

Strategy Monthly: When you're down and out, there seems no hope at all...

Matthew Smith, CFA

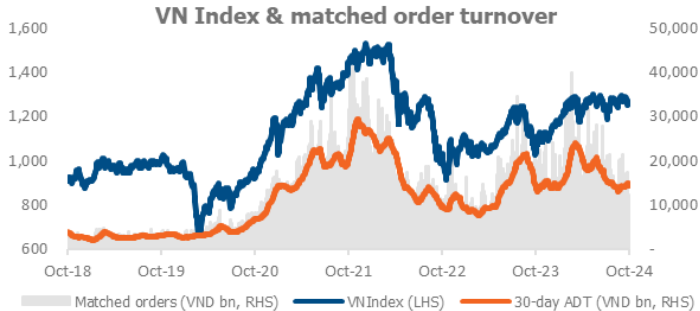
Head of Research

matthew.smith@yuanta.com.vn

Giang Hoang

Assistant Analyst

...but if you just believe, there's no way we can fall. The VNI declined -1.8% MoM in October, a month that has been very tough for share prices in the past 2 years. But a softer VND meant that stocks fell by -4.6% MoM in USD terms, in the middle of the regional pack. Pressure on the VND implies financial system liquidity contraction, which we think will continue into yearend. Our sense is that many observers see a binary outcome of a Harris victory as good for Asian financial markets and a Trump victory as bad. But we think USD rates are likely to remain high regardless of who wins the US presidential election. We just hope that the result is not close.



Monthly Index Performance

- **VNINDEX:** 1264 (-1.8% MoM / +11.9% YTD / +23.0% YoY)
- **VHINDEX:** 226 (-3.6% MoM / -2.0% YTD / +9.8% YoY)
- **UPCOM Index:** 92 (-1.3% MoM / +6.1% YTD / +14.1% YoY)
- **Average daily turnover:** US\$710mn (-1% MoM / +3% YoY)
- **Foreigners net sold US\$436mn** in October.
- **VND:USD rate:** 25,278 (-281bps MoM/-399bps YTD/-2.82% YoY)

VN30 Components

Ticker	Closing price (VND K)	MoM chg	Cont to VN30 (MoM)	TTM PE (x)
ACB	25.4	-1.4%	-11%	7
BCM	67.1	-4.4%	-1%	26
BID	47.8	-3.9%	-3%	12
BVH	43.0	0.4%	0%	17
CTG	35.7	-3.4%	-8%	9
FPT	135.9	1.0%	11%	27
GAS	70.5	-3.7%	-2%	15
GVR	32.9	-8.0%	-3%	47
HDB	26.9	-4.6%	-21%	6
HPG	26.9	2.1%	15%	14
MBB	25.1	-2.5%	-14%	6
MSN	76.6	1.2%	5%	86
MWG	66.5	-2.3%	-14%	33
PLX	41.1	-7.6%	-3%	17
POW	12.0	-8.8%	-5%	21
SAB	55.2	-4.5%	-3%	17
SHB	10.6	-3.6%	-9%	5
SSB	16.6	-2.9%	-6%	10
SSI	26.6	-4.7%	-13%	17
STB	35.2	5.5%	29%	7
TCB	23.9	-1.2%	-11%	7
TPB	17.3	0.6%	1%	9
VCB	93.6	1.7%	8%	15
VHM	41.5	-3.0%	-13%	9
VIB	19.0	-1.8%	-4%	8
VIC	41.6	-1.1%	-4%	16
VJC	105.0	0.0%	0%	41
VNM	66.1	-5.7%	-25%	16
VPB	20.5	1.7%	13%	12
VRE	17.9	-6.5%	-8%	10

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

Trading in a tight range of 3% during Oct, the VNI closed at a high of 1292 on Oct 1 before heading south for the rest of the month. ADT likewise started strong but then softened, foreigners net sold, and monthly breadth was negative for the VNI constituents (132 gainers / 247 losers) and VN30 large caps (8 gainers / 21 losers).

Margin leverage is high as at 3Q24... Brokerage balance sheets indicate aggregate margin lending of VND216trn at Sept 30, 1 measly trillion more than our estimate. This represents 7.5% of aggregate free float market cap of the HSX and HNX, down from the peak of 7.9% at 4Q23 -- but still very high. Perhaps more worryingly, this figure represents 12.2 days of turnover in October, in which ADT declined to YTD lows of US\$710mn (p 11-13).

...but how much of this gets embedded in stock prices? Margin loans are a tool for brokerage clients to lever up their stock portfolios, but that's not the whole story. A substantial proportion (50%?) of these loans are allocated to major corporate owners who pledge shares as collateral for lending that they use for purposes other than traditional stock punting. This explains the low market volatility relative to increased margin loans. But as the crash of 4Q22 illustrates, this arrangement is not exactly risk-free.

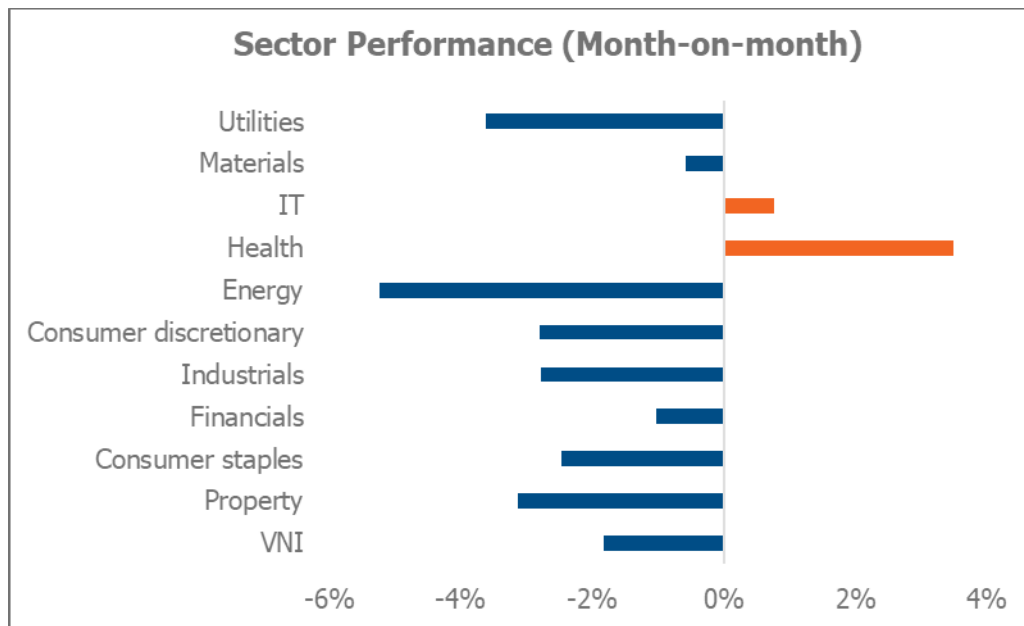
S&P's October manufacturing PMI bounced to 51.2 from September's brief typhoon-driven dip below 50. This result confirms the consensus view that the storm's impact on the export manufacturing story was temporary.

US elections & Vietnam stocks: History is not meaningful given the vagaries of our young stock market that is primarily driven by domestic factors. As it happens, the VNI posted average 12-m gains of +46% after the 3 presidential "D" victories since 2000 and +39% after the 3 "R" wins (p.3-4). We ascribe zero predictive value to this screen in 2024-25, but perhaps what it best illustrates is simply the upside potential that investors can achieve by taking a long-term approach to Vietnam.

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	2025E Dividend yield	12-m TSR*
Banks	Asia Commercial Bank	ACB VN	4,488	7.8	BUY	25,400	31,360	23%	3.9%	27%
	BIDV	BID VN	10,768	4.4	HOLD-Underperform	47,750	48,140	1%	0.0%	1%
	HD Bank	HDB VN	3,099	7.7	BUY	26,900	31,150	16%	3.7%	20%
	MB Bank	MBB VN	5,258	13.8	BUY	25,050	32,920	31%	2.0%	33%
	Techcombank	TCB VN	6,661	14.4	BUY	23,900	27,830	16%	4.2%	21%
	Sacombank	STB VN	2,625	15.8	HOLD-Outperform	35,200	37,040	5%	0.0%	5%
	Vietcombank	VCB VN	20,695	5.0	BUY	93,600	115,410	23%	0.0%	23%
	Vietnam Prosperity Bank	VPB VN	6,419	18.1	BUY	20,450	23,610	15%	4.9%	20%
Brokers	HCM City Securities	HCM VN	820	11.3	BUY	28,800	28,524	-1%	3.1%	2%
	Saigon Securities	SSI VN	2,065	15.5	BUY	26,600	32,187	21%	4.1%	25%
	Viet Capital Securities	VCI VN	787	9.4	BUY	34,650	45,580	32%	3.8%	35%
	VNDirect Securities	VND VN	876	6.7	BUY	14,550	20,449	41%	4.0%	45%
Energy	PV POW	POW VN	1,107	3.2	SELL	11,950	13,358	12%	0.0%	12%
	PV NT2	NT2 VN	216	0.3	SELL	19,000	19,318	2%	13.2%	15%
	PCC1	PC1 VN	330	2.3	BUY	26,800	34,268	28%	0.0%	28%
Consumer	Masan Group	MSN VN	4,359	16.0	Suspended	76,600	N/A	N/A	0.0%	N/A
	Phu Nhuan Jewelry	PNJ VN	1,267	4.6	BUY	94,800	125,200	32%	1.9%	34%
	Digiworld	DGW VN	370	2.6	Suspended	43,050	N/A	N/A	0.0%	N/A
	FPT Digital Retail	FRT VN	937	3.2	BUY	173,800	166,800	-4%	0.6%	-3%
	Mobile World Group	MWG VN	3,846	21.1	BUY	66,500	59,300	-11%	0.8%	-10%
Oil & GAS	PV Drilling	PVD VN	564	4.0	BUY	25,650	38,259	49%	2.7%	52%
Property	Kinh Bac City	KBC VN	799	3.3	BUY	26,300	38,300	46%	0.0%	46%
	Dat Xanh Group	DXG VN	473	8.3	BUY	16,600	20,700	25%	0.0%	25%
	Khang Dien House	KDH VN	1,340	3.9	BUY	33,500	47,300	41%	0.0%	41%
	Nam Long	NLG VN	607	2.4	HOLD-Underperform	39,850	37,800	-5%	1.3%	-4%
	Novaland	NVL VN	810	5.7	Coverage Suspended	10,500	N/A	N/A	0.0%	N/A
	Vinhomes	VHM VN	7,149	21.8	BUY	41,500	58,444	41%	0.0%	41%
	Vincom Retail	VRE VN	1,605	6.6	BUY	17,850	38,000	113%	0.0%	113%
Transport	Airports Corp Vietnam	ACV VN	9,956	0.8	HOLD-Underperform	115,600	76,400	-34%	0.0%	-34%
Industrials	Dohaco	DHC VN	113	0.2	BUY	35,600	63,571	79%	17.9%	96%
	Biwase	BWE VN	392	0.4	BUY	45,000	70,902	58%	6.7%	64%
Technology	FPT Corporation	FPT VN	7,909	19.3	BUY	135,900	144,660	6%	1.5%	8%

*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 Oct 31, 2024



Source: Bloomberg (Oct 31)

“It’s amazing how much trouble you can get in when you don’t have anything else to do.”

—[Quincy Jones](#) (1933-2024)

Fundamentals vs. Technicals:

The YTD range remains intact – and so does our 2024 index target of 1298, unfortunately. Technically, the market beat our forecast by closing at 1300 on June 12 and 1302 on June 13, but we can live with that. It may be too early to declare “Mission Accomplished” given that two months remain in the year.

However, we are relatively confident in retaining a cautious near term outlook and do not expect a rapid rerating of Vietnam stocks heading into yearend given

- 1) The global headwinds of high and increasing interest rates,
- 2) Geopolitical risks, both in East Asia and elsewhere, and
- 3) Uncertainties in developed market politics– not least of all, the USA, which is by far Vietnam’s largest export market.

On Point 3, our take on the US election is that Donald Trump is the probable winner, and we hope by a wide enough margin that the result does not develop into a long dispute. A quick ending to the election is far less likely if Harris wins (convincingly or otherwise) than if Trump wins. A Harris victory would almost certainly devolve into a long and bitter struggle, which is not an ideal outcome. In any case, we shall all find out soon enough – the election watch breakfast on Wednesday may require a Bloody Mary or two.

We think that the consensus has taken the view that a second Trump administration would be a negative for Vietnam, for a variety of reasons – from higher-for-longer USD interest rates, to blanket tariffs on imported goods, and on to a relabeling of Vietnam as a “currency manipulator” by the US Treasury.

We share the trade-related concerns to a certain extent. We don’t see USD interest rates declining sustainably post a Harris victory and are scratching our heads as to why a continuation of the Biden administration’s policies would drive down long-term interest rates. We think USD rates are likely to stay higher for longer regardless of who wins.

A 20% tariff on all imported goods, as postulated – last time we looked – by Trump, wouldn’t be a comparative disadvantage for Vietnam relative to every other country, and it also wouldn’t drive a substantial reshoring of low-end manufacturing to a cheap labor- and energy-constrained United States. We see it more as a consumption tax on American society, which is what it actually is. This would mean reduced spending power and possibly lower shipments, but it’s less of a concern to us than the possible Vietnam-specific trade sanctions that a Trump administration might take.

Even so, we would point out that Donald J. Trump has already served as US president from 2017-2021, a period in which Vietnam’s trade with the United States blossomed. His administration’s labeling of Vietnam as a currency manipulator came within weeks of his departure, and appeared to us to be an attempt at a poison pill for the incoming Biden administration’s relations with Vietnam rather than a real sanction. (President Biden’s Treasury Department simply removed Vietnam from that list, so there weren’t any repercussions.)

So we aren't as worried as some observers might be about Vietnam-specific actions that Trump might take on trade. As always, we might be wrong about this.

US elections & Vietnam stocks: Readers should be aware that we ascribe virtually no predictive value to this screen. History is not particularly meaningful due to the vagaries of our young stock market, which has only existed since 2000, and has been in its current constituency form since only 2018. The Vietnam market is primarily driven by domestic factors, not by US presidential politics.

However, we have been asked for some thoughts about how Vietnam stocks have performed after US elections historically. As it happens, the VNI posted average 12-m gains of +46% after the 3 presidential "D" victories since Nov 2000, and +39% after the 3 "R" wins; whereas GOP wins have outperformed on a 1-, 3-, and 6-month timeframe.

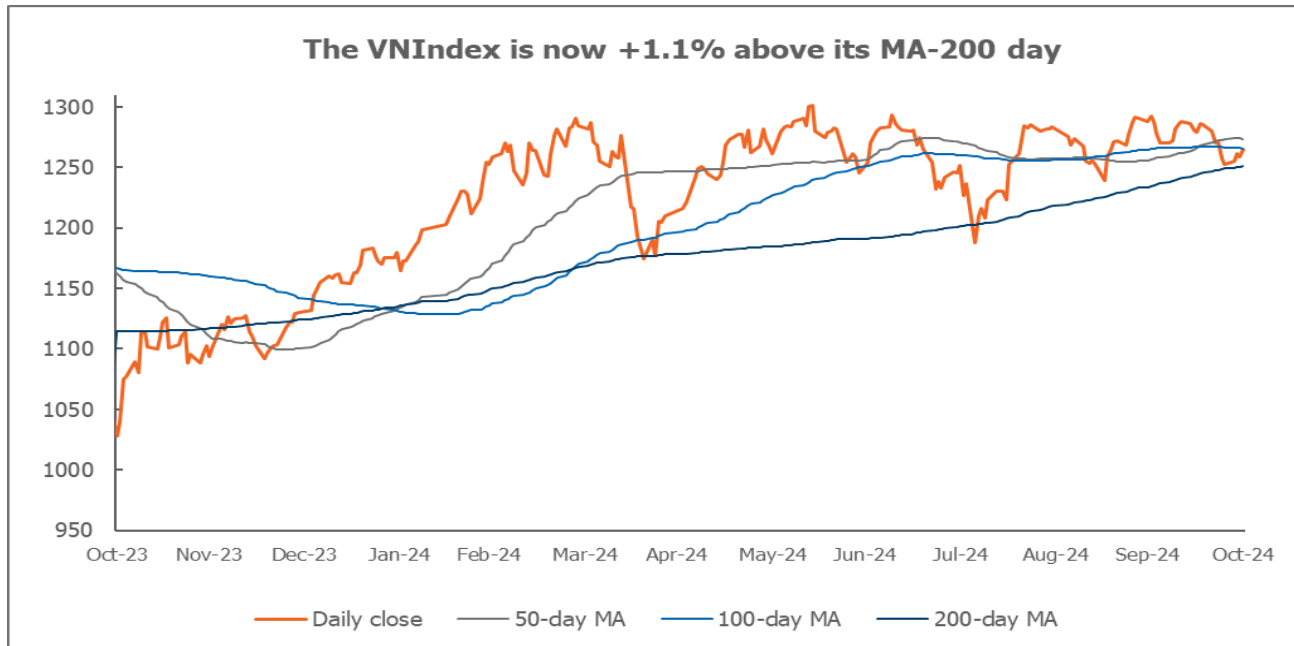
VNI Performance post US election						
US election cycle	Results	1 month	3 month	6 month	12 month	
2000	Bush (R) wins a contested election.	20%	75%	128%	74%	
2004	Bush (R) wins re-election.	-1%	0%	6%	24%	
2008	Obama (D) wins.	-9%	-13%	-7%	67%	
2012	Obama (D) wins re-election.	-3%	24%	22%	27%	
2016	Trump (R) wins.	-2%	3%	6%	19%	
2020	Biden (D) wins a contested election.	8%	14%	34%	45%	
2024	???????					
	<i>Average, R victory</i>	6%	26%	47%	39%	
	<i>Average, D victory</i>	-1%	8%	16%	46%	

Source: Bloomberg, Yuanta Vietnam

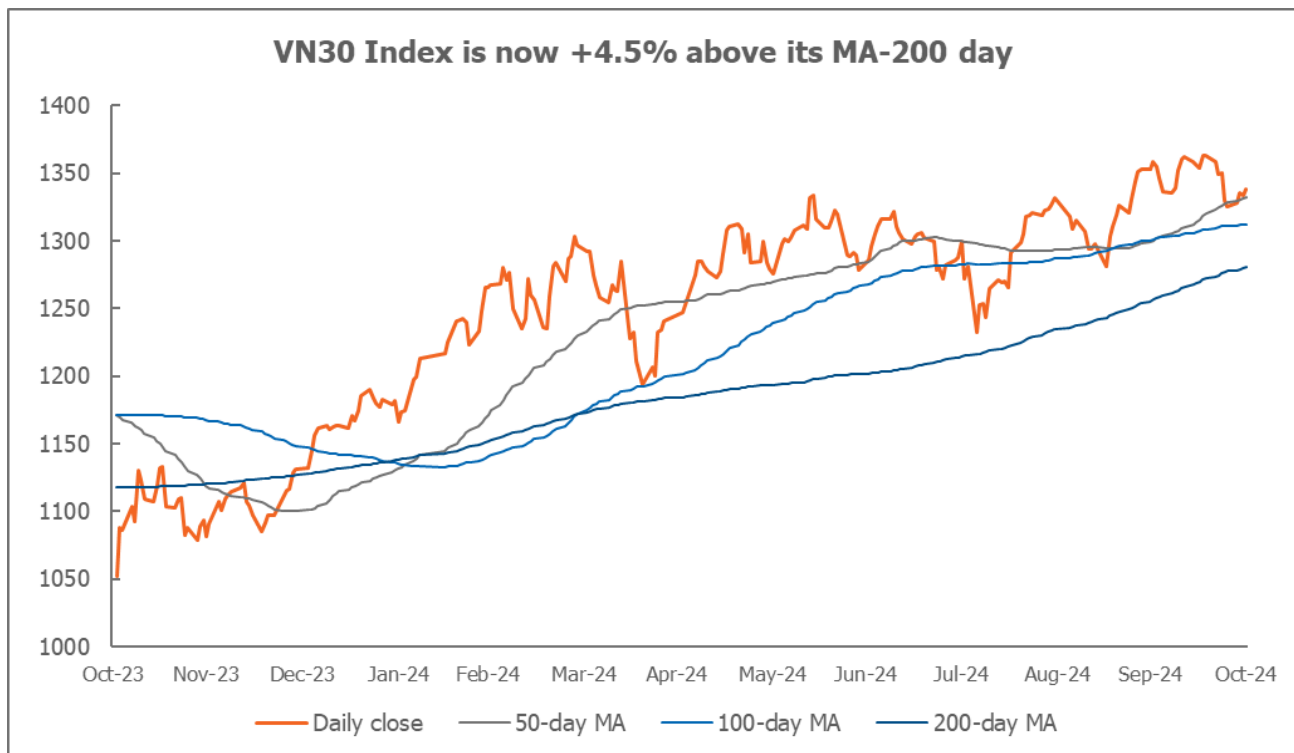
Notably, the VNI has increased substantially in each 12-month period following a US election, and it has only declined once on a 3- and 6-month post-election basis. Does Obama merit blame for what happened to Vietnam stocks 2008-09? No, not in the slightest.

Perhaps what this screen illustrates best is simply the value of long-term investing in Vietnam.

The VNI is now (as of the close on Nov 4) trading at slightly below its 200-day moving average, a level that has twice proven to be an excellent entry point in the first ten months of 2024. We expect better things in 2025, so without trying to be too cute in terms of market timing, we think the current market level may again provide an attractive opportunity to accumulate stocks.

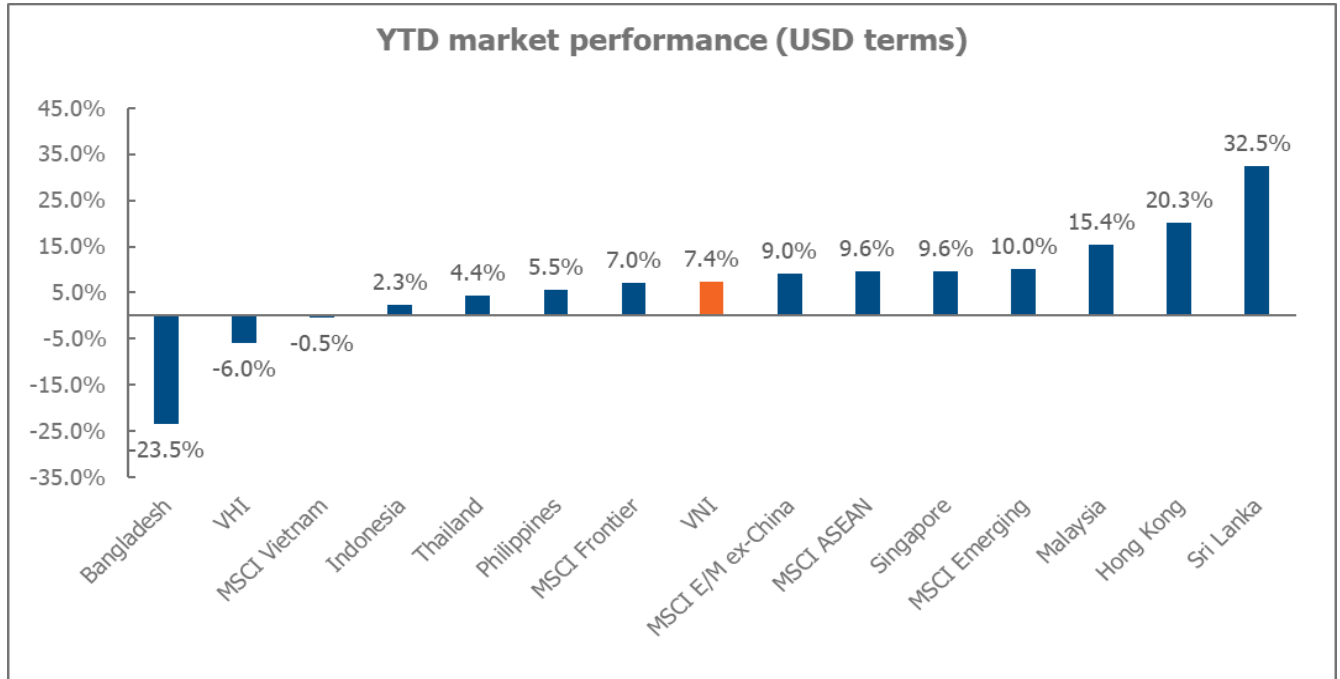


Source: Bloomberg, Yuanta Vietnam (Oct 31)

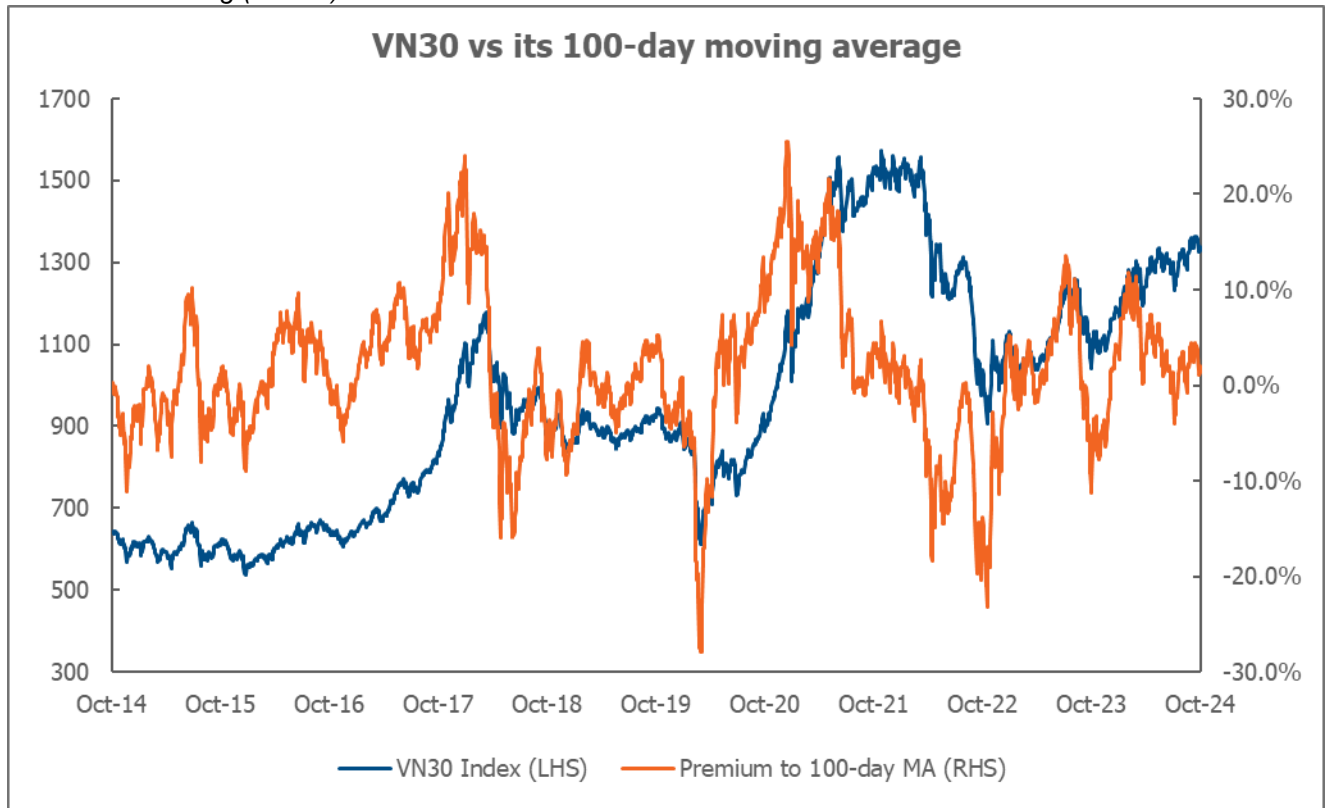


Source: Bloomberg (Oct 31)

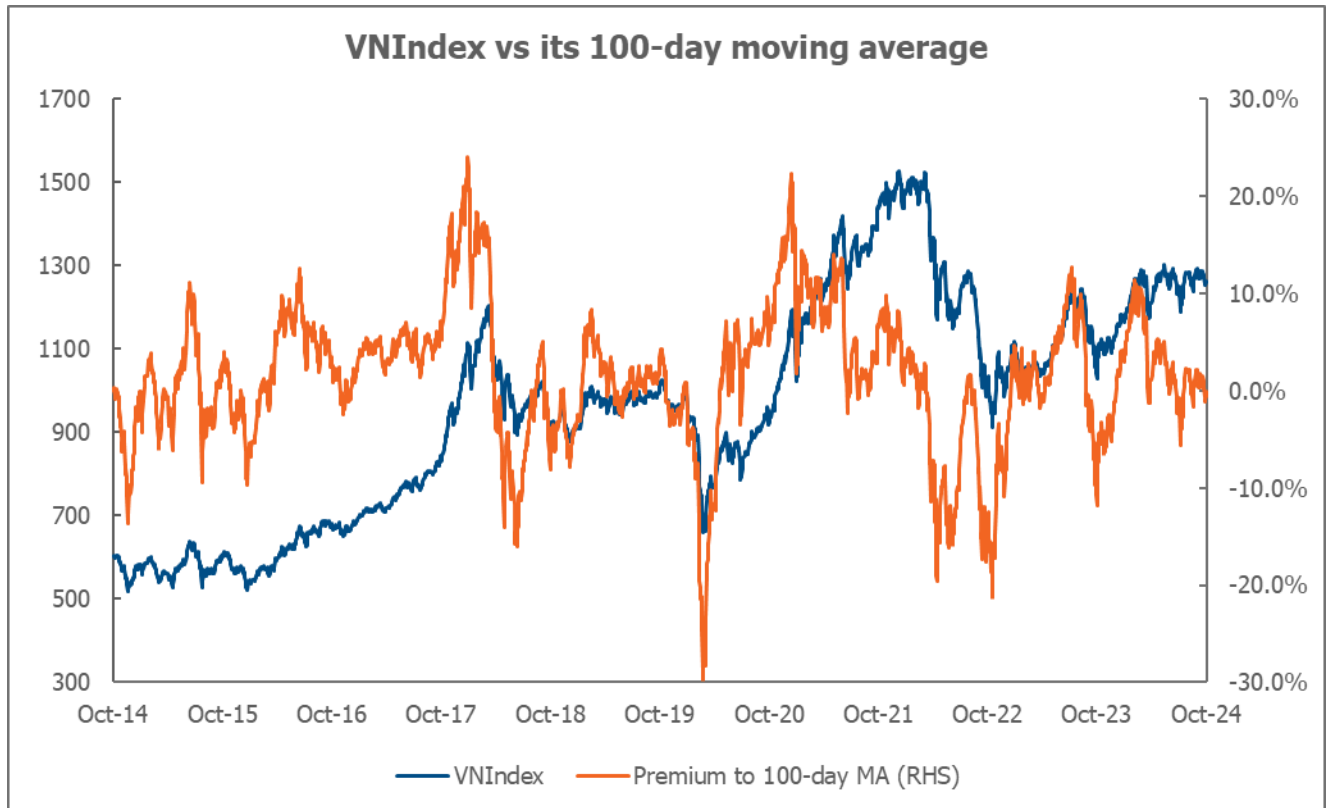
Vietnam stocks are middling performers in comparison with regional peers YTD. The VNI increased by +7.4% in USD terms in 10M24, placing it right in the middle of the regional pack. Within ASEAN, Vietnam ranks behind Malaysia (+15%) and Singapore (+10%) but ahead of Indonesia (+2%), Thailand (+4%) and the Philippines (+6%) in USD terms. Interestingly, the MSCI Vietnam Index is down -0.5% YTD, perhaps reflecting the latter's constituency, from which YTD outperformers such as FPT are absent due to FOL considerations.



Source: Bloomberg (Oct 31)



Source: Bloomberg, Yuanta Vietnam (Oct 31)



Source: Bloomberg, Yuanta Vietnam (Oct 31)

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

Fooled by technicals. Looking back through our strategy output in October, we have to admit that positive signs in late September / early October led us to adopt a more positive outlook on 4Q24 than our current viewpoint. Frankly, the sharp fall in USD rates in the run-up to the Fed's 50bp cut in mid-September was an effective (in our case) head fake. But that story appears to be well and truly over as of early November – regardless of who wins the presidency and whether or not the Fed cuts again later this week.

- **When East Meets South – September 30**

Stripping out the CBA-VIB breakup, foreigners were net buyers for the 2nd straight week

The VNI increased by another +1.5% WoW under sharply higher volume and a return of FINI net buying. The index is back up to the peak of its YTD trading range and just 7 points below our 2024 target of 1298. That target has worked well in 9M24, but we now think the market may have sufficient support to break out on the upside in 4Q24. It is risky to draw too many positive conclusions from stock performance ahead of today's 3Q24 close.

But we'll do it anyway – we think last week's market action confirms our sneaking suspicion discussed previously (e.g., in our Sep 23 [strategy note](#)) that the marginal direction for shares is very likely to be higher in 4Q24 & 2025.

<https://yuanta.com.vn/wp-content/uploads/2024/09/Weekly-Sept-30-2024.pdf>

- **VNI Remains Capped in a Week of Regional Risk-off Trading – Oct 7**

The VNI limped in with a -1.6% WoW decline to close Friday at 1271 points -- a middling performance regionally in a week of risk-off trading on geopolitics and a stronger US dollar. The

mainboard thus remains capped below the high end of its YTD trading range, and our full-year index target of 1298 remains valid for now.

However, the VN30 Index of large caps already broke out to new YTD highs in late September and remains above its previous resistance. This suggests a positive technical outlook for further upside in 4Q24. Easier monetary policy going forward should support improved domestic economic conditions, which implies solid earnings in 2025; and valuations are still attractive relative to EPS growth.

<https://yuanta.com.vn/wp-content/uploads/2024/10/Weekly-Oct-7-2024.pdf>

- **Vietnam Macro: Surprise! 3Q24 GDP Growth hits +7.4% -- Oct 10**

3Q24 GDP growth of 7.4% surprised everybody, we think. Typhoon Yagi softened September's industrial output, but this impact is temporary and won't derail Vietnam's export story. However, domestic economic indicators are still a bit soft. For example, retail spending growth is easing now that the low-base effect from tourism is coming to an end, but at least inflationary pressures have eased substantially.

Evidence of capital flight in the 2Q24 balance of payments data remains a concern, but these outflows may ease in 2H24 now that the gold arbitrage trade is history. Perhaps a more pressing concern for financial investors is the strong US jobs data and resulting bounce in USD long-duration rates, which present a challenge to our "increased SBV policy flexibility" narrative.

<https://yuanta.com.vn/wp-content/uploads/2024/10/VN-Macro-October-2024.pdf>

- **Monetary Policy Flexibility, We Barely Knew Ya – Oct 14**

Sentiment indicators don't suggest an immediate breakout above the top of the YTD trading range at c.1300, in our view. The market has reached this level but failed to push above it several times this year, and our sense is that it will take more than the relatively light trading volumes of last week to break out. This view is supported by the sharp increase in US rates in the past 2 weeks, which suggests that the SBV will perhaps have less monetary policy flexibility in 4Q24 than we had hoped.

FTSE's Oct 8 country weightings [statement](#) suggests, encouragingly, that an E/M upgrade for Vietnam in 2025 is still possible, but it is not predetermined. We don't think anyone had realistically expected FTSE to upgrade Vietnam with this statement, so overall it's likely to have been in line with market expectations. However, FTSE's discussion of the "extension" of procedures for opening new accounts supports our view that the actual upgrade is likely to come with a 12-month lag following the pre-announcement in March or September next year. In other words, our view is that the upgrade is indeed coming, but probably not until 2026.

<https://yuanta.com.vn/wp-content/uploads/2024/10/Weekly-Oct-14-2024.pdf>

- **Playing Defense – Oct 21**

The VNI essentially flatlined last week, trading within a 1% intraday range and closing out the week just -0.2% lower in LCY terms but -1.8% WoW in USD terms. That put Vietnam at the back of the regional stock market pack last week. The SBV responded on Friday through open market operations, with its first net liquidity withdrawals since August. Rate differentials are working their magic, which is unfortunate but expected. We are more cautious than optimistic in the short term.

Sticking with quality is the correct tactic in an environment where stocks are trading at the

top of their recent range and liquidity conditions are tightening. Our top picks are FPT, MWG, ACB, VCB, TCB, and KDH. We are not aggressively pushing the brokers, but for investors seeking a hedge on a possible upside breakout after FINI non-prefunding starts up on November 2, we suggest a barbell allocation to SSI & VCI

<https://yuanta.com.vn/wp-content/uploads/2024/10/Weekly-Oct-21-2024.pdf>

- **Foreign Selling Continues in the Run-Up to Non-Prefunding – Oct 28**

The VNI posted a -2.5% WoW decline to close at 1253. In line with our expectations, but not our hopes, trading has been lackluster after the mainboard again failed to break out above YTD peak levels. The VNI is now just 4 points above its 200-day moving average, and recent history suggests support should emerge at this level. However, the SBV liquidity withdrawals are not supportive of a stock market bounce, in our view.

We think the central bank's OMO activity is intended to support the VND, which depreciated by -23bps WoW last week anyway. This is mostly a function of rising USD interest rates, which are unlikely to decline regardless of who wins the Nov 5 election. As such, domestic monetary policy may remain a headwind for shares in the weeks ahead.

<https://yuanta.com.vn/wp-content/uploads/2024/10/Weekly-Oct-28-2024.pdf>

And in case you missed it, see the following link to last month's Strategy Wrap titled "A Tale of Two Fortnights".

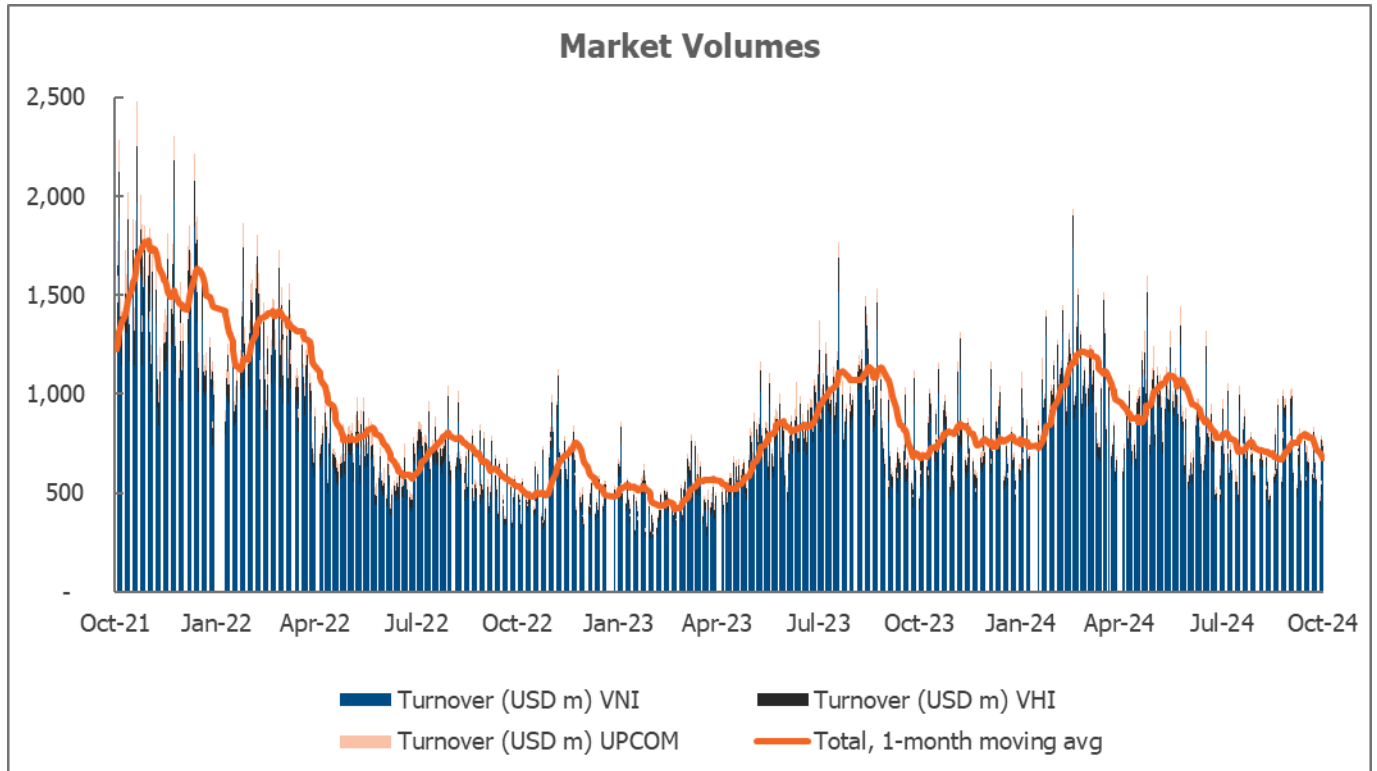
<https://yuanta.com.vn/wp-content/uploads/2024/10/Yuanta-Vietnam-Monthly-Market-Round-Up-October-2024.pdf>

T'was indeed a tale of two fortnights. Share prices and market turnover softened alongside the holidays in Week 1 of September and stayed soft in the disastrous wake of Typhoon Yagi in Week 2. But market trends looked much better in the second half of September (and this continued through the first week of October, before the sharp – and in our case, unexpected -- reversal in US long bond rates.

Market liquidity remained soft in October

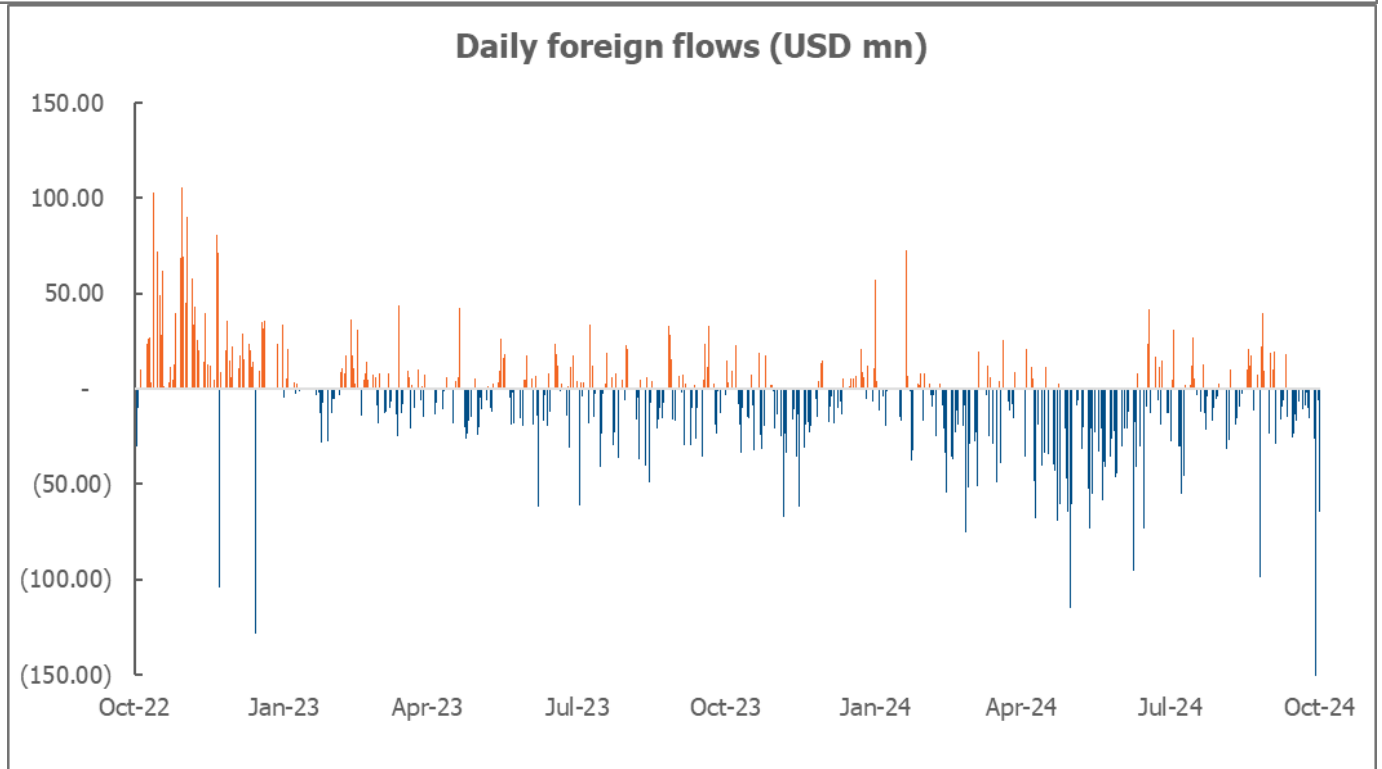
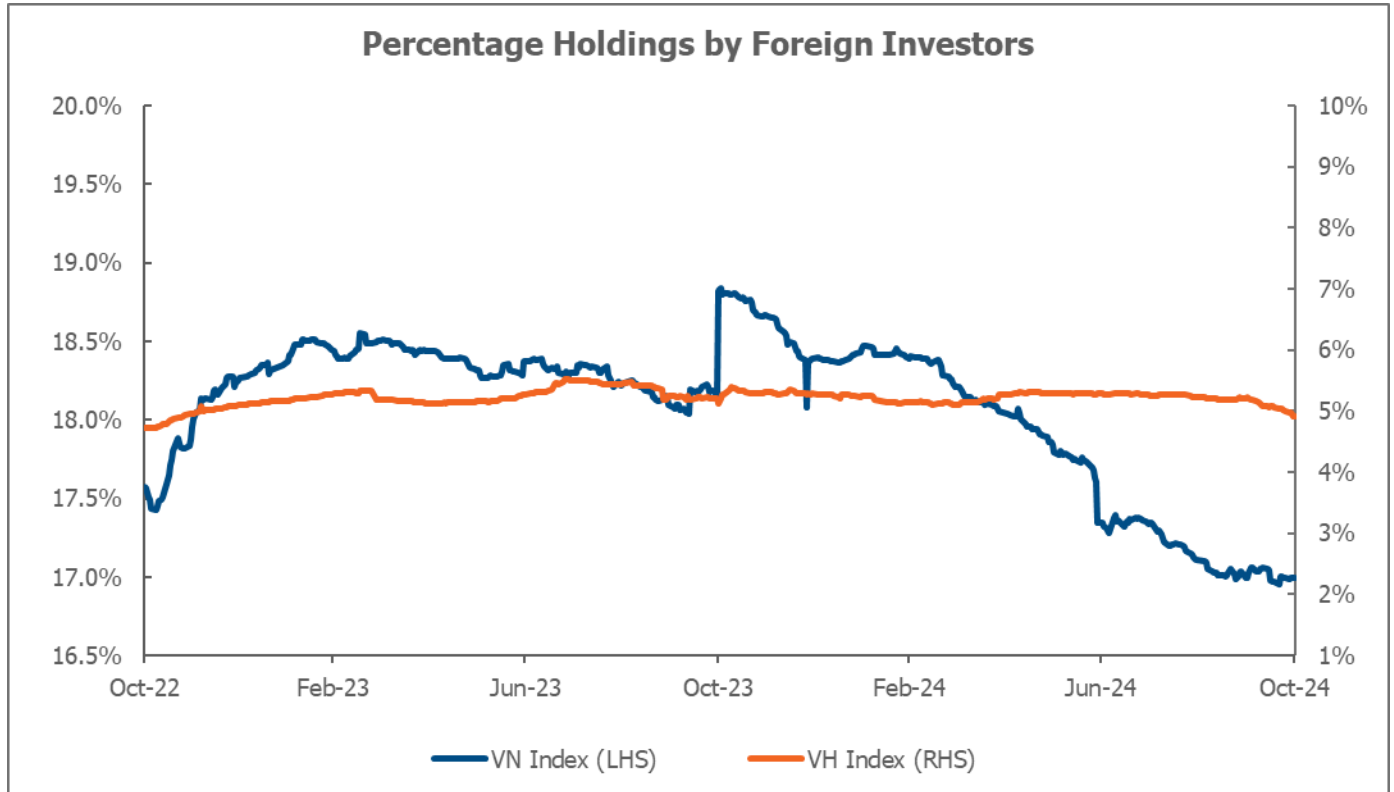
Average daily turnover in October reached US\$710mn, down -1.0% MoM / up +3% YoY. The month started out with a couple of US\$1bn days but turnover was weaker toward the end of October. So market activity remains relatively subdued, and far below the 1H24 ADT of US\$985mn.

The October ADT figure is still far higher than typical market turnover in the pre-Covid era, but such comparisons are getting long-in-the-tooth in 2024 given the surge in new investor interest in the past four years. Interestingly (and depressingly), the onset of prefunding has clearly failed to ignite much passion among the domestic individuals who drive 85% of turnover in this market. And foreigners have continued to net sell the market despite this change.



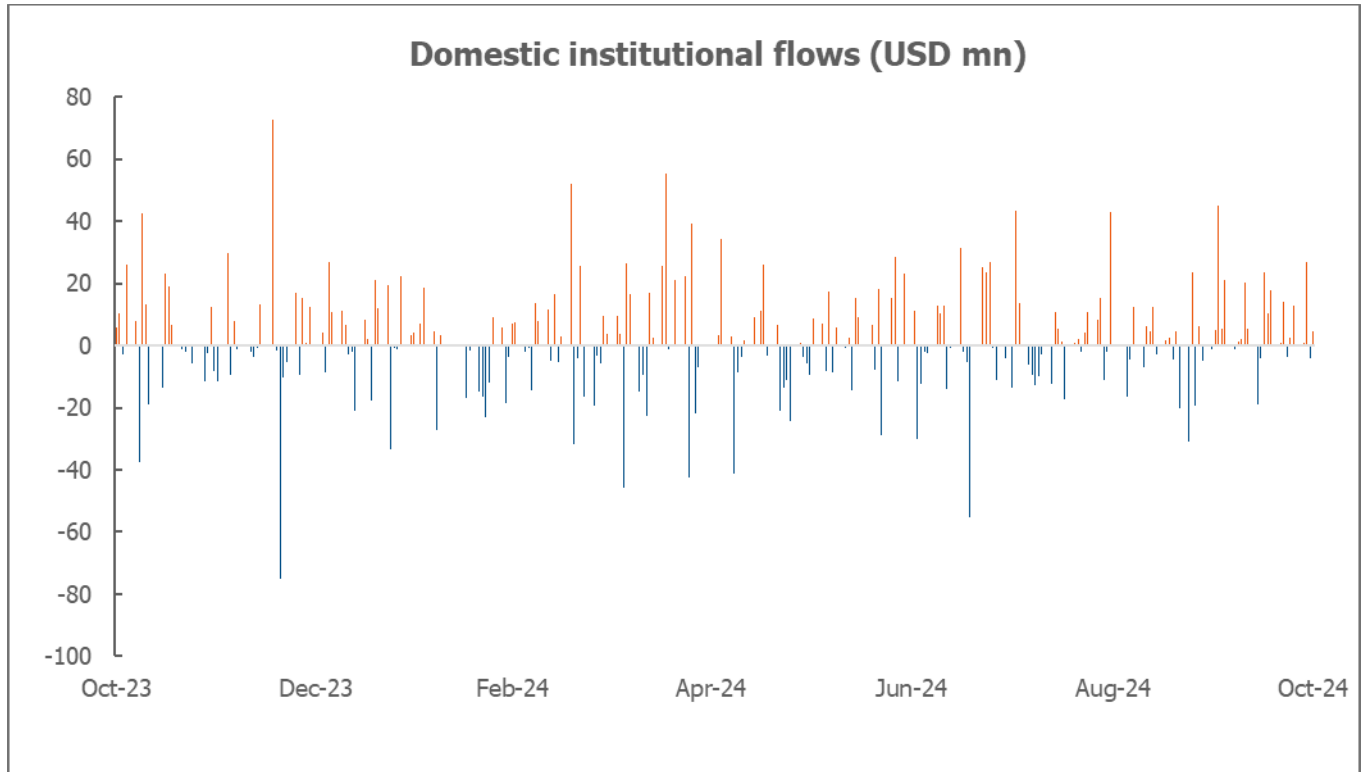
Source: FiinPro, Bloomberg, Yuanta Vietnam (Oct 31)

Foreign net selling soared to reach US\$436mn in October, bringing YTD net outflows to US\$3.1bn through Nov 1 – a rather unfortunate milestone. Roughly US\$300mn of the October outflows were attributable to Commonwealth Bank of Australia’s strategic breakup with VIB (Not rated), but institutional investors were still net sellers of US\$136mn in October – again, despite the onset of non-prefunding from Nov 4.



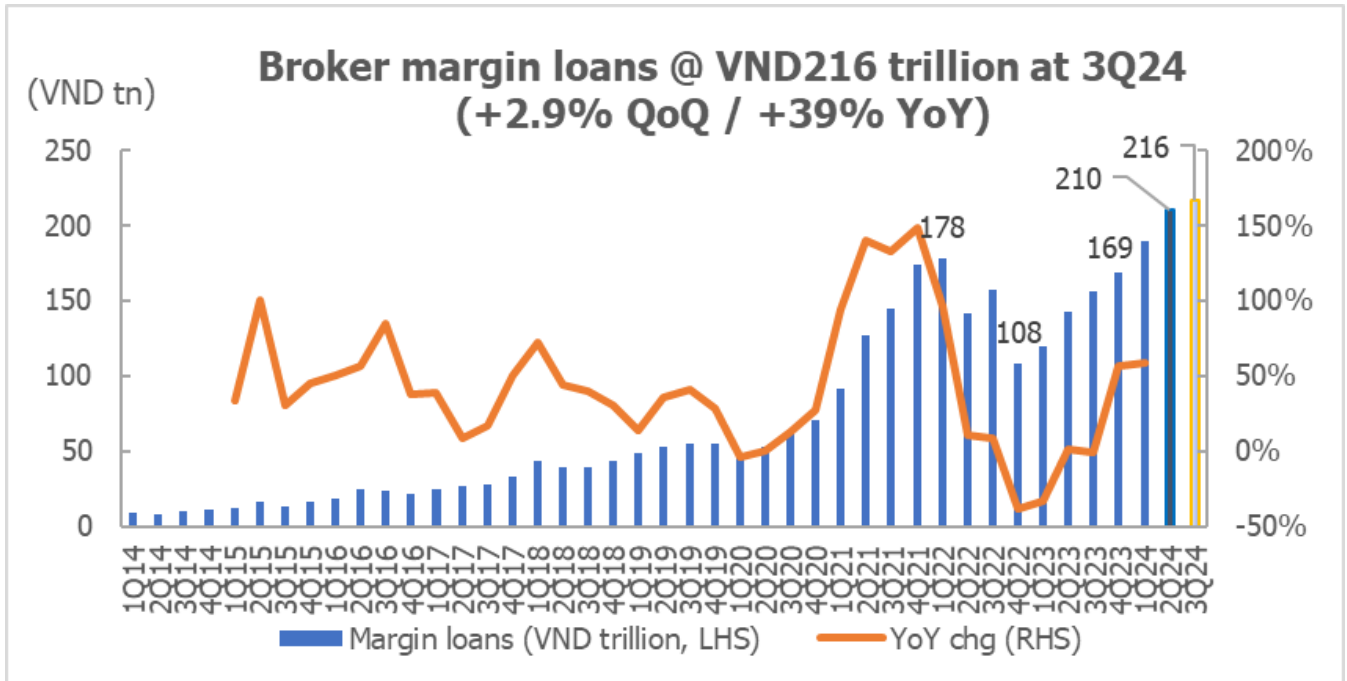
Source: FiinPro, Yuanta Vietnam (Oct 31) Source: FiinPro, Yuanta Vietnam (Oct 31)

We suspect that the net outflows are likely to continue heading into yearend as global liquidity conditions are unlikely to support a sudden resurgence of fund flows into emerging markets, and foreigners have shown themselves to be eager both to take profits in their winners and to capitulate and give up on underperformers.



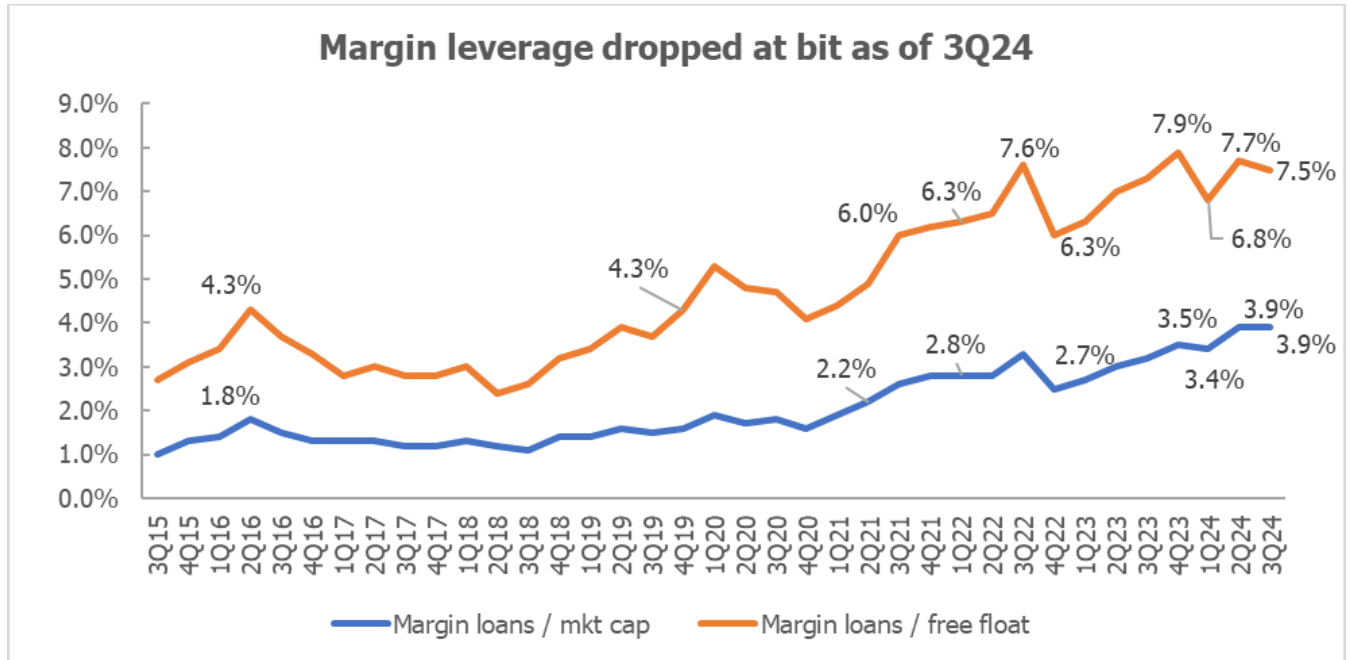
Source: FiinPro, Bloomberg, Yuanta Vietnam (Oct 31)

Margin leverage is high as at 3Q24... Brokerage balance sheets indicate aggregate margin lending of VND216trn at Sept 30, 1 measly trillion more than our estimate.



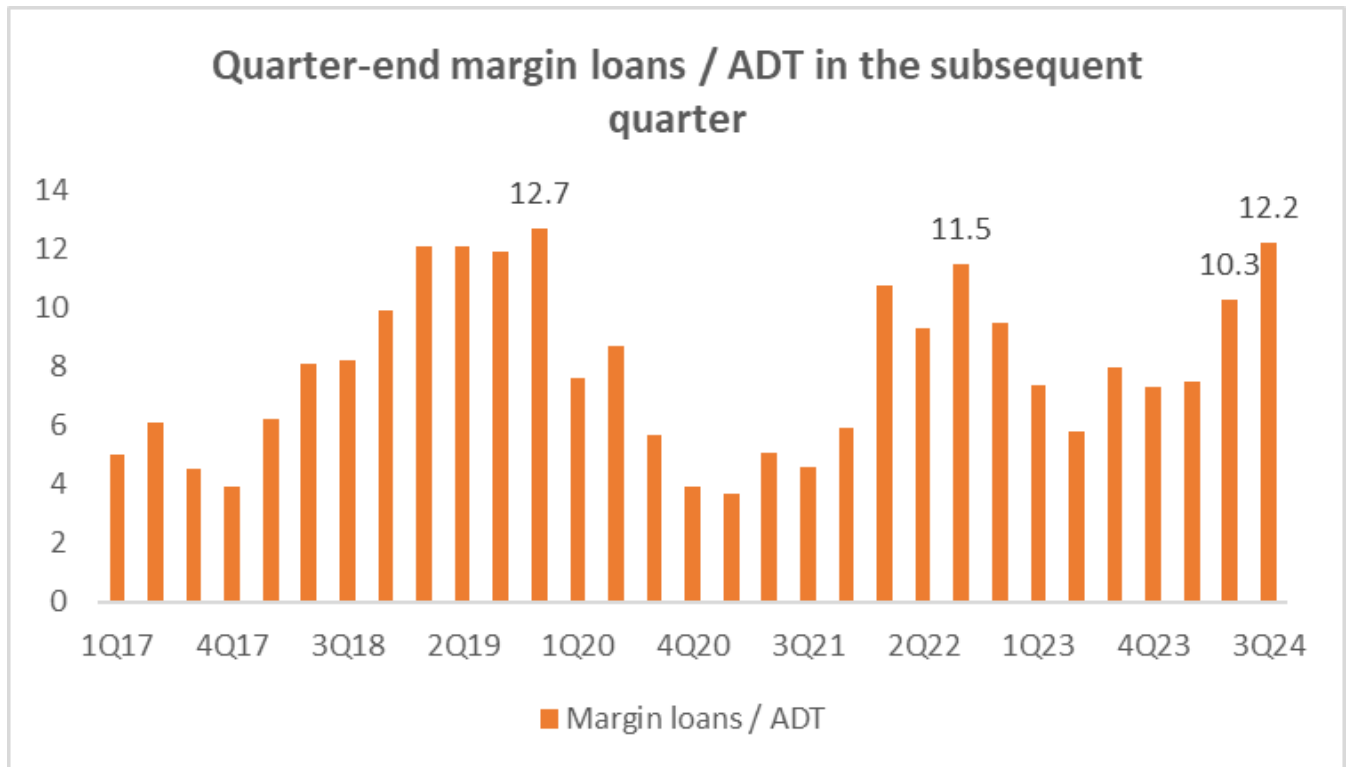
Source: FiinPro, Yuanta Vietnam (data is as of end-3Q24, sourced from brokerage balance sheets on Oct 31)

This represents 7.5% of aggregate free float market cap of the HSX and HNX, down from the peak of 7.9% at 4Q23 -- but still very high.



Source: FiinPro, Yuanta Vietnam (data is as of end-3Q24, sourced from brokerage balance sheets on Oct 31)

Perhaps more worryingly, this figure represents 12.2 days of turnover in October, in which ADT declined to YTD lows of US\$710mn.



Source: FiinPro, Yuanta Vietnam (we use October ADT for the 3Q24 days-to-cover ratio because 4Q24 ADT is unknown).

...but how much of this gets embedded in stock prices? Margin loans are a tool for brokerage clients to lever up their stock portfolios, but that's not the whole story.

A substantial proportion (our dart throw: 50%) of these loans are allocated to major corporate owners who pledge shares as collateral for lending that they use for purposes other than traditional stock punting. This could partially explain the market's relatively low volatility in recent periods despite the ever-increasing level of margin loans outstanding.

However, as the crash of 4Q22 illustrates, this arrangement is not exactly risk-free. Brokers can (and do) limit their own counterparty exposure in line with internal risk management and regulatory oversight, but the aggregate amount of lending to a single borrower (whose collateral with the brokers comprises the same stock ticker) can lead to a surprise overhang.

Please not that we are *not* suggesting that a broad market-wide repeat of the 4Q22 episode is imminent. In fact, we are highly doubtful that such a sharp panic selloff will reoccur given that the debt capital markets, which were effectively closed in the run-up to 4Q22, have largely reopened.

But investors in a market that is 85% dominated by domestic individual investors should at least pay attention to the level of margin lending – which is also the key earnings driver for the Vietnamese brokers.

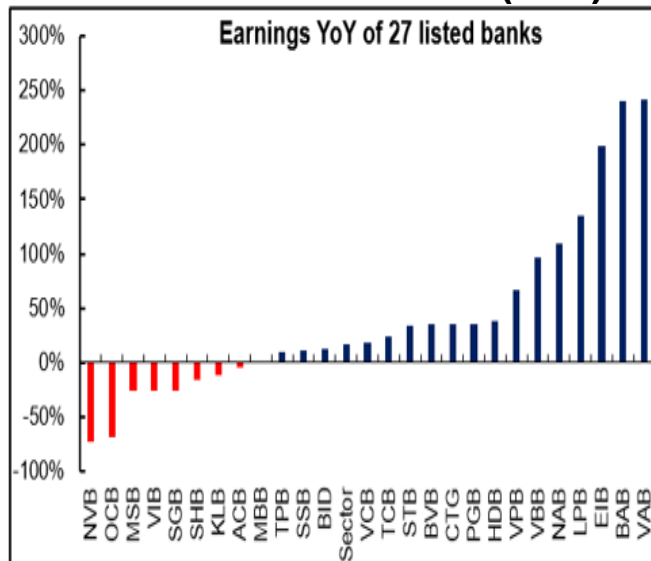
We are not aggressively pushing the brokers given our cautious tactical outlook on the market, but for investors who disagree with our conservative take – or who simply want a hedge against being too underweight in terms of portfolio positions -- we suggest a barbell approach comprising SSI and VCI (both rated BUY).

Bank sector's 3Q24 results highlights

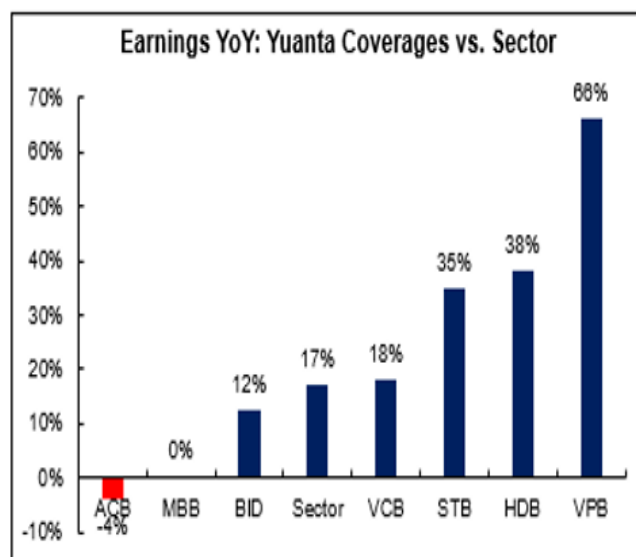
Results	3Q24	% QoQ	% YoY
NII (VND bn)	126,133	-2%	17%
Net Fee Inc.(VND bn)	14,306	-17%	-4%
Adj. Other non-II (VND bn)	5,223	-50%	-55%
Adj. TOI (VND bn)	145,663	-6.9%	8.8%
Opex (VND bn)	53,041	2%	9%
Provision (VND bn)	32,911	-7%	9%
Net other incomes (VND bn)	10,366	51%	127%
PATMI (VND bn)	55,597	-7%	17%
NPL (%)	2.26%	4bps	2bps
LLR (%)	83%	1 ppt%	-11 ppt
CASA (%)	21.0%	-69bps	1.3ppt

Source: FiinPro-X, Yuanta Vietnam

Bank sector: 3Q24 PATMI (YoY)



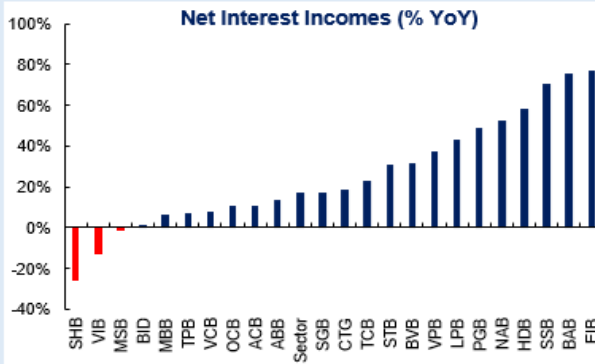
Source: FiinPro-X, Yuanta Vietnam



- **Key highlights and comments:**

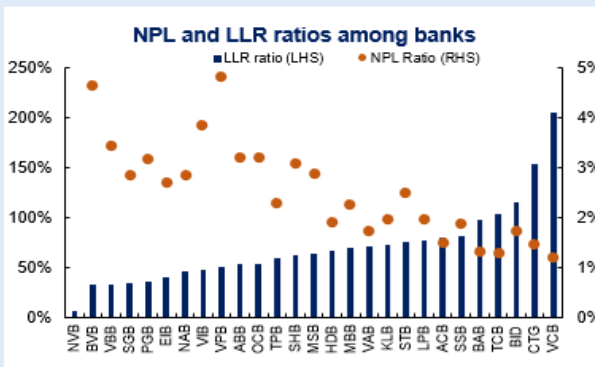
Key highlights

Net interest income was the key earnings driver:



Source: FiinPro-X, Yuanta Vietnam

Asset quality remained stable



Source: FiinPro-X, Yuanta Vietnam

Comments

- The sector's 3Q24 PATMI growth of 17% YoY was largely driven by strong net interest income. This was mainly due to a -21% reduction in interest expense (-21% YoY), reflecting a high 3Q23 base.
- Meanwhile interest income was down by -6% YoY, mostly because banks, especially state-owned banks, cut loan yields to support borrowers.
- The NPL ratio was nearly flat (+4bps QoQ/+2bps YoY).
- LLR increased slightly sequentially to 83% (+1ppt QoQ/-11ppt YoY).

Outlook

- We think that net interest income will continue to drive earnings in 4Q24, primarily driven by high credit growth.
- Banks within our coverage - namely HDB, MBB, VCB, and VPB - are likely to receive higher credit quota given their strong capital, and participation in restructuring troubled banks.
- Though we anticipate an increase in funding costs in 4Q24 given the SBV's tightened liquidity, interest expense should decrease YoY due to a high base in 4Q24.
- Overall, the sector's asset quality was stable in 3Q24, with no clear signs of rising NPLs in 4Q24. Thus, we believe the provisioning pressure will reduce in 4Q24, helping earnings.
- VCB stands out with the sector-low NPL ratio of 1.22% and the sector-high LLR ratio of 205%, positioning it well to further cut provisioning to boost earnings in 4Q24.

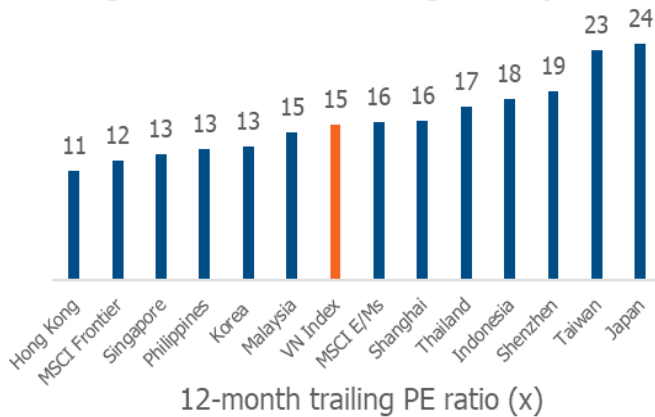
Market Valuations are modestly attractive, but we would prefer very attractive.

Market valuations continue to look reasonable for the market as a whole following the soft share prices in October, which was clearly not invigorated by relatively solid (+18% YoY) 3Q24 results. But as always, cheap PE multiples are not a catalyst for share price upside by themselves. An environment of rather high global uncertainties combined with domestic liquidity tightening does not suggest an imminent rerating in 4Q24, in our view.

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

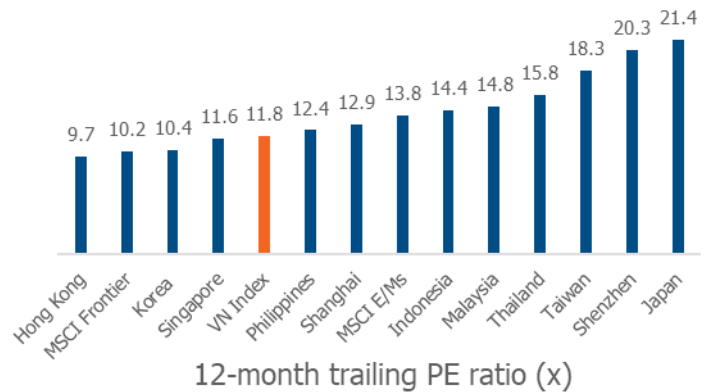
... but the 11.8x 2024E PE is inarguably cheap, even assuming that EPS expectations are too high.

Regional stock market: Trailing PE multiples



Source: Bloomberg, Yuanta Vietnam (Oct 31)

Regional stock market: 2024E PE multiples



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

The VNI's trailing PE ratio is back to its long-term mean at 15.5x.

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

VNI -- Trailing PE ratio (x)



Source: Bloomberg, Yuanta Vietnam

VNI -- 2024E PE ratio (x)



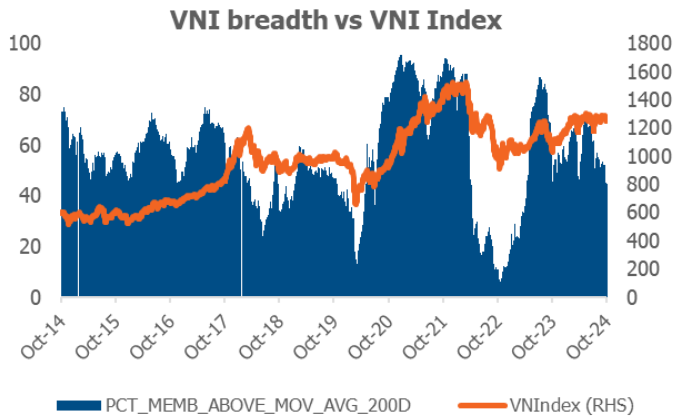
Source: Bloomberg (2024E consensus PE), Yuanta Vietnam

Breadth was more negative than the modest index decline might imply

Monthly breadth was negative across the broad market in October. Breadth was more negative for the large caps than it was for the broader market. Some 65% of VNI constituents posted monthly losses, whereas 73% of the VN30 components fell during October.

However, YTD breadth in 10M24 was still positive – especially so for the large caps. Some 24 of the VN30 stocks have posted YTD increases, while the broader VNI is mixed with 222 (i.e., 59%) gainers vs. 154 losers.

Monthly stock breadth was negative on both VN30 and VNIndex.



Source: Bloomberg, Yuanta Vietnam (Oct 31)

VN 30 breadth

	WoW	MoM	YTD
Gainers	15	8	24
Losers	13	21	6

Source: Bloomberg (Oct 31, 2024)

VN Index breadth

	WoW	MoM	YTD
Gainers	203	132	222
Losers	153	247	154

Source: Bloomberg (Oct 31, 2024)

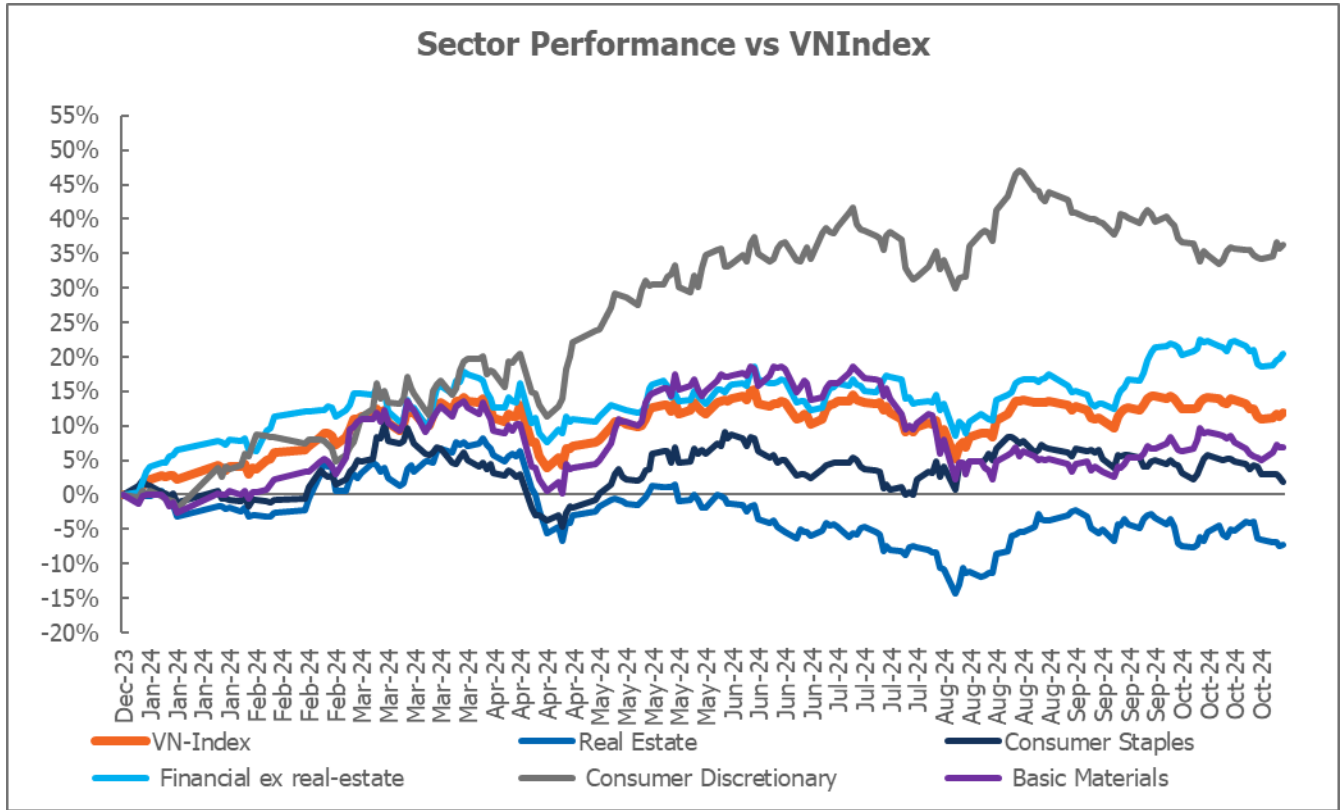
Source: Bloomberg

VN30 large caps: Share price performance in Oct

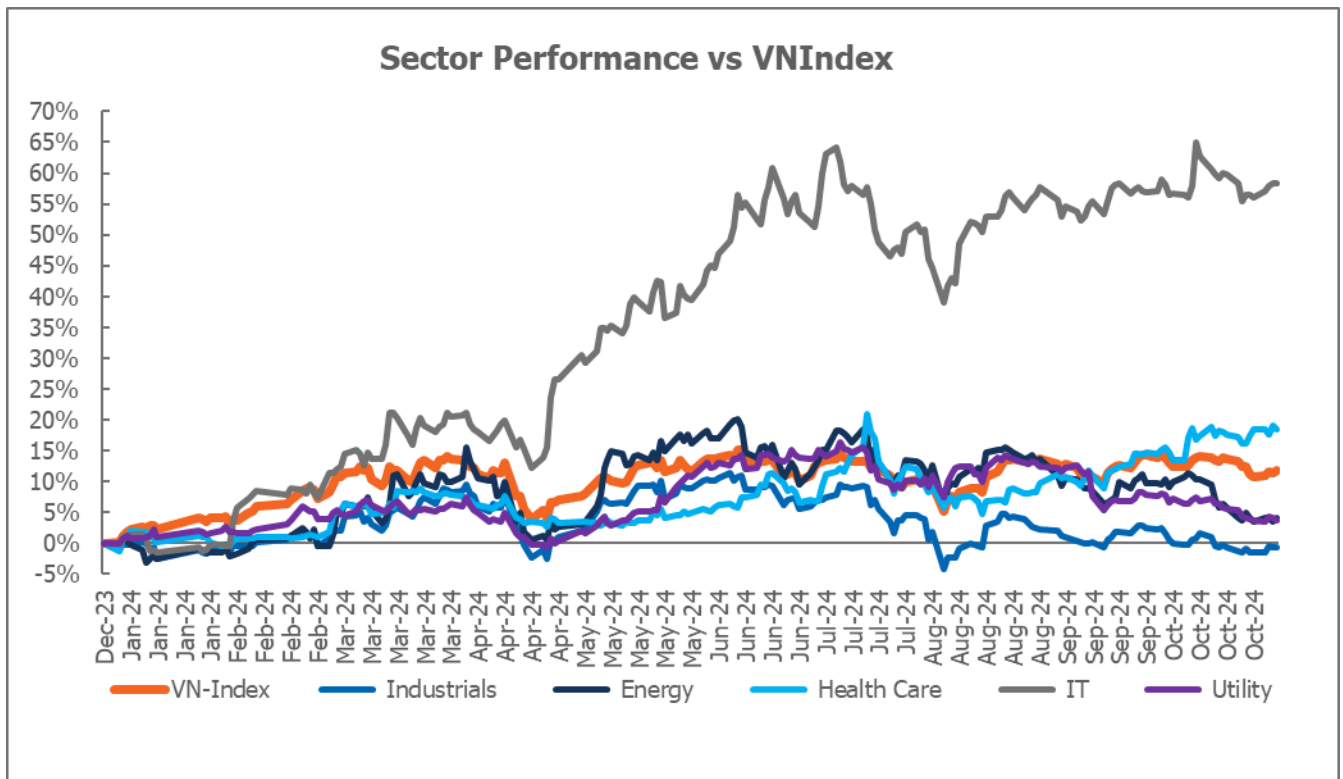
Ticker	Closing price (VND K)	MoM chg	Contribution to VN30 Index performance in Oct	YTD chg	Contribution to VN30 Index performance in 10M2024
ACB	25.4	-1.4%	-11%	26.5%	8%
BCM	67.1	-4.4%	-1%	6.7%	0%
BID	47.8	-3.9%	-3%	10.0%	0%
BVH	43.0	0.4%	0%	8.9%	0%
CTG	35.7	-3.4%	-8%	31.7%	3%
FPT	135.9	1.0%	11%	63.7%	26%
GAS	70.5	-3.7%	-2%	2.8%	0%
GVR	32.9	-8.0%	-3%	55.2%	1%
HDB	26.9	-4.6%	-21%	38.0%	7%
HPG	26.9	2.1%	15%	5.9%	2%
MBB	25.1	-2.5%	-14%	37.3%	8%
MSN	76.6	1.2%	5%	14.3%	2%
MWG	66.5	-2.3%	-14%	56.6%	13%
PLX	41.1	-7.6%	-3%	23.9%	0%
POW	12.0	-8.8%	-5%	6.2%	0%
SAB	55.2	-4.5%	-3%	-7.2%	0%
SHB	10.6	-3.6%	-9%	2.4%	0%
SSB	16.6	-2.9%	-6%	-21.3%	-1%
SSI	26.6	-4.7%	-13%	3.8%	0%
STB	35.2	5.5%	29%	25.9%	5%
TCB	23.9	-1.2%	-11%	55.1%	18%
TPB	17.3	0.6%	1%	22.6%	2%
VCB	93.6	1.7%	8%	16.6%	3%
VHM	41.5	-3.0%	-13%	-3.9%	0%
VIB	19.0	-1.8%	-4%	19.9%	2%
VIC	41.6	-1.1%	-4%	-6.8%	0%
VJC	105.0	0.0%	0%	-2.8%	0%
VNM	66.1	-5.7%	-25%	2.5%	0%
VPB	20.5	1.7%	13%	12.3%	4%
VRE	17.9	-6.5%	-8%	-23.4%	-1%

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

Sector performance YTD



Source: Bloomberg (Oct 31)



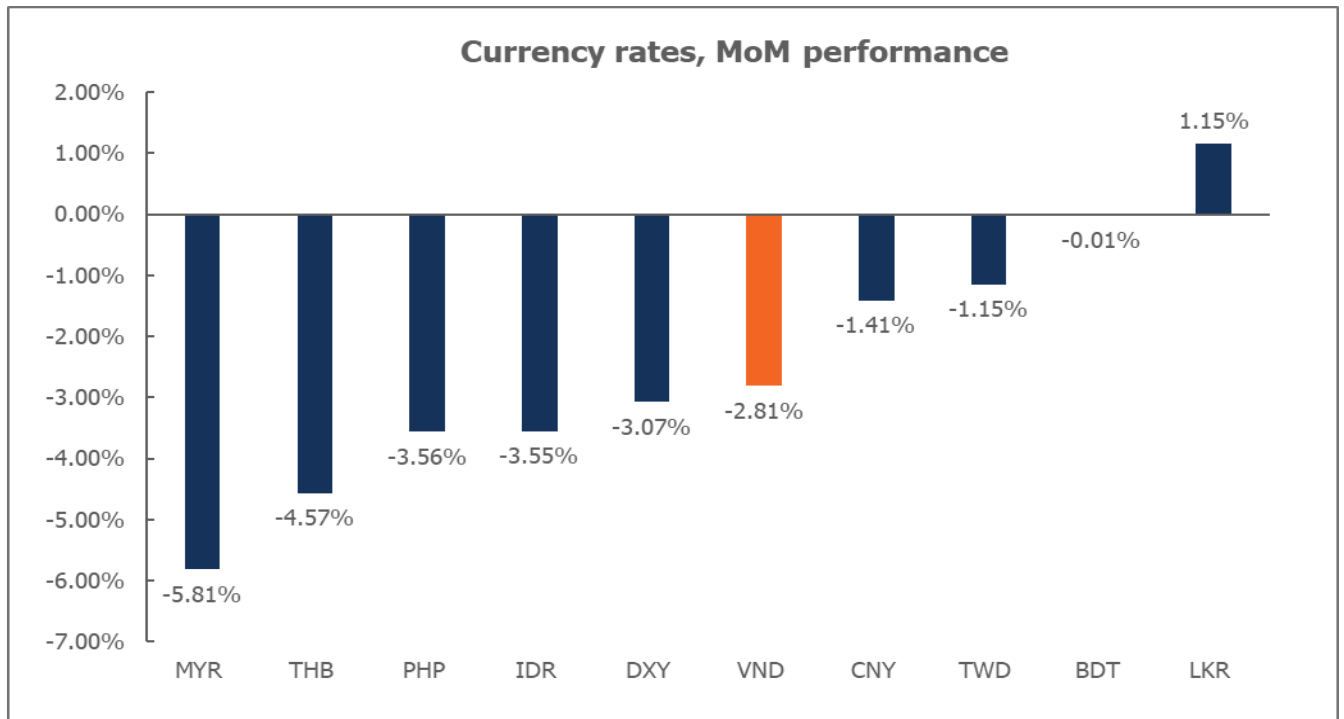
Source: Bloomberg (Oct 31)

VND is back under depreciation pressure

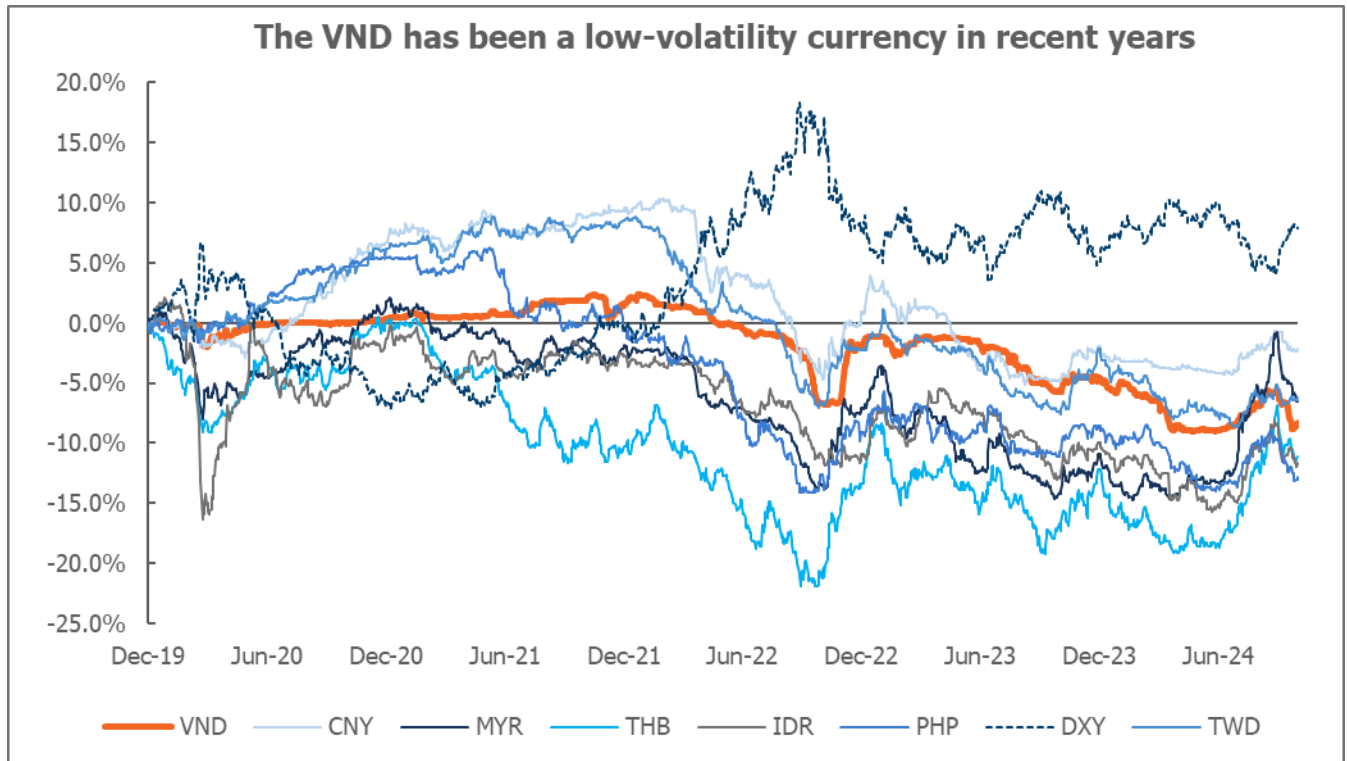
Policy flexibility, we barely knew ya’. The substantial correction in US long duration bond prices has led to a resurgence of depreciation pressure on emerging market currencies, including the VND (-2.8% MoM).

We won’t belabor the point, but this is a global phenomenon and the VND remains a relatively low-volatility currency, at least in ASEAN. This is primarily because, in our view, the central bank manages the currency’s exchange rate vs. the USD and other trading partner currencies for macro stability.

This means that investors should expect tightened financial system liquidity when the dong comes under pressure. Such actions are not typically great news for risky asset prices.



Source: Bloomberg (Oct 31)



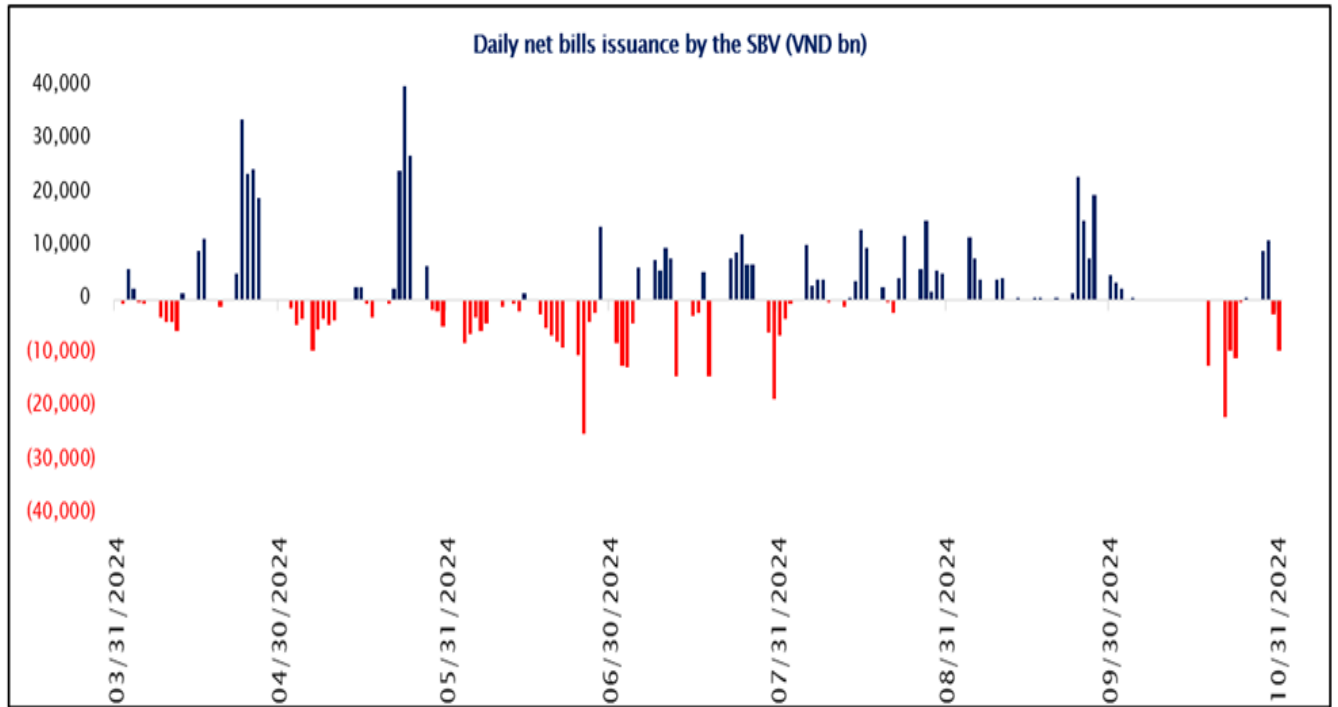
Source: Bloomberg (Oct 31)

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).

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. Our best guess is that the VND ends 2024 roughly where it is now.

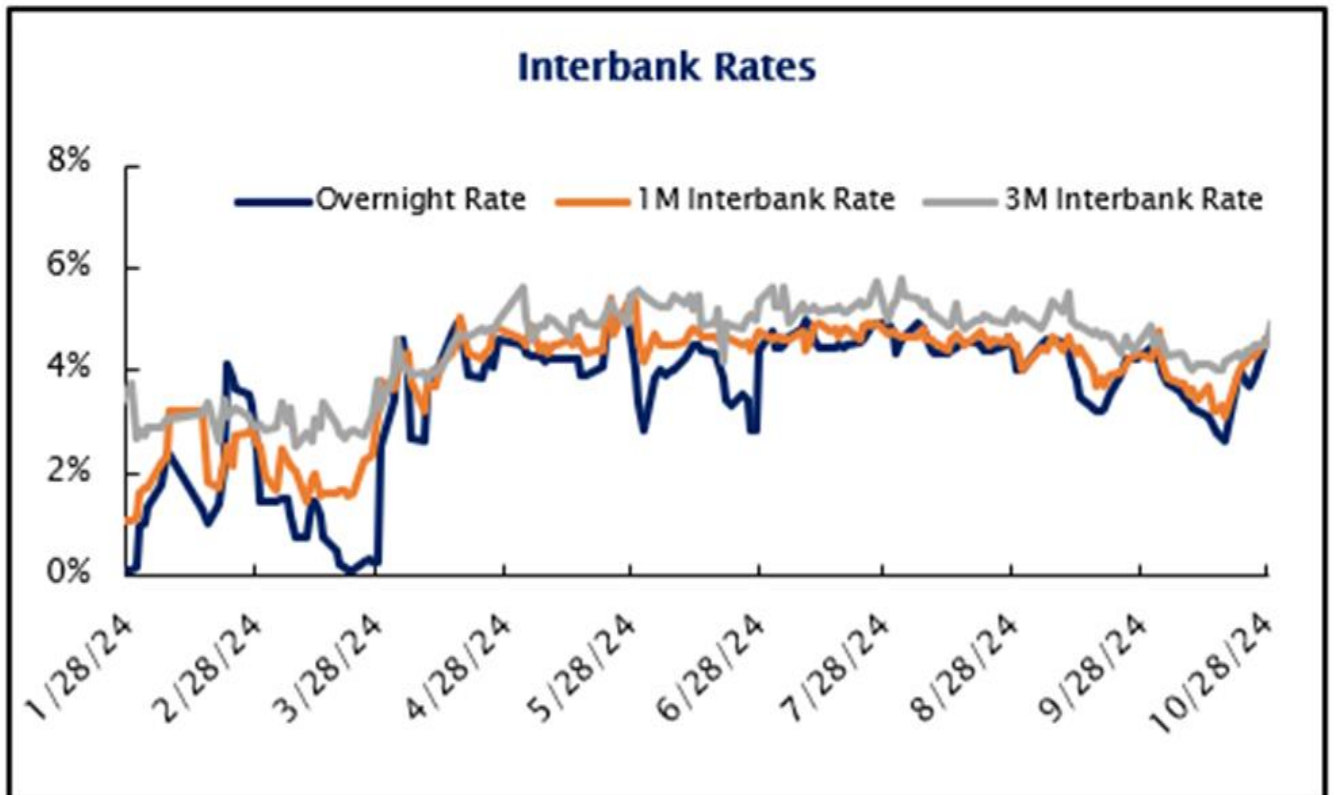
Financial system liquidity continues to tighten

- From Oct 18 to Oct 31, the SBV net withdrew VND54.4 tn (USD1.8 bn) in its OMO operations.
- That includes two days last week of net injections, so this action has not been entirely persistent.



Source: SBV

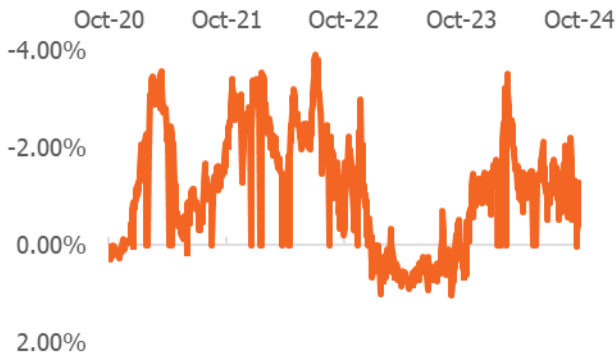
- The overnight interbank rate jumped by +73bps WoW to 4.70% on Oct 29.
- The 1M interbank rate increased by +44bps WoW to 4.54% on Oct 29.



Source: SBV

US dollar cash premium soared in 2Q24 and has settled down as at end-Oct.

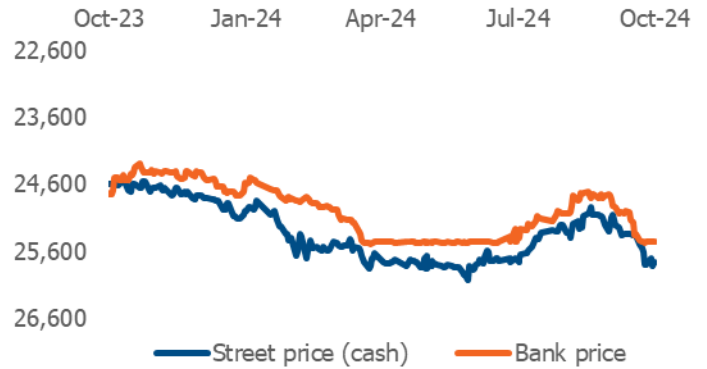
Cash rate vs bank rate for buying USD with VND



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

But FX rates – including the Grey Market rate for USD cash – remain under pressure.

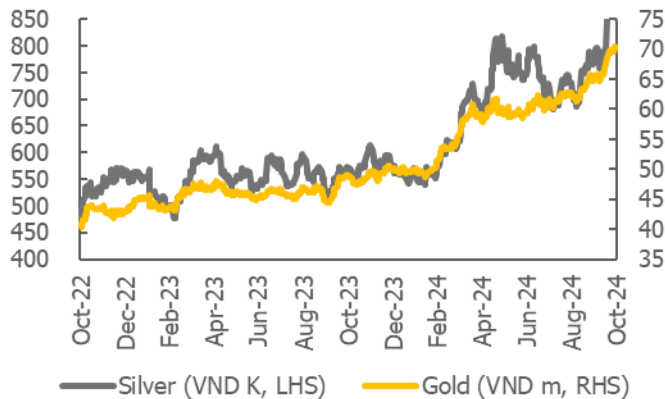
VND rates to buy USD



Source: FiinPro, Yuanta Vietnam

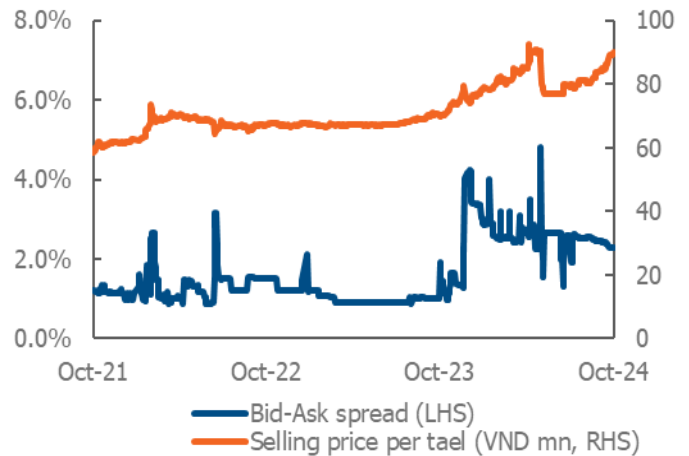
The barbaric relic has been the best trade YTD for VND investors.

Precious metals in VND terms

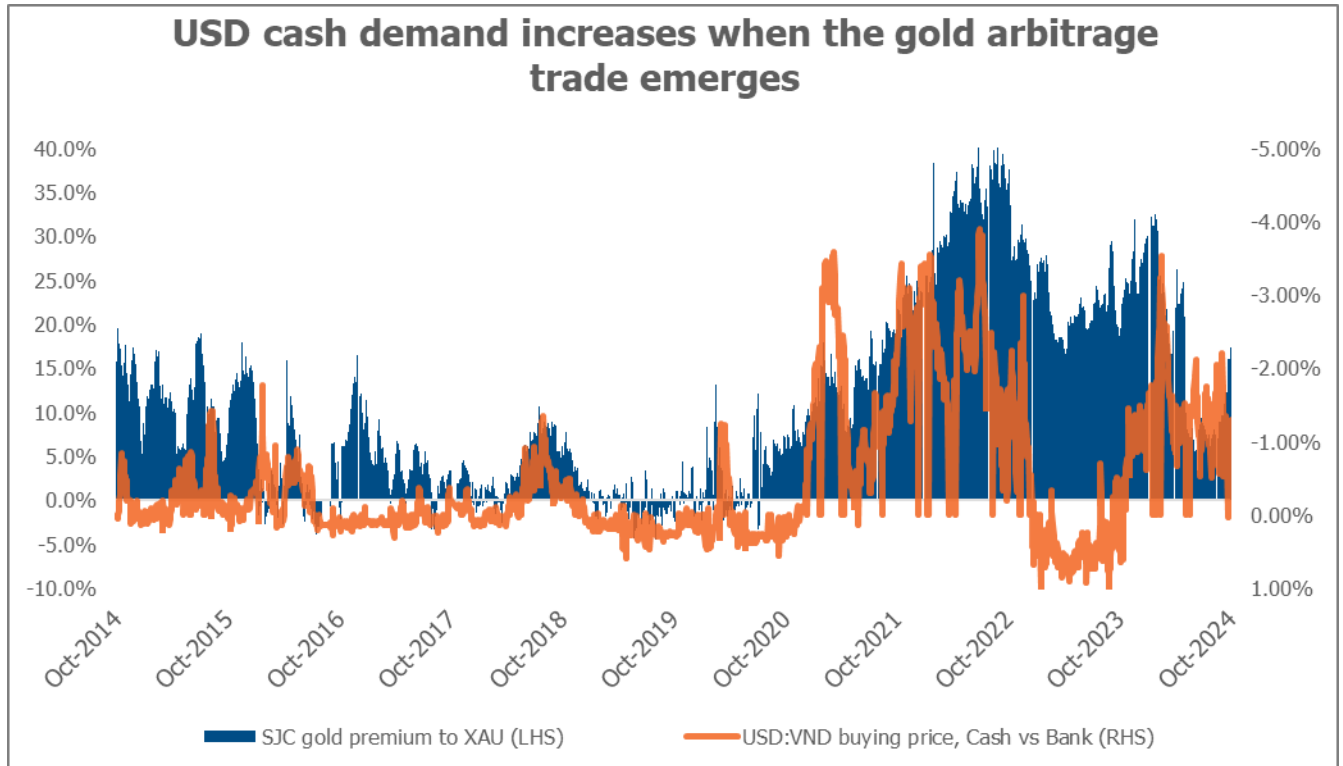


Source: FiinPro, Yuanta Vietnam. Bank data refers to VCB's published electronic selling price vs. the "free market" price for USD notes.

The SJC's official gold price reflects this trend, although bid-ask spreads have flattened.



Source: FiinPro, Yuanta Vietnam



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

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	6.3	6.2	5.2	43.2	1.5	20.8	(14.1)	0.1	4.1	1.5	1.5	1.5	26.2	24.4	24.3	2.4	2.4	2.5
	BID VN	15.3	13.7	11.6	81.0	11.5	18.3	0.6	0.2	1.2	2.5	2.3	2.4	16.6	16.5	17.3	0.9	1.0	1.1
	HDB VN	8.7	7.7	6.0	28.2	13.0	29.4	(0.3)	0.3	0.6	1.9	2.3	1.8	22.2	23.6	25.2	2.1	2.0	2.0
	MBB VN	6.9	6.7	5.4	16.0	2.9	23.3	0.6	0.4	2.3	1.5	1.6	1.5	24.3	23.1	23.4	2.7	2.5	2.5
	STB VN	13.2	9.8	6.9	63.8	35.0	41.1	0.7	0.2	0.3	2.2	1.9	1.7	13.8	16.1	18.9	0.9	1.2	1.5
	VCB VN	16.1	17.2	14.1	39.9	(6.5)	21.5	1.1	n/a	(2.7)	4.6	4.1	3.3	22.5	20.0	19.7	1.9	1.8	2.0
	VPB VN	7.5	14.2	10.7	54.0	(46.8)	31.8	(0.2)	n/a	(0.3)	1.0	1.7	1.4	19.1	8.3	10.5	2.9	1.2	1.7
Brokers	HCM VN	15.4	17.7	16.1	(32.8)	(12.7)	9.5	n/a	n/a	(1.4)	2.0	1.8	1.7	11.2	10.3	10.2	4.3	5.2	5.1
	SSI VN	17.9	11.8	11.1	(56.1)	51.3	6.7	n/a	(0.3)	0.2	1.6	1.8	1.8	12.2	14.2	13.6	4.3	6.3	6.3
	VCI VN	17.7	14.8	13.1	(55.7)	19.5	13.2	n/a	(0.3)	0.8	1.3	1.8	2.3	13.4	15.3	15.9	6.0	6.9	7.2
	VND VN	16.6	12.6	13.1	(65.1)	31.8	(3.5)	n/a	(0.3)	n/a	3.1	1.6	1.3	10.0	10.7	9.8	3.0	3.8	3.5
Energy	PVD VN	(123.9)	24.6	11.5	n/a	n/a	113.9	n/a	n/a	n/a	0.8	0.8	0.8	n/a	4.2	8.8	n/a	2.7	5.7
	NT2 VN	10.2	6.2	8.0	(14.6)	65.5	(23.0)	n/a	(0.7)	n/a	1.3	1.5	n/a	15.9	17.5	17.7	9.6	10.4	10.6
	PC1 VN	14.0	62.7	20.2	(31.9)	(77.6)	210.3	n/a	n/a	(0.8)	0.9	1.0	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	2.3	2.0	n/a	15.2	13.7	-	8.9	8.2	-
	PNJ VN	16.4	15.8	14.4	48.8	3.7	9.6	(1.4)	0.3	4.3	4.1	3.6	2.8	21.4	20.1	19.6	13.6	13.7	15.5
	DGW VN	8.1			17.8		-	1.1	n/a	n/a	1.9	1.7	n/a	18.4	18.4	-	7.1	7.1	-
	FRT VN	52.7	(68.5)	134.7	(12.0)	(177.0)	150.9	n/a	n/a	0.4	11.2	8.2	n/a	19.4	(19.1)	10.2	3.8	(2.5)	1.4
	MWG VN	23.7	578.7	27.8	(17.4)	(95.9)	1,979	n/a	n/a	(6.0)	3.0	4.7	n/a	17.1	0.7	13.0	7.3	0.3	5.7
Oil & GAS	POW VN	20.0	35.3	30.9	(9.3)	(43.4)	14.0	n/a	n/a	(0.8)	0.9	1.1	n/a	5.9	3.1	2.7	3.5	1.6	1.3
Property	KBC VN	4.7	3.4		91.0	40.0	-	0.0	0.1	n/a	1.3	1.2	n/a	22.0	26.0	-	10.0	12.0	-
	DXG VN	46.8	57.4		(81.7)	(18.6)	114.7	n/a	n/a	(3.1)	1.4	1.1	n/a	3.9	1.1	3.7	1.8	0.5	1.9
	KDH VN	21.8	37.3	19.9	(18.0)	(42.0)	87.0	n/a	n/a	(0.9)	2.4	2.1	2.1	10.0	5.0	9.0	6.0	3.0	5.0
	NLG VN	29.6	26.1	27.3	(57.0)	13.0	(4.0)	n/a	(0.5)	n/a	1.8	1.4	1.7	6.0	7.0	5.0	3.0	3.0	3.0
	NVL VN	-	-	-	18.3	53.3	-	-	-	n/a	0.4	0.3	0.3	10.6	14.8	-	2.4	3.4	-
	VHM VN	6.3	6.1	7.1	(20.0)	(1.0)	(16.0)	n/a	n/a	n/a	1.6	1.4	1.2	21.0	19.0	14.0	10.0	9.0	7.0
	VRE VN	14.6	9.8	9.9	111.4	48.7	(0.5)	(0.7)	0.1	n/a	1.4	1.4	1.2	8.7	12.2	11.0	6.9	9.5	8.7
Transport	ACV VN				-	-	-	n/a	n/a	n/a	6.0	5.1	n/a	11.0	12.6	-	5.2	5.3	-
Industrials	DHC VN	6.6	5.0	3.4	(22.1)	32.2	47.3	n/a	(0.3)	0.2	1.8	1.5	n/a	22.0	23.9	30.8	20.6	10.1	15.2
	BWE VN	11.5	9.2	6.5	17.0	24.9	41.7	0.3	0.7	0.4	2.5	2.2	n/a	18.8	20.6	25.5	8.6	10.6	14.7
Technology	FPT VN	35.6	29.3	25.4	22.9	21.6	15.3	(1.8)	1.6	1.4	5.7	5.8	6.8	22.7	23.4	27.1	10.1	11.6	13.3

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

Source: Bloomberg, Yuanta Vietnam

Appendix A: Important Disclosures

Analyst Certification

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

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

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

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

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) – 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

For U.S. persons only: This research report is a product of Yuanta Securities Vietnam Limited Company, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Yuanta Securities Vietnam Limited Company has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

tanh.tran@yuanta.com.vn

Di Luu

Analyst (Consumer)

Tel: +84 28 3622 6868 (ext. 3845)

di.luu@yuanta.com.vn

Giang Hoang

Assistant Analyst

giang.hoang@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

binh.truong@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

An Nguyen

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3958)

an.nguyen@yuanta.com.vn

Institutional Sales

Lawrence Heavey

Head of Institutional Sales

Tel: +84 28 3622 6868 (ext. 3835)

lawrence.heavey@yuanta.com.vn

Hien Le

Sales Trader

hien.le@yuanta.com.vn

Dat Bui

Sales Trader

dat.bui@yuanta.com.vn

Tuan-Anh Nguyen

Head of Sales Trading

Tel: +84 28 3622 6868 (ext. 3909)

anh.nguyen2@yuanta.com.vn

Vi Truong

Sales Trader

vi.truong@yuanta.com.vn