



Stock Market Commentary

October was a tough month for most of participants in the Vietnam market, except for those who placed their money on the large caps. While the VN Index kept surging higher with the help from a few heavyweights, the remaining stocks on the market were suffering strong corrections throughout the month as investors rushed to take profit when the 3Q results came out.

- **The VN Index soared to a new high of 845.20 on October 30 before correcting slightly to 837.28 on the last day of the month, gaining 4.13% MoM and 26.15% YTD in USD terms.** The monthly gain was the highest since June 2017 and was in line with the bullish sentiments across global markets in October.
- However, what actually happened on the market was quite the opposite of the index's movements. **The overall sentiments were bearish in October with 67% of constituents experiencing declines.** The releases of 3Q results, despite being mostly positive, could not stop the strong sell-offs which drove several stocks down by 10% - 20% in just a few weeks.
- Meanwhile, most of the market's money was pouring into the big caps, leading to significant advances in ROS (+86.7%), VIC (+14.3%), SAB (+9.8%) and VCB (10.1%), which together accounted for 27.2% of Vietnam's benchmark index. It is also noted that their remarkable gains and high valuations were hardly driven by fundamental factors. Excluding these stocks, the VN Index should have declined 0.63% MoM and gained 20.33% YTD in October.
- Liquidity slightly improved as the **average daily trading value** on the Ho Chi Minh and Hanoi exchanges **advanced by 7.2% MoM to reach US\$200.3 million in October.**
- **Foreign investors were net sellers by a minimal US\$2.5 million on the two main exchanges in October, yet they were still net buyers of US\$599 million year-to-date.** This figure only included the trades done on the exchanges and did not take into account several hundred million dollars that were poured into private placements and pre-listing stocks.

- On another note, the Vietnam's derivatives market has attracted more attention and money flows after being launched for 3 months. The total daily trading value of four VN30 futures contracts has risen to US\$38.7 million in October, up by 71% from September and 223% from August. The liquidity is also equivalent to 19% that of the listed exchanges, which is quite impressive given only 4 future contracts trading on the derivatives market as compared to 721 companies listed on the HOSE and HNX combined.
- Also near the end of October, Moody's Investors Service has changed its outlook for Vietnam's banking system to "Positive" from "Stable" for the next 12-18 months, reflecting the country's strong economic prospects and the positive outlook for most rated banks.

Macroeconomic Update

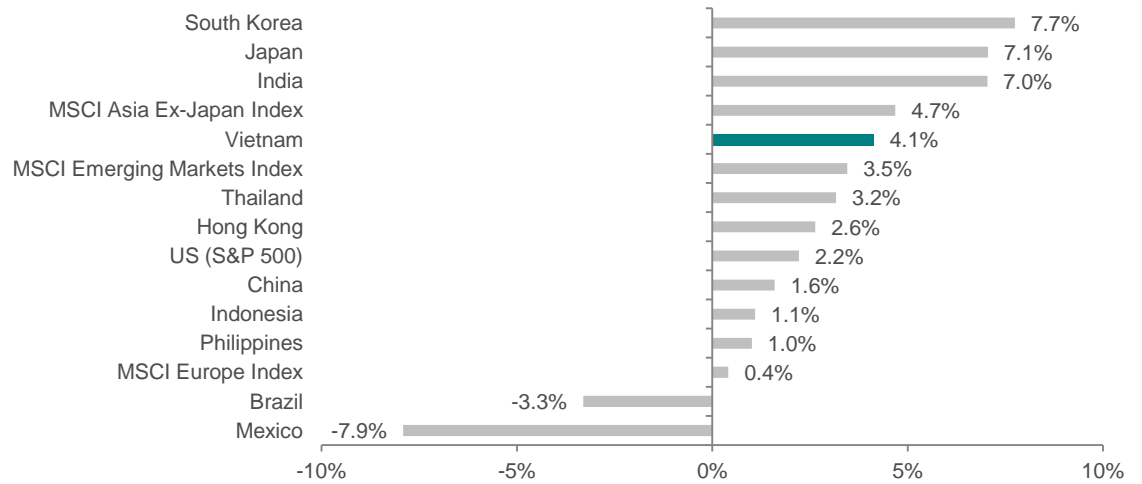
	Oct 2016	Sep 2017	Oct 2017	FY2017 Target
CPI (MoM change)	0.83%	0.58%	0.41%	
CPI (YoY change)	4.09%	3.40%	2.98%	4.00%
YTD Trade Balance (US\$ billion)	2.54	0.33	2.56	(\$6.58)
Exchange Rates (US\$/VND)	22,370	22,780	22,770	
YTD Disbursed FDI (US\$ billion)	12.70	12.50	14.20	
Credit Growth (YTD)	11.81%	12.16%	13.66%	18.00%
PMI Manufacturing Index	51.70	53.30	51.60	
Industrial Production growth (YTD YoY)	7.30%	7.90%	8.70%	
Nominal Retail Sales Growth (YTD YoY)	9.30%	10.50%	10.70%	
VN Index	675.80	804.42	837.28	

Source: GSO, Customs Office

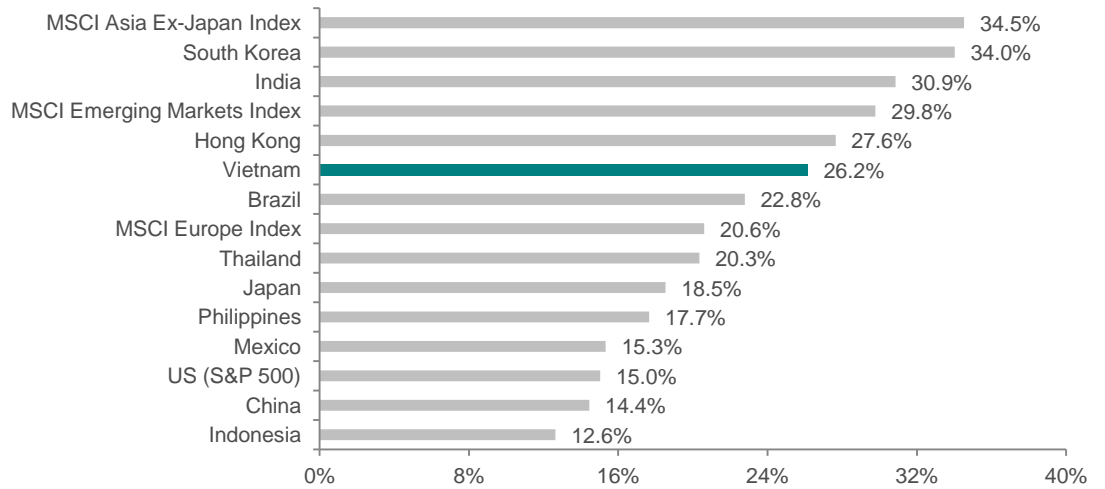
The released data for October provided a first glimpse at the macroeconomic picture in 4Q2017, and most of the statistics showed further improvements in terms of growth.

- **YoY inflation** came in at **2.98%**, **MoM inflation at 0.41%**. Inflation was mainly driven by rising costs of health care services and educational services besides higher fuel costs.
- October **PMI** dropped to **51.6** (vs. Sep: 53.3) on the back of slower rises in output, new orders and employment. Yet it still signifies continuous expansion of the manufacturing sector for 23 consecutive months.
- **Industrial production growth in the first 10 months accelerated to 8.7% YoY** compared to 7.9% YoY in 9M2017. It is also significantly higher than growth of 7.3% YoY in the same period last year.
- On the consumption front, **nominal retail sales surged by 10.7% YoY in 10M2017 vs. 9.3% in 10M2016**.
- **Credit growth** reached **13.66% YTD**. The strong rate of GDP growth in Q3 suggests it may not be necessary to push FY2017 credit growth to the level of 21%.
- **YTD trade surplus** continued to expand to **US\$1.23 bn** after recording an additional surplus of USD900 million in October. Export grew by 20.7% YoY while imports grew by 22.0% YoY.
- **YTD disbursed FDI** reached **US\$14.2 bn, up 11.8% YoY**. 10M pledged FDI was US\$28.2 bn, up 37.4% YoY.
- **The USD/VND exchange rate** was **stable** at 22,770. **Forex reserve** was at an **all time high of US\$45 bn**.
- **Vietnam jumped 14 spots** to rank 68th in World Bank's Ease of Doing Business report.

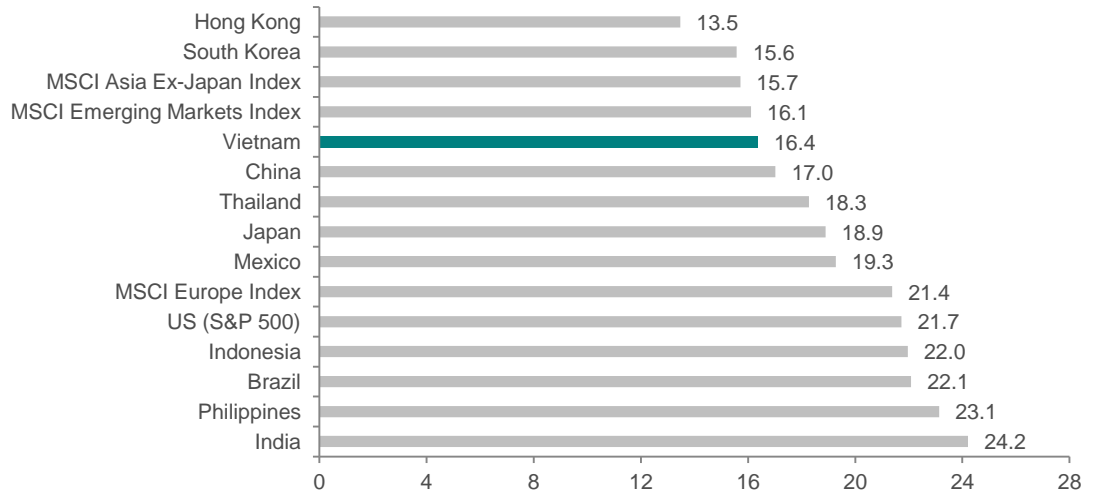
**Stock Market Monthly Returns by Country & Region (in USD)
as of October 31, 2017**



**Stock Market YTD Returns by Country & Region (in USD)
as of October 31, 2017**



Stock Market P/Es by Country & Region as of October 31, 2017



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