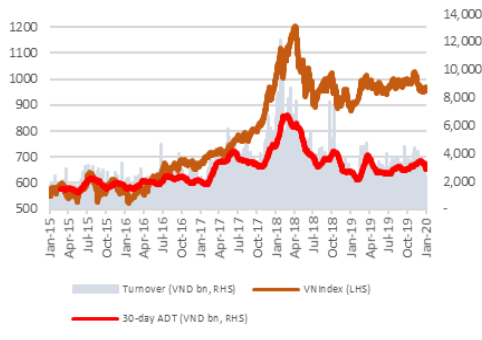


**Vietnam Strategy**

**6 January 2020**

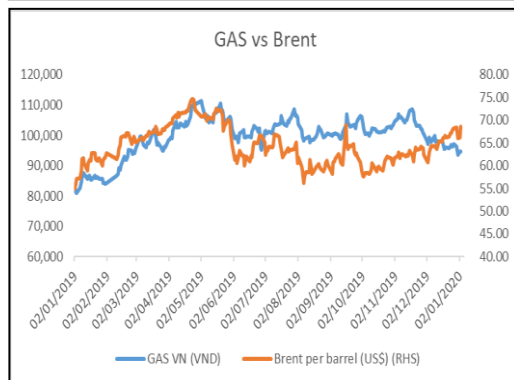
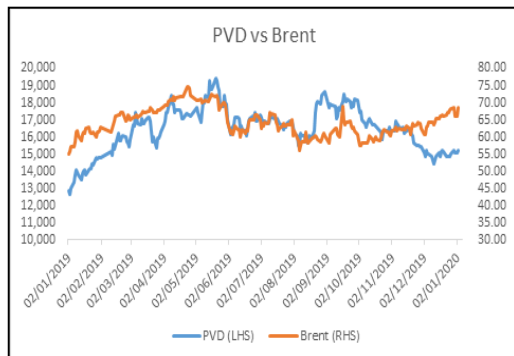


**What's new?**

- ▶ Recent events in the Middle East raise the potential for sustained higher oil prices.
- ▶ Higher oil is a moderate macro risk given the implied impact on Vietnam's balance of payments and reduced global demand.
- ▶ By sector, the news is positive for O&G and negative for transport, but largely neutral for energy suppliers.

**Market outlook**

- ▶ We still expect a seasonal rally around the Tet holidays, supported by the [launch of the VN Diamond ETF](#) (probably in February).
- ▶ But the "risk off" trade suggests FINI net selling may continue.
- ▶ PVD is our top pick on higher oil prices. POW and NT2 should be able to pass higher input costs to the buyer. We would be cautious on the airlines in the short term.



**Higher oil prices should be positive for O&G, negative for airlines**

**Escalated Middle East tensions.** The prospect of yet another sustained military conflict appears broadly negative for global investor risk appetites. However, we think the direct impact on the Vietnam market should be somewhat muted given our view that investors are already underweight Vietnam stocks. However, the prospect of sustained oil price increases in the medium term suggests a moderate macroeconomic headwind given the implied impact on Vietnam's balance of payments and, more broadly, global demand.

**Brent crude is currently trading on US\$70 per barrel, up 6%** from its close of Thursday, Jan 2 (i.e., prior to the US airstrike in Baghdad). Our view is that the nature of the strike, which killed Iran's top military commander, suggests that tension is likely to remain high in the region in the medium term. This suggests that higher oil prices could be sustained.

**Negative for energy hungry industries.** Leaving aside the broader macro impact for now, we think that transport stocks may come under particular pressure. This includes the largely unhedged airlines VJC and HVN (both not rated), whose ability to pass higher input costs on to customers may be tested in the months ahead.

**Neutral for power suppliers** (e.g., POW (BUY) and NT2 (HOLD-OP). Although higher input costs could negatively affect sentiment for these names, the actual operational impact should be limited given their contracted ability to pass energy input costs on to the electricity buyers (i.e., EVN subsidiaries) who make up 80% of electricity sales and likely pricing power in the spot market (20% of sales) given the undersupply.

**Positive for oil & gas producers. PVD is our top pick** on higher oil prices, which should benefit sentiment on the stock and potentially boost lease rates if it continues. This could restore PVD's historically high correlation with Brent crude (which declined in 2H20 on persistent foreign net selling). We believe that the stock's recent weakness (-16.3% since announcing the Brunei contract) presents investors with an attractive entry opportunity. PVD trades at 19.9 PE and 0.5 PB, and we see 30.9% upside to our fair value-derived target price. GAS (not rated) could also benefit, given the positive implications for the take-or-pay agreements with power producers.

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Yuanta Vietnam Coverage Universe										
Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2019E Dividend yield	12-m TSR*
Banks	BIDV	BID VN	8,105	1.6	Hold-Outperform	46,700	38,713	-17%	1.9%	-15%
	HD Bank	HDB VN	1,166	2.1	Hold-Underperform	27,550	30,970	12%	0.0%	12%
	MB Bank	MBB VN	2,133	4.0	BUY	21,250	29,880	41%	3.3%	44%
	Sacombank	STB VN	794	1.4	BUY	10,200	14,049	38%	0.0%	38%
	Vietcombank	VCB VN	14,389	2.4	BUY	89,900	92,035	2%	1.1%	3%
Brokers	HCM City Securities	HCM VN	280	1.0	BUY	21,200	29,931	41%	4.5%	46%
	Saigon Securities	SSI VN	400	1.3	Hold-Underperform	18,250	23,525	29%	5.2%	34%
	Viet Capital Securities	VCI VN	206	0.1	Hold-Outperform	29,000	32,437	12%	4.3%	16%
	VNDirect Securities	VND VN	130	0.2	BUY	14,400	13,231	-8%	4.2%	-4%
Energy	PV POW	POW VN	1,182	1.0	BUY	11,700	17,457	49%	2.6%	52%
	PV NT2	NT2 VN	266	0.2	Hold-Outperform	21,450	29,195	36%	9.3%	45%
Consumer	Masan Group	MSN VN	2,901	2.5	BUY	57,500	84,143	46%	0.0%	46%
	Phu Nhuan Jewelry	PNJ VN	843	1.6	Hold-Underperform	86,800	86,300	-1%	2.3%	2%
	Digiworld	DGW VN	42	0.6	Hold-Outperform	23,300	31,574	36%	5.0%	41%
Oil & GAS	PV Drilling	PVD VN	276	1.1	BUY	15,200	19,896	31%	0.0%	31%
Property	Nam Long	NLG VN	291	0.5	BUY	27,000	36,400	35%	1.9%	37%
	Novaland	NVL VN	2,343	0.9	Hold-Ourperform	56,000	65,073	16%	0.0%	16%
	Khang Dien	KDH VN	620	0.4	BUY	26,400	31,081	18%	1.9%	20%
	Vinhomes	VHM VN	12,095	5.1	BUY	85,200	94,862	11%	1.2%	13%
Transport	Airports Corp Vietnam	ACV VN	6,971	0.2	Hold-Underperform	74,200	76,400	3%	1.2%	4%

\*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends.

Pricing data as of close on Jan 3, 2019.

Source: Bloomberg, Yuanta Vietnam

Yuanta Universe: Valuations and ratings																
Sector	Stock Code	PER (x)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F	2018A	2019F	2020F
Banks	BID VN	28.8	23.4	18.9	3.5	1.0	0.8	2.9	2.4	2.3	10.7	11.2	12.3	0.44	0.53	0.61
	HDB VN	9.1	8.2	6.8	0.2	0.8	0.3	1.6	1.6	1.5	18.0	19.4	22.5	1.40	1.49	1.64
	MBB VN	7.5	5.7	4.6	0.1	0.2	0.2	1.3	1.1	0.9	19.2	21.2	21.6	1.81	2.05	2.19
	STB VN	13.1	8.9	7.7	0.3	0.2	0.5	0.7	0.7	0.6	5.9	8.1	8.6	0.36	0.49	0.52
	VCB VN	25.1	21.7	18.0	0.3	1.4	0.9	5.2	4.2	3.5	22.5	21.3	21.3	1.22	1.31	1.41
Brokers	HCM VN	4.4	18.0	12.5	0.2	(0.2)	0.3	2.1	1.5	1.4	23.1	10.6	12.5	10.39	5.89	7.03
	SSI VN	8.0	10.7	8.8	2.6	(0.4)	0.4	1.0	1.0	0.9	14.8	9.3	10.7	5.69	3.41	3.62
	VCI VN	5.1	7.7	8.0	(4.1)	(0.2)	(2.1)	1.3	1.2	1.1	24.7	16.3	14.1	12.51	8.46	6.87
	VND VN	7.9	9.3	9.2	(0.4)	(0.6)	49.6	1.0	0.9	0.9	13.7	11.3	10.4	3.83	2.95	2.56
Energy	PVD VN	32.4	63.2	19.9	0.1	(1.3)	0.1	0.5	0.5	0.4	1.4	0.7	2.3	0.92	0.49	1.58
	NT2 VN	8.1	8.6	8.3	(2.8)	(1.7)	2.1	1.7	1.6	1.6	18.0	19.6	19.9	8.31	8.79	10.29
Consumer	MSN VN	12.6	13.9	13.2	0.2	(1.5)	2.3	2.3	2.0	1.7	20.7	15.2	14.0	8.78	7.31	7.19
	PNJ VN	16.3	18.8	15.1	(0.9)	(1.4)	0.6	3.9	3.2	2.6	28.7	27.5	27.9	17.79	17.79	16.93
	DGW VN	8.6	6.9	5.6	0.2	0.3	0.2	1.2	1.1	1.0	15.2	17.1	18.9	5.80	6.12	7.13
Oil & GAS	POW VN	14.3	10.9	8.5	(1.0)	0.3	0.3	1.0	1.0	1.0	7.0	9.1	10.7	3.24	4.46	5.86
Property	NLG VN	7.7	10.9	7.1	0.4	(0.4)	0.1	1.2	1.2	1.1	16.8	12.9	16.9	9.28	6.66	10.00
	NVL VN	16.3	21.2	17.1	1.6	(0.9)	0.7	2.6	2.6	2.6	10.2	11.2	11.1	3.12	3.42	3.33
	KDH VN	15.0	17.8	13.0	0.4	(1.1)	0.4	1.6	1.9	1.7	11.7	11.9	14.5	7.92	7.45	8.88
	VHM VN	18.7	15.6	12.2	0.2	0.8	0.5	5.9	4.5	3.4	30.7	30.0	28.7	12.35	11.56	11.88
Transportatio	ACV VN	27.4	26.1	24.1	0.5	5.2	2.9	5.1	4.5	3.9	21.2	20.7	18.8	11.97	12.13	11.39

Pricing data as of close on Jan 3, 2019.

Source: Bloomberg, Yuanta Vietnam

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