

Vietnam Monthly Review 2019 M01

BSC Research

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Macroeconomics

- PMI rebounded to 51.9, down from 53.8 in the previous month, and lower than the 2018 average of 53.7 points.
- Total retail sales of consumer goods and services in January was estimated to be VND 402.2 trillion, up 4.4% over the previous month and up 12.2% over the same period last year.
- In January, registered FDI increased by 27.3% over the same period last year while disbursed FDI increased by 9.3% compared to last year. FDI capital focuses on processing, manufacturing sector and transportation-warehouse sector.
- The interbank USD exchange rate fluctuates between 23,200 - 23,255 VND/USD, down from the range of 23,245 - 23,360 VND/USD in December. Short-term and medium-term interbank rates dropped while long-term interest rates went flat in January.

Stock Market

- HSX recovered slightly while HNX continued to maintain a slight decline. VN-Index officially increased by 18.1 points compared to the end of last month (+ 2.03% MoM) and HNX-Index decreased by 1.35 points (-1.3% MoM).
- Average liquidity on 2 exchanges decreased by 33.19% compared to December 2018, and decreased to VND 3,246 billion/session, equivalent to nearly USD 139.3 million/session.
- In January, foreign investors bought net numbers of VND 1326 billion on the HSX with and VND 183 billion on the HNX.
- P/E of VN-Index recovered to 15.33, equivalent to + 2.35% MoM and HNX-Index fell to 8.37, equivalent to -2.98% MoM. Compared to December 2018, the P/E of the VN-Index maintained the 8th position and HNX-Index slipped to the 19th position in Asia.

Market Outlook in February

The trend of pulling and increasing slightly is expected to continue in February when the sentiment after the holiday still dominates. However, when foreign investors continue to maintain the current net buying momentum, domestic investors will soon catch up with the market. We believe that VN-Index will continue to maintain a slight upward momentum towards 940 - 960 points in February. In February, BSC offers two scenarios as follows:

- In positive case, VN-Index will increase to close to 960 points with the rotation of large stocks. Liquidity remained at medium level and tended to increase gradually at the end of the month.
- In negative cases, VN-Index may return to check 900 points if there is information from the world.
- **Recommended stocks:**
 - The sectors and stocks are evaluated positively in the 2019 Sector Outlook Report ([link](#)) and ([Link](#));
 - Stocks of Banking and Finance have strong improvement, stock groups benefit from trade agreements and production shift from trade war;
 - High defensive stocks such as Electricity, Information Technology - Post, Retail Consumption have high growth and dividends;
 - In the long term, BSC's recommended stocks will be mentioned in quarter IV sector strategic reports ([Link](#)). Stocks with good changes are recommended in the weekly Investment consultant Report and Sector/company update reports ([link](#)).

Macroeconomics of January 2019

Economic growth

- **PMI rebounded to 51.9, down from 53.8 in the previous month, and lower than the 2018 average of 53.7 points.**

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%.

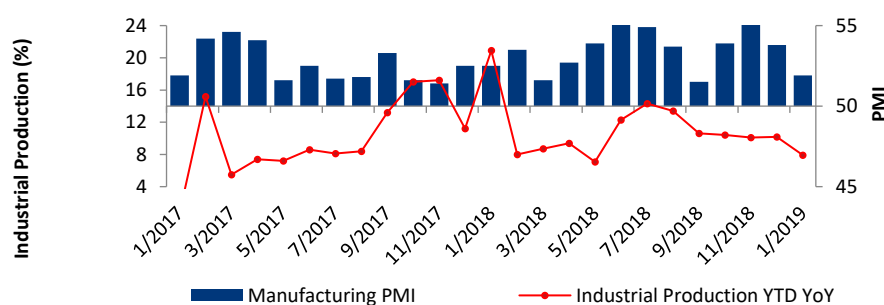
The industrial production index in January is estimated to increase by 7.9% YoY, of which the mining industry increases by 0.2%; processing and manufacturing industry increased by 10.1%; electricity production and distribution by 8.8%; water supply and waste and wastewater treatment by 9.4%. The IIP increase was lower than the 22.1% figure of the same period last year due to this year's Lunar New Year in early February, so businesses focused on producing goods to serve consumer demand during the Tet holiday from 12/2018.

In the secondary industries, the top 3 industries with the highest January production index growth sharply over the same period last year: refined petroleum products increased by 104.1%; metal production increased by 32.9%; drainage and wastewater treatment increased by 29.9%.

Some major industrial products in increased highly over the same period last year: Petroleum rose by 95.2%; iron and crude steel increased by 68.6%; beer increased by 47.1%; chemical paint increased by 23.6%; fresh milk increased by 18.9%; aquatic food increased by 16%; casual wear increased by 13.6%; leather shoes and sandals increased by 12.9%; MSG increased by 12%. Some products have low or negative growth rate: Textile fabrics from natural fibers increased by 1.1%; rolled steel increased by 0.7%; NPK mixed fertilizer decreased by 1%; phone components decreased by 2.3%; diameter decreased by 4.6%; natural gas reduced by 5.3%; mobile phones decreased by 5.4%; LPG liquefied gas decreased by 6.2%; Crude oil decreased by 17.1%..

Chart 1

Industrial Production Index & PMI



The PMI fell back to 51.9, down from 53.98 of the previous month, and higher than the 2018 average of 53.7 points. Latest data continue to show a lack of inflation pressure in January. Input costs have risen slightly, while output prices have fallen for the fourth time in the last five months. Consistent with the main index, both output and new orders increased slightly in January. However, in both cases, growth was still strong when reports showed rising customers' demand. Specifically:

- Production has increased over the past 14 months. Along with the increase in the total number of new orders, the number of new export orders also continued to increase, but at a slower pace than in December.
- Survey team members reported lower market prices, although material scarcity has increased prices in some cases. With input prices rising only slightly, companies continued to reduce output prices in early 2019.
- Manufacturers continue to recruit more employees in the face of an increase in the number of new orders, thereby prolonging the current employment increase to 34 months. This additional capacity has helped companies resolve unpaid workloads as the number of new orders has slowed. The amount of backlog has decreased for the first time in three months.
- Inventories continued to increase in January, with both inventories of goods before and after production increased. The increase in purchases has been supported by a sharp increase in input purchases, although in both cases the increase has slowed to the slowest level since September last year.
- Companies continue to strongly believe output will increase next year, with more than half of respondents surveying optimistic. The optimism level is almost equivalent to the average of index history. Surveyed members said customer demand expected to improve over the next 12 months that would in turn, help them implement the company's business plans.

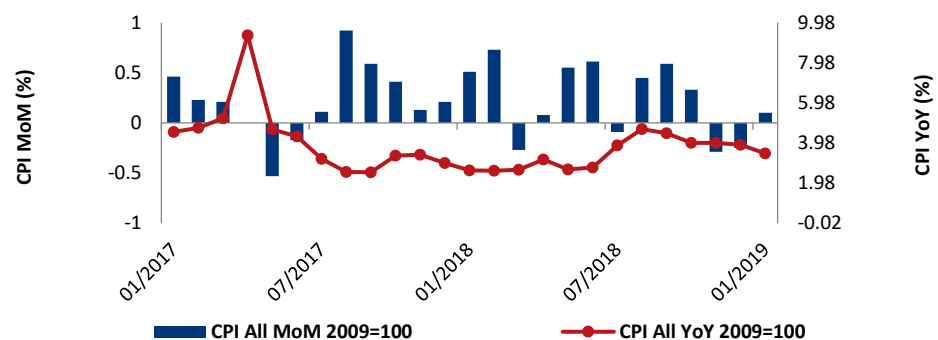
In addition, China's PMI continued to decline from 49.7 to 49.5. The PMI in a recession will create more leveraged advantages for President Trump to utilize in the US-China trade war negotiations. The slowest GDP growth rate in 28 years, high public debt situation and declining production prospects might cause the Chinese economy to enter the recession cycle despite the stimulus package that the Chinese government will pump into 2019. The results of the negotiations as well as the health status of the Chinese economy will also create intertwined effects on Vietnam economy in 2019.

Inflation

- January CPI increased by + 0.10% compared to December mainly due to the group of drinks and drugs and food and catering services.

Consumer price index of CPI in January increased by 0.1% over the previous month, and increased by 0.13% compared to the same period in 2017. Basic inflation in 01/2019 increased by 0.3% compared to the previous month and increased by 2.32% compared to with the same period last year.

Chart 2
Monthly CPI movements



Sources: GSO, BSC Research

In January, price index of 9/11 groups of goods and services recorded a discount. The fluctuation of CPI during the month is caused by the following reasons:

- Beverage and tobacco sector increased by 0.69% mainly due to the increase of 0.88% in spirits; beer bottles and beer cans increased by 0.49%; cigarettes increased by 0.83%.
- Food and catering services sector increased by 0.66% mainly due to food price increase of 0.52% and foodstuff rose 0.85%.
- Garment, headwear and footwear sector increased by 0.39%.

Chart 3
Retail Sales

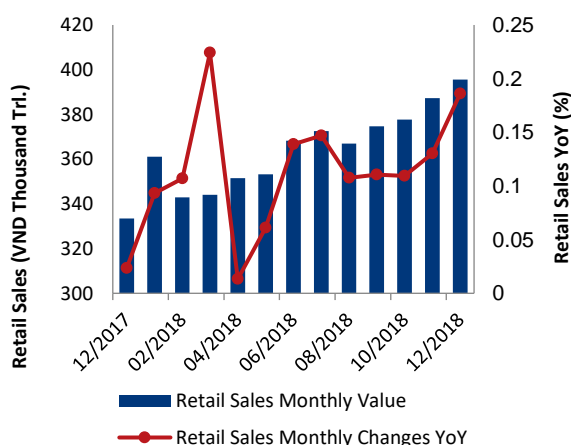


Table 1
Increase/decrease of service sectors in July

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	0.66	5.32
2	Transportation	-3.04	-3.95
3	Health care	0.01	1.91
4	Housing & Construction material	0.35	0.94
5	Entertainment	0.33	1.98
6	Beverage and Cigarettes	0.69	1.9
7	Clothing	0.39	1.73
8	House appliance	0.16	1.35
9	Education	0.15	6.65
10	Telecommunication	-0.09	-0.8
11	Other	0.34	2.34

Source: GSO, BSC Research

Total retail sales of consumer goods and services in January were estimated at VND 402.2 trillion, up 4.4% over the previous month and up 12.2% over the same period last year (9.4% if excluded pricing factor).

Retail sales of goods reached VND 305.4 trillion, up 5.2% MoM and up 13.1% YoY; revenue from accommodation and catering services reached VND 49.5 trillion, up 1.4% over the previous month and 11.5% over the same period last year; tourism revenue reached 4.3 trillion VND, up 7.7% over the previous month and 7.9% over the same period last year; other service revenue reached VND 43 trillion, up 1.8% over the previous month and up 7.4% over the same period last year.

Foreign Direct Investment (FDI)

- **Registered FDI increased by 27.3% compared to the same period last year while disbursed FDI increased by 9.3% compared to last year.**
- **Foreign direct investment focuses on processing, manufacturing and transportation-warehousing sector.**

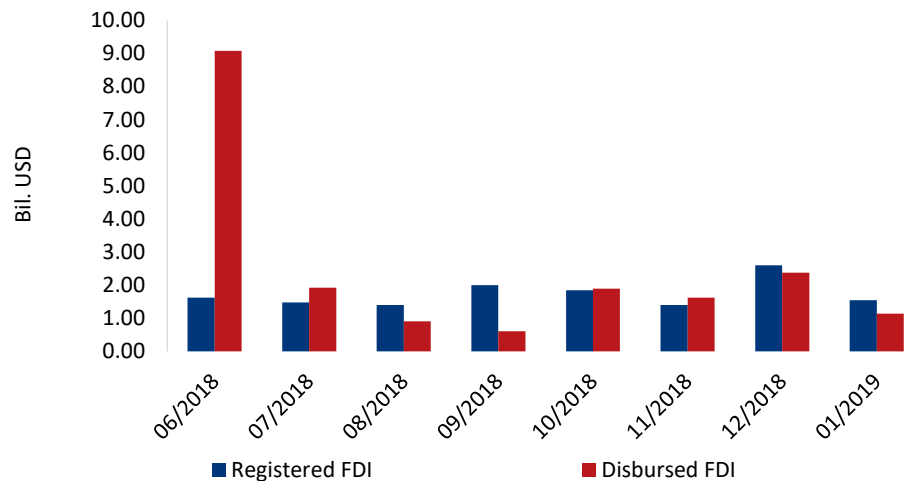
Total newly registered FDI and increased until the end of January 20, 2019 of 226 projects (+ 36.1% YoY) reached 805 million USD (+ 81.9% YoY), plus 340.3 million USD of adjusted capital of 72 projects licensed in the previous years. Thus, the total newly registered FDI and additional capital reached USD 1,145.3 million (+ 27.3% YoY).

Disbursed FDI capital in January was estimated at 1.55 billion USD, increasing by 9.2% compared to the same period of 2018.

In January, foreign direct investment of new projects focused mainly on processing and manufacturing industries with a registered capital of 591 million USD, accounting for 73.4% of the total registered capital. Transportation and warehousing sector reached 65.3 million USD, accounting for 8.1% from Katolec Global Logistics Vietnam project; water supply; waste and wastewater management and treatment sector reached USD 59.2 million, accounting for 7.4%; the remaining sectors reached 89.5 million, accounting for 11.1%.

If additional registered capital of projects licensed in previous years is included, FDI in processing and manufacturing sector in January 2019 reached 915.7 million USD, accounting for 80% of the total registered capital; water supply sector; waste and waste management and treatment sector reached 72.2 million USD, accounting for 6.3%; transportation and warehousing industry reached 65.4 million USD, accounting for 5.7%; the remaining sectors reached 92 million USD, accounting for 8%.

Chart 4
FDI (USD Bil)



Source: GSO, BSC Research

Top 3 areas attracting FDI registration nationwide: Hai Duong (USD 124.9 million - 15.5%), Ha Nam (USD 118.3 million - 14.7%), Tay Ninh (USD 90 million - 11.2%).

In the first month of the year, China was the largest direct investor in Vietnam with an investment of USD 221.6 million, accounting for 27.5% of the total newly registered capital; following closely behind is Japan with USD 215.7 million, accounting for 26.8% and Samoa with USD 77 million, accounting for 9.6%..

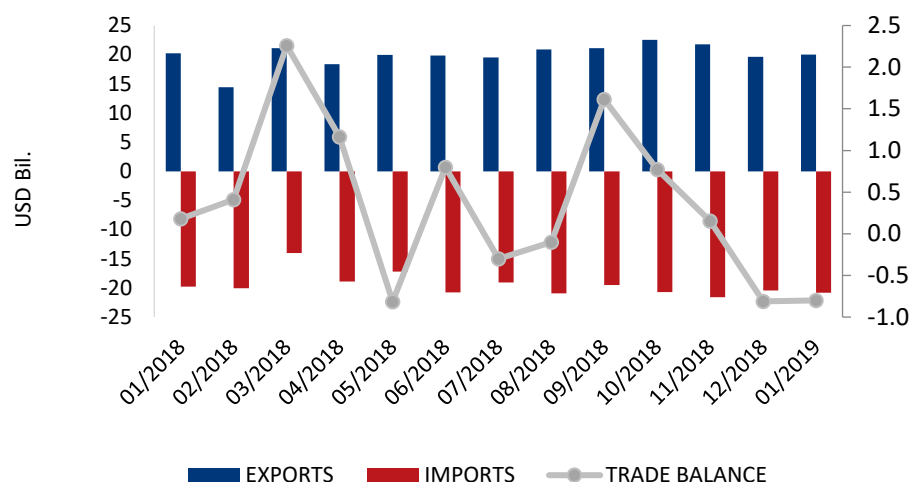
Trade balance, Import and Export

- **The trade balance in January is estimated to be USD 800 million.**

Export turnover in January is estimated at USD 20 billion, up 1.9% from the previous month, and down 1.3% over the same period in 2018, of which the domestic economic sector reached USD 6.42 billion, down 0.9% MoM, and up 7.8% YoY; Foreign invested sector reached USD 13.58 billion, up 3.2% MoM, and down 5.1% YoY.

Export turnover of some key goods compared to the same period last year is as follows. From the beginning of the year to January 15, electric phone telephones were at the top position, reaching USD 1.29 billion (-38.8%). Next, textile and garment grew 22.8% to reach USD 1.24 billion thanks to the support from the official CPTPP agreement. Computer electronics in third place reached USD 1.02 billion (-4.8%).

Chart 5
Import and Export (Bil USD)



Source: GSO, BSC Research

Table 2
Top 10 export items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	1.29	-38.8%
2	Textile	1.24	22.8%
3	Electronics	1.02	-4.8%
4	Other machines	0.75	44.2%
5	Shoes	0.68	1.0%
6	Woods	0.43	21.4%
7	Vehicles	0.38	17.8%
8	Aquaculture	0.32	15.9%
9	Camera	0.20	-7.5%
10	Steel	0.19	71.4%

Source: GSO, BSC Research

Table 3
Top 10 imported goods

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	1.82	-2.2%
2	Machine	1.61	18.7%
3	Mobile phone	0.62	-27.8%
4	Fabric	0.56	12.3%
5	Plastic	0.40	11.1%
6	Steel	0.37	-5.9%
7	Plastic Products	0.27	11.4%
8	Other metals	0.27	-2.8%
9	Textile Materials	0.23	12.3%
10	Chemical	0.22	15.4%

Source: GSO, BSC Research

Import turnover in January is about 20.8 billion USD, up by 1.7% MoM, and by 3.1% YoY. In which, domestic economic sector is 9.05 billion USD, up by 3.1% MoM and 9.5% YoY. Foreign invested sector reached 11.75 billion USD, up 3.1% over the previous month, and down 1.3% over the previous year.

At the beginning of the year to January 15, the imported goods that had a big turnover are Computer Electronics reaching USD 1.82 billion (-2.2% YoY), machinery and equipment USD 1.61 billion (+ 18.7% YoY), phone parts reached USD 0.62 billion (-27.8% 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 movement of the exchange rate in February will depend largely on the progress of the US-China trade negotiations in the coming period.

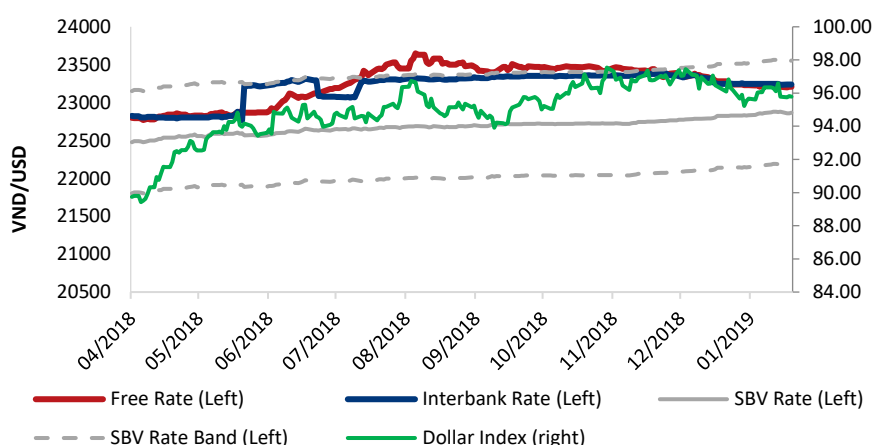
Central exchange rates in January fluctuated from 22,825 – 22,880 VND/USD, increased from the range of 22,766 – 22,825 VND/USD in December. The monthly average 22,850 VND /USD.

Interbank exchange rate in January ranged from 23,353– 23,379 VND / USD, decreased from the range of 23,296 – 23,322 VND/USD in December. The average monthly was 23,324 VND / USD.

Free exchange rates in January ranged from 23,415 – 23,480 VND/USD, decreased from the band of 23,280 – 23,390 VND/USD in December. The average free exchange rate in the month was 23,228 VND/USD.

The January US dollar index decreased by -0.9% from the end of December, increased by 2.3% YoY. This index ranged from 95.2-96.1 points, with a monthly average of 96 points. The index now stands at 95.58 points.

Chart 6
Exchange rate movements



Source: Bloomberg, BSC Research

Bank - Interest rate

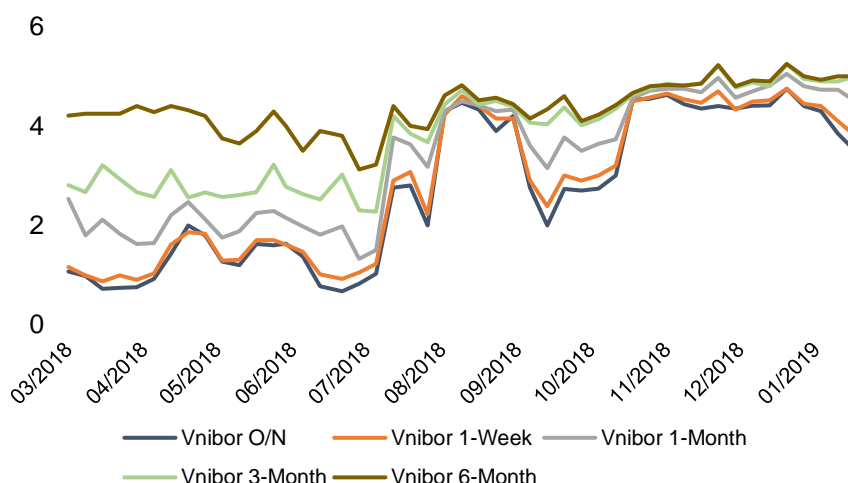
- Short-term and mid-term interbank rates have started to fall from the end of December until the end of January. Long-term interest rates continue to move sideways.
- Medium and long-term lending and lending interest rates are still quite stable. However, there have been signs of raising interest rates quite lightly (0.2%) at the lowest interest rate in the 1-6 month and 6-12 month periods. Economic policy still aims to support the economic cycle of growth.

Short and medium-term interest rates continue to decline while long-term interest rates are flat. The pressure on interest rates has been somewhat reduced thanks to the flat exchange rate due to the truce of the US-China trade war. On January 25, overnight, 1 week, 1 month, 3 month, and 6-month rates were respectively at 3.5%, 3.8%, 4.5%, 5.0% and 5.0%.

In the 4th week (January 21-25, January), the SBV net injected VND 47,521 billion via T-bills and OMO. The net injection has returned in the last 3 weeks, contrary to the first week of strong net withdrawal. This phenomenon is mainly due to the trade deficit in January, putting pressure on the interbank system liquidity. The liquidity of the system was less abundant but still stable.

VND deposit interest rate is popular at 0.6-1%/year for demand deposits and maturities of less than 1 month; 4.5-5.5%/year for term deposits from 1 month to less than 6 months; 5.5-6.5%/year for term deposits from 6 months to less than 12 months; the term of over 12 months is at 6.5-7.3%/year. Meanwhile, VND lending interest rate is popular at 6.0-9.0%/year for short term; 9.0-11%/year for medium and long term..

Chart 7
Interbank interest rates



Source: Bloomberg, BSC Research

Macro Forecast for February 2019

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

- (1) Trade war.** The trend of commercial war has become postponed after Trump and Xi Jinping committed to negotiating after the summit at the G20. The US promised to postpone the 10% tax lift to 25% until the end of February. The high-level talks between the US and China in 2 days(30-31) ended with the next appointment at the end of February between Xi Jinping and President Trump. During the meeting, China promised to buy more US raw materials but has not yet made a clear commitment on the time and specific number of goods. In addition, Beijing has not yet agreed to list all the subsidies that domestic businesses receive from central and local governments as well as major agreements on technology transfer in businesses, international joint venture, market reform and opening, and intellectual property rights. The two sides are still far from an pact, and not a single agreement been reached. This negotiation process will continue to be the focus of the worldwide investors and greatly affect the import and export situation of the Vietnamese economy.
- (2) Brexit has no clear agreement.** A series of revision plans related to the Brexit plan submitted by the Prime Minister from January 2019 were voted on and rejected by the House of Representatives. Next, shortly after the British parliament voted to allow Prime Minister Theresa May to return to Brussels to discuss revisions to the Brexit plan, EU leaders immediately refused. The Institute of Directors (IoD), representing 30,000 businesses, warned that 29% of businesses in the survey of 1,200 small business members believed Brexit had significant risks to their operations in the UK and had moved a part of their business abroad or planning to do so to avoid the risk of "Hard Brexit".

For the domestic policy, the notable topics that will influence Vietnam economy in February are:

1. Importing goods for money printing and casting activities. On December 25, 2018, the State Bank issued Circular No. 38/2018/TT-NHNN stipulating the import of goods for money printing and minting. When carrying out import procedures, deposit printing and minting establishments shall have the originals of the originals of the State Bank's written certification enclosed with import dossiers according to regulations of customs offices. This Circular takes effect from February 8, 2019.

2. Adjustment of the monthly salary for social insurance payment from 2019. Ministry of Labor, Military disable and Social Affairs issued Circular

35/2018/TT-BLDTBXH regulating salary and monthly income paid for social insurance. Monthly salary of social insurance after adjustment of each year = Total monthly salary of social insurance contribution of each year x salary adjustment rate of social insurance of the corresponding year. This Circular takes effect from February 15, 2019, implemented from January 1, 2019.

3. Management of cash and assets (temporarily deposited at the treasury).

The management of cash, valuable papers, precious assets temporarily deposited or temporarily kept by the State Treasury (ST) is carried out in accordance with the provisions of Circular 135/2018/TT-BTC of the Finance Ministry. The Circular takes effect from February 15. The Circular stipulates that the State Treasury receive the preservation of assets in sealed boxes, bags, and packages of the property senders; on the sealing of the seal of the sending unit and the signature of the sealer. For cash and foreign currencies cash (foreign currencies that the State Treasury has payment account in foreign currency at banks) are deposited at the bank, the unit directly remits at the commercial bank to transfer to the account of the State Treasury. The Circular also stipulates that the State Treasury must open all types of books to record and monitor each time of asset entry and exit. The State Treasury staff must guide the procedures and create favorable conditions for the sender to deliver and receive the property back.

4. Micro-enterprises are not required to have a chief accountant.

Accounting regulation for micro enterprises will be implemented in accordance with Circular 132/2018/TT-BTC of the Ministry of Finance since February 15, 2019. This regulation applies to the fiscal year beginning or after the 01/04/2019. There are some following special points:

- Regarding organizational structure: Micro-enterprises are arranged in charge of accounting without having to have a chief accountant.
- Regarding accounting Books: Micro enterprises are able to build appropriate accounting book forms themselves. If it is not possible to build by itself, the enterprise can use the form and method of recording in this Circular;
- Regarding accounting method: Microenterprises have no need, they are not required to open accounting accounts but only write applications on accounting books to monitor revenues and income ...

5. Roadmap for converting ATM cards to chip cards. This regulation is supplemented in Circular 41/2018 / TT-NHNN amending the State Bank's Circular No. 19/2016 / TT-NHNN on the operation of bank cards. The Circular takes effect on February 18. The transition schedule is defined as follows: By December 31, 2019, at least 35% of ATM, 50% of card acceptance devices at the point of sale must comply with the basic standards for domestic chip cards. As of 31/12/2020, 100% ATM and card acceptance equipment at the point of sale comply with the basic standards for domestic chip cards. During the transition period, card issuers and card payment organizations must

ensure card operations are continuous, stable, and safe. They must also ensure the legal rights of cardholders.

Table 4
Monthly macro indicators

Indicator / Month	2018M6	2018M7	2018M8	2018M9	2018M10	2018M11	2018M12	2019M01
GDP YoY (%)	6.79	-	-	6.88	-	-	7.31	-
GDP ytd YoY (%)	7.09	-	-	6.98	-	-	7.08	-
PMI	55.7	54.9	53.7	51.7	53.7	56.5	53.9	51.8
IIP YoY (%)	10.5	14.3	13.4	9.1	7.7	9.6	11.4	7.9
IIP ytd YoY (%)	12.3	10.9	11.2	10.6	10.4	10.1	10.2	7.9
Retail Sales YoY (%)	12.5	14.7	12.6	12.5	12.4	12.2	11.4	12.2
Retail Sales ytd YoY (%)	10.7	13.3	11.7	13.4	11.4	11.5	11.3	12.2
CPI MoM (%)	0.61	-0.09	0.45	0.59	0.33	-0.29	-0.25	0.10
CPI YoY (%)	4.67	4.46	3.98	3.98	3.89	3.59	2.98	2.56
Registered FDI (Bil USD)	16.23	18.15	19.06	19.67	21.57	23.19	25.58	1.14
Disbursed FDI (Bil USD)	8.37	9.85	11.25	13.25	15.10	16.5	19.1	1.55
Export (Bil USD)	19.8	20.3	23.4	21.1	22.5	21.6	19.6	20.0
Import (Bil USD)	19.0	20.69	20.95	19.5	21.7	22.0	20.4	20.8
Trade Balance (Bil USD)	-0.8	-0.6	-0.1	0.7	0.8	-0.4	-0.8	-0.8
Exchange rate (VND/USD)	22,967	22,840	23,308	23,147	23,351	23,363	23,351	23,243
Credit growth (%)	6.35	-	-	9.52	-	-	14	-

Source: BSC Research

Stock Market January 2019

Market Outlook

In January, the VN-Index recovered slightly around 910 points because the market sentiment recovered with positive expectations about the market prospect after FED announced that it would consider carefully the possibility to adjust interest rates increased slowly as well as positive progress in the negotiation process of Sino - US trade. In addition, positive Q4 and 2018 business results were positive and exceeded expectations, helping investor sentiment improve. As of January 31, 2019, VN-Index officially increased by 18.1 points compared to the end of last month (+ 2.03% MoM) and HNX-Index decreased by 1.35 points (-1.3% MoM).

Liquidity declined sharply compared to December 2018, the cash flow in the market focused on stocks with large and small market capitalization while slightly declining in the remaining stocks. In January, the HSX had 182 stocks rising, 179 stocks falling and 14 stocks unchanged, 5 stocks supporting VN-Index including VIC up 9.02% (contributing 8.46 points), VNM up 12.5% (8.08 points contribution) , VHM increased 8.99% (contributed 6.79 points), VCB increased 6.17% (contributed 3.68 points), MBB increased 12.6% (contributed 1.61 points). Stocks that led VN-Index down the most include SAB down -12.9% (down -6.83 points), BID -8.43% (down -3.06 points), NVL -11.84% (down -2.13 points), HPG fell -10.5% (-2.11 points reduction) and ROS decrease -18.73% (-1.26 points reduction). In January, 12/18 industries had the highest increase, the strongest was the real estate industry.

Table 6
Fluctuation in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
1	910.65	2.32	2,983.73
12	892.54	2.71	2,878.60
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

Source: HSX, Bloomberg, BSC Research

Table 7
Fluctuation in the last 6 months on HNX

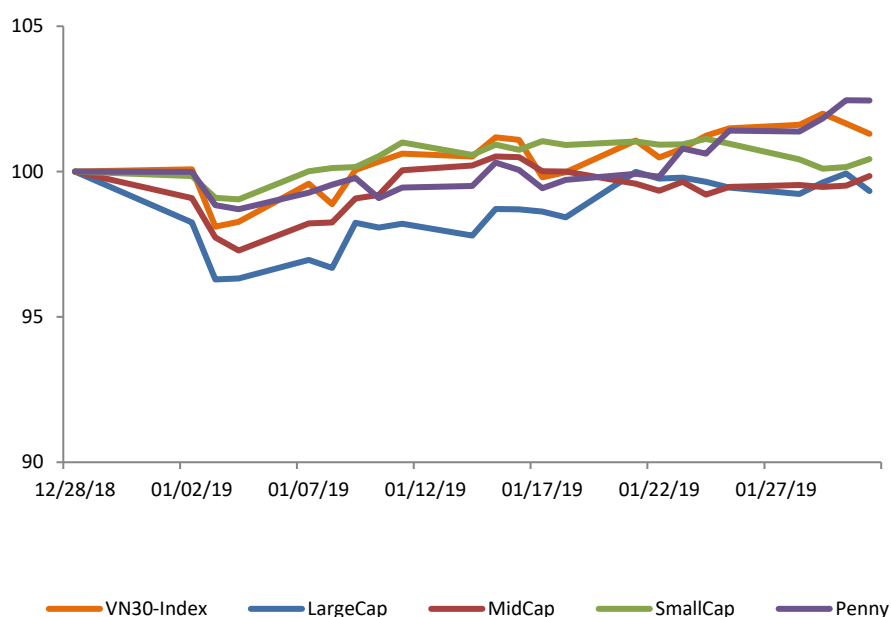
Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
1	102.88	0.5	190.13
12	104.33	0.7	192.89
11	104.82	0.7	190.52
10	105.35	1.1	190.35
9	116.28	0.97	204.57
8	112.79	1.51	200.94

Source: HNX, Bloomberg, BSC Research

Stock groups performances

Equity groups have increased and decreased unevenly. In January, LargeCap and MidCap had negative performance levels with a slight decrease of 0.68% and 0.16% while the other groups had positive performance. VN30 increased by 1.29%, SmallCap increased by 0.43%, Penny increased by 2.45%, SmallCap increased by 1.08% and Penny decreased by 0.33%. The market sentiment was waiting for positive developments from the Sino - US negotiation process and the FED's policy orientation for 2019 as well as the US government closed a record for 35 days affected many stocks with large market capitalization like LargeCap and MidCap, but stocks with small cap and VN30 market pillar are less affected.

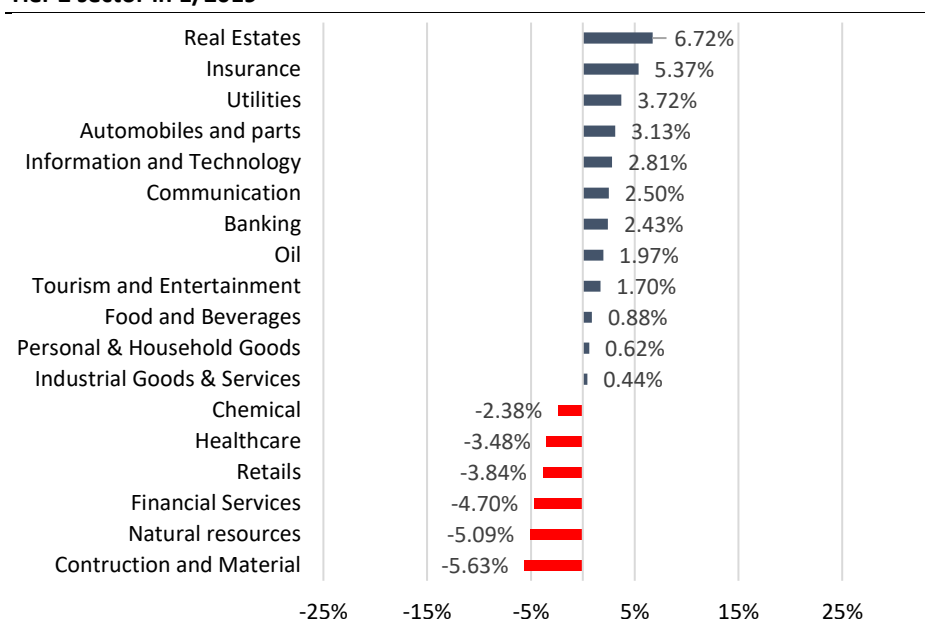
Chart 9
Stock group performances



Source: Bloomberg, BSC Research

In January, the market had 12/18 rising sectors. Real estate group gained the most with a performance of 6.72% due to the contribution of shares VHM and VIC with the increase of 8.99% and 9.02% respectively. Construction and materials group were the biggest losers with the performance of -5.63% due to the biggest decline of HPG -10.5% and NKG -22.76%.

Chart 10
Tier 2 sector in 1/2019



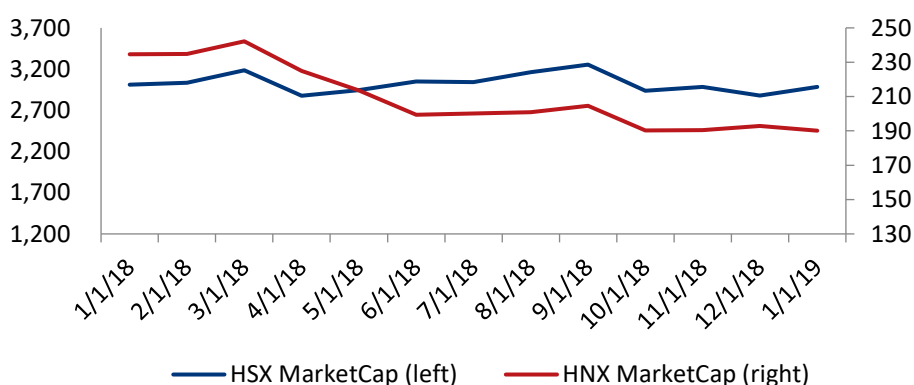
Source: Fiinpro, BSC Research

Capitalization scale

Market capitalization on both exchanges reached VND 3,173.8 trillion, equivalent to USD 136.8 billion, down 3.33% MoM. In January, there were 448.35 million shares listed for the first time on HOSE, 225.77 million additional listed shares; 8.6 million additional ETFs and 1.1 million ETF certificates canceled.

On the scale of listing on HOSE on January 31, the floor is listing 79.14 billion shares equivalent to VND 791.43 trillion (95.25% of the market value), 359.53 million bonds equivalent to VND 35.96 trillion (4.33% of the market value), 312.88 million ETF shares equivalent to VND 3.12 trillion (0.38% market value).

Chart 11
Capitalization scale

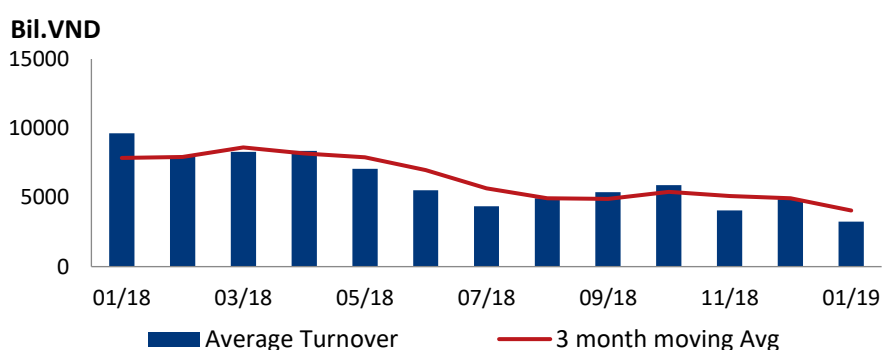


Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on both exchanges decreased by 33.19% compared to December 2018, and decreased to VND 3,246 billion/session and equivalent to nearly USD 139.3 million/session. In January, cash flow focused on small-cap stocks with potential prospects as well as stocks with good business results in large-cap stocks. However, the cautious sentiment of investors before big macro events caused liquidity to drop sharply and most of them concentrated in some stocks with large market capitalization and stocks with outstanding information.

Chart 12
Average market liquidity

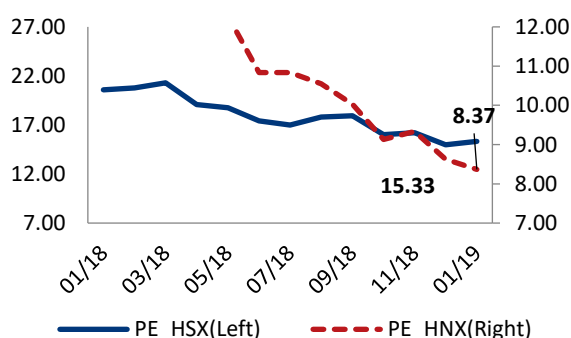


Source: Bloomberg, BSC Research

Price level of Vietnam stock market

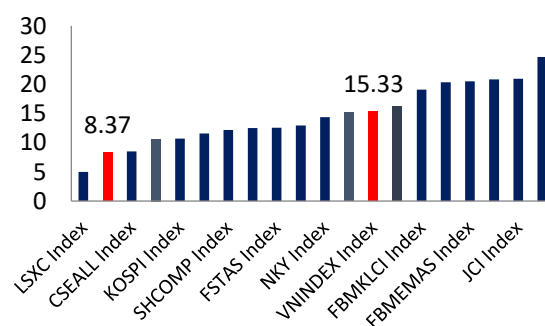
P/E of VN-Index recovered to 15.33, +2.35% MoM while HNX-Index slightly decreased to 8.37, -2.98% MoM. P/E of HNX continued to decline and reached the lowest level since 2018 while HXS rebounded. Compared to December 2018, the P/E of the VN-Index maintained the 8th position and HNX-Index slipped to the 19th position in Asia.

Chart 13
P/E indicator performances on both Exchanges



Source: Bloomberg, BSC Research

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



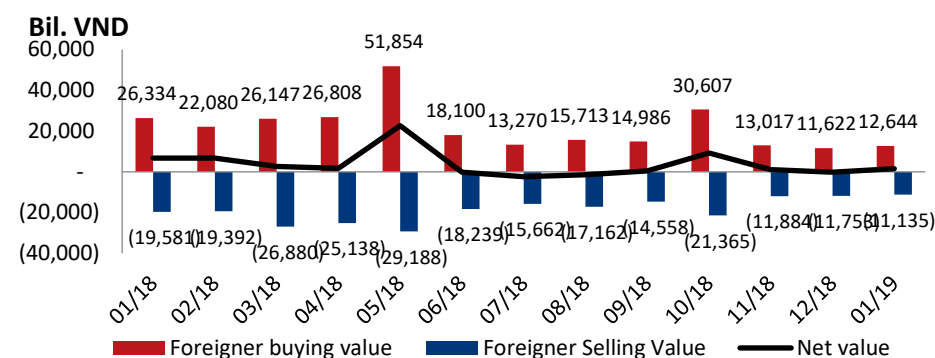
Source: Bloomberg, BSC Research

Foreigner trade

In January, foreign investors strongly increased their net buying on the HSX and bought a slight net amount on the HNX. Upcom in January saw a net buying of VND 197.9 billion, they focused on buying a net of VND 165.4 billion of VTP and VND 62.9 billion of VEA while selling VND 62.2 billion of BSR.

Chart 15

Foreigner transaction performances on both Exchanges



Source: BSC Research

In January, foreign investors were net buyers on the HSX with VND 1,326 billion with 167 shares net buying and 145 shares being net sold, net buying of VND 183 billion on the HNX with 100 shares sold and 87 shares being bought. On the HSX, foreign investors bought VNM (VND 566.7 billion), MWG (VND 565.8 billion), VCB (VND 317.8 billion), VRE (VND 224 billion), and POW (VND 177.8 billion) and sold VJC (VND -412.2 billion), VIC (VND -233.5 billion), DHG (VND -227.5 billion). On HNX, this group focused on buying PVS (VND 146.2 billion), VGC (VND 49.3 billion) and selling SHB (VND -14.3 billion), NDN (VND -5.9 billion).

Table 8

Top 10 foreign traded stocks on HSX in 1/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
VNM	566.71	VJC	-412.22
MWG	565.88	VIC	-233.57
VCB	317.90	DHG	-227.52
VRE	224.09	HPG	-218.65
POW	177.89	PLX	-132.22
STB	163.01	NVL	-128.74
MSN	148.69	HDB	-103.60
CTD	140.41	CII	-89.95
DPM	117.24	SSI	-77.48
GAS	93.58	HCM	-40.28

Table 9

Top 10 foreign traded stocks on HNX in 1/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
PVS	146.22	SHB	(14.31)
VGC	49.32	NDN	(5.99)
NRC	39.12	VC3	(4.90)
CEO	6.02	VCG	(4.79)
APS	0.93	TNG	(3.92)
ART	0.92	HUT	(3.04)
VCS	0.79	HOM	(2.70)
IDV	0.68	DBC	(2.18)
DGC	0.45	INN	(2.08)
MST	0.35	SHS	(1.94)

Source: BSC Research

Source: BSC Research

Market Outlook in February

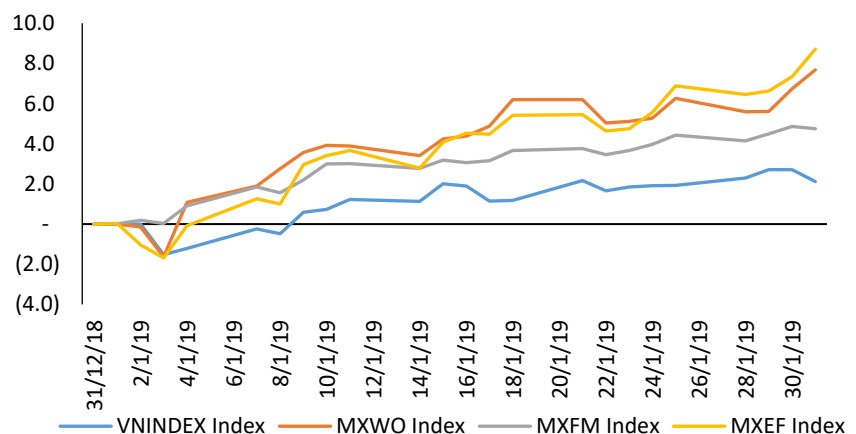
The US-China Ministerial-level trade negotiations on December 7-8 have positive signs, paving the way for the Ministerial meeting on January 30 and 31, partly reassuring investor sentiment and international markets. Brexit, which was not passed by Parliament on January 15, has no effect on the world market, except for the UK market. In addition to information about the trade war, FED's view on interest rates nearing neutrality is also specified in the January 29-30 policy meeting. FED did not raise interest rates and stayed at 2.25% - 2.5%. The US economic outlook is not bright due to trade disputes, political instability and external obstacles that have made the Fed continue to wait patiently for everything to become clearer. These new moves allow investors to expect an agreement to be reached before the deadline by the end of February. Along with that, the Fed does not raise interest rates will help stabilize the exchange rate, support cash flow back to the market. in short term.

In the monetary market, FED has not planned to raise interest rates, partly affecting USD Index. USD Index decreased by -0.6% and decreased compared to most other domestic currencies. BRL (Brazil) increased by 5.1%, RUB (Russia) increased by 4.6%, IDR (Indonesia) increased by 4.1%, and THB (Thailand) increased by 4%. A few notable local currencies, including INR (India), fell 1.7%, and CHF (Swiss) fell 1.2%.

Regarding the commodity market, the positive prospect of trade negotiations also helps goods recover. Commodity index of BCOM Index increased by 5.2%, in which WTI oil price increased by 16.2%, iron ore increased by 11.6%, metal goods like Aluminum, Copper and Lead increased from 6-8%.

Figure 15

MSCI development, emerging and marginal areas in 1/2019 (converted USD)



Source: Bloomberg, BSC Research

Regarding the stock market, MSCI indexes increased quite sharply after negative fluctuations at the end of 2018. Emerging MSCI index (MXEF) led the rise with 8.7%. MSCI development area (MXWO) and MSCI marginal index (MXFM) increased 7.7% and 4.8% respectively.

In the developed market area, the US market recovered strongly with an increase of 7.9%, the growth of other key markets from 3.6% - 5.5%.

In the BRIC countries, Brazil's market increased by 10.7%, only India's market fell by -0.3%.

In the regional market, the rebound of the domestic currency helped the markets gain well, leading the Philippines with a 7.4% increase. Malaysia is the only market with a decrease of -0.4%. Vietnam is also a poor growth market in the region with a 2% increase.

Overall, most markets gained positively, led by the US market thanks to positive information from the trade war and the Fed's new view. Foreign capital flows back to emerging markets, supporting the market to gain points.

Figure 16

Fluctuation of national stock indexes in January

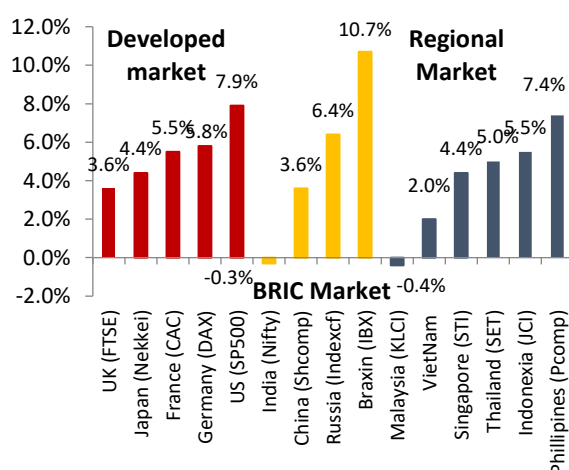


Table 9

Foreign investors net bought and sold in January (Mill USD)

Nation	January	12 Month
India	(463)	(7,059)
Indonesia	977	(2,744)
Japan*	(5,322)	(61,280)
Malaysia	249	(3,488)
Philippines	356	(743)
Korea	82	(2,756)
Sri Lanka	(13)	(89)
Taiwan	1,955	(13,268)
Thailand	214	(8,544)
Pakistan	13	(612)
Vietnam	57	1,541

Source: Bloomberg, BSC Research

After negative fluctuations at the beginning of the month, VN-Index increased by 18.1 points, equivalent to 2% thanks to the active net buying of foreign investors. Market liquidity remained at a low level due to lack of interest of domestic investors and market movements depending on the volatility of the international market. Positive signals from the US-China trade negotiations support the market to rebound. The reaction of the market to positive Q4 business results of listed companies is quite fuzzy, whereas the negative reaction to the company has weak results. This sentiment led to a clear differentiation in large-scale stocks, which caused the indices to fluctuate in a narrow range. Considering the influence of

stocks, the top 5 stocks had an increase of 28.7 points including VIC (+ 9.0%, contributed 8.5 points), VNM (+ 12.5%, contributed 8.1 points), VHM (+ 9%, contributed 6.8 points), VCB (+ 6.2%, contributed 3.7 points) and MBB (12.6%, contributed 1.6 points). On the other side, SAB (-12.9%, contributed 6.8 points), BID (-8.4%, contributed 3.1 points down), NVL (-11.8%, contributed 2.1 points down), HPG (-10.5%, contributed 2.1 points down)) and ROS (-18.7%, a decrease of 1.3 points) took away the market's 15.4 points.

In January, we focused on completing the yearly reports as market prospects for 2019 ([Link](#)), Report on assessment and prospects in 2019 Industry ([Link](#)) and ([Link](#)). The reports have positively evaluated the macroeconomic prospects and market opportunities in 2019. We also assessed positively with the Insurance, Port, Technology - Post, Textile, Electric, Power, and Consumption sector in 2019. In addition, we also conducted a business assessment of listed companies in the fourth quarter and updated information on meeting businesses on information channels with BSC customers.

Attention information in January:

The economy in January has many positive indicators, signaling the prosper outlook of 2019. The macroeconomic indicators in January were quite positive, according to which the total retail sales of goods and services increased by 12.2% YoY, industrial production index increased by 7.9%, registered FDI increased by 27% while Disbursed FDI increased by 9.2%, CPI increased slightly by 0.1%. The trade deficit phenomenon appeared in January with about 800 million USD due to high demand for goods at the end of the year. However, Vietnam has increased foreign currency reserves by USD 4 billion in January, along with the depreciation of the USD has increased the room for stabilizing the exchange rate in 2019. The CPTPP Agreement has also taken effect 14/1 is opening up many opportunities for the economy. The positive changes in January are in the upward trend of the economy in 2018, which will set the stage for the completion of socio-economic objectives in the context of a volatile world economic environment and hidden unpredictable factors.

The companies announced positive Q4 business results and fiscal year 2018, up 21.5% over the same period. Besides VHM, the banking stocks maintained impressive growth. As of January 31, 677/758 announced 2018 business results with a total after-tax profit of 197.4 trillion, an increase of 21.5% compared to 2017. 2018 business results were divided when there were 302 negative growth companies, accounting for 45% of the market. 52 companies announced losses, which accounted for 7.7% in 2018. Of the 5 companies announcing the strongest improvement in earnings, VHM, VCB, ACB, MBB and GAS accounted for 75.6% of the VND 35,027 billion. Along with VHM and GAS, banking stocks are the sector with the best improvement, average growth of 33.9% compared to 2018. Companies will continue to announce Q4 and 2018 business results after the holidays. The

shareholders' meeting season announced 2019 business plan, dividends will take place immediately after that will be information to support the market. Domestic cash flow may return after the holiday season, moving in the same direction with foreign investors to form clearer opportunities in 2019.

US - China trade negotiation on January 30-31. This is the second negotiation after the positive signals from the deputy-level talks taking place on 7-8 December. The talks aimed to bridge the gap between US claims and China's ability to respond to previous talks. Compared with China's concessions in pledging to buy more energy and agricultural products; additional reduction of automobile import tax; abandoning regulations on forcing technology transfer in joint ventures, such as market reform and opening, intellectual property protection, and elimination of State subsidies are not easy to give in. These key issues are not likely to be resolved immediately and have to wait for the meeting between heads of state and countries at the end of February. Trade negotiations are issues that affect the prospects of the world economy and strong influence on the stock market. The summit in February to reach an agreement before the end of the negotiation period will be a factor of interest to domestic and international investors..

FED is likely to keep the interest rate of 2.25 - 2.5% for a long time, reducing the risk of fluctuations in the money and securities market. FED kept the interest rate of the policy meeting in January. The next time to raise interest rates is unclear and depends on clearer signals of the economy. This move is considered to be the end of the period of 3-year monetary policy normalization. However, the interest rate stop at this level will also narrow the balance of the Fed's deal with the future recession. According to a Bloomberg survey, the possibility of raising interest rates at the March and May sessions is almost no, this probability increased to 7% in the June and July sessions and at 10% in September, October and December. This data also shows a high consensus about the possibility that FED will not raise interest rates this year. FED will not raise interest rates, it will limit adverse fluctuations from the exchange rate, thus facilitating cash flow back to emerging market areas.

Table 10

Factors affecting the market in February 2019:

Event	Impact on the stock market
The macroeconomic indicators in January were quite positive, signaling for 2019 to prosper.	Positive
Listed companies announced business results with a growth rate of over 20%. The P/E VN-Index is at 15.3 times, equivalent to regional countries and in the low area for 12 months.	Positive
Foreign capital is returning to emerging and regional markets. Foreign investors and ETFs are still disbursing in Vietnam market	Positive
US-China trade negotiations between the two heads of state after 2 rounds of vice minister and minister.	Strong impact on market sentiment
The overall market margin ratio remains stable	Reduce the risk of dumping at

	strong vibrations
FED may not raise interest rates for a while.	Stabilizing the exchange rate, supporting the world stock market
China's economy decelerated its influence on Asian countries, export performance declined.	Need time to quantify, potential risks

Source: BSC Research

The market fluctuated and increased slightly, returning to safe price range in January. This trend is expected to continue in February when the market sentiment after the holiday still dominates. However, when foreign investors continue to maintain the current net buying momentum, domestic investors will soon catch up with the market. The results of trade negotiations between the two US heads - China in February will strongly affect the forecast results. However, we think that VN-Index will continue to maintain a slight increase towards 940 - 960 points in February.

- In positive case, VN-Index will rise close to 960 points with the rotation of large stocks. Liquidity is expected to remain at a medium level and increase gradually by the end of next month.
- In negative cases, VN-Index may return to check 900 points if there is new information from the world.

Investors can refer to some investment topics and updated reports in the upcoming months:

- The sectors and stocks are evaluated positively in the 2019 Sector Outlook Report ([link](#)) and ([Link](#));
- Stocks of Banking and Finance have strong improvement, stock groups benefit from trade agreements and production shift from trade war;
- High defensive stocks such as Electricity, Information Technology - Post, Retail Consumption have high growth and dividends;
- In the long term, BSC's recommended stocks will be mentioned in quarter IV sector strategic reports ([Link](#)), Stocks with good changes are recommended in the weekly Investment consultant Report and Sector/company update reports ([Link](#)).

Disclosure

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