

# MARKET MOVEMENT

March 2023

**Seizing opportunities in the face of headwinds**

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**The Vietnamese macroeconomic picture remained stable growth** with retail sales sustained growth momentum at year-on-year growth of 13.2%, the international visitors to Vietnam continued to increase, total import-export turnover increased 6.2% over last month and 1.4% compared to the same period of 2022 and the trade balance of the first two months maintain surplus at US\$2.8bn, headline CPI and core inflation slow to 4.31% and 4.96% respectively. Although the industrial production is still weak but there are signals of recovery with the PMI moved to the expansionary territory at 51.2 after three consecutive months falling to under 50 points. The foreign direct investment still slow with registered FDI decreased 51.2% compared to the same period of last year. The USD/VND rates bounced off as the US Dollar strong again with the USD/VND rate at the Central bank (+0.15% m/m), the average rate at banks (+1.45%) and the rate in free market (+1.53%) rose in month. Interest rates cooled down but still under stress with most of interbank interest rates decreased in the February.

**The market continued to experience a depressing month** with the overall VNIndex liquidity continued to decline to VND10.1tn, the lowest since November 2020, and the index closed month at 1,024.7 points, decreased 7.8% over last month. The decline spreads across many sectors with 20/23 sectors recedes and 311 stocks decreased in February. Foreign investors reversed their net flows from net buying in the three consecutive months to a net selling of USD\$26m in February. Before the Decree 8/2023/ND-CP amendment some articles of Decree 65 on corporate bonds have just been passed in early of March, the list of 54 companies which missed bond payments announced by Hanoi Stock Exchange (HNX) in February, in which more than half are real estate companies, contributed to depress market sentiment. We supposed this new decree on corporate bond market will relieve some stress of liquidity on both real estate and stocks markets. The overall conditions of the economy are stable and expected to be more active if the progress of public investment disbursement is pushed. Market valuations remain at the deep discount to historical average with the P/E at the end of Feb lower 27% than the 3yr average and we suppose that the VNIndex is still attractive with investors to accumulate at relative valuations.

When the macro indicators reflects largest economies including main export markets of Vietnam remains in solid footing so far, the biggest worries are mainly external in nature with the expectation of higher interest rate hike of Fed than previously anticipated amid the inflation rate stay at high figures and the collapse of Silicon Valley Bank would cause stress on stock markets globally and domestic monetary market which is maintaining stable until now. On the credit market, we expect that the short-term risks regarding corporate bonds would be solved by issuing Decree 08/2023-ND-CP which have several positive impact on stock markets.

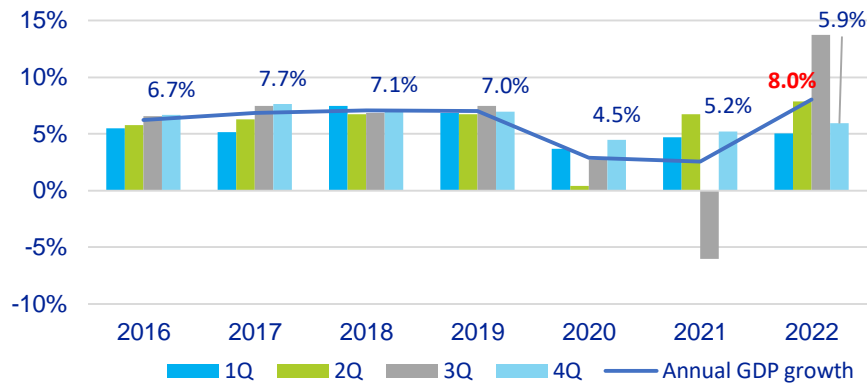
1. Macroeconomics
2. Equity Market
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- ❖ Most of interbank interest rates decreased in the first three week of February but bounced back in the last week of month. The USD/VND rates rose in February as the US Dollar strong again.
- ❖ In contrast to January, the SBV has net withdrawal VND197.9 trillion from the market via issuing VND60tn reverse repo OMO combined with VND114tn to maturity and issuing VND400tn T-bills combined with VND258tn to maturity in February.
- ❖ Gasoline prices rose by c.1.3% and diesel prices decreased by 7.6% in February.
- ❖ Vietnam Oil and Gas Group and a joint venture between the Trading Construction Works Organization (WTO) and Japan's Marubeni Corporation signed a gas sale framework agreement for O Mon II Thermal Power Project, an important step to speed up the progress of the Block B gas-power chain.
- ❖ The Ministry of Industry and Trade issued Decision no. 235/QĐ-BCT on the application of official anti-dumping measures to a number of table and chair products imported from China, effective on February 13<sup>th</sup>, 2023
- ❖ The Ma Lu Thang – Jinshuihe border gate pair of Vietnam's northern province Lai Chau and China's Yunnan province resumed fully the import-export activities and customs clearance of goods after more than three years affected by the COVID-19 pandemic.
- ❖ The US Fed decided to raise its benchmark interest rate by 25 basis points to push the federal funds rate to a range of 4.5% - 4.75% on 01 February as the inflation shows signs of slowing.
- ❖ The ECB and BOE raise their key interest rates by 50 basis points bringing the policy rates to 3% and 4%, respectively.

# GDP growth of the whole year highest since 1997

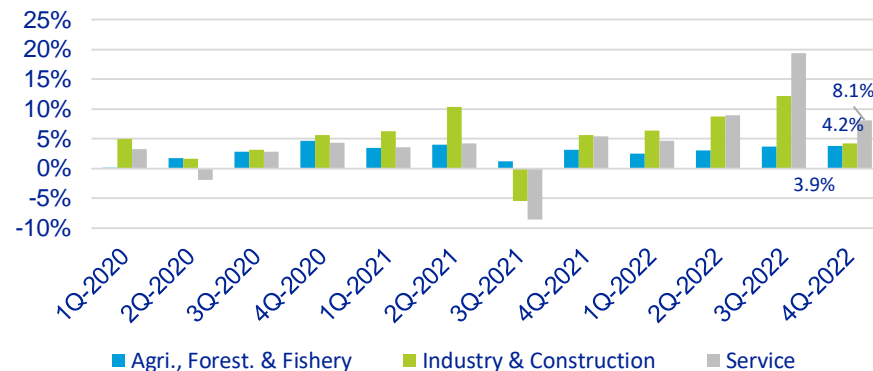
## Vietnam GDP growth by quarter



Source: GSO, ACBS

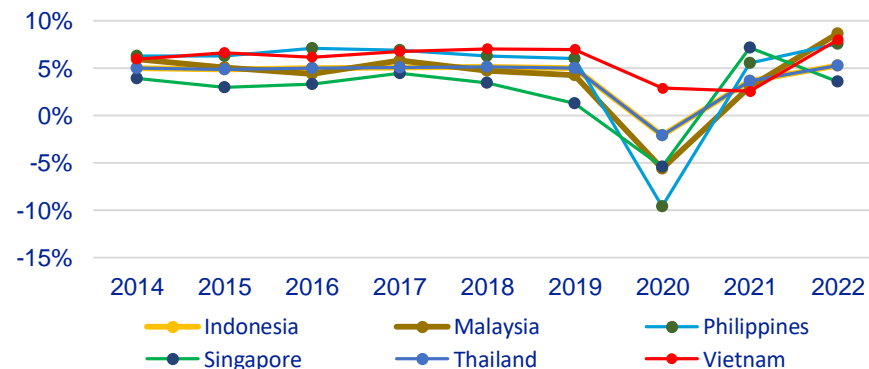
- ❖ Vietnam's GDP continued to grow strongly in the forth quarter by 5.92% y/y, higher than the same period of 2020 and 2021 but still lower than the pre-pandemic years, bringing the whole year's growth to 8.02%, the highest growth since 1997. This impressive growth of 2022 was led by the double digit growth in the third quarter thanks to the low base of last year.
- ❖ Regarding GDP 2022 by expenditure, Final Consumption increased by 7.18%, Gross Capital Formation increased by 5.75%, Exports of goods & services increased by 4.86% and Imports of goods and services increased by 2.16%.

## GDP growth breakdown



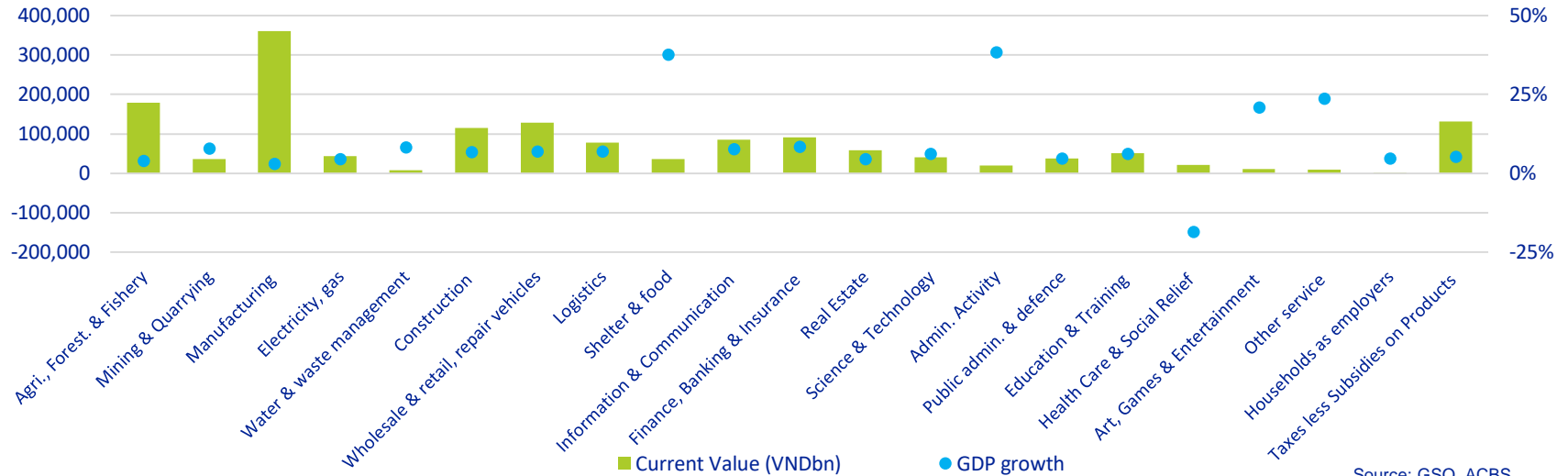
Source: GSO, ACBS

## Vietnam GDP growth and peer market



Source: World Bank, ACBS

## GDP by Industry in 4Q2022

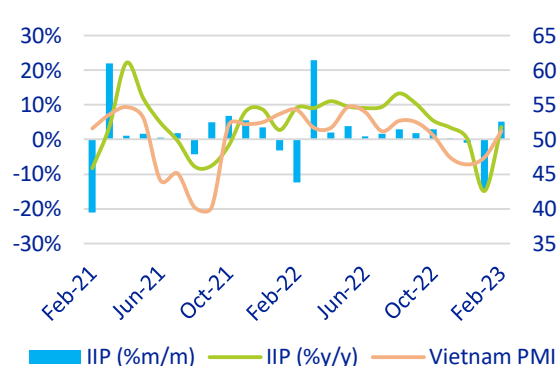


Source: GSO, ACBS

- ❖ Almost all sectors achieved impressive growth in the 4<sup>th</sup> quarter, except the Health Care & Social Relief, which continued to decrease with negative growth of 18.55% in the 4<sup>th</sup> quarter. The agriculture-forestry-fishery maintained the stable growth (+3.85% y/y in 4Q2022, higher than previous two quarters) while the industry-construction (+4.22% for 4Q2022) and services (+8.12% y/y for 4Q2022) slower than the growth of the second and the third quarter of 2022.
- ❖ The highest contributors to GDP growth in 2022 are industry (+7.7%, contributed 2.3% in total growth) and manufacturing (+8.1%, contributed 1.9% in total growth) due to its high proportion in GDP, however these sectors have sign of slowing in the forth quarter given slowing of local demand, higher interest rates, lack of capital and low demand of international market. The following is services sectors such as Wholesale-retail trade-repair of motor vehicles and motorcycles (+10.1%, contributed 0.9% in total growth), Accommodation & catering services (+40.6%, contributed 0.9% in total growth).

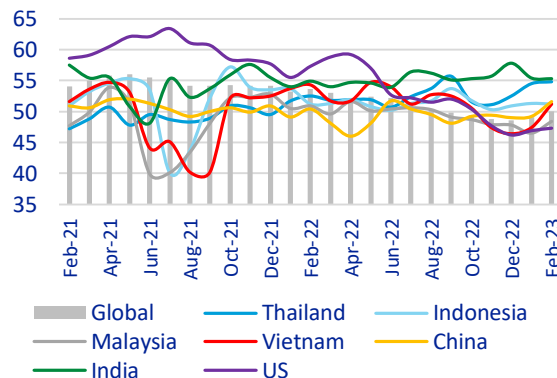
# Industrial production return to growth in February

## Vietnam IIP and PMI



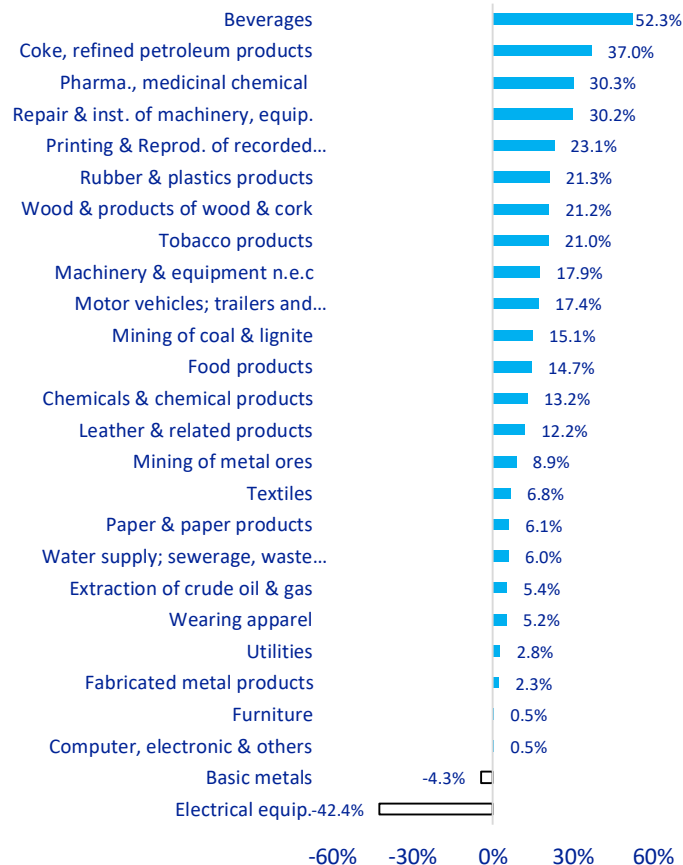
Source: GSO, IHS Markit, ACBS

## Vietnam PMI and other markets



Source: Bloomberg, IHS Markit, ACBS

## IIP February 2023 by industry

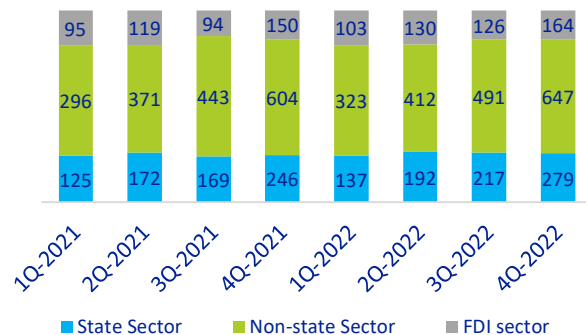


Source: GSO, ACBS

- ❖ Industrial production recovered as the IIP increased by 5.1% m/m and 3.6% y/y and 24/26 industries recorded growth in February. However, the IIP decreased 6.3% y/y in the first two-months of 2023, the 2-months cumulative IIP decrease for the first time in 2000-2023 period. The number of employees working in industrial enterprises as of Feb 1<sup>st</sup>, 2023 decreased 1.1% y/y, in which labor in state-owned enterprises increased 0.4%, in non state-owned enterprises decreased 1.3% and foreign invested enterprise decreased 1.1%.
- ❖ The PMI moved to the expansionary territory at 51.2 points after three consecutive months falling to under 50 points thanks to rise in output, new orders and employment.
- ❖ Many regions witnessed the improvement of PMI in February, including ASEAN, Emerging Markets and Global in general as the supply chain pressure reduce and China reopens while manufacturing production of Eurozone remain stable.

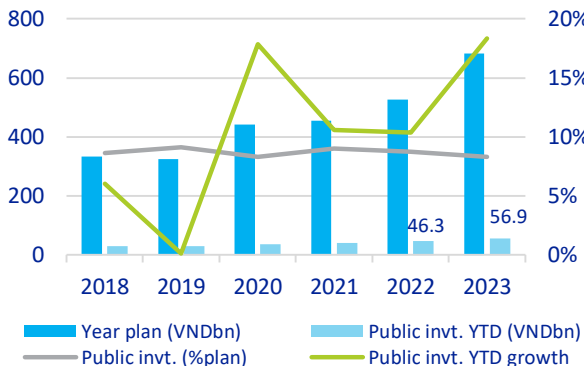
## Total investment disbursement

Unit: VNDtn



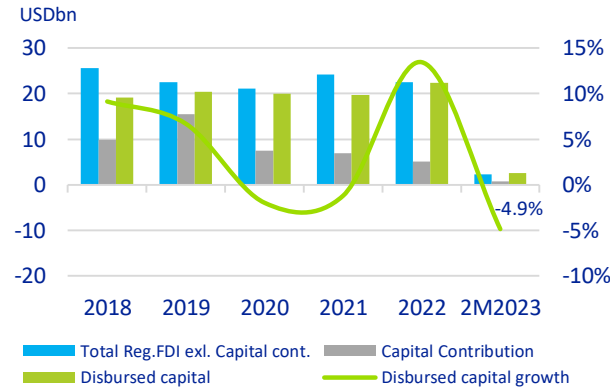
Source: GSO, ACBS

## Public investment in 2M



Source: GSO, ACBS

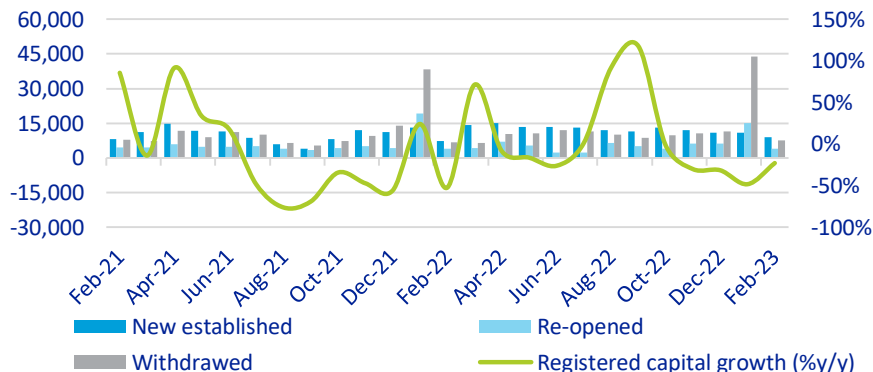
## FDI attraction by years



Source: MPI, ACBS

- ❖ The total social investment increased by 8.5% y/y in the 4th quarter, recording VND1,089 trillion, in which, the non-state sector continued to play the key role with its contribution of 59.4% in total capital, FDI sector continued to decrease their contribution to 15% and state sector contributed 25.6%.
- ❖ In February 2023, the public investment disbursement reached VND30tn (+11.4% m/m, +39.9% y/y), completing 8.3% of 2023 plan.
- ❖ Newly established enterprises increased 21.4% y/y in February at 8,841 with the average registered capital fall by 23.1% y/y and registered employees down to 51 thousands (-29.6% y/y). The re-operated enterprises decreased 3.5% over last year at 3,927 while the enterprises withdrawing from the market recorded at 7,605 (-82.7% m/m, +14.9% y/y).

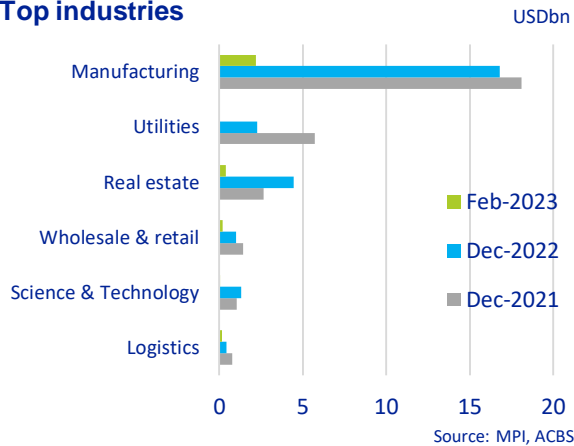
## Enterprises activities



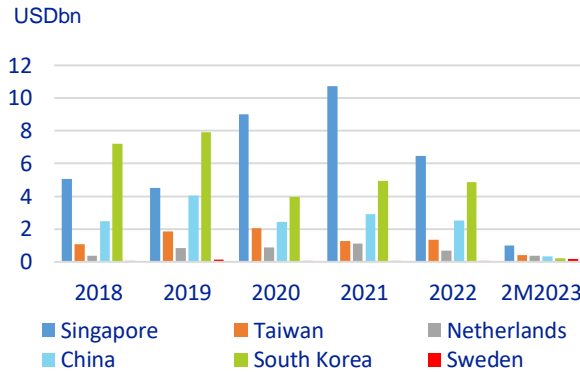
Source: GSO, ACBS



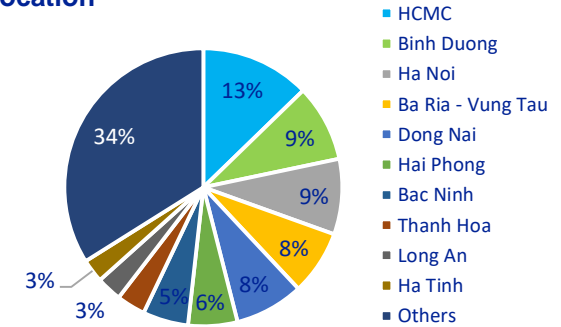
## Top industries



## Top counterparts

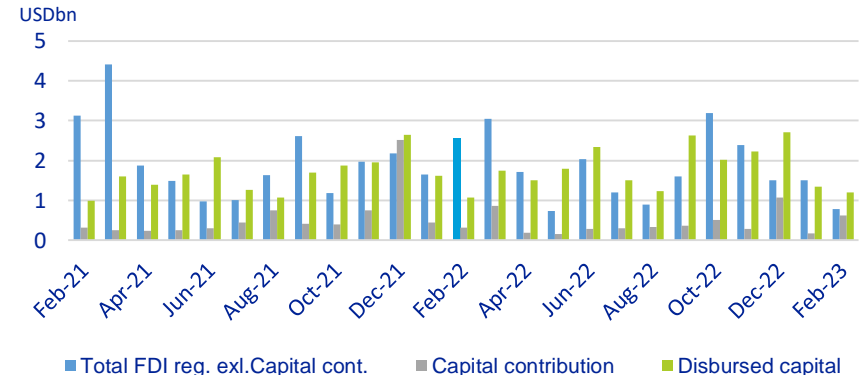


## Accumulated FDI as of Feb 2023 by location



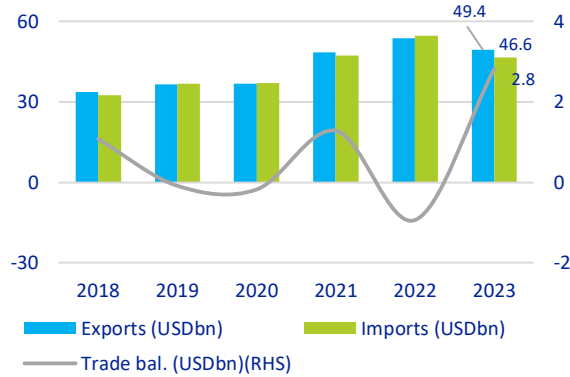
- ❖ Disbursed capital increased 12.4% y/y in February to US\$1.2bn but the total disbursed capital in two months of 2023 decreased for the second consecutive month (-4.9% y/y) at US\$2.6bn.
- ❖ Registered capital continued to slow at US\$1.41bn in February (-16.2% m/m, -51.2% y/y) bringing the two months registered capital to US\$3.1bn (-38% y/y) but the total number of newly registered projects and additionally registered projects increased 21% y/y and the turn of capital contribution also increased 10% y/y.
- ❖ Singapore continued to be the biggest counterparts in the first two month of 2023, following by Taiwan, Netherland and China. South Korea ranked in 5<sup>th</sup> place, following by Sweden.

## FDI attraction by months

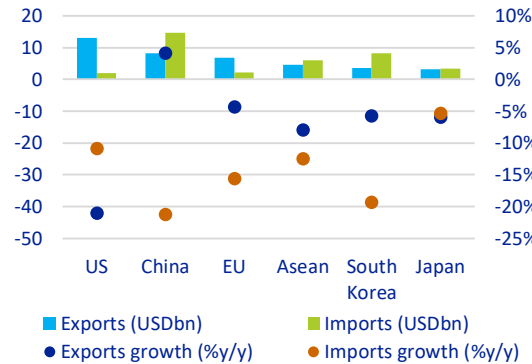


# Foreign trade maintain surplus

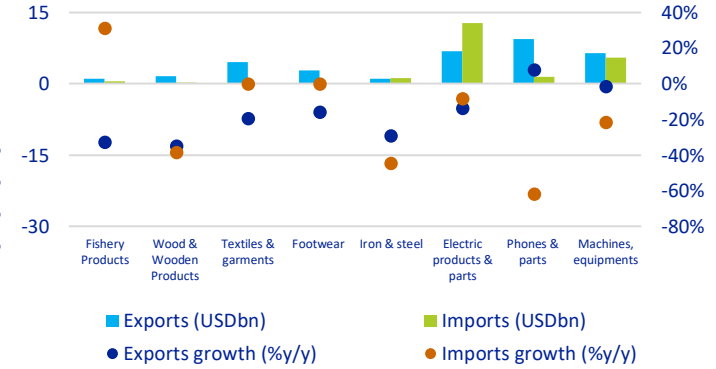
## Foreign trade in 2M by years



## Main EX-IM markets in 2M2023

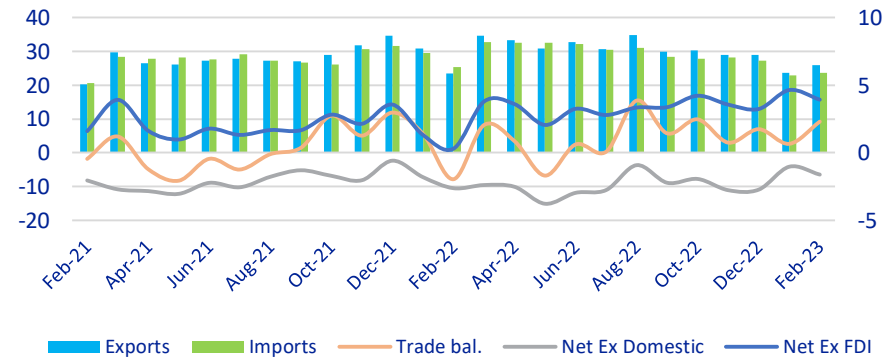


## Main EX-IM items in 2M2022



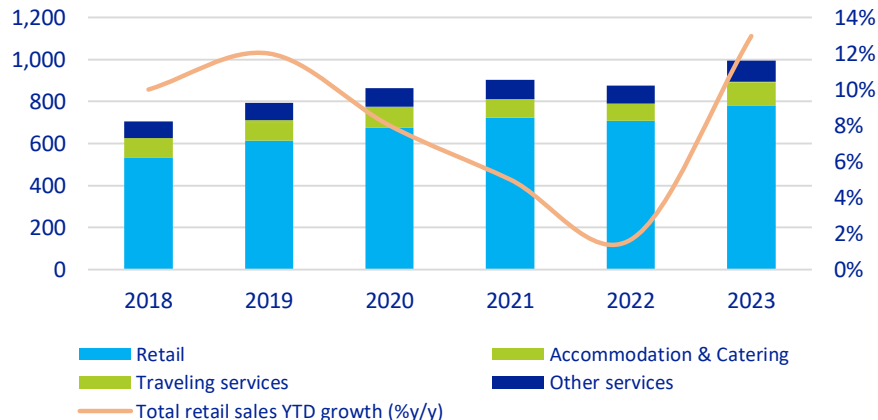
- ❖ Foreign trade increased slightly in February with total import-export turnover reached US\$49.5bn (+6.2% m/m, +1.4% y/y), in which exports recorded at US\$25.9bn (+9.6% m/m, +11% y/y) and imports recorded at US\$23.6bn (+2.7% m/m, -6.7% y/y).
- ❖ For the first two months of 2023, the total turnover was lower 11.5% than the same period of 2022, in which exports decreased 10.4% and imports decreased 16% but the trade balance maintained surplus of US\$2.8bn.
- ❖ Exports to China grew 4.2% thanks to reopening of this country since January while other main export markets witnessed decrease in the first two months given the high inflation and rising borrowing costs hit demand.

## Foreign trade by months (USDbn)



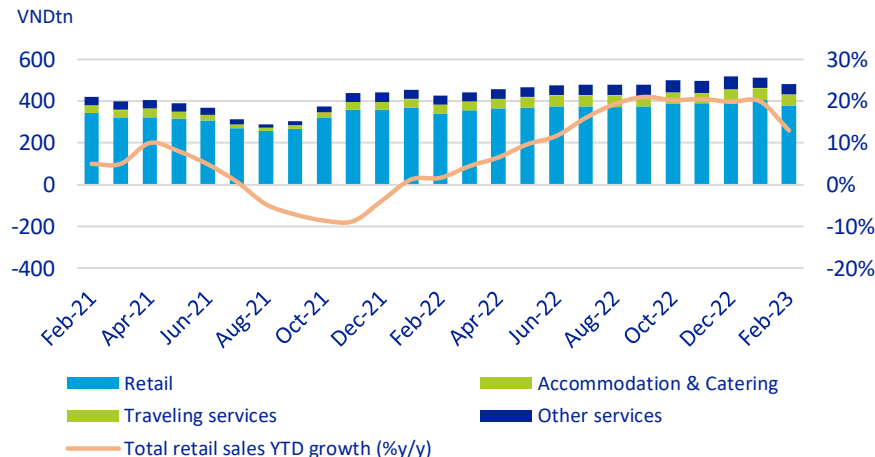
# Retail sales sustained growth momentum

## Retail sales of goods and services in 2M



Source: GSO, ACBS

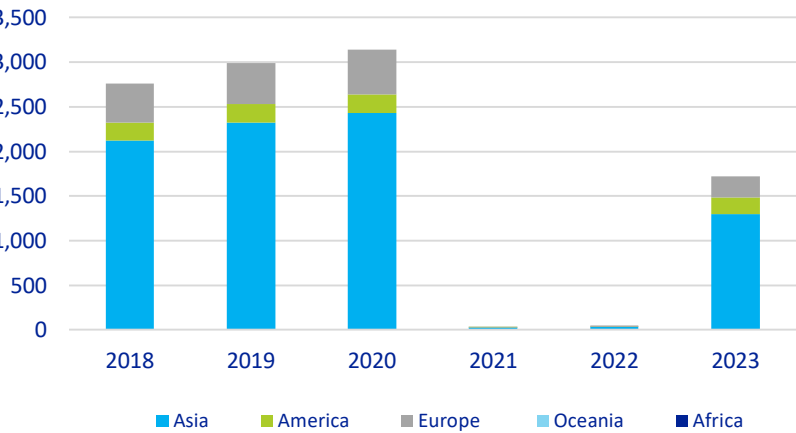
## Retail sales of goods and services monthly



Source: GSO, ACBS

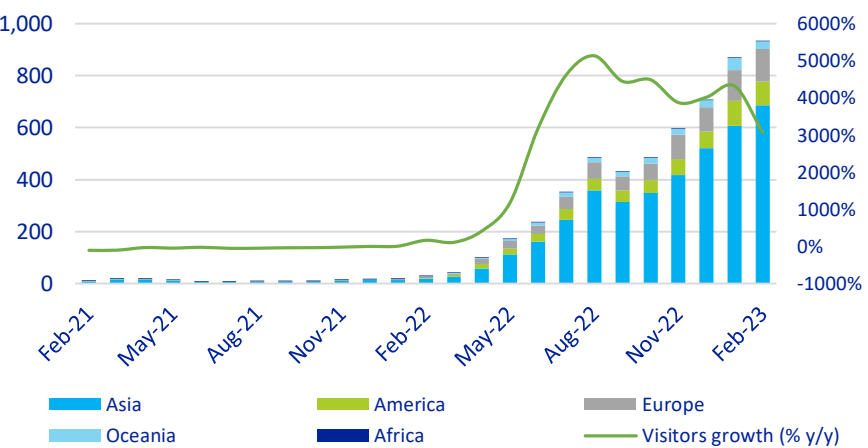
- ❖ Retail sales sustained growth momentum in February thanks the backlogged consumption needs suppressed during last two years and local and international travel increasing as the borders reopened to international visitors in March 2022. The total retail sales of consumer goods and services hit VND481tn (-6% m/m, +13.2% y/y) in February, in which revenue of goods increased 10.5% y/y, accommodation and catering up 27.3%, traveling services surged 94.7% and other services up 18.7%.
- ❖ In the first two months of 2023, total retail sales recorded at VND94tn (+13% y/y). Regarding to items, revenue of garments up 18.4% y/y, food and food stuffs up 12.5% y/y, household tools & equipment up 4% y/y, vehicles up 3.4% y/y, cultural and educational items down 3.7% y/y.

International visitors in 2M (thsnd)



Source: GSO, ACBS

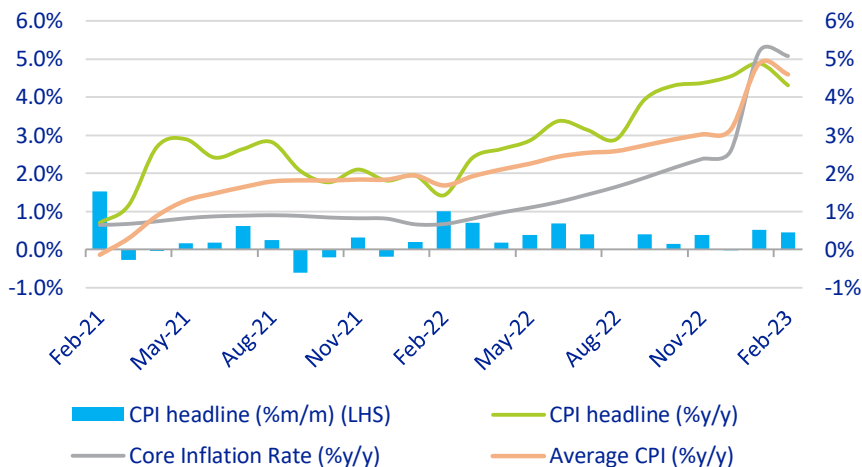
International visitors monthly (thsnd)



Source: GSO, ACBS

- ❖ The international visitors continued to increase in February given a lot of international flights resumed. There were 933 thousand international arrivals to Vietnam in February (+7.1% m/m, increased 30 times y/y), recovered strongly compared with 2021 and 2022 but still lower than pre Covid-19 pandemic. Visitors from South Korea, China and Taiwan are top increase in February.
- ❖ International arrivals to Vietnam have been improving since the reopening of border in Q1 2022. The resumption of international travel would benefit many industries especially services and accommodation and catering. For 2023, we expect the international visitors to Vietnam continued to pick up given tourists have had time to plan trips and COVID related travel procedures have been eliminated, combined with the reopening border of China after three years of COVID-19 closure which improving the transportations and foreign trade between China and Vietnam.

## CPI monthly



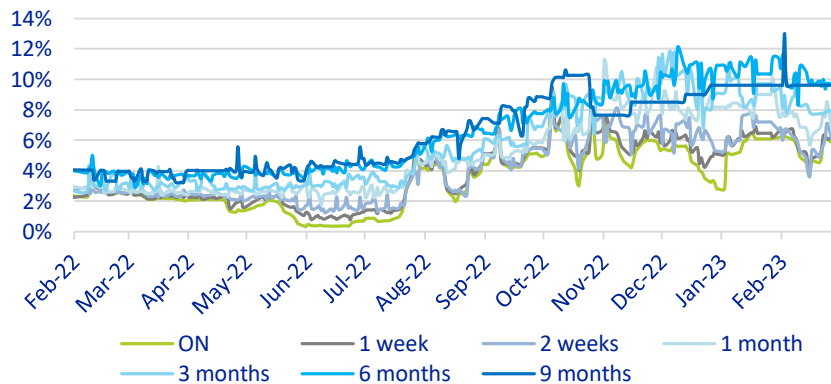
Source: GSO, ACBS

CPI Basket	Weight (%)	02/2023 (% m/m)	02/2023 (% y/y)	Avg 2M2023 (% y/y)
<b>CPI headline</b>	<b>100.0</b>	<b>0.45%</b>	<b>4.31%</b>	<b>4.60%</b>
Food and Foodstuffs	33.6	-0.17%	4.29%	5.18%
Food	3.7	0.26%	3.64%	3.69%
Foodstuff	21.3	-0.49%	3.84%	4.97%
Eating outside	8.6	0.45%	5.71%	6.36%
Beverage, cigarette	2.7	-0.12%	3.85%	4.10%
Garment, footwear	5.7	-0.08%	2.65%	2.72%
Housing and constrn. Materials	18.8	1.81%	7.88%	7.41%
Household appliances & goods	6.7	0.09%	2.75%	2.80%
Medicine, health care	5.4	0.02%	0.63%	0.64%
Transportation	9.7	2.11%	-0.18%	-0.07%
Postal services, Telecom.	3.1	-0.10%	-0.26%	-0.24%
Education	6.2	-0.57%	10.40%	11.00%
Culture, entertm't. & tourism	4.6	-0.02%	4.74%	5.02%
Other goods, services	3.5	0.12%	3.40%	3.45%

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

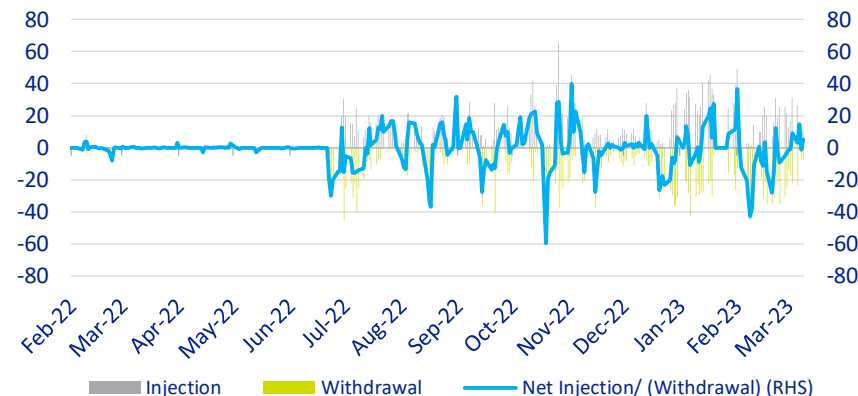
- ❖ The consumer price index (CPI) in February increased 0.45% m/m and 4.31% y/y, lower than the inflation rate in January. Among the 11 main items of the basket, five items marked a month-on-month increase, in which the transportation has highest increase given the rising of petro prices, the housing and construction materials increased 1.81% m/m and 7.88% y/y, growing faster than recent months due mainly to the gas and electricity prices rose. Conversely, the education and food-food stuffs are biggest laggards in February.
- ❖ The average CPI in February increased 4.6%, lower than the last month and core inflation recorded at 5.08%. Despite the rising of core inflation was slowdown but it is higher than the 5-years average of 1.51% and we are continuing to monitor the core CPI which reflect the longer term impact of high prices on the purchasing power of consumers.

## Interbank Rate



- ❖ Most of interbank interest rates decreased in the first three week of February after rose strongly given limited liquidity of banks in the month that occurred the Tet holiday. However, the interest rates of under 9-months terms bounced back in the last week of month as the USD/VND rate bounced off amid the interest rate hike continuing globally.
- ❖ In contrast to January, the SBV has net withdrawal VND197.9 trillion from the market via issuing VND60tn reverse repo OMO combined with VND114tn to maturity and issuing VND400tn T-bills combined with VND258tn to maturity in February. Recently, the SBV issued Circular No. 26/2022/TT-NHNN amending and supplementing a number of articles of Circular No. 22/2019/TT-NHNN on prescribing limits and prudential ratios in operations of banks and foreign bank branches, which including time deposits of the State Treasury in total deposit to calculate LDR and expected to reduce the interest rates pressure.

## Net Injection/ (Withdrawal) from OMO (VNDtn)

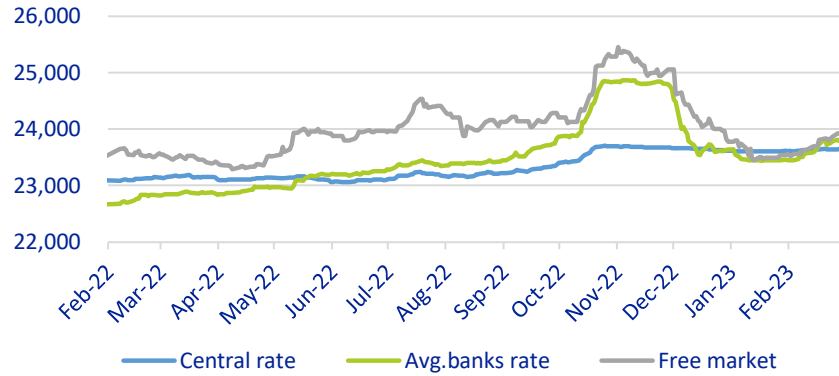


## Interbank Rate

Term	ON	1 weeks	2 weeks	1 month	3 months	6 months	9 months
End of Feb 2023 (%)	5.24	6.21	6.55	6.53	7.76	9.81	9.61
+/- MoM (bps)	-99	-45	-26	-98	-164	-89	0
+/- YTD (bps)	243	113	127	-164	-133	-110	0

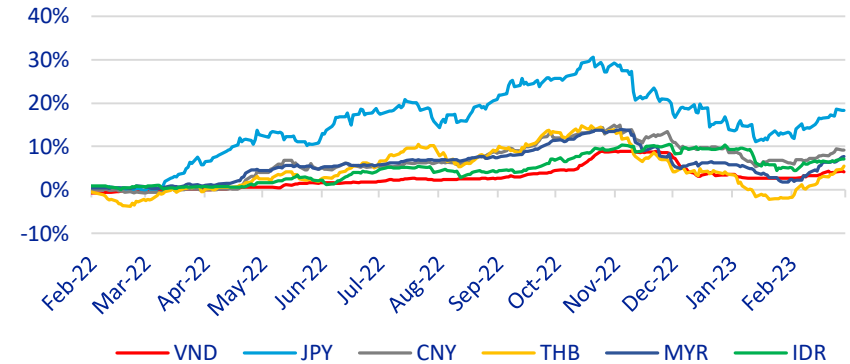
# USD/VND bounced off as US Dollar strong again

## USD/VND exchange rate



Source: Fiin Pro, ACBS

## Monthly USD/VND and other currencies



Source: Bloomberg, ACBS. Note: change relative to Dec 31, 2021

- ❖ The USD/VND rates rose in February as the US Dollar strong again (DXY increased 2.7% m/m in Feb) with the USD/VND rate at the Central bank (+0.15% m/m), the average rate at banks (+1.45%) and the rate in free market (+1.53%) rose in month. In early of February, the Fed hiked its interest rate by 25 basis points pushing the fed fund rate to the range of 4.5% - 4.75% and signal that the rate would be rise further, supporting the DXY gaining. The growth of foreign trade slowed in recent months and strengthening USD put pressure to local currency.
- ❖ Global gold prices fall 5.2% in February as the USD strong again, meanwhile, domestic gold prices decreased 1.1% to VND66.9m/tael which present the premium of c.26.3% to global prices, higher than the premium of 23% at the end of January.

# Key macro indicators

Monthly data	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Industrial Production (% y/y)	9.1%	11.1%	9.5%	9.1%	9.5%	13.3%	10.3%	5.5%	3.5%	0.2%	-14.9%	3.6%
Mining & quarrying	7.5%	7.9%	3.9%	5.1%	-2.8%	7.5%	14.9%	12.1%	16.8%	-5.1%	-13.0%	7.0%
Manufacturing	9.7%	11.7%	11.0%	9.9%	11.1%	14.1%	9.6%	4.4%	2.3%	0.6%	-15.6%	3.3%
Prod & dist of electricity	6.5%	8.6%	2.3%	5.5%	6.2%	12.3%	16.4%	9.3%	2.7%	1.3%	-12.4%	2.8%
Water supply & waste treatment	-4.6%	2.7%	9.4%	6.3%	12.1%	5.9%	9.1%	14.4%	7.0%	5.5%	-1.4%	6.0%
PMI	51.7	51.7	54.7	54.0	51.2	52.7	52.5	50.6	47.4	46.4	47.4	51.2
Retail Sales (% y/y)	9.4%	12.1%	22.6%	27.3%	42.6%	50.2%	36.1%	17.1%	17.5%	17.1%	20.0%	13.2%
CPI (% m/m)	0.7%	0.2%	0.4%	0.7%	0.4%	0.0%	0.4%	0.1%	0.4%	0.0%	0.5%	0.4%
CPI (% y/y)	2.4%	2.6%	2.9%	3.4%	3.1%	2.9%	3.9%	4.3%	4.4%	4.5%	4.9%	4.3%
Export Value (USDm)	34,712	33,317	30,918	32,843	30,607	34,918	29,817	30,369	29,020	29,029	23,611	25,880
Import Value (USDm)	32,663	32,468	32,616	32,233	30,533	31,059	28,388	27,903	28,277	27,292	22,955	23,580
Trade Balance (USDm)	2,049	849	-1,698	610	74	3,859	1,429	2,466	743	1,737	656	2,300
Disbursed FDI (USDm)	1,740	1,500	1,790	2,348	1,512	1,230	2,628	2,022	2,230	2,716	1,350	1,200
Registered FDI excl. Cap. Cont. (USDm)	3,050	1,710	742	2,032	1,203	899	1,610	3,197	2,387	1,507	1,511	788



# Key macro indicators

Annual data	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD-2023
GDP	6.0%	6.7%	6.2%	6.8%	7.1%	7.0%	2.9%	2.6%	8.0%	8.0%
Industrial Production	7.6%	9.8%	7.5%	9.4%	10.2%	9.1%	3.4%	4.8%	7.8%	-6.3%
Retail Sales	10.6%	9.5%	10.2%	10.9%	11.7%	11.8%	2.6%	-3.8%	19.8%	13.0%
Consumer Price Index	4.1%	0.6%	2.7%	3.5%	3.5%	2.8%	3.2%	1.9%	3.1%	4.6%
Export Value (USDbn)	150.22	162.02	176.58	215.12	243.70	264.34	282.53	336.25	371.30	49.44
Import Value (USDbn)	147.85	165.78	174.98	213.22	236.87	254.09	262.67	332.25	358.90	46.62
Trade Balance (USDbn)	2.37	-3.76	1.60	1.90	6.83	10.25	19.86	4.00	12.40	2.82
Disbursed FDI (USDbn)	12.35	14.50	15.80	17.50	19.10	20.38	19.98	19.74	1.61	2.55
Registered FDI (USDbn)	20.23	22.76	20.95	29.97	25.57	22.55	21.06	24.26	1.66	2.30

Quarterly data	3Q-2020	4Q-2020	1Q-2021	2Q-2021	3Q-2021	4Q-2021	1Q-2022	2Q-2022	3Q-2022	4Q-2022
GDP (% y/y)	2.7%	4.5%	4.7%	6.7%	-6.0%	5.2%	5.1%	7.8%	13.7%	5.9%
Agriculture, Forestry & Fishing	2.8%	4.7%	3.5%	4.0%	1.2%	3.2%	2.5%	3.1%	3.7%	3.9%
Industry & Construction	3.2%	5.6%	6.3%	10.4%	-5.5%	5.6%	6.4%	8.7%	12.2%	4.2%
Services	2.8%	4.3%	3.6%	4.2%	-8.6%	5.4%	4.6%	8.9%	19.3%	8.1%
Industrial Production (% y/y)	2.0%	6.3%	5.7%	12.4%	-5.0%	6.4%	6.8%	9.8%	10.9%	3.0%
Retail Sales (% y/y)	4.4%	8.0%	4.6%	4.1%	-28.3%	0.0%	5.0%	20.1%	41.2%	17.1%
Export Value (USDbn)	79.74	80.15	78.40	78.23	82.15	95.62	89.10	96.93	96.31	89.50
Import Value (USDbn)	69.02	76.92	75.61	82.50	83.86	89.07	87.65	97.64	90.29	85.07
Trade Balance (USDbn)	10.72	3.23	2.79	-4.27	-1.70	6.55	1.46	-0.72	6.02	4.44
Disbursed FDI (USDbn)	5.11	6.22	4.10	5.14	4.04	6.46	4.42	5.64	5.37	6.97
Registered FDI (USDbn)	3.32	5.58	9.33	4.34	5.26	5.34	7.28	4.48	3.71	7.09

# Key macro indicators of other countries

Countries	GDP Growth			Inflation Rate			Manufacturing PMI		
	2Q-2022	3Q-2022	4Q-2022	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Indonesia	5.4%	5.7%	5.0%	5.5%	5.3%	5.5%	50.9	51.3	51.2
Malaysia	8.9%	14.2%	7.0%	3.8%	3.7%		47.8	46.5	48.4
Philippines	7.4%	7.6%	7.2%	8.1%	8.7%	8.6%	53.1	53.5	52.7
Singapore	4.4%	4.2%	2.2%	6.5%	6.6%				
Thailand	2.5%	4.6%	1.4%	5.9%	5.0%	3.8%	52.5	54.5	54.8
Vietnam	7.8%	13.7%	5.9%	4.5%	4.9%	4.3%	46.4	47.4	51.2
China	0.4%	3.9%	2.9%	1.8%	2.1%	1.0%	49.0	49.2	51.6
Hong Kong	-1.3%	-4.6%	-4.2%	2.0%	2.4%				
Taiwan	3.1%	4.0%	-0.9%	2.7%	3.0%	2.4%	44.6	44.3	49.0
Japan	1.6%	1.5%	0.6%	4.0%	4.3%		48.9	48.9	47.7
South Korea	2.9%	3.1%	1.4%	5.0%	5.2%	4.8%	48.2	48.5	48.5
India	13.5%	6.3%	4.4%	5.7%	6.5%	6.4%	57.8	55.4	55.3
United States	-0.6%	3.2%	2.9%	6.5%	6.4%		46.2	46.9	47.3
Eurozone	4.2%	2.3%	1.9%	9.2%	8.6%	8.5%	47.8	48.8	48.5

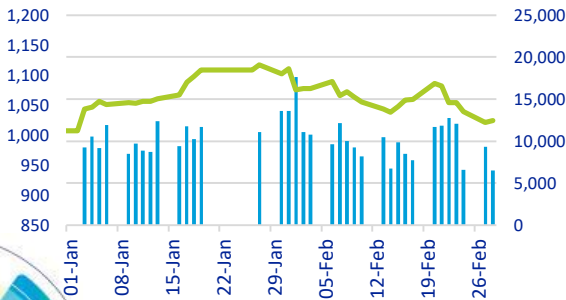
- ❖ Vietnam has been able to regain its growth momentum of the past decades as it emerges from a subdued two year period, although still posting positive GDP growth, as restrictions to curb the spread of COVID-19 have been lifted. Recent economic performance has maintained remarkable growth over the recent four quarters given the success of the new strategy of living-with-COVID and flexible intervention by monetary policy to cope with pressure of rising rates and depreciation of VND and fiscal policy to drag inflation by gasoline price reductions. There are some signals of slowdown of economic growth in industrial production given weakening global demand. We're keeping a cautious eye on industrial and trade figures, as there are some signs of deterioration as many advanced economies are facing growing recessionary concerns, which could affect Vietnam's growth outlook for 2023 if conditions worsen significantly. We expect that the GDP growth will grow slower in 2023 given no longer the low base figures and the recession worries globally.
- ❖ 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 GDP growth

Organization	2023 Outlook Latest projection	2023 Outlook Previous projection
World Bank	6.3% (March 2023)	6.7% (Aug 2022)
International Monetary Fund	5.8% (Nov 2022)	6.2% (Oct 2022)
The Asian Development Bank	6.3% (Dec 2022)	6.7% (Sep 2022)
Fitch Ratings	6.3% (Mar 2022)	
S&P	6.5%-7% (May 2022)	
Standard Chartered Bank	7.2% (Oct 2022)	7.0% (Jul 2022)
HSBC	5.8% (Dec 2022)	6.3% (Jul 2022)
United Overseas Bank	6.6% (Dec 2022)	
<b>ACBS</b>	<b>5.9% - 6.4%</b> <b>(Jan 2023)</b>	<b>5.5% - 6.5%</b> <b>(Dec 2022)</b>

# Stock market recap in February

Statistics	Feb 2023		2M2023	
Bloomberg Code	VNIndex		VNIndex	
Range (pts)	1,018 - 1,117		1,007 - 1,124	
Month End Index (pts)	1,024.7		1,024.7	
Month End Mkt cap (VNDbn)	4,118,513		4,118,513	
Month End Mkt cap (USDbn)	171.6		171.6	
Daily Avg Value (VNDbn)	10,122		10,357	
Gainers	98		226	
Laggards	311		180	
Net Foreign Trade (USDbn)	-0.026		0.131	
Foreign Participation	12.8%		12.0%	
Performance (%)	1M	3M	6M	12M
VNIndex	-7.8	-2.3	-20.0	-31.2
VN30	-9.8	-3.3	-22.0	-33.1



The market continued to experience a depressing month with the overall VNIndex liquidity continued to decline to VND10.1tn, the lowest since November 2020, and the index closed month at 1,024.7 points, decreased 7.8% over last month. The decline spreads across many sectors with 20/23 sectors recedes and 311 stocks decreased in February. Foreign investors reversed their net flows from net buying in the three consecutive months to a net selling of USD\$26m in February. Before the Decree 8/2023/ND-CP amendment some articles of Decree 65 on corporate bonds have just been passed in early of March, the list of 54 companies which missed bond payments announced by Hanoi Stock Exchange (HNX) in February, in which more than half are real estate companies, contributed to depress market sentiment. We supposed this new decree on corporate bond market will relieve some stress of liquidity on both real estate and stocks markets.

Vietcombank (HOSE: VCB), the only ticker among the top 20 market capitalization stocks increased in February, was the largest contributor of VNIndex in the month. In the context of the domestic capital market facing many difficulties, Masan Group (HOSE: MSN) decided to raise the total of US\$650m from international market by signing agreement with BNP Paribas, Credit Suisse AG-Singapore branch, Standard Chartered Bank (Singapore), the Hong Kong and Shanghai Banking Corporation Ltd – Singapore branch, UOB and other sponsors to strengthen the long-term capital for this group. Vietnam Airline (HOSE: HVN) is looking for consultancy to sell its stake in fuel distributing subsidiary Skypec amid the HOSE continued warning to delist this Vietnam's largest airline from VNIndex basket. Other stocks which have weak business results were also delisted or warned to delist in February as the regulations of the stock exchange.

# 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	1,525.2	37.3%	-5.5%	7.9%	9.92	1.95	1.88%	21.64%	-17.1%	715.2	-1,754.4
Real Estate	49	676.8	16.6%	-13.0%	-5.5%	27.68	1.99	4.80%	11.77%	7.7%	-2,007.1	-648.2
Food, Beverage & Tobacco	32	485.7	11.9%	-8.7%	-0.4%	23.57	4.39	11.22%	18.43%	-17.7%	-247.7	185.7
Utilities	28	314.7	7.7%	-2.4%	4.1%	12.75	2.62	14.55%	22.37%	-10.2%	243.1	464.2
Materials	64	288.5	7.1%	-8.9%	5.5%	13.34	1.21	10.46%	15.21%	8.0%	146.3	1,180.3
Transportation	28	156.0	3.8%	-9.0%	-3.6%	15.51	2.92	2.12%	5.51%	-5.1%	-18.2	64.7
Capital Goods	76	152.3	3.7%	-8.7%	3.0%	33.84	1.30	4.63%	11.78%	-4.1%	141.1	310.5
Software & Services	3	95.2	2.3%	-4.3%	4.7%	17.02	4.07	9.65%	23.92%	64.9%	-0.7	14.9
Diversified Financials	17	92.9	2.3%	-11.9%	3.5%	14.77	1.27	3.21%	8.81%	-10.9%	63.9	1,573.8
Retailing	9	74.4	1.8%	-11.3%	-6.0%	17.72	2.58	6.48%	18.72%	91.9%	22.2	82.6
Energy	9	69.0	1.7%	-1.7%	14.9%	28.81	1.62	2.18%	5.76%	-0.7%	235.9	360.6
Insurance	5	47.3	1.2%	-4.2%	4.2%	20.85	1.66	1.51%	8.31%	-3.9%	136.1	252.3
Consumer Durables & Apparel	17	41.1	1.0%	-13.4%	-8.6%	17.76	2.47	12.31%	21.45%	3.1%	-5.9	1.1
Pharma, Biotech & Life Sciences	10	28.9	0.7%	0.5%	5.3%	13.25	2.41	15.36%	19.16%	-22.3%	13.7	31.0
Automobiles & Components	6	8.2	0.2%	7.8%	11.7%	13.80	1.77	6.93%	13.20%	14.7%	8.1	11.6
Technology Hardware & Equip.	1	6.1	0.1%	-16.3%	-3.3%	8.63	2.49	10.60%	32.77%	12.1%	-30.3	34.3
Commercial & Prof. Services	6	6.1	0.1%	-2.5%	17.1%	9.93	1.82	17.07%	22.15%	-59.2%	17.9	-38.7
Consumer Services	8	5.4	0.1%	-5.4%	-2.3%	116.27	3.85	7.82%	8.85%	-36.3%	-0.8	-3.6
Unclassified	10	2.7	0.1%	-8.3%	-6.6%	21.20	0.58	1.41%	2.11%	7.8%	-0.6	-0.6
Health Care Equip. & Services	3	2.6	0.1%	-3.2%	5.2%	12.98	1.78	7.65%	13.11%	12.3%	-2.8	8.8
Telecommunication Services	1	1.8	0.0%	-13.4%	-21.4%	8.29	0.53	2.15%	8.50%	-87.2%	0.0	0.0
Household & Personal Products	1	1.4	0.0%	1.6%	5.2%	6.79	1.59	17.77%	26.70%	-27.2%	-0.1	0.9
Media & Entertainment	2	0.9	0.0%	-0.9%	12.5%	13.21	1.29	8.05%	12.38%	62.4%	0.0	0.1
VNIndex	420	4,118.5	100.0%	-7.8%	1.7%	13.32	1.62	2.20%	13.98%	-5.0%	-639.3	3,148.3
VN30 Index	30	2,994.6	72.7%	-9.8%	1.0%	10.67	1.57	2.37%	16.55%	-0.9%	478.6	5,351.8

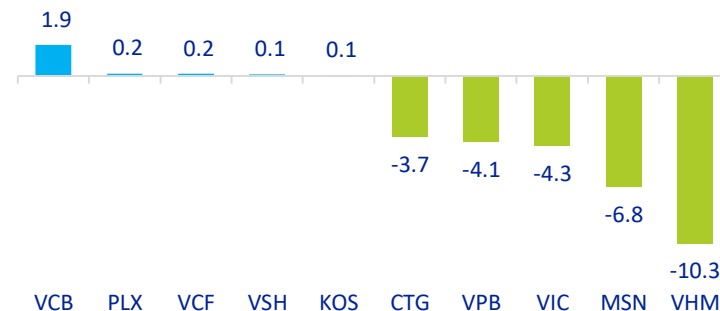
Source: Bloomberg, ACBS

## Top 20 Market Capitalization (as at February 28, 2022)

Ticker	Company name	Market Cap. (VNDtn)	1M return	YTD return	P/E	P/B	Remaining foreign room
VCB	Vietcombank	434.9	1.7%	14.9%	14.5	3.2	6.4%
BID	BIDV	228.1	-2.2%	16.8%	12.5	2.3	12.8%
VHM	Vinhomes	221.6	-18.5%	6.0%	7.7	1.5	26.0%
VIC	VinGroup	217.8	-7.9%	6.1%	25.4	1.9	35.3%
GAS	PetroVietnam Gas	203.5	-2.6%	4.7%	13.9	3.4	46.0%
VNM	Vinamilk	161.1	-2.1%	1.3%	21.2	5.4	44.2%
CTG	VietinBank	146.6	-10.2%	11.9%	8.7	1.4	1.9%
MSN	Masan Group	143.9	-18.9%	8.7%	40.2	5.5	18.4%
VPB	VPBank	130.6	-12.3%	8.7%	7.1	1.3	0.0%
HPG	Hoa Phat Group	128.5	-9.5%	22.8%	15.1	1.3	25.5%
SAB	SABECO	121.2	-0.5%	13.2%	23.6	5.2	37.4%
TCB	Techcombank	103.4	-9.9%	13.7%	5.1	0.9	0.0%
FPT	FPT Corp	91.6	-3.6%	8.6%	17.3	4.4	0.0%
MBB	MBBank	88.6	-11.8%	14.3%	5.1	1.2	0.0%
ACB	Asia Commercial Bank	88.0	-6.3%	18.9%	6.4	1.5	0.0%
BCM	Becamex IDC Corp.	87.8	-1.3%	5.2%	64.9	5.2	46.2%
SSB	SeABank	69.0	-6.1%	2.7%	16.6	2.6	4.8%
MWG	Mobile World Investment	68.0	-14.0%	8.4%	16.4	2.8	0.0%
VRE	Vincom Retail	67.5	-10.1%	12.9%	24.7	2.0	16.5%
GVR	Viet Nam Rubber Group	66.8	-16.5%	21.0%	17.5	1.4	12.5%

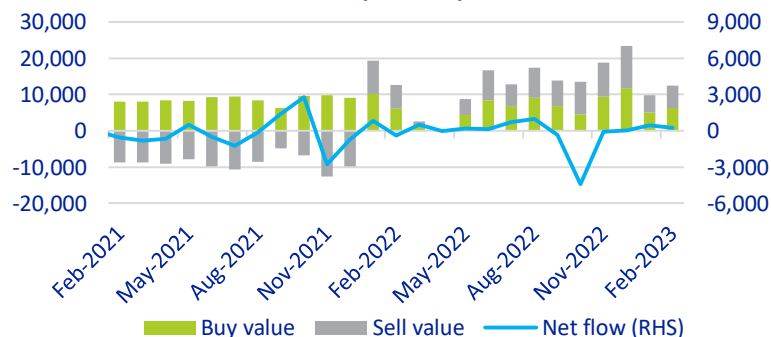
Source: Bloomberg, FiinPro, ACBS

## Top contributors on VNIndex in February 2023



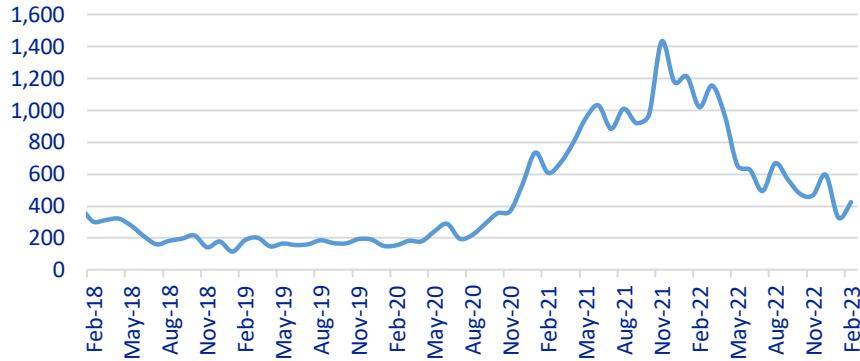
Note: Index impact (pts)

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

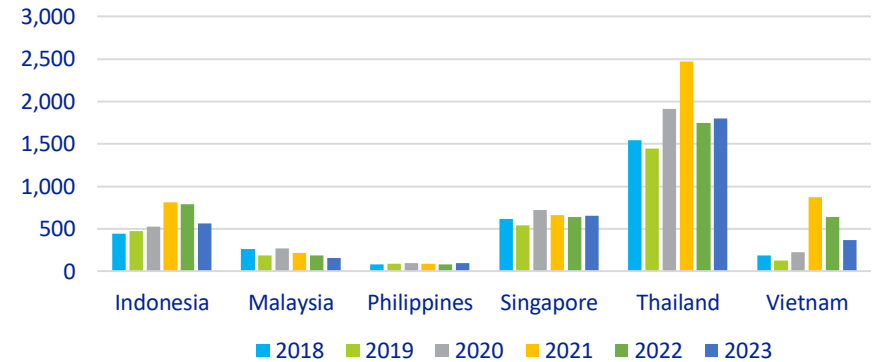


Source: FiinPro, ACBS

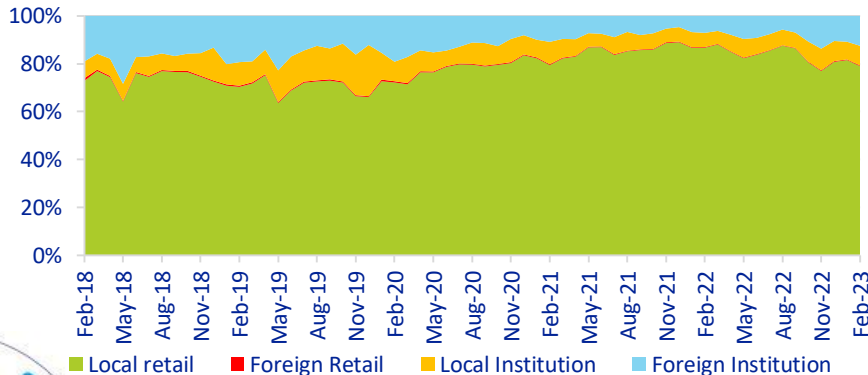
## Average Daily Turnover (USDm)



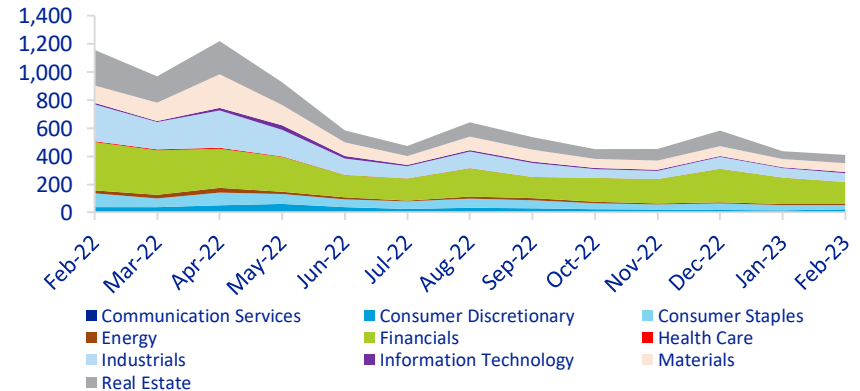
## Average Daily Turnover of ASEAN markets (USDm)



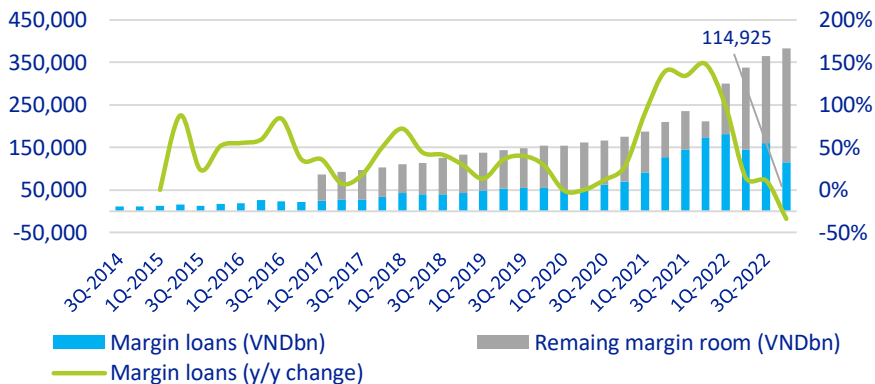
## Market Turnover by Investors



## Average Daily Turnover by Sector (USDm)



## Margin outstanding

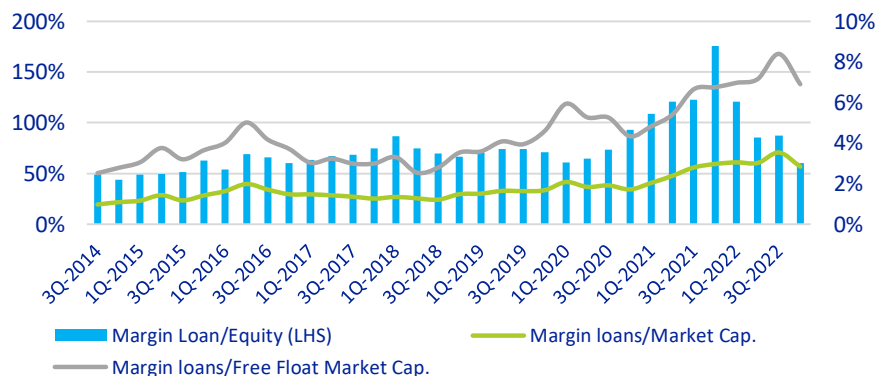


Source: Fiin Pro, ACBS. Note: margin room base on limit on financing margin of brokers

- ❖ Market-wide margin loans outstanding was estimated at VND 115 trillion at the end of 2022, decreased by 28% over end of the third quarter. The HOSE increased the number of stocks ineligible for margin trading in 4Q-2022 to 62 stocks from 55 stocks in 3Q-2022, this number in the HNX was increased to 84 stocks from 59 stocks in 3Q-2022. Additionally, many brokers flexibly rose their interest rate for margin loans by 100-200 bps or more after the hike interest rate of SBV by total of 200 basis points and also tightened their margin policies causing the margin trading restricted. The margin loans to free float market capitalization reduced to 6.9% from 8.4% in the third quarter 2022.

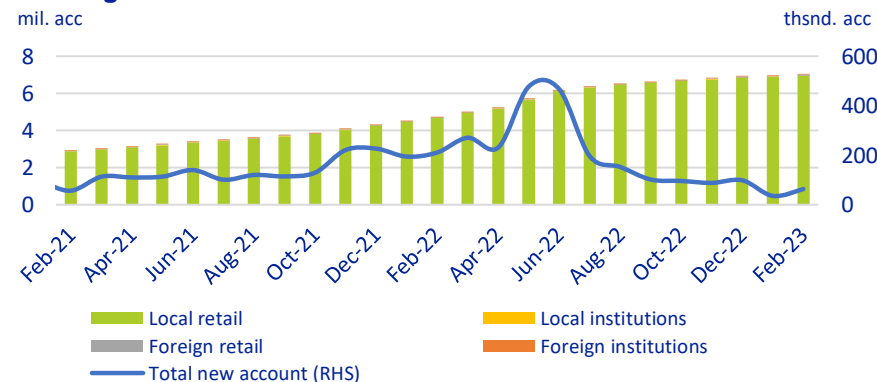
- ❖ New trading accounts opened in February improved compared with last month with total of 64 thousand accounts opened but still lower 70% than the same period of last year. Generally, there are nearly 7 million accounts as of February 28, 2023, equivalent to circa 7% of Vietnam population.

## Margin leverage



Source: Fiin Pro, Bloomberg, ACBS

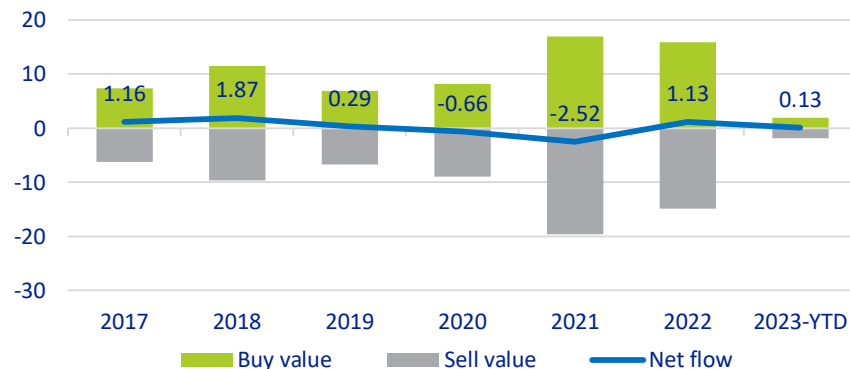
## Trading account



Source: GSO, ACBS



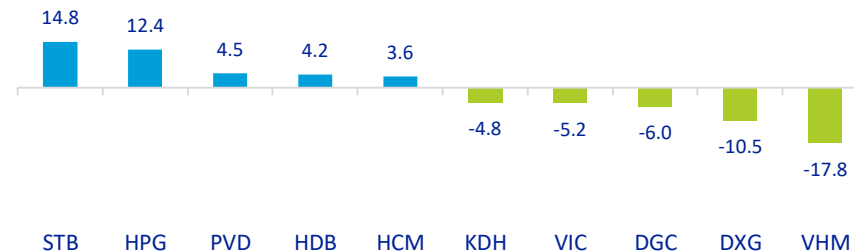
## Net foreign flow into VNIndex (USDbn)



Source: FiinPro, ACBS

- ❖ Foreign investors reversed their net flows from net buying in the three consecutive months to a net selling of USD\$26m in February bringing the year-to-date net buying to US\$131m. STB was received highest net inflows amid the story around the foreign room of this bank. HPG continued to be bought strongly in the forth consecutive month.
- ❖ Some Asian markets like South Korea, Taiwan, Indonesia continued to attract foreigner investors inflows but the others witnessed the outflows given the US Dollar strong again in recent weeks and expectation of further interest rates hikes of FED given US strong economic data.

## Top foreign net buying on VNIndex in February 2023 (USDm)

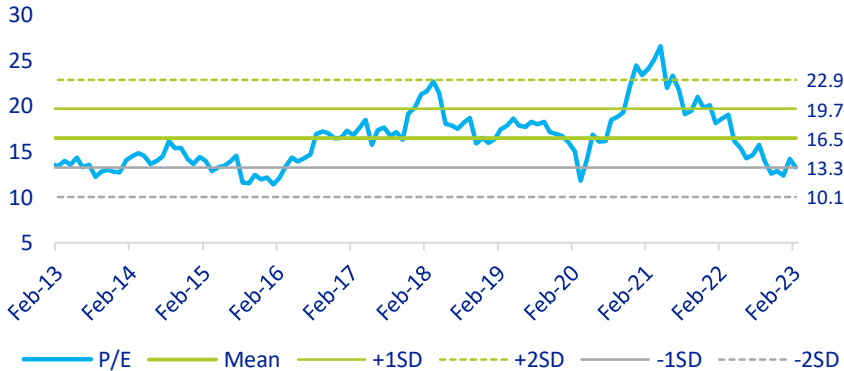


Source: FiinPro, ACBS

Markets	Net foreign flow 1M (USDbn)	Net foreign flow YTD (USDbn)	Market Cap. (USDbn)	Net foreign flow YTD as % market cap
Vietnam	-0.03	0.13	171.6	0.08%
Indonesia	0.38	0.20	624.1	0.03%
Malaysia	-0.04	-0.12	223.7	-0.05%
Philippines	-0.14	-0.02	170.1	-0.01%
Thailand	-1.27	-0.73	563.3	-0.13%
Taiwan	1.11	8.35	1,581.5	0.53%

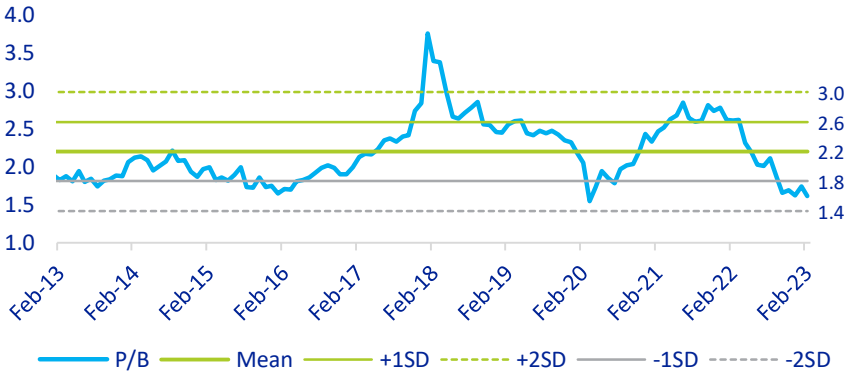
Source: Bloomberg, FiinPro, ACBS

## P/E of VNIndex for 10 years



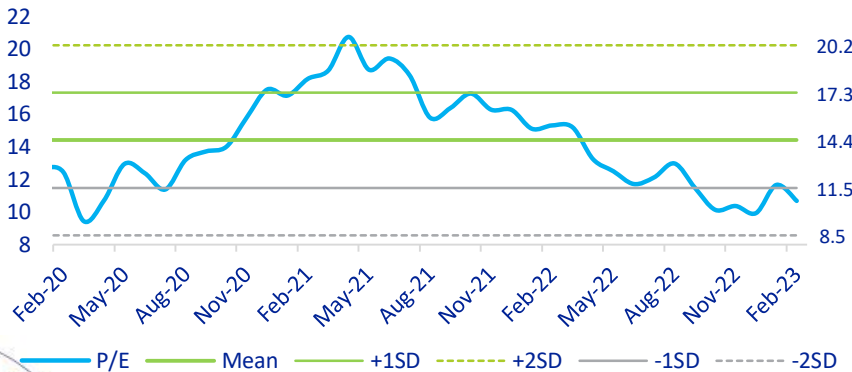
Source: Bloomberg, ACBS

## P/B of VNIndex for 10 years



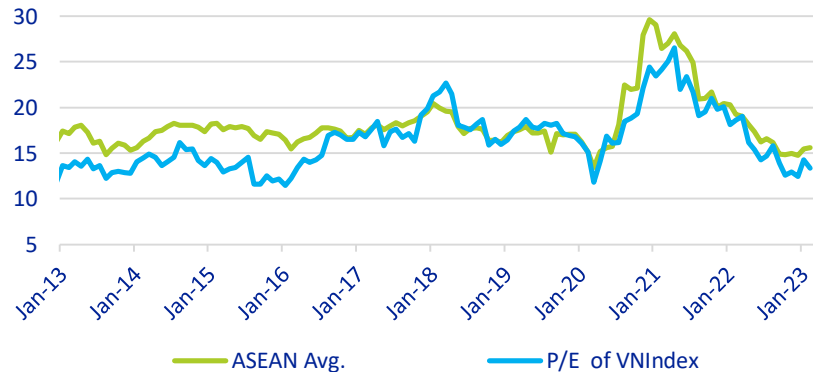
Source: Bloomberg, ACBS

## P/E of VN30 for 3 years



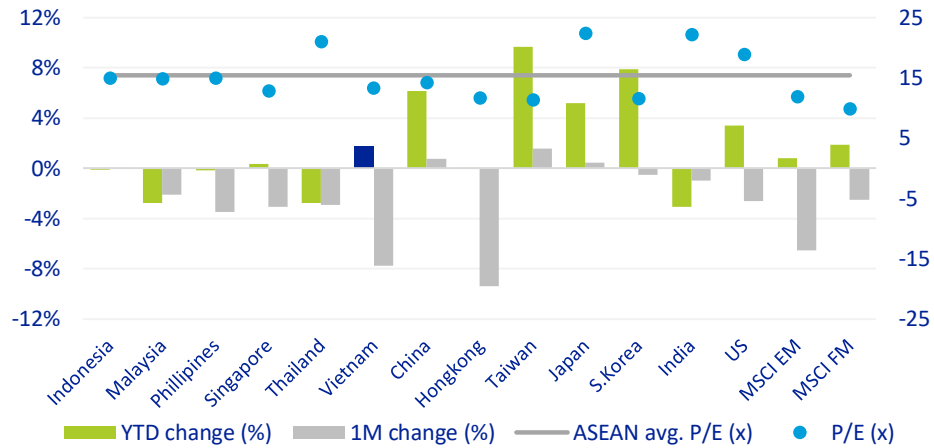
Source: Bloomberg, ACBS

## P/E of VNIndex and regional peers average



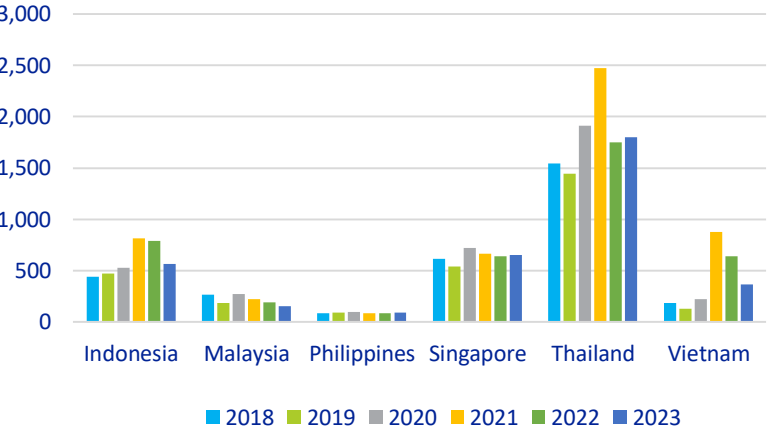
Source: Bloomberg, ACBS

## Index comparison



Source: Bloomberg, ACBS

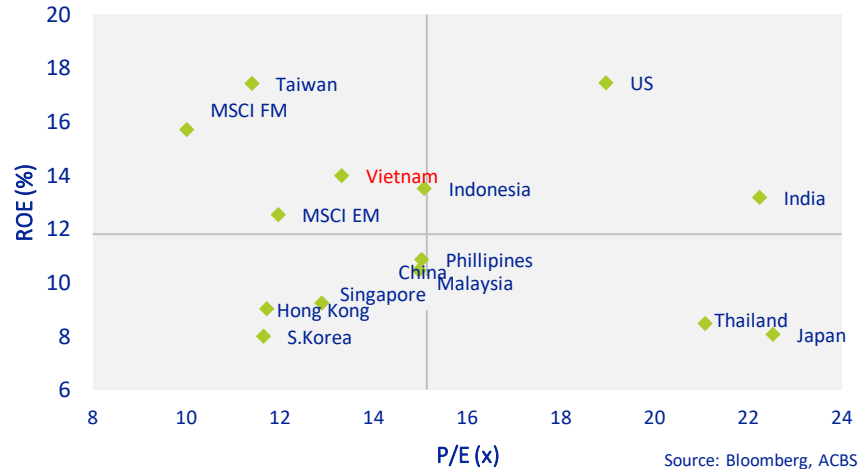
## Average Daily Turnover of ASEAN markets (USDm)



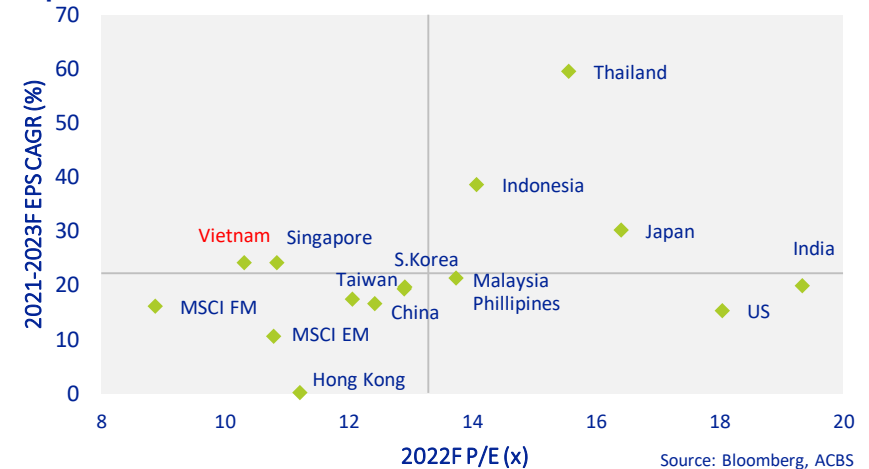
Source: Bloomberg, ACBS

- ❖ Despite many world stock indexes receded in February given the worries on further interest rates hike of FED and the US Dollar strong again, VNIndex was among the deepest falling indexes in our watch list with the liquidity remain low given domestic issues on credit market but recorded the index increase since the beginning of this year. SHCOMP of China rose 0.7% in February and 6.2% year-to-date thanks to reopening border since January 2023.

## Current market valuation



## Expected market valuation



- ❖ The P/E of VNIndex at the end of February was at 13.3x, maintaining lower than the average of 15.4 of ASEAN markets and the return of equity is among the highest ROE compared with others in our watch list. For 2023, we expect that the EPS growth of VNIndex will be 11.4% and the forward P/E is 10.3, quite lower than the average of 12.9 of ASEAN markets and others in our watch list. The new Decree no. 08/2023/ND-CP amendment some articles of Decree 65 on corporate bonds have just been passed in early of March is expected to solve difficulties ahead on bond market in the near future and in turn to support stock markets. The overall conditions of the economy are stable, the PMI moved to the expansionary territory at 51.2 after three consecutive months falling to under 50 points thanks to rise in output, new orders and employment and the economy is expected to be more active if the progress of public investment disbursement is pushed. Market valuations remain at the deep discount to historical average with the P/E at the end of Feb lower 27% than the 3yr average and we suppose that the VNIndex is still attractive with investors to accumulate at relative valuations.
- ❖ When the macro indicators reflects largest economies including main export markets of Vietnam remains in solid footing so far, the biggest worries are mainly external in nature with the expectation of higher interest rate hike of Fed than previously anticipated amid the inflation rate stay at high figures and the collapse of Silicon Valley Bank would cause stress on stock markets globally and domestic monetary market which is maintaining stable until now. On the credit market, we expect that the short-term risks regarding corporate bonds would be solved by issuing Decree 08/2023-ND-CP which have several positive impact on markets as shown in next pages.

The corporate bonds market has exploded since 2018 with the issuance value via private placement reached VND150trillion (+222%) with 419 companies raised capital by this channel (+246%). At the end of 2018, there are new legal framework for corporate bonds by issuing Decree 163/2018/NĐ-CP effect on Feb 01<sup>st</sup>, 2019 which some key changes including:

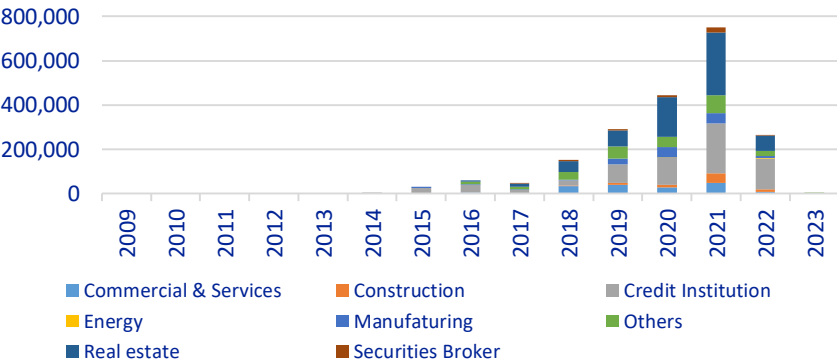
- 1. Removes the condition that bond issuers must have profit in the year immediately preceding the year of issuance;
- 2. No longer required that the audited financial statements of the issuer must have the "full acceptance" opinion of the auditing organization;
- 3. Allows corporate bonds to be issued directly to investors for the first time;

The corporate bonds market continued to expand strongly in next three years with the average growth of issued value at 71% for 2019-2021 period before decreasing sharply in 2022.

The proportion of publically issued bonds (which require approval of shareholders, the State Securities Commission (SSC) and must submit a listing and trading dossier like a listed stock on the market) was very small compared with private placement given the prolong of approval process. Real estate bonds accounted for an average of 34% of total issued value in 2018-2021 period, the highest sector in total, following by credit institutions.

Decree 65/2022/NĐ-CP dated Sep 16<sup>th</sup>, 2022 included amendments to Decree 153/2020/NĐ-CP prescribing private placement and trading of privately placed corporate bonds creates a new turning point in risk prevention for corporate bonds market.

Issuance corporate bonds value by private placement (VNDbn)



Source: ACBS Research

Proportion of private and public placement



Source: VBMA

Some key changes of Decree 65:

- Supplement the regulation that issuers must have credit rating results in some specific cases (\*), to go into effect from Jan 1<sup>st</sup>, 2023
- Individual investors who want to become professional investors must ensure to have 2 billion VND of portfolio with average value within 6 months and that certification will be valid within 3 months.
- The bond distribution period of each offering does not exceed 30 days from the date of announcement of information before the offering.
- Face value of bonds increase to VND100m instead of VND100thsd.
- Supplement of compulsory repurchase when the enterprise commits violations on offering, use of capital and corporate bonds transactions, and the enterprise's remedy is not accepted by 65% of bondholders
- Supplement the criminal prosecution of the parties involved in the process
- Stricter requirements on providing information

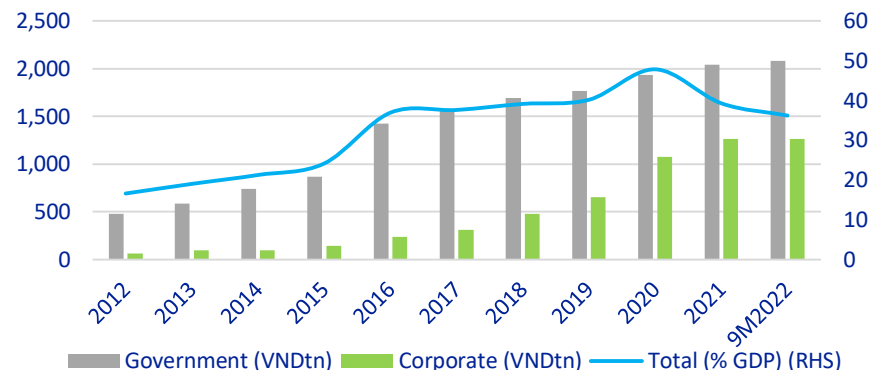
The risks prevention measures in the private placement of corporate bonds is a necessity for stability of this market. However, when the conditions for public issuances prolongs the process, cash flows in the whole economy are affected by interest rates hikes of central banks, slowdown of real estate projects progress in recent years, the sudden tightening coming from Decree 65 may bring some difficulty to both the issuers and relevant parties, and in turn to affect to the whole economy given the increasing share of corporate bonds in GDP. Until September 2022, the proportion of corporate bonds accounted for 13.6% of GDP while this ratio was in single digits before 2019.

Amid pressures from corporate bonds on liquidity as new issuances have dried up and requirements to buy back bonds according to Decree 65, in Dec 2022, the Ministry of Finance have submitted the draft amendments and supplements to a number of articles of Decree 65 and Decree 153 and have just issued on March 05<sup>th</sup>, 2023 including important revisions as in next page.

(\*) (1) Total value of bonds at par value mobilized in each 12 months is more than VND 500 billion and more than 50% of equity based on the latest financial statements.

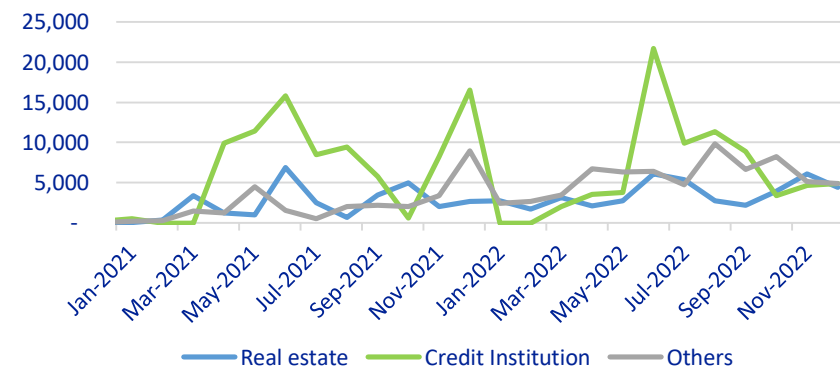
(2) Total outstanding balance of bonds at par value up to the time of registration for offering is greater than 100% of equity based on the most recent financial statement

## Vietnam Bonds Outstanding



Source: HNX, ACBS Research

## Buy back value of corporate bonds (VNDbn)



Source: HNX, ACBS Research

## Key regulations of Decree 08/2023/NĐ-CP and its benefits:

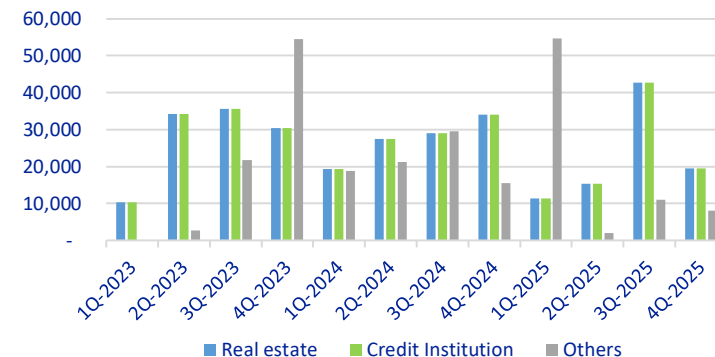
- Cease the effectiveness of regulation that issuers must have credit rating results in some specific cases for private placement to the end of Dec 31<sup>st</sup>, 2023. Given the underdevelopment of the credit rating services in Vietnam, we believe this is an appropriate amendment to not further prolong the issuance process while the credit rating services mature.
- Cease the effectiveness of the application of professional investor standards and the regulations on the bond distribution period of each private placement/offering to the end of Dec 31<sup>st</sup>, 2023 which could extend the number of investors and increase the possibility of a successful issuance.
- Allowing enterprises to change the term, time to convert bonds for the issued bonds for a maximum of 2 years compared to the announced term. We suppose that this will allow issuers, especially the real estate developers, to have time to prepare cash flows for payments and proceed the projects to suitable with the issuance plans.
- Allows the issuer and the bond holders to agree on the conversion of principal and interest due into other assets. This proposal could mitigate some investors' risk by providing the framework to convert bonds to other assets (e.g. real estate) if the issuer fails to meet the terms of an issuance.

For the stock market, these amendments would be welcomed by the market given:

- Reducing the pressure of cash flows given due payments and pressure of margin calls in the case of issuers using stocks as collateral for loans.
- Improve the asset quality of bondholders that are listed on the stock market such as banks, brokers and other companies thanks to decrease default risks of bonds issuers if there are alternative means to settle or convert already issued bonds.
- Avoid the domino effect and psychological impact in case the issuer defaults amid the uncertainty both global and domestic regarding interest rates and economic growth.

Furthermore, the quickly issuing this new decree in the first quarter of 2023 shows the effort of the government to sort out current difficulties in the bond market and regain trust in government's companionship with investors and we expect that this is a bright point for stock market and economy in general.

## Due value of corporate bonds until 2025 (VNDbn)



Source: ACBS Research, data updated March 2023

## Estimated outstanding value of corporate bonds (updated Mar 2023)

Sector	Outstanding value (USD)	No. of company	Outstanding value (VNDbn)	No. of company
Commercial & Services	9,720	1	98,577	480
Construction	-	0	49,548	118
Credit Institution	7,508	5	384,446	1,038
Energy	-	0	3,740	6
Manufacturing	-	0	95,842	514
Others	236	1	164,325	597
Real estate	44,651	8	395,478	2,311
Securities Broker	-	0	8,375	229
<b>Total</b>	<b>62,115</b>	<b>15</b>	<b>1,200,331</b>	<b>5,293</b>

Source: HNX, ACBS Research

# Summary of 2022 business results on VNIndex

Industry group	Market Cap (VNDtn)	4Q-2022		4Q-2022		2022	
		Revenue (% q/q)	Net Income (% q/q)	Revenue (% y/y)	Net Income (% y/y)	Revenue (% y/y)	Net Income (% y/y)
Banks	1620.4	11.0%	-9.8%	30.0%	21.4%	22.6%	36.0%
Real Estate	767.1	35.8%	-48.6%	4.5%	5.3%	-18.2%	-2.4%
Food, Beverage & Tobacco	525.6	2.7%	-69.0%	-0.1%	-83.3%	6.1%	-19.8%
Materials	325.9	-9.3%	-79.8%	-29.2%	-97.3%	4.3%	-48.0%
Utilities	321.1	-1.0%	11.2%	24.5%	52.1%	25.0%	41.6%
Transportation	172.9	-4.4%	-270.4%	92.0%	-1944.5%	105.4%	37.9%
Capital Goods	172.7	10.1%	-104.4%	0.8%	-102.2%	13.3%	-30.0%
Diversified Financials	108.3	-17.6%	-62.8%	-47.2%	-87.9%	-16.8%	-54.1%
Software & Services	98.8	13.7%	-11.3%	23.5%	2.5%	23.3%	22.1%
Retailing	84.7	3.2%	-25.6%	-5.9%	-59.4%	18.1%	-9.7%
Energy	68.8	7.2%	260.5%	52.8%	64.7%	72.7%	-39.4%
Insurance	49.3	8.0%	-11.2%	11.3%	-40.3%	11.0%	-19.9%
Consumer Durables & Apparel	46.3	2.6%	-9.1%	-1.9%	-33.4%	36.5%	29.1%
Pharma, Biotech & Life Sciences	29.2	14.4%	5.5%	14.8%	21.5%	14.5%	24.7%
Automobiles & Components	7.8	-18.7%	-10.2%	-15.8%	-35.6%	10.1%	6.7%
Technology Hardware & Equip.	7.4	-32.8%	-13.6%	-48.2%	-51.9%	5.4%	4.5%
Commercial & Prof. Services	6.0	-10.1%	-77.9%	-25.2%	-73.1%	5.7%	81.4%
Consumer Services	5.7	-9.9%	-58.7%	506.9%	432.7%	228.5%	319.0%
Unclassified	2.9	-13.1%	-181.8%	-39.4%	-165.7%	-14.7%	-57.9%
Health Care Equip. & Services	2.7	-8.6%	-35.2%	-33.3%	960.0%	-39.7%	68.2%
Telecommunication Services	2.0	231.6%	-484.6%	62.9%	-159.0%	110.8%	56.3%
Household & Personal Products	1.3	-0.7%	-12.2%	2.5%	-26.2%	7.7%	27.4%
Media & Entertainment	0.9	40.8%	119.5%	-27.9%	-90.6%	-48.6%	23.6%
<b>Total</b>	<b>4,427.8</b>	<b>6.5%</b>	<b>-28.5%</b>	<b>9.3%</b>	<b>-30.0%</b>	<b>17.4%</b>	<b>4.8%</b>

Source: Bloomberg, ACBS



# Upcoming events

Event type	Date	Countries	Events
Economy	09-Mar-2023	Japan	BOJ Monetary Policy Meetings
Economy	16-Mar-2023	European	ECB Monetary policy meeting
Derivative	16-Mar-2023	Vietnam	The last trading day of VN30F2303
Economy	21-Mar-2023	United States	FOMC meeting & economic projections
Derivative	20-Apr-2023	Vietnam	The last trading day of VN30F2304
Economy	27-Apr-2023	Japan	BOJ Monetary Policy Meetings
Economy	02-May-2023	United States	FOMC meeting
Economy	04-May-2023	European	ECB Monetary policy meeting
Index review	11-May-2023	Global	MSCI Frontier Markets Indexes: Semi-Annual Review
Economy	13-Jun-2023	United States	FOMC meeting & economic projections
Derivative	15-Jun-2023	Vietnam	The last trading day of VN30F2306
Economy	15-Jun-2023	Japan	BOJ Monetary Policy Meetings
Economy	15-Jun-2023	European	ECB Monetary policy meeting



	Short Term Outlook <sup>1</sup>	Change	Long Term Outlook <sup>2</sup>	Change
<b>Financials</b>				
Banks		-		-
Insurance		-		-
Securities		-		-
<b>Real Estate</b>				
Residential Property		-		-
Industrial Property		-		-
Retail Property		-		-
Hospitality Property		-		-
<b>Consumer Goods &amp; Services</b>				
Fishery		-		-
Textile & Garment		-		-
Retail		-		-
<b>Materials</b>				
Construction Materials		-		-
<b>Logistics</b>				
Land & Sea Transport		-		-
Aviation		-		-
<b>Energy</b>				
Oil & Gas		-		-
Power		-		-
<b>Healthcare</b>				
Pharmaceuticals		-		-

We maintain our expectations for all sub-sectors, including positive outlook in short-term of Industrial Property and Aviation sub-sectors. For long-term outlook, we suppose that Banks, Industrial Property, Textile & Garment, Retail, Logistic and Power will be positive.

<sup>1</sup> Less than 3 months

<sup>2</sup> More than 1 year

Positive

Neutral

Negative

## Industry outlook

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

- By the end of 2022, credit growth of the whole system reached 14.5%. Liquidity of the banking system improved when commercial banks raised deposit interest rates 0.5-1.5% higher than pre-epidemic levels.
- Business results of the banking industry slowed down in Q4/22. Profit before tax in Q4/22 of banks in the VN-Index increased by 17.1% over the same period but decreased by 11.7% compared to the previous quarter. Total income growth remained relatively stable, however, operating expenses increased sharply in Q4/22 causing banks' profit growth to decelerate.
- Asset quality in general declined after a number of incidents related to corporate bonds and the difficult liquidity situation of real estate businesses. NPL ratio at the end of Q4/22 was flat compared to the previous quarter, at 1.47%. Meanwhile, group 2 loan ratio increased by 38 basis points compared to the previous quarter to 1.80%. COVID-19 restructured loans continued to decrease and only accounted for an insignificant proportion.
- Loan loss reserve buffer is still quite thick but decreased compared to the previous quarter as banks use their reserves to dissolve NPLs in Q4/22. NPL coverage ratio decreased to 138% from 160% in the previous 3 quarters.

### Outlook / What to Watch

- The credit growth orientation for 2023 of the SBV is 14-15%. Credit disbursement is forecasted to be more difficult in 2023 due to high lending interest rates and signs of economic weakness, which will reduce credit demand.
- NIM of banks is forecasted to be kept at a stable level in 2023. Interest rates show signs of cooling down when the SBV imposes a ceiling on deposit interest rate of 9.5% and some banks reduce lending rates to support the economy.
- NPLs are under increased pressure as the economy weakens. Banks' provisioning costs will therefore need to remain high amid increased macro risks.
- We expect banks' profits in 2023 to grow by 10%, lower than the growth rate of 35% in 2022. Therefore, we downgrade our short-term outlook for the Banks sub-sector from Positive to Neutral.

## 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.
- In 9M2022, total life insurance premium was estimated at VND127,511 billion, +16.2% YoY, in which, new business insurance premium only increased by 6.35% YoY, reaching VND37,677 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 9M2022, total non-life insurance premium was estimated at VND47,792 billion, +19.1% YoY. This high growth rate is expected to continue in the end of 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:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	SSI, HCM, VCI, VND
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### Sector Overview

- The securities brokerage sector in Vietnam still has a lot of potential for growth at a high rate. The number of new accounts opened in 2022 will reach 2.6 million accounts, nearly twice as much as in 2021. The government aims to increase the proportion of people participating in the stock market to 5% by 2025 and 10% by year 2030.
- The market recovery slowed down and liquidity remained low, making business results of securities companies still under a lot of pressure in the tight monetary policy environment.

### Outlook / What to Watch

- We downgrade our short-term outlook from Positive to Neutral as the stock market rally has slowed down and the FED is not expected to ease monetary policy any time soon as the market expected.
- 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:	NEGATIVE	Main ticker:	VHM, KDH, NLG
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### Sector Overview

- In 2022, HCMC had over 18,800 new units launched (+28% YoY) and over 18,500 units sold (+25% YoY). Average primary price slightly increased by 3% YoY, to USD2,564/sqm.
- In 2022, Hanoi welcomed over 15,100 new apartments (-12% YoY), the lowest in the last 9 years. Average primary price grew by 21% YoY, to USD1,934/sqm. Sold volume surpassed new supply and reached nearly 16,600units (-2% YoY).
- The Ministry of Finance proposed amendment for Decree No.65 which extends the implement time of determination of professional securities investors and credit rating by 1 year to 1/1/2024 and allows to extend bond maturity date by a maximum of 2 years.
- Vietnam Banks' Association proposed a maximum deposit rate of 9.5% for all periods and some banks started to decrease their rates. In the Document No. 9064/NHNN-TD, the SBV said it would monitor cases where credit institutions continue to raise interest rates.
- Many developers such as Novaland (NVL), Sacomreal (SCR), Danh Khoi (NRC), Hai Phat (HPX), Dat Xanh (DXG), LDG delayed bond payment.
- The Ministry of Construction proposed a credit package of VND110trn for social houses and houses for workers.

### Outlook / What to Watch

- Key challenges: tightening credit, challenging corporate bond market, slow project licensing process, high interest rate and construction material prices. Asset speculation activities may keep clearance costs at high levels which makes it difficult to develop new projects.
- New supply is limited with the leading of the high-end segment.
- Price is expected to go sideways.
- Developers are expected to provide more attractive incentives to stimulate weak demand.

## Industry outlook

Industry:	REAL ESTATE	Sub-sector:	INDUSTRIAL PROPERTY	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	KBC, BCM
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### Sector Overview

- Northern market: At YE22, accumulated industrial land supply was 10,300ha (+8% YoY) with average leasing rate of USD120/sqm/remaining leasing term (+4-20% YoY). Ready-built Warehouse (RBW) and ready-built factory (RBF) market had ample new supply in 2022 which led to a slight decline in occupancy rate to more than 80% but a slight increase in average leasing rate to USD4.7/sqm/month (+0-3% YoY).
- Southern market: At YE22, accumulated industrial land supply was 22,595ha with average leasing rate of USD166/sqm/remaining leasing term (+8-13% YoY). RBW and RBF market had ample new supply in 2022 which led to a slight decline in occupancy rate to around 80% but a slight increase in average leasing rate to USD4.8/sqm/month (+0-3% YoY).
- Some tenants cut headcounts and working hours given lower orders.

### Outlook / What to Watch

- Benefit from multinational corporations' expansion/relocation/diversification of manufacturing bases.
- Affected by a decline in global demand.
- Expected more supply of industrial land in the north than in the south thanks to infrastructure development.
- Smart and eco IPs, hybrid facilities which can convert between warehouse and factory and multi-floor facilities will become more common.
- Asking rents may continue to grow but at a slower pace.
- Asset speculation activities 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

- In 4Q2022, Thiso Mall was opened in HCMC and The Zei was opened in Hanoi. Rental rates in both cities saw big jumps in 2022, especially at primary assets. Vacancy rates increased in HCMC and declined in Hanoi.
- HCMC: In 4Q2022, rental rate in CBD increased by 45% YoY to USD224/sqm/month while in non-CBD grew by 21% YoY to USD40/sqm/month; vacancy rates increased to 6.2% (+2.2 pts YoY) in CBD and 11.7% (+0.3 pts YoY) in non-CBD.
- Hanoi: In 4Q2022, rental rate increased by 36% YoY to USD144/sqm/month in CBD and by 13% YoY to USD27/sqm/month in non-CBD; vacancy rates decreased to 4.8% (-8.1 pts YoY) in CBD and 13.6% (-3.2 pts YoY) in non-CBD.

### Outlook / What to Watch

- New supply is expected to improve.
- Occupancy rates are expected to be stable.
- Consumers' swift adaptation to online shopping during the pandemic may be a constraint to the recovery of this segment.
- Inflation and interest rate concerns may affect consumption of non-essential goods.

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

- 4Q2022 market witnessed a significant decline in new supply and absorption rates. Total new supply in 2022 improved YoY thanks to a recovery in 1H2022.
- There were 730 beach villas (-40% QoQ and -58% YoY), 651 townhouses/shophouses (-62% QoQ and -76% YoY) and 1,274 condotels (-15% QoQ and +255% YoY) launched in 4Q2022 with absorption rates of 25% (-7 pts QoQ and -48 pts YoY), 32% (-16 pts QoQ and -55 pts YoY) and 43% (-19 pts QoQ and +26 pts YoY), respectively.
- Given the tight state of the credit markets, hospitality projects could face difficulties securing financing for upcoming projects.

### Outlook / What to Watch

- New supply is expected to decrease.
- Absorption rate is expected to be low.
- Benefit from China's reopening.
- Travel demand is affected by inflation and recession fears.



## Industry outlook

Industry:	CONSUMER GOODS & SERVICES	Sub-sector:	FISHERY	Short term outlook:	NEGATIVE	Long term outlook:	NEGATIVE	Main ticker:	VHC, FMC, ANV, MPC
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### Sector Overview

- Vietnam aquaculture and seafood export reached USD662.8mn in Feb 2023, a slight +4% YoY as Feb 2022 was the Lunar New year period. On a cumulative basis, Vietnam aquaculture and seafood export still declined by 26% YoY in 2M2022 (USD1.1bn).
- Most of Vietnam's main export markets recorded a YoY decline in Feb 2023 such as the US (-35% YoY), and EU (-8% YoY). China recorded an increase by 33% YoY in Feb 2023 (to USD122mn) and Korea jumped by 26% YoY.
- Shrimp export accounted for 31.5% of Vietnam's total seafood export and reached USD208.7mn in Feb 2023, a decline by 15% YoY.
- Vietnam pangasius export contributed 23.6% to Vietnam's total seafood export and recorded USD156.2mn of export turnover in Feb 2023, a decline by 9% YoY.

### Outlook / What to Watch

- Raw pangasius price and breeding fish prices jumped by 11.9% YoY and 17.8% YoY in 2M2023, respectively. It is expected that raw pangasius price will increase by an additional 14-15% in Mar-April given high demand in China outpaced supply.
- Demand for shrimp remains low in 2023 given high inflation and high inventory in Vietnam main export markets. However, raw shrimp price remains at a high level with only slight decline by 2.2% YoY for white leg shrimp and -0.5% YoY for black tiger shrimp. New ASP for 2023 is now at a very low level driving exporter to record huge loss per kg.

## Industry outlook

Industry:	CONSUMER GOODS & SERVICES	Sub-sector:	TEXTILE & GARMENT	Short term outlook:	NEGATIVE	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.
- The industry is estimated to reach export value of \$45.3bn in 2022, up by 10% YoY, mostly driven by good growth in the first months of 2022 after being hit hard by COVID-19. 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. More important, the fall of orders from importers due to inflationary pressure and economic instability in some key importing countries has darkened the industry's outlook in 2H2022 and 2023.

### Outlook / What to Watch

- Lower orders due to weak consumption in major importers are forecast to continue at least in 1H2023. Besides, Vietnam's textile & garment manufacturers will also face pressure to meet requirements on ESG and sustainability in production, which are increasingly emphasized by importers. Vietnam textile & garment industry targets 2023 export value of \$47-48bn for the good case with an expectation that consumer spending may recover in 2H2023 and \$45-46bn for the worse case.
- In a long term perspective, we expect Vietnam's textile & garment industry will continue its role as not only an important pillar in the country's overall export value but also an important textile & garment exporter in the world. Vietnam is viewed as one of lucrative manufacturing locations with low labor costs and a large labor force.
- 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:	NEGATIVE	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. However, a recovery could be seen in consumption of products as well as retailers' revenue after the end of social distancing stage. Retail sales of goods (accounting for c.82% of retail sales of consumer goods and services) climbed by 0.2% YoY for the whole year 2021 versus a decline of 3.4% YoY in 9M2021.
- Listed retailers reported good revenue growth thanks to recovery of consumer demand post COVID-19 in the first months of 2022 and growth from a low base in 3Q2021, for example MWG (reporting 18% YoY revenue growth in 9M2022), FRT (+55% YoY in 9M2022) and PNJ (+104% YoY in 9M2022). Still, most of them witnessed much lower growth in 4Q2022 due to the high base in the same period in 2021 and weak purchasing power amid unfavorable economic conditions. The companies maintain conservative views on 2023 outlook, especially 1H2023, as consumer spending may be hindered by concerns about income uncertainty and job security in light of the gloomy economic outlook and lay-off in many manufacturers.

### Outlook / What to Watch

- The sector outlook is expected to be better from 2H2023 given many forecasts on a brighter economic picture in the period.
- 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.
- 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.

## Industry outlook

Industry:	MATERIALS	Sub-sector:	CONSTRUCTION MATERIAL	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	HPG, HSG, HT1, KSB
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### Sector Overview

- Global construction steel prices increased strongly to 6 months high while Chinese real estate shows signals of recovery with stimulus policies. Domestic construction steel average sale prices increased slightly to about 15,900 VND/kg, which is 2.1% higher than last month when the prices of raw material has increased.
- Infrastructure in China would possibly pose a lower growth as local government spending is expected to be constrained in 2023 due to elevated debt and falling land sales which affect property-related taxes. Therefore, the recovery of China steel demand could be slower than expected.
- The sale volume of construction steel in Vietnam still had negative year on year growth while Tet holiday affected construction activities and real estate sector hasn't recovered yet.
- Strong fluctuation of coking coal prices and iron ore prices could affect the gross margin of steel makers while supply from Australia and Brazil is very unstable.

### Outlook / What to Watch

- The challenging times for steel makers are expected to persist in the near future as the real estate market is still in a difficult state with tight credit and increasing interest rates.
- In the reduction theme of Vietnam steel market, there are some bright points for large domestic steel makers, when they are gradually taking the market shares from small steel makers, such as Hoa Phat has increased their market share from 32% in 2021 to 36.2% in 2022, other steel makers such as Nam Kim, VN steel or Dong A also increased their market share by 1-2% in 2022.
- The mid term outlook for construction materials remains blurred as China still faces the risk of a slow recovery of real estate market, 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:	NEUTRAL	Long term outlook:	POSITIVE	Main ticker:	GMD, TCL, VSC
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### Sector Overview

- The Global Freight rate index reduced to the level of 1700 points (-10% MoM). The reducing global shipping freight index keep falling showed that demand for global shipping is reducing while outlook for global economy is still blurring.
- International container freight index reduced 10.1% during February, as international trade activities slowdown, which mainly comes from China and major economies, showing that global consumption is still tight.
- Although China has reopen its economy but the impact to global economy hasn't been shown in the global logistic market yet. The pricing for global shipping services is still in a downtrend, meaning a lower flow for global trading.
- The slow approval conditions at Vietnam-China land borders was partially solved. Although China still keeps their border to be tight when the pandemic still left some effect, 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

- Although having a low global trading flow, Vietnam trading still had a good growth in 2022, with total export value reached 371 bil.USD (+10.5% YoY) and import reached 360 bil.USD (+8.5% YoY).
- The good growth in 2022 trading value of Vietnam is a good momentum for 2023 trading activities as many large manufacturers are considering Vietnam for moving their production hub.
- The Ministry of Industrial and Trading also set the growth target for Vietnam export value in 2023 of 6% YoY, which means there would be a potential growth room for logistic companies.

## Industry outlook

Industry:	LOGISTICS	Sub-sector:	AVIATION	Short term outlook:	POSITIVE	Long term outlook:	POSITIVE	Main ticker:	HAVN, VJC, SCS
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### Sector Overview

- According to the CAAV, Vietnamese airlines have operated approx. 78,800 flights in 2M2023 (+62.3% YoY), transporting 19.7mn pax (+91.5% YoY), from which domestic passenger are 14.8mn pax and international passengers are 4.7mn pax.
- Air cargo reached 168,000 tonnes in 2M2023 (56,000 tonnes in Feb), from which domestic tonnage reached 51,000 tonnes (+7.4% YoY) and international tonnage reached 117,000 tonnes (-37.3% YoY).

### Outlook / What to Watch

- Jan and Feb 2023 is a high season for domestic tourism in Vietnam.
- Lower import activity drives international air cargo to decline

## 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 fell to the USD83-85/ barrel on the back of a reduced crude demand outlook as the number of Covid-19 cases in China rises again in November, Brent oil price has been fluctuated in the range USD75-88 / barrel since then. Growing concerns about global demand seemed to have stronger impact than G7 price cap on Russian oil sales as well as the EU's ban on seaborne crude oil import from Russia (implemented on December 5th).
- Average Brent oil price is expected to dropped to USD85/ barrel in 2023. Therefore, lower oil prices will slightly drag down selling price of gas (HSX: GAS) and the rig rental rate for (HSX: PVD). Moreover, the current high volatility of oil prices can cause negative impact to (HSX: PLX) as PLX has to maintain a minimum 20-days inventory worth of domestic demand. On the other hand, the slow initiation of new oil & gas projects will continue to put a lot of pressure on the workloads for the Mechanics & Construction segment of (HNX: PVS).
- Moreover, Vietnam's oil resource has been facing the depletion of natural oil resources. Most large and low-cost 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 2023, oil demand is expected to moved sideways due to growing concerns about global demand/ recession after increased well on the rebound of economic activities, transport demand and vaccination progress in 2022. Moreover, although China starts to open up to international tourism from Jan 2023, the recovery of oil demand can be slow as the infection and fatalities in China is still rising.
- On the supply side, oil supply remains to be tight as current/ ongoing sanctions on Russia oil & gas by US, UK and EU will continue putting high pressure to the supply concerns.
- However, sanctions on Venezuela oil may be lifted. More supply is also expected to come online from US and other non-OPEC countries in 2023. This might mitigate gradually the current supply shortage.

=> Average Brent oil price is expected to dropped to USD85/ barrel in 2023

#### RISK

- Global recession risk
- New COVID variant with high infectiousness drag oil demand down
- Further sanction on Russian oil
- Growing concerns about climate change, sales of electric cars and investment in green energy

## Industry outlook

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

- In Jan 2023, electricity consumption decreased sharply compared to the same period 2022; in which coal power plant still accounts for a significant proportion, reaching 18.36 bn kWh, (-12.5% YoY), of which:
  - Hydro: 5.5 bn kWh, accounts for 30.0% of the total output.
  - Coal thermal: 7.58 bn kWh, accounts 41.3% of the total output.
  - Gas and oil thermal: 1.88 bn kWh, accounts 10.2% of the total output.
  - Wind & Solar energy: 2.98 bn kWh, accounts 16.2% of the total output.
  - Import energy: 368 mil kWh, accounts 2.1% of the total output.
- In January 2023, the electricity produced by EVN and its subsidiaries reached 6.79 billion kWh, accounting for 36.98% of the electricity production of the whole systems. EVN has started another 110kV project; completed energizing and put into operation 06 power grid projects from 110 kV to 500 kV; completed 96.97% of the plan to implement digital transformation in the two years 2021-2022, in which there are a number of areas completed with a high rate such as: internal management (99.9%), sales and customer service (100%), construction investment (100%), production (95.93%).

### Outlook / What to Watch

- In Jan 2023, the electricity consumption declined by -12.5% YoY. This is due to the fact that the energy output is highly dependent on production activities and the PMI, which is an credible index and used to measure the economic health, has been below 50 points for three successive months, bodes ill for a economic prospects.
- In Feb 2023, the PMI index increased slightly to 51.2, indicating a possible resumption of the economy. However, we maintain our neutral stance regarding the short-term outlook in electricity industry since we believe there will be a lag before production activities fully reflect in energy demand and single month of better record-setting numbers seems not appear convincing.



## Industry outlook

Industry:	HEALTH CARE	Sub-sector:	PHARMACEUTICAL	Short term outlook:	NEUTRAL	Long term outlook:	NEUTRAL	Main ticker:	DHG, IMP, DBD, DMC, TRA, MKP, PMC
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### Sector Overview

- Vietnam is numbered among the “pharmerging markets” (i.e. emerging pharmaceutical countries).
- The majority of pharmaceutical manufacturers in Vietnam engage with the western medicine market. Generic drugs (but not the first or high-value drugs) are the most popular products of the domestic manufacturers, while patented drugs are foreign brands.
- Domestic factories are now capable of producing various types of formulations and have been spent more on production infrastructure.
- Import is a major source of supply of finished drugs and raw materials. France, India, Germany, etc. were the leading sources of drug imports for Vietnam while a majority of raw materials are imported from India and China.
- Distribution of pharmaceutical products is conducted through two channels, consisting of hospitals (via bidding process) and pharmacies. Such pharmacy chains as An Khang, Pharmacity, Long Chau etc., have emerged aiming to gain a sizable share in this fragmented market.
- WHO-GMP (GMP: Good Manufacturing Practice) is presently the most common technology production standard in Vietnam. However, generic drugs produced under higher certifications (e.g EU-GMP, PIC/S-GMP, etc) with stricter technical criteria can enjoy better prices and are more likely to win bids and find good conditions for exports. The number of pharmaceutical facilities in Vietnam achieving EU-GMP, PIC/S-GMP remains quite moderate.

### Outlook / What to Watch

- Impacts from COVID-19 outbreak were not completely positive in all pharmaceutical companies although some witnessed higher demand for supplement, sanitizer products and drugs that help to lessen symptoms caused by the virus. Meanwhile, drug sales to hospital & clinic channel were affected adversely because of lower patient traffic (non COVID-19 patient) to hospitals & clinics during social distancing stages and peak time of the outbreak. However, patient traffic 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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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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