

### MONEY INFLOWS INTO VIETNAM CONTINUE TO BE MAINTAINED AND FOREIGN CURRENCY RESERVE HIT NEW RECORD

Figures show that FII and FDI inflows into Vietnam in the first month of 2018 were well maintained with FII cash inflows to the securities market, totaled USD392 million (compared to USD1163 million for the entire year 2017). In addition, the successful sales of state capital in January 2018 continues to attract interest from foreign investors. FDI disbursements in January 2018 reached USD1.05 billion, up 10.5% year over year. The data released by the World Bank on remittances to Vietnam in 2017 is USD13.8 billion which is equivalent to 6.28% of GDP in 2017 and significantly higher than the average annual remittance of USD11 billion in period 2011-2017. In addition, the trade surplus is expected to be USD181 million in January 2018. Impressive cash flow has helped the State Bank boost foreign currency purchasing activities, enhanced the foreign currency reserve to USD 59 billion in the first week of February 2018. The trend of new capital inflows to Vietnam continue to be remained by the factors attracting investors by maintaining the economic growth rate and securities investment opportunities.

### LENDING INTEREST RATES ARE IN DOWNTREND

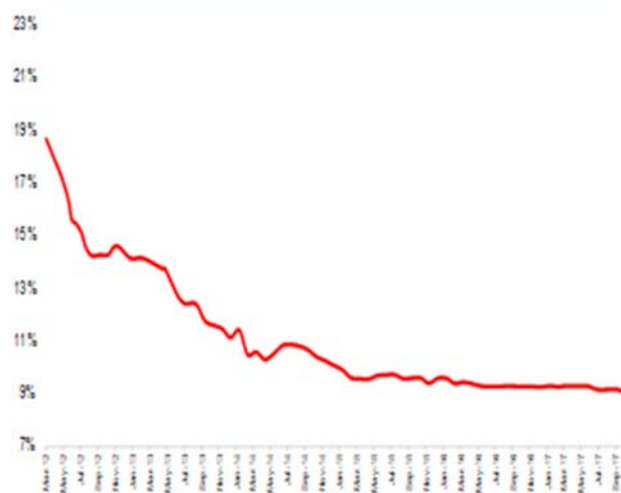
The Government of Vietnam has set a target supporting the growth of small and medium enterprises (SMEs) as an important one for economic growth. Commercial joint stock banks have reduced lending rates for enterprises in the priority group by 0.5% setting new short-term lending interest rate by 6% per annum and long-term rate at 7.5% per annum. The liquidity of the banking system has been enormously sustained thanks to the impact of new capital inflows into Vietnam and the net profit margin (NIM) of the bank has gradually improved due to lower funding costs allowing commercial banks to reduce interest rates on loans to enterprises. On the other hand, the restructuring of lending from corporate lending to personal consumer finance also supports the bank's profitability. Trends in lending rates in 2018 will stabilize at the level of 2017 for the whole economy and fractionally decline for the priorities industries. It is forecasted that deposit rates will not volatile too much compared to the level established in 2017.

### REMITTANCES AND REMITTANCE-OVER-GDP RATIOS IN PERIOD 2011-2017 (%)



Source: GSO

### AVERAGE LENDING RATE IN PERIOD 2012-2017



Source: VFM/SC

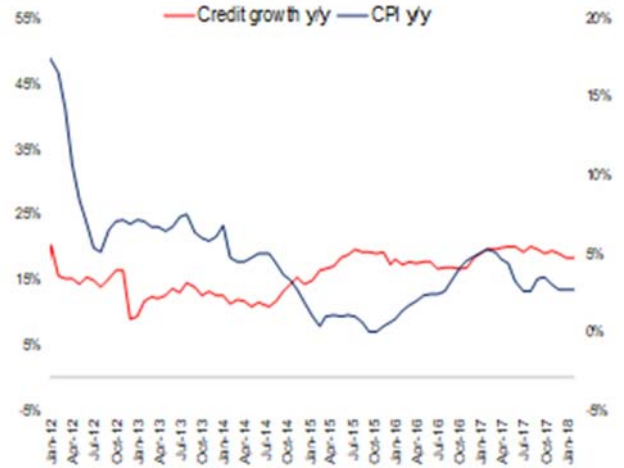
### INFLATION INCREASED REMARKABLY IN JAN 2018 AND GOVERNMENT CONTROLLING TARGET FOR ENTIRE YEAR UNCHANGED

Inflation in January 2018 increased by 0.56% month over month and grew by 2.65% over the same period last year. This is a significant increasing month among months in Q4 of 2017. The main reason for the increase of inflation in January 2018 was the rising in gasoline prices and the adjustment of electricity prices. Inflation is on a uptrend globally and inflation in Vietnam is not out of this trend. The inflation forecast for 2018 will be 4% for the whole year and higher than that of 2017 (2.6% for the whole year). With the aim of controlling inflation, the State Bank of Vietnam (SBV) has set a target for credit growth of 17% in 2018 (lower than the growth rate of 18.17% in 2017) and tightened control of the level of money supply. Price adjustments for education and health services will be done cautiously so as not to alter the target inflation. Inflation is expected to increase in the first half of the year and gradually decrease in the last months of 2018.

### US ECONOMIC CYCLE AND IMPACT ON GLOBAL SECURITIES MARKET

The US economy has recovered considerably under the influence of easing monetary policies to support economic growth. Inflation in the United States in December 2017 continued for three straight months being higher than 2% (compared to the same period last year), reaching the target set by the Federal Reserve (FED) aiming to deploy their tightening monetary policies. Fed has continually raised the Federal funds rate in the US from 0.75% in December 2015 to 2% in December 2017 and has had an impact on investment flows in emerging markets during the period by the end of 2016. The economic cycle forecasts show that the US economy is entering the end of late upswing phase (cyclical downturns may occur in 2020) Negative inflation creates negative impacts on the securities market. However, analyzes present that volatility in the US market will not cause serious damage to the cash flow of investment in equities and emerging markets in 2018.

CREDIT GROWTH AND INFLATION IN PERIOD 2012-2018 (%)



Source: GSO/VFM

INFLATION AND THE US FEDERAL RATE (%) IN PERIOD 2012-2017



Source: Bloomberg