

## Vietnam Monthly Review 2018 M08

### BSC Research

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### Macroeconomics

- The PMI dropped to 53.7 from 54.9 last month, and was close to the yearly average of 53.6 points (52.9 points average in 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 8 months decreased by 4% over the same period of last year, but disbursed capital increased by 9.2% yoy. The manufacturing and real estate industries are the two leading sectors in attracting FDI.
- Interbank exchange rates fluctuated between 23,296 - 23,322 VND/USD, increased in comparison to 23,050 - 23,299 VND/USD of July. Interbank interest rate in all terms increased sharply in the first 3 weeks August and decreased in the last 2 weeks of the month in accordance with exchange rate fluctuations.

### Stock market

- Both HNX and HSX continued their recovery momentum in August. VN-Index increased 32.2 points compared with last month (3.47% MoM) and HNX-Index increased 6.63 points (6.25% MoM).
- Average liquidity on the both exchanges increased 12.9% compared to July, 1818, and remained at VND 4,931 billion / session and equivalent to USD 212.5 million / session.
- In August, foreigners were net sellers on the HSX with VND -1,558.91 billion, net buying VND 110 billion on HNX. From the beginning of 2018, foreigners net bought VND 29,801.55 billion on the HSX and net sold VND 1,051 billion on the HNX.
- P/E of the VN-Index increased to 17.86, equivalent to 4.9% MoM, but HNX-Index fell to 10.64 corresponding to -2.6% MoM. Compared to July, the P/E of the VN-Index rose two ranks to the fifth position and the HNX-Index stayed at 17th position in Asia.

### Outlook for next month

Medium-term accumulation, medium liquidity and strong diversification are expected to resume in September as the VN-Index is facing a strong resistance with risks from the world news. VN-Index is likely to move in the range of 950 - 1,040 points. In September, BSC provided two scenarios for the market as follows:

- In the positive case, after negative fluctuations before the US-China trade war and the carefulness of ETFs in the first half of the month, the market will recover gradually, moving around 1,000 points and waiting for positive news from the third quarter business results. The liquidity remains moderate; the cash flow shows a cautious view on major stocks in the first half of the month and returned at the end of the month. Banking stocks continue to be the market leader.
- In case of negative, VN-Index weakens before resistance and psychology 1,000 points. Negative volatility from the trade war, restructuring portfolio activities from foreign investors and the weakening of major stocks in the ETFs restructuring portfolio periods will limit market recovery in September. The index will have unpredictable fluctuations and create the accumulated area below 950 points.

#### Recommended stocks:

- Sectors and stock valuations that we consider important - Industry Outlook 2018 ([Link](#)) and ([Link](#));
- Banking and finance stocks are attracting cash flow and improving their business results as well as benefiting from the Law on Supporting Restructuring of Credit Institutions and NPLs;
- Leading retail stocks have high growth and dividend yields;
- High defensive stocks in the consumer, pharmaceutical and electricity

# Macroeconomics of August 2018

## Economic growth

- The PMI in August dropped to 53.9 points compared to 54.9 in July, higher than the same period last year at 51.8 points.

**Industrial production index in August was up by 13.4% against same period last year**, of which the mining sector increased 2.4%; processing and manufacturing increased by 16%; electricity production and distribution increased by 6.7%; water supply and waste disposal increased by 7.1%.

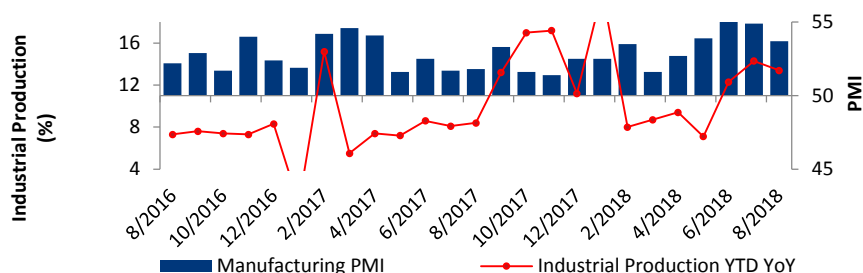
In 8M2018, industrial production index increased 11.2% over the same period last year, higher than the 8.2% of last year. Of which, the manufacturing sector increased by 13.3%, contributing 10.2% percentage point on the overall increase; Energy production and distribution increased 10.4%, contributing 0.9 percentage points; Water supply and waste disposal increased by 6.5%, contributing 0.1 percentage point; Particularly, the mining sector decreased by 0.3%, decreasing 0.04 percentage points overall.

For second tier industries, the sector had the highest production index in eight months against the same period last year: coke production, refined petroleum products increased 60.8% (coke production increased 116.4% production of refined petroleum products increased by 59.2%. The main reason is the large-scale Nghi Son Oil Refinery (Thanh Hoa) started operating in June this year and Binh Son Petrochemical Company (Quang Ngai) in June and July 2017 does not produce for periodic maintenance of machinery and equipment, so the industrial production index of refined petroleum products in June and July this year increased significantly over the same period last year, of which relative waves 510.3% and 522.1%

Some major industrial products sectors in the first eight months of this year increased significantly compared to the same period last year: Petrol up 50.7%, mainly due to the contribution of Nghi Son Refinery Co., Ltd (Thanh Hoa); crude iron, steel up 37.6%; Phone accessories increased by 36.6% thanks to Samsung's favorable business operation; Aluminum increased by 25.2%; liquefied petroleum gas (LPG) increased by 24.9%.

Chart 1

Industrial Production Index & PMI



**The PMI dropped to 53.7, slightly lower than the previous level of 54.9 and close to the 53.6 average of the year (52.6 points average in 2017).** Although the first eight months are still above 50, there are some signs that the pace of growth is slowing as output and employment was slower than that of July. In addition, the optimistic rate plummeted to the lowest level in history so far, mainly due to worries about the ongoing trade war in the world. In terms of price, both input costs and output prices are much higher. Vietnamese manufacturing companies continued to record new orders in August. Although the pace of growth has declined, the increase is still strong with reports showing that demand is improving. The number of new export orders continued to increase during the month, but the increase was smaller than the total number of new orders. Meanwhile, the backlog works has fallen slightly for three consecutive months.

## Inflation

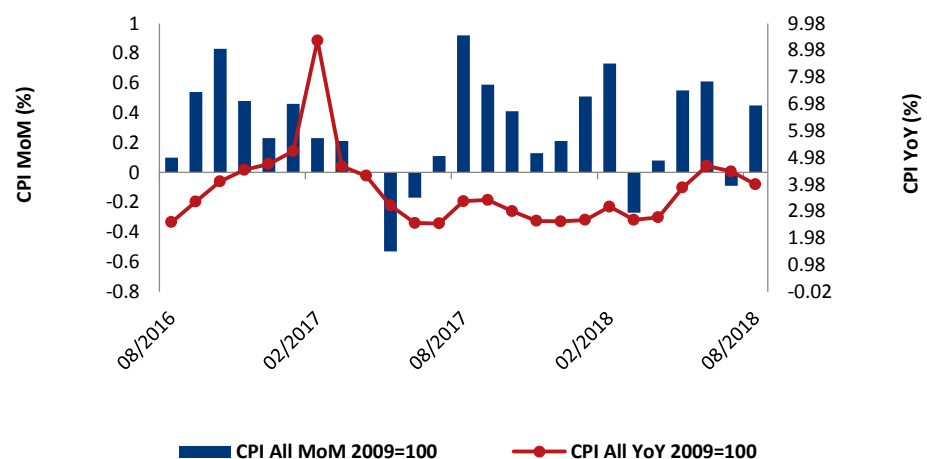
- **CPI in August increased by 0.45% month on month thanks to 10/11 commodity groups increased, in which the group of goods and food service ranked first.**

**Consumer Price Index (CPI) in August increased 0.45% over the previous month, and increased 4.46% over the same period in 2017.** Core inflation in 8/2018 increased 0.22% over the previous month and up 1.54% over the same period Last year.

Average CPI in 8 months in 2018 increased by 3.52% compared to the same period in 2017. Average core inflation in 8 months in 2018 increased by 1.38% compared to the same period in 2017.

Chart 2

Monthly CPI movements



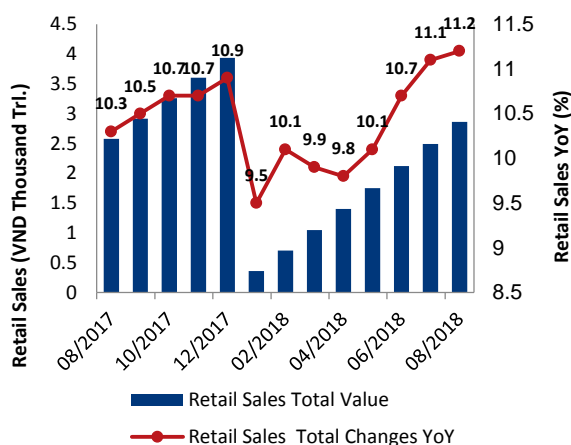
Sources: GSO, BSC Research

In August, the price index of 10/11 groups of Foods and catering services recorded increases, of which food and catering services increased 0.43.

Movements of CPI in the month are caused by the following reasons:

- Foods and catering services saw the highest increase of 0.87%, mainly due to the 1.12% rise in food prices due to 3.41% rise in pork prices; Prices of green vegetables increased 2.87% due to the impact of rainstorm, flash flood.
- The education group increased 0.46% as 14 provinces implemented the roadmap for increasing tuition fees according to the Government's Decree No. 86/2015 / ND-CP dated October 2, 2015.
- Housing material and construction group increased by 0.44%; housing material price increased by 0.42%; Gas price increased by 2.8% due to the impact of gas price adjustment on 1/8/2018.

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	0.87	4.79
2	Transportation	0.13	8.67
3	Health care	0.02	3.03
4	Housing & Construction material	3.73	3.73
5	Entertainment	0.19	1.47
6	Beverage and Cigarettes	0.11	1.42
7	Clothing	1.53	1.53
8	House appliance	0.1	1.25
9	Education	0.46	6
10	Telecommunication	-0.07	-0.73
11	Other	0.13	2.31

Source: GSO, BSC Research

**Total retail sales of consumer goods and services in August were estimated at VND 370 trillion, up 0.4% month on month and up 12.6% on year.** Total retail sales of goods and services in the first eight months of this year were estimated at 2.860 trillion VND, up 11.2% over the same period last year.

Retail sales reached 277.2 trillion, up 1% MoM and 12% YoY; Revenue from accommodation, catering services was VND 45.1 trillion, down 1.9% MoM and up 8.6% on year; travel revenue reached 3.6 trillion, up 1.6% over the previous month and up 12.2% over the same period last year; Other service revenue was VND 44.1 trillion, down 0.3% MoM and up 14.7%YoY.

## Foreign Direct Investment (FDI)

- As of 20/8/2018, registered FDI decreased by 4% compared to the same period last year. However, disbursed FDI increased 9.2% over last year.
- Maintaining the trend from June, foreign investment mainly focused on processing industry, manufacturing and real estate business.

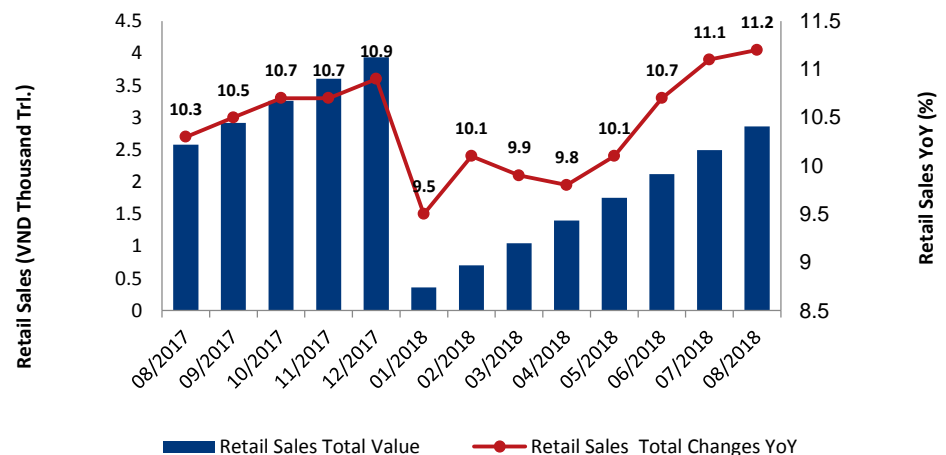
Total registered FDI and increased to 20/08/2018 of 1,918 projects (+ 18.1% YoY) reached \$ 13,481.6 million (+ 0.2% YoY), plus \$ 5.584 million of revised registered capital of 736 projects were licensed in previous years. Thus, total newly registered FDI and additional capital reached USD 19,066 million (-4% yoy).

Foreign direct investment in the first eight months was estimated at \$ 11.25 billion, up 9.2% over the same period in 2017.

In the first eight months, the largest foreign direct investment (FDI) industry with registered capital of newly licensed projects was US \$ 5,766 million, accounting for 4, 8% of the total registered capital. Real estate business reached \$ 5,007 million, accounting for 3.1%; the remaining sectors reached USD 2,708.6 million, accounting for 20.1%. Including additional registered capital of licensed projects from previous years, foreign direct investment in manufacturing and processing in the first eight months of this year reached USD 9,301.9 million, accounting for 48.8% of the total registered capital; real estate business reached US \$ 5,496.7 million, accounting for 28.8%; the remaining sectors reached \$ 4.267 million, accounting for 22.4%. The largest foreign direct investment (FDI) sector with registered capital of newly licensed projects was processing, manufacturing sector with USD 5,205.2 mil, accounting for 39.4%; real estate business reached USD 5,003.1 mil, accounting for 37.9%; the remaining sectors reached USD 2,997.1 mil, accounting for 22.7%. Including additional registered capital of licensed projects from previous years, FDI in processing and manufacturing reached USD 8,428.1 mil, accounting for 46.4% of the total registered capital; real estate sector reached USD 5,205 mil, accounting for 28.7%; the remaining sectors reached USD 4,519 mil, accounting for 24.9%.

Char 4

### FDI (USD Bil)



Source: GSO, BSC Research

Top 3 regions attracting registered FDI in the whole country: Hanoi (5,101.8 million USD - 42.9%); Ba Ria-Vung Tau (1,714.3 million USD - 13.1%), Binh Duong (661.4 million USD - 13.1%).

In the first eight months of this year, Japan was the largest direct investor in Vietnam with an investment of \$ 5,848.5 million, accounting for 43.4% of the total newly licensed capital; followed by South Korea with \$ 2,821 million, accounting for 20.9% and Singapore with \$ 949.7 million, accounting for 7%.

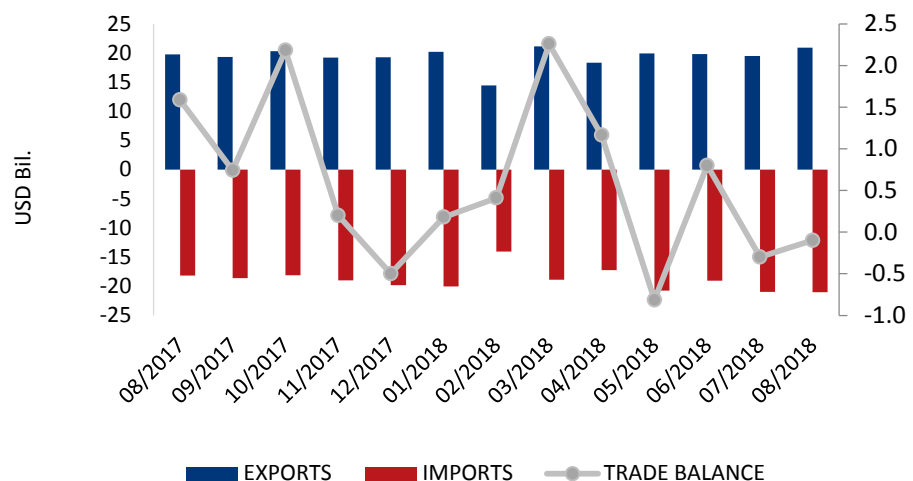
## Trade balance, Import and Export

- Trade balance in August estimated trade deficit of \$ 100 million.
- From the beginning of the year to August 2018, Vietnam had a trade surplus of 3.26 bil USD.

Export turnovers in August were estimated at \$ 20.9 billion, up 2.9% over the previous month, and up 5.5% over the same period last year, of which the domestic economic sector gained \$ 6.05 billion, up 2.9% last month, and up 9.4% over the same period last year; Foreign invested sector reached \$ 14.85 billion, up 2.8% over the previous month, and up 4% over the same period last year.

Chart 5

Import and Export (Bil USD)



Source: GSO, BSC Research

For the first eight months of 2018, export turnover was estimated at \$ 155.18 billion, up 14.6% over the same period last year, of which the domestic economic sector gained \$ 44.65 billion, up 11.3% year on year. Foreign invested sector (including crude oil) reached USD 110.52 billion (accounting for 71.2% of total export turnover), up 16.0%. Some key export items continued to increase over the same period last year. From the beginning of the year to August 15, electronic component phones continued to maintain their leading position, reaching \$ 28.4 billion (+ 17.1%) thanks to Samsung's contribution (

Note 9 and Samsung Galaxy 9). The second place was 16.5% growth in textiles that reached \$ 18 billion. Electronics product is in the third place reached 17.3 billion (+ 17.3%).

Import turnovers in August were estimated at \$ 28 billion, up 0.2% over the previous month, and slightly up 11.6% over the same period of 2017. Of which, the domestic economic sector gained \$ 8.0 billion, a 0.1% increase last month; up 11.8% over the same period last year. The foreign invested sector reached \$ 11.6 billion, up 5.9% over the previous month, and up 11.4% over the same period last year.

Table 2  
**Top 10 export items**

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	28.4	17.1%
2	Textile	18.0	16.5%
3	Electronics	17.3	17.3%
4	Other machines	9.9	28.9%
5	Shoes	9.8	9.9%
6	Woods	5.2	14.3%
7	Aquaculture	5.1	7.8%
8	Vehicles	4.9	15.2%
9	Steel	2.7	57.3%
10	Camera	2.6	35.6%

Source: GSO, BSC Research

Table 3  
**Top 10 imported goods**

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	25.0	14.7%
2	Machines	20.3	-5.6%
3	Fabric	8.2	2.1%
4	Mobile phone	7.0	1.7%
5	Steel	7.9	39.8%
6	Gasoline	6.3	37.2%
7	Plastic	5.4	28.8%
8	Other metals	4.9	34.1%
9	Textile Materials	3.6	4.1%
10	Plastic Products	3.2	0.0%

Source: GSO, BSC Research

For the first eight months, import turnover was estimated at \$ 151.98 billion, up 11.6% against the same period last year, of which the domestic economic sector gained \$ 61.82 billion, up 12.9% year on year. Foreign invested sector gained 90.10 billion USD, increasing by 15.1% (accounting for 59.31% of export share). From the beginning of the year to August 15, some items imported in August had big turnovers: electronic computer reached USD 25 billion (+ 14.7% yoy), machinery and equipment 20.3% (-5.6% yoy) billion, textile reached USD 8.2 billion (+ 2.1% yoy).

## Forex market

- The domestic exchange rate in August increased sharply, the strong pressure from the strong appreciation of USD caused the domestic exchange rate to be pushed up to the highest level. Free exchange rates increased sharply and beyond the band of the SBV. The interbank rate was always close to the upper limit of SBV's exchange rate. State-owned bank policy will continue to limit the rising rates of USD/VND exchange rates by adjusting the supply and demand on the Forex market.
- Although the exchange rate has slowed down, the Fed's interest rates rise in next month may be the driving force that pushes up the exchange rate. The growth rate will not be as high as this month



**because the Chinese government is actively maintaining the RMB value against the dollar.**

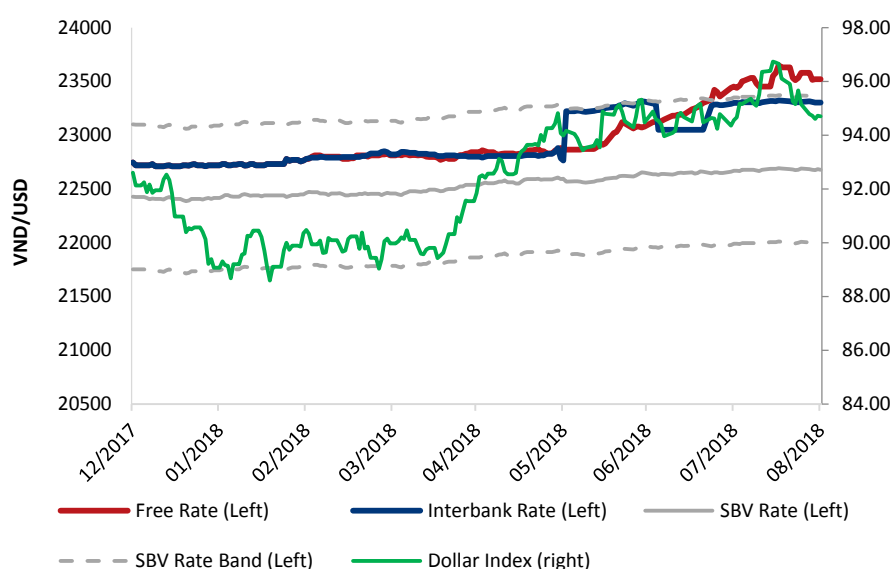
**Central exchange rates in August fluctuated from 22,666 – 22,691 VND/USD, increased from the range of 22,630 – 22,669 VND/USD in July. The monthly average is 22,679 VND /USD.**

**Interbank exchange rate in August ranged from 23,296 – 23,322 VND / USD, increased from the range of 23,050 – 23,299 VND/USD in July. The average monthly was 23,308 VND / USD.**

**Free exchange rates in August ranged from 23,440 – 23,650 VND/USD, increased from the band of 23,050 – 23,299 VND/USD in July. The average free exchange rate in the month was 23,528 VND / USD.**

**The July US dollar index rose by 0.2% from the end of July, increased by 2.2% from the same month last year. This index ranged from 94.6 to 96.7 points, with a monthly average of 95.5 points. The index now stands at 94.70 points.**

Chart 6  
**Exchange rate movements**



Source: Bloomberg, BSC Research

## Bank - Interest rate

- **The interbank interest rate increased sharply from the beginning of the month in line with the increasing pressure of the exchange rate. However, interest rates have also fallen in line with exchange rate movements in the last week of August.**
- **The saving and lending interest rates are still stable.**

Short-term (overnight and one week) interbank rates surged sharply in August. The upward trend fell in line with the exchange rate, rising sharply from the beginning of next 3 weeks and started to fall slightly in the



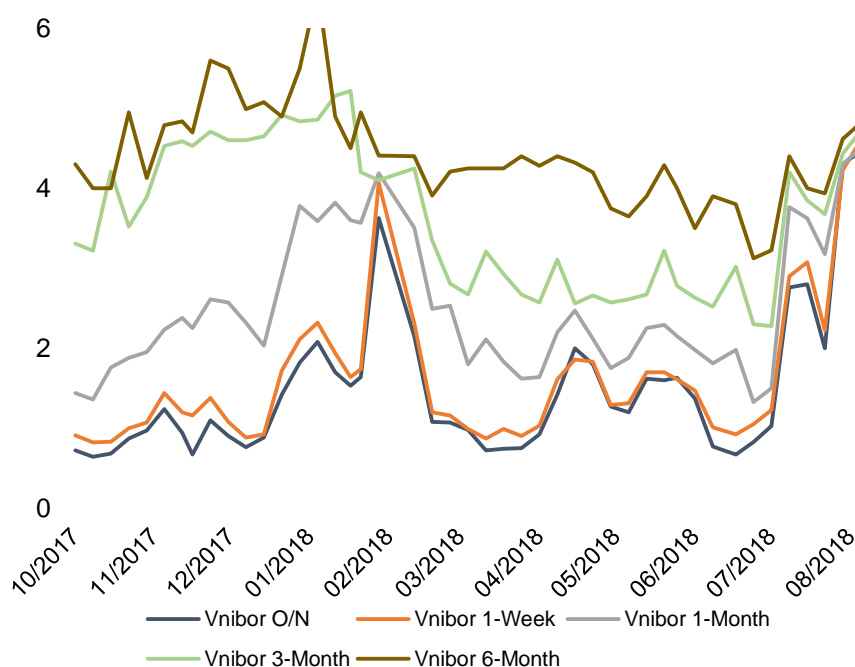
remaining two weeks of August. Transactions on the interbank system still focus on short-term groups. Volatility among short-term rate is also the strongest among the others interest rate. Interest rates for overnight, 1 week, 1 month, 3 months and 6 months respectively were 3.9%, 4.15%, 4.3%, 4.51% and 4.57% respectively.

In the fourth week of August, the SBV net injected VND 4,473 billion via the Treasury bill, which slumped 4 times compared to last week's 17,339 billion. The smaller net inject along with the decreasing interest rates showed that the banking system liquidity was less narrowed thanks to the depreciation of USD in the forex market.

The mobilizing rates in VND are common at 0.6-1% pa for demand deposits and short-term deposits of less than one month; 4.3-5.5% pa for term 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 year. 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 August 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 continue raising tariffs from 10 percent to 25 percent to \$ 200 billion in imports from China. The next wave of US tariffs is set to kick off on August 23, with the introduction of a \$ 16 billion import tax on Chinese goods. In addition, the United States continues to maintain pressure on the NAFTA, urging states to accept the agreement drafted by the United States and threatening that if Canada does not accept it will remove Canada from the treaty. The tension from the trade war continues to exert tremendous pressure on the import and export situation in the world. Vietnam may receive a wave of Chinese products that are expected to face taxation in the future.

**(2) The Fed and the ECB are likely to raise interest rates in the September session.** Forecasters around the world, as well as surveys by newspapers such as Bloomberg, are certain that the Fed will raise interest rates at the next meeting despite discontent from President Donald Trump. In addition, the England central bank will announce a new interest rate decision on Sept. 13. On the same day, ECB will also announce new interest rates. According to a Bloomberg News survey of economists around the world, the 79% of the participants expected ECB to raise interest rates from -0.4% to -0.1% at the September meeting. Raising interest rates from two economies The United States and the EU will continue to attract capital flows back to these two powers. Thus, USD and EU currencies are likely to continue to appreciate in the next quarter due to this positive impact.

Vietnam macro-economy in August has the following impacts:

**(1) Circular 59/2018/TT-BTC amending Circular 219/2015/TT-BTC on state capital investment in enterprises and management and use of capital and assets in enterprises.** Accordingly, the operating State owned enterprises can adjust the reduction of state capital in the following cases:

- a. The representative office of the owner shall base on the actual situation of the enterprise, the necessity to reduce the scale of operation, etc. to determine the reduced charter capital and report to the Prime Minister for decision on the reduction of the charter capital. The
- b. In case of restructuring the State capital at enterprises in the form of separation of enterprises according to the provisions of Point d, Clause 2, Article 19 of Decree No. 91/2015 / ND-CP dated October 13, 2015;
- c. Within the time limit for application of the adjusted charter capital: The adjusted charter capital of the SE shall be adjusted for a minimum of three years from the date of issuance of the decision approving the charter capital level.

**(2) From 01/9/2018, Circular 37/2016/TT-NHNN on the management, operation and use of the National Interbank Electronic Payment System will be effective.**

**(3) Circular 67/2018/TT-BTC provides guidance on the management, operation, exchange and exploitation of information in the National Database on Public Assets.** The Ministry of Finance is allowed to exploit information on national public assets in the NIS; Ministries, central agencies and provincial people's committees have the right to utilize information on public assets of agencies, organizations and units under their management in the NIS; Agencies, organizations and units with assets declared in the NIS have the right to exploit public asset information of their agencies, organizations, units and affiliated units (if any) in the NIS.

**(4) Interest rates and inflation.** CPI is estimated at 4.0%. 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) The Fed maintains a policy of raising interest rates four times this year, putting pressure on CPI and exchange rates. (2) Strong pressure from the exchange rate when US dollar price continued to increase sharply thanks to the policy of raising interest rates of the Fed and positive macroeconomic results.

Table 4  
Monthly macro indicators

Indicator / Month	2018M1	2018M2	2018M3	2018M4	2018M5	2018M6	2018M7	2018M8
GDP YoY (%)	-	-	7.38	-	-	6.79	-	-
GDP ytd YoY (%)	-	-	7.38	-	-	7.09	-	-
PMI	53.4	53.5	51.6	52.7	53.9	55.7	54.9	53.7
IIP YoY (%)	20.9	8.0	8.7	9.4	7.1	10.5	14.3	13.4
IIP ytd YoY (%)	20.9	15.2	11.6	11.4	9.7	12.3	10.9	11.2
Retail Sales YoY (%)	9.5	10.7	22.4	1.3	6.1	12.5	14.7	12.6
Retail Sales ytd YoY (%)	9.5	10.1	9.9	9.8	10.1	10.7	13.3	11.7
CPI MoM (%)	0.51	0.73	-0.27	0.08	0.55	0.61	-0.09	0.45
CPI YoY (%)	2.65	3.15	2.66	2.80	3.86	4.67	4.46	3.98
Registered FDI (Bil USD)	0.9	2.09	3.91	5.8	7.15	16.23	18.15	19.06
Disbursed FDI (Bil USD)	1.05	1.70	3.88	5.1	6.75	8.37	9.85	11.25
Export (Bil USD)	2.02	13.4	19.8	18.2	19.2	19.8	20.3	20.9
Import (Bil USD)	2.00	12.5	19.0	17.5	19.7	19.0	20.69	21.0
Trade Balance (Bil USD)	1.8	0.9	0.8	0.7	-0.5	-0.8	-0.6	-0.1
Exchange rate (VND/USD)	22,720	22,801	22,820	22,800	22,840	22,967	22,840	23,308
Credit growth (%)	-	-	2.23	-	-	6.35	-	-

Source: BSC Research

## Market Outlook

In August, the market indexes continued to recover from July with increasing liquidity but no strong widespread. The recovery was rather cautious especially in the segmentation of stocks in the industry. As of 31/08/2018, VN-Index increased 32.2 points compared with the previous month (3.47% MoM) and HNX-Index increased 6.63 points (6.25% MoM).

**Leading stocks are showing signs of recovery, but the laggard stocks have not received the corresponding cash flow.** In August, the HSX had 192 gainers, 161 losers and 13 unchanged, 6 new listing stocks and 2 stocks unlisted. 5 leader stocks of VN-Index were GAS increased 19.67% (contributed 10.42 points), BID increased 30.8% (contributed 8.65 points), VCB increased 6.84% (contributed 4.5 points), CTG increased 15 (contributed 4.1 points), SAB increased 10% (4.1 points). 5 laggard stocks of VN-Index were VNM declined -6.84% (dragged -5.3 points), VHM declined -5.7% (dragged -5.3 points), VIC declined -2.8% (dragged -3.7 points), TCB declined -5.6% (dragged -1.6 points) and VPB declined -4.4% (dragged -0.9 points). In August, cash flow focused quite a lot on VN30 and some other blue chip stocks. The spread of the leading sector's stocks to smaller shares is still low. Sugar sector (SBT), construction sector (CTD) and banking sector also saw strong gains such as BID, CTG and ACB, but stocks such as STB and VPB did not have supportive cash flow. September will be a difficult time for the Vietnamese stock market as international factors are still in turmoil as well as interest rates; inflation is on the upward trend and will likely continue to create stronger segmentation across the market due to investors' cautious sentiment.

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

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
8	989.54	3.67	3,160.67
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

Source: HSX, Bloomberg, BSC Research

Table 7  
Market index performance in the last 6 months on HOSE

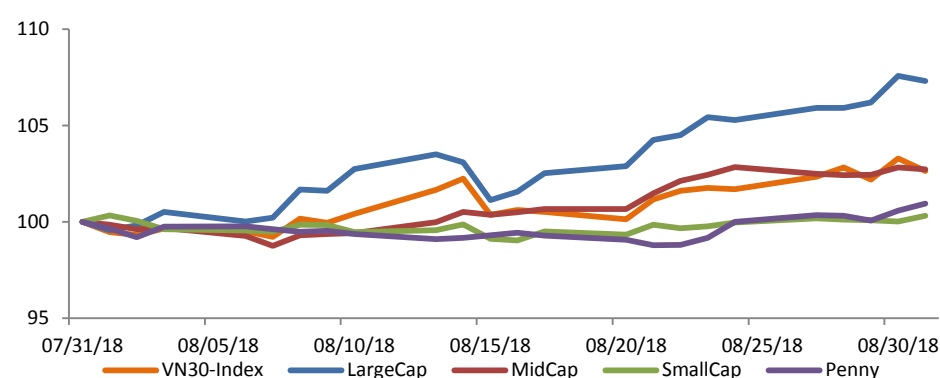
Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
8	112.79	1.51	202.20
7	106.16	0.87	201.08
6	106.17	0.87	199.50
5	114.91	1.11	213.74
4	122.64	1.17	225.08
3	128.05	1.02	234.86

Source: HNX, Bloomberg, BSC Research

## Stock groups performances

**The groups of stocks by market capitalization vary widely.** From the beginning of August, all groups were positive. VN30 increased by 2.63%, LargeCap increased 7.3%, MidCap increased 2.7%, SmallCap increased 0.3% and Penny increased 0.9%. Group VN30 is not very high due to the heavy weighed of VIC and VNM, but no price growth has a significant impact on the performance of the whole portfolio.

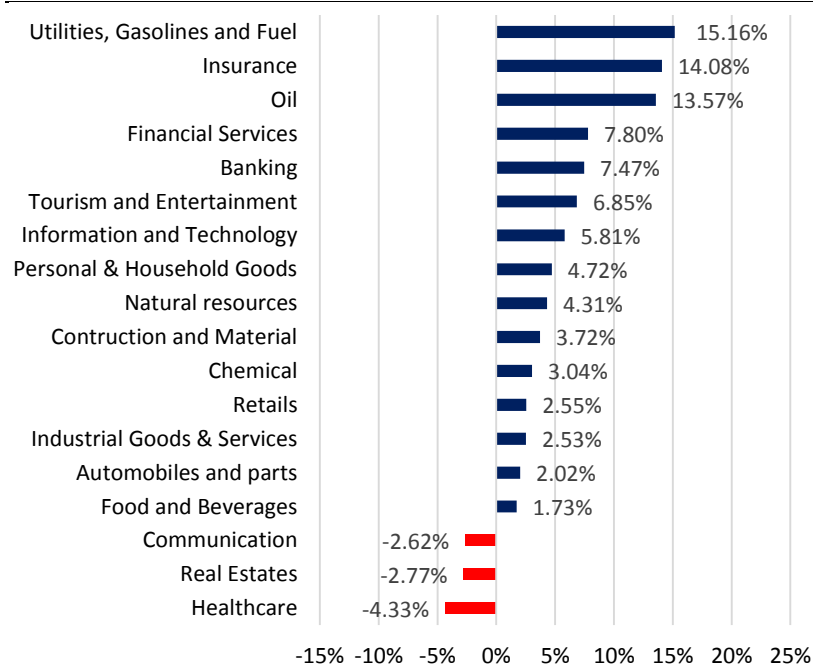
Chart 9  
**Stock group performances**



Source: Bloomberg, BSC Research

In August, the market had 15/18 gaining points. Of which, the utilities sector posted the strongest performance with 15.2% contributed by GAS and PLX, Insurance sector gained 14.1% with BVH and BMI, Oil and gas increased 13.6% with PVS and PVD.

Chart 10  
**Tier 2 sector in August 2018**



Source: Fiinpro, BSC Research

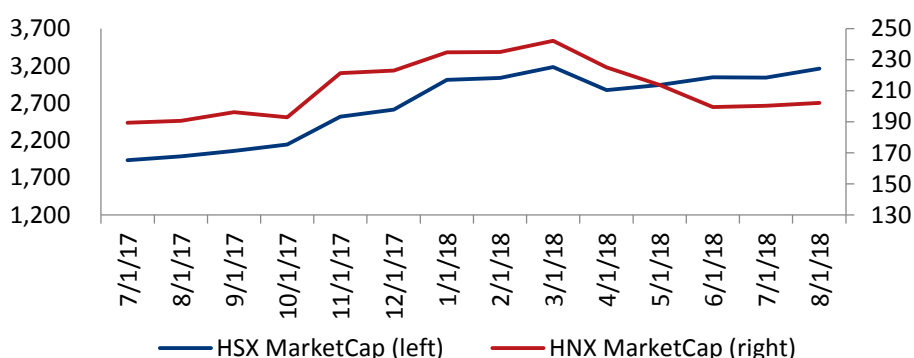
## Capitalization scale

**Market capitalization on both exchanges reached VND 3,362.87 trillion or USD 144.95 billion, up 3.75% MoM.** In August, 78 million shares were newly listed on HOSE, 577.6 million shares were seasonal listed and 124.9 million shares were delisted; additional listing 9.8 million ETF certificates and delisting 4.2 million certificates.

**On the scale of listing on HOSE on 31 August,** the exchange is listing 73.4 billion shares equivalent to 733.9 trillion (96.63% of market value), 224.7 million bonds equivalent to 22.5 trillion (2.96% market value), 274.2 million ETF certificates equal 2.7 trillion (0.36% of the market).

Chart 11

**Capitalization scale**



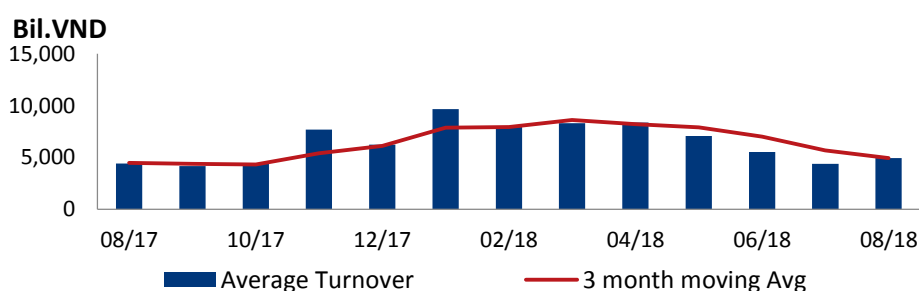
Source: Bloomberg, BSC Research

## Average market liquidity

**The average liquidity on both exchanges increased by 12.9% compared to July 2018, and remained at VND 4,931 billion/session and equivalent to USD 212.5 million/session.** In August, liquidity recovered strongly due to the restructuring of the portfolio of investors in the market including foreign and domestic investors. Strong trading sessions of VCB, VIC, HPG and VNM were the key points in August, leading to the sentiment of retail investors. Leading stocks in most sectors received cash flow in the month.

Chart 12

**Average market liquidity**



## Price level of Vietnam stock market

**P/E of the VN-Index increased to 17.86, equivalent to 4.9% Mom, but HNX-Index fell to 10.64 equivalent to -2.6% MoM.** P/E of the HSX increased sharply due to the price recovery in VN30 stocks. Compared to July, the P/E of the VN-Index rose two ranks to the fifth position and the HNX-Index stayed at 17th position in Asia.

Chart 13  
P/E indicator performances on both Exchange

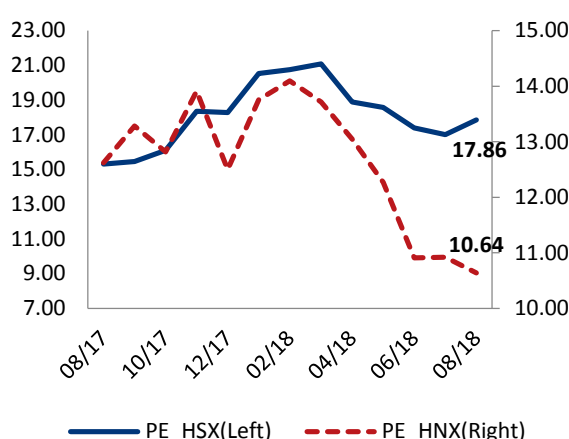
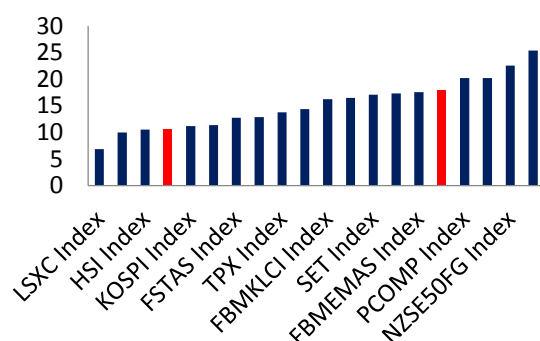


Chart 14  
Vietnam's P/E indicator compared to other countries in the region



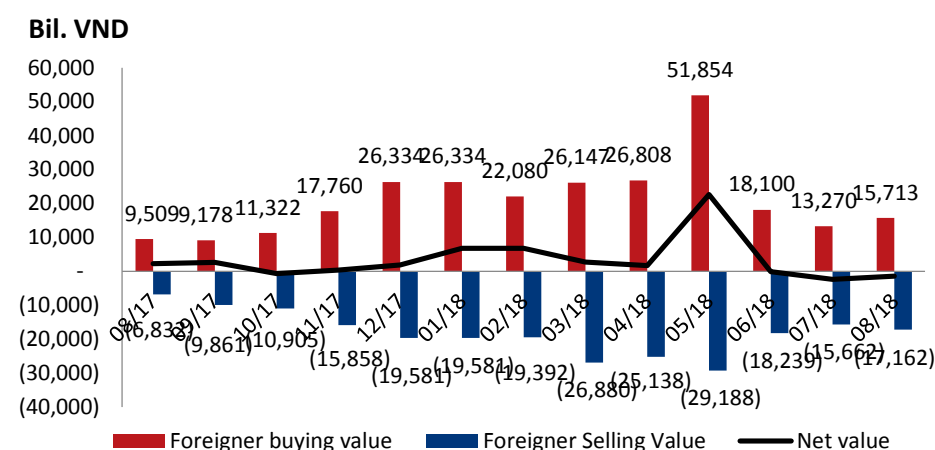
Source: Bloomberg, BSC Research

Source: Bloomberg, BSC Research

## Foreigner trade

**In August, foreigners continued to sell a net from July but with downward pressure.** The net sell position was mainly restructuring of the portfolio with the selling of large caps such as VHM, VNM and scattered smaller caps on the market.

Chart 15  
Foreigner transaction performances on both Exchanges





In August, foreigners were net sellers on the HSX VND -1,558.91 billion, net buying VND 110 billion on HNX. On the HSX, foreign investors bought strongly MSN (VND 265.3 billion), VJC (VND 230.7 billion), E1VFN30 (VND 200.1 billion), CTD (VND 188.8 billion), VCB (VND 182.6 billion) and sold strongly VIC (VND -10,102.6 billion), VNM (VND -1,023.2 billion), and VHM (VND -463.6 billion). On the HNX, the group focused on buying PVS (VND 69.9 billion), CEO (VND 27.8 billion) and selling SHS (VND -16.5 billion), VCG (-VND 9.9 billion).

Table 8  
Top 10 foreign traded stocks on HSX in August

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
<b>MSN</b>	265.3	<b>VIC</b>	(1,102.6)
<b>VJC</b>	230.7	<b>VNM</b>	(1,023.2)
<b>E1VFN30</b>	200.1	<b>VHM</b>	(463.6)
<b>CTD</b>	183.8	<b>NVL</b>	(309.1)
<b>VCB</b>	182.6	<b>VRE</b>	(190.3)
<b>GAS</b>	163.5	<b>PVD</b>	(130.6)
<b>BID</b>	155.7	<b>DHG</b>	(113.8)
<b>KDH</b>	128.5	<b>GTN</b>	(94.1)
<b>SBT</b>	121.2	<b>GEX</b>	(85.3)
<b>HPG</b>	106.6	<b>LDG</b>	(44.3)

Source: BSC Research

Table 9  
Top 10 foreign traded stocks on HNX in August

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
<b>PVS</b>	69.9	<b>SHS</b>	(16.5)
<b>CEO</b>	27.8	<b>VCG</b>	(9.9)
<b>VGC</b>	26.6	<b>MAS</b>	(9.4)
<b>SHB</b>	22.1	<b>TNG</b>	(9.1)
<b>DBC</b>	12.4	<b>CSC</b>	(7.1)
<b>TV2</b>	6.3	<b>PVI</b>	(2.9)
<b>VCS</b>	4.1	<b>NDN</b>	(2.9)
<b>NRC</b>	2.1	<b>HDA</b>	(2.3)
<b>PPS</b>	1.5	<b>TIG</b>	(2.2)
<b>WCS</b>	1.5	<b>PCG</b>	(1.8)

Source: BSC Research

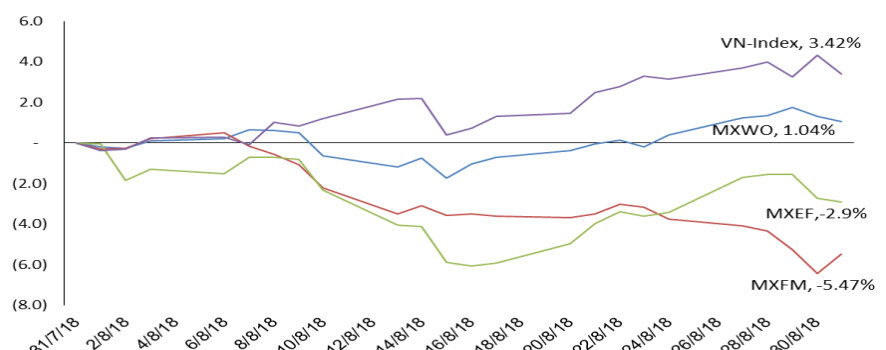
## September market outlook

The US-China trade war was the focal point of the world in August when the two sides levied \$ 16 billion in addition to \$ 50 billion in goods on August 23 and trade talks between the two countries at the end of the month had no breakthrough results. The fact that FED does not raise interest rates in August created the opportunity for the recovery of some major currencies and other emerging countries' currencies. The DXY is up 0.6% while the Swiss rose 2.2%, Japan up 0.7%, Thailand up 1.3%, and Pakistan up 4.8%. However, domestic currencies of many countries, especially countries including the BRIC group, fell sharply against the dollar such as India (-3.4%), Russia (-7.9%), Brazil (-7.9%), Turkey (-33.1%), and Argentina (-35.3%). Trade war continues to affect the world commodity market. The commodity index of Bloomberg Commodity dropped by 1.9%, many of which fell sharply, including wheat (-6.4%), soybeans (-7.8%), cotton (-8.8%), coffee (-10.7%) and pork 17.5%). Metals with the exception of gold have an average fall of over 5%. The US-China trade war and interest rate rises from US will continue in September and still have a very significant influence on the world market as well as the movement of international investment inflows.

Negative volatility in emerging markets such as Turkey and Argentina has led to a reversal of declining emerging market and marginal markets. The MSCI Emerging Markets (MXWO) index edged up 1.04%, while the emerging MSCI Emerging Markets (MXEF) and MSCI marginal region (MXFM) fell -2.9% and -5.5% respectively (in USD).

Graph 15

**MSCI Emerging and Marginalized Growth Index (in USD)**



Source: Bloomberg, BSC Research

In the developed market, the US stock index maintained good growth momentum with a 3% increase while European markets fell by 2-4%.

In the BRIC region, although the currency depreciated, Indian and Russian stock indices increased by 2.9% and 1.1%, respectively, while the Chinese

stock index remained quite negative at 5.3% in the context of continuing trade war.

In the regional market, Vietnam stock indexes recovered strongly after several months of decline with a rise of 3.5%. Other markets increased by more than 1% while Singapore was the only country down 3.2%.

Negative volatility of some countries in emerging market reversed the sale of foreign investors. Except for some developed countries such as Korea and Taiwan, foreign investors were net sellers in most countries in the region. By the end of August, Vietnam and Sri Lanka were the only two countries to have a net buy in the region, with USD 1,388 and USD 58 million respectively.

Graph 16

Volatility of stock indexes in July

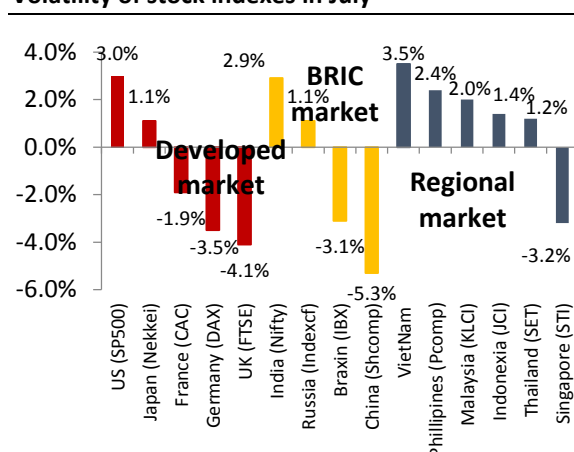


Table 9

Foreign investors were net sellers in August

Country	August (million USD)	8 months (million USD)
India	131	(283)
Indonesia	(106)	(3,622)
Japan	(10,622)	(41,356)
Malaysia	(23)	(2,146)
Phillipines	(90)	(1,357)
Korea	1,652	(1,941)
Sri Lanka	(10)	58
Taiwan	1,108	(7,815)
Thailand	(319)	(6,282)
Pakistan	(7)	(200)
Vietnam	(66)	1,388

Source: Bloomberg, BSC Research

VN-Index recovered after 4 consecutive decreases months. Liquidity improved but did not significantly increase compared to the momentum of the index. On stable prices supported by large stocks, money flowing into small and medium stocks, and basic stocks fell at the corrective span. Utilities, Insurance and Petroleum sector saw a sharp increase of 15.1%, 14.1% and 13.6%, respectively, while Health, Real Estate and Communications decreased -4.3%, -2.8% and -2.6%. In terms of the impact of leading stocks, the top five stocks increased 34.5 points, accounting for 87% of the increase of VN Index including GAS (20.9%, 11 points), BID (30.8% 8.6 points, VCB (9.1%, 5.9 points), MSN (16.7%, 5 points) and BVH (24.9%, 4 points). In the opposite direction, the five leading stocks contributed 16.1 decreased points, including VHM (-5.9%, -5.5 points), VNM (-7%, -5.5 points), VIC (-2.8%, -3.7 points), VPB (-5.1%, -1.1 points) and DHG (-7.7%, -0.3 points). The report analyzes the recommendations and updates the business in August including CTD ([Link](#)), MWG ([Link](#)), KDC ([Link](#)), DRC ([Link](#)), PHR ([Link](#)), GDT ([Link](#)), VNM ([Link](#)), CSV ([Link](#)), TCB ([Link](#)), BFC ([Link](#)), PVT ([Link](#)), VSC ([Link](#)), FRT ([Link](#)), và PNJ ([Link](#)).

#### Attentions in September:

**12/12 targets have reached and exceeded, of which 8 targets exceeded and 4 targets reached. GDP reached over 6.7%.** In the context of world unpredictable changes, Vietnam's economy is under pressure from fluctuations from the world, the socio-economic information published in the Government meeting in August is very positive. CPI in August increased by 0.45% over the previous month, the average CPI in 8 months increased 3.52% compared to the average CPI in 2017. Total retail sales of goods and services increased 11.2%, registered FDI reached 24.3 billion, up 4.2% over the same period and trade surplus of 2.8 billion USD. The Ministry of Planning and Investment set a target of 2019 and a growth of 6.6-6.8%, export turnover of 7-8%, and average CPI growth of 4-5%. This macroeconomic data continues to support flexible and prudent monetary policy with the aim of stabilizing the macroeconomic situation in the context of unpredictable developments from the world. Macroeconomic stability will also contribute to the competitiveness of the economy, attract foreign capital participation and stabilize the stock market in the remaining months of 2018.

***The world economy conference with the topic of "ASEAN 4.0: The Business Spirit and the Fourth Industrial Revolution "was held in Hanoi from 11 to 13 September.***

WEF ASEAN is a forum for bringing together leaders and businesses from around the world and the region to share ideas, policies and measures on entrepreneurship development, take advantage of opportunities and cooperate to solve problems. Industrial Revolution Issues 4.0 set for ASEAN countries and regions.

The conference is expected to have between 800 and 1,000 delegates. Top executives of most ASEAN countries and some countries in the region, large international organizations and a large number of leaders of leading corporations have confirmed their attendance. The conference is a strong promotional opportunity for Vietnam, on the other hand, to create favorable conditions for localities and Vietnamese enterprises to connect and promote cooperation with leading global corporations in terms of market potentials, financial and high technology.

***FTSE Russell, one of the world's two largest index providers, will announce a decision to upgrade market position by the end of September. Vietnam has a chance to be included in the monitoring list for this period.***

Vietnam is the largest contributor to the FTSE marginal market indexes and is likely to be listed on the upgraded watch list this term as it satisfies most of the conditions for upgrading its emerging primary market. More than 5 Vietnamese stocks qualified for the FTSE global benchmark against a minimum of 3 companies. Vietnam still has 3 criteria that are not up to the requirements and 8 limited criteria among 21 criteria in the FTSE market quality matrix. Compared to other emerging market countries such as China, which has 6 unachieved criteria and 1 limited criteria, India has 6 unachieved criteria and 4 limited criteria and the Philippines has 2

unachieved criteria and 5 limited criteria, Vietnam is having a significant chance to be listed on the index in September 2018.

In case of being included in the monitoring list, Vietnam needs 1-2 years for improving to achieve the official upgrade in March and September each year. The upgraded market will have a strong impact on the stock market at some points as: (1) It is the motivation for Vietnam management agencies to continue reforming and upgrading the market; (2) positive impact on investor sentiment and (3) Short-term influence of early buying activities and structure of the portfolio of the ETF bought following the index.

***Trade war between the United States and China continues to be the focus of the market in early September when the United States is expected to announce additional tariffs with \$ 200 billion in Chinese goods.*** The United States has imposed a \$ 50 billion tariff on Chinese goods and also received similar retaliation from China. Sept. 6 is the deadline for businesses and Americans to comment on plans to tax \$ 200 billion with Chinese goods. With the recent hint, the US president is likely to announce right after the deadline. Additional taxes on the list are expected to range from 10-25%. China has also vowed to retaliate against the plan by imposing a \$ 60 billion tax on American goods. As the US-China trade talks have not progressed and the prospects for a trade war have been extended, China's \$ 200 billion tariff plan will be a strong escalation step in the trade war, between the two largest economies in the world. This event is still the focus of the world market in September.

***US economic in good growth, low unemployment and rising inflation will not prevent the Fed from raising interest rates further.*** At the Fed meeting on August 24, Fed Chairman is optimistic about US economy and expects slow but steady rate rises to be maintained in order to balance between supporting US economic and controlling inflation. According to Bloomberg survey, the possibility of raising interest rates in the September meeting was 94.6%, equivalent to the possibility of raising interest rates in the November meeting. The possibility of raising interest rates to 0.25% was 94.6%. This indicates that the market is expecting a high possibility that FED will raise interest rates at the Sept. 25-26 meeting.

Table 11

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

Events	Impact on stock market
Macroeconomics is still changing positively to facilitate monetary policy in a prudent way in order to avoid shocks from the outside. This will help the economy and the stock market stabilize.	Positive
Some listed companies will announce their business results for the Q3.	Positive
World economic conference with the topic "ASEAN 4.0". One of the biggest events will gather top leaders and businesses from around the world.	Create positive sentiment
FTSE upgraded the market rating, Vietnam has the opportunity to be included in the monitoring list	Positive if listed
	Liquidity increase, unpredictable

The ETFs structure their third quarter portfolio	fluctuation if VHM is on the list with a high proportion
The market is facing a strong resistance from 1,000 to 1,040 points. Money remained moderate while foreigner investors were still executing their portfolio structure.	Rally is not clear
Continue extensively investigating and handling a number of key cases.	Affect sentiment
The Fed is likely to raise interest rates in the 25-26 meeting	Affect exchange rate, international cash flow
The US and China trade wars are likely to be widespread as the two sides have not yet reached an agreement on the possible imposition of a US \$ 200 billion tax on imports from China in early September.	Unpredictable, negative

Source: BSC Research

August market movement was similar to the positive scenario in the July report when VN-Index approached 1,000 points and fluctuated from 980 to 1,000 points at the end of the month. The improvement in cash flow was maintained at an average level and the strong market segmentation occurred after the rally. This situation is likely to be resumed in September when the VN Index is facing the strong resistance level along with the risks from the world news. VN-Index is likely to move in the range of 950 - 1,040 points.

- In the positive case, after negative fluctuations before the US-China trade war and the carefulness of ETFs in the first half of the month, the market will recover gradually, moving around 1,000 points and waiting for positive news from the third quarter business results. The liquidity remains moderate; the cash flow shows a conservative view on major stocks in the first half of the month and returned at the end of the month. Banking stocks continue to be the market leader.

- In case of negative, VN-Index weakens before resistance and sentiment level of 1,000 points. Negative volatility from the trade war, restructuring portfolio activities from foreign investors and the weakening of major stocks in the ETFs restructuring portfolio periods will limit market recovery in September. The index will have unpredictable fluctuations and create the accumulated area below 950 points.

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

- Sectors and stock valuations that we consider important - Industry Outlook 2018;
- Banking and finance stocks are attracting cash flow and improving their business results as well as benefiting from the Law on Supporting Restructuring of Credit Institutions and NPLs;
- Leading retail stocks have high growth and dividend yields;
- High defensive stocks in the consumer, pharmaceutical and electricity sectors;

In the long run, BSC's recommended stocks will be listed in the 2018 Sector Outlook ([Link](#)), good performance stocks are recommended in the weekly investment consult report ([Link](#)) and Sector/Companies update report ([link](#)).

## **Disclosure**

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