

Stock market in September 2023

Haunted by the specter of inflation

Macroeconomic picture in August: Many indicators were quite positive. The PMI surpassed 50 points for the first time in six months, export turnover increased by 7.7% MoM. CPI rebounded by 0.88% MoM due to a sharp increase in gasoline prices. Cash at banks remained abundant and stable, and there are many factors helping to maintain low interest rates. Meanwhile, the VND/USD exchange rate rebounded sharply in August due to rising DXY and currency carry trade.

Market developments in August: The stock market was volatile as we witnessed many trading sessions with an increase or decrease amplitude of 10–20 points. On August 18, the market lost 56 points on with record high liquidity. ETF flows into the Vietnam market had the highest net withdrawals in Asia, reaching USD167 million in August alone.

Market outlook in September: The market in the coming time will depend heavily on macro data from both domestic and foreign sources since there would be less news about business performance in September after 2Q earnings season. Policies to support the real estate market, the prospect of market upgrading, and potential decline in interest rates should help the VNIndex to increase. However, the market is also facing a headwind as inflation may rebound to 3.6% in September given climbing oil prices. From a positive perspective, VNIndex can continue its upward trend and move towards the target of 1295 (+20) points, corresponding to the Fibonacci retracement 61.8%. However, we do not appreciate the case VNIndex expanding the uptrend further, instead, the risk of the index entering a medium-term trough will need to be taken into account.

September investment portfolio: KBSV Equity Analysis Department prioritizes FPT, TNG, DBC, MSB, PVD, PC1, STB, BSR, PNJ, and HAH (See also part *V. September investment portfolio*).

Head of Macro & Strategy Tran Duc Anh
anhtd@kbsec.com.vn

Analyst Thai Huu Cong
congth@kbsec.com.vn

Analyst Nguyem Sy Tien
tiens@kbsec.com.vn

Analyst Ho Duc Thanh
thanhd@kbsec.com.vn

Analyst Vu Thu Uyen
uyenvt@kbsec.com.vn

September 14, 2023

Contents

I. Executive Summary	3
II. Vietnam stock market in August	8
III. Vietnam market outlook in September	11
IV. August model portfolio return	13
V. September model portfolio	14

I. Executive Summary

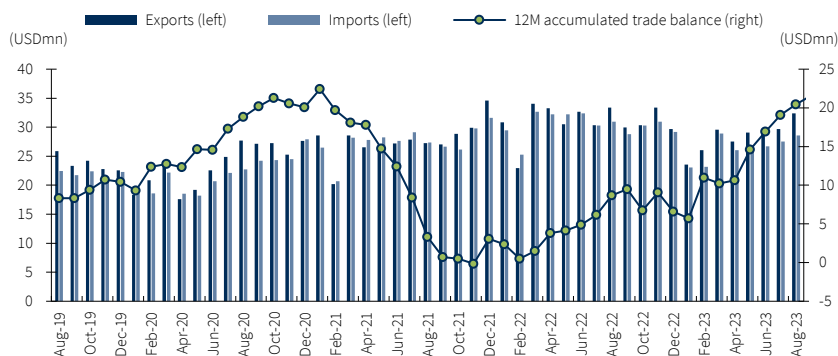
Monthly macroeconomic data show that signs of economic recovery have become clearer. It can be said that the most difficult period has passed. Many indexes were quite positive. The PMI surpassed 50 points for the first time in six months, export turnover increased by 7.7% MoM. In addition, public investment and FDI disbursement have been stable and are expected to be the main driving force to economic growth in the last months of 2023. However, both domestic and international demand are still weak, so we forecast that GDP growth in 3Q will only improve slightly to 5.6%YoY.

Table 1. Vietnam – Macro data in August

	Unit	August 2023	+/- MoM	+/- YoY	KBSV's notes
IIP	%		2.9	2.6	Industrial production activities in August still maintained the recovery momentum but at a more modest level than the previous month. The manufacturing and processing industry increased by 3.5% YoY, higher than the general growth rate of the entire industry.
PMI	Point	50.5		(July: 48.7 points)	The PMI exceeded 50 points for the first time in six months, up from 48.7 points in July, which bodes well for production and business conditions. The increase in the number of orders and output implied that the demand is gradually rebounding. It is expected that the manufacturing industry will show more progress in the near future.
Exportation	USD million	32,370	7.7%	-7.6%	Export turnover significantly improved compared to recent months thanks to strong growth in a number of key products such as smartphones and accessories (+44% MoM), machinery and equipment (+16% MoM) and electronics and computers (+6% MoM). As major economies such as the US and EU are expected to grow, we believe that exports will recover in the following months.
Importation	USD million	28,550	5.7%	-8.3%	Imports increased compared to July and narrowed the decline over the same period last year, which is a sign that the most difficult period has passed. We believe that import activities will continue to improve, following the recovery of production and domestic and international demand.
Retail sales of goods and services	VND billion	515,413	0.9%	7.6%	Retail sales increased slightly compared to July but slowed down significantly compared to the first months of the year. However, we think this is a stable growth rate in the context of weak domestic demand. Thanks to fiscal support and loose monetary policy, domestic demand should recover in 4Q, leading to the acceleration of the retail sector.
Public capital disbursement	VND billion	61,326	5.3%	29.1%	Public investment continues to accelerate, after the first eight months of the year, 49.4% of the target has been completed (according to the General Statistics Office - GSO). With favorable conditions such as lower construction materials costs, less obstacles related to legal procedures, and the Government's support, it is expected that public investment will strongly improve in the coming months.
FDI realized capital	USD million	1,520	-2.6%	23.6%	Although foreign investment capital decreased slightly MoM, it strongly grew YoY. It is forecasted that FDI inflows will be equivalent to 2022 thanks to Vietnam's good inflation control, macroeconomic stability and supportive fiscal and monetary policies.

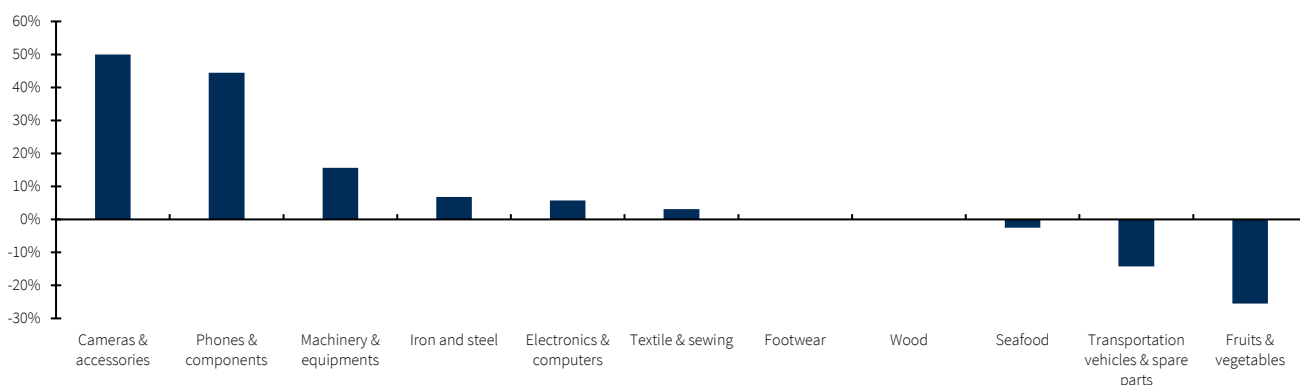
Source: General Statistics Office, KB Securities Vietnam

Fig 1. Vietnam – Import-export turnover and 12M trade balance (USDmn)



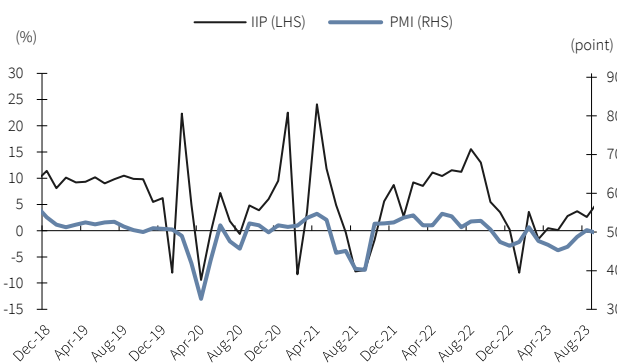
Source: General Statistics Office, KB Securities Vietnam

Fig 2. Vietnam – Some main commodities in August (% MoM)



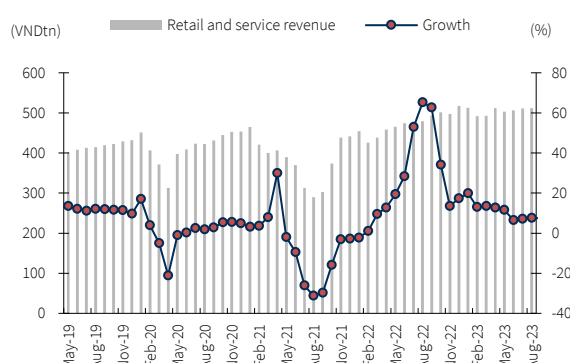
Source: General Statistics Office, KB Securities Vietnam

Fig 3. Vietnam – IIP and PMI (% point)



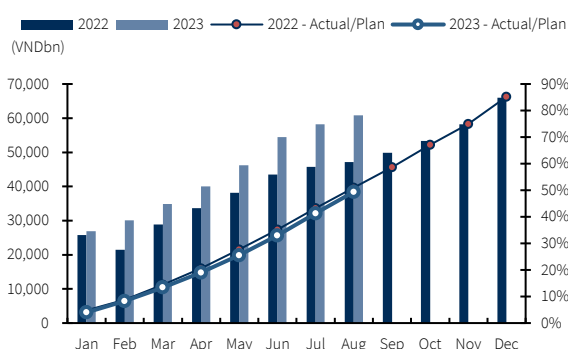
Source: General Statistics Office, S&P Global, KB Securities Vietnam

Fig 4. Vietnam – Retail sales of goods and services (VNDtn)



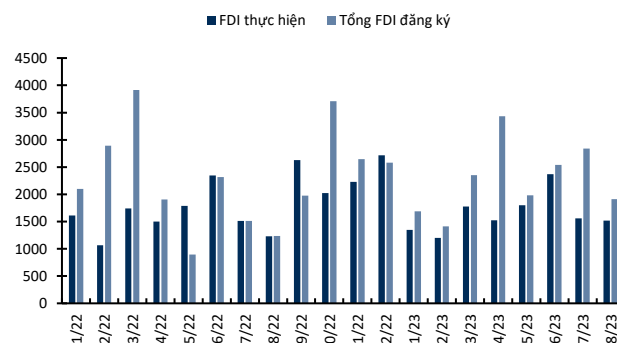
Source: General Statistics Office, KB Securities Vietnam

Fig 5. Vietnam – Disbursement of public investment (VNDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 6. Vietnam – Realized and registered FDI (USDmn)



Source: General Statistics Office, KB Securities Vietnam

August CPI surged compared to the previous month

August CPI increased 0.88% MoM mainly due to a sharp increase in gasoline prices (leading to a 3.85% increase in transportation CPI and causing the headline CPI to gain 0.37ppts). We raise the forecast for the average CPI in 2023 to 3.4%YoY due to the emergence of more negative factors, including: (1) increasing rice and pork prices due to fluctuations in supply and (2) stronger-than-expected rise in Brent oil prices, possibly reaching USD95-100/barrel by the end of the year. However, as domestic demand is still weak, we believe that inflation this year will still be well controlled at a level much lower than the target of 4.5% set by the Government.

Table 2. Vietnam – Headline and core CPI by month in 2022–2023 (% YoY)

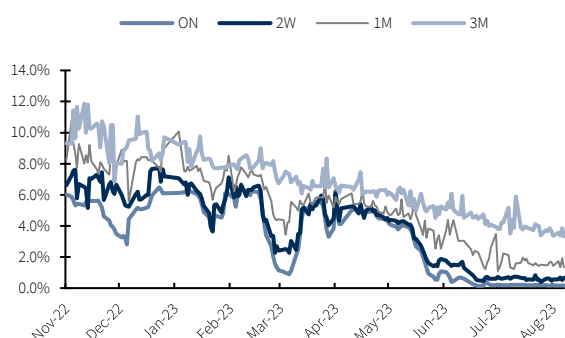
	Weight (%)	2022										2023								
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Core CPI		0.7	1.1	1.5	1.6	2.0	2.6	3.1	3.8	4.5	4.8	5.0	5.2	5.0	4.9	4.6	4.5	4.3	4.1	4.0
CPI		1.4	2.4	2.6	2.9	3.4	3.1	2.9	3.9	4.3	4.4	4.6	4.9	4.3	3.4	2.8	2.4	2.0	2.1	3.0
Food and catering services	33.6	-0.2	1.0	1.1	1.3	2.3	3.0	3.3	3.7	5.1	5.2	5.2	6.1	4.3	4.0	3.6	3.6	3.3	2.6	2.3
Drinks and tobacco	3.6	2.2	2.6	2.7	3.0	3.2	3.4	3.5	3.4	3.6	3.5	3.8	4.4	3.9	3.7	3.6	3.4	3.2	3.1	3.1
Garments	6.4	0.7	1.0	1.1	1.3	1.5	1.8	2.1	2.2	2.3	2.2	2.4	2.8	2.7	2.5	2.5	2.2	2.2	2.0	2.0
House and building materials	15.7	0.4	1.7	2.7	2.2	1.5	1.1	1.4	4.4	5.4	6.0	7.1	6.9	7.9	6.7	5.2	6.4	6.5	6.5	7.1
Household appliance	7.3	1.2	1.4	1.6	1.8	2.0	2.3	2.5	2.5	2.6	2.6	2.7	2.9	2.8	2.7	2.5	2.2	2.1	2.0	1.8
Medicine and health services	5.0	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Transportation	9.4	15.5	18.3	16.6	18.4	21.4	15.2	8.9	6.7	1.8	0.9	-0.2	0.1	-0.2	-4.9	-3.9	-8.9	-	-9.3	-0.3
Post and telecommunication	2.9	-0.7	-0.6	-0.5	-0.3	-0.5	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.5	-0.6	-1.0	-1.1
Education	6.0	-3.3	-3.2	-2.5	-2.2	-2.1	-2.0	-0.6	8.4	10.6	11.0	11.8	11.6	10.4	8.4	6.0	5.7	5.8	5.6	5.0
Culture, entertainment, and tourism	4.3	0.3	0.5	1.8	2.8	3.4	4.3	4.8	4.8	4.9	5.0	5.0	5.3	4.7	4.7	3.0	2.5	2.3	1.7	1.3
Others	3.3	1.0	1.8	1.9	2.0	2.2	2.7	2.9	3.0	3.1	3.1	3.2	3.5	3.4	3.2	3.3	3.4	3.4	5.9	5.9

Source: General Statistics Office, KB Securities Vietnam

Market liquidity is abundant, interest rates continue to decrease in August

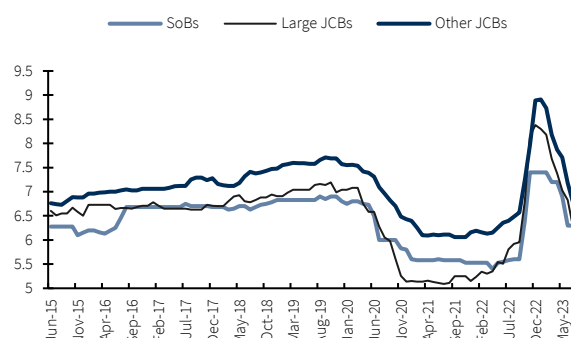
Abundant cash in the banking system helped interbank interest rates continue to slightly decrease and remain low in August. For the customer channel, banks are proactively lowering interest rates in accordance with the Government and SBV's regulations. Data from Wichart showed 12M deposit interest rates dropped 30~50 bps MoM to 5.8%, 5.95% and 6.43% respectively for State-owned banks, large commercial joint stock banks and other joint stock commercial banks. In addition, the SBV's issuance of a new circular allowing businesses to borrow for the purpose of rolling over debt has helped commercial banks compete on lending interest rates, thereby supporting the economy when the inflationary pressure is not too large. On the contrary, the non-performing loan (NPL) of the whole industry climbed and the loan loss coverage ratio (LLCR) decreased, making it difficult for lending interest rates to decrease deeply. Accordingly, we forecast that **deposit and lending interest rates will continue to lower by about 25 bps and remain stable in the last months of 2023.**

Fig 7. Vietnam – Interbank interest rates (%)



Source: FiinPro, KB Securities Vietnam

Fig 8. Vietnam – 12M deposit interest rates (%)



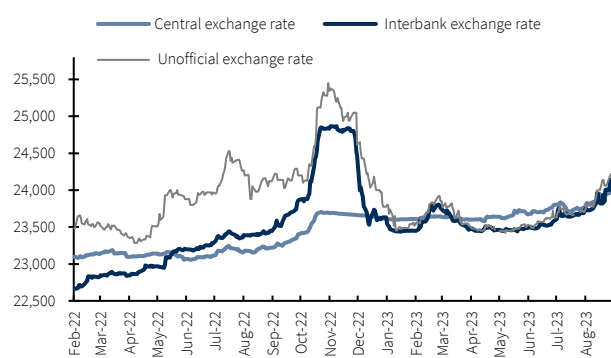
Source: Wichart, KB Securities Vietnam

USD/VND exchange rate spiked

The interbank USD/VND exchange rate rebounded sharply by 1.7% MoM to 24,085 at the end of August. (1) Pressure from DXY rose to reach 104; and 2) the USD and VND interest rate difference remains negative, stimulating carry trade activities.

We believe that the SBV's monetary policy being contrary to Fed's will continue to be the main risk factor leading to exchange rate fluctuations in the near future, in addition to the rebounding economy and increased import demand. On the contrary, abundant foreign currency supply coming from trade surplus, FDI and remittances will relieve the pressure on exchange rates. At the same time, the Fed is highly likely to keep interest rates unchanged at the upcoming September meeting (with a rate of up to 93%) and is relatively cautious with the possibility of raising interest rates in November, which is also a supporting factor to exchange rate. Therefore, we maintain the same exchange rate forecast as in the 2H2023 Macro Outlook Report, and the VND should depreciate by about 2% this year and reach 24,100.

Fig 9. Vietnam – Disbursement of public investment (VNDbn)



Source: Bloomberg, KB Securities Vietnam

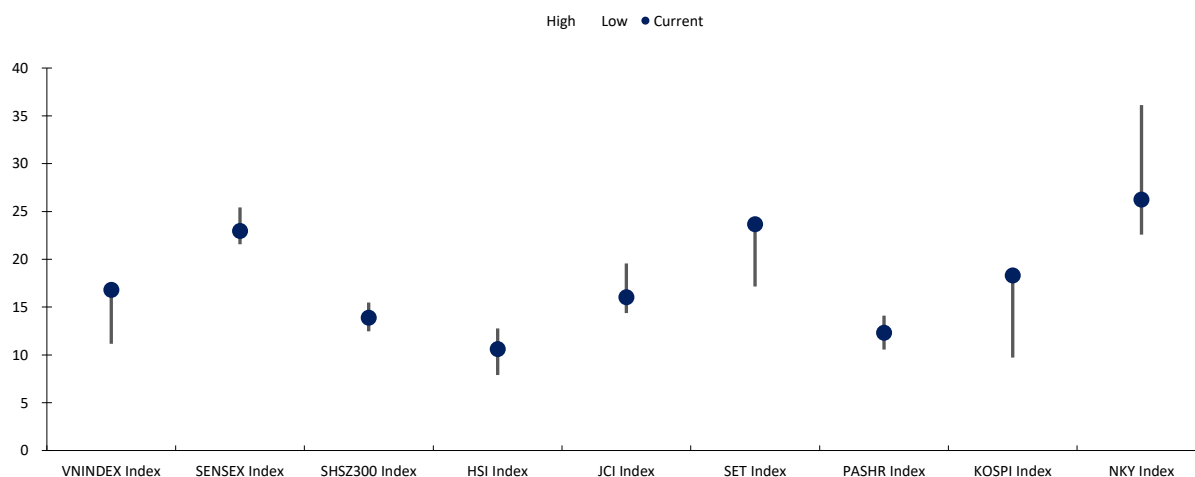
Fig 10. Vietnam – Realized and registered FDI (USDmn)



Source: Bloomberg, KB Securities Vietnam

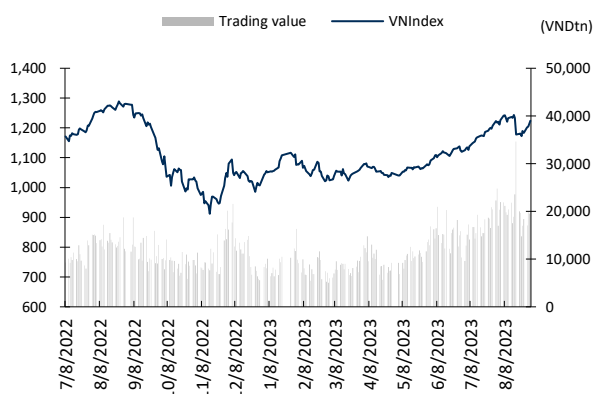
II. Vietnam stock market in August

Fig 11. Global – PE of stock markets (unit)



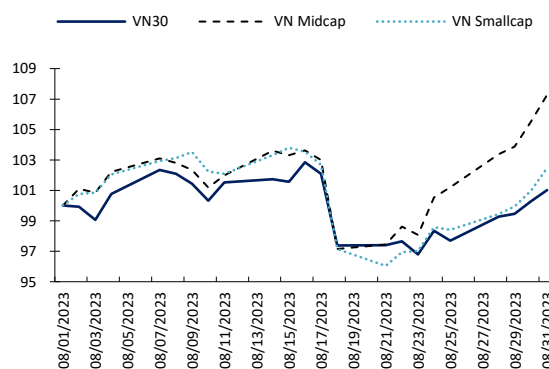
Source: Bloomberg, KB Securities Vietnam
*High-low in the last 52 weeks

Fig 12. Vietnam – VNIndex (point)



Source: Bloomberg, KB Securities Vietnam

Fig 13. Vietnam – Stock movements by market cap in August (point)

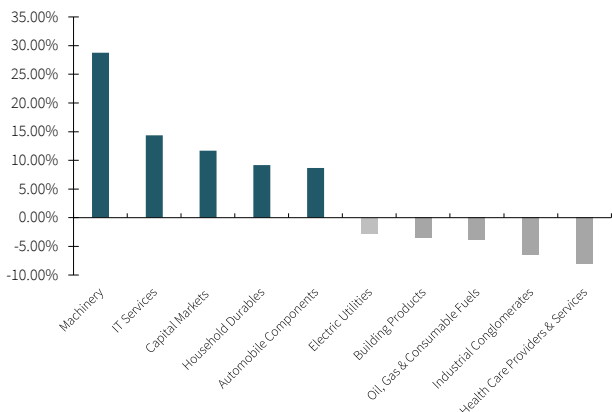


Source: FiinPro, KB Securities Vietnam

Vietnam stock market in August

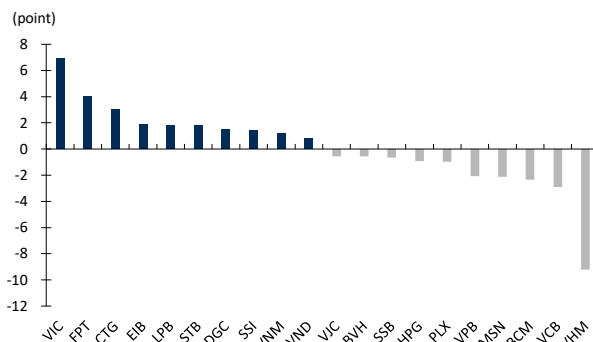
The stock market was volatile as we witnessed many trading sessions with an increase or decrease amplitude of 10–20 points. On August 18, the market lost 56 points on with record high liquidity. In addition to Vinfast's deep decline on the Nasdaq exchange, which is believed to be the main cause of the strong correction of the VNIndex, the pressure of declining after consecutive increases in the VNIndex since April also caused the stock market to collapse. The VNIndex closed the last trading session of the month at 1,224 points, equivalent to an increase of 0.5% compared to the end of July. The market recorded the largest trading volume since November 2021 with 22.43 billion shares handed over. In addition, ETF flows into the Vietnam market had the highest net withdrawals in Asia, reaching USD167 million in August alone.

Fig 14. Vietnam – Industry group movements (%)



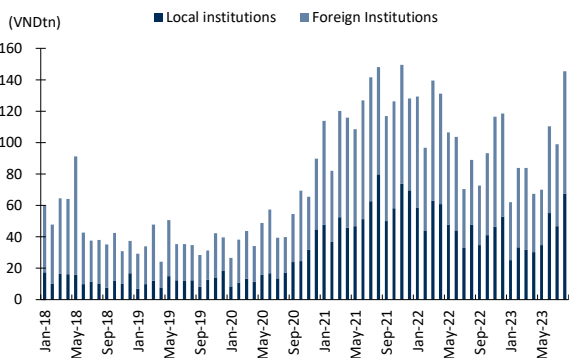
Source: FiinPro, KB Securities Vietnam

Fig 15. Vietnam – Market monitors (point)



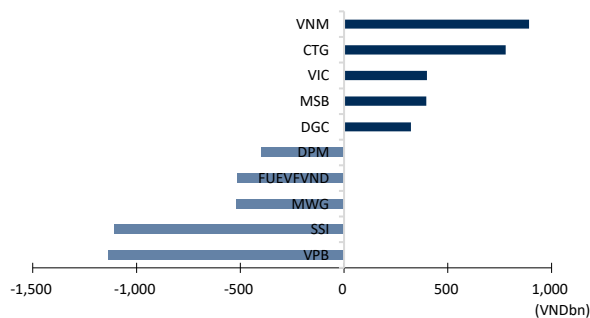
Source: Bloomberg

Fig 16. Vietnam – Trading value (VNDtn)



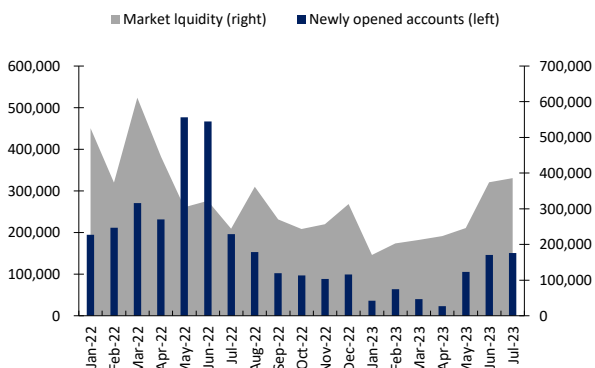
Source: FiinPro, KB Securities Vietnam

Fig 17. Vietnam – Net foreign buys/sells in August (VNDbn)



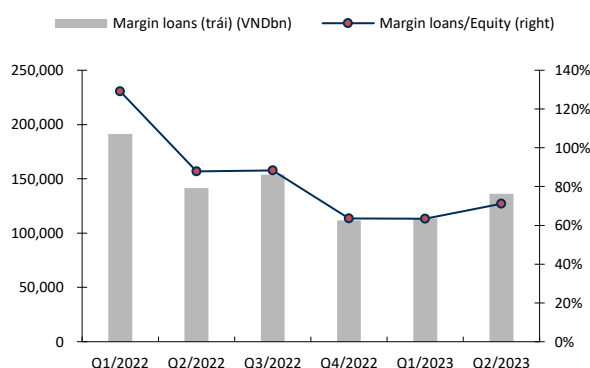
Source: Fialda, KB Securities Vietnam

Fig 18. Vietnam – Market liquidity & newly opened accounts (VNDbnm, account)



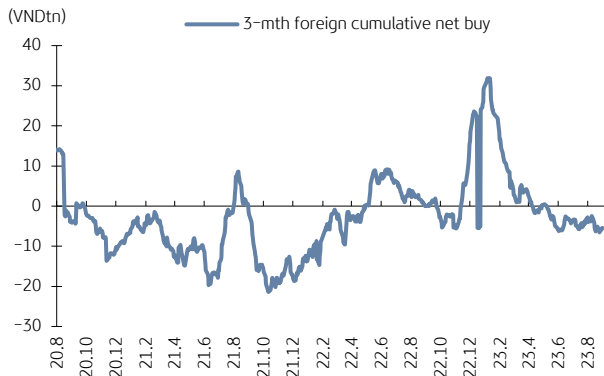
Source: Vietnam Securities Depository, KB Securities Vietnam

Fig 19. Vietnam – Margin lending of securities companies (VNDbn)



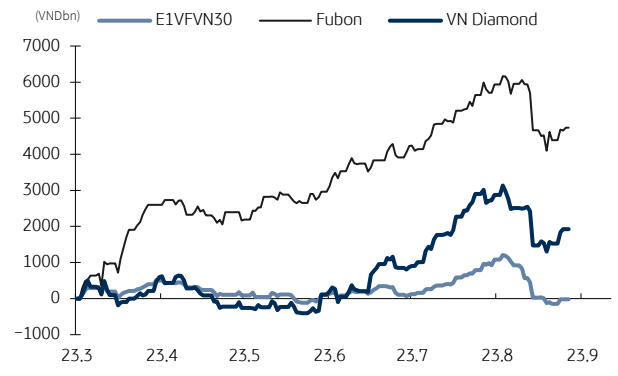
Source: FiinPro, KB Securities Vietnam

Fig 20. Vietnam – 3M foreign net buys (VNDtn)



Source: Bloomberg

Fig 21. Vietnam – ETFs asset values (VNDbn)



Source: Bloomberg

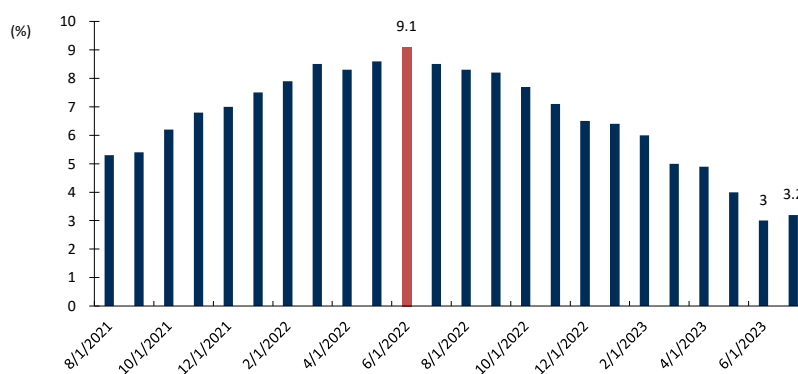
III. Vietnam market outlook in September

The market outlook for September depends on macro factors

September is often a time when there is a lack of supporting information on the stock market when the financial statements of listed companies have been announced. The market's movements in the coming time will depend heavily on macro data from both domestic and foreign sources. Policies to support the real estate market, the prospect of market upgrading, and potential decline in interest rates should help the VNIndex to increase.

However, the market is also facing a headwind as inflation may rebound to 3.6% in September given climbing oil prices thanks to (1) OPEC+ extending the output cut until the end of the year and (2) China's launching economic stimulus packages while winter is approaching, which will cause consumption demand to increase towards the end of the year. Accordingly, the risk of the Fed raising interest rates at its November meeting (forecast at 53.8%) will increase, exerting negative effects on the VND/USD exchange rates, FDI capital flows and liquidity in the economy.

Fig 22. US – Inflation (%)



Source: Bloomberg

The VNIndex may continue its upward trend in the short term before entering a mid-term correction

In terms of technical factors, the deep support level around 1150–1170 did a pretty good job of supporting the market in August. The ADX momentum indicator is currently at 30 points with a downward slope, showing the VNIndex's increase is weakening. With a positive perspective, we can see the VNIndex will continue its upward trend and move towards the target area around 1295 (+20) points, corresponding to the Fibonacci retracement 61.8%. However, we do not appreciate the case the index expanding the uptrend further, instead, the risk of the index entering a medium-term correction will need to be taken into account.

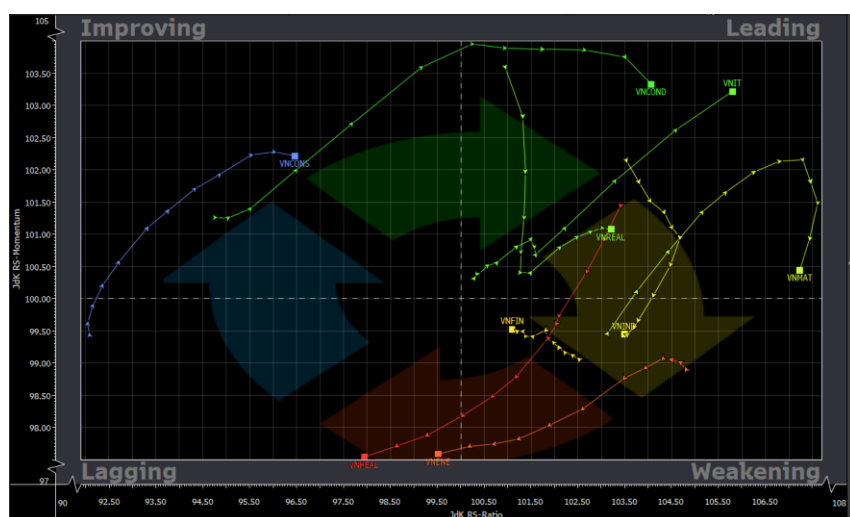
Fig 23. Vietnam - VNIndex movements (point)



Source: Fireant

Based on the comparison of the relative strength of industry groups with VNIndex in the chart below, real estate, information technology, construction materials and non-essential consumer goods are currently leading the index and the overall uptrend of the entire market. Meanwhile, industry groups such as finance and Industry are entering a period of weakness. Stocks in the essential goods industry, including food, livestock, and fisheries, are gradually improving and should drive the market in the near future.

Fig 24. Global - Relative rotation graph



Source: Bloomberg, KB Securities Vietnam

IV. August model portfolio return

Investment approach:

- Seeks to outperform the VN30 Index by identifying the most attractive stocks within our coverage universe over the next 3 months
- Employs a risk-managed exit strategy that sets a profit target of +30% and stop loss of -15%
- Uses an equal-active-weight (with monthly rebalancing method) approach that allocates 100% of the portfolio to stocks that, at times, can include a VN30 index ETF

	VN30 Index	Master Portfolio
Daily return	0.73%	1.24%
Cum. return	1.01%	3.61%

Performance vs VN30 Index

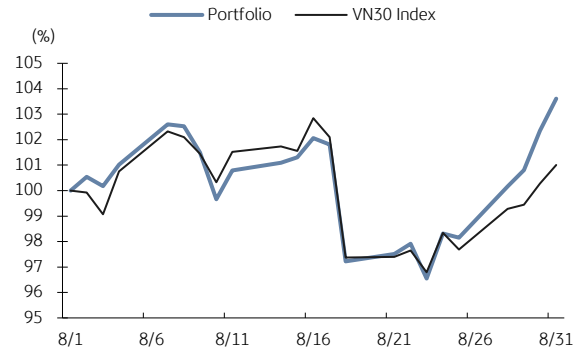
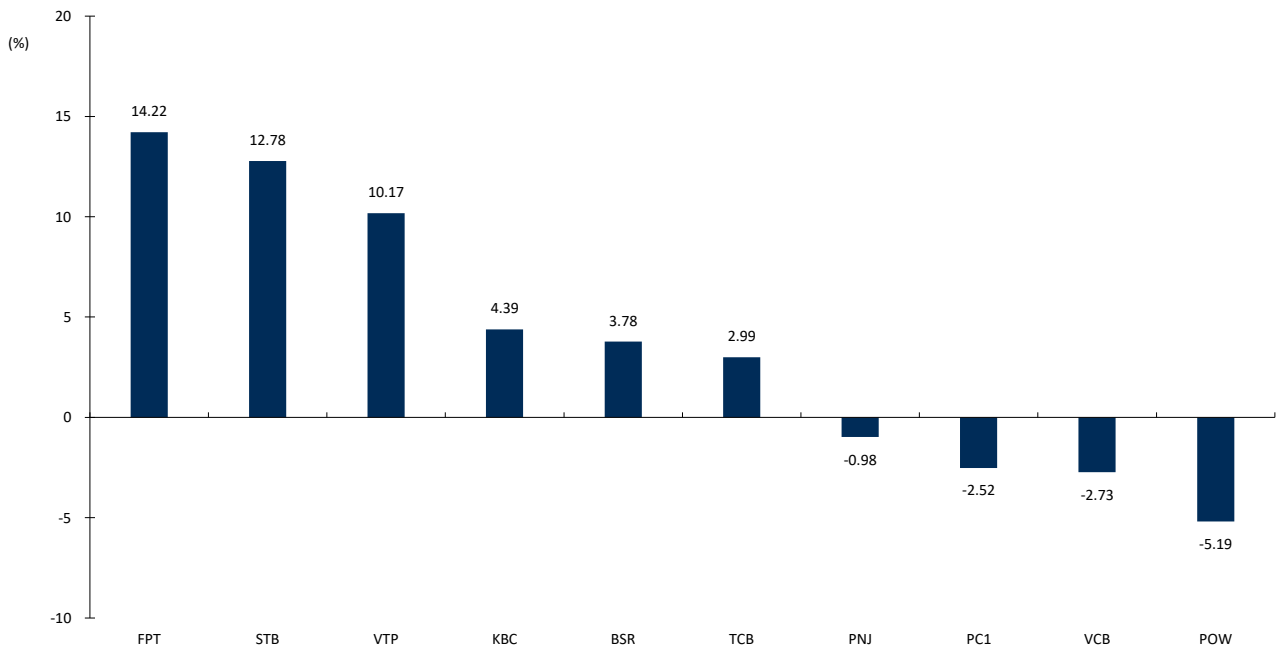


Fig 25. Vietnam - Returns on stocks (%)



Source: Bloomberg, KB Securities Vietnam

V. September model portfolio

Ticker	Target price	Closing price (Aug 31)	Expected return	2023 forward P/B	2023F NPAT	Investment catalysts
FPT	106,100	96,700	10%	21.70	20%	<ul style="list-style-type: none"> - FPT continued to achieve positive business results in the first seven months, so the target of 18% - 20% growth for 2023 is quite feasible. - FPT benefits from the trend of strong digital transformation and increasing software exports to key markets (the US and Japan). - The investment & education segment maintains a high and stable growth rate.
TNG	25,000	20,200	24%	N/A	5%	<ul style="list-style-type: none"> - Inventories of fashion brands that are TNG's partners show clear signs of declining. - TNG's gross margin should be improved in the last four months of the year. - Export decline benefits from exchange rate.
DBC	27,400	24,800	10%	80.40	1517%	<ul style="list-style-type: none"> - It is expected that pork prices will continue to recover and fluctuate around VND65-68,000/kg in the second half of the year. - Prices of input materials such as corn and soybeans often decrease during the El Nino period, helping gross profit margins improve. - VND150 billion in profit from the Parkview project is expected to help DBC avoid recording negative business results in 1H23.
MSB	17,700	14,000	26%	6.00	16%	<ul style="list-style-type: none"> - Accumulated NIM in the last four quarters reached 4.26% and stayed high on the market thanks to promoting the advantage of CASA and high lending interest rates in 1Q. - Total credit growth was 13.2% compared to the beginning of the year, outperforming the industry growth rate of 2.06% - MSB's credit growth in the coming period should be about 17-20% as customer loans always account for 40-60% of the profitable asset structure.
PVD	30,200	25,500	18%	37.81	N/A	<ul style="list-style-type: none"> - Demand for renting rigs spiked while supply tightened because the production rate of new rigs was not enough to keep up with demand. - Jack-up rig freight rates are expected to improve. - The domestic E&P market should be more vibrant from 2024, positively impacting the well technical services segment.
PC1	32,600	27,050	21%	10.60	54%	<ul style="list-style-type: none"> - EPC and industrial production segments in 2H23 will be improved when the National Power Master Plan 8 is approved. - New contributions from nickel mines and industrial parks should offset reduced profits from other segments.
STB	35,300	32,650	8%	9.33	41%	<ul style="list-style-type: none"> - STB benefits from (1) policy interest rate cuts and (2) improved liquidity. - STB is among banks with the lowest NPL ratio, with special mentioned loans falling in 1Q23, thereby significantly easing provisioning pressure. - STB cannot afford to make provisions for VAMC bonds as planned.
BSR	21,400	19,600	9%	10.50	-45%	<ul style="list-style-type: none"> - Global crack spread may improve when the Chinese and US markets begin to enter the high oil consumption season. - Plant maintenance postponement plan would help revenue and NPAT surge, tracking ahead of expectations. - The approval of the factory upgrade and expansion plan should be the driving force in the long term.
PNJ	91,600	80,500	14%	15.00	1%	<ul style="list-style-type: none"> - The purchasing power of the retail sector recovered in line with the resilience of the economy thanks to expansionary fiscal and monetary policies. - Gross margin is expected to improve thanks to (1) a diverse product portfolio and (2) fewer promotional programs.
HAH	37,700	34,700	9%	7.90	-55%	<ul style="list-style-type: none"> - The decline in freight rates is expected to slow down and move sideways. Short-term charter contracts contribute to maintain revenue from the fleet. - The floor price of loading and unloading services at the port should increase by 10% with the expectation of improving profits from port operations. - HAH is investing in building three new ships with an expected investment capital of up to VND2,000 billion.

Source: KB Securities Vietnam

Nguyen Xuan Binh – Head of Research

binhnx@kbsec.com.vn

Research Division

research@kbsec.com.vn

Equity

Banks, Insurance & Securities

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst

ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennnd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst

giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Information Technology, Utilities

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy

anhtd@kbsec.com.vn

Macroeconomics & Banks

Ho Duc Thanh – Analyst

thanhhd@kbsec.com.vn

Vu Thu Uyen – Analyst

uyenvt@kbsec.com.vn

Strategy, Investment Themes

Thai Huu Cong – Analyst

congth@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienss@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.