

# INTERNATIONAL FINANCE

## STOCK MARKET OF VIETNAM

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# AGENDA

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- 1** History & market components
- 2** Market indicators
- 3** Overview
- 4** 2008 Review
- 5** 2009 & 2010 Outlook

# HISTORY

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- Ho Chi Minh City Securities Trading Center (HOSTC) was established on July 20, 2000. Its first trading session was on July 28, 2000. In August 2007, HOSTC was converted into Ho Chi Minh Stock Exchange (HOSE).
- Expand by debut of Hanoi Securities Trading Center (HASTC) on March 08, 2005
- Vietnam Stock market now consist of:
  - HOSE: 185 listed companies
  - HASTC: 184 listed companies
  - OTC market: 111 unlisted stocks
- Major participants:
  - State Securities Commission (SSC)
  - Vietnam Securities Depository
  - Securities Companies in HOSE, HASTC, OTC
  - Securities Issuers
  - Securities Investors

# MAIN SECTORS

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- Banks: ACB, STB
- Building Materials and Fixtures (Plastic construction pipes): NTP, BMP
- Building Materials and Fixtures (Cement ): HT1, BCC, BTS...
- Coal: NBC, TC6, TCS...
- Food Products (Dairy): VNM, HNM...
- Electricity: VSH, TBC, PPC, SJD...
- Farming & Fishing (Fishery): AGF, VHC, AGF
- Commodity Chemicals (Natural Rubber): DPR, HRC, TRC...
- Oil Equipment & Services: PVT, PVS...
- Steel : HPG, VIS, SMC
- Marine Transportation & Transportation services: VNA, VSP, GMD, PVT...
- Real Estate : TDH, SJS, VIC, NTL...

# MAIN CHARACTERISTICS

- Market capitalization: US\$13 billion , represents approximately 15.8 percent of Vietnam GDP in 2008.
- Still inefficient, there widely exist undervalued or overvalued stocks. A strategy of finding undervalued stocks without restrictions of industry or investment style is mostly available
- Securities companies mushroomed from 15 in 2005 to 102 by the end of 2008. The securities law has increased the minimum chartered capital of a securities company to VND 300 billion (US\$ 18.5 million).
- Bubble Period: By early March 2007, the floors of stock trading companies like this one in Hanoi were jammed with day traders. Vietnam's stock index had nearly quadrupled in value since the beginning of 2006, and Vietnamese were racing to buy shares.

# PERFORMANCE INDICES

<i>Indices</i>	2000	2001	2002	2003	2004	2005	2006	2007	2008	4/2009
<b>The VN-Index</b>	110	571	120	166.9	239.3	307.5	752.0	972.0	315.6	321.63
<b>Market Capitalization (VND B.)</b>	1,031	1,605	2,541	2,295	3,884	7,505	144,753	364,414	169,424	178.936
<b>Market capitalization/ GDP (%)</b>	0.13	0.23	0.33	0.37	0.54	0.97	17.24	34.13	12.72	NA
<b>Stock Exchange</b>	0	0	0	0	0	0	0	1	1	1
<b>Trading center</b>	1	1	1	1	1	2	2	1	1	1
<b>Securities company</b>	5	5	5	13	13	14	55	78	102	102
<b>Fund companies</b>	0	0	0	0	0	0	6	25	42	42
<b>Investor Account</b>	5,000	8,000	10,000	16,000	21,200	31,000	95,000	310,000	460,000	NA
<b>Number of Listed Companies</b>	5	10	20	22	26	41	192	250	341	369

# MAIN INDICATORS



# MAIN INDICATORS

## Largest Market Capitalization

Stock	Market Capitalization
SSI	35,095.12 Billion
VNM	16,738.83 Billion
DPM	16,310.76 Billion
STB	12,380.31 Billion
PPC	11,352.98 Billion
PVF	11,200.00 Billion
HAG	10,609.06 Billion
HPG	9,602.20 Billion
FPT	9,039.42 Billion
PVD	7,957.96 Billion

## Lowest P/E

Stock	P/E Ratio
VNA	2.57
SGC	2.81
TRI	3.12
NHC	3.16
ACL	3.34
CYC	3.47
DIC	3.82
IFS	3.92
TSC	3.92
TTC	3.94

## Lowest 4 quarter P/E

Stock	Trailing P/E
VNA	1.46
SZL	2.29
SGC	2.78
NHC	3.16
TRI	3.28
ACL	3.34
TTC	3.42
CYC	3.47
VFC	3.60
IFS	3.74

## Most actively traded stock of the month (trading volume)

Stock	Monthly average volume
STB	32,427,280
SAM	10,346,280
HPG	8,282,750
SSI	7,440,100
DPM	6,147,450
REE	6,002,920
VFMVF1	5,818,800
FPT	5,453,000
ITA	5,123,850
PPC	4,842,180

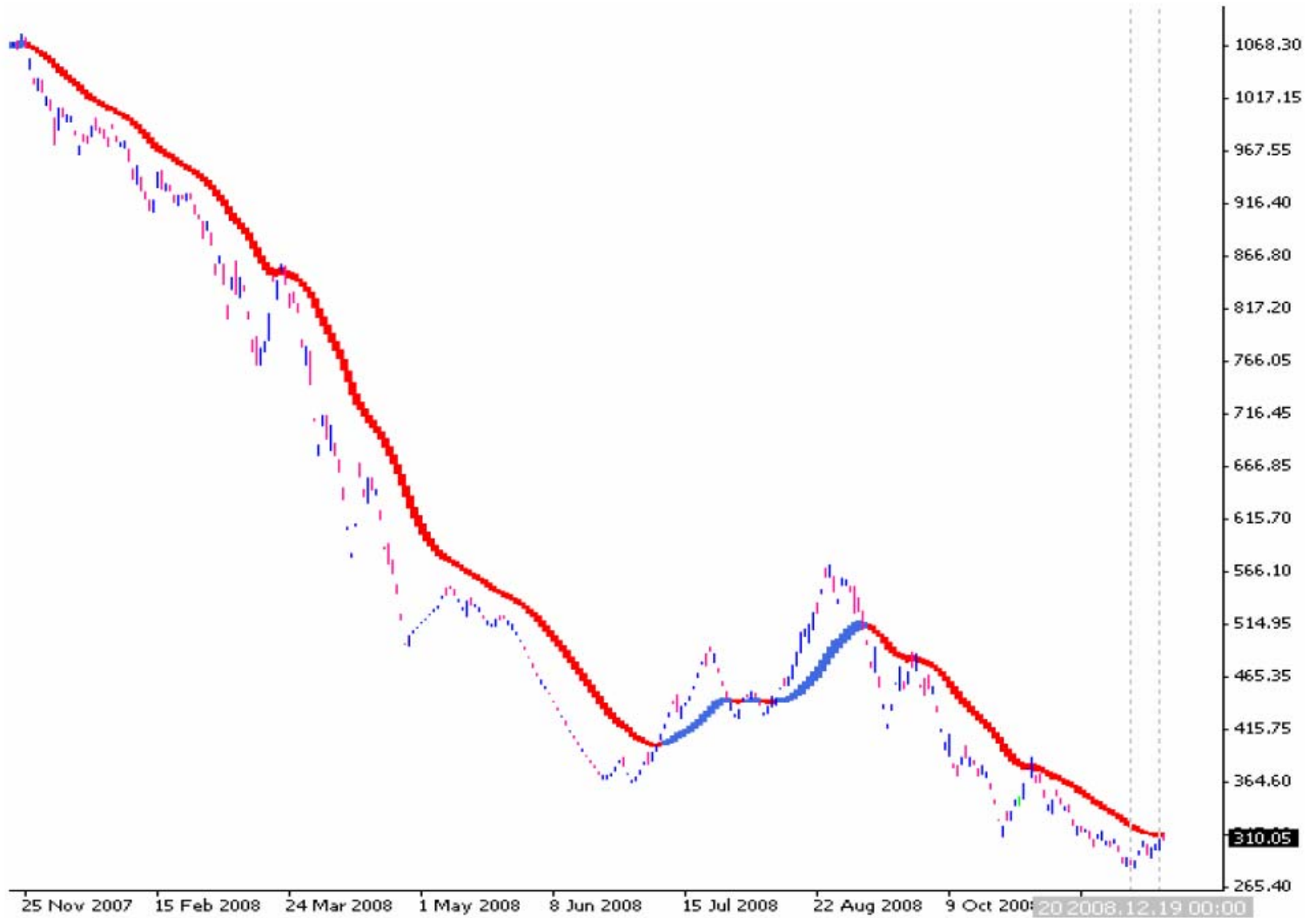
## Most actively traded stock of the year (trading volume)

Stock	Yearly average volume
STB	232,032,980
SAM	72,789,740
SSI	60,467,100
REE	53,908,850
DPM	53,543,780
HPG	50,895,700
VFMVF1	50,054,660
FPT	44,485,590
VFMVF4	40,385,500
PVT	38,453,780

## Most actively traded stock of the month (trading value)

Stock	Monthly average Value
SSI	1,831.75 Billion
STB	772.57 Billion
HPG	389.95 Billion
FPT	342.25 Billion
SAM	257.57 Billion
DPM	257.31 Billion
REE	222.60 Billion
ITA	199.99 Billion
PPC	155.96 Billion
HAG	136.33 Billion

# 2008 REVIEW



## First haft of 2008: Consequences of bubble period

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- In 2006 – 2007, the rapid economic development, which was proved by impressive figures of the economy. The average P/E stand at 33 in peak period, much higher than other developing stock market.
- First haft of 2008 is really a gloomy period of Vietnam stock market and unavoidable consequences of balloon period 2006 – 2007. It is acknowledged that only main reasons of bubble economy are the main reasons for stock market slope down in 2008.
- A number of State-owned enterprises delayed their equitization plans although they had released their schedules at the start of the year

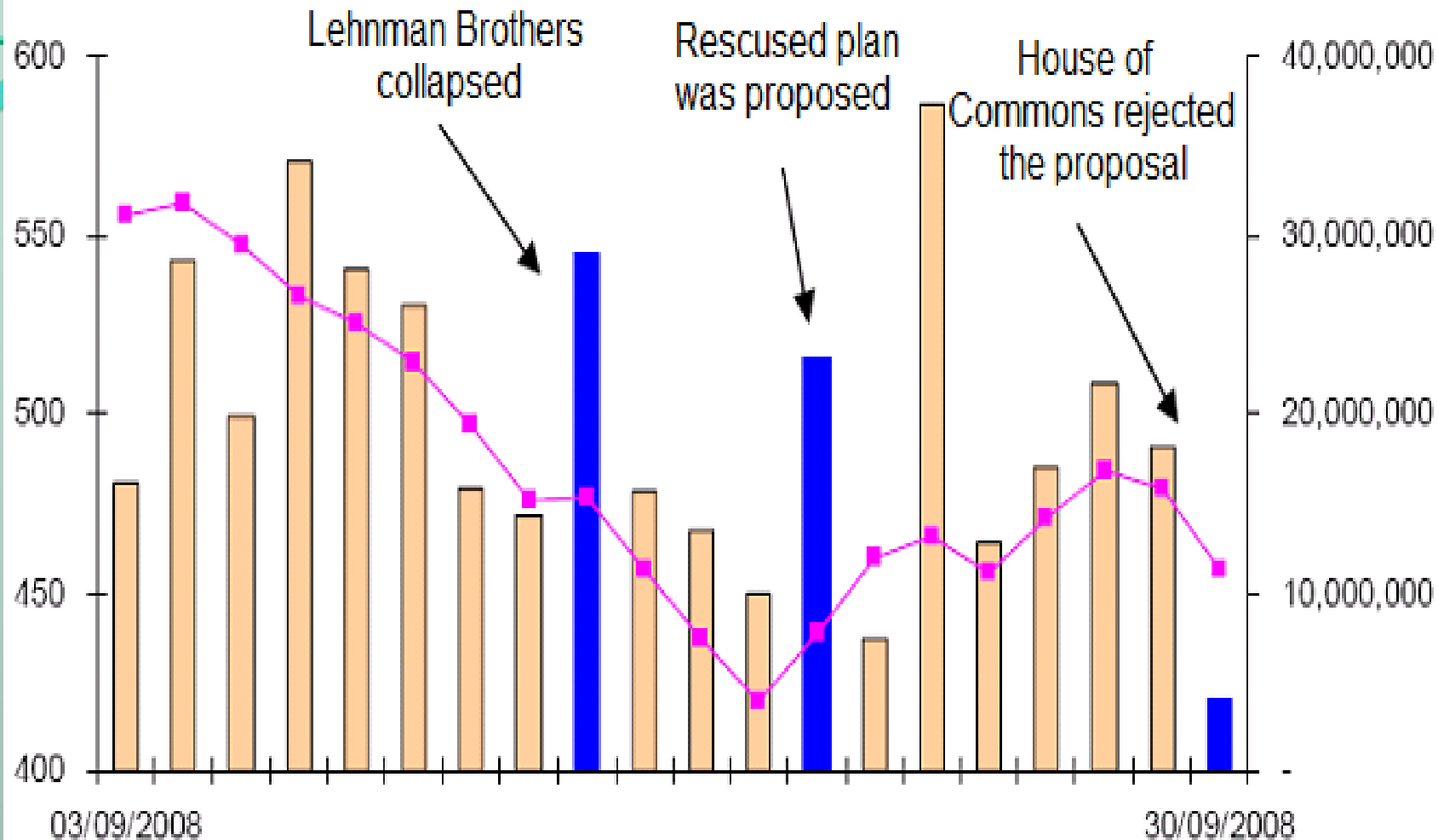
## **Period of July – August 2008**

- From July, inflation and excess of imports over exports, the hottest problem have been calmed down.
- The Government has shifted priority objectives from economic growth to inflation control, in which the most important method has been monetary tightening policy

# Period of September to end of 2008

VNIndex

Volume



## Period of September to end of 2008

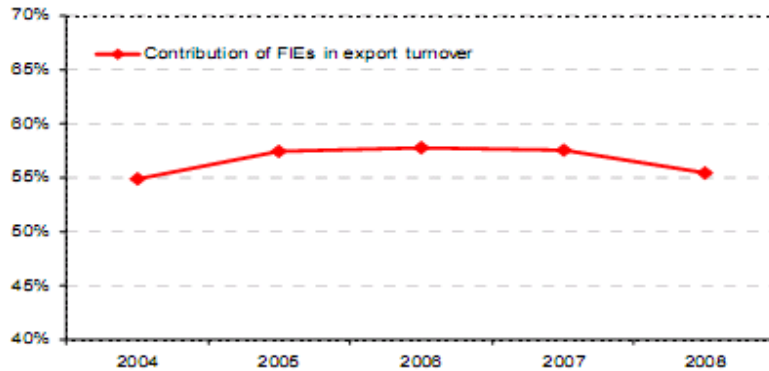
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- The year end is the time for foreign investors sells their stock, causing pressure on the domestic demand as well as on domestic investors' psychology.
- VN – Index at 336 point which was considered as market bottom by most of investors was broken and new market bottom was established at 284 point.

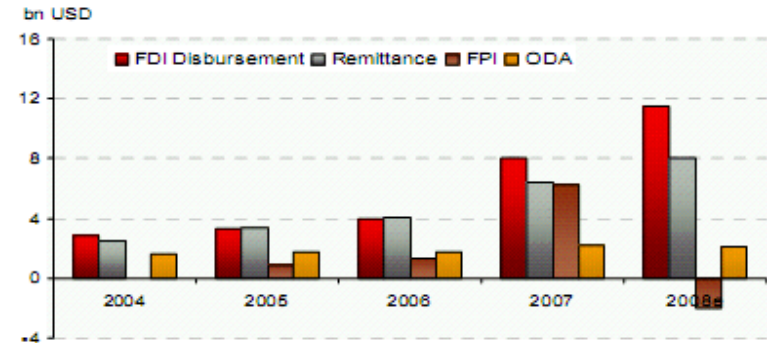
- Macroeconomics Difficulties:
  - Slower growth: GDP growth is estimated about 5-5.5%
  - Less chance for external funding (FDI, ODA, remittance): because of global recession
    - Multinational corporations started downsizing their production worldwide, including Vietnam =>not only reduces jobs, but also lowers export for 2009
    - ODA disbursement follows Japan's action => ODA disbursement is forecasted to be lower in 2009
    - Not bright picture for FPI and remittance => likely decline by at least 20% in 2009
  - The share of Government still play a dominant role => develop more interest s in Government Bonds
  - Central Bank's rate is still high => limit access to capital for enterprises, especially private ones
  - Uncertainty trade deficit

# 2009-2010 OUTLOOK

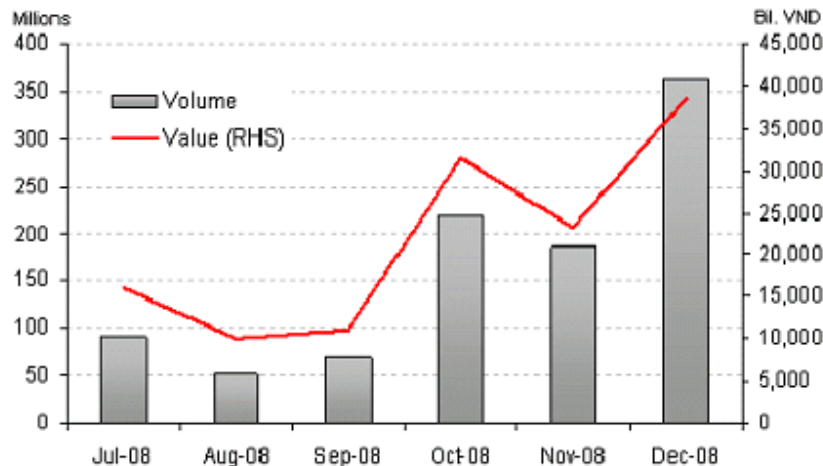
**Chart : Percentage of exports from FIEs in total export turnover**



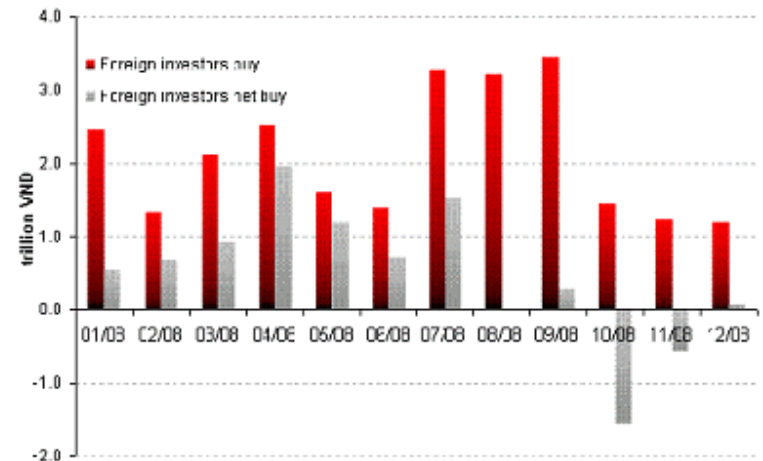
**Chart : FDI, ODA disbursement, FPI & remittance over the years**



**Chart : Domestic bonds buying**



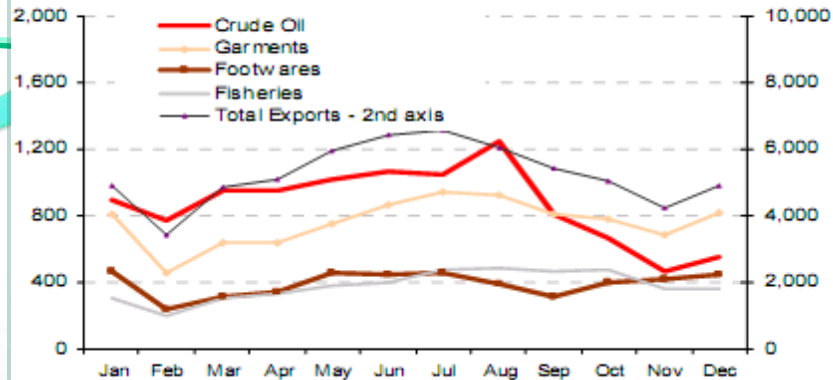
**Chart : Foreign investors buy/sell of bonds & equity in 2008**



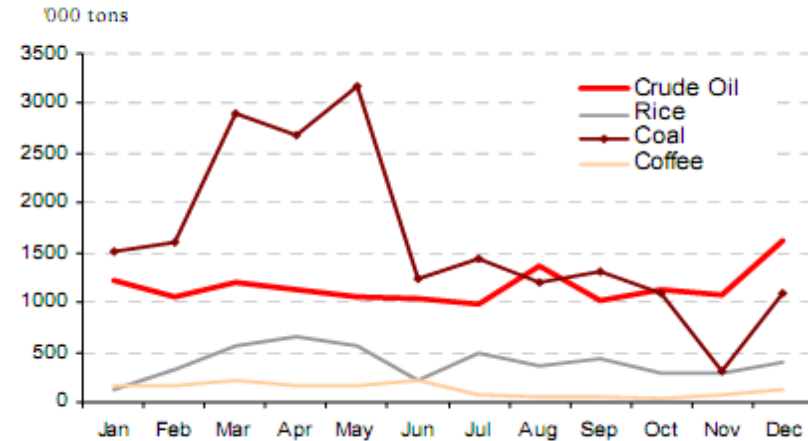
Source: GSO, HOSE, HASTC, SSI Research

# 2009-2010 OUTLOOK

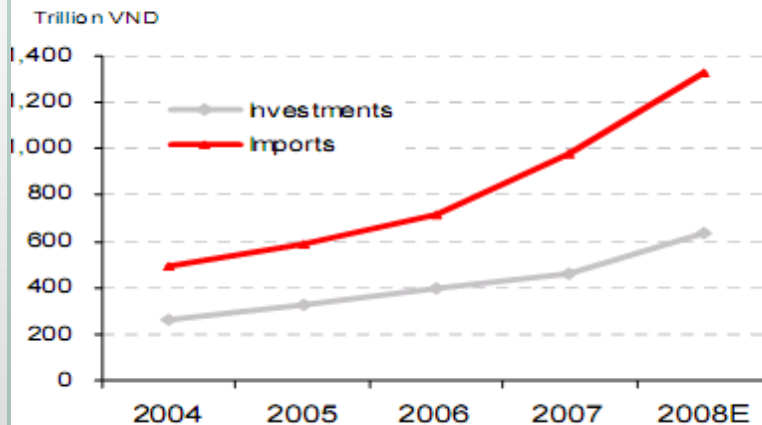
**Chart : Monthly Export Value of top exports (mil. USD)**



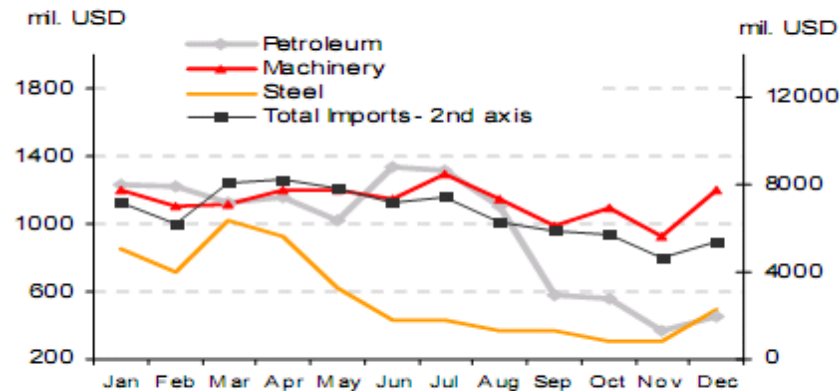
**Chart : Monthly Export Volume of selected major exports**



**Chart : Vietnam's Investments & Imports**



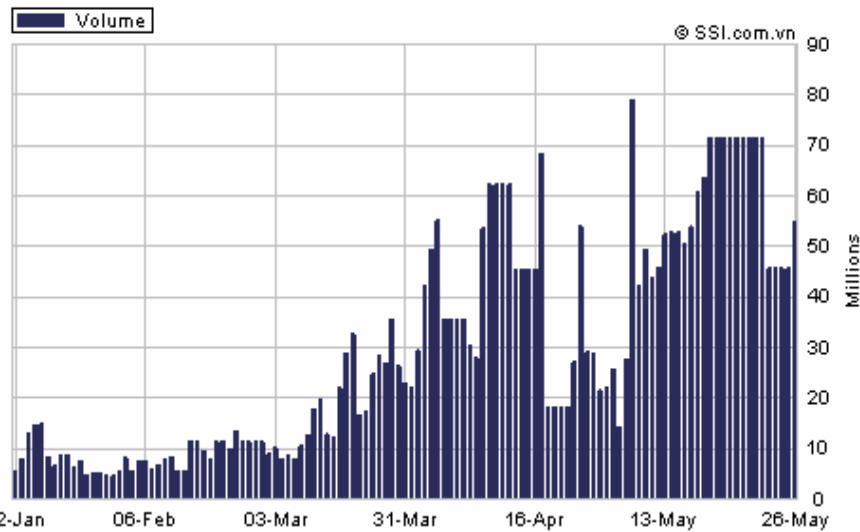
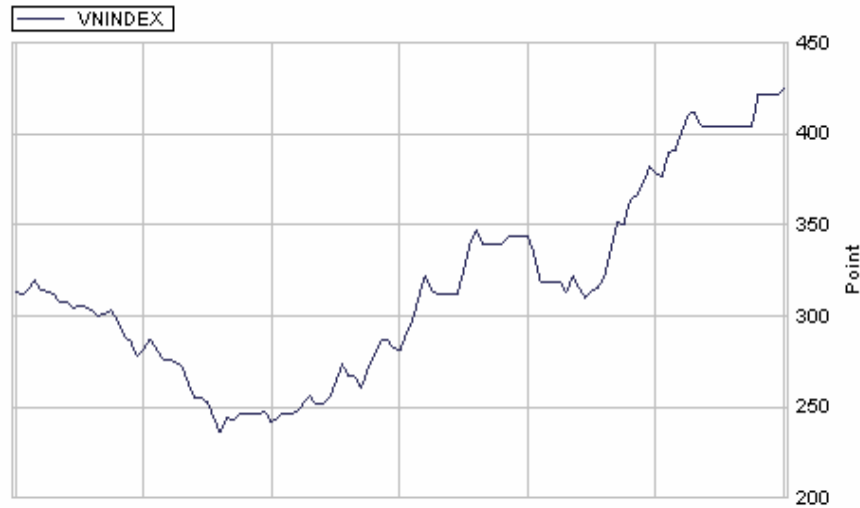
**Chart : 2008 Vietnam's Monthly Imports**



Source: GSO

# 2009-2010 OUTLOOK

VNINDEX Daily 5/26/2009



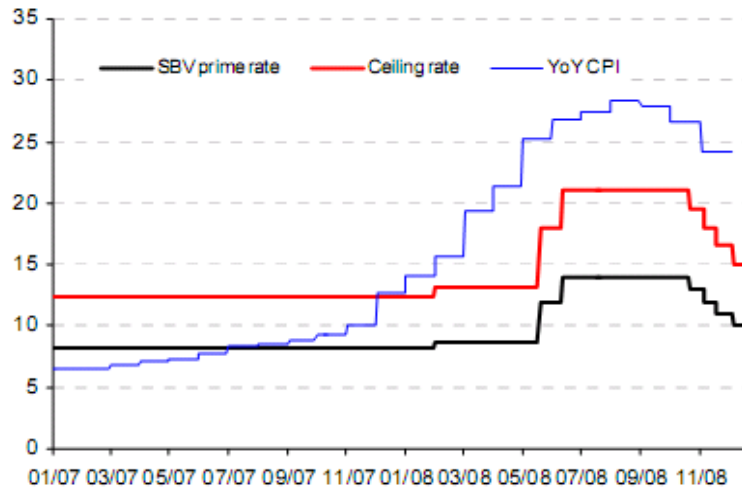
# 2009-2010 OUTLOOK

- Market forecast:
  - The slowdown in demand will likely have impact on companies that rely heavily on export. The government's recent announced stimulus package will likely increase spending on infrastructure built-out, which should help sectors like steel and cement.
  - The economy will rally in late 2009; prices of goods will surge and prices of basic materials have decreased sharply whereby enterprises can cut input costs and increase marginal profits.
  - Earnings of sectors like consumer, pharmaceutical and energy will likely remain intact as these sectors serve necessity need of the consumers.
  - 2009 stock market will continue to be sluggish. VNIndex is likely to move between the range of 400-600 points (HSBC report)
  - The lack of accounting transparency and small market capitalization, roughly \$13B at the end of 2008, make the Vietnam's financial market less attractive. However, those who are interested in Vietnam will seize this opportunity to invest for the long term.

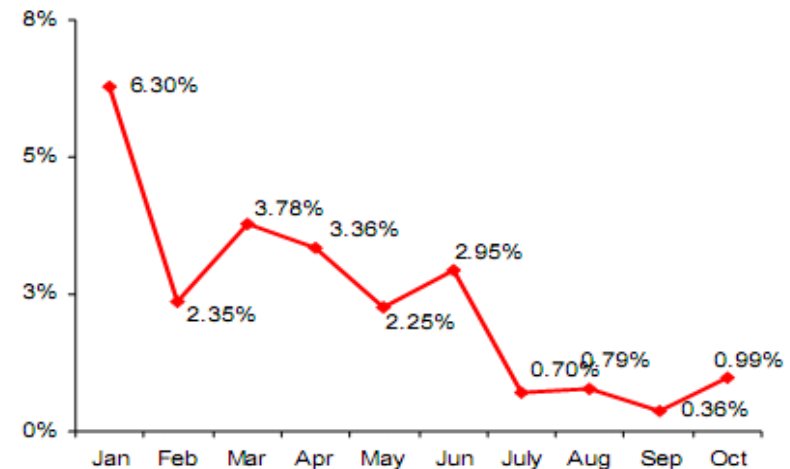
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# Sector Banking

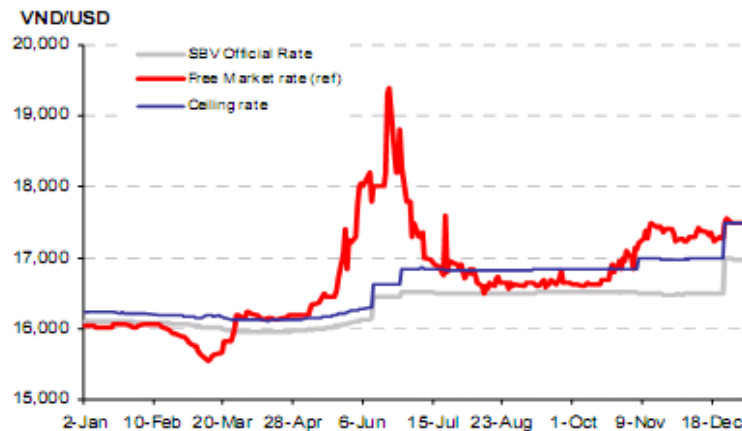
**Chart 1. Base rate rose quickly in Q2, and the reverse happened in Q4**



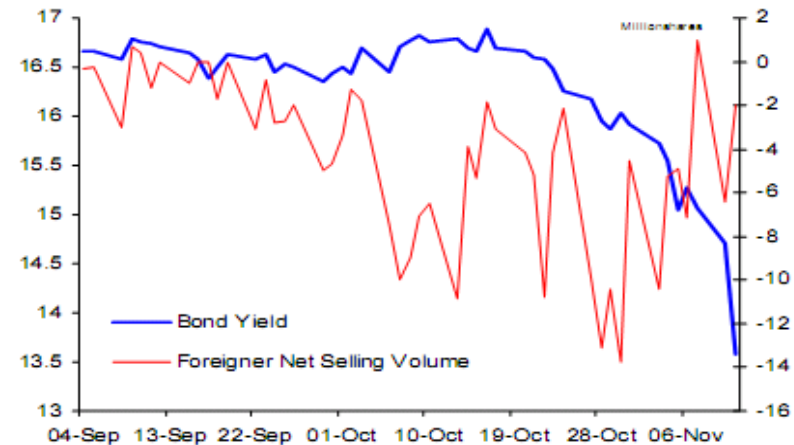
**Chart 2. Credit growth felt sharply since July**



**Chart 3. High fluctuation of exchange rate was a good chance for banks**



**Chart 4. Local banks bought bond from foreign investors at low price**



# Sector Building Materials and Fixtures

**Chart 1: 2008 Hatien1 cement price**



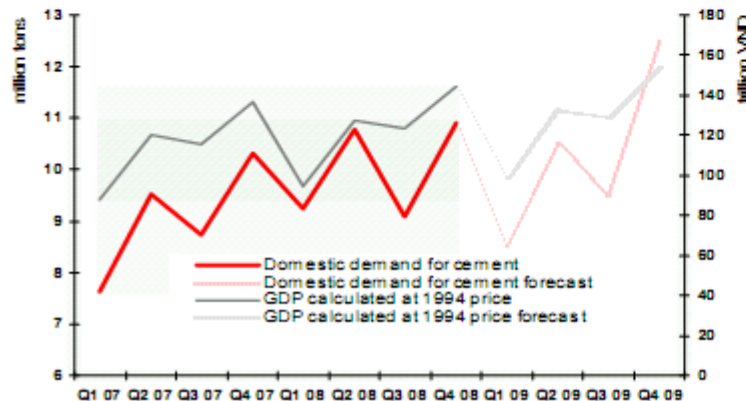
Source: Department of Finance

**Chart 2: Monthly sales volume in 2007 and 2008**



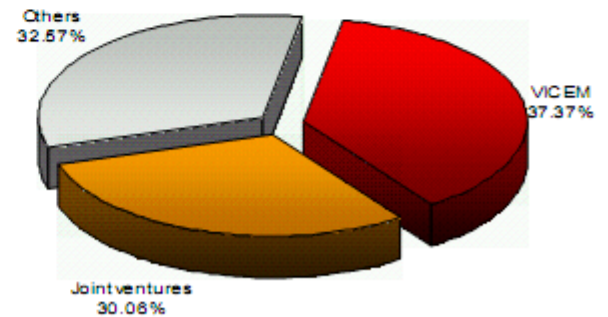
Source: VNCA, VICEM, SSI Research

**Chart 3: GDP growth and domestic demand for cement**



Source: VNCA, GSO and SSI research

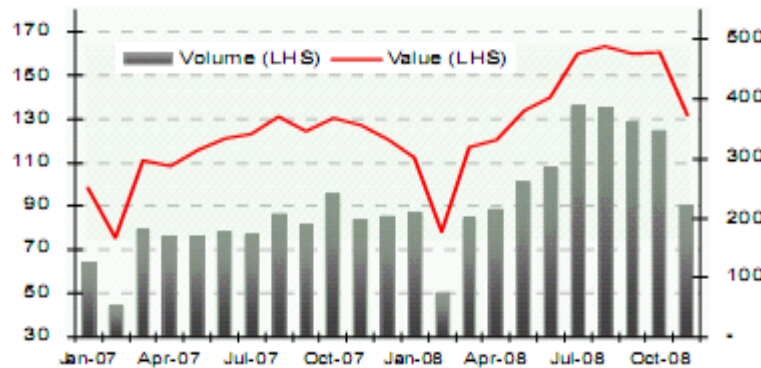
**Chart 4 Cement consumption by suppliers**



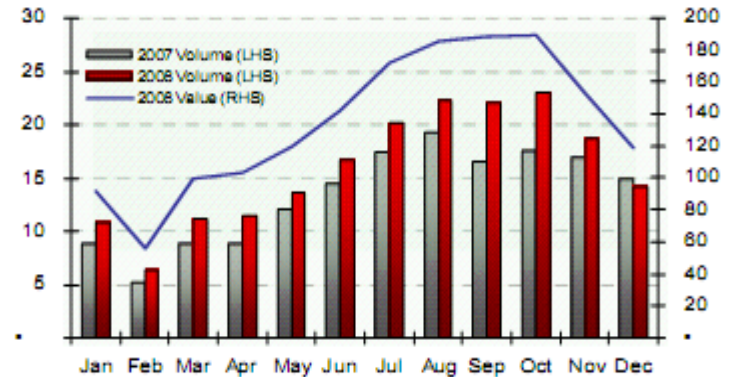
Source: VNCA

# Sector Farming & Fishing (Fishery)

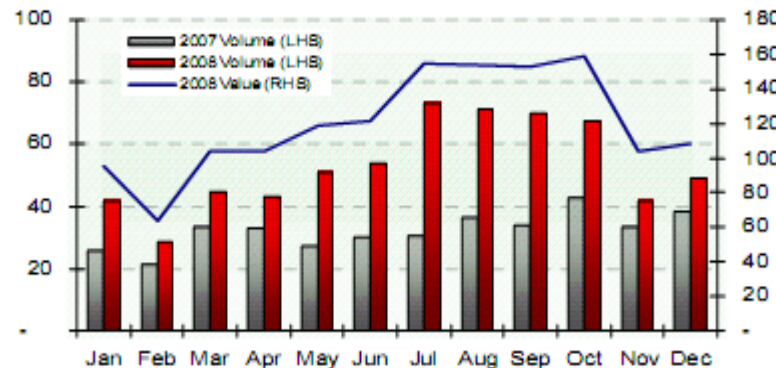
**Chart 1: Seafood export**



**Chart 2: Prawn Export**



**Chart 3: Catfish export**



**Chart 4: Volatility of Russian catfish sales market**



Source: VASEP, SSI Research. Unit: Volume in thousand tones, Value in million USD

# Sector Marine Transportation & Services

- 2008 key trends:
  - Drybulk freight rate went sky-high then dropped freefall, the lowest level seen in 15 years
  - Liquid Transport (Petroleum Products and Crude Oil transport) has been affected tremendously by the fall in crude oil price
  - Heavy investment seen in both drybulk and liquid transport companies
  - Domestically, transport sector benefited from the inflating economy within the first half, and were severely affected in the second half with credit tightening, export and import limit policies
- 2009 outlook:
  - The global recession and domestic economic slowdown will dampen demand of drybulk transporters for at least another year
  - For liquid transport, the retail petroleum price continues to be reduced in 2009. Rate of this subsector is from negative to neutral.
  - For Port Operation Services, with their financially healthy and owns good infrastructure, they are among those who will benefit highly when the economy picks up.

# Sector Oil Equipment Services

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- 2008 key trends:
  - The impact from crude oil price fall on services activities are not very visible
  - Impact on the Oil and Gas services sector: The first ten months witnessed minimal changes. The exploration license can get expired quickly, thus it's not economic to halt production services.
  - For the last two months of 2008, the service sector was getting its shake. If oil price remains low for 2009, then the risk of contract re-negotiation and contract cancellation will go up dramatically.
  - The sector was also affected by the global credit crisis and monetary tightening policies in Vietnam
- 2009 Outlook:
  - From both technical and fundamental perspective, it will be very tough for the crude oil price to be back on the upward trend.
  - By June 2009, the Dung Quat refinery company will be in operation and expects the first batch of A92 gasoline
  - The oil and gas service is still one of the relatively attractive sectors, although the shining time seems gone

# Sector Electricity

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- 2008 key trends: High defensive sector in the context of the economic slow down.
  - Demand still outweighed supply.
  - Stable production.
  - Power generation companies not much affected by volatility of fuel input.
- 2009 Outlook:
  - Stable business performance thanks to ensured total consumption of electricity.
  - Sector changes in 2009:
    - Wholesale price: Possible retail power price increase in 2009 (by around 8-9.8%).
    - Participation in new power projects which require high investment capital.
    - Competitive power generation market.
  - 2009 performance: Although several changes in the sector can be expected in 2009, power generation companies will enjoy stable production and are not likely to see growth in 2009. Large-cap is not as attractive.

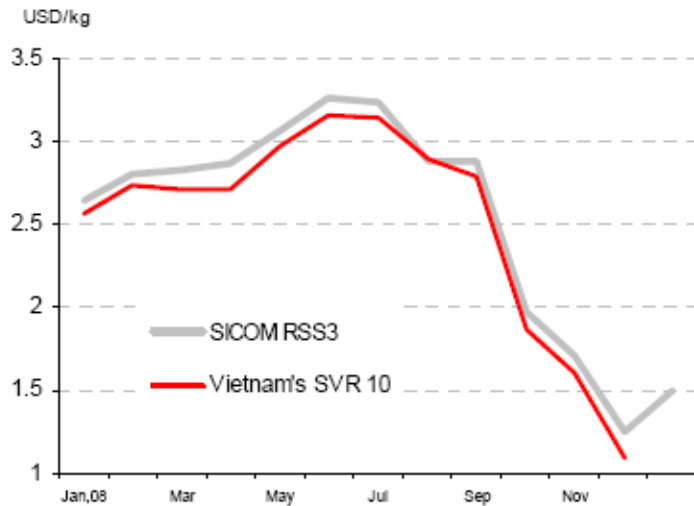
# Sector Steel

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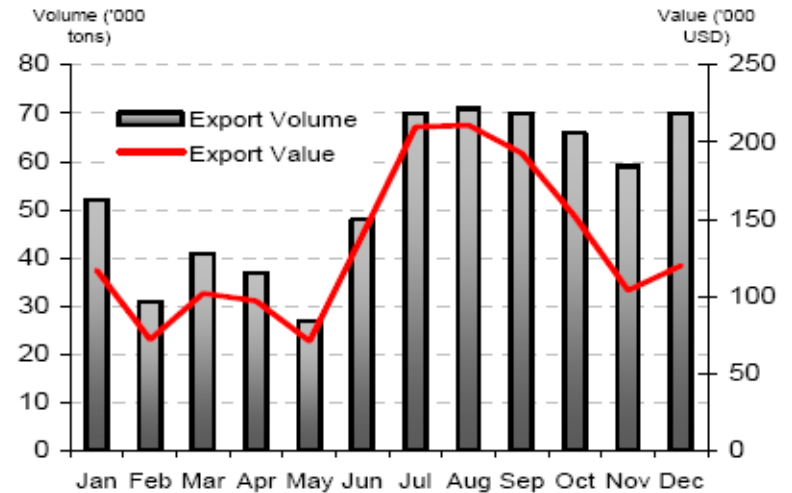
- 2008 key trends:
  - Policy on steel sector undergone significant and swift changes.
  - Highly profitable in the first half of 2008.
  - Low demand characterized for the second half of 2008.
  - Destocking period started with sky-high lending rate during the third quarter of 2008; High inventory loss registered in the fourth quarter of 2008.
  - A slight price recovery since November with favorable tax measures in effect. Distributors started to restock, being supported by decreasing lending rate. Steel consumption increased gradually since November.
- 2009 Outlook:
  - 2009 will be a tough year for steel sector. Lower input cost and the balance between domestic supply–demand for construction steel, not to mention extra supply from foreign steelmakers, suggest that steel price in 2009 will not increase much from the current level.
  - As a result, steel companies in 2009 will risk lower sales in 2009 and consequently have to push their promotion activities.

# Sector Commodity Chemicals

**Chart 1: Average Monthly Natural Rubber Price**



**Chart 2: Vietnam's 2008 Natural Rubber Monthly Export Volume and Value**



Source: GSO, Reuters, Vietnam's Rubber Association

**Table 1: Updated Financial Data for listed NR companies**

2008	Current Price (23 Jan 09)	Market Cap (bn VND)	Net Sales (mil VND)	Net Profit (mil VND)	P/E	P/B	ROA	ROE
Dong Phu	30,700	1,228	726,358	236,251	5.2	1.9	23%	35%
Tay Ninh	23,400	702	548,834	200,680	3.5	1.4	30%	40%
Hoa Binh	23,600	405	289,976	88,025	4.6	1.3	23%	27%

Source: Companies' financial statements, SSI Research

THANK YOU