



PSI

CHỨNG KHOÁN DẦU KHÍ
PETROVIETNAM SECURITIES INC



VIETNAM MARKET REPORT 2016

**Petrovietnam Securities
Incorporated**

October 2016



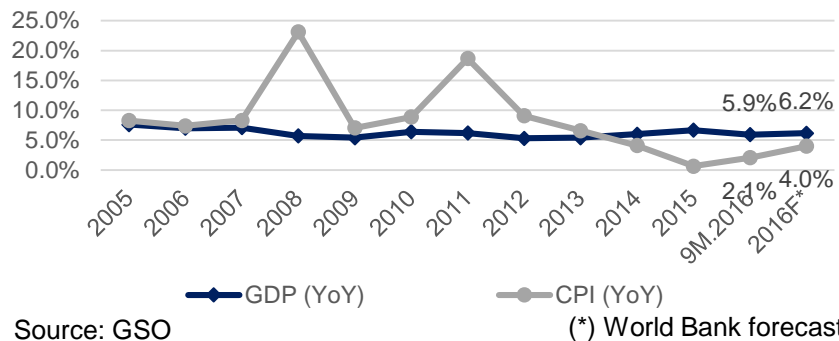
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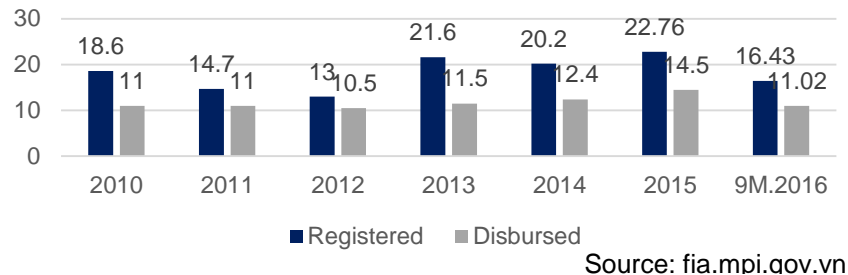
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3. Trend Of Vietnamese Economy And Securities Market In Upcoming 2016-2017
4. VASB Activities
5. Proposal

Vietnam Economic Overview – 3 quarters of 2016

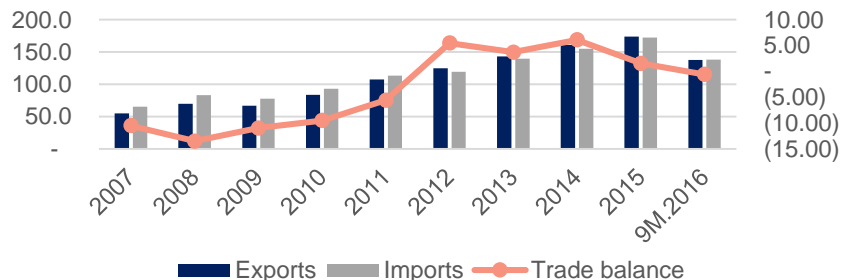
GDP & CPI (%YoY)



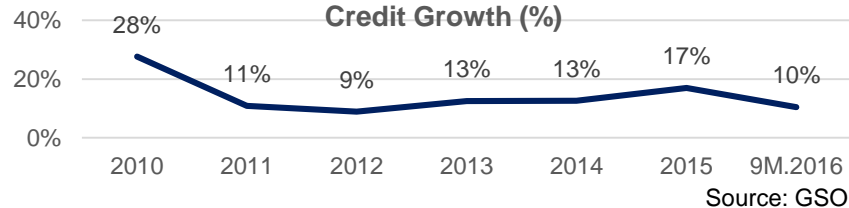
FDI (US\$ bn)



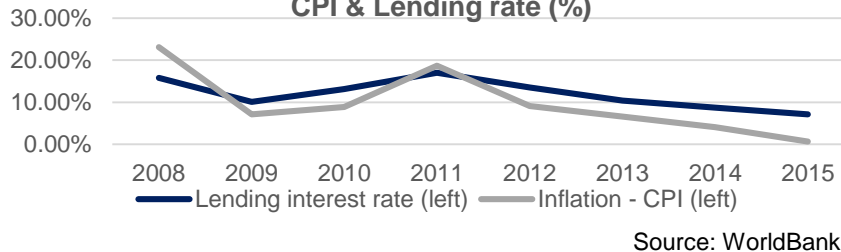
Exports & Imports of Goods & Services (current US\$ bn)



Credit Growth (%)



CPI & Lending rate (%)



Vietnam 2016 Economic Outlook



GDP Growth : 6.2%



CPI : < 5%



Trade volume: +2.4%



FDI : USD 11bn in 9 months 2016



Credit Growth : 18%



Lending rate : 7-11%

- **GDP growth:** For the first 3 quarters 2016, GDP grew 5.9% YoY. World Bank forecast growth rate of Vietnamese GDP to be 6.2% for 2016
- **Inflation rate:** CPI rose 3.34% YTD as of September 2016. The government targeted <5% increase in CPI for 2016
- **Balance trade:** For the first 3 quarters of 2016, Vietnam was a net exporter of goods (US\$ 2.8 bn) but a net importer of services (US\$ 3.4 bn). Overall trade balance was negative US\$ 0.6 bn.
- **Government deficit:** the government planned to maintain the deficit at below 5.5% of GDP by controlling expenditures.
- **Foreign Exchange:** US\$ was forecast to be traded at ~22,500 VND/USD at the end of 2016
- **Government bond yield:** Five year government bond yields stays at low level of around 5% thanks to moderate inflation and credit growth.
- **Policy rate unchanged:** stable deposit rate, lending rate from 7-11%
- **Highlights:**
 - ✓ Improved Global Competitive Capability Index of Vietnam
 - ✓ More favorable business environment with low interest rates and input costs

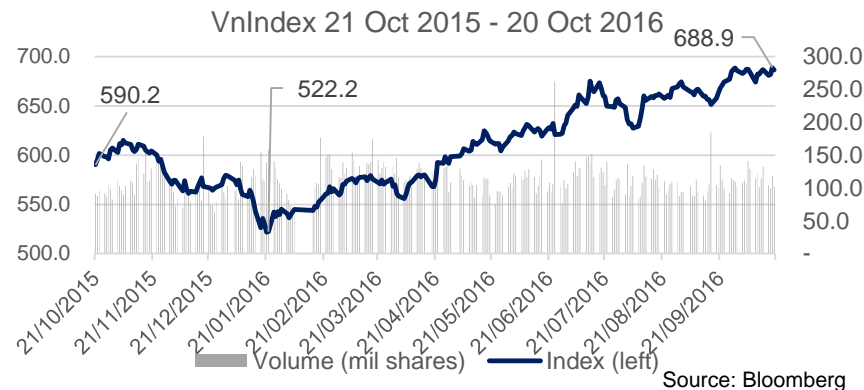
	2016 plan	3Q.2016	2015
GDP growth	6.70%	5.90%	6.70%
Exports growth	10%	8%	8%
Trade deficit as % of exports	<5%	0.40%	0.90%
CPI (3Q.2016: YTD)	<5%	3.14%	0.60%
Total investment (% of GDP)	31%	33.10%	32.60%
Urban unemployment rate	<4%	3.23%	3.29%

Vietnam Securities Market Overview

Vietnam stock market performed strongly over the past year with the VnIndex topped to 690 points, up more than 16% from 21 Oct of 2015 or 32% from its trough in January 2016. VnIndex total return from 21 Oct 2015 to today, 21 Oct 2016 as computed by Bloomberg (with dividend reinvested in the index) reached 19.4%.

Market highlights

- 1 • Foreign ownership cap officially lifted
- 2 • Divestment of SCIC from 10 big enterprises, some to be named: Vinamilk, FPT, Binh Minh plastics, Tien Phong plastics and divestment of Sabeco and Habeco from MOIT, ~ US\$4 billion in the market
- 3 • Derivatives are about to launch
- 4 • Decrease of minimum price fluctuation of stock listed on HOSE aimed at increase market liquidity



		31-12-15	21-10-16	YTD
VnIndex	Market cap (US\$ bn)	51.4	62.60	21.8%
	No. of listed stocks	308	313	1.6%
HNX Index	Market cap (US\$ bn)	6.68	7.1	6.3%
	No. of listed stocks	366	378	3.3%
Upcom	Market cap (US\$ bn)	2.67	3.87	44.9%
	No. of listed stocks	256	319	24.6%
Whole market	Market cap (US\$ bn)	60.75	73.57	21.1%
	No. of listed stocks	930	1010	8.6%
	Marcap as % of 2015 GDP	32.3%	39%	21.1%

Changes in Legal Framework for Securities Market

Enterprises Law

- Decree 78/2015/ND-CP on business registration: shorten time and approval procedure;
- Decree 81/2015/ND-CP on public announcement of fundamental reports applied for state owned companies (similar to a public company)
- Revising the Sample Charter to apply to public companies;

Investment Law

- National Business Registration Information System launched for reference;
- Decree 118/2015/ND-CP regulates on conditions of business operation investment in Vietnam, incentives, procedures to apply for foreign investment in Vietnam
- Launched of Online Registration Network for foreign investment, online official public list of business sectors with technical requirements and limitations on foreign investment

Securities Law

- Circular no 07/2016/TT-BTC on establishment and operation of securities firms & Circular no 15/2016/TT-BTC on establishment and management of open ended fund: opened for 100% foreign owned firms to operate in Vietnam;
- Circular no 11/2016/TT-BTC on guidelines on derivatives and derivatives market & Circular no107/216/TT-BTC to provide guidelines for the offering and trading of covered warrant → to be applied at the beginning of 2017 with covered warrants, futures of bond and index;
- Circular no 105/2016/TT-BTC on outward foreign indirect investment: open opportunities for investors doing investment overseas via professional securities trading companies;

The economic environment of 2017

The government will try their best to “feed” the private sector with low interest rates

Incentives are being offered to leading local companies to turn their attention to the government’s preferred sectors and create a counterweight to foreign enterprises

Policy consistency: Economic development in remoted areas / Encouragement of technology application and innovation / Reduction of corporate income tax / Boost of the stock market to aid businesses in fund-raising

Infrastructure development is an ongoing process where PPP, BOT, BT and any frameworks that encourage private funding are preferred

FDI projects will continue to inject USD into economy, which in turn will help stabilize the local currency

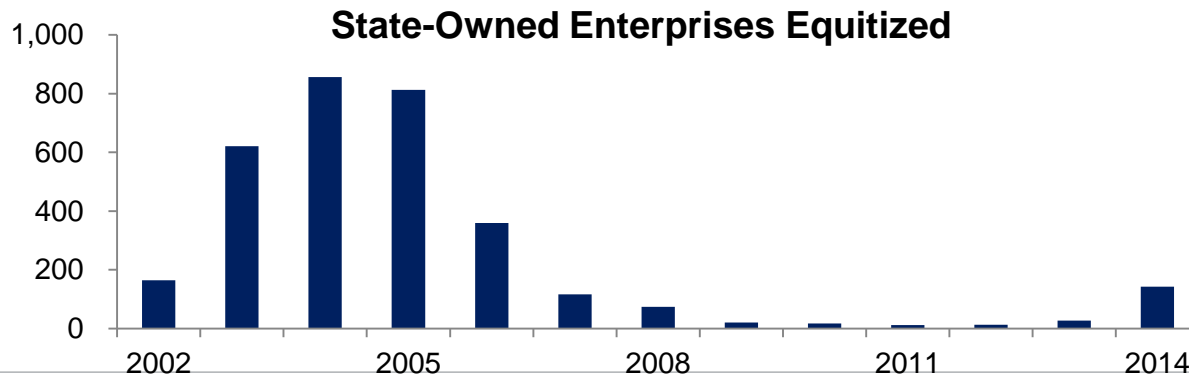
Positive growth in consumer spending is expected to sustain

The peak of the property market is behind but the stage is set for a new era

	2014	2015	2016E	2017F
Economic growth	5.98%	6.68%	6.0%	6.3%
Trade balance (USD bn)	+1.5	-4.1	+4.5	+0.5
Export growth	11.6%	8.1%	5.5%	8.0%
Import growth	15.9%	12.0%	0.0%	5.0%
Inflation	1.9%	0.6%	3.5%	5.0%
Ceiling interest rate	5.5%	5.0%	5.5%	5.5%
Credit growth	12.61%	17.3%	18.0%	16.0%
Budget deficit/GDP	5.0%	5.0%	5.5%	5.0%
Exchange rate	21,246	22,450	22,500	23,000

■ Drivers for the new wave of M&A

- **The economic environment and motivations from the economic agreements in the region:** (i) Vietnam has been positively evaluated by the investors due to a stable political environment, and economic innovations are creating conditions to attract capital from foreign investors ; (ii) M&A prospect in Vietnam will be promoted by a number of international trade agreements such as Trans-pacific Strategic Economic Partnership Agreement (TPP) and Asia Free Trade Agreement (AFTA) and Asian Economic Community (AEC).
- **The change in the regulation:** recent changes in Investment Law, Enterprise Law and Securities Law allows foreign investors to acquire shares in Vietnamese companies or establish 100% owned companies in Vietnam easily with clear procedure;
- **The equitization and divestment plan of the Government:** As promised by the Government, Vietnam is now pushing forward the privatization process with SOE being put on the timeline ready for privatization. It is also noted that divestment process is happening faster than before, with the first priority being 10 big companies under SCIC and 2 under MOIT, with value up to USD4 billions;



Current Activities

- Contributed opinions to legal document drafts from SSC & MOF
- Regularly attended & gave speech at conferences of VCCI, MOIT, MoT, SSC
- Hosted an event on derivatives investment for investors, securities firms
- Organized an oversea trip to Europe for members to visit & study from European securities association experience
- Set up the legal club belongs to VASB
- Planned to set up Research Club & Financial Advisory club for members' staff
- Supported KOFIA to plan the visit to Vietnam in March 2016 for institutional investors to study about Vietnamese market
- At present, VASB is preparing for 2 trips to Korea and Japan for members

Proposal

- Request supports & experience sharing from big ASF associations in term of setting up the Research club, IB club (how to organize, role model, having visiting experts from them to train Vietnamese members)
- Invite other associations to organizing trips to Vietnam to gain understanding of Vietnamese market
- Now that indirect foreign investment has been allowed in Vietnam → request supports from other securities associations to organize oversea trips with VASB to visit, study about Asian market & investment

