by 0.79%, due to oil prices affected by the price rise in the previous month to an average increase of 1.15% in February and the price of public transport services increased by 3.34%; beverages and cigarettes rose 0.75%. The remaining categories of goods and services have growth rates lower than the average or decreased compared to last month.

Total retail sales of consumer goods and services in February were estimated at VND 350.4 trillion, down 0.9% MoM and up 13.2% YoY. Retail sales reached VND 266.9 trillion, up 0.7% MoM and up 14.8% YoY; Revenues from accommodation services, dining was VND 40.9 trillion, down 7.7% MoM and up 7.5% yoy; Tourism revenues reached 3.5 trillion, down

12.6% MoM and up 34.5% YoY; Other revenues was VND 39.1 trillion, down 2.4% mom and up 7% YoY.

Chart 3

Retail Sales



Source: GSO, BSC Research

Table 1

Changes of Goods and Service in the month

No	Goods & Service Group	MoM (%)	YoY (%)
1	Restaurant and Food	1.53	0.27
2	Beverage & Cigarettes	0.75	1.70
3	Apparel, hats & footwear	0.20	1.49
4	Housing & Construction		
	Material	-0.09	3.76
5	Household Appliances	0.27	1.27
6	Pharmaceutical &		
	Healthcare	0.07	28.63
7	Transportation	0.79	4.17
8	Postage &		
	telecommunications	-0.07	-0.41
9	Education	0.02	6.84
10	Entertainment	0.72	1.25
11	Other	0.74	2.86

Sources: GSO, BSC Research

Foreign direct investment (FDI)

- **Newly registered foreign investment decreased sharply in February while the disbursed capital made only slightly increased.**
- **Investment flowed mainly into the processing & manufacturing; and**

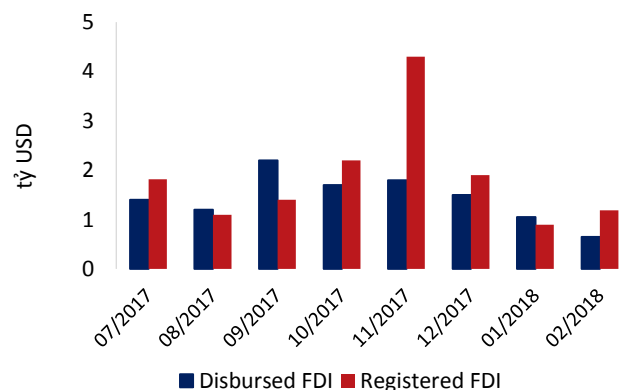
electricity & gas distribution, air conditioning sector.

Newly registered FDI and added FDI to 20/02/2018 of 411 projects (+31.3%) reached USD 1,391.2 million (down 31.4% over the same period in 2017), plus USD 700.3 million registered capital revision of 133 approved projects in previous years. Total newly registered FDI and additional capital reached USD 2,091.5 million (down 25% compared with the same period of 2017).

FDI in February 2018 was estimated at USD 1.7 billion, up 9.7% over the same period in 2017.

Chart 4

FDI (Bil. USD)



Source: GSO, BSC Research

In February, the processing & manufacturing sector attracted the amount of FDI with newly-registered amount reaching USD 817.4 million, accounting for 58.8% of the total newly-registered capital; the producer and distributor of electricity, gas, hot water, steam and air conditioning reached USD 253.8 million, accounting for 18.2%; the remaining sectors reached USD 320 million, accounting for 23%. Including additional registered capital, the total foreign investment capital in manufacturing and processing industries reached USD 1488.5 million, accounting for 71.2% of the total registered capital. Top three provinces attracted FDI: Ninh Thuan (USD 253.9 million – 18.2%),

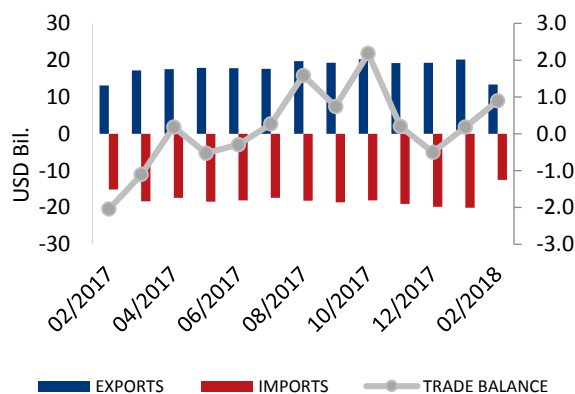
Binh Duong (USD 224.7 million– 16.2%), Ho Chi Minh City (USD 166.5 million - 12%).

In February, Singapore was the largest direct investor with a capital of USD 353.5 million, accounting for 25.4% of the total newly registered capital, followed by Korea with USD 243.6 million, accounting for 17.5% and Japan with USD 139 million, accounting for 10%.

Import/Export Activities

- **Trade balance in February was estimated to be surplus USD 900 million. From the beginning of the year to February 2018, trade balance surplus of USD 1.08 billion.**

Chart 5
Import/Export (Bil. USD)



Source: GSO, BSC Research

Export turnovers in February were estimated at USD 13.4 billion, down 33.7% against the last month, but up 3.1% over the same period of 2017. Of which the domestic economic sector gained \$ 3.76 billion, down 36.3% mom, and up 8% YoY. The foreign invested sector recorded USD 9.64 billion, down 32.7% MoM, and up 1.3% YoY.

Import turnovers were estimated at USD 12.5 billion, down 37.6% against the last month, and down 12% YoY. Of which the domestic economic sector gained USD 5 billion, down

40% MoM, and down 11% YoY. The foreign invested sector recorded USD 7.5 billion, down 35.9% MoM, and down 13% YoY.

Table 2

Top 10 Export Goods.

No	Export Goods	Value (USD Bil.)	%YoY
1	Mobile phone	6.6	41.7
2	Textile	4.3	22.3
3	Electronics	4.0	19.2
4	Shoes	2.3	11.9
5	Other machine	2.1	19.5
6	Woods	1.3	20.1
7	Vehicles	1.3	19.7
8	Seafood	1.1	20.4
9	Vegetables	0.6	43.4
10	Cashew nuts	0.47	65.3

Source: GSO, BSC Research

Export value of some major products continued to increase over the same period last year. Of which, mobile phones and components value was still in first place with USD 6.6 billion, up 41.7% YoY. Textiles reached USD 4.3 billion, up 22.3% YoY.

Table 3
Top 10 Import Goods

No	Import Goods	Value (Bil USD)	%YoY
1	Electronics	6.3	32.1
2	Machine	4.9	6.2
3	Mobile phone	2.3	29.9
4	Fabric	1.7	29.3
5	Gasoline	1.4	50.8
6	Steel	1.37	-7.2
7	Plastic	1.18	14.1
8	Plastic products	0.89	26.5
9	Other metals	0.86	9.4
10	Textile Material	0.7	-3.2

Source: GSO, BSC Research

Import turnover of all commodities increased sharply by 15.3% over the same period last year. Of which, electronics and computers reached USD 6.3 billion and up 32.1% over the same period in 2017. The strong growth was gasoline reaching USD 1.4 billion, up 50% over the same

period last year.

Forex market

- The exchange rate recorded the highest increase in a year after consecutive gains because of Lunar New Year's short-term impacts and FED's possibility to raise interest rate in the March meeting.

VND/USD central exchange rate in February 2018 fluctuated in the range of 22,423 - 22,450 VND/USD, up from the range of 22,386 - 22,441 VND/USD in January. This month's average level was 22,438 VND/USD.

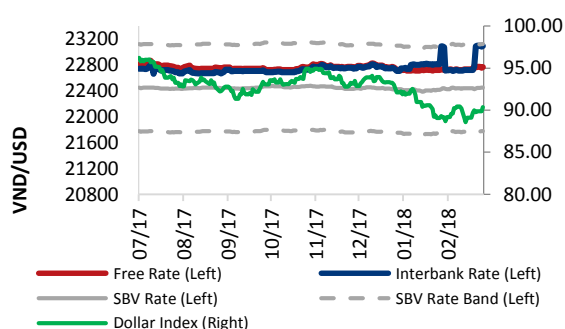
VND/USD interbank exchange rate in February 2018 fluctuated in the range of 22,705 - 23,094 VND/USD, up from the range of 22,735 - 23,084 VND/USD in January. This month's average level was 22,801 VND/USD.

VND/USD free exchange rate in February 2018 fluctuated strongly in the range of 22,715 - 22,780 VND/USD, compared to the range of 22,710 - 22,730 VND/USD in January. This month's average level was 22,736 VND/USD.

Dollar index in February increased by 1.37% compared to the end of January, down 10.1% over the same period last year. The index recorded the highest level in February at 90.44 on Feb 9th. At present, the index is 90.36.

Chart 6

Price movement



Source: Bloomberg, BSC Research

Banking – Interest rate

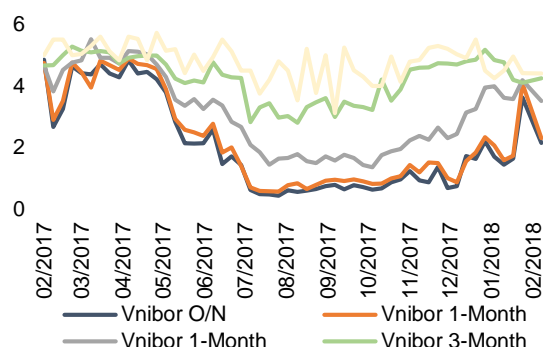
- The deposit and lending interest rates are stable.
- The interbank rates fluctuated sharply in all terms, with long-terms stronger than short-terms.

The interbank rates in all terms increased simultaneously at the time near the Lunar New Year, especially the short-term interest rates have been over 4% per year as the highest level in more than half a year. This situation usually happen in previous years, during peak days of payment, leading the demand in the system to rise and boosting the interest rates. In order to support the system in these days, on 13/2, the State Bank increased significantly the offering volume on the mortgage channel to VND 18,000 billion, but the winning volume in this session only reached VND 12,102 billion, with unchanged interest rate at 4.75% per year. With this amount, the volume of credit institutions on the mortgage channel increased to VND 21,029 billion. Meanwhile, the State Bank of Vietnam (SBV) continued to cease issuing treasury bills.

After Lunar New Year, the cash flow returned to the banking system, helping the interbank average interest rates in all terms fall sharply. As of February 26, the interbank rates for overnight, one week, one month, three months and sixth months terms declined to 1.7%, 2.05%, 3.30%, 4.24% and 4.4% respectively. In addition, on February 22, only one day after the market reopened, the SBV immediately issued T-bills to withdraw money. The scale was quite large with VND 15,000 billion, the term also extended to 14 days instead of the previous 7 days. Credit institutions absorbed large amount of treasury bills in the first day of trading, with VND 14,000 billion, indicating that the cash flow had gradually returned to the banking system.

Chart 7

Interbank interest rate



Source: Bloomberg, BSC Research

The deposit interest rate was stable compared to the previous month. Specifically, the average one-month term deposit rate was below 0.9%, 1 month - 6 months was 4.9%, 6 months - 12 months was 5.9%, and above 12 months was 6.9%. Lending interest rate was stable compared to the previous month. Lending rates in 5 priority areas are 6%. In the normal business sector, the general interest rate is 9.3-10.3% for terms of 6 months or more.

Compared to the end of January, interbank interest rates in all terms increased, excluding the six-month interest rate down from 4.95% to 4.4%. However, all these rates have fallen below the peak rates before the Lunar New Year. The withdrawal of cash flow through the T-bill channel; and the downward trend of interbank rates in last week shows that the liquidity of the system is improving.

Macro Forecast in February 2018

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

(1) FED will increase the interest rate in the important meeting in March. All of the positive US economic data, the stable financial market, and the positive impact of the tax reform of the Trump administration have been contributing positively to growth of the US economy. This is a good condition for the Fed to continue implementing tight monetary policy. According to Bloomberg, FED will increase the interest rate in the meeting in March. According to the FED, it will raise interest rates three times, even four times this year if the US economic situation continues to be as positive as now. If this happens, it will increase the value of the dollar, causing pressure to maintain the exchange rate of the State Bank of Vietnam. In addition, this will increase the pressure on external borrowing and affect the import of raw materials, however, this will have a positive impact on exports. The stock market in Vietnam is also likely to be affected by the increasing need to withdraw investment capital to invest back into the US market, reducing demand in the market.

(2) The Russian presidential election will be held in 8/3/2018. According to Russia Today, among 30 candidates, the support rate for Mr Putin has remained stable at around 80%, while this rate for remaining opponents have not yet exceeded 10%. Consequently, Mr Putin is believed to be re-elected to his fourth presidency. According to statistics from the Vietnam's Ministry of Industry and Trade, the bilateral trade between Vietnam and Russia has regained a strong momentum, especially in the context of the free trade agreement between Vietnam and Russia already effective. In particular, Vietnam and Russia set a goal of increasing trade between the two countries to USD 10 billion by 2020. The continually re-election of Vladimir Putin will support and facilitate this relationship between the two countries, thereby promoting the import and export activities of Vietnam.

3) The CPTPP between the 11 Member States (Brunei, Chile, New Zealand, Singapore, Australia, Peru, Vietnam, Malaysia, Mexico, Canada, Japan and Vietnam) will be signed in Chile on March 8, 2018. In terms of scale, the CPTPP agreement will create an open market, accounting for about 15% of global GDP and 15% of global trade volume. According to many researches, Vietnam's GDP is projected to increase by 1.32%, exports by 4%, and imports by 3.8%.

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

1) Decree 17/2018/ND-CP amending and supplementing a number of fisheries development policies. Accordingly, the State will support 35% of the newly built investment but not more than VND 6.7 billion/ship for owners of newly built and fishing vessels and logistic services (steel) with a total main power from 800 CV to less than 1,000 CV. For newly built fishing vessels with the main engine capacity of 1,000 CV or more, the maximum support level is VND 8 billion per vessel. The government will support 100% for insurance fees for crew members; 50% of the annual hull insurance fee for offshore fishing vessels, offshore fishing logistic service vessels being members of fishery teams, fishery cooperatives with a total main engine power of 90 CV or more. This policy is expected to promote the development of Vietnam's fisheries sector, one of the key economic sectors in Vietnam.

(2) Interest rates will decrease slightly and exchange rates may continue to increase slightly. Due to the pressure of domestic inflation, together with the possibility of USD appreciation, the VND/USD exchange rate is expected to increase slightly. Increasing margin will depend heavily on the results of the next Fed meeting in March. However, thanks to high foreign exchange reserves and the flexible exchange rate policy of the SBV, the exchange rate will not increase as sharply as the previous period. The commercial banks' interest rates continue to be under pressure from the credit growth policy and the high probability of the interest rate rises in the FED's meeting in March. However, thanks to the cash flow back to the banking system after the peak period, the liquidity of the system increased, together with the reducing interest rate policy of SBV to support businesses and the economy, the interest rate is expected to decrease slightly.

(3) Pressure for stabilizing inflation at 4% this year is increasing. The February's CPI rose sharply because the Lunar New Year this year fell in the middle of February, when the demand of consumers is high, increasing significantly the prices of food and service. In March, after the peak period, CPI tends to decrease, however, essential commodities such as food, electricity, petrol, hospital fees, so on still have pressures to increase prices.

Table 4
Monthly Macro Indicators

Indicator/Month	2017M7	2017M8	2017M9	2017M10	2017M11	2017M12	2018M1	2018M2
GDP YoY (%)	-	-	6.41	-	-	6.81	-	-
GDP Ytd YoY (%)	-	-	6.41	-	-	6.81	-	-
PMI	51.7	51.8	53.3	51.6	51.4	52.5	53.4	53.5
IIP YoY (%)	8.1	8.1	13.2	17	17.2	11.2	20.9	8.0
IIP Ytd YoY (%)	6.5	6.7	6.7	8.7	9.3	9.4	20.9	15.2
Retail Sales YoY (%)	10.3	11.7	12.1	12.7	11.7	11.2	9.5	10.7
Retail Sales Ytd YoY (%)	10.0	10.3	10.5	10.7	10.7	10.9	9.5	10.1
CPI MoM (%)	0.11	0.92	0.59	0.41	0.13	0.21	0.51	0.73
CPI YoY (%)	2.52	3.35	3.4	2.98	2.62	2.60	2.65	3.15
Registered FDI (Bil. USD)	12.9	13.5	21.3	23.5	27.8	29.7	0.9	2.09
Disbursed FDI (Bil. USD)	9.1	10.3	10.3	14.2	16	17.5	1.05	1.70
Export (Bil. USD)	17.5	18.2	19	19.4	19.2	19.3	19	13.4
Import (Bil. USD)	17.8	17.8	18.6	18.5	19	19.8	19.3	12.5
Trade balance (Bil. USD)	-0.3	0.4	0.4	0.9	0.2	-0.5	-0.3	0.9
Exchange rate (VND/USD)	22,793	22,748	22,743	22,755	22,761	22,750	22,801	22,801
Credit growth (%)	-	10.06	11.02	13.5	-	18.17	0.6	-

Source: BSC Research

Stock market in February 2018

Market Outlook

The market index rose sharply after the Lunar New Year holidays. As of 28/02/2018, the VN Index officially rose 11.18 points, corresponding to 1%, and the HNX-Index gained 11.19 points against the previous month, equivalent to 1.71%.

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

Month	Index	Volume (Bil Shares)	Capitalization (VND trillion)
2	1121.54	3.04	3,036.19
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

Source: HSX, Bloomberg, BSC Research

Key stocks are the main growth driver for VN-Index. Top 5 leaders VCB (contributing 9.5 points), CTG (contributing 8.7 points), VIC (contributing 8.6 points), BID (contributing 6.0 points), VPB (contributing 3.5 points). Top laggards were GAS (down 7.5 points) and ROS (6.4 points).

Market capital inflow of the month focused on VN30 and leading stocks. In particular, the banking stocks helped the market rise strongly and stimulate the market sentiment after Tet Holidays. Of which, CTG witnessed impressive gains of 23.53%. In February, the market was led by banking, real estate and retail stocks. The VN-Index lost momentum due to holiday psychology as well as lack of information to support stocks. Just before the Lunar New Year holidays, stocks that have recovered at the same time as the strong dropping of the floor showed optimism about the market prospects of investors. The VN30 was heavily diverged

with 13 advancers and 17 decliners. The strongest increase was 3 banking stocks including CTG +23.53%, BID +14.04%, VCB +10.81% and the strongest decrease including ROS -21.33%, SBT -12.47% and CTD -9.95%.

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

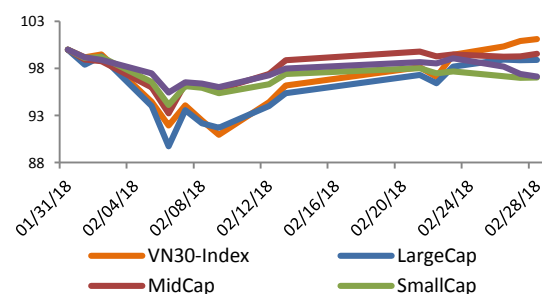
Month	Index	Volume (Bil Shares)	Capitalization (VND trillion)
1	128.05	1.02	234.86
12	116.86	1.36	222.90
11	114.72	1.20	221.39
10	105.16	1.14	192.80
9	107.66	1.15	196.16
8	103.88	1.41	190.56

Source: HNX, Bloomberg, BSC Research

All market cap type stocks performances

According to the market capitalization, there was a strong division, increased only in VN30 and declined in the other groups. VN30 gained 1.13%, LargeCap declined 1.08%, MidCap declined 0.44%, SmallCap declined 2.94%, Penny declined 2.85%, compared to the end of January. Cash flow focused on VN30 and some trading sessions VN30 accounted for over 75% of HSX liquidity (21/2). Sectors had division while Banking and Retail led the gains.

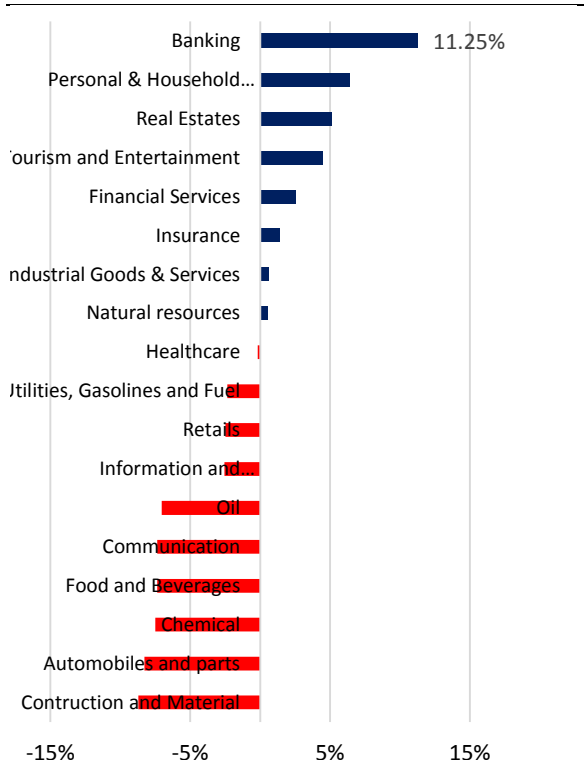
Chart 8
All market caps type stocks performances



Source: Bloomberg, BSC Research

Banking sector was the strongest gainer with performance of 12% contributing by 3 stock received huge capital inflow in VN30 were CTG, BID and VCB. The following were Personal & Household Goods with 6.43% gains and Real Estates gained 5.12%. The strongest decliners were Construction and Material -8.71%, Automobiles and parts -8.27% Chemical -7.49%.

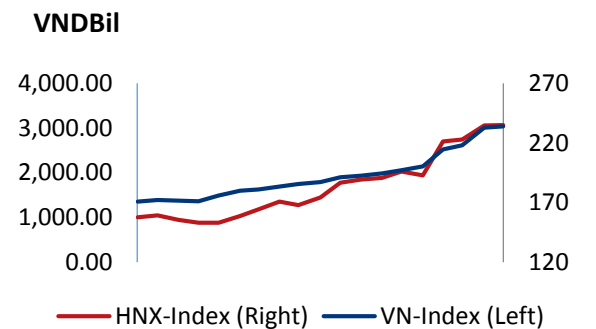
Chart 9
Level 2 Sector



Capitalization scale

The market capitalization on HSX and HNX reached VND 3,271.05 trillion, increase 0.51% MoM. In February, 86 million shares were delisted and 125 million shares were additional listed on HOSE, 32 million shares ETFs were additional listed and 5.3 million shares were delisted. Market capitalization increased slightly and diversified in sectors, especially in banking stocks.

Chart 10
Market capitalization



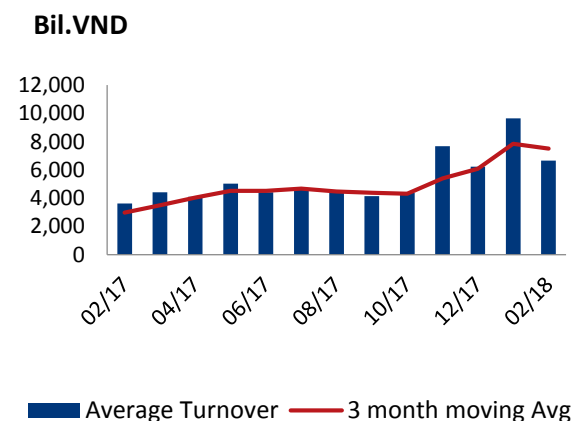
Source: Bloomberg, BSC Research

Market capitalization increased by 0.86% MoM on HSX, while HNX increased by 0.09% MoM.

Average market liquidity

Average market liquidity on the two exchanges decreased by 31% compared to January 2018, and remained at VND 6.651 billion per session and equivalent to nearly USD 292.17 million per session. In February, there was a trading session with a value of VND 9,466 billion due to the demand of bottom-fishing which supported the market sentiment after the strong decline.

Chart 11
Average market liquidity



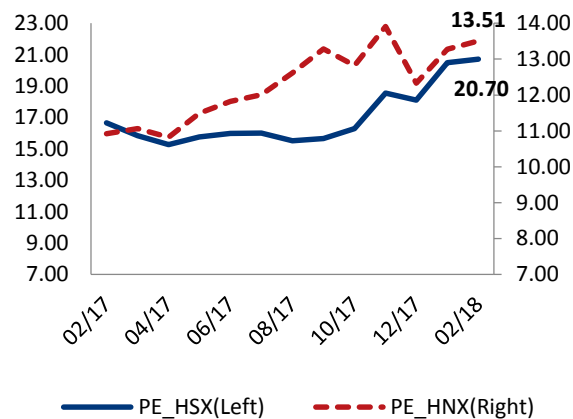
Source: Bloomberg, BSC Research

Price level of VN stock market

P/E of VN-Index and HNX-Index reached 20.7 and 13.51 respectively. Across the region ranking, the HNX-Index increased 2 to 15th and VN-Index stayed at the 5th position.

Chart 12

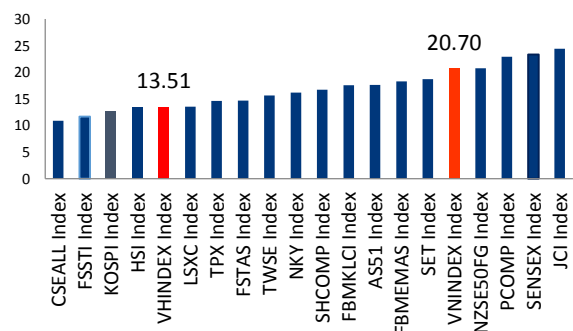
P/E indicator performances on both Exchange



Source: Bloomberg, BSC Research

Chart 13

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



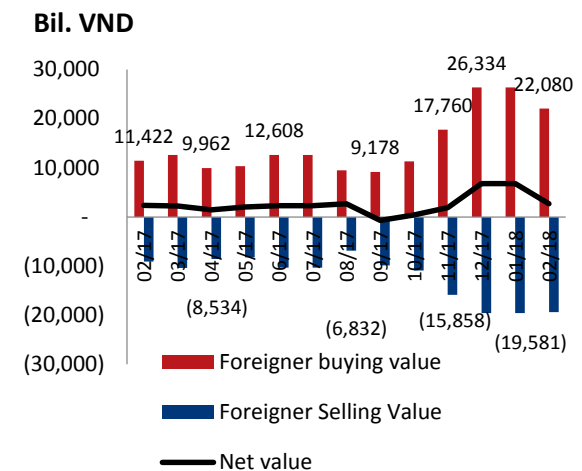
Source: Bloomberg, BSC Research

Foreigner trade

In February, foreign investors bought a net on the HSX and sold a net on HNX, of which VRE was bought aggressively by foreigners and HPG was sold the strongest in the month. Foreign cash flow flowed into Real estate and Petroleum stocks.

Chart 14

Foreigner transaction performances on both Exchange



Source: BSC Research

Up to 28/2, foreigners were net buyers VND 2,811 billion on the HSX, and sold a net of VND 123 billion on HNX. On HSX, foreigners bought VRE (VND 3,792.58 billion), VIC (VND 607.94 billion), PLX (VND 185.12 billion), MWG (VND 146.08 billion), STB (VND 109.59 billion) and HPG (- VND 1,277.88 billion), VJC (-VND 381.98 billion), VNM (-VND 352.77 billion). On HNX-Index, the group focused on buying VCG (VND 64.86 billion), SHB (VND 26.38 billion), SHS (VND 20.15 billion) and PVS (-VND 100.85 billion), and PGS (-VND 39.99 billion).

Table 7

Top 10 stocks traded on HSX in February

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VRE	3792.58	HPG	-1277.88
VIC	607.94	VJC	-381.98
PLX	185.12	VNM	-352.77
MWG	146.08	VCB	-230.27
STB	109.59	KBC	-114.33
PVD	87.33	HDG	-91.31
DPM	84.35	CTD	-86.78
MSN	80.75	BID	-81.97
SSI	72.58	NVL	-75.89
DXG	72.50	GMD	-69.70

Source: BSC Research

Table 8

Top 10 stocks traded on HNX in February

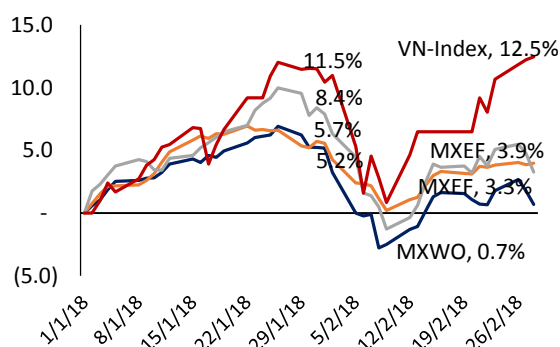
Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VCG	64.86	PVS	-100.85
SHB	26.38	PGS	-39.99
SHS	20.15	HUT	-27.72
TNG	8.07	VGC	-20.63
TTZ	1.00	VNR	-16.94
ALV	0.54	BCC	-10.70
DXP	0.53	MAS	-5.11
API	0.35	BVS	-4.98
VE1	0.15	LAS	-4.16
PMB	0.14	PLC	-3.20

Source: BSC Research

Stock market outlook: March

In February, the world stock markets witnessed strong fluctuations. Derived from the sharp drop of the US stock market because fears of inflation, FED increased interest rates and the momentum of bond yields, selling off happened in most of the world stock markets. In the circumstance that the world economy continues to be robust, the selling pressure suddenly came mainly from the psychology of profit-making and re-allocation of capital. The market quickly rebounded after nearly a week of declining but the force of selling returned at the end of the month dragging down the decline of key indexes. In February, the MSCI Regional Development Index (MXWO), MSCI Emerging Markets (MXEF) and MSCI Margin decreased -4.5%, -4.5% and -2.4%, respectively.

Chart 15
The Emerged, Emerging and Margin MSCI Index for 2018 (in USD)

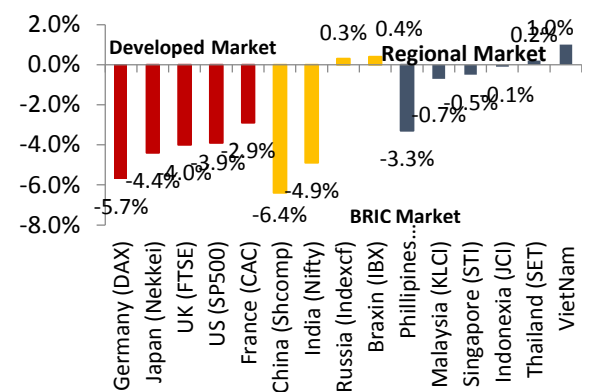


Source: Bloomberg, BSC Research

Germany's stock market fell the most in the group of developed country (-5.7%), while the S&P500 fell -3.9%. In BRIC area, China led the downside with -6.4%. Negative sentiment from the world market had a negligible effect on the regional market, with only the Philippines falling -3.3%, while others fell slightly while

Vietnam and Thailand had an increase of 1% and 0.2% respectively.

Chart 16
Volatility of the stock indexes in February



After a strong net buying in the regional markets in January, foreign investors turned to be net sellers in February. Vietnam and Sri Lanka are two countries that foreign investors were net buyers in the region.

Table 9
Foreign investors trading in February

Country	Trading in February (mil \$)	Q1 2018
India	(1,667)	372
Indonesia	(761)	(-628)
Japan*	(3,901)	1,773
Malaysia	(271)	575
Philippines	(296)	(250)
Korea	(2,598)	(635)
Sri Lanka	13	39
Taiwan	(3,480)	(624)
Thailand	(1310)	(1,487)
Pakistan	(32)	53
Vietnam	124	516

Source: Bloomberg, BSC Research

Domestically, the Government set up the State capital management committee at the enterprise. The Committee will manage and

supervise State capital and assets at the enterprise, and at the same time implement state ownership of the structure, divestment, reorganization, and efficiency improvement of SOEs. The market capitalization and assets management of committee are about VND 5,400 trillion and consists of 30 major SOEs. In 2018, the government plans to sell more stake ownership, which is 6.5 times higher than the number in 2017, in 245 state-owned companies, including large corporations. ([Link](#)). The Capital Management Committee will also contribute to speed up the divestment and equitization of SOEs in 2018 and the following years.

Facing to the negative side of the domestic market in early February, the SSC has proposed to delay the application of the margin adjustment (from the current 50-50 level to the world level of 60-40) to another time instead of the 1/3/2018 proposal. This is in a move to support the market before the negative impact of the world market to Vietnam. This provision also helps the market to stabilize and maintain the uptrend before and after the Tet Holiday. Market movements in February were similar to the previous scenario. The market corrected for the first two weeks, accumulating and recovering at the end of the month. In general, VN-Index increased 1%, and closed at 1,121.54 points. Liquidity decreased by 31% to VND 6,651 billion per session.

In February, we visited the enterprise and published the followings reports and recommendations such as PGI ([Link](#)), DXG ([Link](#)), AAA ([Link](#)).

Notes for March:

Annual shareholders' meeting of listed companies, Q1 earnings announcement, dividend payment plan, and business plan in 2018 are short-term supporting news. The companies are announcing the final registration date and the date of the annual

shareholders' meeting in 2018. The annual shareholders' meeting will take place from March to April. In the context of the market is lack of supporting information, the Preliminary information on Q1 results, business plan 2018, dividends plan and so on are information that attracts investors and has a great influence on the market in the short term.

Equitization, divestment and listing are restarted after the holiday. About equitization, Southern Food Corporation (Vinafood II) will auction 114.8 million shares on March 14, Binh Duong Manufacturing and Trading Corporation sold 30 million shares on March 28 and Hapro Trading Company auctioned 75.9 million shares on March 30 which are three large-scale auctions. In terms of capital withdrawal, SCIC will sell 24.1 million shares of Binh Minh Plastic (BMP) on March 9. The divestment will be boosted by SCIC in order to complete the divestment plan announced in 2017. Regarding the listing, it is noteworthy that Binh Son Refining and Petrochemical Company, PVPower and PVOil will list on Upcom on March 1, 6 and scheduled for March 7 respectively. These companies were very successful in January, sold out their shares and attracted a large number of investors. Early listing of equitized companies will contribute to increase the market capitalization, more options for investors and attract investors involved in the equitization process of state enterprises.

New product Covered Warranty (CW) is expected to launch in March. After a long delay, the Ho Chi Minh Stock Exchange plans to launch CW in March. CW is a new product, with a large leverage and higher profitability than ordinary shares. Hence, CW will be an investment tool and a low-risk risk hedge. On the other hand, CW transactions and payment as usual stocks should be quite friendly, giving investors more choices, especially attractive for investors who want to take high risk. Operation of CW shows that the market is

changing, integrating with regional and international.

Basic macroeconomic stability, growth drivers maintain. State Bank wants to lower interest rates. In the first two months, the industrial production index increased by 15.2%; exports increased by 23%, over USD 1 billion; FDI reached USD 1.7 billion, up 9.7% and retail sales up 10% over the same period were the bright spots in the early macroeconomic picture. The economy remain positive despite a holiday break. CPI rose by 0.7% YoY and 1.24% YoY higher than the number of FY2017, together with a rebound in the end of February, which were the concerns for the rest of the year. The liquidity of the system was plentiful, banks were progressing to deal with non-performing loans (Resolution 42 takes effect until December 31, the banking system has VND 50 trillion bad debt has been processed, in which 6 selected banks have processed VND 20.4 billion), the State Bank has adjusted the OMO interest rate from 5%/year to 4.75%/year to support credit institutions. In fact, four state-owned commercial banks have adjusted 0.5-1% per annum for small and medium customers. In order to achieve the goal of reducing interest rates, the State Bank of Vietnam continued to instruct credit institutions to review and balanced the finance to set a reasonable interest rate. Unfavorable fluctuations in inflation, exchange rate in February and high demand for credit at the beginning of the year made this goal not easy to achieve without a cut off the profit of the banks.

The Comprehensive Partnership Agreement and Trans-Pacific Progress (CPTPP) will be officially signed in Chile on March 8. CPTPP with 11 countries accounted for 12.9% of world GDP and 14.9% of global trade. The Ministry of Industry and Trade announced the final text of the CPTPP Agreement. The 20 clauses that have been suspended or changed in the CPTPP are other unresolved clause from

its "predecessor agreement" - the Transatlantic Partnership Agreement (TPP) after the United States withdrew from the agreement, which would be positive information with the export sector of Vietnam, especially in sectors of garment, footwear, seafood, agricultural products.

FED is likely to raise interest rates by an additional 0.25% during the policy meeting in March. FED planned to raise interest rates three times during the meeting in December 2017. New FED Chairman, Jerome Powell also voiced optimism about the outlook for the US economy, rising inflation and no risk of recession. This is a clear message that the FED will soon raise interest rates and likely to raise interest rates in meeting on March 21. According to Bloomberg statistics, the probability of raising interest rates was absolute in March meeting with a probability of 86% for the 0.25% and 14% for the 0.5% increase. The yields on US Treasuries soared and the FED interest rate hike prompted the US market to fluctuate in early February and back in late February. The negative sentiment of the US stock market also led to the capital withdrawal of foreign investors from regional countries in the short term. This trend may continue to extend to March although the level of stoppage is as weak if looking at the stability of the stock market in the region.

Table 10
Factors affecting the market in March 2018:

Event	Impacts
The growth drivers maintain stable GDP growth in the first quarter.	Positive
Season annual shareholder meeting, Q1 earnings, 2018 prospects	Positive
CPTPP Agreement will be signed in 8/3	Positive
CW scheduled for release in March	Positive
Listing and equitization of large enterprises. The market has more quality goods	Diluting, depending on the cash flow

ETF listing structure for the first quarter of 2018 from March 5-16	Local effect, increase liquidity
FED meeting in March, the high possibility of raising interest rates by 0.25%.	Negative
Hearings of serious economic cases, expanding with new cases.	Appearance element surprise
P/E, P/B of VN-Index kept at a high level, higher than the regional average.	Potential risk when psychological factors, cash flow change

Source: BSC Research

Market movements in late February were slowly escaping the trend of the world market. Facing with the short-term profit taking at the old peak and the net selling of the foreigners, the domestic cash flow remained persistent in the market at the correction keeping the index stable with the support of large groups of stocks such as Banking, Consumer and Real Estate. Positive market sentiment was helping the market to form a cumulative gaining momentum in the short term. Based on the assessment of market movements and market information in the short term, the price and volatility scenario were suggested in March as follows: VN-Index mobilizes to create momentum to surpass short-term peak 1,130 points and the top 11 years peak at 1,170 points.

- In the positive case, the VN-Index surpasses the peak of 1,170 points, forming the price level on this peak. Banking stocks are the main support for the market. Improved liquidity

created the foundation for Q1's first quarter earnings.

- In case of negative, VN-Index surpassed the peak of 11 years but failed to keep the high price range then corrected to 1,130 points. The negative movement of the US market and the net selling of foreigners were factors affecting psychology and cash flow into the market.

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 (new listed stocks) gained from rising world materials price.
- Leading stocks in the retail sector have high growth and dividend yields.
- Buying small and medium stocks with good business results and positive outlook as VN-Index accumulating and widespread cash flow.
- 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](#)).

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