

VIETNAM MARKET OUTLOOK

September 2022

Credit room extension benefit banking and market in general

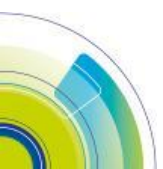
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The VNIndex rebounded well in August to post one of the regions strongest monthly gains, increasing 6.2% on improving liquidity. The market rally was fairly broad based with most sectors finishing in the month in the green, with the retailing, brokers and materials sectors leading the way. The Vietnamese markets were able to withstand the hawkish comments at the end of the month from the US Fed meetings on Aug 26th, in which Jerome Powell's comments following the meeting promised policy 'pain' in order to contain inflation, in which hopes for a more dovish Fed contributing to the rally in global equities were squashed. Fundamentally, the Vietnamese equity markets continue to be attractive with 2022 earnings estimates to reach 19% resulting in a 2022 year end P/E of 12.4x, the lowest in the region. Further contributing to the positive sentiment in the market was the application of the T+1.5 settlement time from T+2 on August 29th. We appreciate the move to shorten the settlement time on the market, although we do not expect a long term material uptick in liquidity from the change.

Vietnam's economic performance continued to impress with the release of the August data. With inflationary pressures on the top of investors' minds, Vietnam's CPI posted just 0.005% m/m increase, with the average CPI increase sitting at 2.58% for 8M2022; with the decrease in the transportation basket being the biggest driver keeping the CPI figures down as global oil prices – and resulting domestic gasoline prices – decreasing significantly. Other macro data continued to impress with IIP increasing 15.6% y/y in August and 9.4% y/y in the cumulative 8 months to date in 2022. Trade figures had a strong month with exports posting a 22.1% y/y increase leading to a monthly trade surplus of USD2.4bn, the highest monthly surplus this year, and bringing the annual surplus to just under USD4bn. Incoming foreign investment experienced another month of growth with disbursed capital hitting USD1.2bn (+13.9% y/y) in August, resulting in the YTD disbursed figure reaching USD12.8bn, up 10.5% y/y.

September is expected to bring about some more positive news which can be supportive of the equity markets. Firstly, we're expecting that the SBV will increase the credit growth quotas at banks sometime in the middle of September, a move that's been highly anticipated by the market and should be supportive of the banking sector and markets in general. Secondly, as inflation figures have appeared to peak domestically (August CPI up just 0.005% m/m) and in other key economies (US inflation has decreased to 8.5% y/y from 9.1% in July). It appears that the worst might be over as commodities prices have been cooling down recently, particularly gasoline prices domestically (down 25% since their peak earlier in the year), which bodes well for improved investor sentiment. Lastly, towards the end of the month we're expecting an eye-catching number for 3Q GDP growth in the range of 10.4-14.7% given the continued recovery of the economy and low base from 3Q 2021 when many economic activities were hindered due to COVID-19 restrictions that should provide positive sentiment to end out the quarter.

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

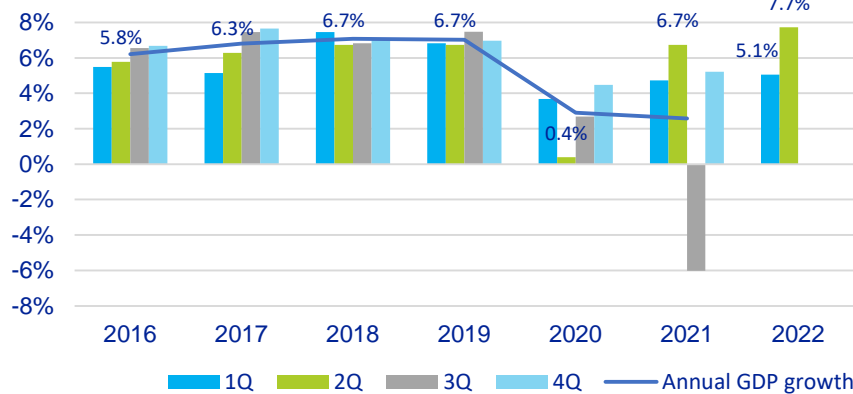


- ❖ **Vietnam industrial production** increased strongly by **15.6%** y/y by the low base of last year and **Markit PMI** continued in expansionary territory at **52.7**, stronger than 51.2 of last month. **Disbursed FDI increased by 14%** y/y to US\$1.2bn and FDI pledges decreased 49% y/y at US\$1.2bn. Total **import-export turnover in August was estimated at US\$64bn**, up 17.9% y/y and posted a **trade surplus** of US\$4bn for eight months. **Retail sales** continued to elevate with growth of 50.2% y/y (coming from a low base as COVID-19 restrictions severely impacted retail activities in Q3 2021). The inflation rate remained under control, with the **CPI just up 0.005%** over last month and **increased 2.9%** over the same period last year.
- ❖ The USD/VND rate remained uptrend in August with the rate at central bank closed month up slightly to 23.219 (+0.19% m/m), the average rate of banks up to 23.451 (+0.46% m/m). The rate in free market decreased sharply by 1.5% m/m to narrow gap with official market.
- ❖ Gasoline prices decreased c.5.4% in August and was up c.5.9% from beginning of 2022. Diesel prices decreased 4.4% in August, but are up 35.2% from beginning of 2022. Retail cooking gas prices continued to decreased by c.4.1% from 1 August, down 5.2% from beginning of 2022.
- ❖ Vietnam's public debts to gross domestic product (GDP) in the 2017-2021 period dropped sharply from 61.4% to 43.1%, according to data from the Ministry of Finance. Vietnam's foreign debts to GDP decreased significantly from 49% in 2017 to 38.4% by the end of 2021. Japan was the biggest foreign lender to Vietnam, followed by South Korea, France and Germany. The World Bank was the largest multilateral lender to Vietnam, followed by the Asian Development Bank (ADB).
- ❖ The State Bank of Vietnam (SBV) issued the action plan for the banking sector to deploy a scheme on restructuring financial institutions' systems and bad debts in 2021-2025 on 8 August. In which, there are the specific regulations on bad debt handling regulations including raising credit quality and improving the operational capacity of the Vietnam Asset Management Company (VAMC).
- ❖ Vietnam placed first in ASEAN in the number of logistics companies getting licenses from the US's Federal Maritime Commission (FMC) to provide goods transportation services to the US with 63 firms, said a representative of the Ministry of Industry and Trade on 5 August. Followed by Singapore (53 firms), Malaysia (15 firms), Philippines (13 firms) and Indonesia (12 firms).

- ❖ Vietnam ranked 15th among 35 Asian markets in term of economic openness with scored 74.6 out of 100, higher than the Asia average of 46 and the global average of 49.5, according to the recent Vietnam Trade & Investment Risk Report of Fitch Solutions.
- ❖ The Vietnamese Ministry of Industry and Trade (MoIT) extended the anti-dumping investigation into some certain tables and chairs imported from Malaysia and China which launched on 1 September 2021 by six months to 1 March 2023 to have more time to review comprehensively and objectively issues.
- ❖ Samsung will start to manufacture semiconductor parts in Vietnam in July 2023. The ball grid array products are being testing and will be mass produce at the Samsung Electro-Mechanics Vietnam factory in Thai Nguyen, said CEO at Samsung Electronics Roh Tae-moon.
- ❖ Apple is looking to manufacture Apple Watches and MacBooks in Vietnam for the first time to diversify production outside of China. Apple also intends to shift iPad production to Vietnam and is in talks with suppliers to build test production lines for its HomePod smart speakers in the country.
- ❖ The Bank of England (BOE) raised its interest rate by 50 basis points on 4 August to 1.75%, the highest increase since in recent 27 years and bringing the interest rate to the highest level since 2008.
- ❖ India's central bank has raised its key interest rate by a 0.5% to 5.4% in its third such hike since May to fight with inflation.
- ❖ On 15 August, China Central Bank lowered its key interest rates the first time since January by 10 basis points, pull the One-Year Medium-Term Lending Facility Rate (MLF) to 2.75% and the seven-days reverse repo rate to 2%, to support economy which hit by zero-COVID strategy and real estates crisis. One week later, China continued to trimmed its key lending rates, bringing the loan prime rate (LPR) for five-year to 4.30% from 4.45% and for one-year to 3.65% from 3.70%.

GDP achieved the highest 2nd quarter growth in a decade

Vietnam GDP growth by quarter

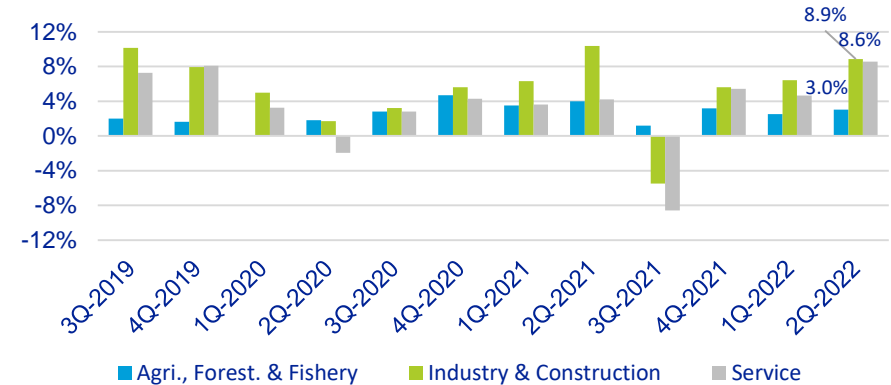


Source: GSO, ACBS

❖ Vietnam's GDP accelerated by 7.72% y/y in the 2nd quarter of 2022, the highest 2nd 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.

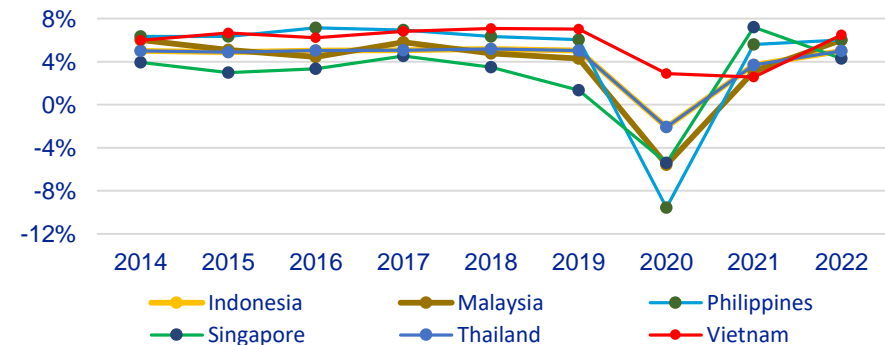
❖ Regarding GDP for 6 months by expenditure, Final Consumption increased by 6.06%, Gross Capital Formation increased by 3.92%, Exports of goods & services increased by 9.10% and Imports of goods and services increased by 4.41%.

GDP growth breakdown



Source: GSO, ACBS

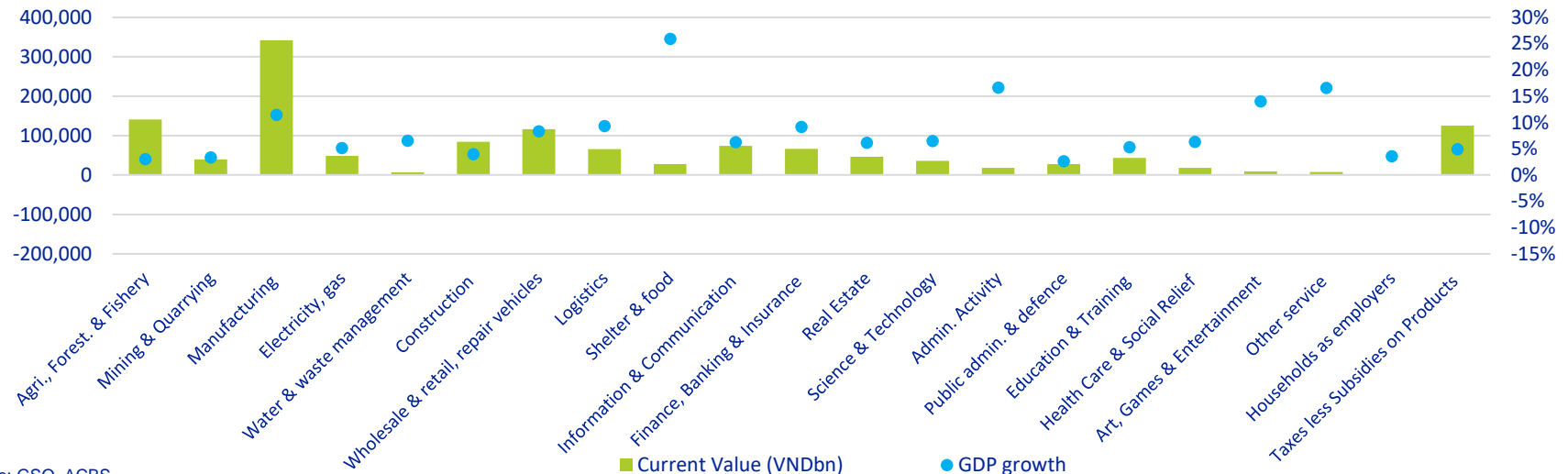
Vietnam GDP growth and peer market



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

GDP breakdown by industry

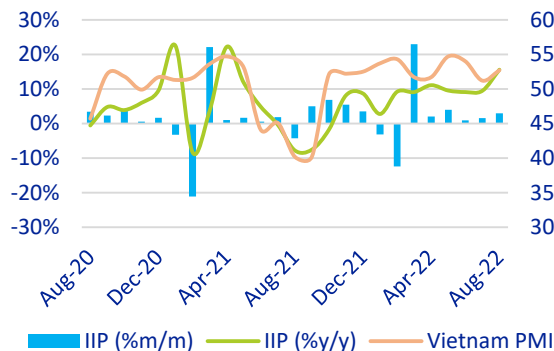
GDP by Industry in 2Q2022



Source: GSO, ACBS

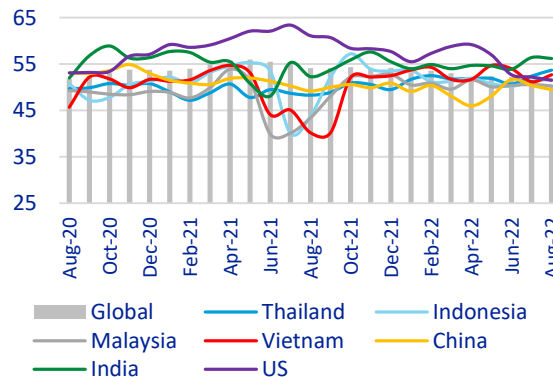
- ❖ Most sectors achieved impressive growth in the 2nd quarter. Manufacturing (+11.5%) continued to be the highest contribution of economic growth in the 2nd quarter thanks to the strong FDI inflows along with rehabilitation of industrial production, following by Wholesale, retail & repair vehicles (+8.3%), 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



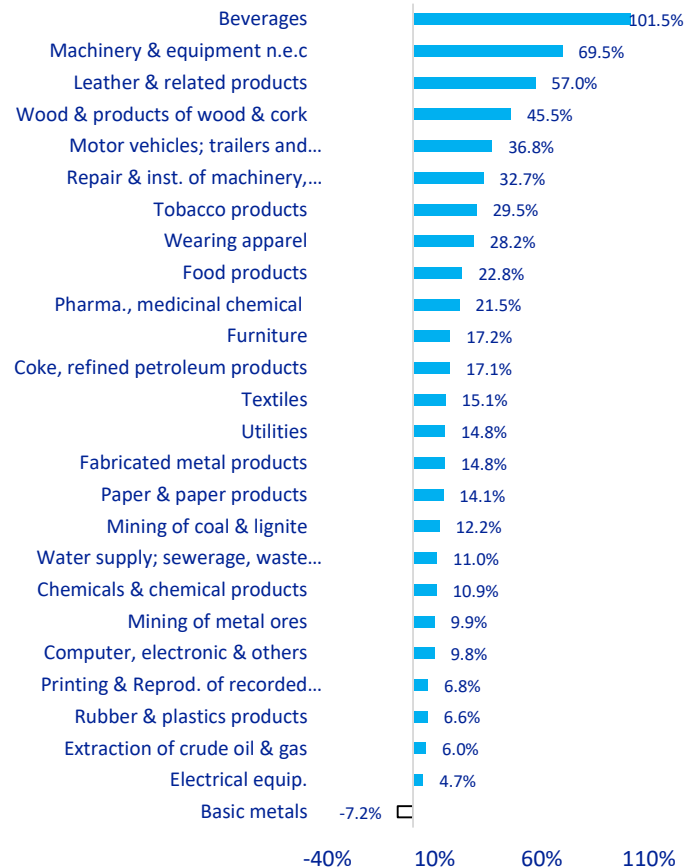
Source: GSO, IHS Markit, ACBS

Vietnam PMI and other markets



Source: Bloomberg, IHS Markit, ACBS

IIP August 2022 by industry

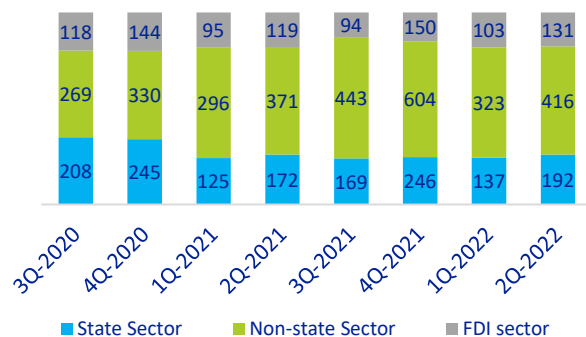


Source: GSO, ACBS

- ❖ The IIP in August increased strongly by 15.6% y/y by the low base of last year as most industries recovered, except manufacturing of basic metals (-7.2%). For 8 months, IIP increased by 9.4% y/y and registered the expansion in 61 provinces and contraction in 2 provinces. The highest growth provinces was Bac Giang (+50.7% y/y) and the lowest was Tra Vinh (-26.6%). Some notable products in the first 8M were Beer (+31%), Processed seafood (20.7%), Phone accessories (+19.6%), Automobile (+13.9%), Clothes (+13%), Leather footwear (+13%). In converse, some products decreased such as Crude steel, iron (-12%), Television (-11%), N.P.K mixed fertilizer (-6%), Textile fabric from artificial yarn (-6%), Mobile phone (-5%), Aquatic feed (-5%), Liquidized gas (-2%). The number of employees working in industrial enterprises as of August 1st increased slightly by 0.6% m/m and up 23.2% y/y.
- ❖ The Markit PMI continued in expansionary territory at 52.7, stronger than 51.2 of last month as output, new orders and employments maintain rising given lower input costs and raw materials suppliers' delivery times improved. The PMI of ASEAN also improved while PMI of global and other regions like Eurozone, European Union, US, China contracted again given recession concerns and inflation pressure.

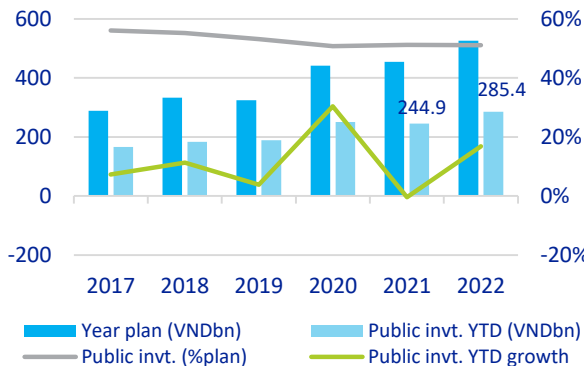
Total investment disbursement

Unit: VNDtn



Source: GSO, ACBS

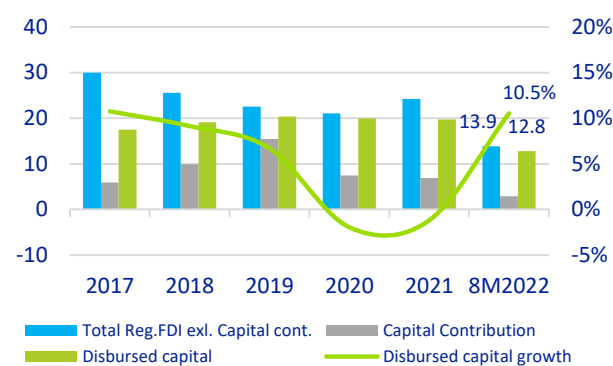
Public investment in 8M



Source: GSO, ACBS

FDI attraction by years

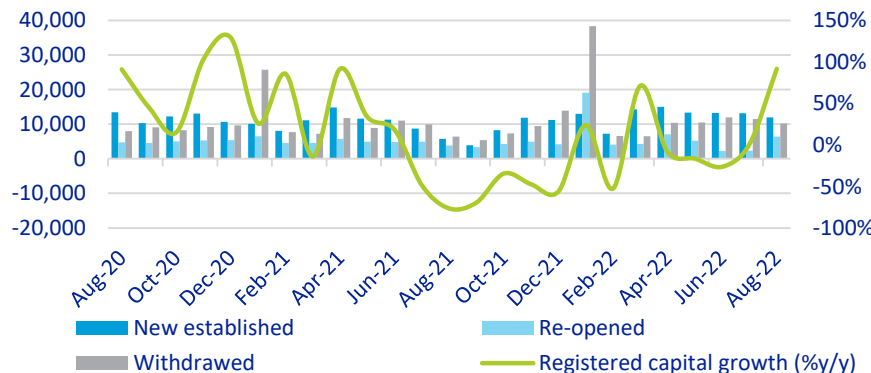
USDbn



Source: MPI, ACBS

- ❖ The total social investment increased by 10.1% y/y in the 2nd 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 1st quarter, FDI sector also decreased their contribution to 17.7% and state sector increased to 26%.
- ❖ In August, Vietnam spent VND48.3 trillion on public investment, an increase of 52.9% y/y, completing 51% of the annual plan in 8 months. Many projects are faced with several difficulties given cost overruns, lack of road embankment materials, slow site clearances and the incoming rainy season - putting more pressure on contractors.
- ❖ In terms of the private sector, new registered enterprises reached 11,918 (+107% y/y), reopened enterprises increased strongly at 6,458 (+67%), the number of enterprises withdrawing from the market was down slightly over last month but still high with 10,162 (+58%).

Enterprises activities



Source: GSO, ACBS

Key projects in progress	Est. capital (VNDbn)	Implementation Progress
Long Thanh International Airport - Site clearance project	22,856	<ul style="list-style-type: none"> - As of 30 June '22, disbursed capital estimated of VND15,618bn, completed 68% total plan. - Plan to hand over all site before 15 August 2022.
Long Thanh International Airport - Construction project - Phase 1	109,111	<ul style="list-style-type: none"> - Started work on passenger terminal on 30 March, 22.
East North - South Expressway (period 2017-2020)	118,716	<ul style="list-style-type: none"> - As of 28 August 2022, disbursed capital estimated of VND9,000bn, completed 55,6% of 2022 plan. - Site clearance: completed 99.9% - Construction: 1 component project completed, 4 projects on schedule, 6 projects behind schedule.
East North – South Expressway (period 2021-2025)	148,500	<ul style="list-style-type: none"> - Approved 12 components projects on July 2022. - Preparing feasibility studies for 12 component projects. - Allocated capital of VND257bn, disbursed capital by 72% as of 30 June 2022.

Key Government decisions on Public investment in 2022

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

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.

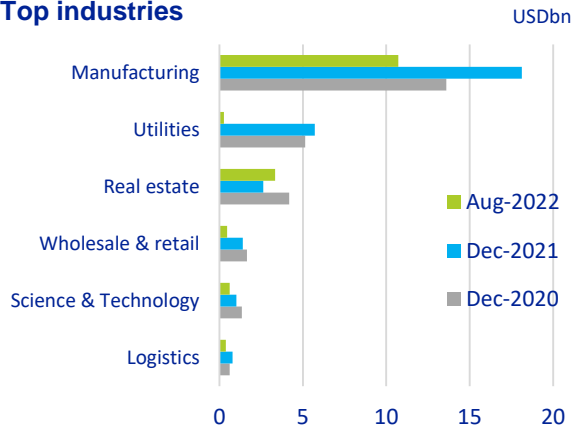
In the meeting on 11 July, National Assembly Standing Committee approved the policy of converting the use purpose of 4,400 ha land for North-South Expressway.

The Minister of Transport signed decisions of approving 12 components projects of the East North - South Expressway (period 2021-2025) on 13 July 2022.

The Ministry of Transport approved the investment plan of over VND700 million for the construction of three airline operating centers at Long Thanh International Airport with a total of more than 57,000 sq m in Dong Nai Province.

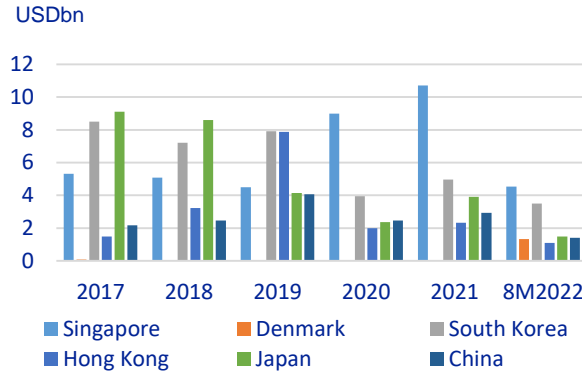
Vietnam's Ministry of Transport has approved a VND1.1 trillion (\$47.41 million) project to upgrade 411 kilometers of Nha Trang-Saigon section, a part of the North-South railway. This project is a part of the VND7 trillion railway package using state funds in 2021-2025.

Top industries



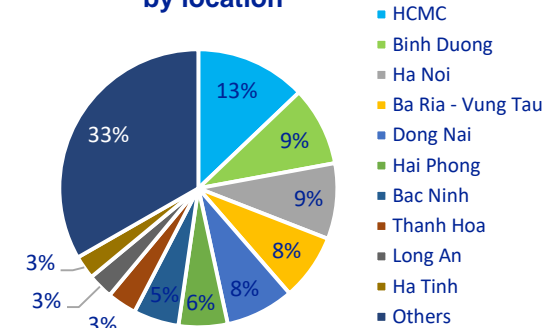
Source: MPI, ACBS

Top counterparts



Source: MPI, ACBS

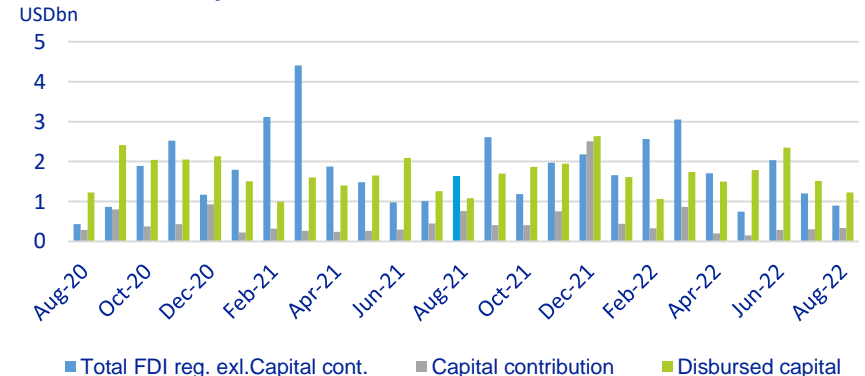
Accumulated FDI as of August 2022 by location



❖ In August, disbursed capital kept increasing by 13.9% y/y to US\$1.2bn, FDI pledges decreased 48.5% y/y at US\$1.2bn. For 8 months, disbursed capital increased by 10.5% y/y to US\$12.8bn; there are 1,135 newly registered projects (+0%y/y) with registered capital of US\$6.35bn (-44%y/y), 676 projects that registered for additional capital (+5.8%) with US\$7.5bn (+51%) and 2,425 transactions of capital contribution (-11%) valued at US\$2.9bn (+3.6%).

❖ Manufacturing & processing keeps its leading role accounting for 64% of total FDI pledges. Singapore and South Korea continued to be two biggest counterparts in first 8 months, following by Japan replacing Denmark to be the 3rd biggest counterparts.

FDI attraction by months



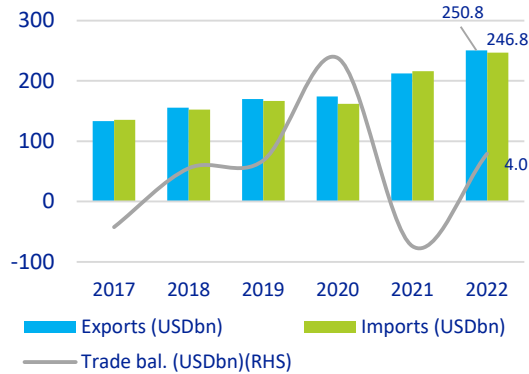
Source: MPI, ACBS

Major FDI projects in 2022

Projects	Industry	Location	Counterparts	Reg. capital (USDbn)	Certificate granted date
LEGO Manufacturing VietNam	Carbon-neutral factory to produce toy	Binh Duong	Denmark	1.32	Mar 2022
VSIP urban construction project	Urban areas and services	Bac Ninh	Singapore	0.94	Jan 2022 (Amended cert.)
Samsung's electro-mechanics project	Producing high-tech integrated components for electronic devices	Thai Nguyen	Korea	0.92	Feb 2022 (Amended cert.)
Samsung Electronics HCMC CE Complex	Manufacturing consumer electronics	HCMC	Korea	0.84	June 2022 (Amended cert.)
Goertek Vietnam Factory Project	Manufacturing electronic products and network equipment and multimedia audio products	Nghe An	Hong Kong	0.40	Jan 2022 (Amended cart.)
Goertek Vietnam Factory Project	Manufacturing electronic and network devices and multimedia audio products	Bac Ninh	Hong Kong	0.31	Jan 2022 (Amended cert.)
Commercial and services Project of GE Vietnam	Commercial and services	Bac Ninh	Korea	0.22	Jan 2022 (Amended cert.)
JNTC Factory	Manufacturing electronic components	Phu Tho	Korea	0.16	Jan 2022 (Amended cert.)

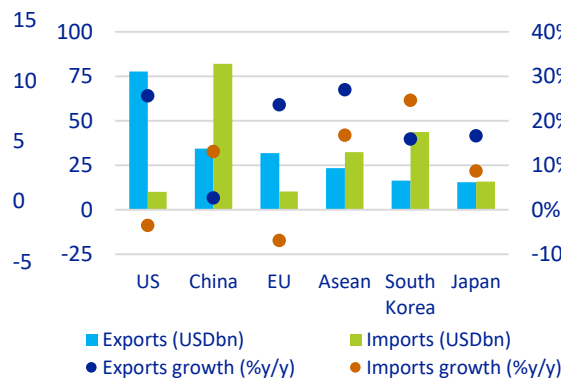
Exports surged strongly bringing high trade surplus

Foreign trade in 8M by years



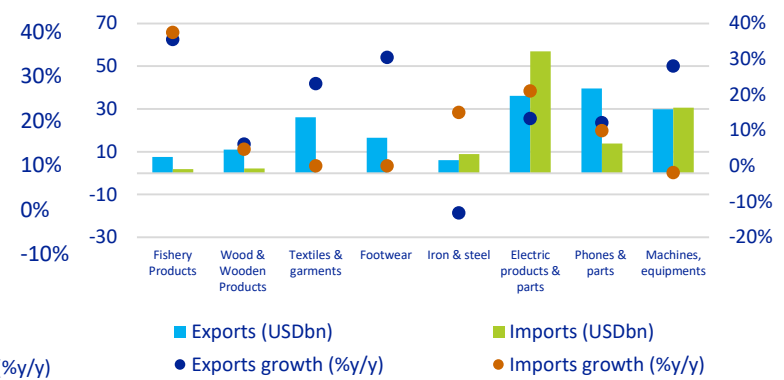
Source: GSO, ACBS

Main EX-IM markets in 8M2022



Source: GSO, ACBS

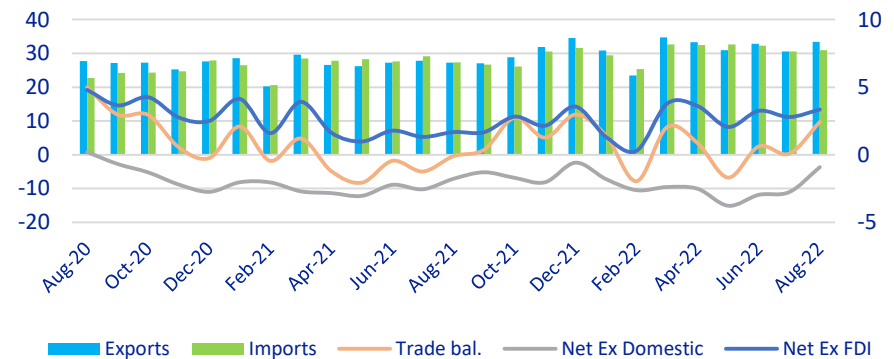
Main EX-IM items in 8M2022



Source: GSO, ACBS

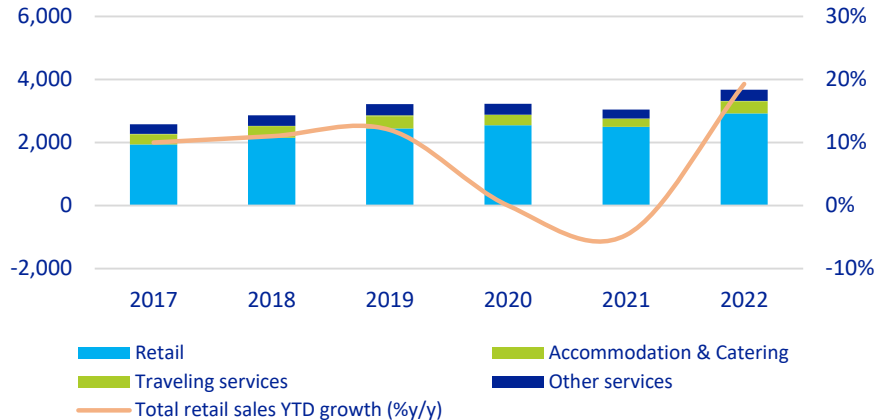
- ❖ Total import-export turnover in August was estimated at US\$64bn (+5.2% m/m, +17.9% y/y) and posted a trade surplus of US\$2.4bn. In which, exports amounted to US\$33.4bn (+9.1% m/m, +22.1% y/y) and imports were estimated at US\$31bn (+1.4% m/m, +12.4% y/y). For the first 8 months, total IM-EX turnover up 16% y/y, posted a trade surplus at US\$4bn.
- ❖ For 8 months, exports to the US increased 26% y/y, exports to China increased just 3% y/y given the lockdowns in many cities due to COVID-19 outbreaks, exports to ASEAN (with main items such as iron & steel, machinery, equipment and spare parts) have highest growth of 27%. Meanwhile, imports from the US decreased 4%, from EU down 7%, imports from China rose 13% despite COVID-19 restrictions in major cities causing difficulties to both importers and exporters.

Foreign trade by months (USDbn)



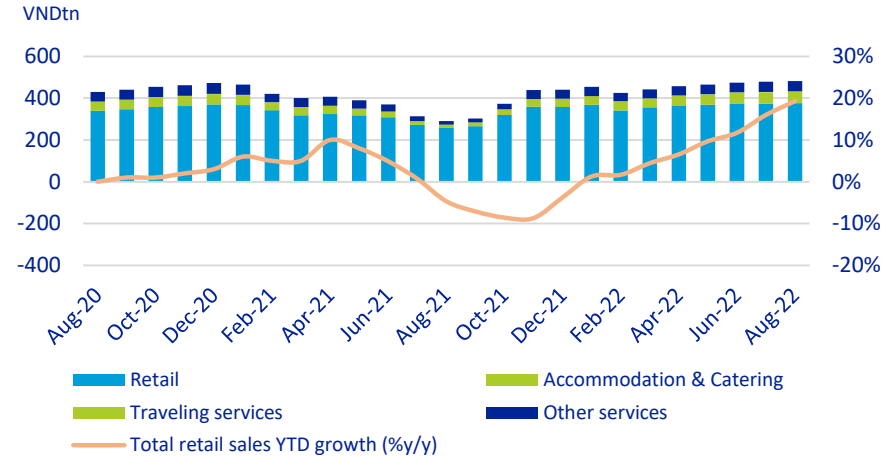
Source: GSO, ACBS

Retail sales of goods and services in 8M



Source: GSO, ACBS

Retail sales of goods and services monthly

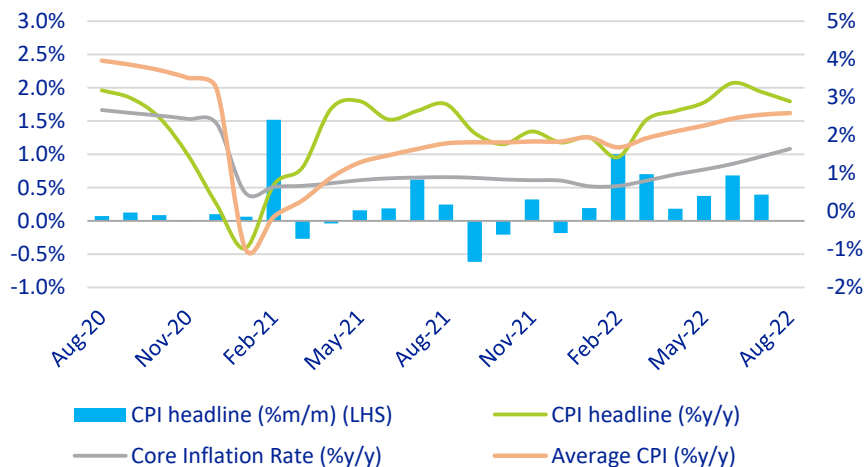


Source: GSO, ACBS

- ❖ Total retail sales of consumer goods and services in August were VND 481 trillion (+0.6% m/m, +50.2% y/y). In which, revenue of goods increased 32% y/y, accommodation and catering up 185%, traveling services surged 64 times and other services up 197%.
- ❖ For 8 months, the total retail sales were estimated at VND3,679tn, up 19.3% y/y. Revenue of cultural and educational items up 26.7% y/y, garments up 14.4%, transportation up 14.1%, food and food stuffs up 12%, household tools & equipment up 7.6%.
- ❖ For 2022, we expect the retail sales to continue their recovery thanks 1) local and international travel are expected to pick up in 2022, as the borders reopened to international travelers on March 15th which will not only push travelling services but also other services and retail sales of goods and; 2) backlogged consumption needs suppressed during last two years as most of activities have resumed normal operations

CPI increase slightly with most items narrow the gain

CPI monthly



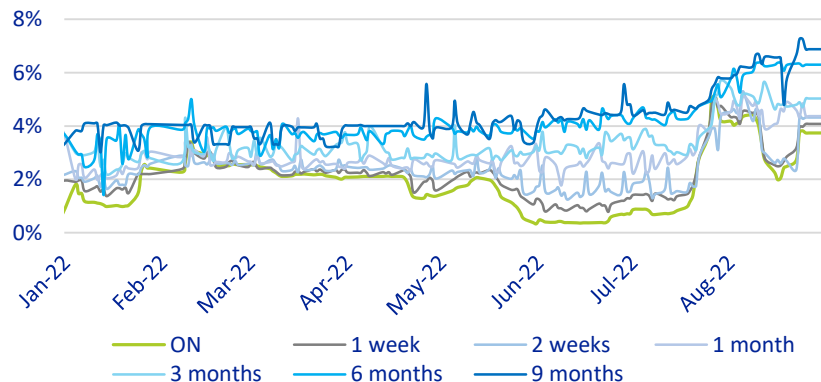
Source: GSO, ACBS

CPI Basket	Weight (%)	08/2022 (% m/m)	08/2022 (% y/y)	Avg 8M2022 (% y/y)
CPI headline	100.0	0.00%	2.89%	2.58%
Food and Foodstuffs	33.6	1.05%	3.30%	1.44%
Food	3.7	0.19%	2.31%	2.38%
Foodstuff	21.3	1.33%	2.30%	0.23%
Eating outside	8.6	0.73%	6.26%	4.12%
Beverage, cigarette	2.7	0.27%	3.48%	2.93%
Garment, footwear	5.7	0.18%	2.05%	1.30%
Housing and constrn. Materials	18.8	0.26%	1.40%	1.82%
Household appliances & goods	6.7	0.21%	2.47%	1.75%
Medicine, health care	5.4	0.09%	0.47%	0.34%
Transportation	9.7	-5.51%	8.94%	16.06%
Postal services, Telecom.	3.1	-0.01%	-0.16%	-0.46%
Education	6.2	1.46%	-0.57%	-2.44%
Culture, entertm't. & tourism	4.6	0.43%	4.80%	2.21%
Other goods, services	3.5	0.20%	2.86%	2.00%

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

- ❖ The consumer price index (CPI) in August inched up 0.005% over last month and increased 2.89% over the same period last year. Transportation decrease in August over last month given prices of gasoline and diesel went down for the 2nd consecutive month. Other goods and services price hikes have been still impacted by the surge in petro prices and materials in previous months and remain at high prices despite petro prices adjustments in last two months. The core CPI in August increased by 0.4% m/m and 3.06% y/y.
- ❖ Compared to other countries, headline CPI in Vietnam is still low at 2.58% in 8 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 and gasoline and diesel, and is still lower than other countries (as shown in slide 22) and lower than government's target.

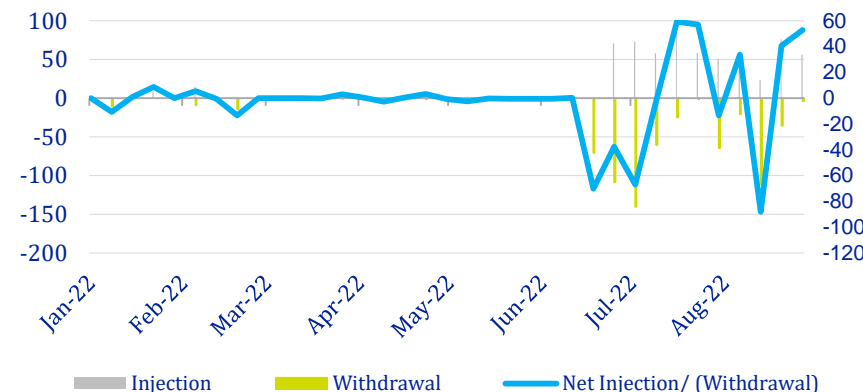
Interbank Rate



❖ In August, SBV continued to issue over VND160tn, while over VND194tn come due through T-bills channel. In addition, VND35bn of reverse repos OMO issued in August combined with over VND74tn coming due during the month through reverse repo OMO. Furthermore, we estimate that the SBV has sold over USD3bn in August, which indirectly withdrew over VND70tn from the system through-out August. As a result, the SBV withdrawn over VND75tn net via T-bills, reverse repos OMO and selling USD. The interbank rate volatile across all tenors throughout August due to unstable liquidity of banking system caused by interbank activities of SBV listed above.

❖ We expect that maintaining low interest rates would be tough for the SBV as the FED might have another three rate hikes towards the year end, which will put pressure on VND/USD exchange rate and the SBV will have to keep gap between the VND and USD interbank interest rate positive in order to support VND/USD exchange rate. We maintain our expectation that our key policy interest rates might gradually increase between 50bps – 75bps toward year-end.

Net Injection/ (Withdrawal) from OMO (VNDtn)

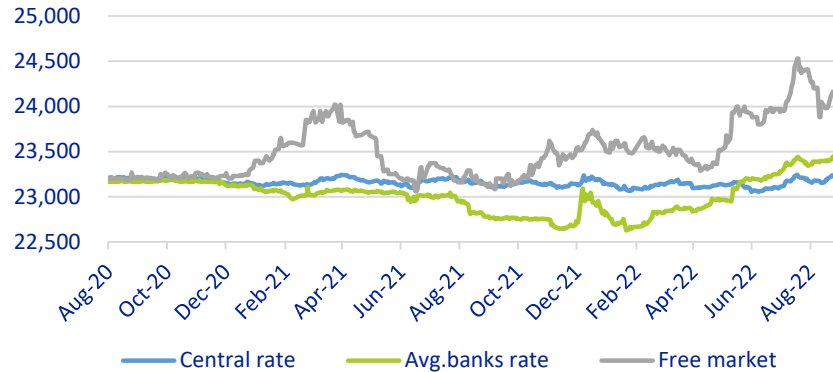


Interbank Rate

Term	ON	1 weeks	2 weeks	1 month	3 months	6 months	9 months
Avg of Aug 2022	3.53%	3.79%	3.91%	4.59%	5.06%	6.24%	6.51%
+/- MoM (bps)	164	151	165	136	140	165	169
+/- YTD (bps)	266	255	243	274	244	309	311

USD/VND increased slowly amid US Dollar bounced back

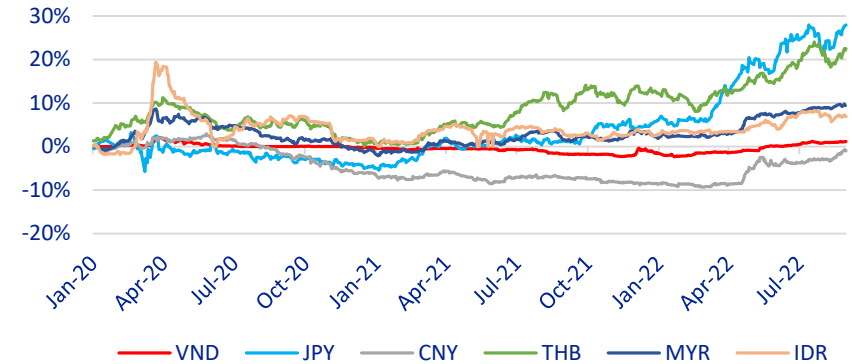
USD/VND exchange rate



Source: Fiin Pro, ACBS

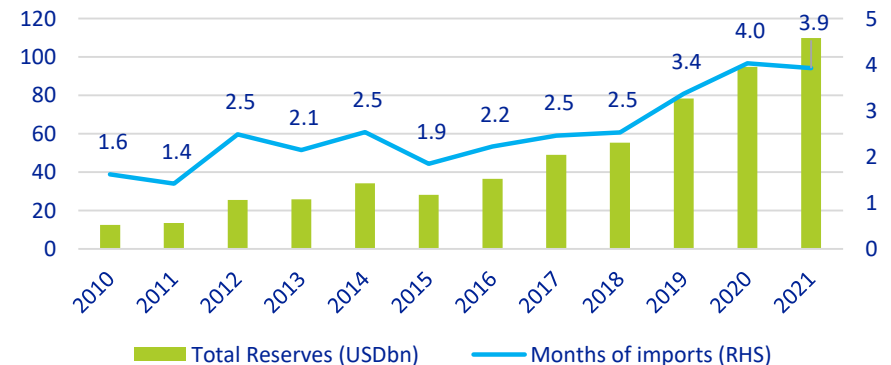
- ❖ The USD/VND rate remained uptrend in August with the rate at central bank closed month up slightly to 23.219 (+0.19% m/m), the average rate of banks up to 23.451 (+0.46% m/m) as the growing pressure from the strengthening US Dollar (US Dollar index was up 2.6% m/m) after the Fed hiked interest rates in the recent meetings. The rate in free market decreased sharply by 1.5% m/m to narrow gap with official market. Subsequent to the end of August, the SBV increased spot reference asking exchange rate by 300VND to 23,700 on Sept 7th as the VND has been under pressure from external headwinds (see [Flash Note on Sept 7th](#) for further analysis)
- ❖ Gold prices in the global market fell sharply in August amid sharp declines of commodities given the strengthening US Dollar, closed month at US\$1,711 (-3.1% m/m). The domestic gold prices just downed slightly to VND66.6m/tael (-0.2% m/m), which represents an high premium of c.37% to global markets.
- ❖ It is estimated that the SBV has sold approx. US\$21bn in 2022 from the foreign reserves, equivalent to 19% of total reserves, putting current reserves at est. USD89bn and has reduced the import coverage to approx. 12 weeks, still within a safe range.

USD/VND and other currencies



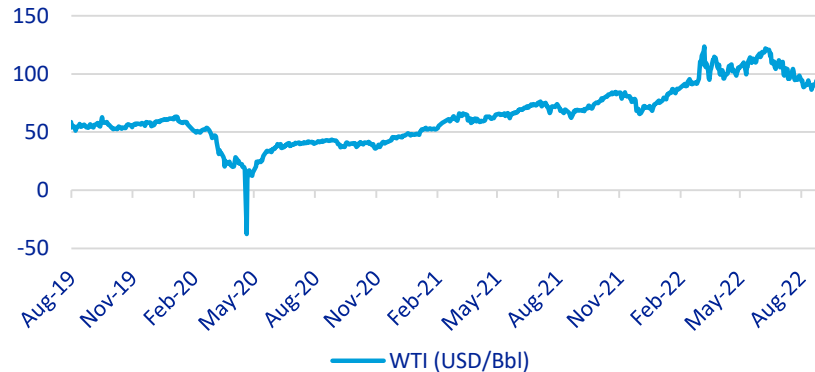
Source: Bloomberg, ACBS. Note: change relative to Dec 31, 2019

Vietnam foreign reserves in months of imports



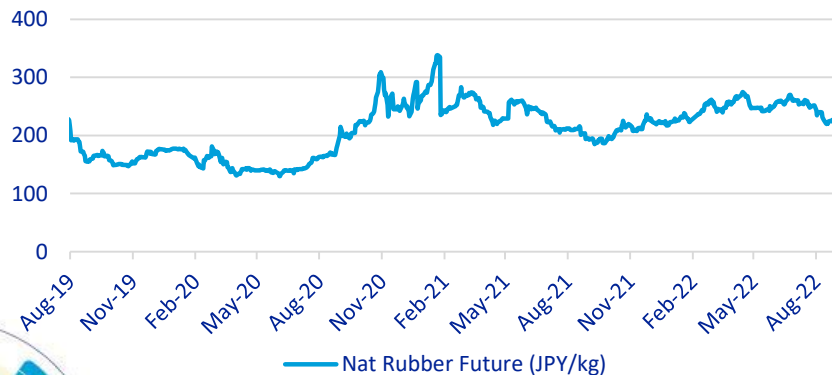
Source: WB, ACBS

Crude Oil WTI



Source: Bloomberg, ACBS

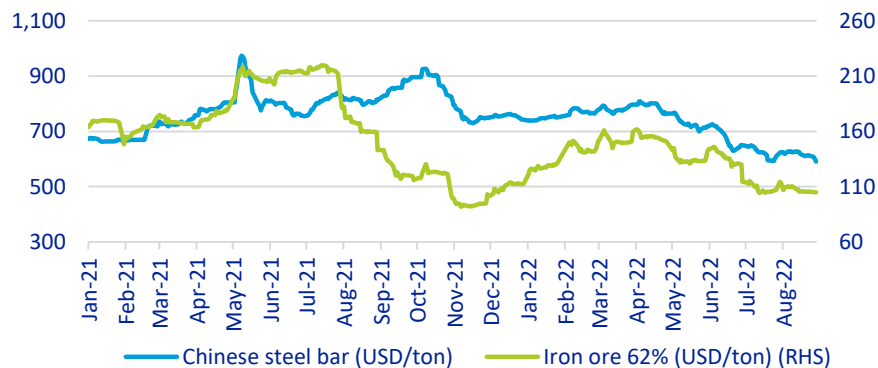
Natural rubber



Source: Bloomberg, ACBS

- ❖ WTI oil prices closed month at US\$89.6/barrel, falling 9.2% over last month given rising concern on recession after central banks hiking interest rates combined with Chinese economic outlook dimmed by zero-COVID strategy. Despite the persistent supply-side issues with Russian sanctions and no expectations of supply boost from OPEC nations, oil prices hard to recover amid mass factories in fertilizer and steel industries are closing. While the global economy would need a stable supply of oil for economic activities, which are recovering post pandemic although worries on recession is growing, we suppose that crude oil still have motivation for increase to around US\$100/barrel until the supply side becomes more stable.
- ❖ Natural rubber futures on the Tokyo Commodity exchange closed August at JPY229, down 9.2% over last month amid worries about slowdown demand from China which have weak domestic and manufacturing data and rising new COVID-19 cases. Recently, Chongqing city, one of largest automotive manufacturing hubs of China, ordered power cuts to save energy amid the unprecedented heatwave, leading to shut down of many factories. Besides, the slowdown of global economic after hiking interest rates of central banks to curb inflation and shortage of chip drag demand of rubber products like automotive parts. We suppose that the recover of rubber prices in near future will faced with unfavorable factors from demand side.

Steel rebar & Iron ore



Source: Bloomberg, ACBS

Coking coal



Source: Bloomberg, ACBS

- ❖ Chinese steel rebar prices continued to decrease by 3.1% in August amid weak demand from China and the low price of Russian steel to Asia countries. Indian suppliers also decreased prices after India raised export tariffs of steel and iron ore combined with removing import tariffs of coke and coking coal. Although the Chinese government is continuing their investments in infrastructure and supplier continue to be constrained from Russia and Ukraine, we suppose that steel price can not return to the uptrend in the near future given the COVID-19 pandemic continues to break out in China (with signals of increasing cases in many countries globally) combined with the real estate crisis in China.
- ❖ Iron ore prices dropped 2.3% in August given the weak economic data from 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 dropped sharply by 10% in August amid the seasonal decrease in demand both from China and India and surge in coal supply from Russia shifted from markets like Japan and the EU at discounted prices. The supply disruption in the 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	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Industrial Production (% y/y)	-7.6%	-1.8%	8.2%	8.7%	2.8%	9.2%	9.1%	11.1%	9.5%	9.1%	9.5%	15.6%
Mining & quarrying	-13.0%	-8.2%	6.2%	-7.1%	-1.7%	2.2%	7.5%	7.9%	3.9%	5.1%	-2.8%	10.2%
Manufacturing	-6.5%	-0.8%	8.6%	10.9%	2.9%	9.7%	9.7%	11.7%	11.0%	9.9%	11.1%	16.2%
Prod & dist of electricity	-11.7%	-4.8%	6.8%	9.1%	5.2%	11.9%	6.5%	8.6%	2.3%	5.5%	6.2%	14.8%
Water supply & waste treatment	-1.9%	-0.5%	0.4%	0.8%	4.1%	4.3%	-4.6%	2.7%	9.4%	6.3%	12.1%	11.0%
PMI	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7	54.0	51.2	52.7
Retail Sales (% y/y)	-28.4%	-19.5%	-12.2%	1.1%	1.3%	3.1%	9.4%	12.1%	22.6%	27.3%	42.6%	50.2%
CPI (% m/m)	-0.6%	-0.2%	0.3%	-0.2%	0.2%	1.0%	0.7%	0.2%	0.4%	0.7%	0.4%	0.0%
CPI (% y/y)	2.1%	1.8%	2.1%	1.8%	1.9%	1.4%	2.4%	2.6%	2.9%	3.4%	3.1%	2.9%
Export Value (USDm)	27,026	28,870	31,870	34,592	30,845	23,417	34,712	33,317	30,918	32,843	30,607	33,380
Import Value (USDm)	26,666	26,130	30,610	31,623	29,449	25,381	32,663	32,468	32,616	32,233	30,533	30,960
Trade Balance (USDm)	360	2,740	1,260	2,970	1,396	-1,964	2,049	849	-1,698	610	74	2,420
Disbursed FDI (USDm)	1,700	1,870	1,950	2,640	1,612	1,068	1,740	1,500	1,790	2,348	1,512	1,230
Registered FDI excl. Cap. Cont. (USDm)	2,614	1,184	1,971	2,181	1,658	2,568	3,050	1,710	742	2,032	1,203	899

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%	9.4%
Retail Sales	12.6%	10.6%	9.5%	10.2%	10.9%	11.7%	11.8%	2.6%	-3.8%	19.3%
Consumer Price Index	6.6%	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.2%	1.9%	2.6%
Export Value (USDbn)	132.03	150.22	162.02	176.58	215.12	243.70	264.34	282.53	336.25	250.80
Import Value (USDbn)	132.03	147.85	165.78	174.98	213.22	236.87	254.09	262.67	332.25	246.84
Trade Balance (USDbn)	0.00	2.37	-3.76	1.60	1.90	6.83	10.25	19.86	4.00	3.96
Disbursed FDI (USDbn)	11.50	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	12.80
Registered FDI (USDbn)	21.63	20.23	22.76	20.95	29.97	25.57	22.55	21.06	24.26	13.86

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	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22
Indonesia	5.0%	5.0%	5.4%	4.4%	4.9%	4.7%	50.2	51.3	51.7
Malaysia	3.6%	5.0%	8.9%	3.4%	4.4%		50.4	50.6	50.3
Philippines	7.7%	8.2%	7.4%	6.1%	6.4%		53.8	50.8	51.2
Singapore	6.1%	3.8%	4.4%	6.7%	7.0%				
Thailand	1.9%	2.3%	2.5%	7.7%	7.6%	7.9%	50.7	52.4	53.7
Vietnam	5.2%	5.1%	7.7%	3.4%	3.1%	2.9%	54.0	51.2	52.7
China	4.0%	4.8%	0.4%	2.5%	2.7%		51.7	50.4	49.5
Hong Kong	4.8%	-3.9%	-1.3%	1.8%	1.8%				
Taiwan	4.7%	3.1%	3.1%	3.6%	3.4%		49.8	44.6	42.7
Japan	0.7%	0.2%		2.4%	2.6%		52.7	52.1	51.5
South Korea	4.1%	3.0%	2.9%	6.0%	6.3%	5.7%	51.3	49.8	47.6
India	5.4%	4.1%	13.5%	7.0%	6.7%		53.9	56.4	56.2
United States	6.9%	-1.4%	-0.9%	9.1%	8.5%		52.7	52.2	51.5

- ❖ Vietnam has been able to regain its growth momentum of the past decades as it emerges from a subdued two year period, although still posting positive GDP growth, as restrictions to curb the spread of COVID-19 have been lifted. Recent economic performance has maintained remarkable growth over the recent three quarter given success of new strategy living-with-COVID. In the near future, we supposed that Vietnam economic growth will get impressive growth in rest of 2022 thanks to low base of last year and expansion of industrial activities as production shifts from China due to prolonged lockdowns 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 maintain our projection of GDP growth in range of 6.8% - 8.5% for the whole year 2022 as details in next page. Headwinds facing the economy appear mainly exogenous as recessionary fears are growing globally and central banks are continuing aggressive rate hikes to temper stubbornly high inflation.
- ❖ For the long term, we believe that Vietnam will continue on its sustainable development path based on modernizing the economy with divestment of State Owned Enterprises opening more space for private sector, integration in the global economy by mass of trade agreements and policy towards attracting foreign direct investment to create motivation for domestic businesses, combined with innovation of investment policies and procedures to suitable with new situations, bringing better conditions for both foreign and local businesses.

Selected Outlook on Vietnam 2022 GDP growth

Organization	Latest projection	Previous projection
World Bank	7.5% (August 2022)	5.3% (April 2022)
International Monetary Fund	6.0% (July 2022)	6.05% (April 2022)
The Asian Development Bank	6.5% (July 2022)	6.5% (April 2022)
Fitch Ratings	6.1% (March 2022)	7% (April 2021)
Moody's	8.5% (August 2022)	6.3% (April 2022)
S&P	6.9% (May 2022)	
Standard Chartered Bank	6.7% (July 2022)	6.7% (April 2022)
HSBC	6.2% (April 2022)	6.5% (Jan 2022)
United Overseas Bank	6.5% (June 2022)	
ACBS	6.8% - 8.5% (July 2022)	5.8% - 7.2% (April 2022)

Favourable Scenario

Key assumption:

- Economic growth remain strong.
 - ✓ Agriculture, forestry and fishery sector accelerate in 3Q and 4Q.
 - ✓ Industrial activities continue to accelerate in 3Q and 4Q2022.
 - ✓ Services sector fully recover in 3Q and 4Q2022.
 - ✓ Inflation peaked and remain at this level through out 2H2022
- Fiscal Policy: fiscal and monetary stimulus package worth VND337tn especially the developing infrastructure package (VND113.85tn) will be disbursed soon in 3Q and 4Q.
- Monetary Policy:
 - ✓ SBV will grant new credit growth quota in 3Q2022.
 - ✓ Monetary policy tends to continue to be expansionary for supporting the economic recovery
 - ✓ SBV might raise its benchmark interest rates toward yearend by about half percentage point (50bps)
- COVID-19: no major outbreak in major cities.

GDP	IIP	Imports (USDbn)	Exports (USDbn)	Disbursed FDI (USDbn)	Retail sales
8.5%	12.7%	390	394	21.5	22.9%

Less Favourable Scenario

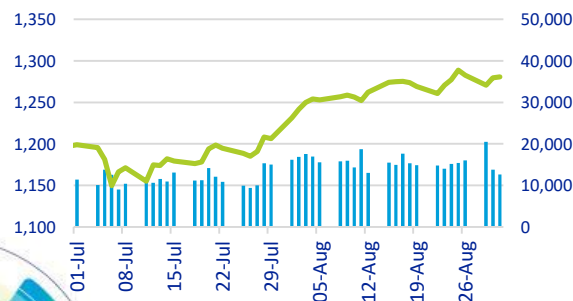
Key assumption:

- Economic growth slow in 3Q and 4Q.
 - ✓ Agriculture, forestry and fishery sector maintained its growth rate
 - ✓ Industrial activities continue to recover but on a slower trajectory due to weak global demand
 - ✓ Services sector could not fully recover in 2H2022
 - ✓ Inflation pick up a little bit in 2H2022 but remain within 4%.
- Fiscal Policy: fiscal and monetary stimulus package worth VND337tn especially the developing infrastructure package (VND113.85tn) disburse slowly and might extent to 4Q2022.
- Monetary Policy:
 - ✓ SBV will grant new credit growth quota in 4Q2022.
 - ✓ Monetary policy tends to continue to be expansionary for supporting the economic recovery.
 - ✓ SBV might raise its benchmark interest rates toward yearend by about 0.5-0.75 percentage point (50 - 75bps)
- COVID-19: minor outbreak in major cities.

GDP	IIP	Imports (USDbn)	Exports (USDbn)	Disbursed FDI (USDbn)	Retail sales
6.8%	10.7%	382	383	20.5	17.9%

Stock market recap in August

Statistics	August 2022		8M2022	
Bloomberg Code	VNIndex		VNIndex	
Range (pts)	1,209-1,295		1,143-1,536	
Month End Index (pts)	1,280.5		1,280.5	
Month End Mkt cap (VNDbn)	5,124,331		5,124,331	
Month End Mkt cap (USDbn)	223.0		223.0	
Daily Avg Value (VNDbn)	15,734		19,452	
Gainers	281		106	
Laggards	121		306	
Net Foreign Trade (USDbn)	0.047		0.111	
Foreign Participation	5.9%		7.6%	
Performance (%)	1M	3M	6M	12M
VNIndex	6.1	-0.9	-14.1	-3.8
VN30	5.6	-2.3	-14.2	-8.9



The VNIndex rebounded well in August to post one of the regions strongest monthly gains, increasing 6.2% on improving liquidity (average daily trading value increasing +35% m/m). The market rally was fairly broad based with most sectors finishing in the month in the green, with the retailing, brokers and materials sectors leading the way. The Vietnamese markets were able with withstand the hawkish comments at the end of the month from the US Fed meetings on Aug 26th, in which Jerome Powell's comments following the meeting promised policy 'pain' in order to contain inflation, in which hopes for a more dovish Fed contributing to the rally in global equities were squashed. Fundamentally, the Vietnamese equity markets continue to be attractive with 2022 earnings estimates to reach 19% resulting in a 2022 year end P/E of 12.4x, the lowest in the region. Further contributing to the positive sentiment in the market was the application of the T+1.5 settlement time from T+2 on August 29th. We appreciate the move to shorten the settlement time on the market, although we do not expect a long term material uptick in liquidity from the change. Foreign investors were net buyers of US\$47m, bringing the cumulative net buying for the year to US\$111m.

VCB (+12.4%), the largest capitalization stock, was the top leader in the VNIndex in August on prospects of extended credit room for the rest of year. The Utilities industry was in the news as Japan's biggest power generator (JERA) announced the acquisition of a 35.1% stake in renewable energy company Gia Lai Electricity JSC. (HOSE: GEG). In the pharmaceutical industry, SK Investment Vina III Pte. Ltd. managed by the South Korea's 3rd largest conglomerate SK Group continued to expand their investment in Vietnam by offer to buy a 1.1% stake of Imexpharm (HOSE: IMP) to raise its ownership to 55%. In the past, this group also invested 9.4% stake in Masan Group, US\$340m in Crown X (the subsidiary company of Masan), 6% stake in Vingroup and 14.5% stake in Maroon Bells, the holding company of the biggest pharmacy stores chain Pharmacy. MWG (+21%), one of top leaders of VNIndex in August, was reported to be planning to transfer 20% stake of Bach Hoa Xanh sometime in early 2023, following the restructuring this grocery chain by shutdown over 300 underperforming stores in July.

Top gainers & laggards for August 2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	1M return
Technology Hardware & Equip.	42.4%	22.4%
Retailing	34.8%	20.5%
Diversified Financials	42.3%	12.9%
Commercial & Prof. Services	275.2%	12.0%
Materials	53.0%	10.3%
Top 5 laggards	Avg Daily Trading Value (%m/m)	1M return
Health Care Equip. & Services	5.4%	-7.1%
Telecommunication Services	55.3%	-5.3%
Pharma, Biotech & Life Sciences	0.8%	-1.6%
Household & Personal Products	-62.8%	-1.4%
Media & Entertainment	6.5%	-0.4%

Top gainers & laggards for 8M2022

Top 5 gainers	Avg Daily Trading Value (%m/m)	YTD return
Commercial & Prof. Services	275.2%	26.5%
Utilities	9.6%	13.5%
Software & Services	2.7%	13.3%
Retailing	34.8%	11.2%
Automobiles & Components	70.8%	8.7%
Top 5 laggards	Avg Daily Trading Value (%m/m)	YTD return
Diversified Financials	42.3%	-37.9%
Telecommunication Services	55.3%	-24.0%
Health Care Equip. & Services	5.4%	-19.3%
Materials	53.0%	-19.0%
Energy	154.1%	-17.7%

- ❖ Most industries posted good performance in August with 17/23 industries got positive return in prices and 22/23 industries saw higher liquidity over last month.
- ❖ Technology Hardware & Equipment with DGW (+22%) thanks to expectation on revenue growth in the back to school shopping season. Diversified financials (primarily brokers) had good performance thanks to market recovery. Materials with fertilizer tickers (DPM +22%, DCM +28%, DGC +11%) may be benefited from shutdown of many fertilizer factory in the world given energy crisis, and steel stocks (HPG +7%, HSG +23%, NKG +19%) also rose amid many steel mills in the EU and China reducing production or shutting down, thus reducing global supplies.
- ❖ In the opposite direction, industries which got negative return in prices mostly have low capitalization and affected by singular tickers, but improved in liquidity.

Month end HOSE composition and valuation

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)
Banks	17	1,622.9	31.7%	6.8%	-8.0%	11.44	2.05	1.89%	20.35%	21.6%	1,514.3	7,320.9
Real Estate	49	1,064.0	21.0%	4.8%	-16.2%	33.89	2.89	4.46%	11.79%	43.1%	-348.7	-4,309.3
Food, Beverage & Tobacco	32	569.6	11.3%	5.8%	-0.2%	19.59	4.49	12.14%	25.97%	21.6%	577.5	-2,502.2
Materials	62	405.9	8.0%	10.3%	-19.0%	12.25	1.86	17.15%	27.44%	53.0%	-308.1	-3,263.8
Utilities	28	357.7	7.1%	6.7%	13.5%	16.89	2.98	12.33%	20.58%	9.6%	34.1	26.1
Capital Goods	76	253.0	5.0%	6.6%	-13.4%	28.43	2.18	5.43%	15.58%	29.2%	-145.8	2,369.5
Transportation	28	186.8	3.6%	0.9%	-8.5%	328.75	2.98	1.99%	10.97%	58.7%	-208.7	295.6
Diversified Financials	17	136.4	2.5%	12.9%	-37.9%	10.13	2.05	7.02%	18.55%	42.3%	616.3	-1,180.4
Retailing	9	126.7	2.5%	20.5%	11.2%	20.89	4.75	8.44%	24.91%	34.8%	3.5	1,346.1
Software & Services	3	102.2	2.0%	4.6%	13.3%	19.42	4.70	9.18%	26.02%	2.7%	1.0	460.1
Energy	8	75.7	1.5%	8.7%	-17.7%	50.95	1.97	1.58%	4.47%	154.1%	534.7	378.4
Insurance	5	57.3	1.1%	2.2%	4.2%	21.79	1.92	1.81%	9.66%	19.4%	-93.0	157.2
Consumer Durables & Apparel	17	50.6	1.0%	0.1%	2.4%	17.00	3.09	10.98%	18.96%	32.8%	-78.1	354.2
Pharma, Biotech & Life Sciences	10	29.1	0.6%	-1.6%	-11.5%	15.60	2.56	13.85%	18.07%	0.8%	7.5	113.7
Technology Hardware & Equip.	1	11.7	0.2%	22.4%	5.1%	15.92	5.68	16.29%	45.15%	42.4%	37.0	-7.8
Automobiles & Components	6	9.4	0.2%	2.5%	8.7%	20.29	2.05	7.25%	14.37%	70.8%	-10.9	63.4
Unclassified	13	8.2	0.2%	17.9%	-36.4%	13.01	1.28	3.07%	8.49%	77.9%	0.5	3.6
Consumer Services	8	7.7	0.2%	-0.1%	-1.4%	108.33	3.72	-0.13%	1.20%	31.7%	9.2	7.2
Commercial & Prof. Services	5	6.4	0.1%	12.0%	26.5%	12.22	2.01	13.99%	18.56%	275.2%	-348.7	-373.7
Health Care Equip. & Services	3	3.0	0.1%	-7.1%	-19.3%	17.14	2.09	6.91%	12.29%	5.4%	1.1	321.6
Telecommunication Services	1	2.0	0.0%	-5.3%	-24.0%	11.40	2.06	3.86%	19.82%	55.3%	0.0	-0.7
Media & Entertainment	2	1.5	0.0%	-0.4%	-17.0%	12.28	2.06	13.65%	21.90%	6.5%	3.0	-67.1
Household & Personal Products	1	1.4	0.0%	-1.4%	-5.7%	7.60	1.92	17.02%	27.84%	-62.8%	-0.5	-9.8
VNIndex	419	5,124.3	100.0%	6.1%	-14.5%	13.74	2.11	2.51%	15.43%	35.3%	1,105.9	2,634.1
VN30 Index	30	3,537.2	69.0%	5.6%	0.0%	11.26	2.13	2.82%	19.19%	26.1%	2,993.5	-8,317.3

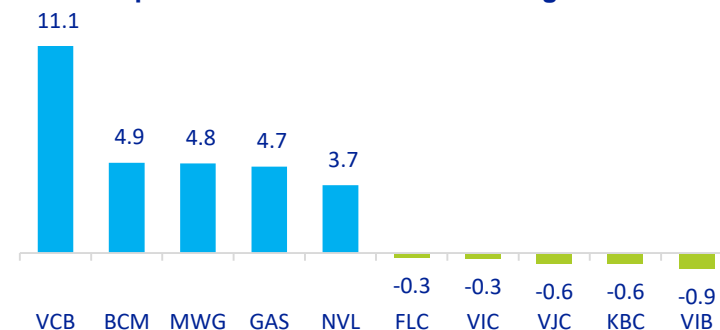
Source: Bloomberg, ACBS

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

No.	Ticker	Company name	Market Cap. (VNDtn)	1M return	YTD return	P/E	P/B	Remaining foreign room (%)
1	VCB	Vietcombank	397.5	12.4%	6.6%	15.9	3.2	6.5%
2	VHM	Vinhomes	265.6	1.8%	-23.4%	9.4	2.2	26.8%
3	VIC	VinGroup	242.9	-0.5%	-33.0%		2.3	36.0%
4	GAS	PetroVietnam Gas	224.1	8.9%	25.0%	17.4	3.8	46.0%
5	BID	BIDV	202.3	7.2%	7.8%	15.6	2.2	13.1%
6	MSN	Masan Group	163.0	7.9%	-19.1%	16.0	5.6	20.1%
7	NVL	Novaland	159.7	9.9%	-10.0%	49.5	4.3	43.2%
8	VNM	Vinamilk	157.8	3.7%	-8.1%	16.7	4.6	45.1%
9	VPB	VPBank	142.3	10.8%	-11.2%	8.4	1.6	0.0%
10	TCB	Techcombank	136.8	2.8%	-22.1%	6.8	1.3	0.0%
11	CTG	VietinBank	135.8	3.9%	-16.7%	9.2	1.3	3.2%
12	HPG	Hoa Phat Group	133.7	7.0%	-34.5%	4.5	1.3	28.5%
13	SAB	SABECO	120.5	4.4%	27.2%	26.2	5.2	37.2%
14	MWG	Mobile World Investment	108.3	21.3%	9.6%	21.8	4.8	0.0%
15	MBB	MBBank	107.7	11.1%	-1.4%	6.9	1.6	0.0%
16	GVR	Viet Nam Rubber Group	105.4	10.3%	-28.7%	22.2	2.1	12.5%
17	BCM	Becamex IDC Corp.	95.2	25.2%	43.8%	56.8	5.5	46.2%
18	FPT	FPT Corp	95.0	4.9%	14.1%	19.2	4.9	0.0%
19	ACB	Asia Commercial Bank	83.3	0.2%	-10.7%	7.1	1.6	0.0%
20	VJC	Vietjet Air	65.9	-3.3%	-5.2%	166.5	3.8	13.4%

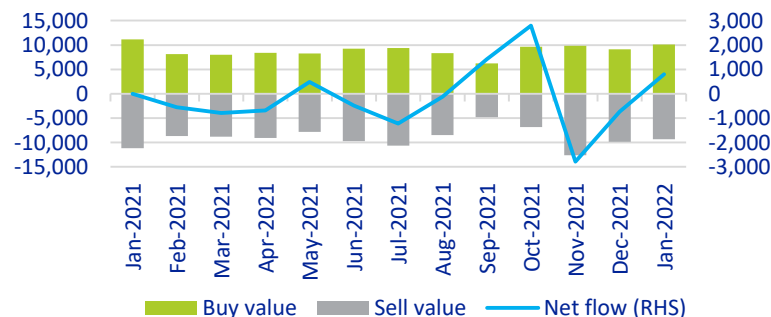
Source: Bloomberg, FiinPro, ACBS

Top contributors on VNIndex in August 2022



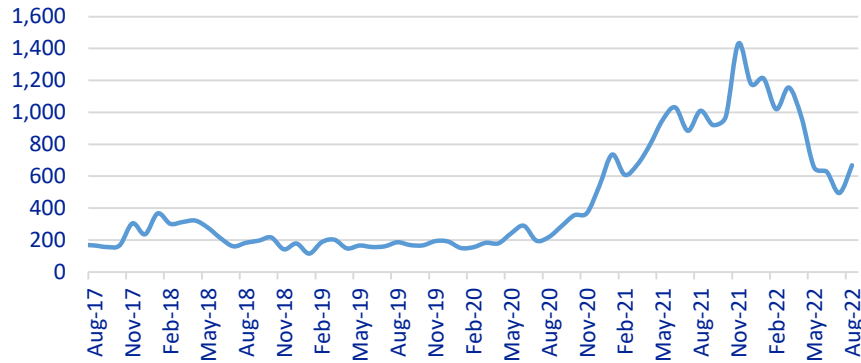
Note: Index impact (pts)

Net brokerage prop trading value into VNIndex (USDbn)



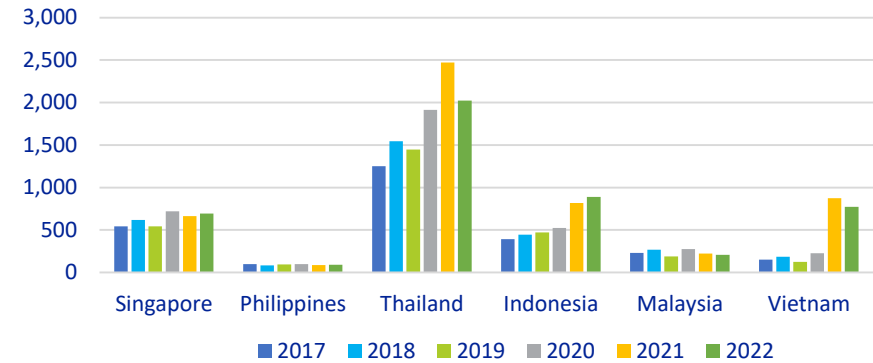
Source: FiinPro, ACBS

Average Daily Turnover (USDm)



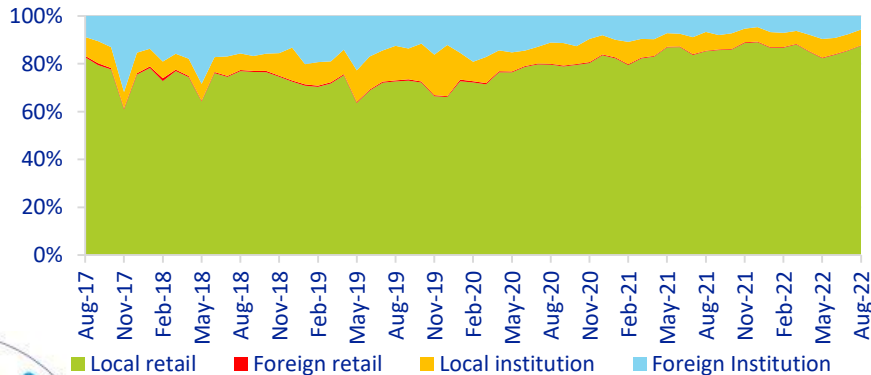
Source: Fiin Pro, ACBS

Average Daily Turnover of ASEAN markets (USDm)



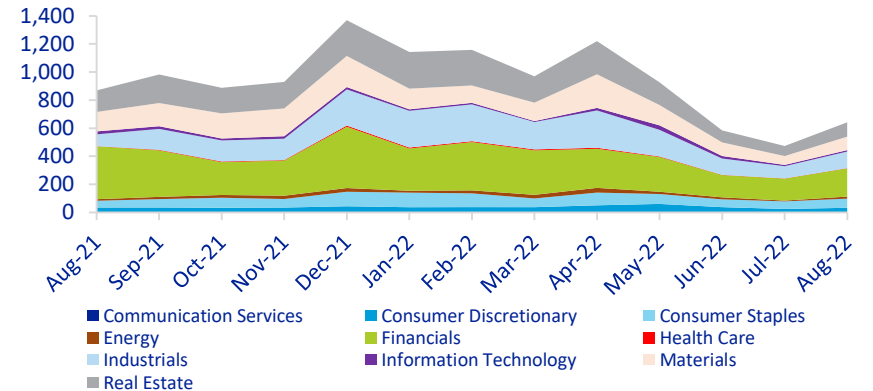
Source: Bloomberg, ACBS

Market Turnover by Investors



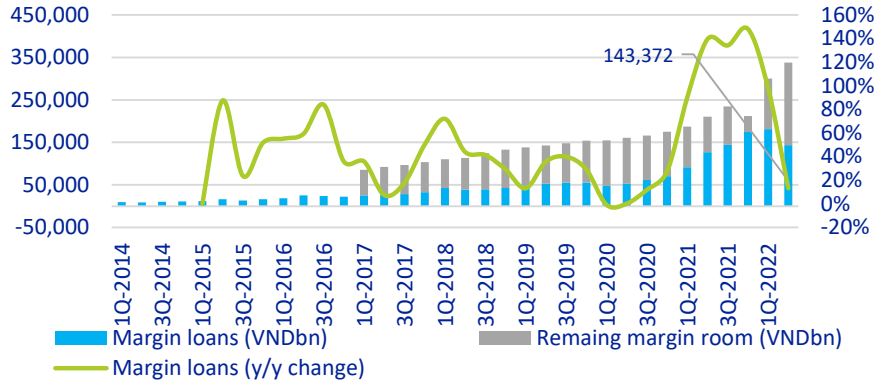
Source: Fiin Pro, ACBS

Average Daily Turnover by Sector (USDm)



Source: Fiin Pro, Bloomberg, ACBS

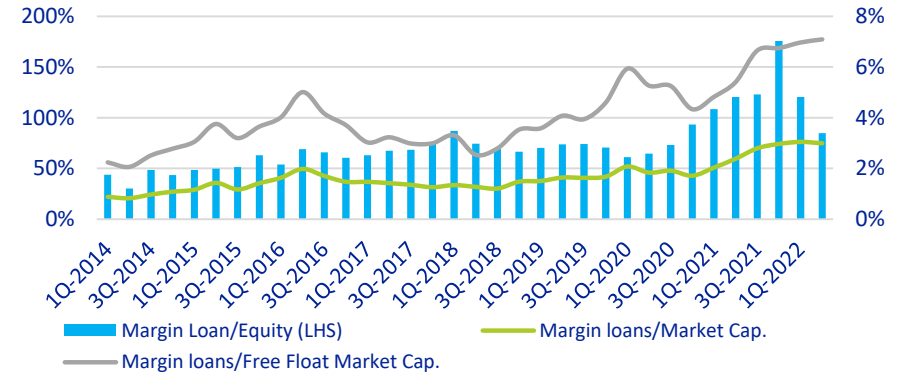
Margin outstanding



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

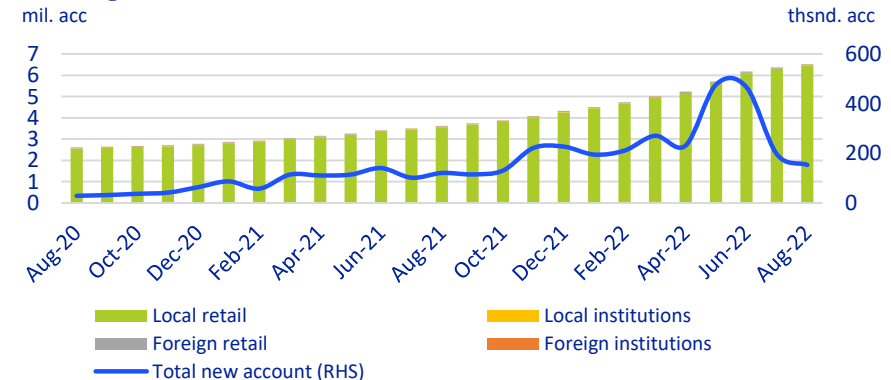
- ❖ Recently, with the market correction, market wide margin loans have retreated from record levels. Market-wide margin loans outstanding at the end of the second quarter of 2022 were estimated at VND 143 trillion, decrease by 21% over end of 1st quarter, the margin loans to free float market capitalization was about 7.1%.
- ❖ New trading accounts opened in August reached 152,873 mainly driven by individual domestic investors. Newly opened accounted decreased sharply by 22% m/m but were 27% higher than the same period in 2021. Generally, there are 6.5 million accounts as of August 31, 2022, of which, 34% have been opened just this year alone.

Margin leverage



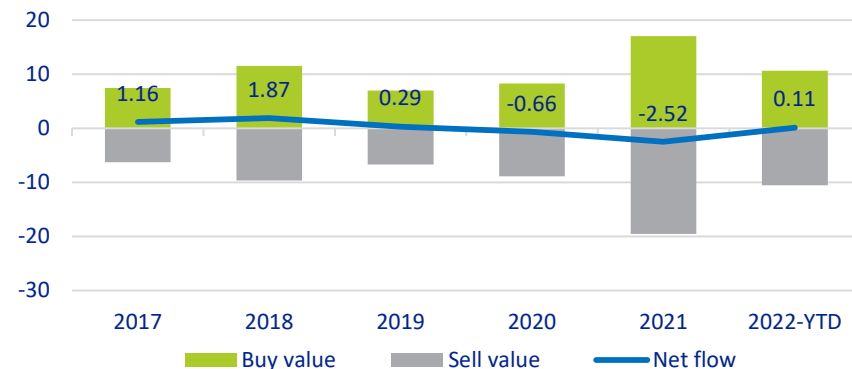
Source: Fiin Pro, Bloomberg, ACBS

Trading account



Source: GSO, ACBS

Net foreign flow into VNIndex (USDbn)



Source: FiinPro, ACBS

- ❖ Foreign investors got the net buying by US\$47m bringing the cumulative net buying from beginning of year to US\$111m. In which, the foreigners sold domestic ETFs with net sell amount approx. of US\$29m in August. Banks (highest inflows in HDB, STB, CTG), Real estates (highest inflows in NLG, NVL, VRE), Diversified finances (highest in SSI, FTS, VND) and Energy (highest in PVD) received most inflows in August.
- ❖ The foreign capital is turning to pour to ASEAN markets like Indonesia, Malaysia, Thailand and Vietnam thanks to preferable economic outlooks, while other regions globally are facing energy crises and recession risks after hiking interest rate of central banks.

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

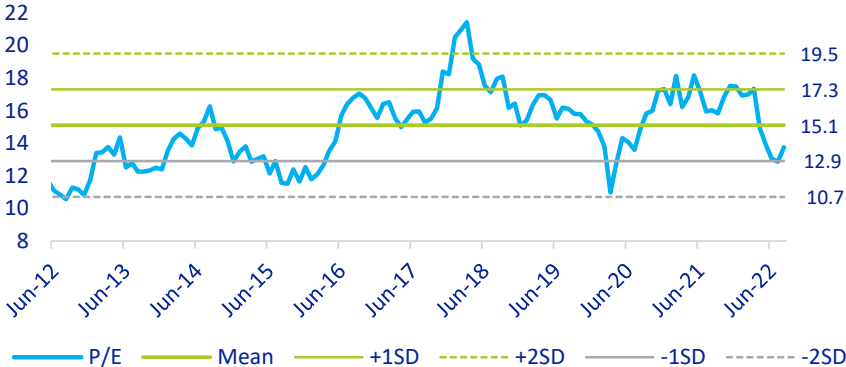


Source: FiinPro, ACBS

Markets	Net foreign flow 1M (USDbn)	Net foreign flow YTD (USDbn)	Market Cap. (USDbn)	Net foreign flow YTD as % market cap
Vietnam (*)	0.05	0.11	223.0	0.05%
Indonesia	0.51	4.63	628.5	0.74%
Malaysia	0.47	1.95	225.0	0.87%
Philippines	-0.15	-1.01	164.2	-0.61%
Thailand	1.60	5.17	538.0	0.96%
Taiwan	-4.12	-38.82	1,545.9	-2.51%

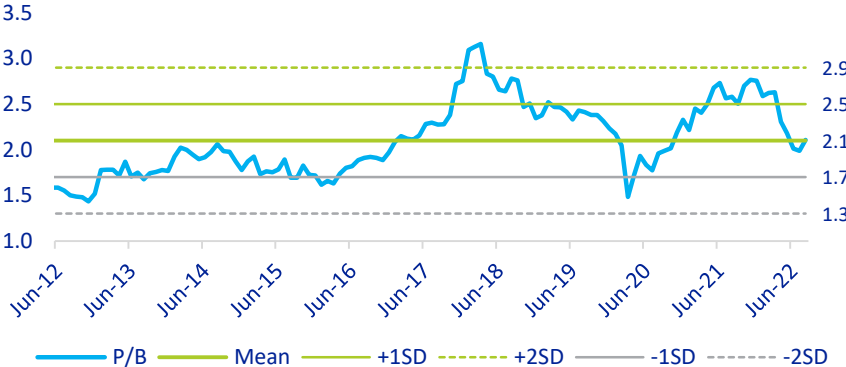
Source: Bloomberg, ACBS

P/E of VNIndex for 10 years



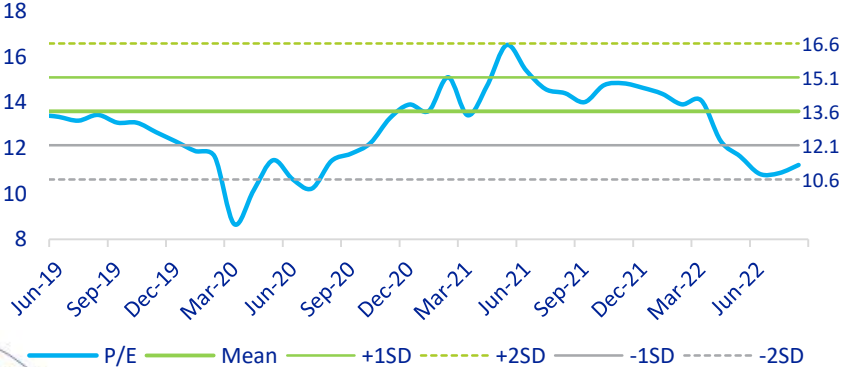
Source: Bloomberg, ACBS

P/B of VNIndex for 10 years



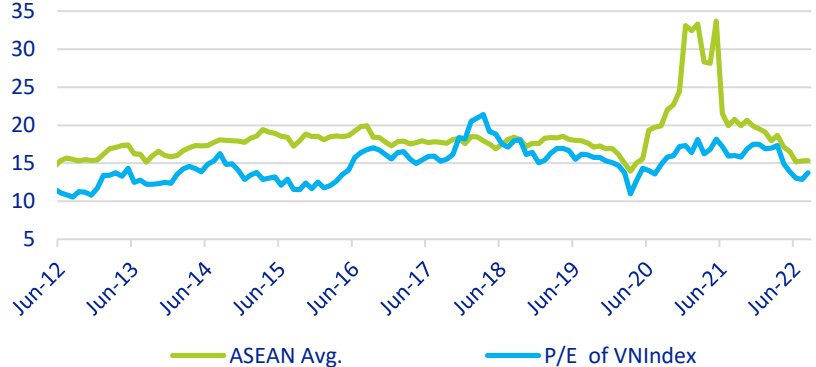
Source: Bloomberg, ACBS

P/E of VN30 for 3 years



Source: Bloomberg, ACBS

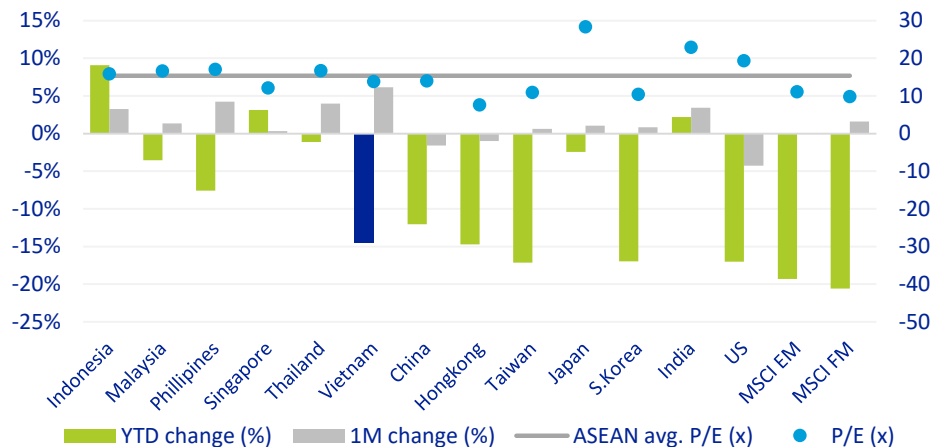
P/E of VNIndex and regional peers average



Source: Bloomberg, ACBS

Stock market valuation vs regional peers

Index comparison



Source: Bloomberg, ACBS

Earnings growth and forward P/E

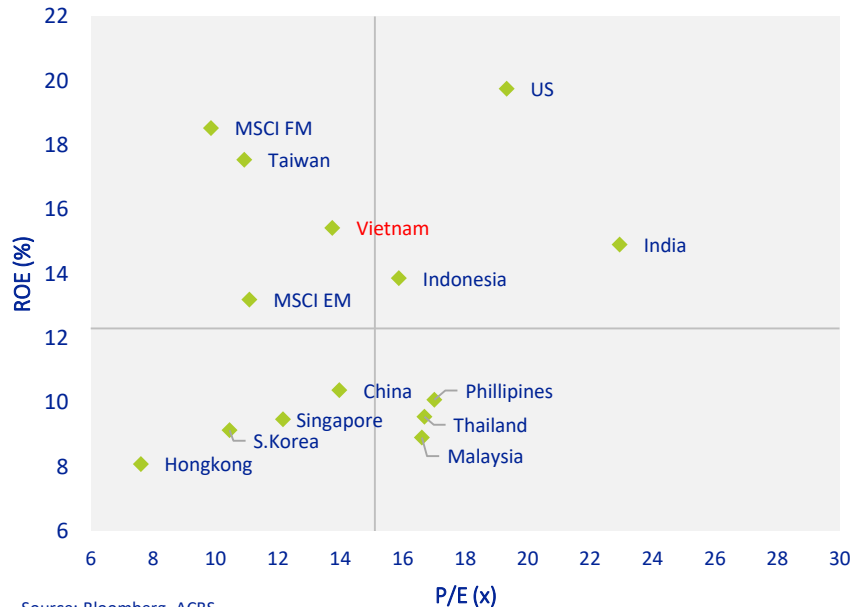
Country	Aug '22 P/E (x)	'22E EPS growth (%)	'22F P/E (x)	'23E EPS growth (%)	'23F P/E (x)
Vietnam (*)	13.7	19.0%	12.4	13.0%	11.0
Average	15.3	18.4%	14.5	11.4%	13.1
Indonesia	15.9	46.8%	16.0	5.3%	15.1
Malaysia	16.6	-1.5%	14.7	11.5%	13.2
Philippines	17.0	24.1%	15.6	18.6%	13.2
Singapore	12.2	12.8%	12.4	14.2%	10.9
Thailand	16.7	9.3%	15.8	5.6%	14.9

Source: Bloomberg, *ACBS

- ❖ Most Asian markets rose in August thanks to relatively good economic outlooks with strong macroeconomic data, while China decreased amid new COVID-19 cases surged and new lockdowns in many cities combined with GDP contraction, manufacturing disruptions and unfavorable weather due to extreme heat in last months. US stocks experienced difficult month when investors eyed the Fed's chairman speech in the Jackson Hole Economic Symposium late August which noted the willingness to hike interest rate further until the economy is under control despite of some pain for households and businesses.
- ❖ The trailing P/E of VNIndex sits at just 13.7x as of the end of August and providing attractive prices for investors who hold cash to accumulate at relatively low valuations. VNIndex's P/E is still lower than the average of ASEAN markets and maintains its attractive valuation with the forward P/E at 12.4 based on our estimated earning growth of 19% for 2022.

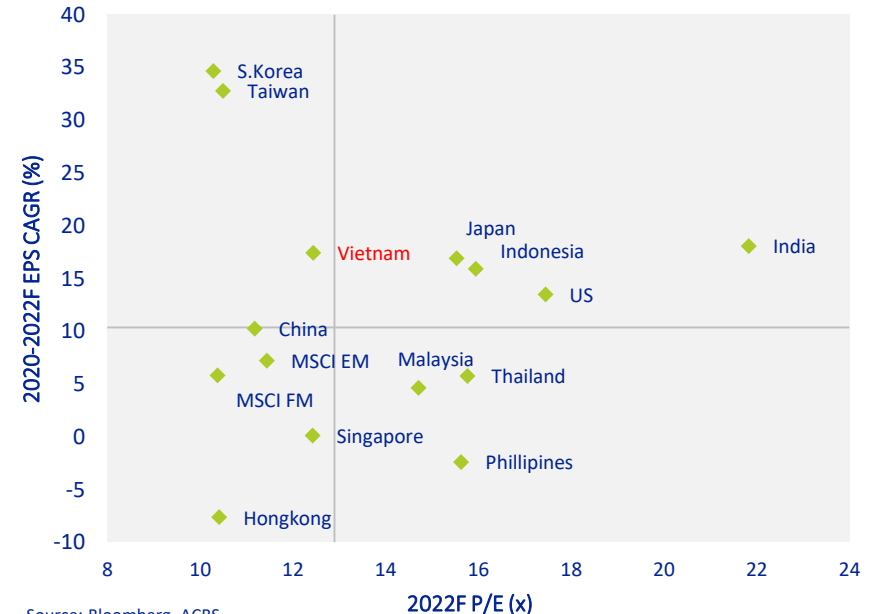
Stock market valuation vs regional peers (cont'd)

Current market valuation



Source: Bloomberg, ACBS

Expected market valuation



Source: Bloomberg, ACBS

- ❖ The current ROE of the VNIndex is about 15.4%, among the highest return markets. Given our projected 19% EPS increase for 2022, Vietnam's 3 year EPS CAGR from 2020-2022 would be approx. 17.4%, indicating that Vietnamese corporates have done a good job weathering the pandemic storm compared to regional peers. Along with the P/E forward at 12.4, VNIndex is attractive for long-term investing compared with peer markets.

- ❖ In the near future, we remain confident that the recovery of the VNIndex will continue thanks to strong 1H earnings, expectation on high GDP growth for the rest of 2022, strong retail sales growth, market sentiment improving after signs of inflation reaching or nearing their peak following the monetary tightening of central banks and low domestic CPI after decreases in gasoline and diesel prices and the recently announced extension of credit room for banks. Currently, the VNIndex is trading at an attractive valuation for both long-term and short term investors with estimated earnings growth at 19% for 2022, 13% for 2023, higher than average of ASEAN markets and forward P/E at 12.4x for 2022 and 11.0x for 2023, lower than the average of ASEAN markets for 2022 and 2023.
- ❖ For the long-term outlook, we believe that the Vietnamese listed markets are well positioned to continue to develop along side the economy in general. The prospect of high earnings growth come from the fundamental of macroeconomics with optimistic outlook in long-term and financial health of listed companies; the recent wave of anti-corruption actions taken in the market, notwithstanding some short term pains, will be beneficial for the long term sustainable development of the markets. The rise of the middle class and increases to disposable income supporting continued growth in domestic consumption, long term trends of manufacturing shifting to Vietnam and the country's ever increasing integration to the global economy with 15 bi- and multi-lateral trade agreements set the stage for Vietnam to continue to prosper for years to come. The country is committed to the development of the capital markets and we believe it's just a matter of time until the Vietnamese equity markets are upgraded by MSCI to an emerging market, which will open the door for vast amounts of foreign capital to enter the market.
- ❖ Currently, the biggest risks facing Vietnam's economy are mainly external in nature, with global inflation remaining high and decisions of the US Fed and other central banks to hike interest rates impacting stocks markets all over the world in the short-term as investors concern on its negative impact to business and consumption. Rising US interest rates have typically seen foreign capital leave emerging markets as yields rise in developed markets, however we have not seen a large exodus from the region or Vietnam so far. Domestically, pressure on the VND has been making some news; subsequent to the end of August, the SBV increased spot reference asking exchange rate by 300VND to 23,700 on Sept 7th as the VND has been under pressure from external headwinds (see [Flash Note on Sept 7th](#) for further analysis). Overall, we have amended our expectations that the VND might depreciate as high as 2.5-3.0% (last report 2-2.5%) for FY2022 which will be around 23.700 – 23.750VND/USD and bring more adversity for importers and companies that have high USD denominated debts.

We have adjusted our expectations for the remaining third of the year as it becomes apparent that the markets are in a period of lowered sentiment in the face of both internal and external events. While it appears that inflation figures may have peaked in many markets as several key commodities prices have been retreating, inflationary fears and aggressive central bank actions are expected to persist until at least the end of the year, putting a cap on short term sentiment. We expect markets will normalize in 2023 when we can expect valuations to return to historical levels, however we see the remainder of the year continuing to trade around the valuation levels since the markets turned in April as sentiment dimmed.

- ❖ In our updated **base case scenario**, we generally maintain our earnings outlook to reach 19% y/y by the end of 2022, driven by the banking, transportation, real estates and utilities sectors. While we assume that markets will pick up in the final third 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, we believe it will be a challenge to reach the recent 3 year average valuation of c. 15.5x, rather, its likely that the VNIndex would trade within the range seen since 2Q when the effects of the war in Ukraine were starting to be felt and the anti-corruption actions taken domestically weighed on investor confidence. This would result in the index trading at c. 13.7x earnings by the end of the year (roughly 1SD below the 3 year average), resulting in an index level around 1,400 at the end of 2022.
- ❖ The **optimistic scenario** is based on 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 and that investor sentiment picks by the end of the year as the global and domestic issues are resolved or showing significant signs that the worst has passed. Based on that scenario, our earnings expectations would rise and we assume that earnings multiples would return to the 15x level, resulting in the index reaching an 1,500-1,600 point level.
- ❖ 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 rally at the end of the year and end trading at c. 12.5x earnings to close around the 1,200 point level.

Year-end 2022 Index Points Sensitivity Matrix

Three scenarios in 2022

Scenarios	VNIndex (points)	Growth vs. Aug 31 th	F.PE (x)
Pessimistic	1,216	-5.0%	13.2
Neutral	1,411	10.2%	12.4
Optimistic	1,589	24.1%	12.1

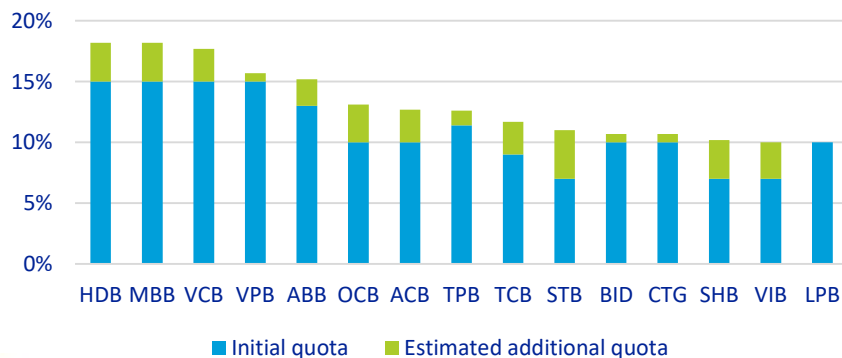
Earnings Growth							
Earnings Multiple	5%		10%	15%	20%	25%	30%
	12.0	1,090	1,142	1,193	1,245	1,297	1,349
	12.5	1,135	1,189	1,243	1,297	1,351	1,405
	13.0	1,180	1,237	1,293	1,349	1,405	1,462
	13.5	1,226	1,284	1,343	1,401	1,459	1,518
	14.0	1,271	1,332	1,392	1,453	1,513	1,574
	14.5	1,317	1,379	1,442	1,505	1,567	1,630
	15.0	1,362	1,427	1,492	1,557	1,622	1,686
	15.5	1,407	1,474	1,542	1,609	1,676	1,743

Credit quota expansion for last months of 2022

While the State Bank of Vietnam (SBV) maintained its credit growth target at 14% for 2022, credit growth reached 9.9% YTD by end of August, increasing slightly compared to 9.3% YTD at the end of June as many commercial banks had exhausted their assigned credit quotas.

With pressures building for increased credit quotas, inflationary pressures easing, the banking system being in a healthy position and the peak season approaching, the SBV has increased credit quotas across the banking sector by an estimated 2%, equivalent to VND200,000bn. While the individual quotas have not been announced, it is estimated that most increases are between 0.7% to 4% for banks which have healthy operating figures. In order to reach the 14% annual credit growth target, we expect that another round of quota adjustments will be needed before the year end.

Estimated credit growth quotas



Impact of credit quota expansion on market

After three months of waiting for increased credit quotas, the news on Sept 7th that the SBV granted additional credit growth room to banks was much appreciated. Although the increased quota is estimated to be less than the 4% needed to reach the full year 14% target, the newly granted quotas could unravel some sticking points and push the economy maintain its upward trend without adding excessive pressure on inflation as a result of overheating growth.

The additional quotas could add more pressure to boost interest rates amid unstable liquidity of a banking system under strain of Vietnam Dong depreciation against US Dollar. However, this effect isn't expected to be significant since the interest rate levels have been increasing to curb Vietnam Dong depreciation.

As we enter the peak season for many sectors, access to additional capital is expected to be beneficial for several sectors

- Imports-exports are expected to have access to increased credit lines and loans for trading activities.
- Manufacturers will have additional access to working capital buy materials and paying their staffs.
- Retailers, FMCG companies who have high need of working capital will be financed to stockpile inventory for year-end shopping season.
- Banks, who achieved strong income growth in 1H2022, are expected to benefit given interest income is still the main contributor to total income.
- We don't expect that there will much funding for real estate developers or construction, however loans for individuals and households (including mortgage loans) could benefit the residential real estate and construction industry.

Summary of first half business results on VNIndex

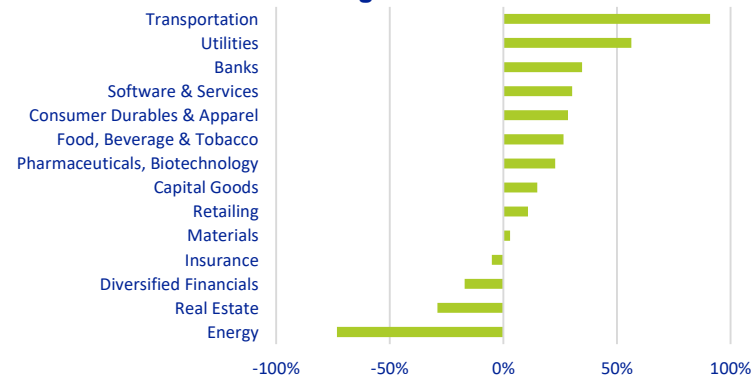
Almost all first half earnings have been reported with market wide 1H 2022 revenues increasing 16.7% y/y and earnings increasing 18.8% y/y

- **Banks** were the leading contributor in terms of earnings for the first half with H1 earnings increasing 35% y/y, primarily due to the decrease in provisioning that occurred in 2021 as banks grappled with COVID related loan restructuring, while also posting 16% y/y and 17.5% y/y growth in interest income and non-interest income respectively.
- The **Transportation** sector has posted strong revenue (+72% y/y) and earnings figures (+91% y/y) compared to H1 last year, primarily driven by the reduction in losses at Vietnam Airlines (HVN) as travel has resumed following strict COVID prevention measures in 2021. Transportation Infrastructure have good profits (+57%) given the growth of imports-exports and domestic trading as retail sales increase strongly in the first half.
- The **Utilities** sector recorded 56.4% y/y of earnings growth on the back of high oil and gas prices which benefited the largest company in the sector, PetroVietnam Gas (GAS).
- The **Food and Beverage** sector posted a sector earnings growth of 26.5% y/y in H1, driven by a strong rebound in retail sales and consumption following the relaxation of COVID-19 related restrictions. The fisheries sector returned impressive profit growth (+198%) and benefited from supply disruptions related to the Russian invasion of Ukraine.
- The **Real Estate** sector was the largest contributor on the down side with earnings decreasing 29% y/y. The first half saw a few issues facing the market including many banks hitting their credit growth quotas towards the end of H1 which restricted access to bank credit for both buyers and developers and the slowdown in the corporate bond market due to tightening regulations as a result of recent anti-corruption measures
- The **Energy** sector had a disappointing first half despite posting a 72.8% y/y increase in revenue, earnings dropped by 73.3% y/y, which was primarily due to the 90% decrease in profit of Petrolimex (PLX) as skyrocketing oil prices were unable to be completely passed along to customers and large provisions were made at the end of H1 on their gasoline inventories as prices have come down after acquiring inventories at peak prices (excluding provisioning, PLX profit would be down c. 28% y/y).

While the first half results posted solid earnings gains, the q/q results showed some signs that earnings were under pressure.

- **Materials** decreased 26.6% q/q in terms of earnings, led by contraction in profit of steel maker HPG which faced difficulties with falling global steel prices on low demand from both the domestic market and China market.
- **Banks** recorded a q/q contraction in profit (-7.2% q/q) as many banks reached their credit growth quota and were unable to lend further and there were some large non-recurring items booked in Q1 2022 (VPB booked over VND 5,500bn in profit from the bancassurance deal with AIA) resulting in some pullback in the q/q figures.
- **Diversified Financials** (i.e. brokers) had a tough quarter as liquidity on the market decreased significantly (-34%), overall margin balances slipped by an estimated 23% resulting in falling lending income and brokers' proprietary trading activities were deeply impacted by the overall market correction (VNIndex down 20% q/q).

Net income growth in the first half of 2022



Summary of first half business results on VNIndex (cont'd)

Industry group	Market Cap (VNDtn)	2Q-2022		2Q-2022		1H-2022	
		Revenue (% q/q)	Net Income (%q/q)	Revenue (% y/y)	Net Income (%y/y)	Revenue (% y/y)	Net Income (%y/y)
Banks	1,522.0	4.2%	-7.2%	15.9%	37.9%	16.3%	34.7%
Real Estate	1,019.3	-6.8%	-7.5%	-51.2%	-41.0%	-40.3%	-29.0%
Food, Beverage & Tobacco	539.2	14.7%	-2.0%	6.7%	12.2%	8.3%	26.5%
Materials	369.9	-4.6%	-26.6%	12.4%	-25.7%	29.9%	2.9%
Utilities	336.2	8.2%	17.4%	16.7%	59.6%	22.2%	56.4%
Capital Goods	238.9	11.7%	-23.4%	10.1%	1.6%	13.8%	14.9%
Transportation	186.0	55.6%	-149.8%	112.4%	83.2%	72.3%	91.1%
Diversified Financials	120.3	-24.1%	-57.1%	-10.7%	-57.0%	15.9%	-17.0%
Retailing	105.5	-3.3%	-20.7%	16.8%	6.4%	18.6%	10.9%
Software & Services	98.9	2.3%	4.3%	18.4%	26.7%	22.8%	30.4%
Energy	70.1	24.5%	-84.0%	75.2%	-95.7%	72.8%	-73.3%
Insurance	56.2	1.9%	-33.3%	6.4%	-28.9%	7.9%	-5.0%
Consumer Durables & Apparel	50.4	-9.2%	-24.8%	39.1%	16.6%	36.1%	28.5%
Pharmaceuticals, Biotechnology & Life Sciences	29.6	-2.1%	1.9%	12.3%	15.4%	14.2%	22.9%
Automobiles & Components	9.3	-4.7%	64.6%	6.4%	22.0%	17.1%	17.9%
Consumer Services	7.7	13.8%	187.9%	-30.7%	1271.7%	15.8%	37.2%
Unclassified	7.2	-5.4%	-243.4%	16.8%	-207.8%	17.5%	-112.5%
Commercial & Professional Services	5.8	27.9%	140.8%	52.6%	267.0%	20.9%	127.4%
Health Care Equipment & Services	3.3	-1.3%	542.1%	-48.2%	0.9%	-48.7%	466.0%
Technology Hardware & Equipment	2.1	-29.9%	-35.1%	16.4%	17.6%	29.2%	55.8%
Telecommunication Services	2.1	-59.7%	-131.8%	111.2%	-725.9%	261.7%	528.2%
Media & Entertainment	1.6	8.4%	289.6%	-55.1%	119.5%	-56.4%	117.0%
Household & Personal Products	1.5	6.4%	57.9%	6.9%	74.0%	0.4%	35.1%
Total	4,782.7	5.8%	-11.6%	11.9%	5.1%	16.6%	18.8%

Source: Bloomberg, ACBS

Vietnam has so far been able to avoid surging inflation seen globally

The majority of upward pressure on Vietnam's CPI is from high oil prices globally resulting to high domestic gasoline price and in turn indirectly impacted other goods prices in CPI basket. In upcoming months, several exogenous factors could give a mixed result to our CPI in 2H2022.

- ❖ **Food and Foodstuffs (33.6% of basket):** has yet to see surging prices given Vietnam is fairly food independent and the composition of the typical diet in Vietnam is much more dominated by rice rather than wheat based products like Western countries. Other foodstuff such as poultry and seafood have not shown any dramatic increases throughout 1H2022, thanks to our abundant food supply and independence from imports. For remainder of 2022, main staples of Vietnamese diet (rice and pork) expected to be stable.
- ❖ **Housing and Construction Materials (18.8% of basket):** While several commodities have seen prices increases in the first half of the year, we expect that construction materials in general will be stable or on the downtrend in the second half of the year given slumping demand in China.
- ❖ **Education, Medicine & Healthcare services (11.6% of basket combined):** educational services fee and healthcare services fee which controlled by government are expected to maintain current prices for this year and help to mitigate inflationary risks in 2022.
- ❖ **Transportation (9.7% of basket):** This category is most susceptible to global commodities price movements. To battle with rising gasoline price, government have approved two environmental tax cut and lowering the VAT and special consumption tax on gasoline, easing gasoline prices in 2H2022, which will help lower upward pressure on CPI in 2H2022.

More details at [Flash News 27 July, 2022](#)

Scenarios for the remainder of 2022

We have projected a few inflation scenarios in which we think might happen in 2H2022 with the extreme bad case which our overall FY2022 CPI reach 4.1% YoY follow surging pork price in conjunction rising oil price.

CPI scenarios	Key Assumption	2H2022	FY2022
Peaked Inflation	<ul style="list-style-type: none"> Average pork price reach as high as 72.000/kg in 2H22. Average rice price and livestock price increased another 0.5% in 2H22 Home maintenance materials decreased 0.75% in 2H22 Oil prices stay at this current level (c. 100 USD/barrel) 	4.0%	3.2%
Sustain high Inflation	<ul style="list-style-type: none"> Average pork price reach as high as 78.000/kg in 2H22 Average rice price and livestock price increased another 0.75% in 2H22 Home maintenance material remain stable in 2H22 Oil price increased another 15% by yearend (115 USD/barrel) 	4.9%	3.7%
Surging Inflation	<ul style="list-style-type: none"> Average pork price reach as high as 82.000/kg in 2H22 Average rice price and livestock price increased another 1% in 2H22 Home maintenance material increased 1% in 2H22 Oil price increased another 20-25% by yearend (120-125 USD/barrel) 	5.7%	4.1%

Upcoming events

Event type	Date	Countries	Events
Market Classification	01-Sep-2022	Global	FTSE Global Equity Index - Interim Review
Index review	02-Sep-2022	Vietnam	FTSE Vietnam ETF
Economy	08-Sep-2022	European	ECB Monetary policy meeting
Index review	09-Sep-2022	Vietnam	VanEck Vectors Vietnam ETF
Derivative	15-Sep-2022	Vietnam	The last trading day of VN30F2209
ETF rebalance	16-Sep-2022	Vietnam	FTSE ETF & VNM ETF Restructuring
Economy	20-Sep-2022	United States	FOMC meeting & economic projections
Economy	21-Sep-2022	Japan	BOJ Monetary Policy Meetings
Economy	12-Oct-2022	South Korea	BOK Monetary Policy Board Meeting
Economy	27-Oct-2022	Japan	BOJ Monetary Policy Meetings
Economy	27-Oct-2022	European	ECB Monetary policy meeting
Economy	01-Nov-2022	United States	FOMC meeting
Index review	10-Nov-2022	Global	MSCI Frontier Markets Indexes: Semi-Annual Review
Economy	24-Nov-2022	South Korea	BOK Monetary Policy Board Meeting

Upcoming events (cont'd)

Ticker	Ex-right date / Exercise date (*)	Countries	Events	Event type
ADS	05-Sep-2022	Vietnam - HOSE	Share Issue 15%	Share Issue
NAV	07-Sep-2022	Vietnam - HOSE	Cash dividends 7%	Dividends
VPI	08-Sep-2022	Vietnam - HOSE	Share Issue 10%	Share Issue
SGR	09-Sep-2022	Vietnam - HOSE	Cash dividends 5%	Dividends
GIL	09-Sep-2022	Vietnam - HOSE	Share Issue 15%	Share Issue
SZL	12-Sep-2022	Vietnam - HOSE	Cash dividends 40%	Dividends
CMV	14-Sep-2022	Vietnam - HOSE	Cash dividends 12%	Dividends
BIC	14-Sep-2022	Vietnam - HOSE	Cash dividends 15%	Dividends
GMC	14-Sep-2022	Vietnam - HOSE	Cash dividends 30%	Dividends
HSG	14-Sep-2022	Vietnam - HOSE	Share Issue 20%	Share Issue
SRC	15-Sep-2022	Vietnam - HOSE	Cash dividends 6%	Dividends
TRC	19-Sep-2022	Vietnam - HOSE	Cash dividends 9%	Dividends
FCM	19-Sep-2022	Vietnam - HOSE	Cash dividends 2.5%	Dividends
HTI	19-Sep-2022	Vietnam - HOSE	Cash dividends 18%	Dividends
SBV	22-Sep-2022	Vietnam - HOSE	Cash dividends 12%	Dividends
BTP	07-Oct-2022	Vietnam - HOSE	Cash dividends 15%	Dividends

Industry outlook

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

- Credit has been nearly flat since the end of June-22 when most banks hit the credit growth quota. By mid-August-22, credit growth of the system reached 9.62% YTD. It is expected that the SBV will increase the credit growth quota by about 2% at the beginning of September.
- System liquidity fluctuated strongly in August due to the SBV's intervention to keep the positive swap rate between VND and USD in the interbank market, thereby supporting the exchange rate in the context of appreciation of USD.
- Business results of banking sector were positive in Q2/2022. Profit before tax of 17 HOSE-listed banks grew by 37.4% YoY. Strong profit growth was driven by (1) Net interest income and non-interest income grew 16% YoY and 17.5% YoY respectively and (2) Provision expenses decreased by 14.7 % YoY due to the pressure of provisioning for COVID-19 restructured loans has decreased significantly.
- Asset quality was good and slightly improved QoQ, although there was divergence among banks. NPL ratio by the end of 2Q/2022 reached 1.44%, up 3 bps QoQ. Group 2 loan ratio reached 1.23%, down 10 bps QoQ. COVID-19 restructured loans continued to decrease and only accounted for 0,69% of total outstanding loans.

Outlook / What to Watch

- We maintain our credit growth expectation of 15% in 2022 thanks to the high credit demand of the recovering economy and the SBV can further extend its credit quota at the end of 2022 if the inflation cools down.
- We expect deposit interest rates may continue to increase by 50bps to provide for credit in 2H2022. Liquidity at the end of 2022 is forecasted to be tense as banks need to prepare about VND 250,000 billion to pay for their USD forward bought from the SBV.
- We expect increasing lending rates and CASA's growth trend will help banks stabilize their NIMs at levels equivalent to 2021.
- With listed banks actively making provisions in 2021, the pressure of provisioning has decreased significantly and it will be a key profit growth driver in 2022.

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 VND49,549 billion, 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 6M2022 showed signs of slowing down. Total life insurance premium was estimated at VND84,467 billion, +15.6% YoY. However, new business insurance premium in 6M2022 decreased by 2.3% YoY, reaching VND25,111 billion.
- For the non-life insurance segment, total non-life premium in 2021 was estimated at VND57,880 billion, up 3.98% compared to the previous year, lower than the growth rate of 6.63% in 2020. In 6M2022, total non-life insurance premium was estimated at VND33,785 billion, +14.1% 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. The proportion of the population with life insurance was only 11% by the end of 2021. We expect the growth rate of life insurance sales for the next 5 years of 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.

Industry outlook

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

- 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 sector has a high growth rate. The number of newly opened securities accounts in 7M22 reached 2.04 million accounts, 2.8 times higher than the same period of last year.

Outlook / What to Watch

- Proprietary trading is expected to be positive in Q3/2022 as the market recovered thanks to the good earning results of the listed companies.
- Vietnam's capital market is still in developing phase and has a lot of growth potential, especially in consulting on corporate bond issuance, thereby opening up many opportunities from this potential business segment for securities companies.

Industry outlook

Industry:	REAL ESTATE	Sub-sector:	RESIDENTIAL PROPERTY	Short term outlook:	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

- Villas and townhouses/shophouses recovered in 1H2022 compared to 1H2021 while condotels did not.
- There were 2,776 villas (+45% YoY), 5,145 townhouses/shophouses (+230% YoY) and 1,591 condotels (-30% YoY) launched in 1H2022 with absorption rates of 75% (+40 ppts YoY), 75% (+2 ppts YoY) and 59% (+12 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 USD6.6bn in 7M2022, +33.7% YoY.
- Shrimp continued to account for the largest portion (39.9%) and reached USD2.7bn of export turnover in 7M2022 (+22% YoY). After decelerating in June, export turnover of shrimp continued to decline in July 2022, reaching USD385mn (-13% YoY). The main reason is 1) a shortage of material given disease and bad weather and 2) high inventory in export markets. The high exchange rate, especially for EUR and JPY currencies, in the context of high inflationary pressure in other countries is detrimental to shrimp exports as Vietnam shrimp export price is higher than other players such as India and Bangladesh and as shrimp is considered as an expensive food.
- Vietnam pangasius export is less impacted by the exchange rate and continued to record high growth of 56% YoY in July 2022 (USD197mn). 7M2022, Vietnam pangasius export reached USD1.6bn, +79% YoY and account for 24.1% of Vietnam total aquaculture export.

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. Although raw pangasius price declined in July and August 2022, it remains at a high level compare to the same period last year (+32.8% YoY), helping large exporter to maintain good export price.

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.
- The industry recorded positive results in 1H2022 as textile & garment export value was estimated to climb by 18.8% YoY in this period, fueled by recovery of consumer demand post pandemic. 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 industry witnessed higher raw material prices and adverse impacts on supply chain because of hike in transportation costs, long-lasting tension between Russia and Ukraine, China's zero COVID policy, etc. Additionally, orders tend to slow down since 2Q2022 due to economic instability in some importing countries, which darkens the industry's outlook in 2H2022.

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 2H2022, there are concerns about inflation impacts on consumer spending for textile & garment products in some major importers, such as the US and EU. Nevertheless, these impacts may be different across different products and market segments. 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 2022.
- 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.
- However, 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 15.4% YoY in 8M2022.
- Listed retailers reported good revenue growth, for example MWG (reporting 17% YoY revenue growth in the mobile phone and consumer electronics chains in 1H2022), FRT (+55% YoY in 1H2022) and PNJ (+48% YoY in 1H2022). Still, companies express concerns that higher inflation rates may impact on consumer spending, though a severe jump is not expected in Vietnam, according to some forecasts.
- While physical retail will remain an important channel, online sales is also deepening its role because online shopping activity is increasingly popular to more consumers even post COVID-19. This makes omni-channel an increasingly indispensable part in companies' business strategies.

Outlook / What to Watch

- For the rest of 2022, based on assumptions that the probability of repeating such a long social distancing stage as 2021 due to COVID-19 may be minimized, we expect the sector may continue to be fostered by domestic consumption and benefit from return of international visitors through tourism. Nevertheless, if inflationary pressure intensifies considerably in 2H, weaker consumer spending may dampen some product categories' outlook though 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

- Steel rebar prices had a quick recovery in the last week of July after hitting the lowest level since beginning of 2021. Steel rebar prices are now trading at 590 USD/ton, decreased 11.4% during July. Decreased steel price in July were caused by increased steel inventory of major Chinese steel makers, showing a slow demand while quarantine methods in China are still strict and concern about the recovery speed of China economy after the pandemic breakout.
- China's central bank is planning to provide 1 trillion yuan of loans to help boost up stalled residential real estate projects. This is expected to solve the problem of low credit room for constructor to solve the problem of unfinished residential projects. This would raise the long-term demand of construction materials as well as steel demand but we don't expect a strong boost in short-term as pandemic situation in China is still very tight.
- Domestic steel price reduced to 16,200 VND/kg during July while demand from domestic construction activities seem to be slow and domestic steel also faced reduced global steel price. In the latest report of VSA, total sale volume of domestic steel in Q2.2022 was reduced 3.7% YoY although last year was a low base when Vietnam experienced the rising of COVID-19.
- Other construction materials prices beside steel were stable in July as the cost of coal was maintained above 400 USD/ton in recent months. The cost for fuel coal remains at current level kept the price level of cement, brick from falling.

Outlook / What to Watch

- The price levels of construction materials, in our opinion, can be maintain at current level despite low demand from construction activities because the cost of coal and fuel are high comparing to last year.
- The low speed of public spending is also a barrier for the recovery of construction materials consumption. In 7 months of 2022, the spending of infrastructure budget only reached 34.4%, which was reported to be lower than the same period of 2021.
- Current situation of low credit room for real estate development and slow speed of public spending makes the outlook for construction material in the remaining of 2022 to be low.
- Long term outlook for construction materials remains blurring as China still faces the risk of a real estate crisis, although Chinese government has put out a credit package to support current construction projects but construction activities are still reported to be low

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 decreased about 10% during July, making the cost for logistic activities to reduce slightly. The fuel cost can reduce further in August as oil price has fallen to lower than 90 USD/barrel in early of August.
- International container freight index was down 6.9%, as fuel cost seems to fall slightly while crude oil prices decreased about 10% during July.
- The slow approval conditions at Vietnam-China land borders was partially solved. Although China still keeps their border to be tight when the pandemic situation is still complicated, the partial opening of Vietnam-China border can help to support Vietnam fruit export, which helps to boost up land transporting activities.

Outlook / What to Watch

- Import and export activities was slow down in July, which was mainly caused by agriculture products (down 8.2% MoM). Total value of export of Vietnam still have 13.8% MoM growth in July thanks to mobile phone, electronic devices and textile products. The growth of export activities are expected to slow down in the remain of 2022 as main export market of Vietnamese products (EU, USA, China) are suffering from high inflation, risks of recession and prolong quarantine period in China.
- Overall, the total export value of Vietnam is still expected to have a positive year on year growth in value, in the remaining of 2022.
- 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 the CAAV, Vietnamese airlines have operated 30,167 flights in August 2022, a strong increase by 1,864% YoY. The high growth rate is supported by 1) the holidays and summer season which is the peak for domestic tourism and 2) the low base level in the same period last year. In 8M2022, Vietnamese airlines have operated a total of 208,242 flights, +100.5% YoY. From that, Viettravel and VASCO increased from a low base (+145.9% YoY and 106.6% YoY), Vietjet increased by 120.4% YoY, Vietnam Airlines by 103.1% YoY and Bamboo Airways by 66.0% YoY.
- As of 8M2022, Vietnamese airlines transported 66mn passengers, in which domestic tourists reached 61mn passengers (+20% vs. same period 2019), international tourists reached 5mn visitors, -81.5% vs. same period 2019.
- Air cargo through Vietnam airports declined by 8.7% YoY in 8M2022.

Outlook / What to Watch

- The recovery of domestic passengers is boosted by summer time.
- High inflation in other economies might be a constraint for consumer spending, especially for non-essential spending such as travel.
- We believe the lower domestic air cargo is due to lower sea freights rate.

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 dropping to the range USD100-114/ barrel on the fear of global recession worries in July, Brent oil price continued to adjust down and fluctuate in the lower range at USD92-105/ barrel in August. This recent movement can be explained partly by the slow-down of China economy while many cities in China have been imposed lockdown again because of Covid-19.
- 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 down in 2H2022 due to potential return of Covid-19 variants as well as the fear of a global recession and inflation .
- Sanctions on Russia oil & gas by US, UK and EU have put high pressure to the current supply concerns. However, OPEC+ will continue increasing production by adding 100,000 barrel/day in September. 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
- Global recession risk.

Industry outlook

Industry:	ENERGY	Sub-sector:	POWER, WATER	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	REE, NT2, PPC, PC1
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Sector Overview

- In 1H2022, accumulated electricity consumption increased slightly compared to the same period 2021; in which coal power plant still accounts for a significant proportion.
- In July 2022, electricity production of the whole system reached 24.55 bn kWh; accumulated 7M2022, electricity output reached 158.02 billion kWh (+4.2% YoY), of which:
 - Hydro: 52.58 billion kWh, accounts for 33.3% of the total output.
 - Coal thermal: 53.94 billion kWh, accounts 40.5% of the total output.
 - Gas and oil thermal: 17.39 billion kWh, accounts 11% of the total output.
 - Wind & Solar energy: 22.06 billion kWh, accounts 14% of the total output.
 - Import energy: 1.62 billion kWh, accounts 1% of the total output.
- In 7M2022, EVN has commenced 75 transmission grids and finished 57 from 110 kV to 500 kV such as 500 kV lines Vung Ang – Quang Trach to prepare for new Quang Trach Thermal plant. Also, expanding Ialy Hydropower is on schedule except for several clearance process has been delayed due to legal issues.
- 90.39% of electricity bill payment without cash transactions in the whole system. It reached 97.15% of EVN's electricity payment. 6,061 tenders through online system (accounting for 74.68%). Digital transformation process has been succeeded 83% of the plan for two-year period 2021 – 2022.

Outlook / What to Watch

- According to National Center For Hydro – Meteorological Forecasting (NCFHMF), in September 2022, high temperature will continue at North and Central; whereas Highland and South will have many rainy and windy days. In addition, electricity output is expected to reached about 799.4 mil kWh per day, +14.8% YoY, due to hot days. Hydropower plants which are predicted to have or having high level of water reservoir will prior to mobilized in order to avoid releasing - wasting resources.
- Overall, we keep our forecast that Hydropower plants will have good result in 3Q2022 compared to Thermal plants due to high precipitation in rainy season.
- We also expect Hydropower plants at South will even have better 3Q2022 performances in comparison with other Hydropower plants at North and Central.

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 should 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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DISCLAIMER

Our Recommendation System

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

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

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

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