

Lifting Foreign-Owner Cap and Index extended loss

What's on deck in economics?

Considering to lift foreign-owner cap. The State Securities Commission (SSC) circulated a draft of a revised securities law on October 10th and the government plans to submit the legislative proposal to the National Assembly (parliament). It is a significant development—removing the foreign-shareholding cap will qualify leading companies to be included in the Morgan Stanley Capital International Emerging Markets Index, which could draw more foreign capital to Vietnam. Under the proposal, foreign investors will be able to take a majority stake in public companies—bar those that are deemed as important to national security. Nonetheless, it will be up to each individual company to decide whether it will remove the foreign-shareholding cap entirely. Shareholder approval at annual general meetings will be required for such changes to take effect—with companies in the healthcare, food and beverages, and retail sectors most likely to take the leap and remove foreign-ownership limits. Those that do take the step could benefit from a wave of new investment. Foreign-investor interest in Vietnamese companies is high, helped by the country's favourable demographics and fast-growing economy. Waiving shareholding caps could also provide more momentum to the long, drawn-out process of privatising state-owned companies by encouraging the government to sell off larger stakes, which has proceeded at a slower pace in part owing to the administration's unwillingness to part with sizeable stakes.

Weekly average O/N rate spiked up to 3.98% and the central bank (SBV) increased net-injection at large scale of VND 46,414bn to support banking system liquidity. The weekly average O/N rate spiked to 3.98% dramatically, up from 3.16% last week. We believe hiking O/N rates came from the small bankers facing the higher credit demand at the ending months of the year. To support the liquidity, the central bank poured VND 46,414bn into banking system. It is noteworthy that the central alerted not to lift 2018 credit growth cap of 17% against the backdrop of inflation pressure.

G-bond yield curve shifted upward. The government-bond yields were broadly up. In particular, yields on 1Y, 3Y, 5Y and 10Y closed at 4.295 (+16bps), 4.574 (+21.5bps), 4.719 (+21.1bps) and 5.158 (+6.4%), leaving the G-bond yield curve upward. It is noted the spread (between 1Y and 10Y) was tight at 0.863%, down from 1.232% last week. The tightening spread surrounded the investor's expectation of higher inflation short-run, in our view.

Market Watch

Vietnam stock market extended four-week losing streak to close 52-week low. The Vietnam stock market ended sharply lower this week when the global markets continued tumble. It's fourth straight losing week. The Vnindex lost 57.54 points, or 6%, to close 52-week low. All primary Vnindex sectors finished in negative territory, led by loss in energy and financial sectors, a drop in 8.53% and 7.79% respectively. The energy sector dragged down by a decline in GAS (-9.1% WoW) PLX (-6.93% WoW) and PVD (-19.27% WoW). The foreign investors continued to be net selling position with USD 17.72mn.

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Key Indicators

9M2018 GDP growth (%)	6.98
9M2018 IPP (% - YoY)	10.6
9M2018 Est. Export (USDbn)	178.9
9M2018 Est. Import (USDbn)	173.5
9M2018 Trade Surplus (USDbn)	5.39
9M2018 Reserve (USDbn)	6
Reg.9M2018 FDI (USDbn)	19.7
Dis. 9M2018 FDI (USDbn)	13.3
CPI (% YoY, as of 30 Sept 2018)	3.98
Policy rate (%)	9
Discount/Refinance rate (%)	4.25 / 6.25
USD/VND Spot (VCB quote)	23,351

Source: GSO, SBV and TVS Research

Money Market

%	Wk.43	Wk.42
ON average rate	3.98	3.16
OMO net injection (VNDbn)	46,414	250
VGB yield - 01 year	4.295	4.135
VGB yield - 03 years	4.574	4.359
VGB yield - 05 years	4.719	4.508
VGB yield - 10 years	5.158	5.094
CDS - 05 years (bps)	161.5	158.2
	Bid	Ask
12m VND deposit rate	4.30	4.80
12m USD deposit rate	-	-

Source: TVS, Thomson Reuters Data

Equity Market

As of 26 Oct 2018	HSX	HNX
Index	900.8	101.8
% 5days change	(-6.0)	(-5.9)
Market Cap (USDbn)	123.6	7.98
Number of stocks	373	373
Avg. Daily T/O (USDmn)	169	19.5
% Avg. Daily T/O	7.6	12.2
TTM P/E (x)	15.0	8.3
TTM P/B (x)	2.85	1.1
Div. Yield (%)	2.48	4.4

Source: TVS, Thomson Reuters Data

G-bond Yield Curve

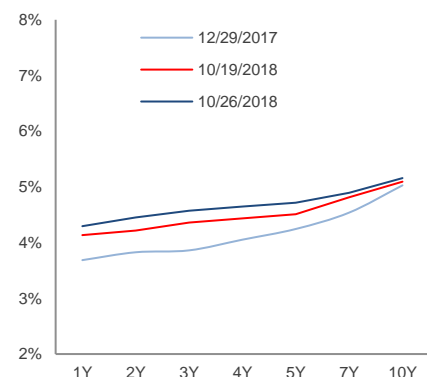
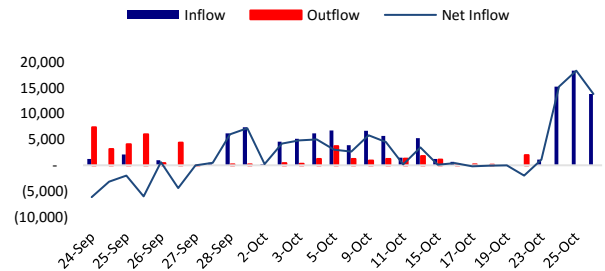


Chart of the Week – No Chart Here

Figure 1: Daily Net Inflow- OMO Market



Source: Thomson Reuters, GSO, SBV and TVS Research

Figure 2: Weekly VNindex and Net Foreign Trading Value

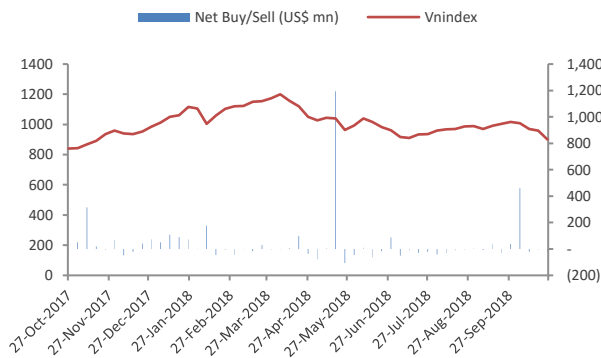
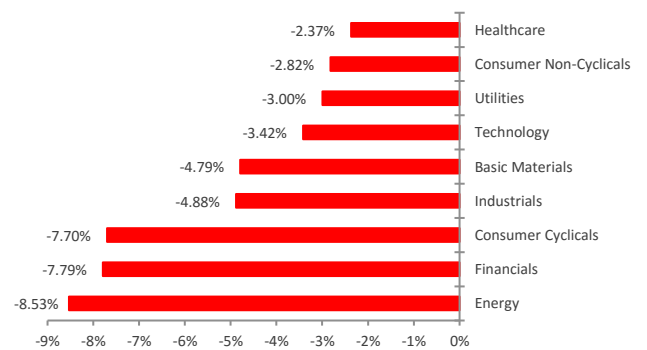


Figure 3: Weekly Sector Performance – HSX bourse



Source: HSX, Thomson Reuters and TVS Research

Appendix : Top 10 market cap on HSX bourse as of 26 Oct 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	13,177	96,400	-2.7%	75.5	35.7	1,277	2,726	113.5%	11.2%	0.00%
Vinhomes JSC	VHM.HM	9,324	65,000	-13.1%	41.8	10.1	1,556	6,487	317.0%	#VALUE!	#VALUE!
Vietnam Dairy Products JSC	VNM.HM	9,061	121,500	-4.2%	24.0	20.2	5,065	6,046	19.4%	34.9%	2.91%
Petrovietnam Gas Joint Stock Corp	GAS.HM	8,344	101,800	-9.1%	15.6	16.3	6,543	6,258	-4.4%	30.5%	3.93%
Joint Stock Commercial Bank for Foreign Trade of Viet Nam	VCB.HM	8,243	53,500	-7.3%	18.2	15.0	2,937	3,574	21.7%	18.3%	1.50%
Saigon Beer Alcohol Beverage Corp	SAB.HM	6,075	221,200	0.5%	32.6	29.8	6,776	7,659	13.0%	29.4%	1.47%
Joint Stock Commercial Bank for Investment and Development of Vietnam	BID.HM	4,480	30,600	-11.6%	15.2	16.2	2,017	1,908	-5.4%	14.9%	#VALUE!
Vietnam Technological And Commercial Joint Stock Bank	TCB.HM	3,871	25,850	-10.9%	10.4	9.7	2,605	2,664	2.3%	25.4%	#VALUE!
Vietnam Joint Stock Commercial Bank for Industry and Trade	CTG.HM	3,588	22,500	-8.9%	13.8	8.8	2,085	2,579	23.7%	9.5%	#VALUE!
Hoa Phat Group JSC	HPG.HM	3,538	38,900	-4.54%	7.75	7.13	5,022	5,545	10.43%	30.1%	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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