



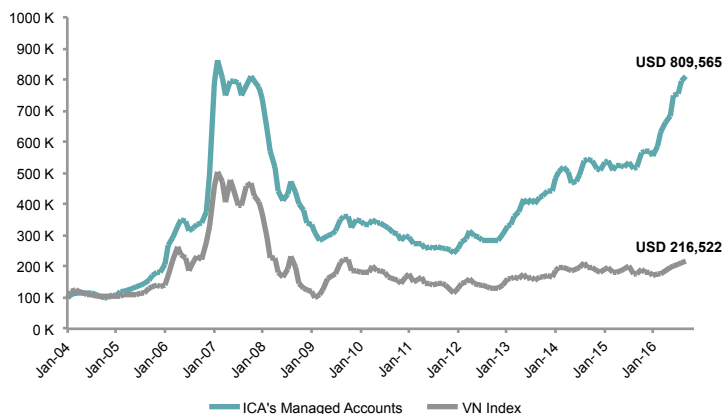
### In this Issue

Market Commentary  
by Equities Division

## Stock Market and Macro Updates:

The VNIndex dipped by 2.3% from the start of September before conquering a new 8-year high of 688.6 points and closing the month at 685.7.

- **The VNIndex was up 1.97% MoM, 22.04% YTD in USD terms.**
- Average daily trading value surged by 16.6% to USD153.5mm, nearly 19% higher than the LTM average number.
- Foreign investors increased selling with USD126.1mm worth of net sell value (August: net sell USD71.0mm). Foreign selling continued to focus on large caps; most notably was VNM and VCB with net foreign sell worth of US\$45.6mm and US\$24.7mm, respectively. Much of the selling pressures were from portfolio rebalancing after stock prices have picked up sufficiently. This pressure has eased up towards the end of September.



ICA's separately managed accounts (SMA) topped index in 11 of last 13 years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 YTD
SMA	8.1%	68.8%	173.0%	55.0%	-56.1%	3.9%	-15.1%	-19.1%	26.4%	44.0%	15.1%	12.2%	42.5%
VN Index	7.0%	27.4%	142.4%	23.5%	-68.8%	47.4%	-11.9%	-29.5%	19.9%	20.4%	6.8%	0.9%	19.4%
Outperformance	1.1%	41.4%	30.7%	31.5%	12.7%	-43.6%	-3.2%	10.3%	6.5%	23.7%	8.3%	11.3%	23.1%

Returns are net of fees, except performance fee.  
Returns since 2004 thru June 2016 have been verified by KPMG. KPMG's report is available upon request.



- Q3 earnings season starting since early October is expected to cause divergence in stock prices.
- The auction of the state's 9% stake in Vinamilk is scheduled before the year end. This is a long-awaited move and the first in the divestment list of 12 large companies owned by the states.
- Volatility is expected to increase with the US president election in November and the US Fed's imminent rate hike in December.

9M 2016 macro data was mixed. El Nino and the global economic slowdown have dented Vietnam's GDP growth. However, continued robust FDI inflows, strong credit growth, a vigorous manufacturing sector and solid service sectors have been key drivers to the Vietnam's economy.

• **GDP growth was 5.93%** vs 6.53% in 9M 2015.

- Overall GDP growth was pulled down by (i) YoY decrease of 3.6% in mining output (9M 2015: +8.2%) as a result of lower commodity prices, and (ii) meager growth of 0.7% in the agriculture, forestry and fishery sectors (9M 2015: +2.1%) under the impact of El Nino and the accompanying draught.
- The manufacturing and construction sectors posted high YoY growth at 11.2% (9M 2015: +10.2%) and 9.1% (9M 2015:+9.0%), respectively. September PMI hit 16-month high of 52.9 with sharp increases in both output and new orders and the fastest rise in employment in the last 5.5 years.
- The service sectors exhibited steady growth of 6.7% YoY (9M 2015: 6.2%). Except a minor slowdown in auto wholesale, stronger growth was observed in all other sub-sectors.

• **Credit growth was 10.5% YoY**, on par with 9M 2015's of 10.8%.

- Average long-term lending rates are expected to stay stable around 10% in the coming months.
- At this rate, target credit growth of 18% for the entire 2016 looks achievable.

• **YoY inflation picked up at 3.3%**, vs no inflation in 9M 2015.

- CPI rise was a result of (i) the gradual lifting of subsidies for public healthcare services and educational services in March, and (ii) salinization caused by the draught pushing food prices up.
- Meanwhile, lower commodity prices have brought down transportation and postal services prices, assisting in containing overall inflation.
- We expect 2016 inflation to stay below 5%.

• **Trade surplus mounted at USD2.8bn** vs deficit of USD3.9bn in 9M 2015 on the back of moderate export growth and feeble import growth.

- 9M 2016 export value was USD128.2 billion, up by 6.7% YoY (9M 2015: +9.6%) while imports stood at USD125.4 billion, up by 1.3% YoY (9M 2015: +15.9%).

• **Disbursed FDI reached USD11.0 billion, up 12.4% YoY.** Newly registered FDI was reported at USD16.4 billion, down 4.2% YoY as a result of a high base effect (2015 registered FDI was record high since 2008). 74% of the newly registered FDI was for the manufacturing sector.

• **Exchange rate** remained **stable** at USD/VND 22,350. The VND has been supported by strong FDI influx, a growing trade surplus and high level of fx reserves.

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