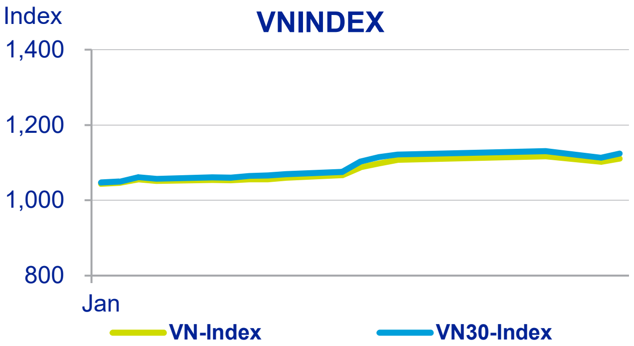
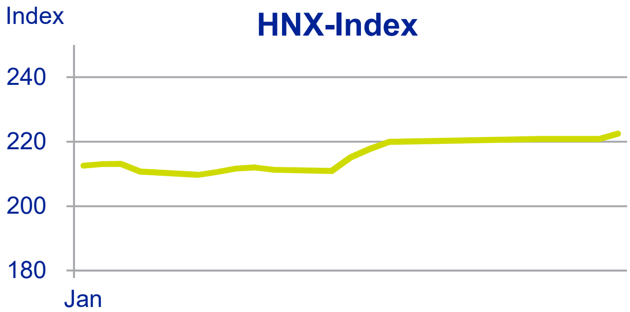
# Monthly Recap

## January 2023




## VN-Index

**1,111.18**

+104.09 (+10.34%)

Volume: 588.0m

Value: VND10,651 bn

**Leading movers in Jan**

| Tkr | % Chg | Index Impact |
|---|---|---|
| VCB | +14.9% | +14.1 pts |
| BID | +16.8% | +8.3 pts |
| HPG | +22.8% | +6.0 pts |

**Lagging movers in Jan**

| Tkr | % Chg | Index Impact |
|---|---|---|
| EIB | -6.9% | -0.6 pts |
| KDC | -4.9% | -0.2 pts |
| NLG | -5.8% | -0.2 pts |

## HNX-Index

**222.43**

+17.12 (+8.34%)

Volume: 68.0m

Value: VND1,003 bn

**Leading movers in Jan**

| Tkr | % Chg | Index Impact |
|---|---|---|
| IDC | +27.4% | +3.5 pts |
| CEO | +38.2% | +2.1 pts |
| SHS | +19.1% | +1.9 pts |

**Lagging movers in Jan**

| Tkr | % Chg | Index Impact |
|---|---|---|
| KSF | -13.2% | -2.1 pts |
| PTI | -18.8% | -0.4 pts |
| SCG | -3.1% | -0.2 pts |

# MONTHLY RECAP

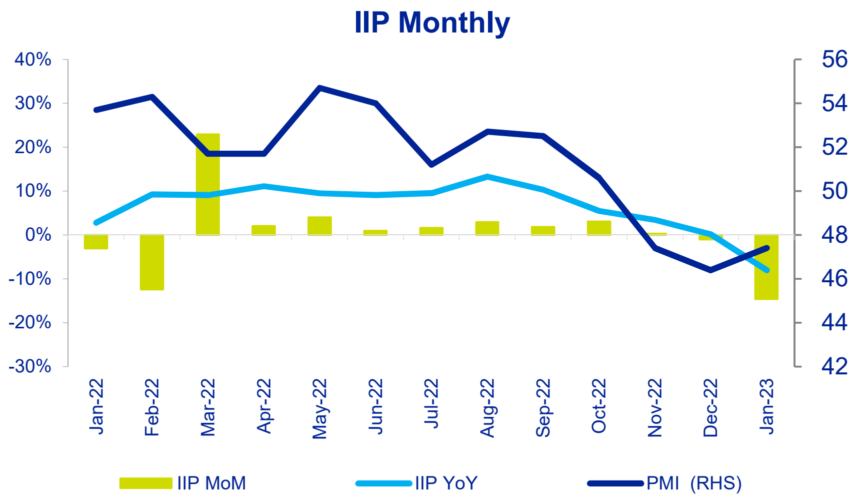
After maintaining the downward trend since September due to fears of a global recession, rising domestic interest rates and problems related to corporate bonds, VN-Index recovered quite well thanks partly to: (1) buying demand from foreign investors, (2) China reopens its border and (3) forecasts that Fed interest rates will peak this year. At the end of January, VN-Index increased by 10.34% to 1,111.18 points with the average daily trading value plummeting to 10.6 trillion dong, compared to 14.2 trillion dong in December and much lower than in the first period of 2022 with VND 22.3 trillion in April or VND 27 trillion in January 2022. VCB (+14.9%) has the strongest support along with BID, HPG, CTG, SAB and ACB. Most of the industry groups recovered well such as banking, real estate, food, construction materials, retail, apparel, technology, securities and logistics. On the other side, EIB (-6.9%) pulled the market down the most after its positive support in the previous month, along with KDC, NLG and CRE. Meanwhile, foreign investors continued to be net buyers with a net value of VND 3,787 billion, lower than the record levels in November and December with VND 15,974 and VND 12,833 billion. In which, HPG continued to be bought the most with a net value of 1,407 billion dong along with FUEVFVND and SSI.

In general, investor sentiment was quite positive with 331 gainers and 70 losers. In addition, although market liquidity decreased, it was due to the long Tet holiday, while foreign investors continued to be net buyers. However, after this recovery span, the market will need corrections to retest the recent resistance levels before forming a clearer trend. With the increasing pressure of profit taking, investors should keep a cautious portfolio proportion and a close watch at 1130-1150 point in the time coming.

**Mr. Hung Phan**
hungpv@acbs.com.vn

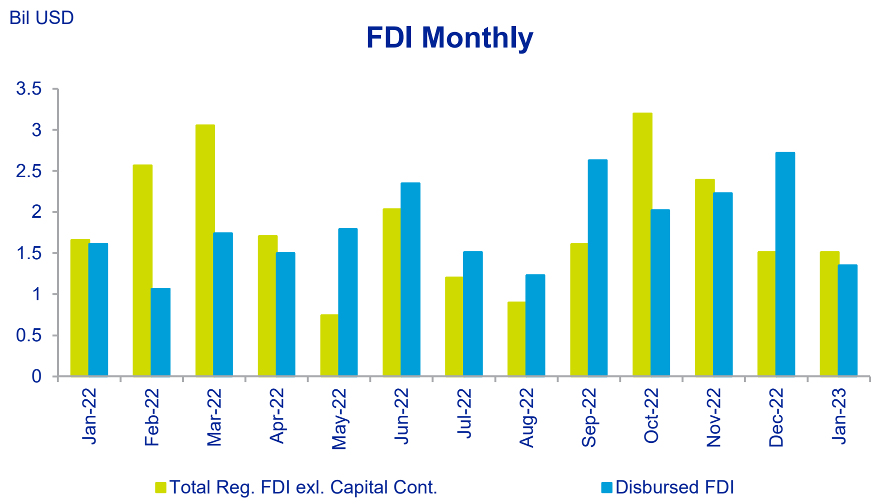
## Macro highlight during January

Industrial activities in January started to contract, in which IIP recorded a decline of 8.0% YoY. Furthermore, even the January 2023 PMI increased to 47.4 from 46.4 last month, index still remained in contractionary territory for three consecutive months since Nov 2022. According to the PMI report, the Vietnamese manufacturing sector continued to deteriorate as new orders, output and employment continued to decline. Fortunately, improvement in demand from new export orders help softening the decline of total new orders and employment this month.



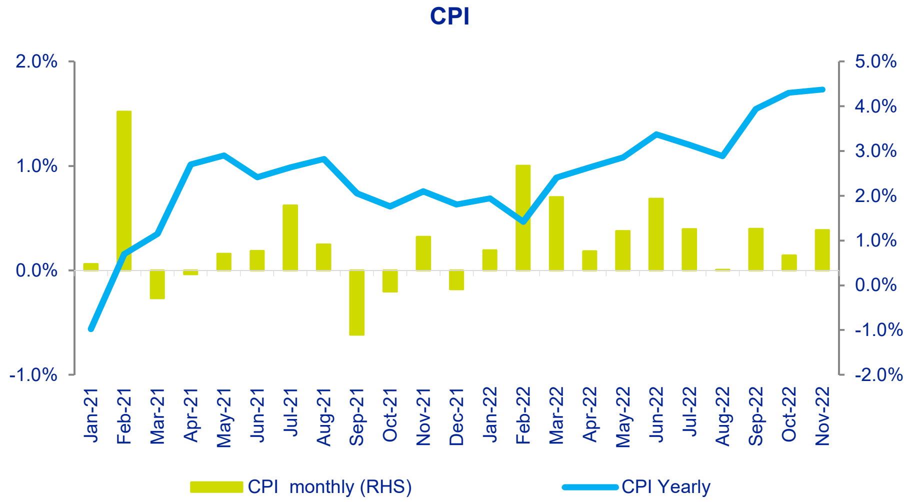

*Source: GSO*

Disbursed FDI declined over 16% in first month of as Vietnam have big holidays (New Year and Lunar New Year). Registered FDI in January 2023 also decreased almost 9% YoY to USD1.5bn. In addition, the capital contribution still declined over 61%, reach USD170mn. We remain optimistic that FDI inflows will remain strong as Vietnam continues to be an attractive investment destination for FDI firms despite recent macro-economic headwinds.




*Source: GSO*

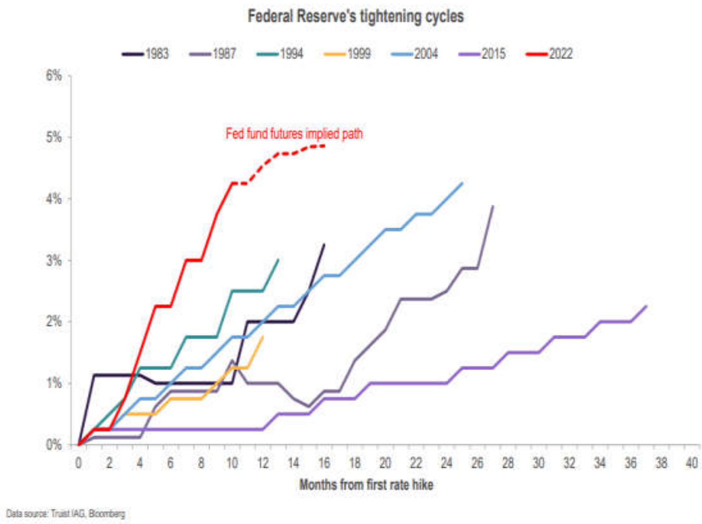
Consumer Price Index (CPI) in January 2023 increased 0.52% MoM and 4.89% YoY due to rising foods price and housing rental.

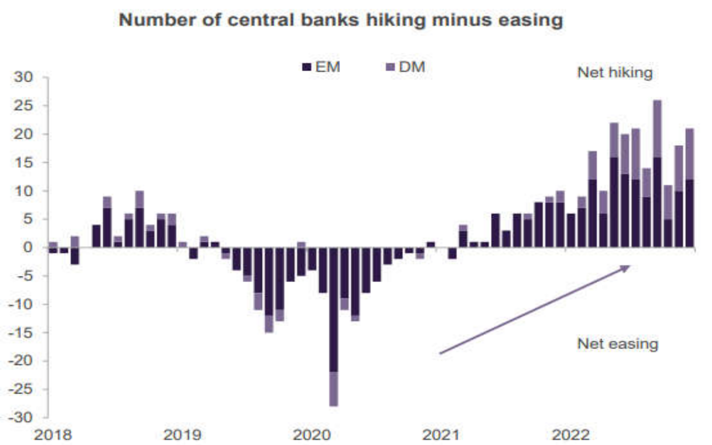



*Source: GSO*

There are several exogenous risk factors to watch in 2023 which may bring uncertainties to Vietnam's economic growth prospects, include:

(1) Moving to 2023, we expect that while inflationary pressures will remain in the early parts of the year, FED and other major central banks continue to raise rate as planned. And if the actions of central banks have the intended effects and inflation is brought under control, we could see neutral monetary policies in the second half as encouraging economic growth will return to the forefront of policy makers minds. Overall, we expect the high interest rate environment to continue at least until the end of 2023;

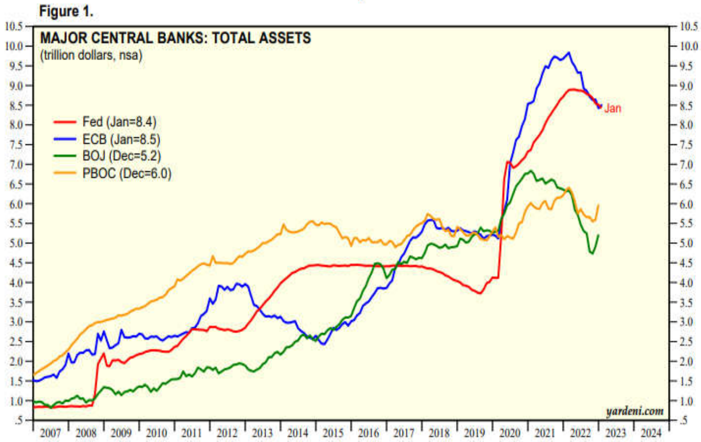



Data source: Truist IAG, Haver. Series constructed using
EM = Emerging markets; DM = Developed markets
Past performance does not guarantee future results.

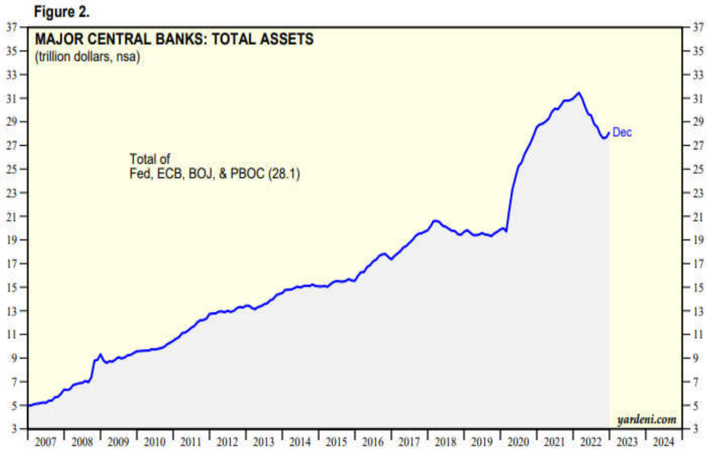
(2) The FED, along with the BOE and ECB are stopping reinvesting maturing assets and starting to sell assets on their balance sheet (also known as Quantitative Tightening program). Morgan Stanley, an investment bank, estimated that the balance sheets of the heaviest-hitting central banks will shrink by roughly USD4tn by the end of next year. According to new paper "How Many Rate Hikes Does Quantitative Tightening Equal?" from The Federal Reserve Bank of Atlanta's Policy Hub suggest that a $2.2trn passive roll-off of nominal US Treasuries from the Federal Reserve's balance sheet over three years is equivalent to an increase of 29bps in the current FED funds rate in normal times, but 74bps during crisis periods. Those events will put upward pressure on rates which could be difficult to lower rates and in turn will badly affect economic growth;

Figure 1.




Source: Haver Analytics.

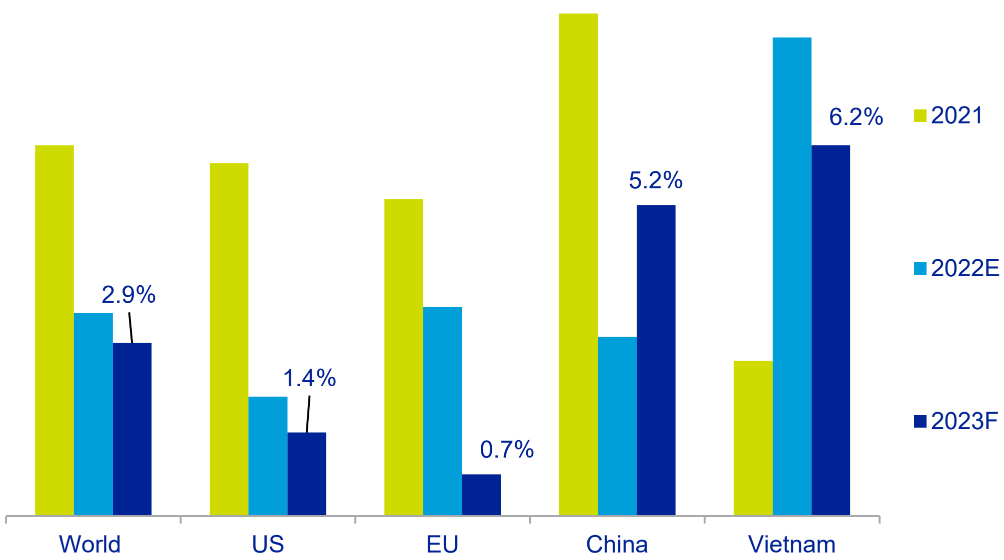
Figure 2.



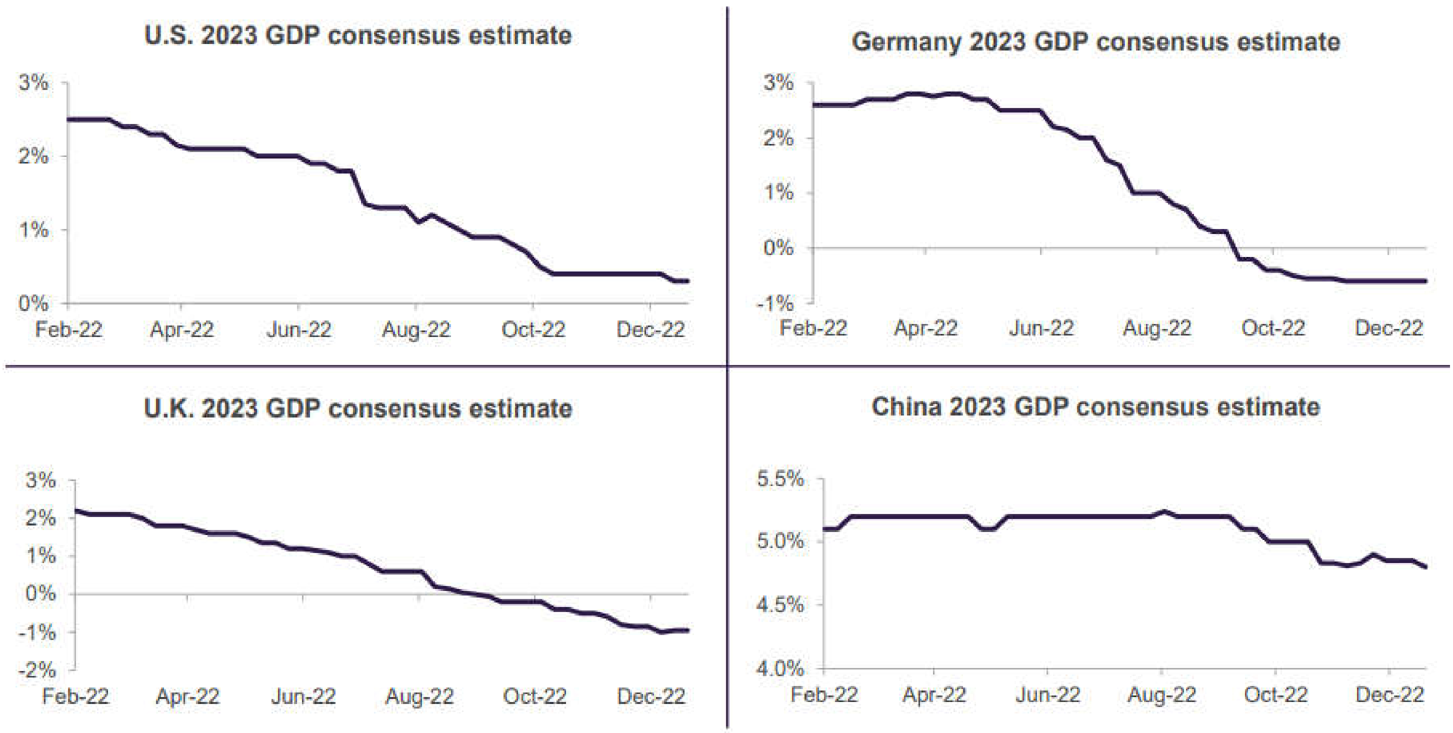

Source: Haver Analytics.

(3) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023;

**IMF's GDP Projection 2023**




*Source: IMF WEO*




Data source: Truist IAG, Bloomberg

(4) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. Given potential hiccups during the reopening phase, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023;

(5) We are also keeping a keen eye on the Chinese property sector and its chances of revival as it's a key sector in the Chinese economy. There are signs that China may remove the 'three red lines' policy that has hampered the real estate sector since its introduction nearly two years ago;

(6) The industrial activities declined for the first time since COVID-19 in 2021 (IIP slowed starting from October 2022). It will be important to monitor key industrial activities in the coming months to see if the recent deterioration in some metrics (exports declining for 3 consecutive months, PMI falling out of expansionary territory for 3 consecutive months) are a temporary blip or the start of a longer trend.

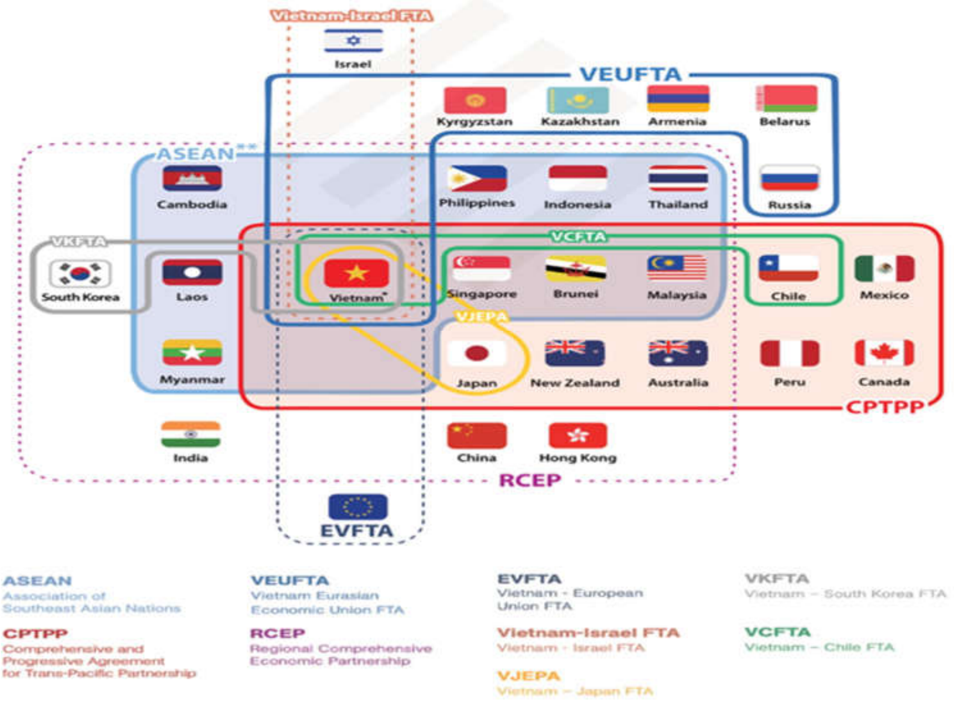
However, despite fears that these events could slow Vietnam's growth prospects in 2023, we expect that Vietnam's economy could still maintain solid growth in 2023, supported by:

(1) Vietnam's manufacturers remain a 'low-cost manufacturer', stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;

(2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

(CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;

Vietnam's FTAs




*Source: Vietnam Briefing*

(3) the trade war between US and China continued, especially in semiconductor area. And operations diversification waves of companies into other parts of Asia (including Vietnam) will continue not just to avoid the impact of the trade war but also to lower production costs;

(4) The strong recovery of the service sector, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption (total retail sales of goods and services in January 2023 increased 20% YoY and 2022 increased 19.8% YoY), (2) reopening international tourism (retail sales of travelling services continued to increase 271% YoY in 2022 and increased 113% YoY in Jan 2023); (3) normalization of transportation of goods help push trading activities especially export from FDI sector; and (4) number of foreign tourists from China surge again after China reopen its economy (the number of tourists from China accounted for 40% before the COVID-19 while 2022 accounted for over 9%).

(5) Furthermore, the fiscal and monetary stimulus package, worth VND347tn (VND291tn for fiscal package and VND56tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 only disbursed 16%, which remain around VND290tn need to disbursed in 2023. Along with Capital under State Budget needed to disbursed in 2023 (planned to disburse VND680tn in 2023, +17% YoY vs 2022's plan), which will push socio-economic recovery in 2023.

Overall, we estimated that Vietnam's GDP will grow in range between 5.9% - 6.4% YoY in 2023 as in our latest 4Q2022 Macro Updated Report.

**Mr. Minh Trinh Viet**
minhtvh@acbs.com.vn

## Technical View

### Short-term up trend continues, correction pressure piling up


• In January 2023, the VN-INDEX month has fewer trading days than the rest of the year when the traditional Tet holiday took place from January 20 to January 27. The market in January was mainly in green with an increase of 12%, closing near 1100 points. This is the most positive increase in the past 2 months only after the increase of November 2022.

• However, the uptrend of VN-INDEX also gradually showed signs of weakening when VN-INDEX surpassed the resistance of 1100 points and approached the next resistance of 1150 points. With great selling pressure, at the beginning of February 2023 VN-INDEX sank over 30 points and quickly lost the threshold of 1100 points, which only stoped at a firmer support at 1060-1080 points. Therefore, with developments in the first week of February, 2023, VN-INDEX shows that the resistance zone of 1100 points has not been successful conquered and needs to correct to firmer support to consolidate the upward momentum.

• The liquidity of the trading week increased compared to the previous trading week when many sessions exceeded the 20-day average volume, over 650 million shares/session. In the context of dominant selling pressure, outstanding volume showed that the risk of selling pressure still remained very strong.

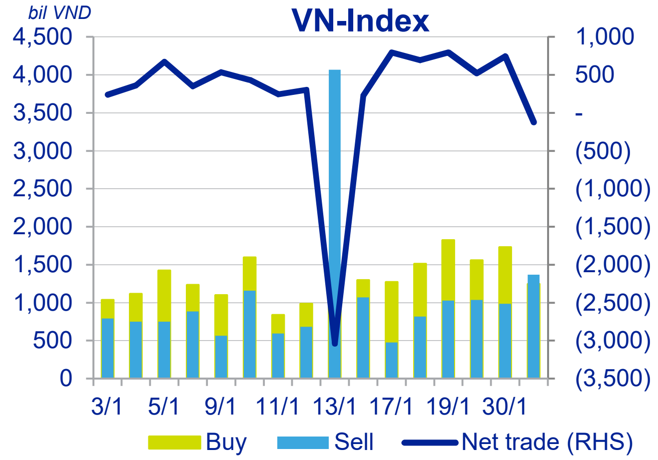
• Correction risk still remains when RSI (14) has risen above 70, approaching the Oversold zone while VN-INDEX is approaching strong resistance at 1150-1200 points, causing correcting pressure to appear. In this month With the correcting pressure pausing at the support of 1060-1080 points, it is likely that VN-INDEX will continue to struggle for RSI (14) to return to the 50-60 zone to consolidate the uptrend.

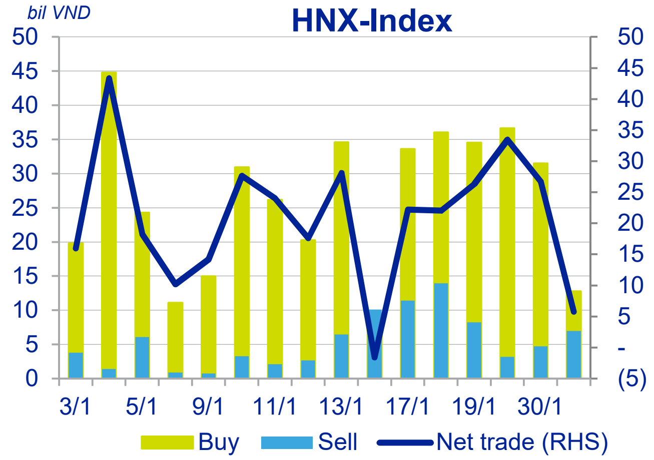
Thus, VN-INDEX in February 2023, took place in a short-term correction with the current stop at the support level of 1060-1080 points. Although the risk of correction is still present, the current correction has no sign of strong sell-off as the liquidity remains sustainable, thus reinforcing the short-term uptrend for VN-INDEX when the current correction is completed. The intra-month range is expected from the support of 1000 points to around the resistance at 1150 points.

**Mr. Phuoc Luong**
phuocld@acbs.com.vn

# MARKET OVERVIEW

## Foreign Transactions in January




| Sector | # of tickers | Market Cap (Tr VND) | Index Weight | 1 Month Return | YTD Return | ROE | T. P/B | T. P/E |
|---|---|---|---|---|---|---|---|---|
| Banks | 17 | 1620.4 | 36.6% | 13.8% | 13.8% | 21.5% | 2.0 | 10.1 |
| Real Estate | 50 | 767.1 | 17.4% | 6.4% | 6.4% | 12.2% | 2.1 | 27.8 |
| Food, Beverage & Tobacco | 32 | 525.6 | 11.9% | 6.9% | 6.9% | 18.2% | 4.7 | 26.4 |
| Materials | 64 | 325.9 | 7.4% | 18.0% | 18.0% | 16.2% | 1.4 | 14.4 |
| Utilities | 28 | 321.1 | 7.3% | 6.0% | 6.0% | 22.4% | 2.7 | 13.1 |
| Transportation | 28 | 172.9 | 3.9% | 7.8% | 6.6% | 11.3% | 2.9 | 463.1 |
| Capital Goods | 76 | 172.7 | 3.9% | 15.9% | 15.9% | 12.9% | 1.5 | 38.2 |
| Diversified Financials | 17 | 108.3 | 2.4% | 20.7% | 20.7% | 9.8% | 1.5 | 14.9 |
| Software & Services | 3 | 98.8 | 2.2% | 8.7% | 8.7% | 23.9% | 4.2 | 17.7 |
| Retailing | 9 | 84.7 | 1.9% | 7.6% | 7.5% | 19.0% | 3.0 | 18.6 |
| Energy | 9 | 68.8 | 1.6% | 14.1% | 14.1% | 5.9% | 1.6 | 27.9 |
| Insurance | 5 | 49.3 | 1.1% | 8.5% | 8.5% | 8.8% | 1.7 | 21.7 |
| Consumer Durables & Apparel | 17 | 46.3 | 0.9% | 3.0% | 2.9% | 21.4% | 2.7 | 21.1 |
| Pharma, Biotechnology & Life Sciences | 10 | 29.2 | 0.7% | 5.6% | 5.6% | 18.6% | 2.4 | 13.4 |
| Automobiles & Components | 6 | 7.8 | 0.2% | 5.5% | 5.5% | 13.6% | 1.6 | 12.3 |
| Technology Hardware & Equipment | 1 | 7.4 | 0.2% | 16.6% | 16.6% | 32.8% | 3.0 | 10.4 |
| Commercial & Professional Services | 6 | 6.0 | 0.1% | 11.1% | 11.1% | 20.4% | 1.8 | 10.3 |
| Consumer Services | 8 | 5.7 | 0.1% | 3.5% | 3.5% | 5.3% | 3.8 | 118.4 |
| N/A | 10 | 2.9 | 0.1% | -0.3% | -0.3% | 5.3% | 0.6 | 25.2 |
| Health Care Equipment & Services | 3 | 2.7 | 0.1% | 9.8% | 9.8% | 12.2% | 1.9 | 13.5 |
| Telecommunication Services | 1 | 2.0 | 0.0% | -9.2% | -9.2% | 19.7% | 1.1 | 9.6 |
| Household & Personal Products | 1 | 1.3 | 0.0% | 3.5% | 3.5% | 26.7% | 1.6 | 6.5 |
| Media & Entertainment | 2 | 0.9 | 0.0% | 19.8% | 19.8% | 24.1% | 1.7 | 13.5 |
| **VN-Index** | **403** | **4427.8** | **100%** | **10.3%** | **10.3%** | **14.6%** | **1.8** | **13.9** |

# CONTACTS

## Ho Chi Minh City Head Office
41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

## Hanoi Office
10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 4) 3942 9395
Fax: (+84 4)3942 9407

## RESEARCH DEPARMENT

**Associate Director**
**Giao Nguyen**
(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

**Associate – Consumer-related, Technology**
**Chi Luong**
(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

**Associate– Property**
**Truc Pham**
(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

**Associate– Financials**
**Hung Cao**
(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

**Associate – Consumer-related, Media**
**Trung Tran**
(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

**Associate – Oil & Gas**
**Hung Phan**
(+84 28) 3823 4159 (x354)
hungpv@acbs.com.vn

**Analyst – Industrials**
**An Phuc Tran**
(+84 28) 3823 4159 (x325)
phuctta@acbs.com.vn

**Analyst – Technical**
**Phuoc Luong**
(+84 28) 3823 4159 (x250)
phuocld@acbs.com.vn

**Analyst – Derivatives**
**Minh Trinh Viet**
(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

**Analyst – Construction materials**
**Huy Huynh**
(+84 28) 3823 4159 (x325)
huyha@acbs.com.vn

## INSTITUTIONAL CLIENT DIVISION

### Director - Head of Institutional Client
**Tyler Cheung**
(+84 28) 38 234 876
tyler@acbs.com.vn

**Trading Manager**
**Huong Chu**
(+84 28) 3824 6679
huongctk@acbs.com.vn

**Trader**
**Thanh Tran**
(+84 28) 3824 7677
thanhtt@acbs.com.vn

**Trader**
**Phuong Chu**
(+84 28) 3823 4159 (x357)
phuongctm@acbs.com.vn

**Trader**
**Dung Ly**
(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

**Trader**
**Nhi Nguyen**
(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

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## Our Recommendation System

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

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

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

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