

## Vietnam Monthly Review

### 2018 M07

## BSC Research

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## Macroeconomics

- The PMI rose to 54.9, slightly lower than the previous month's level of 55.7, but still higher than the 53.5 average for the year (52.9 points average for 2017).
- Total retail sales of consumer goods and services reached VND 371.5 trillion, up 1.6% over the previous month and up 13.3% over the same period last year.
- FDI in 7 months decreased by 3.5% yoy, but disbursed capital increased 8.8% yoy, thanks to billion USD FDI projects in the since June. Manufacturing and real estate business are the two leading industries in attracting FDI.
- Interbank exchange rates fluctuated between 22,790 - 22,845 VND/USD, increasing in comparison to the range 22,765 - 22,990 VND/USD in June. Interbank interest rate in all terms increased sharply in July.

## Stock market

- Both HNX and HNX shook sharply and bottomed out in July. VN-Index lost 4.4 points as compared to the previous month (-0.46% MoM) and HNX-Index lost -0.01 points (0.01% MoM).
- Average liquidity on both exchanges decreased -20.9% compared to July 2018, and remained at VND 4,367.24 bn per session and equivalent to USD 188.24 mil per session.
- Foreigners were net sellers on the HSX with a value of VND 2,563.83 bn and net-buying on the HNX with VND 172 bn. From the beginning of 2018, foreigners net bought VND 31,360.5 bn on the HSX and net sold VND 1,160 bn on the HNX.
- P/E of VN-Index decreased to 16.96, equal to -2.13% of Mom, but HNX-Index increased to 10.66%, equivalent to 0.16% MoM, because of the business results of the two exchanges are different. Compared to June, the P/E of the VN Index fell two places to 8th and the HNX-Index fell two places to the 18th position in Asia.

## Market outlook

The market has a chance to return to psychological test 1,000 points in August, however, market movements are heavily dependent on external news after the season of business results in the second quarter basically ended in 1-2 weeks of August. Improved cash flow remained at average level and the market movement was strongly differentiated after the recovery. In August, BSC predicted two possible scenarios for the market as follows:

- In positive case, after the recovery period of the first half of August, the trend of division and moving in groups of stocks with positive business results do not increasing prices and acquire information support. The less fluctuating global market will support the cumulative index around 980-1,000 points.
- In negative case, VN-Index do not overcome the psychological threshold 1,000 points, the index weakens quickly due to selling pressure due to selling pressure from decreasing positions order. Negative scenario occurs when the index falls below 900 points before the negative movement of the world and foreigners increased net selling. The focus level for this scenario is 850 points.
- Recommended stocks:
  - Industries and stocks that we consider important in the Sector Outlook 2018;
  - Banking and finance stocks are well valued and have improved dramatically in business results as well as benefited from the law on supporting the restructure of credit institutions and dealing with NPLs;
  - Leading stocks in the retail sector have high growth rates and high dividends;
  - High defensive stocks in the consumer, pharmaceutical and electricity sectors.

# Macroeconomics of July 2018

## Economic growth

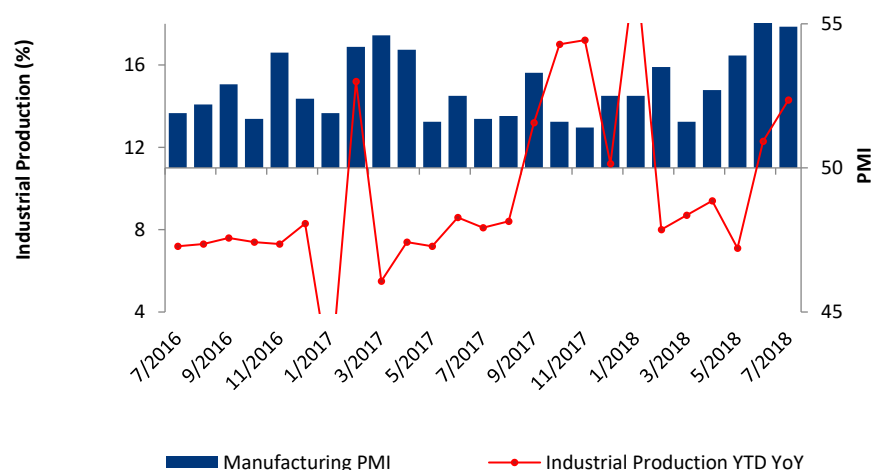
- The PMI in July 2018 increased to 54.9 points (-1.4% compared to the previous month and +6.2% compared to the same period last year)

**Industrial production index in July is estimated to increase by 14.3% over the same period last year.** Of which the mining sector increased 2.8%; Processing and manufacturing increased by 16.6%; electricity production and distribution increased by 12.2%; water supply and waste disposal increased by 7.6%.

In the first 7 months of 2018, industrial production index increased by 10.9% over the same period last year. The industrial production index in seven months of 2018 in 63 provinces and cities under the Central Government increased in comparison with the same period last year, of which the lead was Ha Tinh province with the increase of 149.3%, mainly due to the Formosa Corp; followed by Thanh Hoa increasing by 28% due to Nghi Son Oil Refinery started operation; the lowest growth rate was seen in Tra Vinh with 1% because Duyen Hai Thermoelectricity Company (belonged to Vietnam Electricity Corporation) reduced electricity production in June and July as hydropower was running at full capacity.

Chart 1

**Industrial Production Index & PMI**



Source: GSO, Markit, BSC Research

**The PMI rose to 54.9, slightly lower than the previous level of 55.7, but still above the year average of 53.5 (52.9 points average for 2017).** Since the beginning of the year, the first seven months were over 50 points, indicating the sustainable economic growth trend. Production in terms of output and new orders slowed while new orders rose to record levels despite the tensions

of the war trade. The outlook for the economy continues to be sustained by businesses that continue to increase their stockpile inventory to meet the needs of the market.

## Inflation

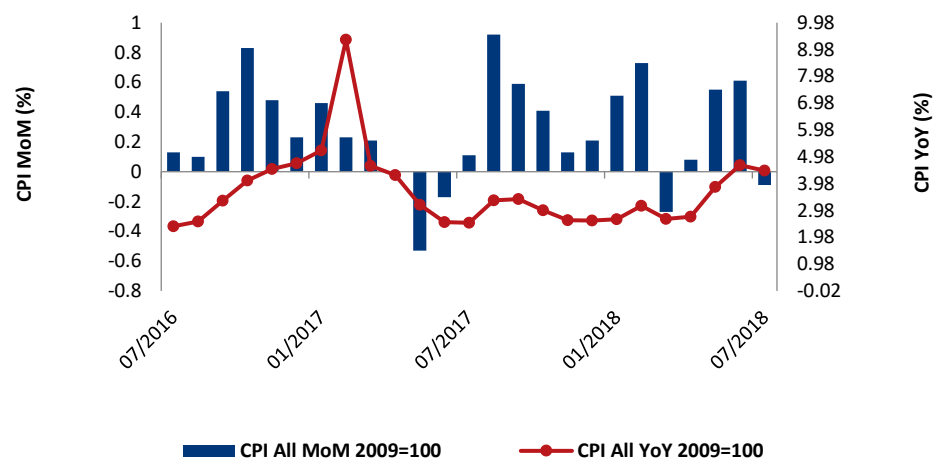
- **CPI in July dropped by 0.09% MoM, mainly due to the decline in health services, traffic sector, and post - telecommunication sector.**
- **Maintaining the trend from June, foreign investment mainly focused on processing industry, manufacturing and real estate business.**

**Consumer Price Index (CPI) in July dropped by 0.09% over the previous month and increased 4.46% over the same period in 2017.** Core inflation in July 2018 increased by 0.15% over the previous month and 1.41% over the same period of last year.

The average CPI of 7 months of 2018 is 3.45% higher than that of the same period in 2017. CPI in July increased by 2.13% compared to December 2017 and increased 4.46% over the same period last year. The average inflation in the first seven months of this year increased by 1.36% over the same period last year.

Chart 2

**Monthly CPI movements**



Sources: GSO, BSC Research

In July, price indexes of 7/11 commodity groups and services increased, in which food and eating services increased by 0.43. Housing and construction materials increased by 0.37% due to hot weather, so the demand for electricity and water increased. Culture, entertainment and tourism increased by 0.26%; garment, hats, shoes up by 0.12%; equipment and household appliances by 0.11%; beverages, tobacco and education rose 0.05%; Other goods and services increased by 0.56%.

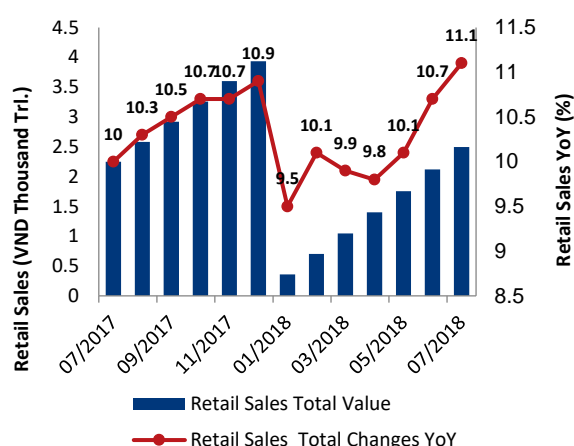
The consumer price index (CPI) in July 2018 decreased mainly due to:

- The highest decreasing rate was 5.85% of health care services and

pharmaceutical sector (7.58% in health care services) due to the reduction health services price which reduced CPI by 0.29%.

- The traffic sector reduced by 0.52% mainly due to the effect of two downward adjustments in petrol and oil prices by June 22 and July 23 of this year, and that in turn, caused the overall CPI to decrease by 0.05%
- Post and telecommunication sector decreased by 0.05%.

Chart 3  
Retail Sales



Source: GSO, BSC Research

Table 1  
Increase/decrease of service sectors in July

No.Sector	MoM (%)	YoY (%)
1 Food and catering	0.43	4.99
2 Transportation	-0.52	10.84
3 Health care	-5.85	5.96
4 Housing & Construction material	0.11	4.23
5 Entertainment	0.26	1.29
6 Beverage and Cigarettes	0.05	1.37
7 Clothing	0.12	1.52
8 House appliance	0.11	1.18
9 Education	0.05	6.12
10 Telecommunication	-0.05	2.27
11 Other	0.43	4.99

Source: GSO, BSC Research

**Total retail sales of consumer goods and services in July were estimated at VND 371.5 trillion, up 1.6 percent month on month and up 13.3 percent year on year.** Retail sales reached VND 277.1 trillion, up 1.6% MoM and up 14% YoY; Revenue from catering services reached VND 45.9 trillion, up 2.1% MoM and 6.4% YoY; Tourism revenue reached 3.5 trillion, up 2.3% over the previous month and up 9.2% over the same period last year; Other service revenue was VND 45 trillion, up 1% MoM and up 17.4% YoY.

## Foreign Direct Investment (FDI)

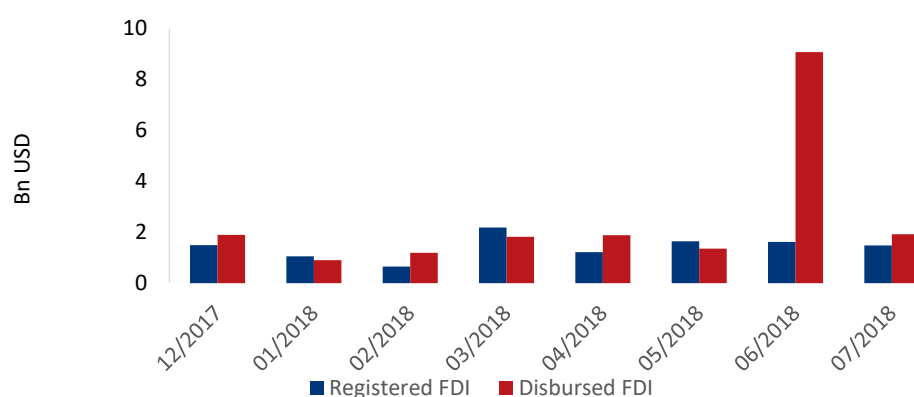
- As of July 20, 2018, foreign investment decreased only 3.5% compared to the same period last year.
- Due to significant projects in Junes (Dong Anh Smart City and Vung Tau Refinery factories), foreign investments mainly flowed into processing, manufacturing sector and real estate sector.

As of July 20, 2018, total new and added FDI register of 1,656 projects (+ 20.2% YoY) reached USD 13,205 mn (+ 2.2% YoY), plus USD 4,947 mn from the adjusted registered capital of 627 projects licensed in the previous years. Thus, total newly registered FDI and additional capital FDI reached USD 18,156 mn (- 3.5% yoy).

**FDI disbursed in the first seven months** was estimated at USD 9.85 bn, up 8.8% over the same period of 2017.

The largest foreign direct investment (FDI) sector with registered capital of newly licensed projects was processing, manufacturing sector with USD 5,205.2 mn, accounting for 39.4%; real estate business reached USD 5,003.1 mn, accounting for 37.9%; the remaining sectors reached USD 2,997.1 mn, accounting for 22.7%. Including additional registered capital of licensed projects from previous years, FDI in processing and manufacturing reached USD 8.428.1 mn, accounting for 46.4% of the total registered capital; real estate sector reached USD 5,205 mn, accounting for 28.7%; the remaining sectors reached USD 4.519 mn, accounting for 24.9%.

Char 4  
**FDI (USD bn)**



Source: GSO, BSC Research

Top 3 regions attracting FDI nationwide: Hanoi City (USD 5,670 mn); Ba Ria - Vung Tau (USD 1,769.3 mn - 13.4%), Binh Duong (USD 566 mn - 4.3%).

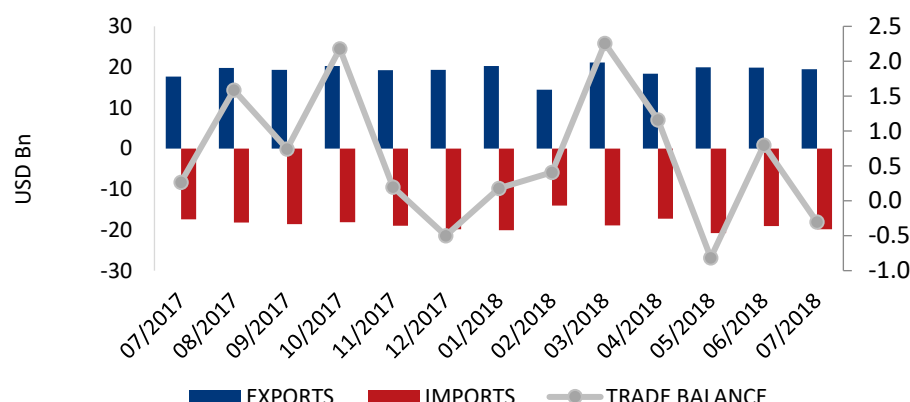
In the first seven months of this year, Japan was the largest direct investor in Vietnam with an investment capital of USD 5,815.5 mn, accounting for 44% of the total new registered capital; followed by South Korea with USD 3,326 bn, accounting for 25.2% and Thailand with USD 664 mn, accounting for 5%.

## Trade balance, Import and Export

- **Trade balance in July estimated to have a trade deficit of USD 300 mn**
- **From the beginning of the year to July 2018, Vietnam exported a surplus of 3.69 bn USD mainly thanks to the first 4 months export surplus and the USD 799 mn surplus in June.**

Export turnovers in July were estimated at USD 19.5 bn, down 1.7 % MoM and up 10.7 % YoY, of which the domestic sector recorded USD 5.85 bn, down 2.9 percent from the previous month and up 10% over the same period last year; Foreign invested sector reached USD 13.65 bn, down 1.2% against the previous month, and up 10.3% over the same period last year.

Chart 5  
**Import and Export (bn USD)**



Source: GSO, BSC Research

As of July 15, some items have increased export turnover over the same period of last year: textile and garment increased by 15.6%; phones and accessories up 14.7%; electronics, computers and components up 13.9%.

Import turnovers in July were estimated at USD 19.8 bn, up 4% over the previous month, and slightly up 13.5% over the same period of 2017. Of which, the domestic economic sector gained USD 8.2 bn, an increase of 1.3% over the same period last year; up 14.4% over the same period last year. The foreign invested sector reached USD 11.6 bn, up 5.9% over the previous month, and up 14.4% over the same period last year. Up to July 15, some items imported in July increased turnover over the same period last year: Petroleum up by 36.5%; other metals increased by 24%; Electronic calculator increased 13.4%.

Table 2  
**Top 10 export items**

No	Exported Good	Turnover (bn USD)	%YoY
1	Mobile phone	24.1	14.7%
2	Textile	14.9	15.6%
3	Electronics	14.4	13.9%
4	Other machines	8.4	29.8%
5	Shoes	8.3	8.8%
6	Woods	4.4	12.4%
7	Aquaculture	4.3	9.4%
8	Vehicles	4.3	15.9%
9	Steel	2.6	78.3%
10	Camera	2.2	35.8%

Source: GSO, BSC Research

Table 3  
**Top 10 imported goods**

No	Imported Goods	Turnover (bn USD)	%YoY
1	Electronics	21.3	13.4%
2	Machines	17.3	-8.0%
3	Fabric	6.8	13.4%
4	Mobile phone	6.4	-5.0%
5	Steel	5.4	9.0%
6	Gasoline	4.9	36.5%
7	Plastic	4.7	18.0%
8	Other metals	4.0	24.0%
9	Textile Materials	3.1	3.0%
10	Plastic Products	3.0	10.7%

Source: GSO, BSC Research

### Forex market

- The domestic currency rate in July moved steadily after a spike in the second half of June as the Fed raised interest rates as well as the pressure from the trade war.
- On July 23, 2018, the SBV adjusted the selling price of USD from 23,050 VND/USD to 23,273 VND/USD due to the fluctuating dollar price. This policy adjustment has caused the free exchange rate and the interbank exchange move in parallel trend as before.

Central exchange rates in July fluctuated from 22,630 – 22,669 VND/USD, increased from the range of 22,562 – 22,655 VND/USD in April. The monthly average is 22,647 VND /USD.

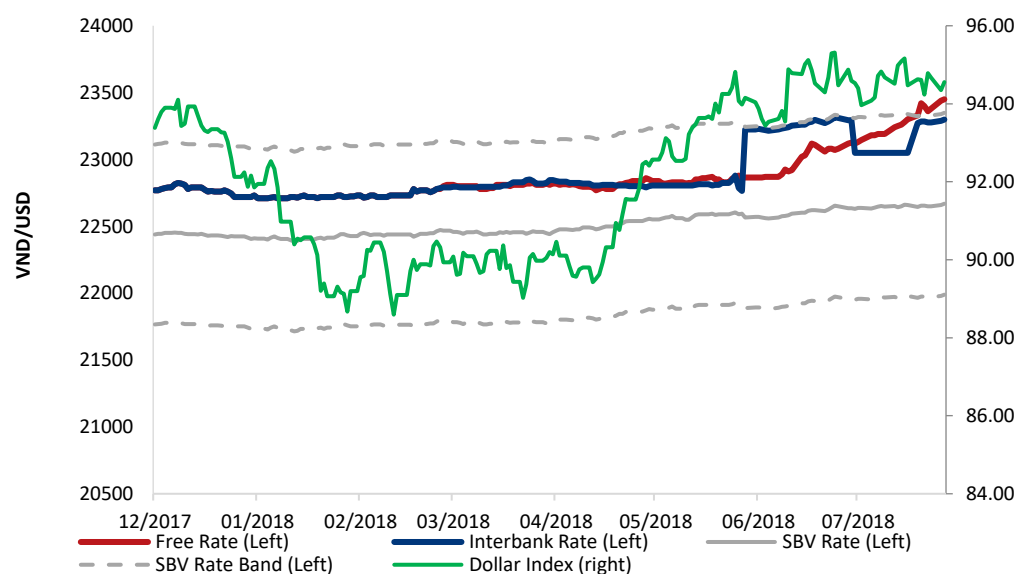
Interbank exchange rate in July ranged from 23,050 – 23,299 VND / USD, increased from the range of 22,800 – 22,845 VND / USD in April. The average monthly was 22,810 VND / USD.

Free exchange rates in July ranged from 23,120 – 23,450 VND / USD, increased from the band of 22,860 – 23,120 VND/USD in April. The average free exchange rate in the month was 23,258 VND / USD.

The July US dollar index rose by 0.1% from the end of June, increased by 2% from the same month last year. This index ranged from 94.0 to 95.2 points, with a monthly average of 94.6 points. The index now stands at 94.55 points.

Chart 6

Exchange rate movements



Source: Bloomberg, BSC Research

## Bank - Interest rate

- **Short-term interbank rates surged again.**
- **The saving and lending interest rates are stable.**

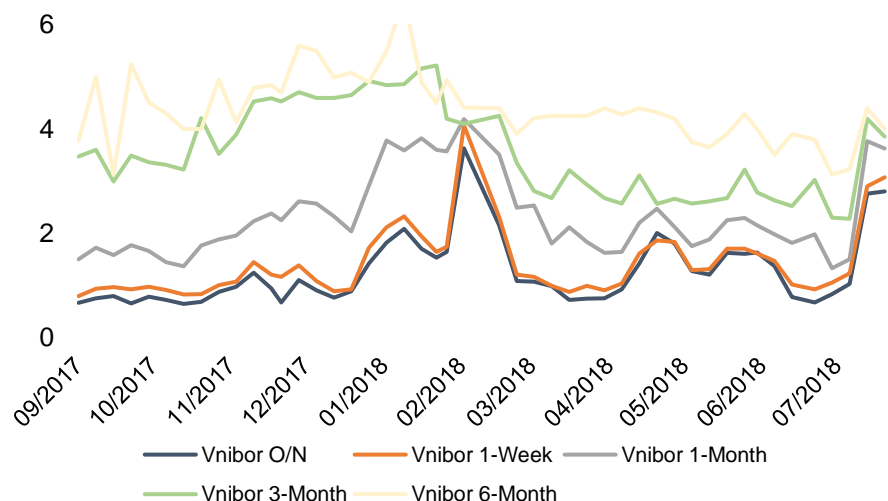
Short-term interest rates (overnight and 1 week) increased sharply in July. The rise was maintained from the beginning of the month to the end of the month. At the moment, the overnight rate is 2.80% (3 times higher than the beginning of the month) and the week interest rate is 3.08%. Transactions on the interbank system have mainly been focused on short-term periods. Medium- and long-term interest rates of 1 month, 3 months and 6 months increased sharply in the third week (16-20/7) and then decreased slightly in the last week of July. Currently, interest rates of 1.3 and 6 months are 3.63%, 3.85% and 5%, respectively.

From the beginning of July to July 27, the SBV net injected VND 46,406 bn through the treasury channel. The net liquidity and interest rate trends have rebounded, showing that the liquidity of the whole system is shrinking as the SBV sells foreign currencies to slow down the increasing exchange rate (USD 2 bn is estimated to be sold in foreign currencies).

The mobilizing rates in dong are common at 0.6-1% per annum for demand deposits and short-term deposits of less than one month; 4.3-5.5% per annum for cash deposits from 1 month to less than 6 months; 5.3-6.5% per annum for term deposits from 6 months to less than 12 months; term of over 12 months is 6.5-7.3% per annum. At the same time, the VND lending rate was at 6.0-9.0% per annum for the short term; 9.0-11% / year for medium and long term.

Chart 7

Interbank interest rates



Source: Bloomberg, BSC Research



## Macro Forecast in June 2018

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

**(1) Trade war.** The US-China trade war continues to escalate as President Trump threatens to raise tariffs from 10 percent to 25 percent to USD 200 bn in imports from China. The next wave of US tariffs is set to kick off on August 1<sup>st</sup>, with the introduction of a USD 16 bn import tax on Chinese goods. Performance may be delayed for weeks when the authorities decide on the product that the US will target. Officials in Beijing say they will return a tariff equivalent to that of the US. In addition, a meeting on the issue of automobile import tariffs in the United States called for by Japan and the European Union is being held in Geneva, Switzerland. It includes deputies and deputy ministers from Canada, EU, Japan and Korea. This meeting is expected to create a coordinated response among car manufacturers outside the United States. The tension from the trade war continues to exert tremendous pressure on the import and export situation in the world. Vietnam may well receive a wave of Chinese products that are expected to face taxation in the future.

**(2) Central banks in the world publish their results and economic policies.** The Fed will announce a decision on raising interest rates today. According to a Wall Street Journal survey, 96.8% of respondents said the Fed would raise interest rates on Sept. 18. Next, the Bank of England will publish its inflation report, interest rates raised and minutes of the meeting on August 2. At the same time, the Bank of Japan will publish a summary of the policy meeting held on 30-31. At the end of the month on 28 August, the European Central Bank (ECB) will publish monthly data on supply and demand for Euros. Continuous disclosure of macroeconomic news and results of large nations will have a tremendous effect on the investment flow in the world. Countries with positive results may become the new hot spot for investment in the world.

Vietnam macro-economy in August has the following impacts:

**(1) Circular No. 15/2018 / TT-NHNN amending Circular 22/2016 / TT-NHNN regulate the purchase of corporate bonds by the credit institution (CI).** Accordingly, regulations on credit institutions and branches of foreign banks are not allowed to buy corporate bonds issued for the purpose of restructuring the debts of enterprises. Circular 15/2018 / TT-NHNN is effective from 02/8/2018.

**(2) The Ministry of Construction issued Circular No. 05/2018 / TT-BXD guiding the export of minerals for construction materials, effective from August 15.** Interest rates for commercial banks are likely to continue to rise in June. Accordingly, from August 15, the list of minerals used as construction materials for export shall be in accordance with the list enclosed in Circular 05; Construction stones originated from pebbles, gravels,

stones used as concrete aggregates, paved roads: Crushed, crushed, screened with particle size  $\leq 60$  mm.

**(3) Decree 87/2018 / ND-CP on formal gas trading takes effect.**

Traders who want to produce and process gas also need to meet the conditions as established by the law; safe gas tank; Eligibility for fire prevention and fighting in accordance with regulations ... For traders' trading in gas through pipelines, there must also be gas pipelines and gas stations that meet the conditions of safety, prevention and treatment, fire safety in accordance with the law. Gas brewers must have gas quality testing laboratories or have a minimum one-year contract with a competent organization testing the standards prescribed in the national technical regulations and must register the manufactured lab with the Ministry of Science and Technology.

**(4) Decrees on salary increases or allowances:**

- a. Circular 08/2018 / TT-BNV will be effective and provide detailed guidance on the adjustment of the monthly allowance level with commune officials who have retired in accordance with the relevant decisions of 1975 and 1981 of the Ministers Council.
- b. Decree No. 99/2018 increased subsidy for people with merit. According to the decree, the standard for determination of allowances and preferential allowances for people with meritorious services to the revolution from July 1, 2015 is VND 1,515,000 (the old level is VND 1,417,000).
- c. Resolution No. 04/2018 / NQ-HDTP takes effect from 01/08/2018 to 31/12/2020, promulgating the regulation on specific contents and levels under the jurisdiction of Hanoi People's Council. According to the Resolution, the official in charge of information technology in Hanoi will be supported 2,780,000 VND/person/month if he has a university degree or higher-level degree or 2,085,000 VND/ person/month if he had a college or intermediate level.

**(5) Interest rates and inflation.** CPI is estimated at 4.0%. Of which, the average CPI in the first seven months was 3.45%, down from 3.97% in 2017. However, the CPI in July was 4.41%. BSC estimates that the average growth rate in the last 6 months of the year will increase sharply, causing the CPI of the last months of the year to increase sharply than the previous year. This trend may continue as (1) oil prices are recovering as supplies increase as OPEC increases output and Trump continues Iran's economic embargo, current oil price accounts for 9.04% growth of CPI. (2) The Fed maintains a policy of raising interest rates four times this year, putting pressure on CPI and exchange rates. (3) Strong pressure from exchange rate when US dollar price continued to increase strongly thanks to the policy of raising FED interest rate and positive US economic result in Q2, reaching 4.1%; the highest level in 4 years.

Table 4  
Monthly macro indicators

Indicator / Month	2017M12	2018M1	2018M2	2018M3	2018M4	2018M5	2018M6	2018M7
GDP YoY (%)	6.81	-	-	7.38	-	-	6.79	-
GDP ytd YoY (%)	6.81	-	-	7.38	-	-	7.09	-
PMI	52.5	53.4	53.5	51.6	52.7	53.9	55.7	54.9
IIP YoY (%)	11.2	20.9	8.0	8.7	9.4	7.1	10.5	14.3
IIP ytd YoY (%)	9.4	20.9	15.2	11.6	11.4	9.7	12.3	10.9
Retail Sales YoY (%)	11.2	9.5	10.7	22.4	1.3	6.1	12.5	14.7
Retail Sales ytd YoY (%)	10.9	9.5	10.1	9.9	9.8	10.1	10.7	13.3
CPI MoM (%)	0.21	0.51	0.73	-0.27	0.08	0.55	0.61	-0.09
CPI YoY (%)	2.60	2.65	3.15	2.66	2.80	3.86	4.67	4.46
Registered FDI (Bn USD)	29.7	0.9	2.09	3.91	5.8	7.15	16.23	18.15
Disbursed FDI (Bn USD)	17.5	1.05	1.70	3.88	5.1	6.75	8.37	9.85
Export (Bn USD)	19.3	2.02	13.4	19.8	18.2	19.2	19.8	19.5
Import (Bn USD)	19.8	2.00	12.5	19.0	17.5	19.7	19.0	19.8
Trade Balance (Bn USD)	-0.5	1.8	0.9	0.8	0.7	-0.5	-0.8	-0.3
Exchange rate (VND/USD)	22,750	22,720	22,801	22,820	22,800	22,840	22,967	22,840
Credit growth (%)	18.17	-	-	2.23	-	-	6.35	-

Source: BSC Research

## Stock Market Outlook in July, 2018

### Market Outlook

In July, the market index shook and made a bottom at 900 points then recovered by the start of small stocks and then led by pillars stocks such as the Banking, Stock and Real estate groups which had good business results. As of July 31, 1818, the VN Index lost -4.4 points (-0.46% MoM) and the HNX-Index lost -0.01 points (-0.01% MoM).

**The market has a division with business results as well as a short-medium term prospect.** In July, the HSX had 153 stocks up, 199 stocks fell and 9 stocks remained unchanged, 1 stock was added to HPX and 1 delisted stock was STT. Five stocks supported VN-index including NVL increased 21.57% (3.3 points), MSN increased 6.6% (2 points), HNG increased 69% (1.8 points), VRE increased 4.6% (1.2 points), PLX increased 3.4% (0.8 points). Stocks pulled the VN Index down including SAB down by 8.9% (-4.2 points), TCB -9% (-3.9 points), VHM -1.9% (-2 points), VPB -5.6% (down 1.5 points) and YEG-36.55% (down 1 point). In July, stocks with small market capitalization such as FLC and HAG, HNG rose sharply which started the recovery of the common market. The blue chip stocks of VN30 have performed impressive results and gained confidence from investors that helped VN-Index successfully create a bottom and increase again. VIC, despite of the strong net sell volume, is still an impressive performance stock when it has not dropped yet but still maintains its price over 100.

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

Month	Index	Volume (Bn Shares)	Capitalization (VND trillion)
7	956.39	3.10	3,020.45
6	960.78	2.84	3,041.04
5	971.25	2.89	2,944.71
4	1050.26	3.53	2,876.60
3	1174.46	4.45	3,185.53
2	1121.54	3.04	3,036.19

SOURCE: HSX, Bloomberg, BSC Research

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

Month	Index	Volume (Bn Shares)	Capitalization (VND trillion)
7	106.16	0.87	201.08
6	106.17	0.87	199.50
5	114.91	1.11	213.74
4	122.64	1.17	225.08
3	128.05	1.02	234.86
2	116.86	1.36	222.90

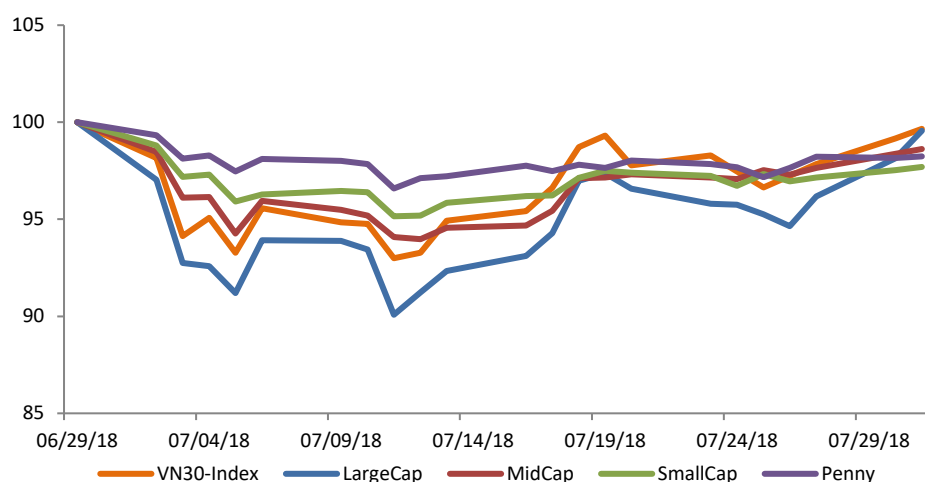
Source: HNX, Bloomberg, BSC Research

## Stock groups performances

**Group of stocks by market capitalization moved by different strengths.** From the beginning of July, all groups were negative. LargeCap down -0.4%, VN30 down -0.3%, MidCap down -1.4% and SmallCap down -2.3% while Penny down -1.8%. The LargeCap Group fell the most with a performance of -8.6% then recovered sharply to the beginning level.

Chart 9

**All market caps type stocks performances**

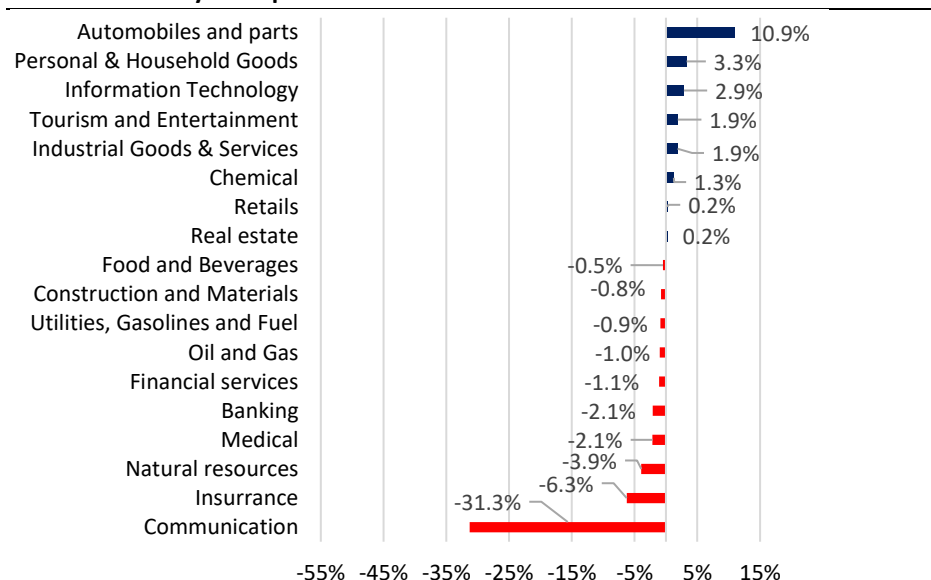


Source: Bloomberg, BSC Research

In July, the market had 8/18 sectors gaining points. Of which, cars and spare parts sector was the only sector has double digit growth with 10.9%. On the other side, communication sector was down -31.3% mostly caused by YEG was down sharply after being listed with performance of -36.5%.

Chart 10

**Tier 2 sectors July 2018 performances**

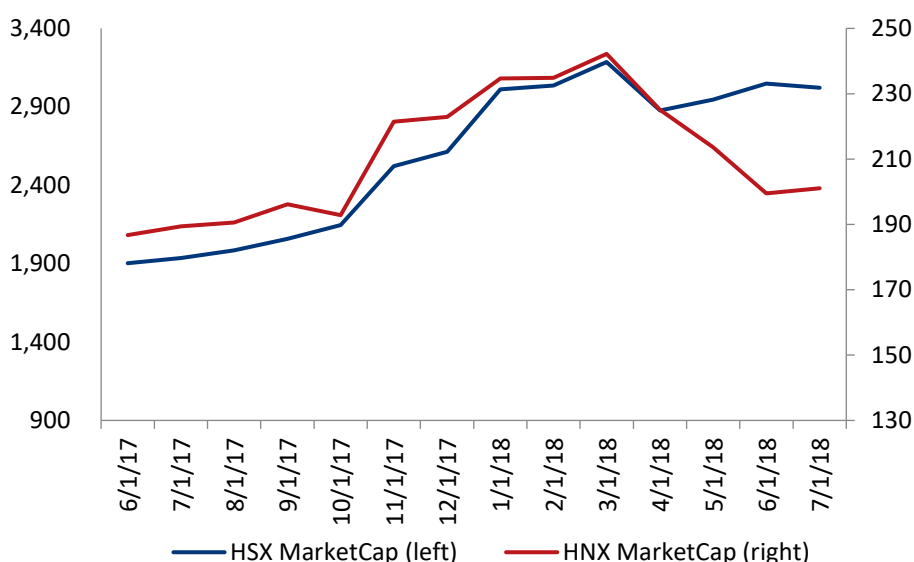


## Capitalization scale

The market capitalization on both exchanges was VND 3,221.53 trillion equivalent to USD 138.86 bn, down -0.72% MoM. In July 2018, 216.6 mn shares were newly listed on HOSE and 4,893.4 mn shares were additionally listed on the HOSE; 12.3 mn ETF newly listed and delisting 3.3 mn certificates; 20 mn newly. The newly listed shares in this month are mostly from HPX.

On the scale of listing on HOSE on 31/6, the total market stock was at 72.9 bn shares which is equivalent to VND728.6 trillion (96.61% of the market), 224.7 mn bonds which is equivalent to VND22.5 trillion (2.98% of the market), 268.6 mn ETF certificates which is equivalent to VND2.7 trillion (0.36% of the market).

Chart 11  
Market capitalization scale

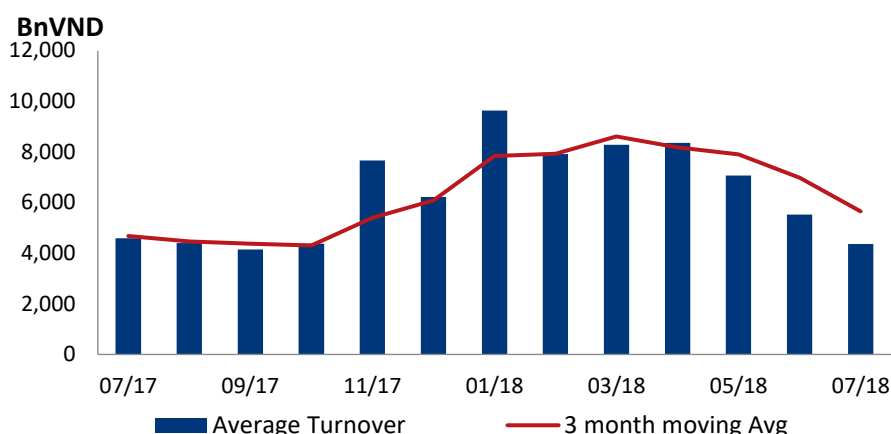


Source: Bloomberg, BSC Research

## Average Market Liquidity

Average liquidity on the two exchanges decreased by 20.9% compared to July 2018, and remained at VND 4,367.24 bn per session and equivalent to nearly USD 188.24 mn per session. In July, the market liquidity fell sharply as a cautious psychology of investors in the period before performing business results of the market's stocks. Market liquidity has recovered since week 2 of July and widely spread. Investors participated mainly in stocks with good growth in quarter on profit compared to the same period and last quarter.

Chart 12  
Average market liquidity

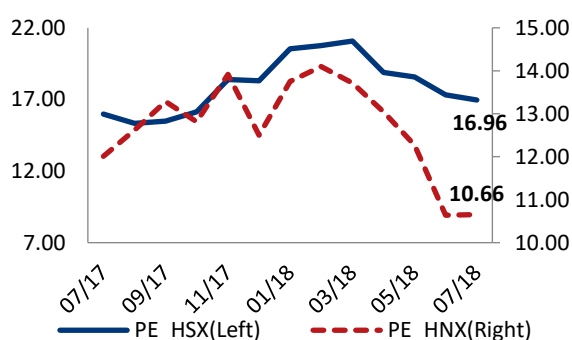


Source: Bloomberg, BSC Research

## Price level of VN stock market

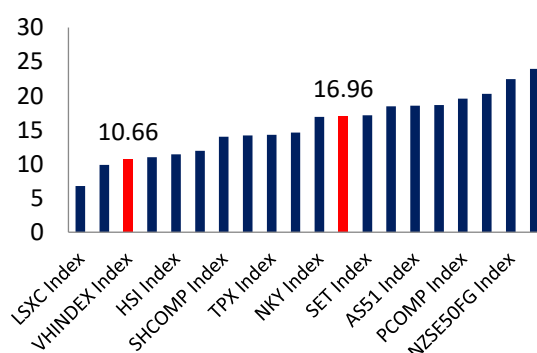
**P/E of the VN-Index was down 16.96 equivalent to -2.13% Mom, but the HNX-Index was up 10.66 equivalent to 0.16% MoM because of the difference in business results from the 2 exchanges. P/E of the VN-Index fell 2 ranks to 8<sup>th</sup> place and the HNX-Index fell 2 ranks to 18<sup>th</sup> place Asia.**

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

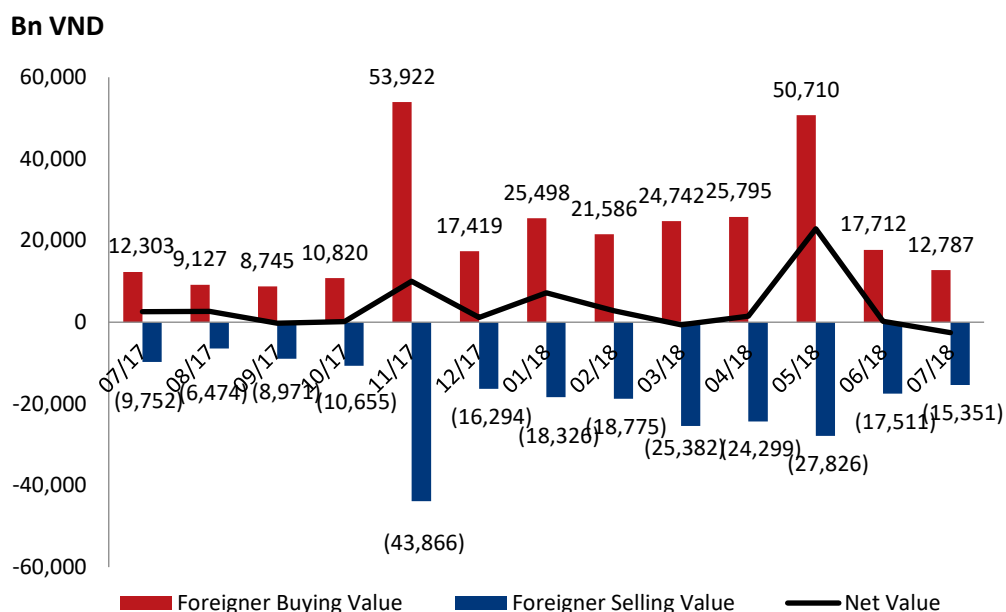


Source: Bloomberg, BSC Research

## Foreigner Trade

**In July, foreigners were net sellers with the biggest monthly value since 2017. However, contrary to June, market sentiment has been more stable that indicated by positive trading session although foreigners were strongly net selling in stocks such as HPG or VIC.**

Chart 15  
Foreigner transaction performances on both Exchanges



Source: BSC Research

Up to 31/7, foreigners net sold on the HSX VND -2,563.83 bn, net bought VND 172 bn on HNX. On the HSX, foreigners were active buyers of VCB (VND 366 bn), DXG (VND 205.3 bn), KBC (VND 441.8 bn), VIS (VND 248 bn), CTD (VND 220.8 bn) and GAS (VND 1,800.9 bn), and sellers on VIC (VND -1,862.8 bn), VHM (-VND 392.8 bn), MSN (-VND 266.5 bn). On the HNX, the group focused on buying CVT (VND 32.2 bn) and selling PVS (VND -158.7 bn), KLS (VND -142.5 bn).

Chart 8

**Top 10 stocks traded by foreigners on HSX in June**

Ticker	Net value (VND Bn)	Ticker	Net value (VND Bn)
VCB	366.0	VIC	(1,862.8)
DXG	205.3	VHM	(392.8)
KBC	157.2	HPG	(342.2)
VIS	109.7	MSN	(266.5)
GAS	106.7	VJC	(164.2)
E1VFN30	101.8	NVL	(163.8)
HCM	63.8	VRE	(139.2)
NT2	61.0	VNM	(93.8)
SSI	50.1	STB	(84.7)
VCI	48.0	PVD	(84.1)

Source: BSC Research

Chart 9

**Top 10 stocks traded by foreigners on HNX in June**

Ticker	Net value (VND Bn)	Ticker	Net value (VND Bn)
CVT	32.20	PVS	(158.76)
TEG	0.41	KLS	(142.56)
SMT	0.32	NTP	(78.83)
SD9	0.32	VGC	(33.15)
PIV	0.31	CVT	(16.97)
HCT	0.31	SAF	(8.47)
PVE	0.30	SHS	(7.86)
QTC	0.30	VCS	(7.67)
KLF	0.29	PHC	(4.46)
BPC	0.28	HDA	(3.95)

Source: BSC Research



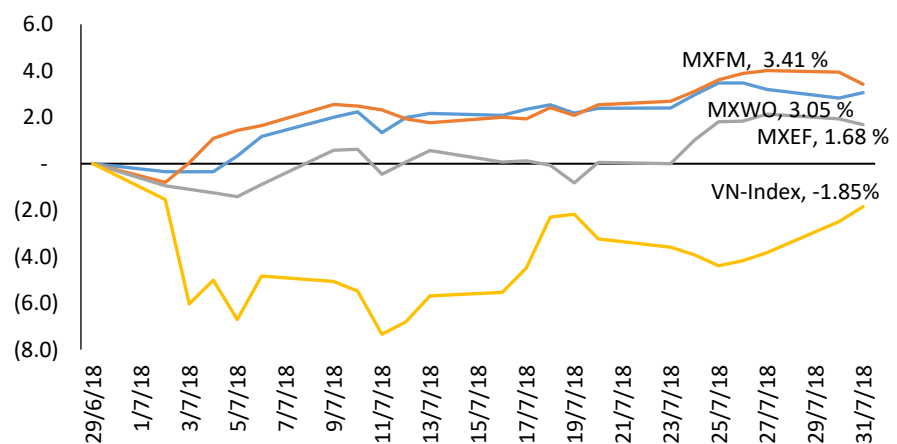
## Market outlook for August

The rise of the US-China trade war, the continuous 3% decline in the RMB are the main factors which affect the world market in July. The world's major currencies compared to US dollar and the stock market of developing countries have decreased much earlier so the fluctuations of these two markets are not significant and they have been recovered in many countries. The DXY is up 0.1%, some currency appreciated again such as: Brazil (3.4%), Argentina (0.7%), Philippines (0.5%), Russia (0.4%), and Singapore (0.1%) while some currencies continued to depreciate sharply including Turkey (-7%), Myanmar (-3.5%), China (-3%) and Vietnam (-1.5%). However, concerns about the trade war will limit trade and the demand for commodities as well as create negative impacts for the world commodity markets. Bloomberg Commodities continued to fall 2.3%, with many slumps including Pork (-22%), Lead (-11.1%), Sugar (-11%), and Oil (-7.3%); Only some commodities were against the trend including wheat (11.3%), cotton (5.7%) and soybeans (5.3%) due to earlier decline period. In the context of increasing trade tensions, the EU and Japan signed a trade agreement that eliminated most of the trade tariffs on July 17 and China and the EU also approached to restore negotiation of investment agreement and market access on July 16. These are the moves to reverse the protectionism of President Trump, aiming to reduce the damage caused by the prolonged US-led trade war.

Markets rebounded in July, the MSCI Emerging Markets (MXWO), emerging market MSCI (MXEF) and MSF marginal (MXFM) indexes rose 3.1%, 1.7% and 3.4%, respectively. (in USD).

**Graph 15**

MSCI Emerging and Marginal Growth Index (USD)



Source: Bloomberg, BSC Research

In the developed market, stock indexes rose. Germany and the US led the gains with 4.1% and 3.6% respectively, due to positive macro and Q2 earnings result season.

In the BRIC region, the Brazilian stock index rebounded strongly, up 8.8%, leading the region's gains. China's stock index was still stagnant as it rose just 1%.

In the regional market, Vietnam's stock market was the only market that declined by -0.5%. The markets in the Philippines, Malaysia, Thailand and Malaysia all recovered strongly, rising 6.7%, 6.7% and 5.5% respectively in July. Foreign capital inflows were not strong net withdrawals and moved to mixed trading, supported the markets rebound in July.

Graph 16

### Volatility of stock indexes in countries in July

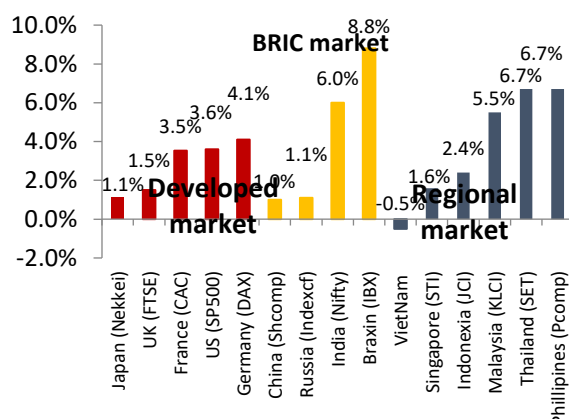


Table 9

### Foreign investors net bought and sold in July

Country	July (mn USD)	July (mn USD)
India	76	(545)
Indonesia	54	(3,516)
Japan	7,581	(30,164)
Malaysia	(500)	(2,207)
Philippines	(49)	(1,268)
Korea	114	(3,592)
Sri Lanka	8	76
Taiwan	(4)	(8,922)
Thailand	(321)	(5,963)
Pakistan	(62)	(194)
Vietnam	(111)	1,454

Source: Bloomberg, BSC Research

After a sharp decline in the first half of July, VN-Index gradually recovered and only reduced 4.39 points in the month. Market is divided when large-scale stocks move in the opposite direction. Money flow come back to the market but still quite cautious. The aggressive portfolio structure of foreign investors as well as the reverse portfolio process of ETFs, which are reflected on VN30-Index, limited the market's ability to recover. Cash flow tends to shift into small and medium stocks, especially stocks that have stories. In terms of the impact of the leading stocks, the top 5 losers of the VN Index were SAB (-8.9%, -4.2 points), TCB (-9.1%, -3.9 points), VHM (-1.9%, -2 points), VPB (-5.6%, -1.5 points) and YEG (-36.6%, -1 point). In the opposite direction, the top five stocks gained 9.1 points including NVL (+ 21.6%, +3.3 points), MSN (+ 6.6%, +2 points), HNG (+ 69.1% VRE (+ 4.6%, 1.2 points) and PLX (+ 3.4%, contributing 0.8 points). The report analyzes recommendations and updates in July include DHG ([Link](#)) and DBC ([Link](#)).

Attention news in August:

**Listed companies maintained positive earnings growth momentum. After-tax profit in the second quarter of listed companies increased 34.8% over**

**the same period, helping to improve the market valuation indexes.** As of July 31, 538/737 companies which are accounting for 73% of the companies listed on the two stock exchanges published the Q2 business result. Profit after tax in Q2 is estimated at VND 26,172 bn, up 34.8% over the same period of last year. Following the two leading stocks improving MSN and GAS, the banking group which includes TCB, VCB, ACB and MBB, VPB, STB and EIB, stood at the next positions and contributed 55% for the absolute profit increase on both exchanges. In the second quarter, banking group saw an average growth rate of 70% over the same period. Good profit growth from companies supported the improvement of VN Index's P/E and P/B ratios, decrease from 18.1 and 2.6 times at the end of June to 17 and 2.6 times at the end of July. Some sectors also have reasonable valuations compared to the market including Information Technology, Materials, Telecommunications, Petroleum and Banking.

Table 10

**P / E and P / B ratios of primary sector**

Primary sector	P/E	P/B
<b>Information Technology</b>	9.09	1.73
<b>Materials</b>	9.33	1.60
<b>Telecommunication</b>	11.60	3.14
<b>Oil and Gas</b>	11.83	2.30
<b>Bank</b>	12.31	1.98
<b>Community utilities</b>	13.00	2.70
<b>Industry</b>	13.64	3.39
<b>Pharmaceuticals and Health</b>	14.67	2.87
<b>Consumer Service</b>	16.17	4.51
<b>Consumer goods</b>	18.42	6.59
<b>Finance</b>	35.9	4.59

Source: FiinPro, BSC Research

The second half of Q2 business result announcement will be completed in 1-2 weeks and continue to improve the valuation of the market.

Trade war between the United States and China continues to be the focus of the market in August as the United States is reviewing a list of Chinese goods worth USD 200 bn to tax 10% in early September. With 25% tariffs increase for the USD 34 bn import goods in the USD 50 bn package from both sides, the United States and China officially kicked off the trade war on July 6. Four days later, the United States unilaterally announced the imposition of additional taxes to USD 200 bn of goods imported from China with a tax rate of 10%. Aggressive actions from the United States as President Donald Trump warned earlier if China retaliates on trade. The United States has said it would continue imposing an additional USD 300 bn if China continues to retaliate. Compared with the first tariff, the Chinese have no longer reacted tough and avoided mentioning the specific response. This is partly due to the fact that China's exports to the United States amount to just over USD 130 bn, totally unbalanced to the value of imports that the United States is

currently taxing. However, China is also owning many instruments to respond for US actions and could push the war to a new level. At the end of the public hearing, the list of USD 200 bn worth of goods will be announced at the end of August and may apply in early September. In case of two sides unable to search for common voice and offering suitable solutions, the trade war will clearly bring significant risks for the world economy in general and the stock market in particular in 2018 and the following years.

The US economy grew strongly in the second quarter, unemployment was low, and inflation was showing signs of improvement. However, the Fed is unlikely to raise interest rates in the fifth session this year. FED has increased interest rates by 0.25% in June so the possibility of raising interest rates again in the period 31-1 August is unlikely. According to a Bloomberg News survey, the possibility of increasing interest rates was 18% in August from 21% at the end of June, while that was up from 77% to 92% in September. Delaying the moment of increasing interest rates from FED will create a long period for the market to recover after a sharp drop due to the withdrawal of foreign funds and macroeconomic instability in the short term.

Table 11

**Factors affecting the market in August 2018:**

Event	Impact on the stock market
The flexible macro-economic policy is still effective to stabilize the exchange rate and interest rate in the context of complicated world changes.	Positive
Price reduction makes P / E move gradually to reasonable level which promotes long-term investment. Some companies will announce Q2 business results, expected profit growth of 30% over the same period.	Positive
Domestic cash flow showed signs of returning to the market, but it is still quite cautious ahead of the sale of structured from the foreign block and the information from outside.	Important when market sentiment is weak and Business reports season is about to end
The uptrend of the dollar and rising oil prices are a potential risk factors to stabilize the exchange rate and curbing inflation.	Narrowing the flexibility in policy administration
Continue investigating extensively and handling a number of key cases.	Negative when market sentiment is weak
The US and China trade wars are likely to be widespread as the two sides have not yet reached an agreement on whether the US could impose a 10 percent tax on the 200 bn Chinese imports in early September.	Negative, unpredictable

Source: BSC Research

Many blue chips have fallen into reasonable range to invest while stocks that have good valuations have attracted cash flow for the first quarter of business results in July. The market has a chance to return to psychological test level of 1,000 points in August, however, market movements are heavily

dependent on external news after the season of business results in the second quarter basically ended in the next 1 or 2 week of August. Improved cash flow remained at an average level and the market movement was strongly differentiated after the recovery.

- In positive case, after the recovery period of the first half of August, the trend of division and moving in groups of stocks with positive business results do not increase prices and acquire supportive information. The less fluctuating global market will support the cumulative index level around 980-1,000 points.

- In negative case, VN-Index do not overcome the psychological level of 1,000 points, the index weakens quickly due to selling pressure from decreasing positions order. Negative scenario occurs when the index falls below 900 points before the negative movement of the world and foreigners increased net selling. The focus level for this scenario is 850 points.

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

- Industries and stocks that we consider important in Sector Outlook 2018;
- Banking and finance stocks are well valued and have improved dramatically in business results as well as benefited from the law on supporting the restructure of credit institutions and dealing with NPLs;
- Leading stocks in the retail sector have high growth rates and high dividends;
- High defensive stocks in the consumer, pharmaceutical and electricity sectors;
- In the long term, BSC's recommended stocks will be listed in the industry outlook 2018 report, Stocks with good performance are recommended in the weekly investment advisory report, updated industry / business report ([link](#)).

## Disclosure

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