

# VIETNAM MARKET OUTLOOK

March 2022

**Capable of rising above global issues by distinct characteristics**

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Vietnam continued its manufacturing growth in February with the industrial production index rising 8.5% y/y and the Markit PMI expanding to 54.3 from 53.7 in last month. Disbursed FDI increased 7.9% y/y in February to US\$1.07bn, while FDI commitments decreased 15.9% y/y to US\$2.9bn due to the spike of huge projects last year. Total import-export turnover grew by 17.6% y/y, but posted a trade deficit of US\$2.3bn, while the domestic trade recorded an increase of 3.1% y/y in total retail sales. Interbank interest rates increased throughout February as liquidity in banking system was constrained during the Lunar New Year period, which people spend and use a lot of cash. The CPI increased 1% over last month and increased 1.42% over the same period last year. The VND rate at central bank depreciated by 0.18% against the USD in February and the offer rate at Vietcombank also increased 0.75% m/m.

After the Lunar New Year festival in early February, investors came back to market with an exciting session and then are struggling sessions around 1,500 points. The VNIndex ended the month with a 0.8% gain to 1,490.1 points amid the breakout of the Russia-Ukraine war. The new community spread of COVID-19 cases surged rapidly, combined with uncertainties related to supply disruptions and pressures of inflation impacted on investors sentiment. The average trading value on the VNIndex was down 15.6% over last month but the new accounts opened in February grew by 8.4% over last month despite February only have 16 working days. Foreign investors were net sellers for the month with a net sell of US\$14.9m, less than net selling of US\$130m in January.

The immediate issue the market is keeping an eye on at this time is the decision of Fed to rise the interest rates and tightening of monetary policies across the world to cope with rising inflation. The breakout of the war in Ukraine also has investors keeping watch on how it could affect the Vietnamese economy, which is as of yet unclear given all the uncertainty surrounding the situation, however initial concerns seem pinned around rising oil prices and their potential to contribute to inflation. Regarding the pandemic, new community spread cases surged after the Tet holiday, spread over the country and surpassed 100,000 cases/day while schools reopening after year-long pandemic closure. We're monitoring potential spikes in overall and serious-case COVID-19 rates across the country as an overwhelming of the health care infrastructure could still pose a threat to the economic recovery and interrupt the business in short-term. However, given the high vaccination rates in the country along with increasing access to therapeutics, we do not expect any major moves to impede the economic recovery. Tourism activities are slated to reopen on March 15<sup>th</sup>, which could further boost the recovery in the services and tourism sectors, however, we do not expect mass tourism to return as soon as the borders open as it will take some time to adjust to new entry requirements and visa policies which have been dormant for two years.

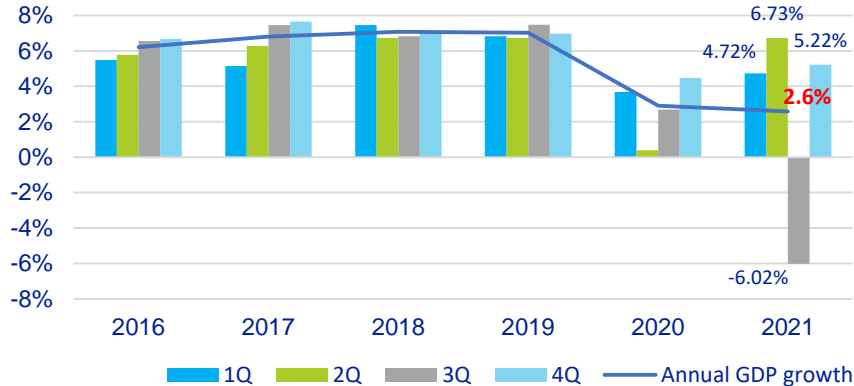
1. Macroeconomics
2. Equity Market
3. Topical Issues
4. Industry Briefs



- ❖ **The IIP** in February continued **growth by 8.5% y/y** despite its decrease of 12.4% m/m given long holiday of Lunar New Year. **For 2 months, IIP increased by 5.4% y/y**, the lowest in 5 recent years. **The Markit PMI expanded to 54.3** from 53.7 in last month, remained recovery with output and new orders rise sharply.
- ❖ **Disbursed capital went up 7.9% y/y** while FDI pledges decreased 15.9% y/y in February due to the spike of huge projects last year. **For 2 months, capital inflow increased 7.2% y/y** and FDI pledges down 8.5% y/y.
- ❖ **Total import-export turnover** in February decreased to US\$48.2bn (-20% m/m, +17.6% y/y), and posted a **trade deficit of US\$2.3bn**. Exports to China continued to be difficult as China is continuing its zero-COVID policy which affects land border crossings between Vietnam and China. For domestic market, **total retail sales** of consumer goods and services **increased 3.1% y/y** and declined 7.1% m/m.
- ❖ **Interbank interest rates increased throughout February** as liquidity of banking system was constrained during the Lunar New Year, which people spend and use a lot of cash. **The CPI increased 1%** over last month and **increased 1.42%** over the same period last year. **The VND rate at central bank depreciated by 0.18%** against the USD in February and the offer rate at Vietcombank also increased 0.75% m/m.
- ❖ Gasoline prices reached a new historic peak in Vietnam after two rounds of price hikes in retail gasoline prices from early this year to VND26,280 (RON-95) from Feb 13. There have been concerns of interrupted fuel supplies as some areas witnessed gas station closures on lack of suppliers, but the government ensures that the fuel supply will be maintained. The Ministry of Industry and Trade has instructed 10 gasoline distributors to import 840,000 cubic meters of gasoline and 1.56 million cubic meters of diesel to overcome weeks-long shortages.
- ❖ The Ho Chi Minh City People's Committee and the Imex Pan Pacific Group (IPP) signed a MoU on studying the plan of building the International Financial Hub of Vietnam in the city. IPP Group will sponsor the study plan of establishing the International Financial Hub in HCM City, connect with foreign investors and foreign investment funds to build an international financial hub, rent domestic and international consultant agencies to build the plan and hire American enterprises to provide consultancy on the plan completion.

# 4<sup>th</sup> Quarter GDP bounced back by 5.22%

## Vietnam GDP growth by quarter

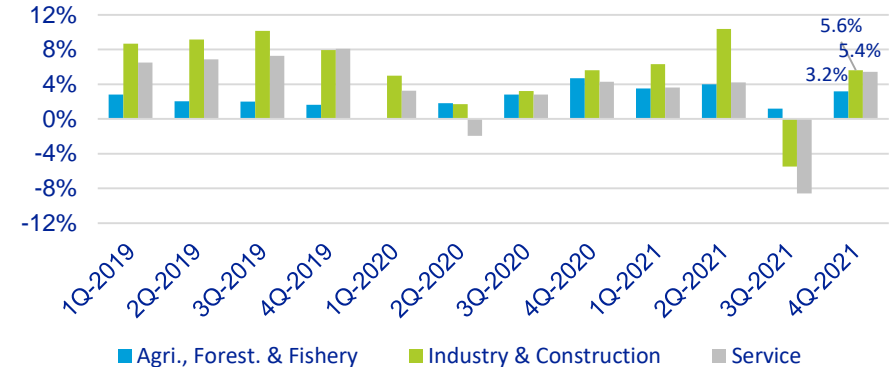


Source: GSO, ACBS

- ❖ Vietnam GDP growth in the 4<sup>th</sup> quarter increase by 5.22% after the deepest quarterly decline in the 3<sup>rd</sup> quarter thanks to the Government new strategy of “living with COVID-19” helping the economic reopening in major cities and maintain businesses across the country despite spreading of COVID-19 in several provinces. In which, the Agriculture-forestry-fishery (+3.16%) remained the positive growth, Industry-construction (+5.61%) and Service (+5.42%) sectors returned to positive growth leading the GDP of 2021 increased 2.58%, lower than 2.91% of 2020 but it's an encouraging result in the difficult year due to COVID-19.

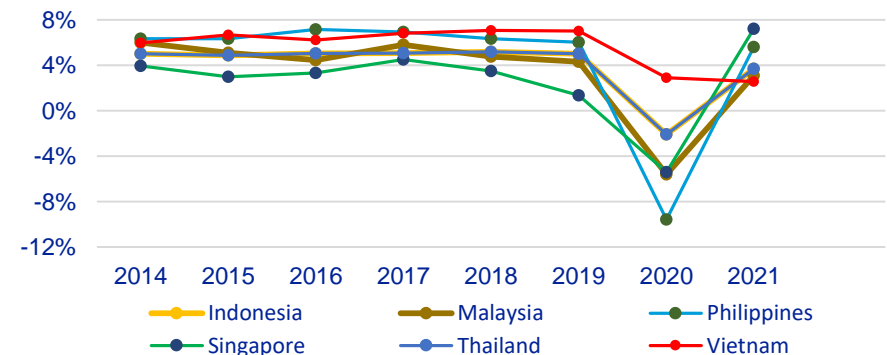
- ❖ Vietnam's GDP growth trailed some of its ASEAN peers in 2021, mainly driven by the low 2020 base where peers posted negative GDP growth while Vietnam maintained positive figures.

## GDP growth breakdown



Source: GSO, ACBS

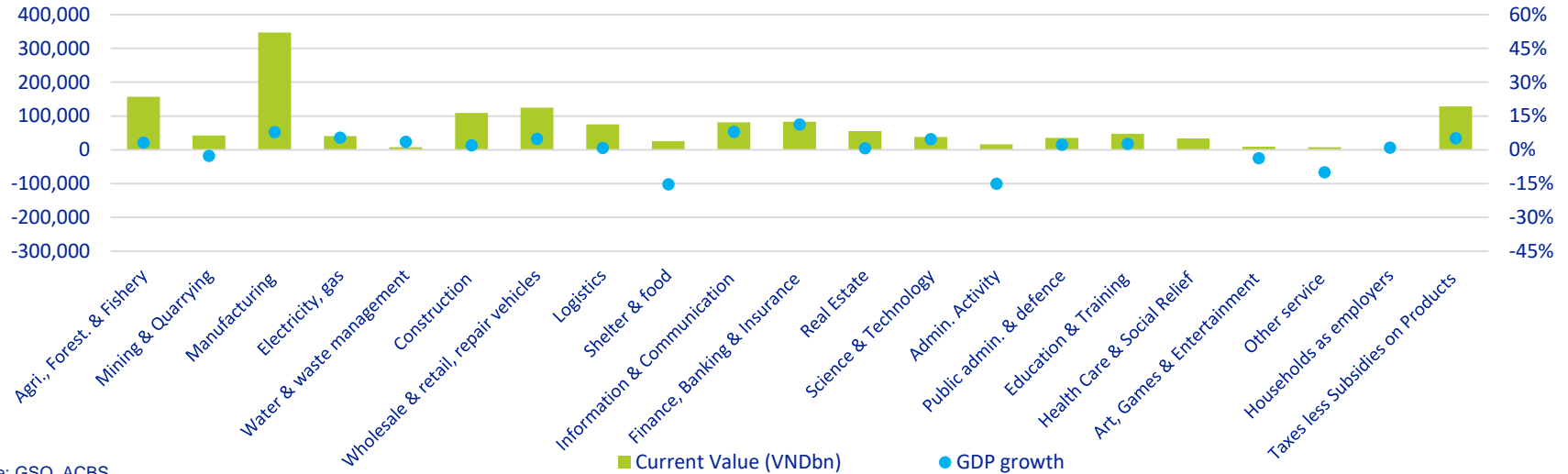
## Vietnam GDP growth and peer market



Source: World Bank, ACBS

# GDP breakdown by industry

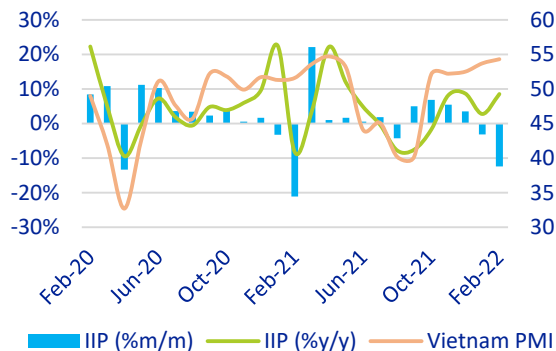
## GDP by Industry in 4Q2021



Source: GSO, ACBS

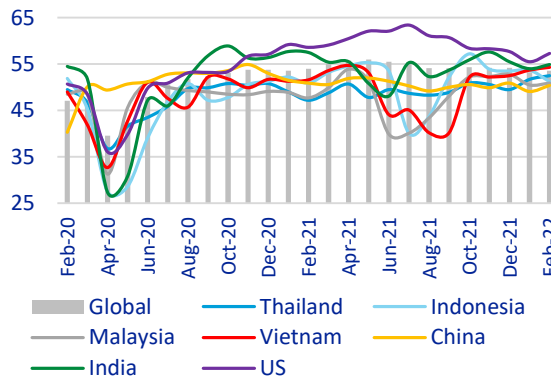
- ❖ Most industries recovered in the 4<sup>th</sup> quarter when the period of strict social distancing ended in major industrial hubs in southern cities and manufacturing recovered in last months of year. Manufacturing, the largest proportion of total GDP, returned to increased 8% y/y, Finance-banking & insurance also increased sharply by 11.2%, construction grew 2.1% while Mining & quarrying declined by 2.7%.
- ❖ Some service sectors are still affected by COVID-19 pandemic lockdown such as shelter & food (-15.3% y/y), Art, Games & Entertainment (-3.7%) and other services (-10%).

## Vietnam IIP and PMI



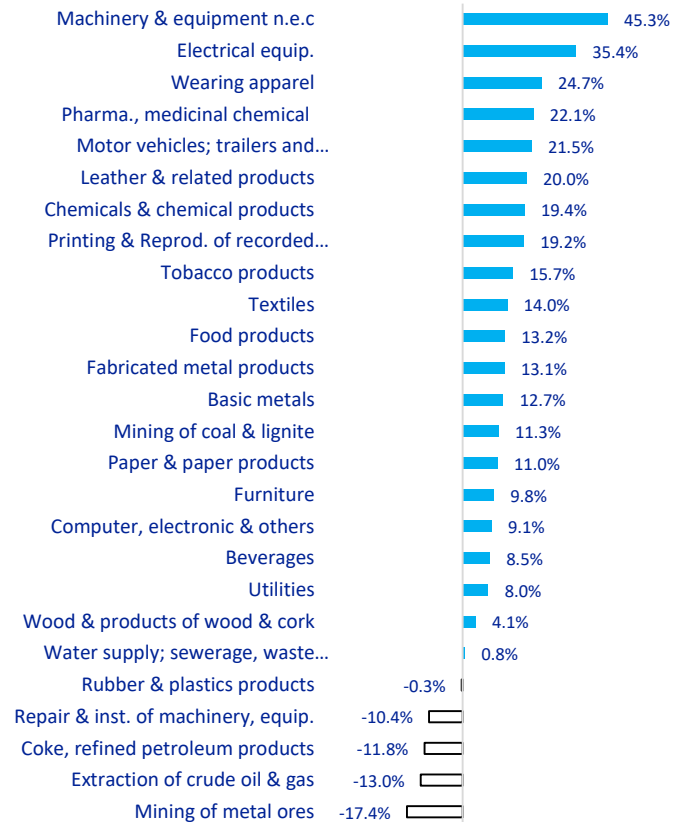
Source: GSO, IHS Markit, ACBS

## Vietnam PMI and other markets



Source: Bloomberg, IHS Markit, ACBS

## IIP Feb 2022 by industry



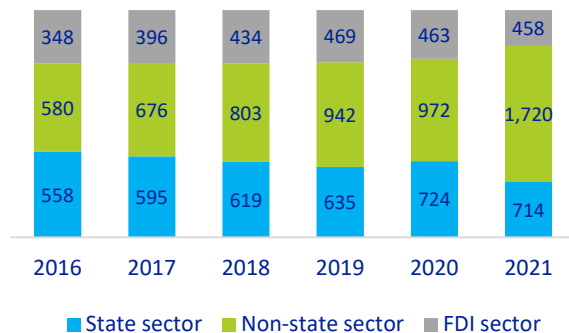
-40% -20% 0% 20% 40% 60%

Source: GSO, ACBS

- ❖ The IIP in February grew by 8.5% y/y, despite its decrease of 12.4% m/m given the long holiday for the Lunar New Year. For 2 months, IIP increased by 5.4% y/y, the lowest in 5 recent years and registered the expansion in 56 provinces and contraction in 7 provinces. The highest growth province was Ha Giang (+46.2% y/y) and the lowest was Tra Vinh (-17.5%). Some notable products in 2 months were clean coal (+5.3% y/y), steel (-3.4%), food for cattle (+10.4%), television (-32.4%), oil & gas (-12.8%), rolled steel (+10.5%), bar steel, angle steel (+6.1%).
- ❖ The Markit PMI expanded to 54.3 from 53.7 last month and remained in expansionary territory with output and new orders rising sharply. However, manufacturers are facing challenges of labor shortage in short-term given COVID-19 spreading and high input costs due to rising gasoline and materials prices.

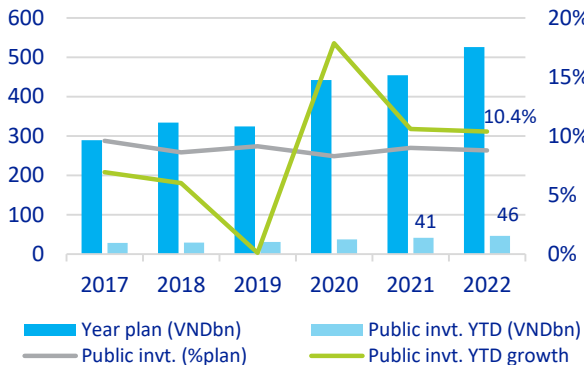
## Total investment disbursement

Unit: VNDtn



Source: GSO, ACBS

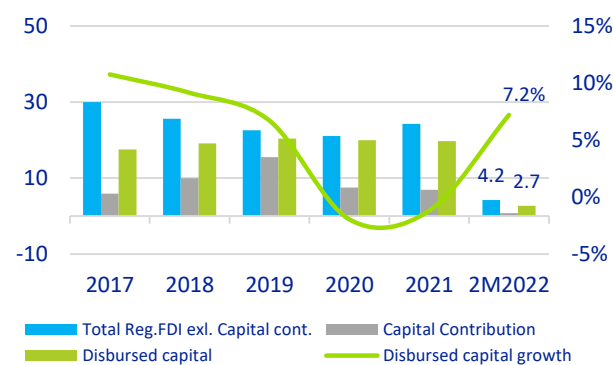
## Public investment in 2M



Source: GSO, ACBS

## FDI attraction by years

USDbn

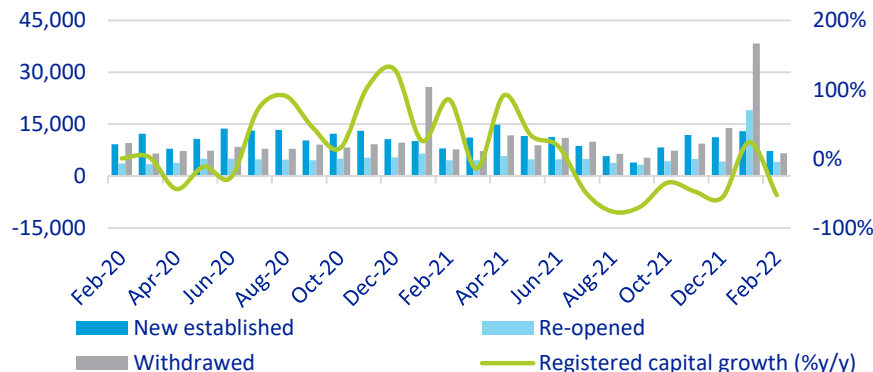


Source: MPI, ACBS

❖ In February, Vietnam spent VND20.5 trillion on public investment, an increase by 10.9% y/y (vs +1.1% y/y in Feb 2021), completing 8.8% of the annual plan in 2 months. Public spending in the two months mainly concentrated on unfinished projects of previous years. The speed of disbursing capital was still slow, but the stimulus package passed in January, which allocates about USD 7.6 billion for public investment is expected to benefit this sector in next two years.

❖ In terms of the private sector, both numbers of new registered (7,284, -9.4% y/y) and reopened (4,071, -11.6%) enterprises fell in February. Besides, the number of enterprises withdrawing from the market also fell to 6,616 (-14.1%).

## Enterprises activities



Source: GSO, ACBS



Key projects in progress	Est. capital (VNDbn)	Implementation Progress
Long Thanh International Airport - Site clearance project	22,856	Disbursed capital totaled VND13,251bn (58% total plan)
Long Thanh International Airport - Construction project - Phase 1	109,111	Start construction in Jan 21
East North - South Expressway (period 2017-2020)	118,716	Disbursed capital totaled VND12,036bn (83% total plan)
Cao Bo - Mai Son	1,600	96%, on schedule. Expect completed in Dec 21 as plan.
Mai Son - National Highway 45	12,920	41%, on schedule
National Highway 45 - Nghi Son	6,330	Started construction in July 21. 7%, on schedule
Nghi Son - Dien Chau	8,380	Started construction in July 21. 7%, on schedule
Dien Chau - Bai Vot (PPP)	13,340	Started construction in May 21
Cam Lo - La Son	7,670	70%, behind schedule
Nha Trang - Cam Lam (PPP)	7,615	Started construction in July 21, raising capital
Cam Lam - Vinh Hao	13,960	BOT contract signed in Jul 21, signed credit contract
Vinh Hao - Phan Thiet	11,600	18%, behind schedule
Phan Thiet - Dau Giay	14,360	24%, behind schedule
My Thuan 2 bridge	5,000	72%, ahead of schedule

## Key Government decisions on Public investment in 2021 & 2022

Resolution No. 29/2021/QH15 dated Jul 28, 2021 on the medium-term public investment plan for the period 2021 - 2025. Accordingly, the average total investment fund of the whole society for the 2021-2025 period will be about 32-34% of GDP, the average proportion of public investment fund in five years will be about 16-17% of the total investment fund of the whole society.

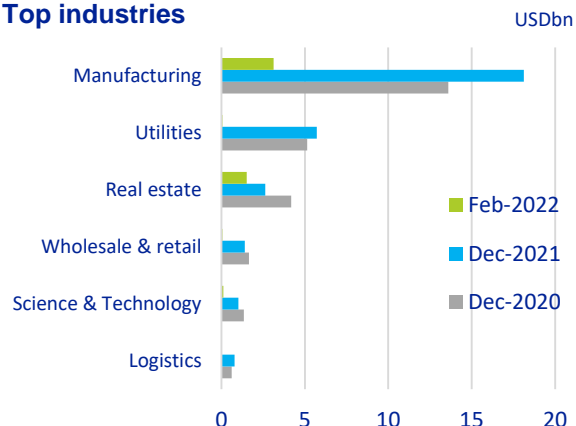
Decision No.1769/QD-TTg dated Oct 19, 2021 on Approving the railway network planning for the period 2021 - 2030 with a vision to 2050. Accordingly, the national railway network will have 9 new railway lines by 2030, for a total length of 2,362 km, including the North - South High Speed Line. Total estimated investment capital is VND240,000bn. Prioritize investment in 2 railway lines Ha Noi - Vinh and Nha Trang - TPHCM.

Directive No. 01/CT-BKHDT signed on Jan 5, 2022 by the Minister of Planning and Investment on implementing Resolution No. 01/NQ-CP of the Government, continue to improve the legal framework and enhance efficiency in the development of legal documents, strongly developing the private economy, strengthening the connection of the FDI sector with the domestic economic sector.

Resolution No. 44/2022/QH15 dated 11 Jan 2022 on investment policy of the East North-South expressway construction project in the 2021-2025 period.

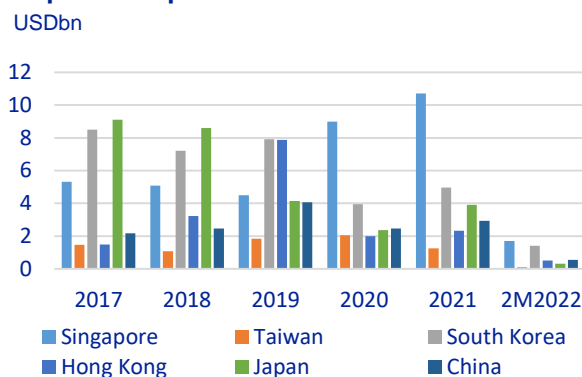
Resolution No. 43/2022/QH15 ("Resolution 43") dated 11 Jan 2022 specifying some fiscal and monetary policies to support the socio-economic recovery and development. In which, increase public investment capital.

## Top industries



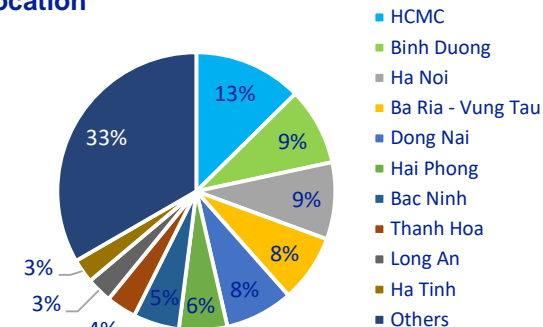
Source: MPI, ACBS

## Top counterparts



Source: MPI, ACBS

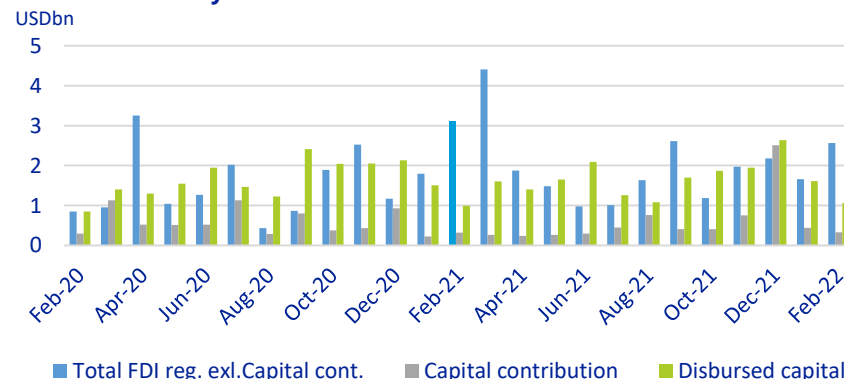
## Accumulated FDI as of Feb 2022 by location



❖ In February, disbursed capital increased by 7.9% y/y to US\$1.07bn while FDI pledges decreased 15.9% y/y to US\$2.9bn due to the spike of huge projects last year; in which, capital contribution continued to increase by 1.2% y/y. For 2 months, capital inflow increased by 7.2% y/y to US\$2.7bn and FDI pledges registered at US\$4.99bn, down 8.5% y/y. The number of newly registered projects surged 183 (+45.2% y/y), 142 projects that registered for additional capital (+23.5%), 400 transactions of capital contribution (-10.1%).

❖ Manufacturing and processing keeps its leading role with the account expanded to 62.7% of total FDI pledges. Singapore remained be the biggest counterpart in first 2 months.

## FDI attraction by month



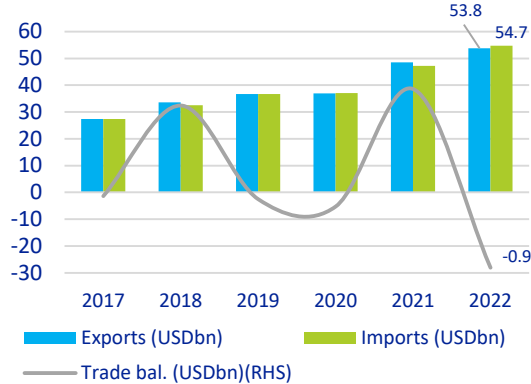
Source: MPI, ACBS

## Major FDI projects in 2022

No.	Projects	Industry	Location	Counterparts	Reg. capital (USDbn)	Certificate granted date
1	VSIP urban construction project	Urban areas and services	Bac Ninh	Singapore	0.94	Jan 2022 (Amended cert.)
2	Samsung's electro-mechanics project	Producing high-tech integrated components for electronic devices	Thai Nguyen	Korea	0.92	Feb 2022 (Amended cert.)
3	Goertek Vietnam Factory Project	Manufacturing electronic products and network equipment and multimedia audio products	Nghe An	Hong Kong	0.40	Jan 2022 (Amended cart.)
4	Goertek Vietnam Factory Project	Manufacturing electronic and network devices and multimedia audio products	Bac Ninh	Hong Kong	0.31	Jan 2022 (Amended cert.)
5	Commercial and services Project of GE Vietnam	Commercial and services	Bac Ninh	Korea	0.22	Jan 2022 (Amended cert.)
6	JNTC Factory	Manufacturing electronic components	Phu Tho	Korea	0.16	Jan 2022 (Amended cert.)

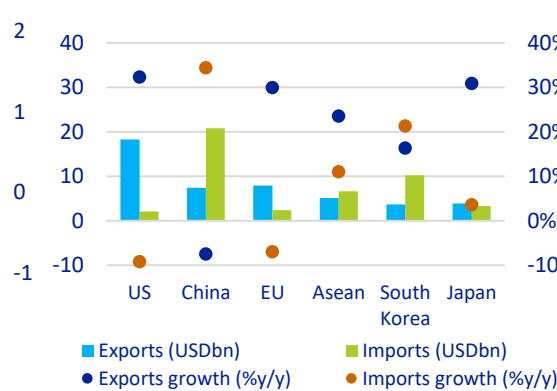
# Foreign trade remained annual growth, posted deficit

## Foreign trade in 2M by years



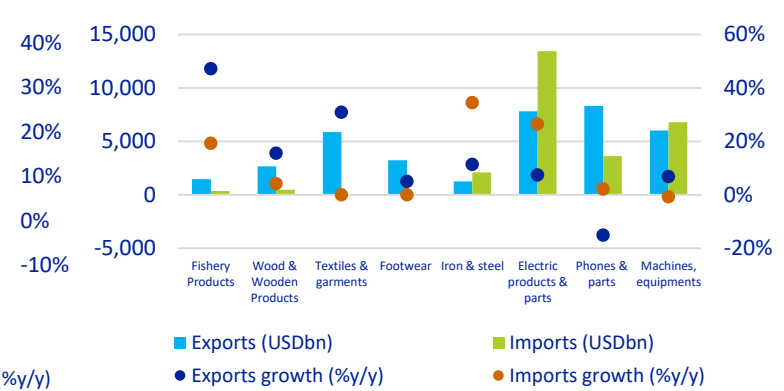
Source: GSO, ACBS

## Main EX-IM markets in 2M2022



Source: GSO, ACBS

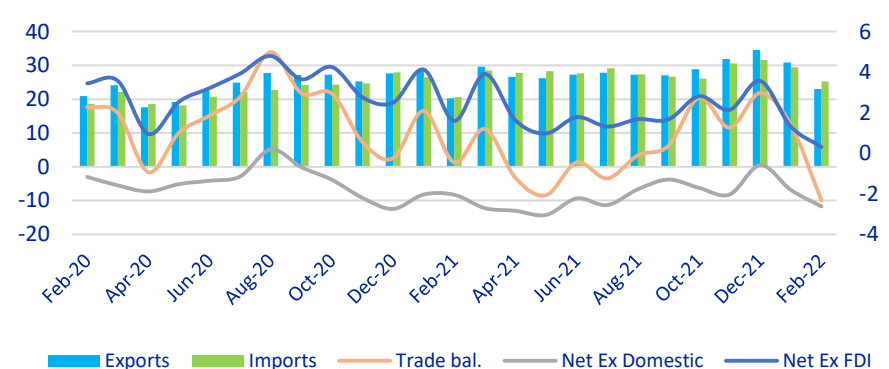
## Main EX-IM items in 2M2022



Source: GSO, ACBS

- ❖ Total import-export turnover in February decreased to US\$48.2bn (-20% m/m, +17.6% y/y), and posted a trade deficit of US\$2.3bn. In which, exports amounted to US\$22.9bn (-25.6% m/m, +13.2% y/y), the imports growth stronger with be estimated at US\$25.3bn (-14.2% m/m, +21.9% y/y).
- ❖ For 2 months, exports to US, the highest importer from Vietnam, grew strongly by 32.3% y/y, the exports to EU, Japan market also surged about 30%. Meanwhile, export to China is still difficulty due to their zero-COVID policy and other restrictions applied on Vietnam's products causing significant damage and reduced the export growth to negative at 7.5%.

## Foreign trade by months (USDbn)

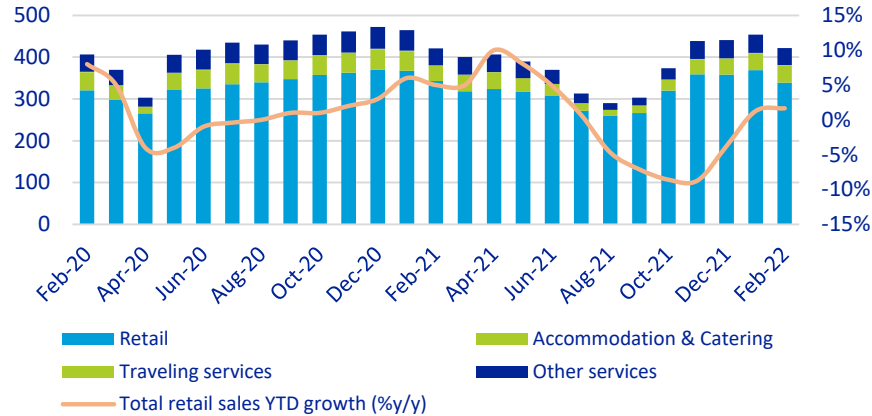


Source: GSO, ACBS

# Retail sales surged in the month of festival

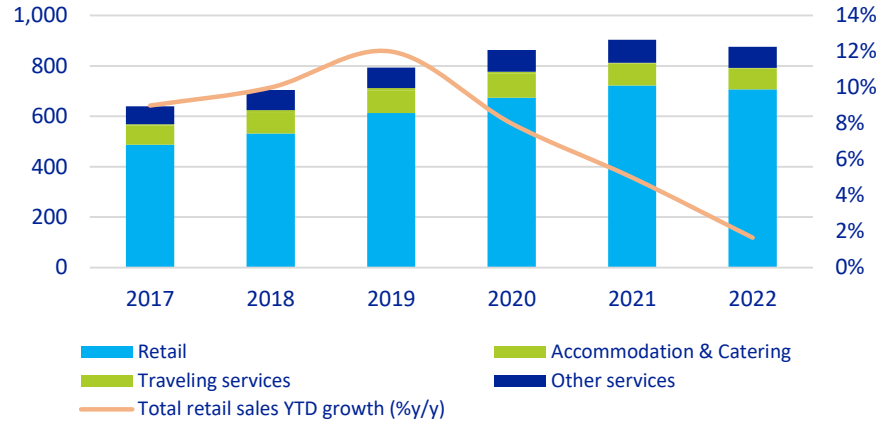
## Retail sales of goods and services monthly

VNDtn



Source: GSO, ACBS

## Retail sales of goods and services in 2M

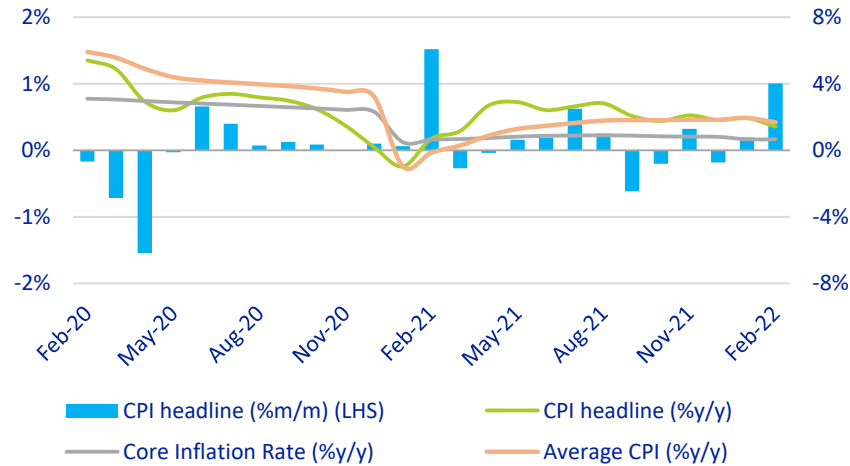


Source: GSO, ACBS

- ❖ Total retail sales of consumer goods and services in February were VND 421.8 trillion (-7.1% m/m, +3.1% y/y). In which, revenue of goods increased 2.4% y/y, accommodation and catering up 12.6%, traveling services surged 39.4% and other services decreased 0.7%. In terms of industry, revenue of cultural and educational items up 12.7% y/y, food and food stuffs increased 9%, transportation went up 4.3% while some items declined such as garments (-8.1%), household tools & equipment (-9.1%).
- ❖ For 2022, we expect the retail sales to continue their recovery thanks 1) high vaccination rates in the country along with increasing access to therapeutics, make lockdowns as seen in 2021 unlikely, 2) local and international travel are expected to pick up in 2022, as the borders are set to reopen to international travelers on March 15<sup>th</sup> which will not only push travelling services but also other services and retail sales of goods and; 3) The retail gas prices increase also pushed retail sales as this item account about 11.7% of total retail sales (as of Feb 2022)

# CPI increased slightly

## CPI monthly



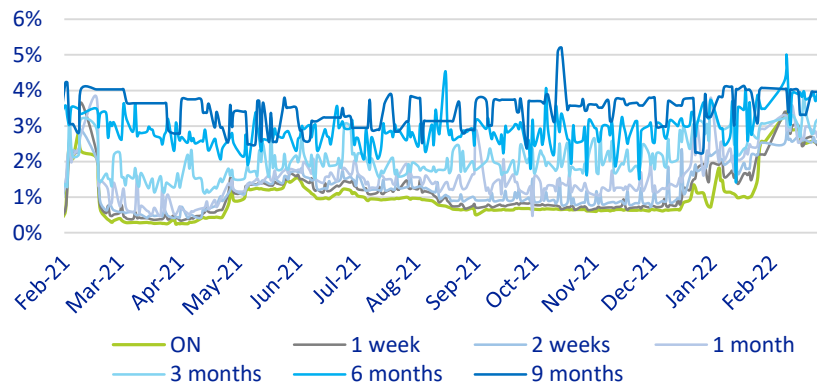
Source: GSO, ACBS

CPI Basket	Weight (%)	2/2022 (% m/m)	2/2022 (% y/y)	Avg 2M2022 (% y/y)
<b>CPI headline</b>	<b>100.0</b>	<b>1.00%</b>	<b>1.42%</b>	<b>1.68%</b>
Food and Foodstuffs	33.6	1.54%	-0.20%	-0.17%
Food	3.7	0.35%	1.66%	2.37%
Foodstuff	21.3	1.69%	-1.82%	-1.75%
Eating outside	8.6	1.68%	3.08%	2.75%
Beverage, cigarette	2.7	0.37%	2.21%	2.48%
Garment, footwear	5.7	0.07%	0.70%	0.79%
Housing and constrn. Materials	18.8	0.92%	0.44%	1.96%
Household appliances & goods	6.7	0.19%	1.20%	1.21%
Medicine, health care	5.4	0.03%	0.26%	0.26%
Transportation	9.7	2.35%	15.46%	15.00%
Postal services, Telecom.	3.1	-0.05%	-0.73%	-0.69%
Education	6.2	0.51%	-3.30%	-3.54%
Culture, entertm't. & tourism	4.6	0.51%	0.27%	0.08%
Other goods, services	3.5	0.22%	1.04%	1.30%

Green: increase from previous respective period Red: decrease from previous respective period

- ❖ The consumer price index (CPI) in February increased 1% over last month and increased 1.42% over the same period last year. The transportation basket posted the highest growth thanks to rising fuel prices. The food and foodstuff basket has seen deflationary movements in recent months due mainly to exports to China facing difficulties leading excess domestic supplies and reduced prices. The core CPI continued to extending by 0.49% m/m and 0.68% y/y (vs +0.64% y/y in Feb 2021).
- ❖ Compared to other countries, headline CPI in Vietnam is still low when compared to some Asian countries such as Thailand, Philippines and South Korea, which have higher CPI growth. The government's socio-economic development plan for 2022 sets the CPI growth at around 4%. Until now, the CPI is in control and still lower than other countries (as shown in slide 21) and lower than government's target.

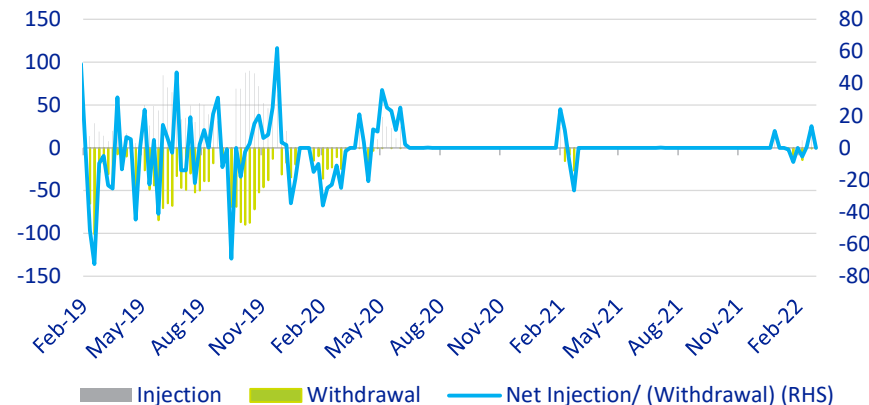
## Interbank Rate



❖ Interbank interest rates increased throughout February 2022 as liquidity in the banking system was constrained during Lunar New Year, where people spend and use a lot of cash. Given the reduction of liquidity of banking system during the Lunar New Year, the SBV pumped in over VND10tn into system on last two weeks of January 2022 and another VND16tn in week after Lunar New Year to ease the short-term liquidity constraints.

❖ We expect banking system liquidity will stabilize in 2Q2022 and the SBV will also help maintain the stability in short-term by using reverse repos OMO (as in the last 2 weeks of January 2022 and the week before Lunar New Year, SBV pumped over VND26tn which helped eased short-term liquidity constraints) when needed to curb the interbank interest rate surging aggressively.

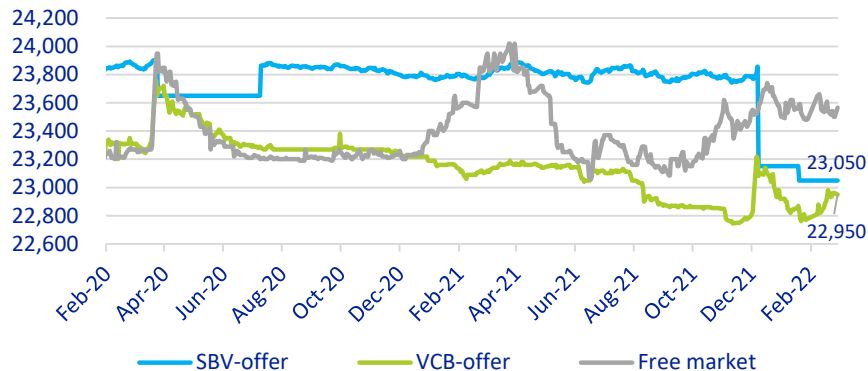
## Net Injection/ (Withdrawal) from OMO (VNDtn)



## Interbank Rate

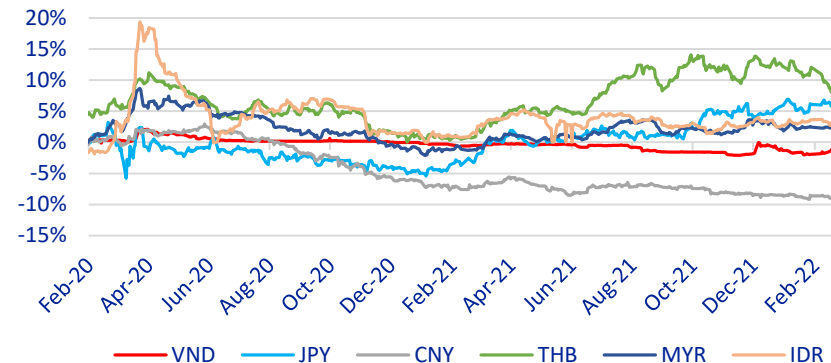
	ON	1 Weeks	2 Weeks	1 Month	3 Month	6 Month	9 Month
Avg of February 2022	<b>2.75%</b>	<b>2.76%</b>	<b>2.68%</b>	<b>2.91%</b>	<b>3.17%</b>	<b>3.94%</b>	<b>3.79%</b>
+/- MoM (bps)	130	95	59	51	38	76	-11

## USD/VND exchange rate

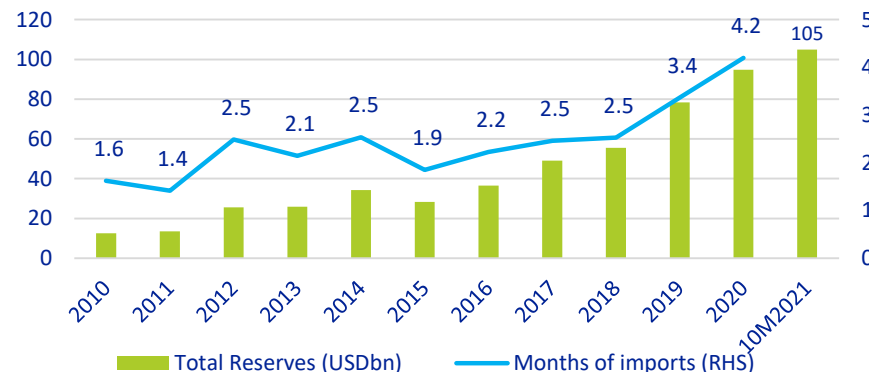


- ❖ The VND rate at the central bank depreciated by 0.18% against the USD in February and the offer rate at Vietcombank also increased 0.75% m/m. This movement appears mainly driven by expectations of the US Fed hiking interest rates as the Dollar index (DXY) rose 3.3% in February. The supply of foreign currency likely tightened slightly given the trade deficit of US\$0.9bn in first 2 months and season of high remittances in festival was gone.
- ❖ Gold prices rose strongly in global markets and were up to over USD1,909/oz (+6.6% m/m), while the domestic gold prices approached VND65.95m/tael at Feb 28 (+5.5% m/m), which represents an approx. 24% premium to global markets, slightly down from the end of January at 26%
- ❖ Despite the expected FED rate hike, we expect the VND in general will maintain its strength in upcoming months supported by strong exports, FDI inflows improved and abundant foreign reserves.

## USD/VND and other currencies

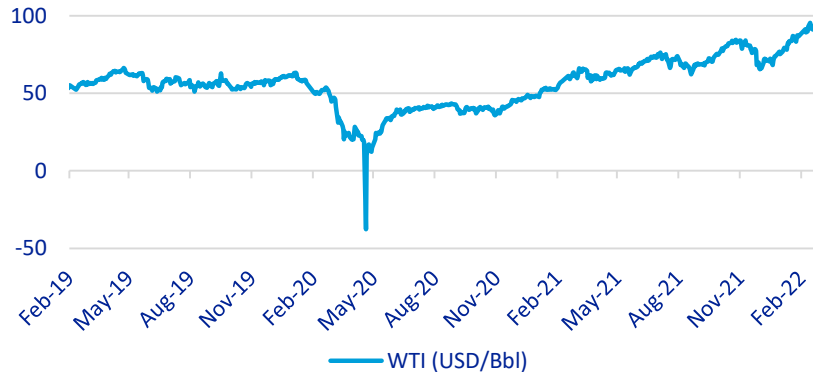


## Vietnam foreign reserves in months of imports



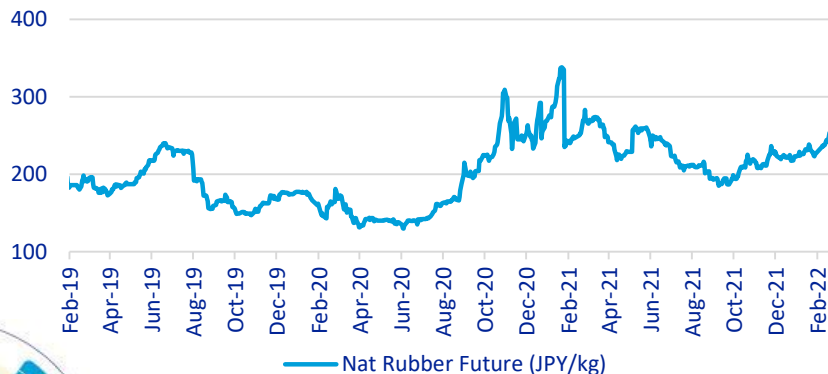


## Crude Oil WTI



Source: Bloomberg, ACBS

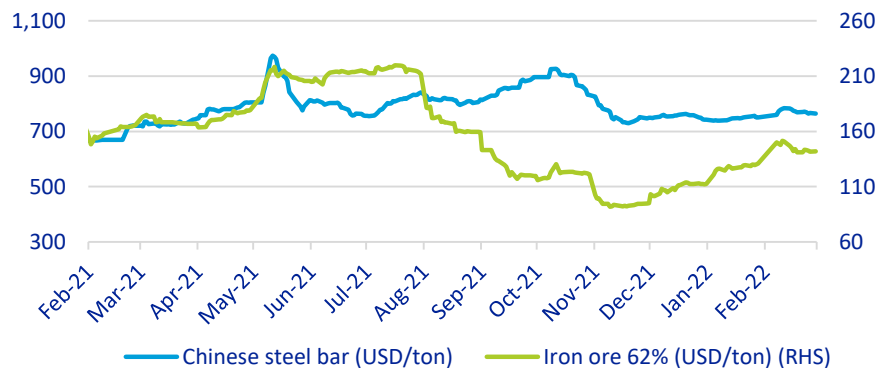
## Natural rubber



Source: Bloomberg, ACBS

- ❖ Oil was above US\$100 a barrel for the first time since 2014 (currently at US\$125.9/barrel as of March 9) as the Ukraine crisis escalated into a war, affecting the global supply of oil and natural gas. There are many sanctions aimed at Russia, although not exclusively on the oil & gas industries. Thanks to current high oil price, more supply is also expected to come online from the US and other non-OPEC countries in mid-2022 to -2023. On the other hand, oil demand is expected to increase thanks to ongoing rebound of economic activities, transport demand and vaccination progress. However, the growth could be slowed due to Omicron or other potential variants as well as concern of economy recovery given geopolitical conflicts
- ❖ Natural rubber futures on the Tokyo Commodity exchange ended Feb at JPY261.5, up 16.1% m/m as the oil prices rising sharply and the supply of natural rubber in Thailand and Indonesia are still impacted by COVID-19 and heavy rain led to flooding, which leads to a shortage of natural rubber.
- ❖ The demand of tires in main imports markets like EU, China, US and India are expected to increase thanks to the economic recovery, especially high auto demand in the COVID-19 crisis. However, the prices likely to down in short-term given the crisis of chip shortage due in part to the Ukraine crisis escalating to war from later February could slow down the automobile manufacturing.

## Steel rebar & Iron ore



Source: Bloomberg, ACBS

## Coking coal



Source: Bloomberg, ACBS

- ❖ Global steel prices were hovering around 760 USD/ton during February. Global steel prices can increase slightly in March when EU applied some fresh sanctions against Russian metal companies, putting pressures on global steel supply. Chinese steel demand is also expected to rise while Chinese government is continuing their investments on infrastructure.
- ❖ Iron ore prices continued their recovery in February as Chinese authorities maintained strict policies to tighten production, which will be prolonged until March 2022. This world's biggest steel producer suggested slower steel decarbonization and is planning to raise its equity output of iron ore in overseas mines to 220 million tonnes by 2025 as well as increase domestic raw material supplies. With expectations of increased demand in China if they add fiscal stimulus package for the infrastructure to recover their economy. We maintain our expectation for increasing iron ore price with tight production guidance from large miners.
- ❖ Coking coal prices increased in late February due to the Russia - Ukraine war resulting in countries scrambling to find alternative sources. Russia holds 176,771 million tons of proven coal reserves as of 2016, ranking 2<sup>nd</sup> in the world and accounting for about 16% of the world's total coal reserves. Share of Russia in global coal export volume increased to 17.8% in 2020 (from 16.6% in 2019, according to Statista.com). This aggravated the supply disruption in short-term from Australia which falling driven by parts of New South Wales and Queensland flooded repeatedly over the recent months, along with high workforce absenteeism because of COVID-19, and Indonesia which temporary banned on coal export.

# Key macro indicators

Monthly data	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Industrial Production (% y/y)	3.6%	22.2%	11.8%	4.9%	-0.3%	-7.8%	-7.6%	-1.8%	8.2%	8.7%	2.8%	8.5%
Mining & quarrying	-8.3%	-0.7%	-5.9%	-4.9%	-10.9%	-2.8%	-13.0%	-8.2%	6.2%	-7.1%	-1.7%	-4.1%
Manufacturing	5.3%	26.4%	14.4%	6.0%	0.7%	-9.3%	-6.5%	-0.8%	8.6%	10.9%	2.9%	10.0%
Prod & dist of electricity	3.5%	19.8%	12.7%	6.2%	1.7%	-1.9%	-11.7%	-4.8%	6.8%	9.1%	5.2%	8.0%
Water supply & waste treatment	5.8%	11.8%	4.1%	-0.1%	1.0%	-0.1%	-1.9%	-0.5%	0.4%	0.8%	4.1%	0.8%
PMI	53.6	54.7	53.1	44.1	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3
Retail Sales (% y/y)	9.2%	30.9%	-1.0%	-6.6%	-19.8%	-33.7%	-28.4%	-19.5%	-12.2%	1.1%	1.3%	3.1%
CPI (% m/m)	-0.3%	0.0%	0.2%	0.2%	0.6%	0.2%	-0.6%	-0.2%	0.3%	-0.2%	0.2%	1.0%
CPI (% y/y)	1.2%	2.7%	2.9%	2.4%	2.6%	2.8%	2.1%	1.8%	2.1%	1.8%	1.9%	1.4%
Export Value (USDm)	29,654	26,550	26,193	27,204	27,865	27,228	27,026	28,870	31,870	34,592	30,845	22,947
Import Value (USDm)	28,457	27,775	28,267	27,659	29,112	27,338	26,666	26,130	30,610	31,623	29,449	25,279
Trade Balance (USDm)	1,197	-1,225	-2,074	-455	-1,247	-110	360	2,740	1,260	2,970	1,396	-2,332
Disbursed FDI (USDm)	1,600	1,400	1,650	2,090	1,260	1,080	1,700	1,870	1,950	2,640	1,612	1,068
Registered FDI excl. Cap. Cont. (USDm)	4,410	1,879	1,483	978	1,007	1,638	2,614	1,184	1,971	2,181	1,658	2,568

# Key macro indicators

Annual data	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD-2022
GDP	5.4%	6.0%	6.7%	6.2%	6.8%	7.1%	7.0%	2.9%	2.6%	
Industrial Production	5.9%	7.6%	9.8%	7.5%	9.4%	10.2%	9.1%	3.4%	4.8%	5.4%
Retail Sales	12.6%	10.6%	9.5%	10.2%	10.9%	11.7%	11.8%	2.6%	-3.8%	1.7%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.2%	1.9%	1.7%
Export Value (USDbn)	132.03	150.22	162.02	176.58	215.12	243.70	264.34	282.53	336.25	53.79
Import Value (USDbn)	132.03	147.85	165.78	174.98	213.22	236.87	254.09	262.67	332.25	54.73
Trade Balance (USDbn)	0.00	2.37	-3.76	1.60	1.90	6.83	10.25	19.86	4.00	-0.94
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	2.68
Registered FDI (USDbn)	21.63	20.23	22.76	20.95	29.97	25.57	22.55	21.06	24.26	4.23

Quarterly data	4Q-2019	1Q-2020	2Q-2020	3Q-2020	4Q-2020	1Q-2021	2Q-2021	3Q-2021	4Q-2021
GDP (% y/y)	7.0%	3.7%	0.4%	2.7%	4.5%	4.7%	6.7%	-6.0%	5.2%
Agriculture, Forestry & Fishing	1.6%	0.0%	1.8%	2.8%	4.7%	3.5%	4.0%	1.2%	3.2%
Industry & Construction	7.9%	5.0%	1.7%	3.2%	5.6%	6.3%	10.4%	-5.5%	5.6%
Services	8.1%	3.3%	-1.9%	2.8%	4.3%	3.6%	4.2%	-8.6%	5.4%
Industrial Production (% y/y)	7.4%	5.6%	0.2%	2.0%	6.3%	5.7%	12.4%	-5.0%	6.4%
Retail Sales (% y/y)	12.5%	3.2%	-5.5%	4.4%	8.0%	4.6%	4.1%	-28.3%	0.0%
Export Value (USDbn)	69.59	63.31	59.33	79.74	80.15	78.40	78.23	82.15	95.62
Import Value (USDbn)	66.01	59.33	57.41	69.02	76.92	75.61	82.50	83.86	89.07
Trade Balance (USDbn)	3.57	3.98	1.92	10.72	3.23	2.79	-4.27	-1.70	6.55
Disbursed FDI (USDbn)	6.16	3.85	4.80	5.11	6.22	4.10	5.14	4.04	6.46
Registered FDI (USDbn)	6.78	6.60	5.56	3.32	5.58	9.33	4.34	5.26	5.34

# Key macro indicators of other countries

Countries	GDP Growth		Inflation Rate			Manufacturing PMI		
	3Q-2021	4Q-2021	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22
Indonesia	3.5%	5.0%	1.9%	2.2%	2.1%	53.5	53.7	51.2
Malaysia	-4.5%	3.6%	3.2%	2.3%		52.8	50.5	50.9
Phillipines	6.9%	7.7%	3.6%	3.0%	3.0%	51.8	50.0	52.8
Singapore	7.1%	5.9%	4.0%	4.0%				
Thailand	-0.3%	1.9%	2.2%	3.2%	5.3%	49.5	51.7	52.5
Vietnam	-6.0%	5.2%	1.8%	1.9%	1.4%	52.5	53.7	54.3
China	4.9%	4.0%	1.5%	0.9%		50.9	49.1	50.4
Hongkong	5.5%	4.8%	2.4%	1.2%				
Taiwan	3.8%	4.9%	2.6%	2.8%		55.5	55.1	54.3
Japan	1.4%	0.7%	0.8%	0.5%		54.3	55.4	52.7
South Korea	4.0%	4.1%	3.7%	3.6%	3.7%	51.9	52.8	53.8
India	8.4%	5.4%	5.6%	6.0%		55.5	54.0	54.9
United States	2.3%	6.9%	7.0%	7.5%		57.7	55.5	57.3

- ❖ We maintain our GDP growth projection for 2022 to range between 5.9 – 6.8%. Positive economic signs, a recently passed stimulus package, high vaccination rates, the living-with-COVID strategy and the reopening of the international tourism sector all point towards a strong recovery in 2022.
- ❖ Over the past month, there were two events which could affect Vietnam's economy in term of growth prospect which were FED rate hike and the outbreak of the war in Ukraine. These events could affect Vietnam's monetary policy and contribute to inflation. However, our monetary policy management of the State Bank of Vietnam will have no major impact over FED rate hikes if :
  - ✓ Vietnam could continue to maintain inflation below 4%,
  - ✓ FDI inflows continued to be strong and
  - ✓ trading activities especially export continued to remain solid.
- ❖ In addition, we also expected that Vietnam's inflation to remain below the government's 4% target in 2022 thanks to
  - ✓ Grain food and foodstuff prices will stabilize when transportation and supply chains of goods are normalized in 2022,
  - ✓ Food & foodstuffs will not in supply shortage due to surging demand or supply chain disruptions or low production in 2022, and
  - ✓ Size of stimulus package is relatively small (+~3% of the total money supply, and ~4% GDP of 2021) and will not cause major inflation pressure.

## SELECTED OUTLOOK ON VIETNAM GDP GROWTH

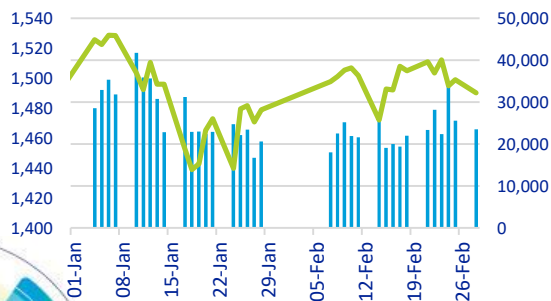
Organization	Latest projection	Previous projection
World Bank	5.5% (Jan 2022)	6.5% - 7.0% (Sep 2021)
International Monetary Fund	7.2% (April 2021)	
The Asian Development Bank	6.5% (Sep 2021)	
Standard Chartered Bank	6.7% (Jan 2022)	7.0% (Sep 2021)
HSBC	6.5% (Jan 2022)	6.8% (Dec 2021)

## The government's socio-economic development plan for 2022

GDP	6.0% - 6.5%
GDP per capita	USD 3,900
CPI	4%

# Stock market recap in February

Statistics		February 2022			
Bloomberg Code		VNIndex			
Month Range (pts)		1471.96 - 1512.3			
Month End Index (pts)		1,490.1			
Month End Mkt cap (VNDbn)		5,924,293			
Month End Mkt cap (USDbn)		258.1			
Daily Avg Value (VNDbn)		23,355			
Gainers		341			
Laggards		73			
Net Foreign Trade (USDm)		-14.9			
Foreign Participation		7.4%			
Performance (%)	1M	3M	6M	12M	
VNIndex	0.8	0.8	11.9	27.5	
VN30	-1.0	-1.3	6.2	29.3	



Coming off the Lunar New Year festival early in the month, the VNIndex ended February with a 0.8% gain to 1,490.1 points amid the Russia-Ukraine war breaking out. The new community spread of the Omicron variant surged rapidly, combined with uncertainties related to supply disruptions and pressure of inflation impacted on investors sentiment. The average trading value down 15.6% over January but new accounts opened in February increased by 8.4% over last month despite February only have 16 working days. Foreign investors remained net sellers with a net sell of US\$14.9m, less than net selling of US\$130m in January. The stock market is seeing increased competition from other investment channels like banks, which witnessed some interest rate hikes, or gold which surged strongly last month.

VPBank increased strongly thanks to expectation of issuing more shares to foreign strategic shareholders. VIC of Vingroup experienced a 20.6% pull back after posted the first ever annual loss since listing. Oil and gas stocks (PLX, PVD, GAS) and steel stocks (HPG, NKG) soared thanks to global oil and steel prices rising, while banks and real estates tickers dropped sharply ahead of the expected US Fed interest rate hike. MSN soared 9.1%, as the conglomerate announced that it has spent an additional US\$110m to increase its ownership in the Phuc Long beverage chain from 20% to 51%, demonstrated strong synergies with MSN's Point-of-Life strategy. Another notable stocks relevant to COVID-19 pandemic is FPT (+4.2%), owner of Long Chau Pharmacy, which is expected to be licensed to sell the drug to treat COVID-19 Molnupiravir, targets a 20% increase in revenues this year to VND27 trillion.

## Top gainers & laggards for February 2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	1M return
Health Care Equip. & Services	-59.8%	29.0%
Media & Entertainment	-15.1%	19.1%
Technology Hardware & Equip.	-25.3%	17.1%
Consumer Services	-0.6%	16.6%
Materials	6.1%	14.4%
Top 5 laggards	Avg Daily Trading Value (%m/m)	1M return
Real Estate	-25.9%	-4.8%
Banks	-0.7%	-4.3%
Household & Personal Products	-0.3%	-0.4%
Commercial & Prof. Services	-16.8%	4.5%
Software & Services	-41.3%	4.6%

## Top gainers & laggards for 2M2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	YTD return
Energy	20.8%	14.8%
Utilities	-6.5%	13.5%
Consumer Services	-0.6%	12.6%
Health Care Equip. & Services	-59.8%	7.3%
Transportation	28.2%	7.1%
Top 5 laggards	Avg Daily Trading Value (%m/m)	YTD return
Telecommunication Services	-51.1%	-10.9%
Diversified Financials	-27.8%	-9.6%
Real Estate	-25.9%	-6.3%
Commercial & Prof. Services	-16.8%	-3.1%
Automobiles & Components	-23.1%	-2.5%

- ❖ On the back of increasing steel prices, the materials sector (+14.4%), with a large contribution from HPG, posted a strong return in February on increased market trading. Consumer services (+16.6%) including many stocks of service companies such as DSN, AST, VNG, TCT.. also increased strongly as these companies are likely benefit from Tet festival and the recovery of travel activities.
- ❖ In the opposite direction, two largest market capitalization sectors are banks and real estate were down over 4% in the month ahead of the Fed's expected interest rate hike, dragging VNIndex just increase 0.8% at the end of month despite most of sectors gains.



# Month end HOSE composition and valuation

Macroeconomics

Equity Market

Topical Issues

Industry Briefs

No.	Sector	No. of tickers	Mkt cap (VNDtn)	Index weight	1M return	YTD return	P/E	P/B	ROA	ROE	Avg trading value (%m/m)	Net foreign flows 1M (VNDbn)	Net foreign flows YTD (VNDbn)
1	Banks	17	1,869.7	31.2%	-4.3%	4.3%	14.51	2.47	1.78%	19.50%	-0.7%	-103.4	1,827.1
2	Real Estate	49	1,240.0	21.3%	-4.8%	-6.3%	35.27	3.16	6.54%	14.53%	-25.9%	-662.3	273.9
3	Food, Beverage & Tobacco	34	592.1	10.2%	5.6%	-2.4%	23.04	4.57	11.56%	24.65%	-36.5%	297.7	-5,324.0
4	Materials	64	546.8	9.3%	14.4%	0.2%	25.96	2.57	15.79%	29.69%	6.1%	-1,045.4	-1,721.4
5	Utilities	28	380.1	6.5%	5.8%	13.5%	24.31	3.43	10.21%	15.17%	-6.5%	-11.8	267.4
6	Capital Goods	77	329.7	5.6%	11.4%	-2.4%	75.59	2.84	4.57%	13.58%	-33.7%	117.7	649.1
7	Transportation	27	217.3	3.8%	11.9%	7.1%	42.32	8.70	0.73%	-58.91%	28.2%	666.8	170.5
8	Diversified Financials	16	179.4	3.0%	9.2%	-9.6%	13.69	2.97	9.60%	26.41%	-27.8%	145.8	390.8
9	Retailing	9	115.3	2.0%	5.9%	2.8%	20.08	4.67	8.46%	26.58%	-8.4%	-77.9	-15.8
10	Energy	9	107.0	1.9%	12.6%	14.8%	149.94	2.69	4.00%	10.62%	20.8%	-252.9	-211.4
11	Software & Services	3	91.9	1.6%	4.6%	0.2%	21.71	4.56	8.72%	24.60%	-41.3%	5.6	-16.7
12	Insurance	5	57.6	1.0%	7.5%	3.4%	21.19	1.98	2.02%	10.34%	5.6%	41.4	16.7
13	Consumer Durables & Apparel	18	53.4	0.9%	5.1%	5.8%	67.29	3.87	9.12%	17.58%	14.7%	212.1	132.1
14	Pharma, Biotech & Life Sciences	10	33.9	0.6%	5.9%	1.2%	20.03	3.12	13.10%	16.76%	164.8%	11.4	28.5
15	Unclassified	15	31.1	0.5%	9.3%	-4.6%	17.19	2.73	3.71%	14.57%	-7.5%	16.6	16.6
16	Technology Hardware & Equip.	1	10.9	0.2%	17.1%	-0.8%	16.40	6.10	13.67%	44.73%	-25.3%	102.5	-7.3
17	Consumer Services	9	10.4	0.2%	16.6%	12.6%	318.70	3.58	-6.08%	-6.13%	-0.6%	-0.7	0.2
18	Automobiles & Components	6	9.3	0.2%	7.1%	-2.5%	19.59	1.87	6.88%	13.29%	-23.1%	9.7	19.3
19	Commercial & Prof. Services	5	5.3	0.1%	4.5%	-3.1%	14.36	1.67	8.51%	11.81%	-16.8%	-17.5	-20.8
20	Health Care Equip. & Services	3	4.2	0.1%	29.0%	7.3%	21.23	2.76	2.51%	6.93%	-59.8%	24.1	104.9
21	Telecommunication Services	1	2.3	0.0%	11.4%	-10.9%	34.66	2.78	1.92%	8.35%	-51.1%	0.0	-0.3
22	Media & Entertainment	2	1.9	0.0%	19.1%	1.6%	39.68	2.58	4.75%	8.56%	-15.1%	0.4	1.6
23	Household & Personal Products	1	1.7	0.0%	-0.4%	1.0%	10.62	2.20	15.30%	24.11%	-0.3%	-0.6	1.6
	VNIndex	423	5,924.3	100.0%	0.8%	-0.5%	16.98	2.62	2.57%	15.56%	-15.6%	-338.6	-3,304.7
	VN30 Index	30	3,983.4	67.2%	-1.0%	-0.4%	13.92	2.70	2.92%	19.99%	-9.5%	-116.3	-6,661.5

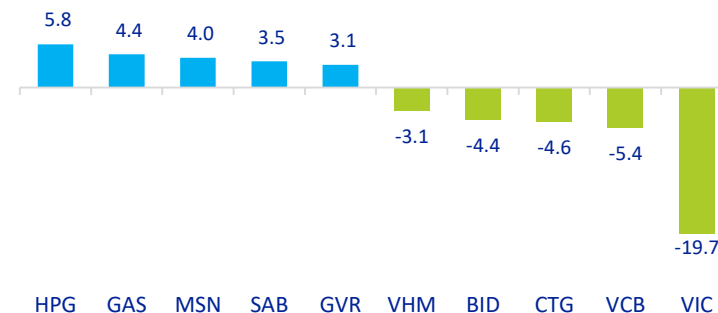
Source: Bloomberg, ACBS

## Top 20 Market Capitalization (as at Feb 28, 2022)

No.	Ticker	Company name	Market Cap. (VNDtn)	1M return	YTD return	P/E	P/B	Remaining foreign room (%)
1	VCB	Vietcombank	399.9	-5.1%	7.2%	18.3	3.6	6.3%
2	VHM	Vinhomes	337.5	-3.5%	-5.5%	8.6	2.6	26.1%
3	VIC	VinGroup	293.7	-20.6%	-19.0%		2.9	35.2%
4	GAS	PetroVietnam Gas	225.8	8.3%	22.7%	26.0	4.4	46.0%
5	BID	BIDV	221.1	-8.9%	17.8%	20.9	2.7	13.1%
6	HPG	Hoa Phat Group	211.1	11.8%	1.7%	6.1	2.3	25.8%
7	MSN	Masan Group	184.2	9.1%	-8.8%	21.5	5.6	20.2%
8	TCB	Techcombank	177.0	-4.5%	0.8%	9.8	1.9	0.0%
9	VPB	VPBank	168.9	3.7%	6.1%	14.3	2.2	-2.0%
10	VNM	Vinamilk	163.9	-5.7%	-7.7%	15.6	5.0	45.7%
11	CTG	VietinBank	159.3	-10.2%	-2.2%	11.3	1.7	4.0%
12	NVL	Novaland	145.4	-5.8%	-17.3%	44.4	4.1	31.2%
13	GVR	Viet Nam Rubber Group	136.6	9.5%	-7.6%	32.1	2.9	12.5%
14	MBB	MBBank	130.0	2.1%	19.0%	10.2	2.2	0.0%
15	SAB	SABECO	108.9	14.2%	13.9%	29.6	5.1	37.3%
16	MWG	Mobile World Investment	96.9	2.6%	0.1%	19.7	4.8	0.0%
17	ACB	Asia Commercial Bank	91.6	-1.9%	-1.7%	9.5	2.0	0.0%
18	FPT	FPT Corp	84.7	4.2%	0.3%	19.5	4.7	0.0%
19	BCM	Becamex IDC Corp.	81.8	-0.3%	23.4%	64.2	5.2	46.4%
20	PLX	Petrolimex	79.2	11.1%	15.6%	27.6	3.2	2.9%

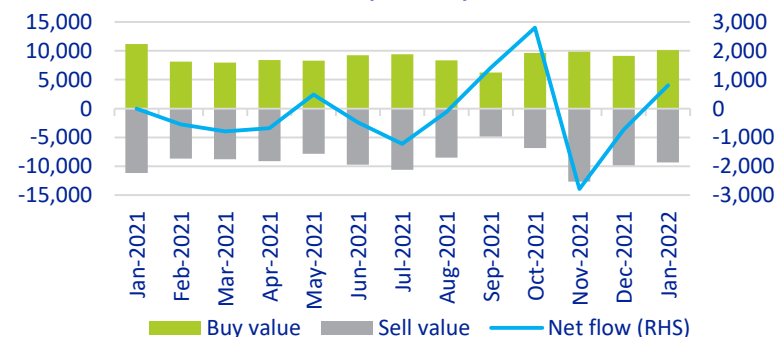
Source: Bloomberg, FiinPro, ACBS

## Top contributors on VNIndex in Feb 2022



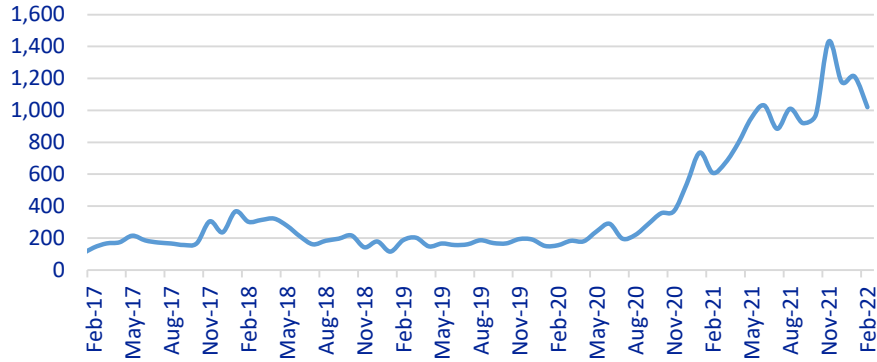
Note: Index impact (pts)

## Net brokerage prop trading value into VNIndex (USDbn)



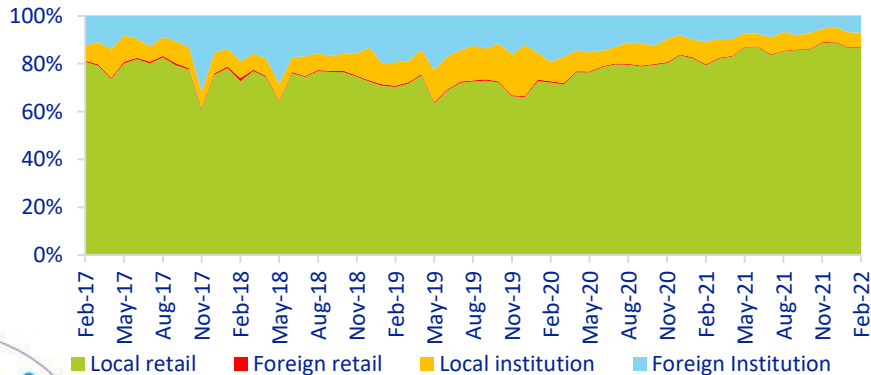
Source: FiinPro, ACBS

## Average Daily Turnover (USDm)



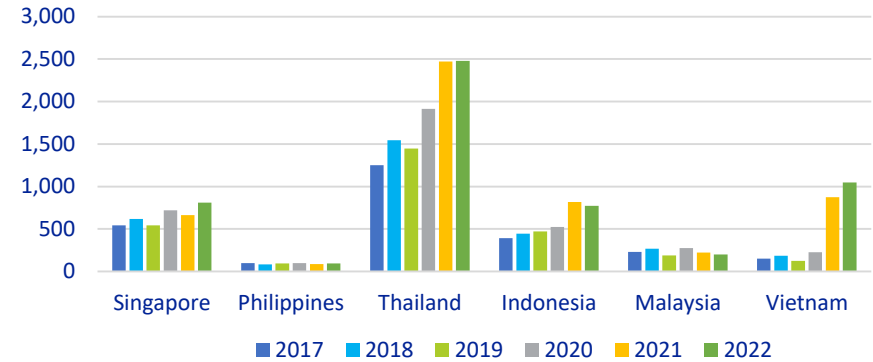
Source: Fiin Pro, ACBS

## Market Turnover by Investors



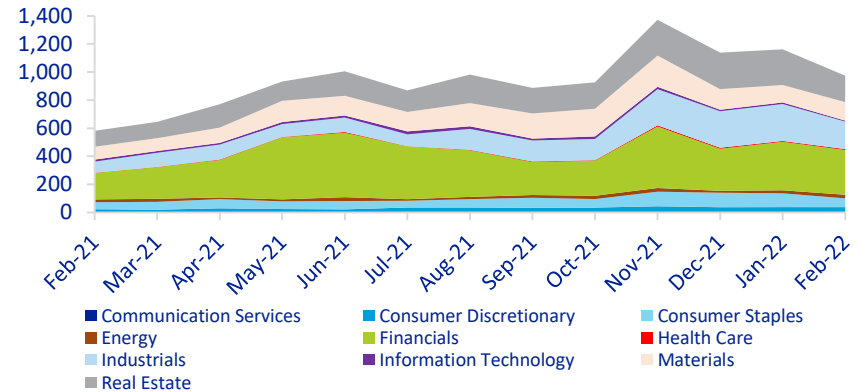
Source: Fiin Pro, ACBS

## Average Daily Turnover of Asean markets (USDm)



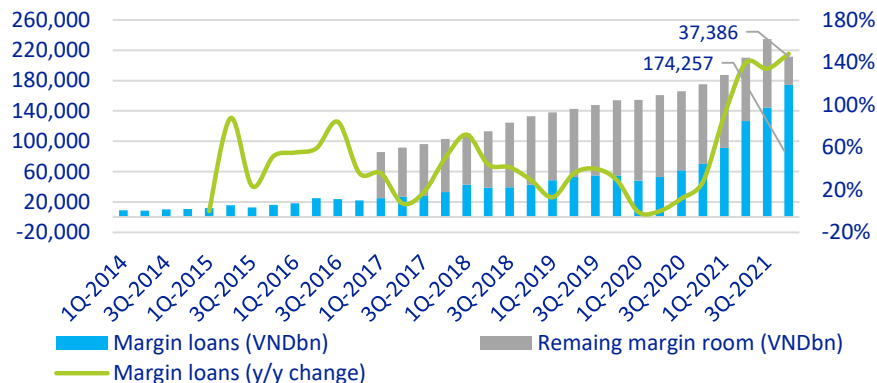
Source: Bloomberg, ACBS

## Average Daily Turnover by Sector (USDm)



Source: Fiin Pro, Bloomberg, ACBS

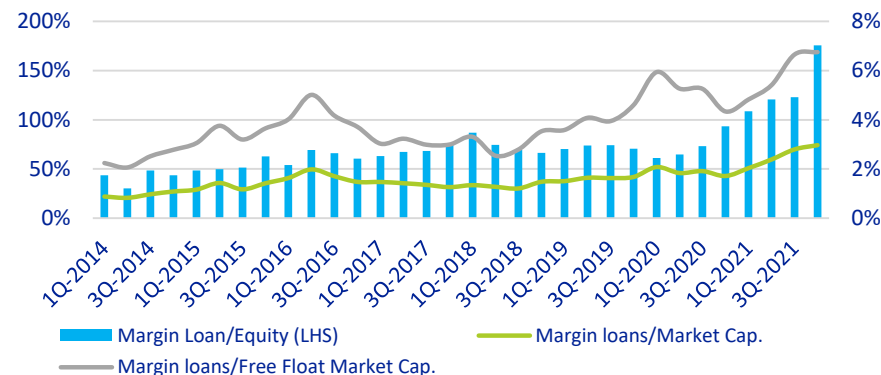
## Margin outstanding



Source: Fiin Pro, ACBS. Note: margin room base on limit on financing margin of brokers

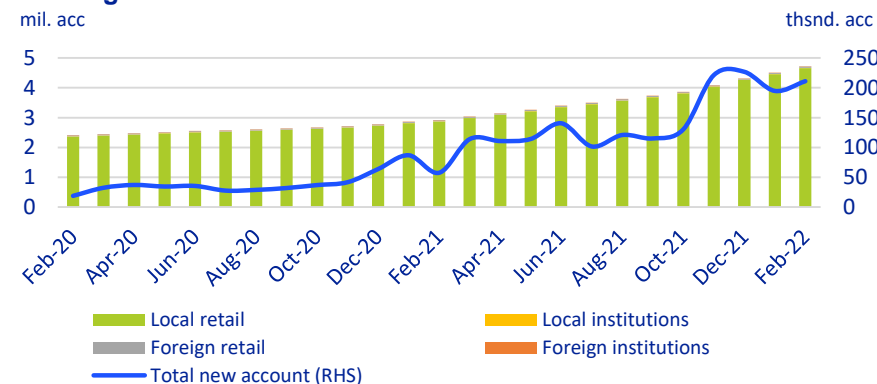
- ❖ Market-wide margin loans outstanding until December 2021 rose to VND 175 trillion, up 148% y/y and equivalent to 176% of equity, still well within the limit of 200%. The margin loans to free float market capitalization maintain at 6.7%. Recently, many securities companies tightened their margin policies to cope with market volatility along with the increased supervision of regulators to ensure compliance and market stability.
- ❖ There are 211,145 new trading accounts opened in February, higher 8.4% than previous month although the February have only 16 working days, contributed mainly by individual domestic investors.

## Margin leverage



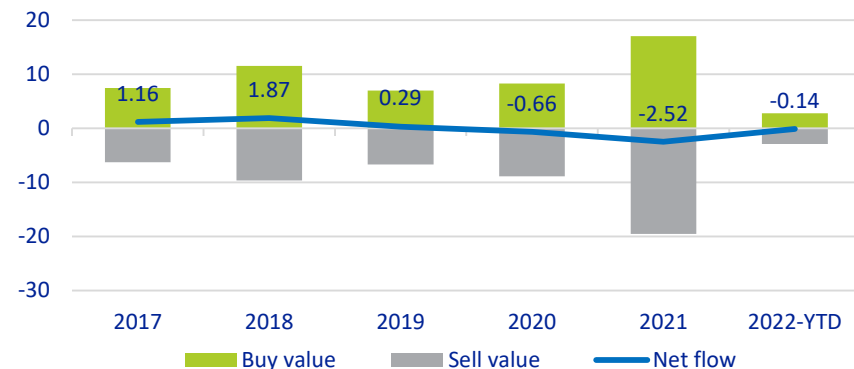
Source: Fiin Pro, Bloomberg, ACBS

## Trading account



Source: GSO, ACBS

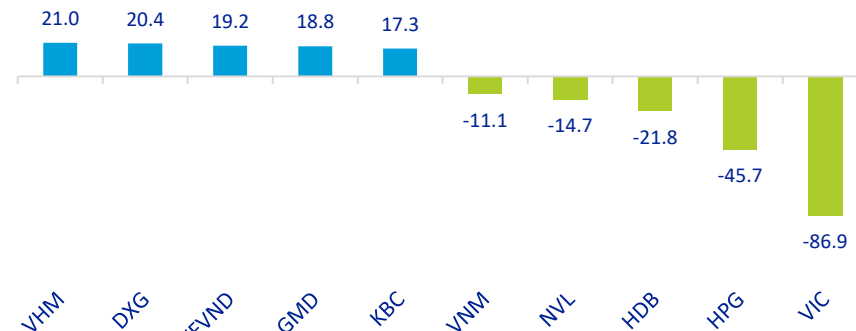
## Net foreign flow into VNIndex (USDbn)



Source: FiinPro, ACBS

- ❖ Foreign investors flows continued to be negative, reaching a net sell of US\$14.9m as of 28 Feb 2022, less than the net selling of US\$130m in January. In which, the foreigners net bought domestic ETFs with amount approx of US\$7.9m in Feb.
- ❖ Transportation and Diversified Financials received highest foreign capital in month while Materials and Energy were net sold. Foreigners continued to buy many real estates stocks such as VHM, DXG, KBC. Ticker VIC continued to be in top selling by foreigner investors.
- ❖ Most of ASEAN equities received inflows of foreign investors in two months of 2022, except Vietnam and Taiwan.

## Top foreign net buying on VNIndex in Feb 2022 (USDm)

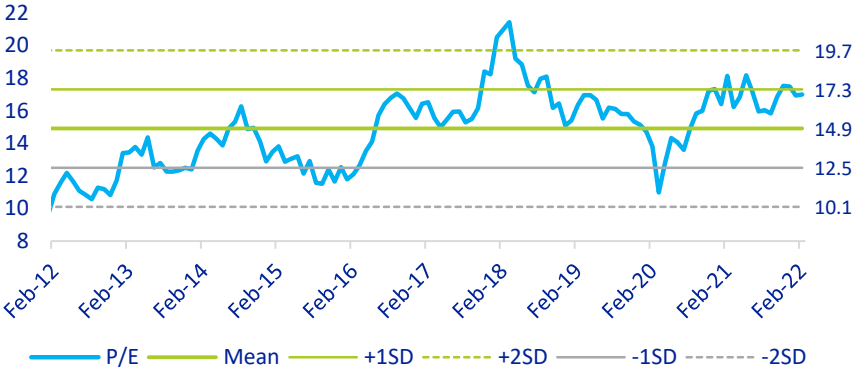


Source: FiinPro, ACBS

Markets	Net foreign flow 1M (USDbn)	Net foreign flow YTD (USDbn)	Market Cap. (USDbn)	Net foreign flow YTD as % market cap
Vietnam	-0.02	-0.15	258.1	-0.1%
Indonesia	1.21	1.65	602.4	0.3%
Malaysia	0.53	0.64	254.7	0.3%
Philippines	0.12	0.08	197.3	0.0%
Thailand	1.82	2.23	606.3	0.4%
Taiwan	-5.37	-7.87	1,933.6	-0.4%

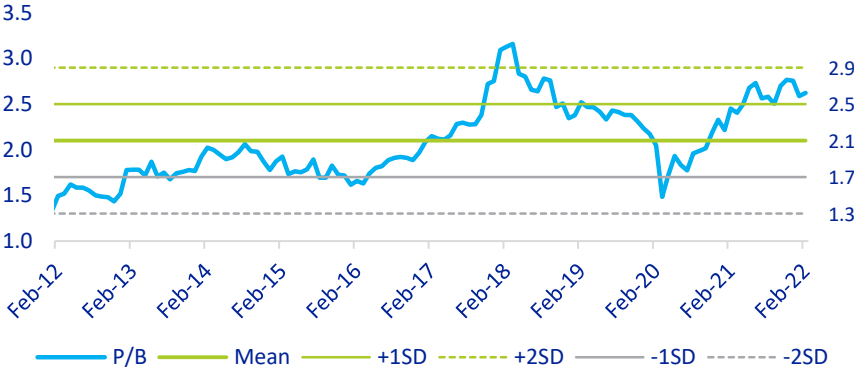
Source: Bloomberg, ACBS

P/E of VNIndex for 10 years



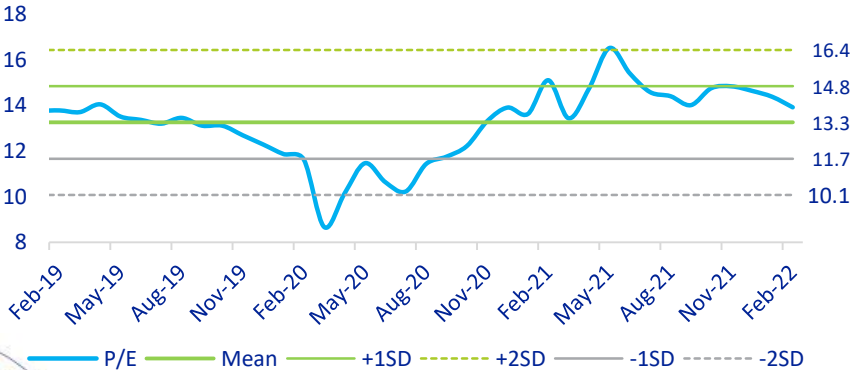
Source: Bloomberg, ACBS

P/B of VNIndex for 10 years



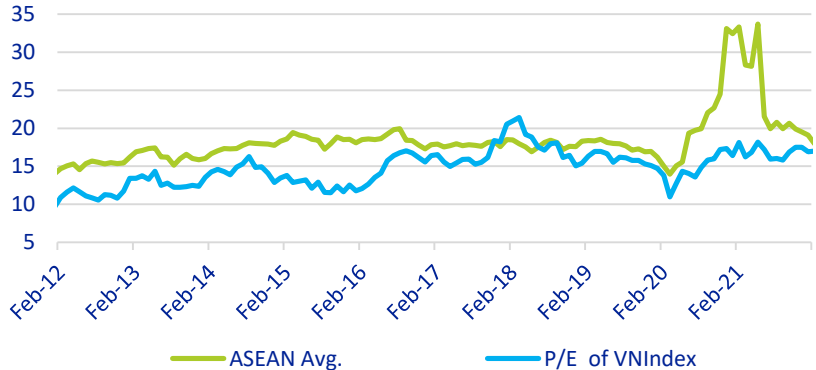
Source: Bloomberg, ACBS

P/E of VN30 for 3 years



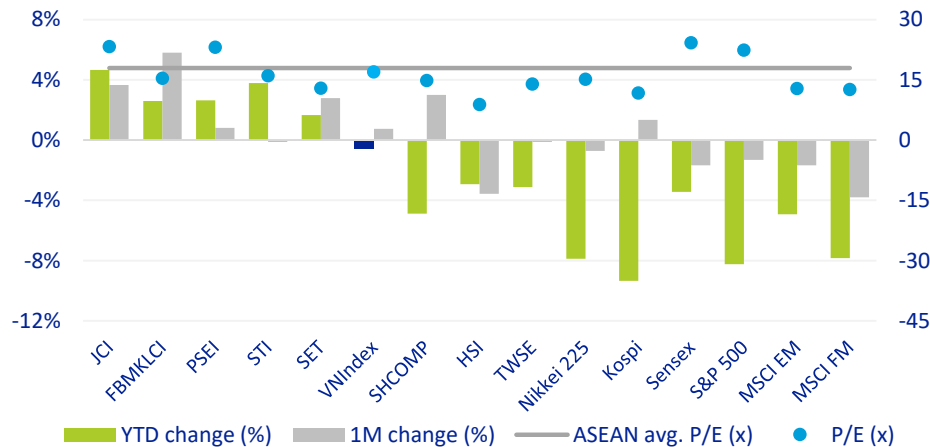
Source: Bloomberg, ACBS

P/E of VNIndex and regional peers average



Source: Bloomberg, ACBS

## Index comparison



Source: Bloomberg, ACBS

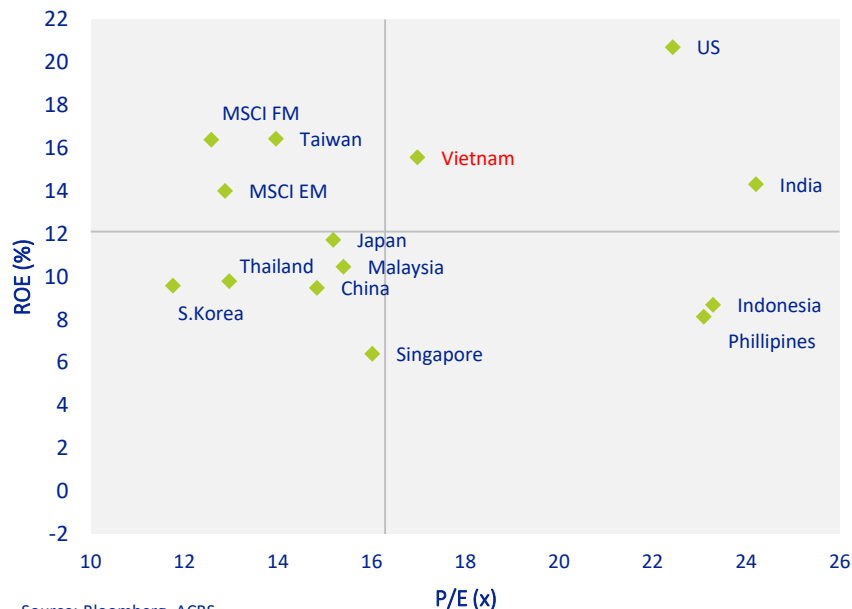
## Earnings growth and forward P/E

Country	2022E EPS growth (%)	Feb '22 P/E (x)	2022F P/E (x)
Vietnam (*)	21.8%	17.0	13.8
Average	17.0%	18.0	15.6
Indonesia	48.9%	23.3	16.2
Malaysia	1.6%	15.4	15.1
Philippines	35.9%	23.1	17.3
Singapore	22.2%	16.0	13.1
Thailand	-28.2%	13.0	18.0

Source: Bloomberg, \*ACBS

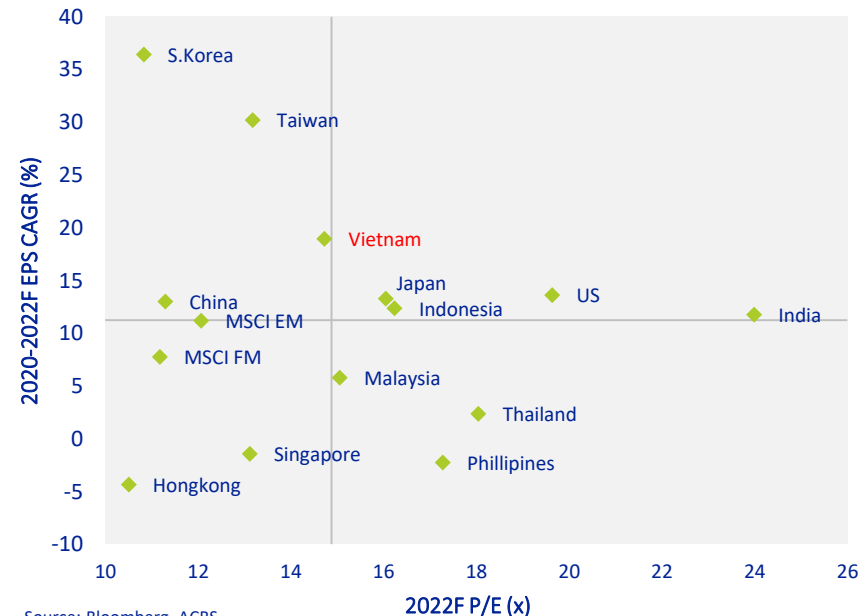
- ❖ While many equity markets in the world dropped in February, stocks indexes of ASEAN countries such as Indonesia, Malaysia, Thailand increased and received more capital of foreigner investors. VNIndex also rose by 0.8% and trading at P/E ~17, lower than average of ASEAN markets.

## Relation between P/E and ROE



Source: Bloomberg, ACBS

## Market valuation



Source: Bloomberg, ACBS

- ❖ The current ROE of the VNIndex is about 15.6%, among the highest return markets. Given our projected 21.8% EPS increase for 2022, Vietnam's 3 year EPS CAGR from 2020-2022 would be approx. 19%, indicating that Vietnamese corporates have done a good job weathering the pandemic storm compared to regional peers. Along with the P/E forward at 13.8, VNIndex is relative attractive for the long-term investing compared with peer markets.



- ❖ In the short term, Vietnam will open its borders to international travel on March 15<sup>th</sup>, which will put a jolt in tourism related activities for 2022. The rising prices of crude oil, steels and rubber prices benefit companies operating in oil and gas exploration activities, gasoline distribution, steel manufacturing and natural rubber producing. As risks and uncertainty increase from central banks raising rates, there could be a 'flight-to-safety' away from speculative stocks and into large caps with strong fundamentals.
- ❖ In terms of the longer outlook, the growth in the overall participation in Vietnam's equity markets, especially from retail investors, bodes well for the continued development of the markets supported by domestic investors. While foreign flows have been negative in the year to date, we believe there have been no structural changes to the market that will keep foreign investors withdrawing for too long as the long term market prospects are too attractive to ignore for long. We also believe that the wave of SOEs divestment and new listing will begin given the current good condition of the equity market, giving new investment opportunities to investors. The new HOSE's platform is expected to be applied in the second quarter of 2022, which will expected for new functions such as intraday trading T+0, bonds trading, Central Clearing Counterparties (CCP) and further products contributing to the market development.
- ❖ The immediate issue the market is keeping an eye on at this time is the decision of Fed to rise the interest rates and tightening of monetary policies across the world to cope with rising inflation. The breakout of the war in Ukraine also has investors keeping watch on how it could affect the Vietnamese economy, which is as of yet unclear given all the uncertainty surrounding the situation, however initial concerns seem pinned around rising oil prices and their potential to contribute to inflation. Vietnam's manufacturing sectors is recovering in recent months, combined with low CPI, a strengthening local currency, increasing market liquidity and the growing role of local investors, we believe that VNIndex can appreciate in the face of global market volatility and expected central bank rate hikes. We're monitoring potential spikes in overall and serious-case COVID-19 rates across the country as an overwhelming of the health care infrastructure could still pose a threat to the economic recovery and interrupt the business in short-term. However, given the high vaccination rates in the country along with increasing access to therapeutics, we do not expect any major moves to impede the economic recovery.

- ❖ Moving forward, we believe Vietnam's earnings are set to grow at 21.8% YoY driven by the banking, real estate and construction material sectors, as well as the recovery of domestic consumption post pandemic. Taking the 3 year average P/E of 16x and our base case earnings expectations, we estimate the index will end the year in the low to mid 1,700's level, equivalent to a 2022 F. P/E of ~13.8x from the end of February.
- ❖ The optimistic scenario is based on the resumption of international flights worldwide combined with a positive effect from the fiscal and monetary package of the Vietnam Government and that corporate earnings exceed our expectations. Based on that scenario, our earnings expectations would rise and we assume that earnings multiples would remain around their current levels (~17x P/E), resulting in the index reaching an 1,900-2,000 point level and representing a 2022 F. P/E of ~12.8x from the end of February.
- ❖ Finally, the pessimistic scenario might happen with new COVID-19 variants, which results in Vietnam and many other countries enacting strict social distancing measures, that would in turn will delay the expected economic recovery or the war in Ukraine escalates to include more nations in the conflict which would have reverberating effects around the global economy and increase pressures on the inflation worldwide. This would result in earnings falling short of our expectations and market valuations dropping as apathy takes hold of the recent boon of new investors into the market. In this scenario, we could see the index struggle to post gains for the year and trade around the levels at the end of 2021.

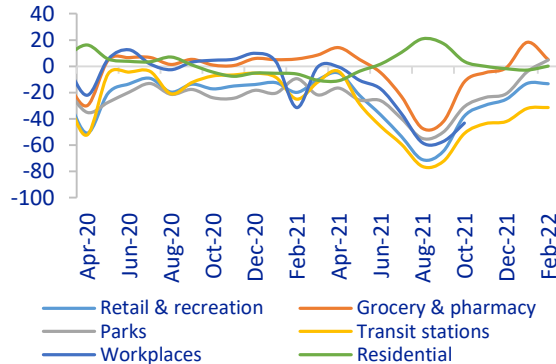
## Three scenarios in 2022

Scenarios	VN-Index	Growth vs. Feb 28 <sup>th</sup>	2022 F.PE (x)
Pessimistic	1,457.5	-2.2%	15.1
Neutral	1,709.6	14.7%	13.8
Optimistic	1,949.3	30.8%	12.8

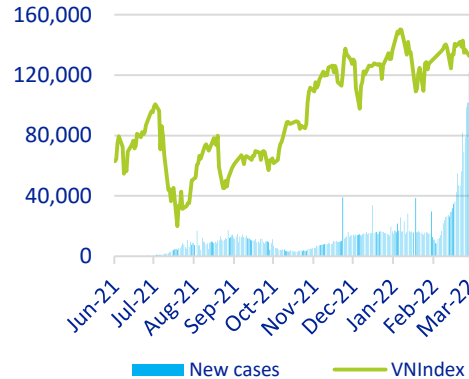
## Year-end 2022 Index Points Sensitivity Matrix

		Earnings Growth							
		5.0%	10.0%	15.0%	21.8%	25.0%	30.0%	35.0%	40.0%
Earnings Multiple	14.0	1,291	1,353	1,414	1,498	1,537	1,599	1,660	1,722
	14.5	1,337	1,401	1,465	1,551	1,592	1,656	1,719	1,783
	15.0	1,383	1,449	1,515	1,605	1,647	1,713	1,779	1,844
	15.5	1,429	1,498	1,566	1,658	1,702	1,770	1,838	1,906
	16.0	1,480	1,550	1,621	1,717	1,762	1,832	1,903	1,973
	16.5	1,522	1,594	1,667	1,765	1,812	1,884	1,956	2,029
	17.0	1,568	1,642	1,717	1,819	1,866	1,941	2,016	2,090
	17.5	1,614	1,691	1,768	1,872	1,921	1,998	2,075	2,152

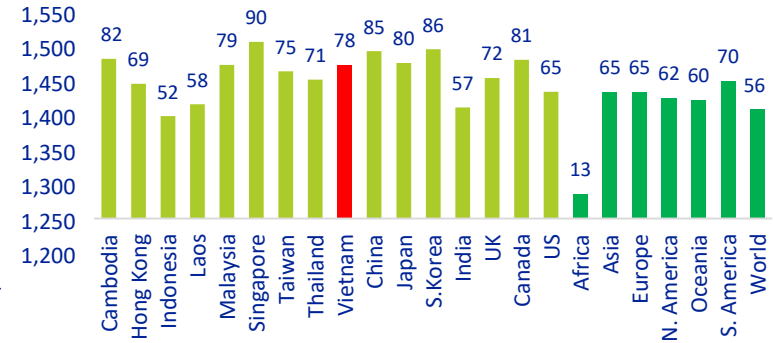
## Vietnam Community Mobility



## Vietnam new cases and VNIndex



## Share of people fully vaccinated



- ❖ New community spread cases surged after Tet holiday, spread over the country and surpassed 100,000 cases/day while schools reopening after year-long pandemic closure. Meanwhile, the share of people fully vaccination increased to 78% and Vietnam is rolling out to vaccinated children aged 5-11.
- ❖ On February 16, 2022, the Vietnam's Government Leaders agreed on the proposal of Ministry of Culture, Sports and Tourism of Vietnam on fully reopening international tourism and lifting all travel restrictions from March 15. Many sectors will benefit from the reopening of international flights as not only will tourists return, but businesses and investment will be able to benefit from increased mobility of customers, suppliers and advisors.

- ❖ Many countries are also easing most of COVID-19 restrictions such as Canada, Australia, European countries, some states of US.
- ❖ We're monitoring potential spikes in overall and serious-case COVID-19 rates across the country as an overwhelming of the health care infrastructure could still pose a threat to the economic recovery and interrupt the business in short-term. However, given the high vaccination rates in the country along with increasing access to therapeutics, we do not expect any major moves to impede the economic recovery.

## ❖ Regulations

- ✓ Resolution No. 43/2022/QH15 dated 11 Jan 2022 issued by the National Assembly specifying some fiscal and monetary policies to support the socio-economic recovery and development.
- ✓ Resolution No. 11/NQ-CP of the Government on the program of socio-economic recovery and development and implementation of Resolution No. 43/2022/QH15.

## ❖ Effective time:

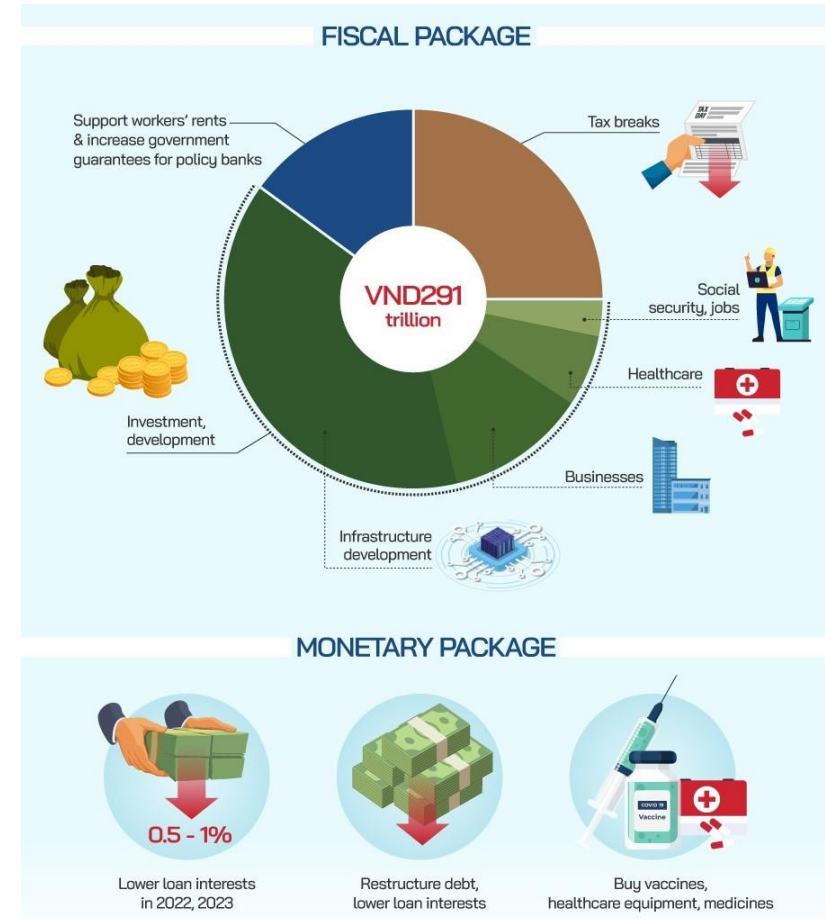
- ✓ Most of these supporting are effective in 2022 and 2023, some policies may be prolonged and added resources depending on the pandemic situation.

## ❖ Scale:

- ✓ Estimated at VND 350 trillion (USD15.42 billion), equivalent to 4.2% GDP.
- ✓ Allocating: Fiscal 83%, Monetary 14%, Others 3%

## ❖ Sources of funding:

- ✓ Local loans by issuing government bonds, ODA, foreign incentive loans, other loans.
- ✓ Increase efficiency of government's mid-term 2021-2025 investment plan.
- ✓ Cutting down other expenses, increase revenues.
- ✓ Increase excise tax on items that need to be restricted.
- ✓ Accelerate equitization and divestment of state capital.



Source: Vnexpress.net

## Fiscal package – Tax reduction

- **Reducing 2% value added tax (VAT)** rate to 8% in 2022 applicable to groups of goods and services currently subject to the 10% tax rate to the end of December 31, 2022 except for: telecommunication, information technology, financial activities, banking activities, securities, insurance, trading of real estate, metal, precast metal products, mining products (excl. coal mining), coke mining, refined oil, chemical products, goods and services subject to excise tax.
- Allowing enterprises to **include expenses to support and finance COVID-19 prevention and control activities** in Vietnam in the **deductible expenses** when determining corporate income taxable income for the tax year 2022.

## Fiscal package – Steered Public Investment

- **Medical Sector:** VND14tn for construction, reconstruction, renovation, and modernization of health and medical facilities and their respective workforce;
- **Social Security, Labor, and Employment:** VND5tn for the Vietnam Bank for Social policies, VND2tn to sponsor interests in excess of 6% per year, VND3.15tn investment into vocational education, job creation, and social welfare.
- **Businesses:** VND40tn to sponsor interests at 2% per year via commercial banks for a number of important sectors to aid their recovery.
- **Tourism:** VND0.3tn to fund the charter capital of the Vietnam Tourism Development Assistance Fund.
- **Infrastructure:** an additional VND113.6tn for infrastructure development in transportation, information technology, digitalization, prevention and control of landslides, water security, adapting to climate change, and the consequences of natural disasters.
- **Housing:** VND6.6tn to support employees working in industrial zones, export processing zones, and primary economy areas.
- **Government guarantee for domestic bonds:** VND38.4tn for providing loans to support educational establishments, pupils and students.

## Monetary package

- Direct credit institutions to reduce lending interest rates by 0.5% to 1% in 2022 and 2023.
- Continue to reschedule loan repayment terms, maintaining the existing debt groups, exempting and reducing loan interest for customers affected by the COVID-19 epidemic.
- Use a maximum amount of VND 46 trillion (~USD 20.3 million) to import vaccines, precision medicine, and medical equipment and supplies for COVID-19 prevention.
- Continue to refinance the Vietnam Bank for Social Policies to provide loans to employers to pay wages for suspension of work and restore production.

## Impact of Stimulus package

- ✓ Reduction of VAT which applied in wide range of goods and services will support the purchasing power and increase retail sales and curb inflation.
- ✓ Allowing enterprises to include expenses to support COVID-19 prevention and control activities in Vietnam in the deductible expenses when determining corporate income taxable income for the tax year 2022 is a practical policy due the large costs incurred by enterprises.
- ✓ The package scale is larger than previous package, this program is expected to have a positive impact on a wide range of businesses from building materials, infrastructure construction, tourism...
- ✓ The special mechanism for bidding and contractors would speed up the progress of infrastructure projects.
- ✓ This program will also generate new jobs which is very important for both economy and social security at the current time, ensuring the labor force for businesses and promoting retail sales.
- ✓ The equitization and divestment of state capital is expected to be accelerated for mobilizing resources, giving new investment opportunities to investors.

## TRADE

- ❖ Total turnover of imports and exports of Vietnam-Ukraine is quite small, about 0.1% for 2021, in which the largest item is wheat (USD81m, account for 6% of total imported wheat, while Australia account for 68%). Therefore, the effects of this market is insignificant.
- ❖ Regarding Russia, main export items to Russia in 2021 are coffee (USD173m, 6% of total, placed 5<sup>th</sup>), tea (USD19m, 9%, 3<sup>rd</sup> after Pakistan with 40%), exports to Russia just account of 1% of total foreign trade of Vietnam.
- ❖ Main imported items from Russia are:
  - ✓ Coal (USD527m, 12% of total coal, placed 3<sup>rd</sup> after Australia and Indonesia),
  - ✓ Fertilizer (USD144m, 10%, placed 2<sup>nd</sup> following China of 42%),
  - ✓ Wheat (USD14m, 1%).

The war and sanctions on Russia including the blockage of some Russian banks from the SWIFT international payments system as well as other international financial systems could reduce the supply of these items given difficulty of transportation and even in the case that Russia temporarily export fertilizers. However, we suppose that this impact is temporary and less influence to Vietnam than the rising of these items' prices in global market. Additionally, the Ruble depreciation could be advantage for Vietnam importers. Russia enterprises can join Unionpay, the money transactions system of China or use traditional methods for offshore trading, specially with Asia countries, so the trade expected to be resume to fill demand.

- ❖ Indirectly, the war and sanctions might disrupt global supply and raise the cost of transportation, made it harder to international transactions included Vietnam importers and exporters. Besides, this crisis could exacerbate the inflation concern, combined with refugee issues could influence to consumers in EU and US, two biggest Vietnam's importers.

## Trade of some countries/ group of countries and Vietnam in 2021

Countries/ Groups	Value (USDm)		% of total	
	Exports	Imports	Exports	Imports
EU	40,122	16,892	11.9%	5.1%
ASEAN	28,861	41,134	8.6%	12.4%
UK	5,766	849	1.7%	0.3%
India	6,259	6,951	1.9%	2.1%
Taiwan	4,588	20,773	1.4%	6.3%
S.Korea	21,945	56,155	6.5%	16.9%
US	96,293	15,270	28.6%	4.6%
<b>Russia</b>	<b>3,203</b>	<b>2,299</b>	<b>1.0%</b>	<b>0.7%</b>
Japan	20,129	22,649	6.0%	6.8%
Australia	4,455	7,946	1.3%	2.4%
China	56,010	109,875	16.7%	33.1%
<b>Ukraine</b>	<b>345</b>	<b>376</b>	<b>0.1%</b>	<b>0.1%</b>

Source: GSO, ACBS



## MANUFACTURING:

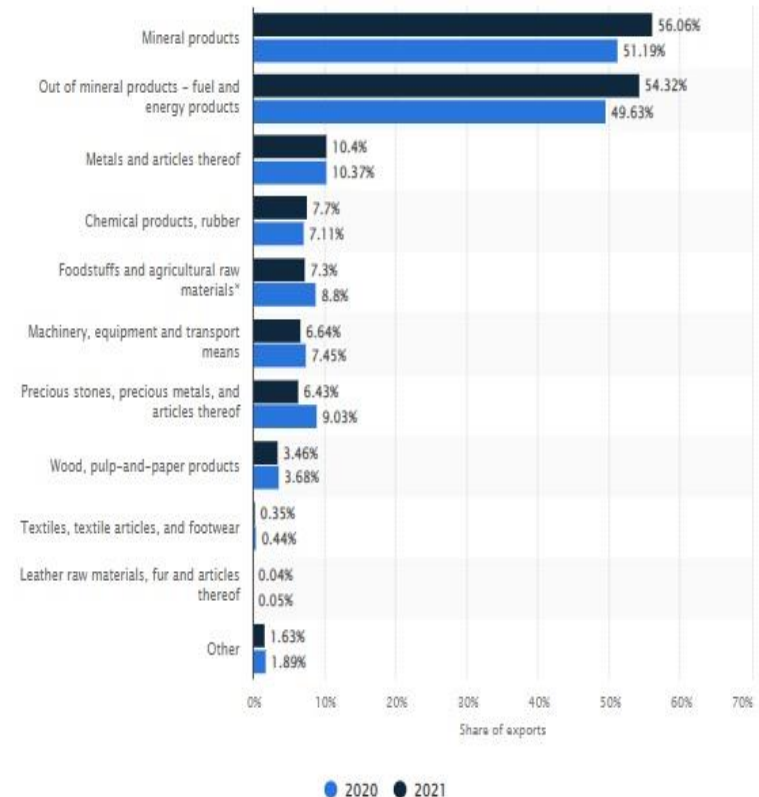
There are many sectors impacted by this war. In Vietnam, there are some specific industries will be affected included:

- ✓ **Electronic and phone manufacturing:** the shortage of semiconductor chip making materials (Heli, supplied most by Russia) effects to global manufacturing of electronic products, phones and computers which are main exports items of Vietnam. These items imports of could be rise on prices and lengthen delivery time, negative impact on exporters.
- ✓ **Electricity and steel:** The disruption of coal supplies could cause Vietnamese electricity and steel manufacturing difficulties given their dependence on coal in production.
- ✓ **Oil exploration:** Vietnam and Russia have strong cooperation in oil sectors. The sanctions on SWIFT system could affect to transactions of two countries but we suppose this issues just in short-term.
- ✓ **Agriculture:** the disruption of fertilizers from Russia could rise the prices of this item and be the risk for global agriculture.

**INFLATION:** This war could contribute to inflation concerns in

- ✓ **Foods and food stuffs:** by the shortage of fertilizers, but this effect to Vietnam is negligible as Vietnam major fertilizer supplies come from China is greater and remain stable. Foods supply in Vietnam also abundant and have stability price.
- ✓ **Energy:** the disruption of coal and oil could lead to increase cost of transportation and production in the world
- ✓ **Materials:** Vietnam is still depend on many imports materials such as chemical products, electronic parts... The disruption of these items could lead to the increase of materials prices in global markets, affecting Vietnam's input costs.

## Export value distribution in Russia by commodity



Source: Statista

- ❖ Divestment of state capital is expected to pick up thanks to the growth in the overall participation in Vietnam's equity markets. Additionally, the equitization and divestment of state capital is expected to be accelerated for mobilizing resources for the socio-economic recovery program, giving new investment opportunities to investors. Regulations on foreign ownership limit (FOL) would continue to be a barrier for the state capital divestment in Vietnam companies. In 2022, several large scale SOEs such as EVN, Vinacomin and Vinataba are expected to go through the process for equitization for the divestment of stake capital. Among 88 enterprises in the plan for state capital divestment in 2021, BVH of Bao Viet Insurance, BMI of Bao minh Insurance and NTP of Tien Phong Plastic received interest of many investor but the capital divestment plan was delayed to 2022. According to the Final Report of SCIC, revenue as of 31 Dec 2021 earned VND 7,213 billion equivalent to 111% of plan including VND4,409bn of dividend revenue and VND1,390bn of divestment revenue. As of 31 Dec 2021, SCIC's portfolio have 145 enterprises, finished divestment state capital at 10 enterprises.
- ❖ In terms of market classification, Vietnam's stock market was in Watching List of FTSE Global Equity Index for Secondary Emerging Market from Sep 2018 but continues to be classified in the group of Frontier markets and has not been upgraded to Emerging markets in latest review. As the schedule, there will be an Interim Review in late March 2022 where reclassification will be considered.

# Upcoming events

Event type	Date	Countries	Events	Ticker
Index review	04-Mar-2022	Vietnam	FTSE Vietnam ETF	
Index review	11-Mar-2022	Vietnam	VanEck Vectors Vietnam ETF	
Economy	16-Mar-2022	United States	Fed Interest Rate Decision	
ETF rebalance	18-Mar-2022	Vietnam	FTSE ETF & VNM ETF Restructuring	
Economy	29-Mar-2022	Vietnam	Macro Indicators Releases	
Market Classification	01-Apr-2022	Vietnam	FTSE Global Equity Index - Interim Review	

Market Calendar	Ex-right date	Countries	Events	Ticker
Share Issue	01-Mar-2022	Vietnam - HOSE	Share issue 100%	SVD
Dividends	02-Mar-2022	Vietnam - HOSE	Cash dividend VND1,500	SAB
Share Issue	03-Mar-2022	Vietnam - HOSE	Share issue 6.5%	EVF
Dividends	04-Mar-2022	Vietnam - HOSE	Cash dividend VND250	KHP
Dividends	07-Mar-2022	Vietnam - HOSE	Cash dividend VND600	PNJ
Dividends	17-Mar-2022	Vietnam - HOSE	Cash dividend VND1,500	PDN

## Industry outlook

Industry:	FINANCIAL	Sub-sector:	BANK	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	VCB, CTG, TCB, MBB, STB
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### Sector Overview

- Business results of listed banks recovered well in Q4/21. Total income of listed banks grew by 11.6% YoY and 15.1% QoQ. The growth driver came from strong recovering credit growth, +5.65% in Q4/21 and +13.53% in the whole year of 2021 (SBV).
- Provision expense in Q4/21 continued to remain at the same high level as in Q2 and Q3/21 to provision for COVID-19 restructured loans.
- Profit before tax in Q4/21 grew by 7.2% YoY and 16.1% QoQ.
- Asset quality improved compared to Q3/21. NPL ratio at the end of Q4/21 reached 1.34%, down 0.27 percentage points compared to Q3/21 and equivalent to the same period last year. Group 2 loan ratio reached 1.2%, down 22 percentage points compared to Q3/21.
- We estimate that the restructured loans due to COVID-19 accounted for just over 1% of the total outstanding loans and will likely to decrease in 2022 thanks to the economic recovery.

### Outlook / What to Watch

- We expect credit growth in 2022 to reach 15% thanks to the low interest rate environment that will stimulate credit demand. The monetary easing policy of SBV will also support credit growth of banks. By the end of January 2022, credit growth reached 2.74% (SBV) and increased by 16.32% YoY.
- Deposit interest rates may increase slightly by 0.5% as system liquidity has been no longer abundant due to strong credit growth since the beginning of Q4/2021. High credit growth and a reduction in the size of interest lending rate support as in 2H2021 will support the growth of interest income and maintain NIM.
- The aggressive provisioning in 2021 for COVID-19 restructured loans will help reduce the provisioning pressure in 2022.

## Industry outlook

Industry:	FINANCIAL	Sub-sector:	INSURANCE	Short term outlook:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	BVH, PVI
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### Sector Overview

- Social distancing due to COVID-19 affects the consulting and sales process for life insurance products. However, the digitization of insurance product sales helps insurance companies and affiliated banks to overcome this difficult period.
- Meanwhile, non-life insurance business is less affected by the COVID-19 epidemic because these are insurance products associated with business activities and they are mostly mandatory.

### Outlook / What to Watch

- Vietnam's life insurance market still has a lot of room for growth. By the end of 2020, the proportion of the population with life insurance was only 11%. We expect the life insurance segment to grow at 20% annually over the next 5 years.
- For the non-life insurance segment, we expect non-life insurance sales to maintain a growth rate of 10% per year for the next 5 years.

## Industry outlook

Industry:	FINANCIAL	Sub-sector:	SECURITIES	Short term outlook:	POSITIVE	Long term outlook:	NEUTRAL	Main ticker:	SSI, HCM, VCI, VND
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### Sector Overview

- Securities brokerage is one of the least affected sectors by COVID-19. The low interest rate environment attracts domestic investors to participate in the stock market. The number of newly opened securities accounts in 2M22 reached 405,000 accounts, 3 times higher than the same period of last year.
- Proprietary business has performed quite well during COVID-19. VN-Index increased by 35.7% in 2021, bringing large profits from proprietary trading activities to the securities companies in 2021.

### Outlook / What to Watch

- Vietnam's securities brokerage business still has a lot of growth potential when the proportion of individuals with securities accounts in Vietnam is only about 4%. The government aims to increase the proportion of people participating in the stock market to 5% by 2025 and 10% by 2030.
- However, securities brokerage sector is highly competitive. There are many securities companies while there are little differences between products of the securities companies.
- Vietnam's capital market is still in developing phase and has a lot of growth potential, especially in consulting on corporate bond issuance, thereby opening up many opportunities from this potential business segment for securities companies.

## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	RESIDENTIAL PROPERTY	Short term outlook:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	VHM, KDH, NLG
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### Sector Overview

- 2021 condominium new supply continued to decline due to the pandemic and prolonged approval process with the leading of the mid-end segment in Hanoi and the high-end segment in HCMC.
- Limited supply and stable demand led to slightly higher sold units than new supply.
- Price was in an uptrend thanks to limited supply and more high-end and luxury units launched.
- In 2021, HCMC launched 14,339 new units (-22% YoY) and sold 14,639 units (-7% YoY) with average primary price of USD2,306/sqm (+7% YoY).
- In 2021, Hanoi launched 16,758 new units (-7% YoY) and sold 16,958 units (-9% YoY) with average primary price of USD1,596/sqm (+13% YoY).

### Outlook / What to Watch

- Approval process is improving slowly.
- New supply and sold units will recover.
- Sales events may be disrupted by the rising of COVID cases.
- Inflation concern may encourage asset speculation activities and increase clearance costs.
- Average primary price is expected to grow.
- Key drivers: construction/approval of key infrastructure projects, stable interest rate, rising middle income class, high urbanization rate, etc.

## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	INDUSTRIAL PROPERTY	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	KBC, BCM
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### Sector Overview

- At YE2021, Vietnam had a total of 398 established Industrial Parks (IPs) with a total land area of 123,500ha (+8.3% YoY), of which 292 IPs are operating at an average occupancy rate of 71%, up by 80 bps YoY.
- Asking rents for industrial land increased by more than 5% YoY and averaged at USD131/sqm/term in the south and USD97/sqm/term in the north.
- Supply chain disruption created increasing demand for ready-built warehouses and factories. The north's total supply reached 1.3mn sqm of warehouses (+7% YoY) and 2.5mn sqm of ready-built factories (+9% YoY) while the south supplied 3.5mn sqm of warehouses (+10% YoY) and 3.2mn sqm of ready-built factories (+8% YoY). Asking rents increased by more than 5% YoY and averaged at USD4.7/sqm/month in the north and USD5/sqm/month in the south.

### Outlook / What to Watch

- Stable demand especially from multinational corporations' expansion/relocation.
- Expected more supply in the north than in the south thanks to infrastructure development.
- Asking rents will continue to be in an uptrend.
- Inflation concern may encourage asset speculation activities and increase clearance costs.



## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	RETAIL PROPERTY	Short term outlook:	NEGATIVE	Long term outlook:	NEUTRAL	Main ticker:	VRE
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### Sector Overview

- No new supply in Hanoi and HCMC in 2021 with a delay in expansion plans due to the pandemic.
- Rental rate and vacancy rate did not significantly improved compared to 2020.
- Tenants restructured to adapt to the 'New Normal' such as decreasing rental space, changing store format from standard 'brick-and-mortar' stores to integrated kiosks with more points of sales.
- HCMC: In 4Q2021, rental rate in CBD increased by 6.8% YoY to USD144/sqm/month while in non-CBD decreased by 4.0% YoY to USD33/sqm/month; vacancy rates were at 1.9% (+2.8 ppts YoY) in CBD and 11.4% (-1.5 ppts) in non-CBD.
- Hanoi: In 4Q2021, rental rate in CBD decreased by 1.9% YoY to USD106/sqm/month and by 3.3% YoY to USD24/sqm/month in non-CBD; vacancy rates were at 12.9% (-1.4 ppts YoY) in CBD and 16.8% (+4.3 ppts) in non-CBD.

### Outlook / What to Watch

- New supply is expected to improve.
- Occupancy rate and rental rate are expected to recover slowly to pre-COVID level .
- Landlords continue to provide rental support for tenants.
- Consumers' swift adaptation to online shopping during the pandemic may be a constraint to the development of this segment.

Industry:	REAL ESTATE	Sub-sector:	HOSPITALITY PROPERTY	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	CEO, NVL
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### Sector Overview

- Started to welcome international tourists under vaccine passport program from 12/2021
- Villas and townhouses/shophouses saw a good recovery in 4Q2021 compared to 3Q2021 while condotels did not.
- There were 4,115 villas, 4,898 townhouses/shophouses and 3,792 condotels launched in 2021 with absorption rates of 71%, 88% and 58%, respectively.

### Outlook / What to Watch

- Higher new supply in 2022 compared to 2021 with a focus in coastal provinces.
- Demand is still weak and has not seen significant positive signal.
- Townhouses/shophouses are expected to be the favorite products.

## Industry outlook

Industry:	RETAIL	Sub-sector:		Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	MWG, FRT, PNJ
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### Sector Overview

- An important component contributing significantly to the economic growth.
- Witnessing penetration of numerous players including both domestic and foreign names.
- While traditional trade channels hold an overwhelming market share, the emergence of modern trade retail, online shopping have been proving their growing power. As a part of this trend, retail chains offering various items, from FMCG, technology equipment, home appliances, fashion, to personal accessories, F&B, etc., have been blossoming in Vietnam.
- The outbreak of COVID-19 on a large scale and in a long period in Vietnam in 2021 caused different impacts on consumption of different products. Some benefit while some suffer. However, a recovery could be seen in consumption of products as well as retailers' revenue (e.g MWG's thegioididong.com and dienmayxanh.com chains, PNJ, etc.) after the end of social distancing stage. Retail sales of goods (accounting for ~82% of retail sales of consumer goods services) climbed by 0.2% YoY for the whole year 2021 versus a decline of 3.4% YoY in 9M2021. The figure was 1.7% YoY in 2M2022.
- The outbreak of COVID-19 has made online shopping activity more popular, approaching more consumers with a higher frequency and new product groups (particularly fresh food, which consumers often prefer shopping directly at stores/wet markets). Physical retail will remain an important channel but online sales is also deepening its role, making omni-channel an increasingly indispensable part in companies' business strategies.

### Outlook / What to Watch

- For 2022, we expect the sector's recovery to continue, based on assumptions that the probability of repeating such a long social distancing stage as 2021 may be minimized thanks to expansion of vaccination, the government's potentially increased investments in healthcare system and changes in people's habits/awareness to diminish infection potential. Customer traffic to modern trade channel may be shared again by wet markets when this trade channel reopens. Reopening of coffee shops, restaurants, etc. could restore sales for food & beverage manufacturers after recording falling revenue from this sales channel due to social distancing. Nevertheless, consumption for infrequent products may be curbed/delayed as a result of the pandemic's impacts on consumer spending power, although the severity could vary in different consumer segments.
- Long-term outlook is promising, underpinned by a developing economy, large, young, and increasingly connected population, rising urbanization, higher incomes and living standards, and rising middle class.

## Industry outlook

Industry:	CONSUMER DISCRETIONARY	Sub-sector:	TEXTILE & GARMENT	Short term outlook:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	MSH, STK, TCM, TNG
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### Sector Overview

- One of crucial export pillars, contributing ~12% to Vietnam's export value.
- Dependence on imported material sources (e.g China) has been an issue for the industry's members for years despite desires and efforts to enhance the localization rate.
- The US, CPTPP countries and the EU are largest customers. Vietnam is among countries whose textile & garment export share to the US has enlarged at the expense of China's for recent years.
- Outsourcing (CMT) remains the most popular order type that Vietnamese manufacturers receive; still, an increasing number of manufacturers have tried to approach upper order types (e.g FOB) in the industry's value chain to enhance their profit margins.
- Textile & garment manufactures felt COVID-19's impacts on supply and demand sides when the pandemic occurred in China and then the US, EU. Textile & garment export value fell by 2.2% YoY in 3Q2021. However, thanks to strong performance in 1H2021 and encouraging rebound in 4Q, textile & garment export value exceeded its target of reaching \$39bn for 2021.
- 2022 starts with positive results as textile & garment export value climbing by nearly 32% YoY in January.

### Outlook / What to Watch

- Despite unpredictable movements of the pandemic on a global scale, many countries are targeting economic recovery. Probability of another deep drop in orders for textile & garment products therefore may not be expected. For 2022, Vietnam textile & garment industry targets export value of \$38-39bn for the worst case, \$40-41bn for the base case and \$42.5-43.5bn for the best case.
- In a long term perspective, we expect Vietnam's textile & garment industry will continue its role as not only an important pillar in the country's overall export value but also an important textile & garment exporter in the world. Vietnam is viewed as one of lucrative manufacturing locations with low labor costs and a large labor force.
- FTAs, which could help Vietnam' textile and garment products shrink its tax gap against some other competitors, are also promising catalysts. However, the industry will likely have to experience a quite long progress to improve its weaknesses and satisfy FTAs' requirements before enjoying significant benefits.
- As the advantage of labor costs may not be sustainable given the emergence of other competitors, more drastic improvements in value-added rate, dependence in China's supply/imported material sources (in tandem with ensuring environment safety), higher margin products, etc. are needed.

## Industry outlook

Industry:	MATERIALS	Sub-sector:	CONSTRUCTION MATERIAL	Short term outlook:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	HPG, HSG, HT1, KSB
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### Sector Overview

#### Construction material

- As oil prices increased greatly (+27% in February), we expect the fuel cost will rise soon then lead to an increase in the transportation costs of steel material. As most input material for Vietnam's steel industries (iron ore, coking coal and steel billets) are imported, expected increase in transportation costs can generate an increase in input cost for steel producers.
- Vietnam construction materials prices were stable in February. On our view, the stability of construction materials price can continue throughout March in the theme of a gradually recovering construction activities after Tet holiday.
- Global steel prices were hovering around 760 USD/ton during February. The global steel price can increase slightly (5-7%) in March when EU applied some fresh sanctions against Russian metal companies, putting pressures on global steel supply. China steel demand is also expected to rise while Chinese government is continuing their investments on infrastructure.
- Other construction materials (cement, stone, brick, sand, ...) was stable while domestic manufacturing activities was not affected by global conditions.

### Outlook / What to Watch

- The return of real estate development activities and public investment are still the main catalysts for construction material demand in 2022.
- The dry season after Tet holiday is a favorable time for construction activities. We expect construction materials market can experience a good growth in demand (+5-10% yoy) during the dry season.
- We maintain our expectation for increasing iron ore prices with tight production guidance from large miners. Increasing fuel cost could also contribute to the increasing input cost of steel producers, leading to a contraction in gross margin for steel makers.

## Industry outlook

Industry:	LOGISTICS	Sub-sector:	LAND AND SEA TRANSPORT	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	GMD, TCL, VSC
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### Sector Overview

- Rising oil price could lead to an increase in fuel cost in March, making the cost of transportation companies to rise also. However, in our opinion, transportation companies can possibly pass through the increase in fuel cost to the customers as the demand for logistic is currently high.
- Freight shipping companies are still struggling with the situation of dry containers shortage. The container shortage situation does not only increase the cost of shipping but also create some compensation costs for exporter relating to the delay of shipments.
- Road transportation costs between Vietnam and China, a large channel for agricultural product exports could also increase with the increase of oil price. The slow approval conditions at Vietnam-China land borders was partially solved, but the due to high trade flow between Vietnam and China through road transportation, there are still thousands of trucks waiting at the border.

### Outlook / What to Watch

- Dry container lacking situation still continues and kept the sea transportation cost at high level (2-3 times compare to 2020). The cost for renting a container has increased 10 times compare to the beginning of 2020.
- Increase in fuel cost could lead to the increase in the price of logistic services. On our view, logistic companies can partially pass through the increased cost for fuel to the customers as the current demand for transportation services is quite high. Therefore, we can see a slight contraction in gross margin of transportation companies in March, comparing to January and February.
- Although facing the problem of dry containers shortage, we believe sea transportation of Vietnam can still maintain the growth at 2%, same as 2021, in term of volume when many shipping lines which supply a large number of dry containers to Vietnam has been reopened after a long time being suspended.

## Industry outlook

Industry:	LOGISTICS	Sub-sector:	AVIATION	Short term outlook:	NEGATIVE	Long term outlook:	POSITIVE	Main ticker:	HVN, VJC
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### Sector Overview

- According to Civil Aviation Authority of Vietnam (CAA), Vietnam has operated 25,220 flights from mid Jan 19th – Feb 18th 2022, an increase by 20.4% YoY and more than double versus last month. Vietnam Airlines recorded the highest YoY growth rate of 47% (9,889 flights), following by VASCO (+23.7% YoY, 641 flights) and Bamboo Airways (+19.6% YoY, 4,792 flights). On a MoM basis, Vietjet ranks first with 146.8% MoM (8,297 flights), following by Jetstar Pacific (+146.7% MoM) and Vietnam Airlines (+100.5% MoM).
- In Feb 2022, Vietnam airports received 6.1 mn of passengers, +57.8% YoY. Vietnam recorded 105,000 international passengers, +3.5x MoM which is a positive signal for Vietnam aviation sector and Vietnam tourism. The remaining 6mn of domestic passengers are equivalent to 56.1% MoM increase.
- Sun Air from Sun Group got the approval for the aviation business license, launching a private jet service from Van Don International airport in Quang Ninh province. Sun Air targets luxury customers and offers charter flight, helicopter and seaplane tours. The group plans to operate 2 Gulfstream G640ER in 3Q2022 and will add 4 G650ER, 1 G700, 1 helicopter and 2 seaplanes from 2023-2025.

### Outlook / What to Watch

- The rising tensions between Russia and Ukraine have pushed Brent oil price to over USD120/barrel. This will represent a headwind for the airline industry and for Vietnam aviation sector to recover. As jet fuel represents approx. 30-40% of an air carrier's total cost, that will further damage the company's financial situation.

## Industry outlook

Industry:	LOGISTICS	Sub-sector:	AIR CARGO	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	SCS, NCT
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### Sector Overview

#### Effect of COVID-19

- Long period of compression due to social distancing drives manufacturers to refill their inventory, boosting import – export in Vietnam
- Sea freight increased by 10 fold due to lack of containers, creating a great advantage for air cargo. After a consecutive 5 weeks of declining freight in Oct-Nov 2021, sea freight bounced back again amid of shopping season.

### Outlook / What to Watch

#### Post COVID-19

- The year-end holidays and festivity period will boost import-export activity.
- We expect sea freight to remain high until mid-2022, boosting air cargo volume.

## Industry outlook

Industry:	FISHERY	Sub-sector:		Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	VHC, FMC, MPC
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### Sector Overview

- Vietnam fishery export in Feb 2022 reached USD600mn, +53.2% YoY.
- In Jan 2022, Vietnam pangasius export reached USD213.6mn, an impressive growth of 73% YoY. China market recovered with 96.4% YoY growth to USD33.7mn, following a declining export turn over in 2021. It is expected that Vietnam pangasius export to Chinese market will continue its uptrend in the next few months as inventory in China touches low.
- Shrimp export turn over reached USD 225mn in Jan 2022, +2.26% YoY and +2.65% YoY in volume term.

### Outlook / What to Watch

- Raw pangasius price increased strongly by more than 40%, ensuring enough profit to local farmers. However fingerlings price continued to decline which drives us to be suspicious about lower quality for next crop. That might be a risk for pangasius supply for the next harvest season which might boost price to a record high.
- Pollock price skyrocketed which will be a great advantage for Vietnam pangasius
- Ecuador continues to be a competitor for Vietnam shrimp as cost is usually one third of Vietnam.
- The recent surge in oil price will put high pressure on logistics costs for export.



## Industry outlook

Industry:	ENERGY	Sub-sector:	POWER, WATER	Short term outlook:	NEGATIVE	Long term outlook:	NEUTRAL	Main ticker:	REE, PPC, PC1
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### Sector Overview

- Towards the end of 2021, early 2022 electricity consumption showed signs of recovery compared to previous period and utilization distribution shifting from hydropower to thermal power.
- The capacity and consumption of electricity in the whole country during Tet holiday from Jan 29, 2022 to the end of Feb 6, 2022 are down sharply compared to weekdays before Tet. On average, during the Lunar New Year holiday, the highest electricity consumption capacity of the whole national electricity system is only about 24,700 MW per day, and electricity consumption is about 485 million kWh/day. The national average daily electricity consumption during the Tet holiday is about 29% lower in capacity and 30% lower in output compared to the daily average of the week before Tet. However, compared with the same period of the Lunar New Year last year, the national average daily electricity consumption of the 2022 Tet holiday is still about 8% higher in peak capacity and 16% higher in output compared to the same period last year.
- Coal import price bullish trends since early 2022 will continue and affect competitiveness of thermal power plants. Newcastle coal futures broke another record high at \$400 per ton and are now up more than 100% since the beginning of 2022 due to concerns over sanctions on Russia, Labor shortages in China due to COVID, flooding in some Australian mining areas and Indonesia's decision to ban coal exports in January. When the coal price increases, the contracted selling price (Pc) for coal-fired thermal plants also increases. Therefore, revenue from the contracted sale of coal-fired power plants (usually 80-90% of total output) using the adjusted coal input price will increase, while the profit will be almost unaffected. However, the profit from the portion of electricity sold in the competitive generation market (CGM) of these plants will be affected by the increase in fuel costs while the market price (Pm) in this market is not adjusted accordingly. Profit of coal-fired thermal plants with higher sales volume in the CGM market will be more affected by the increase in coal price. In additional, increasing coal price will affect coal-fired thermal plants competitiveness as EVN reduce utilization for this group and prioritize other sources of generation such as renewable energy.

### Outlook / What to Watch

- In 2022, National Power Transmission Corporation (EVNPT) continues to coordinate with ministries, branches and localities to promptly, safely and effectively deploy construction investment projects, especially projects to release power source capacity especially in South Central region. In order for existing renewable power sources not be limited in capacity due to overload, EVN will have to urgently deploy the construction of transmission lines and substations to release capacity of existing renewable energy sources that have been put into operation and 4,000 MW new wind power (and potentially another 3,5000 MW that missed Nov 1, 2021 deadline), especially in Ninh Thuan, Binh Thuan & Quang Tri areas.
- Biggest challenge in 2022 is to ensure enough electricity for the Northern region, especially in the months of extreme weather. EVN has established a committee to ensure electricity supply in the Northern region for the period of 2021-2025, meeting monthly to propose solutions and drastically implement them. Current unfavorable hydrological situation of hydro power reservoirs in the North will affect the electricity supply situation for 2022. In order to get ready for potential power shortage in the North from May to Jul 2022 during extreme heat period, we expect EVN to mobilize more coal-fired thermal power to ensure the long-term goal of water storage in Northern hydropower reservoirs as directed by MoIT according to document No. 6690/BCT-DTDL issued on Oct 25, 2021.

## Industry outlook

Industry:	ENERGY	Sub-sector:	OIL & GAS	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	GAS, PVD, PVS, PLX
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### Sector Overview

- By March 9th, despite the emergence of Omicron variant, Brent oil prices surged strongly to USD131/barrel due to Russia-Ukraine war that contributes to the current supply concerns amid increasing demand.
- US announces that it is banning all import of Russian energy products while Britain will phase out Russian oil imports by the end of this year. Moreover, several OPEC+ members did not meet the group's monthly output increases due to political strife and underinvestment in drilling.
- Higher oil price supported positively the selling gas price (HSX: GAS), contribution margin of gasoline product amid low inventory cost (HSX: PLX, BSR) . On the other hand, the slow initiation of new oil & gas project and remaining border restriction has put a lot of pressure on the jack-up day rate for (HSX: PVD) and the workloads for the Mechanics & Construction segment of (HNX: PVS).
- However, Vietnam oil resource has been facing the depletion of natural oil resources. Most large oil fields have been exploited for long-time and are currently in the final stages while new discoveries are mostly small field with low reserves. The lack of exploration activities/ spending that was due to low oil price in previous years has led to the fall in increasing oil and gas reserve from 2016.

### Outlook / What to Watch

#### Outlook

- Throughout 2022, oil demand is expected to increase thanks to ongoing rebound of economic activities, transport demand and vaccination progress. However, the growth will be slow due to other potential Covid variants as well as remaining fear of contamination.
- Sanctions on Russia oil & gas by some countries has put a lot of pressure to the current supply concerns. Potential return of Iranian crude to global markets has been recently delayed.
- However, OPEC+ is expected to add 400,000 barrel/day in April. More supply is also expected to come online from US and other non-OPEC countries in 2022-2023. This might mitigate gradually the current supply shortage.

#### RISK

- New COVID variant with high infectiousness and mortality drag oil demand down
- Imposed sanction on Russia oil
- Growing concerns about climate change, sales of electric cars and investment in green energy

## Industry outlook

Industry:	HEALTH CARE	Sub-sector:	PHARMACEUTICAL	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	DHG, IMP, DBD, DMC, TRA, MKP, PMC
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### Sector Overview

- Vietnam is numbered among the “pharmerging markets” (i.e emerging pharmaceutical countries).
- The majority of pharmaceutical manufacturers in Vietnam engage with the western medicine market. Generic drugs (but not the first or high-value drugs) are the most popular products of the domestic manufacturers, while patented drugs are foreign brands.
- Domestic factories are now capable of producing various types of formulations and have been spent more on production infrastructure.
- Imports are a major source of supply of finished drugs and raw materials. France, India, Germany, etc. were the leading sources of drug imports for Vietnam while a majority of raw materials are imported from India and China.
- Distribution of pharmaceutical products is conducted through two channels, consisting of hospitals (via bidding process) and pharmacies. Such pharmacy chains as An Khang, Pharmacity, Long Chau etc., have emerged aiming to gain a sizable share in this fragmented market.
- WHO-GMP (GMP: Good Manufacturing Practice) is presently the most common technology production standard in Vietnam. However, generic drugs produced under higher certifications (e.g EU-GMP, PIC/S-GMP, etc) with stricter technical criteria can enjoy better prices and are more likely to win bids and find good conditions for exports. The number of pharmaceutical facilities in Vietnam achieving EU-GMP, PIC/S-GMP remains quite moderate.

### Outlook / What to Watch

- Positive impacts from COVID-19 outbreak were not so tremendous despite higher demand for supplement, sanitizer products and drugs that help to lessen symptoms caused by the virus. Drug sales to hospital & clinic channel were affected adversely because of lower patient traffic (non COVID-19 patient) to hospitals & clinics during social distancing stages and peak time of the outbreak. However, patient traffic could recover after the end of social distancing.
- In a long-term outlook, a developing economy, rising incomes, a large population which starts getting older, combined with health issues caused by environment and industrialization will likely facilitate the industry’s growth. However, how to rapidly introduce new generics, boost the proportion of high-value drugs, heighten enterprise competitiveness and consumers’ trust are challenges to Vietnamese pharmaceutical companies.

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## Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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