

NOTES ON VIETNAM'S STOCK MARKET IN 2001

by MEcon. HỒ VIỆT TIẾN

1. A panoramic view

Table 1: Vietnam's stock market in 2001

Stock	Number of stocks traded	Ratio of traded stocks to listed ones	Ratio of stock traded in a session to listed stocks	Value of stocks traded (VND1,000)	Average sales of a session (VND1,000)	Market price of company (VND1,000 on Dec.31,2001)	Ratio of traded value to market price
REE	6,146,600	40.98%	0.27%	273,844,730	1,813,541	493,500,000	55.49%
SAM	8,056,600	67.14%	0.44%	386,373,600	2,558,766	417,600,000	92.52%
HAP	1,228,600	121.88%	0.81%	98,919,740	655,098	55,440,000	178.43%
TMS	1,930,700	87.76%	0.58%	134,331,430	889,612	99,000,000	135.69%
LAF	698,500	36.57%	0.24%	38,733,200	256,511	64,934,560	59.65%
SGH	519,600	29.42%	0.41%	18,193,260	252,684	42,921,090	42.39%
CAN	110,500	3.16%	0.10%	4,041,520	130,372	126,700,000	3.19%
DPC	44,900	2.83%	0.19%	1,475,220	98,348	45,078,752	3.27%
BBC	229,800	4.10%	0.68%	6,291,650	1,048,608	148,400,000	4.24%
TRI	62,400	1.65%	0.82%	1,821,200	910,600	111,813,850	1.63%
Total	19,028,200	39.35%	0.45%	964,025,550	6,384,275	1,605,388,252	60.05%

Source: Đầu tư chứng khoán (Stock Investment Magazine) no. 58 – 109.

Although the number of listed stocks doubled in 2001, the size of Vietnam's stock market is still small. In absolute terms, there are only 10 listed companies making the Vietnam's stock market rank 91 among 98 markets listed by the WB in 2000. Even at the peak of the VN-index, the total capital in the stock market reached only US\$195 million and fell to 106 million by the end of 2001, ranking 93 among the said 98 markets. In relative terms, the value of the last session equaled only 0.3% of the GDP and some 1% of the gross investment in comparison with the value of the world stock market in 1999 equaling 119% of the world gross product while this value in developed countries equaled some 40% of the GDP. In other words, the Vietnam's stock market failed to play the role as a barometer of the economy and a channel of long-term capital.

Like the size of capital mobilized, the volume of transaction is also small. The average capital turnover of a company on the stock market

was 60.05% as compared with 94% in developed countries and 158.3% in China. The ratio of stock traded in a session to listed stocks was even lower, 39.35% only. The difference between those two ratios was due to changes in the trading volume during bear or bull markets.

Thus, Vietnam has only a thin market where the difference between supply and demand is great with the result that the trading volume differs greatly over sessions (this difference rose to 424 times in 2001). This reflects low liquidity of the market. This is also the main reason why the market attracted only individual investors, instead of investment companies.

The Table 1 also shows the liquidity of each stock. Four leading stocks – REE, SAM, HAP and TSM- represented 92.6% of the trading volume. The most wanted stocks were HAP and TSM while the least ones were CAN and DPC.

2. Efficiency and risk involved in investment in stocks

The efficiency of the stock investment could only be based on rises in prices of stocks because dividend hasn't been informed by companies yet.

Regarding the return on capital, four out of 10 stocks produced negative profit. The highest loss was found in DPC (18.86%) while LAF produced the highest profit of 78.01%. The reason was the LAF was sold at low prices in 2001 while the price of DPC was floated since its first trading session. The profitability of the stock market reflected in the VN-index of 11.80% which was higher than the bank rates of interest and return on listed bonds.

This profitability is acceptable, and even encouraging, when the world stock market was in the doldrums in 2001: the average return on capital was -16.33% in the world stock market and -4.41% in the ASEAN one.

Table 2: Changes in prices of stocks in 2001

	VN-index	REE	SAM	HAP	TSM	LAF	SGH	CAN	DPC	BBC	TRI
Max	571.04	95	78.5	146	141	82.5	52	39	35	28	29.5
Min	203.12	28.7	30.5	45.7	34.6	19.1	21.1	27.1	28.4	26.5	29
Average	312.85	47.2	46.0	86.2	64.5	42.0	30.8	34.2	31.7	27.3	29.3
Return on capital	11.80%	-1.50%	2.96%	20.35%	30.06%	78.01%	-3.57%	33.58%	-18.86%	-1.85%	1.72%
Volatility	27.21%	30.11%	23.38%	25.64%	37.05%	36.97%	22.51%	10.99%	6.56%	1.76%	0.85%

Source: *Đầu tư chứng khoán* (Stock Investment Magazine) no. 58 – 109.

Regarding the risk of investment, the Table 2 shows that all the listed stocks have experienced volatility of over 20% since May and as a result, the general volatility of the Vietnam's stock market reached 27.21%. Our survey of 16 leading stock markets in the world reveals that their average volatility in 2001 was 10.55% and the highest volatility was only 14.66%. This means that the Vietnam's stock market was three times riskier than foreign markets. In our opinion, the main reason for the high volatility was the policy

tively independent. In other words, the lower the degree of relation between these stocks the better.

The Table 3 allows the following remarks:

- Two stocks, BBC and TRI, are excluded from the Table because they were traded in a few sessions (six and two respectively). The stock DPC could be also excluded from this Table for the same reason.

- Six stocks that have been listed and traded for at least five months (from REE to SGG in the Table 3) have high coefficients of relation

(above 0.5), that is, prices of these stocks changed in the same direction. If we put all these stocks in a portfolio, we can hardly avoid risk.

- The coefficient of relation between CAN and other stocks is negative and very small. This means that the CAN price didn't change in the same direction as prices of REE, SAM, HAP, LAF and SGG. But we can't be sure of this tendency because the coefficient was too small. Statistics show that only coefficient of relation between CAN and HAP was big and stable enough. This means that only those two stocks could be put in the same portfolio.

Table 3: Relation between stocks in terms of price

	REE	SAM	HAP	TSM	LAF	SGH	CAN	DPC	VN-index
REE	1	0.98	0.71	0.96	0.90	0.60	-0.057	0.97	0.99
SAM	0.98	1	0.76	0.96	0.89	0.53	-0.061	0.97	0.99
HAP	0.71	0.76	1	0.73	0.84	0.13	-0.348	0.90	0.78
TSM	0.96	0.96	0.73	1	0.86	0.52	0.455	0.98	0.97
LAF	0.90	0.89	0.84	0.86	1	0.58	-0.059	0.97	0.93
SGH	0.60	0.53	0.13	0.52	0.58	1	-0.064	0.95	0.58
CAN	-0.057	-0.061	-0.348	0.455	-0.059	-0.064	1	-0.132	0.053
DPC	0.97	0.97	0.90	0.98	0.97	0.95	-0.132	1	0.99
VN-index	0.99	0.99	0.78	0.97	0.93	0.58	0.053	0.99	1.00

Source: *Đầu tư chứng khoán* (Stock Investment Magazine) no. 58 – 109.

to restrict the change in stock price to a band of 2% in each trading session. In other words, the stock market authority had better have prices of stocks determined by market forces.

To reduce risk, investors can have a portfolio. Stocks in the Vietnamese market can hardly be included in the portfolio because of their low liquidity. Meanwhile, the number of listed stocks is too small (10 only) to work out a proper portfolio. A more important factor to a portfolio is the characteristic of stocks included: they must be rela-

3. Conclusion

The Vietnam's stock market is still very small regarding its number of listed stocks, size of trading volume and capital, and capital turnover. Its return on capital, however, is higher than in other stock markets. This means that this market is riskier (fluctuation in price is wider and the coefficient of relation is higher). The risk could be reduced and profitability higher when more stocks are listed and the legal infrastructure is beefed up. ■

