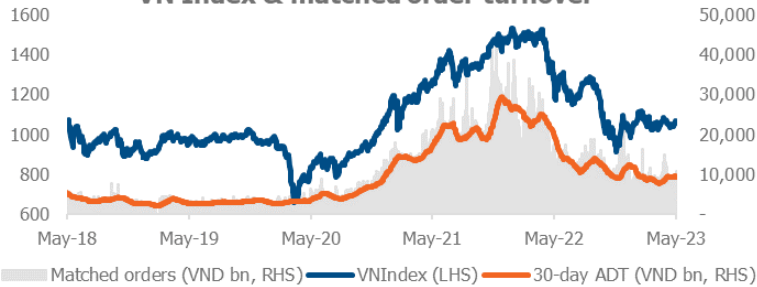


Strategy: VNI once again set to test resistance at just under 1100 points

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Assistant Analyst

The VNI posted a **+2.6% WoW gain last week**, its best performance since early March. The mainboard clawed back above its 50- and 100-day moving averages after breaking down below those lines earlier in May. ADT was slightly better, but tackling the 200-day moving average (now at 1088, and still moving south) is likely to require more volumes than we have seen in recent weeks. The VNI has returned 6.7% YTD in USD terms, making it the best-performing market in Southeast Asia so far in 2023.

VN Index & matched order turnover

Index, Flows, and FX Performance

- **VNINDEX:** 1067 (+2.6% WoW / +5.9% YTD / -13.9% YoY)
- **VHINDEX:** 207 (+3.5% WoW / +4.8% YTD / -31.8% YoY)
- **UPCOM Index:** 80 (+3.2% WoW / +11.7% YTD / -17.0% YoY)
- **Average daily turnover:** US\$559 mn (+14.1% WoW)
- **Foreigners net sold US\$7.1mn** of three-index constituents
- **VND:USD rate:** 23,460 (-4bp WoW / +74bp YTD / -1.59% YoY)

VN30 Components

Ticker	Closing price (VND K)	WoW chg	Cont to VN30 (WoW)	TTM PE (x)
ACB	25.0	1.4%	3.6%	6
BCM	77.5	-0.5%	-0.1%	66
BID	45.0	3.6%	1.2%	11
BVH	46.0	0.2%	0.0%	21
CTG	28.4	2.0%	1.4%	8
FPT	80.5	2.7%	7.1%	16
GAS	92.5	0.7%	0.2%	12
GVR	16.8	8.4%	0.8%	20
HDB	19.4	1.8%	2.2%	6
HPG	22.4	4.2%	10.7%	196
MBB	18.7	3.0%	5.0%	5
MSN	74.4	1.9%	3.2%	48
MWG	39.0	3.2%	4.8%	21
NVL	13.7	1.1%	0.6%	38
PDR	14.0	3.3%	0.5%	10
PLX	37.6	-0.7%	-0.1%	26
POW	13.4	2.7%	0.7%	17
SAB	163.9	-1.0%	-0.4%	21
SSI	23.3	8.4%	7.3%	20
STB	26.8	7.4%	13.3%	9
TCB	29.3	2.1%	5.0%	5
TPB	23.6	0.9%	0.7%	6
VCB	92.8	3.3%	5.7%	14
VHM	51.2	4.5%	8.9%	6
VIB	20.5	1.7%	1.3%	5
VIC	51.7	2.0%	4.1%	26
VJC	97.2	1.3%	1.2%	--
VNM	69.6	1.2%	2.4%	20
VPB	19.8	1.5%	5.1%	11
VRE	28.2	3.7%	3.3%	19

Source: Bloomberg, Yuanta Vietnam. Pricing date: May 12, 2023.

The VNI closed at its weekly high on Friday after opening at its weekly low of 1040 on Monday morning. This appears to be a nicely bullish setup for the coming week, with additional catalysts from the Vinfast SPAC news as well as further policy easing – but pushing beyond selling pressure at just below 1100 may prove to be difficult anyway. Breadth last week was strongly positive across the mainboard VNI (282 gainers / 91 losers) and VN30 Index (27 gainers / 3 losers). Large-cap leaders included STB (BUY, +7% WoW), HPG (Not rated, +4%), VHM (BUY, +5%), and SSI (BUY, +8%).

FINIs were net sellers for the seventh week in a row. The absolute dollar amounts of net selling in each of these weeks has largely been low (it was just \$7 million last week), but they are starting to add up to meaningful numbers: FINIs have net sold US\$91 million worth of Vietnam stocks in the first half of 2Q23, but they are still net buyers of US\$207 million YTD.

Energy: The latest draft version of PDP8 highlights Vietnam's ongoing transition to renewables and away from carbon-based energy. The long-awaited final version of PDP8 should be the foundation for energy policy in the years ahead, which is a crucial component the expansion of the transmission grid and power capacity construction. We are hopeful that the final version will be approved soon, and perhaps as early as June. [PC1](#) is our top pick on renewables, but we also have a trading BUY call on [POW](#).

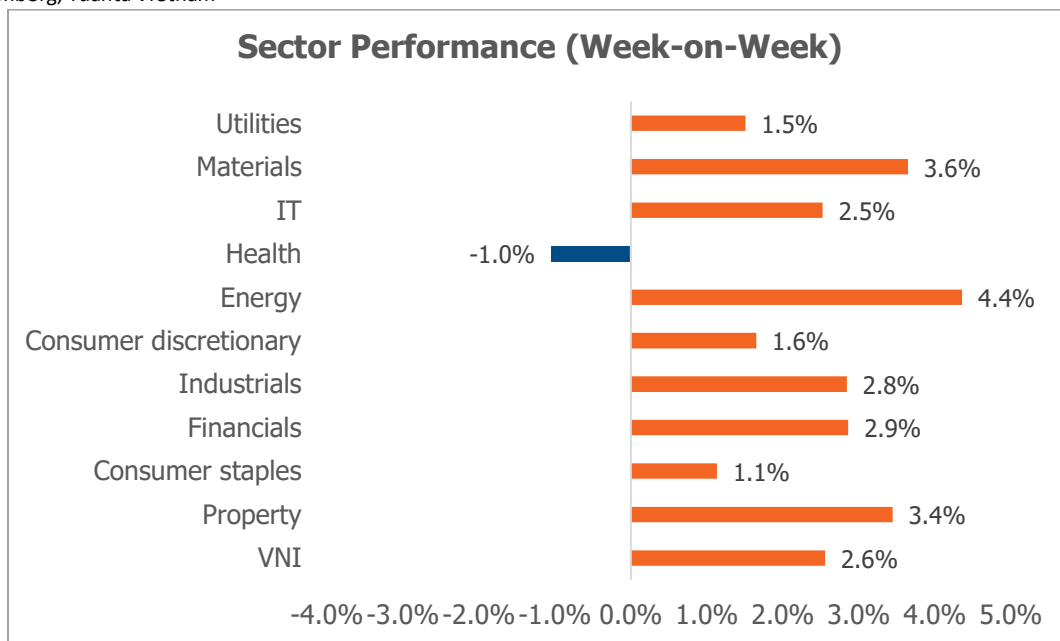
Macro Update: 4M23 Industrial output fell by -1.8% YoY and FDI declined by 1.2% YoY amid soft global demand for manufactured goods. Although output ticked up in April (+3.6% MoM / +0.5% YoY), the monthly manufacturing PMI fell deeper into negative territory. We remain cautiously optimistic given that 1) retail spending (+3.7% MoM / +11.5% YoY) remains robust, 2) public investment (+17.9% YoY in 4M23) is finally taking up the slack, and 3) low and falling CPI implies room for further domestic monetary stimulus. See pages 15-22 for details of the April macro data.

Yuanta Vietnam Coverage Universe

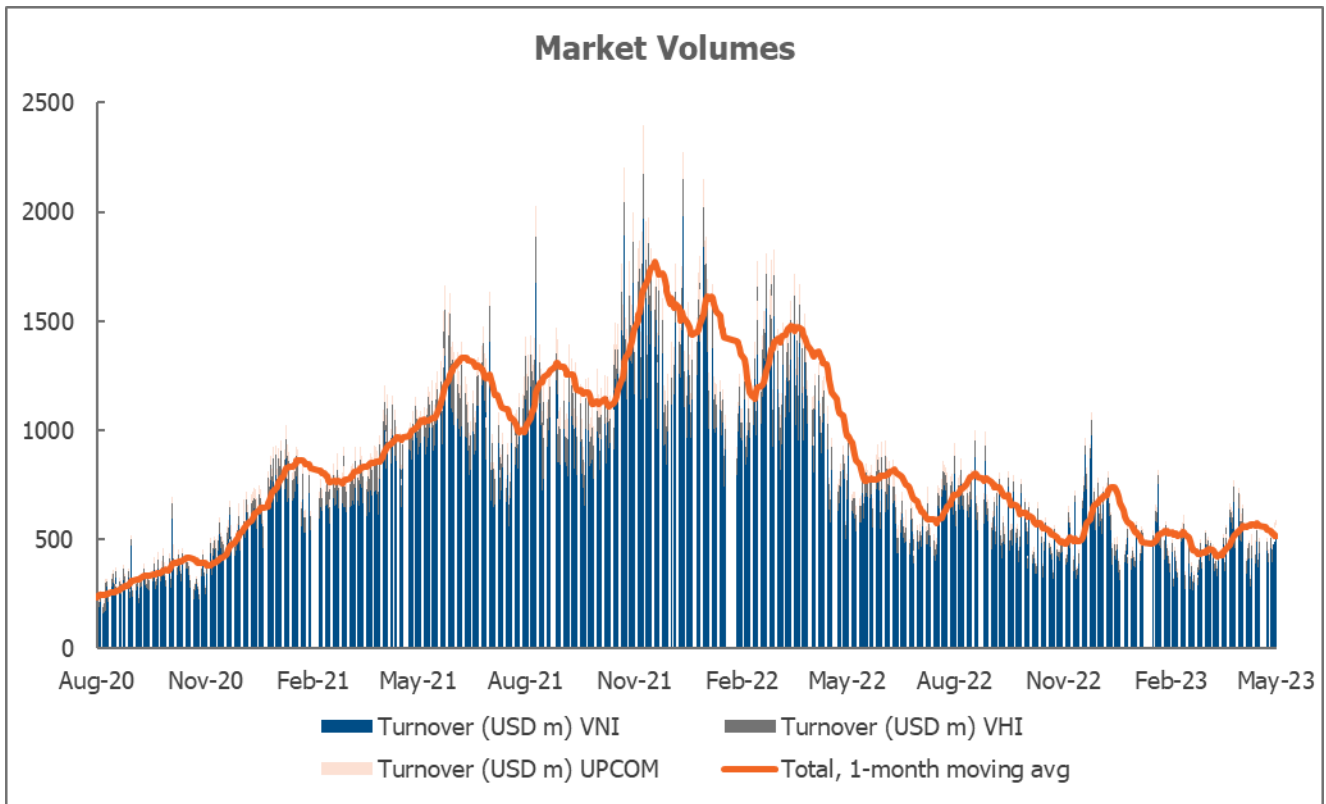
Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2022E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	3,599	3.9	BUY	25,000	27,958	12%	0.0%	12%
	BIDV	BID VN	9,703	1.6	HOLD-Underperform	45,000	38,860	-14%	1.0%	-13%
	HD Bank	HDB VN	2,080	1.8	BUY	19,400	23,510	21%	0.0%	21%
	MB Bank	MBB VN	3,604	5.7	BUY	18,650	25,480	37%	0.0%	37%
	Sacombank	STB VN	2,154	18.1	BUY	26,800	28,860	8%	0.0%	8%
	Vietcombank	VCB VN	18,720	2.8	BUY	92,800	93,230	0%	0.7%	1%
	Vietnam Prosperity Bank	VPB VN	5,652	12.4	BUY	19,750	22,060	12%	0.0%	12%
Brokers	HCM City Securities	HCM VN	508	5.9	BUY	26,050	29,957	15%	4.8%	20%
	Saigon Securities	SSI VN	1,486	15.6	BUY	23,250	26,092	12%	1.9%	14%
	Viet Capital Securities	VCI VN	614	7.2	BUY	33,050	47,656	44%	6.7%	51%
	VNDirect Securities	VND VN	823	12.2	BUY	15,850	26,539	67%	1.8%	69%
Energy	PV POW	POW VN	1,338	4.3	BUY	13,400	16,877	26%	0.0%	26%
	PV NT2	NT2 VN	382	0.8	SELL	31,150	19,318	-38%	6.4%	-32%
	PCC1	PC1 VN	340	1.9	BUY	29,500	50,728	72%	0.0%	72%
Consumer	Masan Group	MSN VN	4,515	3.4	Suspended	74,400	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,049	1.3	BUY	75,000	101,700	36%	2.5%	38%
	Digiworld	DGW VN	242	2.2	Suspended	34,050	N/A	N/A	5.4%	N/A
Oil & GAS	PV Drilling	PVD VN	532	3.7	BUY	22,450	36,103	61%	3.1%	64%
Property	Kinh Bac City	KBC VN	916	5.3	BUY	28,000	38,300	37%	0.0%	37%
	Dat Xanh Group	DXG VN	381	8.4	BUY	14,650	40,500	176%	0.0%	176%
	Khang Dien House	KDH VN	926	1.7	BUY	30,300	55,300	83%	1.7%	84%
	Nam Long	NLG VN	554	2.4	HOLD-Outperform	33,850	55,500	64%	3.0%	67%
	Novaland	NVL VN	1,139	11.3	Coverage Suspended	13,700	-	-	-	-
	Vinhomes	VHM VN	9,503	4.2	BUY	51,200	108,100	111%	2.9%	114%
Transport	Airports Corp Vietnam	ACV VN	7,488	0.1	HOLD-Underperform	80,700	76,400	-5%	0.0%	-5%
Industrials	Dohaco	DHC VN	134	0.2	BUY	39,100	63,571	63%	6.4%	69%
	Biwase	BWE VN	386	0.1	BUY	46,900	70,902	51%	3.0%	54%

*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 May 12 2022

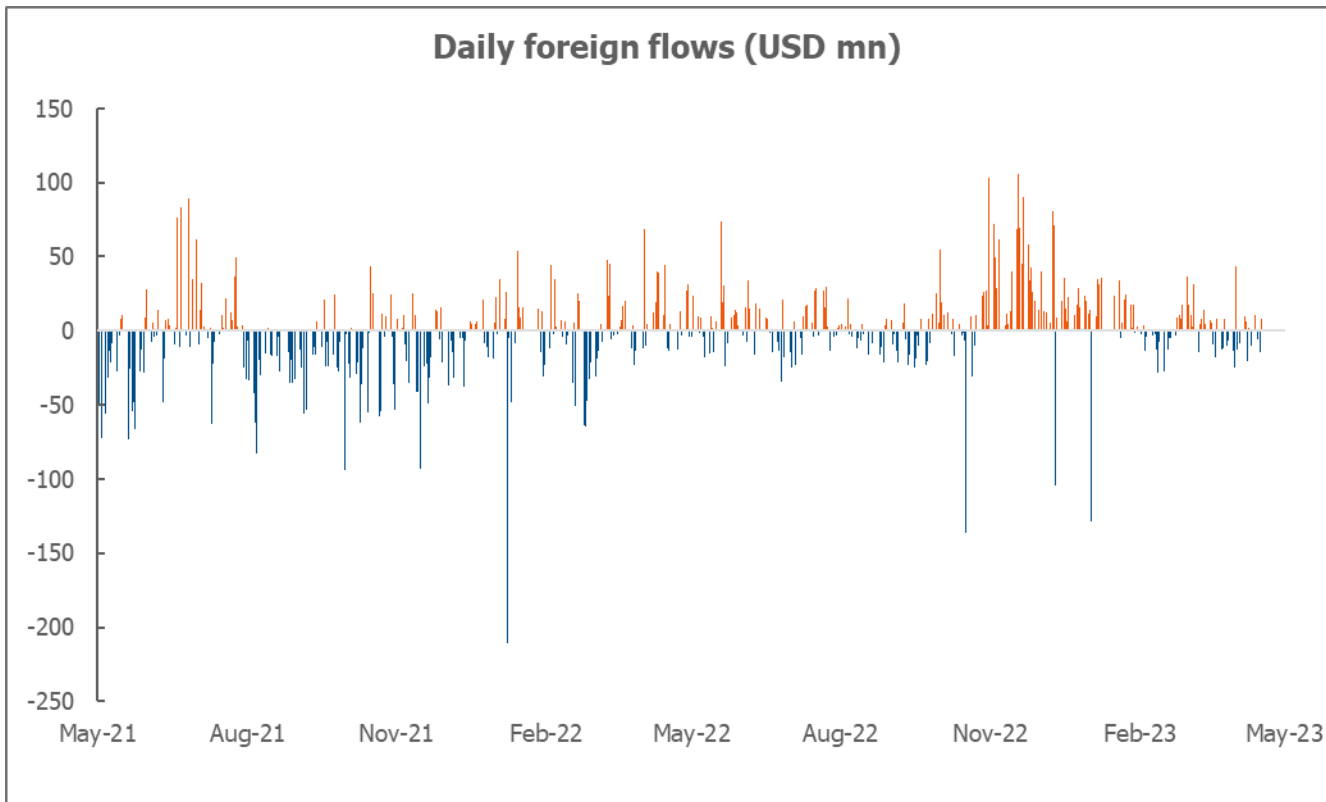
Source: Bloomberg, Yuanta Vietnam



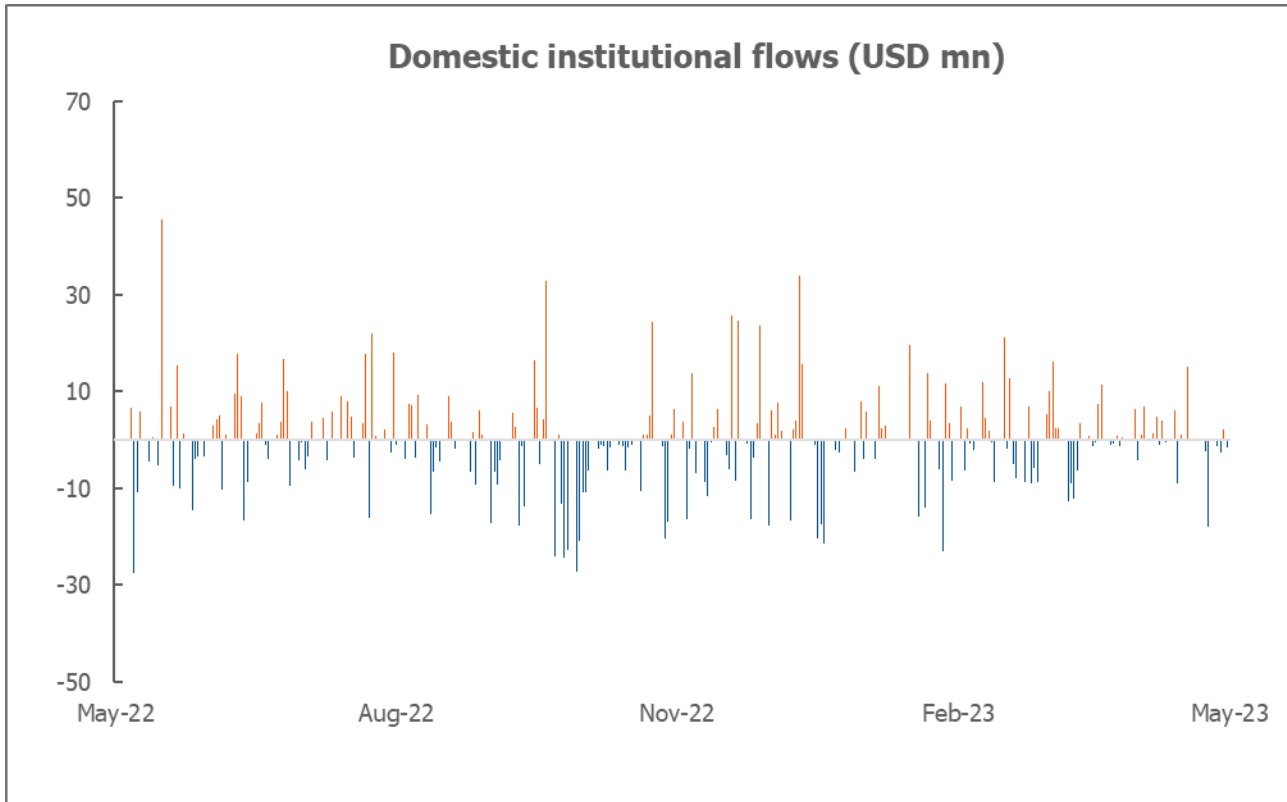
Source: Bloomberg (May 12)



Source: FiinPro, Yuanta Vietnam (May 12)

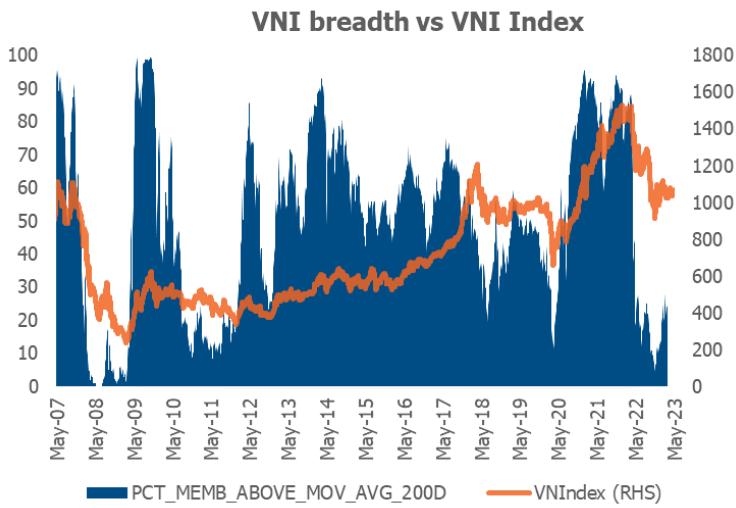


Source: FiinPro, Yuanta Vietnam (May 12)



Source: FiinPro, Yuanta Vietnam (May 12)

Weekly breadth was positive on both VNINDEX and VN30



Source: Bloomberg, Yuanta Vietnam (May 12)

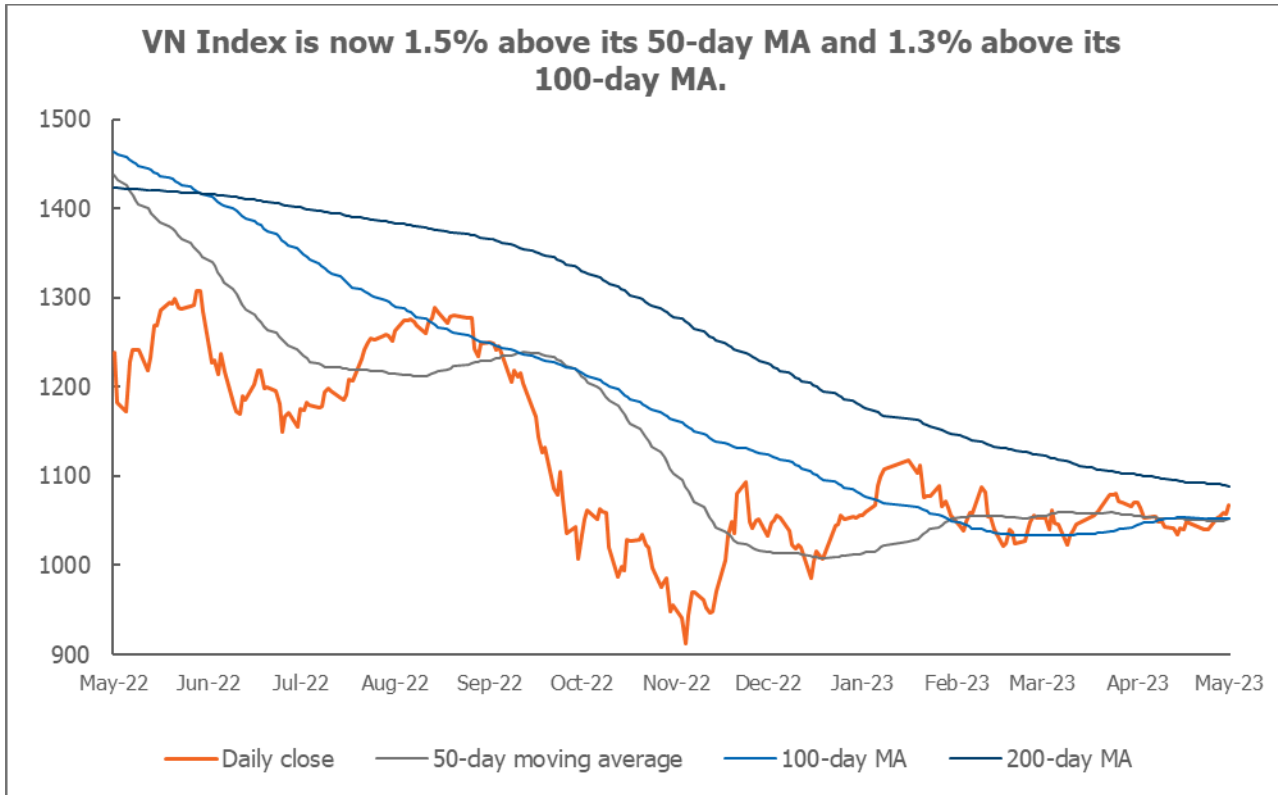
VN 30 breadth			
	WoW	MoM	YTD
Gainers	27	10	20
Losers	3	20	10

Source: Bloomberg (May 12, 2023)

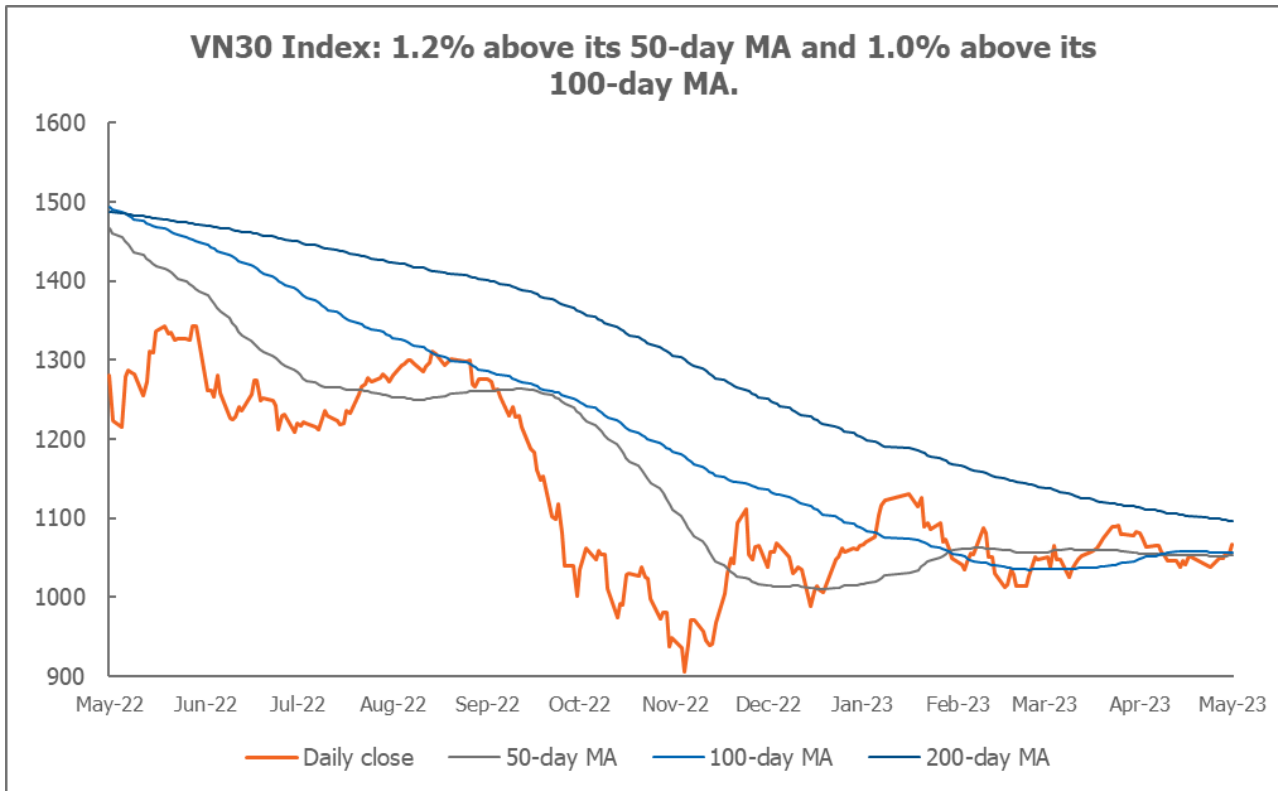
VNI breadth			
	WoW	MoM	YTD
Gainers	282	222	269
Losers	91	166	116

Source: Bloomberg (May 12, 2023)

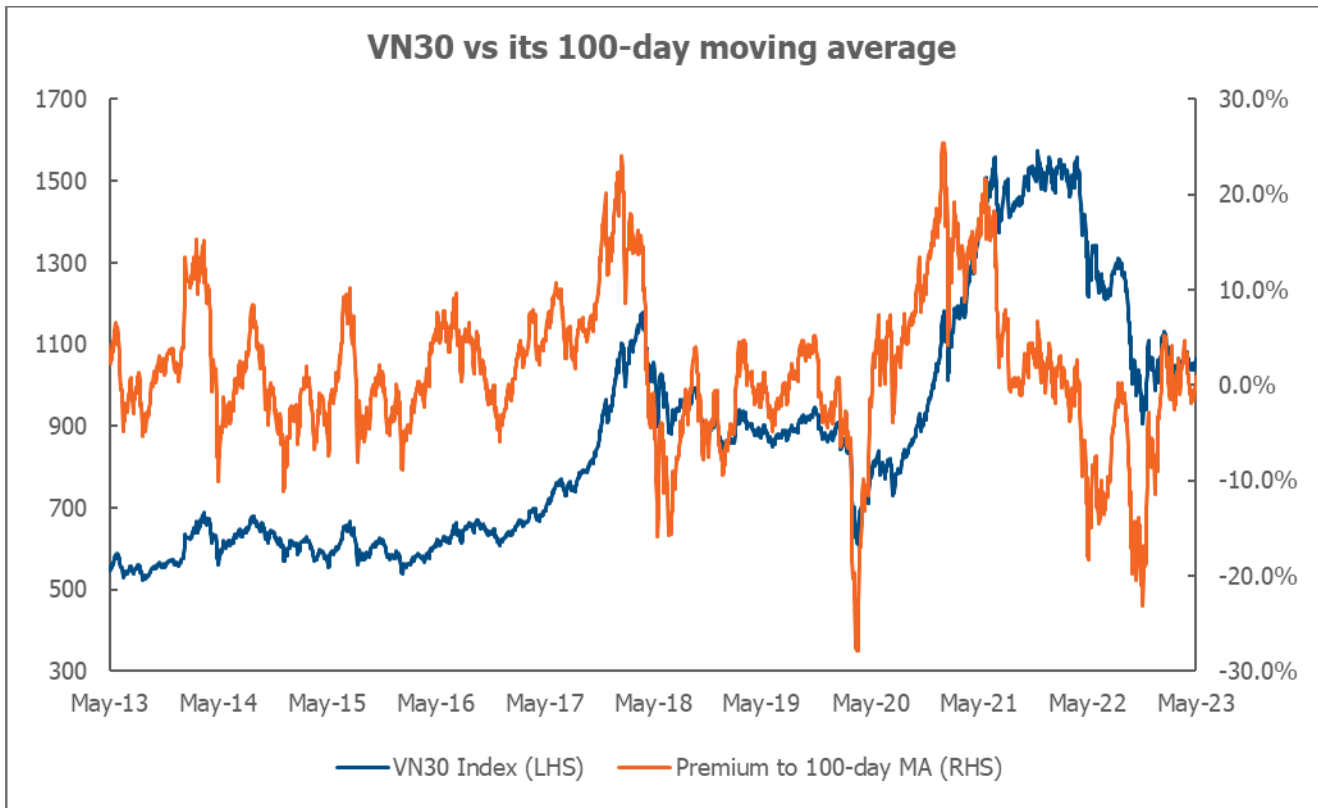
Source: Bloomberg, Yuanta Vietnam



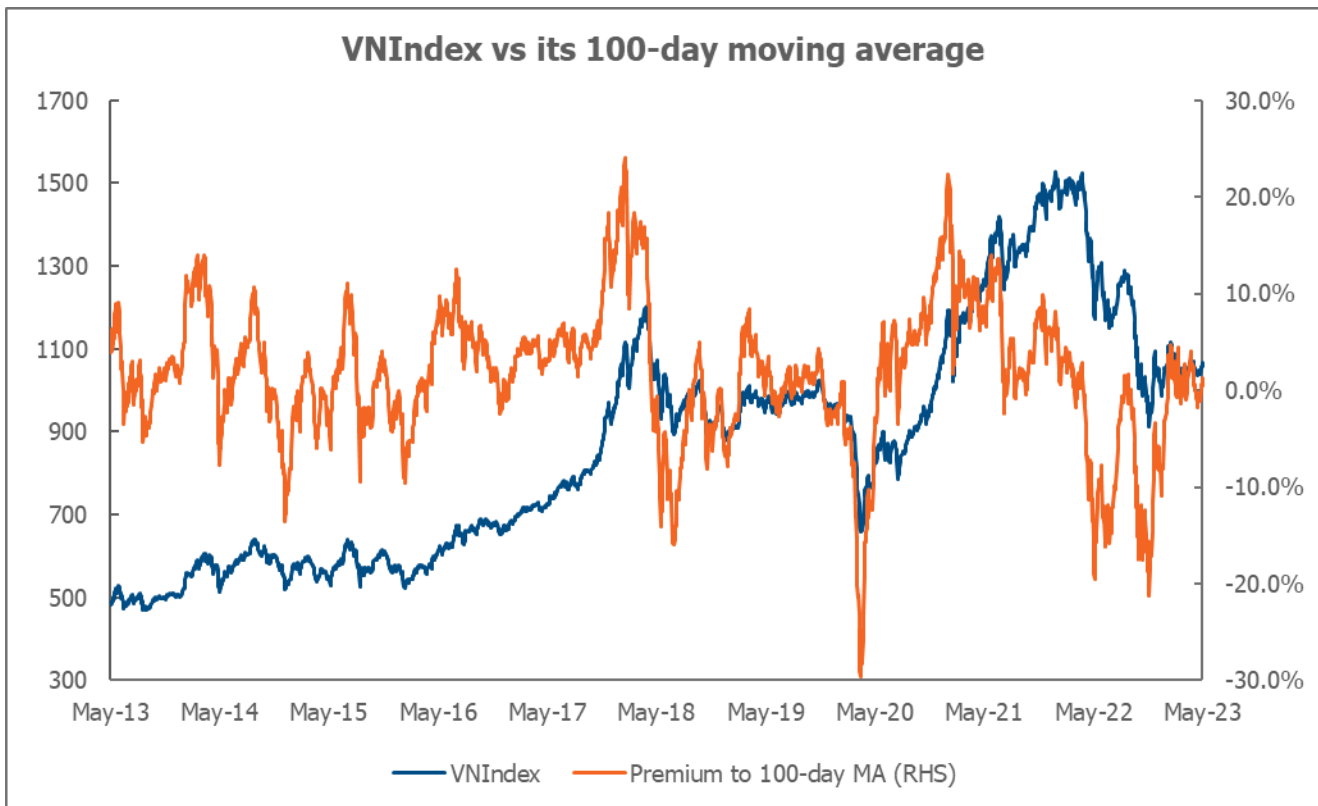
Source: Bloomberg, Yuanta Vietnam



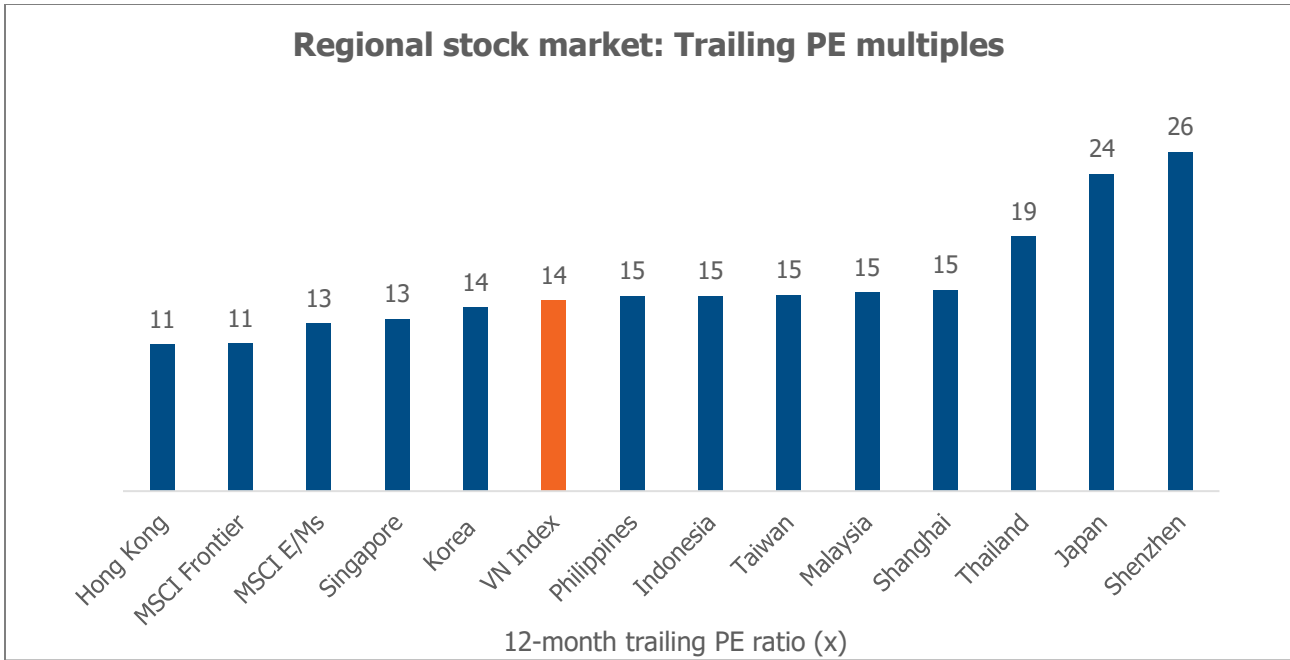
Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg, Yuanta Vietnam

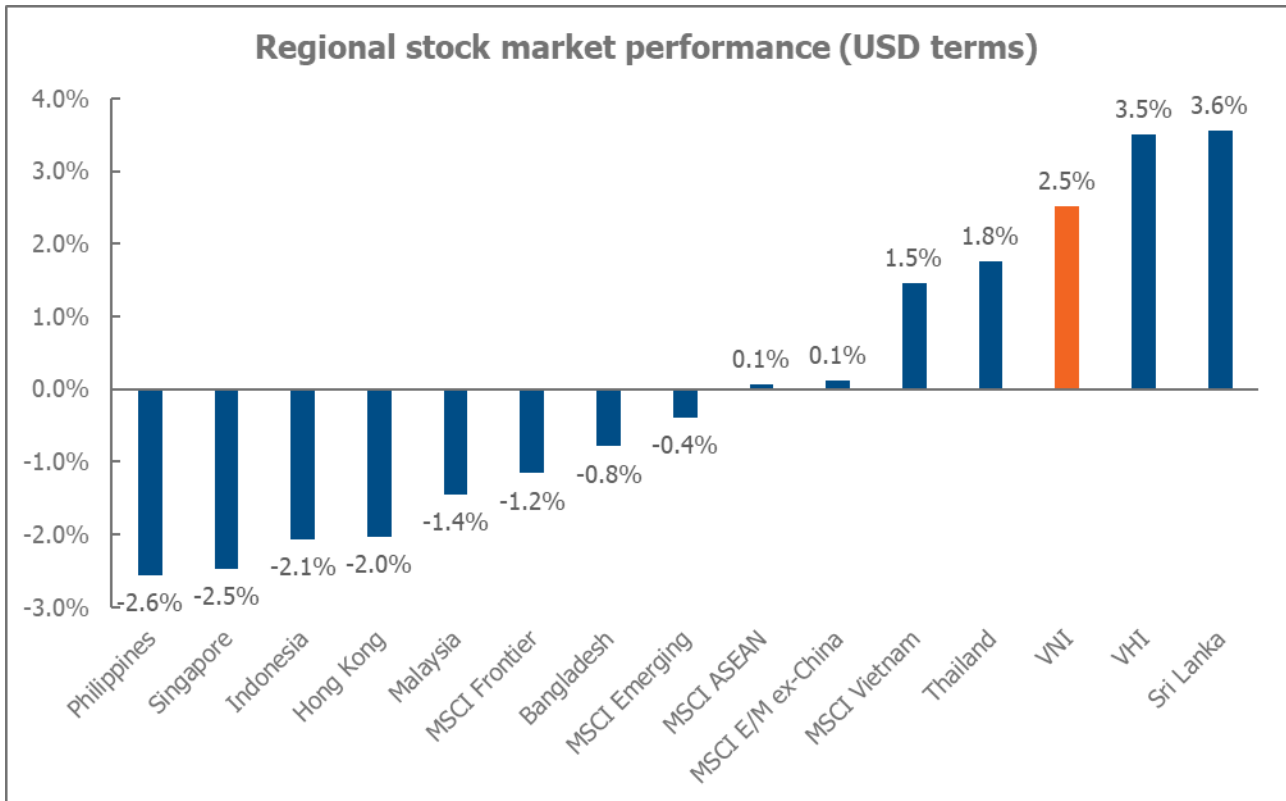


Source: Bloomberg, Yuanta Vietnam



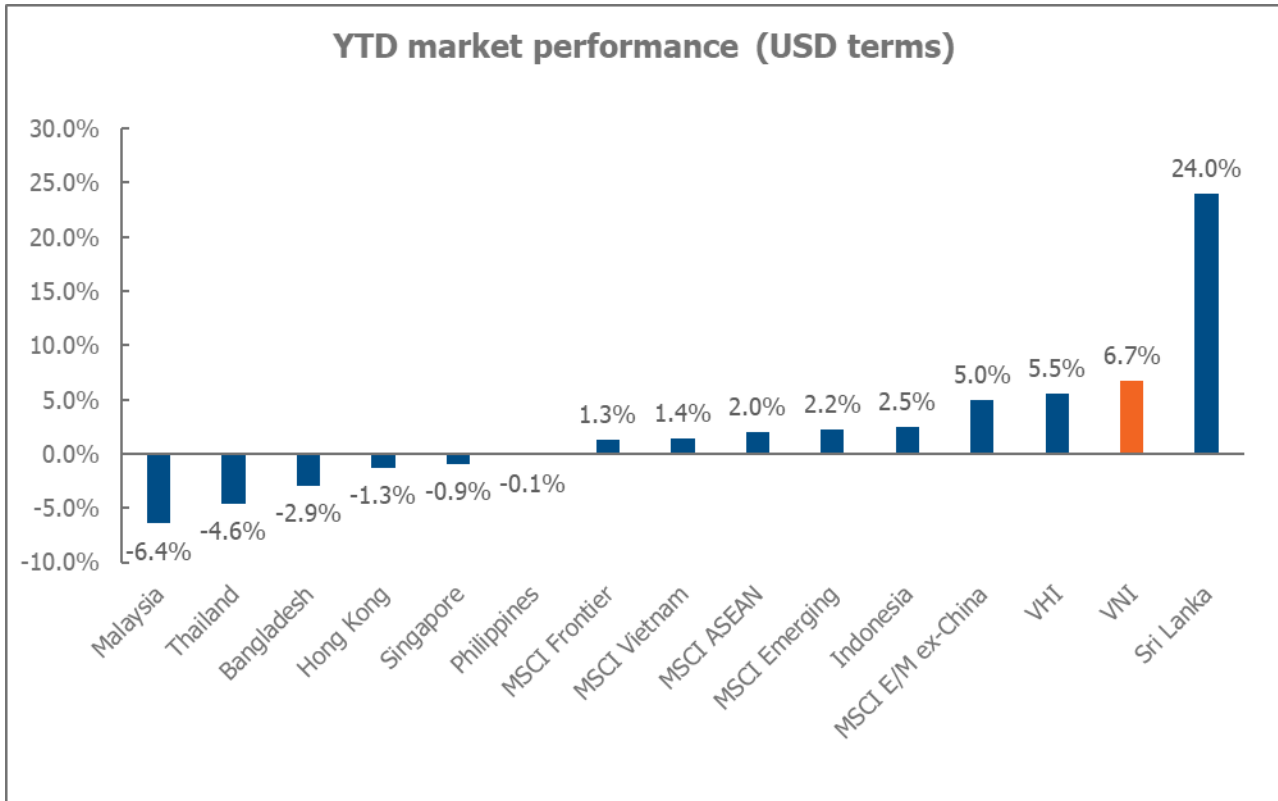
Source: Bloomberg, Yuanta Vietnam (May 12)

The VNI was up by +2.5% WoW (in USD terms)...



Source: Bloomberg, Yuanta Vietnam (May 12)

... and +6.7% YTD in USD terms

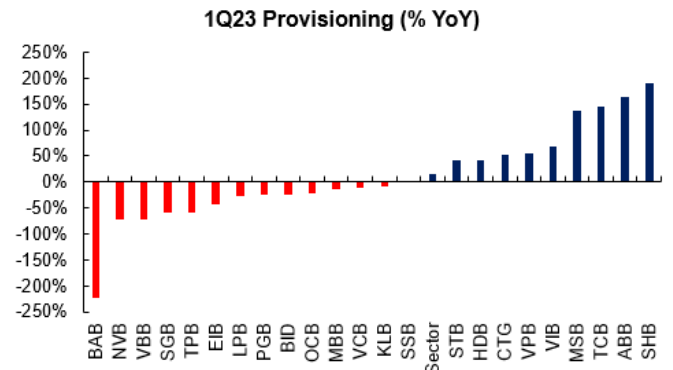
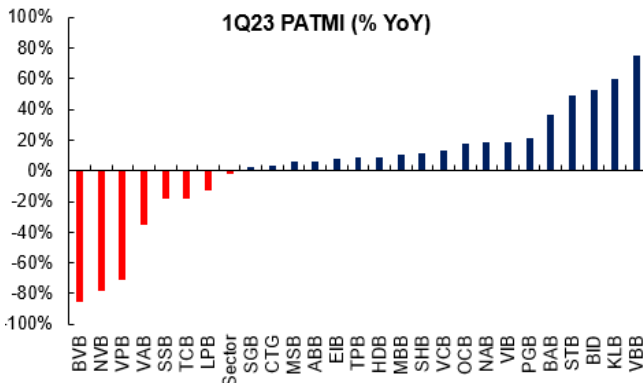


Source: Bloomberg, Yuanta Vietnam (May 12)

Bank Sector News:

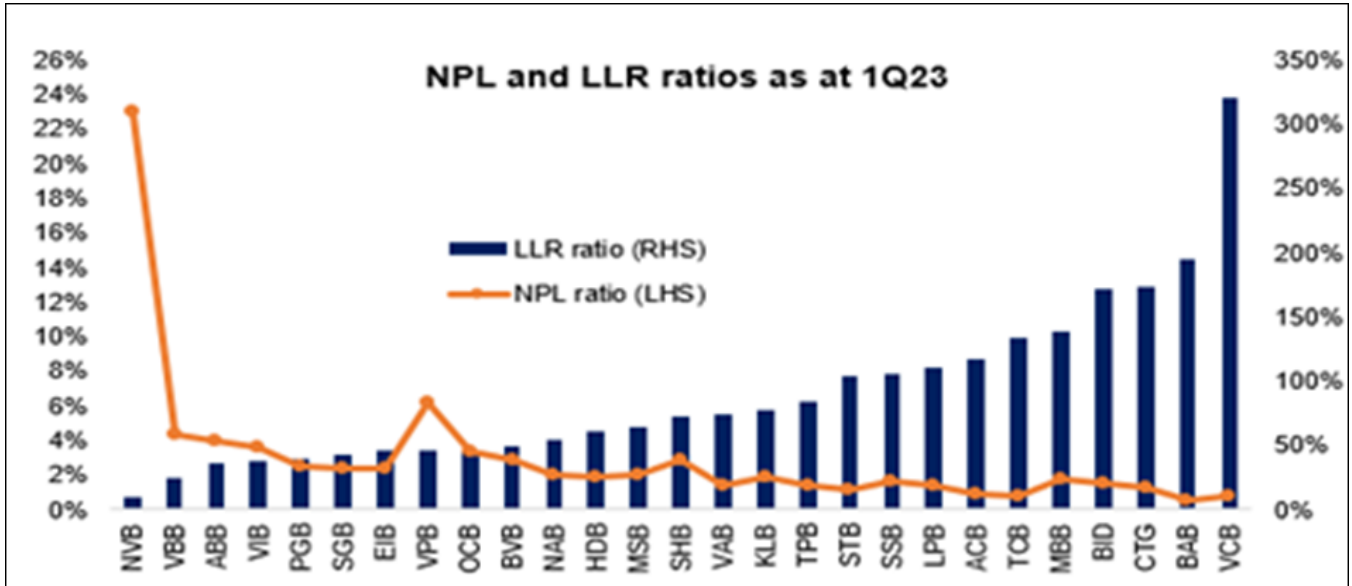
27 listed banks: 1Q23 earnings results highlights:

- 1Q23 PATMI was VND53 tn (+21% QoQ/ but -2% YoY).
- The YoY earnings decrease was driven by higher YoY provisioning and lower net other income (which was largely due to a non-recurring upfront fee from the banca deal between VPBank and AIA that was recognized in 1Q22).
- 1Q23 net interest income was VND112 tn (-1% QoQ / but +14% YoY)
- 1Q23 credit cost was VND30 tn (-14% QoQ / +16% YoY)



Source: FiinPro, Yuanta Vietnam

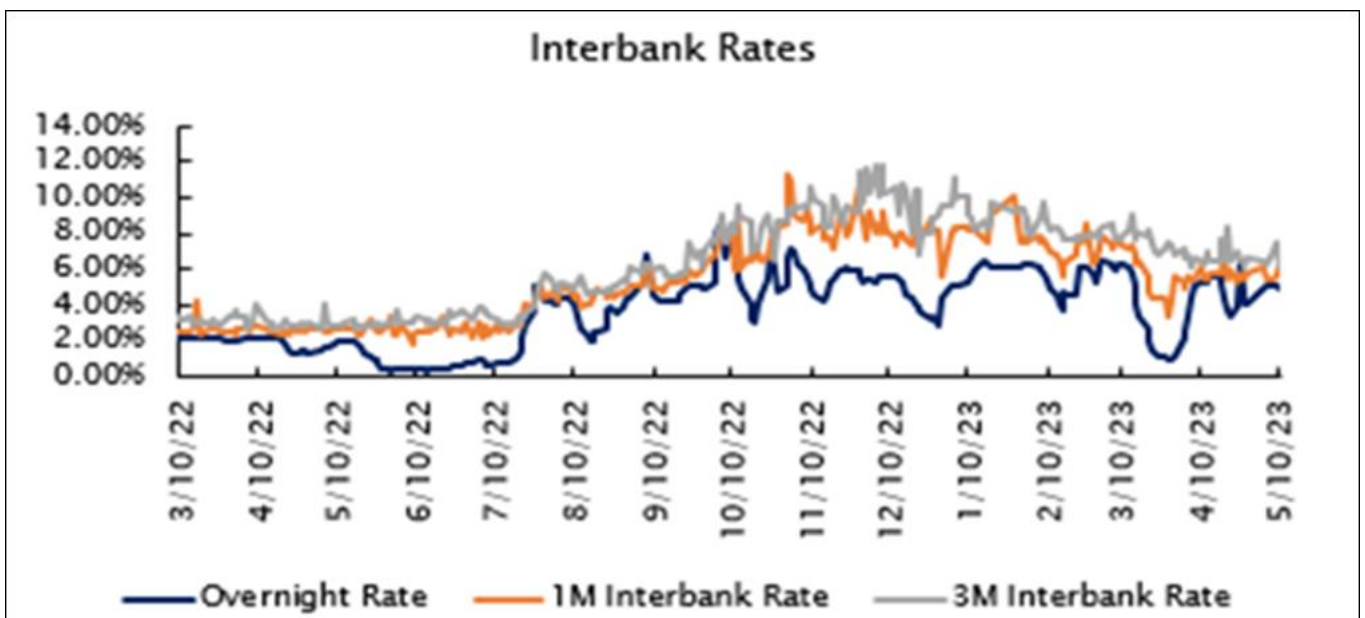
- **Banks' asset quality** has shown signs of deterioration with rising NPLs and lower loan loss reserve (LLR) ratio in 1Q23.
- LLR ratio was 106% (-17ppt QoQ/ -45ppt YoY).
- NPL ratio increased to 1.92% (+32bps QoQ/ +52bps YoY).



Source: FiinPro, Yuanta Vietnam

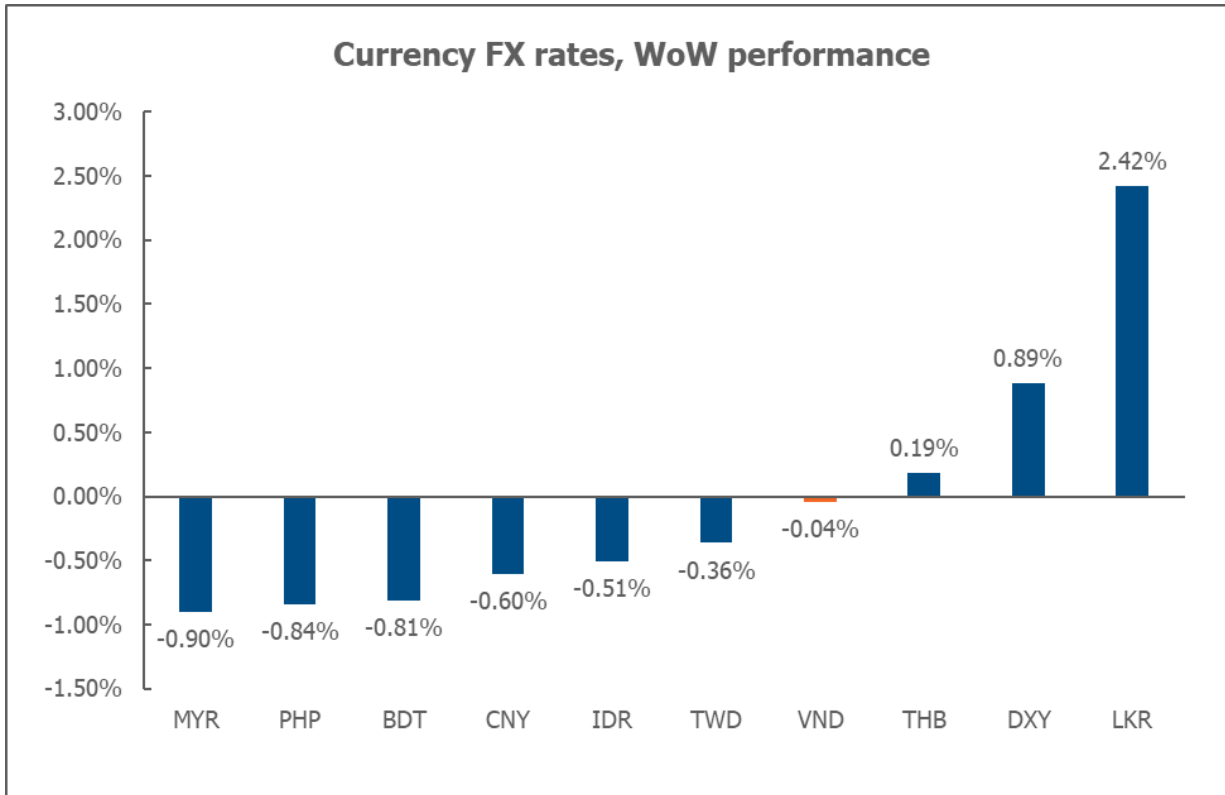
Bank system liquidity

- **Loosening this week** -- The overnight rate decreased by -16bps compared to May 4, 23 to reach 4.84% on May 10.

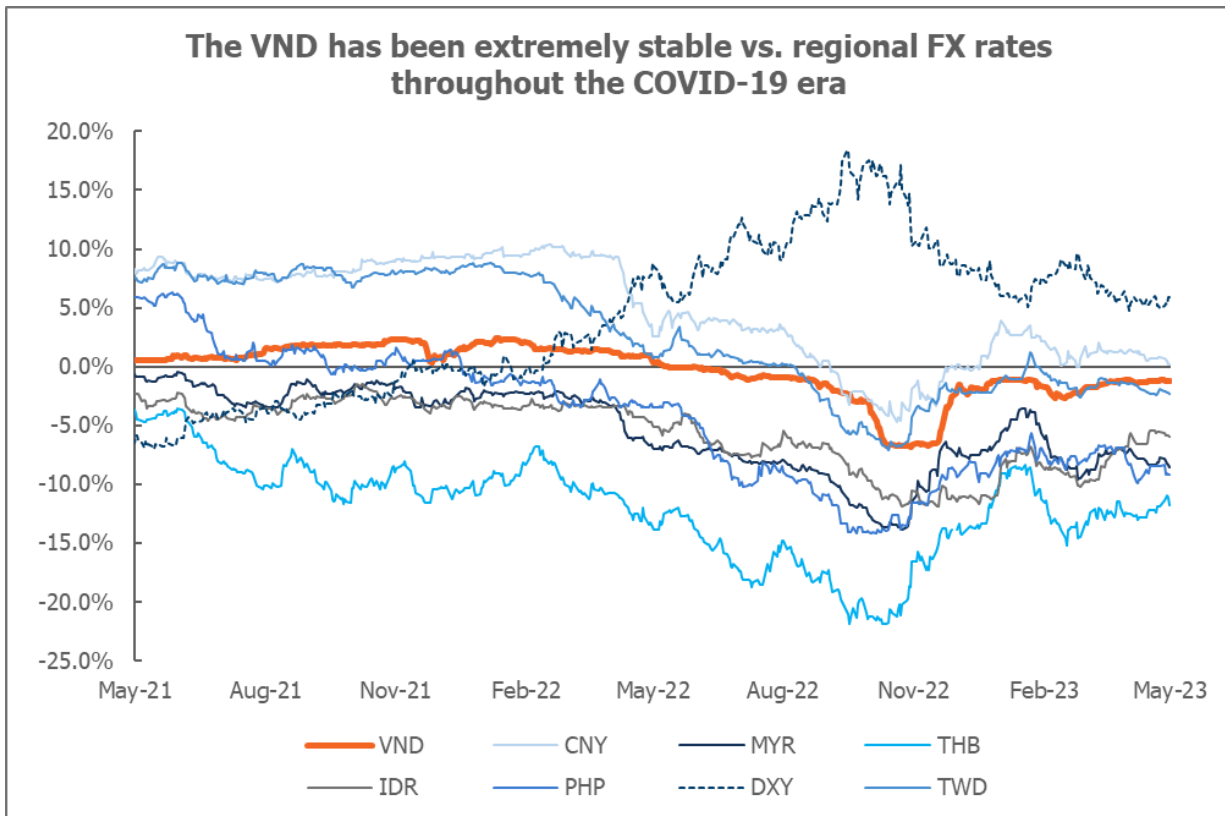


Source: SBV

Regional currencies: VND was down -4bps last week



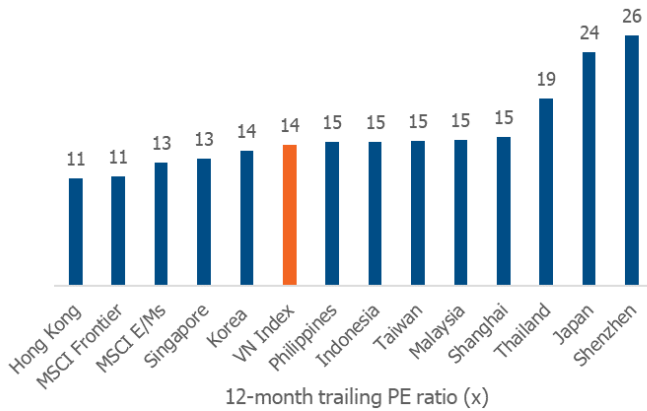
Source: Bloomberg (May 12)



Source: Bloomberg (May 12)

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

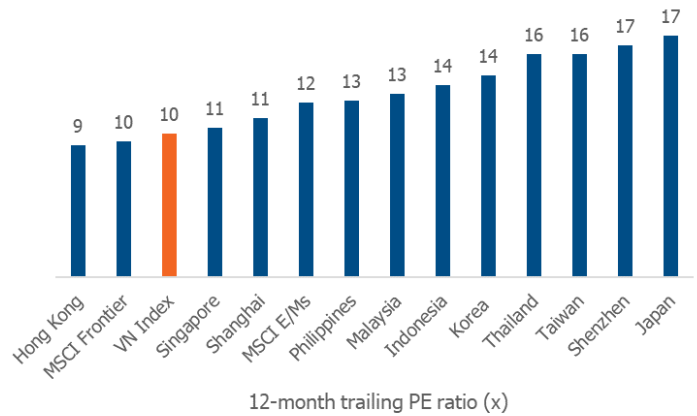
Regional stock market: Trailing PE multiples



Source: Bloomberg, Yuanta Vietnam (May 12)

...but forward P/E is well below the ASEAN median, and even cheaper than HK now

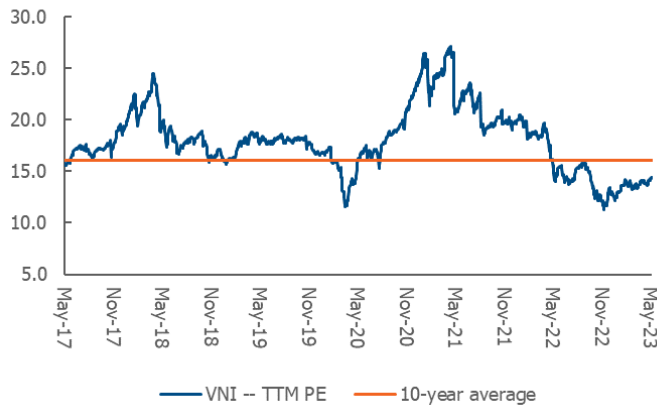
Regional stock market: 2023E PE multiples



Source: Bloomberg (2023E consensus PE), Yuanta Vietnam (May 12)

The VNI's trailing PE ratio is now 14.4x.

VNI -- Trailing PE ratio (x)



Source: Bloomberg, Yuanta Vietnam

The mainboard's 2023E PE is now 10.3x, based on Bloomberg consensus.

VNI -- Fwd PE ratio (x)

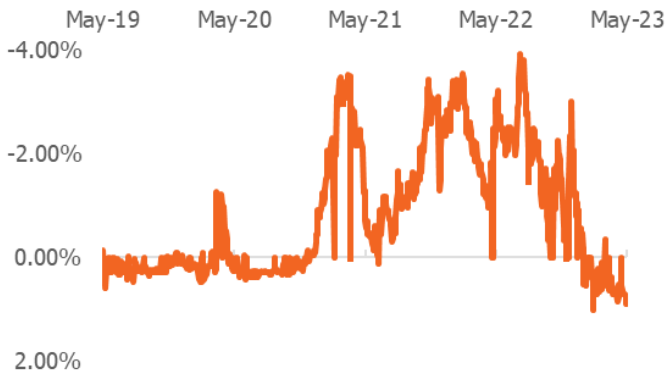


Source: Bloomberg (2023E consensus PE), Yuanta Vietnam

US dollar cash premium to the official bank rate has evaporated

...as the official rate has fallen sharply, especially in the last two weeks.

Cash rate vs bank rate for buying USD with VND



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

VND rates to buy USD

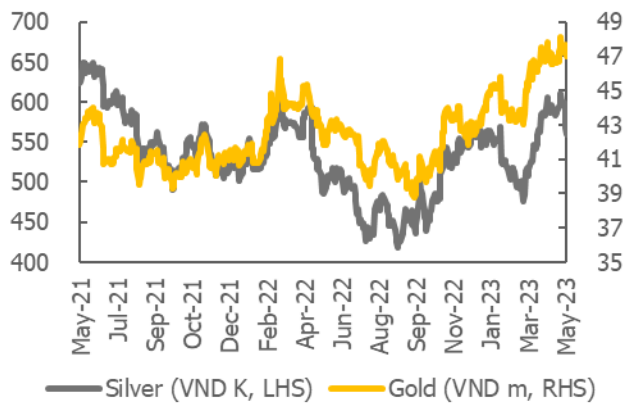


Source: FiinPro, Yuanta Vietnam

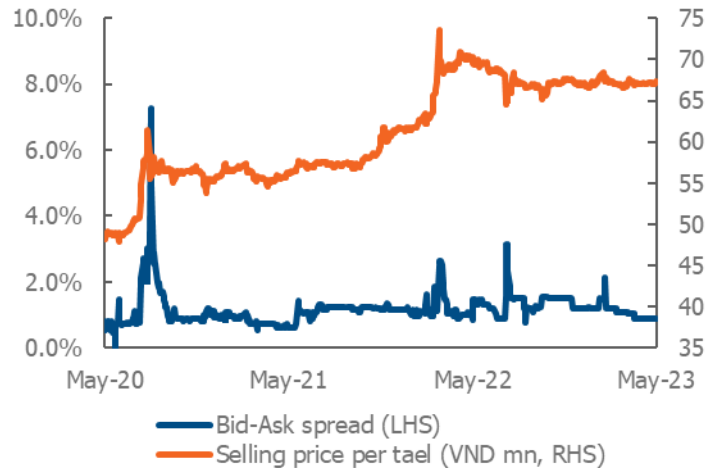
Global precious metals may be bottoming vs. the USD (and thus, the VND too).

SJC gold premium remains high, but bid-ask spreads have come down.

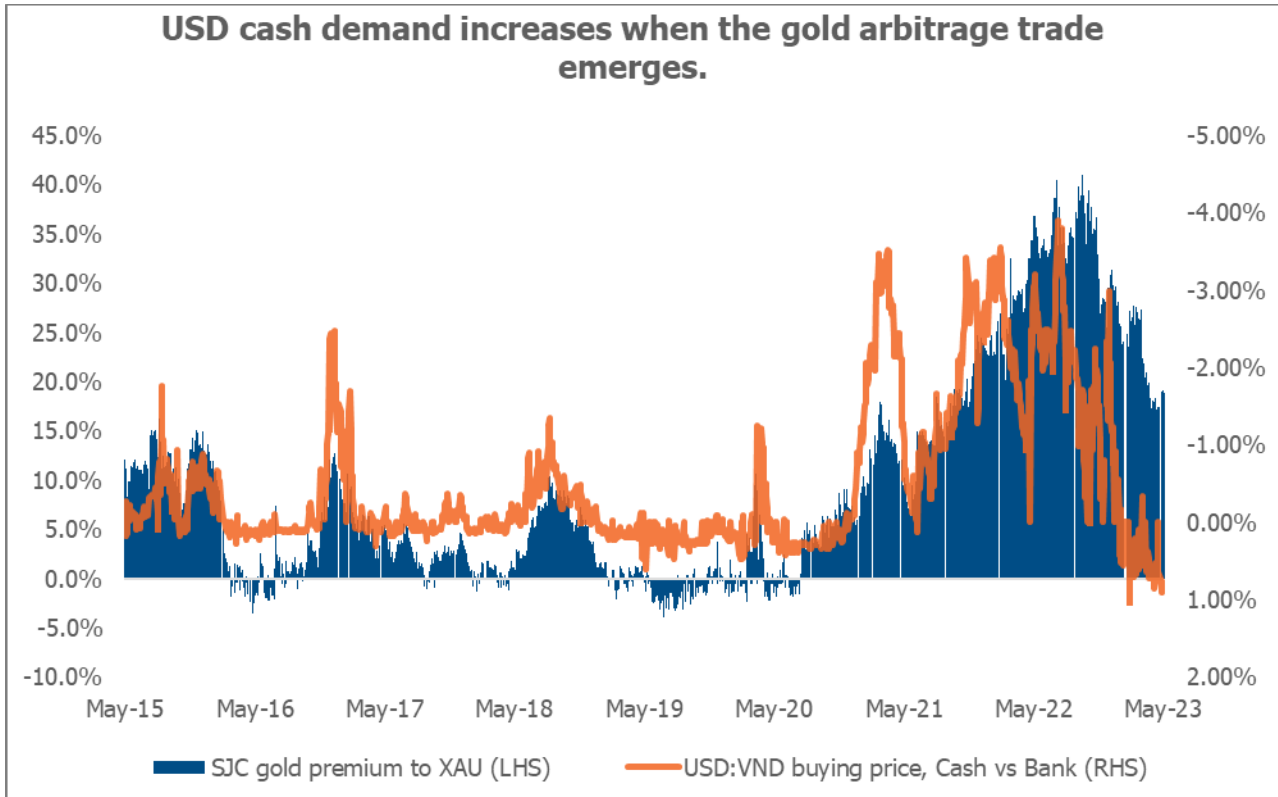
Precious metals in VND terms



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

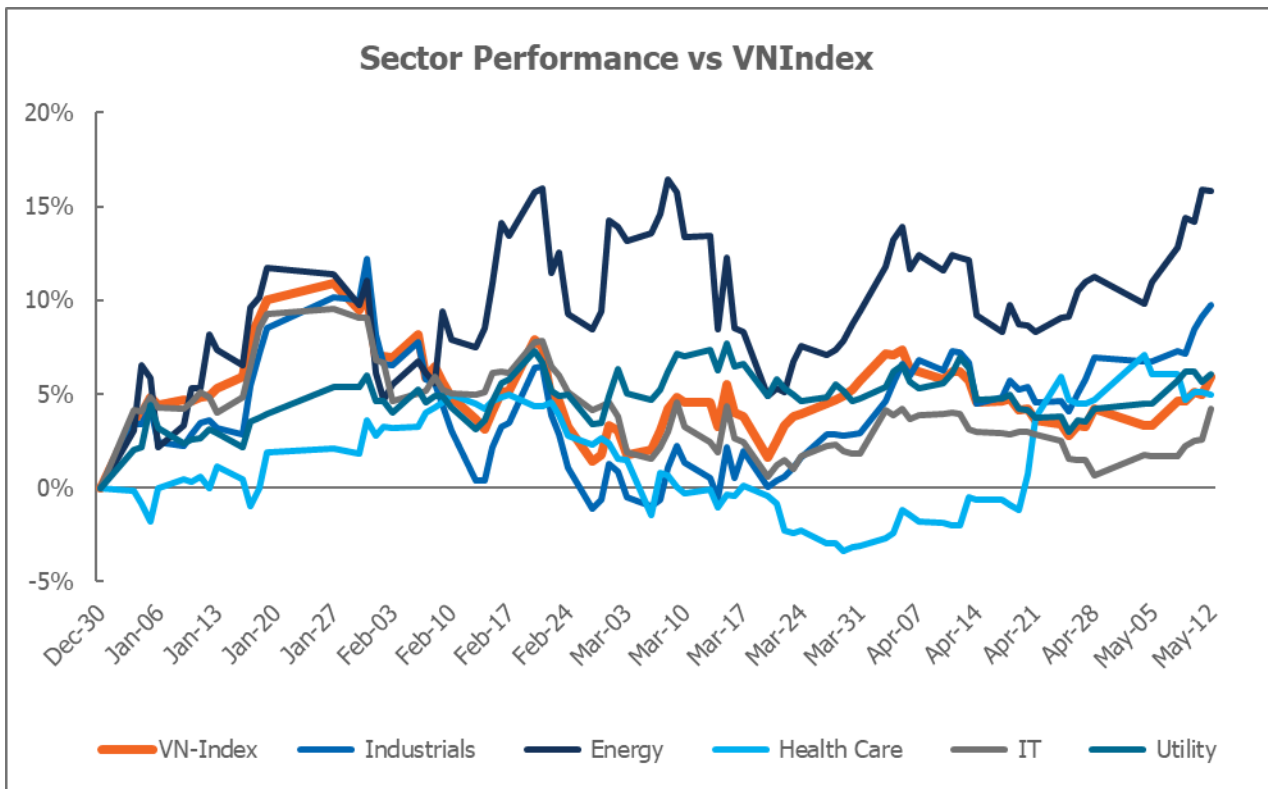
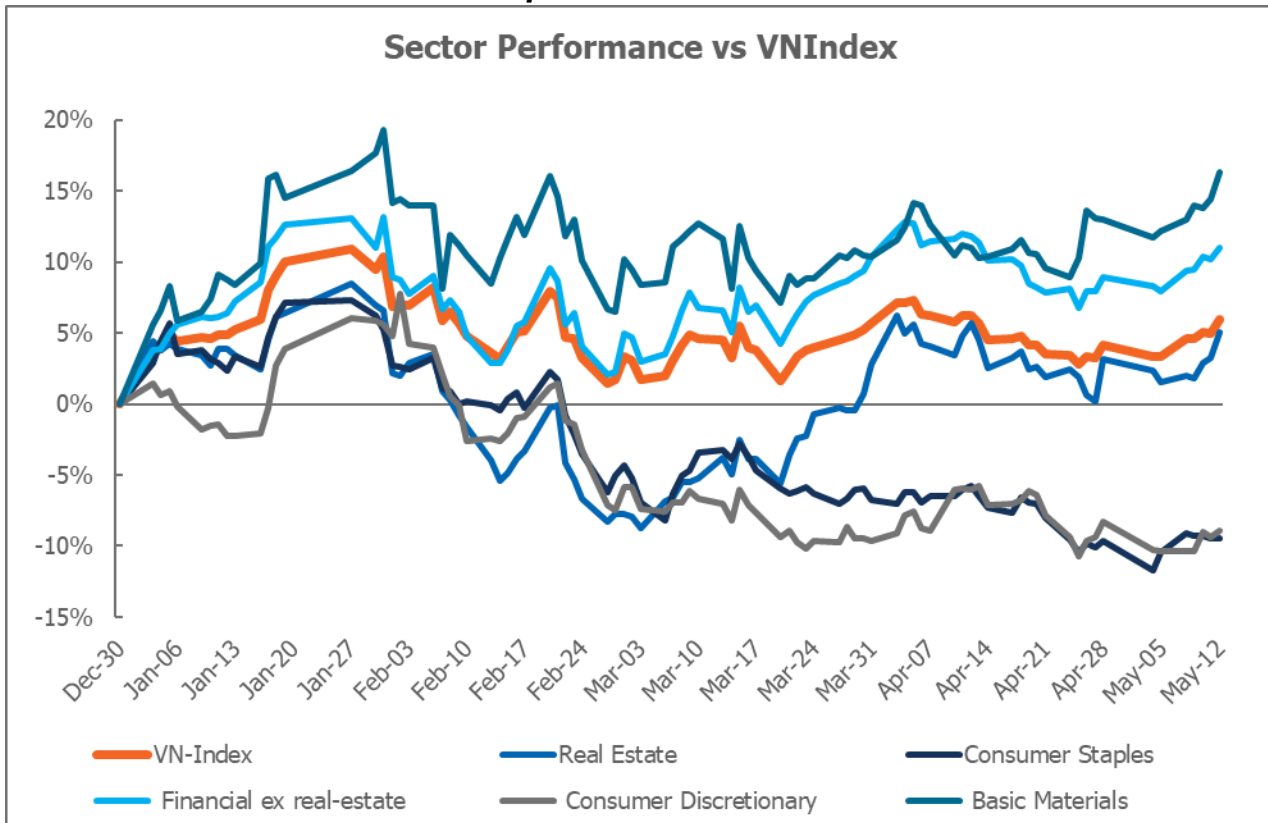


Source: FiinPro, Yuanta Vietnam



Source: FiiPro, Bloomberg, Yuanta Vietnam (May 12)

Sector performance YTD



Source: Bloomberg (May 12)

Macro Update – Low CPI supports expectations of more monetary policy support

--Binh Truong, Deputy Head of Research

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Consumer price inflation continued to slide in April on falling food and energy. The substantial declines in oil prices over the last two weeks imply continued downward pressure on inflation going forward, forming solid ground for further monetary and fiscal loosening. Bank deposit interest rates, which spiked in 2H22, have been noticeably declining recently, and the government has reduced the VAT by 2ppt (to 8%) until end of 2023.

Meanwhile, retail sales growth figures are still encouraging, with tourism as a key driver. Domestic tourism has been particularly strong, and we expect this to continue in the months ahead as urbanites seek to escape the heat. International tourism remains far below peak levels but continues its slow recovery, which we expect to pick up steam toward yearend.

However, soft global demand continues to impact industrial production, although the IIP recovered somewhat in April. This shows up in the tepid international trade figures for April and 4M2023.

Given the soft global demand, we should perhaps not be surprised by the drop-off in registered FDI so far this year. Indeed, we have highlighted the crucial importance of State investment (i.e., in public infrastructure) as a potential offset to slowing private sector activity. That sounds good in theory, but actual disbursement rate of public investment is always a wildcard: The good news is that State investment rose by 18% YoY in the first four months of 2023.

New accommodative policies to foster economic growth

Prime Minister Pham Minh Chinh on May 5th directed his subordinates to place greater emphasis on economic growth rather than price levels as inflation has remained under control at far below the annual target of sub-4.5%. This could signal further loosening of monetary and fiscal policies in the days and weeks ahead. Examples:

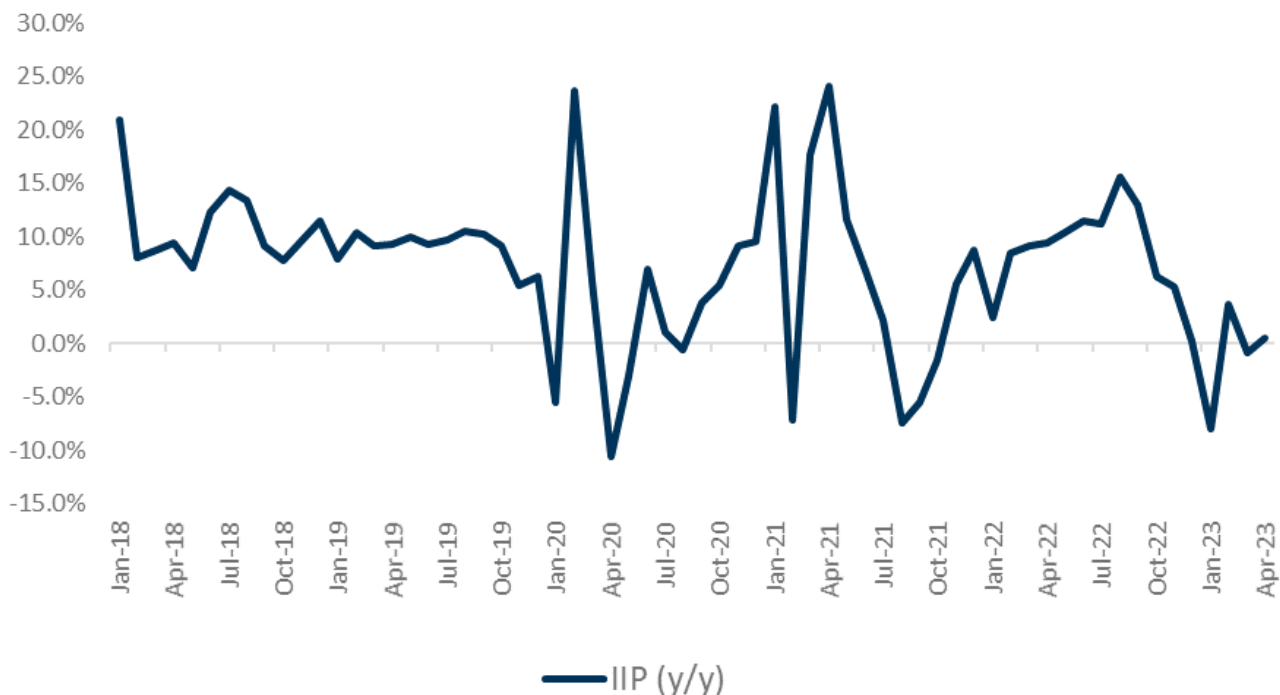
- **VAT cut in May.** On May 6th, the government approved a 2ppt VAT cut (to 8%) until the end of 2023, as proposed by the Ministry of Finance. This should support demand and retail sales.
- **Banks are gradually reducing deposit interest rates** in line with SBV guidance. According to the SBV, the average current deposit interest rate decreased by 1.0-1.2ppt YTD, while lending rates are down 0.5-0.65ppt YTD. SOE banks have been leading the charge, with cuts of 1.0-1.5ppt for deposit rates and 1.5-2.0ppt for lending rates.
- **SBV added USD 4.9bn in foreign reserve in 4M2023**, to reach total foreign reserves of approximately USD 94bn. Foreign reserve purchases increase the domestic money supply and are thus supportive for economic growth.

4M23 industrial production declined YoY, but increased slightly in April

Soft consumer demand among Vietnam’s major export markets has led to decreased production orders and exports. Thus, the Index of Industrial Production (IIP) decreased by -1.8% YoY in 4M2023, a major drag on the economy that showed up in the weak 1Q23 GDP growth reported last month.

The good news is that the IIP ticked up +3.6% MoM and +0.5% YoY in April, a reversal of the decline in March (-0.8% YoY). It is obviously too soon to call this a victory, as global demand for Vietnam’s manufactured goods is likely to remain uncertain amid potential recessions in the developed markets in 2H23.

IIP in April ticked up slightly but 4M2023 fell YoY



Source: GSO

In 4M23, the main industrial sectors posted YoY declines in output. Specifically, processing and manufacturing fell by -2.1% in 4M23 (4M2022: + 8.5% YoY); the mining sector posted a 4M2023 decrease of -2.8% (4M2022: +7.8%). Electricity production and distribution increased, but just barely, by just +0.5% YoY (+7% YoY in 4M2022). By contrast, water supply, waste, and wastewater treatment and management output increased by +5.5% YoY (+1.7% in 2022), contributing 0.1ppt to the IIP result.

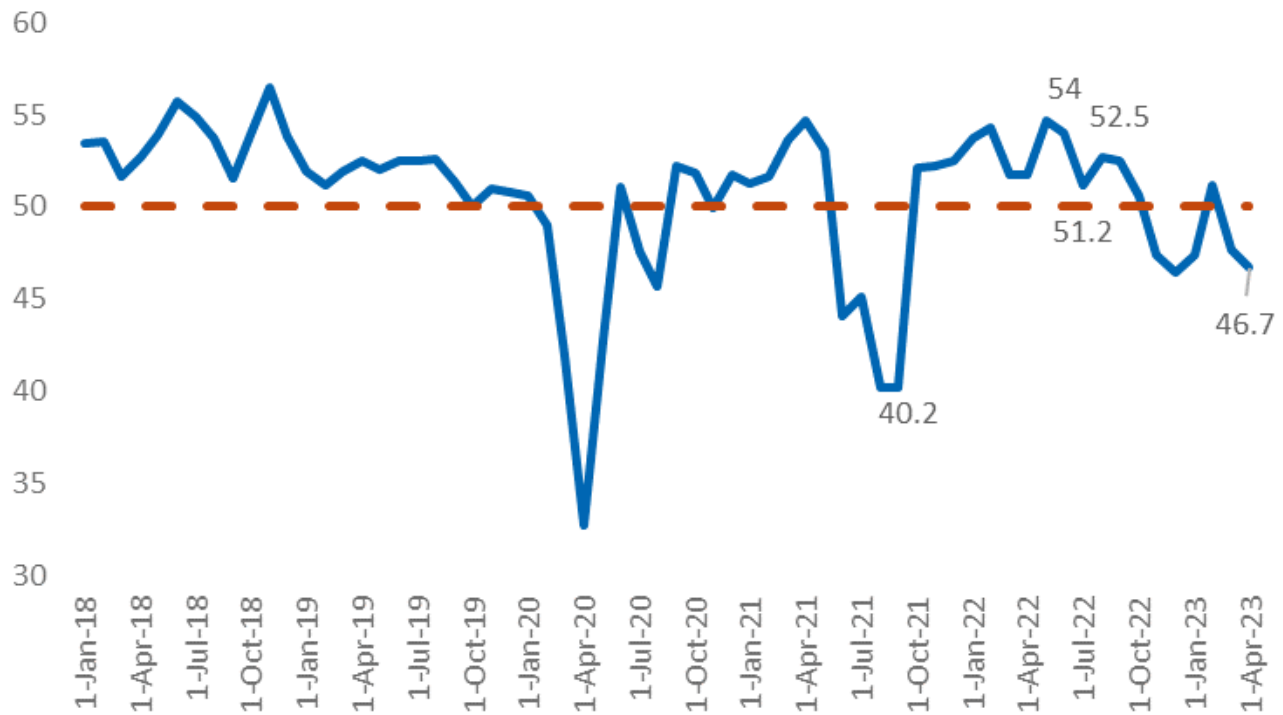
Several key industrial products recorded decreases in 4M2023 production: Automobiles decreased by -19.3% YoY; steel bars -15.1% YoY; mobile phones -13% YoY; motorbikes -12.3% YoY; and urea fertilizer -12.2% YoY. By contrast, some products posted increases in output compared to the same period last year: Sugar increased by +23.2% YoY; gasoline +15.1% YoY; fabrics made from man-made fibers +12.2% YoY; NPK compound fertilizer +10.4% YoY; chemical paint +6.1% YoY; and cigarettes +7.2% YoY.

April PMI plummeted as new orders dropped at the fastest YTD rate

S&P Global’s manufacturing PMI fell by the sharpest monthly rate YTD to reach 46.7 in April, down from 47.7 in March. It was the fifth sub-50 result for this indicator in the past 6 months, and February’s brief leap into positive territory increasingly appears to have been an aberration.

According to the survey results, firms report that they face challenges in securing new orders amid constrained demand.

PMI slid further as new orders decreased



Source: S&P Global

The difficulties securing new orders resulted in further reductions in both total new business and new export orders at the start of the second quarter of the year. The rate of contraction in total new orders quickened from the previous month, while new export orders fell at a softer pace.

Respondents report reduced order backlogs for the fourth consecutive month, while stocks of finished goods rose to the highest level in two years. Firms also reduced purchasing activities and cut jobs in response to lower workloads.

Shipments to Vietnam’s biggest export partners – the US and EU – sunk by -20.5% YoY and -12.7% YoY, respectively, in April. The demand outlook remains relatively weak: Manufacturers still expect a recovery in 2H23, but optimism in April was the lowest in 2023.

International trade remains soft

Weak demand globally – and especially in the US and EU – have caused both export and import turnover of goods to decline from the previous year. April's export turnover of goods reached USD 27.5bn, down by -17.1% YoY, and goods imports reached USD 26.03bn, a decline of -8.1% YoY.

4M2023 export turnover of goods declined by -11.8% YoY to reach USD 108.57bn. Export turnover to the US, Vietnam's biggest export market by far, fell by -20.5% YoY, while exports to the EU fell by -12.7% YoY.

Some 19 items posted export turnover in excess of USD 1bn in 4M23, accounting for 77.4% of the total export turnover; and four items recorded export turnover in excess of USD 5bn. As illustrated in the table below, all of the major export categories recorded substantial declines YoY in 4M23.

Largest export items in 4M2023 recorded substantial declines

	Estimated 4M23 export turnover (USD mn)	YoY growth (% YoY)
Above USD5bn export turnover		
Mobile phones and parts	17,425	-17.3
Electronic goods, computers and parts	16,134	-8.9
Machinery, instrument, accessory	13,051	-5.9
Textiles and garments	9,571	-19.3

Source: GSO

4M23 imports goods reached USD 102 bn, down by -15.4% YoY. Some 19 items posted import turnover in excess of USD 1bn, accounting for 75.8% of the 4M2023 total import turnover; and two items recorded import turnover in excess of USD 5bn. The latter two major categories also both saw substantial YoY declines, as illustrated below. Crucially, imports in these categories are primarily parts and materials used in subsequent stages of the manufacturing process, with the bulk of products destined for export markets. The YoY declines in imports should thus be analyzed in the context of soft global demand.

Electronics, computers and parts remain the largest import products in 4M2023

	Estimated 4M2023 import turnover (USD mn)	YoY growth (% YoY)
Above USD5bn export turnover		
Electronics, computer and parts	25,414	-13.9
Machinery, instrument, accessory	12,459	-14.0

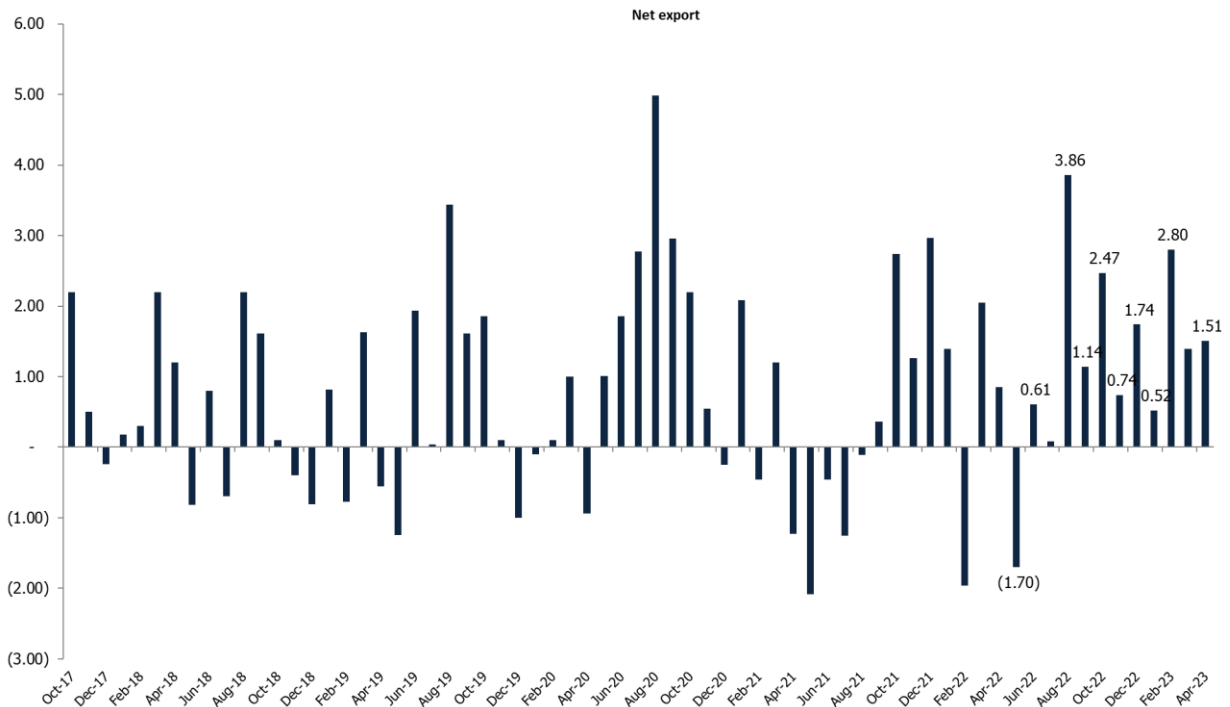
Source: GSO

A positive takeaway here is that Vietnam's trade surplus of goods reached USD 6.4bn in 4M2022, extending from USD 4.1bn in 1Q23 (vs last year's net imports of USD 2.4bn). We only get services trade on a quarterly basis, so the total trade surplus is likely to be substantially lower – but still a trade surplus.

Meanwhile, the SBV has reportedly bought USD 4.9bn in foreign reserves in 4M23. We question the perceived "rule" that the central bank should always maintain FX reserves at a level equivalent to 4 months of imports, given the outsized role of external trade in Vietnam's GDP as well as the fact that roughly two thirds of goods imports are used in the process of export manufacturing. However, public perceptions matter: After spending down much of its reserves defending the currency in 2H22, the SBV's purchases of FX from the market should be seen as a positive driver of both overall financial stability and increased financial market liquidity.

The export outlook is likely to remain cloudy going forward as demand in the key export markets (i.e., the US and EU) remains uncertain amid the overall economic slowdown in those markets as well as shifting consumer preferences in favor of largely domestically produced services (and away from Vietnam-manufactured goods).

International trade balance (goods only) has been positive all year so far



Source: GSO

Investment – FDI slows, but public investment soars

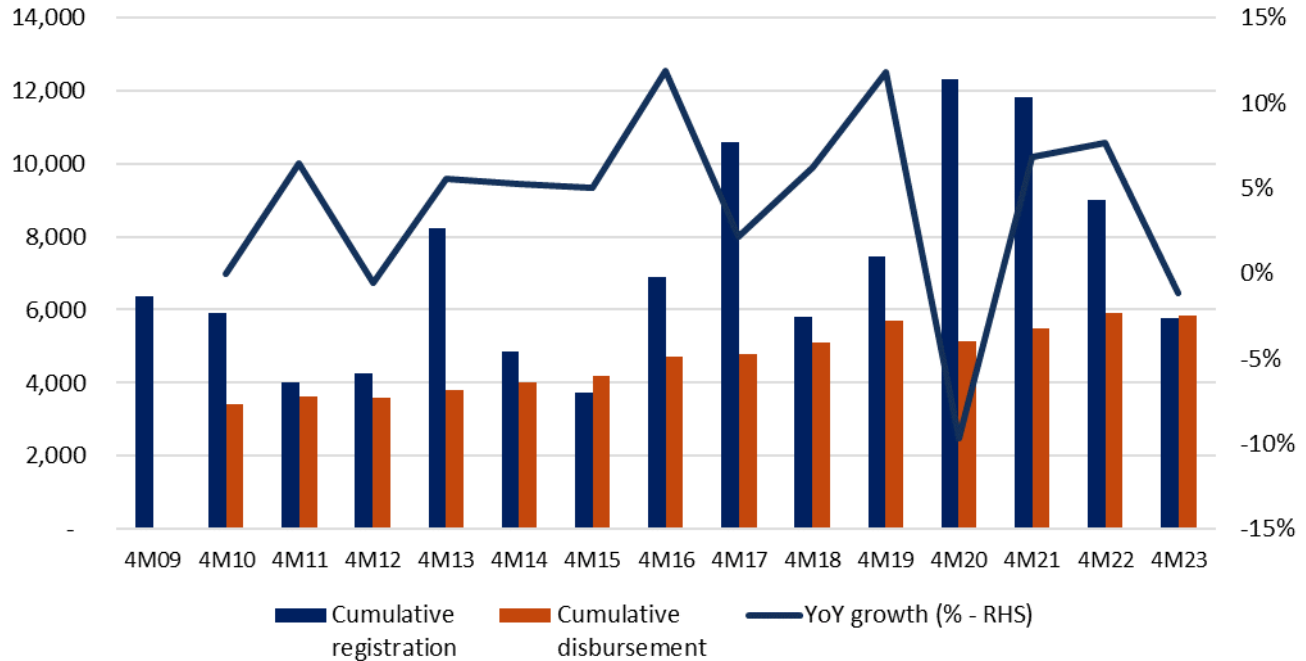
Public investment soared at a two-digit rate YTD to emerge as a major growth engine amid the export slowdown. 4M23 public investment reached VND 131.2 trillion, up by +17.9% YoY but only fulfilling 19% of the State budget for 2023 in the first four months. The government set target public investment for 2023 at USD 31 billion, equivalent to 7% of GDP and an increase of 35.4% YoY.

Readers should be aware that public investment is typically slow in 1Q but speeds up from the second quarter in each year, so observers should not simply extrapolate the run YTD rate in formulating expectations for the rest of the year.

Specifically, investment overseen by the central government reached VND 24.6 trillion, equivalent to 18.5% of budget and up by +30% YoY; investment supervised by provincial governments reached VND 106.6 trillion, 19.1% of the annual budget and up by +15.5% YoY.

By contrast, disbursed FDI in 4M2023 declined by -1.2% YoY to reach USD 5.85bn. Manufacturing accounts for USD 4.7bn or 80.5% 4M23 disbursed FDI. Property accounts USD 303mn, or 5.2% of the total FDI mix; and gas, hot water, steam, and air-conditioning FDI reached US\$446.7 mn, accounting for 7.6% of total disbursed FDI.

Disbursed FDI has flattened



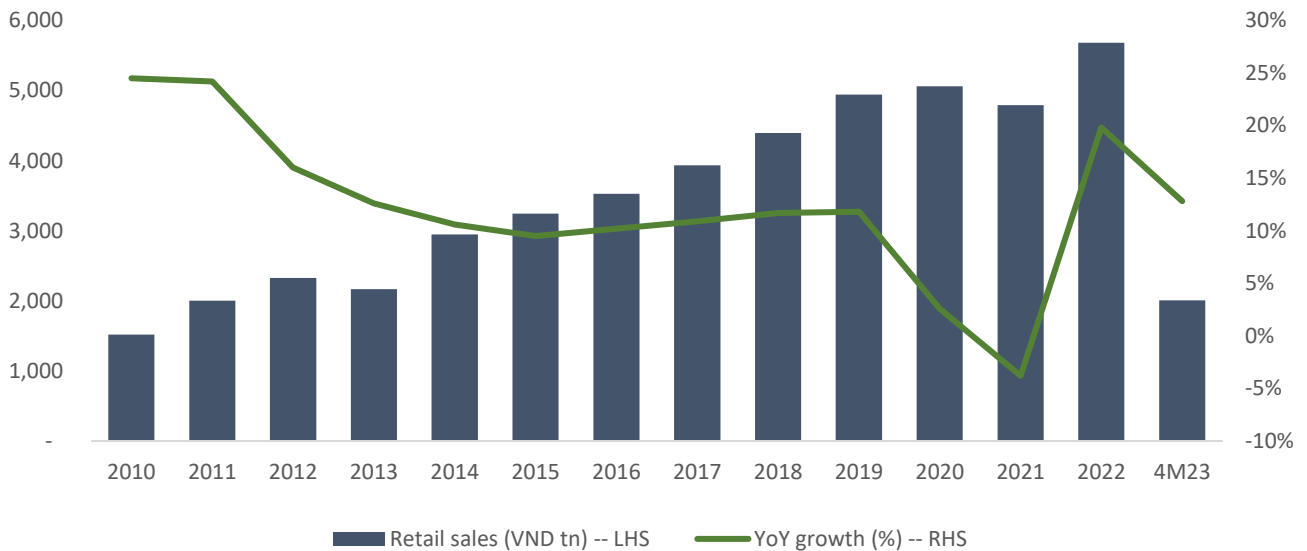
Source: GSO

Retail sales remain strong, with tourism providing a kicker

Retail sales of goods and services in April reached VND 511tn, up +3.7% MoM and +11.5% YoY. This growth was underpinned by a recovery in tourism that pushed hospitality & catering services receipts to grow by +25.5% YoY to reach VND 53.4tn. Meanwhile, the largest component, retail sales of goods, rose by +9.7% YoY to reach VND 401tn (78.6% of total retail sales of goods and services).

Notably, the number of international visitors to Vietnam in April 2023 reached 984,146 arrivals, up +9.9% MoM and +9.7 times higher YoY. This was the highest monthly figure since the beginning of the year – and in fact, the highest result since February 2020. In the context of the post-COVID world, this is a strong result – although still well below the pre-COVID norms. Overall, we see this as an encouraging signal for retail sales going forward.

Retail spending growth remains in the double digits YTD



Source: GSO

4M23 retail sales of goods and services rose by +12.8% YoY (real growth +10.3%YoY) to reach VND2,007tn, in part driven by +28.4% growth in hospitality and catering sales to reach VND214tn.

Retail sales of goods in 4M23 reached an estimated VND 1,581 tn, up +10.5% YoY (real growth +6.4%). Sales in the food sector increased by +14.5% YoY, while garment purchases increased by +9.8% YoY.

Revenue from tourism and travel in 4M23 is estimated to reach VND9.1 tn, +109% higher than that of the same period last year. There were 3.7 million international arrivals in 4M23, up almost +20x YoY.

Tourism and travel activities typically increase during summer, which should remain a key growth driver for retail sales over the next few months.

Soft inflation should facilitate accommodative macro policies

According to the GSO, CPI in April slid by -0.34% MoM on declines in food and tuition fees. As a result, CPI increased by just +2.81% YoY, softening from the March figure of +3.35%.

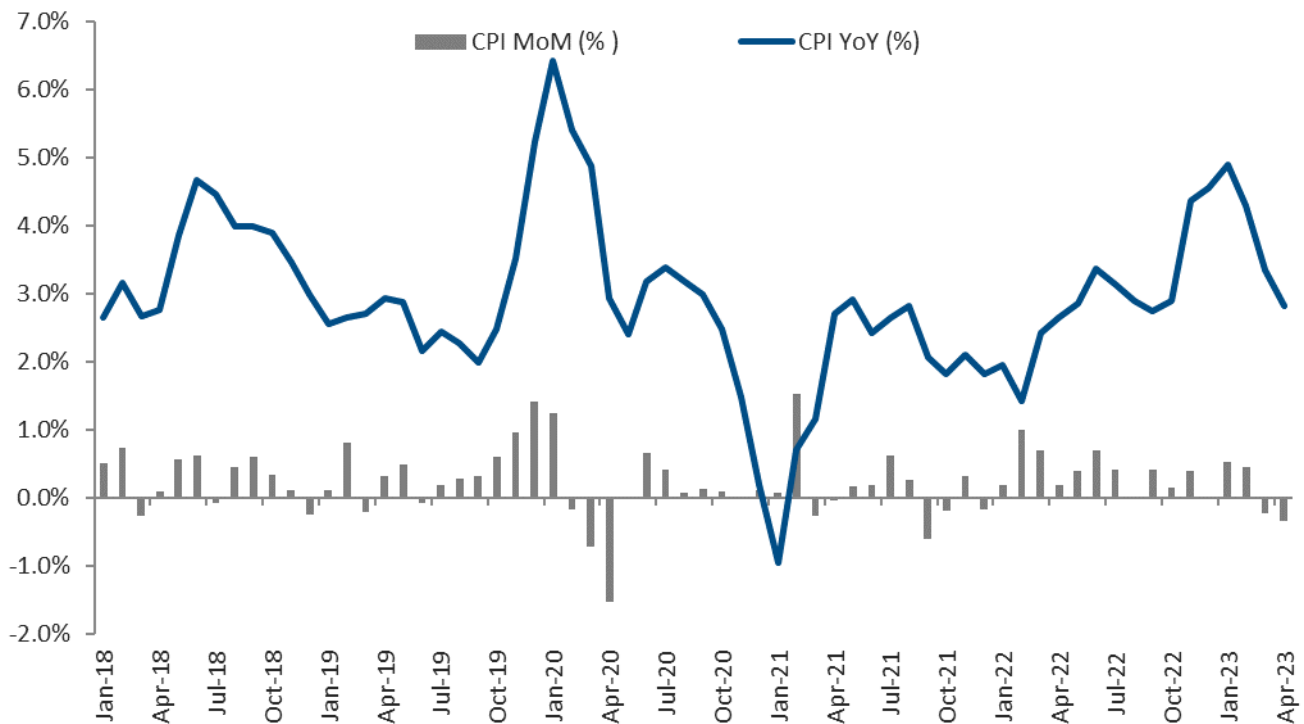
Seven of the 11 items in the CPI basket posted sequential month-on-month declines in price; specifically prices for --

- Food (33.56% of the CPI basket) declined by -0.38% MoM on increased supply;
- Education (6.17% of the CPI basket) decreased by -1.31% MoM as tuition fees were cut in some parts of the country; and
- Housing and construction materials (18.82% of the CPI basket) slid by -0.83% MoM as gas price dropped by -12.36% MoM, in line with global natural gas softening.

By contrast, the remaining four items in the CPI baskets posted sequential price increases. Specifically, prices for --

- Transportation (9.67% of the CPI basket) rose by +0.43% MoM as petrol prices rose by +1.09% MoM; and
- Beverages and tobacco (2.73% of the CPI basket) rose by +0.12% due to increased demand.

Inflation is softening



Source: S&P Global

Soft oil prices points toward a continuation of these subdued inflationary pressures, in our view. Brent is now trading at near \$73 per barrel, -9% in the first week of May, dragged by concerns over the global economy and thus energy demand. Both the Federal Reserve and the European Central Bank raised their policy rates by 25 basis points last week, fueling fears that tightening financial conditions will push major economies into a recession. Meanwhile, a surprise contraction in Chinese manufacturing activity amid the same weakening of global demand clouds the outlook for Vietnam’s neighbor to the north, which is also the world’s top crude importer.

This trend of softening inflation is a silver lining against a broadly cloudy macroeconomic outlook -- both globally, and, by extension, domestically – because it forms a solid foundation for the SBV to further loosen monetary policy. Indeed, SBV officials have reportedly indicated that they are considering further rate cuts to support economic growth, and we would not be surprised to see such action in upcoming days.

Upside risk to inflation exists, however. Notably, electricity prices have increased by +3% in May. Electricity typically accounts for around 9% of the monthly CPI basket, so electricity alone should contribute +0.27ppt MoM in the CPI reading for May, which the GSO will announce toward the end of the month. Overall, we believe that this is a marginal risk to our bullish case for low inflation to support further policy rate cuts. We believe that such monetary stimulus will be aimed at boosting the real economy, but it could also re-emerge as a significant positive driver for stock prices in 2H23.

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E
Banks	ACB VN	7.1	5.5	5.3	24.6	29.5	3.6	0.3	0.2	1.5	1.5	1.4	1.1	23.5	26.6	23.8	2.0	2.5	2.6
	BID VN	26.0	16.7	13.2	50.3	56.3	26.3	0.5	0.3	0.5	2.7	2.4	2.1	10.5	14.8	16.3	0.7	0.9	1.0
	HDB VN	6.4	5.5	5.1	15.1	15.8	8.7	0.4	0.3	0.6	1.3	1.2	1.0	21.8	22.6	21.7	1.9	2.0	2.1
	MBB VN	4.8	4.3	4.0	39.1	11.1	7.8	0.1	0.4	0.5	1.2	1.1	0.9	22.6	24.8	22.7	2.4	2.8	2.9
	STB VN	16.5	14.3	12.0	30.5	15.1	19.0	0.5	0.9	0.6	1.5	1.3	1.2	9.5	9.8	10.5	0.7	0.8	0.8
	VCB VN	22.1	17.4	12.4	23.9	27.1	40.2	0.9	0.6	0.3	4.0	3.1	2.6	19.6	20.1	22.5	1.6	1.8	2.1
	VPB VN	7.7	7.2	8.0	(39.2)	5.8	(9.3)	n/a	1.2	n/a	1.7	1.4	1.2	16.9	19.2	14.9	2.4	2.9	2.2
Brokers	HCM VN	9.4	9.2	8.9	109.5	2.4	2.7	0.1	3.8	3.4	1.6	1.4	1.3	19.5	16.9	15.9	6.2	4.7	3.9
	SSI VN	6.9	9.6	9.5	49.8	(28.8)	1.4	0.1	n/a	6.5	1.6	1.4	1.3	22.5	18.5	14.0	6.2	6.8	6.5
	VCI VN	7.5	7.1	6.9	(3.1)	5.4	2.9	n/a	1.3	2.4	1.7	1.5	1.3	22.9	22.7	20.9	8.8	8.8	8.3
	VND VN	6.3	6.8	5.8	212.3	(7.4)	17.9	0.0	n/a	0.3	1.7	1.6	1.3	34.9	27.0	25.6	8.7	7.4	8.1
Energy	PVD VN	492.1	14.7	7.8	(89.7)	3,245.0	88.4	n/a	0.0	0.1	0.7	0.7	0.6	0.1	4.6	8.8	0.1	3.2	5.7
	NT2 VN	19.6	15.2	13.7	(25.3)	28.7	11.1	n/a	0.5	1.2	2.4	2.4	2.3	15.9	17.5	17.7	7.4	9.6	10.4
	PC1 VN	10.5	8.0	6.8	(6.8)	31.3	17.8	n/a	0.3	0.4	1.1	1.0	0.9	12.6	13.6	14.1	4.7	5.1	6.4
Consumer	MSN VN	14.0			22.9	20.9	4.2	0.6	0.6	0.6	1.9	1.6	1.4	14.5	15.2	13.7	8.0	8.9	8.2
	PNJ VN	18.0	9.8	8.4	(3.4)	68.4	16.2	n/a	0.1	0.5	2.8	2.4	2.2	17.2	23.2	26.5	11.2	13.9	15.6
	DGW VN	7.5	6.4		8.5	17.8	(100.0)	0.9	0.4	n/a	1.3	1.3	1.3	18.4	18.4	18.4	7.1	7.1	7.1
Oil & GAS	POW VN	18.5	17.5	12.5	(25.0)	5.6	40.0	n/a	3.1	0.3	1.3	1.1	1.1	5.8	5.9	7.6	3.4	3.5	4.7
Property	KBC VN	9.5	5.0	3.6	230.0	91.0	40.0	0.0	0.1	0.1	1.3	1.1	0.9	14.0	22.0	26.0	6.0	10.0	12.0
	DXG VN	7.5	9.7	4.9	(303.0)	(22.0)	97.0	n/a	n/a	0.1	1.0	1.0	0.9	14.0	9.0	15.0	6.0	4.0	6.0
	KDH VN	22.0	13.7	10.9	(31.0)	61.0	25.0	n/a	0.2	0.4	2.3	2.2	2.1	11.0	17.0	21.0	6.0	10.0	13.0
	NLG VN	11.3	10.7	9.0	(3.0)	5.0	20.0	n/a	2.1	0.4	1.2	1.3	1.1	12.0	12.0	14.0	6.0	7.0	7.0
	NVL VN	-	-	-	(41.7)	18.3	53.3	n/a	-	-	-	-	-	10.0	10.6	14.8	2.3	2.4	3.4
	VHM VN	5.8	4.9	4.5	8.5	19.0	8.4	0.7	0.3	0.5	1.5	1.2	1.0	31.0	28.0	25.0	14.0	14.0	14.0
Transport	ACV VN	20.4			28.8			0.7	n/a	n/a	3.5	3.3	3.0	20.2	11.0	12.6	11.3	5.2	5.3
Industrials	DHC VN	5.6	5.8	5.5	25.4	(3.4)	6.6	0.2	n/a	0.8	1.6	1.4	1.2	31.1	25.6	23.9	20.6	12.7	10.1
	BWE VN	14.1	12.0	9.6	46.1	17.0	24.9	0.3	0.7	0.4	2.3	2.0	1.8	20.4	18.8	20.6	8.6	8.6	10.6

Stock ratings and pricing data is as of close on May 12 2022

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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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.

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