

## Vietnam Monthly Review 2019 M02

### BSC Research

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### Macroeconomics

- PMI dropped to 51.2 from 51.9 of the previous month, and lower than the 2018's average of 53.7 points.
- Total retail sales of consumer goods and services in 2 months were estimated at VND 793.8 trillion, an increase of 12.2% compared to the same period last year.
- In 2 months, registered FDI increased 57.8% compared to the same period last year while disbursed FDI increased 9.8% YoY. FDI capital focuses on processing, manufacturing sector and real estate sector.
- The interbank USD exchange rate fluctuated in the range of 23,240 - 23,265 VND/USD, a slight increase compared to the range of 23,200 - 23,255 VND /USD in January. The interbank interest rates at all terms decreased in the first 2 weeks and rebounded in the last week of February.

### Stock Market

- HSX recovered positively while HNX recovered slightly. VN-Index officially increased by 54.8 points compared to the end of last month (+ 6.02% MoM), (+ 8.18% YtD) and HNX-Index increased 2.98 points (+ 2.9% MoM), (+ 1.56% YtD).
- Average liquidity on 2 exchanges increased by 54.28% compared to January 2019, and increased to VND 5,008 billion/session, equivalent to nearly USD 215.8 million/session.
- In February, foreign investors net bought on the HSX with VND 2860 billion, net sold VND 744 billion on the HNX.
- P/E of Vn-Index increased to 16.18 respectively + 6.06% MoM, + 8.49% YtD while P/E of HNX-Index recovered slightly to 8.67 respectively + 1.74% MoM, - 1.26% YtD. The P/E of the VN-Index slipped to 9th place and the HNX-Index continued to hold the 19th position in Asia.

### Market Outlook in March

The market increased strongly in February thanks to foreign capital flows and the return of domestic investors. VN-Index increased quickly, leading to the psychology of taking profits when bad news appeared. VN-Index therefore faced short-term correcting pressure, before being able to differentiate with Q1 business results and information from the annual AGM season. VN-Index will accumulate around 950 points and retest 1,000 points in March. In March, BSC offers 2 scenarios as follows:

- In positive case, VN-Index will drop to around 950 points, differentiate and recover 1,000 points. Liquidity remained stable.
- In negative cases, VN-Index may return to check 900 points if there are unfavorable 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; Stocks benefit from recovering raw material prices and oil prices;
  - 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 February 2019

## Economic growth

- PMI dropped from 51.9 in January to 51.2 points in February, which is lower than the 2018's average of 53.7 points.

The industrial production index in February is estimated to increase by 10.3% over the same period last year, of which the mining industry decreases by 5%; processing and manufacturing industry increased by 12.8%; electricity production and distribution by 10.9%; water supply and waste and wastewater treatment increased 7.2%. In the first 2 months of 2019, IIP is estimated to increase by 9.2% compared to the same period last year, lower than the 13.7% increase of 2018.

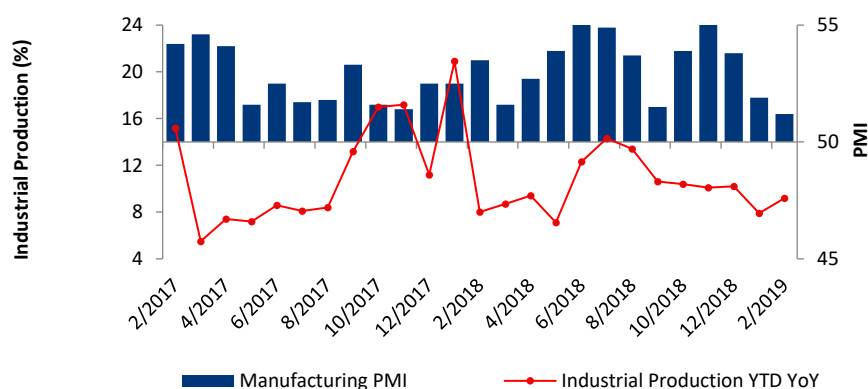
In the secondary industry, the top 3 industries have high production index in February compared to the same period last year: Production of coke and refined petroleum products increased by 92.1%; metal production increased by 35.8%; Drainage and wastewater treatment increased by 23.9%.

Some major industrial products in February 2019 increased highly over the same period last year: liquefied petroleum gas (LPG) increased by 101.2%; gasoline and oil rose 96.1%; iron and crude steel increased by 75.9%; TV increased by 37.1%; urea excretion increased by 17.9%; chemical paint increased by 17.6%; automobile increased by 15.7%; MSG increased by 15.1%; fabrics made from natural fibers increased by 13.8%; fabric made of man-made fibers increased by 13.5%; Fish feed increased by 13%.

Some products increased low or decreased: Powdered milk increased by 0.7%; steel bar and angle steel decreased by 0.2%; rolled steel by 0.5%; Mixed fertilizer (NPK) decreased by 1.9%; cigarettes reduced by 2.4%; diameter decreased by 3.8%; natural gas decreased by 4%; phone parts decreased by 5.3%; mobile phones fell 7.6%; Crude oil fell by 11.9% (same period 2018 decreased by 7.6%).

Chart 1

Industrial Production Index & PMI



**The PMI fell back to 51.2, down from 51.9 of the previous month**, and lower than the 2018's average of 53.7 points. Vietnam's manufacturing sector is in a slow growth phase in February. Although production growth and new orders are higher than at the beginning of the year, companies have reduced their jobs for the first time in nearly three years and overall conditions have improved more slowly than in January. Manufacturing sector continued to suffer from inflationary pressures in the last month. Specifically:

- Although the number of new orders continued to increase and increase faster than January, the recent increase was much slower than the end of 2018. Meanwhile, the growth speed of new export orders slowed to a low of 37 months.
- Production has increased faster in February with a strong increase, but the recent increase is still lower than the average of 2018.
- Inventories continued to increase in February, with both work in progress inventories and production inventories 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.
- Producers reported a slight increase in input costs for the second consecutive month in February, with the growth rate much lower than the average of index history. The fifth fall in output prices for the last six months is in an effort to attract new orders amid declining demand.

Manufacturers are still optimistic that production will increase next year. However, the level of optimism has fallen to the lowest of four months and is lower than the average of index history.

Besides, China's PMI continued to decline from 49.5 to 49.2, the lowest level since February 2016. The bad PMI continues to signal that the economy is entering a recession, which certainly put pressure on Xi Jinping in the US-China trade negotiations next week. The results of the negotiations as well as the health status of China's economy will also create intertwined effects on Vietnam economy in 2019.

## Inflation

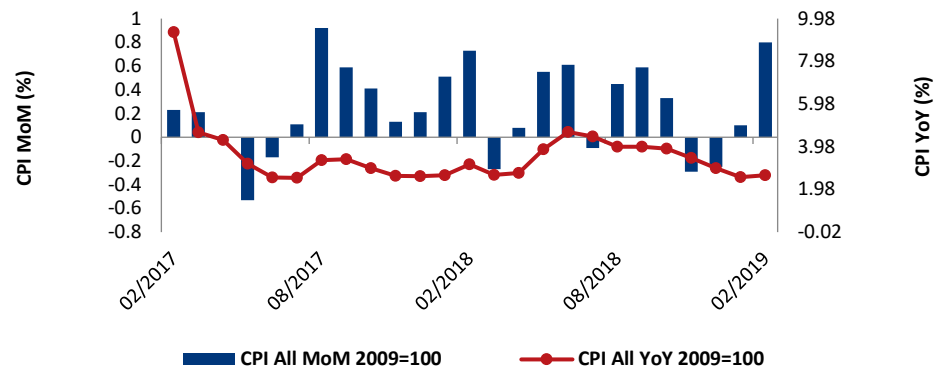
- **CPI in February increased by + 0.8% compared to January, in which CPI of 9/11 groups of goods and services in February increased compared to the previous month, mainly due to increased consumer demand during the Lunar New Year.**

**Consumer price index of February increased 0.8% compared to the previous month, and increased 2.64% compared to the same period in 2018.** Basic inflation in February 2019 increased by 0.48% over the previous month and increased by 1.82% compared to the same period last year.

Average CPI in the first 2 month of 2019 increased by 2.6% compared to the average of 2018. The average basic inflation in the first 2 months of this year also increased by 1.82% compared to the average of the same period in 2018.

Chart 2

### Monthly CPI movements



Sources: GSO, BSC Research

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

- Food and catering service sectors saw the highest increase with 1.73%, of which food sector increased by 0.53%; food increased by 2.13%, causing CPI to increase by 0.48%.
- Housing and construction materials sector increased by 0.69%, mainly due to rising gas price by 3.51% and domestic electricity price by 0.69%.
- Cultural, entertainment and tourism sector increased by 0.66%.

The cause of price increases is mainly due to increased consumer demand during the Lunar New Year.

Chart 3

### Retail Sales

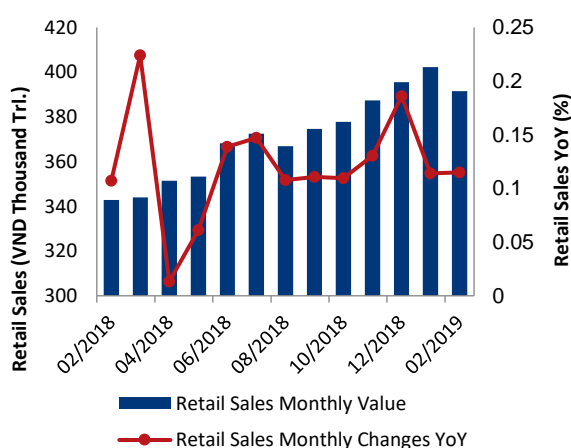


Table 1

### Increase/decrease of service sectors in July

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	1.73	5.53
2	Transportation	0.16	-4.54
3	Health care	0.01	1.75
4	Housing & Construction	0.69	1.72
5	Entertainment	0.66	1.92
6	Beverage and Cigarettes	0.35	1.49
7	Clothing	0.14	1.67
8	House appliance	0.26	1.35
9	Education	-0.47	6.12
10	Telecommunication	-0.03	-0.76
11	Other	0.47	2.07

Source: GSO, BSC Research

**Total retail sales of consumer goods and services in February 2019 were estimated at VND 390.8 trillion**, down 3% from the previous month and 11.5% over the same period in 2018.

In the first 2 months of the year, total retail sales of consumer goods and services were estimated at VND 793.8 trillion, an increase of 12.2% compared to the same period last year, if excluding price factor, increased by 9.28%

Retail sales of goods reached VND 301.4 trillion, down 3.4% MoM and increased 12.5% YoY; revenue from accommodation and catering services reached VND 44.8 trillion, up 1.3% MoM and 9.4% YoY; revenue of travel tourism reached VND 3.9 trillion, down 1.5% MoM and up 17.1% YoY; other service revenue reached VND 40.7 trillion, down 2% from the previous month and 6.2% over the same period last year.

## Foreign Direct Investment (FDI)

- **Registered FDI increased by 57.8% compared to the same period last year while disbursed FDI increased by 9.8% compared to last year.**
- **Foreign direct investment focuses on processing, manufacturing sector and real estate sector.**

**Total newly registered FDI** and increased to the end of February 20, 2019 of 511 projects (+ 25.1% YoY) reached 2,444.9 million USD (+ 25.1% YoY), plus 854.8 million USD of adjusted registration capital of 176 projects licensed in previous years. Thus, the total newly registered and added FDI capital reached USD 3,299.7 million (+ 57.8% YoY).

**Total disbursed FDI capital** in 2 months was estimated at 2.58 billion USD, up by 9.8% YoY.

In the first 2 months of this year, the processing and manufacturing industry attracted the largest foreign direct investment with the registered capital of newly licensed projects reaching USD 1,874.4 million, accounting for 76.7% of the total registered capital. new; real estate business reached 273 million USD, accounting for 11.1%; the remaining sectors reached 297.5 million USD, accounting for 12.2%.

If including additional registered capital of projects licensed in previous years, foreign direct investment in processing and manufacturing industries in 2 months reached USD 2,649.9 million, accounting for 80.3% of total registered capital. sign; real estate business reached USD 286.7 million, accounting for 8.7%; the remaining sectors reached 363.1 million USD, accounting for 11%.

Chart 4  
FDI (USD Bil)



Source: GSO, BSC Research

Top 3 areas attracting FDI registration nationwide: Bac Ninh (USD 438.2 million - 17.5%), Binh Duong (USD 228.1 million - 9.3%), Tien Giang (USD 214.4 million - 8.8%).

In the first 2 months, China is the largest direct investor in Vietnam with an investment of USD 588.9 million, accounting for 24.1% of the total newly registered capital; following closely behind is Hong Kong with 398 million USD, accounting for 16.3% and Japan with 380.2 million USD, accounting for 15.5%.

## Trade balance, Import and Export

- The trade balance in February is estimated to be a deficit of USD 900 million.

- In 2M2019, trade deficit was USD 84 million; domestic economic deficit was USD 4.57 billion.

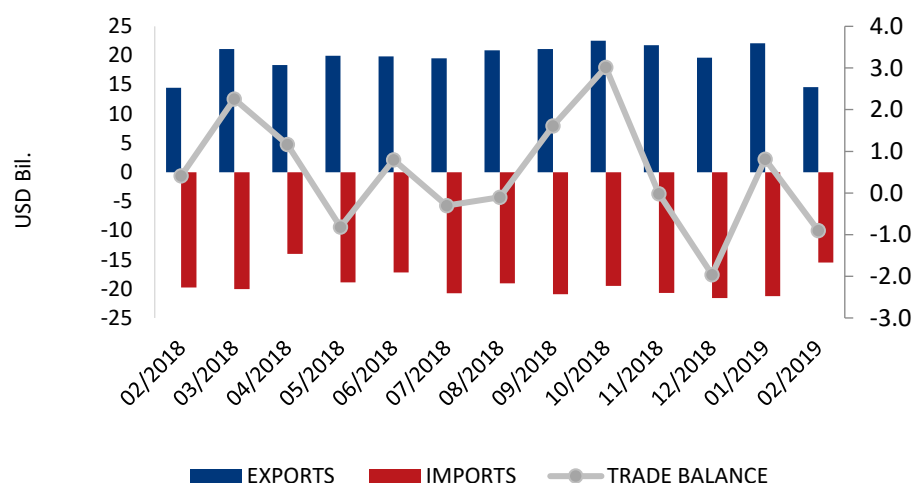
Export turnover in January is estimated at USD 20 billion, up 1.9% from the previous month, and down 1.3% over the same period in 2018, of which the domestic economic sector reached USD 6.42 billion, down 0.9% MoM, and up 7.8% YoY; Foreign invested sector reached USD 13.58 billion, up 3.2% MoM, and down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

In the first 2 months of 2019, export turnover is estimated at USD 36.68 billion, up by 5.9% YoY, in which domestic economic sector is USD 10.72 billion, up by 9.9%; foreign invested sector (including crude oil) reached USD 25.96 billion (accounting for 70.8% of total export turnover), up 4.3%. From the beginning of the year to February 20, electric phone phones are at the top position, reaching USD 6.79 billion (-38.8%). Next, computer electronics grew by + 1.9%

to USD 4.17 billion. Textiles in the third place reached USD 4.89 billion (+19.0%).

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	6.79	-7.3%
2	Electronics	4.17	1.9%
3	Textile	4.89	19.0%
4	Other machines	2.63	19.3%
5	Shoes	2.67	18.4%
6	Vehicles	1.41	7.6%
7	Crude Oil	0.65	82.1%
8	Woods	1.38	12.7%
9	Aquaculture	1.09	2.3%
10	Steel	0.75	14.4%

Source: GSO, BSC Research

Table 3

### Top 10 imported goods

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	7.50	11.4%
2	Machine	5.56	14.6%
3	Fabric	2.06	16.0%
4	Mobile phone	2.06	-12.6%
5	Steel	1.43	-1.2%
6	Plastic	1.28	-2.6%
7	Automobile	1.04	105.1%
8	Plastic Products	0.95	8.4%
9	Other metals	0.89	-11.1%
10	Textile Materials	0.22	15.4%

Source: GSO, BSC Research

Import turnover in February was estimated at USD 15.5 billion, down 27.1% over the previous month, and up 10.4% YoY. Of which, the domestic economic sector reached USD 10.7 billion, down 31.8% compared to last month; and increased 12.5% over the same period last year. Foreign-invested sector reached USD 9.3 billion, down 23.6% MoM, and up 9.1% YoY.

In 2M2019, import turnover is estimated at USD 36.76 billion, up 7.5% over the same period last year, of which the domestic economic sector reached USD 15.29 billion, up 11%; foreign invested sector reached USD 21.47 billion, increased by 5.1%. At the beginning of February 15, the import turnover in January was high, including 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 February maintained a sideways trend when international macro-economic event has not made any new progress compared to January.
- The movement of exchange rates in March will largely depend on the progress of the US-China trade negotiations in the coming period and the Fed's move in the next session.

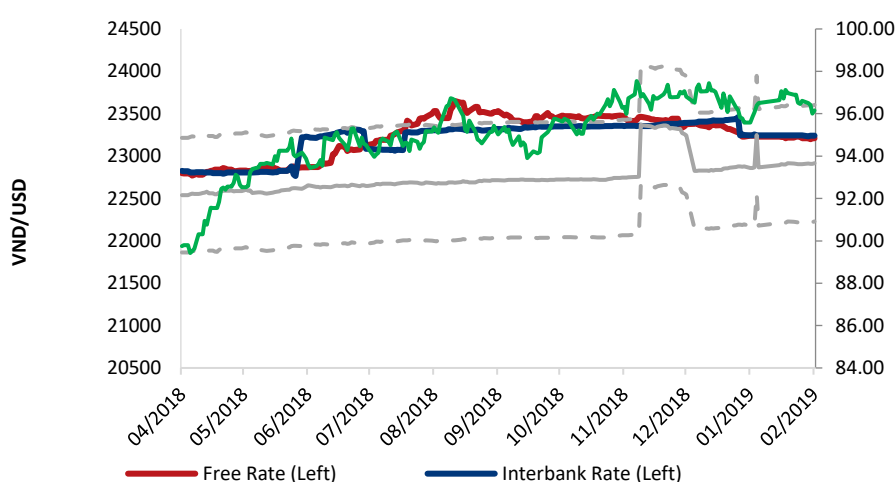
Central exchange rates in January fluctuated from 22,867–22,915 VND/USD, increased from the range of 22,825 – 22,880 VND/USD in January. The monthly average 22,904 VND /USD.

Interbank exchange rate in January ranged from 23,353– 23,379 VND/USD, increased from the range of 23,200– 23,255 VND/USD in January. The average monthly was 23,252 VND / USD.

Free exchange rates in January ranged from 23,200 – 23,260 VND/USD, decreased from the band of 23,200 – 23,280 VND/USD in January. The average free exchange rate in the month was 23,221 VND/USD.

The January US dollar index decreased by -0.6% from the end of January, increased by 6.0% YoY. This index ranged from 95.9-97.8 points, with a monthly average of 96.6 points. On February 28, the index reached 95.93 points.

Chart 6  
Exchange rate movements



Source: Bloomberg, BSC Research

From the beginning of the year until now, the free exchange rate is trading below the price of the interbank exchange rate. The main reason is that the state bank has continuously raised the central exchange rate in order to prepare for the USD /VND dynamic exchange rate fluctuations before the results of US-China trade war. With the SBV buying price fluctuating around



the threshold of VND 23,200, many banks did not have the incentive to reduce exchange rate transactions to the same level as the free rate.

## Bank - Interest rate

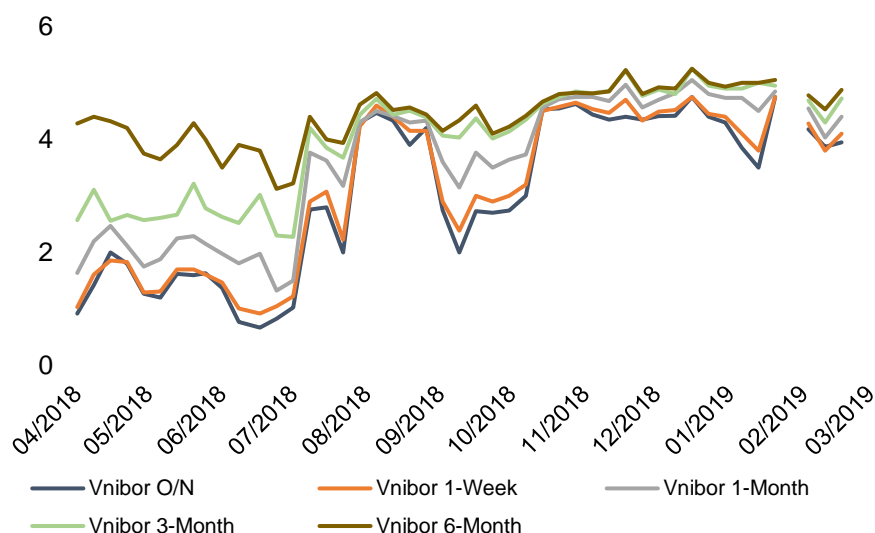
- **Interbank interest rates at all terms decreased in the first 2 weeks of February but began to rise again in the last week.**
- **The medium and long-term deposit and lending interest rates are stable and unchanged compared to January. Economic policies are still in favor of expansion period.**

Interbank interest rates decreased compared to the end of January at all terms in February when the macro information was positive to maintain the stability of the exchange rate. On March 1, overnight, 1-week, 1-month, 3-month, and 6-month rates reached 3.95%, 3.1%, 4.5%, 4.72% and 4.87% respectively.

In February, the SBV net withdrew VND51,558 billion (Week 11-22 / Feb) and VND72,380 billion (Week 18 / February 2-22) via OMO and bills. System liquidity is returning to abundance with a large foreign exchange reserve..

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 March 2019

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

- 1. Trade war.** The trade war is cooling down during the truce to hold discussion between president Trump and chairman Xi, but key issues such as intellectual property rights, domestic business subsidies, and forcing technology transfer in international joint venture enterprises has not made any significant progress. President Trump extended the time to raise the tax rate. Currently the world is still following the process of bilateral negotiations with Trump and Chairman Xi. There are certain agreements between the two sides.
- 2. Brexit extended.** British Prime Minister Theresa May first mentioned the possibility that the UK will have to postpone the Brexit enforcement deadline on March 29 for several months. According to analysts, May's top strategy was to extend the time to facilitate the fear of Hard Brexit's consequences in order to force British MPs to vote through the Brexit deal that her administration has achieved with the European Union. The British government has also estimated that the UK economy will shrink 6-9% in the next 15 years if hard Brexit happens.
- 3. FED's monetary policy meetings (March 19-20) and ECB (March 7).** During the Fed's semi-annual policy hearing, Federal Reserve Chairman Jerome Powell said the central bank will approach patiently because they are considering raising interest rates in the future, repeating the friendly market strategy that he and other Fed officials have adopted in the past few months. He confirmed that the Fed will maintain a higher-than-expected balance sheet to keep long-term interest rates. The ECB is expected to maintain its current policy when the central bank is trying to maintain price stability. President Mario Draghi may be ready to support the monetary union amid discussion of a targeted Long-Term Refinancing Operation (TLTRO). ECB can still offer a monetary easing orientations in the next few months when the BoD is not in a hurry to abolish the 0% interest rate policy.

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

- 1. Rules of origin of goods under the CPTPP Agreement.** According to Circular 03/2019/TT-BCT stipulating rules of origin of goods in the Comprehensive Partnership and Transpacific Progress Agreement, goods are considered to be originating if such goods:
  - Having pure origin or being produced entirely in the territory of one or more member states;

- Manufactured entirely from materials originating in the territory of one or more member states;
- Manufactured entirely from non-originating materials in the territory of one or more member states provided that the goods meet all relevant provisions in Annex I of this Circular.

- 2. Define the rights and responsibilities of representatives of the State ownership.** According to Decree 10/2019 / ND-CP, the representative of the State owner has the right to decide on the establishment of an enterprise; proposing the financial agency to evaluate the application file for capital investment; Issue the charter and appoint the Chairman and members of the Members' Council...
- 3. Science and technology enterprises.** From March 20, 2019, Decree No. 13/2019/ND-CP on science and technology enterprises officially takes effect. This Decree stipulates that science and technology enterprises are entitled to exemption and reduction of corporate income tax; exemption and reduction of land and water surface rent and favorable credit rate for science and technology enterprises...
- 4. State capital in equitized enterprises is a credit institution, of which included the following account balances:** Charter capital; Capital for investment in capital construction and procurement of fixed assets; Have always been different; Reserve fund to supplement charter capital; Development Fund; Financial reserve fund with account number is 601, 602, 609, 611, 612, 613, respectively.

Table 4  
Monthly macro indicators

Indicator / Month	2018M7	2018M8	2018M9	2018M10	2018M11	2018M12	2019M01	2019M02
GDP YoY (%)	-	-	6.88	-	-	7.31	-	-
GDP ytd YoY (%)	-	-	6.98	-	-	7.08	-	-
PMI	54.9	53.7	51.7	53.7	56.5	53.9	51.9	51.2
IIP YoY (%)	14.3	13.4	9.1	7.7	9.6	11.4	7.9	10.3
IIP ytd YoY (%)	10.9	11.2	10.6	10.4	10.1	10.2	7.9	9.2
Retail Sales YoY (%)	14.7	12.6	12.5	12.4	12.2	11.4	12.2	11.5
Retail Sales ytd YoY (%)	13.3	11.7	13.4	11.4	11.5	11.3	12.2	12.2
CPI MoM (%)	-0.09	0.45	0.59	0.33	-0.29	-0.25	0.10	0.8
CPI YoY (%)	4.46	3.98	3.98	3.89	3.59	2.98	2.56	2.64
Registered FDI (Bil USD)	18.15	19.06	19.67	21.57	23.19	25.58	1.14	3.30
Disbursed FDI (Bil USD)	9.85	11.25	13.25	15.10	16.5	19.1	1.55	2.58
Export (Bil USD)	20.3	23.4	21.1	22.5	21.6	19.6	22.0	14.6
Import (Bil USD)	20.69	20.95	19.5	21.7	22.0	20.4	21.2	15.5
Trade Balance (Bil USD)	-0.6	-0.1	0.7	0.8	-0.4	-0.8	0.8	-0.9
Exchange rate (VND/USD)	22,840	23,308	23,147	23,351	23,363	23,351	23,243	23,252
Credit growth (%)	-	-	9.52	-	-	14	-	-

Source: BSC Research

# Stock Market February 2019

## Market Outlook

In February, the VN-Index recovered strongly to 1000 points because the market sentiment continued to be positive with supportive signals such as FED continued to maintain the slow raising interest rates view in 2019 compared with 2018 and positive steps in the process of Sino - US trade negotiation. Q4 and 2018 business results are also a significant motivation to support the market. As of February 28, 2019, VN-Index officially increased by 54.8 points compared to the end of last month (+ 6.02% MoM), (+ 8.18% YtD) and HNX-Index increased 2.98 points (+ 2.9% MoM), (+ 1.56% YtD).

Liquidity rebounded strongly compared to January, cash flow spreaded throughout the market and focused the most on large and medium capitalization stock group. In February, HSX had 237 gainers, 122 losers and 17 unchanged stocks; 5 stocks supporting VN-Index including VIC increased 9.72% (contributed 9.82 points), VHM increased 9.38% (contributed 7.65 points). GAS increased by 11.85% (contributed 6.06 points), VCB increased by 6.51% (contributed 4.18 points), MSN increased by 14.41% (contributed 3.97 points). Stocks dragged VN-Index the most include VJC -3.64% (-0.74 points), MBB down -1.83% (down -0.26 points), POW dropped -2.13% (down -0.25 points), DPM dropped -7.92% (-0.21 points decrease) and HDB -1.64% decrease (-0.15 point reduction). In February, all 18 industries increased and the highest increase was health sector.

Table 6

Fluctuation in the last 6 months on HOSE

Month	Index	Volumn (Bil shares)	Capitalization (VND Trillion)
2	965.47	2.33	3,243.90
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

Source: HSX, Bloomberg, BSC Research

Table 7

Fluctuation in the last 6 months on HNX

Month	Index	Volumn (Bil shares)	Capitalization (VND Trillion)
2	105.86	0.48	199.35
1	102.88	0.58	189.74
12	104.33	0.77	192.50
11	104.82	0.7	190.52
10	105.35	1.11	190.35
9	116.28	0.97	204.57

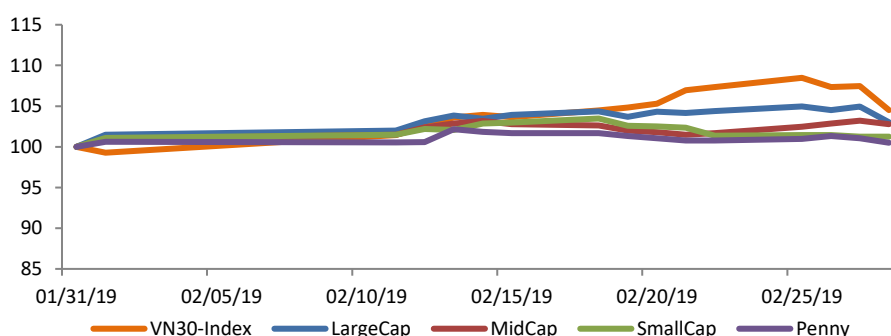
Source: HNX, Bloomberg, BSC Research

## Stock groups performances

All equity market group increased unevenly. In February, LargeCap and MidCap had outstanding performance with an increase of 3.01% and 2.8% respectively. VN30 has an outstanding performance with an increase of

4.49%. SmallCap increased by 1.24% and Penny edged up 0.51%. The positive state of the market is maintained due to positive steps from the China - US negotiation process and the signal of maintaining the policy orientation to slowing the increase of interest rate of the Fed in 2019, the market sentiment is optimistic after the holidays as well as positive recovery of world oil price helped cash flow come back and prioritized flowing into stocks with large market capitalization.

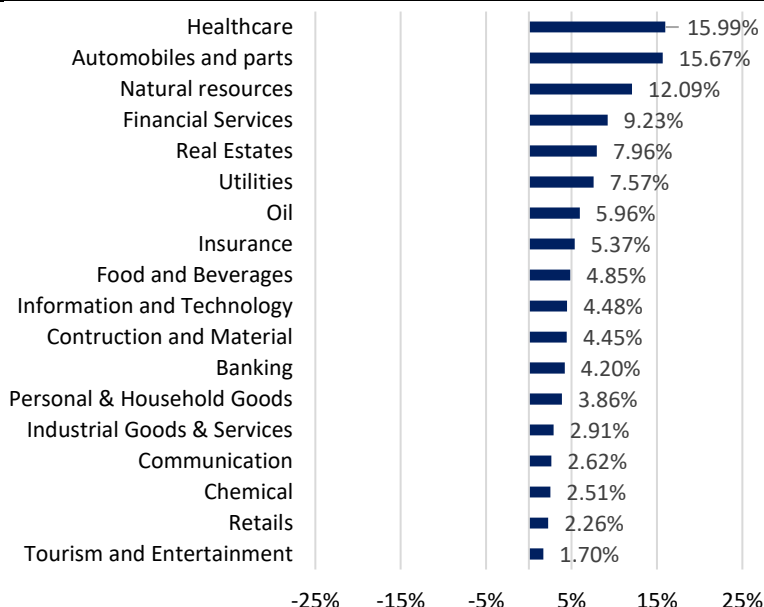
Chart 9  
**Stock group performances**



Source: Bloomberg, BSC Research

In February, the market had 18/18 sectors gaining. In which, the health group increased the most with the growth of 15.99% due to the contribution of DHG and DCL shares with the increase of 39.41% and 32.2% respectively. The tourism and entertainment group is the group with the weakest increase with a performance of 1.7% due to the contribution of VNG 3.36% and VJC - 3.64%.

Chart 10  
**Tier 2 sector in 2/2019**



Source: Fiinpro, BSC Research

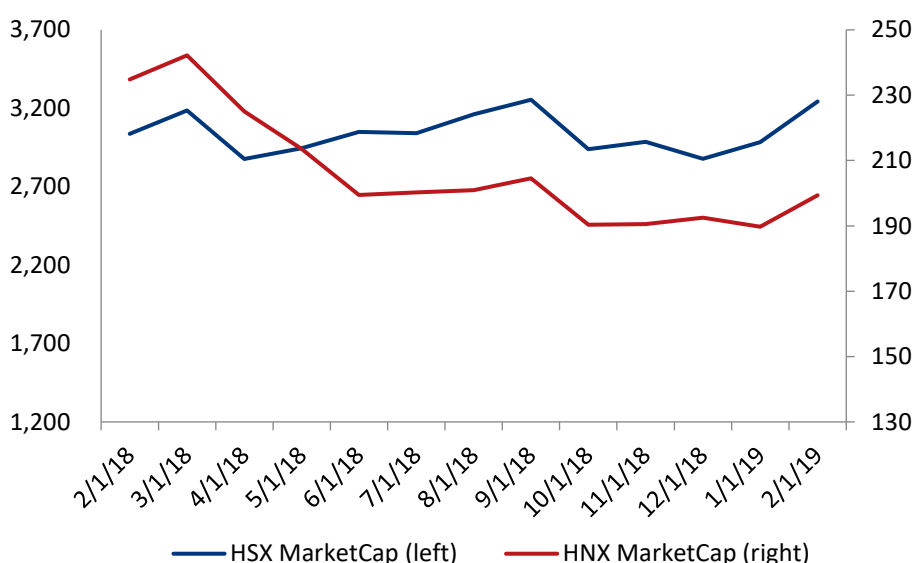
## Capitalization scale

**Market capitalization on both exchanges reached VND 3.443.2 trillion, equivalent to USD 148.4 billion, up 8.5% MoM.** In February, on HOSE, there were 38.66 million additional listed shares; 30.7 million additional listed ETF as well as 2.8 million delisting ETF and 5 million delisting bonds.

**Regarding the scale listed on HOSE, as of February 28,** the floor is listed 79.17 billion shares equivalent to VND 791.79 trillion (95.27% of the market value), 354.53 million bonds equivalent to VND 35.46 trillion (4.27% of the market value), 347.5 million ETF certificates equivalent to VND 3.47 trillion (0.42% of the market).

Chart 11

**Capitalization scale**

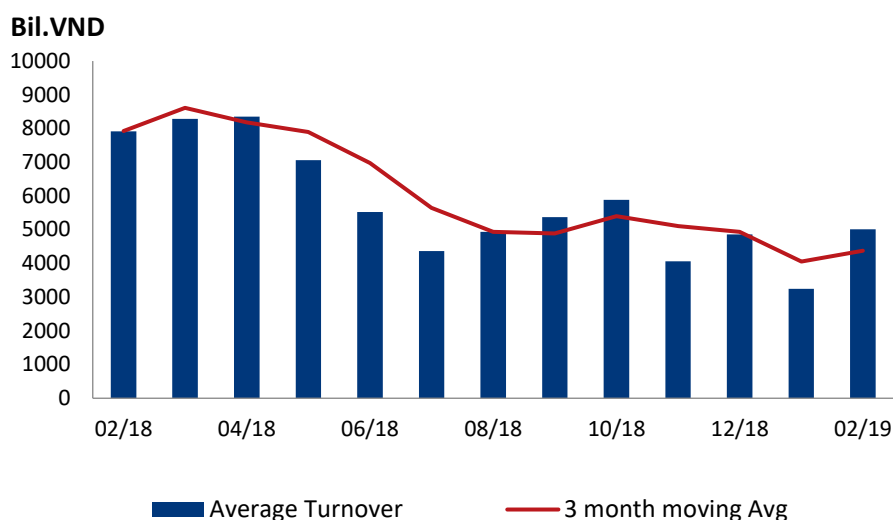


Source: Bloomberg, BSC Research

## Average market liquidity

**The average liquidity on 2 exchanges increased by 54.28% compared to January 2019, and rose to VND 5,008 billion/session and equivalent to nearly USD 215.8 million/session.** In February, cash flow focused on large and medium-cap stocks as well as stocks with good business results in small-cap stocks. Positive sentiment from world and local major events continues to lead to the revival of capital which was tighten in January due to cautious sentiment.

Chart 12  
Average market liquidity

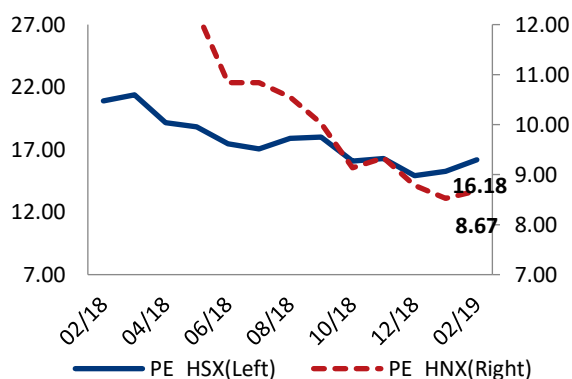


Source: Bloomberg, BSC Research

## Price level of Vietnam stock market

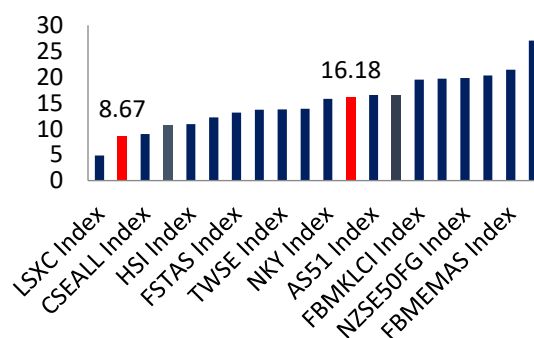
**P/E of Vn-Index increased to 16.18 respectively + 6.06% MoM, + 8.49% YtD while P/E of HNX-Index recovered slightly to 8.67 respectively + 1.74% MoM, -1.26% YtD.** The P/E of HNX ended the 2-month losing streak while HXS continued to recover. Compared to January 2019, the P/E of the VN-Index slipped to 9th place and the HNX-Index continued to hold 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

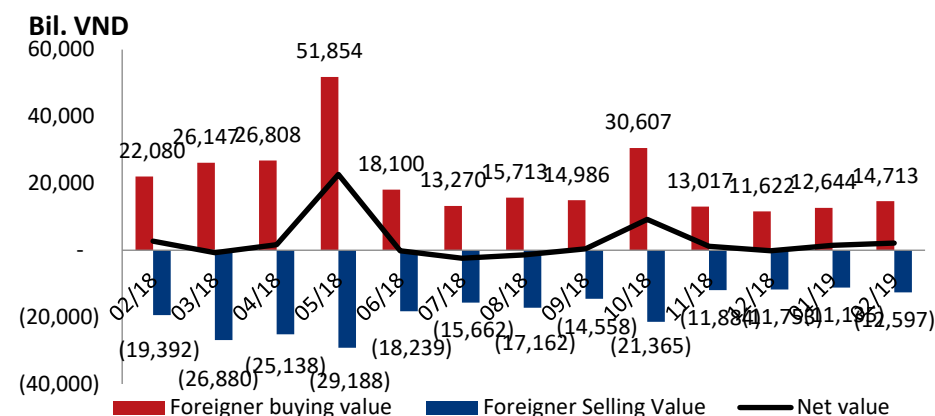
## Foreigner trade

**In February, foreign investors increased their net buying on the HSX and net sold on the HNX.** Upcom in February saw a net selling of VND 554.53 billion, they focused on net selling of VND 608.6 billion of IDC and VND 35.3

billion of VEA while buying VND 48.8 billion of HVN and VND 21.3 billion of VTP.

Chart 15

### Foreigner transaction performances on both Exchanges



Source: BSC Research

In February, foreign investors bought a net on the HSX of VND 2,860 billion which included 159 stocks net buying and 158 shares net selling, net selling of VND 744 billion dong on HNX with 98 shares sold and 85 shares bought. On the HSX, foreign investors bought MSN (VND 1757 billion), HPG (VND 635.7 billion), VCB (VND 413.7 billion), VNM (VND 322.9 billion), and SSI (VND 272.2 billion) and sold VJC (VND -484.8 billion), VHM (VND -454.8 billion), DHG (VND -232.6 billion). On HNX, this group focused on buying PVS (VND 274.7 billion), AMV (VND 0.8 billion) and selling VGC (VND -936.4 billion), NTP (VND -18.7 billion).

Table 8

### Top 10 foreign traded stocks on HSX in 2/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
MSN	1757.09	VJC	-484.86
HPG	635.70	VHM	-454.87
VCB	413.77	DHG	-232.60
VNM	322.90	HDB	-174.24
SSI	272.20	CII	-173.57
GEX	215.71	GTN	-163.72
STB	174.29	VIC	-144.79
SCS	148.51	DQC	-114.28
VRE	124.87	LDG	-42.20
PLX	105.56	NVL	-41.80

Source: BSC Research

Table 9

### Top 10 foreign traded stocks on HNX in 2/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
PVS	274.76	VGC	-936.40
AMV	0.86	NTP	-18.71
DGC	0.86	SHS	-11.07
HMH	0.75	HUT	-9.42
TV2	0.69	PVB	-5.23
PPS	0.64	THB	-4.77
DXP	0.49	NRC	-3.43
APS	0.42	CEO	-3.20
IDV	0.34	BCC	-3.15
VCS	0.24	BVS	-2.99

Source: BSC Research



## Market outlook in March

FED just stopped the interest rate increase at the end of 2018, EU narrowed the quantitative easing program. China is loosening its monetary policy at the end of 2018 to support the economy. The Central Bank of China (PBOC) has made five cuts in compulsory reserve ratios in 2018 and 2019. In February, BOC said it would implement a prudent monetary policy for the coming period. This message was reaffirmed by the Prime Minister at the Standing Committee of the National Assembly in February, in which the Government did not change the policy cautiously and determined not to inject money into the market in a way that would flood the economy.

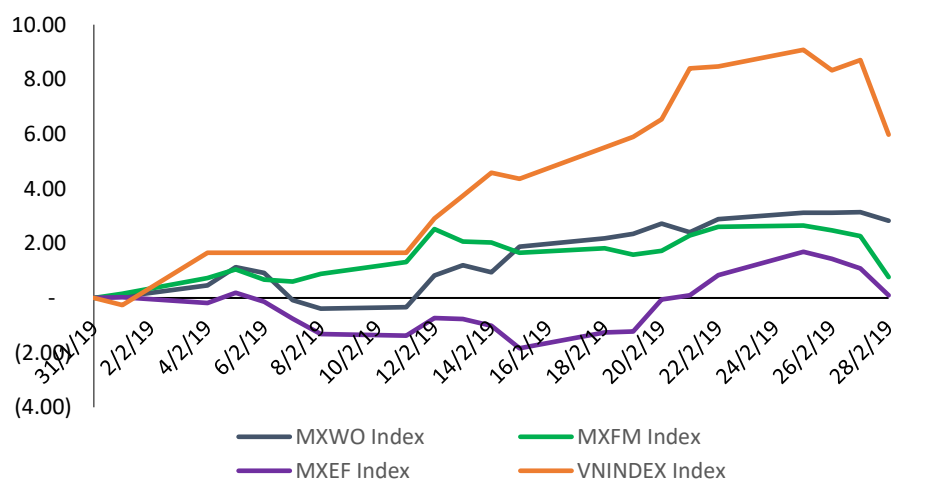
In the context of unclear monetary policy messages, positive information from the US-China negotiations, the US government reopened after 35 days of closing, and the Fed kept the interest rate unchanged during the January policy meeting., supports a stable currency market, and the rebounded of stock market and commodity market rebounded in February.

In the monetary market, national currencies did not change significantly Compared to JPY, EUR and CHF. USD Index increased by 0.6%. Some domestic currencies in the emerging areas with strong discounts include BRL (Brazil) down 1.3%, TRY (Turkey) down 3.3%, and ARS (Argentina) down 3.5%.

In commodity market, BCOM Index increased slightly by 0.8%, in which WTI oil price increased by 3.9%, iron ore increased by 21.4%, natural rubber increased by 10.1% while consumer goods fell sharply like Bean 2.1%, Cotton fiber down 3.6%, Café 10.1%, Wheat down 13.7%.

Figure 15

**MSCI development, emerging and marginal areas in February 2019 (converted into USD)**



Source: Bloomberg, BSC Research

Regarding the stock market, the MSCI indexes have been stalled after a strong increase in January. MSCI development area (MXWO) led the way with an increase of 2.8%. The MSCI marginal index (MXFM) and the MSCI emerging area index (MXEF) increased 0.8% and 0.1% respectively

In the developed market area, the French market increased by 5.0%, compared with the average increase of 3% of other key markets. The UK is the market with the lowest increase of 1.5% from the Brexit event.

In BRIC countries, the Chinese market suddenly recovered 13.8% while other markets declined.

In the regional market, the Vietnamese market increased by more than 6% in February after slowing down in January compared to regional markets. Other markets increased slightly and decreased slightly, with unclear differentiation.

Overall, key markets in Europe rose well in February. Significant non-growth markets in January such as China and Vietnam all experienced sudden growth. However, the differentiation took place strongly in the regions due to unclear support information and the slowdown of foreign cash flow..

Figure 16

Fluctuation of national stock indexes in February

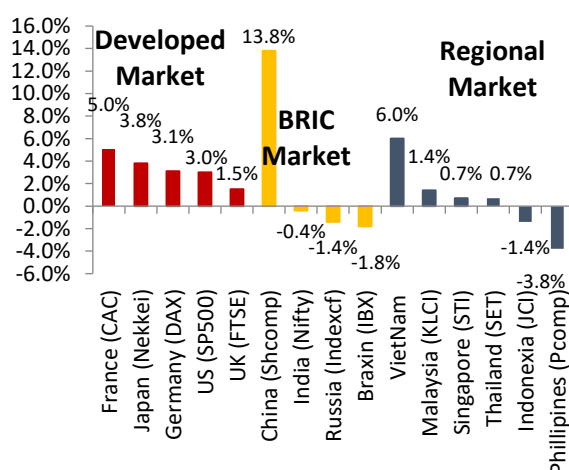


Figure 9

Foreign investors net bought in February  
(Mio.USD)

Country	February	2 months
India	2,249	2,174
Indonesia	(238)	726
Japan*	(2,675)	(7,998)
Malaysia	(148)	101
Philippines	179	534
Korea	614	4,272
Sri Lanka	(15)	(27)
Taiwan	2,472	4,290
Thailand	(106)	108
Pakistan	32	49
Vietnam	123	181

Source: Bloomberg, BSC Research

VN-Index rebounded sharply after the holidays, and was one of the strongest growth markets in the region in February. Foreign investors boosted their net buying, ETFs increased their scale and participation again. Domestic investors helped improve liquidity and the index increased quickly to close the psychological threshold of 1,000 points. Positive information from the US-China trade talks, positive effects from the US-North Korea summit meeting in Hanoi also created an effect to attract cash flow into the market. Although there was a sharp decline at the end of the month when receiving the information that the US-North Korea summit meeting was not reached,

VN-Index still increased by 54.8 points, equivalent to 6%. The price level gradually increased thanks to the cash flow after focusing on large-cap stocks, which pushed the index up quickly and moved through deep-falling stocks, stocks of good stocks and industries. Considering the influence of stocks, the top 5 stocks have increased 31.8 points including VIC (+ 9.7%, contributed 9.8 points), VHM (+ 9.4%, contributed 7.7 points), GAS (11.9%, contributed 6.1 points), VCB (+ 6.5%, 4.2 points contribution), and MSN (+ 14.4%, contributed 4 points). On the other side, VJC (-3.6%, contribution dropped by 0.7 points), MBB (-1.8%, contributed by 0.3 points), POW (-2.1%, contributed by 0.3 points), DPM (-7.9%, contributed 0.2 points down) and HDB (-1.6%, a decrease of 0.2 points) took 1.7 points from the market.

In January, we also conducted business meetings and updated the business performance of enterprises such as POW. ([Link](#)), HPG ([Link](#)), PNJ ([Link](#)), MWG ([Link](#)), KBC ([Link](#)), FPT ([Link](#)), MBB ([Link](#)), VCB ([Link](#)), VNM ([Link](#)), PVD ([Link](#)), VGC ([Link](#)), DHG ([Link](#)), STK ([Link](#)), and VHC ([Link](#)).

Attention in February:

**Macro economy in February maintained positive changes, the March meeting of shareholders' meeting was the main driver for the short-term market.** The macroeconomic indicators in February were quite positive despite coinciding with the Lunar New Year Holiday, in which the total retail sales of goods and services increased 11.5% over the same period, the industrial production index increased by 10.3 %, Registered FDI and realized FDI from the beginning of the year to February 20 increased respectively by 75.7% and 9.8%, the total export turnover in 2 months increased by 5.9%. CPI in February increased slightly by 0.8% compared to the previous month mainly due to rising consumer demand during the Lunar New Year. The macro economy remains stable and goes up in accordance with the changes in 2018 and January 2019.

March is a key time for the annual shareholder-meeting season. Business plan for 2019, first quarter business results, dividend distribution plan, capital increase... will be announced. This information is the basis for planning and evaluating investors' investment opportunities in 2019 and is also information to support the market in the short term.

**US-China trade negotiations are extended beyond 1<sup>st</sup> March due to positive changes.** The US president announced to postpone the US tax increase by negotiating progress. Results obtained from the 21/2 round of negotiations in the United States, of which 4 issues need to be breakthrough include: (1) Copyright of intellectual property and technology transfer; (2) Industrial policy, ie "China made 2025"; (3) State subsidies, especially for national enterprises; and (4) US-China trade deficit. Analysts say that China expressed its desire to resolve the trade deficit and pledged to buy soybeans, oil and products from the United States. The problem of intellectual property rights, China also expressed that it does not use administrative measures to force the transfer of trade secrets in exchange for entering the market. The issue of subsidies, China will not neglect concessions, and "China made 2025" is a

matter of sovereignty and is an indispensable limit. According to Bloomberg, China proposes to buy an additional USD of 30 billion per year of US imported agricultural products. The US asked China to maintain a stable RMB exchange rate in order to avoid Chinese efforts to depreciate its domestic currency to deal with US tariffs. With the announcement of the US President's tax suspension, we believe that some breakthroughs have been achieved and will pave the way for a meeting between the US-China leaders to come to an agreement in the next few months.

**The Brexit deadline on March 29 is likely to be delayed, the British government has more time to negotiate EU.** The Brexit event was warmed when the EU President said it was not too optimistic about the agreement reached on Britain leaving the EU and not ruling out the possibility that Brexit had no agreement after the meeting between the EU and British Prime Minister after the meeting. February 20. Earlier, the Prime Minister had spent months negotiating and agreed with the EU on terms of out of the EU as well as the framework of future relations. This agreement however was not approved by the British Parliament. The British parliamentary persuasion effort has changed in the 27/2 meeting when there were 520 votes and 20 votes against the British Prime Minister's 3-step plan. The new proposal will be voted in the lower house on March 13-14, choosing a plan to leave the EU on 29 March without an agreement or postponement of Brexit. Thanks to the new transformation, Brexit may be postponed by the National Assembly to synonymous with the British government, which will have more opportunities to renegotiate with the EU. The German Prime Minister also announced his support for the deadline to leave the EU.

**The US economy is still strong but many risks are gradually forming. FED is ready to adjust policy if necessary.** FED Chairman said that the current economic conditions in the US are still healthy and the economic outlook is still favorable, though in the past few months, FED witnessed some conflicts and mixed signals. China and Europe are areas of concern and the Fed is monitoring Brexit developments and trade negotiations. The financial market fluctuated strongly when it was near the end of 2018 and the financial conditions were less supportive for the growth than the beginning of 2018. In addition, the Chairman of the Fed also mentioned reducing the reserve to about USD 1 trillion on the balance sheet accounting. This message continues to show that the FED will be patient on the future policy roadmap and reduce the bond balance on the balance sheet. According to a Bloomberg survey, the possibility of raising interest rates at the March, May and 2019 sessions is at a very low level of 1.3% - 1.7%, down from 7% -10% at the end of last month while the ability to reduce interest rates have increased to 12% in the September 2019 session and to 30% in the January 2020 session.

Table 10

**Factors affecting the market in March 2019:**

Events	Factors affecting the market in
--------	---------------------------------

March 2019	
Macroeconomic indicators are still quite positive to support macroeconomic stability and to achieve the targets of 2019.	Positive
Listed companies announce estimates of first quarter business results, business plans, dividend payment plans ... at the 2019 shareholders' meeting season.	Positive
Foreign capital is returning to emerging and regional markets. Foreign investors and ETFs boosted their participation in the market. FTSE VN ETF, VNM and iShare structure portfolio	Positive, increase liquidity
The US-China trade negotiation was extended due to the breakthrough in late February and paved the way for a summit meeting to be reached.	Strong impact on markets and investor sentiment
Conditions of the US economy are healthy and economic prospects are still favorable. FED patience the future policy roadmap	The possibility of increasing interest rates in March session is very low. Stabilizing the exchange rate, supporting the world stock market
The deadline for Brexit on March 29, currently there is no breakthrough for the agreement reached from Brexit.	Brexit without agreement will have potential risks.
China's economy decelerated its influence on Asian countries, export performance declined.	Need time to quantify, potential risks

Source: BSC Research

The market increased strongly in February thanks to foreign capital flows and the return of domestic investors. VN-Index increased quickly, leading to the sentiment of taking profits when bad news appeared. VN-Index therefore is facing short-term correcting pressure, before being able to differentiate with Q1 earnings results and information from the annual shareholders' meeting season. VN-Index will consolidate around 950 points and retest 1,000 points in March.

- In positive case, VN-Index will drop to around 950 points, differentiate and recover 1,000 points. Liquidity remained stable.
- In negative cases, VN-Index may return to check 900 points if there are unfavorable information from the world.

Investors can refer to a number of topics, and updated reports in the 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; Stocks benefit from recovering raw material prices and oil prices;
- 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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