

## Vietnam Monthly Review

### 2018 M04

## BSC Research

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## Macroeconomics

- PMI in April increased to 52.7 points, equivalent to 2.13% compared to last month and decrease 2.59% yoy.
- Total retail sales of consumer goods and services in April 2018 were estimated at VND 350.5 trillion, increased 1.7% from the previous month and up 9.5% yoy.
- Total registered FDI in April 2018 declined 37.3% over the same period in 2017 however the capital rose by 6.3%. Real estates and manufacturing are the two leading industries in attracting FDI.
- The interbank rate in April slightly increased and fluctuated between VND 22,800-22,845 VND/USD, decreased compares to the range previously of 22,785 – 23,850 VND/USD. The interbank rate tended to increase due to the demand before the holidays.

## Stock market

- Market movement of both VN-Index and HNX-Index were relatively negative in April when they fell markedly, VN-Index and HNX-Index lost -10.58% MoM and -4.23% MoM, respectively.
- The average trading value on both exchanges increased by 0.92% compared to March 2018, and remained at VND 8,354 billion/session equivalent to USD 367 million/session.
- Foreigners were net buyers on both HSX and HNX with VND 1,495.64 billion and VND175 billion respectively.
- P/E of VN-Index and HNX-Index reached 18.8 and 14.23 respectively, equivalent to -10.5% Mom and -5.63% MoM. P/E of HNX-Index remained at 14<sup>th</sup> ranking, P/E of VN-Index remained at 5<sup>th</sup> in the region.

## Market outlook

In short-term, the selling pressure still exists in some blue-chip stocks which have superior valuations from the market and from the portfolio restructuring of foreign investors. Thus, the market is still likely to have a negative territory around 1,000 points (Fibonacci 23.8% of the long cycle from 2012, also the week bottom of adjustment in February) in the first 1-2 weeks of May and will accumulatively recover in the second half of May. VN-Index mobilized in the range of 1,000-1,100 points in May. In next month, BSC gave two scenarios for the market as follows:

- In positive case, the market goes back to testing threshold 1,115 points. After strong rallies, banks' stocks with strong improvement in profit will support the recovery of the index. The liquidity only remains at an average level, the index may gradually stabilize, creating a cumulative range at around 1,100.
- In negative case, VN-Index will follow the V-D-V pattern after failing to overcome the resistance of 1,115 points and falling steeply below 1,000 points. Negative volatility from the world market, foreign selling is the factor affecting investor's psychology 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.
  - Highly defensive stocks are in Consumption, Pharmaceuticals and Power industries.

# Macroeconomics of April 2018

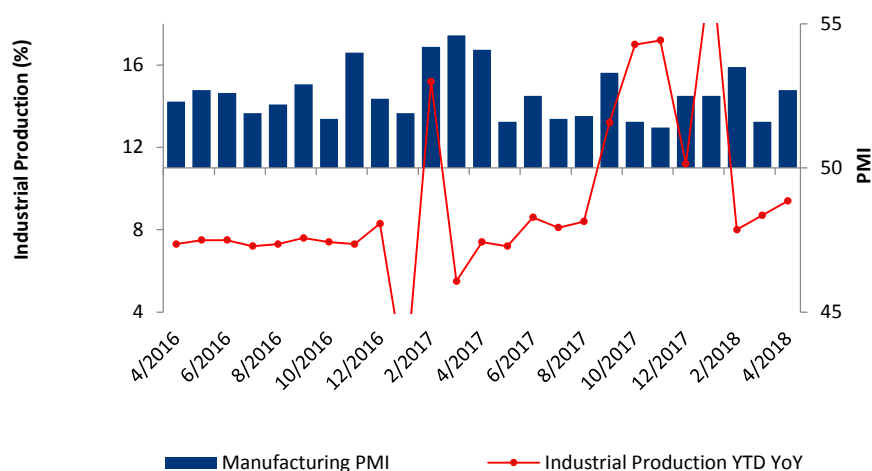
## Economic growth

- **PMI index in April 2018 rose to 52.7 points (2.13% MoM and -2.59% yoy)**

**Industrial production index estimates to increase 1.5% MoM and 8.7% yoy.** Of which, manufacturing sector continued to observe a strong increase of 12.3%, electricity production and distribution index grew by 9.6%, water supply, administrative activities and waste treatment gave a rise of 2.6%, mining declined 5%.

Chart 1

**Industrial Production Index & PMI**



Source: GSO, Markit, BSC Research

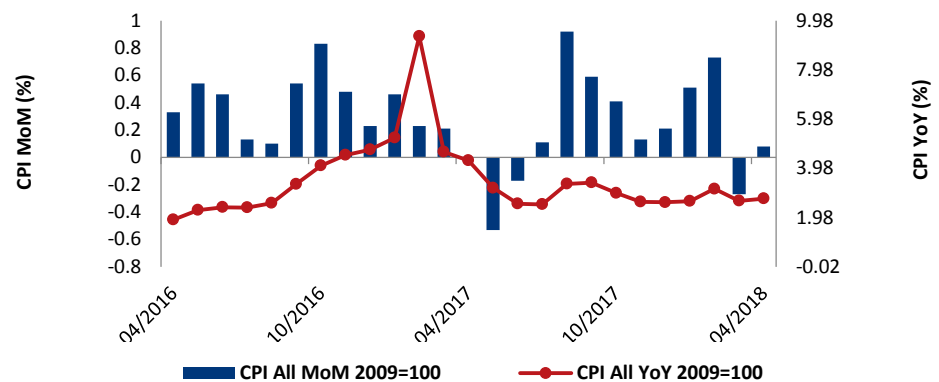
**PMI index in April 2018 rose to 52.7 basis points** due to the improvement of manufacturing sector as the increasing demand from customers helping the output and new orders both grew, leading to employments and sales also climbed.

## Inflation

- **CPI in April slightly increased 0.08% MoM, mostly because of transportation group with the highest increase of 1.18% owing to 2 adjustments of rising petroleum price in 7/4/2018 and 23/4/2018.**

**CPI in April increased 0.08% MoM, and by 2.75% over the same period last year.** The basic inflation in April rose 0.09% MoM and increased 1.38% over the same period last year.

Chart 2  
Monthly CPI movements

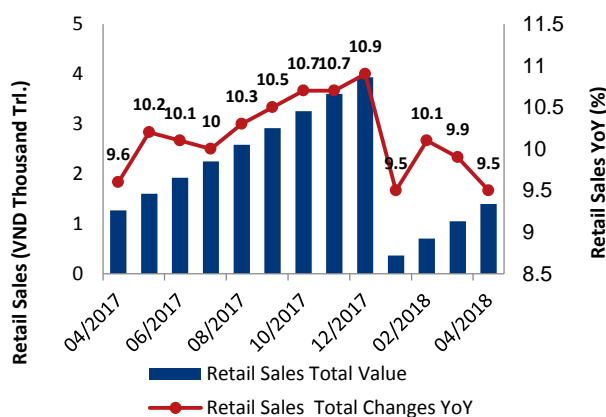


Sources: GSO, BSC Research

The price index of 6/11 groups of goods and services recorded a growth, of which the transportation group had the highest increase of 1.18% owing to 2 adjustments of rising petroleum price in 7/4/2018 and 23/4/2018 (affected general CPI +0.11%). Group of housing and construction materials was up 0.18% since the price maintenance materials, electricity and water soared. Appliances and household appliances rose by 0.09%; culture, entertainment, tourism increased 0.08%; education increased 0.06% (education services +0.05%); medicine and medical services increased 1.98% (medical services unchanged). Other groups had declined or unchanged indexes.

**Total retail sales of consumer goods and services in April 2018 were estimated at VND 350.5 trillion, up 1.7% MoM and 9.5% yoy.** Total retail sales of goods reached VND 265.8 trillion, +1.8% MoM and +10.9% yoy; the revenue of catering services was estimated at VND 43.8 trillion, up 2.3% MoM and 12.3% yoy; Tourism revenue was VND 2.3 trillion, reduced 1.5% MoM and increased 11.4% yoy; Other services revenues were VND 38.1 trillion, decreased 1.6% yoy.

Chart 3  
Retail Sales



Source: GSO, BSC Research

Table 1  
Increase/decrease of service sectors in April

No.Sector	MoM (%)	YoY (%)
1 Food and catering	-0.18	1.0
2 Beverage and Cigarette	0.0	1.37
3 Clothing	-0.01	1.41
4 Housing & Construction material	0.18	3.38
5 Housing appliance	0.09	1.23
6 Health care	0.02	12.95
7 Transportation	1.18	5.64
8 Telecommunication	-0.08	-0.53
9 Education	0.06	6.11
10 Entertainment	0.08	1.1
11 Other	-0.02	2.59

Source: GSO, BSC Research

## Foreign Direct Investment (FDI)

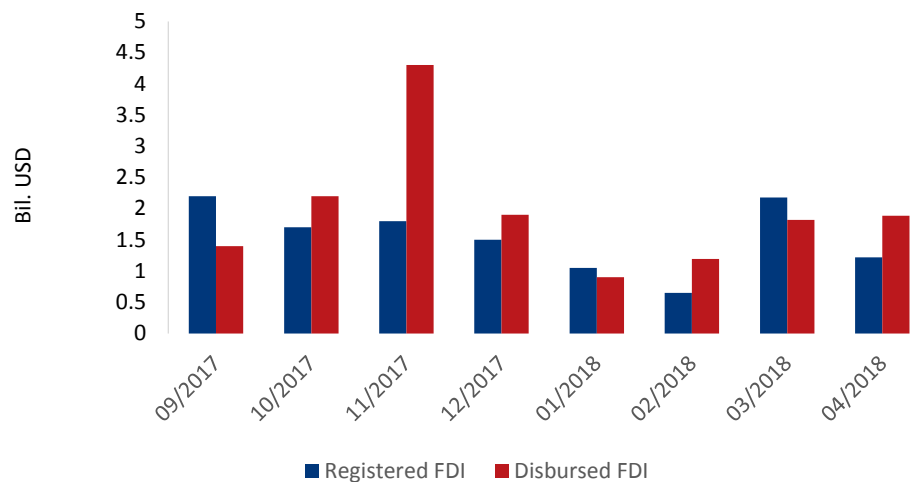
- Foreign investment till 20/4/2018 plunged compared to the same period last year while total foreign investment registered just increased slightly.
- FDI continued to flow into real estate as well as manufacturing and the processing industry.

Total newly registered and additional FDI until April 20, 2018 of 883 projects (+ 20.3% yoy) reached USD 3,553.8 million (down 27.2% yoy), plus USD 2,244.8 million of registered capital of 303 licensed projects in previous years. Thus, total newly registered and additional capital reached USD 5798.6 million (- 43% yoy).

Disbursed FDI in April was estimated at USD 5.1 billion, up 6.3% YoY.

Char 4

**FDI (USD billion)**



Source: GSO, BSC Research

Processing industry, manufacturing attracted the largest registered FDI of newly licensed projects reached USD 1,926.1 million; real estate reached USD 455.5 million, accounting for 12.8%; the remaining sectors reached USD 1,172.2 million, accounting for 33%. Including additional registered FDI of those projects licensed from previous years, then the total FDI in manufacturing and processing industries reached USD 3,945 million, accounting for 68% of the total registered FDI, real estate activities reached USD 564.5 million, accounting for 9.8%; others were with USD 1,289.1 million, accounting for 22.2%. Top three regions attracted FDI: Hanoi (USD 498.7 million – 14%), Ho Chi Minh City (USD 408 million – 11.5%), Binh Duong (USD 364.8 million – 10.3%).

In April 2018, Japan was the largest direct investor in Vietnam with USD 877.7 million, accounting for 24.7% of the total newly licensed FDI, following by

Korea with USD 830.8 million, accounting for 23.4% and Singapore with USD 459.2 million, accounting for 12.9%.

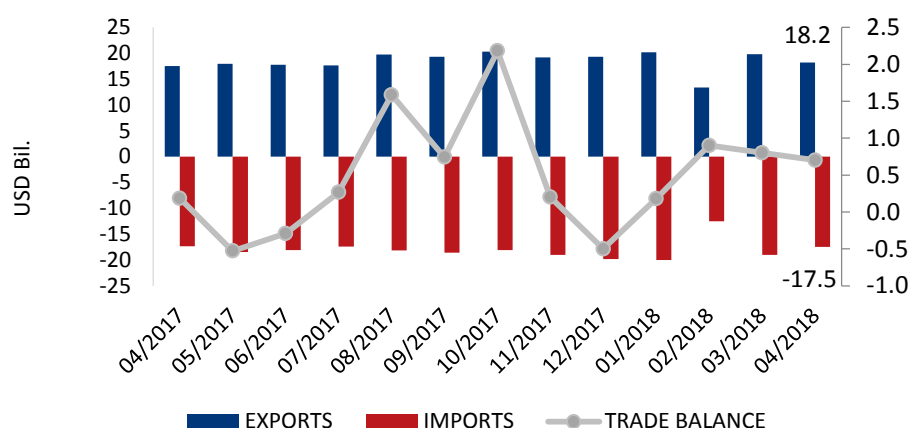
## Trade, Import and Export

- **The trade balance in April is expected to continue to trade surplus of USD 700 million. From the beginning of the year to April 2018, the trade surplus was USD 3.39 billion.**

Export turnover in April was estimated at USD 18.2 billion, down 13.9% over the previous month mainly due to the number of working days in the month was less than 3 days compared to the previous month and Galaxy S9 and S9+ were exported by Samsung. Exports in March rose 4.1% over the same period last year, of which the domestic economic sector hit USD 5 billion, down 12.5% mom but up 8.4% yoy; Foreign invested sector decreased by 14.4% mom, but increased by 2.5% yoy.

Chart 5

**Import and Export (billion USD)**



Source: GSO, BSC Research

Import turnovers in April were estimated at USD 17.5 billion, down 7.3% from the previous month, but slightly up 1.2% over the same period of 2017. Of which, the domestic economic sector reached USD 6.9 billion, down 7.5% mom but up 6.1% yoy. The foreign invested sector was USD 10.6 billion, down 7.2% mom and down 1.8% yoy.

Most of exports in April saw a decrease in value compared to last month, of which some items decreased sharply: iron and steel decreased by 32.1%; phones and components decreased 24.1%; electronics, computers and components decreased by 11.1%; machinery and equipment decreased by 12.5%.

Turnover of some items decreased compared to the previous month: machinery, equipment decreased 4.4%; plastic decreased 10.6%; wheat

decreased by 13.4%; electronics, computers and components down by 18.9%; Liquefied gas decreased 19.3%; Petroleum down by 19.6%; rubber decreased 23.9%.

Table 2  
Top 10 export items

No	Exported Good	Turnover (bil USD)	%YoY
1	Phones and components	4.0	-24
2	Textile	2.2	-5.1
3	Electronics and computers	2.0	-11
4	Machinery and equipment	1.3	-12.5
5	Footwear	1.1	-7.8
	Wood & Products from		
6	wood	0.68	-6.2
7	Aquaculture	0.65	-7.4
8	Vehicles and accessory	0.6	-16.8
9	Rice	0.35	2.7
10	Vegetable	0.32	-0.06

Source: GSO, BSC Research

Table 3  
Top 10 imported goods

No	Imported Goods	Turnover (bil USD)	%YoY
1	Electronics and computers	3.0	-19
2	Machinery and equipment	2.6	-0.5
3	Phones and components	1.1	12
4	Fabric	1.0	12
5	Iron and Steel	0.8	8.7
6	Plastic	0.7	-11
7	Petroleum	0.6	-20
8	Other metals	0.6	-12
9	Textiles, garments, footwear materials	0.5	1.8
10	Plastic products	0.4	-13

Source: GSO, BSC Research

## Forex market

- Free and central rates tended to increase in April, while interbank rates tended to decrease. Overall, the exchange rate was stable

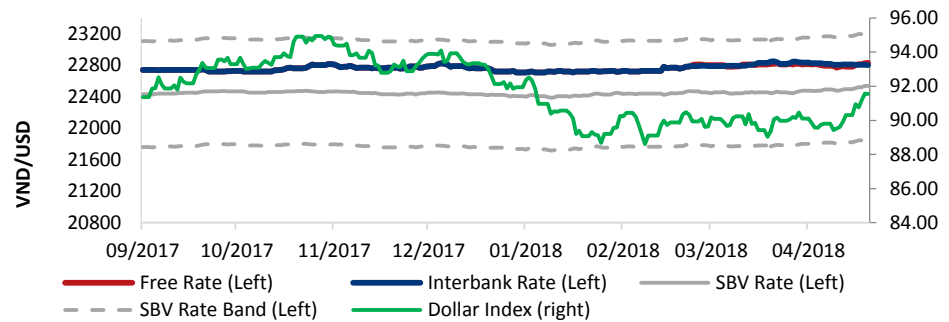
**Central exchange rates in April fluctuated from 22,442 to 22,539 VND/USD,** increased from the range of 22,440 - 22,473 VND/USD in March. The monthly average is 22,487VND/USD.

**Interbank exchange rate in April ranged from 22,800 to 22,845 VND / USD,** slightly lower than the band of 22,785 - 22,850 VND / USD in March. The average monthly was 22,819 VND / USD.

**Free exchange rates in April ranged from 22,770 to 22,830 VND / USD,** increased from the band of 22,780 - 22,825 VND / USD in March. The average free exchange rate in the month was 22,804 VND / USD.

**The April US dollar index rose 1.7% from the end of March, down 8% from the same month last year.** The index hit its highest level in April at 91.56 on April 26. The index now stands at 91.54.

Chart 6  
Exchange rate movements



Source: Bloomberg, BSC Research

## Bank - Interest rate

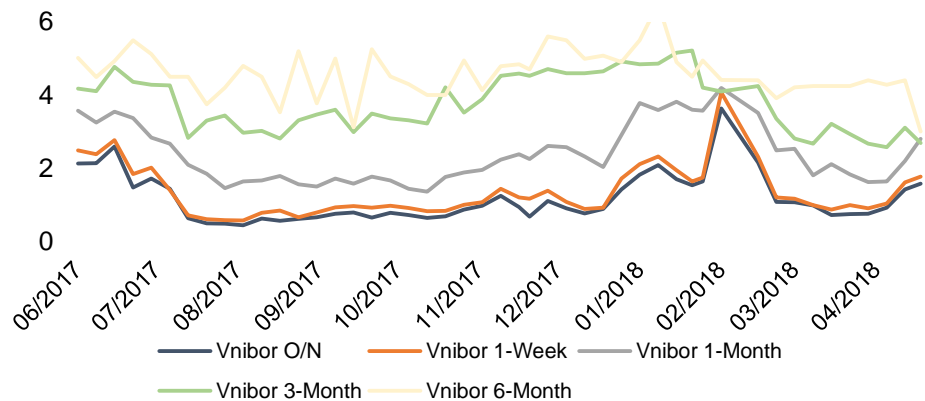
- Interbank interest rates increased sharply in April for short terms due to increased demand before 30 April and 1 May.
- The deposit and lending rates are stable.

Interbank rates surged sharply in short terms, while tended to fall on longer terms, mainly due to increased demand before the holiday season. As of April 26th, interbank rates for overnight, one week, and one month terms were up 1.58%, 1.77%, and 2.8% respectively; while 3 months and 6 months terms down to 2.69% and 3% respectively.

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

Chart 7

Interbank interest rates



Source: Bloomberg, BSC Research

From the beginning of 2018, the State Bank of Vietnam (SBV) continuously draws money to neutralize the amount of money raised in foreign currency. This activity lasted until mid-April, when consecutive sessions appear without winning volume. Last week, the SBV issued only VND 200 billion worth of 28-day Treasury bill at discount rates of 0.9% per annum. There were VND 20,170 billion of treasury bills maturing in the period. Total volume of State Bank of Vietnam's outstanding bills as of end of April 20 was VND 70.280 billion. This is also in line with the trend that from the second quarter the business activities of enterprises are accelerated, the credit growth is also higher than in the first month of the year.

## Macro Forecast in May 2018

On an international scale, Vietnam's macro-economic performance in May might be affected by some of the following impacts:

- (1) *US-China trade tensions continue to rise again.*** The latest US moves towards China are: (1) considering the use of the International Emergency Economic Permissions Act to prevent China from investing in sensitive technologies in the United States; (2) Intends to impose anti-subsidy tax on imported alloys from China up to 113%; (3) a ban on the sale of components to ZTE, China's telecom equipment maker, for seven years; (4) accused Beijing of currency devaluation to boost exports. In return, the United States imposed 179% on imported sorghum and imposed an anti-dumping duty of 26% -66.5% on synthetic rubber from the United States. Trade tensions between the two largest economies in the world are likely to lead to a broad-based trade war that has a strong impact on the global economy, including Vietnam. Although the US Treasury Secretary is considering visiting China in an attempt to resolve trade disputes between the two countries, no timely confirmation has been made.
- (2) *The suspension of steel and aluminum taxes on the United States with Canada, Mexico, Argentina, Australia, Brazil, the EU and Korea will expire on May 1.*** Earlier, this move was thought to help stop the threat of trade wars against key allies, while the US focused its trade measures on China. The imminent expiration of the policy will put pressure on the negotiators. Where the parties find commons, it will help ease the situation of world trade tension. On the contrary, it will make the world trade tenser, leading to a global trade war.
- (3) *Middle East tensions continue to increase.*** The United States and its Western allies carry out military operations to punish Syria for a toxic attack in an anti-government uprising that left dozens dead. In addition, a leading Saudi Arabian air strike killed the head of the Houthi rebels in Yemen. The tensions in the Middle East have increased the likelihood of a disruption in oil supplies, prompting a sharp rise in world oil prices, which is projected to reach USD 80 a barrel. Petroleum prices in Vietnam are highly dependent on world oil prices, putting pressure on inflation in the Vietnamese economy. The oil industry is expected to benefit from international oil prices.
- (4) *Fed continued to hold important meetings in May to consider raising rates based on the assessment of growth indicators of the US economy.*** Earlier on March 21, the Fed decided to increase 0.25% base rate and plans to increase two more, even three times this year if the US economy continues to improve. Currently, Fed is now trying to adjust its policy to meet rising inflation expectations without negatively impacting the US economy. The probability that Fed's values will raise interest rates three

more times is 80%, higher than the previous 66.3%. If this happens, along with Mr. Trump's economic protectionism, the ability of US investors to consider redirecting investment back to the United States, causing significant impact on investment resources in Vietnam in the coming phase.

Vietnam macro-economy in May has the following impacts:

- (1) Opening the 5<sup>th</sup> session of the XIII National Assembly on May 20.** Laws, ordinances related to land, construction, housing, environment, investment business, specialized inspection and planning are government priority. Of which, 2 proposals for comments and approval at the 5<sup>th</sup> session includes Amendment on Law of Public Investment, Law of Pharmacy, Law of Food Safety, Law of Tobacco control, Law of Electricity, Law of Chemicals, Law of Energy Conservation and Efficiency, Law of Science Technology, Law of Children, Law of Notary, and Law of Investment. Two proposals for comments at the 5<sup>th</sup> session and for approvals at the 6<sup>th</sup> session includes Amendment on Law of Construction, Law of Housing, Law of Urban Planning, Law of Real Estate, and Law of People's Police. Moreover, the resolution of the Standing Committee of the National Assembly on environmental protection tariffs will be commented at the meeting.
- (2) Interest and inflation.** Commercial banking interest rate is likely to slightly increase in May. Despite the government request of not to raise interest rate in order to support the corporates, the pressure from the 3<sup>rd</sup> time of raising interest rate by FED and higher American government bond yield makes interest rate to increase in near term. Inflation may slightly rise compared to April due to food and beverage whose weight is highest may increase because May is the beginning month of traveling and vacation seasons; and oil is affected by the world oil uptrend.
- (3) FDI project size in May continues to reduce.** From the beginning of the year, total amount of newly registered, increased and contributed capital and purchasing shares is USD 8.1 bil (-24% yoy). The average amount of registered capital of FDI project became smaller, equivalent to 30% of 2015, of which, 1 to 2 million USD projects are numerous and Vietnamese corporates are totally capable of. Up to now, Vietnam has not received any billion USD registered FDI projects.

Table 4  
Monthly macro indicators

Indicator/Month	2017M9	2017M10	2017M11	2017M12	2018M1	2018M2	2018M3	2018M4
GDP yoy (%)	6.41	-	-	6.81	-	-	7.38	-
GDP ytd yoy (%)	6.41	-	-	6.81	-	-	7.38	-
PMI	53.3	51.6	51.4	52.5	53.4	53.5	51.6	52.7
IIP yoy (%)	13.2	17	17.2	11.2	20.9	8.0	8.7	9.4
IIP ytd yoy (%)	6.7	8.7	9.3	9.4	20.9	15.2	11.6	11.4
Retail Sales yoy (%)	12.1	12.7	11.7	11.2	9.5	10.7	22.4	9.5
Retail Sales ytd yoy (%)	10.5	10.7	10.7	10.9	9.5	10.1	9.9	9.8
CPI mom (%)	0.59	0.41	0.13	0.21	0.51	0.73	-0.27	0.08
CPI yoy (%)	3.4	2.98	2.62	2.60	2.65	3.15	2.66	2.80
Registered FDI (Bil. USD)	21.3	23.5	27.8	29.7	0.9	2.09	3.91	5.8
Discursed FDI (Bil. USD)	10.3	14.2	16	17.5	1.05	1.70	3.88	5.1
Export (Bil. USD)	19	19.4	19.2	19.3	2.02	13.4	19.8	18.2
Import (Bil. USD)	18.6	18.5	19	19.8	2.00	12.5	19.0	17.5
Trade Balance (Bil. USD)	0.4	0.9	0.2	-0.5	1.8	0.9	0.8	0.7
Exchange rate (VND/USD)	22,743	22,755	22,761	22,750	22,720	22,801	22,820	22,800
Credit growth (%)	11.02	13.5	-	18.17	0.6	-	2.23	-

Source: BSC Research

## Stock market in April 2018

### Market outlook

**Market index sharply decreased due to high selling pressure at the peak level of 1,200 points of VN-Index.** By 27/04/2018, VN-Index has lost 124.2 points (-10.58% MoM) and HNX-Index has lost 5.41 points (-4.23% MoM)

**Stocks continues to reduce in groups.** The five leaders of VN-Index included VIC (+8.55 points), TCH (+0.81 points), LGC (+0.57 points), EIB (+0.5 points), ASM (+0.33 points). The laggards included VCB (-13.86 points) and GAS (-13.85 points). By the end of April, blue chip stocks mostly fell in groups. After the oil stock group has ended the mid-term cycle in Q1, banking stocks decreased, following by securities stocks and real estate stocks. VN-Index was supported by VIC, however, it is likely that VIC is the last blue chip stocks in mid-term cycle.

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

Month	Indicator	Volume (Bil. Share)	Market size (Tn VND)
4	1050.26	3.53	2,876.60
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

Source: HSX, Bloomberg, BSC Research

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

Month	Indicator	Volume (Bil. Share)	Market size (Tn VND)
3	122.64	1.17	225.08
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

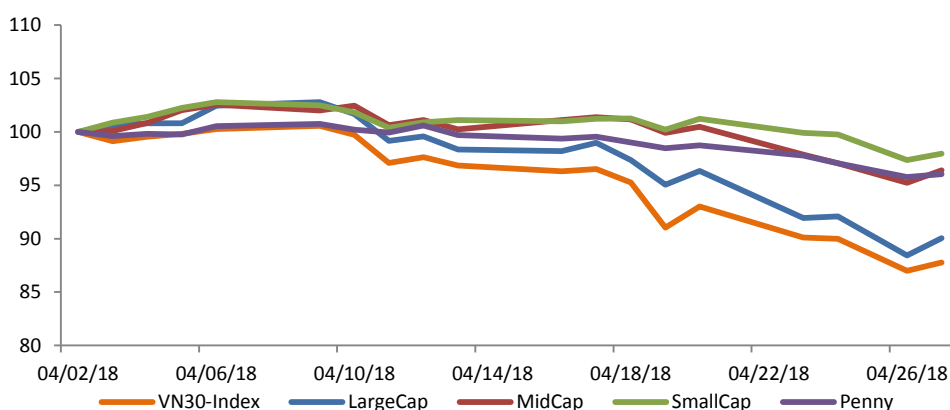
Source: HNX, Bloomberg, BSC Research

**Market capital flow has exit the Blue chip stocks after a midterm cycle (since 8/2017) and strongly reduced (Q1/2018).** In April, banking group plummeted, such as VCB (-18.92%), CTG (-19.06%), BID (-19.78%) and MBB (-16.48%). The pressure spread out to securities group: SSI (-11.76%) and VCI (-19.48%), following by real estate's tickers such as NLG and DXG. The only stock remaining in the uptrend is VIC, however, it is likely that VIC will be the last stock experiencing the slump by the end of mid-term cycle. Under that circumstance, other groups will continue to break down the support level created in Q1/2018.

## Stock groups performances

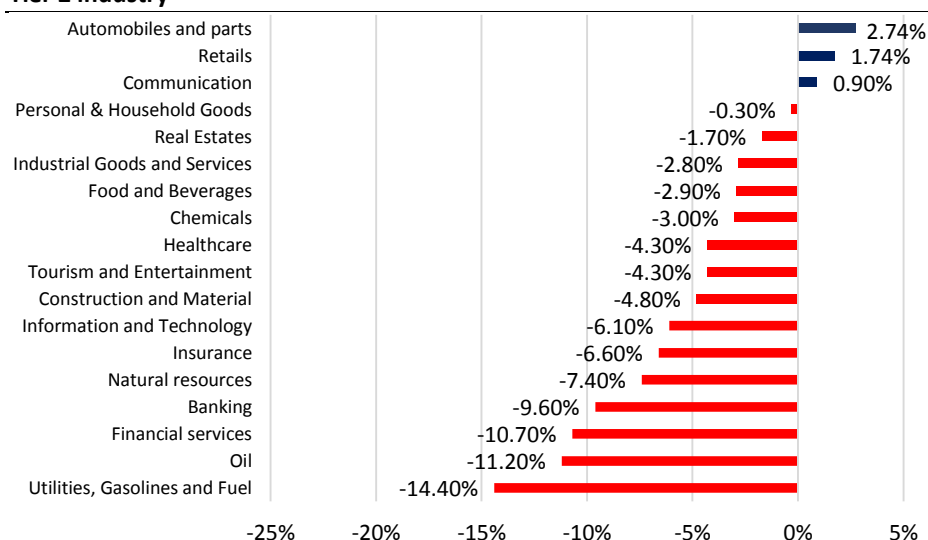
**Stock groups by market capitalization continued to strongly divide.** From the beginning of April, VN30, Large Cap, MidCap, SmallCap and Penny respectively slid 12.23%, 9.45%, 3.6%, 2% and 4%. After focusing in VN30 and LargeCap and supporting the stock price increase, market capital flows began to exit. The plunge of VN30 has not been fully reflected because VIC whose weight is high has not decreased yet. At the beginning of the month, Midcap and SmallCap observed an increase but was offsetting due to the negative market sentiment. However, MidCap and SmallCap are likely to own the highest potentials when the market ends midterm cycle and market capital flows will seek for stocks with good indicators and under cheap valuations.

Chart 8  
**Stock group performances**



Source: Bloomberg, BSC Research

Chart 9  
**Tier 2 industry**



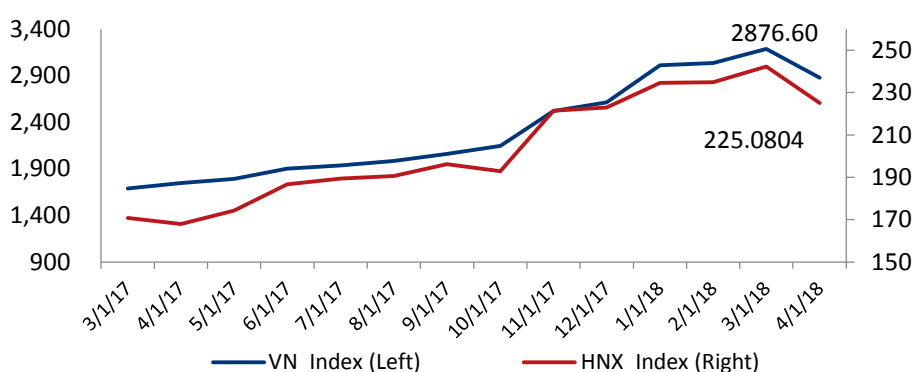
Automobiles and parts observed the strongest increase (2.74%), Retails ranked the 2<sup>nd</sup> growth speed of 1.74%. Utilities, Gasoline and Fuel plunged 14.4%, Oil and Financial Services respectively declined 11.2% and 10.7%.

## Capitalization scale

**Market capitalization on HOSE and HNX exchange reached VND 3,101.7 75 trillion, equivalent to USD 136.3 billion, -5.4% (MoM).** In April, HOSE exchange had 52.6 million shares listed, 317.2 million additional listed shares; 7.6 million ETF seasonality issue and 15.8 million ETF delisted. New shares listed include FRT and TPB net buying by foreign investors.

Chart 10

**Capitalization scale**



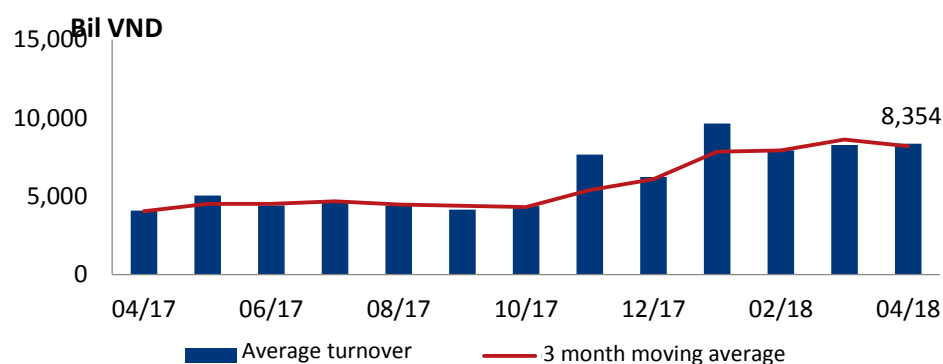
Source: Bloomberg, BSC Research

## Average Market Liquidity

**Average market liquidity on the two exchanges increased by 0.92% compared to March 2018, and remained at VND 8,354 billion/session and equivalent to nearly 367 million USD per session.** In April, market liquidity has not increased in the correction phase, showing a cautious psychology and lack of bottom-fishing participation of large cash flows. Liquidity is still shrinking in stocks pillar and special trading session at 24/04 VIC has fluctuated by foreign investors with order matching was VND 1.096 billion.

Chart 11

**Average Market Liquidity**

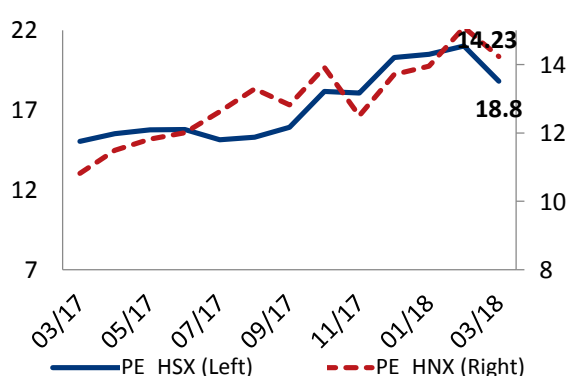


Source: Bloomberg, BSC Research

## Price level of VN stock market

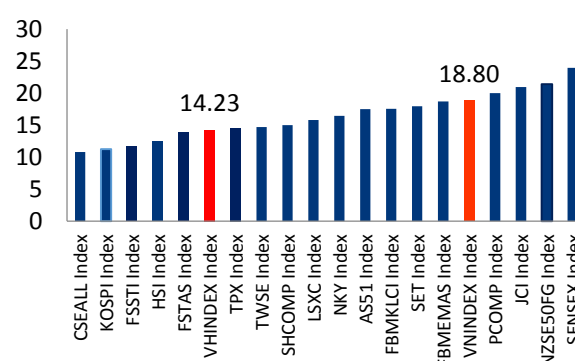
**P/E of VN-Index and HNX-Index fell sharply to 18.8 and 14.23 respectively - 10.5% Mom and -5.63 MoM.** P/E of the 2 exchanges both decreased sharply in April, this decline was due to the sharp decrease of Banking and Securities stocks (the high density group in the VN Index), which led to a sharp drop in the P/E ratio. This indicator reflects only a part of the decline as VIC has a P/E of 75 with a weighting of over 11% in the unmodified VN-Index. Across the region ranking, the HNX-Index at 14th and VN-Index remained at 5th.

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

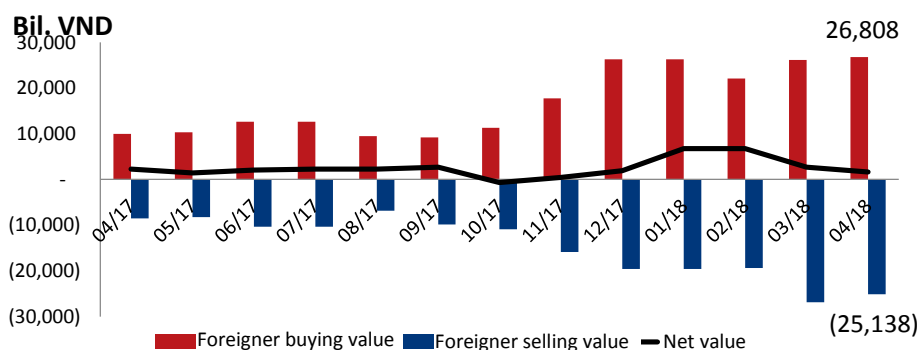


Source: Bloomberg, BSC Research

## Foreigner Trade

**In April, foreign investors bought a net on both Exchange in which NVL was bought aggressively and VIC was sold the strongest in the month opposed to the strong net buying in March.** Foreign cash flow as not clearly defined as stocks gained sharply, such as VIC or down sharply, as CTD was sold out sharply while group net buyers also appear NVL has increased dramatically and VNM dropped deeply.

Chart 14  
Foreigner transaction performances on both Exchange



Source: BSC Research

Up to 26/4, foreigners bought a net of VND 1,495.64 billion on the HSX and VND 175 billion on the HNX. On the HSX, foreigners aggressively bought NVL (VND 3,206.23 billion), HDB (VND 1,109.32 billion), FRT (VND 655.28 billion), SSI (VND 435.93 billion), VNM (VND 268.33 billion) and sold VIC (VND -2,334.21 billion), VJC (VND -1,060.63 billion), VCB VND -606.32 billion). On the HNX, the group focused on buying SHB (VND 292.81 billion), VPI (VND 229.41 billion) and sold VGC (VND -265.5 billion), NDN (VND -81.95 billion).

Table 7

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

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
<b>NVL</b>	3206.23	<b>VIC</b>	-2334.21
<b>HDB</b>	1109.32	<b>VJC</b>	-1060.63
<b>FRT</b>	655.28	<b>VCB</b>	-606.32
<b>SSI</b>	435.93	<b>MSN</b>	-242.96
<b>VNM</b>	268.33	<b>SBT</b>	-182.53
<b>DHG</b>	210.87	<b>E1VFN30</b>	-125.63
<b>GEX</b>	119.42	<b>CTD</b>	-99.01
<b>VRE</b>	118.73	<b>HDG</b>	-85.56
<b>HBC</b>	107.00	<b>HAG</b>	-83.37
<b>STB</b>	101.71	<b>GAS</b>	-83.25

Source: BSC Research

Table 8

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

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
<b>SHB</b>	292.81	<b>VGC</b>	-265.50
<b>VPI</b>	229.41	<b>NDN</b>	-81.95
<b>PVS</b>	85.13	<b>HUT</b>	-35.77
<b>SHS</b>	40.71	<b>ACB</b>	-28.24
<b>VCS</b>	4.09	<b>VIX</b>	-17.14
<b>VMC</b>	3.83	<b>DBC</b>	-10.73
<b>TV2</b>	2.90	<b>CEO</b>	-10.46
<b>PCG</b>	2.67	<b>KLF</b>	-7.77
<b>HDA</b>	2.45	<b>DNP</b>	-5.21
<b>CIA</b>	2.21	<b>VCG</b>	-4.81

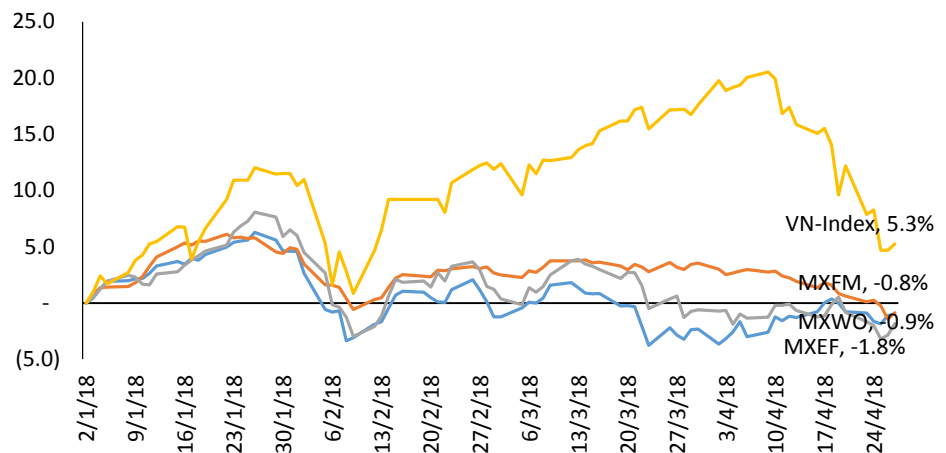
Source: BSC Research

## Stock Market Outlook: May

The US-China trade war made the prospect of world trade gloomy in April. US releases list of 1,300 technology, transportation and pharmaceutical products imported from China is subject to a 25% tax on April 3, China immediately announced the imposition of 25% tax on 106 items from the US total value of USD 50 billion. While the trade between the two countries is tense, the United States and coalition forces fired missiles simultaneously on Syria at 14/4 with accusations against Syria using chemical weapons. This action pushed up oil prices (up 4.9%), raising concerns about inflation. US 10-year government bond yields surpassed the psychologically important 3%, the highest level since 1/2014, amid fears of rising US inflation while Fed maintains a policy of gradual monetary tightening. Stock indexes fluctuated sharply in April, though the MSCI index (MXWO) still recovering 1.4% rate has fallen sharply due to the previous, the MSCI Emerging Markets Index (MXEF) and the MSCI Margin (MXFM) fell -1.2% and -4.4% respectively. For 4M2018, the MXWO, MXEF and MXFM indexes have returned all their gains in January and performing adjustment -0.9% in USD respectively, -1.8% and -0.9%.

Chart 15

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



Source: Bloomberg, BSC Research

In the Emerged market, popular Indexes increased by an average of 4.4% in April (up to 27/4). United Kingdom led the upstream with 6.3% compared with the 1.1% increase of the US market. The regional markets recovered due to fell sharply in March and increased well as information coalition missile into Syria.

In the BRIC region, India increased by 5.7% while China fell -2.7%. Rising oil prices also helped Russia and Brazil gain 1.3% and 1.2%, respectively.

In the regional market, contrary to the sharp increase in March, Vietnamese market dropped sharply -10.6%. Countries with net withdrawing activities of foreign investors such as Indonesia, Philippines and Thailand all fell.

Chart 16

### Volatility of the stock indexes in April

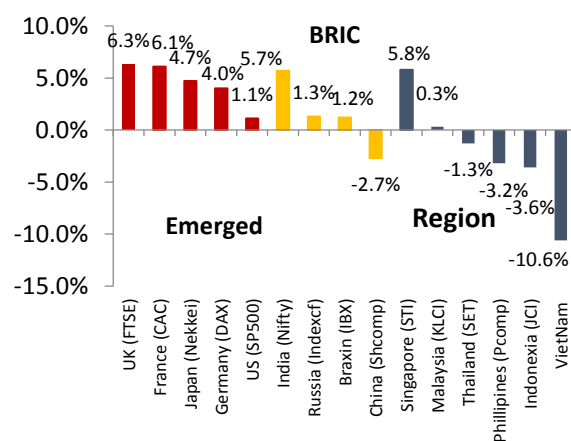


Table 9

### Foreign investors trading in April

Country	1Q2018	Trading in April (mil USD)
India	2,165	(806)
Indonesia	(1,713)	(709)
Japan*	(18,038)	10,447
Malaysia	549	253
Philippines	(621)	(159)
Korea	(1,084)	(1,452)
Sri Lanka	67	11
Taiwan	(2,267)	(2,853)
Thailand	(1,839)	(597)
Pakistan	32	(22)
Vietnam	488	66

Source: Bloomberg, BSC Research

VN-Index rose nearly on our target price in early April but the negative information from negative information from world events and lack of optimism of a number of organizations, concerned about margin trading

activities together with the sale of portfolio structure of foreign investors at key stocks made the market reversed and fell sharply by 10.5%. The top 5 stocks lost 56.8 points equivalent to 46% of the market, including VCB (-14.9%, -13.8 points), GAS (-15.1%, -13.8 points), PLX (-26.3% contributed -10.4 points, VNM (-8.9%, contributed -9.6 points) and MSN (-19.1%, contributed -9.2 points).

April is the peak season of annual shareholder meetings, we have collected information and gave out investment viewpoint on the listed business in the chat room for customers. In addition, we also met the business, and published the analysis report recommendations and updates not yet in English such as DHG ([Link](#)), HDG ([Link](#)), PDR ([Link](#)), FPT ([Link](#)), PPC ([Link](#)), PNJ ([Link](#)), LPB ([Link](#)), TPB ([Link](#)), FRT ([Link](#)).

Spotlights in May:

**The season of shareholders' meeting and Q1 results announcement of listed companies is at its final stage. First quarter performance improved to help lower P/E VN-Index. However, the market will face the information gap in May, limiting the recovery momentum after rebalancing.** As of April 27, 69% of companies listed on the HSX and HNX announced first quarter results. The total EAT was 23,534 billion, an increase of 34% over the same period of 2017. Banking group had the best margin improvement in the market. 5 banks in the top 10 stocks with the best profit improvement over the same period including VCB, MBB, VPB, HDB and TPB contributed 55% of the profit increase of the whole market. 289 listed companies, accounting for 55% of enterprises which announced profit growth. Good profit growth in the first quarter, coupled with rapid declines in major stocks leading the market, helped the P/E Index plunge from 21.4 at the end of March to 18.8 at the end of April. The VN-Index P/E though more expensive than the average P/E of the emerging MSCI index and the marginal market, has fallen below the MSCI area of growth. This helped the market to cool down, soon stabilize and go to accumulate in the lower price zone. Even so, May is the time of information scarcity. The market will not have much supportive information and a strong recovery after the correction is not regarded highly.

**The margin selling pressure was released, the restructuring of the portfolio of foreign investors stopped early helped the market to recover.** According to FiinPro's incomplete data by the end of the first quarter of 2018, 58 securities companies' escrow debt was VND 35,895 billion, up 9% from the value recorded at the end of 2017. However, the value of escrow accounts for 178% of equity and equals to 80% of assets. This data does not fully reflect actual data, but explains some of the tension in providing margin at securities companies at some point in time. The sharp decline in April has significantly reduced the amount of margin and reversed the sentiments of continuous buying at the purchasing power before. This will also reduce the risks of deep correction in May. In addition, foreign investors boosted their portfolio structure, selling aggressively at some key stocks such as VNM, VIC, MSN, GAS, HPG, etc., which was also a factor that pushed the market down.

Even so, the statistics showed that foreigners still net bought \$66 million in May, showing that foreign investors have not withdrawn their positions on the regional trend but only push up the structure. Techcombank has successfully raised VND 21,000bn worth of shares at a price of VND 128,000/share from mostly foreign institutional investors; Vinhomes is also expected to close price booking, payment and distribution of shares on April 30<sup>th</sup>, expecting structural demand of foreign investors to cease in May. Margin and selling activities of foreign investors, once resolved, will stop the downward momentum of the market, bringing opportunities to create bottom and recovery.

**The fifth National Assembly meeting, session XIV will take place from 21/5 to 14/6. There will be investigations by the time of the National Assembly meeting.** At the 5th National Assembly meeting, seven bills will be considered for approval. Previously, proposals on the Property Law were highly controversial. This law is not going to be considered in the next few years but will affect the psychology of the people. In addition, information on prosecution and temporary detention of deputy general director of Binh Son Petrochemical Company, expanded investigation on related subjects and the General Secretary's request to monitor the Mobiphone purchase of AVG are noteworthy points after a series of case recently investigated and prosecuted.

**The new covered warrant (CW) plays a more positive rather than negative role and are expected to launch in May.** There were a few speculations on some syndicates pulling down the market power to initiate CW on social networking sites. We believe that these statements are completely unfounded. Obviously with a new product, having a large leverage feature along with higher profitability than common stock like CW will bring benefits to investors. The market has new tools and opportunities as well as improved transparency. Vietnam stock market has increased sharply for a long time, and is adjusting in a cyclical way so the opposite view shows signs of being magnified in the negative direction. 23 stocks in VN30 have been announced as CW base stocks, many of which are still a good choice for investors ahead of the CW market, especially in the context price drop close to reasonable prices.

**China – US trade war, increased geopolitical tensions in Syria remain potential risk factors in 2018.** The threat of imposing tariffs is still being used by two leading nations to put pressure on one another. Some negotiating signals are in place, but no formal talks have been taken to address the current tensions. In addition, geopolitical tensions in Syria not only destabilize the Middle East region but are also at risk of being scaled up by coalitions or nations with the same interest patronizing the war. It is a group of countries including Russia - Iran - Turkey supporting Syria, facing the US - Allied - Israel. The war in Syria could be pushed further, or there would be a bigger war if the parties are out of control.

**The US 10-year Treasury yields are near the 3% sensitive level, the highest level since 1/2014, amid a Fed policy meeting in early May.** The market is reacting sensitively to the information that US 10-year Government bonds' tenor exceeded 3% in April 24 session. According to a Bloomberg survey of 57 analyst experts, US 10-year government bond yields will increase over the remainder of 2018 and rise to 3.14% by the end of the year. The Fed will also meet on May 2<sup>nd</sup> with the possibility of raising interest rates by an additional 0.25% at 34% according to the Bloomberg survey. This suggests that the possibility of raising interest rates in May is not high, but this possibility is at 93% in the next session on 13/6.

In the current sensitive period, the rise in interest rates of US Treasuries is putting pressure on the US and global stock markets. The cheap money era is closing, the Fed's interest growth rate before the signal of economic recovery and inflationary pressures will further bolster the yields on US Treasuries, which will be a negative sign for the global stock market.

Table 10

**Factors affecting the market in May/2018:**

Events	Impact on the stock market
Positive economic growth, stable macro factors remain the strong foundation for the stock market.	Positive
Margin value decreases, foreigners are highly likely to cease portfolio restructuring. Quarter I profits grew positively, price standard decreased helping P/E move back to reasonable level, which gives the market chance to form bottom.	Positive
CW is expected to launch in May.	Positive
Many large enterprises are listed. Market has more quality goods.	Diluting, depends on cash flow
The real estate market is in a fever in one particular segment, in regions with big projects or special economic zone.	Disturbing, affecting cash flow
National Assembly meeting session XIV from 21/5 to 18/6, however there will be various new investigation during this period.	Negative
The US 10-year Treasury yield rises highly, FED policy conference in May.	Negative
China-US trade war and geopolitical tensions increasing in Syria and Middle East.	Negative

Source: BSC Research

The VN-Index had the most significant correction since the strong bull market in 2016. The sharp decline of overvalued blue chip stocks caused the index to fall sharply and dragging down the margin activities. With the current decline, the VN Index has fallen back to the average of developed markets, in which some key stocks have reasonable prices compared with their growth potential. In short-term, the selling pressure still exists in some overvalued blue chip stocks from the market and from the portfolio restructuring activities of foreign investors. Thus, the market still has a negative territory around 1,000 points (Fibonacci of 23.8% of the long cycle from 2012, also the weekly bottom of February correction) in the first 1-2 weeks of May and will recover during the second half of May. VN-Index will move accumulatively in the range of 1,000 to 1,100 points in May.

- In the positive scenario, turn back to check the 1,115pt resistance level. After a strong selling, banking stocks with the strong improvement on profits will support the Index to recover. Liquidity will remain at average level; indexes gradually stabilize forming accumulative zone around 1,100 points.

- In the negative scenario, VN-Index moves in a V-D-V formation after not being able to surpass 1,115 points and stumbles beyond 1,000 points. Negative movements from the world market, the foreigners selling out are factors affecting the sentiment and cash flow into the market.

Investors may refer to some topics and other update reports in the months:

- Sectors and stocks assessed positively by us in the Vietnam sector Outlook 2018 ([Link](#)) and ([Link](#));
- Banking and finance stocks have strongly improved business results and gain benefits from the Law on the restructuring of credit institutions and dealing with bad debts;
- Real estates, Construction stocks gain benefits from the economic recovery cycle;
- Leading stocks in retailing have high dividends and growth rate.
- Highly defensive stocks belong to Consumption, Pharmacy, and Electricity.
- In the long run, BSC's recommended stocks will be mentioned in Vietnam Sector Outlook 2018 ([Link](#)).

### Disclosure

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