

Vietnam Monthly Review

2019 M04

BSC Research

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Macroeconomics

- PMI index increased from 51.7 to 52.5 in April, which is lower than the 2018 average of 53.7 points.
- Total retail sales of consumer goods and services in 4 months were estimated at VND 793.8 trillion, an increase of 12.2% compared to the same period last year.
- In 4 months, registered FDI increased by 50.4% YoY while disbursed FDI increased by 7.5% compared to last year. FDI capital mainly focuses on processing and manufacturing industries.
- The interbank USD exchange rate fluctuated in the range of 23,240 - 23,265 USD/VND, a slight increase compared to the range of 23,200– 23,255 USD/VND in March. Interbank interest rates increased slightly in the first 2 weeks of the month and plummeted in the last 2 weeks of the month.

Stock Market

- HSX corrected slightly and HNX recovered slightly. VN-Index officially decreased by 1.1 points compared to the end of last month (-0.11% MoM), (+ 9.76% YtD) and HNX-Index increased 0.02 points (+ 0.02% MoM), (+ 3.10% YtD).
- The average liquidity on 2 exchanges decreased by 27.3% compared to March 2019, and declined to VND 3,907 billion / session and equivalent to nearly USD 168.4 million / session.
- In April, foreign investors continued to be net buyers on the HSX and HNX.
- P/E of VN-Index dropped to 16.51, -0.03% MoM, + 9.99% YtD and HNX-Index fell slightly to 8.30, equivalent to -0.13% MoM, -4.61% YtD. The P/E of HSX dropped slightly and ended the three-month consecutive increase, HNX also had a slight decrease. Compared to March 2019, the P/E of the VN-Index dropped to the 9th position and the HNX-Index continued to hold the 19th position in Asia.

Market outlook in May

The effect from Q1 business results will no longer affect market. Instead, new cash flow as well as supportive information will affect the market in May. With the expectation that the US-China and Vietnam Trade Agreement can welcome new ETF cash flow, it is expected to help the market gain clearly in the second half of May. VN-Index will move 950 points - 1,000 points in May. In May, BSC offers two scenarios as follows:

- In case of positive, VN-Index kept above 965 points and will test 1,000 points. Liquidity remained stable.
- In case of negative, VN-Index may drop below 950 points if there are unfavorable information from the world.
- **Recommended stocks:**
 - Industry and stocks are evaluated positively in the Industry Prospects Report 2019 and Quarter II Industry Outlook;
 - Stocks of Ports and Textiles benefiting from trade agreements and shifting production from trade war;
 - Stocks benefited from recovering materials 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 the IV quarter sector strategic reports, the stocks with good changes are recommended in the Weekly Investment Report and Industries / companies update report.

Macroeconomics of April 2019

Economic growth

- PMI index increased from 51.7 to 52.5 in April, which is lower than the 2018 average of 53.7 points.

The industrial production index in April is estimated to increase by 9.3% over the same period last year, of which the mining industry increases by 2%; processing and manufacturing by 10.5%; electricity production and distribution by 9.4%; water supply and waste and wastewater treatment by 6.8%. In the first 4 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.

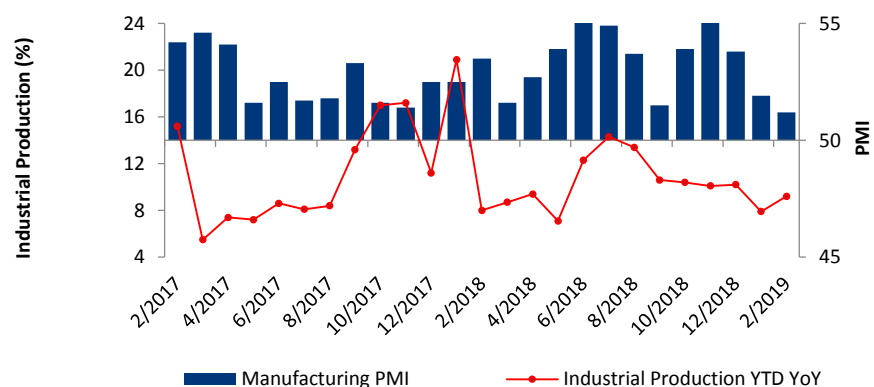
In the secondary level industries, the top 3 industries have a higher production index in April compared to the same period last year: Production of coke, refined petroleum products increased by 77.5%; metal production increased by 40.6%; motor vehicle production increased by 18.6%.

Some major industrial products in April 2019 increased highly compared to the same period last year: Gasoline and oil increased by 70.3%; iron and crude steel increased by 67.1%; TV increased 42.6%; liquefied petroleum gas (LPG) increased by 29.8%; fabric made of artificial fibers increased by 19.5%; automobile increased by 18.3%; chemical paint increased by 15.8%; clean coal increased by 12.8%; beer increased by 12.2%; urea increased by 12.1%.

Some products increased low or decreased: Steel bar, steel angle increased by 3.1%; natural gas in gas form decreased 0.4%; cattle feed decreased by 0.7%; motorcycles decreased by 3.1%; NPK mixed fertilizer decreased by 5%; diameter decreased by 6.5%; crude oil extraction decreased by 8.3%; Phone components fell 24.6%.

Chart 1

Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

PMI index increased from 51.7 in March to 52.5 points in April, which is lower than the average of 2018 of 53.7 points. Growth in Vietnam's manufacturing sector was maintained in April as companies continued to attract new orders. The encouraging point is that employment has increased for the first time in three months and the level of confidence in business has improved for the second month in a row. There are signs that input costs rise faster, but companies continue to reduce output prices in an effort to boost customer demand. Specifically:

- Companies continued to have a strong increase in new orders in April, with the growth rate almost equal to March. A similar situation occurred with new export orders. In both types of orders, the survey team members mentioned the situation of improving customer needs.
- Employment in the first quarter of the second quarter increased for the first time in three months. Employment growth is a bit faster than the average of index history. The amount of backlog has decreased for the fourth month in a row.
- Purchasing activity continued to increase strongly, with the most recent increase in the amount of pre-production inventories rose for the first time since January. Inventory of finished products has also increased, although the increase is only mild and the weakest level in the last seven months.
- The pace of input cost increase has been faster than the strongest level since November last year. The members of the survey team reported that the price of raw materials in the international market were increasing. Despite the rising cost burden, Vietnamese producers continue to reduce output prices. Sales prices have dropped for the fifth month in a row thanks to efforts to maintain new orders. However, the reduction speed is only small.

The number of new orders is expected to increase next year, thereby increasing the level of optimism about output. Business expansion plans are also in place to support output growth. Optimism has increased to a three-month high in April.

In addition, China's PMI dropped to 50.1 in April from 50.5 in March. This contrasts with the market's expectation of China's economic recovery. The weakening PMI, along with a slight increase in construction growth, may cause debate about the stimulation amount that China needs to inject in its economy while keeping the risk of rapid debt growth at a low level. In order to counteract the slowdown of the economy, the Chinese government has stepped up fiscal stimulus this year, announcing tax and fees cuts of up to 2 trillion yuan (USD297 billion) to reduce the burden on companies, and allowing local authorities to issue 2.15 trillion yuan of bonds for infrastructure projects. Despite such information, the declining PMI indicates that the internal health and stability of the Chinese economy are quite precarious. This will create a huge advantage for President Donald Trump in the US-China trade negotiations later this month.

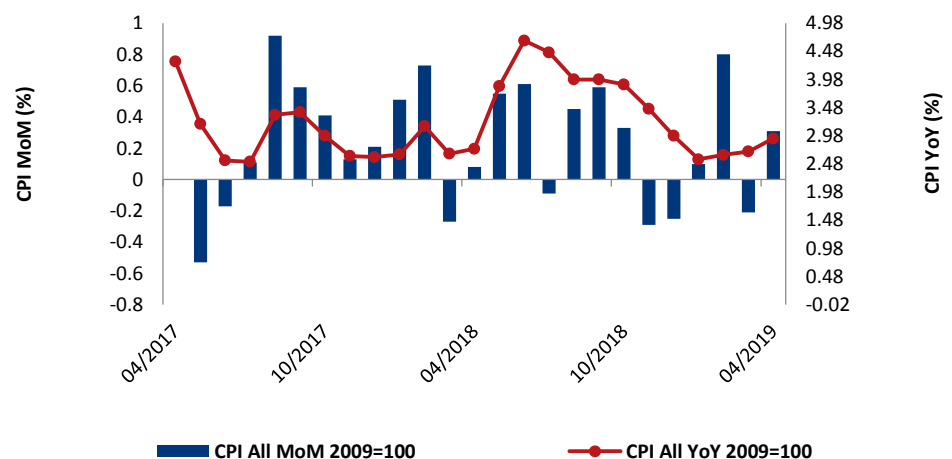
Inflation

- **CPI in April increased by + 0.31% compared to March, in which CPI of 9 out of 11 commodity and service groups increased compared to the previous month.**

Consumer price index of April increased by 0.31% compared to the previous month, and increased by 2.93% compared to the same period in 2018. Basic inflation in April 2019 increased by 0.09% over the previous month and increased by 1.88% compared to the same period last year.

Average CPI in the first 4 months of 2019 increased by 2.71% compared to the average in 2018. The average basic inflation in the first 4 months of this year also increased by 1.84% compared to the average of the same period in 2018.

Chart 2
Monthly CPI movements



Sources: GSO, BSC Research

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

- **The transportation sector had the highest increase of 4.29%**, mainly due to the impact of 2 adjustments of gasoline and oil price by April 2, 2019 and April 17, 2019 and the price of train tickets increased 30 / 04-01 / 05 holiday.
- **Housing and construction materials sector increased by 0.6%**, mainly due to 1.85% increase in electricity price compared to the previous month; gas prices rose 1.42%; housing maintenance materials prices increased by 0.98%.
- **Equipment and household appliances sector increased by 0.11%.**

On March 20, the government raised the electricity price to 8.36%, causing the electricity price to increase by 1.85%. The main impact of the electricity price has made a certain impact on April CPI in the housing and construction materials sector. May and June are the peak periods of electricity use in both production and family activities. The increase in production costs due to rising

electricity prices will boost the overall price level of products across the economy and make CPI increase sharply in the next two months. This will also increase the average CPI of the year by 0.3% and maintain at 3.8-4.0%.

Chart 3
Retail Sales

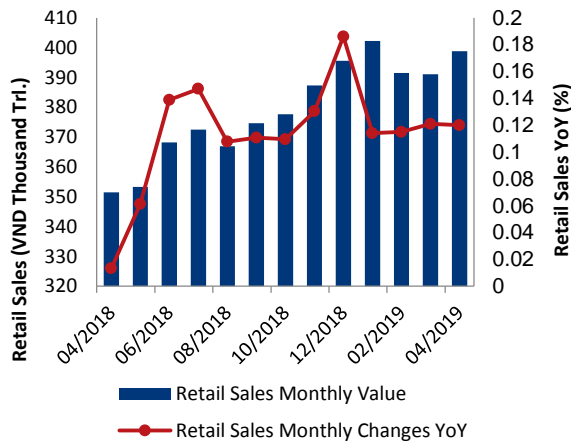


Table 1
Increase/decrease of service sectors in July

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	-0.57	4.28
2	Transportation	4.29	1.36
3	Health care	0.01	-0.21
4	Housing & Construction	0.6	3.25
5	Entertainment	0.1	1.94
6	Beverage and Cigarettes	0.08	1.78
7	Clothing	0.06	1.74
8	House appliance	0.11	1.31
9	Education	0.05	6.11
10	Telecommunication	-0.07	-0.78
11	Other	0.15	2.3

Source: GSO, BSC Research

Total retail sales of consumer goods and services in April 2019 were estimated at VND 400 trillion, an increase of 2.3% over the previous month and 12% over the same period in 2018.

Retail sales of goods reached VND 306.6 trillion, up 2.2% MoM and up 13.1% YoY; revenue from accommodation and catering services reached VND 47.7 trillion, up 3.1% over the previous month and 9.9% over the same period last year; tourism revenue reached 3.6 trillion VND, up 2% over the previous month and 13.2% over the same period last year; other service revenue reached VND 42.1 trillion, up 1.8% from the previous month and 6.8% compared to the same period last year.

In the first 4 months of the year, total retail sales of consumer goods and services were estimated at VND 1,583.7 trillion, an increase of 11.9% compared to the same period last year, if excluding the price factor of 9%.

Foreign Direct Investment (FDI)

- **Registered FDI reached USD 7.56 billion and increased by 50.4% YoY while disbursed FDI reached USD 5.7 billion and increased by 7.5% YoY.**
- **Foreign direct investment focused mainly on processing and manufacturing industries, which accounted for 77% of the total registered capital.**

Total newly registered and additional FDI at the end of April 20, 2019 of 1,082 projects (+ 22.5% YoY) reached USD 5,345 million (+ 25.1% YoY), and USD 2,110 million adjusted capital of 395 projects licensed in previous years. Thus,

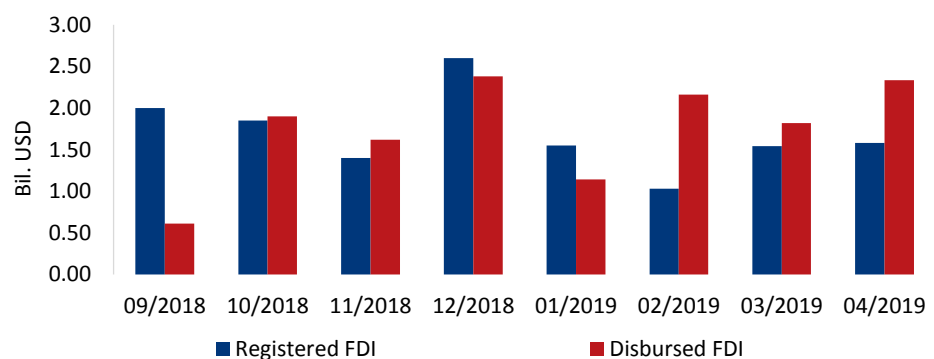
the total newly registered and additional FDI capital reached USD 7,455 million (+ 50.4% YoY).

Total disbursed FDI capital in 4 months was estimated at 5.7 billion USD, up 7.5% over the same period in 2018.

In 4M2019, the processing and manufacturing sector attracted the largest FDI with the registered capital of newly licensed projects reaching USD 3,958 million, accounting for 74.1% of the total newly registered capital; real estate business sector reached USD 528.6 million, accounting for 9.9%; the remaining sectors reached USD 858 million, accounting for 16%.

If including additional registered capital of projects licensed from previous years, FDI in processing and manufacturing sector in 4 months reached USD 5,738.7 million, accounting for 77% of total registered capital. Real estate business sector reached 538.4 million USD, accounting for 7.2%; the remaining sectors reached USD 1,178.5 million, accounting for 15.8%.

Chart 4
FDI (USD Bil)



Source: GSO, BSC Research

Top 3 areas of FDI attraction in the country: Tay Ninh (520.3 million USD - 9.7%), Binh Duong (495.6 million USD - 9.3%), Bac Ninh (479.4 million USD - 9%).

In the first 4 months of the year, China is the largest FDI investor in Vietnam with an investment of USD 1,314 million, accounting for 24.6% of the total newly registered capital; following closely behind is Singapore with USD 699.7 million, accounting for 13.1% and Hong Kong with USD 693.4 million, accounting for 13%.

Trade balance, Import and Export

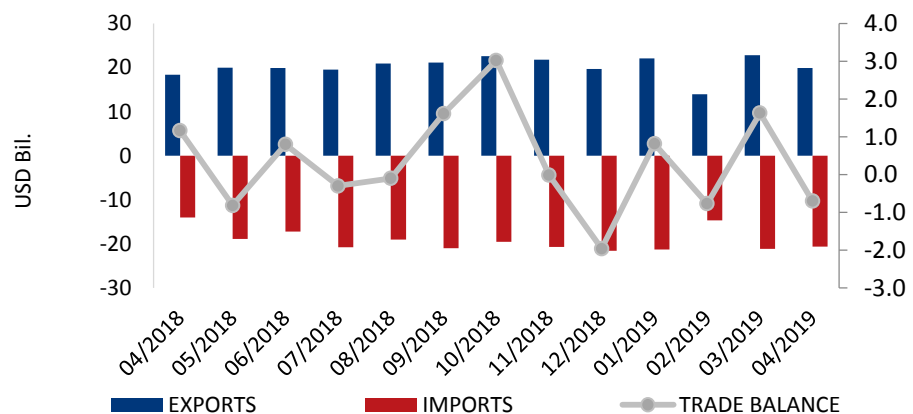
- **Trade balance in April is estimated to be a deficit of USD 700 million**
- **In total for 4M2019, trade surplus was USD 711 million, domestic economic sector saw a trade deficit of USD 9.46 billion.**

Export turnover in April is estimated at USD 19.9 billion, down by 12.6% over the previous month, and by 7.5% over the same period in 2018, in which domestic economic sector is USD 6.12 billion, down by 4.8% over last month and 9.8% over the same period last year; foreign invested sector reached USD 13.78 billion, down 15.7% compared to the previous month, and 6.6% higher than the same period last year.

For 4M2019, export turnover is estimated at USD 78.76 billion, up by 5% over the same period in 2018, of which domestic sector is USD 23.33 billion, up by 10.5%; foreign invested sector (including crude oil) reached USD 55.43 billion (accounting for 70.4% of total export turnover), up 4% YoY. From the beginning of the year to April 15, phones and its components was at the top position, reaching USD 14.07 billion (-2.9% YoY), the export speed slowed down because Samsung's business is in trouble with its Q12019 business results. Its net operating profit decrease by 60% compared to the same period last year. Next, textile grew + 10.4% YoY which reached USD 8.27 billion. Computer electronics in 3rd place reached 8.26 billion (+ 12.8% YoY).

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	14.07	-2.9%
2	Electronics	8.27	10.4%
3	Textile	8.26	12.8%
4	Other machines	4.62	6.2%
5	Shoes	4.61	52.1%
6	Vehicles	2.68	18.1%
7	Crude Oil	2.49	6.9%
8	Woods	2.09	0.5%
9	Aquaculture	1.26	7.7%
10	Steel	1.26	8.6%

Source: GSO, BSC Research

Table 3

Top 10 imported goods

No	Imported Goods	Turnover (Bil USD)	%YoY
1	Electronics	13.86	23.1%
2	Machine	10.11	14.4%
3	Fabric	3.49	10.1%
4	Mobile phone	3.23	-16.1%
5	Steel	2.73	5.0%
6	Plastic	2.50	1.2%
7	Automobile	1.78	-8.7%
8	Plastic Products	1.73	9.5%
9	Other metals	1.60	8.1%
10	Textile Materials	1.51	-39.1%

Source: GSO, BSC Research

Import turnover in April is estimated at USD 20.6 billion, down 2.6% from the previous month, and up 17.6% over the same period in 2018. Of which, the domestic economic sector reached USD 8.8 billion, down 2.1% compared to last month; and an increase of 18.5% over the same period last year. Foreign-invested sector reached USD 11.8 billion, down 3% MoM, and up 17% YoY.

In total for 4M2019, import turnover was estimated at USD 78.05 billion, up 10.4% over the same period last year, of which the domestic economic sector reached USD 32.08 billion, up 14%; foreign invested sector reached USD 45.25 billion, up 7.6%. From year-start to April 15, import items in April saw a sharp increase composed of Computer Electronics USD 13.86 billion (+ 23.1% YoY), machinery and equipment USD 10.11 billion (+ 14.4% YoY), fabric reached USD 3.49 billion (+ 10.1% YoY).

Forex market

- **Exchange rate in April maintained a sideways trend and increased slightly at the end of April thanks to positive information from the Q1 / 2019 business results of the US market.**
- **The exchange rate movement in the second quarter will largely depend on the progress of the US-China trade negotiations and the Fed's policy.**

The central exchange rate in April fluctuated in the range of 22,976 - 23,261 USD/VND, higher than the boundary of 22,923 - 22,980 USD/VND in March. The average monthly rate is 22,994 USD/VND. On April 26, the exchange rate was trading at 23,028 USD/VND , up + 0.9% YTD and + 2.2% YoY.

The interbank exchange rate in April ranged from 23,250 - 23,330 USD/VND, increasing from the range of 23,245 - 23,260 USD/VND in March. The average monthly rate is 23,261 USD/VND. On April 26, the exchange rate is trading at 23,330, up + 0.4% YTD and + 2.3% YoY.

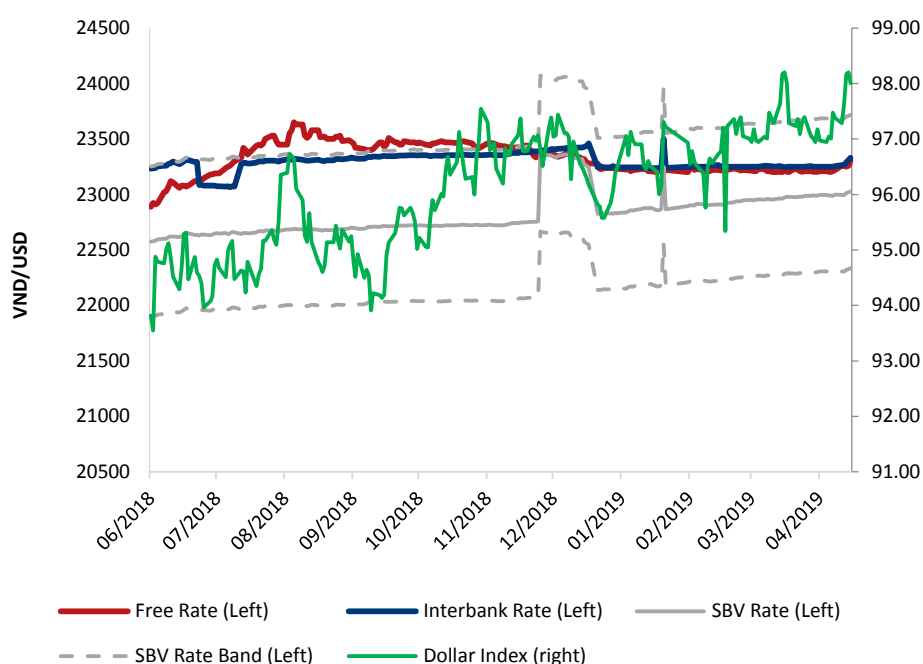
The free exchange rate in April fluctuated between 23,205 - 23,305 V USD/VND, increasing compared with the range of 23,200 - 23,235 USD/VND in March. The average free exchange rate in the month is 23,225 USD/VND. On April 26, the exchange rate is trading at 23,305 USD/VND, up + 0.1% YTD and + 2.1% YoY.

USD price index in April increased by 0.8% compared to the end of April, and increased by 7.0% compared to the same period last year. This index fluctuates in a range of 96.9-98.2 points, with a monthly average of 97.3 points. On April 26, the index reached 98.01 points.

From the beginning of the year to the end of April, 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. This trend has shown no sign of reversal and is expected to continue until there are certain negotiated results from the US-China trade

negotiation.

Chart 6
Exchange rate movements



Source: Bloomberg, BSC Research

Bank - Interest rate

- Interbank interest rates decreased in all periods slightly increased in the first 2 weeks of April but fell sharply in the last two weeks.
- The medium and long-term lending and lending interest rates are still stable with no strong fluctuation. Economic policy is still in alignment with the economic growth cycle.

Interbank interest rates decreased compared to the end of April at all terms in April when the macro information positively maintained the stability of the exchange rate. On April 26, overnight, 1 week, 1 month, 3 month, and 6 month rates were 2.7%, 2.86%, 3.34%, 3.92% and 4.24% respectively.

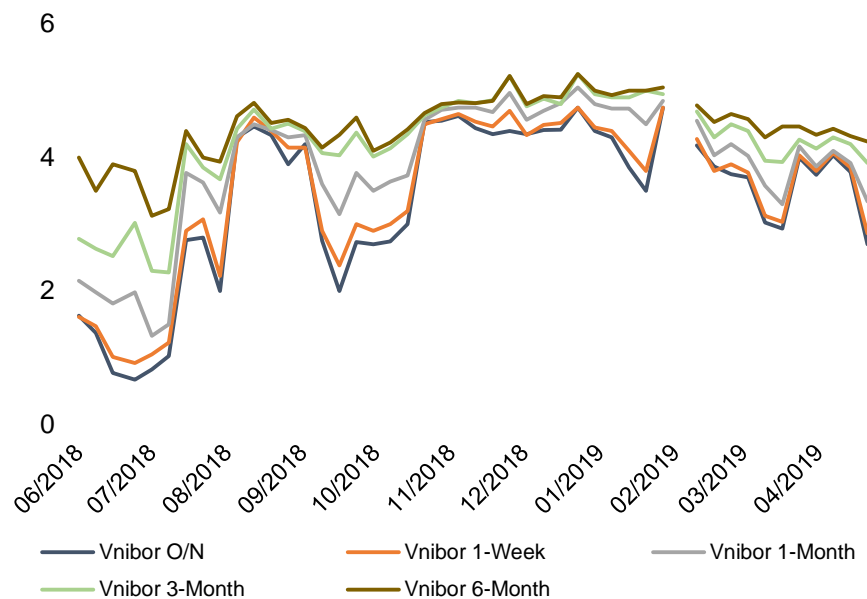
In April, the SBV net withdrew VND 12,100 billion in the first week, net injecting VND 6,801 billion for the second week and VND 4,100 billion for the third week via OMO and bills. Last week, SBV net withdrew VND 4,694.4 billion in the last week. System liquidity is still in abundance when foreign exchange reserves are still large and pressure from interbank interest rates decline.

Currently, the VND deposit interest rate 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.

Chart 7
Interbank interest rates



Source: Bloomberg, BSC Research

Macro Forecast for May 2019

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

- 1. Trade war.** President Trump extended the time to raise the tax rate. Although the specific content of the recent dialogues has not been announced, it is likely that China will pledge to increase the purchase of petroleum products and agricultural products from the US and allow US companies to maintain its independence when operating in this market. In return, Washington could lower or remove all new taxes imposed on Beijing's imported goods with a total value of USD 250 billion. In addition, China also made more concessions on market opening to promote the signing of the agreement later this month. The preliminary agreement is expected to be announced in early May with the final procedures to be completed by the end of May or early June at the meeting between President Donald Trump and President Xi Jinping.
- 2. European Parliament election (May 23-26).** According to observers, the rise of nationalist parties has created the opportunity to turn the upcoming European Parliament election campaign into a match that will decide the future of Europe. At the European Parliamentary elections, voters will participate in the election of 751 delegates of the European Parliament, the European legislature implementing three basic rights, legislative, budget decisions and administrative in regards of all EU activities, especially of the European Commission. After the election, the new European Parliament will elect the Chairman of the European Commission and vote on the budget issue for EU operations in the next 5 years. This is an important political campaign in the EU's current operational mechanism and is the basis for predicting the new ECB president in June. The future united EU's or a divide EU will create significant differences in term of political and economic influences for the whole world.
- 3. FED's monetary policy meeting (30/04-01/05).** The Federal Reserve decided to keep the 2.25-2.5% interest rate at this meeting when the Fed had to consider the positive economic growth of the United States and the rate of slowdown inflation. Total US product growth grew at a rate of 3.2% in the first three months, equivalent to last year's rate. The gap in interest rates between different types of bonds, narrowed at the end of March - means concerns about recession have diminished. However, inflation only reached 1.5% compared to the targeted rate of 2%, making this agency maintain the current interest rate. FED will continue to maintain a flexible fiscal policy until the meeting in June with a cautious attitude to follow the evolution of the US economy.

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

- 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. Roadmap to apply emission standards for cars.** Roadmap to apply emission standards for cars. Accordingly, the roadmap to apply emission standards for cars participating in traffic:
 - Cars fitted with forced-burning engines and cars fitted with compression-ignition engines for traffic production before 1999 shall continue to be applied Level 1;
 - Cars fitted with forced fire engines and cars fitted with compressed engines for compression in traffic production from 1999 to the end of 2008 shall be applied Level 2 from January 1st 2021;
- 3. Support up to 100% of tuition fees for business administration training courses.** On March 29, 2019, the Ministry of Planning and Investment issued Circular 05/2019 / TT-BKHĐT effective from May 12, 2019, guiding the development of human resources for small and medium enterprises. Accordingly, the State budget will support 100% of the tuition fees for starting business and business administration courses for the following subjects: Students of small and medium enterprises based in localities have conditions, especially difficult socio-economic; students of small and medium enterprises owned by women. If there are no conditions to participate in direct training, students can participate in online training programs, through the mass media. Employees or managers of small and medium enterprises will be provided with accounts to participate in online training systems on the Web platform or on smart mobile devices.

Table 4
Monthly macro indicators

Indicator / Month	2018M9	2018M10	2018M11	2018M12	2019M01	2019M02	2019M03	2019M04
GDP YoY (%)	6.88	-	-	7.31	-	-	6.79	-
GDP ytd YoY (%)	6.98	-	-	7.08	-	-	6.79	-
PMI	51.7	53.7	56.5	53.9	51.9	51.2	51.9	52.5
IIP YoY (%)	9.1	7.7	9.6	11.4	7.9	10.3	9.1	9.3
IIP ytd YoY (%)	10.6	10.4	10.1	10.2	7.9	9.2	9.2	9.2
Retail Sales YoY (%)	12.5	12.4	12.2	11.4	12.2	11.5	12.1	12.0
Retail Sales ytd YoY (%)	13.4	11.4	11.5	11.3	12.2	12.2	12	11.9
CPI MoM (%)	0.59	0.33	-0.29	-0.25	0.10	0.8	-0.21	0.3
CPI YoY (%)	3.98	3.89	3.59	2.98	2.56	2.64	2.7	2.93
Registered FDI (Bil USD)	19.67	21.57	23.19	25.58	1.14	3.30	5.12	7.45
Disbursed FDI (Bil USD)	13.25	15.10	16.5	19.1	1.55	2.58	4.12	5.70
Export (Bil USD)	21.1	22.5	21.6	19.6	22.0	13.9	22.4	19.9
Import (Bil USD)	19.5	21.7	22.0	20.4	21.2	14.7	21.8	20.6
Trade Balance (Bil USD)	0.7	0.8	-0.4	-0.8	0.8	-0.8	0.6	-0.7
Exchange rate (VND/USD)	23,147	23,351	23,363	23,351	23,243	23,252	23,245	23,261
Credit growth (%)	9.52	-	-	14	-	-	2.28	-

Source: BSC Research

Stock Market April 2019

Market Outlook

In April, VN-Index had a slight correction due to the sentiment of waiting for new signals to support market from investors, especially the information in the shareholders' meeting season with the announcement of Q1 business results, escalation of world oil prices and the developments in the last phase of the Sino - US trade negotiations. Q1 business results of companies remained at a positive level and improved significantly compared to the same period last year. However, market sentiment remained weak due to lack of positive long-term support factors as well as concerns about macroeconomic prospects and business performance during the shareholders' meeting season. Therefore, the VN-Index was adjusted continuously in the middle of the month and slightly recovered in the last sessions of April. As of March 26, 2019, VN-Index officially decreased by 1.1 points compared to the end of last month (-0.11% MoM), (+ 9.76% YtD) and HNX-Index increased 0.02 points (+ 0.02% MoM), (+ 3.10% YtD).

Liquidity fell sharply compared to March, the cash flow focused strongly on the group with small capitalization. In April, the HSX had 164 increased stocks, 201 declined stocks and 11 unchanged stocks; 5 stocks supporting VN-Index including GAS increased 14.87% (contributed 8.51 points), PLX increased 4.88% (contributed 1.14 points)), VRE increased 4.05% (contributed 0.99 points), NVL increased 5.91% (contributed 0.93 points), MSN increased 3.08% (contributed 0.92 points). Stocks that caused VN-Index to drop the most were VNM down -3.71% (down -2.65 points), VIC down -1.9% (down -2.14 points), SAB down -4.21% (down -2.05 points), TCB fell -5.66% (-1.54 points decrease) and BVH -6.74% (-1.36 points reduction). In April, 7 out of 18 industries experienced the strongest increase, especially in electricity, water and petroleum.

Table 6

Fluctuation in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
4	979.64	2.4	3,207.75
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

Source: HSX, Bloomberg, BSC Research

Table 7

Fluctuation in the last 6 months on HNX

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
4	107.46	0.57	203.10
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

Source: HNX, Bloomberg, BSC Research

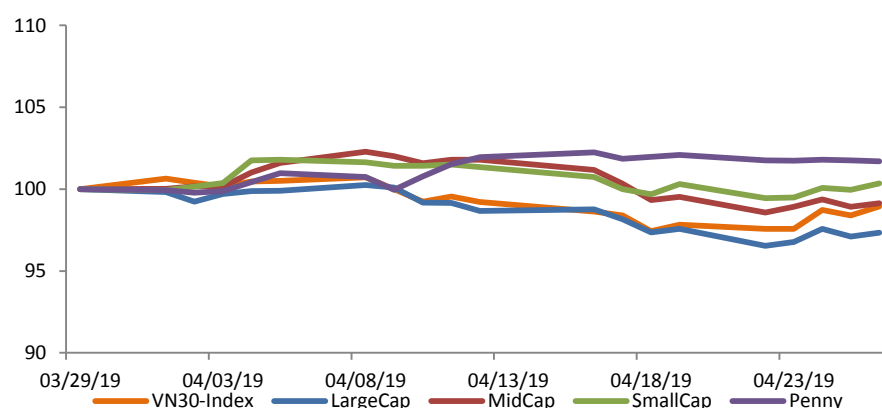
Stock groups performances

Stock groups classified by capitalization increased and decreased unevenly.

In April, Penny and SmallCap had outstanding performance with an increase of 1.7% and 0.34% respectively. LargeCap, MidCap and VN30 have negative performance with decreases of -2.66%, -0.86% and -1.06%, respectively. The positive state of the market was maintained in early April due to expectations from the China-US negotiation process and positive expectations for the shareholders' meeting season and Q1 earnings results of listed companies. However, in the middle and the end of April, the market sentiment was in a weak state and the cash flow was withdrawn from most stocks, especially stocks with large market capitalization. In the last sessions, cash flow recovered and focused on stocks with small market capitalization.

Chart 9

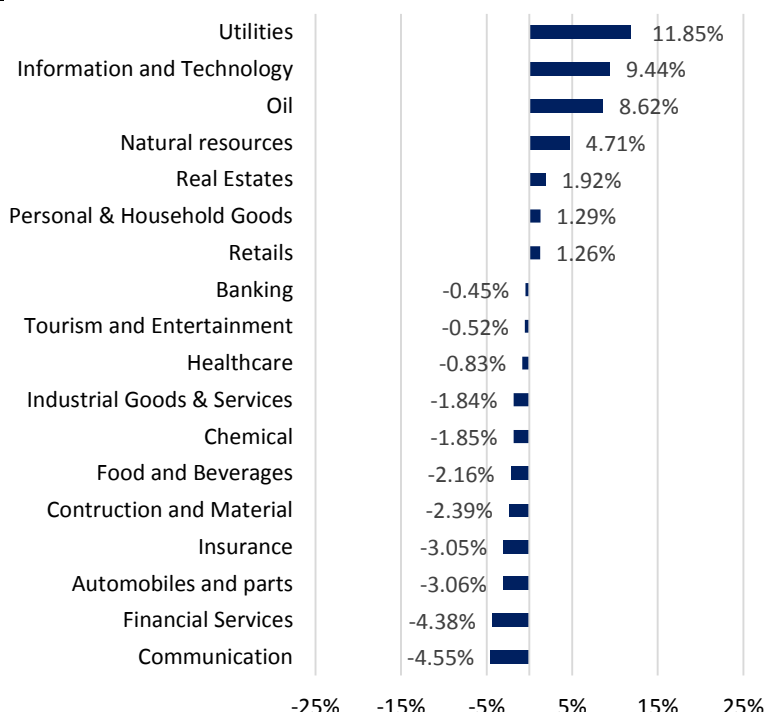
Stock group performances



Source: Bloomberg, BSC Research

In April, the market had 7/18 sectors gaining. In which, the group of Electricity, Water and Petroleum increased the most with an performance of 11.85% due to the contribution of PPC and PLX shares with the increase of 15.34% and 4.88% respectively. The communication group is the group with the strongest decrease with the performance of -4.55%.

Chart 10
Tier 2 sector in 4/2019



Source: Fiinpro, BSC Research

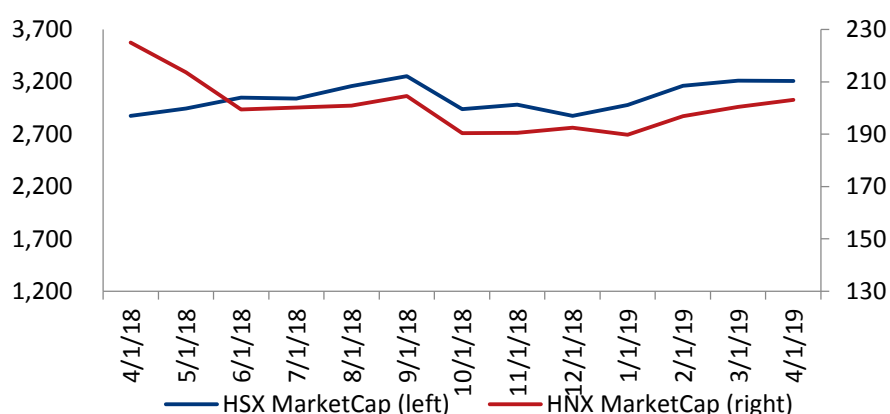
Capitalization scale

Market capitalization on both HSX and HNX reached VND 3,410.8 trillion, equivalent to USD 147.01 billion, down 0.02% MoM, + 11.17% YtD. Upcom floor dropped to 951.2 trillion at the end of April. In April, on HOSE, there were 206.29 million additional listed shares; 1878.9 million shares were listed for the first time; 11.5 million additional ETFs and 0.3 and 456.35 million delisted bonds.

Regarding the scale listed on HOSE on April 26, the floor is listing 80.92 billion shares equivalent to VND 809.28 trillion (95.62% of the market value), 326.53 million bonds equivalent to VND 32.66 trillion (3.86% of the market value), 406.3 million of ETF equivalent to VND 4.06 trillion (0.48% of the market).

Chart 11

Capitalization scale



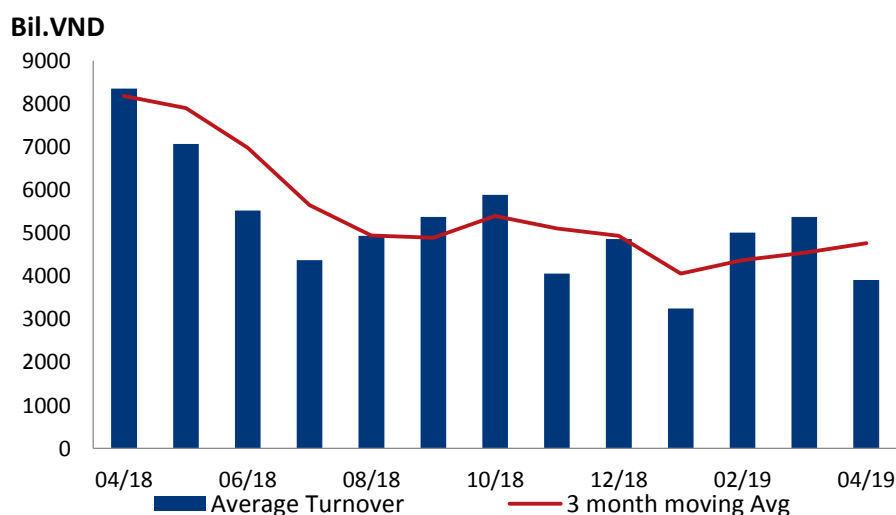
Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on 2 exchanges decreased by 27.3% compared to March 2019, and declined to VND 3,907 billion / session and equivalent to nearly USD 168.4 million / session. In April, cash flow focused on small and medium capitalization stocks as well as stocks with good business results in large-cap stocks. Sentiment of investors which awaits positive signals from major world events and shareholders' meeting season with Q1 earnings, causes a massive drop in cashflow.

Chart 12

Average market liquidity



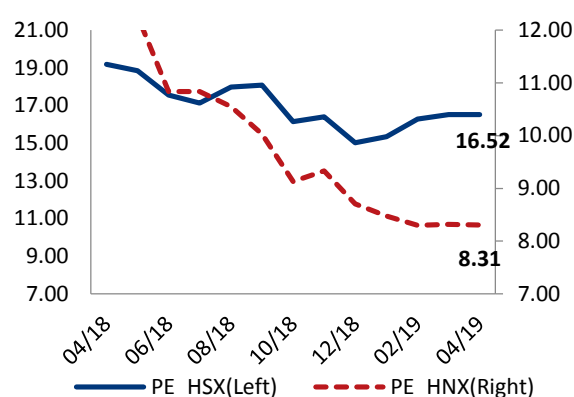
Source: Bloomberg, BSC Research

Price level of Vietnam stock market

P/E of VN-Index dropped to 16.51, -0.03% MoM, + 9.99% YtD and HNX-Index fell slightly to 8.30, equivalent to -0.13% MoM, -4.61% YtD. The P/E of HSX dropped slightly and ended the three-month consecutive increase, HNX also had a slight decrease. Compared to March 2019, the P/E of the VN-Index dropped to the 9th position and the HNX-Index continued to hold the 19th position in Asia.

Chart 13

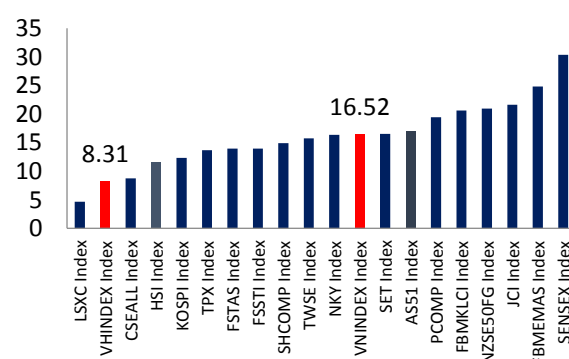
P/E indicator performances on both Exchanges



Source: Bloomberg, BSC Research

Chart 14

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



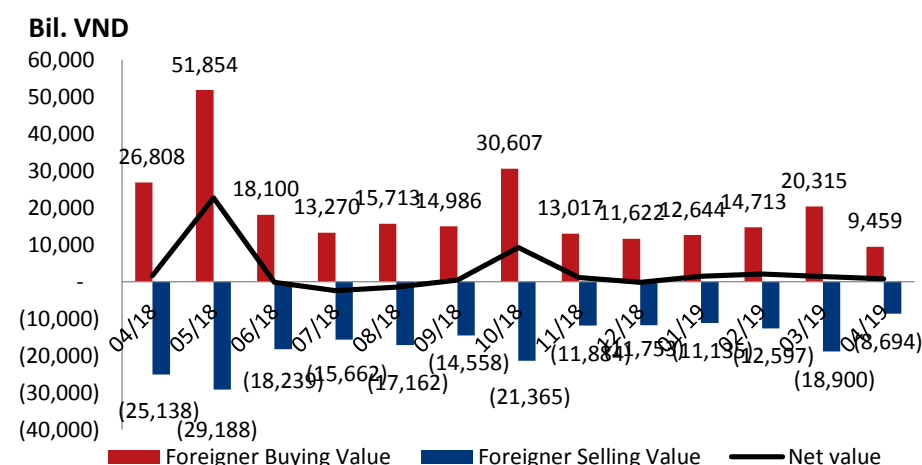
Source: Bloomberg, BSC Research

Foreigner trade

In April, foreign investors continued to be net buyers on the HSX and HNX. Upcom in April net bought VND 248.43 billion, they focused on net selling of VND 20.67 billion of IDC and VND 16.08 billion of MPC while buying VND 119.98 billion HFT and VND 58.09 billion of VEA.

Chart 15

Foreigner transaction performances on both Exchanges



Source: BSC Research

In April, foreign investors bought a net on the HSX of VND 659 billion with 176 shares net bought and 161 shares net sold, net buying of VND 105 billion on the HNX with 95 shares sold and 103 stocks bought. On the HSX, foreign investors bought MSN (VND 452.1 billion), GAS (VND 319.3 billion), VHM (VND 244 billion), VRE (VND 188.4 billion), VCB (VND 176.5 billion) and sold VJC (VND -388.1 billion), VCI (VND -208.3 billion), HDB (VND -164.4 billion). On HNX, this group focused on buying VGC (VND 69.2 billion), PVS (VND 60.7 billion) and selling SHS (VND -12.9 billion), PVC (VND -5.94 billion).

Table 8

Top 10 foreign traded stocks on HSX in 4/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
MSN	452.13	VJC	(388.12)
GAS	319.34	VCI	(208.31)
VHM	244.01	HDB	(164.44)
VRE	188.48	AAA	(136.15)
VCB	176.52	SSI	(121.22)
VIC	119.38	POW	(109.02)
PVD	90.82	CTD	(94.81)
PLX	88.42	HCM	(88.24)
BWE	76.95	VHC	(49.53)
KBC	57.89	FLC	(40.84)

Source: BSC Research

Table 9

Top 10 foreign traded stocks on HNX in 4/2019

Ticker	Net value (VND bil)	Ticker	Net value (VND bil)
VGC	69.26	SHS	(12.93)
PVS	60.70	PVC	(5.94)
TIG	4.83	VCG	(5.15)
DGC	3.98	CEO	(4.94)
ART	2.55	WCS	(2.96)
PMC	1.44	THB	(2.17)
DHT	1.18	SHB	(1.60)
DTD	1.07	NTP	(1.59)
TNG	1.05	BCC	(1.08)
PPS	0.92	HCC	(1.01)

Source: BSC Research

Market outlook in May

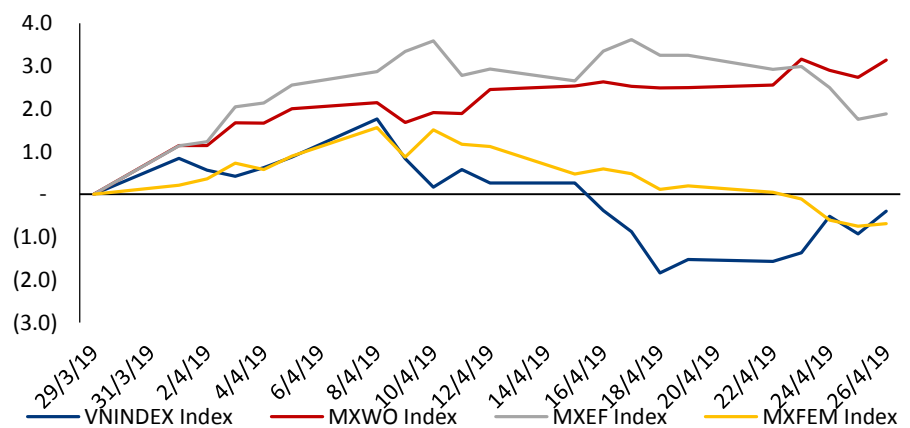
IMF lowered the forecast of world economic growth, the US launched the anti-subsidies war against the EU along with the geopolitical conflict in Libya, Sudan, Venezuela was the negative information in April. Despite that, the stock market is maintaining its momentum thanks to positive information about the negotiation process of US-China trade agreement, Brexit delayed until October 31 and China's economic growth was more positive than forecast. At the same time, corporations announced positive business results is supporting the markets.

Monetary policy of major economies will continue to maintain its current state before the likely future of slower economic growth. The fluctuation of exchange rate with a large margin will be very difficult to happen as in 2018. This will support cash flow to return to emerging and marginal markets. The US-China trade war will reach an agreement that will be awaited in May. The growth of major economies in the first quarter will also be important information to assess the level of decline and the correction of economic growth expectations. In addition, the US-EU anti-subsidies war and geopolitical conflicts are potential risk factors to the world economy and stock market volatility.

In the money market, USD Index was stable almost all the time of the month, however, strongly fluctuation in the last week of April with a rise of 0.7%. The USD rise equivalent to the depreciation of major currencies such as JPY, EUR and CHF and increased strongly by 7.6% and 6.6% compared to ARS (Argentina) and TRY (Turkey). Some rare domestic currencies rose including RUB (Russian) - 1.4%, CNY (China) -0.2%, and PHP (Philippine) -0.6%. VND also dropped slightly by 0.3% after a long period of stabilization.

Chart 16

MSCI development, emerging and frontier regions in April 2019 (USD)



Source: Bloomberg, BSC Research

With the rallying movement in major markets, MSCI developed area (MXWO) continues to lead the world with a 3.1% increase. The MSCI emerging region index (MXEF) and the MSCI frontier index (MXFM) respectively fluctuated by 1.9% and -0.7%.

In the developed market area, the German market increased 6.9%, compared with an average increase of 3.7% of other key markets. UK remained to have the lowest growth rate of 2.1% due to the effect of Brexit event.

In the BRIC countries, Russian market led the rise of 2.7% while China was the only market to decline after having increased by 24% in the first quarter because investors were worried about stopping economic stimulus.

In the regional market, Singapore and Thailand markets increased by 4.5% and 1.7%, while other markets all fell slightly.

Chart 17

Fluctuations of countries' stock market in April

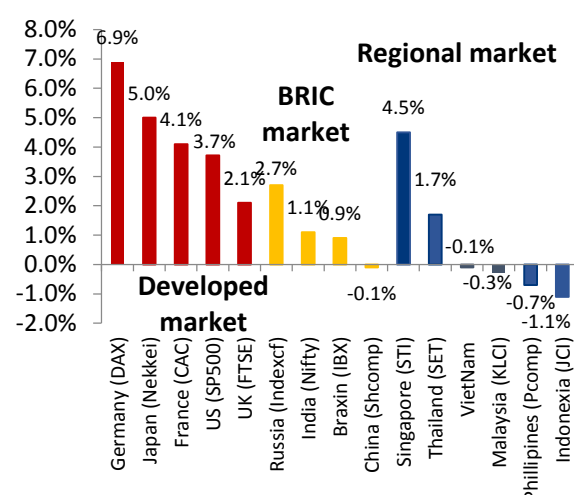


Table 10

Net buy/sell of foreign investors in April (Mio.USD)

Nations	April	4 Months
India	1,649	9,875
Indonesia	57	901
Japan*	30,565	(697)
Malaysia	(293)	(625)
Philippines	187	810
Korea	2,173	6,708
Sri Lanka	10	(24)
Taiwan	1,697	6,011
Thailand	96	(312)
Pakistan	3	34
Vietnam	28	186

Source: Bloomberg, BSC Research

In commodity market, commodity index of BCOM Index decreased slightly by 0.4% despite WTI oil price increasing by 5.3%. The decline comes from the decline in prices of most agricultural and metal products such as gold, silver, copper, aluminum lead and steel.

Positive information about the negotiation of the US-China trade agreement, delayed Brexit and exceeded expectation growth rate of Chinese economy did not improve the sentiment of domestic investors. VN-Index dropped slightly when there was no support of foreign capital ETFs as well as being affected by negative rumors. In April, VN-Index decreased by 1.1 points, equivalent to -0.1%. The price action is around 980 points with the differentiation of blue-chips and the cash flow movement in small or medium stocks and stocks with positive Q1 business results.

In terms of industry sectors, 7/18 level II industries increased. Utilities sector, technology sector and Petroleum sector increased the most by 10.5%, 8.6% and 7.6% respectively while chemicals and automobiles and Financial

Services dropped the most by -3.1%, -3.5% and -4.2% respectively. Business results and supportive information on oil price increase and El nino affect the strong divergence of the market.

In terms of the influence of stocks, the top 5 stocks have increased by 12.4 points including GAS (+ 14.9%, contributed 8.5 points), PLX (+ 4.9%, contributed 1.1 points), VRE (4.1%, contributed 1 point), NVL (+ 5.9%, contributed 0.9 points), and MSN (+ 3.1%, contributed 0.9 points). On the other side, VNM (-3.7%, contribution dropped by 2.7 points), VIC (-1.9%, contributed by 2.1 points), SAB (-4.2%, contributed by 2.1 points), TCB (-5.7%, contributed by 1.5 points) and BVH (-6.7%, a decrease of 1.4 points) took away the market 9.8 points.

In April, we focused on the AGM of listed companies. The number of investment advisory reports is not significant, including GEX, HT1, HDG and DGW. In addition, we update the industry sector outlook for the second quarter, which gives positive reviews to the Non-life Insurance, Ports sector, Textiles, Electricity, Automotive and Consumer sectors (English version will be available soon).

Notable information in May:

73% of companies announced business results for the first quarter, 1/4 of the remaining listed companies are sure to announce in the first 2 weeks of May. As of April 27, there were 542 companies, accounting for 73% of listed companies on HOSE and HNX that had announced Q1 earnings results. Absolute net income reached VND 31,347 billion, up slightly by 2.9% over the same period last year. The two exchanges had 268 companies, accounting for 49% of the announced companies, with positive growth rate over the same period. The number of companies announcing profit is 84%. The largest group of 5 companies with the highest net profit after tax including VCB (+ VND 1,202 billion), STB (+VND 448 billion), GAS (+VND 422 billion), MBB (+VND 384 billion), and ACB (+VND 221 billion). The group of 5 companies with the highest absolute reduction in NPAT included VPB (VND -666 billion), HPG (VND -411 billion), POM (VND -292 billion), HCM (VND -243 billion), and SSI (VND -224 billion).

In terms of VN30 stocks, 16/30 companies announced Q1 business results with NPAT of VND 21,455 billion, accounting for 68.5% of the net profit of the market, up 6.1% over the same period. 10/16 companies had positive net profit growth and no companies lost money.

The profit picture has an opportunity to improve when there are still 14 companies in the VN30 that will announce earnings after the holiday. However, compared with the 2-digit increase in the last 2 years, the growth rate in the first quarter of 2019 is quite modest. The motivation to gain from business results in the first quarter is therefore insignificant and will shift to expectations from cash flow and support sentiment after the holidays.

The 7th session of the XIV National Assembly from May 20 to June 13, 2019.

The National Assembly will consider and discuss socio-economic issues, state budget in 2018 and the first months of 2019. The National Assembly simultaneously approves the state budget in 2017 and considers and supplements the list of new projects in medium-term public investment plans for the period 2016-2020.

Along with that, the National Assembly is expected to consider approving 7 Law projects and 02 draft Decrees, noting that there is a Law to amend and supplement some articles of the Law on Public Investment. The revised public investment law is expected to unleash public investment that has been congested in recent years. In addition, the amended Securities Law was also submitted to the National Assembly for this period. The revised securities law is expected to be formally submitted to the National Assembly by the 8th session at the end of 2019. New changes in the revised Securities Law create a premise for a new development period, bringing the Vietnamese stock market to a new integration opportunity with the world.

The market received new foreign cash flow when MSCI officially upgraded Argentina. 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 to MSCI by emerging markets while Kuwait is likely to be upgraded thereby officially being upgraded in May 2020. After the upgrade of Argentina in 5/2019, Vietnam will increase from 17% to about 23%. When Kuwait officially upgraded 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 31 million USD from iShare ETF for additional investment.

Besides the iShare ETF, according to Bloomberg statistics, there are nearly a dozen funds investing under the MSCI frontier Markets 100 Index and MSCI frontier Markets Index, worth about \$ 3.7 billion. Although these funds do not make full investment in the proportion of Vietnam in the indicators, however, when Vietnam gains 6%, there will theoretically be about 220 million USD more investment in Vietnam.

Changing the list of components VN30 in Q1/ 2019, effective 6/5 to 2/8/2019.

HCM Stock Exchange updated the VN30 index of the first period of 2019, in which the noticeable change came from stock groups VIC, VHM and VRE. The capital proportion limit of this group decreased from 47% to 41.91%. This is a change in accordance with the regulation that related stocks do not exceed the ratio of 15% in VN30 basket. The change will adjust the proportion of the component stocks but the level of change is not large.

With VFMVN30 ETF fund with scale of VND 5,811 billion (recorded on April 25), the structure will take place before the index takes effect. Increasing and decreasing the proportion of component stocks see details in **Appendix 1**.

Although the change is not large, we also note that if the bulk structure operation at a time and in the context of low liquidity, it will immediately affect the index at the time of transaction, thereby affect trading activities of future contracts.

The US-China trade negotiations have the opportunity to reach an agreement in May. After the signals in mid-April, the US trade delegation will arrive in China on April 30, then the Chinese trade delegation will come America on 8/5. Issues of the round of negotiations include intellectual property issues, technology transfer, non-tariff barriers or agriculture.

Earlier, the United States had made concessions on the issue of Chinese industrial subsidies and focused on technology transfer, intellectual property protection and market access. The US also asked China to shift tariff barriers from agricultural products to other commodities and China is considering to respond. These changes have helped the negotiations in April achieve significant progress and are confirmed by both the US and China.

The next rounds of negotiations were accelerated for the purpose of reaching an agreement whereby the possibility of being considered on the occasion of President Trump's arrival in Japan at the end of May. The strong recovery of the Chinese stock market is near. This is also associated with positive signals from negotiations, this effect is also widespread to the global stock market. This continues to be the most influential information in May.

The US launched full sanctions for Iran's oil import in early May and conflicts in the early exporting countries such as Libya and Venezuela supported short-term oil prices.

After the announcement that the US will terminate exemption from sanctions with eight countries importing oil from Iran on May 2, oil prices then surged to a new peak in the year. The oil price increased sharply and the US government did not expect before President Trump's election. The reassuring US will cooperate with Saudi Arabia and the United Arab Emirates to make up for the loss of oil from Iran. Oil prices only decreased in heat at the end of April in response to President Trump's request to reduce oil prices with OPEC. The analysis of financial institutions all expect that the Trump administration will extend the time of exemption from sanctions to five countries such as China, India, Japan, South Korea and Turkey. However, this ability is very difficult to implement with recent US Government statements.

Along with information on the exemption of sanctions on Iranian oil imports, conflicts in Libya and Venezuela are factors affecting supply and psychology to push oil prices up as fast as the present. New US sanctions mean the oil market will lose about 700,000 - 800,000 barrels / day in the short term. On the other hand, the major oil producers, including OPEC and Russia, are in the

process of cutting 1.2 million barrels a day of output by the end of June. Russia soon reversed the supply direction and raised output again. Oil prices therefore fluctuate complicatedly in early May.

Table 11

Factors affecting the market in May 2019:

Events	Impact on stock market
Macroeconomic indicators are still quite positive to support macroeconomic stability and achieve the targets of 2019.	Positive
The 7th session of the XIV National Assembly from May 20 to June 13, 2019 with the contents of the law noted	Positive
Vietnam has the opportunity to receive new capital from MSCI to increase the share of Vietnam in the MSCI frontier 100 Index.	Positive, new cash flow
Changing the list of components VN30 in period I / 2019, effective 6/5 to 2/8/2019	Increase liquidity
US-China trade negotiations expect to reach an agreement by the end of May	Strong impact on markets and investor sentiment
FED meeting policy from April 30 to May 1, continuing to maintain the current monetary policy.	Stable markets
Geopolitical conflicts and new Iranian oil sanctions will affect oil prices. The general election in India on May 19 and re-election of the EU council from May 23-26	Disturbance, local effects
The US-EU countervailing war	Need time to quantify, potential risks

Source: BSC Research

The market returned to a shaking position because it was no longer supported by foreign capital ETF, cautious psychology before rumors and strong differentiation in Q1 business results. The effect from Q1 business results will no longer affect market. Instead, new cash flow as well as supportive information will affect the market in May. With the expectation that the US-China and Vietnam Trade Agreement can welcome new ETF cash flow, it is expected to help the market gain clearly in the second half of May. VN-Index will move 950 points - 1,000 points in May.

- In case of positive, VN-Index kept above 965 points and will test 1,000 points. Liquidity remained stable.

- In case of negative, VN-Index may drop below 950 points if there are unfavorable information from the world.

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

- Industry and stocks are evaluated positively in the Industry Prospects Report 2019 and Quarter II Industry Outlook;
- Stocks of Ports and Textiles benefiting from trade agreements and shifting production from trade war;
- Stocks benefited from recovering materials 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 the IV quarter sector strategic reports, the stocks with good changes are recommended in the Weekly Investment Report and Industries / companies update report.

Appendix 1: Changing the proportion of component shares of VN30 and trading activities of VFMVN30 ETF

No.	Stock	New Propprtion	Present Propprtion	Change (%)	stocks change
1	CII	0.6%	0.7%	0.0%	(48,641)
2	CTD	0.8%	0.8%	0.0%	15,170
3	CTG	1.0%	1.2%	-0.2%	(561,382)
4	DHG	0.6%	0.6%	0.0%	11,804
5	DPM	0.5%	0.4%	0.0%	56,529
6	EIB	2.9%	2.6%	0.3%	929,591
7	FPT	3.9%	3.5%	0.4%	452,838
8	GAS	1.7%	1.7%	0.1%	34,559
9	GMD	1.1%	1.0%	0.0%	91,143
10	HDB	3.1%	3.0%	0.1%	247,988
11	HPG	6.9%	6.6%	0.3%	460,204
12	MBB	4.4%	4.0%	0.4%	1,174,693
13	MSN	6.5%	7.0%	-0.5%	(354,415)
14	MWG	3.9%	3.8%	0.2%	102,876
15	NVL	3.1%	3.0%	0.1%	117,604
16	PNJ	2.2%	2.1%	0.1%	48,247
17	REE	0.9%	0.8%	0.0%	61,583
18	ROS	0.8%	0.8%	0.0%	61,493
19	SAB	2.7%	3.6%	-0.8%	(204,953)
20	SBT	0.8%	0.7%	0.0%	94,808
21	SSI	1.3%	1.2%	0.0%	110,325
22	STB	3.3%	3.2%	0.1%	618,783
23	TCB	8.8%	8.5%	0.3%	820,768
24	VCB	3.2%	3.9%	-0.7%	(559,192)
25	VHM	5.2%	5.6%	-0.4%	(256,145)
26	VIC	7.3%	7.9%	-0.6%	(292,885)
27	VJC	5.0%	4.9%	0.2%	97,796
28	VNM	9.6%	9.2%	0.4%	178,443
29	VPB	5.3%	5.1%	0.2%	621,041
30	VRE	2.5%	2.7%	-0.2%	(320,563)

Disclosure

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