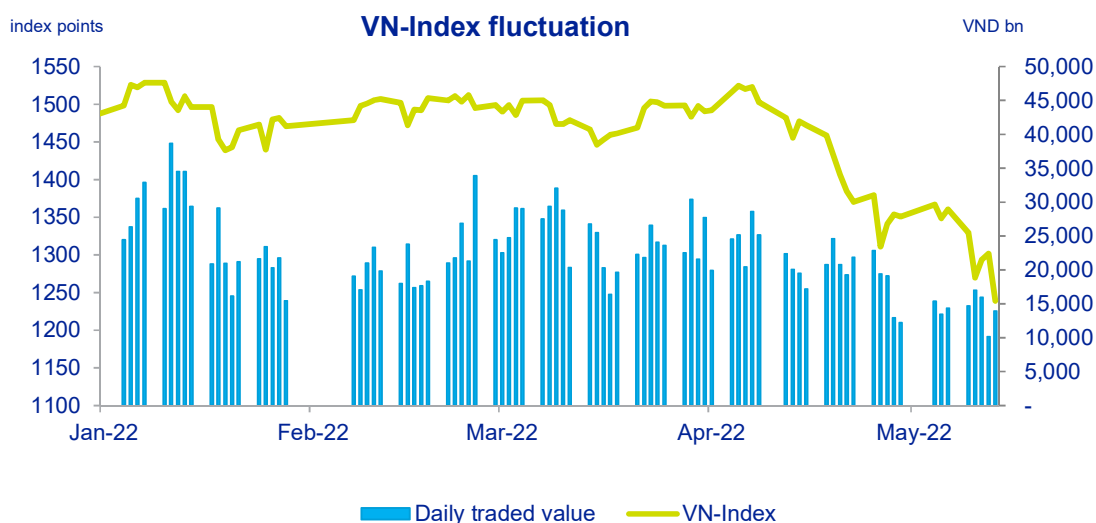


Recent correction drives VNIndex to cheapest valuation since April 2020

Long term outlook remains positive while short term volatility may continue

Vietnamese stocks have been experiencing a correction in recent weeks due to a confluence of events, both domestic and exogenous, that have shaken investor confidence and turned sentiment negative. Growing uncertainty in the global economic recovery post-COVID has been driven by increasing concerns on inflation and central banks' actions to reign in inflation, the outbreak and continuance of the war in Ukraine that has further exacerbated commodities prices as well as the zero-COVID policies in China which have resulted in lockdowns in key cities which is further stretching global supply chains. On the domestic front, notable legal actions taken against several large players on the market for stock price manipulations and the cancellation by the SSC of bonds, valued at over 437m USD, issued by a private real estate company, have caused negative sentiment to take hold of the market. While the actions by the regulators in Vietnam to address some of the nefarious actions in the market have, and will, undoubtedly cause short term pain in the market, overall, the increased transparency and levelling of the playing field for all investors will bode well for the long term development of the financial markets.

Since the beginning of the year, the VNI is down 21.8% as of the close on May 16th, while the energy and communication services sectors have been bearing the brunt of the down turn. The VN30, which represents roughly two thirds of the overall market cap has also seen a YTD decrease of 20.9%, indicating that blue chips have only fared slightly better than more speculative stocks during the recent correction.



Source: Bloomberg

As the markets have corrected, liquidity has also been on the downward trend as average daily trading values in the first four months of the year have decreased by c.6.4% over the last four months of 2021. In April, liquidity fell to its lowest figure since May of last year indicating that investors are taking a cautious approach to trading among the increased volatility.

In contrast with the pull back in the market, the recent release of Q1 results has shown impressive results with overall market earnings increasing 13.0% q/q and 35.2% y/y, led by the materials (114%), energy (84%), banking (44%), and retails sectors (34%), all of which are now trading below their 3yr average P/E multiples. For the whole year, we project earnings to increase 25.7% on the VNI, which results in a f. P/E of 10.7x, putting Vietnamese stocks at an attractive valuation compared to regional peers.

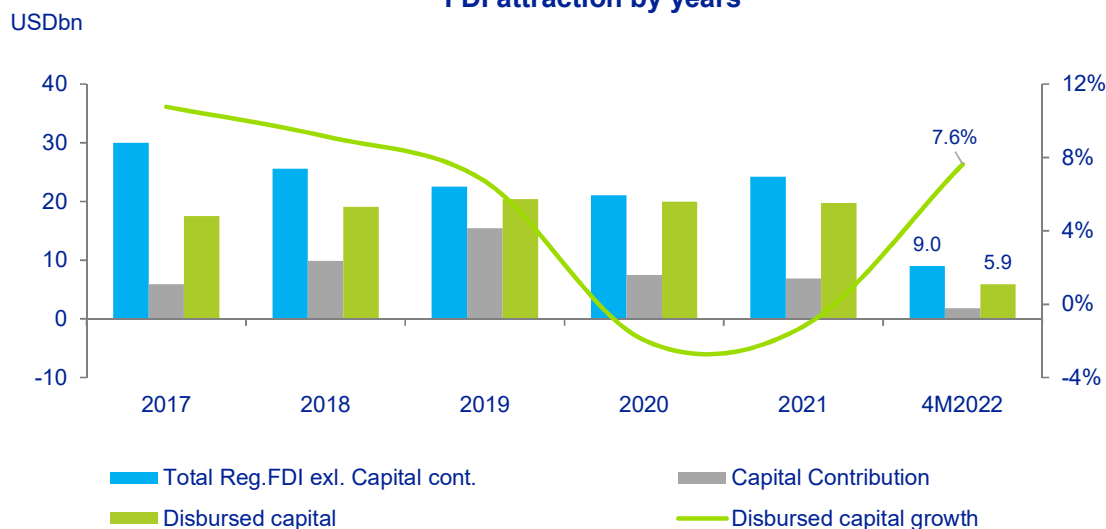
Earnings growth and forward P/E

Country	16 May 22 P/E (x)	2022F P/E (x)
Vietnam (*)	12.8	10.7
Average	15.8	14.4
Indonesia	16.7	16.6
Malaysia	15.7	14.8
Philippines	18.3	15.4
Singapore	13.8	12.6
Thailand	17.2	16.4

Source: Bloomberg, *ACBS

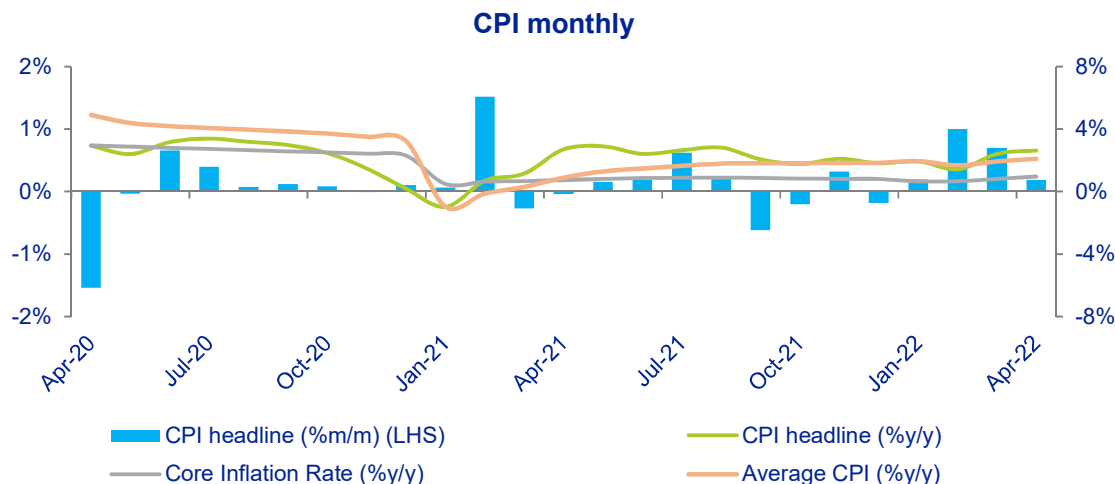
We maintain a positive macro outlook for Vietnam despite the external headwinds the global economy is facing. Production and FDI inflows keep growing, while local retail sales continue to recover thanks to the pandemic being brought under control successfully and international tourism is starting to recover after the opening of the borders earlier in the year. Credit grew strongly in the first quarter of 2022 by 5.04% YTD, 2.3 times higher than the same period of last year given Vietnam's economy recovered well.

FDI attraction by years



Source: MPI

Inflation remains in check in Vietnam at just 2.1% y/y in 4M2022 (below the Government's target of 4%), and the currency continues to hold up well in the face of rising US interest rates and a strong dollar index (+9.5% YTD). We maintain our view that whole year inflation will reach between 3.5-4% and stay within the government's target of less than 4% annually. We believe interest rates in Vietnam will not experience the same strong increases as elsewhere and are looking at a 50bps increase from the SBV in the second half of 2022.



Source: GSO

The combination of the market correction and a drop in liquidity make it difficult to pinpoint when the bottom of the market will be reached. For that reason, we believe shorter term traders should follow a cautious approach and perhaps take an opportunity to restructure portfolios in favour of companies that maybe have might been oversold during the market pull back. For longer term investors, this correction provides an opportunity to buy into solid companies with positive outlooks at discounted prices to the beginning of 2022.

Research Department

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