

Stock market–August 2023

Facing a correction risk

Overall, July macroeconomic indicators showed signs of recovery, despite suggesting a gloomy economic picture. Specifically, import–export turnover in the month rose slightly against June. Along with that, the index of industrial production (IIP) improved significantly, backed by the outstanding growth of the information and communication technology (ICT) sector. July CPI expanded by 0.45% MoM, driven by food & catering services following the positive impacts of the tourist season. We expect CPI to remain stable in the coming months and touch 2.8% YoY for the whole year, far under the target cap assigned by the Government.

The local stock market prospered in July, proven by the benchmark VN–Index ending the month at 1222.9 points (+9.17% MoM). The index successfully conquered the psychological barrier around 1200 points on the return of idle cash flows following a significant reduction in deposit interest rates compared to early 2023. In particular, 12–month term deposit interest rates at commercial banks have decreased by an average of 1% to 6.8%/year.

However, the steep rise of the VN–Index this past July makes the market valuation seem high. The declining gap in performance between securities investment and savings deposit channel makes the stock market somewhat less attractive. From a technical view, the index is approaching two strong resistance areas, closer to 125x and further to 1290 (+–20), equivalent to the Fibonacci retracement level of 61.8%. With the index's increase in amplitude slowly narrowing and momentum indicators remaining in an overbought condition over a long period of time, we incline toward the scenario that the VN–index will enter a short–term correction to form an accumulation base before returning to an upward trend.

Our top picks for our bull basket this August include VCB, STB, TCB, FPT, KBC, PNJ, VTP, BSR, PC1, and POW (Please refer to Section V. Model portfolio for more details).

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

Analyst Thai Huu Cong
congth@kbsec.com.vn

Analyst Nghiem Sy Tien
anhhttp@kbsec.com.vn

Analyst Ho Duc Thanh
thanhhhd@kbsec.com.vn

Analyst Vu Thu Uyen

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I. Macroeconomic overview

Macroeconomic indicators showed signs of recovery

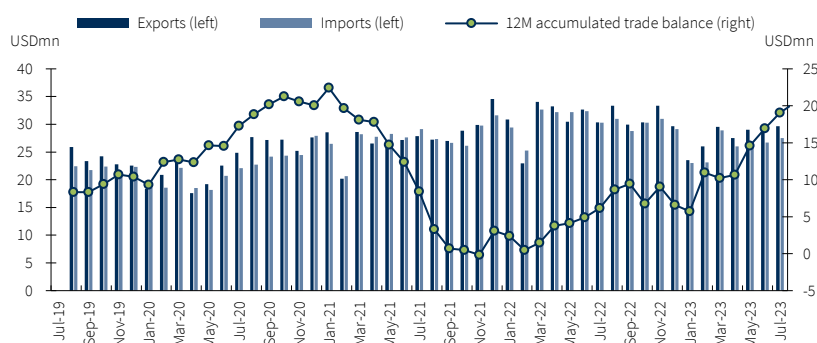
Overall, July macroeconomic indicators showed signs of recovery in the face of economic headwinds. Specifically, import–export turnover in the month rose slightly, resulting in improvements in industrial production. Meanwhile, retail sales of goods and services grew further but have decelerated. The bright spot is that public spending and foreign direct investment (FDI) disbursement remain stable and are considered the main driving force for economic rebound in the remaining months of 2023. However, in the context of weak demand domestically and internationally, we forecast GDP growth in the third quarter will only improve slightly, reaching 5.6% YoY.

Table 1. Vietnam – Macroeconomic indicators in June–July 2023

	Unit	06.2023	07.2023	+/-% YoY	Comments
Exports	USD mn	29,300	29,680	-3.5%	July export turnover rose slightly MoM thanks to ICT growth (+32% YoY and +10.6% MoM). However, in general, exports remained weak compared to last year due to shrinking exports of key products such as IT products (-18.4%), textiles and garments (-13.5%), and machinery and equipment (-21.5%).
Imports	USD mn	26,710	27,530	-9.9%	Imports shrank, with 7M23 raw material imports down 17% YoY, reflecting gloomy outlook for production activities for export and domestic consumption.
IIP	% YoY	1.8	3.7		Industrial production in July improved slightly following the recovery of exports. Of that, manufacturing and processing expanded by 3.6% YoY, nearly equaling the overall increase of the entire industry.
PMI	points	46.2	48.7		PMI in July was the highest over the last five months but still below 50, reflecting that production conditions were still facing many difficulties.
Retail sales of goods & services	VND bn	506,480	512,167	+7.1%	Retail sales grew by 7.1% YoY, lower than the pre-Covid 10-year median of 14–15%. The downward trend has been clearly shown month by month at a relatively fast speed, reflecting weak domestic demand.
Public spending disbursement	VND bn	54,477	58,536	+28.1%	Public spending disbursement continued to be speeded up, up 28.1% YoY in July 2023. According to GSO, 7M23 disbursement achieved 41.3% of the full-year target. With favorable conditions such as construction material prices cooling down and procedural obstacles being gradually removed, it is expected that public investment will make breakthrough in the coming months following the Government's efforts to restore the economy.
Disbursed FDI	USD mn	2,370	1,560	+0.03%	Total registered and disbursed FDI capital in July increased by 88% and 0.03% YoY, respectively. FDI inflows should be flat YoY thanks to Vietnam's inflation held in check, macroeconomic stability, and accommodative fiscal and monetary policies.

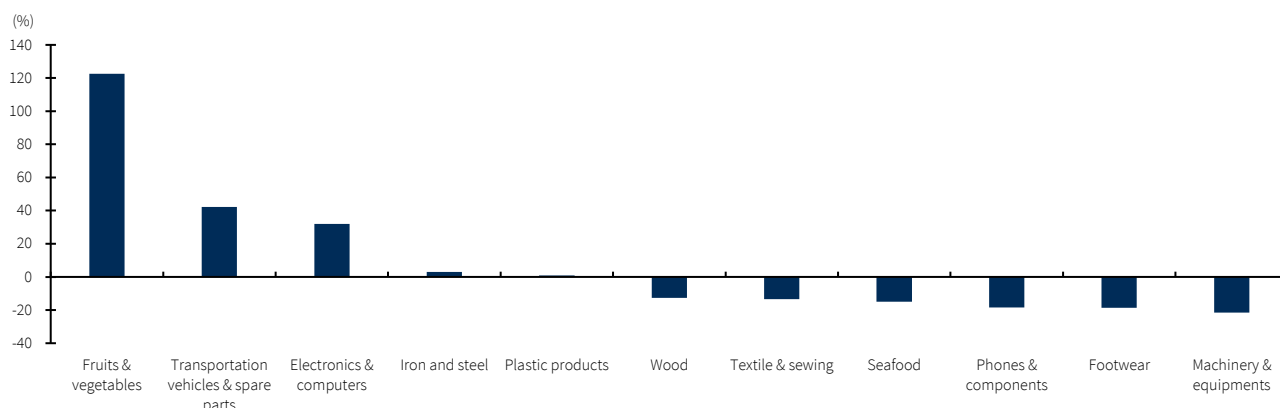
Source: General Statistics Office, S&P Global, KB Securities Vietnam

Fig 2. Vietnam – Import–export turnover & 12-month trade balance (USDmn)



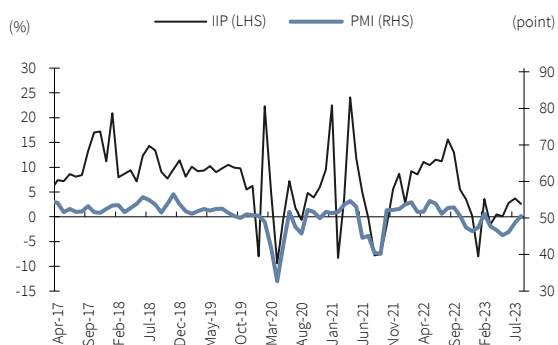
Source: General Statistics Office, KB Securities Vietnam

Fig 3. Vietnam – Export growth of key products in July 2023 (%YoY)



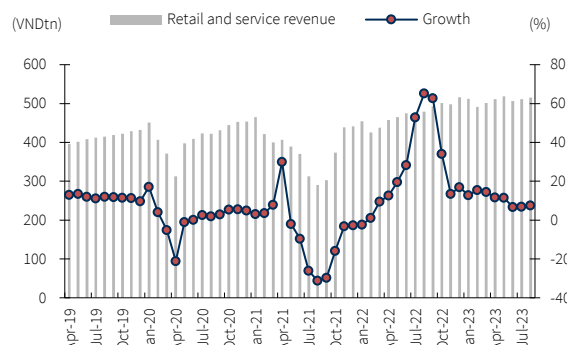
Source: General Statistics Office, KB Securities Vietnam

Fig 4. Vietnam – IIP & PMI (% , points)



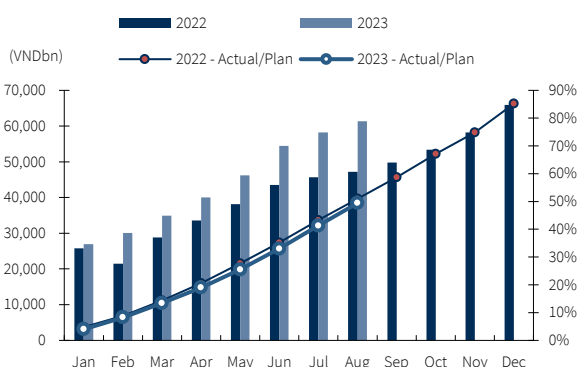
Source: General Statistics Office, S&P Global, KB Securities Vietnam

Fig 5. Vietnam – Retail sales of goods & services (VNDtn, %)



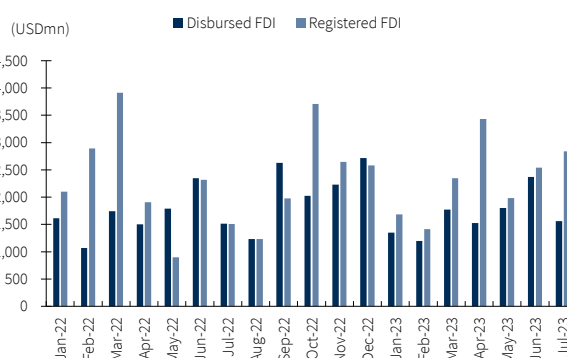
Source: General Statistics Office, KB Securities Vietnam

Fig 6. Vietnam – Disbursed public spending (VNDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 7. Vietnam – Disbursed & registered FDI (USDmn)



Source: General Statistics Office, KB Securities Vietnam

July CPI increased sharply MoM, but inflationary pressure for the whole year is not worrisome

July CPI expanded by 0.45% MoM, driven by food & catering services following the positive impacts of the tourist season (causing the overall CPI to increase by 0.21 percentage points). CPI increased by 1.13% compared to December 2022 and by 2.06% YoY. On average, in the first seven months of 2023, headline CPI rose by 3.12% YoY; core CPI increased by 4.65% YoY. We expect

CPI to remain stable in the coming months and reach 2.8% YoY for the whole year, far under the target cap assigned by the Government.

Table 8. Vietnam – Inflation & inflation breakdown by month in 2022–2023 (% YoY)

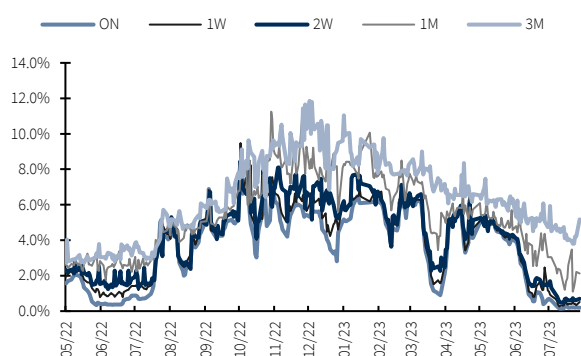
Categories	(%)	2022A												2023A						
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Core CPI		0.7	0.7	1.1	1.5	1.6	2.0	2.6	3.1	3.8	4.5	4.8	5.0	5.2	5.0	4.9	4.6	4.5	4.3	4.1
Headline CPI		1.9	1.4	2.4	2.6	2.9	3.4	3.1	2.9	3.9	4.3	4.4	4.6	4.9	4.3	3.4	2.8	2.4	2.0	2.1
Eating outside	33.6	-0.1	-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
Beverages and cigarette	3.6	2.8	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
Garment, footwear, hat	6.4	0.9	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	2.3	2.2	2.2	2.0
Housing & construction materials	15.7	3.5	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
Household appliances and goods	7.3	1.2	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	2.3	2.2	2.1	2.0
Medicine & healthcare	5.0	0.3	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
Traffic	9.4	14.5	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	12.0	9.3
Postal services and telecommunication	2.9	0.7	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
Education	6.0	3.8	3.3	3.2	2.3	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
Culture, entertainment, and tourism	4.3	-0.1	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
Other goods and services	3.3	1.6	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

Source: General Statistics Office, KB Securities Vietnam

Interbank interest rates remained low and loan growth slowed in July as a result of ample liquidity

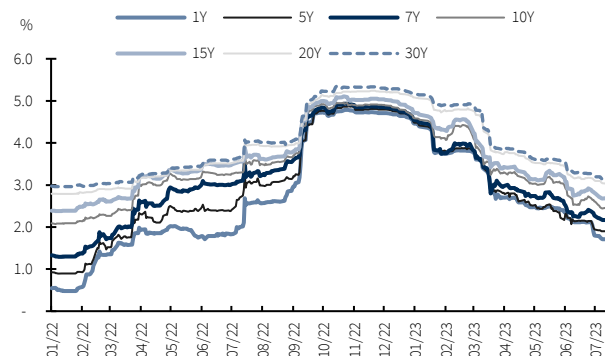
Ample liquidity resulted in low interbank interest rates and further declines in government bond yields in July. However, the economy’s capital absorption remained weak following minimal credit growth. There were no signs of improvement, while the corporate bond market has not yet recovered. Finally, movements of the US dollar index (DXY) and plentiful USD supplies from FDI and trade surplus supported a stable USD/VND exchange rate this past July.

Fig 9. Vietnam – Interbank interest rates (%)



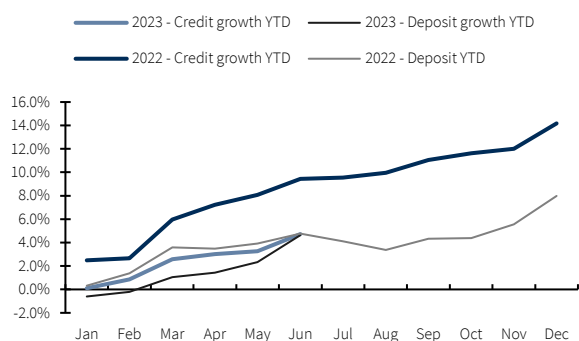
Source: Fiiipro, KB Securities Vietnam

Fig 10. Vietnam – Government bond yields (%)



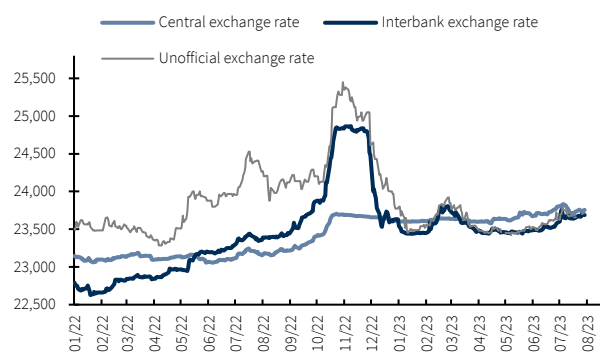
Source: Bloomberg, KB Securities Vietnam

Fig 11. Vietnam – Loan & deposit growth (%)



Source: State Bank, KB Securities Vietnam

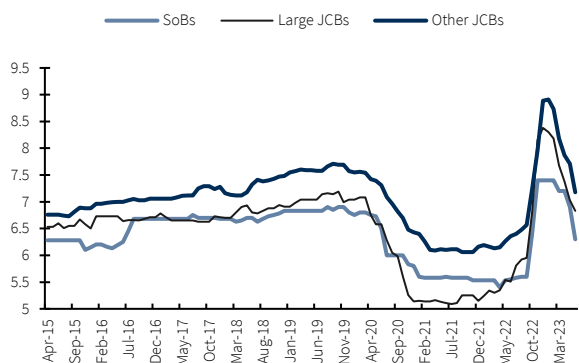
Fig 12. USD/VND exchange rate



Source: Bloomberg, KB Securities Vietnam

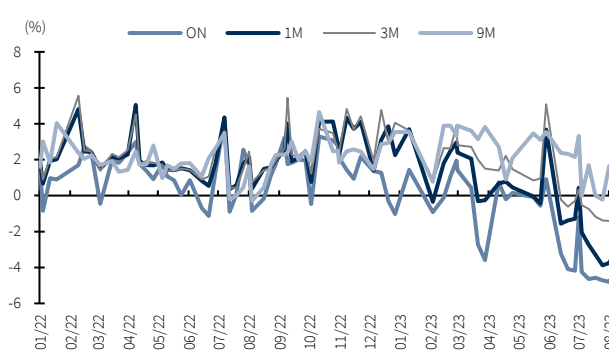
Abundant liquidity and the move to lower policy interest rates by the State Bank of Vietnam (SBV) caused 12-month term deposit interest rates across banks to fall further in July, especially that of large commercial banks and other commercial banks. Specifically, data from Wichart suggested that the 12-month term deposit interest rate in July remained unchanged at 6.3% at state-owned banks (SoBs), dropped by 0.53% to 6.35% at large commercial banks, and narrowed by 0.39% to 6.83% for other commercial banks. As such, 12-month term deposit interest rates have decreased by an average of about 1.76% YTD.

Fig 13. Vietnam – 12-month term deposit rates (%)



Source: State Bank, KB Securities Vietnam

Fig 14. Vietnam – Interbank VND-USD interest gap (%)



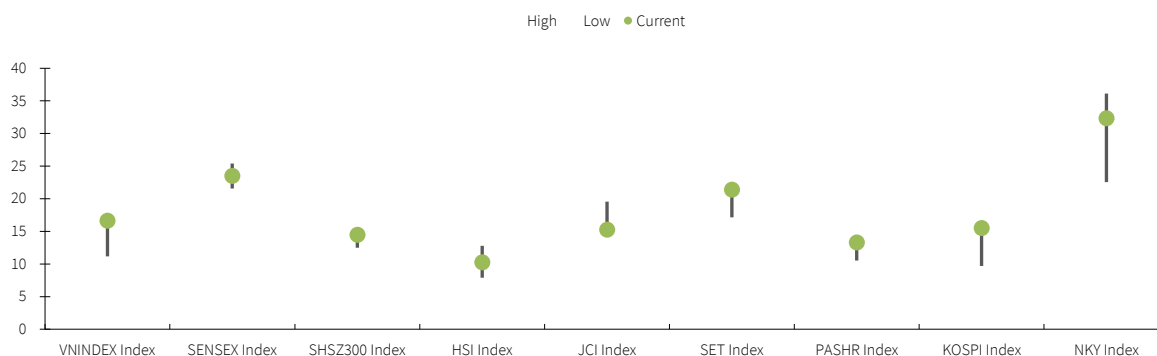
Source: State Bank, KB Securities Vietnam

Interest rates should continue their downtrend, and the USD/VND exchange rate is forecast to be stable in August

We anticipate that macroeconomic conditions will be favorable in August as reduced deposit interest rates will encourage lower lending rates and boost outstanding loans. Import-export activities and FDI should support a stable USD/VND exchange rate. Nevertheless, NPL and interest rate differential pressures across the banking system will likely hurt macroeconomy.

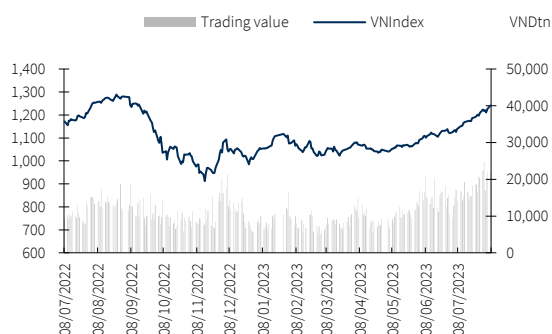
II. Stock market overview

Fig 15. Global – Benchmark indexes



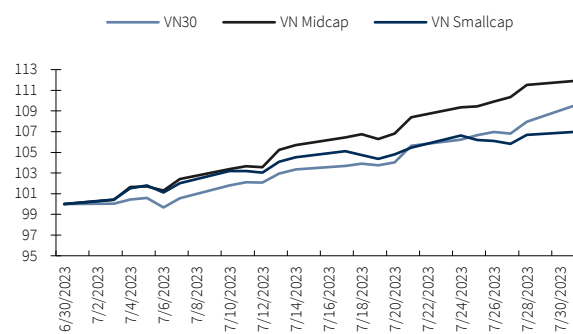
Source: Bloomberg, KB Securities Vietnam

Fig 16. Vietnam – VN-Index performance



Source: Bloomberg, KB Securities Vietnam

Fig 17. Vietnam – VN30, VN Mid cap, VN Small cap



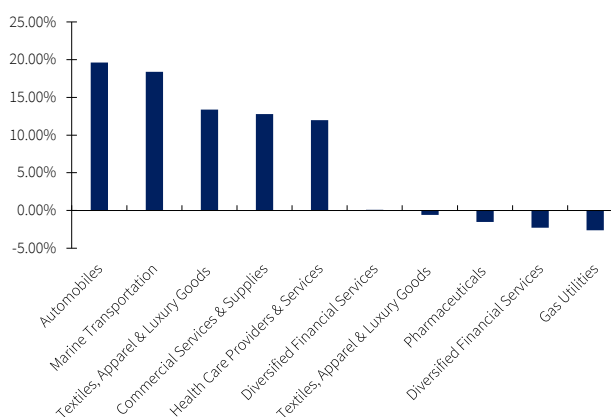
Source: Fiiipro, KB Securities Vietnam

Stock market overview

The local stock market prospered in July, proven by the benchmark VN-Index ending the month at 1222.9 points (+9.17% MoM). Trading volume remained relatively strong, with more than 17.61 billion shares changed hands. This is the second consecutive month that market liquidity exceeds the 20-month average.

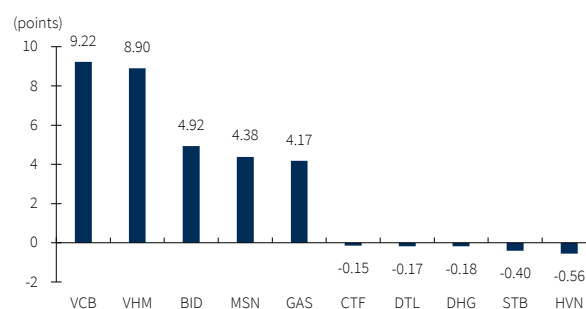
One of the factors leading cash flow to return to the market and helping the index break through the psychological barrier around 1200 points is that deposit interest rates have dropped significantly relative to the start of the year. Specifically, 12-month term deposit interest rates at commercial banks have decreased by an average of 1% to 6.8%/year. However, the steep rise of the VN-Index in the past month has pushed the market valuation up. The narrowing gap in performance between securities investment and savings deposit channel makes the stock market somewhat less attractive.

Fig 18. Vietnam – VN-Index sector performance



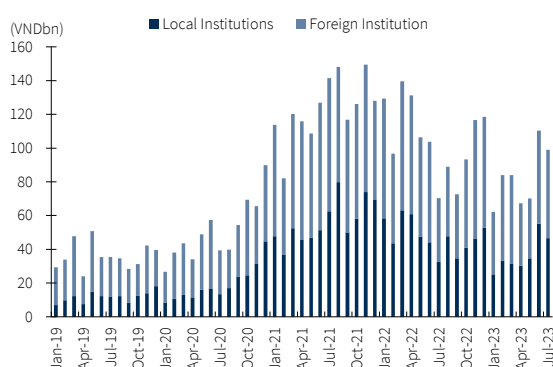
Source: Fiinpro, KB Securities Vietnam

Fig 19. Vietnam – Best- & worst-performing stocks



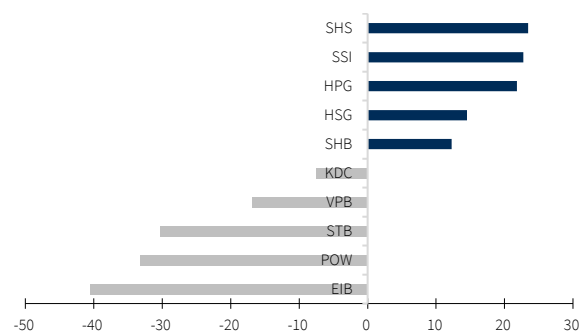
Source: Bloomberg

Fig 20. Vietnam – Trading value by domestic & foreign institutional investor



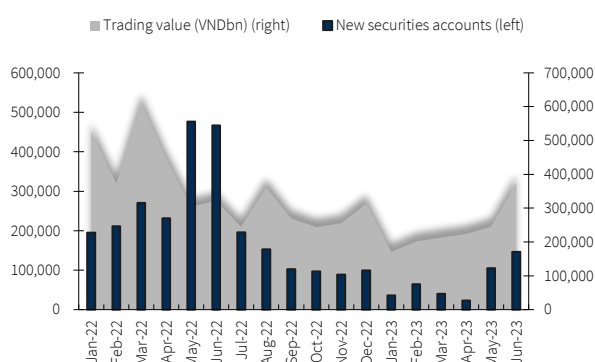
Source: Fiinpro, KB Securities Vietnam

Fig 21. Vietnam – Top stocks net bought/sold by foreigners



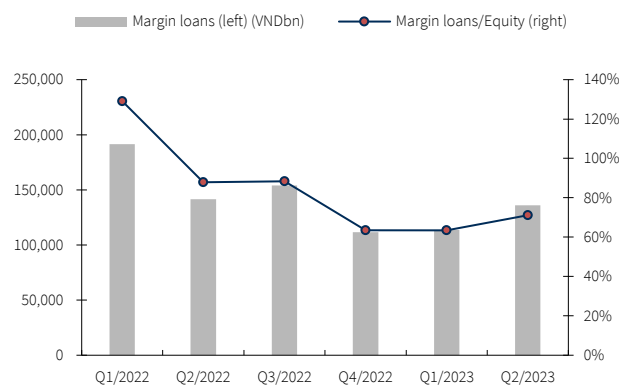
Source: Fiinpro, KB Securities Vietnam

Fig 22. Vietnam – Trading value & new securities accounts (VNDbn, accounts)



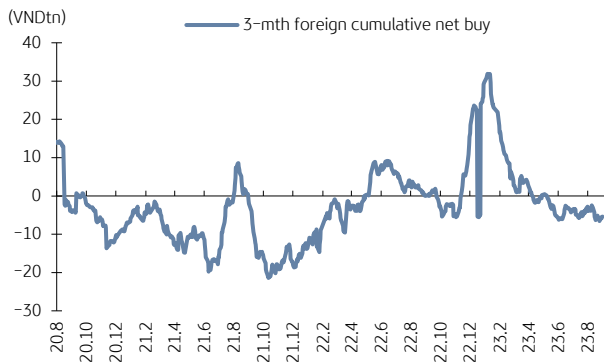
Source: Vietnam Securities Depository, KB Securities Vietnam

Fig 23. Vietnam – Margin lending value at securities companies (VNDbn)



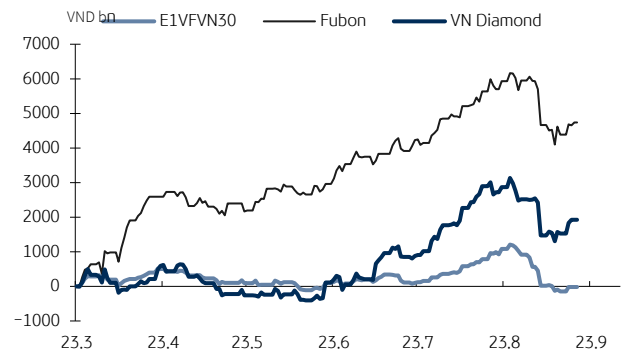
Source: Fiinpro, KB Securities Vietnam

Fig 24. Vietnam - 3-month cumulative net foreign purchases (VNDbn)



Source: Bloomberg

Fig 25. Vietnam ETFs - Changes in Fund Total Asset (VNDbn)



Source: Bloomberg

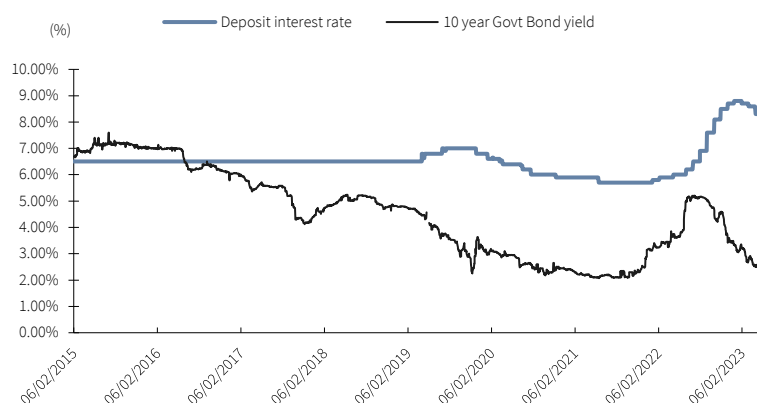
III. Stock market outlook

Stock market outlook for August from a technical perspective

With the VN-Index approaching a reasonable valuation range in the short term, we assess that the VN-Index will less likely break out as strongly as in July. Besides, the 2Q23 business performance of businesses listed on the Ho Chi Minh Stock Exchange (HSX), although improved against 1Q23, still saw negative growth compared to the same period a year ago with a 1% YoY decrease, which will further push up the overall market valuation and make the stock market less attractive in the near term.

Nonetheless, interest rates are forecast to keep falling in August, which should drive the market up.

Fig 26. Vietnam – Average deposit interest rate & 10-year government bond yields (%)

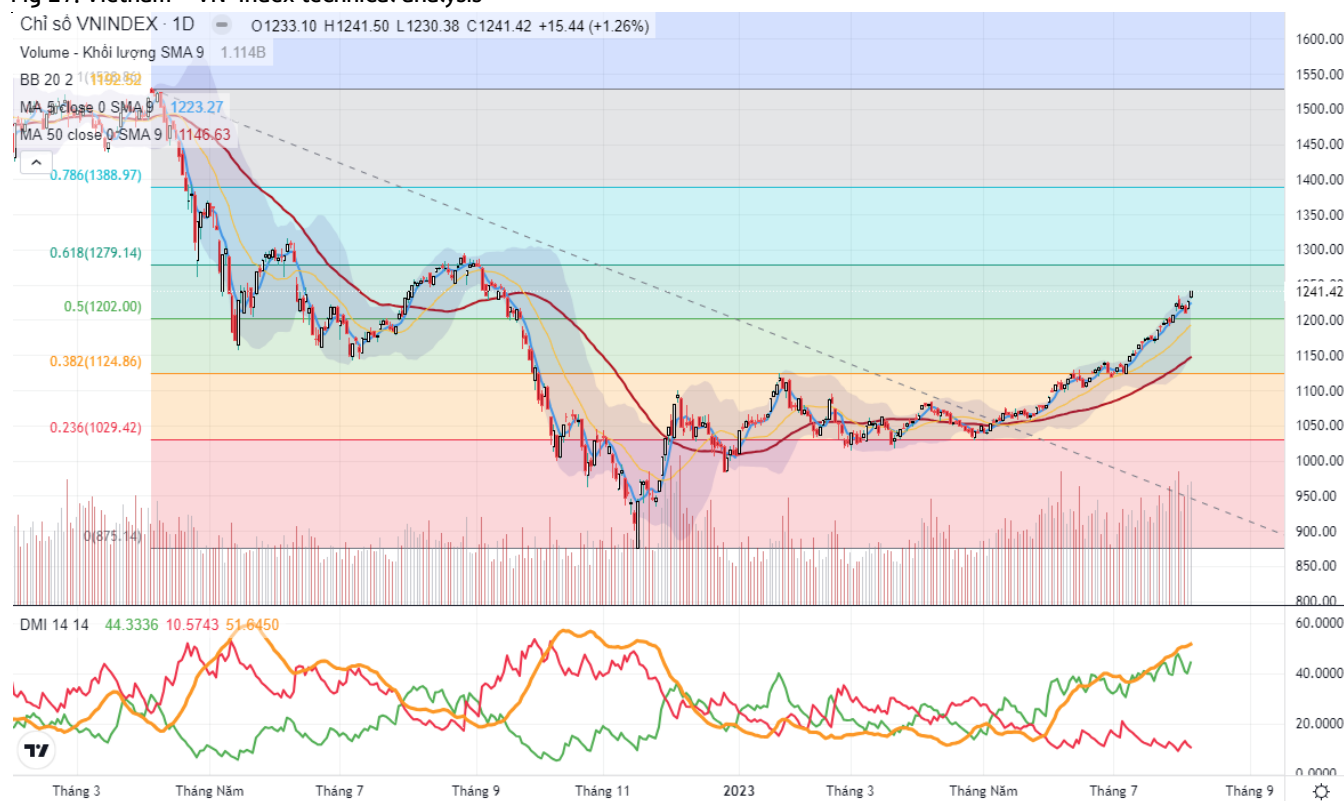


Source: Fiiipro

Technically, the VN-Index may enter a short-term correction in August before returning to an uptrend

From a technical view, the VN-index is approaching two strong resistance points, closer to 125x and further to 1290 (+-20), equivalent to the Fibonacci retracement level of 61.8%. The Average Directional Index (ADX) is sitting at 51 points with the upward slope, supporting the index's short-term uptrend. However, with the index's increase in amplitude slowly narrowing and momentum indicators remaining in an overbought condition over a long period of time, we incline toward the scenario that the VN-index will enter a short-term correction to form an accumulation base before returning to an upward trend.

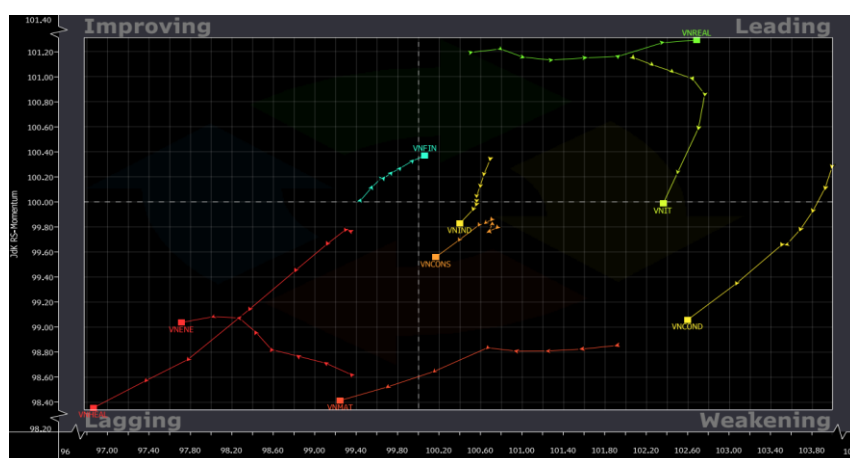
Fig 27. Vietnam – VN-Index technical analysis



Source: KB Securities Vietnam

Based on the comparative relative strength of sectors versus the VN-Index (Fig 28), the real estate industry is leading the index and supporting the overall upward momentum of the entire market. Meanwhile, sectors such as IT, industry, essential and non-essential services are weakening. Notably, stocks in the finance group, including banks, securities, and insurance, are gradually improving and are expected to lead the market in the short term.

Fig 28. Vietnam – Relative Rotation Graph



IV. KBSV Model Portfolio

KBSV Research Team

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

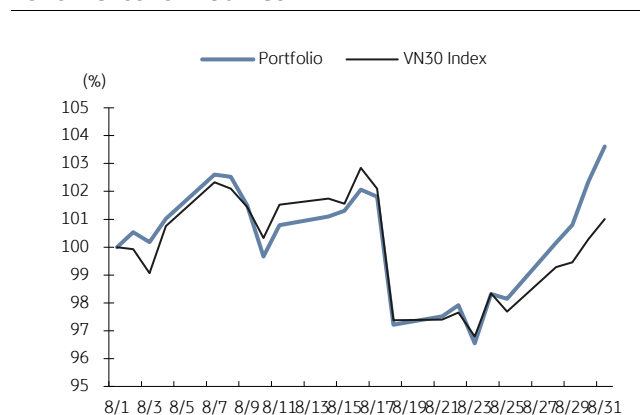
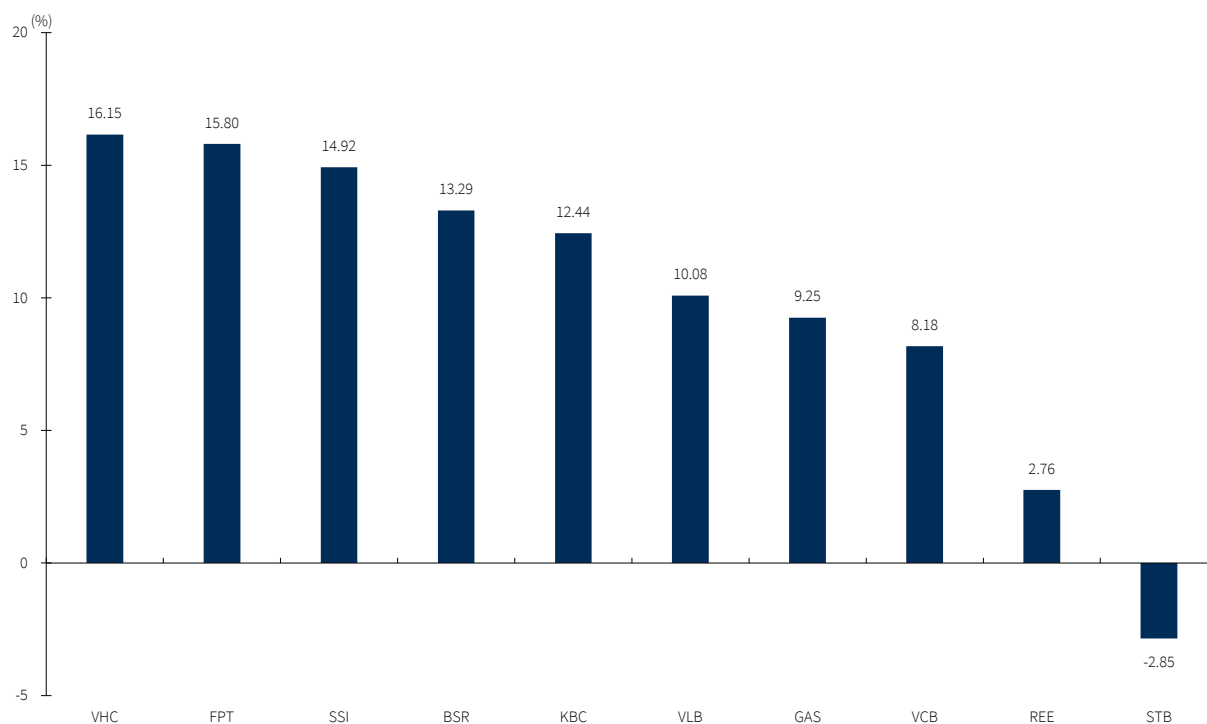


Fig 29. Model portfolio performance



Source: Bloomberg, KB Securities Vietnam

KBSV domestic model portfolio

Ticker	Target price	Closing price (Jun 30)	Expected return	2023 forward P/B	2023F NPAT	Investment catalysts
FPT	96,600	85,600	13%	17.50	26%	<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 perfectly possible. - FPT benefits from the trend of strong digital transformation as well as increasing software exports to key markets (the USA, Japan). - The investment & education segment maintains a high and stable growth rate.
KBC	36,000	32,600	10%	14.60	56%	<ul style="list-style-type: none"> - KBC expects to recognize IP land sales for more than 160 ha this year. - The newly approved land bank of up to 1,256 ha is a growth engine in the medium to long term for KBC. - Hai Phong's approval of the planning adjustment is expected to accelerate the progress of Trang Cat Urban Area and Trang Due 3 Industrial Park.
VCB	95,000	91,600	4%	5.90	12%	<ul style="list-style-type: none"> - The loan loss coverage ratio (LLCR) remains high, unlike the downtrend of the entire industry, which will allow the bank to be flexible in reducing provision expense and support earnings growth. - NIM is expected to sit at the current level or decrease slightly as (1) VCB cut lending rates twice to support customers and (2) VCB is one of the four major commercial banks participating in the social housing credit package worth VND120,000 billion. - VCB is likely to be awarded credit room expansion to about 14% thanks to it taking over a weak bank and supporting lending to the economy.
PC1	32,600	27,400	19%	10.60	54%	<ul style="list-style-type: none"> - Gross profit margin could improve to 11% in 2023 as the demand for project implementation in 2H23 will be driven by the approval of the National Power Development Plan VIII. - PC1 put into operation the nickel plant in Cao Bang in April 2023. Nickel mining can contribute recurring revenue of VND2,000 billion annually. - PC1 should hand over all 54 low-rise apartments in the Gia Lam project in 2023, with estimated revenue of VND315 billion.
TCB	37,700	34,300	10%	6.26	6%	<ul style="list-style-type: none"> - Loan growth remains high thanks to wholesale banking. - NIM has not recovered but CASA has improved, reaching 35% in 2Q23 against 32% in 1Q23. - TCB is trading at a P/B of 0.98x versus the industry median of 1.65x.
POW	16,641	13,700	21%	14.43	-6%	<ul style="list-style-type: none"> - Vung Ang 1 power plant is under repair and is expected to be resumed in the fourth quarter of 2023. - The load demand tends to increase amid water levels in reservoirs not as high as in 2022. - Long-term growth drivers should come from the two gas-fired power plants NT3 and NT4 with a total capacity of 1500MW.
PNJ	96,000	83,000	16%	13.50	-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. - Share price looks fair, mirroring the expectation of decelerating business results in the low season.
VTP	48,900	45,000	9%	16.30	11%	<ul style="list-style-type: none"> - VTP expects the gross profit margin of services to rise to 7.8% thanks to its focus on cost optimization. - Delivery volume is expected to continue its growth momentum over the past 12 months, taking VTP's market share from 18% to 21%. - VTP focuses on attracting new large customers.
STB	35,300	28,950	22%	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	19,200	11%	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 track ahead of expectations. - The approval of the factory upgrade and expansion plan should be the driving force in the long run.

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

thanhd@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

tiens@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

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