



INDOCHINA
CAPITAL
MONTHLY
NEWSLETTER

Stock Market Commentary

- As the stock market extended its brutal correction, the VNIndex recorded additional **loss of 7.68% in May** (after losing 10.40% in April). By May's end, all of the Index's YTD gain was wiped out completely and **YTD loss** registered at **1.71%**.
- Large caps were the biggest losers. The combined market cap of the top 15 companies shrank by nearly 9% last month. Smaller caps suffered from average monthly losses of 7%.
- Intensified margin pressures and weak local sentiment in the absence of short-term catalysts were probably accountable for the free dive of the stock market.
- VHM (Vinhomes, VIC's residential and commercial real estate developer) was listed on May 18 and took over VIC's position to become the largest stock in the VNIndex. The three Vingroup's stocks, namely VIC, VHM and VRE, together accounted for 24% of the VNIndex' capitalization as of May 31, 2018.
- **Average daily trading value** dropped by 15% MoM to **US\$313 mm** on both exchanges.
- **Foreign investors net bought US\$989 mm** worth of listed stocks in May, including net buy transactions of US\$1.2 billion of VHM. **YTD**, they **net bought US\$1.5 billion** on the exchanges (5M2017: net bought US\$324 mm).
- As of May 31, 2018, Vietnam's listed market capitalization stood at US\$138.2 billion. The correction caused market valuation to drop to more attractive levels with P/E of 18.4x and P/B of 2.6x.
- We maintain our view that the correction is short-term. The positive long-term outlook of the VNIndex remained intact as it is pillared by Vietnam's sustainable economic growth

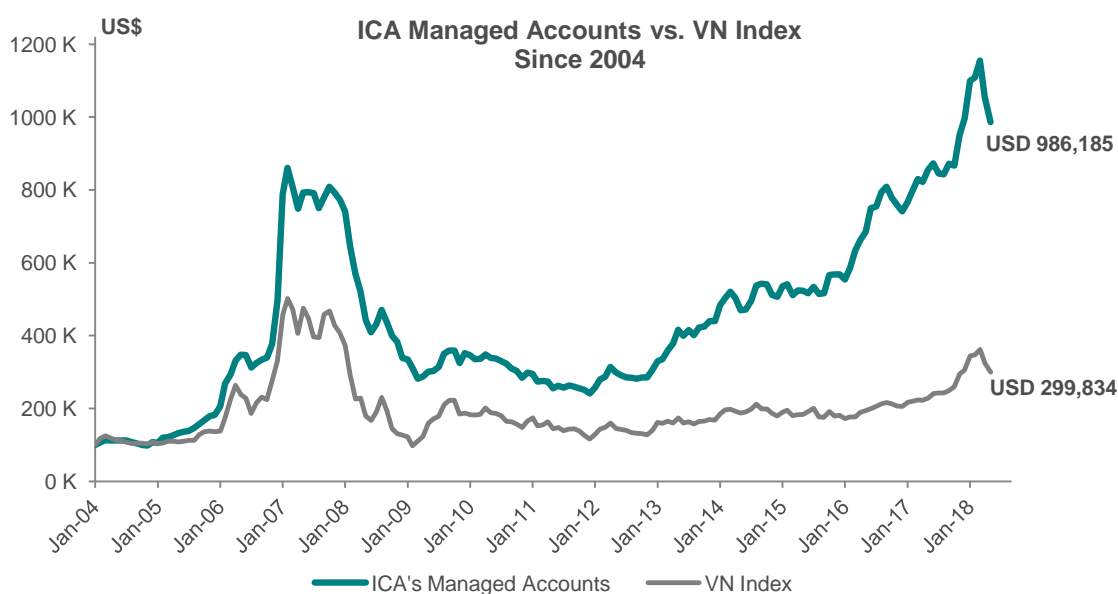
Macroeconomic Update

	May 2017	Apr 2018	May 2018	FY2018 Target
CPI (MoM Change)	(0.53%)	0.08%	0.55%	
CPI (YoY change)	3.19%	2.75%	3.86%	4.00%
YTD Trade Balance (US\$ billion)	(\$2.54)	\$3.89	\$3.39	
Exchange Rates (US\$/VND)	22,750	22,820	22,860	
YTD Disbursed FDI (US\$ billion)	6.15	5.10	6.75	
Credit Growth (YTD)	6.80%	5.00%	5.80%	17.00%
PMI Manufacturing Index	51.60	52.70	53.90	
Industrial Production growth (YTD YoY)	6.60%	11.40%	9.70%	
Nominal Retail Sales Growth (YTD YoY)	7.50%	9.80%	10.10%	
VN Index	737.82	1,050.26	971.25	

Source: GSO, Customs Office

- **May's PMI** rose to **53.9** (April: 52.7) with sharper rises in output and employment besides increases in new orders and improving business confidence.
- **Monthly inflation** accelerated to **0.55%**. **YoY inflation reached 3.86%** (May 2017: 3.19%). Monthly inflation was the highest in the last 6 years as a result of rises in food prices (mainly pork prices) and transportation costs (after several petroleum price hikes).
- **May recorded a trade deficit of US\$500 million. YTD trade surplus was reduced to US\$3.39 billion.**
 - YTD exports grew by 15.8% YoY, imports by 8.2% YoY.
- **YTD registered FDI was US\$7.15 billion, down 30.8% YoY. YTD disbursed FDI was US\$6.75 billion, up 9.8% YoY.**
 - 62.3% of registered FDI goes to the manufacturing sector, 12.5% to the utility sector, 11.3% to the real estate sector, with the rest to other remaining sectors.
 - Meanwhile, **5M FII reached US\$2.75 billion, up 53.5% YoY.**
- The **USD/VND** exchange rate inched up from **22,820 to 22,860**.

Historical Performance

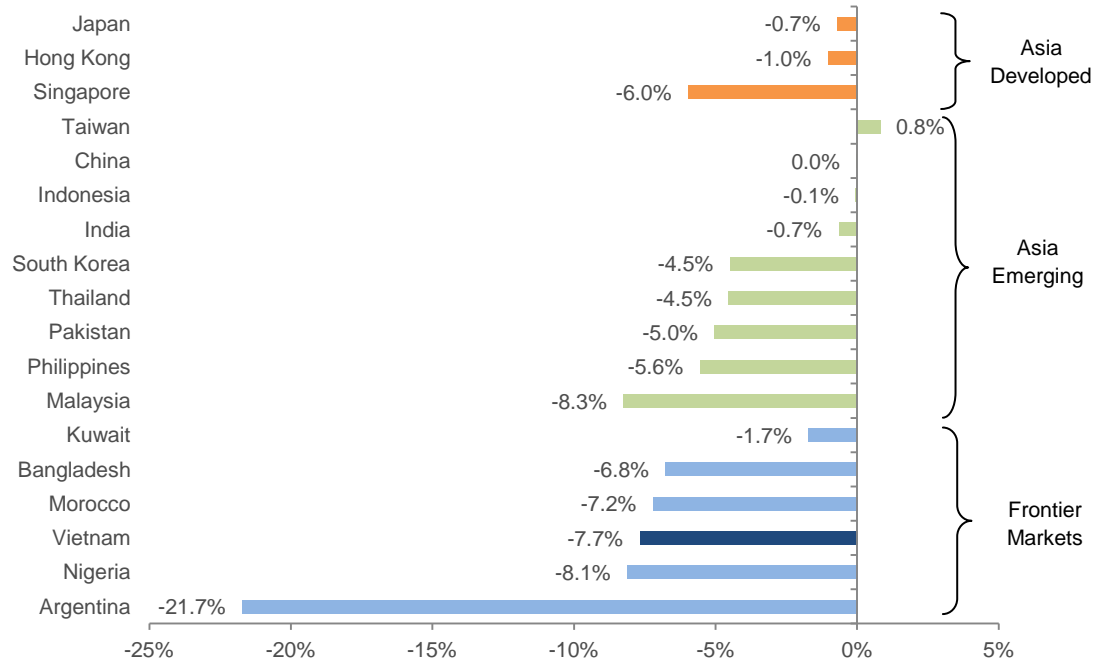


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

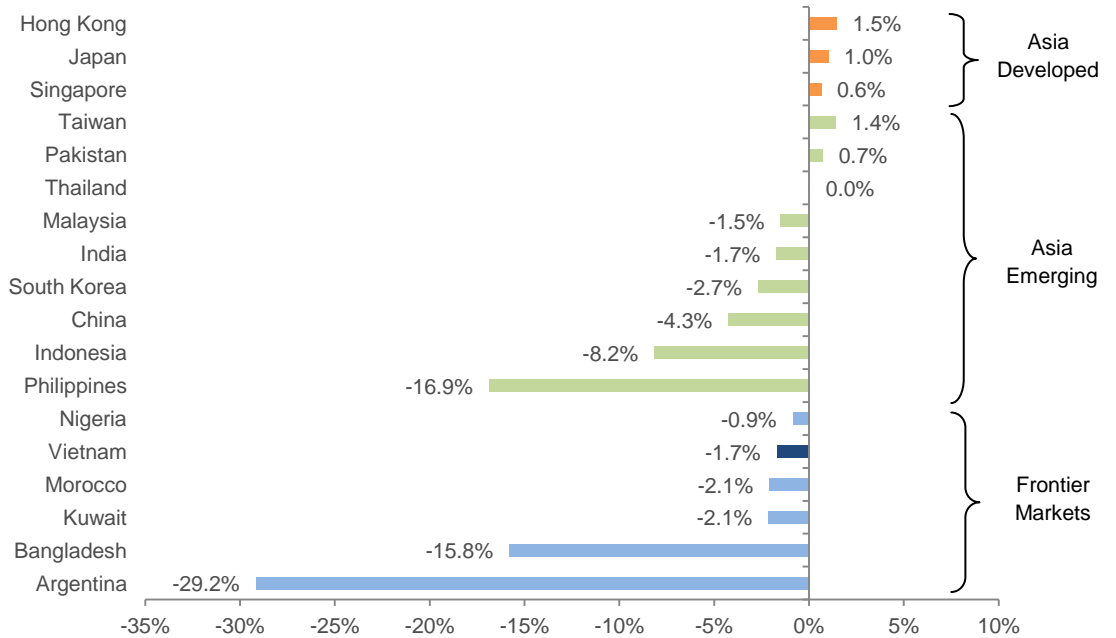
** Monthly time-weighted returns, net of fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of May 31, 2018

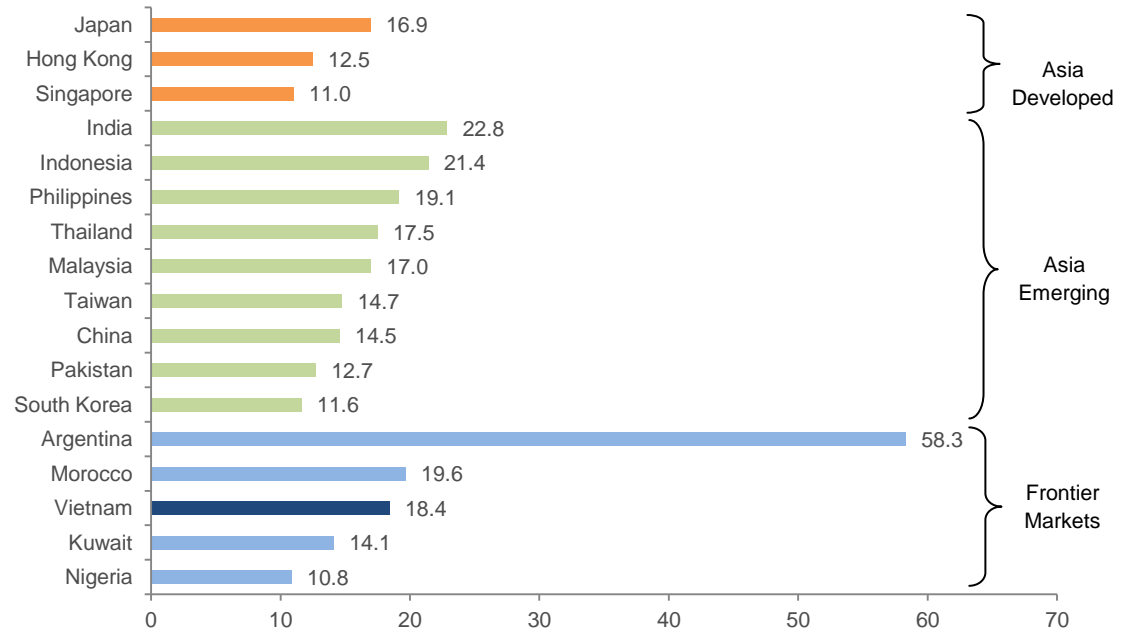
**Stock Market Monthly Returns by Country (in USD)
as of May 31, 2018**



**Stock Market YTD Returns by Country (in USD)
as of May 31, 2018**



Stock Market P/Es by Country as of May 31, 2018



Contact us

Peter Ryder

CEO

T: +84 24 3935 0250

M: +84 913 229 810

E: peter@indochinacapital.com

Diep Nguyen

Director

T: +84 28 3910 4855

M: +84 907 133 671

E: diep.n.nguyen@indochinacapital.com

Ho Chi Minh City Office

10th Floor, Capital Place

6 Thai Van Lung Street

Ben Nghe Ward, District 1

HCM City, Vietnam

www.indochinacapital.com

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