

## Strategy: Traveling to normalcy? Mobility restrictions to ease from September 16

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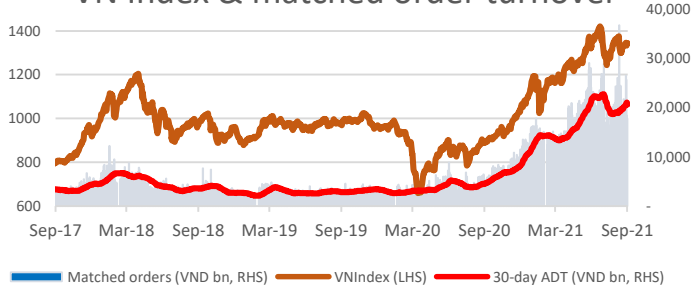
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**Directionless trading** continued last week, with the VNI closing at 1345 on Friday, +1% WoW. The market has so far obtained technical support at its 100-day moving average, but overall the technicals are mixed. Notably, the 50-day MA has been trending down and is now converging with the 100-day MA for the first time since the Golden Cross of September 2020. The VNI will probably remain buoyant, but a potential reverse cross on the downside would be a bearish technical signal.

VN Index & matched order turnover



### Index, Flows, and FX Performance

- **VNINDEX:** 1345 (+0.8% WoW / +21.9% YTD / +51.4% YoY)
- **VHINDEX:** 350 (+1.9 WoW / +72.3% YTD / +178.2% YoY)
- **UPCOM Index:** 95.4 (+1.5% WoW / +28.2% YTD / +61.6% YoY)
- **Average daily turnover:** US\$1,221 mn (+0.6% WoW)
- **Foreigners net sold** US\$137mn of three-index constituents
- **VND:USD rate:** 22,763 (flat WoW / +147bp YTD / +177bp YoY)

### VN30 Components

Ticker	Closing price (VND K)	WoW chg	Cont to VN30 (WoW)	TTM PE (x)
ACB	32.3	0.9%	3%	9
BID	39.7	1.7%	0%	16
BVH	56.0	-1.4%	0%	22
CTG	32.3	0.8%	1%	9
FPT	93.5	1.2%	4%	22
GAS	88.6	0.0%	0%	22
GVR	39.3	-2.0%	-1%	33
HDB	25.9	1.0%	2%	10
HPG	51.5	4.7%	26%	9
KDH	40.6	3.2%	2%	21
MBB	28.2	1.1%	3%	10
MSN	130.0	-2.5%	-6%	73
MWG	118.9	7.9%	19%	18
NVL	103.3	-1.3%	-3%	29
PDR	82.3	-4.0%	-3%	29
PLX	50.5	-0.6%	0%	16
PNJ	94.0	10.2%	8%	16
POW	12.1	-2.8%	-1%	11
SAB	151.4	1.8%	1%	21
SSI	43.8	8.3%	10%	24
STB	27.2	0.0%	0%	14
TCB	49.3	2.1%	10%	11
TPB	37.4	9.4%	10%	9
VCB	99.2	-0.2%	0%	18
VHM	107.5	0.5%	1%	11
VIC	91.3	-3.0%	-13%	52
VJC	129.8	3.4%	5%	445
VNM	86.5	-0.1%	0%	19
VPB	64.6	5.0%	22%	13
VRE	28.0	0.4%	0%	23

Source: Bloomberg, Yuanta Vietnam. Pricing date: Sep 10, 2021.

**Directionless trading** continued (as [expected](#)) with the VNI trading in a tight 1.9% intraday range last week, but a few stocks posted solid gains: PNJ (+10% WoW), TPB (+9%), SSI (+8%), and MWG (+8%). Overall breadth was solid among the VNI constituents (207 gainers / 158 losers) and the big caps (18 gainers / 10 losers on the VN30). Worthy of attention: the VNI's 50-day moving average (1329) has been slowly trending down and is now converging with the 100-day MA (1319).

**Retail investor train keeps on rolling.** You could be forgiven for assuming that the increasingly strict COVID control measures in August might have shifted the greed-and-fear lever toward outright bearishness. But as announced by the VSD last week, Vietnam punters opened up 120,765 new investment accounts in August, the second highest monthly figure ever (after June's 140K). Total accounts reached 3.6 million, representing c.3.6% of the population. We continue to expect this figure to soar in the years ahead, and this is a key driver of our highly positive long-term structural view of the Vietnam capital markets.

**Consider adding to positions in KBC.** Property analyst Tam Nguyen has updated his [view](#) on KBC in light of the pandemic and the company's YTD operational performance. Tam has shuffled around his cashflow expectations for KBC's key residential project, which we see as a timing issue rather than a structural hurdle. Vietnam's FDI story remains intact, as exhibited by core tenants such as LG Display expanding their manufacturing capacity. Of course, COVID is affecting sentiment and pledged FDI, but the outbreak has receded in KBC's core operating areas in the north, and its tenants continue to honor their lease agreements.

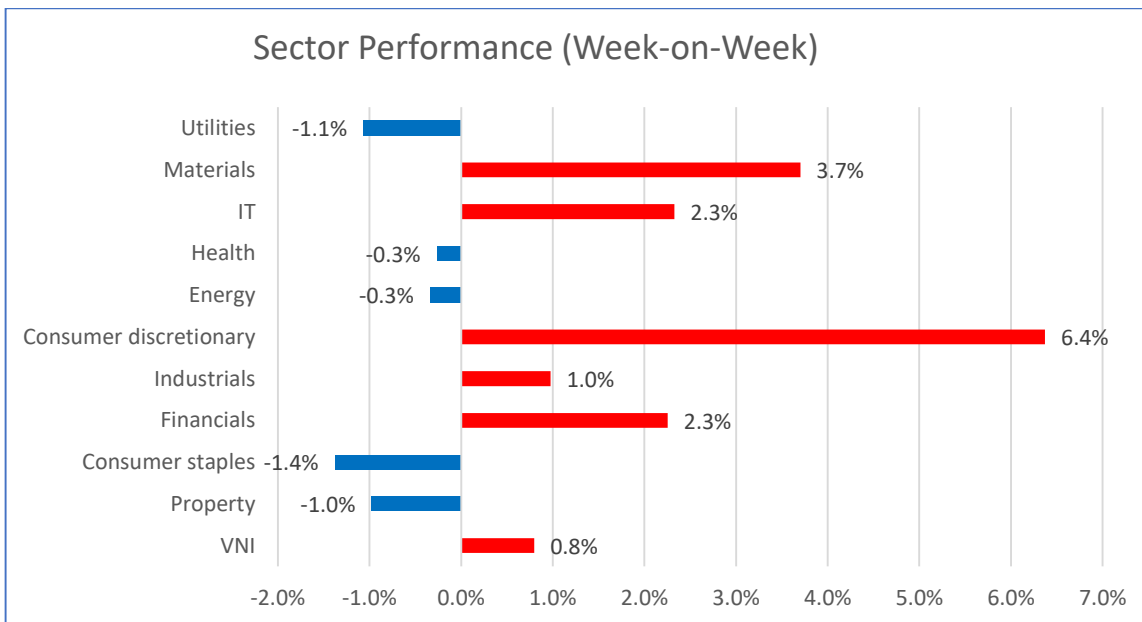
**August macro numbers were bleak**, as industrial production, the manufacturing PMI, and retail spending were all smacked down by the pandemic situation. If you missed our monthly strategy report on Sep 2, please see p.18-22 of this note for Binh Truong's summary of the August GSO data. The policy response appears to be shifting toward a living-with-COVID approach, a focus on vaccinations, and eased mobility restrictions in HCMC, but travelling back to normalcy will take time.

## 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	2021 E Dividend yield	12-m TSR*
<b>Banks</b>	Asia Commercial Bank	ACB VN	3,834	15.4	BUY	32,300	30,492	-6%	0.0%	-6%
	BIDV	BID VN	7,006	5.2	SELL	39,650	37,300	-6%	3.2%	-6%
	HD Bank	HDB VN	2,267	5.1	BUY	25,900	31,656	22%	0.0%	22%
	MB Bank	MBB VN	4,681	28.8	BUY	28,200	25,358	-10%	0.0%	-10%
	Sacombank	STB VN	2,253	33.7	HOLD-Underperform	27,200	16,790	-38%	0.0%	-38%
	Vietcombank	VCB VN	16,163	7.7	BUY	99,200	114,650	16%	1.2%	16%
	Vietnam Prosperity Bank	VPB VN	7,009	45.8	HOLD-Outperform	64,600	66,485	3%	0.0%	3%
<b>Brokers</b>	HCM City Securities	HCM VN	740	13.7	HOLD-Outperform	55,200	42,317	-23%	1.8%	-21%
	Saigon Securities	SSI VN	1,893	35.5	HOLD-Underperform	43,800	42,706	-2%	2.3%	0%
	Viet Capital Securities	VCI VN	936	12.2	SELL	64,000	39,653	-38%	1.8%	-34%
	VNDirect Securities	VND VN	1,012	18.4	SELL	53,700	30,669	-43%	1.5%	-42%
<b>Energy</b>	PV POW	POW VN	1,245	5.2	BUY	12,100	13,137	9%	2.5%	11%
	PV NT2	NT2 VN	271	0.5	SELL	21,450	19,318	-10%	9.3%	-3%
	PCC1	PC1 VN	299	2.0	BUY	35,600	34,864	-2%	0.0%	-2%
<b>Consumer</b>	Masan Group	MSN VN	6,742	7.9	BUY	130,000	84,908	-35%	0.0%	-35%
	Phu Nhuan Jewelry	PNJ VN	939	2.6	HOLD-Outperform	94,000	92,197	-2%	2.7%	0%
	Digiworld	DGW VN	396	2.2	HOLD-Outperform	102,000	31,574	-69%	1.5%	-68%
<b>Oil &amp; GAS</b>	PV Drilling	PVD VN	337	6.4	BUY	18,200	26,598	46%	0.0%	46%
<b>Property</b>	Kinh Bac City	KBC VN	887	18.3	BUY	43,000	55,226	28%	1.2%	30%
	Khang Dien House	KDH VN	1,110	5.9	BUY	40,550	31,081	-23%	1.2%	-22%
	Nam Long	NLG VN	551	5.5	HOLD-Outperform	44,000	30,517	-31%	1.1%	-30%
	Novaland	NVL VN	6,687	13.6	HOLD-Underperform	103,300	90,100	-13%	0.0%	-13%
	Vinhomes	VHM VN	15,818	37.0	BUY	107,500	145,600	35%	1.4%	35%
<b>Transport</b>	Airports Corp Vietnam	ACV VN	7,986	0.6	HOLD-Underperform	83,500	76,400	-9%	0.6%	-8%
<b>Industrials</b>	Dohaco	DHC VN	260	1.1	BUY	84,400	97,871	16%	5.3%	21%

\*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 Sep 10 2021.

Source: Bloomberg, Yuanta Vietnam



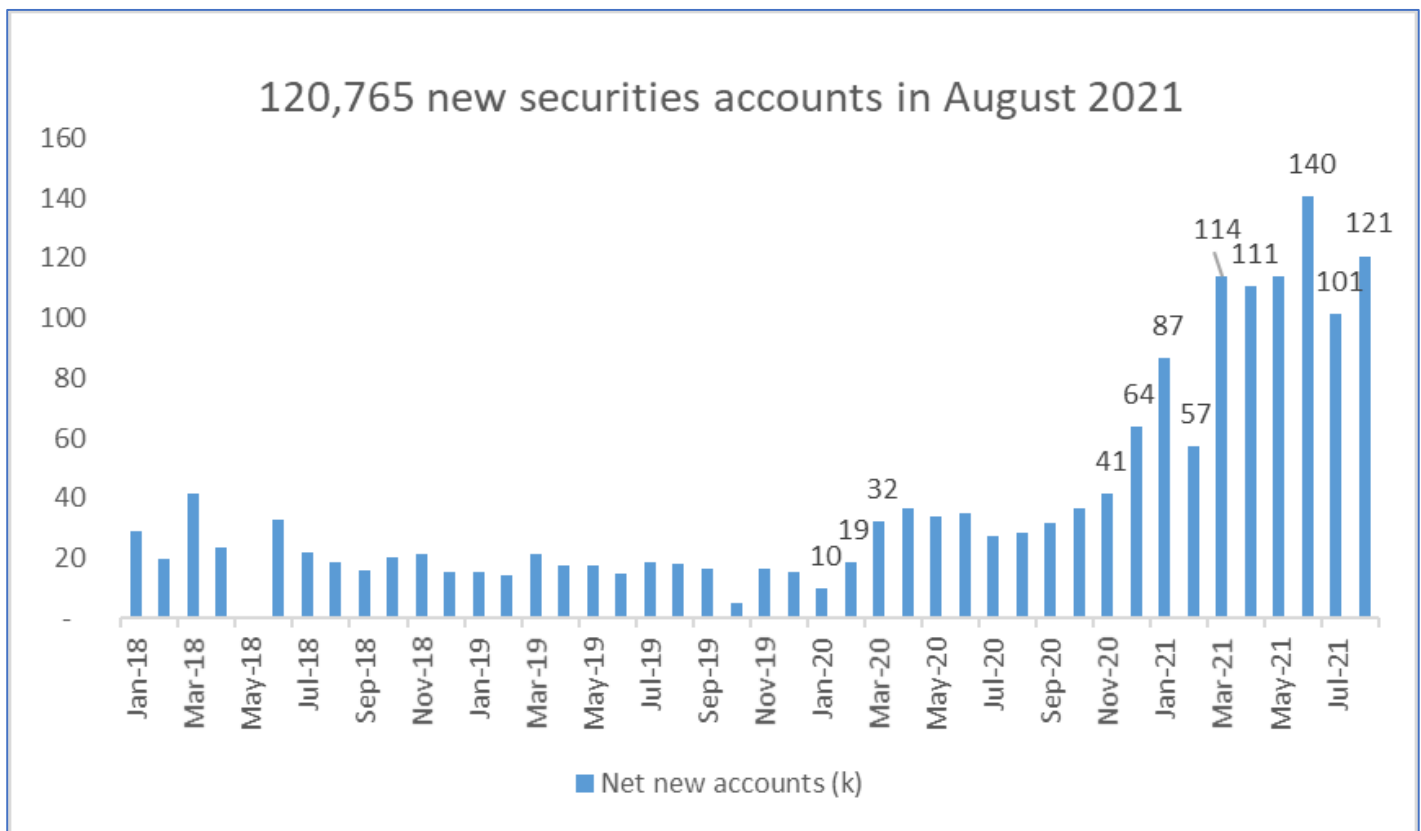
Source: Bloomberg (Sep 10)

*Travelling, travelling, travelling. Travel to Mount Zion. Travel through the east, through Rastafari.*

—Lee Scratch Perry (1936-2021)

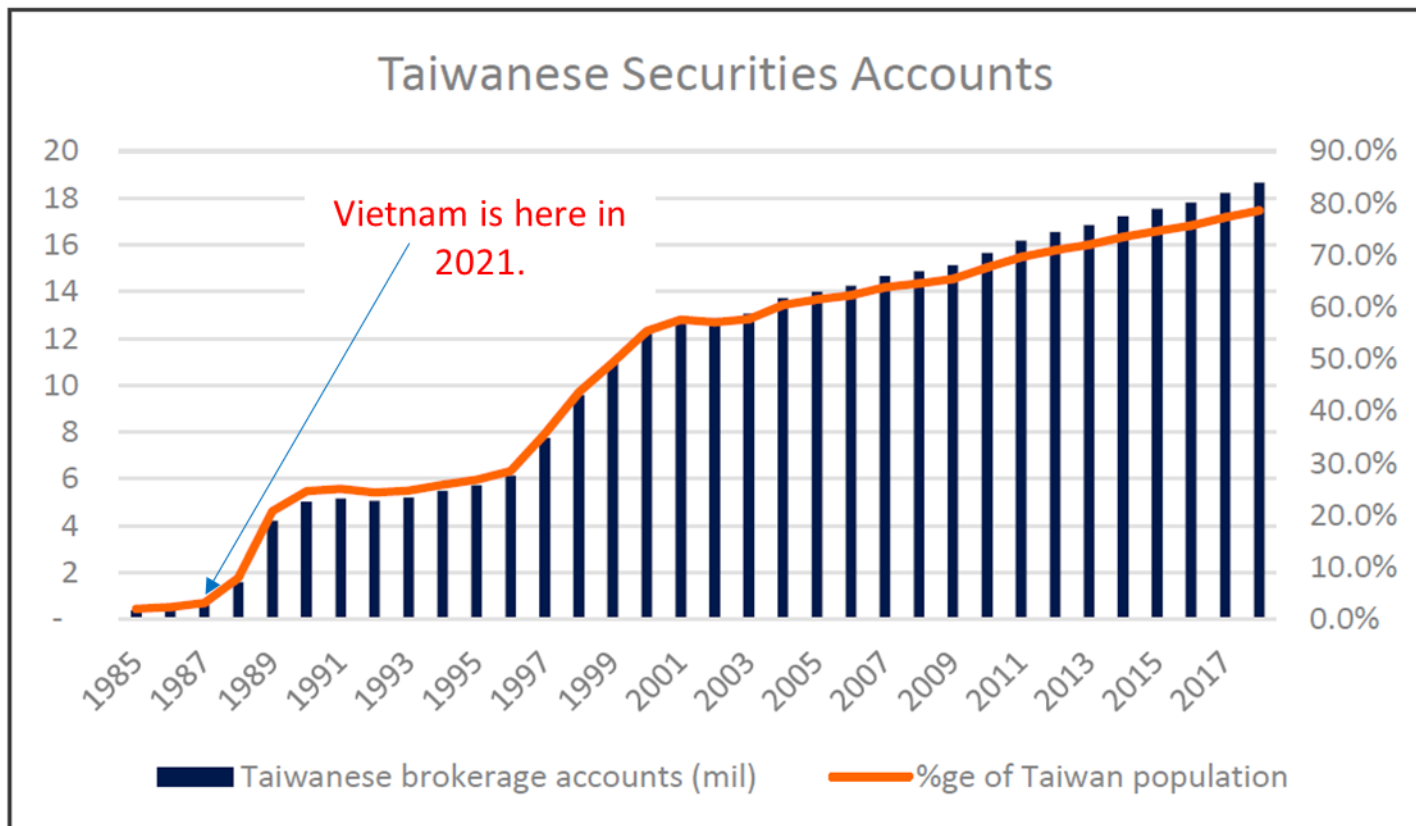
### Retail investor train keeps on rolling

**Amid the pandemic-related restrictions imposed in August, retail investors opened new trading accounts at the second highest pace in history.** You could be forgiven for assuming that the increasingly strict COVID control measures in August might have shifted the greed-and-fear lever decisively into panic mode. But as announced by the Vietnam Securities Depository last week, Vietnam punters opened up 120,765 new investment accounts in August. This is 21% higher than new accounts in July and the second highest monthly figure ever (after June’s 140K). Total new accounts YTD have thus reached 845k, which is 3.8x the figure during the first eight months of 2020. As such, new accounts in 2021 are comfortably on pace to exceed 1 million either this month or October.



Source: Vietnam Securities Depository, Yuanta Vietnam

The total number of accounts in service has reached 3.6 million, representing c.3.6% of Vietnam’s population. We continue to expect this figure to soar in the years ahead, and this is a key driver of our highly positive long-term structural view of the Vietnam capital markets. We continue to see meaningful corollaries with Taiwan in the mid-1980s, a period that preceded an historic market boom that saw the TWSE soar by 13x over the course of the wild five-year bubble that played out over the course of 1985-1990 (caveat: it wasn’t a straight line from the lower left to the upper right). We’ll have more to say on this subject in due course.



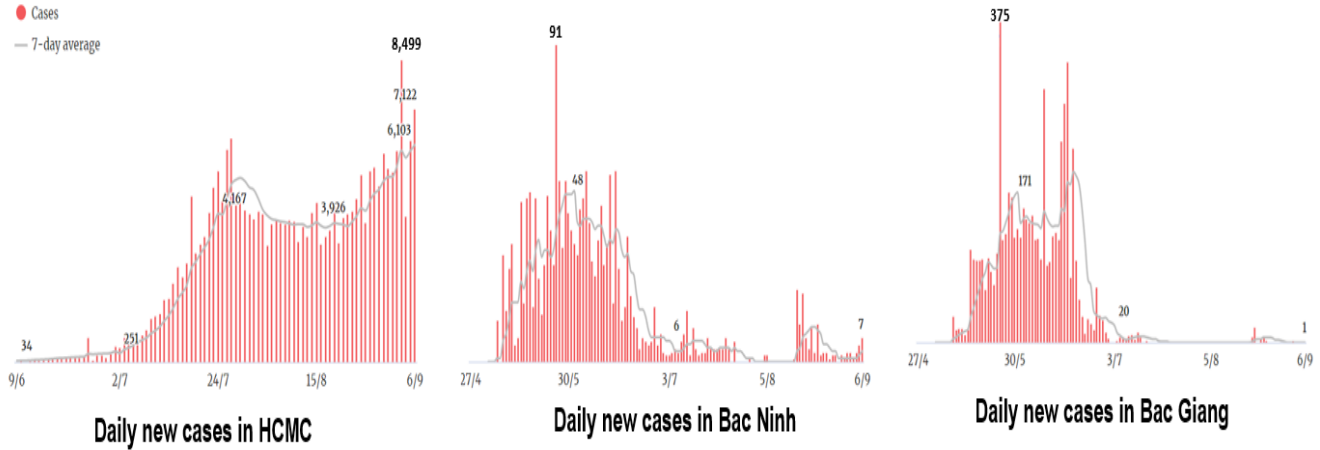
Source: Taiwan Stock Exchange, DGBAS

## Industrial Property: Consider adding to positions in KBC

**Property analyst Tam Nguyen has reiterated his BUY recommendation on KBC.** This is despite the fact that we have pushed back our expectation for margins to improve to 2022E, when PAT should be supported by high-margin bulk sales at Trang Cat Urban Area. The timing of cashflows is of course meaningful for DCF models.

But from a top-down strategy perspective, whether these high-margin revenues begin in 4Q21 or 1Q21 is not a structural concern. More importantly, Vietnam’s FDI story remains intact, as exhibited by core tenants such as LG Display expanding their manufacturing capacity. Of course, COVID is affecting industrial operations and pledged FDI both directly (crowded industrial parks have seen outbreaks, resulting in factory closures) and indirectly (i.e., restrictions on mobility of workers, investors, and logistical services). However, the outbreak has receded in KBC’s core operating areas in the north; and according to management, its tenants continue to honor their lease agreements.

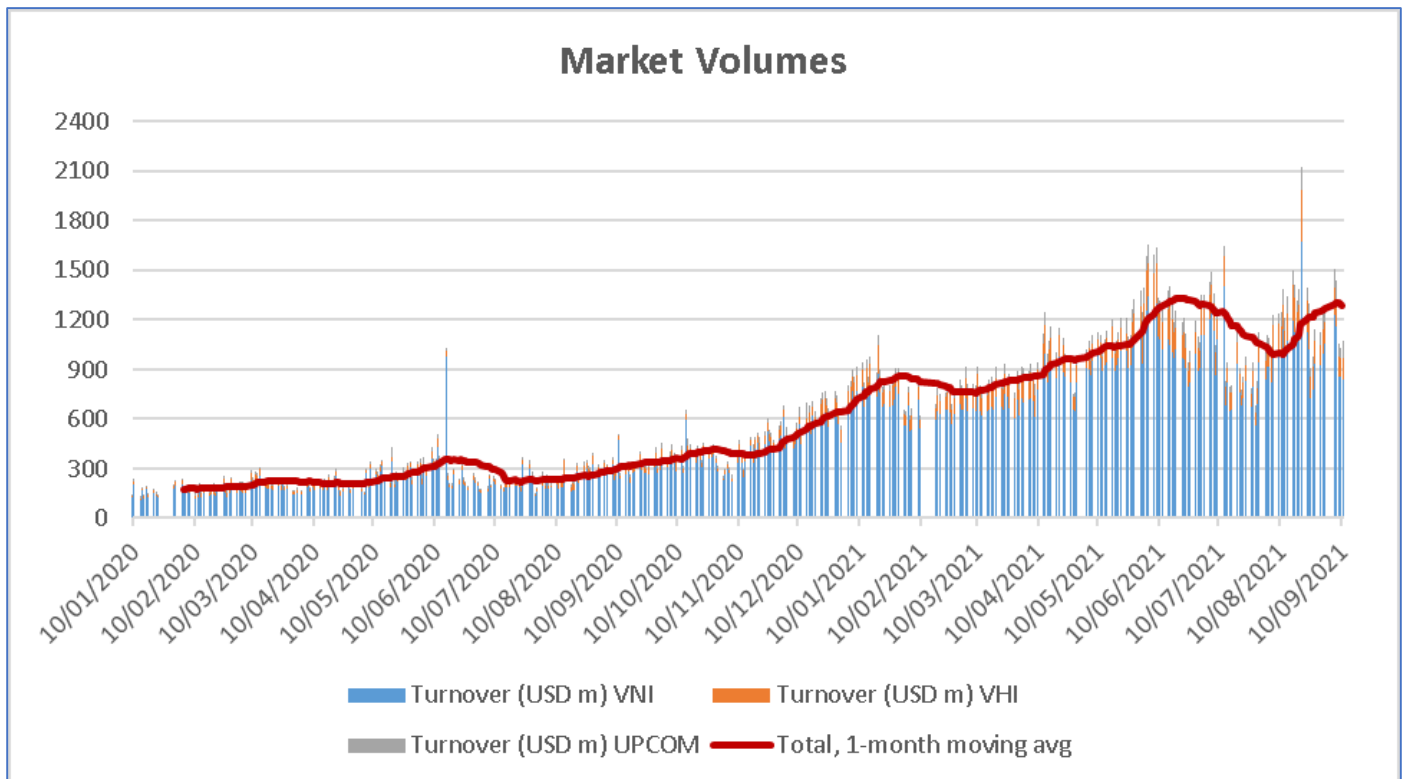
Fig 1: Updated coronavirus situation in KBC's markets



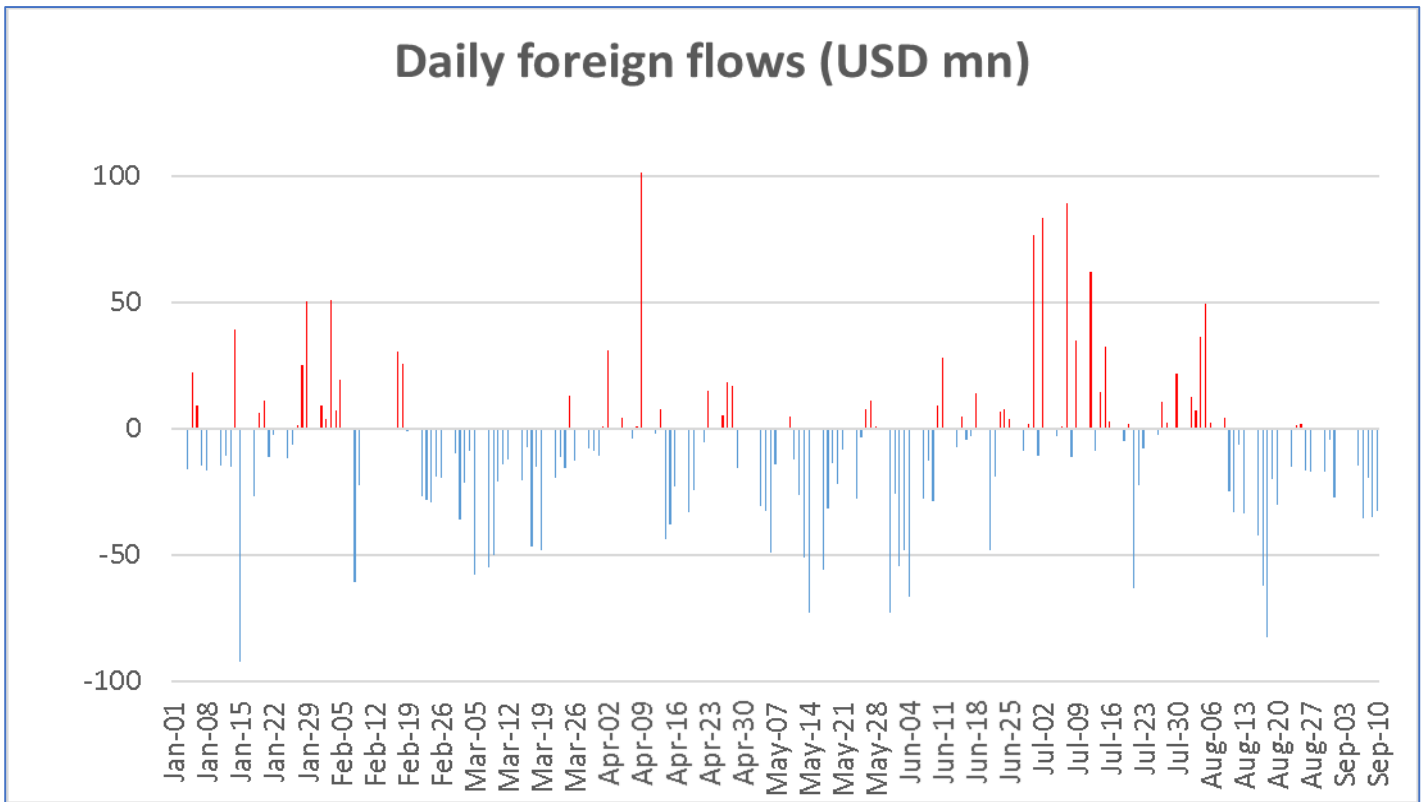
Source: Company data, Yuanta Vietnam

KBC posted strong 1H21 financial performance (revenue +278% YoY and PAT +647%) but the first half run rate was behind management's 2021E guidance and our forecasts. We cut our 2021F PAT forecast by 31% as we now assume earnings streams from Trang Cat UA starting in 2022F instead of 2021F.

Nevertheless, we remain positive on the stock given that financing is in place to accelerate construction at Trang Cat and KBC's IP customers (e.g., LG Display) are demonstrating tenant loyalty as they expand their Vietnam manufacturing operations. Our reduced earnings forecasts and dilution from the 100mn-share private placement drives us to cut our fair value-based target price by 8.7% to VND 50,800. This still implies +19.5% TSR, and we thus reiterate our BUY call on KBC.

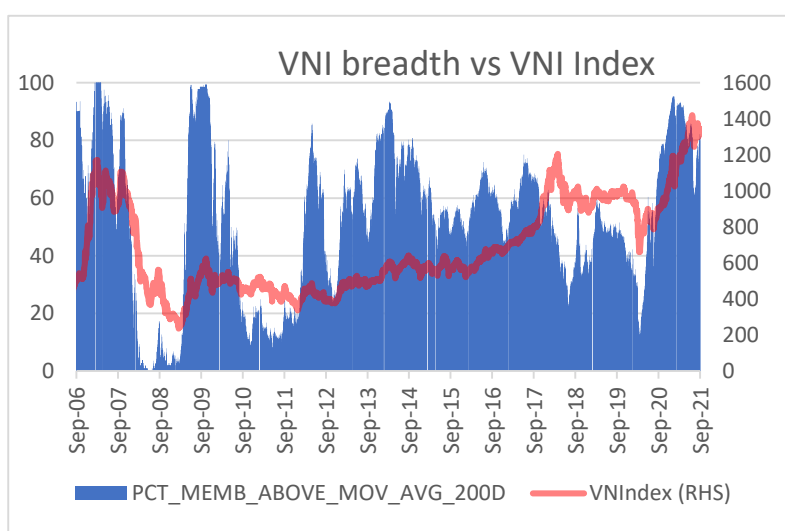


Source: FiinPro, Bloomberg, Yuanta Vietnam (Sep 10)



Source: FiinPro, Yuanta Vietnam (Sep 10)

**Weekly breadth was solidly positive among the large caps and across the wider mainboard**



Source: Bloomberg, Yuanta Vietnam (Sep 10)

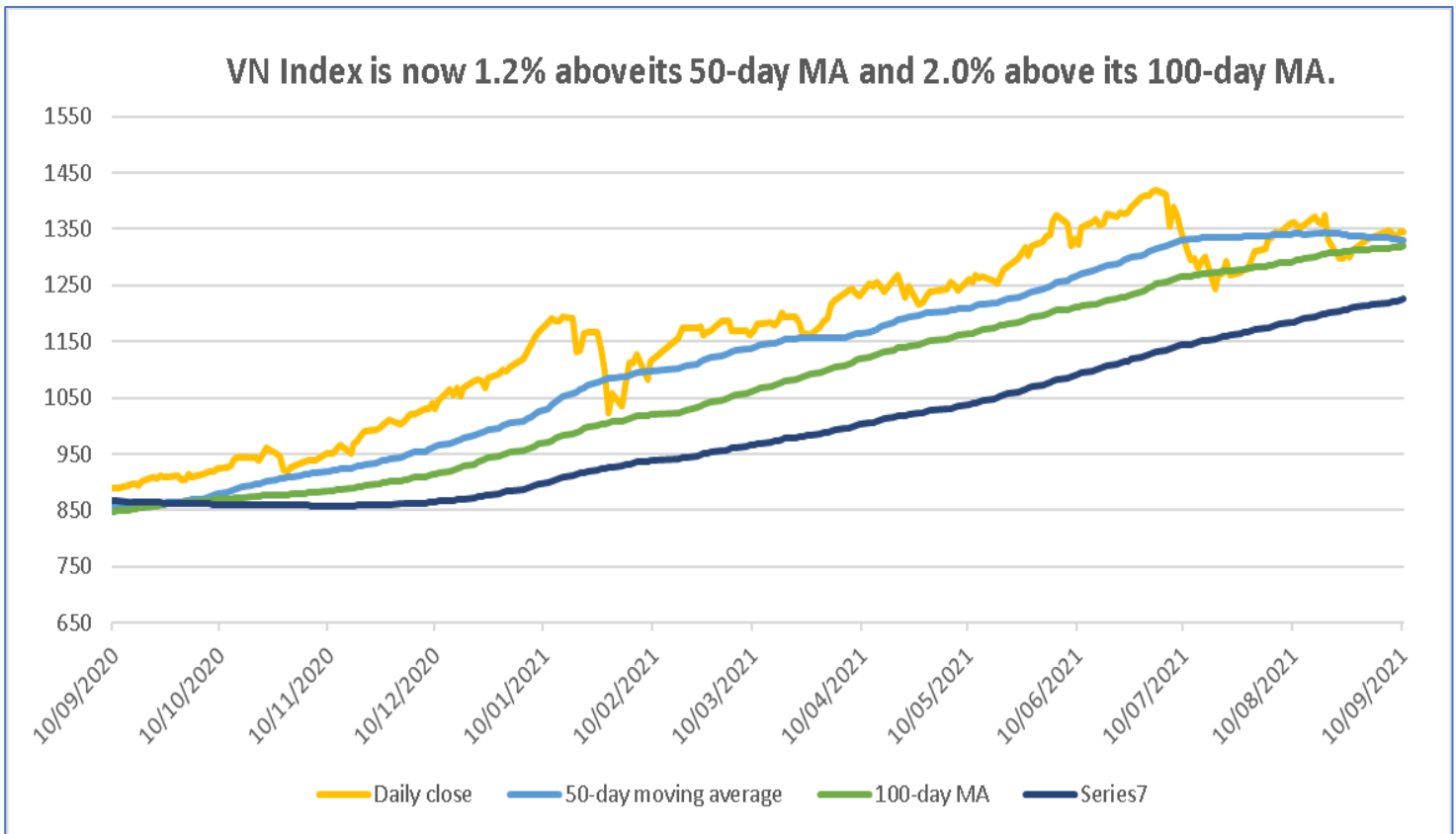
VN 30 breadth			
	WoW	MoM	YTD
Gainers	18	10	22
Losers	10	20	8

Source: Bloomberg (Sep 10)

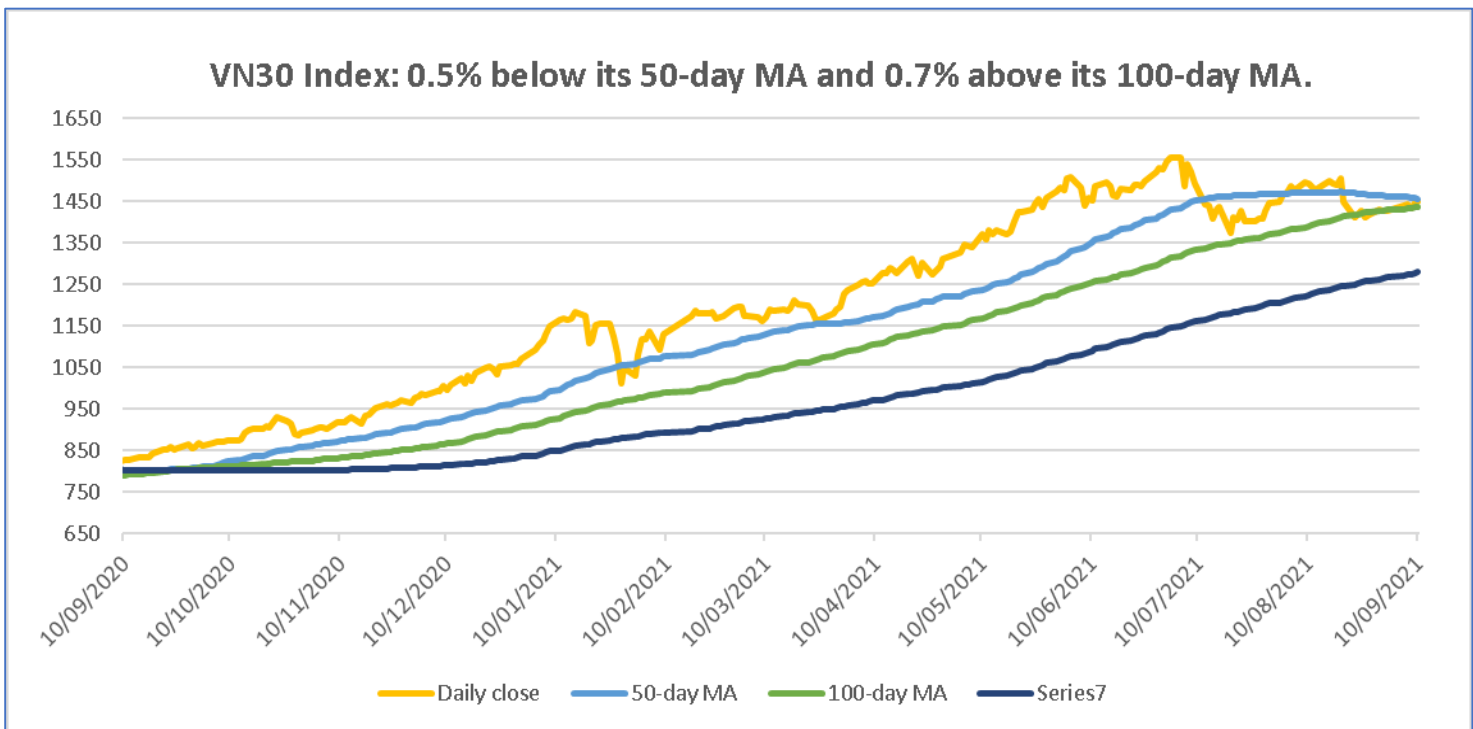
VNI breadth			
	WoW	MoM	YTD
Gainers	207	280	294
Losers	158	98	80

Source: Bloomberg (Sep 10)

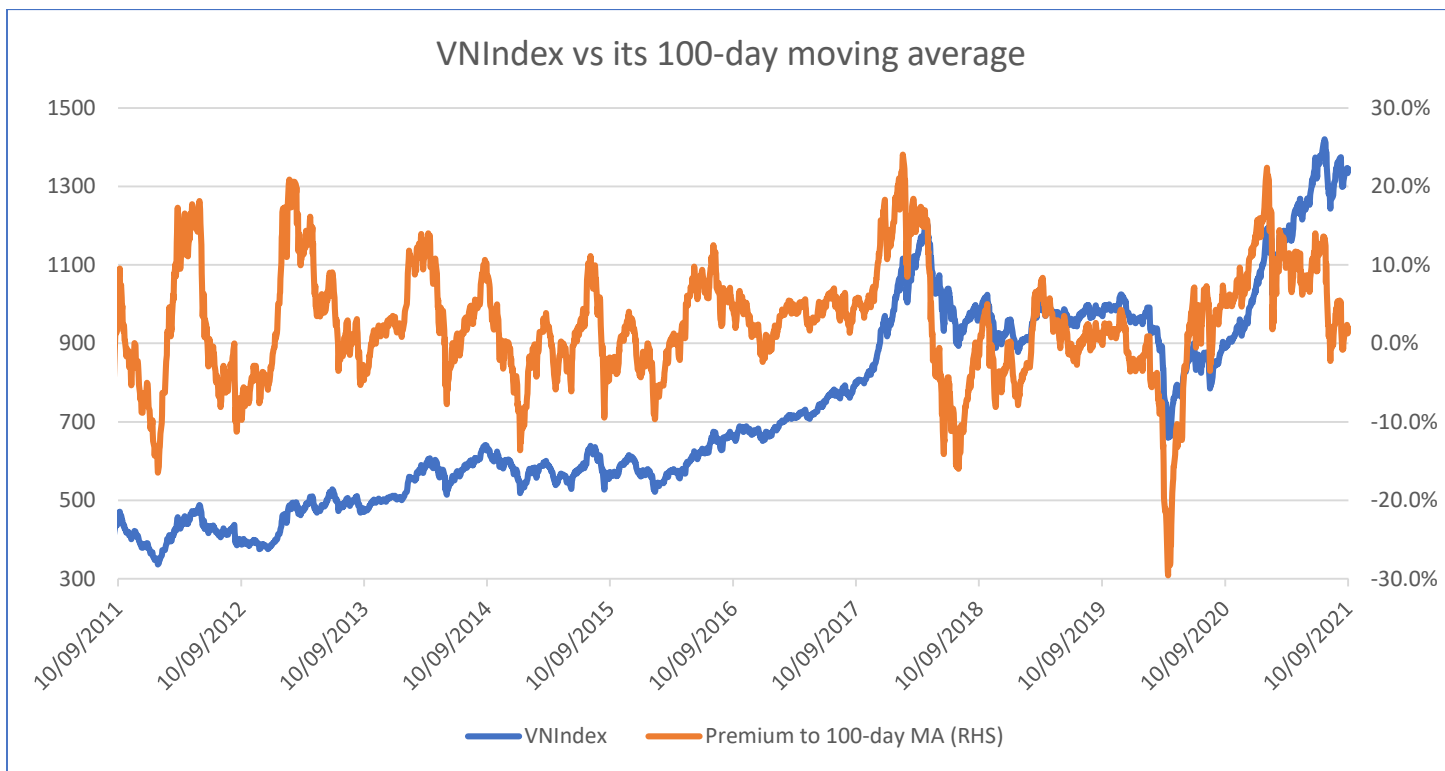
Source: Bloomberg, Yuanta Vietnam



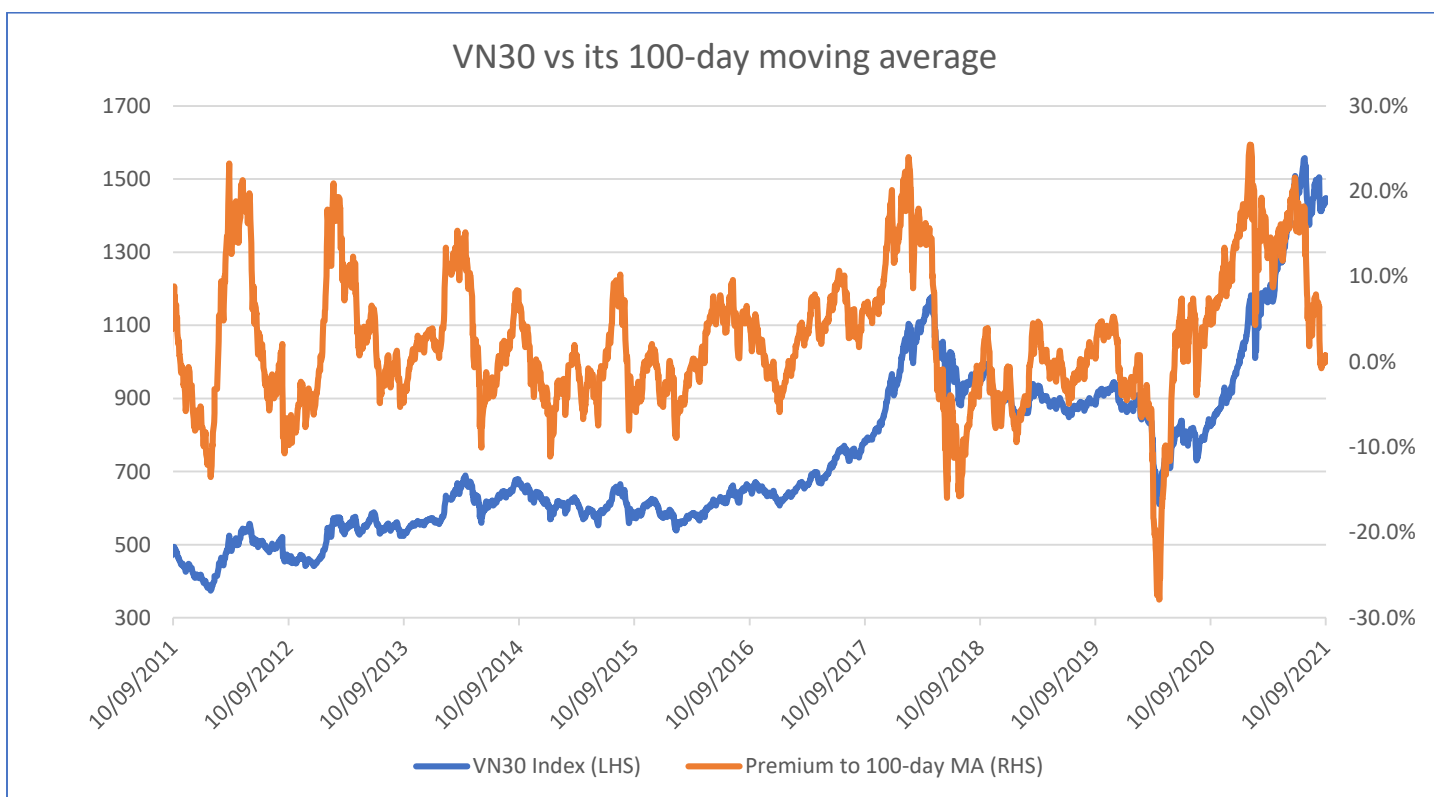
Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg, Yuanta Vietnam

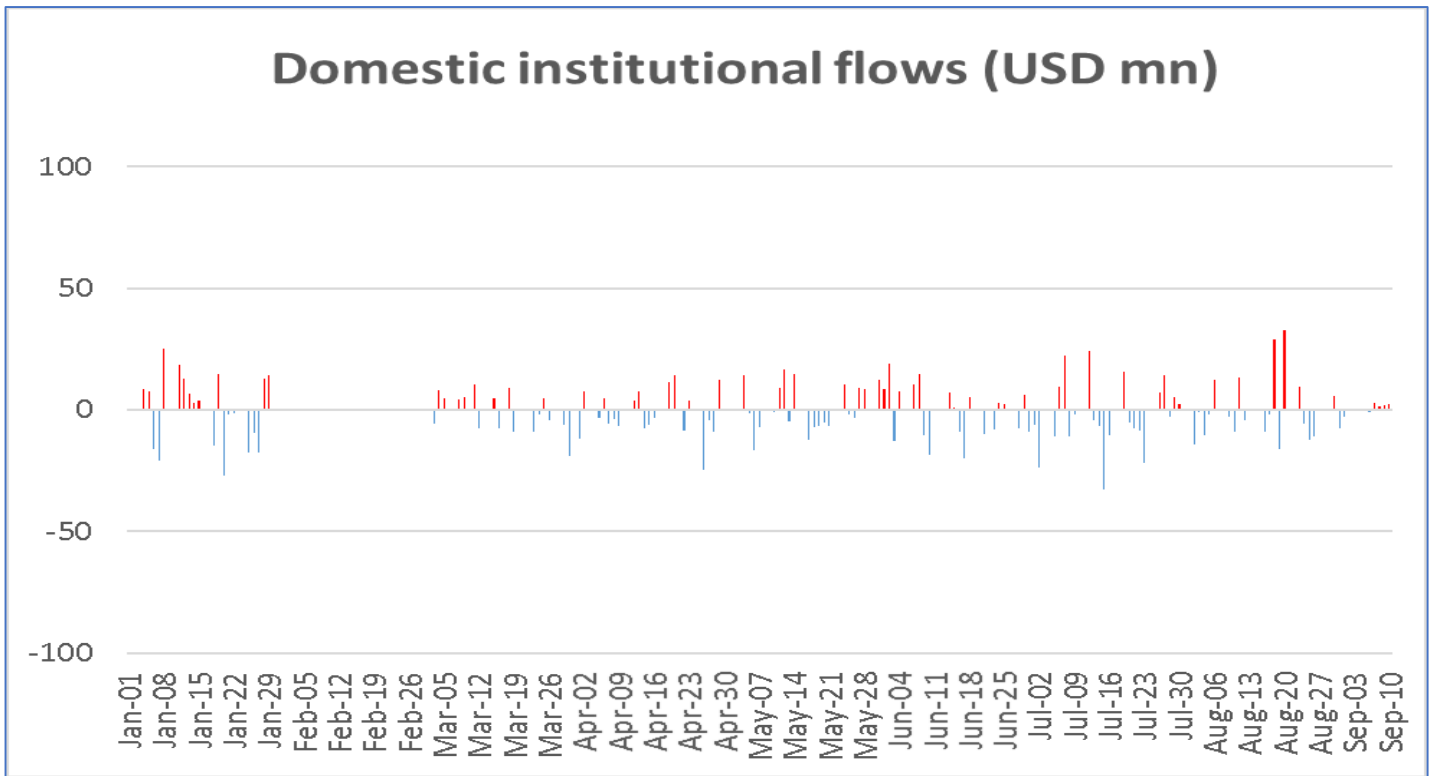


Source: Bloomberg, Yuanta Vietnam

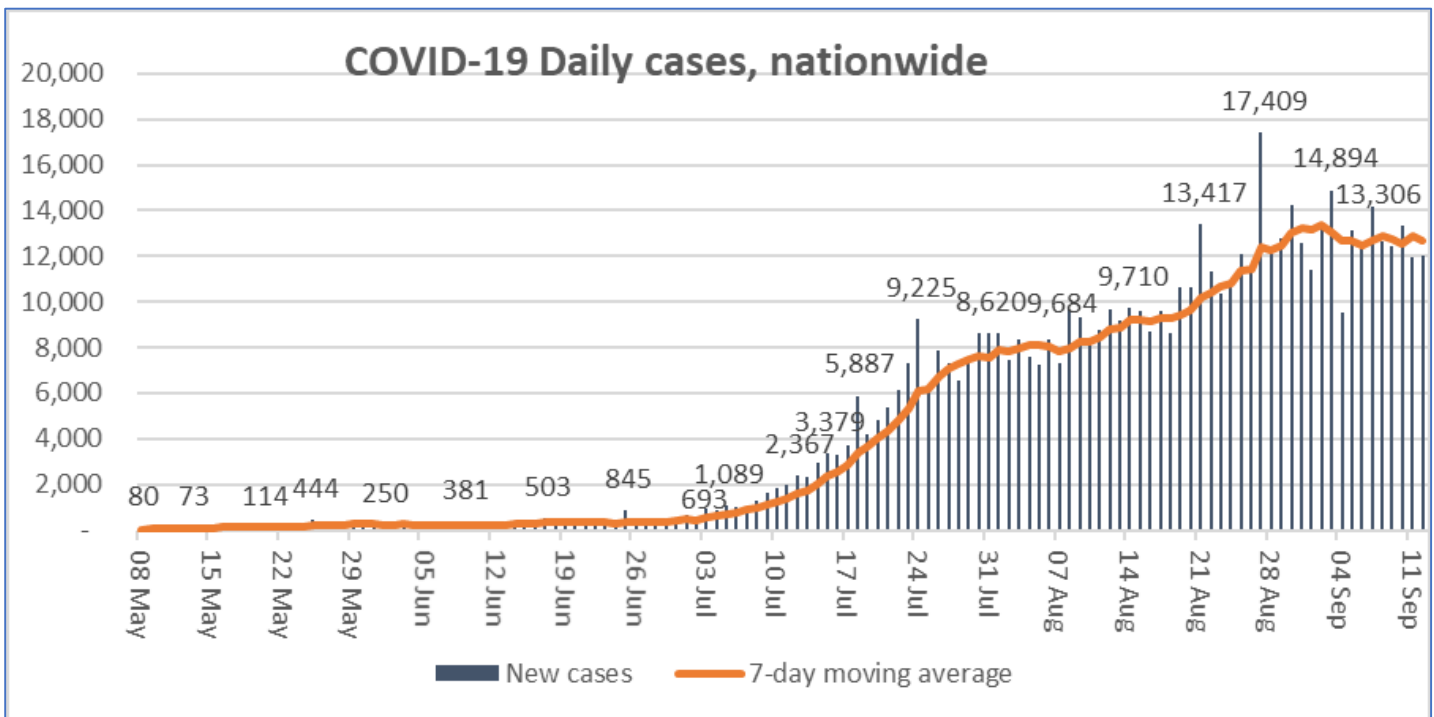


Source: Bloomberg, Yuanta Vietnam





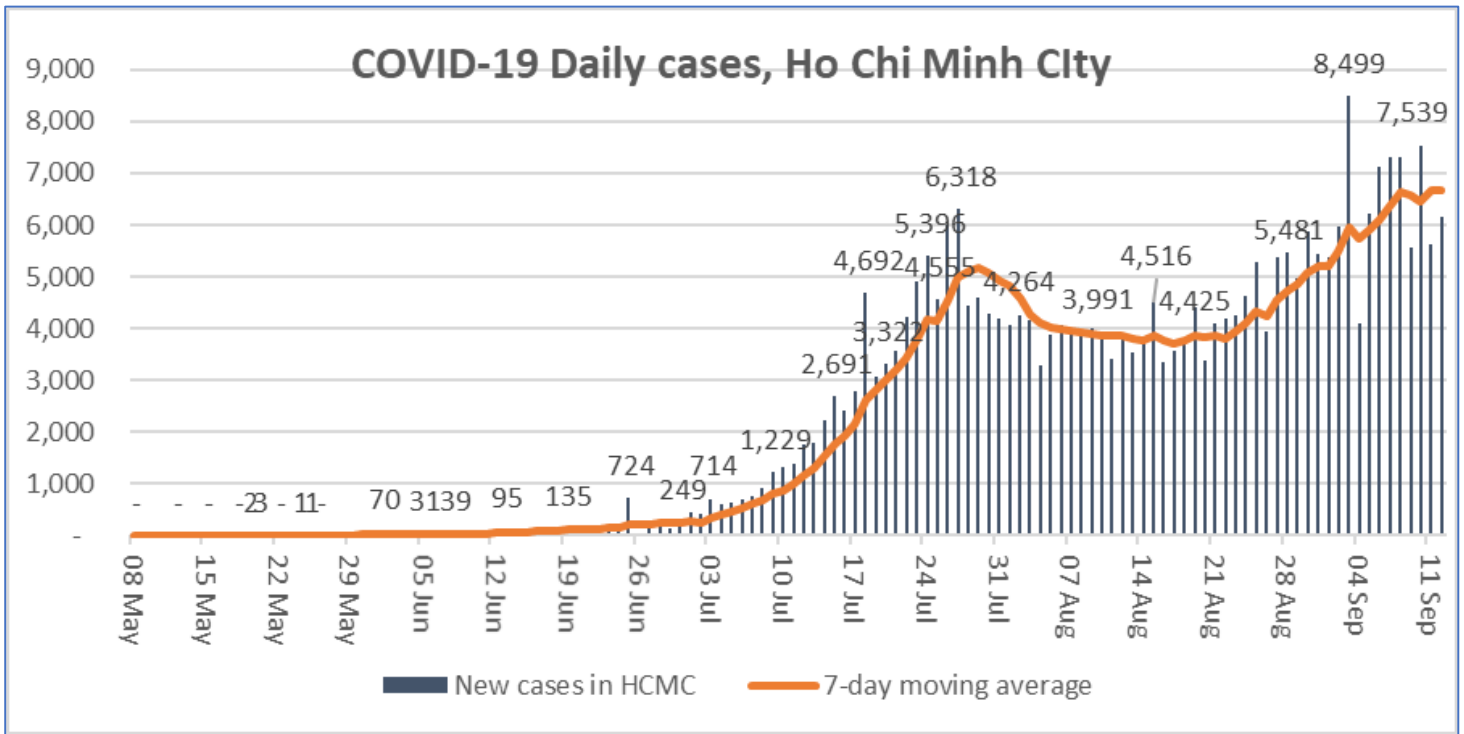
Source: FiinPro, Yuanta Vietnam (data updated to Sep 10)



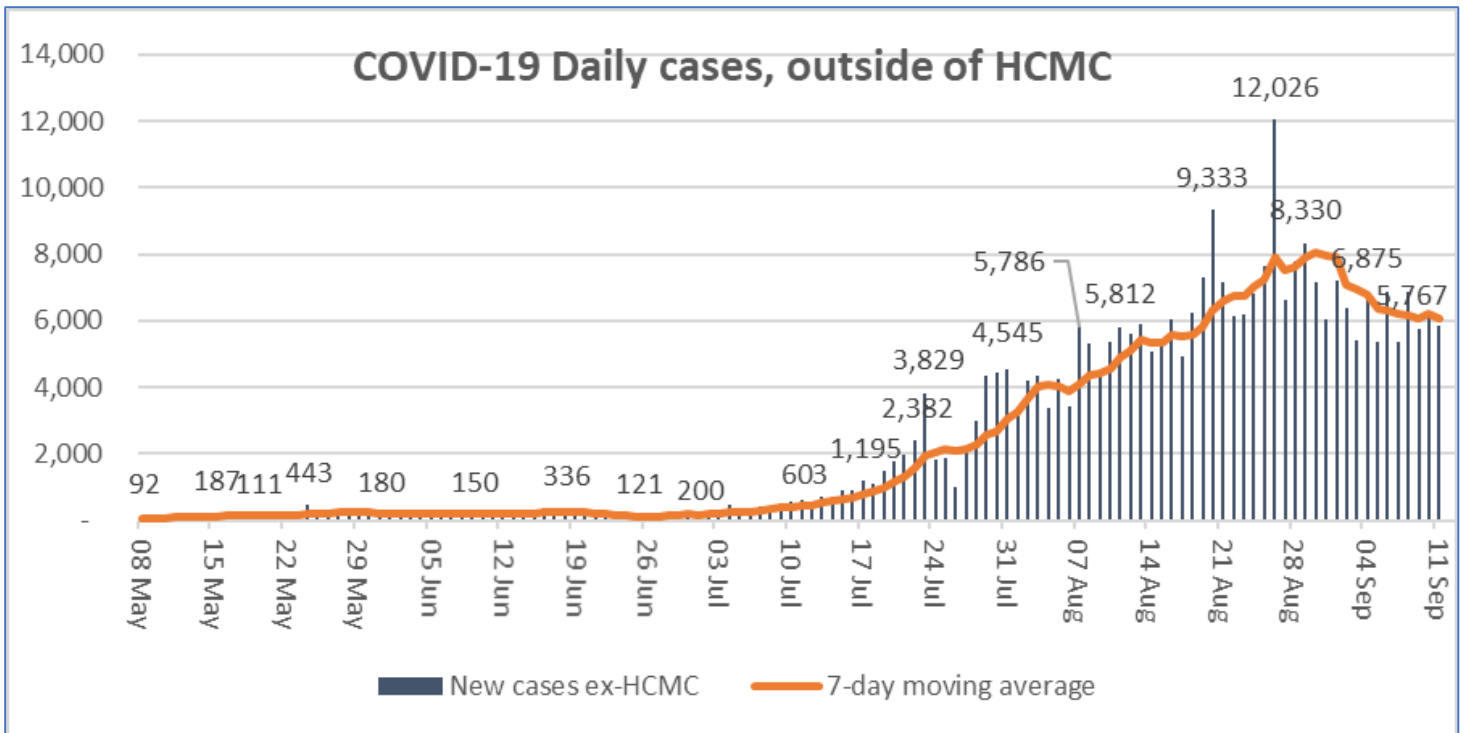
Source: Vnexpress (Updated to September 12).

**COVID-19 daily new cases nationwide may have plateaued** over the past two weeks at a moving average of 12.7-12.8 thousand per day. Crucially, average new cases in HCMC have flattened in the past two days, which is a positive result considering the widespread testing being undertaken in the city, which remains the locus of COVID-19 in Vietnam. In

addition, the numbers outside of HCMC have been trending down, with new diagnosis numbers of around 6K per day (down from nearly 8K per day in late August). Another positive indicator: the number of *active* cases nationwide (223,459) was up by just 4K cases last week, indicating that recoveries have increased to the point where they almost offset the additional new cases.



Source: Vnexpress (Updated to September 12).

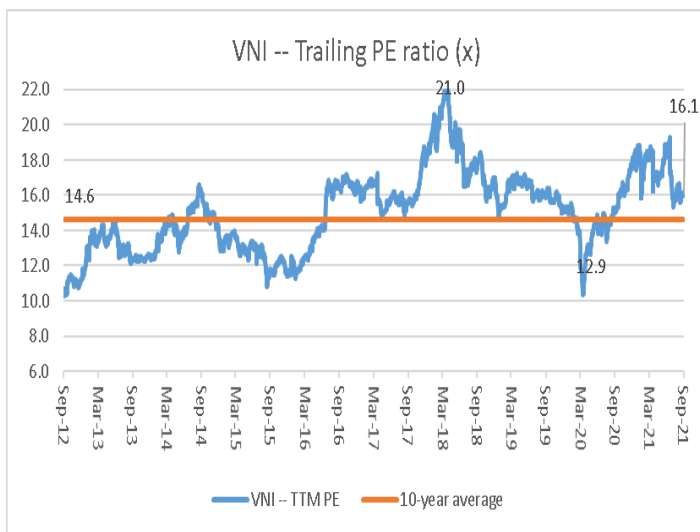


Source: Vnexpress (Updated to September 12).

**Vaccination rates remain low but are rising.** As of Sept 12, 18.8% of the national population having received one shot and 5.2% being fully vaccinated (i.e., two vaccinations). Our sense is that this is not due to latent vaccine hesitancy but rather the availability of vaccines, which has been limited.

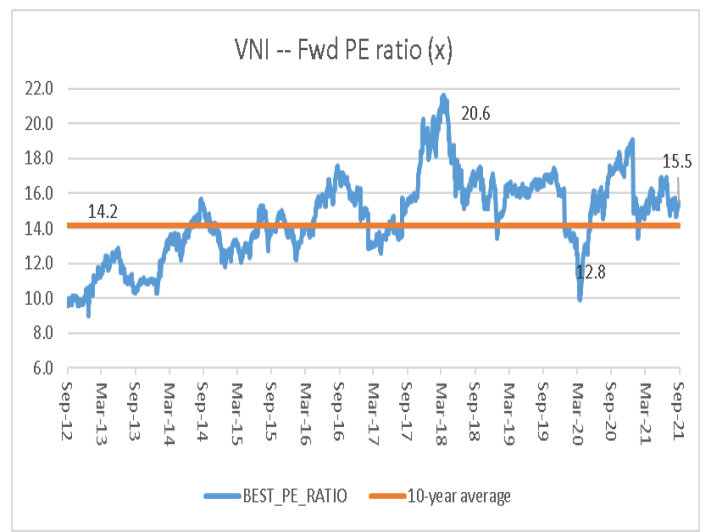
**The policy response appears to be shifting** from an ambitious but unrealistic “zero COVID” strategy to a pragmatic “living with COVID” tack. Specifically, restrictions in HCMC are set to begin easing this week. Starting on Thursday, green pass holders, a group that will comprise fully vaccinated individuals and F0 patients who have recovered within the last six months (which we guess includes almost 100% of recovered COVID patients in HCMC), will be allowed to freely move around the city and return to work (although not all types of businesses will be allowed to open just yet). Yellow pass holders, a group that will comprise individuals who have received only one shot of a vaccine, will also be allowed to do so, but they must also have a negative Covid test. This regime is slated to continue until Oct 31, with subsequent additional relaxation of restrictions leading back to normalcy, under the plan, on January 15, 2022.

**The VNI’s trailing PE ratio as of Friday’s close was 16.1x.**



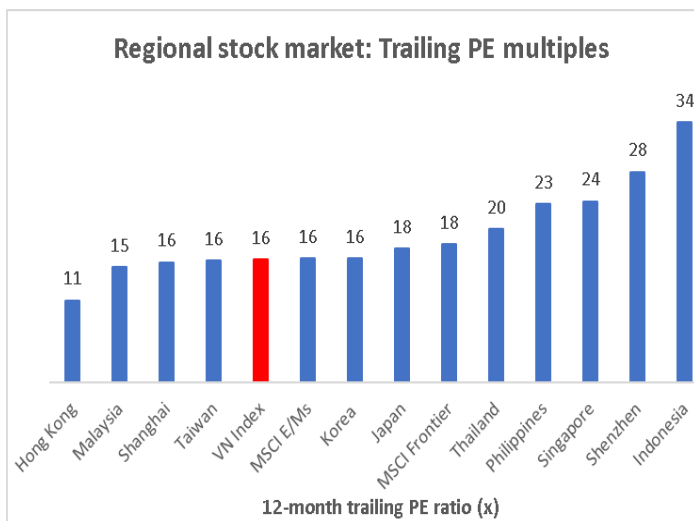
Source: Bloomberg, Yuanta Vietnam

**The mainboard’s forward (2021E) PE is now 15.5x, based on Bloomberg consensus.**



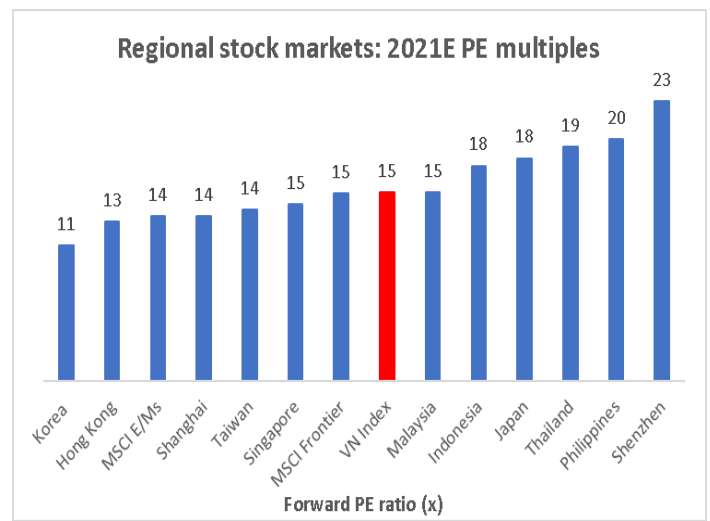
Source: Bloomberg (2021E consensus PE), Yuanta Vietnam

**Vietnam stocks are now basically in line with the region on a trailing P/E basis...**



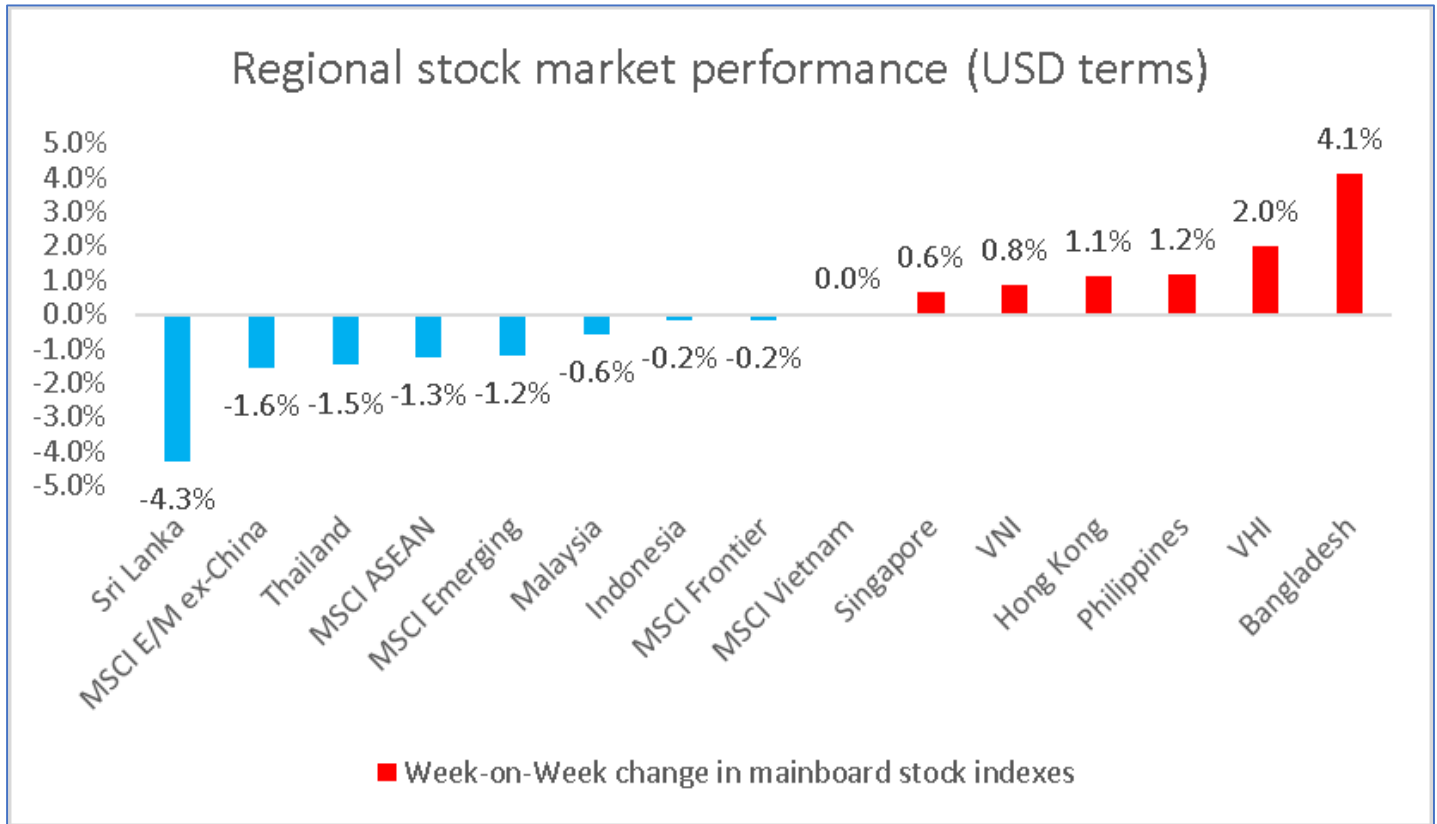
Source: Bloomberg, Yuanta Vietnam (Sep 10)

**...and on a forward P/E basis as growth assumptions are revised down.**

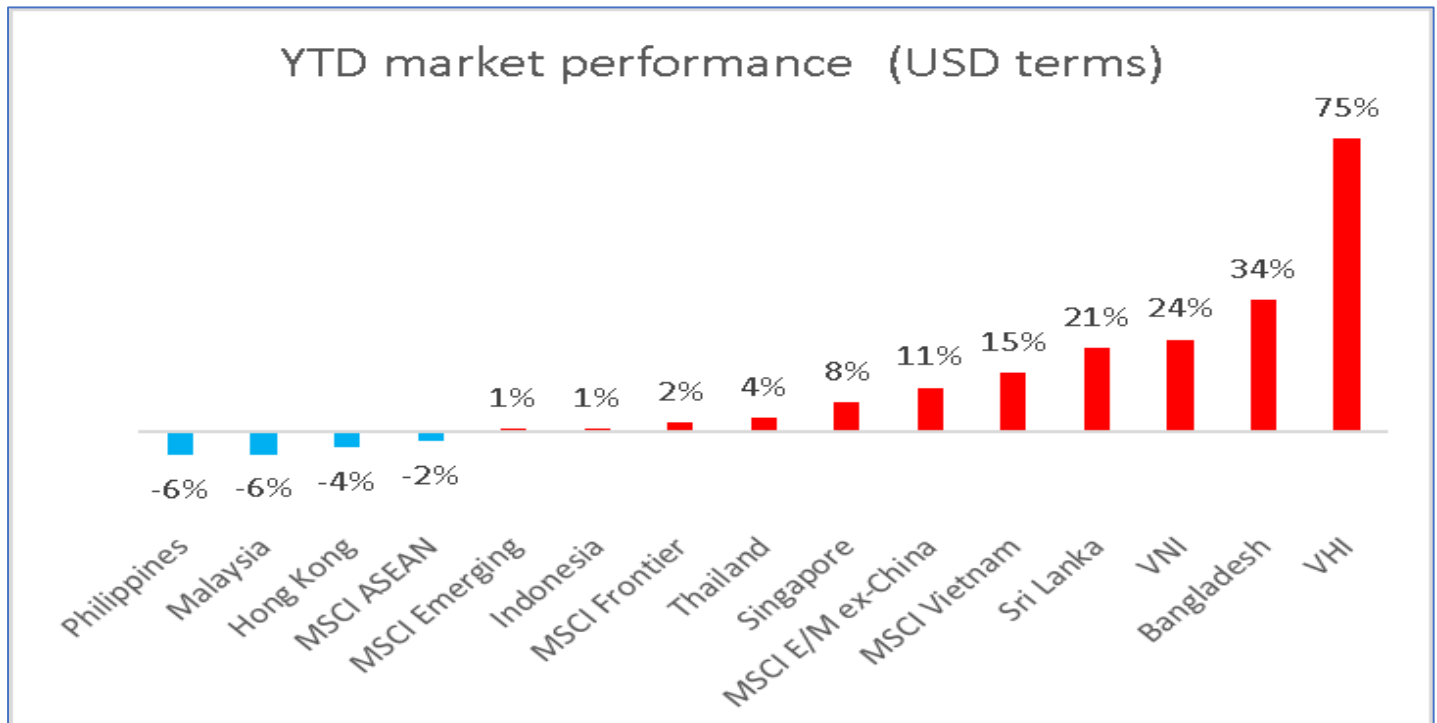


Source: Bloomberg (2021E consensus PE), Yuanta Vietnam (Sep 10)

Vietnam stocks were marginal outperformers vs the region last week

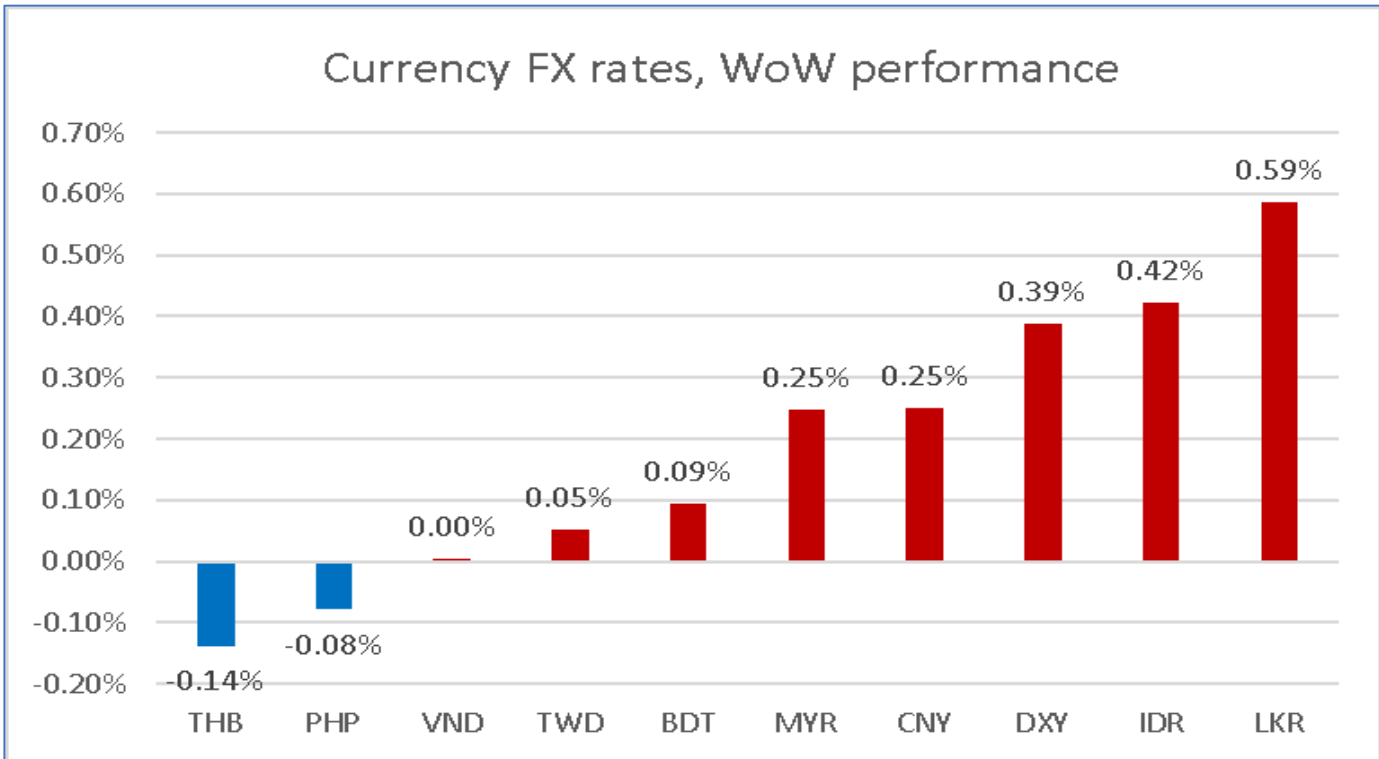


Source: Bloomberg, Yuanta Vietnam (Sep 10)

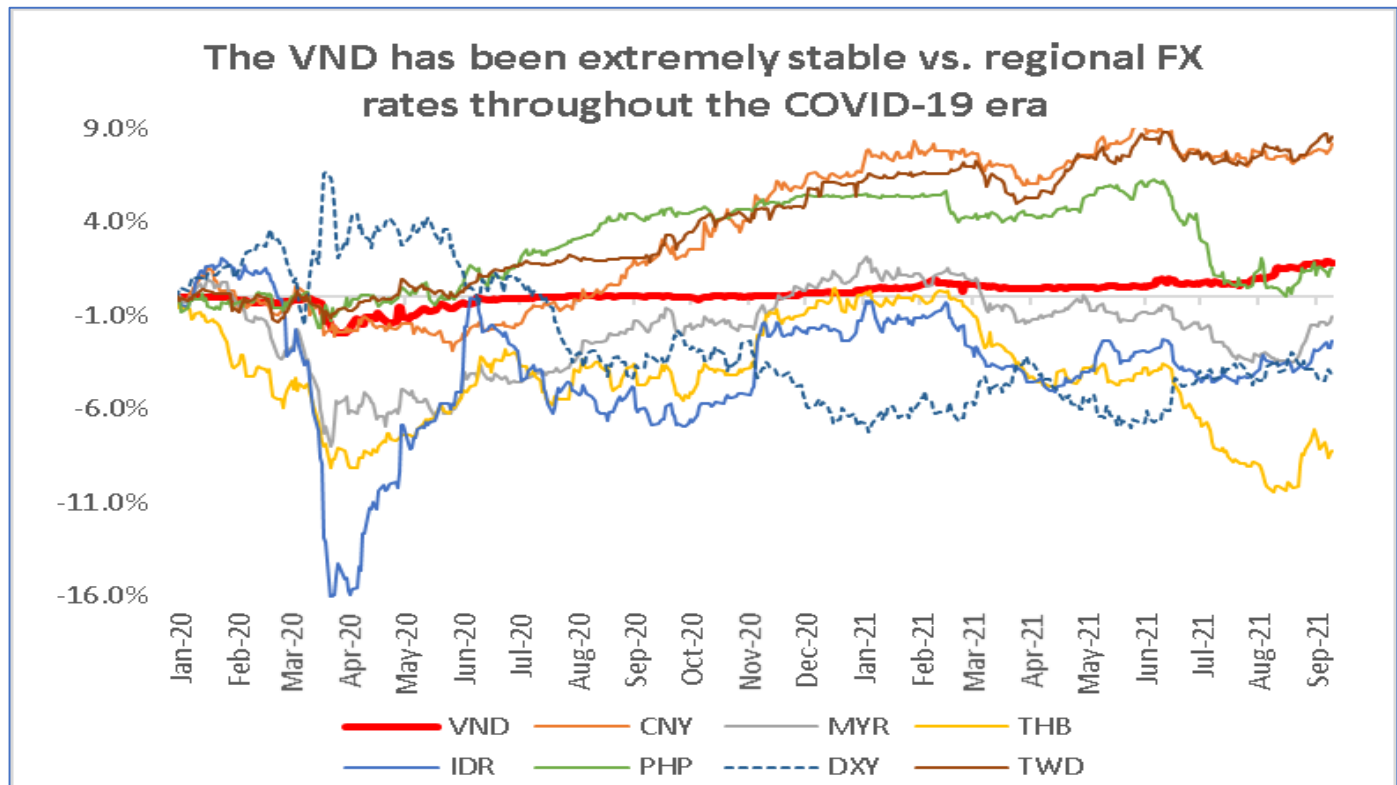


Source: Bloomberg, Yuanta Vietnam (Sep 10)

Regional currencies: VND has been on a gradual increase

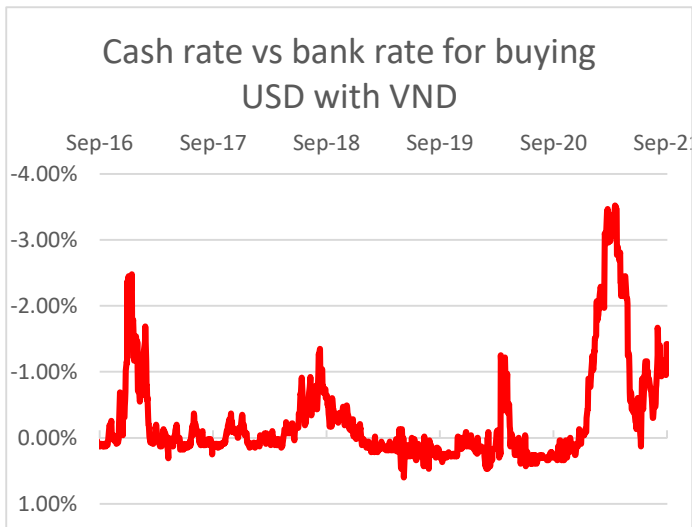


Source: Bloomberg (Sep 10)



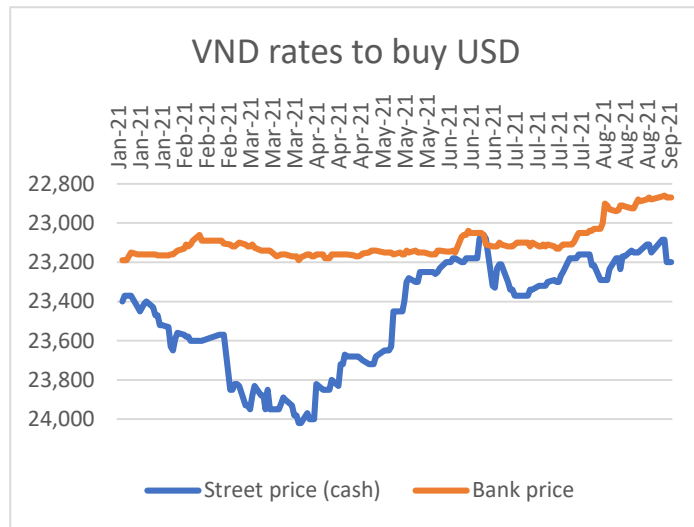
Source: Bloomberg (Sep 10)

**US dollar cash premium has bounced.**



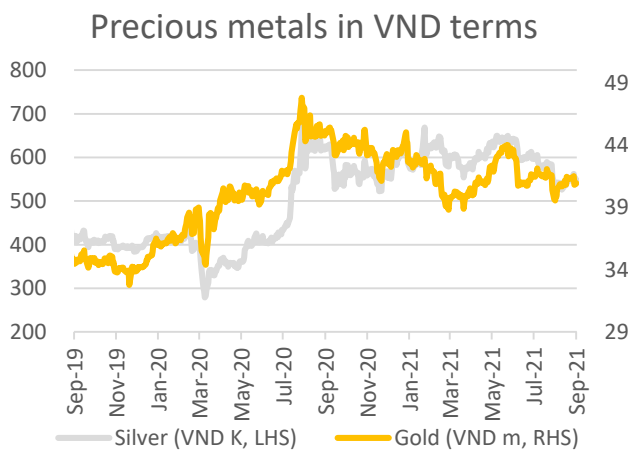
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

**The cash premium remains well below the peak.**



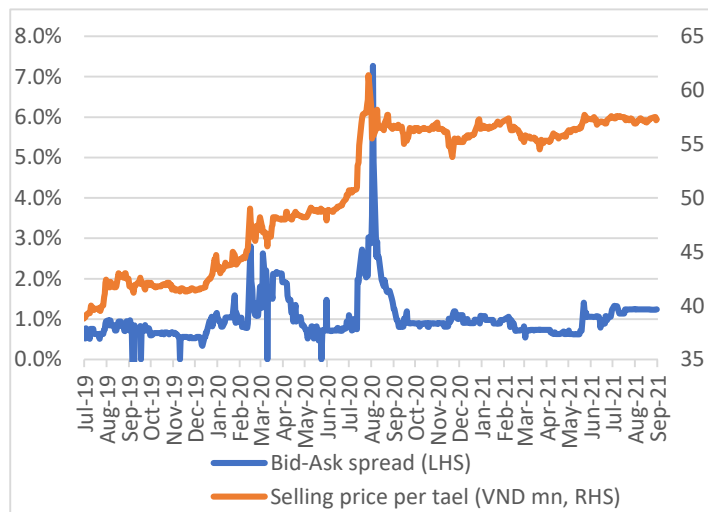
Source: FiinPro, Yuanta Vietnam

**Global precious metals prices have been on a modest downtrend...**

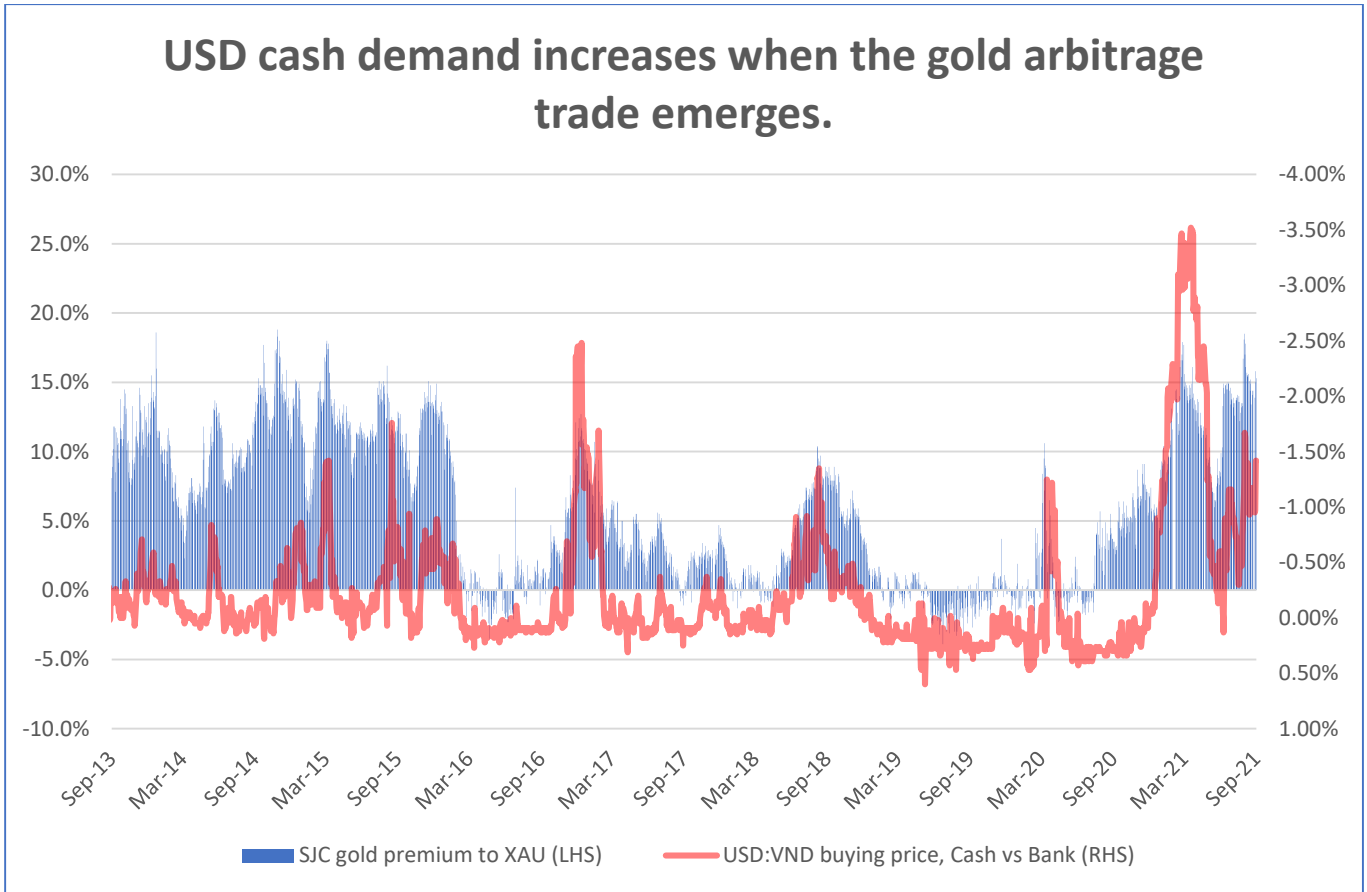


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

**...while the SJC's official gold price has barely moved down at all, leading to an c.15% premium.**

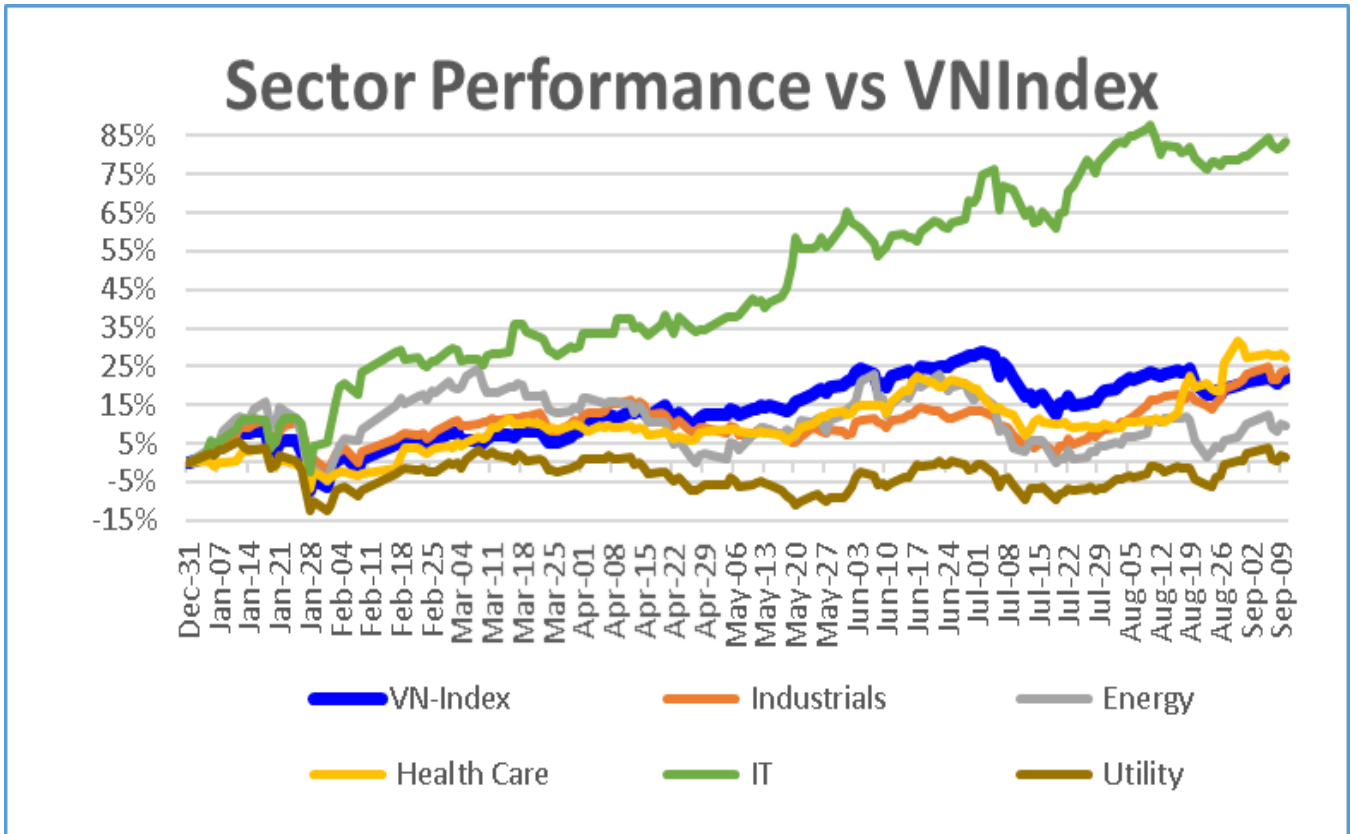
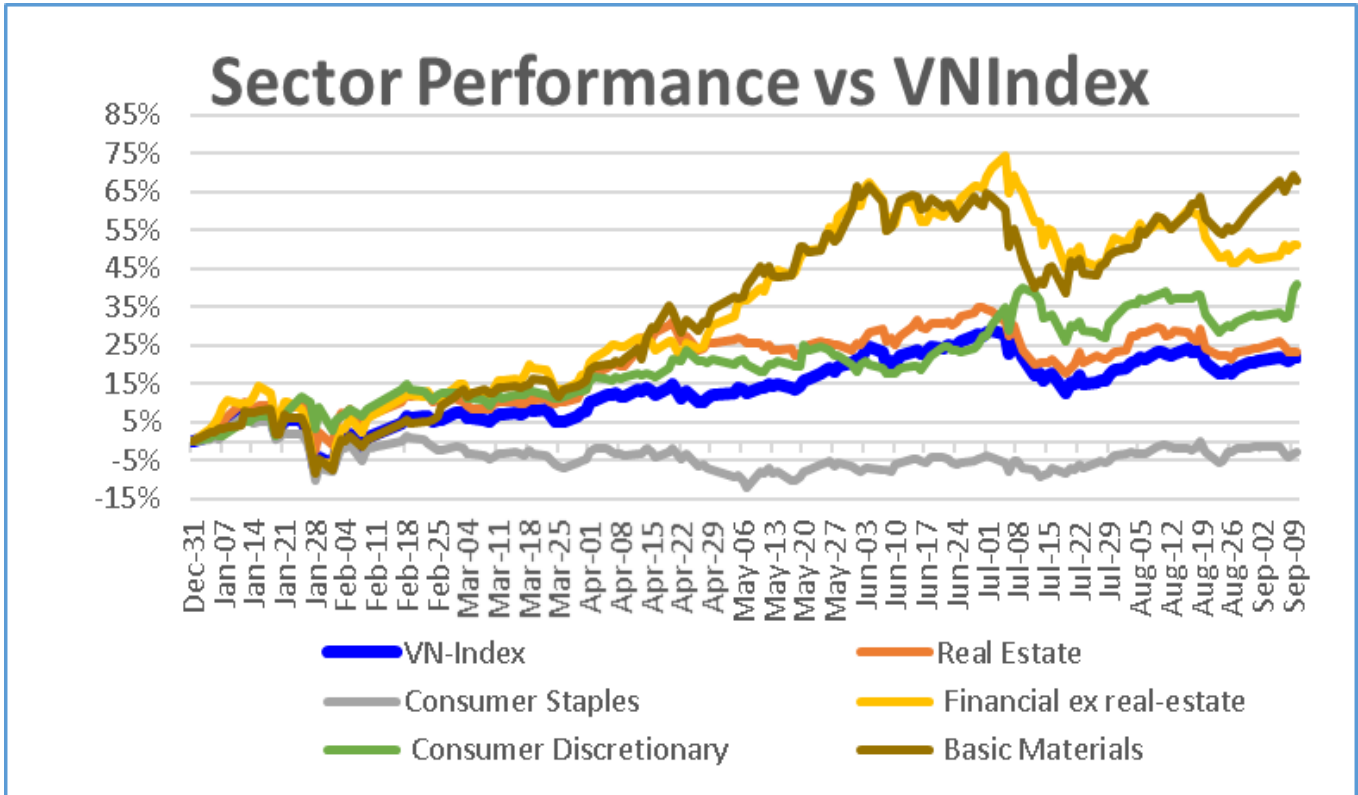


Source: FiinPro, Yuanta Vietnam



Source: FiiPro, Bloomberg, Yuanta Vietnam (Sep 10)

Sector performance YTD



Source: Bloomberg (Sep 10)



# Macro Update – Headwinds to extend into 4Q

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## Industrial production disrupted by lockdown

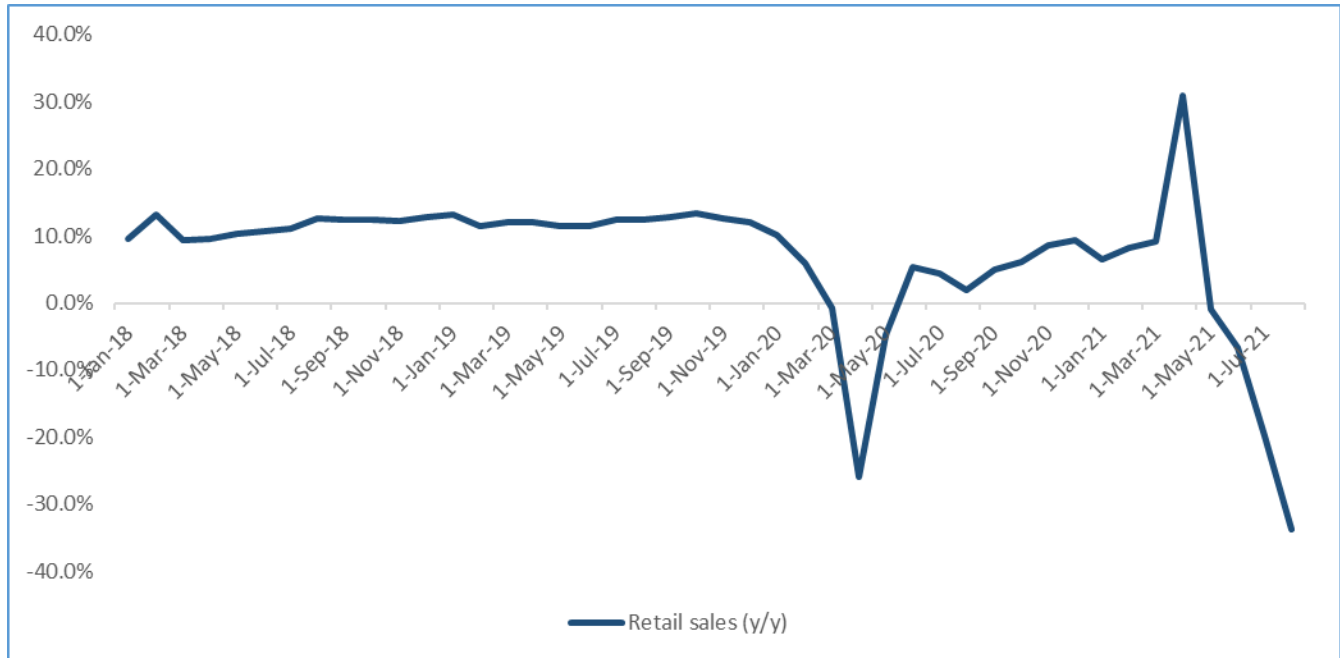
Temporary business and factory closures have impaired industrial production. According to the GSO, the Index of Industrial Production (IIP) declined by -4.2% MoM and -7.4% YoY in August, a substantial decline from +1.8% MoM / +2.2% in July and a far cry from the double-digit expansion figures that peaked with April's growth of +24% MoM / +31% YoY. The key manufacturing sector declined by -9.2% YoY in August; separately, electricity production and distribution posted a barely positive increase of +1.5% YoY; waste and wastewater management/treatment was flat at +0.2% YoY; and mining output decreased by -2.4 YoY.

Restrictions in place to control COVID-19 resulted in HCMC, the largest contributor to the nation's GDP, recording a -19.4% YoY decline in municipal IIP in August. Several surrounding provinces also recorded substantial declines, including Ben Tre (-60.1% YoY), Dong Thap (-41.5% YoY), Dong Nai (-13.3% YoY), and Binh Duong (-12.6% YoY).

As we discussed last month, the IIP decline hardly comes as a surprise. The pandemic remains complicated, resulting in what is likely to be a long lasting countrywide restrictions and a lockdown in various areas of southern Vietnam. The 3Q21 macro numbers will not look pretty, and we think it would be extremely optimistic to suggest a full recovery in 4Q21.

The 8M21 IIP is still posting positive growth of +5.6% YoY (vs +2.2% YoY in 8M21) thanks to the recovery off a low base in Jan-April. Thus, a positive growth figure for the whole year is still likely, despite the low current numbers. An increased targeted vaccine rollout should help, although many of the logistical issues are global in nature and thus beyond the control of Vietnam's authorities. Moreover, we expect the situation to recover sharply in 2022 as Vietnam and the global trade system adapt to achieve a post-COVID normality.

## Industrial production slowed sharply in August



Source: GSO

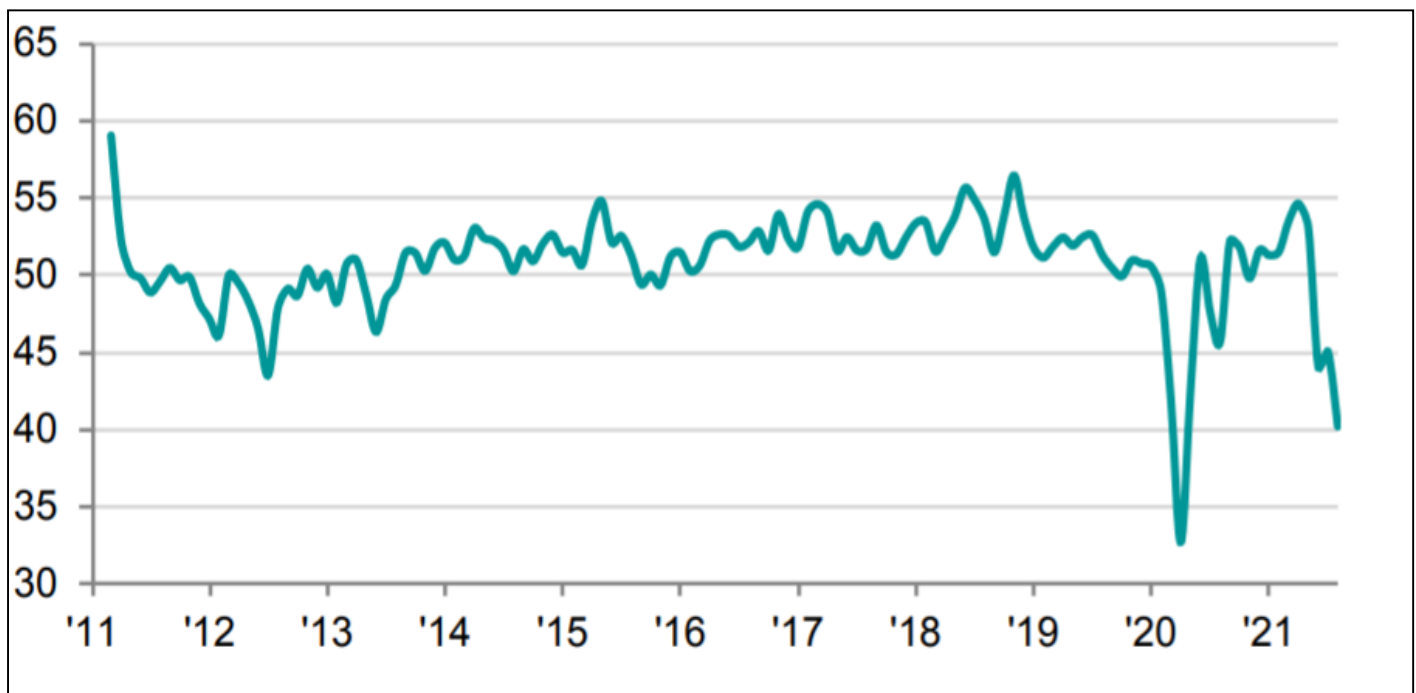
## Manufacturing PMI plummets again

The Vietnam Manufacturing PMI fell to 40.2 in August (vs. 45.1 in July) which is the second lowest monthly reading in history and the worst since April 2020. As a reminder, a reading below 50 indicates a worsening of business conditions. The August figure is thus the third consecutive month in which the PMI results have indicated a contraction of manufacturing activity.

According to IHS Markit, new orders declined at a faster pace in August as buyers seek alternative markets where manufacturers' ability to meet demand (i.e., to produce and ship manufactured goods) is deemed to be less uncertain; we suspect this means that orders are being diverted back to China. Vietnam manufacturers report myriad supply chain constraints including workforce availability, input supply constraints, and transportation/logistical bottlenecks.

Surveyed firms report some success in passing increased input costs on to their buyers, but overall selling prices have failed to keep up with their cost increases as some firms are offering discounts to secure orders. This obviously implies reduced profit margins. Materials and component inventories rose MoM despite a "near-record" reduction in purchasing activities, which may be partially due to delayed shipments. In any case, the survey confirms the reduced production volumes indicated in the IIP data.

### August's Manufacturing PMI was the second lowest in history



Source: IHS Markit

## Investment has also been hit by social distancing

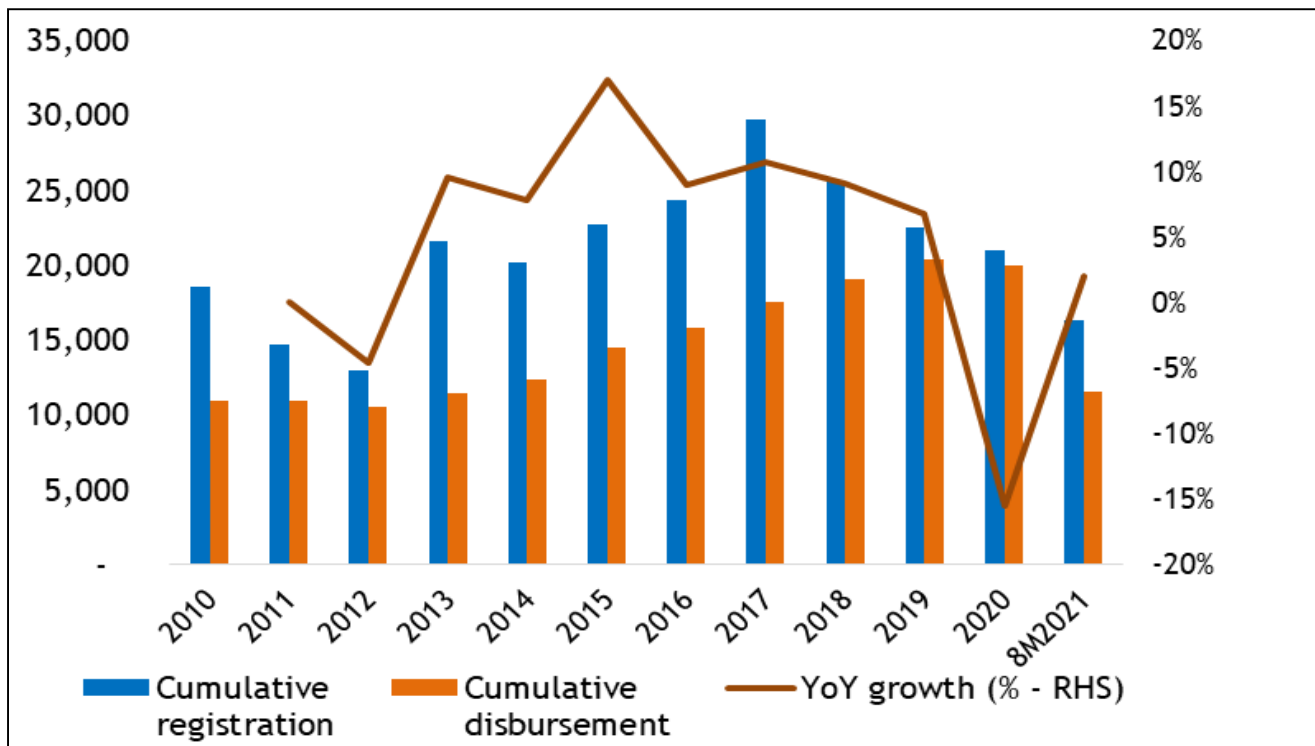
**State investment slides as COVID-19 policies take precedence.** Specifically, total state investment declined by -24.7% YoY to VND34.9tn in August. The GSO estimates that local government investment in 8M21 reached VND 202.3tn, down by -1.6% YoY. This is equivalent to 51.5% of the annual budget. For 8M21, central government budget investment reached VND 41.6tn, up +5.5% YoY, equivalent to 49.6% the annual budget. This implies that public investment will have to be stepped up in 4Q21 if the target is to be achieved, although it's certainly possible that this may not happen.

As already discussed last month, public investment should escalate in 2H21 given that the prime minister announced that the government would achieve 95% to 100% of its investment target by the end of the year, which should fuel economic growth toward yearend and should also address transportation bottlenecks going forward. But, as a critical economic growth engine both for the short term (i.e., pump-priming) in 2021 and long-term economic development (i.e., the infrastructure is necessary), public investment can only be disbursed thoroughly mobility restrictions are eased. We think this will probably occur in 4Q21, albeit on a targeted basis rather than a complete return to pre-social distancing norms.

**FDI dispersals have been flattish YoY.** The GSO estimates that disbursed FDI in 8M21 grew by +2% YoY to US\$11.6 bn, a reasonable result given the tight travel restrictions. Manufacturing attracted c.US\$8.3bn of FDI, accounting for 71.7% of total disbursed FDI. Real estate disbursed FDI reached US\$1.44 bn, accounting for 12.4% of the total. Production/distribution of electricity, gas, hot water, steam, and air-conditioning reached US\$1.09bn, accounting for 9.4% of total disbursed FDI.

**By contrast, registered FDI posted a sharp decline.** The GSO figures indicate that pledged FDI reached US\$16.3bn in 8M21, down -16.5% YoY. We attribute the decline entirely to the tight restrictions in place on international travel; these restrictions limited incoming business travel even before the most recent wave of the pandemic that started in April. Although this is clearly a negative, the fourth wave of the pandemic has not changed our view on Vietnam's attractiveness as an alternative manufacturing center to China. Vietnam provides a manufacturing gateway to global markets due to its 15 FTAs and another 2 FTAs under negotiation, which should attract further FDI investment in the years ahead.

### FDI is solid, will likely surge after travel restrictions are eased



Source: GSO

## Trade deficit extended in August

Gross exports have been hit by the COVID-related disruptions to international trade globally and industrial production in Vietnam. Specifically, Vietnam posted an estimated goods trade deficit of US\$1.3bn, slightly expanding from June's deficit of US\$1.25bn. August's export turnover reached US\$26.2bn (-5.4% YoY, -6% MoM) and import turnover reached US\$27.5bn (+21.1% YoY, but -5.5% MoM).

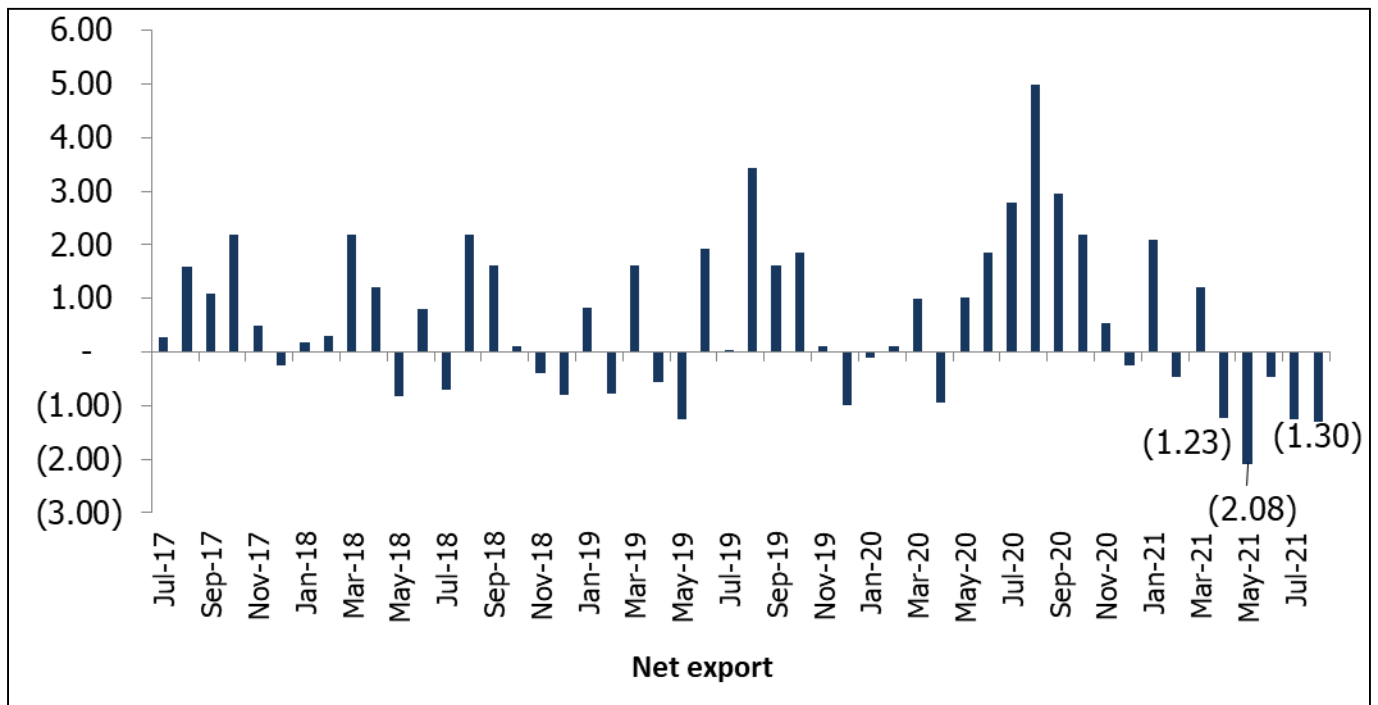
**The 8M21 goods trade deficit thus extended to US\$3.7bn** (up from USD2.4bn in 7M21). 8M21 export turnover reached US\$212.5bn (+22% YoY) and 8M21 import turnover reached US\$216.3bn (+34%YoY). The trade deficit of goods and the usual deficit of services trade (incoming international tourism is typically Vietnam's largest services export) has thus resulted in an overall trade deficit.

The US is Vietnam's largest export market, with USD62.2bn of export turnover YTD, up by 32.5% YoY.

Inputs for production accounts for most of the increase in August imports, especially machinery (+25.6% YoY to US\$4bn), steel (+51.8% YoY, US\$991mn), plastic (+48.8% YoY, US\$1bn), and chemicals (+62% YoY, US\$750mn).

We have argued that the surge in machinery and material imports in 2Q21 will eventually result in a reversal of the trade deficit toward yearend, driving another current account surplus for 2021. As such, we would expect the busy season for exports, which is now upon us (i.e., September-December), to see a surge in manufactured goods exports. Of course, this is contingent on whether manufacturing facilities and related logistical infrastructure are functioning. We should get a better idea of this in the September data. Longer term, the nation's manufacturing growth engine continues to herald increased trade and current account surpluses in the years ahead. The recent visit by U.S. Vice President Kamala Harris last week should enhance VN-US relation to a higher level, which may open to further trade opportunities in the near future.

### August extended the YTD trade deficit (USD bn)



Source: GSO

## Domestic consumption plummets

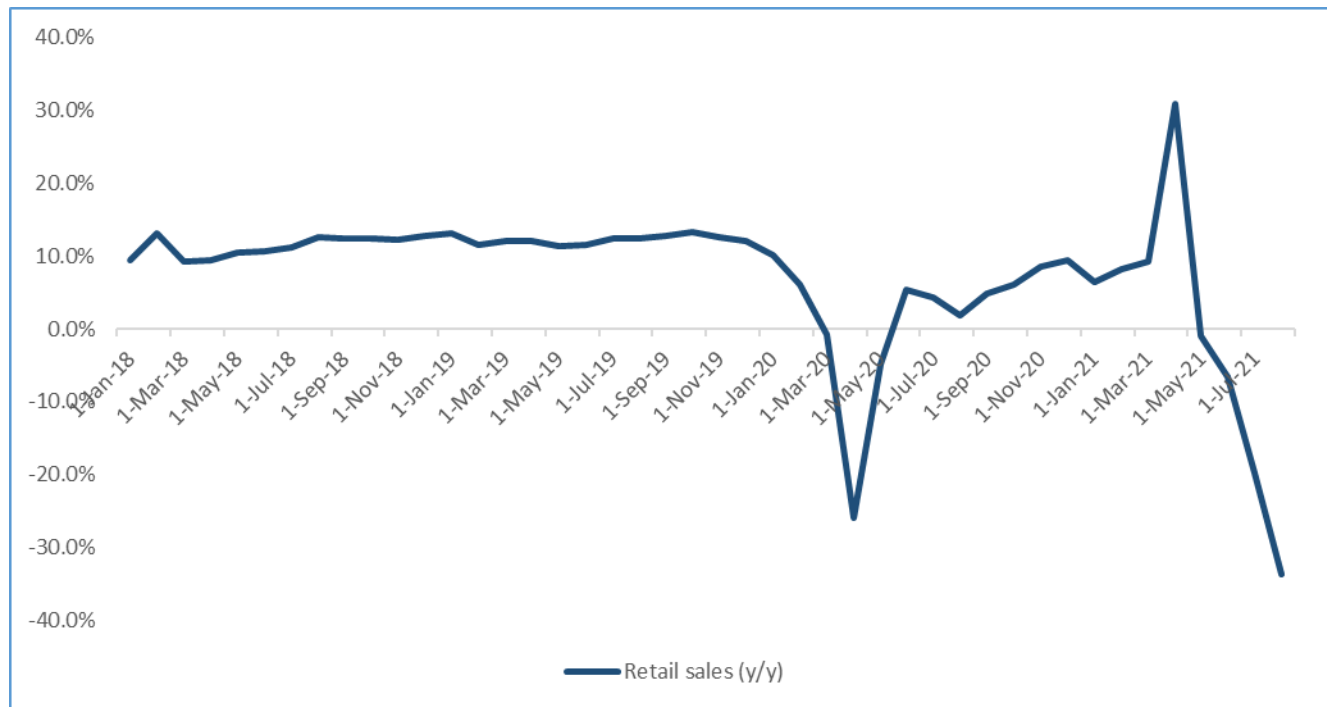
The GSO reported that total retail sales of consumer goods and services in August declined by -10.5% MoM and -33.7% YoY to reach VND 280 trillion. As with manufacturing, this comes as a disappointment relative to the extreme strength of recent months (+30.9% YoY in April). It doesn't take the brains of an archbishop to determine that the supply constraints (including enforced store closures, restrictions on wholesale and last-mile delivery services, and stay-at-home policies for retail workers and consumers) are the main factor here.

8M21 retail sales of goods and services reached VND 3,044 trillion, down -4.7% YoY (a sharp decline relative to the +0.7% YoY growth figure for 6M21). By comparison, 8M20 retail sales declined by -5.8%, indicating that YTD retail consumption has yet to revert back to normalized 2019 trend levels of growth.

In terms of the mix, 8M21 retail sales of goods reached VND 2,500 trillion (down -1.4% YoY). This segment accounts for about 82.1% of total sales. In addition, hospitality and catering sales declined by -19.8% YoY to VND 254 trillion; this segment accounts for 8.4% of overall retail sales.

So far, 23 provinces have adopted Directive 16 social distancing. HCMC, the current epidemic center has extended the social distancing until September 15, which is of course worse than our expectation expressed in last month's report. The new cases tend to raise toward the month-end as the city expands its testing campaign. Our understanding is that roughly 70% of HCMC's population has been vaccinated so far, albeit mostly with one jab (and this percentage refers to registered residents only, not migrants). Experts suggest that the second jab should reduce the risk of hospitalization and thus facilitate economy reopening in 4Q21.

## Domestic demand was clearly hit by the COVID outbreak



Source: GSO

## Official inflation figure remains low

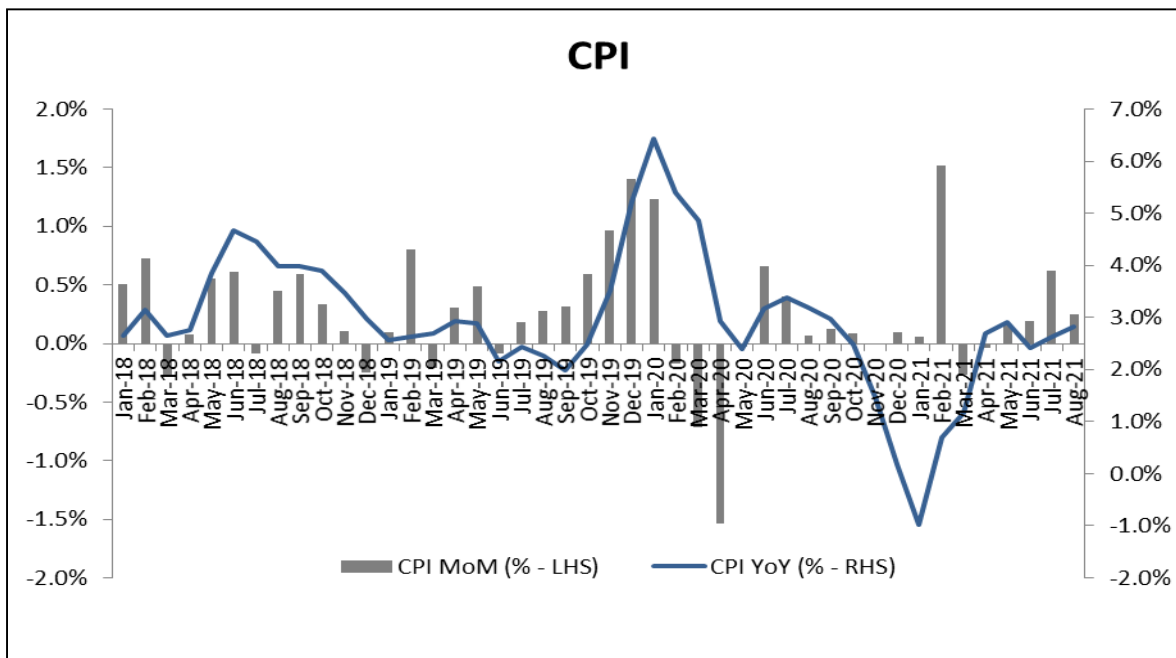
The consumer price index (CPI) in August 2021 increased by 0.25% MoM and 2.82% YoY. This may contradict certain on-the-ground experiences, but we take the price numbers as indicating continued room for monetary flexibility. The official CPI figure has thus risen by 2.52% YTD, indicating considerable headroom under the annual target of sub-4%. Prices of seven of the four items in the CPI basket increased in August on a MoM basis, whereas four items saw decreased prices.

In the CPI basket mix, food and foodstuff, which accounts for 36% of the CPI basket, rose by 0.74% MoM. Drinks and tobacco, accounting for 3.6% the CPI basket, rose by 0.22% MoM. The GSO reported prices of the other 2 items increased at a pace of slightly higher than 0.

Of course, insufficient food supply in places such as densely populated HCMC has sent local food prices skyrocketing. However, HCMC prices are not representative of the entire country.

We continue to believe that wholesale and retail prices face upside risk going forward as producers must either take the pain of higher input costs or attempt to share this unpleasantness with consumers by increasing their selling prices. However, low official inflation figures create ample room for persistent accommodative expansionary policies (and credit stresses mean that rates will be kept low for the foreseeable future, in our opinion).

## Inflation (as measured by CPI) has bucked the global trend



Source: GSO

**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
<b>Banks</b>	ACB VN	8.9	9.2	8.6	18.1	(3.3)	6.9	0.5	n/a	1.2	1.9	2.0	2.0	24.2	24.0	22.8	1.7	1.8	1.9
	BID VN	22.3	19.1	15.8	9.1	16.5	21.4	2.4	1.2	0.7	2.1	1.9	1.8	10.5	10.9	12.4	0.5	0.5	0.6
	HDB VN	11.6	9.7	7.8	(26.4)	19.4	24.7	n/a	0.5	0.3	1.3	1.8	1.5	19.3	18.8	19.2	1.6	1.5	1.5
	MBB VN	10.2	9.4	7.2	14.1	8.5	31.2	0.7	1.1	0.2	1.7	1.6	1.4	19.8	18.4	20.1	1.9	1.8	2.1
	STB VN	24.3	22.0	16.4	43.3	10.5	34.3	0.6	2.1	0.5	1.8	1.7	1.5	7.9	8.0	9.8	0.5	0.5	0.6
	VCB VN	22.1	22.3	17.0	34.8	(0.6)	31.4	0.6	n/a	0.5	4.5	3.9	3.3	23.2	18.8	21.0	1.4	1.3	1.5
	VPB VN	19.1	15.2	13.4	11.6	26.1	13.0	1.7	0.6	1.0	3.7	3.0	1.9	21.5	21.9	17.5	2.4	2.6	3.1
<b>Brokers</b>	HCM VN	37.7	31.7	19.0	(49.0)	18.7	66.9	n/a	1.7	0.3	3.9	3.8	3.7	11.7	12.1	23.8	6.2	5.3	8.2
	SSI VN	23.4	19.3	27.9	(22.9)	21.0	(30.7)	n/a	0.9	n/a	2.4	2.7	3.2	10.3	13.1	13.9	3.7	4.0	4.2
	VCI VN	15.4	14.0	19.5	(16.3)	9.5	(28.2)	n/a	1.5	n/a	2.6	2.3	4.2	18.0	17.0	23.2	9.9	9.0	11.5
	VND VN	29.8	16.9	11.8	(0.7)	75.7	44.1	n/a	0.2	0.3	3.4	2.9	3.9	12.7	19.7	31.7	3.4	5.1	9.0
<b>Energy</b>	PVD VN	40.6	43.3	69.2	(4.0)	(1.3)	(40.6)	n/a	n/a	n/a	0.5	0.5	0.5	17.1	1.3	0.8	0.9	0.9	0.5
	NT2 VN	8.4	10.1	13.5	(2.7)	(17.1)	(25.3)	n/a	n/a	n/a	1.5	1.4	1.6	14.8	7.4	15.9	9.2	9.0	7.4
	PC1 VN	15.9	11.8	13.3	(32.1)	34.7	(11.3)	n/a	0.3	n/a	1.5	1.2	1.1	10.2	11.9	9.0	4.8	5.3	3.6
<b>Consumer</b>	MSN VN	27.2	30.1	24.5	4.8	(9.6)	22.9	5.7	n/a	1.1	4.3	3.8	3.3	17.3	13.5	14.5	8.4	7.0	8.0
	PNJ VN	22.1	24.1	17.6	(20.2)	(8.2)	36.8	n/a	n/a	0.5	3.5	3.1	2.6	28.7	25.9	20.3	17.8	16.0	13.2
	DGW VN	30.1	24.4	22.5	24.5	23.3	8.5	1.2	1.0	2.6	4.9	4.4	3.9	17.1	18.9	18.4	6.1	7.1	7.1
<b>Oil &amp; GAS</b>	POW VN	14.4	12.6	11.7	(18.0)	14.1	7.5	n/a	0.9	1.6	0.8	0.9	0.8	6.8	7.4	7.6	3.9	4.5	4.5
<b>Property</b>	KBC VN	15.1	14.0	10.9	23.0	(54.0)	400.0	3.0	n/a	0.4	2.6	2.2	1.9	10.0	3.0	20.0	6.0	1.0	9.0
	KDH VN	27.4	20.0	18.1	(15.8)	37.0	10.6	n/a	0.5	1.7	2.9	2.6	2.3	11.9	14.5	14.2	7.5	8.9	9.4
	NLG VN	9.8	15.2	18.7	27.0	(35.0)	(19.0)	0.4	n/a	n/a	2.3	2.2	2.2	18.0	13.0	12.0	10.0	7.0	6.0
	NVL VN	29.2	26.2	44.1	1.0	12.0	(41.7)	29.2	2.2	n/a	4.6	4.0	3.0	15.0	14.0	10.0	4.0	3.0	2.3
	VHM VN	16.6	13.2	12.1	52.3	25.8	8.5	0.3	0.5	1.4	6.4	4.2	3.2	43.0	37.0	31.0	15.0	14.0	14.0
<b>Transportatio</b>	ACV VN	29.4	27.1	21.1	5.0	8.3	28.8	5.9	3.3	0.7	5.1	4.4	3.7	20.7	18.8	20.2	12.1	11.4	11.3

Stock ratings and pricing data is as of close on Sep 10 2021.

Source: Bloomberg, Yuanta Vietnam





## Appendix A: Important Disclosures

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