



Stock Market Commentary

November was a historic month for the Vietnam's stock market. After the impressive gains in the first 10 months, the *VN Index* continued to **soar more than 100 points to reach a decade-high of 952.14 on November 29 before closing the month at 949.93 points**. Surging money inflows and bullish sentiments were fueled by the success of the APEC summit in Da Nang, rising foreign interest and especially the state's successful divestments from large listed companies.

- **In USD terms, the country's benchmark index surged 13.45% MoM and topped Asia-Pacific markets in November.** Vietnam also became one of the best performing markets globally with **YTD gain of 43.13%**.
- Liquidity hit an all-time high in November. The **total average daily trading value on the two main exchanges climbed 69.3% MoM to reach US\$339.1 million**, of which 29% was from foreign investors. **Foreign net buying value also skyrocketed to US\$473 million in November alone and US\$1.07 billion year-to-date**, the highest level since 2007.
- Accounting for a substantial amount of surging liquidity and foreign buying was the enormous transactions on some new giant listings and state divestments – whose success stories were central to the market rally in November. On November 6, **Vingroup's subsidiary Vincom Retail JSC (VRE)**, which currently owns 40 shopping malls across the country, **made its debut on the HOSE** and quickly rose 45% from its listing price to **become the 6th largest stock with a market cap of US\$4.1 billion**. A put-through transaction value of US\$741 million, the highest ever in Vietnam's stock market, on VRE was recorded on its second listing day, in which 95% was bought by foreign investors.
- Another highlight of the month was the **State Capital Investment Corporation (SCIC)'s successful divestment of its 3.33% stake in Vinamilk (VNM) to Jardine Cycle & Carriage (JC&C) at US\$395 million (or a 14.5% premium to market price)** in an auction on November 10. The news quickly drove VNM stock price to new highs, especially when JC&C continued to increase holdings in VNM to 10% by buying on the exchange. The 10% acquisition of the Hong Kong-based firm in Vinamilk not only demonstrated growing foreign interests in Vietnamese equities, but also implied investors' willingness to pay

premium valuations for the top blue-chips with high growth potentials (VNM traded at 29.x trailing P/E at JC&C's winning price). Later in the month, **the Ministry of Construction successfully sold its 49.7% stake in listed real estate developer DIG for US\$100 million.**

- Recent successes have paved the way for the government to further speed up their SOE divestments and IPO progress. Back in August, the Prime Minister approved a divestment schedule for more than 400 companies with state capital in the period 2017 – 2020. The list will be over 500 if including more than 100 companies in SCIC's portfolio and several oil & gas companies under PetroVietnam (PVN)'s ownership whose divestment plans were recently announced by the government. **Amongst the most notable names are several large-sized companies** with attractive fundamentals and dominant industry positions, **including GAS, Petrolimex, ACV, Vietnam Airlines, Viglacera (listed); or Binh Son Refinery, PV Oil, VEAM (unlisted).**
- On another note, a long-awaited **Decree on SOE equitization was promulgated in mid-November with various measures to ease and accelerate the equitization/ IPO process.** The new Decree allowed the book building method for IPOs, eased the regulations for strategic investors, especially in terms of lock-up period and profit track records. Most notably, it required the IPO documents to be accompanied by depository and listing documents, which means every SOE is expected to list soon after IPO.
- Recent reforms and progress are major steps forward in Vietnam's SOE divestments and equitization, which should result in positive structural changes for the stock market during the next 2-3 years. Liquidity and free float are expected to increase, while the stock market size will continue to expand along with more listings. Moreover, the significant reduction of state's holdings in big enterprises is expected to bring about more transparency and enhancements in business efficiency. These factors will also be crucial to make Vietnam eligible for the emerging market status in the future.
- Earlier in the month, the APEC Summit held in Da Nang from November 6-11 with the attendance of 21 member economies was considered a diplomatic success for Vietnam. The summit was also followed by two state visits by U.S. President Donald Trump and Chinese President Xi Jinping, in which Vietnam successfully issued two important joint statements on enhancing bilateral trades and economic ties, while jointly upholding and promoting peace in the East Sea.
- While the VN Index's P/E has risen to 18.7x,** it is important to note that the recent rally was mainly led by 10-15 large caps which account for around 60% of the index's capitalization and most have trading multiples as high as 20.x-40.x or over 100.x. **The majority of mid-caps, which have yet to join the rally, are trading at P/Es of 9.x-13.x.** Even though it may take time for the money flows to turn to those stocks, they are still attractive long-term investments due to high growth potentials.

The recent upsurge of the stock market was a result of Vietnam's recent economic developments as well as the government's ongoing attempts in SOEs and stock market reforms. Investors are now looking forward with rising optimism as they envisioned further business growth and market changes which come along with more investment opportunities. After more than 10 years, the VN Index is now closer than ever to its historical 1000 level.

Macroeconomic Update

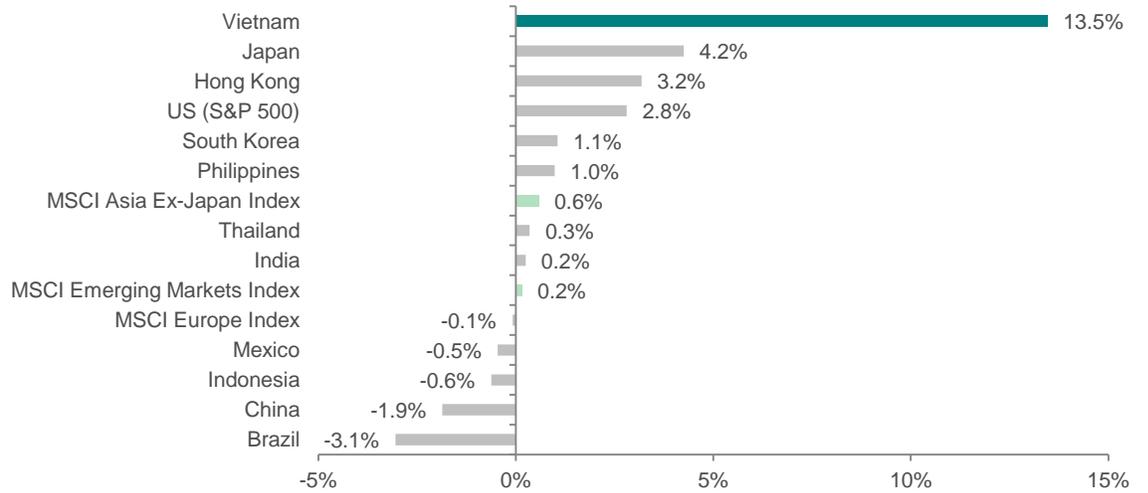
	Nov 2016	Oct 2017	Nov 2017	FY2017 Target
CPI (MoM change)	0.48%	0.41%	0.13%	
CPI (YoY change)	4.52%	2.98%	2.62%	4.00%
YTD Trade Balance (US\$ billion)	2.22	2.56	2.76	(\$6.58)
Exchange Rates (US\$/VND)	22,710	22,770	22,770	
YTD Disbursed FDI (US\$ billion)	14.30	14.20	16.00	
Credit Growth (YTD)	15.60%	13.66%	15.30%	18.00%
PMI Manufacturing Index	54.00	51.60	51.40	
Industrial Production growth (YTD YoY)	7.40%	8.70%	9.30%	
Nominal Retail Sales Growth (YTD YoY)	9.50%	10.70%	10.70%	
VN Index	665.07	837.28	949.93	

Source: GSO, Customs Office

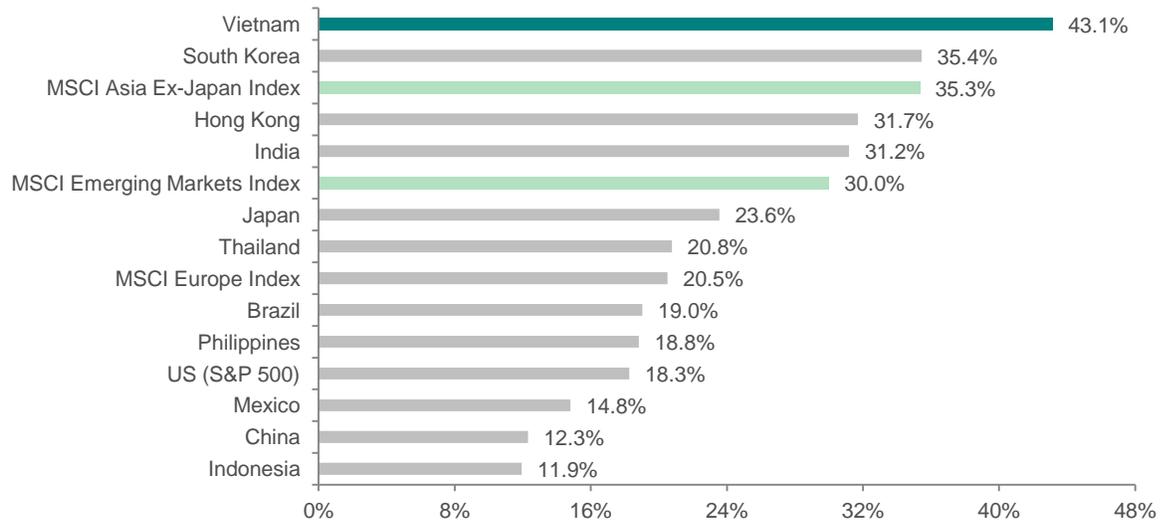
After the improvements seen in October, the Vietnamese economy demonstrated an even better picture in November as seen in major macroeconomic data. The acceleration of investment and production, coupled with growing consumption hinted that economic growth in 4Q2017 might even exceed expectations.

- ***Inflation softened to 0.13% MoM in November*** from 0.41% in October with the main price increases being seen in food and transportation, while the other groups were mostly flat.
 - ***This helped to reduce the YoY inflation to 2.62%*** from 2.98% in October. ***YTD inflation came in at 2.38%*** and was still way below the government's target of 4% for 2017.
- Total ***retail sales and consumption services in the first 11 months enjoyed a boost of 10.7% YoY*** compared to 9.5% in the same period last year.
 - Most notably, domestic consumption in November alone showed stellar growth of 11.7% YoY and 1.8% MoM.
 - The improvements in household incomes were evidenced by significant 11M sales increases of automobiles (+17.8% YoY), precious stones and metals (+15.2% YoY), woods & construction materials (+12.5% YoY).
- ***Industrial production output*** was even more impressive with ***growth speeding up to 9.3% YoY in 11M2017***, a significant improvement from 8.7% in 10M2017 and 7.4% in 11M2016.
 - ***The acceleration was mainly driven by an expansion of 14.4% YoY in the manufacturing sector***, which was followed by electricity production and distribution with 9.6% YoY growth.
 - The mining sector was still in stagnant mode with 11M2017 output declining by 7.1% YoY, even though the drop in November alone was lower at 4.1% YoY.
- Meanwhile, the monthly survey of private companies offered another perspective on the manufacturing sector. ***The Nikkei Vietnam Manufacturing PMI slowed to 51.4 in November from 51.6 in October***, however, still signaling resilient expansion of the sector during each of the past 24 months.
 - New orders continued to rise on a MoM basis, albeit at a slower pace than in October. Output broadly unchanged due to material shortages. However, there were stronger increases in purchasing activity and new jobs creation. Firms also remained confident in the 12-month outlook for production, which suggests that the slowdown is temporary.
- Vietnam's bright prospects continued to lure more foreign investments, as the ***registered FDI in the first 11 months soared 53.5% YoY to US\$27.8 billion while disbursed FDI reached US\$16.0 billion or an increase of 11.9% YoY. Registered FII also jumped to US\$5.3 billion, up by 52.6% YoY in the same period.***
- On the trade front, preliminary data from the Customs Office showed ***another surplus of US\$596 million in November, following an impressive US\$2.2 billion in October.*** This widened the ***year-to-date trade surplus to US\$3.2 billion.***
 - The rate of growth in exports slightly exceeded that of imports, at 21.5% YoY compared to 21.2% YoY for the first 11 months. Surges were seen in most of export categories with mobile phones & parts (+30.9% YoY) as well as computer & parts (+38.5% YoY) being the key drivers.
- Thanks to the influx of foreign capital and a trade surplus, ***the SBV has been able to increase its FX reserve to an all-time high of US\$46 billion in November.***
- ***Credit growth rose to 15.3% YTD at the end of the month from 13.66% in October***, and is slightly lower than 15.6% recorded in the same period last year.
 - In our view, a further speed up in lending activities to improve GDP growth might not be necessary at the moment, since recent acceleration in the main sectors during the past 2 months already hints stellar economic growth for 4Q2017.
 - The government also recently affirmed its credit growth target for 2017 at 18%, and that the increase of target to 21-22% a few months ago was a proposal in the case GDP growth remained at a weaker rate.

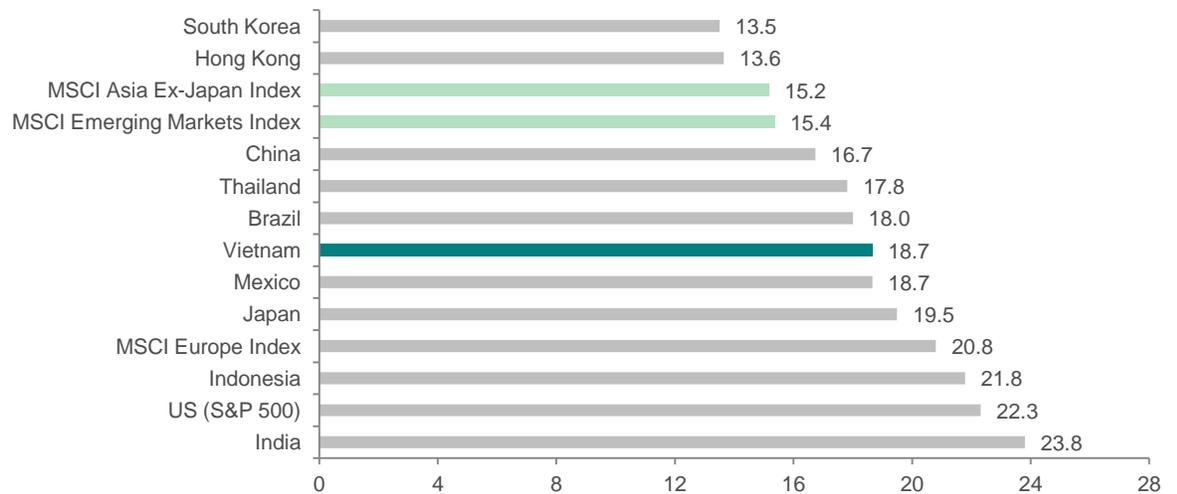
**Stock Market Monthly Returns by Country & Region (in USD)
as of November 30, 2017**



**Stock Market YTD Returns by Country & Region (in USD)
as of November 30, 2017**



Stock Market P/Es by Country & Region as of November 30, 2017



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