

Vietnam Monthly Review 2018 M11

BSC Research

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Macroeconomics

- The PMI rebounded to 56.5, up from 53.5 in the previous month, and was higher than the yearly average of 53.6 point (52.6 points average in 2017).
- Total retail sales of consumer goods and services in November were estimated at VND 385 trillion, up 1.1% over the previous month and up 12.2% over the same period last year.
- FDI in the first 11 months decreased by 20.3% over the same period of last year but the implemented capital increased by 3.1% yoy. The manufacturing and real estate industries are the two leading players in attracting FDI.
- The interbank exchange rate fluctuated between 23,353 - 23,379 VND/USD, increasing by 23,344 - 23,356 VND/USD in October. The interbank interest rate in all terms increased in the last half of the month. 11, especially medium and long term interest rates.

Stock Market

- The HSX slightly rebounded while the HNX continued to maintain its downward momentum. VN-Index increased 11.8 points compared to the previous month (+ 1.29% MoM) and HNX-Index decreased 0.53 points (-0.5% MoM).
- The average liquidity on both exchanges decreased 31.05% compared to October 2018, and decreased to VND 4.057 billion per session and equivalent to nearly USD 174.1 million per session.
- In November, foreigners were net buyers on the HSX VND 1412.68 billion, net selling VND -279 billion on the HNX. Since the beginning of the year, they net bought VND 40.96 trillion on the HSX and net sold VND 1.09 bil on the HNX.
- The P/E of VN-Index recovered to 16.21 points, + 1.30% MoM, -11.47% YTD and P/E of HNX-Index fell to 9.07 points, -0.78% MoM and -27.47% Ytd respectively. Compared to October, the P / E of the VN-Index rose to the 7th position and the HNX-Index stayed at 18th position in Asia.

Market outlook next month

The initial agreement between the US and China has hammered the escalation of the US-China trade war and will have a positive impact on the world market in general and Vietnam in particular. The market has gradually stabilized and has a chance to rise back to the expected range of 975-1,000 points at the end of 2018. In December, BSC provided two scenarios for the market as follows.

- In the positive case, VN-Index will increase and reach the expectation range of 975-1,000 points with the rotation of major stocks. Liquidity remained moderate; sector movements appeared but not clear.
- In the negative case, the negative news from the world and the retreat of foreign capital will keep VN-Index at the low price range of around 900 points.
- **Recommended Stocks:**
 - Sectors and stock valuations that we consider important – 2018 Sector Outlook and Viet Nam Sector Outlook 4Q2018;
 - Banking stocks - highly-improved business results, Petroleum stocks benefiting from oil price and other stocks benefiting from trade agreements and trade shift from trade war;
 - Real estate stocks from revenue and profit cycle;
 - Highly-defensive stocks such as Electricity, Information and Technology, Consumer and Retail have high growth and dividend;
 - In the long term, BSC's recommended stocks will be listed in the sectoral strategic reports in the fourth quarter (Link), the stocks with good performance are recommended in the investment consultant weekly report and Sector update/ Corporate update.

Macroeconomics of November 2018

Economic growth

- The PMI rebounded to 56.5, up from 53.5 in the previous month, and was higher than the yearly average of 53.6 point (52.6 points average in 2017).

Industrial production index in November increased by 9.6% yoy, of which the mining sector increased by 0.2%; processing and manufacturing increased by 11%; electricity production and distribution increased by 9.2%; water supply and waste disposal increased 4.5%.

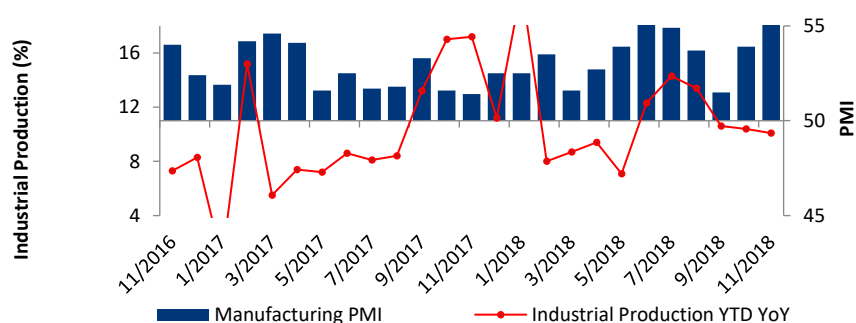
In general, the industrial production index (IIP) increased by 10.1% over the same period last year, lower than the increase of 10.2% in the same period of 2017. In which, the manufacturing and processing sector increased by 12.2%, contributing 9.5% percentage point; Power production and distribution increased 9.6%, contributing 0.8 percentage points; water supply and waste disposal increased by 6.3%, contributing 0.1 percentage point; Mining alone decreased by 2%, dragging 0.3 percentage points off the overall index.

In the secondary industries, the top three industries had a 11 months increase in production over the same period last year: Coke, refined petroleum products up 63%; metal production increased by 23.7%; production of medicines, pharmaco-chemicals and pharmaceuticals increased by 22.3%.

Some major industrial products in 11M2018 increased compared to the same period last year: gasoline, oil increased 51.8%; iron, crude steel up 40.9%; TV increased by 23.9%; liquefied petroleum gas (LPG) increased 22.4%; Aluminum increased by 22.9%; Woven fabrics of synthetic or man-made fibers increased by 21.3%. Notably, phone components were down by 3.3%; of which smartphones fell by 4.7%. This phenomenon is in line with Samsung's business strategy since Samsung had unveiled its production plan that aiming at middle-class in India without any new high-end model for the final quarter of the year.

Chart 1

Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

The PMI rebounded to 53.9, up from 51.5 in the previous month, and was 53.4 points higher than the yearly average (52.6 points average in 2017). Manufacturing business in November has improved to one of the strongest historical point for eight years when output and the number of new orders increased sharply and fast. Rising inventories are the highlight of the latest survey with both inventories of finished goods and finished products rising at record levels as companies prepare for upcoming workloads. Employment also rose at the high level of the survey and confidence levels in business have increased. Specifically:

- The sector of consumer goods production had the strongest performance among the three market sectors surveyed in the latest period, with output, new orders and employment rising the most. Vietnamese producer also increased the volume of raw materials and semi-finished products, which triggered rising quantity and price of input level faster than that of September.
- Manufacturers increased inventories of both input materials and finished goods at new record rates as companies responded to new orders and prepared for continued revenue growth in the months. The increase in pre-production inventories was supported by significant increase in purchasing activity.
- The number of new orders increased sharply in November, with growth rates faster than the second consecutive month. Meanwhile, the number of new export orders increased at a remarkable rate like the total number of new orders. The number of new orders increased sharply, encouraging manufacturers to increase production. Moreover, output growth was faster than the fastest pace since March 2011. Output also tends to increase next year as strong demand has increased the level of manufacturers' confidence.
- Raw material prices have kept up input costs in November and this is the sharpest increase in three months. The cost burden has increased producer prices for the first time in three months. Some members of the survey team said raw material scarcity contributed to an increase in input prices, with supply issues leading companies to prolong the delivery of inputs. However, other manufacturers said suppliers were well prepared and reduced delivery times. In general, the delivery time of the seller is almost unchanged.

In addition, China's PMI fell to 50.0 from 50.2 last month. The downward trend of China's PMI and Vietnam's rebound trend illustrated that Vietnamese export products are benefiting from the US trade war as companies have begun to shift supplies from the Chinese market to alternative products or products in Vietnam. Trump's strategic goal of forcing international companies to move their supply chain out of China, has been quite successful. Supportive signals from PMI signaling economic growth are quite positive for the end of 2018 and the first half of 2019.

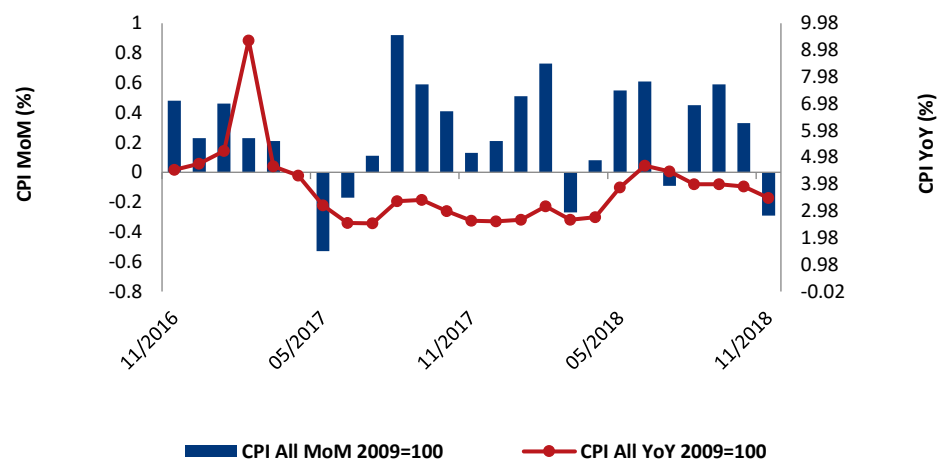
Inflation

- **November CPI was -0.29% lower than October thanks to a major decrease of traffic sector due to a sharp drop in oil prices in the world.**

Consumer Price Index (CPI) in November fell -0.29% over the previous month, and increased 3.46% over the same period in 2017. Basic inflation in October 2018 increased by 0.11% over the previous month and 1.72% in the same period last year.

Average CPI in 11M2018 increased 3.59% compared to the same period in 2017. The average inflation in 11M2018 increased 1.46% compared to the same period in 2017.

Chart 2
Monthly CPI movements

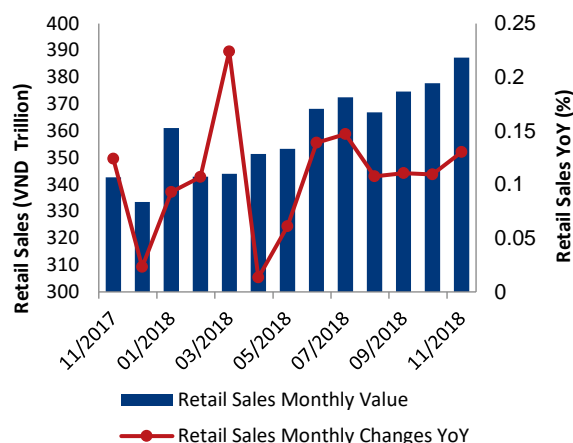


Sources: GSO, BSC Research

In October, the price index of 7/11 commodity and service groups recorded the increase in prices, in which the group traffic increased the most. Movements of CPI in the month are caused by the following reasons:

- **The traffic group saw the highest increase of 1.55%**, mainly influenced by the adjustment of petrol and oil prices as of October 6/2018 despite the decrease in petrol prices as of October 22/2018, causing petrol prices to rise by 3.45%.
- **The education group increased by 0.6%** due to the fact that seven localities have implemented the road map for increasing tuition fees in accordance with the Government's Decree No. 86/2015 / ND-CP dated October 2, 2015.
- **Housing and construction increased by 0.3%** mainly due to a 3.17% increase in gas price; prices of home repair services increased by 0.56%;

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	-0.14	4.8
2	Transportation	-1.81	6.24
3	Health care	0.01	0.05
4	Housing & Construction material	-0.64	2.28
5	Entertainment	0.05	1.73
6	Beverage and Cigarettes	0.07	1.51
7	Clothing	0.26	1.68
8	House appliance	1.32	1.32
9	Education	0.05	6.51
10	Telecommunication	-0.06	-0.85
11	Other	0.15	2.32

Source: GSO, BSC Research

Total retail sales of consumer goods and services in November were estimated at VND 385 trillion, up 1.1% over the previous month and up 12.2% over the same period last year. Generally, for the first 11 months of 2018, total retail sales of goods and services were estimated at VND 4,000 trillion, up 11.5% over the same period last year.

Retail sales reached 288.6 trillion dong, up 0.8% MoM and up 13.1% YoY; Revenue from catering services reached VND47 trillion, up 2.3% from the previous month and up 8.2% YoY; Tourism revenue reached 3.4 trillion, up 0.7% over the previous month and up 3% over the same period last year; Other service revenue was VND46 trillion, up 1.6% month on month and up 11.7% on year.

Foreign Direct Investment (FDI)

- **Registered FDI decreased by 20.3% over the same period last year. However, disbursed FDI increased slightly 3.1% compared to last year.**
- **Foreign direct investment focuses on the manufacturing and processing sector and real estate sector.**

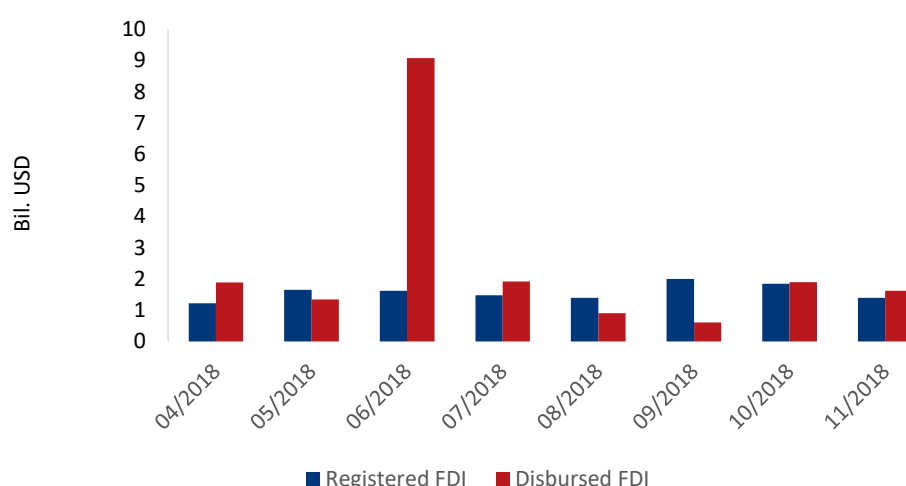
Total registered FDI and increased to 20/11/2018 of 2,714 projects (+ 14% YoY) reached \$15,788 million (-20.3% YoY), plus \$ 7,403 million of revised registered capital of 1.059 million Projects were registered in previous years. Thus, total newly registered FDI and additional capital reached USD 23.191 million (-16.6% yoy). FDI inflows dropped sharply as compared to the previous month as there were no FDI projects in November this year, as in November 2017.

Disbursed FDI in the first 11M2018 was estimated at \$ 16.5 billion, up 3.1% over the same period of 2017.

In the first eleven months, the largest foreign direct investment (FDI) sector with registered capital of newly registered projects was US \$ 7,433.9 million, accounting for 47.1% of the total newly registered capital; real estate business reached \$ 5,206.9 million, accounting for 33%; the remaining sectors reached USD 3,147.6 million, accounting for 19.9%. Including additional registered capital of registered projects from previous years, foreign direct investment in processing and manufacturing sector in 11M2018 reached USD 12,404.5 million, accounting for 53.5% of the total registered capital; real estate business reached US \$ 5,945.5 million, accounting for 25.6%; the remaining sectors reached USD 4,841.7 million, accounting for 20.9%.

Char 4

FDI (USD Bil)



Source: GSO, BSC Research

Top 3 regions attracting registered FDI in the whole country: Hanoi (5,020.6 million USD – 31.8%), Ba Ria-Vung Tau (1,796.9 million USD - 11.4%), Binh Duong (952.9 million USD - 6%).

In the first 11 months of this year, Japan was the largest direct investor in Vietnam with \$ 6,055 million, accounting for 38.4% of the total newly registered capital; followed by South Korea with \$ 3,418 million, accounting for 21.6% and Singapore with \$ 1,111 million, accounting for 7%.

Trade balance, Import and Export

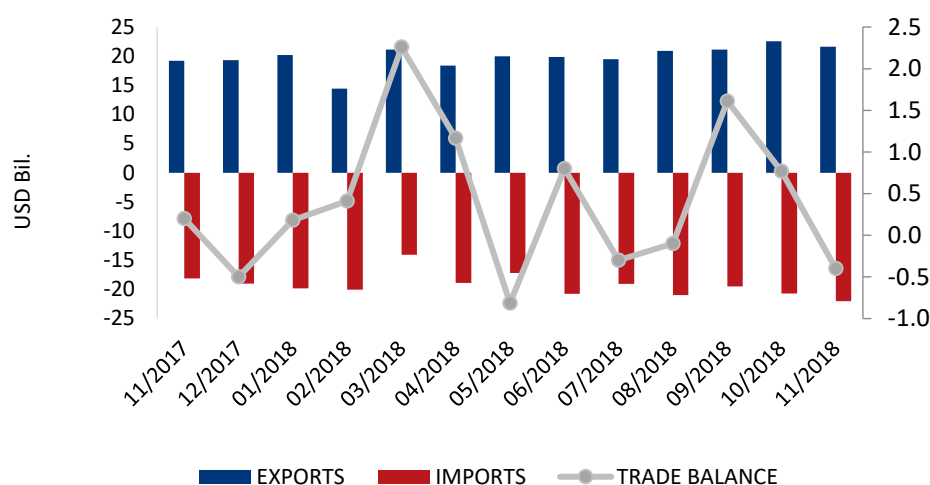
- **Trade balance in November was estimated to be a deficit of \$ 400 million.**
- **From the beginning of the year to NOV 2018, Vietnam exports a surplus of 6.8 bill USD.**

Export turnover in November was estimated at \$ 21.6 billion, down 4.1% against last month, and up 7.8% over the same period of 2017, of which the domestic economic sector gained \$ 5.89 billion, down 4.5% compared to last month, and up 10.8 % over the same period last year; Foreign invested sector

reached USD 15.17 billion, down 4% over the previous month, and increased 6.7% over the same period last year.

Chart 5

Import and Export (Bil USD)



Source: GSO, BSC Research

In the first 11 months of 2018, export turnover was estimated at USD 223.63 billion, up 14.2% over the same period last year, of which the domestic economic sector gained USD 63.24 billion, up 17.2%; Foreign invested sector (including crude oil) reached USD 160.39 billion (accounting for 71.7% of total export value), rising by 13.4%. Some key export items continued to increase over the same period last year. From the beginning of the year to Oct. 15, electronic component phones continued to hold the top spot, reaching \$43.8 billion (+ 12.05%). Next; textiles and garments grew by 17.1%, reaching USD 26.4 billion thanks the effect of trade ware. Electronics and computer is at te third position with USD 25.1 billion (+12%).

Table 2

Top 10 export items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	43.8	12.5%
2	Textile	26.4	17.2%
3	Electronics	25.1	12.0%
4	Other machines	14.4	29.4%
5	Shoes	13.8	10.9%
6	Woods	7.6	16.3%
7	Aquaculture	7.6	5.8%
8	Vehicles	7.0	14.6%
9	Camera	4.5	47.1%
10	Steel	4.0	52.5%

Source: GSO, BSC Research

Table 3

Top 10 imported goods

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	36.7	13.5%
2	Machine	29.6	0.4%
3	Fabric	13.6	-0.1%
4	Mobile phone	11.2	13.8%
5	Steel	8.8	9.6%
6	Plastic	7.9	20.4%
7	Gasoline	7.0	17.3%
8	Other metals	6.5	28.5%
9	Plasitc Products	5.1	8.7%
10	Textile Materials	5.1	5.4%

Source: GSO, BSC Research

Import turnovers in November were estimated at \$ 22 billion, up 1.1% over the previous month, and up 12.7% over the same period of 2017. Of which, the domestic economic sector gained \$ 8.8 billion, up 3.1% last month; up 13% over the same period last year. The foreign-invested sector was worth \$ 13.2 billion, slightly down 0.2% from the previous month, and up 12.5% over the same period last year.

For 11 months, import turnover was estimated at \$ 216.82 billion, up 12.4% against the same period last year, of which the domestic economic sector gained \$ 86.63 billion, up 12.6%; Foreign invested sector gained 130.19 billion USD, rising by 12.3%. From the beginning of the year to the end of November, some items imported in November had a large turnover, including computer electronics with \$ 36.7 billion (+ 13.5% yoy), machinery and equipment \$ 29.6 billion (+ 0.4% yoy) , component phones reached \$ 13.6 billion (-0.1% yoy).

Forex market

- **The exchange rate in November continued to rise slightly due to the pressure from the trade war, the amplitude of all exchange rates increased except the free exchange rate that was flat compared to October. The interbank exchange rate continued to touch the ceiling level allowed by the State Bank.**
- **The exchange rate will continue to increase in late December as the Fed confirms that it will increase interest rates and influence from the renminbi in seven Northern provinces. High foreign exchange reserves continue to help the SBV stabilize the exchange rate band in the coming period.**

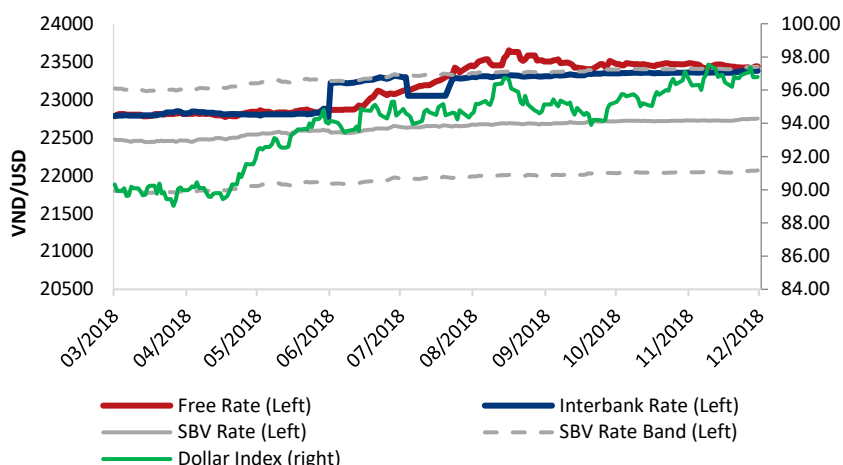
Central exchange rates in November fluctuated from 22,721 – 22,750 VND/USD, increased from the range of 22,713 – 22,724 VND/USD in September. The monthly average is 22,731 VND /USD.

Interbank exchange rate in November ranged from 23,353– 23,379 VND / USD, increased from the range of 23,296 – 23,322 VND/USD in September. The average monthly was 23,363 VND / USD.

Free exchange rates in November ranged from 23,415 – 23,480 VND/USD, increased from the band of 23,440 – 23,650 VND/USD in July. The average free exchange rate in the month was 23,439 VND / USD.

The November US dollar index rose by 1.6% from the end of October, increased by 2.3% from the same month last year. This index ranged from 95 to 97.1 points, with a monthly average of 96.79 points. The index now stands at 96.79 points.

Chart 6
Exchange rate movements



Source: Bloomberg, BSC Research

Bank - Interest rate

- The Interbank overnight interest rates fell slightly in November compared to the peak of October. The remaining interest rates exceeded the peak of November. The banking system continues to be under strong pressure.
- The deposit and medium and long term interest rates are quite stable. Economic policy is still directed to the economic cycle of growth.

Short-term (overnight and one week) interbank rates declined in the first half of November. However, they rebounded strongly in the second half, as the Fed re-affirmed its raising interest rate policy and President Trump supportive proclamation of trade war. Medium- and long-term interest rates maintained their upward momentum throughout November and all peaked at the beginning of the year. Transactions on the interbank system still focus on short-term periods. The Volatility of this period is also the strongest among the others. Interest rates for overnight, one week, one month, three months and six months respectively were 4.4%, 4.7%, 4.967%, 5.217% and 5.225%.

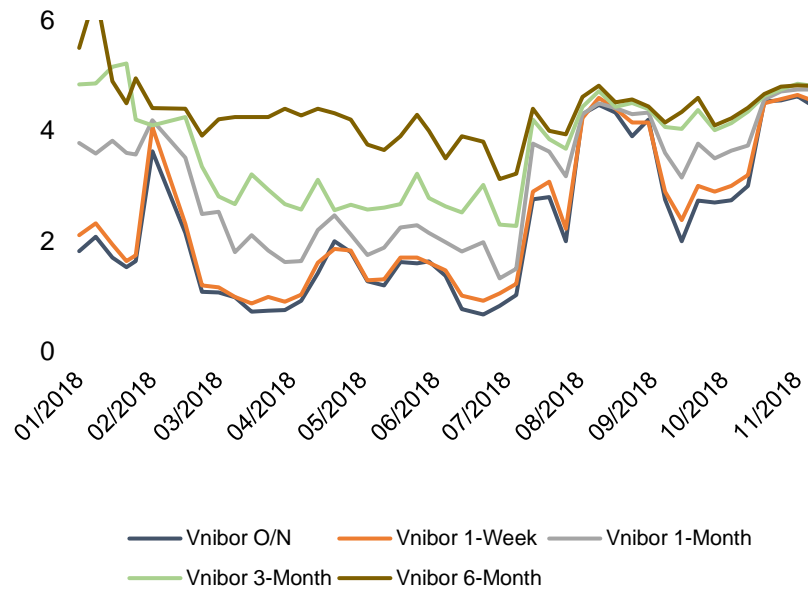
In the fourth week of November, the SBV net injected VND 5,589 billion via OMO and repo channel. Net injecting activities have returned in the last 3 weeks due to rising pressure from the exchange rate. Bank of China continues to hold the exchange rate gap at 2% margin and maintain the highest price threshold of \$ 7 / CNY. Monetary pressure from the international market will continue to put pressure on the liquidity of the banking system in the country.

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 for December 2018

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

- (1) Trade war.** Trade warfare has been postponed after Trump and Xi Jinping have pledged to negotiate after the G20 summit. The US promised to postpone the 10% tax lift to 25%. Under the plan, the two sides will discuss compulsory technology transfer, intellectual property protection, cyber intrusions, cyberspace and services. If the negotiations fail, the White House said the tariff on the \$ 200 billion of goods would rise to 25 percent from the current 10 percent. China has also agreed to buy a large amount of "agricultural, energy and industrial" from the United States, the White House said. In addition, Xi Jinping said he would review the previously unapproved merger between Qualcomm Inc. and NXP Semiconductors NV if the agreement is presented. The agreement collapsed earlier this year after Beijing rejected the merger. In addition, at the G20 meeting, the unified regions will reform the WTO at the next summit.
- (2) Brexit awaits the approval of the UK Parliament (11/12).** After the adoption of the draft Brexit Summit on 25 November, the European Parliament is also expected to ratify the agreement soon and the second stage of the Brexit negotiations will officially begin on March^{30th} 2019 to identify new frameworks for EU-UK relations. But the biggest challenge for both the EU and the UK government is the risk that the Brexit deal will be rejected by the British Parliament in early December, because it received many criticisms from political parties in Britain. The three main issues addressed in the Brexit deal are citizen rights, £ 39 billion divorce contract and the issue of avoiding a border on the Isle of Ireland after the Brexit. Citizenship has been settled and the £ 39 billion divorce contract has been agreed, but the Irish border issue remains controversial. The core of the solution is the so-called backstop, an insurance plan that starts if future trade talks do not avoid a hard frontier on the Irish island. The backstop means the whole of the UK will remain in the EU Tariff Union, while Northern Ireland will have to follow single market rules. Brexit supporters are concerned about the shutdown, fearing that it will make Britain "shackled" with EU regulations. This may cause internal divisions within the UK and make England relatively passive in the forthcoming negotiations.
- (3) Fed meeting (18-19 December) and ECB (13/12).** In the coming meeting, the Fed is expected to raise interest rates in the upcoming session despite President Trump's dissatisfaction. In the November FED meeting minutes, the two most discussed items were tariff and debt. The United States and its trading partners - China in particular - have joined a series of tariffs this year, while companies, especially those with weaker balance sheets and

lower credit ratings, continue to increase debt. ECB President Mario Draghi said the ECB meeting would be the time to start withdrawing from loosening monetary policy despite recent weak economic indicators. The shift towards tight monetary policy in the world will continue to put pressure on the banking system of Vietnam. In addition, the appreciation of the US dollar as the Federal Reserve increases interest rates will put pressure on the USD/VND exchange rate and, thus, challenge the SBV's policy of stabilizing the exchange rate.

Vietnam macro-economy in December has the following impacts:

(1) From 2022, foreign employees must pay compulsory social insurance at 8%. This is an important content in Decree 143/2018 / ND-CP on compulsory social insurance for foreign workers working in Vietnam. For employers:

- From 01/12/2018, the monthly contribution on the social insurance fund of the employee is as follows: 3% of the sickness and maternity fund; 0.5% of the accident insurance fund.
- From January 1, 2022, 14% will be added to the pension fund.

(2) From 01/12/2018, additional groups of people participating in health insurance. Accordingly, the following groups of health insurance participants are added:

- Household groups: dignitaries, officials, monks; People living in social protection facilities (not participating in other groups).
- The group is closed by the employer: relatives of workers, defense officials, police workers serving in the Army, the People's Police and other working persons in the cipher organization.

Decree 146 also regulates groups of people aged 80 and over who are entitled to monthly survivorship allowance transferred from the group paid by the social insurance agency to the group funded by the state budget.

(3) How to calculate the new salary for holidays According to the Decree No. 148/2018 / ND-CP (effective from December 15), the Decree No. 05/2015 / ND-CP is amended to supplement the Decree No. 05/2015 / ND-CP. Annual leave, additional annual leave, seniority, public holidays, New Year holidays and paid holidays. Specifically, during the above holidays, wages are calculated as follows: Salary under the labor contract divided by the number of normal working days in the month according to the regulations of the employer, multiplied by the number of days of labor Vacation. According to Decree 05/2015/ND-CP, the salary stated in the labor contract is specified as the salary of the previous month.

(4) The Ministry of Finance issued Circular 95/2018 / TT-BTC stipulating the abolishment of the following three circulars in the field of import tax and export tax:

- Circular 35/2010 / TT-BTC guiding the export tax on wood and coke produced from all imported materials;

- Circular 118/2011/TT-BTC providing guidance on import tax and value added tax on imports of electricity projects;
- Circular No. 10/2015 / TT-BTC detailing the implementation of Decision 54/2014 / QD-TTg on import tax exemption for components imported for manufacture and assembly of medical equipment should be prioritized for research and manufacture.

Table 4
Monthly macro indicators

Indicator / Month	2018M4	2018M5	2018M6	2018M7	2018M8	2018M9	2018M10	2018M11
GDP YoY (%)	-	-	6.79	-	-	6.88	-	-
GDP ytd YoY (%)	-	-	7.09	-	-	6.98	-	-
PMI	52.7	53.9	55.7	54.9	53.7	51.7	53.7	56.5
IIP YoY (%)	9.4	7.1	10.5	14.3	13.4	9.1	7.7	9.6
IIP ytd YoY (%)	11.4	9.7	12.3	10.9	11.2	10.6	10.4	10.1
Retail Sales YoY (%)	1.3	6.1	12.5	14.7	12.6	12.5	12.4	12.2
Retail Sales ytd YoY (%)	9.8	10.1	10.7	13.3	11.7	13.4	11.4	11.5
CPI MoM (%)	0.08	0.55	0.61	-0.09	0.45	0.59	0.33	-0.29
CPI YoY (%)	2.80	3.86	4.67	4.46	3.98	3.98	3.89	3.59
Registered FDI (Bil USD)	5.8	7.15	16.23	18.15	19.06	19.67	21.57	23.19
Disbursed FDI (Bil USD)	5.1	6.75	8.37	9.85	11.25	13.25	15.10	16.5
Export (Bil USD)	18.2	19.2	19.8	20.3	23.4	21.1	22.5	21.6
Import (Bil USD)	17.5	19.7	19.0	20.69	20.95	19.5	21.7	22.0
Trade Balance (Bil USD)	0.7	-0.5	-0.8	-0.6	-0.1	0.7	0.8	-0.4
Exchange rate (VND/USD)	22,800	22,840	22,967	22,840	23,308	23,147	23,351	23,363
Credit growth (%)	-	-	6.35	-	-	9.52	-	-

Source: BSC Research

Stock market November 2018

Market outlook

In November, the VN-index has rebounded slightly around 930 points as market sentiment recovered and positive expectations about the market outlook after Fed announced that the interest rate was close to neutral interest rates as well as positive information on the Sino-US negotiation process ahead of the G20 event at the end of the month. Positive sentiment of investors has returned to the market in the last two weeks. As of 30/11/2018, VN-Index officially increased 11.8 points compared to the previous month (+ 1.29% MoM) and HNX-Index decreased 0.53 points (-0.5% MoM).

Liquidity declined sharply compared to October, cashflow in the market focused on large and small capitalization stocks while it had a slight decrease in the other groups. In November, the HSX had 200 stocks up, 156 stocks down and 16 stocks unchanged, 5 stocks supported VN-Index including VHM up 25.28% (contributed 14.46 points), SAB rose 13.45% (contributed 5.96 points) VNM gained 9.12% (5.84 points), VIC jumped 5.28% (5.1 points), BID increased 13.77% (4.11 points). The 5 stocks that made the VN-Index fall down including GAS down -8.28% (-4.88 points), HPG dropped -14.21% (-3.63 points), HDB slumped -9.64% (-9.9%), NVL declined -2.99% (-52 points) and HSG lost -33.27% (-0.39 points). In November, 15/18 sectors increased, the real estate sector had the strongest increase.

Table 5
Fluctuation in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
11	926.54	2.74	2,985.05
10	914.76	3.82	2,939.08
9	1,017.13	3.36	3,254.42
8	989.54	3.67	3,160.67
7	956.39	3.32	3,020.45
6	960.78	2.84	3,041.04

Source: HSX, Bloomberg, BSC Research

Table 6
Fluctuation in the last 6 months on HNX

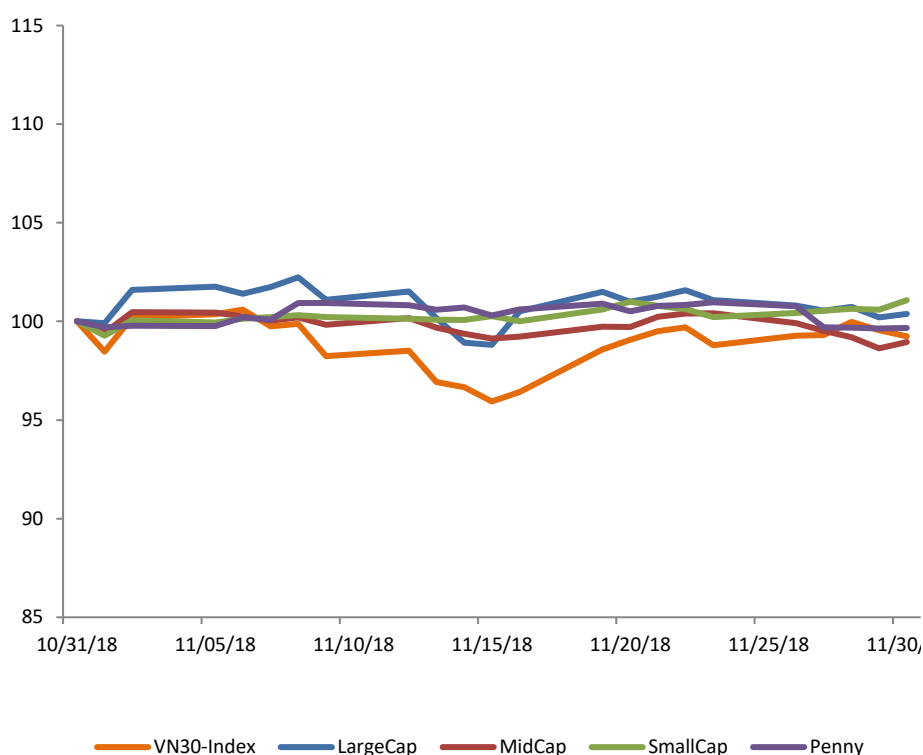
Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
11	104.82	0.7	190.52
10	105.35	1.1	190.35
9	116.28	0.97	204.57
8	112.79	1.51	200.94
7	106.16	0.91	200.21
6	106.17	0.87	199.47

Source: HNX, Bloomberg, BSC Research

Stock groups performances

Stock groups by market capitalization have increased and decreased unevenly. In November, SmallCap and LargeCap had slightly performance increase while the other groups had performance decline. VN30 down 0.75%, LargeCap up 0.38%, MidCap down 1.04%, SmallCap up 1.08% and Penny down 0.33%. In the period from November 12th to November 16th, VN30 and LargeCap have been under strong selling pressure as worries from world and regional markets as well as sharp drop in oil prices have put pressure on large capitalization stocks. The negative market impact over the period has affected large capitalization stocks, but small cap stocks are less affected.

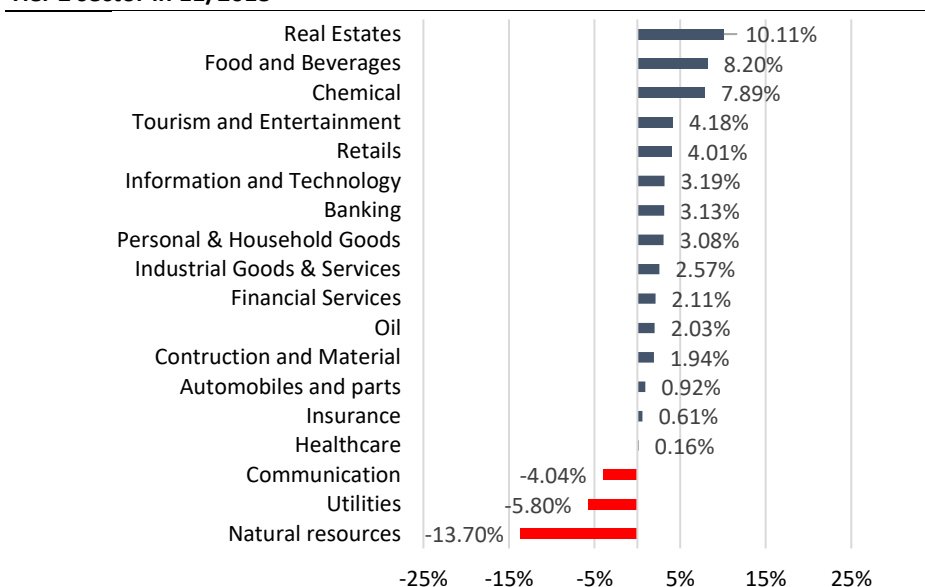
Chart 8
Stock group performances



Source: Bloomberg, BSC Research

In November, the market had 15/18 increasing sectors. In particular, the real estate sector had the highest performance increase of 10.11% due to the great contribution of VHM and VIC with the increase of 25.28% and 5.28%, respectively. The basic resource sector was the biggest loser with a performance of -13.70% due to the sharpest decline of HPG -14.21% and HSG -33.27%.

Chart 9
Tier 2 sector in 11/2018



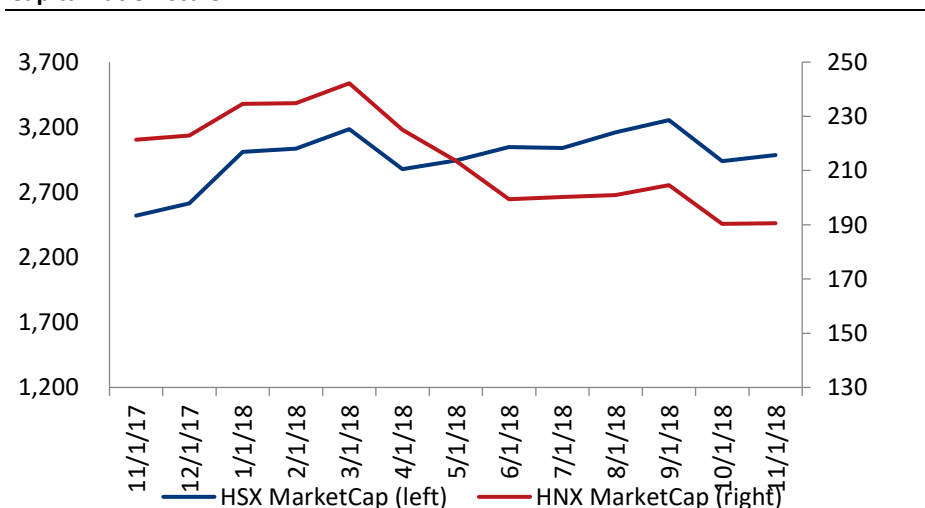
Source: Fiiipro, BSC Research

Capitalization scale

The market capitalization of both exchanges was VND 1.175 trillion or US \$ 136.87 billion, down 1.47% MoM and 11.93% Ytd. In November, HOSE had 96.1 million first time listing shares, 826 million additional listing shares; 6.6 million additional listing ETFs and no certificates canceled listing.

About the size of listing on HOSE on November 30, the exchange was listed 75.08 billion shares equivalent to VND 750.84 trillion (95.15% of market value), 350.5 million bonds equivalent to VND 35.06 trillion (4.4% market value), 281.8 million ETF certificates equivalent to VND 2.81 trillion (0.36% of the market value).

Chart 10
Capitalization scale



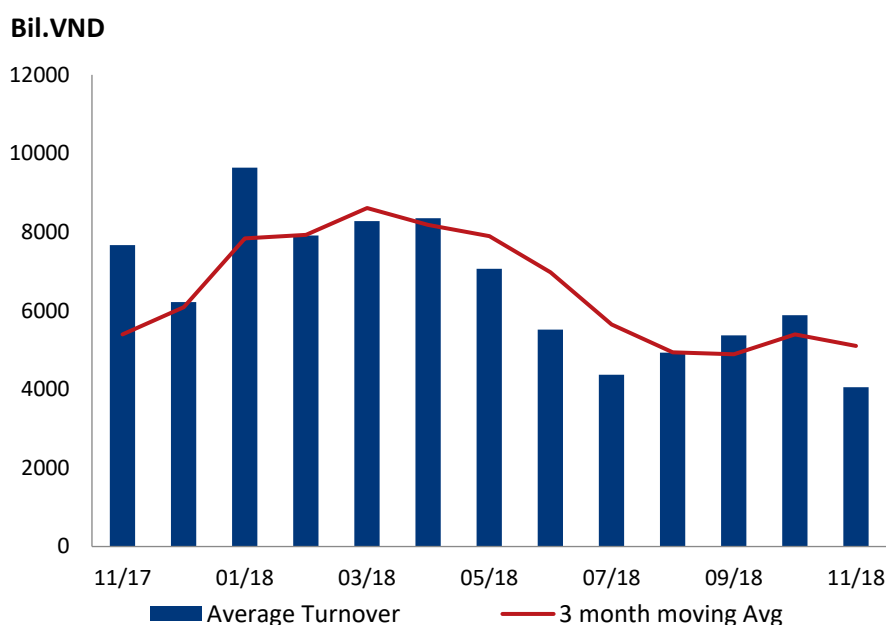
Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on both exchanges decreased 31.05% compared to October 2018 and decreased to VND 4.057 billion per session and equivalent to nearly USD 174.1 million per session. In November, the cashflow focused on small cap stocks with high potential outlook as well as good performance large cap stocks. However, the investor 's cautiousness before the big macro events caused the liquidity to drop sharply and mostly concentrated in some large cap stocks and prominent stocks.

Charth 11

Average market liquidity

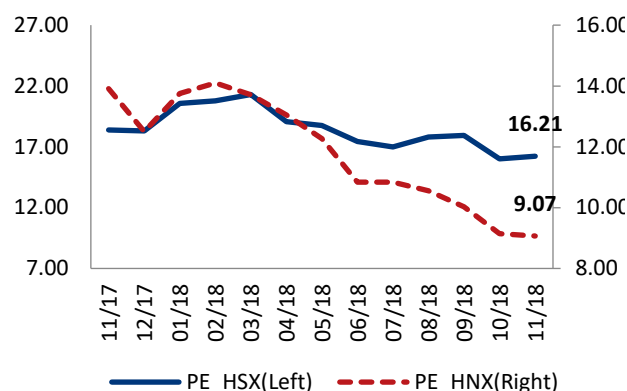


Source: Bloomberg, BSC Research

Price level of Vietnam stock market

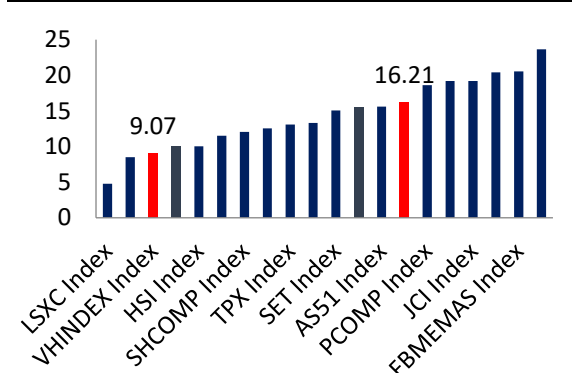
P/E of VN-Index recovered to 16.21 points, + 1.30% MoM, -11.47% YTD while P/E of HNX-Index fell slightly to 9.07% -0.78% MoM, -27.47% Ytd. P/E of HNX continues to decline and has the lowest level in 2018 while HXS has recovered. Compared to October, the P / E of the VN Index returned to the 7th position and the HNX-Index stayed at 18th position in Asia.

Chart 12
P/E indicator performances on both Exchanges



Source: Bloomberg, BSC Research

Chart 13
Vietnam's P/E indicator compared to other countries in the region

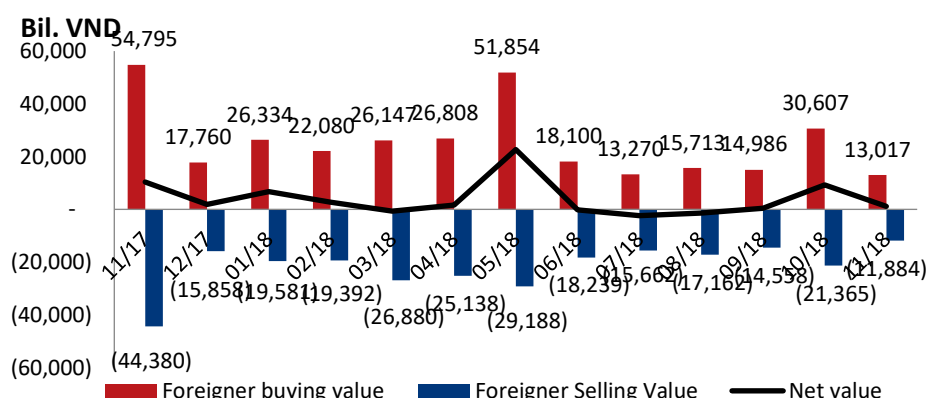


Source: Bloomberg, BSC Research

Foreigner trade

In November, foreign investors reduced their net buying on the HSX and increased their net selling on the HNX. They bought a net of VND 204.9 billion on Upcom and focused on net buying of VND 101.8 billion VEA and VND 80.4 billion VTP while selling VND -66 billion BSR.

Chart 14
Foreigner transaction performances on both Exchanges



Source: BSC Research

In November, foreign investors net bought VND 1412.68 billion on the HSX with 155 stocks being sold and 157 stocks being bought and sold a net of VND -279 billion on the HNX with 92 stocks being sold and 108 stocks being bought. On the HSX, foreign investors bought MSN (VND 2442.8 billion), VNM (VND 353.5 billion), GMD (VND 311.5 billion), SBT (VND 171.2 billion), BID (VND 149.2 billion) and sold VIC (VND -1383.6 billion), GAS (VND -232.1 billion), NVL (VND -149 billion). On the HNX, they focused on buying VC3 (VND 20.1 billion),

CEO (VND 7.6 billion) and selling VCG (VND -185.7 billion), and MSC (VND -49.3 billion).

Table 7

Top 10 foreign traded stocks on HSX in 11/2018

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
MSN	2442.8	VIC	-1,383.64
VNM	353.5	GAS	-232.11
GMD	311.5	NVL	-149.03
SBT	171.2	VFG	-138.80
BID	149.2	AAA	-118.74
SSI	122.5	HSG	-107.47
TPB	97.8	VCB	-74.28
SVI	62	HBC	-58.78
STB	53.5	CTD	-53.64
HPG	49.9	DHG	-42.98

Source: BSC Research

Table 8

Top 10 foreign traded stocks on HNX in 11/2018

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
VC3	20.12	VCG	-185.72
CEO	7.67	MSC	-49.35
TNG	3.31	VGC	-42.12
SRA	2.41	PVS	-11.61
HLD	1.87	HUT	-9.56
TTT	1.55	TV2	-6.22
SHS	1.45	PVB	-5.59
DGC	1.37	VCS	-3.53
SHB	1.14	PLC	-2.50
LHC	0.98	THT	-2.41

Source: BSC Research

December market outlook

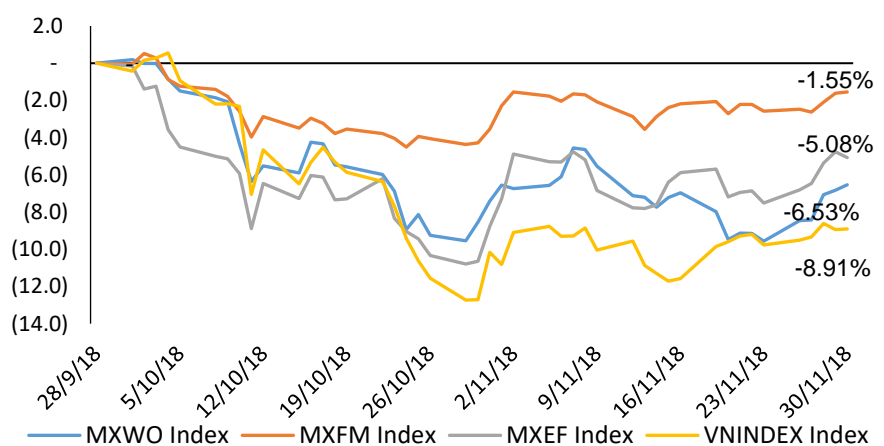
US midterm elections on Nov. 8 are a major event in November, but information on the trade war and the Fed chairman's remarks are central to the global stock market. The positive sign of the conversation between the leaders of the United States and China only helped the current president's party hold the Senate after losing the House to the Democrats. The meeting of the two heads of state on December 1 on the sidelines of the G20 meeting will be the focus of the effort to cool down the trade war. In addition to information on the trade war, Fed Chairman's latest remarks that interest rates are close to neutral level, unlike the view of big gap from neutral level which was announced in early October and helped boost the US market. Fears of economic growth are likely to fall sharply than forecasts due to trade and tariff barriers raised in the FOMC minutes. With this new concern, IMF also lowered global growth forecasts in the report ahead of the G20 summit.

On the monetary market, the USD index gained slightly 0.1%, making the key currencies stable but the upward trend was still in emerging markets. PHP (Philippines) rose 1.9%, INR (India) increased 5%, IDR (Indonesia) increased 6.1% and TRY (Turkey) increased 6.6% while PKR (Pakistan) and BRL (Brazil) fell 3.8% and 4.0%.

In commodity markets, the BCOM Index fell slightly by -0.8%. WTI crude oil continued to fall 22%, iron ore and hot rolled coil fell by -9.5% and 7.2%, respectively. However, natural gas prices increased sharply by 41.4%, helping the commodity index not fluctuate sharply.

Chart 15

MSCI Emerging and Marginalized Growth Index (in USD)



Source: Bloomberg, BSC Research

On the stock market, the MSCI recovered slightly after a sharp drop month, the MSCI Emerging Markets (MXWO) index, the emerging MSCI index (MXEF) and the MSF marginal region (MXFM) increased 0.9%, 2% and 3.7% respectively.

In developed markets, the typical countries have decreased by 2% on average, while the US market increased by 4.5%.

In the BRIC region, markets rallied as the highest gain from India with a 4.7% while the Chinese market was unlikely to rebound and remained at 0.6% decline.

In the regional market, the markets have divided. Thailand and Malaysia have declined while other markets have increased. Foreigners net bought in the uptrend markets while they net sold in the 2 downtrend markets.

In general, except for the good gain of US market due to the slowdown interest rate hike statement from FED, other markets have been fragmented after a month of declines. Foreign capital flows are showing signs of returning to the emerging market but not yet clear.

Chart 16
Volatility of stock indexes in November

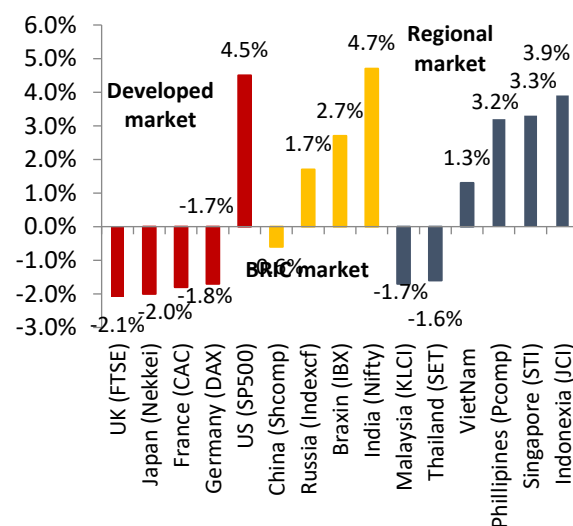


Table 9
Foreign investors were net sellers in November
(Mio.USD)

Country	November (million USD)	11 months (million USD)
India	891	(4,867)
Indonesia	609	(3,302)
Japan*	807	(39,172)
Malaysia	(151)	(2,621)
Philippines	706	(1,066)
Korea	335	(5,812)
Sri Lanka	(30)	(23)
Taiwan	678	(9,909)
Thailand	(442)	(8,904)
Pakistan	(67)	(480)
Vietnam	60	1,856

Source: Bloomberg, BSC Research

VN-Index rebounded strongly after the strong decline as we forecasted earlier, but it recovered only 11.78 points or 1.27% and not as strong as expected. The market recovery was mainly due to the movement of bluechips prices while market liquidity remained low. Some sectors, such as fisheries, textiles and garment industries have benefited from the trade war as they have sucked on cash flow and maintained their upward momentum. Domestic information was not so prominent, the market movement was still

sticking to the movement of the world, but the fluctuations out of the world trend took place in late November. In terms of the stocks influence, the top five stocks gained 32.7 points, including VHM (17.2%, 10.8 points), VNM (10.3%, 6.5 points), SAB (13.3%, contributed 5.9 points), VIC (4.6% 4.5 points, and BID (6.4%, 2 points). In the opposite direction, GAS (-12.7%, contribution down 7.9 points), HPG (-17.5%, down 4.7 points), MSN (-3.6%, down 1.1 points), TCB (-3.2%, down 0.9 points) and HDB (-8.5%, down 0.9 points) took the market 15.5 points loss.

In November, we met the business, and released the report analyzing recommendations and updates such as CTD ([Link](#)), ANV ([Link](#)), TCM ([Link](#)), FPT ([Link](#)), DRC ([Link](#)), KBC ([Link](#)), PNJ ([Link](#)), VNM ([Link](#)), PAC ([Link](#)), BMP ([Link](#)), MWG ([Link](#)), MSH ([Link](#)) and PVT ([Link](#)).

Attentions in December:

Macroeconomic have been stable, 9 months' performance of companies which listed on both exchanges have increased 27.6% over the same period and created a stable market until the end of the year. P / E VN-Index is 16.2 times, equivalent to some regions and also low area in recent 1 year.

Macroeconomic conditions remained stable in November, reinforcing the likelihood that Vietnam will have a successful year in terms of high growth, macroeconomic stability and fulfill all economic indicators Assembly settings at the same time. Along with that, 9 months' performance of listed companies improved and towards the fourth quarter of fiscal year 2018 strong growth. With Q3 earnings announcement, listed companies on both exchanges have posted 27.6% growth over the same period last year. The profit growth on both HoSE and HNX was 28.4% % and 20.5%. Banking growth was 39.1% during the same period and contributed 38.3% of the overall market growth. Other industries such as Oil & Gas, Real Estate, Fisheries, Textiles and Garments also showed good growth. With the fundamentals of the market and the stock continuing to improve or at least maintain in the fourth quarter, the market has a chance to stabilize is anchored in the price range around 985 points by the end of this year.

The capital withdrawal process of companies is resumed with the unexpected success of Vinaconex, which will create a premise for the divestment in 2019. After a fairly deceleration of state capital and equitization in the first quarter, this activity was quiet due to subjective and objective factors such as unfavorable market movements, the enterprises transferred to the State Capital Management Committee and Waiting for detailed guidance in Decree 32 on capital divestments. The plan for divestment and equitization in 2018 is therefore slow and does not meet the target. However, SCIC has restarted this operation with the outstanding successful completion of Vinaconex with capital surplus of 35.6% over the initial price and 56% of the market price. The decision to sell both the lot and the number of shares offered to large investors to buy and acquire a decisive voice in the enterprise is the key to this successful divestment after the failure to sell to public investment before. The flexible selling method, time

of sale, different selling methods depending on each enterprise will be the new motive for the divestment, and this is also expected to pave the way for strong return divestment and equitization in 2019.

Discussion between the leaders of USA and China along with the G20 summit in Buenos Aires have shown positive signs in an effort to cool down the trade war. The meeting between the head of US and China is the most awaited international event at the G20. The market has reason to be relieved when the threat of imposing a full tariff on Chinese goods is postponed. The two leaders agreed not to escalate trade warnings with a promise to suspend new tariff barriers until both of the world's largest economies negotiate a long-term deal. The US will keep tariffs of \$ 200 billion in Chinese goods at 10% and not raise it to 25% as expected on January 1. In return, allegations of intellectual property theft, non-tariff barriers and online theft from the United States must be immediately negotiated. After 90 days, the United States will raise taxes by 25% if there is no structural reform. In addition, China has agreed to increase purchases of agricultural and industrial goods to ease trade imbalances with the United States. There aren't any major breakthroughs at the summit. This new unity will also prevent escalation of the trade war and pave the way for more substantive talks in the future.

he Fed has a policy meeting on Dec. 19, potentially raising interest rates relatively high with a consensus among FED officials. The FED president said current interest rates are still low by historical standards, and interest rates are just below the expected level for the economy. This is causing the market to speculate the Fed to increase interest rates only once in 2019 compared with the previous forecast of three to four times. However, in the minutes of the meeting in November 2018, the Fed hinted at the likelihood that the agency will raise interest rates by 0.25% in December. According to Bloomberg survey, the possibility of raising interest rates increased from 73% by the end of October to 78% by the end of November. The market is in sync about the possibility of interest rates in December. Capital flows back to emerging markets are also hardly affected by this decision because of the raising interest rates outlook in 2019.

Table 10

Macro & Market factors affecting the market in December 2018

Major events	Market effect
Economic growth, macroeconomic stability towards the completion of 2018 socio-economic goals, although the interest rates have moved up and continue gathering attention in the last months of the year.	Positive
9M Business result was up 27.6% on the same period. P / E VN-Index is 16.2 times equivalent to other countries in the region and it at the low level range in 12 months.	Positive
Agreements reached at the meeting of two US and Chinese leaders blocked the escalation of the trade war, paving the way for negotiations.	Positive impact on market sentiment
The market-wide margin level remain to be stable, only at the same	Reduce the risk of sell-offs at

level as the end of 2017	strong shakes
Two ETFs restructure the fourth quarter of 2018	Change insignificant, increase market liquidity
Brexit talks at the EU leaders summit in December, expecting a major breakthrough	Affect market sentiment
FED may raise interest rates in the December meeting.	Negative impact on money market and cash flow

Source: BSC Research

The market fluctuated slightly in November thanks to rallied movement of bluechips. The liquidity remains low and the momentum is not clear when there is no support information. The initial agreement between the US and China temporarily blocked the escalation of the trade war and would have a positive impact on the world market in general and Vietnam in particular. The market has stabilized and has a chance to rise back to the expected range of 975-1,000 points by the end of 2018.

- In the positive case, VN-Index will increase and reach the expectation range of 975-1,000 points with the rotation of major stocks. Liquidity remained moderate; sector movements appeared but not clear.

- In the negative case, the negative news from the world and the retreat of foreign capital will kept VN-Index at the low price range of around 900 points.

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

- Sectors and stock valuations that we consider important – 2018 Sector Outlook and Viet Nam Sector Outlook 4Q2018;
- Banking stocks - highly-improved business results, Petroleum stocks benefiting from oil price and other stocks benefiting from trade agreements and trade shift from trade war;
- Real estate stocks from revenue and profit cycle;
- Highly-defensive stocks such as Electricity, Information and Technology, Consumer and Retail have high growth and dividend;
- In the long term, BSC's recommended stocks will be listed in the sectoral strategic reports in the fourth quarter (Link), the stocks with good performance are recommended in the investment consultant weekly report and Sector update/ Corporate update.

Disclosure

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