

VIETNAM ECONOMY AND STOCK MARKET IN BRIEF

Macro Outlooks:

- GDP growth – A solid momentum in upcoming years, around 6.6-6.8% YoY.
 - There are large-scale private investment focusing on manufacturing sector while consumption is still the key driver.
 - Agriculture sectors strongly recover as export orders get higher.
 - Manufacturers have good years as important industries like textile, oil refineries, car produce, pharmaceutical perform well
- Inflation – Anchored inflation expectation
 - Headline inflation is controlled by the government because the biggest contribution stemmed from government-controlled fees.
 - The Government and State Bank of Vietnam (SBV) targets at an anchored inflation expectation. That implies of a good awareness and policy operations
 - Better-anchored inflation expectations reduce inflation persistence and limit the pass-through of currency depreciations to domestic prices.
 - The upside risk is related to crude oil prices as Brent crude oil price is expected to be at USD 100 per barrel by 2018.
 - Vietnam's inflation 2019 is likely to be in a range of 4-4.5%.
- Currency depreciation – Top three of most stable currency
 - SBV set a flexible FX policy and closely follow the market's movements.
 - SBV sold USD 2-3 billion to intervene the FX rate at the beginning of July.
 - The Dong's stabilization is supported by rich FX currency supply via trade surplus and net inflow; and health FX debt structure with relatively low ratio of short-term FX debt to total FX debt (around 15%).
- Public debt – Rebuilding fiscal space
 - Vietnam's public debt is estimated at 61.4% of GDP, decreasing from 2016's 63.6%.
 - SOEs' privatization and fiscal expenditure control are key points.
 - In 6M2018, public budget is little surplus for the first time in recent years.
 - Fiscal sustainability is a necessary precondition for a credible nominal anchor.
- Interest rate – foreseen interest rate hikes
 - Vietnam is expected to hike policy interest rates by 25-50 bps in 2019.
 - Three out of four biggest banks raise the deposit rates.
 - Credit growth is estimated at 15%, suitable to the nominal GDP growth of 12-13% YoY.
 - A stricter and tighter monetary policy operation is good for a sustainable financial market.
- Financial markets – Essential financial deepening
 - Vietnam is the rare country where bank credit exceeds the sum of listed bonds and equities.
 - State divestment, IPOs and higher FOLs are key drivers in next few years
 - The administration and our peers are optimistic that the private bond market will account 10% of GDP in 2020, higher than the target of 7%.

Stock Market Outlooks:

- VN-Index is a market cap weighted index, created in 2000. Financial and real estate sectors account for the largest part of the index (around 50%)
- VN-Index got the most impressive performance a year ago because of the good fundamental factors. Business is growing and expanding. The fundamental support the rally this time. Everybody don't go crazy buying stocks at any price regardless of their fundamental in 10 year ago.
- According to Bloomberg, earning growth of companies in 2017 was 25%, and expected to be 10% in 2018.
- Market valuation is comparable with others in the region. But Vietnam has a good growth story.
- Moreover, the market is support by the upgrading story from Frontier Market to Emerging market. On September, FTSE added Vietnam onto its watch list for reclassification to Secondary Emerging. Impact on Vietnam stock market include:
 - More capital inflows. There would be approximately USD 300 million of passive inflows into the equity market.
 - Market often performed well prior to the official reclassification.

Upcoming state divestments

Company	Sector	Market Cap (VND Bn)	TTM P/E (x)	TTM P/B (x)	RO E (%)	Current state ownership	Targeted state ownership
Airports Corporation of Vietnam (ACV, Upcom)	Aviation	181,375.00	32.60	6.50	20.30%	95%	65%
Vietnam National Petroleum Group (PLX, HOSE)	Retail	82,508.00	22.00	4.20	16.10%	76%	51%
Vietnam Engine and Agricultural Machinery Corporation (VEA, Upcom)	Construction	38,591.00	9.50	2.60	27.40%	88%	36%
Vietnam Airlines Joint Stock Company (HVN, Upcom)	Aviation	46,201.00	15.00	2.80	17.60%	86%	65%

Source: RongViet Securities

Upcoming SCIS's divestments

Company	Sector	Market Cap (VND Bn)	TTM P/E (x)	TTM P/B (x)	ROE (%)	Current state ownership	Targeted state ownership
Domesco Medical Import Export Joint Stock Company	Pharmaceuticals	2,743.00	13.20	2.90	21.30%	35%	0%
Sa Giang Import Export Corporation	Food and Beverages	608.00	24.30	6.10	22.90%	50%	0%
Vietnam Construction and Import Export Joint Stock Company	Real Estate	7,642.00	6.00	1.00	17.00%	58%	0%
Vinacontrol Certification and Verification Joint Stock Company	Consulting services	413.00	12.40	2.40	17.10%	30%	0%

Source: RongViet Securities

Upcoming state IPOs

Name	Sector	Chartered capital (VND Bn)	Total assets (VND Bn)	2017 revenue (VND Bn)	2017 net profit (VND Bn)
Power Generation Corporation 1	Electricity	17,943	125,997	25,476	436
Power Generation Corporation 2	Electricity	11,164	58,928	21,824	1,712
Vietnam Paper Corporation	Paper	1,231	3,553	2,853	23
Vietnam Cement Industry Corporation	Cement	12,360	44,630	26,529	2,564
Vietnam Mobile Telecom Services One Member Limited Liability Company	Telecommunication	15,000	N/A	44,234	5,589
Housing and Urban Development Corporation	Real estate	2,296	15,003	6,563	379
Saigon Trade Corporation	Food and Beverage	7,307	16,604	10,231	3,023
Saigon Tourist Company	Tourism	6,763	11,695	6,202	1,568
Hanoi Housing Development Investment	Real estate	1,661	6,998	1,035	252
Urban Infrastructure Development Investment	Real estate	2,587	7,399	3,249	306
Saigon Industry Corporation	Industrials	2,460	4,167	4,055	175
Saigon Transportation Mechanical Corporation Limited	Industrials	1,741	6,229	8,202	637
Vietnam National Tobacco Corporation	Tobacco	7,164	17,954	18,858	1,070

Source: RongViet Securities