Strategy Monthly: Liquidity Leaps Higher

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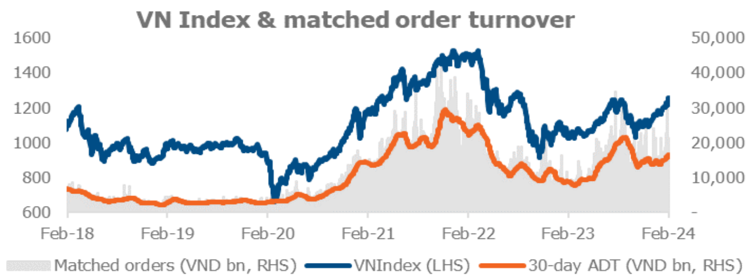
The VNI posted a region-beating +7.6% MoM in leap-year February, a month that included 16 days' trading due to the Tet holidays. After posting a Golden Cross on Feb 5, the VNI went on to exceed its twin-peak double top highs of 2023 after Tet, driven by strong domestic investor liquidity that outbid the return of foreign net selling. The VNI now appears very likely to exceed our 2024 target of 1298 points (just +2.4% higher than the March 7 close). But perhaps not just yet: We think a cautious approach may be appropriate here, pending actual E/M upgrade-related structural changes (e.g., KRX implementation, a prefunding fix).



Monthly Index Performance

- **VNINDEX**: 1253 (+7.6% MoM / +10.9% YTD / +22.3% YoY)
- **VHINDEX**: 235 (+2.7% MoM / +1.9% YTD / +16.3% YoY)
- **UPCOM Index**: 91 (+3.4% MoM / +4.1% YTD / +18.6% YoY)
- **Average daily turnover:** US$949mn (+24% MoM)
- **Foreigners net sold US$59mn** in Feb.
- **VND:USD rate: 24,650** (-91bp MoM / -155bp YTD / -3.5%YoY)

VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	28.0	8.7%	7%	7
BCM	63.3	-3.1%	0%	29
BID	53.0	11.1%	1%	14
BVH	42.9	5.9%	0%	18
CTG	35.6	12.5%	3%	10
FPT	109.0	13.9%	14%	21
GAS	77.4	2.7%	0%	15
GVR	28.6	27.7%	1%	45
HDB	23.3	6.9%	3%	7
HPG	31.0	11.7%	10%	26
MBB	24.2	11.0%	7%	6
MSN	70.4	9.3%	4%	232
MWG	46.2	2.7%	1%	397
PLX	35.9	3.6%	0%	16
POW	11.7	2.6%	0%	26
SAB	58.5	3.9%	0%	18
SHB	11.8	1.7%	1%	6
SSB	22.9	0.0%	0%	15
SSI	37.0	7.6%	3%	24
STB	31.6	5.5%	3%	8
TCB	42.2	22.1%	19%	8
TPB	19.9	11.2%	3%	10
VCB	97.3	9.9%	5%	16
VHM	43.4	4.6%	2%	6
VIB	21.9	5.5%	1%	7
VIC	45.0	5.9%	3%	82
VJC	103.1	-1.4%	0%	141
VNM	72.0	7.5%	4%	19
VPB	19.9	2.6%	2%	14
VRE	26.5	18.0%	4%	14

Source: Bloomberg, Yuanta Vietnam. Price date: Feb 29, 2024

Regional champion YTD. Vietnam outperformed most of the regional markets in Feb (+6.6% MoM in USD terms) and *all* of its ASEAN peers in 2024 so far (+9.1% YTD) despite the persistent VND depreciation (-91bp MoM & -155bp YTD on official bank FX rates and -3.5% YTD on grey market cash exchange rates (see p. 38-43 for details of the VND trends).

Market liquidity soared to US$949 million (+24% MoM) driven by domestic individuals with both foreign and domestic institutions net selling the overall market during February. Monthly breadth was 76% positive for the VNI components and 90% positive for the VN30 large caps.

VHM (BUY) may continue to trade at a discount to fair value despite recently announced legal changes that we think will primarily benefit major developers and a potential market upcycle starting from 2025. Property analyst Tam Nguyen reiterates BUY but acknowledges the Elephant in the Room – the perceived Vingroup-related risks. We thus cut our target price to reflect a -24% discount to our estimate of fair value (p.20-23).

MWG: Research vs. Sales – Who will win? Reasonable disagreement about financial investments is what makes markets function. As institutional research analysts, we reiterate our fundamental BUY rating on MWG, as outlined in our Jan 24 initiation. But sales head Lawrence Heavey suggests a potential alternative outcome (i.e., he disagrees with us) – see p.24-32.

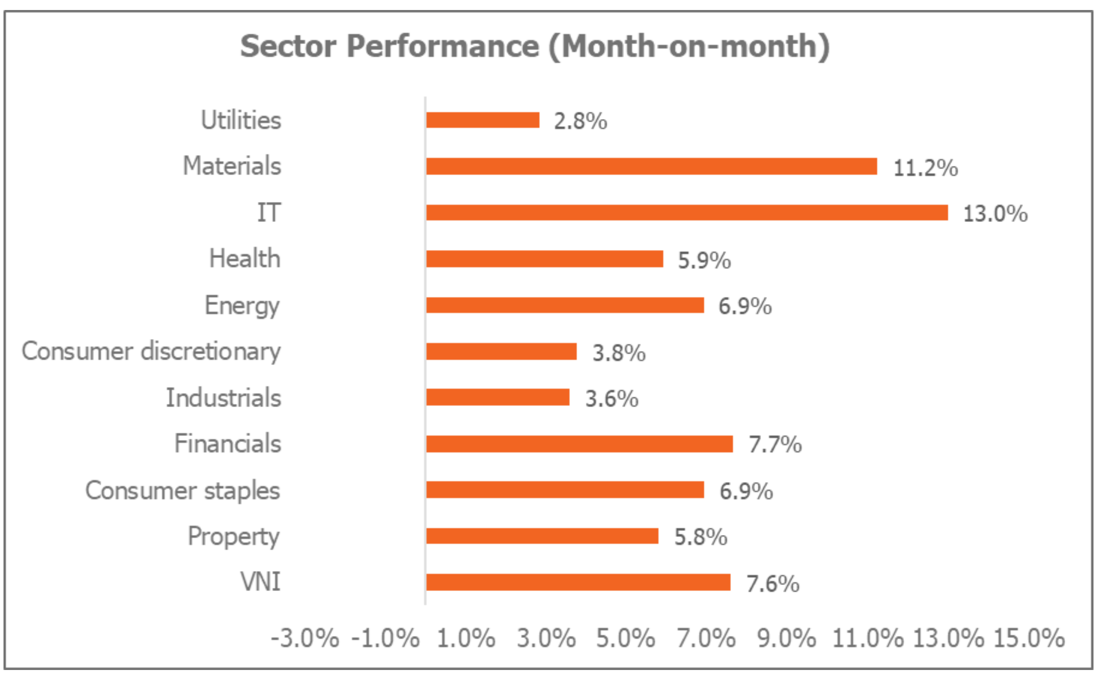
Macro: Industrial recovery. The combined Jan-Feb data provide a clearer view of the strength of the economy than the January YoY growth figures alone, which were hopelessly skewed (up) by the timing of Tet. Happily, the aggregate 2M23 data indicate that a recovery in industrial activity (+6% YoY) is underway, with a merchandise trade surplus of US$4.7bn (+35% YoY), a 2-month run of positive PMI results, and a 10% YoY increase in FDI disbursals. Combined with the +8% YoY increase in retail sales, the 2M24 data support a sanguine top-down macro view for 2024 (p.44-52).

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	4,412	10.1	BUY	28,000	28,510	2%	3.6%	5%
	BIDV	BID VN	12,257	3.1	HOLD-Underperform	53,000	37,963	-28%	0.0%	-28%
	HD Bank	HDB VN	2,734	5.7	BUY	23,300	22,390	-4%	4.3%	0%
	MB Bank	MBB VN	5,108	14.0	BUY	24,150	25,260	5%	2.1%	7%
	Sacombank	STB VN	2,413	21.4	HOLD-Underperform	31,550	33,575	6%	0.0%	6%
	Vietcombank	VCB VN	22,062	4.7	BUY	97,300	99,420	2%	0.8%	3%
	Vietnam Prosperity Bank	VPB VN	6,405	9.6	BUY	19,900	25,540	28%	5.0%	33%
Brokers	HCM City Securities	HCM VN	855	9.0	BUY	27,950	28,524	2%	2.8%	5%
	Saigon Securities	SSI VN	2,250	28.0	BUY	37,000	32,187	-13%	1.0%	-12%
	Viet Capital Securities	VCI VN	809	9.5	BUY	45,600	45,580	0%	2.1%	2%
	VNDirect Securities	VND VN	1,119	20.3	BUY	22,650	24,019	6%	2.0%	8%
Energy	PV POW	POW VN	1,107	2.3	BUY	11,650	16,877	45%	0.0%	45%
	PV NT2	NT2 VN	300	0.8	SELL	25,650	19,318	-25%	7.8%	-17%
	PCC1	PC1 VN	350	5.2	BUY	27,750	34,123	23%	0.0%	23%
Consumer	Masan Group	MSN VN	4,086	6.6	Suspended	70,400	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,227	3.7	BUY	90,400	90,100	0%	0.0%	0%
	Digiworld	DGW VN	378	3.6	Suspended	55,800	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	801	2.2	BUY	145,000	100,600	-31%	0.7%	-30%
	Mobile World Group	MWG VN	2,741	14.7	BUY	46,200	59,300	28%	0.0%	28%
Oil & GAS	PV Drilling	PVD VN	697	5.2	BUY	30,900	36,103	17%	2.3%	19%
Property	Kinh Bac City	KBC VN	965	8.3	BUY	31,000	38,300	24%	0.0%	24%
	Dat Xanh Group	DXG VN	534	10.4	BUY	18,250	40,500	122%	0.0%	122%
	Khang Dien House	KDH VN	1,124	2.3	BUY	34,650	36,200	4%	0.0%	4%
	Nam Long	NLG VN	618	3.7	HOLD-Underperform	39,600	37,800	-5%	1.3%	-3%
	Novaland	NVL VN	1,353	14.3	Coverage Suspended	17,100	-			
	Vinhomes	VHM VN	7,667	11.5	BUY	43,400	58,444	35%	0.0%	35%
	Vincom Retail	VRE VN	2,443	6.6	BUY	26,500	38,000	43%	0.0%	43%
Transport	Airports Corp Vietnam	ACV VN	7,348	0.6	HOLD-Underperform	83,200	76,400	-8%	0.0%	-8%
Industrials	Dohaco	DHC VN	136	0.4	BUY	41,800	63,571	52%	8.6%	61%
	Biwase	BWE VN	337	0.2	BUY	43,000	70,902	65%	4.7%	70%
Technology	FPT Corporation	FPT VN	5,616	8.2	BUY	109,000	120,740	11%	1.8%	13%

*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 Feb 29 2024

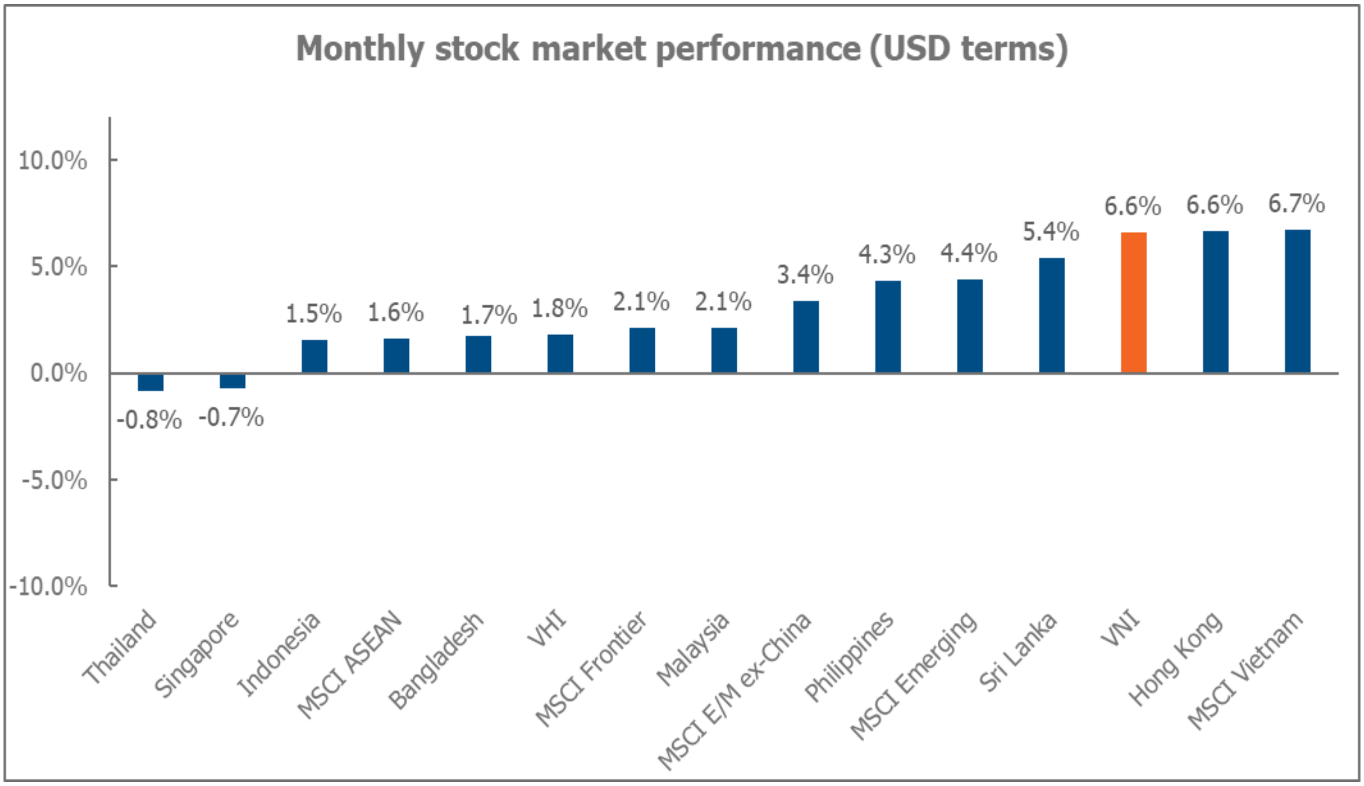
Source: Bloomberg, Yuanta Vietnam



Source: Bloomberg (Feb 29)

Fundamentals vs. Technicals: Time for tactical caution?

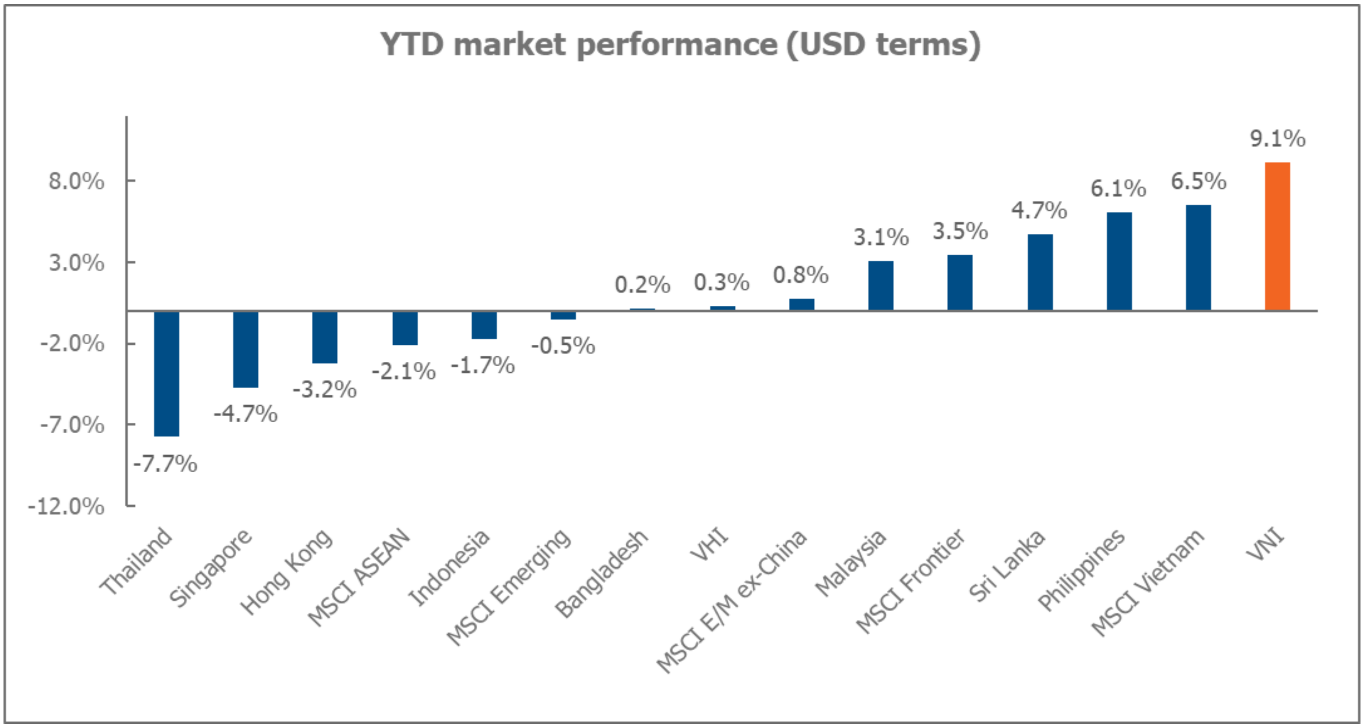
The VNI posted a region-beating +7.6% MoM gain in VND terms (+6.6% in USD) in February, a month that included just 16 days' trading due to the timing of the Tet holidays. The mainboard's MoM performance in USD terms was thus ahead of almost the entire region in February, albeit tied with that of the beaten-down but newly resurgent Hong Kong stock market. The open-FOL large caps that populate the MSCI Vietnam Index rallied slightly more (+6.7% MoM) after underperforming the VNI in January.



Source: Bloomberg (data is as of Feb 29)

This brings the mainboard's 2M 2024 increase to +10.9% YTD in LCY terms (i.e., +9.1% in USD terms), which is well ahead of the rather mixed performance of Vietnam's regional peers. It was 2.6ppt better than the YTD performance of the Philippines, the closest contender for the top spot at +6.5% YTD.

The only other ASEAN market to post YTD gains has been Malaysia (+3.1%) with the other major regional stock markets posting YTD declines in USD terms: Indonesia (-1.7%), Singapore (-4.7%), and Thailand (-7.7%). Even the recently resurgent Hong Kong stocks are still down -3.2% YTD.



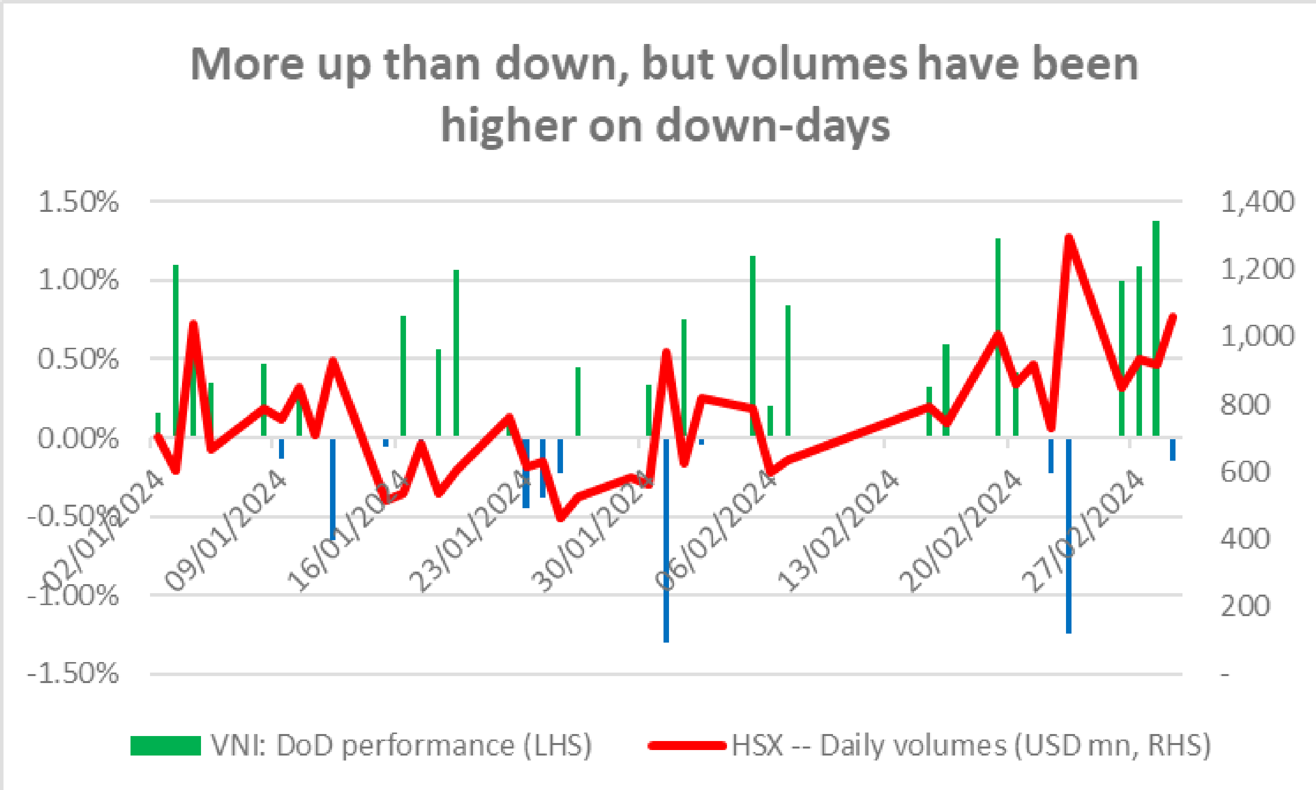
Source: Bloomberg (data is as of Feb 29)

An observer's recent (very much tongue-in-cheek) assertion that "the market only goes up" has been accurate only in the overall trend, which is good enough. But a look at the VNI's YTD performance indicates that the market has risen DoD roughly two-thirds of the time: In other words, there were 25 up-days vs. 13 down-days in 2M 2024.

Overall, this is a rather pleasant outcome for share price performance. As a measure of investor confidence, volumes are unfortunately more of a mixed bag. Using the same YTD daily data, total stock market liquidity has tended to be higher on the down-days than it has been on the up-days. Specifically, in 2M24, transactions on the HSX standalone have averaged US$728 million per day on days that the market moved higher. But ADT has been 9.5% higher at US$797 million on days that the market moved lower.

The latter figure is admittedly skewed by the US$1.3 billion Freaky Friday afternoon selloff of February 23 and a small sample size (because there have been fewer down-days). We most certainly are not trying to ring alarm bells with this commentary, but we think it's worthwhile to note that the pattern of spiking volumes on panicky down-days that has been evident since last August has yet to convincingly disappear.

This also suggests that paying attention to brokerage margin leverage in the stock market may be worth your time – and anyone who reads our monthly strategy notes would have picked up on this risk a month ago (see Exit the Cat, pages 12-16).



Source: FiinPro, Yuanta Taiwan

Technicals remain medium-term bullish for momentum chasers, although we are near-term cautious as the market approaches 1300. The VNI mostly continued to gain ground after posting a Golden Cross on February 5.

This remains primarily a domestic investor-driven market, so paying attention to the technical indicators is likely to bear fruit even for purely fundamentals-driven investors, if only to establish entry and exit points. The last Golden Cross event of June 2023 was followed by a +11.5% two-month gain in the index, while the previous Golden Cross (Sept 2020) was followed by +84% gains over the next 15 months

History is most certainly not destiny, but overall the technical indicators look very solid in the medium term. Some points to ponder:

1) **The Golden Cross of February 5 is a highly bullish signal**, as stated above (and as stated in last month's strategy monthly). The 50-day and 200-day MAs have both been trending up together since January, which makes the Golden Cross of a month ago all-the-more convincing as a technical indicator.

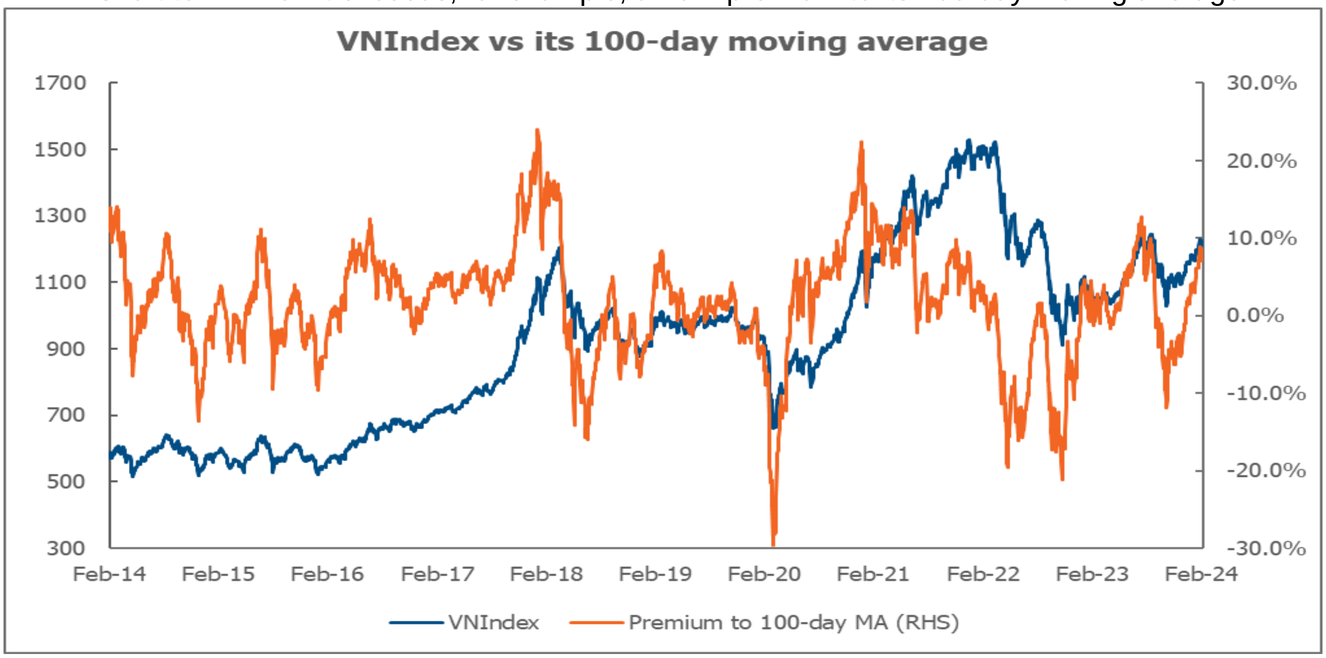
2) **The main moving averages are all moving up now.** The 100-day MA turned up on February 16, the second trading day of the Year of the Dragon. The 100-day is now gaining around a half point per day on the 200-day MA so we would expect a cross sometime within a few weeks – possibly March, but more likely in early April.

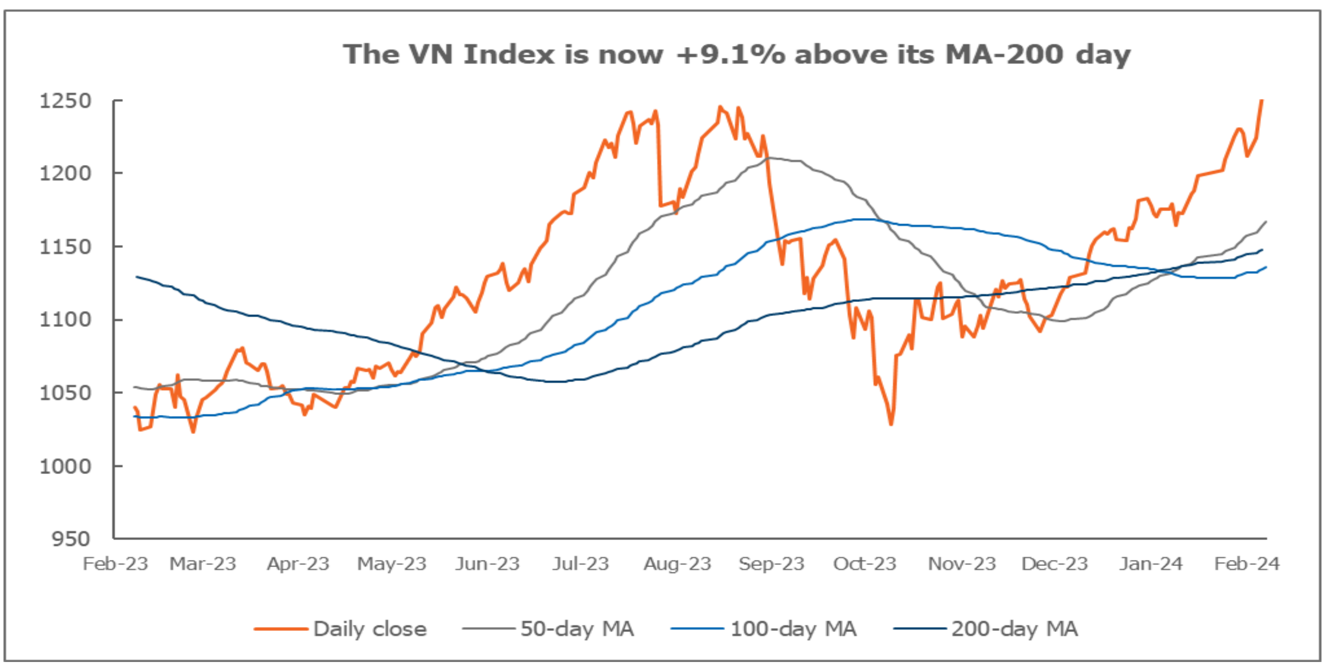
3) **The VNI has broken out above last year's double-top peak of c.1245 points**. Leap Year February delivered on its moniker, as the mainboard jumped above the 2023 twin-peak (Aug-Sep) top on February 28. The VNI has remained above this level in the subsequent five trading days, thus confirming the breakout to levels not seen since mid-2022.

4) **Our yearend VNI target of 1298 now appears to be far too conservative.** Somehow, we will have to find a way to live with the shame and sorrow. Working as sell-side analysts in a structural bull market, we think we will be okay.

5) **Stock liquidity has been very strong, but the trend is not entirely ideal.** As discussed above, the trend since August 2023 of spiking volumes on down-days does not appear to have run its course.

6) **Historically, buying the market at a sharp premium to underlying support lines has not always been a winning strategy**. The market historically has frequently corrected in the very short term when it exceeds, for example, a 10% premium to its 100-day moving average.





Source: Bloomberg, Yuanta Vietnam (data is as of Feb 29)

A cautious short-term outlook may be appropriate… at this point.

We hate to rain on anyone's parade, but we believe that a certain level of prudence is suggested by the combination of

1) The very strong share price performance YTD,
2) The fact that the bull market has been driven by domestic individual investors (few of whom are adherents to a Graham-and-Dodd approach to long-term investing), and
3) The VNI's approach toward a "big number" (i.e., 1300 points).

To avoid any appearance of adopting a wishy-washy strategy view, our call is that the factors above would suggest that a cautious tactical outlook in the very near term is appropriate. However, we wouldn't sell the market aggressively either given that:

…But there could also be further upside risks.

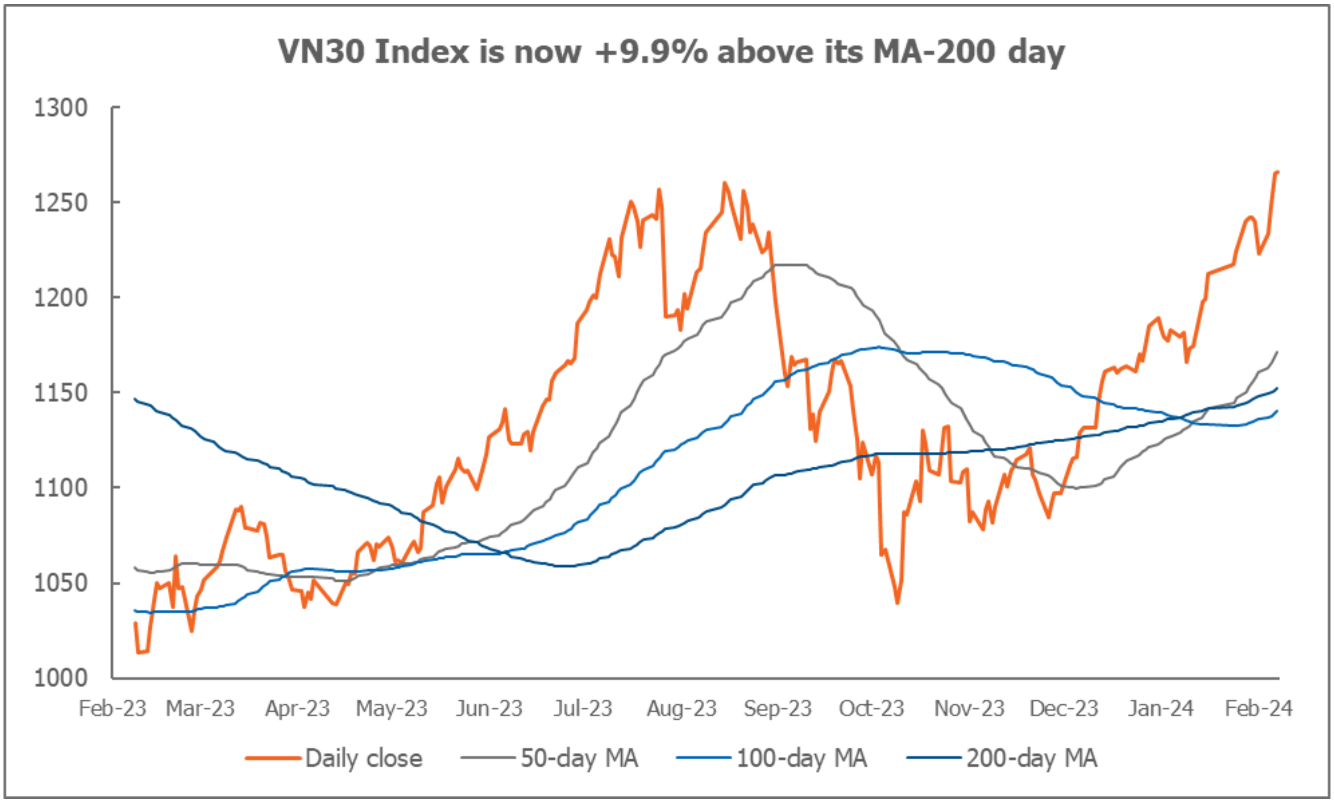
These include the market's fundamentals, which remain solid given:

1) Cheap valuations, with the VNI trading on forward PE multiples of 11.5x 2024E and 9.8x 2025E forecast EPS based on Bloomberg Consensus.
2) Reasonably strong earnings growth. We anticipate EPS growth of +18% YoY in 2024 for our coverage universe. The Bloomberg consensus data indicates EPS growth expectations of 31.4% implying 2024E PEG ratio of 0.4x if you believe the forecasts, which may be based on 2023E numbers for some of the big caps that panned out less well than anticipated. Still, even on our lower +18% growth forecast, the 2024 PEG ratio of 0.6x appears to be egregiously cheap.
3) The implied PE rerating that is inherent in the falling risk free (i.e., SOE bank deposit) rate.

Market structure reforms / improvements are perhaps more critical upside drivers for share prices. The fundamental strengths discussed above are all well flagged and are not new, and while they set the stage for a continued bull market they are not exactly event catalysts.

However, the potential upside catalyst from the implementation of market structural reforms (e.g., and most especially, a regulatory solution to the problem of the prefunding requirements) and the potential implementation of the KRX trading system in May would very likely leave our short-term cautious trading call in the dust.

Again, we would welcome being wrong about our cautious tactical view. But without the emergence of any of the latter catalysts, we think that the market is likely to consolidate in the very near term. We would then anticipate a subsequent continuation of the bull market based on the fundamentals alone.



Source: Bloomberg, Yuanta Vietnam (data is as of Feb 29)

For further details, please see the following links for a revisit of our weekly strategy notes over the past month. The number of weekly reports is shorter than usual due to a two-week break in publication in February, during which the Yuanta Research team followed the national break for the Tet holidays.

- **The Cat Bows Out With a Golden Cross – Feb 5** *(Published in the morning, the VNI went on to post its Golden Cross by the same day's close.)* **https://yuanta.com.vn/wp-content/uploads/2024/02/Weekly-Feb-05-2024.pdf**

- **Another Freaky Friday – Feb 26** *(Sellers emerged in force to drive a Friday afternoon drop as the market approached its 2023 peak.)* **https://yuanta.com.vn/wp-content/uploads/2024/02/Weekly-Feb-26-2024.pdf**

- **Double-top Breakout – March 4** *(The mainboard overcame substantial technical pressure to close above the twin-peak highs of 2023.)* **https://yuanta.com.vn/wp-content/uploads/2024/02/Weekly-Feb-05-2024.pdf**

In case you missed it, last month's Strategy Wrap titled "Exit the Cat" may be of interest for its look at margin leverage in the market, as well as our contemplation of the awful (but welcome) notion that our 2024 VNI target of 1298 points might be achieved as early as March. **https://yuanta.com.vn/wp-content/uploads/2024/02/Yuanta-Vietnam-Monthly-Market-Round-Up-Jan-2024.pdf**

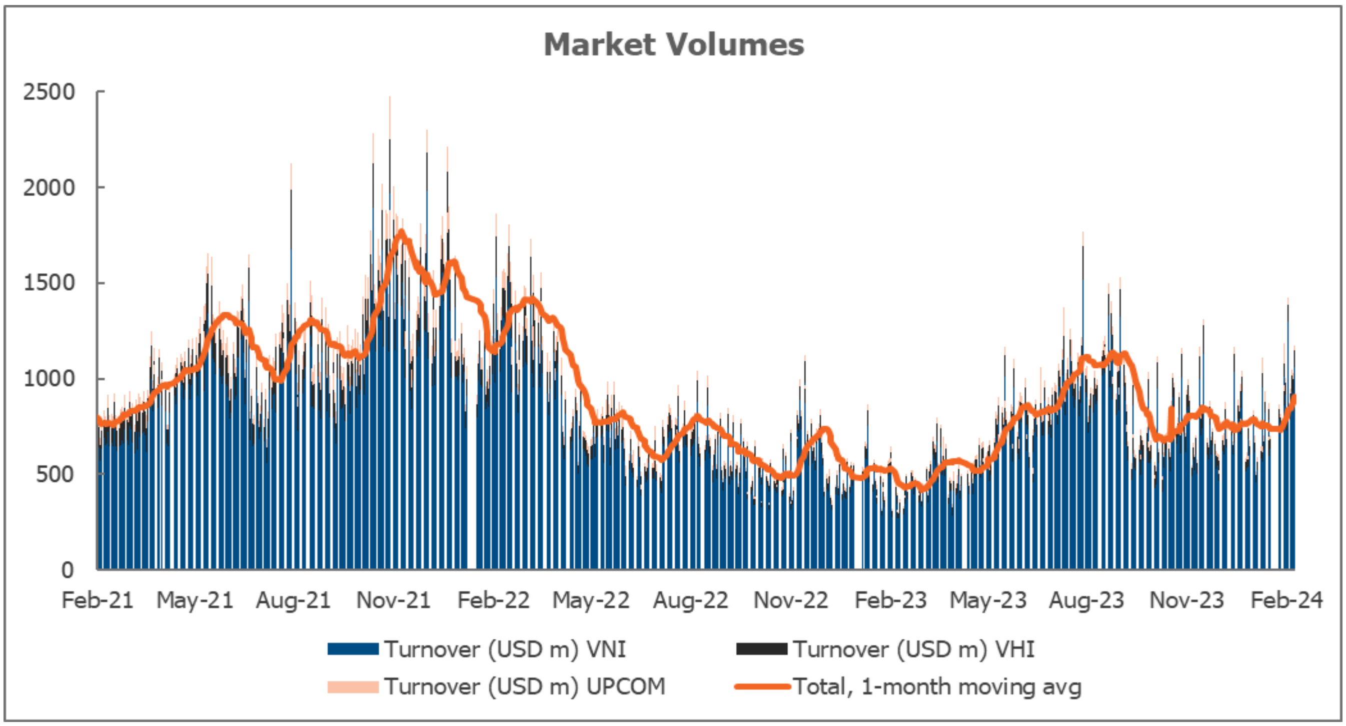
Stock market liquidity blossomed in February despite the holidays

Average daily turnover in February reached US$949 million, up by +24% MoM and the highest since September 2023. Strengthening volumes in a bull market is clearly a positive sign overall, despite our misgivings over the fact that ADT was stronger during down-days than it was during up-days (see pages 4-5 above for details).

The improved stock market market liquidity is especially positive given the expected downturn in retail investor activity in the pre-Tet period. ADT was US$781 million during Feb 1 to Feb 7, when the market broke for Lunar New Year. After the holidays, market turnover surged to US$1.0bn (Feb 15-29). We had anticipated an expansion of stock market trading volumes in the second half of February; but as sell-side brokers, we were pleasantly surprised by the scale of the improvement.

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 February 19 (US$1.4 billion across the HSX, HNX, and UPCom platforms), which was also the market's second worst day YTD in terms of trading performance, with the VNI down -1.25% DoD.

The worst single day (-1.30% DoD) remains January 31, which also saw a spike in volumes to reach US$1.1 billion (i.e., the third highest turnover figure of any single day so far in 2024). As discussed, volume spikes on sharp market selloffs has been a feature of the Vietnam stock market since last August – and it's not one that we like.

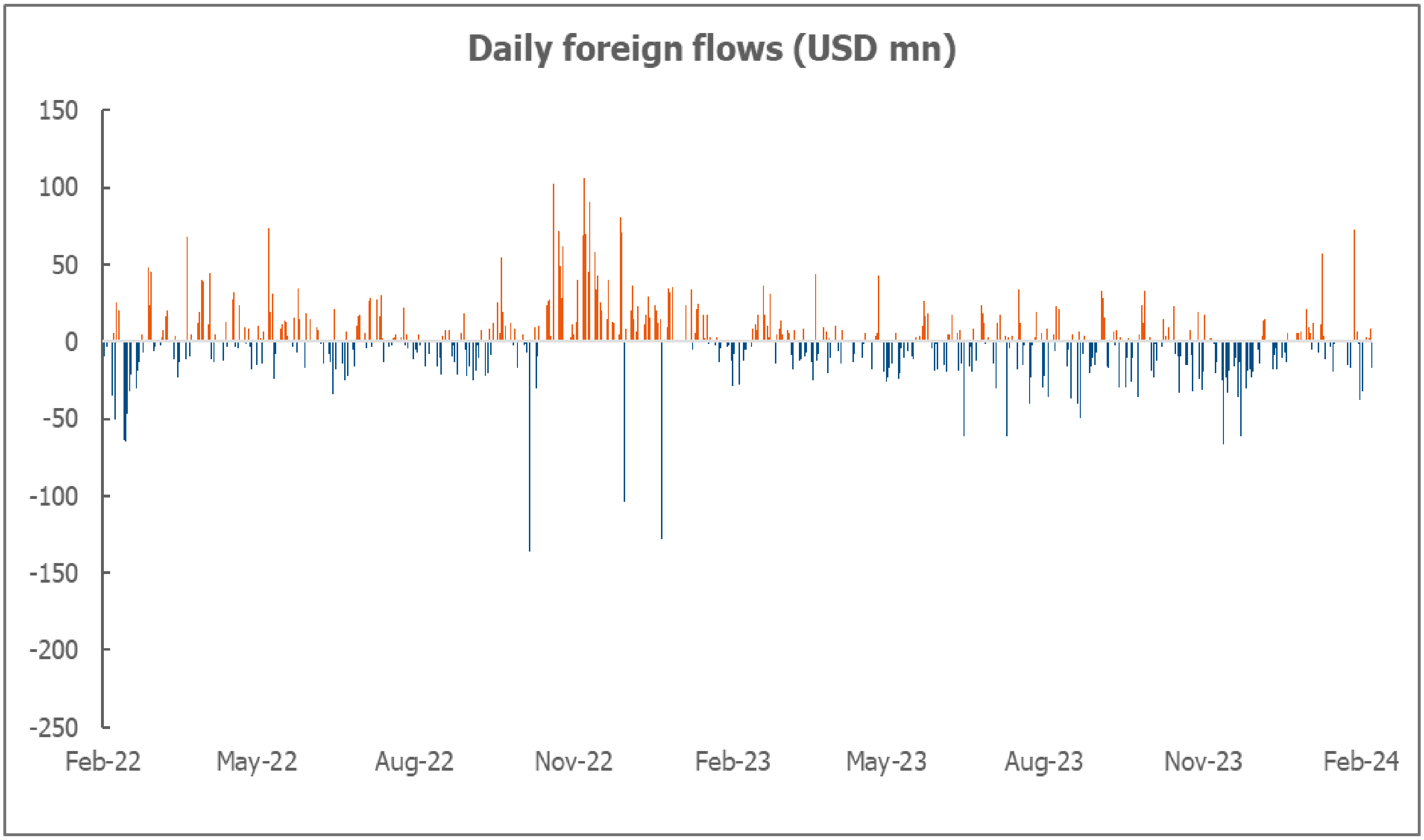


Source: FiinPro, Bloomberg, Yuanta Vietnam (Feb 29)

Foreigners were net sellers of US$59 million of stocks in February, which more than offsets their dip-buying activity of January when FINIs were net buyers of US$48 million.

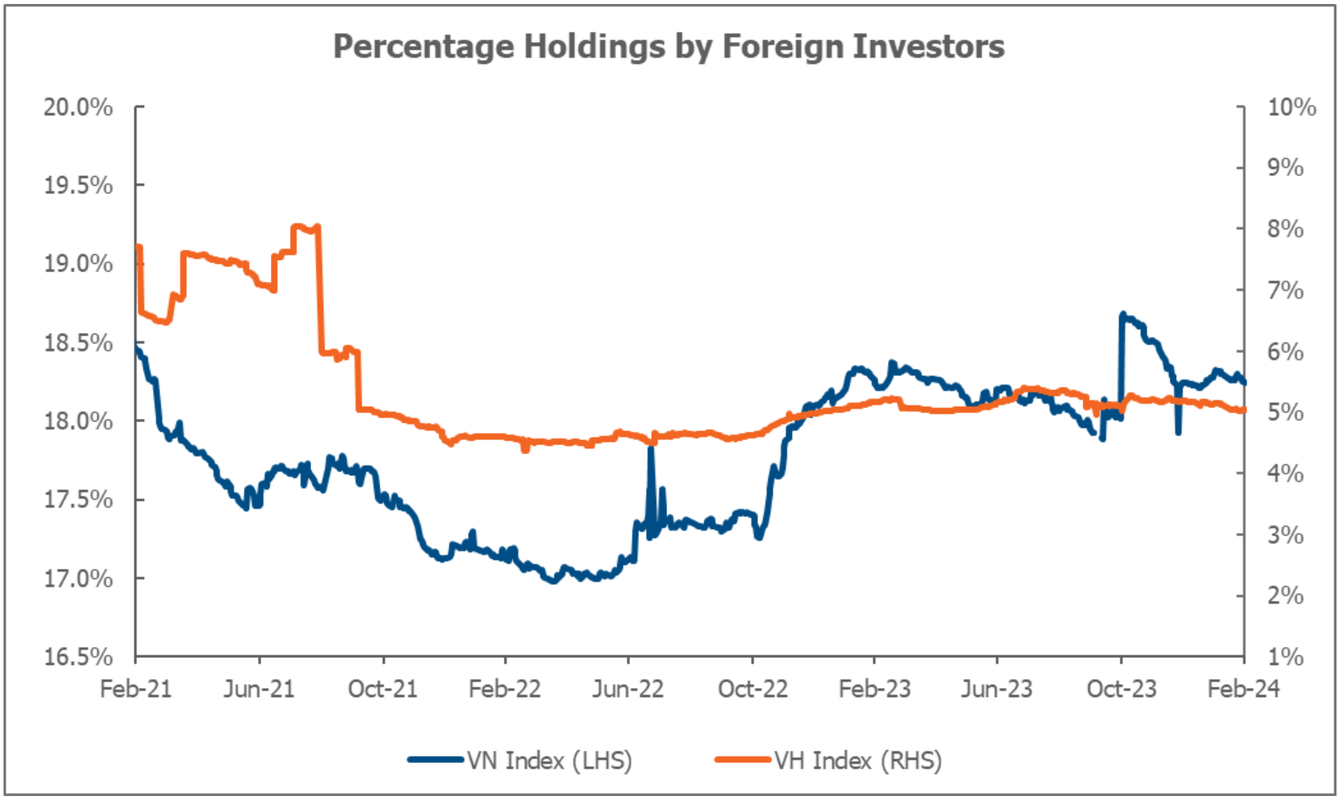
Foreigners were also sellers during the worst trading day of February (i.e., February 23, when the market fell by -1.3% DoD and foreigners joined the broad rush for the exit with net selling of US$32 million of stocks on the HSX, HNX, and UPCom. This contrasts with the selloff of January 31, when foreigners piled in with a whopping US$57 million of net dip-buying – the highest single day of foreign investor inflows since December 2020. The latter activity supports our argument that more participation by wise and long-term-focused foreign institutional investors would provide a healthy and contrarian market-balancing function. Unfortunately, the rather procyclical FINI market behavior of February undermines that thesis.

Foreign net selling in February was more aggressive in the days heading into Tet than it was after Tet. Foreigners net sold US$32 million of Vietnam stocks from February 1 to the holiday close on February 7. By contrast, they net sold just US$19 million in the post-Tet period of the month (Feb 15-29), and FINIs were actually net sellers, albeit very modest ones, in the final week of the month when they purchased US$5mn more than they sold.



Source: FiinPro, Yuanta Vietnam (Feb 29)

After February's moderate but steady net selling, foreign investors held held 18.24% of the total number of listed shares on the HOSE as of February 29, down from 18.46% at end-January and also below the 18.32% ownership at the start of 2024.



Source: FiinPro, Yuanta Vietnam (Feb 29)

Domestic institutional investors were also sizeable net sellers in February after strong net buying activity in the previous month. Prop desks appeared to have bought in heavily in the weeks leading into Tet to take advantage of the rally, which looks like it was a sensible strategy for the brokers as a whole.

But domestic institutions then unloaded US$79 million of stocks in February, bringing their YTD total net selling to US$15 million. At first glance, the domestic prop flows appear to have been in line with FINI activity YTD – a contrast to their frequent behavior of taking the opposite side of that trade.

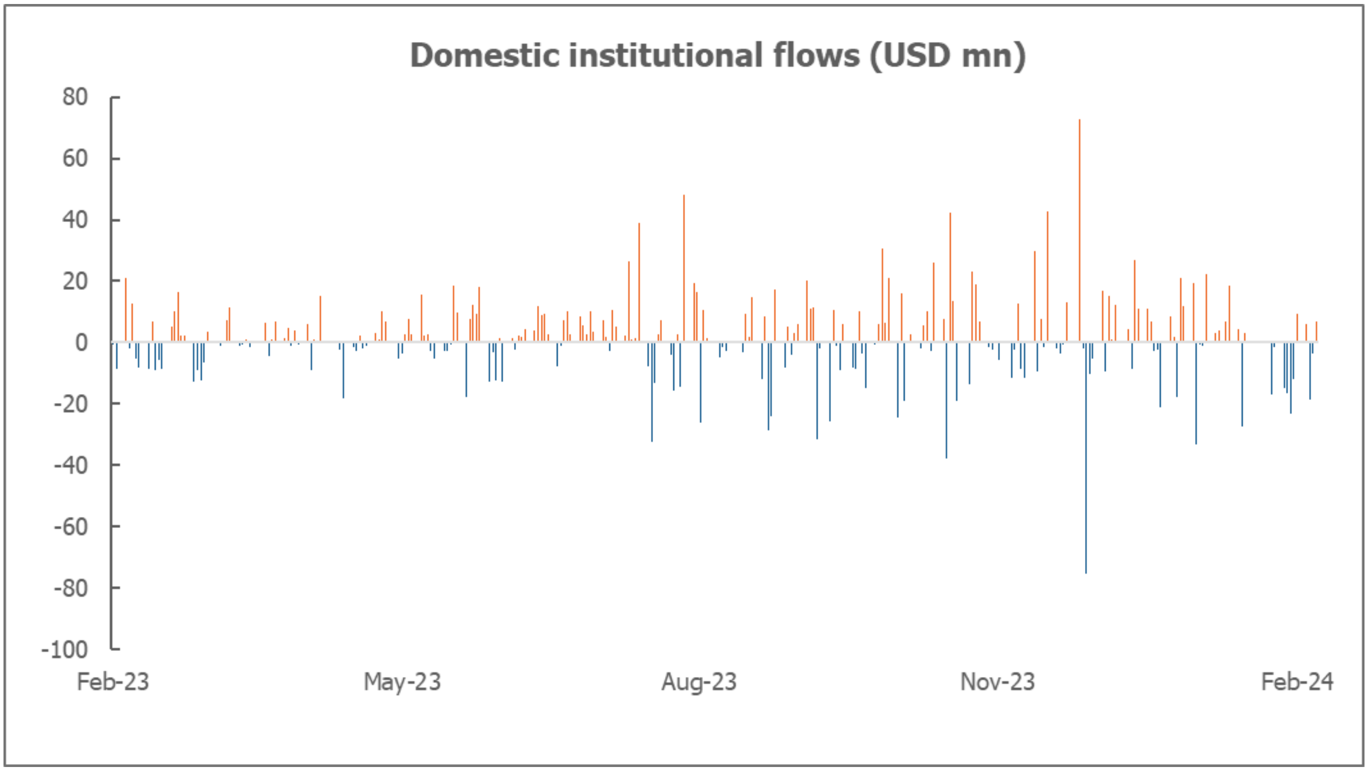
However, domestic institutions were modest net buyers of US$6mn during February 1-7 and substantial net sellers of US$77 million in the 11 days following the market's reopening after Tet. Indeed, prop desks net sold on 8 of these 11 days.

Thus, to a certain extent the prop trading action was in opposition to that of foreign investors, who were more aggressive net buyers running into Tet than they were after the holidays.

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.

Our sense is that domestic institutional traders, who are primarily short term tacticians – which befits their role as proprietary traders -- may be tempted to lighten up as the market reaches up toward 1300.

Domestic institutional flows are a likely to remain a sizeable and often procyclical force in the market following widespread capital raising over the past several years. Brokers thus 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 their sense of the ebbs and flows of market momentum as we continue to navigate the ongoing bull market going forward.



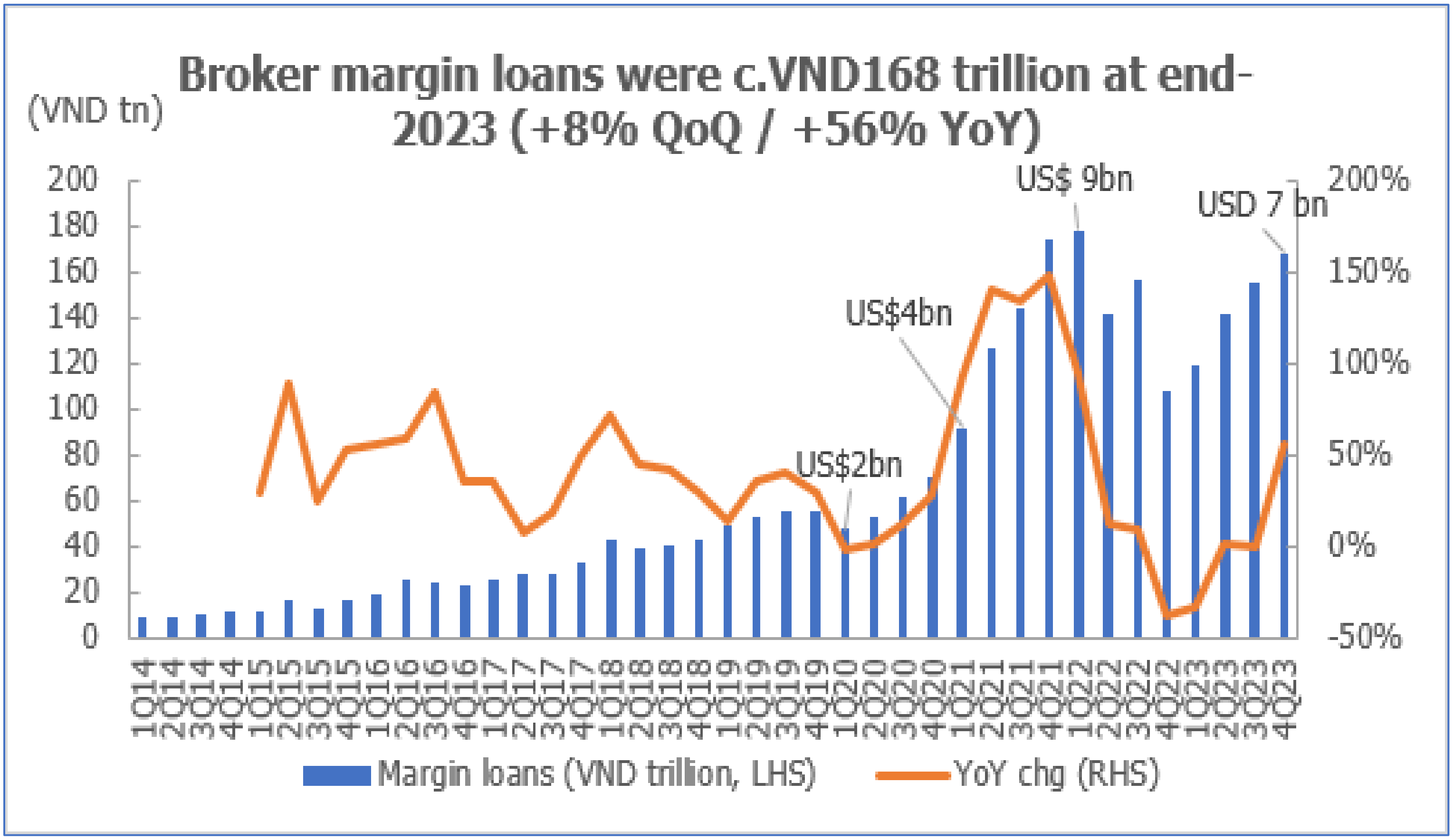
Source: FiinPro, Bloomberg, Yuanta Vietnam (Feb 29)

Brokerages and Margin Lending – Big market share shifts in 2023

This section represents a brief coda to last month's analysis of brokerage margin lending at the end of 2023. As a reminder, 4Q23 margin loans reached VND168 trillion (USD 6.8 billion), up +8% QoQ / +56% YoY.

That yearend figure represented an historical record high 7.8% of free float market capitalization, which suggests that investors should at least pay attention.

From a liquidity perspective, it's less scary. The same yearend total margin loan figure represents a more prosaic (historically speaking) 9 days of 4Q23 ADT, which is well under the record peak of 13 days-to-cover – a record that was established, believe it or not, during the becalmed stock market of 2019. Further alleviating potential concerns is the fact that this ratio falls to 8 days of average turnover on the HSX & HNX in 1Q24 YTD through March 1 (i.e., VND20 trillion).



Source: FiinPro, Yuanta Vietnam

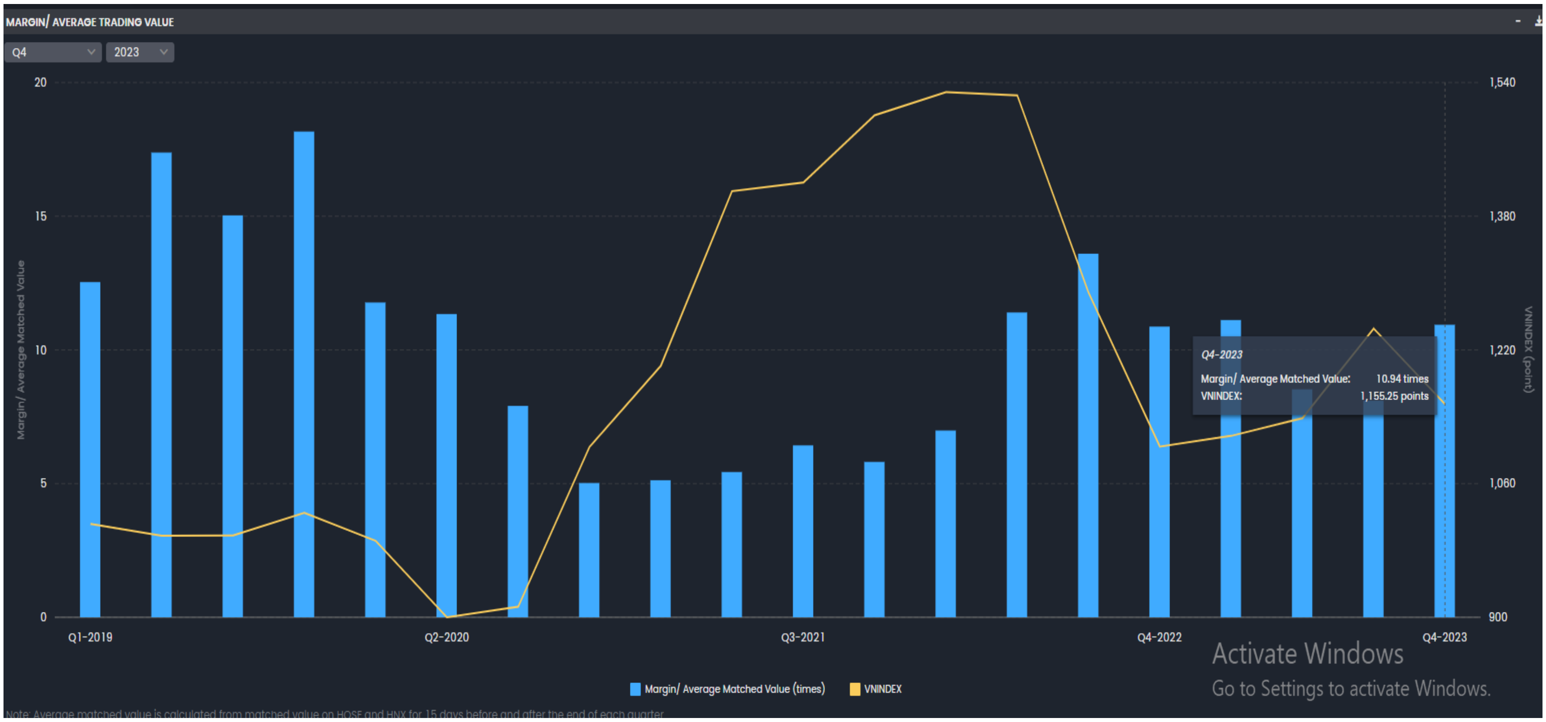
Brokerage Sector: Margin lending market share favors the disruptive domestic upstarts, primarily at the expense of the Korean-owned brokers, SSI Securities, and VN Direct Securities.

- The following table exhibits the margin loan market share and QoQ / YoY change in market share (ppt terms) for all brokers with >1.5% market share.
- This 1.5% cutoff results in a screen that comprises the top-20 brokers by margin loan market share as of end-2023.

	Margin lending -- 4Q23 Top 20			
		4Q23 market share	QoQ	YoY
1	Techcom Securities	9.64%	1.61%	1.88%
2	SSI Securities Inc. (HOSE: SSI)	8.69%	-0.77%	-1.40%
3	Mirae Asset Securities	7.94%	-1.07%	-3.78%
4	Ho Chi Minh Securities (HOSE: HCM)	7.19%	-0.09%	0.34%
5	VPS Securities	6.61%	-0.02%	1.13%
6	VNDIRECT (HOSE: VND)	5.87%	-1.00%	-2.26%
7	MB Securities (HNX: MBS)	5.05%	0.96%	1.81%
8	Viet Capital Securities (HOSE: VCI)	4.51%	0.85%	-0.10%
9	KIS Vietnam Securities	3.89%	-0.07%	-0.52%
10	Vietcombank Securities	2.85%	-0.30%	0.02%
11	KB Securities Vietnam	2.82%	-0.23%	-1.96%
12	FPT Securities (HOSE: FTS)	2.66%	0.08%	-0.55%
13	Maybank Kim Eng Securities	2.51%	-0.25%	0.11%
14	BIDV Securities (HOSE: BSI)	2.46%	-0.42%	-0.29%
15	Sai Gon - Ha Noi Securities (HNX: SHS)	2.17%	-0.20%	0.04%
16	Shinhan Securities	1.82%	0.28%	0.44%
17	Yuanta Securities Vietnam (Upcom: FSC)	1.78%	-0.09%	-0.28%
18	Phu Hung Securities	1.71%	-0.10%	-0.11%
19	VietinbankSC (HOSE: CTS)	1.61%	-0.01%	0.25%
20	Bao Viet Securities (HNX: BVS)	1.60%	0.01%	-0.14%
	Aggregate foreign brokers	22.47%	-1.53%	-6.100%
	Aggregate Korean brokers	16.47%	-1.09%	-5.82%
	Aggregate Taiwanese brokers	3.49%	-0.19%	-0.39%

The key takeaways:

- The big winners are Techcom Securities (which is No. 1 as at end-2023), VPS, and MBB.
- The Korean-owned brokers (especially MAMC) have dropped a substantial amount of aggregate market share, which may be a reflection of undesired operational outcomes during the 4Q22 margin call saga.
- The single exception to this decline in Korean-owned brokerage margin books is Shinhan Securities (No 16) which has increased its market share slightly.
- Among the incumbent domestic brokers, SSI and VN Direct have lost the most market share.
- Conclusion: the move-fast-and-break-things upstart domestic brokers – TCBS and VPS – are aggressively taking market share, largely at the expense of the Koreans, SSI, and VN Direct.



Source: FiinPro

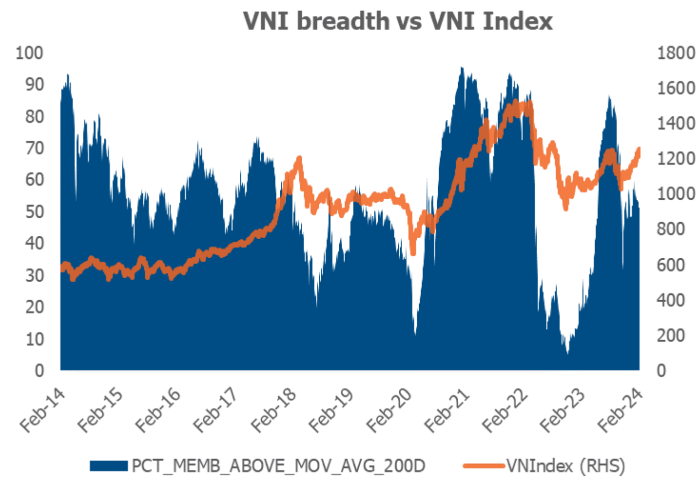
Monthly market breadth was strongly positive across the broad market

Breadth again 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, 90% of this group were gainers in February. But breadth on the mainboard was also positive, with 76% of VNI components posting MoM increases in February.

Specifically, 291 VNI component stocks increased MoM in February, while 90 tickers declined during the month. February's breadth was even more positive for the VN30 Index of large cap stocks, which saw 27 gainers vs. just 2 decliners and 1 stock flatlined.

As of end-February, 62.9% of VNI components were trading above their 200-day moving averages, up from 51.5% at end-January. This figure's most recent peak was 87% on August 2, 2023, which in retrospect looks like a signal of overheating. But at c.63% now, it would be an egregious exaggeration to suggest such a signal is flashing now.

Monthly stock breadth: Positive for both the VN30 and the broader VNI



Source: Bloomberg, Yuanta Vietnam (Feb 29)

VN 30 breadth

	WoW	MoM	YTD
Gainers	19	27	27
Losers	10	2	3

Source: Bloomberg (Feb 29)

VN Index breadth

	WoW	MoM	YTD
Gainers	176	291	260
Losers	186	90	123

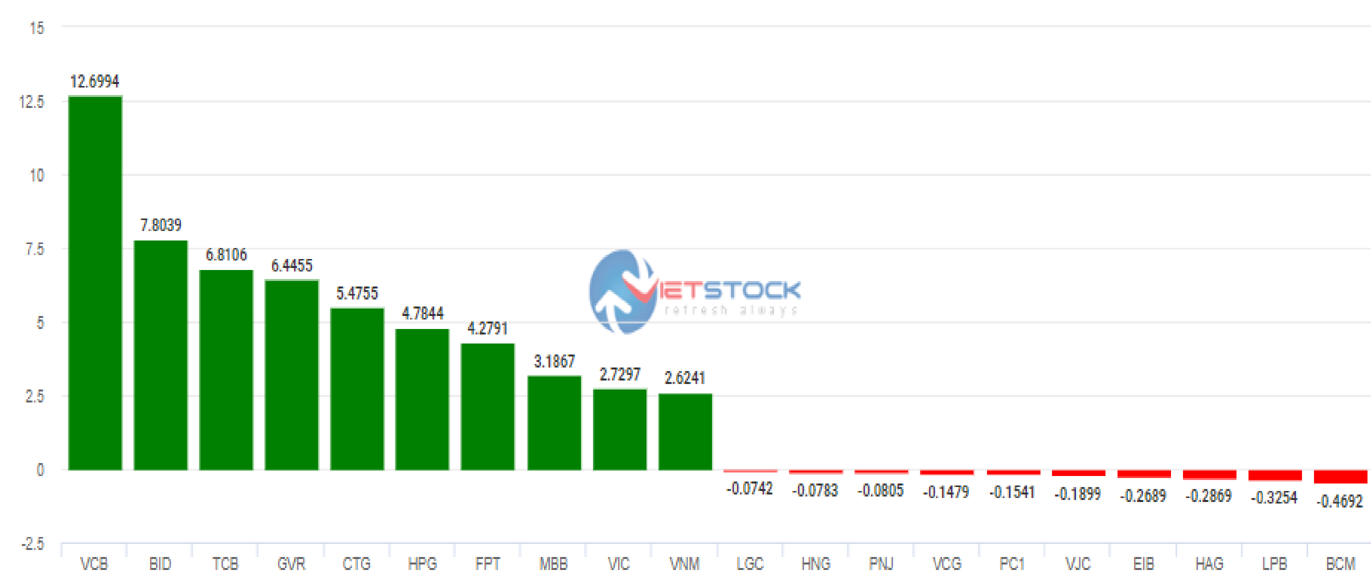
Source: Bloomberg (Feb 29)

Source: Bloomberg

Big cap banks continued to lead the charge in February. VCB (+10% MoM), BID (+11%), TCB (+22%), CTG (+13%), and MBB (+11%) were all top-ten performers in terms of their positive contribution to the VNI's monthly performance in February. Other leaders include our favorite stock in Vietnam – FPT (+14%) – as well as HPG (+12%).

The Vingroup stocks also finally caught a bid after underperforming in January. VIC (+6%) and VHM (+5%) were both in the top ten in terms of index contribution, but VRE (+18%) was the standout performer of the trio as market chatter of a potential stake in the retail property subsidiary boosted sentiment among domestic investors. We don't cover VIC or Vinfast (VFS US), but VHM (BUY) and VRE (BUY) are still clearly undervalued – even after factoring in a group risk-based valuation discount – based on their standalone fundamentals, in our opinion.

Top stocks affect the market index VN-Index from 02/01/2024 to 02/29/2024



Source: Vietstock

Valuations – Value persists, albeit less of it than a year ago

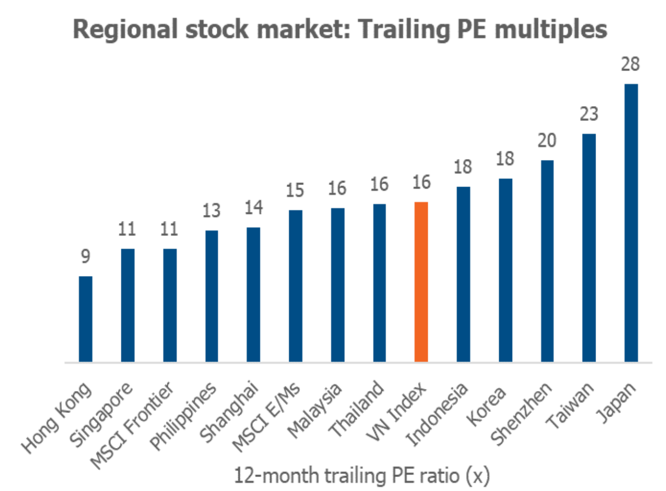
As stated previously, the market's outperformance vs. the region in 2023 and again YTD in 2M24 means that the "dirt cheap" PE valuations of a year ago have given way to higher and less attractive multiples.

However, we still see value here. As of the close of March 6, the VNI was trading at forward PE ratios of 11.5x for 2024E and 9.8x for 2025E. According to Bloomberg, the sell-side consensus forecast implies 31.4% EPS growth in 2024E and another 26.1% in 2025E.

This would imply forward PEG ratios of below 0.4x, which is egregiously cheap considering Vietnam's long-term fundamental position for growth in domestic consumer demand and industrial upgrading, as well as our cyclical view that the macroeconomy bottomed in 2023 and should improve in 2024, leading to our expectation for a property market upcycle to start in the latter half of 2025.

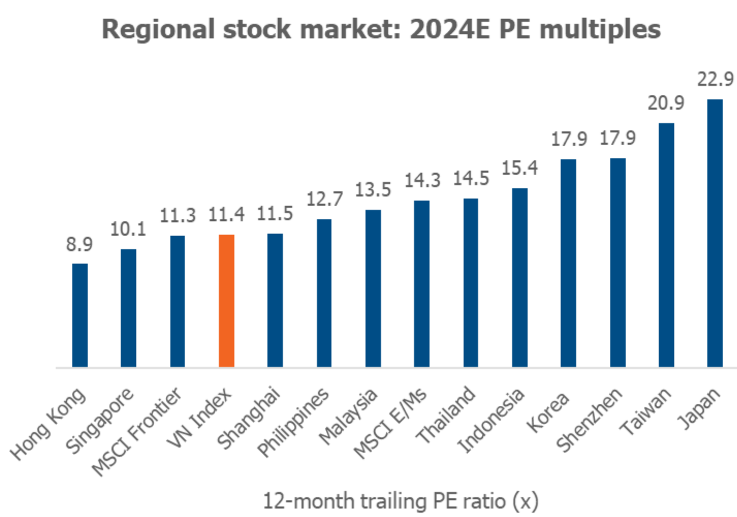
In short, the market is still fundamentally cheap. Valuation alone is not a catalyst for a bull market, but it helps set the stage for continued share price gains in the months ahead. As such, our near-term caution is really a tactical approach; we remain positive on the market in the longer term.

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



Source: Bloomberg, Yuanta Vietnam (Feb 29)

… but the 11.4x 2024E PE is inarguably cheap, even assuming that EPS expectations are too high.



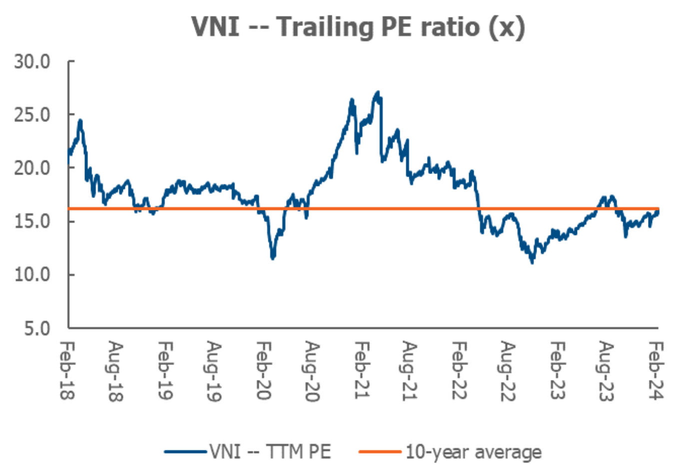
Source: Bloomberg (2024E consensus PE), Yuanta Vietnam (Feb 29)

Clearly, Vietnam remains a compelling valuation opportunity, in our view. Although valuation alone is never a catalyst, hopes for structural market reforms, including the adoption of the KRX system as early as May and the central government's (i.e., the PM's) recent comments on an emerging markets upgrade would very likely catalyze additional domestic liquidity inflows and therefore build confidence in a market rerating.

We are currently taking flack for our 2024 index target of 1298 points given that the VNI is already trading within 3% of that level. It may be futile to note that the VNI hasn't actually exceeded our target yet, but it may indeed turn out to be too low – as earnings growth and a PE rerating could drive the market higher later this year. We just happen to think that a near-term correction may lurk in the near-term future, and we would trade accordingly.

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, as well as VND depreciation and a surge in demand for physical gold (see p. 38-43 for a more thorough discussion of these trends, which we think are linked to each other).

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



Source: Bloomberg, Yuanta Vietnam

But the mainboard's 2024E PE is now 11.4x, based on Bloomberg consensus.

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

VN30 large caps: Share price performance in Feb

Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Feb	YTD chg	Contribution to VN30 Index performance in 2M24
ACB	28.0	8.7%	7%	17.2%	10%
BCM	63.3	-3.1%	0%	0.6%	0%
BID	53.0	11.1%	1%	22.1%	2%
BVH	42.9	5.9%	0%	8.6%	0%
CTG	35.6	12.5%	3%	31.2%	5%
FPT	109.0	13.9%	14%	13.4%	9%
GAS	77.4	2.7%	0%	2.5%	0%
GVR	28.6	27.7%	1%	34.9%	1%
HDB	23.3	6.9%	3%	14.8%	4%
HPG	31.0	11.7%	10%	10.9%	6%
MBB	24.2	11.0%	7%	29.5%	12%
MSN	70.4	9.3%	4%	5.1%	2%
MWG	46.2	2.7%	1%	7.9%	3%
PLX	35.9	3.6%	0%	3.9%	0%
POW	11.7	2.6%	0%	3.6%	0%
SAB	58.5	3.9%	0%	-4.9%	0%
SHB	11.8	1.7%	1%	9.3%	2%
SSB	22.9	0.0%	0%	-4.2%	-1%
SSI	37.0	7.6%	3%	12.8%	3%
STB	31.6	5.5%	3%	12.9%	5%
TCB	42.2	22.1%	19%	32.7%	19%
TPB	19.9	11.2%	3%	14.1%	2%
VCB	97.3	9.9%	5%	21.2%	8%
VHM	43.4	4.6%	2%	0.5%	0%
VIB	21.9	5.5%	1%	14.9%	2%
VIC	45.0	5.9%	3%	0.9%	0%
VJC	103.1	-1.4%	0%	-4.5%	-1%
VNM	72.0	7.5%	4%	6.5%	2%
VPB	19.9	2.6%	2%	3.6%	2%
VRE	26.5	18.0%	4%	13.7%	2%

Source: Bloomberg, Yuanta Vietnam, Pricing date: Feb 29, 2024

VHM & the Elephant in the Room

Vingroup-related concerns represent the key overhang on VHM's share price. These concerns include:

1) VIC's near- and mid-term liquidity challenges, and

2) The unknown number of VHM shares used as collateral for group borrowings.

Property analyst Tam Nguyen argues in his report of February 29 report that these concerns are likely to continue to be reflected in VHM's share price in the medium term. This is despite the company's fundamental positives, including its

1) Exceptional execution capabilities -- 2023 presales soared to surpass annual guidance despite the property slump;

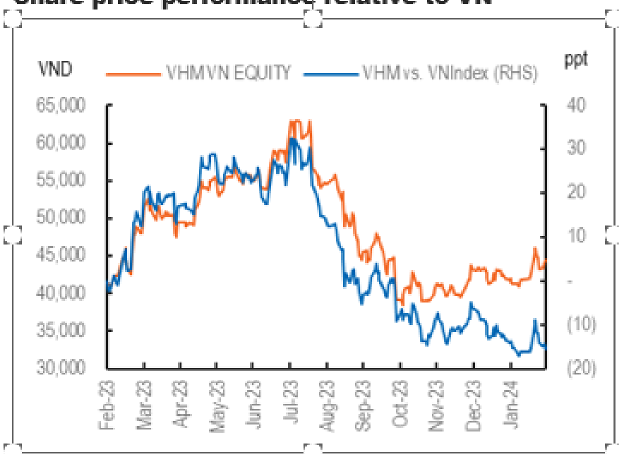
2) Status as the key beneficiary of the recent legal amendments; and

3) excellent positioning to continue dominating the market in the years ahead.

We reiterate BUY on VHM and retain it as a top sector pick. However, we slashour target price to VND58.4k after applying a -24% discount to our RNAV-derived fair value estimate to reflect this real-world share price overhang.

Sometimes, a purely fundamental model-based approach can lead to less than optimal investment decisions. In other words, you gotta do what you gotta do. But we still think the stock is cheap even after slashing our target price.

Share price performance relative to VN



Market cap	USD 7,891 mn
6M avg. daily turnover	USD 10 mn
Outstanding shares	4.4 bn
Free float	15 %
FINI ownership	22 %
Major shareholders	77 %
FOL Room	27 %
4Q23 Net Debt / Equity	0.21x
Current P/B (x)	1.08x
2023F P/B (x)	0.97x
2024F P/B (x)	0.87x

Company profile: VHM is Vietnam's premier residential property developer with 27% market share in 2016-23. As a majority-owned subsidiary of Vingroup (VIC VN, Not rated), VHM is able to harness the Group's ecosystem to build communities that offer a complete living environment including educational, medical, and retail facilities.

This model is a structural advantage that is unique among Vietnamese property developers -- but Group membership is also the main reason for the stock's steep discount to fair value, in our opinion.

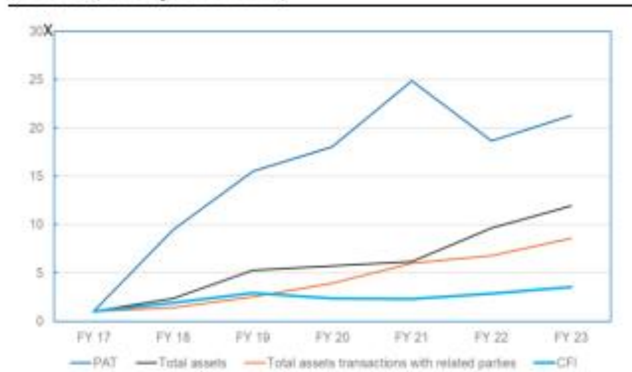
Key Details of Tam's investment thesis on VHM--

Solid presales in 2023… as VHM sold 28.8k units (-15% YoY). Although contract value (VND87 trillion) was down -49% YoY, it still surpassed full-year guidance by 9%. The breakdown consisted of 51% bulk sales and 49% retail sales. 4Q23 presales alone reached 19.7k units (+6x QoQ, +18x YoY), with 92% bulk sales. 4Q23 contracted sales were VND30.3tn (+88% QoQ, +68% YoY, 73% bulk sales).

… and it was a very good year for earnings too. Full-year revenue reached VND103 trillion (+66% YoY), beating guidance by +3%. Additionally, 2023 PAT reached VND33 trillion (+14% YoY) surpassed the company's target by +10%.

Fig 2: VHM's has enjoyed substantially higher profit margins than those of its peers.

Fig 3: VHM's PAT, asset growth, CFI, and related party deals (Base year: 2017)



Source: Company data, Yuanta Vietnam

VHM has demonstrated its exceptional execution capabilities amid the property slump. The company posted a substantial backlog of unbilled bookings at VND 99.7 trillion (-7% YoY) in 2023, comprising 67% bulk sales and 33% retail sales. VHM expects more than 50% of these unbilled bookings to be recognized in the 2024 P&L.

Significant benefits from the three amended laws, which favor developers with strong execution capabilities and increase the barriers to new entrants, in our view. The changes are likely to lead to industry consolidation over the next cycle, and major developers are the key beneficiaries. VHM is the largest player by a wide margin and is thus very well-positioned for continued market dominance.

See pages 33-36 below for a summary of the recent amendments to Vietnam's banking and property laws, which will come into effect between April 2024 and January 2025 (and are likely to benefit VHM as the predominant property developer in Vietnam).

We reiterate our BUY recommendation on VHM… given its clear fundamental strengths and our expectation for the property cycle to recover from 2H 2025.

…but we cut our target price by -24% as a discount to our RNAV-derived fair value. This is intended to address the proverbial elephant in the room: Market concerns over the wider Group, in particular VIC's (Not Rated) reliance on short-term debt and the known unknown overhang of VHM shares used as collateral for parent shareholder borrowings. Our new target price implies 31% 12m TSR.

Fig 1: Transactions with related parties (VND bn)

Year	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Transactions with related parties in Total Assets	**2,700**	**12,779**	**17,915**	**32,487**	**50,388**	**76,772**	**86,611**	**109,303**
CURRENT ASSETS	**2,700**	**12,779**	**17,283**	**16,019**	**5,616**	**20,320**	**11,410**	**10,455**
Receiveble from clients	27	9,979	2	15	315	3,990	1,136	919
Other receiveble	19	145	13,012	6,700	1,140	1,864	9,668	1,847
Other assets			4,269	8,649	4,150	14,467	468	7,550
Loans receivables	2,654	2,654		655	11		139	139
LONG-TERM ASSETS			**632**	**16,469**	**44,772**	**56,451**	**75,201**	**98,847**
Other Receiveble			121	166	5,932	5,930	19,679	31,852
Other Assets			511	8,439	38,480	41,583	53,954	65,954
Loans receivables				7,864	360	8,938	1,568	1,041
Total Assets (VND bn)	**37,521**	**51,304**	**119,689**	**197,241**	**215,326**	**230,516**	**361,813**	**447,361**
Related-party balance sheet exposures / Total assets	**7%**	**25%**	**15%**	**16%**	**23%**	**33%**	**24%**	**24%**
Liabilities			**3,848**	**2,329**	**5,555**	**3,086**	**1,804**	**9,817**
Current liabilities			**3,429**	**2,110**	**5,555**	**3,086**	**1,641**	**2,157**
Payable	340	295	312	548	1,166	896	630	1,616
Short-term unrealized revenue					1,735			
Advances from customers	27		214	43				
Accrued expenses	402	484	351	19				
Other paybale	96	240	2,551	1,500	2,654	2,190	1,012	541
Long-term liabilities			**419**	**219**	**0**	**0**	**163**	**7,660**
Payable							163	7,660
Other paybale								
Accrued expenses			419	219				

Source: Company data, Yuanta Vietnam

We make no change to our estimate of VHM's fair value (i.e., VND 76,900) but we apply this target price discount based on 4Q23 related party exposures. Ironically, VHM's Group membership is one of its strengths, and disclosed related-party exposures as a percent of total assets are not high vs. history.

Fig 6: Valuation summary

No	Project	Ownership rate (%)	Project NPV (VND tn)	Effective NPV (VND tn)	Propotion of NAV (%)
1	**RESIDENTIAL PROJECTS**			**266,316**	**91.8%**
	Vinhomes Green Ha Long	100.00%	50,366	50,366	17.4%
	Vinhomes Can Gio	98.60%	50,712	50,002	17.2%
	Vinhomes Cu Chi	88.20%	39,025	34,420	11.9%
	Vinhomes Ocean Park 3	100.00%	33,610	33,610	11.6%
	Vinhomes Ocean Park 2	100.00%	20,148	20,148	6.9%
	Vinhomes Vu Yen	100.00%	15,367	15,367	5.3%
	Vinhomes Wonder Park	100.00%	11,124	11,124	3.8%
	Vinhomes Co Loa	83.20%	12,822	10,668	3.7%
	Vinhomes Hoc Mon	100.00%	6,620	6,620	2.3%
	Vinhomes Lang Van	95.80%	6,291	6,027	2.1%
	Others			27,964	9.6%
2	**OFFICES & LEASING SERVICES**			**13,359**	**4.6%**
3	**INDUSTRIAL PARK**			**10,282**	**3.5%**
	Total project NPV			**289,957**	
	+ Cash & cash equivalents			8,611	
	- Total debt			-39,699	
	NAV (VND trillion)			**338,267**	
	Number of shares (billion)			4.4	
	Fair Value (VND)			**76,900**	
	Discount factor			24%	
	Our new fair value (VND)			**58,444**	
	Current price (VND)			43,400	
	Upside(%)			34.7%	

Note: We applied the discount rate to our valuation model in 1Q23.

Source: Company data, Yuanta Vietnam

But the market's perception of the Group-related risk is very likely to persist in 2024, so the discounted target price vs. fair value is appropriate.

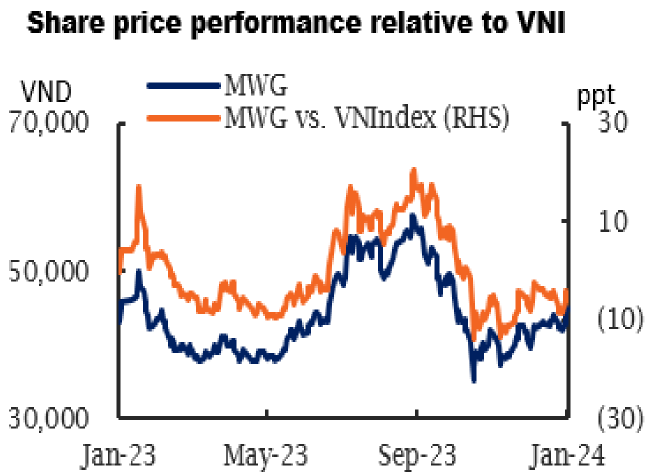
Please access the link for Tam's complete report: https://yuanta.com.vn/wp-content/uploads/2024/02/VHM-Company-update-Addressing-the-Elephant-in-the-Room.pdf

Research vs. Sales: Divergent views on MWG

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

The Hero's Journey. 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.



Market cap (USD mn)	2,678
6M avg. daily turnover (USD mn)	15.3
Outstanding shares (mn shares)	1,462
Free float (%)	83%
FINI ownership (%)	45.7
Major shareholders (%)	17%
2023E Nebt debt/Equity (x)	0.8
2024E PER (x)	23.4
Trading platform	HOSE
FOL Room (%)	3.3

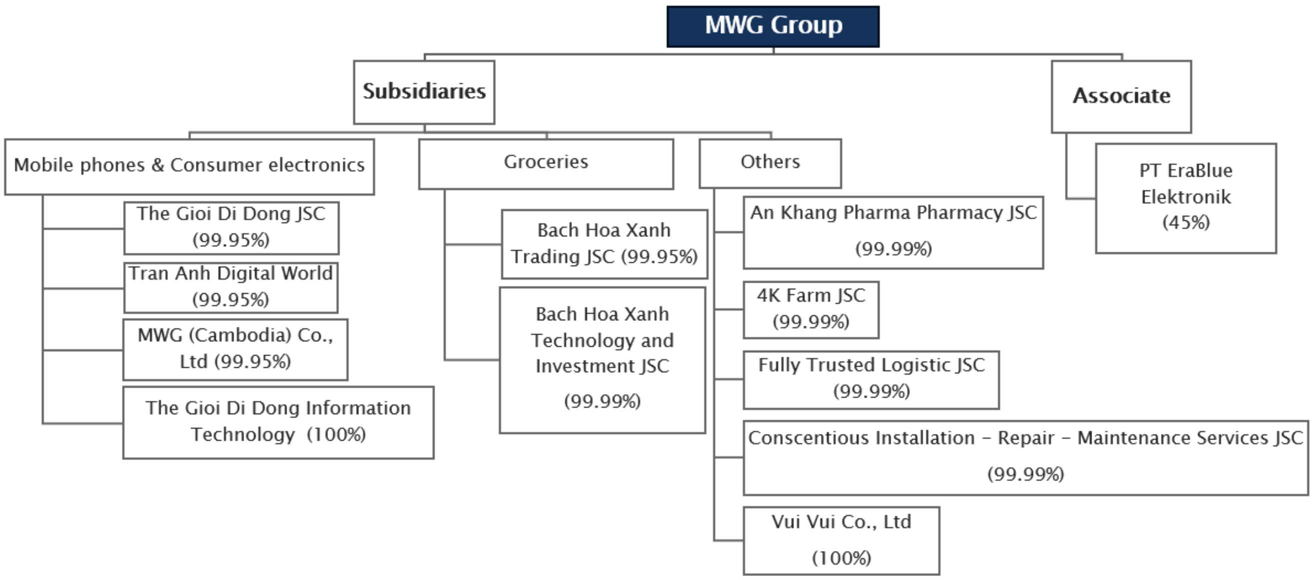
Surce: FiinProX, Bloomberg, Yuanta Vietnam

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.

Un**fortunately, 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.

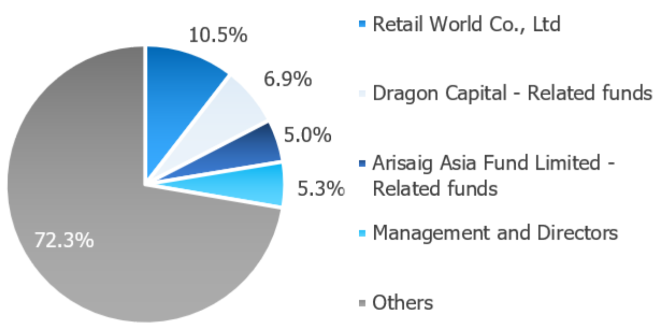
Fig. 1: MWG's ecosystem



Source: MWG 2022 Annual Report, Yuanta Vietnam

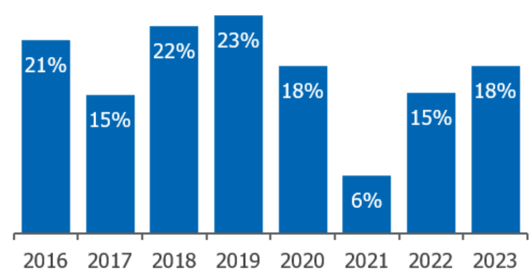
Company profile: Mobile World Investment Corp (MWG VN, https://mwg.vn/eng) manages and operates six directly owned retail chains: The Gioi Di Dong, TopZone (mobile phones), Dien May Xanh (consumer electronics), Bach Hoa Xanh (groceries), An Khang Pharmacy (one of the top-three pharmacy chains), and AVA 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, FiinproX (Data as of 10 Jan 2024)

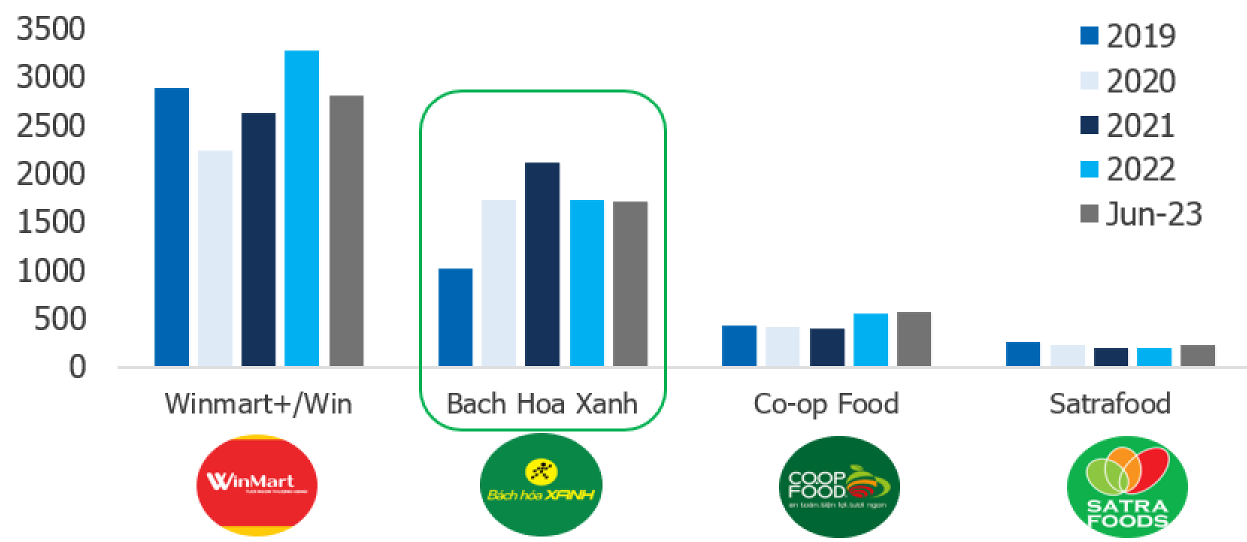
Fig.3: Payout ratio (annual dividend / PATMI, %)



Source: Company data, Yuanta Vietnam,

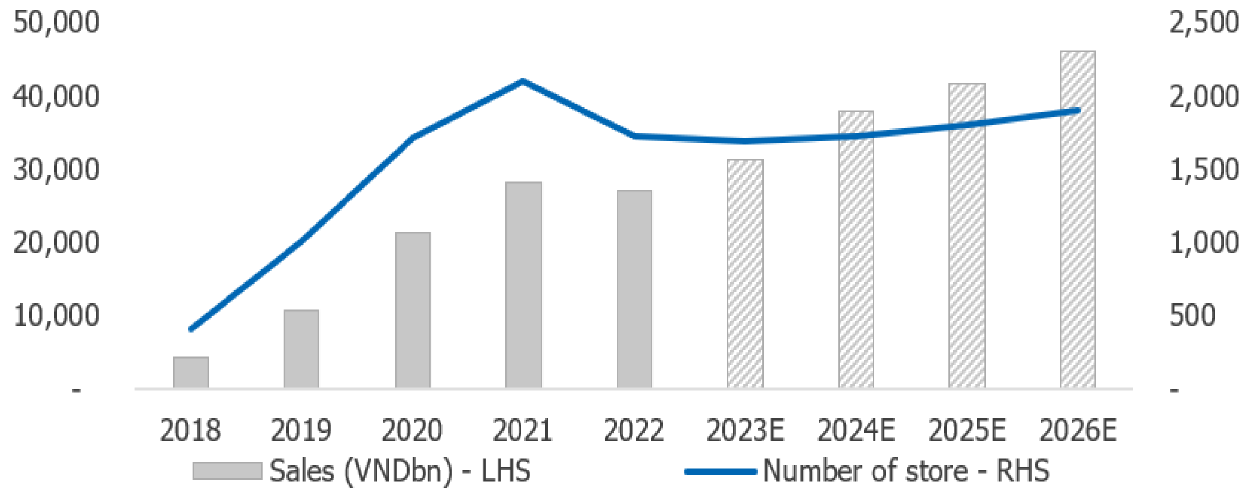
Bach Hoa Xanh: The key growth driver. Modern trade accounts for just 12% of total grocery spending in Vietnam, but this alone does not guarantee success for BHX. The company has experienced considerable operational difficulties, at least partly due, in our view, to an overly rapid pace of expansion. 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

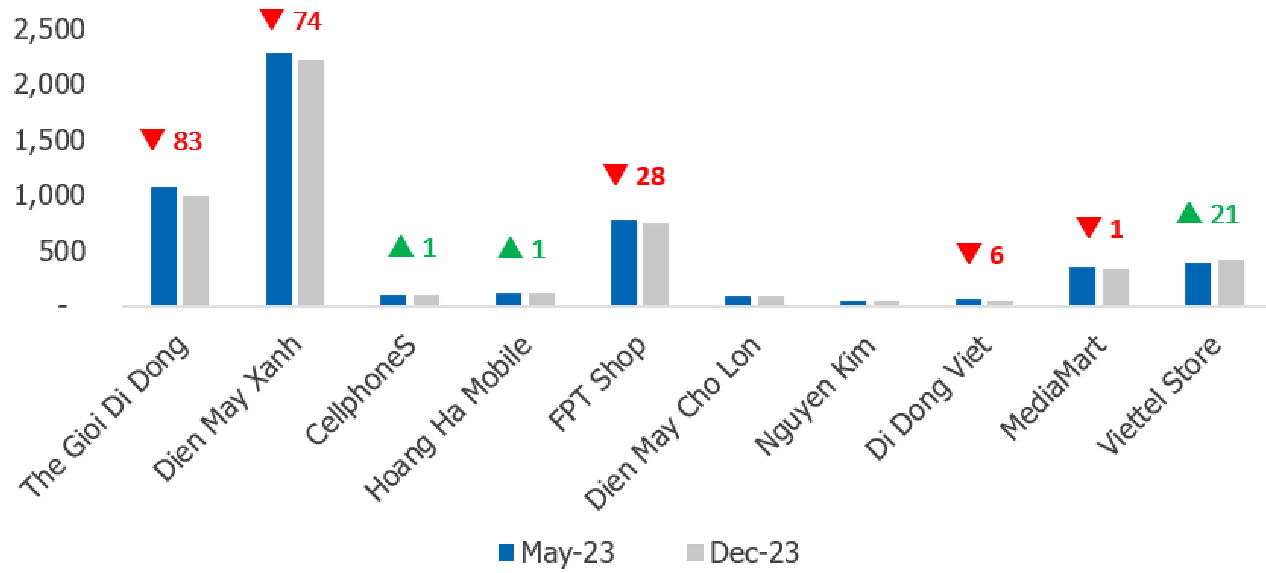
Fig. 13: We expect BHX's sales to post double-digit growth in 2024E-2027E



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 Methodloogy	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)
(-) Accquisition	-	-	-	-
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**	**133,405**	**117,337**	**126,578**	**138,224**
TGDD	*31,600*	*34,685*	*27,917*	*28,867*	*31,380*
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*	*3,024*	*3,337*	*3,751*
Cost of goods sold	(95,276)	(102,544)	(95,482)	(102,600)	(109,965)
Gross profits	**27,682**	**30,862**	**21,855**	**23,979**	**28,259**
Operating expenses	(21,788)	(24,218)	(21,894)	(20,048)	(21,786)
Operating profits	**5,895**	**6,644**	**(39)**	**3,931**	**6,473**
Financial income	1,288	1,318	1,155	1,246	1,361
Financial expenses	(715)	(1,383)	(917)	(827)	(971)
Interest expenses	(674)	(1,362)	(917)	(827)	(971)
Net investments income/(loss)	(2)	-	-	-	-
Net other income	**6**	**(518)**	**3**	**3**	**9**
Pretax profits	6,472	6,056	206	4,358	6,872
Income taxes	(1,570)	(1,955)	(41)	(872)	(1,374)
Minority interests	**3**	**2**	**0**	**2**	**3**
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	113	2,388	3,766

BALANCE SHEET (VND bn)					
FY Dec 31 (VND'bn)	2021	2022	2023E	2024E	2025E
Total assets	**62,971**	**55,834**	**57,812**	**61,309**	**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	1,845	1,451	1,584
Total liabilities	**42,593**	**31,902**	**33,944**	**34,454**	**39,787**
Current liabilities	42,593	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	**20,378**	**23,933**	**23,868**	**26,855**	**31,623**
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

KEY RATIOS					
FY Dec 31 (VND'bn)	2021	2022	2023E	2024E	2025E
Growth					
Sales	13.3%	8.5%	-12.0%	7.9%	9.2%
TGDD	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	13.9%	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	0.3
Cash conversion days	65	71	73	74	78
Net cash/(debt) (VND bn)	(20,583)	(11,605)	(12,672)	(10,742)	(2,216)
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, Yuanta Vietnam

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)	(1,134)
Others	(107)	692	1,104	893	1,067
Investment cash flow	**(11,255)**	**1,549**	**(4,627)**	**(3,146)**	**(386)**
Net capex	(4,976)	(4,460)	(672)	(1,366)	(1,870)
Change in LT investment	(6,281)	4,872	(2,999)	(13)	3,911
Change in other assets	2	1,138	(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**	**1,284**	**1,268**
Change in share capital	226	188	(9)	-	-
Net change in debt	7,891	(8,062)	2,313	1,284	1,998
Change in other LT liab.	(240)	(732)	(730)	-	(730)
Net change in cash flow	**(3,207)**	**919**	**1,246**	**3,164**	**10,524**
Beginning cash flow	7,348	4,142	5,061	6,307	9,471
Ending Cash Balance	**4,141**	**5,061**	**6,307**	**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

MWG – Sales Head Lawrence Heavy reckons that the stock has come too far, too fast

Sales vs. Research: Who will win? In the spirit of radical transparency, this section consists of sales commentary – lightly edited and highlighted in blue font – from Yuanta Vietnam's Head of Institutional Sales Lawrence Heavey.

Lawrence's advice is to take profit on MWG here, a view that obviously contrasts with that of the Institutional Research Department, including your humble author (i.e., Mathew Smith -- who, it must be disclosed, is also a PA-shareholder in MWG). We will attempt to restrain our ruffled feathers on this side of the office – Lawrence's tactical views may diverge from our fundamental thesis, but they are welcome nonetheless and provide some food for thought.

This is because reasonable people can disagree about securities investments, and differences of opinion are what make a functional market. To be very clear, we are providing his comments here as a reflection of the possible alternative outcome for MWG's shares. Our fundamental research view is to retain our positive BUY recommendation on MWG based on the likely operational improvements and our sense that the stock's valuation reflects that the shares have been oversold.

However Sales Head Lawrence Heavey says "Get outwardly/tactically Mobile … on MWG" – a quote from the company's own recent corporate mantra… Investors might consider to 'REDUCE QUANTITY'…we have likely seen the bulk of the bounce…after near 50% from November lows. In other words, Lawrence argues that it's time to TAKE PROFITS.

- "The sales note of Jan 17th argued for MWG as a trade that could get back to 50k, which has been achieved and briefly exceeded in early March.
- I was expecting that that would equate to index outperformance but it turns out to be essentially an index like performance….so a decent % return in a short period and rec probably assisted/saved by foreign flow.
- The house view remains that the stock is a Buy with a target price of 59,300 (a little more bullish than the street and if accurate a decent 20% or so upside).
- Reminder…Yuanta forecast earnings were above the street for 2024 on more optimistic SG&A expenses.
- Vietnam is often prone to 'flow' trumping 'fundamentals' and I suspect that MWG has suffered and benefited from that in its journey down and sharp bounce (see below) that brings us way off the lows.
- Recent corporate guidance feels a little like a well-worn story so hard to see many new converts at VND 50k.
- I could well be missing a lot but having hit breakeven at end-2023 for BHX and guiding for full-year breakeven at end-2024 for the pharmacy and mom-&-baby chains may well represent progress.
- But should investors continue to pay up for those businesses that are unlikely to be market leaders and do not have any kind of competitive moat while the historic cash cow – CE/ICT retail -- still has market share competition and grocery is a slow expansion (unlike the rapidity of an FRT Long Chau pharmacy roll out)?

The latest official company communique for the 2024 business target and strategic direction is here "Reduce quantity – Increased quality". Rated zzzzz but take a look if not seen 😊

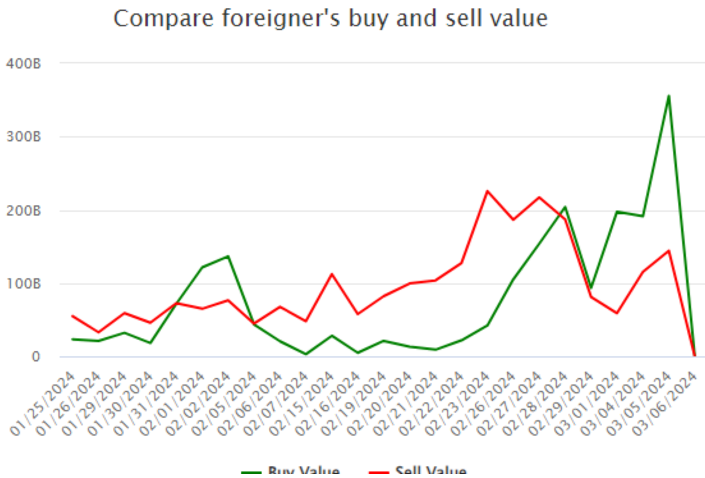
UP…DOWN …UP…three 40% plus moves since last summer …not for widows and children.

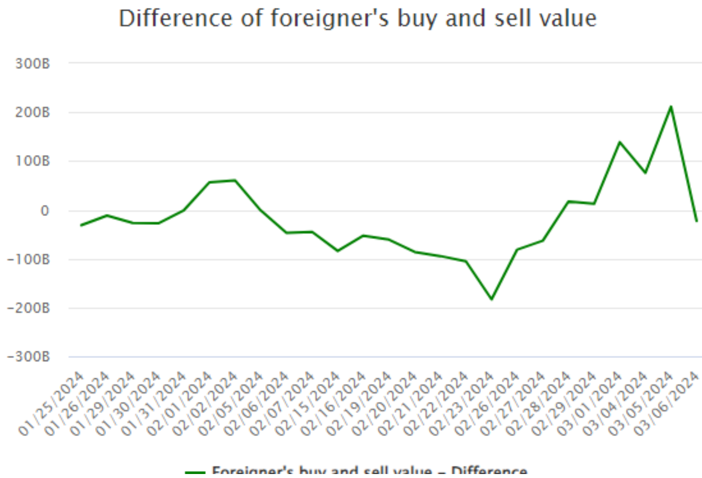
Source: Bloomberg, Yuanta Vietnam Institutional Sales

Got to 50k …profit takers bring it back to a market-like performance (since Jan 17th)

Source: Bloomberg, Yuanta Vietnam Institutional Sales

The very recent surge seems to be linked to foreign buying…





Source: FiinPro, Yuanta Vietnam Institutional Sales

This is extremely 'touchy feely', but IF the March foreign buying was solely the reason for the recent spike there is a 'danger' that local investors are fully sated post the bounce and that leaves foreign flow as the sole determinant.

This is clearly guesswork, but it may be worth mulling if foreigners will decide to pick up the remaining 3.85% of the 49% FOL limit. Of course, with an EM upgrade that would be a slam dunk, but so would many other names)

Risks to profit taking here?

- Share buyback (was under consideration but ?).
- BHX stake sale …was rumored and denied previously but remains an aim.
- ETF/index linked type inflows (a few locally listed ETF's seeing continued cancellations…reversal?).
- Good Q1 operations…profit level at BHX?
- End of electronics price war?

[end of sales comment]

Back to the research view -- Revisiting the legal Amendments announced in late January.

A hypothetical cover-to-cover reader of the Yuanta Vietnam monthly strategy report might notice a bit of reiteration here.

Indeed, we are purposefully republishing our summary of the January legal amendments in this report. This is because these amendments are critical to understanding the probable trends in real estate. In addition, we have added a substantial number of priority clients since the start of February, which justifies this recycling of the "old" (but not yet implemented) amendments.

If you've already fully digested this content from last month's report, please skip the next two sections -- both titled "Legalize It".

Legalize It! (Part I) Changes to the Credit Institutions Law

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%
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

What's new?

- **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.

Our view

- **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.

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/QH14will 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

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 admistrative 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.**

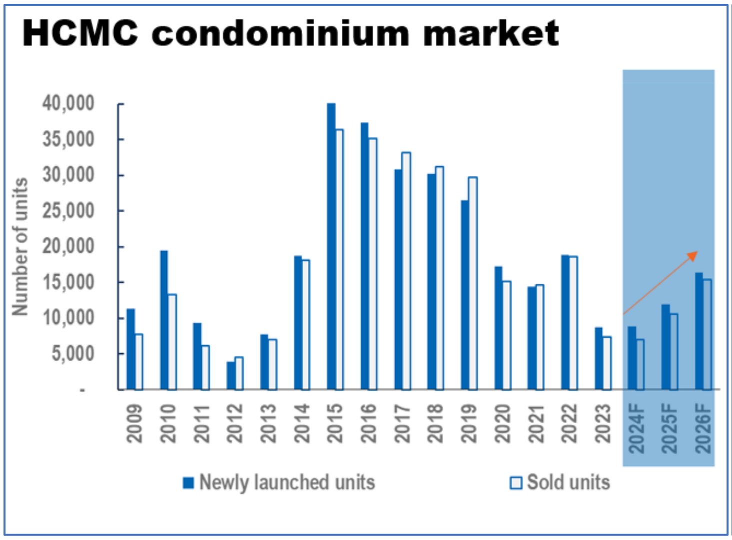
⇨ This should result in the replacement of the legacy land price framework with market-driven pricing methodologies such as the comparison, collection, or surplus methods.

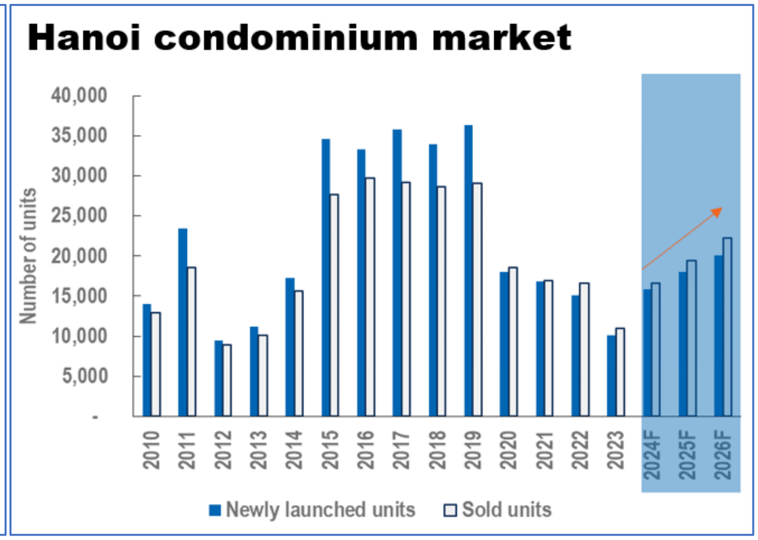
3. Utilization of land for multiple purposes contingent on adherence to the approved land use and construction master plans.

⇨ 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.

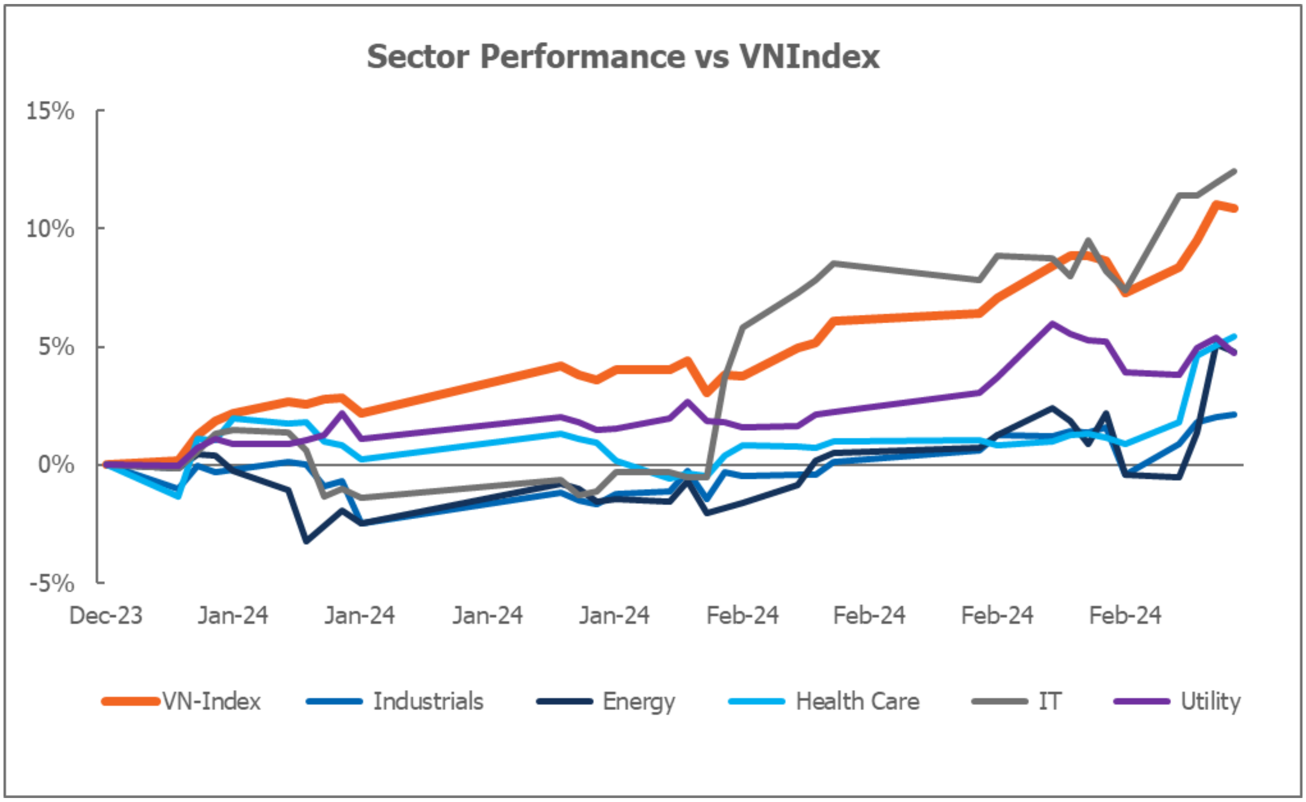
7. Land allocation and reclamation.

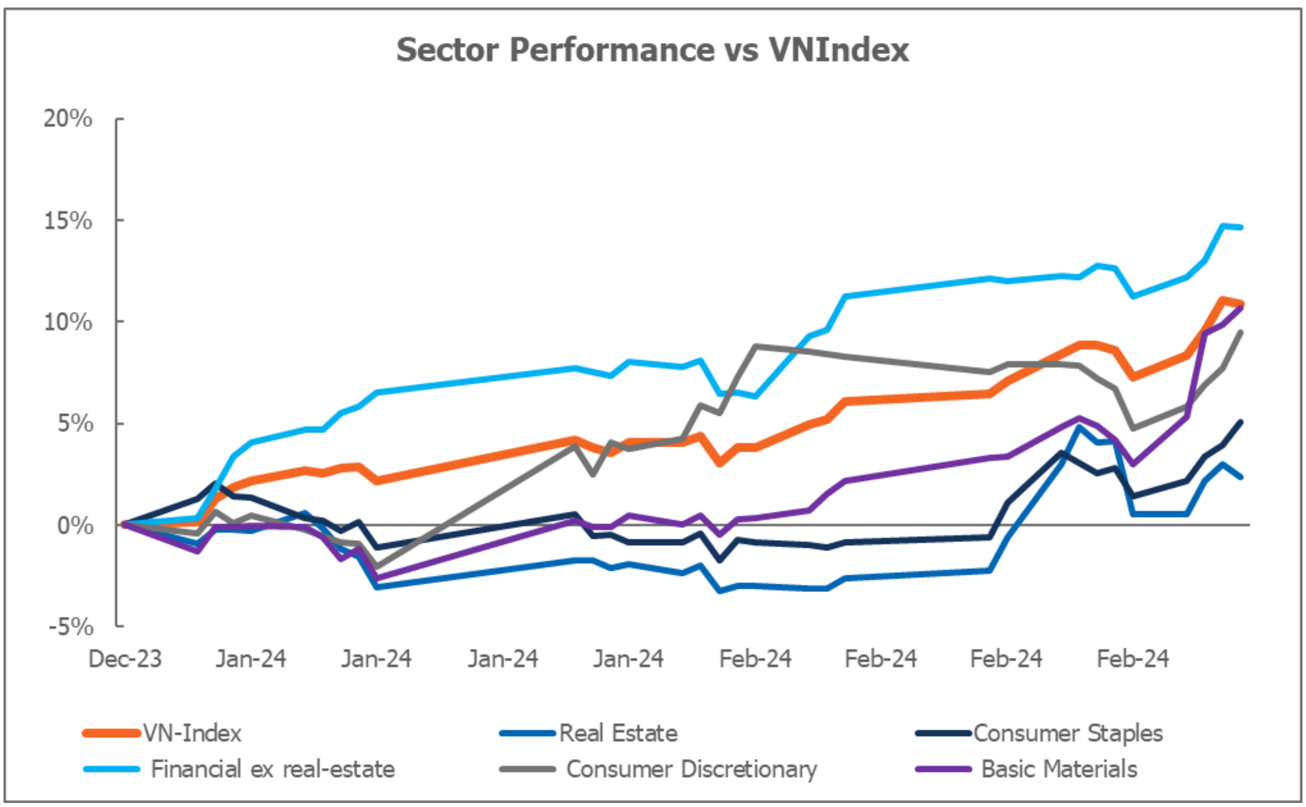
⇨ Detailed guidance on land reclamation should beniefit projects such as Vinhomes Can Gio.

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

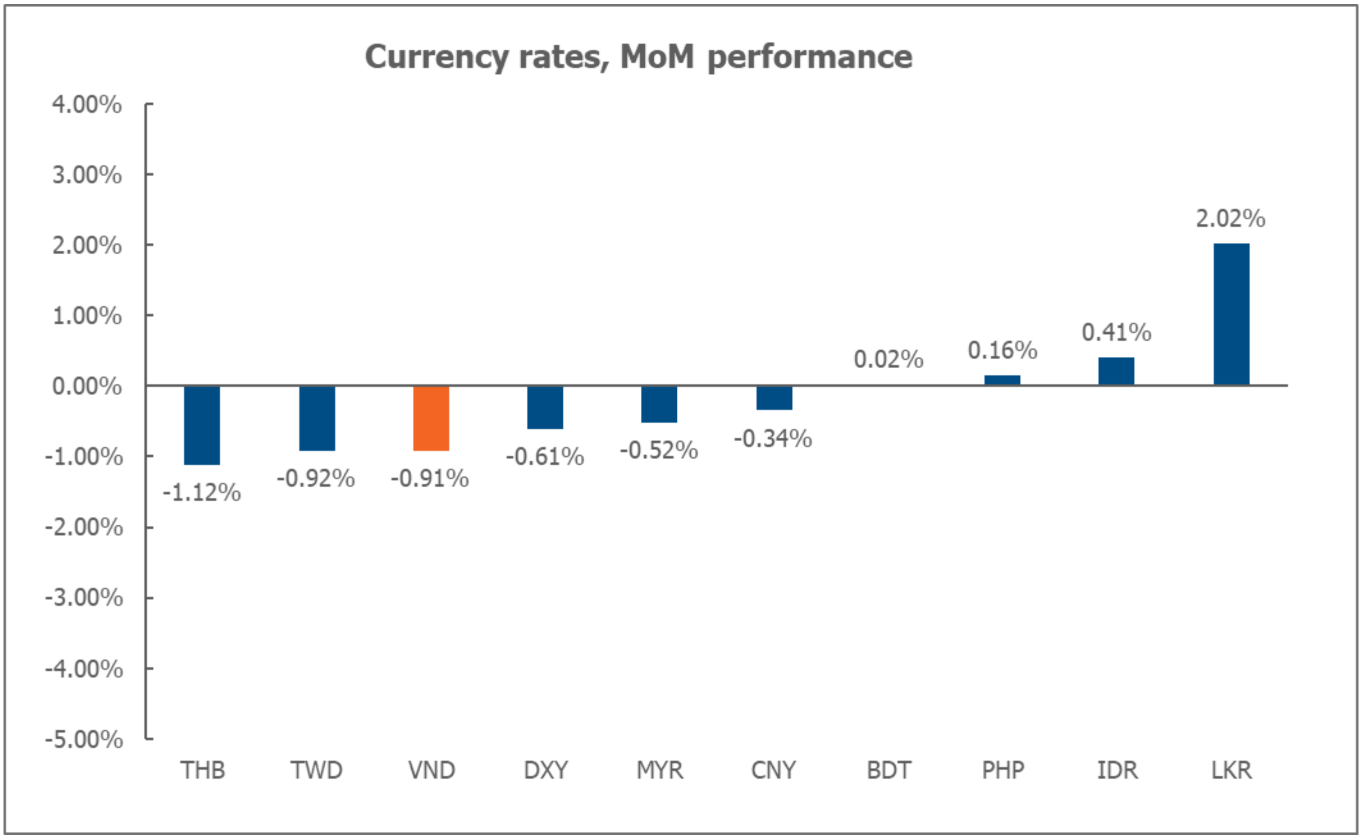




Source: Bloomberg (updated to Feb 29)

VND depreciation picked up the pace in February

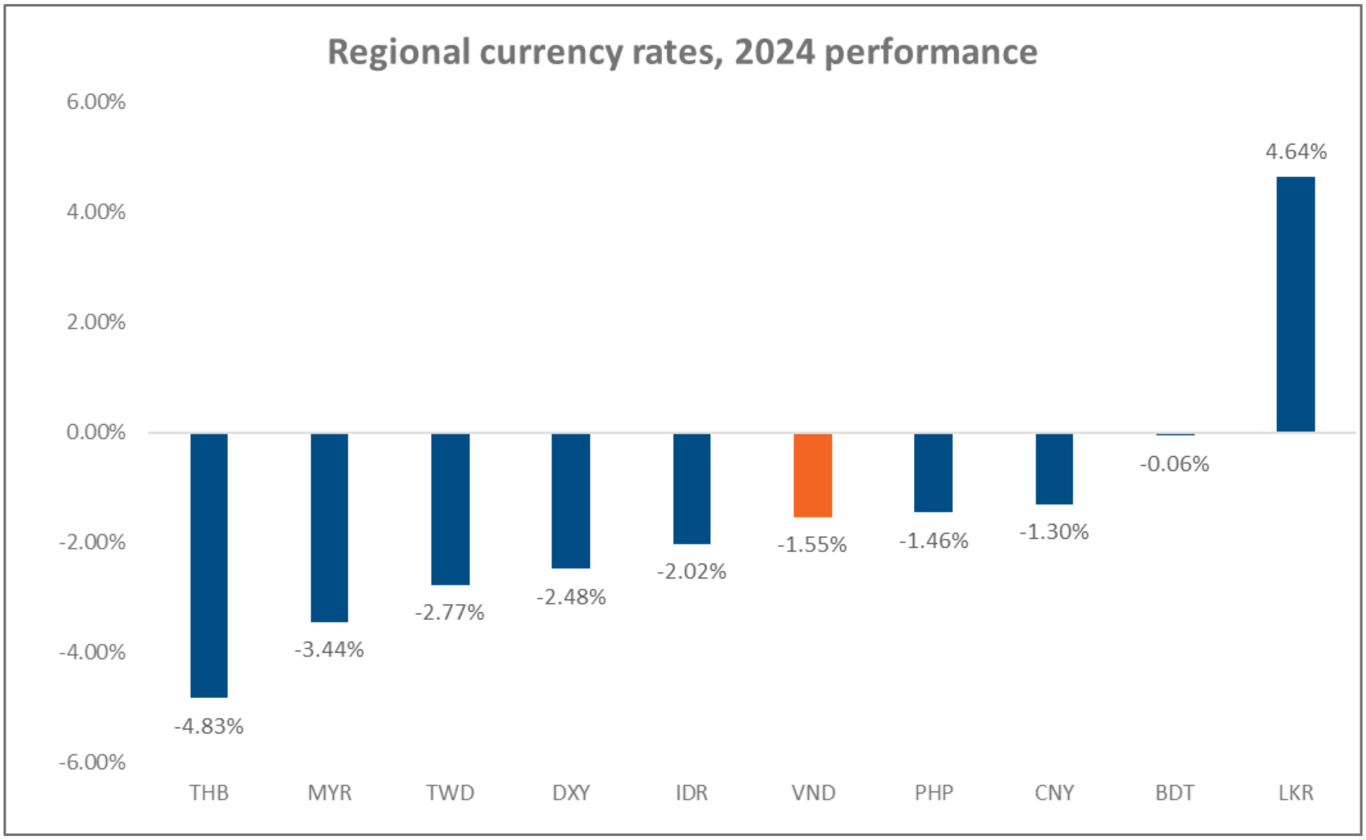
The dong depreciated by another -91bps against a persistently weaker USD (DXY: -0.6% MoM) in February. This was at the lower end of the region in terms of currency results, with only the Thai Baht (-1.12% in February) performing worse than the VND last month.



Source: Bloomberg (updated to Feb 29)

As such, the VND's exchange rate vs. the dollar has declined by -1.55% YTD, thus nearly encroaching on our expected full-year depreciation range of 2-3% -- and we're only two months into the year.

This may come as cold comfort, but the VND has delivered the second-best performance of any of the major ASEAN currencies YTD. The official depreciation YTD of -1.6% has been far better than the 2M24 decline of the Thai baht (-4.8% YTD) and the Malaysian ringgit (-3.4%), and also moderately less bad than the Indonesian rupiah (-2.0%).

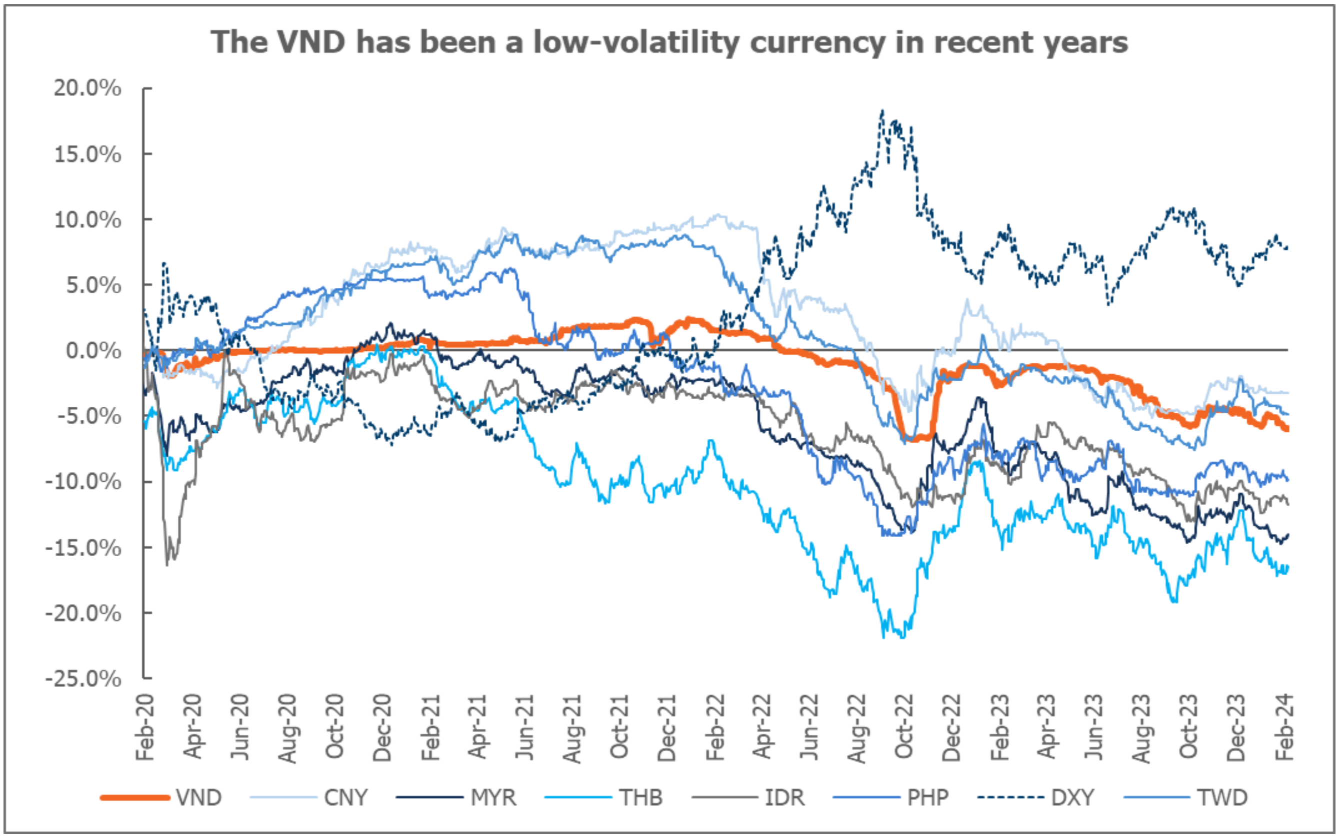


Source: Bloomberg (updated to Feb 29)

An increase in the amount of VND required to purchase a US dollar is frequently (and inaccurately, in English anyway) characterized by local observers as some version of what follows: “The VND keeps going up!”. In this context, “going up” means “depreciating” so the proper way to view this is to say that the VND is going down. But we digress.

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 at all-time lows, a zone in which the SBV took action by dramatically hiking rates to shore up the VND’s exchange rate when it last plummeted to these levels in 3Q22. We believe a repeat of monetary tightening is unlikely in 2024 as the VND’s relative exchange rate vs. regional peers is actually strong YTD, and the central bank will be mindful of the potential fragility of the economic recovery. This suggests continued pressure on the VND, unless the SBV decides otherwise.



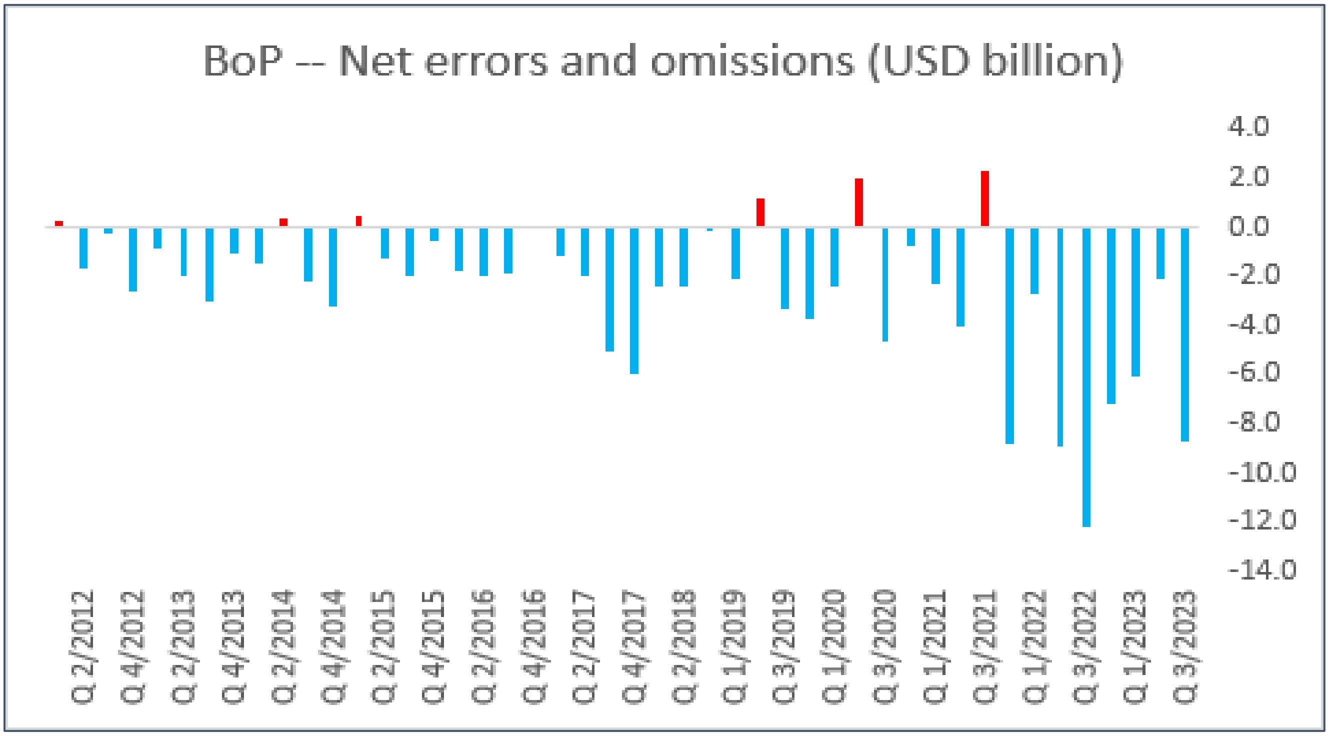
Source: Bloomberg (updated to Feb 29)

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.



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.

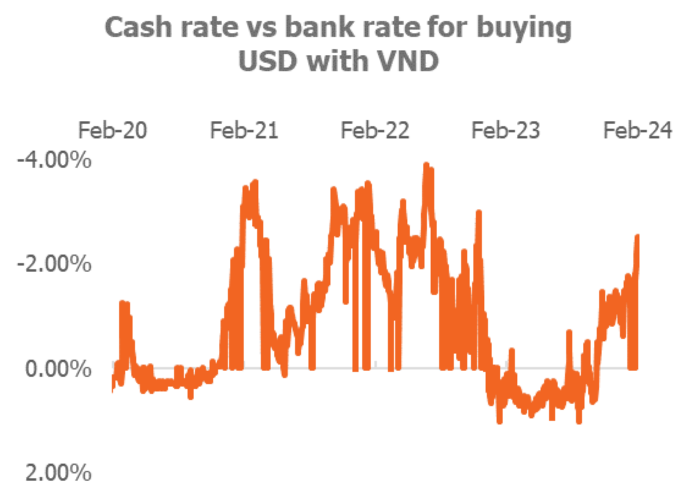
Curb market for USD cash now commands over 25,000 VN dong per dollar – a historical low (not high) for the VND. Notably, the charts above are based on official exchange rates of the various regional currencies, some of which are more actively managed than others. The official VND rate available at SOE bank VCB was 25,650 as of March 4. That represents a -3.5% decline since the start of the year, a measure of depreciation that is roughly twice that of the official rate's c.-1.6% so far in 2024..

By contrast, the very active and relatively open curb market for purchasing US dollar cash with Vietnam dong burst through a historical high of 25,000 VND per dollar on February 15, the first day after the weeklong Tet holidays. The dong's cash exchange rate went on to depreciate to as low as 25,670 (

It would be reasonable to assume that this reflects a desire to hold more supposedly "hard" currency, but we have seen this movie before and think the domestic gold price premium, which ended February at c.30% above the international price of gold, is also a key driver of demand for USD cash.

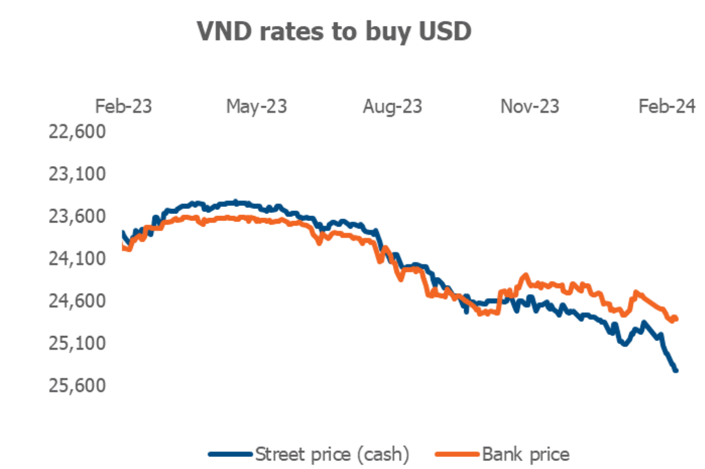
The 20% premium is probably sufficient incentive to reactivate the gold arbitrage trade, an operation that is best be carried out by cash. The charts below provide a visual of the historical relationships among local gold prices, international gold prices, and the demand for USD cash as reflected in the premium over the bank rate that VND-based buyers are willing to pay for USD cash. Yuanta clients who wish to access the underlying data behind this analysis are welcome to request it.

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



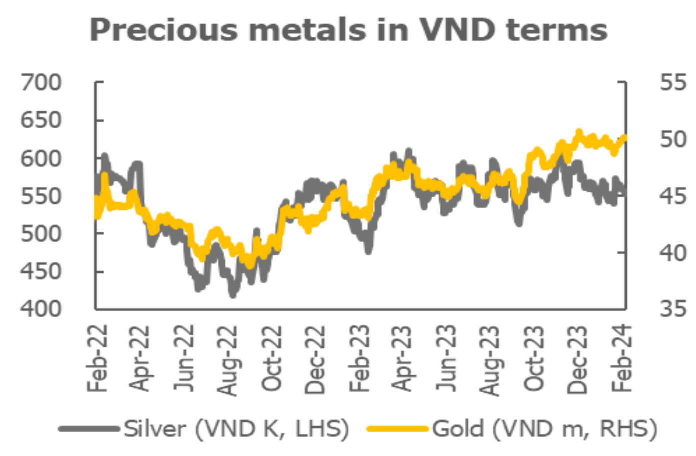
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

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



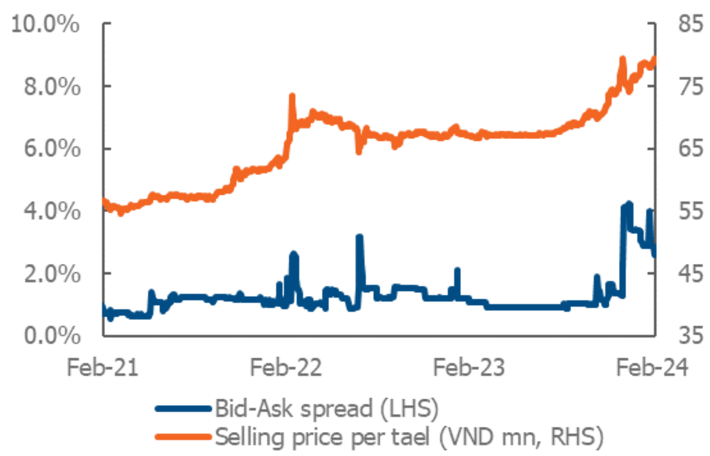
Source: FiinPro, Yuanta Vietnam

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

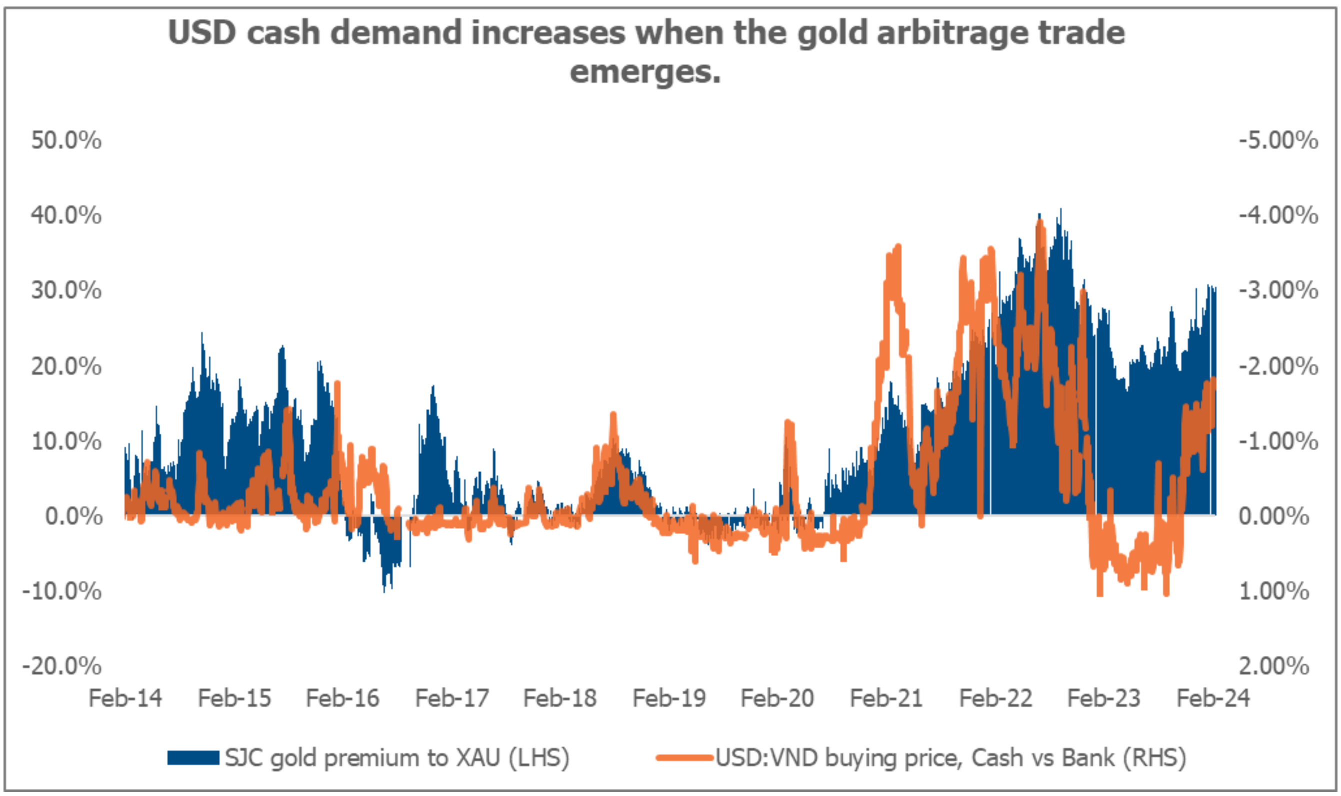


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

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



Source: FiinPro, Yuanta Vietnam



Source: FiinPro, Bloomberg, Yuanta Vietnam (updated to Feb 29)

Macro Update – A clear sky, a bright sun, and a gentle breeze

--Binh Truong, Deputy Head of Research
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Highlights of the GSO macro data for 2M2024 – external demand is finally picking up.

We were perhaps overly glib with our take on domestic cheerleading of the January YoY macro data comparisons, which were skewed higher to an almost unintelligible degree by the timing of the Tet holidays, which occurred in January 2023 (thus resulting in an extremely low base) and February 2024.

Always, or at least for the past couple of millennia, YoY changes in January, February, and sometimes even March have to be interpreted very carefully due to the timing of the Lunar New Year holidays. For our analysis, we focus on the aggregate data for 2M24 and how this has changed YoY, which allows for a like-for-like YoY comparison.

The good news is that we like what we see: the economic data YTD suggests that our more positive take on macro conditions in 2024 vs. those of 2023 is likely to be correct. Key highlights of the Jan-Feb data include:

- The GSO has reported improvement in both overall supply and demand figures.
- 2M2024 industrial production output was underpinned by both solid domestic and export demand.
- The S&P Global Manufacturer's PMI remained in expansion territory for the second month running in February, and manufacturers' confidence improved to one-year high.
- 2M2024 merchandise export growth rose by +19.2% YoY, indicating solid external demand.
- 2M2024 FDI disbursals reached a five-year high.
- Domestic retail sales of goods and services continued to deliver strong growth in 2M24.
- CPI in February picked up moderately due in part to seasonality (i.e., the Tet holidays), but also as petrol prices advanced in line with global oil, resulting in an overall increase in transportation prices.

Industrial production +6% YoY in 2M24, driven by manufacturing and electricity

The GSO estimated that the index of industrial production (IIP) rose by 5.7% YoY 2M24, a substantial improvement vs. the -2.9% YoY *decline* of 2023. This indicates an overall improvement in external demand, which is further confirmed by the solid international trade figures discussed below.

Notably, our perusal of end-market client results commentary (e.g., Walmart) indicates that the problems of excess inventory that global big box retailers experienced coming out of the COVID era in c.3Q22-3Q23 were fully alleviated as of end-2023, suggesting more normalized demand conditions for 2024 and beyond.

This is within our expectations based on our regional (Taiwan/Korea) team's coverage of OEM manufacturers in sectors such as electronics hardware, textiles, and footwear, many of which have substantial manufacturing operations in Vietnam and elsewhere in Southeast Asia.

Blended IIP expansion in 2M24 was broken down by output of manufacturing (+5.9% YoY), electricity production and distribution (+12.2% YoY), water supply (+2.5% YoY), and mining (-3.5% YoY).

Numerous sectors exhibited strong growth of output in 2M24, including coal & oil products (+25.3% YoY); chemicals (+27.7% YoY); medicine (+23.2% YoY); rubber & plastic products (-24.3% YoY); electricity equipment (+22.1% YoY); and furniture (+23.4% YoY).

2M2024 production outputs growth visible in most sectors

	2020	2021	2022	2023	2024
Oil & Gas production	-7.8	-9.9	-3.4	-3.1	-9.4
Food processing	5.2	3.3	6.2	1.2	5.8
Beverage processing	-6.8	13.4	1.5	12.7	-6.6
Weaving	6.6	5.0	5.3	-9.9	17.6
Coal and oil products	10.8	-3.7	-12.7	21.6	25.3
Chemical production	4.1	5.1	-0.3	-2.0	27.7
Medicines production	19.8	4.9	5.0	6.5	23.2
Rubber and plastic products	3.8	7.6	-16.5	9.6	24.3
Minerals production	-0.2	7.7	8.4	-10.7	0.6
Electronics, computers production	12.4	17.9	4.9	-2.1	-2.6
Electric equipments	-2.7	14.3	14.4	-10.7	22.1
Vehicles	-5.6	7.2	7.0	-11.8	0.9
Transportations	-1.2	-4.2	8.3	-10.0	-0.8
Furniture production	5.5	11.3	1.5	-9.0	23.4
Repairs maintenance equipment	-4.1	8.8	-17.9	7.7	-21.8

Source: GSO

In terms of product mix, 2M24 output expanded in several sectors, including N.P.K mixed fertilizer's whopping +29.5% YoY expansion, which explains the recent surge of listed fertilizer producer stocks (e.g., BFC and DCM). Other products experiencing strong 2M24 output expansion included flat steel (+24.1% YoY), petroleum (+44.7% YoY), and steel bars (+18.6% YoY).

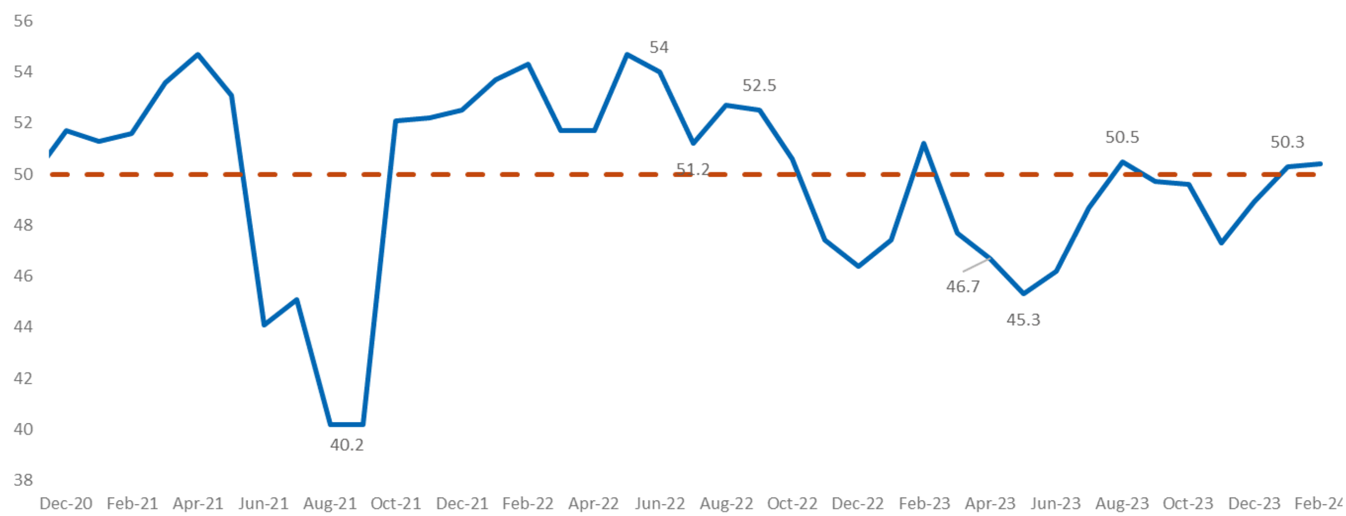
By contrast, output of several other product segments declined in 2M24, including mobile phone components (-20.8% YoY), natural gas (-16.1% YoY); TVs (-13.7%); beer (-11.5% YoY), automobiles (-9.8% YoY), and mobile phones (-6.7% YoY).

February Manufacturing PMI: Survey indicates further expansion in new orders going forward

S&P Global's monthly manufacturing PMI survey indicates that the manufacturing sector remained in expansion territory in February for the second month in a row, with respondents indicating that both output and new orders have been increasing. The PMI in February reached 50.3, slightly higher than the 50.2 result of January, and well above December 2023's reading of 48.9.

Participants linked their improved outlook for new business to export markets. Additionally, business confidence in new order growth rose to a one-year high in February.

Manufacturing PMI in February points toward expansion for the second month running



Source: S&P Global

New orders increased for the second month in a row, although only marginally. Survey respondents linked the uptick in new orders to export demand. Output growth was modest, in line with January.

Reports of lengthening delivery times caused by shipping delays indicate headwinds for industrial activity this year despite the more normalized external demand conditions. Manufacturers report increases in transportation costs – this is obviously true for shipping to Europe and the US East Coast, but even regional shipping costs have risen substantially since the emergence of the situation in the Red Sea.

Nevertheless, international merchandise trade in 2M24 improved with manufactured exports increasing by +19.2% YoY.

Some manufacturers report that they have passed on their increased transport costs to customers through increased selling prices, a reversal of the declines in selling prices that were reported in the previous month's survey.

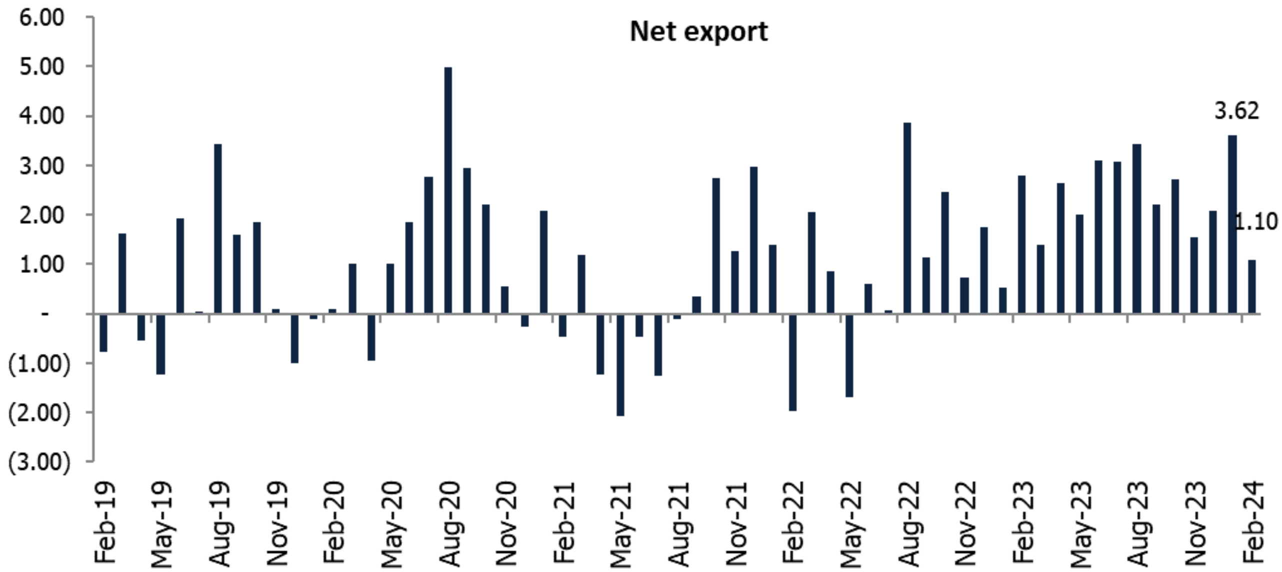
More than half of the survey's participants expressed confidence in new order growth going forward, a one-year high.

International trade: Solid evidence of export growth

Vietnam's 2M23 merchandise trade surplus reached USD4.72 billion (up +35% YoY from USD3.5bn in the first two months of 2023), broken down by exports of USD59.3bn (+19.2% YoY) and imports of USD54.6bn (+18% YoY). Considering that c. two-thirds of merchandise imports comprise materials and components for FDI manufacturers, the solid YTD import growth figure points toward a continuation of the relatively robust industrial conditions during the months ahead.

For the record, Vietnam's merchandise trade surplus in February – again, a figure that is vastly skewed by the timing of the Tet holidays – reached USD380mn as the net result of USD 24.82 bn in goods exports (-5% YoY) and USD 23.72bn in merchandise imports (+1.8% YoY).

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



Source: GSO

In 2M2024, 11 products posted turnover of above USD 1bn, accounting for 75.1% of the total merchandise export turnover during this period. Unlike last year, most of the major export items this year exhibited strong YoY growth.

Largest export items in 2M2024

	Estimated 2M23 export turnover (USD mn)	% YoY growth
Above USD1bn export turnover		
Electronic goods, computers, and parts	9,545	33.9
Mobile phones and parts	9,580	4.1
Machinery, instrument, accessory	6,817	8.4
Textiles and garments	5,233	15.0
Footwear	3,271	18.3
Wood and products	2,418	43.8
Means of transport and components	2,229	15.7
Iron, steel	1,500	45.4
Cameras, camcorders and components	1,423	65.0
Fisheries	1,300	22.3
Coffee	1,251	67.5

Source: GSO

Imports are also recovering, which is a good indicator as most import products are production factors for subsequent manufacturing processes followed by shipping to the major export markets. Some 13 items saw import turnover exceed USD 1bn in 2M24, accounting for 71% of total imports. Electronics, computers, and parts remained the largest import product segment and posted substantial YoY import growth, suggesting signs of life for the recently beleaguered CE/ICT manufacturing sector.

Electronics, computers and parts remain the largest import products in 2M24

	Estimated 2M2024 import turnover (USD mn)	2M2024 growth… (% YoY)
Above USD1bn import turnover		
Electronics, computers, and parts	15,559	24.4
Machinery, instruments, and accessories	6,983	24.8
Fabrics	1,975	15.4
Iron, steel	1,952	62.7
Crude oil	1,588	27.5
Plastic	1,557	13.2
Mobile phones and parts	1,553	17.7
Other basic metals	1,387	19.1
Plastic products	1,339	32.1
Petroleum	1,328	-18.5
Coal	1,328	66.1
Chemicals	1,179	10.4
Chemical products	1,070	-0.1

Source: GSO

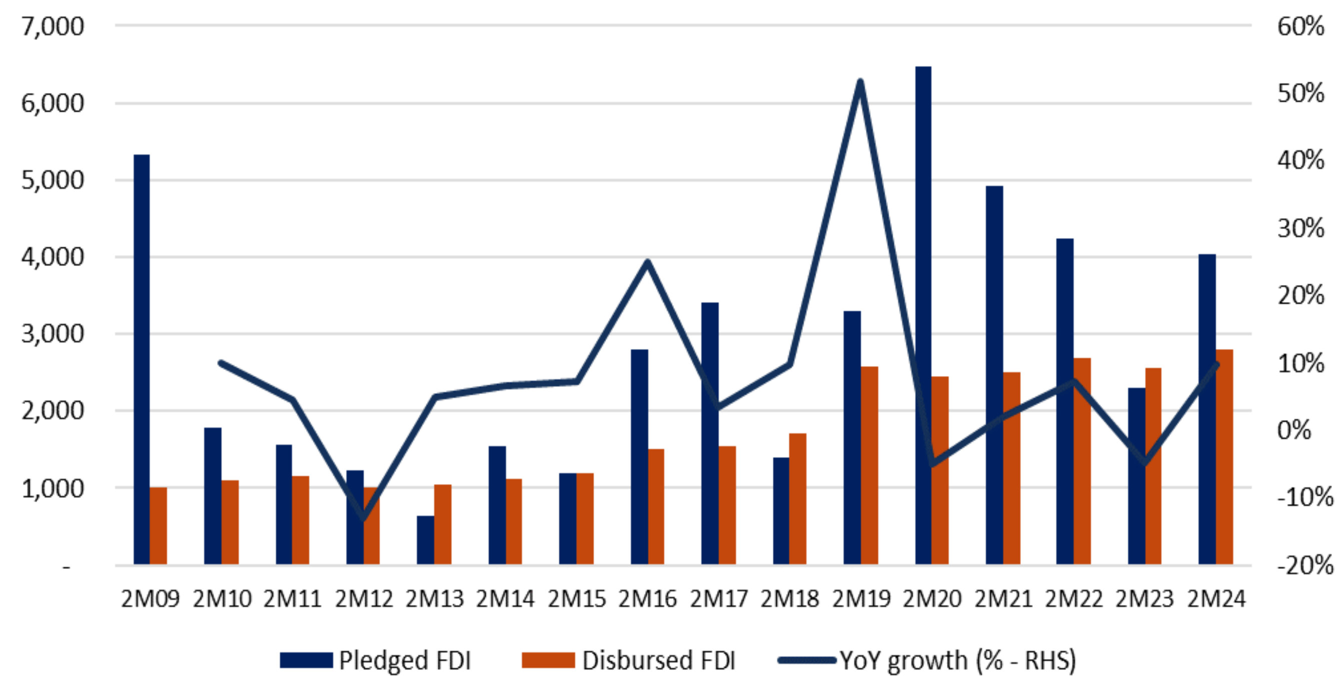
FDI disbursals reached a five-year high

Public investment activity took a breather around Tet, unsurprisingly. According to the GSO, public investment in 2M24 fulfilled just 8.4% of the government's full-year target. As a reminder, the State has set its public investment budget for this year at VND 664 tn, which would be up by +14.5% YoY from the actual disbursals (which were lower than budget) in 2023.

Specifically, public investment in 2M24 reached VND59.8trillion, up by +2.1% YoY. Investment by the central government reached VND 9.5 trillion in January, 8% of the full-year budget and down by -8.8% YoY. Investment by provincial governments reached VND 50.3 trillion, 8.5% of the aggregate annual budget and up by +4.4% YoY.

Disbursed FDI in 2M24 reached USD 2.8bn, up +9.8% YoY, the highest 2M growth rate in 5 years. Manufacturing FDI accounted for 77.5% of total 2M24 disbursed FDI, or USD2.17bn. Property accounted for 10% of the FDI mix (USD279mn); while gas, hot water, steam, and air-conditioning FDI (USD 128 mn) accounted for 4.6% 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 disbursals in 2M24. Total registered FDI surged by +38.6% YoY to USD4.29bn. This was primarily driven by an impressive +55.2% YoY increase in newly registered FDI to reach USD3.6bn in the first two months of the year.

The surge in interest in new projects -- among manufacturers in particular -- indicates that future disbursals are likely to remain strong. This is positive news for industrial property developers such as KBC VN (BUY – covered by property analyst Tam Nguyen).

Domestic demand remains solid

Retail sales of goods and services in 2M24 expanded by +8.1% YoY to reach VND 1,103 tn. This illustrates the buildup in retail sales momentum in recent months. Specifically, retail receipts were up by +8.1% YoY in January and +8.5% YoY in February.

Total merchandise receipts rose by +6.8% YoY in 2M24 to reach VND 798.3tn, representing 77.4% of total retail sales.

But blended retail sales were underpinned by hospitality and catering services, which grew by +14% YoY to reach VND118.3tn (11.5% 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 3.0 million individuals in 2M24, up an impressive +69% YoY. Despite the timing of the holidays, this figure remained robust in February, which saw 1.5 million arrivals (+1.3% MoM and +64.1% YoY).

Retail sales growth picked up impressively in February

Source: GSO

Improved employment conditions, loose monetary policy (i.e., falling interest rates, and especially bank deposit rates), and the -2ppt cut in the value-added tax (VAT) for specific products in 1H24 should continue to support retail spending going forward, in our view.

Inflation pressure picked up in February

According to the GSO, inflation picked up in February with the CPI up by +1.04% MoM and +3.98% YoY.

Nine of the 11 items in the CPI basket posted sequentially increased prices in February, some – but not all -- of which were probably driven by seasonality. Specifically --

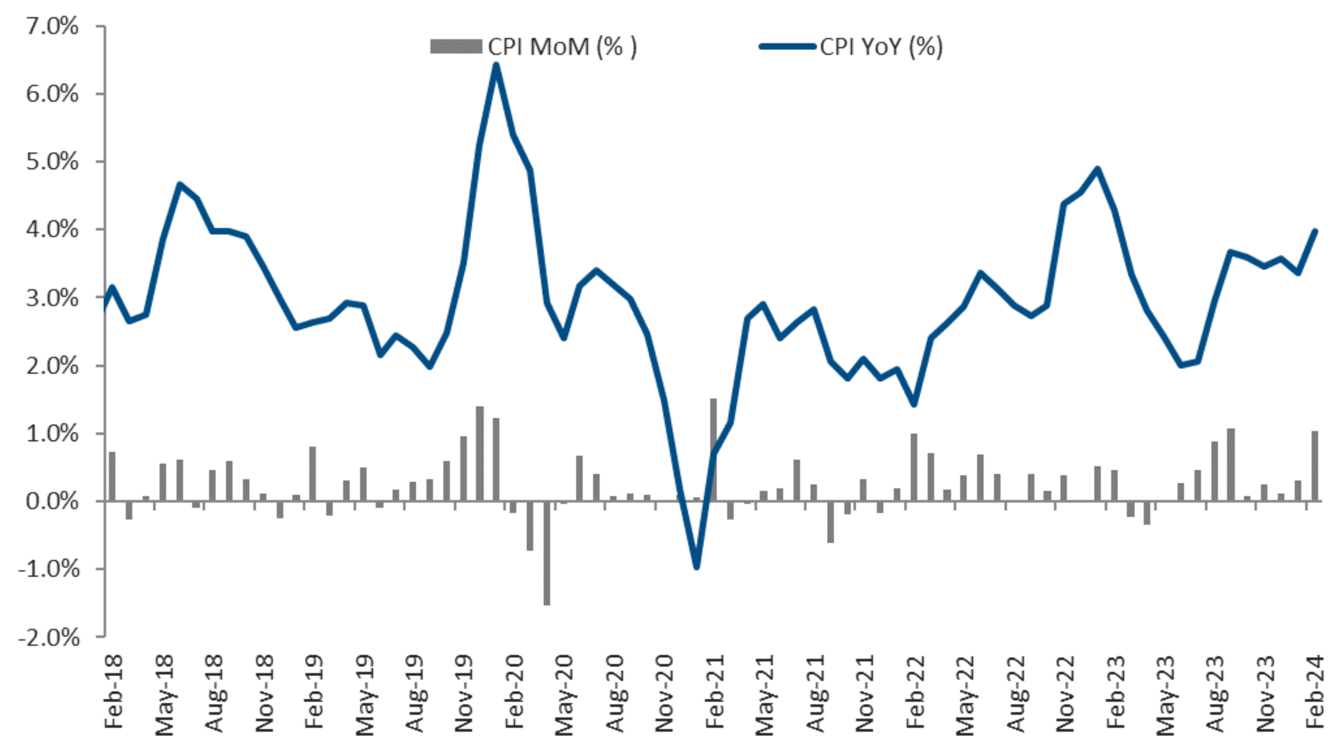
- **Transport (9.67% of the CPI basket) prices rose by +3.09% MoM** as petroleum prices jumped by +5.82% MoM and Diesel prices increased by +5.51% MoM. The latter was due to cost-push factors, but public transportation fares rose by 15.48% due to increased demand during Tet.

- **Food and foodstuff (33.56% of the basket) rose by +1.71% MoM**, driven by grain prices increasing by +1.75% MoM.
- **Beverages and tobacco (5.7% of the basket) rose by +0.8% MoM** as demand increased during Tet.
- **Entertainment (4.55% of the basket) rose by +0.79% MoM**.
- **Housing and building materials (18.82% of the basket) rose by +0.43% MoM** as the prices of electricity rose by +1.05% MoM and water increased by +1.73% MoM.

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

- **Telecom (3.14% of the basket) slid by -0.17% MoM** as mobile phone retailers launched promotions and cut prices of old models to reduce inventory.
- **Education (6.17% of the basket) fell by -0.42%** as education services slid by -0.48%, in line with Decision 97/2023/NĐ-CP, which was intended to stabilize tuition fees.

Consumer price inflation could re-emerge as a macro headwind



Source: GSO

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 $82.7 per barrel (+4.5% MoM, +9.9% YTD), manufacturers reported increases in logistics costs as seen in the PMI survey due to the situation in the Middle East.

This situation is not good news for the world, but it implies investment opportunities in O&G companies.

PVD (BUY) has performed well but remains our top pick in 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

Yuanta Universe: Valuations and ratings

	Stock	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
Sector	Code	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
Banks	ACB VN	7.0	7.1	5.7	43.2	(1.2)	24.0	0.2	n/a	0.2	1.6	1.5	1.3	26.2	23.9	24.4	2.4	2.4	2.6
	BID VN	17.0	14.5	12.1	81.0	16.9	19.6	0.2	0.9	0.6	2.6	2.2	1.9	16.6	16.3	16.7	0.9	1.0	1.1
	HDB VN	7.6	7.2	5.5	28.2	5.0	30.1	0.3	1.5	0.2	1.6	1.5	1.3	22.2	22.0	23.8	2.1	2.2	2.3
	MBB VN	6.6	6.7	5.3	16.0	(0.3)	25.9	0.4	n/a	0.2	1.4	1.4	1.1	24.3	22.4	23.1	2.7	2.6	2.9
	STB VN	11.8	8.9	5.5	63.8	32.0	63.7	0.2	0.3	0.1	1.5	1.3	1.1	13.8	15.8	21.4	0.9	1.2	1.7
	VCB VN	16.7	16.4	12.0	39.9	2.1	36.4	0.4	8.0	0.3	3.4	3.3	2.6	22.5	22.1	24.4	1.9	1.9	2.3
	VPB VN	7.3	8.1	6.2	54.0	(9.9)	31.5	0.1	n/a	0.2	1.4	1.3	1.1	19.1	15.3	18.1	2.9	2.1	2.4
Brokers	HCM VN	15.0	17.2	15.7	(32.8)	(12.7)	9.5	n/a	n/a	1.6	1.6	1.6	1.6	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	24.9	16.4	15.4	(56.1)	51.3	6.7	n/a	0.3	2.3	2.5	2.2	2.0	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	23.3	19.5	17.2	(55.7)	19.5	13.2	n/a	1.0	1.3	3.1	2.8	2.6	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	25.8	16.2	16.1	(65.1)	59.3	1.0	n/a	0.3	15.8	2.1	1.9	1.8	10.0	12.8	12.1	3.0	4.6	4.4
Energy	PVD VN	(149.3)	10.7	6.8	n/a	n/a	57.0	n/a	n/a	0.1	0.9	0.8	n/a	n/a	8.8	13.2	n/a	0.1	3.2
	NT2 VN	13.8	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	14.5	7.3	7.0	(31.9)	97.5	5.5	n/a	0.1	1.3	1.1	0.9	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	1.6	1.4	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	17.3	16.4	14.6	25.5	5.5	12.1	0.7	3.0	1.2	2.6	3.0	2.3	21.4	20.1	22.4	15.1	15.2	15.9
	DGW VN	10.4			17.8		-	0.6	n/a	n/a	2.2	2.2	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	44.0	(57.2)	43.4	(12.0)	(177.0)	(231.7)	n/a	n/a	n/a	8.4	11.5	n/a	19.4	(19.1)	25.9	3.8	(2.5)	3.7
	MWG VN	16.4	402.1	19.3	(17.4)	(95.9)	1,979	n/a	n/a	0.0	2.8	2.9	n/a	17.1	0.7	13.0	7.3	0.3	5.7
Oil & GAS	POW VN	15.2	10.9	9.9	5.6	40.0	10.0	2.7	0.3	1.0	1.0	0.9	n/a	5.9	7.6	7.8	3.5	4.7	4.8
Property	KBC VN	5.5	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	12.1	6.1		(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	22.5	28.1	38.9	(18.0)	(20.0)	(28.0)	n/a	n/a	n/a	2.2	2.1	2.1	10.0	7.0	5.0	6.0	4.0	3.0
	NLG VN	29.4	26.0	27.1	(57.0)	13.0	(4.0)	n/a	2.0	n/a	1.7	1.6	1.6	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	6.6	6.3	7.5	(20.0)	(1.0)	(16.0)	n/a	n/a	n/a	1.3	1.1	0.9	21.0	19.0	14.0	10.0	9.0	7.0
	VRE VN	21.7	14.6	14.7	111.4	48.7	(0.5)	0.2	0.3	n/a	1.8	1.7	1.5	8.7	12.2	11.0	6.9	9.5	8.7
Transport	ACV VN				-	-	-	n/a	n/a	n/a	3.4	3.1	n/a	11.0	12.6	-	5.2	5.3	-
Industrials	DHC VN	7.7	5.8	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	11.0	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	28.6	23.4	17.9	22.9	22.0	30.5	1.2	1.1	0.6	5.5	4.8	4.0	22.7	23.9	15.3	10.1	11.6	13.3

Stock ratings and pricing data is as of close on Feb 29 2024

Source: Bloomberg, Yuanta Vietnam

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