

Strategy Monthly: Exit the Cat

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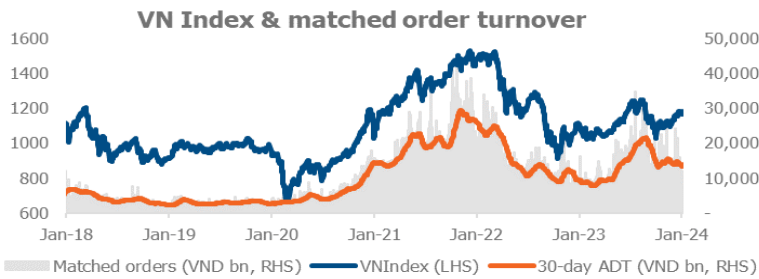
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The VNI posted a solid +3% MoM gain in January and is currently (Feb 7) up 5.6% YTD after carving out a Golden Cross on Feb 5. A fortuitous-sounding +8.8% upside is all that remains for the VNI to reach our 2024 index target of 1298 – a gap that could be covered quickly in a probable post-Tet rally. The technical indicators are mostly positive and improving, driven by the YTD strength in the banks. These facts suggest upside risk to our VNI target, but in the absence of substantial structural market improvements (KRX? Prefunding?), we'll stick with it for now.



Monthly Index Performance

- **VNINDEX:** 1164 (+3.0% MoM / +3.0% YTD / +4.8% YoY)
- **VHINDEX:** 229 (-0.8% MoM / -0.8% YTD / +3.0% YoY)
- **UPCOM Index:** 88 (+0.7% MoM / +0.7% YTD / +15.6% YoY)
- **Average daily turnover:** US\$767mn (+1% MoM)
- **Foreigners net bought US\$47.5mn** in Jan.
- **VND:USD rate:** 24,428 (-65bp MoM / -65bp YTD / -4.0%YoY)

VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	25.8	7.7%	16%	6
BCM	65.3	3.8%	0%	29
BID	47.7	9.9%	3%	13
BVH	40.5	2.5%	0%	18
CTG	31.6	16.6%	10%	9
FPT	95.7	-0.4%	-1%	19
GAS	75.4	-0.1%	0%	14
GVR	22.4	5.7%	0%	38
HDB	21.8	7.4%	8%	6
HPG	27.8	-0.7%	-1%	24
MBB	21.8	16.6%	24%	5
MSN	64.4	-3.9%	-4%	224
MWG	45.0	5.1%	6%	397
PLX	34.6	0.3%	0%	13
POW	11.4	0.9%	0%	17
SAB	56.3	-8.5%	-2%	18
SHB	11.6	7.4%	6%	6
SSB	22.9	-4.2%	-3%	17
SSI	34.4	4.9%	4%	23
STB	29.9	7.0%	9%	7
TCB	34.6	8.6%	16%	7
TPB	17.9	2.6%	1%	9
VCB	88.5	10.2%	13%	15
VHM	41.5	-3.9%	-5%	5
VIB	20.8	8.9%	6%	6
VIC	42.5	-4.7%	-5%	76
VJC	104.6	-3.1%	-2%	143
VNM	67.0	-0.9%	-1%	17
VPB	19.4	1.0%	3%	13
VRE	22.5	-3.6%	-2%	12

Source: Bloomberg, Yuanta Vietnam. Price date: Jan 31, 2024

January breadth was positive for large caps (banks) but neutral for the market overall (p.17-20). January ADT was quite solid at US\$767mn considering the long runup to Tet. Our call for a pre-LNY Golden Cross was vindicated on Feb 5, when the 50-day MA broke out above the 200-day MA (see p.4-5). In addition, foreigners were net buyers of Vietnam stocks for the first time in 10 months during January (p.8-11).

Two risks to consider. Portfolio managers should be aware that margin loans reached a historical high of 7.8% of the market capitalization of freely floating shares at end-4Q23 (p.12-16). Also, the soft VND in Jan actually outperformed most ASEAN currencies, but be mindful of the potential impact of capital flight given interest rate differentials (p.34-37).

Legalize it. The amended laws governing banks (p.27-28) and property (p.29-30) dominated mindshare in January. We think the Land Law changes may benefit the largest property developers. But based on our discussions, the developers are largely taking a wait-and-see approach to the new regulations, most of which only come into effect over the course of the year. As always, the devil is in the details of regulatory implementation.

MWG Initiation (BUY) – [The Hero's Journey](#). As per Joseph Campbell's monomyth, MWG has passed through the ordeal of an extremely tough 2023. But assuming these [dismal results](#) will continue forever would be a mistake, in our view. Management's demonstrated ability and willingness to course correct is likely to bear fruit in 2024E and beyond (see p.21-26).

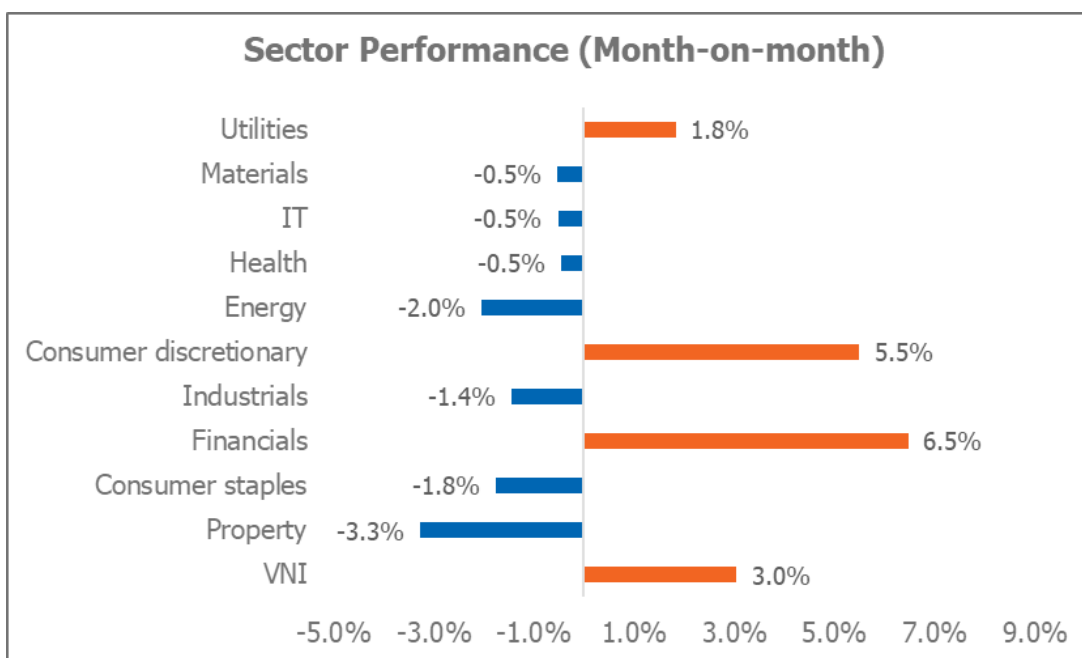
Macro: Cheerleading is nice, but don't take it too seriously. Industrial output (+18% YoY) soared in January, generating excitement among the punditry. However, Lunar New Year is a big thing in this part of the world, and Tet was smack in the middle of Jan 2023, which set up an extremely low base. We'll have to wait for 2M23 data (at end-Feb) for a better view of the strength of the economy. The good news: The PMI is back in positive territory, and we remain sanguine on economic recovery in 2024 (p.37-44).

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	4,095	8.2	BUY	25,750	28,510	11%	3.9%	15%
	BIDV	BID VN	11,132	2.2	HOLD-Underperform	47,700	37,963	-20%	0.0%	-20%
	HD Bank	HDB VN	2,582	5.9	BUY	21,800	22,390	3%	4.6%	7%
	MB Bank	MBB VN	4,643	9.8	BUY	21,750	25,260	16%	2.3%	18%
	Sacombank	STB VN	2,308	20.3	HOLD-Underperform	29,900	33,575	12%	0.0%	12%
	Vietcombank	VCB VN	20,251	4.5	BUY	88,500	99,420	12%	0.9%	13%
Brokers	Vietnam Prosperity Bank	VPB VN	6,302	8.6	BUY	19,400	25,540	32%	5.2%	37%
	HCM City Securities	HCM VN	818	8.1	BUY	26,500	33,805	28%	3.0%	31%
	Saigon Securities	SSI VN	2,111	28.0	BUY	34,400	32,187	-6%	1.1%	-5%
	Viet Capital Securities	VCI VN	768	10.0	BUY	42,900	45,580	6%	2.3%	9%
Energy	VNDirect Securities	VND VN	1,087	19.7	BUY	21,800	24,019	10%	2.1%	12%
	PV POW	POW VN	1,088	2.3	BUY	11,350	16,877	49%	0.0%	49%
	PV NT2	NT2 VN	303	0.7	SELL	25,700	19,318	-25%	7.8%	-17%
Consumer	PCC1	PC1 VN	381	3.2	BUY	29,900	34,123	14%	0.0%	14%
	Masan Group	MSN VN	3,773	5.6	Suspended	64,400	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,253	3.0	BUY	91,500	90,200	-1%	1.5%	0%
	Digiworld	DGW VN	370	3.2	Suspended	54,100	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	639	2.0	BUY	114,600	100,607	-12%	0.9%	-11%
Oil & GAS	Mobile World Group	MWG VN	2,694	15.3	BUY	45,000	59,300	32%	0.0%	32%
	PV Drilling	PVD VN	627	4.8	BUY	27,550	36,103	31%	2.5%	34%
Property	Kinh Bac City	KBC VN	951	9.1	BUY	30,250	38,300	27%	0.0%	27%
	Dat Xanh Group	DXG VN	539	13.4	BUY	18,500	40,500	119%	0.0%	119%
	Khang Dien House	KDH VN	1,011	2.0	BUY	30,900	36,200	17%	0.0%	17%
	Nam Long	NLG VN	607	3.8	HOLD-Underperform	38,500	37,800	-2%	1.3%	-1%
	Novaland	NVL VN	1,333	15.4	Coverage Suspended	16,700	-	-	-	-
	Vinhomes	VHM VN	7,398	11.4	BUY	41,500	76,900	85%	0.0%	85%
Transport	Vincom Retail	VRE VN	2,089	4.4	BUY	22,450	38,000	69%	0.0%	69%
	Airports Corp Vietnam	ACV VN	6,899	0.4	HOLD-Underperform	77,400	76,400	-1%	0.0%	-1%
Industrials	Dohaco	DHC VN	139	0.4	BUY	42,300	63,571	50%	8.5%	59%
	Biwase	BWE VN	337	0.2	BUY	42,700	70,902	66%	4.7%	71%
Technology	FPT Corporation	FPT VN	4,976	7.3	BUY	95,700	120,740	26%	2.1%	28%

*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 Jan 31 2024

Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Jan 31)

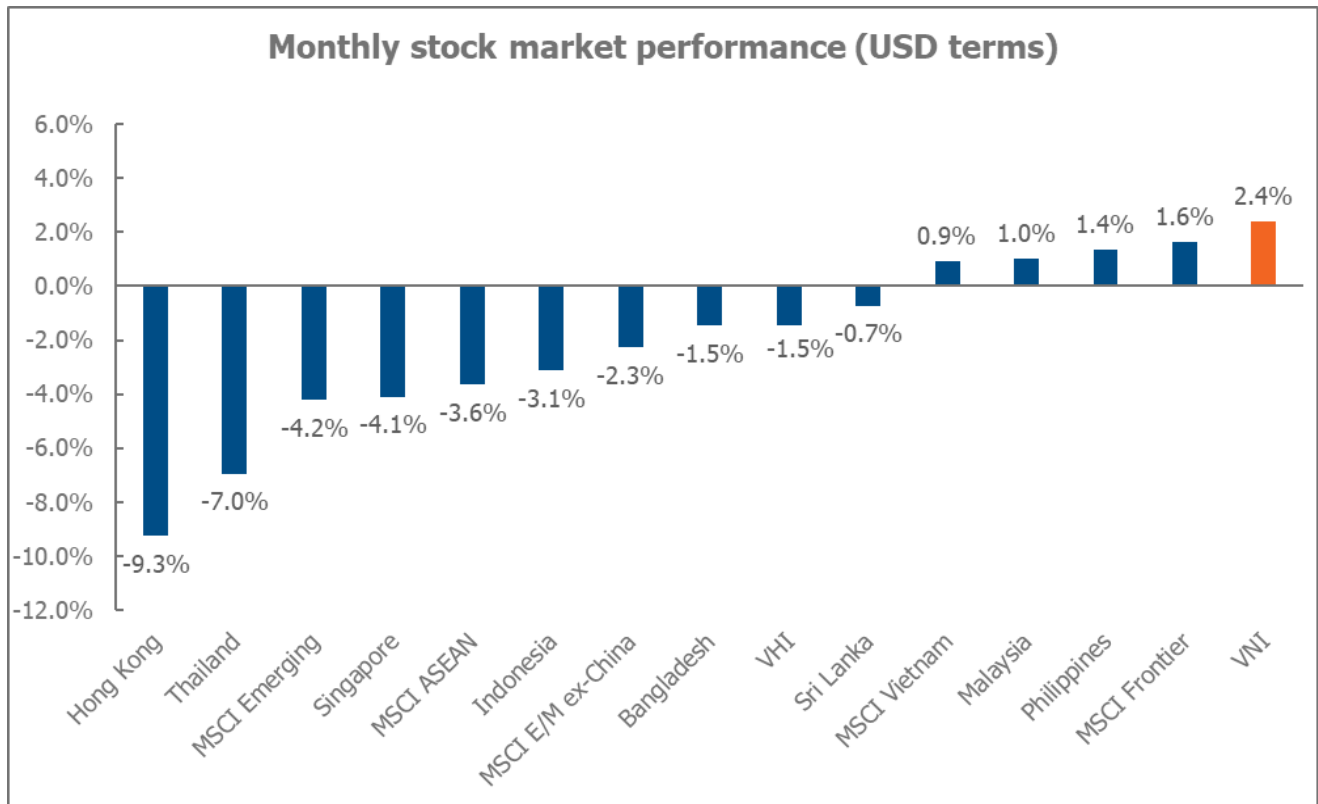
“She comes out of the sun in a silk dress running like a watercolor in the rain. Don’t bother asking for explanations she’ll just tell you that she came, in the Year of the Cat”.

— Al Stewart (b.1945 and alive & well in 2024)

Fundamentals vs. Technicals: In a country where they turn back time

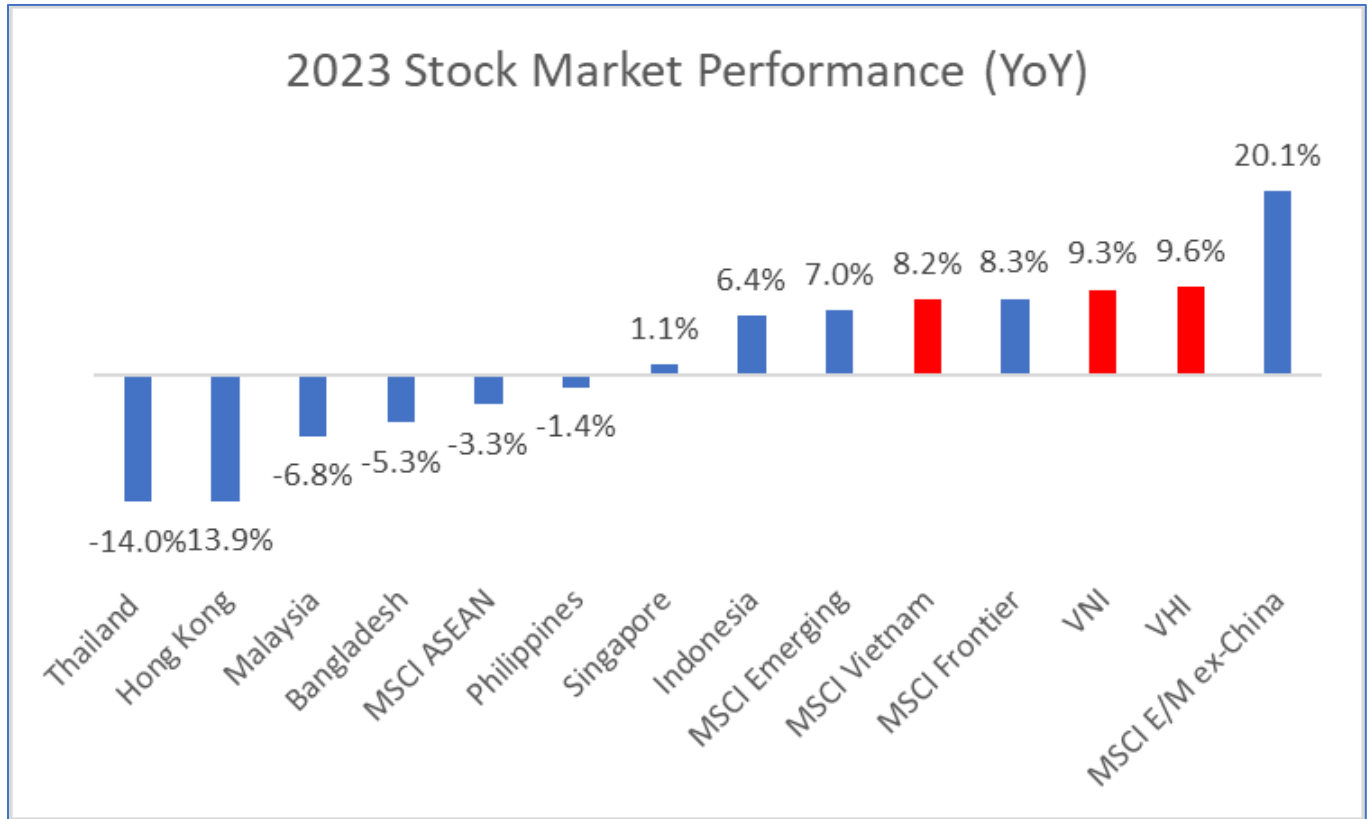
Vietnam stocks posted a solid January, with the mainboard VNI increasing by +3.0% MoM in local currency terms and +2.4% MoM in USD terms. As illustrated in the chart below, that was a better return than you would have received in any of the ASEAN peers, +1.2ppt above the Frontier Markets index (of which Vietnam is the largest component) and 1.5ppt better than the MSCI Vietnam Index, which is dominated by open-FOL shares that didn’t exactly crush it in January.

The January result in USD terms thus outperformed the region, with only Malaysia (+1.0%) and the Philippines (+1.4%) in positive territory while Indonesia (-3.1%), Singapore (-4.1%), and especially Thailand (-7.0%) all fell during the month. We aren’t particularly well placed to argue for a super-bullish view on Hong Kong, but from a PA perspective the -9.4% MoM decline in the HSI (and Hang Seng Bank at 0.9x P/B) has at least drawn our attention.



Source: Bloomberg (data is as of Jan 31)

The January gains built on Vietnam’s outperformance vs. most of its peers in 2023. As a reminder, the VNI gained a +9.3% YoY gain in US dollar terms, substantially better than the -14% losses in both Thailand and Hong Kong and the single digit percentage declines in the other ASEAN markets. The VND’s full-year 2.6% depreciation obviously dented its US dollar returns in 2023, but this phenomenon was quite widespread given the strength of the US dollar during the year.



Source: Bloomberg (data is as of Dec 29, 2023)

Technicals look very promising heading into the Year of the Dragon. Our short-term bullish market trading call for a Golden Cross before Tet was confirmed as of the close on February 5, when the 50-day moving average crossed up above the 200-day MA under reasonably strong volume for a pre-Holiday trading day.

That cross closes out the bearish technical pattern that set in on November 28, 2024, when the VNI posted a so-called “Death Cross” when the 50-day moving average falling to below the 200-day MA.

We’ve put that in quotes here because in retrospect, and to our surprise, November 28 was actually a great time to buy the market. The VNI went on to trade higher for most of December, and the mainboard has returned +8.5% in the subsequent 10 weeks (as at the close of February 6).

As stated, the technical indicators look very solid overall heading into the Year of the Dragon.

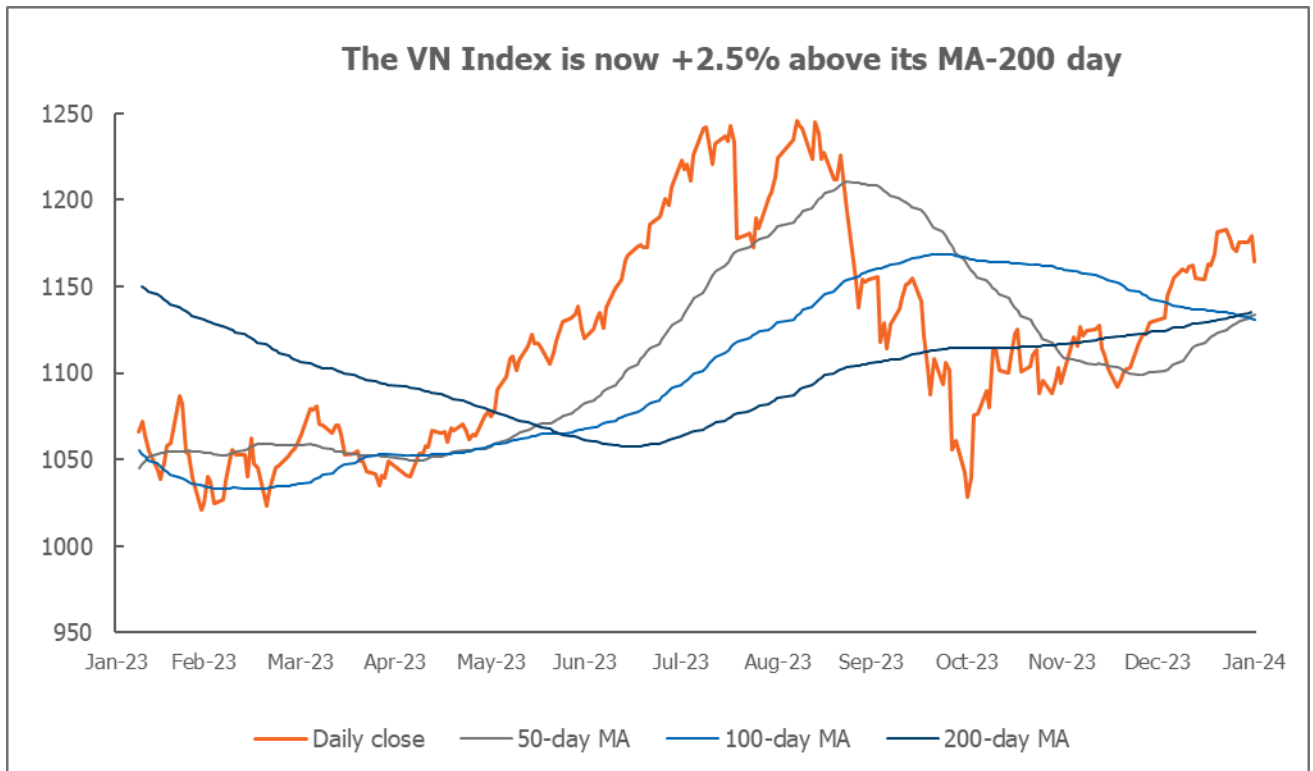
- 1) **The Golden Cross of February 5 is a highly bullish signal**, especially given that both the 50-day MA and the 200-day MA are moving higher on a daily basis. At this point, the 100-day MA is still losing ground, but we expect it to flatten and start moving higher again within the next few trading days.
- 2) **History is not destiny**, and past performance does not necessarily indicate the future. But we think it is worth remembering that the VNI returned 11.5% in the two months following its most recent Golden Cross on June 15 of last year.

Going a bit further back, the VNI’s previous Golden Cross occurred in September 2020 and was followed by +84% gains over the next 15 months. On the other hand, the Golden Cross of March 19, 2019 turned out to be a dud as a stock market momentum indicator – so *caveat emptor*.

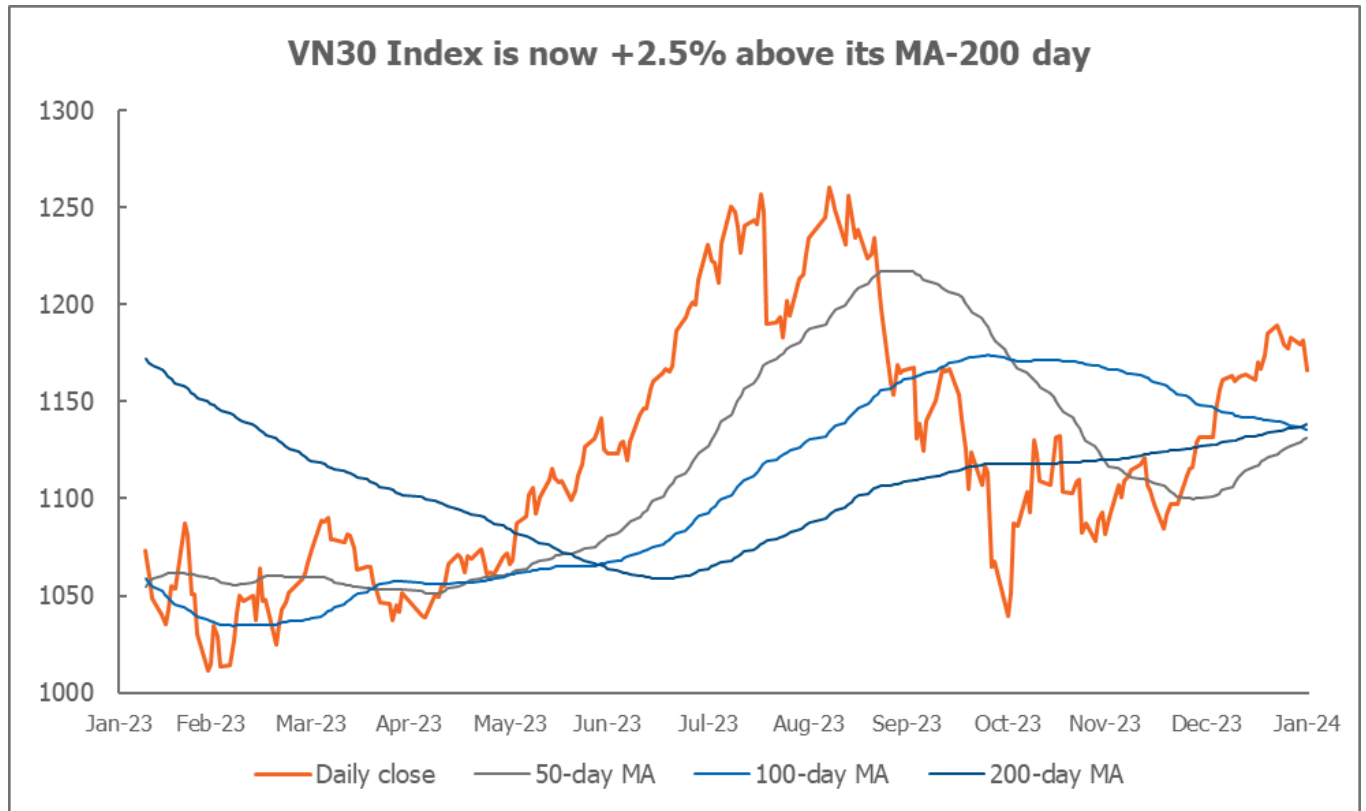
3) Mostly boring is still (mostly) good. The mainboard posted its worst daily trading result in three months on January 31, which was also the highest day of stock market transaction volumes (US\$1.1bn) of 2024 so far.

We are still wary of the trend since August of spiking volumes on market sell-off days. But Jan 31 just barely qualifies as a sell-off given that the VNI was only down -1.3% DoD. The fact that this was the biggest daily move of the year really illustrates how low the volatility has become for the mainboard index, which has only posted daily fluctuations of more than 1% DoD on three days of 2024 so far: Jan 3 (+1.2%), Jan 4 (+1.0%), and Jan 31 (-1.3%).

Note that we're talking about the index here – specific stocks have exhibited greater volatility than the index moves might suggest.



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



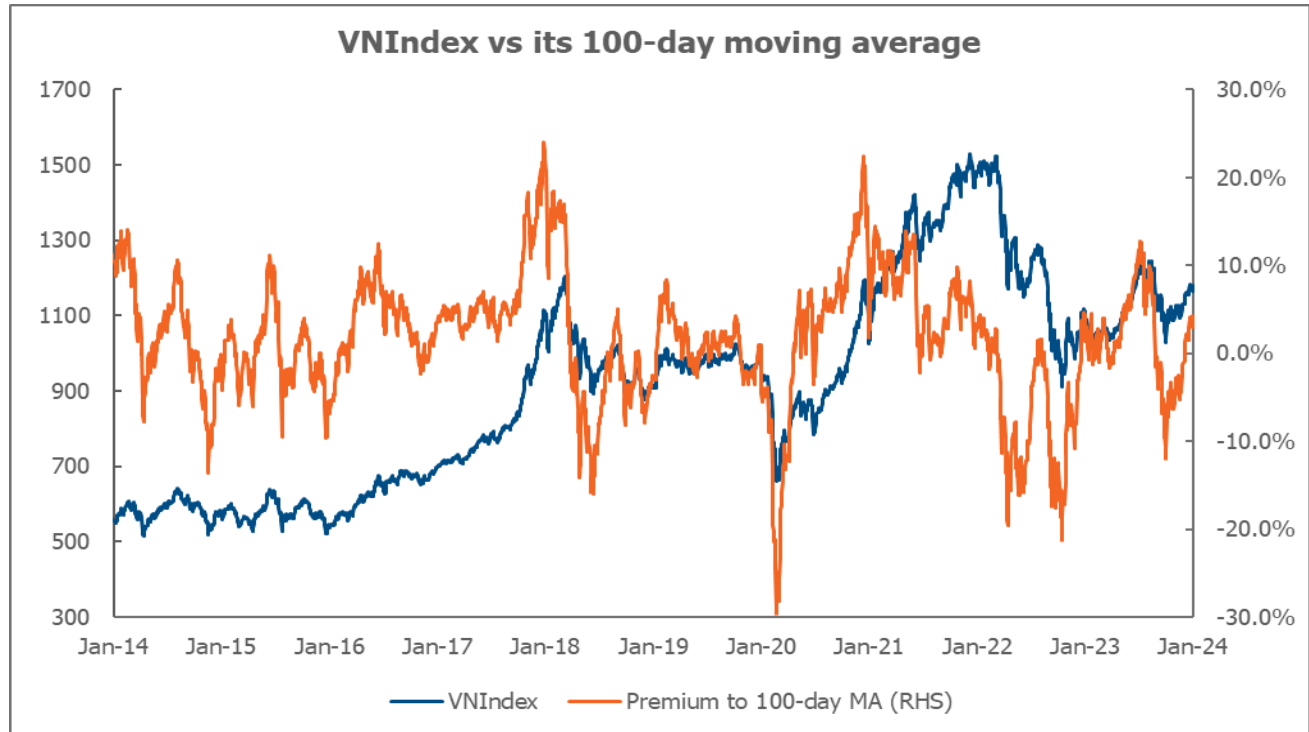
Source: Bloomberg, Yuanta Vietnam (data is as of Jan 31)

See the links below to revisit our weekly strategy reports over the past month:

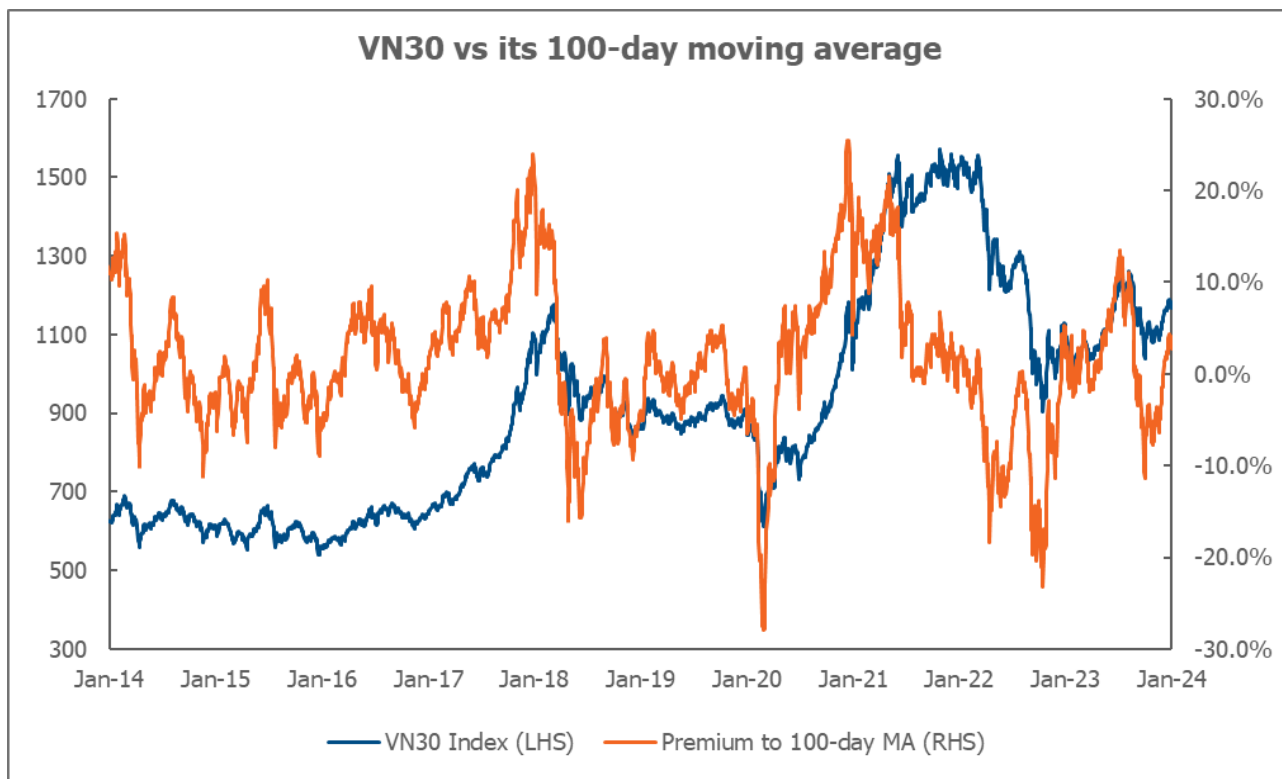
- Scraping the Post, But Still a Goal – Jan 2** *(A pleasantly strong ending to the year brings 2023 VNI performance to a regional high)* <https://yuanta.com.vn/wp-content/uploads/2024/01/Weekly-2-Jan.pdf>
- A Solid Start to the New Year – Jan 8** *(Large caps take the lead – especially the banks)* <https://yuanta.com.vn/wp-content/uploads/2024/01/Weekly-8-Jan.pdf>
- It’s Beginning to Look a Lot Like Tet – Jan 15** *(Gearing up (i.e., down) for the Lunar New Year holidays a month in advance)* <https://yuanta.com.vn/wp-content/uploads/2024/01/Weekly-15-Jan.pdf>
- This Cat Still Has Claws – Jan 22** *(Our market call for a Golden Cross by Tet – we are humbled to brag that we got this one right)* <https://yuanta.com.vn/wp-content/uploads/2024/01/Weekly-8-Jan.pdf>
- Banks Take a Breather – Jan 29** *(FINIs re-emerge as net buyers – that rarest of things)* <https://yuanta.com.vn/wp-content/uploads/2024/01/Weekly-29-Jan.pdf>

- **The Cat Bows Out With a Golden Cross – Feb 5** *(Today's the day!)*
<https://yuanta.com.vn/wp-content/uploads/2024/02/Weekly-Feb-05-2024.pdf>

And in case you missed it, here's a link to last month's Strategy Wrap titled "Chasing Rabbits", which includes the full-year 2023 market and macro data (light reading, in addition to all the above).
<https://yuanta.com.vn/wp-content/uploads/2024/01/Yuanta-Vietnam-Monthly-Market-Round-Up-Dec-2023-1.pdf>



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



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

Stock market liquidity was solid in January, despite the pre-holiday doldrums.

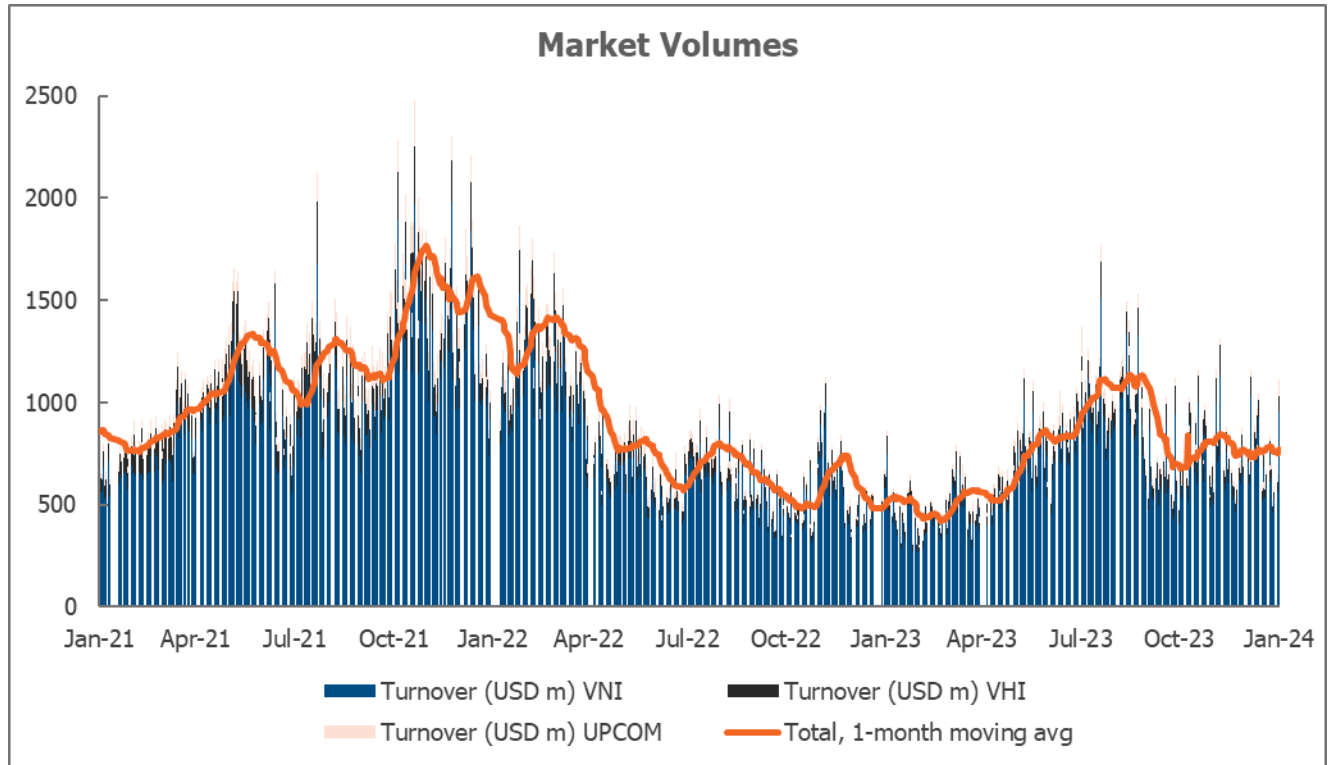
Monthly ADT of US\$767 million was up +1% MoM. Turnover thus remained higher in January than the 4Q23 ADT figure of US\$748 million and full-year 2023 ADT of US\$738 million. This is especially positive given the apparent withdrawal of retailer interest in the pre-Tet period, and we expect volumes to strengthen when the market reopens in the second half of February.

Again, this is mostly supportive of a positive outlook. Our dissembling use of the word “mostly” is because the highest single day of trading so far in 2024 was January 31 (US\$1.1 billion), which was also the VNI’s worst single daily performance since November. Spiking volumes on sharp market drops has been a feature of the Vietnam stock market since last August – and it’s not one that we like.

But with the index declining by just -1.3% DoD, it would be inappropriate to draw too many conclusions from the January 31 datapoints. To us, that selloff looked like a combination of month-end / pre-Tet window dressing (e.g., selling the Vingroup names) and profit taking (i.e., selling the banks, which have generally outperformed YTD).

Notably, foreigners were net buyers of US\$57 million of stocks on January 31 – the highest single day of such inflows since December 2022. So FINIs were clearly buying the dip, a market-balancing function that suggests that even more institutional involvement would be a good thing.

Overall, the reasonably solid volumes in January are a positive signal of investor sentiment, in our view.

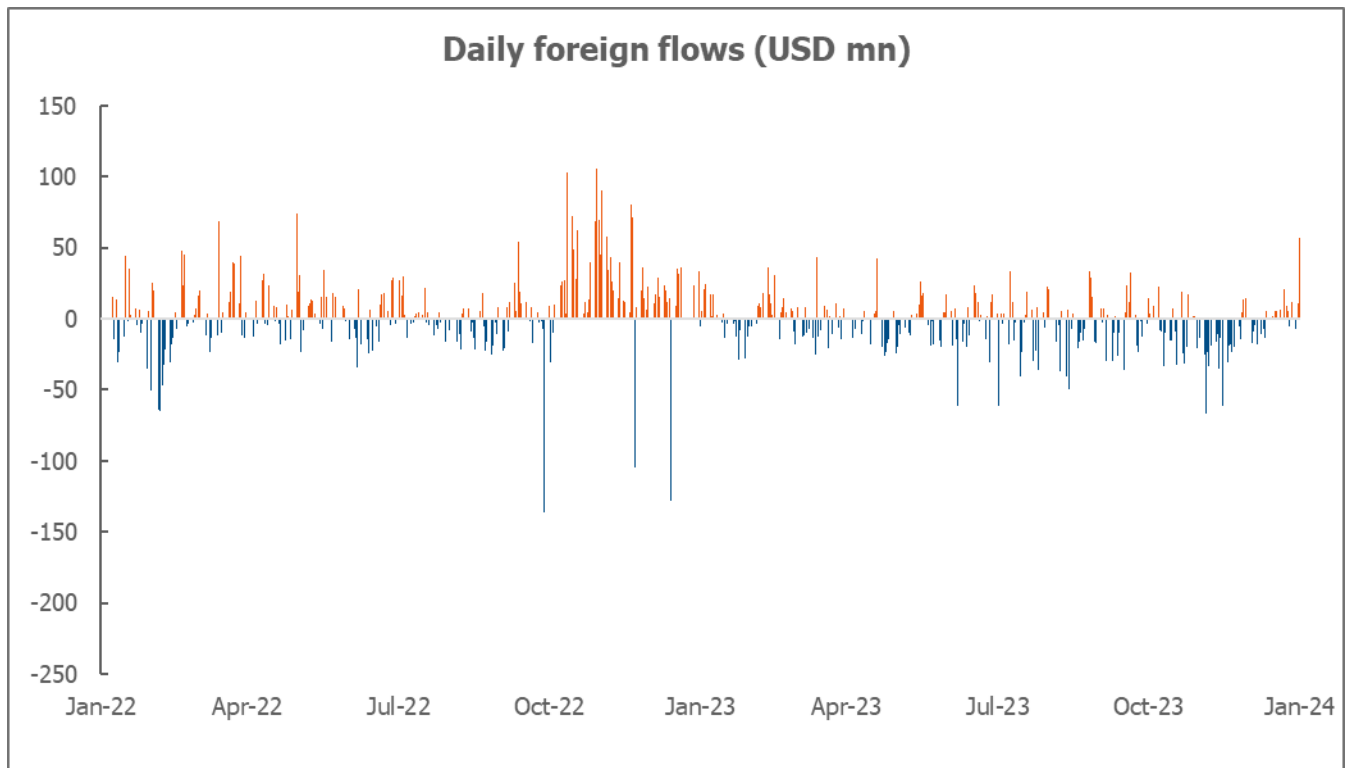


Source: FiinPro, Bloomberg, Yuanta Vietnam (Jan 31)

Foreign investors net bought in January – that rarest of things! FINIs have been relentless net sellers of Vietnam stocks in recent times, but after nine straight months of FINI net selling to December 2023, foreigners were better buyers in January 2024.

Foreigners net bought US\$48 million during the month, but it was a tale of two halves: FINIs net sold US\$55 million in the first half of the month, and they net bought US\$120 million in the second half of the month.

The monthly figure was thrown into positive territory only on January 31, when foreigners bought the dip to the tune of US\$57 million – again, this was the highest single day’s net buying since December 2022.



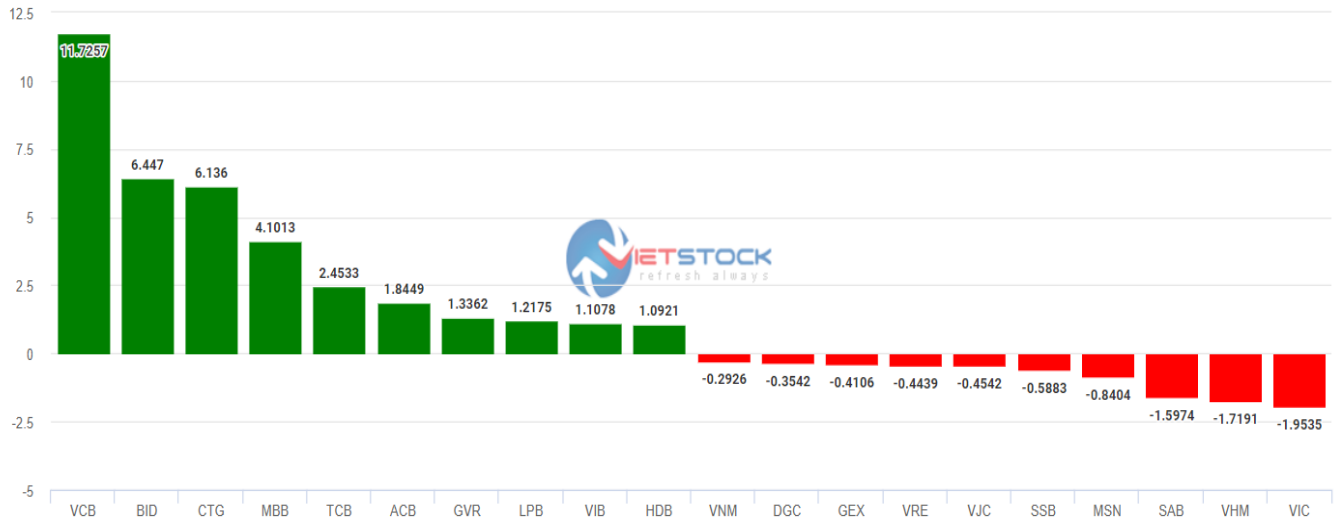
Source: FiinPro, Yuanta Vietnam (Jan 31)

Is the foreign selloff over? Obviously we can't say for certain, and generalizing about the 7.8 billion non-Vietnamese people on the planet is fraught with problems. But we suspect that the stepped-up selling toward yearend 2023 was driven by a combination of portfolio window dressing by foreign funds and/or the more specific (and hopefully one-off) desire for tax optimization by Thai investors ahead of changed capital gains tax rules there.

If so, at least the Thai taxation issue will hopefully cease to be a headwind.

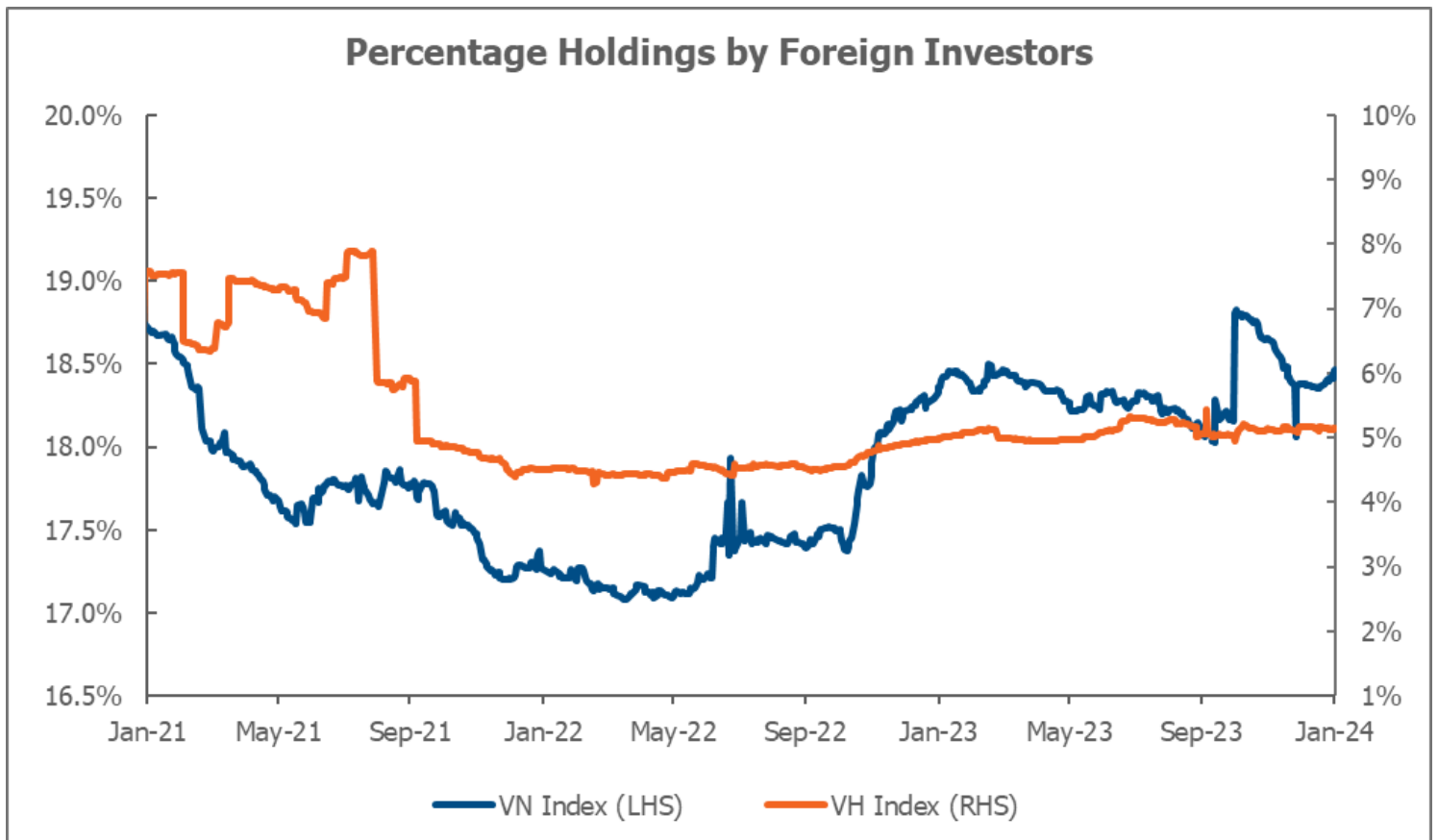
However, foreigners have again been net sellers in the first few days of February. This could be explained away as pre-Tet de-risking, but the bottom line is that despite the dip-buying on January 31, we're not fully convinced that the foreigners are really back as a positive market force.

Top stocks affect the market index VN-Index from 01/01/2024 to 01/31/2024



Source: Vietstock

As a result of the positive foreign inflows in January – again, the first full month of foreign buying in 10 months -- foreign investors as of January 31 held 18.46% of listed shares on the HOSE, up 8bp MoM and up 10bp YoY.

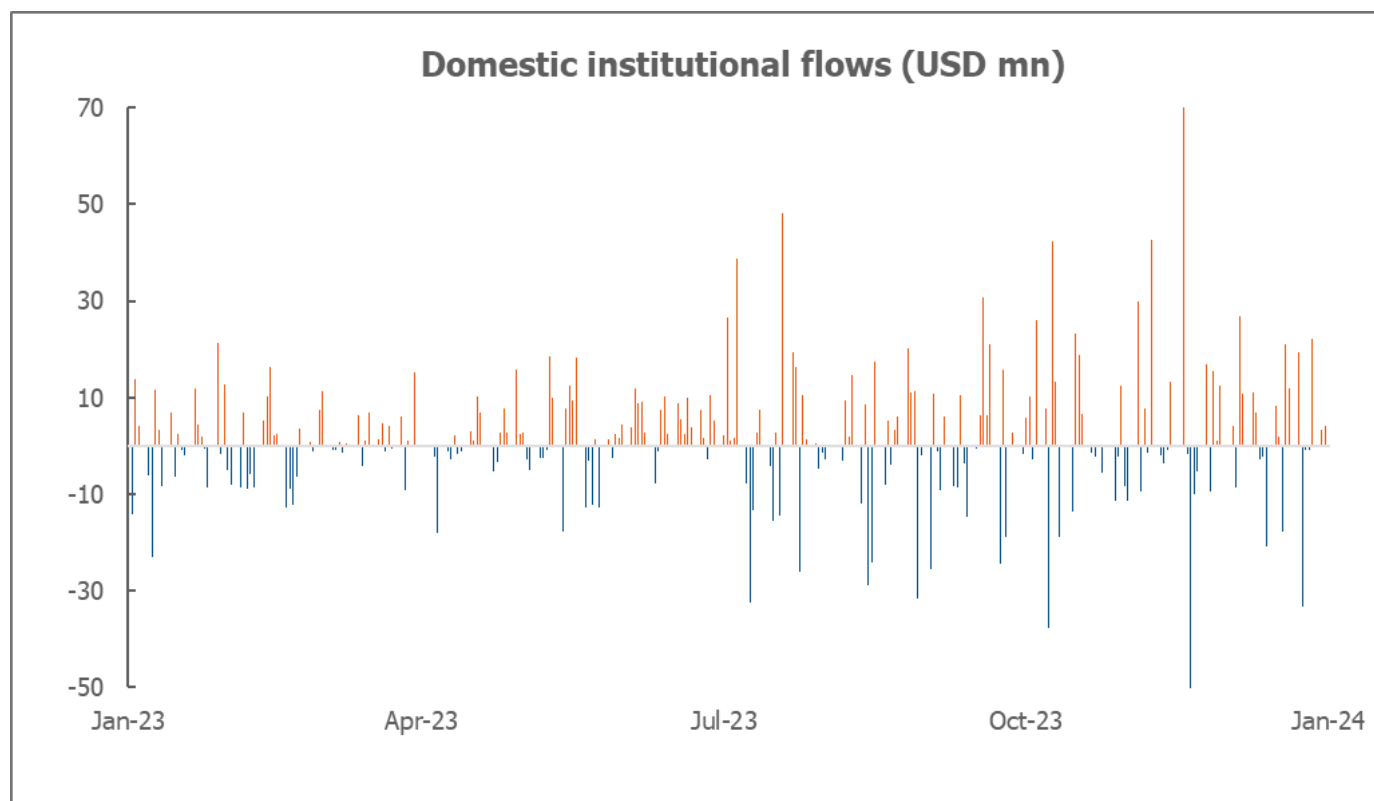


Source: FiinPro, Yuanta Vietnam (Jan 31)

Domestic institutions – largely proprietary trading desks – were once again strong net buyers in January, continuing the full-year trend of 2023. Prop traders net bought US\$64 million of stocks in January, slightly more than the net buying by FINIs during the month.

As a reminder, proprietary desks added US\$373 million to their stock holdings in 2023, which offset 40% of the total foreign selling of US\$942 million last year. Prop desks appear to have gotten bulled up along with the decline in interest rates, and particularly bank deposit rates, which reduced their treasury opportunities and likely led to a reallocation of capital into stocks.

Just like at the end of 2023, we see no signs of broad-based window dressing in the lead-up to Tet. Domestic institutions were *tiny* net sellers (just US\$392k) on the “big” selloff day of January 31 (when the market fell by -1.3% DoD). Following widespread capital raising over the past several years, brokers have plenty of balance sheet, are less inclined than previously to hold cash (given lower bank deposit rates), and are well-positioned to gain from the positive market momentum in the run-up to Tet.



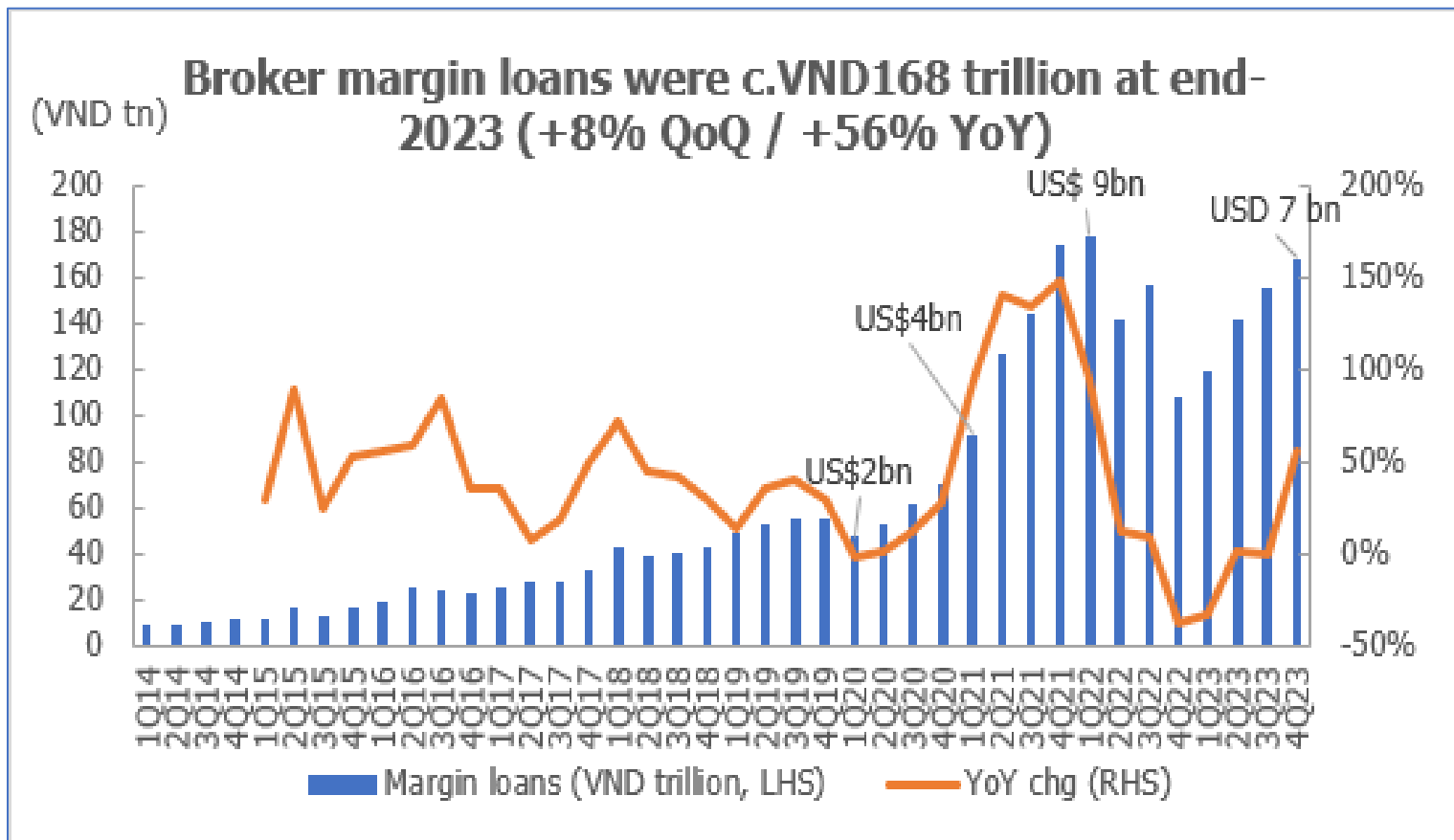
Source: FiinPro, Bloomberg, Yuanta Vietnam (Jan 31)

Leverage Risk: Margin loans at end-4Q23 were once again quite high

Most of the brokers should have reported by end-January, which allows us to revisit our margin leverage analysis. This data indicates a substantial pick-up in margin leverage, with margin loans equivalent to a record high 7.8% of the market capitalization of freely floating shares. The liquidity ratio (the 4Q23 margin book / 4Q23 average daily trading) appears less scary as it is well under peak levels, but we still think that the increased leverage risk going into 2024 is worth considering for investors.

4Q23 margin loans reached VND168 trillion (USD 6.8 billion), up +8% QoQ / +56% YoY. Recall that the impressive YoY growth figure is in part due to the very low base of end-4Q22, a period that saw Vietnam’s historically worst margin position unwind as a series of unmet margin calls saw a number of

shares – mostly developers – collapse. The trough was actually in mid-November, but brokers had substantially tightened up on their risk management so margin loans didn't recover in December 2022.



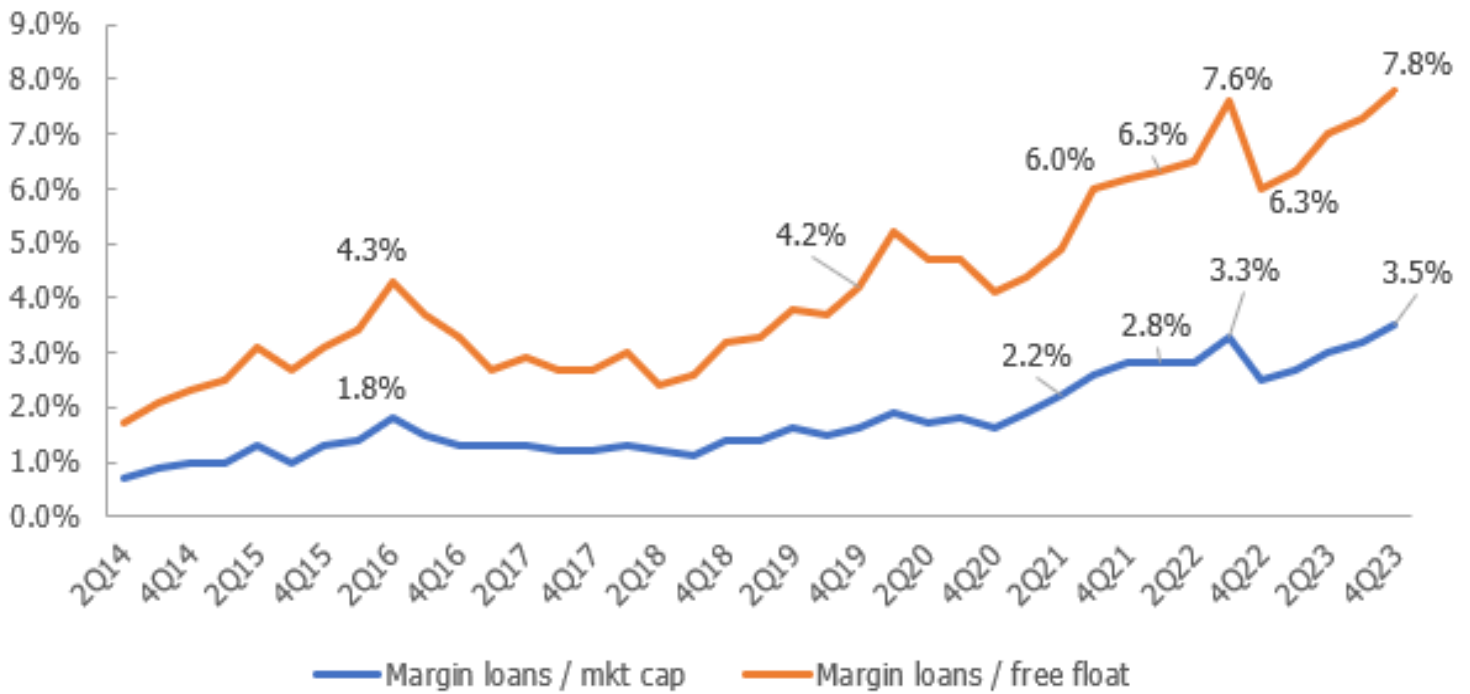
Source: FiinPro, Yuanta Vietnam

4Q23 Market leverage ratios reached record highs. In aggregate, margin loans thus reached 3.5% of the total market capitalization of the HSX & HNX – a record high. This ratio was up +30bp QoQ and +1.0ppt YoY.

In this case, the price risks of margin leverage are exacerbated by Vietnam's low free float. Bloomberg reports a total value of freely floating shares that is just 44% of total market cap. In my opinion, the real free float number is likely even lower than this – but we'll use it anyway.

Margin loans to free float increased to 7.8%, which is up +50bp QoQ / +1.8% YoY, and it is also a record high.

Margin leverage has thus returned to record highs



Source: FiinPro, Bloomberg, Yuanta Vietnam

Don't panic – It's less scary in terms of market liquidity. 4Q23 margin loans represented 8.6 days of 4Q23 ADT, which is up +2.3 days QoQ and up +0.7 days from 4Q22.

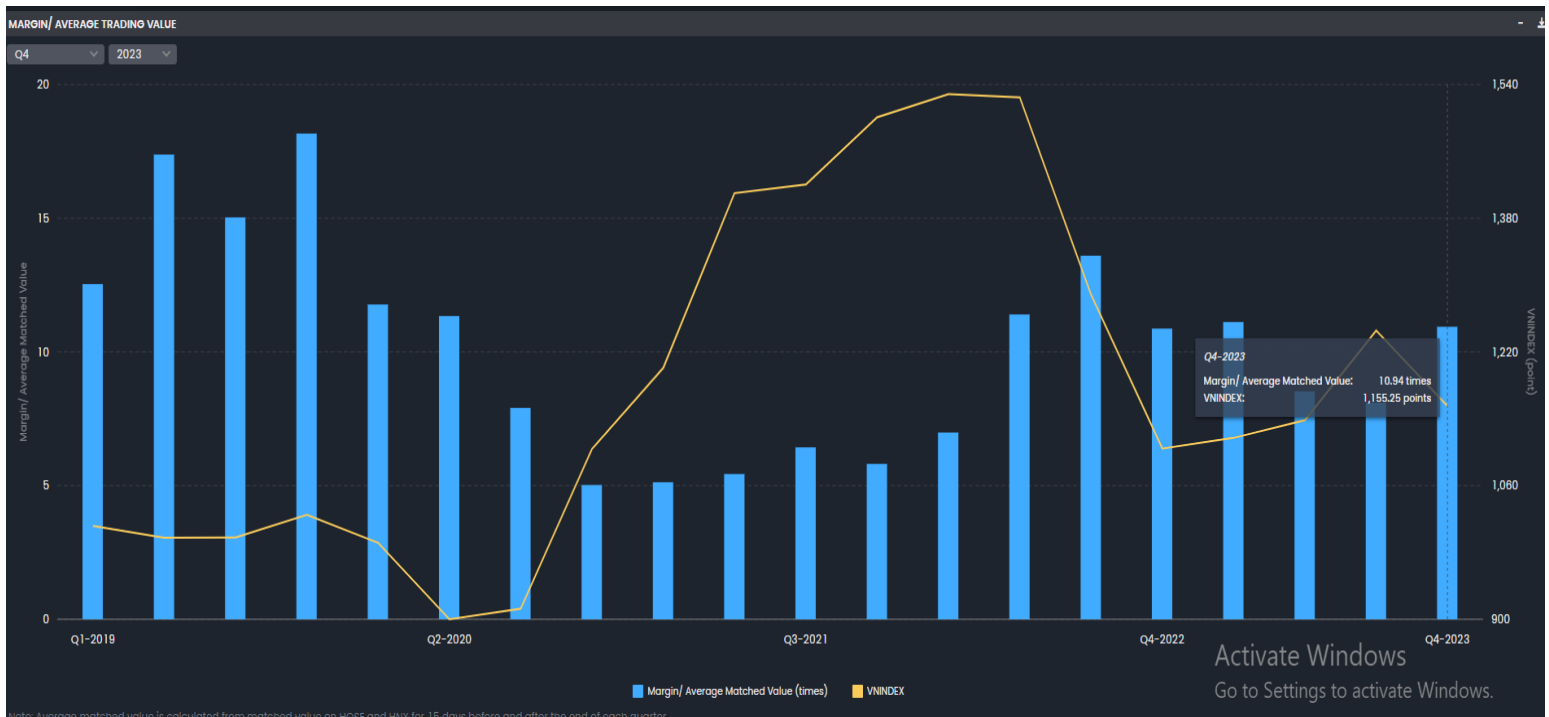
Although this ratio has obviously risen, it is still well below the historical high of 13 days in 2Q 2019. The reason is that although margin loans have increased by 3x between 2Q19 and 4Q23, ADT has increased by much more (+5x) in the same period, so the days-to-cover ratio is lower as a result.

Margin loans / average daily turnover



Source: FiinPro, Bloomberg, Yuanta Vietnam

Note that in computing ADT for the above calculations, we use total ADT on the HSX and HNX. Arguably, one could also consider stripping out put-through block transactions and only focusing on matched order transactions. In this case, days-to-cover would be 10.9 (up +1.8 days QoQ but almost exactly flat YoY).



Source: FiinPro

A total guess: Much or perhaps most of the growth in margin lending is once again being driven by credit demand from controlling shareholders of listed companies, whose use of the funds that they are able to unlock without selling their shares is for purposes other than punting on stocks.

If so, then this would be a similar situation to that of 3Q22, when margin loans were actually 7% lower at VND 156 trillion, but where the growth delta was driven almost entirely by what we would consider to be pledged share lending as brokers suddenly became the only game in town for property developers cut off from the banks and DCM markets.

Readers will recall that the situation in 3Q22 was followed by the broader 4Q22 stock market meltdown as numerous shares plummeted on unmet margin calls.

Hopefully we're wrong about this – but realistically, it may pay to tread carefully in this environment.

Monthly market breadth was neutral for the broad market in January.

The VNI components were split almost equally in terms of MoM share price performance, with 190 stocks gaining ground and 188 declining during the month.

Overall, banks led the charge in January. Nine of the top ten stocks by positive contribution to the VNI during the month were banks, including CTG (+17% MoM), MBB (+17%), VCB (+10%), BID (+10%), ACB (+8%), and HDB (+7%). Our trading call has been to add to positions in VPB (BUY) which only gained +1% during the month and thus may have room to catch up to the other banks.

Special mention for MWG (+5% in January), which had endured a sharp FINI selloff in 2H 2023. Analyst Di Luu published her initiation report with a BUY call on January 24 (see p. 21-26 of this note for a summary).

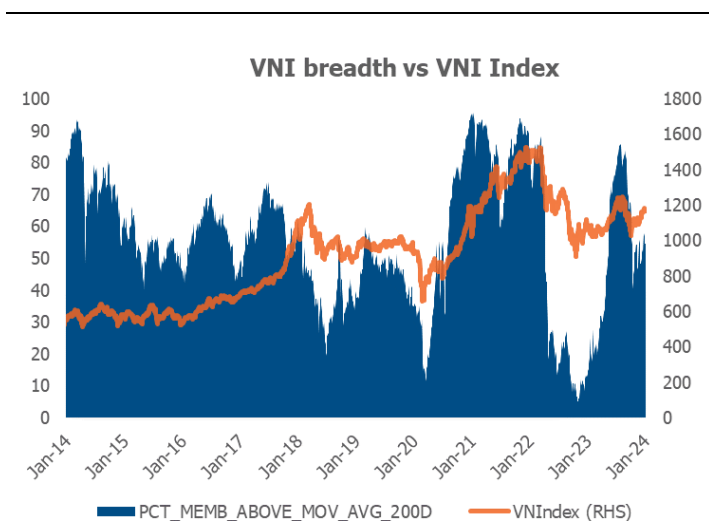
Large cap decliners in January included the Vingroup trio (VIC -5%, VHM -4%, VRE -4%) as well as MSN (-4%), with modest profit-taking evident in the monthly performance of market darlings FPT (-0.4%) and HPG (-1%).

As of January 31, some 51.8% of the VNI constituents were trading at above their 200-day moving averages, as illustrated in the chart at bottom left. This is almost exactly the same percentage as at the end of December (51.9%), as should be expected given the split of overall monthly breadth.

Notably, this figure peaked at 87% on August 2, which in retrospect may have provided a signal of overheating – the market exhibited the first of its double top in mid-August before correcting, rising again to a yearly peak in mid-September, and then taking a dive in Oct-Nov. We see no such signs of overheating now, which supports a positive case for a continued bull market after Tet.

Monthly market breadth favored the large caps. The components of the VN30 Index – the main large-cap index – posted more substantially positive breadth than the broader VNI did. As illustrated below, 19 of this group were gainers in January, while 11 of the stocks declined.

Monthly stock breadth: Positive for the VN30, but only neutral for the broader VNI



Source: Bloomberg, Yuanta Vietnam (Jan 31)

VN 30 breadth			
	WoW	MoM	YTD
Gainers	6	19	19
Losers	24	11	11

Source: Bloomberg (Jan 31)

VN Index breadth			
	WoW	MoM	YTD
Gainers	160	190	190
Losers	202	188	188

Source: Bloomberg (Jan 31)

Source: Bloomberg

Valuations – Cheap is never a catalyst on its own, but we continue to see solid value in Vietnam stocks.

Obviously, given the market’s outperformance vs. the region in 2023 and again in January, the “dirt cheap” PE valuations of a year ago have given way to higher and less attractive multiples.

However, we still see value here, with the JSC banks still cheap despite their recent run at c.1.2x P/B with ROEs of 20%-plus.

As of end-January, the VNI is trading at just above 10x 2024E PE. It’s possible that consensus earnings forecasts for 2024E are still stretched. Anyone still harboring bullish expectations for property developer earnings this year would appear to be especially aggressive given the extremely low presales performance across the industry in 2023. However, the solid 4Q23 results among many (ex-property) stocks – and especially the banks -- have us questioning our own cynicism in this regard.

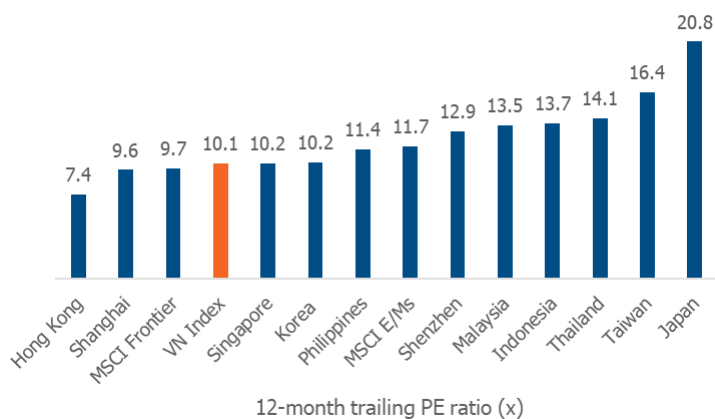
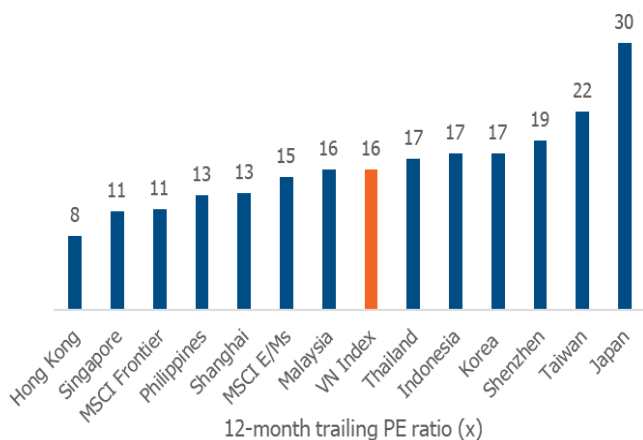
Even so, we still think that low- to mid-teen percentage growth in EPS should be achievable, in which case the VNI still looks attractive at 10.1x 2024E PE.

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

... but the 10.1x 2024E PE is inarguably cheap, even assuming that EPS expectations are too high.

Regional stock market: Trailing PE multiples

Regional stock market: 2024E PE multiples



Source: Bloomberg, Yuanta Vietnam (Jan 31)

Source: Bloomberg (2024E consensus PE), Yuanta Vietnam (Jan 31)

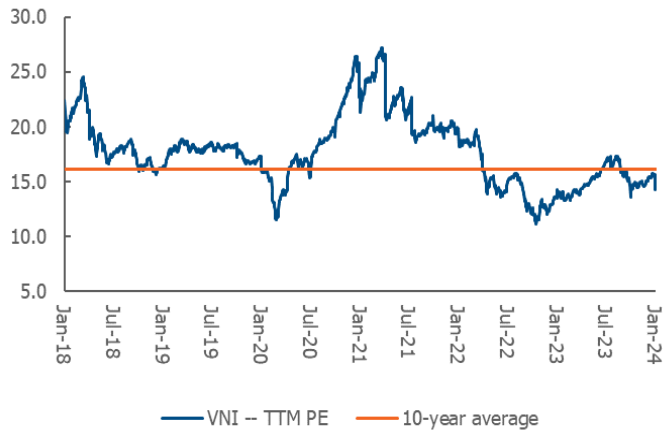
This is still a compelling valuation opportunity, in our view. But valuation alone is never a catalyst. Liquidity inflows are needed to drive a proper rerating of the market. We haven’t factored this into our 1298 index target, which is now just +9.3% higher than 1188-point close of February 6. This may turn out to be too low – we based it on an admittedly simple assumption of EPS growth alone with no dramatic improvement in the market’s PE multiple.

In theory, low domestic interest rates should help to provide a boost to stock valuations. As stated previously, our view is that state bank deposits are the de-facto risk-free asset for Vietnam dong-based investors. And the SOE banks have reduced their 12-month time deposits by 250bp since 3Q23, which we think is a factor driving both the relatively solid stock market turnover of recent months (see p.8-9) as well as ructions in the VND as well as the market for physical gold (p. 32-36).

The VNI's trailing PE ratio is close – but slightly below – its historical mean.

But the mainboard's 2024E PE is now 10.0x, based on Bloomberg consensus.

VNI -- Trailing PE ratio (x)



Source: Bloomberg, Yuanta Vietnam

VNI -- 2024E PE ratio (x)



Source: Bloomberg (2024E consensus PE), Yuanta Vietnam

VN30 large caps: Share price performance in Jan

Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Jan	YTD chg	Contribution to VN30 Index performance in 1M24
ACB	25.8	7.7%	16%	7.7%	16%
BCM	65.3	3.8%	0%	3.8%	0%
BID	47.7	9.9%	3%	9.9%	3%
BVH	40.5	2.5%	0%	2.5%	0%
CTG	31.6	16.6%	10%	16.6%	10%
FPT	95.7	-0.4%	-1%	-0.4%	-1%
GAS	75.4	-0.1%	0%	-0.1%	0%
GVR	22.4	5.7%	0%	5.7%	0%
HDB	21.8	7.4%	8%	7.4%	8%
HPG	27.8	-0.7%	-1%	-0.7%	-1%
MBB	21.8	16.6%	24%	16.6%	24%
MSN	64.4	-3.9%	-4%	-3.9%	-4%
MWG	45.0	5.1%	6%	5.1%	6%
PLX	34.6	0.3%	0%	0.3%	0%
POW	11.4	0.9%	0%	0.9%	0%
SAB	56.3	-8.5%	-2%	-8.5%	-2%
SHB	11.6	7.4%	6%	7.4%	6%
SSB	22.9	-4.2%	-3%	-4.2%	-3%
SSI	34.4	4.9%	4%	4.9%	4%
STB	29.9	7.0%	9%	7.0%	9%
TCB	34.6	8.6%	16%	8.6%	16%
TPB	17.9	2.6%	1%	2.6%	1%
VCB	88.5	10.2%	13%	10.2%	13%
VHM	41.5	-3.9%	-5%	-3.9%	-5%
VIB	20.8	8.9%	6%	8.9%	6%
VIC	42.5	-4.7%	-5%	-4.7%	-5%
VJC	104.6	-3.1%	-2%	-3.1%	-2%
VNM	67.0	-0.9%	-1%	-0.9%	-1%
VPB	19.4	1.0%	3%	1.0%	3%
VRE	22.5	-3.6%	-2%	-3.6%	-2%

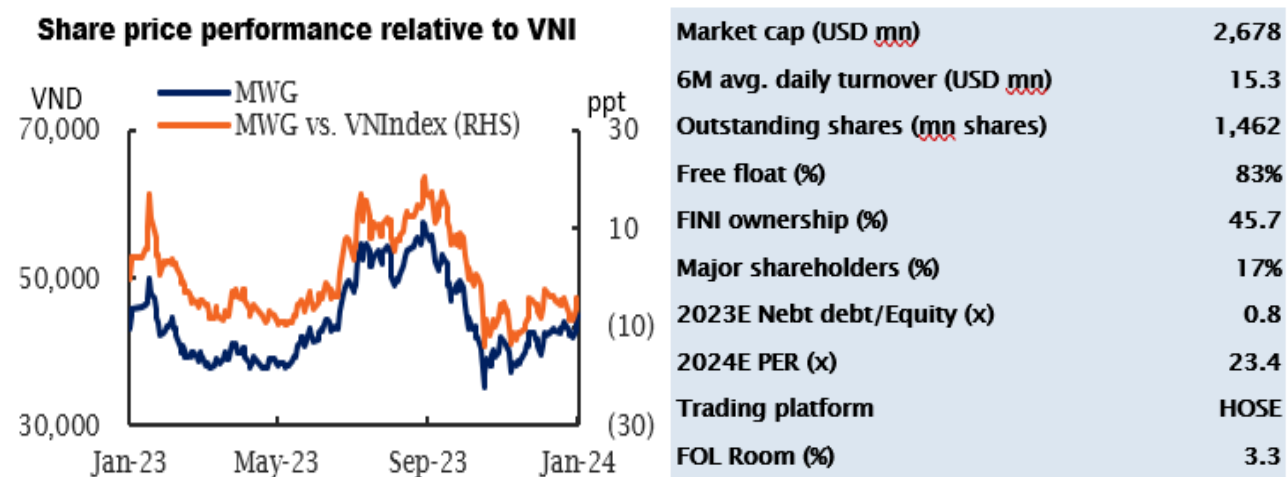
Source: Bloomberg, Yuanta Vietnam, Pricing date: Jan 31, 2024

MWG Initiation: The Hero's Journey

Mobile World Initiation (BUY): Consumer Analyst Di Luu has initiated coverage with a **BUY recommendation** and target price of VND59,300, implying +34% 12-month TSR (pricing date: Jan 30).

Shareholders have experienced an extremely tough year, but extrapolating the 2023 results as continuing in perpetuity would be a mistake, in our view.

From a core fundamental perspective, management's ability (and willingness) to correct its course when things don't go exactly as planned is a rare advantage, and we think the business operations are on course to improve in 2024E and beyond.



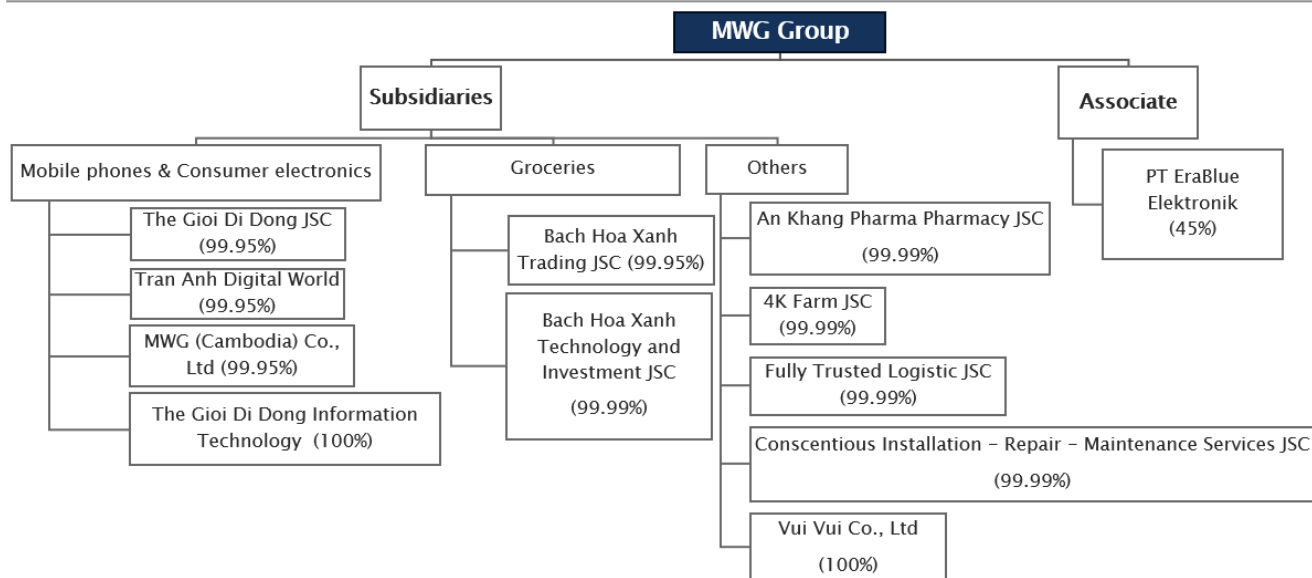
Source: FiinProX, Bloomberg, Yuanta Vietnam

The restructuring at BHX since 2Q22 appears to be bearing fruit, and we see this business as the key growth driver for the Group going forward. We also anticipate the sale of a strategic stake as early as 1H24, which should help to stimulate punting interest among domestic investors.

Unfortunately, we see no sign that the ICT & CE retail price war is ending anytime soon. But a product replacement / upgrade cycle should start in 2024, and we think the worst has passed for this business – which is MWG's largest by revenues.

The pharmacy, mom-and-baby, and Indonesia JV are too small to factor into our valuation – revenues at An Khang and AVA Kid soared in 2023 but are just 3% of consolidated sales. Investors should consider them as free options.

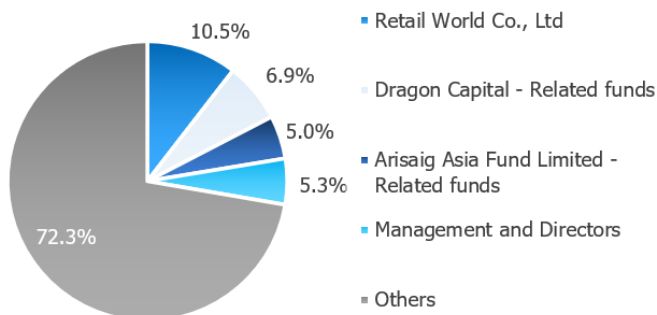
Fig. 1: MWG's ecosystem



Source: MWG 2022 Annual Report, Yuanta Vietnam

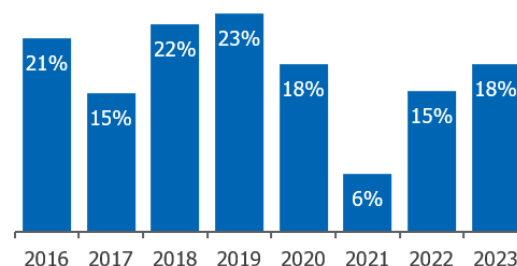
Company profile: Mobile World Investment Corp (MWG VN, <https://mwg.vn/eng>) manages and operates six directly owned retail chains: The Gioi Di Dong, TopZone (mobile phones), Dien May Xanh (consumer electronics), Bach Hoa Xanh (groceries), An Khang Pharmacy (one of the top-three pharmacy chains), and AVA Kid (mom & baby shops). The company boasts a nationwide retail network of nearly 5,600 stores as of Nov 2023.

Fig.2: MWG's shareholders (%)



Source: Company data, FiiiproX (Data as of 10 Jan 2024)

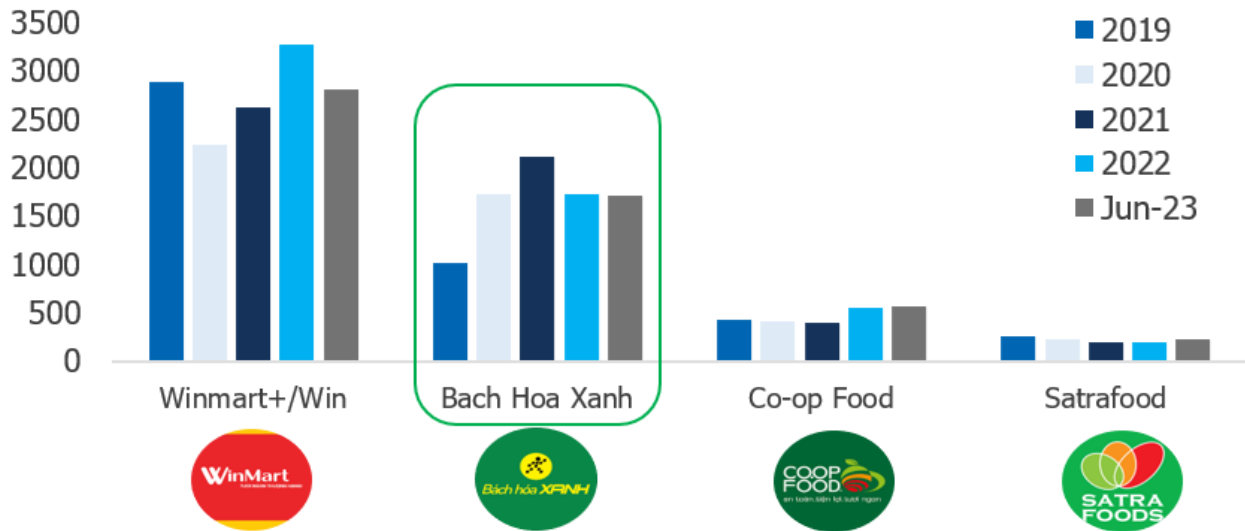
Fig.3: Payout ratio (annual dividend / PATMI, %)



Source: Company data, Yuanta Vietnam,

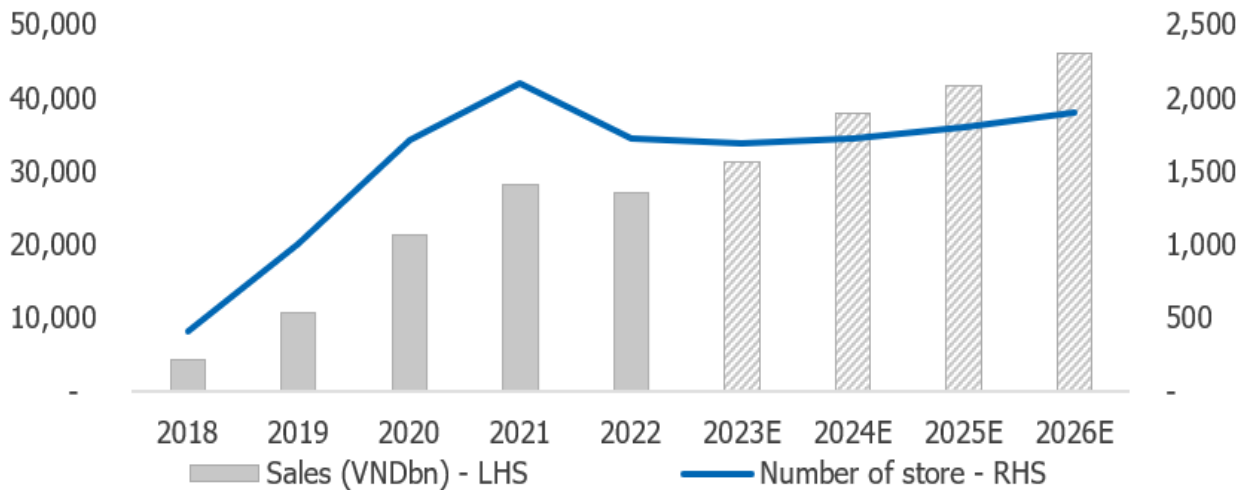
Bach Hoa Xanh: The key growth driver. Modern trade accounts for just 12% of total grocery spending in Vietnam, but this alone does not guarantee success for BHX. The company has experienced considerable operational difficulties, at least partly due, in our view, to an overly rapid pace of expansion. However, management's efforts to improve BHX's performance appear to be bearing fruit, especially in late 2023. We forecast BHX to post double-digit sales CAGR in 2024E-26E, with expanding average sales per store coupled with a more conservative pace of store network expansion.

Fig. 8: Number of minimart stores



Source: MWG, Company websites, Yuanta Vietnam

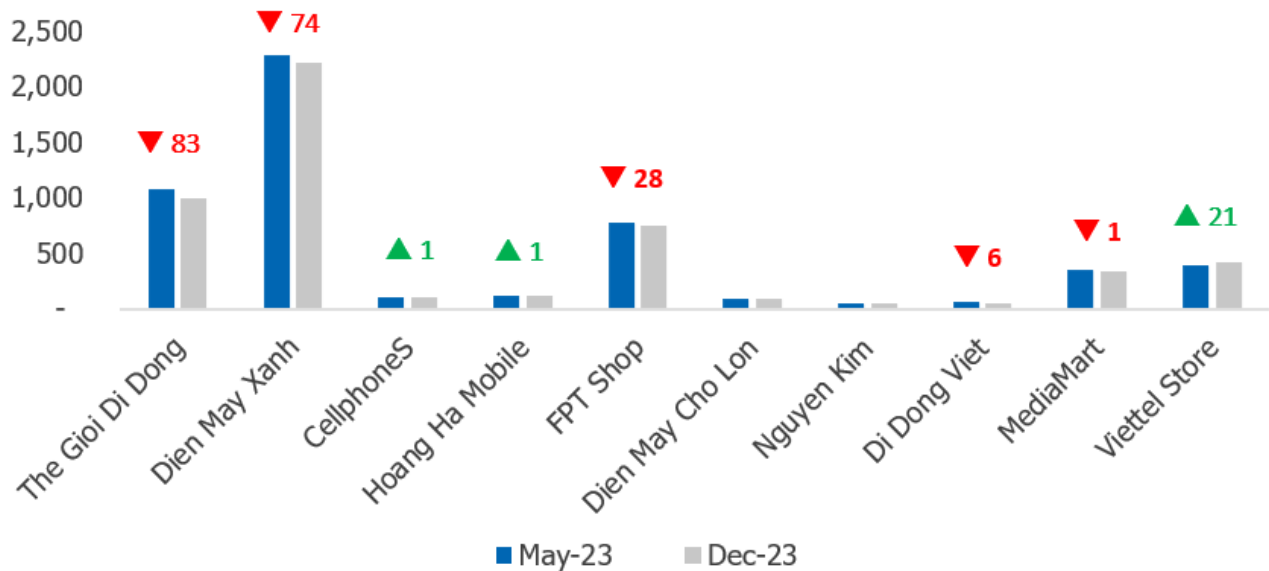
Fig. 13: We expect BHX's sales to post double-digit growth in 2024E-2027E



Source: MWG, Yuanta Vietnam

Consumer electronics: Soft demand, but it's not going to zero. Consumer electronics retail sales weakened substantially in 2023 amid the economic downturn and an intense price war that drove losses at CE retailers. But extrapolating the recently abysmal operating performance as continuing into perpetuity would be a mistake, in our view. By contrast, we expect mobile phone retail sales to bounce slightly in 2024E due to 1) the Sept shutdown of 2G networks and 2) the product replacement cycle starting from mid-2024.

Fig. 15: Number of stores of ICT&CE retail chains



Source: Company websites, Yuanta Vietnam

Yuanta vs. the Street. We are in line with the Street in expecting MWG's sales to recover in 2024E-25E, but our SG&A assumptions are more optimistic. Thus, our EPS forecasts are 32-33% higher than Bloomberg Consensus for 2024-25E, and our target price is 16% above the Street's.

Table. 1: Yuanta vs. the Street

Sales (VNDbn)	2023E		2024E		2025E	
	Value	YoY growth	Value	YoY growth	Value	YoY growth
Yuanta Vietnam	117,337	▼ -12.0%	126,578	▲ 7.9%	138,144	▲ 9.1%
The Street	117,927	▼ -11.6%	131,912	▲ 11.9%	145,086	▲ 10.0%
% difference (Yuanta vs. The Street)	-0.5%		-4.0%		-4.8%	

Source: Bloomberg consensus, Yuanta Vietnam

EPS (VND)	2023E		2024E		2025E	
	Value	YoY growth	Value	YoY growth	Value	YoY growth
Yuanta Vietnam	113	▼ -96.0%	2,388	▲ 2011.7%	3,765	▲ 57.7%
The Street	729	▼ -74.0%	1,793	▲ 145.8%	2,850	▲ 59.0%
% difference (Yuanta vs. The Street)	-84.5%		33.2%		32.1%	

Source: Bloomberg consensus, Yuanta Vietnam

We initiate coverage with a BUY rating and set our target price at VND59,300 based on a weighted valuation approach that applies 60% weightings to our discounted FCFE model and 40% to comparable P/S multiple analysis. Our target price implies 12-month TSR of +34%.

Table. 2: FCFE and PS valuation

FCFE Methodology	FY2023E	FY2024E	F2025E	FY2026E
Net income	116	3,433	5,436	7,500
(+) D&A	3,230	3,184	2,836	2,480
(+) New debt issued	2,284	1,203	1,962	3,193
(-) Change in WC	241	3,359	1,134	(843)
(-) CAPEX	(701)	(1,351)	(1,851)	(2,151)
(-) Acquisition	-	-	-	-
FCFE	4,240	8,827	8,424	8,983
Present value	4,240	7,642	6,314	5,830
PV of equity value	107,006	Cost of equity:		15.5%
First stage (2024E-2026E)	19,787	Terminal growth:		2.0%
Second stage (2027E-2029E)	15,511			
Third stage - Terminal value	71,708			
Total equity value + net debt	94,183			
FCFE-derived value per share	64,360			

P/S comparison valuation	2024E Sales	Target P/S	Company value	% contribution to total EV
Consumer electronics retail	85,394	0.6	51,237	69%
Groceries retail	37,847	0.6	22,708	31%
Total EV (VNDbn)	73,945			
Outstanding shares	1,463,376,716			
Target price	50,530			

Source: The department of telecommunications

Key risks to our view: 1) The consumer electronics slump could be deeper and last longer than we assume; 2) Execution at BHX -- food quality and customer experience may not improve in accordance with our expectations; 3) We are extremely sceptical of the market chatter regarding MWG's supposed removal from the VN Diamond Index, but if it did occur (which it won't, in our view), it could result in c.\$93 million of ETF-related outflows from the stock (6 days' turnover).

An inorganic short-term catalyst: We anticipate a 10% strategic stake sale in BHX as early as 1H24. A strong and invested operating partner would benefit the company fundamentally over the long run, but as a near-term share price catalyst, this story would likely stimulate punting interest in the stock among domestic investors.

Please access the link for our complete report: <https://yuanta.com.vn/wp-content/uploads/2024/01/MWG-Initiation-Jan-2024.pdf>

PROFIT AND LOSS (VND bn)					
FY Dec 31 (VND'bn)	2021	2022	2023E	2024E	2025E
Revenue	122,958	188,405	117,887	126,578	188,224
TCDD	81,600	84,685	27,917	28,867	81,880
DMX	62,709	68,970	55,192	56,527	61,417
BHX	28,157	27,081	31,204	37,847	41,676
Others	492	2,668	8,024	8,887	8,751
Cost of goods sold	(95,424)	(102,544)	(95,452)	(102,600)	(109,955)
Gross profits	27,682	80,862	21,855	28,979	28,259
Operating expenses	(21,738)	(24,218)	(21,894)	(20,048)	(21,786)
Operating profits	5,895	6,644	(89)	8,981	6,478
Financial income	1,288	1,313	1,155	1,246	1,361
Financial expenses	(715)	(1,388)	(917)	(827)	(971)
Interest expenses	(674)	(1,362)	(917)	(827)	(971)
Net investments income/(loss)	(2)	-	-	-	-
Net other income	6	(518)	8	8	9
Pretax profits	6,472	6,056	206	4,358	6,872
Income taxes	(1,570)	(1,955)	(41)	(872)	(1,374)
Minority interests	8	2	0	2	8
Net profits	4,899	4,100	165	3,485	5,495
EBITDA	8,815	10,185	3,191	7,115	9,310
EPS (VND)	3,400	2,810	118	2,388	3,766

KEY RATIOS					
FY Dec 31 (VND'bn)	2021	2022	2023E	2024E	2025E
Growth					
Sales	13.3%	8.5%	-12.0%	7.9%	9.2%
TCDD	7.0%	9.8%	-19.5%	3.4%	8.7%
DMX	8.6%	10.0%	-20.0%	2.4%	8.7%
BHX	32.3%	-3.8%	15.2%	21.3%	10.1%
Others	0.0%	442.3%	13.3%	10.4%	12.4%
Operating profit	13.0%	12.7%	-100.6%	-10161%	64.7%
EBITDA	18.9%	15.5%	-68.7%	123.0%	30.9%
Net profit	25.0%	-16.3%	-96.0%	2012%	57.7%
EPS (VND)	-40.1%	-17.4%	-96.0%	2012%	57.7%
Profitability					
Gross margin	22.5%	23.1%	18.6%	18.9%	20.4%
Operating margin	4.8%	5.0%	0.0%	3.1%	4.7%
EBITDA margin	7.2%	7.6%	2.7%	5.6%	6.7%
Net margin	4.0%	3.1%	0.1%	2.8%	4.0%
ROE	24.0%	17.1%	0.7%	13.0%	17.4%
ROA	7.8%	7.3%	0.3%	5.7%	7.7%
Liquidity					
Current ratio (x)	1.2	1.7	1.7	1.8	1.8
Quick ratio (x)	0.5	0.7	0.8	0.9	0.9
Stability					
Net debt/equity (x)	1.2	0.7	0.8	0.8	0.7
Int. coverage (x)	8.7	4.9	(0.0)	4.8	6.7
Int. & ST debt coverage (x)	0.2	0.5	(0.0)	0.2	0.8
Cash conversion days	65	71	73	74	78
Net cash/(debt)	(20,588)	(11,605)	(12,672)	(10,742)	(2,216)
(VND bn)					
Efficiency					
Days receivable outstanding	1	1	1	1	1
Days inventory outstanding	95	100	100	98	102
Days payable outstanding	31	29	28	25	25

Source: Company data, Yuanita Vietnam

BALANCE SHEET (VND bn)					
FY Dec 31 (VND'bn)	2021	2022	2023E	2024E	2025E
Total assets	62,971	55,884	57,812	61,809	71,410
Cash & cash equivalents	4,142	5,061	6,307	9,471	19,995
ST Investment	14,237	10,069	13,090	13,090	9,163
Accounts receivable	3,162	3,001	2,948	2,907	3,453
Inventories	29,167	25,696	25,736	28,257	31,974
Other current assets	1,247	750	660	712	778
Net fixed assets	9,647	9,728	7,226	5,421	4,463
Others	1,369	1,529	1,345	1,451	1,584
Total liabilities	42,598	81,902	88,944	84,454	89,787
Current liabilities	42,598	26,000	28,886	30,239	36,415
Accounts payable	17,868	15,236	14,965	14,241	17,576
ST debts	24,725	10,764	13,921	15,998	18,838
Others	0	-	-	-	-
Long-term liabilities	-	5,901	5,058	4,215	3,372
Long-term debts	-	5,901	5,058	4,215	3,372
Others	-	-	-	-	-
Shareholder's equity	20,878	28,988	28,868	26,855	81,623
Share capital	7,131	14,639	14,639	14,639	14,639
Treasury stocks	(2)	(5)	(5)	(5)	(5)
Others	563	560	560	560	560
Retained earnings	12,675	8,724	8,159	11,644	16,410
Minority interest	12	15	15	16	19

CASH FLOW (VND bn)					
FY (VND'bn)	2021	2022	2023E	2024E	2025E
Operating cash flow	170	7,977	4,299	5,076	9,642
Net income	6,472	6,056	206	4,358	6,872
Dep. & amortisation	2,921	3,540	3,230	3,184	2,836
Change in working capital	(9,115)	(2,312)	(241)	(3,359)	(1,184)
Others	(107)	692	1,104	893	1,067
Investment cash flow	(11,255)	1,549	(4,627)	(8,146)	(886)
Net capex	(4,976)	(4,460)	(672)	(1,366)	(1,870)
Change in LT investment	(6,281)	4,872	(2,999)	(13)	8,911
Change in other assets	2	1,188	(956)	(1,768)	(2,427)
Cash flow after invt.	11,425	6,427	8,926	8,222	10,028
Financing cash flow	7,877	(8,606)	1,574	1,234	1,268
Change in share capital	226	188	(9)	-	-
Net change in debt	7,891	(8,062)	2,313	1,234	1,998
Change in other LT liab.	(240)	(732)	(730)	-	(730)
Net change in cash flow	(8,207)	919	1,246	8,164	10,524
Beginning cash flow	7,348	4,142	5,061	6,307	9,471
Ending Cash Balance	4,141	5,061	6,807	9,471	19,995

KEY METRICS					
	2021	2022	2023E	2024E	2025E
PE (x)	19.7	15.1	405.4	19.2	12.2
Diluted PE (x)	19.7	15.1	405.4	19.2	12.2
PB (x)	4.7	4.5	5.1	4.4	3.5
EBITDA/share	4,091	4,553	-27	2,694	4,436
DPS	336	500	500	-	500
Dividend yield (%)	0.5%	1.2%	1.1%	0.0%	1.1%
EV/EBITDA (x)	7.7	7.2	25.0	10.9	7.4

Legalize It! Changes to the laws governing banks

Vietnam Banks: New Credit Law					19 January 2024
Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*	
ACB VN	BUY	25,600	28,510	16%	<div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>What's new?</p> <ul style="list-style-type: none"> • The National Assembly has approved a new Credit Law effective Jul 1. The changes: • Reducing the cap on individual ownership in a bank (but not for foreigners). • Reducing credit limits and thus concentration risks. • Longer maximum periods for holding real estate to assist debt resolution. • Clarity on the rights / benefits for receiving banks that take over weak banks. </div> <div style="width: 30%;"> <p>Our view</p> <ul style="list-style-type: none"> • The amended regulations should increase the stability of the banking system. • The new Law aims to minimize the risks of takeover / control of banks. • Regulation on credit limits could have a slightly negative impact on credit growth as it will be done gradually instead of in one go. • HDB, MBB, VCB, & VPB are key beneficiaries given the favorable conditions for banks that take over and restructure weak banks. </div> </div>
BID VN	HOLD-UPF	47,500	42,780	-8%	
HDB VN	BUY	20,800	22,390	14%	
MBB VN	BUY	21,700	25,260	19%	
STB VN	HOLD-UPF	29,800	33,575	13%	
VCB VN	BUY	91,100	99,420	10%	
VPB VN	BUY	19,500	25,540	35%	

Source: Bloomberg (pricing date: Jan 18), Yuanta vietnam

Tanh Tran's thoughts on the key changes to the Credit Law and the impacts on the banks –

1. Reducing the cap on bank ownership. The maximum bank holding of domestic organizations, individuals, and related parties will be reduced, but this does not apply to foreigners (specific details in left-side table).

This is a sensible approach to ensuring corporate governance standards without disrupting foreign strategic stakes in the banks.

New ownership ratios cap in a bank:

*Individual: up to **5%** of charter capital*

*Institutional: up to **10%***

*Shareholder and related persons: up to **15%***

*Major shareholder & related persons of a credit institution cannot own more than **5%** of another credit institution.*

2. New credit limit restriction: The changes reduce the credit limits for individual customers & their related parties. However, the law enacts a gradual adjustment over five years, which should ease the process.

This should prioritize systemic stability, but It may constrain system credit and thus economic growth. However, the gradual approach should mitigate any negative impact. The change should affect all banks, but we think state-owned banks and private banks involved in weak-bank restructuring (i.e., [HDB](#), [MBB](#), [VCB](#), and [VPB](#)) may be less impacted.

New credit limit

- Jul 1, 2024 to Dec 31, 2025: **14%** of owner's equity for a customer; **23%** for a customer and related persons.
- Jan 1, 2026 to Dec 31, 2026: **13%** for a customer; **21%** for a customer and related persons.
- Jan 1, 2027 to Dec 31, 2027: **12%** for a customer; **19%** for a customer and related persons.
- Jan 1, 2028 to Dec 31, 2028: **11%** for a customer; **17%** for a customer and related persons.
- Jan 1, 2029: **10%** for a customer; **15%** for a customer and related persons.

3. Regulation on real estate holding due to debt resolution: The only change is an extension of the duration for holding real estate due to debt resolution to 5 years, up from the previous 3 years.

Extending the holding period of real estate related to debt resolution should help the banks address the challenges associated with bad debt.

4. Banks with collateral under Resolution 42/2017/QH14 will continue to apply Resolution 42 until such assets have been fully worked out. This will benefit banks with substantial legacy NPAs such as [STB](#).

5. Prohibition on bancassurance sales when providing other services:

Banks that rely heavily on bancassurance for fee income (e.g., LPB, EIB, ACB, STB, MBB) are likely to be hit hardest. See left-side chart for details.

Our view: The most interesting point pertains to the benefits for receiving banks that take over weak banks. Receiving banks remain exempt from consolidating weak banks (so no impact on CAR, LDR); required reserves reduced by 50%; access to cheap funding.

We reiterate BUY on [HDB](#), [MBB](#), [VCB](#), & [VPB](#), which are active in weak-bank restructuring and thus should benefit from a relatively light regulatory hand (e.g., credit quotas, new-branch opening).

Please see Tanh's full report of Jan 19 for more details:

https://yuanta.com.vn/wp-content/uploads/2024/01/Bank_Sector_New-Credit-Law_Jan-24-1.pdf

Legalize It! (Part II) Changes to the laws governing property

KDH VN, price to book value



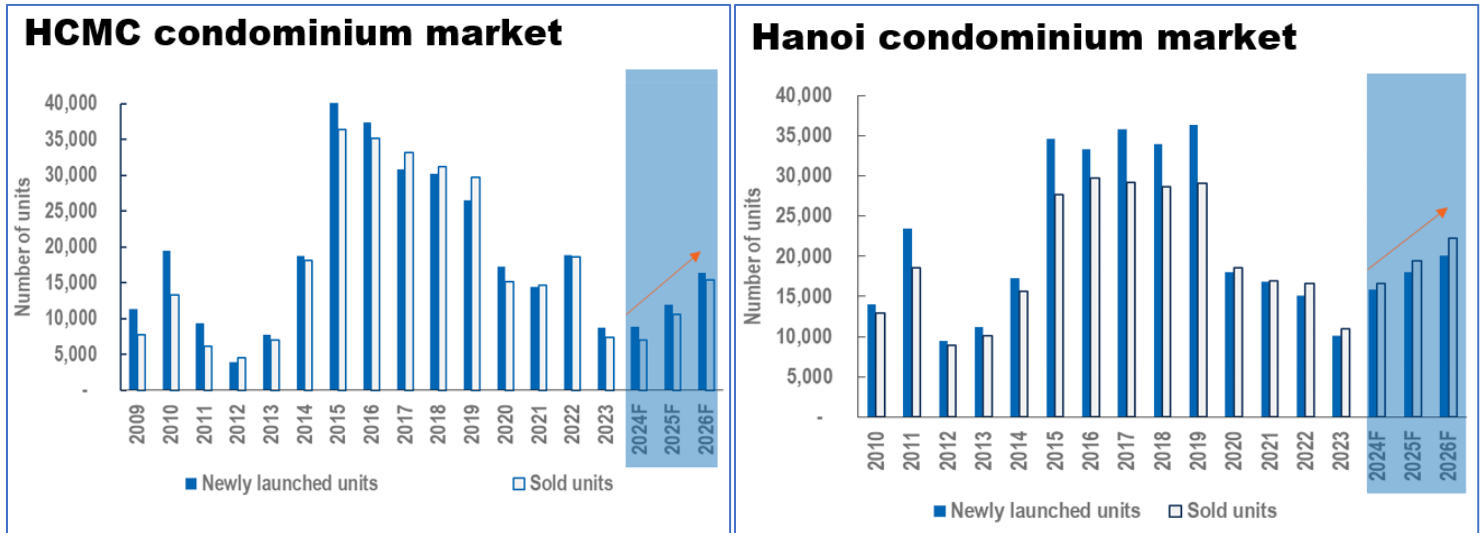
VHM VN, price to book value



Source: Bloomberg, Yuanta Vietnam

Tam Nguyen reckons that the major developers should benefit the most from the amended Land Law. His initial thoughts on the key items are as follows:

- 1. Residential development to be more in accordance with the synchronized masterplan**, with local masterplans aligning with the national masterplan.
 - ⇒ We believe that the administrative processes will be easier both for developers and the relevant authorities as a result.
- 2. Digitalization of land data and the adoption of market-based land pricing.**
 - ⇒ This should result in the replacement of the legacy land price framework with market-driven pricing methodologies such as the comparison, collection, or surplus methods.
- 3. Utilization of land for multiple purposes** contingent on adherence to the approved land use and construction master plans.
 - ⇒ This should allow for detailed guidance for developing multi-purpose projects such as tourism developments combined with residential areas.
- 4. Resettlement process: improved conditions for landholders.**
 - ⇒ General compensation guidance for landholders could result in improved conditions, but the lack of detail could leave plenty of room for interpretation. However, there is a risk that project land costs may increase as a result of these regulations.



Source: CBRE

5. Prioritizing land allocation via bidding and auction, accompanied by an approved detailed planning of 1/500 plans for housing projects.

⇒ If developers can only acquire landbank through market mechanisms, we would anticipate a decline in the developers’ substantial profit margins observed previously. Nevertheless, we believe that projects that have secured LUR determination should still sustain elevated profit margins assuming strong market conditions. Additionally, the developers of large-scale urban residential projects possess a competitive edge and should be able to maintain gross profit margins at high levels (e.g., 40% -70%).

6. Land lease agreements with one-time payments to be permissible for implementing investment projects in agriculture, forestry, aquaculture, salt production, and industrial parks.

⇒ Facilitating one-time payments should support firms in these industries, which can leverage these payments as collateral for debt financing.

7. Land allocation and reclamation.

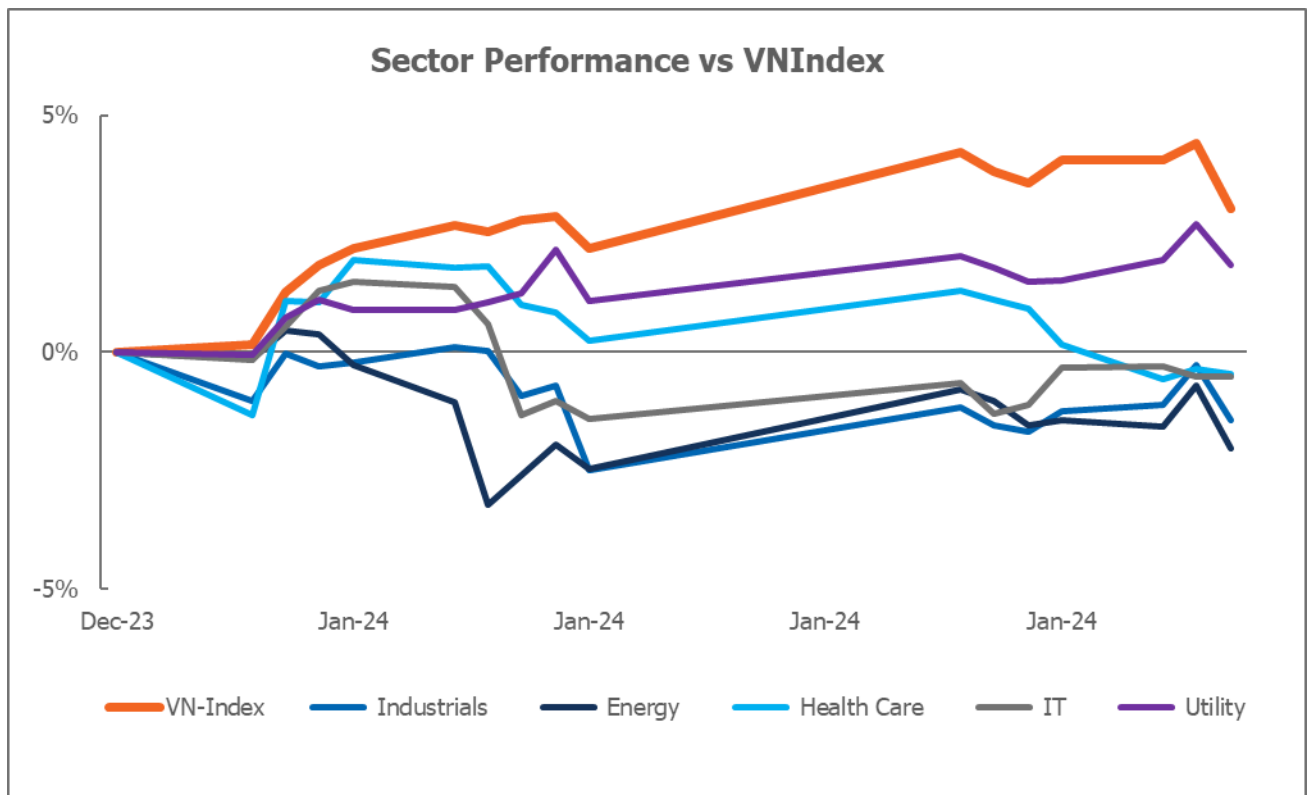
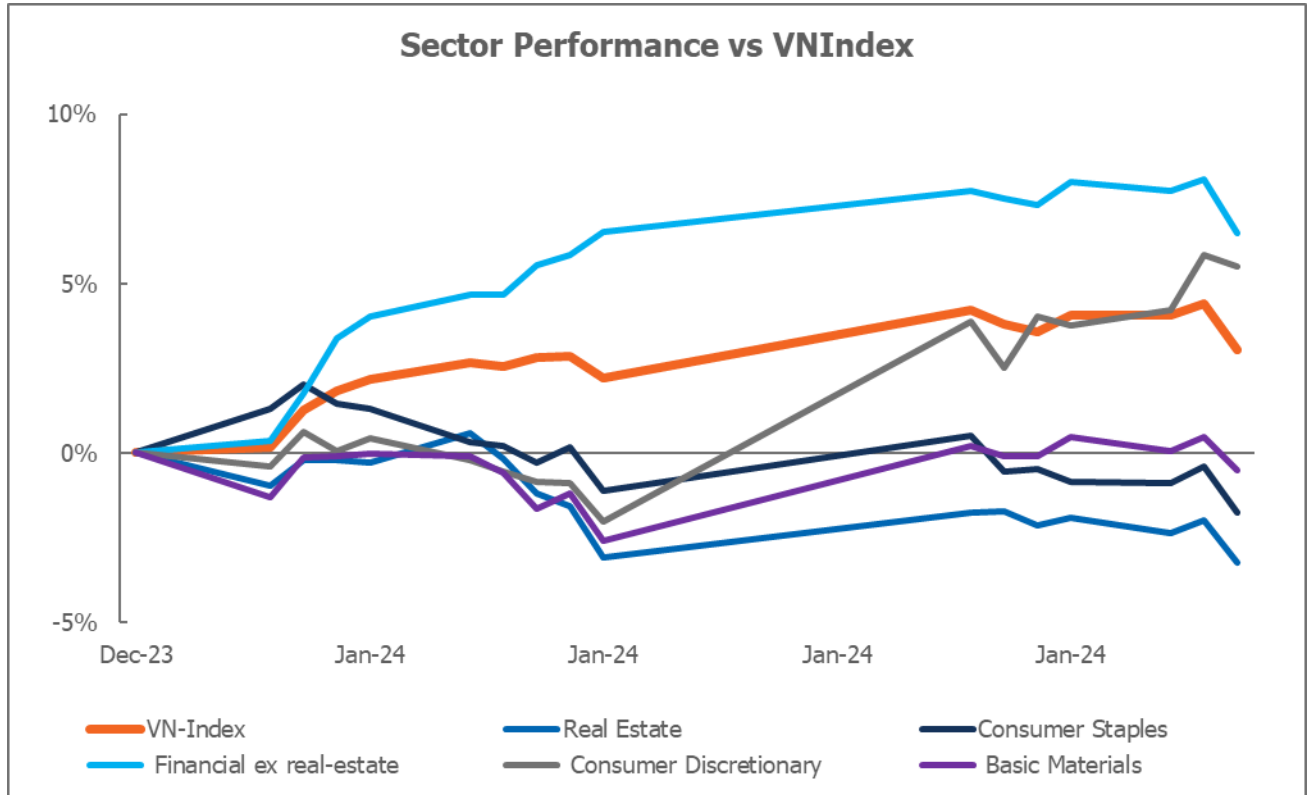
⇒ Detailed guidance on land reclamation should benefit projects such as Vinhomes Can Gio.

In our view, the amended law should primarily benefit the major developers. We reiterate our BUY calls on [VHM](#) and [KDH](#) and Hold-Outperform on [NLG](#)

For details, please see Tam’s complete report published on Jan 18:

https://yuanta.com.vn/wp-content/uploads/2024/01/Express-note_Land-law-amended_Major-developers-should-benefit-the-most.pdf

Sector performance YTD

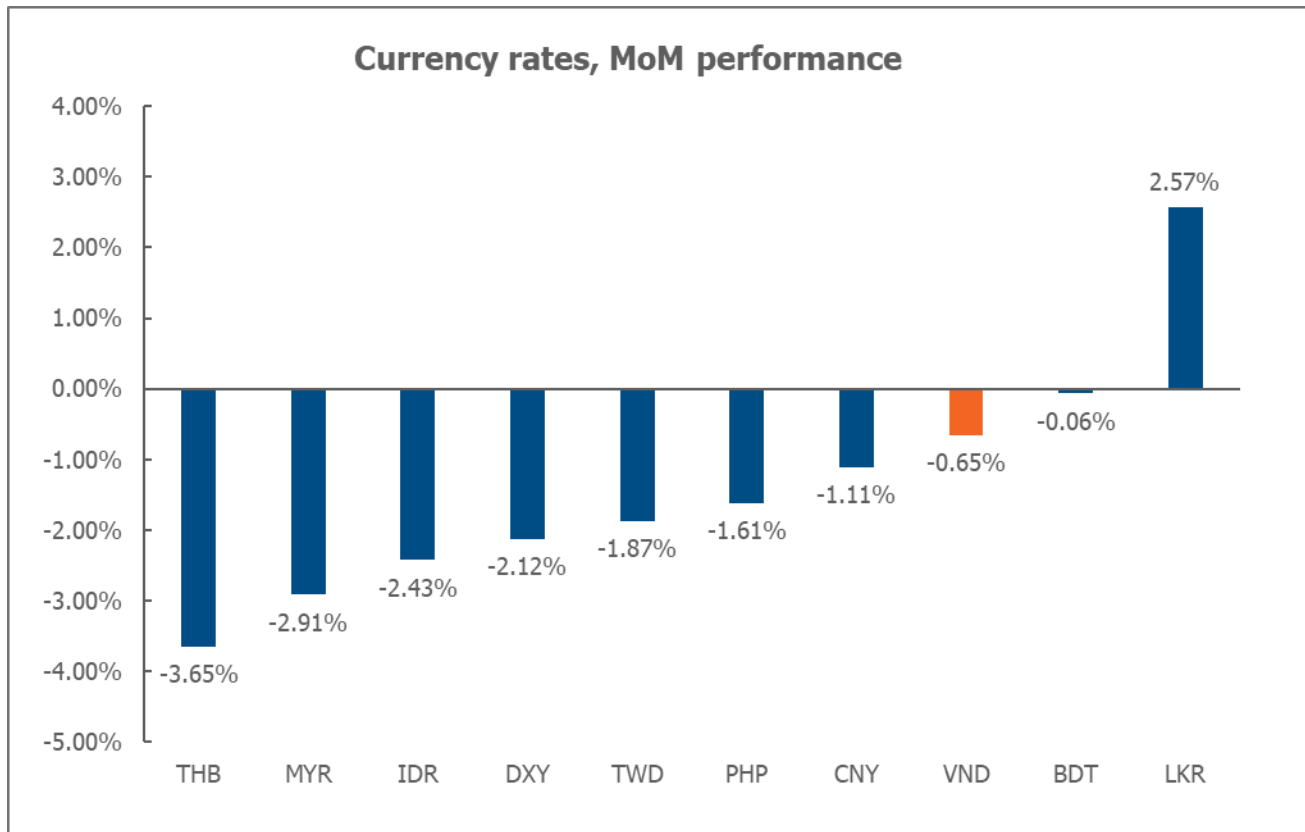


Source: Bloomberg (updated to Jan 31)

VND has softened YTD but still outperforming regional currencies.

The dong depreciated by -65bps against a declining USD (DXY -2.1% MoM) in January. As such, the VND has maintained a relatively stable FX rate in comparison to onshore RMB (-1.1%); TWD (-1.9%); and comparable regional peers (THB: -3.7%, MYR: -2.9%, IDR: -2.4%, PHP -1.6%) – all four of which had posted strong gains amid the (false) US Fed pivot narrative in December.

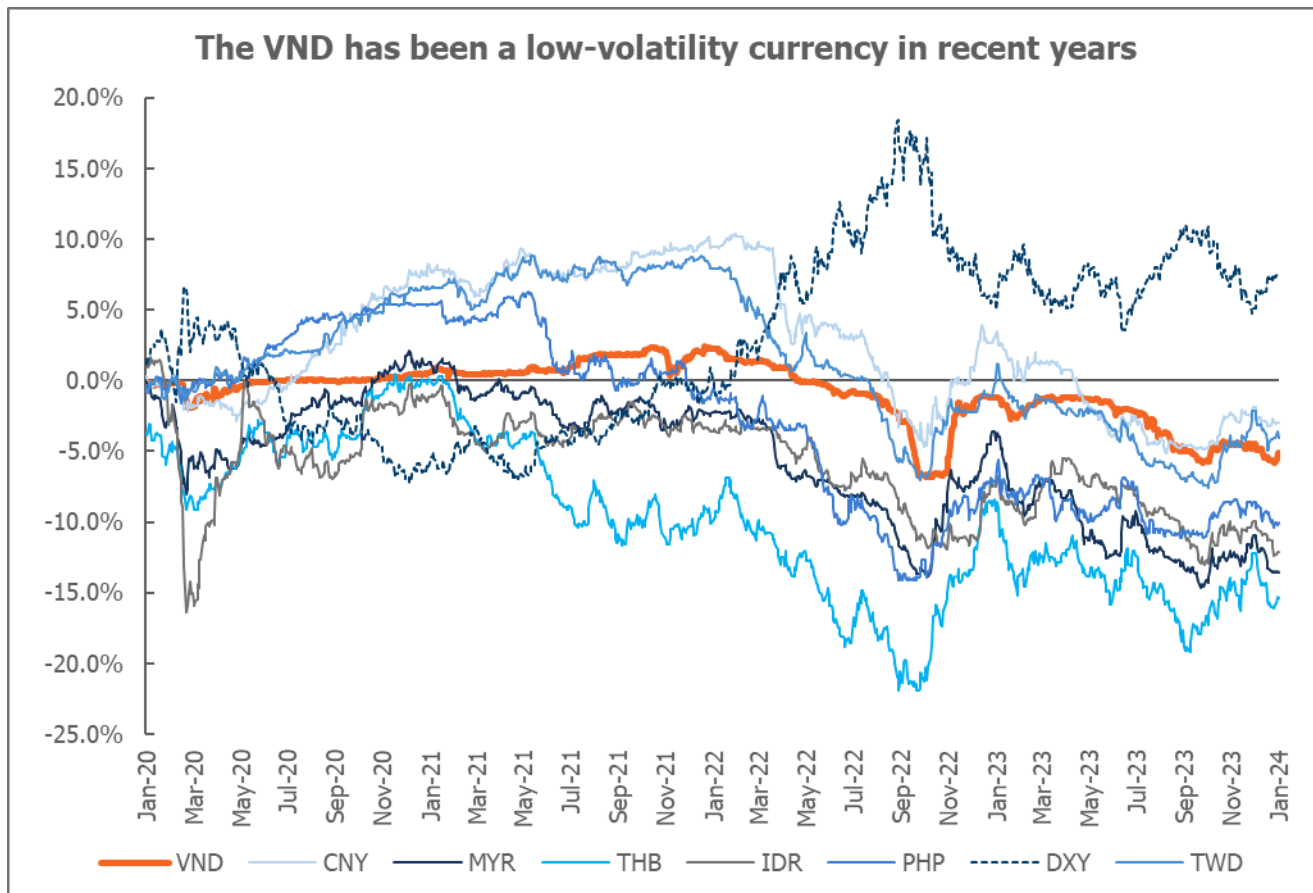
So the VND has at least recovered some of its regional underperformance in 2023, a year in which the dong declined by -2.6% YoY against the USD in contrast to modest 2023 gains for regional peers: THB (+1.4% YoY), IDR (+1.1%), and PHP (+0.6%).



Source: Bloomberg (updated to Jan 31)

As illustrated in the chart below, the VND has been steadily declining but with relatively low volatility, and its YoY underperformance in 2023 hinged on the yearend drop in the dollar in line with the increased acceptance of the “2024 Fed pivot” narrative that pushed US long rates dramatically lower in 4Q23 after a very brief bear steepening in 3Q 2023.

At this point, the dong is approaching its 3Q22 lows, a zone in which the SBV took action by dramatically hiking rates to shore up the VND’s exchange rate. We believe a repeat of monetary tightening is unlikely in 2024 as the VND’s relative exchange rate vs. regional peers is actually strong, and the central bank will be mindful of the potential fragility of the economic recovery.



Source: Bloomberg (updated to Jan 31)

We reiterate our statement from last month’s strategy monthly: Our view is that the VND should appreciate vs. the USD given the positive fundamentals:

- 1) An increasingly structural positive current account balance;
- 2) Continued inflows of longer-term capital in the form of FDI and remittances;
- 3) Ample FX reserves, especially relative to imports for the domestic economy; and
- 4) Lack of any credit-fueled domestic demand bubble in the past decade.

However, this view does not inform our actual expectations. Despite these positive-seeming fundamental drivers, we expect the currency to continue to depreciate anyway by 1-2% annually vs. the US dollar going forward. This is due primarily to

- 1) The SBV’s focus on financial stability and propensity to retain cost competitiveness vs. regional countries;
- 2) Lack of any real pressure from the US to allow the VND to appreciate given the overriding geopolitical concerns;
- 3) The very real interest rate differential, which we do NOT anticipate will disappear in 2024; and
- 4) The ever-present risk of capital flight from domestic elites, as illustrated by the “net errors and omissions” data. To once again quote ourselves (from an October report):

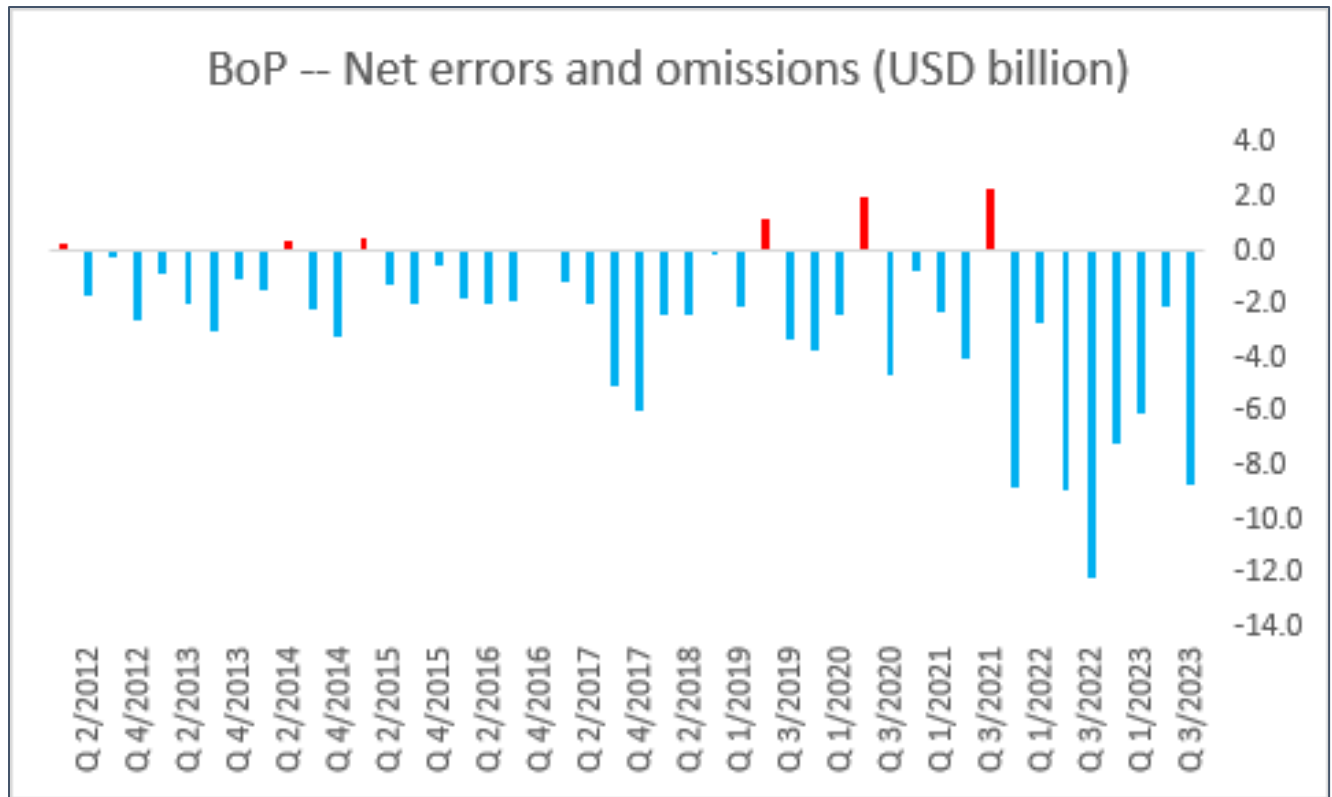
Real interest rate differentials are an easy-to-explain culprit for the VND’s soft patch, as US dollar money markets have been slowly moving from the ephemeral “Fed-will-soon-pivot” mirage to the acceptance of “higher for longer”, with US long bond rates finally getting this message.

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 3Q23 (the latest available data), net errors and omissions have been consistently negative for a total US\$49.4 billion in outflows during this 21-month period. The main change to this chart now is the inclusion of 3Q23 data, which is always released with a several-month lag (in this case, we got the 3Q23 numbers in January).



Source: FiinPro, Yuanta Vietnam

As illustrated in the chart above, the “errors” outflows were exceptionally high in 2Q22-1Q23, a time in which certain individuals may have been especially incentivized to attempt to offshore their wealth. As a reminder, monetary policy was not the only action taken by the Vietnam government during this period – the prosecutors were also busy.

Capital leakage averaged US\$1.7bn per quarter in the ten years leading to 3Q21. But it suddenly popped to US\$8.8bn in 4Q21, reached a historical peak (so far) of US\$12.2bn in 3Q23, and as a result has averaged US\$7.1bn over the past 8 quarters.

We previously noted that the surge in net E&O outflows appeared to have coincided with some of the newsy elements of law enforcement *vis a vis* certain members of the property development community.

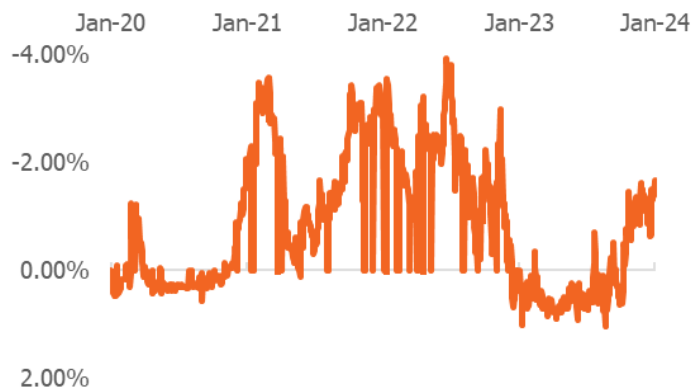
As such, we were gratified to see it appear to normalize at US\$2.1bn in outflows during 2Q23. However, the negative BOP entry in net E&O then surged again in 3Q23, to reach US\$8.7 billion, the fourth highest figure in our database.

Perhaps we attributed too much causation to the correlation of outflows vs. the timing of certain events involving allegations of alleged wrongdoings and the management takeover of the country's fifth largest bank (by reported assets). It's impossible to say.

The underlying drivers for this data are opaque by their very nature, but real rate differentials may be a factor. In any case, the data supports our argument that domestic capital flight (i.e., wealthy Vietnamese moving funds abroad, or at least out of the financial system) represent the greatest source of liquidity risk both for the system and the VND itself.

Grey market US dollar cash premium has risen, signaling increased demand.

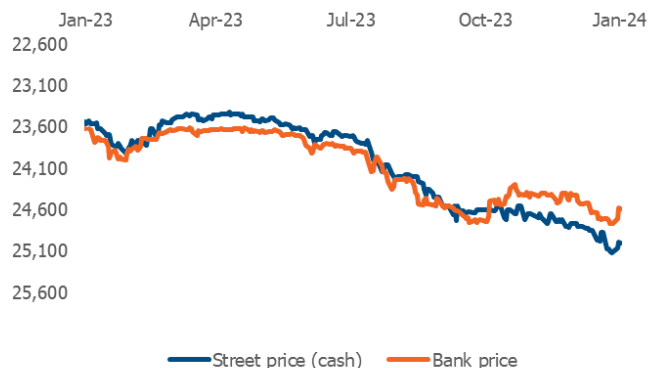
Cash rate vs bank rate for buying USD with VND



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

Both the bank and street VND rates have been declining over the past 10 months.

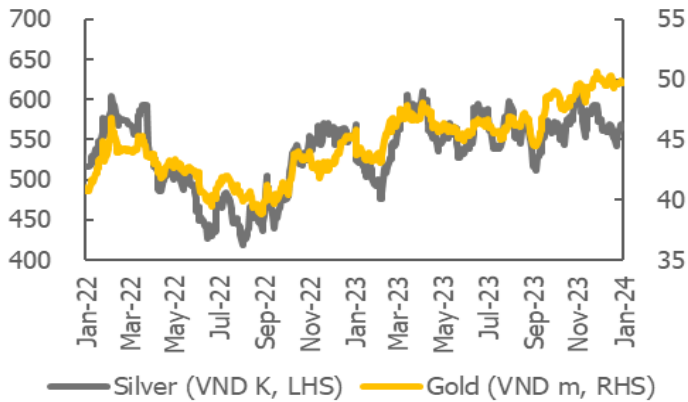
VND rates to buy USD



Source: FiinPro, Yuanta Vietnam

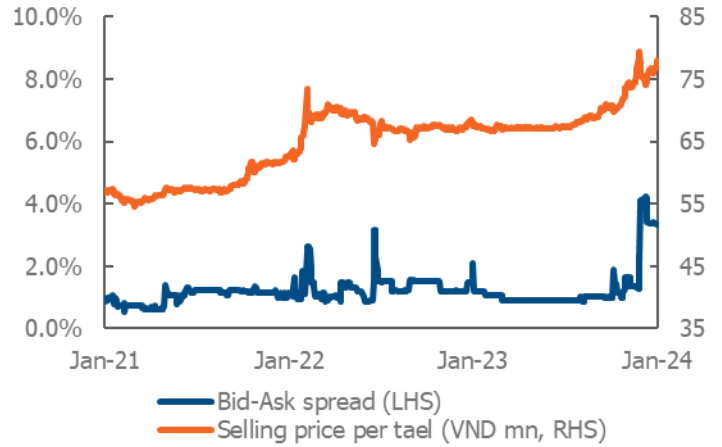
Global gold prices (priced in USD) have also increased, with bigger gains in VND terms.

Precious metals in VND terms



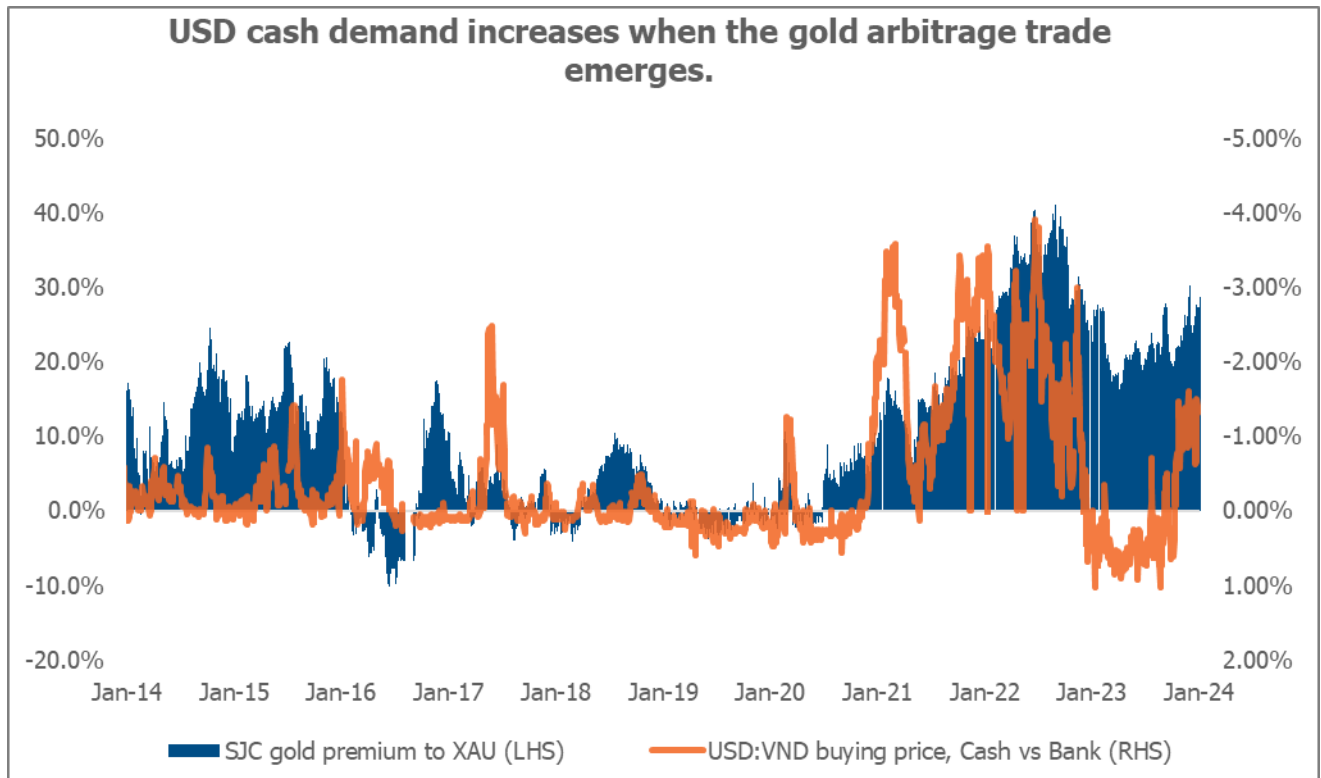
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

The SJC's official gold price reflects this trend, and bid-ask spreads have soared YTD.



Source: FiinPro, Yuanta Vietnam

USD cash demand increases when the gold arbitrage trade emerges.



Source: FiinPro, Bloomberg, Yuanta Vietnam

Macro Update – The Dragon Awakes

--Binh Truong, Deputy Head of Research

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Highlights of the GSO macro data for Jan 2024 – Expect a clearer picture in 2M2024

- Readers should take note that the YoY comparisons for January are skewed to the upside by the low base of last year because the Tet holidays fell in January 2023.
- We will get a better look at the state of the economy by aggregating the Jan-Feb data and comparing that result with the economic figures for Jan-Feb 2023.
- However, we expect an overall improvement in the 2M2024 figures in both production and demand.
- The index of industrial production (IIP) in January declined by -4.4% MoM (a typical seasonal drop) and increased by +18.3% YoY (skewed up by Tet).
- We expect improvement in industrial output in 2M2024 underpinned by robust domestic demand and a modest pick-up in export orders.
- The January PMI figure looks promising as new orders reportedly picked up for the first time in four months.
- Manufacturers' sentiment remains positive on the prospective external demand recovery in 2024.
- Realized FDI in January 2024 reached an estimated USD 1.48 billion (up +9.6% YoY), the highest growth figure since 2020 (but again, the timing of Tet certainly skews the growth).
- Total retail sales reached an estimated VND 524.1 trillion, up +1.6% MoM and up +8.1% YoY.
- Attempting to strip out the Tet impact, net exports of merchandise in the first 15 days of 2024 reached USD 0.38 billion USD (almost half the merchandise trade surplus of 0.73 billion USD last year). Merchandise exports in this two-week period reached USD15.08 billion, up 4.1% YoY; and Merchandise imports reached USD 14.7 billion, up 6.8% YoY.
- The consumer price index (CPI) in January 2024 increased by 0.31% MoM / +3.37% YoY. Core inflation in January 2024 increased by 2.72% YoY.
- Risk: Oil price rally and logistics costs are picking up due to Middle East tensions toward the end of January. The increased costs might eventually impact consumer prices and exports going forward.

Industrial production in January was skewed by seasonality and the timing of Tet, but we expect positive momentum for 2M24

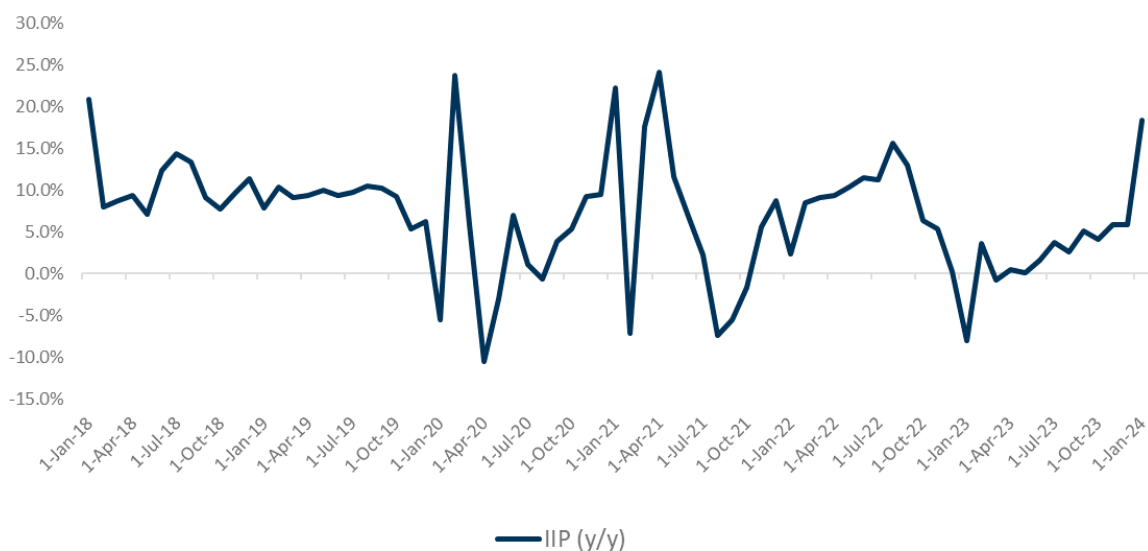
The GSO estimates that the index of industrial production (IIP) in January 2024 decreased by -4.4% MoM (previous month: +0.1% MoM) but increased by +18.3% YoY. The YoY number is very much skewed by the low base effect created by the Tet holidays, which fell in the third week of January 2023.

We believe that the combination of robust domestic demand and a modest improvement in global demand (as reported in the PMI survey) in January should result in likely improvement in industrial activity. But the timing of Tet (Jan 2023 and Feb 2024) means that the monthly YoY comparables are skewed and, for us, hard to interpret. We think that the positive momentum in industrial activity should be visible in the aggregated Jan-Feb IIP numbers (2M2024), which will be available at the end of February.

Blended IIP expansion in January was broken down by output of manufacturing (+19.3% YoY), electricity production and distribution (+21.69% YoY), water supply (+5.7% YoY), and mining (+7.3% YoY).

Sectors exhibiting strong growth in January include furniture manufacturing, which posted growth of +66.7% YoY; followed by weaving (+46.2% YoY); electricity equipment (+43.3% YoY); basic metals (+39.4% YoY, as steel production of listed companies HPG, HSG, and NKG reportedly picked up due to increased export demand); paper (+38.7% YoY); and leather (+34.7% YoY).

January industrial output growth was skewed by the timing of Tet



Source: GSO

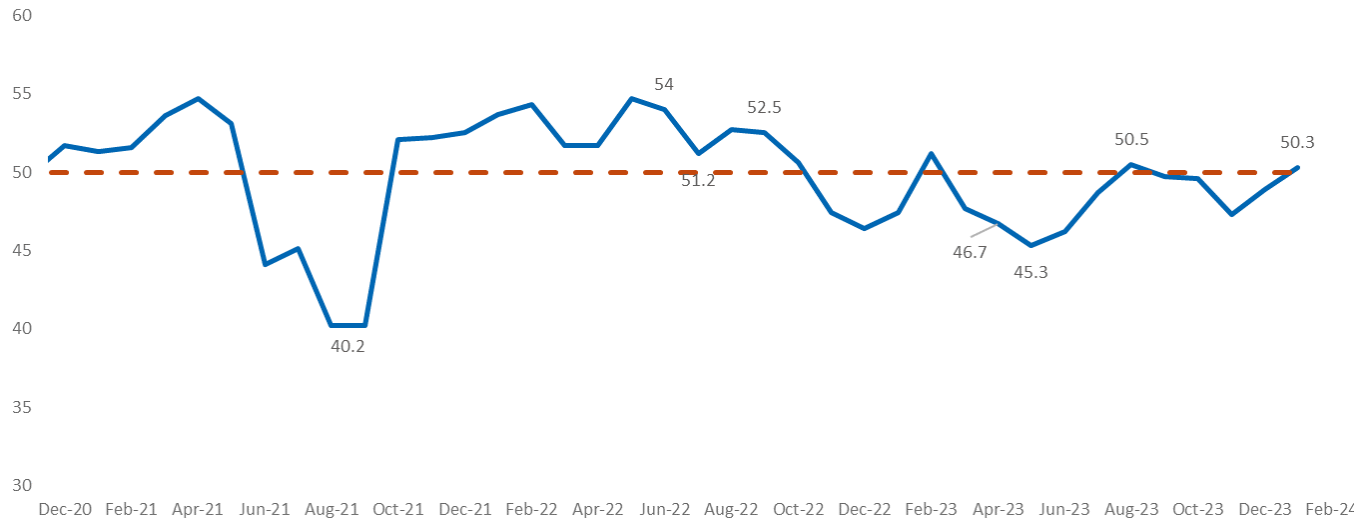
Broken down by products, output expanded in several sectors, including: 1) sugar increased by a whopping +66.2% YoY; 2) Steel rose by +59.6% YoY -- although against a low base, this result signals a recovery for the steel sector that should benefit HPG, HSG, and NKG; 3) NPK fertilizer soared by +40.7% YoY, which explains the recent surge of listed fertilizer producer stocks (e.g., BFC and DCM); 4) tobacco grew by +34.7% YoY; 5) rolled steel increased by +12.7% YoY; 5) and chemical paint expanded by +44.7%YoY

By contrast, production of several segments declined in 2023: Output of 1) phone parts declined -15.3% YoY; 2) televisions declined by -11.3%; 3) mobile phones slid by -3.5% YoY; and 4) crude oil fell by -2.2%.

Manufacturing PMI: A modest but welcome turnaround in January

The S&P Global Manufacturing PMI for January came in at 50.3, above the 50.0 mark and thus signalling a modest expansion in manufacturing sector for the first time in five months. The index improved from 47.3 in November and 48.9 in December. Participants report signs of modest increases in demand. Unlike the other datapoints from January, the PMI survey is not skewed by Tet. Hence, this positive result reinforces our base case for manufacturing production to recover in 2024.

January manufacturing PMI was back in positive territory for the first time in 5 months



Source: GSO

Survey respondents indicate that demand picked up from both the domestic and export markets, which in turn led to renewed increases in new orders and output in the first month of 2024. Manufacturers increased production as a result, therefore ending three straight months of decreased production. But nobody is calling for an export boom -- purchasing activities and staffing levels remain stable.

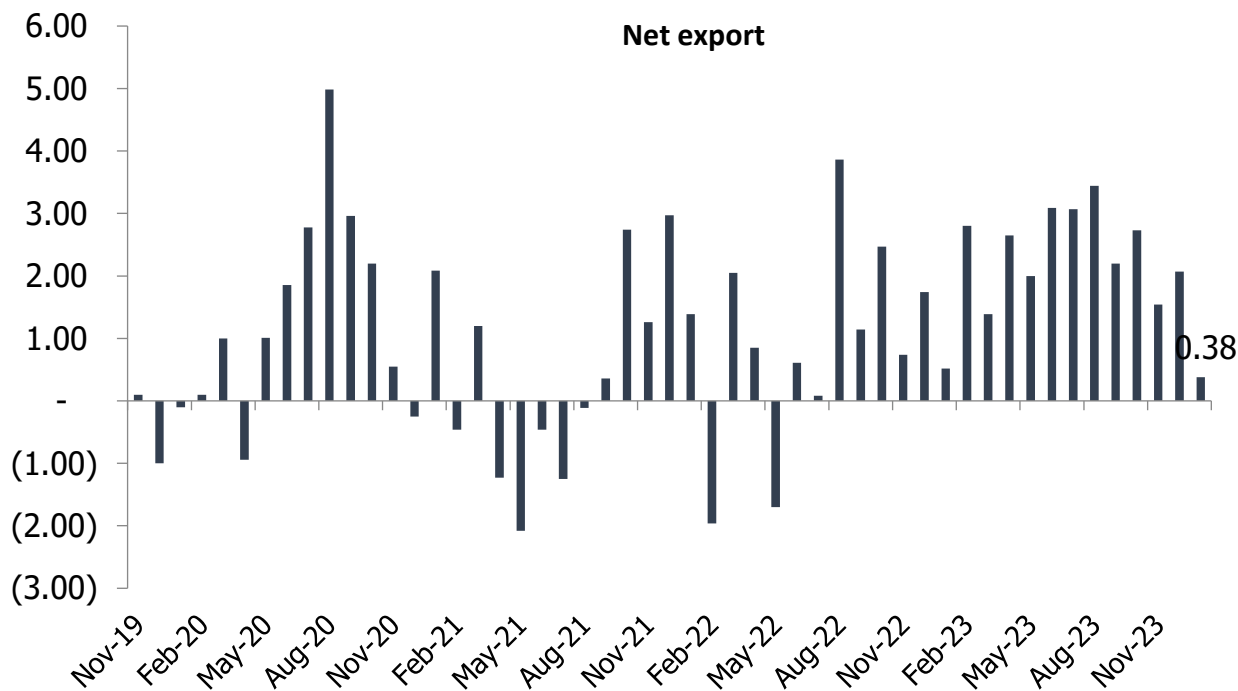
A combination of increased new orders and stable operating capacity resulted in a slight increase in order backlogs and a decrease in stocks of purchased inputs.

Headwinds: Red Sea-related shipping delays are resulting in lengthening of suppliers' delivery times and could exacerbate increases in input prices. Nevertheless, manufacturers have both 1) reduced their selling prices to stimulate demand and 2) retained a positive assessment of the overall demand outlook for the next 12 months.

International trade has a good start

Vietnam recorded a **USD0.38bn merchandise trade surplus in the first 15 days of January** as the net result of USD15.0bn in goods exports, grew by 4.1% YoY and USD 14.7bn in merchandise imports, increased by +6.8% YoY. The first two-week figures are less impacted by Tet seasonality and hence gives a better YoY comparison as Tet was on Jan 22 2023.

Vietnam recorded a merchandise trade surplus of USD 28bn in 2023



Source: GSO

Within this two-week timeframe, four products posted turnover of above USD 1bn, accounting for 53.2% of the total merchandise export turnover.

Largest export items in the first two weeks of January

	Estimated 1H January export turnover (USD mn)	% YoY growth
Above USD10bn export turnover		
Electronic goods, computers, and parts	2.861	+6,7
Mobile phones and parts	2.246	+22,1
Machinery, instrument, accessory	1.634	-4,6
Textiles and garments	1.290	-17,8

Source: GSO

Imports are also recovering, which is a good indicator as most import products are production factors for export. Two items saw import turnover exceed USD 1bn in 2023, accounting for 42.4% of total imports. Both goods significantly increased YoY.

Electronics, computers and parts remain the largest import products in Jan 2024

	Estimated 2023 import turnover (USD mn)	2023 growth... (% YoY)
Above USD10bn export turnover		
Electronics, computers, and parts	4.267	+9,2
Machinery, instruments, and accessories	1.919	+15,2

Source: GSO

FDI kicked off impressively

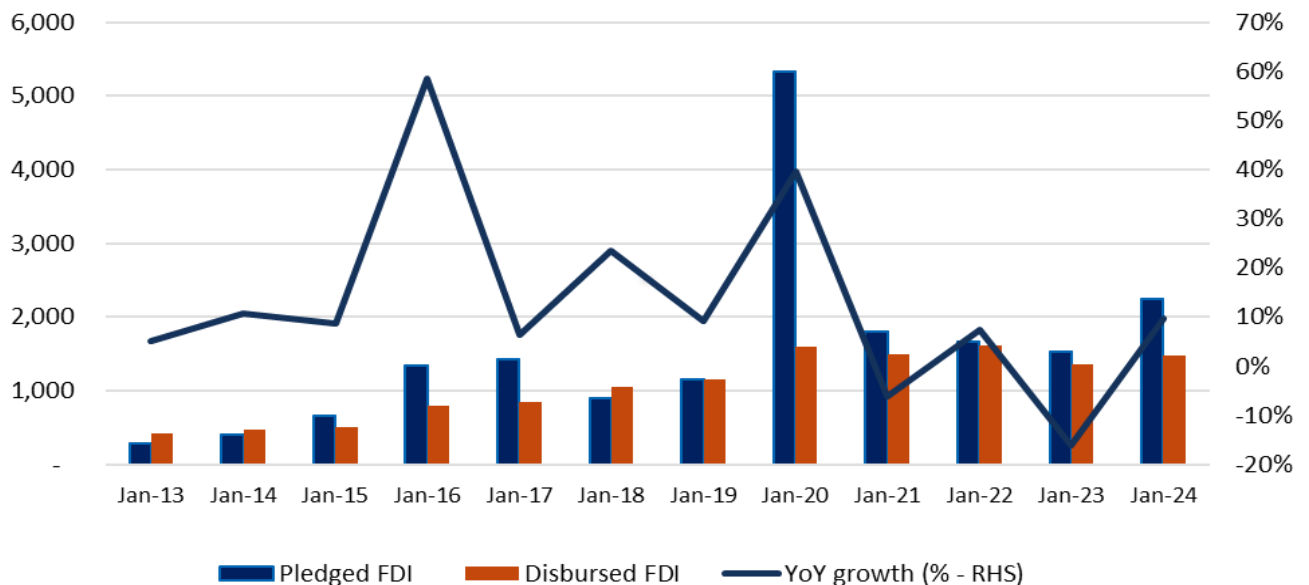
January is typically the State Budget planning and allocation period, according to the GSO. Most projects in a given year are not initiated in the first month of the year. Hence, we are not surprised to learn that public investment in January only fulfilled 4.4% of the government's full-year target.

Specifically, public investment in January reached VND31.1trillion, up by +12.5% YoY. Investment by the central government reached VND 4.7 trillion in January, 4% of the full-year budget and up by +3.7% YoY. Investment by provincial governments reached VND 26.4 trillion, 4.5% of their annual budgets and up by +14.2% YoY.

Disbursed FDI in January 2024 reached USD 1.48bn, up +9.6% YoY, the highest growth rate since January 2020. However, it is too early to tell if this level of growth will prove to be sustainable.

Manufacturing FDI accounted for 78% of total January disbursed FDI, or USD1.15bn. Property accounted for 10% of the FDI mix (USD147mn); while gas, hot water, steam, and air-conditioning FDI (USD 72.4 mn) accounted for 4.9% of total disbursed FDI in January.

FDI Disbursals soared by the highest rate since Jan 2020



Source: GSO

Pledged FDI looks even more promising than disbursements in Jan 2024. Registered FDI surged by +40.2% YoY to USD2.36bn. Specifically, newly registered FDI reached USD2.0bn, up by an impressive +24.2% 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. This news is positive for industrial property developers such as KBC VN (BUY – covered by property analyst Tam Nguyen).

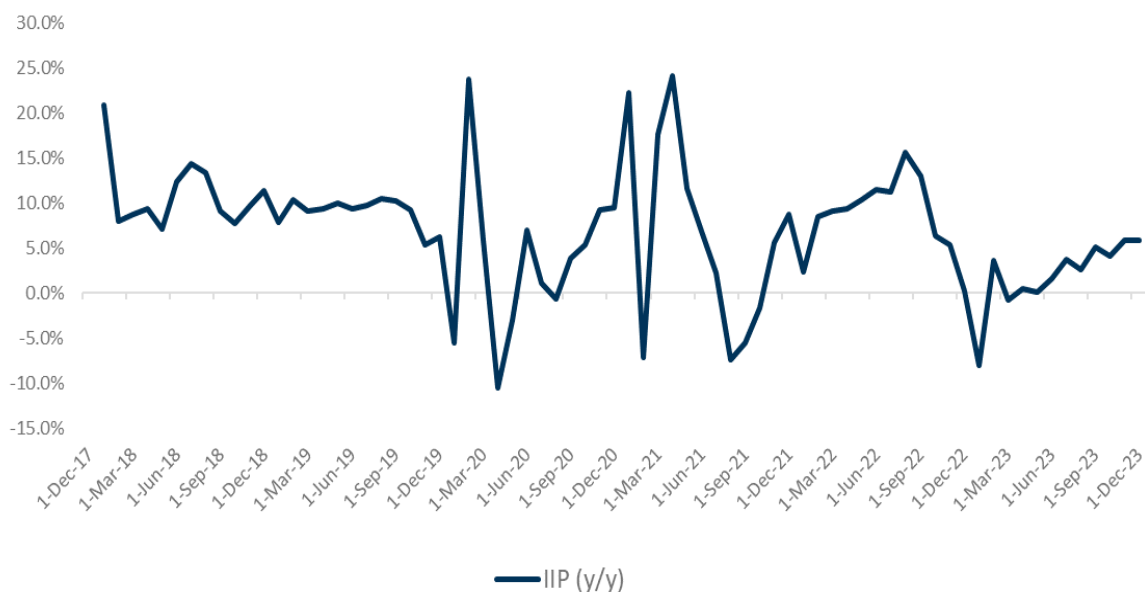
January retail spending boosted by Tet

Consumers were busy in January get ready for Tet. Retail sales of goods and services in January reached VND 524.1tn, up by +1.6% MoM and by +8.1% YoY. This illustrates the buildup in retail sales momentum in recent months, following November (+10.1% YoY) and December (+9.3%).

Blended retail sales were underpinned by hospitality and catering services revenue, which grew by +10.2% YoY to reach VND58.9tn (11.2% 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 1.5 million persons in January, up +7.1% MoM and +60.9% YoY. We also believe that year-end parties also boosted to catering services receipts.

As consumers shopped for Tet, merchandise receipts rose by +7.3% YoY in January (down from +8.6% YoY in December) to reach VND 407.5tn, representing 77.8% of total retail sales.

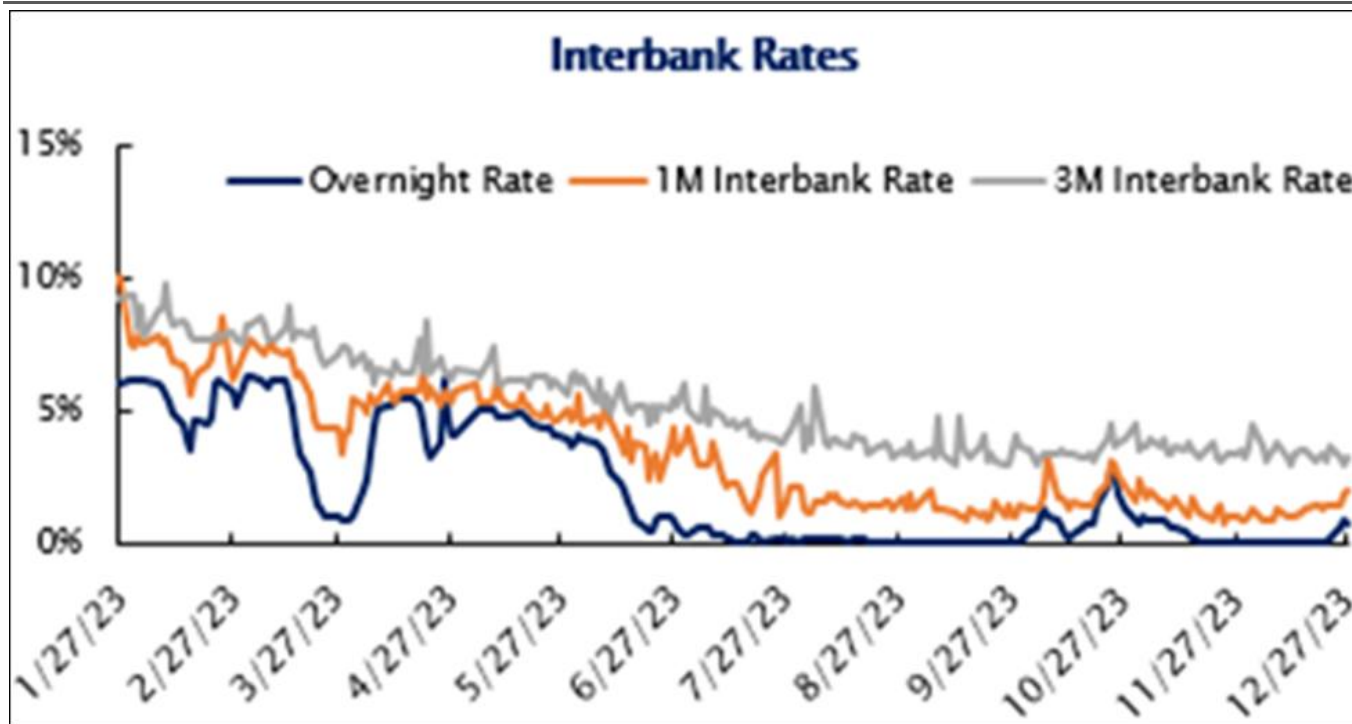
Retail sales growth picked up impressively in January



Source: GSO

We will not be at all surprised to see a MoM decline in Feb retail spending given the weeklong Tet holidays that start Feb 9. But seasonality aside, the combination of loosening monetary policy (falling interest rates) and fiscal policy (-2ppt VAT in 1H2024) should continue to support retail spending going forward.

Financial system liquidity remains strong in January



Source: SBV

Inflation cooled slightly in January

According to the GSO, inflation cooled in January with CPI up only slightly by +0.31% MoM and by +3.37% YoY. Nine of the 11 items in the CPI basket posted increased prices in January, but most of these price gains were minor. Specifically, prices of --

- **Medical products (5.39% of the basket) rose by +1.02% MoM**, as outpatient service fees rose due to government pricing policy by +0.89% MoM while inpatient service fees rose by +1.67% MoM during the month.
- **Housing and building materials (18.82% of the basket) rose by +0.56% MoM** as electricity prices rose by +1.05% MoM.
- **Transport (9.67% of the CPI basket) prices rose by +0.41% MoM** as petroleum prices were up by +0.79% MoM and Diesel prices increased by +1.39% MoM.
- **Beverages and tobacco (5.7% of the basket) rose by +0.38% MoM** on pre-holiday spending.

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

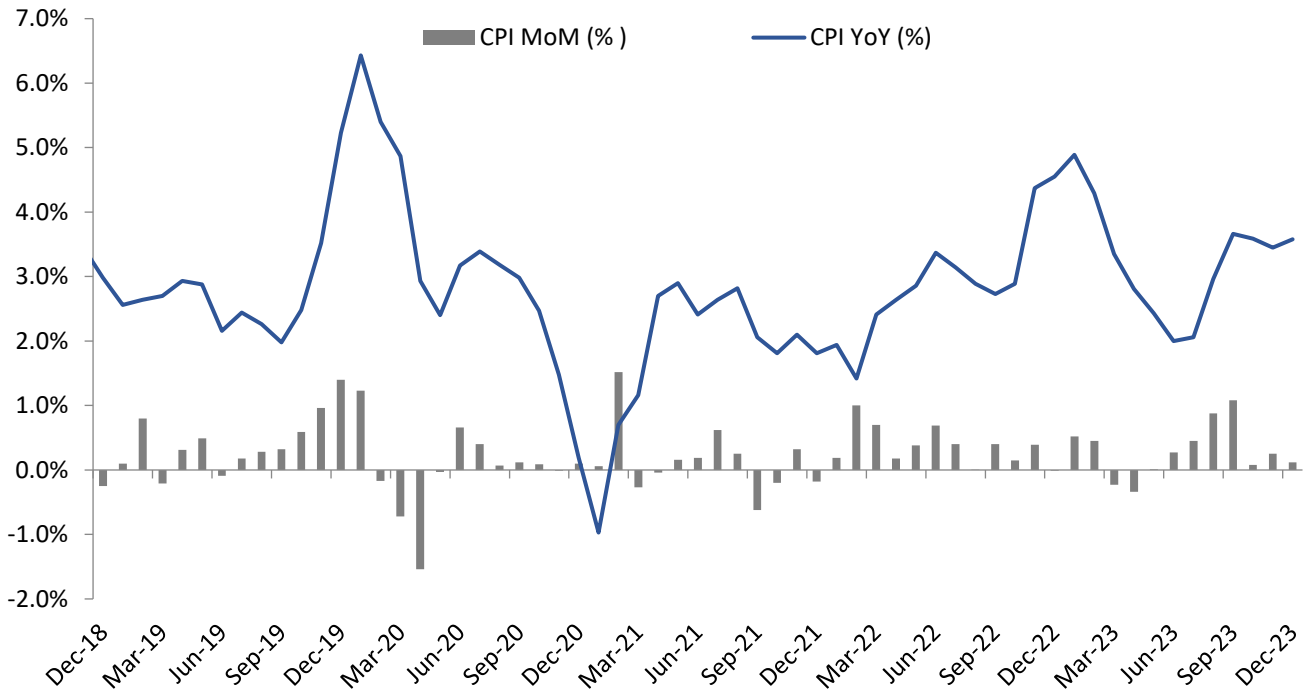
- **Telecom (3.14% of the basket) slid by -0.05% MoM** as mobile phone network operators launched promotion campaigns.
- **Education (6.17% of the basket) fell by -0.12%** as education services slid by -0.15%, in line with Decision 97/2023/NĐ-CP which was intended to stabilize tuition fees.

We think inflation could re-emerge as a headwind going forward as oil prices and logistics costs are picking up, while the VND exchange rate has steadily depreciated vs. the US dollar. This should eventually be reflected in consumer prices. Specifically, oil prices (Brent) exceeded \$80 per barrel (+6.26% MoM), manufacturers reported increases in logistics costs as seen in the PMI survey due to prolonged tensions in the Middle East.

The good news is that this situation improves the investment opportunities in O&G companies. Within our Coverage, PVD (BUY) is our top pick for the O&G sector. Please find our latest report on PVD titled “It’s just the beginning of an upcycle” at the following link:

<https://yuanta.com.vn/wp-content/uploads/2024/01/20240130-PVD-4Q23-AM.pdf>

Consumer price inflation could re-emerge as a macro headwind



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	6.4	6.5	5.2	43.2	(1.2)	24.0	0.1	n/a	0.2	1.5	1.4	1.2	26.2	23.9	24.4	2.4	2.4	2.6
	BID VN	15.3	13.1	10.9	81.0	16.9	19.6	0.2	0.8	0.6	2.3	2.0	1.7	16.6	16.3	16.7	0.9	1.0	1.1
	HDB VN	7.1	6.7	5.2	28.2	5.0	30.1	0.3	1.4	0.2	1.5	1.4	1.2	22.2	22.0	23.8	2.1	2.2	2.3
	MBB VN	6.0	6.0	4.8	16.0	(0.3)	25.9	0.4	n/a	0.2	1.3	1.2	1.0	24.3	22.4	23.1	2.7	2.6	2.9
	STB VN	11.2	8.5	5.2	63.8	32.0	63.7	0.2	0.3	0.1	1.5	1.2	1.0	13.8	15.8	21.4	0.9	1.2	1.7
	VCB VN	15.2	14.9	10.9	39.9	2.1	36.4	0.4	7.3	0.3	3.1	3.0	2.4	22.5	22.1	24.4	1.9	1.9	2.3
	VPB VN	7.1	7.9	6.0	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
Brokers	HCM VN	14.2	16.3	14.9	(32.8)	(12.7)	9.5	n/a	n/a	1.6	1.5	1.6	1.5	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	23.1	15.3	14.3	(56.1)	51.3	6.7	n/a	0.3	2.1	2.3	2.0	1.8	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	21.9	18.3	16.2	(55.7)	19.5	13.2	n/a	0.9	1.2	2.9	2.6	2.4	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	24.9	15.6	15.5	(65.1)	59.3	1.0	n/a	0.3	15.2	2.0	1.8	1.7	10.0	12.8	12.1	3.0	4.6	4.4
Energy	PVD VN	(133.1)	9.6	6.1	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	13.9	8.4	10.9	(14.6)	65.5	(23.0)	n/a	0.1	n/a	2.0	1.9	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	15.6	7.9	7.5	(31.9)	97.5	5.5	n/a	0.1	1.4	1.1	1.0	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	1.4	1.2	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	17.5	18.5	14.8	25.5	(5.3)	24.8	0.7	n/a	0.6	2.7	2.5	2.4	21.4	19.3	22.5	15.1	13.9	15.9
	DGW VN	10.1			17.8		-	0.6	n/a	n/a	2.1	2.1	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	34.8	119.0	33.7	(12.0)	(70.8)	252.9	n/a	n/a	0.1	6.6	7.6	n/a	19.4	6.8	19.9	3.8	1.2	3.8
	MWG VN	16.0	397.9	18.8	(17.4)	(96.0)	2,012	n/a	n/a	0.0	2.7	2.8	n/a	17.1	0.7	13.0	7.3	0.3	5.7
Oil & GAS	POW VN	14.8	10.6	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
Property	KBC VN	5.4	3.9		91.0	40.0	-	0.1	0.1	n/a	1.2	0.9	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	12.2	6.2		(22.0)	97.0	-	n/a	0.2	n/a	1.2	1.1	n/a	9.0	15.0	-	4.0	6.0	-
	KDH VN	20.1	25.1	34.7	(18.0)	(20.0)	(28.0)	n/a	n/a	n/a	1.9	1.9	1.9	10.0	7.0	5.0	6.0	4.0	3.0
	NLG VN	28.6	25.2	26.4	(57.0)	13.0	(4.0)	n/a	1.9	n/a	1.6	1.6	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	6.3	6.1	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	18.4	12.4	12.4	111.4	48.7	(0.5)	0.2	0.3	n/a	1.6	1.5	1.3	8.7	12.2	11.0	6.9	9.5	8.7
Transport	ACV VN				-	-	-	n/a	n/a	n/a	3.2	2.9	n/a	11.0	12.6	-	5.2	5.3	-
Industrials	DHC VN	7.8	5.9	4.0	(22.1)	32.2	47.3	n/a	0.2	0.1	1.5	1.3	n/a	22.0	23.9	30.8	20.6	10.1	15.2
	BWE VN	10.9	8.8	6.2	17.0	24.9	41.7	0.6	0.4	0.1	1.8	1.6	n/a	18.8	20.6	25.5	8.6	10.6	14.7
Technology	FPT VN	25.1	20.5	15.7	22.9	22.0	30.5	1.1	0.9	0.5	4.8	4.2	3.5	22.7	23.9	15.3	10.1	11.6	13.3

Stock ratings and pricing data is as of close on Jan 31 2024

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

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