

Monthly Strategy: Life in Interesting Times

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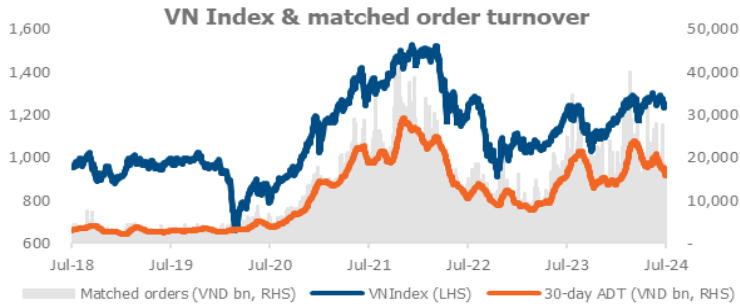
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July's VNI performance beat our bearish expectations – which, unfortunately, are playing out in early August. The Aug 1 drop was due to domestic issues, but the global market rout of subsequent days has added fuel to the pessimistic fire. The JPY carry trade unwind is not a major direct factor for Vietnam, and Fed rate cuts in Sept should be a net-positive for fundamentals and liquidity here. The VNI has recovered its 200-day MA, where we would typically expect strong support. However, end-June margin leverage was at a historic high, and stock turnover has declined substantially since 2Q24. This is not an attractive set-up for August, and we retain a more-cautious-than-optimistic tactical view.



Monthly Index Performance

- **VNINDEX:** 1252 (+0.5% MoM / +10.8% YTD / +2.3% YoY)
- **VHINDEX:** 235 (-0.9% MoM / +1.9% YTD / -1.7% YoY)
- **UPCOM Index:** 95 (-2.5% MoM / +9.2% YTD / -26% YoY)
- **Average daily turnover:** US\$763mn (-26% MoM)
- **Foreigners net sold US\$296mn** in July.
- **VND:USD rate:** 25,264 (+76bp MoM / -394bp YTD / -6.23%YoY)

VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	24.6	0.0%	12%	7
BCM	73.0	0.1%	2%	31
BID	47.6	0.1%	4%	12
BVH	43.6	-0.1%	-1%	17
CTG	32.0	0.0%	3%	8
FPT	128.6	0.0%	-9%	26
GAS	79.9	0.0%	2%	16
GVR	33.0	0.0%	-1%	46
HDB	26.3	0.1%	33%	6
HPG	27.2	0.0%	-15%	16
MBB	24.4	0.1%	28%	6
MSN	74.1	0.0%	-2%	151
MWG	63.8	0.0%	7%	42
PLX	45.9	0.1%	3%	16
POW	13.5	-0.1%	-2%	40
SAB	55.4	-0.1%	-2%	17
SHB	11.2	0.0%	-3%	5
SSB	21.8	0.0%	6%	12
SSI	31.8	-0.1%	-9%	17
STB	29.0	0.0%	2%	7
TCB	23.3	0.0%	-2%	8
TPB	18.2	0.1%	4%	8
VCB	89.2	0.0%	10%	15
VHM	36.7	0.0%	-5%	7
VIB	21.2	0.0%	1%	7
VIC	42.3	0.0%	5%	41
VJC	105.9	0.0%	5%	47
VNM	71.6	0.1%	22%	17
VPB	19.0	0.0%	7%	13
VRE	18.6	-0.1%	-6%	9

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

The VNI increased by +0.5% MoM (+1.3% in USD terms) in July... underperforming most of ASEAN but outperforming our more cautious expectations for a correction. Large caps provided support, as the VN30 (+1.6% MoM) outperformed with 18 monthly gainers / 12 losers in contrast to the negative MoM breadth on the VNI (106 gainers / 279 losers).

... which became irrelevant in early August. The VNI fell -2% DoD on Aug 1 (before the global storm) due to domestic events. The subsequent -3.9% DoD decline of Aug 5 is more credibly attributable to the wider global market ructions. Higher volumes during selloff days are a negative signal that is, unfortunately, in line with the trend of the past year (*p.10-11*).

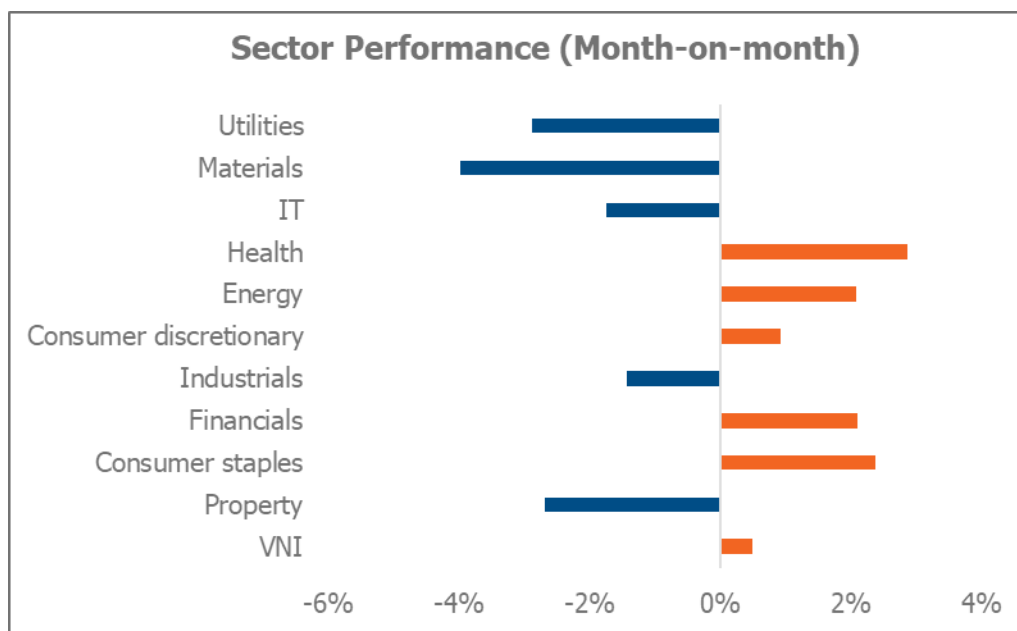
VNI has now regained its 200-day moving average. This is where support emerged on Apr 22 and set up an +11% bounce to June 13. We're not confident that this bit of history will repeat exactly, but potential upside catalysts include a (highly likely) Fed rate cut and (highly ludicrous) hype and hope in the run-up to FTSE's Sept statement. If you expect a repeat of the 2Q24 bounce – which we do not – consider the brokerage stocks (*p.5*).

Margin overhang. 2Q24 margin loans grew to a record high VND209tn, or 8.1% of the market's free float. The QoQ increase is particularly interesting given the VNI's -3.0% QoQ decline, an unusual result that is worryingly reminiscent of 3Q22. End-June margin loans were equal to 10.6 days of ADT so far in 3Q24, implying that there is no need to rush back in (*p14-19*).

Macro: Manufacturing output continues to soar amid surging external (i.e., US) demand. Industrial output in July was up +0.7% MoM / +11.2% YoY, while the manufacturing PMI posted the highest monthly result since 2022, indicating a substantial improvement in business conditions for export manufacturers amid the current back-to-school period and upcoming yearend holidays. Retail spending (+1.4% MoM / +9.4% YoY) continued to bounce, while CPI eased in July, along with oil (*p 33-44*).

Yuanta Vietnam Coverage Universe										
Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	2024E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	4,298	9.5	BUY	24,250	28,513	18%	4.1%	22%
	BIDV	BID VN	10,915	4.0	HOLD-Underperform	48,250	47,470	-2%	0.0%	-2%
	HD Bank	HDB VN	3,057	7.5	BUY	26,450	28,450	8%	3.8%	11%
	MB Bank	MBB VN	5,085	16.2	BUY	24,150	31,980	32%	2.1%	34%
	Sacombank	STB VN	2,173	13.3	HOLD-Outperform	29,050	34,930	20%	0.0%	20%
	Vietcombank	VCB VN	20,228	5.7	BUY	91,200	106,910	17%	0.0%	17%
	Vietnam Prosperity Bank	VPB VN	5,919	15.6	BUY	18,800	22,400	19%	5.3%	24%
Brokers	HCM City Securities	HCM VN	691	7.6	BUY	24,750	28,524	15%	3.2%	18%
	Saigon Securities	SSI VN	1,863	17.3	BUY	31,100	32,187	3%	1.2%	5%
	Viet Capital Securities	VCI VN	758	8.3	BUY	43,250	45,580	5%	2.3%	8%
	VNDirect Securities	VND VN	927	8.7	BUY	15,350	20,449	33%	3.0%	36%
Energy	PV POW	POW VN	1,231	7.9	SELL	13,250	13,358	1%	0.0%	1%
	PV NT2	NT2 VN	226	0.6	SELL	19,800	19,318	-2%	10.1%	8%
	PCC1	PC1 VN	349	5.5	BUY	28,300	34,268	21%	0.0%	21%
Consumer	Masan Group	MSN VN	4,247	15.9	Suspended	74,400	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,296	4.7	HOLD-Underperform	97,600	90,100	-8%	0.0%	-8%
	Digiworld	DGW VN	380	5.0	Suspended	57,300	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	916	4.3	BUY	169,500	166,800	-2%	0.0%	-2%
	Mobile World Group	MWG VN	3,655	23.0	BUY	63,000	59,300	-6%	0.0%	-6%
Oil & GAS	PV Drilling	PVD VN	621	5.0	BUY	28,150	38,259	36%	0.0%	36%
Property	Kinh Bac City	KBC VN	812	5.5	BUY	26,650	38,300	44%	0.0%	44%
	Dat Xanh Group	DXG VN	388	4.7	BUY	13,550	20,700	53%	0.0%	53%
	Khang Dien House	KDH VN	1,131	4.6	BUY	35,650	47,300	33%	0.0%	33%
	Nam Long	NLG VN	622	4.4	HOLD-Underperform	40,750	37,800	-7%	1.2%	-6%
	Novaland	NVL VN	894	7.7	Coverage Suspended	11,550	-	-	-	-
	Vinhomes	VHM VN	6,350	10.6	BUY	36,750	58,444	59%	0.0%	59%
	Vincom Retail	VRE VN	1,664	8.2	BUY	18,450	38,000	106%	0.0%	106%
	Transport	Airports Corp Vietnam	ACV VN	9,788	2.2	HOLD-Underperform	113,300	76,400	-33%	0.0%
Industrials	Dohaco	DHC VN	123	0.6	BUY	38,550	63,571	65%	9.3%	74%
	Biwase	BWE VN	365	0.8	BUY	41,800	70,902	70%	4.8%	74%
Technology	FPT Corporation	FPT VN	7,332	30.2	BUY	126,500	144,660	14%	1.6%	16%

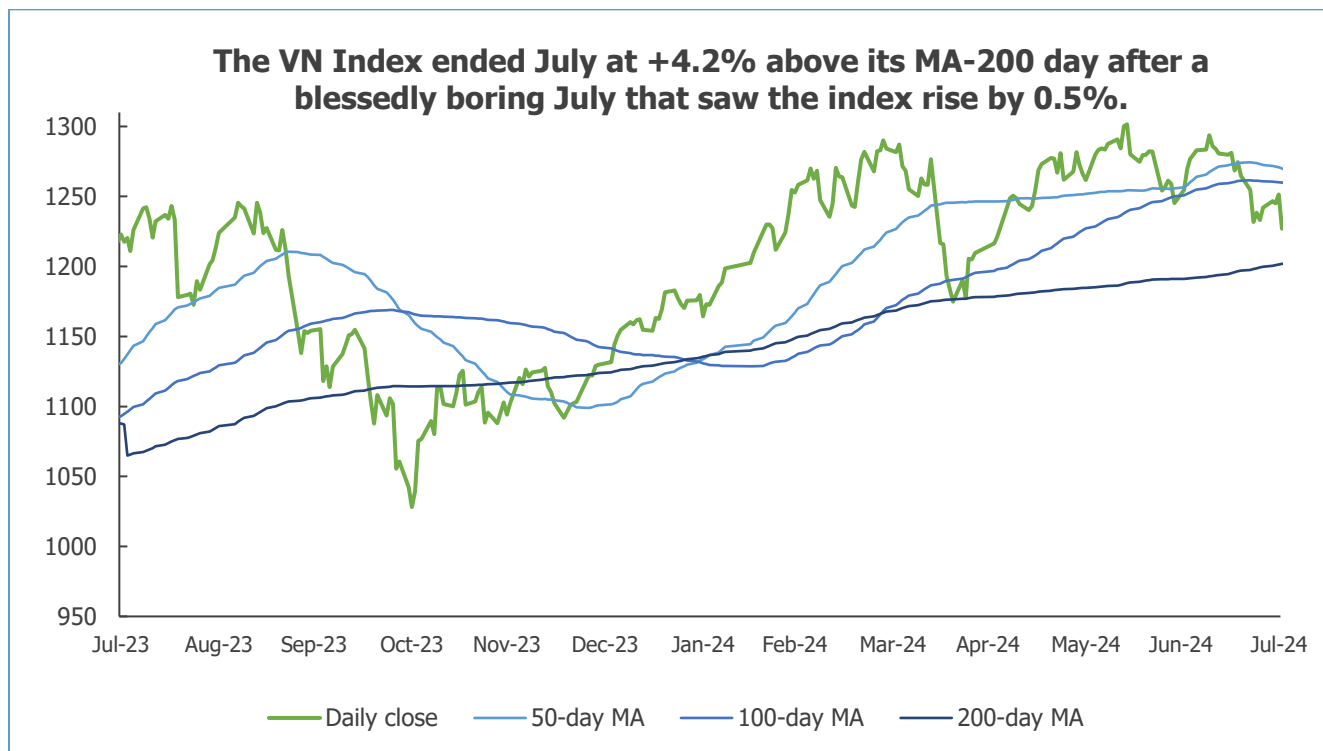
*Notes: 1) TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends. 2) 3-month ADT refers to matched orders and does not include put-through blocks. 3) Stock ratings and pricing data is as of close on Jul 31, 2024



Source: Bloomberg (Jul 31)

May you live in interesting times.

— “Ancient Chinese Curse” (that was created by a 19th Century Englishman)



Source: Bloomberg, Yuanta Vietnam (updated to August 6)

Fundamentals vs. Technicals: Nostalgia for July’s Boring Markets

Just looking at the month-to-month close, July was flat as a pancake. The mainboard VNI gained a whopping 6 points or +0.5% MoM from end-June to end-July, when it closed at 1252 points. But a glance under the hood / bonnet indicates that volatility was higher than that flat MoM performance might indicate.

The index peaked on a closing basis at 1294 on July 9, then corrected to a monthly low of 1232 two weeks later (on July 23) before meandering higher under low volumes in the last week of July. This represents a monthly index range of 5.0% on a closing basis, while the intraday range was slightly higher at 6.5%.

Unsurprisingly, the VNI failed to regain the June YTD highs in July. The VNI briefly (for two days) surpassed our full-year target of 1298 to close at a full 1300 points on June 12, and it then reached a 2-year peak of 1302 points on June 14. But the index failed to regain those levels on a closing or even intraday basis in early July, and both volumes and share prices softened into the end of the month.

The VNI’s performance during the Dog Days of July -- defined by the Oxford dons as “a period of inactivity or sluggishness” -- **were well within our expectations.** If anything, the index

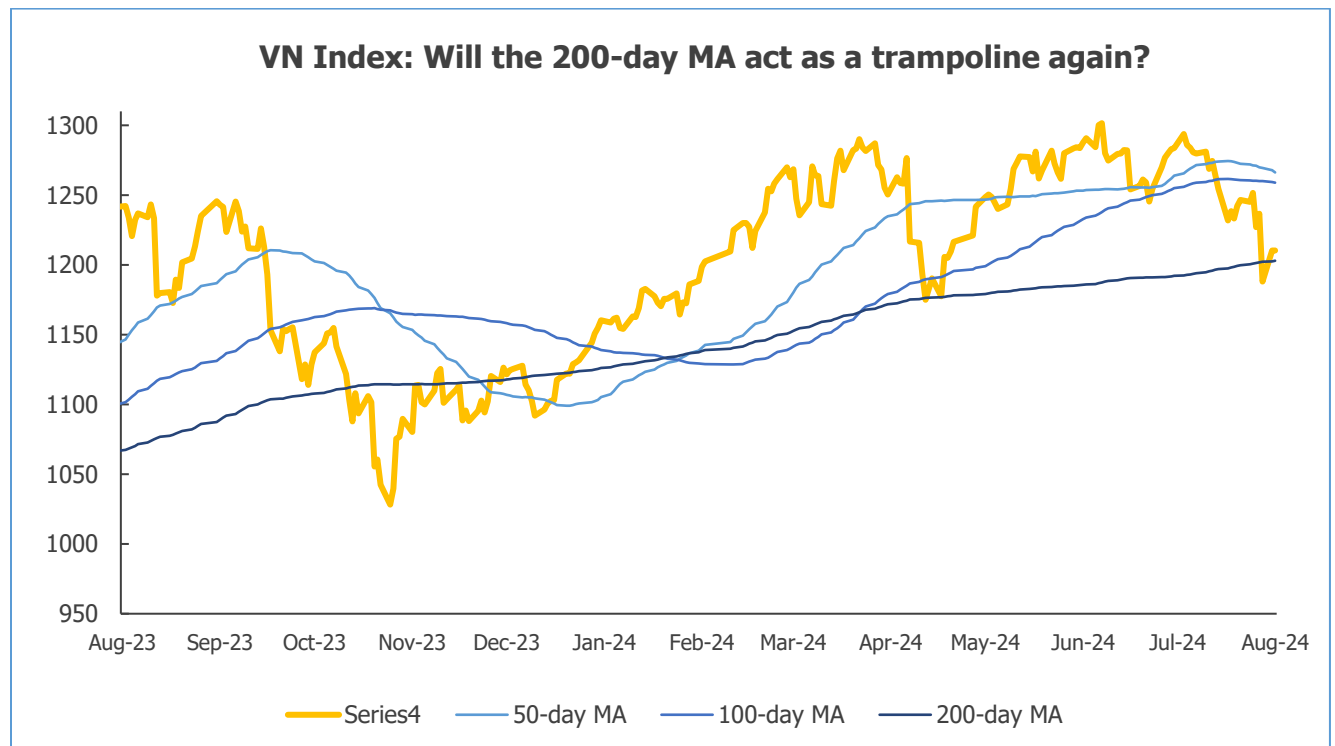
performed better than we thought it would during the month. However (to revert back to a semi-literate Hollywood reference), that was then, and this is now...

Stocks have come under intense pressure in early August. This has been one of our most difficult monthly strategy reports to write because the activity in early August has been far more interesting, in the sense of the fake “ancient Chinese curse” about living in interesting times.

The index started August with a bang – on the sell button. The initial selloff of August 1 saw the VNI decline sharply to close down -1.5% DoD. This drop was driven by local chatter that turned out to be at least partially accurate. It was not driven by concerns about US employment or AI overspend, and certainly not by wise anticipation among domestic investors that the JPY carry trade would be to unwind on August 2, the following day. It was a local issue, and don't let anybody tell you otherwise. As to the specifics, our preference is to protect our downside and simply describe them as “the events”.

But Aug 5 was worse. However, we agree with the (presumably consensus) view that the much deeper panic selloff of August 5, which was the fourth worst day-on-day decline for the VNI of 2024 so far, was indeed a function of the panic sell-off in global markets. Investors in Vietnam stocks are not funded by the JPY carry trade, but investors were sent into flight mode by the much steeper share price declines of northeast Asian and the USA.

As such, the mainboard declined by -3.9% DoD to close at 1188 points on “Black Monday”, which was actually far better than the same day's results in northeast Asia and most of the major developed markets. The August 5 close was the lowest level since April 22, and just 3.8% higher than the YTD closing low of 1144 on January 2.



Source: Bloomberg, Yuanta Vietnam (updated to August 6)

Will history repeat? -- The 200-day MA has typically provided solid support for the overall index. For example, the VNI last closed at its 200-day MA on April 22, when it plummeted to 1177 points on market talk regarding domestic “events” that turned out to be accurate.

In that case, it was a sell-the-rumor, ignore-the-fact trade. The fear that brought the market down was about events that actually happened in subsequent days. But in contrast to the panic sell-off related to the rumors, the market took the reality of the events (which confirmed the rumors) with equanimity.

As such, the VNI soared by +10.5% over seven weeks subsequent April 22 to reach a YTD closing peak of 1302 points on June 13 – exactly 4 points above our 2024 index target.

We are more cautious-than-optimistic that share prices will stage a repeat of this intra-2Q24 bounce. Our sense is that the overall trend of the market is more subdued, as evidenced by declining ADT and, in our view, the potential margin finance overhang. However, long-term investors may have opportunities to add to positions in quality stocks, especially erstwhile full-FOL names like FPT and MWG, which now offer substantial availability for foreign investors.

Short-term traders might expect history to repeat, regardless of our caution. Admittedly, the 200-day MA has historically been a solid level of support and thus a decent entry point for range traders.

Potential upside drivers heading into September include --

- The probable Fed rate cut in September, which should continue to reduce pressure on the VND and thus allow for greater policy flexibility from the SBV. It might also signal a US recession and another round of global risk-off flows, and the Fed’s hard-won credibility is at risk if the cuts are seen as a panic move to support stock investors. So, be careful what you wish for, as it may not be an unmitigated positive for risk assets including VN stocks.
- Hype, hope, and hoopla for a FTSE upgrade in their semi-annual weighting decision announcement at the end of September. Prefunding remains the requirement as of August 8, so we think the odds of a pre-announcement of Vietnam’s emerging markets inclusion next month are precisely zero. However, that doesn’t mean there won’t be any hype, hope, and hoopla beforehand: The heart wants what the heart wants.

Brokers – Call options on a possible market bounce. Brokerage stocks have come back down from the stratosphere in the past two months, and they are now trading at or near our target prices once again. The stocks could be attractive as a short-term play on a market bounce heading into September’s (or August’s?) Fed rate cut.

Personally, we’d prefer to see a steeper discount to fair value before getting more aggressive on these stocks. However, contrary-minded readers may be looking to make a short-term punt on a bounce regardless of our cautious tactical view.

As a highly leveraged market proxy, the brokers might be a way to play it. For an operational update, see our 2Q24 results write-ups for [SSI](#), [VCI](#), [HCM](#), and [VND](#).

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

Even without this risky-looking margin leverage scenario, the market's overall failure to break out sustainably above 1300 amidst negative market liquidity trends (falling ADT generally, but sharply higher volumes when the market sells off substantially) are technical negatives that at a minimum suggest continued pressure on share prices as the VNI hits resistance levels.

- **A Soft Finish to a Slack Quarter – July 1**

Shares weakened into the end of the quarter, possibly on contraction of margin lending into the June balance sheet close. Thus, valuations at end-June were down -5% from the 2-year peak reached just three weeks before.

Cheaper stocks could start to attract buying interest, but valuations are rarely a catalyst in either direction. We remain cautious on a near-term basis given limited visibility on upside catalysts. But the VNI is likely to be supported at c. the 200-day MA (another 4% down), so we wouldn't wait too long to put cash to work.

<https://yuanta.com.vn/wp-content/uploads/2024/07/Weekly-July-1-2024.pdf>

- **Woof Woof! Welcome to the Dog Days – July 8**

An unconvincing bounce. The VNI was up +3.0% week-on-week, a solid bounce in percentage terms but one that was less-than-compelling given the striking drop in stock trading volumes.

The stronger-than-expected 2Q24 GDP result alongside rising CPI inflation and concerns about VND depreciation all suggest a financial system liquidity outlook that may not be conducive to share price increases in the near term. Our view: Remain tactically cautious of the overall market, but continue to sniff around for stock-specific opportunities.

<https://yuanta.com.vn/wp-content/uploads/2024/07/Weekly-July-8-2024.pdf>

- **Transitions – July 22**

Stock trading likely to remain subdued following the announcement that General Secretary Nguyen Phu Trong, Vietnam's leader since 2011, passed away. Mr. Trong's legacy will include the laudable record during his tenure of strong economic growth and ambitious anti-corruption actions.

We are market participants, and not commentators on politics as a rule, but we agree with the Consensus view: In the years ahead, Vietnam is very likely to remain on the persistent course of economic and foreign policy stability that the government has established under Mr. Trong's leadership.

<https://yuanta.com.vn/wp-content/uploads/2024/07/Weekly-July-22-2024.pdf>

- **Room to Move – July 29**

The VNI declined by -1.8% WoW to close at 1242 on weak and down-trending turnover – which highlights the potential for stock market liquidity risk given historically high margin lending as at end-June. The good news is that foreigners were net buyers on a weekly basis for the first time since February.

It's far too early to call this a reversal in trend, but FINI dip-buying could provide a stabilizing force in what is likely to be a subdued market in the next few months. We retain our cautious view overall but would consider a bit of dip-buying ourselves if the VNI approaches technical support levels at the 200-day MA (i.e., around 1200 points).
<https://yuanta.com.vn/wp-content/uploads/2024/07/Weekly-July-29-2024.pdf>

- **Sentiment Remains Subdued – August 5**

Stocks were largely down WoW as sentiment soured substantially on August 1, when the VNI fell by -2% DoD on a closing basis under the highest daily turnover (US\$974 million) of the week. The mainboard traded to an intraday low of 1210 on Aug 2, just 8 points or 0.6% above its 200-day moving average, before rising sharply into the Friday close of 1237. Weekly ADT was US\$727mn, but excluding the high-volume selloff day (Thurs), weekly ADT would have been a tepid US\$665mn.

The 200-day moving average might continue to provide support for shares, but we are more cautious than optimistic that the VNI will stage another c.10% bounce in line with its April-to-June performance.

<https://yuanta.com.vn/wp-content/uploads/2024/08/Weekly-August-5-2024.pdf>

And, in case you missed it, see the following link to last month's Strategy Wrap titled “Negative Waves”, published on July 4.

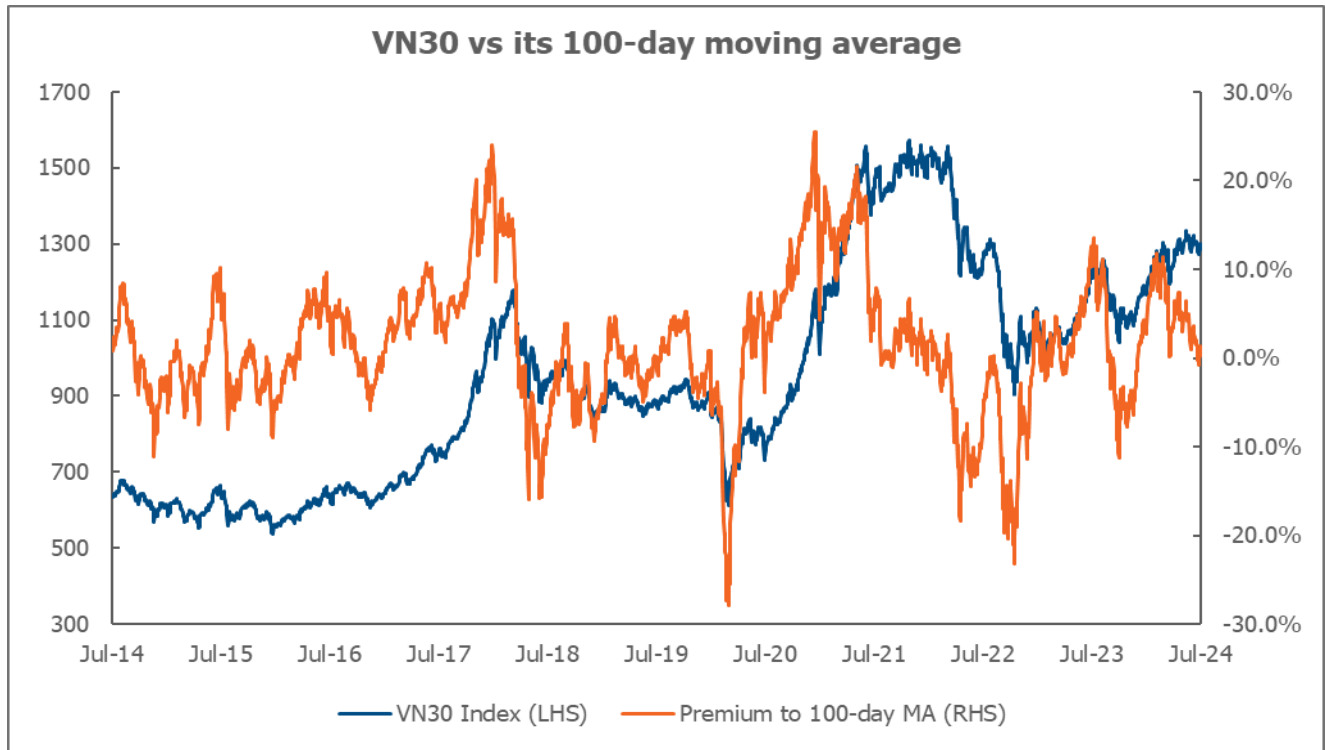
<https://yuanta.com.vn/wp-content/uploads/2024/06/Yuanta-Vietnam-Monthly-Market-Round-Up-June-2024-1.pdf>

The July Monthly was riddled with tributes to the late, great Donald Sutherland, whose iconic character “Sargent Oddball” seemed to be speaking to us directly, from the set of a Hollywood film five decades ago, with his criticism of a pessimistic subordinate tank commander (played by the equally late and almost-as-great Gavin MacLeod):

“Why don't you say something righteous and positive for a change?” We would have loved to oblige, but market conditions of early July suggested global *and* domestic investor risk-off sentiment, which we thought was not likely to lead to a rapid re-rating of the Vietnam market to beyond the YTD highs above 1300 on a sustainable basis.

The historic share price declines in the past few days have served to reinforce that view. One positive of this is that it allows sell-side analysts to blame the increased share price volatility of Vietnam stocks in late July on global issues – be in the Fed, the BOJ, Russia/Ukraine, or whatever.

A keen observer might argue that domestic factors – including decidedly non-market ones – may be playing a far greater role in the performance of Vietnam’s stock markets given that domestic individuals account for c.85% of turnover. However, commenting on the more sensitive issues confronting investors is, mercifully, beyond our remit.

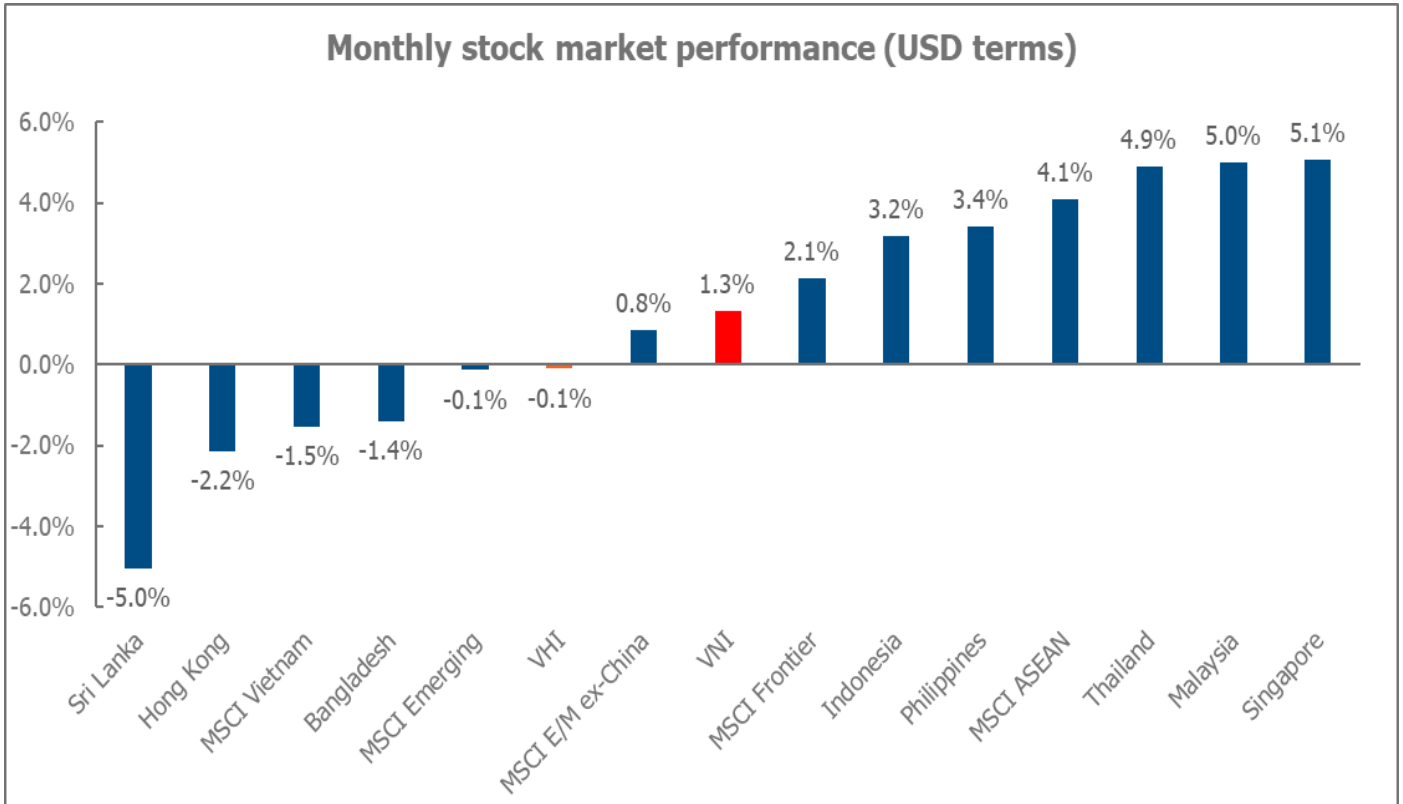


Source: Bloomberg, Yuanta Vietnam (Jul 31)

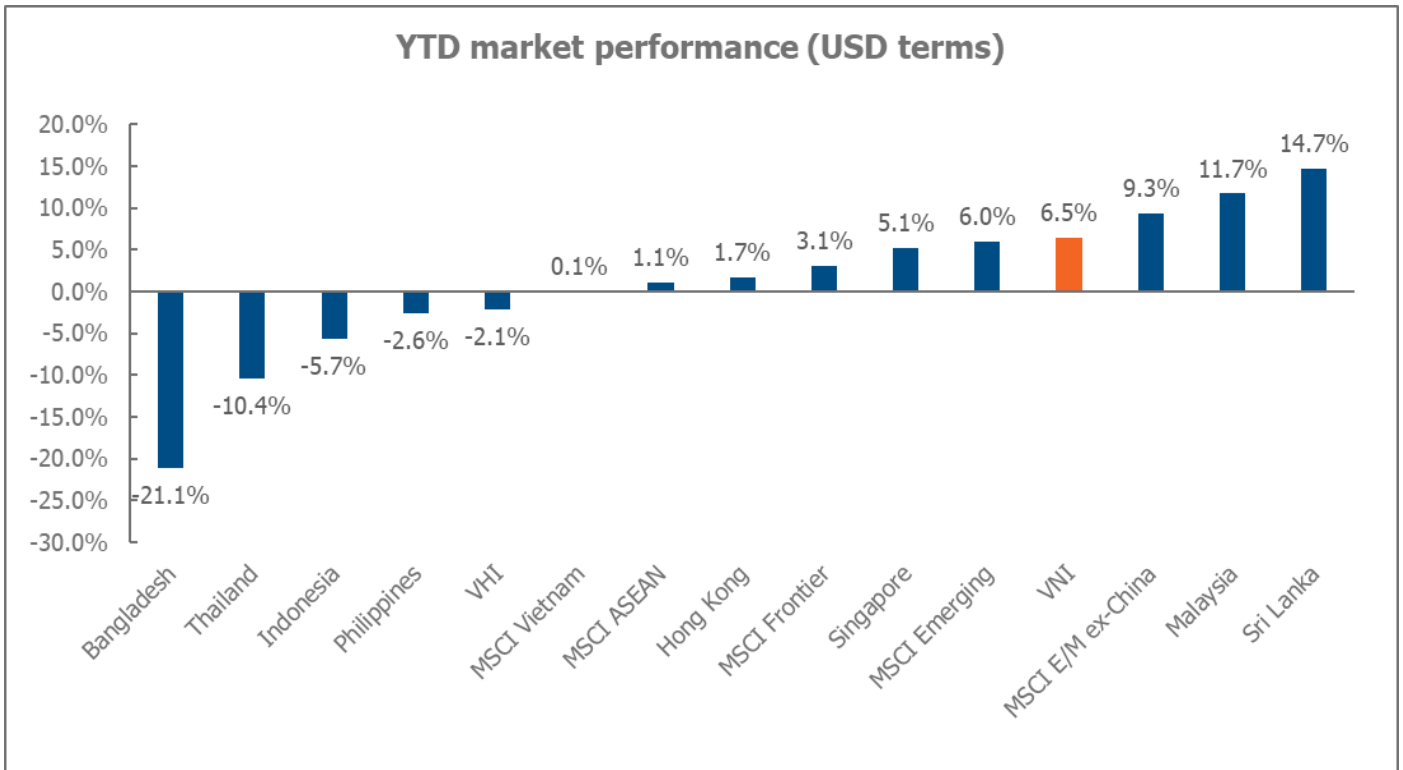
Vietnam stocks in July were middle performers across the Asian region but underperformers vs. ASEAN. The VNI closed up by a boring-but-respectable +1.3% MoM in USD terms in July, with most of that increase attributable to the +76bp MoM bounce in the VND’s exchange rate vs. the US dollar. This put Vietnam at the back of the ASEAN-6 pack in terms of bragging rights for July, which could perhaps be shared among Singapore (+5.1% MoM), Malaysia (+5.0%), and Thailand (+4.9%).

Despite the relative sluggishness of share prices, the Vietnam dong’s modest appreciation in July is good news given the sharp depreciation YTD through May. The VND then flattened in June as the SBV took action to shore up the currency: mostly tighter monetary policy, but also direct sales of FX reserves and the rationalization (from June) of the regulations governing direct physical gold sales to individuals.

Still, depreciation pressure is still a concern given the US dollar’s sharply higher real rates as well as soaring unexplained capital outflows as illustrated in 1Q24 net errors and omissions of US\$8bn.



Source: Bloomberg (data is as of end-July)

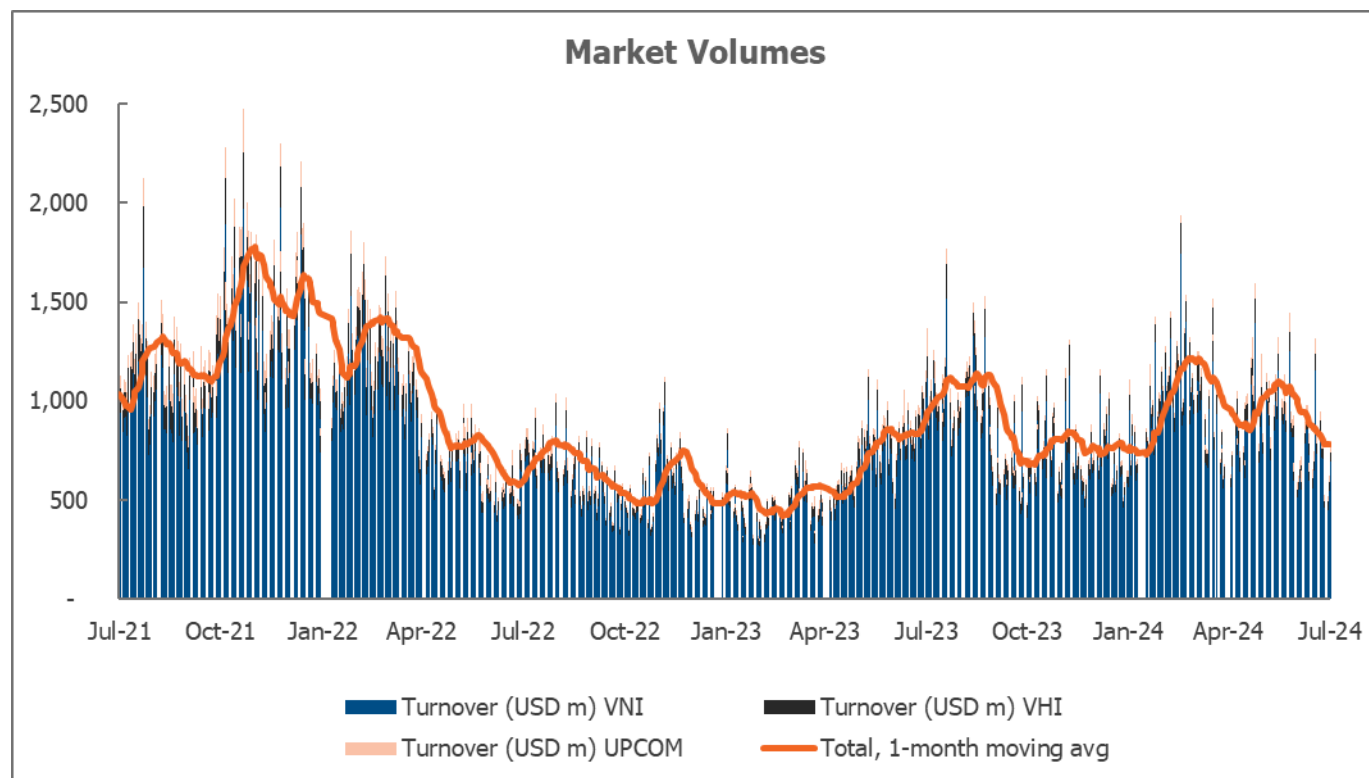


Source: Bloomberg (data is as of end-July)

The VNI has thus gained +6.5% YTD in USD terms in the first seven months of the year. Vietnam lost its position as YTD regional leader in April, when it was surpassed by Malaysia atop the leaderboard of investible ASEAN. The KLSE extended on its lead over the VNI in July, with a 5.0% MoM increase that brings its YTD gains to +11.7% YTD in 7M24. Malaysia *boleh!*

Stock market liquidity has cratered in 3Q24 so far

Average daily turnover in July was just US\$763 million, a decline of -26% MoM from June's US\$1.0bn and a fall of -24% from the 2Q24 ADT of US\$997 million. July was thus the worst month for ADT of 2024 so far, failing to exceed even the US\$767 million of January, when the market like the entire nation was in a pre-Tet holiday mode.



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

As such, 30-day ADT has moved back down to the 4Q23 levels, suggesting limited engagement on the part of the domestic individual investors who account for c.85% of stock market turnover on a through-the-cycle basis.

Declining ADT is not just an indicator of softening interest in stocks – it represents sharply higher liquidity risk given the continued foreign selloff as well as the overhang of margin finance (see below). In addition, daily turnover tends to be higher when the market tanks – a negative technical phenomenon, in our view.

We have noted the existence of a trend since 3Q23 of spiking volumes on days when the market crashes, which we see as a clear negative technical indicator – and perhaps a feature of the Vietnam market given 1) its dominance by domestic individuals; 2) the impact of

margin lending and its inevitable unwinding; and 3) lack of meaningful contracyclical institutional flows, at least for the past year.

The table below illustrates this not-so-wonderful trend of higher volumes on down-days. A whopping 18 of the top-20 days for volume in the 12 months up to July 31 were down-days, with the average down-day trading volume reaching US\$1.5 billion in this period. The worst sell-off (-4.7% DoD) occurred on April 15 under US\$1.5bn in total turnover – roughly twice the ADT in the relatively placid month of July 2023.

The two major selloff days of early August also saw sharply higher-than-recent average daily turnover. Perhaps we're repeating ourselves (again) here, but this is not a positive technical trend.

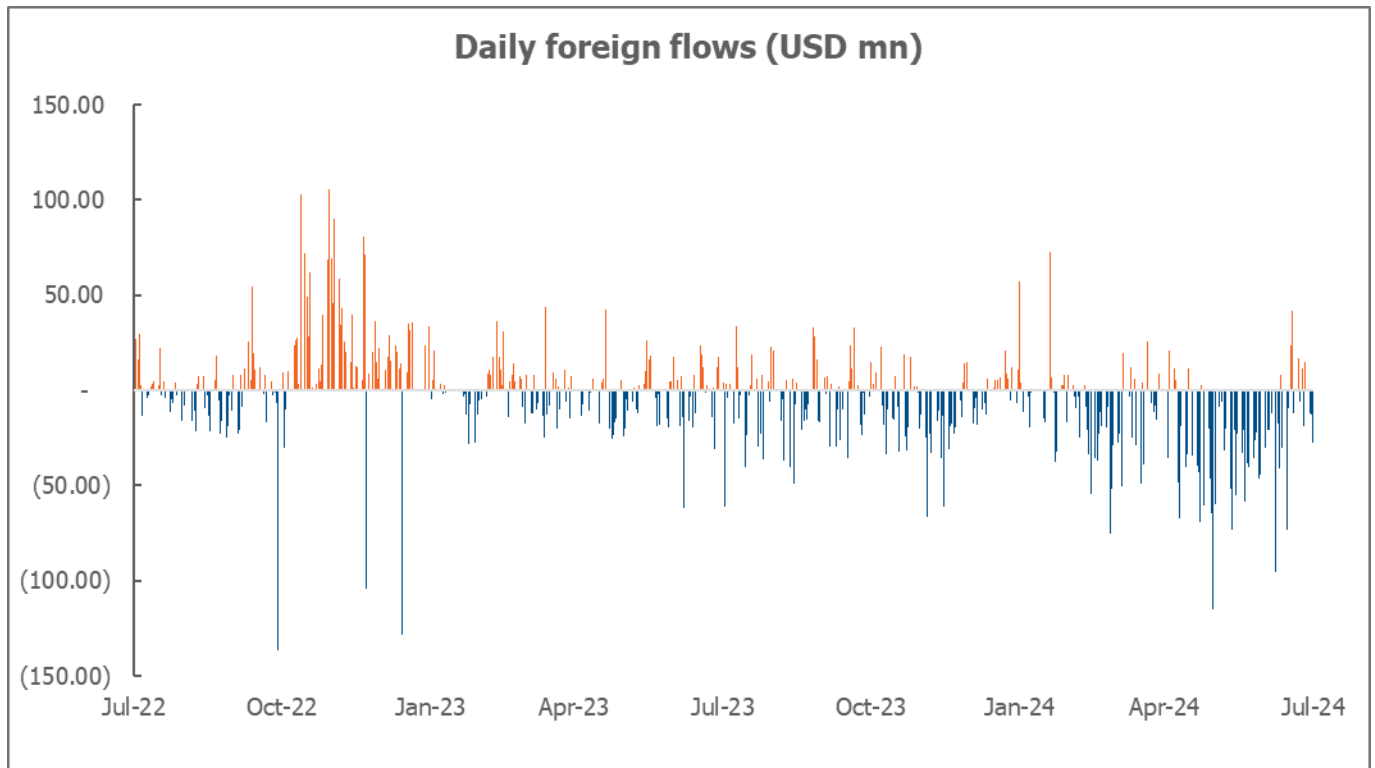
Top-20 days for stock turnover in the past year		
Date	VNI -- DoD change	Turnover (US\$ million)
03/18/2024	-1.60%	1,936
08/18/2023	-4.50%	1,769
05/24/2024	-1.49%	1,597
03/22/2024	0.42%	1,533
09/22/2023	-1.62%	1,530
04/15/2024	-4.70%	1,516
09/11/2023	-1.44%	1,497
03/08/2024	-1.66%	1,452
06/24/2024	-2.18%	1,444
02/23/2024	-1.25%	1,427
09/13/2023	-0.57%	1,406
08/01/2023	-0.44%	1,370
03/21/2024	1.30%	1,365
04/16/2024	-0.08%	1,334
03/25/2024	-1.09%	1,323
06/14/2024	-1.66%	1,323
05/22/2024	-0.80%	1,320
07/17/2024	-0.98%	1,318
12/07/2023	-0.44%	1,312
03/14/2024	-0.49%	1,304
Average	-1.26%	1,454
Average, up-days	0.86%	1,449
Average, down-days	-1.50%	1,454

Source: FiinPro, Bloomberg, Yuanta Vietnam

FINI net selling continued in July, slowed down from May-June...

... and seller's exhaustion may not be far off. Foreign net selling reached US\$296mn in July, marking the sixth straight month of FINI net outflows from Vietnam stocks. However, the aggregate amount of these outflows was down from US\$658mn in June and the record-high US\$747mn in May.

This may come as cold comfort, but at least the momentum of net selling appears to have slowed. July even posted that rarest of things: a single week (July 22-26) of marginal (US\$18mn) net buying by foreigners.



Source: FiinPro, Yuanta Vietnam (Jul 31)

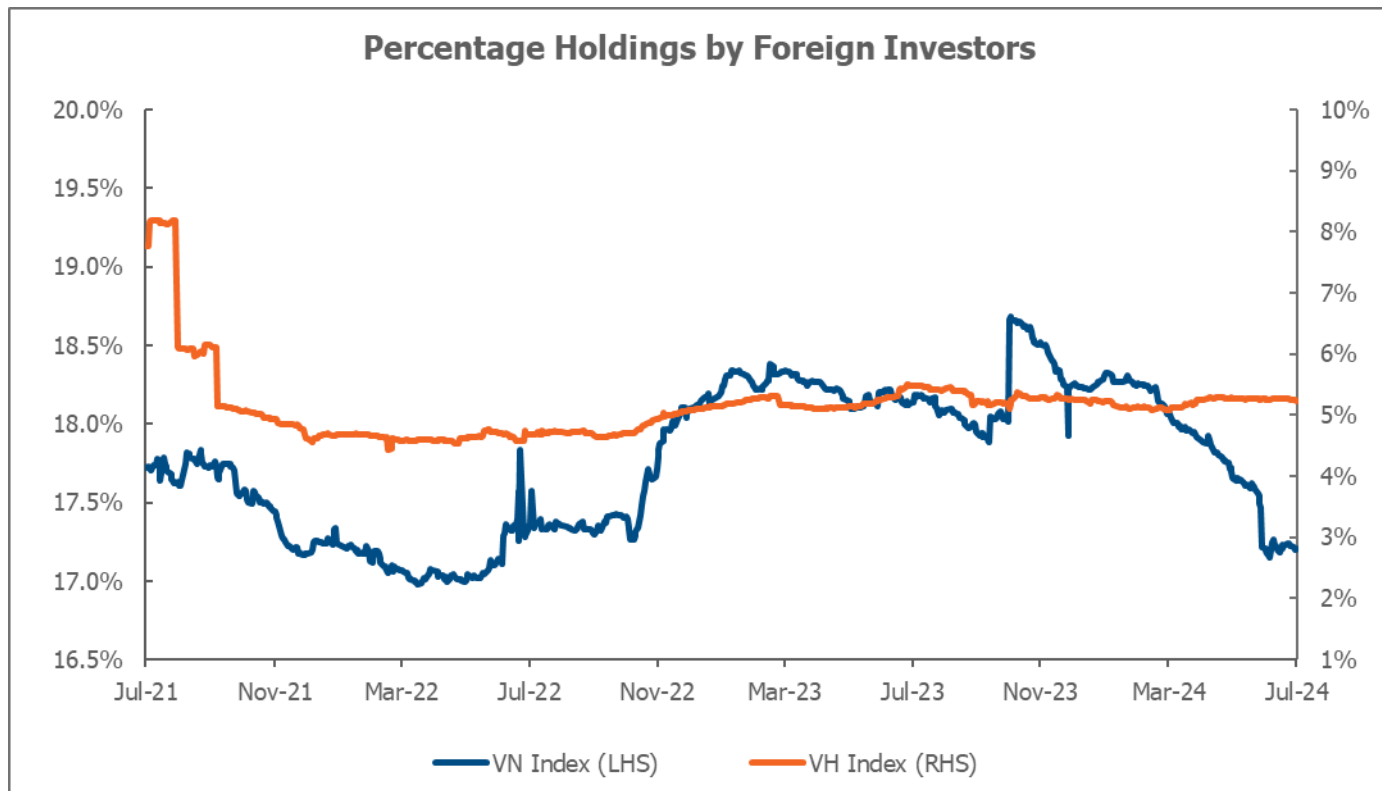
Foreigners were contracyclical net buyers during the ructions of Aug 1-2 -- which again, were about domestic issues. However, foreigners were aggressively procyclical net sellers during the global panic that kicked off on August 5.

It may be too soon to call for seller's exhaustion, but we expect to get there before the end of the year. We calculated a rough estimate of US\$20bn in liquid (non-strategic) foreign holdings of Vietnamese equities as of end June, suggesting the potential for continued outflows going forward. However, that number will not go to zero, and hot-money JPY carry-traders are not a major constituent of the investor community in Vietnam.

The top net selling targets over the past month and YTD probably reflect capitulation (e.g., VHM, VIC, and VRE), crown jewel divestment (e.g., FPT, TCB, and MWG), and old-fashioned trading (SSI, MSN) by FINIs. FPT has taken the No.1 spot for most sold stock by foreigners, with net outflows of VND1.9 trillion in the month leading up to August 8. VHM is the second most sold stock in this period, and the Aug 7 share buyback announcement did not curtail this trend.

By contrast, foreigners over the past month have focused their net buying on VNM (with inflows of VND1.6 trillion), HDB, SBT, and KDC.

Following the continued-but-slower net selling in July, foreign ownership of the VNI declined to 17.2% as of July 31, basically steady MoM at the lowest level since July 2022. Again, this means that foreigners have more than fully unwound their substantial countertrend net buying in 4Q22 and 1Q23, during and following the margin finance rout of that period.



Source: FiinPro, Yuanta Vietnam (Jul 31)

Prop traders were better buyers in July

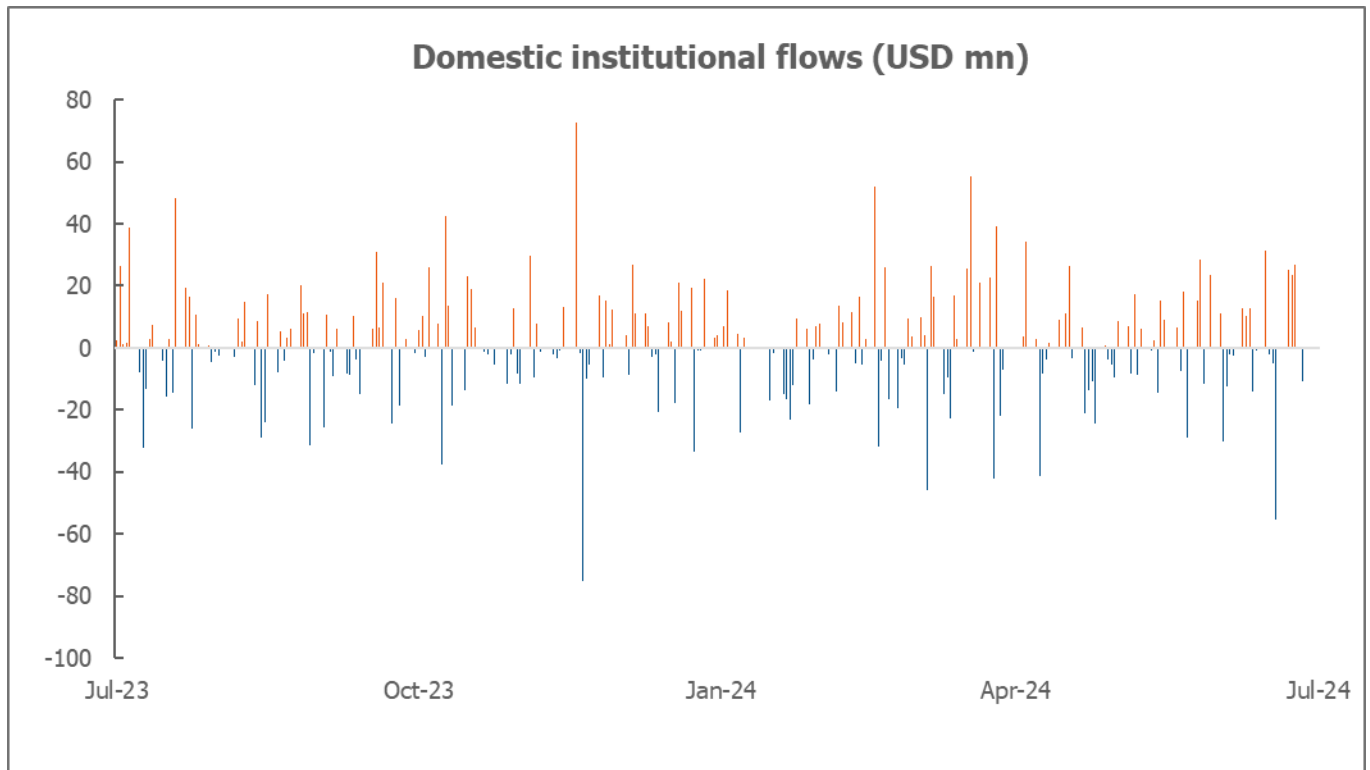
Domestic institutional investors were likewise net sellers of Vietnam equities in July, albeit at a much smaller quantum of just US\$11 million. This investor segment is largely proprietary trading desks at local brokerages, while the domestic asset management footprint is still relatively limited in scale, especially in terms of investing in stocks.

Prop traders were net buyers on 7 days and net sellers on 15 days in July, with no obviously discernable patterns as to the day-to-day timing. However, prop traders were net buyers – along with FINIs – during the August 1 mini-panic.

Domestic institutions have thus net bought US\$131 million of Vietnam stocks in 7M24, a contrast – albeit not an offsetting one – to the far heavier FINI outflows YTD.

Depending on their directional calls, prop traders may become more active going forward as capital allocated to margin loans opens up, but the same capital can also be used to take advantage of increasing bank deposit rates. In any case, brokerage balance sheets are ample and growing, due to regulatory caps on their use of balance sheet leverage as well as the related recent / planned new equity issuance.

Brokers will require more capital to implement prefunding coverage for their foreign clients, but given that the timing of approval for this is uncertain, the prop trading desks may become an even more important driver of brokerage earnings (and earnings volatility) in 2H24.

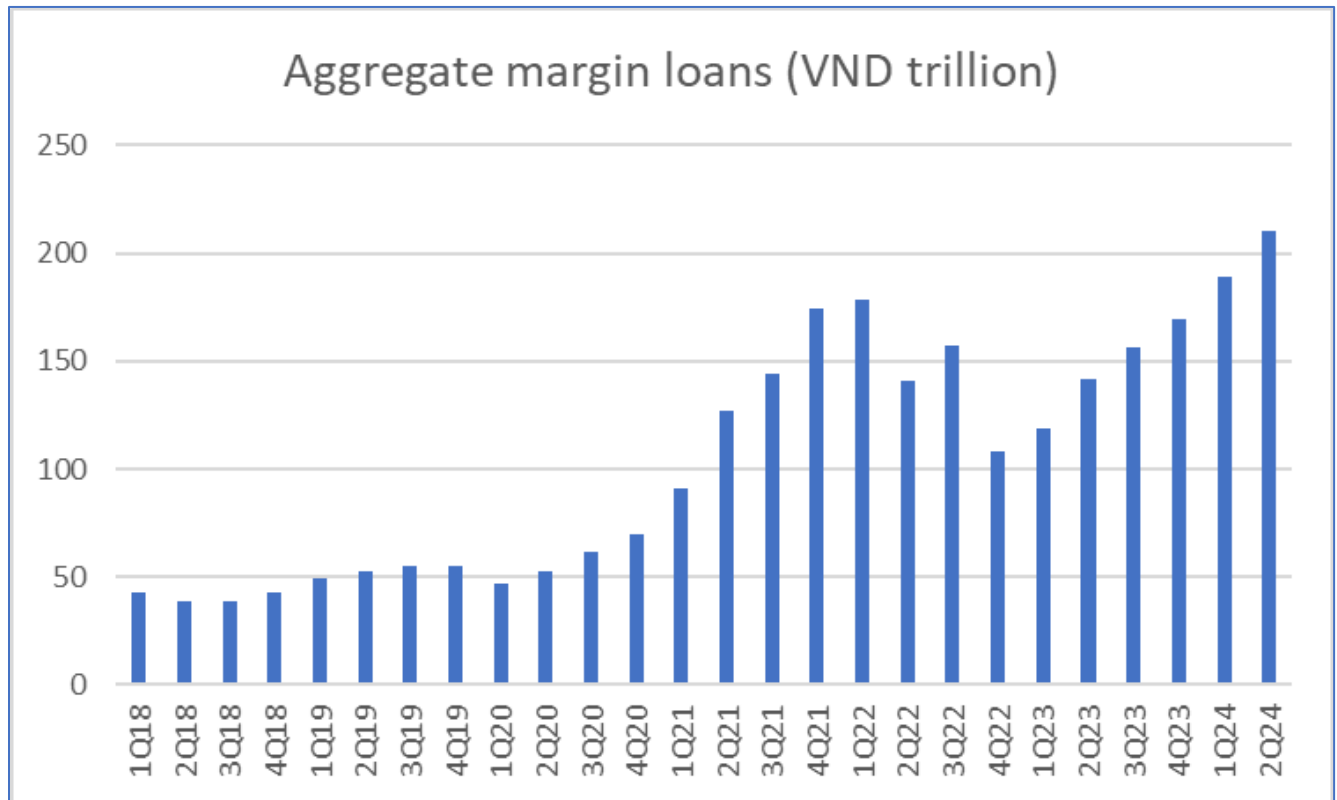


Source: FiinPro, Bloomberg, Yuanta Vietnam (Jul 31)

The 2Q24 Margin Lending Overhang Suggests Increased Volatility

Margin Loans – Follow the flows. The trend of weakening market volume so far in 3Q24 is especially concerning given the overhang of margin lending. 2Q24 margin lending achieved another record high, which some may find to be a puzzling result considering that the mainboard VNI declined during the quarter.

In their basic form, margin loans represent leveraged positions in the stock market that necessarily unwind at some point in the future, and this effect is especially acute when share prices spiral. Covering leveraged positions necessarily puts pressure on stocks, an impact that is exacerbated when market liquidity declines, as it has so far – substantially – in 3Q24.

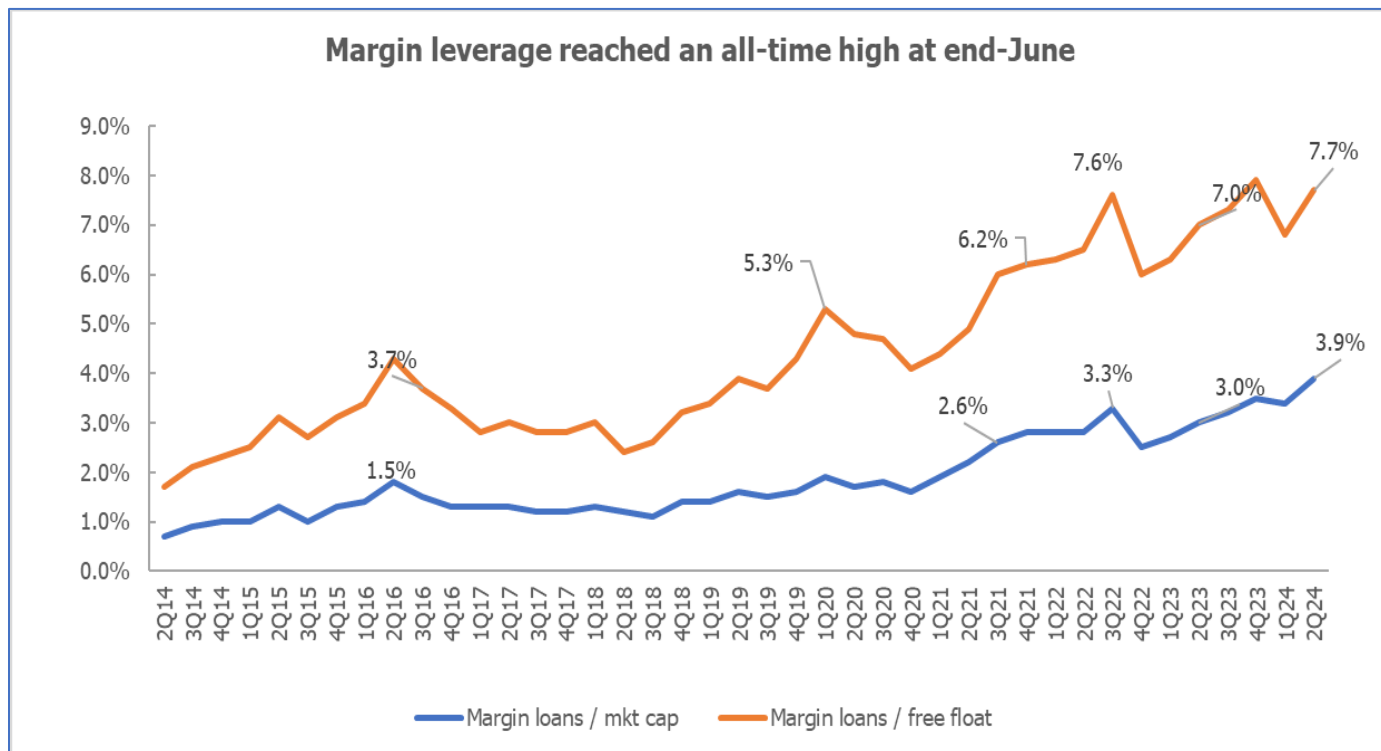


Source: FiinPro, Yuanta Vietnam

Margin lending leverage thus reached a record high at the end of 2Q24. Based on the aggregate balance sheets of all securities brokerages, total margin loans reached VND210 trillion (+11% QoQ / +48% YoY).

Margin loans thus represented 3.9% of the total market capitalization of stocks listed on the HSX & HNX, which is a record high. If anything, this measure understates the potential pricing impact of margin positions on markets with a low free float. Bloomberg estimates Vietnam’s free float to be 51% as at 2Q24, which may in fact be generous. This matters, because share prices are set by the marginal buyer and seller, who trade freely floating shares.

End-June margin loans were 7.7% of the market’s free float. Again, this is the more relevant number, in our view. But whichever ratio you prefer, both ended 2Q24, a 3-month period in which the VNI declined by -3%, at the highest levels in history. This high leverage suggests increased volatility, and may be a key driver of the phenomenon discussed above in which market volumes soar on days that the market sells off sharply.



Source: FiinPro, Bloomberg, Yuanta Vietnam

Partying is fun, hangovers less so. The sequential surge in margin loans is suggestive of what occurred in 3Q22, when margin loans expanded into a flattish QoQ market to reach the prior leverage peak (7.6% in the chart above) despite weak market performance.

The VNI had officially fallen into a bear market in 2Q22, when it closed down by -20% QoQ and at -22% below the alltime high of 1529 in January 2022. Understandably, margin loans in 2Q22 reflected that trend by falling by -21% QoQ.

However, the subsequent quarter saw a reversal of the relationship between falling share prices and falling margin loans. Specifically, the VNI fell by another -5.5% QoQ in 3Q22, whereas margin loans *increased* by 11.3% sequentially to reach VND157 trillion.

This contradictory result is because this substantial growth in brokerage loans was not driven by traditional retail customers, but rather by the major shareholders of stocks who were, at the time, locked out of the bond market and had few other options other than to pledge their shares to borrow cash for purposes other than stock investing.

In effect, the securities brokers were the only game in town for cash-hungry corporate titans (usually property developers) in 3Q22.

That was not a particularly healthy set-up for 4Q22, during which unmet margin calls drove the market into a spiral into mid-November. Starting from the 3Q22 close of 1126 points, which was already well inside bear market territory, the VNI went on to plummet by another -19% to

a closing low of 912 points on November 15 and by -23% to its intraday low of 874 points on Nov 16.

Fingers burnt or nearly burnt, brokers reduced their margin lending risk substantially, and outstanding margin loans plummeted by -33% QoQ as at the end of 4Q22.

Lessons learned? We're not totally convinced, but it's a question worth pondering. The degree of concentration risk in the 2Q24 margin lending is unknown, but our sense is that a combination of improved credit conditions (in terms of availability, if not price) as well as better trading opportunities in 2Q24 relative to 3Q22 suggests that an exact repeat of the Oct-Nov margin call debacle is not necessarily in the cards in the current quarter.

It's very clear that the margin loan growth of 3Q22 was really all about pledged loans to desperate borrowers who needed the cash for purposes other than investing in stocks. But hear us out: A hypothetical lucky-ducky trader who piled into the market at the 3Q22 closing low 1126 points and who held until the end of September would have earned exactly 0.5%.

In other words, there really weren't a lot of trading opportunities in 3Q22. It was already a full-on confirmed bear market. And the dominant trade in liquid stocks in that period was mainly to sell them, a situation that rarely leads to increases in demand for margin finance among traditional brokerage customers.

But the market conditions were very different in 2Q24. Yes, the VNI declined by xx% during the quarter, but underlying volatility during 2Q24 was much higher than it was in 3Q22.

Recall the mythic trader discussed above, whose perfectly timed purchase of the VNI at its lowest close in 3Q22 would have earned just 0.5% by holding that position until the end of the quarter. Our hero would have performed better in 2Q24 by buying the low (the lowest VNI close was 1175 points on April 19) and holding to the quarterly close of 1245 (for a gain of 6%) or better yet selling everything at the 2Q24 peak (1302 on June 13) for a gain of 11%.

Our point here is that the opportunities for tactical trading were much greater in 2Q24 than they were in 3Q22, which supports the notion that the QoQ growth in margin lending may have ended up in the stock market, rather than being used to fund other businesses.

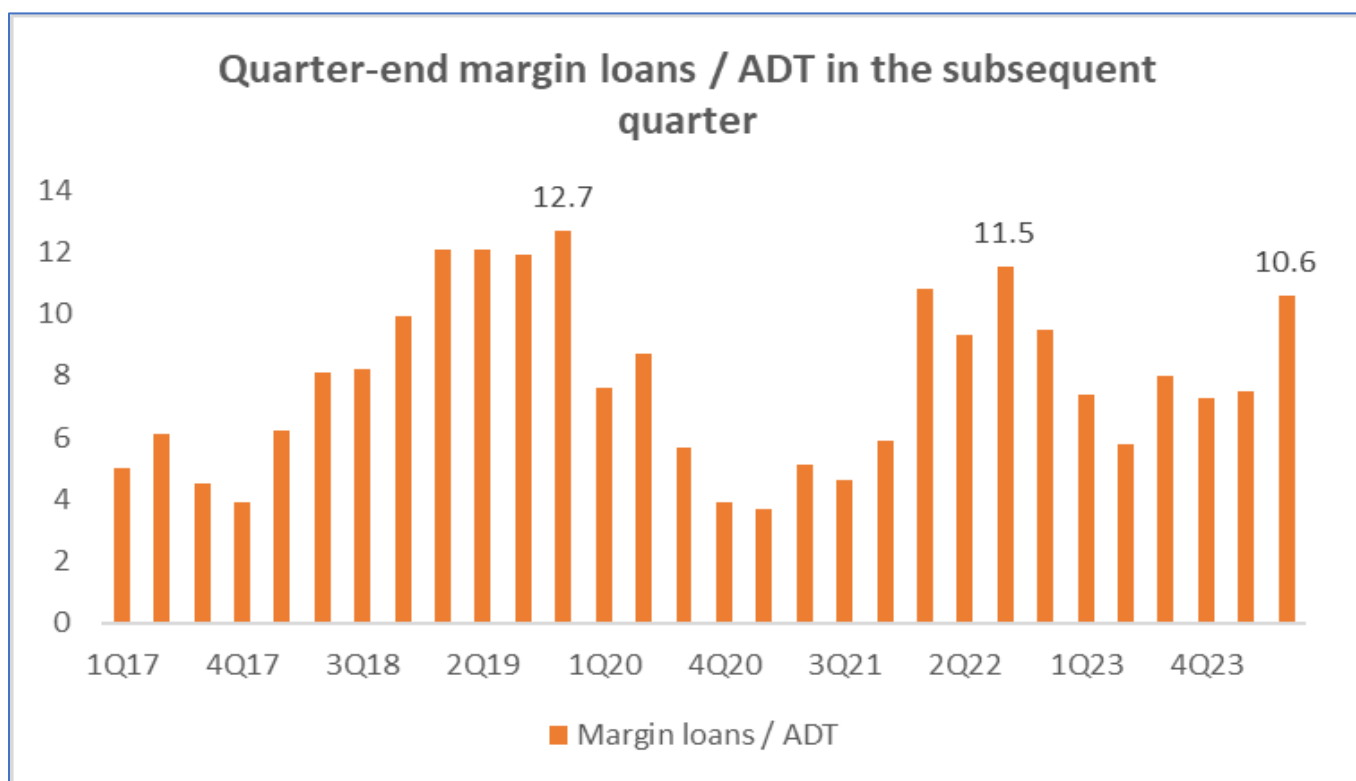
But brokers do not disclose much transparency into these activities: we can see the loans on their balance sheets, but without any color on the who and why of the borrowers. The real situation is very likely to be a mix between brokerage customer leverage for stock investments and cash-hungry corporate owners.

High margin loans and softened ADT are not a positive combo. Regardless of the above speculation, the sharp decline of market turnover so far in 3Q24 has heightened the liquidity risk of the end-June margin loan overhang. This risk may be especially acute during panic selloffs such as what we have just seen (in early August).

2Q24 margin loans represent 8.3 days' of turnover during 2Q24. This is not out of whack with recent history, and it is much lower than peak levels of 13+ days in 2019. However, we can't unwind margin positions into the much higher volumes of 2Q24 without travelling back in time.

The problem is that average daily turnover of 3Q24 has so far (July 1-Aug 5) been much lower at VND19.8 trillion (down -23% from 2Q24's ADT) or around US\$781 million. If ADT stays at this slow run rate, end-June margin loans would be 10.6 days' of 3Q24 turnover, the third highest "days-to-cover" ratio since COVID and the highest since – you guessed it – 3Q22.

Another thing to consider is that brokers this year will be raising another c.US\$1bn in aggregate based on their AGM announcements. This suggests a further ramp of margin loans. Again, one could be forgiven for speculating how much of this is going to mom-and-pop investors and how much is going to big shareholders.



Source: Fiipro, Yuanta Vietnam

The table below indicates the top-20 brokerage houses ranked by market share of margin lending – a more critical driver of brokerage earnings than the chest-thumping over agency brokerage market share.

TCBS remains the No.1 player with 11.5% market share and almost US\$1bn in loans as at 2Q24. Within our coverage, the biggest market share gainer was HCM, which increased its market share by +1.3ppt QoQ / +2.4ppt YoY to reach 8.8%, cementing it as the No.3 player.

Margin Lending Market Share -- Top 20 brokers																										
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
Techcom Securities	1.99%	2.58%	3.13%	3.18%	2.95%	3.26%	3.12%	3.22%	5.06%	4.66%	3.84%	5.73%	6.19%	6.42%	7.95%	8.42%	9.01%	9.87%	9.52%	7.76%	7.76%	7.12%	8.03%	9.64%	10.10%	11.52%
SSI Securities	16.31%	14.92%	13.44%	13.72%	12.04%	11.83%	11.34%	9.54%	8.38%	7.36%	7.44%	12.83%	11.90%	12.26%	12.54%	13.05%	11.60%	10.34%	9.83%	10.09%	9.19%	9.51%	9.46%	8.69%	8.97%	9.33%
HCMC Securities	11.44%	7.70%	10.93%	7.36%	7.72%	8.78%	8.47%	8.49%	7.42%	8.02%	9.76%	12.28%	9.71%	7.23%	6.65%	7.86%	8.17%	7.97%	6.98%	6.85%	5.80%	6.44%	7.28%	7.19%	7.51%	8.83%
Mirae Asset Securities	3.28%	4.60%	4.97%	8.01%	9.27%	9.20%	11.90%	12.71%	14.40%	15.54%	14.35%	14.75%	13.09%	10.52%	9.50%	8.86%	9.15%	8.67%	9.65%	11.72%	9.54%	9.80%	9.01%	7.94%	7.29%	7.65%
VPS Securities				3.21%	3.08%	3.33%	4.77%	4.34%	3.04%	3.83%	5.14%	8.28%	6.94%	5.82%	4.37%	5.15%	5.00%	6.22%	5.08%	5.48%	5.92%	7.42%	6.63%	6.61%	5.90%	5.29%
VNDIRECT Securities	8.69%	7.06%	8.24%	5.75%	5.04%	5.60%	5.36%	5.02%	4.22%	4.27%	4.02%	6.13%	6.57%	6.73%	7.56%	8.27%	9.04%	7.97%	8.09%	8.13%	7.04%	6.53%	6.87%	5.87%	5.27%	5.21%
MB Securities	5.98%	5.22%	6.48%	5.39%	5.09%	4.79%	4.60%	4.67%	4.79%	4.57%	4.47%	5.32%	4.45%	3.38%	4.22%	3.52%	3.61%	4.01%	4.22%	3.24%	3.07%	3.74%	4.09%	5.05%	4.91%	4.68%
Vietcap Securities	9.35%	11.04%	9.90%	6.23%	4.70%	5.27%	5.05%	5.37%	5.87%	3.61%	4.74%	5.35%	5.00%	4.30%	4.33%	4.31%	4.38%	4.48%	4.09%	4.61%	4.19%	3.84%	3.66%	4.51%	4.46%	3.75%
KIS Vietnam Securities	4.19%	4.61%	4.14%	4.47%	4.31%	4.72%	4.79%	5.07%	4.98%	5.71%	6.15%	6.26%	5.38%	4.71%	4.25%	3.93%	3.90%	3.09%	2.93%	4.41%	4.46%	4.50%	3.96%	3.89%	4.06%	3.62%
KB Securities Vietnam	1.26%	1.15%	1.66%	2.46%	3.69%	3.69%	3.29%	3.43%	3.82%	4.00%	3.73%	4.31%	3.67%	2.52%	2.40%	2.56%	2.88%	3.67%	3.61%	4.78%	3.79%	3.65%	3.05%	2.82%	2.85%	2.93%
FPT Securities	3.92%	4.48%	4.63%	3.55%	3.41%	3.15%	3.26%	3.10%	3.03%	3.16%	2.80%	3.17%	3.35%	2.94%	2.75%	2.87%	2.87%	2.84%	2.78%	3.21%	2.83%	2.57%	2.58%	2.66%	2.85%	2.89%
Vietcombank Securities	2.92%	2.84%	2.29%	1.86%	1.79%	1.94%	1.86%	2.16%	1.91%	1.92%	1.79%	2.38%	2.56%	2.30%	2.34%	1.90%	2.35%	2.44%	1.98%	2.83%	2.52%	3.33%	3.15%	2.85%	3.07%	2.81%
BIDV Securities	1.93%	2.05%	1.83%	1.73%	1.46%	1.54%	1.60%	1.81%	1.88%	1.71%	1.51%	2.01%	2.30%	2.15%	2.00%	1.53%	1.76%	1.66%	1.55%	2.75%	2.84%	2.92%	2.88%	2.46%	2.78%	2.37%
Maybank Kim Eng	2.79%	3.59%	3.58%	3.07%	3.33%	2.94%	3.05%	3.16%	3.45%	2.60%	2.27%	2.74%	2.51%	1.98%	2.38%	2.28%	2.22%	2.32%	2.24%	2.40%	2.37%	2.45%	2.76%	2.51%	2.34%	2.16%
Yuanta Securities Vietr	0.95%	1.30%	1.78%	2.82%	3.12%	3.19%	2.94%	3.00%	3.10%	3.28%	3.40%	2.98%	3.37%	2.44%	2.16%	2.18%	2.13%	2.53%	2.52%	2.06%	1.77%	1.55%	1.87%	1.78%	2.04%	2.00%
Bao Viet Securities	2.69%	3.26%	3.04%	3.40%	3.06%	2.94%	2.92%	2.34%	2.68%	2.65%	2.27%	2.46%	2.44%	2.23%	2.02%	1.53%	1.60%	1.63%	1.46%	1.74%	1.65%	1.72%	1.59%	1.60%	1.65%	1.68%
Saigon-Hanoi Securitie	5.43%	5.15%	4.92%	4.20%	3.28%	3.19%	3.06%	2.80%	2.55%	2.78%	2.75%	2.53%	2.60%	3.42%	2.52%	2.79%	2.47%	1.87%	1.96%	2.13%	2.23%	2.67%	2.37%	2.17%	2.21%	1.66%
Shinhan Securities										0.03%	0.35%	0.58%	0.43%	0.40%	0.38%	0.42%	0.84%	1.15%	1.34%	1.38%	1.69%	1.94%	1.54%	1.82%	1.76%	1.55%
Vietinbank Securities	1.81%	1.86%	1.97%			1.04%	1.17%	1.19%		1.17%	1.27%	1.31%	1.34%	1.15%	0.89%	0.85%	0.93%	1.19%	1.14%	1.36%	1.21%	1.50%	1.62%	1.61%	1.54%	1.27%
Viet Dragon Securities	3.65%	3.55%	4.13%	3.16%	3.33%	2.89%	2.77%	2.35%	2.68%	1.90%	2.60%	1.79%	2.13%	1.40%	1.77%	1.28%	1.69%	1.53%	1.79%	1.87%	1.57%	1.46%	1.77%	1.33%	1.51%	1.27%

Source: FiinPro, Company data, Yuanta Vietnam

Valuations are modestly attractive, but we would prefer them to be even more attractive.

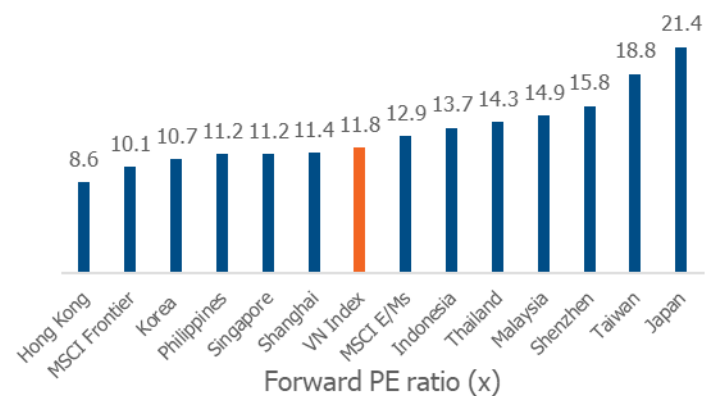
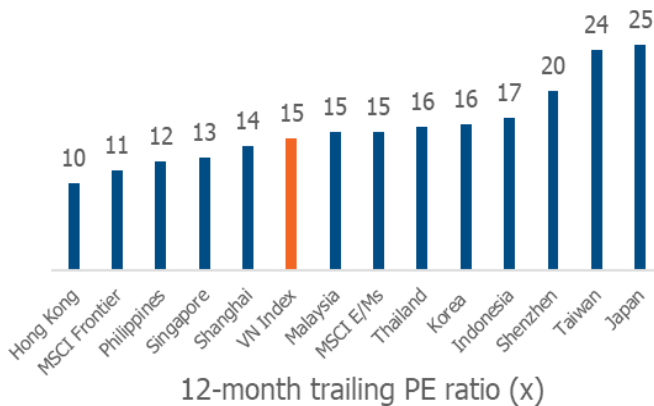
As the net result of slightly higher share prices in June and revised earnings expectations coming out of earnings season, market valuations continue to look reasonable for the market as a whole, with the VNI trading at 11.8x current year (2024) P/E.

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

... but the 11.8x 2024E PE is inarguably cheap, even assuming that EPS expectations are too high.

Regional stock market: Trailing PE multiples

Regional stock market: 2024E PE multiples



Source: Bloomberg, Yuanta Vietnam (Jul 31)

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

The VNI's trailing PE ratio is back to its long-term mean at 14.7x.

But the mainboard's 2024E PE is now 11.8x, which is well below its long-term mean.

VNI -- Trailing PE ratio (x)

VNI -- 2024E PE ratio (x)



Source: Bloomberg, Yuanta Vietnam

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

July breadth was negative overall but positive for the big caps

Monthly breadth was mixed in July, with a preponderance of VNI components posting declines MoM and the opposite true for the VN30 heavyweights. This mixed result simply confirms what we already know: the large caps provided support for the broader VNI’s modest LCY gain of 0.5% MoM.

Breadth was decidedly negative for the VNI components, which saw 72% of components decline (106 gainers / 279 decliners) on a MoM basis in July.

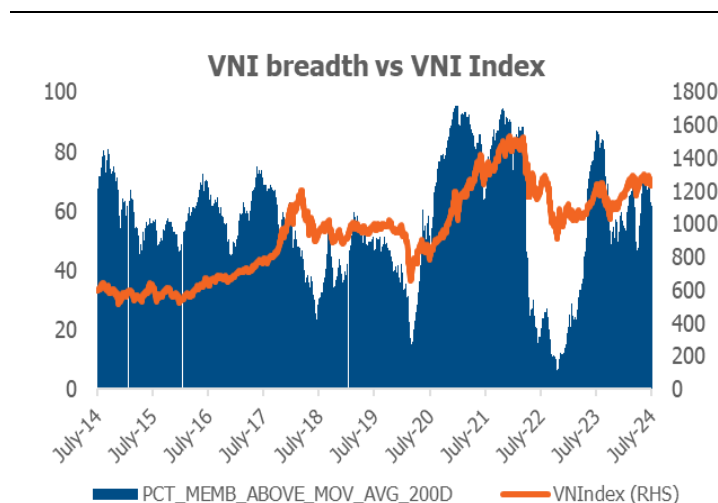
By contrast, the large cap VN30 components posted 60% positive breadth in July, with 18 MoM gainers vs. 12 losers.

YTD breadth in 7M24 was still positive – albeit barely so -- as befits the VNI’s +11% YTD increase through July 31. The mainboard posted 208 gainers / 174 losers since end-2023, which works out to a 54% positive skew – well down from 65% positivity in 6M24.

Following their gains of July, the VN30 members have performed slightly better than the broader market in terms of YTD breadth. Two-thirds (i.e., 67%) of the VN30 components are up YTD (20 gainers / 10 losers).

As of end-July, just 60% of VNI components were trading above their 200-day moving averages, down sharply from 67% at end-June and 72% at end-May. In fact, as of August 6 this ratio has fallen to 47%, just slightly higher than the YTD low of 45% level in April. Again, we don’t expect a repeat of the 2Q24 intraquarter rally of +11% for shares, but a contrary-minded investor might gain confidence from such statistical echoes of mid-April.

Monthly stock breadth: Negative in June, positive in 1H24



Source: Bloomberg, Yuanta Vietnam (Jul 31)

VN 30 breadth			
	WoW	MoM	YTD
Gainers	21	18	20
Losers	9	12	10

Source: Bloomberg (Jul 31, 2024)

VN Index breadth			
	WoW	MoM	YTD
Gainers	176	106	208
Losers	190	279	174

Source: Bloomberg (Jul 31, 2024)

Source: Bloomberg

VN30 large caps: Share price performance in Jul

Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Jul	YTD chg	Contribution to VN30 Index performance in 7M2024
ACB	24.6	0.0%	12%	0.0%	2%
BCM	73.0	0.1%	2%	0.2%	0%
BID	47.6	0.1%	4%	0.1%	1%
BVH	43.6	-0.1%	-1%	0.1%	0%
CTG	32.0	0.0%	3%	0.2%	4%
FPT	128.6	0.0%	-9%	0.3%	47%
GAS	79.9	0.0%	2%	0.1%	0%
GVR	33.0	0.0%	-1%	0.6%	3%
HDB	26.3	0.1%	33%	0.3%	15%
HPG	27.2	0.0%	-15%	0.0%	0%
MBB	24.4	0.1%	28%	0.3%	19%
MSN	74.1	0.0%	-2%	0.1%	5%
MWG	63.8	0.0%	7%	0.5%	32%
PLX	45.9	0.1%	3%	0.3%	2%
POW	13.5	-0.1%	-2%	0.2%	1%
SAB	55.4	-0.1%	-2%	-0.1%	-1%
SHB	11.2	0.0%	-3%	0.0%	1%
SSB	21.8	0.0%	6%	-0.1%	-1%
SSI	31.8	-0.1%	-9%	0.0%	0%
STB	29.0	0.0%	2%	0.0%	2%
TCB	23.3	0.0%	-2%	-0.3%	-3%
TPB	18.2	0.1%	4%	0.0%	1%
VCB	89.2	0.0%	10%	0.1%	5%
VHM	36.7	0.0%	-5%	-0.2%	-2%
VIB	21.2	0.0%	1%	0.1%	2%
VIC	42.3	0.0%	5%	-0.1%	-1%
VJC	105.9	0.0%	5%	0.0%	0%
VNM	71.6	0.1%	22%	0.1%	3%
VPB	19.0	0.0%	7%	0.0%	0%
VRE	18.6	-0.1%	-6%	-0.2%	-2%

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

Property Developers – A New Administrative Dawn?

Analyst Tam Nguyen expects a nuanced impact from the legal changes in effect since August 1.

Assuming you were not carried away by the sea of results notes in July (hey – they have to be done, and the writer is just as guilty as everyone else), **you may have missed property analyst Tam Nguyen’s thought piece on something that actually matters: the impact of the legal amendments taking place on August 1.**

Yuanta Research
Express Note

Vietnam: Property
15 July 2024

Underweight

VHM's share price relative to VNI

KDH's share price relative to VNI

Vietnam Property Sector

Detailed Guidance Brings Mixed Impacts

Following the approval of the four amended laws—the Land Law, Housing Law, Real Estate Business Law, and Credit Institution Law—which will take effect on August 1, 2025, the government is drafting several decrees to provide detailed guidance for these amended laws. These decrees are expected to be completed before August 1, 2025, to ensure synchronized implementation.

So far, we observed that two of these decrees have significant impacts on the economy, one positive and one negative.

First, the positive impact: the government is drafting a National Congress decree that will allow developers who own factory land in areas planned for housing to develop residential projects. This decree is crucial for addressing the administrative bottlenecks that many developers face with prolonged delays in projects in central tier-one cities. For example, a quick review of the landbank of key developers shows that VHM has two projects in central Hanoi,

Tam published this piece on July 15, just two weeks before the amended laws took effect on August 1. The details are somewhat murky and subject to change, but understanding the property market here will be critical to portfolio outperformance in the next two years, in our opinion.

We find that few clients are overly weighted in the property developers (except for KDH and perhaps NLG) these days, so our Underweight call doesn't really move the dial for many investors. However, understanding property is critical for bank investors, and most of our clients are involved in the much larger banks.

As such, Yuanta’s institutional clients (and potential clients) are encouraged to reach out to your sales contact or the head of research (matthew.smith@yuanta.com.vn) as the start of establishing a dialogue with our very busy property analyst, Tam Nguyen. Details of his note:

Guidance on New Laws Brings Mixed Impacts. Following the approval of the four amended laws—the Land Law, Housing Law, Real Estate Business Law, and Credit Institution Law—which will take effect on August 1, 2025, the government is drafting several decrees to provide detailed guidance for these amended laws. These decrees are expected to be completed before August 1, 2025, to ensure synchronized implementation.

We expect two of these decrees to have significant impacts on the economy, one positive and one negative.

First, the positive impact: the government is drafting a National Congress decree that will allow developers who own factory land in areas planned for housing to develop residential projects. This decree is crucial for addressing the administrative bottlenecks that many developers face with prolonged delays in projects in central tier-one cities.

For example, a quick review of the landbank of key developers shows that VHM has two projects in central Hanoi, DXG has four projects in HCMC and Binh Duong province, HDG has one project in HCMC, and NVL has 5-7 projects in HCMC facing this issue.

Second, the negative impact: a draft decree on land use right fees and land rent, regulated under Articles 14 and 36, stipulates that the government will recalculate the land use right fee or land rent for the entire area of a project when the detailed planning (scale of 1/500) is adjusted by either the landowner's request or the government.

Notably, this regulation will apply to all projects, including residential, industrial, and other business projects.

From a lawmaker's perspective: If detailed planning is adjusted (e.g., changes in population or building density), the LUR fee or land rent will be recalculated to align with the land use efficiency. For instance, if a project benefits from state-invested infrastructure and the investor requests to adjust the detailed planning to better exploit the land value (e.g., increasing building density), the LUR fee or land rent should be recalculated accordingly.

We believe that lawmakers may aim to prohibit landowners from speculating on land, not utilizing it efficiently, and making significant profits by holding onto the land for a long time instead of building factories or houses promptly.

However, the regulation may have unexpected impacts if it takes effect (detail below). Therefore, we will continue to monitor any changes or adjustments from other drafts or the official decree to keep clients informed.

Generally, regulations have been revised to foster market development. The government has amended four key laws to aim for the efficient allocation of the country's land resources. Therefore, no specific developer directly benefits from the changes.

But it is clear that the changes aim to support developers with strong execution capabilities such as [KDH \(BUY\)](#), [VHM \(BUY\)](#) and NLG (HOLD-Underperform), in developing the property market more professionally.

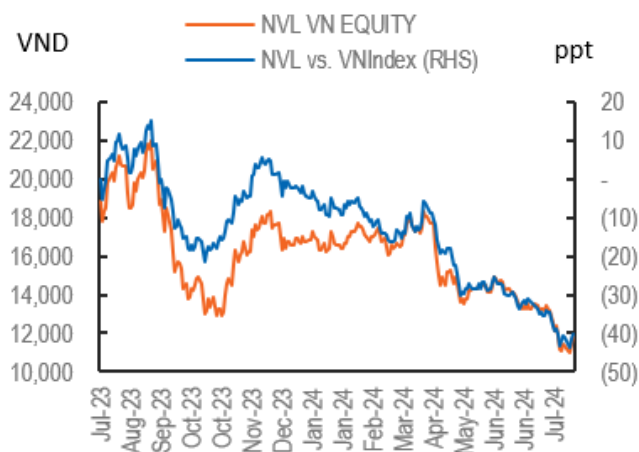
Please see Tam's full report for further details: <https://yuanta.com.vn/wp-content/uploads/2024/02/VHM-Company-update-Addressing-the-Elephant-in-the-Room.pdf>

Novaland (NVL VN): The Vague Outline of a Road in the Fog

Tam also attended NVL’s debt restructuring update on July 29. We understand that NVL is especially unlikely to make many investor screens for potential stock purchases. However, bank investors should at least stay apprised of developments at the company given its highly leveraged balance sheet, to which your bank is likely exposed either directly or indirectly.

We suspended coverage of NVL over a year ago, so we have no target price or investment recommendation on the stock. The meeting seemed aimed at shoring up confidence among creditors (including homebuyers) as well as other stakeholders – rather than at equity investors, suggesting questions over how investable the stock might be. It would certainly not be one for the faint of heart.

Share price performance relative to VNI



Market cap	USD 907 mn
6M avg. daily turnover	USD 15 mn
Outstanding shares	1.95 bn
Free float	45%
FINI ownership	4.20%
Major shareholders	40%
FOL Room	44.70%
2Q24 Net debt-to-equity	1.25%
Current P/B (x)	0.58x
2024 Dividend yield	0.0%

Source: Bloomberg, Company data

Details -- Management noted that while the restructuring is in the final stages, it anticipates further challenges and pressures. Therefore, additional support from lenders is needed.

- **Local institutional lenders** (mainly commercial banks): Borrowings were VND24.6tn, down VND2tn (-7.5%) from the end of 2022. Most borrowings have been restructured, and lenders are open to additional credit allocations once project approvals are in place. NVL has a credit limit of VND12.1tn for construction, with 14 of 16 its projects resumed.
- **Institutional lenders:** Borrowings were VND21.2tn by the end of 2Q24, a decrease of VND 2.5 tn (-10.5%) compared to end-2022. NVL has extended repayment for VND15.4tn (73%) of the total, with VND7tn restructured out to 2027 and another VND5.9tn under negotiation.
- **Individual lenders:** Borrowings were VND8.8tn at 2Q24, a decrease of VND3.6tn (-28.8%) from the end of 2022. Only VND1.5tn has been successfully restructured, while VND7.4tn is still under negotiation.

Administrative procedures: Some progress, but slower than NVL expected

- **HCMC projects:** NVL has obtained full approvals for Sunrise Riverside and Palm City. Victoria Village, Grand Manhattan, and Park Avenue are in the final approval stages, while Thach My Loi, Water Bay, and Ly Chinh Thang require special government guidance.
- **Aqua City:** NVL re-obtained the selling permit in November 2023 and has resumed construction in some subdivisions since 4Q23. However, most of this project must await

the Dong Nai provincial authorities' adjustment of the master plan, expected to be completed by the end of October 2024. NVL has committed to signing SPAs with homebuyers in July 2025 and delivering homes by October 2026.

- **NovaWorld Ho Tram:** NVL has full approvals for Tropicana, Wonderland, Morito, and Habana Island. In addition, NVL expects the paperwork for Binh Chau Onsen, Happy Beach, and Long Island to be completed by the end of 2024.
- **NovaWorld Phan Thiet:** LUR fee determination is expected in September 2024, followed by the construction permit one month later.

NVL reported that homebuyers have paid VND305tn according to the agreed payment schedules, a significant amount compared to total borrowings of VND59tn as of 2Q24. Once the necessary approvals are issued, NVL expects to speed up construction and successfully hand over units to these buyers.

Management expects cash flows to start improving from 3Q25, once Aqua City gets the required approval to sign SPAs with buyers. NVL adds that cashflow should continue to improve from 1Q26, when they expect the property market to pick up, which should also allow NVL to launch new sales.

We suspended coverage of NVL over a year ago, so we have no target price or investment recommendation on the stock. The meeting seemed aimed at shoring up confidence among creditors (including homebuyers) as well as other stakeholders – rather than at equity investors, suggesting questions over how investable the stock might be. It would certainly not be one for the faint of heart.

As stated in our February 13 non-rated report titled [Who Will Stand With NVL in Their Endeavors?](#), **we believe that all participants have no better choice.** Local institutional lenders appear to be standing with NVL up to now, while requesting safeguards. For individual lenders, the answer lies in how long NVL can maintain the patience of these participants and keep their support intact.

The crux of NVL's issues lies in administrative obstacles. As of the end of 2022, unbilled revenue stood at VND 245tn (-39% YoY). We estimate that NVL collected around 58% of this total.

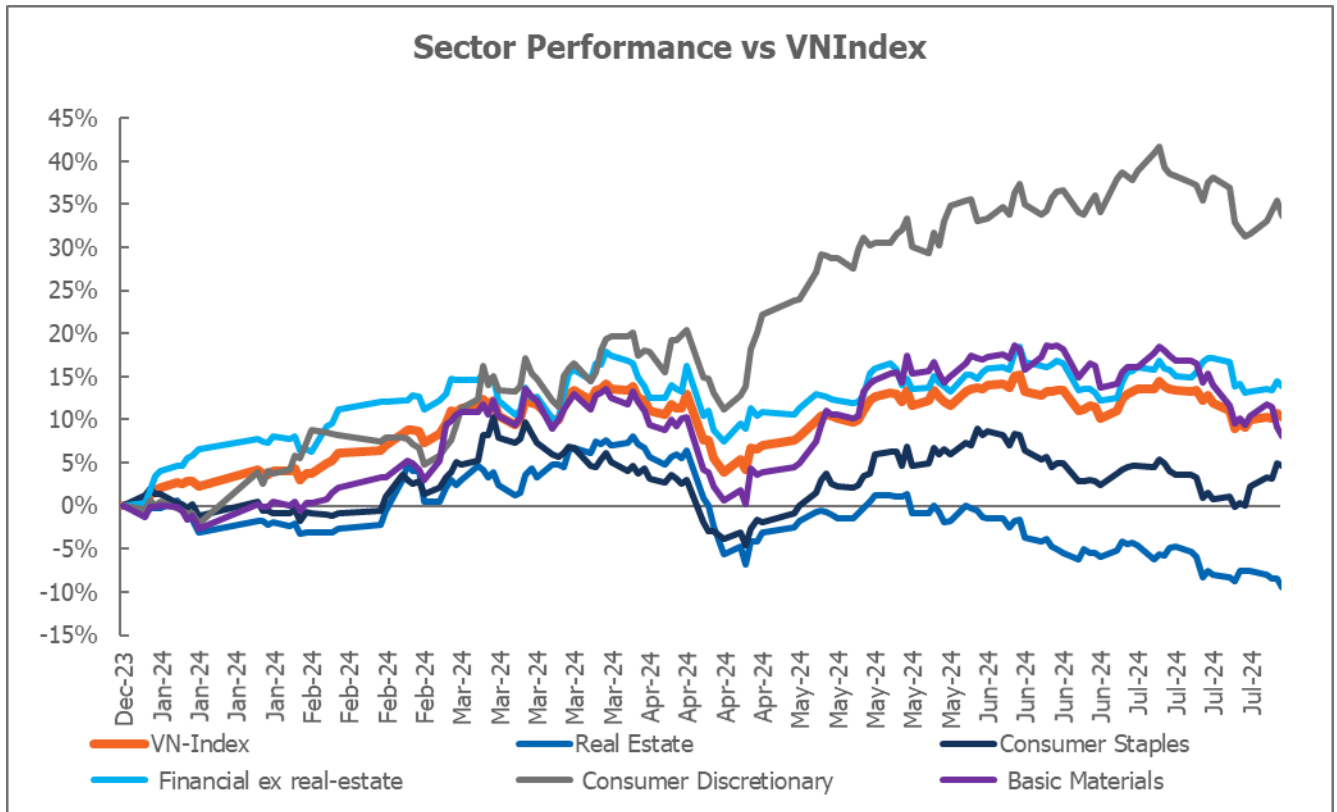
With the necessary support from the government to complete the required paperwork, NVL can accelerate the construction process and hand over houses to homebuyers and has the potential to collect approximately 42% of the unbilled revenue (roughly VND 100bn) from homebuyers, thereby generating approximately 30% of free cash flows to be allocated towards debtholders.

This would amount to VND 30tn, accounting for 48% of total borrowings (approximately VND 59tn at end-June 2024).

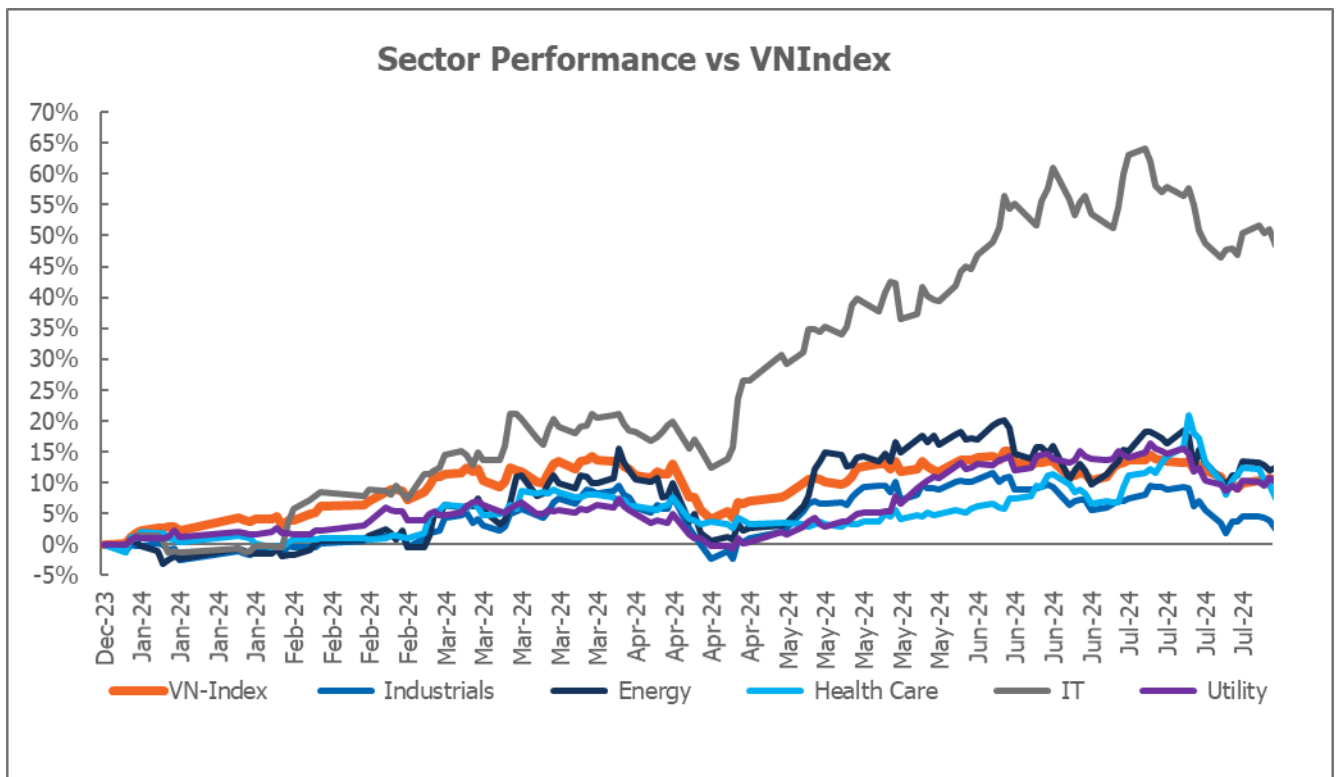
Concerns on NVL's cashflow projection. We have reached out to Novaland to clarify the discrepancy between the unbilled booking revenue at the end of 2022 and the recently reported VND 305 trillion paid by homebuyers according to the payment schedule. Stay tuned.

See Tam's full report of July 31 here: <https://yuanta.com.vn/wp-content/uploads/2024/07/NVL-Express-note-The-Vague-Outline-of-a-Road-in-the-Fog-1.pdf>

Sector performance YTD



Source: Bloomberg (updated to Jul 31)



Source: Bloomberg (updated to Jul 31)

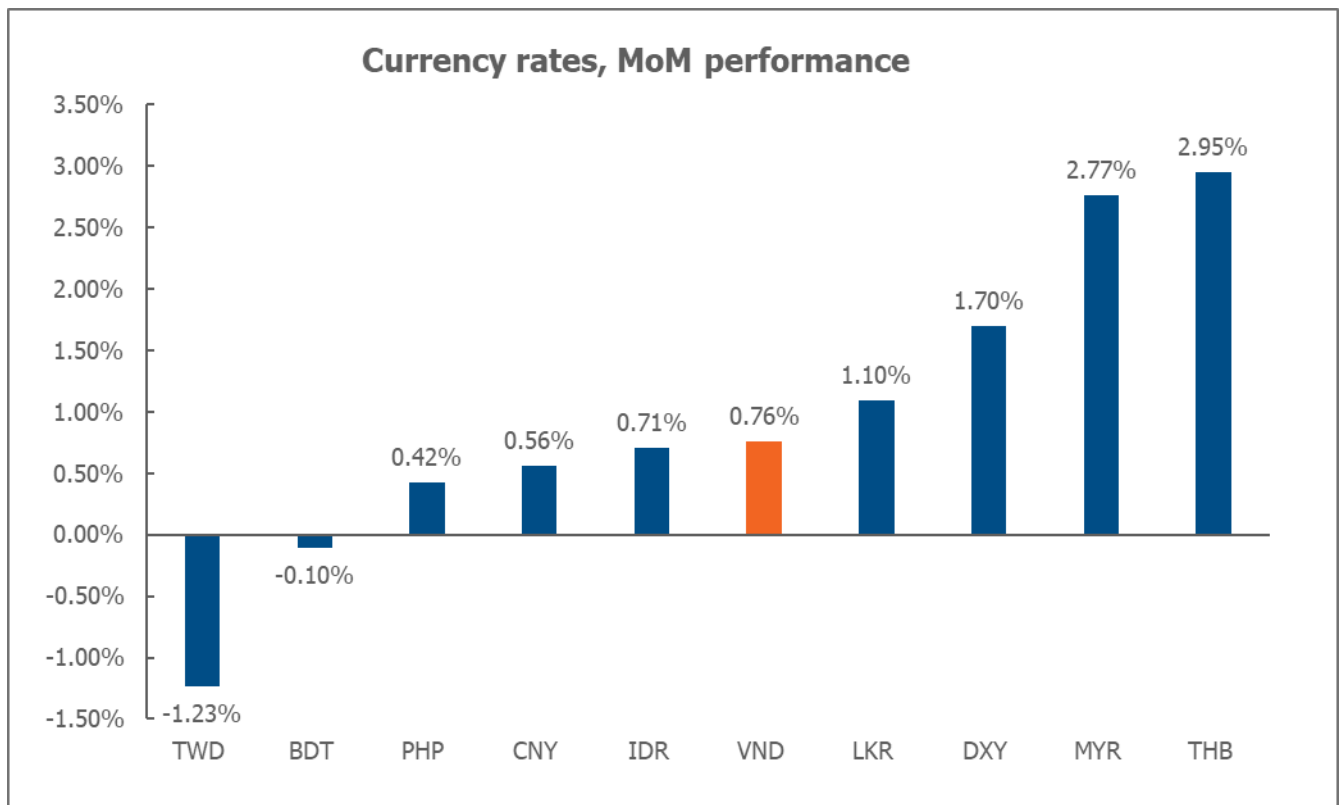
The VND bounced along with regional currencies in July

A very welcome bounce for the Vietnam dong. Following the substantial depreciation of 5M 2024, the dong’s spot rate against the USD essentially flat-lined MoM in June before appreciating by +0.8% MoM in July.

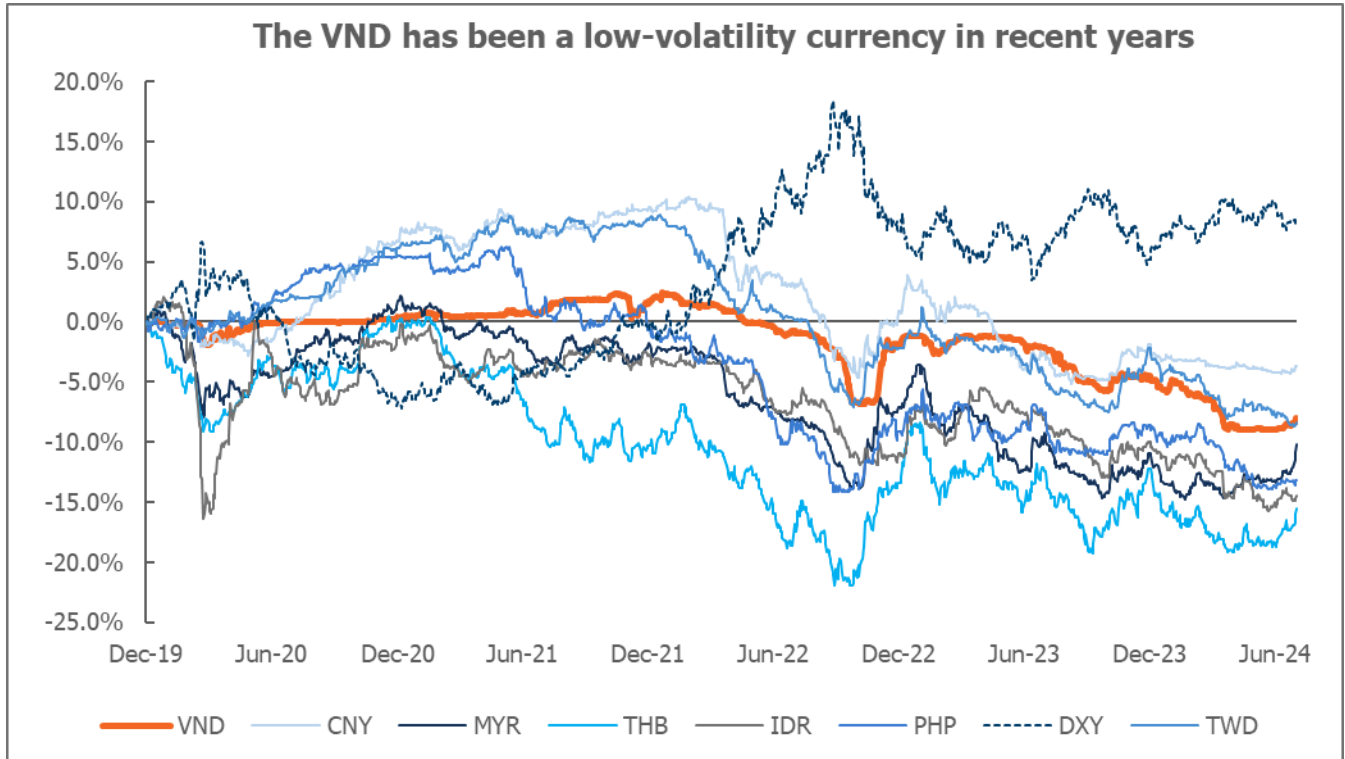
Tightened SBV monetary policy and reported sales of FX reserves shored up the currency, in our view. In addition, rationalization of the gold market appears to have played a role in supporting the dong, and demand for USD cash appears to have eased accordingly.

However, recall that the 1Q24 BoP data indicates that net errors and omissions during the quarter soared to US\$8 billion. This suggests capital flight pressures that probably continued into 2Q24, but that we hope have since eased in 3Q24.

The rate of the VND’s appreciation in July was tied (essentially) with that of the Indonesian rupiah, but well behind the gains in the more volatile Malaysian ringgit (+2.8% MoM) and Thai baht (+3.0%), which were strongest regional currencies in July.



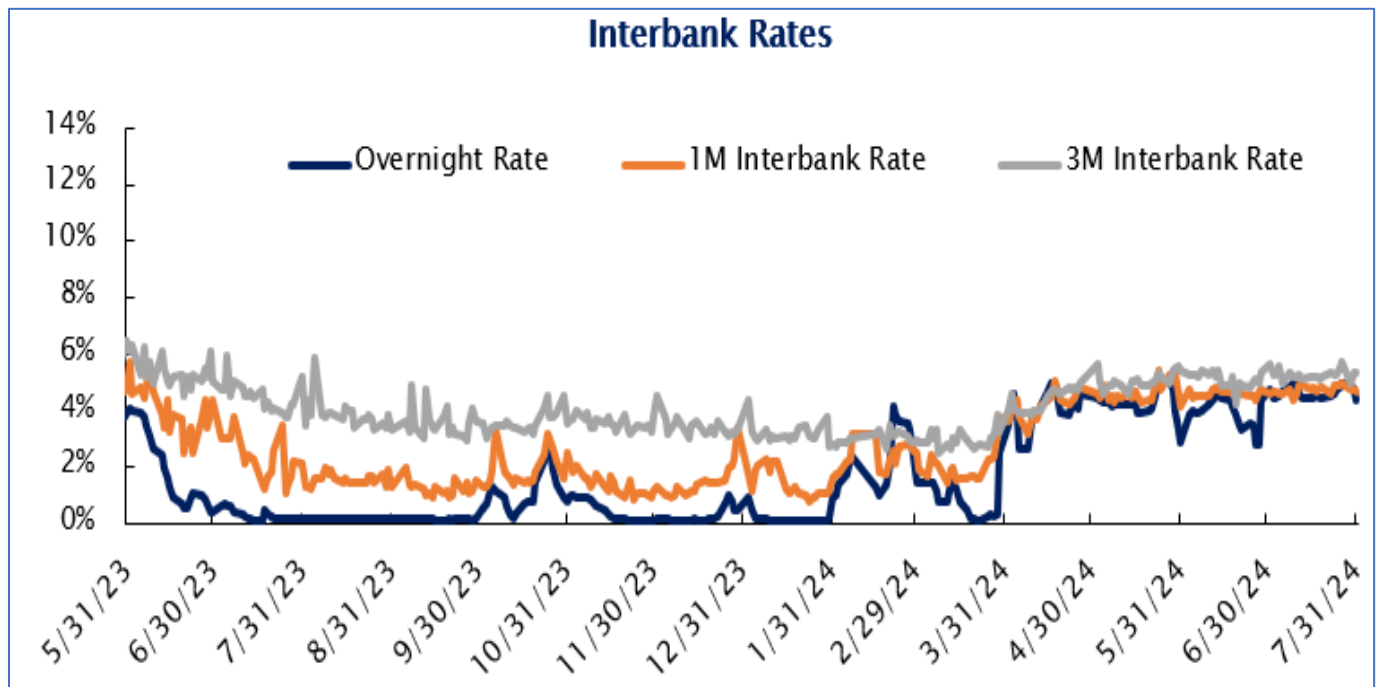
Source: Bloomberg (updated to Jul 31)



Source: Bloomberg (updated to Jul 31)

Interbank rates stayed tight in July

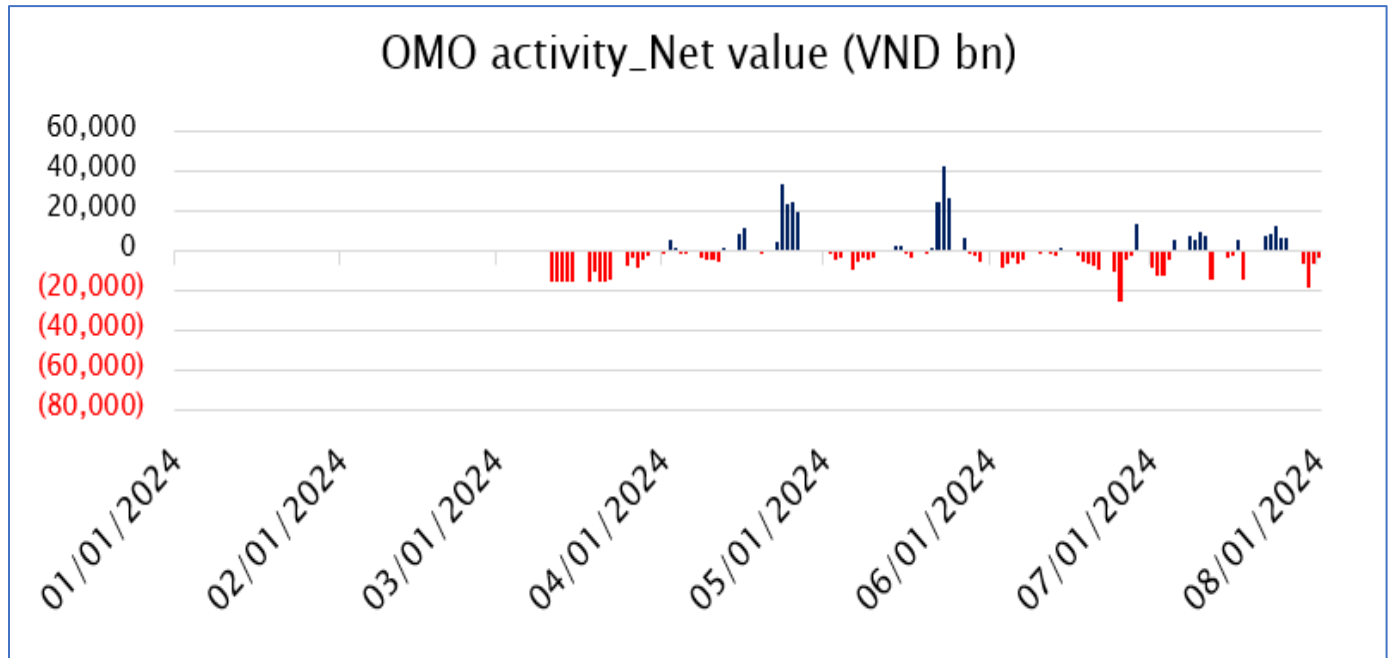
- The overnight rate decreased was 4.37% on Jul 31.
- The 1M interbank rate was 4.71% on Jul 31.



Source: SBV

In addition, **the central bank’s open market operations mainly point to net withdrawals of liquidity** from the financial system in July.

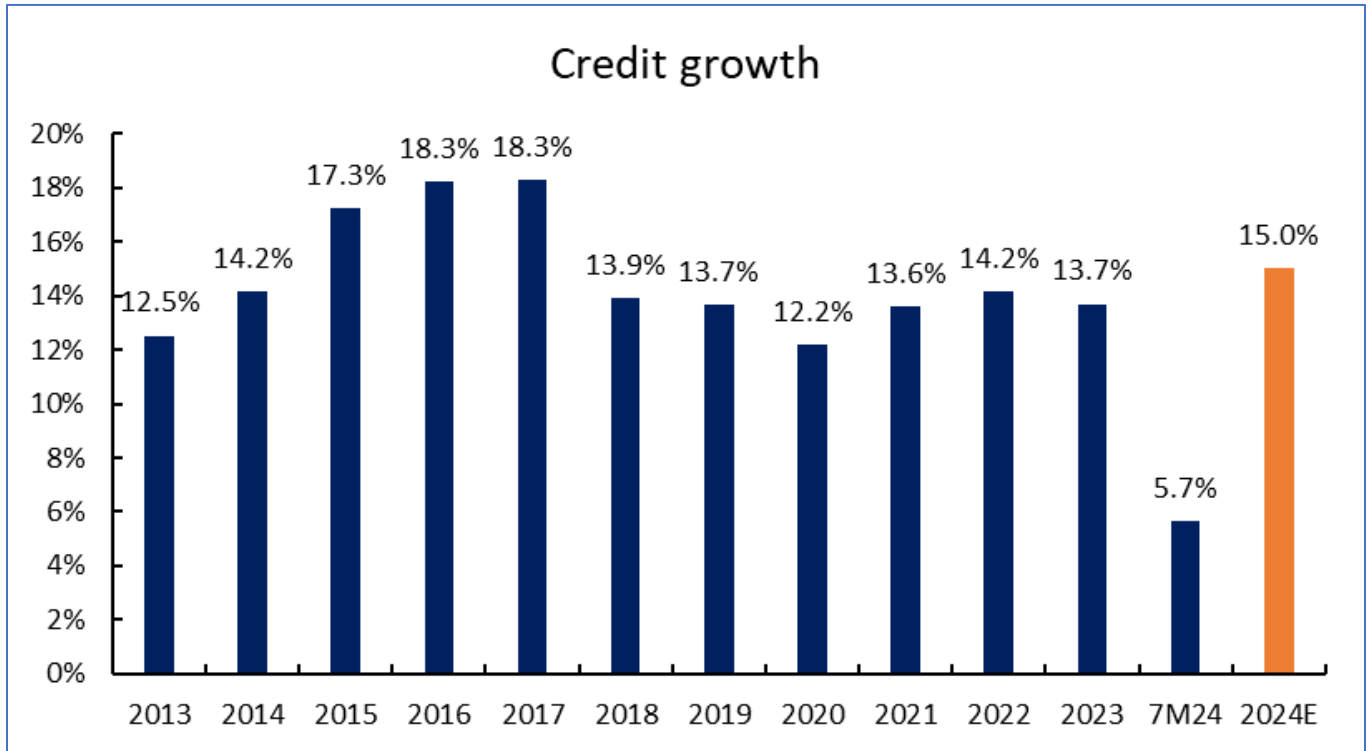
These policies should continue to support the VND, in our view.



Source: SBV

Banks: Credit growth still weak overall

Credit growth across the banking sector is widely reported to have achieved 5.7% YTD up to late July (the media don’t provide an exact date), a run rate that is clearly behind the SBV’s 15% YoY growth target for 2024.

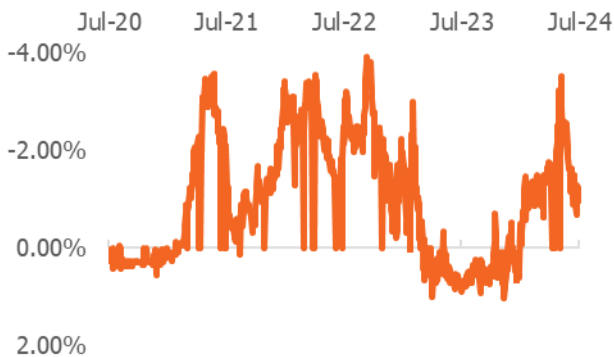


Source: GSO, domestic media (for "7M24"), SBV (for the 2024E target of 15%).

US dollar cash premium soared in 2Q24 but has settled down since June.

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

Cash rate vs bank rate for buying USD with VND



VND rates to buy USD



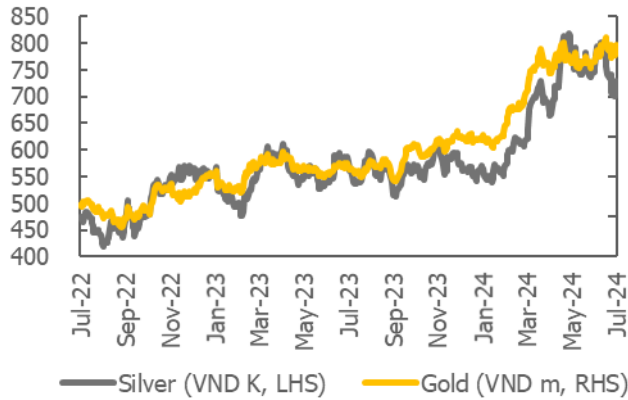
Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

Source: FiinPro, Yuanta Vietnam

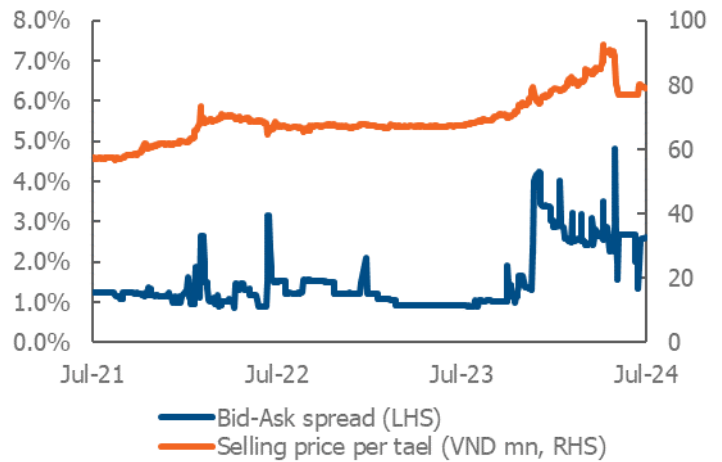
Global USD gold prices have been on a tear. The gains are even more solid for VND investors.

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

Precious metals in VND terms

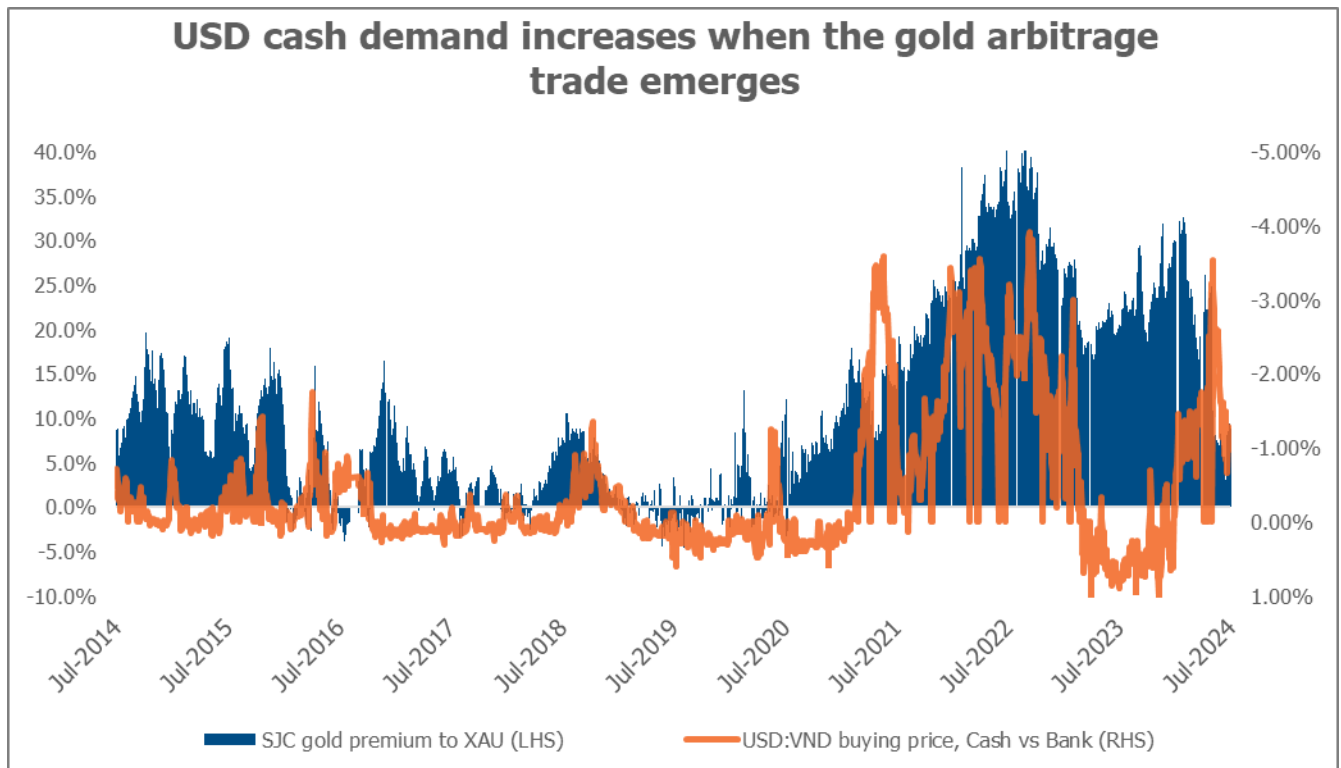


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.



Source: FiinPro, Yuanta Vietnam

USD cash demand increases when the gold arbitrage trade emerges



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

Macro Update – Manufacturing’s strong growth sustained in July

--Binh Truong, Deputy Head of Research

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Highlights of the GSO macro data for July and 7M24 – Manufacturing growth underpinned by increased demand.

- Industrial production growth momentum continued to expand in July.
- The index of industrial production (IIP) in July 2024 is estimated to increase by +0.7% MoM and by +11.2% YoY.
- The July manufacturing PMI was the highest since 2022, underpinned by increased demand. This signals a significant improvement in business conditions relative to 2022-23.
- July export growth reached +19% YoY.
- The merchandise trade surplus in July was US\$2.12 billion, thus bringing the 7M24 merchandise trade surplus to US\$14.08 billion.
- Steel (+9.8% YoY) and fisheries (+7.3% YoY) products were both in the group of US\$5bn-plus in export turnover in 7M24.
- Disbursed FDI rose by +8.4% YoY in 7M24 to reach US\$12.55bn, a record high.
- However, public investment remains sluggish, disappointing our expectation for State-led infrastructure investment to be a more substantial macro driver in 2024.
- However, domestic consumers have regained their mojo. Retail sales in July increased by +1.4% MoM and by +9.4% YoY, driven by hospitality and catering receipts.
- The risk of inflation in August has eased on lower oil prices, but this doesn’t mean that the inflationary risks are over.

Manufacturing growth momentum extended in July

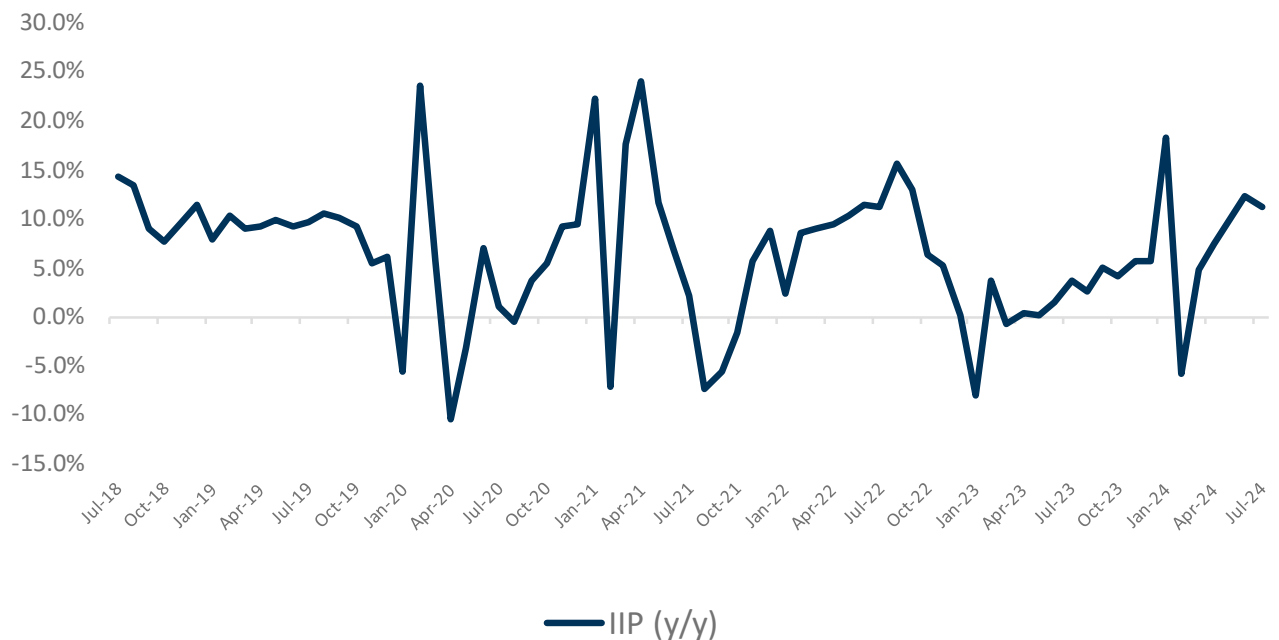
Industrial production growth momentum continued in July, although output expanded at a slightly softer rate than in June. The GSO estimates that the index of industrial production (IIP) in July 2024 increased by +0.7% MoM and by +11.2% YoY, slightly softer than June's +12.4% YoY.

In 7M24, the IIP increased by an estimated +8.5% YoY. This is a substantial improvement from 7M2023, a period in which the IIP decreased by -0.8% YoY.

7M24 output of the manufacturing sector posted a +9.5% YoY increase; electricity production and distribution industry increased by +12.4% YoY; and water supply, waste, and wastewater management & treatment increased by +7.2%. By contrast, mining output decreased by -6.2% YoY in the first seven months of the year.

The IIP advanced in 60 provinces and decreased in 3 provinces nationwide.

Index of Industrial Production remained solid in July thanks to manufacturing



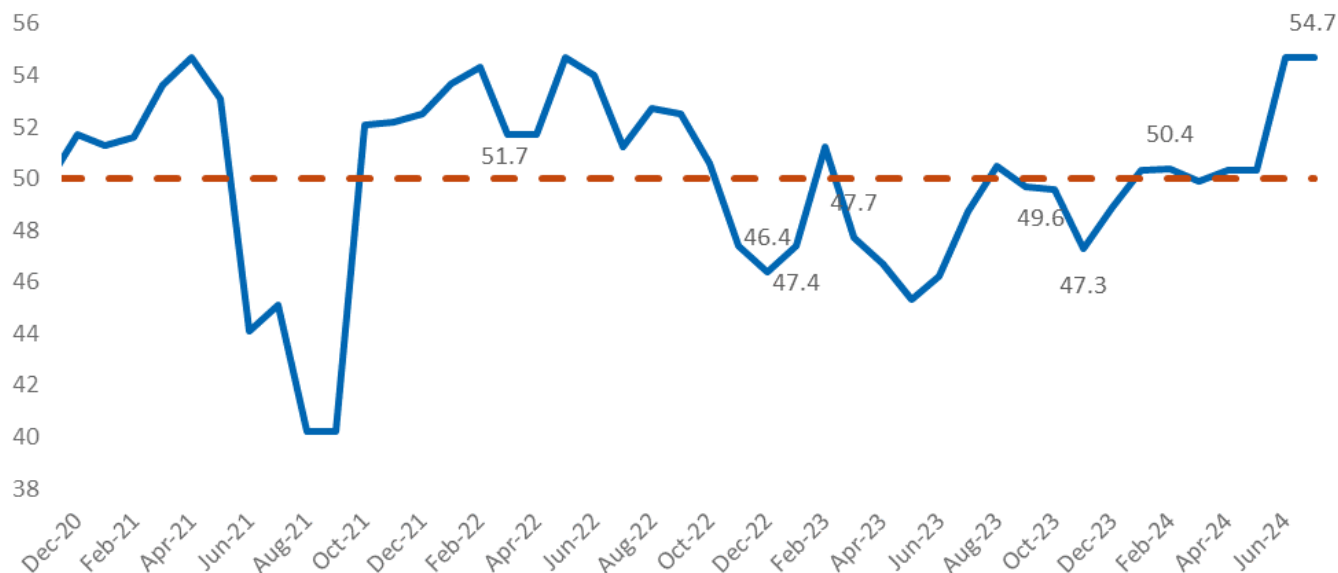
Source: GSO

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. The July monthly results and YTD aggregate numbers confirm our view.

July Manufacturing PMI continues to point toward further expansion

S&P Global's Manufacturing Purchasing Managers' Index (PMI) for Vietnam remained unchanged MoM at 54.7 in July, the highest reading since May 2022. This positive two-month result signals a substantial improvement in business conditions. The survey reveals both the fastest rise in output since March 2011 and a near-record fall in stocks of finished goods.

Manufacturing PMI remains at 54.7 in July, for the second month in a row



Source: S&P Global

New orders rose for the fourth month running in July and at a near-record high on the back of strong customer demand. Survey participants report that some of their customers requested additional orders during the month.

New export orders increased, but at softer rate than total new orders which respondents attribute to increased shipping costs.

Manufacturers are ramping up production accordingly. The rate of expansion in manufacturing output accelerated to a near-record high, and this growth momentum strengthened from June to July.

The record fall in stocks of finished goods in July indicates that output during the month failed to meet customer demand. Thus, firms expanded capacity in the month, which is visible in the increased purchases of input parts and materials as well as a higher employment rate in July. Nevertheless, respondents report that work backlogs accumulated in July for the second consecutive month.

Strength in manufacturing is in line with both solid domestic demand and strong export growth, backed by retailers restocking for back-to-school (in July and August) as well as year-end seasonal demand. As we have said for many months now, the global inventory problems of

2022-23 are now history, which should result in a continued export recovery and thus strong manufacturing output going forward.

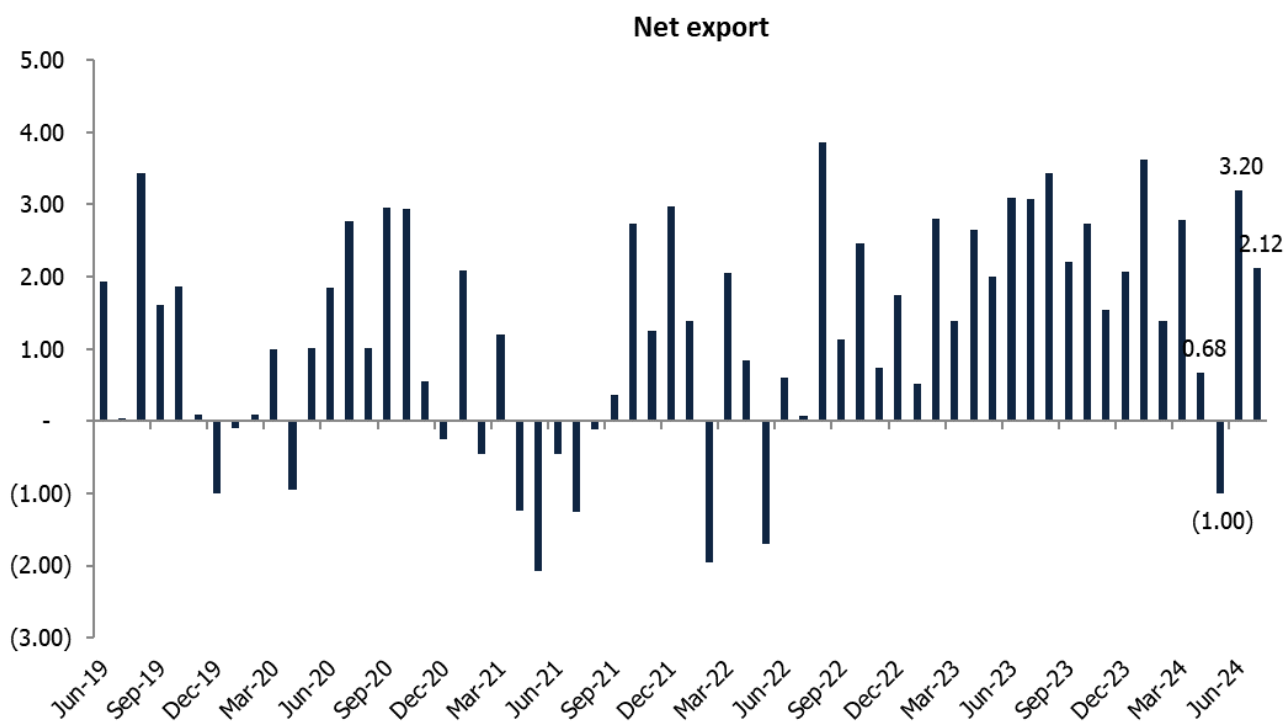
External demand is a key driver: Export growth reached +19%YoY

The merchandise trade surplus in July was **US\$2.12 billion**, bringing the 7M24 merchandise trade surplus to US\$14.08 billion. We expect export demand to continue to expand in August on back-to-school demand and through the end of the year.

Merchandise export turnover grew by +6.7% MoM / +19.1% YoY in July to reach an estimated US\$35.92 billion. FDI manufacturers (including crude oil) exported US\$26.05 billion (+5.6% MoM / +16.7% YoY), accounting for 72.5% of total gross exports in July. The latter figure is an indicator of the increase in demand for manufactured goods from the key end markets (i.e., the USA) as well as Vietnam's place in the ongoing diversification of global manufacturing chains. Exports from the domestic sector reached US\$9.87 billion (+9.8% MoM / +25.9% YoY).

7M24 merchandise exports reached US\$227.0 billion (+15.7% YoY). FDI sector exports reached US\$163.9 billion(+13.8%) to account for 72.2% of total YTD exports. Exports from the domestic economy reached US\$63.1 billion (+21.1% YoY) to account for 27.8% of total merchandise exports.

Vietnam recorded a merchandise trade surplus of US\$2.1bn in July 2024



Source: GSO

Import turnover of goods in July 2024 rose by +11% MoM / 25.2% YoY to reach an estimated US\$33.8 billion.

7M24 merchandise import turnover thus increased by +18.5% YoY to reach US\$212.9 billion. Domestic sector imports reached US\$78.0 billion (+21.5% YoY) to account for 36.6% of total imports, and FDI sector imports reached US\$134.9 billion (+16.9% YoY) to account for 63.4% of gross imports of goods.

The latter figure is an intriguing one in light of the often-cited criticism that Vietnam's foreign exchange reserves are "too low". The rule-of-thumb provided by one of the multilateral banks (World Bank or IMF, we can't quite recall) is that a country's central bank should maintain a minimum level of FX reserves that is equal to a minimum of 3 months of the same country's imports. Ignoring services imports, the YTD monthly run-rate implies that Vietnam must, at a bare minimum, maintain US\$91bn in FX reserves if we follow this rule. And this is within the ballpark of where FX reserves are at this point, we think.

But should credit rating agencies be worried about sovereign risk on this metric alone? FDI manufacturers – whose business models are all about selling products that are made / finished here to developed markets (especially the US) account for 63% of these imports. We'll go out on a limb and suggest that the bulk of these goods never cross over into the realm of the Vietnam dong – makers buy inputs from overseas using trading currencies, mostly the US dollar, and then sell products overseas to buyers who also use trading currencies (mostly the US dollar).

So does Vietnam really face a risk of insufficient FX reserves? Using the YTD monthly run rate for goods imports of US\$11bn per month (again, this is an oversimplification, but hear us out), the SBV would cross the 3-month import coverage threshold at US\$33 billion in FX reserves. Assuming current FX reserves are US\$80bn (likely a lowball estimate), then Vietnam's FX reserves are 7.3 months of merchandise imports for the domestic economy – this is the figure that matters, in our opinion.

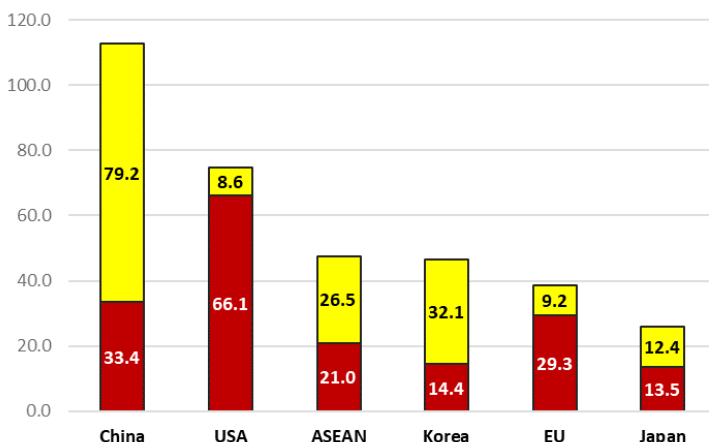
The 7M24 merchandise trade surplus with the United States reached an astounding US\$57.5 billion (+27.6% YoY); so much for the wailing and gnashing-of-teeth that accompanied Washington's decision to decline to upgrade Vietnam's status to "market economy" status – the country's annual trade surplus with the US is on track to exceed 20% of GDP this year, a truly astonishing figure (and a scary one, in light of the upcoming US election).

Vietnam also posted 7M24 merchandise trade surpluses with the EU (est. US\$20.1 billion, +19.4% YoY) and Japan (US\$1.1 billion, down -14% YoY).

By contrast, Vietnam posted a 7M24 trade deficit with China of an almost-as-gargantuan US\$45.8 billion (+65.4% YoY). China watchers often cite numbers such as this to indicate that China has replaced the USA with "Global South" markets for its world-beating manufacturing engine, but Vietnam's trade data suggests otherwise.

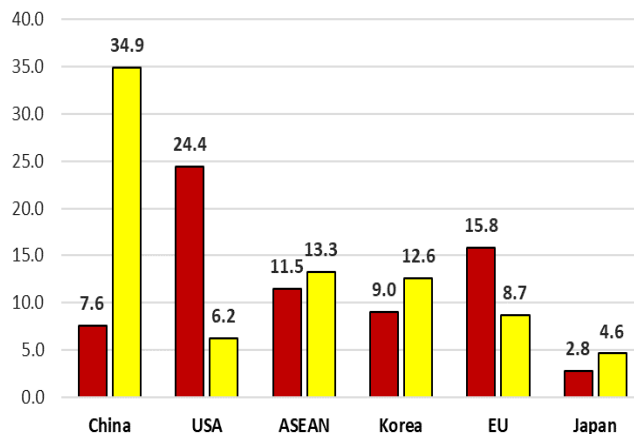
Vietnam also posted a YTD trade deficit with South Korea (US\$17.7 billion, up +15.7% YoY) and with ASEAN (US\$5.5 billion, up 21% YoY).

7M24 Trade by country (yellow: Imports, red: Exports)



Source: GSO

7M24 trade growth by country (% YoY)



Source: GSO

Exports by product. Some 30 products posted 7M24 export turnover of over US\$1 billion, accounting for 91.9% of total exports. In addition, 9 of these items posted export turnover of over US\$5 billion, accounting for 70.8% of total exports. Notably, steel and fisheries both posted encouraging growth and appeared among the top export products.

Largest export items (above US\$ 5bn) in 7M24: Fisheries and steel entered US\$5bn

Major export product segments	Estimated 7M24 export turnover (US\$ mn)	% YoY growth
Electronic goods, computers and parts	39.867	30,0
Phones all of kinds and parts	32.446	12,3
Machinery, instrument, accessory	27.656	19,0
Textiles and garments	19.873	4,2
Shoes	12.818	10,1
Wood and wooden products	8.876	23,3
Transportation vehicles and parts	8.411	2,5
Steel	5.475	9,8
Fisheries	5.293	7,3

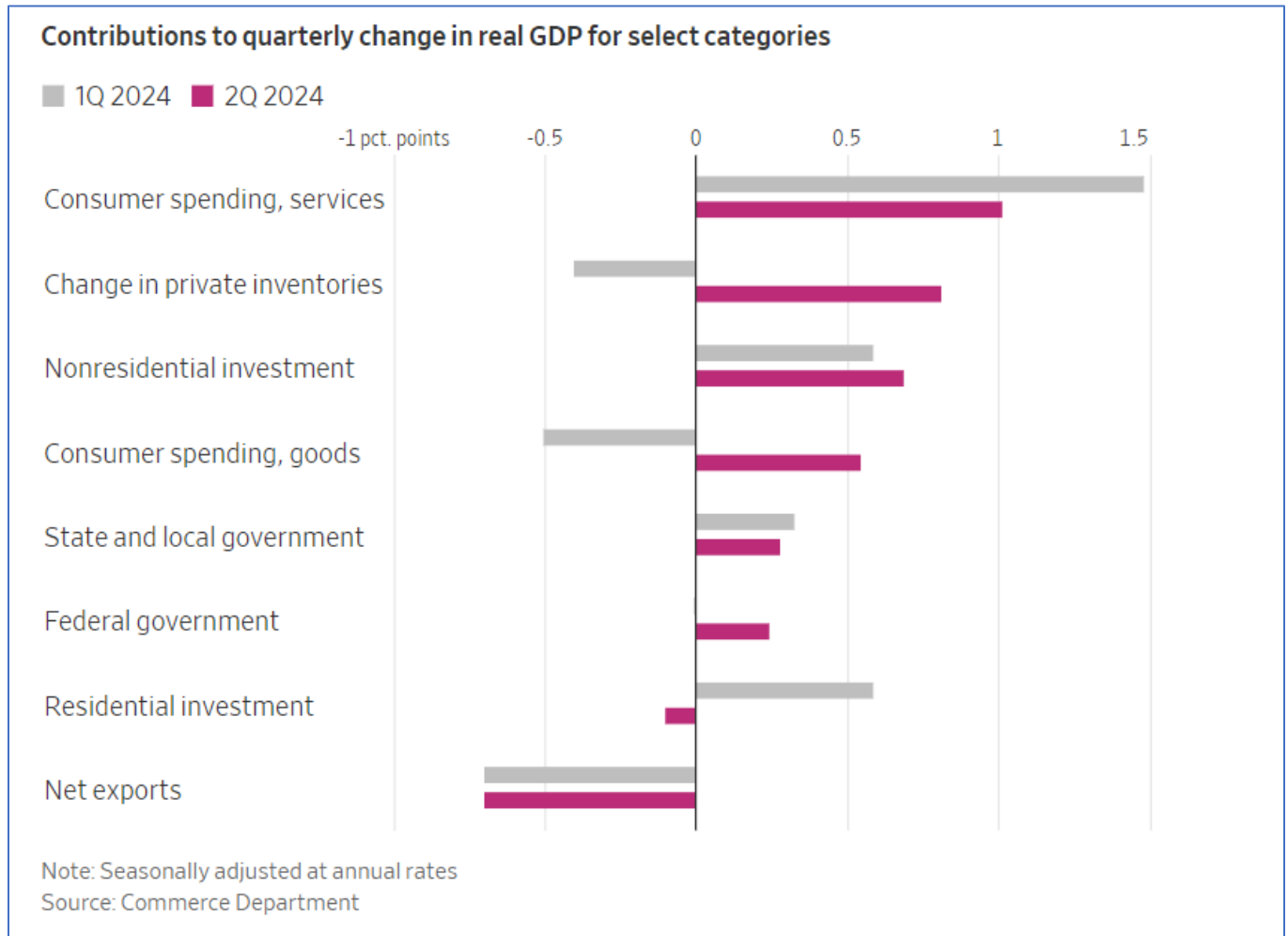
Source: GSO

The solid external demand environment is bolstered by a reading of the US GDP growth, which reached +2.8% YoY in 2Q24. The US is always and everywhere a consumption-led economy, and consumer spending remained strong with expansion in merchandise sales as a key growth driver – and not just growth in services receipts, which was the case of the first quarter.

Our view is that this result is a mixed bag for Vietnam – positive for the macro outcomes, but potentially negative for stock market liquidity. The main negative point is that it means

continued pressure on the SBV to tighten liquidity conditions in the Vietnam financial system or else tolerate steeper currency depreciation.

US GDP breakdown – Consumers shift back to merchandise purchases



Source: Wall Street Journal

Tighter liquidity = Less money flowing into stocks. However, it's not all bad.

The US is Vietnam's largest export market by a very wide margin, and consumer spending on goods has been strong enough to contribute 0.55pct of US GDP growth in 2Q24. Famously, consumer spending on merchandise declined in 1Q 2024 as spenders emerged from COVID with a burning desire for new experiences – which are provided by services – rather than new stuff. However, US merchandise spending turned around to expand again in 2Q24.

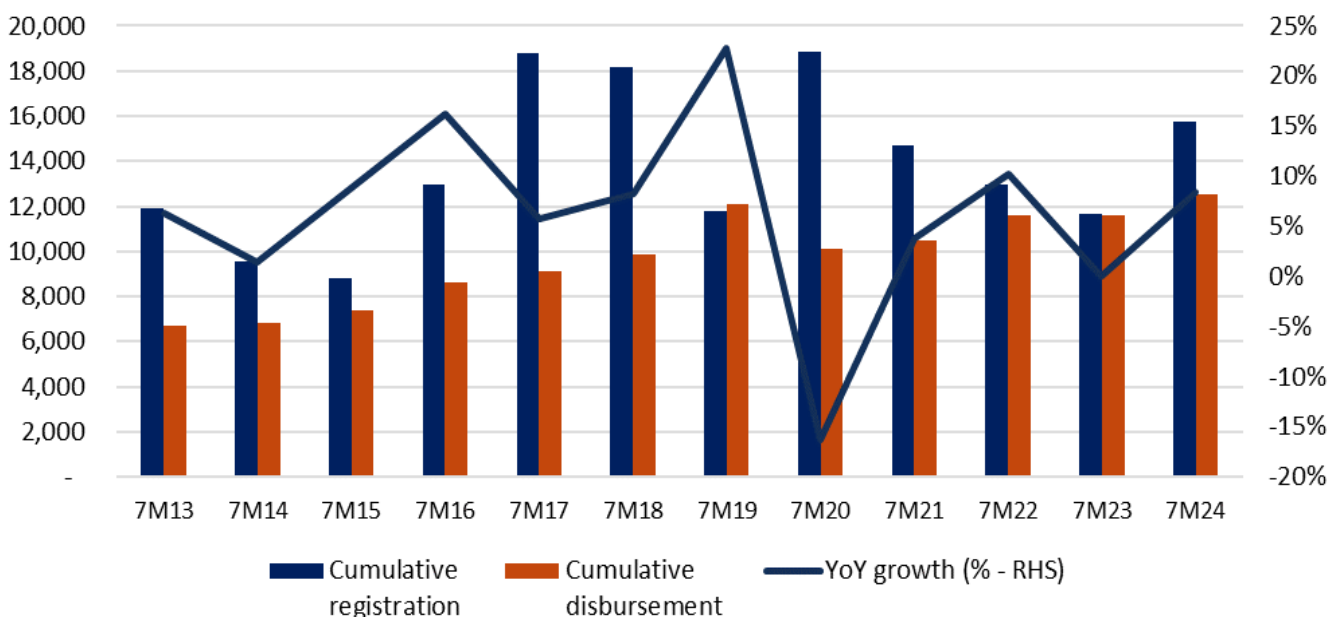
This suggests strong demand in Vietnam’s most important market for the items that are skillfully and artfully produced here. That’s a net positive for the real economy, which is inarguably more important than short-term fluctuations in liquidity for the stock market.

Disbursed FDI continues to shine, but public investment is sluggish

Disbursed FDI rose by +8.4% YoY in 7M24 to reach US\$12.55bn, a record high.

- Manufacturing FDI accounted for 79.5% of total 7M24 disbursed FDI (US\$10.0bn) in 7M24.
- Property accounted for 9.1% of the FDI mix (US\$1.1bn) in 7M24.
- Gas, hot water, steam, and air-conditioning accounted for 3.8% of total disbursed FDI (US\$0.5bn) in 7M24.

FDI disbursals in 7M24 are up by +8.2% YoY



Source: GSO

Pledged FDI rose by +30.0% YoY in 7M24 to reach US\$15.7bn. Specifically, newly registered FDI reached US\$ 10.8bn, up by a very impressive growth figure of +36.0% 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 – as always -- seasonality plays a role. Public investment in July fell by -1.6% YoY to reach VND57.6tn, Thus 7M24 reached VND301.5 trillion, up by just +2.3% YoY and fulfilling 40.6% of the government’s full-year target. This suggests that the government may not meet its budget this year (which is probably right) but it is still likely to hasten disbursals in the months ahead, providing a tailwind to economic growth in 2H24.

This is because State investment disbursals have typically been back-ended to 3Q-4Q, at least in recent years. For example, the state investment disbursals in 7M23 (which were up by +22.1%

YoY) fulfilled just 41.3% of the government's 2023 full-year budget. However, the State managed to achieve 85.3% completion of its 2023 investment budget over the subsequent five months.

7M24 investment by the central government reached VND51.9 trillion, down -3.7% YoY and 44.9% of the full-year budget. Provincial government investment reached VND249 trillion, up by a more encouraging +3.6% YoY, but still just 39.8% of the aggregate annual provincial budget allocation.

As a reminder, target public investment this year is set at VND664tn, +14.5% YoY compared to actual disbursements in 2023.

Retail receipts expanded by +9.4% YoY in July

Retail sales of goods and services in July rose by +9.4% YoY to reach VND523tn driven in large part by the hospitality and tourism industries. Growth momentum continued to build from the +9.1% YoY expansion in the previous month. As a reminder, July 2023 consumer spending rose by +7.1% YoY.

7M24 retail sales thus grew by +8.7% YoY to reach VND3,625tn.

7M24 hospitality and catering services receipts rose by +15.2% YoY to reach VND419 trillion, accounting for 11.6% of total retail spending.

Tourism receipts in 7M24 rose by +31.8% YoY to reach VND35.2tn, accounting for 1% of total retail sales – but the official data understates the actual impact because most tourist spending is incorporated in other retail sales.

The contribution of tourists to retail sales is perhaps better illustrated by GSO figures showing that the number of international arrivals to Vietnam reached 10 million persons in 7M24, up by a very impressive +51.0% YoY. It's amazing what happens when you stop trying to charge your foreign friends US\$200-300 for short-term tourist visas.

Retail merchandise purchases rose by +8.7% YoY in nominal terms in 7M24 (i.e., +4.3% after adjusting for inflation) to reach VND2,801 trillion, accounting for 77.3% total retail sales.

Again, domestic consumer demand typically picks up toward yearend. As the PMI survey noted, new orders in July rose at the fastest rate on record, with orders from domestic buyers even stronger than those from external markets. This confirms our expectation that demand momentum will strengthen further over the course of the remaining 5 months of 2024.

Retail sales growth remained solid in July



Source: GSO

The government has extended the -2ppt VAT reduction to last until end of this year, which is incrementally positive for domestic demand in 2H24.

We have emphasized multiple times that strong retail sales are good news for retailers such as MWG (BUY), FRT (BUY), and PNJ (Hold-Underperform) going forward.

Inflation has eased along with oil prices

The consumer price index (CPI) in July was up +0.48% MoM and +4.36% YoY. But we believe that the risk of inflation has now eased with oil prices coming off.

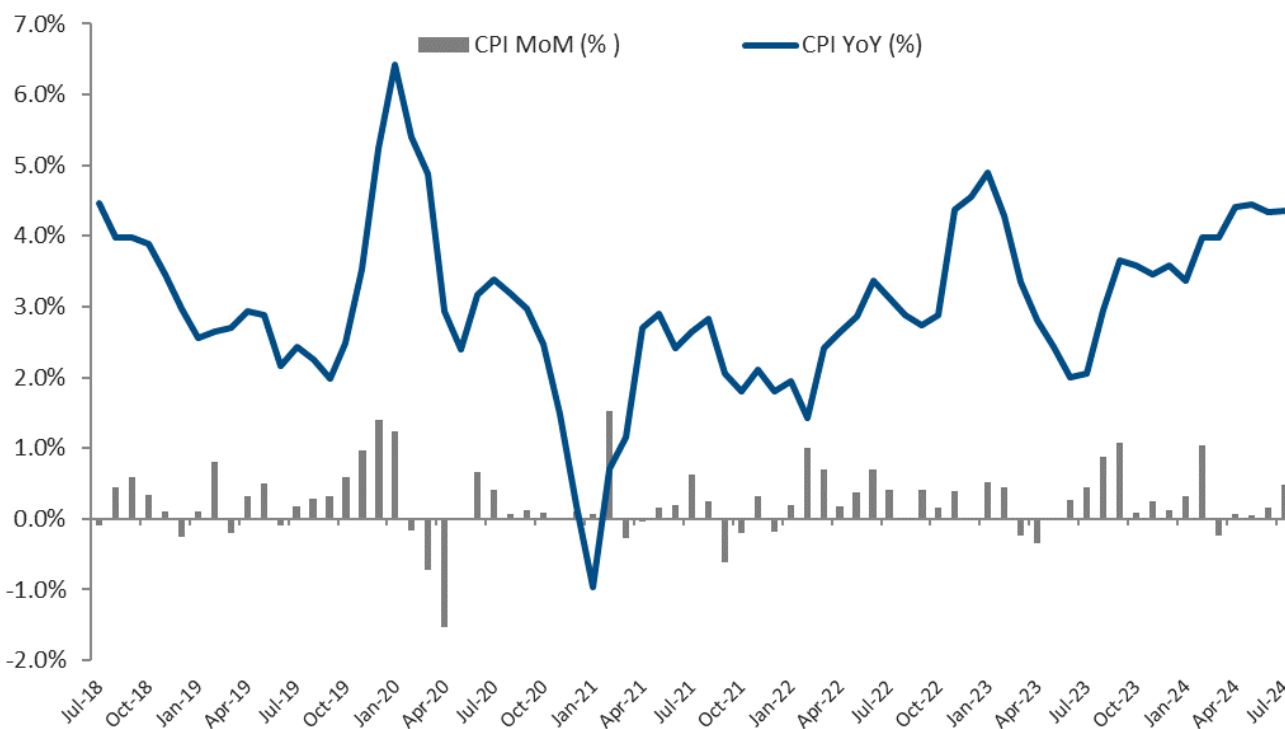
The MoM increase in prices was driven by increased prices for domestic gasoline, household electricity, and health insurance premiums (which were adjusted according to the new basic salary).

Ten out of the 11 items in the CPI basket posted MoM increases in prices in July. Specifically, prices of --

- **Food and catering services (33.6% of the CPI basket) increased by +0.26% MoM:** Food decreased by -0.03%; foodstuff increased by +0.31%; and eating out increased by +0.25%.
- **Housing and building materials (18.8% of the basket) increased by +0.5% MoM** mainly on rising prices of Household electricity (+1.39% MoM); Household water (+0.22%); Kerosene (+4.02%); house rents (+0.2%); and housing maintenance materials (+0.08%). Gas prices alone posted a MoM decline (of a mere -0.01%) as suppliers reduced prices to stimulate sales.

- **Transport (9.7% of the basket) increased by +1.45% MoM** on prices of Diesel oil (+4.07% MoM) and gasoline (+3.55%).
- **Entertainment and tourism (4.6% of the basket) increased by +0.14% MoM**, of which the price of package tourism services increased by +0.23% and those of guest houses and hotels increased by +0.43% during the July school holidays.
- **Beverages and tobacco (5.7% of the basket) increased by +0.11% MoM** due to weather related consumer demand, specifically: Prices of carbonated soft drinks (+0.22% MoM); fruit juice (+0.16%); beer and energy drinks (+0.08%); other alcoholic beverages (+0.02%); and cigarettes (+0.2%).
- **Medicine and medical services (5.4% of the basket) increased by +0.13% MoM**, including inpatient examination and treatment (+0.19%) and outpatient examination and treatment (+0.08%) services, where prices rose due to the application in July 2024 by certain provinces of pricing regulated by the Ministry of Health under last year's published Circular No. 22/2023/TT-BYT.

Consumer price inflation remains a key macro risk, in our view



Source: GSO

The YoY CPI expansion of +4.36% YoY in July (average 7M24 only 4.12% YTD) is 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.

But inflationary pressures could ease going forward now that global oil prices are in decline. Brent is trading at US\$76.4 per barrel as of early August, down by -11.4% MoM / -10.6% YoY. Obviously, oil is highly volatile so this recent decline does not mean the risks of inflation to Vietnam's macroeconomic outlook are behind us.

The recent modestly weak employment report from the US – and more so, the sharp correction in developed market stock prices – has led to base case expectations of a 50bp Fed rate cut in September. If so, and if this occurs alongside a continued expansion of the USA's consumer-led economy, it could take some of the pressure off the VND.

However, we remain concerned that the recent sharp VND depreciation against the US dollar presents upside risks to imported inflation, suggesting the appropriateness of prudent (i.e., tighter rather than looser) monetary policy by the nation's central bank in 2H24.

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	6.0	6.0	4.9	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	15.4	13.9	11.7	81.0	11.5	18.3	0.2	1.2	0.6	2.5	2.3	1.9	16.6	16.5	17.3	0.9	1.0	1.1
	HDB VN	8.6	7.6	5.9	28.2	13.0	29.4	0.3	0.6	0.2	1.8	1.7	1.4	22.2	23.6	25.2	2.1	2.0	2.0
	MBB VN	6.6	6.5	5.2	16.0	2.9	23.3	0.4	2.2	0.2	1.4	1.4	1.1	24.3	23.1	23.4	2.7	2.5	2.5
	STB VN	10.9	8.1	5.7	63.8	35.0	41.1	0.2	0.2	0.1	1.4	1.2	1.0	13.8	16.1	18.9	0.9	1.2	1.5
	VCB VN	15.7	16.7	13.8	39.9	(6.5)	21.5	0.4	n/a	0.6	3.2	3.0	2.5	22.5	20.0	19.7	1.9	1.8	2.0
	VPB VN	6.9	13.0	9.9	54.0	(46.8)	31.8	0.1	n/a	0.3	1.3	1.1	1.1	19.1	8.3	10.5	2.9	1.2	1.7
	Brokers	HCM VN	13.3	15.2	13.9	(32.8)	(12.7)	9.5	n/a	n/a	1.5	1.4	1.5	1.4	11.2	10.3	10.2	4.3	5.2
SSI VN		20.9	13.8	12.9	(56.1)	51.3	6.7	n/a	0.3	1.9	2.1	1.9	1.7	12.2	14.2	13.6	4.3	6.3	6.3
VCI VN		22.1	18.5	16.3	(55.7)	19.5	13.2	n/a	0.9	1.2	2.9	2.7	2.4	13.4	15.3	15.9	6.0	6.9	7.2
VND VN		17.5	13.3	13.8	(65.1)	31.8	(3.5)	n/a	0.4	n/a	1.4	1.3	1.3	10.0	10.7	9.8	3.0	3.8	3.5
Energy	PVD VN	(136.0)	27.0	12.6	n/a	n/a	113.9	n/a	n/a	0.1	1.1	1.1	1.1	n/a	4.2	8.8	n/a	2.7	5.7
	NT2 VN	10.7	6.5	8.4	(14.6)	65.5	(23.0)	n/a	0.1	n/a	1.5	1.5	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	14.8	66.2	21.3	(31.9)	(77.6)	210.3	n/a	n/a	0.1	1.1	1.2	n/a	6.9	2.0	5.8	2.4	0.7	2.1
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	18.7	17.7	15.8	25.5	5.5	12.1	0.7	3.2	1.3	2.8	3.3	2.5	21.4	20.1	22.4	15.1	15.2	15.9
	DGW VN	10.7			17.8		-	0.6	n/a	n/a	2.2	2.2	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	51.4	(66.8)	131.3	(12.0)	(177.0)	150.9	n/a	n/a	0.9	9.8	13.4	n/a	19.4	(19.1)	10.2	3.8	(2.5)	1.4
	MWG VN	22.4	548.3	26.4	(17.4)	(95.9)	1,979	n/a	n/a	0.0	3.8	4.0	n/a	17.1	0.7	13.0	7.3	0.3	5.7
Oil & GAS	POW VN	22.1	39.1	34.3	(9.3)	(43.4)	14.0	n/a	n/a	2.5	1.1	1.1	n/a	5.9	3.1	2.7	3.5	1.6	1.3
Property	KBC VN	4.8	3.4		91.0	40.0	-	0.1	0.1	n/a	1.0	0.8	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	38.2	46.9		(81.7)	(18.6)	114.7	n/a	n/a	0.2	0.9	0.9	n/a	3.9	1.1	3.7	1.8	0.5	1.9
	KDH VN	23.2	39.7	21.2	(18.0)	(42.0)	87.0	n/a	n/a	0.2	2.2	2.1	2.0	10.0	5.0	9.0	6.0	3.0	5.0
	NLG VN	30.3	26.7	27.9	(57.0)	13.0	(4.0)	n/a	2.1	n/a	1.7	1.7	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	5.6	5.4	6.3	(20.0)	(1.0)	(16.0)	n/a	n/a	n/a	1.1	0.9	0.8	21.0	19.0	14.0	10.0	9.0	7.0
	VRE VN	15.1	10.2	10.2	111.4	48.7	(0.5)	0.1	0.2	n/a	1.3	1.2	1.1	8.7	12.2	11.0	6.9	9.5	8.7
	Transport	ACV VN				-	-	-	n/a	n/a	n/a	4.6	4.2	n/a	11.0	12.6	-	5.2	5.3
Industrials	DHC VN	7.1	5.4	3.7	(22.1)	32.2	47.3	n/a	0.2	0.1	1.4	1.2	n/a	22.0	23.9	30.8	20.6	10.1	15.2
	BWE VN	10.7	8.6	6.0	17.0	24.9	41.7	0.6	0.3	0.1	1.8	1.6	n/a	18.8	20.6	25.5	8.6	10.6	14.7
Technology	FPT VN	33.1	27.3	23.6	22.9	21.6	15.3	1.4	1.3	1.5	6.3	5.4	5.5	22.7	23.4	27.1	10.1	11.6	13.3

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

Source: Bloomberg, Yuanta Vietnam

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