

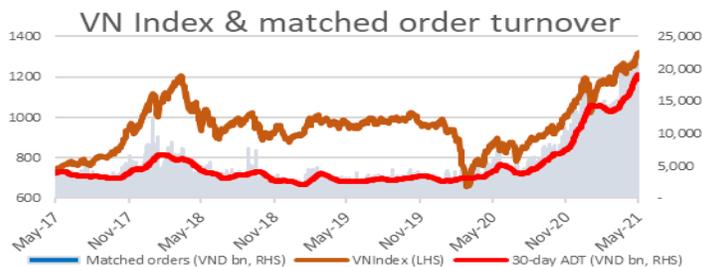
Strategy Weekly: The week of record high

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The VN-Index pushed further into all-time record highs as it closed the week at **1374, up 4.1% WoW**. Surging liquidity from an ongoing influx of new traders remains the key driver. Weekly ADT reached an all-time high of US\$1.2 bn (+16% WoW) despite the market difficulties on Tuesday afternoon. Momentum may extend into June, but we reiterate our overall cautious view and remind investors to focus on quality stocks at reasonable valuations, which should pay off in the long term.



Index, Flows, and FX Performance

- **VNINDEX:** 1374 (+4.1% WoW / +24.5% YTD / +55.5% YoY)
- **VHINDEX:** 330 (+6.2% WoW / +62.3% YTD / +180.8% YoY)
- **UPCOM Index:** 90.6 (+5.2% WoW / +21.7% YTD / +60.8% YoY)
- **Average daily turnover:** US\$1,452 mn (+20.8% WoW)
- **Foreigners net sold** US\$268 mn of three-index constituents
- **VND:USD rate:** 23,050 (-5bp WoW / +21bp YTD / +93bp YoY)

VN30 Components

Ticker	Closing price (VND K)	WoW chg	Cont to VN30 (WoW)	TTM PE (x)
BID	49.0	3.9%	1%	24
BVH	57.1	2.9%	0%	22
CTG	54.0	5.5%	5%	11
FPT	84.7	3.8%	5%	20
GAS	91.4	11.5%	2%	22
HDB	35.5	7.9%	7%	11
HPG	54.5	10.4%	30%	13
KDH	39.2	0.4%	0%	18
MBB	41.6	10.2%	15%	12
MSN	107.3	-4.6%	-4%	80
MWG	137.5	-3.6%	-3%	15
NVL	139.8	3.6%	4%	34
PDR	81.8	5.1%	2%	30
PLX	57.2	4.4%	1%	19
PNJ	100.6	-0.4%	0%	20
POW	13.1	12.0%	2%	12
REE	57.4	-3.2%	-1%	10
SBT	20.9	6.1%	1%	18
SSI	48.8	16.6%	7%	17
STB	32.2	0.9%	1%	21
TCB	54.6	3.0%	8%	13
TCH	22.1	-1.8%	0%	9
TPB	39.0	8.0%	4%	10
VCB	104.9	5.3%	5%	18
VHM	104.5	-0.1%	0%	13
VIC	121.0	1.0%	2%	55
VJC	107.4	-4.1%	-3%	47
VNM	89.5	-1.8%	-4%	19
VPB	71.7	4.5%	11%	15
VRE	32.2	5.4%	2%	27

Source: Bloomberg, Yuanta Vietnam. Pricing date: June 4, 2021.

Trading value rose by **16.1% WoW** despite the Tuesday afternoon session difficulties as weekly ADT reached a record high US\$1.2bn. Liquidity soared toward the end of the week with the Friday session exceeding VND 30tn (US\$1.3bn). Foreign trading also hit a YTD record, but not the kind that we like to see: FINI net selling reached US\$261mn (12 times higher than the previous week).

Macro figures indicate that the recovery slowed down in May, and we see short-term headwinds at least until the end of June. The GSO reported that retail sales of consumer goods and services in May reached VND393.6tn, slid 3.1% MoM and -1% YoY, down from a very strong recovery of 30.9% YoY in Apr. IIP in May 2021 increased 11.6% YoY in May, which is still strong but reflects a dramatic, and perhaps inevitable, decline from 24.1% YoY expansion in Apr. HCMC's social distancing imposition may continue to hit demand in Jun since the city represents the largest provincial economy in the country.

The new Covid-19 daily cases decelerated from the peak but the situation remains unpredictable. The number of daily cases has slowed from the May 25 high of 444 cases thanks to the impressive efforts of health authorities. HCMC adopted two-week social distancing measures last week, which may further reduce the spread of the virus over the next few weeks. However, the outbreaks in Bac Giang and Bac Ninh provinces remain severe, with new cases spread amongst workers in the high-density industrial parks there.

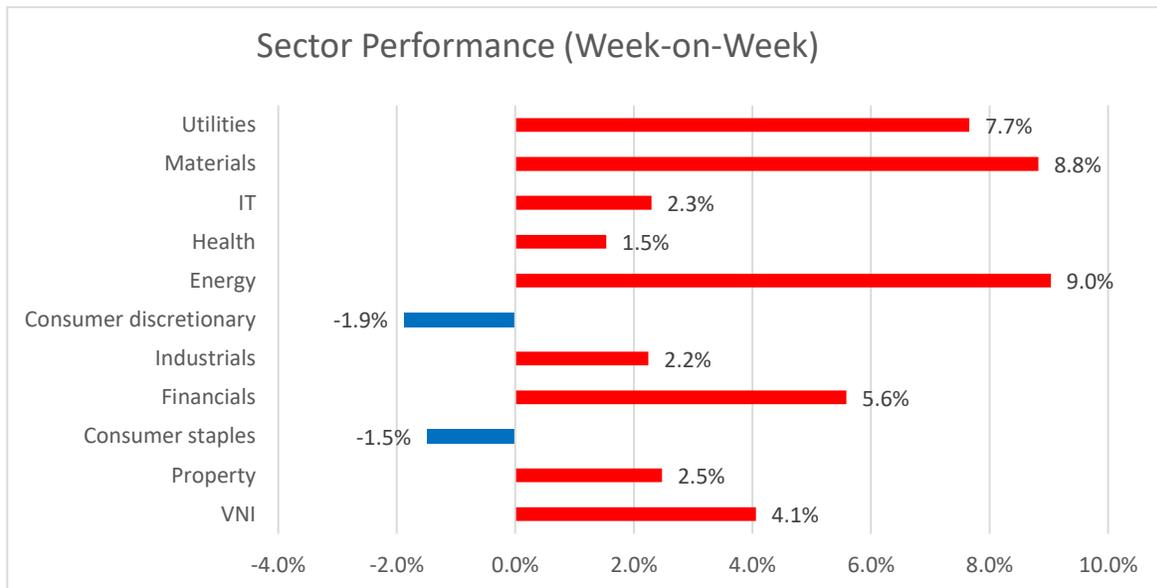
Momentum may extend this week based on surging liquidity, but we remained strategically cautious because 1) the resurgence of covid-19 outbreak remains unpredictable, and social distancing measures across cities/provinces have begun to impact the overall economy; 2) Macro figures showed that the recovery slowed down in May, and the short-term headwinds may extend until the end of June; 3) foreign net selling has escalated in recent sessions and shows no signs of slowing down.

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	2020E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	4,248	14.3	BUY	45,300	38,115	-16%	0.0%	-16%
	BIDV	BID VN	8,550	7.1	SELL	49,000	37,300	-24%	0.0%	-24%
	HD Bank	HDB VN	2,451	7.1	BUY	35,450	31,656	-11%	0.0%	-11%
	MB Bank	MBB VN	5,045	27.0	BUY	41,550	34,233	-18%	0.0%	-18%
	Sacombank	STB VN	2,516	40.6	HOLD-Underperform	32,150	16,790	-48%	0.0%	-48%
	Vietcombank	VCB VN	16,879	8.1	BUY	104,900	114,650	9%	0.8%	10%
	Vietnam Prosperity Bank	VPB VN	7,636	46.7	HOLD-Underperform	71,700	22,500	-69%	0.0%	-69%
Brokers	HCM City Securities	HCM VN	553	6.9	BUY	41,800	26,532	-37%	3.2%	-33%
	Saigon Securities	SSI VN	1,366	20.2	HOLD-Outperform	48,750	18,328	-62%	1.3%	-61%
	Viet Capital Securities	VCI VN	614	5.1	HOLD-Underperform	85,000	26,449	-69%	1.0%	-68%
	VNDirect Securities	VND VN	562	8.9	HOLD-Underperform	60,400	13,150	-78%	1.1%	-77%
Energy	PV POW	POW VN	1,331	8.6	BUY	13,100	13,137	0%	2.3%	3%
	PV NT2	NT2 VN	247	0.5	SELL	19,750	19,318	-2%	7.6%	5%
	PCC1	PC1 VN	224	0.8	BUY	26,950	34,864	29%	0.0%	29%
Consumer	Masan Group	MSN VN	5,468	9.3	HOLD-Outperform	107,300	84,908	-21%	0.0%	-21%
	Phu Nhuan Jewelry	PNJ VN	992	2.0	BUY	100,600	92,197	-8%	1.8%	-7%
	Digiworld	DGW VN	228	1.7	HOLD-Outperform	119,100	31,574	-73%	1.2%	-72%
Oil & GAS	PV Drilling	PVD VN	443	6.8	HOLD-Outperform	24,250	10,429	-57%	0.0%	-57%
Property	Kinh Bac City	KBC VN	723	8.5	BUY	35,500	55,226	56%	1.4%	57%
	Khang Dien House	KDH VN	949	5.0	BUY	39,150	31,081	-21%	1.3%	-19%
	Nam Long	NLG VN	498	3.7	BUY	40,200	30,517	-24%	1.2%	-23%
	Novaland	NVL VN	6,561	10.8	HOLD-Outperform	139,800	65,073	-53%	0.0%	-53%
	Vinhomes	VHM VN	14,913	16.9	BUY	104,500	94,862	-9%	0.0%	-9%
Transport	Airports Corp Vietnam	ACV VN	6,328	0.8	HOLD-Underperform	67,000	76,400	14%	0.7%	15%
Industrials	Dohaco	DHC VN	258	1.1	BUY	106,400	97,871	-8%	4.2%	-4%

*Notes: 1) TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. 2) 3-month ADT refers to matched orders and does not include put-through blocks. 3) Stock ratings and pricing data is as of close on Jun 4, 2021.

Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Jun 4)

New securities trading account hit the all-time high again

The good news is that Vietnam saw new high in the new securities trading account in May. This happened at the same time that Vietnam has faced the fourth outbreak of COVID-19, which has been by far the worst period for Vietnam since the pandemic began and that that has led to social distancing measures being implemented across HCMC and other cities/provinces. The increase in new trading accounts explains the soaring trading value over the last few weeks; momentum may extend into June as such investors should have been well-rewarded and are likely to remain at the table.

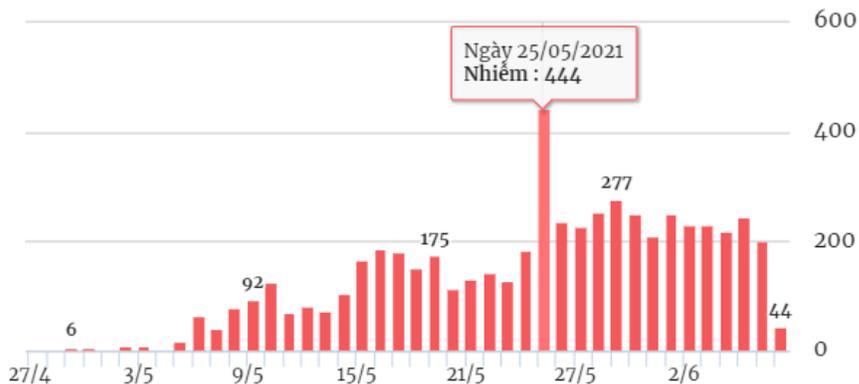
The average daily trading value in HSX have reached approximately US\$ 1.1 bn (US\$ 5.6bn), rose by 16%WoW, with the Friday trading value reached record high of 1.4bn US\$.



Source: VSD

The new daily cases decelerated from the peak but the situation remains unpredictable. The number of daily cases is slowing down from the May 25 record high of 444 cases, thanks to the impressive effort of the health system. HCM City has adopted two-week social distancing measures last week, which may further slow down the new cases over the next few weeks in this city. But the outbreaks in Bac Giang and Bac Ninh provinces remain severe as the virus spreads amongst workers in the high-density industrial parks located there.

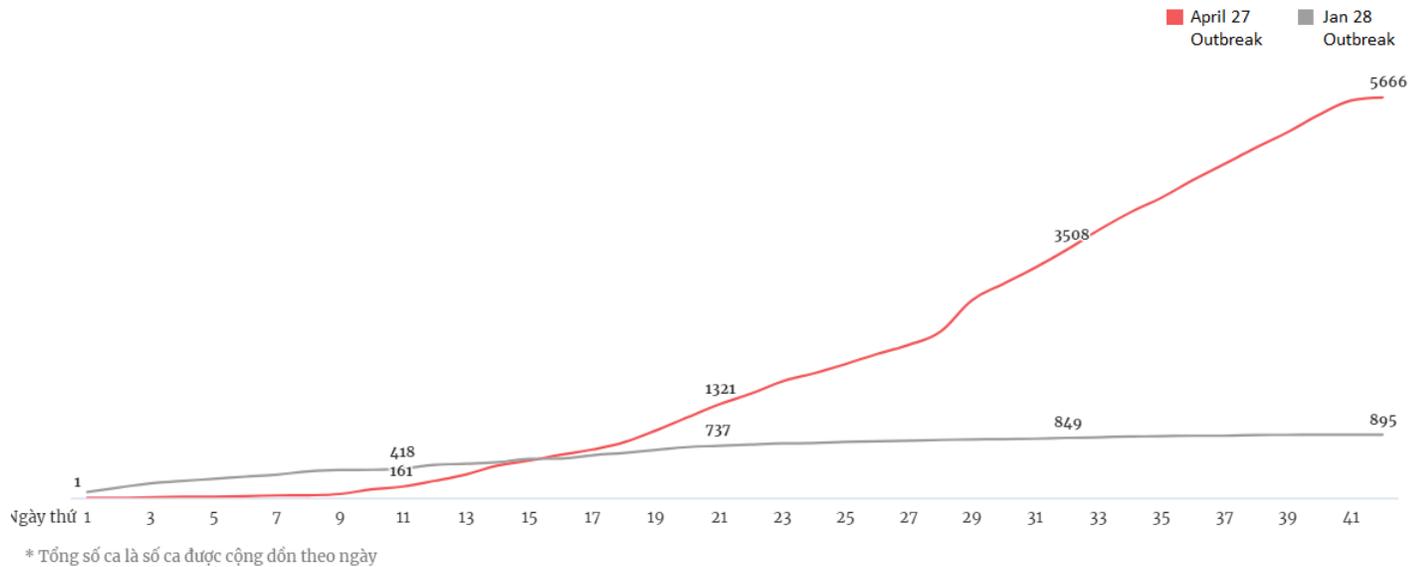
The new cases decelerates from the daily peak 444 cases



**Note: the figure for June 7 (39) only represents the number of new cases identified as of morning; Source: Vnexpress*

Covid-19 outbreak supports a cautious view. As of the afternoon Jun 6, Vietnam has identified 5666 new infections since Apr 27. The chart seems to reach the plateau over the weekend. Unlike the much less widespread outbreak in Jan, which saw a 15% market correction over the course of two weeks, the current (far worse) outbreak has failed to interrupt the bull market. Calling for a correction (as we have done all month) has proven to be a mug's game. However, we remain cautious and continue to advise investors to stick with quality names. Our top picks are VCB, MBB, VHM, and DHC.

Current COVID outbreak is indisputably the worst period for Vietnam since the pandemic began here in January 2021



Source: Ministry of Health

Macro Update – The Pace of Recovery Slowed in May

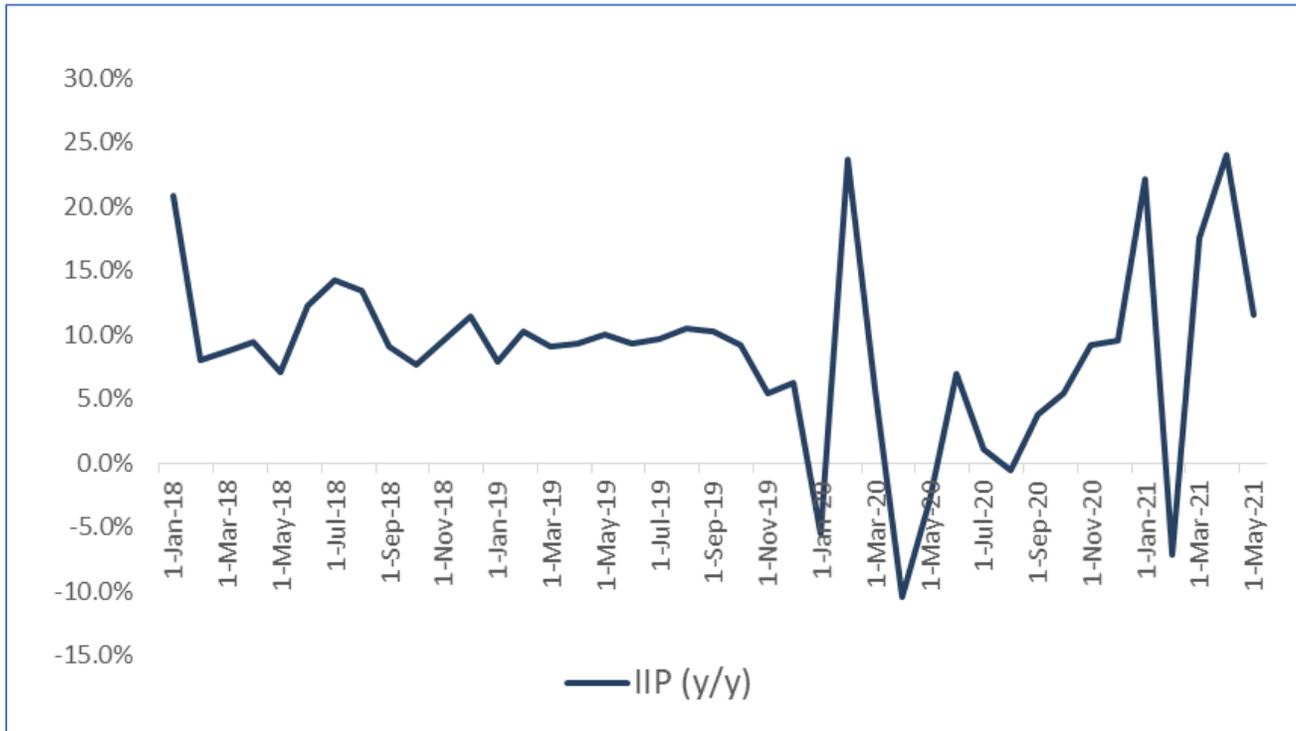
Industrial production growth has begun to slow

According to the GSO, the Index of Industrial Production (IIP) in May 2021 increased by 11.6% YoY in May, which is still strong but reflects a dramatic, and perhaps inevitable, decline from 24.1% YoY expansion in April. In May, manufacturing rose by 14.6% YoY despite the secondary outbreak that has been especially impactful in certain industrial parks in Bac Giang and Bac Ninh provinces in northern Vietnam.

On a YTD basis, the 5M2021 IIP rose by 9.9% YoY (vs +10%YoY in 4M21), of which the key manufacturing sector increased by 12.6% YoY. Electricity production and distribution rose by +8.3% YoY; waste and wastewater management/treatment rose by +7.5% YoY; whereas mining decreased by -7% YoY. Broken down by industry, the main YTD manufacturing growth drivers include steel (+38% YoY) and automobiles (+35% YoY).

The negative impact of the ongoing secondary outbreak on industrial activity will almost inevitably hit the June macro data given that HCMC, the nation’s largest GDP growth contributor, has enforced social distancing for two weeks starting from May 31.

Industrial production grew at a reduced pace in May

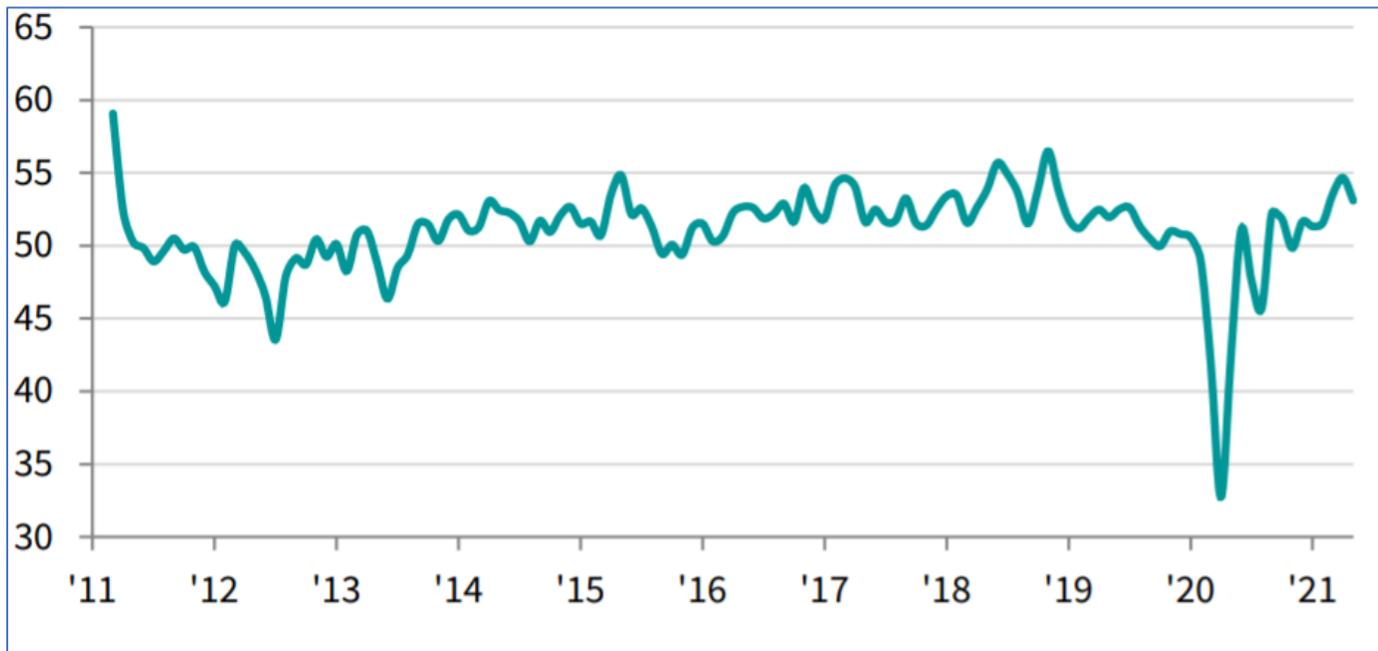


Source: GSO

May PMI still positive, but less so than in recent months

The manufacturing PMI declined to 53.1 in May, down from 54.7 in April. This result ended a run of three consecutive months of sequential increases in the manufacturing PMI, but it was still the sixth straight month of positive (i.e., >50) results. Supply of input materials and shipping constraints continue to impact manufacturing activity, as growth in output, new orders, and employment were all weaker in May than they were in April. Followers of global inflation trends take note: IHS Markit reports that the sharp rise in materials and shipping continue to be passed on to downstream buyers, resulting in the highest selling price inflation in over ten years.

Vietnam's Manufacturing PMI



Source: IHS Markit (June 1)

Given the global linkages of Vietnam manufacturing, sky-high selling prices call into question the supposedly “transitory” nature of the recent spike in global consumer prices. Perhaps the first question should be exactly what “transitory” is supposed to mean. To paraphrase John Maynard Keynes, in the long run, we are all transitory.

Our sense is that there may be a reason why the US Fed does not use “short-term” in its communications regarding inflation. It’s not our job to have a view on the US dollar, but we believe the situation bolsters our positive case on the VND, which is likely to remain resilient against the US dollar (and which still provides a positive real rate on a 12-month time deposit at the bank – remember that?).

Follow the COVID. Like the overall IIP, new business continued to expand for the ninth month in a row, but at the slowest rate since February (which was dented by the Tet holidays). Manufacturers report that external demand continues to strengthen as global end-markets emerge from the pandemic, but on-the-ground activity has been impaired by industrial park outbreaks (which have also negatively impacted hiring). As a result, respondents to IHS Markit’s monthly survey report a sharp rise in order backlogs to the highest levels in over ten years. This suggests that manufacturing should remain stronger for longer – with the critical assumption that the COVID outbreak is managed appropriately.

Trade enter deficit zone the first time since Jan 2020

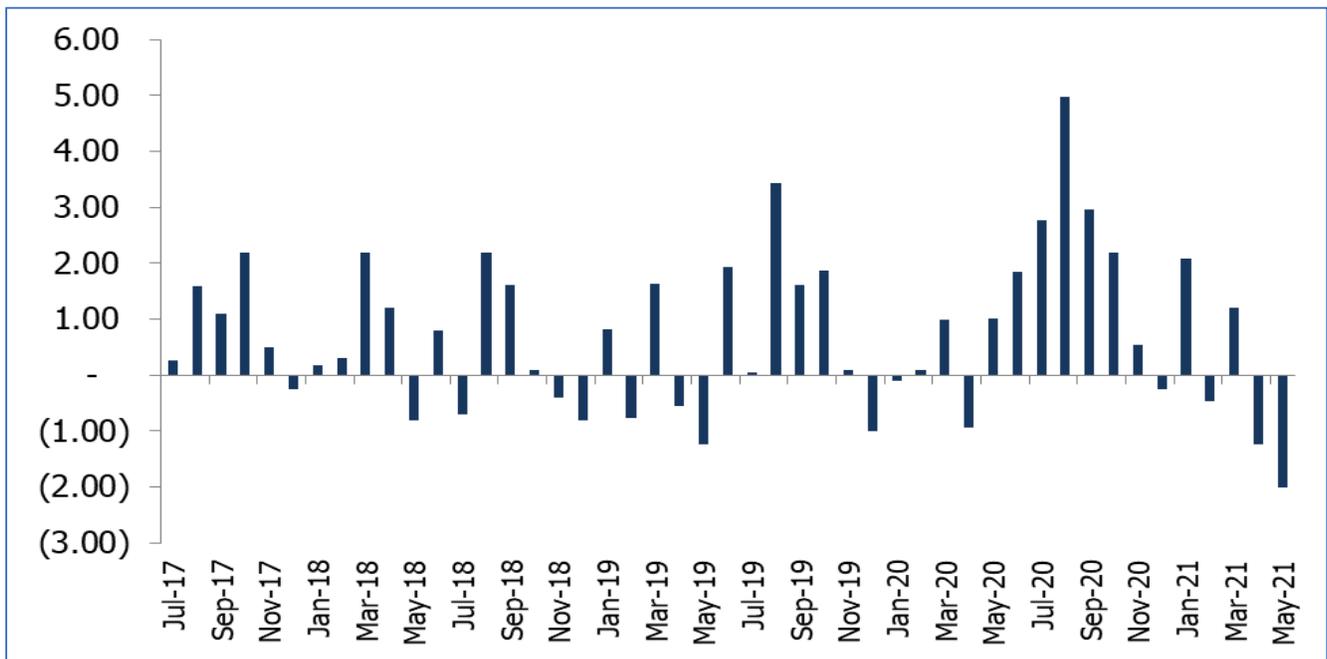
Vietnam recorded unusually high trade deficit of goods in May at US\$ 2 bn, extending last month’s deficit of US\$1.2bn. Although it is just the preliminary estimate, it is the highest in 10 year time. May’s export turnover recorded US\$ 26bn (-2.1% YoY) while import turnover reached US\$ 28bn (+54% YoY). Our data shows that the increase in import turnover is

mainly attributable to +57.4% YoY jump in the import of machinery (US\$ 3.9bn) and +72.7% surge in the import of garment (US\$ 1.6bn), which should mostly be the input for export orders.

5M2021 trade deficit of goods reached VND 310mn, of which 5M2021 export turnover reached US\$ 130.94bn (+30.7% YoY) and 5M2021 import turnover reached US\$ 131.3bn (+30.8%YoY). No data on trade of services disclosed but it should record a deficit as international travel is still limited which still hit tourism.

Needless to say, the outbreak hit industrial parks, which play key role in export for the country. The effect may last until June 2021 as the HCMC has exercised social distancing measures over the next two weeks.

May's trade deficit was mainly attributable to electronics imports



Source: GSO

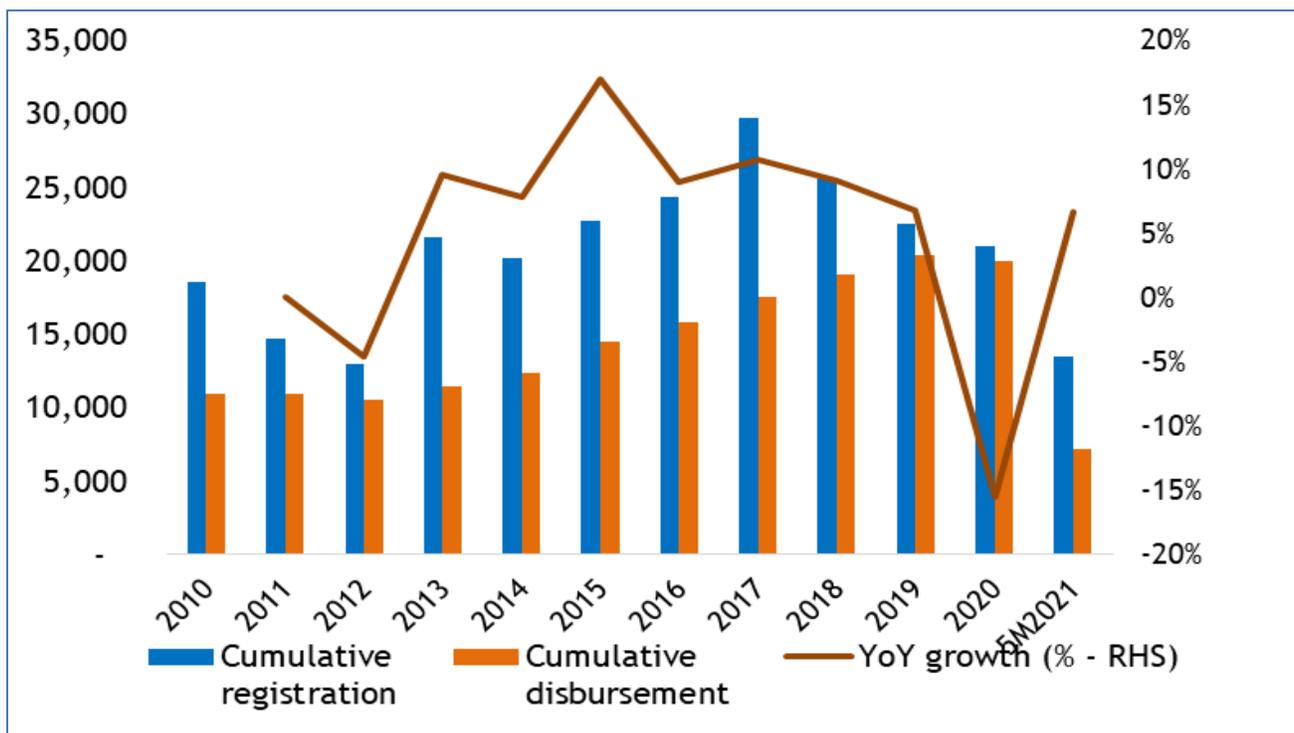
Investment to drive economy

The current outbreak should inevitably result in the slowdown in consumption. The growth engine should now be public investment, which is already speeding up YTD.

The GSO estimates that government investment in 5M2021 reached VND 133.4tn, up +6.9% YoY. This is equivalent to 28.7% of the annual budget, up from 14.9% in 3M2021, which indicates that public investment surged substantially in April and May. For 5M2021, central government budget investment reached VND 20.9tn, up +21.4% YoY; and local government budget investment reached VND112.5tn, 13% YoY.

Disbursed FDI in 5M2021 is estimated to grow by 6.7% YoY to US\$7.15 bn. Manufacturing attracted cUS\$5.2bn, accounts for 72.3% the total disbursed FDI. FDI investment in Real estate reached US\$ 967.2 mn, accounts for 13.5% the total disbursed FDI. Production/distribution of electricity, gas, hot water, steam, and air-conditioning reached US\$ 509.6mn, accounting for 7.2% of total disbursed FDI

FDI shows clear sign of recovery



Source: GSO

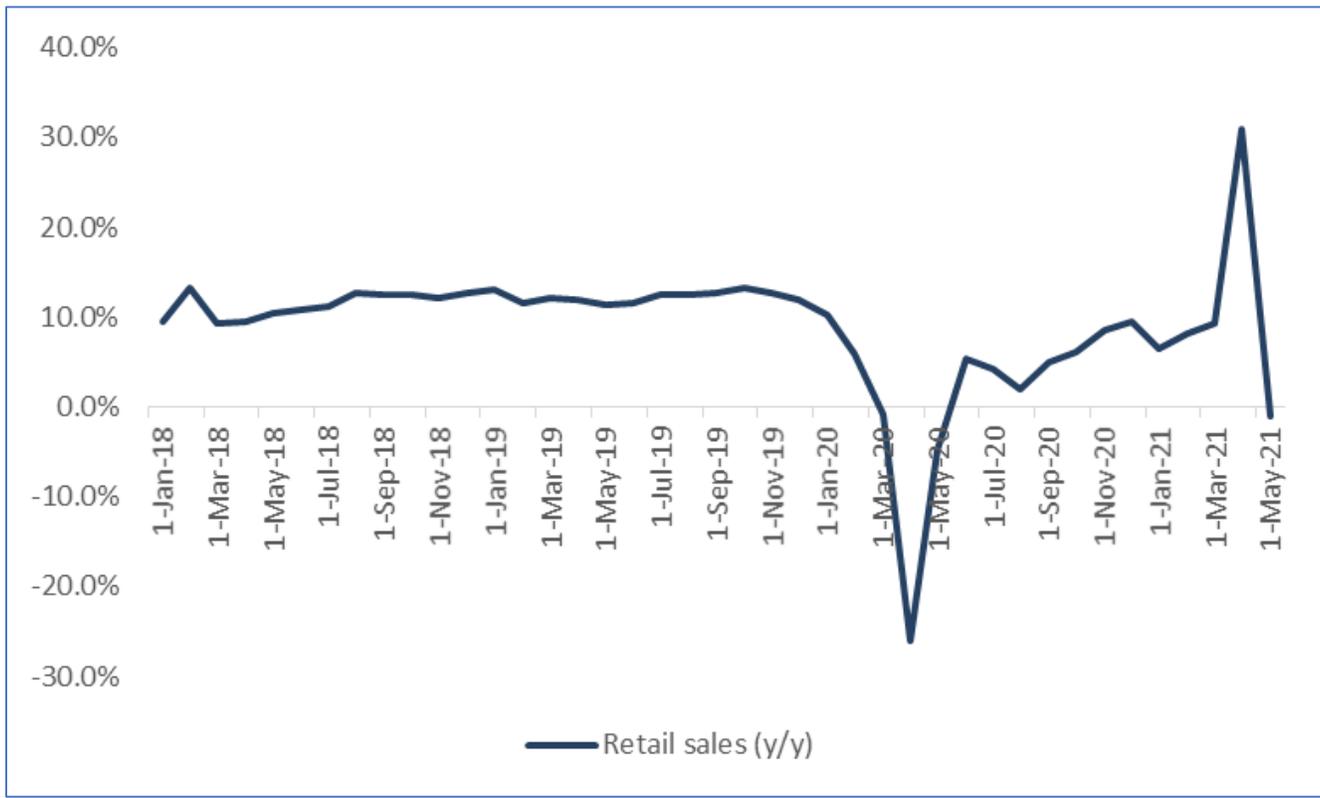
Domestic demand: inevitably slowing down

Total estimated retail sales of consumer goods and services in May reached VND 393.6 trillion, slid 3.1% MoM and -1% YoY, down from very strong recovery 30.9% YoY in April, which was rather against the low base. The GSO claims that the slowdown was again due to secondary outbreak, 5M2021 retail sales of goods and services reached VND 2,086 trillion, up by 7.6% YoY (real growth +6.3% vs -6.6% las year).

In terms of the mix, 5M2021 retail sales of good reached VND 1,670 trillion, account for about 80% total sales, up by 7.8% YoY. Hospitality and catering sales, up by 4.6% YoY, account for 9.4% the overall retail sales to reach VND 197 trillion.

The HCMC's two week social distancing may continue to hit the demand in June since the city represent the largest provincial economy of the country.

Domestic demand was hit by Vietnam’s worst COVID outbreak



Source: GSO

The good news is CPI is still under control

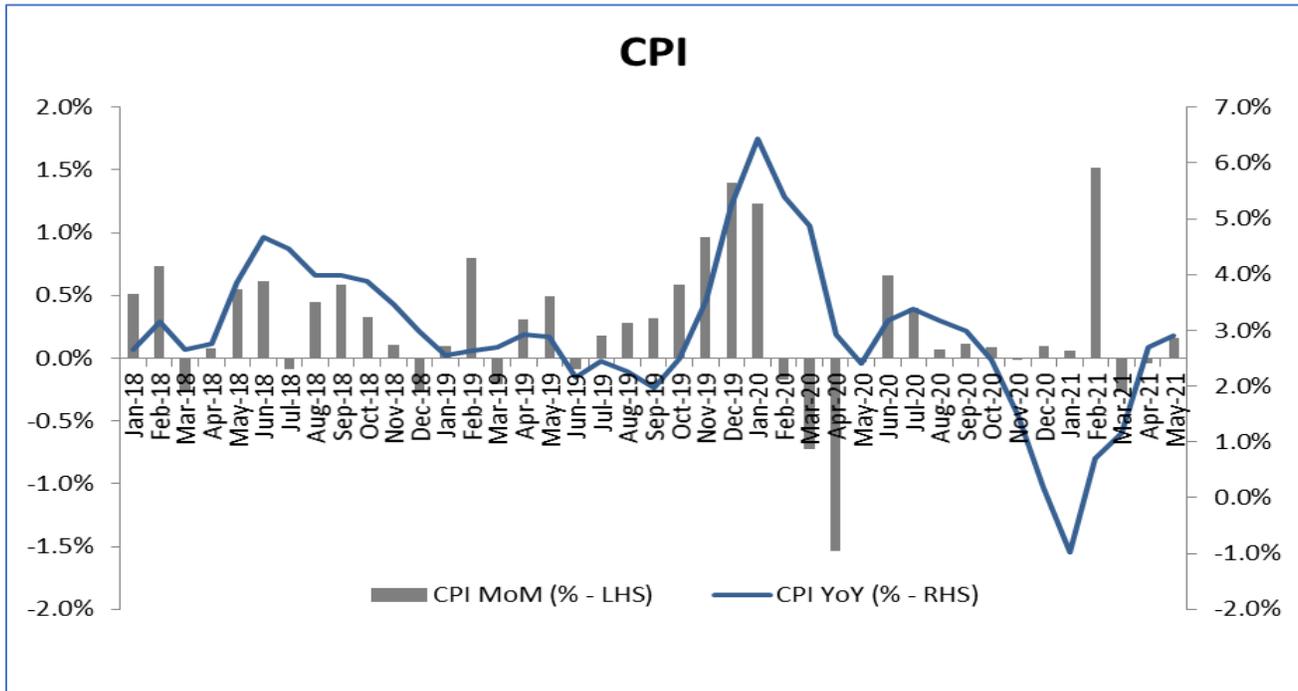
Despite recent advance in prices of most of the commodities, we can see that the CPI is still under control, which gives room to the expansionary monetary policy. Going forward, CPI faces upside risk as the spike in most of the commodities’ prices might eventually affect the CPI basket.

Specifically, the consumer price index (CPI) in May 2021 decreased by 0.16% MoM (but rose by 2.9% YoY). The CPI rose by 1.43% YTD, which indicates decent room to achieve the annual target of below 4%. Prices of 8 out of 11 items in the CPI basket declined in May.

Breaking down the CPI basket, housing and building materials, account for 15.7% CPI basket, posted significant increase by 0.4% MoM; Transportation, account for 9.37%, rose by 0.76% MoM due to 2.12% petro price spikes.

The low inflation environment should facilitate the ongoing accommodative monetary and fiscal policies.

Inflation (as measured by CPI) is still under control



Source: GSO

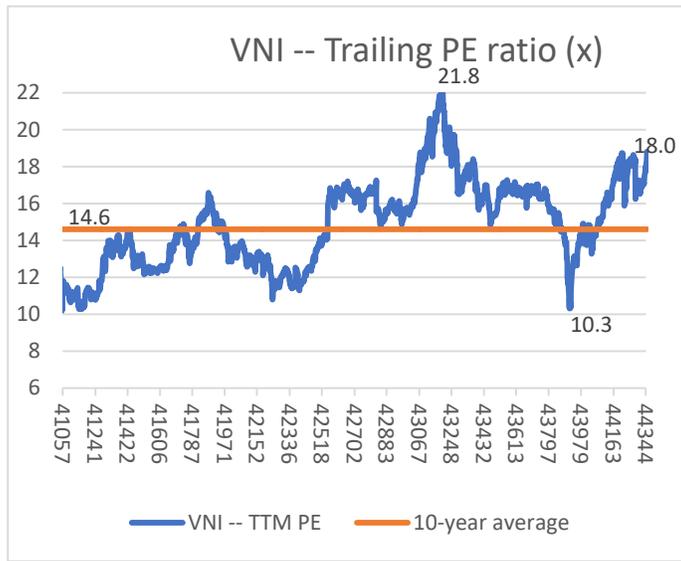
The overall fundamental macro outlook is still positive.

Despite the obvious risks from COVID-19, industrial production should continue to recover along with US and EU demand and this looks set to persist in the months ahead given that the opening of those economies is gaining momentum. From the World Bank’s 2021 economic outlook: “Vietnam’s economy is set to grow 6.6 percent in 2021 on the back of successful control of COVID-19 infections, strong performance by export-oriented manufacturing and robust recovery in domestic demand.”

We see limited risk to the export story given that the major export markets are opening up as they emerge from the COVID misery and should be turbo-charged in the immediate term by fiscal stimulus that appears especially tailored to boost consumption (and thus political popularity of decision makers), which should directly benefit Asian export manufacturers. In Vietnam, domestic demand may be at some level of downside risk; it seems likely that the pandemic resurgence here will result in restrictions becoming increasingly widespread, strict, and enforced.

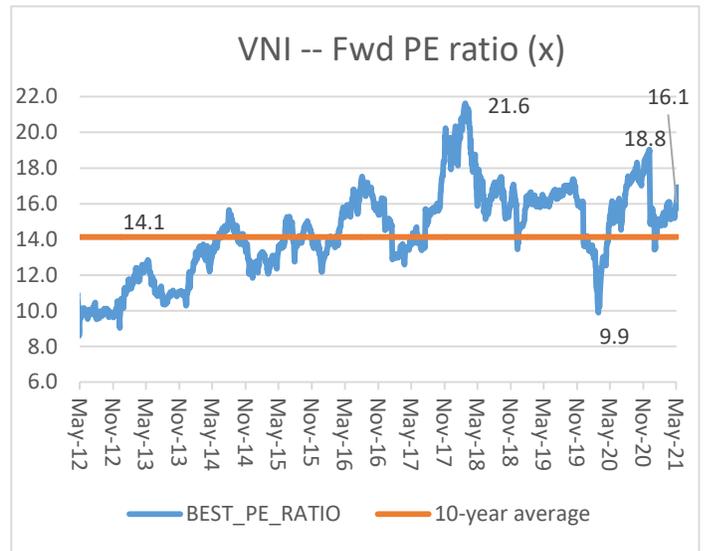
That said, we do not believe that COVID-19 will derail Vietnam’s positive long-term macro story, which remains solid despite the potential short-term headwinds. From the myopic perspective of the financial markets, current conditions suggest that domestic monetary policy will remain looser for longer given the stresses confronting pandemic-impacted borrowers

The VNI's trailing PE ratio as of Friday's close was 18.0x.



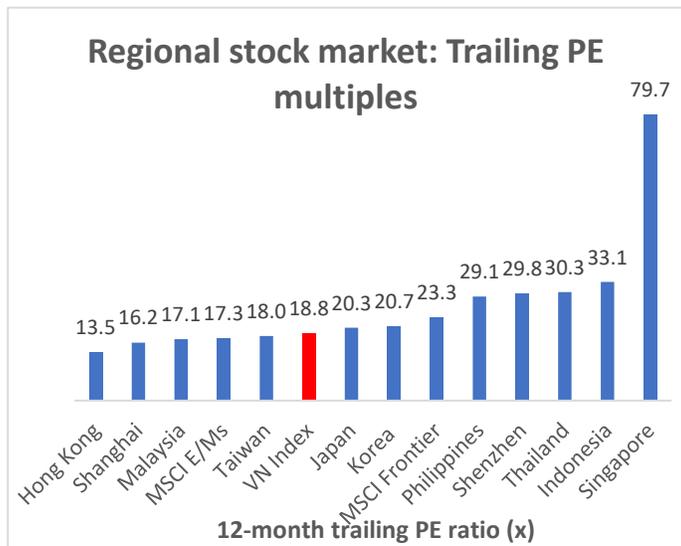
Source: Bloomberg, Yuanta Vietnam

The mainboard's forward (2021E) PE is now 16.0x, based on Bloomberg consensus.



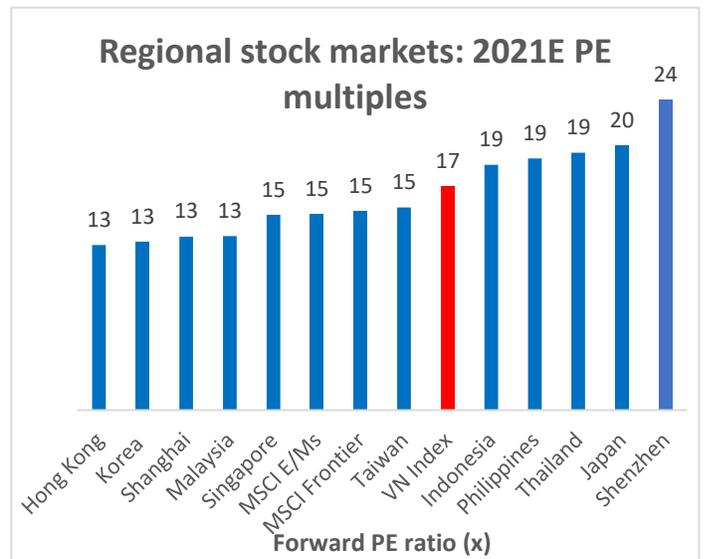
Source: Bloomberg (2021E consensus PE), Yuanta Vietnam

Vietnam stocks are cheap vs. the region on a trailing P/E basis...



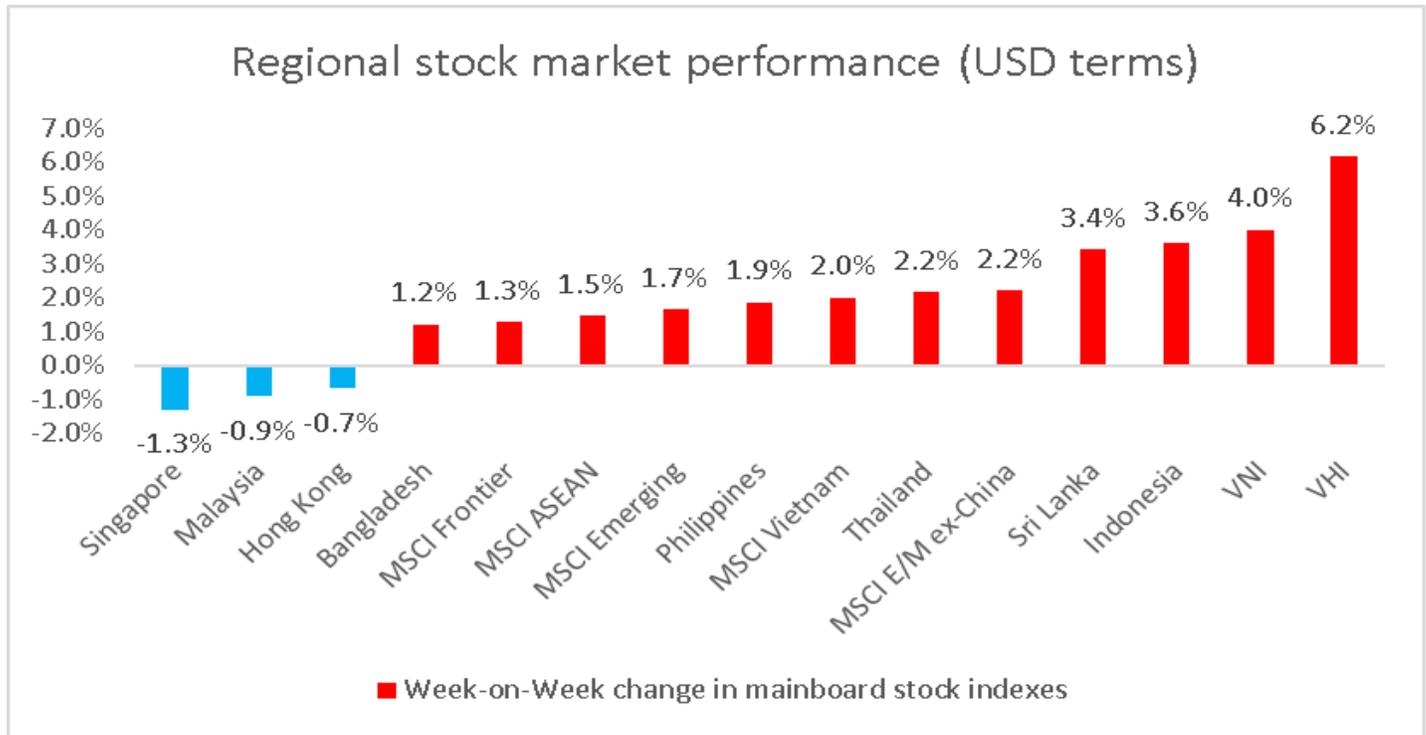
Source: Bloomberg, Yuanta Vietnam (May 28)

...but in the middle of the pack on forward earnings multiples.

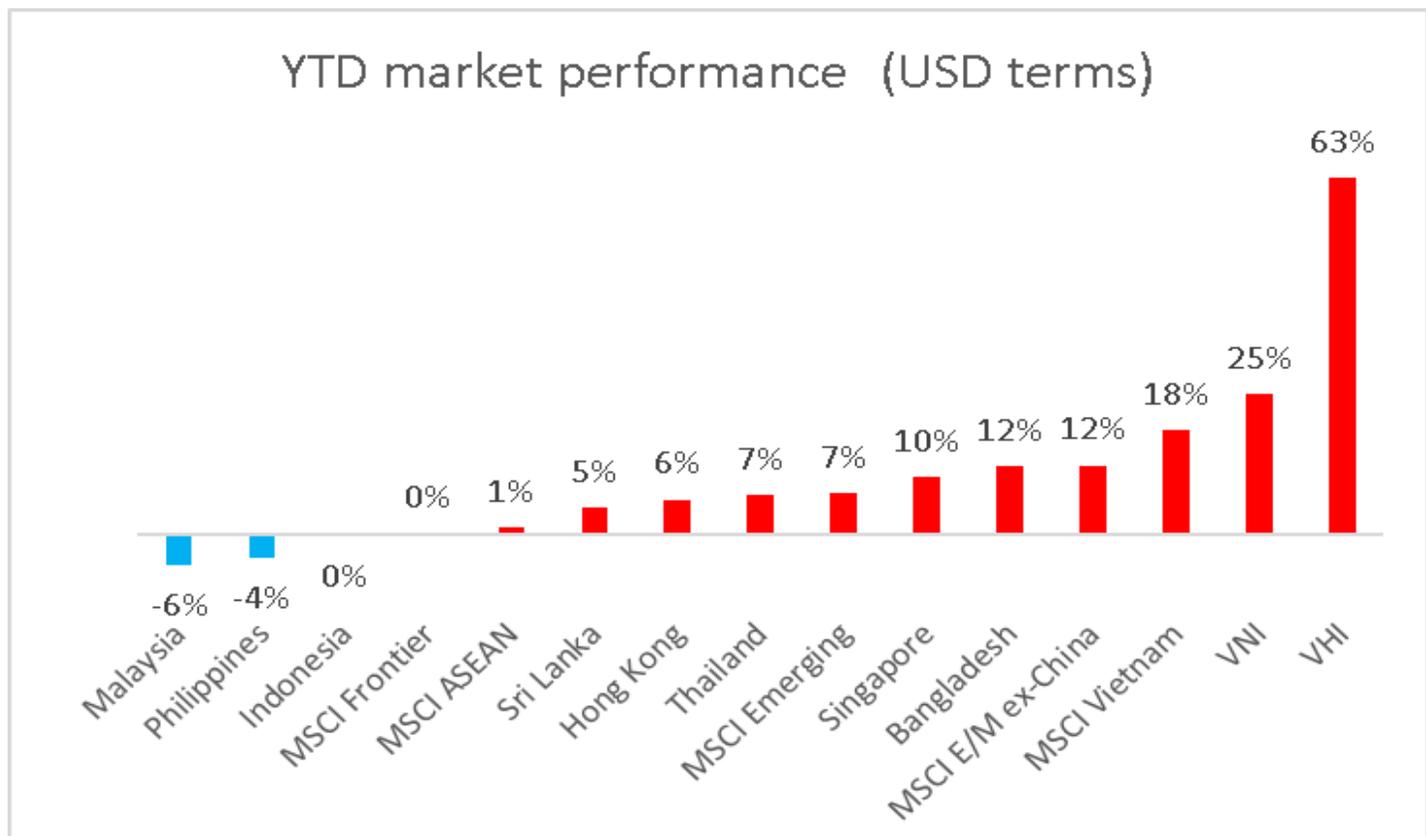


Source: Bloomberg (2021E consensus PE), Yuanta Vietnam (May 28)

Vietnam continued to outperform most of the region last week (although the Philippines, which has been the region's worst performing market YTD, saw a major bounce late last week).

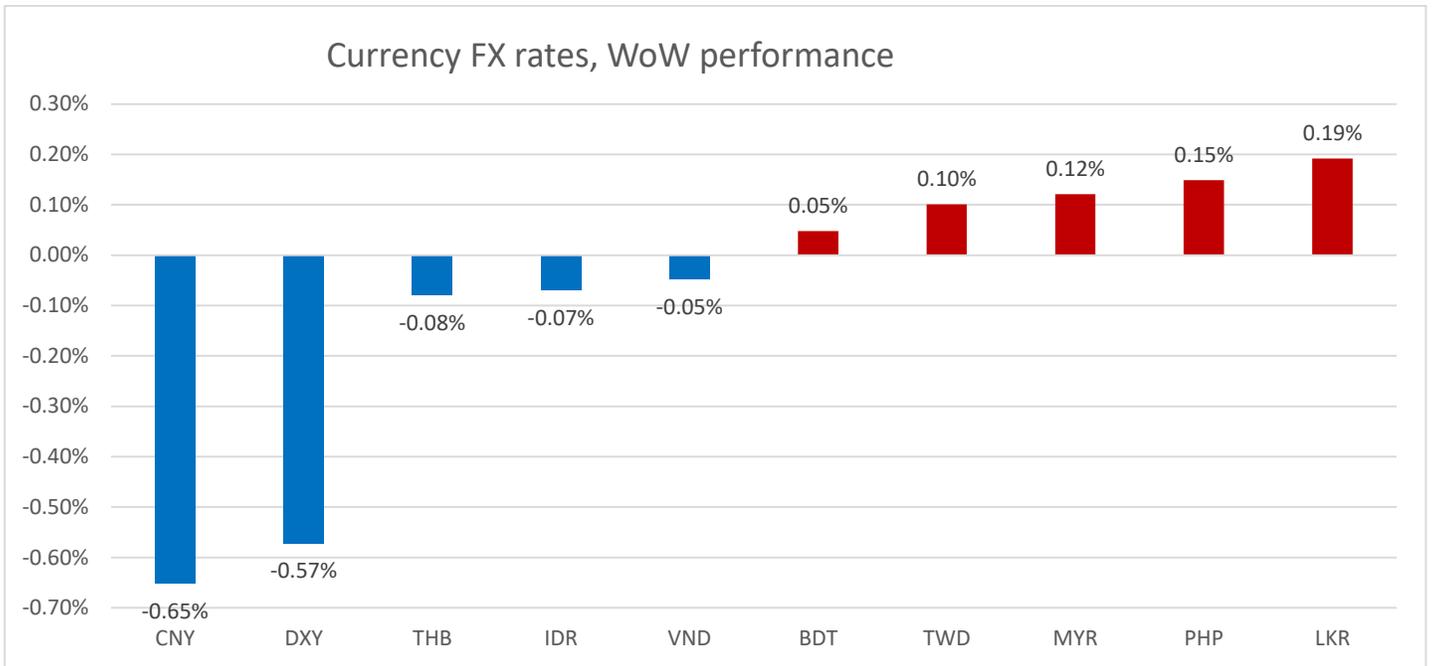


Source: Bloomberg, Yuanta Vietnam (Jun 4)



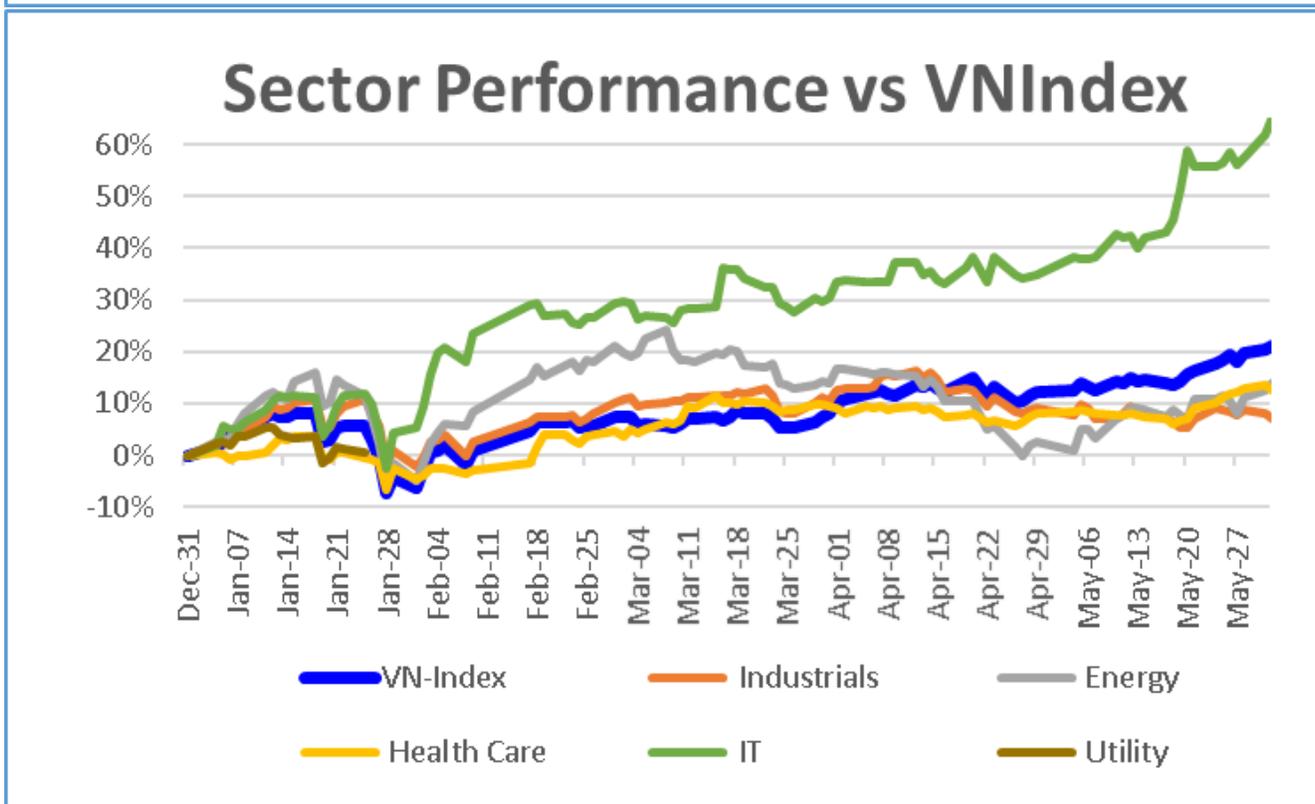
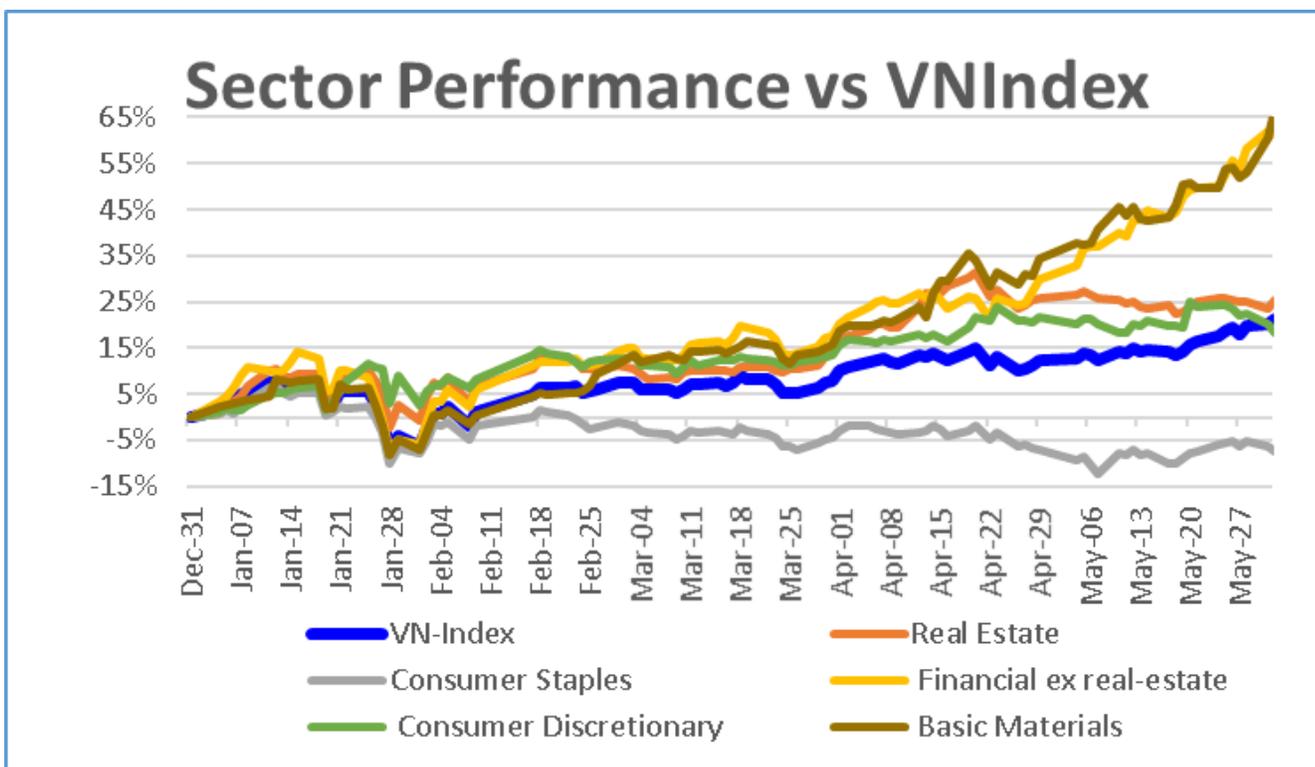
Source: Bloomberg, Yuanta Vietnam (Jun 4)

Regional currencies: VND retains its low-volatility characteristics vs peers



Source: Bloomberg (Jun)

Sector performance YTD -- There is No Alternative: Banks & materials continue to crush the other sectors.



Source: Bloomberg (Jun 4)

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2019A	2020E	2021E	2019A	2020E	2021E	2019A	2020E	2021E	2019A	2020E	2021E	2019A	2020E	2021E	2019A	2020E	2021E
Banks	ACB VN	12.5	12.9	10.7	18.1	(3.3)	20.3	0.7	n/a	0.5	2.7	2.8	2.2	24.2	24.0	22.8	1.7	1.8	1.9
	BID VN	27.5	23.6	19.5	9.1	16.5	21.4	3.0	1.4	0.9	2.5	2.4	2.3	10.5	10.9	12.4	0.5	0.5	0.6
	HDB VN	15.9	13.3	10.7	(26.4)	19.4	24.7	n/a	0.7	0.4	1.8	2.5	2.0	19.3	18.8	19.2	1.6	1.5	1.5
	MBB VN	15.1	13.9	10.6	14.1	8.5	31.2	1.1	1.6	0.3	2.5	2.4	2.0	19.8	18.4	20.1	1.9	1.8	2.1
	STB VN	28.7	26.0	19.4	43.3	10.5	34.3	0.7	2.5	0.6	2.2	2.0	1.8	7.9	8.0	9.8	0.5	0.5	0.6
	VCB VN	23.4	23.6	17.9	34.8	(0.6)	31.4	0.7	n/a	0.6	4.8	4.1	3.5	23.2	18.8	21.0	1.4	1.3	1.5
	VPB VN	21.2	24.7	19.2	11.6	(13.9)	28.8	1.8	n/a	0.7	4.1	3.5	3.0	21.5	15.5	17.0	2.4	1.8	2.1
Brokers	HCM VN	28.5	28.6	17.7	(49.0)	(0.3)	61.2	n/a	n/a	0.3	2.9	2.9	2.7	11.7	11.0	17.1	6.2	5.9	8.8
	SSI VN	31.7	34.5	24.7	(32.5)	(8.0)	39.4	n/a	n/a	0.6	3.0	2.8	2.6	9.8	8.7	11.4	3.6	2.9	3.5
	VCI VN	20.4	30.3	23.6	(16.3)	(32.6)	28.4	n/a	n/a	0.8	3.4	3.2	2.9	18.0	11.1	13.0	9.9	5.9	6.8
	VND VN	34.7	54.3	34.1	(4.3)	(36.1)	59.5	n/a	n/a	0.6	3.9	3.8	3.5	12.3	7.4	11.2	3.3	1.9	2.7
Energy	PVD VN	54.1	203.4	(240.4)	(4.0)	(73.4)	(184.6)	n/a	n/a	n/a	0.7	0.7	0.7	17.1	0.4	(0.3)	0.9	0.2	(0.2)
	NT2 VN	7.7	9.3	12.4	(2.7)	(17.1)	(25.3)	n/a	n/a	n/a	1.4	1.3	1.5	14.8	7.4	15.9	9.2	9.0	7.4
	PC1 VN	12.1	8.9	10.1	(32.1)	34.7	(11.3)	n/a	0.3	n/a	1.2	0.9	0.8	10.2	11.9	9.0	4.8	5.3	3.6
Consumer	MSN VN	22.5	24.8	20.2	4.8	(9.6)	22.9	4.7	n/a	0.9	3.6	3.2	2.7	17.3	13.5	14.5	8.4	7.0	8.0
	PNJ VN	23.7	25.8	18.9	(20.2)	(8.2)	36.8	n/a	n/a	0.5	3.8	3.3	2.8	28.7	25.9	20.3	17.8	16.0	13.2
	DGW VN	35.1	28.5	26.2	24.5	23.3	8.5	1.4	1.2	3.1	5.7	5.1	4.6	17.1	18.9	18.4	6.1	7.1	7.1
Oil & GAS	POW VN	15.5	13.6	12.7	(18.0)	14.1	7.5	n/a	1.0	1.7	0.9	0.9	0.9	6.8	7.4	7.6	3.9	4.5	4.5
Property	KBC VN	12.5	11.5	9.0	23.0	(54.0)	400.0	2.5	n/a	0.3	2.2	1.9	1.6	10.0	3.0	20.0	6.0	1.0	9.0
	KDH VN	26.5	19.3	17.5	(15.8)	37.0	10.6	n/a	0.5	1.7	2.8	2.5	2.2	11.9	14.5	14.2	7.5	8.9	9.4
	NLG VN	9.0	13.9	17.1	27.0	(35.0)	(19.0)	0.3	n/a	n/a	2.1	2.0	2.0	18.0	13.0	12.0	10.0	7.0	6.0
	NVL VN	52.9	42.8	40.1	(23.3)	23.8	6.6	n/a	1.8	6.1	6.4	6.4	6.4	10.2	11.2	11.1	3.1	3.4	3.3
	VHM VN	19.1	15.0	11.2	20.4	27.1	33.5	0.9	0.6	0.3	1.6	1.2	0.9	30.0	28.7	28.5	11.6	11.9	12.7
Transportatio	ACV VN	23.6	21.8	16.9	5.0	8.3	28.8	4.7	2.6	0.6	4.1	3.5	2.9	20.7	18.8	20.2	12.1	11.4	11.3

Stock ratings and pricing data is as of close on Jun 4, 2021.

Source: Bloomberg, Yuanta Vietnam



Appendix A: Important Disclosures

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