

Vietnam Monthly Review 2020 M02

BSC Research

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Macroeconomics

- The PMI index declined to 49.0, down from 50.6 in previous month, and lower than 2019 average of 51.5 points.
- Total retail sales of consumer goods and services in February were estimated at 414.1 trillion VND, down 7.9% over previous month and up 6% over same period last year.
- Registered FDI increased to 5.64 billion USD, up 70.9% over same period last year, while disbursed FDI reached 0.9 billion USD, down 12.6% compared to last year.
- Interbank exchange rate in February fluctuated in the range of 23,190 - 23,350 USD/VND, up from the range of 23,180 - 23,230 USD/VND in January. Interbank interest rates for medium term continued to decline.

Stock market

- As of February 28, 2020, VN-Index officially decreased by -54.4 points compared to the end of last month (-6.2% MoM) and HNX-Index increased by +7.22 points (+ 7.0% MoM).
- The average liquidity on the 2 exchange increased by 15.8% compared to January 2019, and reached VND 4,793 billion/session and equivalent to nearly USD 206.9 million/session.
- Foreign investors turned to be net sellers again in February. Foreigners were net sellers VND -2.813 billion and VND -242 billion on HNX.
- P/ E of VN-Index fell to 13.73, equivalent to -8.1% MoM and HNX-Index increased again to 7.87, respectively + 9.0% MoM. Compared to January, the P/E of the VN-Index dropped to 14th place and HNX-Index held the 20th position in Asia.

Market outlook in March

Despite complicated and unpredictable movements of the epidemic, VN-Index in general and some stocks in particular are showing signs of oversold due to psychological factors. Based on the history of the stock market reacting to past disease movements ([Link](#)), considering the internal economic and market factors, we hold the view that this decline is opening a great opportunity for mid-term investment activities. Information about policy support, if any, will determine the intensity and severity of the recovery phase. VN-Index fluctuated in December from 860 points to 970 points. BSC offers 2 scenarios in March as follows:

- In a positive case, VN-Index recovered after a sell-off, accumulating over 925 points and may increase gradually above 950 by the end of the month when there is supportive information.
- In a negative case, VN-Index may close below 873 points if the disease situation is negative and the pressure to divest from foreign investors.
- **Recommended stocks:**
 - Sectors and stocks are evaluated positively in the Sector Outlook Report 2020 ([Link](#)), Banking Sector Outlook Report ([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 February 2019

Economic growth

- **PMI declined to 49, down from 50.6 in previous month, and is lower than the 2019 average of 51.5 points.**

Index of industrial production (IIP) in February increased by 8.4% over previous month and by 23.7% over same period last year, of which mining industry rose by 9.2%; processing and manufacturing increased by 26.4%; electricity production and distribution increased by 22.5%; water supply and waste treatment increased by 8.3%.

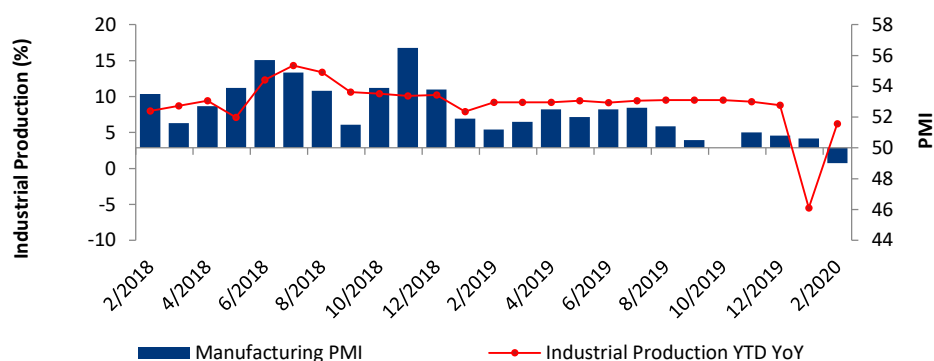
Among secondary industries, top 3 industries with largest increase in IIP in February compared with the same period last year: processing and manufacturing increased by 118.1%; coal and lignite mining increased by 46.6%; production of electronic products, computers and optical products increased by 37.5%

Some key industrial products in February increased strongly over the same period last year: phone components increased by 112.4%; coal increased by 46.2%; MSG increased by 42%.

Industrial production in February is estimated to increase by 8.4% over the same period last year, due to higher number of working days this year. However, Covid-19 had a fairly strong negative impact on industrial production activities, so in the first two months of 2020, the index of industrial production increased by 6.2% compared to the same period last year.

Chart 1

Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

The PMI index declined to 49, down from 50.6 in previous month, and lower than 2019 average of 51.5 points. The latest data signals decline in business conditions - for the first time since November 2015:

- Production output has decreased at the fastest pace since 06/2013

- New orders dropped for the first time since November 2015, partly because of decline in new export orders' revenue.
- Weakening consumer demand, leading to a decrease in purchasing activities of businesses (of which consumer goods and intermediate goods had biggest impact)
- Negative impact of the disease on supply chain leads to scarcity of input goods, increasing cost of production. Concurrently, consumer demand weakened, output price remained low.
- In such a situation, business outlook for the next one year remained positive based on expectation of recovering in consumer demand.

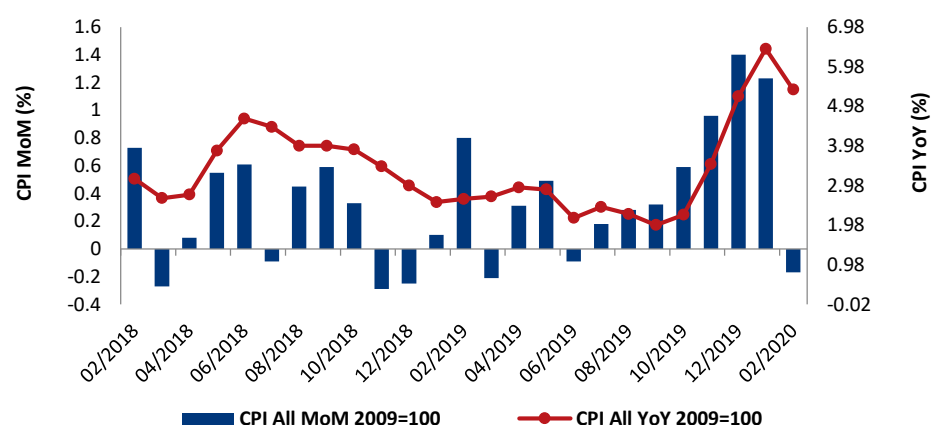
Besides, China's PMI index decreased from 51.1 to 40.3 - lowest level since April 2004 - signaling deterioration in business conditions, for the first time since July 2019. Attempts to prevent COVID19 outbreaks in China negatively impacted manufacturing sector. Production, labor, and new orders plummeted. However, business outlook improved to be the most positive in the last five years, with expectation of production recovery once the epidemic-related restrictions were removed. At the same time, they expected the government to promote measures to support small and medium-sized enterprise, along with other fiscal and monetary policies.

Inflation

- **CPI in February decreased by 0.17% compared to January mainly due to lower demand for goods and services after Lunar New Year holiday, and negative impact from Covid-19.**

CPI of February decreased by 0.17% over previous month, and increased by 5.4% over the same period in 2019. Core inflation in February 2020 increased by 0.17% the previous month and increased by 2.94% compared to same period last year.

Chart 2
Monthly CPI movements

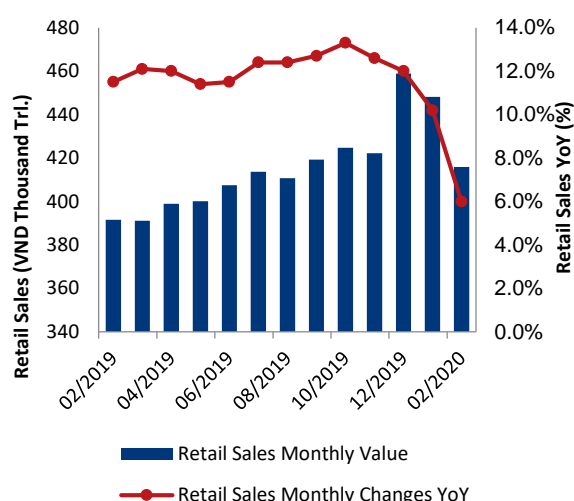


Source: GSO, BSC Research

In February, price index of 6/11 groups of goods and services recorded a decrease compared to previous month. Fluctuations of CPI in the month were caused by the following reasons:

- **Transport decreased by 2.5%** mainly due to impact of a decrease in petrol and oil price on February 14, 2020, resulting in a 5.2% decrease in the price of petrol and oil (impact on overall CPI was a decrease of 0.22%). Concurrently, ticket price of some means of transport decreased after the Lunar New Year (buses fares decreased by 0.21%, train fares by 8.93%);
- **Entertainment, culture, and tourism decreased by 0.43%** mainly due to decline in travel and tourism demand;
- **Beverage and tobacco decreased by 0.28%**

Chart 3
Retail Sales



Source: GSO, BSC Research

Table 1: Increase/decrease of service sectors

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	0.26	9.32
2	Beverages and cigarettes	-0.28	1.59
3	Apparel, hats, shoes	-0.13	1.17
4	Housing and construction materials	-0.03	5.53
5	Appliances, household appliances	0.08	1.27
6	Drugs and medical services	0.13	3.26
7	Traffic	-2.5	4.64
8	Post and Telecommunication	-0.05	-0.66
9	Education	0.04	4.65
10	Culture, entertainment and tourism	-0.43	0.53
11	Other goods and services	0.17	3.42

Source: GSO, BSC Research

Total retail sales of consumer goods and services in February were estimated at 414.1 trillion VND, down 7.9% over previous month and up 6% over same period last year. In particular, retail sales of goods in February were estimated at 325.2 trillion dong, down 6.7% MoM and up 8.2% YoY.

Foreign Direct Investment (FDI)

- **Registered FDI increased to 5.64 billion USD, up 70.9% over same period last year, while disbursed FDI reached 0.9 billion USD, down 12.6% compared to last year.**
- **Foreign direct investment concentrates on manufacturing and distributing of electricity, gas, and water industries, accounting for 79.9% of total registered capital thanks to an investment of 4 billion USD by Singapore investors in liquefied natural gas (LNG) plant in Bac Lieu.**

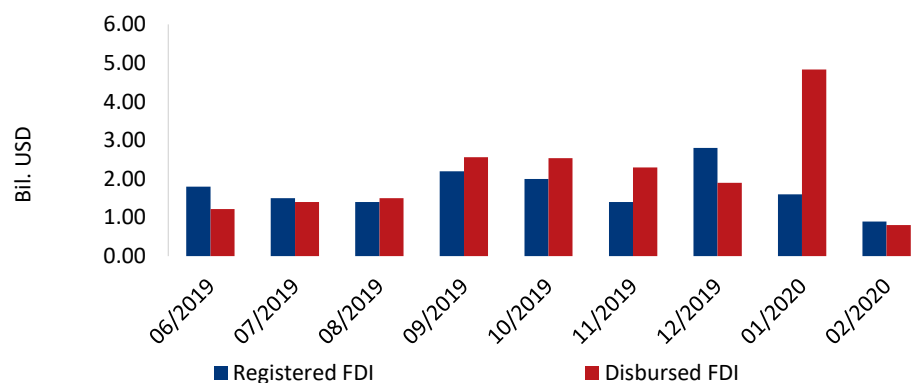
Total newly registered FDI as of February 20 of 500 projects (-2.7% YoY) reached 5 billion USD (+ 104.7% YoY), plus 0.64 billion USD of adjusted registered capital of 151 projects granted in previous years. Therefore, total newly and additionally registered FDI capital reached 5.64 billion USD (+ 70.9% YoY).

Realized FDI capital in February was estimated at US \$ 0.9 billion, down -12.6% over the same period in 2019.

In the first two months of 2020, production and distribution of electricity, gas, and water received largest newly licensed foreign investment with registered capital reached 4 billion USD, accounting for 79.9% of total capital; manufacturing and processing industry reached 0.8 billion USD, accounting for 16%; remaining industries reached 0.2 billion USD, accounting for 4.1%.

If including additional registered capital of licensed projects from previous years, foreign investment capital in the production and distribution of electricity, gas, and water reached 3.8 billion USD, accounting for 68.1% of total registered capital; processing and manufacturing industry reached 1.4 billion USD, accounting for 25.3%; remaining industries reached USD 0.4 billion, accounting for 6.6%.

Chart 4
FDI (USD Bil.)



Source: GSO, BSC Research

Top 3 regions attracting registered FDI nationwide: Bac Lieu (4 billion USD - 61.8%), Tay Ninh (0.5 billion USD - 7.5%), Ho Chi Minh City (0.5 billion USD - 7.4%).

In the first two months of the year, Singapore was the largest direct investor in Vietnam with investment capital of 4.12 billion USD, accounting for 63.7% of total newly registered capital; China ranked second with 0.7 billion USD, accounting for 11.1%; and South Korea ranked third with 0.4 billion USD, accounting for 6.6%.

Trade balance, Import and Export

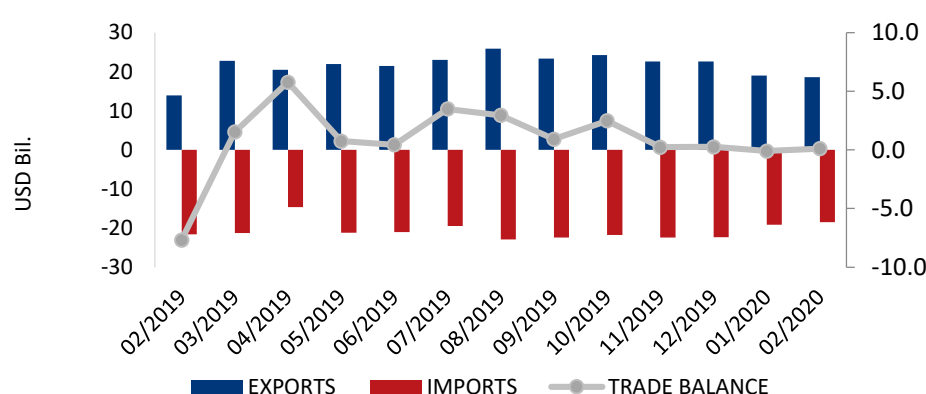
- Trade balance in February was estimated at trade surplus of 100 million USD. Trade balance in the first 2 months of 2020 was estimated at trade deficit of US \$ 100 million.
- Export in February was estimated at 18.6 billion USD, up 1.5% over previous month and 34% over same period in 2019. Export of goods in first two months of was were estimated at 36.92 billion USD, increased by 2.4% over the same period in 2019
- Import of goods in February was estimated at 18.5 billion USD, decreasing by 0.5% over previous month, and increasing by 26% over same period in 2019. Import of goods in the first two months of 2020 was estimated at US \$ 37.1 billion, increased by 2.4% over the same period in 2019.

Export in February was estimated at 18.6 billion USD, up 1.5% over previous month and up 34% over same period in 2019, of which domestic sector gained 5.1 billion USD, down -19.6% compared to previous month, and up 39.7% over same period last year; foreign-invested sector reached 13.5 billion USD, up 12.6% over the previous month, and up 32% over the same period last year.

Export in the first two months of 2020 was estimated at 36.92 billion USD, up 2.4% over the same period in 2019, of which domestic sector reached 11.4 billion USD, up 6% over the same period last year; FDI sector reached 25.5 billion USD, increasing by 0.9% compared to the same period last year.

Chart 5

Import and Export (Bil USD)



Source: GSO, BSC Research

In February, compared to the same period of 2019, phones and electronic components reached 4.2 billion USD (+ 21.5%). Electronics, computers and components grew by 52.4% to reach 2.7 billion USD. Textiles and garments reached 2.1 billion USD (+ 57.1%).

Table 2

Top 10 export items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	4.20	21.5%
2	Electronics	2.70	52.4%
3	Textile	2.05	57.1%
4	Other machines	1.50	58.4%
5	Shoes	1.30	52.6%
6	Vehicles	0.70	42.6%
7	Woods	0.65	62.3%
8	Aquaculture	0.42	13.1%
9	Fibers and yarns	0.28	3.2%
10	Coffee	0.25	25.7%

Source: GSO, BSC Research

Table 3

Top 10 import items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Electronics	4.40	30.20%
2	Machine	2.50	19.40%
3	Mobile phone	1.00	50.30%
4	Fabric	0.75	19.30%
5	Plastic	0.68	20.80%
6	Steel	0.54	-2.10%
7	Plastic Products	0.48	36.50%
8	Other metals	0.48	25.80%
9	Automobile	0.43	-17.50%
10	Chemical Products	0.40	41.30%

Source: GSO, BSC Research

Import in February were estimated at 18.5 billion USD, down 0.5% over the previous month and up 26% over same period in 2019. Of which, domestic sector gained 7.45 billion USD, down 5.7% over previous month, and increased by 29.7% over the same period last year. Foreign-invested sector reached 11.05 billion USD, up 3.3% over previous month and up 23.7% over same period last year. In February, compared to same period of 2019, electronics, machinery, and equipment reached 2.5 billion USD (+ 19.4% YoY), phones and components reached 1 billion USD (+ 50.3% YoY).

Import of goods in the first two months of 2020 was estimated at 37.1 billion USD, up 2.4% over same period in 2019. Domestic economic sector was estimated at 15.4 billion USD, up 2.7% over same period last year. Foreign-invested sector reached 21.8 billion USD, up 2.2% over same period last year.

Although Vietnam's import and export activities were negatively affected by Covid-19 epidemic, Samsung in February 2020 increased export of S20 model, so the import and export of the first two months maintained upward momentum compared to same period last year.

Exchange rate

- USD/VND exchange rate in February increased compared to January when capital flowed to shelter assets such as USD
- Dollar Index increased in February due to concern about Covid-19 which slowed down world economic growth.

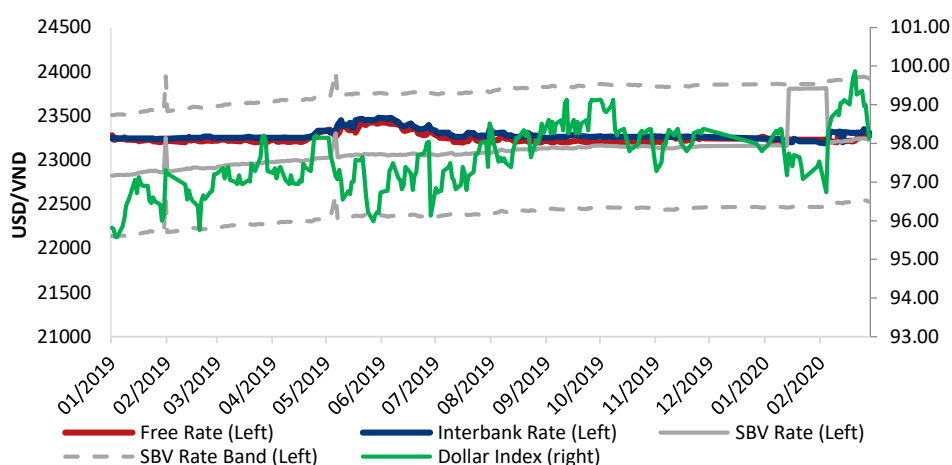
Central rate in February fluctuated around range of 23,196 - 23,814 USD/VND, up from the range of 23,150 - 23,196 USD/VND in January. Average rate of the month was 23280 USD/VND. On 28/02, the rate was at 23,224 USD/VND, up 0.29% YTD and up 1.38% YoY.

Interbank exchange rate in February fluctuated in the range of 23,190 - 23,350 USD / VND, up from the range of 23,180 - 23,230 USD / VND in January. The average of the month was 23,294 USD / VND. On 28/02, the rate was at 23,310, up 0.30% YTD and up 0.26% YoY.

Free exchange rate in February fluctuated in the range of 23,200 - 23,320 USD/VND, up from the range of 23,190 - 23,240 USD/VND in January. Average free exchange rate in the month was 23,238 USD/VND. On 28/02, the rate was at 23,270, up 0.04% YTD and up 0.22% YoY.

Dollar Index in February increased by 0.6% compared to the end of January, and increased by 0.96% over the same period last year. The index ranges from 96.7 to 99.9 points, with the monthly average of 98.8 points. On 28/02, the index reached 98.13 points.

Chart 6
Exchange rate



Source: Bloomberg, BSC Research

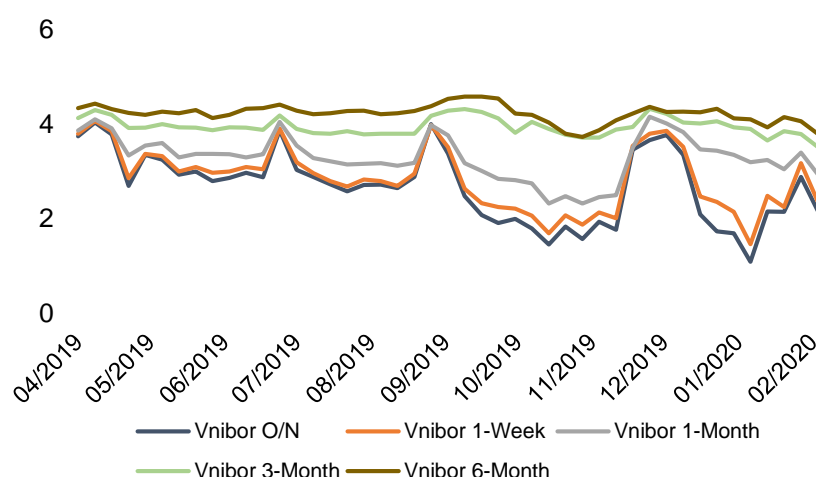
Bank - Interest rate

- **Interbank interest rates for medium term continued to decline. Interbank interest rates for short term increased sharply in the first week before falling in the following weeks.**
- **Medium and long-term deposit rates remained stable.**

Interbank interest rates for medium term continued to decline, and rebounded in the last week of February, when State Bank of Vietnam (SBV) issued Document 1117 / NHNN-TD to implement solutions to support affected party of Covid-19. Short-term interest rates rose in the first week of the month when SBV withdrew VND 36,000 billion via treasury bills. Short-term interest rates declined in following weeks, as SBV gradually reduced amount of withdrawal. As of February 28, the overnight, 1 week, 1 month, 3 month, and 6 month interest rates were at 2.00%, 2.23%, 2.97%, 3.53%, and 3.77% respectively.

VND deposit interest rate ranged 0.2 to 0.8% / year for deposit with a term of less than 1 month; 4.3-5.0% / year for deposit with a term from 1 month to less than 6 months; 5.3-7.0% / year for deposit with a term of 6 months to less than 12 months; 6.6-7.5% / year for deposit with a term of over 12 months. Meanwhile, VND lending interest rate ranged from 6.0 to 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 March 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 (March 19):** US Federal Reserve is likely to lower interest rate by 0.25% to 1.25-1.50% in the next policy meeting. According to CME's FedWatch Tool, Fed is almost certain to lower interest rates at its meeting in March. Movements in money market show that FED could lower interest rates once more in the meeting of July. COVID19 spread quickly to countries outside of China, negatively affecting market sentiment. Two-year US Treasury bill yield dropped to 0.88% - the lowest since the end of 2016. VIX Index – a market volatility indicator - increased to 42.6 points on February 28, the highest since 2011 (coincide with the peak of European public debt crisis). President Jerome Powell said the Fed would act appropriately to deal with the impact of the epidemic. The "appropriate action" phrase was used in June 2019, before the Fed cut rate three times in 2019. However, he also noted that United States

remained stable. Economic indicators showed that the country's economy continued to develop positively. Unemployment remained at a low level of 3.6%. Inflation increased by 0.1% in January, down from 0.2% in December. Compared to the same period in 2019, inflation increased by 2.5% in January, up from 2.3% in December. Compared to the same period last year, personal consumption expenditure (PCE) increased by 0.1% in January, down from 0.2% in December. Compared to the same period last year, core PCE increased by 1.6% in January, similar to increase in December, remained near target of 2%. Along with that, retail sales increased by 0.3% in January, up from 0.2% in December. Compared to same period last year, retail sales increased by 4.4% in January, down from 5.5% in December. Personal consumption increased by 0.2% in January, down from 0.4% in December. Manufacturing PMI index fell to 50.8 in February from 51.9 in January, the slowest growth in the past four months, signaling moderate expansion. Service PMI index dropped to 49.4 in February from 53.4 in January, signaling a decline in business activity in the sector for the first time since October 2013. Consumption continued to support growth of US economy. Manufacturing sector showed less positive signs. Weakening of this sector could spread to other economic areas if the epidemic evolves in a negative direction. FED may lower interest rates in the next policy meeting.

2. **ECB policy meeting (March 12):** European Central Bank is likely to continue to maintain interest rates at -0.5% in the next policy meeting. Regarding potential for interest rate cut in response to the impact of COVID19, President Christine Lagarde said the agency continues to monitor the possibility that the epidemic would create long-lasting shock to the region's economy. However, such possibility is not high according to the chairwoman. At the same time, Bundesbank chairman Jens Weidmann said the response to the epidemic does not require immediate monetary operation. Movements in money market show that the ECB may not lower interest rates at the meeting in March, but may wait until meeting in June. ECB room for monetary operation is limited. But overall, ECB continues to run expansionary monetary policy to support the recovery of manufacturing sector, especially when COVID19 epidemic has a negative impact on the global supply chain. Euro Area manufacturing PMI index continued to fall below growth threshold for the thirteenth consecutive month, recovering to 49.1 in February, from 47.9 in January. This is the smallest decline in the past twelve months. Similarly, Germany manufacturing PMI continued to fall below the growth threshold for the fourteenth consecutive month, rebounding to 47.8 in February, from 45.3 in January. EU inflation rose 1.4% in January, an increase from 1.3% in December. However, the core inflation of this region only increased 1.1% in January, a slight decrease compared to 1.3% in December. Production continued to show signs of recovery. This may be the reason that the monetary policy makers have not given any signal of interest rate cut in

the near future. However, if the epidemic worsens, ECB may need to consider lowering interest rates at the meeting in April or June.

3. **COVID19 epidemic and PBOC (March 20):** As of March 1, 86,992 cases of COVID19 are confirmed by the authorities, along with 2,979 deaths. Negative development of this epidemic has affected markets in many countries, especially when it has shown signs of rapid spread on a global scale. The number of new infections has risen again in recent days when outbreaks have occurred outside of China. South Korea, Italy, and Iran record 3,526, 1,128, and 593 cases, along with 17, 29, and 6 deaths. Despite being allowed to resume operations, only 30% of small and medium enterprises in China return to normal production, according to official government data. Small and medium enterprises create jobs for more than 80% of labor, and contribute more than 60% of GDP of China. This will put pressure on interest rate cuts for the country's central bank, in addition to the series of strong support measures that have already been introduced. PBOC committed to ensure liquidity by reducing the reserve ratio required. In addition to reducing the prime rate, the PBOC has also injected an additional 500 billion CNY (equivalent to 71.3 billion USD) for banks to extend debt in order to support small and medium enterprises, after 300 billion CNY injection for enterprises producing medical supplies. Economic indicators start to show how negative the economy was affected in the past two months. National Bureau of Statistics' manufacturing PMI plummeted to 35.7 in February, from 50 in January. New orders dropped to 29.3, export orders fell to 28.7. Production output declined to 27.8. At the same time, business outlook fell to 41.8. With such weak macro indicators, PBOC is likely to continue to cut its compulsory reserve ratio and cut prime rates again in the upcoming meeting.

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

1. **Promoting development of production and business, updating growth scenarios and solutions for executing socio-economic development objectives of 2020 given effect of COVID19.** According to Notice No. 52 / TB-VPCP and 66 / TB-VPCP, Prime Minister requested ministries and local governments to proactively update the epidemic situation, proactively implement or propose appropriate solutions against the epidemic, in order to achieve approved targets of 2020. State Bank of Vietnam, Ministry of Finance, Ministry of Industry and Trade, Ministry of Agriculture and Rural Development and Ministry of Transport were required to propose and submit to the Prime Minister package of policies to support tax, credit, export, and domestic market. Implementing Resolution No. 11 / NQ-CP, State Bank of Vietnam issued Document No. 1117 / NHNN-TD requesting credit institutions to consider and actively examine the situation, assess the damage due to Covid-19 on their clients:

restructuring loan repayment term, interest payment exemption and reduction, temporarily keeping category of customers who are affected by Covid-19 and who have outstanding principal and / or interest due between January 23, 2020 and March 31, 2020, until SBV issues other guidance; providing loans to customers in accordance with regulations to stabilize production and business.

2. **Microfinance institutions may open detailed accounts.** State Bank of Vietnam issued Circular 31/2019 / TT-NHNN on regulating accounting system applicable to microfinance institutions. Accordingly, microfinance institutions are allowed to open accounts of level 4 and level 5 for some types of accounts on cash, deposits at SBV, investments, deposits at credit institutions, pending loans for processing,... Accounting operation on these accounts is carried out according to the double entry method (Debit - Credit). The opening of the above accounts must ensure the recording, monitoring and archiving of detailed information for each accounting subject and accounting and processing of arising transactions according to the provisions of standards and accounting regimes. In addition, microfinance institutions should also prepare and send detailed reports on each accounting subject in accordance with regulations of government and SBV. The circular takes effect from March 1, 2020.
3. **Types of credit institutions which do not need to meet required reserves.** State Bank of Vietnam issues Circular 30/2019 / TT-NHNN providing for the implementation of required reserves of credit institutions and foreign bank branches. Accordingly, 03 types of credit institutions do not make required reserves: credit institutions under special control; credit institutions that have not yet started operations; credit institutions approved to liquidate or bankrupt or have decision to revoke its license issued by authority. The Circular also stipulates that within 3 working days of the beginning of the month, credit institutions shall be responsible for reporting average deposit balance subject to required reserve as a basis for calculation. For credit institutions that apply 0% required reserve ratio for all types of deposits to calculate required reserve, do not have to reports as prescribed above in the periods that applied reserve ratio of 0%. This Circular takes effect from March 1, 2020.
4. **Credit institutions must compare fluctuations of insurance contracts at least once a month.** State Bank of Vietnam issued Circular 37/2019 / TT-NHNN providing guidance on insurance activities of credit institutions and foreign bank branches. Accordingly, at least once a month as agreed upon in insurance contracts, credit institutions and foreign bank branches shall coordinate with insurance enterprises in comparing information on insurance contracts, insurance premium turnover, fluctuation of the effective insurance contracts, information related to the settlement of compensation, payment by credit institutions when insurance events occur. This Circular takes effect from March 2, 2020. In addition, usage of customer information must comply with the provisions of the law on confidentiality. The Circular also stipulates that credit institutions have the

obligations as insurance agents in accordance with the law on insurance business and the following obligations:

- Firstly, explain to customers that insurance products distributed through credit institutions are not products of credit institutions.
- Second, pay the entire insurance premium collected to the insurance enterprise after deducting insurance agent commissions, insurance benefit payments and other payments as agreed in the insurance agent contract...

5. Amending and supplementing a number of articles of the Decrees related to business and investment conditions in under management of the Ministry of Industry and Trade. Accordingly, Government added many new conditions for food production facilities, including: Food production, processing, packaging, transportation, storage and trading areas must be clean and hygienic; Having a separate storage area, a record for keeping samples and ensuring the observance of regime of storage and destruction of samples according to preservation requirements of each type of samples; Separate area to store unqualified products during processing. Besides, direct producers must be trained in food safety knowledge and certified by the establishment owner, not required to have a certificate of food safety knowledge under the program prescribed by the Ministry of Industry and Trade specified in former regulations.

Table 4
Monthly macro indicators

Indicator/Month	2019M07	2019M08	2019M09	2019M10	2019M11	2019M12	2020M01	2020M02
GDP YoY (%)	-	-	7.31	-	-	6.97	-	-
GDP ytd YoY (%)	-	-	6.98	-	-	7.02	-	-
PMI	52.6	51.4	50.5	50.0	51.0	50.8	50.6	49.0
IIP YoY (%)	9.7	10.5	9.7	9.2	5.4	10.4	-5.5	23.7
IIP ytd Yoy (%)	9.4	9.5	9.5	9.5	9.3	8.86	-5.5	6.2
Retail sales YoY (%)	12.4	12.4	12.7	13.3	12.6	11.4	10.2	6.0
Retail sales ytd YoY (%)	11.6	11.5	11.6	11.8	11.8	11.3	10.2	8.3
CPI MoM (%)	0.18	0.28	0.32	0.59	0.96	1.4	1.23	-0.17
CPI YoY (%)	2.44	2.26	1.98	2.24	3.52	5.23	6.43	5.40
Registered FDI (Bil USD)	11.7	13.2	15.76	18.30	20.60	22.5	4.83	5.64
Disbursed FDI (Bil USD)	10.6	12.0	14.2	16.20	17.60	20.4	1.60	2.50
Export (Bil USD)	22.6	25.9	23.3	24.2	22.6	22.5	19.0	18.6
Import (Bil USD)	22.4	22.5	21.7	22.4	22.5	22.3	19.1	18.5
Registered FDI (Bil USD)	0.2	3.4	1.6	1.8	0.1	0.2	-0.1	0.1
Exchange rate (USD/VND)	23,292	23,284	23,266	23,262	23,260	23,218	23,200	23,294
Credit growth (%)	-	-	8.4	-	-	13.7	-	-

Source: BSC Research

Stock market February 2020

Market outlook

February was a quite negative month of the market. VN-Index recorded a strong decline due to the negative development of Sars-Cov-2 disease. A series of stocks belonging to many different groups all dropped along with a strong net selling from foreign investors. The information effect from the epidemic caused strong selling pressure on the VN-Index despite the announcement that the ETF VN DIAMOND was licensed to operate in February. As of February 28, 2020, the VN-Index decreased by -54.4 points compared to the end of last month (-6.2% MoM) and HNX-Index increased by +7.22 points (+ 7.0% MoM).

Strong correction trend occurred mainly in large-cap stocks. In February, there were 126 gainers, 246 losers and 7 unchanged stocks on the HSX. Top 5 stocks supporting VN-Index including VPB increased + 21.2% (3.4 points), CTG increased + 5.53% (1.5 points), STB increased + 13.73% (0.8 points), TCB increased + 3.01% (0.7 points), FPT increased + 5.96% (0.6 points). Stocks that caused the VN-Index to decline the most composed of VIC -8.19% (-9.3 points), SAB -22.2% (-8.7 points down), BID -11.7% (-7.0 points), VHM down -8.11% (-6.9 points) and VCB -7.1% (-6.8 points).

Table 5

Fluctuation in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
2	882.19	3.36	3,020.00
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

Source: HSX, Bloomberg, BSC Research

Table 6

Fluctuation in the last 6 months on HNX

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
2	109.58	0.81	211.56
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

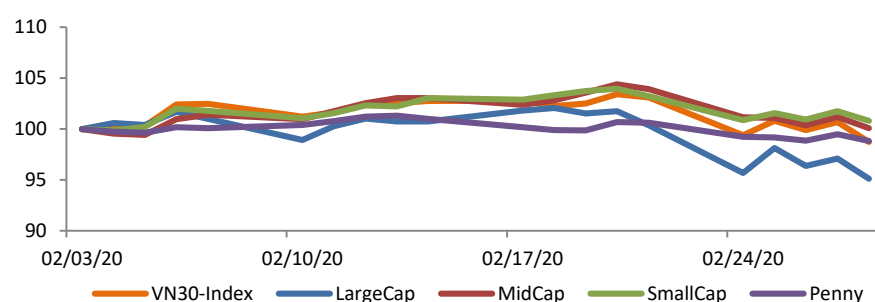
Source: HNX, Bloomberg, BSC Research

Stock groups performances

Market cash flow escaped from large-cap stocks and maintained a slight increase in small and medium stocks. In February, the market was mostly supported by cash flow looking to Midcap and Smallcap. Most of the remaining time, stock of VN30, Largecap and Pennies only recorded a slight

increase and eventually decreased when the situation of Sars-Cov-2 became worse. Especially in the last week of February, the strong selling force took place throughout the market, making only slight increase in SmallCap and Midcap stocks. Specifically, LargeCap decreased by -4.89%, MidCap increased by + 0.09%, SmallCap increased by + 0.82%, Pennies decreased by -1.19%, and VN30 by -1.27%.

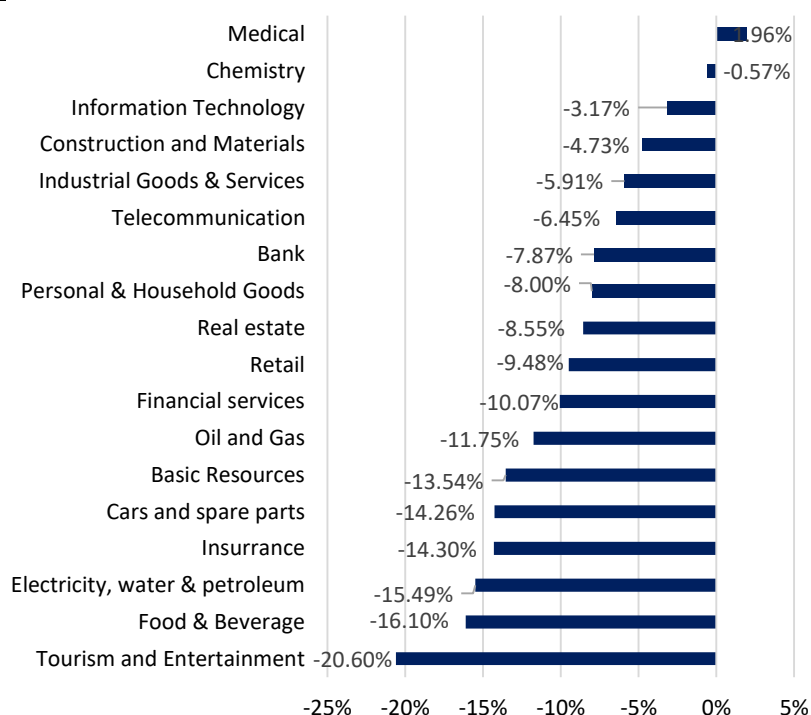
Chart 9
Stock sector developments



Source: Bloomberg, BSC Research

In February, the market saw only 2/19 industries gained. In which, Media increased the most with 27.41% efficiency thanks to the contribution of YEG and IHK shares with the increase of + 62.2% and + 18.99%. The group that dropped the most was Tourism and Entertainment because of the deep drop of HVN (-29.9%) and VJC (-16.8%).

Chart 10
Tier 2 sector in February 2020



Source: Fiinpro, BSC Research

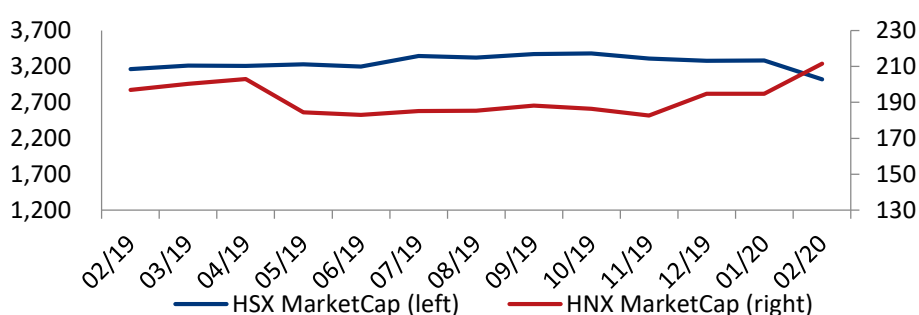
Capitalization scale

Market capitalization on both exchanges was VND 3,478 trillion, equivalent to USD 149.9 billion, up slightly +0.12% MoM. Upcom dropped sharply to VND 860.94 trillion at the end of February. As of February, there were no first listed shares on HOSE, 228.83 million additional listed shares and 28.1 million delisted shares; 14.8 million additional listed ETFs and 5.6 million delisted ETFs. There are no additional listed bonds and unlisted bonds; 18.1 million of delisted covered warrant.

In terms of listing scale on HOSE on February 28, there are 88.84 billion exchange listed shares equivalent to VND 888.45 trillion (95.62% of the market value), 349.2 million bonds equivalent to VND 34.9 trillion (3.76% of the market value), 486.7 million ETF certificates equivalent to VND 4.97 trillion (0.53% of the market).

Chart 11

Market capitalization



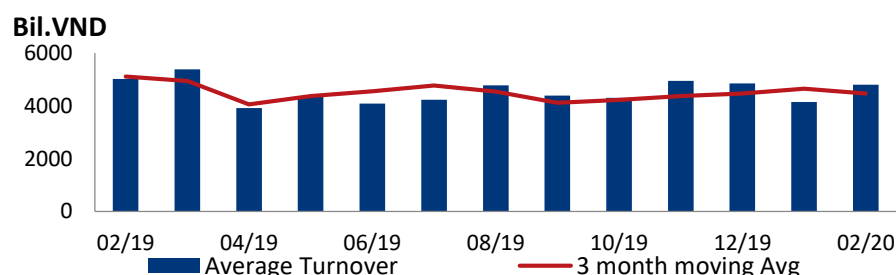
Source: Bloomberg, BSC Research

Average market liquidity

The average liquidity on the both bourses increased by 15.8% compared to January, and reached 4,793 billion VND/session and equivalent to nearly 206.9 million USD/session. The liquidity increased again due to the time the market opened up compared to January and the anxiety from Sars-Cov-2 epidemic boosted the selling trend in the market.

Chart 12

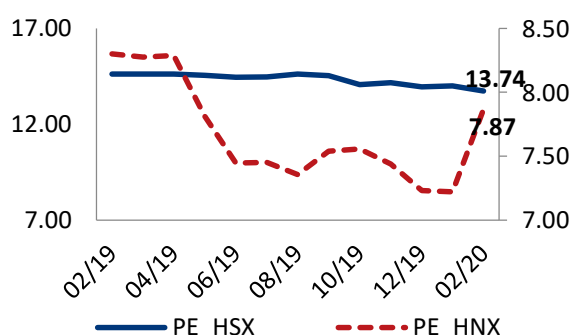
Average market liquidity



Price level of Vietnam stock market

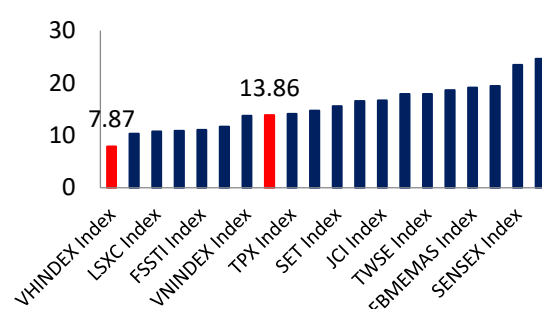
P/E of VN-Index fell to 13.73, equivalent to -8.1% MoM and HNX-Index increased again to 7.87, respectively + 9.0% MoM. P/E of both exchanges has been low in the past 4 years. Compared to January, the P/E of the VN-Index dropped to 14th place and HNX-Index held the 20th position in Asia.

Chart 13
P/E indicator or performance on both Exchanges



Source: Bloomberg, BSC Research

Chart 14
P/E ratio in the region

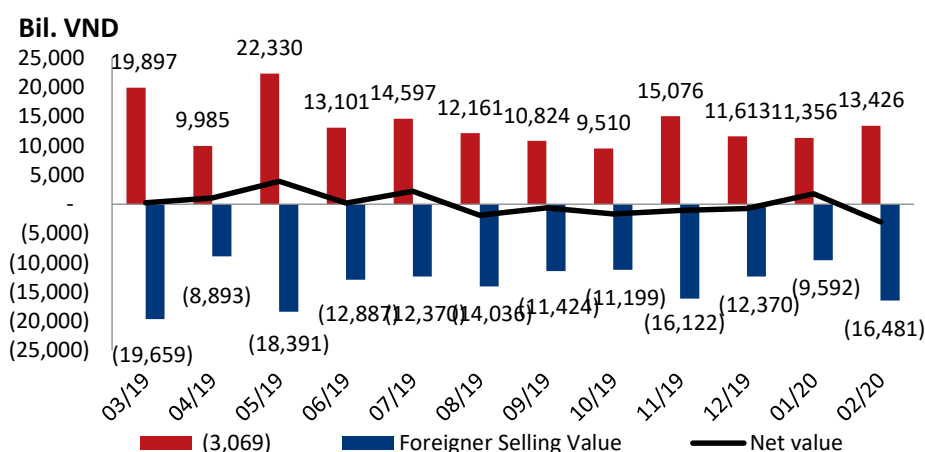


Source: Bloomberg, BSC Research

Foreign trading

Foreigners were net sellers in February. February also saw foreign investors net sell on Upcom when the total net sales value reached VND 75.9 billion, they focused on selling VND -59.0 billion ACV and VND -20.6 billion LPB while buying net VND 14.0 billion VEA and VND 20.3 billion BSR.

Chart 15
Foreigner transaction performances on both Exchanges



Source: BSC Research

In February, foreign investors sold a net on the HSX VND -2.813 billion with 133 shares net bought and 251 shares net sold. They sold a net of VND -242 billion on the HNX with 291 shares net sold and 76 shares net buy. On the HSX, they bought a lot of HDB (VND 85.6 billion), SBT (VND 57.2 billion), STB (VND 38.9 billion), and sold MSN (VND -390.9 billion dong), NVL (VND -244.5 billion dong), VIC (VND -226.4 billion). On the HNX, this group focused on selling PVS (VND -88.2 billion), SHB (VND -76.0 billion) and buying VCS (VND 22.8 billion), SLS (VND 2.8 billion).

Table 7

Top 10 foreign traded stocks on HSX in 02/2020

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
HDB	85.86	MSN	(390.92)
SBT	57.16	NVL	(244.51)
STB	38.95	VIC	(226.42)
DGW	34.06	SJS	(148.24)
VHM	33.48	BID	(134.96)
VRE	21.78	DXG	(113.16)
VJC	19.80	POW	(112.63)
NKG	11.43	SVC	(110.89)
SMB	10.11	KBC	(104.64)
PHR	9.04	HPG	(104.55)

Source: BSC Research

Table 8

Top 10 foreign traded stocks on HNX in 02/2020

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VCS	22.88	PVS	(88.15)
SLS	2.87	SHB	(75.97)
AMV	2.70	NTP	(39.65)
ART	2.45	DGC	(23.05)
NBC	1.80	SHS	(13.41)
NRC	1.45	NDN	(4.83)
PVC	1.08	PLC	(4.46)
LAS	1.01	TIG	(3.45)
TNG	0.86	CEO	(3.07)
WCS	0.78	HDA	(2.79)

Source: BSC Research

Market Outlook for March 2020

Covid - 19 virus has quickly become the focus of the world in the past month. First discovered in China's Wuhan city in December, the virus quickly spread to 51 countries and territories. The disease has infected more than 83,000 people and more than 2,800 died worldwide; most of them in China. The sudden spread of the virus was complicated in the second half of February after spreading in countries outside of China such as Korea, Italy, Iran and affecting many others including the US. This caused the panic sentiment on Stock market and commodity market at the end of February.

Damage from viruses is not just human damage. Worrisome sentiments that diseases might spread further are affecting people's living habits and most industries, especially the global production chains. While countries need time to collect data in order to fully assess the extent of damage, financial institutions have come up with various forecasts of growth decline. This has affected and formed volatility in the financial market.

The US and European countries stock market were not affected by the decline of the epidemic countries in the first 3 weeks of February. However, the widespread epidemic quickly dragged these markets into a panic state in the final week of month. The key markets fell over 10% in just one week, reducing the MSCI regional index. The emerging markets MSCI index, the frontier markets MSCI Index and the developed markets MSCI index dropped by -5.1% and -6.4% and -8.5% respectively. Commodity market also saw a decrease of -5.2%, mainly contributed by the -13.2% decline of oil price. Precious metals, such as Gold and Silver, were a safe haven for a while but turned down at the end of the month, recording a decrease of -1% and -9% in February respectively.

Vietnam stock market in February shared the trend of regional and global markets. After recovering and moving sideways from the low price range, the VN-Index continued to decline by 5.8%. The decline mainly occurred in the last week of February. Vietnam is one of the countries that effectively control the disease. However, negative movements in the world market and strong net selling activities of foreign investors have negatively impacted on the domestic market.

In the face of the negative progress of the disease, BSC focused on updating information, assessing and forecasting impact through 3 reports: Corona Virus Impact Report ([Link](#)), Covid-19 Disease Report (report 2nd version) ([Link](#)) and SARC-Cov_2 epidemic report (3rd report) ([Link](#)). We carried out publishing reports for investors such as Industry Outlook 2020 Report ([Link](#)), Banking Sector Outlook Report ([Link](#)), Insurance Sector Outlook Report ([Link](#)). Many stocks plunging are also opportunities for long-term investment activities. We also published reports on investment opportunities analysis of

DHG ([Link](#)), DGW ([Link](#)), DRC ([Link](#)), FPT ([Link](#)), VHC ([Link](#)), MWG ([Link](#)), AAA ([Link](#)), và VNM ([Link](#)), quickly update 8 companies via iBroker ([Link](#)) as well as provide investment tools via i-Invest ([Link](#)).

Progresses of the disease are still quite complicated and unpredictable. This information is still a major factor affecting economic prospects, market sentiment and thereby stock markets in the near future. Along with that, the information also has an impact on the market in March as follows:

The Covid-19 Virus outbreak is affecting the macro targets in February, as well as the growth outlook posing urgent tasks that are both anti-epidemic and supportive of growth. The macroeconomic indicators all decreased in February: (1) Total retail sales of goods and consumer services in February 2020 decreased by 7.9% MoM and only increased by 8.3% in 2 months, the level of lowest 2 months from 2014; (2) The industry-wide index only grew by 6.2% compared to 9.2% in the same period of 2019; (3) Total FDI investment until February 20 decreased by 23.6% over the same period of 2019, of which FDI realized decreased by 5% and was the first decline since 2016; (4) CPI decreased by 0.17% over the previous month but CPI in February and average of 2 months still increased by 5.4% and 5.9% over the same period and was also the highest increase in 7 years. (5) International visitors decreased by 37% compared to January and decreased by 21.8% in the same period of 2019. (6) Gold price increased by 2.7% and USD price increased by 0.3% MoM.

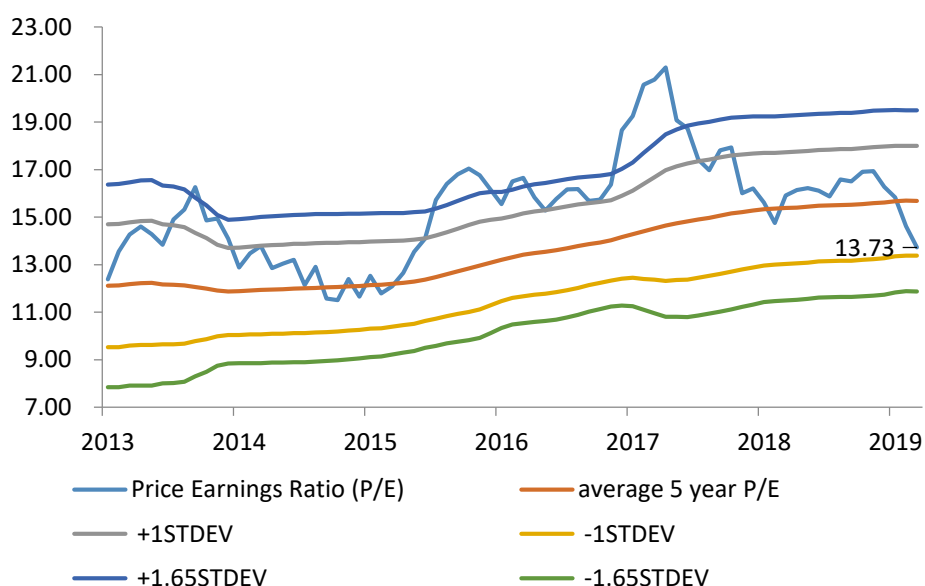
In the Assessment report of Corona virus impact from the Ministry of Planning and Investment, the Ministry identified that epidemics have been and will be totally affecting all economic and social sectors of our country; affecting the sentiment of people in society, especially the labor force, causing immediate labor shortages, disrupting the supply chain and trade flows, stalling production and business. The report also elaborates two growth scenarios, whereby GDP will increase by 6.25% if the epidemic is controlled in the first quarter and GDP will increase by 5.96% if the epidemic is controlled in the second quarter. In general, international and domestic organizations also consider the impact on Vietnam's GDP from 0.5% to 1% under different scenarios. In its February 25 report, Fitch lowered its Vietnam growth forecast by 0.5% to 6.3% in 2020.

Macro stability indicators and growth drivers in February are declining and affecting Vietnam's growth targets. If the Government wants to keep the growth rate of 6.8%, synchronous solutions supporting both the total supply and demand of the economy, which focuses on solving difficulties before and after the production recovery, need to be implemented quickly. In the context that inflation remains high and needs controlling, and monetary easing policies are yet unemployed, the fiscal policies including removing regulatory barriers, promoting public investment as well as reducing taxes and fees for business is imperative.

The stock price has been reduced to a low level, the P/E and P/B of the VN-Index reached a low level of 5 years ago. Foreigners net sold more than 120 million USD, contributing to pushing the price of many stocks down deeply in

February. P/E and P/B of VN-Index dropped to 13.7 and 2.0 times, equivalent to the valuation of April 29, 2016 when the index was at 600 points.

Chart 16
VN-Index P/E performance since 2013



The Covid-19 Virus epidemic has significantly affected the macroeconomy and will certainly affect the first quarter results and prospects of 2020. The market needs first-quarter business results data to assess and adjust the level of forecasted growth in overall market profit of 10% previously. However, the price level and P/E ratio of the VN-Index are falling to a 5-year low and 13% lower than the 5-year average. We believe that the market is showing signs of oversold. The market is deeply falling is a good opportunity to allocate gradually to buy stocks which are being undervalued at the time when there is no basis for accurate valuation and the market is led by sensible behavior.

ETFs investing under the VNFin Lead Index and VNDiamond Index are licensed. After a while, the SSC allowed ETFs to invest under the new set of indicators. The SSIAM VNFIN LEAD ETF was licensed on February 24. Fund portfolio is based on VNFIN LEAD index including 12 stocks in banking, insurance, and securities sector with expected scale of USD 25-30 million. After 3 days, VFMVN Diamond ETF was also licensed. The fund is based on the VN Diamond Index with 14 stocks that are mostly out of foreign room. According to market information, the initial fund size is about 36 million USD. The offering time is from March 3 to March 26 and expected to be listed on Hose on May 15.

The establishment of ETFs under the new index will partly solve the foreign ownership limit in stocks that have run out of room by indirect ownership of fund certificates. The new ETFs are also expected to attract domestic and foreign capital to support the market in the short term.

Table 11
Factors affecting the market in March 2020:

Events	Impact on stock market
The Covid-19 Virus epidemic was complicated, unpredictable and increasing in countries outside of China.	Affect sentiment and international production chains
Macroeconomics is negatively affected by the epidemic and needs synchronized solutions from the Government to support the aggregated supply and demand of the economy.	Positive impact
The stock price has returned to the low of the past 6 years, the market has shown signs of oversold.	Positive, support for medium and long-term investment activities
Announcement of earnings results for the first quarter of 2020 and the annual general meeting of shareholders.	Positive in short term
IPOs of ETFs based on the VNFin lead Index and VNDiamond Index.	Positive but there is a lag Attracting foreign cash flow
ETFs announce portfolio restructure for the first quarter of 2020.	Increase liquidity for the market
FED meeting on 18/3	Depending on the state of the economy. Great impact on the market.
Strong capital withdrawal of foreign investors in February could drag on to the first half of March	Positive impact
Geopolitical conflicts increase in Syria and the risk of conflict with the Gulf countries.	Disruptive to oil price, with broad impact

Source: BSC Research

VN-Index recovered from the low point and most of the time was moving in the 925 - 945 points range in February according to our outlook. However, negative movements of US and European stock markets led to a sell-off that engulfed the index's previous rebound effort. VN-Index dropped sharply to test the short-term bottom and continue the journey of searching the bottom. Despite complicated and unpredictable epidemic progresses, we believe that the VN-Index in general and the stocks in particular are showing signs of oversold by sentiment factors. Based on the history of the stock market reacting to the past disease movements ([Link](#)), as well as considering the internal economic and market factors, we hold the view that this decline is opening opportunities for medium-term investment. VN-Index is forecasted to face downward pressure in the first two weeks of March and will recover above 925 points. Information on policy support, if any, will determine the intensity and severity of the recovery phase. VN-Index will fluctuate within the range of 860 points - 970 points for March.

- In a positive case, VN-Index recovered after a sell-off, accumulating over 925 points and may increase gradually above 950 by the end of the month when there is supportive information.
- In a negative case, VN-Index may close below 873 points if the disease situation is negative and the pressure to divest from foreign investors.

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

- Sectors and stocks are evaluated positively in the Sector Outlook Report 2020 ([Link](#)), Banking Sector Outlook Report ([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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