

Inflation Accelerating at Slower Pace; Index stayed sideways; and OIL updates

What's on deck in economics?

Inflation accelerates at Slower Pace. According to data released by the General Statistics Office (GSO), July 2018 CPI accelerated to 4.46% year on year (YoY), showing slower pace than the June 2018 of 4.67% YoY. The slower pace is inline with our expectation stated in our last report ([TheVietnamStreetWise Wk 22 2018](#)) when the base effect dropped out and the core inflation (excluding the food and energy prices) was at manageable level. The annual food and transportation reached 5.00% (up from negative 2.52% last year) and 10.84% (up from 1.43% last year) respectively; contributing the most to inflation. We maintained our view that the inflationary pressures leave no room for SBV use the loose monetary policy in coming months. **(Chart of the Week).**

Weekly average O/N rate spiked to 4.32% and the central bank maintained net-injection position of VND 19,207bn via reverse repo operation. The weekly average O/N rate spiked to 4.32% after the central bank (SBV) sold USD to support the forex market. Some media reported that the SBV sold around USD 1.77bn, equal to withdraw VND 40,800bn from bank system; leaving the short-term bank's liquidity deficit. To support bank's liquidity, the SBV maintained net-injection position with value of VND 19,207bn through reverse repo operation. The bank's liquidity deficit may be solved in coming weeks after the forex market is back to normal, in our view.

G-bond yield curve has become flat after the inflation continued missing the target of 4%. All government-bond yields closed higher following the July 2018 inflation missing the target of 4%. In particular, yields on 1Y, 3Y, 5Y and 10Y closed at 2.932 (+16.2bps), 3.286 (-0.4bps), 3.821 (+5.8bps) and 4.886 (+3.2bps). The faster pace of short-term yield, surrounding the investor's view of higher inflation in coming months in our view, left the flatter yield curve and narrowed the spread to 13 basis points.

Market Watch

Vietnam stock market ended week mostly flat when the earning season fading away. The Vnindex gained 2.13 points, or 0.23%, to 935.52 when almost investors discounted good 1H2018 earnings. All five of nine primary Vnindex sectors finished in positive territory. The industrials sector was a particular outperformer, gaining 1.73% while energy and consumer non-cyclicals sectors were up 1.50% and 1.19% respectively. Vietjet Air (VJC +4.40% owa) and REE Corp (REE +3.41% owa) were among the biggest boost to industrial sectors when VJC announced the 2Q2018 interim net income of USD 41mn (+44% QoQ) and REE Corp posted 1H2018 net income of USD 42mn (+42% HoH) thanks to good investment in associates like Pha Lai Thermal Power (PPC). The foreign investors continued to be net selling position with USD 22.84mn, focusing on VIC and HPG.

Which stocks are in focus? PetroVietnam Oil Corp (Ticker: **OIL.HNO**) stock fell by 2.1% Week-on-Week, held the Analyst Meeting regarding 7M2018 business performance and 2018 budget. The company reported VND 15,240bn in revenue and VND 370bn profit-before-tax (PBT) in 7M2018. In FY2018, the management guided conservatively that FY2018 revenue and PBT were VND 43,240bn (-28% YoY) and VND 500bn (-7% YoY). The decline in business performance is attributed to the slower point-of-sale (POS) development when the investment cost increased due to hiking land prices. In addition, the management team shared that the "seeking strategic foreigner investors" progress may be delayed when OIL re-starts overall equitization steps.

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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)	23,280

Source: GSO, SBV and TVS Research

Money Market

%	Wk.30	Wk.29
ON average rate	4.32	2.0
OMO net injection (VNDbn)	19,207	32,118
VGB yield - 01 year	2.932	2.770
VGB yield - 03 years	3.286	3.290
VGB yield - 05 years	3.821	3.763
VGB yield - 10 years	4.886	4.854
CDS - 05 years (bps)	140.42	151.05
	Bid	Ask
12m VND deposit rate	4.10	4.75
12m USD deposit rate	-	-

Source: TVS, Thomson Reuters Data

Equity Market

As of 27 Jul 2018	HSX	HNX
Index	935.5	105.7
% 5days change	0.2	(-1.8)
Market Cap (USDbn)	126.8	8.29
Number of stocks	363	377
Avg. Daily T/O (USDmn)	182	23.1
% Avg. Daily T/O	(-1.9)	(-1.0)
TTM P/E (x)	15.9	8.64
TTM P/B (x)	2.95	1.1
Div. Yield (%)	2.50	3.83

Source: TVS, Thomson Reuters Data

G-bond Yield Curve

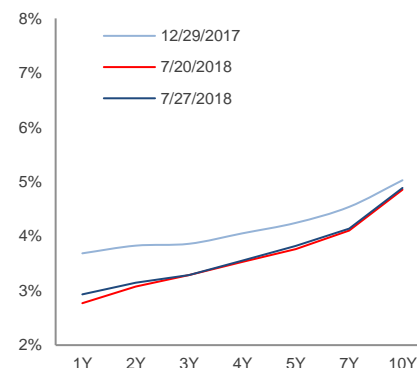
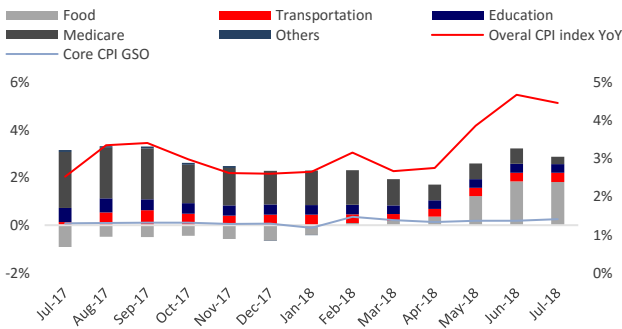


Chart of the Week – Contribution to CPI (%YoY)



Source: Thomson Reuters, SBV and TVS Research

Figure 1: Daily Net Inflow- OMO Market

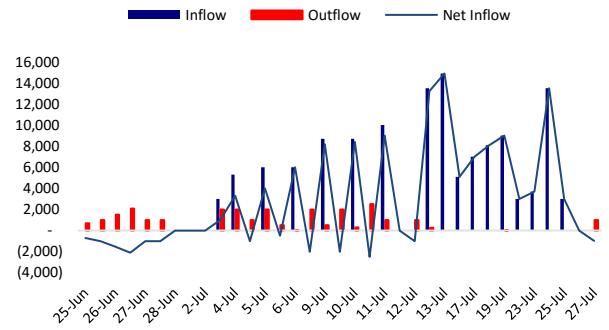
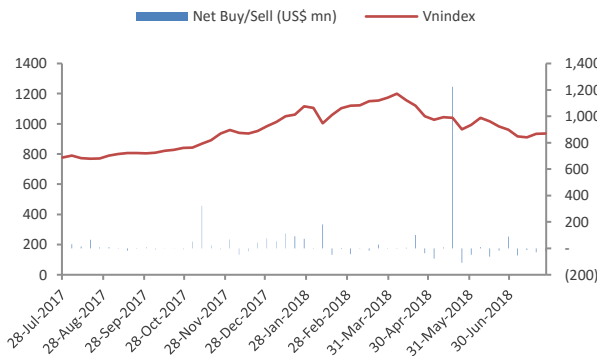
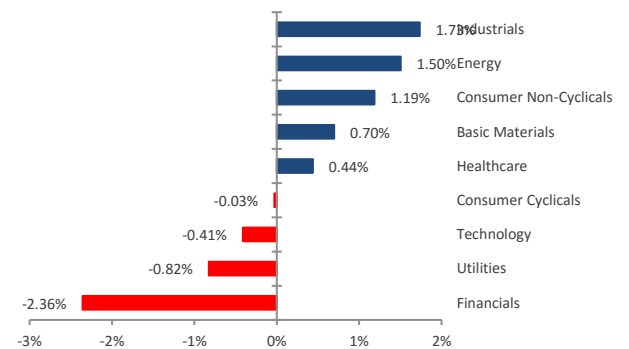


Figure 2: Weekly VNindex and Net Foreign Trading Value



Source: HSX, Thomson Reuters and TVS Research

Figure 3: Weekly Sector Performance – HSX bourse



Appendix : Top 10 market cap on HSX bourse as of 27 Jul 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	14,653	106,400	2.7%	73.2	38.5	1,454	2,781	91.3%	15.2%	0.00%
Vinhomes JSC	VHM.HM	12,245	105,900	-0.9%	32.9	12.7	3,220	8,467	163.0%	25.0%	#VALUE!
Vietnam Dairy Products JSC	VNM.HM	10,570	168,800	-0.4%	27.1	23.2	6,234	7,330	17.6%	35.8%	2.52%
Joint Stock Commercial Bank for Foreign Trade of Viet Nam	VCB.HM	8,771	56,500	-0.5%	20.8	19.3	2,717	2,935	8.0%	17.7%	1.42%
Petrovietnam Gas Joint Stock Corp	GAS.HM	7,003	84,800	2.5%	14.4	13.8	5,897	6,133	4.0%	27.4%	4.72%
Saigon Beer Alcohol Beverage Corp	SAB.HM	5,728	207,000	3.5%	30.0	.	6,896	NULL	NULL	32.7%	1.69%
Vietnam Technological And Commercial Joint Stock Bank	TCB.HM	3,915	25,950	-7.0%	8.1	9.3	3,324	2,790	-16.1%	25.5%	#VALUE!
Vietnam Joint Stock Commercial Bank for Industry and Trade	CTG.HM	3,760	23,400	-5.3%	14.2	9.6	2,103	2,455	16.8%	9.9%	2.99%
Masan Group Corp	MSN.HM	3,695	81,300	2.8%	15.4	18.9	5,285	4,322	-18.2%	32.2%	0.00%
Joint Stock Commercial Bank for Investment and Development of Vietnam	BID.HM	3,658	24,800	-2.4%	16.7	15.2	1,485	1,618	8.9%	11.5%	2.82%

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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