



Stock Market Commentary

The Vietnam market took a hit in the first half of July as profit taking activities intensified following the 8.23% rally during May-June period and as the released 2Q results of several companies failed to meet investors' expectations. After reaching a new high of 782.65 on July 6, the VN Index sank 2.93% to a monthly low of 759.74 on July 24 before rebounding to close the month at 783.55 points.

- ***In USD terms, the VN Index went up by 0.96% MoM in July and 18.06% YTD.***
- Liquidity remained strong as the ***average daily trading value on the Ho Chi Minh and Hanoi Stock Exchanges combined reached US\$203.4 million in July.*** Despite being 7.3% lower than that of June, the trading value was still 22% higher than last 12 months' average at US\$166.7 million.
- ***Foreigners were net buyers*** for the 7th consecutive month with net buying value amounting to ***US\$100.4 million in July and US\$514.7 million YTD.***
- By the end of July, most listed companies have released their 2Q financial results. While it is estimated that the 1H'17 earnings grew at 14-15% YoY on average, there was significant divergence in the performance of different sectors. The most impressive results were seen in financial and banking, construction and material sectors, while several manufacturing companies suffered from higher material prices.
- Although the market strongly rebounded at the end of July, the recovery was mostly driven by the outperformance of the big caps. Upbeat 2Q earnings and rumors regarding private placements led to 4% – 9% monthly gains in VIC, GAS, BID and MBB. Meanwhile, SAB and ROS became star performers with surges of 13.7% MoM after being added to the VN30-Index in the HOSE's latest semi-annual review and under speculation that the proposal for State's divestments from SAB was close to finalize.

Despite the long and steady rally since the beginning of this year, the Vietnam market still has further upside in the coming months on the back of positive macro-economic outlook. There may be short-term corrections or periods of increased volatility given the ongoing anti-corruption fight, but the longer term uptrend should remain intact. The releases of favorable earnings in 1H17 also brought the VN Index trailing P/E down to 16.0x

with the majority of stocks still trading at below 12.0x. After many years of preparation, the long-awaited derivatives market has officially started trading at the beginning of August with the first products being the VN30 Index futures. With these new products, investors in Vietnam now have the ability to hedge for the first time.

Macroeconomic Update

	July 2016	June 2017	July 2017	FY2017 Target
CPI (MoM change)	0.13%	(0.17%)	0.11%	
CPI (YoY change)	2.39%	2.54%	2.52%	4.00%
YTD Trade Balance (US\$ billion)	1.72	(2.78)	(2.53)	(\$6.58)
Exchange Rates (US\$/VND)	22,350	22,780	22,770	
YTD Disbursed FDI (US\$ billion)	8.60	7.70	9.10	
PMI Manufacturing Index	51.90	52.50	51.70	
Credit Growth (YTD)	8.80%	7.54%	9.30%	20.00%
Nominal Retail Sales Growth (YTD YoY)	9.40%	10.10%	10.00%	
VN Index	652.23	776.47	783.55	

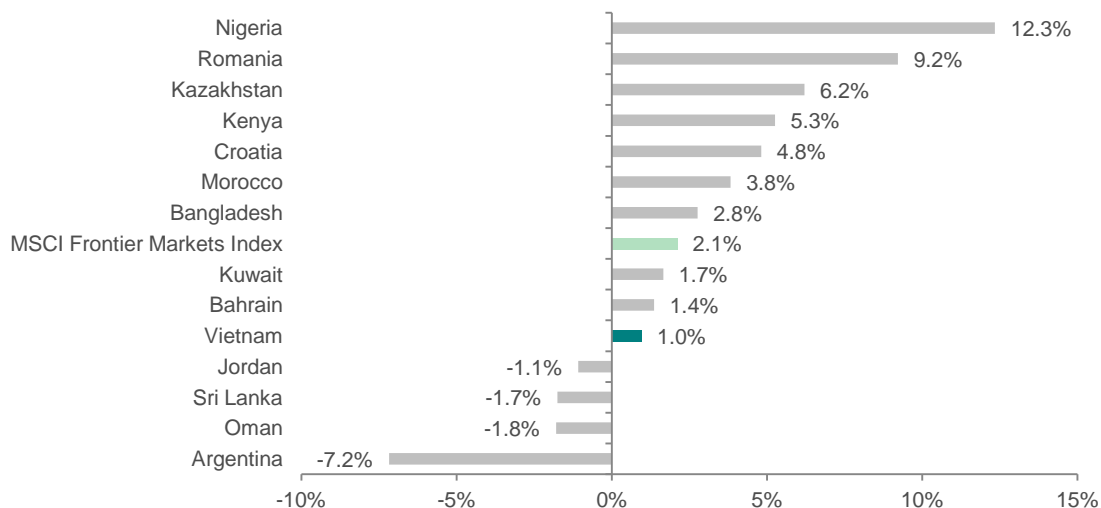
Source: GSO, Customs Office, NFSC

Vietnam's macroeconomic data in July continued to show a bright picture with enhanced stability, improving growth and easing trade deficit.

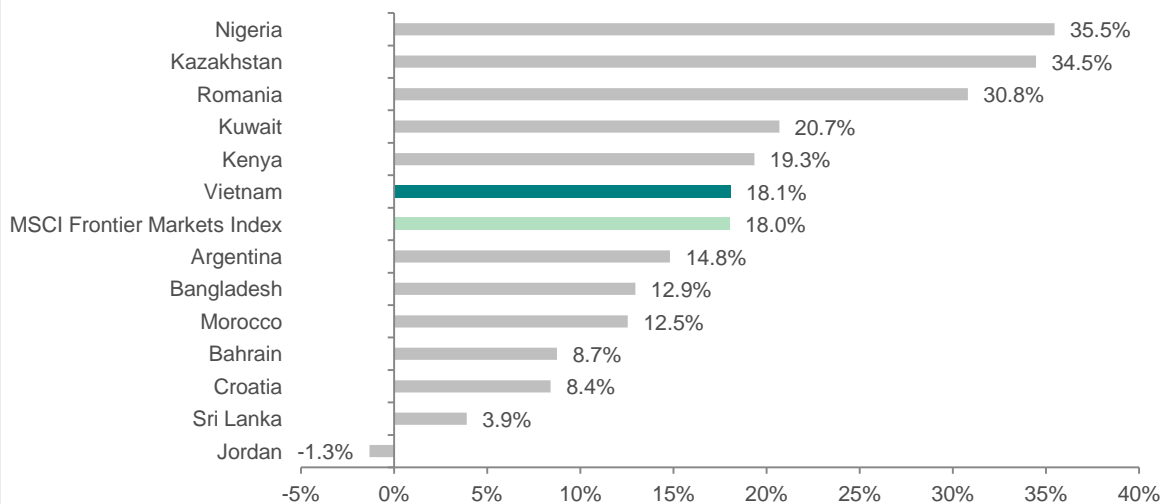
- Nationwide inflation **edged up by a minimal 0.11% MoM and 0.31% YTD in July. YoY inflation registered at 2.52%** or the **lowest level during the past 12 months**.
 - The monthly inflation was driven by a recovery in food & foodstuff prices, as well as healthcare services. Meanwhile, transportation prices reported a further slump of 1.52% MoM.
 - Inflation is expected to pick up in the next few months due to seasonal factors. However, we believe it would remain within government's target.
- Thanks to stable interest rates, **credit growth accelerated to 9.30% YTD at July end from 7.54% in June**, according to the National Financial Supervisory Commission.
 - Even though the growth is higher than last year's 8.80%, the banks might have to boost lending at a faster pace. In the recent July cabinet meeting, Prime Minister Nguyen Xuan Phuc has raised credit growth target for the system to above 20%.
- **The Nikkei Vietnam Manufacturing PMI slowed to 51.7 in July, down slightly from 52.5 in June**. Even though the rate of improvement has moderated in July, the reading signaled an improvement in the health of the sector in each of the past 20 months.
 - Slower increases have been seen in output and, to a lesser extent, in new orders. However, the fact that backlogs of work rose at the fastest pace in over 6 years and inventories fell suggests higher output increases in the coming months.
 - The continued expansion affirmed the outperformance of Vietnam's manufacturing sector in the region as the ASEAN's PMI fell into contraction territory at 49.3 in July.
- **Nominal retail sales grew by 10.0% YoY in 7M17**, higher than 9.4% recorded in the same period last year. **Inflation-adjusted retail sales also expanded by 8.7% YoY (7M16: 8.4%)**.
 - The robust nominal growth was prompted by a 10.7% YoY increase in food & foodstuff consumption.
 - Low inflation should continue to support stronger domestic demand in the coming months.
- According to the latest data from the General Department of Customs, **Vietnam was estimated to post a trade surplus of US\$266 million in July** vs. a deficit of US\$292 million in June (June deficit has been revised from GSO's initial estimate of US\$200 million).
 - As a result, the **cumulative trade deficit in 7M17 narrowed down to US\$2.53 billion**.
 - The July's trade surplus can be explained by a 3.8% MoM drop in import value which stemmed from an 11% monthly decline in imports of machinery and equipments.
- The country continued to attract more foreign inflows as **registered FDI soared 45.3% YoY to US\$18.8 billion in 7M17**, while **disbursed FDI** maintained a stable **growth of 5.8% YoY to reach US\$9.1 billion**

during the same period. The manufacturing sector continued to top registered FDI with an allocation of 49.4%, followed by the production and distribution of power and gas with 24.0%.

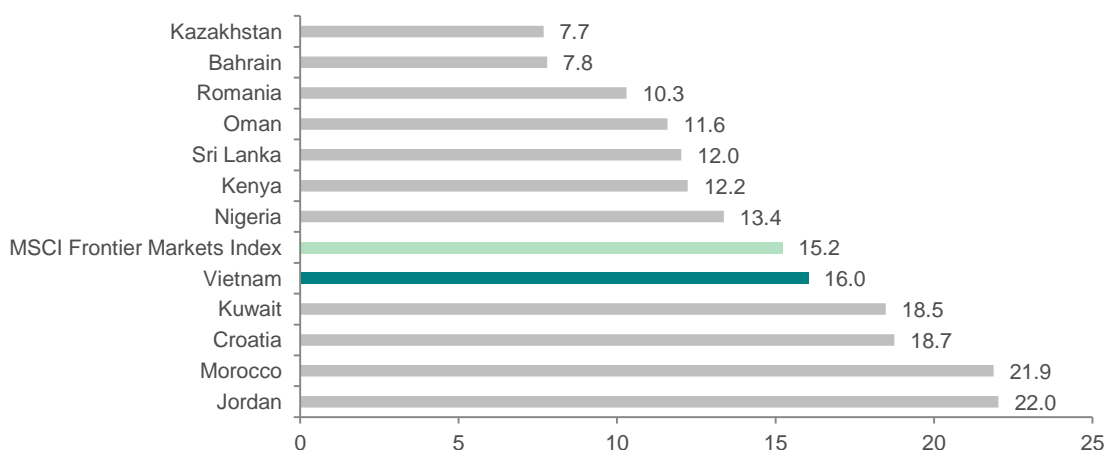
Stock Market Monthly Returns - Top Frontier Markets (in USD) as of July 31, 2017



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



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



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