

CPTPP AND PROMOTION IN ECONOMIC REFORM

After a year of postponement and amendment, 11 countries (including Vietnam) finally entered into the Comprehensive and Progressive Agreement of Trans-Pacific Partnership (CPTPP) in early March 2018. It covers 13.5% of global GDP, 15% of world trade and a population of 499 million. The signing of CPTPP with the participation of Vietnam continues to affirm Vietnam's efforts to join the global free-trade market. Applying the agreements at CPTPP from 2019 combined with the formation of free trade agreement between Vietnam and Europe (EVFTA), makes Vietnamese economy attract strong investment from foreign investors. The textile, footwear and food processing industries can benefit directly from investment and export from the CPTPP regulations. Besides, the main benefit from CPTPP for Vietnam is the promotion of the government's drastic institutional change. In order to meet the high requirements of the agreement, regime changes will have to be as close to the standards of advanced countries, creating a favorable competitive environment for enterprises. The benefits of regime change in 2016-2017 are clear to the Vietnamese economy and will continue to be maintained in the coming years.

MEMBERS OF COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP (CPTPP)

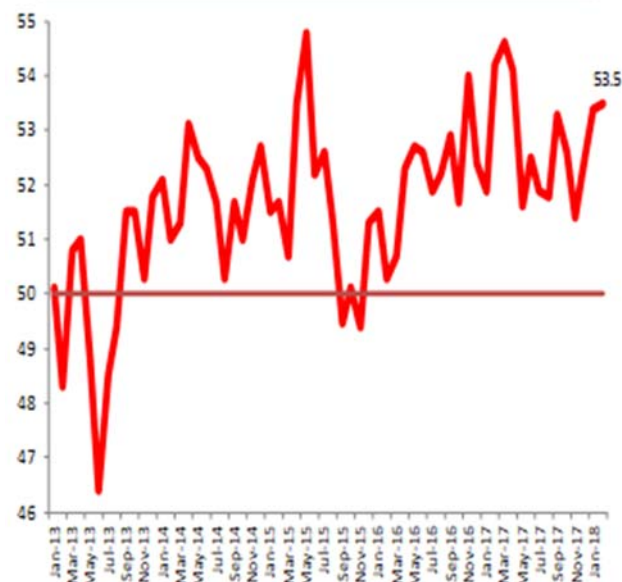


Source: Vir.com.vn

GDP GROWTH CONTINUES TO BE MAINTAINED IN THE FIRST 2 MONTHS OF 2018

According to the analysis of the National Financial Supervisory Commission (NFSC), Vietnam's economy is in a growth phase, continuing to recover from the second quarter of 2017. The main drivers for economic growth of Vietnam in Q4/2017, including high growth in industrial production and domestic consumption, continued to remain in the first two months of 2018, in the context of improving production and business. PMI in February 2018 reached 53.5 points, highest one in the last 10 months. Industrial production index (IPI) in Feb rose by 15.2% over the same period last year. In total, the first two months of 2018, IPI increase of 2.4% compared to the same period of 2017's index. Production growth rate of special processing industry high (17.7% yoy) due to the activities of FDI enterprises. After the first two months of this year, the total retail sales of consumer goods and services were forecasted at VND 704 trillion, up 10.1% over the same period last year (rose 8.7% after adjusting for inflation, the same period in 2017 increased 5.1%). With the recovery of agricultural production and mining in 2018 compared to 2017 (due to climate disasters and low oil prices in the first half of 2017), the performance of the economy is presenting the potential for economic growth. The first quarter of 2018 could maintain the growth rate achieved in Q4 2017.

PURCHASING MANAGER INDEX (PMI) PERIOD 2013-2018 (%)

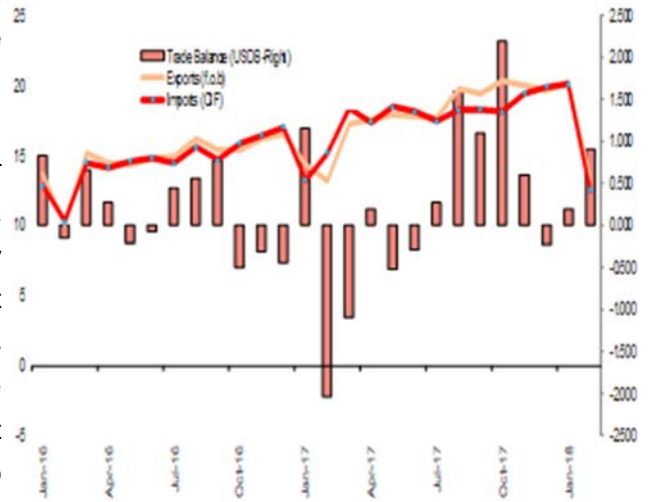


Source: Markit

VIETNAM WITNESSED A STRONG GROW IN EXPORT-IMPORT ACTIVITIES

In the first two months of 2018, the value of import and export goods increased sharply over the same period of 2017. After two months, the total export value of goods reached USD33.62 billion and the total import values was 32.54 billion USD, increasing 22.9% and 15.3% respectively over the first two months of 2017. The trade balance for the first two months of this year reached USD1.08 billion, which is a sign of the trade surplus in Vietnam. The export value of 2018 is mainly contributed by FDI enterprises (accounting for 71.3% of the total export value), however, the export growth rate of the domestic enterprises has significantly higher growth rates than the overall growth rate (cumulative 2 months up 25.7% over the same period of 2017). Export activity will continue to have a high growth rate in 2018 compared to the rate in 2017, when many FDI enterprises are going to start operating. and export activities are supported by the stability of VND/USD exchange rate. Maintaining a trade surplus also contributes significantly to maintaining the flow of dollars into Vietnam and helping stabilize the macro economy.

TOTAL IMPORT-EXPORT VALUE (LHS) AND TRADE BALANCE (RHS) IN PERIOD 2016-2018 (USD bil)



Source: GSO/VFM

HIGH CORRELATION BETWEEN STOCK AND BOND MARKET

Analyzing volatility of VN-Index and Vietnam government bond yields (3-year term, the most commonly traded and highest volume of new issuance tenor period) in period 2011-2018. The correlation between these two factors was very strong (correlation coefficient is -0.82). The stock market has always fluctuated in the inverse direction with yield of government bond. At the moment, yields on government bonds are in the lowest stage since 2011 and the stock market is likely to set a new peak since 2007. Current macroeconomic movements are supporting to maintain low interest rate and to keep sustainability of the stock market. However, with the fluctuations in government bond yields should be monitored closely to be able to give early warning about the possibility of interest rates rebound. Raising interest rates will adversely affect the business performance of businesses and will cause a decrease in stock prices.

3-YEAR GOVERNMENT BOND YIELDS MOVEMENT (RHS) AND VN-INDEX (LHS) IN PERIOD 2012-2018



Source: Bloomberg