

Stock Market Outlook

December 2024

Bracing for a year-end recovery

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

Analyst Nguyem Sy Tien
tiens@kbsec.com.vn

Analyst Nguyen Dinh Thuan
thuannd@kbsec.com.vn

Analyst Pham Phuong Linh
linhpp@kbsec.com.vn

Analyst Nguyen Thi Trang
Trangnt6@kbsec.com.vn

December 9, 2024

November macro highlights

November macroeconomic data indicates that the Vietnamese economy continues to remain firmly on its recovery path, consistent with previous months. In November, exports and imports grew by 8% YoY and 9.8% YoY, respectively. For 11M2024, exports and imports rose by 14.4% and 16.4% YoY, resulting in a trade surplus of USD24.28 billion. Industrial production maintained steady growth with the IIP rising by 8.9% YoY. The key manufacturing sector demonstrated robust performance, up 11.2% YoY. Meanwhile, the PMI remained in expansionary territory at 50.8 in November, slightly lower than October's 51.2. Inflation remained under control, with the average CPI rising 3.69% over the first 11 months, aligning with KBSV's projection of 4% and well below the government's 4.5% target. Towards year-end, system liquidity is expected to tighten, while exchange rate pressures will likely persist. We are confident, however, that the State Bank of Vietnam (SBV) will sustain balanced liquidity, keeping interbank rates anchored within the 4–5% range.

December market outlook

The current P/E ratio of the VN-Index stands at ~14.6x (according to Bloomberg data), which is in line with the 2-year average. The market correction in October and November has brought the P/E ratio to a more attractive level for potential investors. Continued interest rate cuts by the Fed, along with progress in the market's upgrading process, could boost foreign capital inflows. Nonetheless, uncertainties surrounding policies during Donald Trump's presidency and a weakening Chinese economy may dampen recovery expectations for the market. From a technical perspective, the VN-Index has signaled a short-term uptrend and KBSV favors the scenario where the index may revisit the previous peak around 1305 (+–7), despite potential fluctuations along the way.

Investment themes

Increased domestic demand, market upgrade, public spending, trade tariffs under the Trump administration, and the AI investment wave.

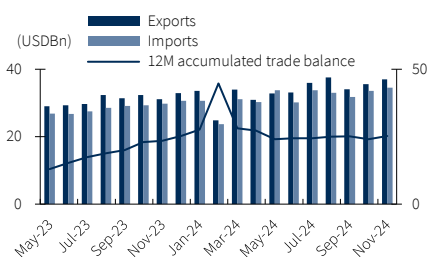
December model portfolio

For the December model portfolio, our equity research team's top picks for the bull basket include: Vietcombank (VCB), FPT Corporation (FPT), REE Corporation (REE), Gemadept (GMD), Hoa Phat Group (HPG), Phu Nhan Jewelry (PNJ), Vietnam International Bank (VIB), Sai Gon VRG (SIP) *(Please refer to Section VI of this report for further details).*

Contents

I. November macro highlights	3
II. November stock market overview	7
III. December stock market outlook	9
IV. Investment themes	12
V. November model portfolio return	13
VI. December model portfolio	14

I. November macro highlights

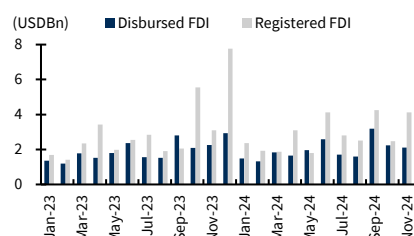


Exports

November 2024	
USD33.73 billion	+8.2% YoY
11M24	
USD369.93 billion	+14.4% YoY

Imports

November 2024	
USD32.67 billion	+9.8% YoY
11M24	
USD345.62 billion	+16.4% YoY

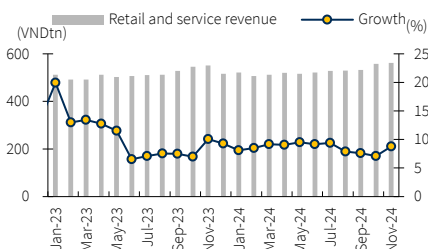


Registered FDI

November 2024	
USD4.12 billion	+33.3% YoY
11M24	
USD31.38 billion	+1.0% YoY

Disbursed FDI

November 2024	
USD2.10 billion	-6.7% YoY
11M24	
USD21.68 billion	+7.1% YoY

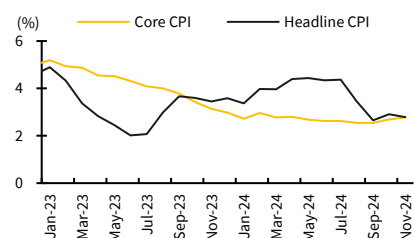


Retail sales of goods & services

November 2024	
VND562 trillion	+8.8% YoY
11M24	
VND5,822.3 trillion	+8.8% YoY

Disbursed public spending

11M24	
VND572 trillion	
+2.4% YoY	
73.5% target	



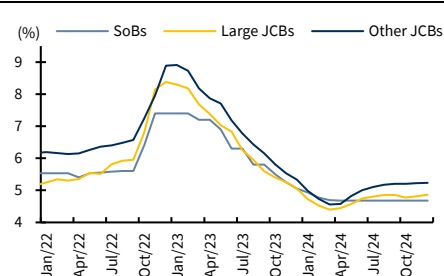
CPI

November 2024	
+0.13% MoM	+2.3% YoY
11M24	
+3.69% YoY	

IIP

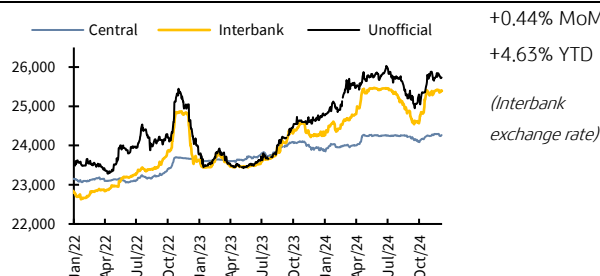
November 2024	
+4% MoM	
+7.0% YoY	

12M deposit interest rates



+0.01% MoM
-0.3% YTD
(Average deposit interest rate)

USD/VND exchange rates



+0.44% MoM
+4.63% YTD
(Interbank exchange rate)

Source: General Statistics Office of Vietnam, Bloomberg, WiChart, KB Securities Vietnam

While November macroeconomic data remained favorable, trade policies influencing Vietnam require careful monitoring

November macroeconomic data indicates that the Vietnamese economy continues to remain firmly on its recovery path, consistent with previous months. In November, exports and imports grew by 8% YoY and 9.8% YoY, respectively. For 11M2024, exports and imports rose by 14.4% and 16.4% YoY, resulting in a trade surplus of USD24.28 billion. Industrial production maintained steady growth with the IIP rising 8.9% YoY. The key manufacturing sector demonstrated robust performance, up 11.2% YoY. Meanwhile, the PMI remained in expansionary territory at 50.8 in November, slightly lower than October's 51.2. Other key growth drivers, including retail sales of goods and services, tourism, public investment, and FDI inflows, continued to show positive momentum. The overall CPI in November increased by 0.13% MoM, primarily due to adjustments in electricity prices. For the first 11 months, average CPI rose by 3.69%, aligning with KBSV's projection of 4% and well below the government's 4.5% target.

We expect the economy to sustain a strong recovery in 2025. However, policies introduced during President Donald Trump's new term are anticipated to impact Vietnam's trade activities. KBSV has provided a preliminary assessment of these impacts in the macro note "[Donald Trump 2.0's impacts](#)" and will continue to closely monitor developments for further detailed evaluations in the future.

Interbank interest rates are forecast to stay within the 4–5% range

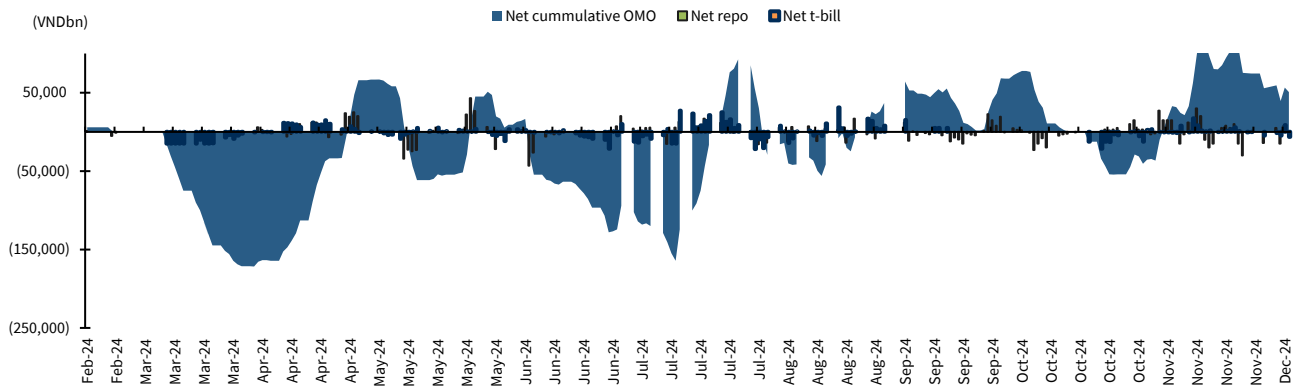
Overnight interbank interest rates surged significantly, at times exceeding 6% during the first weeks of November. This was driven by: (i) strained system liquidity, with daily average transaction volumes reaching a high of VND347 trillion (+6.1% MoM) and (ii) proactive adjustments by the SBV to maintain elevated interbank rates and alleviate exchange rate pressures. As year-end approaches, system liquidity is expected to tighten, while exchange rate pressures will likely persist. We are confident, however, that the State Bank of Vietnam (SBV) will continue to manage liquidity effectively, keeping interbank rates anchored within the 4–5% range.

Interest rates in the interbank market (Market 2) have edged higher, contributing to a 20–50bps increase in deposit rates in the retail market (Market 1). However, this rise is primarily observed in short-term deposits of 1–3 months. We maintain our view that upward pressure on deposit rates will remain moderate towards the end of the year, as the SBV is expected to keep rates low in line with its policy of supporting economic growth and stimulating credit demand.

Credit growth reached 12.5% YTD as of December 7, 2024

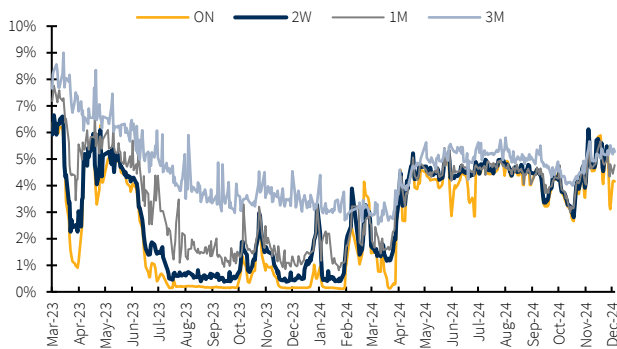
As of December 7, credit growth reached 12.5%, up 0.6% from late November, signaling a positive start to December. Additionally, on November 7, 2024, the Prime Minister issued Directive No. 115/CD-TTg, urging the swift implementation of measures to accelerate public investment disbursement in the final months of 2024. Given the current pace of credit growth and the support from public investment policies, we believe the 15% credit growth target for 2024 remains achievable.

Fig 1. Vietnam – Open market operations



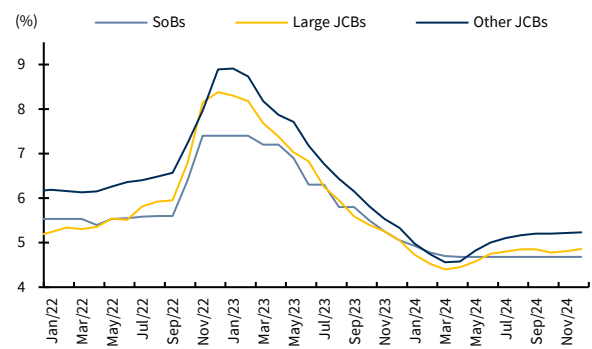
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 2. Vietnam – Interbank interest rates (%)



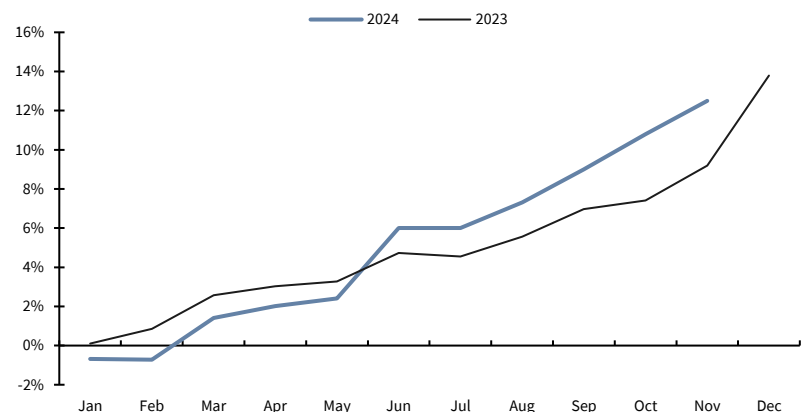
Source: FiinPro, KB Securities Vietnam

Fig 3. Vietnam – 12M average deposit interest rates (%)



Source: Wichart, KB Securities Vietnam

Fig 4. Vietnam – Credit growth for the year to December 7, 2024



Source: State Bank of Vietnam, KB Securities Vietnam

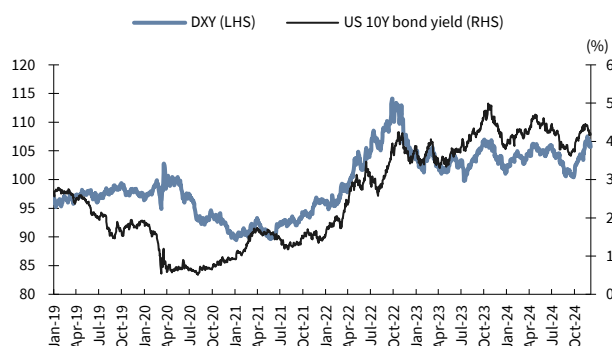
Exchange rate pressures will likely persist

All eyes in the global financial market are on fiscal policies to be introduced under U.S. President Donald Trump's administration. Trump's focus on tariff policies could slow the decline in inflation, potentially delaying the Fed's rate-cutting process. If inflation becomes unmanageable, the market may reassess the likelihood of further Fed rate hikes. This scenario is a key driver behind the strengthening of the U.S. Dollar Index (DXY), which remains robust in the 105–108 range, a peak level last seen since 2023.

In November, the USD/VND interbank exchange rate approached a peak of 25,450 before easing to 25,389 in early December, representing a YTD increase of 4.63%. Despite lingering exchange rate pressures, we expect the USD/VND rate to hover around 25,000–25,400 VND/USD (+4–4.5% YTD) by year-end, supported by the following factors:

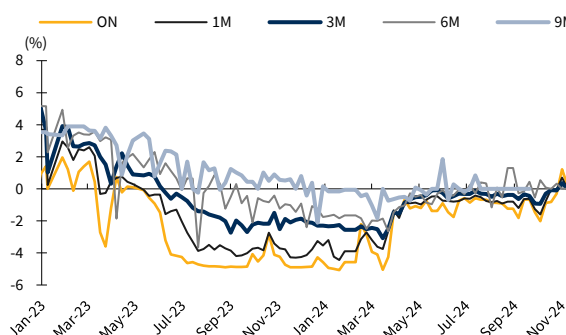
- 1) The USD slowing its upward momentum after largely pricing in market expectations following Trump's election victory in early November
- 2) Year-end USD inflows, driven by trade surpluses, FDI disbursements, and rising remittances
- 3) The SBV's proactive market interventions, including raising VND-denominated interbank interest rates, which help mitigate carry trade activities.

Fig 5. US – 10Y bond yield, DXY



Source: Bloomberg, KB Securities Vietnam

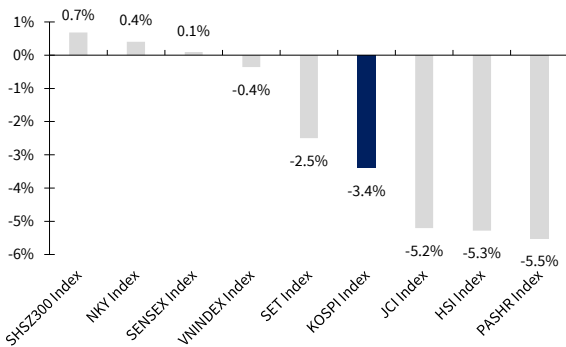
Fig 6. Vietnam – VND–USD interest rate differential



Source: State Bank of Vietnam, KB Securities Vietnam

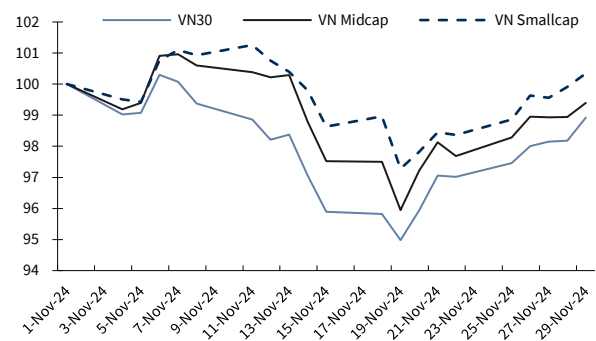
II. November stock market overview

Fig 7. Asia – Performance of benchmark indices



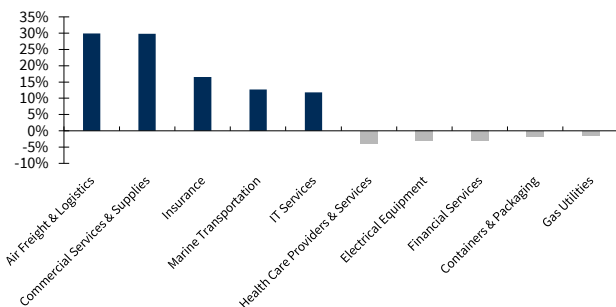
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 8. Vietnam – VN30, VN Mid cap, VN Small cap



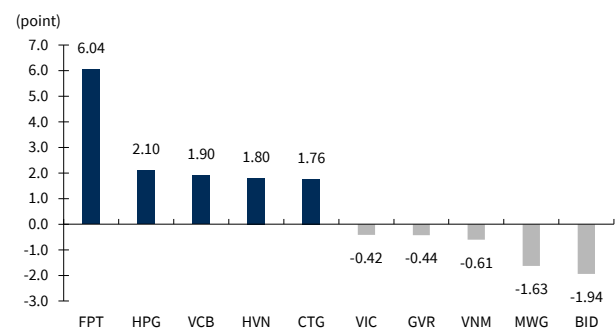
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 9. Vietnam – VN-Index sector performance



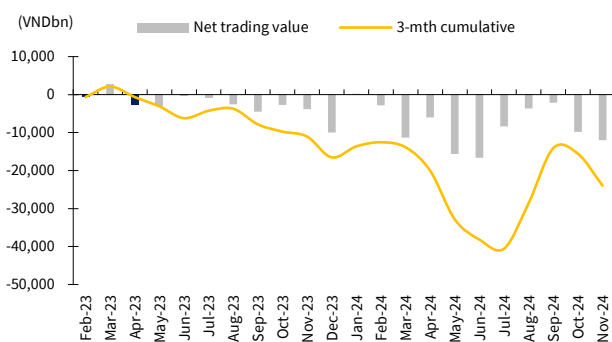
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 10. Vietnam – Best- & worst-performing stocks



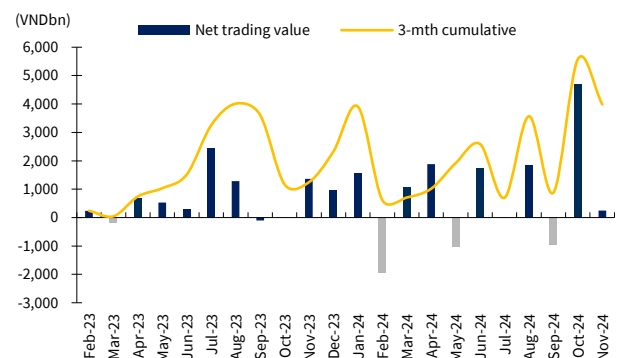
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 11. Vietnam – Net foreign trading value (VNDbn)



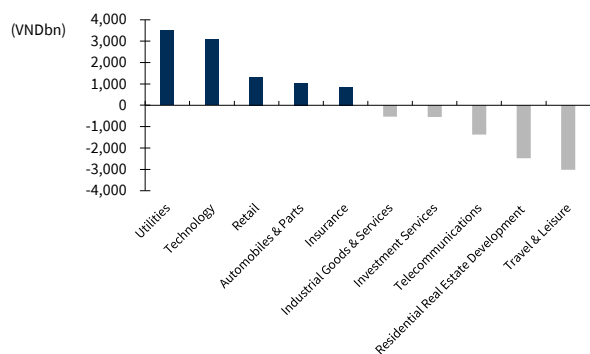
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 12. Vietnam – Net proprietary trading value (VNDbn)



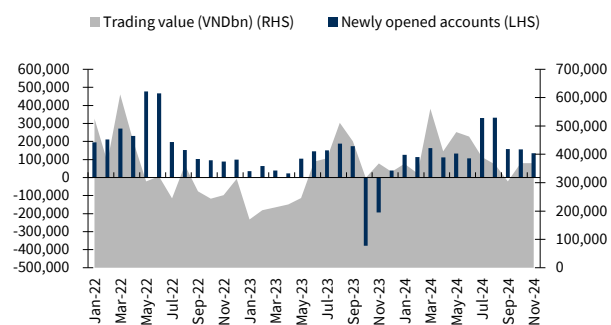
Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 13. Vietnam – Top stocks net bought/sold by foreigners



Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 14. Vietnam – Trading value & new securities accounts



Source: Bloomberg, FiinPro, KB Securities Vietnam

III. December stock market outlook

Table 15. Vietnam – Mid-term market drivers

Favorable factors	Level of impact	Possibility	Risks	Level of impact	Possibility
Increased domestic demand towards year-end	Medium	High	Trade tariffs on Vietnam under Donald Trump's administration	Strong	High
Cooling exchange rate pressures	Strong	Moderate	China's economic downturn	Low	Moderate
Progress in market upgrade	Medium	Moderate	Geopolitical tensions	Low	High
Fed rate cut in December	Low	High			

Source: KB Securities Vietnam

Evaluating market prospects from a fundamental perspective

The current P/E ratio of the VN-Index stands at 14.6x, barring extraordinary corporate earnings (according to Bloomberg data). This valuation is roughly the 2-year average of 15x.

Key positive drivers for the market in December include:

- The market correction in October and November has brought the P/E ratio to a more attractive level, while the earnings of listed companies continue to show strong growth momentum. Positive expectations surrounding the 4Q earnings season are expected to be reflected in the market's performance in the latter half of December.
- The Fed is likely to announce another interest rate cut at its December meeting, as inflation continues ease in line with expectations and the unemployment rate has shown a slight uptick. This, coupled with the influx of USD into Vietnam towards the year-end, will help alleviate exchange rate pressures and provide the SBV with more room to maintain low interest rates.
- A key focus for the market moving forward will be the progress of Vietnam's stock market upgrade. On December 5, 2024, FTSE representatives provided positive feedback on the significant advancements in Vietnam's market, particularly following the implementation of Circular 68 and the revised Securities Law. We believe these developments, along with FTSE's actions, will strengthen the case for a potential upgrade in the March 2025 review.

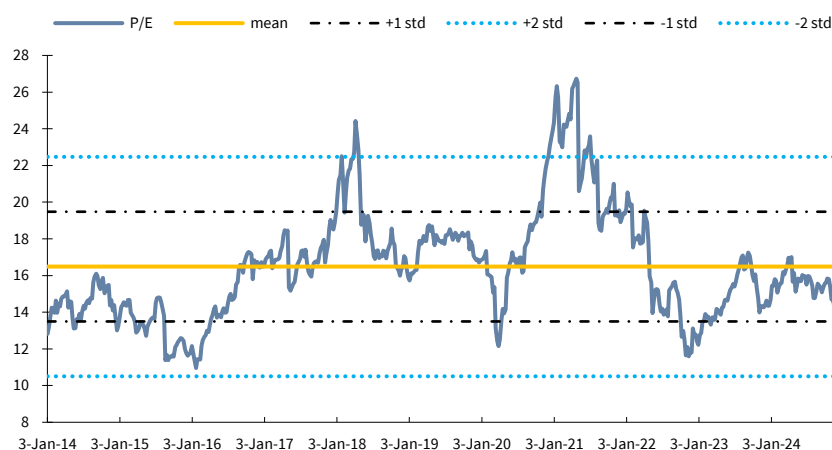
In terms of market risks, the main risks to watch include:

- The risk associated with Donald Trump's re-election could create mixed market expectations due to potential policy changes, particularly in trade and economic relations. Furthermore, inflation risks may re-emerge during Trump's presidency, as the imposition of import tariffs could drive up commodity prices and input costs.

- The Chinese economy has yet to show significant signs of recovery. A decline in demand in the world's second-largest economy could place pressure on various sectors, particularly Vietnam's exports. Moreover, tariff policies under the Trump administration are expected to disrupt the flow of low-cost goods from China to other markets, potentially capturing market share and intensifying competition with domestic products.

The VN-Index is currently trading at a relatively attractive level following two months of correction. Coupled with the potential return of foreign capital and expectations for the 4Q earnings season, we anticipate the stock market will likely experience a recovery trend. However, the upward momentum may be moderate due to the ongoing risks highlighted above.

Fig 16. Vietnam – VN-Index's P/E



Source: Bloomberg, KB Securities Vietnam

From a technical perspective, the VN-Index has signaled a short-term uptrend, and KBSV favors the scenario where the index may revisit the previous peak around 1305 (+7), despite potential fluctuations along the way

On the daily chart, following a sharp decline with a steep slope, the VN-Index has signaled a V-shaped recovery at the support level around 1200 points. Notably, this support coincides with the lower boundary of the triangle pattern. After momentum indicators such as the Relative Strength Index (RSI), Momentum, and Stochastic entered the oversold zone, the reversal signal gains increased reliability. Additionally, the recovery is led by large-cap stocks and is broadly spread across the market. A strong upward session, characterized by the formation of a Marubozu candlestick and a breakout above the 200-day moving average (MA200), accompanied by the highest liquidity in two months, provides confirmation of the short-term uptrend for the VN-Index.

On the weekly chart, the VN-Index remains within a narrowing ascending triangle pattern, characterized by higher lows. The lower boundary of this pattern is supported by short-term support levels, coupled with positive reversal candlestick patterns that forms a solid psychological support zone during corrective phases. However, until a confirmed breakout occurs, the medium-term trend is likely to remain range-bound.

Overall, with the successful confirmation of a short-term uptrend, we believe the VN-Index has significant potential to extend its recovery and retest the medium-term peak levels reached earlier this year. Thus, KBSV favors the scenario (70% probability) where the index will approach the previous peak around 1305 (+7), despite potential fluctuations along the way. In the alternative scenario (30% probability), the index could face a risk of reversal near the resistance zone at 1280 (+5), before retreating to the support level around 1230 (+7) and subsequently recovering.

Fig 17. Vietnam – VN-Index from a technical perspective



Source: KB Securities Vietnam

IV. Investment themes

Table 18. KBSV – Top investment themes

Investment Themes	Beneficiary groups/industries	Top picks
Increased domestic demand	Banking, Retail	VCB, ACB, TCB, MWG, DGW
Market upgrade	Securities	SSI, HCM, VND, MBS
Public spending	Steel, Infrastructure, Construction	HPG, CTD
Trade tariffs under the Trump administration	Export, port operations, maritime shipping	VHC, ANV, MSH, GMD, HAH
AI investment wave	IT	FPT, CMG

Source: KB Securities Vietnam

New opportunities emerge for strategic investment themes towards the end of 2024

In this report, we maintain our previous stance on the investment themes highlighted in earlier reports, as there is still positive growth potential for the respective stock groups (Table 18).

Additionally, we introduce new themes, including: public investment, trade tariffs under the Trump administration, and the AI investment wave, as we observe new factors positively influencing these stock groups.

Specifically, the high disbursement period at year-end, along with the approval of two major projects, the North–South express way and nuclear power plant, will support the public investment stock group. Improving import and export figures and the fact that businesses are accelerating exports to the U.S. before President-elect Trump takes office will benefit the export–import stock group. Lastly, the visit by the CEO of NVIDIA and the signing of multiple agreements are offering strong support for the technology stock group.

V. November model portfolio return

Investment approach:

- Seek to outperform the VN30 Index by identifying the most attractive stocks within our coverage universe;
- The default holding period is 3-month. However, the portfolio is reviewed and reallocated in every first week of each month;
- Employ a risk-managed exit strategy that sets a stop loss of -15%;
- Use an equal-active-weight (with monthly rebalancing method) approach that allocates 100% of the portfolio to stocks that can also include VN30 index ETFs.

Performance vs VN30 Index

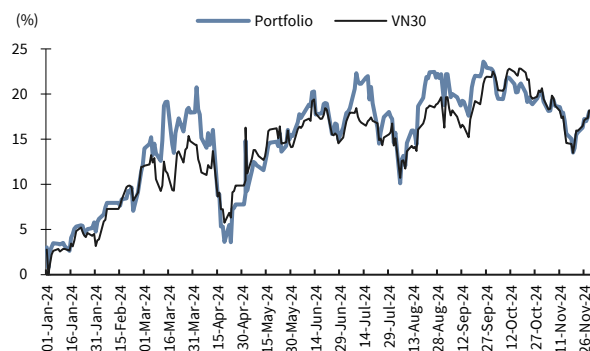
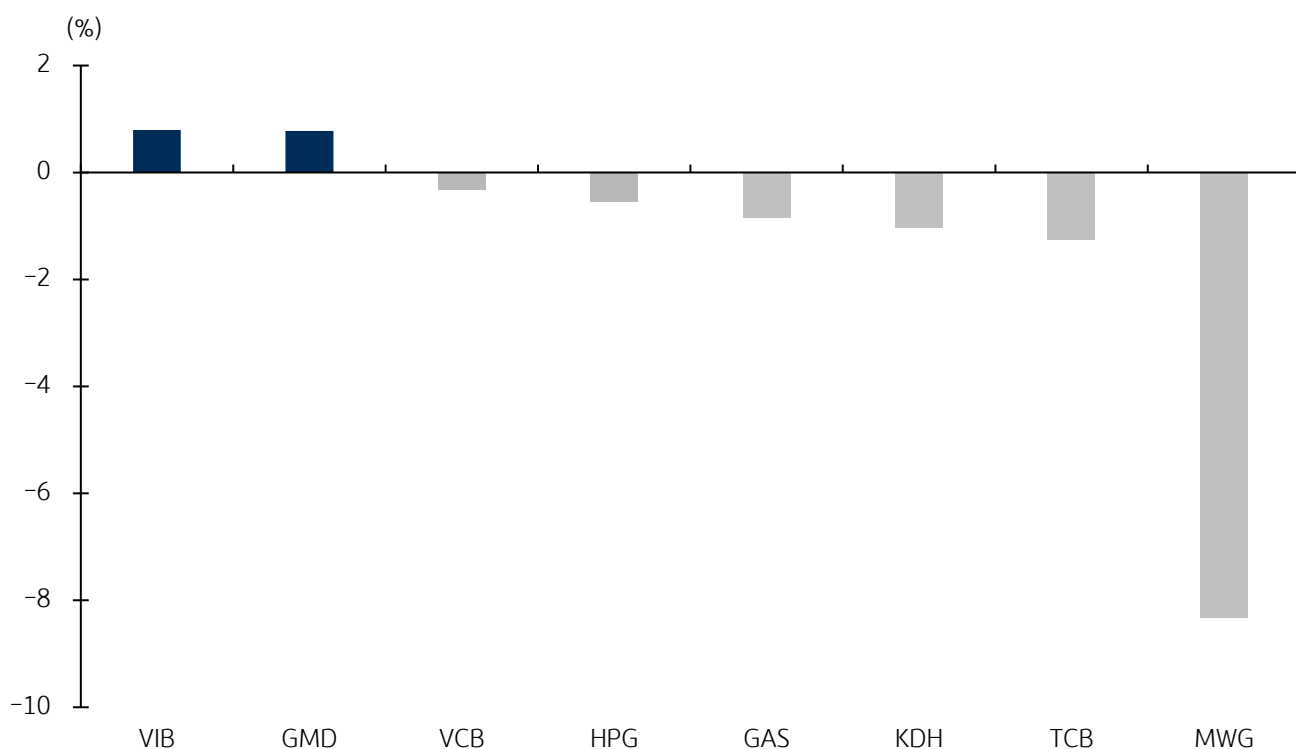


Fig 19. KBSV – Model portfolio return



Source: KB Securities Vietnam

VI. December model portfolio

No.	Ticker	Target price	Closing price (Nov 29, 2024)	Expected return	2025 forward P/E	2025F NPAT growth	Investment catalysts
1	VCB	107,500	93,300	15%	15.23	-0.3%	<ul style="list-style-type: none"> - VCB took CBBank mandatory transfer, enabling the bank to expand its network, increase its business scale, and access preferential funding from the SBV - The private placement of shares to strategic partners, anticipated in 1H2025, will strengthen the capital buffer - A solid provision buffer and a low bad debt ratio support financial stability
2	FPT	180,000	143,300	26%	19.90	23%	<ul style="list-style-type: none"> - The global IT segment continues to secure numerous large-scale contracts, especially in the Japanese market - The launch of FPT AI Factory brings new growth potential for the IT segment starting in 2025 - FPT's business results show stable and strong growth
3	REE	77,600	67,200	15%	11.17	3%	<ul style="list-style-type: none"> - The hydropower segment's sales volume and revenue for 2025 are projected to grow significantly YoY, reaching 6.537 million kWh and VND 3,097 billion (+21.70% YoY/+20.83% YoY), respectively - E.Town 6 is expected to recover from the sluggish market phase, with occupancy rates expected to rise to 60% in 2025 and 85% in 2026 - The M&E segment has seen robust revenue growth across key projects, with an anticipated recovery in growth at a 21% CAGR in 2025-2028
4	GMD	75,400	64,700	17%	13.26	7%	<ul style="list-style-type: none"> - Total port throughput in 2024 is expected to grow by over 40% YoY, with a potential deceleration in 2025 but an expected acceleration in 2026 - Gemalink 2, with a capacity of 1.5 million TEUs, and Nam Dinh Vu 3, with a capacity of 800,000 TEUs, are expected to commence operations in 2026, supporting medium-to-long-term growth for GMD - Port service fees at GMD's northern ports are expected to maintain an annual increase of 2-4%, while southern ports may see an average annual increase of 5-10%
5	HPG	31,000	26,750	16%	12.22	26%	<ul style="list-style-type: none"> - Domestic steel prices are declining at a slower pace than raw material costs, supporting gross profit margins in the medium term - Domestic consumption volumes are expected to continue improving in the near term - Dung Quat 2 is slated to commence operations and begin commercial activities in 1Q2025
6	PNJ	109,800	92,900	18%	11.80	16%	<ul style="list-style-type: none"> - The long-term growth momentum of the jewelry retail segment is projected to remain strong, driven by: (i) favorable macroeconomic conditions; (ii) ongoing opportunities for store expansion; and (iii) improved retail sales per store. - Stabilizing gold prices are expected to enhance PNJ's business performance for the remainder of 2024 and into 2025 - PNJ is trading at a P/B ratio of -1 standard deviation, in line with its 5-year average
7	VIB	24,600	19,000	29%	4.67	23%	<ul style="list-style-type: none"> - VIB's strategic shift towards the retail banking segment has delivered industry-leading profit margins in recent years - While NIM has not yet rebounded, it is anticipated to recover to high levels over the long term - The NPL ratio is expected to remain under control following stricter asset quality management policies
8	SIP	89,500	78,600	14%	13.30	8%	<ul style="list-style-type: none"> - SIP holds the largest remaining industrial park land bank in southern Vietnam, spanning over 1,005 ha - A substantial area available for lease, coupled with low compensation land compensation costs, enables the company secure leasing revenue and enhance gross profit margins in the years ahead - Consistent cash flow is generated from electricity supply operations

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer

Nguyen Duc Quan – Analyst

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate

Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of macro & strategy

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT

Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@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:	Neutral:	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, not authorized to use for any other purposes.