

# VIETNAM MARKET OUTLOOK

July 2022

**Highest Q2 economic growth since 2011 sets the stage for strong second half of 2022**

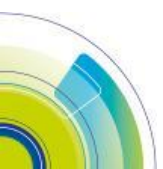
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**Vietnam's GDP accelerated by 7.72%** y/y in the 2nd quarter of 2022, the highest 2nd quarter growth for a decade. Industrial production continued its expansion with **IIP increasing 11.5%** y/y and **Markit PMI decreased slightly to 54**. **Disbursed capital kept increasing by 12.3%** y/y to US\$2.3bn and FDI pledges increased 81.8% y/y at US\$2.3bn. Total **import-export turnover was estimated at US\$65bn**, up 18.5% y/y and returned to **post a trade surplus** of US\$0.28bn. **Retail sales** continued to elevate with growth of **27.3%** y/y. Inflation rate remained under control, with the **CPI up 0.69%** over last month and **increased 3.37%** over the same period last year. The USD/VND rate increases slightly in June with the rate at central bank closed month at 23,110, an increase of 0.23% m/m while the rate at Vietcombank up 0.36% and free market up 0.08% as the growing pressure from the strengthening US Dollar after the Fed hiked interest rates in recent meetings.

The VNIndex fell again in June after showing signs of recovery in last weeks of May, ending the month down 7.4% and the first half of the year down by 20%. Overall liquidity on the markets was down slightly in June with the average daily trading value decreasing 3.7% over last month in general. Foreign investors were net buyers for the 3rd consecutive month with a value of US\$99.6m and flipped the YTD foreign flow figures positive to a net buy of US\$91.8m. Inflation in US and many other countries, interest rate hikes by central banks combined with growing fear of global economic recession affected investors sentiment across the world with many stock markets fell in June. In the effort to enhance listed markets, Vietnam Securities Depository (VSD) has released draft a regulation on clearing and settlement of securities; accordingly, the payment cycle will be shorten to T+1.5 instead of T+2 in current, which could incrementally improve the liquidity.

Many global markets, including Vietnam, have been retreating on continued concerns on inflation and recessions following the monetary tightening of central banks. Domestically, Vietnam's macro fundamentals remain strong and corporate continue to post strong earnings, but market sentiment remains weak as issues around the world weigh on investor confidence. With the recent corrections in the markets, strong Q1 earnings (+32% y/y) and Q2 earnings are expected to be optimistic, the VNIndex is trading at an attractive valuation for long-term investors. New domestic retail and foreign investors interest remains strong in the market as new account opened in 6M2022 increased 197% compared with the same period of last year and foreign investors have been net buyers for three consecutive months and have flipped the YTD figures to a net buy. 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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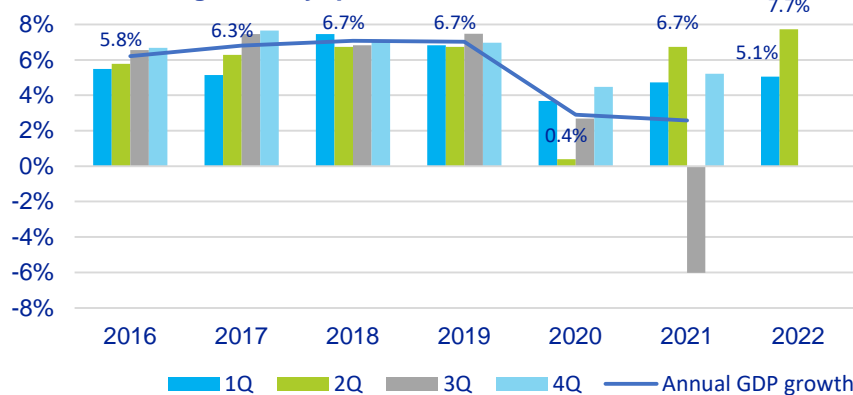


- ❖ **Vietnam's GDP accelerated by 7.72% y/y** in the 2nd quarter of 2022, the highest 2nd quarter growth for a decade. Industrial production continued its expansion with **IIP increasing 11.5% y/y** and **Markit PMI decreased slightly to 54**. **Disbursed FDI capital kept increasing by 12.3% y/y** to US\$2.3bn and FDI pledges increased 81.8% y/y at US\$2.3bn. Total **import-export turnover was estimated at US\$65bn**, up 18.5% y/y and returned to **post a trade surplus** of US\$0.28bn. **Retail sales** continued to elevate with growth of **27.3% y/y**. The inflation rate remained under control, with the **CPI up 0.69%** over last month and **increased 3.37%** over the same period last year. The USD/VND rate increases slightly in June with the rate at central bank closed month at 23,110, an increase of 0.23% m/m while the rate at Vietcombank up 0.36% and free market up 0.08% as the growing pressure from the strengthening US Dollar after the Fed hiked interest rate in recent meetings.
- ❖ Gasoline prices increased in all three price adjustments in June. In total, gasoline prices increased c.7.2% in June and was up c.41.1% from beginning of this year. Meanwhile, the retail cooking gas prices continued to decrease by c.6.4% from 1 June, up 0.4% from beginning of this year.
- ❖ In the Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States released in 10 June, Vietnam no longer named in US currency manipulator list and placed on its Monitoring List of foreign exchange policies given do not meet all three criteria under the 2015 Act, together with Taiwan and other 10 countries and territories.
- ❖ According to Decree no.38/2022/ND-CP issued on 12 June, regional based minimum wage increase by average of 6% from 1 July.
- ❖ The Law on Insurance Business (amended) was passed on 16 June in the 3<sup>rd</sup> session of the 15<sup>th</sup> National Assembly. Accordingly, insurance enterprises are not allowed to invest in real estates except in case of buying shares of listed real estates companies on stock market, fund certificates of public funds.
- ❖ EU loosen the import regulations on Vietnam's rice noodles, glass noodles and phở noodles, according to announcement of the Ministry of Industry and Trade on 14 June, EU excluded Vietnam these products from the category that requires additional food safety certificates when export to the market.

- ❖ The US Fed decided to raise its benchmark interest rate by 0.75% to push the federal funds rate to a range of 1.5%-1.75% on 15 June, the highest range from just before COVID-19 outbreak in March 2020. Previously, Fed approved the increase of 0.5% in May and 0.25% in March. Along with the move higher in rates, the central bank indicated it will begin reducing asset holdings on its balance sheet.
- ❖ The Swiss National Bank (SNB), for the first time since 2007, hike its benchmark rate by 0.5% to minus 0.25% from minus 0.75% on 16 June. On the same day, BOE hike rate for the fifth consecutive monetary policy meeting by 0.25% to 1.25% on 16 June to combat with inflation.
- ❖ Pegatron Corp, an assembler of Apple, reveals their expansion in other countries such as Vietnam, India, Indonesia, and North America to reduce dependence on China given the prolonged lockdowns there causing labor shortages and other business conditions is being unfavorable.

# GDP achieved the highest 2<sup>nd</sup> quarter growth for a decade

## Vietnam GDP growth by quarter

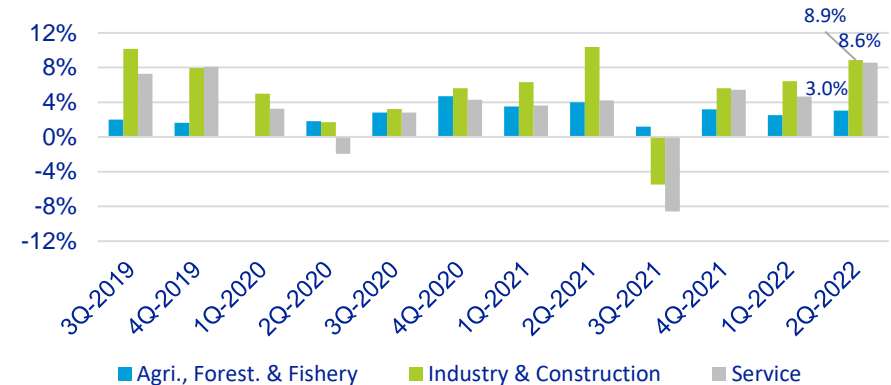


Source: GSO, ACBS

❖ Vietnam's GDP accelerated by 7.72% y/y in the 2<sup>nd</sup> quarter of 2022, the highest 2<sup>nd</sup> quarter growth for a decade. In which, the industry and construction continued to play an important role in growth of economic with gaining of 8.9%, the agriculture-forestry-fishery increases 3.0% and service increased strongly at 8.6%. For 6 months, GDP growth increased 6.42% y/y, higher than 6M growth of 2021 and 2020 but less than 6M growth of 2019 and 2018.

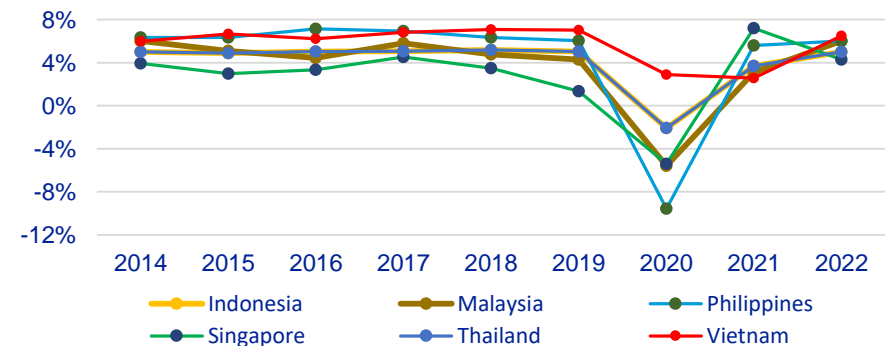
❖ Regarding GDP for 6 months by expenditure, Final Consumption increased by 6.06%, Gross Capital Formation increased by 3.92%, Exports of goods & services increased by 9.10% and Imports of goods and services increased by 4.41%.

## GDP growth breakdown



Source: GSO, ACBS

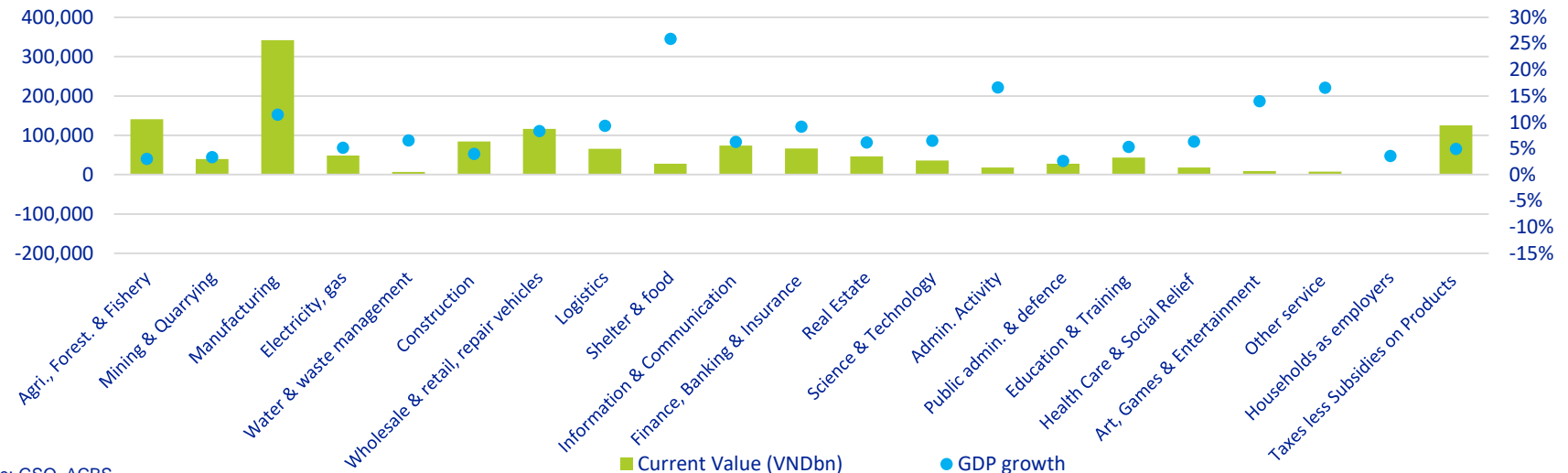
## Vietnam GDP growth and peer market



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

# GDP breakdown by industry

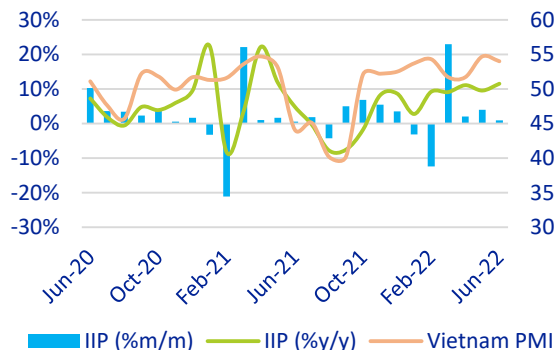
## GDP by Industry in 2Q2022



Source: GSO, ACBS

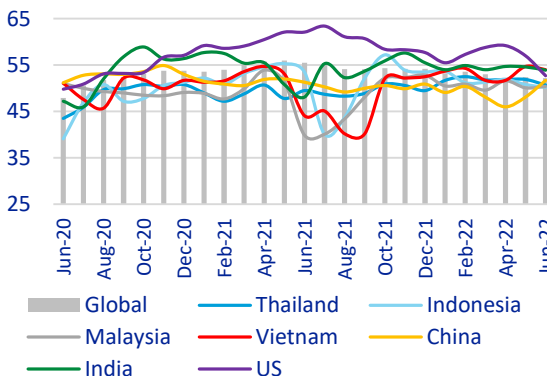
- ❖ Most sectors achieved the impressive growth in 2<sup>nd</sup> quarter. Manufacturing (+11.5%) continued to be the highest contribution of economic growth in the 2<sup>nd</sup> quarter thanks to the strong FDI inflows along with rehabilitation of industrial production, following by Wholesale, retail & repair vehicles (+8.3%), Shelter & food (+25.9%) given the strong recovery post pandemic, Logistics (+9.4%) kept growth along with the resumption of many social activities according to “living-with-COVID-19” strategy, Finance and banking (+9.2%) thanks to strong credit growth although many banks hit their credit lines by end of May, Information & Communication (+6.3%) which maintain growth in recent years along with the digitization trend, Agriculture-Forestry-Fishery (+3.0%) kept stable growth, in which the fishery has the big breakthrough amid Russia-Ukraine war causing the shortage of fish supply for EU.

## Vietnam IIP and PMI



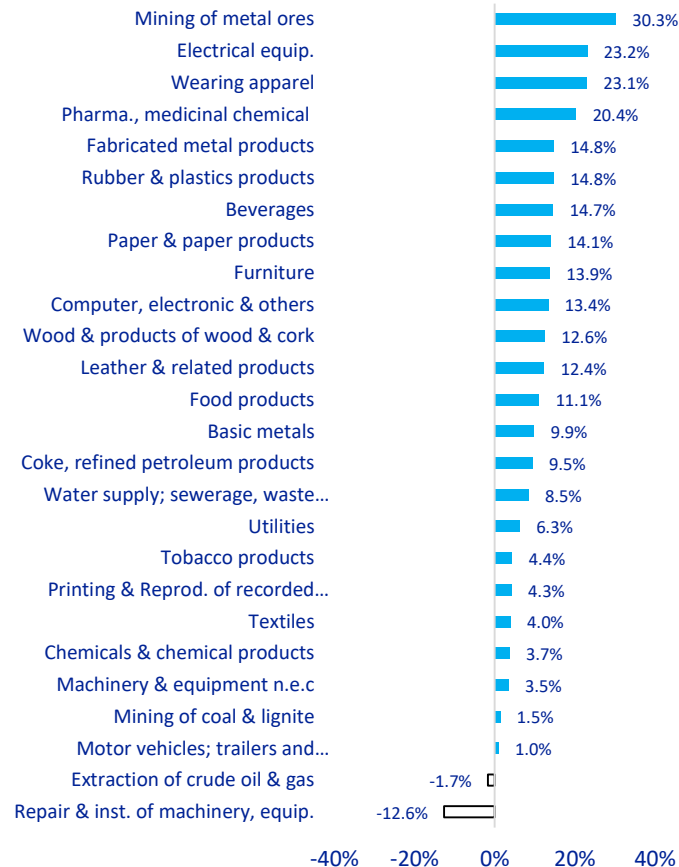
Source: GSO, IHS Markit, ACBS

## Vietnam PMI and other markets



Source: Bloomberg, IHS Markit, ACBS

## IIP June 2022 by industry



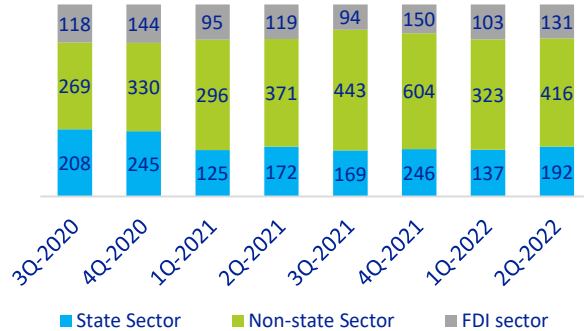
Source: GSO, ACBS

- ❖ The IIP in June increased by 11.5% y/y as most industries recovered, except repair & installation of machinery & equipment (-12.6%), extraction of crude petroleum & natural gas (-1.7%). For 6 months, IIP increased by 8.7% y/y and registered the expansion in 61 provinces and contraction in 2 provinces. The highest growth provinces was Bac Giang (+45.9% y/y) and the lowest was Tra Vinh (-25.7%). Some notable products in the first 6M were Phone accessories (+22.2%), Beer (+14.2%), Urea fertilizer (13.6%), Processed fishery products (+12.2%), Clothes (12.1%). In converse, some products decreased such as television (-18.3%), Textile fabric from artificial yarn (-9.7%). The number of employees working in industrial enterprises as of May 1st increased by 1.3% m/m and up 5.8% y/y.
- ❖ The Markit PMI continued in expansionary territory at 54, a slight decrease over 54.7 in last month as inflation remain elevated in many export markets of Vietnam, the output and employment rose strongly amid the pandemic recovery. Likewise, the PMI of global and many area such as Eurozone, European Union, ASEAN, US, Japan dropped in June, while China's PMI recovered for the second consecutive month to 51.7 from 48.1 in last month as this countries have plan to booster economic growth.



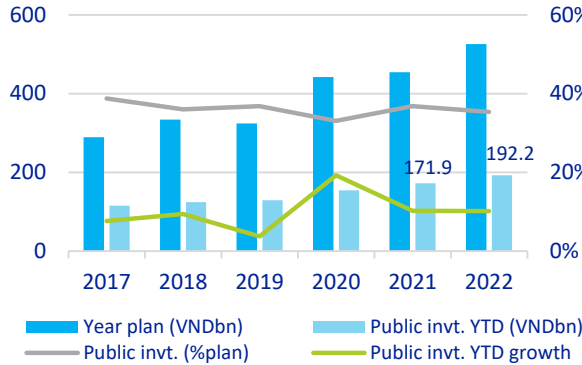
## Total investment disbursement

Unit: VNDtn



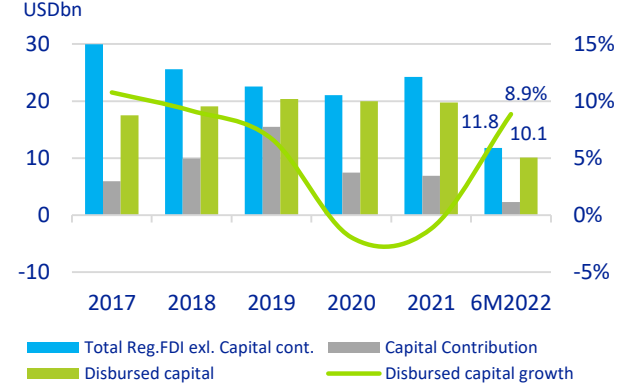
Source: GSO, ACBS

## Public investment in 6M



Source: GSO, ACBS

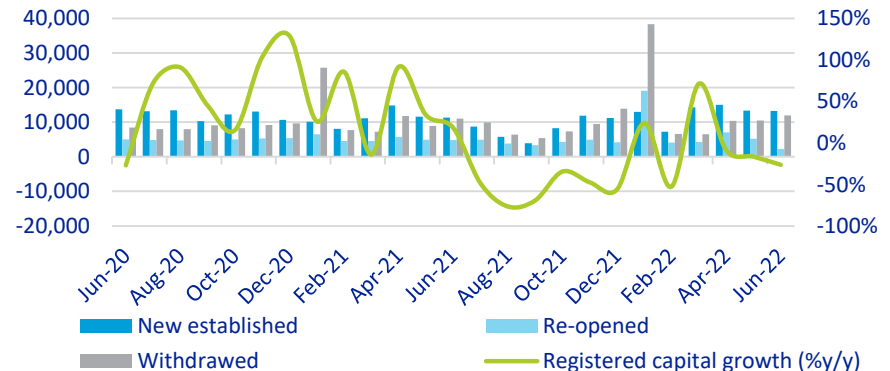
## FDI attraction by years



Source: MPI, ACBS

- ❖ The total social investment increased by 10.1% y/y in the 2<sup>nd</sup> quarter, recording VND739 trillion, in which, the non-state sector continued decrease its contribution to 56.3% in total capital compared with 57.5% in the 1<sup>st</sup> quarter, FDI sector also decreased their contribution to 17.7% and state sector increased to 26%.
- ❖ In June, Vietnam spent VND44.4 trillion on public investment, an increase by 13.7% y/y, completing 35.3% of the annual plan in 6 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 13,272 (+17.3% y/y), reopened enterprises recorded at 2,253 (-53.7%). Besides, the number of enterprises withdrawing from the market was still high with 11,964 (+8.5%).

## 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, 64.2%
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	Behind schedule
Phan Thiet - Dau Giay	14,360	Behind schedule
My Thuan 2 bridge	5,000	72%, ahead of schedule

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

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.

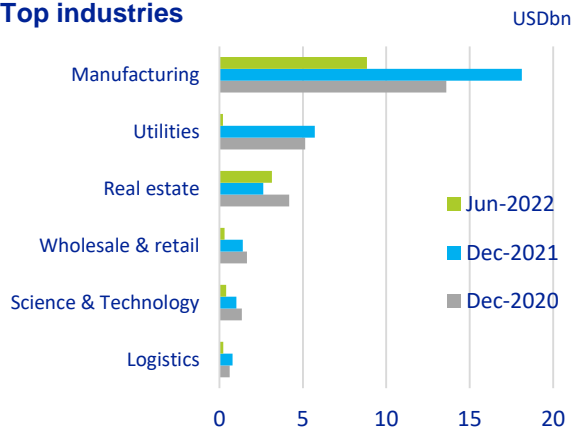
Resolution No. 43/2022/QH15 ("Resolution 43") dated 11 Jan 2022 specifying some fiscal and monetary policies to support the socio-economic recovery and development. In which, increase public investment capital.

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/QD-TTg on May 2, 2022 to accelerate the disbursement process by working with related ministries and localities to address current issues.

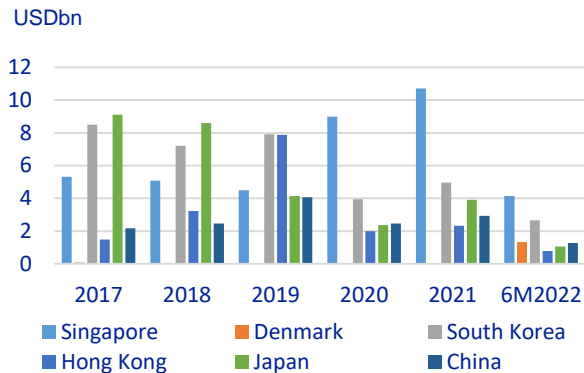
On 16 June, the National Assembly approved the investment policy of the Ring Road 3 Project in Ho Chi Minh city, Ring Road 4 Project in Ha Noi, 3 expressway projects of Khanh Hoa-Buon Ma Thuot, Bien Hoa-Vung Tau, Chau Doc-Can Tho-Soc Trang.

## Top industries



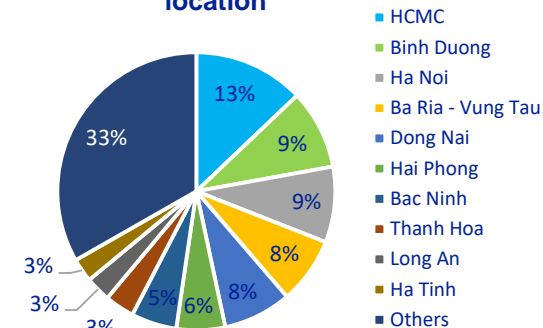
Source: MPI, ACBS

## Top counterparts



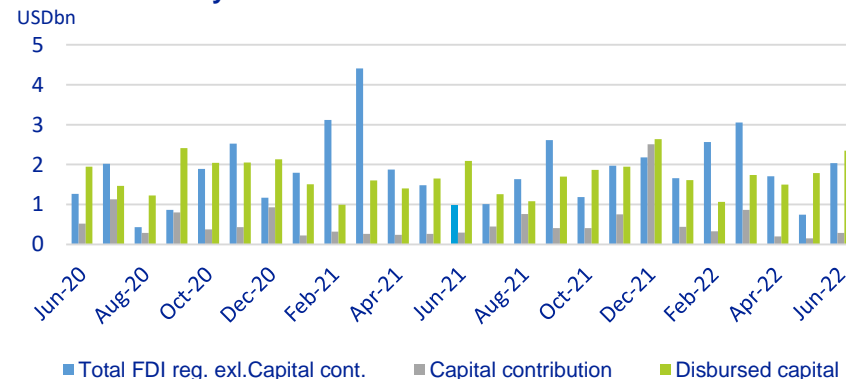
Source: MPI, ACBS

## Accumulated FDI as of June 2022 by location



- ❖ In June, disbursed capital kept increasing by 12.3% y/y to US\$2.3bn, FDI pledges increased 81.8% y/y at US\$2.3bn. For 6 months, disbursed capital increased by 8.9% y/y to US\$10bn; there are 752 newly registered projects (-6.5%y/y) with registered capital of US\$4.9bn (-48%y/y), 487 projects that registered for additional capital (+5.9%) with US\$6.8bn (+66%) and 1,707 transactions of capital contribution (-8%) valued at US\$2.3bn (+41%).
- ❖ Manufacturing & processing keeps its leading role accounting for 63% of total FDI pledges. Singapore, South Korea and Denmark continued to be three biggest counterparts in first 6 months.

## FDI attraction by months



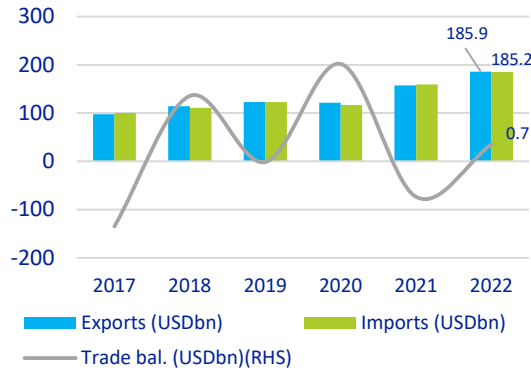
Source: MPI, ACBS

## 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.)

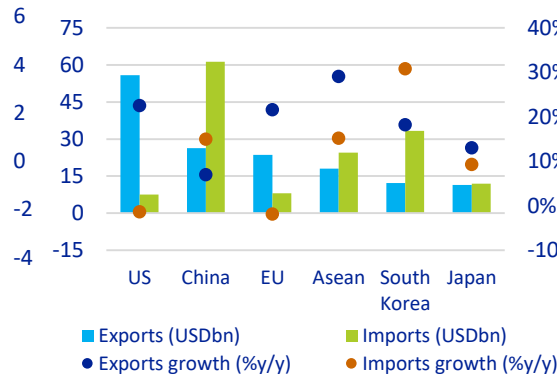
# Trade balance returned to get surplus in June

## Foreign trade in 6M by years



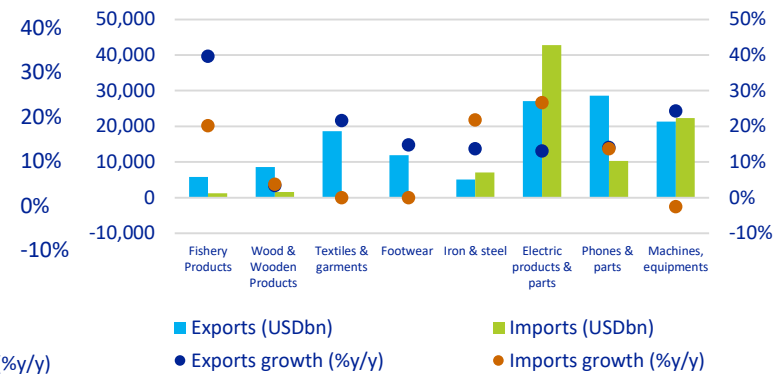
Source: GSO, ACBS

## Main EX-IM markets in 6M2022



Source: GSO, ACBS

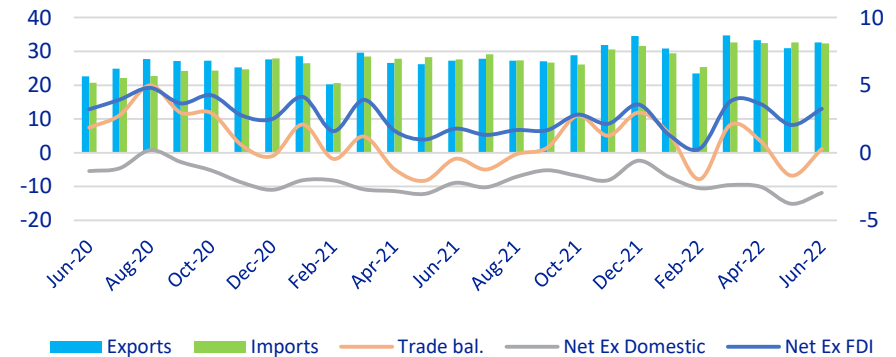
## Main EX-IM items in 6M2022



Source: GSO, ACBS

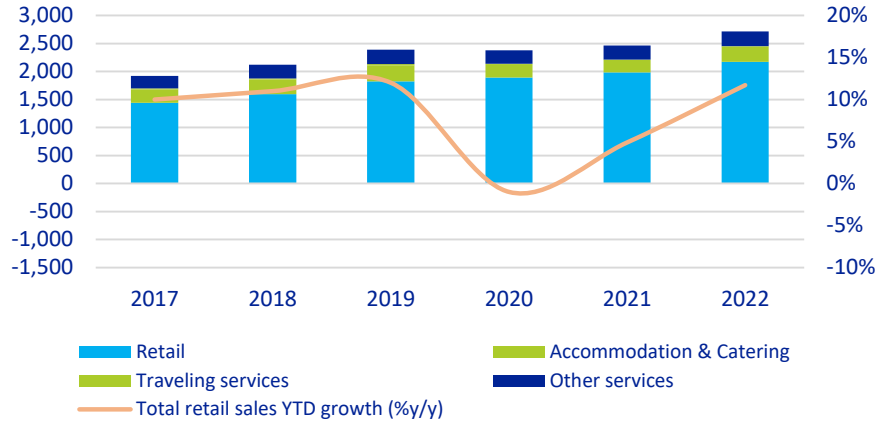
- ❖ Total import-export turnover in June was estimated at US\$65bn (+2.3% m/m, +18.5% y/y) and returned to post a trade surplus of US\$0.28bn. In which, exports amounted to US\$32.6bn (+5.6% m/m, +20% y/y), the imports was estimated at US\$32.4bn (-0.8% m/m, +16.3% y/y). For the first 6 months, Vietnam posted a trade surplus at US\$0.7bn.
- ❖ For 6 months, exports to US increased 23% y/y, exports to China just increased 7% y/y given the lockdowns in many cities due to Covid-19 outbreak, exports to ASEAN (with main items such as iron & steel, machinery, equipment and spare parts) have highest growth of 29%. Meanwhile, imports from the US decreased 1%, from EU down 2% while imports from China rose 15% despite Covid-19 restriction in major cities causing difficult to trade both importers and exporters.

## Foreign trade by months (USDbn)



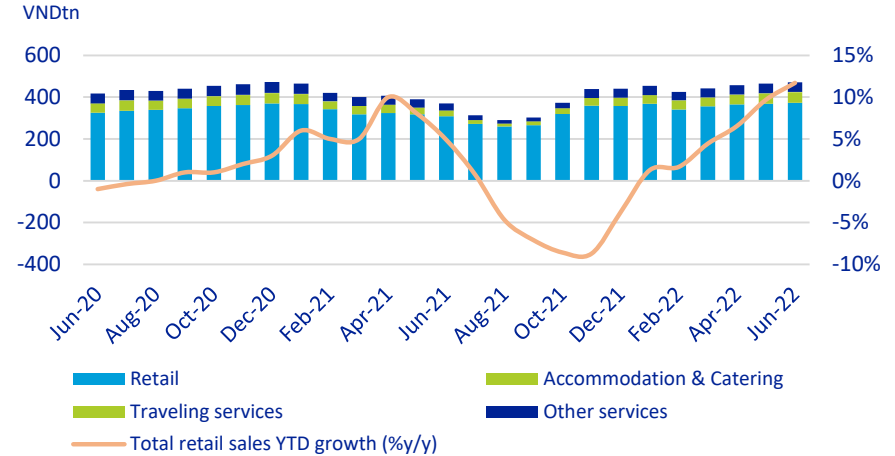
Source: GSO, ACBS

## Retail sales of goods and services in 6M



Source: GSO, ACBS

## Retail sales of goods and services monthly

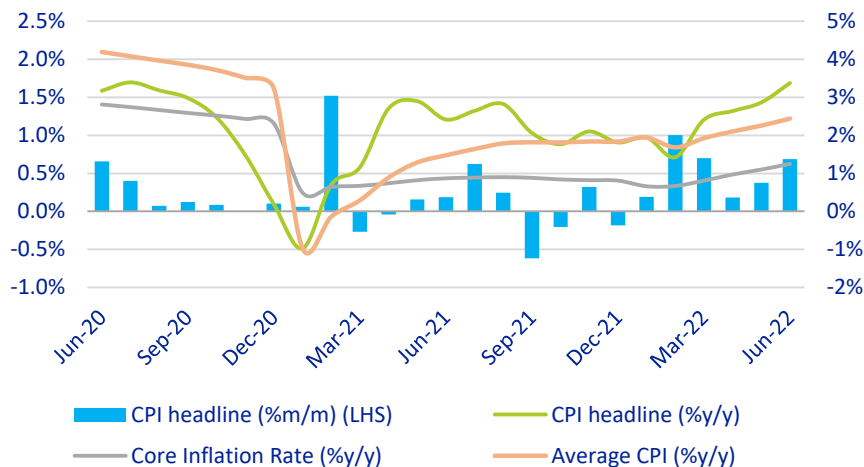


Source: GSO, ACBS

- ❖ Total retail sales of consumer goods and services in June were VND 471 trillion (+1.4% m/m, +27.3% y/y). In which, revenue of goods increased 21% y/y, accommodation and catering up 80%, traveling services surged 16 times and other services up 35%.
- ❖ For 6 months, the total retail sales were estimated at VND2,717tn, up 11.7% y/y. Revenue of gasoline up 22%, cultural and educational items up 16.3% y/y, food and food stuffs up 13.7%, transportation up +5.3%, garments (+4%), household tools & equipment up 1%.
- ❖ For 2022, we expect the retail sales to continue their recovery thanks 1) high vaccination rates in the country along with increasing access to therapeutics, make lockdowns as seen in 2021 unlikely, 2) local and international travel are expected to pick up in 2022, as the borders reopened to international travelers on March 15<sup>th</sup> which will not only push travelling services but also other services and retail sales of goods and; 3) The retail gas prices increase also pushed retail sales as this item account a significant proportion of total retail sales.

# CPI rising but still under control

## CPI monthly



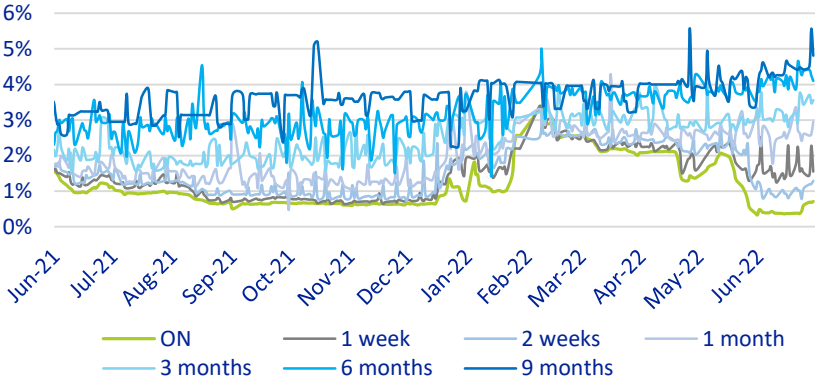
Source: GSO, ACBS

CPI Basket	Weight (%)	6/2022 (% m/m)	6/2022 (% y/y)	Avg 6M2022 (% y/y)
<b>CPI headline</b>	<b>100.0</b>	<b>0.69%</b>	<b>3.37%</b>	<b>2.44%</b>
Food and Foodstuffs	33.6	0.80%	2.27%	0.89%
Food	3.7	0.16%	2.87%	2.32%
Foodstuff	21.3	0.98%	1.29%	-0.40%
Eating outside	8.6	0.65%	4.48%	3.50%
Beverage, cigarette	2.7	0.35%	3.22%	2.76%
Garment, footwear	5.7	0.17%	1.49%	1.09%
Housing and constrn. Materials	18.8	-0.01%	1.53%	2.01%
Household appliances & goods	6.7	0.31%	1.99%	1.55%
Medicine, health care	5.4	0.03%	0.37%	0.31%
Transportation	9.7	3.62%	21.41%	17.43%
Postal services, Telecom.	3.1	-0.16%	-0.50%	-0.55%
Education	6.2	0.07%	-2.13%	-2.82%
Culture, entertm't. & tourism	4.6	0.52%	3.40%	1.43%
Other goods, services	3.5	0.24%	2.21%	1.75%

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

- ❖ The consumer price index (CPI) in June increased 0.69% over last month and increased 3.37% over the same period last year. This increase was a little higher than the same period of previous years. Most goods and services price hikes have been impacted by the surge in gasoline prices and materials in recent months after a long time of price stabilization. The core CPI narrowed its increase by 0.44% m/m and 1.98% y/y.
- ❖ Compared to other countries, headline CPI in Vietnam is still low at 2.44% in 6 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 7.2% in June, still lower than other countries (as shown in slide 21) and lower than government's target.

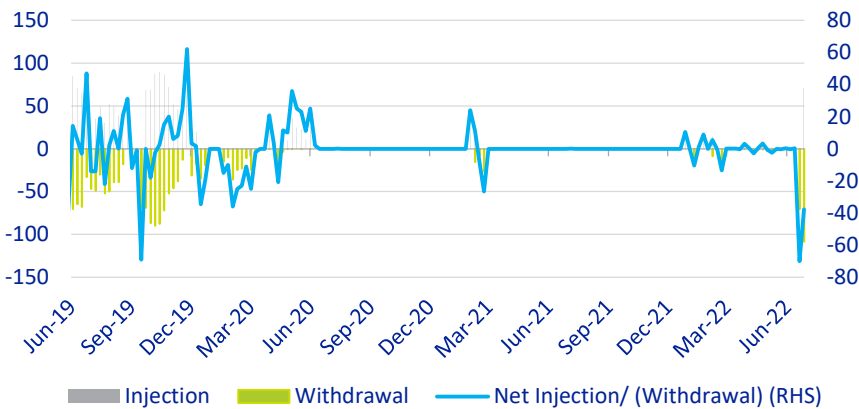
Interbank Rate



Source: FiinPro, ACBS

❖ The short-term interbank rates decline from mid-May throughout June mainly due to an abundance of liquidity in banking system caused by most banks have reached their credit growth quota & are waiting for SBV to approve new credit growth quota. However, long-term interbank rate continued to increase slightly throughout June as banks continue to expect lower liquidity in longer terms (more than 3 months) cause by surging credit need as production and services businesses will continue to need capital to resume their operations.

Net Injection/ (Withdrawal) from OMO (VNDtn)



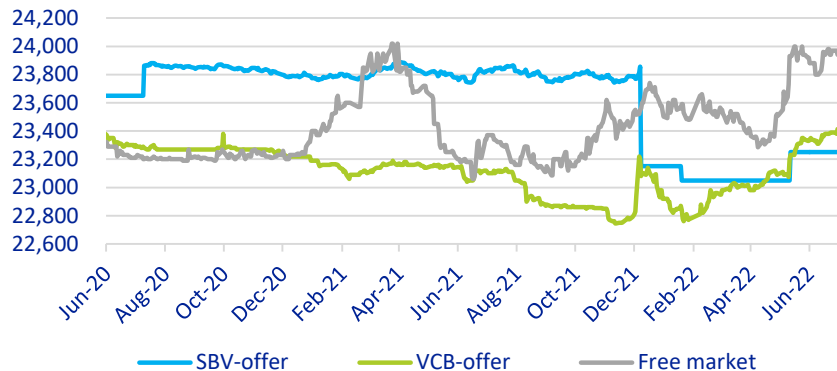
Interbank Rate

	ON	1 Weeks	2 Weeks	1 Month	3 Month	6 Month	9 Month
Avg of June 2022	0.46%	1.01%	1.67%	2.57%	3.26%	4.15%	4.49%
+/- MoM (bps)	-96	-86	-51	-11	28	31	45



# USD/VND rose given strong US Dollar

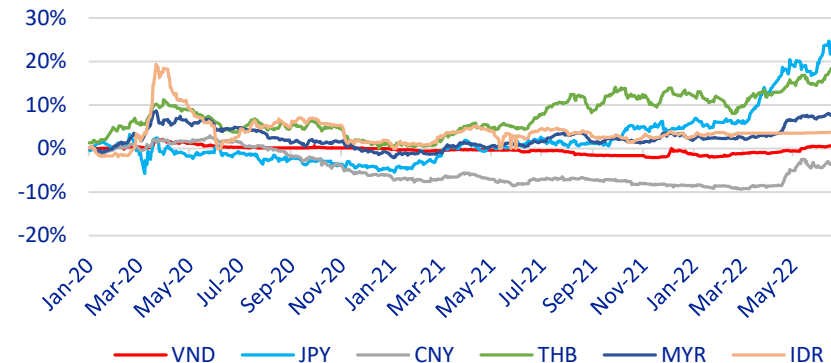
## USD/VND exchange rate



Source: Fiin Pro, ACBS

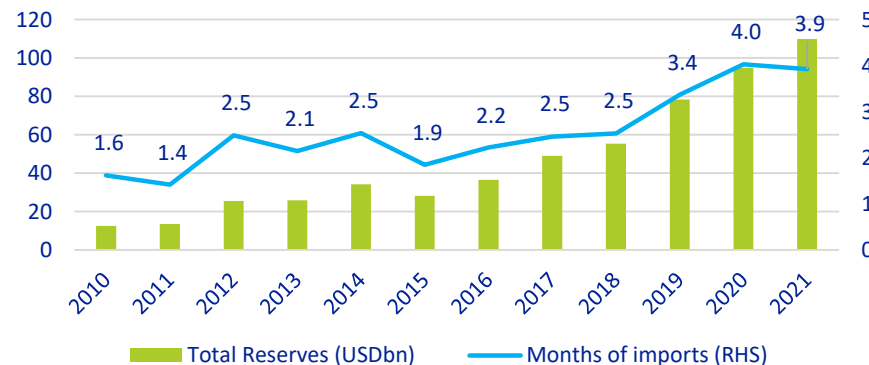
- ❖ The USD/VND rate increases slightly in June with the rate at central bank closed month at 23,110 (+0.23% m/m), the rate at Vietcombank (+0.36%) and free market (+0.08%) as the growing pressure from the strengthening US Dollar after the Fed hiked interest rate in recent meetings. The US Dollar index up 2.9% in June supported by rising US Treasury yields and widespread concerns over high inflation. Recently, 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 June (-2.2% m/m) under pressure of a strong US Dollar. The domestic gold prices were down to VND68.9m/tael (-0.43% m/m), which represents an high premium of c.35% 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



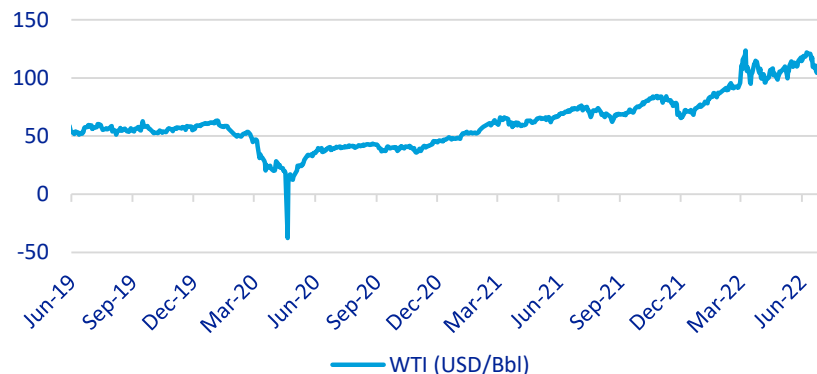
Source: Bloomberg, ACBS. Note: change relative to Dec 31, 2019

## Vietnam foreign reserves in months of imports



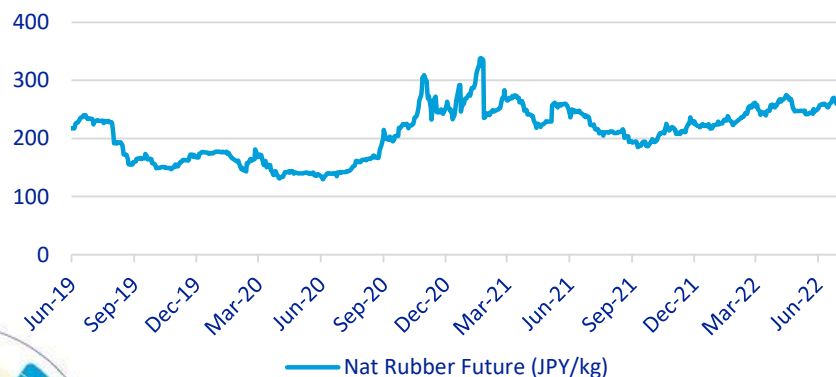
Source: WB, ACBS

## Crude Oil WTI



Source: Bloomberg, ACBS

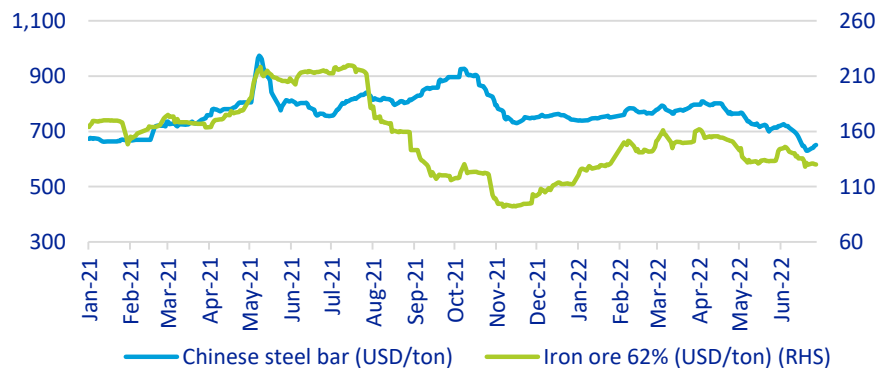
## Natural rubber



Source: Bloomberg, ACBS

- ❖ WTI oil prices cooled down in June and closed the month down 7.8% given rising concern on recession in US after Fed's hiking rate. However, the persistent supply-side issues on Russia embargo, low oil production from OPEC in June due to outages in Libya and Nigeria maintain the oil price over US\$100/barrel. Meanwhile, China's prolonged COVID-19 lockdown raise worries on demand from this huge consumer, but China's authorities have plan to boost their economic growth 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 return its high level around US\$120/barrel until the supply side becomes more stable.
- ❖ The natural rubber futures on the Tokyo Commodity exchange closed June at JPY261, an increase of 3.8% 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 8.8% in June amid the weak demand from China as lockdowns continue in major cities. Indian suppliers also decreased prices after India raising export tariffs of steel and iron ore combined with remove import tariffs of coke and coking coal. Although Chinese government is continuing their investments on infrastructure and constrained supplies from Russia and Ukraine, we suppose that steel price can not return uptrend in near future given Covid-19 pandemic continued to break out in China and have the signal of increasing again in some countries.
- ❖ Iron ore prices were down 2.6% in June 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. Despite the expectations of increased demand in China if they add to the fiscal stimulus package, particularly on infrastructure, to boost their economy, we're concerned that the complicated development of pandemic contain the demand in China and fear of recession in many countries prevent the recovery of iron ore prices.
- ❖ Coking coal prices in China closed month with a slight decrease of 0.93% amid the strict lockdowns and demand expectations were depressed given the crude steel output cuts. Meanwhile, the overseas branches of Russia coal supplier discounted prices sharply pull price back in last month. 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	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Industrial Production (% y/y)	-0.3%	-7.8%	-7.6%	-1.8%	8.2%	8.7%	2.8%	9.2%	9.1%	11.1%	9.5%	11.5%
Mining & quarrying	-10.9%	-2.8%	-13.0%	-8.2%	6.2%	-7.1%	-1.7%	2.2%	7.5%	7.9%	3.9%	3.3%
Manufacturing	0.7%	-9.3%	-6.5%	-0.8%	8.6%	10.9%	2.9%	9.7%	9.7%	11.7%	11.0%	13.1%
Prod & dist of electricity	1.7%	-1.9%	-11.7%	-4.8%	6.8%	9.1%	5.2%	11.9%	6.5%	8.6%	2.3%	6.3%
Water supply & waste treatment	1.0%	-0.1%	-1.9%	-0.5%	0.4%	0.8%	4.1%	4.3%	-4.6%	2.7%	9.4%	8.5%
PMI	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7	54.0
Retail Sales (% y/y)	-19.8%	-33.7%	-28.4%	-19.5%	-12.2%	1.1%	1.3%	3.1%	9.4%	12.1%	22.6%	27.3%
CPI (% m/m)	0.6%	0.2%	-0.6%	-0.2%	0.3%	-0.2%	0.2%	1.0%	0.7%	0.2%	0.4%	0.7%
CPI (% y/y)	2.6%	2.8%	2.1%	1.8%	2.1%	1.8%	1.9%	1.4%	2.4%	2.6%	2.9%	3.4%
Export Value (USDm)	27,865	27,228	27,026	28,870	31,870	34,592	30,845	23,417	34,712	33,317	30,918	32,646
Import Value (USDm)	29,112	27,338	26,666	26,130	30,610	31,623	29,449	25,381	32,663	32,468	32,616	32,370
Trade Balance (USDm)	-1,247	-110	360	2,740	1,260	2,970	1,396	-1,964	2,049	849	-1,698	276
Disbursed FDI (USDm)	1,260	1,080	1,700	1,870	1,950	2,640	1,612	1,068	1,740	1,500	1,790	2,348
Registered FDI excl. Cap. Cont. (USDm)	1,007	1,638	2,614	1,184	1,971	2,181	1,658	2,568	3,050	1,710	742	2,032

# 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%	6.4%
Industrial Production	5.9%	7.6%	9.8%	7.5%	9.4%	10.2%	9.1%	3.4%	4.8%	8.7%
Retail Sales	12.6%	10.6%	9.5%	10.2%	10.9%	11.7%	11.8%	2.6%	-3.8%	11.7%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.2%	1.9%	2.4%
Export Value (USDbn)	132.03	150.22	162.02	176.58	215.12	243.70	264.34	282.53	336.25	185.94
Import Value (USDbn)	132.03	147.85	165.78	174.98	213.22	236.87	254.09	262.67	332.25	185.23
Trade Balance (USDbn)	0.00	2.37	-3.76	1.60	1.90	6.83	10.25	19.86	4.00	0.71
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	10.06
Registered FDI (USDbn)	21.63	20.23	22.76	20.95	29.97	25.57	22.55	21.06	24.26	11.76

Quarterly data	1Q-2020	2Q-2020	3Q-2020	4Q-2020	1Q-2021	2Q-2021	3Q-2021	4Q-2021	1Q-2022	2Q-2022
GDP (% y/y)	3.7%	0.4%	2.7%	4.5%	4.7%	6.7%	-6.0%	5.2%	5.1%	7.7%
Agriculture, Forestry & Fishing	0.0%	1.8%	2.8%	4.7%	3.5%	4.0%	1.2%	3.2%	2.5%	3.0%
Industry & Construction	5.0%	1.7%	3.2%	5.6%	6.3%	10.4%	-5.5%	5.6%	6.4%	8.9%
Services	3.3%	-1.9%	2.8%	4.3%	3.6%	4.2%	-8.6%	5.4%	4.6%	8.6%
Industrial Production (% y/y)	5.6%	0.2%	2.0%	6.3%	5.7%	12.4%	-5.0%	6.4%	6.8%	10.8%
Retail Sales (% y/y)	3.2%	-5.5%	4.4%	8.0%	4.6%	4.1%	-28.3%	0.0%	4.6%	19.5%
Export Value (USDbn)	63.31	59.33	79.74	80.15	78.40	78.23	82.15	95.62	89.10	96.83
Import Value (USDbn)	59.33	57.41	69.02	76.92	75.61	82.50	83.86	89.07	87.65	97.58
Trade Balance (USDbn)	3.98	1.92	10.72	3.23	2.79	-4.27	-1.70	6.55	1.46	-0.75
Disbursed FDI (USDbn)	3.85	4.80	5.11	6.22	4.10	5.14	4.04	6.46	4.42	5.64
Registered FDI (USDbn)	6.60	5.56	3.32	5.58	9.33	4.34	5.26	5.34	7.28	4.48

# Key macro indicators of other countries

Countries	GDP Growth			Inflation Rate			Manufacturing PMI		
	4Q-2021	1Q-2022	2Q-2022	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22
Indonesia	5.0%	5.0%		3.5%	3.6%	4.4%	51.9	50.8	50.2
Malaysia	3.6%	5.0%		2.3%	2.8%		51.6	50.1	50.4
Phillipines	7.7%	8.3%		4.9%	5.4%	6.1%	54.3	54.1	53.8
Singapore	6.1%	3.7%		5.4%	5.6%				
Thailand	1.9%	1.2%		4.7%	7.1%	7.7%	51.9	51.9	50.7
Vietnam	5.2%	5.1%	7.7%	2.6%	2.9%	3.4%	51.7	54.7	54.0
China	4.0%	4.8%		2.1%	2.1%		46.0	48.1	51.7
Hongkong	4.8%	-4.0%		1.3%	1.2%				
Taiwan	4.7%	3.1%		3.4%	3.4%		51.7	50.0	49.8
Japan	0.7%	0.2%		2.5%	2.5%		53.5	53.3	52.7
South Korea	4.1%	3.1%		4.8%	5.4%	6.0%	52.1	51.8	51.3
India	5.4%	4.1%		7.8%	7.0%		54.7	54.6	53.9
United States	6.9%	-1.4%		8.3%	8.6%		59.2	57.0	52.7

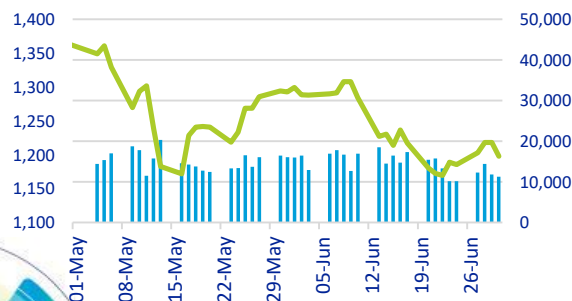
- ❖ We believe that the recovery of industrial activities will be continued in both the short-term as production shifts from China due to prolonged lockdowns (Apple's iPad has been reported to be shifting production to Vietnam for the first time due to continued supply chain difficulties in China) and 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.
- ❖ We upgrade our GDP growth projections for 2022 to range between 6.8% - 8.5% with supported by
  - (1) Global food price crisis could be an opportunity for many Vietnamese agricultural products to further gain export's market share globally, especially rice and aquatic products.
  - (2) The continuing recovery of all industrial activities after switching from zero-COVID-19 strategy to living-with COVID-19 strategy in major economic & industrial areas in conjunction with rising global demand which will push activities from the FDI sector in terms of investment and exports.
  - (3) The strong recovery of service sectors, after relaxing all COVID-19 related restrictions on service businesses
- ❖ We slightly revised our expectation of CPI for 2022 will increase in range of 3.5% - 4.1% (vs 3.5% - 4.0% at last month) 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	6.0% (July 2022)	6.05% (April 2022)
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)
United Overseas Bank	6.5% (June 2022)	

# Stock market recap in June

Statistics	June 2022		6M2022	
Bloomberg Code	VNIndex		VNIndex	
Range (pts)	1,162 - 1,317		1,157 - 1,536	
Month End Index (pts)	1,197.6		1,197.6	
Month End Mkt cap (VNDbn)	4,789,441		4,789,441	
Month End Mkt cap (USDbn)	208.4		208.4	
Daily Avg Value (VNDbn)	14,658		21,533	
Gainers	62		87	
Laggards	350		327	
Net Foreign Trade (USDbn)	0.100		0.092	
Foreign Participation	9.5%		7.8%	
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 fell again in June after showing signs of recovery in last weeks of May, ending the month down 7.4% and the first half of the year down by 20%. Overall liquidity on the markets was down slightly in June with the average daily trading value decreasing 3.7% over last month in general. Foreign investors were net buyers for the 3rd consecutive month with a value of US\$99.6m and flipped the YTD foreign flow figures positive to a net buy of US\$91.8m. Inflation in US and many other countries, interest rate hikes by central banks combined with growing fear of global economic recession affected investors sentiment across the world with many stock markets fell in June. In the effort to enhance listed markets, Vietnam Securities Depository (VSD) has released draft a regulation on clearing and settlement of securities; accordingly, the payment cycle will be shorten to T+1.5 instead of T+2 in current, which could incrementally improve the liquidity.

SeABank, SSB (+12.4%), which received a financing package worth up to US\$200m of Development Finance Corporation (DFC), was the leading contributor to the VNIndex in June. Followed by Viglacera Group, VGC (+31.2%), which posted strong profit (up 71% y/y in 4M2022) and has strong prospects in industrial properties as the FDI inflows rise. Vinh Son - Song Hinh Hydropower, VSH (+25%), increased strongly amid rising demand and rising input costs from petro and thermal powered producers. Conversely, VHM (-10.8%) was the biggest laggard to VNIndex. HPG (-15%) remains on its down trend given steel prices dropped sharply and the long lockdowns in China which could affect the export activities 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. Vinfast, subsidiary of Vingroup (VIC, -6.7%), revealed its plans at the Electric Vehicle Symposium (EVS) in Norway to open over 50 stores in the EU like Germany, France and Netherlands along with launching VF8 and VF9 EVs, following the ban voting on new fossil fuel cars from 2035.



## Top gainers & laggards for June 2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	1M return
Commercial & Prof. Services	10.2%	9.7%
Utilities	148.5%	3.5%
Media & Entertainment	54.4%	3.2%
Household & Personal Products	-41.7%	1.1%
Retailing	29.3%	-0.4%
Top 5 laggards	Avg Daily Trading Value (%m/m)	1M return
Diversified Financials	-5.5%	-23.3%
Capital Goods	-5.9%	-11.5%
Telecommunication Services	-56.4%	-10.3%
Materials	-9.1%	-9.5%
Energy	17.1%	-8.9%

## Top gainers & laggards for 6M2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	YTD return
Consumer Durables & Apparel	17.1%	12.6%
Software & Services	-6.6%	11.4%
Utilities	148.5%	10.2%
Commercial & Prof. Services	10.2%	9.9%
Retailing	29.3%	9.7%
Top 5 laggards	Avg Daily Trading Value (%m/m)	YTD return
Diversified Financials	-5.5%	-50.7%
Telecommunication Services	-56.4%	-25.7%
Energy	17.1%	-24.5%
Capital Goods	-5.9%	-22.3%
Media & Entertainment	54.4%	-20.8%

- ❖ While most sectors were down in June, the support of market come from Utilities with VSH (+25%), GEG (+8%) of Gia Lai Electricity, which benefited from rising oil and coal prices. Some sectors also have good performance are Commercial & Prof. Services, Media & Entertainment, Household & Personal Products.
- ❖ In the opposite direction, Diversified Financials, with many securities stocks, had the deepest decrease as the market stagnated and liquidity continues to drop. Materials including steel stocks such as HPG (-15%), HSG (-29%), NKG (-26%) continued its downturn effected by high cost and low output prices, fertilizer such as DPM (-14%) and DCM (-12%) were also down as oil prices rise.
- ❖ Some sector have improved liquidity although price down such as Retailing, Energy, Consumer Durables & Apparel, Food, Beverage & Tobacco. Many sectors received foreign net inflows such as Banks, Food, Beverage & Tobacco, Utilities, Capital Goods.

# 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	1,459.0	30.9%	-6.9%	-17.3%	11.40	1.93	1.85%	19.58%	-13.7%	1,176.8	5,565.0
2	Real Estate	49	1,043.9	22.6%	-8.0%	-19.8%	31.49	2.74	5.95%	13.17%	-15.9%	-486.8	-3,032.8
3	Food, Beverage & Tobacco	32	528.5	11.6%	-0.4%	-8.6%	18.71	4.44	12.36%	28.45%	8.1%	522.0	-4,706.9
4	Materials	63	380.1	7.6%	-9.5%	-20.0%	11.81	2.08	18.85%	29.81%	-9.1%	-172.1	-1,749.2
5	Utilities	28	355.7	7.7%	3.5%	10.2%	19.53	3.17	10.58%	17.20%	148.5%	194.1	88.8
6	Capital Goods	77	220.5	4.7%	-11.5%	-22.3%	23.27	1.85	5.28%	14.93%	-5.9%	681.6	2,346.4
7	Transportation	28	185.1	4.0%	-7.5%	-6.4%	180.20	3.26	2.79%	11.75%	0.6%	4.1	463.0
8	Diversified Financials	17	105.9	2.1%	-23.3%	-50.7%	6.25	1.53	8.96%	24.60%	-5.5%	-31.2	-1,878.7
9	Retailing	9	123.2	1.5%	-0.4%	9.7%	20.59	4.62	8.14%	25.33%	29.3%	-342.6	1,185.7
10	Software & Services	3	101.7	1.9%	-6.1%	11.4%	20.50	4.71	8.91%	24.82%	-6.6%	7.1	446.4
11	Energy	8	69.4	1.5%	-8.9%	-24.5%	34.25	1.73	3.26%	9.21%	17.1%	126.5	-198.5
12	Consumer Durables & Apparel	17	54.1	1.2%	-0.8%	12.6%	21.40	3.33	11.02%	18.26%	17.1%	124.4	411.5
13	Insurance	5	52.5	1.1%	-2.0%	-4.7%	18.56	1.75	2.06%	10.50%	-11.1%	180.5	232.9
14	Pharma, Biotech & Life Sciences	10	28.5	0.6%	-5.4%	-13.2%	15.32	2.62	13.70%	17.59%	18.2%	61.1	107.0
15	Technology Hardware & Equip.	1	10.5	0.2%	-8.7%	-6.4%	13.50	5.16	15.13%	46.58%	16.8%	39.4	-36.4
16	Automobiles & Components	6	9.1	0.2%	-1.2%	0.1%	20.90	1.82	6.40%	12.88%	-6.3%	30.4	90.2
17	Unclassified	13	6.5	0.1%	-25.0%	-49.1%	8.14	0.84	3.42%	11.32%	0.0%	-0.4	0.7
18	Consumer Services	8	7.5	0.2%	-1.7%	-3.7%	115.98	4.33	-7.34%	-10.09%	-34.6%	-9.6	-3.4
19	Commercial & Prof. Services	5	5.8	0.1%	9.7%	9.9%	15.27	1.83	9.70%	12.77%	10.2%	-1.1	-12.5
20	Health Care Equip. & Services	3	3.0	0.1%	-4.4%	-17.7%	15.06	2.22	7.96%	14.35%	-17.1%	53.2	331.6
21	Telecommunication Services	1	1.9	0.0%	-10.3%	-25.7%	7.79	1.88	5.92%	27.49%	-56.4%	0.0	-0.7
22	Media & Entertainment	2	1.5	0.0%	3.2%	-20.8%	15.18	1.86	7.00%	11.68%	54.4%	0.8	-71.8
23	Household & Personal Products	1	1.4	0.0%	1.1%	-9.9%	8.38	1.73	14.97%	22.69%	-41.7%	-0.3	-2.9
	VNIndex	419	4,789.4	100.0%	-7.4%	-20.1%	13.04	2.01	2.54%	15.66%	-3.7%	2,326.7	2,153.7
	VN30 Index	30	3,329.0	69.5%	-6.3%	-18.0%	10.87	2.11	3.01%	19.86%	-7.4%	93.8	-10,874.4

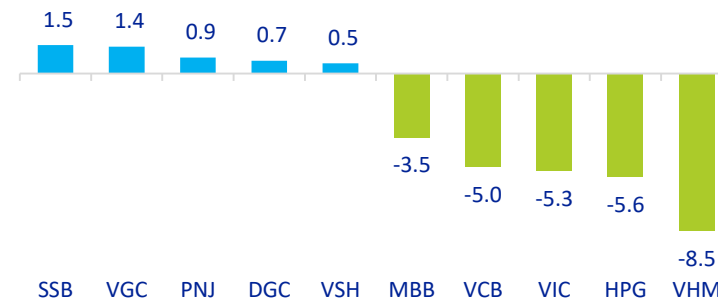
Source: Bloomberg, ACBS

## Top 20 Market Capitalization (as at June 30, 2022)

No.	Ticker	Company name	Market Cap. (VNDtn)	1M return	YTD return	P/E	P/B	Remaining foreign room (%)
1	VCB	Vietcombank	354.0	-4.1%	-5.1%	15.4	3.0	6.5%
2	VIC	VinGroup	280.3	-6.4%	-22.7%		2.7	35.9%
3	VHM	Vinhomes	270.4	-9.3%	-22.1%	7.1	2.1	26.6%
4	GAS	PetroVietnam Gas	221.1	5.0%	20.1%	21.9	4.1	46.1%
5	BID	BIDV	169.5	-6.3%	-9.7%	14.7	2.0	13.1%
6	MSN	Masan Group	159.5	1.8%	-21.4%	15.9	5.8	20.2%
7	VNM	Vinamilk	150.9	-0.4%	-15.0%	14.8	4.7	45.6%
8	NVL	Novaland	145.3	-5.3%	-18.1%	38.2	4.0	42.9%
9	HPG	Hoa Phat Group	129.7	-16.9%	-36.5%	3.6	1.3	28.3%
10	VPB	VPBank	128.9	-8.2%	-19.0%	7.5	1.5	-0.1%
11	CTG	VietinBank	125.7	-4.2%	-22.9%	10.2	1.3	3.5%
12	TCB	Techcombank	124.8	-5.8%	-28.9%	6.5	1.3	0.0%
13	MWG	Mobile World Investment	104.7	-0.9%	5.9%	20.7	4.8	0.1%
14	SAB	SABECO	99.1	0.8%	4.6%	25.2	4.6	37.3%
15	FPT	FPT Corp	94.6	-6.2%	12.2%	20.2	4.9	0.0%
16	MBB	MBBank	91.4	-13.9%	-16.3%	6.7	1.4	0.0%
17	GVR	Viet Nam Rubber Group	90.2	-11.4%	-39.0%	20.1	1.8	12.5%
18	ACB	Asia Commercial Bank	81.1	-6.1%	-13.0%	7.8	1.7	0.0%
19	VJC	Vietjet Air	70.4	-1.9%	1.3%	327.7	4.1	13.2%
20	BCM	Becamex IDC Corp.	69.3	-8.2%	4.7%	55.9	4.2	46.3%

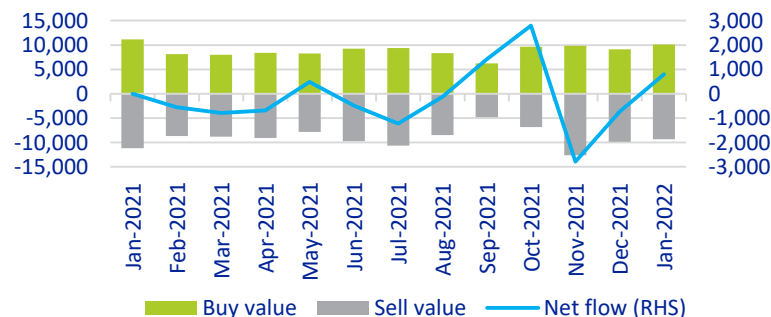
Source: Bloomberg, FiinPro, ACBS

## Top contributors on VNIndex in June 2022



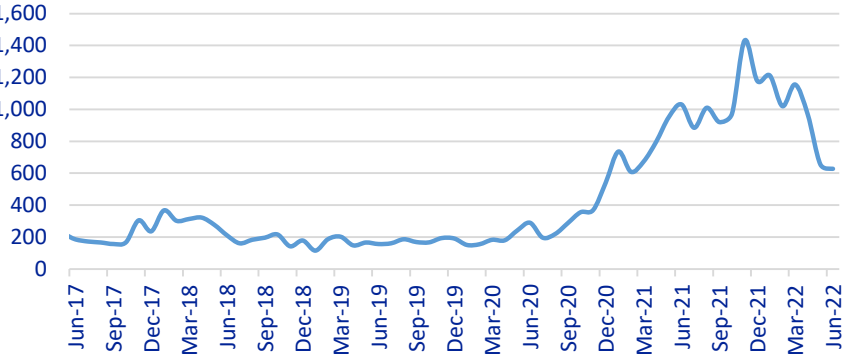
Note: Index impact (pts)

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



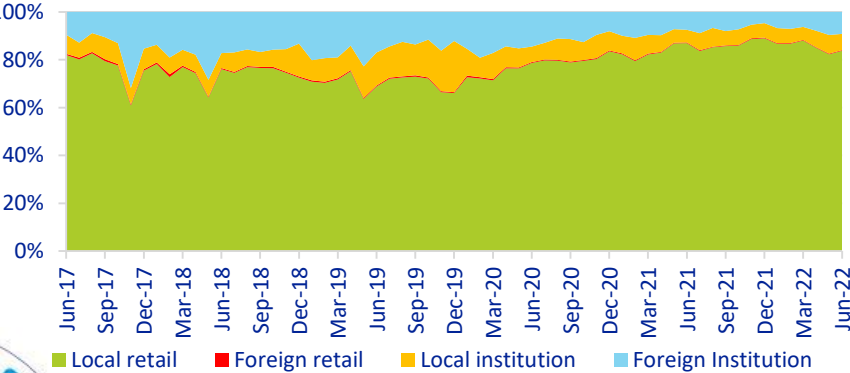
Source: FiinPro, ACBS

## Average Daily Turnover (USDm)



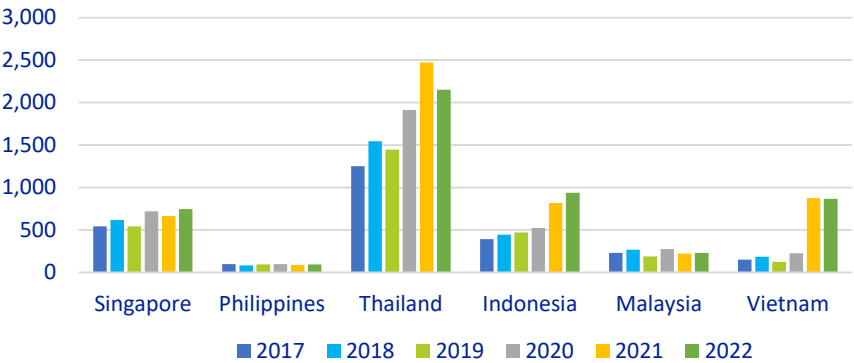
Source: Fiin Pro, ACBS

## Market Turnover by Investors



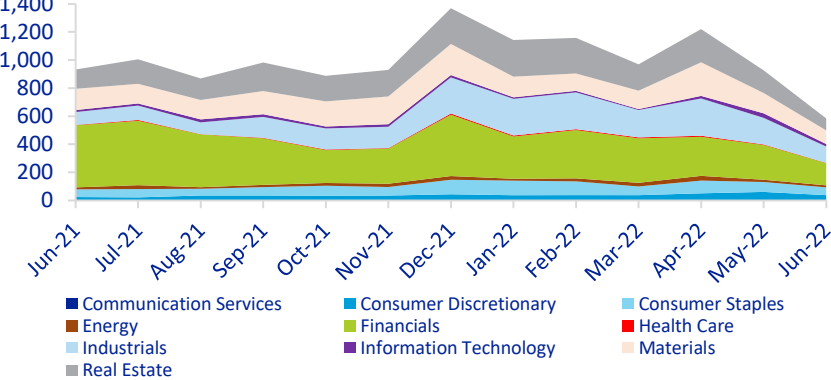
Source: Fiin Pro, ACBS

## Average Daily Turnover of Asean markets (USDm)



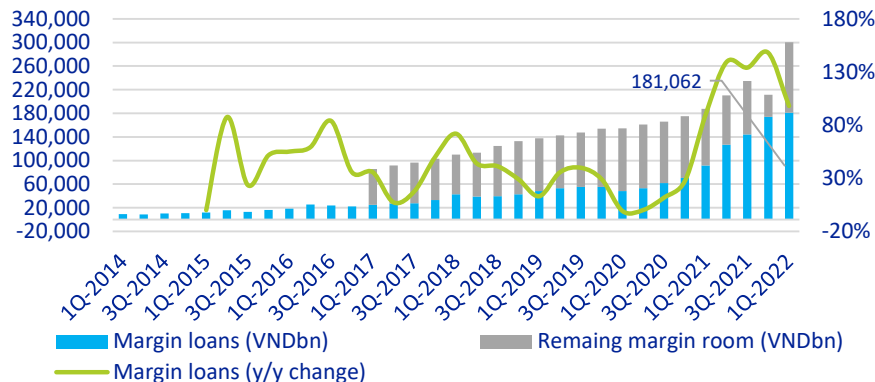
Source: Bloomberg, ACBS

## Average Daily Turnover by Sector (USDm)



Source: Fiin Pro, Bloomberg, ACBS

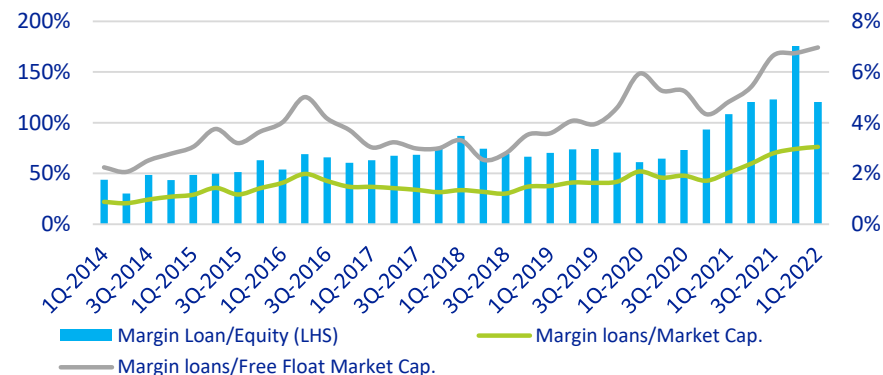
## Margin outstanding



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

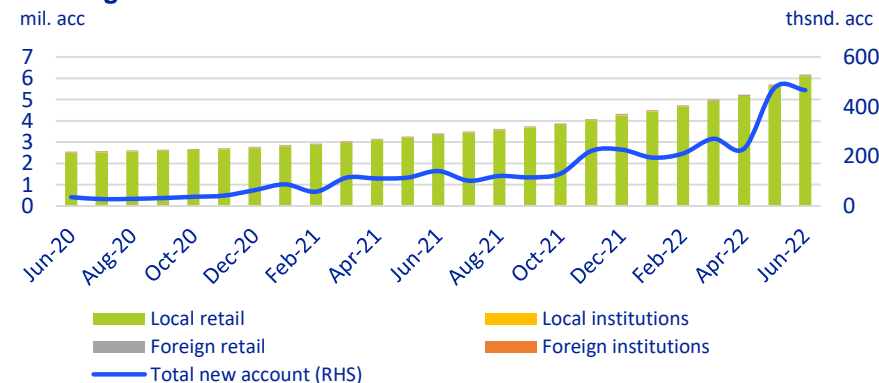
- ❖ Market-wide margin loans outstanding at the end of the first quarter of 2022 were estimated at VND 181 trillion, up 98% y/y and equivalent to 121% of equity, still well within the limit of 200%. The margin loans to free float market capitalization rose to 7.0% from 6.7% of last quarter. Recently, with the market correction, market wide margin loans have retreated from record levels, some estimates are by c. 20%, but official figures are yet to be released for the second quarter.
- ❖ New trading accounts opened in June reached 466,483 mainly driven by individual domestic investors, slightly decrease 2.1% than last month. Generally, there are 6.1 million accounts until 30 June 2022, in which, for 6 months of 2022, there are 1.85 million new accounts, take account 30% of total.

## Margin leverage



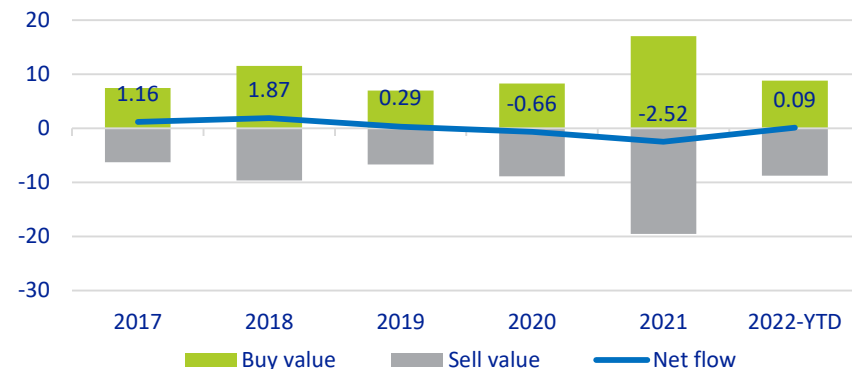
Source: Fiin Pro, Bloomberg, ACBS

## Trading account



Source: GSO, ACBS

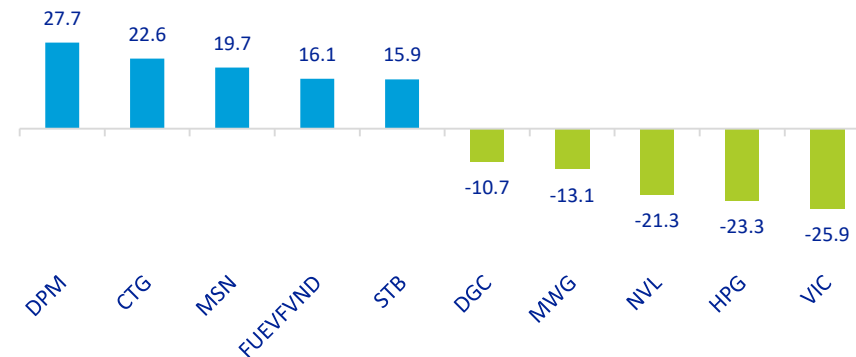
## Net foreign flow into VNIndex (USDbn)



Source: FiinPro, ACBS

- Foreign investors were net buyers for the 3<sup>rd</sup> consecutive month with value of US\$99.62m as of 30 June 2022, bringing the YTD foreign inflows reversed to positive at US\$91.8m. In which, the foreigners bought domestic ETFs with net buy amount approx. of US\$7.2m in June. The highest inflows were in DPM, CTG, MSN, FUEVFVND, STB. Conversely, HPG, VIC continued to be sold.
- While many markets (Indonesia, Malaysia, Philippines, Thailand, India, Taiwan) 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 3 consecutive months bringing the YTD figures reversed to positive as of end of June.

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

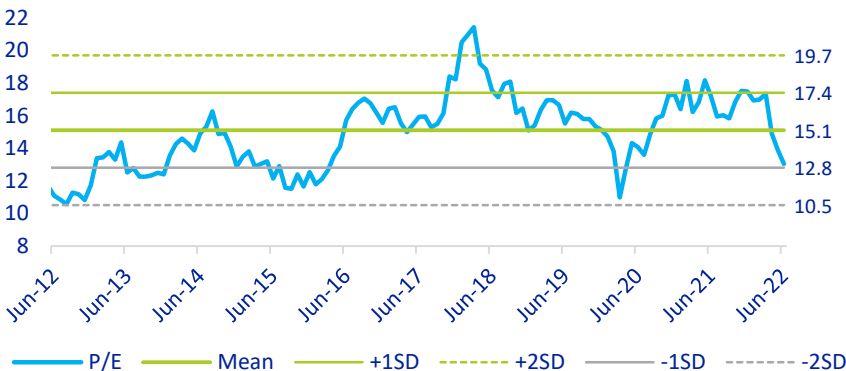


Source: FiinPro, ACBS

Markets	Net foreign flow 1M (USDbn)	Net foreign flow YTD (USDbn)	Market Cap. (USDbn)	Net foreign flow YTD as % market cap
Vietnam (*)	0.10	0.09	208.4	0.04%
Indonesia	-0.22	4.27	603.3	0.71%
Malaysia	-0.17	1.51	219.4	0.69%
Philippines	-0.20	-0.76	157.4	-0.48%
Thailand	-0.63	3.48	527.7	0.66%
Taiwan	-7.72	-34.07	1,540.9	-2.21%

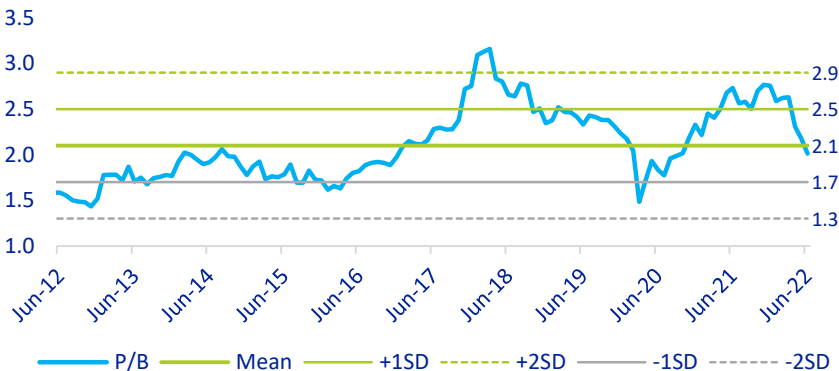
Source: Bloomberg, ACBS

P/E of VNIndex for 10 years



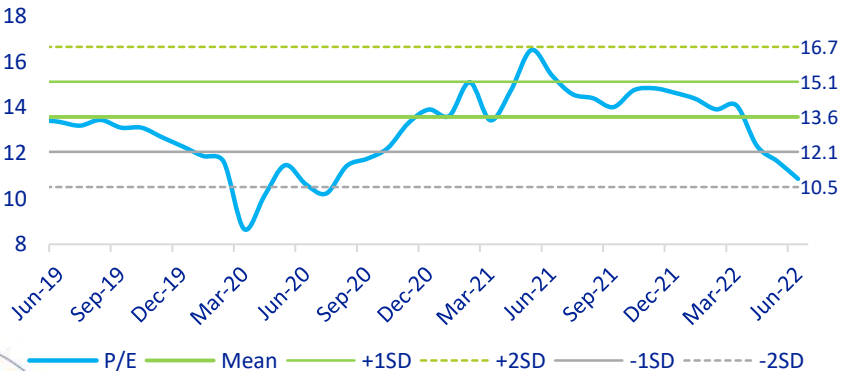
Source: Bloomberg, ACBS

P/B of VNIndex for 10 years



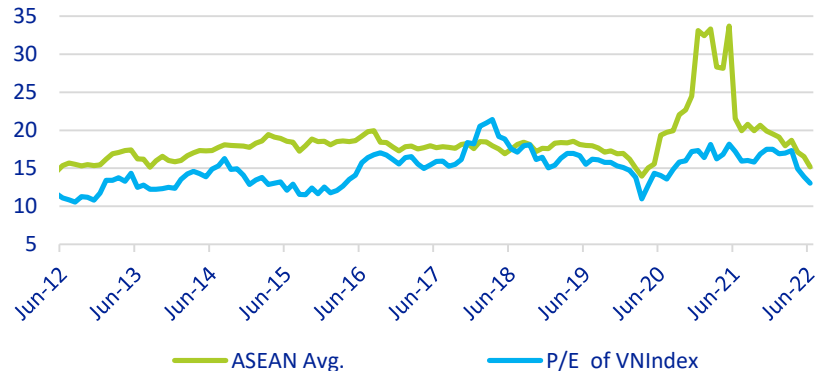
Source: Bloomberg, ACBS

P/E of VN30 for 3 years



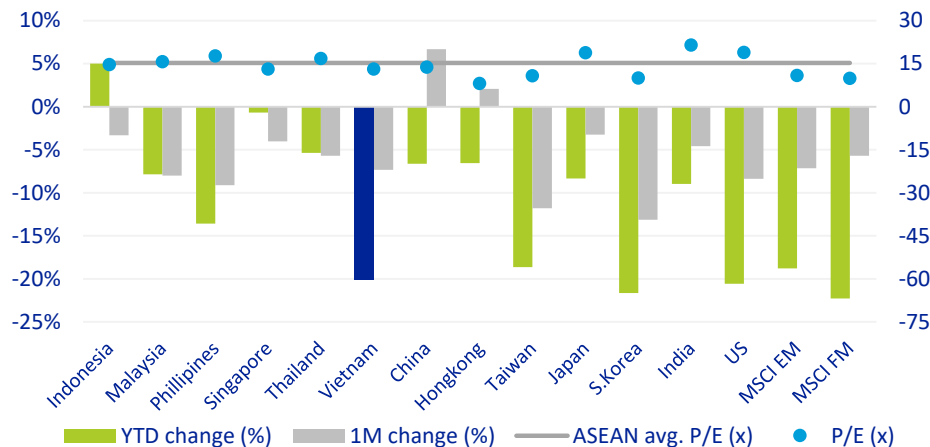
Source: Bloomberg, ACBS

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 (%)	June '22 P/E (x)	2022F P/E (x)
Vietnam (*)	18.3%	13.0	11.7
Average	13.9%	15.2	14.1
Indonesia	34.4%	14.7	15.5
Malaysia	-1.1%	15.7	14.0
Philippines	20.3%	17.6	15.0
Singapore	8.8%	13.2	12.4
Thailand	2.5%	16.8	16.1

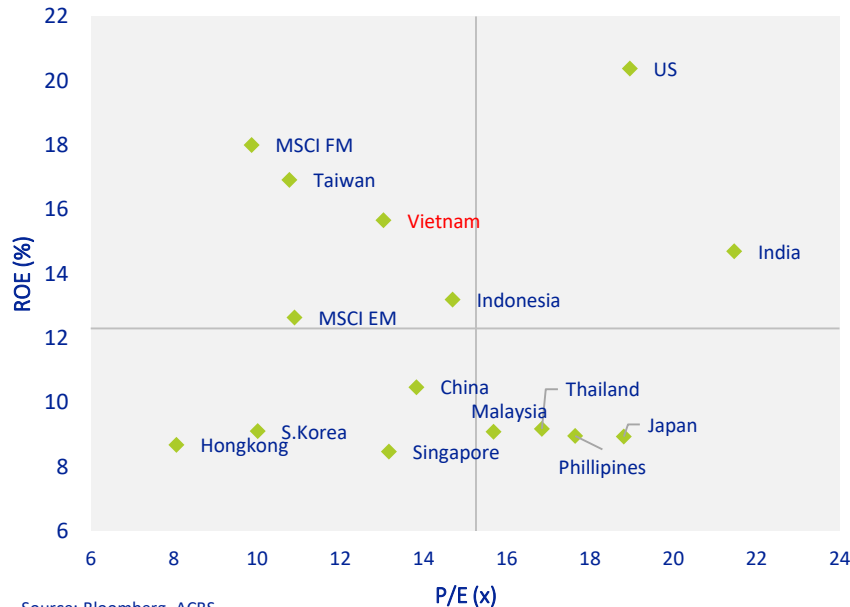
Source: Bloomberg, \*ACBS

- ❖ 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. Meanwhile, China's market up 6.7% in June thanks to government's plan to bolster growth by new stimulus package and signs that lockdowns will ease in the near future.
- ❖ The trailing P/E of VNIndex fell to 13.0 from 13.9 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 11.7 and earning growths at 18.3%, placing at a favourable valuations compared to peer markets.



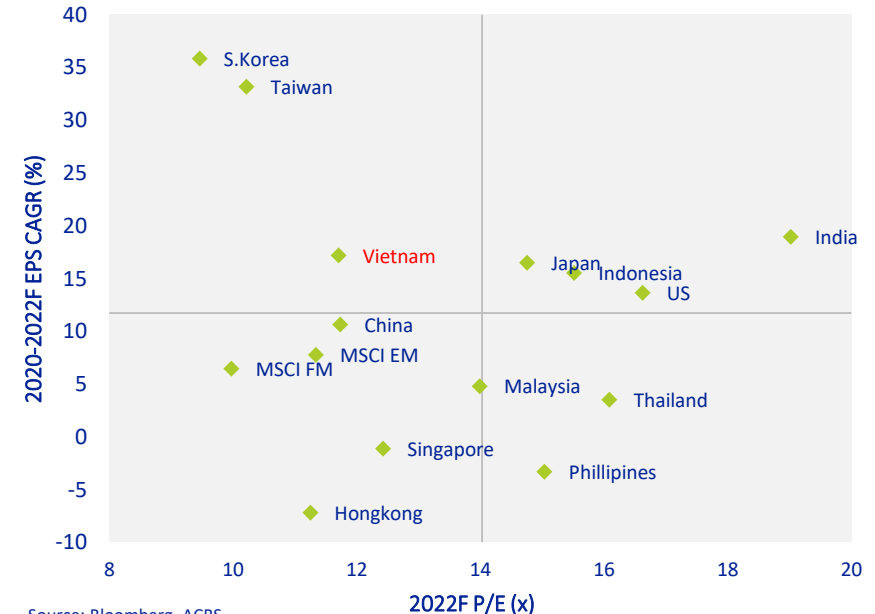
# Stock market valuation vs regional peers (cont'd)

## Relation between P/E and ROE



Source: Bloomberg, ACBS

## Market valuation



Source: Bloomberg, ACBS

- ❖ The current ROE of the VNIndex is about 13.0%, among the highest return markets. Given our projected 18.3% EPS increase for 2022, Vietnam's 3 year EPS CAGR from 2020-2022 would be approx. 17.2%, indicating that Vietnamese corporates have done a good job weathering the pandemic storm compared to regional peers. Along with the P/E forward at 11.7, 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. After three consecutive months of foreign net buying, the YTD net foreign flows have turned to a positive 92m USD. While the YTD net buy is a modest figure, we believe there have been no structural changes to the market that will keep foreign investors away from the market 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 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.
- ❖ Many global markets, including Vietnam, have been retreating on continued concerns on inflation and recessions following the monetary tightening of central banks. Domestically, Vietnam's macro fundamentals remain strong and corporate continue to post strong earnings, but market sentiment remains weak as issues around the world weigh on investor confidence. With the recent corrections in the markets, strong Q1 earnings (+32% y/y) and Q2 earnings are expected to be optimistic, the VNIndex is trading at an attractive valuation for long-term investors. New domestic retail and foreign investors interest remains strong in the market as new account opened in 6M2022 increased 197% compared with the same period of last year and foreign investors have been net buyers for three consecutive months and have flipped the YTD figures to a net buy. 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. The biggest risks facing Vietnam's economy are mainly external in nature, with global inflation remaining high, the threat of imported inflation looms, while volatile commodities prices and the unpredictability of China's economic recovery due to the continued zero-COVID policy contribute to uncertainty in global and local markets.

- ❖ Moving forward, we update our projection of Vietnam's earnings to grow at 18.3% y/y driven by the banking, consumer goods and services, and oil & gas sectors as well as transportation. The Vietnamese markets have pulled back by 20% in the first half of the year, primarily driven by event driven shocks with the legal actions taken against some leaders of listed and private companies and negative sentiment surrounding rising global inflation and growing recession fears (neither of which are major threats to the Vietnamese economy currently). In our base case scenario, we assume that markets will pick up in the second half of the year on the basis that corporate earnings remain strong and the macro environment is able to maintain its current trajectory amid global headwinds, which will lead valuations to revert to their recent 3 year average of c. 15.5x earnings, resulting in an index level around the 1,600's, equivalent to a 2022 F. P/E of ~11.7x from the end of June.
- ❖ 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 1,700-1,800 point level and representing a 2022 F. P/E of ~10.9x from the end of June.
- ❖ 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, or new variants of Covid-19 threat the economic activities. 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 1,400 point level, equivalent to a 2022 F. P/E of 12.3 from the end of June.

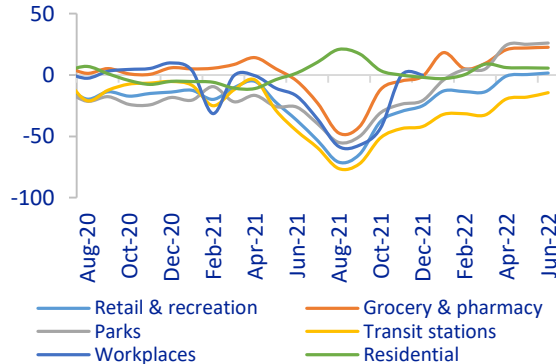
## Three scenarios in 2022

Scenarios	VN-Index	Growth vs. June 30 <sup>th</sup>	2022 F.PE (x)
Pessimistic	1,386.7	15.8%	12.3
Neutral	1,585.6	32.4%	11.7
Optimistic	1,792.2	49.6%	10.9

## Year-end 2022 Index Points Sensitivity Matrix

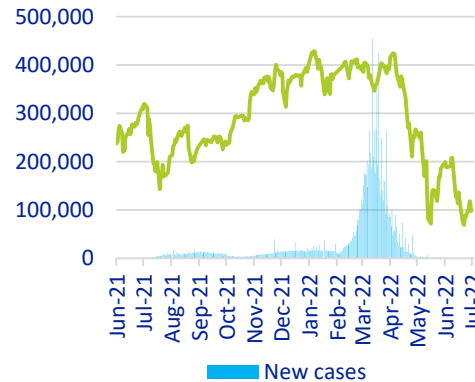
	Earnings Growth							
Earnings Multiple		5%	10%	15%	20%	25%	30%	35%
	13.5	1,226	1,285	1,343	1,401	1,460	1,518	1,576
	14.0	1,272	1,332	1,393	1,453	1,514	1,574	1,635
	14.5	1,317	1,380	1,442	1,505	1,568	1,631	1,693
	15.0	1,362	1,427	1,492	1,557	1,622	1,687	1,752
	15.5	1,408	1,475	1,542	1,609	1,676	1,743	1,810
	16.0	1,453	1,522	1,592	1,661	1,730	1,799	1,868
	16.5	1,499	1,570	1,641	1,713	1,784	1,855	1,927
	17.0	1,544	1,618	1,691	1,765	1,838	1,912	1,985

## Vietnam Community Mobility

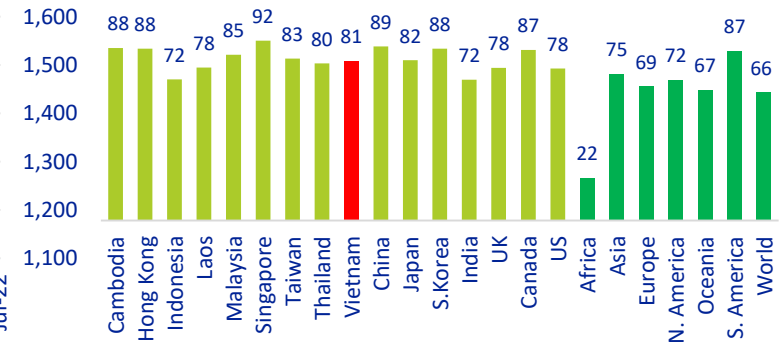


Source: Google, ACBS

## 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. From 5 May, domestic health declaration for COVID-19 prevention and control no longer required across Vietnam. Although the new cases dropped sharply, in the lastest draft, the Ministry of Health stated that COVID-19 can not be considered as an endemic diseases because there are still death cases and serious cases which are monitoring.
- ❖ 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 Shanghai was put into lockdown again with some regions from 9 June after 10 days of ending 2 months of Covid-19 lockdown while Beijing shut entertainment venues. 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 China, other countries also 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 5<sup>th</sup>), tea (USD19m, 9%, 3<sup>rd</sup> after Pakistan with 40%), exports to Russia just account of 1% of total foreign trade of Vietnam.
  - ✓ Main imported items from Russia are:
    - Coal (USD527m, 12% of total coal, placed 3<sup>rd</sup> after Australia and Indonesia).
    - Fertilizer (USD144m, 10%, placed 2<sup>nd</sup> following China of 42%),
    - Wheat (USD14m, 1%).
  - ✓ The war and sanctions on Russia 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 25% 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 3<sup>rd</sup> biggest exporters of coal to Vietnam. The war exacerbates the shortage of coal supply in Vietnam. The coal import volume in the 1<sup>st</sup> 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.

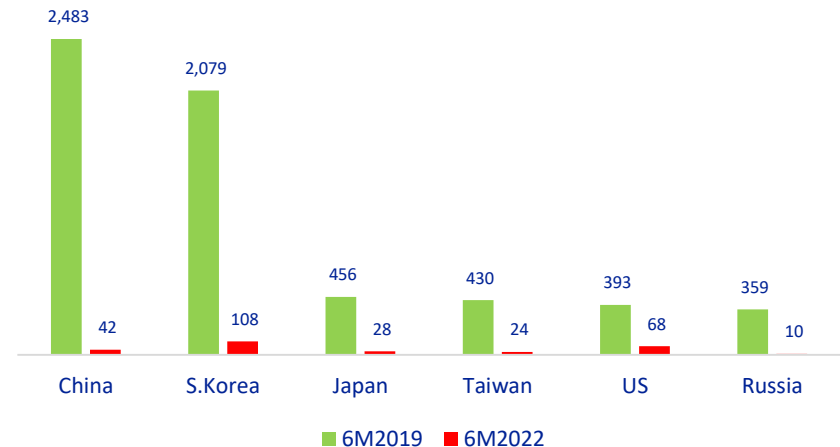
### ❖ Fertilizer

- ✓ Russia was the 2nd largest exporters of fertilizer to Vietnam in 2021. For June, the fertilizer import volume was down 22% y/y, but the value saw an increase of 32% 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 6<sup>th</sup> following China, South Korea, Japan, US, Taiwan. Arrivals dropped sharply in 2020 and 2021 due to Covid-19 restrictions. For 6 months of 2022, the tourism from Russia recovered at 9,752 arrivals, up 12 times compared with the same periods of last year, compared with +15% of China, 488% of South Korea, 494% of Japan and 42 times of US. This number is still quite low than the level of over 350 thousand for 6 months in previous years.

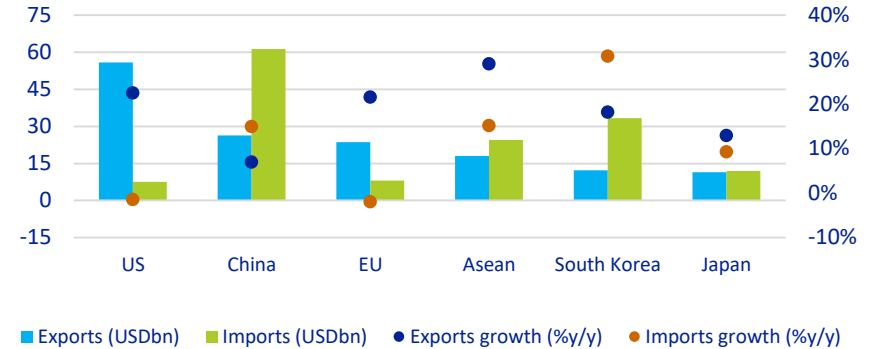
Top 5 traveler groups to Vietnam  
(thousand of traveler)



## TRADE

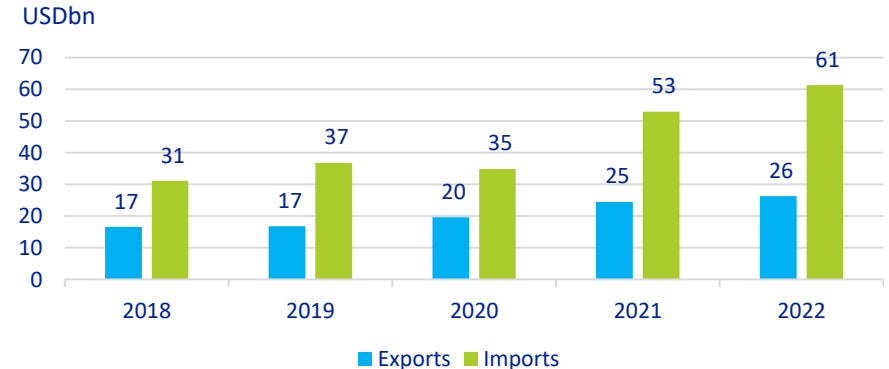
- ❖ China is the second largest importer of Vietnamese product after the US and the biggest exporter to Vietnam. The new shutdowns in many cities in China, such as Shanghai, the second largest contributor to China's GDP accounting for ~3.5% of China's GDP, and the recent virus outbreak in Beijing which 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 6M2022



Source: GSO, ACBS

## Exports and imports with China for 6 months



Source: GSO, ACBS



## 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 6 months of 2022, the tourism from China recovered at 42,180 arrivals, up 15% 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	18-Jul-2022	Vietnam	Review VN30 index
Derivative	21-Jul-2022	Vietnam	The last trading day of VN30F2207
Economy	21-Jul-2022	European	ECB Monetary policy meeting
Economy	27-Jul-2022	US	Fed Interest Rate Decision
Index review	11-Aug-2022	Global	MSCI Frontier Markets Indexes: Quaterly Review
Derivative	18-Aug-2022	Vietnam	The last trading day of VN30F2208
Market Classification	01-Sep-2022	Global	FTSE Global Equity Index - Interim Review
Economy	08-Sep-2022	European	ECB Monetary policy meeting
Economy	21-Sep-2022	US	FOMC meeting

Ticker	Ex-right date/ Exercise date (*)	Countries	Events	Event type
DGW	01-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
TYA	01-Jul-2022	Vietnam - HOSE	Cash dividends 9%	Dividends
SVC	01-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
VNL	01-Jul-2022	Vietnam - HOSE	Cash dividends 5%	Dividends
PDN	01-Jul-2022	Vietnam - HOSE	Cash dividends 25%	Dividends
DGW	01-Jul-2022	Vietnam - HOSE	Share Issue 80%	Share Issue

# Upcoming events (cont'd)

Ticker	Ex-right date / Exercise date (*)	Countries	Events	Event type
CTS	04-Jul-2022	Vietnam - HOSE	Extraordinary shareholders meeting	AGM
GAS	04-Jul-2022	Vietnam - HOSE	Cash dividends 30%	Dividends
MSN	04-Jul-2022	Vietnam - HOSE	Cash dividends 8%	Dividends
SVT	04-Jul-2022	Vietnam - HOSE	Share Issue 30%	Share Issue
KDH	04-Jul-2022	Vietnam - HOSE	Share Issue 10%	Share Issue
PSH	05-Jul-2022	Vietnam - HOSE	Cash dividends 8%	Dividends
DCM	05-Jul-2022	Vietnam - HOSE	Cash dividends 18%	Dividends
VID	05-Jul-2022	Vietnam - HOSE	Share Issue 15%	Share Issue
VNM	06-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
VNM	06-Jul-2022	Vietnam - HOSE	Cash dividends 15%	Dividends
SHP	06-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
HDG	06-Jul-2022	Vietnam - HOSE	Share Issue 20%	Share Issue
CNG	07-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
VAF	07-Jul-2022	Vietnam - HOSE	Cash dividends 2%	Dividends
TNC	07-Jul-2022	Vietnam - HOSE	Cash dividends 20%	Dividends
HCM	08-Jul-2022	Vietnam - HOSE	Annual General Meeting	AGM
CTS	04-Jul-2022	Vietnam - HOSE	Extraordinary shareholders meeting	AGM
GAS	04-Jul-2022	Vietnam - HOSE	Cash dividends 30%	Dividends

# Upcoming events (cont'd)

Ticker	Ex-right date / Exercise date (*)	Countries	Events	Event type
NSC	11-Jul-2022	Vietnam - HOSE	Cash dividends 40%	Dividends
BBC	11-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
BBC	11-Jul-2022	Vietnam - HOSE	Extraordinary shareholders meeting	AGM
CTF	12-Jul-2022	Vietnam - HOSE	Share Issue 5%	Share Issue
GEX	13-Jul-2022	Vietnam - HOSE	Cash dividends 5%	Dividends
CCL	14-Jul-2022	Vietnam - HOSE	Share Issue 12%	Share Issue
DHC	19-Jul-2022	Vietnam - HOSE	Cash dividends 10%	Dividends
NCT	19-Jul-2022	Vietnam - HOSE	Cash dividends 63%	Dividends
HAX	21-Jul-2022	Vietnam - HOSE	Cash dividends 5%	Dividends
DIG	21-Jul-2022	Vietnam - HOSE	Share Issue 17%	Share Issue
DIG	21-Jul-2022	Vietnam - HOSE	Share Issue 5%	Share Issue
HAX	21-Jul-2022	Vietnam - HOSE	Share Issue 15%	Share Issue
HBC	22-Jul-2022	Vietnam - HOSE	Extraordinary shareholders meeting	AGM

## 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

- Credit grew strongly in 1H2022 thanks to the recovery of the economy after the pandemic. By June 30, 2022, credit growth reached 9.35%, much higher than the growth rate in the same period last year of 6.9%.
- System liquidity becomes abundant again because many banks have used up their credit growth limit while SBV has not yet approved a new growth limit. Overnight interbank rate decreased to below 1%. Meanwhile, interbank rates for terms of 1 month and above are still high (2-5%), indicating that the liquidity of the system in the coming months will not be as abundant as it is now.
- 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 kept at a good level. NPL ratio by the end of Q1/2022 reached 1.37%, flattened YTD and slightly decreased YoY. COVID-19 restructured loans decreased in Q1/2022, estimated at about 1% of total outstanding loans and were conservatively provisioned.

### Outlook / What to Watch

- By the end of June 2022, many commercial banks have used up the assigned credit growth limit and they are submitting to the SBV for approval of a new credit room. We maintain our credit growth expectation of 15% in 2022 thanks to the recovering economy and the loan interest support package of VND40,000 billion, which will stimulate credit demand.
- We expect deposit interest rates may continue to increase by 50bps to provide for credit in 2H2022 – when banks are granted additional credit room from the SBV and boosts lending at the end of the year.
- Lending interest rates show signs of increasing due to limited credit along with CASA's growth trend, which will help banks keep their NIMs stable 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:	NEUTRAL	Long term outlook:	NEUTRAL	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, +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. However, life insurance market in 4M2022 showed signs of slowing down. Total life insurance premium was estimated at VND 51,782 billion, +14.5% YoY. However, new business insurance premium in 4M2022 decreased by 8.2% YoY, reaching VND 15,026 billion.
- For the non-life insurance segment, total non-life premium in 2021 was estimated at VND 57,880 billion, up 3.98% compared to the previous year, lower than the growth rate of 6.63% in 2020. In 4M2022, total non-life insurance premium was estimated at VND 22,254 billion, +12.58% YoY. This high growth rate is expected to continue in 2022 when the economy reopens after the pandemic, along with incentive policy of the Government.

### 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 lower our expectation of growth rate of life insurance sales for the next 5 years from 20%/year to 15%/year.
- For the non-life insurance segment, we expect non-life insurance sales to grow at 1-digit rate annually for the next 5 years. The number of new contracts and premiums in 4M2022 showed signs of decline compared to 2021.

## 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

- 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 in Vietnam. There are many securities companies while there are little differences between products of the securities companies.
- 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 6M22 reached 1,851,000 accounts, increased 197% compared with the same period of last year.

### Outlook / What to Watch

- Proprietary trading is expected to face difficulties in Q2/22 due to unfavorable stock market movements. VN-Index decreased by 19.7% in Q2/22.
- 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

- New supply increased sharply in 2Q2022 with increasing selling prices in both Hanoi and HCMC while sales performance slightly decreased.
- In 1H2022, there were over 16,400 new apartments launched (+180% YoY) at ASP of USD2,455/sqm (+9% YoY) and over 12,500 units sold (+70% YoY) in HCMC. The high-end segment dominated new supply and accounted for 82%. Most new supply (83%) concentrated in Thu Duc City.
- In 1H2022, Hanoi welcomed 8,165 new apartments (+35% YoY) at ASP of USD1,872/sqm (+27% YoY) and sold 10,830 units (+34% YoY). The high-end segment dominated the market with 55%, followed by the mid-end segment with 43%. New supply in Hanoi concentrated in mega townships such as Vinhomes Ocean Park, Vinhomes Smart City, etc.
- Average absorption rates of newly launched projects in 1H2022 slightly decreased in HCMC (72% vs 74% in 2021 and 73% in 2020) but improved in Hanoi (49% vs 47% in 2021 and 42% in 2020).
- Rental yields have not shown clear improvement with ~4% in HCMC and ~5% in Hanoi.
- Tightening credit to both developers and homebuyers continued to be the biggest challenges of the market.

### Outlook / What to Watch

- Approval process is improving slowly.
- Inflation concern may encourage asset speculation activities and increase clearance costs.
- Average primary selling 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

- China's zero-COVID policy motivated the leasing momentum in Vietnam with strong demand from automotive, logistics and electronics sectors.
- Northern market: In 1H2022, average rental rate was USD110/sqm/lease term (+9% YoY) for industrial land and USD4.7/sqm/month (+2% YoY) for ready-built warehouses and factories. Occupancy rates remained stable at above 75% in Tier-1 market (Hanoi, Hai Phong, Bac Ninh, Hung Yen, Hai Duong) and above 60% in Tier-2 market (Quang Ninh, Vinh Phuc, Thai Binh, Ha Nam, Bac Giang).
- Southern market: In 1H2022, average rental rate was USD136/sqm (+15% YoY) for industrial land and USD4.8/sqm/month (+2% YoY) for ready-built warehouses and factories. Occupancy rates remained stable at above 90% in Tier-1 market (HCMC, Dong Nai, Binh Duong, Long An) and above 63% in Tier-2 market (Binh Thuan, Ba Ria – Vung Tau, Tay Ninh, Binh Phuoc).

### 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:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	VRE
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### Sector Overview

- New supply (Vincom Mega Mall Smart City) entered Hanoi after 5 consecutive quarters of no new supply while no new supply recorded in HCMC. Primary assets showed a big jump in rental rate.
- HCMC: In 1H2022, rental rate in CBD increased by 51% YoY to USD206/sqm/month while in non-CBD grew by 8% YoY to USD27/sqm/month; vacancy rates were at 4.2% (-1 ppts YoY) in CBD and 12.7% (+1 ppts YoY) in non-CBD.
- Hanoi: In 1H2022, rental rate in CBD increased by 27% YoY to USD132/sqm/month and by 3.7% YoY to USD25/sqm/month in non-CBD; vacancy rates were at 9.9% (-1.2 ppts YoY) in CBD and 15.8% (+1.2 ppts YoY) in non-CBD.

### Outlook / What to Watch

- New supply is expected to improve.
- Occupancy rate and rental rate are expected to recover.
- 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.
- While the disruption in Global supply chain caused by Covid-19 hasn't been fully fixed, the additional negative effects from the war in Ukraine has further pushed commodity prices up. These, coupled with the effects from monetary policies, caused inflation to soar globally. With that said, CPI in Vietnam is still within the range targeted by the Government indicating inflation has not gone uncontrollable yet. Still, Inflation will be one of the key risk for the coming period that needed to be keep an eye on.

### 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 USD4.7bn in 5M2022, +43.8% YoY. Seafood export in May 2022 grew at a slower pace of 34.4% YoY, mainly due to slower export of shrimps.
- Shrimp continued to account for the largest portion (39%) and reached USD1.8bn of export turnover in 5M2022 (+38% YoY). In May alone, export turnover of shrimp grew at a slower pace of 19% YoY, following an impressive growth rate of 47% in April 2022.
- The US market continued to be the largest market of Vietnam seafood export, accounting for 23.3% of Vietnam's total seafood export, reaching USD1.1bn (+64.3% YoY). ASP increased strongly. Pangasius export reached as high as 5US\$D/kg, +66% YoY.
- Vietnam pangasius export to CPTPP reached USD146.5mn, +64% YoY and USD89mn to EU, +89% YoY.
- Seafood export to China pickup again, reaching USD700mn in 5M2022, +101% YoY. In May alone, seafood export to China grew by 78.6% YOY (USD171.3mn). China comes backj as the largest market export of Vietnam pangasius, accounting for 26.5% of Vietnam's pangasius export. As of 5M2022, Vietnam export to China USD317mn worth of pangasius, +124% YoY.

### Outlook / What to Watch

- We believe this is the low season for shrimp and export will pick up again in 4Q2022 for the festivity period. Higher inflation in other countries also contribute to a lower consumption of shrimp, switching to alternative products at lower price such as pangasius
- Disrupt supply chain due to Zero Covid strategy in China and tension from Russia and Ukraine are beneficial for Vietnam pangasius export. High inflation in main export market also boost consumption of low price product like pangasius.

## 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 11.3% YoY in 1H2022.
- 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

- Steel rebar price dropped to 629 USD/ton, the lowest level since the beginning of 2022 while large Chinese steel producers decided to cut their production, amid rising inventory due to weakened steel demand due to COVID-19 in China and bad weather in recent months.
- Iron ore price also dropped to 115 USD/ton after reaching a short-term peak at 150 USD/ton while steel mills in China reported increasing steel inventory due to low demand, which leads to the slow down in steel manufacturing activities. Meanwhile, coking coal prices, another main material for steel making shows a flat movement despite reduced demand.
- Domestic steel price reduced to 17,000 VND/kg during June, as a result of decreased global steel price. Although the iron ore price has reduced also, 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% increase in the government's budget for the public investment plans remain a key catalyst for the construction material demand in 2022. But in 6M.2022, the spending for public investment only reached 27.75% of the total plan, which creates a possibility that public investment spending in 2022 cannot meet the target.
- In our observation, the fuel cost for construction material production has been maintained during June, while selling prices are constrained due to low demand in current state, which mainly comes from low real estate development activities while the government has limited the credit for real estate activities
- The iron ore price can be flat in the near future, while slow economic activities from China after COVID has put a negative effect on steel demand. 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 prices were almost flat during June. 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. If oil prices are keep under 120 USD/barrel, we can expect a stable domestic fuel price in July.
- Transportation fees till the end of 2022 are 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 posted 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 the logistics sector.
- 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

- According to IATA and based on data from flightrada24, the aviation industry in Vietnam recovers at the fastest pace worldwide, growing by 123% vs. 5M2019.
- International passengers through Vietnam airports reached 1.8mn people, 9 times higher than 5M2021. Following the decline in April 2022, domestic passengers also grow by 52.6% YoY, reaching 38.9mn people.
- Vietnamese airlines transported a total of 20.1mn passengers (+56.1% YoY). From that, 667.000 are international (+1,033% YoY) and 19.5mn are domestic (+51.8% YoY)
- Air cargo through Vietnam airports reached 765.000 tonnes in 5M2022, +30.6% YoY.

### Outlook / What to Watch

- The recovery of domestic passengers is boosted by summer time. We believe it will keep this uptrend until mid August 2022.
- High inflation in other economies might be a constraint for consumer spending, especially for non-essential spending such as travel.

## 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 surging to above USD120/ barrel by the end of May on tight oil supply, Brent oil price continued fluctuating in the USD110-123/ barrel range on the fear of a global recession
- Higher oil prices are 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's oil resource has been facing the depletion of natural oil resources. Most large oil fields have been exploited for long-time and are currently in the final stages while new discoveries are mostly small field with low reserves. The lack of exploration activities/ spending that was due to low oil price in previous years has led to the fall in increasing oil and gas reserves 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 global economic worries.
- 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 648,000 barrel/day in July and August. Sanctions 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 Russia oil
- Growing concerns about climate change, sales of electric cars and investment in green energy

## Industry outlook

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

- In the first five months 2022, accumulated electricity consumption increased slightly compared to the same period 2021; but lower than the plan for power supply and operation of the system set out under Decision No 3063/QĐ – BCT; in which coal power plant still accounts for a significant proportion.
- In May 2022, electricity production of the whole system reached 23.34 billion kWh (-1.15% YoY); accumulated 5M2022, electricity output reached 108.95 billion kWh (+4.1% YoY), of which:
  - Hydro: 30.53 billion kWh, accounts for 28% of the total output.
  - Coal thermal: 48.12 billion kWh, accounts 44.2% of the total output.
  - Gas and oil thermal: 12.97 billion kWh, accounts 12.2% of the total output.
  - Renewable energy: 16.18 billion kWh, accounts 14,8% of the total output.
  - Import energy: 53 million kWh, accounts 0,8% of the total output.
- Prices of imported coal returned to high rates from the end of March 2022, which will negatively affect the competitiveness of thermal power plants. Newcastle coal futures contracts returned to nearly 400 USD/ton in the end of June 2022 (went up by 54% from March) due to Russia's invasion leading to a lack of coal supply, continued COVID concerns in China and Indonesia's decision to forbid coal exports in January. Coal accounts for the chief input of thermal power plants (often attains more than 80% of the revenue's proportion); as a result; increasing coal prices can cut back the portion of electricity sold in the competitive generation market (CGM). Besides, the market price (Pm) in this market is firm by EVN's contracts and not adjusted accordingly. Profit of coal-fired thermal plants with higher sales volume in the CGM market will be more affected by the increase in coal price. In addition, increasing coal prices will affect coal-fired thermal plants competitiveness as EVN reduce utilization for this group and prioritize other sources of generation such as renewable energy.

### Outlook / What to Watch

- According to EVN, the electricity production output for the remaining seven months in 2022 is estimated about 166.641 billion kWh, 2022 accumulated is 275.399 billion kWh, 8% higher compared to 2021, and reaching 99.96% of the plan. EVN and Ministry of Industry and Trade have jointly set out with specific plans with determine to prevent power shortages.
  - (1) Concentrating on economically using and saving water for hydropower reservoirs for 2022 sunny season, especially in winter – spring season in the North Central Region.
  - (2) Arranging reasonable maintenance and repair plans, shorten the period, and avoiding the high season.
  - (3) Speeding up the works of 500 kV, 200 kV transmission lines, add up electricity capacity for the North. In April and May, EVN has completed the 500 kV transmission lines in Vung Anh – Quang Trach – Doc Soi, 200 kV Thanh Hoa – Nghi Son – Huynh Luu.
  - (4) Cooperating with People's committee of Quang Ninh province direct coal enterprises to ensure sufficient fuel for thermal power plan.
  - (5) Transforming energy infrastructure, upgrading the traditional grid into “smart grid – Virtual Power Plant (VPP)” for renewable energy's promotion development.
- We expect Vietnam energy industry will generally grow higher than GDP by at least 3%, reaching approximately 12% in 2022. Additionally, renewable energy is anticipated to be more brighter as a long term for investment. However, in the short term, coal thermal energy, accounts for 45% in energy consumption, is substantial for Vietnam economy's sustainable development and can not be replaced quickly.

## 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, Pharmacy, 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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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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