

APRIL 2017



Stock Market Commentary

April was a tumultuous month for the Vietnam market. After rallying for 3 consecutive months, the VNIndex continued to rise to a fresh nine-year high at 731.33 on April 11. It then retreated in the second half of the month as profit taking intensified and as market sentiments were dampened by US' tensions with North Korea. The VNIndex fell to a monthly low of 707.59 on April 25 before rebounding at month-end, closing April at 717.73 points.

- In USD terms, the VNIndex lost 0.50% MoM but still posted a total return of 8.77% YTD.
- Liquidity continued to expand, with daily average trading value on Ho Chi Minh and Hanoi stock exchanges rising 4.3% MoM to US\$204.7 million, a 31-month high.
- Participation from foreign investors increased with trading value accounting for 13% of market liquidity in April vs. 10% in March. Foreign investors also extended their net buying streak to four consecutive months, with net buying value reaching US\$98.7 million in April and US\$261.8 million year-to-date.
- Similar to the previous months, the market continued to diverge drastically in April, with the main driver being Q1 financial results. Overall, the market's earnings picture in Q1 was mostly bright with the majority of companies reporting double-digit YoY growth. Nevertheless, most of these stocks were still affected by the mid-month profit taking activities as the Q1 results had not been available until the last trading days of April.
 - Among sectors with upbeat earnings in Q1, only a few sectors including real estate, textile and consumer goods managed to rally throughout April with gains of 5-20%. On the contrary, the banking and financial services stocks suffered losses of up to 5% in the month despite strong business results.
 - There were a few sectors that significantly underperformed the market both in terms of stock performance and Q1 results, including materials, chemicals and transportation sectors. They were stock market winners in 2016 but their earnings took a hit in Q1 2017 since they no longer benefit from low commodity prices.

- The strong Q1 earnings by listed companies have brought Vietnam market's trailing P/E down to 15.6x in April from 17.5x as at the end of March. Most notably, the majority of stocks were still trading at P/Es of around 8.0x – 12.0x.
- April also welcomed the listing of Vietnam's leading petroleum retailer Petrolimex (HSX: PLX). The company with a market cap of US\$2.67 billion has made its way into the top 10 biggest companies on the HOSE. With the inclusion of PLX, Vietnam's total market capitalization has risen to US\$102.4 billion at the end of April and equivalent to 51.8% of GDP.

The geopolitical tensions in April, especially that between the US and North Korea, has cast a shadow on the Vietnam stock market despite the country's bright domestic economic picture. Despite all the anxiety we believe the chance is slim that the "war of words" could turn into an imminent shooting war. "Buy in May" should be a better strategy than "sell in May" this year, especially when the Q1 business picture hinted another good year for the market and stock prices have sunk quite low. Meanwhile, the AGM season is also coming to an end with nearly half of listed companies confidently targeting more than 10% top-line growth for FY2017.

Macroeconomic Update

	Apr 2016	Mar 2017	Apr 2017	FY2017 Target
CPI (MoM change)	0.33%	0.21%	0.00%	
CPI (YoY change)	1.89%	4.65%	4.30%	4.00%
YTD Trade Balance (US\$ billion)	\$1.59	(\$1.94)	(\$2.74)	(\$6.58)
Exchange Rates (US\$/VND)	22,350	22,790	22,790	
YTD Disbursed FDI (US\$ billion)	4.70	3.62	4.80	
PMI Manufacturing Index	52.30	54.60	54.10	
Credit Growth (YTD)	3.00%	4.06%	4.86%	18.00%
Industrial Production growth (YTD YoY)	7.3%	4.1%	5.1%	
Nominal Retail Sales Growth (YTD YoY)	8.80%	9.20%	9.60%	
VN Index	598.37	722.31	717.73	

Source: GSO

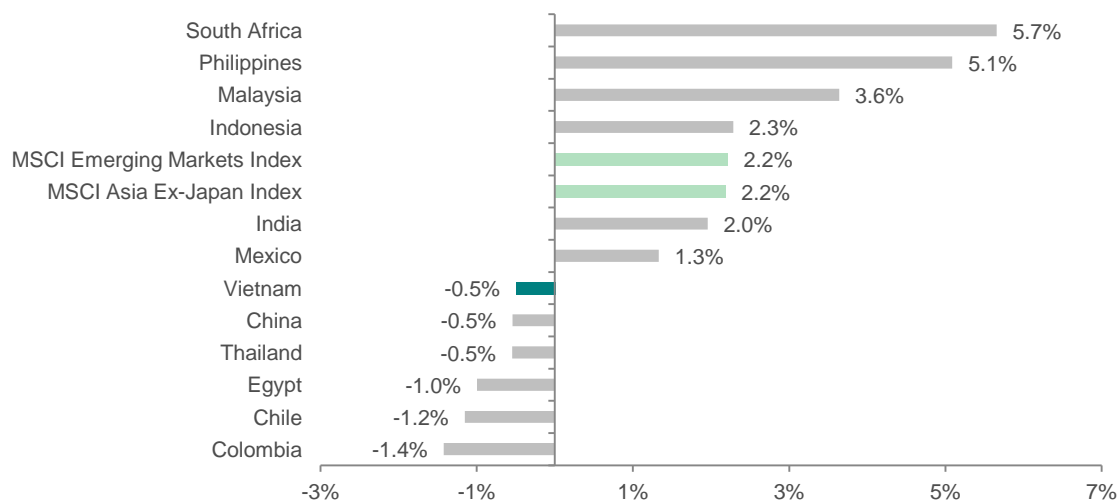
April macroeconomic data showed significant improvements versus Q1 with manufacturing sector as the main growth catalyst.

- Inflation remained under control as **CPI was unchanged MoM, bringing YoY inflation down to 4.30% in April from 4.65% in March.**
 - The release of subsidies for healthcare services was balanced out by the decline in prices of food and foodstuff, transportation, telecommunication, accommodation and construction materials.
 - Though the YoY inflation is still higher than government's target of 4% for 2017, inflation pressure is easing up.
- **Vietnam's Manufacturing PMI read 54.1 in April**, down slightly from 54.6 in March but still higher than most other ASEAN countries (**the ASEAN Manufacturing PMI came in at 51.1 in April**).
 - This affirmed the steady improvement in the health of the manufacturing sector for the 17th successive month. Central to the improvements was a sharp rise in new orders as new demand from abroad surging at a survey-record pace.
 - The manufacturing sector thus solidified its position as a star performer in Vietnam at the start of Q2.
- Meanwhile, **Industrial Production significantly improved with 4M'17 growth of 5.1% YoY**, a sharp increase compared to Q1'17 growth of 4.2% YoY.
 - Despite the mining sector shrinking by 9.7% YoY, the manufacturing and power sectors continued to thrive with strong growth of 9.2% and 9.3% YoY, respectively.
- Domestic consumption also picked up as **retail sales accelerated by 11.1% YoY in April and 9.6% YoY in the first 4 months**, higher than 9.2% in 1Q17. However, if inflation is taken into account, **real retail sales growth in 4M17 comes in at 6.7% YoY (4M16: 7.8%)**.

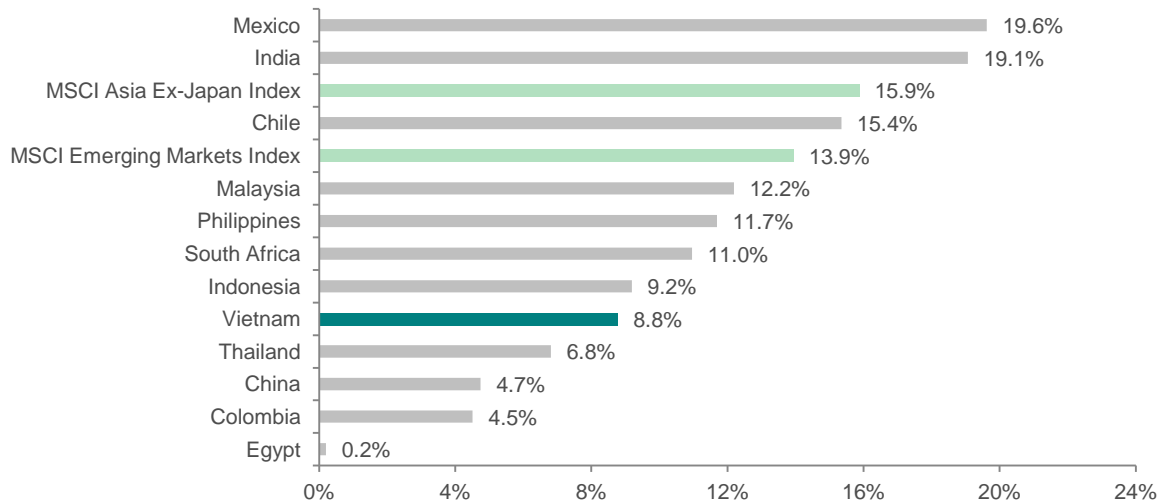
- FDI continued to strengthen as **registered FDI soared to US\$10.6 billion in 4M2017 or a rise of 40.5% YoY**. Of which, 69.5% will flow into the manufacturing sector.
 - **Disbursed FDI** also remained resilient as it edged **up slightly by 3.2% YoY to reach US\$4.8 billion** in the same period.
 - We believe foreign investments and the FDI sector will continue to be the main growth drivers for the Vietnam's economy in the next few years.
- **Trade deficit recorded an additional US\$800 million in April** after a deficit of US\$1.94 billion in 1Q17.
 - The accumulated **trade deficit in the first 4 months** thus **edged up to US\$2.74 billion** or equivalent to 4.5% of export revenue, while the government's target is 3.5%.
 - Export growth of 15.4% YoY was outpaced by rapid import growth of 24.6% YoY in 4M2017. However, we expect the situation to reverse in the remainder of the year as exports orders are delivered.
- Thanks to stable interest rates, **credit growth climbed to 4.86% YTD as at the end of April (4M16: 3.00%)**, or the highest level in 6 years. At this rate, the SBV's target of 18% credit growth for the system in 2017 might be easily surpassed. Real estate accounted for 10% of total outstanding loan balance.

Featuring a robust manufacturing sector, Vietnam's macroeconomic picture at the beginning of Q2 demonstrated significant improvements from that of last month. However, challenges remain for the government to bring about growth from other sectors to realize the GDP growth target of 6.7% for the year 2017.

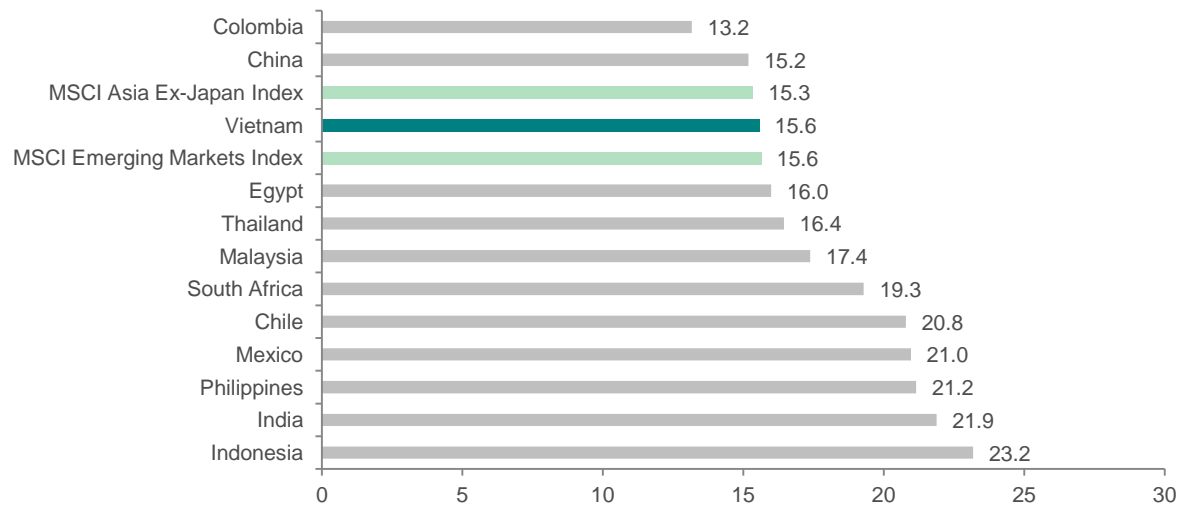
**Stock Market Monthly Total Returns by Country (in USD)
as of Apr 30, 2017**



**Stock Market YTD Total Returns by Country (in USD)
as of Apr 30, 2017**



**Stock Market P/Es by Country
as of Apr 30, 2017**



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