

Modest Growth in Industrial Production; and Index extended gain

What's on deck in economics?

Industrial Production Growth at Slower Pace. According to data released by the General Statistics Office (GSO), headline industrial production reached 10.9% year on year in 7M2018, outpacing the 7.1% figure seen in the year-earlier period. The manufacturing sector, posting the 13.1% growth YoY, contributed the most the growth of industrial production. We, however, noted that Vietnam's manufacturing sector grew by a more modest 10.1% in the 2Q2018, lower than the 15.7% recorded in 1Q2018. The decrease was partly attributed to Samsung Electronics (South Korea), which concentrated the production of its flagship products in the first quarter of this year, instead of in the second quarter, as it did in the previous year. In addition, the headline Nikkei Vietnam Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – posted 54.9 in July, down marginally from 55.7 in June. We believe the pace of expansion slightly eased in the second quarter of 2018. **(Chart of the Week).**

Weekly average O/N rate fell to 2.08%, after spike of 4.32% last week, while the central bank (SBV) reversed to net-withdrawal position of VND 59,950bn via T-bill sell-outright operation. The weekly average O/N rate fell sharply to 2.08% after spiker of 4.32% last week, resulting from SBV selling around USD 1.77bn, equal to withdraw VND 40,800bn from bank system; leaving the short-term bank's liquidity deficit. Meanwhile, the SBV reversed to net-withdrawals of VND 59,950bn through T-bill sell-outright operation. It does imply the last week's deficit in banking system is solved.

G-bond yield curve shifted upward and became flat. All government-bond yields closed higher. In particular, yields on 1Y, 3Y, 5Y and 10Y closed at 4.328 (+140bps), 4.550 (+126bps), 4.662 (+84bps) and 5.037 (+15.1bps), driving the G-bond yield curve upward when the investors were wary of VND/USD foreign exchange as well as inflation. The faster pace of short-term yield, surrounding the investor's view of higher inflation, left the flatter yield curve. The flattening yield curve, in theory, is typically indication investors and traders are worried about the macro-economic outlook.

Market Watch

Vietnam stock market gained for 3rd week in a row as energy rallied. The Vnindex added 24.1 points, or 2.57%, to 959.6 when the investors cheered "Sao Vang – Dai Nguyet" gas field development announced by Viet Nam National Oil and Gas Group (PetroVietnam). The energy sector rose 9.54%, the best performer out of the 9 sectors. Petrovietnam Gas JSC (GAS +9.88% owa), Vietnam National Petroleum Group (PLX +10.17%) and Petrovietnam Drilling & Well Services (PVD +15.58% owa) were among the biggest boost to energy sectors. The foreign investors continued to be net selling position with USD 39.91mn, focusing on VIC, VNM and HPG.

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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.31	Wk.30
ON average rate	2.08	4.32
OMO net injection (VNDbn)	(-59,950)	19,207
VGB yield - 01 year	4.328	2.932
VGB yield - 03 years	4.550	3.286
VGB yield - 05 years	4.662	3.821
VGB yield - 10 years	5.037	4.886
CDS - 05 years (bps)	141.39	140.42
	Bid	Ask
12m VND deposit rate	4.50	4.90
12m USD deposit rate	-	-

Source: TVS, Thomson Reuters Data

Equity Market

As of 03 Aug 2018	HSX	HNX
Index	959.6	106.2
% 5days change	2.57	0.51
Market Cap (USDbn)	131.6	8.37
Number of stocks	364	377
Avg. Daily T/O (USDmn)	189	21.8
% Avg. Daily T/O	3.64	(-5.7)
TTM P/E (x)	16.1	8.7
TTM P/B (x)	3.04	1.1
Div. Yield (%)	2.46	3.80

Source: TVS, Thomson Reuters Data

G-bond Yield Curve

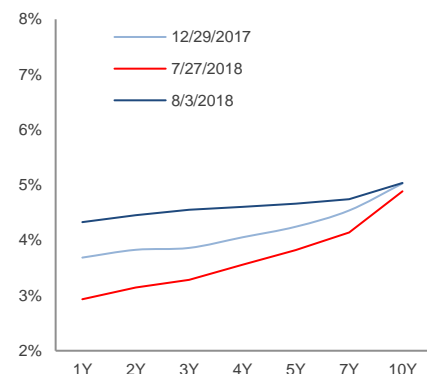


Chart of the Week – IIP and PMI

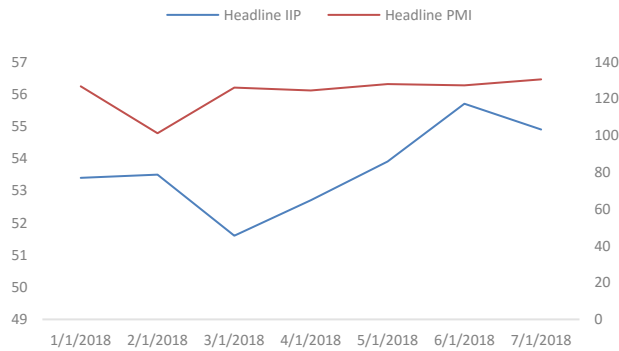
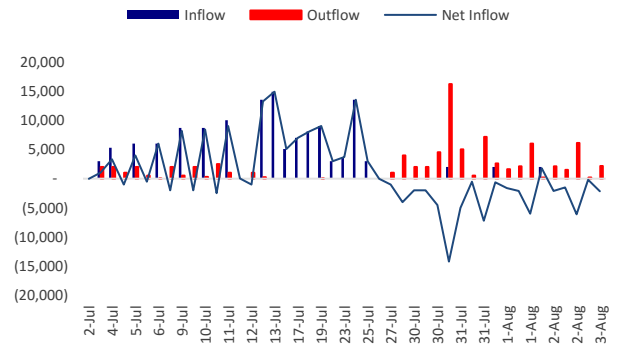


Figure 1: Daily Net Inflow- OMO Market



Source: Thomson Reuters, GSO, SBV and TVS Research

Figure 2: Weekly VNindex and Net Foreign Trading Value

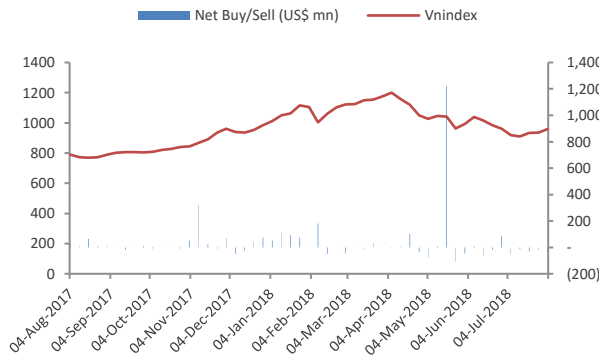
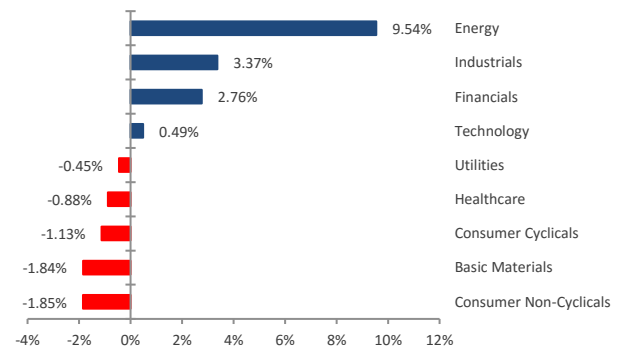


Figure 3: Weekly Sector Performance – HSX bourse



Source: HSX, Thomson Reuters and TVS Research

Appendix : Top 10 market cap on HSX bourse as of 03 Aug 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	15,286	111,500	4.8%	89.4	40.0	1,255	2,849	127.1%	10.8%	0.00%
Vinhomes JSC	VHM.HM	12,546	109,000	2.9%	33.9	12.8	3,220	8,700	170.2%	#VALUE!	#VALUE!
Vietnam Dairy Products JSC	VNM.HM	10,074	161,600	-4.3%	26.6	22.0	6,078	7,395	21.7%	34.9%	2.63%
Joint Stock Commercial Bank for Foreign Trade of Viet Nam	VCB.HM	9,041	58,500	3.5%	21.5	19.9	2,717	2,976	9.5%	17.7%	1.37%
Petrovietnam Gas Joint Stock Corp	GAS.HM	7,695	93,600	10.4%	15.9	15.3	5,897	6,188	4.9%	27.4%	4.27%
Saigon Beer Alcohol Beverage Corp	SAB.HM	5,507	199,900	-3.4%	29.1	.	6,865	NULL	NULL	30.2%	1.75%
Vietnam Technological And Commercial Joint Stock Bank	TCB.HM	4,258	28,350	9.2%	8.1	10.5	3,503	2,693	-23.1%	24.3%	#VALUE!
Joint Stock Commercial Bank for Investment and Development of Vietnam	BID.HM	3,899	26,550	7.1%	13.0	16.4	2,038	1,611	-21.0%	15.1%	2.64%
Masan Group Corp	MSN.HM	3,846	85,000	4.6%	16.1	19.1	5,285	4,540	-14.1%	32.2%	0.00%
Vietnam Joint Stock Commercial Bank for Industry and Trade	CTG.HM	3,655	22,850	-2.4%	14.0	9.3	2,085	2,498	19.8%	9.5%	3.06%

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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