

Vietnam Monthly Review 2018 M03

BSC Research

BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3812 8885
Fax: +84 8 3812 8510

Macroeconomics

- GDP in Q1/2018 rise 7.38% yoy, highest in the last 10 years. Industrial and construction sector posted the strongest growth with 9.7% yoy
- PMI in March dropped to 51.6 points, due to weaker growth indicators in manufacturing sector, especially in terms of output.
- Total retail sales of consumer goods and services in March 2018 were estimated at VND 343.8 trillion, down 2% from the previous month and up 9.3% yoy
- Total registered FDI in Q1/2018 reached USD 3,911.5 million (down 43% over the same period in 2017). Distribution of electricity, gas, hot water and air conditioning and manufacturing are still the two leading industries in attracting FDI
- The interbank rate in March slightly increased and fluctuated between VND 22,690-23,104 VND/USD. The interbank rate tended to decrease, and the increase in SBV net withdrawal in Q1 showed that the liquidity of the financial system is robust

Stock market

- VN-Index and HNX-Index gained 4.72% and 9.6% respectively in March. Compared to the beginning of the year, VN-Index and HNX-Index gained 178.7 points and 13.6 points respectively, corresponding to 18% ytd and 11.4% ytd
- The average trading value on both exchanges increased by 4.62% compared to February 2018, and remained at 8,281 billion VND/session equivalent to 363.74 million USD/session. The average trading value in Q1/2018 reached 8,612 billion VND/ session, up 41.5% compared to Q4/2017
- Foreigners were net sellers on both HSX and HNX with VND -639.9 billion and VND -94 billion respectively
- P/E of VN-Index and HNX-Index reached 21 and 14.6 respectively, equivalent to 3.94% Mom and 6.42 MoM, 16.8% ytd and 14.6% ytd. P/E of HNX-Index up-ranked to 14th, P/E of VN-Index remained at 5th in the region

Market outlook

In April, The market has good chance for growth thanks to the first quarter results, which may trigger a correction in May as the market enters the lack of information period and recovers in the second half of June. Case 1 is appreciated in the following 2 cases:

- In positive case, after some consolidation sessions at 1,170 points, VN-Index continued to gained, moving far away this threshold with the support of banking, finance and real estate stocks
- In negative case, VN-Index surpassed the peak after 11 years but cannot keep the high price level and correct to 1,130 points. Index will accumulate in the range of 1,130-1,170 points. Negative impact from the global market is the factor affecting market sentiment and cash flow into the market
- **Stock recommendation:**
 - 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
 - Leading stocks in the retail sector have high growth and dividend yields.
 - Buying small portion of Small and medium stocks with good business results and positive outlook as VN-Index accumulating and widespread cash flow.

Macroeconomics of March 2018

Economic growth

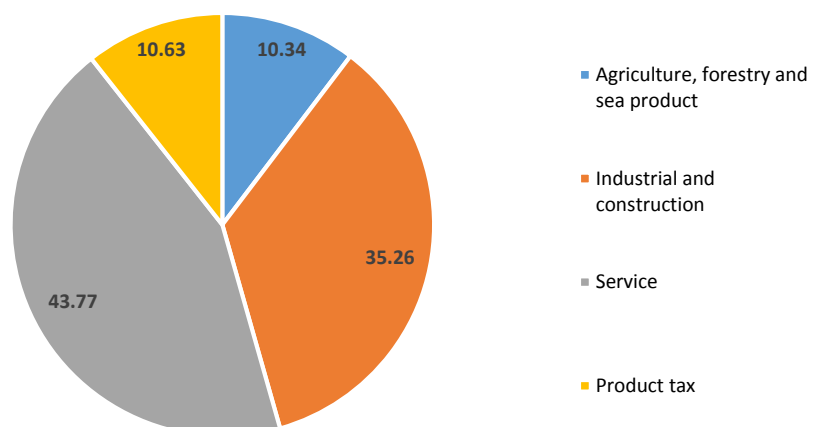
- **Gross domestic product (GDP) in Q1/2017 estimates to increase by 7.38% yoy**
- **PMI index in March 2018 decreased to 51.6 points (-3.6% MoM and -5.5% yoy)**

Gross domestic product (GDP) in Q1/2018 estimates to grow 7.38% yoy. Of which, industry and construction sector experienced a strongest growth of 9.7% yoy, contributing 3.39 points to the general increase. Service sector and agriculture, forestry and fishery observed a rise of 6.7% yoy and 4.05% yoy respectively.

Of industry and construction, industry stepped up to 10.08% yoy, contributing 3.01bps. The highlight is the sharp increase in manufacturing sector by 13.56% yoy (the highest growth in the last 7 years), contributing 2.46bps. Mining sector slightly rise 0.4% after a two year period of contraction, contributing 0.03 bps, mainly driven by the increase in coal, metal and gas mining. In Q1/2018, construction sector increased 7.46%, lower than the 7.6% of 2017, contributing 0.38 bps.

Chart 1

GPD structure Q1/2018

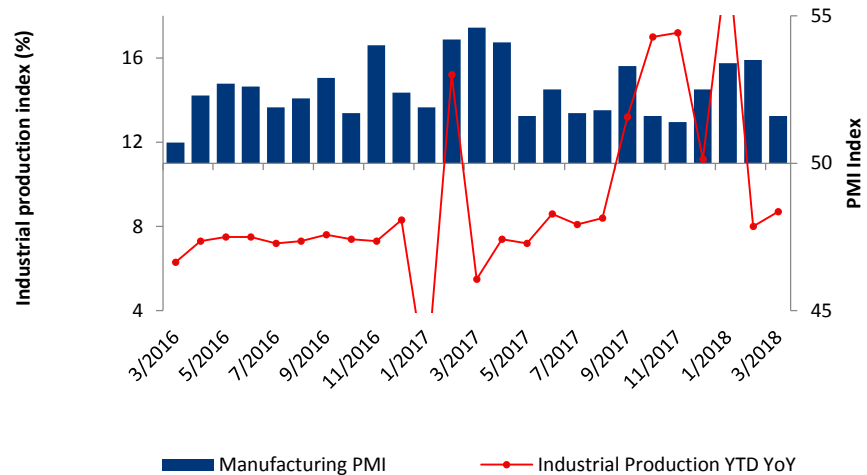


Source: GSO, BSC Research

Industrial production index in March estimates to jump to 8.7% yoy. In Q1/2018, industrial production index recorded a rise of 11.6% yoy. Manufacturing sector continued to observe a strong increase of 13.9% yoy. Electricity production and distribution index in March grew by 10.5%. Water supply, administrative activities and waste treatment gave a rise of 7.1% yoy.

Chart 2

Industrial production index and PMI



Source: GSO, Markit, BSC Research

The consumption index of the processing industry in Q1/2018 increased by 14.2% YoY. Industries with high consumption growth rates are pharmaceutical production (+60.7% yoy); electric, computer and optics production (+28.4% yoy); engines (+20.2% yoy).

Inventory index in manufacturing industry in Q1/2018 estimates to be at 68.2%, lower than 71.9% in Q1/2017. Some industries experienced a high inventory ratio: garment 301.8%; wooden production and related products 130.6%, automobile production 87.4%, non-metallic mineral products 78.8%; metal products 78.7%, chemicals production and related products 78.1%.

PMI index reduced to 51.6 points in March due to lower growth in some manufacturing indicators, particularly much lower volume. Average PMI index in Q1/2018 reached 52.8 points, up to 1.9% qoq.

Inflation

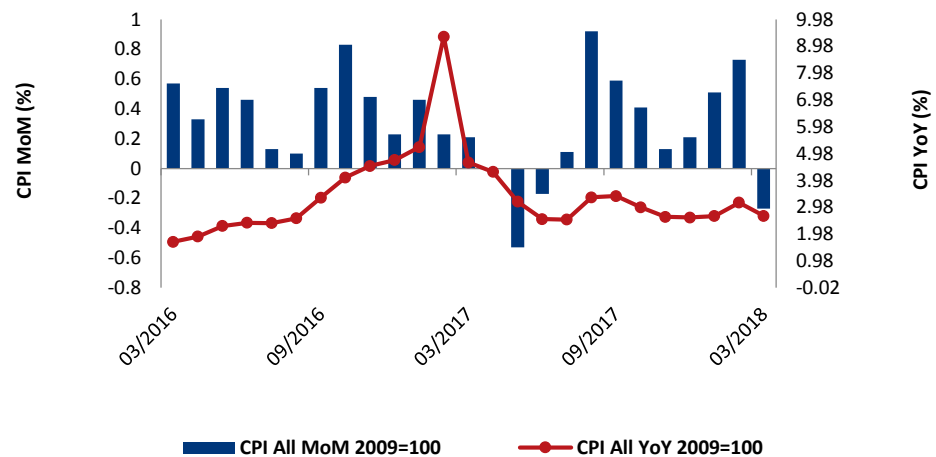
- Q1/2018 average CPI increased by 2.82% Q1/2017;
- CPI in March decreased 0.27% MoM by 8/11 major groups of goods and services declined;
- Retail sales of goods and services increased 9.3% over the same period.

CPI in March dropped 0.27% MoM, and rose 2.66% over the same period in 2017. The basic inflation in March decreased 0.09% MoM and increased 1.38% over the same period last year. The average inflation in Q1/2018 rose by 1.34% over the same period last year.

The average CPI increased by 2.82% over the same period last year, mainly due to the following reasons: (1) regional prices adjusted of health services and implemented the roadmap for increasing fees; (2) the first two months of this year coincide with Tet Holiday cause the demand for travel increases; (3) fuel prices on the world market increased sharply. From a general perspective, the CPI in the first quarter increased slightly compared to the previous quarter.

Graph 3

Monthly CPI movements

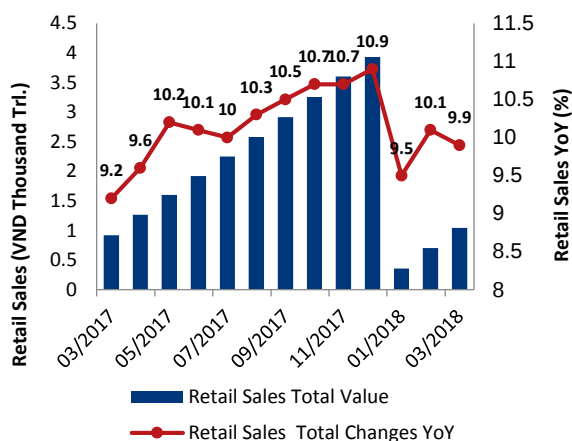


Source: GSO, BSC Research

The price index of 8/11 groups of goods and services recorded a decline, of which the transportation group decreased by 0.77% due to the reduction of import tax on motor vehicles from ASEAN region to 0%, gasoline prices down 1.3% over the previous month and passenger car and train prices fell after Tet Holiday. Group of food and catering decreased by 0.62%; housing and construction materials down 0.28%; beverages and cigarettes fell by 0.28%; garment, footwear, footwear decreased by 0.17%; culture, entertainment, tourism decreased 0.09%; Posts and telecommunication decreased by 0.04%; other goods and services decreased by 0.1%. The groups of goods and services which have increased price index: medicine and medical services increased 1.98%; appliances and household appliances by 0.02%; education increased 0.01%.

Total retail sales of consumer goods and services in March 2018 were estimated at VND 343.8 trillion, down 2% MoM and up 9.3% yoy. For Q1/2018, total retail sales of goods and services reached VND 1,048 trillion, up 9.9% yoy, excluding the price factor of 8.6% yoy. Retail sales in the first quarter were estimated at VND 792.6 trillion, up 10.5% yoy, accounting for 75.6% of the total. Considering the first quarter, the revenues of catering services was estimated at VND 128.9 trillion, up 9% yoy; Tourism revenues increased 30.3% yoy; Other services revenues rose 5% yoy.

Chart 4
Retail sales



Source: GSO, BSC Research

Table 1
Increase/decrease of service sectors in September

Nr. Sector	MoM (%)	YoY (%)
1 Food and catering	-0.62	0.52
2 Beverage and	-0.28	1.44
3 Cigarette	-0.17	1.44
4 Clothing	-0.28	2.96
5 Housing &	0.02	1.23
6 Construction material	1.98	22.02
7 Housing appliance	-0.77	2.97
8 Health care	-0.04	-0.48
9 Transportation	0.01	6.06
10 Telecommunication	-0.09	1.13
11 Education	-0.10	2.70

Source: GSO, BSC Research

Foreign Direct Investment (FDI)

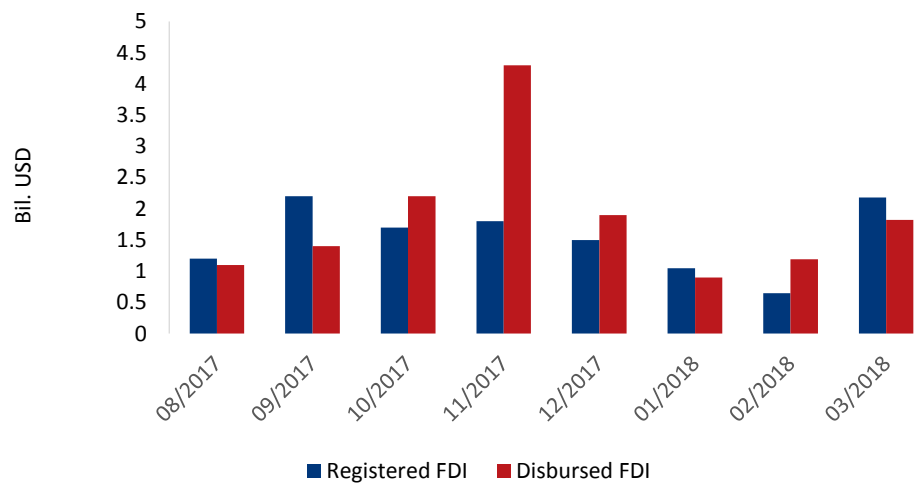
- **Newly registered foreign investment continued to increase in March. Total foreign investment registered in the first quarter increased slightly by 7.2% yoy.**
- **FDI continued to flow into electricity and gas production and distribution, air conditioning; and the processing industry.**

Total newly registered and additional FDI until March 20, 2018 of 618 projects (+ 25.4% yoy) reached USD 2,121.6 million (down 27.3% yoy), plus USD 1,789.9 million of registered capital of 199 licensed projects in previous years. Thus, total newly registered and additional capital reached USD 3,911.5 million (down 43% yoy). Disbursed FDI in Q1 was estimated at USD 3.9 billion, up 7.2% YoY.

Processing industry, manufacturing attracted the largest registered FDI of newly licensed projects reached USD 1,296.3 million, representing 61.1% of total newly registered FDI; Electricity, gas, hot water, steam, and air conditioning reached USD 253.8 million, accounting for 12%; the remaining sectors reached USD 571.5 million, accounting for 26.9%. Including additional registered FDI, the total FDI in manufacturing and processing industries reached USD 2,952.6 million, accounting for 75.5% of the total registered FDI. Top three regions attracted FDI: Ho Chi Minh City (USD 340 million - 16%), Binh Duong (USD 298.5 million - 14.1%), Ninh Thuan (USD 253.9 million - 12%).

Chart 5

FDI (USD billion)



Source: GSO, BSC Research

In Q1/2018, Korea was the largest direct investor in Vietnam with USD 493 million, accounting for 23.2% of the total newly licensed FDI, following by Singapore with USD 421.7 million, accounting for 19.9% and Japan with USD 265.6 million, accounting for 12.5%.

Export – import

- **The trade balance in March was estimated at USD 800 million. Generally from the beginning of the year to March 2018, trade surplus was USD 1.3 billion.**

Export turnovers in March were estimated at USD 19.8 billion, up 38.2% MoM, and up 15.4% yoy. The domestic economic sector gained USD 5.36 billion, up 43.3% MoM, and up 9.2% yoy; Foreign-invested sector gained USD 14.44 billion, up 36.4% MoM, and up 17.9% yoy. Import turnovers in March were estimated at USD 19 billion, up 35.4% MoM, and up 3.1% yoy. Of which, the domestic economic sector gained USD 7.5 billion, up 35.7% MoM; and up 3% yoy. Foreign-invested sector gained USD 11.5 billion, up 35.2% MoM, and increased 3.2% yoy.

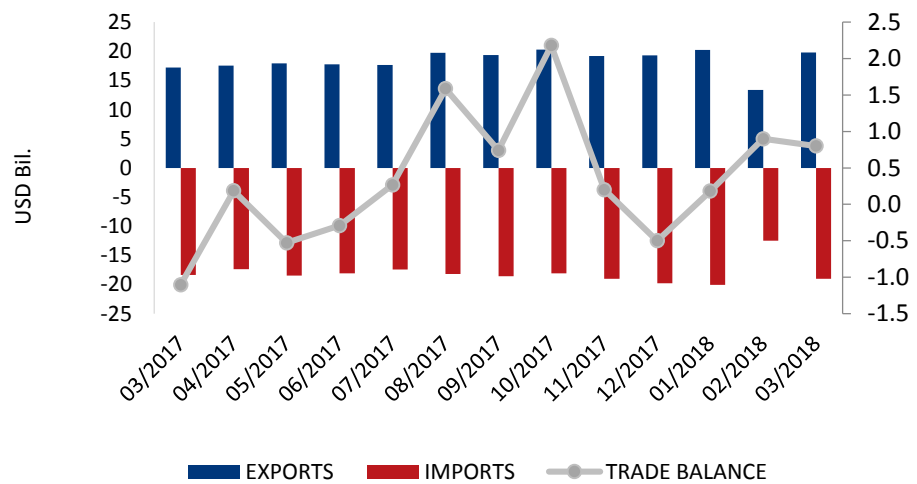
Most of export items had higher turnover than last month, of which some items increased such as rubber increased 81%, wood and wooden products increased 60.1%, rice increased 53.9%, aquatic production increased 48.1%.

In Q1/2018, export turnover was estimated at USD 54.31 billion, up 22% yoy. Excluding the price factor, export turnover increased by 22.1% yoy. Some key export goods showed an increase in value as follows: telephone and components reached USD 12.3 billion, up 58.8% yoy; textiles and garments reached USD 6.3 billion, up 12.9% yoy; Computers and components reached USD 6.3 billion, up 13.2% yoy. However, the export turnover of some goods

declined such as crude oil was USD 590 million, down 21.1% yoy and rubber dropped to USD 408 million, down 19.8% yoy; cassava and cassava products totaled USD 277 million, down 5.3% yoy and pepper totaled \$ 190 million.

Chart 6

Export-import activities (Bil. USD)



Source: GSO, BSC Research

Particular to export market in Q1/2018, the EU is the largest export market of Vietnam with turnover reached USD 9.8 billion, up 19.7% yoy; followed by the United States with USD 9.6 billion, up 11.6% yoy; China reached USD 9 billion, up 46% yoy; ASEAN reached USD 5.6 billion, up 13.5% yoy; Korea reached USD 4.3 billion, up 35.8% yoy; Japan reached USD 4.3 billion, up 12% yoy.

Table 2

Top 10 Export goods

No.	Export goods	Value (Bil. USD)	%YoY
1	Mobile phone	12.3	58.8
2	Textile	6.3	12.9
3	Electronics	6.3	13.2
4	Other machine	3.5	22.3
5	Shoes	3.4	10.9
6	Vehicles	2.1	20.1
7	Woods	1.9	8.0
8	Seafood	1.7	11.2
9	Coffee	1.0	-3.7
10	Vegetables	0.95	35.6

Source: GSO, BSC Research

Table 3

Top 10 Import goods

No.	Import goods	Value (Bil. USD)	%YoY
1	Electronics	10.3	30.2
2	Machines	7.4	-4.3
3	Mobile phone	3.5	17.2
4	Textile	2.5	7.9
5	Steel	2.23	-5.0
6	Gasoline	2.2	37.1
7	Plastic	2.1	21.5
8	Other metals	1.5	19.9
9	Plastic products	1.35	15.3
10	Textile materials	1.2	-3.3

Source: GSO, BSC Research

Import turnovers in March were estimated at USD 19 billion, up 35.4% MoM. In Q1/2018, imports value increased 13.6% yoy, reaching 53.01 billion. Imports of foreign invested sector increased 13.7% yoy, reaching USD 31.75 billion. Imports increased in most commodity groups as compared to February 2018.

Of which, phones and accessories rose 43.5% yoy; machinery, equipment, spare parts increased by 26.8% yoy; electronics, computers and components up 18.7% yoy. In Q1/2018, imports turnover of most goods increased over the same period. Imports value of electronics, computers and components was the highest in March of USD 10.3 billion (+30.2% yoy). Followed by phones and components; Petrochemicals were USD 3.4 billion (+17.2% yoy), USD 2.2 billion (+37.1% yoy).

Particular to import market in Q1/2018, China is still the largest import market of Vietnam with turnover of USD 14.3 billion (+ 13.7% yoy). Korea is the second largest with USD 11.9 billion, up 19% yoy; followed by ASEAN with USD 7.3 billion, up 12.3% yoy; Japan with USD 4.2 billion, up 13.4% yoy; the EU with USD 3 billion, up 7.2% yoy; the US with USD 2.5 billion, up 11.5% yoy.

Forex market

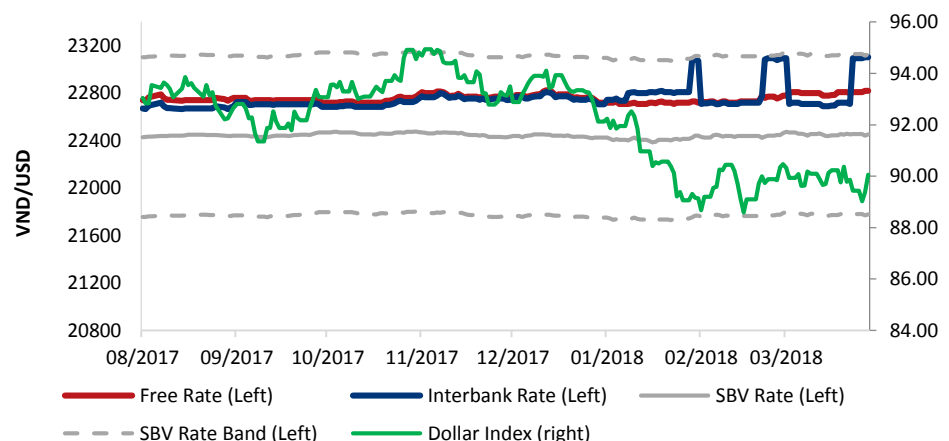
- Contrary to stable movements in the international market, the USD exchange rate in March continued to trend up.

VND/USD central exchange rate in March 2018 fluctuated in the range of 22,440 – 22,473 VND/USD, increased from the range of 22,423 – 22,463 VND/USD in February. March's average level was 22,454 VND/USD.

VND/USD interbank exchange rate in March 2018 fluctuated in the range of 22,690 – 23,104 VND/USD, increased from the range of 22,708 – 23,094 VND/USD in February. March's average level was 22,806 VND/USD.

Chart 7

Exchange rate movements



Source: Bloomberg, BSC Research

VND/USD free exchange rate in March 2018 fluctuated stronger in the range of 22,780 – 22,820 VND/USD compared to the range of 22,715 – 22,780 VND/USD in February. March's average level was 22.801 VND/USD.

Since the beginning of 2018, the VND/USD exchange rate in the unofficial

market has stabilized until the first half of February, and then started to increase steadily and reached the level of 22,820 VND/USD as of 28/3/2018. Meanwhile, the interbank rate tends to move sideways during the second half of 2017 and early 2018. However, strong fluctuations due to recent international tensions have pushed the exchange rate over the top of the year. 2017.

The USD price index at March 28, 2018, decreased by 0.5% compared to the end of February, down 11% over the same period last year. The US dollar price index tends to fall as the FED's interest rate rise is not out of the market's expectations, so the forex market is not volatile, and financial markets respond more strongly to concerns about the trade war between the US and China.

Banking – Interest rate

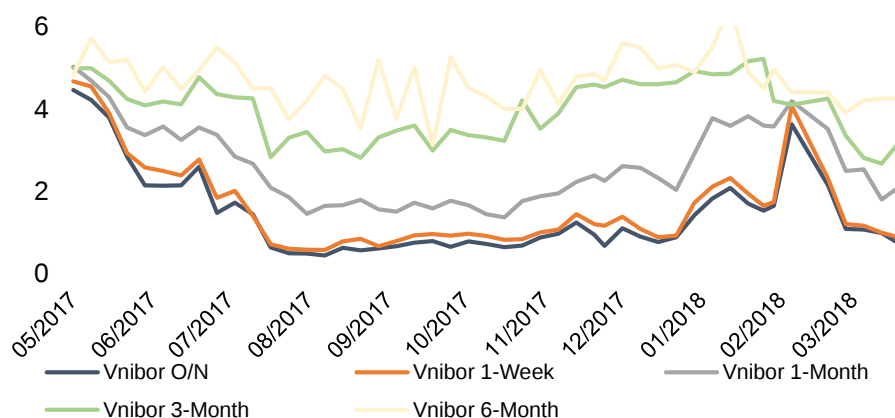
- Credit growth in Q1/2018 reached 2.23%.
- Interbank rates in March tended to decrease in all terms.
- The deposit and lending rates are stable.

Up to March 20, 2018, commercial banks' capital mobilization increased by 2.2% (Q1/2017 increased by 2.43%); Credit growth of the economy was 2.23% (Q1/2017 increased 2.81%); Total means of payment increased by 3.23% (Q1/2017 increased 2.81%).

The deposit interest rates are stable compared to the previous month. In Q1/2018, the average deposit rate of less than one month was 0.9%, from one month to six months was 4.9%, from six months to 12 months was 5.9%, and over 12 months was 6.9%. Lending rate in 5 priority areas was 6%. In the normal business sector, the common interest rate was 9.3-10.3% for terms of 6 months or more.

Chart 8

Interbank interest rate



Source: Bloomberg, BSC Research

The interbank rates tended to decrease. Particularly, overnight and one-week interbank rates fell sharply to below 1%. Meanwhile, for 1-month, 3-month, and 6-month terms, interest rates rebounded after falling in the first half of March.

In Q1/2018, the interbank rates in all terms were advanced sharply at the time of the Tet Holiday when demand for payment in the system increased, then corrected down until the end of March, and interest rates at all terms have a relatively wide fluctuation range, especially for short terms. The net withdrawal by OMO movement and the downward trend in interbank rates in Q1 showed that the liquidity of the whole system was in robust.

Macro forecast in April 2018

On the global scale, Vietnam macro-economy in April 2018 may be affected by some of the following macroeconomic events:

(1) The risk of trade war between the United States and China. Following the decision to impose a 25% tax on imported steel and 10% on aluminum imports, which will come into force on March 23, President Trump continues to sign a USD 60 billion package of tariffs on goods imported from China for reasons of "stealing" intellectual property rights and limiting its investment activities to the United States. China responded that it was not afraid of a trade war with the United States and announced its USD 3 billion tax return, and pursued legal action against the United States at the WTO. However, the imposition of a tax on goods of USD 3 billion in China's USD 136 billion worth of goods imported from the United States shows that Beijing does not want the situation to become tense. The "tariff" ball will also be pushed back, before promising full-scale trade talks are over. In the worst scenario of a trade war, the two sides failed to reach an agreement. Bloomberg forecasts that the world economy will lose about USD 470 billion by 2020. Although Vietnam has actively negotiated for market diversification by signing up to 11 international trade agreements, China and the US are still the two biggest export markets, accounting for 46% of Vietnam's total export turnover. Trade war between the two countries brings both opportunities and challenges for Vietnam. However, if the extended and prolonged war would be detrimental to the world economy and Vietnam is no exception.

(2) Haruhio Kuroda continues to serve as the BOJ governor for a second term of five years. This decision shows that Japan will continue to maintain strong economic stimulus measures to bring stability to the economy. The third largest in the world, even if other major central banks are withdrawing financial stimulus measures. Currently, Governor Kuroda is promoting a very aggressive monetary easy policy to achieve the 2% inflation target, with one of the measures being negative. In 2017, Japan was the first investor in Vietnam with a capital of USD 9.11 billion, accounting for 25.4% of total investment capital and a major trading partner of Vietnam with the total value of two-way trade more than USD 33.4 billion. Kuroda's re-election of the second term will help stabilize the monetary stimulus policies, stimulate the economy of the BOJ, thereby, further facilitating trade investment relations between Vietnam and Japan.

With regard to the domestic situation, the focus in April included the following issues:

(1) Circular No. 21/2017/TT-NHNN on loan disbursement methods of credit institutions and branches of foreign banks. Accordingly, the credit institution shall be considered to disburse the cash loan under the following cases: (1) The customer pays the payment to the beneficiary (excluding the legal person) who do not have payment account at the payment service supplier; (2) The customer

is the beneficiary (excluding legal persons) who do not have payment account at the payment service supplier, having used his own capital for the payment for the cost of plan, business project or project serving for the society which the credit institution decide to lend in accordance with the law. In addition, the disbursement of loan to pay employees is no longer considered a case under Point d, Clause 2, Article 3 of the Circular 09/2012/TT-NHNN.

(2) Inflation might increase. Two main components affecting Vietnam inflation is foods and gasoline. Oil price is affected by the world oil price. Russia and OPEC are considering a historical deal ranging 10 to 20 years to broaden the control of leading oil exporters to the world oil supply in many years ahead. Additionally, OPEC is thinking to change the target oil reserve from average five years up to seven years. These show that the organization are taking actions to increase the oil price. Beside this, the demand for local consumption for summer is higher. The price of travelling services, restaurants and beverages will be increased in order to meet the travelling demand for the end of summer holiday.

(3) Lending interest is unlikely to decrease and exchange rate is slightly decreased. After one week from FED meeting in March which announced to increase interest rate from 1.5% to 1.75%, interbank exchange rate USD/VND surpassed the peak of 2017, much higher than the free market. However, contrary to the local market, international market observed a down trend in USD as the interest rate of FED was up to market's expectation, resulting no strong movement in foreign exchange market, adding to the strong reaction of the financial markets to the trade war concern between United States and China. BSC forecast the exchange rate will slightly decrease accordingly to USD trend in international market. Interest rate is unlikely to decrease but remain at present level due to (1) increasing pressure of local inflation; (2) increasing interest rate from FED; (3) a strong reduction of interest rate at every term in March.

Table 4
Monthly macro indicators

Indicator/Month	2017M8	2017M9	2017M10	2017M11	2017M12	2018M1	2018M2	2018M3
GDP yoy (%)	-	6.41	-	-	6.81	-	-	7.38
GDP ytd yoy (%)	-	6.41	-	-	6.81	-	-	7.38
PMI	51.8	53.3	51.6	51.4	52.5	53.4	53.5	
IIP yoy (%)	8.1	13.2	17	17.2	11.2	20.9	8.0	8.7
IIP ytd yoy (%)	6.7	6.7	8.7	9.3	9.4	20.9	15.2	11.6
Retail Sales yoy (%)	11.7	12.1	12.7	11.7	11.2	9.5	10.7	22.4
Retail Sales ytd yoy (%)	10.3	10.5	10.7	10.7	10.9	9.5	10.1	9.9
CPI mom (%)	0.92	0.59	0.41	0.13	0.21	0.51	0.73	-0.27
CPI yoy (%)	3.35	3.4	2.98	2.62	2.60	2.65	3.15	2.66
Registered FDI (Bil. USD)	13.5	21.3	23.5	27.8	29.7	0.9	2.09	3.91
Disbursed FDI (Bil. USD)	10.3	10.3	14.2	16	17.5	1.05	1.70	3.88
Export (Bil. USD)	18.2	19	19.4	19.2	19.3	2.02	13.4	19.8
Import (Bil. USD)	17.8	18.6	18.5	19	19.8	2.00	12.5	19.0
Trade Balance (Bil. USD)	0.4	0.4	0.9	0.2	-0.5	1.8	0.9	0.8
Exchange rate (VND/USD)	22,748	22,743	22,755	22,761	22,750	22,720	22,801	22,820
Credit growth (%)	10.06	11.02	13.5	-	18.17	0.6	-	2.23

Source: BSC Research

Table 5
Quarterly macro indicators

Indicators/Quarter	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018
GDP yoy (%)	5.46	5.52	6.68	6.68	5.15	6.28	7.46	7.65	7.38
IIP yoy (%)	6.2	7.4	7.6	8.3	4.0	8.2	9.7	14.4	11.6
Retail Sales yoy (%)	8.8	11	9.7	10.2	9.2	11.6	11.6	10.9	9.9
CPI yoy (%)	1.69	2.4	2.57	4.7	4.65	2.54	2.54	2.73	2.82
Registered FDI (Bil. USD)	4.56	7.35	5.2	3.17	6.86	4.98	4.98	5.00	3.91
Disbursed FDI (Bil. USD)	3	6.01	3.7	6.12	3.6	4.1	4.1	8.4	3.88
Export (Bil. USD)	38.6	43.5	44.9	47	36.6	53.2	56.4	58.8	54.3
Import (Bil. USD)	37.4	43.9	44.7	48.2	39	53.7	54.2	56.9	53.0
Balance of Trade (Bil. USD)	1.2	-0.4	0.2	-1.2	-2.4	-0.5	2.2	1.9	1.3
Exchange rate (VND/USD)	22,300	22,177	21,940	22,760	22,829	22,680	22,743	23,720	22,820
Credit growth (%)	1.54	6.2	10.46	18	2.81	7.54	7.54	18	2.23

Source: BSC Research

Stock market in March 2018

Market Outlook

Market index strongly increase after shaking in February. As of 30th March 2018, VN-Index increased 52.9 points, up to 4.72% MoM and HNX-Index increased 4.41 points, up to 3.44% MoM. From the beginning of the year, VN-Index increased 178.7 points (18% ytd) and HNX-Index increased 13.6 points (11.4% ytd).

Key stocks continue to be the main drivers for VN-Index in March. 5 key stocks are VIC (+21.6 points), GAS (+12.3 points), MSN (+10.3 points), BID (+5.5 points), VJC (+4 points). The top laggards were VCB (-4.4 points), HPG (-3.1 points). In Q1/2018, blue chip stocks in real estate and banking sector record impressive gains, being a strong growth engines of VN-Index. VIC, a real estate representative, was up by 51%; BID, a banking representative, was up by 70.2% contributed +38.6 points and +22.4 points respectively for VN-Index. However, ROS (-25.7%) and CTD (-30.29%) are the main laggards for the reduction of VN-Index -8.2 points and -2 points respectively.

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

Month	Indicator	Volume (Bil. share)	Market size (tn VND)
3	1174.46	4.45	3,185.53
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

Source: HSX, Bloomberg, BSC Research

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

Month	Indicator	Volume (Bil. share)	Market size (tn VND)
3	132.46	1.45	242.22
2	128.05	1.02	234.86
1	116.86	1.36	222.90
12	114.72	1.20	221.39
11	105.16	1.14	192.80
10	107.66	1.15	196.16

Source: HNX, Bloomberg, BSC Research

Market capital flow are mainly focused in VN30 stocks, particularly banking and real estate sectors, supporting the positive market sentiment in March and Q1. Banking stocks contributed to the strong rise of the market and play the leading role after Tet Holiday. In March, VIC (+23.5%), BID (11.28%), MSN (27.24%), GAS (+15.36%) are the leaders of the market. VN-Index has rallied strongly and surpassed the historical peak of 1,170 points with high consensus. At the end of March, the market experienced strong shaking around the peak 1,170 points, however, uptrend in mid and long term will be

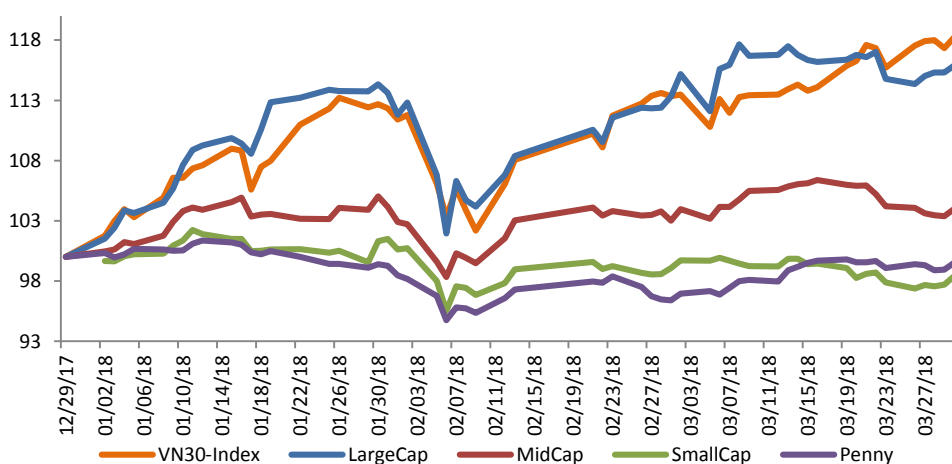
supported from the positive sentiment. VN-Index was in strong division with 14 advancers and 16 decliners in the month, with the strongest increase of VIC and MSN. However, BMP records a highest decline (-26.7%) after the successful divestiture from SCIC.

All stock market types performances

Stock groups by market capitalization continued to strongly divide. From the beginning of the year, VN30, LargeCap and Midcap have increased 18.2%; 15.9% and 4% respectively, while Smallcap and Penny have decreased -1.6% and -0.5% respectively. Market capital flow remained in leading tickers of VN30 stock group and in some real estate, banking and retail tickers. The market sentiment in leading tickers was positive in shaking and decreasing trading day, creating confidence for the rise of other large capitalization stock group. However, the spreading effect did not approach MidCap, SmallCap and Penny as three stock group have experienced weak performance in March when market capital flow only focus on leading stocks in strong shaking trading day.

Chart 9

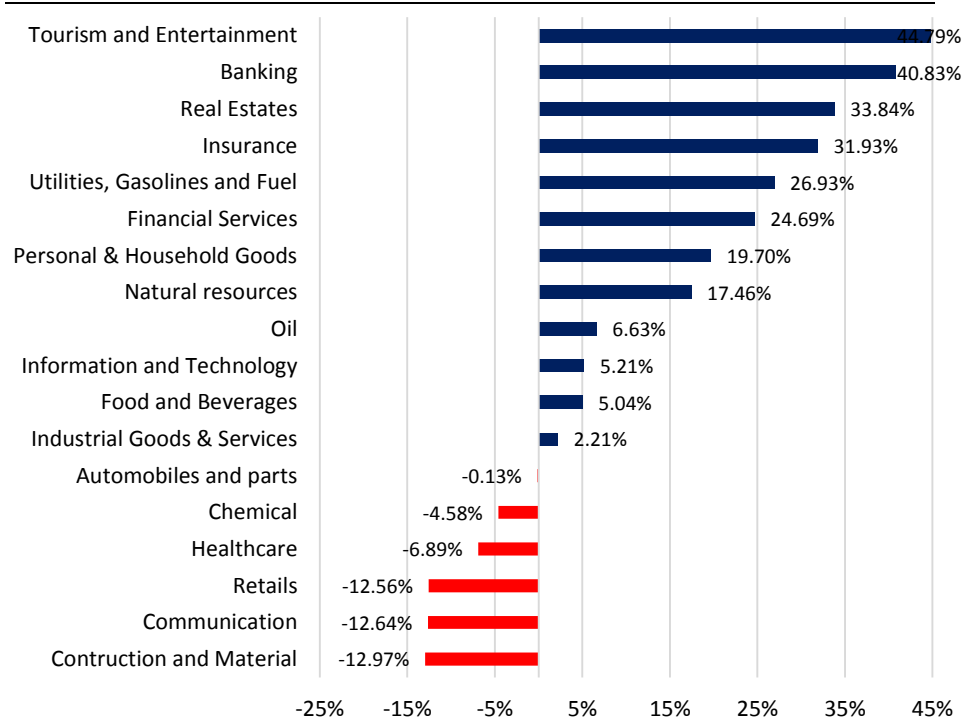
All market cap type stocks performances



Source: Bloomberg, BSC Research

Travel services industry experienced the strongest increase (44.97%), banking sector recorded the second strongest increase (40.83%), mainly driven from the impressive performance of CTG, BID, VCB. The laggards are Housing and Construction Materials (-12.97%). Post and Telecommunications (-12.64%) and Retailing (-12.56%)

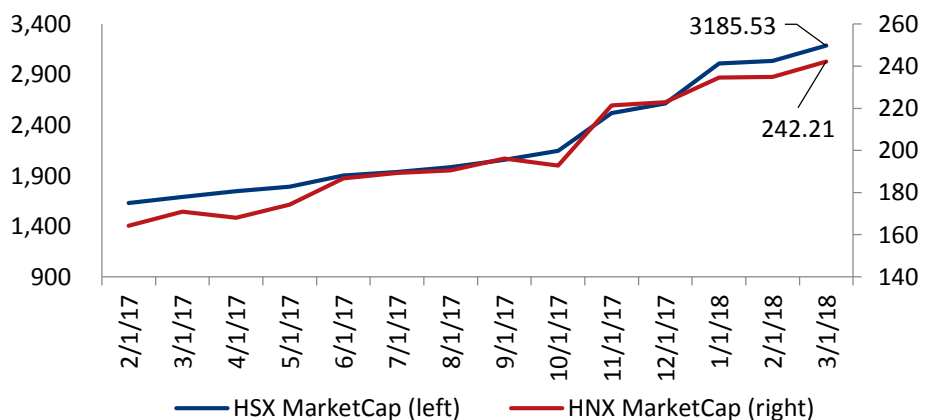
Chart 10
Tier 2 industry



Capitalization scale

Market capitalization on HOSE and HNX exchange reached VND 3,427.75 trillion, equivalent to USD 150.6 billion, up to 4.8% (MoM). In March, HOSE exchange had 50.6 million shares listed, 555 million shares IPO and 150.4 million shares seasoned issue; 1.3 million ETF seasonality issue and 40.1 million ETF delisted.

Chart 11
Capitalization scale



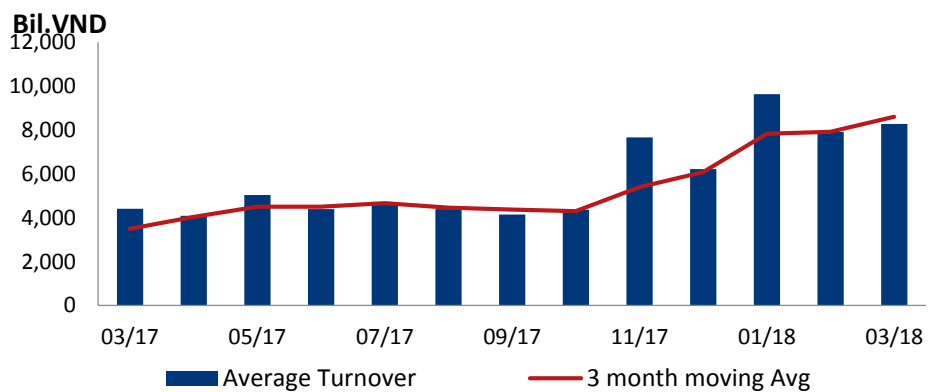
Source: Bloomberg, BSC Research

Capitalization growth of HOSE was 4.92% MoM, while capitalization growth on HNX was 3.14% MoM.

Average Market Liquidity

Average market liquidity on the two exchanges increased by 4.62% compared to February 2018, and remained at VND 8,281 billion per session and equivalent to nearly 363.74 million USD per session. Average liquidity in Q1/2018 reached VND 8,612 billion per session, increased by 41.5% compared to Q1/2017. In March, market liquidity was very good, especially increased during the week VN-Index surpassed the old high.

Chart 12
Average Market Liquidity

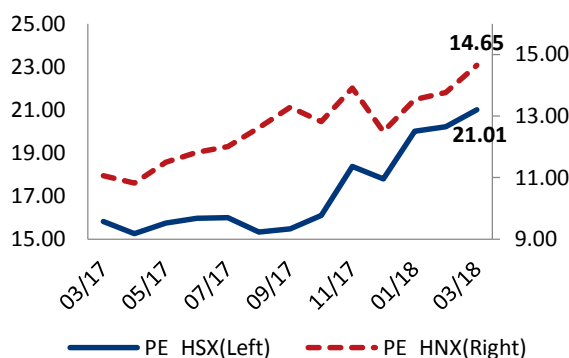


Source: Bloomberg, BSC Research

Price level of VN stock market

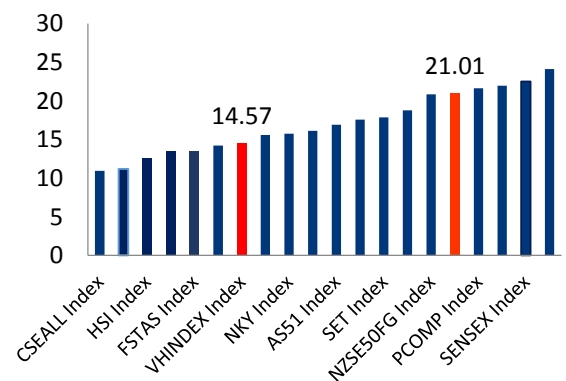
P/E of VN-Index and HNX-Index reached 21 and 14.6 respectively, equivalent to 3.94% Mom and 6.42 MoM, 16.8% ytd and 14.6% ytd. P/E of the 2 exchanges both increased sharply in March. Across the region ranking, the HNX-Index increased by 1 to 14th and VN-Index remained at 5th.

Chart 13
P/E indicator performances on both Exchange



Source: Bloomberg, BSC Research

Chart 14
Vietnam's P/E indicator compared to other countries in the region



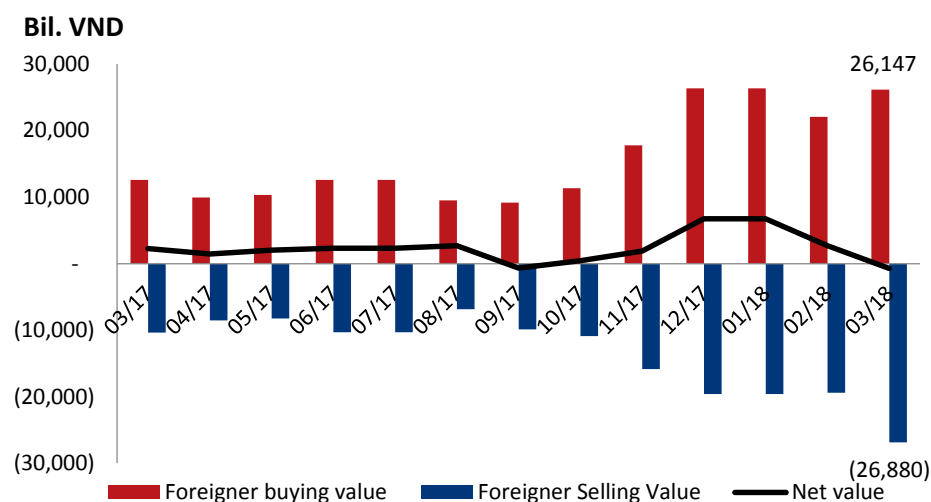
Source: Bloomberg, BSC Research

Foreigner Trade

In March, foreign investors sold a net on both Exchange, in which VIC was bought aggressively and VNM was sold the strongest in the month. Foreign cash flow flowed into Real estate was led by VIC, VRE and DXG.

Chart 15

Foreigner transaction performances on both Exchange



Source: BSC Research

Up to 30/3, foreigners sold a net of VND 639.9 billion on the HSX and VND 94 billion on the HNX. On the HSX, foreigners aggressively bought VIC (VND 969.88 billion), VRE (VND 906.39 billion), PDR (VND 478.41 billion), DXG (VND 357.84 billion), GAS (VND 241.9 billion) and sold VNM (VND -683.55 billion), E1VFN30 (VND -632.95 billion), VCB (VND -564.6 billion). On the HNX, the group focused on buying PVS (VND 135.46 billion), CEO (VND 12.89 billion) and sold VGC (VND -150.7 billion), DNP (VND -16.1 billion).

Table 8

Top 10 stocks traded on HSX in March

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VIC	969.88	VNM	-683.55
VRE	906.39	E1VFN30	-632.95
PDR	478.41	VCB	-564.60
DXG	357.84	CTD	-286.35
GAS	241.90	NVL	-284.45
MSN	185.66	KBC	-210.06
VHC	144.55	DHG	-192.02
SSI	90.38	GMD	-172.69
PVD	83.74	HDB	-155.08
VIC	969.88	VNM	-683.55

Source: BSC Research

Table 9

Top 10 stocks traded on HNX in March

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
PVS	135.46	VGC	-150.70
CEO	12.89	DNP	-16.10
VPI	7.59	DBC	-13.54
BVS	3.35	PGS	-12.73
MBS	3.13	MAS	-12.19
VCS	2.81	SHB	-11.21
HMH	2.73	VIX	-9.43
KLF	2.37	VCG	-6.86
VGS	2.20	PLC	-6.73
SPI	1.88	PVI	-3.93

Source: BSC Research

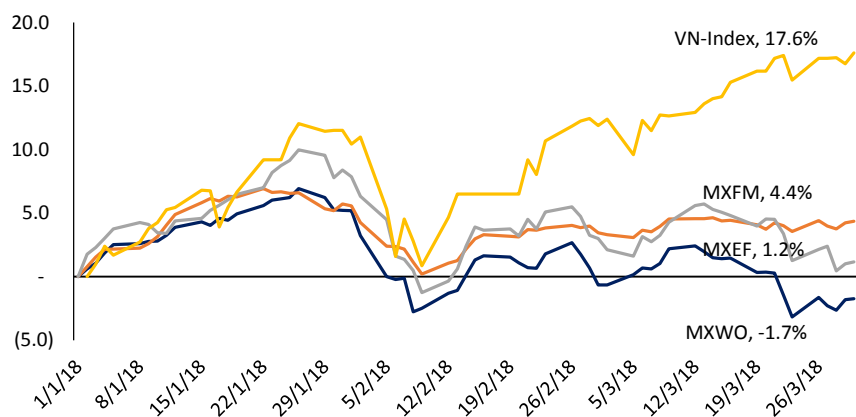
In Q1/2018, foreign investors bought a net of VND 9,343 billion on the HSX and sold a net of VND 635.4 billion on the HNX. Of which, VRE was net bought the most with VND 4,920.5 billion, followed by VIC (VND 2,889.3 billion) and E1VFN30 (VND 1,408.9 billion); the strongest net sold were HPG (VND -1,602 billion), VNM (VND -1,373 billion) and CTD (VND -802.5 billion).

Stock Market Outlook: April

FED increased the interest rate for the first time in 2018 by 0.25% during the meeting in the middle of March. However, the factor strongly affecting the global financial market came from the surprising tariff imposition of the US President on imported steel and aluminum, and tariff valuing USD 60 billion to Chinese goods on 22/3. Concerns on a potential trade war resulted in unstable financial markets. Global indexes declined sharply at both times the US President made the above announcements. The rally in January vanished during March when the MSCI Regional Development Index (MXWO), the MSCI Emerging markets (MXEF) declined by -2.4% and -2.1% respectively. Only the Margin MSCI (MXFM) went up the stream with the increase of 0.36%. In the first quarter, the MXWO, MXEF and MXFM had the regulated rate in USD of -1.7%, 1.2% and 4.4% respectively.

Chart 16

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



Source: Bloomberg, BSC Research

In the Emerged market, popular Indexes declined by an average of -2.7% in March. In the first quarter, United Kingdom and Germany led the downstream with the decline of -8.2% and -6% respectively. US market was the most positive but still witnessed a down of -1.2%.

In the BRIC region, Brazil increased by 0.1% and was the only market to rise. Q1/2018, China led the downside with -4.2% (a stronger declining level if excluding the appreciation in Yuan/USD). Brazil was the strongest market with an increase of 11.3%, followed by Russia with 8.3%.

In the regional market, Vietnam was one of the few markets to go against the global and regional trend with an increase of 4.7% in March. In the first quarter, Philippines market declined the strongest (-6.8%), while Vietnam increased by 19.1%. Vietnam stock market was one of the three top performers, followed by Ghana (+34.1%) and Ukraine (+28.9%).

Chart 17

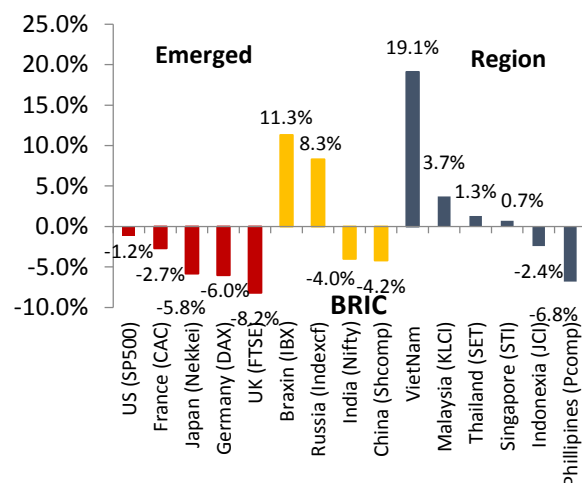
Volatility of the stock indexes in March

Table 10

Foreign investors trading in March

Country	Trading in March (mil \$)	Q1 2018
India	2,057	2,165
Indonesia	(1,085)	(1,713)
Japan*	(19,310)	(18,038)
Malaysia	(18)	549
Philippines	(371)	(621)
Korea	(449)	(1,084)
Sri Lanka	28	67
Taiwan	(1,648)	(2,267)
Thailand	(352)	(1,839)
Pakistan	(21)	32
Vietnam	(28)	488

Source: Bloomberg, BSC Research

In March, Vietnam stock market was also affected by the US tariff imposition on steel and aluminum in the beginning of March. However, market movement gradually separated from global market due to the positive momentum of the leading stock group and from positive macroeconomic signals. VN-Index increased by 4.7%, closing at 1,174.6 points, the highest in the history. Market movement during the month was similar to our positive scenario, in which the market has cumulated and surpassed the high of 1,170 points with supports from key stocks. In Q1/2018, VN-Index increased by 19.3%, equivalent to 190 points. Market growth rate, however, mostly focused on some major stocks. Five major stocks contributed 112, equivalent to 64% of market rally, including VIC (+51.6%, 38.6 points), GAS (+34.9%, 23.9 points), BID (+70.2%, 22.4 points), VCB (+29.8%, 21.4 points) and MSN (+48%, 15.6 points). Trading value and net buy activities of foreign investors increased sharply in January, then declined in February and March.

In Q1, we published analysis report and recommendations in 2018 including Vietnam Macro and Market Outlook of 2018 ([Link](#)) and Vietnam Sector Outlook 2018 ([Link](#)); Report on effects of CPTTP to Sectors ([Link](#)), Trade war Outlook ([Link](#)). Besides, we visited the enterprises and published analysis, recommendation and update reports such as TNG ([Link](#)), PGI ([Link](#)), DXG ([Link](#)), AAA ([Link](#)), BSR ([Link](#)), Techcombank ([Link](#)), CVT ([Link](#)), PVT ([Link](#)), DIG ([Link](#)), VSC ([Link](#)), ACB ([Link](#)), VIS ([Link](#)), EIB ([Link](#)), NT2 ([Link](#)), CSM ([Link](#)), DPM ([Link](#)), GDT ([Link](#)), VIB ([Link](#)), DRC ([Link](#)), VGT ([Link](#)), TCM ([Link](#)), CSV ([Link](#)), DPR ([Link](#)), VPB ([Link](#)), HPG ([Link](#)), PNJ ([Link](#)), PVS ([Link](#)), PVB ([Link](#)),

MBB ([Link](#)). Enterprise Reports are due to be completed in March before the Annual General Meeting and also the proper time to express investment opinions before the announcement time of Q1 Income Statement.

Notes for April and Q2:

Vietnam economy is in a good cycle, GDP growth in the first quarter was the highest in the past 10 years and macro is stable. Growth should continue to be verified in the second quarter. GDP growth in Vietnam in the first quarter increased the strongest in the past 10 years and reached 7.38%. Inflation in March fell by 0.27%, bringing the first quarter inflation down to 2.82%. Industry index rose by 11.6%, total retail sales increased by 9.9% and export reached USD 1.3 billion. These figures show that the Vietnam economy is in a very positive state with high growth rates and a stable macroeconomics. GDP grew sharply partly due to increase in production by Samsung and Formosa. Therefore this positive change should be confirmed in the second quarter. Still, these data are still important information to bolster investor confidence and create a platform for growth in the stock market that will help Vietnam's market less affected by the global stock market.

Annual shareholders' meeting of listed companies, Q1 earnings announcement, dividend payment plan, and business plan for 2018 are short-term supportive news in April. The annual shareholders meeting season will take place in April. While the improvement of macroeconomics has a positive influence on investors' sentiment forming the fundamental for the stock market to rally in the mid-term, Q1 results are the motivation for the market to grow in the short-term. Movements of sectors and stocks will be strongly diversified, cash flow will not only focus on large cap stocks but will also spread to promising outlook stocks.

The fourteenth session of the National Assembly will take place from May 21 to June 18, with many bills passed. At this session of the 5th National Assembly, 7 draft bills, 1 draft resolution will be passed; comment on 11 bills. In addition, the National Assembly also reviews the socio-economic reports, the State budget and the State budget settlement. The content of the law has not been announced yet, but the amended VAT law, in which the tax amendment with the fertilizer industry continues to be considered by enterprises and investors after a long time petition.

After a long delay, the Ho Chi Minh Stock Exchange plans to launch Covered Warrant (CW) in May. Ho Chi Minh Stock Exchange is submitting to the Ministry of Finance and expected to launch CW in March. CW is a new product, with a large leverage and higher profitability than common stocks. 23 stocks in the VN30 were announced as being CW underlying. Before investors have more options with CW, the stocks that meet these criteria, especially with good fundamental stocks will be good choice for investors to

anticipate the trend of buying and preparing portfolio of the listed companies by Securities companies.

The policy of applying unilateral tax to some commodities and countries with large export surplus is negatively affecting the global trade. Trade war will depend on negotiations in April. The US government is aggressively increasing pressure to cut trade deficits with exporters of the United States. The decisions of applying tax which are 25% on imported steel and 10% on imported aluminum, and a tariff of USD 60 billion to imported goods from China are the beginning of that move. Other parties are trying to reach a negotiated settlement in order to avoid conflict when the United States officially levies taxes and retaliation from China. The United States and China are the two largest exporters and importers of Vietnam, accounting for 46% of Vietnam's total import and export value. The trade war between these two countries will bring both opportunities and challenges for Vietnam. However, if the war is extended and lasting, it will be a disadvantage not only for the world economy but also for Vietnam. Bloomberg predicts the world economy will lose about USD 470 billion by 2020 if the trade war occurs.

FED is expected to raise the interest rates three times in 2018, there may be one in the second quarter. FED continues to be optimistic about the outlook for the US economy at the policy session in March. The outlook of US economic growth has been raised to 2.7% in 2018 and 2.4% in 2019. FED is expected to raise the inflation rate three times in 2018. According to data from Bloomberg, the probability of FED to raise interest rates in the session in May was 25.7% and in the session in June was 79.4%. Thus, FED may be able to raise rates again in the second quarter, and great possibility will be in June's session.

FED session	Increase rate	Possibility of increase
2/5/2018	0.25%	25.7%
13/6/2018	0.25%	79.4%

The act of increasing interest rates of FED partly influenced the foreign capital to regional countries. This trend may continue along with the rising of global trade risks when major nations cannot settle their current conflicts.

Table 11

Factors affecting the market in March 2018:

Event	Impact on the stock market
Positively GDP growth in the first quarter and macroeconomic stability facilitated the Government to give solutions to promote the growth in the first quarter to complete and exceed the year target.	Positive
Season of annual shareholder meeting, Q1 results and 2018 prospects	Positive
The fourteenth session of the National Assembly from May 21 to June 18, many laws passed. Expectations of the revised VAT Law will be included in the session	Positive
CW is scheduled to launch in May	Positive
Listing and privatization of large enterprises. The market has more quality goods	Diluting, depending on the cash flow
Restructure of the ETF portfolio second time in 2018 from 4-15 March	Local effect, increase liquidity

FED meeting in May and June, the possibility of raising interest rates by 0.25% likely to happen in June session.	Negative
Judging of serious economic cases, expanding of new cases.	Low risk, unexpected factors
The world stock market is in negative trend	impact on psychology and foreign cash flow
P/E, P/B of VN-Index kept at high level, higher than the regional average. Fluctuations of prices focused on some Blue chip stocks	Potential risk when psychological factors, cash flow change
Source: BSC Research	

The stock market in March strengthened the escaping from the world movements. Domestic market maintained good momentum thanks to positive changes from the macro economy and the first quarter of business results of listed companies. However, the world market is affecting some foreign capital flows, leading to a slowdown in liquidity and the overall cash flow of the market. The money flow was not as strong as in January, causing the range of the market to narrow, the upward movement only concentrated in a few stocks. This trend is still the main trend in the second quarter. In April, The market has good chance of growth thanks to the first quarter results, which may trigger a correction in May as the market enters the lack of information period and recovers in the second half of June. Based on the assessment of market movements and short-term market information, the price and volatility scenarios proposed in April are as follows: VN-Index mobilized to accumulate momentum through 1,170 points. Case 1 is appreciated in the following 2 cases:

- In positive case, after some consolidation sessions at 1,170 points, VN-Index continued to gained, moving far away this threshold with the support of banking, finance and real estate stocks. VN-Index could reach the short-term peak at 1,250 points, trading continues to division along cause of Q1 results and improved volume.
- In negative case, VN-Index surpassed the peak after 11 years but cannot keep the high price level and correct to 1,130 points. Index will accumulate in the range of 1,130-1,170 points. Negative impact from the global market is the factor affecting market sentiment and cash flow into the market.

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

- 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;
- Steel, Oil & Gas (newly listed) stocks gained positively from world fuel price increase.
- Leading stocks in the retail sector have high growth and dividend yields.

- Buying small portion of Small and medium stocks with good business results and positive outlook as VN-Index accumulating and widespread cash flow.
- In the 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](#)).

Disclosure

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BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3821 8885
Fax: +84 8 3821 8510

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