

Vietnam Monthly Review 2020 M1

BSC Research

BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3812 8885
Fax: +84 8 3812 8510

Macroeconomics

- PMI fell back to 50.6, down from 50.8 in the previous month, and lower than the 2019 average of 51.5 points.
- Total retail sales of consumer goods and services in January 2020 were estimated at 448.1 trillion VND, up 3.6% over the previous month and up 10.2% over the same period last year, if excluding increase in price by 7.2%
- Registered FDI increased to 4.83 billion, up 3.89 times over the same period last year while disbursed FDI reached 1.6 billion, up 3.2% compared to last year. Foreign direct investment focused on manufacturing, distribution of electricity, gas, water, accounting for 89.7% of the total registered capital thanks to the LNG liquefied natural gas (LNG) Plant in Bac Lieu invested by Singapore investors with total registered capital of 4 billion USD.
- The interbank USD exchange rate fluctuated between 23,180 and 23,230 USD/VND, lower than the margin of 23,190– 23,240 USD/VND in December. Interbank interest rates of short and mid terms sharply increased in the second half of January.

Stock market

- As of January 31, 2020, the VN-Index officially decreased by 24.4 points compared to the end of last month (-2.54% MoM) and HNX-Index decreased by -0.15 points (-0.15% MoM).
- Liquidity on both exchanges decreased significantly -14.53% MoM and reached 4,139 billion VND/session and equivalent to 177.6 million USD/session.
- Foreign investors returned to be net buyers in January. In January, foreign investors returned to a net buying on the HSX of 1,947 billion dong while net sold -34.7 billion on the HNX.
- P/E of VN-Index fell to 14.94, equivalent to -2.89% MoM and HNX-Index fell to 7.22, equivalent to -0.15% MoM. P/E of both exchanges recorded a slight decrease and was at a low level in the past 4 years.

Market outlook in February

Disease remains a concern and can create downward pressure of VN-Index to support levels of 925 and 880 points. However, reviewing movements of the stock market in response to past disease, as well as considering intrinsic factors of the economy and market, we believe that this decline is opening up great opportunities for investment in medium-term. VN-Index is forecasted to experience a downward pressure in the first 1-2 weeks of February with a gradual decrease intensity and will accumulate by the end of February. VN-Index price movement in February ranges from 880 points to 970 points. BSC proposes 2 scenarios as follows:

- In a positive case, VN-Index gradually rise from negative trend, accumulated above 925 points and may increase gradually above 950 by the end of the month.
- In a negative case, VN-Index may close below 900 points if disease situation is negative and the pressure to continue divesting from foreign investors.
- **Recommended stocks:**
 - Industry and stocks are evaluated positively in the Sector Outlook Report 2020 ([Link](#));
 - Stocks with improvements and positive outlook such as Banking, Retail, Information Technology - Postal and Telecommunications;
 - Stocks benefiting from diseases such as Healthcare, Pharmaceutical;
 - Highly defensive stocks and stock with high dividend payout;
 - In the long-term, BSC's recommended stocks will be mentioned in Sector Outlook Report 2020, stocks with good changes are recommended in the Weekly Report ([Link](#)), and update report for Sector/Company ([Link](#)).

Macroeconomics of January 2019

Economic growth

- **PMI fell back to 50.6, down from 50.8 in the previous month, and lower than the 2019 average of 51.5 points.**

Index of Industrial Production (IIP) in January 2020 was estimated to decrease by 11.8% over the previous month and by 5.5% over the same period last year, of which the mining industry decreased by 12.9% (crude oil production decreased by 10.7%; coal mining decreased by 18.4%); processing and manufacturing decreased by 4.8%; electricity production and distribution decreased by 3.5%; Water supply and waste treatment increased by 1.6%.

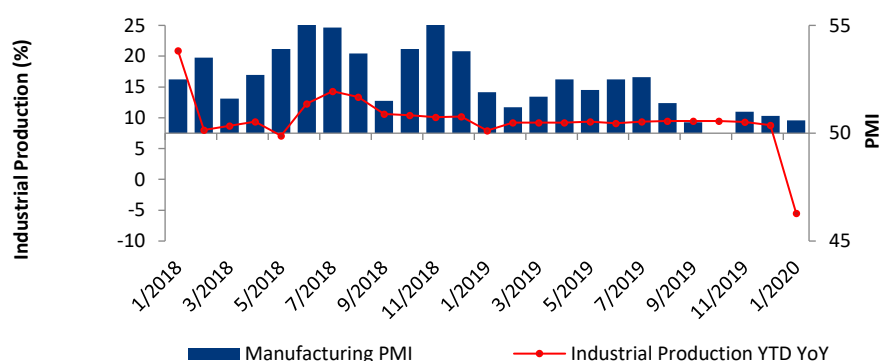
Among second tier industries, top 3 industries with IIP in January increased over the same period last year: Metal mining increased by 34.3%; supporting services for mining increased by 30.2%; print and copy of records increased by 15%

Some key industrial products in January 2019 increased over same period last year: bar steel, angle steel increased by 23.5%; mobile phones by 10.4% (smart phones by 5.4%); urea increased by 4.4 %.

Industrial production in January 2020 is estimated to decrease by 5.5% compared to same period last year, mainly due to Lunar New Year holiday this year at the end of January, so there is smaller number of working days.

Chart 1

Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

The PMI index fell back to 50.6, down from 50.8 in the previous month, and lower than the 2019 average of 51.5 points. Latest data shows that the health of the manufacturing sector in early 2020 continues to improve modestly. The number of new orders continued to increase at a moderate pace, but production fell and the number of employees only increased slightly. The increase in input costs has regained momentum but is still low, while output prices increased slightly for the second month in a row. Specifically:

- The number of new orders continues to increase at a moderate level. Survey respondents indicated that increased customer demand was a factor supporting the increase in the number of new orders for the fiftieth time in the last fifty months. Meanwhile, the number of new export orders increased again after a slight decrease in December. Manufacturing output fell in January. Output has decreased by four months in the past five months, but the rate of decline is low.
- The above factors have caused some companies to use finished product inventories to meet new orders. As a result, post-production inventories fell at the fastest pace in three months. Even so, companies still report an increase in backlog. This is the fifth increase in five months, though only slightly.
- The number of employees increased slightly in January, with the slowest rate of job creation during the last three months. Manufacturers expanded their buying activities at a slightly faster rate in January. Although input purchases increased, inventory purchases remained largely unchanged as some respondents' limited inventory corresponding to lower output demand.
- Input prices increased at the fastest pace in eight months, although the increase was still slow. The rising cost of imported goods and the scarcity of supplies are believed to be the cause of the recent increase. Material supply problems also contributed to prolonging the delivery time of the supplier for the second time in a row, albeit at a small level. Companies have increased output prices accordingly. The increase in selling prices was recorded for the second consecutive month, with a modest increase almost equal to the increase in December.
- Optimism about production outlook for the next twelve months has improved and is the highest in last three months. Positive attitude primarily reflects the prediction of increase in new orders and introduction of new products.

Besides, China's PMI decreased from 51.5 to 51.1. This is the slowest growth rate since August 2019. New orders and production output increased slowly, while remuneration fell for the first time since October 2019 - due to efforts to cut costs by businesses. Purchasing activity becomes conservative. Inputs and inventories decreased slightly over the past month. However, reducing tensions in relations between the United States and China helped boost optimism for production prospects for the next twelve months, reaching a peak in 22 months.

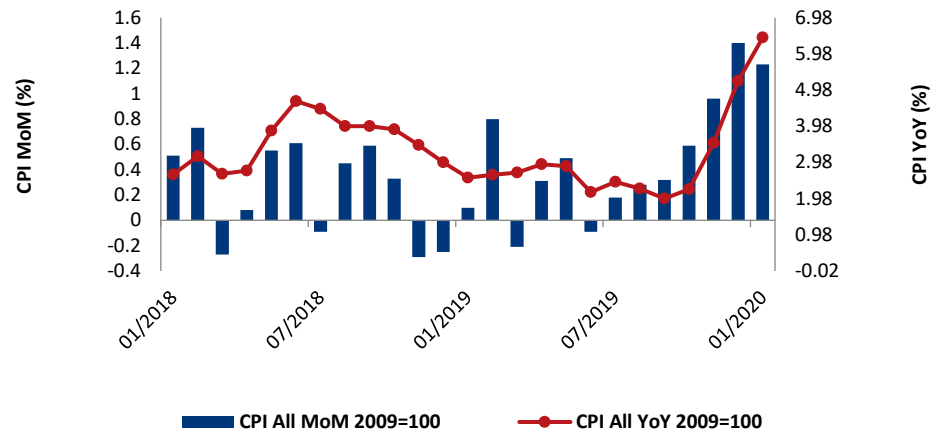
Inflation

- **CPI of January increased by + 1.23% compared to December, mainly because 10/11 groups increased.**

CPI of January increased by 1.23% over the previous month, and by 6.43% over same period in 2019. Core inflation in January 2020 increased by 0.76% over the previous month and by 3.25% over same period last year.

Chart 2

Monthly CPI movements



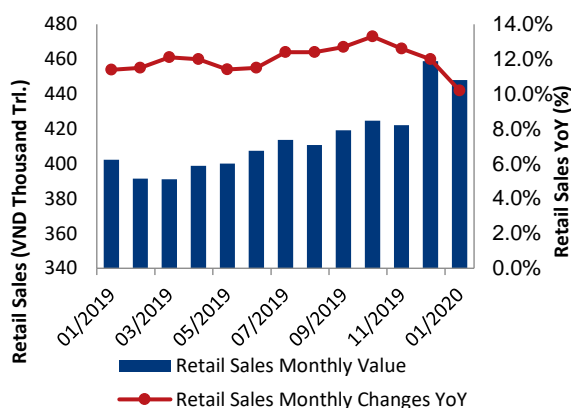
Source: GSO, BSC Research

In January, price index of 10/11 groups of goods and services recorded an increase. Fluctuations of CPI in the month were caused by the following reasons:

- **Food and catering services** had highest increase of 2.29%, mainly due to sharp increase in consumer demand during Lunar New Year.
- **Housing and construction materials increased by 1.47%**, mainly due to increasing demand for renovation at the end of the year, while gas price was adjusted on January 1, 2020, causing gas price to increase by 14.08%.
- **Transportation increased by 0.69%** due to impact of petrol and oil price adjustment on December 31, 2019 and reduction of gas and oil prices on January 16, 2020. Petrol and oil price increased by 1.29%.

Chart 3

Retail Sales



Source: GSO, BSC Research

Table 1: Increase/decrease of service sectors

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	2.29	10.93
2	Beverages and cigarettes	0.65	2.24
3	Apparel, hats, shoes	0.33	1.43
4	Housing and construction	1.47	6.29
5	Appliances, household	0.27	1.45
6	Drugs and medical	0.17	3.14
7	Traffic	0.69	7.5
8	Post and	-0.03	-0.64
9	Education	0.02	4.11
10	Culture, entertainment	0.25	1.63
11	Other goods and services	0.92	3.73

Source: GSO, BSC Research

Total retail sales of consumer goods and services in January 2020 were estimated at 448.1 trillion VND, up 3.6% over the previous month and up 10.2% over the same period last year, if excluding increase in price by 7.2% (same period in 2019 increased by 10.9%). Retail sales of goods in January was estimated at 346.2 trillion VND, up 6.3% MoM and up 10.7% YoY.

Foreign Direct Investment (FDI)

- **Registered FDI increased to 4.83 billion**, up 3.89 times over the same period last year while **disbursed FDI reached 1.6 billion**, up 3.2% compared to last year.
- **Foreign direct investment focused on manufacturing, distribution of electricity, gas, water, accounting for 89.7% of the total registered capital thanks to the LNG liquefied natural gas (LNG) Plant in Bac Lieu invested by Singapore investors with total registered capital of 4 billion USD.**

Total newly and additionally registered FDI capital as of January 20, 2020 of 258 projects (+ 14.2% YoY) reached US \$ 4.5 billion (+ 454.1% YoY), plus US \$ 0.33 billion of adjusted registered capital of 77 projects licensed in previous years. Thus, total newly and additionally registered FDI capital reached 4.83 billion USD (+ 211% YoY).

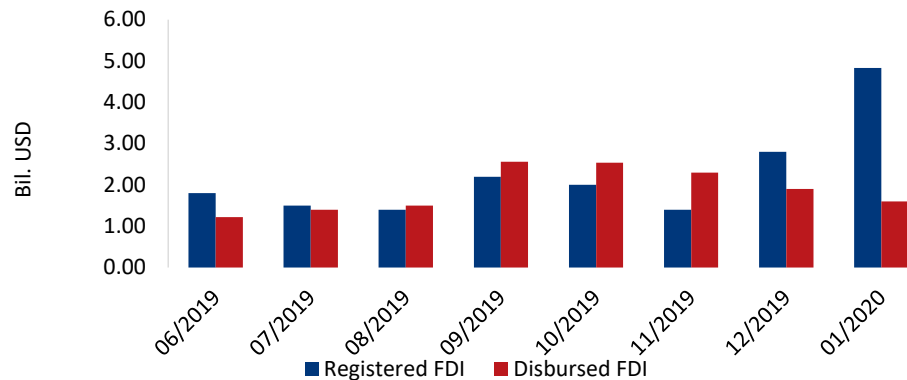
Realized foreign direct investment in January was estimated at US \$ 1.6 billion, up 3.2% over the same period in 2019.

In January, power, gas, water production and distribution were licensed with the biggest foreign investment with a registered capital of US \$ 4 billion, accounting for 89.7% of the total newly registered capital; processing industry reached 353.3 million USD, accounting for 7.9%; wholesale, retail, and reparation of automobiles and motorcycles industry, reached 56.2 million USD, accounting for 1.3%; remaining industries reached 51.4 million USD, accounting for 1.1%.

If including additional registered capital of projects licensed from previous years, foreign investment capital in the processing and manufacturing industry reached 657.4 million USD, accounting for 13.7% of total registered capital; wholesale, retail, and reparation of automobiles and motorcycles industry, reached 58.3 million USD, accounting for 1.2%; production and distribution of electricity, gas, water did not have additional registered capital in January, so total registered capital reached US \$ 4 billion, accounting for 83.4%; remaining sectors reached 79.1 million USD, accounting for 1.7%.

Chart 4

FDI (USD Bil.)



Source: GSO, BSC Research

Top 3 regions attracting registered FDI nationwide: Bac Lieu (US \$ 4 billion - 75.5%), Ho Chi Minh City (US \$ 310.8 million - 5.8%), Binh Duong (US \$ 157.5 million - 2.9%).

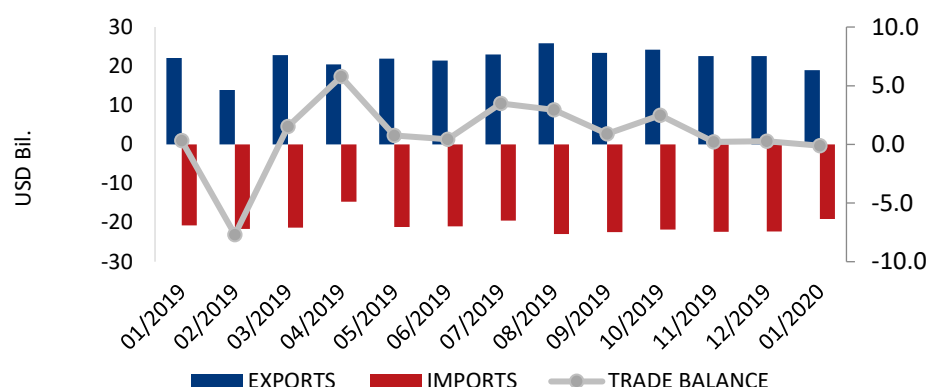
In the first month of the year, Singapore was the largest direct investor in Vietnam with investment of US \$ 4.05 billion, accounting for 90.0% of the total newly registered capital; followed by Hong Kong with 147.2 million USD, accounting for 3.3% and China with 83.8 million USD, accounting for 1.9%.

Trade balance, Import and Export

- **Trade balance in January was estimated at trade deficit of USD 100 million.**
- **Export turnovers in January were estimated at USD 19 billion, down -15.8% over the previous month and -14.3% over the same period of 2019.**
- **Import turnover of goods in January was estimated at USD 19.1 billion, down -14.4% over the previous month, and down -11.3% over the same period in 2019.**

Export turnover in January was estimated at USD 19 billion, down -15.8% over the previous month and -14.3% over the same period of 2019, of which the domestic economic sector totaled USD 6.31 billion, down -23.1% over the previous month and -11.4% over the same period last year; FDI sector reached 12.69 billion USD, down -11.6% MoM, and down -15.7% over the same period last year.

Chart 5
Import and Export (Bil USD)



Source: GSO, BSC Research

From the beginning of the year to January 15, phone electronic components was at the leading position, reaching 1.54 billion USD (+ 19.6%). Next, textiles grew by 18.2% to 1.47 billion USD. Electronics in the third position reached 1.38 billion (+ 32.3%).

Table 2
Top 10 export items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	46.32	5.7%
2	Textile	30.70	18.6%
3	Electronics	28.54	8.2%
4	Shoes	15.64	12.9%
5	Other machines	15.60	9.6%
6	Woods	8.99	17.7%
7	Vehicles	7.43	-2.2%
8	Aquaponics	7.40	5.1%
9	Produce	3.62	-8.8%
10	Suitcases	3.61	3.4%

Source: GSO, BSC Research

Table 3
Top 10 import items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Electronics	45.04	20.4%
2	Machinery	31.61	11.1%
3	Mobile phone	12.78	-5.9%
4	Fabric	11.56	3.6%
5	Steel	8.51	-2.9%
6	Plastic	7.87	-0.9%
7	Plastic products	5.66	9.9%
8	Oil	5.61	-13.7%
9	Other metals	5.17	-13.0%
10	Chemicals	5.07	-27.7%

Source: GSO, BSC Research

Import turnover of goods in January was estimated at USD 19.1 billion, down -14.4% MoM and -11.3% over the same period of 2019. Of which, the domestic sector gained USD 8.7 billion, down -17.7% MoM and -6.5% over the same period last year. FDI sector reached 10.4 billion USD, down -11.4% MoM and down -15.7% over the same period last year. From the beginning of the year to January 15, imports of goods in January had a high turnover, including computer electronics, reaching 2.18 billion USD (+18.6% YoY), machinery and equipment 1.88 billion USD (+16.5% YoY), mobile phone and components reached 0.61 billion USD (-1.9% YoY).

In January this year, there were only 18 working days due to the Lunar New Year holidays, causing export and import turnover to decrease compared to the previous month and over the same period in 2019.

Forex market

- **USD/VND exchange rate in January maintained a sideways movement in 2020 when the Fed maintained interest rates of 1.75% and the US-China trade war entered a state of delay.**
- **Dollar Index movement started to increase at the end of January due to concerns of investors about corona virus disease slowing down the world economic growth.**

The central exchange rate in January fluctuated in the range of 23,150 - 23,196 USD/VND, up from the margin of 23,156 - 23,167 USD/VND in December. The average of the month was 23,164 USD/VND. On January 31, the exchange rate was trading at 23,196, up +0.2% YTD and down -0.2% YoY.

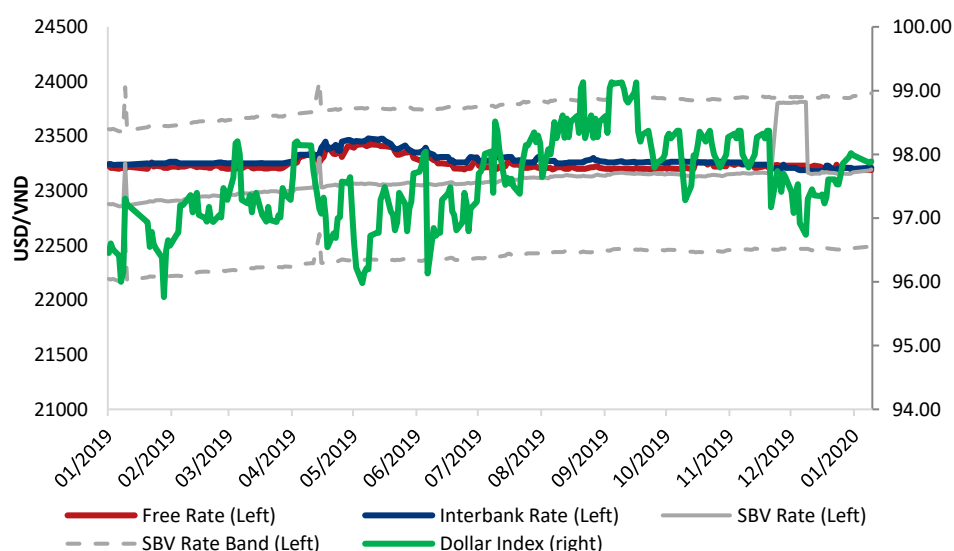
The interbank exchange rate in January fluctuated between USD 23,180 and USD 23,230 per VND, down from USD 23,190 to USD 23,240 in December. The monthly average was 23,200 USD/VND. On January 31, the exchange rate was trading at 23,210, up +0.1% YTD and down -0.1% YoY.

The free exchange rate in January fluctuated in the range of 23,190 - 23,240 USD/VND, down from the margin of 23,210 - 23,260 USD/VND in December. The average free exchange rate in the month was 23,208 USD/VND. On January 31, the exchange rate was trading at 23,190, down -0.1% YTD and unchanged compared to the same period in 2019.

Dollar Index in January increased by 0.6% compared to the end of December, and increased by 0.6% over the same period last year. The index ranges from 97.2 to 98.0 points, with the monthly average of 97.6 points. Currently the index reaches 97.89 points.

Chart 6

Exchange rate



Source: Bloomberg, BSC Research

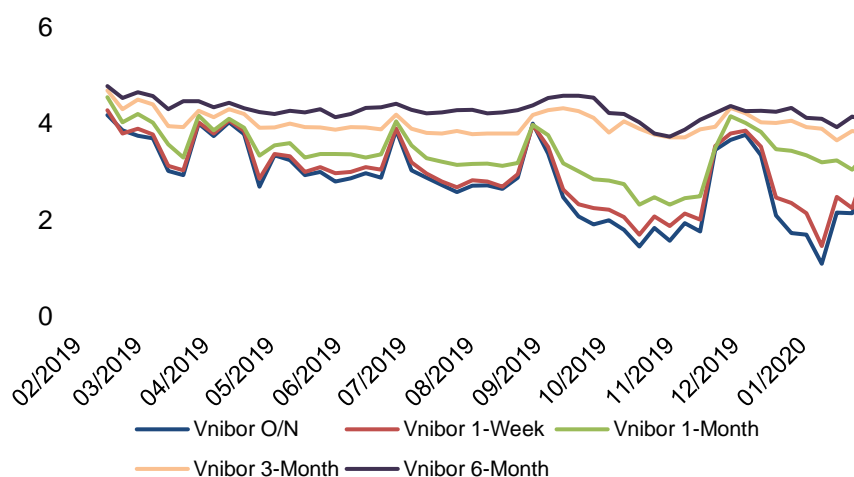
Bank - Interest rate

- **Interbank interest rates in medium and short term increased again on Lunar New Year when the demand for these loans increased again in the market.**
- **Medium and long-term deposit rates are still stable.**

Short-term and medium-term interest rates continued to decline sharply in the second week of January. This phenomenon occurred mainly because Circular 22, effective from 1/1/2020 stipulates that the limit on the ratio of loans to total capital mobilization (LDR) is 85% for all commercial banks instead of assigning 80% for joint stock commercial banks and 90% with SOEs commercial banks as before. As a result, commercial banks such as BIDV and VietinBank which have LDR ratios of over 85%, are forced to shift capital to do business on interbank more to meet new regulations. As a result, liquidity of the interbank system continued to be plentiful and almost without SBV activities on OMO channel in the whole of January. However, this interest rate increased strongly again at the demand for loans at the short and medium term, it rebounded on the occasion of the Lunar New Year and returned to the normal level at the end of January. As of January 31, the overnight interest rate, 1 week, 1 month, 3 months, and 6 months reached 2.89%, 3.18%, 3.4%, 3.79% and 4.06% respectively.

VND deposit interest rate is popular at 0.2-0.8%/year for demand deposits and terms with less than 1 month; 4.3-5.0%/year for deposits with term from 1 month to less than 6 months; 5.3-7.0%/year for deposits with a term of 6 months to less than 12 months; over 12 month tenor at 6.6-7.5%/year. Meanwhile, VND lending interest rate is popular at 6.0-9.0%/year for short term; 9.0-11%/year for the medium and long term.

Chart 7
Interbank rates



Source: Bloomberg, BSC Research.

Macro Forecast for February 2020

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

- 1. FED monetary policy meeting (January 28-29):** US Federal Reserve continues to hold interest rates at 1.5-1.75% in the latest meeting. The decision, which was approved unanimously, indicates that interest rates will continue to be maintained at current level in coming period. In the closing press conference, President Jerome Powell pointed out many positive indicators - moderate growth, positive labor market and inflation approaching target of 2%. At the same time, uncertainty in trade policy was reduced with the United States and China successfully completing phase one agreement. President Jerome Powell signal expectation for reduction in purchasing of Treasury bill, starting in period between April and June, concluding purchasing activity that began in October 2019. Macroeconomic indicators show that the country's economy continues to expand positively. GDP in the fourth quarter increased by 2.1%, equal to the increase in the third quarter. For 2019, GDP increased by 2.3%, a slight decrease compared to 2018 at 2.5%, continuing to increase moderately in the view of the Fed. Manufacturing PMI index fell to 51.7 in January, from 52.4 in December, the slowest growth in the past three months, continuing to maintain a moderate increase. At the same time, service PMI index increased to 53.2 in January, from 52.8 in December, continued to recover after falling to a low level of 50.6 in October. Inflation increased by 0.2% in December, a slight decrease compared to an increase of 0.3% in November. Compared to the same period in 2018, inflation increased by 2.3% in December. Compared to the same period in 2018, the personal consumption expenditures index (PCE) increased by 1.6% in December, after increasing by 1.4% in November, approaching target of 2%. Retail sales increased by 0.3% in December, equal to the increase in November. Personal consumption decreased slightly, up 0.3% in December, from 0.4% in November. Consumption continues to support the economy. FED may not change monetary policy in medium term.
- 2. ECB policy meeting (February 19):** European Central Bank continues to keep interest rates at -0.50% and maintains purchasing of bonds worth 20 billion EURO/month in the last meeting. This policy is expected to be maintained at least until the end of the year, when the monetary policy strategy review conclude. This assessment relates to its inflation target - calculations and policy tool. ECB can strengthen its commitment to inflation target by raising this target to 2% instead of the current level of below but near 2%. On the contrary, ECB can change the target to a band around 2% - reducing the policy management pressure. In term of monetary policy strategy, many

changes can be discussed in subsequent meetings. However, in term of monetary policy, there may be little change in 2020 – monetary easing will be continued to support recovery of manufacturing. GDP in the fourth quarter increased by 0.1%, slightly lower than the increase of 0.3% in the third quarter. Compared to the same period in 2018, GDP in the fourth quarter increased by 1%, down slightly from the third quarter at 1.2%. This is the lowest increase since the fourth quarter of 2013. EU manufacturing PMI index continued to fall below the growth threshold for the 12th consecutive month, recovering to 47.8 in January, from 46.3 in December. This is the smallest decline in the past nine months. Similarly, Germany's manufacturing PMI continued to fall below the growth threshold for the thirteenth consecutive month, rebounding to 45.2 in January, from 43.7 in December. EU inflation rose 1.4% in January, a slight increase from the 1.3% increase in December. However, core inflation only increased 1.1% in January, a slight decrease compared to the 1.3% increase in December. With the goal of bringing inflation to 2%, monetary easing will be maintained in coming period.

3. **Epidemic 2019-nCoV and OPEC:** As of February 1, 14,549 cases of 2019-nCoV were confirmed by the authority, along with 305 deaths. Negative development of this epidemic has had strong impact on the financial markets of many neighboring countries, including Vietnam. China will be impacted negatively on macroeconomic objective in the first quarter, considering the shutdown of manufacturing operations and quarantine of province. Macroeconomic indicators show that its economy continues to slowdown. GDP in the fourth quarter increased by 1.5%, a slight increase compared to the increase of 0.3% in the third quarter. Compared to the same period in 2018, GDP in the fourth quarter increased by 6%, equal to the third quarter, and is the lowest increase since the first quarter of 1992. For 2019, GDP increased by 6.1% - the slowest increase in 29 years although still within the 6-6.5% target of its government. Compared to the same period in 2018, inflation increased by 4.5% in December, similar to November - the strongest increase since the first quarter of 2012. Under these conditions, impact of 2019-nCoV epidemic will affect global supply chain, with a strong impact on neighboring countries. Countries that rely heavily on export to China are most affected. Currency of goods exporters such like Australia decreased by -4.90% in January. The currency of tourism service exporter like Thailand decreased by -3.99% in January. Commodities such as WTI oil and Brent oil fell sharply at -15.16% and -13.28% respectively in January. China is the second largest oil refining country in the world. Affected by tranvel ban, sector that is directly affected by the epidemic is the aviation industry. The sharp drop in oil prices has caused OPEC members to consider meeting in February - discussing an extension of output cuts until June with a further drop if oil demand in China continues to be negative.

4. **Brexit (January 31):** On January 31, the UK left the EU, nearly four years after the 2016 referendum. However, everything remains the same for now except that the country on paper was no longer in alliance. The UK and EU will join the process of negotiating relations between the two regions with issues such as trade, security, energy, transport links and data. The time frame is rather tight when discussions related to free trade agreement will not begin until the union's member governments agree to enter into an official negotiation. Discussion must also end in the middle of October to allow for translation of the agreement into member countries' languages. The UK government does not want to continue complying with EU regulations, saying this makes it difficult to negotiate with other countries. On the contrary, the EU contends that its standards are necessary to ensure fairness in economic competition. Agreements with the EU usually take many years to be finalized. Current timeframe may only be sufficient for a preliminary agreement. Trade policy uncertainty will increase if UK leaves the union without a deal – negatively impacting global economy. EU contributes half of all British trade. In the opposite direction, the UK also accounts for about 15% of the European economy.

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

1. **Applying new regulations on compensation, support and resettlement when the State recovers land.** The Government has just issued Decree 06/2020/ND-CP on amending Decree 47/2014/ND-CP stipulating compensation, support and resettlement when the State recovers land. Accordingly, for the land acquisition to implement investment projects decided by the National Assembly, the Prime Minister approved the investment policies: Supplement the content of "Estimated progress of implementation of compensation plans, support, resettlement" into the Compensation, support and resettlement policy framework.
 - In case of land acquisition for implementation of an investment project where a concentrated resettlement area must be built, the policy framework must also include the area of land acquisition to build that concentrated resettlement area.
 - For investment projects that have approved compensation, support and resettlement plans for the entire project before February 20, 2020 will continue to comply with Article 17 of Decree 47.
2. **The highest price of construction labor is VND 280,000/day.** Principles, contents and methods of determining unit price of construction workers are guided in Circular 15 in 2019 of the Ministry of Construction. This Circular will take effect from February 15, 2020. The Circular sets out the unit price bracket for construction workers, drivers, operators of construction machines and equipment, and construction surveying engineers as follows:

- Region I: From 213,000 to 280,000 VND/day;
- Region II: From 195,000 - 260,000 VND/day;
- Region III: From 180,000 - 246,000 VND/day;
- Region IV: From 172,000 - 237,000 VND/day.

Based on this unit price framework, the provincial People's Committee will decide the unit price for construction workers in the province on the following principles: In accordance with the skill level according to the ranks, working conditions, characteristics, properties work; In line with the price of construction labor; Working time 08 hours/day.

- 3. Amending regulations on property valuation councils in criminal proceedings.** Taking effect from February 15, 2020, Decree 97/2019/ND-CP amended and supplemented a number of articles of Decree No. 30/2018/ND-CP detailing the establishment and operation of Property valuation council; order and procedures for asset valuation in criminal proceedings. Specifically, Decree 30/2018/ND-CP stipulates that the Pricing Council by case is established at the district, provincial and central levels. Instead of stipulating the establishment of a Council for valuation of cases at the central level, Decree 97/2019/ND-CP is amended into a Council for valuation by cases established at ministries and ministerial-level agencies (ministerial level) and Pricing Council decided by the Prime Minister.

Table 4
Monthly macro indicators

Chỉ tiêu/Tháng	2019M06	2019M07	2019M08	2019M09	2019M10	2019M11	2019M12	2020M01
GDP YoY (%)	6.71	-	-	7.31	-	-	6.97	-
GDP ytd YoY (%)	6.76	-	-	6.98	-	-	7.02	-
PMI	52.5	52.6	51.4	50.5	50.0	51.0	50.8	50.6
IIP YoY (%)	9.6	9.7	10.5	9.7	9.2	5.4	10.4	-5.5
IIP ytd Yoy (%)	9.1	9.4	9.5	9.5	9.5	9.3	8.86	-5.5
Retail sales YoY (%)	11.5	12.4	12.4	12.7	13.3	12.6	11.4	10.2
Retail sales ytd YoY (%)	11.5	11.6	11.5	11.6	11.8	11.8	11.3	10.2
CPI MoM (%)	-0.09	0.18	0.28	0.32	0.59	0.96	1.4	1.23
CPI YoY (%)	2.13	2.44	2.26	1.98	2.24	3.52	5.23	6.43
Registered FDI (Bil USD)	10.37	11.7	13.2	15.76	18.30	20.60	22.5	4.83
Disbursed FDI (Bil USD)	9.10	10.6	12.0	14.2	16.20	17.60	20.4	1.60
Export (Bil USD)	21.4	22.6	25.9	23.3	24.2	22.6	22.5	19.0
Import (Bil USD)	19.5	22.4	22.5	21.7	22.4	22.5	22.3	19.1
Registered FDI (Bil USD)	1.9	0.2	3.4	1.6	1.8	0.1	0.2	-0.1
Exchange rate (USD/VND)	23,404	23,292	23,284	23,266	23,262	23,260	23,218	23,200
Credit growth (%)	6.09	-	-	8.4	-	-	13.7	-

Source: BSC Research

Stock market January 2020

Market outlook

January is a month of strong and unpredictable fluctuations of the market. VN-Index recorded a good increase when the first-stage trade agreement between the United States and China was officially signed. The period before Tet holiday also witnessed the consensus of the market under the lead of a series of blue-chips thanks to the improved business results of listed enterprises, especially the banking sector. However, the index is also under pressure when the world situation is somewhat unstable with geopolitical conflicts in the Middle East escalating and the outbreak of the 2019-nCoV flu. As of January 31, 2020, the VN-Index officially decreased by 24.4 points compared to the end of last month (-2.54% MoM) and HNX-Index decreased by -0.15 points (-0.15% MoM).

Differentiation is the key movement of stock groups. Most of the time, investors focused on LargeCap and VN30 groups while withdrawing from smaller capitalization groups. In January, the HSX had 118 gainers, 249 losers and 13 unchanged stocks. 5 stocks supporting VN-Index including BID increased +11.59% (contributed 6.3 points), CTG increased +16.75% (contributed 3.8 points), VHM increased +3.18% (contributed 2.6 points), VPB increased +12.25% (contributed 1.7 points), TCH increased by +25.73% (contributed 0.9 points). Stocks that caused the VN-Index to decline the most included VNM decreased -6.87% (decreased -4.0 points), GAS decreased -7.68% (decreased -4.0 points), SAB decreased -7.02% (decreased -3.0 points), VRE decreased -11.62% (-2.7 points decrease) and VJC decrease -15.70% (-2.5 points decrease).

Table 5
Fluctuation in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
1	936.62	2.14	3,283.99
12	960.99	3.69	3,279.93
11	970.75	3.50	3,309.56
10	998.82	3.50	3,380.04
9	996.56	2.56	3,371.45
8	984.06	2.94	3,323.55

Source: HSX, Bloomberg, BSC Research

Table 6
Fluctuation in the last 6 months on HNX

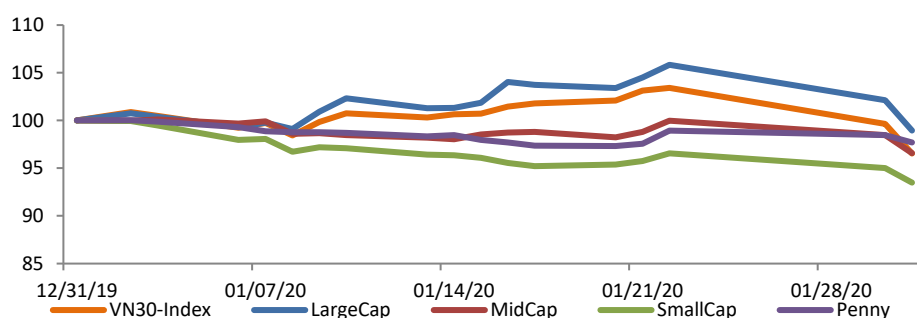
Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
1	102.36	0.42	194.84
12	102.51	0.56	194.72
11	102.5	0.46	182.75
10	105.19	0.61	186.38
9	105.05	0.48	188.19
8	102.32	0.58	185.35

Source: HNX, Bloomberg, BSC Research

Stock groups performances

Differentiation is the key movement of stock groups. In the first half of January, the market was mainly supported by cash flow into LargeCap and VN30 groups. Most of the time, the MidCap, SmallCap and Pennies groups recorded negative performance as investors continued to focus their attention on the two groups. However, in the last two trading sessions of the month, the market changed negatively, which caused consensus groups to record negative performance. Specifically, LargeCap decreased by -1.05%, MidCap by -3.42%, SmallCap by -6.51%, Pennies by -2.30%, and VN30 by -3.46%.

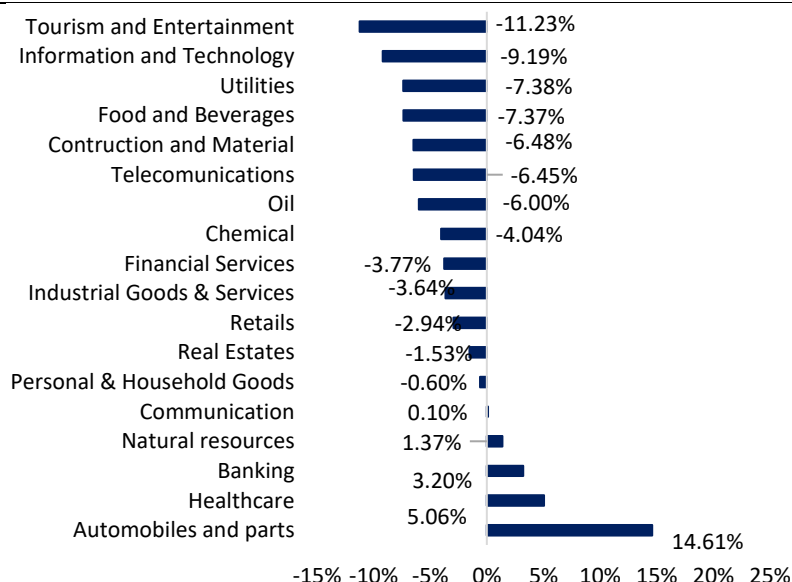
Chart 9
Stock sector developments



Source: Bloomberg, BSC Research

In January, the market had 5/19 sectors increased. In which, the Automobile and spare parts sector saw the strongest increase with the performance of 14.61% due to the contribution of TCH and GGG stocks with the increase of +25.73% and +22.36% respectively, the Health sector increased 5.06% with DBD (+5.84%), DHG (+8.74%), Banking sector increased by +3.20%.

Chart 10
Tier 2 sector in January 2020



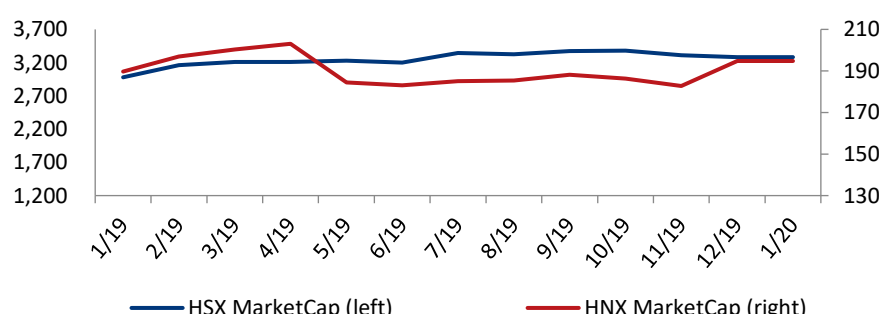
Capitalization scale

Market capitalization on both exchanges was VND 3,478 trillion, equivalent to 149.9 billion USD, up slightly +0.12% MoM. Upcom dropped sharply to VND 890.9 trillion at the end of January. As of January, there were 4,000 million shares listed for the first time on HOSE, 54.96 million additional listed shares and 14.99 million delisting shares; 17.9 million additional listing ETFs, no canceled listing ETFs; There were no additional listed bonds and unlisted bonds; and 29.9 million delisted CW.

In terms of listing scale on HOSE on January 31, there are 88.64 billion shares listed for VND 886.44 trillion (95.62% market value), 349.2 million bonds equivalent to VND 34.9 trillion (3.77% market value), 487.5 million ETF certificates equivalent to VND 4.87 trillion (0.53% of the market).

Chart 11

Market capitalization



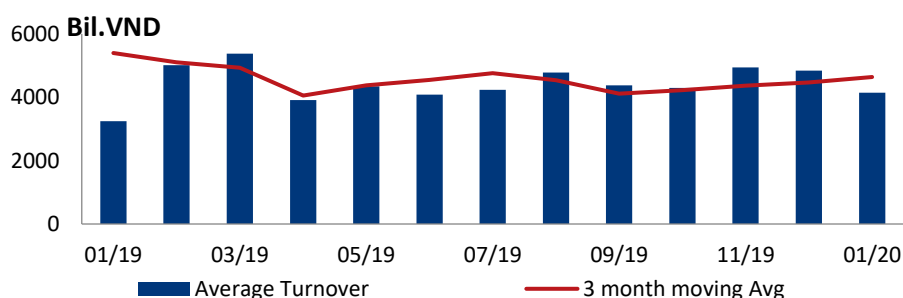
Source: Bloomberg, BSC Research

Average market liquidity

Liquidity on both exchanges decreased significantly -14.53% MoM and reached 4,139 billion VND/session and equivalent to 177.6 million USD/session. Liquidity plummeted due to January was a holiday period and investor sentiment was strongly affected by the instability of the world situation, especially at the end of the month.

Chart 12

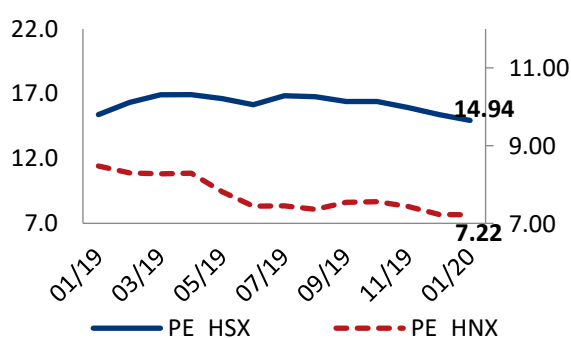
Average market liquidity



Price level of Vietnam stock market

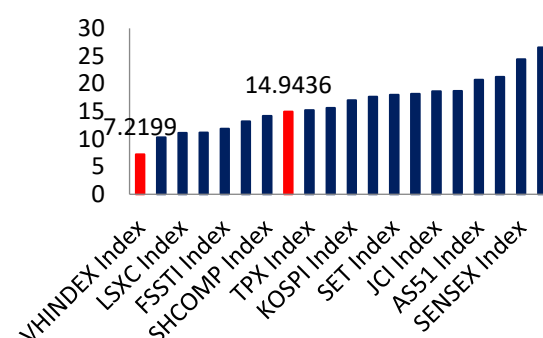
P/E of VN-Index fell to 14.94, equivalent to -2.89% MoM and HNX-Index fell to 7.22, equivalent to -0.15% MoM. P/E of both exchanges recorded a slight decrease and was at a low level in the past 4 years. Compared to December, the P/E of the VN-Index remained at 13th place and HNX-Index remained at 20th position in Asia.

Chart 13
P/E indicator or performance on both Exchanges



Source: Bloomberg, BSC Research

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

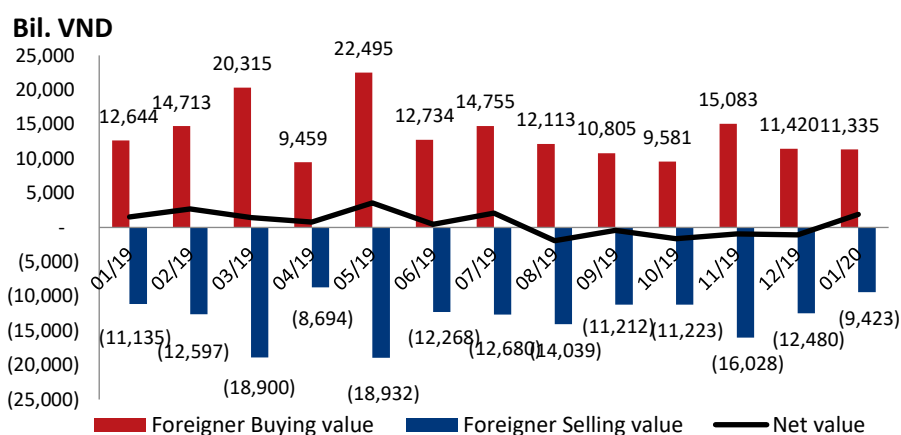


Source: Bloomberg, BSC Research

Foreign trading

Foreign investors returned to be net buyers in January. This month also saw a net buying on Upcom again when total net buying value reached 46.2 billion dong, they focused on buying 22.9 billion dong of QNS and 17.7 billion dong VTP while net selling -13.7 billion VLC.

Chart 15
Foreigner transaction performances on both Exchanges



In January, foreign investors returned to a net buying on the HSX of 1,947 billion dong with 158 stocks bought net and 160 stocks sold, net sold -34.7 billion on the HNX with 73 stocks sold and 84 stock bought. On the HSX, foreign investors strongly bought PGD (1,020.8 billion dong), MWG (587.8 billion dong), HPG (433.1 billion dong), E1VFN30 (175.4 billion dong), CTG (170.5 billion dong) and sold VCB (-177.3 billion), PDR (-131.8 billion), VIC (-110.3 billion dong). On HNX, this group focused on selling PVS (-8.8 billion dong), NDN (-8.7 billion dong) and buying VCS (1.4 billion dong) and NBC (1.3 billion dong).

Table 7
Top 10 foreign traded stocks on HSX in January
January

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
PGD	1,020.83	VCB	(177.35)
MWG	587.78	PDR	(131.83)
HPG	433.16	VIC	(110.29)
E1VFN30	175.43	POW	(102.75)
CTG	170.56	NKG	(90.32)
VNM	166.22	PVD	(82.03)
VHM	116.40	VJC	(81.55)
PNJ	80.64	CTI	(69.97)
GAS	61.00	HCM	(50.96)
ROS	57.01	NVL	(47.50)

Source: BSC Research

Table 8
Top 10 foreign traded stocks on HNX in
January

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VCS	1.45	PVS	(8.83)
NBC	1.34	NDN	(8.77)
BVS	1.18	PLC	(5.78)
ART	1.15	HUT	(5.56)
PVC	1.09	CEO	(4.50)
LAS	1.08	NTP	(3.17)
SLS	0.94	INN	(2.48)
DP3	0.86	WCS	(1.87)
IDV	0.84	SCI	(1.45)
NRC	0.67	VCG	(1.37)

Source: BSC Research

Market Outlook of December 2019

Britain officially left the EU after 47 years of joining to end the controversy since the Brexit referendum of June 2016. FED and ECB had their policy meetings at the end of January and decided to keep current interest rates unchanged, as well as continue monitoring market movements. However, such information was received indifferently by investors. Instead, information about corona virus outbreak became a topical issue.

The corona virus was first detected in China's Wuhan city and has spread to at least 18 other countries. The World Health Organization (WHO) has recognized the virus that causes deadly pneumonia as a global health emergency on January 30. China said that there were 11,700 confirmed cases of corona virus infection, with 259 deaths on January 31.

In January, the global stock market fluctuated strongly from geopolitical tension between US and Iran, trade tension between US and China, and concern about the epidemics. The emerging MSCI index and the frontier MSCI index fell by 4.7% and 3.2%. MSCI index for developed markets decreased by 0.7%, with the decrease accelerate in sessions toward end of the month.

Similar to other markets in the region, Vietnam's stock market experienced a sharp decline after the Holiday. The 2 sessions after the Holiday not only took away the previous increase of 3.18% but also removed 2.7% of VN-Index in January. Development of the epidemic is likely to be the key factor impacting market movements in February as well as the first quarter of 2020.

Regarding information affecting market, following information is notable in February:

Epidemics and impacts on stock market in the past. Epidemics undoubtedly affected economies negatively, but psychological factors and how authority deal with epidemics are those that determine level of damage. Epidemic outbreaks negatively affected the stock market in the short term. Damage level concentrated in the first 3 months and recovered significantly afterward. According to the statistics of 13 epidemics since 1980, the MSCI World Index has recovered strongly by an average of 0.4% after 1 month, 3.08% after 3 months and 8.5% after 6 months. Therefore, disease is a short-term risk for stock market but also an opportunity in medium and long term. Assessing the impact of Corona virus on industries, BSC identified negatively affected sectors including aviation, oil and gas and a number of sectors exporting to China, while positively affected sectors including healthcare, basic goods, energy and telecom ([Link](#)).

Macroeconomic remains stable. Some indicators deteriorated due to coinciding with Lunar New Year, but there are also some positive points. The index of industrial production, investment from state budget and export decreased while CPI increased sharply due to the Lunar New Year effect and

seasonal factor. In contrast, bright spots are: (1) Total retail sales of goods and consumer service in January 2020 increased by 3.6% compared to December and by 10.2% over the same period of 2019; (2) Registered capital increased by 77% over the same period in 2019; (3) Total FDI investment increased by 179.5% over the same period in 2019; (4) International visitors increased by 32.8% over the same period in 2019.

Outbreak of corona virus in Vietnam also affected macroeconomy in February, especially in tourism. Government has implemented early measures to prevent the spread of disease. During fast-growing epidemic, Government needs time to monitor and assess the impact of the disease. Nevertheless, growth factors in recent years have been maintained, supporting growth momentum and creating basis to deal with negative external factors.

Market declined on a large scale, stocks fall to a low level, which will attract investors. With two sessions at the end of the month, the P / E and P / B of the VN-Index fell to 14.9 and 2.18 times, respectively, equivalent to level on January 14, 2019 when the index was at 880 points. Difference of 56 points was due to improvement of business results by more than 6% after dilution of stocks. The P / E and P / B of HNX-Index are respectively at 7.29 and 0.9, which are significantly lower than those of 8.4 and 0.96 at January 14, 2019. The P / E and P / B ratios of the two indices decreased rapidly due to both factors: (1) The price fell sharply and (2) market profit rose positively.

Net profit growth of listed companies on the HSX and HNX gradually improved over the first, second and third quarters at 1%, 10% and 13% respectively and is expected to increase 15% in the fourth quarter compared to the same period in 2018. Listed companies continue to announce Q4 and full-year earnings results, helping valuation to improve.

P / E and P / B ratios of VN-Index are at low level of four years. Financial institutions also forecast a profit growth of 10% - 15% in 2020. Therefore, this may be the time to consider buying into stocks that are being oversold.

Table 9
Factors affecting the market in 12/2019:

Events	Impact on stock market
Outbreak of corona virus	Short-term negative, possibly medium-to-long-term positive
Macroeconomic indicators were stable, mixed positive and negative signals	Stable but need to closely monitored
Business results improved quarter by quarter, stocks price fell to a low level of the past 4 years.	Positive, support for medium and long-term investment activities
Listed companies' fourth quarter and 2019 earnings results	Short-term positive
Investment funds on the VN-Diamond Index and VN-Capped Financial Index, including stocks that are nearly out or out of room.	Positive but might be delayed Attracting foreign cashflow
ETFs announce portfolio structure for the first quarter of 2020.	Increase market liquidity

Information on US - China trade negotiations second round, discussion on terms related to Brexit.	Strong impact on market and investors' sentiment
Geopolitical conflicts, risks of conflicts in Gulf Region.	Disruptive to oil price, with broad impact

Source: BSC Research

The last two sessions in January reversed our opinion in 2020 Market Macro Report ([Link](#)) about the possibility that VN-Index will maintain the uptrend in early months of 2020. The corona virus epidemic has created sell-off episodes on the market. Disease remains a concern and can create downward pressure of VN-Index to support levels of 925 and 880 points. However, reviewing movements of the stock market in response to past disease, as well as considering intrinsic factors of the economy and market, we believe that this decline is opening up great opportunities for investment in medium-term. VN-Index is forecasted to experience a downward pressure in the first 1-2 weeks of February with a gradual decrease intensity and will accumulate by the end of February. VN-Index price movement in February ranges from 880 points to 970 points.

- In a positive case, VN-Index gradually rise from negative trend, accumulated above 925 points and may increase gradually above 950 by the end of the month.
- In a negative case, VN-Index may close below 900 points if disease situation is negative and the pressure to continue divesting from foreign investors.

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

- Industry and stocks are evaluated positively in the Sector Outlook Report 2020 ([Link](#));
- Stocks with improvements and positive outlook such as Banking, Retail, Information Technology - Postal and Telecommunications;
- Stocks benefiting from diseases such as Healthcare, Pharmaceutical;
- Highly defensive stocks and stock with high dividend payout;
- In the long-term, BSC's recommended stocks will be mentioned in Sector Outlook Report 2020, stocks with good changes are recommended in the Weekly Report ([Link](#)), and update report for Sector/Company ([Link](#)).

Disclosure

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BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3821 8885
Fax: +84 8 3821 8510

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