Monthly Publication. This volume: August-2010. Published on: August 5, 2010

Pham The Anh,
Chief Economist
T: (844) 4456 8668 ext 6669
E: anhpt@thanglongsc.com.vn

With market commentary by

Quach Manh Hao
T: (844) 4456 8668 ext 6666
E: quachhao@thanglongsc.com.vn

Contributions from analysts

Do Hiep Hoa
Nguyen Huu Duy
Nguyen Duc Huy

Please turn last page for Disclaimer

EXECUTIVE SUMMARY

There was no dramatic change in economic conditions in July. Prices continued to be stable while interest rates tended to fall slightly as predicted. We expect the State Bank of Vietnam (SBV) will further expand monetary policy in order supply funds for domestic enterprises in August.

The Vietnam market has been trading sideways since the beginning of 2010 mainly because of concerns over the oversupply for shares which resulted from the new issuances and the new listings. We expect the money supply improve in the rest of the year but it is not enough to lift the index up. We project the year-end target of 536 at max and 522 on average. The forward PE for the year 2010 is expected at 11.02.

Economy

- July CPI was reported to increase by only 0.06% MoM. The year-on-year inflation fell for a fourth consecutive month.
- A low CPI inflation was contributable to low food & food stuff prices and declining non-food prices.
- Industrial production experienced a moderate growth. In July it was estimated to increase by around 12.3% as compared to the same period last year.
- June trade deficit was revised downwards to just over $.74 billion, about $0.51 billion lower than the previously reported figure.
- July trade deficit was estimated at $1.15 billion showing no surprise as compared to the last few months.
- Seven month disbursed FDI has reached $6.4 billion, increased by over 1.6% as compared to the same period last year.
- Official exchange rates are expected to be stable in August.
- Up to 29/7/2010 about VND11,283bn billion was injected through open market operations by the SBV.
- Interest rates fell slightly as predicted. The SBV will maintained the base rate in August. It is hard for short term interest rates to fall further in the short run.
- Our forecast models suggest that August inflation should be low around 0.18-0.31% MoM.

Equity Market

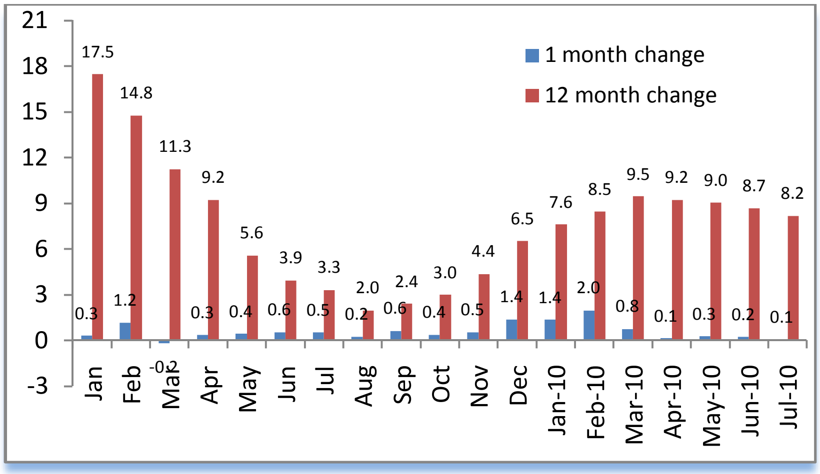
- The stability of macro fundamentals strengthens the hope that expansionary monetary policies will be implemented for the rest of the year.
- What we have long expected, the possibility of lowering interest rate, however does not look realistic at the moment.
- We expect the credit growth to improve for the rest of the year.
- The Fitch downgraded Vietnam's creditworthiness but the market did not fall much.
- Foreign funds showed commitments for long term investment horizon.
- Some US$1.57bn to be injected into agriculture sector, signaling room for loosening monetary policy is available.
- Concerns over the oversupply of shares to the market have hindered the market from breaking out.
- Looking internationally, we reiterate "cheap" to Vietnam stock when it is trading at an attractive PE of 11x but we expect some decline in foreign buying.
- We believe the market has been strongly supported by strong fundamentals, but oversupply resulted from new shares issuances and new listings would necessarily mean the market is trading sideways in the next few months. Our projections show an average for the upside of 522 points with maximum year-end target of 536.

INFLATION

CPI inflation continued to stay surprisingly low. In July, it was officially reported to be only 0.06% on mom basis, down from 0.22% in June. The figure is well below many forecasts at the beginning of the month. Meanwhile, year-on-year inflation declined in a fourth consecutive month. In this month, it was about 8.19%, falling from 8.69% in June, 9.05% in May, 9.23% in April, and 9.46% in March.

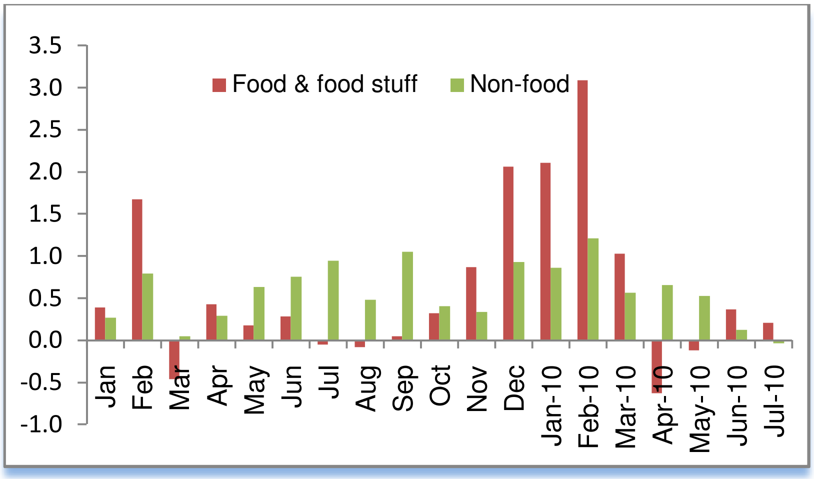
A slight change in food & food stuff prices coupled with a fall in non-food price prices are the key determinants for July low CPI inflation. On a month-on-month basis, food & food stuff prices increased moderately by just 0.21% while non-food prices declined by 0.04%. Notably, the non-food price growth slowed down to its lowest pace since March 2009. The evidence is very positive creating low inflationary expectations and it may encourage the State Bank of Vietnam to further loosen monetary policies in the coming time.

Chart 1: The Consumer Price Index in 2009-2010 (%)



Source: GSO

Chart 2: The Food and Non-food Price Index in 2009-2010 (%, 1 month change)



Source: GSO

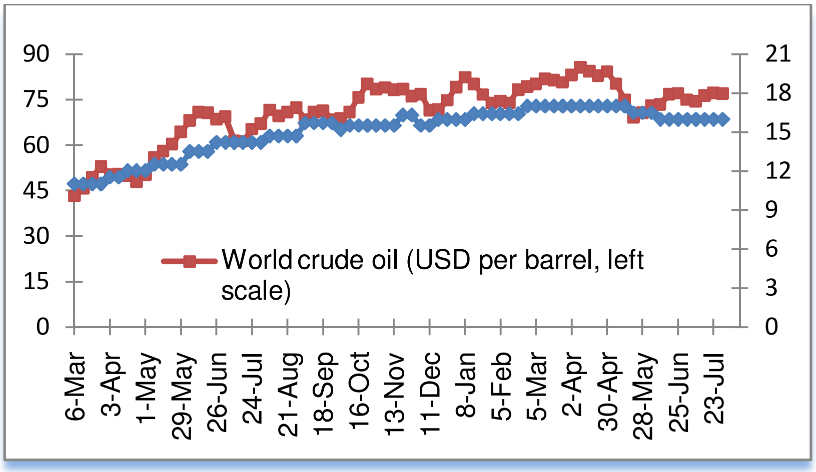
July witnessed declining prices in four categories including food, housing & construction materials, transport, and post & telecommunication prices. Compared to the previous month, food prices and transport items fell significantly by 0.97% each. Meanwhile, housing & construction materials continued to decrease moderately by nearly 0.5% due to its low demand in raining season. In contrast, almost all other items had a slight or moderate increase of well below 0.5%.

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

The instability in the world's economy has caused fluctuations in oil prices. Fears of slowing world economic recovery due to Europe's debt crisis and China's real estate bubble prevented oil prices from rising. As expected, in July the world's crude oil price was around $75 per barrel and it is expected to remain so next month. As a consequence, there will be no big change in transport price. However, construction material price is expected to rise as its demand may start increasing next month. Furthermore, in August, we also expect a relatively high increase in prices of some items such as education and food& food prices due to seasonal patterns and hard weather. Therefore, next month's inflation is expected to be higher however we keep our inflation forecasts of below 0.3% on mom basis.

Chart 3: The World Crude Oil (FOB) and Domestic Petroleum Prices (A92)



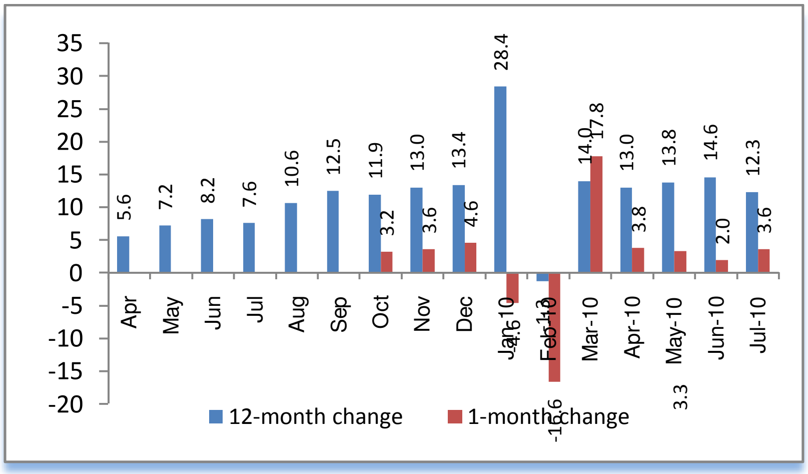
Source: EIA and MoF

OTHER ECONOMIC INDICATORS

Industrial Output

Industrial production has experienced a fifth consecutive significant increase on year-on-year basis. In July, it rose by over 12.3% as compared to the same period last year. The first seven months' total industrial output value was estimated at around VND383,059 billion at constant prices, increased substantially by 13.5% yoy. Of which, the foreign-invested sector reported an increase of 17.0%, followed by the private economic sector, which increased by 12.5%, and the state owned economic sector, which rose by 8.9%. The recent fast growing industry is a good indicator for a relatively high economic growth in the coming time.

Chart 4: Industrial Output Growth in 2009-2010 (%)



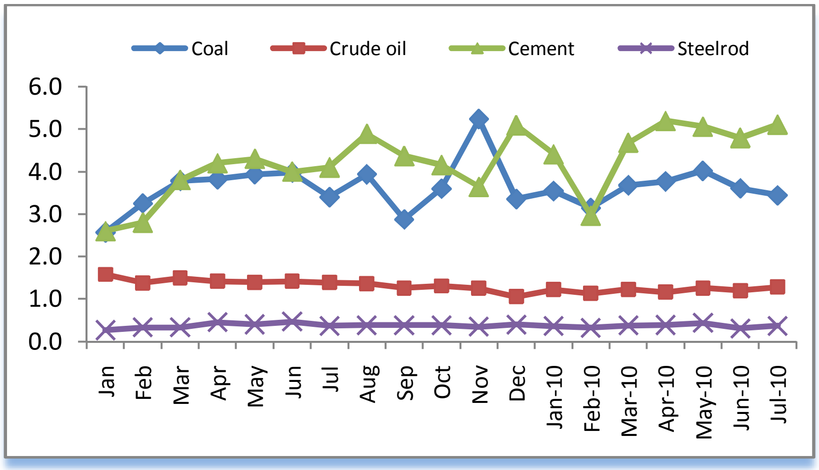
Source: GSO

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

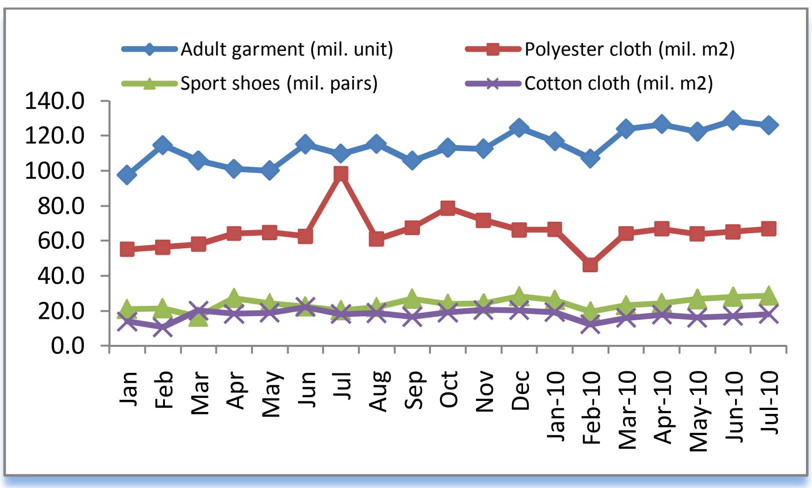
In terms of real output, July witnessed an increase in almost all sub-industries on month-on-month basis. Some industries had a very significant growth including powdered milk (27.9%), steelrod (21.7%), vegetable oil (21.3%), and ceramic tile (16.0%). Cement and crude oil also experienced a moderate growth of around 6.6% - 6.7% each. In contrast, there was also a decline in some industries such as coal and fertilizer with each falling by 3-4%.

Chart 5a: Monthly Output in Selected Industries (million ton)



Source: GSO

Chart 5b: Monthly Output in Selected Industries

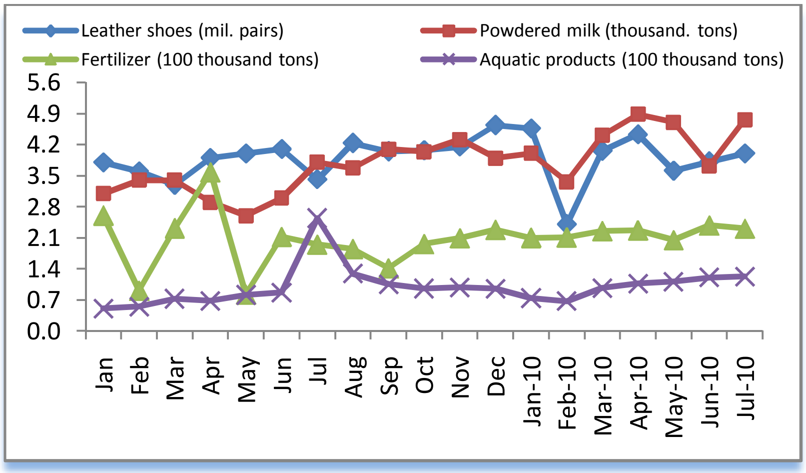


Source: GSO

Chart 5c: Monthly Output in Selected Industries

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546



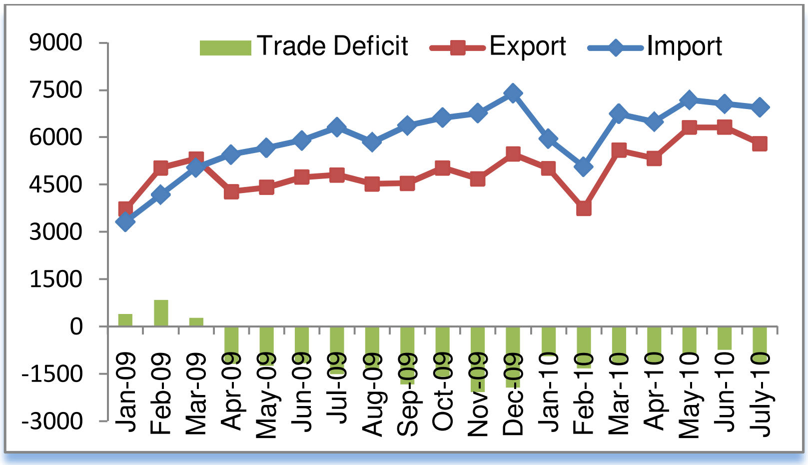
Source: GSO

International Trade

Official data shows that last month's trade deficit turned out to be about $0.51 billion lower than the previously reported $1.25 billion. In June, total imports were nearly $7.06 billion while total exports stood at about $6.32 billion. The lower-than-estimated trade deficit was partly attributable to gold re-export at the end of the month.

In July, import and export values were both estimated at about $6.95 and $5.80 billion respectively. This resulted in a trade deficit of $1.15 billion. The figures demonstrated no surprise as compared to the few months' estimated figures.

Chart 6: International Trade ($ millions)



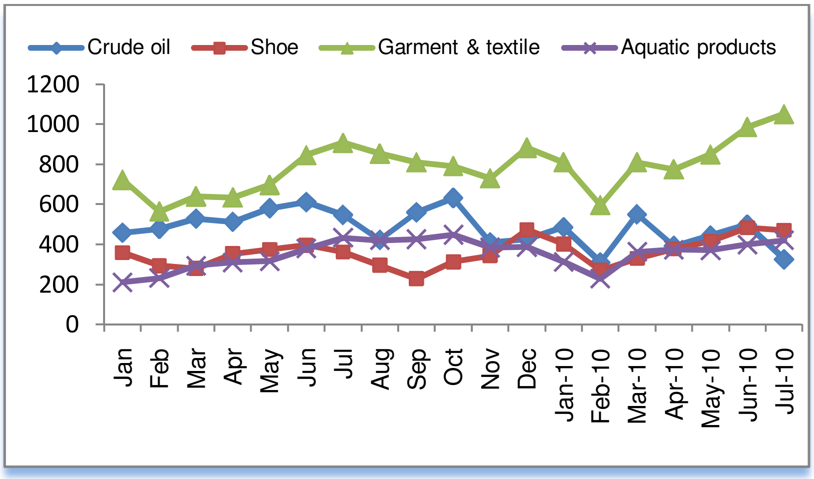
Source: GSO

Both export and import tended to fall in July. In which, the former decreased by nearly 8.2% while the latter fell by over 1.5%. However, the decrease in export was largely due to the fall in gold & gemstone export. On month-on-month basis many main export items still had positive growth including garment & textile (6.6%), aquatic products (5.1%), and rice (20.9%).

Chart 7a: Monthly export of some main categories ($ millions)

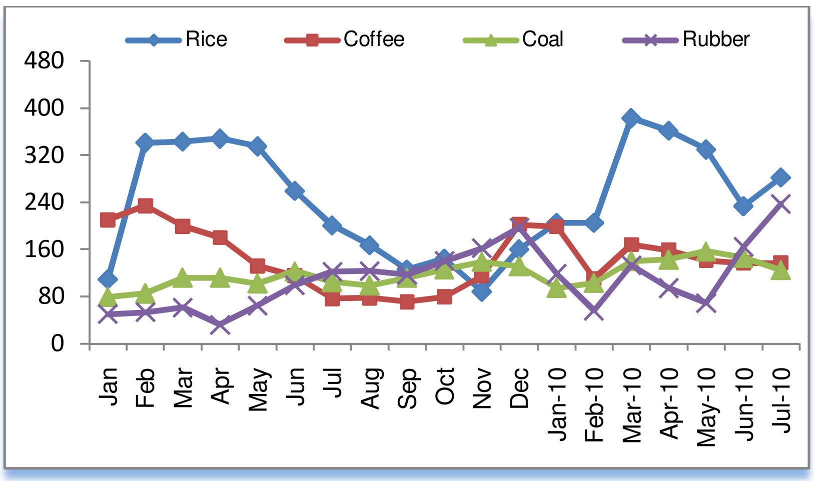
Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546



Source: GSO

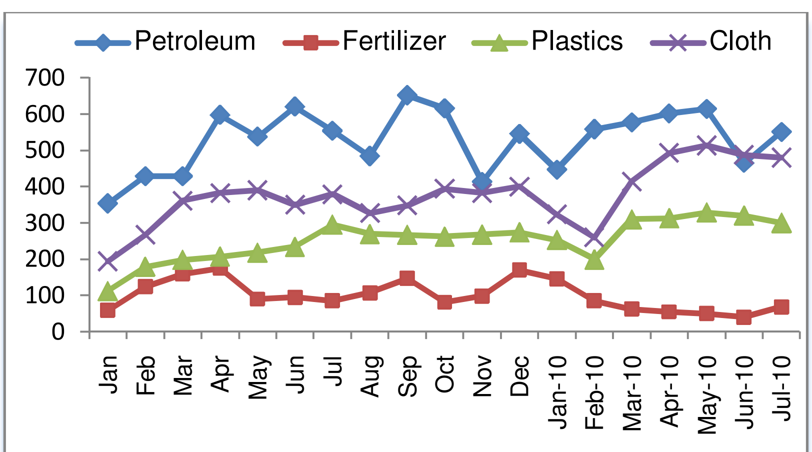
Chart 7b: Monthly export of some main categories ($ millions)



Source: GSO

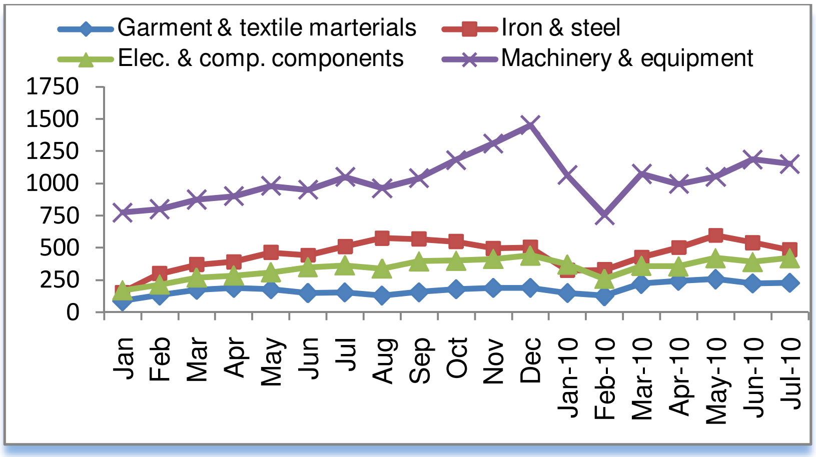
Except for a remarkable increase in petroleum and fertilizer, almost all other main import items showed a slight fall as compared to the previous month. In particular, plastics fell by 6.2%, cloth fell by 1.5%, iron & steel decreased by 10.5%, and machinery & equipment decreased by 3.0%. The fall in imports to some extent eased the trade deficit pressure but it could show a negative signal for domestic industries which using these imported materials.

Chart 8a: Monthly import of some main categories in 2009 ($ millions)



Source: GSO

Chart 8b: Monthly import of some main categories ($ millions)



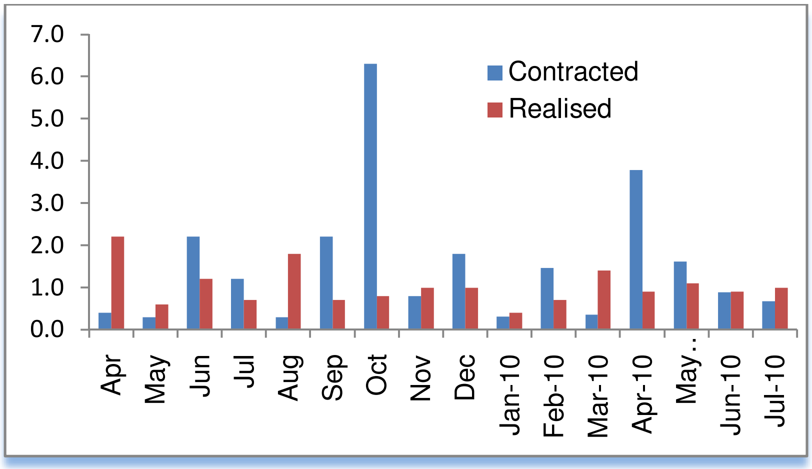
Source: GSO

Foreign Direct Investment

Foreign invested sector has contributed significantly to Vietnam's export. In the first seven months, the total export value, excluding crude oil, of the sector was estimated at about $17.7 billion, increased by 40.1% as compared to the same period last year. In July, Vietnam absorbed over $.67 billion committed and $1.0 billion disbursed through existing and newly registered FDI projects. A relatively high disbursed FDI continued to be an important financing source for the country's current trade deficit.

Since the beginning of the year, the committed FDI has totaled over $9.1 billion decreasing by around 31.8% but the disbursed FDI has totaled $6.4 billion increasing by roughly 1.6% as compared to the same period last year.

Chart 9: Monthly Foreign Direct Investment ($ millions)



Source: GSO

Policy Update

This month saw an appreciation of US$ against VN$ in both official and unofficial markets. On average, the VND/USD rates increased by around VND100 per US$ at VCB and VND160 per US$ in unofficial market compared to the last month. At the end of July, the US$ selling rate at VCB and in unofficial market was prevailing at VND19,095/US$ and VND19,190/US$ respectively. The appreciation of US$ was primarily attributable to higher demand for loans in US$ rather than the shortage of US$ in the economy as a whole. In a recent report, the SBV announced a positive sign in the overall balance of payments. A relatively high trade deficit was well covered by a high inflow of foreign capital as well as substantial remittance. This resulted in a surplus of over $3.4 billion in the first half of 2010 and helped calm down dollar hoarding in

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

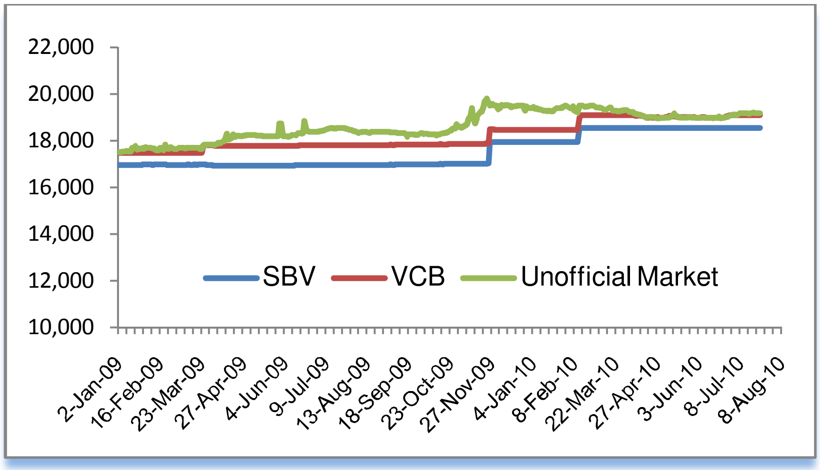
unofficial markets. It is also estimated that the SBV accumulated approximately $2 billion in foreign reserves so far this year. We keep our expectations about a stable exchange market in the next month.

Table 1: Balance of Payments in 2010 (billion US$)

	Q12010	Q22010(est.)	H12010(est.)
I. Current Account	**-1,892**	**-1,678**	**-3,570**
1. Trade Balance (FOB)	-2,239	-1,963	-4,202
2. Unilateral Transfer	2,051	1,828	3,879
II. Capital and Financial Account	**3,686**	**3,319**	**7,005**
1. FDI	1,670	2,035	3,705
2. Foreign Borrowing	898	702	1,600
3. FII	1290	510	1,800
III. Overall Balance of Payments	**1,794**	**1,641**	**3,435**

Source: SBV

Chart 10: VND/USD Selling Rates, Jan 2009 – July 2010



Source: SVB, VCB and others

In July, Vietnam's Ministry of Finance released a report on foreign debt. According to the report, in 2009 Vietnam's foreign debt increased significantly by over 28% to $27.9 billion as a result of high expenditure in the last year's stimulus package. By the end of 2009, Vietnam's total foreign debt accounted for about 39.0% of GDP, which is still below the warning level by the World Bank. However, the debt is rising quickly. The country needs to control the foreign debt/GDP ratio once the economy is back to a full recovery to avoid any similar trouble as in Europe currently.

The report also estimates that since a large proportion of the foreign debt (about 70%) had low interest rates ranging from 1-2.99% Vietnam would have to pay around $1.1 billion in terms of principal and interest in 20010. The payment is expected to peak at around $2.0 billion in 2016, which is approximately equivalent to 1.0% of GDP, before starting decreasing. We expect that the currently excessive government spending is temporary only and Vietnam will soon plan for the fiscal withdrawal when the full recovery is achieved.

Table 2: Foreign Debt 2005 – 2009

	2005	2006	2007	2008	2009
I. Total (billion US$)	**14.2**	**15.6**	**19.3**	**21.8**	**27.9**
1. Government debt	13.3	14.6	17.3	18.9	23.9
2. Government-guaranteed debt	0.9	1.0	2.0	2.9	4.0
II. Total (% GDP)	**32.2**	**31.4**	**32.5**	**29.8**	**39.0**
1. Government debt	27.8	26.7	28.2	25.1	29.3
2. Government-guaranteed debt	4.4	4.7	4.3	4.7	9.7
III. Debt payment (% Budget Revenue)	4.1	3.7	3.6	3.5	5.1

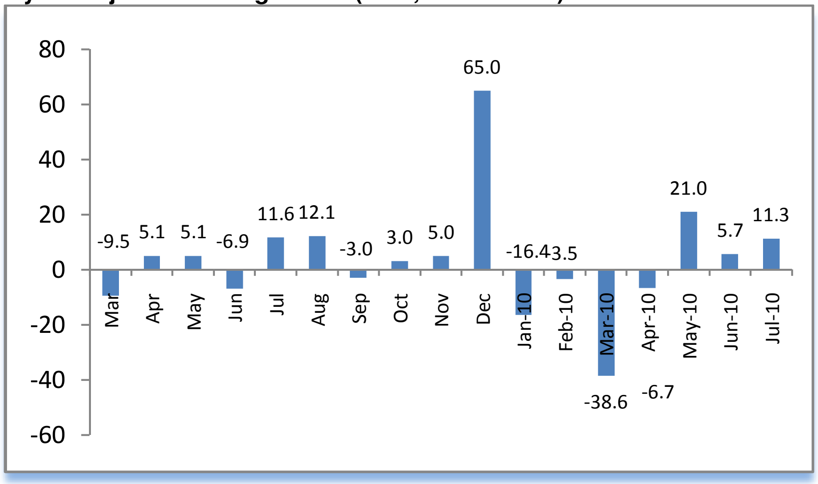
Source: MoF

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

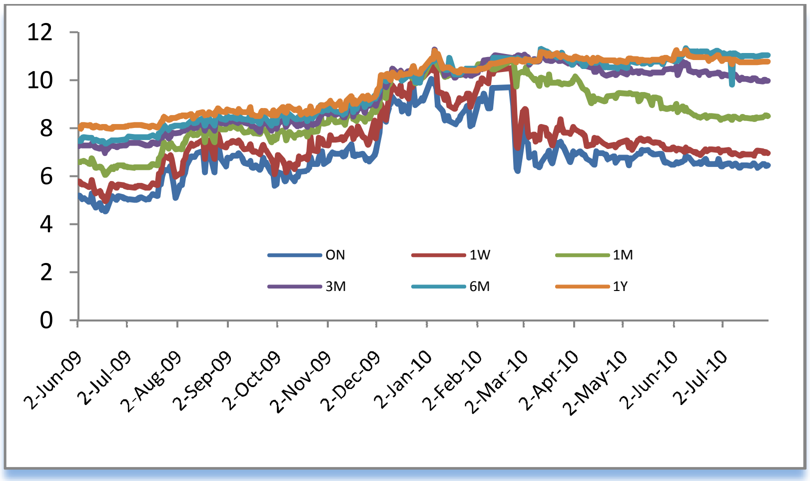
The fact that inflation remained low has created a favorable condition for the SBV to loose its monetary policy in the last few months. Up to 27th July, there have been over VND11,283 billion net-injected through open market operations (OMO), up from VND5,696 billion in June. This is the third consecutive month the SBV expands money supply through OMO in attempt to ease liquidity and reduce interest rates. With low inflation expectations the SBV will surely continue its policies in favor of economic growth in the coming time.

Chart 11: Monthly Net Injection through OMO (VND, 1000 billion)



Source: Bloomberg and the author's calculation

Chart 12: Interbank Interest Rates up to 29 July 2010

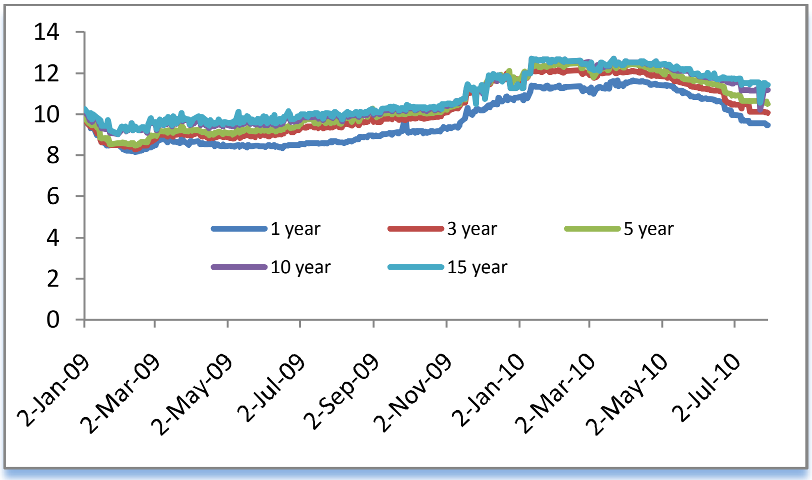


Source: Bloomberg

Chart 13: Vietnam's government bond yields up to 29/7/2010

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546



Source: Bloomberg

As predicted in our last month's report, interest rates were on a slight decreasing trend. At the moment, the borrowing rates at commercial banks are prevailing at around 11%. While the prices are quite stable in recent times the rates are unreasonably high in our views. The SBV announced to maintain the base rate at 8% in August. With declining inflation expectations we expect the money market will respond in a positive way. And as the SBV continues its gradual expansionary money supply the market rates may fall further by more or less than 0.5 percentage point in the near future.

FORECAST

In this section we use our econometric models and to forecast inflation. With a bear in mind that reality cannot be captured by any single model we attempt use different time series models. The analysis is done to produce projections for the next month. The projection for the month after that will be carried out based on update information coming in the next month.

In particular, we use the following types of models. The model 1 is Autoregressive Integrated Moving Average (ARIMA). The model uses historical variations in a time series to provide projection. The second model is based on statistical relationships between inflation and its possible determinants including past inflation, interest rates, oil prices, retailed sales, export and others. Our two models predict a moderate rate of next month inflation of about 0.18-0.31%.

Table 3: Inflation Forecast (1 month change, %)

Model 1	Dec-09	Jan-10	Feb-10	March-10	Apri-10	May-10	June-10	July-10
Projected	1.30	1.42	2.33	0.44	0.40	0.21	0.25	0.18
Actual	1.38	1.36	1.96	0.75	0.14	0.27	0.06	
Model 2								
Projected	0.59	0.79	1.34	1.85	0.70	0.30	0.32	0.31
Actual	0.55	1.38	1.36	1.96	0.75	0.14	0.06	

EQUITY MARKET DYNAMICS

The stability of macro fundamentals strengthens the hope that expansionary monetary policies will be implemented for the rest of the year. CPI for July 2010 stays at 0.06% month on month, possibly the lowest level in 2010, and at 4.84% year to date. The current CPI is moderate enough for the State Bank of Vietnam (SBV) to implement more prudent loosening monetary policies, such as to reduce the interest rates and promote credit growth.

After the agreement among banks on reducing the deposit interest rates, the deposit interest rates have been staying at 10.5%- 11.2%. The loan rates however are still high at 14%-16% for commercial loans, and 12-13.5% for subsidized loans but with strict conditions. This discourages firms to get bank loans and thus limits the credit growth. To reduce the loan rates, it is obvious that banks must be able to mobilize savings at lower costs, but it seems a difficult task at the moment.

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

But what we have long expected, the possibility of lowering interest rate, does not look realistic at the moment. The demand for capital in the second half of the year is expected to seasonally increase but the mobilization remains low. Given current conditions, lowering interest rates may eventually erase the attractiveness of bank deposits as a source of investment in comparison with other sources such as equities and real estates.

Besides, the SBV's stipulation that commercial banks are not allowed to borrow interbank more than 20% of their deposits makes small commercial banks more exposed to liquidity risk, which in turn forces them to mobilize savings from the public. In order to compete with larger banks, the most convenient way for them is to increase the deposit rates, therefore deteriorates the effort of the whole sector to reduce the deposit interest rates.

The fact that the SBV continues to increase money supply through OMO with short window of 7-14 days mainly helps commercial banks with liquidity risk, rather than effectively reduces the market interest rates in short-term. However, the recent injection with 28 day window in the OMO is s positive signal for both liquidity and interest rate lowering effort. We expect the interest rates to be stable in short-term but will gradually decrease then after. In other words, we do not expect to see surprising changes unless the SBV is about to apply more aggressive policies to help banks reduce their loan costs.

We however expect the credit growth to improve for the rest of the year. According to the SBV, credit growth in the first 7 months of 2010 is 12.11%, of which credit growth in VND increases by 5.7% while in foreign currency increases by 28.8%. Apparently, it's reasonable to expect the room for credit growth in foreign currency to be narrowed while in VND to surge, given the hypothesis of the expansionary monetary policy. If that is the case, it is our view that the stock market would react positively. We however think that there would be time lagged from SBV actions to the impact on the stock market.

The Fitch downgraded Vietnam's creditworthiness but the market did not fall much. This rating agency has downgraded Vietnam from the BB- to B+ on concerns over external financing, highly dollarized economy and a weak banking system. The news may have provided good explanation for the decrease in foreign net buying in the last week of July, which saw VND20bn of net selling. In previous weeks, foreigners played an important role in keeping the market moving sideways, if otherwise falling sharply. They had completed their 20 consecutive net buying weeks on HSX with total net value of more than VND 6,200 billion (US$315m).

Fitch downgraded Vietnam mainly due to its increasing foreign debt. However, it is worth noting that Vietnam's total foreign debt as of GDP is now around more than 30% and still well below the warning level set by the World Bank (50%), and that the increasing debt in 2009 was temporary only as the economy needed the stimulus to avoid the recession. Fitch's downgrade could be a negative factor strengthening the pessimism that emerged few days ago. The market however did not fall sharply, mainly because of the bottom fishing with a belief that this market is value attractive. The presence of bargain hunters is expected to help the market stable.

Foreign funds showed commitments for long term investment horizon. During the month, more than 80% of the VEIL's (one of the key funds managed by Dragon Capital - a well known fund managers in Vietnam) shareholders voted for its continuation in Vietnam leaving the attempt to liquidate the fund failed. The case of VEIL clearly indicates the consideration of foreign investors for longer commitment to Vietnam. Political and socio economic stability, encouraged by high GDP growth and corporate earnings perspective, are the excellent foundation for a long-term strategy to reply on.

Some US$1.57bn to be injected into agriculture sector, signaling room for loosening monetary policy is available. The Governor of the State Bank of Vietnam (SBV) has sent the public a notable message on pumping more capital into the economy to ensure achieving the GDP growth target of 6.5%. The credit package, targeting businesses operating in rural area, may amount up to VND 30,000 billion or US$1.57bn, of which one third will be mid- to long-term loans. This is an initial but obvious evidence of a more loosening policy to be implemented - we indeed have repeatedly mentioned in previous reports.

It however should be noted that not all sectors will be directly benefited from this decision. Initially, the cash flow will be disbursed for the agriculture businesses or the banks that fund those activities only. Furthermore, since loans in the agricultural sector are often much small-size, disbursements will take place gradually. In long-term, the cash flow may, in one way or another, gradually spread to other areas of the economy.

Concerns over the oversupply of shares to the market have hindered the market from breaking out. Apart from the VND 17,000 billion (face value) new issues that were approved by the SSC in the first quarter and the potential issues from 300 listed companies (out of around 550 listed firms on both exchanges), quick calculations show that the HSX alone will absorb around 1.3 billion new listed shares and investment fund certificates from now to the end of the year. If traded at two times of their face value, estimated market cap of

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

these new listings may come up to VND 26,000 billion. Whatever the fundamentals say, the money outflows would necessarily mean no hope for the market in the next 3-6 months. We expect the market at best to keep its sideways mode.

Looking internationally, we reiterate "cheap" to Vietnam stock when it is trading at an attractive PE of 11x but we expect some decline in foreign buying. The "cheap" term is also supported by the PEG (PE-to-Growth) ratio which is around 0.74, lower than 1. We however think that there should be some reluctance by foreigners in the next months as concerns over the US' "double dip" recession and EU's fiscal consolidation continue**.** US GDP growth slowed to 2.4% in the second quarter from a revised 3.7% in the first. The slower pace of macroeconomic recovery in the first half of 2010 got media's focus on the possibility of a second round of economic decline referred to as the "double dip" recession. There are a lot of arguments around the issues, so we will closely monitor the case in next months. On the other side of the ocean, the EU governments turned their effort toward a common goal of fiscal consolidation which brings EU member's budget deficit back 3% of GDP limit. With the program, we expect it will have cooling effect on the EU's recovery. As a result, we think the possible decline in foreign buying in Vietnam is more because of the global issues than of the local.

In conclusion, we believe the market has been strongly supported by strong fundamentals, but oversupply resulted from new shares issuances and new listings would necessarily mean the market is trading sideways in the next few months. Our projections show an average for the upside of 522 points with maximum year-end target of 536.

Table 2.1 – Market statistics and forecasts
We have revised our target year end level for VNINDEX to 536.74, down from 550.82 in the last report, to reflect our view on stability of the market in the rest of the year when no surprising growth should be expected.

VNINDEX PROJECTIONS		Month	EPS	DPS	Acc DPS	Expected targets
Statistical summary		**Jul**	$45.37	0.83	0.83	$500.85
Current P/E:	10.82	**Aug**	45.93	0.84	1.67	$507.85
Earnings Yield:	9.2%	**Sep**	46.50	0.85	2.52	$514.94
Dividend Yield:	2.0%	**Oct**	47.07	0.86	3.39	$522.12
P/BV:	2.1	**Nov**	47.65	0.87	4.26	$529.39
Return on Equity:	19.7%	**Dec**	48.24	0.88	5.14	$536.74
Payout Ratio:	1.8%	**Jan**	48.83	0.89	6.04	$544.19
P/E Ratio-High:	11.06	**Feb**	49.43	0.91	6.94	$551.73
P/E Ratio-Low:	10.99	**Mar**	50.04	0.92	7.86	$559.36
P/E Ratio:	11.02	**Apr**	50.66	0.93	8.79	$567.08
Sustainable Growth	19.4%	**May**	51.28	0.94	9.73	$574.90

Figure 2.1a – History of VN-Index: Peaked at 1170 in early 2007, fell nearly 70% in Feb 2009, and currently trading at around 500 points, well below 50% of the peak.

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

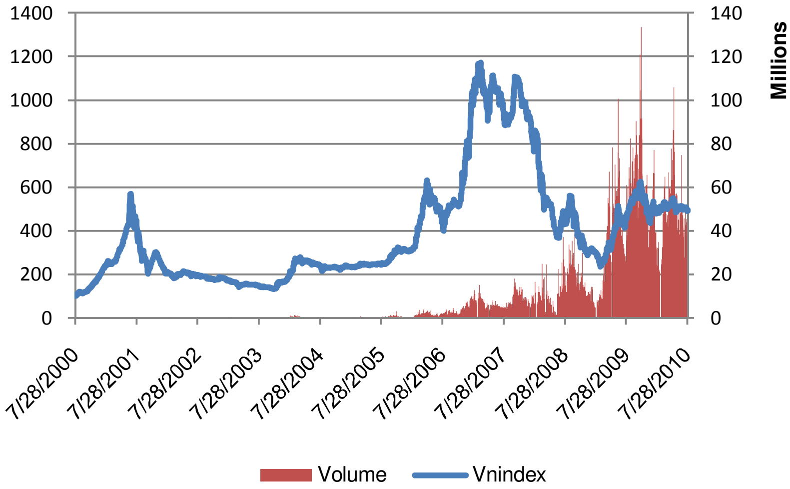


Figure 2.1b – VN- Index since 2010: The market has been trading sideways around 510-520 and no signs of surprised moves.

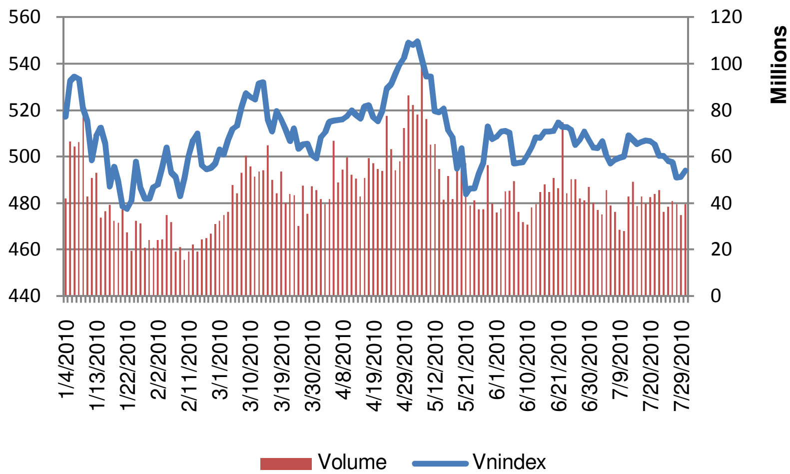


Figure 2.2a – Monthly Trading Value: Trading volume on the Ho Chi Minh Stock Exchange accounts for larger part of the total value, but the percentage of Hanoi Stock Exchange has increased, indicating that investors tend to pay more attention to risky stocks.

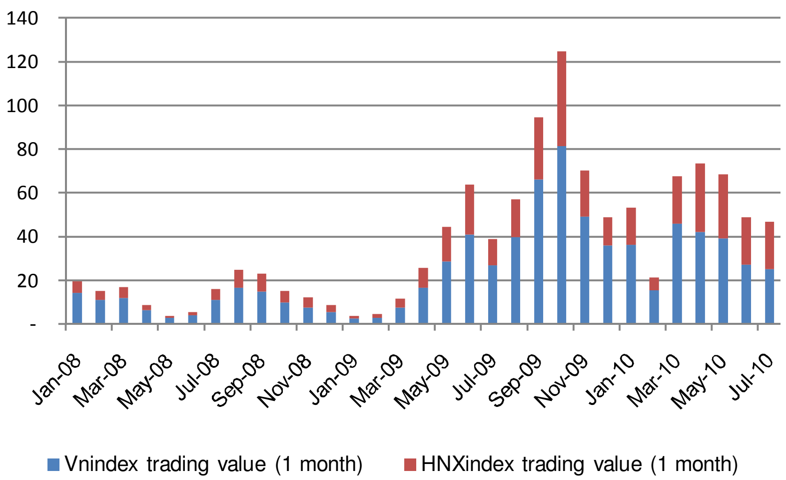


Figure 2.2b – Percentage of trading volume to market capitalization: The market capitalization accounts for 37% of the total GDP. Trading value as percentage of market capitalization has increased, meaning improved liquidity.

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

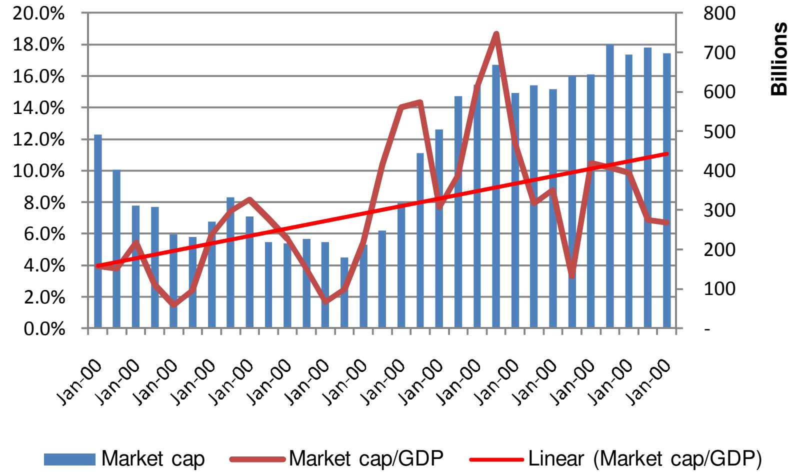
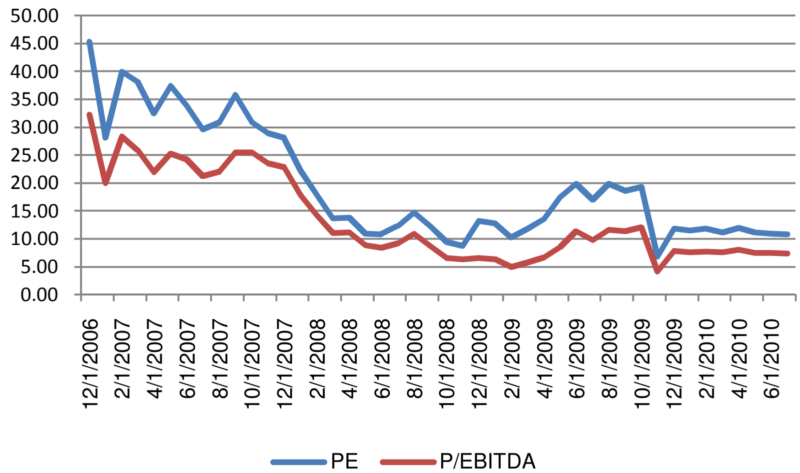


Figure 2.3a – PE and P/EBITDA: These two ratios have declined strongly, meaning that the market has experienced 2-year market bubble crashed and currently trading at fair value..



Hình 2.3b – Market PB: similar to PE

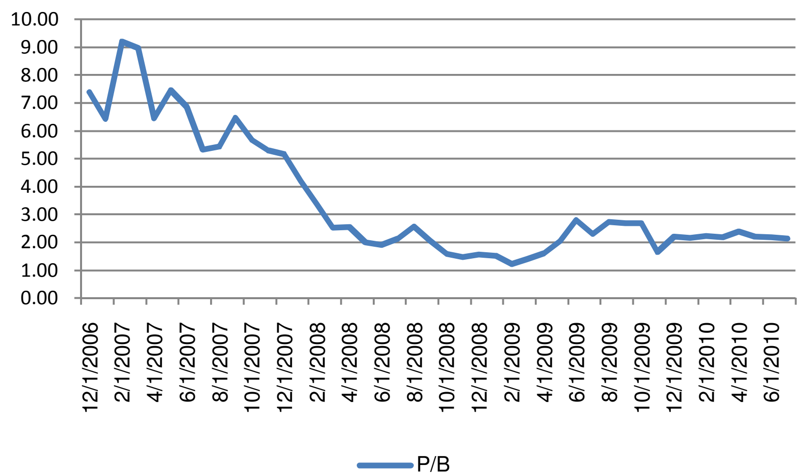
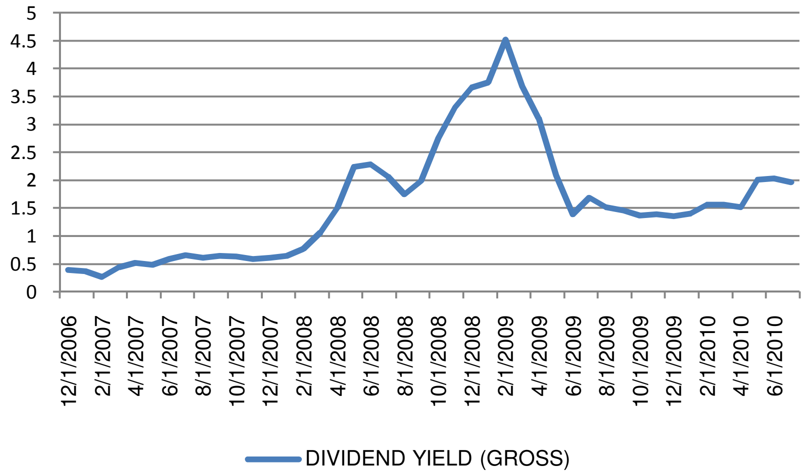


Figure 2.3c – The market dividend yield (%): The general dividend yield in Vietnam is around 2% at the moment. A surprised hike in late 2008 was seen as an effect of the imposition of the tax on investment incomes which was from 1/1/ 2009..

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546



Hình 2.4a – PE and of the peers: Vietnam market looks to be attractive in terms of PE.

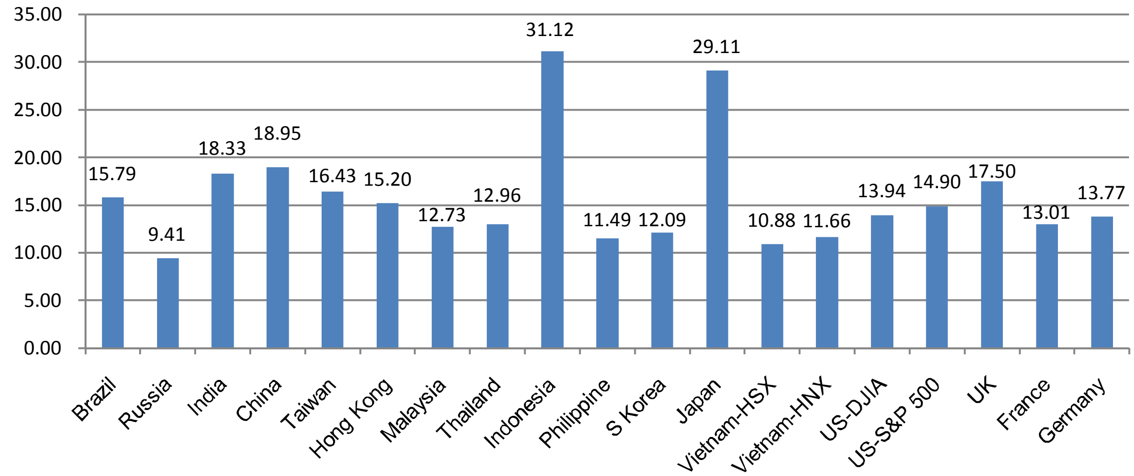


Figure 2.4b – Market capitalization as percentage of GDP: around 37%, implying potential room for further growth and for new IPOs.

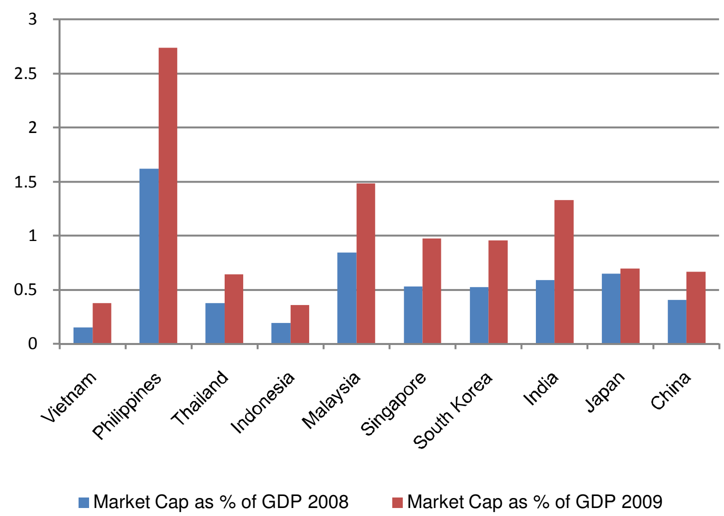


Figure 2.5 – Buy and Sell by Foreign Investors: net-bought since Oct 2009; worth noting that they are very active in both sides.

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

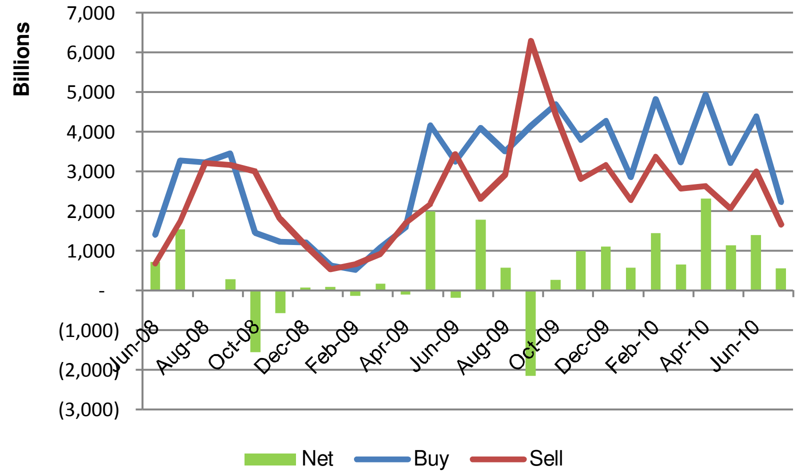


Figure 2.6a – Performance by sectors since economic recovery: Basic materials, consumer goods and construction & materials are at the top performers.

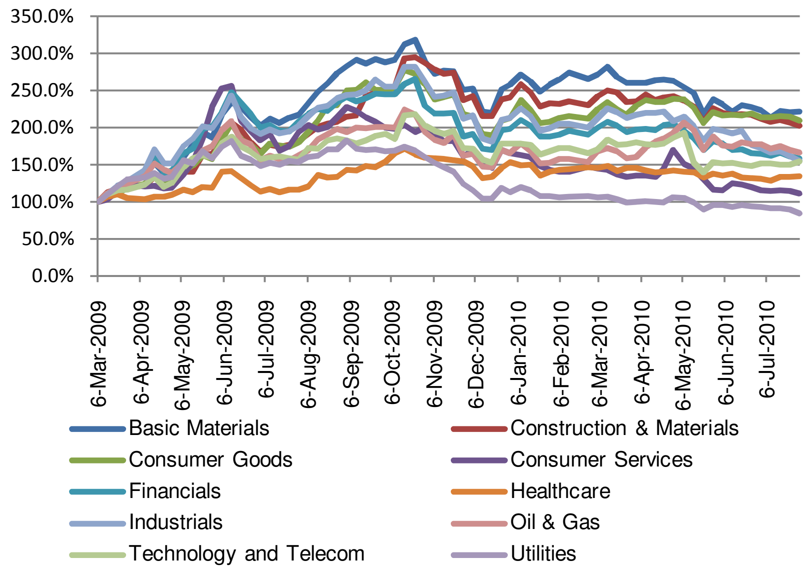
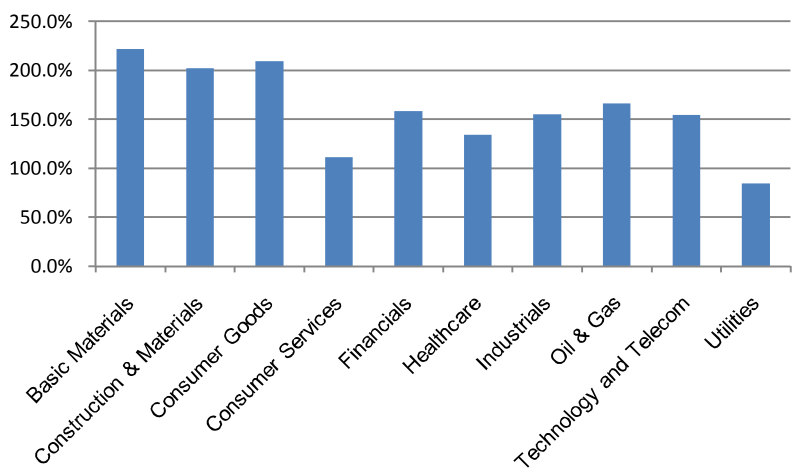


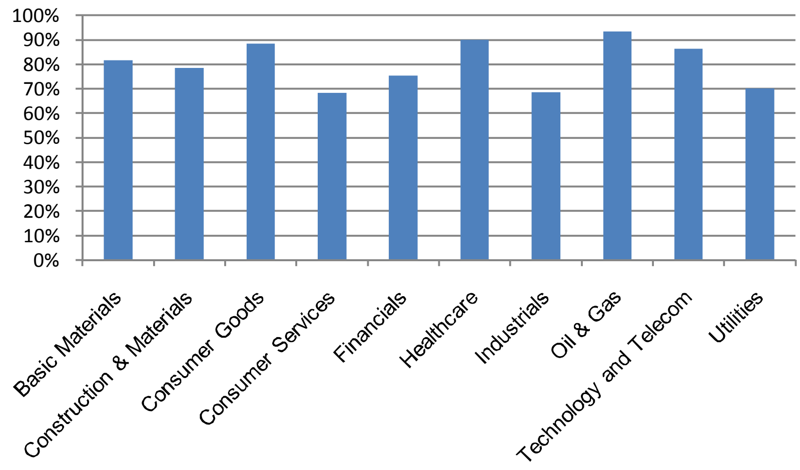
Figure 2.6b – Capital gains by sectors since recovery (base =100%): Basic materials, consumer goods and construction & materials are top performers.



Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

Figure 2.6c – Capital gains by sectors since 2010 (base = 100%): The oil & gas shares are the best defensive in a non-trend market.



DATA APPENDIX: MAIN ECONOMIC INDICATORS IN 2010

	Jan	Feb	Mar	Apr	May	Jun	July
GDP (%, YoY)			5.83			6.33	
Industrial Output (%, YoY)	28.4	-1.3	14	13	13.8	14.6	12.3
Export ($, mil)	5013	3740	5592	5332	6312	6317	5800
Import ($, mil)	5958	5070	6747	6494	7183	7059	6950
Trade Deficit ($, mil)	-945	-1330	-1155	-1162	-871	-742	-1150
Contracted FDI ($, mil)	318	1462	359.4	3800	1611	895	670
Realized FDI ($, mil)	400	700	1400	900	1100	900	1000
Inflation (%, MoM)	1.36	1.96	0.75	0.14	0.27	0.22	0.06
Base Rate (%)	8	8	8	8	8	8	8
VND/USD (VCB, End of period)	18479	19100	19100	19000	19010	19050	19095

Head Office: 6th Floor, Toserco Building,
273 Kim Ma, Ba Dinh, Hanoi
T: +84 (043) 726 2600
F: +84 (043) 726 2601

Research: 4th Floor, Vinaconex Building
34 Lang Ha Street, Hanoi
T: +84 (044) 456 8668
F: +84 (046) 276 7546

THE PRODUCT

This product is developed from its previous version namely ***Monthly Inflation and Monetary Policies***. In the new version ***Vietnam Outlook***, we link our economic findings to the stock market performance. The change reflects results from our empirical research that shows a very close link between stock market index and new developments in inflation and monetary policies. Discussions on economics including inflation, monetary policies and other economic developments are written by Pham The Anh (PhD Econ, Manchester). Comments on stock market consequences are made by Quach Manh Hao (PhD Fin, Birmingham). Thang Long Securities publishes this report, but all errors if any are the authors'. We thank clients for reading our research products and giving us feedbacks.

RESEARCH AND INVESTMENT ADVISORY GROUP

We offer economic and equity research. The Economic Research Team led by The Anh Pham (PhD, Manchester) has been offering periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team led by Do Hiep Hoa (MBA, Hawaii; CFA Level III Candidate) has been offering reports on listed firms, private equities and sector reviews. The Research and Investment Advisory Group has been also offering regular market commentaries - The Investor Daily and The Investor Weekly.

THANG LONG SECURITIES INC.

Established in 2000, Thang Long Securities Joint Stock Company (Thang Long) was one of the first securities firms operating in Vietnam. The company is authorized under Vietnam Securities Law to provide a full range of services including brokerage, research and investment advisory, investment banking and capital markets underwriting. With over 400 employees located throughout an expansive network of offices in Hanoi, Ho Chi Minh City, Haiphong and other strategic locations, Thang Long is one of the best known securities firms in Vietnam. Our client base consists of retail and institutional investors, financial institutions and domestic corporations. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management and MB Capital, Thang Long Securities is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match. Since its establishment, Thang Long has become widely regarded throughout Vietnam as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share in 2009.
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy
- A trusted provider of investment banking services for domestic middle market companies

OFFICES

Headquarter: 2nd Floor, Toserco Building, 273 Kim Ma St., Ba Dinh, Hanoi. Phone: +84(4) 3726 2600.
Research Office: 4th Floor, Vinaconex Building, 34 Lang Ha St., Ba Dinh, Hanoi. Phone: +84(4) 4456 8668. E: research@thanglongsc.com.vn

DISCLAIMER

The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of the Thang Long Securities Company. The expressions of opinions in this report are subject to changes without notice. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. Any recommendations contained in this report are intended for general/public investors to whom it is distributed. This report is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe for any investment. This report may not be further distributed in whole or in part for any purpose. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.