

Strategy Monthly: Searching for Sugarman

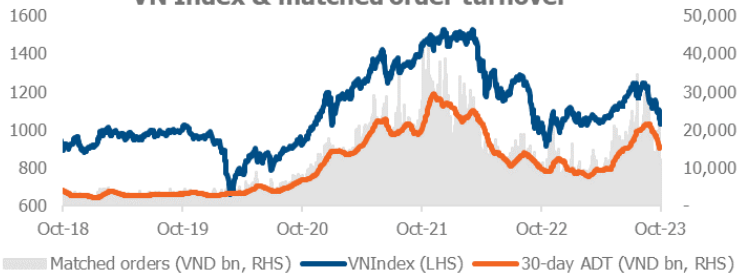
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The VNI plunged -11% MoM in October after dropping below what turned out to be insufficient technical support at the 200-day moving average. Stocks bounced in early Nov, but we think the VNI faces selling pressure at close to 1100 points as 1) domestic investor sentiment remains highly skittish; 2) volumes have been weak on up-days but viciously strong on major down-days; and 3) the VNI's major moving averages are breaking down. Hopes and prayers for a pre-Christmas Miracle, but the market's 2023 peak is very likely history. The good news: Vietnam's positive long-term story is not impacted by short-term cyclical volatility, and 2024 beckons.

VN Index & matched order turnover



Monthly Index Performance

- **VNINDEX:** 1028 (-10.9% MoM / +2.1% YTD / flat YoY)
- **VHINDEX:** 207 (-12.8% MoM / +0.4% YTD / -2.0% YoY)
- **UPCOM Index:** 81 (-8.8% MoM / +13.0% YTD / +6.1% YoY)
- **Average daily turnover:** US\$690mn (-38% MoM)
- **Foreigners net sold US\$94mn** in Oct.
- **VND:USD rate:** 24,565 (-106bp MoM / -379bp YTD / -111bp YoY)

VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	21.4	-2.1%	-1%	6
BCM	58.6	-15.7%	0%	172
BID	40.2	-9.4%	-1%	11
BVH	38.9	-7.7%	0%	17
CTG	27.7	-7.8%	-1%	7
FPT	83.0	-10.6%	-9%	17
GAS	76.6	-15.5%	-1%	14
GVR	16.9	-13.3%	0%	24
HDB	17.2	-0.9%	0%	6
HPG	23.0	-12.5%	-9%	72
MBB	17.1	-7.6%	-3%	5
MSN	58.2	-23.7%	-8%	101
MWG	37.7	-28.3%	-11%	79
PLX	31.9	-14.9%	-1%	15
POW	10.6	-8.6%	0%	16
SAB	56.7	-21.8%	-2%	18
SHB	10.1	-9.0%	-2%	5
SSB	25.8	3.2%	1%	18
SSI	25.8	-19.0%	-5%	20
STB	27.0	-11.9%	-6%	7
TCB	27.7	-17.7%	-10%	6
TPB	15.8	-11.5%	-2%	6
VCB	86.8	-0.8%	0%	14
VHM	39.0	-14.3%	-6%	4
VIB	17.9	-7.5%	-2%	5
VIC	40.5	-13.6%	-6%	36
VJC	99.0	-0.3%	0%	--
VNM	68.0	-8.4%	-4%	19
VPB	20.0	-7.8%	-7%	13
VRE	22.2	-14.9%	-3%	12

Source: Bloomberg, Yuanta Vietnam. Price date: Oct 31, 2023

A Cold Fact: Narrowly avoiding a bear market, the VNI declined by -17.4% from the Sep 6 YTD high to close at 1028 points on October 31, essentially giving up all of its gains since early March. The +3% rally of Nov 2 looks weak to us given the low volumes that accompanied this bounce, and the pattern since August of high-volume panic sell-off days vs. low volume on the rebounds continues apace (see page 7 for details).

The VNI underperformed all regional peers in October, with an -11.7% MoM decline in USD terms. Near-term technical indicators are decidedly negative (p.3-4), and domestic investor sentiment has been decidedly skittish amid a likely deleveraging of margin positions, as the ratio of margin loans to free float market cap appears to have reached an all-time high at 3Q23 (p.7-10). Monthly breadth was abysmal, with a remarkable 89% of VNI components posting share price declines during October (p 14-17).

PNJ & the Cashflow Conundrum: Amid the surging tide of 3Q23 results notes, you may have missed Di Luu's Oct 27 detailed report on PNJ. In part a *mea culpa*, as our prior P&L assumptions were too optimistic, the note digs deep into the red-flag issue of PNJ's persistent gap between reported earnings and free cashflow. This is primarily due to rapid inventory growth, which we attempt to square with the rollout of PNJ's retail footprint, online sales, and wholesale business. Ultimately, the report likely presents more questions than it answers, but shareholders should pay attention (p.18-21).

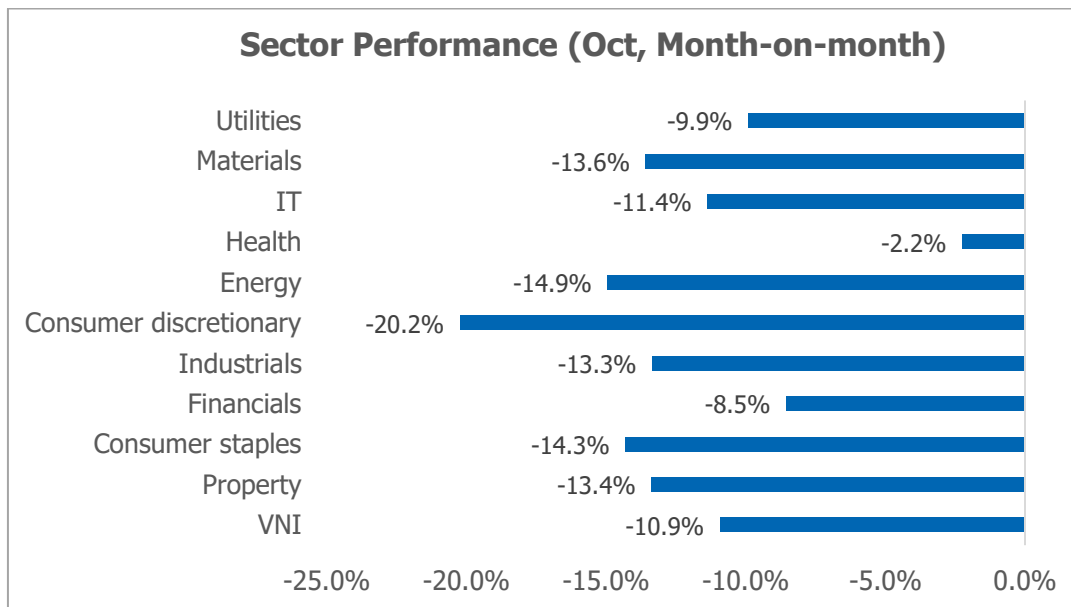
Macro: October's positives outweigh the negatives. Industrial output (+6% MoM / +4% YoY) continued to exhibit a nascent recovery fueled primarily by manufacturing, while retail sales (+2% MoM / +7% YoY) continue to benefit from the recovery in international tourist arrivals and CPI (+0.1% MoM / +3.6% YoY) eased back on declining oil prices. The one main negative datapoint was October's manufacturing PMI, which remained just below 50 for the second week in a row (see p.27-35).

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	2023E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	3,383	7.2	BUY	21,400	28,510	33%	4.7%	38%
	BIDV	BID VN	8,277	2.5	HOLD-Underperform	40,200	42,780	6%	0.0%	6%
	HD Bank	HDB VN	2,025	4.3	BUY	17,200	22,390	30%	5.8%	36%
	MB Bank	MBB VN	3,629	7.4	BUY	17,100	25,260	48%	2.9%	51%
	Sacombank	STB VN	2,072	27.7	HOLD-Underperform	27,000	33,575	24%	0.0%	24%
	Vietcombank	VCB VN	19,747	4.4	BUY	86,800	99,420	15%	0.9%	15%
	Vietnam Prosperity Bank	VPB VN	6,459	14.4	BUY	20,000	25,540	28%	5.0%	33%
Brokers	HCM City Securities	HCM VN	454	8.1	BUY	24,400	33,805	39%	3.3%	42%
	Saigon Securities	SSI VN	1,571	35.3	BUY	25,750	32,187	25%	1.4%	26%
	Viet Capital Securities	VCI VN	581	9.5	BUY	32,600	45,580	40%	3.0%	43%
	VNDirect Securities	VND VN	808	26.1	BUY	16,300	24,019	47%	2.8%	50%
Energy	PV POW	POW VN	1,010	4.1	BUY	10,600	16,877	59%	0.0%	59%
	PV NT2	NT2 VN	265	0.8	SELL	22,650	19,318	-15%	8.8%	-6%
	PCC1	PC1 VN	261	4.4	BUY	23,700	34,123	44%	0.0%	44%
Consumer	Masan Group	MSN VN	3,390	6.3	Suspended	58,200	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	961	1.9	BUY	72,000	90,100	25%	1.9%	27%
	Digiworld	DGW VN	286	4.9	Suspended	42,050	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	482	3.5	BUY	87,000	100,607	16%	1.1%	17%
Oil & GAS	PV Drilling	PVD VN	533	5.8	BUY	23,550	36,103	53%	3.0%	56%
Property	Kinh Bac City	KBC VN	797	12.6	BUY	25,500	38,300	50%	0.0%	50%
	Dat Xanh Group	DXG VN	413	17.4	BUY	16,650	40,500	143%	0.0%	143%
	Khang Dien House	KDH VN	930	2.2	HOLD-Underperform	28,600	35,500	24%	0.0%	24%
	Nam Long	NLG VN	474	3.7	HOLD-Underperform	30,300	37,800	25%	1.7%	26%
	Novaland	NVL VN	1,024	27.5	Coverage Suspended	12,900	-			
	Vinhomes	VHM VN	6,912	12.1	BUY	39,000	76,900	97%	0.0%	97%
	Vincom Retail	VRE VN	2,053	6.2	BUY	22,200	38,000	71%	0.0%	71%
Transport	Airports Corp Vietnam	ACV VN	6,185	0.2	HOLD-Underperform	69,800	76,400	9%	0.0%	9%
Industrials	Dohaco	DHC VN	125	0.6	BUY	38,150	63,571	67%	9.4%	76%
	Biwase	BWE VN	342	0.4	BUY	43,500	70,902	63%	4.6%	68%
Technology	FPT Corporation	FPT VN	4,290	9.2	BUY	83,000	120,740	45%	2.4%	48%

*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 Oct 31 2023

Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Oct 31)

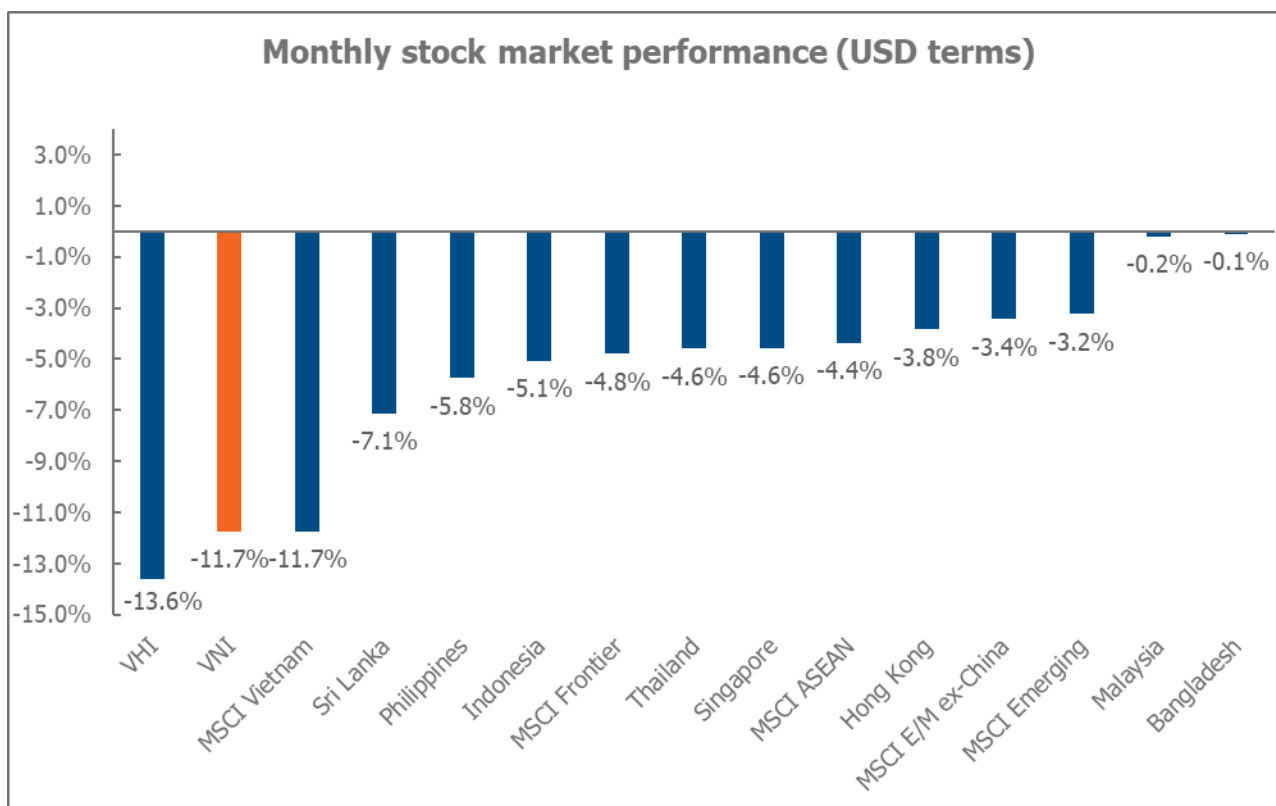
*“Sugarman, won’t you hurry? ‘Cause I’m tired of these scenes.
For a blue coin, won’t you bring back all these colors to my dreams?”*

— [Sixto Rodriguez](#) (1942-2023)

Fundamentals vs. Technicals: Cold Facts

Vietnam equity prices remained weak in October. The VNI traced out a MoM decline of -10.9% in local currency terms to reach 1028 points, thus giving back all of the market’s gains since early March. As of the October 31 close, the VNI was down -17.4% from the YTD high of 1246 on September 6, thus narrowly avoiding falling into a textbook bear market as defined by a market that declines by -20% or more from its most recent high.

In addition, the Vietnam dong depreciated by another -1.1% MoM against the US dollar despite the SBV’s defense of the currency via the open-market removal of an estimated US\$9bn in financial system liquidity since late September. Vietnam stocks were again the worst performers in ASEAN in October, and ended October with a negative YTD performance (again, in US dollar terms) albeit of just -1.8% YTD in 10M23.



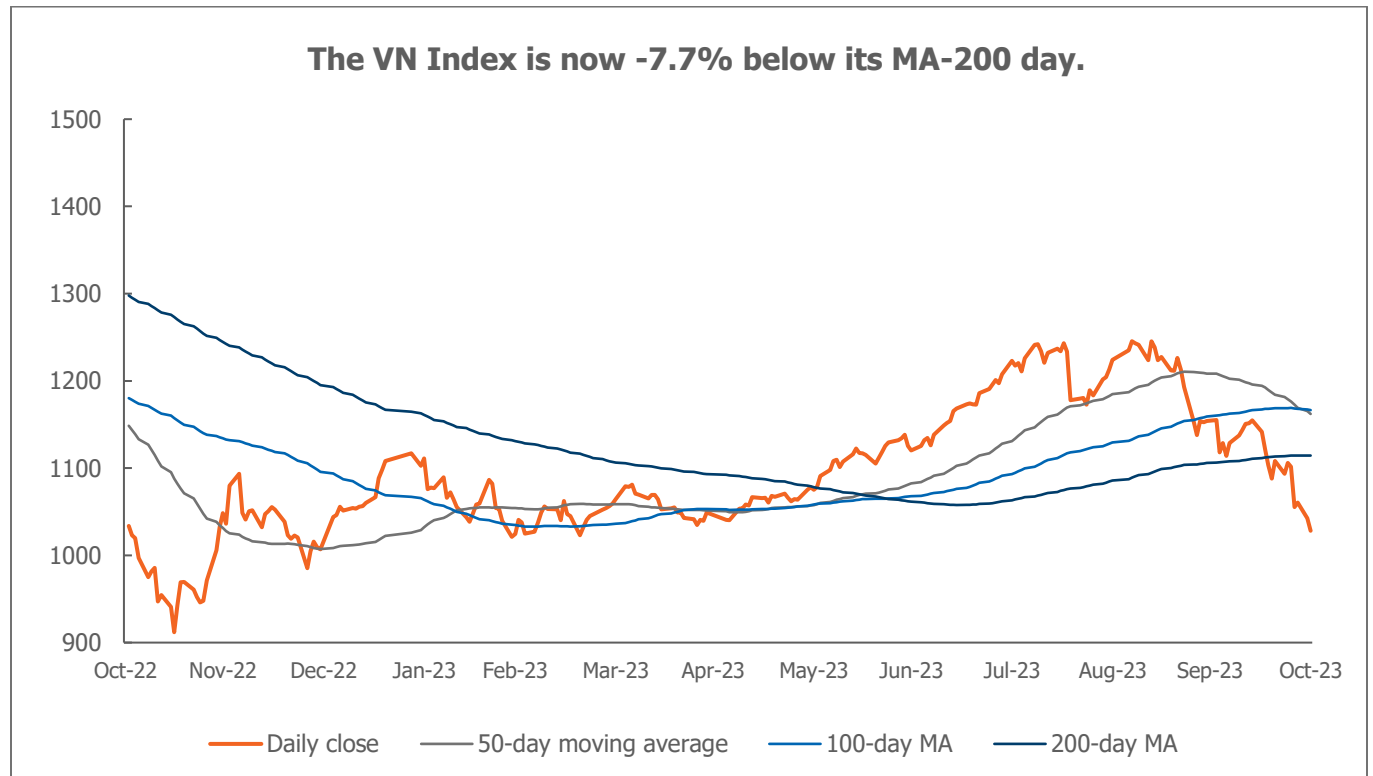
Source: Bloomberg

Near-term momentum indicators are decidedly negative. After tracing out a confirmed double top pattern in August and September, the VNI broke down through its major support levels under a series of high-volume selloff days and a probable unwinding of margin positions. In short, the technicals are unambiguously ugly. They include:

- 1) **The VNI broke down below its 200-day moving average** on October 18 (a US\$1 billion trading day) and remains there today, so the 200-day MA that used to represent support now represents resistance at just above 1100 points.
- 2) **All the major moving averages are now breaking down.** This is most obvious for the 50-day and 100-day MAs. The 200-day moving average topped out on Friday October 27 and began to decline on Monday, October 30 – a trend that is not yet confirmed (but likely will be soon, given the tyrannical mathematics at work: the VNI was -3.4% below the 200-day MA as of November 3).

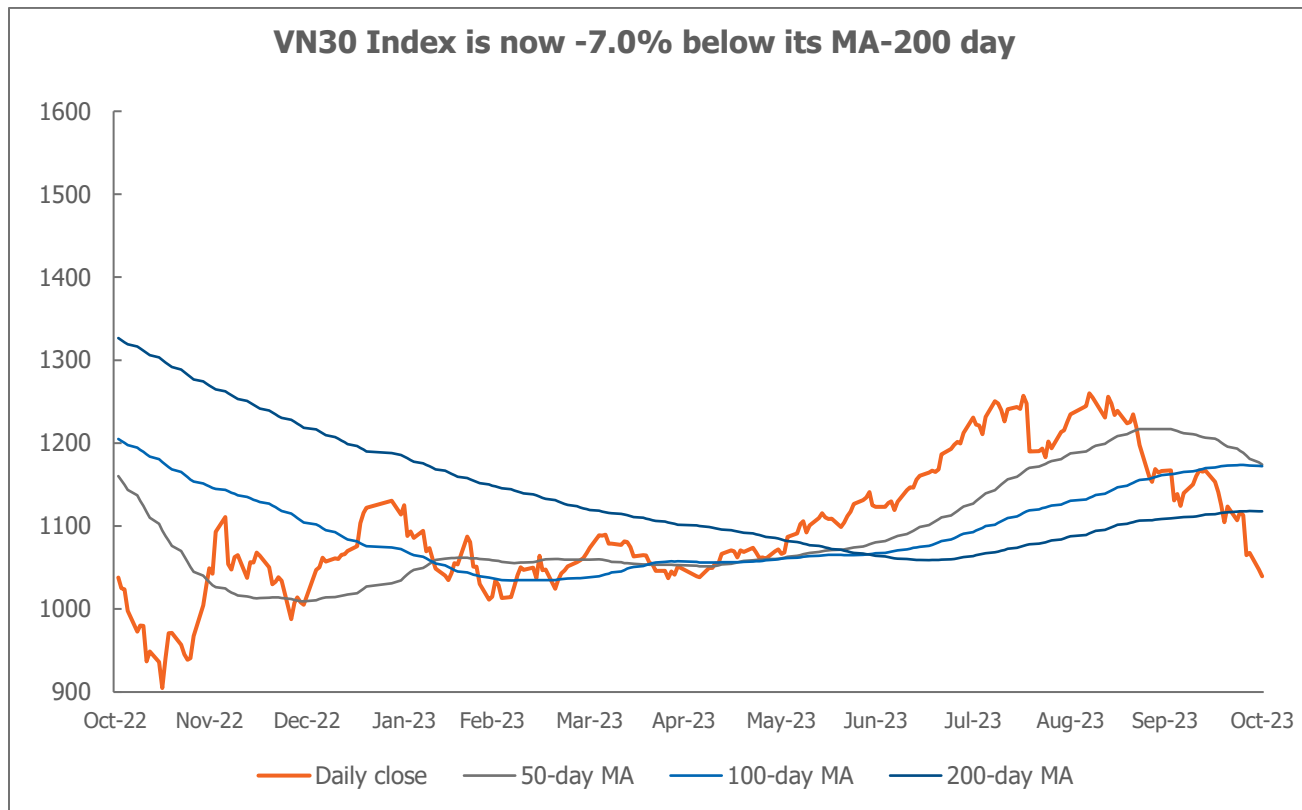
- 3) **The 50-day MA has broken down through the 100-day moving average** on October 30 -- sort of a mini-Death Cross, and just in time for Halloween. The 50-day MA still has another c. -3.7% downside before it reaches the 200-day MA, so a classic "Death Cross" is not likely to happen until late November or early December. Hopes and prayers that Santa Claus forbids such a thing from happening.
- 4) **Turnover has been weak – except on panic selling days, when it soars.** More on this point below (page 7).

The breakdown below technical support suggests that these lines are now likely to represent substantial selling pressure, especially as the market approaches 1100 points (i.e., where it is as I write on November 7, essentially). As such, we are not suggesting that investors chase the weak volume bounce of early November.



Source: Bloomberg, Yuanta Vietnam

Given the weak technical and skittish sentiment among domestic investors, our 2023 VNI target of 1300 points established in November 2022 now appears to be out of reach. For the record, the VNI's intraday high of 1255 on September 7 was just -3.3% below our yearend target.

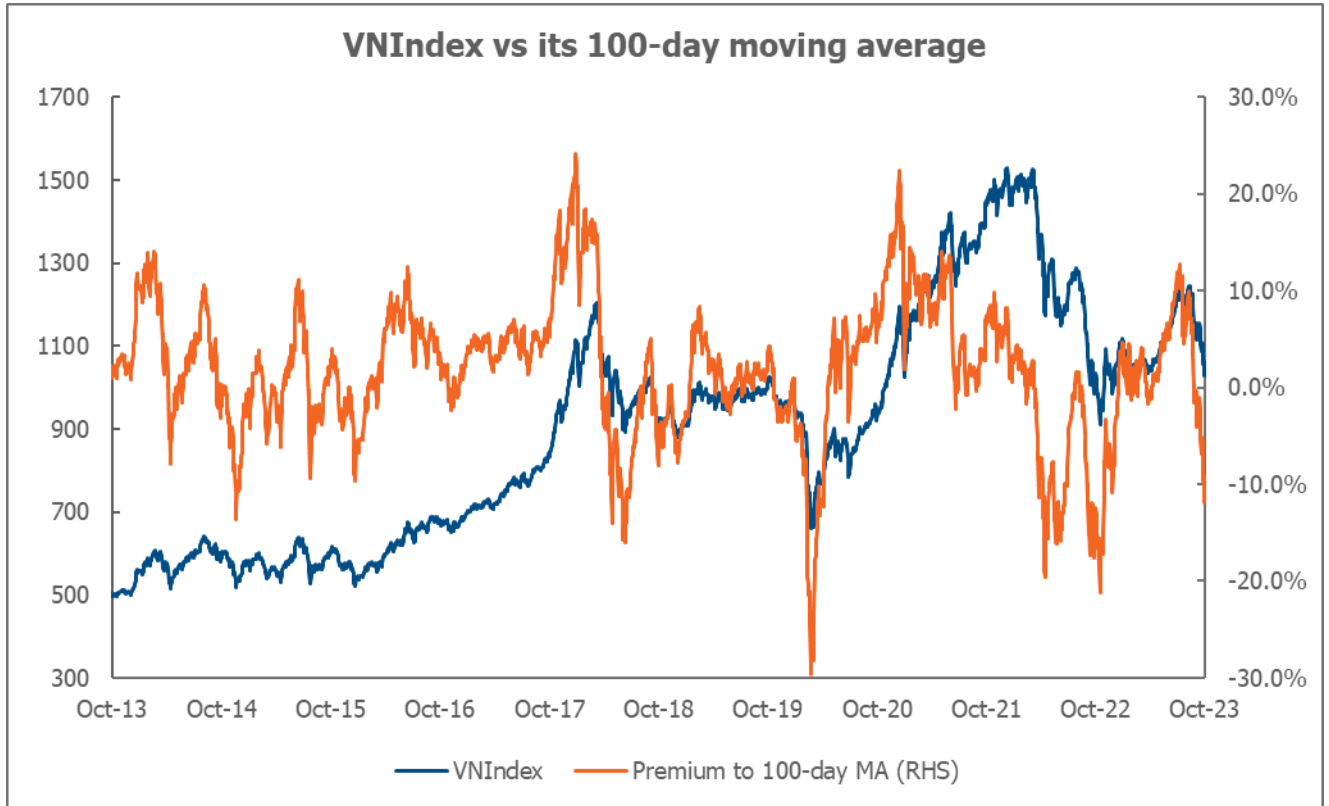


Source: Bloomberg, Yuanta Vietnam

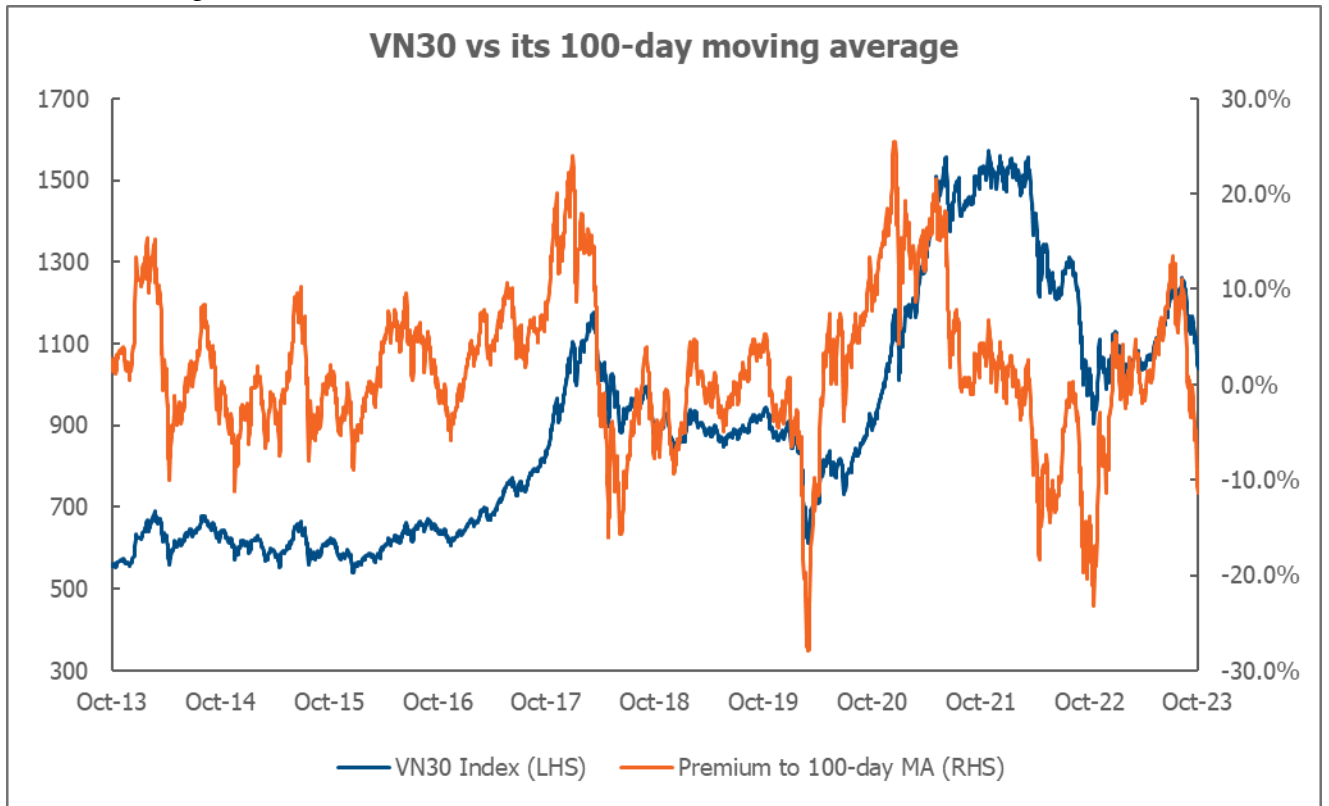
The mainboard's decline in October confirmed the August-September double top – confirmed it to a moral certainty. We admit to being too early to tack away from our previous bearish-but-nervous tactical approach of August-September to a more bullish short-term thesis when the mainboard had fallen back to its 200-day moving average in the first full week of October. Simply put, we thought that the market would hold at that level, and it did not comply (or more accurately, it bounced for just a few days but then broke down hard).

See the links below for a walk down Memory Lane of our weekly strategy reports in October:

- **Double Top Confirmed – October 2 (...QED)** <https://yuanta.com.vn/wp-content/uploads/2023/09/Weekly-Sep-25.pdf>
- **Changing Tack -- We're buyers again – Oct 9** (*Catching the falling knife at the 200-day MA*) <https://yuanta.com.vn/wp-content/uploads/2023/10/Weekly-Oct-9.pdf>
- **A Solid Bounce, but Soft Volumes Indicate Low Conviction – Oct 16** (*Signs of seller exhaustion, but momentum is still weak*) <https://yuanta.com.vn/wp-content/uploads/2023/10/Weekly-Oct-16.pdf>
- **Sentiment Turns Sour – Oct 23** (*Hopes and prayers for a recovery, but the 2023 peak has likely passed*) <https://yuanta.com.vn/wp-content/uploads/2023/10/Weekly-Oct-23.pdf>
- **Spooky Sentiment – Oct 30** (*Pattern of spiking volumes on substantial down-days / weak volumes on up-days*) <https://yuanta.com.vn/wp-content/uploads/2023/10/Weekly-Oct-30.pdf>
- **Weak Turnover Speaks Volumes – Nov 6** (*A most unimpressive bounce – don't chase*) <https://yuanta.com.vn/wp-content/uploads/2023/11/Weekly-Nov-6.pdf>



Source: Bloomberg, Yuanta Vietnam



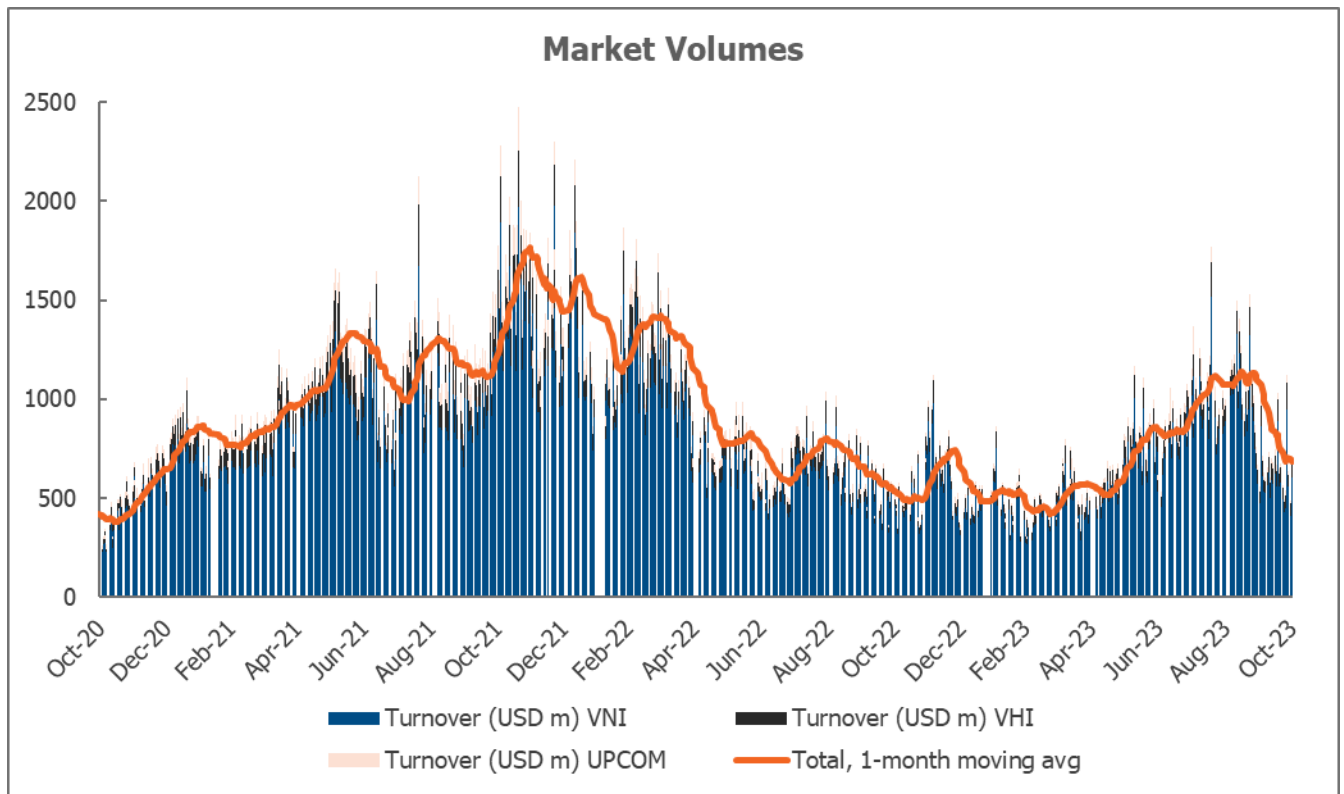
Source: Bloomberg, Yuanta Vietnam

ADT trends are negative. Monthly ADT of US\$690 million was down -38% MoM and very much a disappointment to your friendly brokers following the previous two months of US\$1 billion-plus average daily turnover. But it's not just the drop in ADT that has us concerned here.

If you have been reading our research, you will perhaps remember that one of our main concerns has been the pattern of spiking volumes whenever the market hits a panic sell-off, whereas volumes have been weak on the flat-to-modestly-rising days. This has been the case since mid-August, and it's not a good technical sign.

Volume provides a signal of investor sentiment, and it's not good. This is perhaps best exemplified by the market's rather unimpressive bounce on Thursday Nov 2, when the VNI soared by +3.4% DoD – the best single day since last November and the 14th best daily return since 2015.

A major reason why we weren't particularly impressed by the Nov 2 rally is that turnover on HSX was just VND14.6 trillion. Compare that to the VND23.2 trillion that traded on October 26, when the index collapsed by -4.2% DoD. We might become more excited about the rallies if they are accompanied by volume recoveries, but for now our call is to "sell the rip" rather than to prayerfully chase this rather weak momentum.



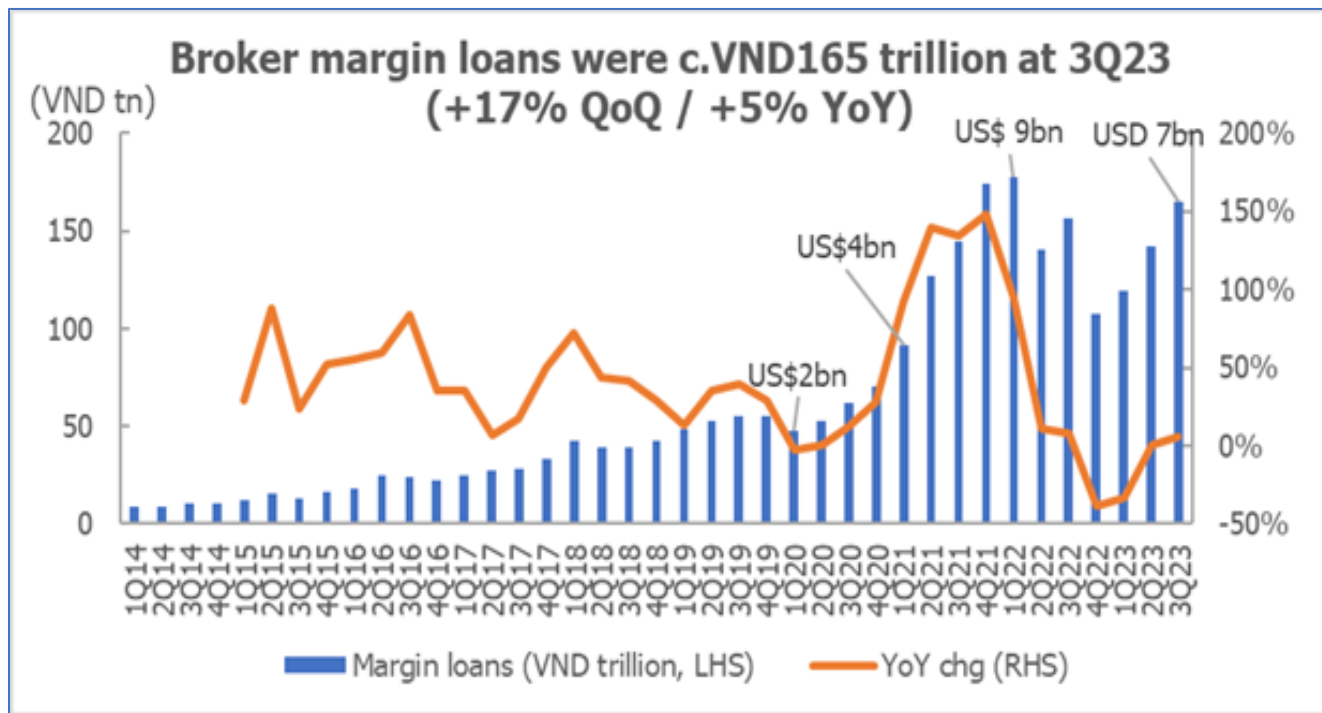
Source: FiinPro, Bloomberg, Yuanta Vietnam (Oct 31)

Gauging the level of margin leverage in stocks. FiinPro shows the total margin figure as VND156 trillion as at 3Q23. The database has summed up the brokers that have reported their 3Q23 results, which should include most of the main players by now. Most of the top margin lenders grew their margin loans by double digits QoQ, as illustrated in the table below.

Ticker	Organization Name	Margin Loans				
		Q3 - 2023	QoQ	vs Q1	vs 4Q22	vs 3Q22
SSI	SSI Securities	14,713,011,826,180	12.28%	34.35%	35.33%	-4.38%
MASC	Mirae Asset Securities	14,017,859,014,910	3.82%	23.26%	11.02%	-7.19%
TCBS	TCBS Securities	12,497,083,667,696	27.40%	35.09%	49.45%	-16.17%
HCM	HSC Securities	11,331,472,375,131	27.68%	64.06%	53.56%	3.70%
VPBS	VPS Securities	10,309,345,681,291	0.87%	46.18%	74.56%	29.63%
MBS	MB Securities	6,367,330,116,057	23.46%	73.83%	82.23%	-3.63%
KISVN	KIS Vietnam Securities	6,165,761,362,403	-0.60%	18.76%	29.79%	34.53%
VCI	Vietcap Securities	5,697,503,957,745	7.61%	13.99%	14.68%	-10.94%
VCBS	VCBS Securities	4,898,035,359,022	6.94%	62.84%	60.60%	38.93%
KBSV	KB Securities Vietnam	4,751,017,029,352	-5.45%	5.09%	-7.79%	-15.97%
BSI	BIDV Securities	4,480,312,344,303	11.29%	32.18%	66.26%	84.39%
FTS	FPT Securities	4,008,507,049,956	13.27%	18.82%	15.82%	-7.84%
SHS	Sai Gon - Ha Noi Securities	3,681,045,220,644	0.00%	38.58%	60.50%	20.01%
FSC	Yuanta Securities Vietnam	2,916,725,720,740	36.38%	37.90%	31.28%	-25.93%
PHS	Phu Hung Securities	2,815,888,147,335	1.45%	12.76%	43.54%	-7.75%
CTS	Vietinbank Securities	2,524,950,167,615	22.07%	74.59%	72.16%	41.91%
VIX	VIX Securities	2,489,987,285,145	80.57%	60.90%	48.41%	80.02%
BVS	Bao Viet Securities	2,477,292,739,817	4.48%	25.87%	32.44%	8.35%
NASC	Shinhan Securities Vietnam	2,399,725,848,273	-10.17%	19.37%	61.20%	14.69%
DNSE	DNSE Securities	2,103,479,254,225	-15.66%	-10.70%	-6.52%	-11.06%
	Others	20,602,604,591,791	-37.12%	-21.70%	-19.54%	-46.67%
	Sum	141,248,938,759,631	-0.30%	21.15%	24.39%	-9.70%

The website *cafef* gives an “estimate” of VND165 trillion for total brokerage loans at 3Q23 and we assume this is coming from their sources at the stock exchange. That would be up +16.5% QoQ and +5% YoY.

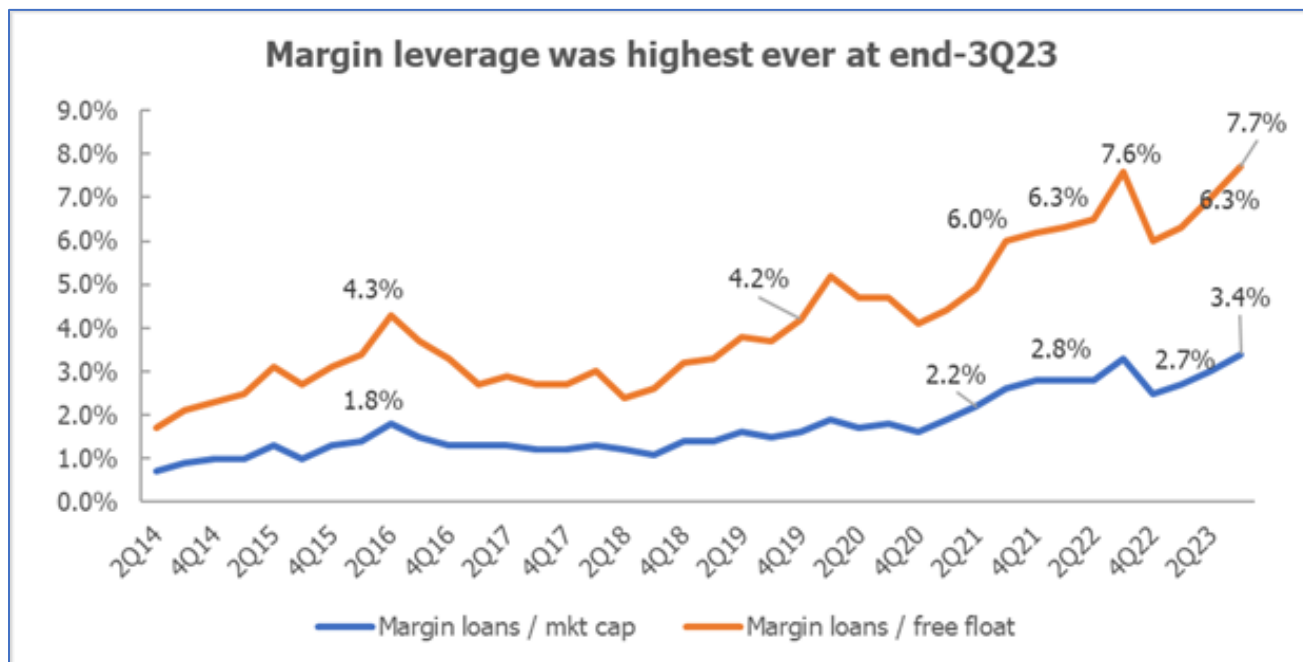
We also think it’s safe to assume that margin loans were higher in early September and then fell at the end of the quarter because some big players reportedly cut their margin lending in the final couple of weeks of the quarter. They might have done this for risk management reasons, but we think that some brokers reduce leverage at the end of the quarter to comply with regulations / KPIs for the balance sheet print date (i.e., window dressing).



Source: Cafef, Yuanta Vietnam

Assuming VND165 trillion (a bit less than US\$7 billion) is correct, then margin loans / total market cap (3.4%) and margin loans / free float (7.7%) were at their highest ever at end-September. Based on experience, high margin leverage ratios typically indicate that risks to share prices are higher than low margin leverage.

Although brokers should have learned their lessons about concentration risk in 4Q 2022, we have to be realistic and assume that at least some of the total loans reported here as margin finance are really loans against pledged share assets, with the cash being used by major corporate shareholders for purposes other than punting on stocks. Such purposes likely include ongoing working capital for their business operations.



Source: FiinPro, Yuanta Vietnam

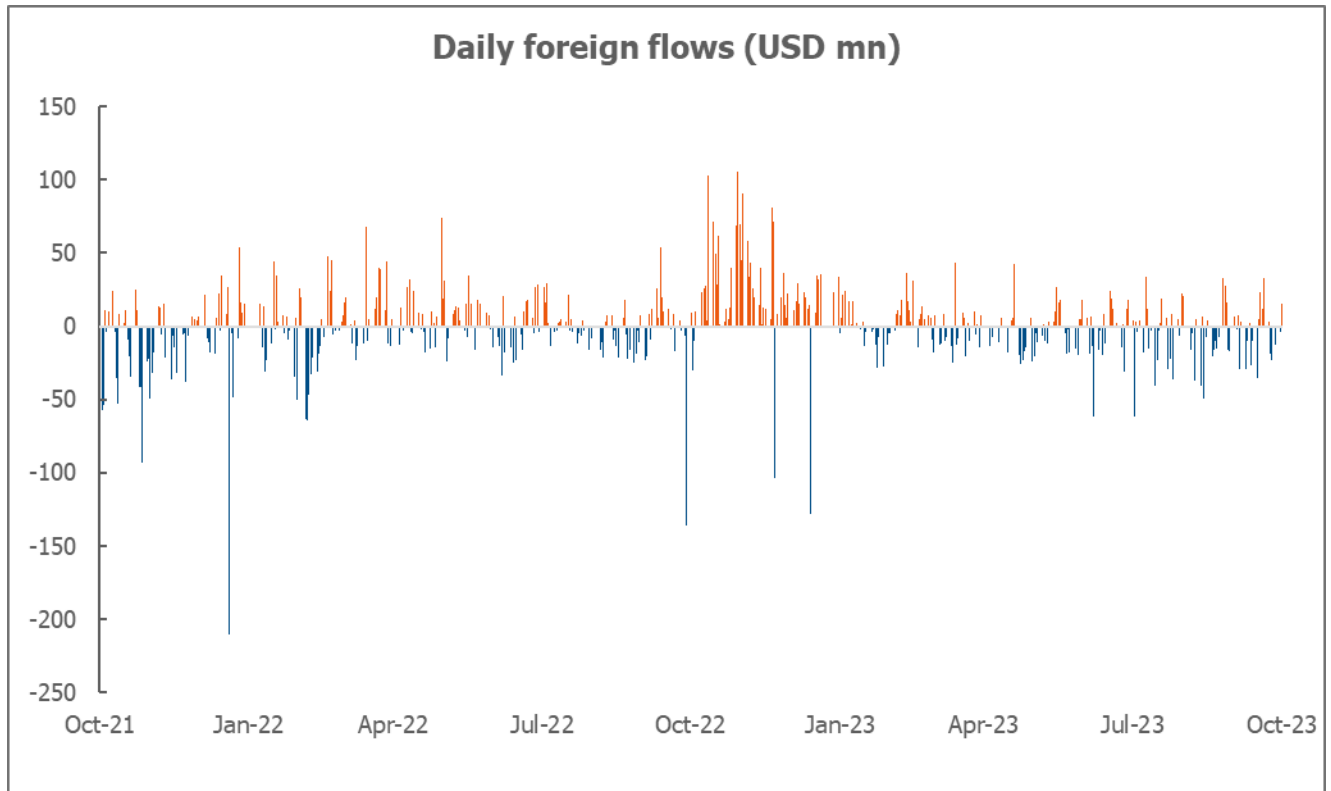
Looking at it from a market liquidity perspective, VND165 trillion represents 6.7x 3Q23 ADT for the entire market (or more accurately, total trading on the HSX and HNX but not UPCOM). That leverage ratio is not particularly high vs. history, as illustrated in the chart below. BUT – sadly, ADT has fallen so far in 4Q23 and we can't go back in time to unwind our margin positions in 3Q23. If we instead use the October ADT figure, end-quarter margin loans represent around 10 days of trading, which is not quite so comfortable.



Source: FiinPro, Yuanta Vietnam

Foreign investors are nothing if not consistent: They remained net sellers in October. Foreigners net sold another US\$94 million of Vietnam stocks in October, the seventh straight month of FINI outflows. This brings the YTD foreigner net selling total to US\$381 million in 10M23. Foreign net selling over the past month has been most acute for some of the former FINI favorites including MWG with net outflows of US\$56 million over the past month (Oct 8-Nov 7), according to FiinPro, and we see zero signs of investors clamoring to pay a 30-45% premium as in previous years (indeed, MWG now has 3% open FOL ownership room).

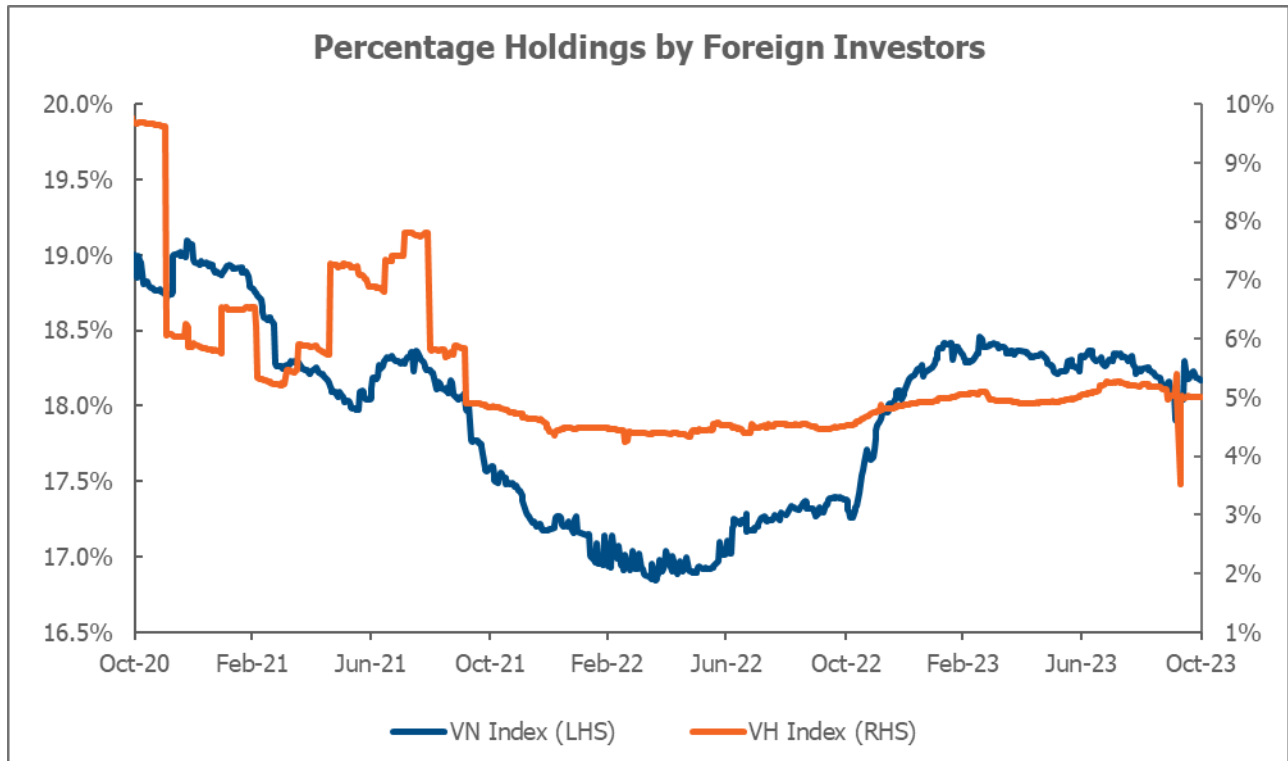
Other net selling targets include Dragon Capital's VNDiamond ETF (US\$25 million in outflows), the AUMs of which are 96-97% comprised of foreign capital, as well as VPB (US\$21m), VHM (US\$17m), and MSN (US\$15m).



Source: FiinPro, Yuanta Vietnam (Oct 31)

So aggregate YTD 2023 foreign flows remain negative, but not deeply so. And, believe it or not, foreigners are *still* large-scale net buyers (US\$912 million of net purchases of stocks) over the past 12 months up to Nov 3. This is largely down to FINI net buying of a multi-year high US\$1.2 *billion* of Vietnamese stocks in 4Q22, when they piled into the margin unwind and retail investor panic crush of that quarter— a lovely buying opportunity. FINIs followed that performance with another US\$319 million of net buying in 1Q24, but have been persistent sellers ever since.

As noted previously, foreigners in aggregate bought high in 2017-18 and sold low in 2019-20, which is not exactly a winning strategy. However, FINIs appear to have adopted a more profitable tactical approach over the past year. We would argue that this is a positive change.

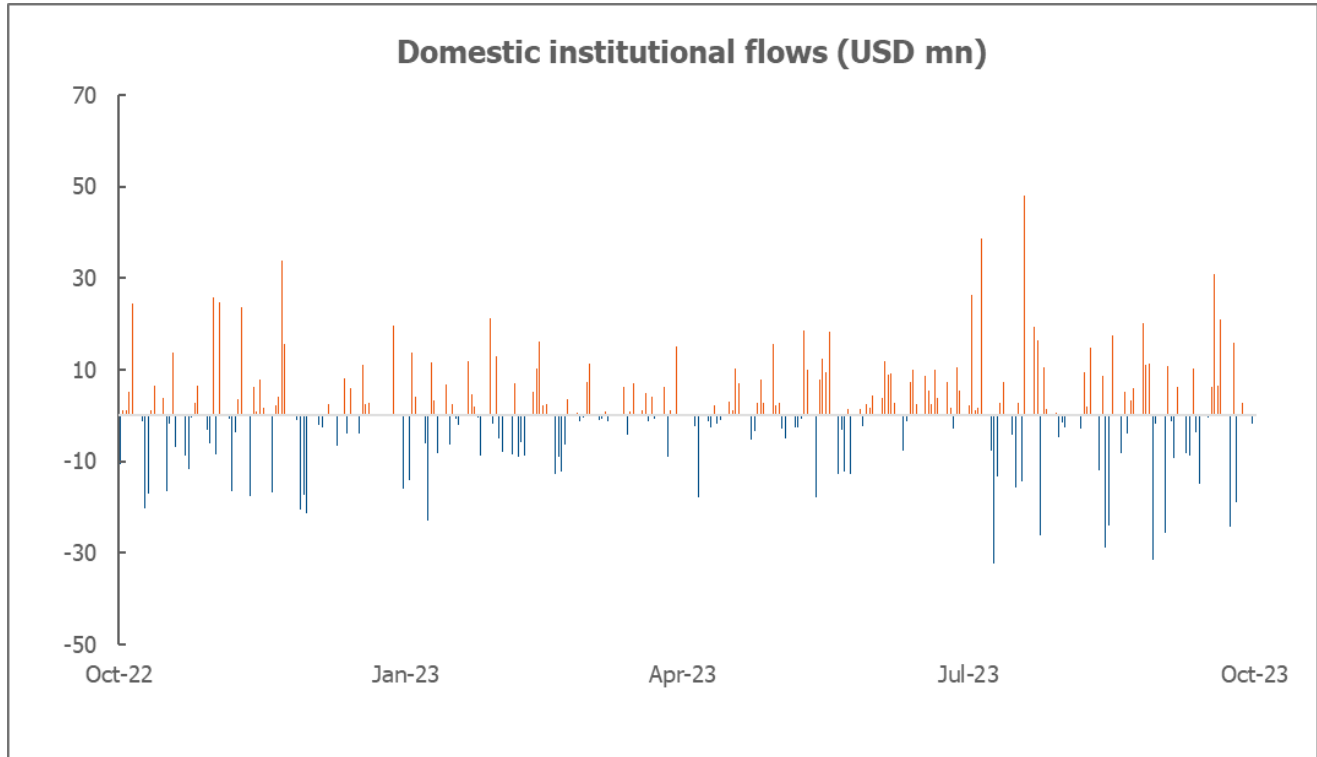


Source: FiinPro, Yuanta Vietnam (Oct 31)

Domestic institutions, which were net buyers in 3Q23, turned moderately cautious in October. Prop traders net sold a grand total of US\$1mn during the month, which doesn't tell us much. Unlike foreign investors, domestic institutions did not join in the panic selling of October 3 – they were buyers of US\$11 million into that day's carnage – or the bloodbath of October 26, which domestic proprietary equity flows were essentially flat.

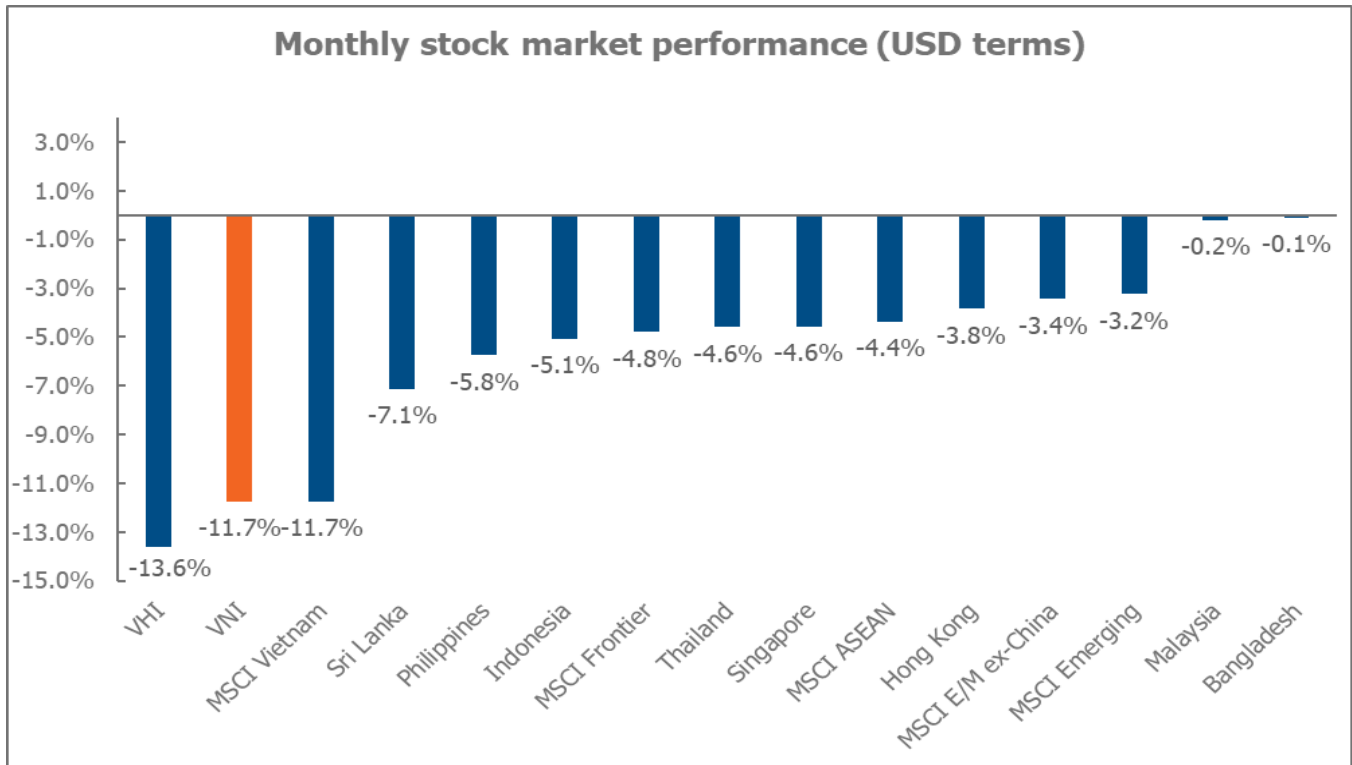
As a reminder, prop traders got bullish in July (when they added US\$103 million in net buying) and August (another US\$54 million), and they seemed to be on track to add to positions in September before unwinding in the last few days of the month, presumably ahead of the brokers' 3Q23 quarterly balance sheet close. This quarter-end window-dressing action flattened the September total for domestic institutional net flows to negative -US\$4 million.

In 10M23, domestic institutions added US\$236 million to their stock holdings, offsetting 62% of the foreign net selling YTD. This is an impressive feat considering that domestic institutions are dwarfed by FINIs in terms of the size of their balance sheets, total prop books, and even smaller allocation to equities. But investors should consider that the major brokers are active for reasons that are not only directional bets, including ETF market-making services and hedging for warrants issuance.

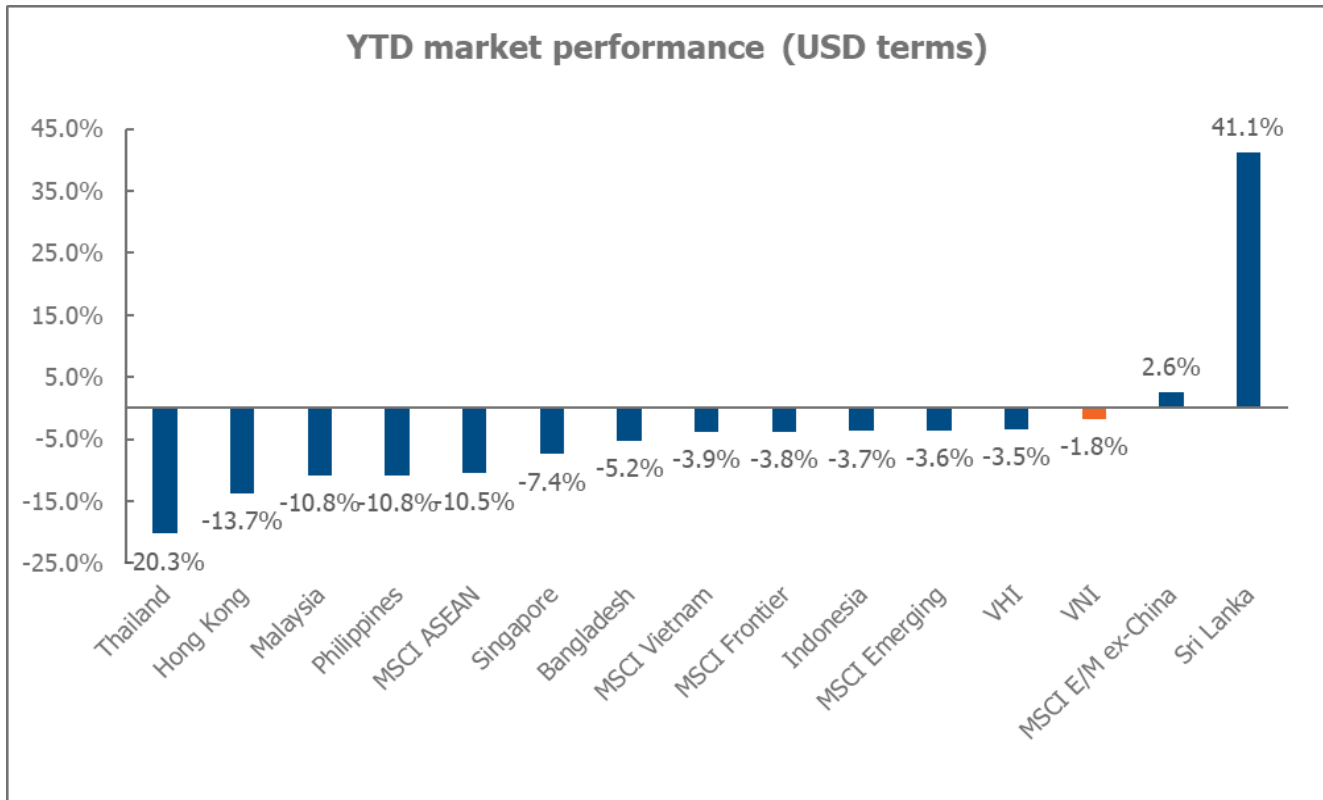


Source: FiinPro, Bloomberg, Yuanta Vietnam (Oct 31)

The VNI (-11.7% MoM in USD terms) and VHI (-13.6%) underperformed all of Vietnam’s regional peers in October. The VNI is still at the top of the list in terms of YTD performance, but a -1.8% decline in USD terms in 10M 2023 is unlikely to win many accolades from global investors.



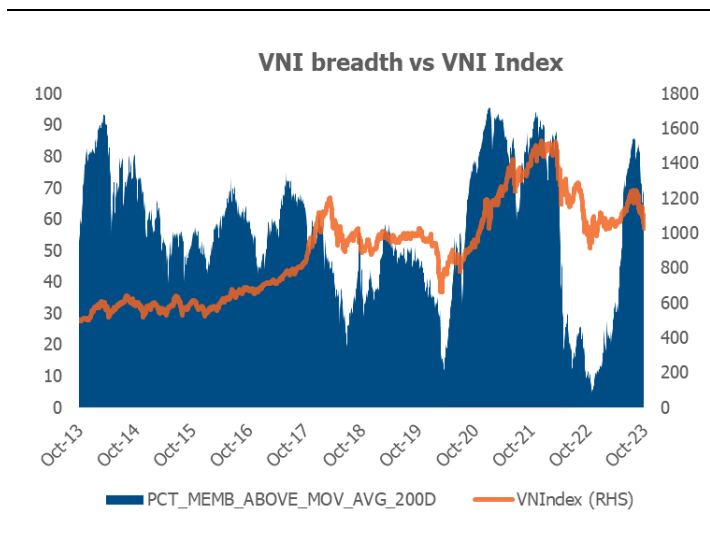
Source: Bloomberg, Yuanta Vietnam (data is as of Oct 31)



Source: Bloomberg, Yuanta Vietnam (data is as of Oct 31)

Monthly market breadth was deeply negative in October as a remarkable 89% of VNI components posted share price declines during the month, far worse than September’s 65% and August’s 55% in August. The large cap VN30 components included exactly one stock that managed a MoM gain in October, with 94% of the big cap blue chips posting share price losses in the month. Notably, breadth is still positive on a YTD basis in 10M23, but it is flattening on both the VN30 Index (17 gainers / 13 losers in 10M23) and broader VNI (249 gainers / 134 losers).

Monthly stock breadth switched to negative despite the marginal index gains



Source: Bloomberg, Yuanta Vietnam (Oct 31)

VN 30 breadth			
	WoW	MoM	YTD
Gainers	1	1	17
Losers	28	29	13

Source: Bloomberg (Oct 31)

VN Index breadth			
	WoW	MoM	YTD
Gainers	42	45	249
Losers	339	335	134

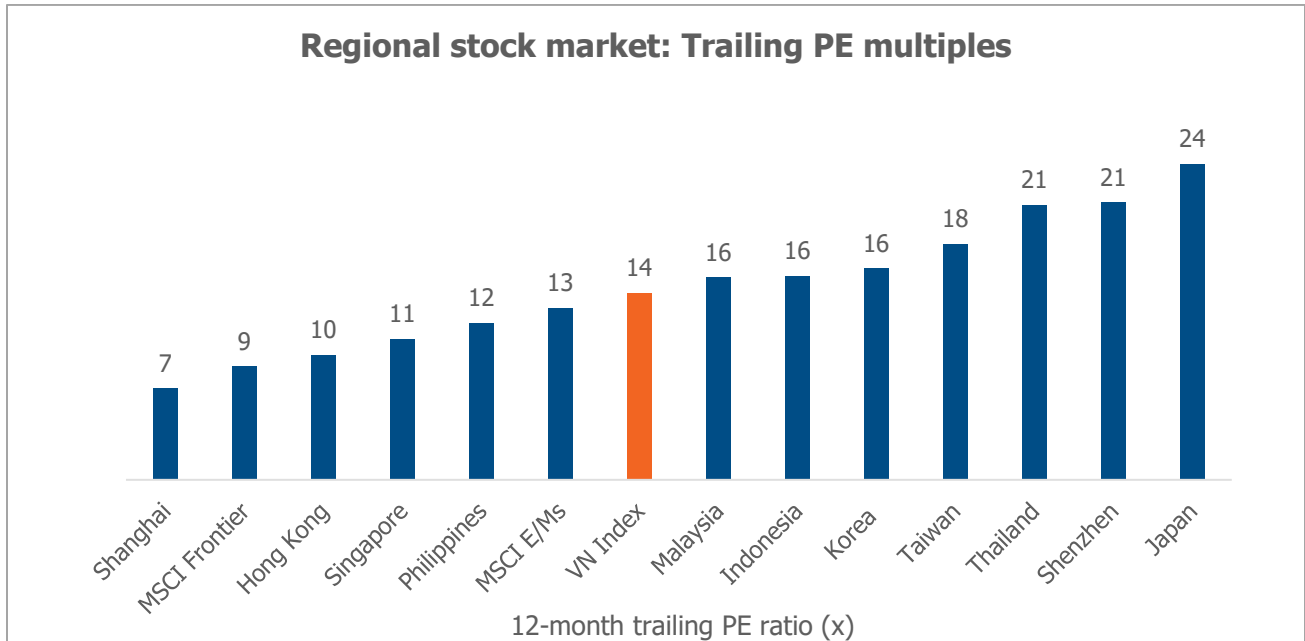
Source: Bloomberg (Oct 31)

Valuations – Cheap enough to talk about again. In recent months, the “dirt cheap” PE valuations of 4Q22-1Q23 gradually gave way to higher and less attractive multiples. The VNI had traded down to below 9x 2023 P/E during

the panic selloff of 4Q22, but as recently as end-August that figure had risen (along with share prices) to 12.2x 2023E P/E.

As we write this report (Nov 7), the VNI is trading at 1084 points, around 2-3% below its 200-day moving average and the all-important “big number” 1100 line. The implied PE multiple for 2024 (i.e., a forward-looking valuation approach) is now around 8x, which appears once again to be screamingly cheap. Even factoring in slightly less exciting earnings growth than the +23% growth implied by Bloomberg consensus (2024E earnings forecasts may be stretched for the banks if provisioning continues to rise, and expectations for the property sector appear to be aggressive given low presales this year across many listed developers), the market valuation would be priced at just 9-10x 2024E PE.

This is a compelling valuation multiple, in our view, even if catalysts for a recovery of market sentiment are not imminent.

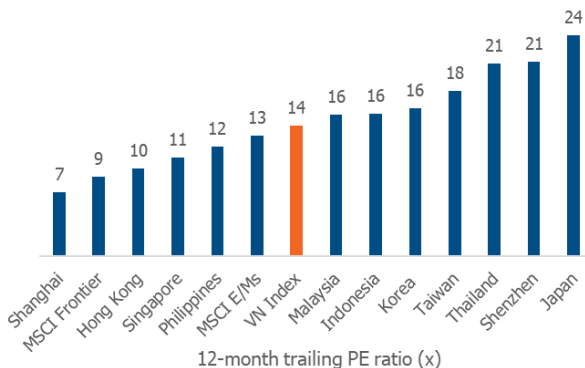


Source: Bloomberg (Oct 31)

Vietnam stocks are not as cheap vs. the region as they used to be, on trailing P/E basis...

...or on a forward basis. Still, valuations are attractive but no longer screaming “buy”.

Regional stock market: Trailing PE multiples



Source: Bloomberg, Yuanta Vietnam (Oct 31)

Regional stock market: 2023E PE multiples



Source: Bloomberg (2023E consensus PE), Yuanta Vietnam (Oct 31)

As stated above, breadth was deeply negative in October with just one of the 30 VN30 large cap Index constituents managing to post a MoM gain – and the other 29 all losing ground during the month. In fact, 16 of the 30 blue chips were down by double-digit percentages – so the pain was deep and widely felt.

It wasn't just MWG (-28% MoM) but that stock deserves a special mention in the annals of market lore. Local media have picked up on the fact that this erstwhile market star is no longer a full-FOL stock. We suspect that few foreign investors will again be lining up to pay a 45% FOL premium in the near term, or the medium term, or at any time ever again in the future.

However, the pain was widespread across the consumer names: two other sector stocks also posted MoM losses of more than 20% -- MSN (-24%) and SAB (-22%). But it's hard to discern a theme from this, as other double-digit MoM decliners on the VN30 included BCM (-16%), FPT (-11%), GAS (-16%), GVR (-13%), HPG (-13%), PLX (-15%), STB (-12%), TCB (-18%), TPB (-12%), VHM (-14%), VIC (-14%), and VRE (-15%).

By contrast, the only large cap to post a MoM gain in October was a thinly traded JSC bank: SSB (+3%). See the table below for details.

VN30 large caps: Share price performance in Oct

Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Oct	YTD chg	Contribution to VN30 Index performance in 10M23
ACB	21.4	-2.1%	-1%	16.9%	13%
BCM	58.6	-15.7%	0%	-27.3%	-1%
BID	40.2	-9.4%	-1%	4.1%	0%
BVH	38.9	-7.7%	0%	-16.5%	-1%
CTG	27.7	-7.8%	-1%	1.7%	0%
FPT	83.0	-10.6%	-9%	27.0%	26%
GAS	76.6	-15.5%	-1%	-6.2%	-1%
GVR	16.9	-13.3%	0%	22.5%	1%
HDB	17.2	-0.9%	0%	30.6%	12%
HPG	23.0	-12.5%	-9%	27.8%	22%
MBB	17.1	-7.6%	-3%	17.9%	10%
MSN	58.2	-23.7%	-8%	-37.4%	-15%
MWG	37.7	-28.3%	-11%	-11.3%	-5%
PLX	31.9	-14.9%	-1%	2.4%	0%
POW	10.6	-8.6%	0%	-0.5%	0%
SAB	56.7	-21.8%	-2%	-31.0%	-3%
SHB	10.1	-9.0%	-2%	19.8%	6%
SSB	25.8	3.2%	1%	-5.7%	-2%
SSI	25.8	-19.0%	-5%	51.1%	15%
STB	27.0	-11.9%	-6%	20.0%	11%
TCB	27.7	-17.7%	-10%	7.2%	5%
TPB	15.8	-11.5%	-2%	16.6%	4%
VCB	86.8	-0.8%	0%	28.1%	16%
VHM	39.0	-14.3%	-6%	-18.8%	-9%
VIB	17.9	-7.5%	-2%	21.0%	5%
VIC	40.5	-13.6%	-6%	-24.7%	-13%
VJC	99.0	-0.3%	0%	-9.6%	-3%
VNM	68.0	-8.4%	-4%	-7.6%	-5%
VPB	20.0	-7.8%	-7%	11.7%	12%
VRE	22.2	-14.9%	-3%	-15.6%	-3%

Source: Bloomberg, Yuanta Vietnam, Pricing date: Oct 31, 2023

Deep Dive: PNJ and the Cashflow Conundrum

PNJ is expanding through the cyclical soft patch. Amidst the tsunami of results notes, consumer analyst Di Luu published a deep dive analysis of PNJ’s business operations including an attempt to understand their surge in inventory, which has driven a substantial gap between reported earnings and free cashflow in recent years. Such a gap can be a red flag for investors, and our analysis may not provide investors with 100% certainty that the inventory buildup is reasonable – admittedly, this analysis is more useful in the questions that it raises than in the answers it provides to those questions. Shareholders may wish to bring these questions up with management.

Overall, and despite these reservations, we retain a [positive outlook](#) on PNJ given its status as a high-quality business that offers excellent exposure to the long-term growth of Vietnam’s middle class. FOL room is currently full, but it could open up again amid the ongoing market ructions. We suggest that investors take advantage of that potential situation (if it occurs) to accumulate the shares.

Share price performance relative to VNI



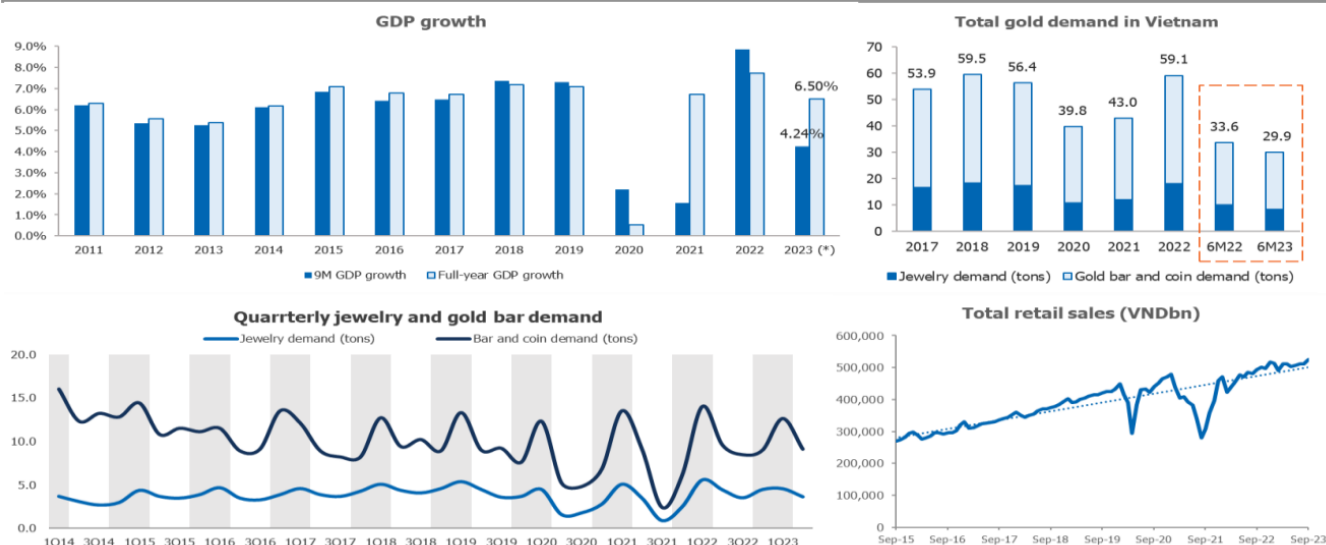
Market cap	US\$987mn
6M avg. daily turnover	US\$2.9mn
Outstanding shares	328mn
Free float	64.6%
FINI ownership	49.0%
Major shareholders	35.4%
2022 Asset/equity (*)	1.6x
EV/EBITDA	10.7x
2024E P/E	11.9x
Trading platform	HOSE
FOL Room	0.0%

Source: Flnpro, Bloomberg, Yuanta Vietnam (*)

Company profile: PNJ engages in fabrication and trade of gold, silver, and gemstone jewelry. The company operates a factory with designed capacity of 4.0 million items per year. In addition, PNJ operates Vietnam’s largest jewelry retail network in at 390 stores as of 3Q23, and management targets a network of 500 stores by 2025.

PNJ posted negative sales growth in 9M23 but after-tax profits were flattish YoY given higher operating efficiencies. Specifically, 9M23 net sales were 23.4tn (-8.6% YoY) and after-tax profits were VND 1.3tn (-0.1% YoY). Thus, average net margin improved by +0.5ppt YoY to reach 5.7% in 9M23.

Fig.1: Business results were partly impacted due to economic slowdown



Source: Company data, GSO, WGC, Yuanta Vietnam, (*) The government's target for 2023

Footprint expansion continues. PNJ has opened +26 stores YTD in 9M23, increasing its retail network to 390 outlets nationwide. This is the fastest expansion pace of any jewelry retailer in Vietnam, and in our view should help PNJ to increase its market share going forward.

Dialing down our bullish assumptions. We have cut our target price to 90,100, implying 2024E P/E of 14.6 and 2024E PEG of 0.5x. 9M23 sales decreased by -8.6% YoY, but 9M23 PAT was flattish YoY, and the launch of the Long Hau factory is now set to be delayed. As such, we downgrade our sales forecasts by -15% for 2023E and -19% for 2024E. In addition, we slash our PAT forecasts by -21% for both 2023E and 2024E. However, we expect to see a recovery going forward on 4Q23-1Q24 seasonality and economic recovery in 2024 and beyond.

A closer look at inventories. The persistent gap between PNJ's full-year free cashflow and net income is mostly due to changes in net working capital, and more specifically growth in inventories. We have seen others attempt to explain the inventory growth as somehow being due to seasonality, but the substantial gap in earnings on the P&L and free cashflow has persisted for at least the past seven years, so the "seasonality" argument fails to convince.

We have attempted to square the increased inventories with the growth of PNJ's retail footprint, online sales, and wholesale business. Ultimately, our analysis may not provide definitive answers, but at least it raises questions that shareholders might be wise to ponder (and perhaps to seek greater clarity from management).

PNJ: Gap between net income and FCFF in 2016-2022 period

Unit: VND bn	2016A	2017A	2018A	2019A	2020A	2021A	2022A
Net income	450	725	960	1,194	1,069	1,033	1,811
FCFF	54	164	(459)	(657)	1,645	(623)	228
Difference:	396	561	1,419	1,851	(576)	1,656	1,582
Aggregate 2016-22 gap	6,890						

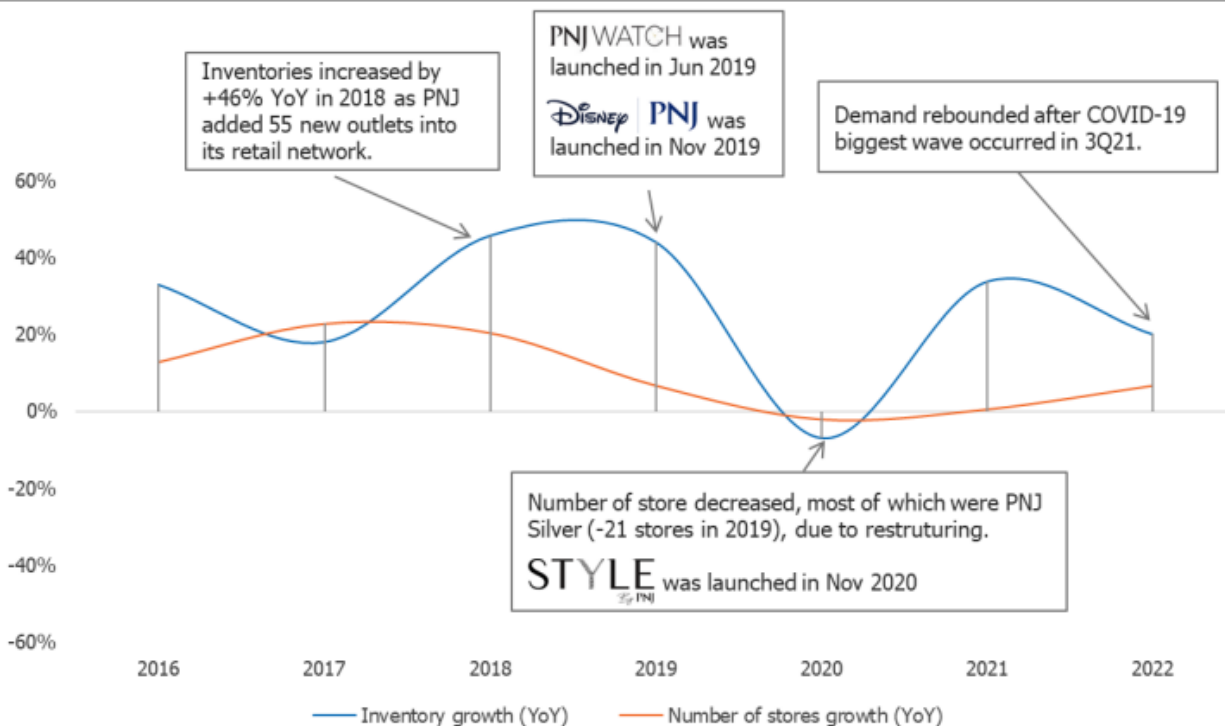
Source: Yuanta Vietnam

On a yearly basis, inventories drastically increased by +46% YoY in 2018, mostly due to the aggressive retail footprint expansion (+55 new outlets in 2018 – the most rapidly expanding rate since 2011).

In 2019, inventories continued to jump by +42% YoY in 2019 (mainly in the form of finished products), which was probably due to the launching of 2 new brands.

In addition, inventories are attributable to both brick-and-mortar stores and to the wholesale segment (accounting for c.10% of total sales in 2022) and online channel (currently accounting for c.5% of total sales). In our view, the development of omnichannel since 2017 has also likely contributed to the increase in PNJ's inventories.

Fig.6: Inventory sharply increased in 2018-2019 period



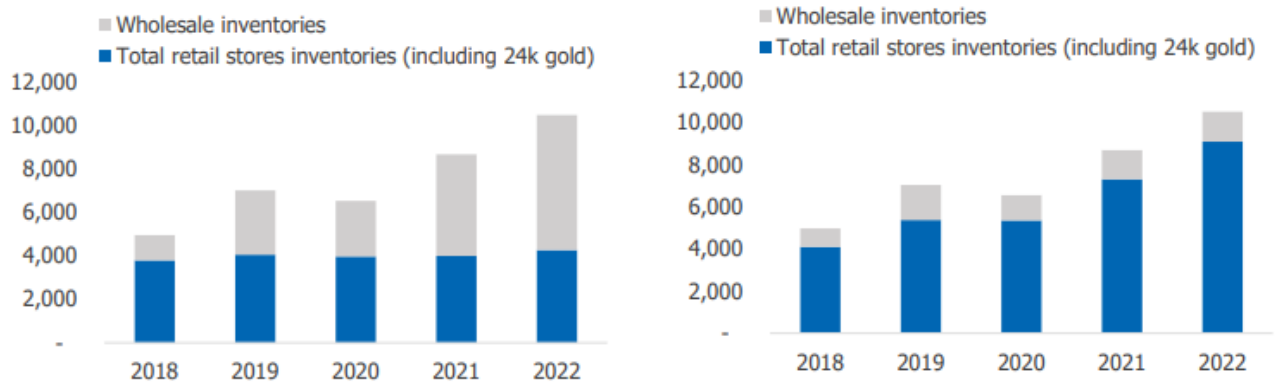
Source: Company data, Yuanta Vietnam

We have attempted to square this phenomenon with the growth of PNJ's retail footprint, online sales, and wholesale business. However, we're afraid that our analysis here may not provide many firm answers. It does, however, raise questions that shareholders might be wise to ponder (and perhaps seek greater clarity from management).

PNJ indicates that every retail outlet requires around US\$500-600k of inventories, so we model out total retail store inventories based on the disclosed yearend number of stores. Any remaining inventory is thus assumed to be allocated to the wholesale channel (please see the chart on the left in the figure below).

However, the trend of sharply higher wholesale inventories under these assumptions looks wrong to us. Hence, we reclassify the inventory again based on the disclosed revenue split between PNJ's retail, wholesale, and gold bar sales. In this exercise, total inventory at retail stores also includes 24k gold inventory, as we assume that 24k gold sales are 100% retail. The results look more reasonable (please see the chart on the right).

Fig.7: Inventory mix by selling channels (VNDbn)

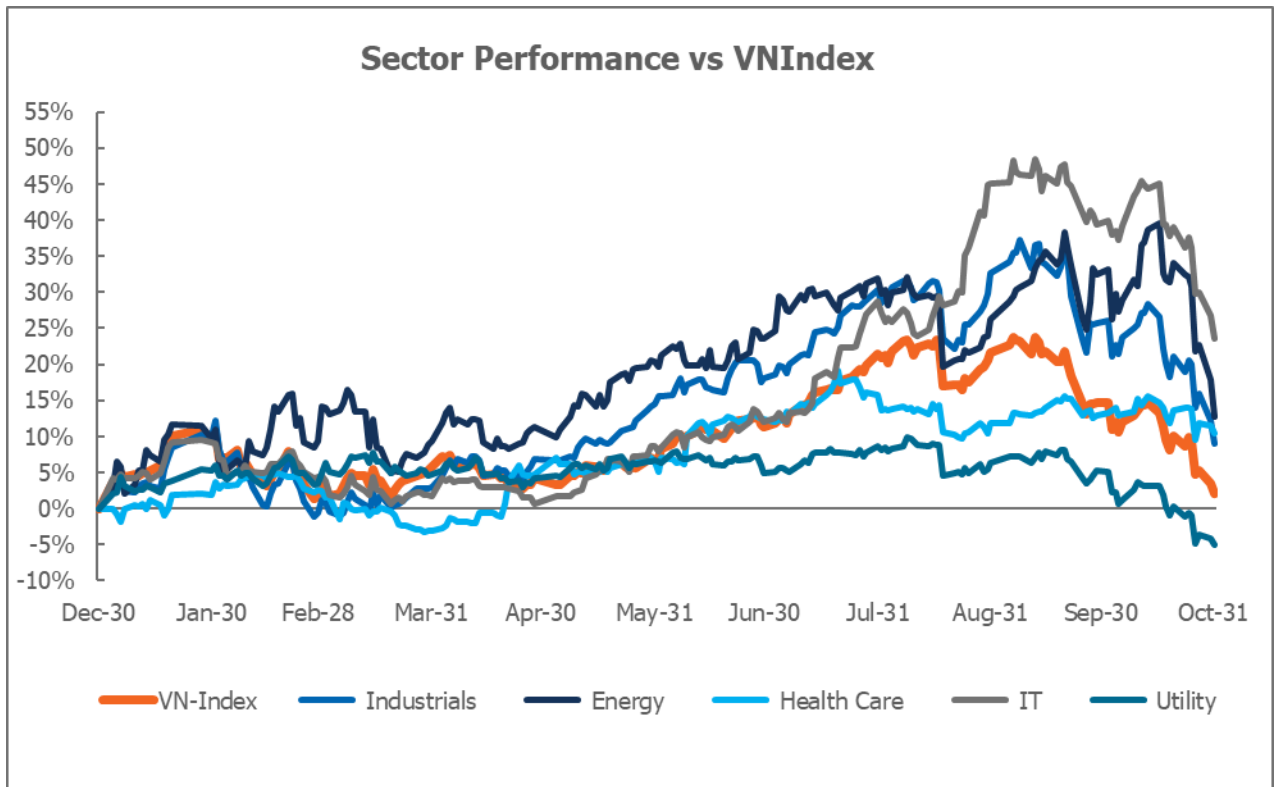
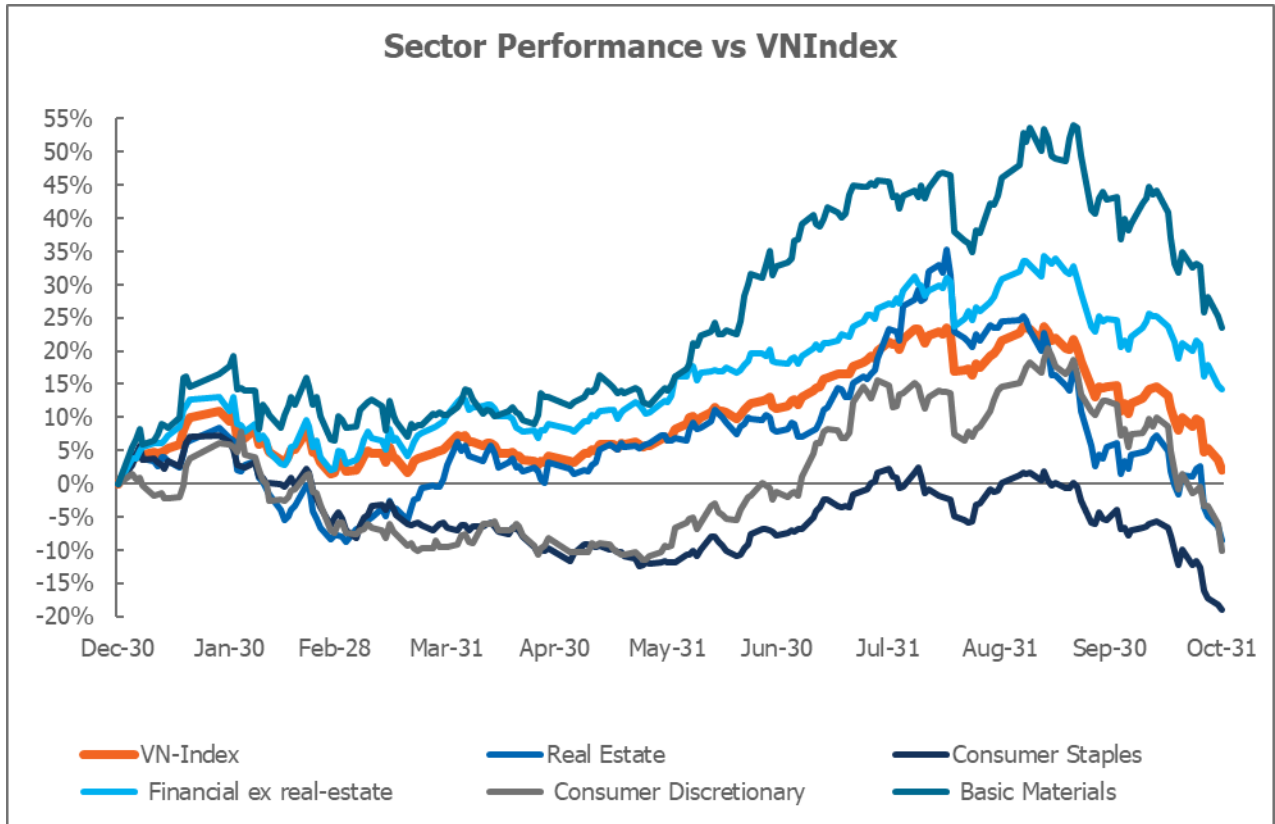


Source: Company data for total inventory, Yuanta Vietnam estimates for the split.

We should emphasize again that the data exhibited in the charts above are based on our estimates for readers to have an overall view of the company’s inventory. These are not the official figures disclosed by PNJ – because the company has not disclosed such data to us or, as far as we know, to anyone else outside of management. We think the issue might be of some importance to shareholders, who may be in a better position than we are (as sell-side research analysts) to obtain answers from PNJ.

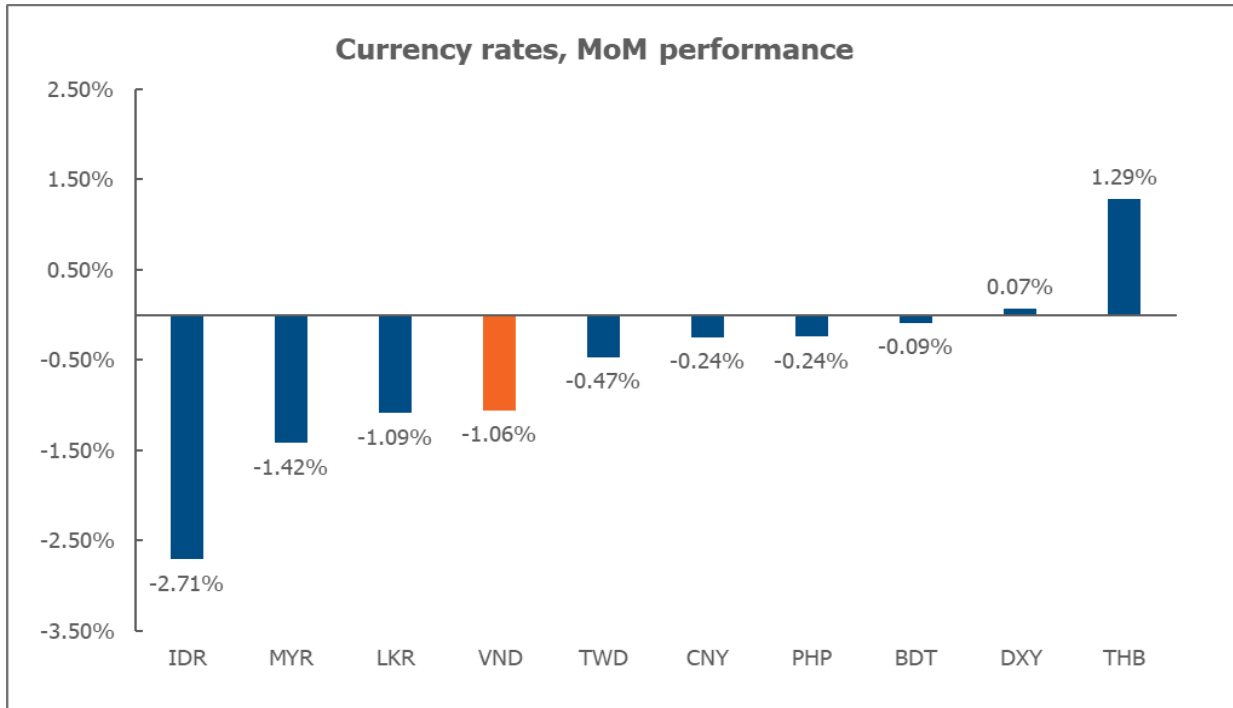
Please access the link for our complete report (see pages 5-8 for further discussion of the inventory / cashflow issue): <https://yuanta.com.vn/wp-content/uploads/2023/10/PNJ-Company-Update-Oct-2023-3.pdf>

Sector performance YTD

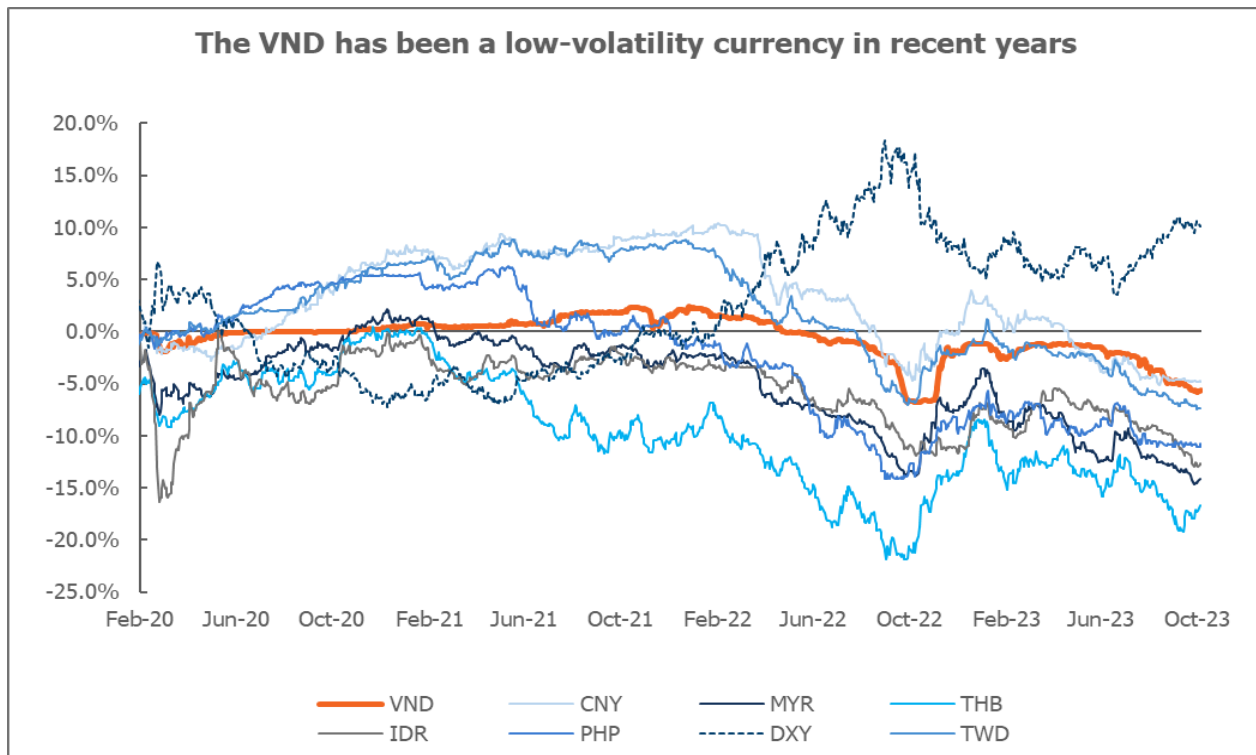


Source: Bloomberg (data through Oct 31)

VND depreciation picked up steam in October, but it was not out of line with peers. The VND depreciated vs a resurgent US dollar by -1.06% in October. This was notably weak vs the resurgent THB (+1.29%), but less so vs. the IDR (-2.71% MoM) and MYR (-1.42%). The dong typically exhibits low volatility due to tight SBV management, and we believe the declines of recent months would have been more acute if not for the central bank's open market withdrawal of c.US\$9 billion of VND from the financial system since late September.



Source: Bloomberg (Data is as at Oct 31)

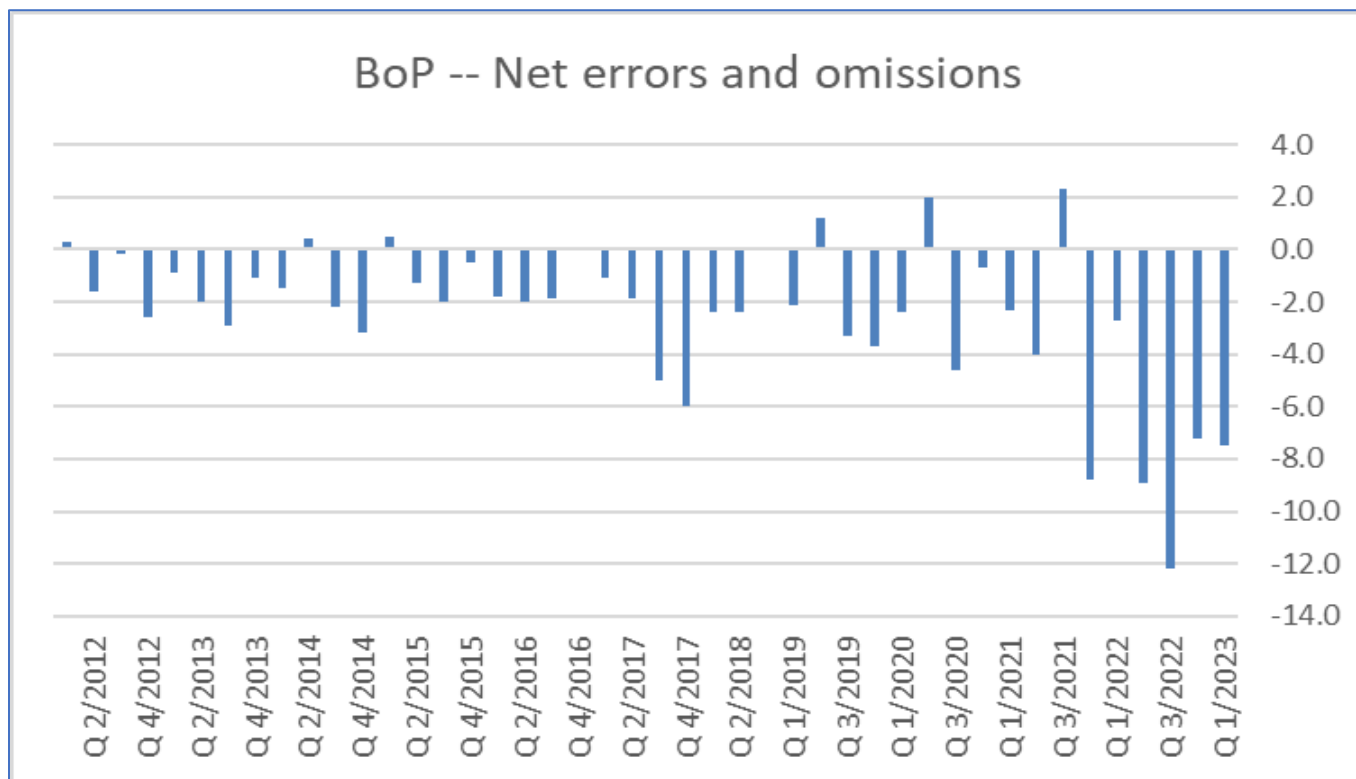


Source: Bloomberg (updated to Oct 31)

Real interest rate differentials are an easy-to-explain culprit for the VND’s soft patch, as US dollar money markets have been slowly moving from the ephemeral “Fed-will-soon-pivot” mirage to the acceptance of “higher for longer”, with US long bond rates finally getting this message. But, so what? – our bank in Vietnam is paying exactly zero interest on our US dollars. This raises an obvious question: what is the practical mechanism by which interest rate differentials affect the exchange rate? The chart below on a particular component of the balance of payments may provide some clues.

“Capital flight” is such an ugly sounding term, but we think the surging capital outflows that are quantified as net errors and omissions in the official balance of payments data reflect this trend. In the period between 4Q21 and 1Q23 (the latest available data), net errors and omissions have been consistently negative for a total US\$47.3 billion in outflows during this 18-month period. This includes US\$12.2bn in outflows in 3Q22 alone.

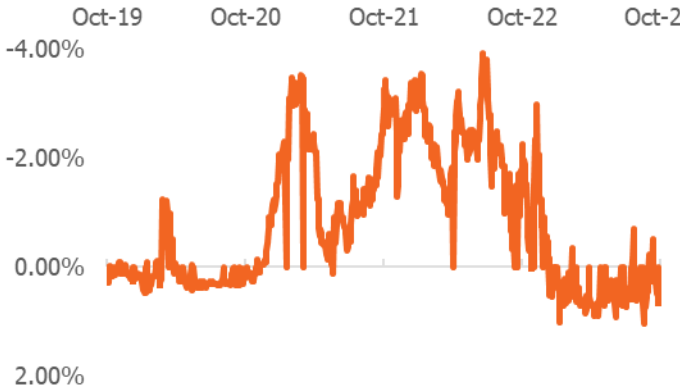
The underlying drivers for this data are opaque by their very nature, but real rate differentials may be a reason. We suspect that the figure for 2Q23 will again be negative -- and even more so for 3Q23, given the visible currency depreciation. In any case, the data supports our argument that domestic HNWLs – and not the evil foreigners – represent the greatest source of liquidity risk for the system and the VND itself.



Source: FiiPro

Grey market US dollar cash premium remains low vs. recent history.

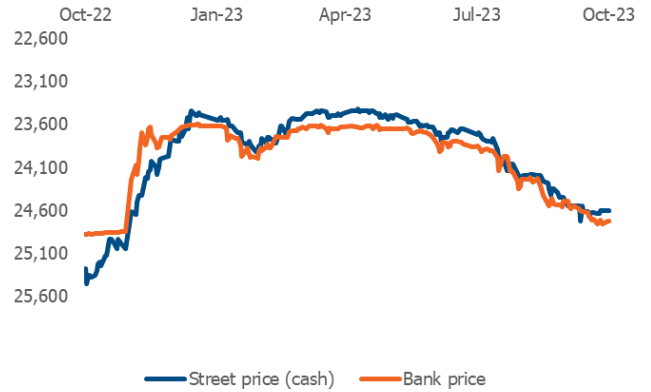
Cash rate vs bank rate for buying USD with VND



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

Although both rates have been on a declining trend over the past month.

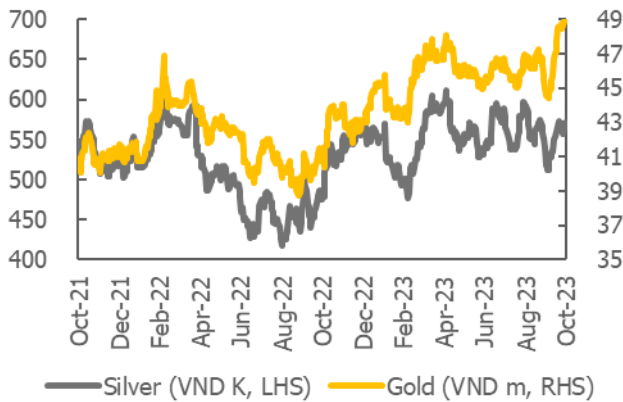
VND rates to buy USD



Source: FiinPro, Yuanta Vietnam

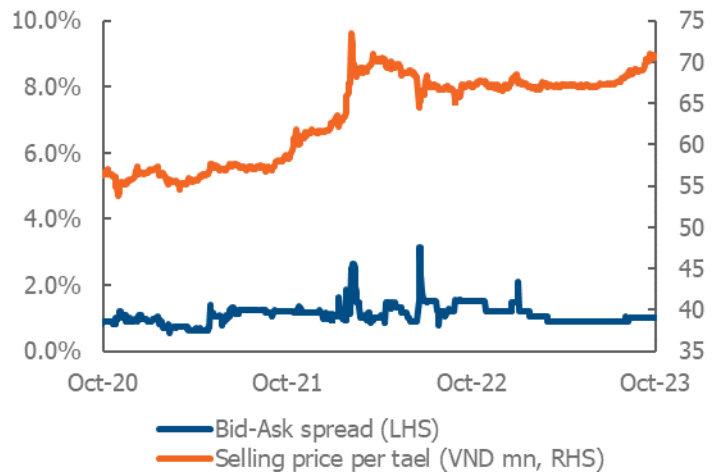
Global gold prices have thus increased vs the weaker VND.

Precious metals in VND terms

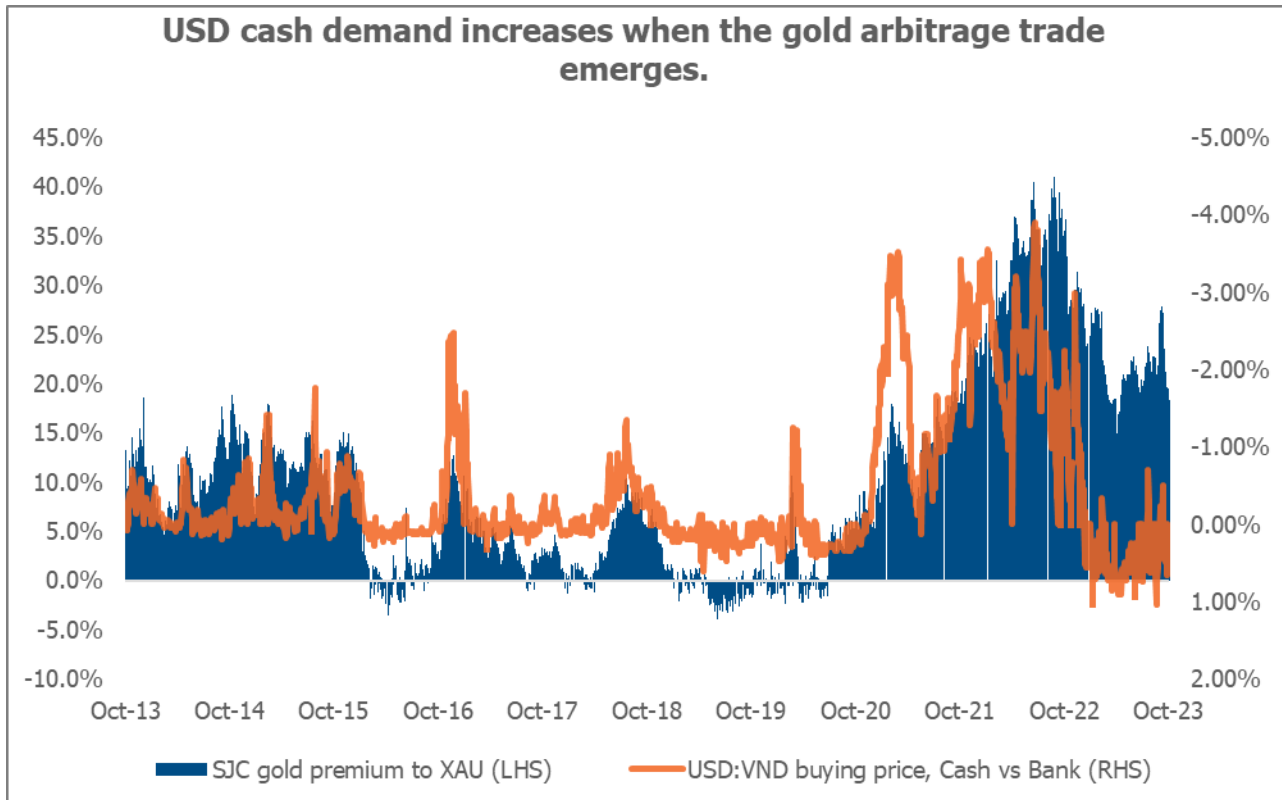


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

The SJC's official gold price reflects this trend, and bid-ask spreads remain subdued.



Source: FiinPro, Yuanta Vietnam



Source: FiinPro, Bloomberg, Yuanta Vietnam

Macro Update – Brighter picture toward yearend

--Binh Truong, Deputy Head of Research

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Highlights of the GSO macro data for October – a brighter color sketch.

Positives --

- Vietnam posted stable supply and demand recovery in October.
- From the supply side, industrial production continues to exhibit a recovery, fueled by manufacturing. IIP increased by +5.5% MoM and +4.1% YoY.
- Retail sales of goods and services in October were up by +1.5% MoM and by +7.0% YoY, underpinned by hospitality and catering services.
- International trade in October recovered its growth trajectory after a pause in September. Numerous major export items posted strong MoM growth in October. Looking for exposure? Buy DHC!
- Public investment in October grew impressively and should at least achieve 80% of the annual budget in 2023.
- Inflationary pressures have eased. Although upside risk admittedly remains a key potential headwind going forward, the actual full-year average CPI will likely come in well below the government's target of 4.5%.

Negatives --

- S&P Global's manufacturing PMI posted another slight contraction in October. This is the second month in a row of a sub-50 PMI result.
- But, a bright side of the October survey is that new orders are still positive, and purchasing activities are picking up as manufacturers seek to capture the expected demand growth.

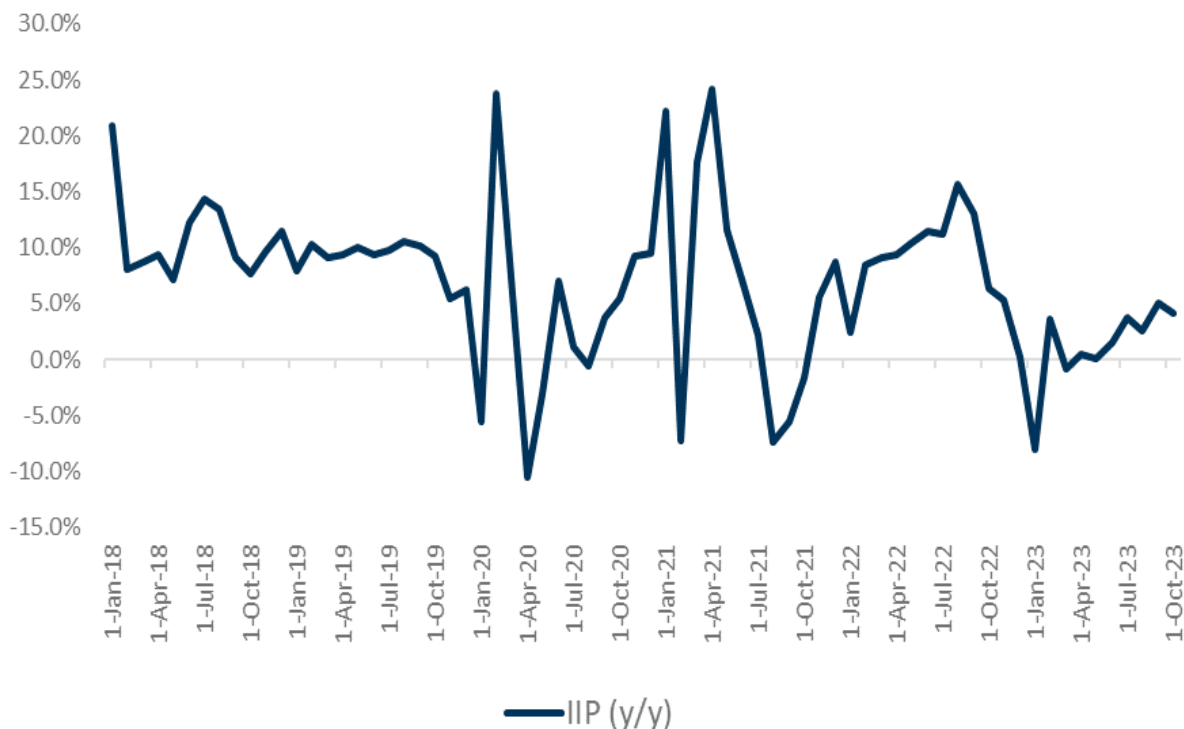
Industrial production recovery extended into October

The supply side has been gradually expanding since June, underpinned by manufacturing. This is evidenced by the industrial production index (IIP), which increased by +5.5% MoM and +4.1% YoY. This growth is good news for the economy, especially given that the YoY growth is not simply a seasonal effect (albeit it was slower than last month's growth of +5.1% YoY). Increased exports toward yearend should support further growth in industrial production going forward.

The blended IIP was mainly driven by output of manufacturing (+4.9% YoY), electricity production and distribution (+5.6% YoY), and water supply (+5.2% YoY). The IIP was dragged by mining output, which slid by -5.7% YoY.

Sectors posting strong growth in October: Food manufacturing posted strong growth (+12.4% YoY), followed by weaving (+18.1% YoY) and apparel (+11.1% YoY).

Positive momentum for industrial output continued in October



Source: GSO

10M23 industrial output thus returned to growth, albeit anemic growth at +0.5% YoY. By sector, the composition of the 10M23 IIP was as follows: Output of (1) manufacturing increased by +0.5% YoY; (2) mining decreased by -3.2% YoY; (3) electricity production and distribution increased by +2.6% YoY; and (4) water supply and wastewater treatment industry increased by +5.0%.

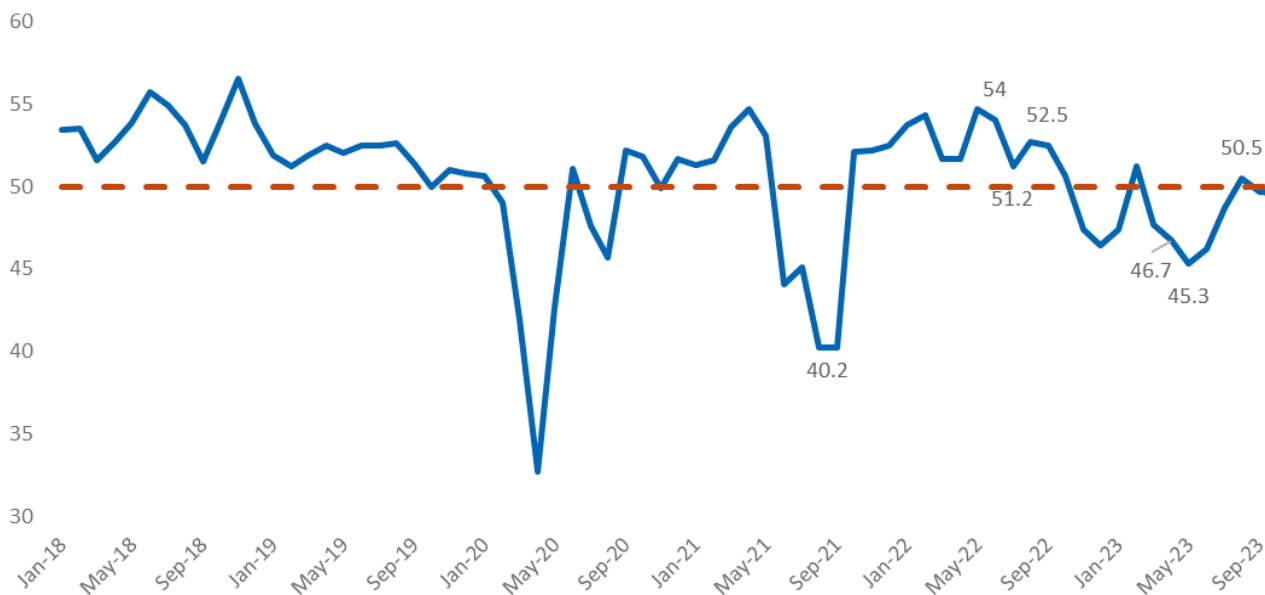
10M23 production of sugar increased by +35% YoY; fertilizer increased by +17.5% YoY; rubber & plastic products increased by +9.5% YoY; and tobacco increased by +9% YoY.

By contrast, production of several industrial segments declined in 10M23: Output of 1) electronic products, computers, and optical products decreased by -1.9% YoY; 2) machinery and equipment production not classified elsewhere decreased by -2.2% YoY; 3) apparel decreased by -7.3% YoY; and 4) motor vehicles decreased by -4.1% YoY.

Manufacturing PMI: Slight contraction for the second month in a row, but also increased new orders & purchasing

Business conditions in the manufacturing sector slid marginally in October, but there is light at the end of the tunnel. S&P Global's September manufacturing PMI remained slightly in negative territory at 49.6 in October, a tick down from 49.7 in September. Output declined, as discussed above, but the survey respondents indicated that new orders have modestly improved while employment has been stable.

The manufacturing PMI was just below 50 in both September and October



Source: GSO

New orders rose for the third straight month in October amid some improvement in customer demand. The rate of increase was the weakest in this sequence of expansion for new orders, as manufacturers see hesitation in clients committing to new orders. Export orders softened but remained stronger than total new orders.

The survey reveals that there is inflationary pressure from both input and output prices, with output pricing rising at sharper rates (and thus boosting manufacturing margins). The impact of oil prices was widely mentioned by respondents as having pushed up input costs. In addition, the weakness of the VND against the USD added to input cost pressures.

Purchasing activities rose sharply, expanding for the third month running amid efforts to build up inventory to meet new orders and to expand production going forward.

Foreign trade: Recovery resumed

Vietnam recorded USD 3bn of merchandise net exports in October, underpinned by USD32.3bn in merchandise exports (+6.4% YoY, +5.3% MoM) and USD 29.3bn imports (+5.1% YoY, +2.9% MoM).

Merchandise exports have thus returned to positive growth territory after a pause in September, in line with our expectation for exports to pick up seasonally toward yearend. Specifically, October's +53% MoM increase in merchandise exports followed a -4.1% MoM decrease in September.

10M23 aggregate exports (merchandise only) remain in negative growth territory, but the YoY decline has been exhibiting a declining pace in recent months. YTD merchandise exports in 10M23 declined by -7.1% YoY to reach USD291.3bn, an improvement from the -8.2% YoY decline of 9M23.

10M23 net exports to the US, the biggest export market by far, fell by -17.2% YoY, not a great result but a gradual improvement from the 9M23 decline of -18.0% YoY.

Some 33 items posted YTD export turnover in excess of USD 1bn, accounting for 92.9% of total exports in 10M23; while 7 items recorded export turnover in excess of USD 10bn YTD. Crucially, the GSO reports substantial improvement in most of the major export items.

Specifically, 10M23 exports of electronics, computers, and parts returned to positive growth (+0.7% YoY) for the first time this year (9M23 was a decline of -1.7% YoY) as turnover in October rose by +15.6% YoY. Interestingly, export turnover of means-of-transport and components impressively posted +18.1% YoY growth to reach USD 11.6bn.

Largest export items in 10M23 recorded substantial decline

	Estimated 10M23 export turnover (USD mn)	October % MoM growth	10M23 YoY growth (%) YoY)	9M23 YoY Growth (%) YoY)
Above USD10bn export turnover				
Electronic goods, computers and parts	47,014	+15.6	+0.7	-1.7
Mobile phones and parts	44,023	-2.1	-12.6	-13.4
Machinery, instrument, accessory	35,512	+32.2	-7.1	-10.6
Textiles and garments	27,795	-27.9	-12.5	-12.1
Footwear	16,048		-20.2	-18.2
Means of transport and components	11,579		+18.1	+16.5

Source: GSO

Similarly, imports resumed growth to reach USD29.3bn in October, up by +2.9% MoM following the September decrease of -0.7% MoM. Given that roughly two-thirds of gross imports are used in the manufacturing process, the bounce in October indicates that manufacturers are building up inventories for future production.

For 10M23, merchandise imports reached USD 266.67bn, down by -12.3% YoY (improved from -13.8% YoY in 9M23). Some 41 items saw import turnover exceed USD 1bn in 10M23, accounting for 91.4% of total imports in that period.

Three items recorded import turnover in excess of USD 10bn – electronics, machinery and fabric, both of which are inputs for downstream export manufacturing. Both items posted substantial declines in YTD imports, as illustrated below. But again, the declines in 10M23 segment imports were substantially lower than those of 9M23.

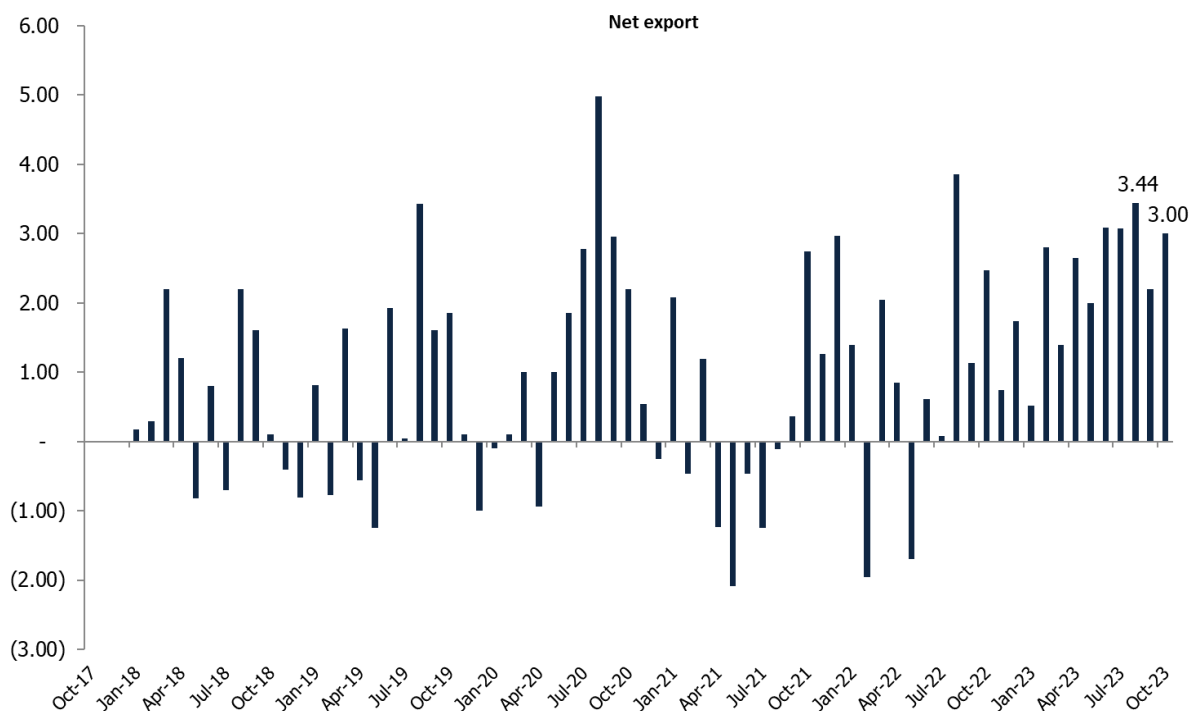
Electronics, computers and parts remain the largest import products in 10M23

	Estimated 10M23 import turnover (USD mn)	10M23 growth... (% YoY)	...vs. 9M23 growth (% YoY)
Above USD10bn export turnover			
Electronics, computers, and parts	71,023	+0.8	-1.5
Machinery, instruments, & accessories	33,853	-10.5	-11.1
Fabric	10,729	-14.2	

Source: GSO

Overall, Vietnam recorded a 10M23 merchandise trade surplus of USD 24.61bn, more than double that of 10M22 (when it was +USD9.4bn). We continue to expect a clearer recovery picture toward yearend, when export demand typically picks up. This expectation is further underpinned by the increase in export orders as highlighted in the recent manufacturing PMI surveys. Within our coverage, packaging supplier DHC (BUY) provides investors with exposure to the export recovery story.

Vietnam recorded a merchandise trade surplus of USD 24.61bn in 10M23



Source: GSO

Public investment surged in October

State investment disbursements reached VND 65.7 tn in October, up +20.7% YoY. According to the GSO, the government at all levels has been emphasizing the disbursement of budgeted public investment funds, which led to this impressive YoY growth in October and (in our view) is likely to persist in the last two months of the year.

The October figure brought 10M23 public investment to VND479.3 trillion, up by +22.6% YoY (higher than the +21.1% YoY growth in 10M22) and fulfilling 65.8% of the government's full-year budget.

Specifically, investment by the central government reached VND 87.8 trillion in 10M23, up by +26.6% YoY and fulfilling 65.9% of the 2023 budget. Meanwhile, investment by provincial governments reached VND 391.5 trillion, up by +21.7% YoY and 65.8% of their annual budgets.

Given the run rate to now, we think it is impossible to achieve 100% of the annual budget by yearend. However, public investment in recent years 1) typically fails to reach budget, so this is not a surprise; AND 2) typically escalates in the second half of the year, so it shouldn't be too challenging to fulfill 80-90% of the annual budget in the last two months of 2023.

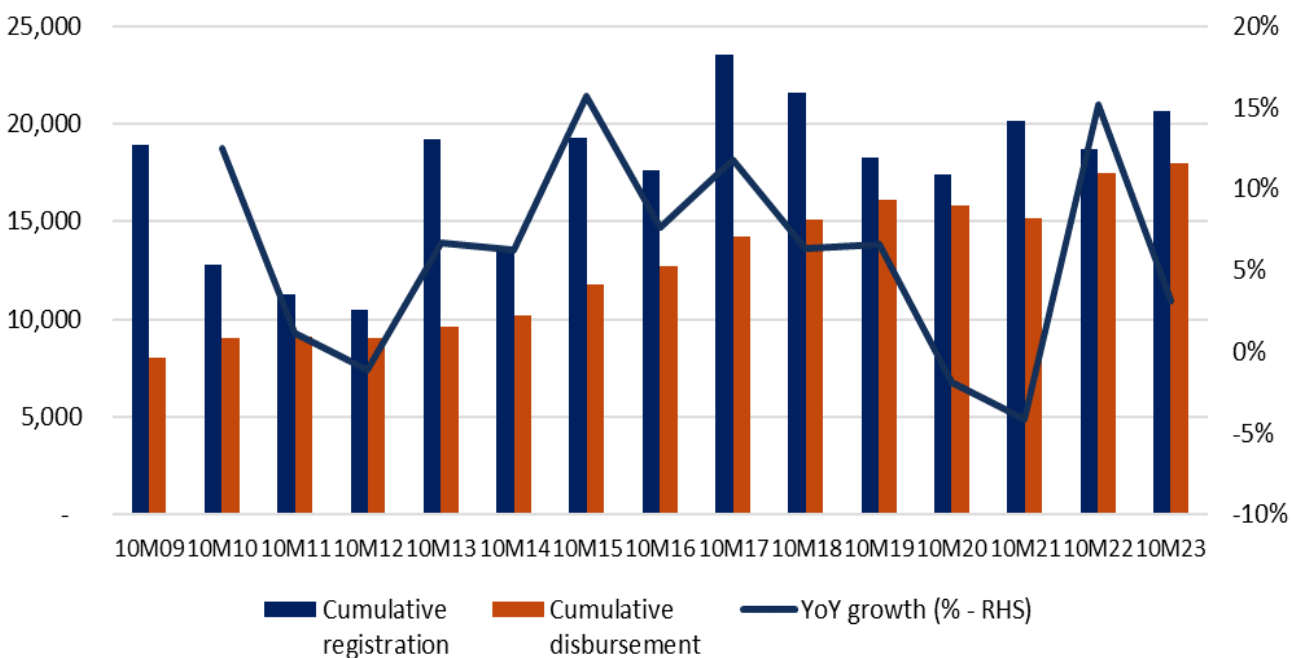
FDI disbursements have slowed. Aggregate disbursed FDI in 10M23 reached USD 18.0bn, up by just +2.4% YoY. This modest level of growth is perhaps understandable given global macro, liquidity, and geopolitical uncertainties, which have also been among the key factors driving USD strength (and thus VND weakness) YTD.

Manufacturing FDI reached USD 14.8 billion in 10M23, up by +8.2% YoY and accounting for 82.3% of disbursed FDI in the period. Property accounts for 4.8% of the 10M23 FDI mix (USD861mn, down by -36% YoY); while gas, hot water, steam, and air-conditioning FDI (USD 1.1bn, down by -14.7% YoY), accounts for 6.1% of total disbursed FDI YTD.

But registered FDI points to a more promising future. Pledged FDI soared by +14.7% YoY to reach USD25.8n in 10M23. Granted, registered FDI represents a plan, not a delivery of investment, but we see the growth in this figure as a highly positive leading indicator.

Specifically, newly registered FDI reached USD15.3bn, up by a very impressive +54.0% YoY, whereas additional FDI registration dropped by -39.0% YoY to just USD 5.33bn. By (positive) contrast, the number of newly registered FDI projects reached 2,608, up by +66.1% YoY. Pledged FDI represents promises, not cash injections; but the surge in interest in new projects -- among manufacturers in particular -- indicates that future disbursements are likely to remain strong.

Disbursed FDI recorded positive growth in 10M23



Source: GSO

Retail spending growth remains solid

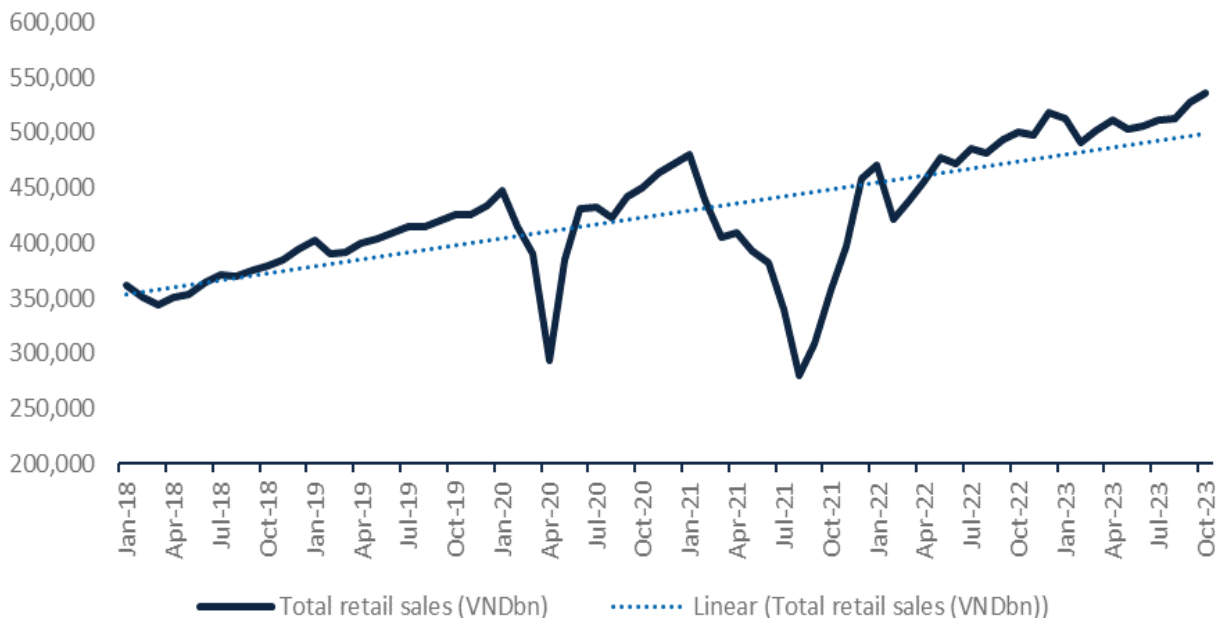
The GSO described commercial activities as “busy” in October. We think consumer demand remains solid, albeit not spectacular. Retail sales of goods and services in October reached VND 536.3tn, up by +1.5% MoM and by +7.0% YoY.

Blended retail sales were underpinned by hospitality and catering services revenue, which grew by +14.9% YoY to reach VND59.7tn (11% of total retail sales) -- driven by the ongoing recovery in international visitor arrivals. This is likely to continue in 4Q23 and 1Q24, and not just due to seasonality: Vietnam’s tourist visa policies have wisely been re-established at the relatively unrestricted levels of the pre-COVID regime. Notably, the GSO reported the number of international arrivals to Vietnam in October reached 1.1 million, up +5.5% MoM and +2.3 times higher YoY.

This improvement in international arrivals may have been helped by the mid-August easing of certain restrictive tourist visa policies that had been rather confusingly put into place after COVID. In any case, this is an encouraging trend for retail sales for the remainder of 2H23 and beyond, in our view.

Merchandise receipts rose by +6.7% YoY in October (marginally slower than the +7.4% YoY growth of September) to reach VND 402.4tn, representing 78% of total retail sales.

Retail sales growth has been picking up in recent months



Source: GSO

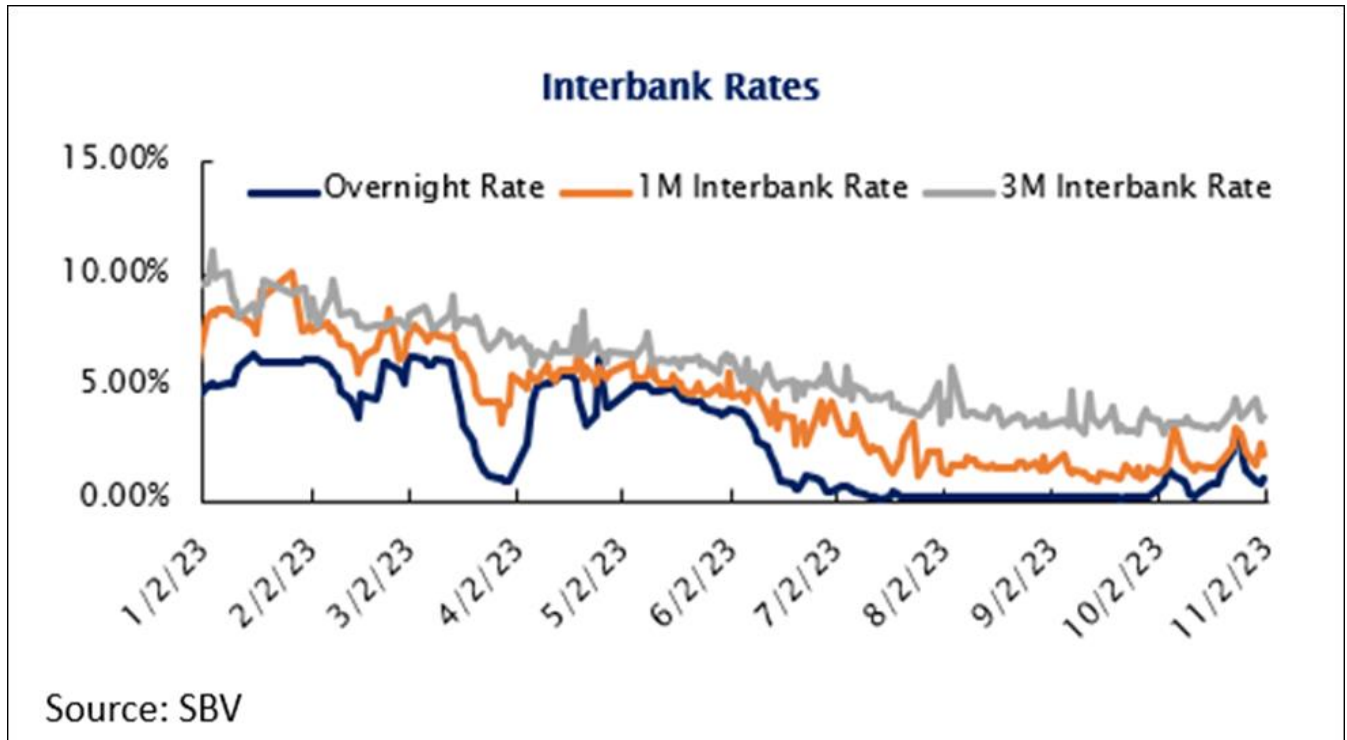
As a result, total retail sales (i.e., goods and services) rose by +9.4% YoY in 10M23 (for real growth of +6.9% YoY) to reach VND5,105.4 trillion (USD208 billion). This was driven in part by +15.0% YoY growth in hospitality and catering receipts, which reached VND555.6tn to account for 12% of total retail sales.

The GSO estimates that revenue from tourism and travel in 10M23 reached VND30.2 tn, +47.6% higher than that of the same period last year. But this only accounts for 0.6% of total retail sales – this rather low figure is due to the classification system, as tourist spending in stores / restaurants etc. is not included in the official data on tourism industry receipts.

In addition, merchandise receipts in 10M23 reached an estimated VND3,989 tn, up +8.3% YoY (real growth +6.8%), accounting for 78.3% of total retail sales. Cultural and educational product receipts increased by +13.6% YoY; food spending increased by +11.2% YoY; and purchases of garments increased by +7.7% YoY.

The 2ppt VAT cut will be extended to 1H2024: Good news for retailers. Meanwhile, the deposit interest rate remains low, and banking system liquidity has eased despite OMO tightening. Retail sales have not been spectacular in 2023, but they appear to have generally benefited from relaxed fiscal and monetary policies and we expect this to continue going forward.

State bank deposit rates are the basis for floating loan interest rates, so the drop in deposit rates will eventually have a positive impact on the spending power of consumers, including middle-class mortgage borrowers. The new policies should be supportive of demand and retail sales going forward.



Inflationary pressure has eased but upside risk remains

According to the GSO, inflation eased in October, with CPI up slightly by +0.08% MoM and by +3.59% YoY, lower than the 3.66% YoY CPI increase in September.

Nine of the 11 items in the CPI basket posted increased prices in October, notably:

- Education (6.2% of the basket) rose by +2.25% MoM
- Housing materials (18.8% of the CPI basket) rose by +0.27% MoM, as gas prices increased by +4.72% MoM and water prices rose by +0.48% MoM.
- Other items (3.5% of the basket) rose by +0.21% MoM.
- Beverages and cigarettes (2.7% of the basket) rose by +0.15% MoM.

By contrast, only 2 of the 11 items in the CPI basket posted reduced prices in October:

- Transport (9.7% of the CPI basket) prices decreased by -1.51% MoM as petrol prices dropped by -4.59% in the period.
- Telecom (3.1% of the CPI basket) prices decreased by -0.11% MoM due to cratering smartphone prices.

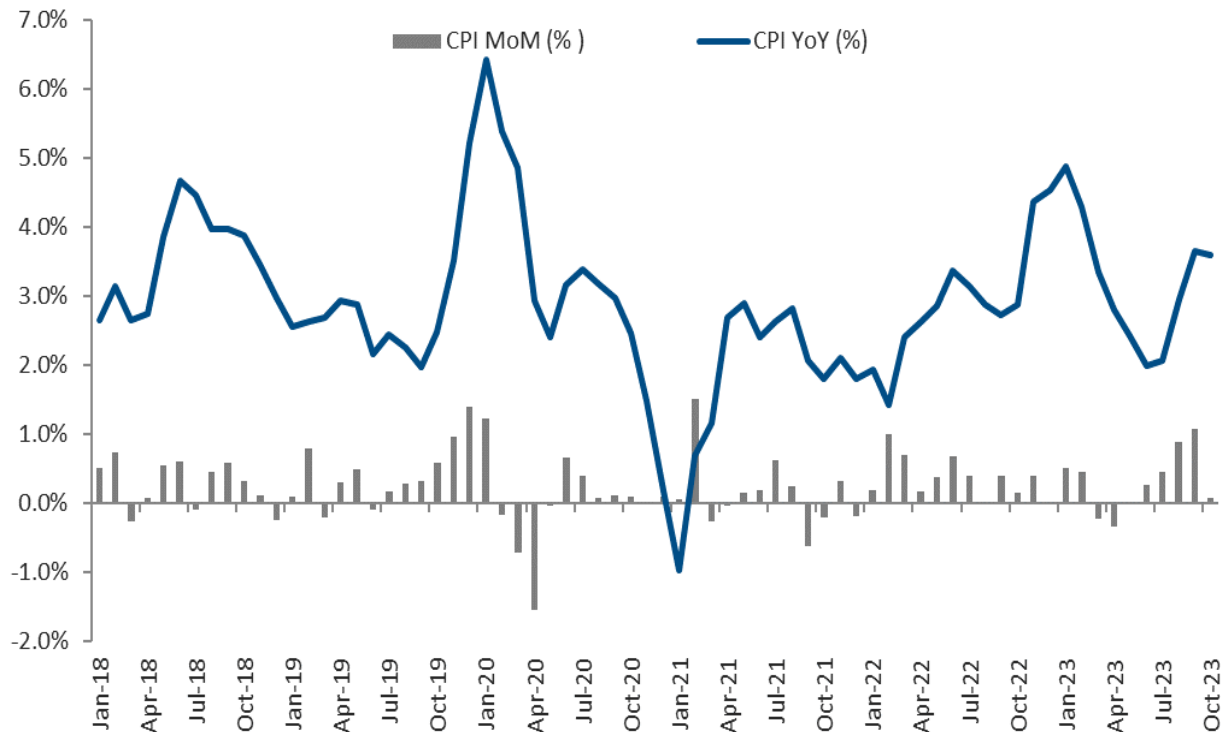
The government is extremely likely to achieve its annual CPI target (i.e., an average of 4.5%) given that the 10M23 average CPI is 3.2%. However, we still think that inflation should be considered a key macroeconomic risk because:

- 1) **Oil prices remain high.** Although cooling off from the 11-month peak, Brent futures are still trading high near USD 87 per barrel in early November, +3.6% MoM.

- 2) **Rice prices are steaming!** Domestic prices surged by +6-7% MoM although global rice futures are up by just +3.1% MoM to reach around USD16 per hundredweight (100 pounds), not far from the three-month high of USD16.8 on September 5th. Rice prices are rising globally and domestically amid concerns of limited supply due to unfavorable weather conditions and export restrictions.

- 3) **VND weakness means even higher LCY prices for imports.** Only about one-third of imports are for the domestic economy, but a soft VND is especially impactful for energy and fuel prices, which obviously have a direct impact on CPI but ultimately feed through to higher prices elsewhere (due to increased shipping costs, etc).

CPI inflation has eased, but it remains a key macro risk in our opinion



Source: GSO

Yuanta Universe: Valuations and ratings

Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
Banks	ACB VN	5.3	5.4	4.4	43.2	(1.2)	24.0	0.1	n/a	0.2	1.2	1.2	1.0	26.2	23.9	24.4	2.4	2.4	2.6
	BID VN	12.9	11.0	9.2	81.0	16.9	19.6	0.2	0.6	0.5	2.0	1.7	1.4	16.6	16.3	16.7	0.9	1.0	1.1
	HDB VN	5.6	5.3	4.1	28.2	5.0	30.1	0.2	1.1	0.1	1.2	1.1	0.9	22.2	22.0	23.8	2.1	2.2	2.3
	MBB VN	4.7	4.7	3.7	16.0	(0.3)	25.9	0.3	n/a	0.1	1.0	1.0	0.8	24.3	22.4	23.1	2.7	2.6	2.9
	STB VN	10.1	7.7	4.7	63.8	32.0	63.7	0.2	0.2	0.1	1.3	1.1	0.9	13.8	15.8	21.4	0.9	1.2	1.7
	VCB VN	14.9	14.6	10.7	39.9	2.1	36.4	0.4	7.1	0.3	3.0	2.9	2.4	22.5	22.1	24.4	1.9	1.9	2.3
	VPB VN	7.4	8.2	6.2	54.0	(9.9)	31.5	0.1	n/a	0.2	1.4	1.3	1.1	19.1	15.3	18.1	2.9	2.1	2.4
Brokers	HCM VN	13.1	15.0	13.7	(32.8)	(12.7)	9.5	n/a	n/a	1.4	1.4	1.4	1.4	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	17.3	11.4	10.7	(56.1)	51.3	6.7	n/a	0.2	1.6	1.7	1.5	1.4	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	16.6	13.9	12.3	(55.7)	19.5	13.2	n/a	0.7	0.9	2.2	2.0	1.8	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	18.6	11.7	11.6	(65.1)	59.3	1.0	n/a	0.2	11.4	1.5	1.4	1.3	10.0	12.8	12.1	3.0	4.6	4.4
Energy	PVD VN	(113.8)	8.2	5.2	n/a	n/a	57.0	n/a	n/a	0.1	0.7	0.6	n/a	n/a	8.8	13.2	n/a	0.1	3.2
	NT2 VN	12.2	7.4	9.6	(14.6)	65.5	(23.0)	n/a	0.1	n/a	1.7	1.7	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	12.4	6.3	5.9	(31.9)	97.5	5.5	n/a	0.1	1.1	0.9	0.8	n/a	13.7	14.2	13.1	4.8	5.9	6.5
Consumer	MSN VN				20.9	4.2	-	n/a	n/a	n/a	1.3	1.1	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	13.8	14.6	11.7	25.5	(5.3)	24.8	0.5	n/a	0.5	2.1	2.0	1.9	21.4	19.3	22.5	15.1	13.9	15.9
	DGW VN	7.9			17.8		-	0.4	n/a	n/a	1.6	1.6	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	26.4	90.3	25.6	(12.0)	(70.8)	252.9	n/a	n/a	0.1	5.0	5.8	n/a	19.4	6.8	19.9	3.8	1.2	3.8
Oil & GAS	POW VN	13.9	9.9	9.0	5.6	40.0	10.0	2.5	0.2	0.9	0.9	0.8	n/a	5.9	7.6	7.8	3.5	4.7	4.8
Property	KBC VN	4.6	3.3		91.0	40.0	-	0.1	0.1	n/a	1.0	0.8	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	11.0	5.6		(22.0)	97.0	-	n/a	0.1	n/a	1.1	1.0	n/a	9.0	15.0	-	4.0	6.0	-
	KDH VN	18.6	26.7	15.2	(18.0)	(30.0)	75.0	n/a	n/a	0.2	1.8	1.7	1.6	10.0	6.0	11.0	6.0	4.0	6.0
	NLG VN	22.5	19.9	20.7	(57.0)	13.0	(4.0)	n/a	1.5	n/a	1.3	1.2	1.2	6.0	7.0	5.0	3.0	3.0	3.0
	NVL VN	-	-	-	18.3	53.3	-	-	-	n/a	-	-	-	10.6	14.8	-	2.4	3.4	-
	VHM VN	5.9	5.7	6.7	(20.0)	(1.0)	(16.0)	n/a	n/a	n/a	1.2	1.0	0.9	21.0	19.0	14.0	10.0	9.0	7.0
	VRE VN	18.2	12.2	12.3	111.4	48.7	(0.5)	0.2	0.3	n/a	1.5	1.4	1.3	8.7	12.2	11.0	6.9	9.5	8.7
Transport	ACV VN				-	-	-	n/a	n/a	n/a	2.8	2.6	n/a	11.0	12.6	-	5.2	5.3	-
Industrials	DHC VN	7.1	5.3	3.6	(22.1)	32.2	47.3	n/a	0.2	0.1	1.4	1.2	n/a	22.0	23.9	30.8	20.6	10.1	15.2
	BWE VN	11.1	8.9	6.3	17.0	24.9	41.7	0.7	0.4	0.2	1.9	1.7	n/a	18.8	20.6	25.5	8.6	10.6	14.7
Technology	FPT VN	21.7	17.8	13.7	22.9	22.0	30.5	0.9	0.8	0.4	4.2	3.6	3.1	22.7	23.9	15.3	10.1	11.6	13.3

Stock ratings and pricing data is as of close on Oct 31 2023

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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