

## Vietnam Monthly Review

### 2020 M05

## BSC Research

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### Macroeconomics

- PMI in May 2020 increased to 42.7 points, recovered positively after falling to 32.7 points in April.
- Total retail sales of consumer goods and services in May 2020 were estimated at 384.8 trillion VND, up 26.9% over the previous month and down -4.8% over the same period last year.
- Registered FDI reached USD 10.9 billion, up 19.9% over the same period last year while disbursed FDI reached USD 6.7 billion, down 8.2% compared to last year.
- The interbank exchange rate in May fluctuated in the range of 23,360 - 23,520 USD / VND, down from the range of 23,510 - 23,650 USD/VND in April. Interbank interest rates for medium-term in May decreased in comparison with the previous month. Interbank interest rates for short-term fell slightly in the first week of the month, before falling sharply in the following weeks.

### Stock market

- As of May 29, 2020, the VN-Index officially increased by 95.36 points compared to the end of the previous month (+ 12.3% MoM, -10.0% Ytd) and HNX-Index only increased by +2.97 points (+ 2.8% MoM, + 7.1% Ytd).
- Average liquidity on the 2 exchange increased sharply + 31% compared to April 2020, reaching VND 6,237 billion/session, equivalent to nearly USD 268.85 million/session.
- Foreign investors continued to be net sellers in May. They were net sellers on the HSX with the value of VND -558 billion and VND -255 billion on the HNX.
- P/E of VN-Index recovered strongly to 14.29, equivalent to + 20.8% MoM, -7.1% Ytd and HNX-Index fell to 8.27, equivalent to -3.3% MoM, + 14.4% Ytd. Compared to April, the P/E of the VN-Index rose to 13th place and the HNX-Index ranked at the final place of the Asian region.

### Market outlook in June

After more than a month of gaining, the price level was near the pre-epidemic price level due to companies' 23% profit decline in the first quarter. The market will soon face the actual test of listed companies' business results in the second quarter. The rallying factors decrease while the regional risky factor increases and international politics become more unpredictable. Given the current context, we are cautious about short-term market movements and forecast the fluctuation range from 800 to 880 points in June. BSC offers 2 reference scenarios as follows:

- In a positive case, VN-Index kept above 835 points after the expected correction and moved differentially in alignment with topics related to public investment and production recovery.
- In a negative case, VN-Index fell below 800 points when the key economy recovered not as expected, US-China tensions increased and pressure of divestment from foreign investors.
- **Recommend 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 public investment activities such as Steel, Cement, Construction Materials, and Asphalt;
  - Stocks benefiting from decreased raw materials input such as Fertilizers, Tire, Chemicals;
  - 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 May 2020

### Economic growth

- **PMI in May 2020 increased to 42.7 points, recovered positively after falling to 32.7 points in April.**

Index of Industrial Production in May 2020 is estimated to increase by 11.2% over the previous month and decrease by -3.1% over the same period last year, of which the mining industry decreased by -13%; processing and manufacturing decreased by -2.4%; electricity production and distribution increased by 2%; water supply and waste treatment, wastewater increased by 2.3%.

Amongst level II industries, 3 industries with the May production index increased significantly compared to the same period last year: production of medicines, pharmaceutical chemicals and pharmaceuticals increased by 24.3%, production of chemicals and chemical products increased by 8.4%, production of paper and paper products increased by 7.2%.

Industrial products in May 2020 increased significantly over the same period last year: rebars and angle bars increased by 16%; aluminum increased by 15.8%; powdered milk increased by 9.9%.

Index of Industrial Production for the first five months of 2020 is estimated to increase by 1% over the same period last year, of which mining industry decreases by -8.1%; processing and manufacturing increased by 2.2%; electricity production and distribution increased by 2.6%; water supply and waste treatment, wastewater increased by 2.9%.

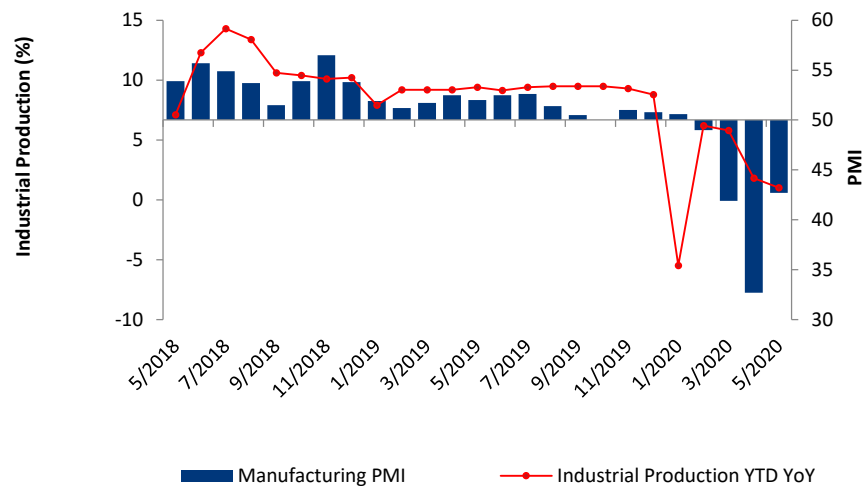
For the first five months of 2020, amongst level II industries, industries that had high growth compared to same period last year: production of medicines, pharmaceutical chemicals and medicinal materials increased by 25.9%, production of coke coal, refined petroleum products increased by 12.9%, production of paper and paper products increased by 9.3%.

Industrial products in the first five months of 2020 increased significantly compared to the same period last year: mobile phone components increased by 18.1%; MSG increased by 13.1%; rebars and angle bar increased by 12.1%.

*Covid-19 epidemic was under control, Vietnam entered a period of both preventing and fighting against epidemics, recovering and developing the economy. Industrial production in May 2020 reached an increase of 11.2% over the previous month, although it still decreased by 3.1% over the same period in 2019. For the first five months, index of industrial production increased by 1%, lowest increase in many years.*

**Chart 1**

Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

**PMI in May 2020 increased to 42.7 points, recovered positively after falling to 32.7 points in April, much lower than the 2019 average of 51.5 points.** The latest data shown decline in business conditions, albeit at a much lower level. Since Covid-19 was controlled in Vietnam:

- Manufacturing output dropped for the sixth month in a row. However, the decrease was much lower than the previous month.
- New orders declined, although the decrease was significantly lower than the previous month. Export orders declined as foreign demand fell as major partners continued to be affected by the Covid-19 epidemic.
- Employment was reduced by manufacturers who were cautious in recruiting when production capacity is not fully utilized.
- Purchasing activity and inventories decreased. Delivery time was extended as supply chain remained disrupted. Low oil prices supported input costs.
- Business outlook for one year is more optimistic but still in negative, due to concerns about long-term impact of the pandemic.

Besides, China's PMI rebounded to 50.7 points in May, signaling improvement in production and business conditions. Manufacturing output increased fastest in more than nine years. However, number of new orders continued to decline, mainly due to reduced global demand for goods - many trading partners maintained measures against Covid-19. Employment continued to decline, at its lowest level in four months, while purchasing activity increased slightly. Business prospects for one year turn into positive, with the expectation that the world macro-economy will recover when the epidemic is under control.

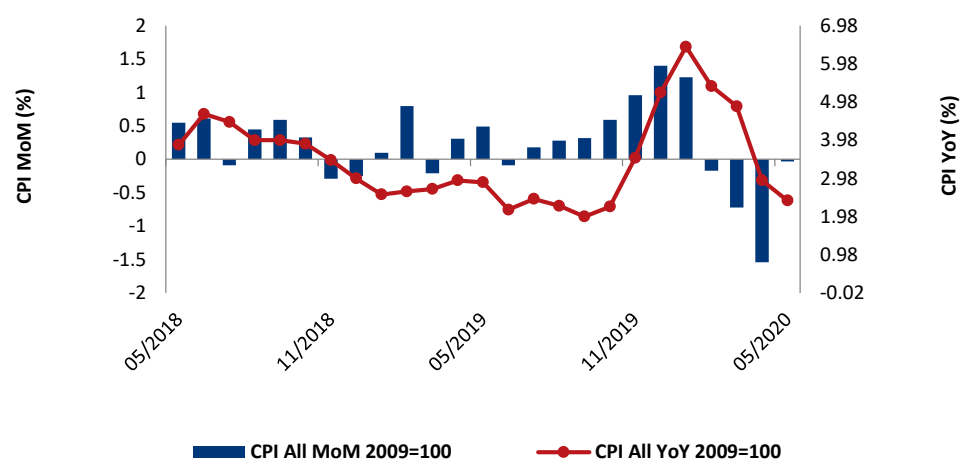
### Inflation

- **CPI in May decreased by -0.03% compared to April mainly due to the implementation of policies to support production and business, as well as reduction of petrol price, along with reduction of interest rates.**

**CPI of May decreased by -0.03% over the previous month, and increased by 2.40% over the same period in 2019.** Core inflation in May 2020 decreased -0.03% over the previous month and increased by 2.54% compared to the same period last year.

Chart 2

**Monthly CPI movements**



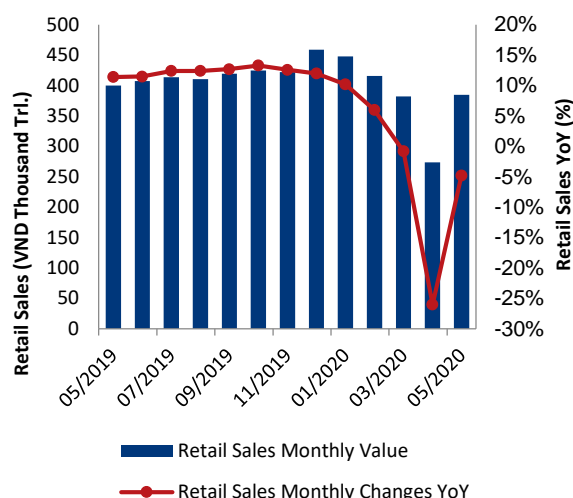
Source: GSO, BSC Research

In May, CPI of 4/11 groups of goods and services recorded a decrease compared to the previous month. Movement of CPI in the month were caused by the following reasons:

- **Transport decreased by -2.21%** due to impact of petrol and oil price adjustment on April 28, 2020 and increase in petrol and oil prices on May 13, 2020, resulting in a decrease in the petrol and oil price index by -4.98% (contributed to decrease CPI by -0.21%), in addition, many promotions to stimulate consumer demand of automakers launched in order to reduce inventories causing vehicles prices to drop by -0.25 %;
- **Telecommunications and culture, tourism and entertainment decreased by -0.02%;**
- **Apparel and footwear decreased by -0.01%** because stores applied many discount programs to attract customers after the Covid-19 epidemic.

Chart 3

## Retail Sales



Source: GSO, BSC Research

Table 1: Increase/decrease of service sectors

No.	Sector	MoM (%)	YoY (%)
1	Food and catering	0.34	12.11
2	Beverages and cigarettes	0.25	1.7
3	Apparel, hats, shoes	-0.01	0.82
4	Housing and construction materials	0.25	0.37
5	Appliances, household appliances	0.05	1.29
6	Drugs and medical services	0.04	3.41
7	Traffic	-2.21	-23.37
8	Post and Telecommunication	-0.02	-0.57
9	Education	0	4.58
10	Culture, entertainment and tourism	-0.02	-1.41
11	Other goods and services	0.34	12.11

Source: GSO, BSC Research

**Total retail sales of consumer goods and services in May 2020 were estimated at 384.8 trillion VND, up 26.9% over the previous month and down -4.8% over the same period last year.** Retail sales of goods in May 2020 was estimated at 311.1 trillion VND, up 17.3% MoM and up 1.6% YoY.

## Foreign Direct Investment (FDI)

- **Registered FDI reached USD 10.9 billion, up 19.9% over the same period last year while disbursed FDI reached USD 6.7 billion, down 8.2% compared to last year.**
- **In the first five months of 2020, production and distribution of electricity, gas, hot water, steam and air-conditioning are the focal points to attract FDI inflows.**

**Total newly registered FDI by May 20, 2020** of 1,212 projects (-11.1% YoY) reached 7.4 billion USD (+ 15.2% YoY), plus 3.5 billion USD of adjusted registered capital of 436 projects. Thus, the total newly and additionally registered FDI capital reached 10.9 billion USD (+ 19.9% YoY).

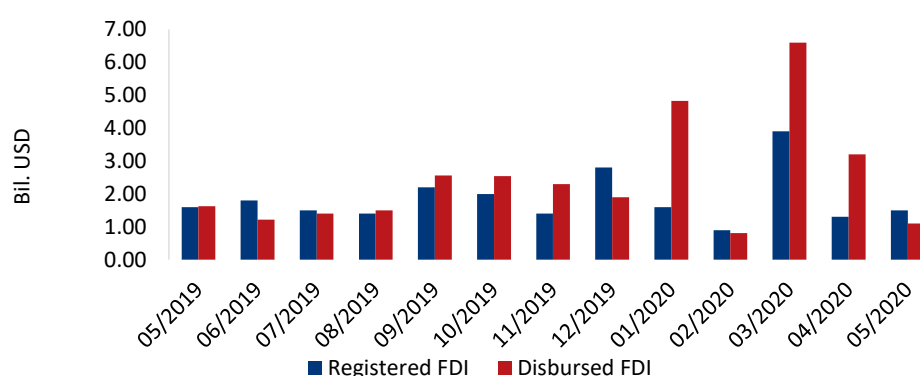
**By May 20, 2020, disbursed foreign direct investment** was estimated at US \$ 6.7 billion, down -8.2% over the same period in 2019.

In the first five months of 2020, newly licensed foreign investment for production and distribution of electricity, gas, hot water, and steam was the largest with registered capital reached 4 billion USD, accounting for 53.8% of the newly registered capital. Newly licensed foreign investment of manufacturing and processing industry reached 2.8 billion USD, accounting for 37%; Newly

licensed foreign investment for remaining industries reached USD 0.7 billion, accounting for 9.2%.

If including additional registered capital of projects licensed from previous period, foreign investment capital in processing and manufacturing industry reached 5.8 billion USD, accounting for 53.3% of the total registered capital; production and distribution of electricity, gas, hot water, and steam reached 3.8 billion USD, accounting for 35.3%, remaining sectors reached 1.2 billion USD, accounting for 11.4%.

Chart 4  
FDI (USD Bil.)



Source: GSO, BSC Research

Regions that had largeset registered FDI nationwide: Bac Lieu (4 billion USD), Ha Nam (0.4 billion USD), Tay Ninh (0.3 billion USD).

In the first four months of the year, Singapore was the largest direct investor in Vietnam with an investment capital of 4.3 billion USD, accounting for 58% of the total newly registered capital, followed by Taiwan with 0.7 billion USD, accounting for 10%, and China with 0.7 billion USD, accounting for 9.3%.

## Trade balance, Import and Export

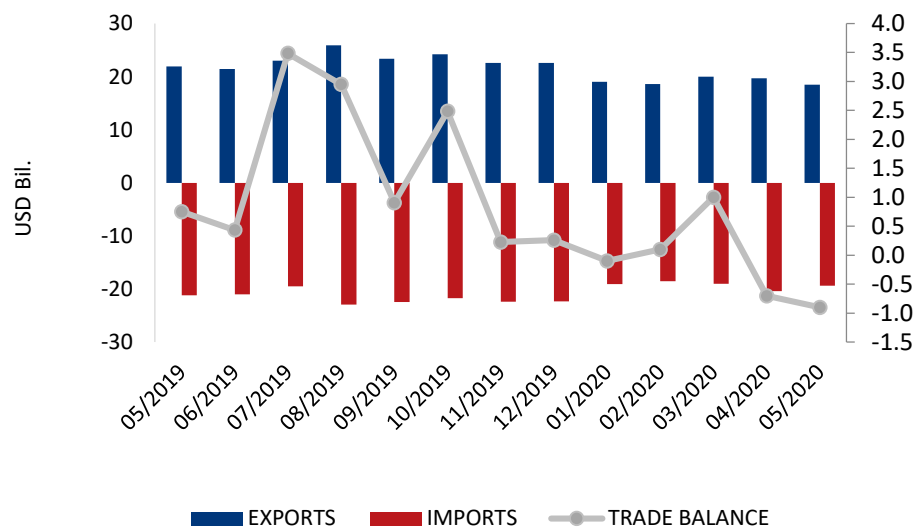
- The trade balance in May was estimated at trade deficit of USD 0.9 billion. The trade balance in the first five month of 2020 was estimated at trade surplus of USD 1.9 billion.
- Export turnover in May is estimated at USD 18.5 billion, up 5.2% over the previous month and down -15.5% over the same period of 2019. Export turnover of goods in the first five month of 2020 was estimated at USD 99.4 billion, down -1.7% over the same period in 2019.
- Import turnover of goods in May is estimated at USD 19.4 billion, up 4.7% over the previous month and down -15.9% over the same period of 2019. Import turnover of goods in the first five months of 2020 is

**estimated at USD 97.5 billion, down -3.8% over the same period in 2019.**

Export turnover in May was estimated at 18.5 billion USD, up 5.2% over the previous month and down -15.5% over the same period in 2019, of which the domestic sector gained 6.6 billion USD, up 1.1% compared to last month and increasing by 0.5% over the same period last year; FDI sector reached 11.9 billion USD, up 7.6% over the last month, and down -22.3% over the same period last year. In May 2020, compared to same period of 2019, exports with large turnover including electronics, computers and components reached 3.2 billion USD (+ 9% YoY), phones and components reached 2.6 billion USD (-30% YoY), textiles reached USD 1.8 billion (-34.3% YoY).

Export turnovers in the first five months of 2020 were estimated at 99.4 billion USD, down -1.7% over the same period in 2019, of which the domestic economic sector gained 33.3 billion USD, up 10.4% over the same period last year, and FDI sector reached 66.1 billion USD, down -6.1% over the same period last year. In the first five months of 2020, compared to the same period of 2019, exports with large turnover including phones and components reached 18.0 billion USD (-8.8% YoY), electronics, computers and components reached 15.3 billion USD (+ 22.1% YoY), textiles reached 10.4 billion USD (-14.5% YoY)

Chart 5  
**Import and Export (Bil USD)**



Source: GSO, BSC Research

Table 2

**Top 10 export items**

No	Exported Good	Turnover (Bil USD)	%YoY
1	Mobile phone	17.98	-8.80
2	Electronics	15.34	22.10
3	Textile	10.45	-14.50
4	Other machines	8.53	25.00
5	Shoes	6.76	-4.80
6	Woods	4.05	0.00
7	Vehicles	3.14	-12.20
8	Aquaculture	2.85	-10.30
9	Steel	1.63	-13.50
10	Vegetables	1.58	-10.30

Source: GSO, BSC Research

Table 3

**Top 10 import items**

No	Exported Good	Turnover (Bil USD)	%YoY
1	Electronics	21.79	8.70
2	Machine	14.35	-3.00
3	Mobile phone	4.87	0.20
4	Fabric	4.66	-14.50
5	Steel	3.44	-15.90
6	Plastic	3.29	-10.70
7	Plastic Products	2.76	7.60
8	Other metals	2.41	-8.80
9	Chemical Products	2.28	8.00
10	Automobile	2.17	-29.70

Source: GSO, BSC Research

Import turnover of goods in May was estimated at 19.4 billion USD, up 4.7% over the last month and decreasing -15.9% over the same period in 2019. Of which, domestic sector reached 8.8 billion USD, up 4.7% compared to the last month and decreased -12.7% over the same period last year. FDI sector reached 10.6 billion USD, up 4.8% over the last month and down -18.5% compared to the same period last year. In May 2020, compared to the same period of 2019, imports with large turnover including electronics, computers and components reached 4.2 billion USD (-1.5% YoY), machinery and equipment reached 3.1 billion USD (-4.9% YoY), fabric reached 1.1 billion USD (-19.8% YoY).

Import turnover of goods in the first five months of 2020 is estimated at 97.5 billion USD, down -3.8% over the same period in 2019. Of which, the domestic sector was estimated at 41.9 billion USD, down -3.2% over the same period last year. FDI sector reached 55.5 billion USD, down -4.3% over the same period last year. In the first five months of 2020, compared to the same period of 2019, imports with large turnover including electronics, computers and components reached 21.8 billion USD (+ 8.7% YoY), machinery and equipment reached 14.4 billion USD (-3.0% YoY), phones and components reached 4.9 billion USD (+ 0.2% YoY).

*Covid-19 epidemic continues to evolve complicatedly in markets which are the main trading partners of Vietnam, thus negatively affecting Vietnam's import and export activities. Total import and export turnover for the first five months was estimated at 196.84 billion USD, down -2.8% over the same period last year, of which export turnover of goods reached 99.36 billion USD, down -1.7%, imports reached 97.48 billion USD, down -3.8%. The balance of trade in five months was estimated at a surplus of 1.9 billion USD.*



## Exchange rate

- **USD / VND exchange rate in May decreased compared to April when global cash flow moved into stock market (S&P500 + 4.5%, Dow Jones + 4.3%), and import dropped sharply.**
- **Dollar Index equivalent to previous month, Fed kept interest rates low, and continued pumping liquidity in May.**

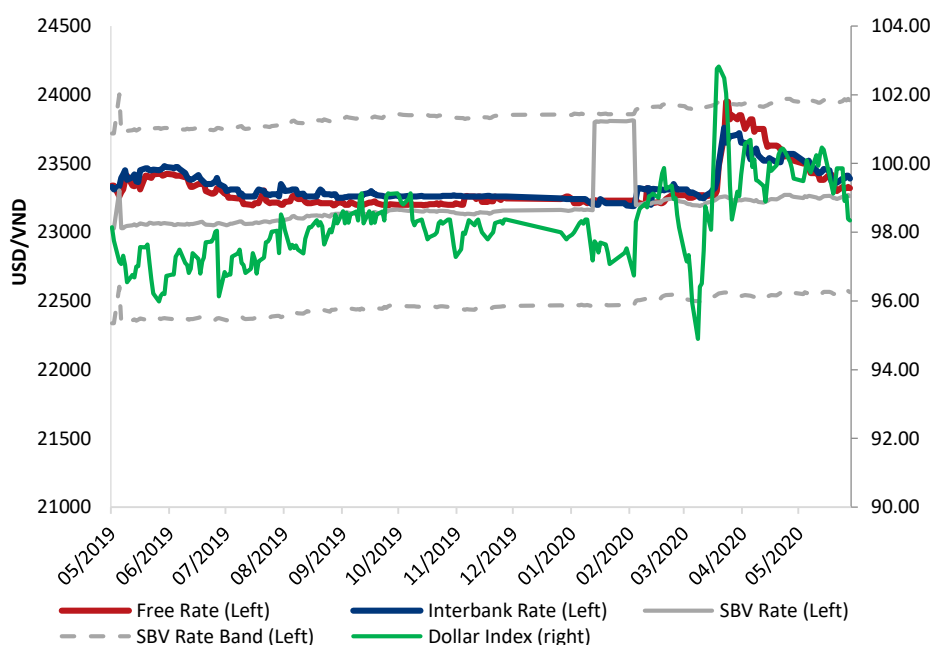
**The Central exchange rate in May fluctuated in the range of 23,242 - 23,271 USD/VND,** a slight increase compared to the range of 23,216 - 23,272 USD/VND in April. The average of the month was 23,256 USD / VND. On May 29, the exchange rate was trading at 23,261, up 0.45% YTD and up 0.85% YoY.

**The interbank exchange rate in May fluctuated in the range of 23,360 - 23,520 USD / VND,** down from the range of 23,510 - 23,650 USD/VND in April. The average of the month was 23,433 USD/VND. On May 29, the exchange rate was trading at 23,390, an increase of 0.65% YTD and a decrease of -0.36% YoY.

**The free exchange rate in May fluctuated in the range of 23,300 - 23,500 USD/VND,** down from the range of 23,520 - 23,850 USD/VND in April. The average free exchange rate in the month was 23,392 USD/VND. On May 29, the exchange rate was trading at 23,320, up 0.26% YTD and down -0.45% YoY.

**Dollar Index at the end of May decreased -1.23% compared to the end of April, and increased 1.67% compared to the same period last year.** The index ranged from 98.34 to 100.47 points, with the monthly average of 99.61 points. Currently the index was at 98.34 points.

Chart 6  
**Exchange rate**



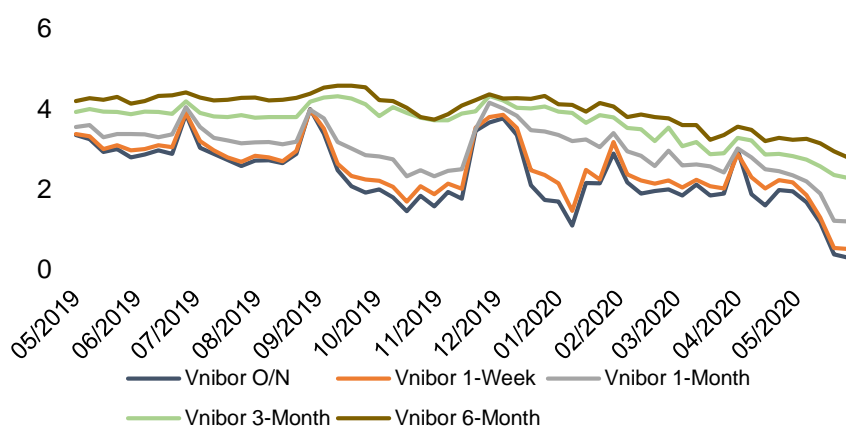
### Bank - Interest rate

- Interbank interest rates for medium-term in May decreased in comparison with the previous month. Short-term interest rates fell slightly in the first week of the month, before falling sharply in the following weeks.
- Deposit rates slightly decreased, medium and long-term lending rates remained stable.

Interbank interest rates for medium-term in May decreased in comparison with the previous month. Interbank interest rates for short-term fell slightly in the first week of the month, before falling sharply in the following weeks, when State Bank of Vietnam issued guidance on implementation of Circular 01/2020/TT-NHNN, as well as issued decision 918 to 920, reducing policy rates. SBV did not have significant activities on treasury market or OMO in May. On May 29, overnight interest rate, 1 week, 1 month, 3 months, and 6 months reached 0.30%, 0.52%, 1.20 %, 2.28% and 2.80%.

As of May 22, VND deposit interest rate ranged from 0.1 to 0.2%/year for demand deposits and terms with less than 1 month; from 4.0 to 4.25%/year for deposits with term from 1 month to less than 6 months; from 5.1 to 6.6%/year for deposits with a term of 6 months to less than 12 months; from 6.6 to 7.4%/year with term over 12 months. Meanwhile, VND lending interest rate ranged from 6.0 to 9.0%/year for short term, from 9.0 to 11% / year for medium and long term.

Chart 7  
Interbank rates



Source: Bloomberg, BSC Research.

## Macro Forecast for June 2020

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

- 1. *FED policy meeting (June 11):*** The US Federal Reserve is likely to maintain interest rates at 0-0.25% in the next policy meeting. Market movements show that low interest rate policy is continued to be implemented in medium to long term. The two-year US Treasury bill yield remained low at 0.15-0.20% in May, down slightly from 0.20-0.25% in April. Many states restarted production and business activities leaving positive impact on market sentiment. VIX Index - market volatility indicator - decline by 19.4% in May, after falling sharply by 36.2% in April. FED President Jerome Powell repeatedly asserted that the Fed maintains loosening policies until the US economy recovers with unemployment normalises. The focus of the meeting in June is likely to revolve around the 600 billion USD credit package, supporting production and business activities, by providing loans with term of four-years. Yield curve control may also be discussed. Macroeconomic indicators show certain recovery after disease prevention measures start to be removed. Application for unemployment benefit increased by 2.1 million in the week ending May 23, the lowest since the outbreak of the Covid-19 epidemic. Four-week moving average decreased for the fifth week in a row to 2.6 million in the week ended May 23. Number of people continued to receive benefit decreased to 21.1 million in the week ending May 16, compared with a peak of 24.9 million in the week ending May 9. The service PMI index increased to 36.9 in May from 26.7 in April. The manufacturing PMI index increased to 39.8 in May from 36.1 in April. This shows that the most difficult time for service sector and production sector may be over. FED is likely not to change monetary policy standing in coming period.
- 2. *ECB policy meeting (June 4):*** European Central Bank is likely to maintain interest rates at -0.5% in the next policy meeting. Market movements show that the ECB is likely to maintain policy rates at current levels until the end of 2020. However, other monetary measures, expanding bond purchasing under the Pandemic Emergency Purchase Program (PEPP) - from the present value of EUR 750 billion, may be discussed. This is in line with the financial needs of the member states, as recently, the European Commission also proposed a recovery fund worth EUR 750 billion. The ECB will probably discuss the expansion of bond purchasing targets with addition of businesses that have been downgraded because of Covid-19 impact. President Christine Lagarde said it is highly likely that the European economy will fall into the negative growth scenario of 8-12%. In general, the ECB continued to loosen monetary policy to support the

recovery of the economy and to prevent deflation, especially in the context of volatile oil prices. The service PMI index of the EU increased to 28.7 in May from 12.0 in April. The EU manufacturing PMI index increased to 39.5 in May from 33.4 in April. EU inflation increased by 0.1% in May, down from 0.3% increase in April, the lowest since June 2016. The core inflation of the EU increased by 0.9% in May, equivalent to the increase in April. In order to avoid deflation and support economy, stimulative monetary policy is likely to be maintained in coming periods.

3. ***Tension between US-China, PBoC's policy meeting (June 22):*** President Donald Trump's declaration of canceling special treatment for Hong Kong Special Administrative Region, increased tension between US-China, though not yet affecting first phase agreement reached in January. On May 28, China passed a new security law for Hong Kong. Tensions between the two countries have worsened before as the US government criticized China's reluctance to disclose information on Covid-19, causing the outbreak worldwide. The anti-China policy is likely to play an important role in the election platform of President Donald Trump. Tensions in bilateral relations can therefore continue to be negative in the coming period. However, cancellation of the first phase agreement is less likely to happen when the US must also deal with the impact of Covid-19. China is likely not to change its goals set at the National Assembly meeting that ended May 29: reducing unemployment, maintaining solvency, maintaining household income, and energy and food security. The Central Bank of China (PboC) may use one of five measures including: allowing small businesses to delay repayment of loans and interest, enhance interest-free loans, improve government-guaranteed credit, and financial supply chain development. However, interest rate is likely to be maintained at the current level, when the macroeconomic indicators have started to show that the country's economy has been more positive in the past period. The service PMI index of China increased to 44.4 in April from 43.0 in March. The country's manufacturing PMI index decreased slightly to 49.4 in April, from 50.3 in March. Domestic economy continues to recover along with global demand, as trading partners removing restriction measures, PBOC is likely to keep interest rates at current level at the next meeting.

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

1. ***Decree 46/2020/ND-CP stipulates customs procedures, customs inspection and supervision of goods in transit through the ASEAN Customs Transit System (ACTS).*** Enterprises are exempted from guaranteeing multiple journeys when in transit through ACTS if they meet the following conditions: Being recognized as priority transit enterprises, enterprises having registered transportation services or providing logistics

services according to regulations, enterprises do not owe overdue for more than 90 days of tax, late payment interest, fines and not subject to coercive measures to enforce tax administrative decisions in the field of customs within 02 years continuity. Transited goods via ACTS are brought from Vietnam to ASEAN member countries or brought from ASEAN member countries to Vietnam via 03 international border gates: Cau Treo (Ha Tinh); Lao Bao (Quang Tri) and Moc Bai (Tay Ninh).

2. ***Circular 09/2020/TT-BCT regulating the roadmap for application of import and export border gates for goods temporarily traded for re-export, border-gate transfer business, and bonded warehouse.*** If goods are temporarily imported for re-export, traded or transferred from border gate to border gate, if imported into or re-exported out of Vietnam across the land border, such import and re-export shall only be conducted through international border gates. The main gate is opened in accordance with Decree 112/2014/ND-CP. This provision is also applicable to foreign goods temporarily imported for re-export to be sent to bonded warehouses if goods are imported into or re-exported from Vietnam across the land border.
3. ***Circular 23/2020/TT-BTC stipulating the advance, borrowing from the State budget.*** The duration of borrowing from the State budget shall be decided by the Ministry of Finance but shall not exceed 12 months, counting from the date the State Budget Loan Agreement takes effect. For State budget loans, the time limit for capital withdrawal is December 31 of the year when the loan arises. After this period, the loan will expire and be canceled. The repayment of the State budget loan may also be considered for extension in case the central budget has difficulties and has not yet been arranged to repay. The maximum extension time is 12 months, counting from the loan maturity date as prescribed in the State Budget lending contract. Requests for loan extension must be made at least 20 working days before the due date.
4. ***Circular 28/2020/TT-BTC repeals a number of legal documents in the field of securities, insurance business and banking. The Ministry of Finance shall decide to repeal:***
  - Circular 194/2009/TT-BTC guiding public tender of public company stocks, closed-end fund certificates of public securities investment funds.
  - Decision No. 99/2005/QD-BTC promulgating rules, fee schedule and compulsory liability insurance for liability of business people transporting passengers, flammable and explosive goods on inland waterways.
  - Circular No. 99/2011/TT-BTC guiding financial management for the pilot implementation of export credit insurance.
  - Circular No. 121/2011/TT-BTC guiding the pilot implementation of agricultural insurance for the period of 2011-2013.

- Circular No. 101/2012 / TT-BTC prescribes a number of financial issues for insurance enterprises and reinsurers to pilot agriculture insurance.
- Circular No. 57/2013/TT-BTC amending and supplementing Circular 121/2011/TT-BTC.
- Circular No. 96/2013/TT-BTC amending and supplementing Circular No. 121/2011/TT-BTC and Circular No. 101/2012/TT-BTC.
- Circular No. 105/2007/TT-BTC guiding the handling of State's investment credit and export credit risks.
- Circular No. 35/2012/TT-BTC guiding investment credit and export credit of the State.

**Table 4**  
Monthly macro indicators

Indicator/Month	2019M10	2019M11	2019M12	2020M01	2020M02	2020M03	2020M04	2020M05
GDP YoY (%)	-	-	6.97	-	-	3.82	-	-
GDP ytd YoY (%)	-	-	7.02	-	-	3.82	-	-
PMI	50.0	51.0	50.8	50.6	49.0	41.9	32.7	42.7
IIP YoY (%)	9.2	5.4	10.4	-5.5	23.7	5.4	-10.5	-3.1
IIP ytd Yoy (%)	9.5	9.3	8.86	-5.5	6.2	5.8	1.8	1.0
Retail sales YoY (%)	13.3	12.6	11.4	10.2	6.0	-0.8	-26	-4.8
Retail sales ytd YoY (%)	11.8	11.8	11.3	10.2	8.3	4.7	-4.3	-3.9
CPI MoM (%)	0.59	0.96	1.4	1.23	-0.17	-0.72	-1.54	-0.03
CPI YoY (%)	2.24	3.52	5.23	6.43	5.40	5.56	2.93	2.40
Registered FDI (Bil USD)	18.30	20.60	22.5	4.83	5.64	6.60	9.8	10.9
Disbursed FDI (Bil USD)	16.20	17.60	20.4	1.60	2.50	3.90	5.2	6.7
Export (Bil USD)	24.2	22.6	22.5	19.0	18.6	20.0	19.7	18.5
Import (Bil USD)	22.4	22.5	22.3	19.1	18.5	19.0	20.4	29.4
Trade Balance (Bil USD)	1.8	0.1	0.2	-0.1	0.1	1.0	-0.7	-0.9
Exchange rate (USD/VND)	23,262	23,260	23,218	23,200	23,233	23,637	23,570	23,282
Credit growth (%)	-	-	13.7	-	-	0.68	-	-

*Source: BSC Research*

## Stock market May 2020

### Market outlook

**In May, the gain of the VN-Index from April slowed down in the last week of the month when the market returned to the resistance area of 860-880 points.** The development of the Covid-19 epidemic in Vietnam has been under control, along with a series of fiscal and monetary policies to support the economy, helping to support investor sentiment. The domestic cash flow continued flowing strongly into the market but started to show signs of weakening in the last week of the month. Meanwhile, foreign investors remained net sellers on both HSX and HNX. As of May 29, 2020, the VN-Index officially increased 95.36 points compared to the end of the previous month (+ 12.3% MoM, -10.0% Ytd) and HNX-Index only increased +2.97 points (+ 2.8% MoM, + 7.1% Ytd).

**The performance of the stock sectors by market capitalization increased consensus.** In May, the HSX had 280 gainers, 91 losers and 10 unchanged stocks. 5 stocks supporting VN-Index including VCB increased + 25.3% (contributed 18.22 points), VHM increased + 20.4% (contributed 12.44 points), VNM increased + 16.2% (contributed 7.96 points), GAS increased + 17.35% (contributed 6.0 points), BID increased + 12.6% (contributed 5.17 points). Stocks that limited VN-Index uptrend include VJC fell -2.2% (-0.39 points), POW decreased -2.8% (-0.20 points decrease), DTL decreased -47.1% (decreased - 0.15 points), BIC decreased -12.3% (down -0.10 points) and PPC decrease -3.2 (down -0.08 points).

Table 5  
Fluctuation in the last 6 months on HOSE

Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
5	864.47	5.43	3,014.56
4	769.11	4.77	2,684.21
3	662.53	4.73	2,312.03
2	882.19	3.36	3,020.00
1	936.62	2.35	3,206.04
12	960.99	3.69	3,279.93

Source: HSX, Bloomberg, BSC Research

Table 6  
Fluctuation in the last 6 months on HNX

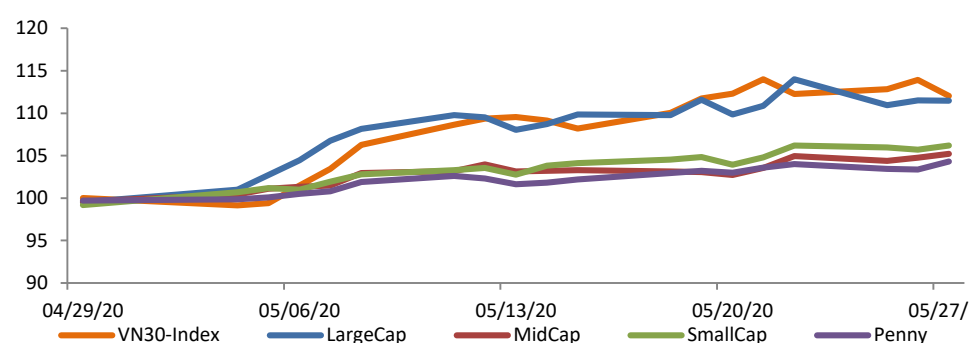
Month	Index	Volume (Bil shares)	Capitalization (VND Trillion)
5	109.81	1.10	214.82
4	106.84	1.02	207.94
3	92.64	1.43	185.31
2	109.58	0.81	211.55
1	102.36	0.47	192.02
12	102.51	0.56	194.72

Source: HNX, Bloomberg, BSC Research

## Stock sector performances

**The performance of the stock groups by market capitalization increased with the largest increase in the VN30 and Largecap.** In May, the market was mainly supported by steady cash flow into large-cap stocks. Specifically, LargeCap increased by + 11.5%, MidCap increased by + 5.2%, SmallCap increased by + 6.2%, Pennies increased by + 4.3%, and VN30 increased by + 12.7%.

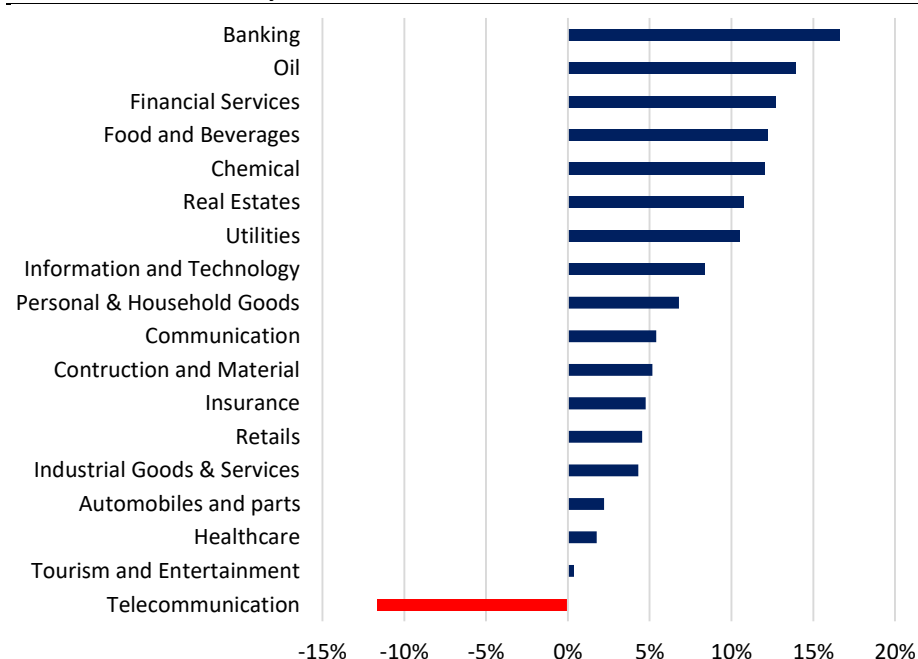
Chart 9  
**Stock sector developments**



Source: Bloomberg, BSC Research

In May, the market had 18/19 sectors gained. In which, basic resources increased the most with 21.31% efficiency due to the contribution of HPG and HSG shares with the increase of + 28.51% and + 36.23%.

Chart 10  
**Tier 2 sector in February 2020**



Source: Fiinpro, BSC Research



## Capitalization scale

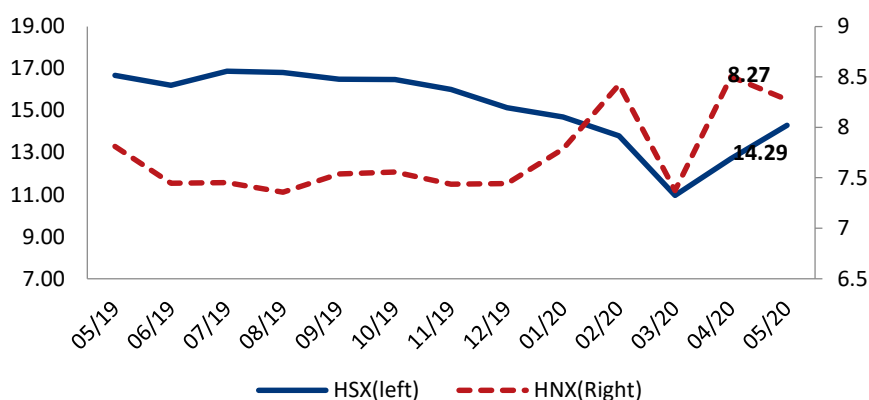
The market capitalization on both exchanges reached 3,229 trillion dong, equivalent to 139.2 billion USD, up + 11.6% MoM, -7.1% Ytd. Upcom increased to 909.6 trillion at the end of May. In May, the listing situation on HOSE was as follows:

- **Stock:** 126.4 million shares listed for the first time and no delisting shares, 137.5 million additional listing shares
- **ETF:** 10.2 million ETFs listing for the first time, 83.1 million ETFs listing and 11.6 million ETFs delisting;
- **Bonds:** 20 million bonds listed for the first time, no additional listed bonds and 10 million bonds canceled listing;
- **Warrants:** 11 symptoms of listing rights for the first time, 10 symptoms of additional listing rights and 43 symptoms of listing rights.

In terms of listing scale on HOSE on May 29, the exchange is listed at 89.29 billion shares equivalent to VND 892.93 trillion (95.79% of market value), 329.2 million bonds equivalent to VND 32.9 trillion (3.53% market value), 564 million ETF certificates equivalent to VND 5.64 trillion (0.61% of the market) and 160 rights symptoms equivalent to VND 0.32 trillion (0.03% of the market)

Chart 11

### Market capitalization

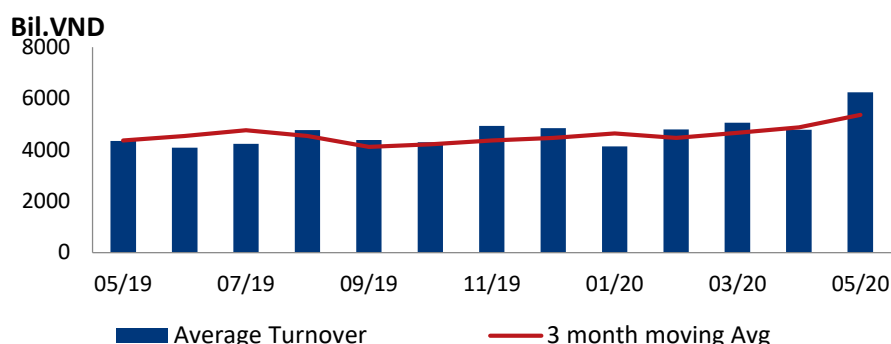


Source: Bloomberg, BSC Research

## Average market liquidity

The average liquidity on the 2 exchanges increased sharply + 31% compared to April 2020, and reached VND 6,237 billion/session and equivalent to nearly USD 268.85 million/session. The liquidity increased sharply in May mainly due to a series of large put through transactions such as VND 2,335 billion of MSN, VND 446 billion of PC1 and VND 2,200 billion of VHM.

Chart 12  
**Average market liquidity**

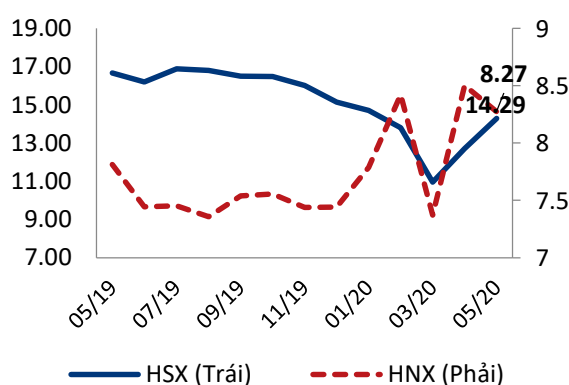


Source: Bloomberg, BSC Research

## Price level of Vietnam stock market

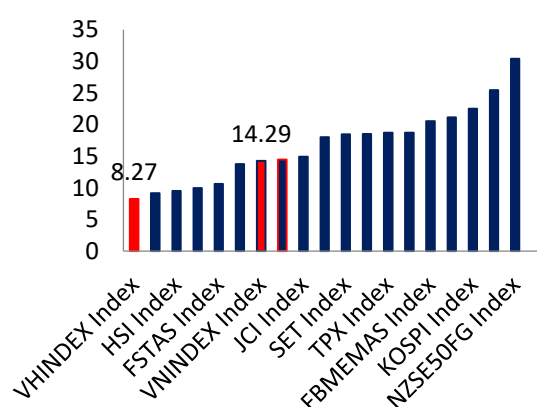
**P/E of VN-Index recovered strongly to 14.29, respectively + 20.8% MoM, - 7.1% Ytd and HNX-Index fell to 8.27, equivalent to -3.3% MoM, + 14.4% Ytd.** P/E of VN-Index recovered strongly while P/E of HNX-Index decreased slightly because cash flow of the market mainly focused on large-cap stocks concentrated in VN-Index. Compared to April, the P/E of the VN-Index increased to the 13th position and the HNX-Index remained at the last 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

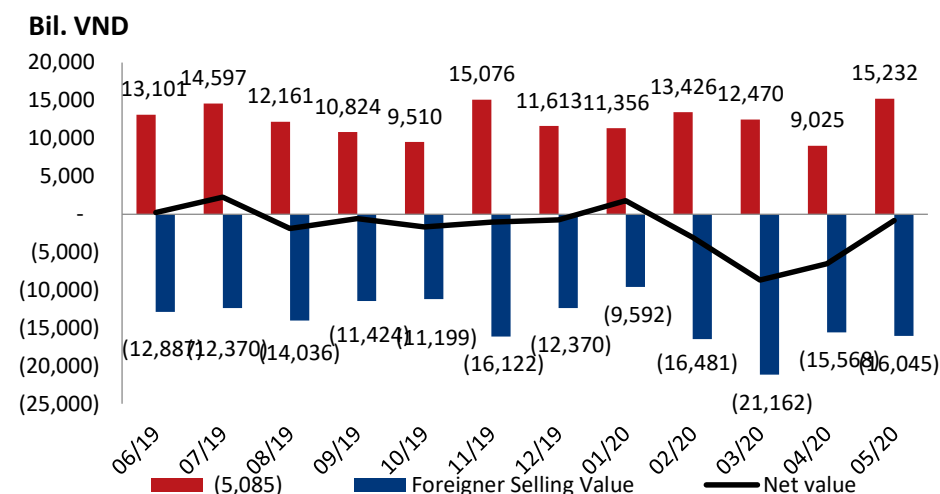
## Foreign trading

**Foreign investors continued to be net sellers in May.** May also saw foreign investors net sell on Upcom when the total value of net sales reached -212.5

billion, they focused on selling -171.5 billion ACV and -72 billion BSR in when net buying 47.5 billion VTP and 28.6 billion LPB.

Chart 15

### Foreigner transaction performances on both Exchanges



Source: BSC Research

In May, foreign investors continued to be net sellers, but the selling reduced to -558 billion dong on the HSX with 204 net sold shares and 129 shares net bought, net sold -255 billion on the HNX with 94 net-sold stocks and 86 net-buying stocks. On the HSX, they bought a lot of MSN (VND 2,367 billion), VNM (VND 823 billion), VCB (VND 699 billion), and sold VHM (VND -1,828 billion VND), VIC (-453 billion VND), PC (-446 billion). On the HNX, this group focused on selling SHB (-112.1 billion dong), PVS (-94.8 billion dong) and buying VCS (10.9 billion dong) and NTP (8.0 billion dong).

Table 8

### Top 10 foreign traded stocks on HSX in 05/2020

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
MSN	2,367.40	VHM	(1,828.02)
VNM	823.67	VIC	(453.93)
VCB	699.13	PC1	(446.19)
FUEVFNVD	676.70	HPG	(296.15)
VPB	408.29	VRE	(246.59)
PLX	115.46	VJC	(171.94)
FUESSVFL	103.82	VCI	(169.30)
PHR	70.70	DPM	(141.96)
CTG	62.38	SVC	(136.89)
BMP	36.48	BVH	(133.66)

Source: BSC Research

Table 9

### Top 10 foreign traded stocks on HNX in 05/2020

Ticker	Net value (VND Bil)	Ticker	Net value (VND Bil)
VCS	10.88	SHB	(112.05)
NTP	8.01	PVS	(94.82)
PVI	3.32	SHS	(23.61)
PLC	1.69	HUT	(21.87)
LAS	1.28	BVS	(7.96)
IDV	1.19	PGS	(3.31)
SLS	1.15	TIG	(3.19)
HDA	0.95	DGC	(2.20)
SDT	0.69	ART	(2.12)
EID	0.57	PVC	(2.02)

Source: BSC Research

## Market outlook in May

Information that 25% of the US population is unemployed, Europe is facing the risk of deflation despite the negative growth of -3.8% in the first quarter, and the US-China tensions have not been able to discourage international investors. Instead, economies are reopening although Covid-19 has not fully controlled, expectation of testing vaccines against diseases and above all, cheap cash flows in key countries is motivation in short-term for investment channels to grow.

The US and EU Central banks are committed to maintaining the current easing policy and are willing to expand quantitative easing measures to bring the economy, employment and inflation to full recovery. China has not set a growth target for the first time in many years, but aims to create more jobs and adjust the budget deficit from 2.8% to 3.6% of GDP, meaning the Government will increase spending by hundreds of billions of dollars to support the economy. Japan will also approve a 1 trillion USD support package, bringing the total support to nearly 40% of GDP to cope with a strong economic slowdown.

Supportive measures were introduced when economies were reopened in the context of the disease is not fully controlled. As of May 31, the world had nearly 6.2 million cases of infection, an increase of nearly 2.9 million compared to April and the number of deaths was over 370,000. Brazil and Russia occupy the second position after the United States with the highest number of cases.

Economies have reopened, making the risk of the 2nd wave of the disease possible again. The reopening of economies continued to support the stock markets to recover well in May. MSCI indexes of developed markets, MSCI emerging markets, MSCI frontier areas (at USD exchange rate) have increased 4.6%, 0.6% and 3.7% respectively. Commodity market (Bcom Index) increased by 4.3%, notably oil and silver prices increased by 88% and 24% respectively. USD Index decreased -1.4% compared to most currencies. Noticeably, CNY depreciated close to lowest level in September, 2018, to 7.17 CNY / USD.

Vietnam's stock market had good growth in May, coinciding with the recovery trend of regional and world markets. Vietnam successfully controlled the epidemic, business results season in the first quarter and the policy of lowering interest rates of the SBV to support cash flow to participate in the stock market. The cash flow of domestic investors, domestic ETFs remained positive, and spread widely across many sectors and stock groups. VN-Index increased by 12.4% with 18/19 industries gained, of which some sectors had remarkable growth including Basic Resources (21.3%), Banking (+ 16.6%), and Oil and Gas (+ 13.9%). The market has a cumulative span between May and

continues to recover towards the resistance area of 860 - 880 points toward the end of the month.

In May, the market was favorable thanks to information on disease control and new cash flow from investors. BSC focuses on updating information, evaluating and analyzing investment opportunities for VHC (Link), ACB (Link), VCB (Link), DGW (Link), CSV (Link) stocks. , VNM (Link), MWG (Link), HDG (Link) PLC (Link), PNJ (Link), VTP (Link), DXG (Link), HPG (Link), TCB (Link), SZC (Link), VEA (Link), and HPG (Link). We also quickly updated 27 companies via iBroker (Link) during the General Meeting of Shareholders and provided investment tools via i-Invest (Link).

The economy is gradually recovering after nearly 1 month of implementing social isolation. Post-epidemic economic support policies to regain growth momentum are still being actively implemented. However, the ability to recover quickly or slowly depends on the ability of key trading partners to control the disease. Along with that, the information also has an impact on the market in June as follows:

**The Covid-19 Virus outbreak was under control, and the economic production gradually recovered.** The decision to loosen the social isolation measures and supportive policies of the Government, the macro-economic indicators in May have gradually recovered, accordingly (1) The index of industrial production increased by 11.2% compared to April and up 1% in 5 months; (2) Investment capital from the state budget increased by 17.5% in the same period and increased by 15.6% in 5 months over the same period; (3) Total retail sales of consumer goods and services increased by 27% compared to April, for 5 months in general, decreased by 3.9% over the same period; (4) Trade balance in May is expected to be a surplus of 1.9 billion USD; (5) Number of newly opened businesses increased by 36% in May, down 10.5% in 5 months over the same period.

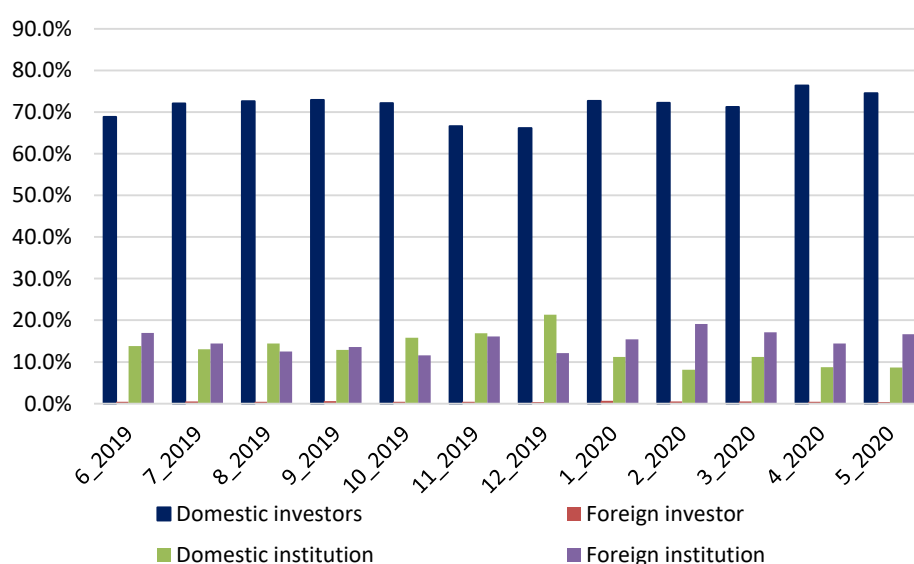
However, drought and saltwater intrusion cause forestry and fishery industry to recover slowly. Along with that, important trading partners still affected by the disease also inhibited the recovery of the economy. Some indicators have not recovered clearly, such as (1) FDI in 5 months decreased by 17% over the same period; (2) Total import-export turnover in 5 months decreased by 2.8% over the same period, of which exports decreased by 1.7% and imports decreased by 2.8%; (3) The CPI decreased by 0.03% over the previous month, the average CPI of 5 months increased by 4.39% over the same period, the highest level in 3 years; (4) International visitors decreased 13.6% over the previous month, down 48.8% in 5 months over the same period.

The epidemic has no new cases in the community for 45 consecutive days, which is an important factor to bring the economy back to normal operation. This is also a psychological factor helping the stock market maintain current expectations. However, the level of economic recovery will depend on the ability to control diseases of important trading partners. The market will soon face practical tests on its ability to recover the economy and enterprises after initial expectations.

**The movement of cash flow in the market, domestic capital flow persistently supported the index's gaining momentum.** Foreign investors remained net sellers of 79 million USD in May, thereby raising the total value of net sales to 712 million USD from the beginning of the year. However, the VN-Index still maintained a recovery thanks to positive internal capital flows, capital inflows from purchase of treasury stocks, internal shareholders and new capital flows from domestic ETFs.

The positive internal capital flow was shown by: (1) The increase of new investors in the market. The number of investment accounts (of which the majority is domestic investors' accounts) opened in April reached 36.8 thousand accounts, 4.7 thousand higher than the peak in March; (2) Domestic investors increased transactions in the market. The proportion of trading value of domestic individual investors in April and May were respectively at 76.4% and 74.5% of the whole market. This is the highest level since October 2018 and 3% higher than the 12-month average.

Chart 16  
**Proportion of investors traded on the market in 12 months**



Source: FiinPro, BSC Research

Capital flows from activities of buying treasury stocks and internal shareholders. As of May 25, 77 companies on 3 floors have registered to buy treasury shares worth about 4,732 billion and have completed buying VND 2,192 billion. Along with that, internal shareholders of listed companies have also finished buying VND 4,785 billion and remaining VND 482 billion of unregistered purchase registrations. Most companies and internal shareholders register to buy stocks in March - April when stock prices plummet and trading takes place in April - May.

While foreign ETFs continued to net withdraw VND 83 billion (VNM ETF with VND 20 billion, ETF FTSE VN with VND 63 billion), domestic ETFs raised capital sharply in May with a value of VND 697 billion (VND 579 billion of FUEVFVND

- Diamond and VND 225 billion of FUESSVFL – FinLead, E1VFN30 net sold VND 107 billion).

The current trend of money flow is still supporting the recovery. The pillar stocks supported the index, creating favorable conditions for cash flow and gradually pushed up the stock price. However, the flow from domestic ETFs is showing signs of saturation at the end of May, while foreign investors have not shown signs of net buying yet, it will be difficult for the index to maintain the uptrend when the price is at the same level before the epidemic crisis.

**Signs of US-China trade tensions are returning.** Along with continuing to blame China for spreading the disease, the Trump administration is heating up the trade war through a series of different policy moves. The US President extended the ban on allowing US companies to cooperate with and buy parts with Huawei until May 2021. The US Department of Commerce on May 22 also issued a notice to send eight subjects, including the Institute. Forensic science of China's Ministry of Public Security is on the "blacklist" of commerce. On May 20, the US Senate passed a law to increase oversight of foreign-based companies, a target most likely to be directed to Chinese companies. These companies may be banned from trading if US regulators cannot audit for 3 consecutive years. In addition, listed companies must have a certificate of "not owned or controlled by a foreign government".

China on May 21 announced a Hong Kong security bill, which outlawed rebellion, secession and subversion. This law will deepen the gap with the Hong Kong Democratic Act and Human Rights Act passed by the US in 2019. Hong Kong could thus lose a special trade status when the US Department of State assesses that China has imposed put more control with this district.

Under the first-phase trade commitment, China committed to spend an additional USD 200 billion on US imports of 2017 goods. China therefore had to spend USD 36.6 billion on US imports in 2020. Average is 9.1 billion USD in quarterly, however, in Q1, it was only 5.1 billion dong. Due to the economic downturn and the Covid-19 epidemic, China's commitment was not easily achieved. The new developments are pushing both sides to stress and the risk of a new crisis.

Bảng 12

**Factors affecting the market in June 2020:**

Factors	Effects on stock market
Epidemic is under control, business activities gradually stabilized after the instruction to relax social isolation.	Positive to the economy, businesses and stock market
Publish the business results for the second quarter of 2020 and the annual general meeting of listed companies	The market will have a revaluation and clear differentiation
New capital flows from domestic individual investors	Positive, need time to verify
Capital flows from ETFs are based on the VNFin lead Index and VNDiamond Index.	Positive, but showing signs of leveling off at the end of May.
9th National Assembly from May 20 to June 19	Considering socio-economic issues and some important laws
The ETFs will publish the re-structure portfolio and implement.	Increase liquidity for the market
Capital withdrawal activities of foreign investors following the world trend	Negative impact

High risk of recession in key countries and regions in the world	Negative in mid-term, depending on the speed of economic recovery.
Covid-19 virus epidemic peaked, some countries reopened economy and expectation of vaccine testing	Positive impact
US-China tension back, related to Hong Kong and commitment to buy US goods of China Potential	Risk of instability
Oil price recovered strongly, but the demand was not stable.	Risk of correction, affecting related countries and industries

Source: BSC Research

New cash flows from domestic ETFs and domestic individual cash flows are still motivating to support the market. After more than a month of gaining, the price was near the pre-epidemic price level due to companies' 23% profit decline in the first quarter. The market will soon face the actual test of listed companies' business results in the second quarter. The rallying factor decreases while the regional risky factor increases and international politics become more unpredictable. Given the current context, we are cautious about short-term market movements and forecast the fluctuation range from 800 to 880 points in June.

- In a positive case, VN-Index kept above 835 points after the expected correction and moved differentially in alignment with topics related to public investment and production recovery.
- In a negative case, VN-Index fell below 800 points when the key economy recovered not as expected, US-China tensions increased and pressure of divestment 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 public investment activities such as Steel, Cement, Construction Materials, and Asphalt;
- Stocks benefiting from decreased raw materials input such as Fertilizers, Tire, Chemicals;
- 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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