

## Strategy Monthly: Soldiering On

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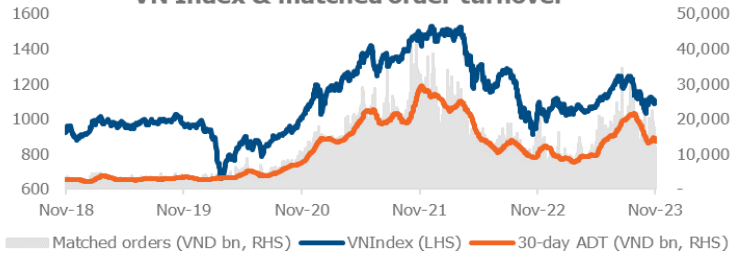
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The VNI was up **+6.4% MoM in November**, partially recovering from the October bloodbath. Stock-specific narratives abound, but we believe the Sep-Nov peak-to-trough correction of -17% was primarily attributable to SBV tightening to defend the VND, while the modest bounce since early Nov was due to the end of that action. More importantly, Vietnam's positive long-term structural growth story remains compelling. We expect this to become increasingly clear in improving macro and business trends in 2024; and to paraphrase Charlie Munger, the money is made by waiting. Munger also had choice words about forecasts and forecasters, but here we go nonetheless: Our 2023 VNI target is 1298 points, implying c.16% upside.

**VN Index & matched order turnover**



### Monthly Index Performance

- **VNINDEX:** 1094 (+6.4% MoM / +8.6% YTD / +4.4% YoY)
- **VHINDEX:** 226 (+9.7% MoM / +10.2% YTD / +8.3% YoY)
- **UPCOM Index:** 85 (+5.0% MoM / +18.6% YTD / +19.9% YoY)
- **Average daily turnover:** US\$793mn (+15% MoM)
- **Foreigners net sold US\$145.4mn** in Nov.
- **VND:USD rate:** 24,278 (+1.3% MoM / -2.8% YTD / +1.6% YoY)

### VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	22.0	2.6%	4%	6
BCM	58.2	0.7%	0%	121
BID	38.9	8.9%	1%	11
BVH	39.0	2.7%	0%	17
CTG	26.3	6.1%	2%	8
FPT	91.9	10.7%	20%	19
GAS	76.5	-0.1%	0%	14
GVR	20.0	20.4%	1%	34
HDB	18.0	4.7%	3%	6
HPG	26.6	15.4%	24%	84
MBB	17.8	4.1%	4%	5
MSN	60.5	4.0%	3%	110
MWG	38.5	2.1%	2%	82
PLX	35.1	10.0%	1%	14
POW	11.3	6.1%	1%	17
SAB	65.0	14.6%	2%	21
SHB	10.8	6.9%	4%	5
SSB	22.6	-12.4%	-7%	17
SSI	31.3	21.6%	13%	24
STB	27.5	1.9%	2%	7
TCB	29.5	6.5%	8%	6
TPB	17.0	7.6%	3%	7
VCB	84.7	-2.4%	-2%	14
VHM	41.3	5.9%	6%	4
VIB	18.7	4.5%	2%	5
VIC	41.8	3.1%	3%	38
VJC	102.0	3.0%	2%	--
VNM	67.4	-0.9%	-1%	19
VPB	19.1	0.3%	0%	13
VRE	22.1	-0.5%	0%	13

Source: Bloomberg, Yuanta Vietnam. Price date: Nov 30, 2023

**Soldiering On.** The VNI gained +7.7% MoM in US dollar terms in Nov, a solid result that beat the rest of investable Asia aided by a +1.3% MoM upside kicker from a rebound in the VND. Open-FOL large caps such as HPG (+15.4% MoM), SAB (+14.6%), and SSI (+21.6%!!!) led the market higher, and MSCI/FTSE Vietnam indices outperformed as a result.

**Wonderful businesses at fair prices.** The VNI's 2024 P/E of c.10x looks cheap vs. the long-term growth opportunity. But use of the VNI P/E has rightly drawn criticism given the largely low valuations of the dominant banking sector, whereas non-bank P/Es are not so egregiously cheap -- especially on a trailing basis. But the high TTM P/Es for several cyclical heavyweights indicates overvaluation *only* if we assume that trailing results will continue in perpetuity. This would be a grave error, in our view. A stock's fair value is not defined by P/E multiples, but rather by its discounted future cashflows. We like to think that Mr. Munger would agree (p.14-16).

**Circle of competence:** We presented our 2024 market outlook on Yuanta's Regional Investment Forum on Nov 28. Unfortunately, Tanh Tran and I were sidelined by unstable WIFI, but Deputy Research Head Binh Truong gamely stepped into the breach to deliver our strategy and banks outlook, as well as his views on energy and tech stocks. Tam Nguyen and Di Luu also presented their property and consumer sector views and top picks for 2024. Please access the call's [recording](#) and [presentation](#) for details.

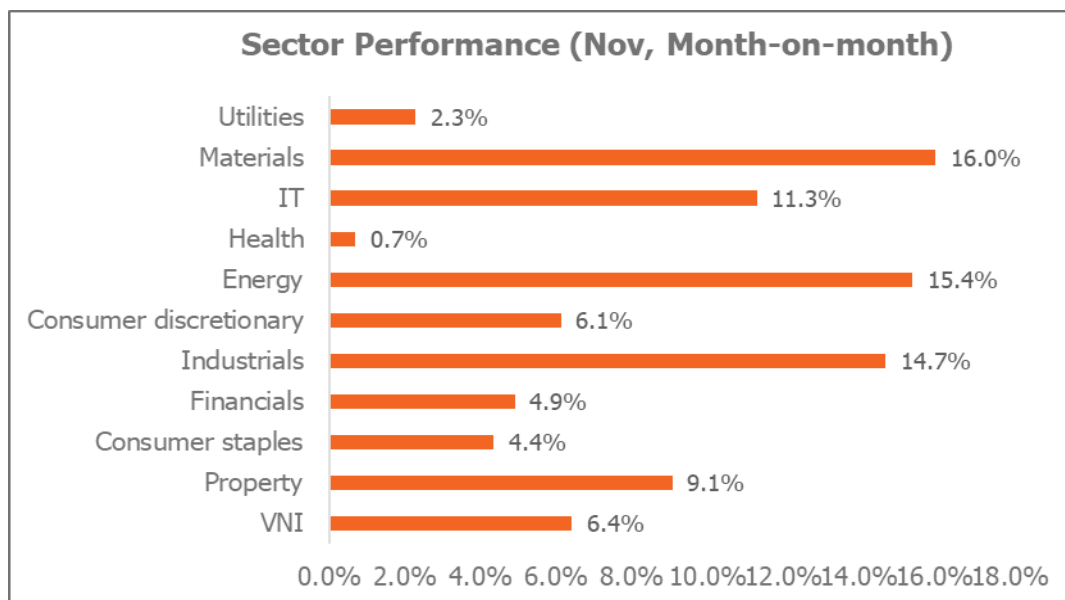
**Macro: Nothing further to add.** Retail spending (+1% MoM / +10% YoY) was a key positive highlight of the Nov GSO data. Industrial output (+3% MoM / +6% YoY) continued moving higher, and merchandise exports -- especially to the key US market -- recovered impressively. But the manufacturing PMI fell deeper into the contraction zone, suggesting that a convincing recovery may not emerge until mid-2024 (p.31-39). This view is in line with our global macro-strategist's outlook for 2024 (p.18-19)

## 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*
<b>Banks</b>	Asia Commercial Bank	ACB VN	3,512	5.6	BUY	21,950	28,510	30%	4.6%	34%
	BIDV	BID VN	9,122	1.8	HOLD-Underperform	38,850	42,780	10%	0.0%	10%
	HD Bank	HDB VN	2,145	5.8	BUY	18,000	22,390	24%	5.6%	30%
	MB Bank	MBB VN	3,823	7.1	BUY	17,800	25,260	42%	2.8%	45%
	Sacombank	STB VN	2,135	23.5	HOLD-Underperform	27,500	33,575	22%	0.0%	22%
	Vietcombank	VCB VN	19,499	4.2	BUY	84,700	99,420	17%	0.9%	18%
	Vietnam Prosperity Bank	VPB VN	6,242	11.9	BUY	19,100	25,540	34%	5.2%	39%
<b>Brokers</b>	HCM City Securities	HCM VN	551	8.0	BUY	29,250	33,805	16%	2.7%	18%
	Saigon Securities	SSI VN	1,933	35.3	BUY	31,300	32,187	3%	1.2%	4%
	Viet Capital Securities	VCI VN	748	11.2	BUY	41,500	45,580	10%	2.4%	12%
	VNDirect Securities	VND VN	1,051	23.7	BUY	20,950	24,019	15%	2.2%	17%
<b>Energy</b>	PV POW	POW VN	1,085	2.9	BUY	11,250	16,877	50%	0.0%	50%
	PV NT2	NT2 VN	285	0.7	SELL	24,050	19,318	-20%	8.3%	-11%
	PCC1	PC1 VN	342	4.5	BUY	26,700	34,123	28%	0.0%	28%
<b>Consumer</b>	Masan Group	MSN VN	3,566	5.4	Suspended	60,500	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,088	1.7	BUY	80,500	90,200	12%	1.7%	14%
	Digiworld	DGW VN	348	4.2	Suspended	50,500	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	575	2.6	BUY	102,400	100,607	-2%	1.0%	-1%
<b>Oil &amp; GAS</b>	PV Drilling	PVD VN	641	6.3	BUY	28,000	36,103	29%	2.5%	31%
<b>Property</b>	Kinh Bac City	KBC VN	983	12.6	BUY	31,100	38,300	23%	0.0%	23%
	Dat Xanh Group	DXG VN	503	15.6	BUY	20,000	40,500	103%	0.0%	103%
	Khang Dien House	KDH VN	1,027	1.9	HOLD-Underperform	31,200	35,500	14%	0.0%	14%
	Nam Long	NLG VN	585	3.7	HOLD-Underperform	37,000	37,800	2%	1.4%	4%
	Novaland	NVL VN	1,422	22.6	Coverage Suspended	17,700	-	-	-	-
	Vinhomes	VHM VN	7,407	12.1	BUY	41,300	76,900	86%	0.0%	86%
	Vincom Retail	VRE VN	2,068	4.7	BUY	22,100	38,000	72%	0.0%	72%
<b>Transport</b>	Airports Corp Vietnam	ACV VN	6,088	0.2	HOLD-Underperform	67,900	76,400	13%	0.0%	13%
<b>Industrials</b>	Dohaco	DHC VN	128	0.6	BUY	38,500	63,571	65%	9.3%	74%
	Biwase	BWE VN	335	0.3	BUY	42,200	70,902	68%	4.7%	73%
<b>Technology</b>	FPT Corporation	FPT VN	4,807	9.7	BUY	91,900	120,740	31%	2.2%	34%

\*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 Nov 30 2023

Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Nov 30)

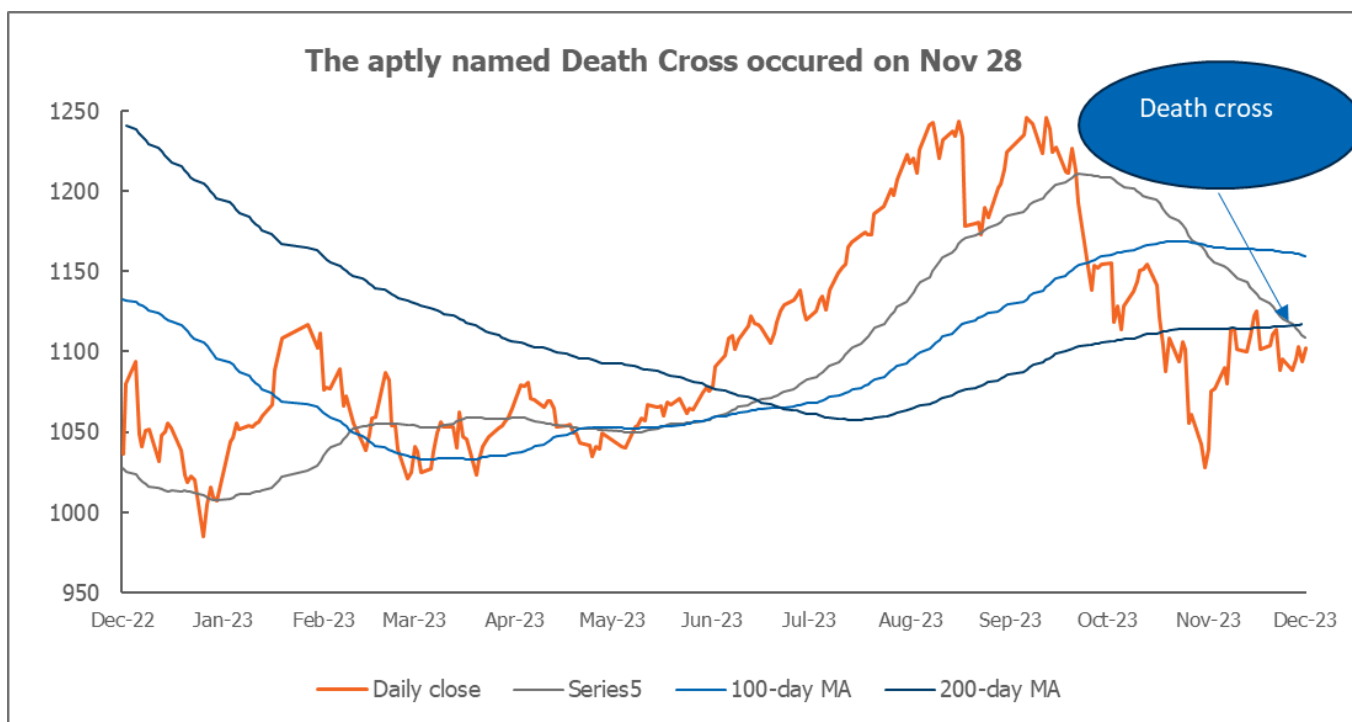
*“People have always had this craving to have someone tell them the future. Long ago, kings would hire people to read sheep guts. There’s always been a market for people who pretend to know the future.”*

— Charlie Munger (1924-2023)

## Fundamentals vs. Technicals:

**It may not feel like it, but Vietnam stocks outperformed the region in November to deliver a +6.4% MoM gain.** This occurred despite a breakdown in the moving averages, which are essentially lagging indicators of market momentum that trended down consistently through much of November despite the index having bottomed on Oct 31 on a closing basis.

The math behind moving averages is inexorable and uncomplicated: 1) The index failed to find sufficient support at the 200-day moving average, which now represents upside resistance; 2) all three of the major moving averages are now moving decisively lower; and 3) the Death Cross Hath Cometh, as the 50-day MA broke down below the 200-day moving average on November 28.



Source: Bloomberg

**For the record, we remain in a bull market.** Starting with the double-top peak close of 1246 on September 6, the mainboard declined by -17% to the spooky low of 1028 points on Oct 31, thus delivering a very decisive correction but narrowly avoiding a strictly defined bear market. Thus, the bull market that started in the depths of the unmet margin calls of November 2022 remains intact. As noted, the VNI posted a +6% MoM increase in November; and as of the close of Dec 4, the VNI was +9% higher than the most recent closing low of this past Halloween.

Interestingly, the “open-FOL” group that dominates the global index providers’ country indexes for Vietnam dramatically outperformed the broader VNI in November, driven by powerhouse performance from HPG (+15% MoM), SAB (+15%), and SSI (+22%) – the latter two of which have no FOL limits.

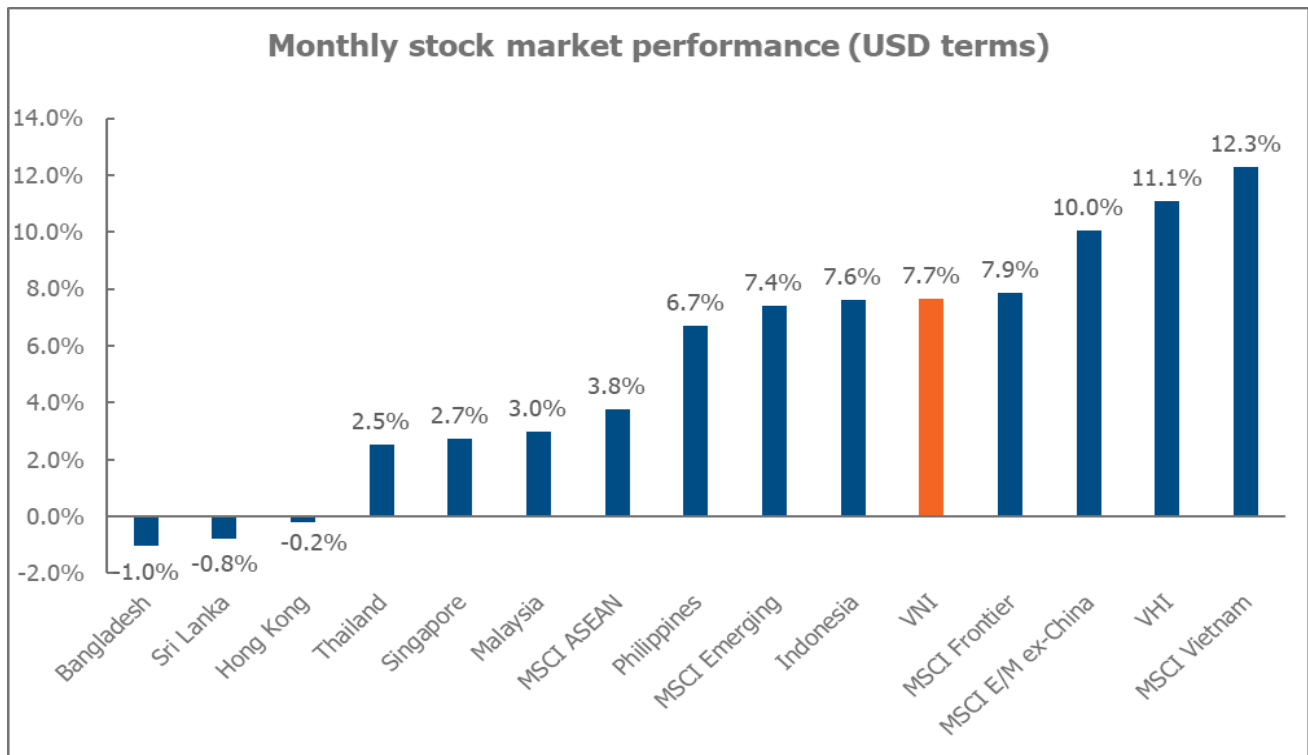
Of course, the notion of “full-FOL” has lost some of its gravitas, not only because the various ETFs are considered to be local investors despite managing primarily foreign funds and thus can provide diversified access at the normal

market price. But even more intriguingly, only a few stocks are now generally tough to find at a premium price that falls within the daily up-limit range.

Perhaps one stock in particular stands out for its rapid shift to open-FOL status. The formerly deified MWG (+2% MoM in November, believe it or not) has fallen from FINI grace, and the steep 30%-plus FOL premiums of yesteryear are but a not-so-fond and mercifully distant memory. Our screen currently shows 71 million foreign share availability for MWG, which is also among the worst large cap performers of 2023 so far.

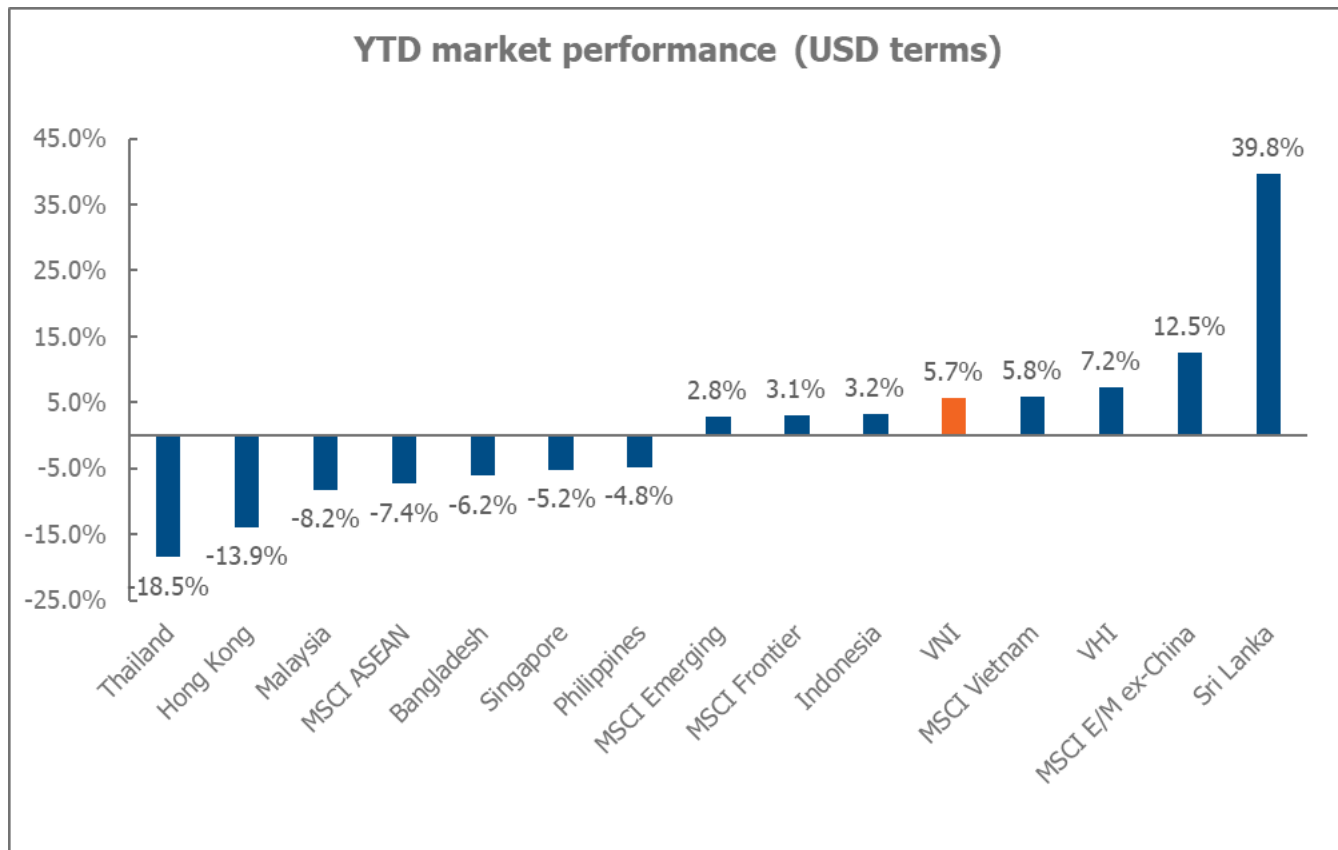
This has obviously been very painful for MWG shareholders, but it perhaps is not such terrible news for clients who don't yet hold the shares. To be clear, we don't have coverage on MWG so we can't provide a hard investment view with forecasts and target price. However, it is possible that yearend window-dressing could continue to provide an interesting opportunity for investors who are able to overcome the urge to extrapolate the company's recent business weakness as continuing in perpetuity. Doing more work on MWG might be a good use of your time in the weeks ahead.

But from a broader perspective, the VNI returned +7.7% MoM in US dollar terms during November, a solid result that outperformed the rest of investable Asia during the month.



Source: Bloomberg

**Vietnam has also outperformed the region in the first 11 months of 2023**, with the mainboard delivering YTD returns of +5.7% in USD terms and almost +8.6% for LCY returns. Additionally, the MSCI Vietnam Index – which again comprises open-FOL large caps and excludes full-FOL (and erstwhile full-FOL) shares – has delivered +5.8% YTD returns in 11M23, almost exactly in line with the overall VN Index. Interestingly, small- and mid-caps have outperformed, based on the +7.2% USD-denominated gains in the Hanoi Stock Exchange Index (i.e., the VHI), which is comprised of stocks with relatively low market capitalization.



Source: Bloomberg, Yuanta Vietnam (data is as of Nov 30)

**Near-term momentum are mostly negative, but not shockingly so.** 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 October. This appears to have played as the SBV mopped up excess bank sector liquidity by issuing c.US\$9bn of short-term bills from Sep 21 to Nov 8 in what we believe was a successful effort to support the Vietnam dong, which had been under pressure due to the widening interest rate differential.

Share prices bottomed on Oct 31, as discussed above. The market then rallied sharply by +3% DoD on Nov 2 on hopes & rumors of liquidity easing and by another +3% DoD on Nov 9, when the SBV actually stopped issuing bills. The latter rally was driven by US\$1.0bn in trading activity on the same day, a bullish indicator that briefly eased some of our concerns regarding spiking turnover on sharp sell-off days, a consistent feature of the Vietnam stock market since August. However, that nascent signal of positivity may have been a head fake, as the market traded even more in value terms on August 17, when the VNI declined by 2.2%.

**The math behind moving averages is inexorable and uncomplicated:**

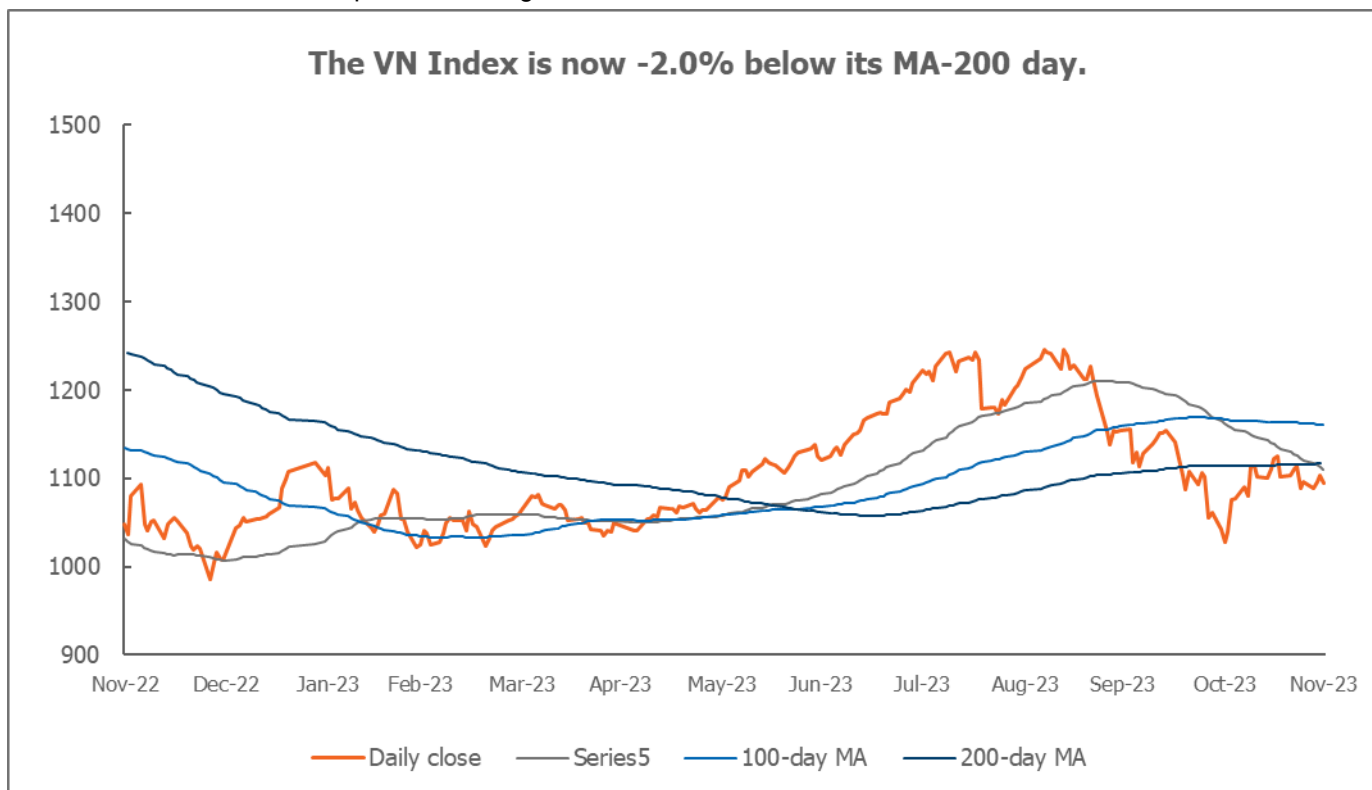
- **The index failed to find sufficient support at the 200-day moving average**, which it broke down below on October 18. The VNI attempted to break out above this line in mid-November but failed to do so sustainably. The 200-day moving average now represents upside resistance, in our view.

- **All three of the major simple moving averages are now moving decisively lower.** The VNI's 50-day, 100-day, and 200-day MAs all trending down, although this may change now if the VNI remains flat here while the 50-day MA inexorably continues its fall.
- **The Death Cross Hath Cometh** again, as the 50-day MA broke down below the 200-day moving average on November 28. History does not necessarily presage the future, but it's worth considering that the last Death Cross of May 2022 was followed by a -26% decline in the mainboard over the subsequent six months.

**Turnover is now a mixed signal, whereas previously it was a negative indicator.** ADT reached US\$793 million (+15% MoM) across the HSX, HNX, and UPCOM platforms, which is slightly higher than the YTD average of around US\$750 million but well off the peak levels (US\$1bn-plus) of August and September. However, as discussed above the market's biggest up-day (Nov 9) also saw the second largest daily turnover of the month at US\$1.0bn, a welcome change from the typical pattern of soaring turnover on days when the market sells off but weak ADT on flat or up-days.

Unfortunately, the following week saw a -2.2% DoD rout in which turnover was actually a monthly high at US\$1.1bn, so this signal is decidedly mixed.

**The breakdown below technical support** and continued downtrend in the major moving averages suggests that these lines are likely to continue presenting substantial selling pressure, suggesting limited upside for the rest of December. Of course, we hope we're wrong about that.



Source: Bloomberg, Yuanta Vietnam

**Index targets:** As noted last month, 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. We think the market will continue to move higher next year given ample liquidity conditions and reasonable earnings growth expectations, but a rerating to the historical highs of 1500-plus may require additional catalysts such as regulatory solutions to the prefunding, settlements, and fair-treatment issues identified by FTSE and MSCI.

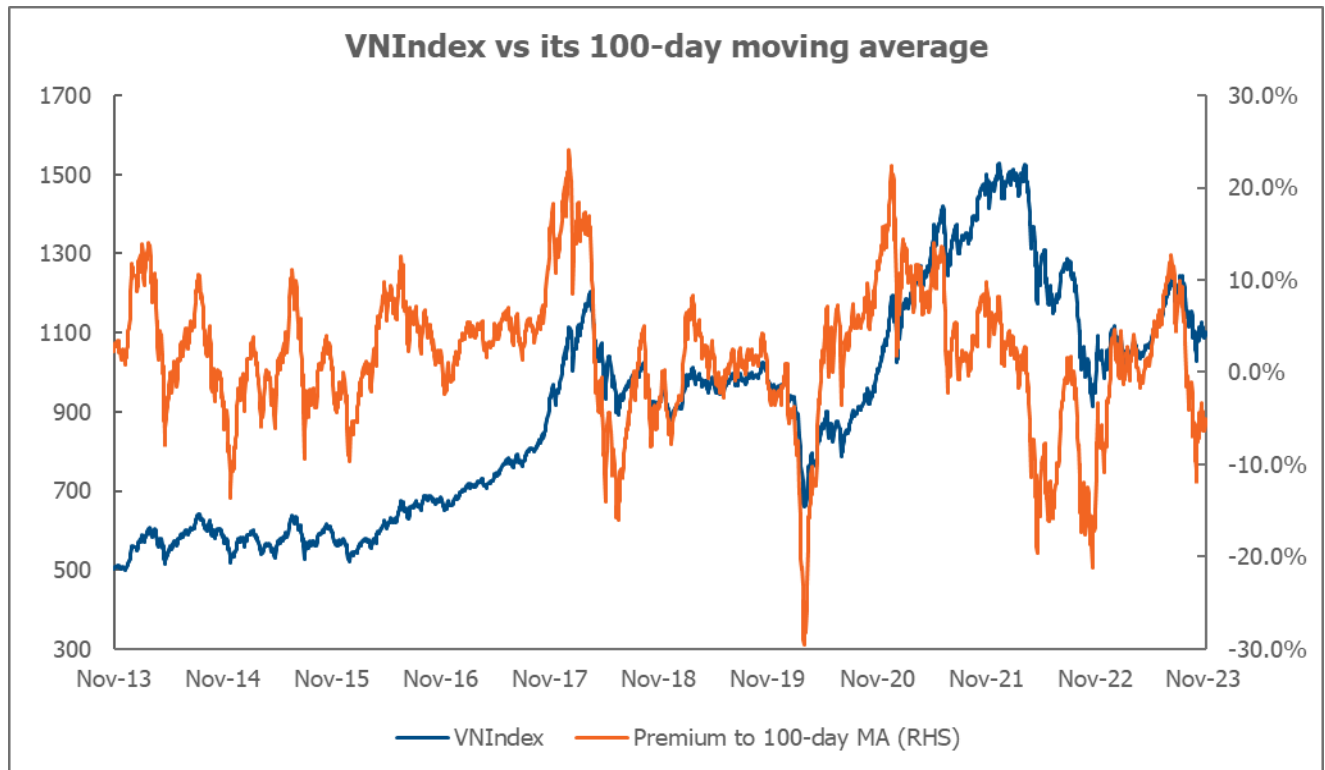
**In the absence of such market positive reforms, we think the VNI will likely move higher anyway, and we set our 2024 index target at 1298** points, implying 16% upside from current levels without factoring in cash dividends.



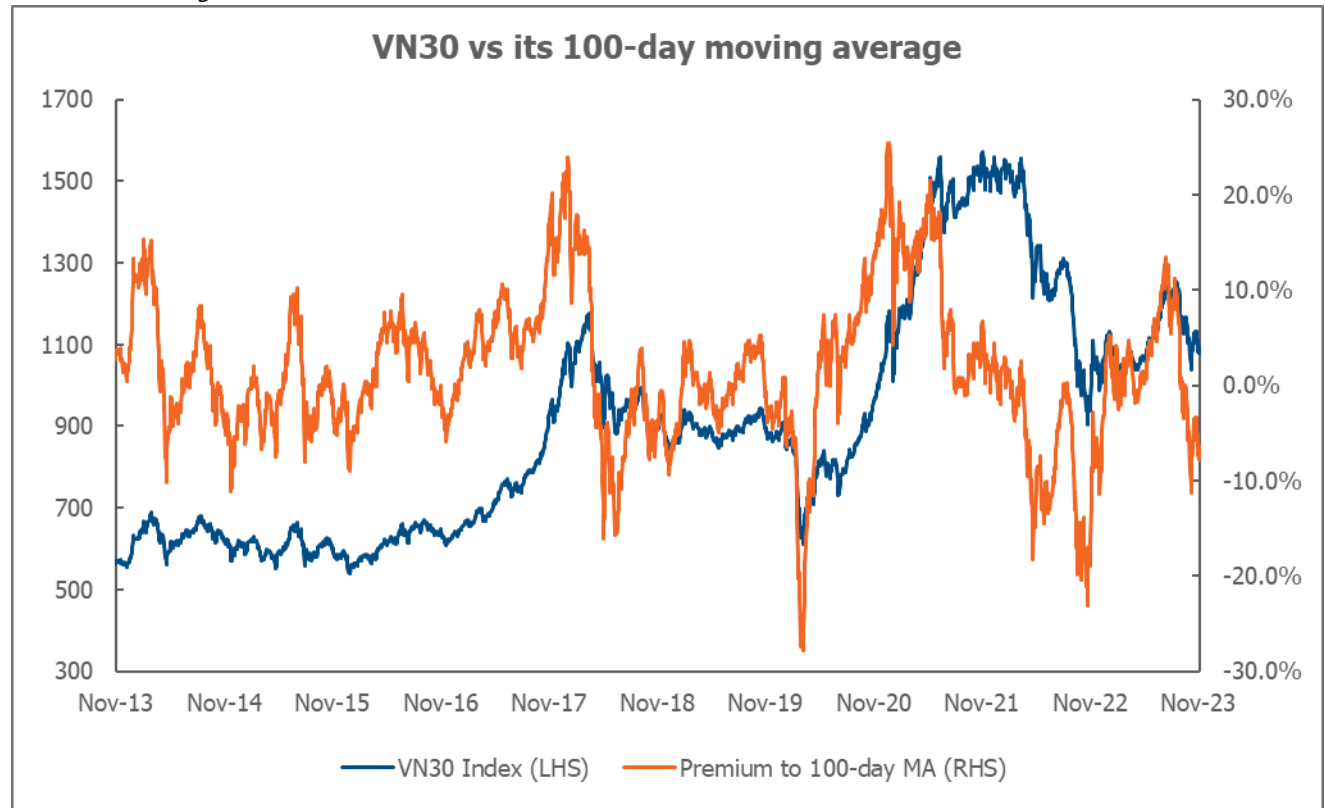
Source: Bloomberg, Yuanta Vietnam

Readers interested in a further recap of last month's market action are welcome to review our weekly strategy notes, as follows:

- **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>
- **Low Turnover Speaks Volumes – Nov 6** (*The bounce failed to impress given the low volumes on Thursday's rally*) <https://yuanta.com.vn/wp-content/uploads/2023/11/Weekly-Nov-6.pdf>
- **Liquidity Recovers, Along with Share Prices – Nov 13** (*SBV halted bills issuance and the market rallied – it would be hard not to see this correlation*) <https://yuanta.com.vn/wp-content/uploads/2023/11/Weekly-Nov-13-2.pdf>
- **Challenge at MA200 – Nov 20** (*What we hoped would be support has now become resistance*) <https://yuanta.com.vn/wp-content/uploads/2023/11/Weekly-Nov-20.pdf>
- **Market Breadth Turns Negative – Nov 27** (*Pressure at the 200-day MA becomes even more obvious*) <https://yuanta.com.vn/wp-content/uploads/2023/11/Weekly-Nov-27-2.pdf>
- **Death Cross vs. Santa Claus: Who Will Win? – Dec 4** (*It stretches our creative power to put lipstick on a death cross, but the market seems to have taken this one with a collective shrug*) <https://yuanta.com.vn/wp-content/uploads/2023/12/Weekly-Dec-4.pdf>



Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg, Yuanta Vietnam

**ADT picked up in November.** Monthly average daily turnover in November recovered to reach US\$793 million, up +15% MoM. This was marginally higher than the YTD average, but well below the US\$1 billion-plus ADT of August

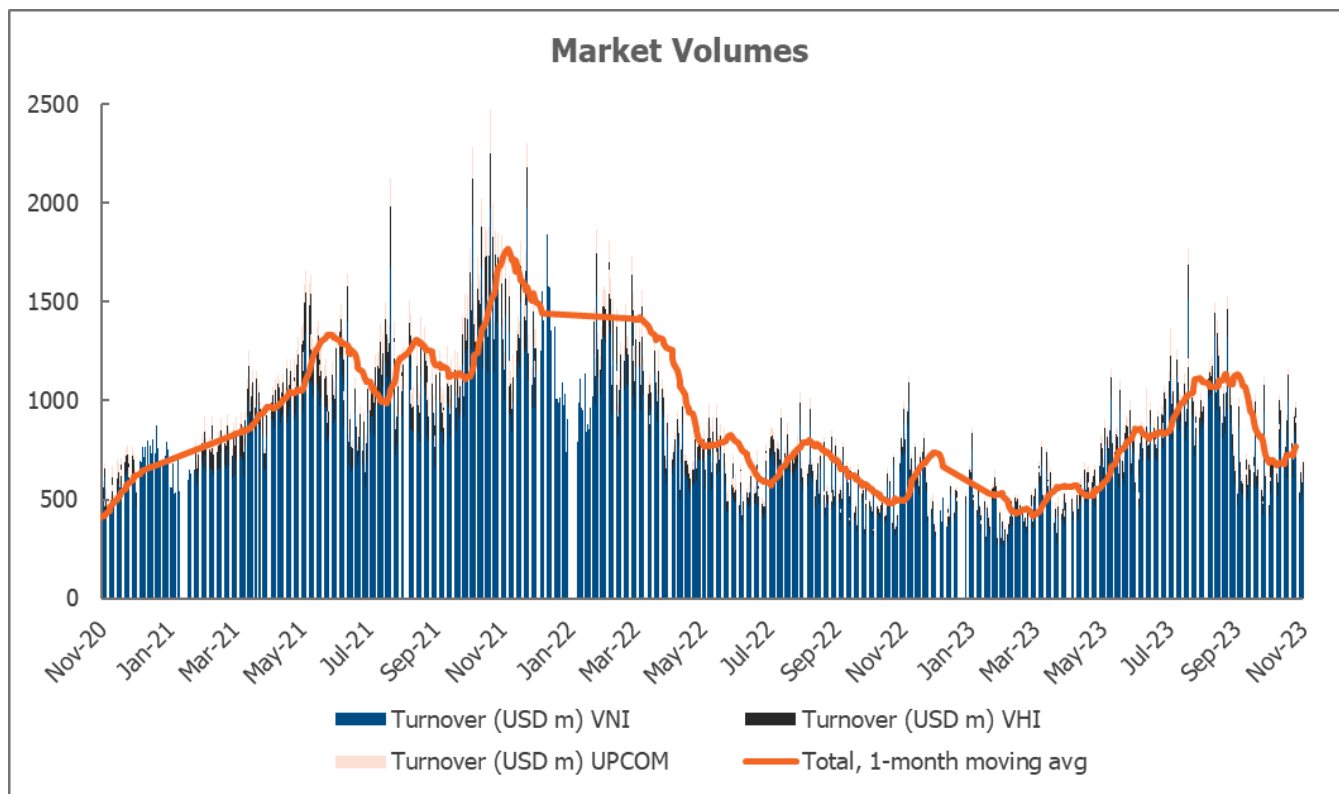


on September. However, we were pleased to see that the trend since August of surging turnover on days that the market sells off but tepid trading on days when the market is flat or up seems to have been interrupted.

The market's best day of the month in terms of share price gains was November 8, when the SBV stopped issuing short-term bills and thus halting its liquidity removals that had been implemented since September. This coincided with a +3.1% DoD jump in the mainboard and, more importantly, surging share market liquidity as turnover reached US\$1,027 million on the same day. A jump in share prices that coincides with a sharp increase in volumes is a good sign.

Alas, the VNI's second worst daily share price performance came just a week later, when the index fell by -2.2% on November 17, driven by even stronger turnover of US\$1,160 million. And the worst day of the month was the -2.3% DoD decline of August 23, when market liquidity was only a bit weaker at US\$995 million.

As a result, we are hesitant to cling too tightly to the notion that coincident surge in share prices and volumes on November 7 indicates that this odious trend since August -- in which volumes spike on sharp down-days -- is necessarily over. But at least there's finally some reason for hope.

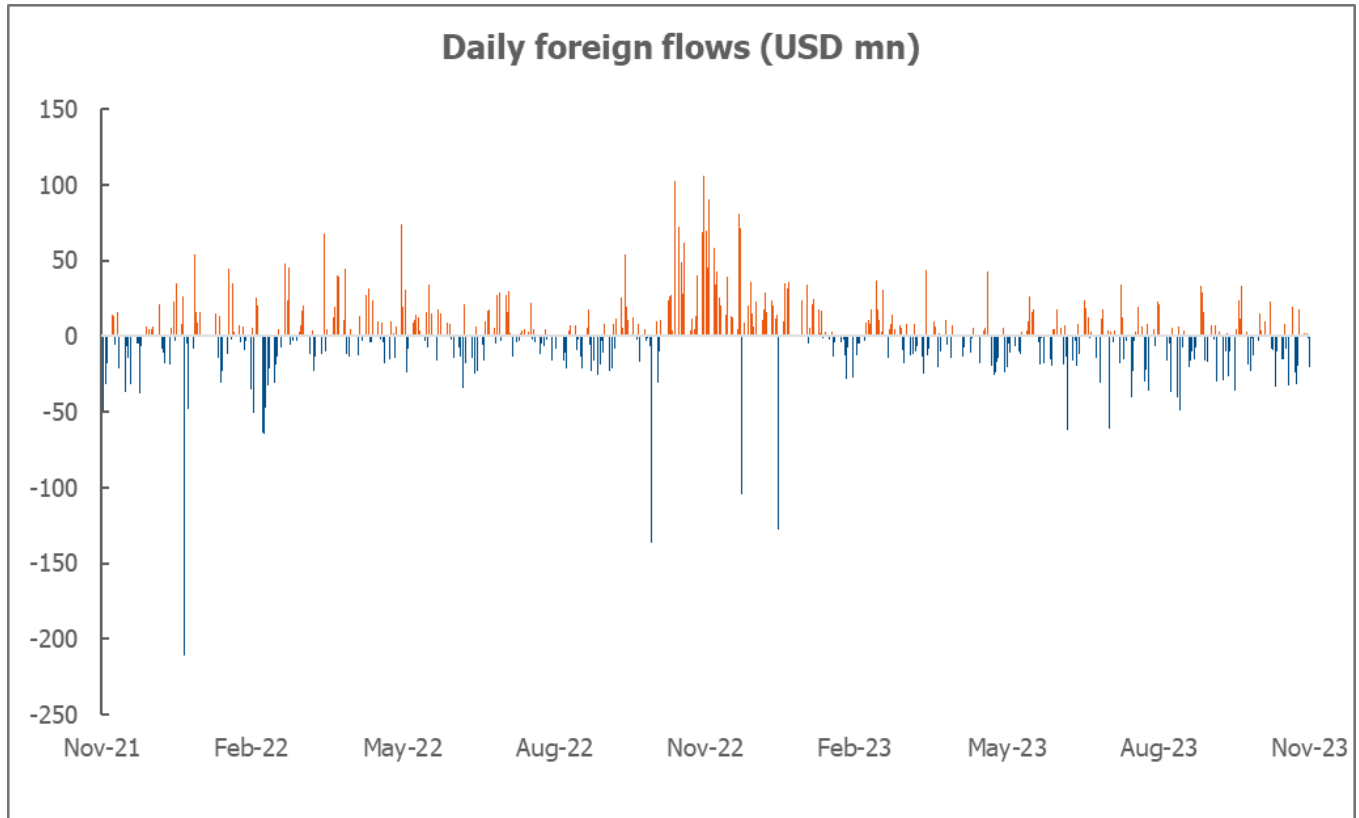


Source: FiinPro, Bloomberg, Yuanta Vietnam (Nov 30)

**Foreign investors remain laser-focused sellers as a group.** Foreigners net sold another US\$145 million of Vietnam stocks in November, the eighth straight month of such outflows. Foreign flows in this context comprise both foreign individuals and foreign institutional investors, but roughly 99% of such flows are from fund managers so we feel justified in using the term "FINIs" interchangeably with "foreigners". This brings the YTD FINI net selling total to US\$526 million in 11M23 – with virtually no chance, in our view, of foreign flows somehow climbing back into positive territory on a full-year basis in 2023.

According to FiinPro-X, the top-five targets of foreign net selling over the past month (to Dec 5) are 1) residential property champion VHM (US\$63 million in net outflows in the past month); 2) FUSSVFL, the HSX-listed Financial Leaders ETF (VND1.3tn); 3) erstwhile FINI demigod MWG (US\$45mn), which managed a +2% MoM gain anyway and currently offers 30 million foreign shares at the market price; 4) dairy leader VNM (US\$38mn); and JSC bank VPB (US\$37mn). Portfolio optimization (or, more colloquially, window dressing) would suggest a continuation of

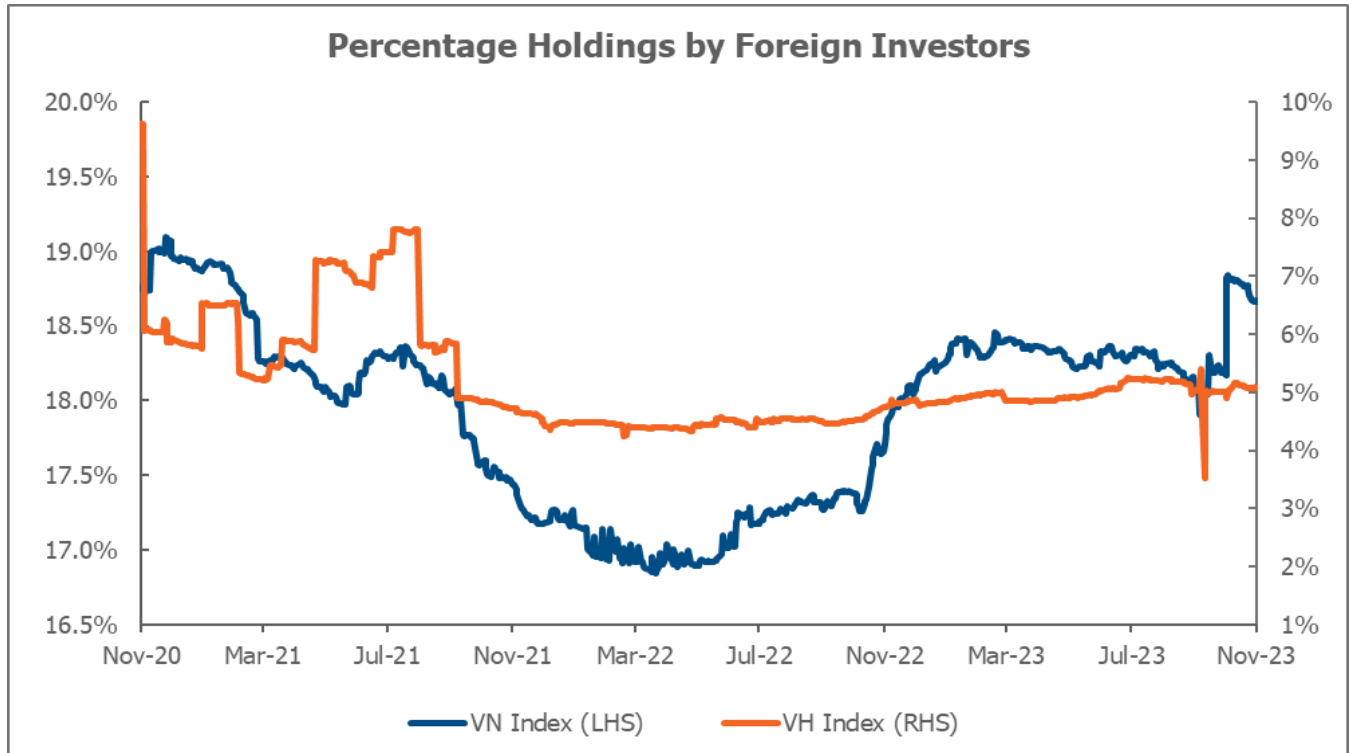
outflows in underperforming names in December, which we believe may set up an attractive buying opportunity for new investors in at least some of these stocks – for full disclosure, but also as a demonstration of our thinking, the humble author of this report has PA positions in VHM (BUY) and MWG (Not Rated).



Source: FiinPro, Yuanta Vietnam (Nov 30)

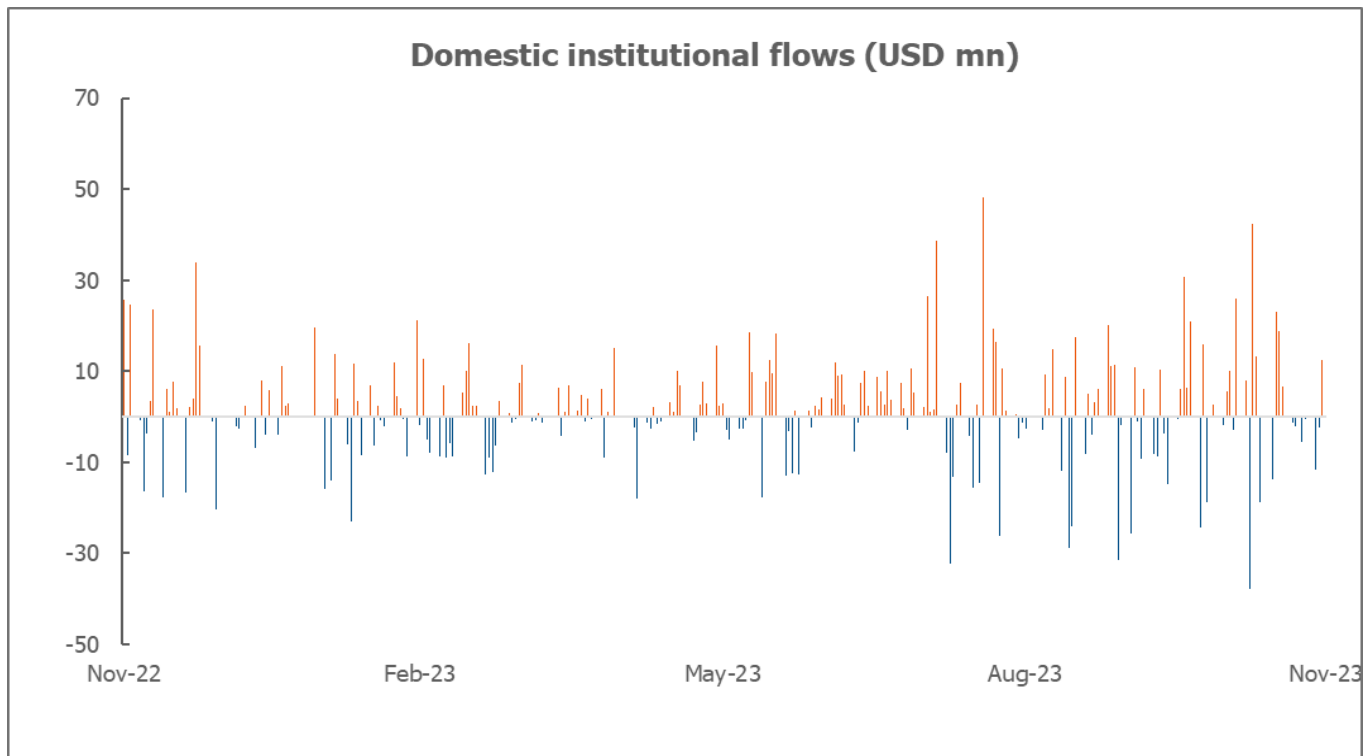
As noted several times previously, foreigners in aggregate bought high in 2017-18 and sold low in 2019-20, which is not exactly a winning strategy. However, FINIs appear to have adopted a more profitable tactical approach over the past year – buying aggressively into the panic selloff of 4Q22 and increasing positions in 1Q23, but then selling down into the share price strength that kicked off in 2Q23. As much as we bewail the net selling of the past 8 months, we would argue that the strategy of buying low and selling high is preferable to its opposite.

Of course, the globe contains roughly 7.8 billion individuals who are not Vietnamese nationals, so domestic investors should avoid thinking about foreign investors as a single monolithic unit. Our sense from marketing in Singapore and Bangkok in the second half of November is that the range of opinion among money managers is wide, but that there are still plenty of investors who are bullish on Vietnam’s long-term outlook.



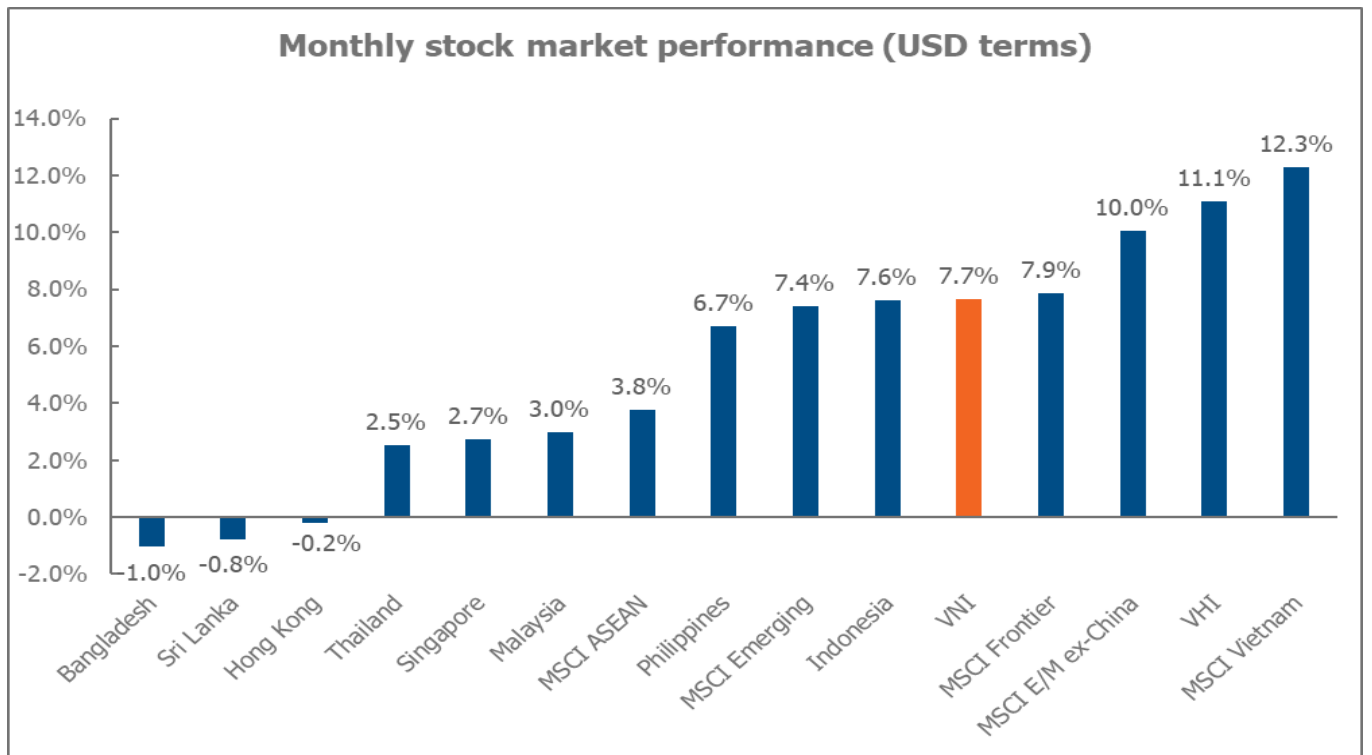
Source: FiinPro, Yuanta Vietnam (Nov 30)

**Offsetting the FINI outflows: Domestic institutions were net buyers of US\$56 million in November.** Prop traders sold heavily at end-Sept ahead of (and behind) the SBV's liquidity withdrawals, and they net sold a grand total of US\$1mn during the blood bath that was October. But domestic institutions have generally been net buyers in recent months, and they returned to that trend in November. As a result, domestic institutions have net purchased US\$291 million of listed stocks in 11M 2023, partially offsetting the US\$526 million in foreign net selling during the same period.

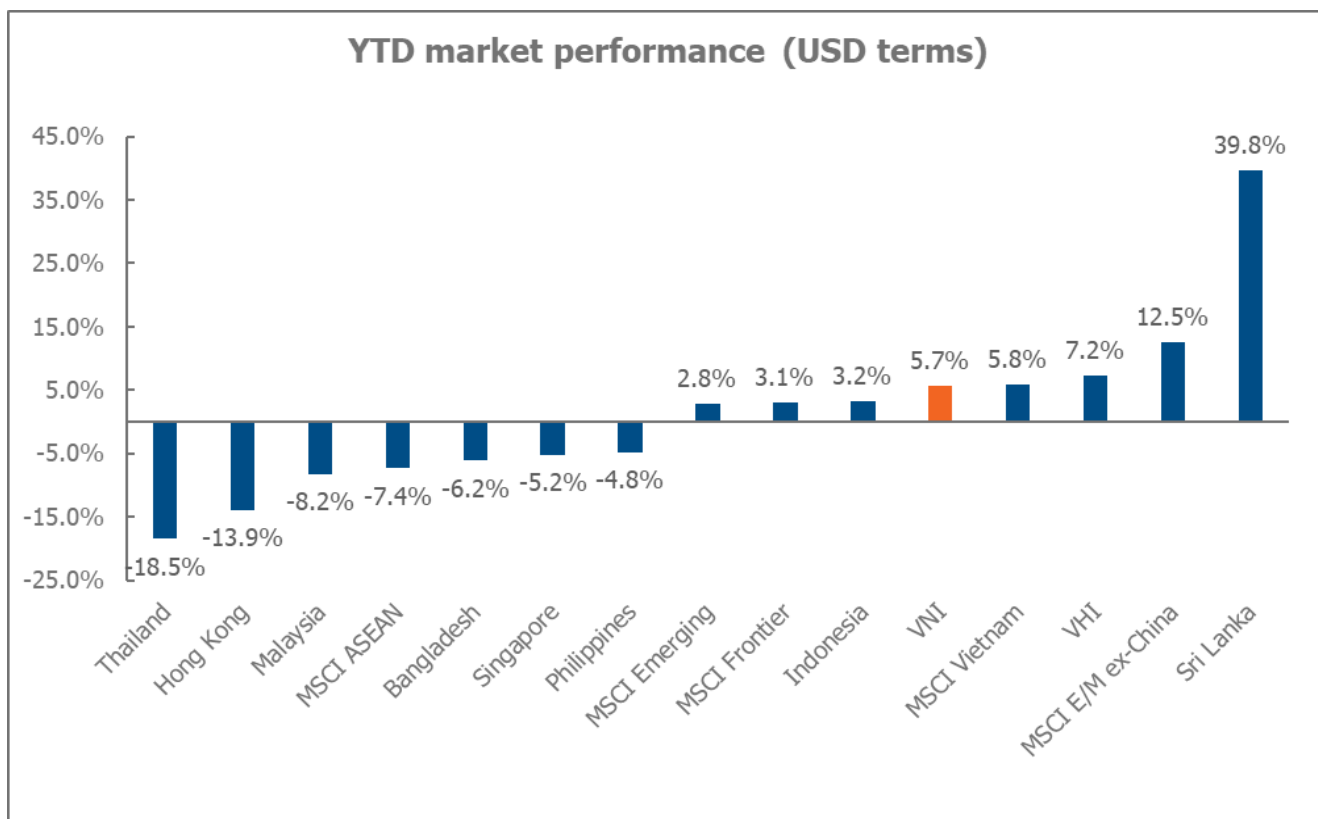


Source: FiinPro, Bloomberg, Yuanta Vietnam (Nov 30)

**This is not a market that flatters asset managers' Sharpe Ratios.** The VNI (+7.7% MoM in USD terms) and VHI (+11.1%) outperformed all of Vietnam's regional peers in November after substantially underperforming in October. The VNI remains at the top of the list in terms of YTD performance, with a +5.7% increase in USD terms in 11M 2023 after briefly dipping into negative YTD territory as at the end of October.



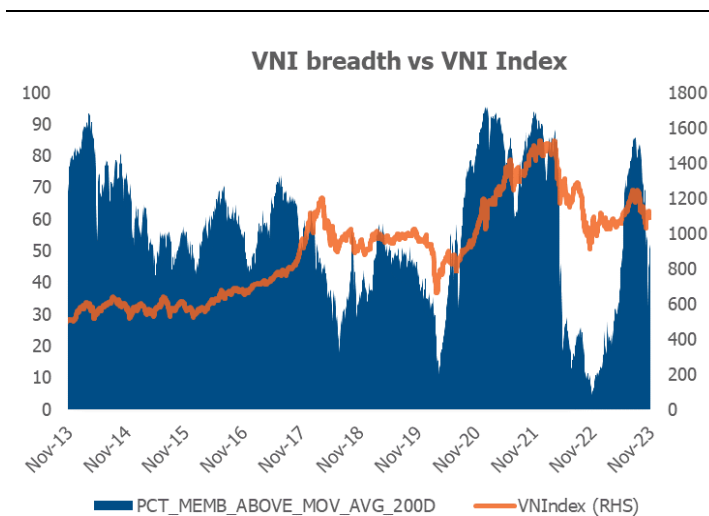
Source: Bloomberg, Yuanta Vietnam (data is as of Nov 30)



Source: Bloomberg, Yuanta Vietnam (data is as of Nov 30)

**Monthly market breadth was sharply positive in November**, which was again a sharp contrast from October's deep negativity. Some 300 VNI components posted gains in November, or 80% of all index constituents, vs. just 11% gainers in the bloodbath that was October. The VN30 components comprised 25 gainers and just 5 losers, or an almost identical 80% of the large caps in the green in MoM terms. Breadth in 11M 2023 remains broadly positive, with 265 YTD gainers / 115 losers among the VNI components and 18 YTD gainers / 12 losers for the VN30 large caps. Also, the VN30 Index modestly underperformed the broader market in terms of price appreciation in November, when it increased by just 4.1% MoM in LCY terms (-2.3ppt less than the VNI).

## Monthly stock breadth switched to negative despite the marginal index gains



VN 30 breadth			
	WoW	MoM	YTD
Gainers	12	25	18
Losers	17	5	12

Source: Bloomberg (Nov 30)

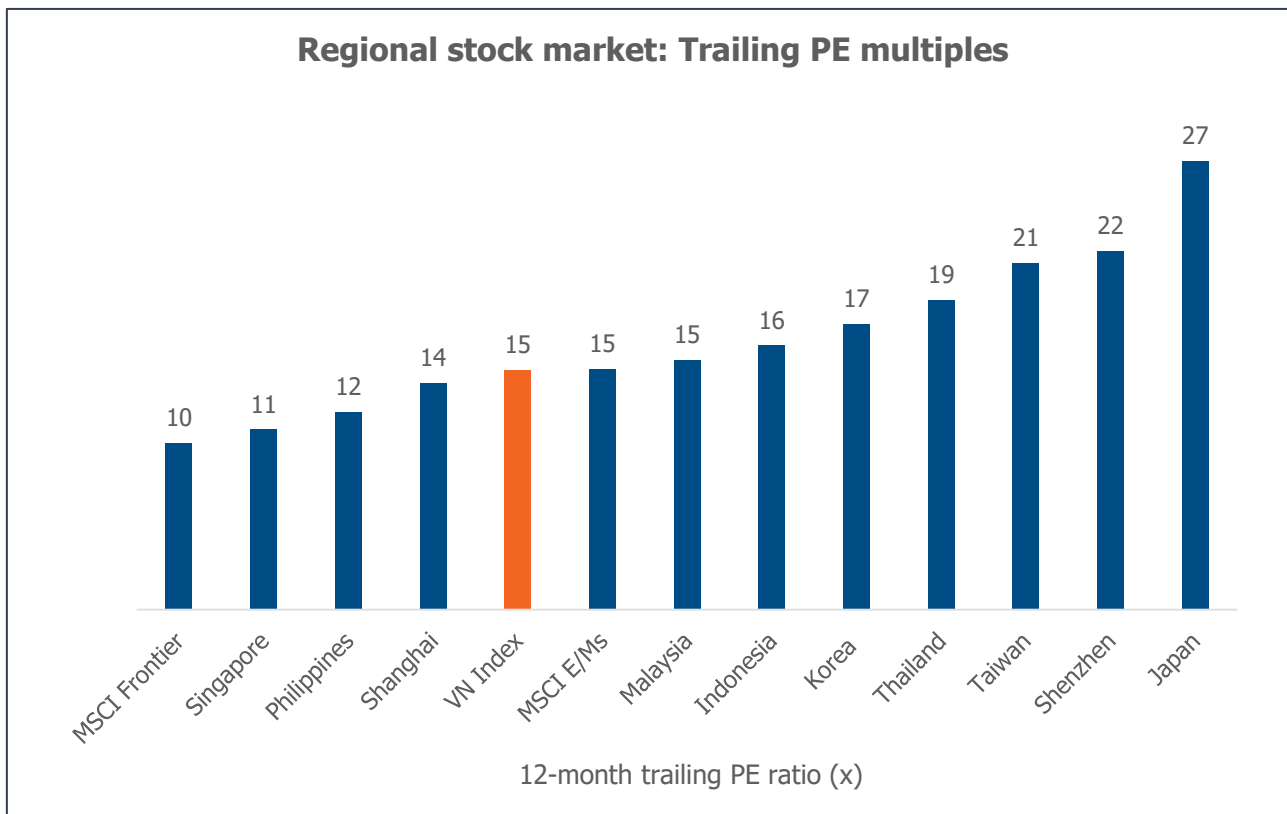
VN Index breadth			
	WoW	MoM	YTD
Gainers	159	300	265
Losers	207	76	115

Source: Bloomberg (Nov 30)

Source: Bloomberg, Yuanta Vietnam (Nov 30)

Source: Bloomberg

**Valuations – Charlie wasn’t cheap: Wonderful businesses at fair prices.** Among Mr. Charlie Munger’s impressively numerous lifetime accomplishments was convincing Warren Buffett to abandon his “Cigar Butt” investment strategy of purchasing mediocre (“fair”) businesses at dirt-cheap (“wonderful”) prices in favor of paying reasonable prices for high-quality businesses. In Buffett’s own words: “The blueprint he (Mr. Munger) gave me was simple: Forget what you know about buying fair businesses at wonderful prices; instead, buy wonderful businesses at fair prices.” If you are not familiar with the concept, I would urge you to take some time over the next few weeks to peruse Berkshire’s annual letters to shareholders, perhaps starting with [this one](#) from 2014.



Source: Bloomberg (Nov 30)

**P/Es – are they cheap or expensive?** The VNI’s 2024 P/E of c.10x looks cheap vs. the long-term growth opportunity. However, an overly myopic focus on the index P/E has rightly drawn criticism from the database and research firm FiinGroup. Note that we are a subscriber and frequent user of FiinGroup’s services, and we are not in competition with them in a business sense. Indeed, we wholeheartedly endorse FiinPro as an essential service for Vietnam investors – if you’re investing in Vietnam but relying on your Bloomberg for all your data, you are making a mistake.

As we understand it, the argument is that the VN Index’s optically low trailing PE multiple is due to the predominance of low-PE banks as a sector component of the index. The major banks mostly trade at optically low trailing PE multiples (i.e., 5-17x, with some outliers in the high teens), thus skewing the VNI PE to the downside. By contrast, non-bank P/Es are not generally so egregiously cheap -- especially on a trailing basis. Thus, if one strips out the banks, the market doesn’t look so cheap.

But simply stripping out the banks and saying that everything else is overvalued on a trailing PE basis would also be problematic. Without attempting to ascribe PE multiples by sector (given the difficulty of ascribing sectors to what are often complex conglomerate business structures), we can simply take note of the trailing PE multiples of the VN30 constituents illustrated on the front page of this report (and on page xx below, in greater detail).

As of November 30, the VN30 Index included 8 components with trailing P/E multiples of greater than 20x. This group accounts for 27% of VN30 constituents and c.24% of the total VN30 on a market cap-weighted basis (note that the actual VN30 Index weights are not only based on market cap, so the actual weights will differ from our simplified measurement).

Specifically, this group comprises SAB (at 21x TTM P/E), SSI (24x), GVR (34x), VIC (38x), MWG (82x), HPG (84x), MSN (110x), and BCM (121x).

By stripping out the 13 banks that are VN30 components (50% of total market cap, albeit less in total index weightings), these eight high trailing-PE stocks would account for half of the remaining number of VN30 constituents and around half of the index's ex-bank sector market capitalization. Admittedly we are oversimplifying here, and applying the correct index weights would bring about a more accurate result for the ex-bank Index PE multiple.

But it wouldn't make any difference, in our view – the main point is that stripping out the low-PE banks but retaining high-PE cyclicals and conglomerates – and then concluding that the market is expensive -- is not convincing.

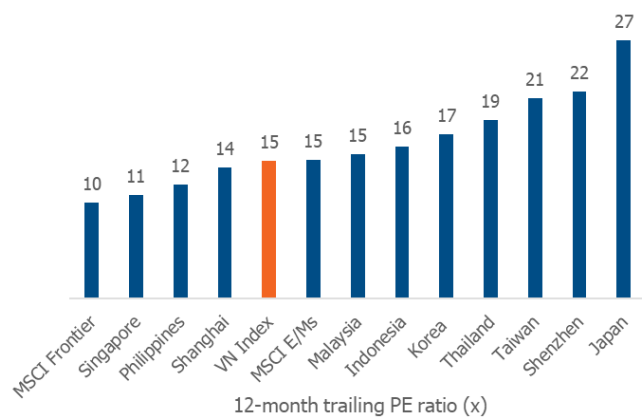
**PE multiples are useful indicators, but they do not determine fair valuations for stocks.** The high-TTM non-bank P/E multiples discussed above might reflect overvaluation only if we accept the assumption that the recent operational results for these largely cyclical heavyweights (e.g., basic materials, consumer discretionary, and the depressed property conglomerates) will continue in perpetuity. This would be a grave error, in our view. A stock's fair value is not defined by P/E multiples, either the trailing PEs discussed above or by the application of our estimates of next year's earnings.

Value is properly calculated by projecting out an asset's future cashflows and then discounting them back to the present using the appropriate required return on capital. Trailing and forward PEs provide a useful tool for comparison and/or sanity checks on the results of a DCF model, but should not be used as a replacement for attempting to understand the future cashflows. We like to believe that Graham & Dodd, and indeed Charlie Munger, would all agree with our argument.

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

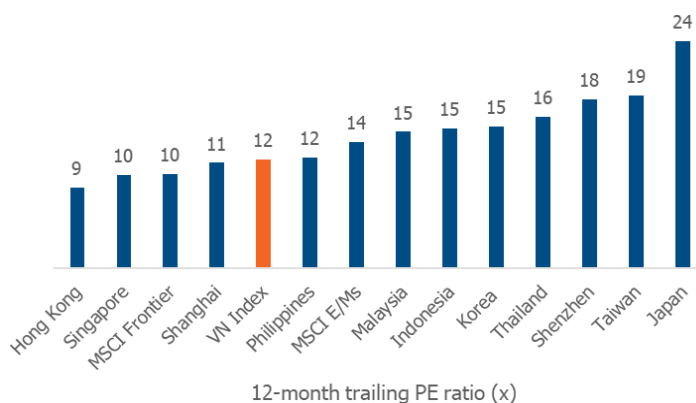
## ...or on a forward basis. Still, valuations are attractive but no longer screaming "buy".

Regional stock market: Trailing PE multiples



Source: Bloomberg, Yuanta Vietnam (Nov 30)

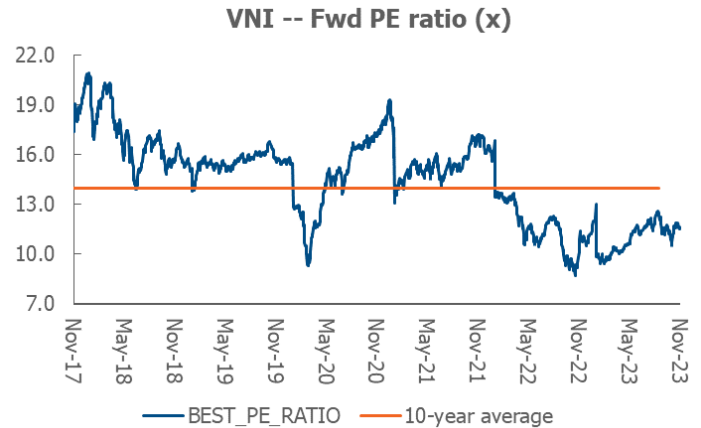
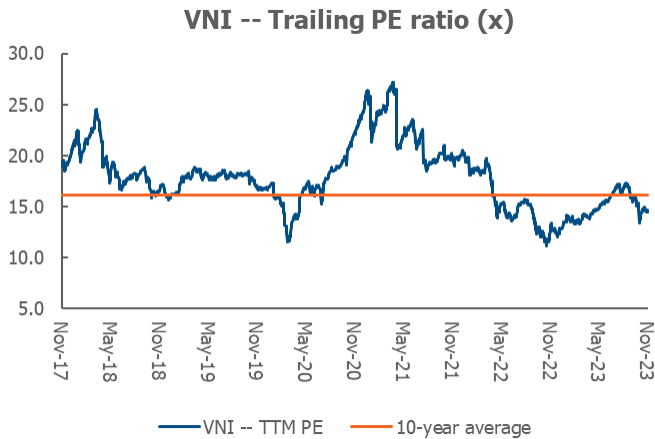
Regional stock market: 2023E PE multiples



Source: Bloomberg (2023E consensus PE), Yuanta Vietnam (Nov 30)

The VNI's trailing PE ratio is now 14.7x.

The mainboard's 2023E PE is now 11.7x, based on Bloomberg consensus.



Source: Bloomberg, Yuanta Vietnam

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

**As stated above, market breadth was once again positive in November** after the bloodbath that was October. Some 300 VNI components posted gains in November, or 80% of all index constituents, vs. just 11% gainers / 89% losers in October.

The VN30 Index likewise switched back to positive breadth in November, posting 25 gainers and just 5 losers, or 80% of large caps increasing in price in MoM terms – in line with the percentage posted by the broader VNI.

Breadth in 11M 2023 also remains broadly positive. The VNI has posted 265 YTD gainers / 115 losers in the first 11 months of the year, while the large cap index has posted 18 YTD gainers / 12 losers.

As illustrated in the table below, large cap leaders included SSI (+22% MoM / +84% YTD) – notably, SSI (BUY) is a Yuanta Vietnam top pick; GVR (Not Rated, +20% MoM); HPG (Not Rated, +15% MoM); SAB (Not Rated, +15% MoM); and FPT (+11% MoM) – FPT is rated BUY by Yuanta Vietnam and stands out as both a Top Pick and my single favorite stock in Vietnam.



**VN30 large caps: Share price performance in Nov and 11M 2023**

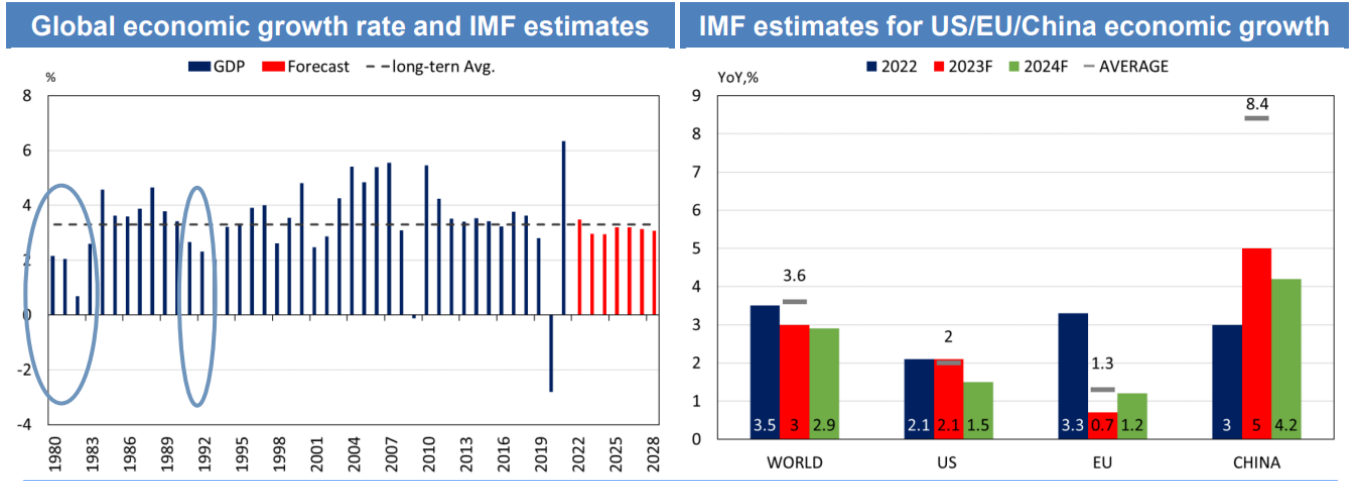
Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Nov	YTD chg	Contribution to VN30 Index performance in 9M23
ACB	22.0	2.6%	4%	19.9%	9%
BCM	58.2	0.7%	0%	-26.8%	0%
BID	38.9	8.9%	1%	13.4%	1%
BVH	39.0	2.7%	0%	-14.3%	0%
CTG	26.3	6.1%	2%	7.8%	1%
FPT	91.9	10.7%	20%	40.6%	24%
GAS	76.5	-0.1%	0%	-6.3%	0%
GVR	20.0	20.4%	1%	47.5%	1%
HDB	18.0	4.7%	3%	36.7%	8%
HPG	26.6	15.4%	24%	47.5%	24%
MBB	17.8	4.1%	4%	22.7%	7%
MSN	60.5	4.0%	3%	-34.9%	-8%
MWG	38.5	2.1%	2%	-9.4%	-3%
PLX	35.1	10.0%	1%	12.7%	0%
POW	11.3	6.1%	1%	5.6%	0%
SAB	65.0	14.6%	2%	-21.0%	-1%
SHB	10.8	6.9%	4%	28.1%	5%
SSB	22.6	-12.4%	-7%	-17.4%	-3%
SSI	31.3	21.6%	13%	83.7%	17%
STB	27.5	1.9%	2%	22.2%	7%
TCB	29.5	6.5%	8%	14.1%	6%
TPB	17.0	7.6%	3%	25.4%	3%
VCB	84.7	-2.4%	-2%	25.0%	8%
VHM	41.3	5.9%	6%	-14.0%	-5%
VIB	18.7	4.5%	2%	26.4%	4%
VIC	41.8	3.1%	3%	-22.4%	-6%
VJC	102.0	3.0%	2%	-6.8%	-1%
VNM	67.4	-0.9%	-1%	-8.4%	-3%
VPB	19.1	0.3%	0%	12.0%	7%
VRE	22.1	-0.5%	0%	-16.0%	-2%

Source: Bloomberg, Yuanta Vietnam, Pricing date: Nov 30, 2023

## 2024E Global Outlook: Key risks in an era of uncertainty

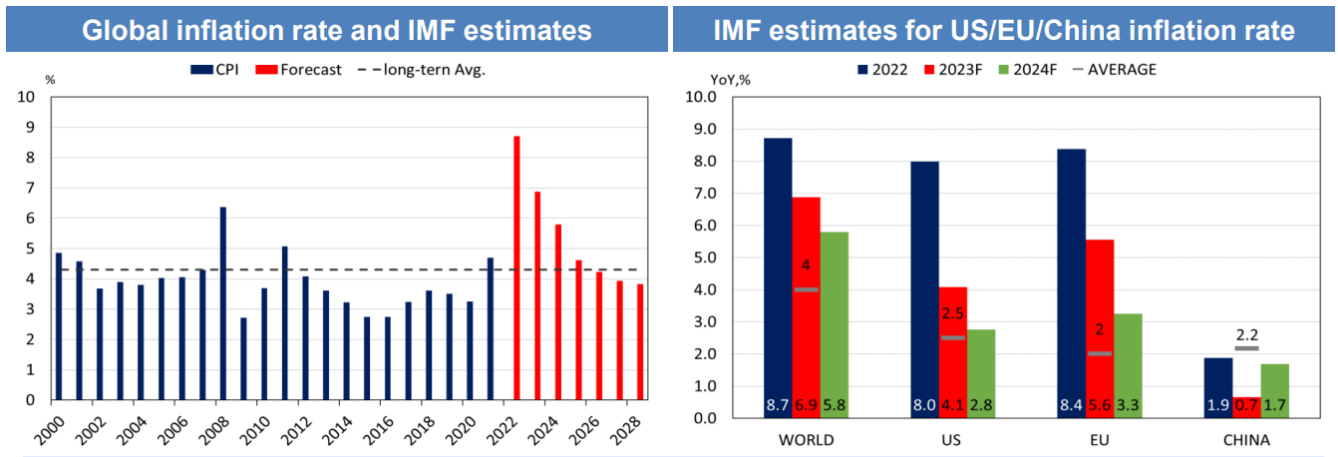
The inimitable Dr. Yen Chang-Hui, Yuanta’s global macrostrategist, has published his outlook for the Taiwan and global markets in 2024. The key highlights:

- 1) Global macro growth in 2024 will likely be lower than the long-term average given that the US, EU, and China all face a range of difficulties.**



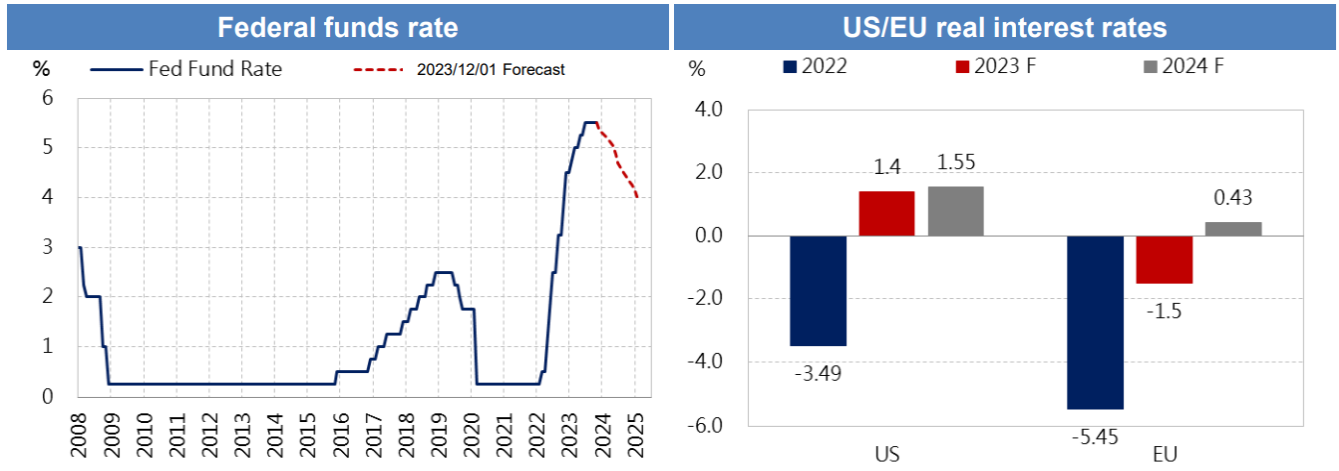
Source: IMF, Yuanta Investment Consulting

- 2) Global inflation to remain higher than the L/T historical average in 2024: China is the only major economy facing deflationary pressures.**



Source: IMF, Yuanta Investment Consulting

- 3) Global rates are likely to remain higher for longer, with potentially increased tightening (in contrast to Wall Street hoopla about an impending pivot).**



Source: Bloomberg, Yuanta Investment Consulting

## Thoughts on sector allocation --

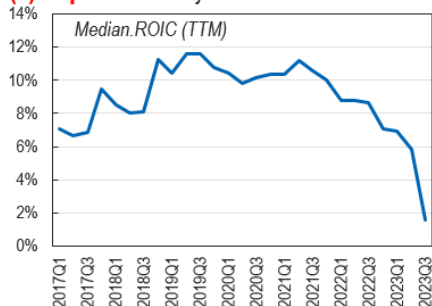
- Memory - Price upcycle driven by supply side has already begun.
- IC Design - AI computing to lead new processes and demand.
- Networking - High-speed network & LEO satellites growth drivers.
- Handset - Foldable phones gain traction despite headwinds.
- Textiles & Shoemaking - Inventory replenishment & Paris 2024.
- Pharmaceuticals - Huge opportunities for cancer drugs.

Please see Dr. Yen's full presentation for further details: <https://research.yuanta-consulting.com.tw/temp/ProductionYT/36950.pdf>

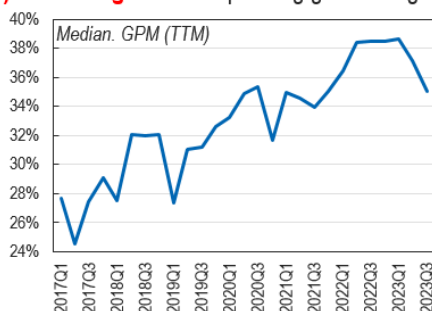
## Residential property: 3Q23 CIGARR Model Preview

- We are working on our CIGARR update of all 20 listed property developers. But here's an initial look at the data -
- 9M23 revenue was VND 116tn (+68% YoY) and PAT was VND 36tn (+24% YoY).
- 20 developers (excl. VHM) only fulfilled 40% of the full-year PAT guidance. Earnings of 9M23 falling significantly below the full-year guidance indicate more challenges than initially expected.
- However, industry's earnings excluding VHM were revenue of VND 22tn (-43% YoY) and PAT of VND 3tn (-64% YoY).
- The median gross margin narrowed to 35.1% in 3Q23 from 38.6% in 1Q23. We believe that earnings results (i.e., lagging indicators) has been reflecting the challenges of the market.
- At the end of 3Q23, total debt was and VND 151tn (-1% QoQ, -11% YoY and -2% YTD), the. The median debt to equity ratio has been decreasing since 3Q22 and was at 0.41x in 3Q23.
- In 3Q23, total inventories increased by 2% QoQ, indicating a modest construction recovery as well as developer's confidence.
- Total advances from customers have decreased for three consecutive quarters, As of the end of 2Q23, they reached VND 71 trillion, down by -14% QoQ and down -25% YoY. This indicates that the weak sentiment in the property market.

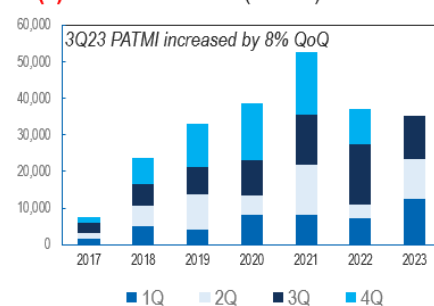
### (1) Capital efficiency



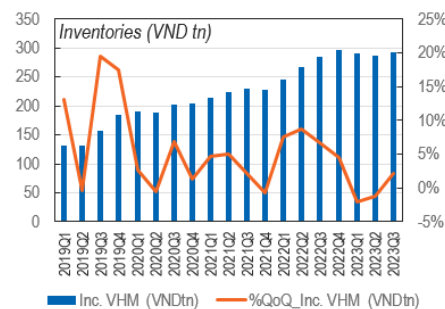
### (2) Increasing ASPs / Expanding gross margin?



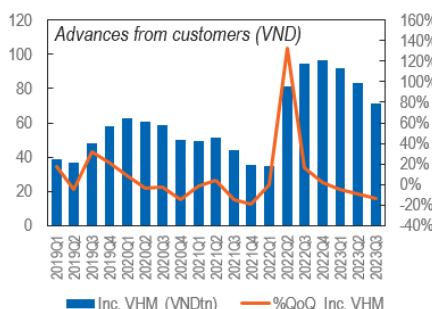
### (3) Growth in PATMI (VNDtn)?



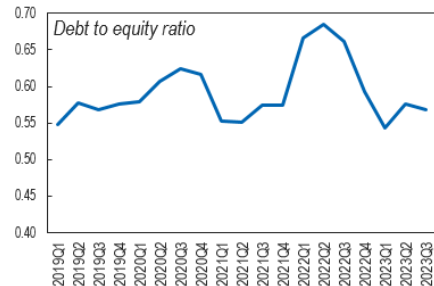
### (4) Acquiring new projects and/or Accelerating project development.



### (5) Ramping up presales?

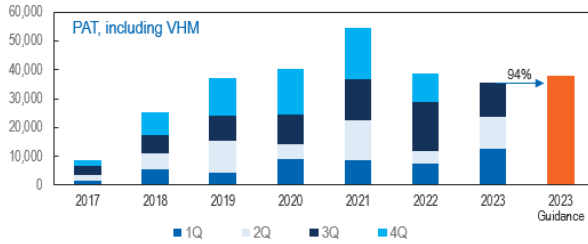


### (6) Reasonable financial leverage

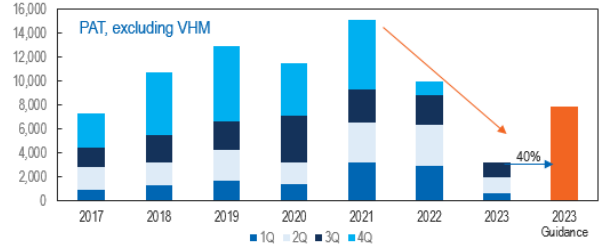


## Earnings of 9M23 falling significantly below the full-year guidance indicate more challenges than initially expected.

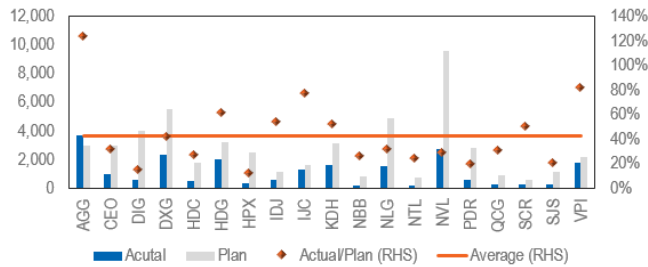
- In 3Q23, total PAT of 20 developers, including VHM, increased by 8% QoQ.
- 9M23 PATMI increased by 28% YoY.
- VHM skewed up the industry's data as 90% of total PAT was attributed to VHM



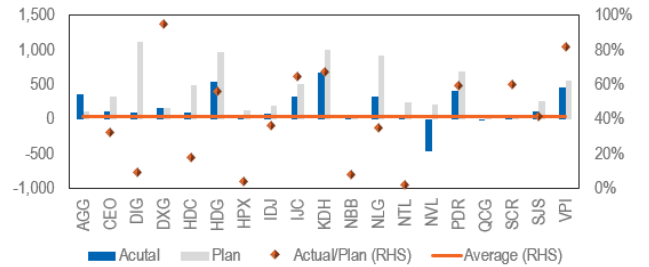
- In 3Q23, total PATMI of 20 developers, excluding VHM, decrease by 13% QoQ.
- 9M23 PATMI decreased by 64% YoY.
- 20 developres (excl. VHM) only fulfilled 40% of the full-year PAT guidance.



### 9M23 Revenue (VND bn) vs full-year guidance



### 9M23 PAT (VND bn) vs full-year guidance



## Banks – 3Q23 CAMEL Framework Update

*Does quality drive share price risk / return? Analyst Tanh Tran's factor analysis suggests that the answer is "yes".*

Bank Sector_3Q23 Update					13 November 2023
<b>Stock code</b>	<b>Yuanta Rating</b>	<b>Current price (VND)</b>	<b>Target price (VND)</b>	<b>12-m TSR*</b>	<b>What's new?</b> <ul style="list-style-type: none"> <li>3Q23 PATMI (27 listed banks) was VND47 tn (-6% QoQ/-2% YoY).</li> <li>VCB, ACB, MBB, and TCB rank as top 4 in our CAMEL model ratings.</li> <li>Asset quality deteriorated in 3Q23. NPL ratio increased to 2.24%, while LLR ratio decreased to 94%.</li> <li>CASA ratio was 19.7% (+70bp QoQ).</li> </ul>
ACB VN	BUY	22,050	28,510	34%	
BID VN	HOLD-UPF	41,500	42,780	5%	
HDB VN	BUY	18,350	22,390	28%	
MBB VN	BUY	17,400	25,260	48%	
STB VN	HOLD-UPF	28,500	33,575	18%	
VCB VN	BUY	88,900	99,420	13%	
VPB VN	BUY	19,800	25,540	34%	
Prices are as at Nov 10, 2023					<b>Our view</b> <ul style="list-style-type: none"> <li>Increased credit growth and reduced COF to drive earnings in 4Q23 &amp; 2024.</li> <li>Asset quality deteriorated, but we expect to rebound in 2024.</li> <li>Bank stocks with high CAMEL rankings tend to exhibit lower risk (see p.13).</li> <li>Valuations are attractive for the sector at 0.9x 2024E PB and 20% ROE.</li> </ul>

**Overweight the banks in 4Q23 & 2024.** The sector's 3Q23 earnings were boosted by trading gains and reduced provisioning -- neither of which is particularly impressive. Looking forward, we expect increased credit growth and lower funding costs to support net interest income -- a far more sustainable earnings driver -- in 4Q23 and beyond.

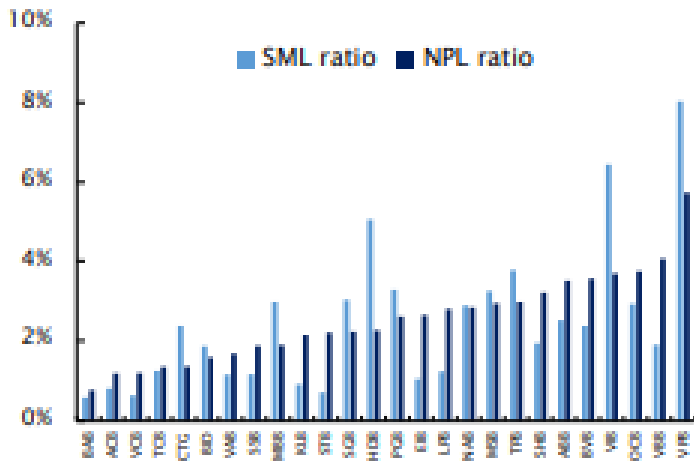
### VIETNAM BANK SECTOR 3Q23\_Update

Bank Sector	3Q23	% QoQ	% YoY
NII (VND bn)	106,732	-1%	-4%
Net Fee Inc.(VND bn)	14,877	-5%	3%
Adj. Other non-II (VND bn)	11,603	22%	116%
Adj. TOI (VND bn)	133,211	0.3%	1.8%
Opex (VND bn)	48,125	-1%	3%
Provision (VND bn)	29,963	-1%	-2%
Net other incomes (VND bn)	4,481	-44%	-37%
PATMI (VND bn)	47,356	-6%	-2%
NPL (%)	2.24%	13bps	64bps
LLR (%)	94%	-4ppt	-49ppt
CASA (%)	20%	70bps	-3ppt

Source: FiinPro, Yuanta Vietnam

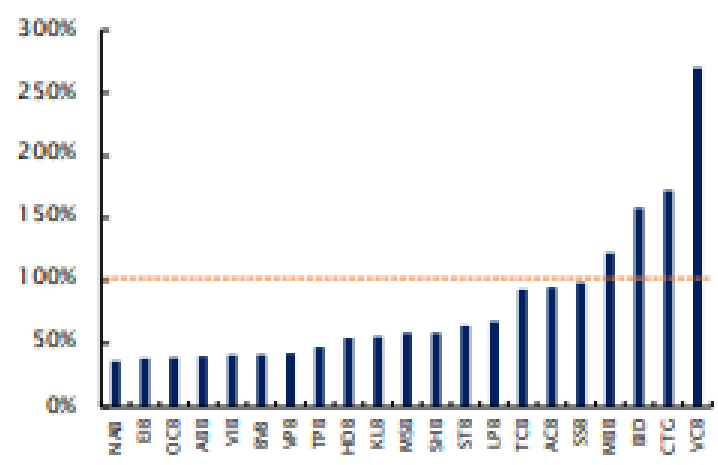
**Aggregate sector PATMI was VND47 tn (-6% QoQ/-2% YoY)** in 3Q23, largely due to lower net interest income (-1% QoQ/-4% YoY).

**Figure 10: NPL and SML ratios among banks in 3Q23**



Source: FiinPro, Yuanta Vietnam

**Figure 11: LLR ratios among banks in 3Q23**

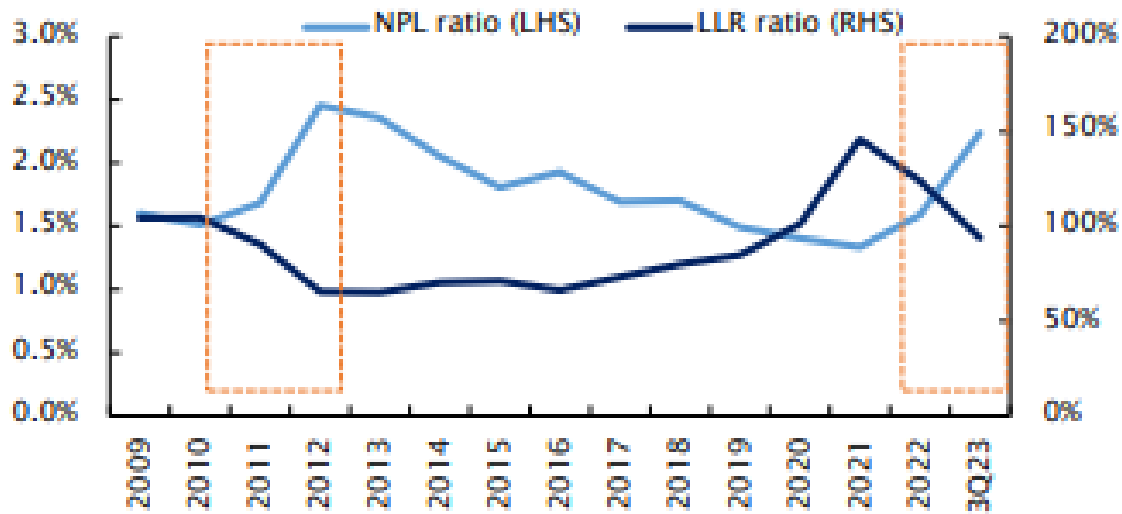


Source: FiinPro, Yuanta Vietnam

However, asset quality should be a key focus for bank investors given the substantial rise in NPLs and reduction in LLR coverage in 3Q23. VCB (BUY), ACB (BUY), MBB (BUY), and TCB (Not Rated) retain the top-4 banks in our 3Q23 CAMEL framework rankings.

The sector NPL ratio jumped +13bps QoQ / +64bps YoY to reach 2.24%, while the LLR ratio decreased by -4ppt QoQ / -49ppt YoY to 94% in 3Q23.

**Figure 9: Sector's NPL and LLR ratio from 2009 to 3Q23**



Source: FiinPro, Yuanta Vietnam

**Mixed provisioning policies.** Most banks reduced provisioning in 3Q23, so overall sector credit costs declined by -1% QoQ/-2% YoY. This is not impressive in the context of rising NPLs, but some banks (i.e., ACB, BAB, BID, MBB, MSB, SSB, TCB, TPB, & VIB) increased 3Q23 provisioning.

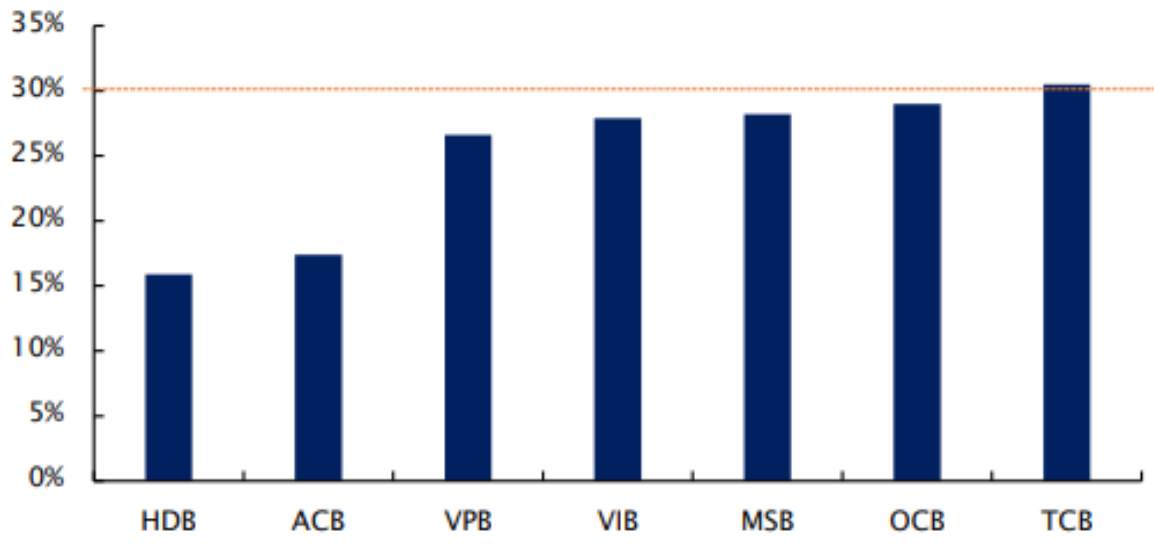
**3Q23 earnings were driven by non-interest income**, mostly gains from FX and securities trading.

We consider this source of revenues to be a low-quality earnings driver.

**We expect net interest income to re-emerge as the key (and more sustainable) earnings driver in 4Q23 and 2024**, on increased credit growth and reduced funding costs.

**Asset quality deterioration is a concern**, but we remain optimistic for a recovery in 2024 along with the economic rebound. Also, sector liquidity is ample.

**Figure 18: Short-term Fundings used for medium to long-term Loans**



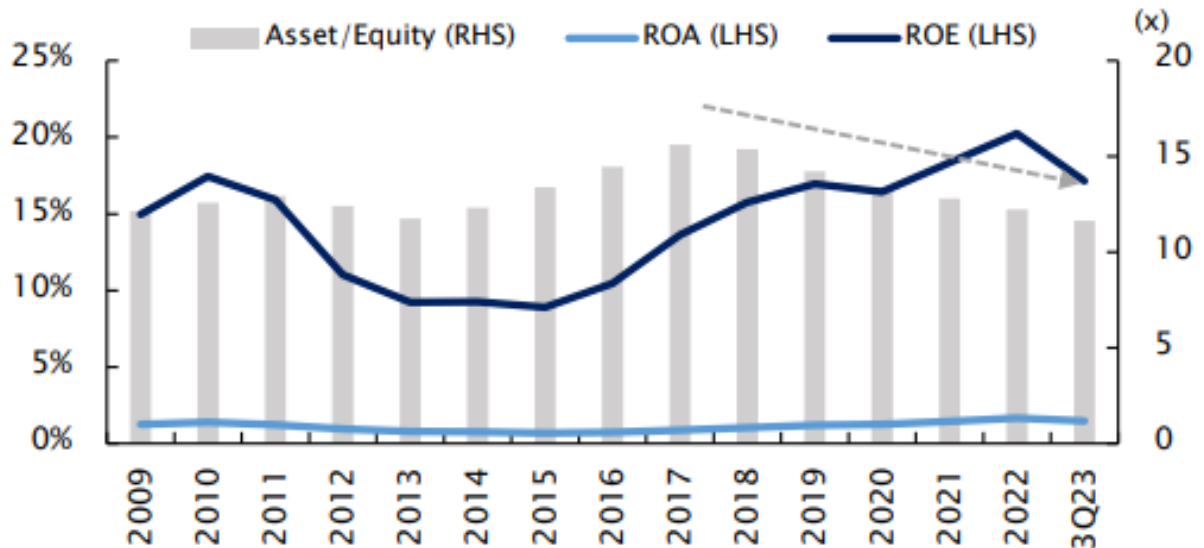
Source: FiinPro, Yuanta Vietnam

**Our View --**

**We think that the low ROE of 2023 is likely to be a temporary setback**, and we expect a recovery in 2024.



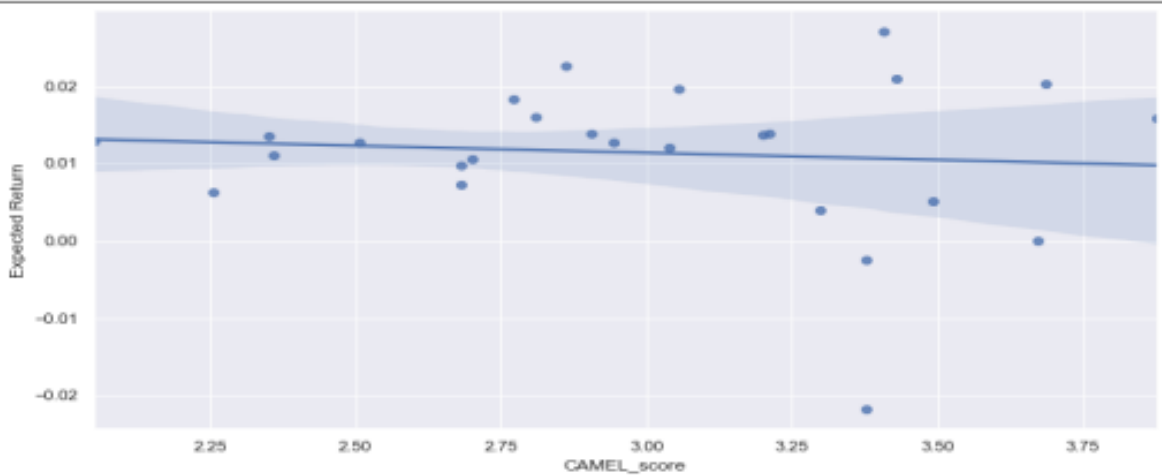
**Figure 2: ROE still on an uptrend despite decreasing leverage since 2018**



Source: FiinPro, Yuanta Vietnam

**Quality drives returns.** Share prices don't follow our CAMEL scores exactly, but factor analysis indicates high correlations of 5-year monthly stock returns with our Management and Earnings scores, and higher overall CAMEL rankings have also been correlated with lower share price volatility in 2018-2023 (see p. 13-14 of the full report linked below).

**Figure 27: CAMEL scores vs. stock monthly return**



Source: FiinPro, Bloomberg, Yuanta Vietnam

*Please note: the lower the CAMEL scores, the higher the CAMEL rankings.*

**Overweight the banks** given 1) improved net interest income in 4Q23 and beyond, driven by increased credit growth and lower funding costs; and 2) cheap valuations, with a sector median 0.9x 2024E PB and ROE of 20%. We have BUY ratings on ACB, MBB, HDB, VCB, and VPB. See our latest full [sector report](#) published in August for details of our views on each bank.

**Risks to our view:** a lengthy cyclical downturn and asset quality deterioration driven by global

macro/liquidity conditions and/or a worsening/prolongation of the domestic property market's recession.

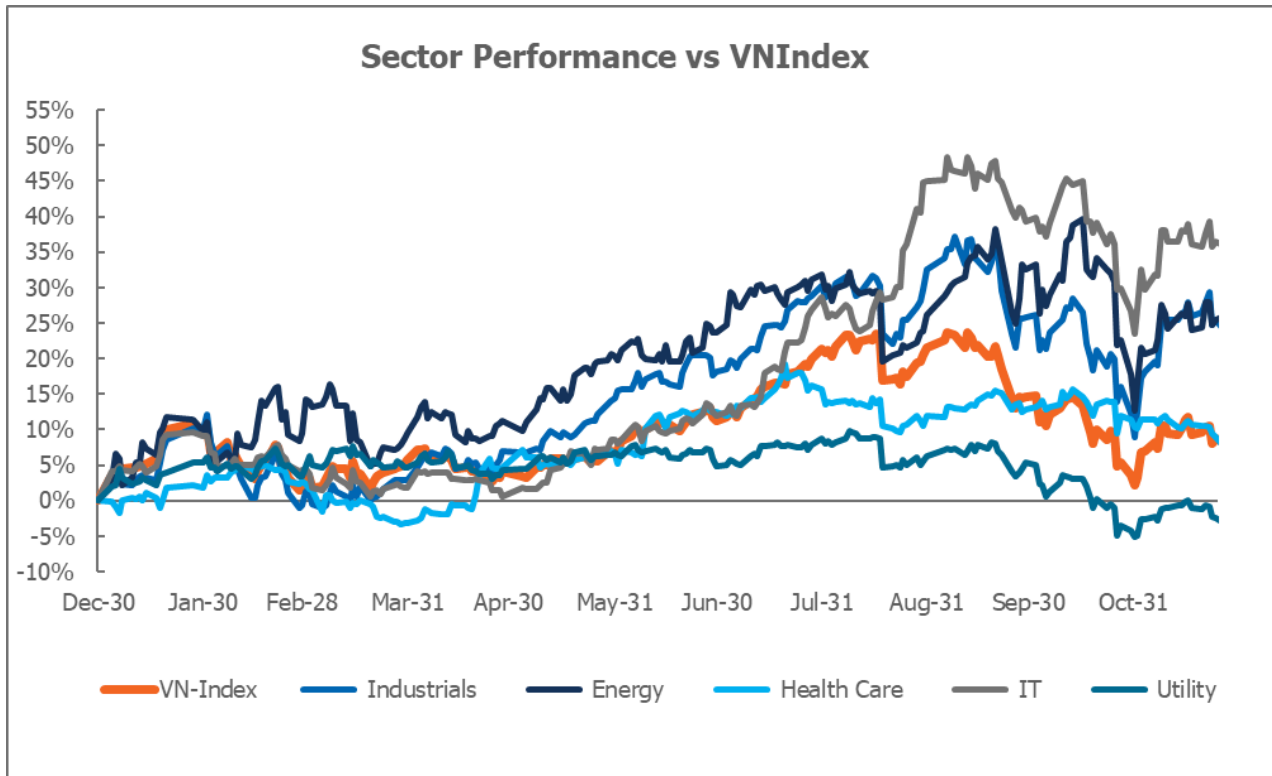
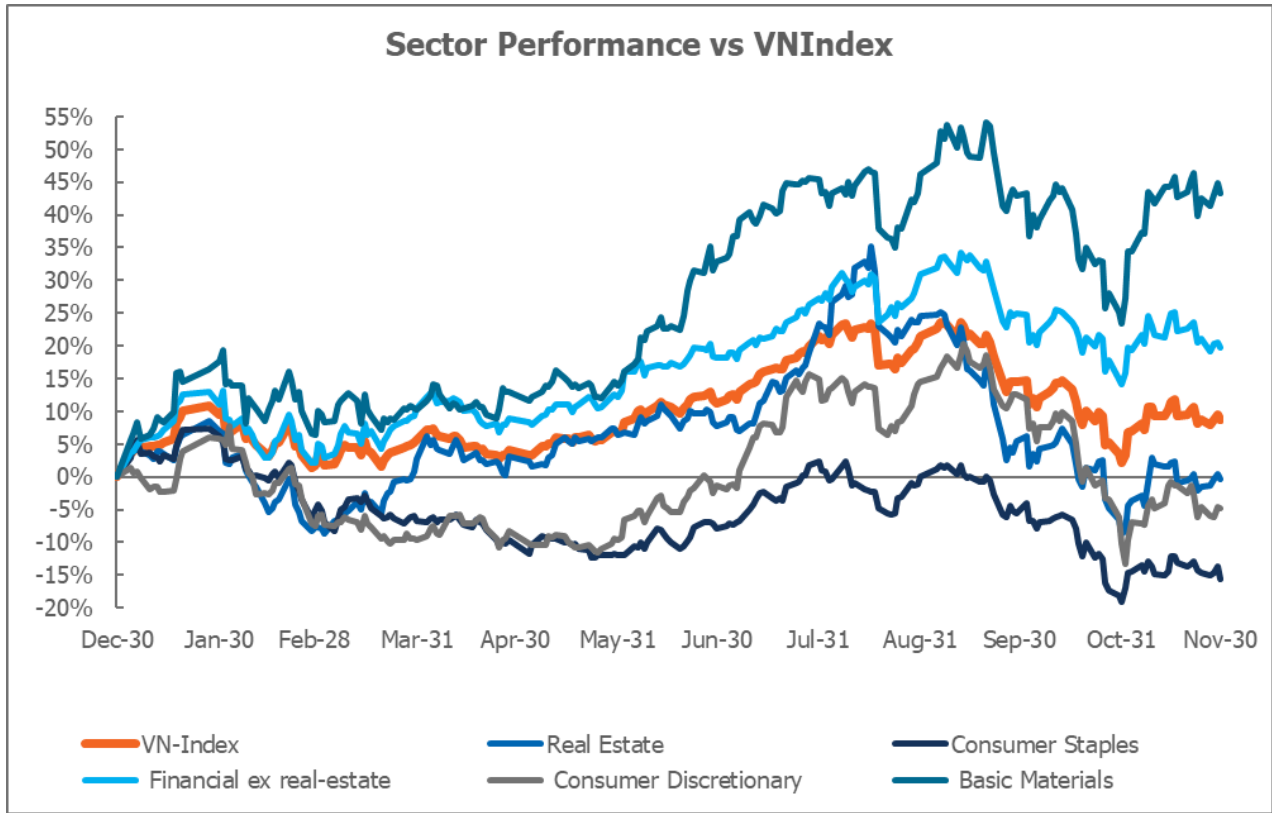
**Table 3– Weighted ratings for each component of the CAMEL model**

SUMMARY	ABB	ACB	BAB	BID	BVB	CTG	EIB	HDB	KLB	LPB	MBB	MSB	NAB	NVB	OCB	PGB	SGB	SHB	SSB	STB	TCB	TPB	VAB	VBB	VCB	VIB	VPB
Capital Adequacy	32	23	32	29	32	34	24	29	33	32	22	24	31	35	20	22	16	23	21	34	20	29	25	32	25	30	21
Asset Quality	37	23	20	21	39	19	34	36	36	34	24	37	40	42	39	37	37	37	28	32	24	37	33	38	16	36	40
Management	39	27	43	33	44	28	37	23	30	36	26	27	33	42	18	39	39	31	28	28	23	29	43	42	26	25	24
Earnings	38	20	41	31	43	28	33	21	35	28	22	19	34	41	17	40	40	27	23	25	20	21	39	43	20	19	27
Liquidity	29	24	33	33	28	26	32	27	26	41	24	26	34	35	31	33	33	35	38	22	27	37	30	27	15	33	32
CAMEL Score	3.5	2.3	3.4	2.9	3.7	2.7	3.2	2.7	3.2	3.4	2.4	2.7	3.4	3.9	2.5	3.4	3.3	3.1	2.8	2.8	2.3	3.0	3.4	3.7	2.0	2.9	2.9

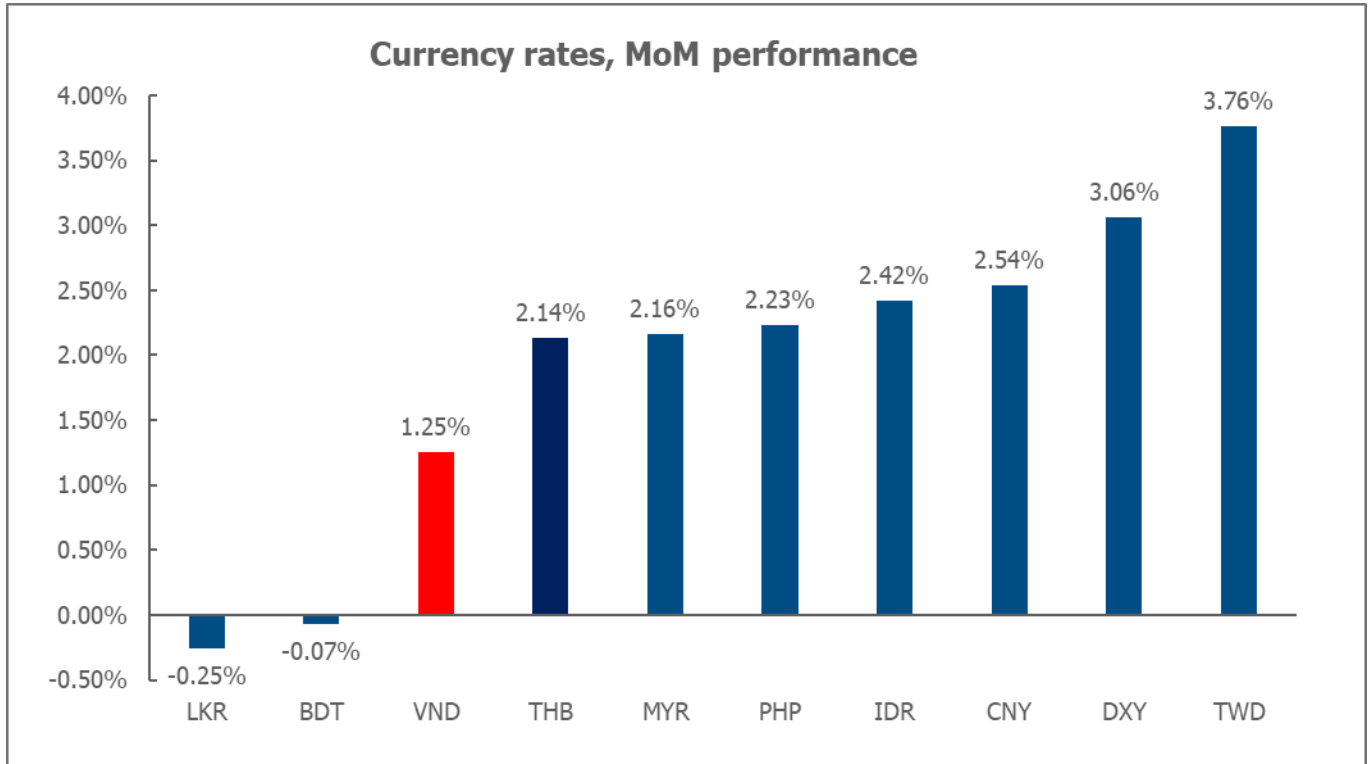
Source: FiinPro, Yuanta Vietnam

Please see the link for the full report: [https://yuanta.com.vn/wp-content/uploads/2023/11/Banks\\_CAMEL\\_3Q23\\_Updated.pdf](https://yuanta.com.vn/wp-content/uploads/2023/11/Banks_CAMEL_3Q23_Updated.pdf)

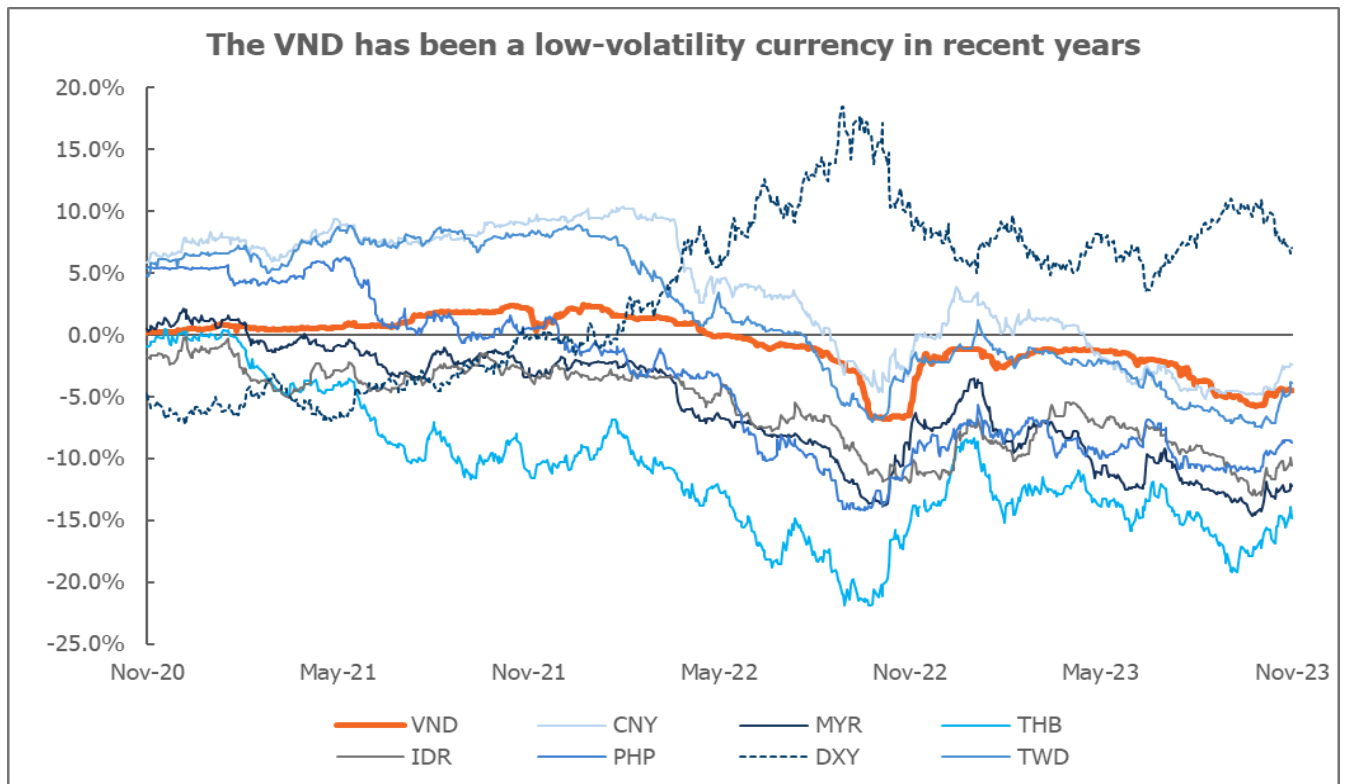
Sector performance YTD



Source: Bloomberg (data through Nov 30)



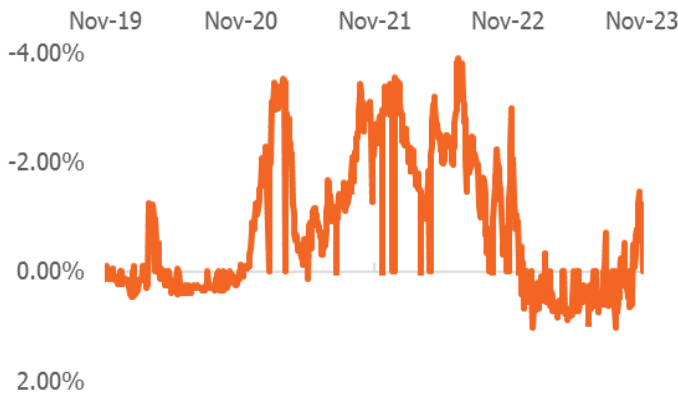
Source: Bloomberg (data through Nov 30)



Source: Bloomberg (updated to Nov 30)

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

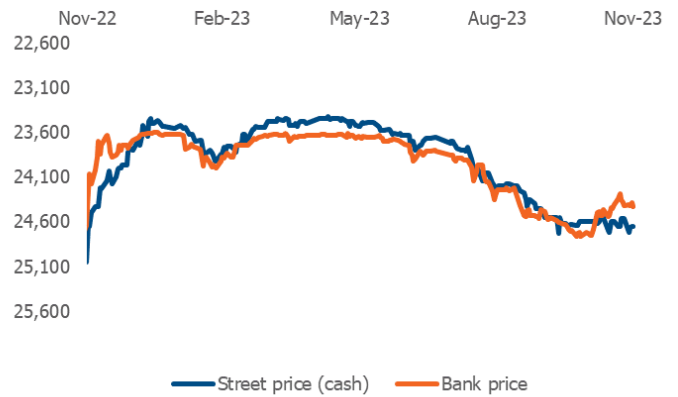
**Cash rate vs bank rate for buying USD with VND**



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

**Although the official VND rate appreciated more sharply (+1.3%) over the past month.**

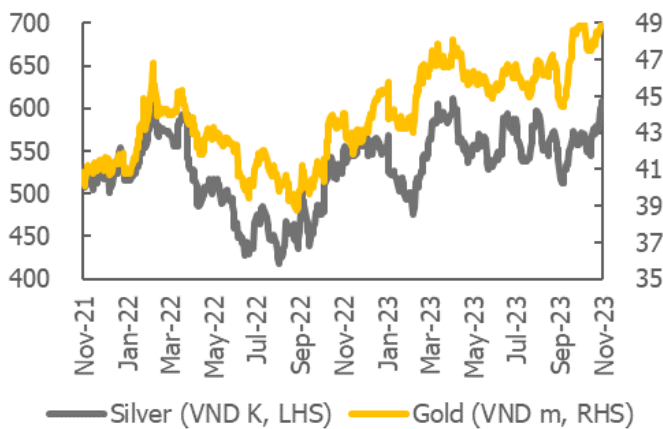
**VND rates to buy USD**



Source: FiinPro, Yuanta Vietnam

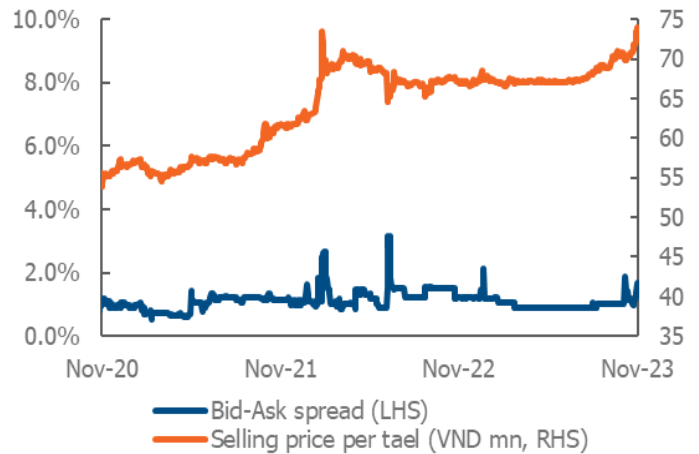
**Global gold prices have soared in USD terms, but are up less in VND terms.**

**Precious metals in VND terms**

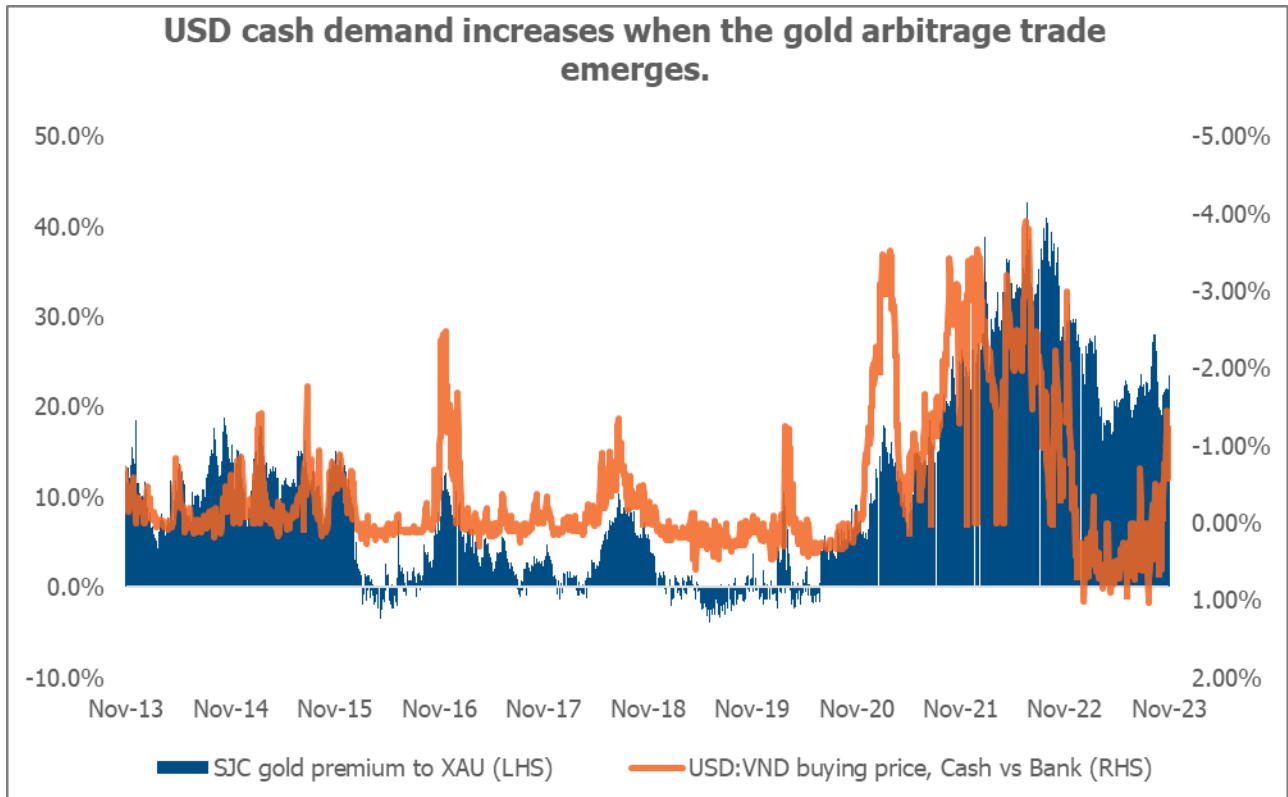


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

**SJC was unusually quick to rise the official gold price, so the arbitrage opportunities are limited.**



Source: FiinPro, Yuanta Vietnam



Source: FiinPro, Bloomberg, Yuanta Vietnam

# Macro Update – Domestic demand recovery story remains solid

--Binh Truong, Deputy Head of Research

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## Highlights of the GSO macro data for November

### Positives --

- Demand recovery extended into November.
- Retail sales of goods and services in Nov increased by +1.4% MoM and +10.1% YoY.
- November also saw improvements in most of the major manufactured export product segments.
- Exports to the US, the biggest export market by far, recovered impressively.
- Public investment remained solid, and is on track to achieve at least 80% of the full-year budget.
- Inflationary pressure has eased as oil prices declined.
- CPI remains low and is on track to fall well under the full-year target of 4.5%.

### Negatives --

- S&P Global's Manufacturing PMI declined steeply in November.
- New orders and export orders fell, and manufacturers have reduced their input purchases.
- Buyers are less willing to accept price increases, suggesting pressure on manufacturers' margins.
- Export manufacturing is led by FDI firms, which are not represented on the stock market, but the implications for employment – and thus consumer sentiment – are negative.

## Industrial production remains solid

The GSO reported sustained growth momentum in IIP as firms ramp up production and seek new business opportunities heading into Lunar New Year in February 2024.

**This is evidenced by the industrial production index (IIP), which increased by +3.0% MoM and +5.8% YoY in November**, extending on its positive momentum from October's growth of +4.1% YoY. Domestic demand should continue to pick up toward the festive yearend holidays, thus supporting industrial output in the next two months.

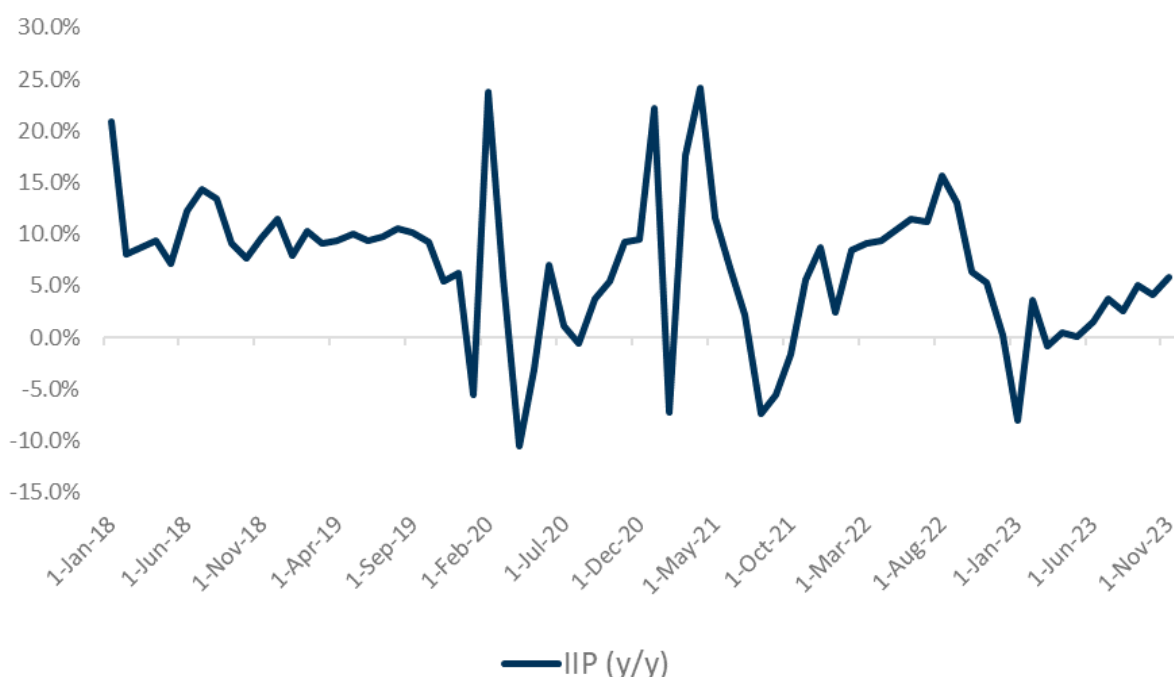
Blended IIP expansion in November was mainly driven by output in manufacturing (+6.3% YoY), electricity production and distribution (+9.2%YoY), and water supply (+3.3%YoY). The IIP was dragged by mining sector output, which declined by -3.8% YoY.

Sectors exhibiting strong growth in November include food manufacturing which posted growth of +10.7%YoY; followed by weaving (+18.2% YoY); apparel (+11.1%YoY); chemicals and chemical products (+12.9% YoY); basic metals (+26.0% YoY); and furniture (+28.5% YoY).

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## Uptick in industrial output continued in November

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Source: GSO

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As a result, YTD industrial output has finally clawed its way back to growth, with the 11M23 IIP increasing by +1.0% YoY. By sector, the composition of the 11M23 IIP was as follows: Output of (1) manufacturing increased by +1.1% YoY; (2) mining decreased by -2.8% YoY; (3) electricity production and distribution increased by +3.2% YoY; and (4) water supply and wastewater treatment increased by +4.9%.

On a more granular level, 1) 11M23 production of sugar increased by a whopping +35.1% YoY; 2) NPK fertilizer soared by +18% YoY; 3) tobacco grew by +10.5% YoY; 4) rolled steel increased by +9.1% YoY; 5) fresh milk expanded by +8.4% YoY; 6) artificial fiber grew by +7.6% YoY; 7) TVs increased by +7.0% YoY; 8) chemical paints increased by +5.9% YoY; 9) LPG (liquified petroleum gas) increased by +5.7% YoY; 10) steel increased by +5.5%; and 11) aluminum increased by +5.4%.

By contrast, production of several segments declined in 11M23: Output of 1) electronic products, computers, and optical products decreased by -1.3% YoY; 2) extraction of crude petroleum and natural gas decreased by -4.2%

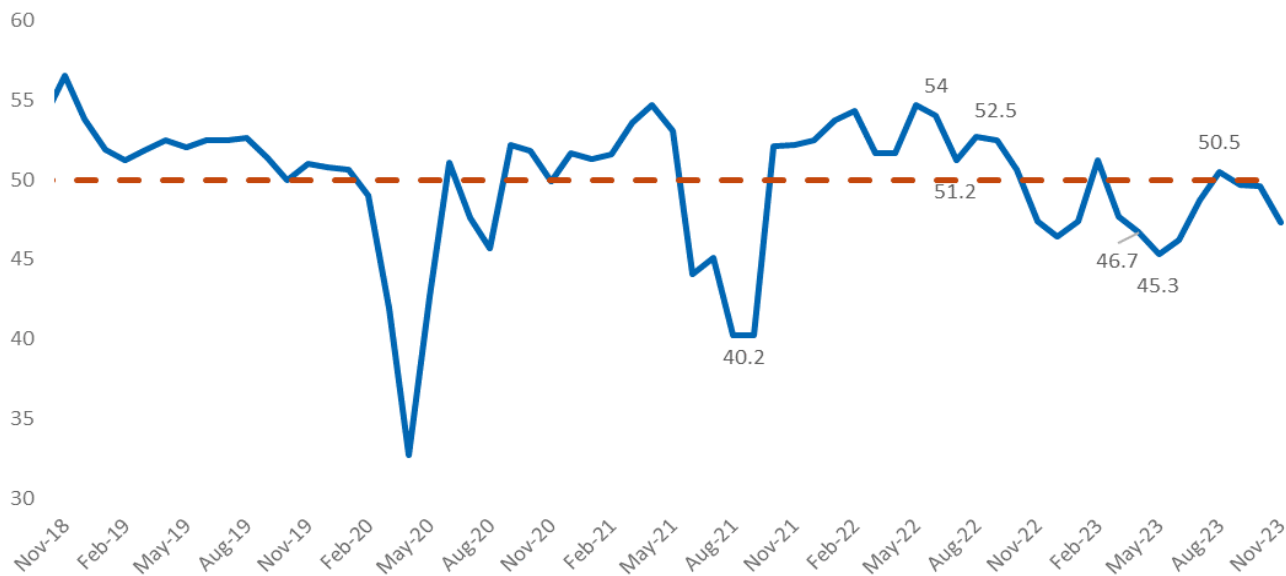


YoY; 3) other non-metallic mineral products decreased by -3.9% YoY; and 4) other transport equipment decreased by -9.0% YoY.

## Manufacturing PMI: contraction extended as new orders declined.

The S&P Global Manufacturing PMI for November came in at 47.3, the lowest reading in five months and 2.3 points lower than October's 49.6. This is the third month in a row of sub-50 PMI results, indicating contraction in industrial activity. New orders were down, and production output, employment, and input purchases fell as a results.

### The manufacturing PMI in November disappointed by dipping more steeply below 50



Source: GSO

New orders fell in November after three consecutive months of increases amid weak customer demand. New export orders also fell for the first time in four months. Survey respondents indicate that their customers are reluctant to pay increased prices for their products, suggesting compression on manufacturers' margins.

Amid the falling new orders, production declines, and drops in order backlogs, manufacturing firms reports that they are broadly scaling down their purchasing activities and employee hiring in November.

To some extent, the PMI reflects a coincident and as-expected weak 4Q 2023. Our sense from foreign OEMs is that they expect demand and new orders to pick up in 2024 in what for Vietnam are the key sectors -- electronics and apparel/footwear. But end-buyers are not purchasing finished merchandise inventory to prepare for 2H24 seasonal sales yet (i.e., back-to-school is still 10 months away, and Christmas 2024 is 13 months away).

Thus, the expected pickup in external demand is unlikely to show up in the industrial output numbers until at least 2Q24, when manufacturers should be restocking parts and materials to meet seasonal orders. At that point, we are likely to see imports of intermediate parts and materials increase in preparation for the 2H24 finished goods shipping season. Until then, industrial output may remain in the doldrums, but at least the YoY comparisons will start to look better starting in 1Q24, given the low base effect.

## Foreign trade: Exports to the US recovered

Vietnam recorded a USD1.28bn merchandise trade surplus in November as the net result of USD31.1bn in goods exports (+6.7% YoY, -3.6% MoM) and USD 29.8bn in merchandise imports (+5.1% YoY, +1.0% MoM). The GSO data indicates a substantial improvement in November for most of the major export segments.

In November, export turnover to the US, Vietnam's largest market, rose by +22% MoM (+16% YoY) to reach USD 9.4bn. This is good news for Vietnam's international trade position.

11M23 merchandise net exports reached USD25.8bn, a record high. 11M23 aggregate exports (merchandise only) remain in negative growth territory, but the YoY decline has been exhibiting a slowing pace. YTD merchandise exports in 11M23 declined by -5.9% YoY to reach USD322.5bn, an improvement from the -7.1% YoY decline of 10M23.

Thirty-three product items posted export turnover in excess of USD 1bn, accounting for 93.1% of total exports in 11M23; while 7 items recorded export turnover in excess of USD 10bn YTD. Specifically, electronics, computers, and parts exports expanded by +1.3% in 11M23, indicating continued positive momentum following the 10M23 increase of 0.7% (as turnover in November rose by +9% MoM).

### Largest export items in 11M23 recorded substantial decline

	Estimated 11M23 export turnover (USD mn)	November % MoM growth	11M23 YoY growth (%)	10M23 YoY Growth (%)
<b>Above USD10bn export turnover</b>				
Electronic goods, computers and parts	51.421	+9.4	+1.3	+0.7
Mobile phones and parts	48.827	+10.9	-11.0	-12.6
Machinery, instrument, accessory	39.397	+10.9	-6.2	-7.1
Textiles and garments	30.271	+8.9	-12.7	-12.5
Footwear	18.243	+13.7	-17.2	-20.2
Means of transport and components	12.562	+8.5	15.6	+18.1
Wood and products	12.110	+11.9	-17.6	-19.9

Source: GSO

Some 41 items saw import turnover exceed USD 1bn in 11M23, accounting for 92.2% of total imports in that period. Three product items recorded import turnover in excess of USD 10bn – electronics, machinery, and fabric, all of which are inputs for downstream export manufacturing.

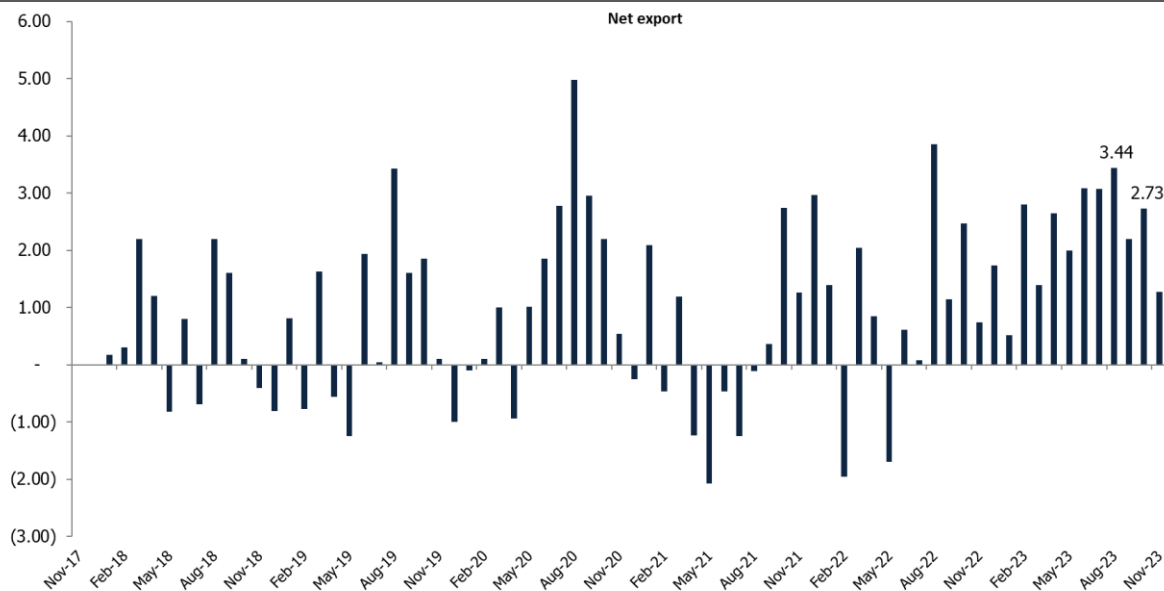
### Electronics, computers and parts remain the largest import products in 11M23

	Estimated 11M23 import turnover (USD mn)	11M23 growth... (%) YoY
<b>Above USD10bn export turnover</b>		
Electronics, computers, and parts	79,189	+4.1
Machinery, instruments, and accessories	37,526	-9.8
Fabric	11,761	-14.0

Source: GSO

Going forward, we see some risk for export growth as manufacturers report declining new orders, and stocks for Christmas 2023 had basically been fully delivered by October.

## Vietnam recorded a merchandise trade surplus of USD 25.83bn in 11M23



Source: GSO

## Public investment: Dual engine remains intact

**Public investment has reached 75% of the annual target by November**, confirming our forecast that the government should fulfill 80-82% of the annual investment budget in 2023 now that we are in the final month of the year.

State investment disbursements reached VND70.3tn in November, up +19.9% 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. The November figure brought 11M23 public investment to VND549.1 trillion, up by +22.1% YoY (faster than the 11M22 growth of +20.9% YoY) and fulfilling 75% of the government's full-year budget.

Specifically, investment by the central government reached VND 99.4 trillion in 11M23, 74.6% of budget and up by +25.1% YoY. Investment by provincial governments reached VND 449.7.5 trillion, 75.1% of the annual budget and up by +21.5% YoY.

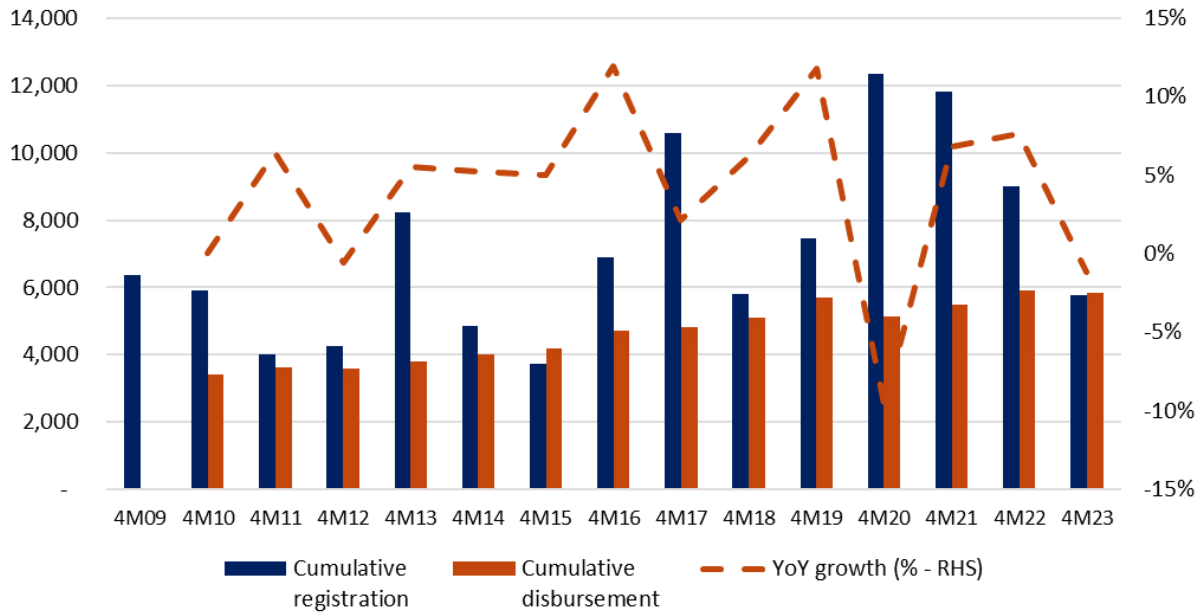
**On a separate note, FDI disbursements remain stable YTD while pledged FDI has expanded by +15% YoY.**

Disbursed FDI in 11M23 has reached USD 20.25bn, up by +2.9% YoY. This modest level of growth is acceptable given the various macro uncertainties, including global inventory positions and USD strength / pressure on the VND.

Manufacturing FDI accounts for 82.3% of the total 11M23 disbursed FDI, or USD16.7bn. Property accounts for 4.9% of the FDI mix (USD982.6mn); while gas, hot water, steam, and air-conditioning FDI (USD 1.2bn) accounts for 6% of total disbursed FDI in 11M 2023 YTD.

Growth in total registered FDI looks more promising than that of disbursements, as the former figure surged by +14.8% YoY to USD28.9bn. Specifically, newly registered FDI reached USD16.4bn, up by an impressive +42.4% YoY; whereas additional FDI registrations dropped by -32.1% YoY to just USD 6.5bn. By (positive) contrast, the number of newly registered FDI projects reached 2,865, up by +58.1% 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 has been flattish but is still positive in 11M23



Source: GSO

Retail spending growth picked up impressively in November

GSO described consumer commerce as “busy” in November, as Vietnamese individuals preparing for the festive Tet / Lunar New Year season in early February. Retail sales of goods and services in November reached VND 552.7tn, up by +1.4% MoM and by +10.1% YoY. This is impressive growth that illustrates the buildup in retail sales momentum in recent months, following September (+2.4% YoY) and October (+7.0% YoY).

Blended retail sales were underpinned by hospitality and catering services revenue, which grew by +18.3% YoY to reach VND60.5tn (11% of total retail sales) -- driven by the ongoing recovery in international visitor arrivals. Notably, the GSO reported the number of international arrivals to Vietnam reached 1.2 million in November, up +10.9% MoM and +2.1 times higher YoY.

Merchandise receipts rose by +9.1% YoY in November (up from +6.7% YoY in October) to reach VND 425.0tn, representing 78% of total retail sales.

## Retail sales growth picked up impressively in October



Source: GSO

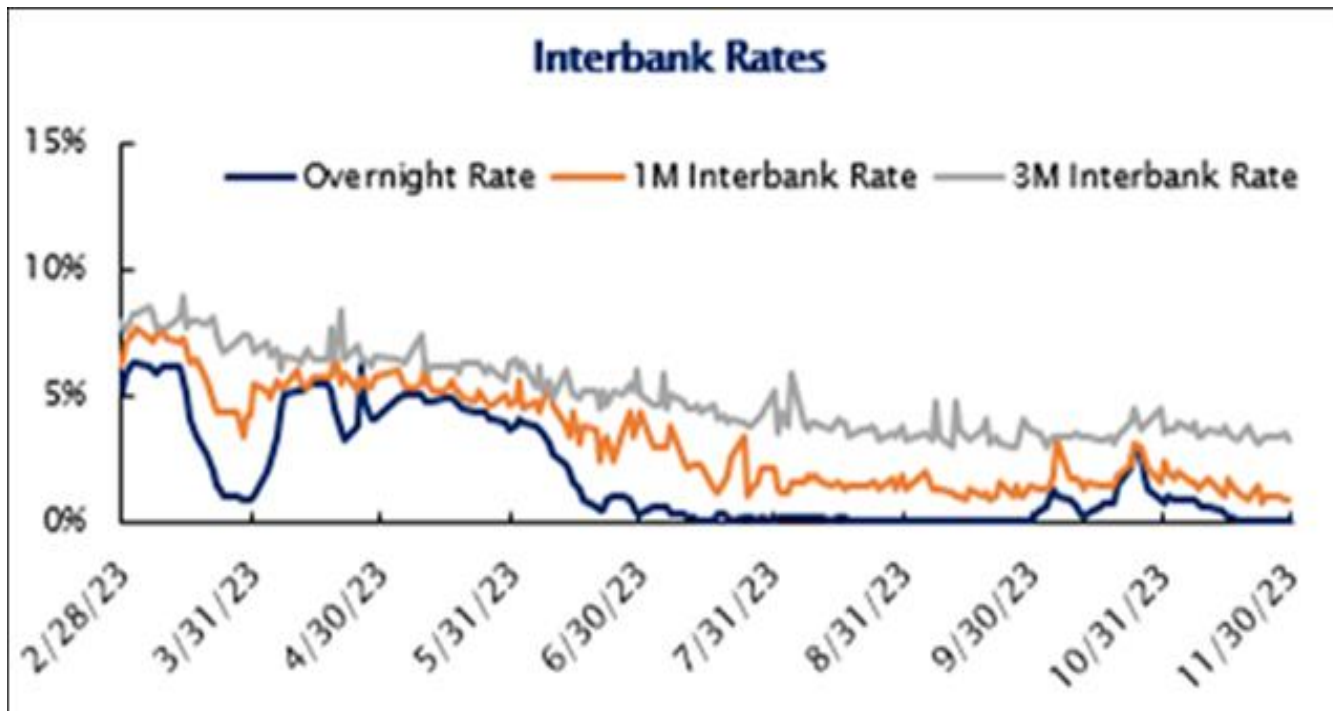
For 11M23, total retail sales (i.e., goods and services) rose by 9.6% YoY in 11M23 (for real growth of +7.0% YoY) to reach VND5,667 trillion (USD 237 billion). This was driven in part by +15.3% YoY growth in hospitality and catering receipts, which reached VND 616.0tn to account for 10.9% of total retail sales.

The GSO estimates that revenue from tourism and travel reached VND34 tn in 11M23, +50.5% YoY. But this figure only accounts for 0.6% of total retail sales –a rather low number that we would argue is due to the classification system in which tourist spending in stores / restaurants is not included in the official data on tourism industry receipts.

In addition, merchandise receipts in 11M23 reached an estimated VND 4,420 tn, up +8.6% YoY (real growth +6.8%), accounting for 78% of total retail sales. Cultural and educational product receipts increased by +14.7% YoY; food spending increased by +11.4% YoY; and spending on garments increased by +7.6% YoY.

The 2ppt VAT cut will be extended to 1H2024. This is good news for retailers, in our view, albeit an incremental positive and not a game changer. Meanwhile, bank deposit rates remain low, and banking system liquidity has eased again after the SBV stopped issuing bills on 9 November (following a six-week period of tightening). Retail sales have benefited from relaxed fiscal and monetary policies.

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



Source: SBV

## Inflationary pressure decelerating

According to the GSO, inflation cooled off in November with CPI up only slightly by +0.25% MoM and by +3.45% YoY. Eight of the 11 items in the CPI basket posted increased prices in November, but most of these were minor increases, notably:

- Medical products (5.39% of the basket) rose by +2.9% MoM, as outpatient service fees rose by +2.9% MoM while inpatient service fees rose by +5.1% MoM during the month.
- Education (6.17% of the basket) rose by +0.38% MoM as tuition fees rose across the country.

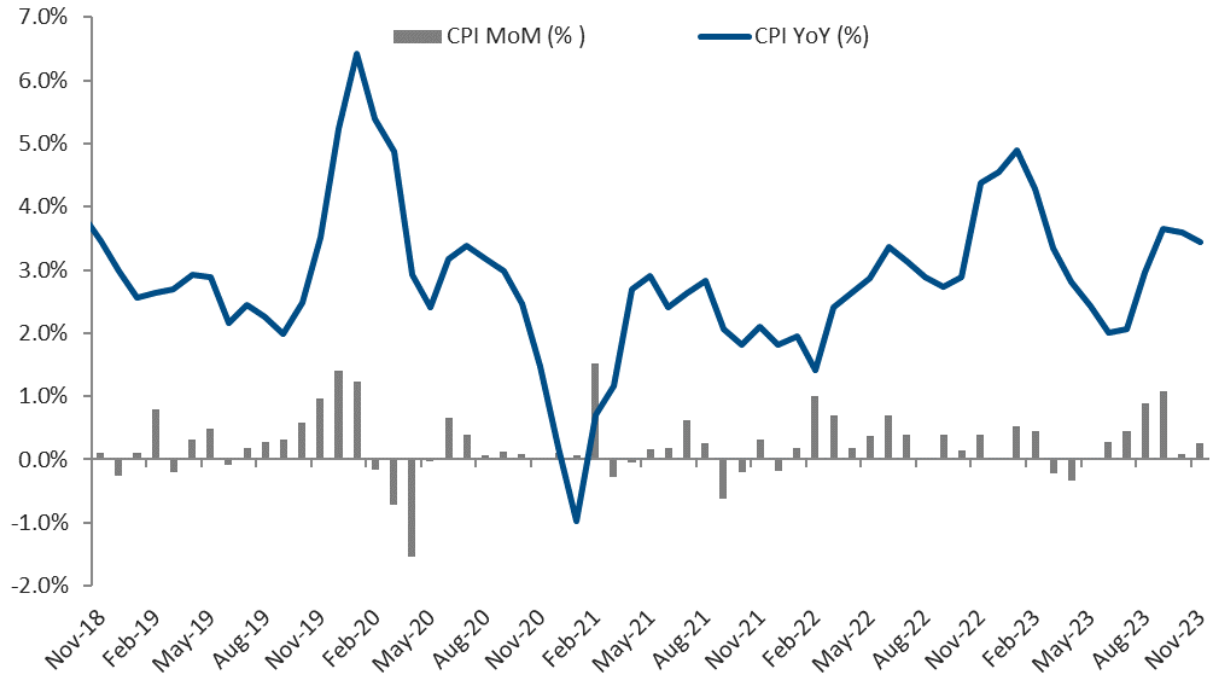
By contrast, two of the 11 items in the CPI basket posted reduced prices in August:

- Transport (9.67% of the CPI basket) prices decreased by -0.01% MoM as petroleum prices dropped by -1.4% in the period.
- Telecom (3.14% of the CPI basket) prices decreased by -0.11% MoM due to cratering smartphone prices.

Without any meaningful doubt, the government is set to achieve its annual CPI target (i.e., an average of +4.5%) given that the 11M23 average CPI is only +3.2%.

**Upside risks for inflation appear to have eased.** Last month, we discussed our concerns about upside risk for CPI, where we saw potential upside risk from rising oil and rice prices as well as VND weakness heading into yearend. We now think these risks have eased. Although rice prices rose by another +3.16% MoM in November, pork belly prices slid by -1.57% MoM. In addition, global oil prices have declined sharply with Brent now trading at USD78 per barrel in early December (-8.7% MoM). The softening in the US dollar (and +1.3% MoM increase in the VND cross rate) also suggest reduced inflationary pressures going forward.

Consumer price inflation eased



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
<b>Banks</b>	ACB VN	5.5	5.5	4.5	43.2	(1.2)	24.0	0.1	n/a	0.2	1.3	1.2	1.0	26.2	23.9	24.4	2.4	2.4	2.6
	BID VN	12.4	10.6	8.9	81.0	16.9	19.6	0.2	0.6	0.5	1.9	1.6	1.4	16.6	16.3	16.7	0.9	1.0	1.1
	HDB VN	5.8	5.6	4.3	28.2	5.0	30.1	0.2	1.1	0.1	1.2	1.2	1.0	22.2	22.0	23.8	2.1	2.2	2.3
	MBB VN	4.9	4.9	3.9	16.0	(0.3)	25.9	0.3	n/a	0.2	1.1	1.0	0.8	24.3	22.4	23.1	2.7	2.6	2.9
	STB VN	10.3	7.8	4.8	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	14.5	14.3	10.5	39.9	2.1	36.4	0.4	7.0	0.3	3.0	2.9	2.3	22.5	22.1	24.4	1.9	1.9	2.3
	VPB VN	7.0	7.8	5.9	54.0	(9.9)	31.5	0.1	n/a	0.2	1.3	1.2	1.1	19.1	15.3	18.1	2.9	2.1	2.4
<b>Brokers</b>	HCM VN	15.7	18.0	16.4	(32.8)	(12.7)	9.5	n/a	n/a	1.7	1.7	1.7	1.6	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	21.0	13.9	13.0	(56.1)	51.3	6.7	n/a	0.3	1.9	2.1	1.9	1.7	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	21.2	17.7	15.7	(55.7)	19.5	13.2	n/a	0.9	1.2	2.8	2.5	2.3	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	23.9	15.0	14.9	(65.1)	59.3	1.0	n/a	0.3	14.6	1.9	1.8	1.7	10.0	12.8	12.1	3.0	4.6	4.4
<b>Energy</b>	PVD VN	(135.3)	9.7	6.2	n/a	n/a	57.0	n/a	n/a	0.1	0.8	0.8	n/a	n/a	8.8	13.2	n/a	0.1	3.2
	NT2 VN	13.0	7.8	10.2	(14.6)	65.5	(23.0)	n/a	0.1	n/a	1.8	1.8	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	14.0	7.1	6.7	(31.9)	97.5	5.5	n/a	0.1	1.2	1.0	0.9	n/a	13.7	14.2	13.1	4.8	5.9	6.5
<b>Consumer</b>	MSN VN				20.9	4.2	-	n/a	n/a	n/a	1.3	1.2	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	15.4	16.3	13.0	25.5	(5.3)	24.8	0.6	n/a	0.5	2.3	2.2	2.1	21.4	19.3	22.5	15.1	13.9	15.9
	DGW VN	9.4			17.8		-	0.5	n/a	n/a	2.0	2.0	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	31.1	106.3	30.1	(12.0)	(70.8)	252.9	n/a	n/a	0.1	5.9	6.8	n/a	19.4	6.8	19.9	3.8	1.2	3.8
<b>Oil &amp; GAS</b>	POW VN	14.7	10.5	9.6	5.6	40.0	10.0	2.6	0.3	1.0	0.9	0.9	n/a	5.9	7.6	7.8	3.5	4.7	4.8
<b>Property</b>	KBC VN	5.6	4.0		91.0	40.0	-	0.1	0.1	n/a	1.2	1.0	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	13.2	6.7		(22.0)	97.0	-	n/a	0.2	n/a	1.3	1.2	n/a	9.0	15.0	-	4.0	6.0	-
	KDH VN	20.3	29.1	16.6	(18.0)	(30.0)	75.0	n/a	n/a	0.2	1.9	1.9	1.8	10.0	6.0	11.0	6.0	4.0	6.0
	NLG VN	27.5	24.2	25.3	(57.0)	13.0	(4.0)	n/a	1.9	n/a	1.6	1.5	1.5	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	6.2	6.0	7.1	(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	18.1	12.2	12.2	111.4	48.7	(0.5)	0.2	0.2	n/a	1.5	1.4	1.3	8.7	12.2	11.0	6.9	9.5	8.7
<b>Transport</b>	ACV VN				-	-	-	n/a	n/a	n/a	2.8	2.5	n/a	11.0	12.6	-	5.2	5.3	-
<b>Industrials</b>	DHC VN	7.1	5.4	3.7	(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	10.8	8.7	6.1	17.0	24.9	41.7	0.6	0.3	0.1	1.8	1.6	n/a	18.8	20.6	25.5	8.6	10.6	14.7
<b>Technology</b>	FPT VN	24.1	19.7	15.1	22.9	22.0	30.5	1.1	0.9	0.5	4.6	4.0	3.4	22.7	23.9	15.3	10.1	11.6	13.3

Stock ratings and pricing data is as of close on Nov 30 2023

Source: Bloomberg, Yuanta Vietnam



## Appendix A: Important Disclosures

### Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

### Ratings Definitions

**BUY:** We have a positive 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 add to their position.

**HOLD–Outperform:** In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

**HOLD–Underperform:** In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

**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.

**Under Review:** We actively follow the company, although our estimates, rating and target price are under review.

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