

VIETNAM MARKET OUTLOOK

June 2022

Market correction sends equity valuations to attractive levels

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May saw a continued expansion of Vietnam's economic recovery, with particularly promising figures in the industrial/manufacturing sectors. Vietnam's industrial production continued its expansion with **IIP increasing 10.4% y/y** and **Markit PMI expanded to 54.7**, the highest since May 2021 as output and employment rose strongly amid the recovery. Although FDI pledges continued to decrease by 48.6% y/y at US\$0.9bn, **disbursed FDI increased by 8.5% y/y** to US\$1.8bn. The total **import-export turnover decreased 4.7% m/m** to US\$62.7bn, but was up 15.1% y/y and posted trade deficit at **US\$1.7bn**. Retail sales continued to elevate with growth of 22.6% y/y. The inflation rate remained under control with the **CPI inching up 0.38%** over last month and **increased 2.86%** over the same period last year. Interbank **interest rates** continued to **decrease throughout May 2022** as liquidity of banking system stabilized and most banks have reached their credit growth quota for the year already (its expected that many quotas will be lifted by the SBV in the near future). **The USD/VND rate** at the central bank was fairly stable in May and closed at 23,057, **a decrease of 0.36% m/m**, while the rate at Vietcombank (+1.02%) and free market (+1.74%) went up stronger as the growing pressure from the strengthening US Dollar after the Fed raised interest rate in early of May.

VNIndex continued to slump in May and reached the lowest since March 2021 at 1,156 (-15% from the start of the month) before recovering in the last weeks to close the month down 5.4%. Overall liquidity on the markets suffered a deep drop in May with average daily trading values decreasing 32% over last month in general, although there was a bright spot with domestic ETFs increasing liquidity 40% over last month. Foreign investors on the VNIndex were net buyers for the 2nd consecutive month with a value of US\$137m (YTD foreign investors are a net seller of US\$7.6m). In the Annual Index Review for the MSCI Equity Indexes in May, there are 6 Vietnamese stocks added in the basket, including DIG, DGC, KDH, DPM, SSI and VND, reflecting the continued development of the Vietnamese markets and corporates in the eyes of global investors.

In the short term, many global markets have been recovering towards the end of May after significant corrections and the VNI has been following this trend. Although liquidity on the VNI remained subdued, market sentiment has been improving and the fundamentals of the macro economy as a whole and corporates on the market remain strong and are expected to buttress the markets against a prolonged downturn. New domestic retail interest remains strong in the market as new accounts opened in May reached c. 477k, a record high and more than double the previous month. With the recent corrections in the markets and strong Q1 earnings (+32% y/y), the VNIndex is trading at an attractive valuation for both short-term and long-term investors. We remain confident that economic activities will continue to show improvement in the second half of 2022 as the boost from the reopening of Vietnam's borders to international travel from March 15th is expected to pick up in the second half of the year as tourists have had time to plan trips and COVID related travel procedures are becoming less cumbersome and the easing of COVID restrictions in China will be positive for Vietnamese manufacturing and trading activities.

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2. Equity Market
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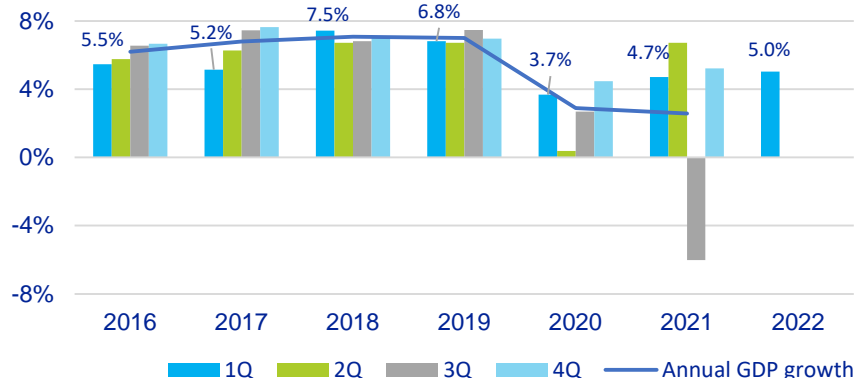


- ❖ Vietnam's industrial production continued its expansion with **IIP increasing 10.4% y/y** and **Markit PMI expanded to 54.7**, the highest since May 2021 as output and employment rose strongly amid the recovery. Although FDI pledges continued to decrease by 48.6% y/y at US\$0.9bn due to the spike of large scale projects last year, **disbursed FDI increased by 8.5% y/y** to US\$1.8bn. The total **import-export turnover decreased 4.7% m/m** to US\$62.7bn, but was up 15.1% y/y and posted trade deficit at **US\$1.7bn**. Retail sales continued to elevate with growth of 22.6% y/y. The inflation rate remained under control, with the **CPI inching up 0.38%** over last month and **increased 2.86%** over the same period last year. Interbank **interest rates** continued to **decrease throughout May 2022** as liquidity in the banking system stabilized and most banks have reached their credit growth quota for the year already (its expected that many quotas will be lifted by the SBV in the near future). **The USD/VND rate** at the central bank was fairly stable in May and closed at 23,057, a decrease of 0.36% m/m, while the rate at Vietcombank (+1.02%) and free market (+1.74%) went up stronger as the growing pressure from the strengthening US Dollar after the Fed raised interest rate in early of May.
- ❖ Gasoline prices increased in all three price adjustments in May. In total, gasoline prices increased ~ 9.5% in May and was up 31.6% from beginning of this year. Meanwhile, the retail cooking gas prices decreased ~ 5.6% equivalent to ~ VND 29,000/12kg from 1 May, up 7.3% from beginning of this year.
- ❖ The State Bank of Vietnam raised the selling price of 3 months USD forward contract to 23,250 from 23,050 (+VND200) to support greenback liquidity.
- ❖ Deputy Prime Minister Le Minh Khai signed Decree 31 dated May 20 on the interest rate support level of 2% per annum for some businesses, cooperatives and household businesses until the end of next year, under the economic recovery master program 2022-2023.
- ❖ S&P Global Ratings upgrades Vietnam sovereign credit rating to BB+, outlook Stable, on 26 May 2022 after 9 years of rated at BB-, grounded on Vietnam's strong economic recovery prospects following the progressive lift of domestic and cross-border mobility restrictions, outstanding improvement in vaccination rates, and flexible shift in COVID-containment policy.
- ❖ Deputy Minister of Finance Nguyen Duc Chi will receive new tasks in charge of and administration of the State Securities Commission. Also, the Vietnam Stock Exchange's board of members appointed Tran Anh Dao as general director of the Ho Chi Minh Stock Exchange (HoSE).

- ❖ The Government extends the tax payment deadline for the payable excise tax amount arising in the tax period of June, July, August and September 2022 applying for automobiles manufactured/assembled in Vietnam.
- ❖ The US Fed raised its benchmark interest rate by half a percentage point on 4 May, the biggest hike in two decades, to fight inflation. This decision on rate hike will push the federal funds rate to a range of 0.75%-1%. In March, the FOMC approved a 25-basis-point increase to 0.25%-0.5% from 0-0.25%, the move in May marked the first time the Fed has boosted rates at consecutive meetings since June 2006. Along with the move higher in rates, the central bank indicated it will begin reducing asset holdings on its \$9 trillion balance sheet.
- ❖ The Yuan was raised its weighting in the Special Drawing Rights currency basket (SDR) of IMF to 12.28% from 10.92% in its first regular review of the SDR evaluation since the Chinese currency was included in the basket in 2016, the People's Bank of China said in a statement Sunday. The weighting of the US dollar rose to 43.38% from 41.73%, while those of euro, Japanese yen and British pound declined.
- ❖ China lowered the 5-year loan prime rate (LPR) by 15 basic points to 4.45% on 20 May, the biggest reduction since China amended their mechanism in 2019. The 1-year LPR was unchanged at 3.7%.
- ❖ China's plans to push economic growth as COVID outbreaks by pump a massive stimulus package of US\$5.3 trillion into economy this year, smaller than the stimulus in 2020 when the pandemic first hit. This package concentrate to fiscal spending and government investment, while the central bank is only playing a supportive role so far.
- ❖ The European Union reached an agreement on 30 May to impose a partial oil embargo on Russia, around 90% of oil imports from Russia to the EU, by the end of the year. Accordingly, this embargo covers only Russian oil brought in by sea, allowing a temporary exemption for imports delivered by pipeline, including the southern segment of the pipeline goes to Hungary, Slovakia and Czech republic which accounts for 10% of imports on Russian oil. This new sanctions will also include an asset freeze and travel ban on individuals, while Sberbank, the biggest bank of Russia, will be excluded from SWIFT.

GDP maintains recovery for the first quarter of 2022

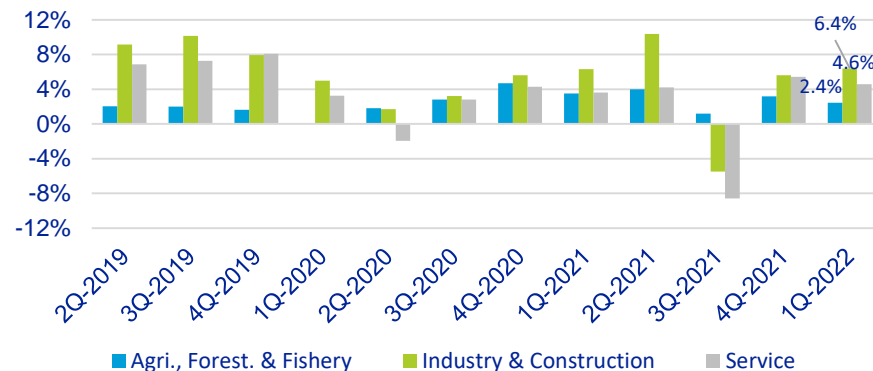
Vietnam GDP growth by quarter



Source: GSO, ACBS

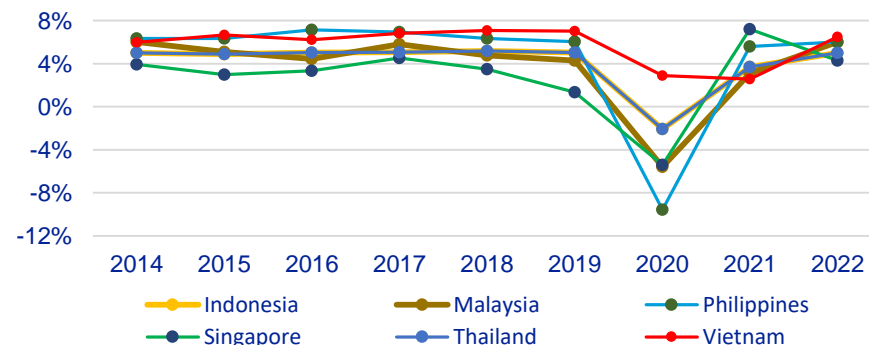
- ❖ Vietnam's GDP accelerated by 5.03% y/y in the 1st quarter of 2022, higher than growth of the 1st quarter in 2021 and 2020 but still lower than pre-pandemic years. In which, the industry and construction continued to play an important role in growth of economic with gaining of 6.4%, the agriculture-forestry-fishery increases 2.4% and service increased 4.6%.
- ❖ Regarding GDP by expenditure, Final Consumption increased by 4.28%, Gross Capital Formation increased by 3.22%, Exports of goods & services increased by 5.08% and Imports of goods and services increased by 4.2%.

GDP growth breakdown



Source: GSO, ACBS

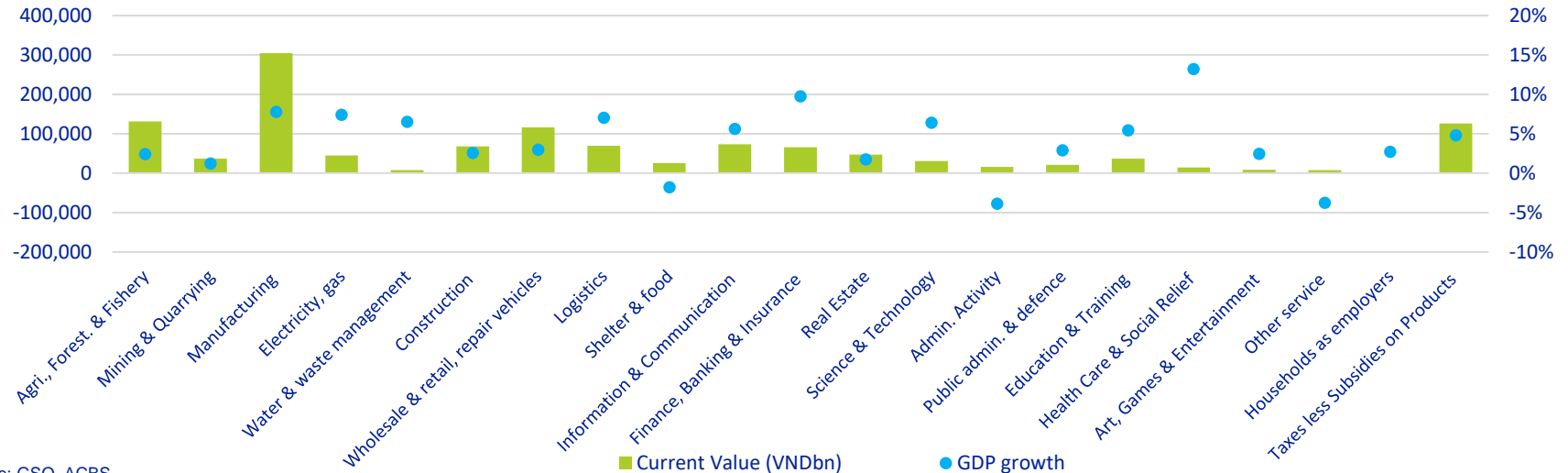
Vietnam GDP growth and peer market



Source: World Bank, ACBS. GDP 2022 estimated by ADB in April 22

GDP breakdown by industry

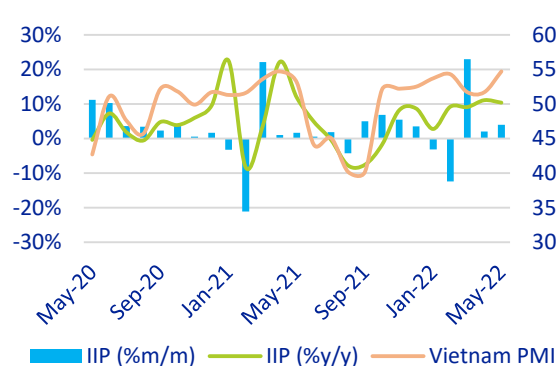
GDP by Industry in 1Q2022



Source: GSO, ACBS

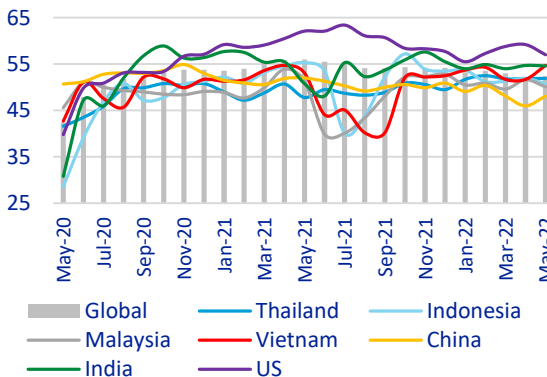
- ❖ Manufacturing (+7.79%) continued to be the leader of economic growth in the first quarter thanks to the strong FDI inflows along with rehabilitation of industrial production, following by Finance and banking (+9.8%) thanks to strong credit growth and development of securities market, Logistics (+7.1%) kept recovery along with the resumption of social activities according to “living-with-COVID-19” strategy, Information & Communication (+5.6%) which maintain growth in recent years, Agriculture-Forestry-Fishery (+2.4%) recorded low gaining than the same period of previous year due to rising prices of animal feed, fertilizers and fuel.
- ❖ Some service sectors are still affected by COVID-19 pandemic lockdown such as shelter & food (-1.8% y/y), Administrative Activity and Supporting Service (-3.9%) and other services (-3.7%).

Vietnam IIP and PMI



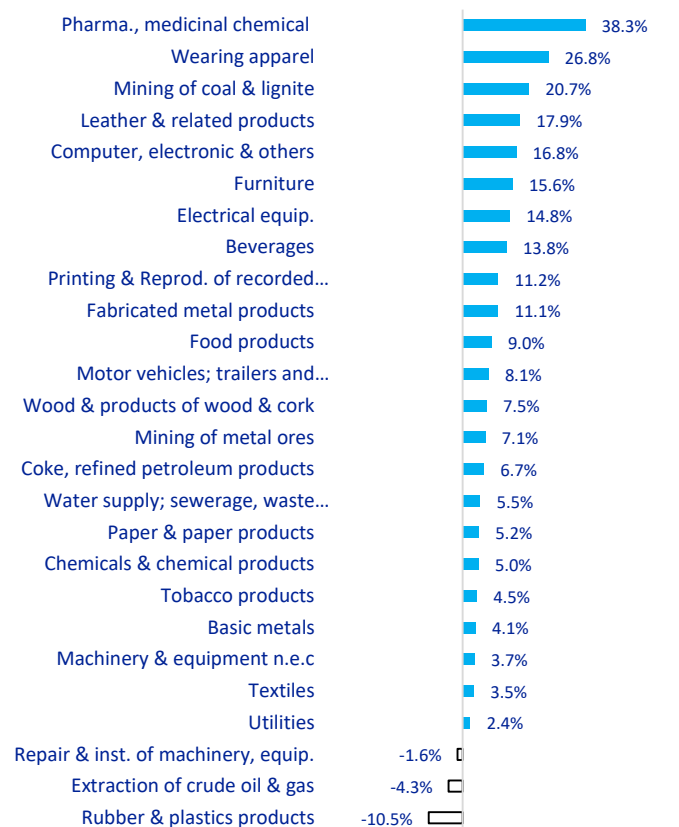
Source: GSO, IHS Markit, ACBS

Vietnam PMI and other markets



Source: Bloomberg, IHS Markit, ACBS

IIP May 2022 by industry

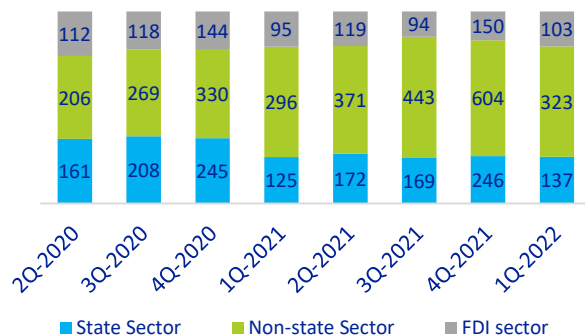


Source: GSO, ACBS

- ❖ The IIP in May increased by 10.4% y/y as most industries recovered, except extraction of crude petroleum & natural gas, rubber & plastics products and repair & installation of machinery & equipment. For 5 months, IIP increased by 8.3% y/y and registered the expansion in 61 provinces and contraction in 2 provinces. The highest growth provinces was Bac Giang (+43.1% y/y) and the lowest was Tra Vinh (-17.2%). Some notable products were clean coal (+13.4%), raw steel-iron (-3.5%), television (-18.2%), food for cattle (+2.5%), oil & gas (-3.7%), steel bar-angle bar (+9.4%), rolled steel (+8.6%). The number of employees working in industrial enterprises as of May 1st increased by 1.4% m/m and up 4.4% y/y.
- ❖ The Markit PMI continued in expansionary territory at 54.7, the highest since May 2021 as the output and employment rose strongly amid the pandemic recovery. Meanwhile, the PMI of Eurozone, European Union dropped in May, while Emerging Markets rose strongly from 48.1 to 49.5. Many economies like ASEAN, US, Australia, India, Japan, South Korea, Taiwan had their PMI decline in May given supplier shortages and the cost pressures although new orders rose steeply. The PMI of China rose to 48.1 from 46 last month as China have plan to booster economic growth.

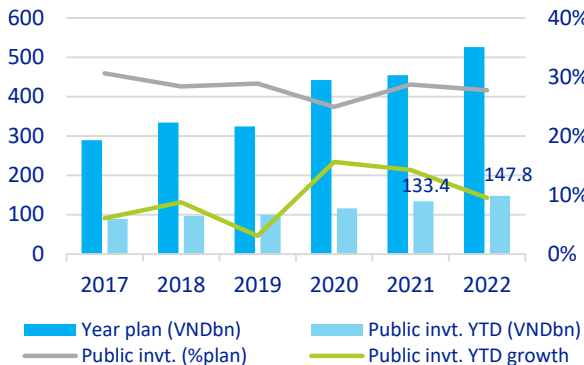
Total investment disbursement

Unit: VNDtn



Source: GSO, ACBS

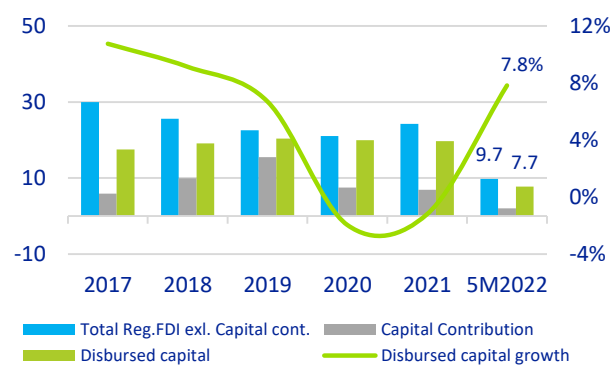
Public investment in 5M



Source: GSO, ACBS

FDI attraction by years

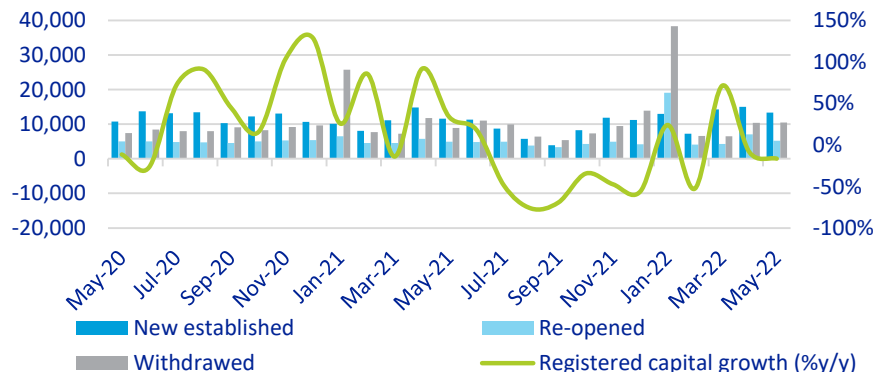
USDbn



Source: MPI, ACBS

- ❖ The total social investment increased by 8.9% y/y in the 1st quarter, recording VND562 trillion, in which, the non-state sector continued decrease its contribution to 57.5% in total capital compared with 60.4% in the 4th quarter of 2021 while FDI sector increased their contribution to 18.2%.
- ❖ In May, Vietnam spent VND38.1 trillion on public investment, an increase by 11.3% y/y, completing 27.7% of the annual plan in 5 months. Many projects are faced with several difficulties given the continuous increase in fuel prices and input materials as well as lack of road embankment materials, slow site clearances, financial shortfalls... put more pressure to contractors.
- ❖ In terms of the private sector, new registered enterprises reached 13,370 (+15.2% y/y), reopened enterprises recorded at 5,207 (+6.4%). Besides, the number of enterprises withdrawing from the market was still high with 10,489 (+17.7%).

Enterprises activities



Source: GSO, ACBS

Key projects in progress	Est. capital (VNDbn)	Implementation Progress
Long Thanh International Airport - Site clearance project	22,856	Plan to hand over all site in May and June of 2022
Long Thanh International Airport - Construction project - Phase 1	109,111	Started work on passenger terminal on 30 March, 22
East North - South Expressway (period 2017-2020)	118,716	As of 31/12/21, disbursed capital estimated 83% total plan
Cao Bo - Mai Son	1,600	Completed
Mai Son - National Highway 45	12,920	On schedule
National Highway 45 - Nghi Son	6,330	Started construction in July 21. On schedule
Nghi Son - Dien Chau	8,380	Started construction in July 21. On schedule
Dien Chau - Bai Vot (PPP)	13,340	Started construction in May 21
Cam Lo - La Son	7,670	70%, extended until Sep 2022.
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	40%, 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

Decision No.1769/QĐ-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.

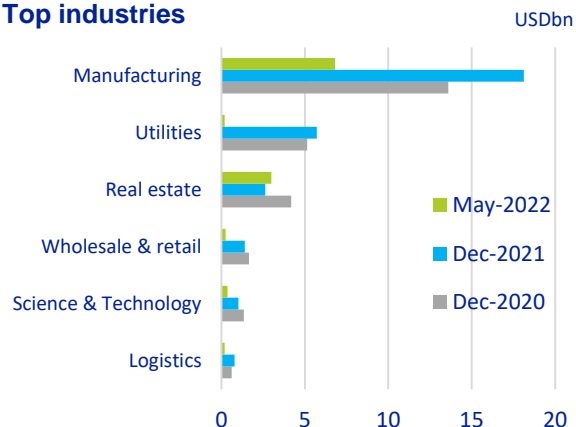
Resolution No. 43/2022/QH15 ("Resolution 43") dated 11 Jan 2022 specifying some fiscal and monetary policies to support the socio-economic recovery and development. In which, increase public investment capital.

The Ministry of Transport (MoT) has been assigned a public investment plan for 2022 by the Prime Minister, with a total budget of more than VND50 trillion (\$2.2 billion). This is the largest single capital plan ever, and accounts for 9.7% of the country's overall 2022 capital plan

The Prime Minister issued decision No.548/QĐ-TTg on May 2, 2022 to accelerate the disbursement process by working with related ministries and localities to address current issues.

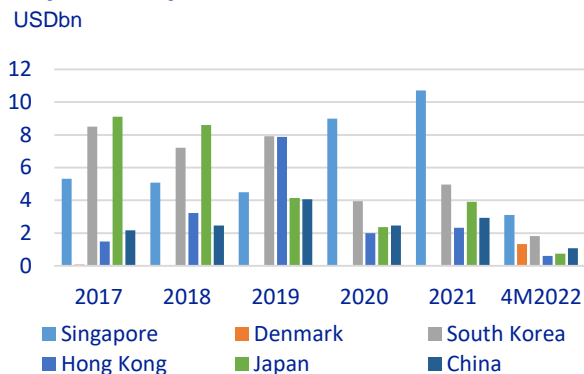
FDI inflow remained uptrend but registered capital fell

Top industries



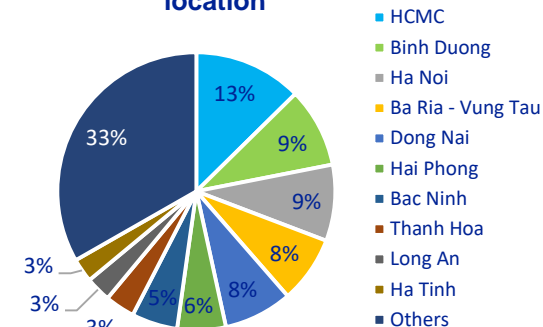
Source: MPI, ACBS

Top counterparts



Source: MPI, ACBS

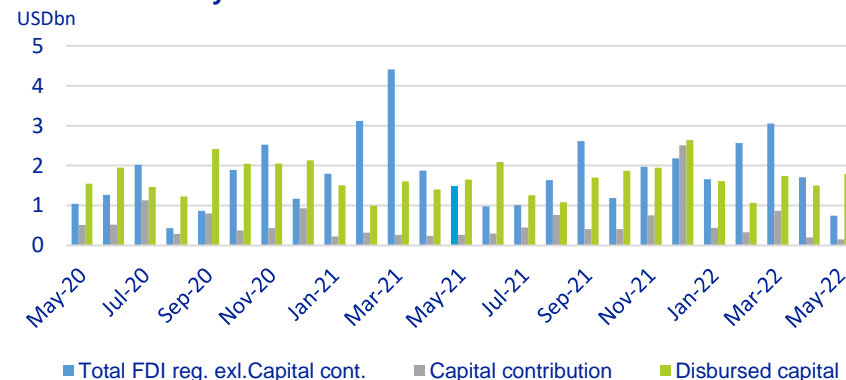
Accumulated FDI as of April 2022 by location



❖ In May, disbursed capital kept increasing by 8.5% y/y to US\$1.8bn while FDI pledges decreased 48.6% y/y at US\$0.9bn. For 5 months, disbursed capital increased by 7.8% y/y to US\$7.7bn; there are 578 newly registered projects (-6%y/y) with registered capital of US\$4.1bn (-53%y/y), 395 projects that registered for additional capital (+16%) with US\$5.6bn (+45%) and 1,339 transactions of capital contribution (-6%) valued at US\$2.0bn (+52%).

❖ Manufacturing & processing keeps its leading role accounting for 58% of total FDI pledges. Denmark with the large project was the 3rd counterpart in first 5 months.

FDI attraction by months



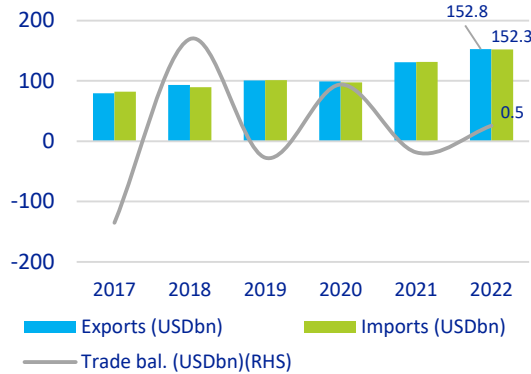
Source: MPI, ACBS

Major FDI projects in 2022

No.	Projects	Industry	Location	Counterparts	Reg. capital (USDbn)	Certificate granted date
1	LEGO Manufacturing VietNam	Carbon-neutral factory to produce toy	Binh Duong	Denmark	1.32	Mar 2022
2	VSIP urban construction project	Urban areas and services	Bac Ninh	Singapore	0.94	Jan 2022 (Amended cert.)
3	Samsung's electro-mechanics project	Producing high-tech integrated components for electronic devices	Thai Nguyen	Korea	0.92	Feb 2022 (Amended cert.)
4	Goertek Vietnam Factory Project	Manufacturing electronic products and network equipment and multimedia audio products	Nghe An	Hong Kong	0.40	Jan 2022 (Amended cart.)
5	Goertek Vietnam Factory Project	Manufacturing electronic and network devices and multimedia audio products	Bac Ninh	Hong Kong	0.31	Jan 2022 (Amended cert.)
6	Commercial and services Project of GE Vietnam	Commercial and services	Bac Ninh	Korea	0.22	Jan 2022 (Amended cert.)
7	JNTC Factory	Manufacturing electronic components	Phu Tho	Korea	0.16	Jan 2022 (Amended cert.)

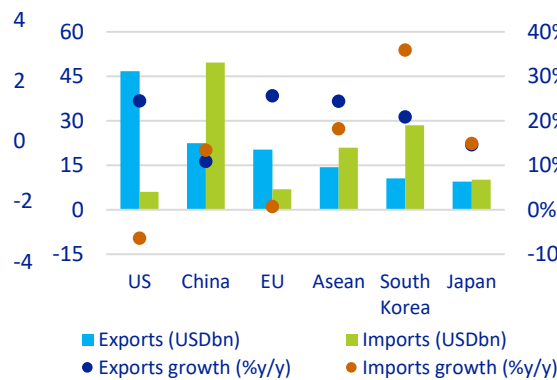
Cumulative trade balance maintained surplus although deficit in May

Foreign trade in 5M by years



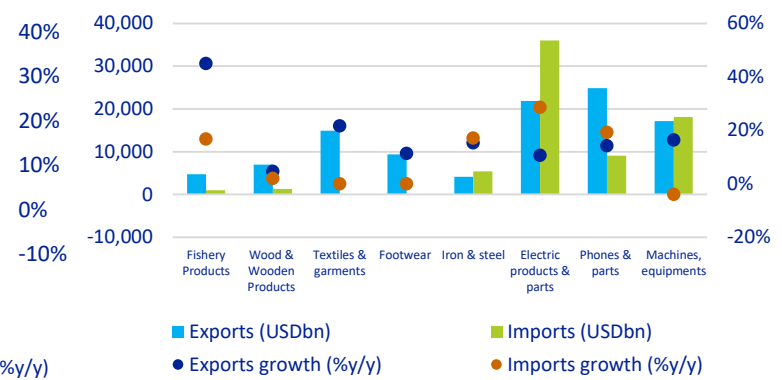
Source: GSO, ACBS

Main EX-IM markets in 5M2022



Source: GSO, ACBS

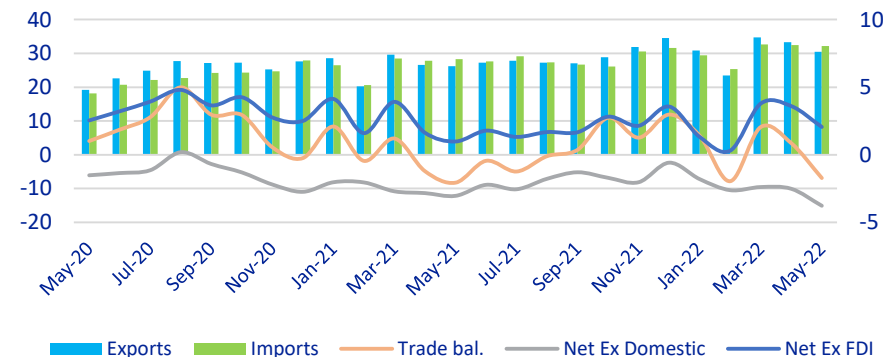
Main EX-IM items in 5M2022



Source: GSO, ACBS

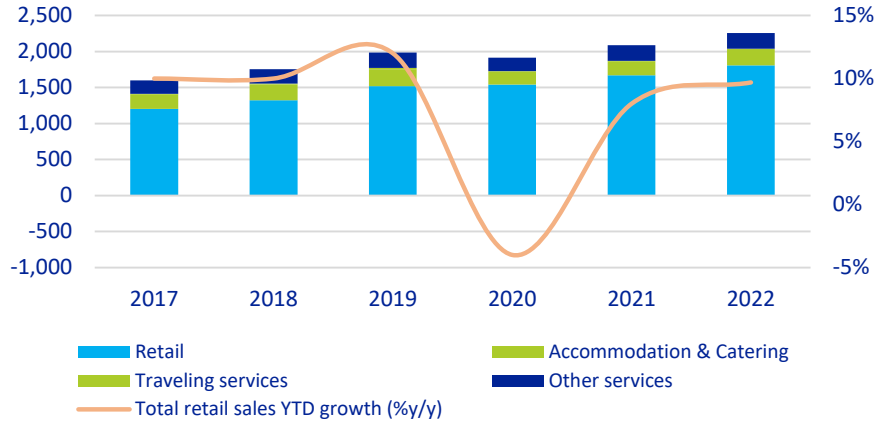
- ❖ Total import-export turnover in May was estimated at US\$62.7bn (-4.7% m/m, +15.1% y/y) and posted a trade deficit of US\$1.7bn. In which, exports amounted to US\$30.5bn (-8.5% m/m, +16.4% y/y), the imports was estimated at US\$32.2bn (-0.8% m/m, +12.9% y/y). For the first 5 months, Vietnam posted a trade surplus at US\$0.5bn.
- ❖ In May, exports to China and Korea decreased over last month while other markets were stable. For 5 months, exports to US increased 25% y/y, exports to China increased 11% y/y. Meanwhile, imports from the US decreased 6%, while imports from China rose 13% despite new shutdowns in major cities causing difficult to trade both importers and exporters.

Foreign trade by months (USDbn)



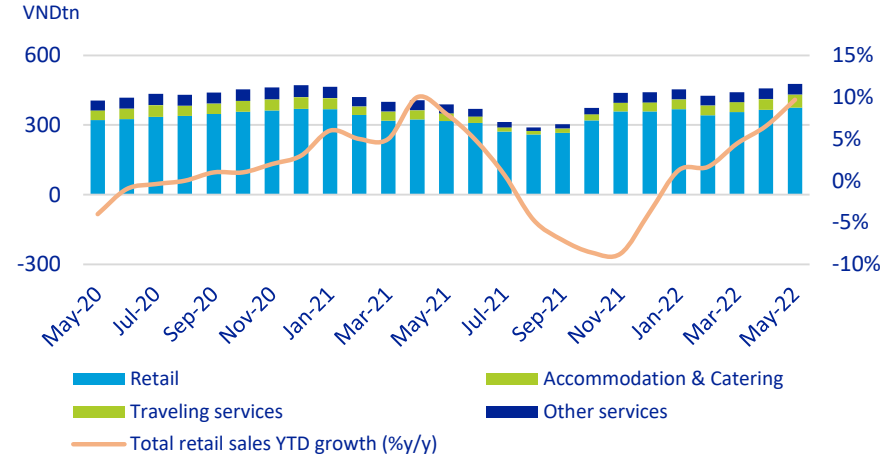
Source: GSO, ACBS

Retail sales of goods and services in 5M



Source: GSO, ACBS

Retail sales of goods and services monthly

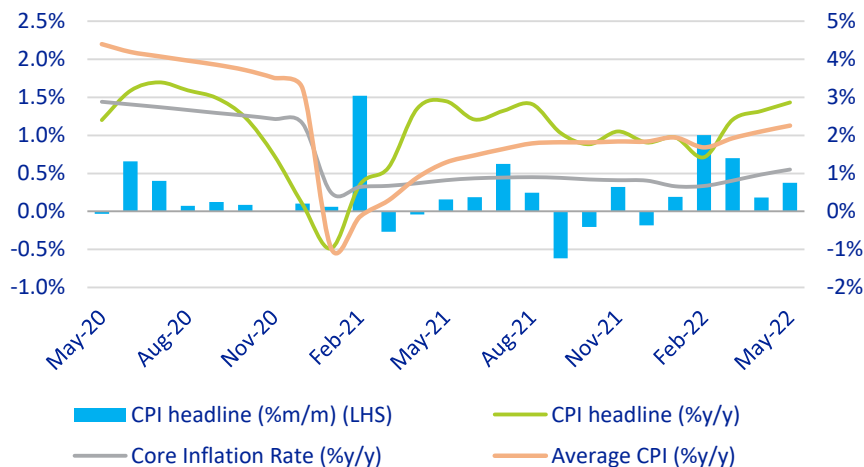


Source: GSO, ACBS

- ❖ Total retail sales of consumer goods and services in May were VND 477 trillion (+4.2% m/m, +22.6% y/y). In which, revenue of goods increased 18.3% y/y, accommodation and catering up 69.3%, traveling services surged 324.3% and other services up 15.1%.
- ❖ For 5 months, the total retail sales were estimated at VND2,257tn, up 9.7% y/y. Revenue of food and food stuffs up 13.1%, cultural and educational items up 12.8% y/y, transportation (+3.1%, increase after months of falling), garments (+0.2%), while only one item is household tools & equipment decreased (-4.6%).
- ❖ 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 reopened to international travelers on March 15th 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 a significant proportion of total retail sales.

CPI still under control

CPI monthly



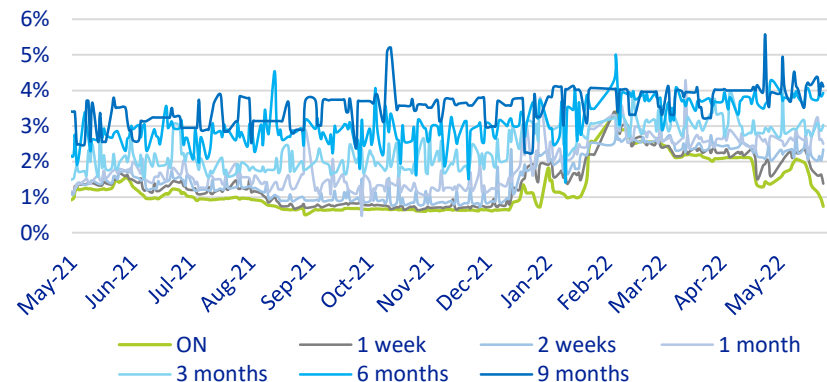
Source: GSO, ACBS

CPI Basket	Weight (%)	5/2022 (% m/m)	5/2022 (% y/y)	Avg 5M2022 (% y/y)
CPI headline	100.0	0.38%	2.86%	2.25%
Food and Foodstuffs	33.6	0.27%	1.32%	0.61%
Food	3.7	0.28%	2.42%	2.21%
Foodstuff	21.3	0.22%	0.12%	-0.73%
Eating outside	8.6	0.40%	3.87%	3.31%
Beverage, cigarette	2.7	0.33%	2.98%	2.66%
Garment, footwear	5.7	0.18%	1.32%	1.01%
Housing and constrn. Materials	18.8	-0.13%	2.18%	2.10%
Household appliances & goods	6.7	0.22%	1.78%	1.46%
Medicine, health care	5.4	0.03%	0.35%	0.30%
Transportation	9.7	2.34%	18.42%	16.65%
Postal services, Telecom.	3.1	0.01%	-0.34%	-0.56%
Education	6.2	0.17%	-2.17%	-2.96%
Culture, entertm't. & tourism	4.6	0.74%	2.78%	1.04%
Other goods, services	3.5	0.19%	2.03%	1.66%

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

- ❖ The consumer price index (CPI) in May increased 0.38% over last month and increased 2.86% over the same period last year. This increase was equivalent to the same period of 3 recent years. Most goods and services price hikes have been impacted by the surge in gasoline prices in recent months after a long time of price stabilization. The core CPI narrowed its increase by 0.29% m/m and 1.61% y/y.
- ❖ Compared to other countries, headline CPI in Vietnam is still low at 2.25% in 5 months 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 thanks to the fall in foodstuffs, although the gasoline up 9.5% in May, still lower than other countries (as shown in slide 21) and lower than government's target.

Interbank Rate

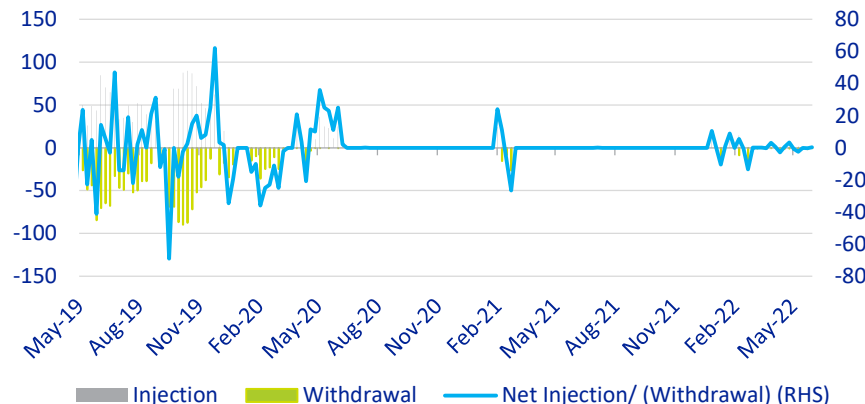


❖ Interbank interest rates continued decrease throughout May 2022 as liquidity of banking system stabilized and most banks have reached their credit growth quota & are waiting for SBV to approve new credit growth quota. In addition, during May, the SBV had also withdrawn over VND4.1tn out banking system using reverse Repo OMO.

❖ We expect banking system liquidity will stabilize in 2Q2022 as the current liquidity is the banking system is abundant. However, we expect that interbank rates may increase and move in range 0.5-1% in upcoming months of 2022 due to

- (1) credit growth continued to surge (most banks have reached its credit growth quota approved at the beginning of 2022) as production and services business will continued to return to normal thanks to the Government's effective living-with-COVID-19 strategy against the COVID-19 pandemic; and
- (2) SBV will have to approved new credit growth quota for banks as late as the end of 2Q2022, which will intensify the liquidity issues in upcoming months to cover lost time due to waiting for credit growth quota's approval.

Net Injection/ (Withdrawal) from OMO (VNDtn)

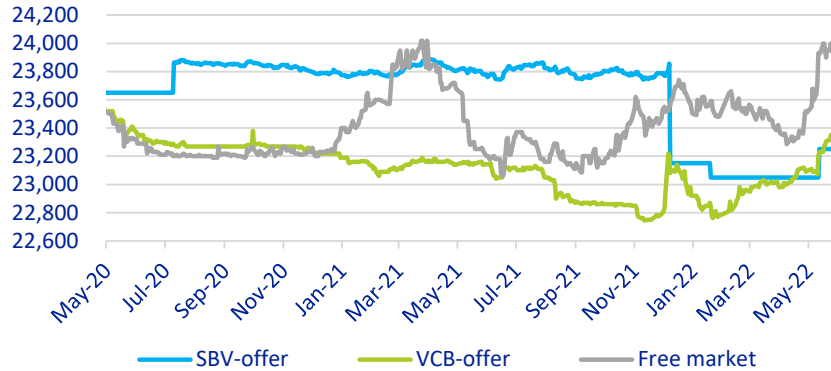


Interbank Rate

	ON	1 Weeks	2 Weeks	1 Month	3 Month	6 Month	9 Month
Avg of May 2022	1.42%	1.87%	2.19%	2.68%	2.98%	3.84%	4.04%
+/- MoM (bps)	-42	-24	-16	8	-3	11	-2

USD/VND rose given strong US Dollar

USD/VND exchange rate

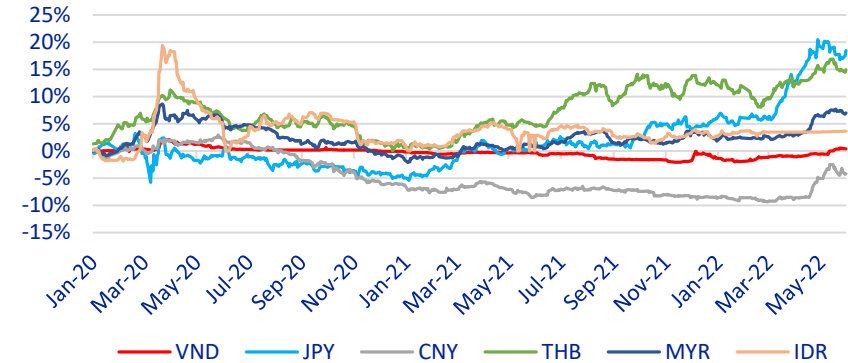


Source: Fiin Pro, ACBS

- ❖ The USD/VND rate at the central bank was fairly stable in May and closed at 23,057, a decrease of 0.36% m/m, while the rate at Vietcombank (+1.02%) and free market (+1.74%) went up stronger as the growing pressure from the strengthening US Dollar after the Fed raised interest rate in early of May. The US Dollar index cooled down in May (-1.2%), but bounced back in last sessions of month supported by rising US Treasury yields and widespread concerns over high inflation. Faced with this pressure, the State Bank of Vietnam used 3-months USD forward contracts to support greenback liquidity, help the VND maintain stable than other currencies which depreciated stronger in last months.
- ❖ Gold prices in the global market continued to drop in May (-2.8% m/m) as the investment capital flew to US Dollar and bonds. The domestic gold prices were down to VND69.3m/tael (-1.5% m/m), which represents a high premium of ~33.7% to global markets.

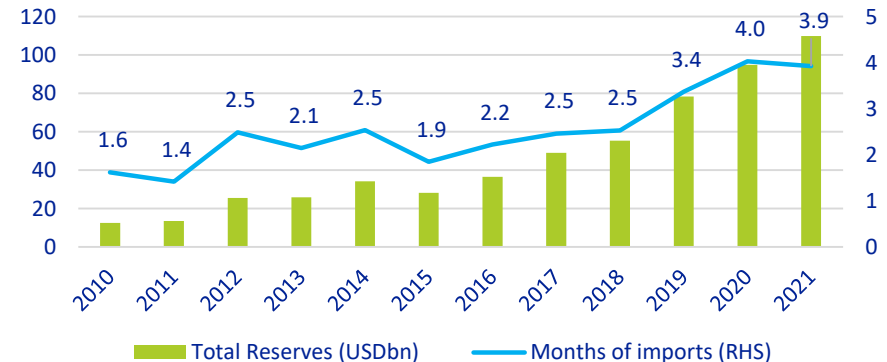
Foreign reserves have increased steadily in recent years and are at a safe level of approximate 17 weeks of imports to resist shock situations.

USD/VND and other currencies



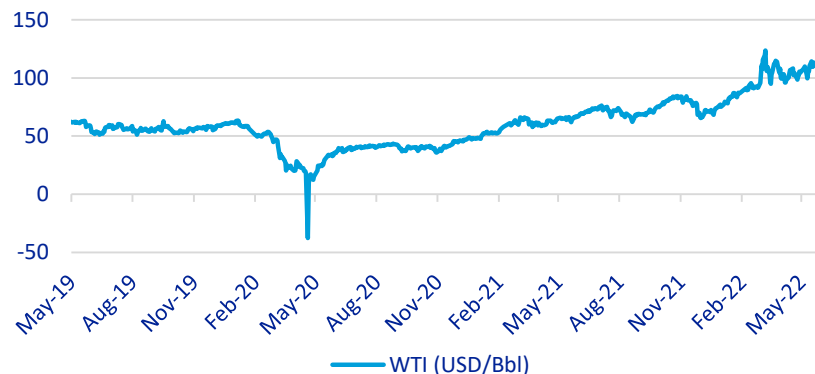
Source: Bloomberg, ACBS. Note: change relative to Dec 31, 2019

Vietnam foreign reserves in months of imports



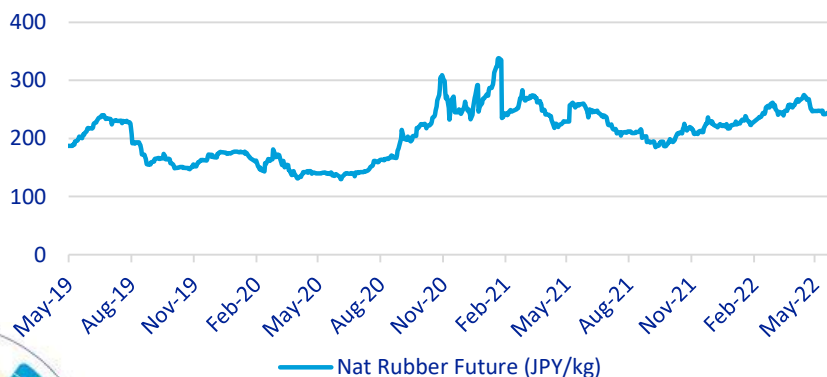
Source: WB, ACBS

Crude Oil WTI



Source: Bloomberg, ACBS

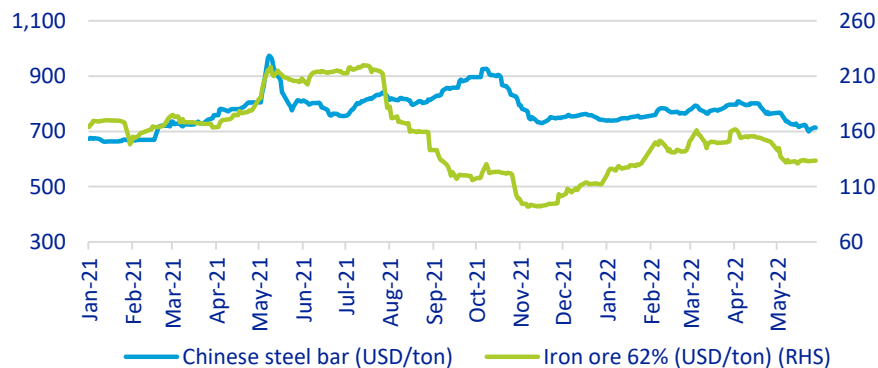
Natural rubber



Source: Bloomberg, ACBS

- ❖ WTI oil prices traded over the US\$100 level through May and closed month up 9.5% over last month, heading for the peak of US\$119 as the EU reached a compromise on 30 May to impose a partial oil embargo on Russia, around 90% of oil imports from Russia to the EU, by the end of the year. In early of May, OPEC+ was set to agree on another small increase in production targets for June despite demand concerns, bringing more stress to the oil market. Meanwhile, China's prolonged COVID-19 lockdown raise worries on demand from this huge consumer, but these lockdowns are easing and elevated movement demand in rest of the world could make up for this decline with the summer coming. While the global economy would need a stable supply of oil for economic activities, which are recovering strongly post pandemic, we suppose that crude oil will remain its high level around US\$120/barrel until the supply side becomes more stable.
- ❖ The natural rubber futures on the Tokyo Commodity exchange closed May at JPY251, an increase of 1.6% over last month. The supply of natural rubber is expected to be constrained given unfavorable climate conditions, when the average temperature for upcoming months is expected to be higher than last year, and labor shortages in major producing countries (Malaysia, Thailand, Vietnam due to low wages). The demand of tires in main import markets like EU, US and India is expected to increase thanks to the economic recovery but has been restrained given the chip shortage due in part to the Russia-Ukraine war from later February could slow down the automobile manufacturing, and the demand from China is expected to slow down as the zero-COVID policy remains in place. Additionally, the Yen weakened against US Dollar makes Yen-denominated assets more affordable for buyers with other currencies. Amid these conflicting factors, we suppose that natural rubber price will be stable in next quarter.

Steel rebar & Iron ore



Source: Bloomberg, ACBS

Coking coal



Source: Bloomberg, ACBS

- ❖ Chinese steel bar prices were down 6.5% in May amid the weak demand from China as new lockdown curbs in major cities. India, the third biggest economy of Asia, and one of the main iron ore suppliers for China, raised export tariffs of steel and iron ore combined with remove import tariffs of coke and coking coal. We expect the global steel prices bounced back thanks to Chinese steel demand is expected to recover soon while Chinese government is continuing their investments on infrastructure and constrained supplies from Russia and Ukraine.
- ❖ Iron ore prices were down 11.4% in May as investors monitor demand and production in China. This world's biggest steel producer suggested slower steel decarbonization and is planning to raise its output of iron ore in overseas mines to 220 million tones by 2025 as well as increase domestic raw material supplies. With expectations of increased demand in China if they add to the fiscal stimulus package, particularly on infrastructure, to boost their economy, we maintain our expectation for increasing iron ore price with tight production guidance from large miners.
- ❖ Coking coal prices in China closed month with a gain of 3.3% amid the strict lockdowns and demand expectations were depressed given the crude steel output cuts. On the other hand, the Russia-Ukraine war has lead to the revival of coal burning in EU, US amid the natural gas shortage and electricity use surged after COVID-19 restrictions were lifted. The supply disruption in short-term is still a worry as supply from Australia falling driven by parts of New South Wales and Queensland flooding repeatedly over the recent months, along with high workforce absenteeism because of COVID-19, and Indonesia which temporary banned on coal exports.

Key macro indicators

Monthly data	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Industrial Production (% y/y)	4.9%	-0.3%	-7.8%	-7.6%	-1.8%	8.2%	8.7%	2.8%	9.2%	9.1%	11.1%	10.4%
Mining & quarrying	-4.9%	-10.9%	-2.8%	-13.0%	-8.2%	6.2%	-7.1%	-1.7%	2.2%	7.5%	7.9%	4.2%
Manufacturing	6.0%	0.7%	-9.3%	-6.5%	-0.8%	8.6%	10.9%	2.9%	9.7%	9.7%	11.7%	12.1%
Prod & dist of electricity	6.2%	1.7%	-1.9%	-11.7%	-4.8%	6.8%	9.1%	5.2%	11.9%	6.5%	8.6%	2.4%
Water supply & waste treatment	-0.1%	1.0%	-0.1%	-1.9%	-0.5%	0.4%	0.8%	4.1%	4.3%	-4.6%	2.7%	5.5%
PMI	44.1	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7
Retail Sales (% y/y)	-6.6%	-19.8%	-33.7%	-28.4%	-19.5%	-12.2%	1.1%	1.3%	3.1%	9.4%	12.1%	22.6%
CPI (% m/m)	0.2%	0.6%	0.2%	-0.6%	-0.2%	0.3%	-0.2%	0.2%	1.0%	0.7%	0.2%	0.4%
CPI (% y/y)	2.4%	2.6%	2.8%	2.1%	1.8%	2.1%	1.8%	1.9%	1.4%	2.4%	2.6%	2.9%
Export Value (USDm)	27,204	27,865	27,228	27,026	28,870	31,870	34,592	30,845	23,417	34,712	33,317	30,480
Import Value (USDm)	27,659	29,112	27,338	26,666	26,130	30,610	31,623	29,449	25,381	32,663	32,468	32,210
Trade Balance (USDm)	-455	-1,247	-110	360	2,740	1,260	2,970	1,396	-1,964	2,049	849	-1,730
Disbursed FDI (USDm)	2,090	1,260	1,080	1,700	1,870	1,950	2,640	1,612	1,068	1,740	1,500	1,790
Registered FDI excl. Cap. Cont. (USDm)	978	1,007	1,638	2,614	1,184	1,971	2,181	1,658	2,568	3,050	1,710	742

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%	5.0%
Industrial Production	5.9%	7.6%	9.8%	7.5%	9.4%	10.2%	9.1%	3.4%	4.8%	8.3%
Retail Sales	12.6%	10.6%	9.5%	10.2%	10.9%	11.7%	11.8%	2.6%	-3.8%	9.7%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.2%	1.9%	2.3%
Export Value (USDbn)	132.03	150.22	162.02	176.58	215.12	243.70	264.34	282.53	336.25	152.81
Import Value (USDbn)	132.03	147.85	165.78	174.98	213.22	236.87	254.09	262.67	332.25	152.29
Trade Balance (USDbn)	0.00	2.37	-3.76	1.60	1.90	6.83	10.25	19.86	4.00	0.52
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	7.71
Registered FDI (USDbn)	21.63	20.23	22.76	20.95	29.97	25.57	22.55	21.06	24.26	9.73

Quarterly data	4Q-2019	1Q-2020	2Q-2020	3Q-2020	4Q-2020	1Q-2021	2Q-2021	3Q-2021	4Q-2021	1Q-2022
GDP (% y/y)	7.0%	3.7%	0.4%	2.7%	4.5%	4.7%	6.7%	-6.0%	5.2%	5.0%
Agriculture, Forestry & Fishing	1.6%	0.0%	1.8%	2.8%	4.7%	3.5%	4.0%	1.2%	3.2%	2.4%
Industry & Construction	7.9%	5.0%	1.7%	3.2%	5.6%	6.3%	10.4%	-5.5%	5.6%	6.4%
Services	8.1%	3.3%	-1.9%	2.8%	4.3%	3.6%	4.2%	-8.6%	5.4%	4.6%
Industrial Production (% y/y)	7.4%	5.6%	0.2%	2.0%	6.3%	5.7%	12.4%	-5.0%	6.4%	6.4%
Retail Sales (% y/y)	12.5%	3.2%	-5.5%	4.4%	8.0%	4.6%	4.1%	-28.3%	0.0%	4.4%
Export Value (USDbn)	69.59	63.31	59.33	79.74	80.15	78.40	78.23	82.15	95.62	88.58
Import Value (USDbn)	66.01	59.33	57.41	69.02	76.92	75.61	82.50	83.86	89.07	87.77
Trade Balance (USDbn)	3.57	3.98	1.92	10.72	3.23	2.79	-4.27	-1.70	6.55	0.81
Disbursed FDI (USDbn)	6.16	3.85	4.80	5.11	6.22	4.10	5.14	4.04	6.46	4.42
Registered FDI (USDbn)	6.78	6.60	5.56	3.32	5.58	9.33	4.34	5.26	5.34	7.28

Key macro indicators of other countries

Countries	GDP Growth			Inflation Rate			Manufacturing PMI		
	3Q-2021	4Q-2021	1Q-2022	Mar-22	Apr-22	May-22	Mar-22	Apr-22	May-22
Indonesia	3.5%	5.0%	5.0%	2.6%	3.5%	3.6%	51.3	51.9	50.8
Malaysia	-4.5%	3.6%	5.0%	2.2%	2.3%		49.6	51.6	50.1
Philippines	6.9%	7.7%	8.3%	4.0%	4.9%		53.2	54.3	54.1
Singapore	7.1%	6.1%	3.7%	5.4%	5.4%				
Thailand	-0.3%	1.9%	1.2%	5.7%	4.7%		51.8	51.9	51.9
Vietnam	-6.0%	5.2%	5.0%	2.4%	2.6%	2.9%	51.7	51.7	54.7
China	4.9%	4.0%	4.8%	1.5%	2.1%		48.1	46.0	48.1
Hong Kong	5.5%	4.8%	-4.0%	1.7%	1.3%				
Taiwan	3.8%	4.7%	3.1%	3.3%	3.4%		54.1	51.7	50.0
Japan	1.4%	0.7%	0.2%	1.2%	2.5%		54.1	53.5	53.3
South Korea	4.0%	4.1%	3.1%	4.1%	4.8%	5.4%	51.2	52.1	51.8
India	8.4%	5.4%	4.1%	7.0%	7.8%		54.0	54.7	54.6
United States	2.3%	6.9%	-1.4%	8.5%	8.3%		58.8	59.2	57.0

- ❖ We believe that the recovery of industrial activities will be continued in both the short-term as production shifts from China due to prolonged lockdowns (Apple's iPad has been reported to be shifting production to Vietnam for the first time due to continued supply chain difficulties in China) and long term as the China+1 movement continues to gather steam. We also expect retail sales to continue to elevate given suppression after 2 years of pandemic as well as international arrivals are expected to pick up in the second half of the year as tourists have had time to plan trips and COVID related travel procedures are becoming less cumbersome.
- ❖ Despite concerns that recent events could slow Vietnam's growth prospects in upcoming quarters of 2022, we still maintain our expectation that GDP growth rate will gradually recover in the last three quarters of 2022 and will have good performance at range of 5.8% - 6.9% in 2022 with supported by
 - (1) The continuing recovery of all industrial activities which will push activities from FDI sector in term of investment and export;
 - (2) Vietnam emerged as a substitute manufacturing center to cover loss output causing by zero-COVID-19 strategy of China which continued to boost recovery of all industrial activities; and
 - (3) The recovery of service sectors after relaxing all COVID related restrictions of service businesses including reopening international tourism and normalization of transportation.
- ❖ We maintain our expectation of CPI for 2022 will increase in range of 3.5% - 4% (vs 3% - 3.5% at the beginning of the year) and remain within Government's target of 4%. Among the risks we're watching closely are increasing global commodities prices, especially on the food sectors, which have yet to result in major inflationary pressures in Vietnam as they have in many other countries.

Selected Outlook on Vietnam 2022 GDP growth

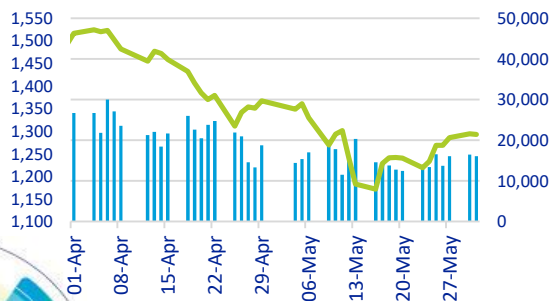
Organization	Latest projection	Previous projection
World Bank	5.3% (April 2022)	5.5% (Jan 2022)
International Monetary Fund	6.05% (April 2022)	7.2% (April 2021)
The Asian Development Bank	6.5% (April 2022)	6.5% (Dec 2021)
Fitch Ratings	6.1% (March 2022)	7% (April 2021)
Moody's	6.3% (April 2022)	
S&P	6.9% (May 2022)	
Standard Chartered Bank	6.7% (April 2022)	6.7% (Jan 2022)
HSBC	6.2% (April 2022)	6.5% (Jan 2022)

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 May

Statistics	May 2022				
Bloomberg Code	VNIndex				
Month Range (pts)	1,172.0 - 1,360.7				
Month End Index (pts)	1,292.7				
Month End Mkt cap (VNDbn)	5,158,207				
Month End Mkt cap (USDbn)	224.5				
Daily Avg Value (VNDbn)	15,222				
Gainers	81				
Laggards	331				
Net Foreign Trade (USDm)	137.2				
Foreign Participation	9.9%				
Performance (%)	1M	3M	6M	12M	
VNIndex	-5.4	-13.3	-12.6	-2.7	
VN30	-6.0	-12.2	-13.3	-9.6	



The VNIndex continued to slump in May and reached the lowest since March 2021 at 1,156 (-15% from the start of the month) before recovering in the last weeks of the month to close down 5.4% over last month. Overall liquidity on the markets suffered a deep drop in May with average daily trading values decreasing 32% over last month in general, although there was a bright spot with domestic ETFs increasing liquidity 40% over last month. Foreign investors were net buyers for the 2nd consecutive month with a value of US\$137m (YTD foreign investors are a net US\$7.6m). In the Annual Index Review for the MSCI Equity Indexes in May, there are 6 Vietnamese stocks added in the basket, including DIG, DGC, KDH, DPM, SSI and VND, reflecting the continued development of the Vietnamese markets and corporates in the eyes of global investors.

VHM of Vinhomes (+10%) continued its recovery from late of April and was the leading contributor to the VNIndex in May, followed by GAS (+11%), REE (+26%) and FPT (+5%). Amid the story of rising oil prices and demand of electric cars, Vingroup, which own Vinfast, has just announced its bond issuance on the international market in 2022, worth 525 million USD. Continuing with their market extension strategy, Masan is launching a laundry chain, branded Joins Pro, to be integrated to their current retail stores, together with current extensions like Winmart+, Phuc Long, Techcombank, Reddi and Phano pharmacy. FPT Software, a subsidiary of Vietnamese IT giant FPT Corporation, opened its second office in New York and tenth in the U.S. on 15 May, realizing their targets on turning the U.S. into its biggest market in the next two years and raising revenues to billions of dollars by 2023. Conversely, HPG (-20%) had a difficult month following their AGM in which the Chairman expressed a pessimistic outlook for the remainder of the year. The long lockdowns in China could affect the export activity of the company (China being the main export market of Hoa Phat) as well as general demand for steel, while simultaneously input costs are rising putting a squeeze on margins from both ends.

Top gainers & laggards for May 2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	1M return
Utilities	-21.5%	6.8%
Software & Services	-41.9%	3.8%
Telecommunication Services	5.3%	2.9%
Automobiles & Components	-71.7%	1.2%
Commercial & Prof. Services	-55.2%	1.2%
Top 5 laggards	Avg Daily Trading Value (%m/m)	1M return
Materials	-26.2%	-14.1%
Health Care Equip. & Services	-64.0%	-13.2%
Diversified Financials	-23.1%	-13.0%
Insurance	-29.4%	-12.9%
Household & Personal Products	0.1%	-10.4%

Top gainers & laggards for 5M2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	YTD return
Software & Services	-41.9%	17.2%
Utilities	-21.5%	11.0%
Retailing	-49.5%	8.1%
Consumer Durables & Apparel	-46.1%	6.4%
Automobiles & Components	-71.7%	3.4%
Top 5 laggards	Avg Daily Trading Value (%m/m)	YTD return
Diversified Financials	-23.1%	-36.4%
Capital Goods	-39.6%	-18.8%
Health Care Equip. & Services	-64.0%	-18.4%
Telecommunication Services	5.3%	-17.7%
Media & Entertainment	-36.3%	-17.0%

- ❖ While most sectors were down in May, the support of market come from Utilities with GAS (+11%), POW of PetroVietnam Power (3%), GEG of Gia Lai Electricity (+12%) which benefited from rising oil prices, Software and services with FPT (+5%). Some sectors also have good performance are Telecommunication Services, Automobiles & Components, Commercial & Prof. Services.
- ❖ In the opposite direction, the materials were the worst sector given steel ticker such as HPG (-20%), HSG (-19%), NKG (-20%) effected by disadvantage on high cost and low output prices, fertilizer such as DPM (-12%) and DCM (-4%) also down given the rising of oil prices. Diversified Financials with many securities tickers also fell as market liquidity dropped and market wide margin levels have retreated from previous highs. However, foreign investors bought many sectors especially Banks, Food, Beverage & Tobacco, Software & Services.

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	1,563.9	30.4%	-6.4%	-11.8%	11.92	2.04	1.86%	19.71%	-29.8%	697.8	4,388.2
2	Real Estate	49	1,143.6	22.4%	-1.4%	-13.1%	33.12	2.92	6.04%	13.33%	-36.7%	69.1	-2,545.9
3	Food, Beverage & Tobacco	32	533.6	10.5%	-3.2%	-7.9%	18.76	4.41	12.25%	28.18%	-26.8%	383.5	-5,228.9
4	Materials	63	432.2	8.5%	-14.1%	-16.0%	12.07	2.04	18.38%	30.15%	-26.2%	29.6	-1,577.2
5	Utilities	28	361.5	7.1%	6.8%	11.0%	19.76	3.22	10.59%	17.27%	-21.5%	-78.8	-105.3
6	Capital Goods	77	260.5	5.0%	-4.9%	-18.8%	33.32	2.10	5.05%	14.33%	-39.6%	65.4	1,664.8
7	Transportation	28	199.6	3.9%	-4.4%	-1.6%	174.84	3.29	2.24%	11.75%	-19.3%	111.5	458.9
8	Diversified Financials	17	129.5	2.5%	-13.0%	-36.4%	8.98	1.91	9.16%	26.54%	-23.1%	-762.2	-1,847.5
9	Retailing	9	123.9	2.4%	-3.9%	8.1%	20.69	4.62	8.44%	25.78%	-49.5%	83.0	1,528.3
10	Software & Services	3	108.0	2.1%	3.8%	17.2%	21.60	5.03	8.99%	25.03%	-41.9%	402.2	439.4
11	Energy	9	78.3	1.5%	-4.3%	-15.7%	43.62	1.90	3.21%	9.09%	-23.3%	-128.5	-320.5
12	Consumer Durables & Apparel	17	54.5	1.0%	-2.9%	6.4%	21.93	3.27	10.61%	17.99%	-46.1%	-136.3	287.0
13	Insurance	5	52.9	1.0%	-12.9%	-3.9%	18.64	1.77	2.09%	10.56%	-29.4%	80.0	52.4
14	Pharma, Biotech & Life Sciences	10	30.5	0.6%	-5.0%	-7.4%	16.65	2.79	13.63%	17.44%	-29.8%	27.2	45.9
15	Technology Hardware & Equip.	1	11.6	0.2%	-7.9%	3.3%	14.89	5.70	15.13%	46.58%	-44.1%	2.6	-75.8
16	Automobiles & Components	6	9.5	0.2%	1.2%	3.4%	21.00	1.91	6.54%	12.99%	-71.7%	-3.3	59.8
17	Unclassified	13	8.9	0.2%	-9.6%	-33.7%	11.16	1.20	3.33%	11.43%	-45.1%	0.1	1.1
18	Consumer Services	8	7.7	0.2%	-9.1%	-3.3%	121.02	4.03	-6.50%	-8.95%	-34.5%	8.3	6.2
19	Commercial & Prof. Services	5	5.4	0.1%	1.2%	2.0%	14.94	1.65	9.07%	12.10%	-55.2%	2.6	-11.4
20	Health Care Equip. & Services	3	3.2	0.1%	-13.2%	-18.4%	14.77	2.15	6.95%	12.72%	-64.0%	40.9	278.4
21	Telecommunication Services	1	2.1	0.0%	2.9%	-17.7%	8.63	2.08	5.92%	27.49%	5.3%	0.0	-0.6
22	Media & Entertainment	2	1.5	0.0%	-1.2%	-17.0%	18.40	2.45	7.33%	12.43%	-36.3%	0.2	-72.6
23	Household & Personal Products	1	1.4	0.0%	-10.4%	-11.5%	8.80	1.82	14.97%	22.69%	0.1%	-2.5	-2.6
	VNIndex	420	5,158.2	100.0%	-5.4%	-13.7%	13.89	2.18	2.61%	15.94%	-31.8%	3,186.8	-168.5
	VN30 Index	30	3,528.4	68.4%	-6.0%	-12.5%	11.63	2.26	3.00%	19.86%	-27.3%	-779.9	-10,968.2

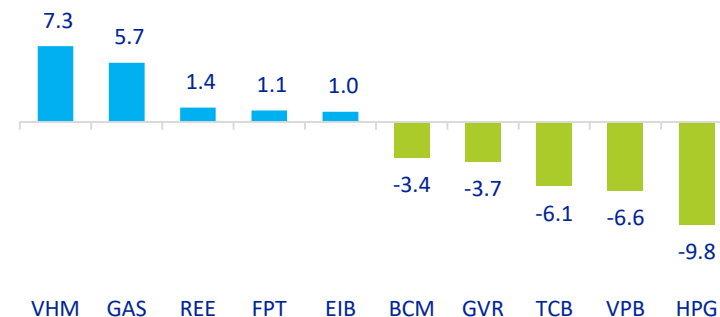
Source: Bloomberg, ACBS

Top 20 Market Capitalization (as at May 31, 2022)

No.	Ticker	Company name	Market Cap. (VNDtn)	1M return	YTD return	P/E	P/B	Remaining foreign room (%)
1	VCB	Vietcombank	373.4	-2.5%	0.1%	16.3	3.2	6.4%
2	VHM	Vinhomes	303.1	10.2%	-12.6%	7.9	2.3	26.7%
3	VIC	VinGroup	300.5	-1.5%	-17.1%	(126.4)	2.9	35.7%
4	GAS	PetroVietnam Gas	225.3	11.0%	22.3%	22.4	4.1	46.2%
5	BID	BIDV	178.6	-5.2%	-4.9%	15.5	2.1	13.2%
6	MSN	Masan Group	159.2	-3.1%	-21.1%	16.0	5.8	20.4%
7	HPG	Hoa Phat Group	155.2	-19.9%	-25.2%	4.3	1.6	28.0%
8	NVL	Novaland	152.1	-4.9%	-14.3%	39.9	4.2	42.7%
9	VNM	Vinamilk	149.8	-3.4%	-15.6%	14.7	4.7	45.5%
10	VPB	VPBank	137.8	-15.5%	-13.4%	8.0	1.6	-0.1%
11	CTG	VietinBank	134.1	0.5%	-17.7%	10.9	1.4	3.9%
12	TCB	Techcombank	130.4	-15.6%	-25.7%	6.8	1.3	0.0%
13	MWG	Mobile World Investment	106.0	-2.9%	6.6%	20.7	4.8	0.0%
14	MBB	MBBank	104.8	-6.9%	-4.0%	7.7	1.6	0.0%
15	GVR	Viet Nam Rubber Group	100.8	-12.7%	-31.8%	22.4	2.0	12.5%
16	FPT	FPT Corp	100.5	4.7%	18.2%	21.4	5.2	0.0%
17	SAB	SABECO	98.4	-5.3%	3.9%	25.1	4.6	37.4%
18	ACB	Asia Commercial Bank	85.2	-3.5%	-8.6%	8.2	1.8	0.0%
19	BCM	Becamex IDC Corp.	75.7	-14.9%	14.2%	61.0	4.6	46.4%
20	VJC	Vietjet Air	70.9	0.8%	2.0%	329.9	4.1	13.2%

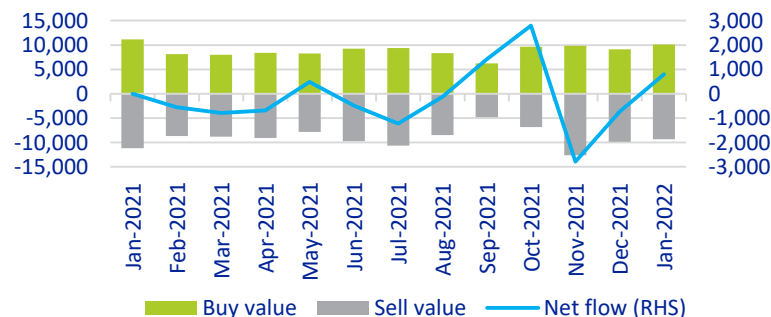
Source: Bloomberg, FiinPro, ACBS

Top contributors on VNIndex in May 2022



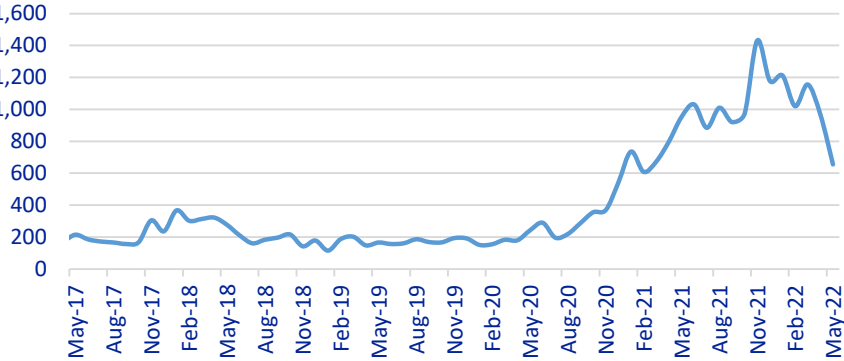
Note: Index impact (pts)

Net brokerage prop trading value into VNIndex (USDbn)



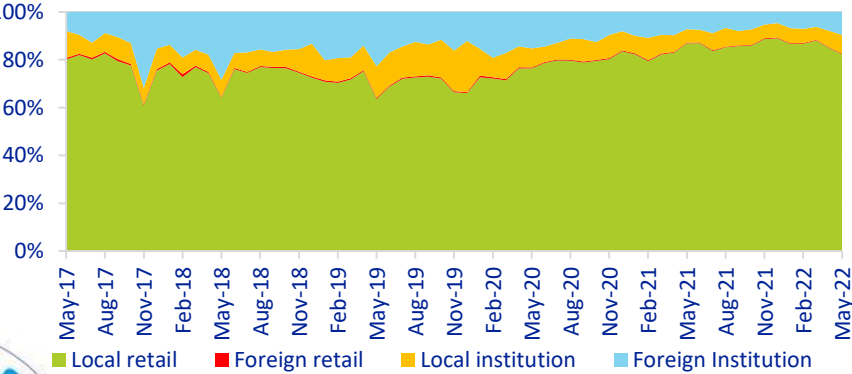
Source: FiinPro, ACBS

Average Daily Turnover (USDm)



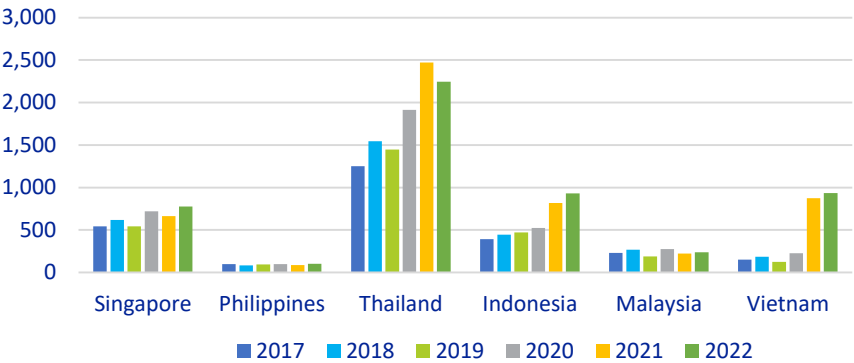
Source: Fiin Pro, ACBS

Market Turnover by Investors



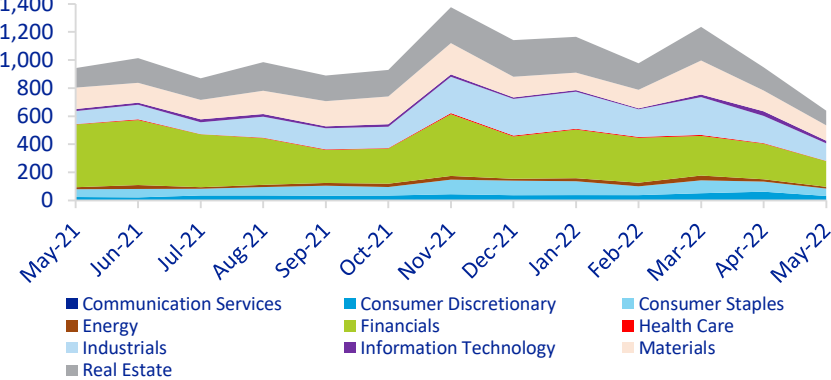
Source: Fiin Pro, ACBS

Average Daily Turnover of Asean markets (USDm)



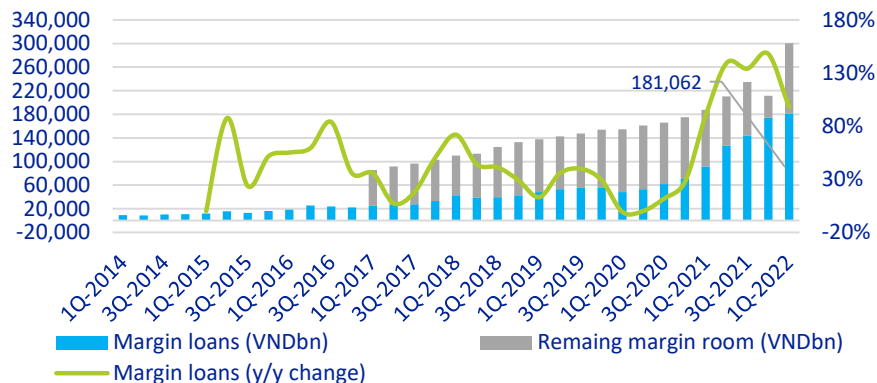
Source: Bloomberg, ACBS

Average Daily Turnover by Sector (USDm)



Source: Fiin Pro, Bloomberg, ACBS

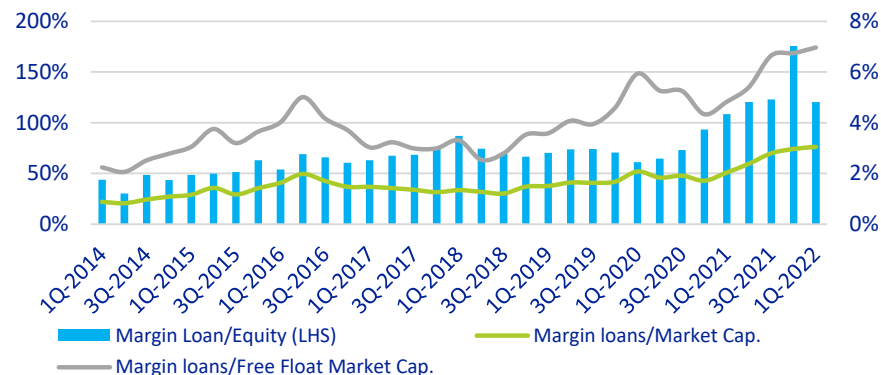
Margin outstanding



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

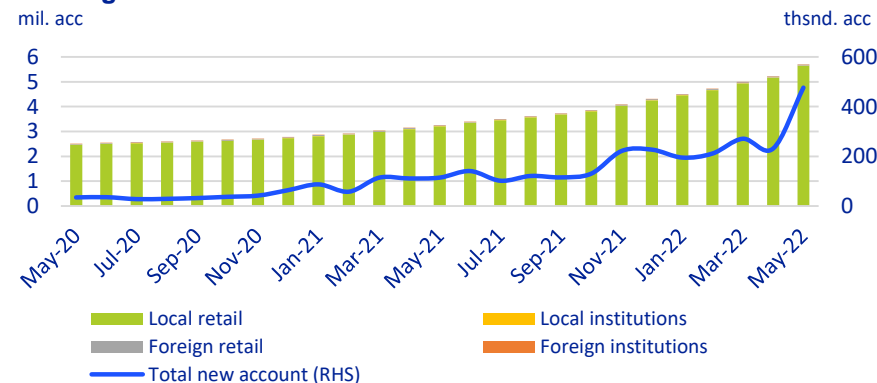
- ❖ Market-wide margin loans outstanding at the end of the first quarter of 2022 were estimated at VND 181 trillion, up 98% y/y and equivalent to 121% of equity, still well within the limit of 200%. The margin loans to free float market capitalization rose to 7.0% from 6.7% of last quarter. Recently, with the market correction, market wide margin loans have retreated from record levels.
- ❖ New trading accounts opened in May reached 476,711 mainly driven by individual domestic investors, a great higher 106% than last month. Generally, there are 5.7 million accounts until 31 May 2022, in which, for 5 months of 2022, there are 1.38 million new accounts, take account 24% of total.

Margin leverage



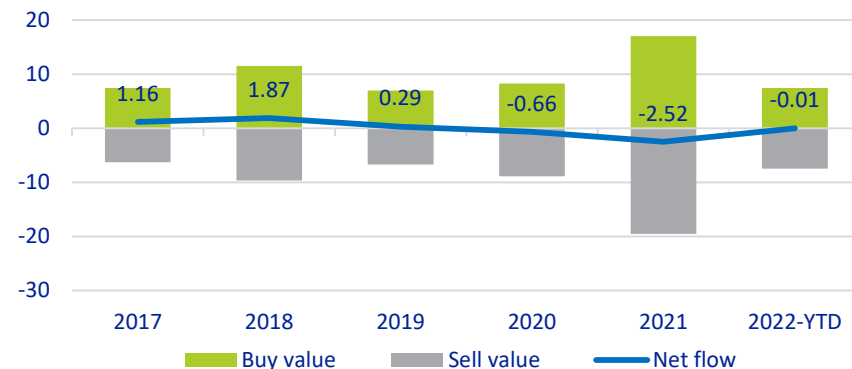
Source: Fiin Pro, Bloomberg, ACBS

Trading account



Source: GSO, ACBS

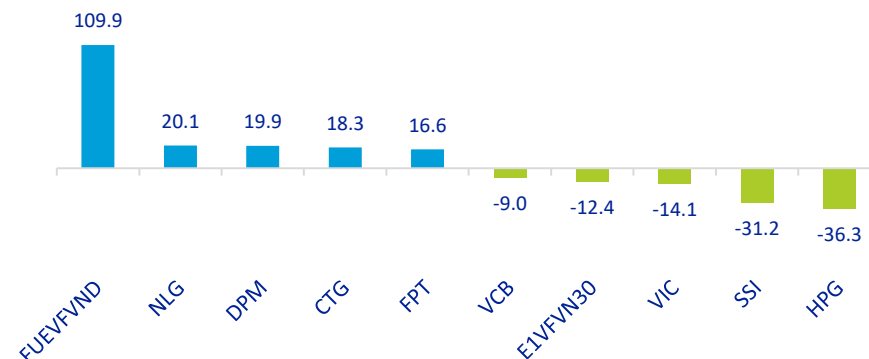
Net foreign flow into VNIndex (USDbn)



Source: FiinPro, ACBS

- Foreign investors were net buyers for the 2nd consecutive month with value of US\$137.2m as of 31 May 2022. In which, the foreigners bought domestic ETFs with net buy amount approx. of US\$98.4m in May. The highest outflows were in steel ticker HPG, securities ticker SSI, and others such as VIC, E1VFN30, VCB. Conversely, FUEVFN received highest inflows, followed by NLG, DPM, CTG, FPT.
- While many markets (Indonesia, Malaysia, Philippines, India) witnessed the outflows of global investors ahead of the next expected Fed interest rate hike, Vietnam is one of few markets received net inflows in 2 consecutive months bringing the YTD figures close to a net zero.

Top foreign net buying on VNIndex in May 2022 (USDm)

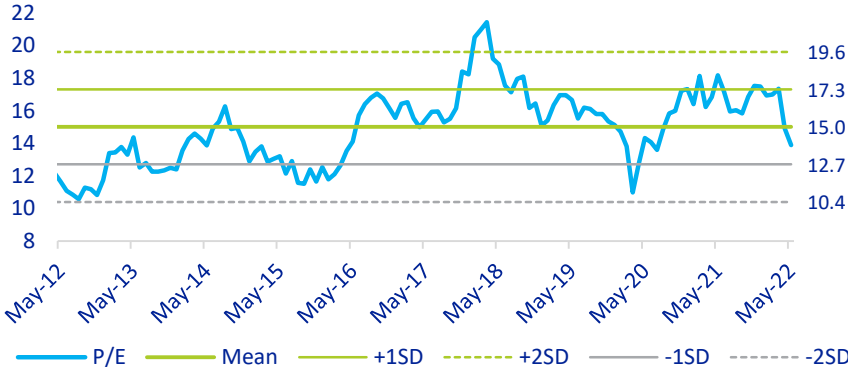


Source: FiinPro, ACBS

Markets	Net foreign flow 1M (USDbn)	Net foreign flow YTD (USDbn)	Market Cap. (USDbn)	Net foreign flow YTD as % market cap
Vietnam (*)	0.02	-0.01	224.5	-0.05%
Indonesia	-0.52	4.49	647.1	0.69%
Malaysia	-0.06	1.68	239.3	0.70%
Philippines	-0.35	-0.56	178.9	-0.32%
Thailand	0.42	4.11	575.6	0.71%
Taiwan	0.06	-26.35	1,790.8	-1.47%

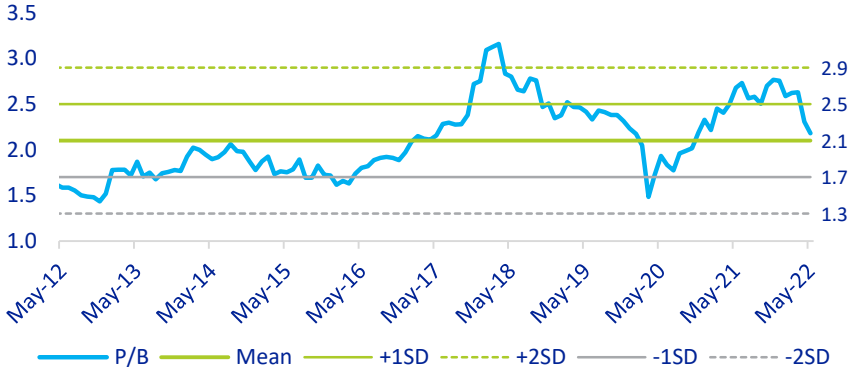
Source: Bloomberg, ACBS

P/E of VNIndex for 10 years



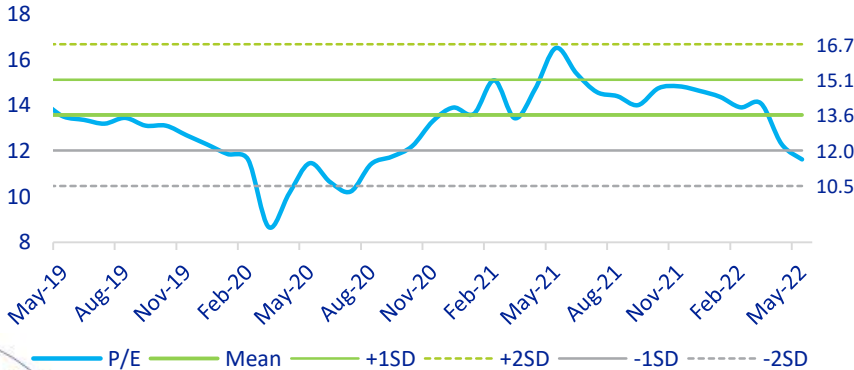
Source: Bloomberg, ACBS

P/B of VNIndex for 10 years



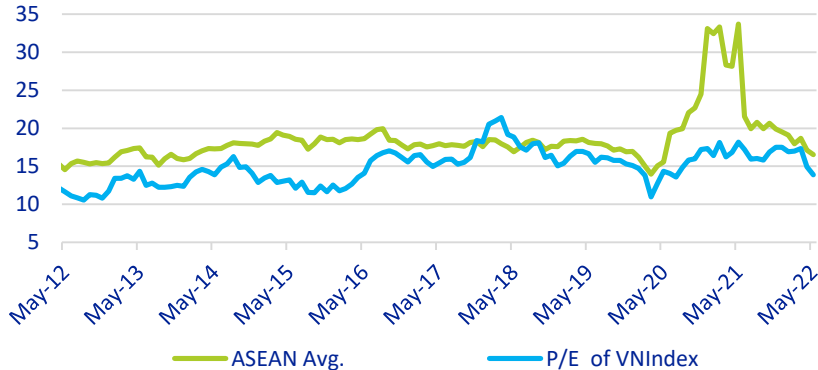
Source: Bloomberg, ACBS

P/E of VN30 for 3 years



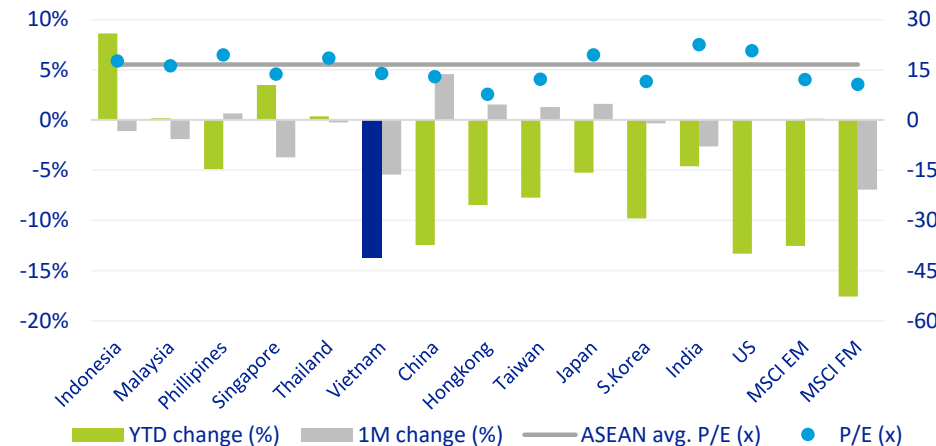
Source: Bloomberg, ACBS

P/E of VNIndex and regional peers average



Source: Bloomberg, ACBS

Index comparison



Source: Bloomberg, ACBS

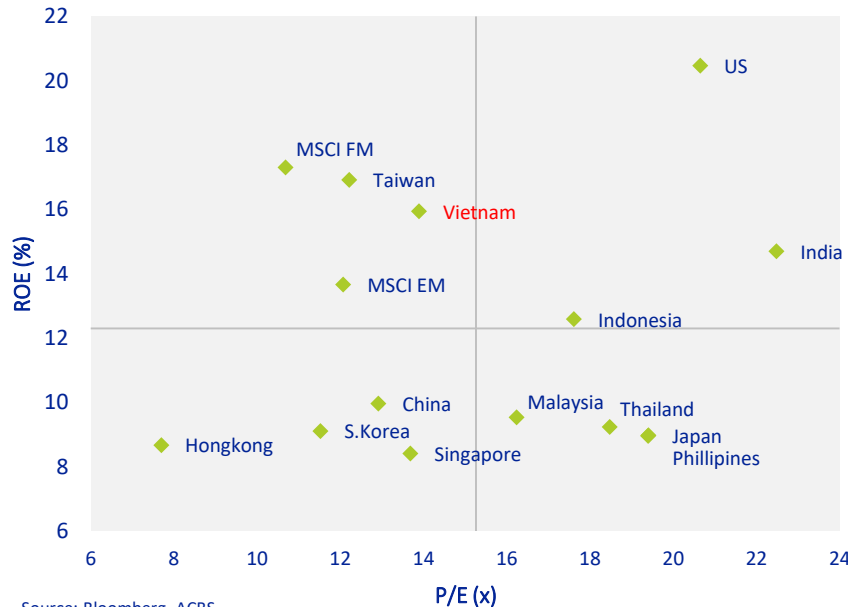
Earnings growth and forward P/E

Country	2022E EPS growth (%)	May '22 P/E (x)	2022F P/E (x)
Vietnam (*)	21.2%	13.9	12.3
Average	14.5%	16.5	15.1
Indonesia	29.1%	17.6	16.8
Malaysia	-0.4%	16.2	15.1
Philippines	22.2%	19.4	16.3
Singapore	9.6%	13.7	12.9
Thailand	5.2%	18.5	17.3

Source: Bloomberg, *ACBS

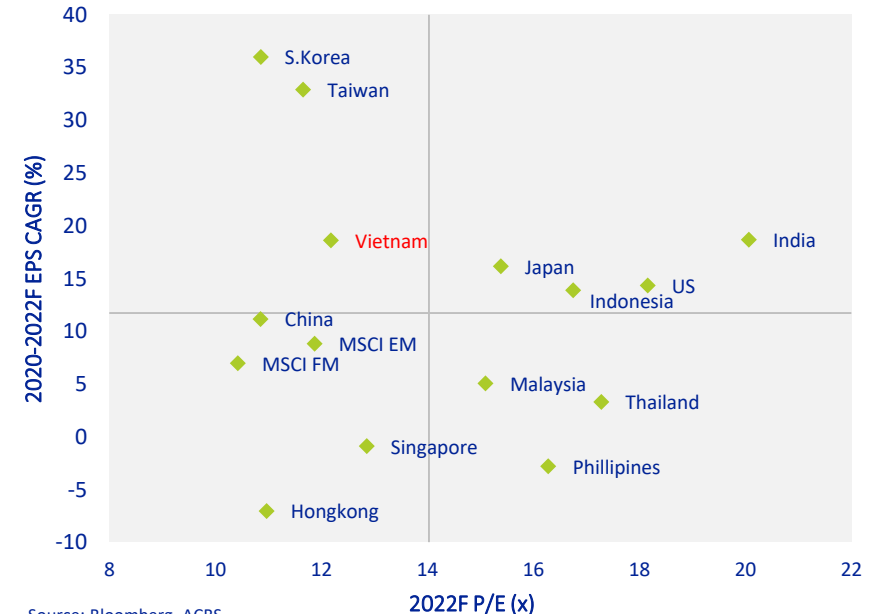
- ❖ Many markets across the world sank in the red last month given economic fears ahead of further rate hikes and quantitative tightening of the Fed and how China's lockdowns could effect global supply chains and slow the economic recovery. Markets in the US, Japan and Emerging markets showed signs of recovery in second half of May. Meanwhile, China's market recovered 4.6% during the month thanks to government's plan to bolster growth by new stimulus package and signs that lockdowns will ease in the near future.
- ❖ The P/E of VNIndex fell to 13.9 from 14.9 last month, providing attractive prices for investors who hold cash to accumulate at relatively low valuations. VNIndex's P/E still lower than the average of ASEAN markets and maintain its attractive valuation with the forward P/E at 12.3 and earning growths at 21.2%, placing at a favourable valuations compared to peer markets.

Relation between P/E and ROE



Source: Bloomberg, ACBS

Market valuation



Source: Bloomberg, ACBS

- ❖ The current ROE of the VNIndex is about 15.9%, among the highest return markets. Given our projected 21.2% EPS increase for 2022, Vietnam's 3 year EPS CAGR from 2020-2022 would be approx. 18.2%, indicating that Vietnamese corporates have done a good job weathering the pandemic storm compared to regional peers. Along with the P/E forward at 12.3, VNIndex is relative attractive for the long-term investing compared with peer markets.

- ❖ For the long-term outlook, notwithstanding the recent market correction, we believe that the fundamentals of both the Vietnamese economy and stock markets are well positioned for strong long term growth despite short term volatility. 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 be expected for new functions such as intraday trading T+0, bonds trading, Central Clearing Counterparties (CCP) and further products contributing to the market development.
- ❖ In the short term, many global markets have been recovering after significant corrections and the VNI has been following this trend. Although liquidity on the VNI remained subdued, market sentiment has been improving and the fundamentals of the macro economy as a whole and corporates on the market remain strong and are expected to buttress the markets against a prolonged downturn. New domestic retail interest remains strong in the market as new accounts opened in May reached c. 477k, a record high and more than double the previous month. With the recent corrections in the markets and strong Q1 earnings (+32% y/y), the VNIndex is trading at an attractive valuation for both short-term and long-term investors. We remain confident that economic activities will continue to show improvement in the second half of 2022 as the boost from the reopening of Vietnam's borders to international travel from March 15th is expected to pick up in the second half of the year as tourists have had time to plan trips and COVID related travel procedures are becoming less cumbersome and the easing of COVID restrictions in China will be positive for Vietnamese manufacturing and trading activities.
- ❖ Currently, the decision of the US Fed and other central banks to hike interest rates is impacting stocks market all over the world in short-term as investor may change to other attractive safe haven assets such as bonds and the US Dollar. One of the biggest risks facing Vietnam now is China's COVID-19 lockdowns with many restrictions which could slowdown the industrial production recovery and challenge Vietnam's target to curb inflation under 4% for 2022. Although the lockdowns are easing from May 29th, China still applies the zero-COVID policy which affects both direct trade with Vietnam (China being Vietnam's largest trading partner) and what the second order effects will be as supply chain disruptions continue to cause headaches worldwide.

- ❖ Moving forward, we update our projection of Vietnam's earnings to grow at 21.2% y/y driven by the banking, consumer goods and services, and oil & gas sectors as well as the recovery of domestic consumption post pandemic. Taking the 3 year average P/E of near ~15.8x and our base case earnings expectations, we estimate the index will end the year to near 1,660's level, equivalent to a 2022 F. P/E of ~12.3x from the end of May.
- ❖ 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 return to the ~16.2x level, resulting in the index reaching an 1,800-1,900 point level and representing a 2022 F. P/E of ~11.3x from the end of May.
- ❖ Finally, in the pessimistic scenario, we see continued uncertainty and fear clouding global markets with rising concerns on inflation, how fast and strong central banks will react to inflationary pressures by raising rates and slow downs in China further stretching global supply chains. 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 1,450 point level, equivalent to a 2022 F. P/E of 12.7 from the end of May.

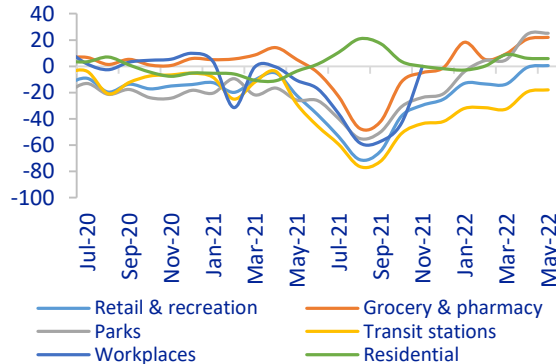
Three scenarios in 2022

Scenarios	VN-Index	Growth vs. May 31 th	2022 F. PE (x)
Pessimistic	1,449.7	12.1%	12.7
Neutral	1,663.6	28.7%	12.3
Optimistic	1,864.2	44.2%	11.3

Year-end 2022 Index Points Sensitivity Matrix

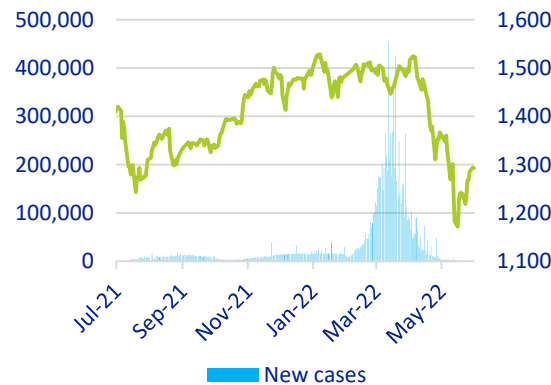
	Earnings Growth								
		5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%
Earnings Multiple	13.5	1,227.3	1,285.7	1,344.2	1,402.6	1,461.0	1,519.5	1,577.9	1,636.4
	14.0	1,272.7	1,333.3	1,393.9	1,454.5	1,515.2	1,575.8	1,636.4	1,697.0
	14.5	1,318.2	1,381.0	1,443.7	1,506.5	1,569.3	1,632.0	1,694.8	1,757.6
	15.0	1,363.6	1,428.6	1,493.5	1,558.4	1,623.4	1,688.3	1,753.2	1,818.2
	15.5	1,409.1	1,476.2	1,543.3	1,610.4	1,677.5	1,744.6	1,811.7	1,878.8
	16.0	1,454.5	1,523.8	1,593.1	1,662.3	1,731.6	1,800.9	1,870.1	1,939.4
	16.5	1,500.0	1,571.4	1,642.9	1,714.3	1,785.7	1,857.1	1,928.6	2,000.0
	17.0	1,545.5	1,619.0	1,692.6	1,766.2	1,839.8	1,913.4	1,987.0	2,060.6

Vietnam Community Mobility

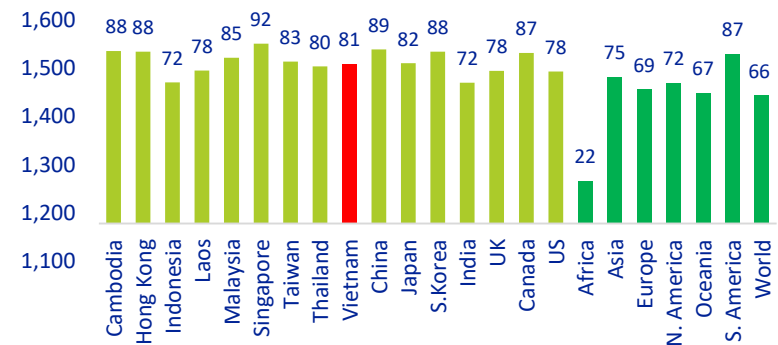


Source: Google, ACBS

Vietnam new cases and VNIndex



Latest share of people fully vaccinated



Source: Ourworldindata, ACBS. Updated May 2022

- ❖ The new cases and serious cases COVID-19 of the country fell below 1,000 cases per day. Most of social activities resumed as pre-pandemic. The Ministry of Health is consulting and proposing that COVID-19 is a newly added disease in the group of occupational diseases and enjoy the social insurance regime. Besides, from 5 May, domestic health declaration for COVID-19 prevention and control no longer required across Vietnam.
- ❖ Vietnam fully reopened international tourism and lifting all travel restrictions from March 15. As of May 5, Vietnam reaches mutual recognition agreements of 'vaccine passports' with 20 countries. On 11 May, the European Commission recognised the digital COVID-19 certificates of Vietnam as equivalents to the EU COVID Certificates issued by authorities in EU, it means Vietnam's vaccine certificates would be accepted in 81 countries and territories included above 20 countries, 27 EU member nations and 39 partner countries and territories that are participating in EU's digital COVID-19 vaccine certificate system.

- ❖ Until 29 May, at least 57 countries lifted their COVID-19 restrictions. Conversely, China's authorities continue to follow the zero-COVID policy amid the virus outbreak in Shanghai, Beijing... leading to new lockdowns but Shanghai and Beijing began to ease restrictions from May 29th with the target of ending COVID lockdowns and resuming normal life by June 1. Meanwhile, North Korea which have not report any COVID-19 case during the past 2 years confirmed its first COVID-19 outbreak with Omicron case, ordered a national lock down, with state media reporting a sub-variant of the highly transmissible Omicron virus had been detected in the city of Pyongyang.
- ❖ We're monitoring the wave of virus outbreak in Shanghai and Beijing and its effect to global supply chain as well as effect to Vietnam trade. Currently, given the high vaccination rates in Vietnam, along with increasing access to therapeutics, we do not expect any major moves to impede the economic recovery.

TRADE

❖ **Ukraine:** Total turnover of foreign trade 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, we do not see any major disruptions to trade resulting from disruptions in the Ukrainian market.

❖ **Russia:**

- ✓ Main export items to Russia in 2021 are coffee (USD173m, 6% of total, placed 5th), tea (USD19m, 9%, 3rd 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 3rd after Australia and Indonesia).
 - Fertilizer (USD144m, 10%, placed 2nd following China of 42%),
 - Wheat (USD14m, 1%).
- ✓ The war and sanctions on Russia reduced the supply of these items given difficulty of transportation including some logistics companies rejecting the routes to Russia and the air traffic embargoes hiking the cost of logistic of exporters. The SPFS system which established by Russia after Western countries punished Russia for the annexation of Crime in 2014 could be a replacement system for Russia foreign trade while there are 52 organizations from 12 countries joining this system (according to Russian source).

❖ **The European Union**

- ✓ Main export items to EU were phone and spare parts, computers and accessories, other machinery, equipment and spare parts, foot wears, textiles, sea foods, coffee. After 2 months since the start of war, exports to the EU for 4 months of 2022 still grew by 21%, higher than 16% growth of total. The war could bring opportunities for Vietnamese exporters in seafood given the sanctions against Russian products.
- ✓ In the first quarter 2022, seasonally adjusted GDP narrowed the increase at 0.2% q/q in the euro area and 0.4% q/q in the EU, and +5.0% y/y and +5.2% y/y respectively as inflations reached record levels. Meanwhile, for March 2022, volume of retail trade decreased by 0.4% m/m in the euro area and by 0.2% m/m the EU, but maintain annual growth with increase by 0.8% y/y in the euro area and by 1.7% y/y in the EU (According to a preliminary flash estimate published by Eurostat). The higher cost of energy in EU also negatively effects consumer's budget for other items.

COMMODITIES

❖ Oil and natural gas

- ✓ The war, and subsequent rises in oil and gas prices, has negative effects to consumers in Vietnam as Vietnam is still dependent to imported oil products. The local gasoline retail price increased by 16.6% and the retail cooking gas price also increased 5.9% since the war outbreak.
- ✓ In the other hand, the oil extraction industry in Vietnam, which has many oil and gas fields, will have motivation to boost their capacity if the oil price maintain over US\$105/bbl and benefit upstream companies like Petro Vietnam Technical Services (HSX: PVS) or Petro Vietnam Drilling (HSX: PVD). The midstream companies such as Petro Gas South (HSX: PGS) or PV GAS (HSX: GAS) also benefit from increased oil price while their selling prices are also linked to oil price.

❖ Coal

- ✓ Russia was the 3rd biggest exporters of coal to Vietnam. The war exacerbates the shortage of coal supply in Vietnam. The coal import volume in the 1st quarter fell sharply by 24.5% y/y but the value more than doubled given the surge in global prices and shipment from Russia decline.
- ✓ Currently, many thermal power plants are facing a shortage of coal to run production. Vietnam is planning to import approximately 5 million tonnes of coal from Australia to deal with the shortage of coal for power generation.

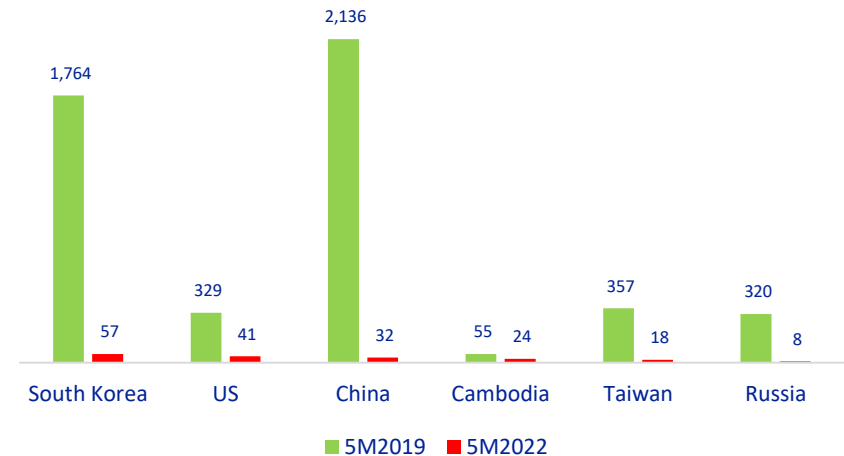
❖ Fertilizer

- ✓ Russia was the 2nd largest exporters of fertilizer to Vietnam in 2021. For March, the fertilizer import volume was down 7.8% y/y, but the value saw an increase of 55.8% y/y, indicating the surge in pricing due mainly to supply restrictions caused by the war in Ukraine. The ban exports of Russian fertilizers, combined with higher energy prices and the order of China's authorities for major Chinese firms to suspend exporting fertilizer from July 2021, could reduce the supply of Vietnam and increase the price as demand continued rise when the new production season upcoming.
- ✓ Vietnam's Ministry of Finance have submitted to the government a regulation on a uniform export tax rate of 5% for fertilizers, regardless of the percentage of mineral resources in products, in which the export tax rate for products which have mineral resources and energy cost under 51% will be raise from 0% to 5%. The uniform tariff is not the best solution because of many kinds of fertilizers in difference seasons but this adjustment help cool down fertilizer prices.

TOURISM

- ✓ Russian travelers accounted approximately 4.6% of total inbound passengers in pre-pandemic years, ranking 6th following China, South Korea, Japan, US, Taiwan. Arrivals dropped sharply in 2020 and 2021 due to Covid-19 restrictions. For 5 months of 2022, the tourism from Russia recovered at 8,022 arrivals, up 10 times compared with the same periods of last year, compared with -6% of China, 235% of South Korea, 297% of Japan and 28 times of US. This number is still quite low than the level of over 300 thousand for 5 months in previous years.

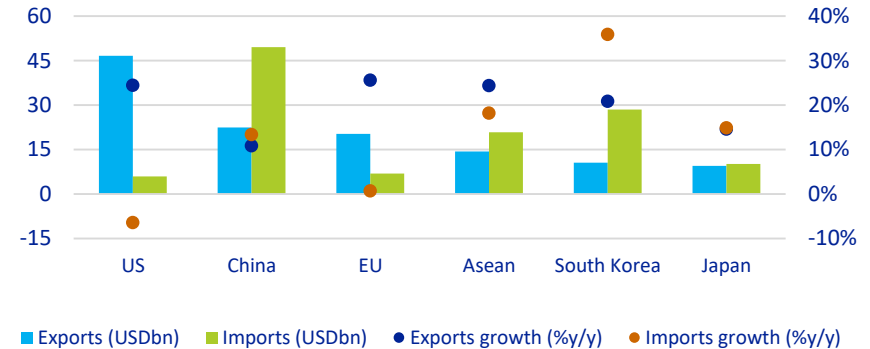
Top 5 traveler groups to Vietnam
(thousand of traveler)



TRADE

- ❖ China is the second largest importer of Vietnamese product after the US and the biggest exporter to Vietnam. The new shutdowns in many cities in China, such as Shanghai, the second largest contributor to China's GDP accounting for ~3.5% of China's GDP, and the recent virus outbreak in Beijing which contribution ~5.5% to China's GDP will causing many consequences and affect to counterparts included Vietnam.
- ❖ Trade with China is facing with many difficulties due to congested Chinese ports and the lack of imported materials due to many factories bring forced to pause operation because of COVID-19 restrictions. Moreover, China suspends trade at many Vietnamese border gates causing significant delays or outright closures affecting transportation costs and delivery times.
- ❖ Currently, one of the biggest issues facing Vietnamese manufactures is the shortages of materials imported from China for production. Recently, Vietnam is pushing import from another countries such as South Korea, ASEAN, Australia... to reduce the dependence on China, however China's importance in supply chains will remain undeniable in the short to mid term.
- ❖ E-commerce: local Vietnamese e-commerce customers and vendors have been struggling to get orders delivered from China due to cities being locked down and restrictions at border gates. Some logistic firms switched from shipping via road to sea as border gates limited the passing of trucks.
- ❖ In the other hand, the lockdowns in China could bring the opportunities for Vietnam exporters because the importers other markets have to find another sources of supply to replace Chinese suppliers.

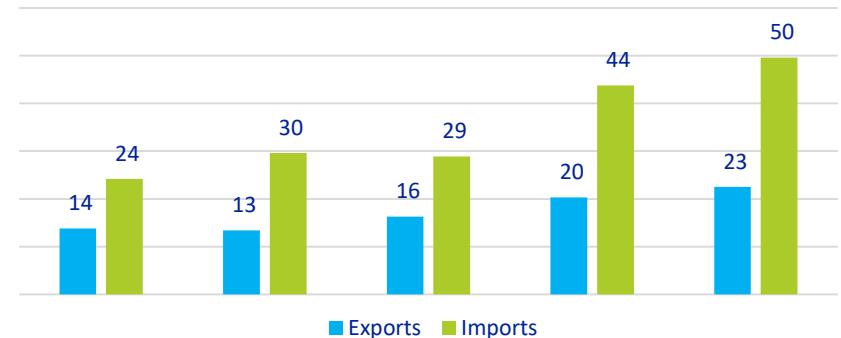
Main EX-IM markets in 5M2022



Source: GSO, ACBS

Exports and imports with China for 5 months

USDbn



FDI

- ❖ The current situation could speed up the China+1 movement due to difficulties business environment in there. Until now, China's authorities remain steadfast in their zero-COVID policy when the rest of world is changing to living-with-virus strategy, which is affecting companies' ability to maintain operations. For the last 20 years, western companies have invested in China thanks to their low production costs and huge domestic consumer markets. The increasing cost due to higher wages combined with virus restrictions boost manufacturers' cost. While the continued zero-COVID policies may not lead to a large rush in manufacturers leaving China or setting up alternative sites, it may factor in for companies already considering moves to speed up their decisions.
- ❖ Recently, many factories paused their operations such as Foxconn Interconnect Technology paused 2 factories, the giant auto parts of Germany Bosch suspend production in Shanghai and Changchun, Pegatron, Apple Inc.'s iPhone assembler, pausing their operation in Shanghai and Kunshan. These disruptions could lead to further supply chain disruptions having knock on effects outside of the Chinese market.
- ❖ With these disadvantages, numerous foreign companies will change their strategy to find alternative supply chain locations to reduce its reliance on China or shift capacity to already existing alternative sites. Vietnam has been a benefactor of manufacturing diversification outside of China and is expected to continue to rise its profile in the global supply chain. Notably, Apple's iPad has been reported to be shifting production to Vietnam for the first time due to continued supply chain difficulties in China

TOURISM

- ❖ Chinese travelers are the biggest group of tourist to Vietnam, accounted approximate 30% of total in pre-pandemic years. For 5 months of 2022, the tourism from China recovered at 32,133 arrivals, down 6% compared with the same periods of last year while most of other nationality arrivals surged after Vietnam easing COVID-19 restrictions and reopened international tourism. The benefit from Chinese arrivals was significant because the travel and tourism contribution was about 8% of Vietnam's GDP in pre-pandemic, but with current zero-COVID strategy of Chinese authorities, Vietnam will no longer to be welcome tourists from Chinese in near future.

INFLATION

- ❖ The strict restrictions of Chinese authorities when applying zero-COVID strategy will impact to Vietnam's inflation stronger than other global issues due to dependent to Chinese suppliers and consumers not only with Vietnam but also with other countries, currently China is the world's manufacturing hub and account for 12.6% of the global trade. Despite several companies have applied China +1 strategy, many manufacturers from Vietnam both FDI and local companies still imports a wide range of material input and consumer products from China. The restricted trade and higher logistics costs due to delays could challenge the Vietnam's target to curb inflation under 4% for 2022.

Upcoming events

Event type	Date	Countries	Events
Index review	03-Jun-2022	Vietnam	FTSE Vietnam ETF
Economy	09-Jun-2022	European	ECB Interest Rate Decision
Index review	10-Jun-2022	Vietnam	VanEck Vectors Vietnam ETF
Economy	15-Jun-2022	US	Fed Interest Rate Decision
Derivative	16-Jun-2022	Vietnam	The last trading day of VN30F2206
Economy	17-Jun-2022	Japan	BOJ Interest Rate Decision
ETF rebalance	17-Jun-2022	Vietnam	FTSE ETF & VNM ETF Restructuring
Index review	18-Jul-2022	Vietnam	Review VN30 index
Economy	27-Jul-2022	US	Fed Interest Rate Decision

Ticker	Ex-right date/ Exercise date (*)	Countries	Events	Event type
PGI	06-Jun-2022	Vietnam - HOSE	Cash dividends 8%	Cash dividends
FRT	07-Jun-2022	Vietnam - HOSE	Cash dividends 5%	Cash dividends
SVI	07-Jun-2022	Vietnam - HOSE	Cash dividends 18%	Cash dividends
EVE	07-Jun-2022	Vietnam - HOSE	Cash dividends 10%	Cash dividends
MWG	07-Jun-2022	Vietnam - HOSE	Cash dividends 10%	Cash dividends
FRT	07-Jun-2022	Vietnam - HOSE	Share Issue 50%	Share Issue

Upcoming events (cont'd)

Ticker	Ex-right date / Exercise date (*)	Countries	Events	Event type
VPG	07-Jun-2022	Vietnam - HOSE	Share Issue 10%	Share Issue
MSH	07-Jun-2022	Vietnam - HOSE	Share Issue 50%	Share Issue
TCM	07-Jun-2022	Vietnam - HOSE	Share Issue 15%	Share Issue
GTA	08-Jun-2022	Vietnam - HOSE	Cash dividends 8.5%	Cash dividends
TRA	09-Jun-2022	Vietnam - HOSE	Cash dividends 10%	Cash dividends
DBD	09-Jun-2022	Vietnam - HOSE	Share Issue 30%	Share Issue
GMC	13-Jun-2022	Vietnam - HOSE	Cash dividends 20%	Cash dividends
CLC	16-Jun-2022	Vietnam - HOSE	Cash dividends 25%	Cash dividends
HAP	17-Jun-2022	Vietnam - HOSE	Cash dividends 4%	Cash dividends
HDC	21-Jun-2022	Vietnam - HOSE	Share Issue 25%	Share Issue
PXS	24-Jun-2022 (*)	Vietnam - HOSE	Delisting from 24 June	Delisting
CSV	24-Jun-2022	Vietnam - HOSE	Cash dividends 15%	Cash dividends

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

- Vietnam's economy recovered well, helping credit to grow strongly. By the end of Q1/2022, credit growth reached 5.97% YTD, 2.8 times higher than the same period of 2.16%. Total M2 supply increased by 3.45% YTD after some small and medium sized banks raised their deposit rates by 30-80 basis points in Q1/2022. System liquidity improved, causing interbank lending rates to drop to around 1%.
- Business results of banks listed on HOSE grew well in Q1/2022. Profit before tax grew by 32.2% YoY despite a high base of last year's same period. The strong profit growth comes from both net interest income's and non-interest income's growth. Provision expenses returned to normal level and was no longer as high as in 2H2021, down 21.6% QoQ as the pressure to make provisions for COVID-19 restructured loans has decreased significantly.
- Asset quality was stable, NPL ratio by the end of Q1/2022 reached 1.37%, equivalent to the end of 2021 and slightly decreased compared to the same period of last year. COVID-19 restructured loans of listed banks decreased in Q1/2022, estimated at about 1% of total outstanding loans and were conservatively provisioned.

Outlook / What to Watch

- By the end of May 2022, many commercial banks have used up the assigned credit growth limit and they are submitting to the SBV for approval of a new limit. We maintain our credit growth expectation of 15% in 2022 thanks to the recovering economy and the SBV's loan interest rate support package of VND40,000 billion.
- We expect deposit interest rates may continue to increase by 50bps to provide for credit in 2H2022, when banks are granted additional credit growth limits from the SBV and boosts lending at the end of the year.
- Growing CASA will help banks stabilize cost of funds and keep NIMs equivalent to 2021.
- With listed banks actively making provisions in 2021, the pressure of provisioning in 2022 has decreased significantly and it will be a key profit growth driver of listed banks.

Industry outlook

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

- According to the Insurance Association of Vietnam, in 2021, total insurance premium of the whole market was estimated at 159,458 billion VND, up 22% compared to the previous year, despite the epidemic situation. In which, insurance premium from new business was estimated at 49,549 billion VND, up 18.5% compared to the previous year. Digitization and strengthen associate with banks helped insurance sales maintain high growth.
- For the non-life insurance segment, total premium revenue in 2021 is estimated at VND 57,880 billion, up 3.98% compared to the previous year, lower than the growth rate of 6.63% in 2020.

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 grow at 1 digit rate annually for the next 5 years.

Industry outlook

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

- Securities brokerage is one of the fast growing sectors. The low interest rate environment attracts domestic investors to participate in the stock market. The number of newly opened securities accounts in 5M22 reached 1,384,000 accounts, increased 187% compared with the same period of last year.
- Proprietary trading also achieved good results in 2021 and Q1/2022, bringing large profits from this activities for securities companies.

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.
- Proprietary trading is expected to face difficulties in Q2/22 due to unfavorable stock market movements. VN-Index decreased by 15% from the beginning of April to May 26, 2022.
- 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:	NEGATIVE	Long term outlook:	POSITIVE	Main ticker:	VHM, KDH, NLG
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Sector Overview

- 1Q2022 condominium new supply continued to decline due to the pandemic and prolonged approval process with the leading of the high-end segment in HCMC (100%) and the mid-end segment in Hanoi (66%).
- Limited supply and stable demand led to higher sold units than new supply.
- Primary prices continues to grow given limited supply and rising construction costs.
- In 1Q2022, HCMC launched 884 new condos (-48% YoY) and sold 1,247 units (-53% YoY) with average primary price of USD2,390/sqm (+8% YoY).
- In 1Q2022, Hanoi launched 3,525 new condos (-20% YoY) and sold 4,800 units (+15% YoY) with average primary price of USD1,655/sqm (+13% YoY).
- The government is inspecting corporate bonds issuance and land auctions. No real estate company issued corporate bonds in 4/2022 while real estate was the #1 sector issuing corporate bonds which accounted for 35% and 43% of total value in 2021 and 1Q2022.
- Banks tighten credit for both developers and home-buyers which led to a delay in project launches and deliveries and slowed sales.
- Market leader Vinhomes (HSX: VHM) announced its plan to build 500,000 social houses in the next five years to support the government address urgent housing needs of low-income people.

Outlook / What to Watch

- Approval process is improving slowly.
- 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

- Northern market: In 1Q2022, industrial parks had an average industrial land leasing rate of USD109/sqm/lease term (+9.2% YoY) and average occupancy rate of 80% (+5 pts YoY). Total supply increased to 10,024ha thanks to the adding of Thuan Thanh 1 IP in Bac Ninh province with 160ha. Ready- built factories (RBF) had an average leasing rate of USD4.7/sqm/month (+3.5% YoY), average occupancy rates of 98% (unchanged YoY) and no new supply.
- Southern market: In 1Q2022, industrial parks had an average industrial land leasing rate of USD120/sqm/lease term (+9% YoY) and average occupancy rate of 85% (-1 pts YoY). Total supply increased to 26,724ha mainly thanks to the adding of VSIP 3 IP in Binh Duong with 1,000ha. RBF had an average leasing rate of USD4.8/sqm/month (+5.9% YoY), average occupancy rate of 89% (+7 pts YoY) and total supply of 3.8mn sqm (+19% YoY).

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 1Q2022 with a delay in expansion plans due to the pandemic.
- 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 1Q2022, rental rate in CBD increased by 7% YoY to USD145.1/sqm/month while in non-CBD grew by 2.5% YoY to USD35.5/sqm/month; vacancy rates were at 3.5% (+1.9ppts YoY) in CBD and 13.7% (+0.6 ppts YoY) in non-CBD.
- Hanoi: In 1Q2022, rental rate in CBD decreased by 0.5% YoY to USD107/sqm/month and by 3.2% YoY to USD24/sqm/month in non-CBD; vacancy rates were at 12.9% (+2.1 ppts YoY) in CBD and 16.8% (+2.6 ppts YoY) 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 recovery 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

- Open for international tourists from 15/3/2022.
- Villas and townhouses/shophouses recovered in 1Q2022 compared to 1Q2021 while condotels did not.
- There were 1,020 villas (+4% YoY), 2,768 townhouses/shophouses (+1147% n/n) and 613 condotels (-18% n/n) launched in 1Q2022 with absorption rates of 57% (+31 ppts YoY), 87% (+13 ppts YoY) and 32% (-30 ppts YoY), respectively.
- State Bank of Vietnam – HCMC branch requested credit restriction for hospitality real estate.

Outlook / What to Watch

- Higher new supply in 2022 compared to 2021 with a focus in coastal provinces.
- Townhouses/shophouses are expected to be the favorite products.

Industry outlook

Industry:	CONSUMER GOODS & SERVICES	Sub-sector:	FMCG	Short term outlook:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	SAB, MSN, VNM
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Sector Overview

- Fresh food & FMCG accounted for the largest part of consumer's spending (before COVID-19: 26.8% in 2019 according to Kantar).
- Maintained stable growths prior COVID-19 thanks to increasing income per capita and consumer confidence. Stable macroeconomic conditions also contributed to the this industry's growth.
- Despite COVID-19, FMCG monthly spending per household has been consistently increasing over the past 5 years.
- 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. We saw a sharp hike in consumption of packaged food and dairy (+14% and 5% respectively in term of value in urban area – 12% and 11% respective in rural area according to Kantar). On the other hand, beverage, specially alcoholic drinks, suffer the most (-2% in term of value in urban area and -8% in rural area).

Outlook / What to Watch

- For 2022, we expect the sectors that suffered last year will recover, 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. On the other hand, sectors that benefited during COVID-19 period might slowdown compare to last year (e.g. instant noodles, canned food).
- The Ukraine – Russia war and the disruption of global supply chains has lead commodity prices continue to go up thus negatively companies within the sector. Some more than others.
- 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 GOODS & SERVICES	Sub-sector:	FISHERY	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	VHC, FMC, ANV, MPC
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Sector Overview

- Vietnam aquaculture and seafood export reached USD3.6bn in 4M2022, +44.5% YoY, leading by pangasius export (USD894mn, +89.4% YoY). Shrimp export increased 38.6% YoY in 4M2022 with USD1.3bn of export turnover.
- Surge in pangasius demand boosted ASP by ~30% for EU and Chinese markets and up to 45% YoY for the US market. FSIS (Food Safety and Inspection Service) approved 6 additional Vietnam pangasius factories, bringing a total of 19 Vietnam factories allowed to export pangasius to the US.
- The US market continued to be the largest Vietnam shrimp export market and Vietnam is ranked 4th amongst top shrimp suppliers to the US
- Seafood export to China pickup again, reaching USD578mn, +94% YoY with pangasius to account for the largest portion (53%).

Outlook / What to Watch

- US, EU and UK sanctions on Russia tension will benefit Vietnam aquaculture export which is mostly cultivated species in fresh and brackish water. High oil price will drive seafood volume to stagnate given minimal catching activity
- The recent surge in oil price will put high pressure on logistics costs for export for both aquaculture and seafood export.
- Surging demand put Vietnam pangasius inventory to a low range. As it takes 9-10 months for a crop to mature, we need to have a close watch on pangasius exporters' inventory in 2 and 3Q2022.

Industry outlook

Industry:	CONSUMER GOODS & SERVICES	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 c.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 20.3% YoY in 1Q2022. Tension between Russia and Ukraine might not impact directly on the industry as textile & garment export value to these countries is humble (textile & garment export value to Russia accounted for c.1% of the total in 2021). However, the long-lasting tension combined with lockdown in China have put pressure on supply chain of numerous industries including textile & garment.

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:	CONSUMER GOODS & SERVICES	Sub-sector:	RETAIL	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 c.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 7.6% YoY in 4M2022.
- Listed retailers reported good revenue growth, for example MWG (+18% YoY), PNJ (+41% YoY), FRT (+67% YoY) in 1Q2022. Still, companies also pay attention to potentially higher inflation rates in the coming months, though a severe jump is not expected in Vietnam, according to some forecasts.
- 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:	MATERIALS	Sub-sector:	CONSTRUCTION MATERIAL	Short term outlook:	NEGATIVE	Long term outlook:	NEUTRAL	Main ticker:	HPG, HSG, HT1, KSB
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Sector Overview

Construction material

- Global steel price experienced a 14.4% decrease in May, while long lockdowns in China affected the outlook for world steel demand. Although there are some signs that lockdowns in China have been eased since June 1st, China's economy would need time to recover and bring the demand for steel to the level before lockdown.
- Domestic steel price was keep at about 18,000 VND/kg during May, as a result of decreased global steel price. The decreased steel price in theme of high coal price put a pressure on steel makers gross margin, we can expect to see lower operation results from steel makers in Q2, compared to Q1.
- The slowdown in real estate development activities, mostly caused by restricted policy from the government to limit the credit for real estate also creates a blurring outlook for construction demand, therefore, putting a negative effect on construction material demand outlook.

Outlook / What to Watch

- The 14% higher budget public investment plan of the government are still the main catalysts for construction material demand in 2022.
- In our observation, the input cost for most construction materials has increased during May, mostly caused by increased coal price, while selling price can be limited due to low demand in current state, can put a pressure on construction material companies' gross margins.
- We maintain our expectation for increasing iron ore prices with tight production guidance from large miners. Also the coking coal price can be maintained at current high level due to tight global supply. The operating result from construction material companies in Q2 and Q3 can be lower than theirs in Q1.

Industry outlook

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

- Domestic fuel price increased slightly at 3% in May. Since the beginning of 2022, fuel price has increased 20% and stand at the highest point in 5 years. High fuel prices have put a pressure on logistic service pricing while creating a cost push effect. Domestic fuel price is expected to increased to a higher level in June when oil price are trading at over 120 USD/barrel.
- Transportation fee till the end of 2022 is expected to be not lower to this current level, which is about 18,000-21,000 USD/cont for VN-US freight line. Logistic companies also posed a positive outlook for 2022, such as GMD sets the target net profit at 1,000 bil.VND (+24% yoy), other logistic corporation also set a positive target for 2022 with 10-20% yoy growth on net profit.
- 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. Moreover, the strict lockdown method that China is applying against COVID has made it harder to process goods through Vietnam – China border.

Outlook / What to Watch

- The recovery of global economy has created a bright view for Vietnam export activities, thus, open a higher demand outlook for logistic.
- 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:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	HVN, VJC, SCS
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Sector Overview

- Airlines in Vietnam has operated 30,000 flights in April 2020, a decrease by 2.4% YoY. From that, international flights reached ~12,000 flights, +25% YoY, suggesting a decline from domestic segment.
- International passengers through Vietnam airports reached 232,000 people, 5 times higher than April 2021. Meanwhile, domestic passengers reached 6.4mn people, -16.9% YoY.
- Air cargo through Vietnam airports reached 140,700 tonnes in April 2022, +18.4% YoY. From that, international cargo reached 117,700 tonnes, +45.3% YoY and domestic cargo reached 23,000 tonnes, -39.1% YoY.

Outlook / What to Watch

- The decline in domestic passengers could be explained by more outbound trip for Vietnamese people as international flights resumed. International passengers coming to Vietnam will gradually fill the gap and help to boost both Vietnam aviation and tourism sectors. The coming summer and holidays season will help to boost domestic tourists.
- International cargo increase is boosted by increasing Vietnam manufacturing and import-export activities. The higher sea freight also boost air cargo. However, jet fuel price is also expected to be in a high range in 2020 above 125 USD/liter.
- The decline in domestic cargo could be explained by a shift to road transport given lock down lifted in Vietnam.

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

- After fluctuating in the range of USD98-115/ barrel in April and most of May, Brent oil price have surged to above USD120/ barrel by the end of May as pandemic lockdowns in China ease and Europe continues to discuss plans to ban Russian oil imports.
- 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 of large oil field 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 US, UK and EU have put a lot of pressure to the current supply concerns. However, OPEC+ will add 432,000 barrel/day in May. Sanction on Iran and Venezuela oil may be lifted. 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 Russian 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.
- Import is 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

- Impacts from COVID-19 outbreak were not completely positive in all pharmaceutical companies although some witnessed higher demand for supplement, sanitizer products and drugs that help to lessen symptoms caused by the virus. Meanwhile, 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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