

Vietnam Quarterly Review 1st Quarter 2019

BSC Research

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Macroeconomics

- GDP of Q1 / 2018 increased by 6.79% YoY. Industry and construction sector has the strongest growth rate with 8.63% YoY.
- PMI in March 2019, rose to 51.9 from February's 51.2 and made this year average increase to 51.6 (2018 was 53.7).
- Total retail sales of consumer goods and services in the first quarter of 2019 were estimated at VND 1,184 trillion, an increase of 12% YoY.
- Total registered FDI in 3M2019 reached USD 5.12 billion (+ 30.9% YoY), but total disbursed FDI reached only VND 4.12 billion (+ 6.2% YoY). Manufacturing and processing sector and real estate sector are the two leading sectors in attracting FDI..
- The interbank USD exchange rate fluctuated in the range of 23,050 – 23,349 VND/USD. In 1st quarter of 2019, the interbank interest rates at all periods decreased after Lunar New Year but recovered in the last week of March.

Stock Market

- HSX and HNX recovered slightly. VN-Index officially increased by 15.3 points compared to the end of last month (+ 1.58% MoM), (+ 9.88% YtD) and HNX-Index increased 1.58 points (+ 1.49% MoM), (+ 3.08% YtD).
- Average liquidity on 2 exchanges increased 7.31% compared to February 2019, and increased to VND 5,374 billion/session and equivalent to nearly USD 231.6 million/session.
- In March, foreign investors net bought VND 981 billion on the HSX, net bought VND 433 billion on the HNX.
- P/E of VN-Index increased to 16.54 + 1.57% MoM, + 10.25% YtD and HNX-Index recovered slightly to 8.67 respectively + 1.46% MoM, -0.39% YtD. Compared to February 2019, the P/E of VN-Index increased to the 8th position and HNX-Index continued to hold the 19th position in Asia.

Market outlook for the second quarter

The movement of VN-Index is still positive, however, the motivation to rise above the psychological threshold of 1,000 points is not clear. Cyclical adjustment may take place in the second half of the season when the first quarter earnings report is finished. We forecast that VN-Index will continue to fluctuate, increase slightly in the first half of April and then adjust the second half of April to May. The recovery trend returns in late May and early June. The price movement area in the second quarter ranges from 950 - 1,050 points. In the second quarter, BSC offers two scenarios as follows:

- In a positive case, the VN-Index will hold 950 points at the correction and test 1,050 points in the second quarter. Movement trend still moves around large stocks with support of foreign capital.
- In a negative case, the VN-Index may fall below 950 points when the market corrects and meets with negative information from the world.
- **Recommended stocks:**
 - The industry group and stocks are evaluated positively in the Industry Prospects Report 2019 ([Link](#)) and ([Link](#));
 - The group of Banking - Finance stocks had strong improvement in business results, Nhóm cổ phiếu hưởng lợi từ các hiệp định thương mại và chuyển dịch sản xuất từ chiến tranh thương mại;
 - 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 Advisory Report ([Link](#)) and Industry business update report ([link](#)).

Macroeconomics of February 2019

Economic growth

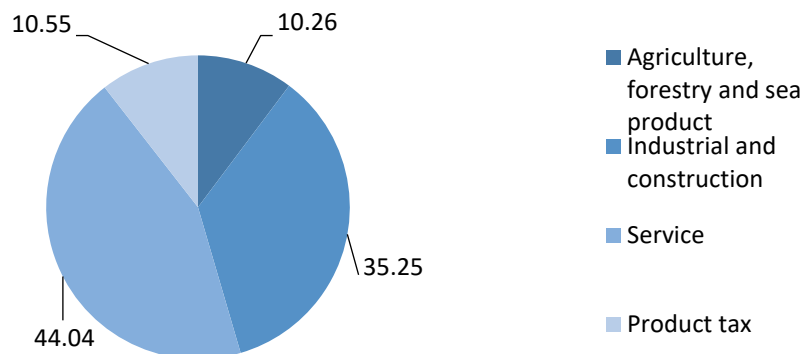
- The gross domestic product (GDP) in the first quarter of 2019 is estimated to increase 6.79% over the same period, lower than the 7.45% increase of the first quarter of 2018..
- PMI in March 2019 increased to 51.9 from February's 51.2, making the yearly average increase to 51.6 (2018 is 53.7).

The gross domestic product (GDP) in the first quarter of 2019 is estimated to increase by 6.79% YoY. In which, agriculture, forestry and fishery increased by 2.68%, contributing 4.9% to the overall growth rate; Industrial and construction sector increased by 8.63%, contributing 51.2%; service sector increased by 6.5%, contributing 43.9%..

In Industrial and construction sector, industrial sector increased by 8.95% over the same period last year, contributed 3, .14 percentage points to the growth rate of total value added to the whole economy. The main growth driver of the economy in the first quarter of 2019 is the processing and manufacturing industry with an increase of 12.35%, lower than the increase of 14.3% in the first quarter of 2018, contributing 2.72 percentage points to the growth rate. The mining sector in the first quarter of this year grew negatively (down 2.2%), reducing 0.15 percentage points of the total value added to the whole economy due to the decrease of 10.3% in crude oil production and natural gas in accordance with the government order. 2.4%. Construction sector in the 3M2019 maintained a good.

Chart1

Economic sector proportion in 1st Quarter 2019 (%)



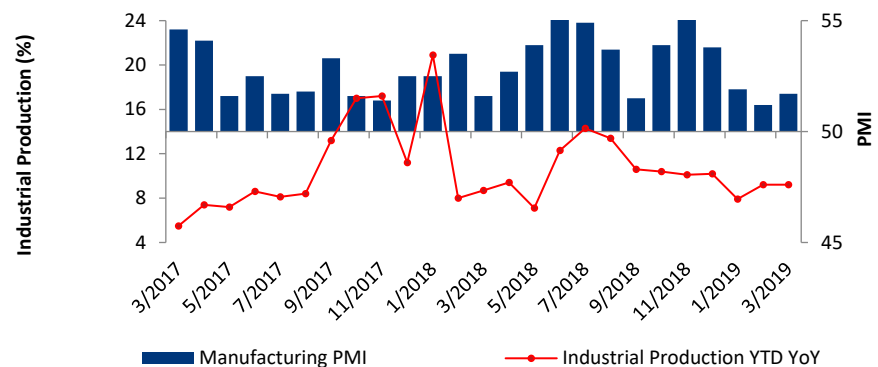
Nguồn: GSO, BSC Research

The Industrial Production Index (IIP) in March increased by 9.1%, of which the mining sector increased by 0.4%; processing and manufacturing increased by 10.3%; electricity production and distribution by 9.8%; water supply and waste

and wastewater treatment increased by 11%. In the first quarter of 2019, IIP estimated an increase of 9.1% over the same period last year, of which the mining industry increased by 0.4%; processing and manufacturing increased by 10.3%; electricity production and distribution by 9.8%; water supply and waste and wastewater treatment increased by 11%.

Chart 2

Industrial production index & PMI



Nguồn: GSO, Markit, BSC Research

Consumption index of the processing and manufacturing sector in March 2019 increased by 25.6% over the previous month and 6.5% over the same period last year. In the first quarter of 2019, the consumption index of the processing and manufacturing industry increased by 8% compared to the same period in 2018 (the same period last year increased by 14.2%), in which some industries had the target index increased consumption: Production of coke, refined petroleum products increased by 115%; metal production increased by 23.9%; Printing and copying all types of records increased by 18.9%.

On March 31st 2019, the inventory index of the processing and manufacturing industry is estimated to be 15.6% YoY (2018 increased by 13.5%). Some industries have high inventory index over the same period last year: Production of coke, refined petroleum products increased by 105.2%; leather and related products production increased by 59.3%; electrical equipment production increased 42.6%

The average rate of inventories of processing and manufacturing industry in the first quarter of 2019 was 72.9% (same period last year was 68.2%), of which some industries had high inventory rates: Textile 292.9%; wood processing and production of wood and bamboo products 135.9%; manufacturing chemicals and chemical products 95.4%

PMI index surged back to level 51.9.9. The average PMI for the whole year increased to 51.6 (2018 was 53.9). Production has increased at the fastest rate since November last year, while the total number of new orders and exports also increased faster than February. However, employment continued to decline slightly. Meanwhile, the growth rate of input costs due to pressure from inflation is still relatively weak, thereby creating room for companies to continue reducing output prices. In this survey, nearly half of people predict

output will increase next year. High levels of optimism have reflected expectations of improvement in customer demand and investment in expanding production capacity.

China's PMI has also rebounded to 50.5 from 49.2 last month. PMI metrics were improved, with new orders and new export orders all rising to the highest level in 6 months. The truce of the US-China trade war created the time needed for Chinese economic policy executives to take temporary adaptation measures in minimizing the negative effects of the trade war. The Chinese government also announced a plan to cut 2,000 billion yuan (US \$ 297 billion in taxes) this month and is preparing to adopt the newly adopted foreign investment law. US-China trade negotiation is still an important factor determining the stability of economic growth not only in China but also its nearby neighbor including Vietnam.

Inflation

- **Average CPI in Q1/2019 increased by 2.63% compared to the same period in 2018.**
- **March CPI dropped by 0.21% MoM as 7/11 of goods and services sectors declined.**
- **Retail sales of goods and services in the first quarter of 2019 reached VND 1,184.9 trillion and increased by 12% over the same period.**

Consumer price index CPI in March decreased by -0.21% over the previous month, and by 2.7% over the same period in 2018. Basic inflation in March 2018 decreased by 0.06% over the previous month and increased by 1.84% compared to the same period.

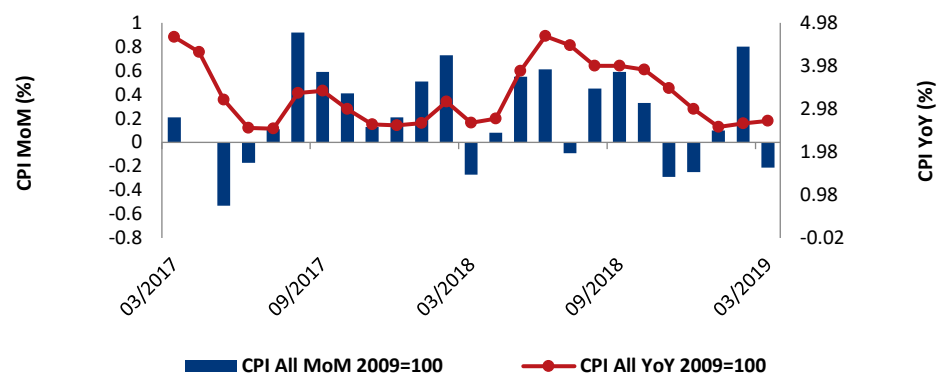
In the first quarter of 2019, CPI increased by 2.63% compared to the first quarter of 2018, of which transportation increased by 9.14% over the same period last year.

Average CPI in the first quarter of 2019 only increased by 2.63% compared to the same period in 2018, mainly due to the following reasons:

- (+) Demand for food and foodstuff in the first months of the year increased compared to the same period last year..
- (+) Public transport service price increased by 3.75%.
- (+) Some essential goods rebounded such as fuel, iron and steel prices.
- (-) Gasoline price is adjusted down as gasoline price index decreased by 8.22%.
- (-) Gas price is adjusted according to world prices, causing domestic gas price to decrease by 2.15%.
- (-) Price of education sector was adjusted to reduce tuition fee in accordance with Resolution No. 25/2018 / NQ-HDND, reducing overall CPI by 0.55%.

On a general perspective, the average basic inflation in the first quarter of 2019 increased by 1.83% compared to the same period last year.

Chart 3
Monthly CPI movements



Sources: GSO, BSC Research

Price of 7/11 commodity and service sectors of March CPI decreased compared to the previous month, of which, food and catering services fell the most with 1.42% due to declining consumer demand and African swine epidemic. In contrast, the transport sector increased by 2.22% due to the impact of an increase in petrol and oil prices at the time of March 2nd 2019.

Chart 4
Retail Sales

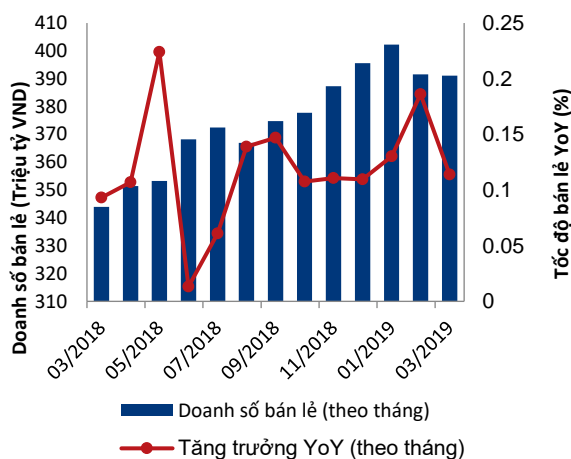


Table 1
Increase/decrease of service sectors in July

| 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 March 2019 were estimated at VND 392.2 trillion, up 0.9% MoM and up 12.1% YoY. In which, commodity retail sales reached 301 trillion dong, up by 0.8% MoM and 13.6% YoY.

In the first quarter of 2019, total retail sales of consumer goods and services were estimated at VND 1,184.9 trillion, up 12% compared to the same period last year, if excluding price factor, it increased by 9%. Retail sales of

goods in the first quarter of this year were estimated at VND 910.4 trillion and increased by 13.4% over the same period last year.

Foreign Direct Investment (FDI)

- **Newly registered FDI capital in the first quarter of 2019 reached USD 5.12 billion, up 30.9% over the same period last year.**
- **Realized FDI capital in 3 months was estimated at US \$ 4.12 billion, up 6.2% over the same period of 2018.**
- **In the first quarter of 2019, the processing and manufacturing industry and the real estate business are the focal points for FDI inflows.**

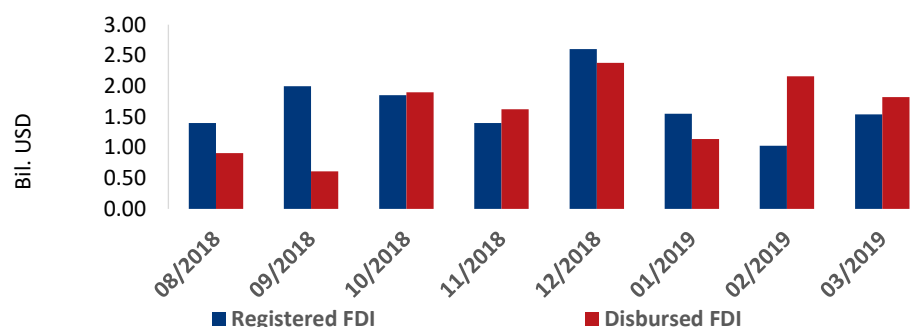
Total newly registered FDI and increased to the end of March 20, 2019 of 785 projects (+27% YoY), reaching USD 3,821 million (+ 80.1% YoY), plus USD 1,298 million of registered capital of 279 projects licensed in previous years. Thus, total newly registered FDI and additional capital reached 5.119 million USD (+ 30.9% YoY).

Disbursed FDI capital in the first quarter of 2019 is estimated at 4.12 billion USD (+ 6.2% YoY).

In 3 months, processing and manufacturing sector attracted the largest FDI with the registered capital of newly licensed projects reaching USD 2,876.5 million, accounting for 75.3% of the total newly registered capital; real estate business sector reached USD 497.7 million, accounting for 13%;. The remaining sectors reached USD 447.2 million, accounting for 11.7%. If additional registered capital of projects licensed in previous years is included, FDI in processing and manufacturing industries in the 3M2019 reached USD 4,026.2 million, accounting for 78.6% of the total registered capital; real estate business sector reached 505.6 million USD, accounting for 9.9%; the remaining sectors reached USD 588 million, accounting for 11.5%.

Chart 5

FDI (USD Bil)



Source: GSO, BSC Research

Top 3 areas to attract FDI in the country: Bac Ninh (USD 455.7 million - 11.9%),

Binh Duong (USD 329.6 million - 8.6%), Ho Chi Minh City (USD 288.8 million - 7.6%).

In the Q1/2019, China is the largest direct investor in Vietnam with an investment of USD 723.2 million, accounting for 18.9% of the total newly registered capital; followed by Singapore with USD 690.8 million, accounting for 18.1% and South Korea for USD 547.3 million, accounting for 14.3%.

Trade balance, Import and Export

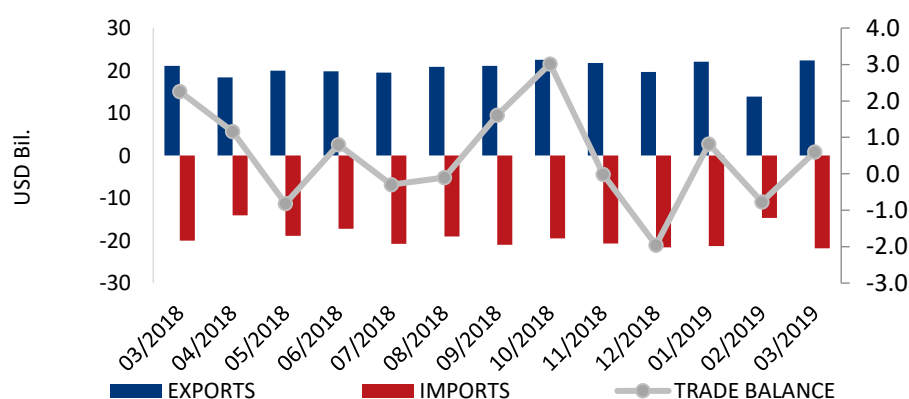
- **The trade balance in March estimated an export surplus of USD 600 million. For 3M2019, Vietnam had a trade surplus of USD 536 million.**

Export turnover in March was estimated at 22.4 billion USD, up 61.1% MoM and 5.4% YoY. In which, the domestic economic sector gained USD 6.23 billion, increased by 69.9% MoM and increased by 7.7% YoY; foreign invested sector reached USD 16.17 billion, up by 57.9% MoM and 4.5% YoY.

Import turnover in March is about 21.8 billion USD, up by 48.6% MoM up by 14.7% YoY. In which, the domestic economic sector gained 9.1 billion USD, increased by 57.5% MoM and 10.1% YoY. Foreign-invested sector reached 12.7 billion USD, increased by 41.8% MoM and 21.7% YoY.

This significant growth rate occurred because March had an addition of 9 working days in comparison to that of February.

Chart 6
Import and Export (Bil USD)



Source: GSO, BSC Research

In 3M2019, export turnover was estimated at USD 58.51 billion, up 4.7% YoY, of which the domestic economic sector reached USD 17.05 billion, up 9.7% yoy; foreign invested sector (including crude oil) reached USD 41.46 billion, up 2.7% yoy. From the beginning of the year to March 15, the mobile phone and phone components continued to maintain the leading position with an export value of USD 9.43 billion. However, it had showed signs of slowing down with a decrease of 6.1% YoY when Samsung's mobile phone sales declined in the 1st

Quarter of 2019. Textile is still in the second position when reaching USD 5.85 billion and up 12.7% YoY. Electronics and computers followed with an increase of 8.3% YoY and an export value of USD 5.58 billion.

Regarding the export goods market in the first 3 months of this year, the United States is Vietnam's largest export market with a turnover of USD 13 billion (+ 26% YoY), most notably mobile phones and phone components accounts for 76.9 % YoY of total export value to this market. Next is EU with USD 10.2 billion (+ 2.5% YoY); China reached USD 7.6 billion (-7.4% YoY).

Table 2
Top 10 export goods

| 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.

Regarding the import market in the first 3 months, China is still the largest import market of Vietnam with a turnover of USD 15 billion (+ 9.7% YoY). Next is Korea with USD 11.8 billion, up 1.1% YoY; ASEAN reached USD 8.2 billion, up 10.1% YoY.

Forex market

- USD/VND exchange rate maintained a sideways trend from the beginning of the year to the present time because of the high amount of foreign currency reserve and FED postponement of the raising interest rates plan.
- The State Bank continues to raise the central exchange rate of USD/VND when the US-China trade negotiation process has not made any important progress.
- The movement of the exchange rate in the second quarter will largely affected by the US-China trade negotiations and the Fed's response policy in June to the slow growth of the US economy.

Central exchange rates in March fluctuated from 22,923– 22,980 VND/USD, increased from the range of 22,867–22,915 VND/USD in February. The monthly average 22,953 VND /USD.

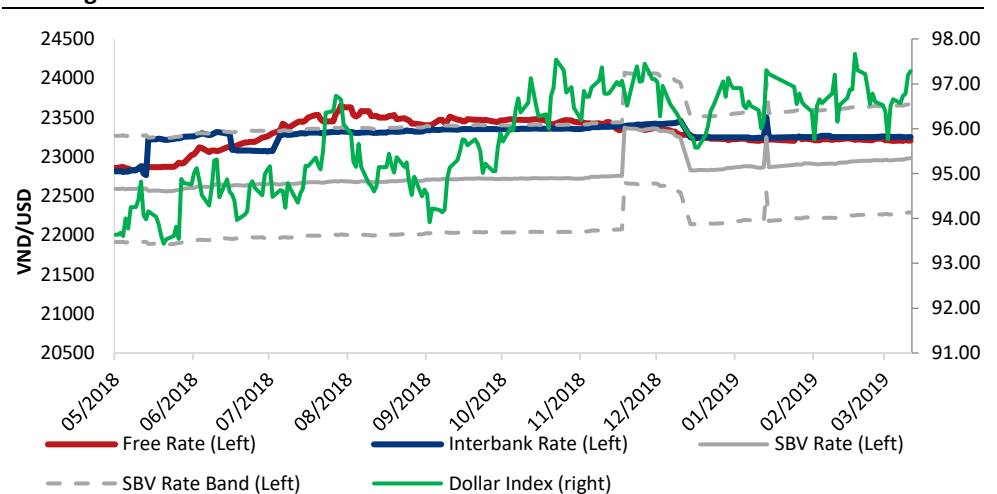
Interbank exchange rate in March ranged from 23,245 – 23,260 VND/USD, decreased from the range 23,353– 23,379 VND/USD in February. The average monthly was 23,245 VND / USD.

Free exchange rates in March ranged from 23,200 – 23,235 VND/USD, decreased from the band of 23,240– 23,265 VND/USD in February. The average free exchange rate in the month was 23,215 VND/USD.

The March US dollar index increased by 1.2% from the end of February, increased by 3.2% YoY. This index ranged from 95.8-97.7 points, with a monthly average of 96.8 points. On March 29, the index reached 97.28 points.

Chart 7

Exchange rate movements



Source: Bloomberg, BSC Research

In 3M2019, 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 prevent the trend of USD / VND exchange rate fluctuations before the results of the US-China trade war. With the SBV buying price fluctuating around the threshold of VND 23,200, banks did not have the pressure to reduce exchange rate transactions to the same level as the free rate. In addition, no clear result from the US-China trade negotiation process along with the FED's patient approach had made the Dollar Index entered a consolidate trend g in the area of 96-98. BSC estimates exchange rate and DXY index will continue to maintain this situation when international macroeconomic events have made no significant progress.

Bank - Interest rate

- As of March 25th 2019, the credit growth rate had reached 2.28%.

- **Interbank interest rates at all terms in March fell sharply in the first 3 weeks but rose again in the last week.**
- **Deposit and lending interest rates are stable.**

As of March 20, 2019, the total means of payment increased 2.54% YoY (2018 increased by 3.23%); capital mobilization of credit institutions increased 1.72% YoY (2.28% in 2018); Credit growth of the economy reached 1.9% YoY (2018 increased by 2.23%).

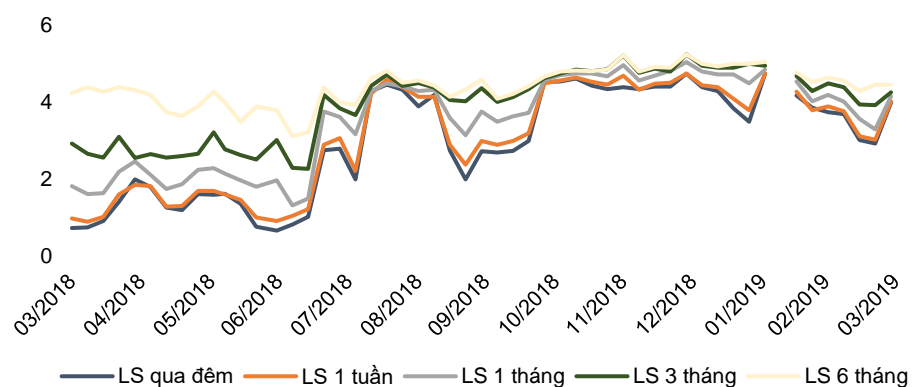
Recently, some commercial banks have taken action to increase interest rates in the medium and long term to restructure the mobilized capital at the request of the State Bank of Vietnam. Currently, the deposit interest rate of Vietnam dong is popular at the following levels:

- 0.5% -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;
- Over 12-month term at 6.6% -7.3%/ year.

The lending rate for Vietnamese dong is about 6% -9% / year for short term and 9% -11% / year for medium and long term. Credit structure continues to focus on prioritized production and important business sectors and major projects under the Government's policy to effectively support economic growth.

Currently, interest rates at all terms have recovered after falling deeply in the first 3 weeks of March. Interest rates at overnight, 1 week, 1 month, 3 month and 6 month terms are respectively trading at 4%, 4.03%, 4.17%, 4.27% and 4.47%.

Chart 8
Interbank interest rates



Source: Bloomberg, BSC Research

From the beginning of the year, interbank interest rates at all terms increased sharply at the time of Lunar New Year when the demand for payment in the banking system increased, then adjusted down. The upward trend started in the last week of March when the interbank interest rate increased again to 4%. The net withdrawal on OMO and the interbank interest rate down trend after the Lunar New Year also showed that the liquidity of the whole system is abundant and quite stable.

Macro forecast for 2nd Quarter 2019

On an international scale, macroeconomic in the second quarter of 2019 of Vietnam may be affected by some of the following impacts:

1. **Trade war.** The United States and China have made further progress on all issues in trade negotiations, most notably the Chinese's unprecedented proposal on technology transfer. China promises to provide foreign technology companies with better access to their cloud computing market. Pilot activities for cloud services will take place in the free trade area in China. However, obstacles still exist, including how to enforce the agreement, the rate at which the United States and China will push back hundreds of billions of dollars in taxes imposed last year and technology-related issues. One of these prominent topics is China's network security law. This law requires businesses that are considered as operators of critical information infrastructure to store their network data in China. US negotiators have urged Beijing to clearly identify which companies are categorized as above. In recent discussions, Chinese officials have come up with an idea of identifying such operators based on their market share in China, if a US company operates at China only accounts for a small portion of the industry, it will not have to comply with the requirement of data localization law. The process of discussing trade negotiations is expected to continue until the end of April until both parties have actually reached a preliminary cooperation agreement. The results of the negotiations will have a strong influence on the investment strategy of financial institutions, world stock markets and the global socio-economic situation.
2. **Brexit Chaotic?** Theresa May played her last desperate card to tame Brexit rebels in her party civil war, by promising to sacrifice her prime minister position if they supported her Brexit deal. However, the House of Commons submerged her Brexit plan for the third time despite her statement. This makes Britain fall into chaos. This failure will result in Britain having less than two weeks to convince the 27 EU member states that the UK will have an alternative way out of a deadlock, otherwise Hard Brexit will occur. Ms. May allowed the voting process to continue on Monday (April 1), to focus on the two most popular options: a customs union and (or) a second referendum.
3. **FED and EU meetings.** FED and EU will have their 2 respective meeting sessions in the next quarter. However, the change in interest rate policy is usually determined by the June meeting. Regarding the US, the Fed suddenly signaled to end the cycle of tightening monetary policy which has lasted for 3 years by stating that there won't be any further interest rates increase this year in the context of the slowing US economy growth. The quantitative tightening program (QT) will also be stopped by September 2019. The Fed is operating in a cautious state and will take a flexible approach according to the changes in the US economic situation this year. In addition, the ECB president's vacant position in June is also causing controversy over the future of ECB

monetary policy. The ECB is studying options to reduce fees that banks have to pay to the ECB to offset the side effects of monetary easing policy. The goal of this move is to return more than 7 billion euros each year that ECB gains interest from banks. The study of this proposal has led many investors to fear that the ECB will maintain a loosening policy for a long time when the economic status of EU countries in the first quarter has not shown positive signals. Neither the Fed nor the ECB continued to show signs of supporting interest rate hike, suggesting that the internal economies of these two regions are growing weakly. This momentum will also affect trade activities between these economies and Vietnam and thus, causes the slowdown of Vietnam's export and import in the next quarter.

4. **Meeting OPEC (25-26/06):** The OPEC partnership shows rising tension after Russia pressured corporations led by the Saudi Arabian to delay its decision to cut production. An unusual recommendation to cancel a scheduled meeting next month means that only by the end of June can OPEC make a decision to extend the time to cut oil production. Although there was a general support within OPEC to extend the production cut period, Russia still protested. Since OPEC's production cut entered its third year, Moscow has shown less enthusiasm. Russia has been criticized from Saudi Arabia for its slow progress on cutting its output targets. On March 12, Russian producers only cut about half of their committed target, giving them only a few weeks to fulfill their promise. With a more resilient economy and a more diverse industrial base than other countries in OPEC, Russia has built a 2019 budget estimation based on a 40 USD/barrel of crude oil price. Thus, a consensus OPEC agreement will be hard to reach when many OPEC countries need high oil prices while Russia stated that oil prices are maintaining a fragile balance state in the market. The movement of oil prices will partly affect Vietnam's CPI, Vietnam economic condition and the domestic goods production.

For the domestic policies, the focal points in the second quarter include the following issues:

1. **The 7th meeting of the XIV National Assembly (20/05-17/6).** In this session, laws passed by the National Assembly are: Public Administrative Law, Architecture Law, Law on Prevention of Harm of Alcohol and Beer; Law on Tax Administration (amended); Law amends a number of articles of the Criminal Judgment Enforcement regulation, the Amendments and Supplements laws of some articles in Public Investment Regulation; Resolution on the program to develop laws and ordinances in 2020. Proposed Laws in the National Assembly that will have a great influence on the socio-economic included: Labor Code (amended), Securities Law (amended); Law amended and supplement a number of articles in the Land Regulations; Law amendment and supplementing some articles of Investment Law and Enterprise Regulations. **In particular, the Amended Securities Law will be the center attention as this draft law has introduced the comprehensive reform of Vietnam's stock market.** All issues such as changing the trading band, short selling and opening new types of securities products and services will have a strong impact on Vietnam stock market.

2. New regulations on prices for calculating registration fees for land.

Effective from April 10, 2019, Decree 20/2019 / ND-CP amends Decree 140/2016 / ND-CP on registration fees, including amending and supplementing regulations on calculation prices registration fee for land. This Decree supplements the case of State's leased land in the form of one-time payment the land rent for the whole lease term when the lease term is less than the duration of the land category stipulated on the land price table issued by the provincial People's Committee . In addition, the Decree No. 20/2019 also supplements the regulation on exemption or registration fee payment. Accordingly, organizations and individuals are exempted or not required to pay registration fee when registering the initial ownerships of motorbike or automobiles. For the first time, if transferring or transferring to other organizations or individuals or changing the purpose of use without being eligible for registration fee exemption according to regulations, organizations and individuals shall register automobile ownership rights. , motorbikes pay registration fees for the first time on the remaining use value of assets.

3. Regulations on internal audit for state agencies. Decree 05/2019 ND-CP takes effect from April 1st 2019 regulating internal audit, in which the internal audit for state agencies is implemented as follows:

- Ministries, agencies at the same level, Governmental agencies must implement internal audit work in ministries, ministerial-level agencies, governmental agencies and subordinate units including units directly under the ministry, agencies equivalent to ministries, agencies equivalent to the Government.
- People's Committees of provinces and Central Cities (provincial-level People's Committees) must perform internal audit at provincial People's Committees; professional agencies belongs to provincial People's Committees and units under provincial People's Committees.

The implementation of internal audit work at the above-mentioned units must ensure the principle of not increasing the payroll and not generating new items.

4. Inflation will increase in the second quarter of 2019. Inflation will be in the range of 3.8% -4.0% in 2019. The increase of the electricity price by 8.36% by the Government on March 20 will start to impact strongly on the input price of economic production activities. Since April, the recovery of oil prices may occur when President Trump continues to impose economic sanctions on Iran and Venezuela and OPEC countries (except Russia) repeatedly call for raising oil prices to ensure stability and financial health of this block. Finally, although African swine epidemic has caused a sharp decline in prices of food and catering services because this epidemic has spread widely in Vietnam. This down trend has also driven up the price of other meats such as chicken and fish meat prices due to strong demand in the market. Thus, the increase in electricity price, the recovery of oil prices and the market price of food and foodstuffs will be the main drivers of rising CPI in the second quarter of 2019.

Table 4
Monthly macro indicators

| Indicator/Month | 2018M8 | 2018M9 | 2018M10 | 2018M11 | 2018M12 | 2019M01 | 2019M02 | 2019M03 |
|---------------------------|--------|--------|---------|---------|---------|---------|---------|---------|
| PMI | 53.7 | 51.7 | 53.7 | 56.5 | 53.9 | 51.9 | 51.2 | 51.9 |
| IIP yoy (%) | 13.4 | 9.1 | 7.7 | 9.6 | 11.4 | 7.9 | 10.3 | 9.1 |
| IIP ytd yoy (%) | 11.2 | 10.6 | 10.4 | 10.1 | 10.2 | 7.9 | 9.2 | 9.2 |
| Retail Sales yoy (%) | 12.6 | 12.5 | 12.4 | 12.2 | 11.4 | 12.2 | 11.5 | 12.1 |
| Retail Sales ytd yoy (%) | 11.7 | 13.4 | 11.4 | 11.5 | 11.3 | 12.2 | 12.2 | 12 |
| CPI mom (%) | 0.45 | 0.59 | 0.33 | -0.29 | -0.25 | 0.10 | 0.8 | -0.21 |
| CPI yoy (%) | 3.98 | 3.98 | 3.89 | 3.59 | 2.98 | 2.56 | 2.64 | 2.7 |
| Registered FDI (Bil. USD) | 19.06 | 19.67 | 21.57 | 23.19 | 25.58 | 1.14 | 3.30 | 5.12 |
| Disbursed FDI (Bil. USD) | 11.25 | 13.25 | 15.10 | 16.5 | 19.1 | 1.55 | 2.58 | 4.12 |
| Export (Bil. USD) | 23.4 | 21.1 | 22.5 | 21.6 | 19.6 | 22.0 | 13.9 | 22.4 |
| Import (Bil. USD) | 20.95 | 19.5 | 21.7 | 22.0 | 20.4 | 21.2 | 14.7 | 21.8 |
| Trade Balance (Bil. USD) | -0.1 | 0.7 | 0.8 | -0.4 | -0.8 | 0.8 | -0.8 | 0.6 |
| Exchange rate (VND/USD) | 23,308 | 23,147 | 23,351 | 23,363 | 23,351 | 23,243 | 23,252 | 23,245 |
| Credit growth (%) | - | 9.52 | - | - | 14 | - | - | 2.28 |

Source: BSC Research

Table 5
Quarterly macro indicators

| Indicators/Quarter | Q1/2017 | Q2/2017 | Q3/2017 | Q4/2017 | Q1/2018 | Q2/2018 | Q3/2018 | Q4/2018 | Q1/2019 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| GDP yoy (%) | 5.15 | 6.28 | 7.46 | 7.65 | 7.38 | 6.73 | 6.88 | 7.31 | 6.79 |
| IIP yoy (%) | 4.0 | 8.2 | 9.7 | 14.4 | 11.6 | 12.3 | 10.7 | 9.4 | 9.2 |
| Retail Sales yoy (%) | 9.2 | 11.6 | 11.6 | 10.9 | 9.9 | 10.7 | 12.5 | 12.9 | 12 |
| CPI yoy (%) | 4.65 | 2.54 | 2.54 | 2.73 | 2.66 | 3.23 | 3.57 | 3.44 | 2.63 |
| Registered FDI (Bil. USD) | 6.86 | 4.98 | 4.98 | 5.00 | 3.91 | 12.3 | 3.4 | 5.68 | 5.12 |
| Disbursed FDI (Bil. USD) | 3.6 | 4.1 | 4.1 | 8.4 | 3.88 | 4.5 | 4.9 | 5.18 | 4.12 |
| Export (Bil. USD) | 36.6 | 53.2 | 56.4 | 58.8 | 55.8 | 58.2 | 64.3 | 63.9 | 58.5 |
| Import (Bil. USD) | 39 | 53.7 | 54.2 | 56.9 | 52.9 | 57.0 | 62.0 | 62.9 | 58.0 |
| Balance of Trade (Bil. USD) | -2.4 | -0.5 | 2.2 | 1.9 | 2.8 | 1.2 | 2.3 | 1.0 | 0.5 |
| Exchange rate (VND/USD) | 22,829 | 22,680 | 22,743 | 23,720 | 22,820 | 22,967 | 23,260 | 23,351 | 23,245 |
| Credit growth (%) | 2.81 | 7.54 | 7.54 | 18 | 3.5 | 6.35 | 9.52 | 14 | 2.28 |

Source: BSC Research

Stock Market in Q1/2019

Market Outlook

In quarter 1/2019, the market had positive improvements compared to quarter 4/2018 with 2 indexes on HSX and HNX increasing by 88.22 points (+ 9.88%) and 3.21 points (3.08%). The liquidity on both exchanges in Q1 dropped to VND 4,472 billion / session, equivalent to 9.65% lower than the previous quarter. Compared to December 2018, the VN-Index's P/E increased to 8th position and HNX-Index continued to hold the 19th position in Asia. The market capitalization on both HSX and HNX reached VND 3.411.4 trillion, equivalent to 147.04 billion USD, up 11.19% compared to the end of 2018. The 3 sectors with the strongest increase were Real Estate (+ 18.25%), Health (+ 15.49%) and Automotive and spare parts (+ 13.76%), the 3 sectors with the strongest decrease included Media (-45.98%), Retail (-5.62%) and Tourism and entertainment (-0.9%). MidCap group was the strongest performance improvement with 9.22%, followed by Penny (+ 7.07%), SmallCap (+5.64%), VN30 (+5.27%) and LargeCap (+ 4.12%). Foreign investors bought a net of VND 5039 billion on the HSX and HNX, 50.81% lower than the previous quarter and 42.05% compared to the same period last year.

In March, the index continued to maintain a strong recovery momentum and surpassed 1000 points in the middle of the month because the market sentiment continued to be positive and received supportive signals like FED announced no interest rate increase in 2019 as well as expectations of positive results from US-China trade negotiations. Business results for both 2018 and Q1 and positive expectations when the annual shareholders' meeting season is taking place is a significant motivation to support the market. However, the index has been adjusted sharply in late March due to negative domestic and regional markets sentiment which were concerned about the economic recession risks when the yield gap between US government bonds of 3 months and 10 years have turned negative for the first time in over a decade. As of March 29, 2019, VN-Index officially increased by 15.3 points compared to the end of last month (+ 1.58% MoM), (+ 9.88% YtD) and HNX-Index increased 1.58 points (+ 1.49% MoM), (+ 3.08% YtD).

The liquidity recovered strongly compared to February, the cash flow focused most strongly on the groups with small and medium market capitalization. In March, the HSX had 224 increased shares, 141 decreased stocks and 11 unchanged stocks; 5 stocks supporting VN-Index including VCB increased 11.24% (contributed 7.69 points), VHM increased 4.57% (contributed 4.08 points), BID increased by 10.15% (contributed 3.44 points), SAB increased 4.04% (contributed 1.89 points), CTG increased 7.93% (contributed 1.87 points). Stocks that caused VN-Index to drop the most

were VNM -4.46% (-3.34 points decrease), MSN -5.17% (-1.63 points decrease), YEG -58.37% (-1.33 points decrease), TCB decreased -3.4% (-0.96 points decrease) and HPG -4.17% (-0.9 points decrease). In March, 10/18 sectors had the strongest growth, the banking sector.

Table 6

Fluctuation in the last 6 months on HOSE

| Month | Index | Volumn (Bil shares) | Capitalization(VND Trillion) |
|-------|--------|---------------------|------------------------------|
| 3 | 980.76 | 3.63 | 3,211.00 |
| 2 | 965.47 | 2.52 | 3,161.18 |
| 1 | 910.65 | 2.32 | 2,979.23 |
| 12 | 892.54 | 2.70 | 2,875.55 |
| 11 | 926.54 | 2.74 | 2,981.72 |
| 10 | 914.76 | 3.82 | 2,939.08 |

Source: HSX, Bloomberg, BSC Research

Table 7

Fluctuation in the last 6 months on HNX

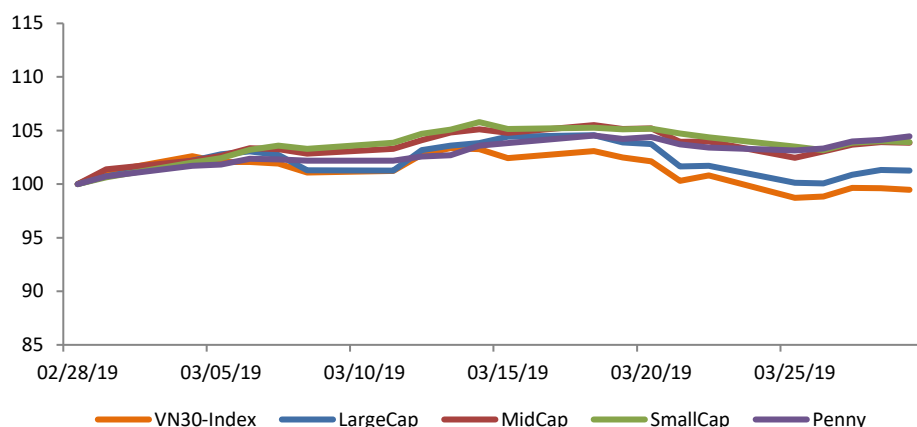
| Month | Index | Volumn (Bil shares) | Capitalization(VND Trillion) |
|-------|--------|---------------------|------------------------------|
| 3 | 107.44 | 0.91 | 200.43 |
| 2 | 105.86 | 0.54 | 196.89 |
| 1 | 102.88 | 0.58 | 189.74 |
| 12 | 104.33 | 0.77 | 192.50 |
| 11 | 104.82 | 0.7 | 190.51 |
| 10 | 105.35 | 1.11 | 190.35 |

Source: HNX, Bloomberg, BSC Research

Stock groups performances

All equity market groups increased and decreased unevenly. In March, MidCap and SmallCap had outstanding performance with an increase of 3.85% and 3.91% respectively. Penny has the best performance with an increase of 4.45%. VN30 is the only group with negative performance when it declined 0.54%. The positive state of the market was maintained in the beginning and middle of March due to expectations from the China-US negotiation process and the signals of stop raising FED's interest rates in 2019 as well as the positive recovery of oil prices. Therefore, cash flow continued to return and prioritized flowing into stocks with small and medium market capitalization.

Chart 9
Stock group performances

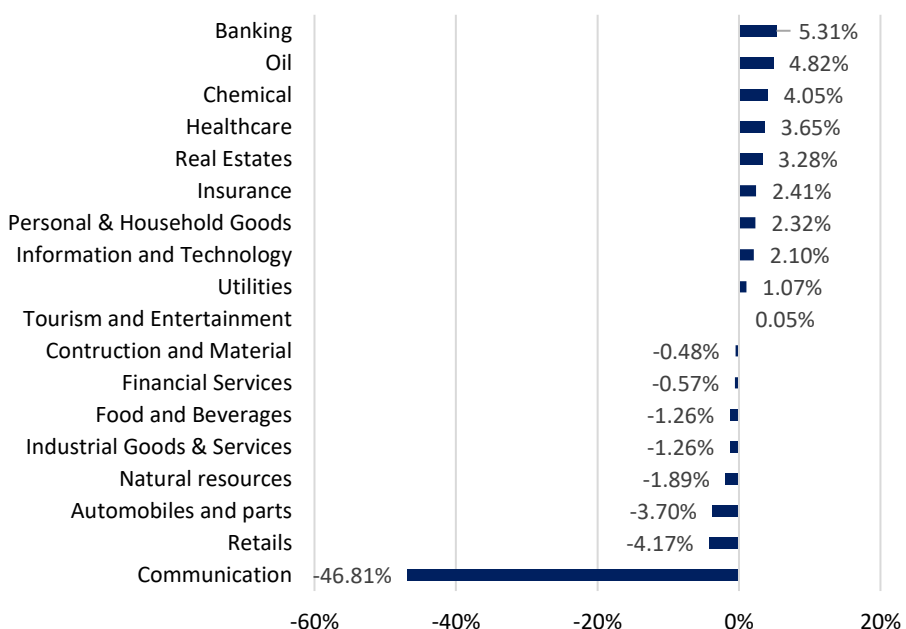


Source: Bloomberg, BSC Research

In March, the market had 10/18 rising sectors. In which, banking group gained the most with 5.31% efficiency due to the contribution of VCB and BID with the increase of 11.24% and 10.15% respectively. The communication group is the strongest decrease group with performance of -46.81% due to the contribution of YEG -58.37% and SVT -7.14%.

In the first 3 months of 2019, the market had 14/18 increasing sectors. In which, Real estate group gained the most with an efficiency of 18.25% because of the contribution of VIC and VHM with the increase of 21.62% and 24.66% respectively. Communication group is the strongest decrease group with efficiency of 45.98% due to the contribution of YEG -57.45% and SVT -13.33%.

Chart 10
Tier 2 sector in 3/2019



Source: Fiinpro, BSC Research

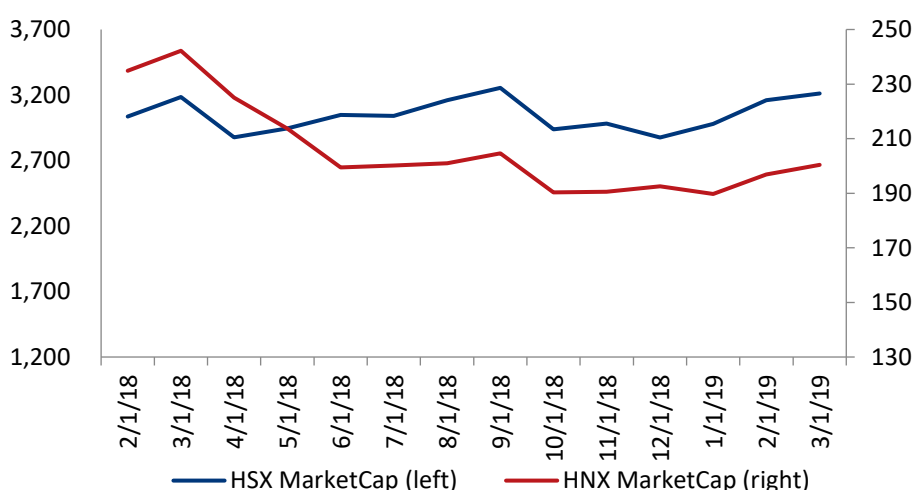
Capitalization scale

The market capitalization on both HSX and HNX reached VND 3.411.4 trillion, equivalent to USD 147.04 billion, up 1.59% MoM, 11.19% YtD. Upcom floor for the first time has a market cap of over VND 1,000 billion when it reached VND 1,020.6 trillion at the end of March. In March, on HOSE, there were 106.99 million additional listed shares; 13.3 million shares listed for the first time; 57.1 million additional ETFs and 0.3 million ETF certificates and 28 million delisting bonds

Regarding the scale listed on HOSE as March 29, the listed floor 79.29 billion shares is equivalent to VND 792.99 trillion (95.54% of the market value), 326.53 million bonds are equivalent to VND 32.66 trillion (3.94% of the market value), 397.5 million ETF certificates equivalent to VND 3.97 trillion (0.48% of the market value).

Chart 11

Capitalization scale

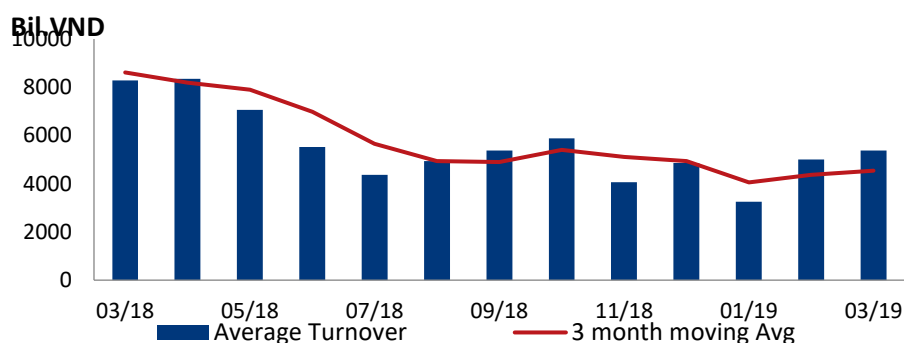


Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on 2 exchanges increased by 7.31% compared to February 2019, and increased to VND 5,374 billion/session and equivalent to nearly USD 231.6 million/session. In March, the cash flow focused on small and medium cap stocks as well as stocks with good business results in large-cap stocks. Positive sentiment from major events in the world and in the country continues to lead to the revival of cash flow.

Chart 12
Average market liquidity

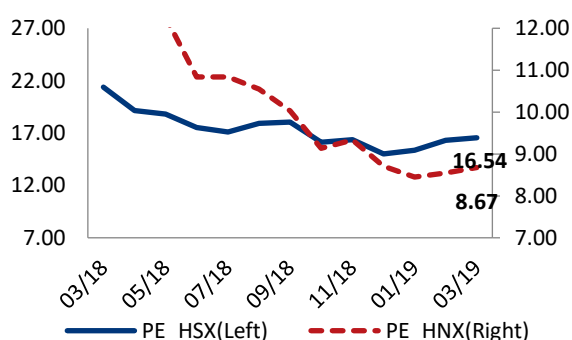


Source: Bloomberg, BSC Research

Price level of Vietnam stock market

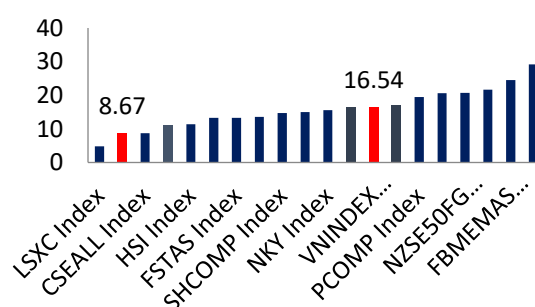
P/E of VN-Index increased to 16.54 + 1.57% MoM, + 10.25% YtD while P/E of HNX-Index recovered slightly to 8.67 respectively + 1.46% MoM, -0.39% YtD. The P/E of HNX maintained the second consecutive recovery while HXS continued its recovery. Compared to February 2019, the P/E of VN-Index increased to the 8th position and HNX-Index continued to hold the 19th position in Asia.

Chart 13
P/E indicator performances on bothExchanges



Source: Bloomberg, BSC Research

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



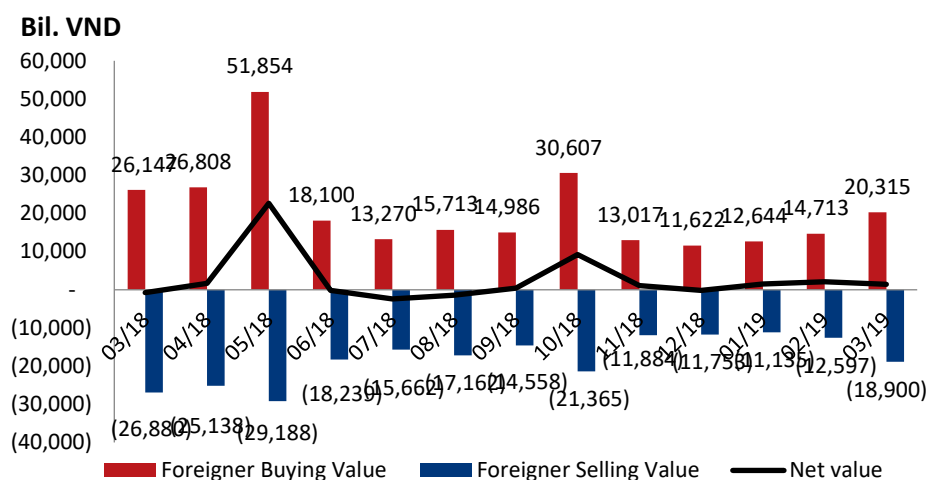
Source: Bloomberg, BSC Research

Foreigner trade

In March, foreign investors continued net buying on the HSX and turned to net buyers on the HNX. Upcom in March saw a net buying of VND 19.38 billion, they focused on net selling of VND 97.9 billion of BSR and VND 33.8 billion of VEA while buying VND 57 billion of HVN and VND 44.5 billion of QNS.

Chart 15

Foreigner transaction performances on both Exchanges



Source: BSC Research

In March, foreign investors bought a net on the HSX of VND 981 billion which included 166 stocks net buying and 176 shares net selling, net buying of VND 433 billion on the HNX with 112 shares sold and 96 shares were bought. On the HSX, foreign investors strongly bought CTG (VND 475.9 billion), VCB (VND 453.2 billion), PLX (VND 341 billion), MSN (VND 282 billion), BWE (VND 227.8 billion) and sold VNM codes (VND -732 billion), VJC (VND -491 billion), NBB (VND -333.6 billion). On HNX, this group focused on buying CDN (VND 396.9 billion), PVS (VND 111.3 billion) and selling SHS (VND -22.4 billion) and VGC (VND -19.57 billion).

Table 8

Top 10 foreign traded stocks on HSX in 3/2019

| Ticker | Net value (VND bil) | Ticker | Net value (VND bil) |
|--------|---------------------|--------|---------------------|
| CTG | 475.97 | VNM | (732.08) |
| VCB | 453.20 | VJC | (491.06) |
| PLX | 341.05 | NBB | (333.64) |
| MSN | 282.01 | DHG | (230.98) |
| BWE | 227.89 | HBC | (185.94) |
| HPG | 194.95 | POW | (165.60) |
| CII | 135.80 | YEG | (159.82) |
| CTD | 132.06 | VHM | (88.25) |
| TDM | 129.20 | SBT | (86.33) |
| GAS | 129.11 | VHC | (53.61) |

Source: BSC Research

Table 9

Top 10 foreign traded stocks on HNX in 3/2019

| Ticker | Net value (VND bil) | Ticker | Net value (VND bil) |
|--------|---------------------|--------|---------------------|
| CDN | 396.90 | SHS | (22.44) |
| PVS | 111.37 | VGC | (19.57) |
| SHB | 42.29 | TNG | (15.42) |
| CEO | 6.58 | VCG | (8.62) |
| DGC | 5.14 | BCC | (8.16) |
| ART | 3.77 | NTP | (8.16) |
| AMV | 3.52 | VGS | (6.45) |
| MAS | 1.97 | SDU | (6.42) |
| HHP | 1.52 | ECI | (6.11) |
| IDV | 1.32 | DBC | (4.78) |

Source: BSC Research

Market prospects for the second quarter of 2019

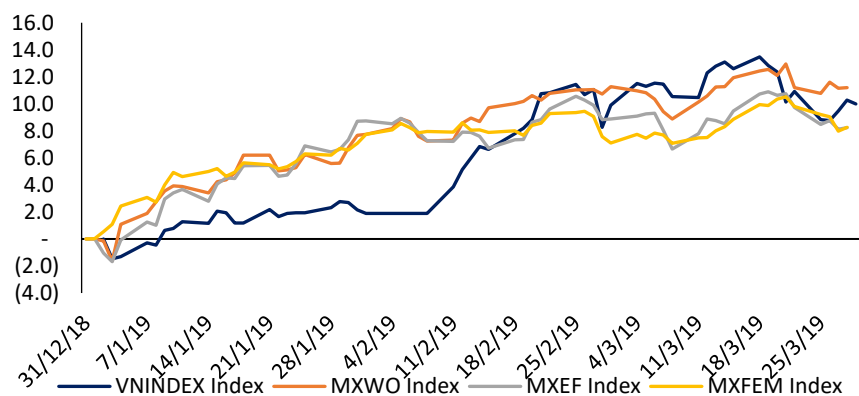
Movements of the world market in the first quarter affected by the information about US trade talks - China, the US government reopened after 35 days of closing, and FED changed its view from raising interest rates to Near-neutral interest rates which remained at 2.25% - 2.5% in the policy meeting in January and March. Markets fluctuated between psychological concerns about the weakening growth of the world economy and the expectation of the results of the US-China trade negotiations. The Fed does not raise interest rates also facilitates cash flow to re-participate in the development market and return to emerging market areas.

Major events such as the US - China, Brexit negotiations, geopolitical conflicts in Syria and India – Pakistan which occurred in the first quarter, partly affected market sentiment but the impacts were not significantly. Important information such as the US-China trade, Brexit trade negotiations, and policy adjustments to cope with the economic decline in the great powers will also strongly affect markets in the second quarter.

In the monetary market, in the first quarter, domestic currencies were not significantly changed due to stable USD. The dollar lost the motivation to increase prices since FED did not raise interest rates and the US economy showed signs of slow growth. USD Index fluctuated between and increased by 1.2% in Q1. USD increased mainly against EUR due to the Brexit effects. Some of the emerging regional currencies increased and decreased sharply, including RUB up 5.8% while TRY (Turkey) fell 6.8% and ARS (Argentina) fell 14.7%

Graph 15

**MSCI developed, emerging and marginal areas in the first quarter of 2019
(converted USD)**



Source: Bloomberg, BSC Research

Regarding the commodity market, the first quarter BCOM Index commodity index rose quite sharply 6.2%. The increase was mainly from WTI oil price increased by 32.43%, iron ore increased by 19.9%, natural rubber increased by 12.6% and pork increased by 30%. The price hike has come from OPEC oil production cuts, flooding in Brazil's mines and the outbreak of African cholera. Consumer goods plummeted such as Wheat down 8.2%, and Café decreased by 7.1%.

Regarding the stock market, MSCI indexes continued to fluctuate in March. MSCI development area (MXWO), MSCI marginal area (MXFM) and emerging regional MSCI index (MXEF) fluctuated. 0.5%, 0.6% and 0.7% respectively. In the first quarter, the MXWO led the rise with 11.2% compared to the increase of the market MXFM and MXEF 8.2% and 8.3%, respectively.

In the developed market, all markets recorded gains in the first quarter. France and the US market share in the top two positions with 12.4% and 12.3% increase. Japan is the market with the lowest increase of 6% when foreign cash flow strongly withdraws in this market.

In the BRIC countries, the Chinese market has an impressive recovery with a rise of 24%, far ahead of other markets with an average increase of 6.8% for this sector.

In the regional market, the Vietnamese market led the upward momentum away from other countries after the slow movement of January. Malaysia is the only market that lost -2.4%.

Overall, the key stock markets around the world have recovered quite impressively due to FED stop raising interest rates and positive information about US – China negotiation. The cash flow returned to the emerging area also helped the market grow suddenly, including China with a 24% increase.

Graph 16
Fluctuation of national CK indexes in the first quarter

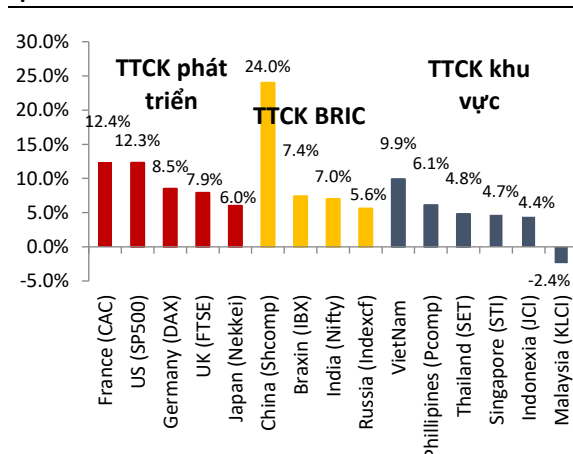


Table 9
Foreign investors were net sellers in the first quarter (Mio.USD)

| Country | Month 3 | Quarter I |
|-------------|----------|-----------|
| India | 4,258 | 6,553 |
| Indonesia | 118 | 844 |
| Japan* | (27,221) | (35,219) |
| Malaysia | (377) | (328) |
| Philippines | 88 | 623 |
| Korea | 262 | 4,536 |
| Sri Lanka | (7) | (34) |
| Taiwan | 19 | 4,309 |
| Thailand | (516) | 407 |
| Pakistan | (19) | 30 |
| Vietnam | 42 | 223 |

Source: Bloomberg, BSC Research

VN-Index was stagnant in January with low price and liquidity growth. The index suddenly increased strongly after the holidays, and was one of the strongest growth markets in the region in February. The uptrend remained in March, bringing the increase in the first quarter to 9.88%. Foreign investors boosted their net buying, ETFs increased their scale and the return of domestic investors helped improve liquidity and the index gained quickly in February and March to surpass the psychological threshold of 1,000 points. The price level has been pushed up gradually thanks to the cash flow after focusing on large-cap stocks, pushing the index up quickly and moving through deep-falling stocks, stocks and industries with good basic. The market has soared on a large scale with 14/18 sectors gaining.

In terms of industry, Real Estate, Health, Automotive and Parts and Oil & Gas led gains with an increase of 18.3%, 15.5% and 13.8% respectively. On the other hand, Media, Retail, Tourism and Entertainment and Construction and Materials dropped by -46%, -5.6% and -0.9% respectively. The media sector fell the most due to the impact of YEG's price decline.

Considering the influence of stocks in the first quarter, the top 5 stocks had an increase of 62.2 points, equivalent to 70% of the whole market including VIC (+ 21.6%, contributed 20.1 points), VHM (+ 24.7%, contributed 18.5 points), VCB (25.8%, contributed 15.6 points), GAS (+ 15.7%, contributed 8.0 points), and VNM (+ 12.3%, contributed 7.9 points). On the other side, SAB (-6.6%, contribution dropped by 3.6 points), NVL (-13.1%, contributed by 2.4 points), YEG (-57.4%, contributed by 1.3 points), ROS (-17.3%, contributed by 1.2 points) and VJC (-2.9%, down 0.6 points) took 9.1 points away from the market.

The first quarter is the time when enterprises announce their business results in 2018, the first quarter's business results and the shareholders' meeting schedule. We promote business meetings and assess 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](#)), VHC ([Link](#)), PC1 ([Link](#)), TPB ([Link](#)), PVS ([Link](#)), LPB ([Link](#)), DRC ([Link](#)), MSN ([Link](#)), PHR ([Link](#)), SBT ([Link](#)), GMD ([Link](#)), TCB ([Link](#)), ACB ([Link](#)), PVT ([Link](#)), CSV ([Link](#)), CTD ([Link](#)) and DXG ([Link](#)). Opportunities and orientations for investment in 2019 through annual reports such as the macro outlook of the market in 2019 ([Link](#)), Assessment Report and Industry Prospects 2019 ([Link](#)) and ([Link](#)). The reports have positively evaluated the macroeconomic prospects and market opportunities in 2019. We also assessed positively with the Insurance, Ports, technology - Post, Textile, Electric, and Power sectors. Consumption in 2019. In addition, some quick reports were also updated at BSC iBroker ([Link](#)).

Attention information in April and the second quarter:

Macro economy in the first quarter remained stable and positive compared to the deceleration trend of the world economy. Season of the AGM and the announcement of Q1 business results are supporting the market in the short term as well as supporting the formation of stable prices in the second quarter.

GDP in the first quarter reached 6.79%, higher than the 6.58% forecast. This growth figure declined compared to the first quarter of 2018, but this growth is still quite positive compared to the average growth of 5.32% in the first quarter of 2011-2017. In the context of the slow growth of the world economy due to risk factors of global trade and unpredictable changes in the international financial and monetary market, this is a quite optimistic figure. Stable macroeconomics, exchange rates, interest rates and inflation are all well controlled. Average CPI in the first quarter increased by 2.63%, the lowest level in 3 years 2017-2019 while the exchange rate and interest rates were almost unchanged. Stable macro, improved business environment to support newly established businesses to increase strongly in volume and registered capital while improving investment capital of the whole society by 2.8% over the same period, equivalent to 32.2% of Q1 GDP. This positive change continues from the advantages of 2018, production activities continue to expand, creating growth momentum in the next quarters, thereby achieving the annual growth target. Stable macroeconomic factors and growth continue to create a foundation for the stock market and attract international investment.

If March is the focal point for the annual shareholders' meeting season, April is the key for companies to announce Q1 earnings. The profit growth in 2018 is about 18%, in which real estate and banking sectors goods with the highest profit growth. Forecast for 2019 growth is about 15%. First quarter results are initial information to evaluate expectations as well as profitability plans of listed companies. This information is therefore an important basis for assessing investor investment opportunities in 2019 and is also information to support the market in the short term.

The index providers will announce the evaluation of market upgrading with FTSE and change the list with MSCI. Vietnam market has a chance to receive new cash flow at the end of the second quarter.

FTSE Russell published a nationally updated temporary classification report for the March 2019 period. Previously, it consulted national classification advisory committee members, regional and advisory committees, policy advice on 5, 18, 25 and 26 March. Vietnam has been included in the list of monitoring for emerging market upgrades during the review in September 2018. The latest update shows that Vietnam has 3/4 criteria that are rated more negatively than the last review, according to which the Payment criteria ("the rate of rare failures "decreased from" Achieved "Down to" NA", Criteria "Allowing for foreign exchange transactions" declined from "Restrictions" to "Failure" and "Depository criteria - separate account management available

for international investors" from " Achieved " to "limited". Vietnam only improves the criteria for the developed derivatives market and is still in the second-ranked up-market watch list, thus the result of this update is a step backward for the lifting process. Market class when the mandatory payment criteria have not been determined, therefore, the ability of Vietnam to be upgraded in September 2019 has decreased significantly with the expectations of the previous regulatory authority.

Besides, MSCI will announce the evaluation of the 2019 semi-annual market classification on May 13 and take effect 29/5. According to information released earlier, it is likely that Argentina will be officially upgraded by MSCI in the emerging market while Kuwait is likely to be upgraded thereby officially being upgraded in May 2020. Argentina will be upgraded in 5/2019, then proportion of Vietnam will increase from 17% to about 23%. When Kuwait officially upgraded in 5/2020, the proportion of Vietnam will increase to 30% of MSCI frontier 100 Index. In the case of Vietnam increasing the proportion by 6%, there will be USD 31 million from the additional investment iShare ETF, not to mention many MSCI frontier 100 investment funds will also increase the proportion of investment in Vietnam.

Project of stock market structure in 2020 and orientation of 2025 with the aim of diversifying products, deploying covered warrant and new bond future contracts and index future contracts before 2020. New products like covered warrant and T + 0 transaction have the opportunity to be deployed on the right roadmap.

Market size, liquidity, investors 'scale and investors' level also strengthened and improved after nearly 20 years of operation. In 2019, the SSC set a target to bring the market of Government bonds future contracts and covered warrant to live. These 2 products were delayed by 1 year compared to the previous plan. The covered warrant is expected to deploy in Q2/2019 by investors and it is a significant shift after a long wait.

Securities technology system is also being actively implemented by 2 stock exchanges and VSD. This is the basis for deploying many operations such as selling stock waiting for, buying and selling securities during the day (T + 0), ... These changes will be a big turning point to support market liquidity and develop force, amount of investors as well as removing barriers in the process of upgrading to emerging markets.

The outlook for the world economy is gloomy, key countries and economic sectors adjusted down the forecast of economic growth in 2019.

At the Davos World Economic Forum at the beginning of the year, the IMF forecast world global growth at 3.5%, down from 3.7% in 2018 and lower than the 3.7% forecasted by the organization in 10/2018. In this forecast, IMF kept the US economic growth at 2.5%, reduced Eurozone growth from 1.8% to 1.6% and forecasted China growth at 6.2% compared to 6.6% in 2018. Trade tension which increases risks for trade operations, will reduce

investment and break global supply chains as the main reason for lowering growth forecasts.

The movements of the world economy in the first quarter are showing more negative signs than the previous forecast. Countries or country blocks which have the largest economic scale in the world such as the US, EU, China and other countries, tend to adjust downward growth compared to previous expectations at the latest policy meetings. FED forecasts growth of only about 2.1%, much lower than 3% of 2018 in the March session. EU also lowered its forecast for growth in 2019 to 1.3%, much lower than the expected level, reported 1.9% in November 2018 at the February meeting. China in March also lowered its 2019 growth target to 6% - 6.5% compare to the target of 6.5% in 2018.

Table 10

Forecast of GDP growth of the world's leading countries

| Country | GDP growth 2018 | GDP growth forecast 2019 updated on March 25 | ± 2019 vs 2018 |
|---------|-----------------|--|-----------------|
| USA | 3.1% | 2.1% | -1.0% |
| EU | 1.1% | 1.3% | 0.2% |
| China | 6.6% | 6% - 6.5% | -0.6% đến -0.1% |
| Japan | 0.8% | 0.9% | 0.1% |
| Germany | 1.5% | 1.6% | 0.1% |
| UK | 1.4% | 1.2% | -0.2% |
| India | 7.2% | 7.6% | 0.4% |
| France | 1.5% | 1.7% | 0.2% |
| Brazil | 1.1% | 2.4% | 1.3% |
| Italy | 0.9% | 0.6% | -0.3% |
| Canada | 1.8% | 1.7% | -0.1% |

Source: Bloomberg, BSC Research

In addition to the case that the US is forecasted by FED, the growth will decline sharply compared to 2018 and significantly lower than other forecasts. Other leading regions and countries have not adjusted for growth or this growth has adjusted down quite a lot compared to the forecasted growth expectations that took place at the end of 2018. GDP announcement activities in the first quarter of 2019 will take place within the next month, however the prospects for fuzzy economic growth are still covering the world economy in the context of trade negotiations, there are still breakthrough signals.

The US-China trade negotiation will still be a major and influential event with a large and worldwide influence in April.

After satisfactory results at the end of February and announced to postpone tax increases to continue negotiations with the US President, the ministerial talks in March have yet to have significant breakthroughs. Difficulties arise when China is changing its stance after agreeing with the US proposal to adjust intellectual property policy. China has withdrawn its original promise

of pharmaceutical industry data protection, did not give details of plans to improve patent links and refuse to give in to data services issues.

Another obstacle comes when China takes the view of the provisions of the trade agreement in accordance with Chinese law. The heads of the two countries all urged the two sides to try to find a voice about the trade agreement. The US negotiating delegation arrived in Beijing on March 28 with earlier positive signals when China introduced a new proposal on various issues including compulsory technology transfer according to Reuters. A fairly positive message before the next round of talks in the US on April 3.

Disagreements on intellectual property issues and enforcement provisions continue to be a major barrier that cannot be passed. The US-China summit is expected to be held in April but negotiators have to work hard to reach an agreement to end the trade war which is damaging the countries concerned as well as the growth potential of the world.

The Brexit deadline on March 29 was delayed, however the British government failed to persuade the House of Representatives to approve the Brexit proposal. Brexit was hot again in the second quarter when a lot of effort was needed to complete on the 22/5 schedule or the UK faced Brexit without any agreement.

Brexit became the focus of Europe in March with many unfavorable developments for Prime Minister May's government when the second House of Representatives rejected her Brexit deal on March 13. The British House of Representatives then won the decision to abandon the Brexit process from the Government on March 27, though it was not possible to agree on which of the eight proposals. In an effort on March 28, the British Prime Minister asked the House of Representatives to vote through half of the Brexit deal with a focus on UK relations with the EU after Brexit. The House of Representatives will conduct discussions and vote on March 29.

The March 29 vote did not pass Prime Minister Theresa May's Brexit plan. The vote on the 4th Brexit proposal will take place on the following Monday (April 1). The UK currently has 3 main options: (1) Exit the EU without any agreement; (2) Cancel the Brexit process, (3) Request EU to extend the time for the UK to participate in EU elections. This process also opened the UK 4 options for general elections, renegotiation of Brexit agreements, continuing voting for the May prime minister's agreement or referendum.

Brexit is still difficult to internalize before agreeing with the EU. A non-agreed Brexit is a very negative scenario not only for England. Brexit will once again heat up before May 22.

OPEC meeting on June 20 will have an impact on oil prices, after the cancellation of the April 11 meeting to allow enough time to assess the impact of US sanctions on Iran and Venezuela.

At the March meeting, OPEC, which consists of 15 countries that produce surgical oil equivalent to 40% of world production, agreed to cancel the previously scheduled meeting on April 11 and maintain production cuts to the next session on June 20. The agreement to cut output of 1.2 million barrels per day between OPEC and Russia was reached in December 2018 and will be maintained until the meeting until June 20. The deal helped oil prices recover from 18-month lows to around \$ 60 a barrel with WTI oil.

OPEC still wants more time to assess the impact of US sanctions on Iran and Venezuela to the oil market. On the other hand, the organization wants to wait until the US exemption order for some limited oil buyers from Iran expires in 5/2019 or will be tightened sanctions from the US.

The OPEC meeting on June 20 will focus on considering the expansion of the production cut agreement until the end of 2019. This decision will depend on oil prices in the next few months, the world economic growth factor, new US sanctions against Iran and considering the pressure of opposition from the US.

Table 11

Factors affecting the market in April and the second quarter of 2019:

| Events | Impact on the stock market |
|---|--|
| Macroeconomic indicators positively support macroeconomic stability and fulfill 2019 targets. | Positive |
| Listed companies announce estimates of first quarter business results, business plans, dividend payment plans ... at the AGM season 2019. | Positive |
| Foreign investors and ETFs boosted their participation in the market. Vietnam has the opportunity to receive new capital inflows from MSCI to increase the share of Vietnam in the MSCI frontier 100 Index and FTSE Russell publishes a nationally updated temporary classification report in March 2019. | Positive, new cash flow |
| Scheme on stock market structure in 2020 and orientation of 2025 with the aim of diversifying products, deploying the right to guarantee, the Bonds Council and the new index of index before 2020. The new product has the right to guarantee and the T + 0 transaction is promoted. | Positive, psychological effects and help improve liquidity |
| The outlook for the world economy is gloomy, the countries and key economic sectors weaken. Regulatory policies to avoid recession are used. | Strong impact on market movements |
| The US-China trade negotiations have a complete goal before the summit meeting between the two heads of state in April. | Strong impact on markets and investor sentiment |
| FED is likely to maintain interest rates as currently, even under pressure to reduce interest rates when the growth rate is slow. | Strong impact on the 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 |
| OPEC meeting on June 20 considered to expand the agreement to cut production until the end of 2019 | Affect oil prices |

Source: BSC Research

The market was positive in the first quarter along with the upward movement of the world market. Foreign capital flow and the return of domestic investors gradually pushed up the price and liquidity level increased significantly. The movement of VN-Index is still positive, however, the impetus for gaining momentum over the psychological threshold of 1,000 points is an obstacle when the second half of the year announced the end of Q1 earnings. We forecast that VN-Index will continue to fluctuate, increase slightly in the first half of April and then adjust the second half of April to May. The recovery trend returns in late May and early June. The price movement area in the second quarter ranges from 950 - 1,050 points.

- In a positive case, the VN-Index will hold 950 points at the correction and test the resistance of 1,050 points in the second quarter. Movement trend still moves around large stocks with support of foreign capital.

- In a negative case, the VN-Index may fall below 950 points when the market corrects and meets with negative information from the world.

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

- The industry group and stocks are evaluated positively in the Industry Prospects Report 2019 ([Link](#)) and ([Link](#));
- Stocks of Banking and Finance have strong business results;
- Stocks 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 Advisory Report ([Link](#)) and Industry / business update report ([link](#)).

Disclosure

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