



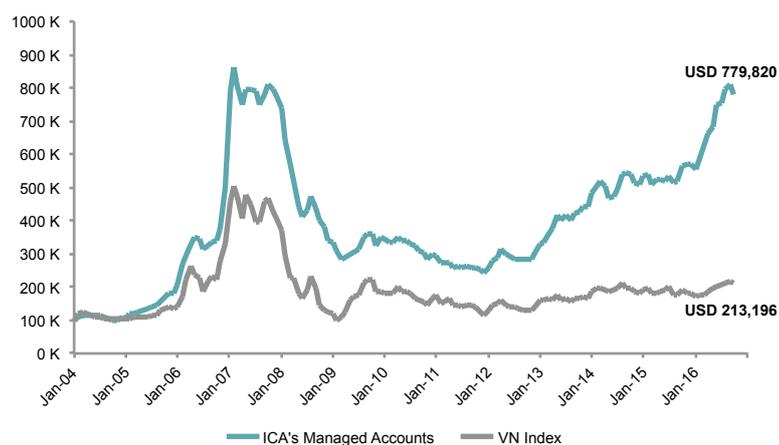
Stock Market and Macro Updates:

The VNIndex fell into correction mode in October, fluctuating around the 680 level before closing the month right above the MA50 at 675.8.

• **The VNIndex lost 1.48% MoM. YTD return was 20.24% in USD terms.**

- Liquidity shrank with average daily trading value down by 16.0% to US\$129.1mm.
- Foreign investors turned net buyers with US\$5.4mm worth of net buy value (September: net sell US\$126.1mm).
- Q3 earnings growth fell short of expectation and failed to ease profit taking impulse. At the same time, market's sentiment faltered in the absence of macroeconomic breakthrough while anxiety heightened over the US election.
- The long-awaited listing on UPCOM (OTC market) in the next few months of well-known large companies, including Sabeco, Habeco, Airport Corporation of Vietnam, and Nova Land could be a contributory cause to squeezing liquidity in the listed market as investors saved cash for the new supply.
- The stock market is expected to remain volatile until after the US election which may put some uncertainties to rest. Longer-term outlook remained positive as the economy is expected to grow at 6.0 – 6.5% in 2016 and 2017 under strong boost from manufacturing sector.

YTD, the average return of our managed accounts was 37.25%, 1701 bps higher than the VNIndex's.



10M macro data indicated continued growth with a blip on export as a result of Samsung's Galaxy Note 7 failure.

· FDI stayed robust:

o **Registered FDI** reached US\$17.6bn, **down 8.7% YoY** (due to high base effect as registered FDI in 2015 was the second highest year ever).

o **Disbursed FDI** was US\$12.7bn, **up 7.6% YoY**, which is impressive as 2015's disbursed FDI was record high.

· Manufacturing continued to underpin economic growth:

o 72.9% of newly registered FDI was for manufacturing sector.

o October's manufacturing **PMI was 51.7**, marking the 11th month of consecutive improvement with growing new orders despite contraction in production output. The rate of expansion was lower than September (with PMI readings of 52.9). However, Vietnam was the only country within ASEAN 6 (where PMIs are calculated) with an expansionary PMI. ASEAN Manufacturing PMI returns to contraction in October at 49.2.

· October's trade deficit was estimated at US\$200 mm, yet **YTD trade balance** recorded a **surplus of US\$3.52 bn**.

o October's export started to register the impact of Samsung's Galaxy Note 7 incident with handset and accessories export declining by 3.9% MoM (but still up 5.0% YoY).

o Handset and accessories accounts for 20% of YTD total exports. Yet, total exports managed to grow at a modest 0.5% MoM thanks to stronger growth in electronic devices (+9.3%), aquaculture (+8.1%) and footwear (+7.8%).

o 10M export grew at 7.2% YoY. The Galaxy Note 7 incident is expected to take away 30bps in export growth for the whole year of 2016 (by the General Statistics Office). We believe the impact is not material in this year but should be monitored closely in 2017.

· **USD/VND exchange rate** marginally inched up to 22,370 (Sep: 22,350)

· **Monthly Inflation reads 0.83%.**

o Monthly inflation was driven by (i) the second round removal of subsidies for public healthcare services which resulted in healthcare prices going up by 10.07% MoM, and (ii) transportation price hike of 2.02% MoM as a result of higher gasoline prices.

o **YoY inflation remained in check at 4.09%.**

o At this rate the inflation target for 2016 of 5.0% looks realistic.

· By the end of October, the National Assembly was reviewing the plan for economic reforms during 2017 – 2020 with emphasis on stability. For the first time they discussed 5-year planning for investments and public spending, which is a positive sign for investors who look forward to stable business environment.

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