

## Inflation Accelerated; Index extended loss; and YEG updates

### What's on deck in economics?

**Inflation accelerates to highest level since March 2017.** According to data released by the General Statistics Office (GSO), June 2018 CPI accelerated to 4.67% year on year (YoY), marking the 16-month highest CPI headlines since March 2017. The data supported our view in last report ([The Vietnam StreetWise Wk.052018](#)) when the base effect dropped out and cost-push inflationary pressure came from the rise in global oil prices. The annual food and transportation reached 5.10% (up from negative 3.1% last year) and 9.73% (up from 4.22% last year) respectively; contributing the most to inflation. The inflationary pressures cemented our view that SBV has no room to use the loose monetary policy in next months. **(Chart of the Week)**

**Weekly average O/N rate fell slightly to 0.83% and the central bank continued withdrawals of VND 7,319bn via T-bill issuance.** The weekly average O/N rate fell slightly to 0.83% when the bank system got liquidity surplus. The liquidity surplus raised us more concerns about the slowdown economy next months when the money do not pump into the economy. In addition, the central bank continued net-withdrawal position with value of VND 7,319bn through T-bill issuance, marking the three-week withdrawals of VND 120,099bn. It noted that T-bill was with longer tenor of 28 days and 91 days, instead of 7 days. It implies that the SBV do not wish to inject more money in next 3 months.

**G-bond yield curve reversed upward following the June 2018 higher inflation.** All government-bond yields rose broadly this week, shifting the yield curve upward. In particular, yields on 1Y, 3Y, 5Y and 10Y closed at 2.222 (+3.2bps), 2.997 (+1.1bps), 3.610 (+1.2bps) and 4.743 (+1.4bps). The yield curve shifted upward slightly when investors fear of high inflation (June 2018 inflation of 4.67% YoY) eroding the asset value, in our view.

### Market Watch

**Vietnam stock market extended its losing streak marking third weekly decline after higher June 2018 inflation data releasing.** The Vnindex closed decisively lower, falling around 22.39 points, or 2.28%, to 960.8 with the investors staying concerned over higher inflation period coming back when June 2018 inflation posted 4.67% YoY. Seven of nine primary Vnindex sectors finished in negative territory, led by loss in basic material and energy, a drop in 4.33% and 3.94% respectively. The basic material sector dragged down by a decline in HPG (-6.47%), HT1 (-1.96%) and HSG (-4.59%) when the investors feared global trade war hitting hard to commodity. The foreign investors turned to net buying position with USD 88.91mn when they accumulated around 7.8mn newly-listed YEG stocks.

**Which stocks are in focus?** Yeah 1 Group Corp JSC (**Ticker: YEG.HM**) stock spiked to 27% from the listed reference price. YEG is the leading player in digital media and advertising market. The management shared that YEG owns content library certified by Google partner. Also YEG operates the world 6<sup>th</sup> Youtube MCN. In FY2018 budget, YEG's revenue and profit are USD 100mn (+171% YoY) and USD 10mn (+284% YoY) respectively. YEG is not our favorite stock when the business model heavily relies on the giant partners, like Google and Youtube.

Figure 1: YEG Financial Plan

YEG financial plan (US\$m)	2014	2015	2016	2017	2018E	2019E	2020E
Revenue	12.4	18.8	25	37	100.2	147.9	208.2
EBITDA	2.4	1.8	2.3	6	15.7	23.6	33.1
Net Profit	1.4	0.7	0.7	2.6	10	18.4	26.8

Source: YEG management report

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### Key Indicators

1H2018 GDP growth (%)	7.08
1H2018 IPP (% - QoQ)	12.3
1H2018 Est. Export (USDbn)	113.93
1H2018 Est. Import (USDbn)	111.22
1Q2018 Trade Surplus (USDbn)	2.71
4M2018 Reserve (USDbn)	63
Reg.1H2018 FDI (USDbn)	16.23
Dis. 1H2018 FDI (USDbn)	8.37
CPI (% YoY, as of 30 Jun 2018)	4.67
Policy rate (%)	9
Discount/Refinance rate (%)	4.25 / 6.25
USD/VND Spot (VCB quote)	23,075

Source: GSO, SBV and TVS Research

### Money Market

%	Wk.26	Wk.25
ON average rate	0.83	0.95
OMO net injection (VNDbn)	(-7,319)	(-65,081)
VGB yield - 01 year	2.222	2.190
VGB yield - 03 years	2.997	2.986
VGB yield - 05 years	3.610	3.598
VGB yield - 10 years	4.743	4.729
CDS - 05 years (bps)	159.22	156.80
	<b>Bid</b>	<b>Ask</b>
12m VND deposit rate	4.00	4.70
12m USD deposit rate	-	-

Source: TVS, Thomson Reuters Data

### Equity Market

As of 29 Jun 2018	HSX	HNX
Index	960.8	116.2
% 5days change	(-2.3)	(-5.2)
Market Cap (USDbn)	133	9.47
Number of stocks	365	380
Avg. Daily T/O (USDmn)	183.6	19.9
% Avg. Daily T/O	(-6.1)	(-19)
TTM P/E (x)	17.01	9.4
TTM P/B (x)	3.04	1.13
Div. Yield (%)	2.46	3.79

Source: TVS, Thomson Reuters Data

### G-bond Yield Curve

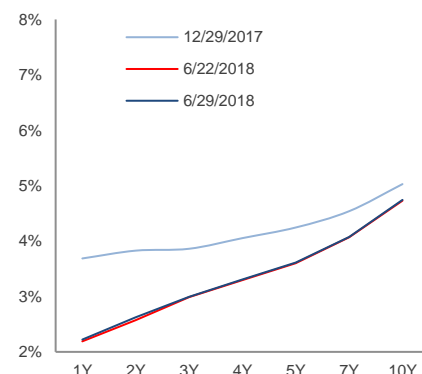
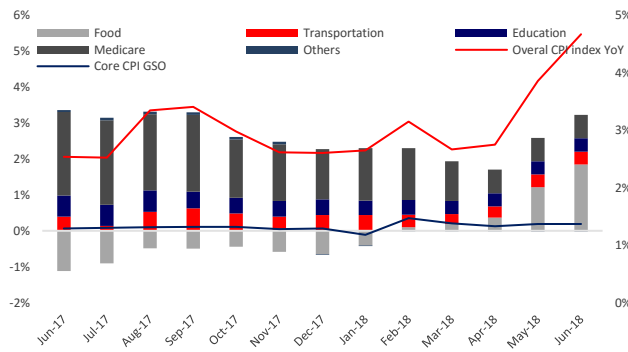


Chart of the Week – Contribution to CPI (YoY)



Source: Thomson Reuters, SBV and TVS Research

Figure 1: Daily Net Inflow- OMO Market

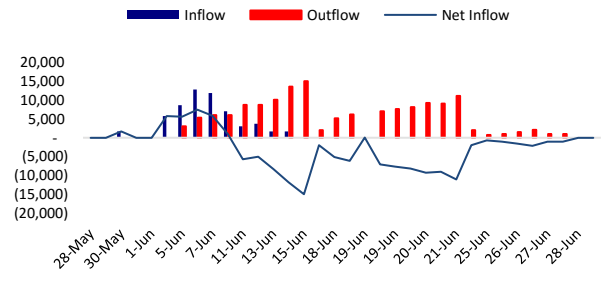
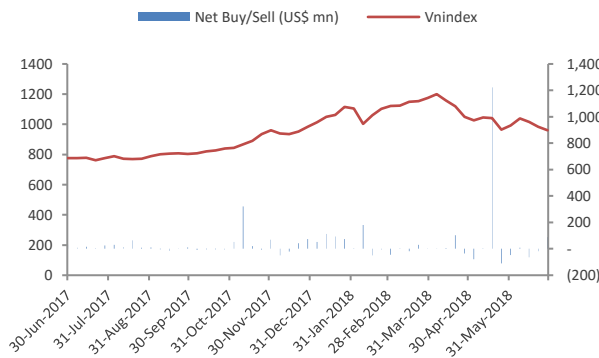
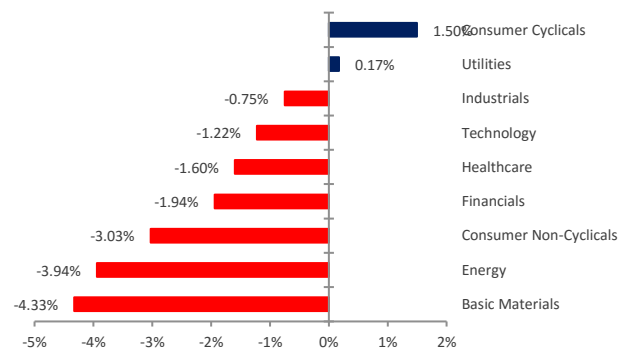


Figure 2: Weekly VNindex and Net Foreign Trading Value



Source: HSX, Thomson Reuters and TVS Research

Figure 3: Weekly Sector Performance – HSX bourse



Appendix : Top 10 market cap on HSX bourse as of 29 Jun 2018

Name	RIC	Market Cap (USD mn)	Price (VND)		Price-to-Earning		EPS (VND)			ROE Comm Eqty, LTM	Dividend Yield
			Close Price	% 5d	LTM	NTM	EPS Curr	EPS Est.	%growth		
Vingroup JSC	VIC.HM	14,946	107,500	5.9%	74.0	35.5	1,454	3,035	108.8%	15.2%	0.00%
Vinhomes JSC	VHM.HM	13,132	112,400	-1.6%	34.9	14.2	3,220	7,940	146.6%	25.0%	#VALUE!
Vietnam Dairy Products JSC	VNM.HM	10,757	170,000	-4.5%	27.3	23.4	6,234	7,312	17.3%	35.8%	2.50%
Joint Stock Commercial Bank for Foreign Trade of Viet Nam	VCB.HM	9,098	58,000	-1.2%	23.5	20.3	2,464	2,894	17.4%	16.7%	1.38%
Petrovietnam Gas Joint Stock Corp	GAS.HM	7,385	88,500	-0.2%	16.9	14.6	5,238	6,077	16.0%	23.6%	4.52%
Saigon Beer Alcohol Beverage Corp	SAB.HM	6,305	225,500	-0.2%	32.7	29.0	6,896	NULL	NULL	32.7%	2.22%
Vietnam Technological And Commercial Joint Stock Bank	TCB.HM	4,660	91,700	-3.5%	9.6	12.2	9,972	7,579	-24.0%	25.5%	#VALUE!
Vietnam Joint Stock Commercial Bank for Industry and Trade	CTG.HM	3,937	24,250	-6.4%	14.7	9.1	2,103	2,671	27.0%	9.9%	2.89%
Joint Stock Commercial Bank for Investment and Development of Vietnam	BID.HM	3,876	26,000	-5.5%	17.5	16.0	1,485	1,625	9.4%	11.5%	2.69%
Masan Group Corp	MSN.HM	3,628	79,000	-2.5%	23.5	19.3	3,362	4,210	25.2%	24.3%	0.00%

Source: Thomson Reuters data and TVS Research

\*null, #value – data not available

**THE PRODUCT**

The research is weekly and monthly published, focusing on Vietnam equity capital market. In the research, we link the macroeconomic findings and money market dynamic to the equity market performance.

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