

Strategy: In the doldrums

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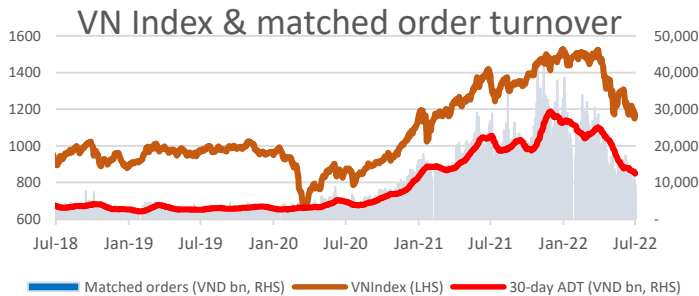
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Another weak performance. The VNI remains capped at below 1200, with low conviction evidenced by dwindling turnover and the return of foreign net selling, at least during last week. We think the valuation-implied earnings expectations are likely overly pessimistic, so 2Q22 results may catalyze some buying interest. Another potential catalyst is the increased loan quotas from the SBV which will provide an impulse to the real economy at some point in 3Q22 (albeit perhaps not July). Our view remains that the current period is an opportunity to accumulate quality stocks.



Index, Flows, and FX Performance

- **VNINDEX:** 1171 (-2.3% WoW / -21.8% YTD / -14.8% YoY)
- **VHINDEX:** 278 (-0.4% WoW / -41.4% YTD / -12.1% YoY)
- **UPCOM Index:** 87 (-1.4% WoW / -22.8% YTD / -1.7% YoY)
- **Average daily turnover:** US\$556 mn (-11.2% WoW)
- **Foreigners net sold** US\$52.7mn of three-index constituents
- **VND:USD rate:** 23,358 (-34bp WoW / -228bp YTD / -152bp YoY)

VN30 Components

Ticker	Closing price (VND K)	WoW chg	Cont to VN30 (WoW)	TTM PE (x)
ACB	24.0	-1.0%	-5.5%	8
BID	35.0	-0.1%	-0.1%	15
BVH	54.6	1.7%	0.5%	22
CTG	25.9	-2.6%	-3.8%	10
FPT	83.6	-3.6%	-21.4%	19
GAS	95.6	-12.0%	-8.4%	19
GVR	21.2	-5.4%	-1.4%	19
HDB	23.7	-3.5%	-8.8%	7
HPG	22.5	2.0%	11.3%	4
KDH	36.1	0.7%	0.9%	21
MBB	25.1	1.8%	7.3%	7
MSN	104.9	-2.6%	-11.9%	15
MWG	65.0	-4.1%	-21.1%	18
NVL	73.8	-0.3%	-1.0%	34
PDR	52.8	2.3%	2.5%	19
PLX	39.4	-2.5%	-1.0%	20
PNJ	116.0	-6.3%	-11.6%	21
POW	13.0	-3.7%	-2.2%	15
SAB	155.1	1.0%	0.9%	26
SSI	20.4	1.0%	1.6%	7
STB	22.5	0.7%	2.1%	11
TCB	37.6	3.3%	21.7%	7
TPB	27.1	-0.7%	-1.3%	8
VCB	74.0	-0.1%	-0.4%	15
VHM	61.0	0.0%	0.0%	7
VIC	70.0	-3.7%	-24.7%	--
VJC	127.8	-1.4%	-3.7%	354
VNM	73.0	0.6%	2.7%	17
VPB	28.6	-2.1%	-14.1%	7
VRE	27.0	-5.3%	-9.2%	67

Source: Bloomberg, Yuanta Vietnam. Pricing date: Jul 8, 2022.

Rangebound at sub-1200. Breadth last week was again negative for the VNI (131 gainers / 251 losers) and for the VN30 large caps (10 gainers / 19 losers). A regional underperformer yet again last week, the VNI's -24% YTD decline (in USD terms) makes it the worst performing market in the region except for crisis-hit Sri Lanka.

Turnover fell WoW yet again, reaching just US\$556mn, the lowest figure since the week ending Dec 11, 2020. 30-day moving ADT is now US\$688mn, down -12% MoM and -61% from the peak levels of Nov 2021. Foreigners, who engaged in the first quarter of net buying in 3 years in 2Q22, were net sellers of a meaningful US\$53mn of Vietnam stocks last week.

Brokerage 2Q22 earnings preview. Modelling brokerage earnings is a dismal affair but a most excellent cure for arrogance: we're happy if we can get the direction right, never mind the exact numbers. Our view is that a QoQ decline in earnings is very likely, given market conditions, but the results might nevertheless beat the market valuation-implied expectations. Last week's quarterly brokerage list from the HSX confirmed our view that the three brokers that dominate FINI trading (i.e., SSI, HCM, and VCI) would see a sequential uptick in market share (see pages 3-4).

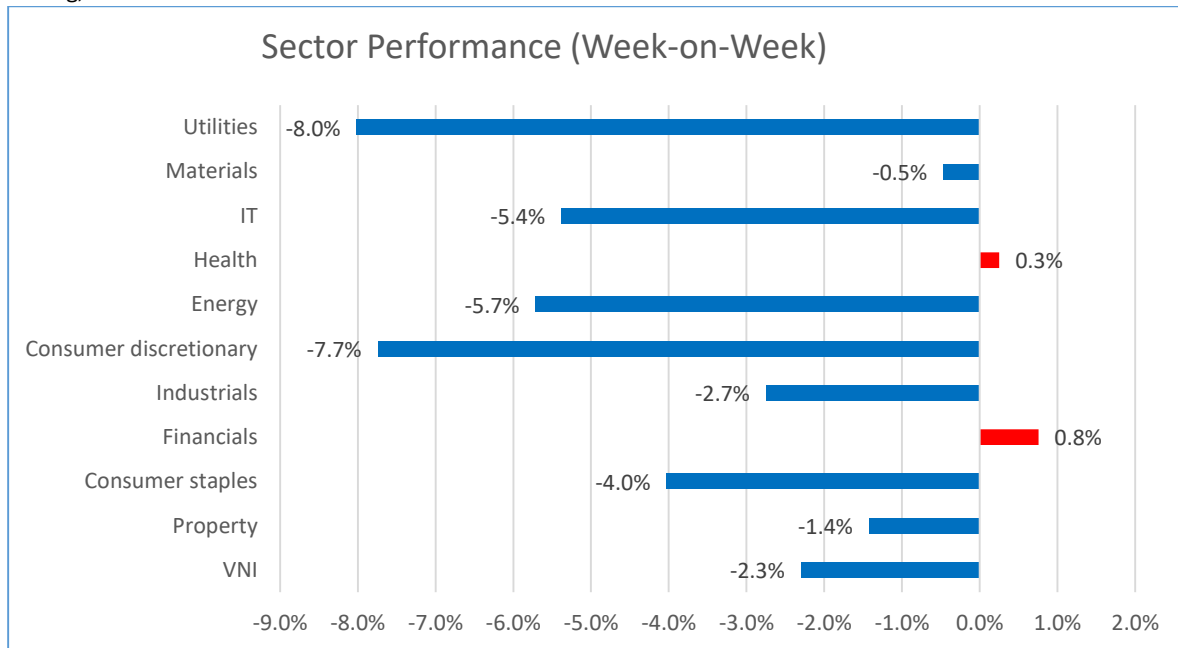
June New Accounts – Holy Moly, Part II. The VSD reports another 466k new trading accounts opened in June, another blowout number after the 477k new accounts in May and a rounding error from 1 million accounts being opened in the past two months. New accounts thus reached 1.9 million in 1H22, equivalent to the total number of accounts opened in the market's first 18 years of operations (2000-2018). Admittedly, these figures do not square with weak stock prices and dwindling turnover, but we continue to believe that the act of opening an account indicates the intention to use it, which supports our case for a market resurgence in 2H22 (page 5).

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	2022E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	3,470	4.2	BUY	24,000	31,883	33%	0.0%	33%
	BIDV	BID VN	7,580	2.5	HOLD-Underperform	35,000	38,860	11%	1.3%	12%
	HD Bank	HDB VN	2,042	2.7	HOLD-Outperform	23,700	33,399	41%	0.0%	41%
	MB Bank	MBB VN	4,052	11.0	BUY	25,050	39,350	57%	0.0%	57%
	Sacombank	STB VN	1,816	15.7	BUY	22,500	28,860	28%	0.0%	28%
	Vietcombank	VCB VN	14,993	3.6	BUY	74,000	89,851	21%	2.3%	24%
	Vietnam Prosperity Bank	VPB VN	5,443	19.0	BUY	28,600	48,820	71%	0.0%	71%
Brokers	HCM City Securities	HCM VN	476	4.3	BUY	24,300	29,957	23%	5.2%	28%
	Saigon Securities	SSI VN	1,301	17.6	BUY	20,400	26,092	28%	2.2%	30%
	Viet Capital Securities	VCI VN	532	6.0	BUY	37,100	47,656	28%	6.0%	34%
	VNDirect Securities	VND VN	957	15.5	BUY	18,350	26,539	45%	1.5%	46%
Energy	PV POW	POW VN	1,303	9.6	SELL	13,000	12,157	-6%	2.3%	-4%
	PV NT2	NT2 VN	285	1.9	SELL	23,150	19,318	-17%	8.6%	-8%
	PCCI	PCI VN	351	3.5	BUY	34,900	50,728	45%	0.0%	45%
Consumer	Masan Group	MSN VN	6,394	4.9	Suspended	104,900	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,204	5.3	BUY	116,000	92,085	-21%	2.2%	-18%
	Digiworld	DGW VN	398	4.0	Suspended	57,000	N/A	N/A	3.2%	N/A
Oil & GAS	PV Drilling	PVD VN	335	7.0	BUY	15,500	36,103	133%	4.5%	137%
Property	Kinh Bac City	KBC VN	1,055	6.4	BUY	32,100	51,600	61%	0.0%	61%
	Khang Dien House	KDH VN	1,092	1.8	BUY	36,050	61,300	70%	1.4%	71%
	Nam Long	NLG VN	599	5.4	HOLD-Outperform	36,550	55,500	52%	2.7%	55%
	Novaland	NVL VN	6,161	10.1	HOLD-Underperform	73,800	90,100	22%	0.0%	22%
	Vinhomes	VHM VN	11,372	10.9	BUY	61,000	108,100	77%	2.5%	80%
Transport	Airports Corp Vietnam	ACV VN	7,214	0.2	HOLD-Underperform	77,400	76,400	-1%	0.0%	-1%
Industrials	Dohaco	DHC VN	203	0.8	BUY	67,900	104,757	54%	3.7%	58%

*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 Jul 08 2022.

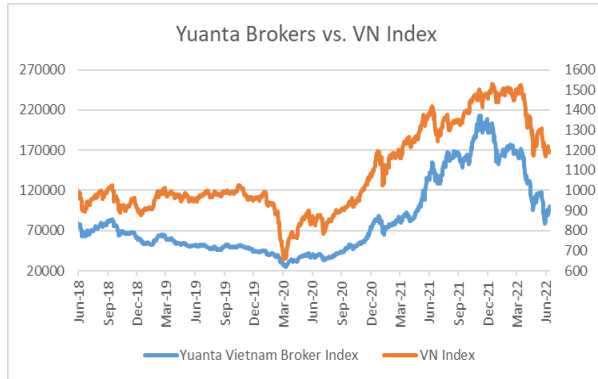
Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Jul 8)

Brokers: 2Q22 results preview

Revenues & profits likely to weaken sequentially given the sharp deterioration in market conditions in 2Q22. ADT in the quarter was just US\$890mn (-35% QoQ / -22% YoY) amidst a bear market (VNI -20% QoQ / VHI -38% QoQ) that is extremely likely to have curtailed prop trading gains. In addition, we reckon that margin loans have probably declined by 20% from the peak in 1Q22. However, cheap valuations have more than fully discounted the negatives. We believe that the 2Q22 bear market represents a trough and we expect momentum to recover in 2H22. We remain Overweight the brokers and reiterate BUY on HCM, SSI, VND, and VCI.



Stock code	Mkt cap (USDmn)	3-month ADT (USDm)	Rating	Current price (VND)	Target price (VND)	Up (down) side	2022E Dividend yield	12-m TSR*
HCM VN	452	4.3	BUY	23,050	29,957	30%	5.4%	35%
SSI VN	1,258	17.9	BUY	19,700	26,092	32%	2.3%	35%
VCI VN	521	6.1	BUY	36,300	47,656	31%	6.1%	37%
VND VN	971	16.3	BUY	18,600	26,539	43%	1.5%	44%

Source: Bloomberg, Yuanta Vietnam

Source: Bloomberg (pricing date: July 5)

Earnings growth is likely to slow sequentially. Stock market performance in 2Q22 was horrible, but balance sheet expansion as the result of capital calls mean that earnings should rise anyway, at least on a YoY basis. For example, VND’s preliminary 2Q22 earnings of VND859bn implies growth of +12.9% QoQ / 90.9% YoY. However, EPS growth may be less exciting.

ADT plummeted in 2Q22. We estimate that ADT across the HSX, HNX, and UPCoM markets reached US\$890m in 2Q22, down -35% QoQ and -22% YoY. Brokers don’t generate the bulk of their profits from the pure agency business, but the cyclical decline in market activity is (obviously) negative.

We assume that margin loans declined by c.20% QoQ across the industry. However, this still implies a substantial YoY increase, which informs our earnings expectations. What we do *not* expect is material credit losses for the brokers. We believe that the brokers, or at least the ones in our coverage, are fully capable of managing the risks of the margin finance business.

Proprietary trading: As always, it’s a wildcard. Prop trading results are typically the main earnings risk, and 2Q22 was a tough quarter for anyone who was long risk. Intuitively, securities brokerages should be very tuned in to overall sentiment in a market in which retail investors account for c. 85% of trading. As such, the 2Q22 prop trading results may not be as bad as indicated by market performance in 2Q (i.e., VNI -19.7% / VHI -38.2%).

We reiterate our Overweight call on the Vietnam brokers after [upgrading](#) the sector on June 27, with BUY recommendations on SSI, HCM, VCI, and VND. Our strategy view is that the market is likely bottoming now and momentum should recover in 2H22. We continue to see the brokerage sector as a leveraged proxy on market momentum given the industry’s high operational gearing to market activity.

Valuations matter! Trading at sub 2x P/B multiples with c.15-20% long-term ROEs, we think the stocks are still attractive even after the solid performance of the past two weeks. We expect 12-month TSR of 35-44%. However, these are highly cyclical and capital intensive businesses. When and if they manage to trade back up into the stratosphere (i.e., 3-4x P/B or higher), it will once again be time to take profit.

Please see the link for the full report: <https://yuanta.com.vn/wp-content/uploads/2022/07/Brokers-2Q22-Results-Preview.pdf>

A note on brokerage market share. As discussed in the earnings preview, we thought that several of our brokers (HCM, VCI, and SSI) might see a sequential up-tick in 2Q22 brokerage market share. The reason for this is their dominance of FINI broking, a rare area of this business in that it is difficult for competitors to penetrate. The costs in money and time of building up a credible product gives this area a competitive moat that is absent in more lucrative segments of the business such as margin lending, and these three brokers continue to enjoy combined FINI brokerage market share of somewhere in the area of 70%.

Foreigners have been bit players in brokerage turnover during the market boom of the past 2.5 years, but the FINI share of overall trading in 2Q22 ticked up marginally to around 9%, higher than the 7% figure in 1Q22.

As a result, HCM saw a 34bp QoQ increase in HSX market share to reach 5.6% in 2Q22; VCI's market share rose by 22bps to reach 4.6%; and SSI's market share increased by 15bps to reach 9.8%.

HOSE Quarterly Market Share

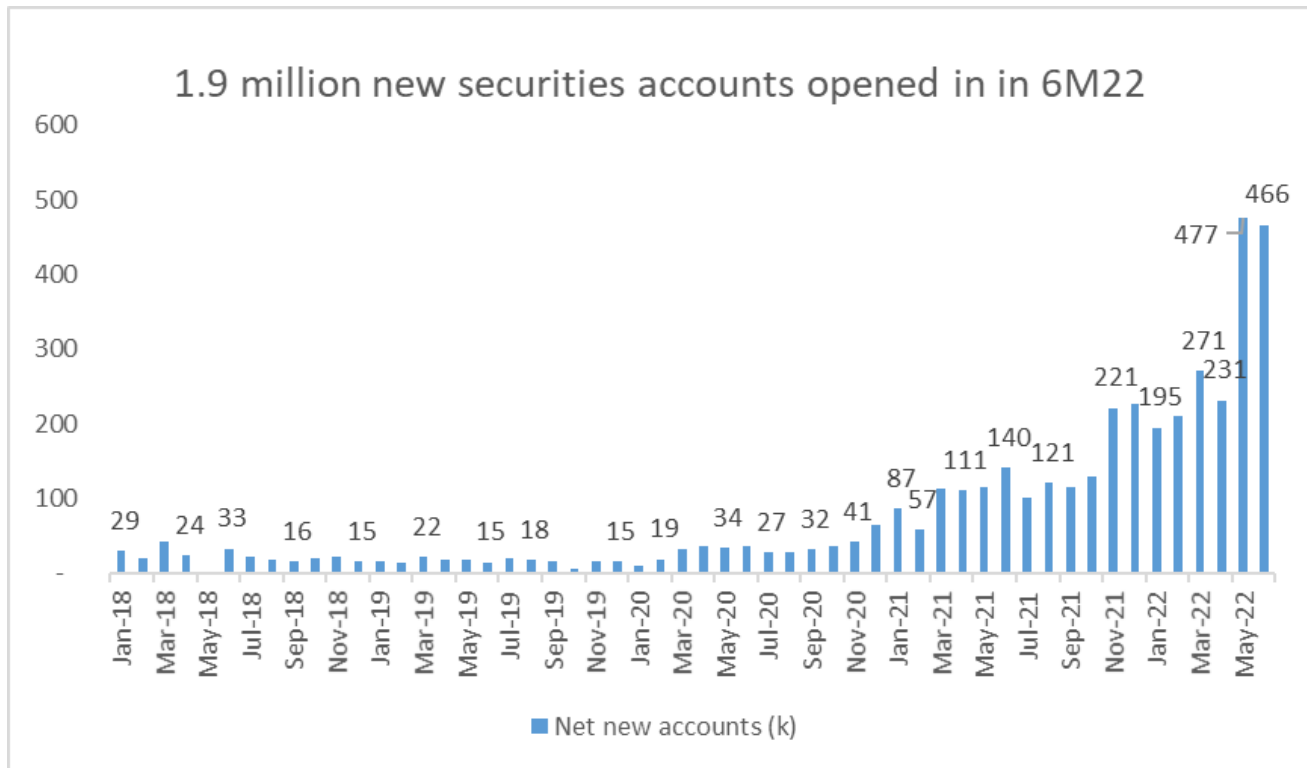
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
VPS	5.87%	7.65%	10.84%	13.24%	16.40%	16.50%	17.12%	17.94%	17.59%
SSI	14.13%	11.82%	11.65%	11.89%	10.97%	11.58%	10.28%	9.66%	9.81%
VND	7.25%	7.12%	7.28%	7.46%	6.92%	7.72%	7.67%	8.01%	7.99%
HCM	8.77%	8.43%	7.90%	8.23%	7.05%	6.79%	5.66%	5.24%	5.58%
TCBS	3.49%	0.00%	0.00%	3.60%	4.03%	4.81%	5.28%	5.55%	5.47%
MAS	4.33%	4.49%	4.80%	4.41%	4.56%	3.94%	4.74%	5.01%	5.05%
VCI	8.84%	6.65%	6.94%	5.62%	5.00%	4.90%	4.37%	4.42%	4.64%
MBS	4.42%	5.11%	4.83%	4.07%	3.99%	4.45%	4.43%	4.52%	4.49%
KIS	0.00%	3.78%	3.75%	0.00%	2.79%	2.98%	2.80%	3.27%	3.44%
FPTS	4.01%	3.75%	3.73%	3.46%	3.33%	3.38%	3.39%	3.24%	3.29%

Source: HCMC Stock Exchange

New Accounts in June continue to soar

We've said it before, and we'll probably say it again, but Holy Moly!

Another 466K new securities trading accounts were opened in June, according to the Vietnam Securities Depository. This would have been by far a record high of any month historically, except it was slightly lower than May's blowout number of 477k. Put another way, we are but a rounding error from posting 1 million new accounts in the last two months alone.

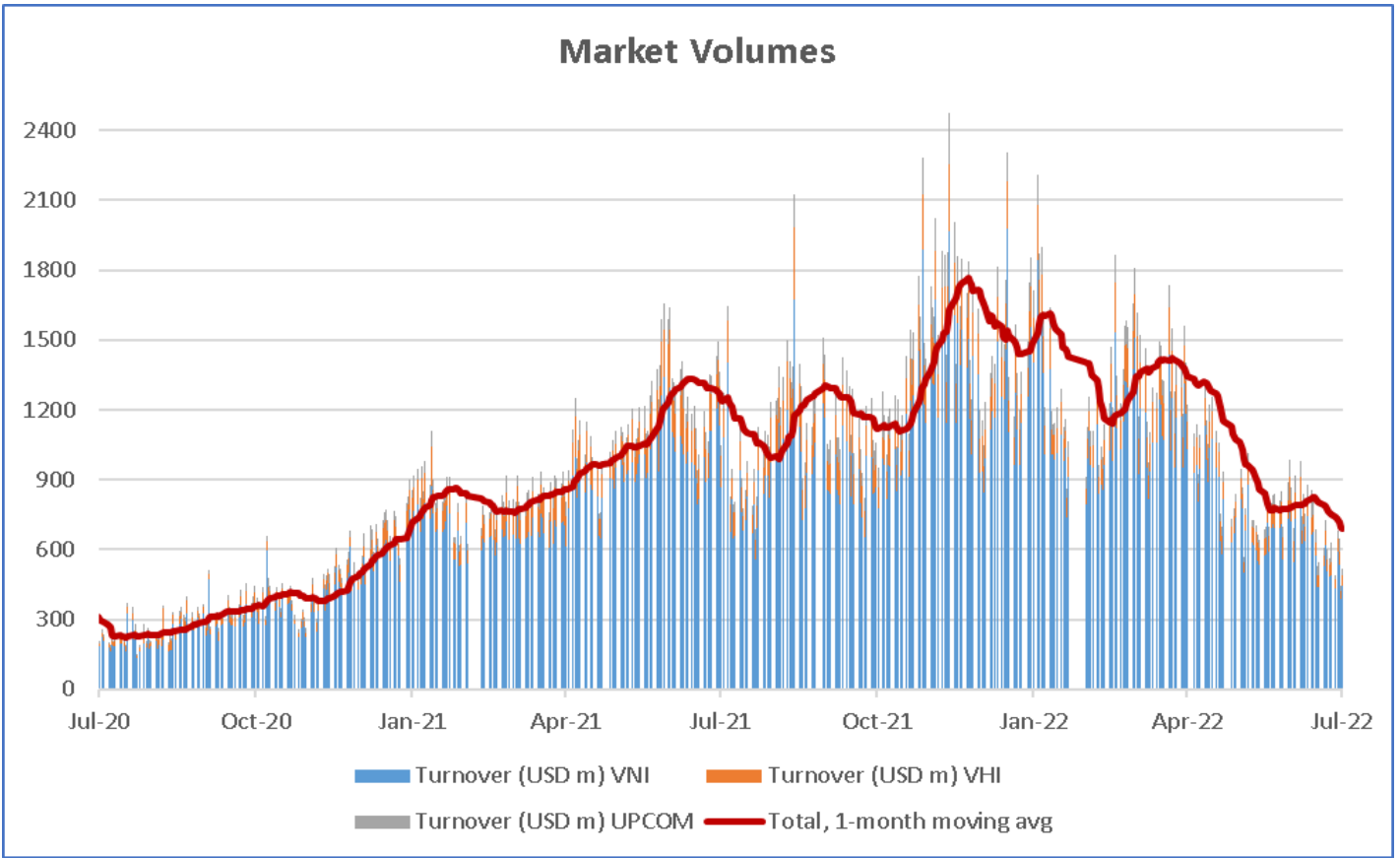


Source: Bloomberg, Yuanta Vietnam

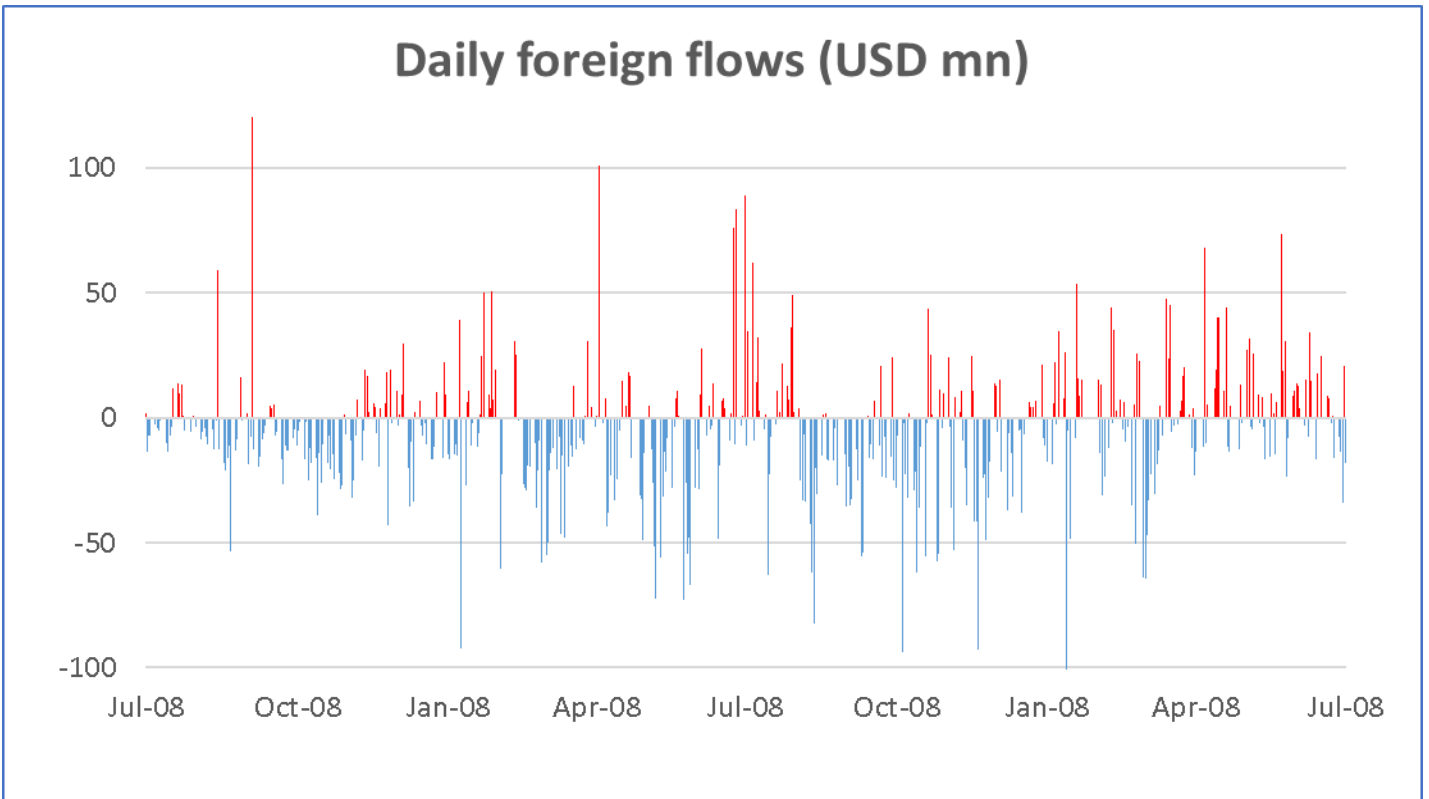
The number of accounts outstanding has now reached 6.2 million, with domestic individuals accounting for 99.1% of the total (6.1 million). This represents 6% of the population but as discussed [previously](#), this comparison is only useful for gauging the penetration rate and should not be interpreted as a statement that 6.1 million individuals have opened trading accounts: the real number of individuals actively trading the market is likely to be much lower.

These figures fail to square with plummeting share prices in 2Q22 and dwindling trading volumes up to now. Still, the figures are extremely impressive. In the first six months of the year, 1.9 million new accounts have been opened. This is equivalent to the total number of accounts opened during the market's first 18 years. Various interpretations of the data are possible, but it would be tough to generate a conclusion that this this is a bearish trend.

We continue to believe that the act of opening a new account is an illustration of the intention to use it. The surge in new accounts thus should set up a resurgence of market activity at some point going forward. Catalysts for a resurgence include upcoming 2Q22 earnings, which are likely to beat the market-implied expectations, and the eventual increase in credit quotas from the State Bank of Vietnam (possibly not in July, but almost certainly in August/September).

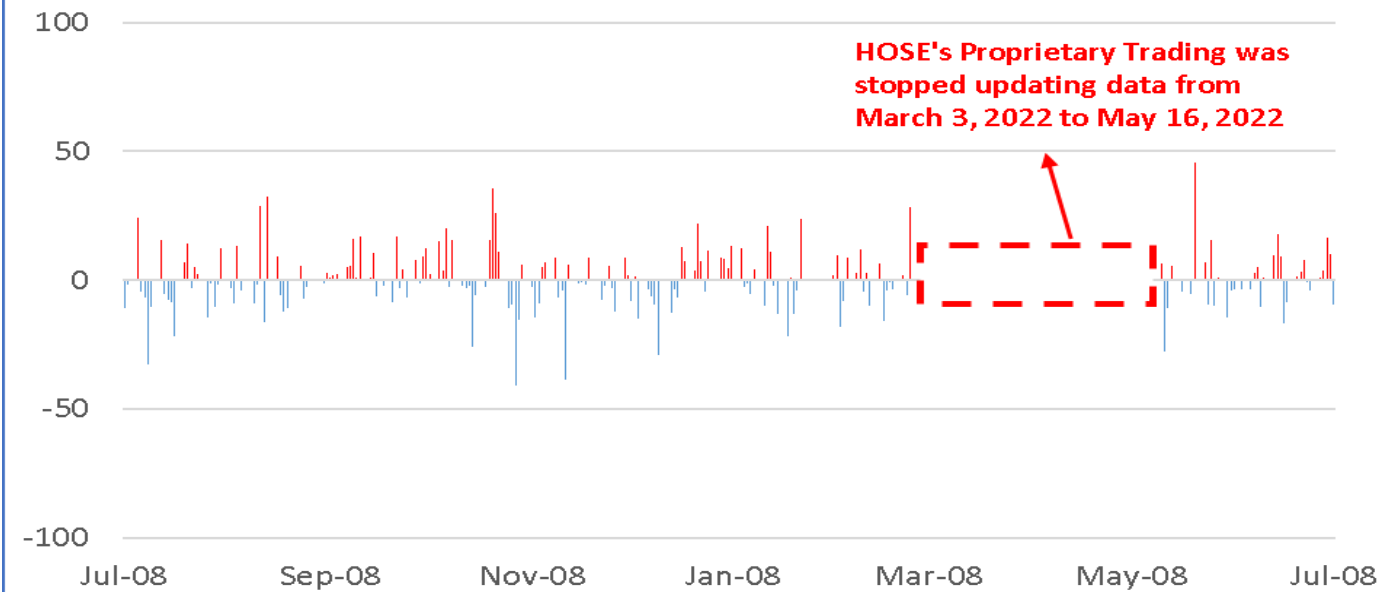


Source: FiinPro, Yuanta Vietnam (Jul 8)



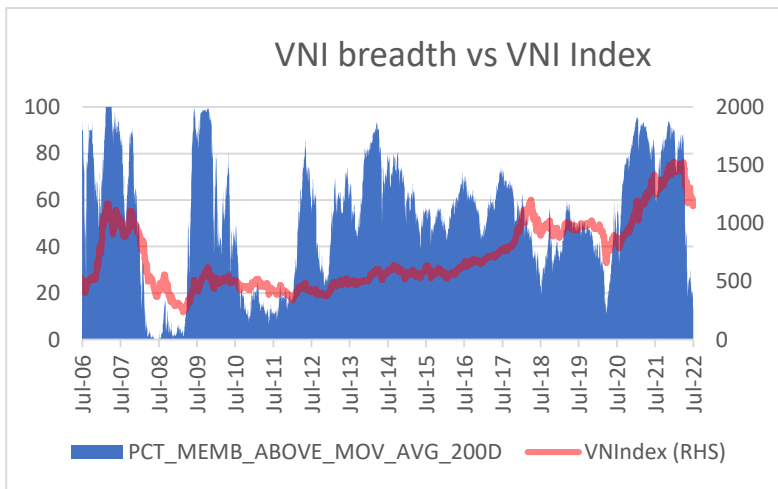
Source: FiinPro, Yuanta Vietnam (Jul 8)

Domestic institutional flows (USD mn)



Source: FiinPro, Yuanta Vietnam (Jul 8)

Weekly breadth was neutral on VN30 and negative on VNIndex



Source: Bloomberg, Yuanta Vietnam (Jul 8)

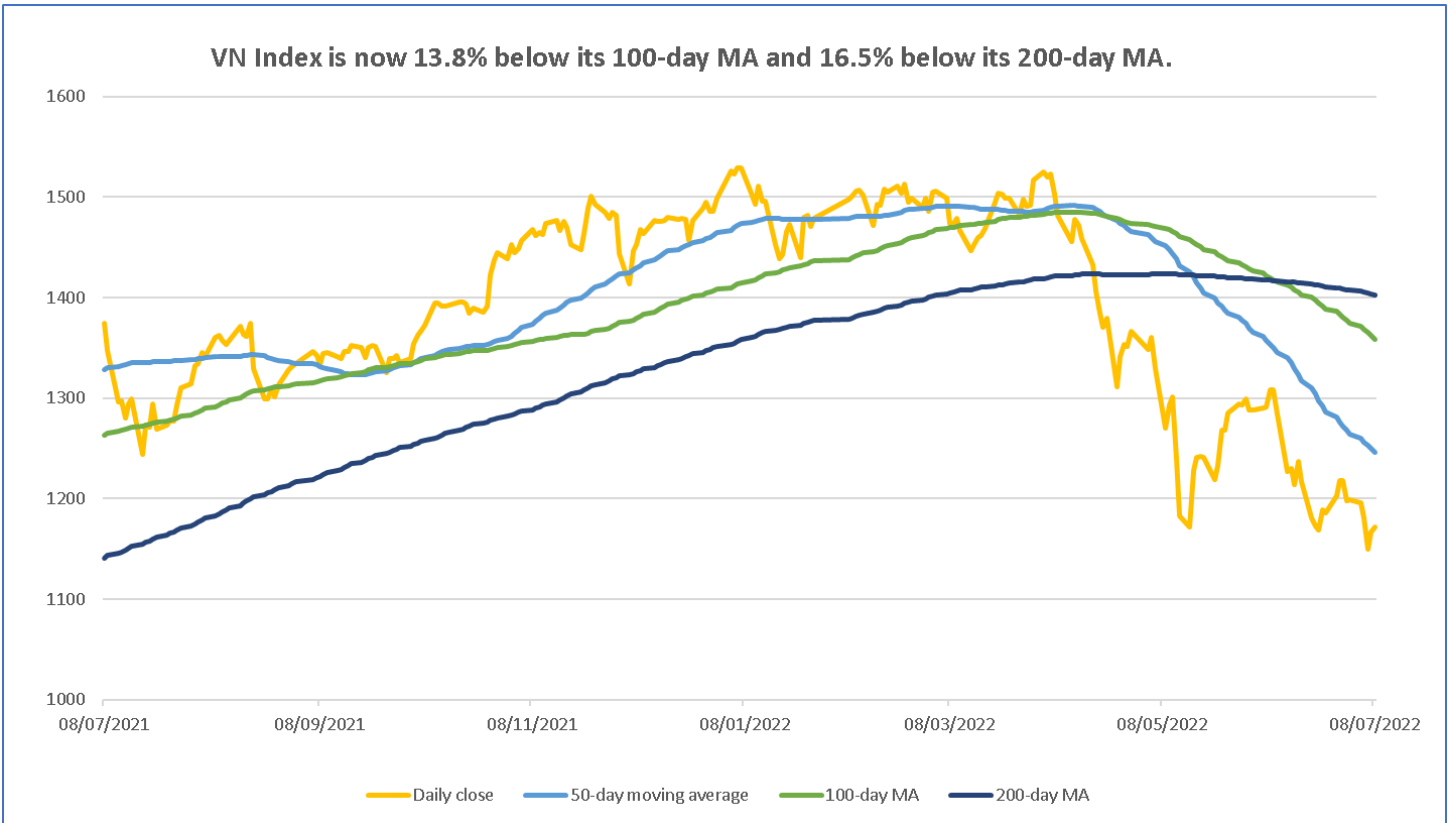
VN 30 breadth			
	WoW	MoM	YTD
Gainers	10	6	4
Losers	19	24	26

Source: Bloomberg (Jul 8)

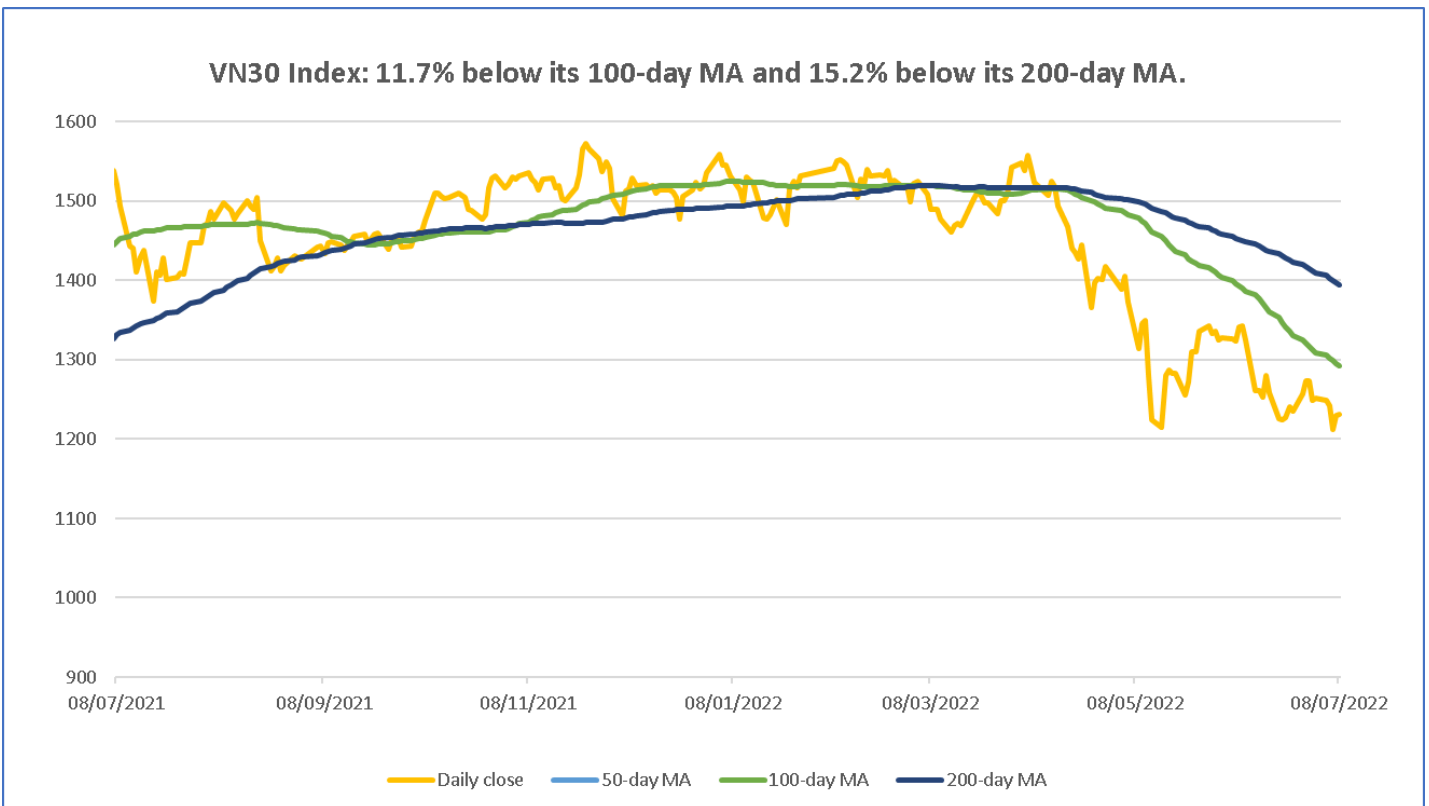
VNI breadth			
	WoW	MoM	YTD
Gainers	131	49	71
Losers	251	345	320

Source: Bloomberg (Jul 8)

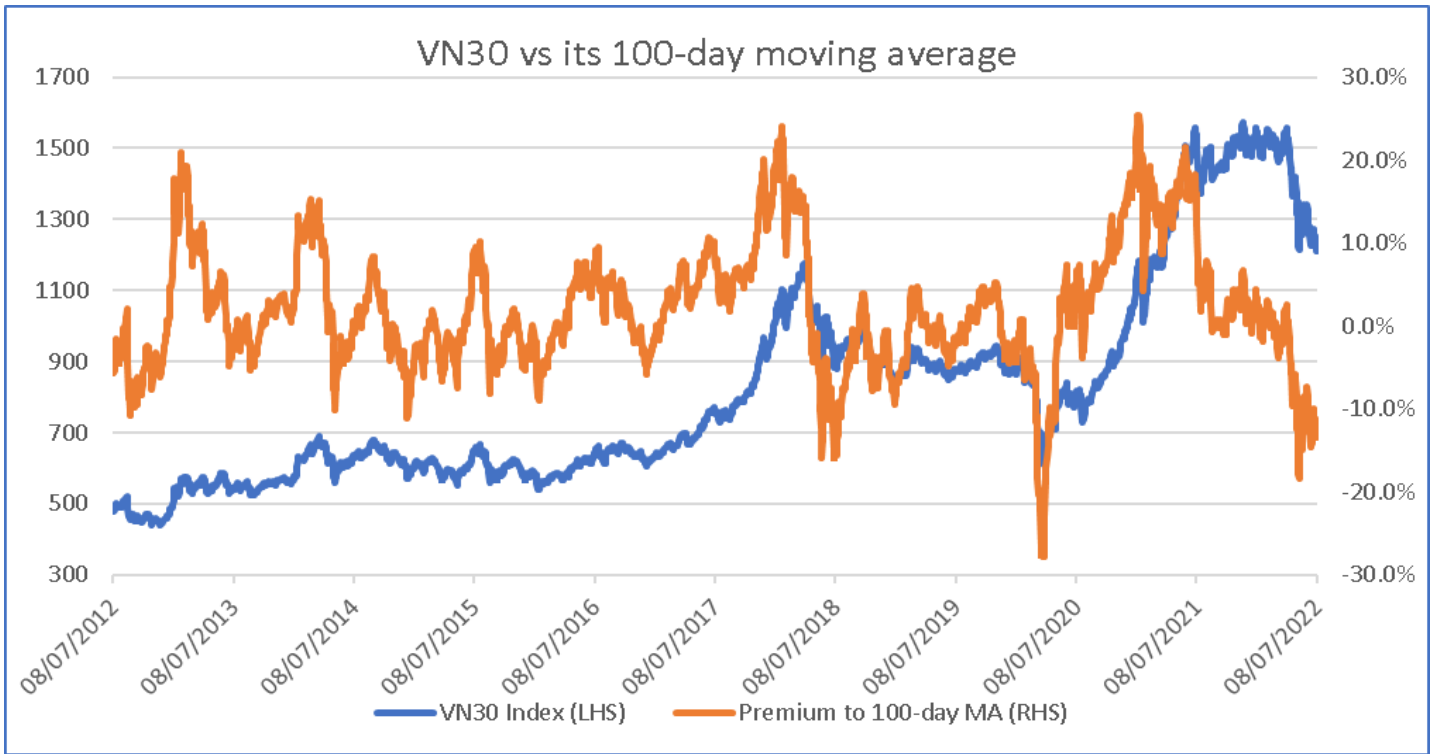
Source: Bloomberg, Yuanta Vietnam



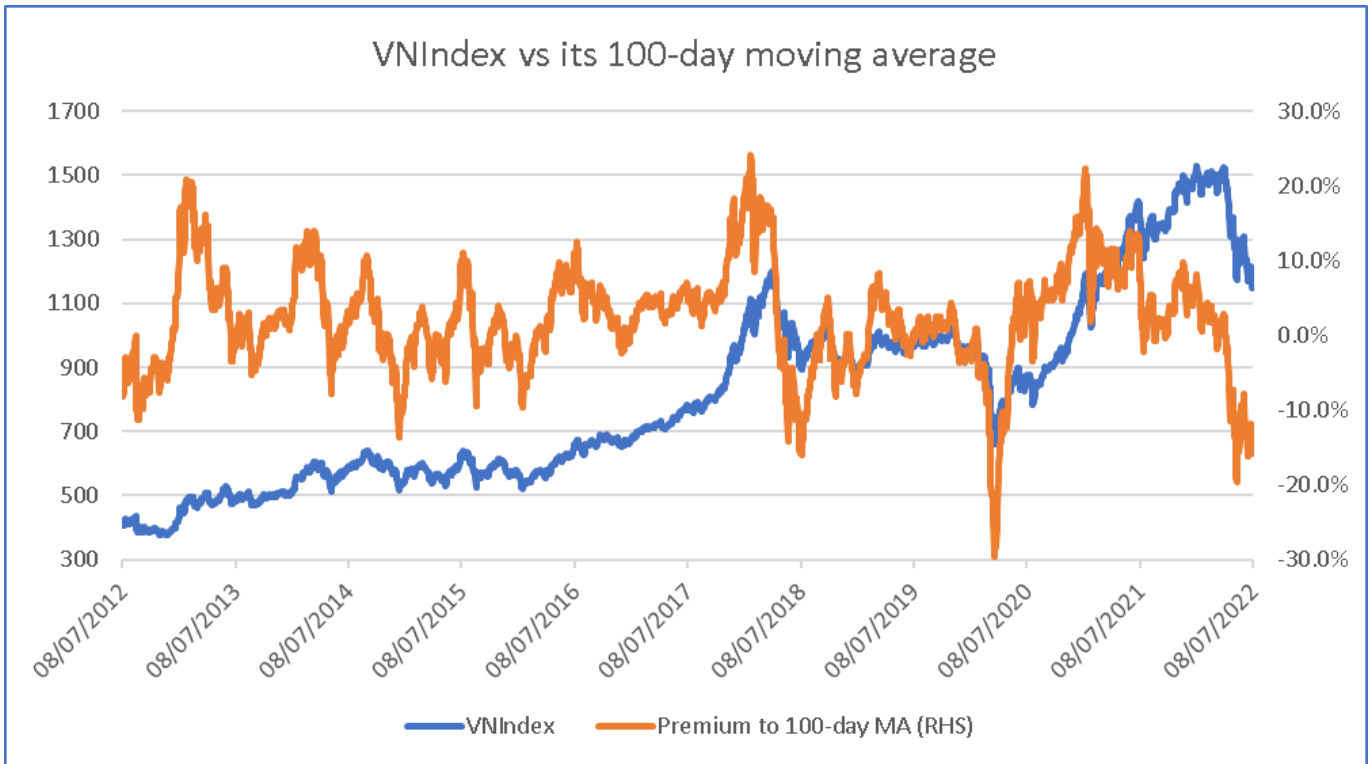
Source: Bloomberg, Yuanta Vietnam



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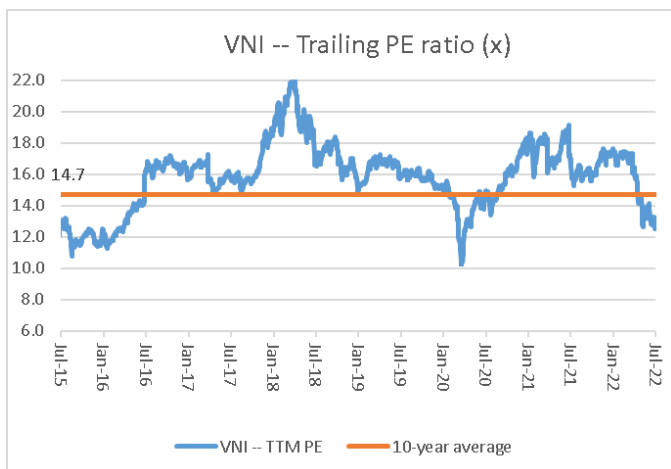


Source: Bloomberg, Yuanta Vietnam



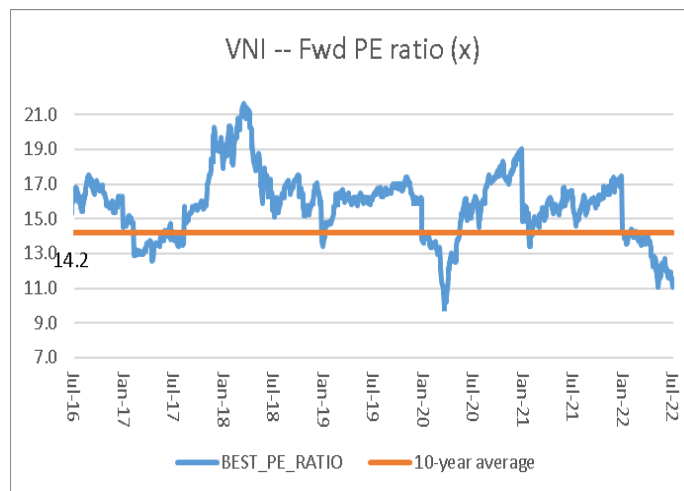
Source: Bloomberg, Yuanta Vietnam

The VNI's trailing 12-m PE multiple is now just 13x, well below the 15x historical mean



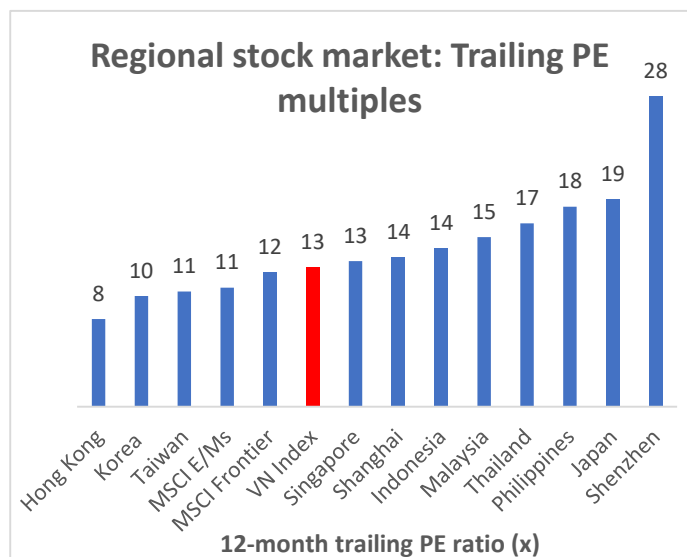
Source: Bloomberg, Yuanta Vietnam (Jul 8)

...while the forward PE multiple is just 11x, resulting in a GARP-friendly PEG ratio of just 0.4x.



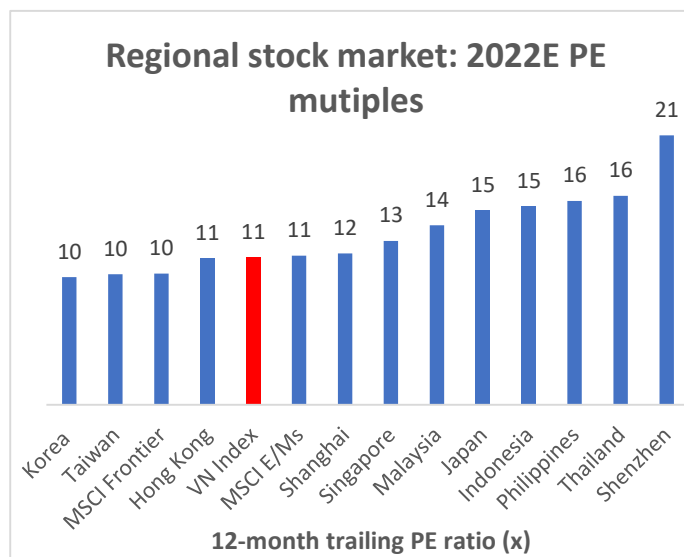
Source: Bloomberg (2022E consensus PE), Yuanta Vietnam (Jul 8)

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



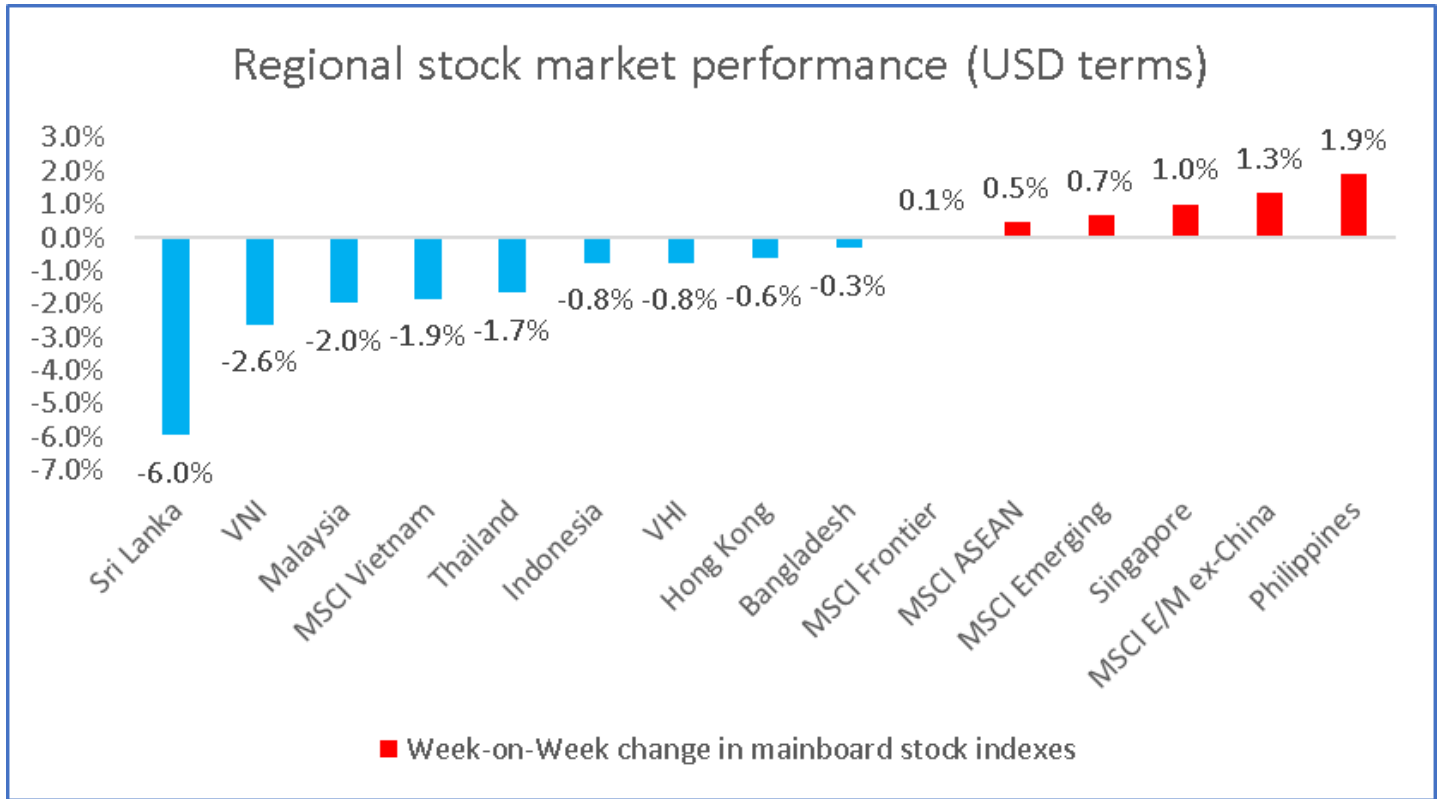
Source: Bloomberg, Yuanta Vietnam (Jul 8)

...Forward P/E is also at roughly the ASEAN median, while Northeast Asia is cheaper

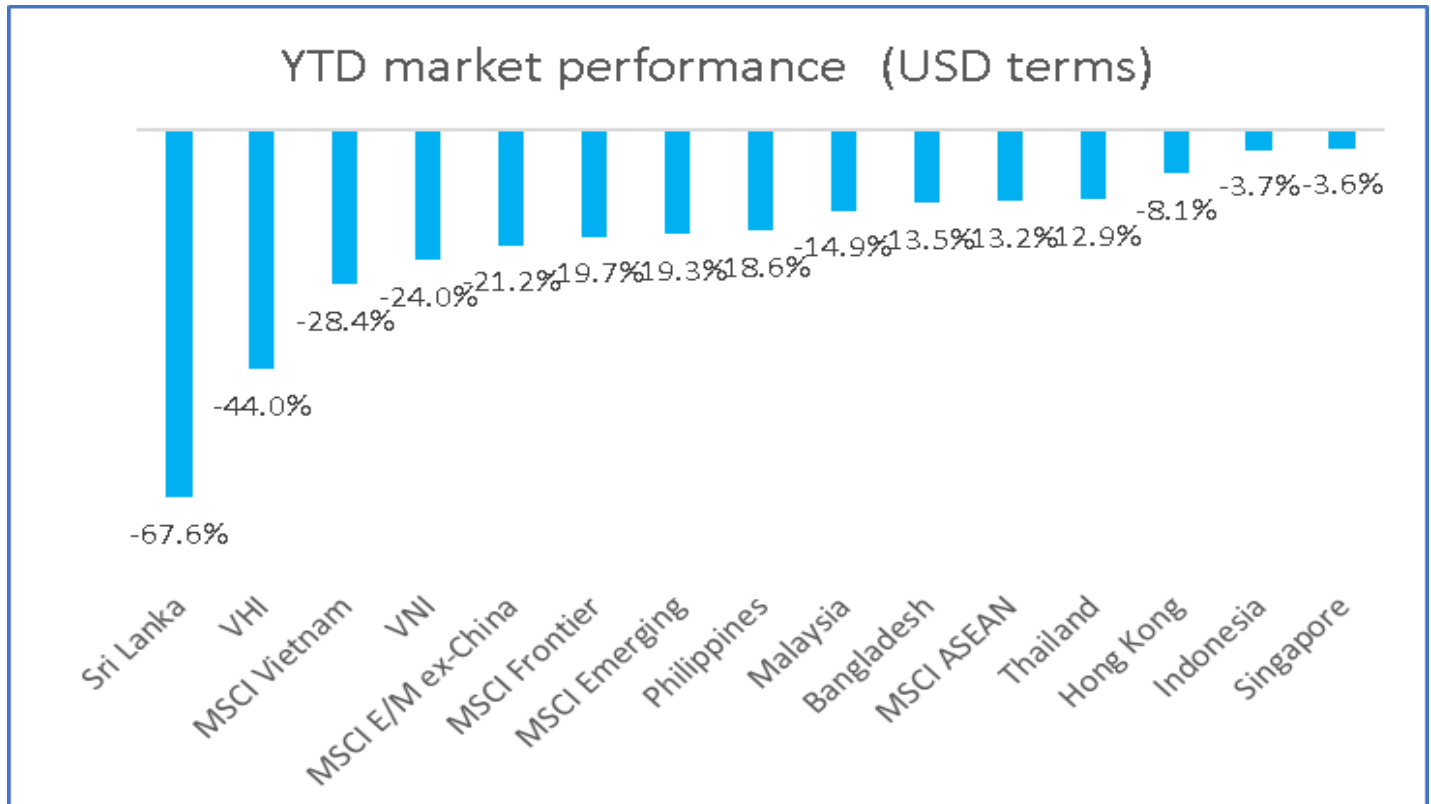


Source: Bloomberg (2022E consensus PE), Yuanta Vietnam (Jul 8)

VNI underperformed the region last week

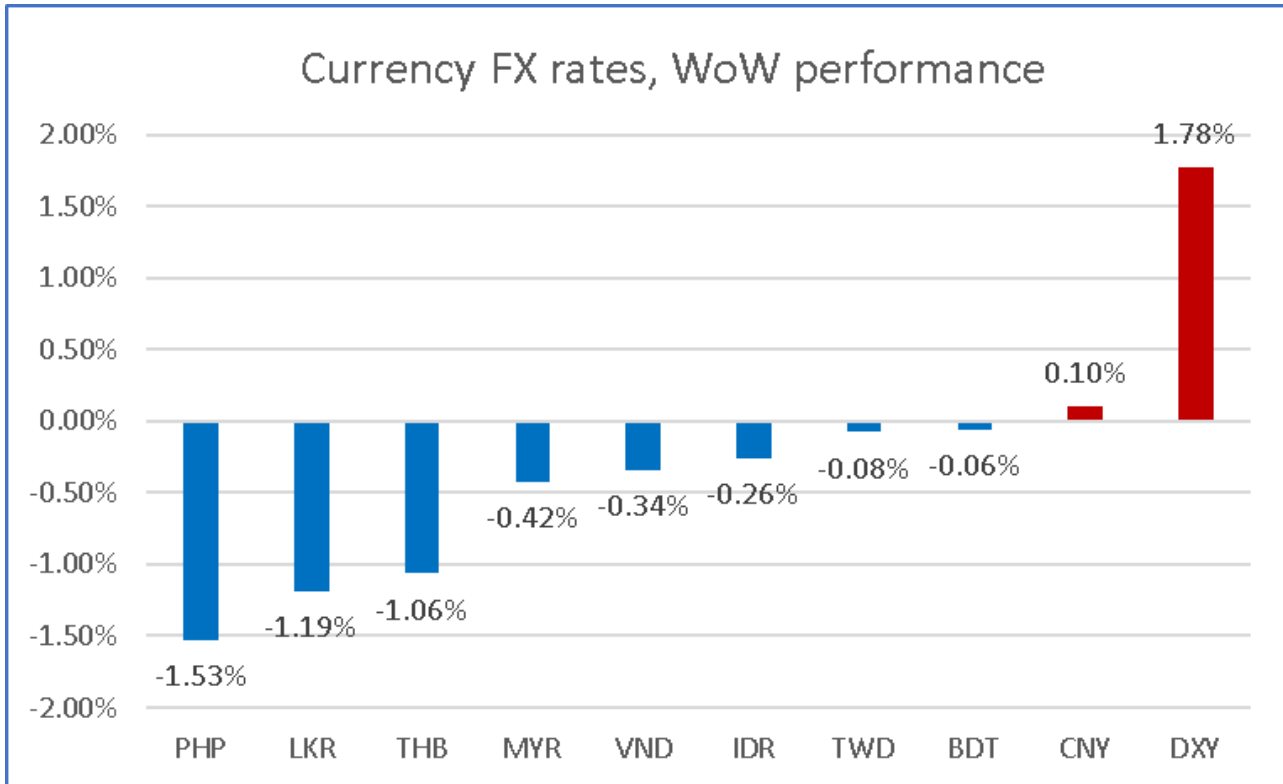


Source: Bloomberg, Yuanta Vietnam (Jul 8)

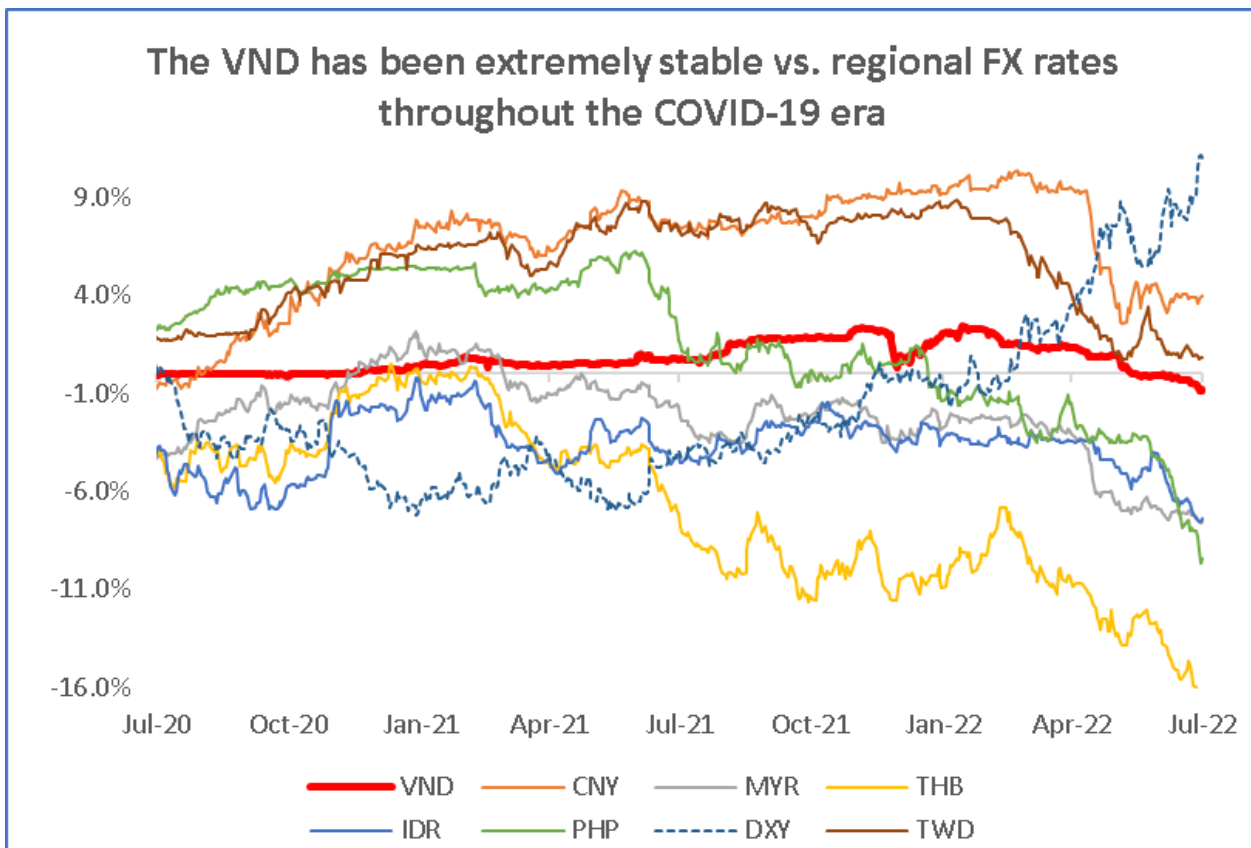


Source: Bloomberg, Yuanta Vietnam (Jul 8)

Regional currencies: VND was down -34bp last week

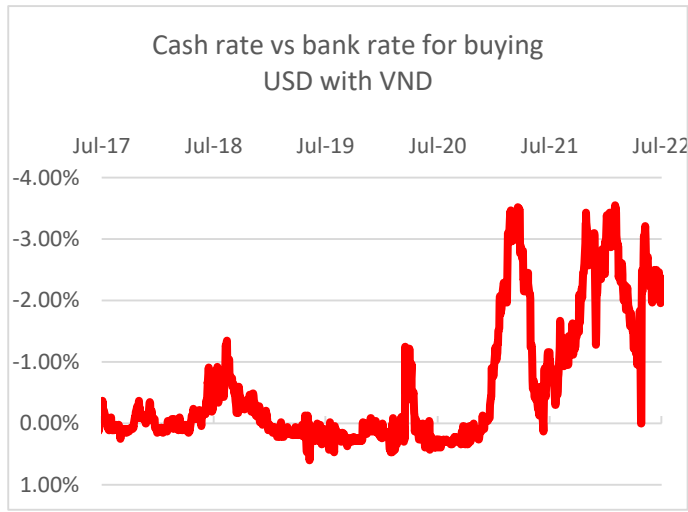


Source: Bloomberg (Jul 8)



Source: Bloomberg (Jul 8)

US dollar cash premium has declined.



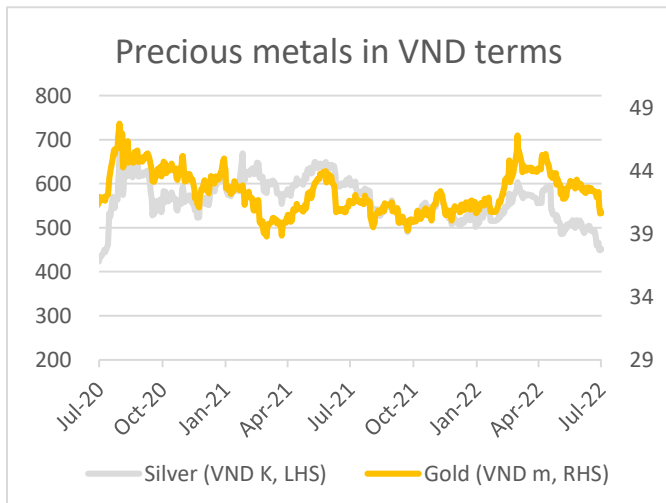
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

The cash premium remains well below the peak.



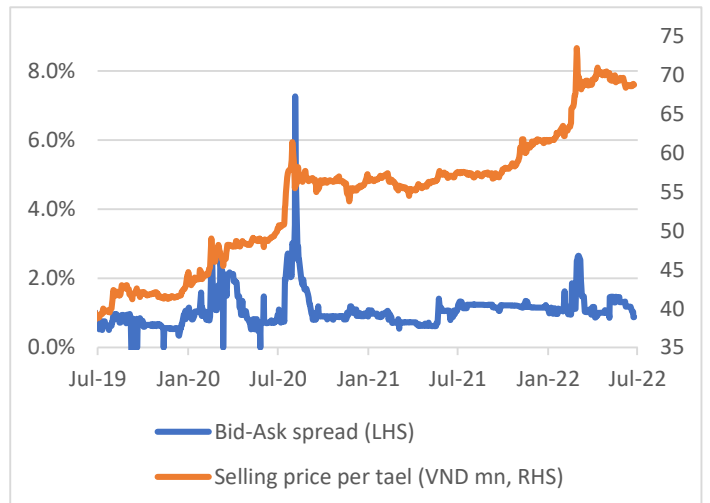
Source: FiinPro, Yuanta Vietnam

Global precious metals prices are soaring on Russia-Ukraine.

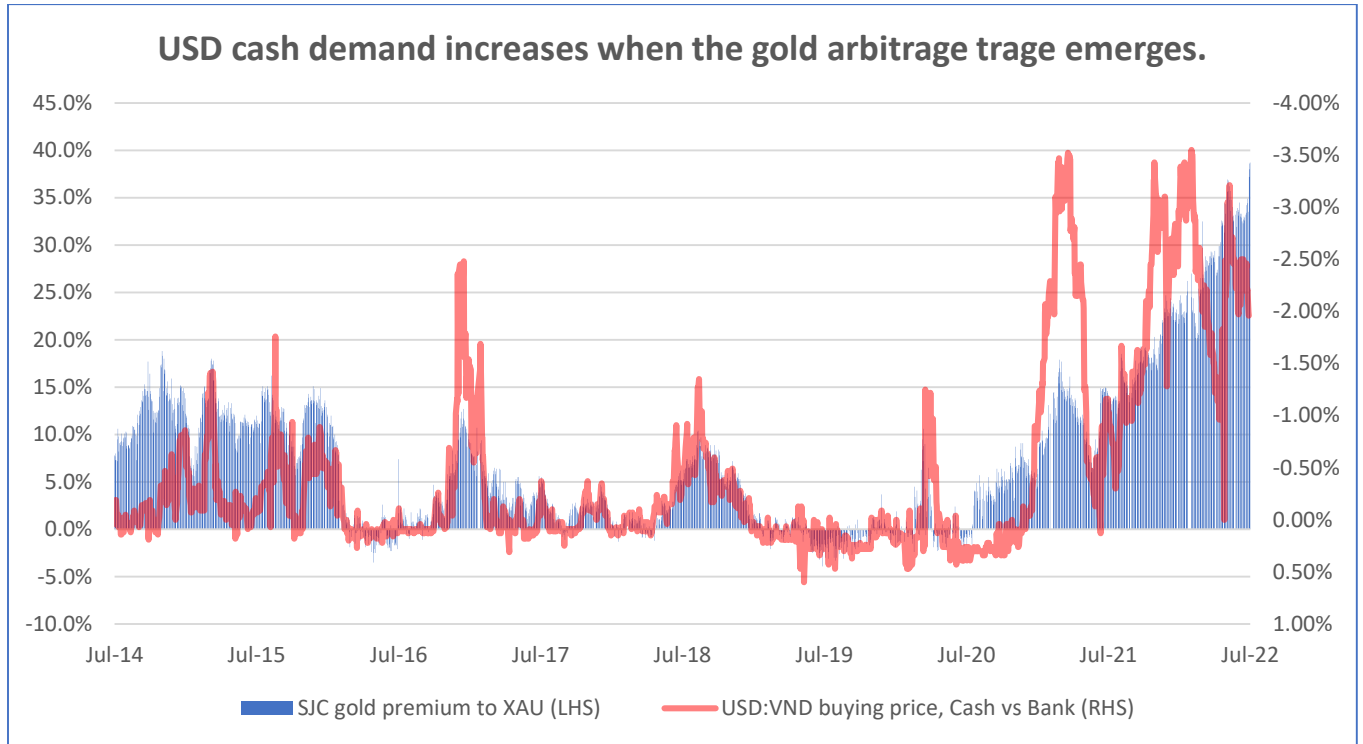


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

SJC gold premium and bid-ask spread reflects this global volatility.

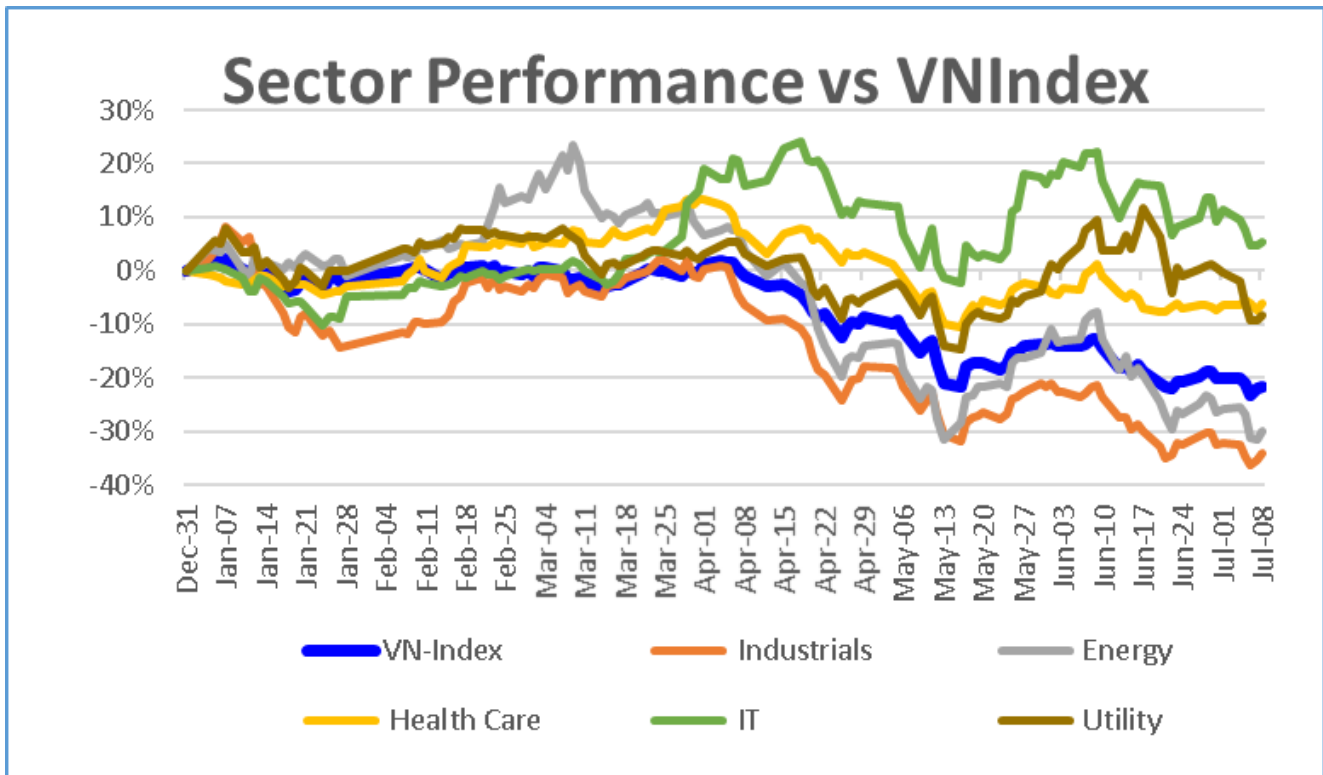
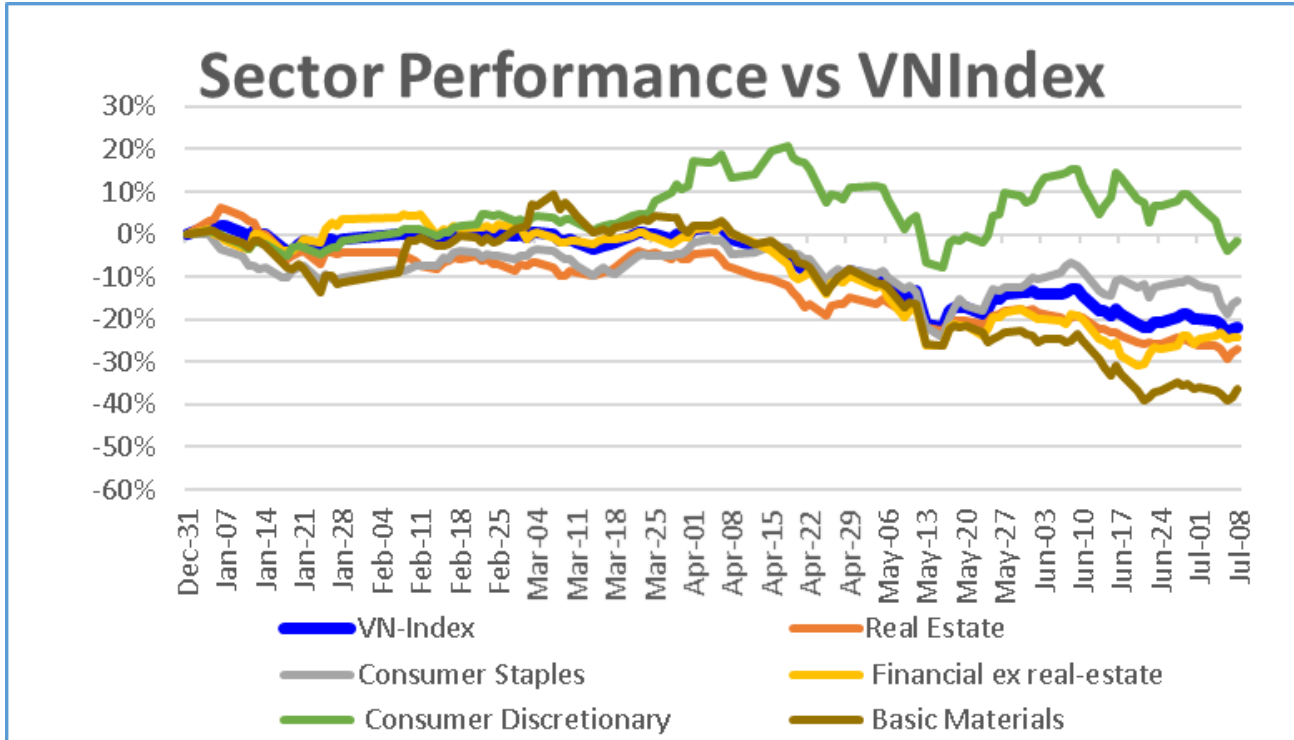


Source: FiinPro, Yuanta Vietnam



Source: FiinPro, Bloomberg, Yuanta Vietnam (Jul 8)

Sector performance YTD



Source: Bloomberg (Jul 8)

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
Banks	ACB VN	8.6	7.1	5.6	28.3	21.2	21.2	0.3	0.3	0.2	1.5	1.5	1.2	24.0	23.0	22.9	1.9	2.0	2.2
	BID VN	30.4	20.2	13.0	(22.6)	50.3	50.3	n/a	0.4	0.2	1.8	2.1	1.8	7.4	10.5	14.8	0.5	0.7	0.9
	HDB VN	9.0	8.2	6.3	(27.9)	9.7	30.8	n/a	0.8	0.2	1.5	1.5	1.2	18.8	20.5	21.1	1.7	1.8	2.0
	MBB VN	8.4	6.7	6.1	8.5	24.1	10.9	1.0	0.3	0.6	1.5	1.6	1.2	18.4	21.4	21.5	1.9	2.4	2.7
	STB VN	18.0	13.8	12.0	10.6	30.5	15.1	1.7	0.5	0.8	1.4	1.2	1.1	8.1	9.5	9.8	0.6	0.7	0.8
	VCB VN	16.6	12.7	9.8	(0.6)	31.4	29.4	n/a	0.4	0.3	2.9	2.5	2.1	18.8	21.0	22.9	1.4	1.7	1.9
	VPB VN	6.7	8.4	6.4	26.1	(19.9)	31.0	0.3	n/a	0.2	1.3	1.6	1.3	21.9	16.9	19.9	2.6	2.4	3.5
Brokers	HCM VN	18.3	8.8	8.5	(9.6)	109.5	2.4	n/a	0.1	3.6	1.7	1.5	1.3	12.1	19.5	16.9	5.3	6.2	4.7
	SSI VN	9.0	6.0	8.4	21.0	49.8	(28.8)	0.4	0.1	n/a	1.2	1.4	1.2	13.1	22.5	18.5	4.0	6.2	6.8
	VCI VN	8.1	8.4	8.0	9.5	(3.1)	5.4	0.9	n/a	1.5	1.4	1.9	1.7	17.0	22.9	22.7	9.0	8.8	8.8
	VND VN	22.8	7.3	7.9	75.7	212.3	(7.4)	0.3	0.0	n/a	3.9	2.0	1.8	19.7	34.9	27.0	5.0	8.7	7.4
Energy	PVD VN	36.9	339.7	10.2	(1.3)	(89.7)	3,245.0	n/a	n/a	0.0	0.5	0.5	0.5	1.3	0.1	4.6	0.9	0.1	3.2
	NT2 VN	10.9	14.6	11.3	(17.1)	(25.3)	28.7	n/a	n/a	0.4	1.6	1.8	1.8	11.6	15.9	17.5	9.0	7.4	9.6
	PC1 VN	11.6	12.4	9.5	34.7	(6.8)	31.3	0.3	n/a	0.3	1.2	1.3	1.1	11.9	12.6	13.6	5.3	4.7	5.1
Consumer	MSN VN	24.3	19.8		(9.6)	22.9	20.9	n/a	0.9		3.1	2.7	2.3	13.5	14.5	15.2	7.0	8.0	8.9
	PNJ VN	28.6	21.8	16.3	(5.8)	31.1	33.5	n/a	0.7	0.5	7.2	4.9	4.0	25.9	20.7	23.4	12.0	14.8	16.9
	DGW VN	13.6	12.6	10.7	23.3	8.5	17.8	0.6	1.5	0.6	2.5	2.2	2.2	18.9	18.4	18.4	7.1	7.1	7.1
Oil & GAS	POW VN	15.4	13.4	12.6	(18.0)	14.8	6.8	n/a	0.9	1.8	0.9	1.0	0.9	6.8	7.4	7.6	3.8	4.5	4.6
Property	KBC VN	10.4	8.1	5.7	(54.0)	230.0	91.0	n/a	0.3	0.1	1.7	1.4	1.2	3.0	14.0	22.0	1.0	6.0	10.0
	KDH VN	18.0	26.2	16.3	19.0	(31.0)	61.0	0.9	n/a	0.3	2.7	2.7	2.6	15.0	11.0	17.0	9.0	6.0	10.0
	NLG VN	11.9	12.2	11.6	(31.0)	(3.0)	5.0	n/a	n/a	2.3	1.9	1.3	1.4	13.0	12.0	12.0	7.0	6.0	7.0
	NVL VN	18.7	31.5	26.6	12.0	(41.7)	18.3	1.6	n/a	1.5	2.9	2.1	1.9	14.0	10.0	10.6	3.0	2.3	2.4
	VHM VN	7.5	6.9	5.8	25.8	8.5	19.0	0.3	0.8	0.3	2.4	1.8	1.4	37.0	31.0	28.0	14.0	14.0	14.0
Transport	ACV VN	25.2	19.5		8.3	28.8		3.0	0.7	n/a	4.0	3.4	3.2	18.8	20.2	11.0	11.4	11.3	5.2

Stock ratings and pricing data is as of close on Jul 08 2022.

Source: Bloomberg, Yuanta Vietnam



Appendix A: Important Disclosures

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