



## Stock Market Commentary

After a volatile month in July, the Vietnam stock market had another roller coaster ride in August. The VN Index surpassed the 790 level to reach a new high of 792.98 on August 7 before plummeting by 4% in the two following weeks to a monthly low of 761.26 on August 22. The sell-off was triggered by false rumor on a banker's arrest coupled with concerns on rising tensions between the US and North Korea. As the rumored arrest was proven to be ungrounded, the market rebounded towards the month's end under the lead of the large caps.

- **The VN Index closed the month of August at 782.76, slightly down by 0.14% MoM but still up 17.89% YTD in USD terms.**
- **Average daily trading value** on the Ho Chi Minh and Hanoi stock exchanges retreated by 4.5% MoM to **US\$194.3 million**. However, the liquidity is still higher than last 12 months' average of US\$172.9 million.
- August marked the 8<sup>th</sup> consecutive month of foreign net buying. The total **net buying value on the two main exchanges amounted to US\$632.3 million year-to-date**, while **that of August alone was US\$117.6 million or the highest level since May 2014**.
- After many years of preparation, the long-awaited derivatives market was officially launched on August 10. The first traded products were 4 future contracts of the VN30 – an index comprising of the 30 largest tickers on the HOSE. Despite the limited number of products, **liquidity was adequate with average daily trading value of US\$21 million near the end of August or about one-tenth that of the stock market**. The successful launch of the index futures is paving the way for the introduction of other products, especially the covered warrants which are scheduled to trade in November this year.
- Similar to July, the market strongly diverged with the significant outperformance of the big-caps. The star performers included ROS which gained another 21.3%, as well as VIC, SAB and MSN with surges of 6-11% over the month. The rallies were driven by news regarding Vingroup's IPO of Vincom Retail, Sabeco's state divestment story and rumors on Masan's selling part of its mining business to a foreign investor. On the contrary, some banking stocks took a hit in August due to the false rumor on the arrest of BID's former

chairman as well as profit taking activities. Meanwhile, many of the mid-caps experienced continued correction due to the lingering effect from disappointing 2Q results and the lack of supporting information.

- Also in August, the Ho Chi Minh Stock Exchange welcomed the listing of Vietnam Prosperity JSC Bank (HOSE: VPB), one of the most prominent players in consumer credit with impressive growth story and high profitability. It is the 12<sup>th</sup> bank to be listed on Vietnam's stock exchanges and also the largest private bank in terms of market cap (US\$2.24 bn). The stock also set another record in the Vietnam market as it had its foreign room filled up on the first trading day with US\$63.9 million worth of stocks transferred to foreign investors.

Following the positive momentum in August, the Vietnam market is expected to rally further in September with strong upside potentials from the big cap stocks with their respective stories. The VN Index's trailing P/E was 15.3x as at the end of August vs. 16.6x in June and 16.0x in July.

## Macroeconomic Update

	Aug 2016	Jul 2017	Aug 2017	FY2017 Target
CPI (MoM change)	0.10%	0.17%	0.92%	
CPI (YoY change)	2.57%	2.52%	3.35%	4.00%
YTD Trade Balance (US\$ billion)	2.27	(2.53)	(2.13)	(\$6.58)
Exchange Rates (US\$/VND)	22,350	22,770	22,780	
YTD Disbursed FDI (US\$ billion)	9.80	9.10	10.30	
PMI Manufacturing Index	52.20	51.70	51.80	
Credit Growth (YTD)	9.01%	9.30%	11.50%	21.00%
Industrial Production growth (YTD YoY)	7.20%	6.50%	6.70%	
Nominal Retail Sales Growth (YTD YoY)	9.30%	10.00%	10.30%	
VN Index	674.63	783.55	782.76	

Source: GSO, Customs Office, NFSC

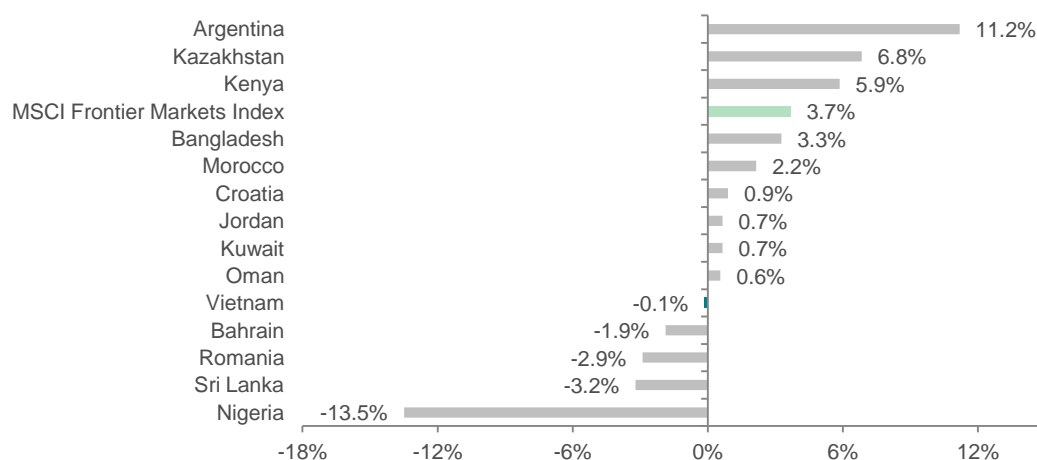
Inflation picking up, trade surplus and further improvements in production and consumption were the highlights of Vietnam's macroeconomic picture in August.

- After staying low for several months, inflation recovered in August as the **nationwide CPI rose by 0.92% MoM**, driving **YoY inflation to 3.35% and YTD inflation to 1.23%**.
  - Except for telecommunication, almost all the items saw price increases compared to July. Strongest monthly rises were seen in healthcare services (+3.72%) and transportation (+2.13%) due to gasoline price hikes.
  - Despite the rise, the YoY inflation remains within government's target of 4%.
- **Credit growth sped up to 11.5% YoY at the end of August from 9.3% in July.**
  - While credit has been growing at a faster rate than last year, the Prime Minister in the recent cabinet meeting has again pushed the central bank to boost credit growth to above 21% versus the target of 18% approved earlier by the National Assembly.
- Consumer spending accelerated further with **nominal retail sales growing by 10.3% YoY in the first 8 months**, which is higher than 9.3% in the same period last year.
  - The recent advancements in domestic consumption will be an important factor bolstering higher GDP growth in 3Q2017.
- The **Nikkei Vietnam Manufacturing PMI slightly improved to 51.8 in August from 51.7 in July**, extending the sequence of strengthening business conditions to 21 months.
  - The reading is better than the ASEAN PMI which registered at 50.4, just recovering from a contraction in July.
  - Central to the improvements in business conditions was a solid and accelerated rise in new orders, in which new export orders expanded at the fastest rate in 4 months. Meanwhile, business confidence also improved and was the strongest since March.
- On a similar note, **industrial production growth in the first 8 months sped up to 6.7% YoY** from 6.5% in 7M17, despite being lower than 8M16 at 7.2% YoY.

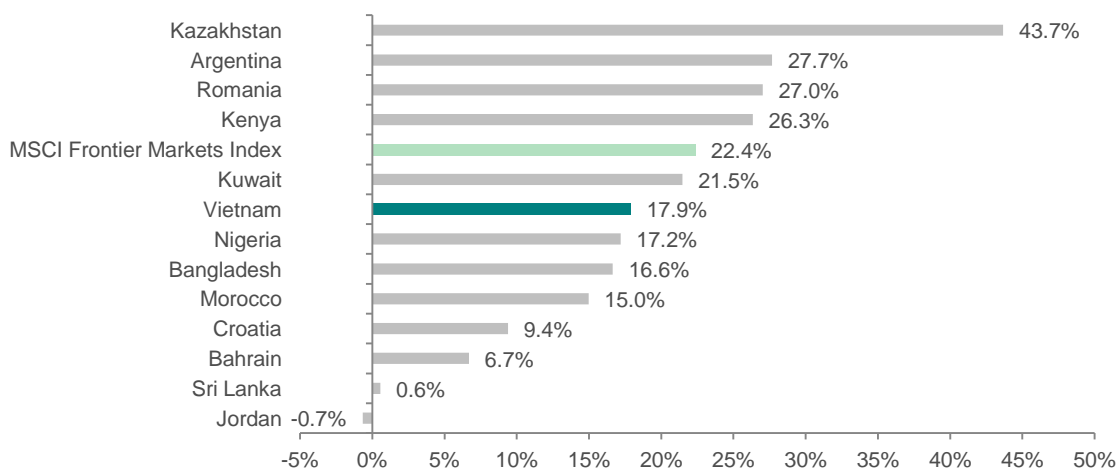
- The manufacturing and processing sector continued to be the main driver with growth of 10.8% YoY (7M17: 10.6%). Meanwhile, the mining sector also slightly improved as it declined by 6.9% YoY in 8M17 (7M17: -7.5% YoY).
- Vietnam was estimated to record an increased **trade surplus of US\$400 million in August** after a surplus of US\$266 million in July. This brought the **YTD trade deficit to US\$2.13 bn** from the peak of US\$2.78 bn in 1H2017.
  - The recent improvement in trade deficit was thanks to imports growth slowing to 22.3% YoY (1H2017: 24.1%), while exports maintained a high growth rate of 17.9% YoY in the period.
  - Contributing the most to the export growth was electronics, computers and parts whose total export value jumped 39.3% YoY in the first 8 months.
- Meanwhile, foreign inflows continued to be stable with **registered FDI soaring 38.3% YoY to US\$19.9 bn while disbursed FDI amounted to US\$10.3 bn or rising 5.1% YoY in 8M2017.**

Vietnam has demonstrated solid improvements in many aspects of growth, as seen in the recent macroeconomic statistics in July and August. Even though the government's target of 6.7% remains an off target, the stable macro improvements should lead to a better GDP growth number for the third quarter.

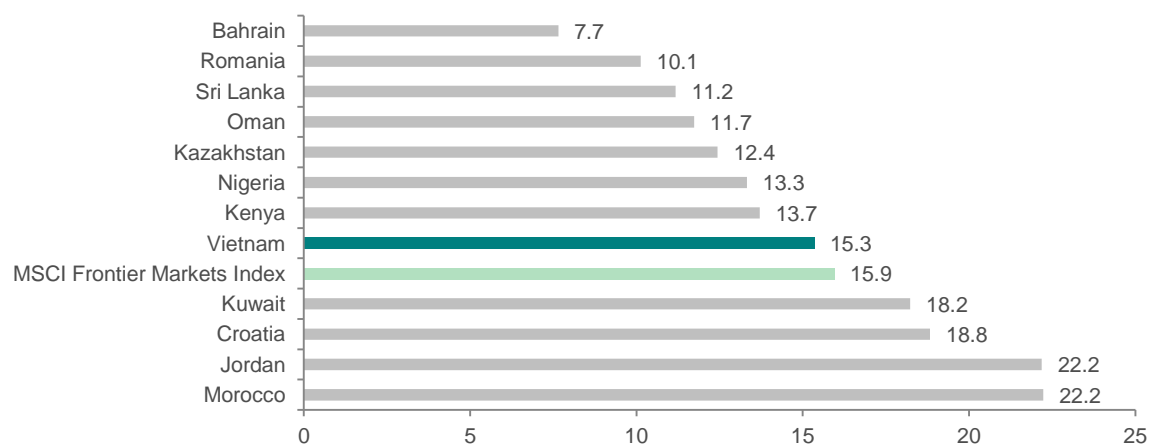
**Stock Market Monthly Returns - Top Frontier Markets (in USD)  
as of August 31, 2017**



**Stock Market YTD Returns - Top Frontier Markets (in USD)  
as of August 31, 2017**



### Stock Market P/Es - Top Frontier Markets as of August 31, 2017



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