



INDOCHINA  
CAPITAL  
MONTHLY  
NEWSLETTER

## Stock Market Commentary

- Strong macro fundamentals and improvements in sentiments helped the Vietnam market weather the storm affecting the emerging and frontier countries in August. **The VN Index** managed to **rally 3.47% MoM to close** the month **at 989.54** points, thus **reducing the YTD loss to 1.92% in USD terms**.
  - Centered to the market recovery was the impressive rally of the financials & banking sector. BID, CTG and BVH were the best performers, posting gains of 15% – 31% in August. The oil & gas sector also contributed substantially to the rally as they advanced by 10% – 24% MoM.
  - The market performance was driven by expectation on positive business performance in 2H2018.
- August marked the return of money flows which reflected in improved liquidity. The **average daily trading value** on the Ho Chi Minh and Hanoi Stock Exchanges **increased by 12.9% MoM to US\$213 million in the month**. However, it is still lower than last 12M's average at US\$281.9 million.
- **Foreigners** were **net sellers** for the third consecutive month as they net sold **US\$63 million in August**, yet **remaining net buyers of US\$1.34 billion YTD**.
- Adding to the positive sentiments was Moody's upgrade of Vietnam's sovereign rating to Ba3 from B1 with a Stable outlook. The upgrade is underpinned by Vietnam's strong growth potentials and rising competitiveness as the country shifts towards higher value-added products. The upgrade in sovereign ratings also led to Moody's upgrade of deposit and issuer ratings for many joint-stock banks later in the month.
- Vietnam's total listed market capitalization reached US\$144 billion at the end of August, the largest among frontier markets. The VN Index's trailing P/E arrived at 17.9x, with the majority of stocks still trading below that level.
- After quite a nice rally since mid-July, the market might face increasing profit taking in September, especially after the VN Index failed to regain the 1000 level on the last day of August. Meanwhile, global risks especially the escalating US-China trade war might also put more pressures on the market. Nevertheless, the market's long term outlook is still positive as the country's economic fundamentals remain strong and valuations look attractive.

# Macroeconomic Update

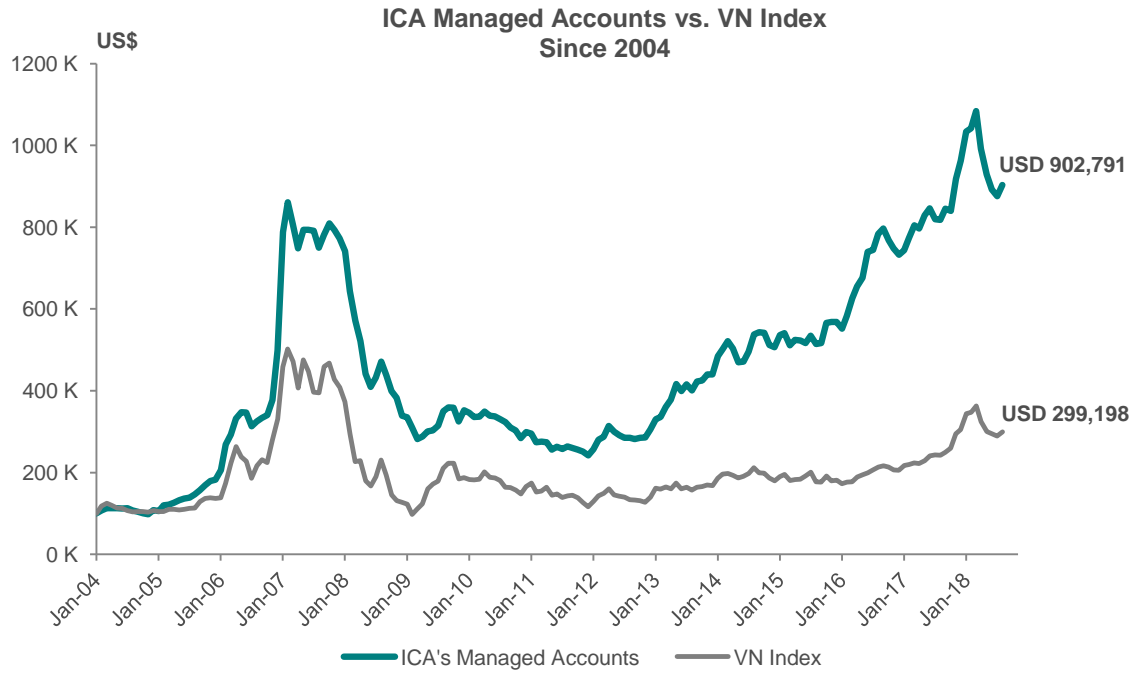
	Aug 2017	Jul 2018	Aug 2017	FY2018 Target
CPI (MoM change)	0.92%	(0.09%)	0.45%	
CPI (YoY change)	3.35%	4.46%	3.98%	<4.00%
YTD Trade Balance (US\$ billion)	(\$1.09)	\$2.85	\$2.75	
Exchange Rates (US\$/VND)	22,780	23,340	23,340	
YTD Disbursed FDI (US\$ billion)	10.30	9.85	11.25	
Credit Growth (YTD)	11.50%	7.69%	8.50%	17.00%
PMI Manufacturing Index	51.80	54.90	53.70	
Industrial Production growth (YTD YoY)	8.20%	10.90%	11.20%	
Nominal Retail Sales Growth (YTD YoY)	10.30%	11.10%	11.20%	
VN Index	782.76	956.39	989.54	

Source: GSO, Customs Office

Vietnam's macroeconomic indicators continued to show improvements in August. While inflation was tame and the exchange rate became more resilient, retail sales and industrial production growth maintained their upward trends which implied strong GDP growth in 3Q2018.

- **August CPI inched up by 0.45% MoM**, yet the **YoY inflation dropped to 3.98%** after two months staying above 4%.
  - The monthly rise in CPI was driven mostly by food and foodstuffs. Educational services also hiked 0.46% due to seasonal factors as students are getting back to school in September.
- **Nominal retail sales growth** accelerated to **11.2% YoY in Jan-Aug** period (8M2017: 10.3% YoY), with August alone growing at 12.6% YoY.
  - Among sectors, retail sales of food, foodstuffs and apparels demonstrated the strongest increases of 12.3-12.8% YoY in 8M2018.
  - Strong domestic consumption was one of the main factors bolstering Vietnam's resilient growth in the context of rising global risks.
- **Industrial production** in 8M2018 **expanded by 11.2% YoY**, higher than the 10.9% achieved in 7M2018 and the 8.2% in the same period last year.
  - While growth continued to be driven by the manufacturing sector (+13.3% YoY), better improvements in the mining sector was also a crucial part as it declined only by 0.3% YoY compared to a slump of 6.9% in 8M2017.
- Meanwhile, **Vietnam's Manufacturing PMI arrived at 53.7 in August** from 54.9 in July, signaling further improvements in business conditions in 33 successive months.
  - Even though the rate of expansion eased in comparison to July, the growth of new orders remained sharp amid improving client demand.
- Vietnam was estimated to incur a **trade deficit of US\$100 million in August**, vs. a deficit of US\$635 million in July. The **YTD trade balance**, however, **was still in surplus of US\$2.75 bn.**
  - The country's export growth reached 14.5% YoY in 8M2018, outperforming import growth at 11.6% YoY.
- **8M disbursed FDI jumped 9.2% YoY** to US\$11.25 bn (8M2017: +5.1% YoY).
  - **Registered FDI declined by 4.01% YoY to US\$19.1 bn** due to a high-base effect as 8M2017 saw a growth of 38.3% YoY.
  - Meanwhile, **FII continued to record impressive growth of 50.9% YoY** to reach US\$5.28 bn in 8M2018.
- The **USD/VND exchange rate** remained stable in August at 23,340.

# Historical Performance

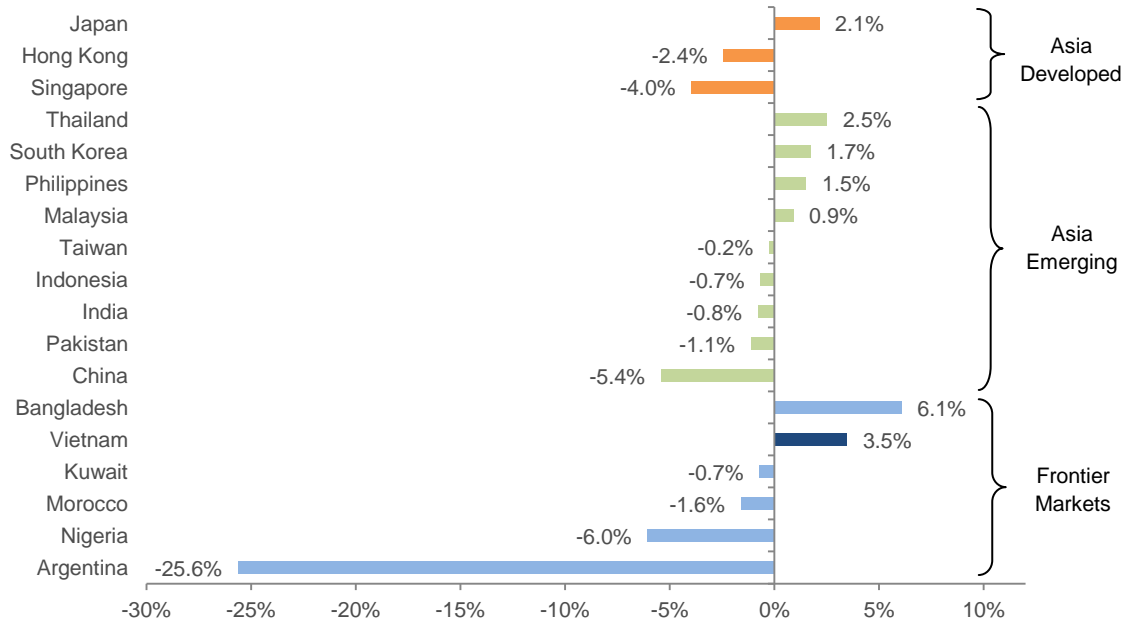


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

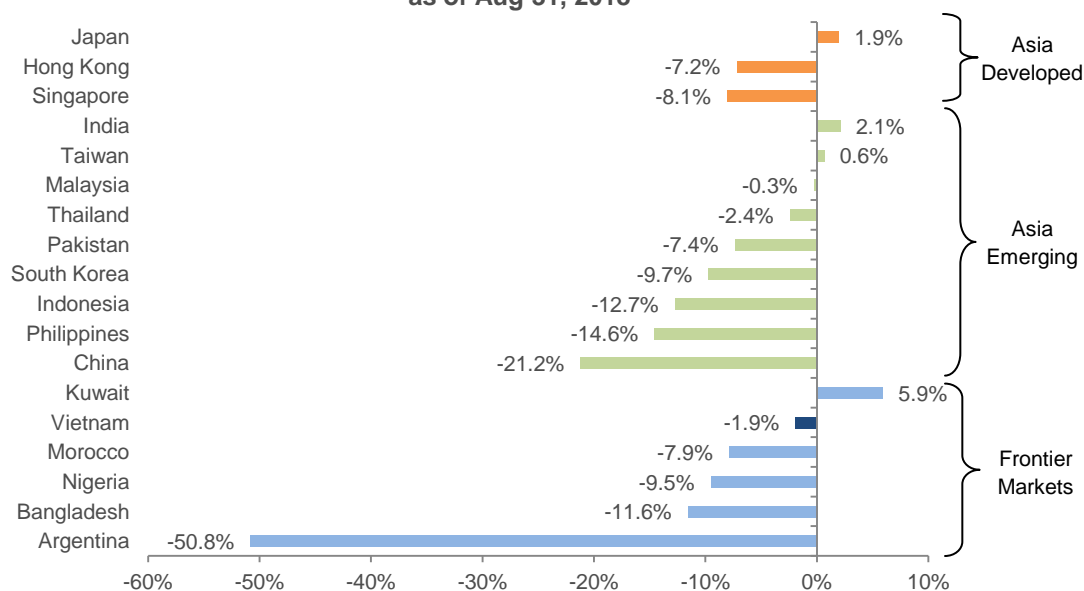
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

\*\*\* Data as of August 31, 2018

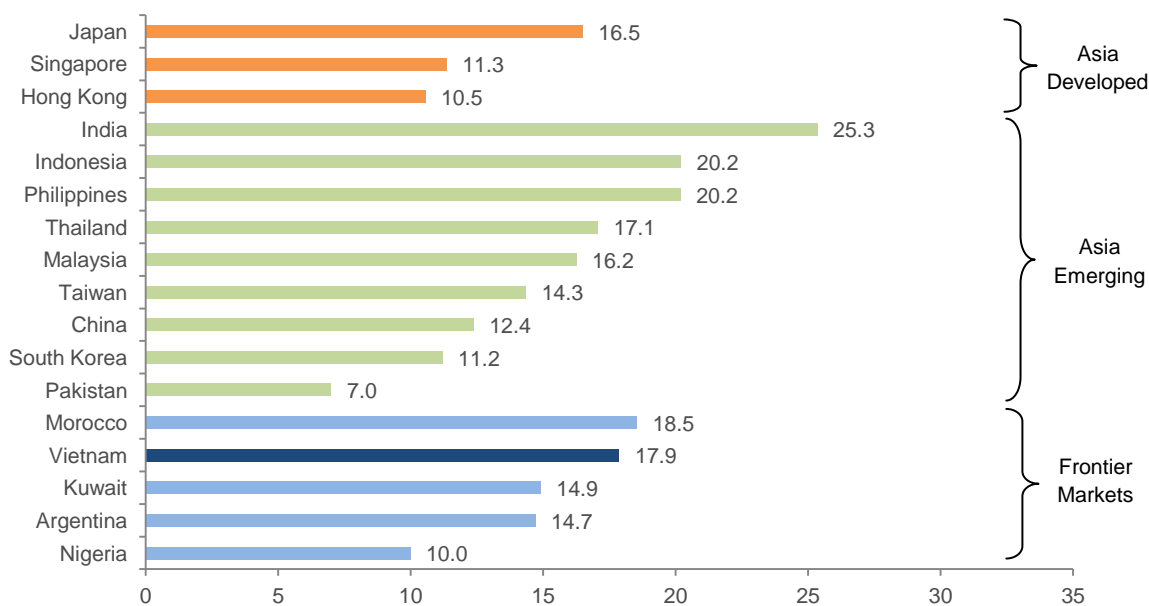
## Stock Market Monthly Returns by Country (in USD) as of Aug 31, 2018



### Stock Market YTD Returns by Country (in USD) as of Aug 31, 2018



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



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