

Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	22,500	25,690	14%
BID VN	SELL	40,800	37,300	-9%
HDB VN	HOLD-Underperform	31,450	30,970	-2%
MBB VN	BUY	19,750	25,900	31%
STB VN	BUY	13,800	12,950	-6%
VCB VN	HOLD-Underperform	84,100	75,140	-11%
VPB VN	HOLD-Underperform	23,750	22,500	-5%

Source: Bloomberg, Yuanta

SBV eases policy again

On Sep 30, the SBV announced another rate cut effective from Oct 1. This is the fourth policy rate cut in 2020. Previously, the State Bank of Vietnam (SBV) slashed the policy rates on [May 12](#).

Specifically, SBV Decision 1728/QD-NHNN reduces 1) the refinancing rate (-50bps to 4.0%/year), 2) rediscount rate (-50bps to 2.5%/year), 3) overnight rate for interbank electronic payments and lending to compensate for capital shortages in clearing payments (-50bps to 5.0%/year), and 4) offering rate for valuable papers in the SBV's open market operations (-50bps to 2.5%/year).

In addition, SBV issued Decision 1729 and 1730/QD-NHNN to reduce deposit and loan rates. Rates for demand and term deposits of less than 1 month remain unchanged at 0.2%/year, term deposits of 1-to-less than 6 months are capped at 4.0% (-25bps), and short term loans for priority sectors are capped at 4.5%/year (-50bps).

Our Take

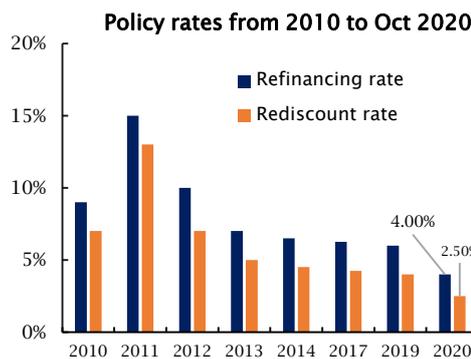
We believe the main purpose of the SBV's continued easing is to continue supporting financial system liquidity. Further reducing policy rates will help banks reduce short-term funding costs, which will allow banks to have more room to cut short-term loan rates, [extend loan repayments, and restructure debts](#) for borrowers.

This rate cut will also help boost credit growth. Credit growth has been slow YTD due to reduced risk appetites among the banks and low credit demand. However, Vietnam has basically controlled the pandemic, and business activities are trending back toward normalcy. Depending on the pandemic situation in major export markets, we expect capital demand to recover, albeit slowly, in 4Q20.

The initial credit growth target of 14% is out of reach, but credit growth of 9-10% is achievable this year, in our view. Credit growth in the first 9 months of 2020 (as at Sep 22) was only 5.12% YTD, compared to 8.64% in 9M19. The rate cut should be a strong catalyst for boosting credit growth.

Room for further rate cuts? Inflation is not a major concern, but it is near the full-year target of 4.00% (CPI in 9M20 was 3.85%). Thus, we believe that another rate cut is not likely to happen in 2020.

For stock picks, we reiterate our focus on quality banks. We believe that [VCB](#) is still the best quality bank in Vietnam with highest LLR ratio, which reflects its prudent approach to manage asset quality given the current dismal macro outlook. Our HOLD-Underperform call on VCB is purely due to its high valuation. [MBB \(BUY\)](#) and [ACB \(BUY\)](#) are other quality names in our coverage with attractive valuations.



Source: SBV

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ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

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