

Vietnam Monthly Review 07.2020

BSC Research

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Macroeconomics

- July 2020 PMI fell to 47.6 points, returning to negative after a positive recovery to the 51.1 point growth area in June.
- Total retail sales of consumer goods and services in July 2020 were estimated at 431.9 trillion dongs, up 3.33% over the previous month and up 4.3% over the same period last year.
- Registered FDI reached 14.2 billion USD, up 21.2% over the same period last year while disbursed FDI reached 10.1 billion USD, down 4.1% from last year.
- The interbank exchange rate in July fluctuated in the range of 23,270 - 23,300 USD / VND, down from the range of 23,280 - 23,570 USD / VND in June. Interbank interest rates in the medium term increased slightly. Interbank interest rates in the short term maintained at low levels

Stock market

- July 2020 was a period of market decline after a sideways pace in June 2020. As of July 31, 2020, VN-Index decreased by -3.24% MoM, -16.9% Ytd while HNX-Index decreased by -2.05% MoM, + 4.88% Ytd.
- Market capitalization on both exchanges reached VND 3,016 trillion, equivalent to USD 131 billion, down -2.63% MoM, -11.2% Ytd. Upcom dropped -2.89% MoM, reaching 807 trillion at the end of July.
- Average liquidity on both bourses decreased sharply by -34.32% compared to June 2020, and maintained at VND 4,989 billion / session and equivalent to nearly US \$ 217 million / session.
- P / E of VN-Index dropped to 13.15, equivalent to -3.66% MoM, -14.5% Ytd and HNX-Index also returned to 7.87, equivalent to -3.08% MoM, + 8.85% YTD.

Market outlook in August 2020

The shift back into the community and uncontrolled is negative macroeconomic information in general and stock market in particular. Movements of the stock market will fluctuate unpredictably, complicatedly and depend heavily on the ability to control diseases. However, we believe that with the current fundamentals, the market will soon stabilize with a higher price level than the sharp decline due to the impact of Covid-19 in the first quarter. VN-Index is forecast to move. with the focus price range of 750 - 825 points in August. BSC offers 2 reference scenarios as follows:

- In positive case, VN-Index closed above 800 points, liquidity and recovering trend. Mobilize markets on topics related to public investment and business activities that are not affected by the disease.
- In a negative case, the VN-Index fell below 750 points when the world market movements were negative, the domestic epidemic situation was serious and foreign investors withdrew capital.
- **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 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 July 2020

Economic growth

- **July 2020 PMI fell to 47.6 points, returning to negative after a positive recovery to the 51.1 point growth area in June.**

Index of Industrial Production (IIP) in July 2020 is estimated to increase by 3.6% over the previous month and by 1.1% over the same period last year, of which the mining industry decreases by -7.9%; processing and manufacturing by 2.1%; electricity production and distribution increased by 2.7%; water supply and waste treatment increased by 4.5%.

Among tier-II industries, the top 3 industries with production index increased significantly in July compared to the same period last year: production of medicines, pharmaceutical chemicals and medicinal materials increased by 39.7%, metal ore mining increased by 30.3%, production of coke and refined petroleum products increased by 28.5%. Some major industrial products in July increased significantly over the same period last year: sugar increased by 212.5%; television by 35%; gasoline and oil rose 29.4%.

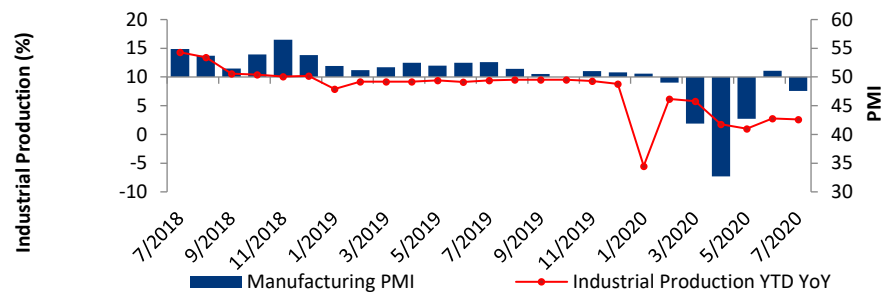
Index of industrial production in the first 7 months of 2020 was estimated to increase by 2.6% over the same period last year, of which mining and quarrying dropped by -7.8%; processing and manufacturing increased by 4.2%; electricity production and distribution increased by 2.1%; water supply and waste treatment increased by 3.3%.

In the first 7 months of 2020, among the tier-II industries, the top 3 industries had a relatively high increase in the production index compared to the same period last year: production of medicines, pharmaceutical chemicals and medicinal products increased by 27.1%, production of coke and refined petroleum products increased by 15.9%, metal ore mining increased by 15.7%.

Some key industrial products in the first seven months of 2020 increased significantly compared to the same period last year: gasoline of all kinds increased by 18.6%; rebar and angle bar increased by 13.8%; television increased by 12.4%.

Industrial production continued to face difficulties, failing to achieve a breakthrough increase in the two months after the epidemic prevention in April. The seven-month index of industrial production increased by 2.6%, the lowest increase for many years.

Chart 1
Industrial Production Index & PMI



Source: GSO, Markit, BSC Research

July 2020 PMI fell to 47.6 points, returning to negative after a positive recovery to the 51.1 point growth area in June. Latest data continues to show the long-term impact of the disease on business condition:

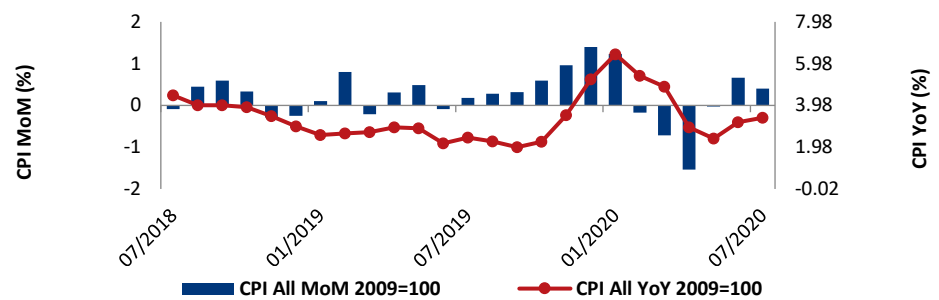
- Production output dropped again after a strong recovery in June. However, the decrease was much lower than beginning of the year. Output decreased in intermediate goods, investment goods, consumer goods.
- New orders dropped, as export orders dropped sharply, as key partners like the US continued to be negatively affected when the disease came back.
- Decreased job volume, leading to lower employment and purchasing activity. Inventories of input goods and finished goods also decreased.
- Delivery time continues to be prolonged, because of the characteristics of marine transportation and difficulty of importing Chinese products.
- In such a situation, one-year business prospects slightly decline but still in a positive state.

In contrast, China's PMI index continued to recover strongly to 52.8 points in July, signaling an improvement in production and business conditions. Output, new orders increased the fastest since 1/2011. Along with that, purchasing activity increased the most since 1/2013. Output and input prices increased, reflecting the recovery of the manufacturing sector. However, export orders increased the slowest in 6 months. The labor force continues to be cut in effort to reduce costs and to operate more efficiently by many businesses. In general, the business outlook of the year remains positive, with the expectation that the demand for consumption will continue to recover and therefore production activities after the epidemic period.

Inflation

- **CPI of July increased by 0.40% compared to June, mainly due to the increase of domestic gasoline prices in line with world petroleum prices and high demand for electricity and water use caused by prolonged hot weather.**

Chart 2
Monthly CPI movements



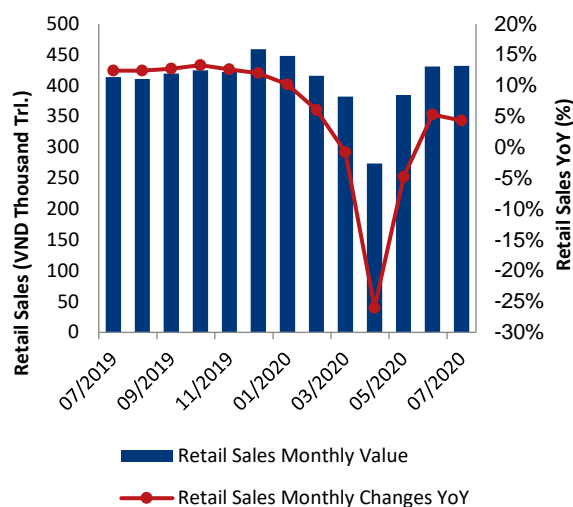
Source: GSO, BSC Research

CPI of July increased by 0.40% over the previous month, and increased by 3.39% over the same period in 2019. Core inflation in July 2020 increased by 0.09% over the previous month and increased by 2.31% compared to the same period last year.

In July, the price index of 9/11 groups of goods and services recorded an increase compared to the previous month. The fluctuations of CPI in the month were caused by the following reasons:

- **Transportation increased the most with 3.91%** due to the impact of the petrol and oil price increase on June 27, 2020, causing the petrol and oil price index to rise by 9.02% (the impact that made the general CPI increase 0.37%);
- **Housing and construction materials increased by 0.47%**, mainly due to the increase in electricity and water prices of 2% and 0.25%, respectively, when demand for electricity and water increased sharply during hot weather and due to gas price increased by 1.13%, oil price increased by 8.2%.
- **Culture, entertainment and tourism increased by 0.3%** because this is the month when pupils and students go on summer vacation, so the demand for entertainment increases.

Chart 3
Retail Sales



Source: GSO, BSC Research

Table 1: Increase/decrease of service sectors

No. Sector	MoM (%)	YoY (%)
1 Food and catering	-0.18	11.89
2 Beverages and cigarettes	0.02	1.35
3 Apparel, hats, shoes	0.06	0.64
4 Housing and construction materials	0.47	0.66
5 Appliances, household appliances	0.07	1.21
6 Drugs and medical services	0.02	3.38
7 Traffic	3.91	-14.04
8 Post and Telecommunication	-0.02	-0.53
9 Education	0.02	4.15
10 Culture, entertainment and tourism	0.3	-1.47
11 Other goods and services	0.17	2.52

Source: GSO, BSC Research

Total retail sales of consumer goods and services in July 2020 were estimated at 431.9 trillion dong, up 3.33% over the previous month and up 4.3% over the same period last year. In particular, the retail sales of goods in July 2020 was estimated at 333.8 trillion dong, up 2.63% MoM and up 7.0% YoY.

Foreign Direct Investment (FDI)

- **Registered FDI reached 14.2 billion USD, up 21.2% over the same period last year while disbursed FDI reached 10.1 billion USD, down 4.1% from last year.**
- **In the first seven months of 2020, the manufacturing and processing industry is the focal point in attracting FDI inflows.**

The total newly registered FDI until July 20, 2020 of 1,620 projects (-21.5% YoY) reached 9.5 billion USD (+ 14.4% YoY), plus 3.5 billion USD of adjusted registered capital of 619 projects granted in previous years. Therefore, the total newly and additionally registered FDI capital reached 14.2 billion USD (+ 21.2% YoY).

Realized FDI capital as of July 20, 2020 is estimated at 10.1 billion USD, down 4.1% over the same period in 2019.

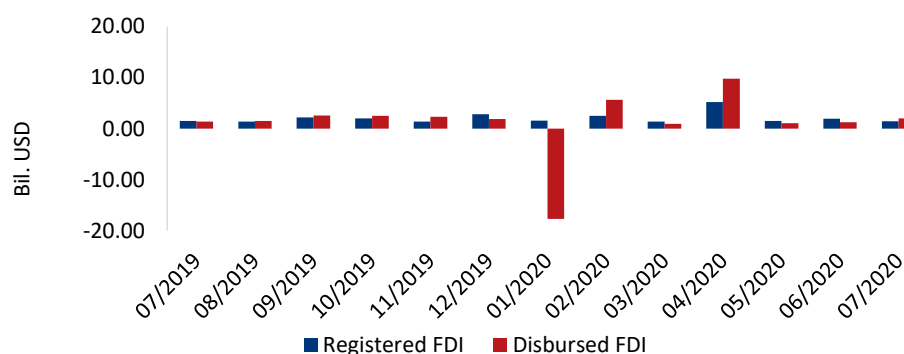
In the first seven months of 2020, processing and manufacturing industry was licensed with the largest foreign investment with a registered capital of 4.3 billion USD, accounting for 45.7% of the total newly registered capital; production, distribution of electricity, gas, and water reached 4 billion USD, accounting for 42.3%; the remaining industries reached 1.2 billion USD, accounting for 12%.

If including the additional registered capital of the projects licensed from the previous years, the foreign investment capital in the processing and

manufacturing industry reached 7.7 billion USD, accounting for 54.4% of the total registered capital; production, distribution of electricity, gas, and water reached 3.9 billion USD, accounting for 27.2%; the remaining sectors reached 2.6 billion USD, accounting for 18.4%.

Chart 4

FDI (USD Bil.)



Source: GSO, BSC Research

Top 3 regions that have the largest registered FDI nationwide: Bac Lieu (4 billion USD), Ha Nam (0.5 billion USD), Hai Phong (0.4 billion USD).

In the first 4 months of the year, Singapore was the largest direct investor in Vietnam with an investment capital of 4.6 billion USD, accounting for 48.3% of the total newly registered capital; China ranked second with 1.0 billion USD, accounting for 10.5% and South Korea with 1.0 billion USD, accounting for 10.4%.

Trade balance, Import and Export

- **July trade balance is estimated at trade surplus of 1 billion USD. The trade balance in the first 7 months of 2020 was estimated at trade surplus of 6.5 billion USD**
- **Export turnovers in July were estimated at 23.0 billion USD, up 1.9% over the previous month and up 0.3% over the same period in 2019. Export turnovers in the first 7 months of 2020 were estimated at US \$ 145.79 billion, up 0.2% over the same period in 2019.**
- **Import turnover in July was estimated at 22.0 billion USD, up 6.2% over the previous month and down -2.9% over the same period in 2019. Import turnovers of goods in the first 7 months of 2020 were estimated at 139.33 billion USD, down -2.9% over the same period in 2019**

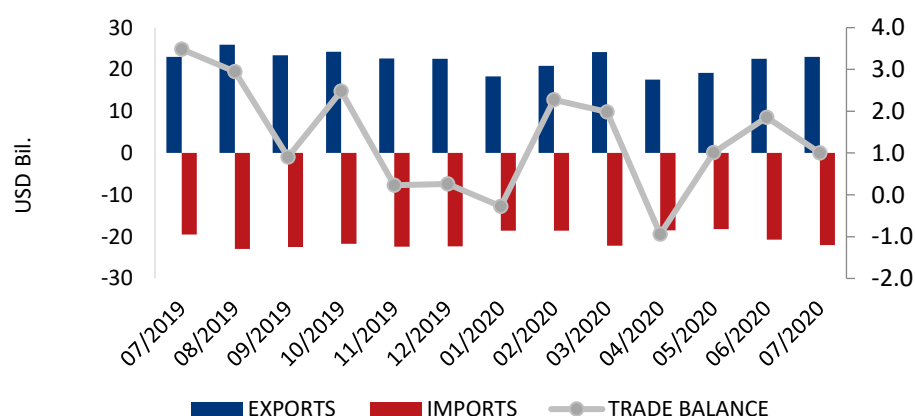
Export turnovers in July were estimated at 23.0 billion USD, up 1.9% over the previous month and up 0.3% over the same period in 2019, of which the domestic economic sector contributed 8.5 billion USD, up 2.6% over the previous month and up 10.6% over the same period last year; FDI sector

contributed 14.5 billion USD, increasing by 1.5% over the previous month, and decreasing by -4.9% over the same period last year. In July 2020, compared to the same period of 2019, export goods with largest turnover including phones and components reached 3.7 billion USD (-7.1% YoY), electronics, computers and components reached 3.6 billion USD (+ 18.5% YoY), textile and garment reached 3.0 billion USD (-8.9% YoY).

Export turnovers in the first 7 months of 2020 were estimated at US \$ 145.79 billion, up 0.2% over the same period in 2019, of which the domestic economic sector contributed 50.76 billion USD, up 13.5% over the same period last year; FDI sector contributed 95.03 billion USD, down -5.7% compared to the same period last year. In the first 7 months of 2020, compared to the same period of 2019, export goods with largest turnover including phones and components reached 25.7 billion USD (-6.6% YoY), electronics, computers and components reached 23.1 billion USD (+ 24.3% YoY), textiles reached 16.2 billion USD (-12.1% 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	25.66	-6.60
2	Electronics	23.07	24.30
3	Textile	16.18	-12.10
4	Other machines	12.42	27.10
5	Shoes	9.53	-7.90
6	Woods	6.09	6.20
7	Aquaculture	4.38	-6.40
8	Vehicles	4.36	-12.30
9	Steel	2.45	-2.70
10	Vegetables	2.00	-12.30

Source: GSO, BSC Research

Table 3

Top 10 import items

No	Exported Good	Turnover (Bil USD)	%YoY
1	Electronics	32.56	14.00
2	Machine	19.92	-4.00
3	Mobile phone	7.07	-2.40
4	Fabric	6.57	-14.90
5	Steel	4.83	-14.10
6	Plastic	4.56	-12.40
7	Plastic Products	3.86	5.80
8	Other metals	3.22	-12.80
9	Chemical Products	3.10	2.80
10	Textile Materials	2.92	-15.50

Source: GSO, BSC Research

Import turnover in July was estimated at 22.0 billion USD, up 6.2% over the previous month and down -2.9% over the same period in 2019. Of which, the domestic economic sector contributed 10.2 billion USD, up 5.9% compared to the previous month. last month and up 8.2% over the same period last year. Foreign-invested sector contributed 11.8 billion USD, up 6.5% over the previous month and decreasing by -10.9% over the same period last year. In July 2020, compared to the same period of 2019, import goods with largest turnover including electronics, computers and components reached 5.4 billion USD (+ 14.9% YoY), machinery and equipment reached USD 3.1 billion (-1.5% YoY), phones and components reached USD 1.1 billion (-23.1% YoY)

Import turnovers of goods in the first 7 months of 2020 were estimated at 139.33 billion USD, down -2.9% over the same period in 2019. Of which, the domestic economic sector contributed 61.86 billion USD, up 1.5% over the same period last year. Foreign-invested sector contributed 77.47 billion USD, down -6.2% compared to the same period last year. In the first seven months of 2020, compared to the same period of 2019, imported goods with largest turnover including electronics, computers and components reached 32.6 billion USD (+ 14.0% YoY), machinery and equipment reached 19.9 billion USD (-4.0% YoY), phones and components reached 7.1 billion USD (-2.4% YoY).

The Covid-19 epidemic has been spreading rapidly all over the world, continuing to negatively affect Vietnam's import and export activities. Total import and export turnover of goods in 7 months of 2020 was estimated at 285.1 billion USD, down 1.3% over the same period last year, of which exports reached 145.79 billion USD, up slightly by 0.2%, and import reached 139.33 billion USD, down by 2.9%. The domestic economic sector is a bright spot in Vietnam's import and export activities. Trade balance of goods in 7 months was estimated at trade surplus of 6.5 billion USD.

Exchange rate

- USD / VND exchange rate in July decreased compared to June when world cash flow moved into gold (spot gold + 10.9%, gold futures + 9.1%), and imports plummeted.
- Dollar Index in July sharply decreased compared to the previous month, many investors expected the FED to continue operating the supportive policy, in the context that the US economy was affected by second wave of the epidemic, as well as the divergence in relief policy direction by congressional leadership.

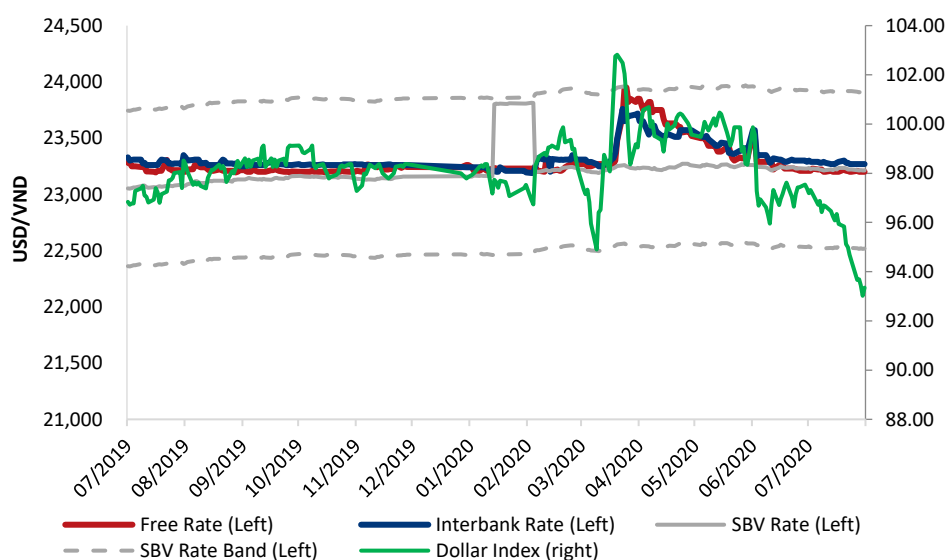
The central exchange rate in July fluctuated in the range of 23,211 - 23,235 USD / VND, slightly lower than the range of 23,212 - 23,262 USD / VND in June. The average of the month was 23,222 USD / VND. On July 31, the exchange rate was trading at 23,213 USD/VND, up 0.25% YTD and up 0.61% YoY.

The interbank exchange rate in July fluctuated in the range of 23,270 - 23,300 USD / VND, down from the range of 23,280 - 23,570 USD / VND in June. The average of the month was 23,280 USD / VND. On July 31, the exchange rate was trading at 23,270 USD/VND, up 0.13% YTD and down -0.34% YoY.

The free-market exchange rate in July fluctuated in the range of 23,200 - 23,230 USD / VND, down from the range of 23,210 - 23,550 USD / VND in June. The average in the month was 23,207 USD / VND. On July 31, the exchange rate was trading at 23,200 USD/VND, down -0.26% YTD and down 0.00% YoY.

Dollar Index at the end of July decreased by -4.15% compared to the end of June, and by -5.24% compared to the same period last year. The index ranges from 93.02 to 97.32 points, with the monthly average of 95.58 points. Currently the index was at 93.35 points.

Chart 6
Exchange rate



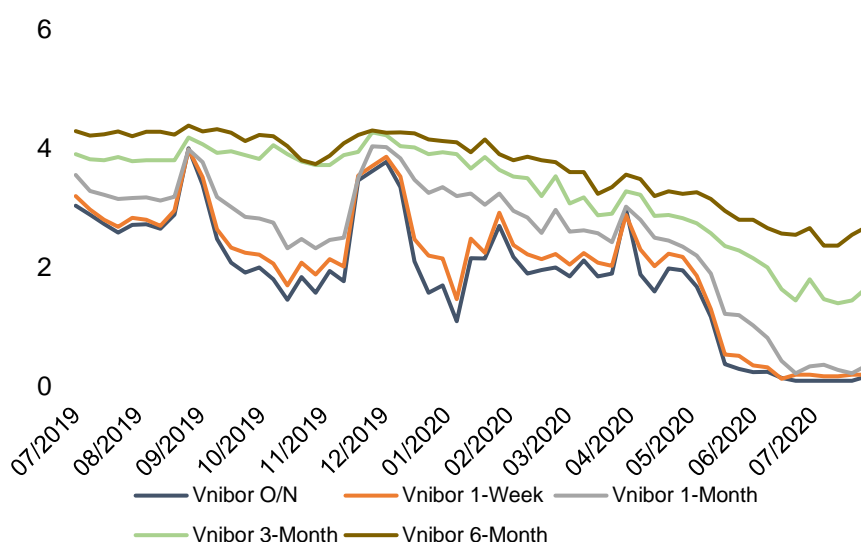
Banking - Interest rate

- **Interbank interest rate at medium term increased slightly. Interbank interest rates in the short term remained at low levels.**
- **Deposit interest rates at short, medium and long term remained stable**

Medium-term interbank interest rates in July remained low for most of the month, increased in the last week of the month, in the context of the outbreak of Covid-19 disease, which forced credit institutions to adjust business plan for 2020. Short-term interest rates remained low, equivalent to the end of the previous month. In general, policy of operating policies towards supporting production stimulation continues to be implemented, from now until the end of the year, when many economic sectors are likely to be negatively affected by the epidemic in medium - long term. SBV did not have significant activities at in treasuries market or OMO in July. On July 31, overnight interest rate, 1 week, 1 month, 3 months, and 6 months were at 0.17%, 0.20%, 0.35% respectively. %, 1.65% and 2.68%.

As of 24/7, VND deposit interest rate ranged between 0.1-0.2% / year for demand deposits and terms with less than 1 month; 3.7-4.25% / year for deposits with term from 1 month to less than 6 months; 4.4-6.4% / year for deposits with a term of 6 months to less than 12 months; over 12 month-term at 6.0-7.3% / year. Meanwhile, VND lending interest rate range from 6.0-9.0% / year for short term; 9.0-11% / year for the medium and long term.

Chart 7
Interbank rates



Source: Bloomberg, BSC Research.

Macro Forecast for August 2020

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

1. *US economic situation:* Assessing effect of the pandemic on economic prospects, Fed continues to keep policy rate at nearly 0%. FED maintains its stimulus policies to at least by the end of 2020:

- Extending loan programs during the pandemic to the end of the year, including programs to support small and medium enterprises.
- Renewal of temporary US dollar swap line and repo contract for central banks and foreign currency authorities until March next year. This will ensure a global supply of dollars, helping to stabilize the world trade situation.

FED extends on stimulus programs because when the prospects of US economic recovery are becoming negative:

- **US GDP in the second quarter of 2020 decreases by 9.49% compared to the first quarter of 2020 and by 9.54% compared to the second quarter of 2019.** This is the sharpest 12-month collapse since quarterly data has been collected since 1947. The decline in GDP in the second quarter reflects a profound impact on consumer and business spending from social distancing and other initiatives aimed at controlling viruses. Consumer spending fell by 10.7%, with spending on services such as health care, entertainment and food plummeting. Business spending on software, research and development, equipment and structure decreased at 8.8% annually. Both exports and imports plummeted. Federal government spending increased as they paid for fiscal stimulus and unemployment benefits.

- **Unemployment rate reached 11.6% nationwide on July 18, 2020** due to the spread of the COVID-19 epidemic, which has curbed the commercial activity and reduced consumer confidence. The number of people receiving unemployment benefits increased by 867,000 to 17 million in the week ending July 18, ending the downtrend that began in mid-May.

- **CPI increased from 0.1% YoY in May to 0.6% YoY in June 2020.** Inflation is still relatively low compared to the Fed's target. CPI increase in June mainly came from the recovery of oil prices but not from the demand for buying, selling and traveling of the economy.

- **The enhanced unemployment program will expire on July 31** while the US Congress has not reached an agreement to extend or replace the program to pay 600 USD / week for tens of millions of unemployed workers because of Covid-19. This will negatively affect the US consumption component in the third quarter if this aid package can not be timely extended.

The Fed's maintenance of the US economic support policy and the continuation of the USD swap line will help restore the US economic growth

in 2020. This will help stabilize the trade situation limit the decline of import and export in Vietnam.

2. European economic situation: During the meeting in mid-July, the European Central Bank (ECB) decided to keep key interest rates the same as last month and maintain the emergency bond buying program in pandemic (PEPP):

- Interest rates for major refinancing operations remained at 0%, overnight lending rates and overnight deposit rates at 0.25% and - 0.50% respectively. The ECB assert that interest rates will remain at current or lower levels until a reasonable inflation outlook be achieved.

- PEPP program will be maintained until June 2021 or until the crisis is over. Purchases of assets under PEPP will be carried out flexibly over time, between asset types and jurisdiction. The scale of PEPP is currently at 1.54 trillion USD.

- Eurozone member banks are being called on to stop paying dividends and bonuses until January 1, 2021 to ensure liquidity to survive the economic "storm" caused by COVID-19 epidemic crisis.

Similar to the Fed, the ECB is also maintaining economic support policies when the macro figures on the economic situation experience sharp decline:

- **EU GDP growth rate in the second quarter of 2020 decreased -12.1% QoQ.** This is the biggest decline since the European Union was founded. All major economies in the region experienced record GDP declines: Spain (-18.5%), Italy (-12.4%), France (-13.8%) and Germany (-10.1%).

- **EU unemployment rate stood at 7.1% in June**, up from 6.5% in March.

- **Inflation increased by 1.3% compared to 1.1% in June.** Inflation in the second quarter was brightest spot when rising above the European Union's expectations and helped ease the anxiety about ECB deflation worries if COVID-19 situation worsen.

The global economic growth rate in the second quarter is also expected to be negative when economic activities of many countries continue to be disrupted by COVID-19. However, state of unemployment and inflation in July is showing that the global economic recovery will be slow when the COVID-19 epidemic is still hindering the process of reopening economies in developed countries.

3. Trade war: Although global economic recovery is still not optimistic, the two trade wars between the United States - European Union and the United States - China continue to promote economic prospects. The scenario is quite negative:

- **United States - China:** With recession loomed, corona virus issue has strained the US-China relationship, the first phase agreement between the two superpowers has almost disappeared. China's commitment to buy an additional \$ 200 billion of US goods and services over the next two years is yet to show any signs of implementation. In the context of the potential global economic downturn after the pandemic, this deal is unlikely to be

implemented, but both governments have stated they are committed to the deal to stabilize investment and business sentiment. However, the tense relationship with Hong Kong geopolitics, the closure of consulates in Chengdu and Houston, and the continued US pressure on Huawei are increasing the likelihood of breaking the agreement between the two countries. Currently, in the context of China's economic recovery stronger than the United States, China will have a stronger negotiating position in the coming period. This change in economic power could lead to renegotiation of the first phase agreement between the two countries in the near future.

- **United States - European Union:** Airbus and the European Commission announced they would change the terms of state support in an effort to persuade the United States to lift \$ 7.5 billion in tariffs. The move comes after Washington announced it would impose special tariff on EU. The United States says it will turn its current tariff of 10 to 25% on European products to a different set of goods every six months, specifically including trucks, beer, olives and gin. Washington has yet to say whether it will prepare to lift tariffs in response to the new EU action.

Trade wars between major economies are having a strong influence on global economic recovery, especially when the COVID-19 epidemic has not yet been successfully controlled. The impact of trade and the instability of great power relations will reduce the demand for production and consumption of economies. If the situation does not improve, global economic growth is likely to recover in a U shape instead of a V shape.

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

1. ***The EVFTA Agreement come into effect from August 1, 2020.*** After nearly 10 years from the start of negotiations, from August 1, 2020, the Free Trade Agreement (EVFTA) officially came into effect, bringing many opportunities for Vietnam's economy to develop. Accordingly, as soon as the Agreement comes into effect, the EU will eliminate import duties on about 85.6% of tariff, equivalent to more than 70% of Vietnam's exports to the EU. Thus, nearly 100% of Vietnam's exports to the EU will be eliminated import tax after a short period of implementation. This benefit is especially meaningful when the EU is continuously one of the two largest export markets of Vietnam. EVFTA will also bring some challenges when Vietnam opens its market of goods and services to the EU, creating competitive pressures for businesses. However, this pressure is considered to be healthy, giving businesses the opportunity to adjust and change their business strategy to improve their competitiveness. During the COVID-19 epidemic period, this agreement could contribute to the recovery of economic growth in the second half of 2020. Details of the specific impact of this agreement on industries is detailed in [BSC's EVFTA report](#).

2. ***Conditions for 30% reduction of corporate income tax payable in 2020.*** Resolution 116/2020 / QH14 on reduction of payable corporate income tax (CIT) of 2020 for organizations engaged in production and business activities

with taxable incomes under the Law on Corporate Income Tax (collectively referred to as enterprises) include:

- State-owned units established under regulations;
- Organizations established under the Law on Cooperatives;
- Other organizations established under regulations with income production and business activities.

Specifically, reduce 30% of the payable CIT amount of 2020 for enterprises with total revenue in 2020 not exceeding VND 200 billion. Enterprises shall determine by themselves tax amounts to be reduced when temporarily paying EIT on a quarterly basis and finalizing tax in 2020. Resolution 116/2020 / QH14 takes effect from August 3, 2020 and applies to the tax period 2020.

3. *New regulations when selecting Investors to build infrastructure of industrial clusters.* The Government issued Decree 66/2020 / ND-CP amending Decree 68/2017 / ND-CP on management and development of industrial clusters, which takes effect from August 1, 2020, prioritizing the selection of enterprises and cooperatives to be investors to build technical infrastructure of industrial clusters when having a dossier satisfying regulations.

4. *The Ministry of Finance promulgated Circular No. 70/2020 / TT-BTC extending the implementation of Circular No. 14/2020 / TT-BTC on discount and exemption completely for 15 types of securities services.* The effectiveness of the circular will last from August 31, 2020 until June 30, 2021. Specifically:

- Continuing to reduce prices (from 10 - 50%) with 9 services, of which 10% for 3 services including: trading services on the market, derivatives market, securities depository services;
- Reduction of 15-20% for 2 position management services, margin asset management services on derivatives market.
- Discount of 30-50% for 4 services: Listing management service for covered warrants; rights exercise service; securities transfer services; securities auction services.
- Exemption for 6 services: Listing service; securities registration; first-time online connection service; securities borrowing and lending services through Vietnam Securities Depository system; registration of member derivatives trading; registration of clearing members.

Table 4

Monthly macro indicators

Chỉ tiêu/Tháng	2019M12	2020M01	2020M02	2020M03	2020M04	2020M05	2020M06	2020M07
GDP YoY (%)	6.97	-	-	3.82	-	-	0.36	-
GDP ytd YoY (%)	7.02	-	-	3.82	-	-	1.81	-
PMI	50.8	50.6	49.0	41.9	32.7	42.7	51.1	47.6
IIP YoY (%)	10.4	-5.5	23.7	5.4	-10.5	-3.1	7.0	1.1
IIP ytd Yoy (%)	8.86	-5.5	6.2	5.8	1.8	1.0	2.8	2.6
Retail sales YoY (%)	11.4	10.2	6.0	-0.8	-26	-4.8	5.3	4.3
Retail sales ytd YoY (%)	11.3	10.2	8.3	4.7	-4.3	-3.9	-0.8	-0.4
CPI MoM (%)	1.4	1.23	-0.17	-0.72	-1.54	-0.03	0.66	0.40
CPI YoY (%)	5.23	6.43	5.40	5.56	2.93	2.40	3.17	3.39
Registered FDI (Bil USD)	22.5	4.83	5.64	6.60	9.8	10.9	12.2	14.2
Disbursed FDI (Bil USD)	20.4	1.60	2.50	3.90	5.2	6.7	8.7	10.1
Export (Bil USD)	22.6	18.3	20.9	24.1	17.6	19.2	22.6	23.0
Import (Bil USD)	22.3	18.6	18.6	22.1	18.5	18.2	20.7	22.0
Trade Balance (Bil USD)	0.3	-0.3	2.3	2.0	-0.9	1.0	1.9	1.0
Exchange rate (USD/VND)	23,240	23,195	23,310	23,720	23,570	23,390	23,290	23,270
Credit growth (%)	13.65	0.10	0.17	1.31	1.41	1.96	2.45	

Source: BSC Research

Stock market in July 2020

Market overview

July 2020 was a period of market decline after a sideways pace in June 2020.

In the first week of the month, the VN-Index kept rising because of traders' bottom fishing activities. However, due to the news that Covid-19 epidemic spread back into the community, the index lost points in the second half of July. Foreigners turned net buyers when VN-Index moved to low-lying areas, showing expectations of this group of investors about the prospect that Vietnam will continue to control the 2nd wave of Covid well and maintain socio-economic stability is quite large. In addition, the decline was partly influenced by the short-term adjustment of major financial markets around the world. On the other hand, the announced Q2 business results were not too negative as a supportive factor, helping the index not to decline as deeply as in March. **As of July 31, 2020, VN-Index decreased by -3.24% MoM, -16.9% Ytd while HNX-Index decreased by -2.05% MoM, + 4.88% Ytd.**

Investment cash flow in July decreased compared to June in all stock groups.

In July, there were 117 gainers, 258 losers and 13 unchanged stocks on the HSX. 5 stocks supporting VN-Index include VHM + 2.91% (contributing 2.08 points), SAB + 7.01% (contributing 2.01 points), NVL + 5.85% (contributing +0.99 points), DAT + 361.8% (contributing 0.55 points), APH + 21.08% (contributes 0.4 points). The stocks that made VN-Index dropping the most included VCB dropped -4.86% (-4.13 points), VNM decreased -5.06% (-2.84 points decrease), VIC decreased -12.5% (-2.08 points decrease), VIC decreased -1.69% (decrease -1.45 points) and BID decrease -3.3% (decrease -1.44 points).

Table 5

Movements in the last 6 months on HOSE

Month	Index	Volume (bil. units)	Capitalization (tril. VND)
7	798.39	6.31	2,802.52
6	825.11	8.58	2,879.51
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

Source: HSX, Bloomberg, BSC Research

Table 6

Movements in the last 6 months on HNX

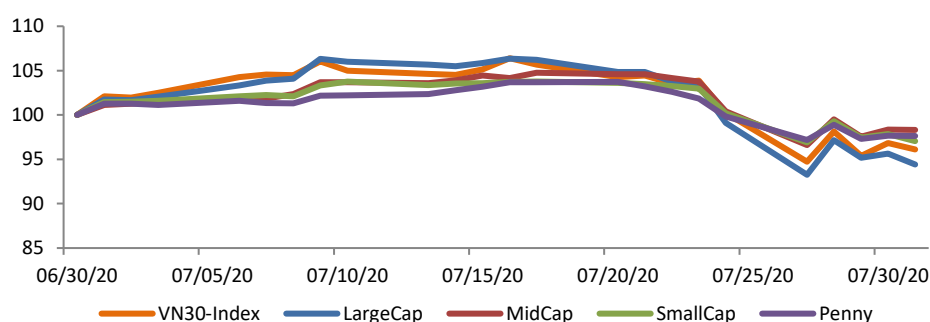
Month	Index	Volume (bil. units)	Capitalization (tril. VND)
7	107.51	0.94	195.78
6	109.76	1.54	214.89
5	109.81	1.10	214.82
4	106.84	1.02	207.94
3	92.64	1.43	185.31
2	109.58	0.81	211.55

Source: HNX, Bloomberg, BSC Research

Stock group movements

In July 2020, the capitalization groups were in a declining state. Midcap, pennies and smallcap stocks still had the least decline while VN30 and Large cap stocks dropped the most. In July, the market lost points on a large scale due to the information on Covid-19 epidemic. Stocks of VN30, LargeCap, Midcap, Smallcap and pennies recorded losses of -3.87%, -5.57%, -1.7%, -2.95% and -2.37%.

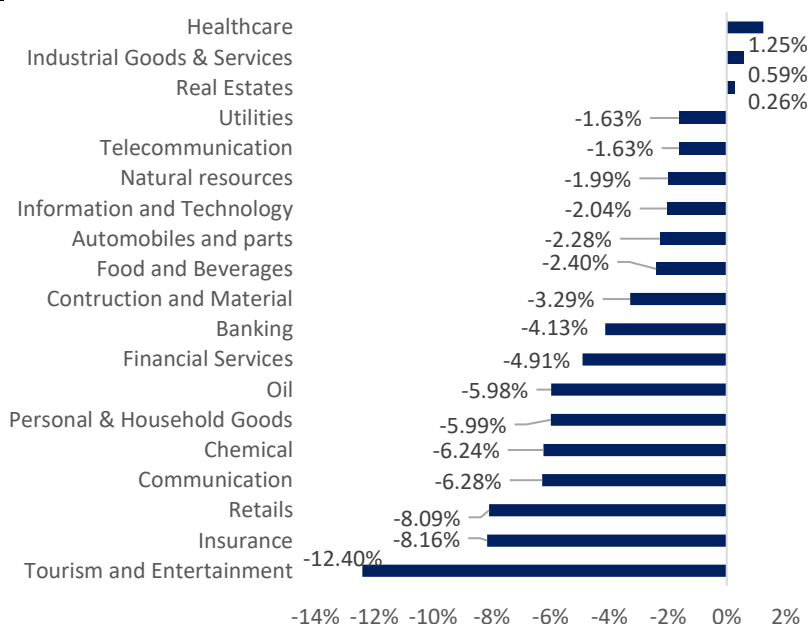
Chart 8
Movements of stock groups



Nguồn: Bloomberg, BSC Research

In July / 2020, the market has 16/19 industries decreased. In which, Tourism and Entertainment industry saw the strongest drop with the performance of -12.4% due to the depreciation of DAH and TSJ shares with a drop of -65.33% and -61.11%, and Insurance group by -8.16% (BIC -17.09%, BVH -11.21%), Retail industry decreases -8.09% (TOP -24.75%, PSH -24%).

Chart 9
Sector level 2 July 7



Nguồn: Fiinpro, BSC Research

Capitalization scale

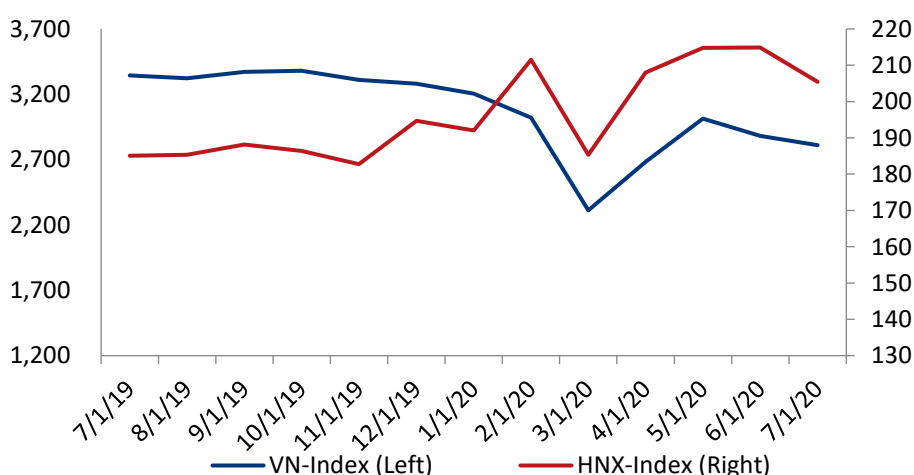
Market capitalization on both exchanges reached VND 3,016 trillion, equivalent to USD 131 billion, down -2.63% MoM, -11.2% Ytd. Upcom dropped -2.89% MoM, reaching 807 trillion at the end of July. In July 2020, the situation for listing on HOSE was as follows:

- **Stock:** 1.4 billion stocks listed for the first time, no delisting stocks, 67.1 million additional listing stocks
- **ETF:** 5.3 million ETF listings for the first time, 42.5 million ETFs for additional listing and 15.9 million ETF delisting;
- **Bond:** 10 million bonds listed for the first time, no additional listed bonds and 15.5 million bonds canceled listing;
- **Covered Warrants:** 16 million listings, 4 additional listing rights and 27.5 million delisting rights.

About the scale listed on HOSE on 31/7, The listing is listed at 90.8 billion shares, equivalent to VND 908.6 trillion (95.5% of market value), 353.7 million bonds equivalent to VND 35.3 trillion (3.72% of market value), 627.6 million ETF certificates equivalent to 6.27. trillion (0.66% of the market).

Chart 10

Market capitalization

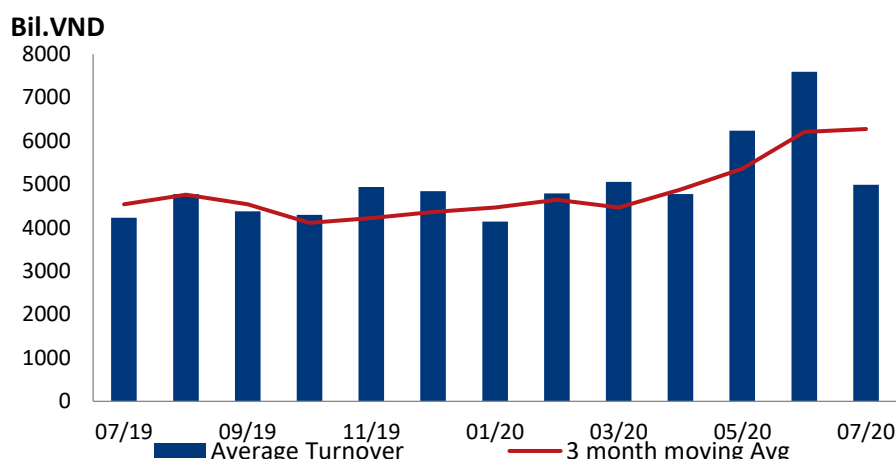


Source: Bloomberg, BSC Research

Average liquidity of the whole market

Average liquidity on both bourses decreased sharply by -34.32% compared to June 2020, and maintained at VND 4,989 billion / session and equivalent to nearly US \$ 217 million / session. The drop in liquidity in July was partly because of the cautious psychology of most traders in the market when the movement trend in the beginning of the month was not clear and the pessimistic pessimism due to the spread of spread in the community again. of the Covid-19 translation.

Chart 11
Average transaction value

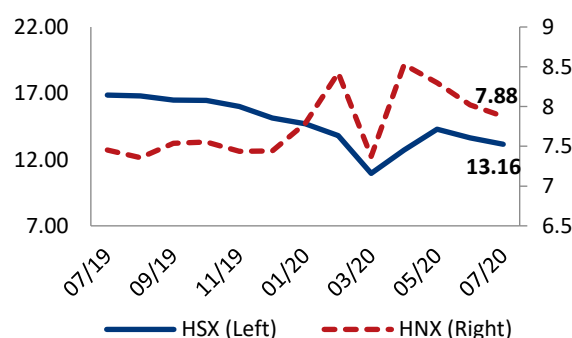


Source: Bloomberg, BSC Research

Price level of VN stock market

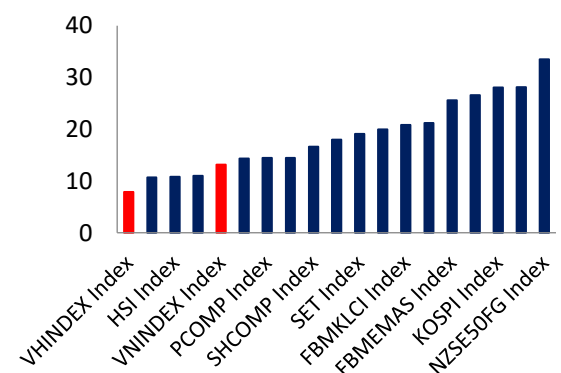
P / E of VN-Index dropped to 13.15, equivalent to -3.66% MoM, -14.5% Ytd and HNX-Index also returned to 7.87, equivalent to -3.08% MoM, + 8.85% YTD. Compared to June, the P / E of the VN-Index remained at 14th place and the HNX-Index remained at the last position in Asia.

Chart 12
Evolution of P / E ratio 2 exchanges



Source: Bloomberg, BSC Research

Chart 13
P / E ratio of Vietnam compared to other countries in the region

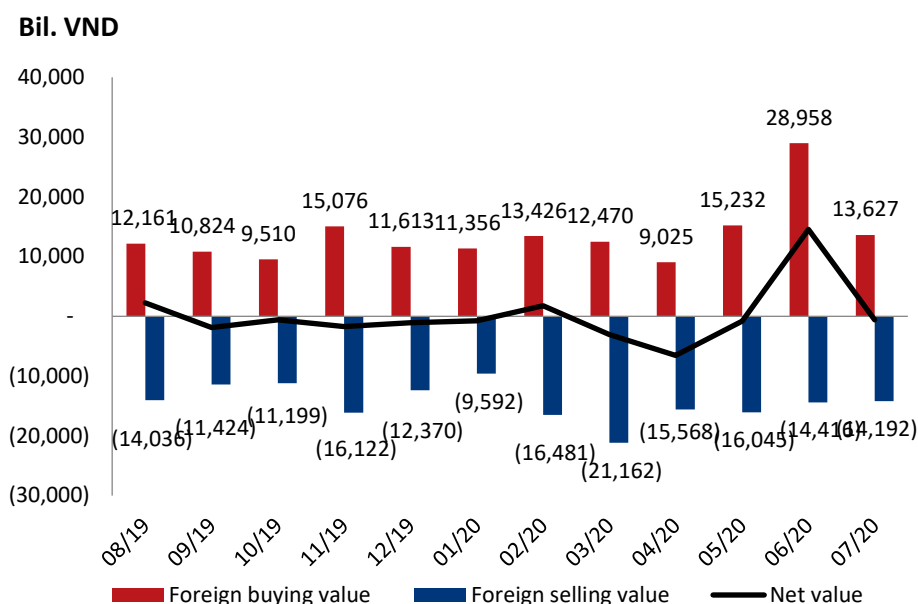


Source: Bloomberg, BSC Research

Foreign trading

In July, foreign investors returned to a net selling on HSX and HNX. Upcom in July saw a net buying of 15.61 billion dong, they focused on net buying of 49.5 billion dong of VEA and 18.7 billion dong of VTP while net selling of 38 billion dong of ACV.

Chart 14
Foreign investors trading on 2 exchanges



Source: BSC Research

In July, foreign investors were net sellers on the HSX - VND547 billion with 169 net sellers and 167 net buyers, and net VND -18 billion on the HNX with 81 shares sold and 108 shares bought. On the HSX, they sold a lot of HPG (-316 billion), DHC (-164.4 billion), DXG (-151.1 billion) and bought PLX (493.3 billion), KDC (256.6 billion dong), VHM (203.8 billion dong). On the HNX, this group focused on selling SHB (-25.5 billion), PVS (-13.35 billion) and buying DHT (12.5 billion dong), AMV (8.18 billion dong).

Table 7
Top 10 stocks of net buying on HSX in July

Stock	Value (bil. VND)	Stock	Value (bil. VND)
PLX	493.31	HPG	(316.02)
KDC	256.60	DHC	(164.43)
VHM	203.80	DXG	(151.10)
VRE	122.96	VCB	(142.87)
CTG	108.27	HDG	(125.55)
FUESSVFL	103.48	MSN	(121.99)
FUEVFVND	94.90	DBC	(110.75)
VCI	47.71	CII	(107.90)
E1VFN30	45.04	GAS	(98.97)
TLG	41.39	VJC	(94.27)

Source: BSC Research

Table 8
Top 10 stocks of net buying on HNX in July

Stock	Value (bil. VND)	Stock	Value (bil. VND)
DHT	12.57	SHB	(25.50)
AMV	8.18	PVS	(13.35)
VCS	5.93	BVS	(8.84)
PLC	3.49	TNG	(2.63)
WCS	2.93	NRC	(2.20)
SHS	2.71	HDA	(2.09)
IDV	2.67	NTP	(1.93)
PMC	1.80	PSD	(1.57)
SHE	1.41	PGS	(1.50)
ART	1.31	ACM	(1.01)

Source: BSC Research

Market outlook for the August 2020

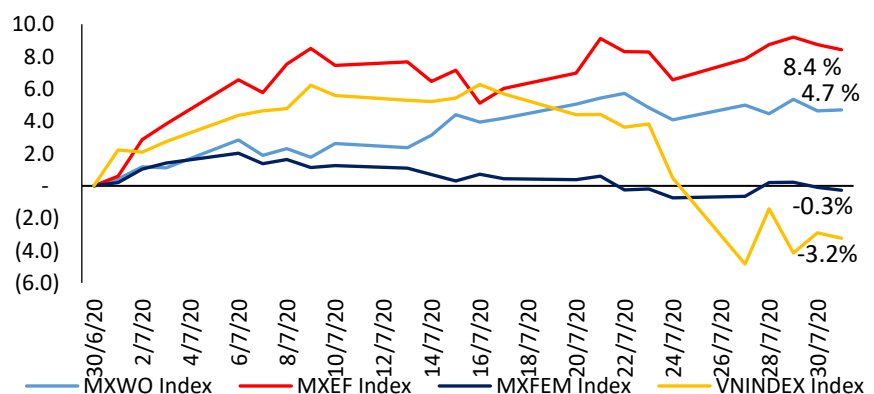
The number of new cases of Covid-19 has been constantly increasing and reached 17.7 million cases with 0.68 million deaths by the end of July. The world is currently adding 1 million new infections in just 3-4 days. The second wave of diseases returned in many countries that have had good disease control. In response to the epidemic, many countries choose to keep opening the economy with specific lockdown zone and thus, the impact on the economy is not as serious as in the first stage.

EU leaders agreed on a USD 750 billion stimulus package on July 21 after a long debate period. The United States is also accelerating through the USD 1 trillion stimulus package to boost the economy, which is expected to reduce additional unemployment benefits, support USD 1,200 check value for the US people, protect businesses, schools and organizations from Covid-19 related lawsuits. During the July policy meeting, the Fed continued to keep interest rates at zero and pledged to use all tools to support the recovery of the economy. The dynamics show that the revival of the economy is a central issue in national policies.

Increased disease movements and cash injection activities of key countries strongly affected precious metals in July. Gold and silver prices increased by 9% and 30.6% respectively while other metals such as aluminum, copper, lead, iron ore increased by 5-11%. The commodity index (Bcom Index) increased by 5.7% with the increase recorded in most commodities. Along with the weakening of major currencies, USD dropped by -4.2% while EUR, CHF, JPY appreciated by 4.6%, 3.6% and 1.9% respectively. The indexes of MSCI in developed markets, MSCI in emerging areas, MSCI in border areas (in USD exchange rate) saw increases and decreases of 4.7%, 8.4% and -0.3%, respectively.

Chart 16

MSCI developed, emerging and marginal region in 7M/2020 (converted into USD)



Source: Bloomberg, BSC Research

Vietnam's stock market fell in July, maintained the momentum of 2 consecutive months. After the rising cycle with expected factors and cash flow, the market entered the testing and differentiating zone with the announcement of Q2 business result in the first half of July with decreasing liquidity. Selling pressure increased sharply in the last 2 weeks of the month when Vietnam confirmed a community infection after more than 3 months. Foreigners boosted their net buying and the sentiment was not so negative as it helped VN-Index soon balance and fluctuated around 800 points at the end of July.

The covid-19 epidemic returned in the context of a slowdown in the economy in July, a strong factor affecting the economy, enterprises and prospects of the stock market. Along with that the information is certain to have an impact on the market in August as follows:

The growth of key countries in a serious decline in the Covid-19 Virus epidemic if number of positive cases continued growing.

Except for China, which saw a positive growth of 3.2% in the second quarter thanks to early disease control by the end of the first quarter, other key economies experienced sharp growth declines in the second quarter. US GDP in the second quarter decreased by 9.5% compared to the first quarter of 2020 but dropped by 9.54% from the same period last year, the largest decrease in the history. The largest contributor to the decline came from personal consumption, which accounts for two thirds of GDP, down 10.7% over the same period. Germany's second-quarter GDP growth fell by 10.1%, the sharpest decline since data was collected in 1970. The sharp decline came from exports, consumer spending and investment. The stimulus package of 130 billion euros has not helped this country to stabilize.

The United States and the EU continue to find ways to revive the economy after serious recession. The Fed continued to keep interest rates at zero and pledged to use all economic stimulus instruments. The EU also approved an economic support package of 750 billion euros in the post-Covid-19 period and a budget of 1,000 billion euros over the next 7 years. However, the drastic monetary and fiscal policies have not yet been soon to help countries to recover when the 2nd wave of the disease is spreading.

The United States remains the epidemic zone, with 27% of cases and 23% of deaths worldwide. The number of new infections rose to an average of 70,000 new infections per day in the past three weeks, causing 27 states to suspend and withdraw their plans to open. This movement have hammered the strong recovery in May and June. First-time unemployment claims rose for the second consecutive week. FED Chairman at the policy meeting at the end of July also commented on the coming back of the disease causing pressure on economic activities, the data showed that the growth rate slowed down. The Eurozone controlled the epidemic better than the US when it reopened the

economy, but it forecast a negative growth of 10% in the second quarter. New figures show a negative growth rate of 10.1% for Germany, a leading European region, reflecting the overall difficulty of the region recovering from the epidemic.

The United States and the EU are both important export markets for Vietnam. The difficulty of these areas is a negative signal for Vietnam's manufacturing and export sector in the third quarter and the second half of 2020.

The momentum of economic growth showed signs of slowdown in July, difficulties in second half of 2020 when the disease came back.

After recovering in May and accelerating in June, economic dynamics showed signs of slowdown in July, accordingly (1) Industrial production index increased by only 3.6% compared to April and increased by 1.1% in the same period last year. Generally for 7 months, the index of industrial production increased by 2.6%, the lowest increase in many years; (2) Total retail sales of consumer goods and services increased by 3.3% compared to June, in 7 months down 0.4% over the same period; (3) Total import-export turnover in July decreased by 1.3% over the same period; (4) In 7 months, FDI capital decreased by 6.9% over the same period; (5) July CPI increased by 0.4% last month, and 4.07% on average for 7 months over the same period last year. This shows that the disease is still affecting domestic and international consumption, thereby slowing the recovery in the manufacturing sector.

Some highlights still recorded in July include: (1) The number of newly opened businesses in July decreased by 3.8% in volume and 72% in registered capital. The number of enterprises returning to operation increased by 17.6%; (2) Capital for implementation of the state budget increased by 51.8% yoy, the highest in 5 years, in 7 months, the disbursement reached 42.7% of the plan and up 27% over the same period.

In the context that the disease continues to affect key trading partners and has returned to Vietnam, production, business activities and daily life will be disturbed which limited the recovering momentum of Vietnam economic growth. The ability to absorb capital economy is weak and may be narrowed when disease control measures are strengthened. Disbursement of public investment will be the main stimulus policy to promote economic growth for the second half of 2020.

Table 13

P/E and P/B of MSCI vs VN-Index

Criteria	31/12/19	31/7/2020	Difference
MXWO Index	2,358.47	2,304.98	-6.6%
P/E	20.69	25.67	3.4%
P/B	2.52	2.58	-2.3%
MXEF Index	1,114.66	1,078.92	-10.7%
P/E	15.73	18.38	4.1%
P/B	1.61	1.76	1.2%
MXFM Index	585.97	474.81	-18.1%
P/E	13.63	12.27	-18.3%
P/B	1.87	1.54	-19.3%
VN-Index	960.99	798.39	-14.1%
P/E	15.14	13.16	-9.9%
P/B	2.23	1.77	-17.3%

Source: Bloomberg, BSC Research

With the current P / E, as well as the Q2 business results of newly updated enterprises, the market therefore has a basis for forming a higher price level than that of the declined period in the first quarter.

Table 14

Factors affecting the market in the August 2020:

Events	Affecting the stock market
The drivers of growth are showing signs of slowing down after a good recovery in May and June. Translation in the community will still have a negative and unpredictable impact on the macro and market in the second half of 2020.	Short-term negative effects, disease control are important factors supporting the market
Promote disbursement of public investment to support growth	Positive
Disease control measures, and interest rate and tax support solutions for enterprises dealing with epidemics	Market sentiment impact
The market valuation index is still consistent with the past and the region	Helping the market stabilize and set a reasonable price range.
The announcement of expected business results for the second quarter of 2020 and the annual general meeting of listed companies entered the final stage.	The market entered the low information period
Capital flows from ETFs are based on the VNFin lead Index and VNDiamond Index.	Capital inflows are still increasing at Finlead and Diamond and decreasing by E1VN30
The ETFs publish adjustments and make portfolio structure	Increase liquidity for the market
The second wave of the disease returned to many countries, while the time to introduce Vaccine into use was unclear	Positive effect

High risk of recession in key countries and regions of the world	Medium-term negative, depending on the pace of recovery of the economy
International investors are risk averse and thus, invest in precious metals such as gold, silver	Influence cash flow
Oil prices fluctuate, along with conflicts in the Middle East	It is difficult to forecast to stabilize inflation

Source: BSC Research

Positive Q2 business performance has helped listed companies and P/E of VN-Index and many stocks achieved a reasonable level after the drop at the end of July. This will be the support of the market in the remaining months of the year. However, the disease returned in the community and could not be controlled, which is a negative information about macroeconomics in general and stock market in particular. Movements of the stock market will fluctuate unpredictably, complicatedly and depend heavily on Vietnam's quarantine capabilities. However, we believe that with the current fundamentals, the market will soon stabilize with a higher price level than the sharp decline in the first quarter. VN-Index is forecast to fluctuate with the focus price range from 750 - 825 points in August:

- In positive case, VN-Index closed above 800 points, liquidity and point level recovered gradually. Market advocacy with major themes related to public investment and activities will not be affected by COVID 19.
- In a negative case, VN-Index dropped below 750 points when due to negative world development, a severe domestic disease situation and foreign capital withdrawal.

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

- 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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