

## Strategy Monthly: Expectations, Wishes, and Hope

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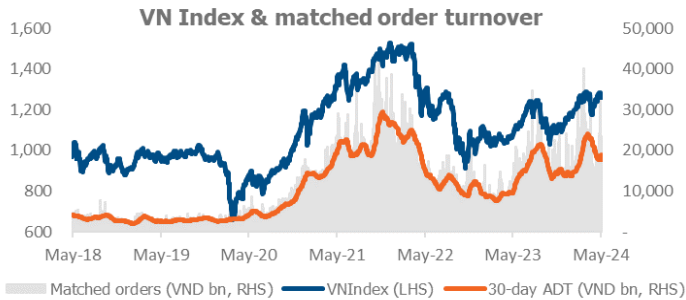
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“Sell in May” didn’t really materialize in terms of index performance. Following April’s weakness, the VNI rose by +4% MoM in May and +12% YTD in 5M24. The broad market thus outperformed our expectation of further weakness – especially considering record-high foreign outflows in May. Admittedly, the YTD returns are less impressive in USD terms. The VNI is pushing back up to its post-2022 highs (and our 2024 VNI target of 1298 points), but we see few reasons to shift to a more hopeful market call. We are thus suggesting that clients remain cautious of the market overall, but we still see opportunity in specific stocks. FPT, anyone?



### Monthly Index Performance

- **VNINDEX:** 1262 (+4.3% MoM / +11.7% YTD / +17.4% YoY)
- **VHINDEX:** 243 (+7.2% MoM / +5.2% YTD / +9.1% YoY)
- **UPCOM Index:** 96 (+8.0% MoM / +10.2% YTD / +16.9% YoY)
- **Average daily turnover:** US\$985mn (+1% MoM)
- **Foreigners net sold US\$747mn** in May.
- **VND:USD rate:** 25,453 (-46bp MoM / -465bp YTD / -7.71%YoY)

### VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	24.7	8.8%	14%	7
BCM	60.8	16.0%	1%	27
BID	47.1	-4.3%	-1%	12
BVH	44.9	13.7%	1%	18
CTG	31.9	-2.7%	-1%	9
FPT	134.6	9.3%	25%	25
GAS	80.1	9.0%	2%	17
GVR	35.2	17.2%	2%	56
HDB	23.3	-1.5%	-1%	6
HPG	28.6	10.8%	20%	19
MBB	21.8	-0.1%	0%	6
MSN	76.6	14.0%	14%	357
MWG	63.6	15.8%	22%	88
PLX	41.0	19.4%	2%	16
POW	12.6	20.0%	2%	38
SAB	58.3	7.2%	1%	18
SHB	11.4	-0.4%	0%	5
SSB	21.5	-2.3%	-1%	13
SSI	34.7	-1.4%	-1%	20
STB	27.9	-1.2%	-1%	7
TCB	47.0	4.1%	8%	8
TPB	17.7	-1.4%	0%	9
VCB	87.2	-4.4%	-4%	15
VHM	38.9	-4.8%	-4%	8
VIB	21.8	3.1%	1%	7
VIC	43.6	-2.0%	-2%	18
VJC	107.1	3.0%	2%	98
VNM	65.4	0.6%	1%	17
VPB	18.0	2.3%	4%	12
VRE	21.8	-3.1%	-1%	11

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

The VNI is again challenging our 2024 target of 1298 points but we are not convinced that a sustained breakout is imminent. ADT remains solid at just below US1bn, but it is still below the US\$1.2bn peak of March, when the VNI was last pushing 1300. That said, we still believe that specific stocks offer attractive opportunities. Di reckons that MWG (+16% MoM – see p.7-8) may be running ahead of the fundamentals, but FPT (+9% – p.8-10) presents both substantial upside to Binh’s target and open FOL room.

**FINIs heard the clarion call: “Sell in May...”** to set a new monthly net selling record of VND19 trillion (US\$747mn) across the HSX, HNX, and UPCOM during the month. Flows were actually positive on three of the first four trading days after the long holiday weekend that ended April. But FINIs net sold on almost every day thereafter, with particularly intense selling of VHM (VND4.8tn), CTG (VND1.7tn), VPB (VND0.8tn), & VRE (VND0.7tn). By contrast, foreigners were eager net buyers of MWG (VND1.6tn) in May.

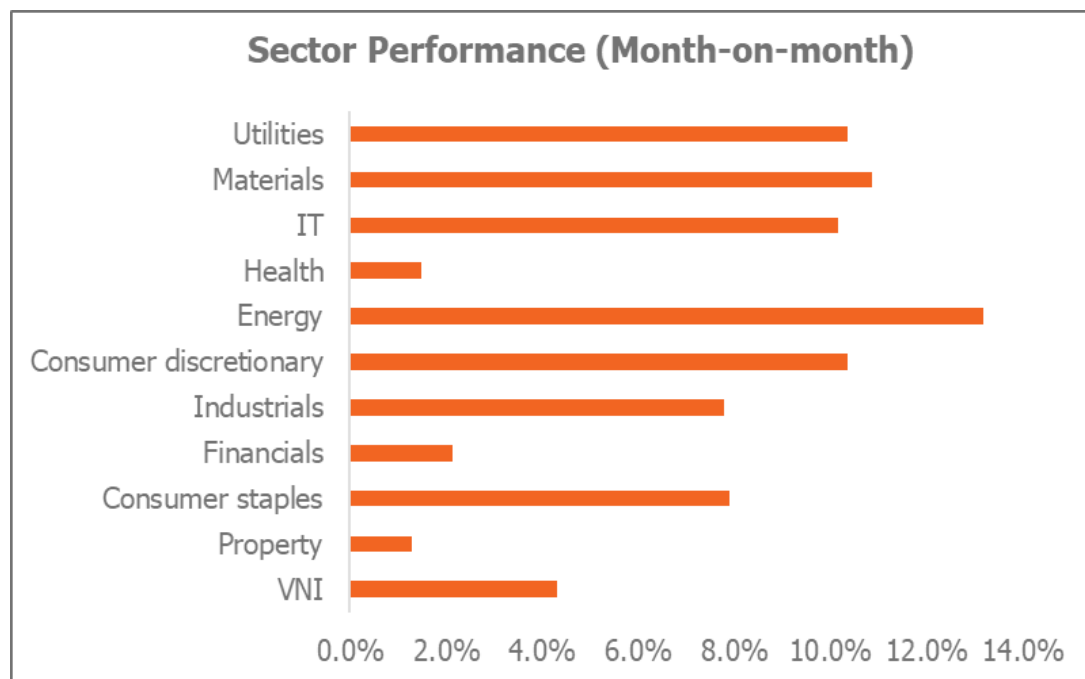
**Banks & Property: Smoke ‘em if you got ‘em.** Tam Nguyen updated his [CIGARR framework](#) (May 22) analyzing the top-20 listed property developers. 1Q24 results were dismal and Tam expects a property upcycle only in 2H25, but we reckon the worst has passed (p 21-24). Tanh Tran followed up on May 23 with an update of his [CAMEL analysis](#) of all 28 listed and OTC banks. We remain Overweight the banks. Tanh is headline act of our upcoming marketing tour in Hong Kong – please reach out to us if you’re interested in a meeting and in HK during June 18-21 (p.25-30).

**Macro: External demand remains the key driver.** The GSO reports an impressive +10.6% YoY growth in manufacturing output in May, a substantial improvement from April’s growth of +7% YoY. The manufacturers’ PMI remains in expansion territory at 50.3, supported by new order expansion. As we anticipated for 2Q24, a merchandise trade deficit emerged in May – which is a positive signal for Vietnam’s overall trade balance because it signals increased exports in 2H24 (p.38-46).

## 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	2024E Dividend yield	12-m TSR*
<b>Banks</b>	Asia Commercial Bank	ACB VN	4,326	11.0	BUY	24,650	33,790	37%	4.1%	41%
	BIDV	BID VN	10,548	3.3	HOLD-Underperform	47,100	52,100	11%	0.0%	11%
	HD Bank	HDB VN	2,660	6.5	BUY	23,250	29,450	27%	4.3%	31%
	MB Bank	MBB VN	4,518	19.8	BUY	21,750	31,980	47%	2.3%	49%
	Sacombank	STB VN	2,063	21.2	HOLD-Outperform	27,850	34,930	25%	0.0%	25%
	Vietcombank	VCB VN	19,148	5.1	BUY	87,200	106,910	23%	0.0%	23%
	Vietnam Prosperity Bank	VPB VN	5,611	10.9	BUY	18,000	22,400	24%	5.6%	30%
<b>Brokers</b>	HCM City Securities	HCM VN	798	9.4	BUY	28,850	28,524	-1%	2.8%	2%
	Saigon Securities	SSI VN	2,057	30.2	BUY	34,700	32,187	-7%	1.1%	-6%
	Viet Capital Securities	VCI VN	816	13.9	BUY	47,500	45,580	-4%	2.1%	-2%
	VNDirect Securities	VND VN	1,065	22.1	BUY	17,800	24,019	35%	2.6%	38%
<b>Energy</b>	PV POW	POW VN	1,159	3.7	BUY	12,600	16,877	34%	0.0%	34%
	PV NT2	NT2 VN	261	0.9	SELL	23,050	19,318	-16%	8.7%	-8%
	PCC1	PC1 VN	346	5.9	BUY	28,350	34,123	20%	0.0%	20%
<b>Consumer</b>	Masan Group	MSN VN	4,306	17.1	Suspended	76,600	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,234	6.4	HOLD-Underperform	93,900	90,100	-4%	0.0%	-4%
	Digiworld	DGW VN	427	6.2	Suspended	65,000	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	913	4.9	BUY	170,500	166,800	-2%	0.0%	-2%
	Mobile World Group	MWG VN	3,654	24.9	BUY	63,600	59,300	-7%	0.0%	-7%
<b>Oil &amp; GAS</b>	PV Drilling	PVD VN	691	8.1	BUY	31,650	38,259	21%	0.0%	21%
<b>Property</b>	Kinh Bac City	KBC VN	947	12.0	BUY	31,400	38,300	22%	0.0%	22%
	Dat Xanh Group	DXG VN	476	10.2	BUY	16,800	20,700	23%	0.0%	23%
	Khang Dien House	KDH VN	1,137	5.5	BUY	36,200	47,300	31%	0.0%	31%
	Nam Long	NLG VN	665	6.3	HOLD-Underperform	44,000	37,800	-14%	1.1%	-13%
	Novaland	NVL VN	1,107	19.2	Coverage Suspended	14,450	-	-	-	-
	Vinhomes	VHM VN	6,646	15.5	BUY	38,850	58,444	50%	0.0%	50%
	Vincom Retail	VRE VN	1,942	8.8	BUY	21,750	38,000	75%	0.0%	75%
<b>Transport</b>	Airports Corp Vietnam	ACV VN	8,852	1.4	HOLD-Underperform	103,500	76,400	-26%	0.0%	-26%
<b>Industrials</b>	Dohaco	DHC VN	135	0.7	BUY	42,700	63,571	49%	8.4%	57%
	Biwase	BWE VN	372	0.6	BUY	43,000	70,902	65%	4.7%	70%
<b>Technology</b>	FPT Corporation	FPT VN	6,716	16.4	BUY	134,600	166,359	24%	1.5%	25%

\*Notes: 1) TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. 2) 3-month ADT refers to matched orders and does not include put-through blocks. 3) Stock ratings and pricing data is as of close on May 31, 2024



Source: Bloomberg (May 31)

“May is the month of expectation, the month of wishes, the month of hope.”

—Emily Brontë

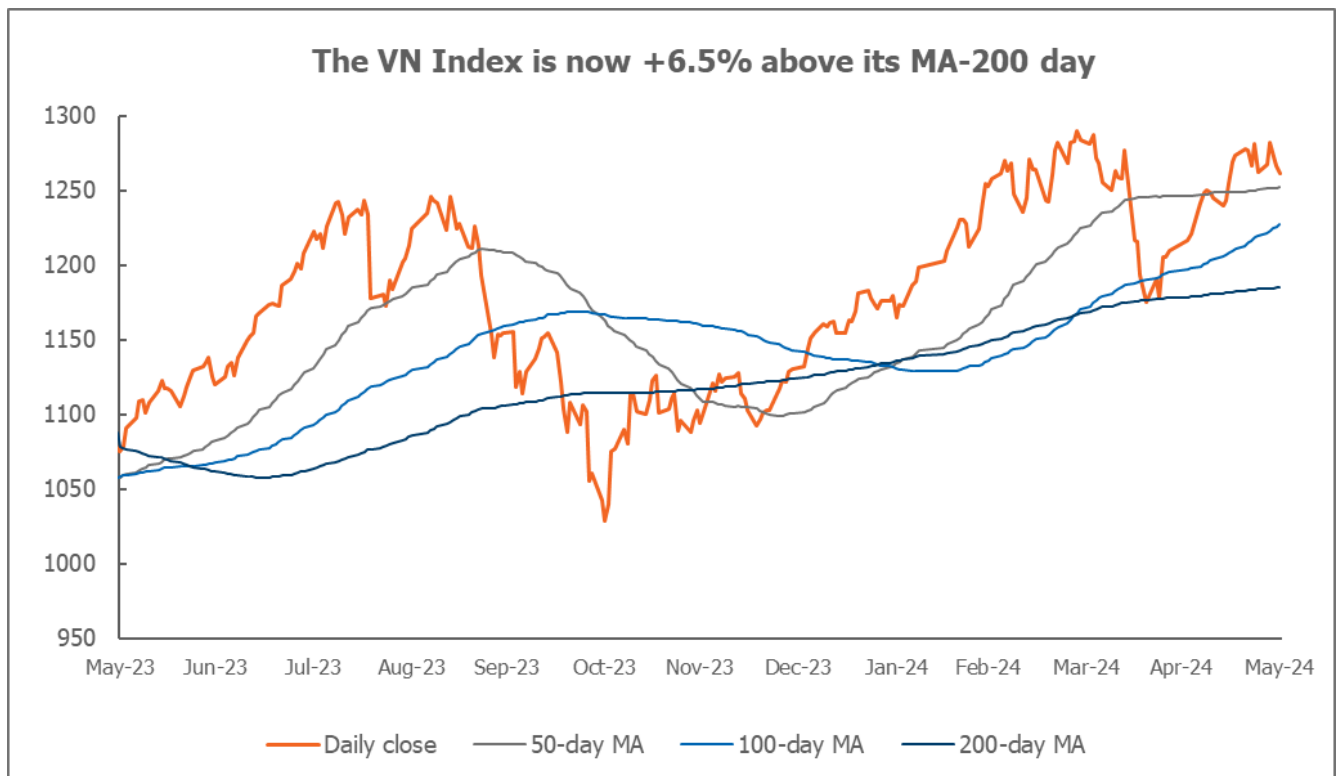
## Fundamentals vs. Technicals: Resistance at 1300

“Sell in May” happened in April but didn’t really materialize in May 2024. The VNI bounced around to close at end-May up +4% MoM from April and +12% YTD in VND terms. It was a reasonably solid result considering record-high foreign outflows, and it clawed back some of April’s -6% MoM decline.

The broad market thus outperformed our expectation of continued softening, although you didn’t miss out on much if you followed our recent advice to adopt a cautious tactical approach. As illustrated in the chart below, the market didn’t fall into panic mode during May after April’s sharp declines.

The events of April that were related to personnel-reshuffling at the highest levels of the central government appear to us (from our very distant observation perch) to have settled down for now. However, readers should be aware that similar events may re-emerge on occasion ahead of the normal scheduled State administration changes in 2026.

Obviously, we have no opinion on politics, but we have to highlight the existence of these risks for our client base of institutional and retail investors. Overall, we think the risk of such events damaging the country’s macro-economic outcomes is insubstantial. The short-term stock price impact – as suggested by the VNI’s -5% DoD drop on April 15 – may be more of a shock, but the long-term impact on capital markets is also not likely to be substantially deleterious.



Source: Bloomberg, Yuanta Vietnam (May 31)

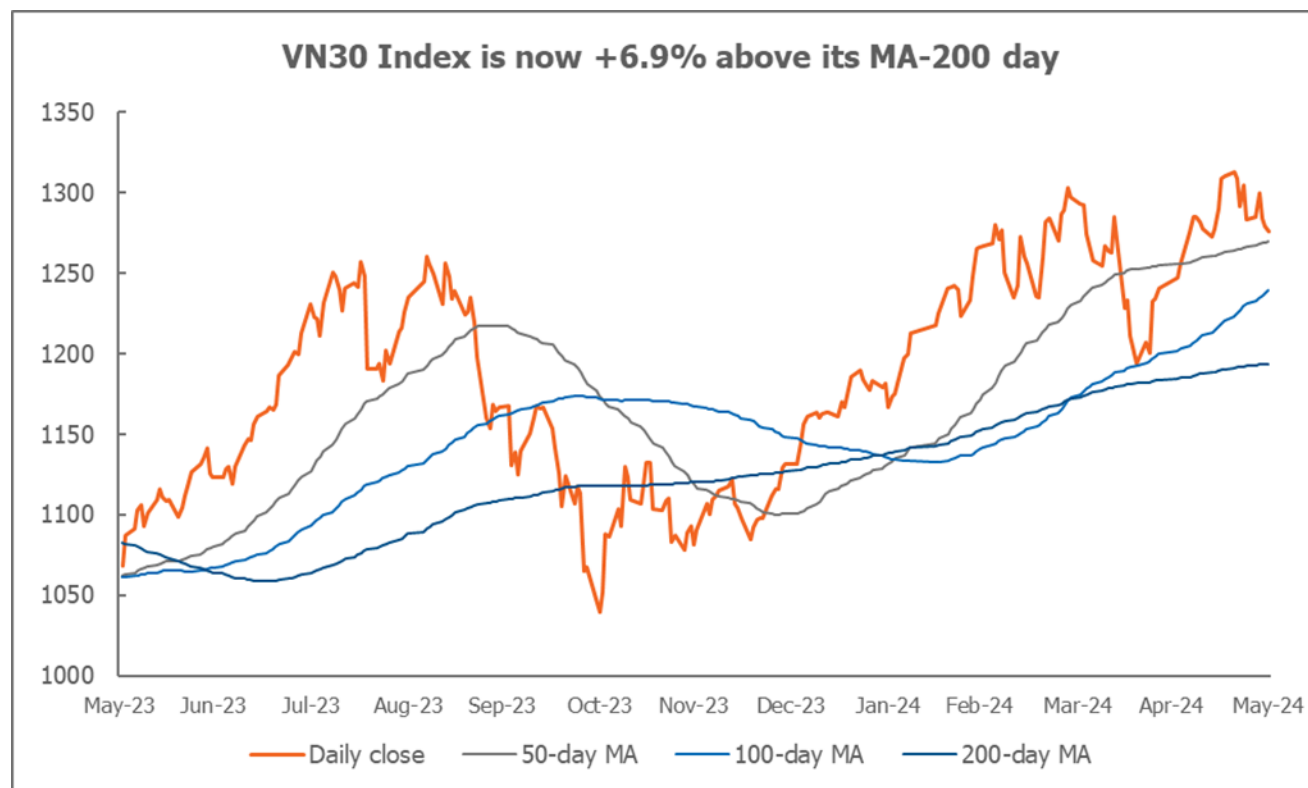
**Clear support at the 200-day Moving Average.** Disbelievers in technical analysis may wish to avert their eyes from the chart above, which exhibits very clearly that market bounced solidly off its 200-day moving average in the middle of April, suggesting strong buying support at that level.

We understand some investors' disdain for consideration of market technical. We are, after all, fundamental analysts. We cringe together at the memory of all those exams, and we can all justly take pride in our ability to calculate a DCF series using a Texas Instruments BA II Plus calculator. Bravo for us!

However, ignoring technical analysis while investing in Vietnam stocks might not be such a great idea either. In this market, around 85% of daily turnover is attributable to Vietnamese individual investors, with another 7-8% coming from domestic institutions (largely proprietary traders at brokerage houses). These folks care about technical analysis, which is why you should too.

**We believe the market set-up is likely to keep the VNI rangebound for the near term.** All three of the major daily moving averages continue to move higher, and the VNI ended the month at +6.5% above its 200-day moving average. This suggests that support for the broader market is not far away assuming no fundamental negative drivers (e.g., an egregious tightening of financial system liquidity) emerge.

At the same time, the VNI appears to encounter substantial selling pressure at above 1280, a level that it has reached – but failed to exceed on a sustained basis – five times since 2022. We think that a breakout above 1300 may require market-positive surprises (e.g., monetary loosening, earnings surprises, a Fed pivot) that we think are unlikely to happen over the next several weeks.



Source: Bloomberg, Yuanta Vietnam (May 31)

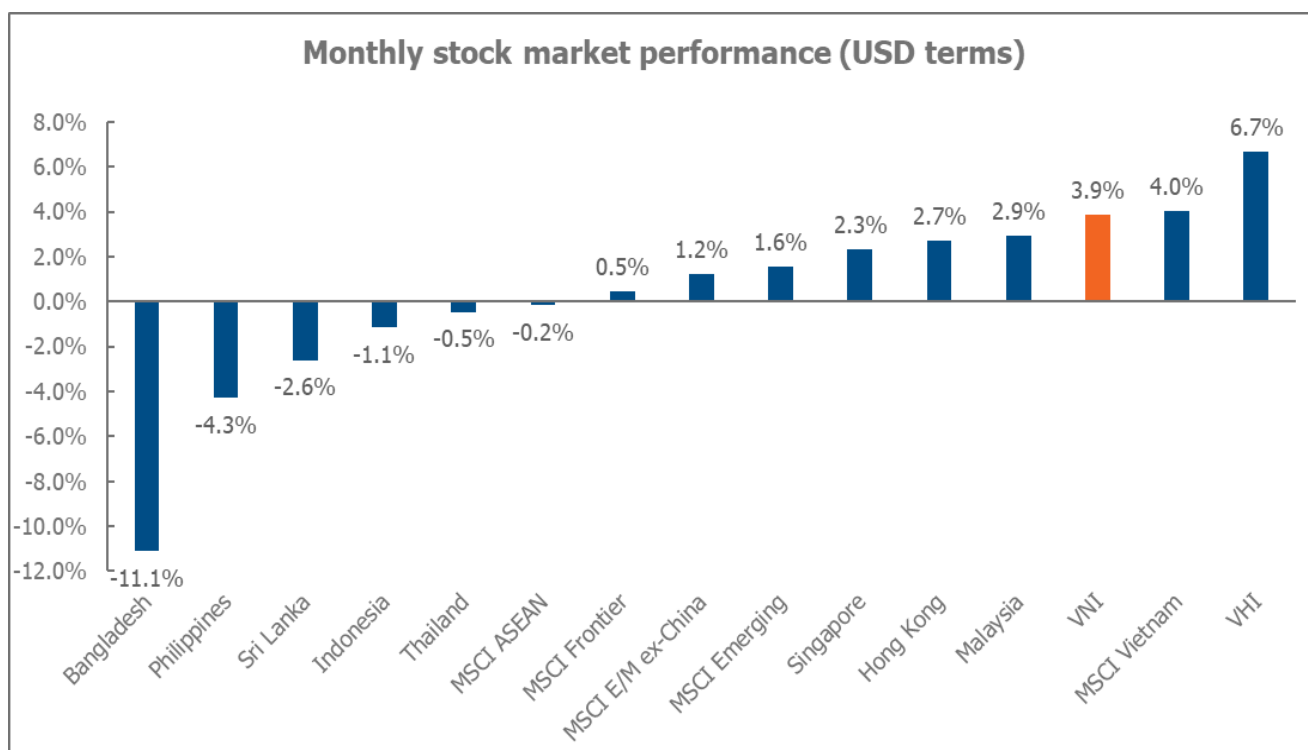
We thus believe that the market may be capped at the c.1290 level for now given short-term lack of visibility on business performance (2Q results are only out in late July), probable moderate monetary policy tightening by the SBV in continued defense of the Vietnam dong, and our view that a FTSE upgrade pre-

announcement is not happening in September. At the same time, support at the 200-day MA (which was 1185 at end-May) is not far off.

**Withering Heights.** Net-net, we reckon that the broad mainboard index may be rangebound in June at c.1210-1290. But clients should be aware that we may be biased toward caution by our own published forecasts. Our 2024 VNI target (set in November 2023) is 1298 points, which the market almost achieved at its YTD intraday peak of 1294 on March 31 – a level that it reached once again on an intraday basis just a few hours ago today (i.e., on June 5).

It has been a few years since we read “*Wuthering Heights*”, but we think of our index target in much the same way that Catherine described her love for Heathcliff: “...a source of little visible delight, but necessary”. We fail to perceive convincing evidence that would support a near-term breakout above 1300, but we would be delighted to be proven wrong.

**Vietnam stocks outperformed the region in May with the VNI up by +3.9% in USD terms.** Again, this was a partial reversal of its worst-in-the-region performance (-7.8% MoM) in April. The VNI has thus risen in six of the last seven months.

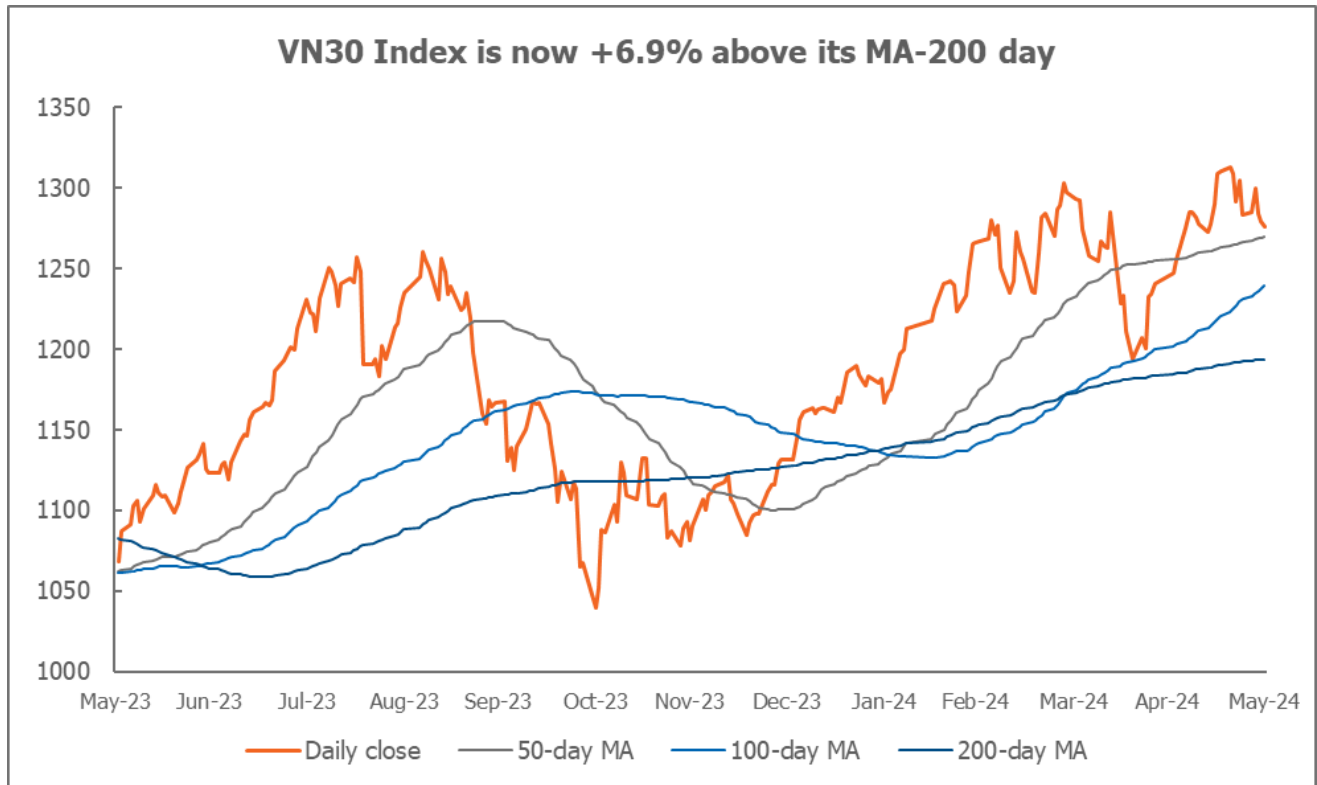


Source: Bloomberg (data is as of May 31)

**As a group, big caps underperformed the overall market** in May. The mainboard’s performance was slightly worse than that of the open-FOL large cap components of the MSCI Vietnam (+4.0% MoM), which is somewhat surprising given the massive foreign net selling during May.

However, the SME-predominant Hanoi Stock Exchange Index (HNI, +6.7% MoM in USD terms) dramatically outperformed the VNI, which is more in line with what we would have expected as foreign portfolios (and thus their net selling targets) are focused largely on VNI-listed large caps.

For the record, the VN30 Index of the top-30 market bellwether stocks was up by just +2.9% MoM in local currency terms and around +2.4% MoM in USD terms in May.

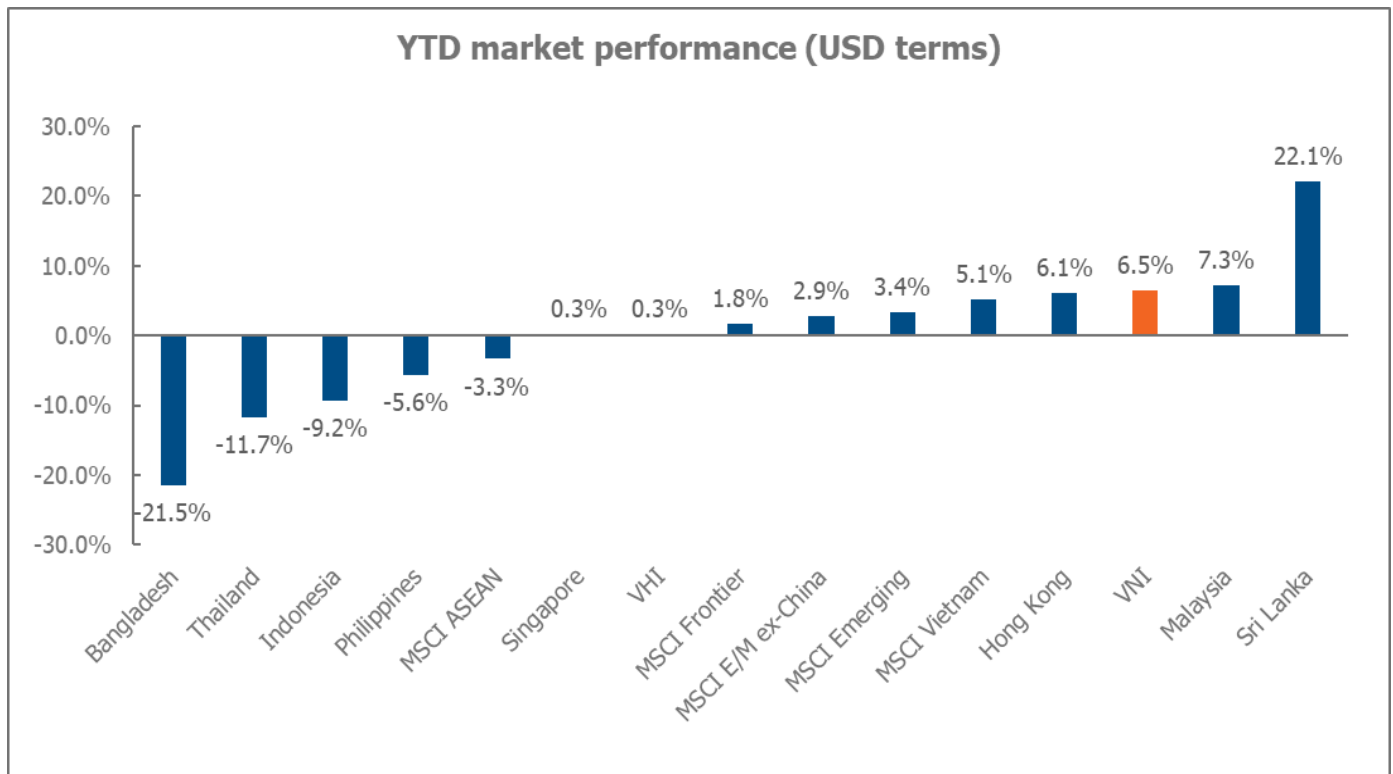


Source: Bloomberg, Yuanta Vietnam (May 31)

**The VNI has thus gained +6.5% YTD** in USD terms in the first five months of the year. Vietnam lost its position as YTD regional leader in April, when it was surpassed by Malaysia – which is still atop the leaderboard of investible ASEAN with an index gain of +7.3% YTD.

Our very off-piste bet on Hong Kong stocks discussed in February (See “Exit the Cat”, page 3) continues to pay off, with the HK stock market up by another +2.7% in May and +6.1% YTD in 5M24.

The Vietnam market’s modest rebound in May has thus moved the VNI from third place in YTD performance at end-April back up to second place as of the end of May – a respectable result, especially considering that these regional market performance comparisons must incorporate the Vietnam dong’s -4.7% YTD depreciation against the US dollar.



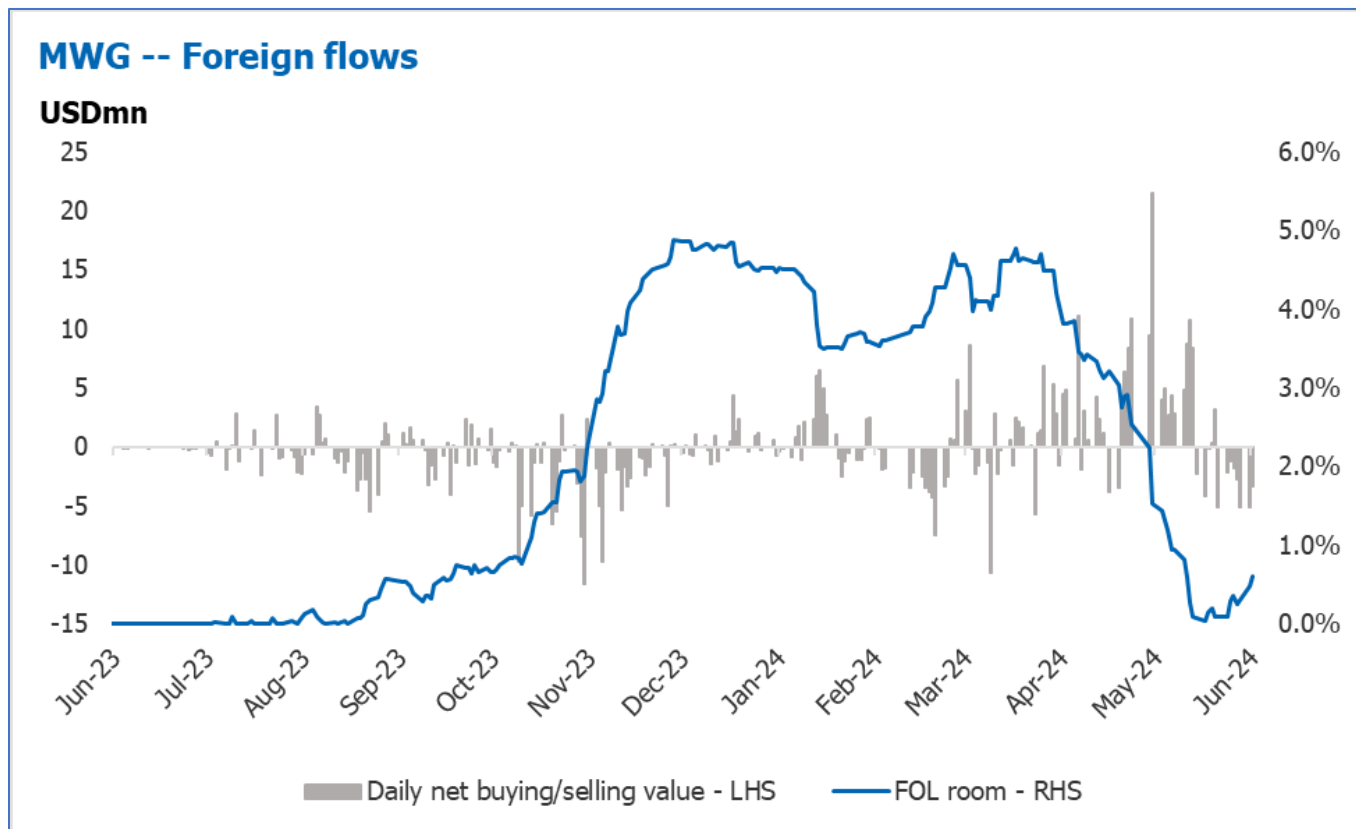
Source: Bloomberg (data is as of May 31)

## MWG (+15.8% MoM) was among the top-performing large caps yet again in May

, after leading the few VN30 gainers in April. Again, this is somewhat surprising given the expected liquidity impact of its complete removal from the VN Diamond Index on May 3. MWG had previously enjoyed nearly a 17% weighting in the HOSE-listed VN Diamond ETF, which remains by far the largest domestic ETF in terms of AUMs (VND14.4 trillion as of June 4).

Of course, a key draw of the VN Diamond ETF is its status as a local investor. This allows it to purchase full-FOL shares at the normal market price and with normal settlement terms (i.e., T plus 2.5 days). The ETF itself has no foreign investor limitation, and foreign holdings in the ETF represent 95.7% of ETF units as of June 5. As such, this product has been a convenient workaround for foreigners to gain liquid access to FOL-restricted stocks. But as a local investor, the shares in MWG that the ETF sold when MWG was removed from the index did NOT add to the pool of available “foreign room” in MWG.

Nevertheless, foreigners appear to have snapped up those shares with MWG as the top foreign “BUY” in May. But FOL room for MWG has remained largely open since then: As I write this in the morning of June 5, our screen is showing 8.8 million foreign shares available in MWG.



Source: FiinPro, Yuanta Vietnam

Consumer analyst Di Luu notes that MWG reports continued positive sales growth momentum in April and 4M24. As discussed in our [initiation](#) report published in January, BHX has emerged as the key growth driver -- and we believe this to be the consensus view at this point. DMX has also been delivering solid sales growth YTD -- a beneficiary of the heat wave -- while even TGDD's sales have stopped declining YoY.

However, the shares are up by 35% since Di's initiation and have thus exceeded her fair-value-based target price. At this point, a prudent investor might consider waiting for a healthy pullback before adding to positions in the stock.

**FPT (+9.3% MoM) remains on the leaderboard** for the month and has been among the market's top performers of 2024 so far. We were surprised – pleasantly, in the case of this particular foreigner – to see FPT open up to FOL availability two weeks back.

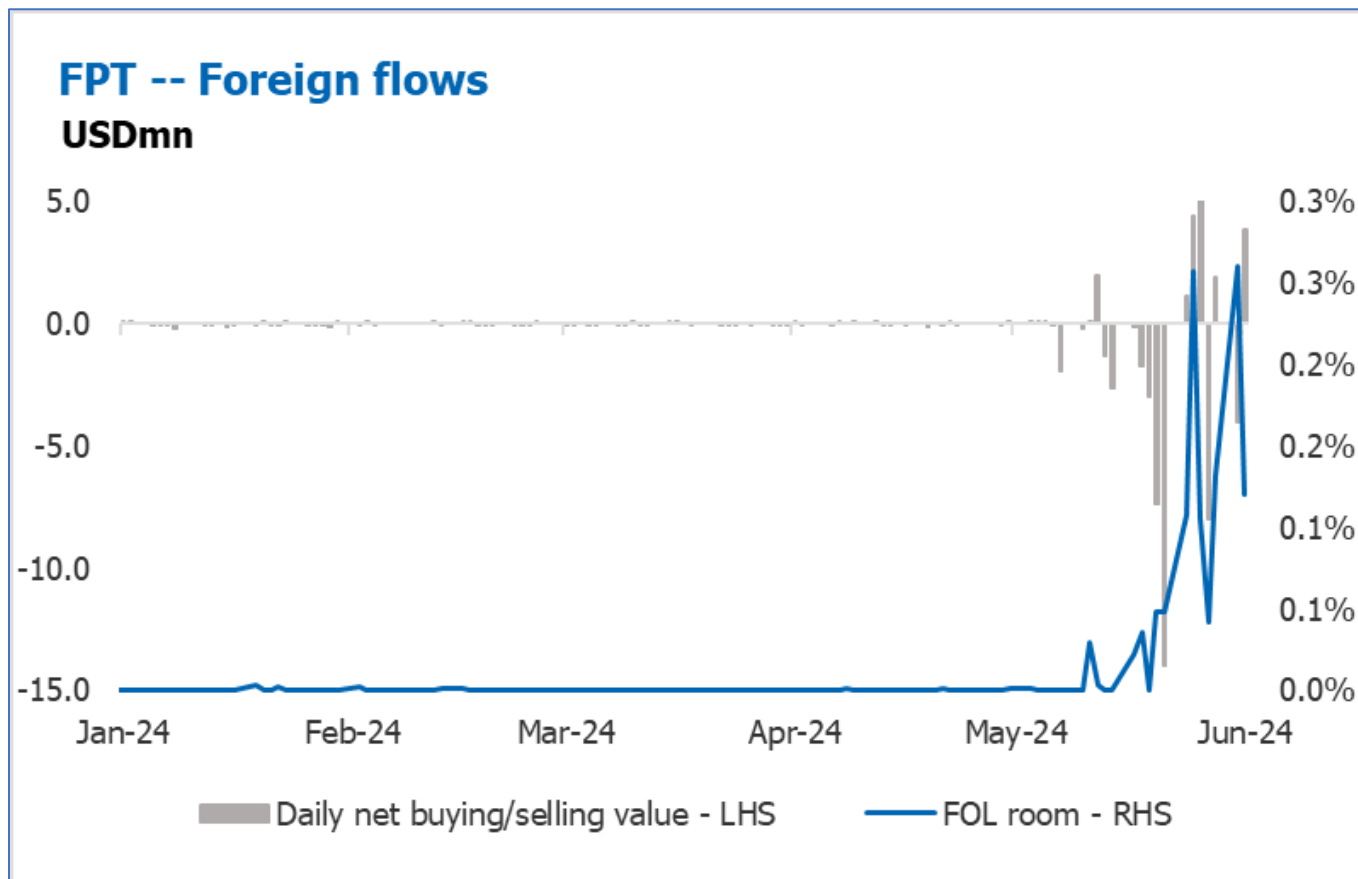
That's right, foreign shares in FPT have been available for your matched-order purchases at least some of the time on each trading day since May 21. Our PA trading screen currently (again, we are writing this during the morning of June 6) shows that 842k shares of FPT are currently available to foreigners.

We don't have wonderful insight into why FPT has suddenly opened up after years of full-FOL status. We suspect that some readers have far better color than we do on what's happening, but we don't expect such folks to share.

Our best guess is that foreign funds may be encroaching on portfolio limits. FPT is very well-owned, and rightly so, but funds are constrained on how much of any specific stock they can hold as a percentage of their portfolios.



This legacy overweight would be exacerbated by the stock’s remarkable recent share price performance. As of the current share price, FPT has increased by +45% YTD, +95% YoY, and +148% since the market trough of November 15, 2022. Given those performance numbers, profit-taking by foreigners may also be a driver. But the incremental shares coming onto the market suggest portfolio shaving rather than wholesale dumping by foreigners.




Source: FiinPro, Yuanta Vietnam

**We are BUYers of FPT** and we suggest that our foreign clients – including HNWI investors – take advantage of the stock’s modest availability while it lasts. From a strategy perspective, we have long stated that if we could only purchase one single stock in Vietnam to hold for the long term, FPT would be our choice.

This is not a zero-risk call: The stock has obviously performed extremely well in recent times; it is subject to the overhang of foreign fund overweight allocations and potential redemptions; and it would not be immune to a general market pullback. But as prospective long-term shareholders, we don’t mind these risks.

Fundamentally, analyst Binh Truong reiterated his high-conviction BUY call in a report published May 27 (see [FPT: Eyes on the AI Prize](#)) with increased target price of VND 166,359, implying +28% 12-month total shareholder returns from the date of publication. The shares have since risen by another 8%, so upside to Binh’s target price has declined to +18%, but we still see FPT as a very solid investment opportunity. **From Binh’s report:**


Company Update

**Vietnam: Technology** **27 May 2024**

FPT VN	What's new?	Our view								
<p><b>BUY</b></p> <p><b>Upside -26.1%</b></p> <p><b>Close 24 May 2024</b></p> <table style="font-size: small;"> <tr><td>Price</td><td>VND 131,900</td></tr> <tr><td>12M Target</td><td>VND 166,359</td></tr> <tr><td>Previous Target</td><td>VND 120,740</td></tr> <tr><td>Change</td><td>+37.8%</td></tr> </table>	Price	VND 131,900	12M Target	VND 166,359	Previous Target	VND 120,740	Change	+37.8%	<ul style="list-style-type: none"> <li>▶ <b>FPT presented at Yuanta's Global AI Investment Forum on 24 May.</b></li> <li>▶ <b>Global software &amp; IT services spending continues to surge.</b></li> <li>▶ <b>FPT is expanding its tech services capacity to benefit from this positive trend.</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>We reiterate BUY and increase our target price by +38% to VND166,359.</b></li> <li>▶ <b>Our new 2024–26 EPS forecasts are +10% higher than the consensus.</b></li> <li>▶ <b>Risk: FPT is not immune to a market correction, but this would be a great opportunity to add to positions.</b></li> </ul>
Price	VND 131,900									
12M Target	VND 166,359									
Previous Target	VND 120,740									
Change	+37.8%									

**Company profile.** FPT provides a wide range of value-added services in Technology (60% of revenue), Telecommunications (30%), and Education (10%). FPT is Vietnam's leading IT services provider by far, with US\$1bn in Global IT service revenues in 2023. In addition, FPT is Vietnam's third largest telecommunications services company, and it is among a handful of firms that have established educational facilities to support a skilled workforce.

**We hosted FPT at Yuanta's Global AI Investment Forum on May 24.** We came away from the meeting with increased confidence in the company's revenue and earnings growth trajectory in the next several years. FPT is actively expanding its capabilities to benefit from soaring global software and IT services spending.

**Global IT spending momentum to increase.** Gartner projects global IT spending to reach USD5.0 trillion in 2024 (+6.8% YoY), driven by software and IT services. This expected growth is more than double the +3.3% expansion in 2023. IDC forecasts global digital transformation spending to reach USD3.4 tn in 2026E, implying 16.3% 2022-26 CAGR.

**FPT is expanding to capture growth,** with substantial planned investments in infrastructure and human resources. Specifically, FPT plans to invest VND 6.5 tn in 2024E (+62.5% YoY) to expand its technology services infrastructure and capabilities.

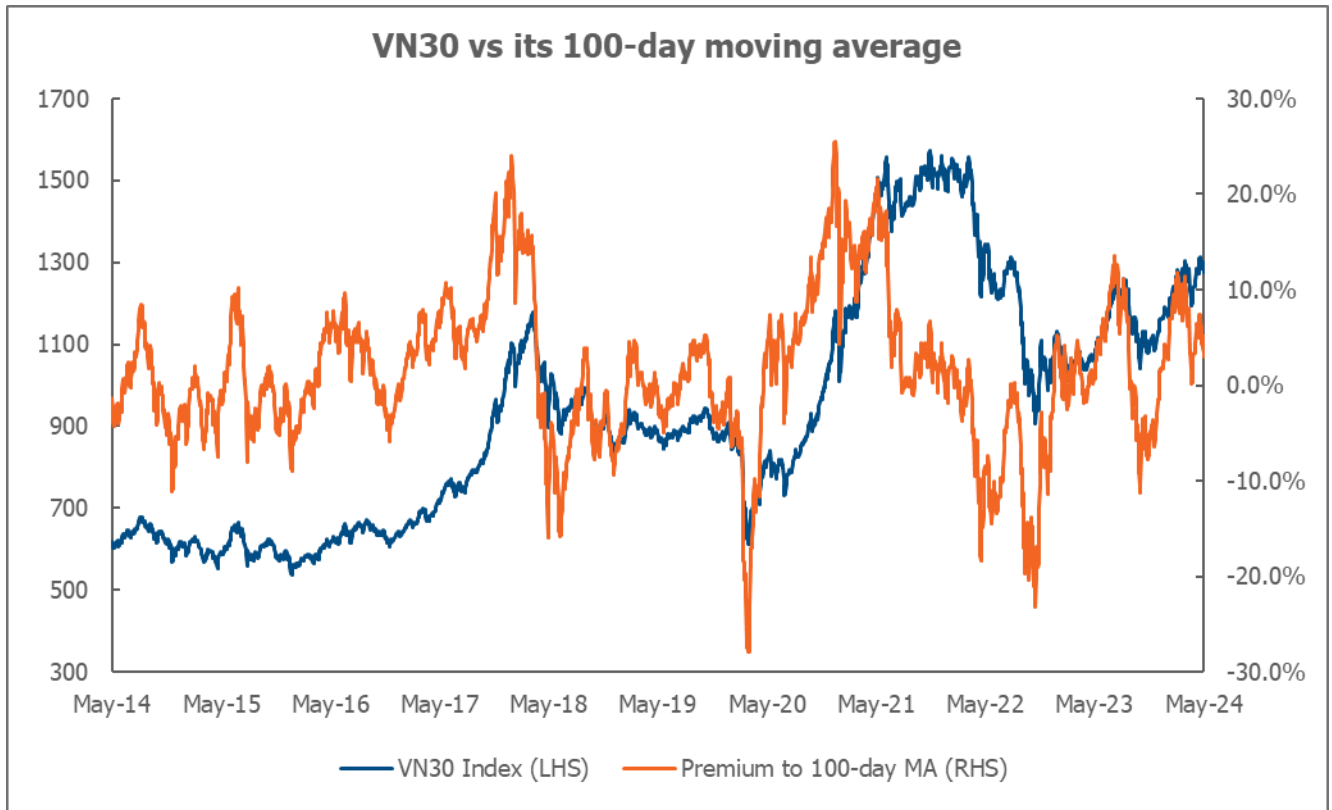
**Conservative 2024 guidance.** Management is guiding for full-year revenues of VND61.9 tn (+17.5% YoY), with PBT to rise by +18.5% YoY to reach VND10.9 tn. More specifically, 2024E technology segment revenue guidance is set at VND38.2 tn (+21.3% YoY). We consider these targets to be conservative.

**Solid 4M24 results.** Consolidated YTD revenue growth of +20.6% YoY was primarily driven by global IT services sales growth of +29% YoY in 4M24. Preliminary 4M24 PBT reached VND3.5 tn (+19.7% YoY).

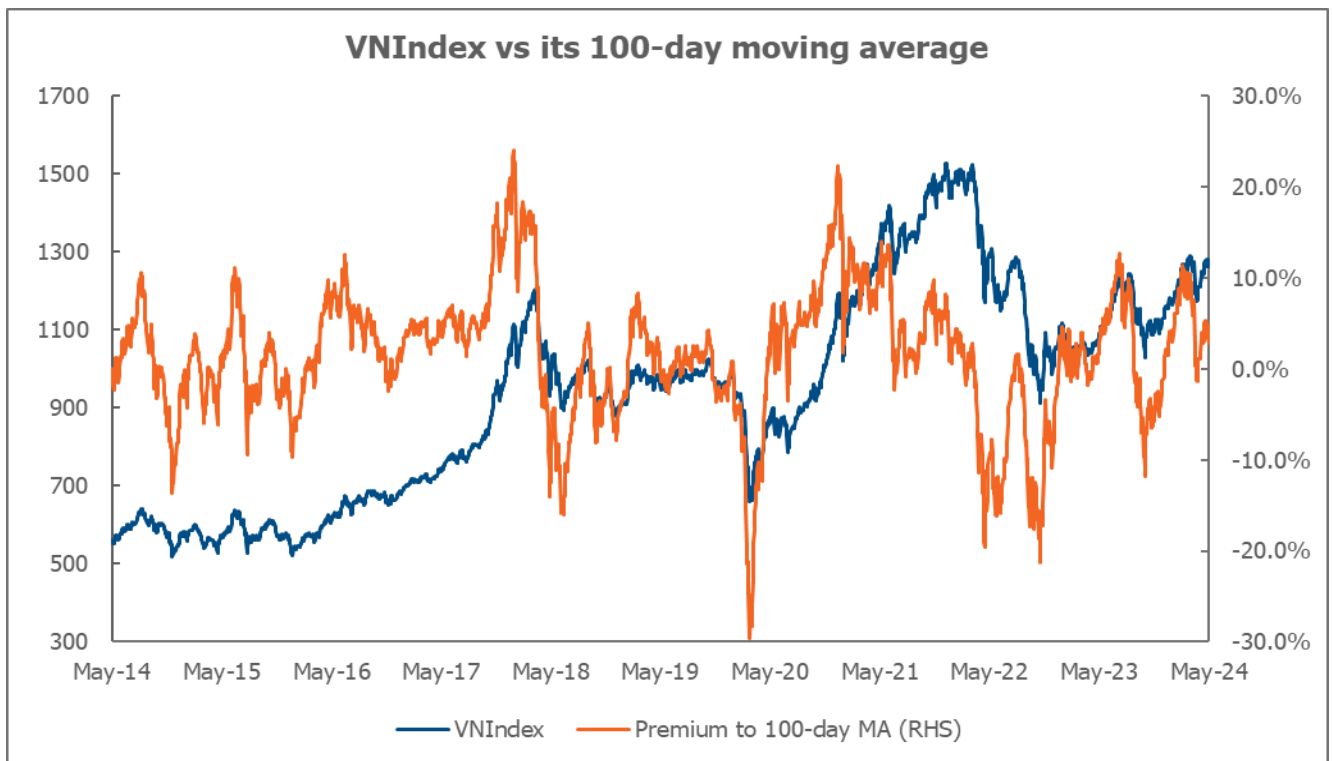
**Our new 2024-26 EPS estimates are 9.6% higher than the Bloomberg consensus** on average. We now forecast 2024E-28E revenue CAGR of 25.8%, up from our previous 24.6% forecast, after boosting our assumptions for technology and telecom revenues. Our 2024E-28E PATMI growth forecasts imply 28.8% CAGR, up from the original 27.2%.

**We reiterate our BUY recommendation and raise our target price by +38%** to VND 166,359 per share, implying 12-month TSR of 27.6%. Our new target price is based on a 50-50 split of our FCFE model and comparable P/E multiples. Admittedly, FPT's share price is up +45% YTD and almost +49% since our initiation in Sep 2023. Profit-taking is not impossible, but any correction would be a great opportunity to add.

**Please access the link for our complete report:** <https://yuanta.com.vn/wp-content/uploads/2024/05/20240520-FPT-update-edited-v2-1.pdf>



Source: Bloomberg, Yuanta Vietnam (May 31)



Source: Bloomberg, Yuanta Vietnam (May 31)

**Please see the following links** for a revisit of our weekly strategy notes over the past month.

The month-end five-day holiday weekend of April-May gave us an excuse to curtail our output of periodicals in the first week of May. Overall, we held fast to our tactically cautious view on the stock market over the past month – a call that has neither been overtly wrong nor smashingly right. The market’s flattish performance over the past several weeks has actually outperformed our expectations.

- **Moovin’ n’ Groovin’ – May 13**  
*With 1Q24 earnings and 2024 guidance in the bag, we find it difficult to identify further upside catalysts, as foreigners embrace the “Sell in May and go away” ethos.*  
<https://yuanta.com.vn/wp-content/uploads/2024/04/Weekly-Apr-1-2024.pdf>
- **Of FOLs and Money (and FTSE) – May 20**  
*Foreign net selling remains acute, while belief in an imminent E/M upgrade announcement from FTSE may be misplaced.*  
<https://yuanta.com.vn/wp-content/uploads/2024/05/Weekly-May-20-2024.pdf>
- **Smoke ‘Em If You Got ‘Em – May 27**  
*Lighting up the research library with our updated CIGARR (property) and CAMEL (banks) sector reports.*  
<https://yuanta.com.vn/wp-content/uploads/2024/05/Weekly-May-27-2024.pdf>
- **Short-term Upside Catalysts Are Lacking – June 3**  
*The title says it all – our view hasn’t changed (but we’ve run out of clever ideas for report titles, at least for this particular Monday).*  
<https://yuanta.com.vn/wp-content/uploads/2024/06/Weekly-June-3-2024.pdf>

**In case you missed it, see the following link to last month’s Strategy Wrap** titled “*Blue Sky, But Not yet*”, which includes – among numerous other items –

**1) An overview of the 1Q margin lending set-up** which we believe may have been substantially unwound during the April panic days; and

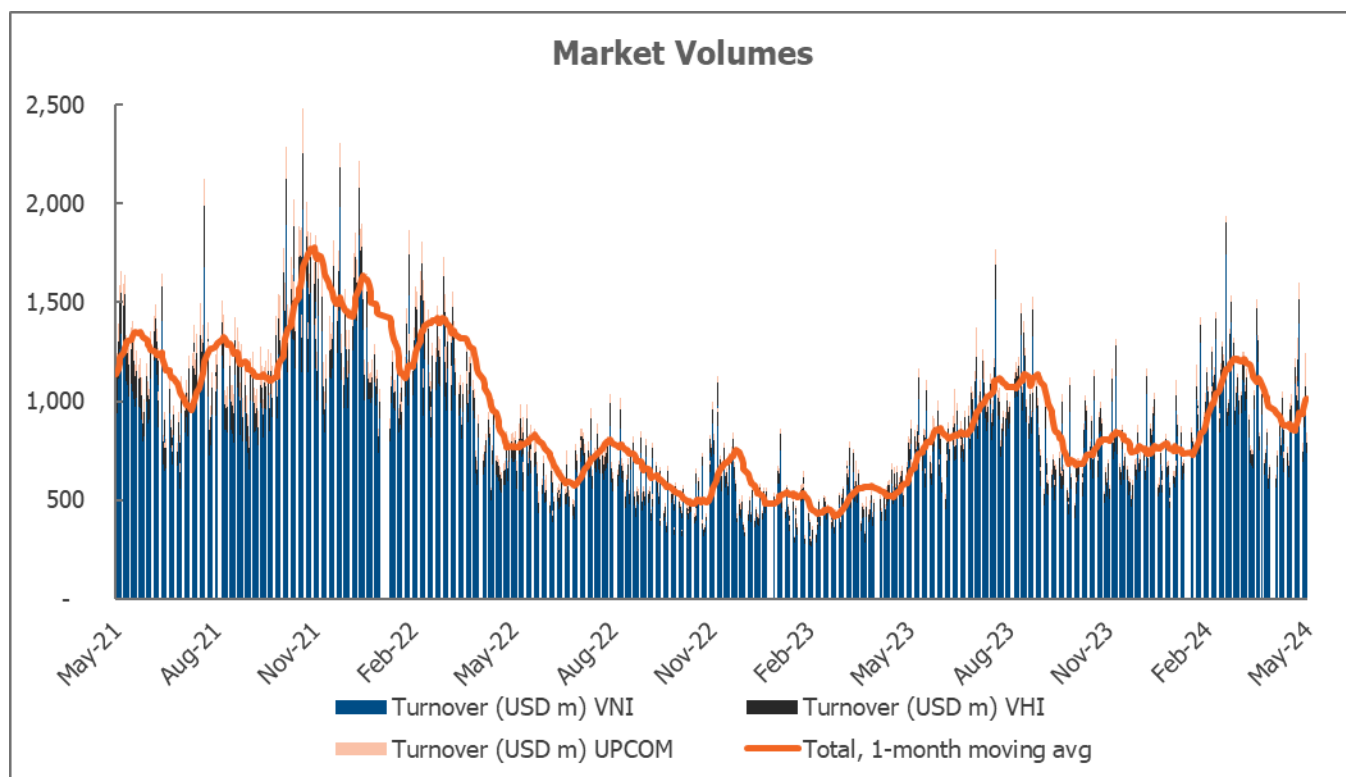
**2) Crucial takeaways from our real-person discussion with FTSE** (hint: an upgrade pre-announcement in September appears unlikely).

<https://yuanta.com.vn/wp-content/uploads/2024/05/Yuanta-Vietnam-Monthly-Market-Round-Up-May-2024.pdf>

## Stock market liquidity was reasonably strong in May

**Average daily turnover in May reached US\$985 million**, a tad higher than the US\$971 million figure of April but down by -18% from the two-year monthly ADT high figure of US\$1.2bn set in March. Taken together, the April-May ADT has been close to that of 1Q24 as a whole, and higher than January (US\$767 million) and February (US\$949 million). So taken from a full-month basis, the volume trend appears solid.

But the decline in market activity from the peak in March deserves special mention given that the VNI's YTD intraday peak of 1294 points (reached on March 31) coincided with much higher ADT than we are seeing today (June 5), when the VNI briefly reached that same intraday high of 1294. Obviously, the market could push higher from here, but our guess is that it would take greater stock liquidity (i.e., higher ADT) to break out above 1300 sustainably.



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

**YTD volumes are beating our forecast**, which we use both internally and in setting our operating forecasts for the four brokerage stocks under the author's direct coverage. Total ADT for the three market platforms (HSX, HNX, and UPCom) came in at US\$974 million in 5M24. This run rate is +14% ahead of our full-year 2024 projection of \$857 million.

Sticking with US\$857 million as our full-year ADT projection would imply the expectation for ADT in the subsequent 7 months of US\$773 million, which is -21% below the actual YTD ADT in 5M24. Such an assumption looks too bearish at this point, but it's not an impossible outcome either.

We think that domestic liquidity conditions are set to tighten relative to 5M24 given the need to defend the VND. In fact, we are already seeing this in increased bank deposit rates and OMO activity on the part of the SBV, as well as increased policy rates. This suggests slower ADT.

On the other hand, assuming the physical gold purchasing liberalization continues, the removal of the gold arbitrage-related demand for USD cash should take some pressure off the VND while not removing liquidity from the financial system. The SBV is also under pressure to support the domestic economy, which further suggests that the monetary policy response is likely to be measured.

We still think it's prudent to assume a slowdown in turnover in June-December, but US\$773 million is probably too low. A decline to US\$850 million seems more likely. As such, full-year ADT for 2024 would be forecast to reach US\$901 million.

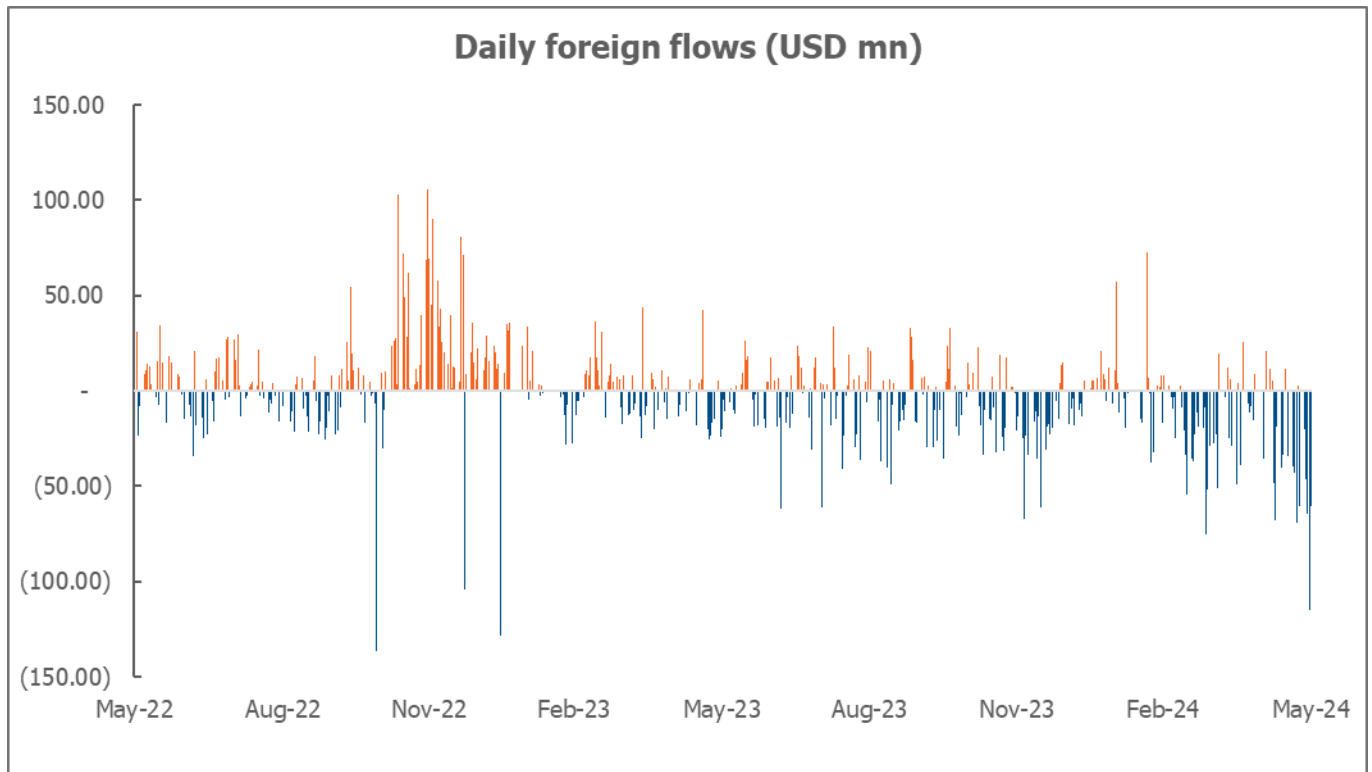
For 2025, the main factor is going to be KRX implementation and expectations for a FTSE upgrade. If those things occur – or if the market can be convinced that those things are about to occur – then ADT in 2025 would likely soar to well above US\$1.0 billion and probably more like US\$1.4-1.6 billion. However, this should not be anyone's base case for planning, given what should be very obvious reasons. So we're sticking with our original projection of \$985 million in ADT for 2025, at least for now.

**Foreigners net selling soars to what we believe was a record high in May.** Foreigners appeared to reject the “sell in May” ethos by coming back from the April-May long weekend to net buy on three of the first four trading days of May. However, that bit of contrarianism was short-lived, as they went on to net sell nearly every subsequent day of the month.

Total net selling reached a whopping VND19 trillion during May, which we believe to be the biggest monthly foreign outflow of Vietnam's 23-year stock market history. The pick-up in foreign selling is deeply ironic given the re-emergence of the “emerging markets upgrade” narrative since February, which caused some undue excitement a few months ago but has utterly failed to drive a surge of foreign inflows into listed shares here.

Foreigners have thus been net sellers for the past four months. In USD terms, the US\$747 million of net selling in May was worse than April's relatively tame US\$212 million and March's US\$456 million of net foreign outflows, which we thought was impressive given that it was the highest monthly figure since May 2021.

But nothing compares to the foreign “Sell in May” outflows, which have resulted in total YTD net selling of VND35.9 trillion or US\$1.4 billion. The latter figure is a 14x reversal of the US\$100 million in net foreign buying in the first five months of 2023. Remember that foreigners were huge net buyers at close to the bottom of the last bear market that ended in November 2022 – FINIs were also net buyers in 1Q23 before resuming their net selling behavior in 2Q23 (and subsequently).



Source: FiinPro, Yuanta Vietnam (May 31)

Foreign net selling has been broad based but was particularly intense for VHM (VND4.8tn), as investors appear to be focusing on group-related risks rather than the underlying business of the company itself. This thesis is supported by the inclusion of VRE among the heaviest targets of FINI net selling (VND 0.7 trillion) in May.

Otherwise, it looks to us like profit-taking in some of the banks such as CTG (VND1.7tn of foreign net selling in May), HDB (VND0.7tn), and VCB (0.6trn) – although VPB (VND0.8tn) offers relatively fewer profits to take. To our minds, the most intriguing of the top-net selling list is FPT, which began to open up to “foreign room” in late May. Despite our expectation of a near-term market correction, we remain very bullish of FPT’s longer-term growth outlook and your humble author is a BUYer (in his very humble personal trading account) of FPT in early June.

By contrast, foreigners were eager net buyers of MWG (VND1.6tn) in May. Both MWG and FPT currently offer open FOL shares to new buyers, if you’re interested.

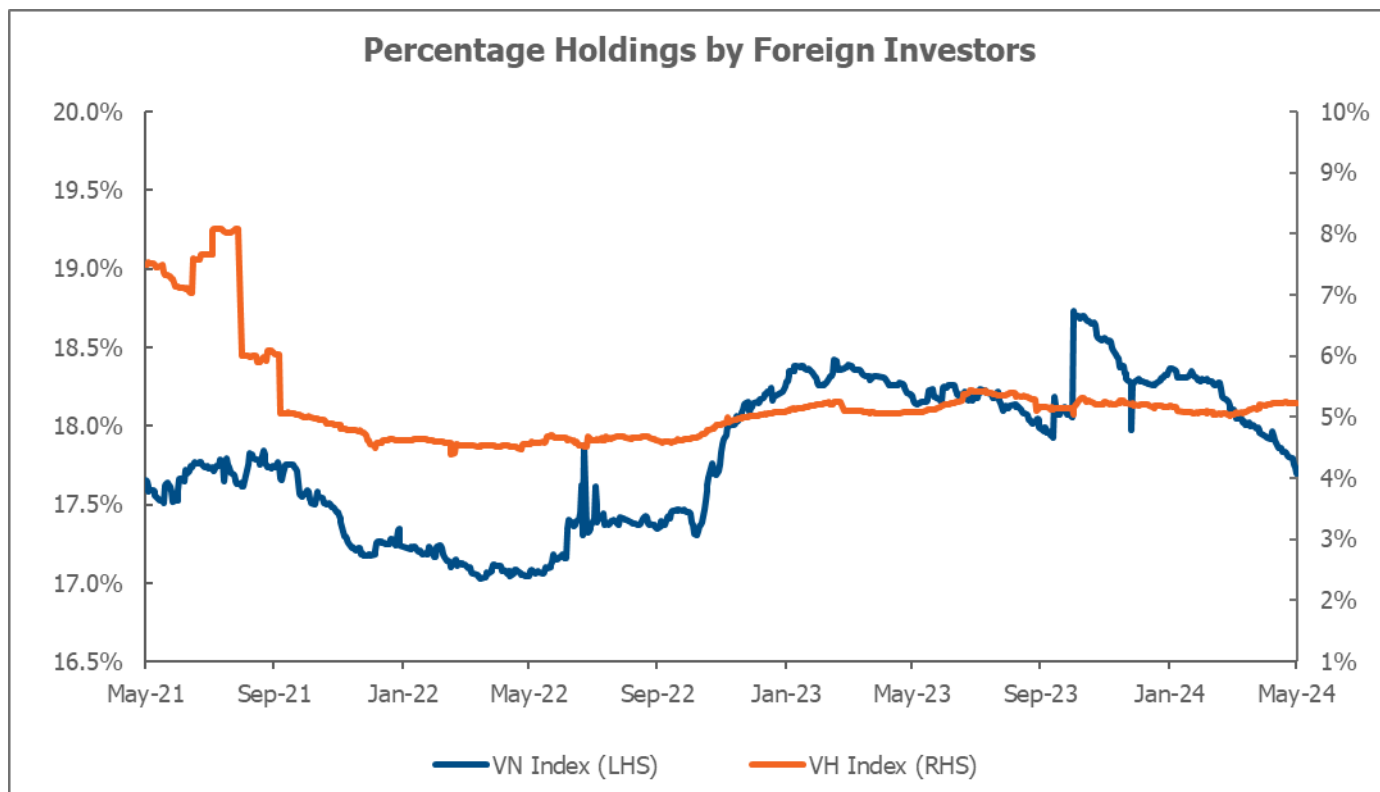
Top-10 FINI sells in May	Column1	Column2	Top-10 FINI Buys in May	Column3	Column4
Stock	VND bn	% ownership	Stock	VND bn	% ownership
VHM	-4,774	17.3%	MWG	1,551	48.7%
CTG	-1,709	26.4%	DBC	672	12.0%
VPB	-809	27.2%	HVN	483	7.0%
VRE	-736	27.2%	NLG	328	49.6%
HDB	-723	18.1%	NVL	243	4.3%
VND	-674	17.8%	PVT	151	14.5%
FUESSVFL	-671	74.1%	DCM	112	8.9%
FPT	-643	48.9%	SAB	111	60.6%
VCB	-629	23.4%	HPG	106	25.1%
VNM	-628	50.6%	POW	102	4.1%

Source: FiiPro

The surge of net selling over the past four months has unfortunately brought foreign investor holdings to below 18% of the total number of listed shares on the HOSE. As of the end of April, foreigners held just 17.9% of the market, down from the YTD peak of 18.5% at end-January.

But May's continued selling brings foreign ownership of the HSX down to just 17.7%. This is the lowest level since November 2022, indicating that foreigners in aggregate have now fully backed out of their substantial position-building of late 4Q22 and 1Q23. An optimist might enthuse that the return to Nov-2022 levels of ownership must surely indicate that a surge of foreign buying is imminent. However, I am not that optimist – we suspect that the net outflows are likely to continue heading into 3Q24.

As stated last month, the stepped-up foreign outflows represent an ironic trend. One could be forgiven for thinking that the emerging markets upgrade theme for Vietnam might have driven the opposite trend.

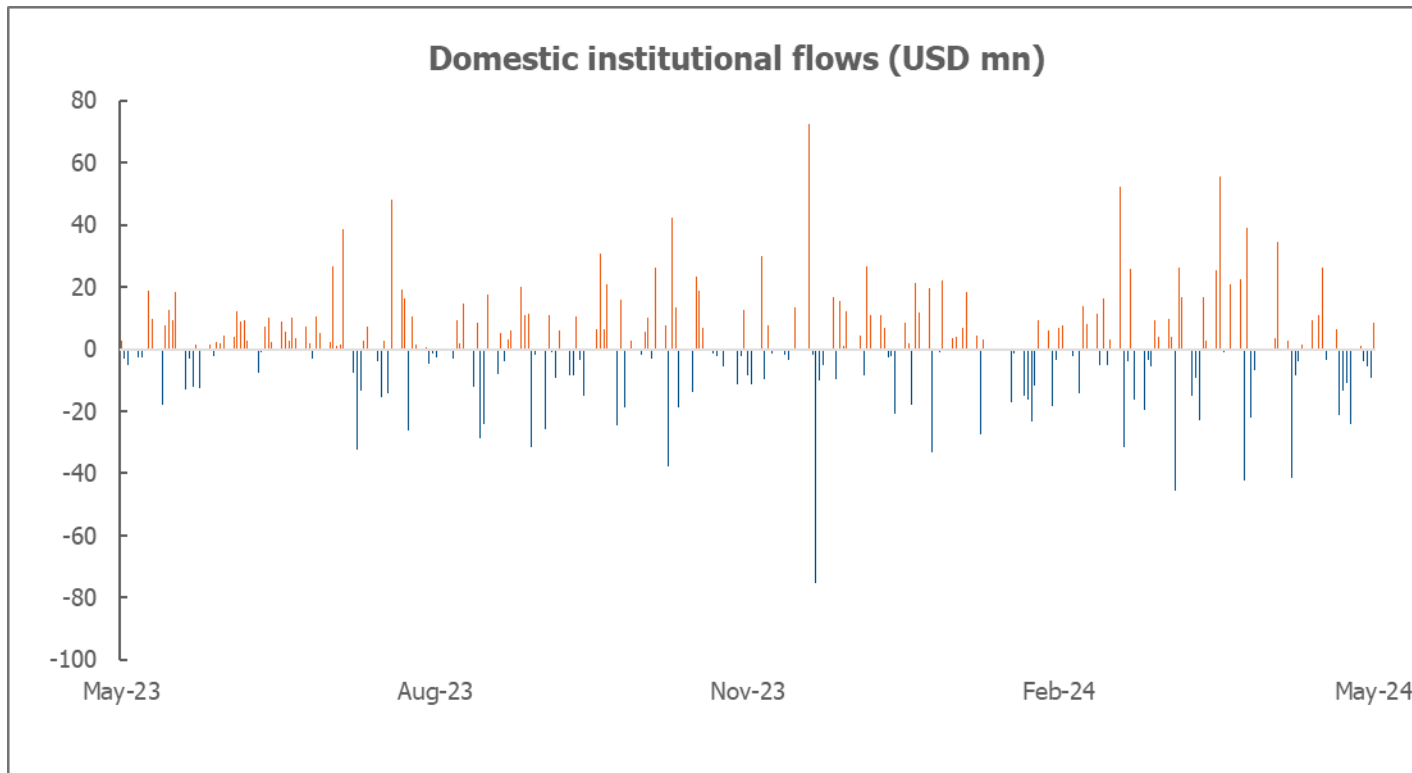


Source: FiiPro, Yuanta Vietnam (May 31)



**Domestic institutional investors were also net sellers in May.** This investor segment is largely proprietary trading desks at local brokerages, as the domestic asset management footprint is still relatively small and focused on debt capital markets. Prop traders net sold US\$41 million in May, a partial unloading of their net purchases of US\$61 million in April and US\$43 million in March.

Prop traders were better buyers on 11 days and net sellers on 11 days, for a 50-50 split of daily flows between cash and stocks. However, most of their net buying occurred in the first half of the month, with most of the better seller days occurring after May 16. Again, we assume that prop desks took advantage of the newsflow-related selling of April to load up on stocks as their margin loan allocations were unwound, and taking profits in late May looks like a wise strategy.



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

Domestic institutions are still net buyers YTD. Prop desks have net purchased an aggregate US\$58 million of listed equities in 5M24, an insubstantial offset to the foreign net selling of US\$1.4 billion.

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

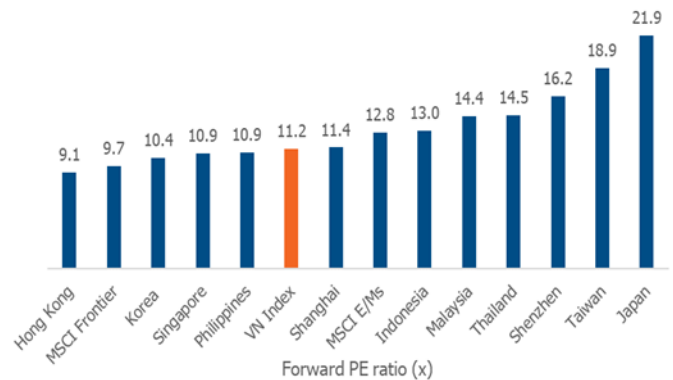
**Regional stock market: Trailing PE multiples**



Source: Bloomberg, Yuanta Vietnam (May 31)

**... but the 11.2x 2024E PE is inarguably cheap, even assuming that EPS expectations are too high.**

**Regional stock market: 2024E PE multiples**



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

**The VNI's trailing PE ratio is back to its long-term mean at 15.9x.**

**VNI -- Trailing PE ratio (x)**



Source: Bloomberg, Yuanta Vietnam

**But the mainboard's 2024E PE is now 11.2x, which is well below its long-term mean.**

**VNI -- 2024E PE ratio (x)**



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

## Monthly market breadth improved, especially for the SMEs

**Monthly breadth shifted back to positive territory in May.** Almost 81% of VNI components posted MoM increases in May, an almost exact reversal of the 82% of mainboard stocks that declined in April. VNI constituents comprised 310 gainers and just 75 losers in May.

The large cap VN30 components also posted positive breadth, albeit less positive than that of the overall market. The VNI posted 17 MoM gainers vs. 13 losers. Thus, a relatively low 57% of the large caps were up during the month, substantially lower than the 82% positive rating for the broader VNI. Still, this was far better than the VN30's abysmal breadth of April, when only MWG and FPT posting any meaningful monthly gains. Interestingly, both stocks continued to move higher in May.

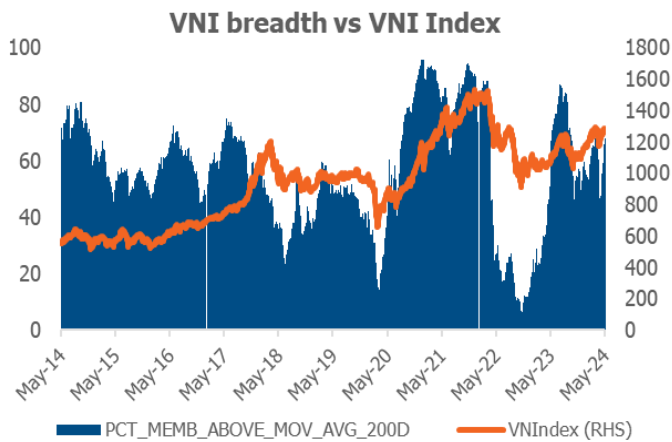
**As such, YTD breadth is more convincingly positive** than it was a month ago. As a reminder, some 75% of VNI components were gainers in 1Q24 (290 gainers / 96 decliners), but the correction of April

left just 53% of VNI components as gainers in 4M24. That figure has now increased to 69% gainers as of May 31, with a total of 261 stocks posting YD increases and 120 declining in 5M24.

The large caps are basically in line with 20 of the VN30 components posting YTD gains and 10 posting declines in 5M30. However, that two-thirds positive figure was far higher at 87% in 1Q23.

As of end-May, some 72% of VNI components were trading above their 200-day moving averages, far higher than the 45% level of the previous month. This indicator has also exceeded the prior peak of 68% at the end of March, but it remains well below that of the previous (overheated) market peak of 87% in mid-August 2023.

## Monthly stock breadth: Negative on VN30 and positive on the broader VNI



Source: Bloomberg, Yuanta Vietnam (May 31)

### VN 30 breadth

	WoW	MoM	YTD
Gainers	9	17	20
Losers	19	13	10

Source: Bloomberg (May 31, 2024)

### VN Index breadth

	WoW	MoM	YTD
Gainers	252	310	261
Losers	113	75	120

Source: Bloomberg (May 31, 2024)

### Top stocks affect the market index VN-Index from 04/30/2024 to 05/31/2024



Source: Vietstock

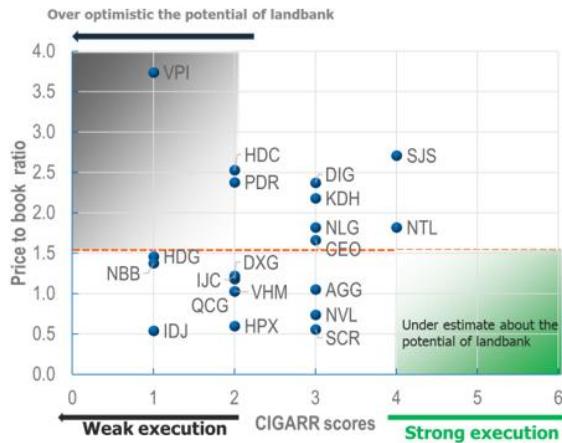
<b>VN30 large caps: Share price performance in May</b>					
<b>Ticker</b>	<b>Closing price (VND K)</b>	<b>MoM chg</b>	<b>Contribution to VN30 Index performance in May</b>	<b>YTD chg</b>	<b>Contribution to VN30 Index performance in 5M2024</b>
ACB	24.7	8.8%	14%	22.2%	9%
BCM	60.8	16.0%	1%	-3.3%	0%
BID	47.1	-4.3%	-1%	8.5%	0%
BVH	44.9	13.7%	1%	13.5%	0%
CTG	31.9	-2.7%	-1%	17.7%	2%
FPT	134.6	9.3%	25%	40.1%	26%
GAS	80.1	9.0%	2%	6.1%	0%
GVR	35.2	17.2%	2%	65.8%	2%
HDB	23.3	-1.5%	-1%	14.5%	3%
HPG	28.6	10.8%	20%	12.6%	6%
MBB	21.8	-0.1%	0%	19.2%	5%
MSN	76.6	14.0%	14%	14.3%	4%
MWG	63.6	15.8%	22%	48.6%	16%
PLX	41.0	19.4%	2%	23.6%	1%
POW	12.6	20.0%	2%	12.0%	0%
SAB	58.3	7.2%	1%	-5.2%	0%
SHB	11.4	-0.4%	0%	5.6%	1%
SSB	21.5	-2.3%	-1%	-10.0%	-1%
SSI	34.7	-1.4%	-1%	5.8%	1%
STB	27.9	-1.2%	-1%	-0.4%	0%
TCB	47.0	4.1%	8%	52.5%	25%
TPB	17.7	-1.4%	0%	1.4%	0%
VCB	87.2	-4.4%	-4%	8.6%	2%
VHM	38.9	-4.8%	-4%	-10.1%	-1%
VIB	21.8	3.1%	1%	17.6%	2%
VIC	43.6	-2.0%	-2%	-2.4%	0%
VJC	107.1	3.0%	2%	-0.8%	0%
VNM	65.4	0.6%	1%	-2.0%	0%
VPB	18.0	2.3%	4%	-1.1%	0%
VRE	21.8	-3.1%	-1%	-6.7%	0%

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

# Property Developers: 1Q24 CIGARR Update

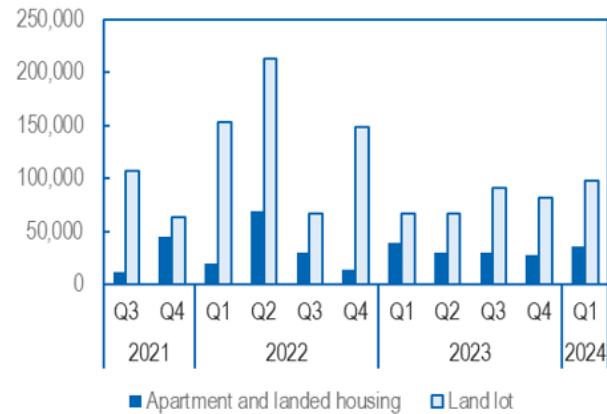
Inimitable property analyst Tam Nguyen published a timely update of his **proprietary CIGARR analytical framework of the top-20 listed residential developers** on May 22.

**Current P/B vs. 1Q24 CIGARR scores**



Source: Bloomberg, Yuanta Vietnam

**Number of property transactions**



Source: Yuanta Vietnam

**We're not going to sugar-coat it -- the sector's 1Q24 P&L results were dismal**, with aggregate PAT plunging by -78% QoQ / -92% YoY and achieving just 2% of the group's full-year guidance for 2024.

This level of aggregate guidance suggests a broad 2H24 recovery is expected by the developers. Green shoots suggesting a gradual recovery in property market sentiment include the +22% QoQ increase in real estate transactions in 1Q24 and the earlier-than-initially-planned implementation of the amended land law (which will now take effect on July 1).

However, we are less optimistic than the corporate managers appear to be. **We believe that the next industry upcycle will occur in 2H25.** As such, we remain Underweight the sector with a preference for low-risk / high-quality developers. KDH is our top pick.

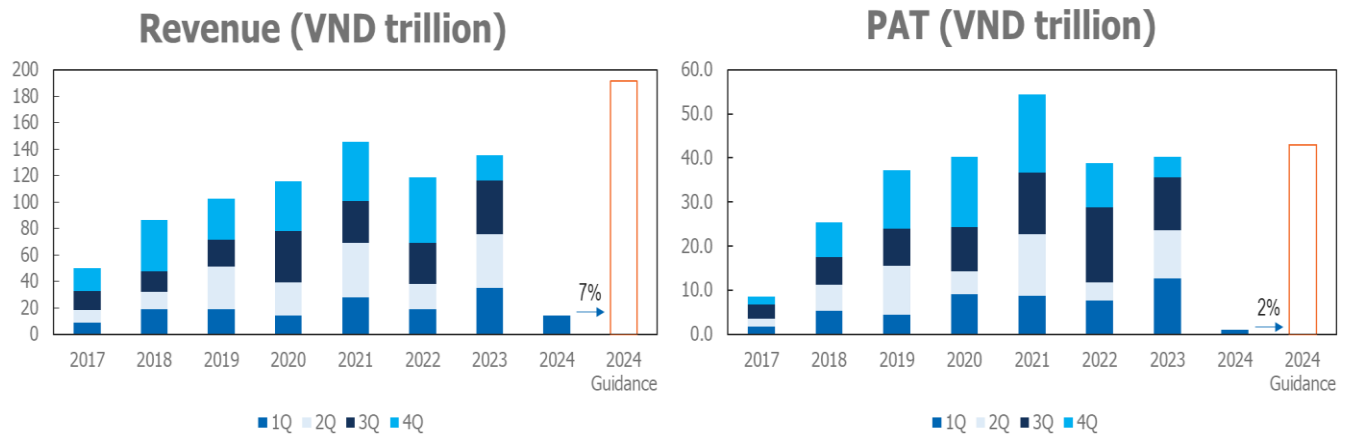
Sector Report

**Vietnam Property Developers: CIGARR Framework Update** 22 May 2024

Yuanta Vietnam Residential Property Universe					What's new?	Our view
Stock code	Price (VND k)	Target (VND k)	Rating	% ge up/downside		
KDH VN	36.50	47.30	BUY	30%	<ul style="list-style-type: none"> <li>2024 sector guidance: +8% YoY PAT growth, with the bulk of full-year earnings to be recognized in 2H24.</li> <li>1Q24 real estate transactions +22% QoQ as confidence gradually returns.</li> <li>Amended land law to take effect on July 1, earlier than the initially planned effective date of January 1, 2025.</li> </ul>	<ul style="list-style-type: none"> <li>Low mortgage rates, economic recovery, legal reforms to drive an upcycle, but not until 2H25.</li> <li>Effective land resource distribution policies should also foster property market recovery.</li> <li>We continue to favor high-quality developers with strong balance sheets and visible project launch pipelines.</li> <li>KDH (BUY) is our top pick.</li> </ul>
VHM VN	40.20	58.40	BUY	45%		
NLG VN	44.10	37.80	Hold-Underperform	-14%		
DXG VN	17.25	20.70	Hold-Underperform	20%	<p><b>We update our proprietary CIGARR analytical framework of the top-20 listed residential developers</b>, which screens for six measures of financial strength and operational excellence. Although intended as a quarterly snapshot of the largest property developers, we believe the value of this approach lies in its ability to identify developers that are demonstrating improvements in fundamental quality that may have been overlooked by the market—and that may be poised for share price outperformance.</p>	

**The industry's 1Q24 profit after tax plunged by -78% QoQ and -92% YoY**, achieving just 2% of the Top-20 developers' aggregate 2024 target.

Fig 1: 1Q24 quarterly earnings for the top-20 listed developers were dismal

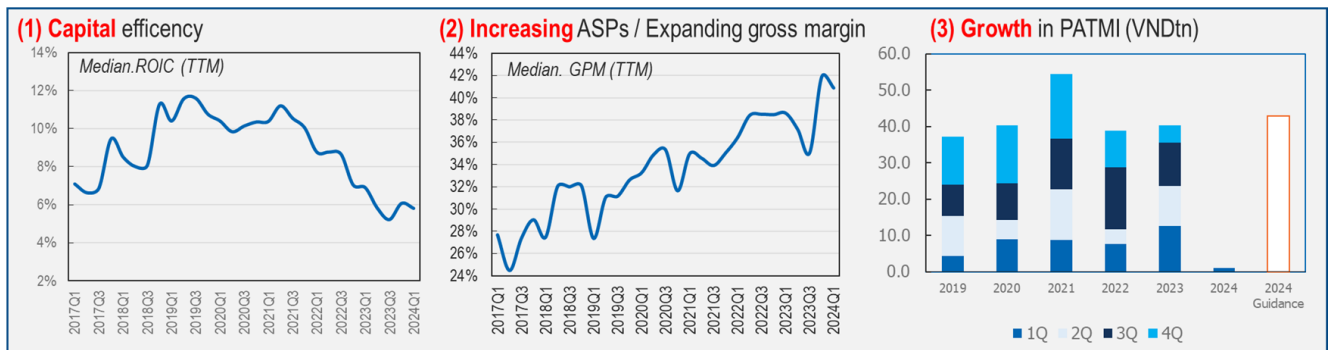


Source: Yuanta Vietnam

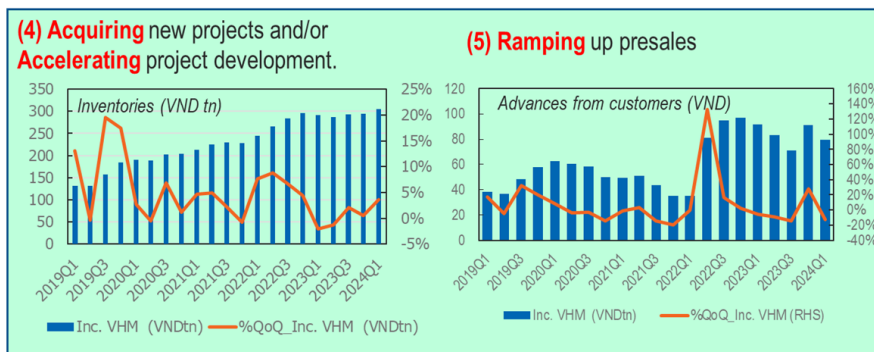
**Sector Guidance for 8% YoY PAT growth in 2024** suggests that most developers expect a significant portion of earnings to be reflected in 2H24.

Fig 2: CIGARR Framework: 1Q24 Update

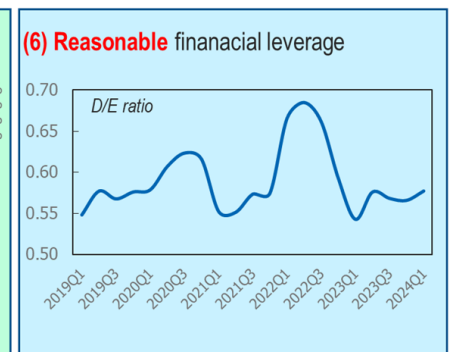
► Historical execution ability metrics



► Future earnings potential metrics



► Liquidity measures



Source: Yuanta Vietnam

**Real estate transactions expanded by +22% QoQ** in 1Q24, likely driven by the secondary market, as limited supply remains a key constraint for presales. We believe that the worst is over, but that the upcycle will be a 2H25 story.

We expect a gradual improvement in new project launches in 2H24 as preparatory work (e.g., paying land use fees, site leveling) accelerates.

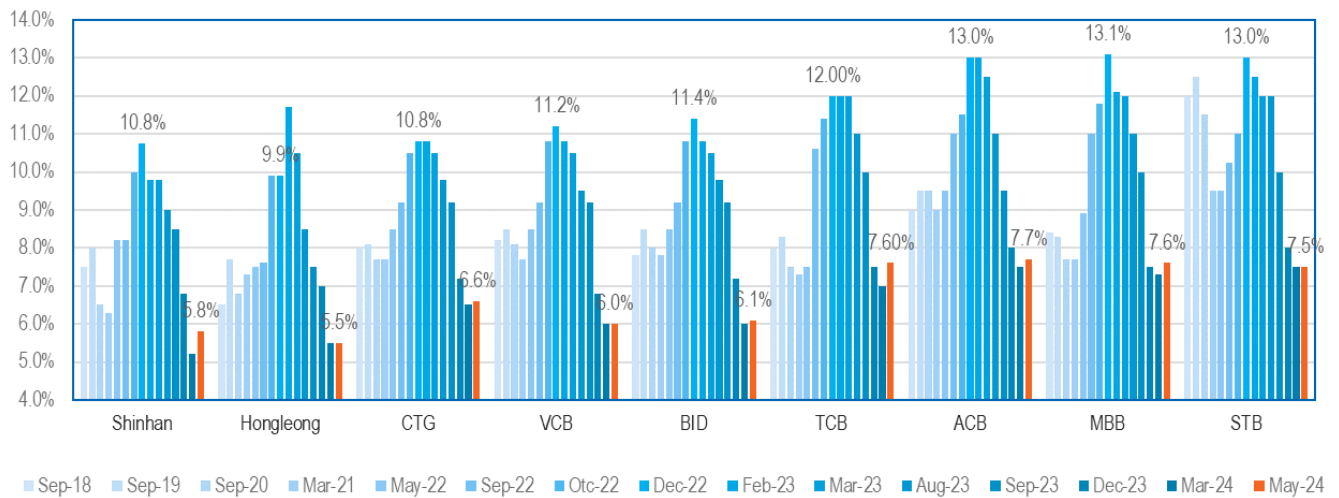
**Fig 3: Top-20 developers, 1Q24 results summary**

Ticker	Revenue (VNDbn)		% YoY	PAT (VDNbn)		% YoY	% of 2024 revenue	% of 2024 PAT
	2024Q1	2023Q1		2024Q1	2023Q1			
VHM	8,211	29,299	-72%	904	11,923	-92%	7%	3%
AGG	1,313	189	593%	214	12	1636%	82%	86%
DXG	1,065	416	156%	78	-117	-166%	27%	34%
HDG	848	956	-11%	264	357	-26%	29%	27%
NVL	698	604	16%	-601	-410		2%	
KDH	334	426	-22%	64	201	-68%	9%	8%
HPX	324	149	117%	16			12%	15%
CEO	289	357	-19%	35	25	43%	14%	24%
NLG	205	235	-13%	-65	16	-500%	3%	-8%
DIG	186	198	-6%	-121	77	-258%	8%	-16%
PDR	162	192	-16%	53	22	135%	5%	6%
IJC	162	339	-52%	39	108	-64%	7%	8%
VPI	127	863	-85%	70	305	-77%	5%	20%
SJS	118	54	117%	44	12	284%	14%	16%
HDC	85	177	-52%	1	31	-96%	5%	0%
SCR	70	81	-14%	5	2	143%	10%	37%
IDJ	68	246	-72%	15	30	-50%	20%	29%
QCG	39	166	-77%	1	1	-28%		
NTL	37	71	-48%	5	2	121%	5%	2%
NBB	28	14	97%	0	0	-63%	4%	0%

Source: Yuanta Vietnam

Interest rates remain low, with mortgage teaser rates at 5.5-7.5%. We think that a possible 0.5-1ppt increase would not unduly impact property sentiment.

**Fig 4: 12-month promotional mortgage rates**

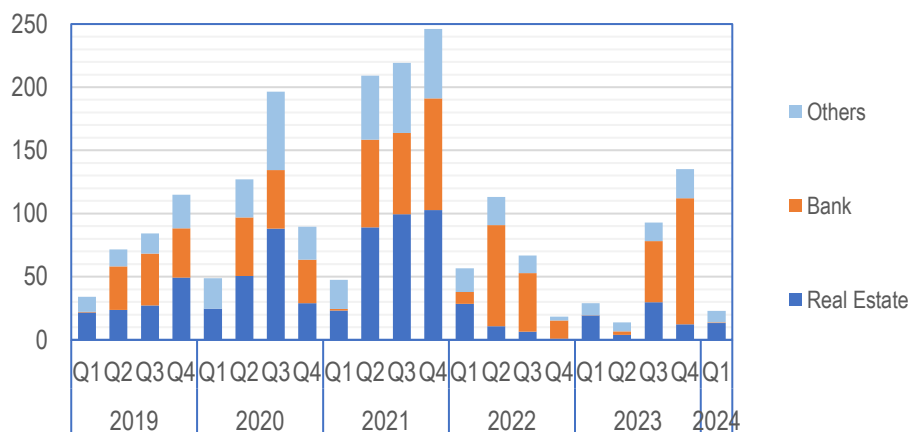


Source: Yuanta Vietnam

The earlier (July 1) implementation of the amended land law should also help to boost sentiment in 2H24.

**Bond issuance value has improved compared to 2022, but challenges remain.** Our observation is that only the top real estate developers are able to issue bonds currently. Most developers' liquidity positions have improved due to their successful efforts to raise equity funding.

**Fig 5: Corporate bond issuing value (VND trillion)**



Source: Yuanta Vietnam

**Yuanta Vietnam's portfolio recommendation: Stay Underweight the property sector.** We prefer quality developers with strong balance sheets & visible project launch pipelines.

**Our top pick is [KDH \(BUY\)](#).** We also have a positive fundamental view on [VHM \(BUY\)](#) while acknowledging the elephant in the room of related-party concerns, whereas we are cautious on [DXG \(HOLD-Outperform\)](#) and NLG (HOLD-Underperform).

**Two high-risk themes** for investors with sufficient intestinal fortitude to whether the potential volatility of these (mostly) non-rated stocks:

**(1) Timing -- AGG, DIG, & VPI:** Keep track of these developers' actual presales performance as a share price catalyst.


**(2) High risk, high return – DXG, SCR, & PDR:** Upside for these stocks likely depends on their ability to obtain prime project launch approvals.

Please see the link for the full report: <https://yuanta.com.vn/wp-content/uploads/2024/05/1Q24-CIGARR-update-Liquidity-Gains-and-Profit-Challenges-Edited-1.pdf>



# Banks: CAMEL Framework Update

In case you missed it – Tanh Tran published an update of his CAMEL analytical framework on May 23. **Tanh’s model now encompasses a total of 28 listed and OTC banks – effectively the entire sector**, with the notable exceptions of two of the top-five banks by assets that are not listed and where financial transparency is not quite perfect: 1) Agribank, which is one of the Big Four SOE banks and likely c.10%-plus of total system assets; and 2) Saigon Commercial Bank, which had the fifth biggest balance sheet in the sector when its financials were last reported in 2022.


Vietnam Banks

**Bank Sector\_1Q24 Update**
**23 May 2024**

Stock code	Yuanta Rating	Current price (VND)	Target price (VND)	12-m TSR*
ACB VN	BUY	27,950	33,790	24%
BID VN	HOLD-UPF	49,800	47,470	-5%
HDB VN	BUY	24,350	29,450	25%
MBB VN	BUY	23,200	32,480	42%
STB VN	HOLD-OPF	28,000	34,930	25%
VCB VN	BUY	90,700	106,910	18%
VPB VN	BUY	18,800	22,400	25%

*Prices are as at May 22, 2024.  
VPB's target price is adjusted for cash dividend.*

### What's new?

- VCB, TCB, ACB, and MBB remain the top 4 in our CAMEL framework.
- LPB jumped to 6th place, largely on improved earnings.
- Sector asset quality deteriorated with higher NPL & lower LLR ratios.
- Presenting our framework to identify underpriced banks (p. 11).

### Our view

- Credit growth to ramp up from 2Q24, but funding costs also likely to rise.
- Asset quality may rebound in 2H24. If so, banks with high loan loss reserves may benefit from reversals.
- Valuations are attractive. The sector trades at 1.1x 2024E PB and 18% ROE.
- Top picks: [ACB](#), [MBB](#), [VCB](#).

## Presenting our updated CAMEL framework for the 28 listed and OTC banks.

Unsurprisingly, VCB, TCB, ACB, and MBB remain the top 4 in our CAMEL framework. However, LPB jumped to 6th place, largely on improved earnings.

For the sector as a whole, PATMI rose by +8% QoQ / +9% YoY, but asset quality deteriorated with a higher aggregate NPL ratio & lower LLR ratio.

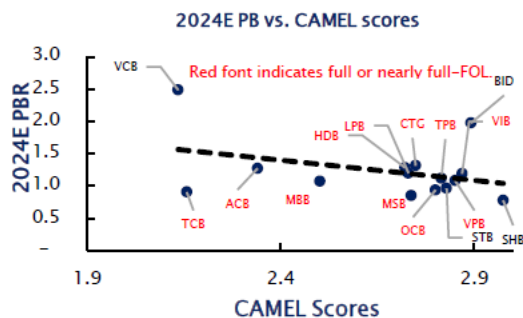
Going forward, we expect credit growth to ramp up from 2Q24, but funding costs also likely to rise. We believe that asset quality may rebound in 2H24, implying potential reversals for the banks with high loan loss reserves.

The listed banks continue to trade at an attractive 1.1x 2024E PB multiple, with 18% 2024E ROE. Our top picks are ACB, VCB, and MBB.

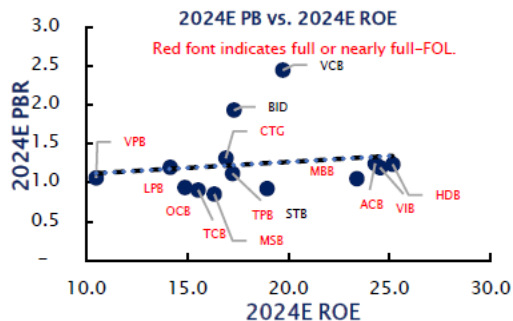
## Underpriced Banks Framework

Banks	Rating
KLB VN	★
PGB VN	★★
VBB VN	★★★
BAB VN	★★★★
BVB VN	★★★★
SGB VN	★★★★
SSB VN	★★★★
NVB VN	★★★★★
VAB VN	★★★★★
EIB VN	★★★★★
BID VN	★★★★★
ABB VN	★★★★★
CTG VN	★★★★★
VCB VN	★★★★★
SHB VN	★★★★★
HDB VN	★★★★★
MSB VN	★★★★★
NAB VN	★★★★★
STB VN	★★★★★
LPB VN	★★★★★
TCB VN	★★★★★
VPB VN	★★★★★
TPB VN	★★★★★
MBB VN	★★★★★
OCB VN	★★★★★
ACB VN	★★★★★
VIB VN	★★★★★

Source: FiinPro-X, Bloomberg, Company Data, Yuanta Vietnam  
(please see page 11 for details)



Source: FiinPro-X, Bloomberg, Yuanta Vietnam  
Note: lower CAMEL scores = higher ranking



Source: Bloomberg, Yuanta Vietnam

**No change to the leaderboard: ACB, MBB, TCB, & VCB remain the Top 4 in our 1Q24 CAMEL framework.**

**But a challenger has emerged from the pack. LPB jumped to 6th place** in our most recent rankings. LPB's PATMI jumped by +85% YoY in 1Q24 after its adj. TTM CIR decreased to 35% (-3ppt vs. 2023). LPB's CASA growth also outperformed other banks with an increase of +22% YTD, but its CASA ratio of 11% is still below the sector median of 12%.

**Sector PATMI rose by +8% QoQ / +9% YoY** to VND57 tn in 1Q24. The YoY growth was attributable to higher net interest income (+8% YoY), FX gains (+49% YoY), and trading gains (+3x YoY).

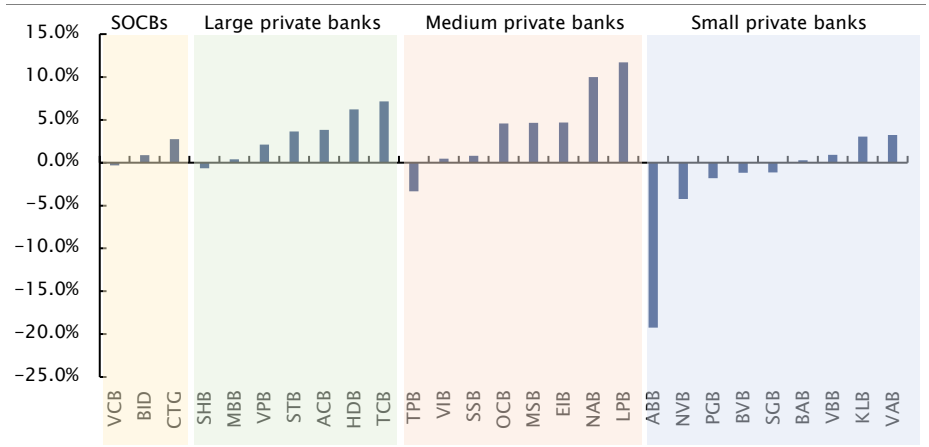
## Vietnam Bank Sector\_1Q24 Update

Bank Sector	1Q24	% QoQ	% YoY
NII (VND bn)	121,713	0%	8%
Net Fees (VND bn)	15,060	-20%	6%
Adj. Other non-II (VND bn)	11,471	2%	71%
Adj. TOI (VND bn)	148,244	-2.3%	11.4%
Opex (VND bn)	47,914	-14%	6%
Provision (VND bn)	31,655	-5%	7%
Net other incomes (VND bn)	3,427	-35%	-54%
PATMI (VND bn)	57,476	8%	9%
NPL (%)	2.18%	24bps	26bps
LLR (%)	87%	-7ppt	-19ppt
CASA (%)	21.3%	-91bps	2.8ppt

Source: FiinPro-X, Yuanta Vietnam

**We expect credit growth to recover from 2Q24** along with economic recovery. Moreover, banks have raised deposit rates to increase their funding, indicating a potential surge in credit growth going forward.

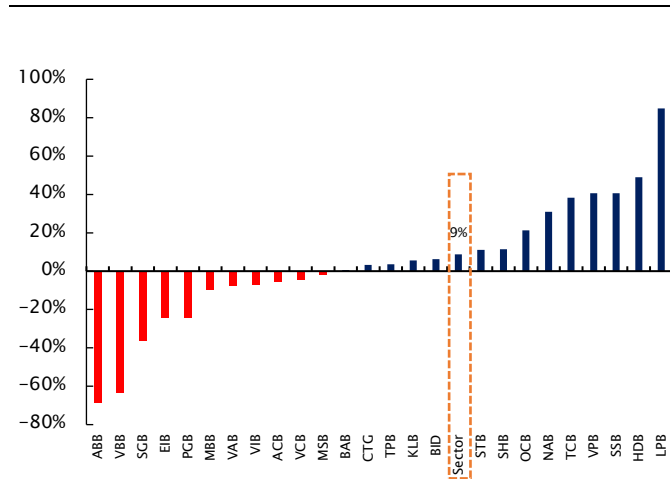
**Figure 8: Credit growth among banks in 1Q24 (% YTD)**



Source: FiinPro-X, Yuanta Vietnam

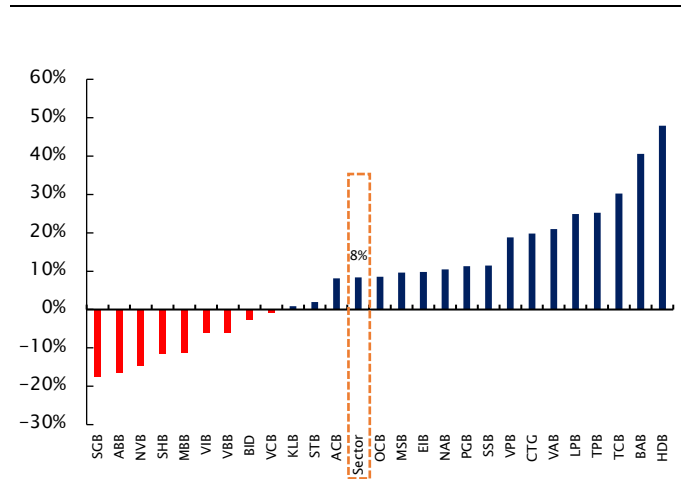
**But cost of funds (COF) may also increase from 2Q24.** Net interest income reached VND122 tn (flat QoQ/+8% YoY) in 1Q24, driven by lower COF. However, the sector's COF is set rise along with recently increased deposit rates and possible SBV rate hikes to support the currency.

**Figure 2: 1Q24 PATMI growth (% YoY)**



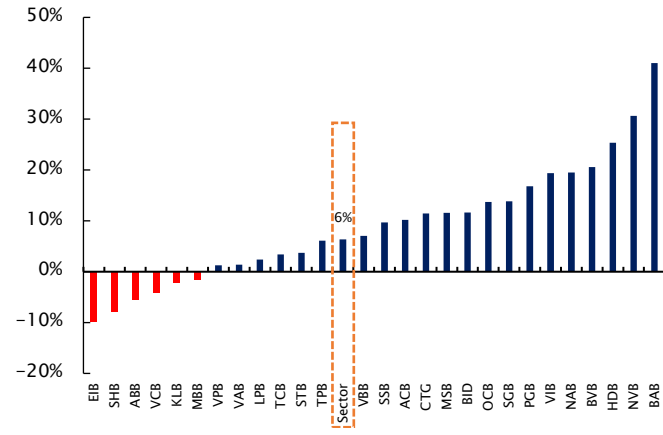
Source: FiinPro-X, Yuanta Vietnam

**Figure 3: 1Q24 net-interest income (% YoY)**



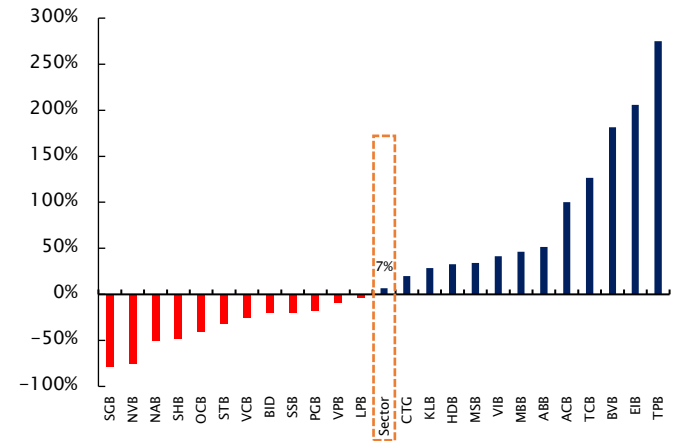
Source: FiinPro-X, Yuanta Vietnam

**Figure 6: 1Q24 opex growth (% YoY)**



Source: FiinPro-X, Yuanta Vietnam

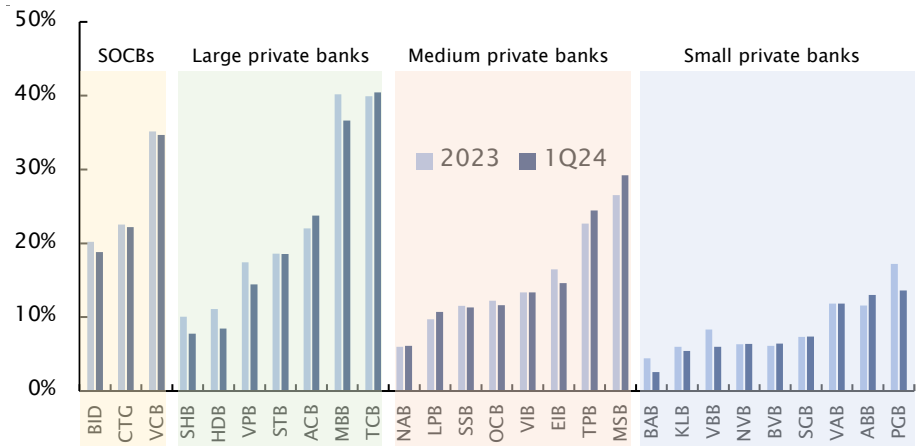
**Figure 7: 1Q24 Provisioning (% YoY)**



Source: FiinPro-X, Yuanta Vietnam

**Banks with high CASA ratios are better positioned** -- VCB (34.7%), MBB (36.6%), and TCB (40.5%) – to manage COF compared to others. ACB merits a special mention here for its increased CASA ratio of 23.8% (+82bps QoQ).

**14: CASA ratios among banks**

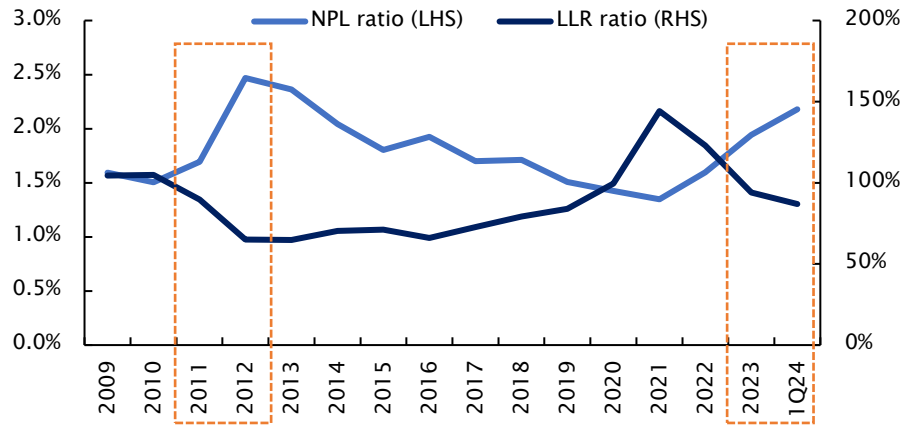


Source: FiinPro, Yuanta Vietnam

**Mixed provisioning policies.** Sector credit cost was VND32 tn (-5% QoQ/ but +7% YoY) in 1Q24. Most banks increased provisioning YoY to address rising NPLs.

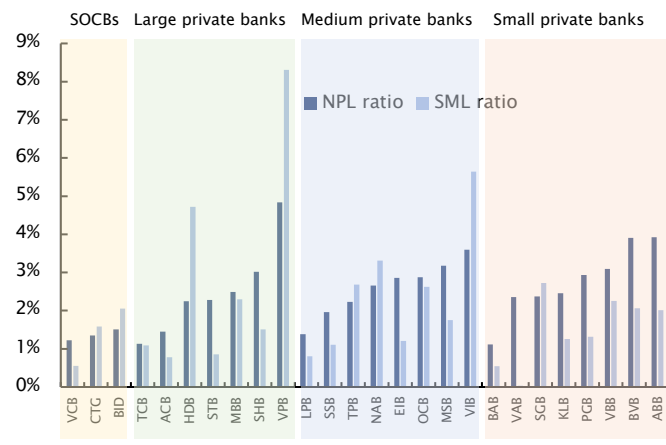
**The sector NPL ratio increased by +24bps YTD to reach 2.18%, while the LLR ratio decreased by -7ppt YTD to 87% in 1Q24.** However, we expect asset quality to improve along with the economy in 2Q-4Q24. If so, banks that have made substantial provisions may see reversals, probably in 4Q24, which would boost their full-year earnings.

**18: Sector's NPL and LLR ratio from 2009 to 1Q24**



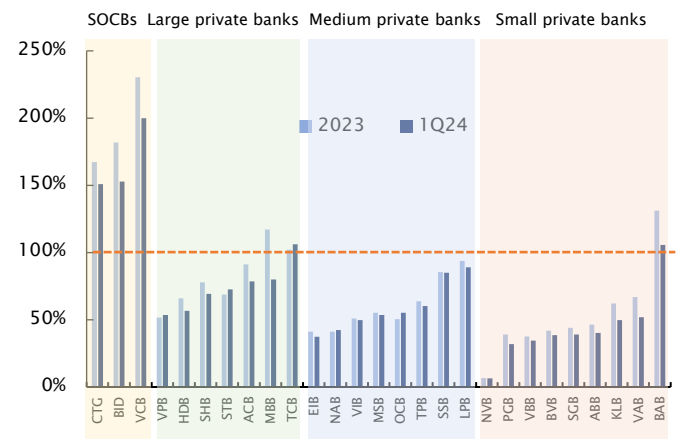
Source: FiinPro-X, Yuanta Vietnam

**Figure 19: NPL and SML ratios among banks in 1Q24**



Source: FiinPro-X, Yuanta Vietnam

**Figure 20: LLR ratios among banks**



Source: FiinPro-X, Yuanta Vietnam

**Screening for underpriced banks:** NAB, STB, LPB, TCB, VPB, TPB, MBB, OCB, ACB, and VIB look attractive on our screen. (see page 11 of the note linked below for details).

Banks	PB	ROE_TTM	Average ROE_5Y	NIM	CASA ratio	Tier 1 Capital	Dividend yield	HTM securities/Assets	Corporate bonds/Assets	Rating	Scores
KLB VN	0.70	10.0%	8.9%	2.58%	5.4%	7.6%	0.0%	4.1%	0.9%	★	1
PGB VN	1.71	4.9%	5.6%	2.42%	13.6%		0.0%	1.1%	0.0%	★★	2
VBB VN	0.81	7.9%	8.7%	1.47%	6.0%	8.7%	0.0%	15.0%	0.0%	★★	2
BAB VN	0.98	7.6%	8.6%	1.81%	2.6%	7.0%	0.0%	0.0%	1.7%	★★	2
BVB VN	1.06	1.6%	4.4%	2.08%	6.4%	8.6%	0.0%	5.0%	0.0%	★★	2
SGB VN	1.11	5.6%	4.4%	2.92%	7.4%	17.2%	0.0%	12.6%	0.0%	★★	2
SSB VN	1.72	13.0%	13.9%	2.90%	11.3%	13.8%	0.0%	0.0%	0.2%	★★	2
NVB VN	1.02	-14.1%	-2.2%	0.53%	6.4%	N/A	0.0%	5.4%	0.0%	★★★	3
VAB VN	0.66	9.1%	9.1%	1.96%	11.8%	8.9%	0.0%	0.0%	0.0%	★★★★	3
EIB VN	1.33	8.8%	8.7%	2.43%	14.6%		0.0%	0.0%	0.0%	★★★★	3
BID VN	2.25	18.1%	15.1%	2.49%	18.8%	6.0%	0.0%	4.1%	0.3%	★★★★	3
ABB VN	0.60	0.9%	11.3%	1.85%	13.0%	10.7%	0.0%	0.0%	0.1%	★★★★★	4
CTG VN	1.35	15.7%	16.0%	2.81%	22.2%	6.8%	0.0%	0.3%	0.2%	★★★★★	4
VCB VN	2.93	19.1%	22.3%	3.05%	34.7%	10.4%	0.0%	4.7%	0.6%	★★★★★	5
SHB VN	0.79	15.1%	15.7%	3.28%	7.8%	8.9%	0.0%	7.9%	2.4%	★★★★★	5
HDB VN	1.42	24.1%	22.5%	4.55%	8.5%	10.0%	3.7%	3.6%	2.0%	★★★★★	5
MSB VN	0.87	14.5%	15.1%	3.67%	29.2%	12.7%	0.0%	0.0%	0.5%	★★★★★	5
NAB VN	1.09	18.0%	17.0%	3.31%	6.1%	7.2%	0.0%	4.7%	0.1%	★★★★★	6
STB VN	1.08	16.9%	12.4%	3.54%	18.5%	7.9%	0.0%	7.9%	0.0%	★★★★★	6
LPB VN	1.41	18.8%	17.5%	3.09%	10.7%	10.0%	0.0%	0.0%	0.0%	★★★★★	6
TCB VN	1.24	14.8%	18.4%	3.81%	40.5%	14.8%	0.0%	0.0%	4.7%	★★★★★	6
VPB VN	1.06	8.1%	18.2%	5.22%	14.4%	16.5%	5.4%	0.8%	3.8%	★★★★★	6
TPB VN	1.16	13.5%	21.5%	3.98%	24.5%	11.0%	10.0%	0.0%	2.6%	★★★★★	6
MBB VN	1.22	21.2%	23.1%	4.23%	36.6%	9.7%	1.9%	0.6%	4.1%	★★★★★	6
OCB VN	0.96	14.8%	20.5%	3.32%	11.6%	12.9%	0.0%	0.0%	1.3%	★★★★★	7
ACB VN	1.44	21.7%	24.8%	3.63%	23.8%	12.9%	3.1%	3.0%	0.0%	★★★★★	7
VIB VN	1.42	22.0%	28.2%	4.25%	13.4%	9.3%	5.8%	0.0%	0.1%	★★★★★	7
Median	1.11	14.5%	15.1%	3.05%	13.0%	9.8%	0.0%	0.8%	0.2%		
Average	1.24	12.3%	14.4%	3.01%	15.6%	10.4%	1.1%	3.0%	1.0%		

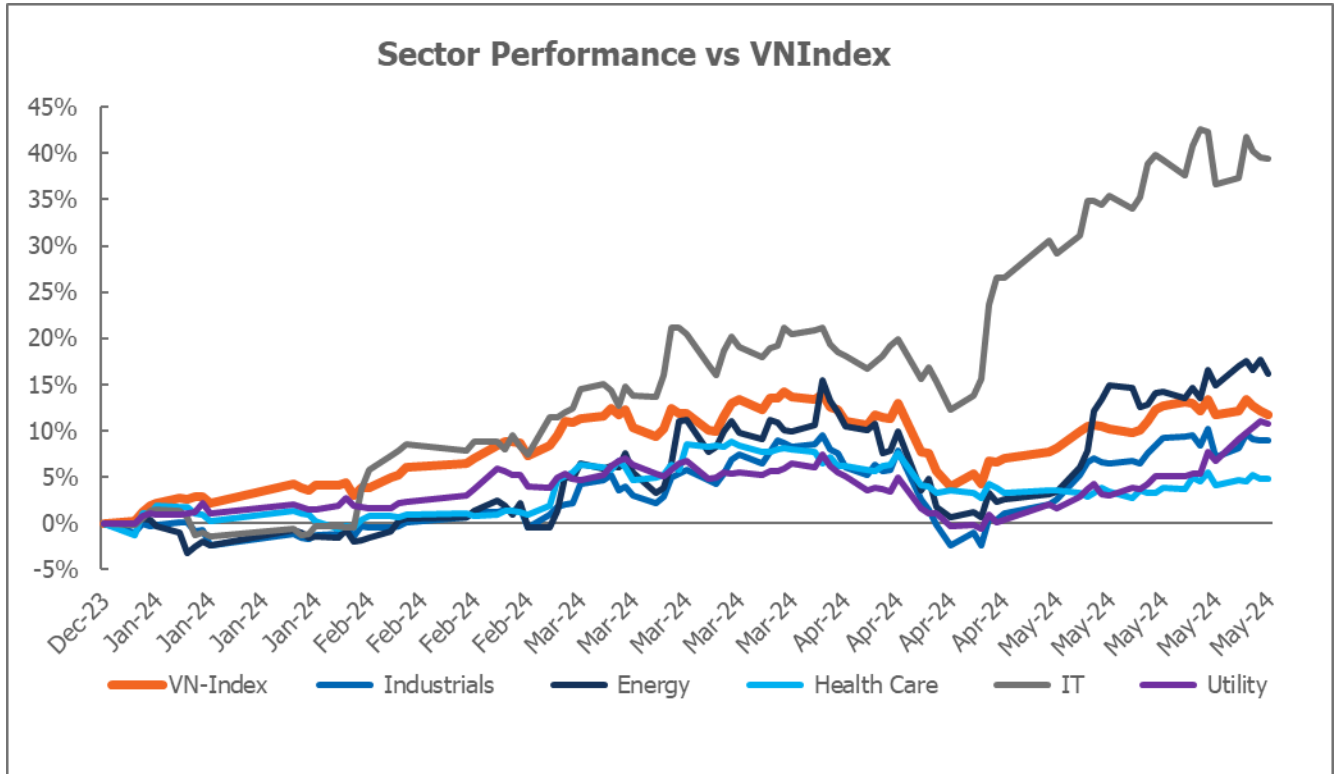
Source: FiinPro-X, Bloomberg, Yuanta Vietnam

**We remain Overweight banks** given 1) anticipation of rising credit growth; and 2) cheap valuations, with a sector median 1.1x 2024E PB and ROE of 18%. We have BUY ratings on ACB, MBB, HDB, VCB, and VPB.

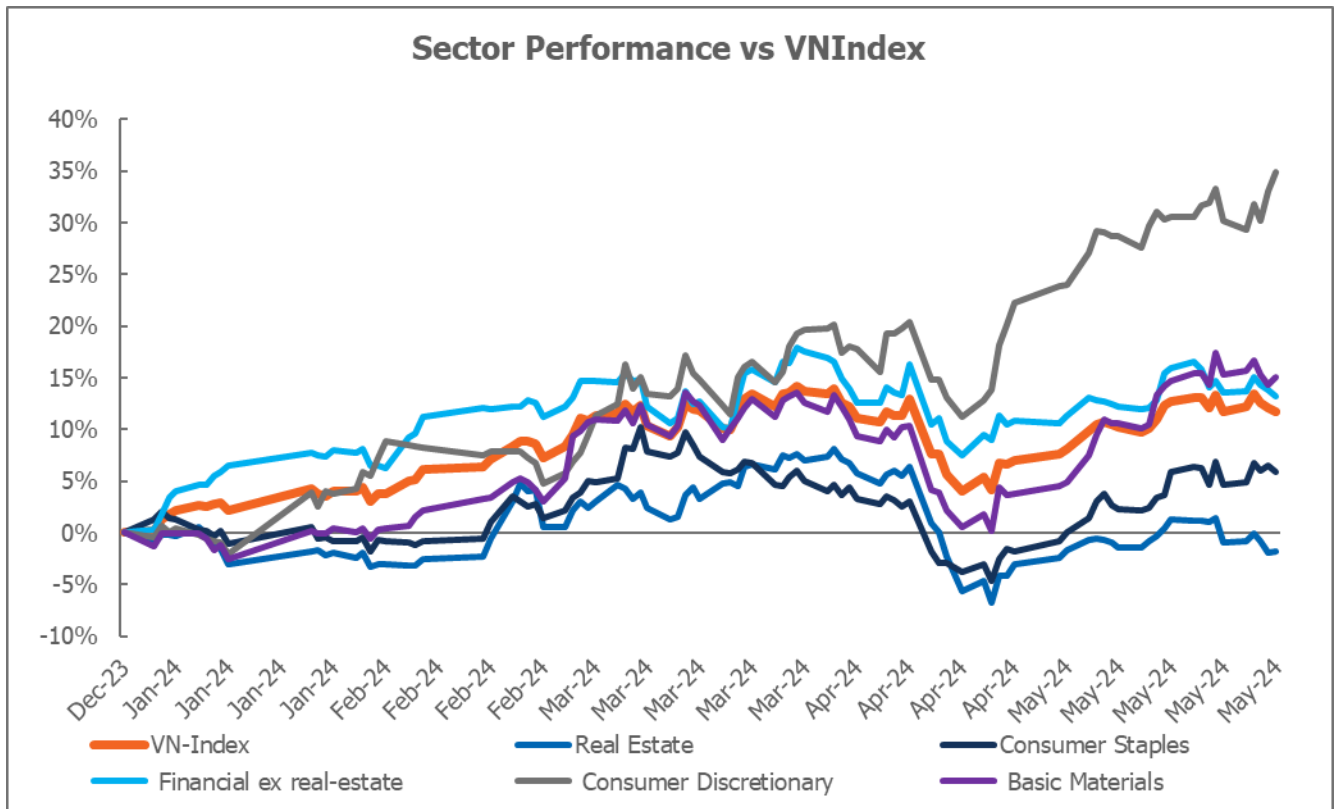
**Primary risk** to our positive view: The ongoing impact of the real estate markets on asset quality remains uncertain. Our view is that NPLs are a lagging indicator of the property cycle, which we believe will improve only in 2H25.

Please see the link for the full report: <https://yuanta.com.vn/wp-content/uploads/2024/05/Bank-Sector-Update-1Q24-5.pdf>

Sector performance YTD



Source: Bloomberg (updated to May 31)

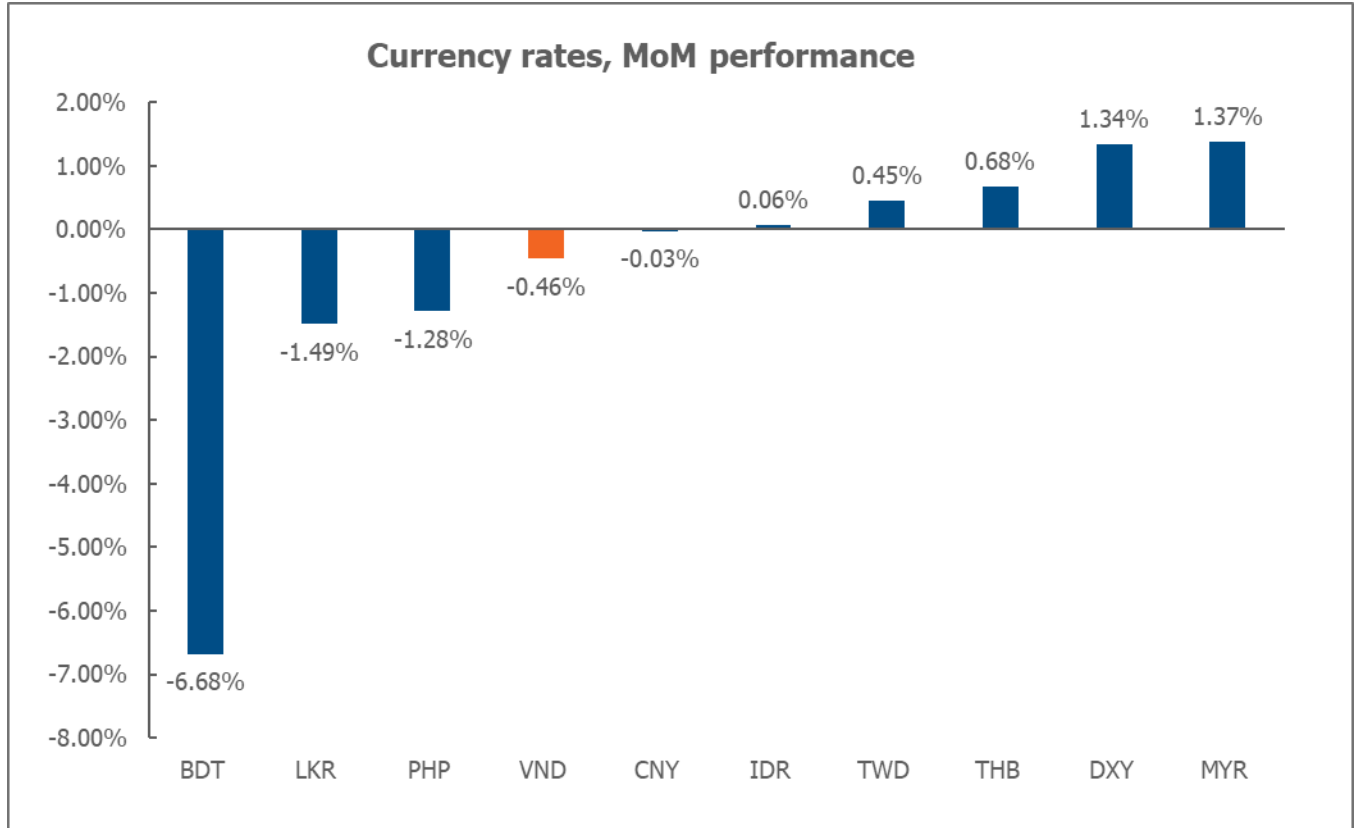


Source: Bloomberg (updated to May 31)

## VND depreciation – Reasons for hope, but it’s still a key risk to shares

Nothing new here -- the dong depreciated by another 46bps vs. the USD in May. The weakness in the VND has been more or less in line with regional peer currencies YTD, but the continued decline in May vs. the stronger THB and IDR remain a cause for worry – especially given that the May CPI result is now pushing up against the high end of government’s full-year target range.

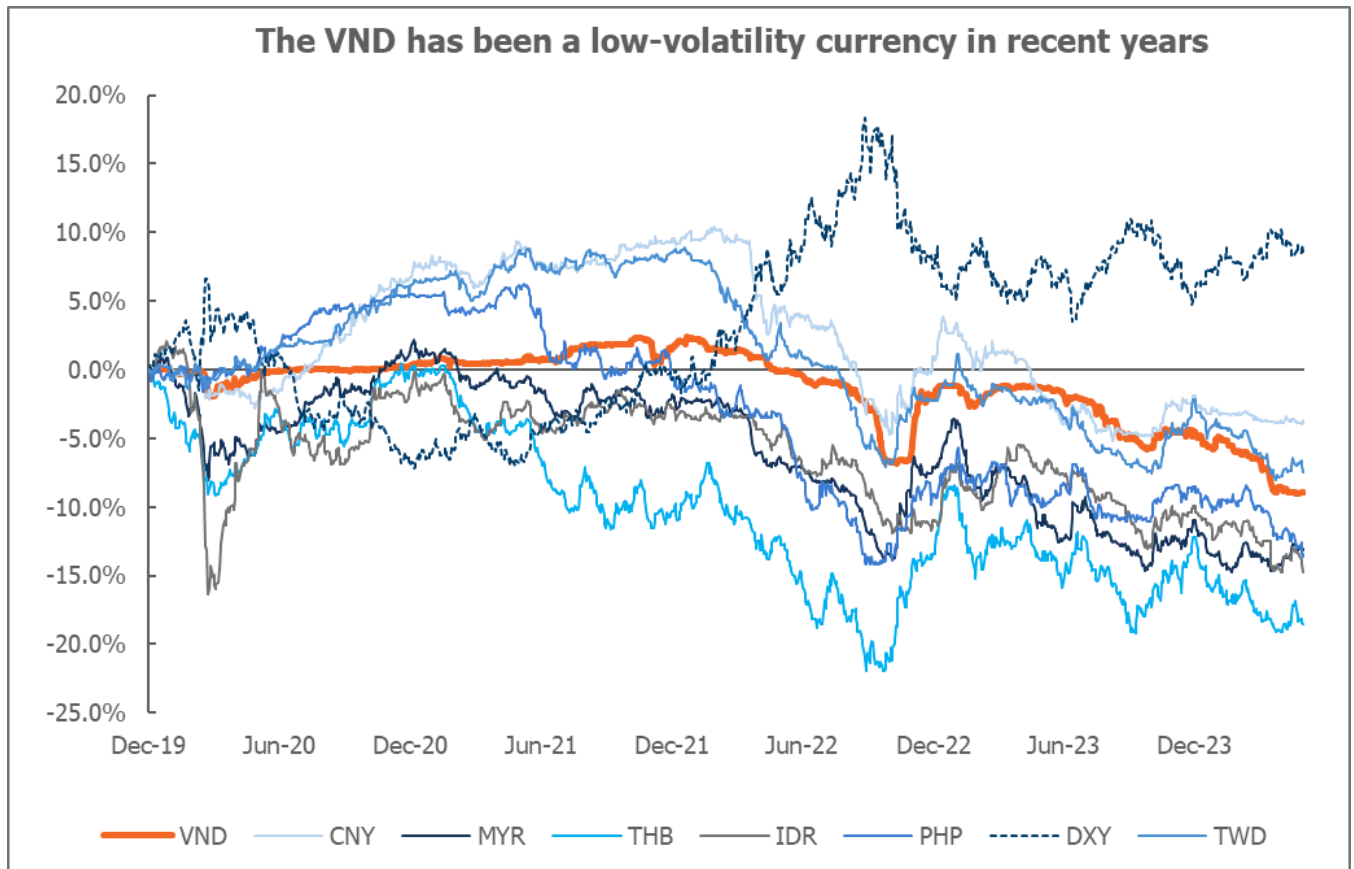
Obviously, USD strength means that currencies come under pressure across the region, so this issue is not specific to Vietnam. We believe the overall depreciation pressure is likely to persist given a combination of interest rate differentials (i.e., positive real returns of US government short-term debt) and a shift away from the widely held belief that the US Fed is set to pivot back to ZIRP despite the persistent inflationary pressures in the US and lack of economic need for immediate rate cuts.



Source: Bloomberg (updated to May 31)

As such, the VND has now declined against the US dollar by 465bp YTD / -7.71% aa at end-May.



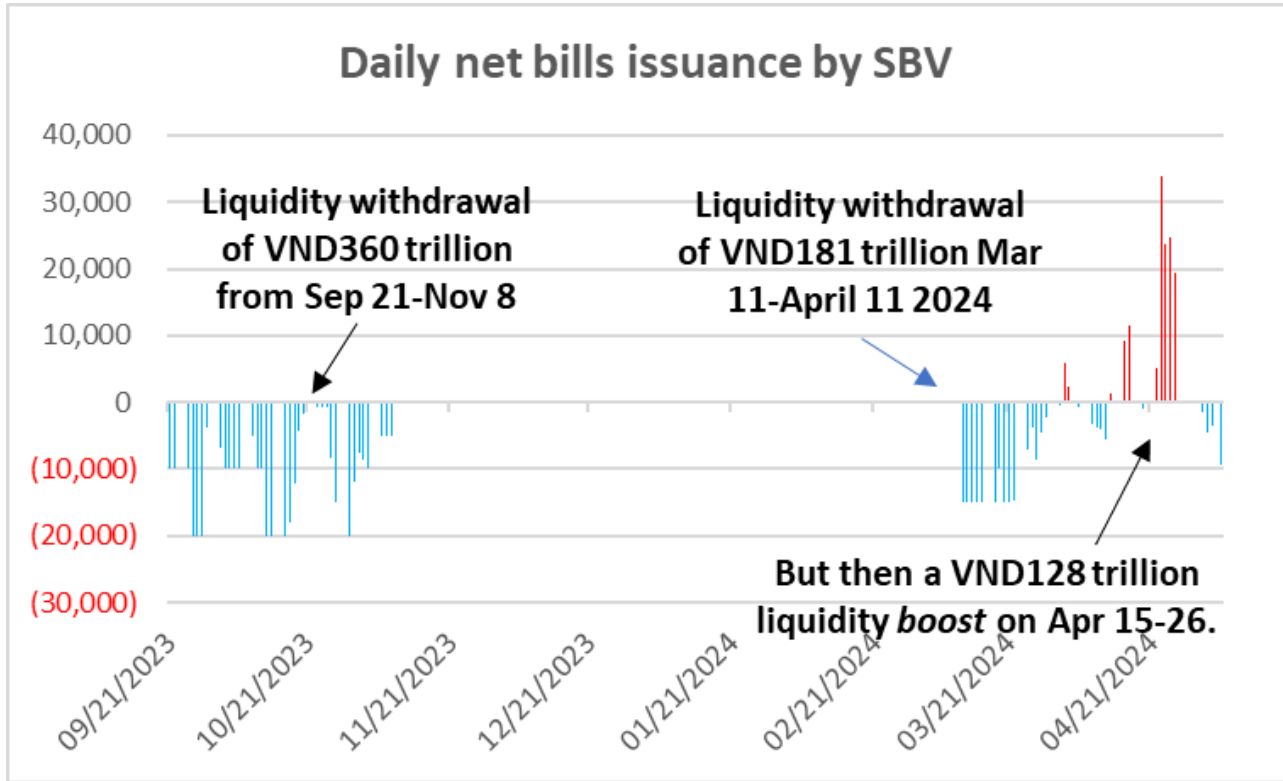


Source: Bloomberg (updated to May 31)

Higher-for-longer Fed rates implies continued VND depreciation pressure, but our view is that the SBV is unlikely to allow the currency to slide materially from here. As illustrated in the chart above, the central bank has actively managed the currency for stability in recent years (and certainly over the past decade).

For Vietnam stock investors, this assumption is not really good news (if we're right) because the likely mechanisms to shore up the dong may be more strident going forward than what we saw in April and May.

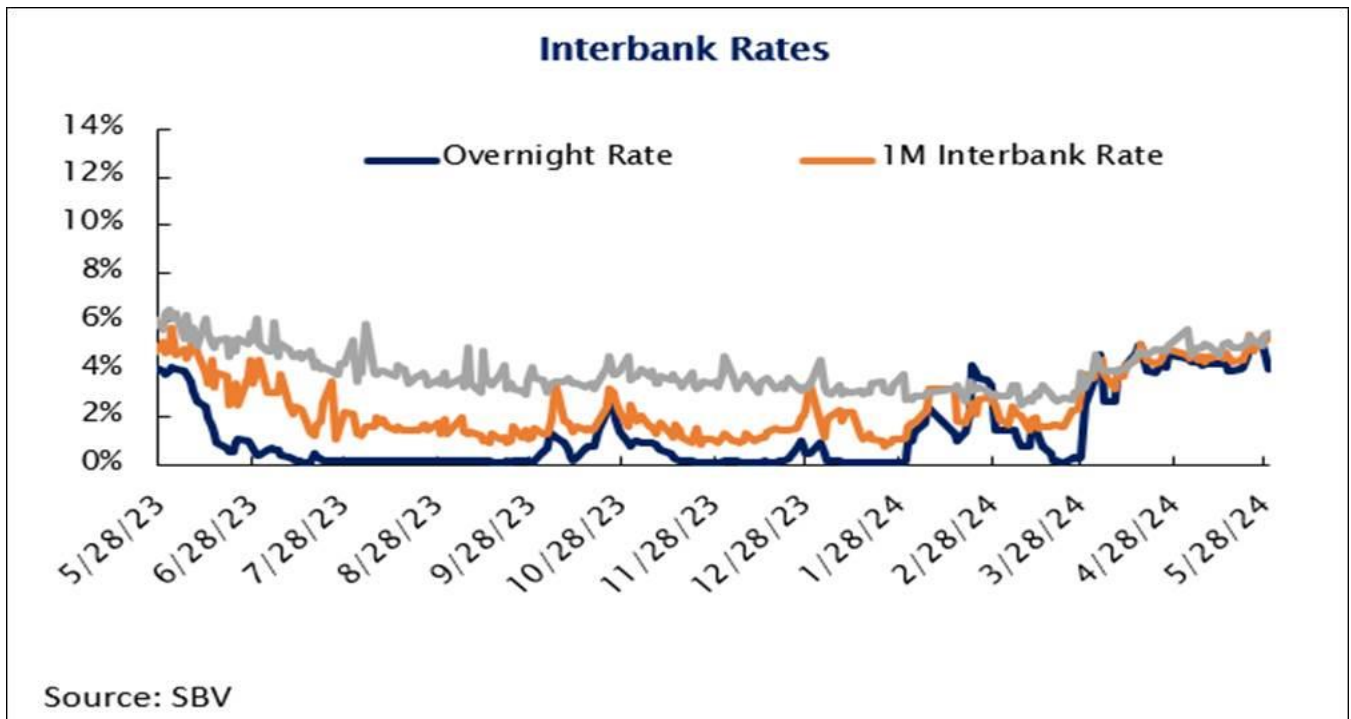
On the other hand, the stridency of any further SBV actions are likely to be constrained by the desire to ensure reasonable strength in the domestic economy and the need to support troubled borrowers in areas such as real estate.



Source: SBV, Yuanta Vietnam

### Banks – Rates fell a bit, but remain quite high

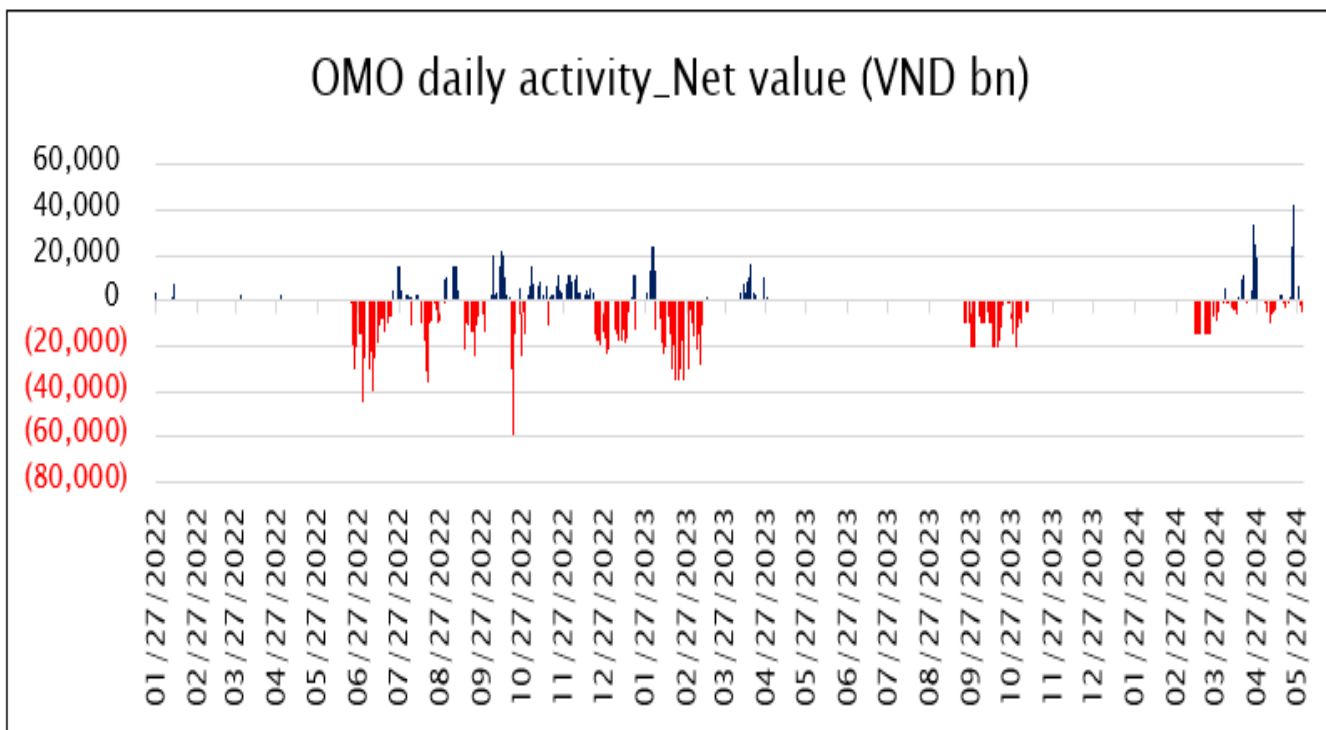
- The overnight interbank rate declined by -1.07ppt to 4.03% on May 29.



Source: SBV

- The SBV raised the T-bill rate by another +5bps to 4.25%.

- As of May 31, the current outstanding amount (excluding those that have matured) that the SBV has injected into the financial system is VND81,767 bn (USD3.2 bn), and the outstanding amount withdrawn from the system is VND64,690 (USD2.6 bn). Net-net, the SBV injects VND17,077 bn (USD675 mn) as of May 31, 2024.



Source: SBV

**From our June 3 Strategy report: “Starting from Jun 3, the SBV will sell gold directly to four state-owned banks, which in turn can sell gold directly to clients. This is an effort by the SBV to narrow the gap between domestic and international gold prices...**

This will somewhat reduce USD demand for importing gold, supporting the VND currency.”

To be honest, we weren’t convinced in our heart-of-hearts that this SOE bank gold selling would actually happen as scheduled – but it did.

Consumer analyst Di Luu, who covers jewelry retailer PNJ, reports that the SBV on June 3 sold SJC gold at VND 78.98 million per tael to the banks, and the banks sold the same to customers at VND 79.98 million per tael (i.e., the banks’ gross margin on this product is around 1.2-1.3%).

The Vietnam gold premium thus declined to 10% on Monday from the previous Friday’s level of 17-18%.

On Jun 4, SBV further reduced its gold price to VND 77.98 million per tael (-VND 1 million DoD or -1.3% DoD) despite the flat DoD global gold spot price of USD 2,348 per ounce. Thus, the Vietnam physical gold premium decreased to just c.9% by the end of Tuesday, June 4.

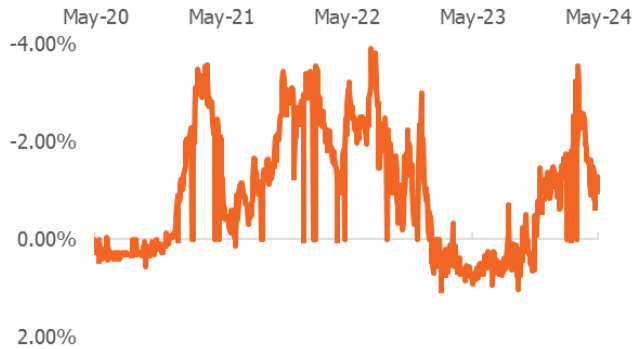
Di observes that gold demand has been high on the first two days of bank sales, with customers queuing up to buy what is now cut-rate gold at the banks. The Big 4 banks allow gold buyers to put down a 50% deposit when buying more than 3 taels, with pick-up of the gold set for the subsequent day.

This seems like an eminently sensible policy to us (perhaps even more so because we have been suggesting the same policy since learning about how the Vietnam gold premium drives demand for US dollar cash – and thus exacerbates VND depreciation. Our observation has been that demand for cash USD tends to increase when the gold price premium pushes substantially higher than 10%, so reducing

the premium to a sub-10% level should help to alleviate this unnecessary additional pressure point on the Vietnam dong.

## US dollar cash premium soared in April but settled down toward the end of May.

Cash rate vs bank rate for buying USD with VND



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

## The overall downtrend in the official rate – led by the Grey Market rate – has thus eased.

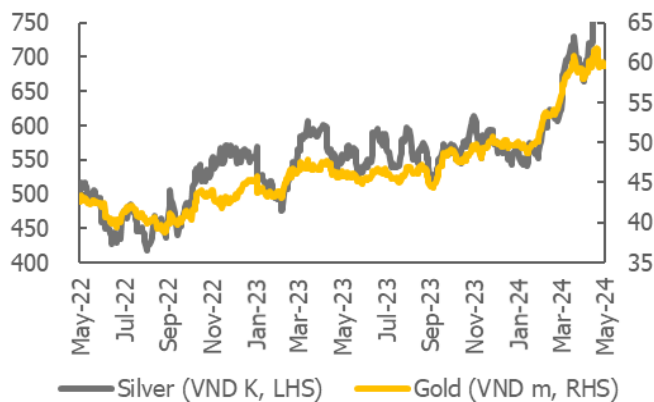
VND rates to buy USD



Source: FiinPro, Yuanta Vietnam

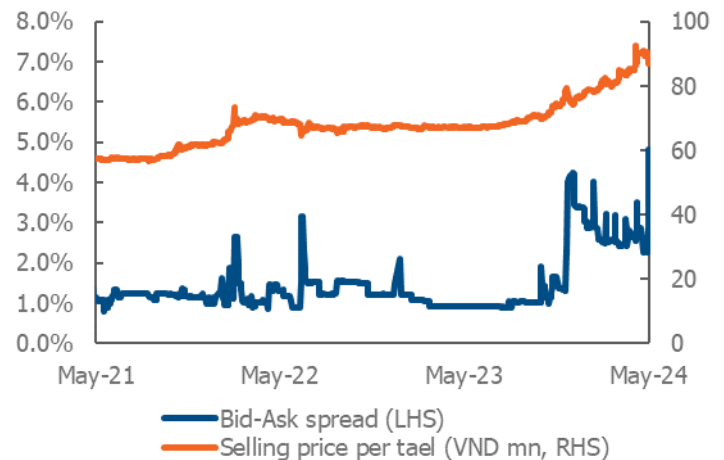
## Global USD gold prices have been on a tear. The gains are even more solid for VND investors.

Precious metals in VND terms

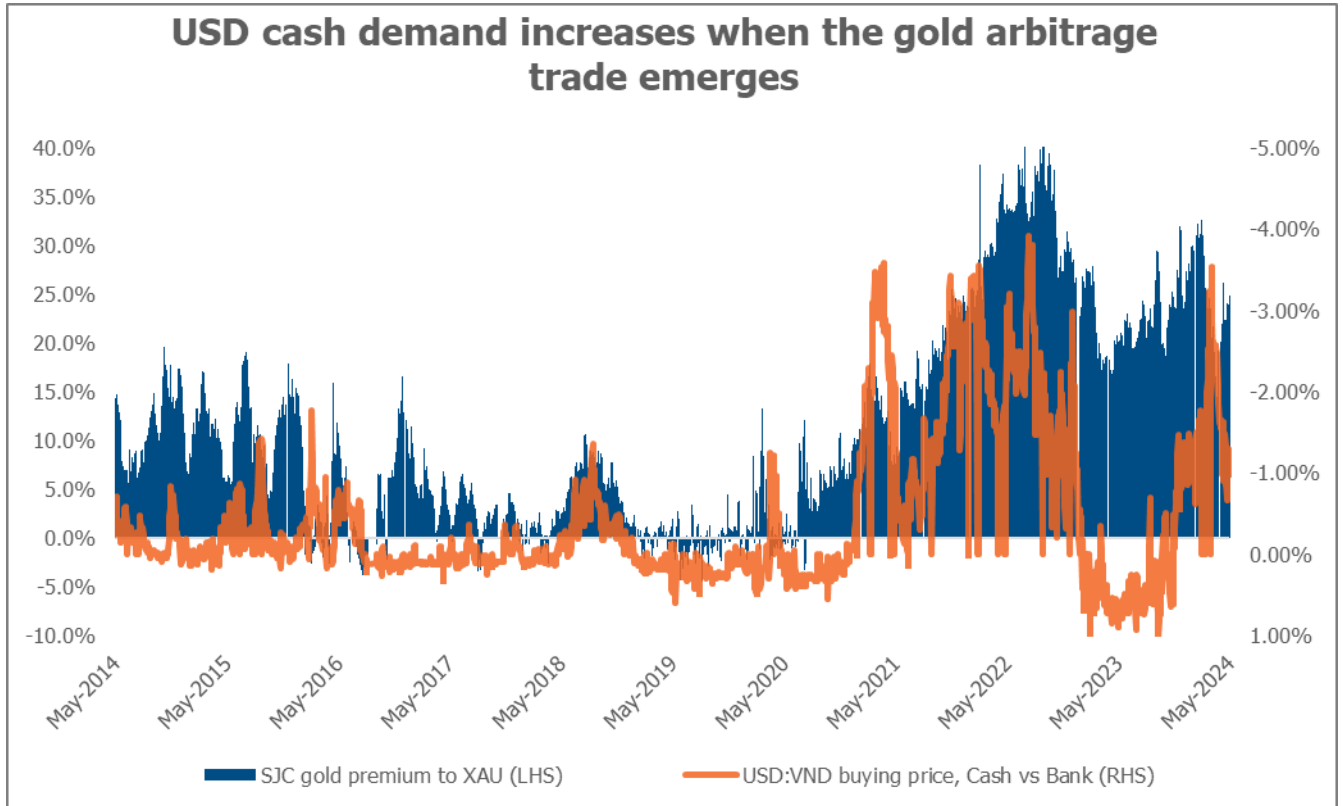


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

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



Source: FiinPro, Yuanta Vietnam



Source: FiinPro, Bloomberg, Yuanta Vietnam (updated to May 31)

# Macro Update – Improved external demand likely to fuel economic growth

--Binh Truong, Deputy Head of Research

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**Highlights of the GSO macro data for May and 5M24 – Small daily improvements over time lead to stunning results.**

- Impressive growth in manufacturing output boosted industrial production in May.
- The May PMI indicated expansion in industrial output for the second consecutive month, underpinned by increased new orders.
- Manufacturers report increased export orders, but at a softer rate than that of total new orders.
- Total trade in 5M 2024 reached US\$306 billion, up +17% YoY.
- This highlights that external demand remains the key driver of GDP growth so far this year.
- Disbursed FDI in 5M24 rose by +7.8% YoY to reach USD 8.25bn, a record high.
- Retail spending in May expanded by +9.5% YoY, the highest growth rate since November 2023. Hospitality services was the key driver.
- International arrivals to Vietnam reached 7.6 million persons in 5M24, up +64.9% YoY.
- This surge in tourism has been a factor in the recent rally of airlines and air transportation services stocks: **ACV (+24.1% MoM)**, **HVN (+61.2% MoM)**, **AST (+12% MoM)**, although **VJC (+3% MoM)** failed to sustain its rally through the end of the month.
- Improved domestic demand is good news for retailers such as **MWG (BUY)**, **FRT (BUY)**, and **PNJ (HOLD-Underperform)**.
- Global oil prices have cooled off. Is inflation at a plateau? It's too early to conclusively say, in our view. We continue to see CPI as a potential headwind for both the macro and share market performance going forward.

## Manufacturing growth extends in May boosting Industrial production

The GSO reports an impressive **+10.6% YoY growth in manufacturing output in May**, a substantial improvement from last month's growth of +7% YoY. Manufacturing has clearly been the key driver of Index of Industrial Production (IIP) growth of +3.9% MoM / +8.9% YoY in May.

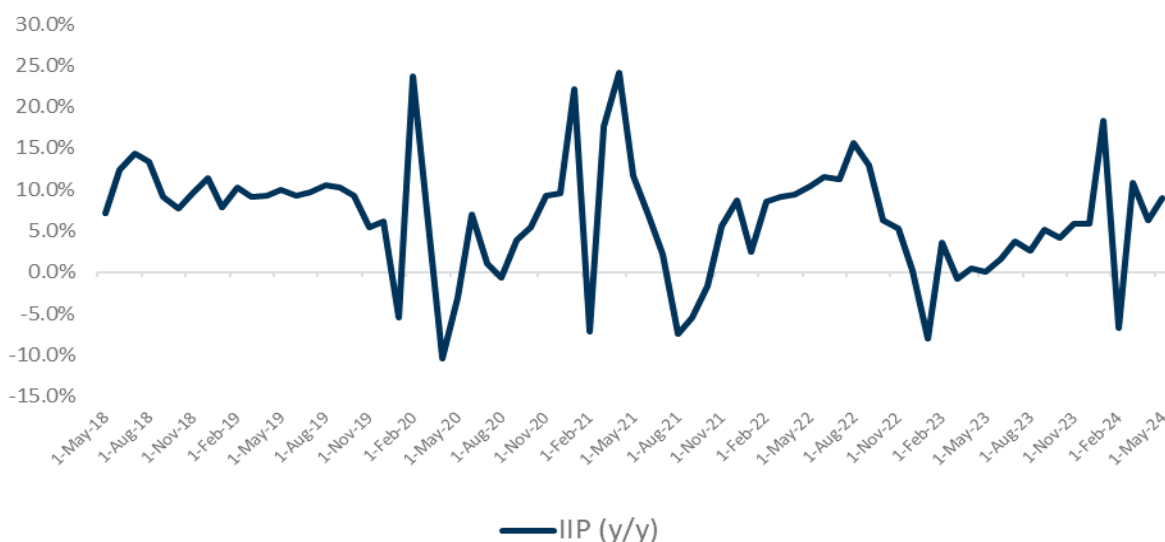
**In aggregate, 5M24 IIP expanded by +6.8% YoY**, a substantial improvement from the -2.0% YoY contraction in output during 5M23. Specifically, in the first five months of 2024:

- Processing and manufacturing output increased by +7.3% YoY in 5M24 (vs. a decline of -2.6% YoY in 5M23).
- Electricity production and distribution activity increased by +12.7% YoY (vs. +1.2% YoY in 5M23). Notably, EVN reported record high national daily electricity consumption of 1bn kWh on May 28, primarily due to the extreme heat across Vietnam.
- Water supply, waste, and wastewater management output grew by +6.3% (vs. +5.9% in 5M23).
- Mining output decreased by -5.2% YoY (worse than the 5M23 decline of -2.4%). Mining was the only industrial subsector to post a YoY contraction in year-to-date output.

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### Index of Industrial Production remained solid in May thanks to manufacturing

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Source: GSO

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**In terms of the product mix, 5M24 output expanded across several sectors.** Notably, output of 1) corner steel bars jumped by +33.8% YoY, 2) natural fabric was up +20.2% YoY, 3) smart watches was up +19.7% YoY, 4) rolled steel grew by +18% YoY, 5) urea fertilizer sprouted by +14.6% YoY, and 6) NPK fertilizer was up by +12.6% YoY.

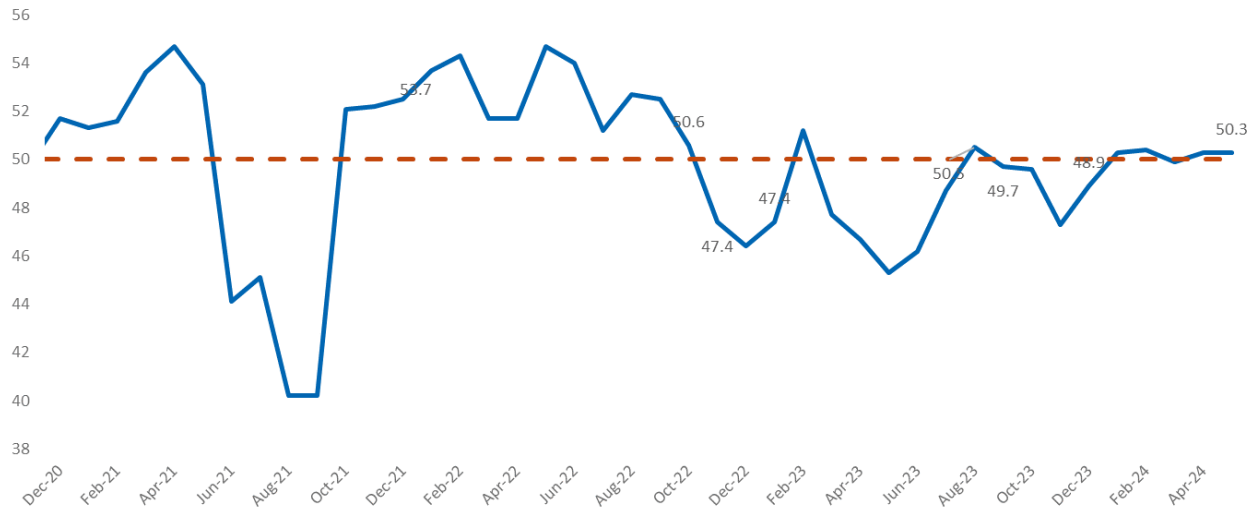
By contrast, production of a few products declined in 5M24: Output of 1) liquified petroleum gas (LPG) dropped by -21.2% YoY, 2) natural gas in gaseous form declined by -15.6% YoY, 3) TVs decreased by -10.4% YoY, and 4) raw steel fell by -5.2% YoY.

As we have emphasized repeatedly, we believe that industrial production is on the way back to strong growth, backed by solid demand from both the domestic and export markets.

## Manufacturing PMI points toward modest expansion on new orders

S&P Global's Vietnam Manufacturing Purchasing Managers' Index (PMI) remained unchanged at 50.3 in May, signaling the second consecutive marginal monthly improvement in business conditions backed up by improved total new orders.

### May's manufacturing PMI points toward expansion for the second month in a row



Source: S&P Global

New orders increased solidly again in May as strengthening demand helped firms to secure customers and bring in new business. However, the rate of expansion in May was slightly softer than it was in April.

New export orders also increased, but at a pace that was slightly behind that of total new orders. The improvement in export orders is in line with the ongoing improvement in export turnover growth as seen in May and 5M24. The increase in export orders triggered manufacturers to expand production in May.

Purchasing activities also expanded in May although manufacturers recorded a fall in employment. This is in line with increased gross imports, around two thirds of which are inputs for export manufacturing, according to the GSO.

As we anticipated, the global inventory problems of 2022-23 are now history, which should result in a continued export recovery and thus manufacturing output going forward.



## Export outlook remains positive despite substantial merchandise trade deficit in May

Vietnam recorded a net merchandise trade deficit of USD1.0bn in May, the largest since deficit number since May 2022 (US\$-1.7bn), mainly driven by merchandise imports of US\$33.8bn (+12.8% MoM and +29.9% YoY). Merchandise exports reached USD 32.8bn (+5.7% MoM / +15.8% YoY).

As discussed in our previous Monthly Market Roundup and macroeconomic reports, monthly merchandise imports may exceed exports in 2Q24, as manufacturers gear up to meet 2H24 seasonal demand.

Given that around two-thirds of imports are attributable to FDI manufacturers (whose target markets are external, not Vietnam), the trade deficit in May (and likely in both June and the entirety of 2Q24) should be interpreted as a positive signal for overall manufacturing output and the total trade surplus in 2024.

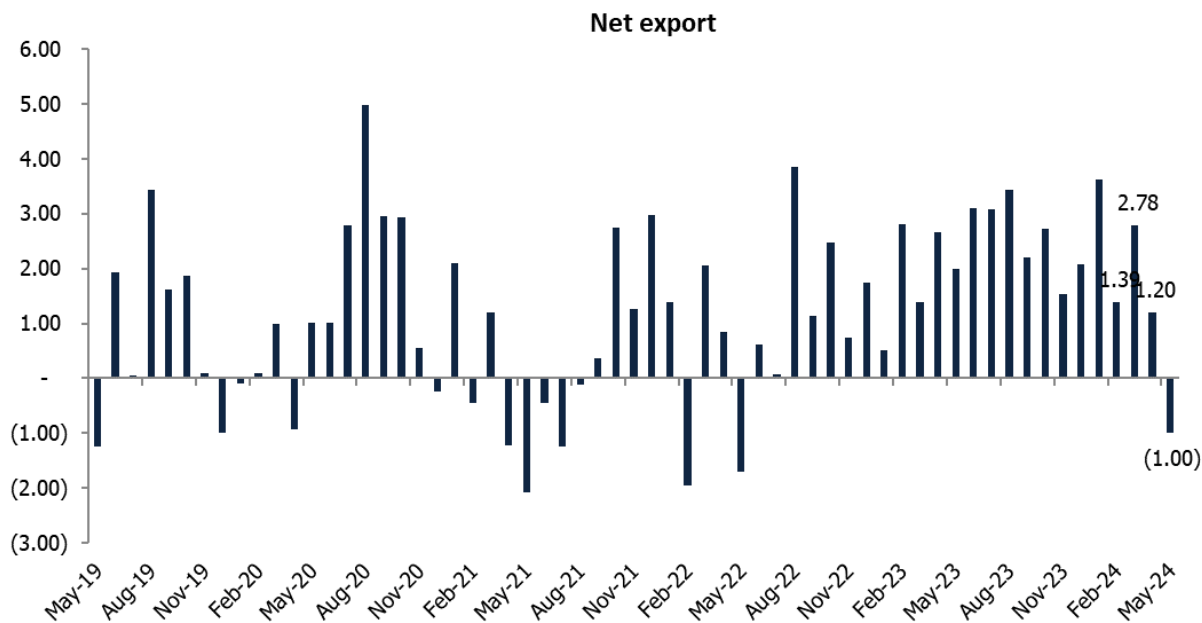
Vietnam posted a 5M24 merchandise trade surplus of USD 8.0bn driven by exports of USD 156.8bn (+15.2% YoY) and imports of USD 148.8bn (+18.2% YoY). Vietnam recorded total merchandise trade in 5M24 of US\$306 billion, up +17% YoY. We don't have 5M24 services trade numbers (which are only available on a quarterly basis) but we estimate that the total trade surplus should be about US\$4- 5bn in 5M24, or 1% of full-year GDP.

Global inventory replenishment is likely to be the key catalyst for merchandise exports. The merchandise trade surplus should result in a surplus of trade overall (i.e., goods and services), which should also support the VND -- or at least limit its depreciation, in our view.

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### Vietnam recorded a merchandise trade deficit of USD 1.0bn in May 2024

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Source: GSO

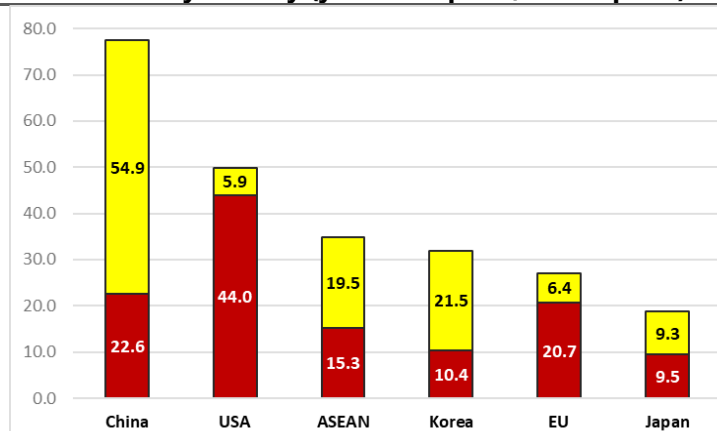
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**The USA remains Vietnam's largest export market in 5M24.** Merchandise exports to the USA rose by +21.0% YoY to reach US\$44.0bn 5M24, for a merchandise trade surplus of US\$38.1bn with the United States.

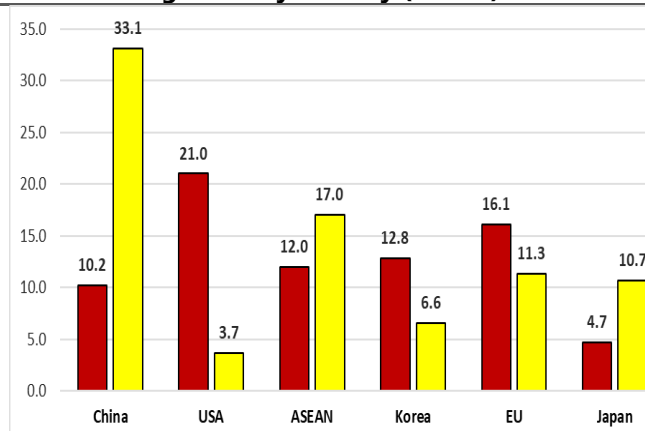
The corollary to the US trade surplus is that Vietnam’s merchandise trade deficit with China reached US\$32.3bn in this period. Gross merchandise imports from China were US\$54.9bn (+33.1% YoY) in 5M24.

We try to read as widely as we can, and frequently come across commentary to the effect that the “Global South” has replaced the United States as a market for Chinese exports. We believe that Vietnam’s position in recent years, in which it has developed a vast trade deficit with China and a monumental trade surplus with the United States, suggests a different conclusion.

**5M24 Trade by country (yellow: Imports, red: Exports)**



**5M24 trade growth by country (% YoY)**



Source: GSO

Source: GSO

Four products posted 5M24 turnover of greater than USD 10bn, accounting for 51% of total merchandise exports. Unlike last year, most of the major export items this year exhibited very strong double-digit growth. Electronics (ex. mobile phones) exports grew by +33.4% YoY in 5M24, while textiles and garment export manufacturers appear to be back on a positive track (+3.3% YoY), which is good news indeed.

### Largest export items in 5M24

	Estimated 5M24 export turnover (USD mn)	% YoY growth
<b>Above USD10bn export turnover</b>		
Electronic goods, computers and their parts	27,379	33.4
Phones all of kinds and their parts	22,539	11.6
Machinery, instrument, accessory	18,441	11.8
Textiles and garments	13,116	3.3

Source: GSO

Imports are also recovering, which again is a positive indicator of future export growth because roughly two-thirds of merchandise imports comprise production inputs for export manufacturers. Two items saw import turnover exceed USD10bn in 5M24, accounting for 44% of total imports. Both items also posted double-digit percentage YoY growth.

Fabric imports, which rose 13.3% YoY, tell the tale of what appears to be happening in the textiles and apparel manufacturing industries. The majority of companies in the industry reported YoY increases in orders during May. The Vietnam Textile & Apparel Association (VITAS) targets 2024E export turnover of US\$ 44bn, which would be up by +9.1% YoY.

**TCM (Not Rated)** reports that orders are booked up to 3Q24. **TNG (Not Rated)** also reports that it is running at full capacity in 1H24 and plans for a 15% capacity expansion.

## Strong imports of electronics suggest a very positive export outlook in 2H 2024

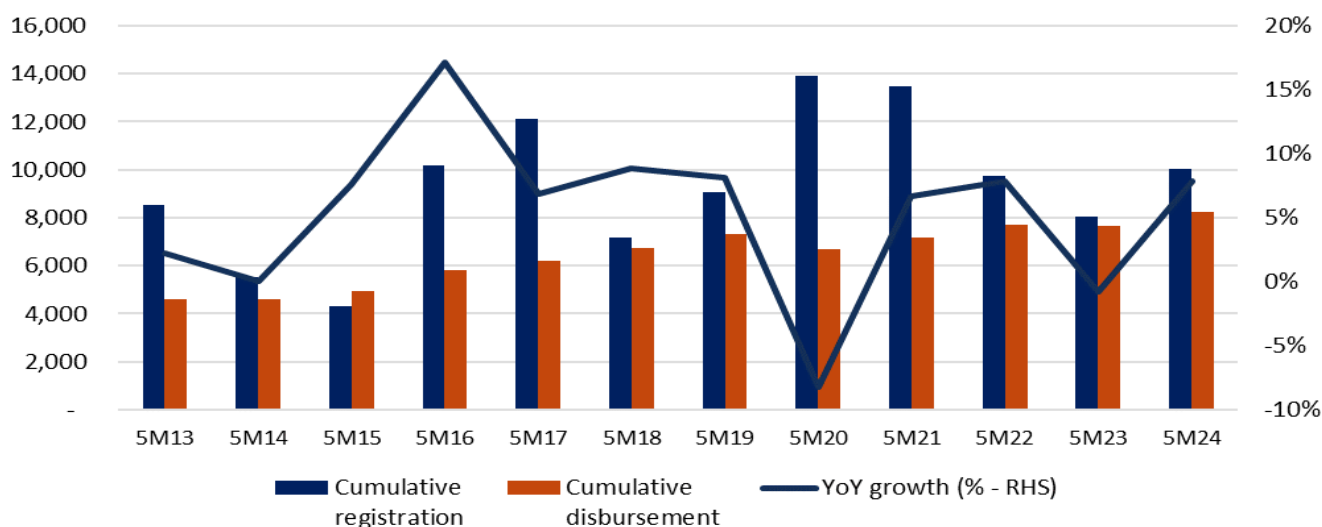
	Estimated 5M24 import turnover (USD mn)	5M24 growth... (% YoY)
<b>Above USD5bn import turnover</b>		
Electronics	40,250	27.3
Machinery	18,534	15.4
Fabric	6.04	13.3
Steel	5.045	28.3

Source: GSO

## Disbursed FDI at a YTD record high of US\$8.3 billion

Disbursed FDI rose by +7.8% YoY in 5M24 to reach USD 8.25bn, a record high. Manufacturing FDI accounted for 78.9% of total 5M24 disbursed FDI, or USD 6.5bn. Property accounted for 9.5% of the FDI mix (USD 781mn); while gas, hot water, steam, and air-conditioning accounted for 4.1% of total disbursed FDI (USD 336.2 mn) in the first five months of the year.

## FDI disbursals in 5M 2024 are up by 8% YoY



Source: GSO

**Pledged FDI rose by +2.0% YoY in 5M24** to reach USD 11.1bn. Specifically, newly registered FDI reached USD7.9bn, up by a more impressive growth figure of +27.5% YoY.

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)**.

**By contrast, state investment appears sluggish YTD, but seasonality plays a role.** Public investment in 5M24 reached VND190.6 trillion, up by +5.0% YoY. This fulfilled just 26.6% of the government’s full-year target, but this is normal seasonality: the 5M23 state investment (+21.5% YoY) fulfilled just 24.8% of the 2023 budget.

Investment by the central government reached VND 8.6 trillion in May, up by +0.5% YoY and 29.3% of the full-year budget. Provincial government investment reached VND 39.6 trillion, up by a more encouraging +3.7% YoY and 19.7% of the aggregate annual provincial budget allocation.

As a reminder, target public investment this year is set at VND 664 tn, +14.5% YoY compared to actual disbursements in 2023.

## Domestic demand growth momentum extended

**Retail sales of goods and services in May rose by +9.5% YoY** to reach VND 519.8tn. This indicates increased consumer momentum from the 9.0% YoY expansion in the previous month.

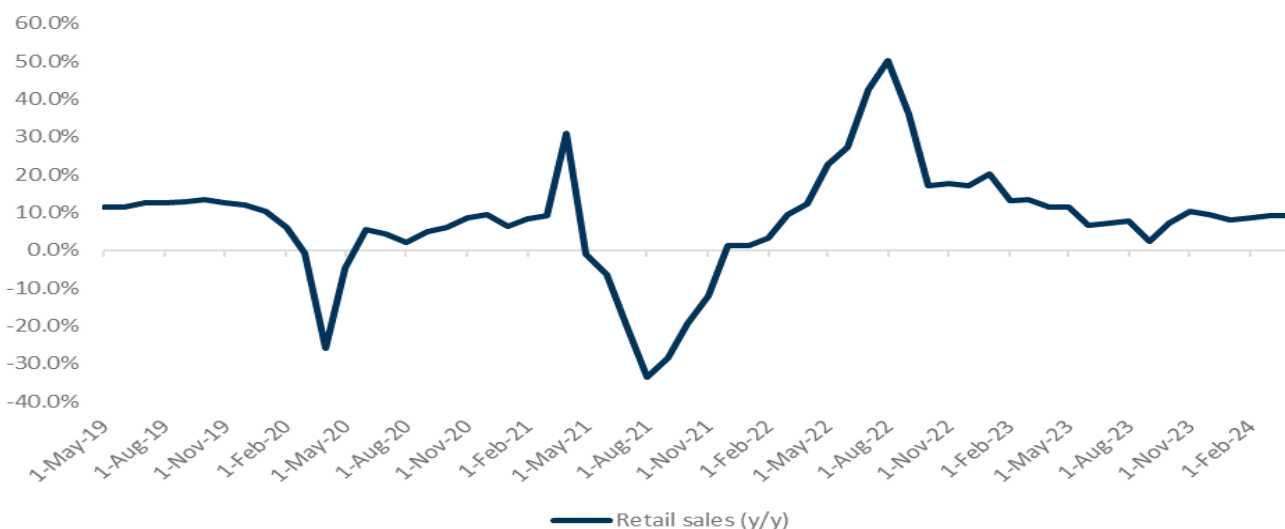
**5M24 retail sales thus grew by +8.7% YoY**, to reach VND 2,580tn. Again, this indicates increased momentum from the +8.5% YoY growth in 4M24.

Growth in retail sales was driven by hospitality and catering services, which rose by +15.1% YoY to reach VND 296.3 trillion, accounting for 11.5% of total retail spending. Tourism receipts rose by +45.1% YoY to reach VND 24.2 tn, accounting for 1% of total retail sales – but the official data under-reports the actual impact because most tourist spending is incorporated in other retail sales.

The ongoing recovery in international visitor arrivals is perhaps better illustrated by GSO figures showing that the number of international arrivals to Vietnam reached 7.6 million persons in 5M24, up +64.9% YoY. This also explains the recent rally of airline transportation services companies ACV (+24.1% MoM), HVN (+61.2% MoM) and VJC (3% MoM).

Retail merchandise purchases rose by +7.4% YoY in nominal terms (i.e., +4.5% after adjusting for inflation) to reach VND 1,998 trillion in May, accounting for 77.5% total retail sales.

### Retail sales growth remain solid in May



Source: GSO

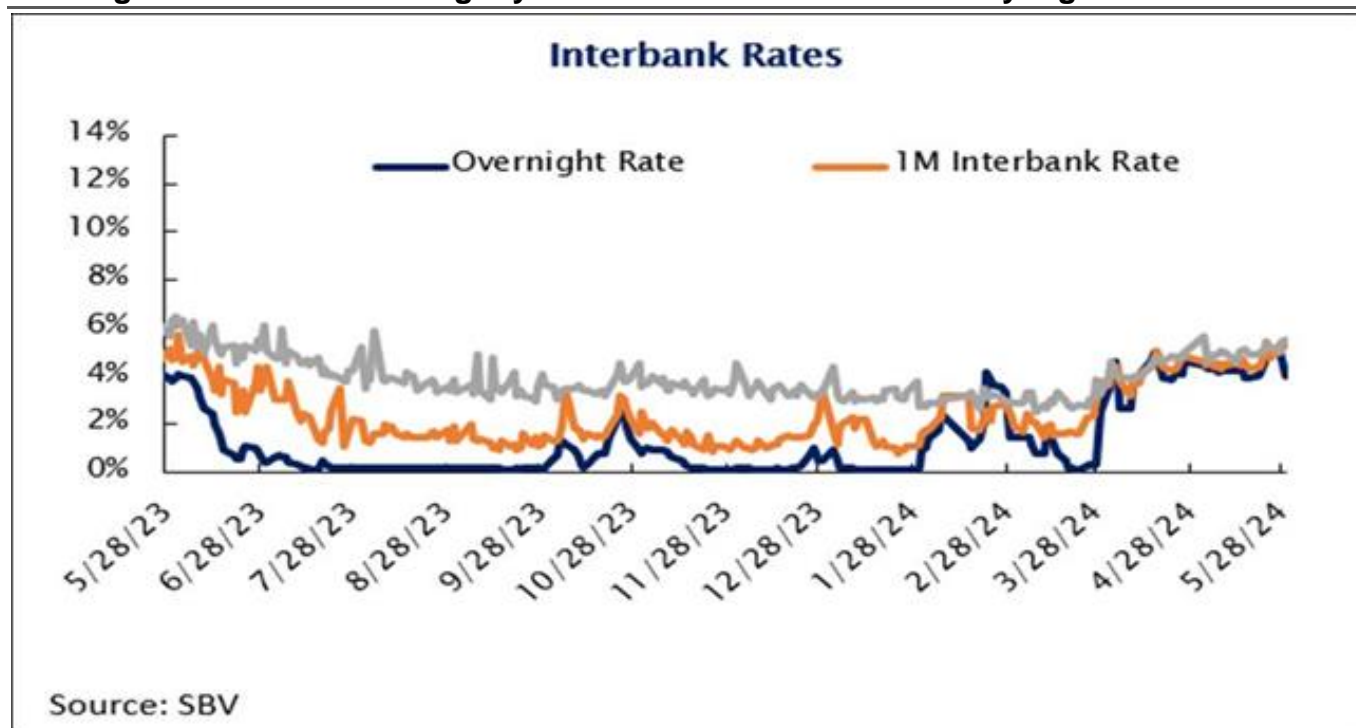
So far, the combination of loosening monetary policy (low interest rates) and government policy (i.e., the -2ppt VAT reduction in 1H24) have continued to provide support for consumer spending.

However, we see a potential risk from interest rates given the need to defend the domestic currency from depreciation pressure brought about by the real rate differential with the US dollar. Overnight interest rate fell slightly last week but remains high. The SBV raised the T-bill rate by another +5bps to 4.25%.

As of May 31, the outstanding amount (excluding bills that matured) of liquidity that the SBV has injected into the financial system is VND81,767 bn (USD3.2 bn), and the outstanding amount withdrawn from the system is VND64,690 (USD2.6 bn). Net-net, the SBV injects VND17,077 bn (USD675 mn) as of May 31, 2024.

Strong retail sales are good news for retailers such as MWG (BUY), FRT (BUY), and PNJ (Hold-Underperform) going forward.

## Overnight interest rate fell slightly last week but remains relatively high



Source: SBV

## Oil prices are no longer gushing, but has inflation reached a plateau?

Meat and electricity prices rose significantly in May, offsetting the decline in oil prices during the month.

**Thus, the GSO reports that the CPI ticked up by +0.05% MoM and by +4.4% YoY in May.** The latter figure is only slightly below the annual target average of 4.5%.

Eight out of the 11 items in the CPI basket posted increased prices on a MoM basis. Specifically, prices of --

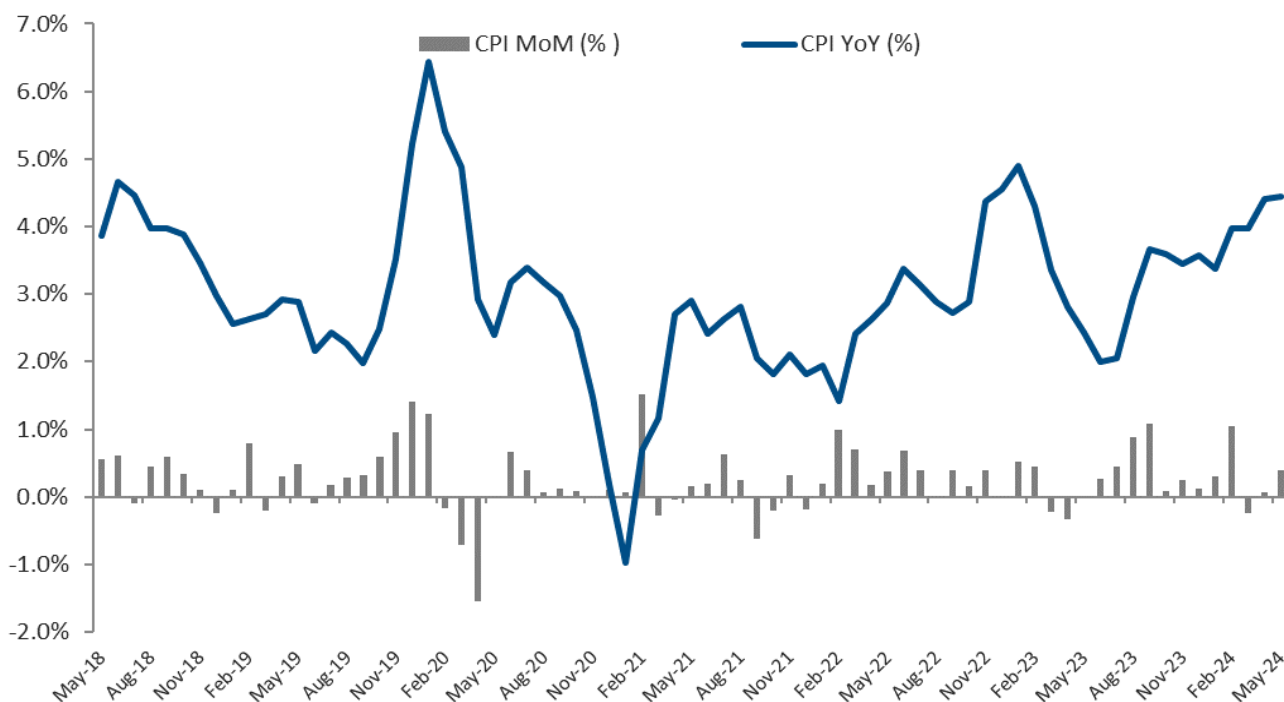
- **Food and catering services (33.56% of the basket) rose by +0.38% MoM**, in which food prices rose by +0.59% as pig prices went up on SWF, whereas grain was down -0.63% MoM.
- **Housing and Building materials (18.8% of the CPI basket) rose by +0.38% MoM** as electricity rose by +0.27% on higher demand amid the ongoing heat wave.
- **Entertainment and tourism (4.55% of the basket) rose by +0.31% MoM** as tourist packages rose by +1.2% MoM, while hospitality prices rose by +0.28% MoM.

- **Beverages and tobacco (5.7% of the basket) rose by +0.14% MoM** as demand picked up, which is likely also due to the hot weather in May.

By contrast, just two of the 11 items in the CPI basket posted reduced prices on a MoM basis in May:

- **Transport (9.67% of the CPI basket) price slid by -1.73% MoM** as gasoline fell by -4.72% MoM and diesel by -5.08% MoM.
- **Education (6.17% of the basket) fell by -0.25%** as education services slid by -0.34%, in line with Decision 97/2023/NĐ-CP – which was intended to stabilize tuition fees.
- **Post and telecom services (3.14% of the basket) slid by -0.09% MoM** as mobile phone retailers launched promotional campaigns and cut prices on old models.

## Consumer price inflation could re-emerge as a macro headwind



Source: GSO

The upside risk of inflation may appear to have eased along with oil prices. But in our view, it would be imprudent to conclude inflation risk is over. VND depreciation against the US dollar still presents an upside risk to imported inflation going forward. In addition, meat and electricity prices show no sign of peaking.

With the annual CPI expansion of +4.4% in May just slightly below the SBV's target range cap of +4.5%, we think that the inflation picture provides yet another reason for monetary tightening (along with the need to support the VND). Thus, inflation remains a critical risk both to macroeconomic outcomes as well as to share prices, in our view.

Yuanta Universe: Valuations and ratings																			
Sector	Stock Code	PER (x)			EPS Growth (%)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E	2022A	2023E	2024E
Banks	ACB VN	6.1	6.1	5.0	43.2	1.5	20.8	0.1	3.9	0.2	1.4	1.3	1.1	26.2	24.4	24.3	2.4	2.4	2.5
	BID VN	15.1	13.5	11.4	81.0	11.5	18.3	0.2	1.2	0.6	2.4	2.3	1.9	16.6	16.5	17.3	0.9	1.0	1.1
	HDB VN	7.5	6.7	5.2	28.2	13.0	29.4	0.3	0.5	0.2	1.6	1.5	1.2	22.2	23.6	25.2	2.1	2.0	2.0
	MBB VN	6.0	5.8	4.7	16.0	2.9	23.3	0.4	2.0	0.2	1.3	1.2	1.0	24.3	23.1	23.4	2.7	2.5	2.5
	STB VN	10.4	7.7	5.5	63.8	35.0	41.1	0.2	0.2	0.1	1.4	1.1	0.9	13.8	16.1	18.9	0.9	1.2	1.5
	VCB VN	15.0	16.0	13.2	39.9	(6.5)	21.5	0.4	n/a	0.6	3.0	2.9	2.4	22.5	20.0	19.7	1.9	1.8	2.0
	VPB VN	6.6	12.5	9.5	54.0	(46.8)	31.8	0.1	n/a	0.3	1.2	1.1	1.0	19.1	8.3	10.5	2.9	1.2	1.7
Brokers	HCM VN	15.5	17.7	16.2	(32.8)	(12.7)	9.5	n/a	n/a	1.7	1.7	1.7	1.6	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	23.3	15.4	14.4	(56.1)	51.3	6.7	n/a	0.3	2.1	2.3	2.1	1.9	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	24.3	20.3	17.9	(55.7)	19.5	13.2	n/a	1.0	1.4	3.2	2.9	2.7	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	20.3	12.8	12.6	(65.1)	59.3	1.0	n/a	0.2	12.4	1.6	1.5	1.4	10.0	12.8	12.1	3.0	4.6	4.4
Energy	PVD VN	(152.9)	30.4	14.2	n/a	n/a	113.9	n/a	n/a	0.1	1.3	1.2	1.2	n/a	4.2	8.8	n/a	2.7	5.7
	NT2 VN	12.4	7.5	9.8	(14.6)	65.5	(23.0)	n/a	0.1	n/a	1.8	1.7	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	14.8	7.5	7.1	(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	1.7	1.5	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	18.0	17.0	15.2	25.5	5.5	12.1	0.7	3.1	1.3	2.7	3.1	2.4	21.4	20.1	22.4	15.1	15.2	15.9
	DGW VN	12.2			17.8		-	0.7	n/a	n/a	2.5	2.5	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	51.7	(67.2)	132.1	(12.0)	(177.0)	150.9	n/a	n/a	0.9	9.9	13.5	n/a	19.4	(19.1)	10.2	3.8	(2.5)	1.4
	MWG VN	22.6	553.5	26.6	(17.4)	(95.9)	1,979	n/a	n/a	0.0	3.9	4.0	n/a	17.1	0.7	13.0	7.3	0.3	5.7
	Oil & GAS	POW VN	16.5	11.8	10.7	5.6	40.0	10.0	2.9	0.3	1.1	1.0	1.0	n/a	5.9	7.6	7.8	3.5	4.7
Property	KBC VN	5.6	4.0		91.0	40.0	-	0.1	0.1	n/a	1.2	1.0	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	47.3	58.1		(81.7)	(18.6)	114.7	n/a	n/a	0.2	1.1	1.1	n/a	3.9	1.1	3.7	1.8	0.5	1.9
	KDH VN	23.6	40.3	21.5	(18.0)	(42.0)	87.0	n/a	n/a	0.2	2.2	2.2	2.0	10.0	5.0	9.0	6.0	3.0	5.0
	NLG VN	32.7	28.8	30.1	(57.0)	13.0	(4.0)	n/a	2.2	n/a	1.9	1.8	1.8	6.0	7.0	5.0	3.0	3.0	3.0
	NVL VN	-	-	-	18.3	53.3	-	-	-	n/a	-	-	-	10.6	14.8	-	2.4	3.4	-
	VHM VN	5.9	5.7	6.7	(20.0)	(1.0)	(16.0)	n/a	n/a	n/a	1.2	1.0	0.8	21.0	19.0	14.0	10.0	9.0	7.0
	VRE VN	17.8	12.0	12.0	111.4	48.7	(0.5)	0.2	0.2	n/a	1.5	1.4	1.3	8.7	12.2	11.0	6.9	9.5	8.7
Transport	ACV VN				-	-	-	n/a	n/a	n/a	4.2	3.9	n/a	11.0	12.6	-	5.2	5.3	-
Industrials	DHC VN	7.9	6.0	4.1	(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	35.3	29.0	21.9	22.9	21.6	32.6	1.5	1.3	0.7	6.7	5.7	4.8	22.7	23.4	26.2	10.1	11.6	13.0

stock ratings and pricing data is as of close on May 31, 2024

Source: Bloomberg, Yuanta Vietnam

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