KB Securities VIETNAM

Macro Outlook 4Q20

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Vietnam GDP growth in the first nine months of the year hit 20-year lows, but the recovery in agricultural sector, manufacturing and domestic consumption amid the COVID-19 was a bright spot that helped Vietnam become one of the few countries in the world with positive economic growth. Positive results were attributable to the Government's utmost efforts in fighting against the pandemic and expansionary fiscal and monetary policies which help support economic growth while still controlling inflation and maintaining a stable exchange rate.

Some forecasts of KB Securities Vietnam (KBSV) about Vietnam's economy in 4Q are as follows:

1) 2020E GDP growth would reach 2.5% with the recovery of domestic consumption demand, disbursement of public investment, EVFTA and the second fiscal stimulus;
2) Average CPI should be maintained at 3.5%, under the inflation target set by the Government;
3) Monetary policy maintained a controlled easing state, with money supply and credit growth at 11% and 9% respectively. The USD/VND exchange rate should stay at VND23,200. The biggest risk to the exchange rate in the coming time is Vietnam could be designated as a currency manipulator.

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Executive Summary

Domestic economy showed signs of recoveries after the resurgence of COVID-19. Given weaker Coronavirus impacts compared to the first outbreak and the Government experience in halting the spread of the pandemic, we believe that the economy would further rebound in the 4Q20. More importantly, there are three main growth drivers, namely the recovery of domestic consumption demand, escalated public investment, and benefits from the EVFTA.
Although the State Bank has lowered the policy rate for the third time this year and the Government has implemented two fiscal stimulus packages to support businesses and the people, macroeconomic stability would still be the focus in the last months of the year. After considering some extra favorable factors from global markets, KBSV forecast that exchange and inflation rates would still be under control of the Government.

Table 1. Vietnam – 2020 Key macro indicators

			KBSV forecast		
	Unit	3Q2020	Apr-20	Jul-20	Oct-20
GDP growth	% YoY	2.12	4.5	3.0	**2.50**
Headline CPI	% YoY	3.85	3.5	4.0	**3.50**
Credit growth	% YTD	5.12*	13.0	10.0	**9.00**
M2 growth	% YTD	7.74*	13.0	12.0	**11.00**
Policy rate (refinancing rate)	%/year	4.00	4.50	4.50	**4.00**
USD/VND	VND	23,184	23,750	23,500	**23,200**

Source: KB Securities Vietnam
*Data as of September 22, 2020

GDP growth

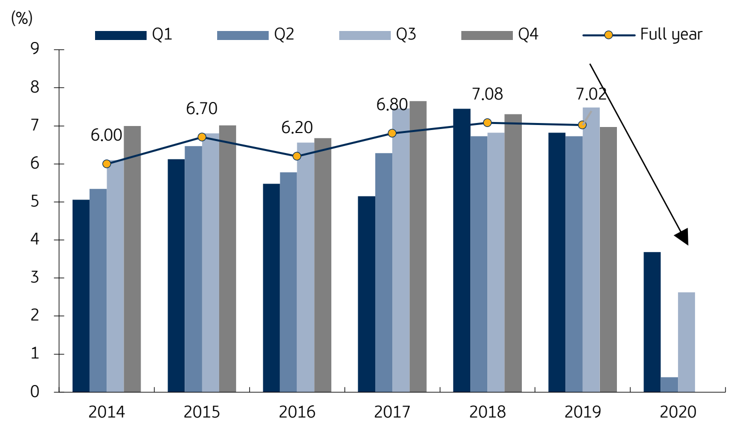
❖ GDP growth in the first nine months of 2020

9M20 GDP bottomed out 20-year lows due to COVID-19

Data from the General Statistics Office (GSO) revealed 9M2020 **GDP growth advanced 2.12% YoY, the lowest growth rate in the past 20 year**. However, on a quarterly basis, 3Q GDP growth was 2.62%, which was more positive than expected and reflected the bounce back in agriculture, domestic consumption and import-export activities despite the resurgent COVID infections in late July.

3Q GDP growth was quite positive compared to other regional countries despite the second wave of Coronavirus

Fig 1. Vietnam – GDP growth (% YoY)



Source: General Statistics Office, KB Securities Vietnam

From the demand side, the impacts of the second wave were less on domestic consumption than the first wave while private investment and FDI have not seemed to post much recoveries since the first wave. To be more specific:

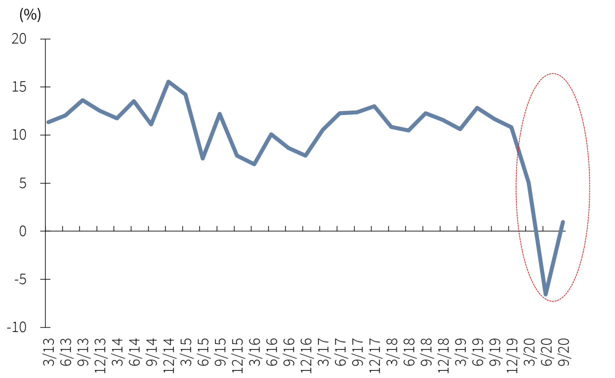
Consumption growth fell sharply in the first nine months of the year as domestic demand was hit by the nationwide lockdown on April

- 9M20 consumption grew by a mere of 0.86% YoY and much lower than the average growth rate of 7.50% in the period 2015 – 2019, which was mainly due to the sharp decrease in 2Q amid the Coronavirus nationwide lockdown. In 3Q, consumption was firmer by 1.19% YoY despite the resurgence of the virus. The rebound was in line with the recoveries of retail sales and services (up 0.96% YoY, Figure 2).

Social investment logged 10-year lows albeit the support from the state

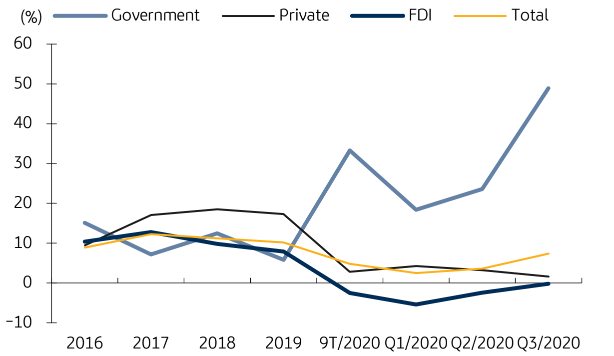
- 9M20 total social investment reached 10-year lows, following a plummet in from private investment and FDI despite the support from the state sector. (Figure 3). The growth rate of realized capital from the State budget peaked in 2016-2020 (up 33.3%), which meant the Government doubled down on efforts to disburse all public investment capital, especially in 3Q (up 48.9% YoY). Investment from the private sector continued to decline QoQ while FDI sector only recovered slightly, and still far from the pre-pandemic growth rates.

Fig 2. Vietnam – Retail sales and services growth (% YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 3. Vietnam – Social investment growth (% YoY)



Source: General Statistics Office, KB Securities Vietnam

From the supply side, the recovery of agriculture, services and industrial production activities, despite the impact of the second wave of COVID 19, was a bright spot in the first nine months.

Service sector growth recovered strongly in 3Q, focusing on wholesale, retail, finance and banking

- The service sector grew 1.37% in 9M20, notably rose 2.75% YoY in 3Q from a decline of 1.93% in 2Q. The bounceback of domestic demand boosted wholesale and retail growth (+6.04%) and finance and banking (+6.60%). Meanwhile, the restrictions on international visitors to Vietnam have been maintained for more than six months, which inevitably weighed on hospitality and catering industry (-17.03%), transportation, and warehouse (-4.00%).

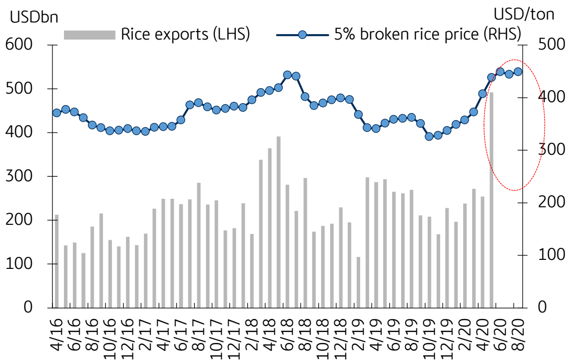
The rebound of shrimp and rice exports helped agricultural & fishery sector stay healthy for three quarters

- The agriculture, forestry and fishery sector increased by 1.84% in 9M20 (up 2.93% in 3Q alone). Rising food demand benefited exports and raised the prices of agricultural and fishery products. Notably, rice prices maintained eight-year highs in the past four months and eight-month rice exports advanced 11% YoY while shrimp exports grew strongly in the US market (up 32% YoY in 8M20). This helped agricultural and fishery in three quarters grow 1.65% and 2.44% respectively.

Manufacturing maintained as the leading growth force for GDP

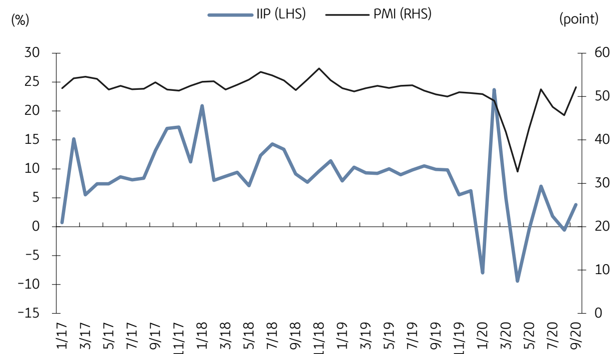
- Industry and construction sector grew 3.09% in the first three quarters (up 2.95% in 3Q alone). Manufacturing continued to be the main driver of this sector and Vietnam's nine-month GDP growth (added 1.02 percentage points to the total GDP). Industrial production data showed a big divergence between industries under the impacts of COVID-19 resurgence. Pharmaceuticals, furniture, and electronic products posted growth while traditional export industries like textiles failed to regain the upward momentum. Most importantly, September PMI returned to 52.2 points (above the average 50 points), which was also the highest level since July 2019. Key indicators such as output, number of new orders and business confidence rose again after a two-month hiatus.

Fig 4. Vietnam – Rice exports and 5% broken rice export prices (USD/ton, USDmn)



Source: General Statistics Office, KB Securities Vietnam

Fig 5. Vietnam – IIP & PMI (% YoY, point)



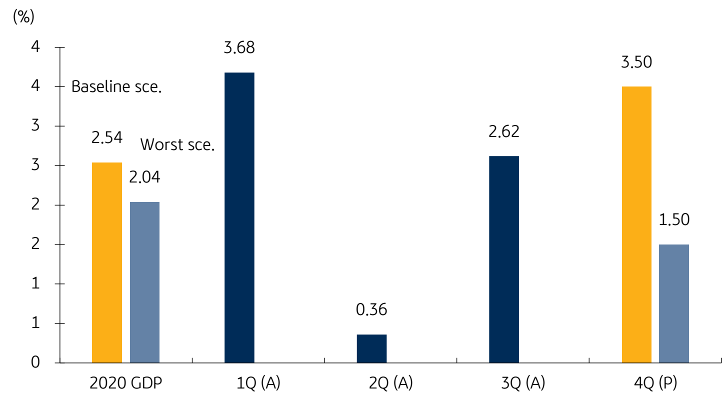
Source: General Statistics Office, IHS Markit, KB Securities Vietnam

❖ 2020E GDP forecast

2020E GDP was estimated at 2.5%

We scaled GDP growth forecast down to 2.5% from 3.0% previously announced given the impact of second wave of Coronavirus on Vietnam and trading partners, as well as the recovery speed of the global economy. Vietnam's main growth drivers in 4Q20 include recovering consumer demand, EVFTA, the second Coronavirus support package, and the Government support policies such as accelerating public disbursement. However, Vietnam is currently under the probe of the US Department of Commerce, which is an unpredictable factor for GDP growth, especially in the FDI sector.

Fig 6. Vietnam – 4Q20 GDP growth estimates (% YoY)



Source: KB Securities Vietnam

Domestic demand is expected to be the main growth force in 4Q

- Well-insulated COVID-19 domestically is the silver lining that helps to save the domestic consumption demand. Plus, the Government made the utmost efforts not to use the last resort of nationwide lockdown. Local lockdowns in this second wave minimized the adverse impacts on the economy. International commercial flights to Japan and South Korea were also resumed and should restart to China and Taiwan in the near future, which would benefit tourism, services, hospitality and transportation.

The EVFTA is expected to help production and exports recover

- The newly effective EVFTA from August 1 helped Vietnamese goods to expand their market share in European markets, which is a driving force for export growth in the coming time. A report from the Ministry of Industry and Trade endorsed that Vietnam's export turnover to the EU market reached USD 3.25 billion, up 4.65% MoM and up 4.2% YoY in August alone, and up 14.4% YoY in September. Fishery exports were the biggest contributor to total export turnover, with the number of orders increasing by 10% MoM and August export turnover gaining 1.7% YoY, of which shrimp posted 15.7% YoY gain. Therefore, we expect that the export of other products such as smartphones and components, machinery, equipment and spare parts, textiles, footwear, seafood, furniture, and coffee to this market would be higher.

Beneficiary conditions in the first package are eased, and the second focused more on small businesses by providing concessional loans

- The second support package was introduced to support a new exposed group (the unemployed living in difficult conditions) and promote small business confidence by offering concessional loans during the second wave of COVID-19. Besides, given low disbursement rate of the first support package (only 28.5% of the first aid package has been disbursed by the end of July 2020 (~ 17,500 billion VND), the Ministry of Labor, Invalids and Social Affairs also proposed to add more beneficiary groups to receive the first grant, and offered 0% interest rate loans for businesses to pay salaries.

Table 2. Vietnam – The first and second stimulus packages

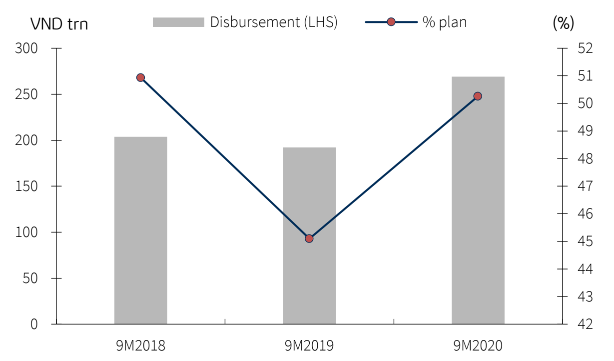
	Cost (VND billion)	
	Plan	Disbursment
First package		
Income support to vulnerable groups		
Poor/Near-poor households	4,842	11,690
Social assistance beneficiaries	6,473	
Merit people who had made contribution during revolution and wars time	1,703	
Informal sector employees being affected	15,000	
Close down tax-registered household businesses with annual income <VND100 million	2,280	68
Support to firms for employment retaining/restoring		
Contracted employees who were not qualified for unemployment insurance benefits	5,400	403
Deferring SI contribution to firms with 50%employees on temporary leave	6,500	603
Training support using UI fund	3,000	
Loan to firms with 0%interest for max 12 months to pay for employees to maintain jobs	16,200	
Total	61,398	17,500
Second package		
Income support to vulnerable groups		
Contracted employees who live in a rented house or have children under 6 month old (apply from Sep 2020 to Dec 2020)	3,600	
Support to firms		
Loan to firms with preferential rate (3.96%per annum) (apply from Sep 2020 to Dec 2020)	15,000	
Total	18,600	

Source: World Bank, Ministry of Labor, War Invalids and Social Affairs, KB Securities Vietnam

Public investment, especially the North-South highspeed railway will be the highlight in 2H2020

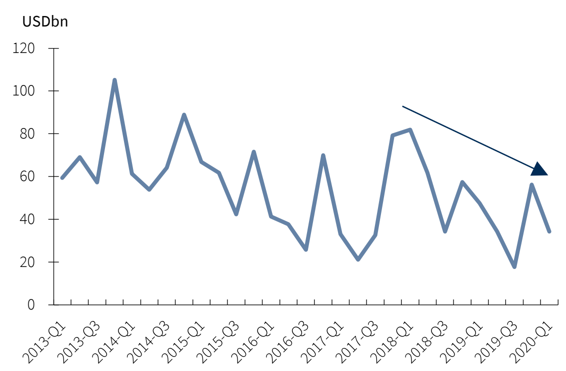
- We believe that public disbursement would continue to be accelerated in 4Q. Public investment grew strongly in 3Q with disbursement value of more than VND100 trillion, bringing nine-month disbursement to VND270 trillion, or 50% of the plan set by the government. In 4Q, we expect the disbursement of public investment would be further expedited, especially the three North-South highspeed railway sub-projects that have been officially started - Mai Son section - Highway 45, Vinh Hao - Phan Thiet, and Phan Thiet - Dau Giay.

Fig 7. Vietnam – 9M public disbursement (VNDtn, %)



Source: Ministry of Finance, KB Securities Vietnam

Fig 8. China – FDI inflows during Section 301 investigation



Source: OECD, KB Securities Vietnam

In contrast, unpredictable COVID-19 and the US Department of Commerce's probe on Vietnam trade are the two main risks to the economy:

Fading demand from trading partners is may negatively affect manufacturing industry in the last three months of the year

- Unpredictable moves of the Coronavirus without any vaccines successfully tested are the main factors dragging demand from key foreign partners down. However, at present, most countries in the world are planning to "live together" with the pandemic, instead of implementing lockdown protocols in big geographic areas as in 2Q, hence less impacts on people's consumption demand.

FDI inflows may slow down due to the US investigation over Vietnam trade

- The US Department of Commerce officially announced a trade investigation under Section 301 of the Trade Act 1974 regarding Vietnam's import and use of harvested timber and the currency undervaluation and its consequences on the US trade. We observed a big slowdown in FDI disbursement into China after the US Department of Commerce's decision to investigate Chinese trade (Figure 10). Therefore, Vietnam would also stand at the same imminent risk.

Inflation

❖ 9M20 inflation

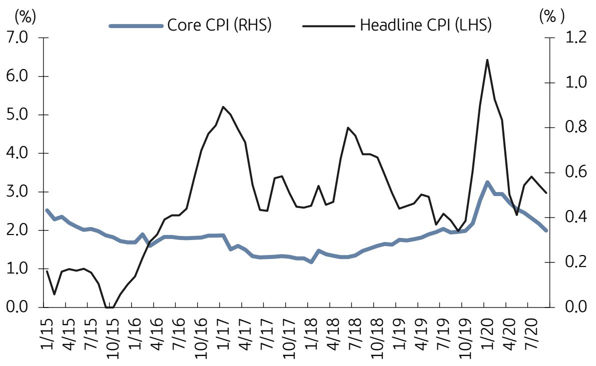
Nine-month average headline inflation was still high, but tended to do down

GSO data estimated **average 9M CPI to gain 3.85% YoY**. The average CPI turned down sharply on a quarterly basis to 3.18% in 3Q from 5.56% in 1Q. Core inflation also tended to decrease, and average core inflation in the first 9 months reached 2.82%, of which the average core inflation in 3Q was 2.16%, down from 3.04% in 1Q.

The sharp increase in pork price and falling oil price are two factors that strongly influenced the CPI in the first 9 months of the year

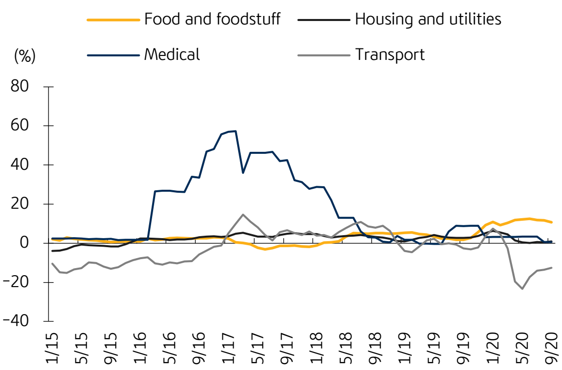
Main CPI drivers in the first nine months of the year include:
1) A 14.31% YoY increase in food prices mainly due to a 70.55% YoY surge in pork prices, adding 2.39% to headline CPI;
2) A 4.03% rise in foodstuff prices, making headline CPI go up 0.15%;
3) A 10.66% contraction in transportation group led by a 22.11% drop in gasoline prices, helping headline CPI decline 0.8%.

Fig 9. Vietnam – CPI & core CPI (% YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 10. Vietnam – Main CPI groups (% YoY)



Source: General Statistics Office, KB Securities Vietnam

❖ 2020E CPI forecast

We lowered 2020E CPI forecast to 3.5%, as pork prices are now under control thanks to improved supplies and gasoline and public service prices are favorable for the Government to curb inflation:

Goods, especially pork prices would not be strongly volatile as concerned before

- Year-end fluctuations in pork prices are always the biggest risk to inflation for the past three years. However, given fast hog repopulation (data from the Ministry of Agriculture and Rural Development found that the country's total herds of pigs are now equivalent to 82% of the pre-African swine fever levels) and well-contained ASF, we forecast pork prices will fluctuate around VND70,000 - VND80,000 VND per kilogram, equal to 4Q19.

Oil & gas prices are much lower vs the same period of 2019

- Although crude oil prices are unpredictable due to its relations to political factors, we expect pump prices in the last three months to stay lower than the same period last year, because of: 1) low international crude oil price average, equal to only 2/3 of the same period; 2) abundant Petroleum Stabilization Fund (VND6,000 billion), which would support the Government to intervene in pump prices in case the world oil prices rise again; and 3) not-fully-recovered demand for domestic transportation.

2H20 public service prices would not increase as high as in previous years

- Government-administrated service prices such as healthcare services would not be a worrying factor for 4Q inflation as the Government's delay to raise base salary will relieve health care group prices from the pressure to increase. In addition, amid a sharp rise in inflation, the Government should ask ministries to coordinate not to raise prices of state service goods groups in 4Q.

Table 3. Vietnam – 2020E average headline CPI forecast

No.	Groups	Weights (%)	+/- (%)	Contribution to overall CPI (%)
1	Food and foodstuff			
	Grains	4.46	3.50	0.16
	Foodstuff	22.60	11.00	2.49
	Outdoor eatings	9.06	7.00	0.63
2	Beverages and tobacco	3.59	1.00	0.04
3	Clothing and footwear	6.37	0.50	0.03
4	Housing, water, electricity, gas and other fuels	15.73	2.50	0.39
5	Furniture, household equipment and maintenance	7.31	1.00	0.07
6	Health	5.04	2.00	0.10
7	Transport	9.37	-7.00	-0.66
8	Communication	2.89	-0.50	-0.01
9	Education	5.99	4.00	0.24
10	Entertainment	4.29	-0.50	-0.02
11	Miscellanous goods and services	3.30	3.00	0.10
Total				3.56

Source: KB Securities Vietnam

Interest rates

❖ 9M20 interest rates

Table 4. Vietnam – Demand-supply on the money market

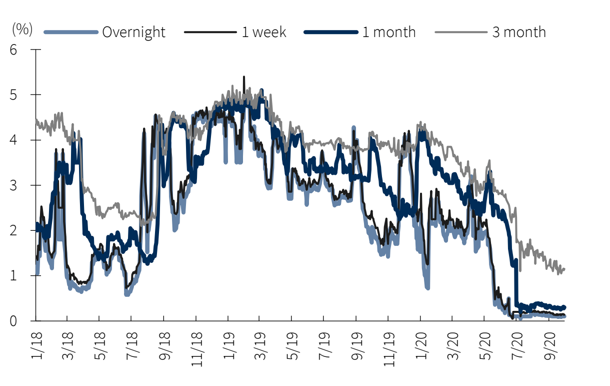
(VNDbn)	31/3/2019	30/6/2019	30/9/2019	31/12/2019	30/3/2020	30/6/20020	22/9/2020
M2	9,478,157	9,866,810	10,083,289	10,573,725	10,755,572	11,118,423	11,392,131
Growth rate YTD (%)	2.89	7.11	9.46	14.78	1.72	5.15	7.74
Growth rate QoQ (%)	2.89	4.10	2.19	4.86	1.72	3.37	2.46
Increase in M2 amount by quarters	266,309	388,653	216,478	490,436	181,847	362,851	273,708
Credit outstanding balance	7,437,086	7,742,083	7,888,910	8,195,393	8,302,412	8,494,504	8,614,997
Growth rate YTD (%)	3.13	7.36	9.40	13.65	1.31	3.65	5.12
Growth rate QoQ (%)	3.13	4.10	1.90	3.88	1.31	2.31	1.42
Increase in lending amount by quarters	225,911	304,997	146,827	306,483	107,019	192,092	120,493
Annual gap bt. M2 and lending growth	40,398	124,054	193,706	377,659	74,828	245,587	323,974
Quarterly gap bt. M2 and lending growth	40,398	83,656	69,651	183,953	74,828	170,759	153,215

Source: State Bank, KB Securities Vietnam

Excess liquidity pushed interbank rates and G-bond yields to many-year lows

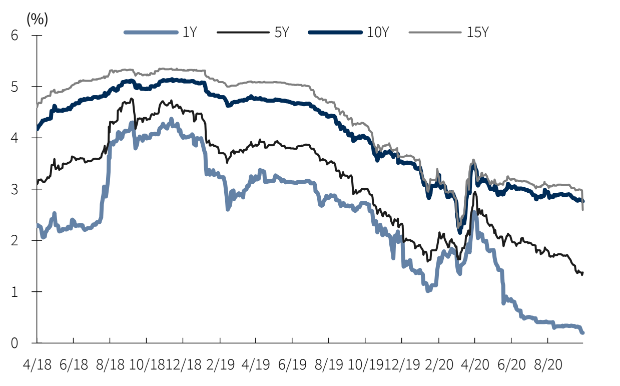
System liquidity in the first nine months was plentiful, with large gap between M2 and credit growth (Table 4). Stably high gap is mainly due to: 1) lower demand for credit as businesses are facing many Coronavirus-led difficulties (Credit growth as of September 22 was only 5.12% YTD, much lower than the rate of more than 8.51% in the same period in 2019); and 2) the State Bank's foreign currency purchases to accumulate foreign reserves estimated at USD10 billion, equal to VND23 trillion pumped into the market. Excess liquidity caused interbank interest rates and Government bond rates to remain low since May 2020 (Figures 13, 14).

Fig 11. Vietnam – Interbank interest rates (%)



Source: State Bank, KB Securities Vietnam

Fig 12. Vietnam – Government bond yields (%)



Source: State Bank, KB Securities Vietnam

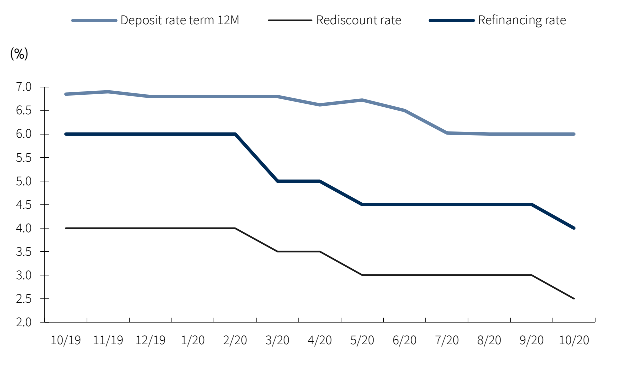
Monetary policy tends to be eased with control

To cushion credit growth against Coronavirus impacts, the State Bank cut the policy rate three times in a row in March and May and October with a total reduction of 150 bps for the refinance rate, and lower under-six-month ceiling deposit interest rates from 80-100bps. In addition, the State Bank postponed to tighten the ratio of short-term capital used for medium and long-term loans until the next year, which lowered capital restructure pressure on banks as they already had to support Coronavirus-hit businesses by reducing interest rates, rescheduling and restructuring debts. In general, the State Bank's monetary policies to curb the pandemic impacts mainly use resources from commercial banks, so the impact on the money supply is not too large (compared to other money supply tools such as direct bond purchases from other central banks).

Deposit rates have plummeted since the policy rate cut in May

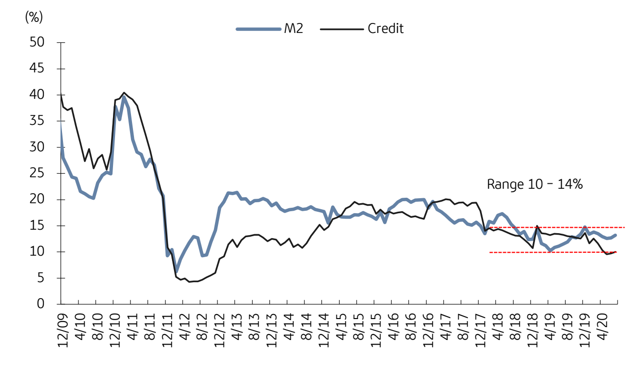
In fact, deposit rate averages continuously decreased since the policy rate cut in May 2020, which was resulted from: 1) surplus system liquidity given abundant supply (SBV bought foreign currencies, 9M20 mobilized capital surged to 7.7%) while the demand side did not show many signs of improvement (9M credit grew a mere of 5.12%); and 2) reasonable pressure to reduce deposit rates and maintain a suitable NIM ratio when banks had to cut lending rates to support customers.

Fig 13. Vietnam – 12-month call deposit rates



Source: State Bank, KB Securities Vietnam

Fig 14. Vietnam – Credit & M2 growth (% YoY)



Source: State Bank, KB Securities Vietnam

❖ 2020E interest rate forecast

2020E credit should be around 8-10%

We expect credit growth to recover slightly in 4Q20 as Vietnam IIP and PMI reflect a rebound in manufacturing sector, and interest rates stay at a low level for many years thanks to the State Bank policies. Even so, the economy's credit demand will hardly recover to its pre-COVID levels, so we continue to lower our credit growth forecast for this year to around 8-10% (vs 10% given earlier).

Deposit interest rates may continue its downward trend this interest rate cut, but the speed would be slower as the current level is already low

Deposit interest rate has decreased by a total of 50-200bps for all terms compared to the beginning of this year. Interest rates for less than six-month matured deposits are 2.50% - 4.00% per year, much lower than the new ceiling rate of 4.00% per year set by the State Bank, hence less room for under six-month rates strong declines. The downward trend is also more obvious in the medium and long-term deposit rates in the past three months, with the deposit rates for more than 12-month terms popular at 6.00 - 7.00%. Although credit growth is forecast to recover, we expect that the medium and long-term deposit rates to retreat in the last three months of the year (10-20 bps).

Exchange rates

❖ **9M20 USD/VND exchange rate**

Exchange rates were stable in the first three quarters of 2020

USD/VND exchange rate returned to stable state with downward trend in 2Q and 3Q after strong volatiles in the last two weeks of March. As of September 30, interbank and unofficial rates were 0.1% and 0.3% respectively higher than the end of last year while the central rate increased by 0.3% YTD. The VND is still seen as a stable currency compared to other currencies in the region in the first three quarters.

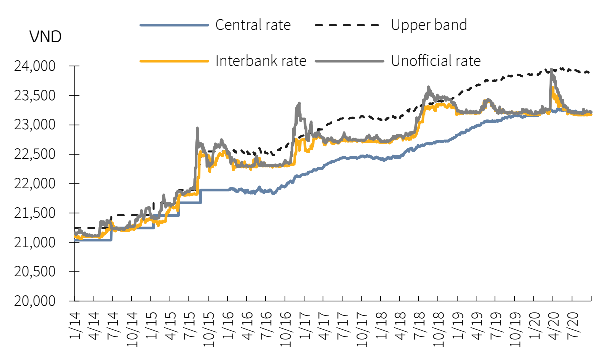
NEER and REER fell to one-year lows

NEER and REER showed clear downtrend for the first time in three years. NEER is now down to one-year low of 97.9 points, from 118 points at the end of 2Q. The decline of NEER and REER bodes well for export activities, but also creates operating pressure for the State Bank as the VND is standing at a risk of being designated as a currency manipulator.

Strong depreciation of USD on international markets thanks to the Fed's easing policy helped to stabilize exchange rates in recent years

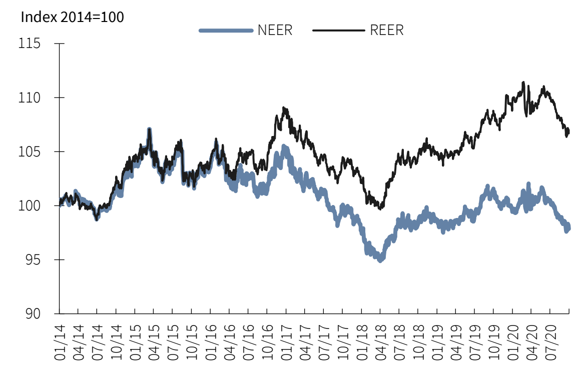
The main reason for the stable USD/VND exchange rate in 2Q and 3Q and the downtrend of NEER and REER is the depreciation of USD on international markets. Specifically, after spiking more than 8% between March 9 and 20, the DXY index has now plummeted to four-year lows following the Fed's easing monetary policies and fiscal aid packages. In addition, the SBV's fixing of the buying rate at the State Bank's exchange at 23,175 and the proactive purchase to supplement foreign reserves from the beginning of the year partly stopped the decline of the USD/VND exchange rate on the interbank market, and helped the VND depreciated considerably against a basket of eight reference currencies, especially CNY, EUR, and JPY.

Fig 15. Vietnam – USD/VND exchange rate (%)



Source: Bloomberg, KB Securities Vietnam

Fig 16. Vietnam – NEER & REER (point)



Source: Bloomberg, KB Securities Vietnam

❖ 2020E exchange rate forecast

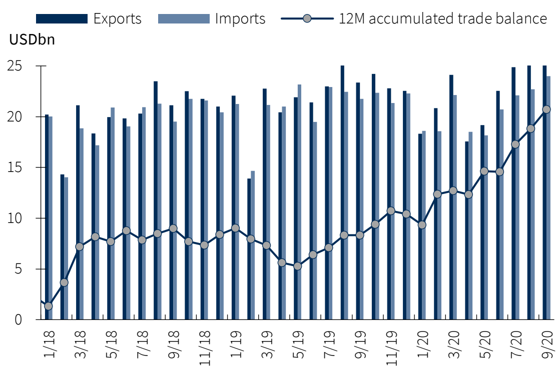
USD/VND exchange rate is forecast to stay flat vs early this year

We project the VND in 2020 to go sideways, which is different form our previous forecast thanks to abundant USD supply and the downward trend of the currency on the global market. The label "currency manipulation" is now the biggest risk to VND in the upcoming evaluation from US Treasury in October.

Foreign currency supply may remain healthy

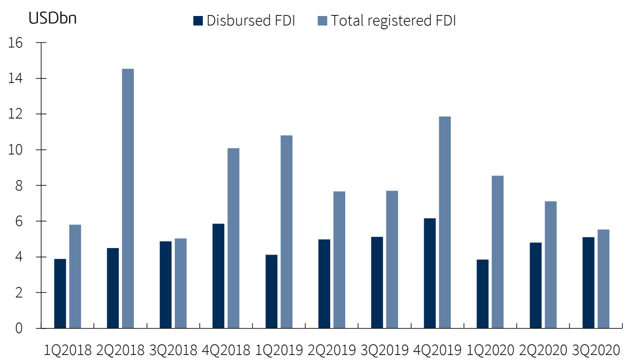
Foreign currency supply is assessed to remain plentiful in 4Q as import-export activities recover and disbursed FDI is healthy. In fact, contrary to our previous concerns, Vietnam's exports in the first nine months were quite good, the trade balance was in surplus USD17 billion with outstanding growth in electronics, computers and components (up 25.9% YoY). Meanwhile, the amount of remittances often increases strongly at the end of the year to serve shopping needs before the Lunar New Year. However, with the US commercial probe over Vietnam, FDI inflows are likely to be interrupted in the short term.

Fig 17. Vietnam – Trade balance (USDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 18. Vietnam – Disbursed & registered FDI (USDbn)



Source: Bloomberg, KB Securities Vietnam

The USD may continue to depreciate in the coming time

The Fed's assertion on maintaining easing monetary at least until 2021 and expansion fiscal policies, possibly including a fresh Coronavirus support package worth USD2,200 billion recently approved by the House of Representatives are factors that facilitate the USD depreciation in the last quarter of the year. However, the development of the dollar will be unpredictable in the US election this November.

The VND is under pressure to appreciate in the short term from the US warning over currency manipulation

The US Department of Commerce officially announced a trade investigation under Section 301 of the Trade Act 1974 regarding Vietnam's import and use of harvested timber and the currency undervaluation and its consequences on the US trade. Previously, the preliminary investigation of the US Department of Commerce on countervailing duty for light truck tires from Vietnam, the Department determined that Vietnam intentionally undervalued its currency by 4.7% against the USD in 2019 to gain competitive advantage in export activities. Those early warned that the US may consider Vietnam as a currency manipulator. The State Bank may be prone to reduce the buying rate at the State Bank's Exchanges to adjust exchange rate in the near future. However, we believe that the worst case that the US will designate Vietnam as a currency manipulator in October may hardly happen thanks to: (1) Vietnam's efforts in lowering trade surplus; (2) the reasonable SBV policy to increase foreign reserves as Vietnam's FX reserves at the end of July were only USD86 billion, equivalent to 4.3 months of import value (only slightly higher than the three-month minimum recommended by the IMF) and much lower than the regional average of 10.9 months; (3) low possibility of being labeled as China was the only currency manipulator labeled by the US in the past 20 years; and (4) available chance for Vietnam to discuss with the US in the hearing before being officially labeled.

Table 5. Vietnam, US – Criteria for identifying currency manipulation in 2019-2020

	Goods trade balance with US		Current account		Net FX intervention	
	USD billion	% GDP	USD billion	% GDP	USD billion	Net FX purchase (6 out of 12 month)
Four quarters till 4Q2019*	61.3	23.6	12.5	4.8	22.9	Yes
Four quarters till 2Q2020**	65.4	24.7	13.9	5.3	19.1	Yes
Criteria	20.0			2.0		Yes

Source: KB Securities Vietnam

* Evaluation criteria applied in May 2020 to evaluate Vietnam trade from Q1 - 2019 to Q4 - 2019, however, the US Department of Finance has not made the final assessment.

** Evaluation criteria applied in October 2020 to evaluate Vietnam trade from Q3 - 2019 to Q2 - 2020

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Investment ratings & definitions

Investment Ratings for Stocks
(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors
(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market