

Strategic Insight

A big bull?

A bright economic picture ahead

Vietnam's economic picture was bright in the first half of 2022, especially in 2Q22 with unexpectedly high growth of 7.72% YoY. The economic development in the second quarter mainly resulted from fruitful trade activity and recovering retail sales. Given this impressive recovery, we predict that economic activities would accelerate in 3Q22 due to the low base effect and promising domestic demand. However, the growth rate could disappoint optimistic forecasts made earlier by economic institutions since the possibility of a global slowdown became higher.

Global recession could disappoint expectations

Fed's unanticipated hike rate, following faster-than-expected inflation, raises concerns about a hard landing and consequent stagflation, worrying globally lead brands about the business prospect in the next quarter. They, then, generally had adjusted their business plans and accordingly affected the performance of global value chains, such as electronics, textiles and apparel, and footwear. Given high engagement in global value chains, Vietnam would unavoidably be under the effect of the worldwide slowdown.

Wait for bullish signals

The market has been a correction since April 2022. Market sentiment turned pessimistic as investors worried about the impact of inflation on the economy. However, based on macro indicators and the analysis of cycles and patterns of VNIndex, we believe that the VNIndex is forming an important bottom. Then, the index will form a new uptrend cycle, possibly a 3-year bullish cycle. Therefore, the index can reach the threshold of 1,300-1,400 points in 3Q22.

Better fundamentals to shine

Taking into account vulnerable macro conditions and supply-demand dynamics in the equity market, we believe the spotlight should be on specific sectors rather than the broader market. With the 2Q22 earnings season approaching, sectors with likely upward earnings in 2Q22F-3Q22F could be a strategy that beats the market. In light of this, seafood and oil/gas are among them of which we favor VHC, GAS, and BSR. In contrast, we keep a prudent stance on the steel industry even though the industry has sharply pulled back. We don't think increasing the portfolio's exposure to these stocks at today's bargain prices could be a rewarding strategy. Fertilizer could be another substitute for investors seeking secular 3Q22F earnings backed by potential export sales.

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I. A bright economic picture ahead

1. A bright economic picture ahead

Vietnam's economic picture was bright in the first half of 2022, especially in 2Q22 with unexpectedly high growth of 7.72% YoY. The economic development in the second quarter mainly resulted from fruitful trade activity and recovering retail sales. In the second quarter, export and retail sales grew by 21.02% YoY and 19.46% YoY. Accordingly, domestic production remained strong with the spotlight on export-oriented flagship products, such as consumer electronics, textiles, footwear, and seafood. Given this impressive recovery, we predict that economic activities would accelerate in 3Q22 due to the low base effect and promising domestic demand. However, the growth rate could disappoint optimistic forecasts made earlier by economic institutions since the possibility of a global slowdown became higher.

Figure 1. Vietnam's 2Q22 economic growth by institutions

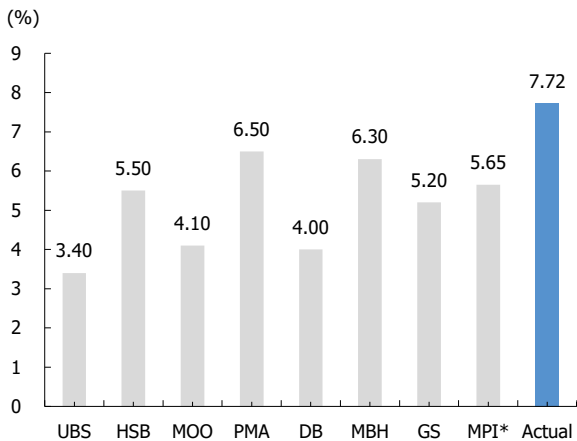
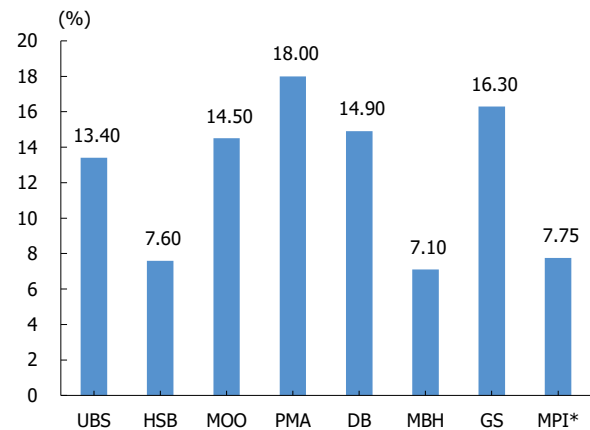


Figure 2. Vietnam's 3Q22 economic growth by institutions



Source: GSO, Bloomberg, KIS

Notes: HSB= HSBC Holdings; PMA= Pantheon Macroeconomic Advisors; DB= Deutsche Bank; GS= Goldman Sachs Group; MOO= Moody's; MBH= Maybank Kim Eng Holdings Ltd
MPI*: we use the median value from the forecast range of Vietnam's ministry of planning and investing (MPI).

Figure 3. Vietnam's export by month

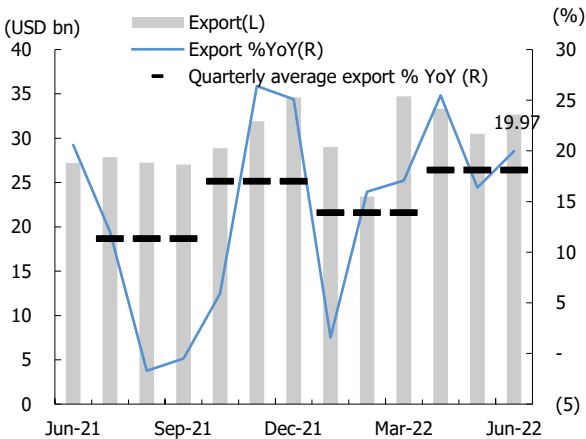
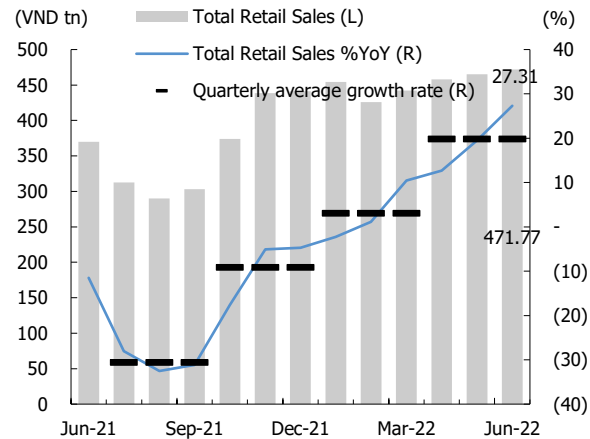


Figure 4. Vietnam's retail sales by month



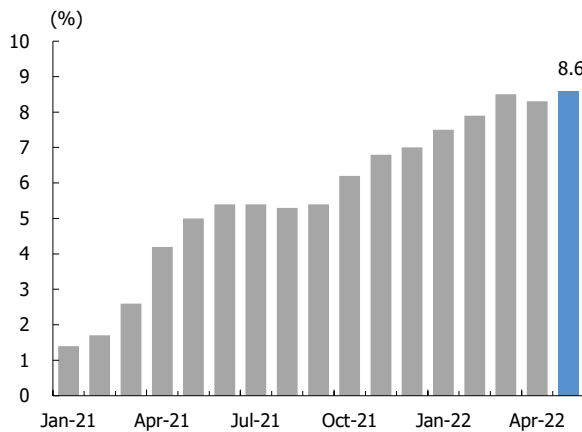
Source: GSO, Bloomberg, KIS

Notes: HSB= HSBC Holdings; PMA= Pantheon Macroeconomic Advisors; DB= Deutsche Bank; GS= Goldman Sachs Group; MOO= Moody's; MBH= Maybank Kim Eng Holdings Ltd
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2. Global recession could disappoint expectations of economic growth

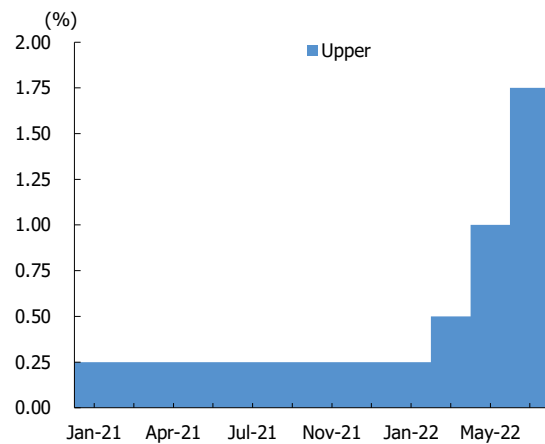
On 10th June, the U.S. Bureau of Labor Statistics (BLS) reported CPI to increase by 1.0% MoM or 8.6% YoY, making another acceleration and generally beating market expectations. Following, Fed immediately responded (in the 15th June FOMC meeting) to the unexpected development of inflation with a faster-than-expected rate hike of 75 basis points (bps), 25bps-higher than the initial plan, raising concerns about a hard landing and consequent stagflation.

Figure 5. U.S. CPI by month



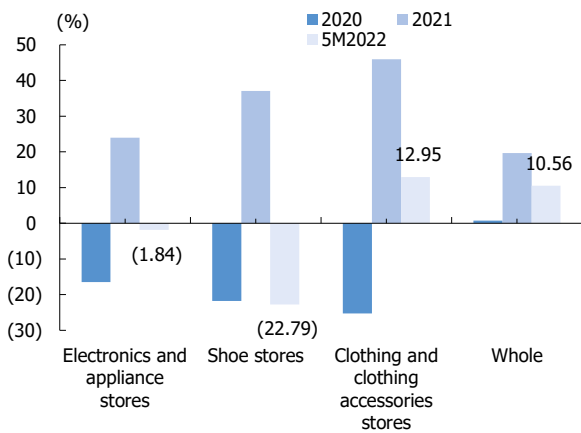
Source: Bloomberg, KIS
Notes: S&P initially ranks Vietnam's credit rating in 2002

Figure 6. Fed fund target



Source: Bloomberg, KIS

Figure 7. U.S. retail sales



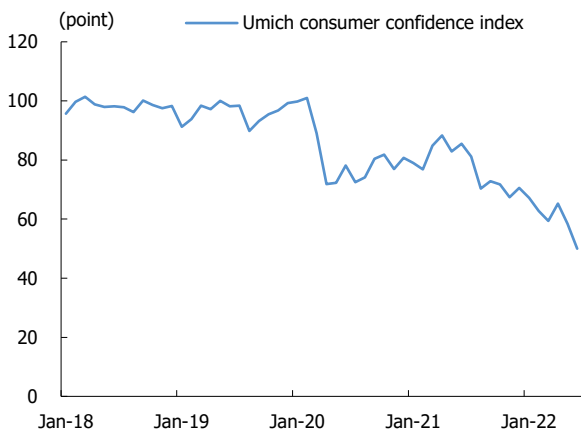
Source: Bloomberg, KIS

Table 1. June 2022 FOMC economic projections

Variable	2022	2023	2024	Longer run
Economic growth↓	1.70	1.70	1.90	1.80
Previous projection	2.80	2.20	2.00	1.80
Unemployment rate↑	3.70	3.90	4.10	4.00
Previous projection	3.50	3.50	3.60	4.00
PCE inflation↑	5.20	2.60	2.20	2.00
Previous projection	4.30	2.70	2.30	2.00
Federal funds rate↑	3.40	3.80	3.40	2.50
Previous projection	1.90	2.80	2.80	2.40

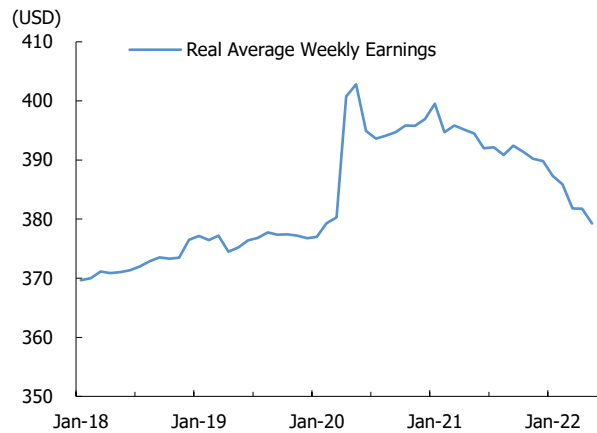
Source: Fed, Bloomberg, KIS

Figure 8. U.S. consumer confidence



Source: Bloomberg, KIS
Notes: S&P initially ranks Vietnam's credit rating in 2002

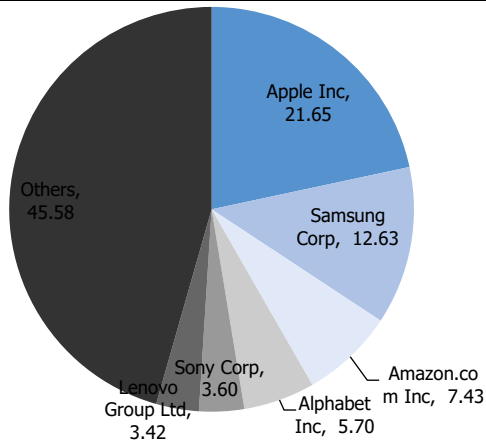
Figure 9. U.S. real wage



Source: Bloomberg, KIS

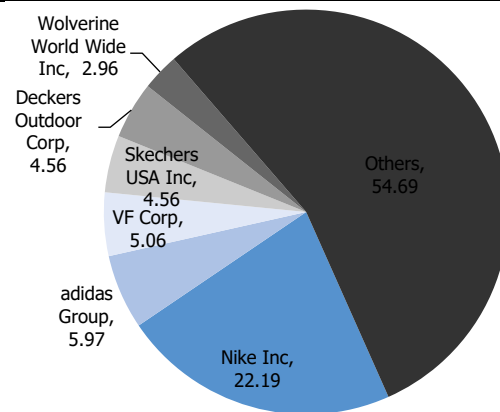
Unexpected Fed rate hike coupled with slowing economic indicators, such as lower economic projections, a lower growth rate of retail sales, plunged consumer confidence, and the lower real wage, likely worried globally lead brands about a recession in the next quarter. They, then, generally had adjusted their business plans and accordingly affected the performance of global value chains, such as electronics, textiles and apparel, and footwear.

Figure 10. Structure of U.S. retail sales of consumer electronics



Source: Euromonitor, KIS

Figure 11. Structure of U.S. retail sales of footwear



Source: Euromonitor, KIS

Given high engagement in global value chains, Vietnam would unavoidably be under the effect of the worldwide slowdown. According to extracted data from the company's financial statements, Vietnam constitutes a significant part of the manufacturing of several global value chains, such as electronics, textile, and footwear. For instance, Nike, in 2021F, reported that its footwear production was mainly located in Vietnam (51%), Indonesia (24%), and China (21%) and its apparel brand mainly came from contract factories in Vietnam (30%), China (19%), and Cambodia (12%). Therefore, if Nike lowers its revenue plan, it could decrease orders to contract producers in Vietnam, such as Pou Chen and Feng Tai, and consequently lower Vietnam's industrial production, labor demand, and economic growth by several lags.

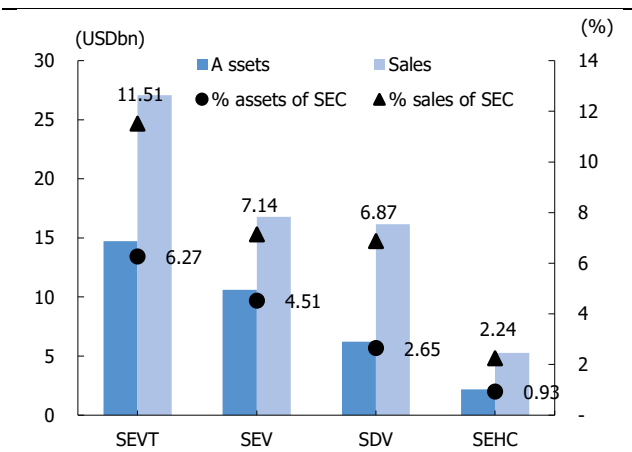
Table 2. Presence of global brands in Vietnam

Company	Product	Production Weighted in Vietnam (%)	Source
Puma	Footwear	33.0%	Puma Annual report 2019
Puma	Apparel		
Nike	Footwear	51.0%	Nike 10K Annual Report 2021
Nike	Apparel	30.0%	
Adidas	Footwear	30.0%	Adidas Annual report 2021
Adidas	Apparel	15.0%	
Sketcher	Footwear	6.2%	Sketcher Annual report 2020
Sketcher	Apparel		
Gap Inc	Footwear	32.0%	Gap Inc Annual report 2020
Gap Inc	Apparel		

Source: Company Filings, Bloomberg, KIS

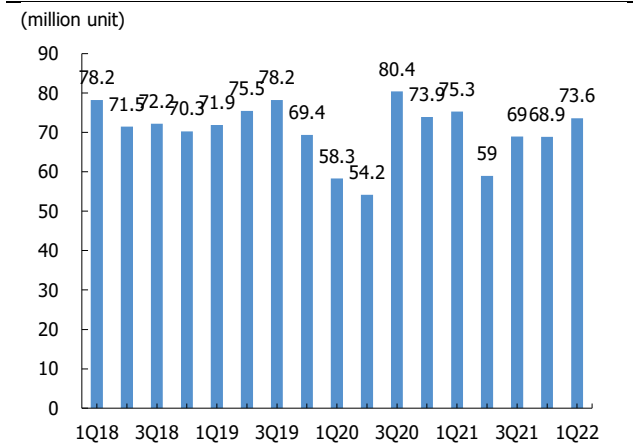
The transmission mechanism was similar in case of Samsung Electronics (SEC), a leader brand in global electronics chain with a significant share of 12.63% in the U.S. market. According to 2021 company's data, four major factories in Vietnam, including Samsung Electronics Vietnam THAINGUYEN Co., Ltd (SEVT), Samsung Electronics Vietnam Co., Ltd. (SEV), Samsung Display Vietnam Co., Ltd. (SDV), and Samsung Electronics HCMC CE Complex Co., Ltd (SEHC), constituted around 27.76% of SEC's total assets and 14.36% of SEC's revenue with flagship products of smartphone and display panel.

Figure 12. Samsung factories in Vietnam in 2021



Source: Company Filings, KIS
 Note: SEC= Samsung Electronics; SEVT= Samsung Electronics Vietnam THAINGUYEN Co., Ltd; SEV= Samsung Electronics Vietnam Co., Ltd. (SEV); SDV= Samsung Display Vietnam Co., Ltd. (SDV); SEHC= Samsung Electronics HCMC CE Complex Co., Ltd.

Figure 13. Samsung Electronics smartphone shipment



Source: Company Filings, Statista, KIS

According to Korea Times, SEC was recently struggling with its procurement plan and according to people familiar with the matter, it unofficially reduced the smartphone volume for 2022 by around 20% from the initial one. According to [BusinessKorea](https://www.businesskorea.co.kr), Samsung's factories in Vietnam accounted for around 60% of smartphone production in the group and the impact of the global recession, hence, would be inevitable. On the other aspect, Samsung's output cut would

negatively impact labor's income. According to the company's data, the number of employees in Vietnam factories was around 110,000, with 39,000 in SEV and 69,000 in SEVT. The output cut could be followed by lower workload and consequent lower labor hiring, resulting in a lower income for employees, causing households more cautious in spending, especially in Bac Ninh and Thai Nguyen provinces.

Looking broader, output cuts of enterprises in the global value chain could negatively affect Vietnam's economy in terms of production and consumption and consequently lower the economic growth for the next quarter.

3. Inflation to be higher under surging global commodities and recovering domestic consumption

We predict CPI to increase by 3.80% YoY in 3Q22 due to higher food and foodstuff (FFS), beverage and cigarette (BC), and culture, entertainment, and tourism (CET) indices. First, domestic consumption recovered strongly and was a demand-driven phenomenon as the growth rate of retail sales was much higher than one of CPI in 2Q22. A demand-driven recovery in domestic consumption would be more likely to put upward pressure on FFS and CET, especially under the imbalance in livestock production from surging prices of agriculture materials and animal fodder.

Table 1. Vietnam CPI structure

Item	Weight (%)*	1H22 (%)	3Q22F (%)
Consumer Price Index	100	2.44	3.80
Food and foodstuff	33.56	0.89	Increase ↑
Beverage and cigarette	2.73	2.76	Increase ↑
Garment, footwear, and hat	5.70	1.09	Stable →
Housing and construction materials	18.82	2.01	Stable →
Household appliances and goods	6.74	1.55	Stable →
Medicine and healthcare	5.39	0.31	Stable →
Traffic	9.67	17.43	Increase ↑
Postal services and telecommunication	3.14	-0.55	Stable →
Education services	6.17	-2.82	Stable →
Culture, entertainment, and tourism	4.55	1.43	Increase ↑
Other goods and services	3.53	1.75	Stable →

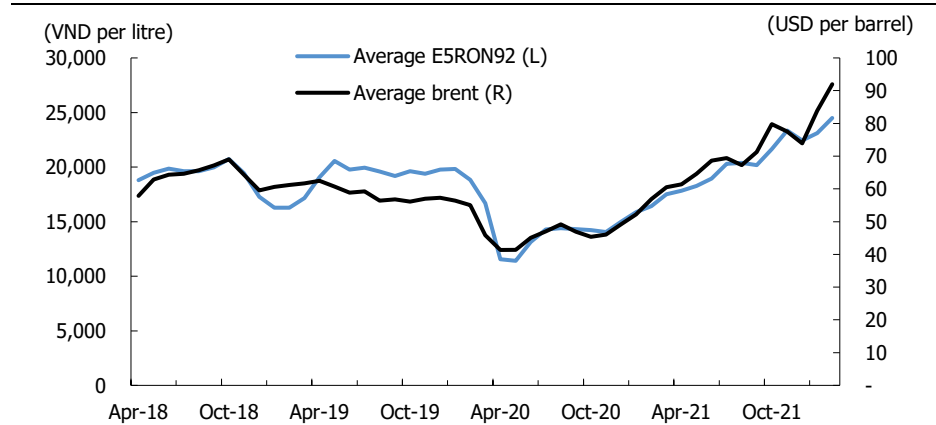
Source: GSO, KIS

Second, the supply shortage and geopolitical instability could surpass recession fear, pushing prices of global crude oil and consequent domestic petroleum products higher. Specifically, we predict that the war between Russia and Ukraine would push the commodities price up, including crude oil, although European countries have implemented policies to cool them down. Recently, in response to Russia's military movements, the Group of Seven (G7) was drawing up a complex mechanism to impose price ceilings on Russian crude oil and consequently squeeze Moscow's budget revenue for the Russo-Ukrainian war.

However, according to JPMorgan Chase, with the good financial position of the Russian government, Crimea can completely cut crude oil production to about 5 million barrels per day without any economic consequences. Besides, The U.S. now has an embargo on Russian oil, and Europe has cut its imports of Russian oil. However, most of Russia's oil is sold to Asia, especially China and

India. As a result, Russian oil exports increased by USD1.7bn in May compared to the previous month, reaching about USD20bn, according to the EIA. This is much higher than the average USD15bn per month Russia gained in 2021 from oil exports.

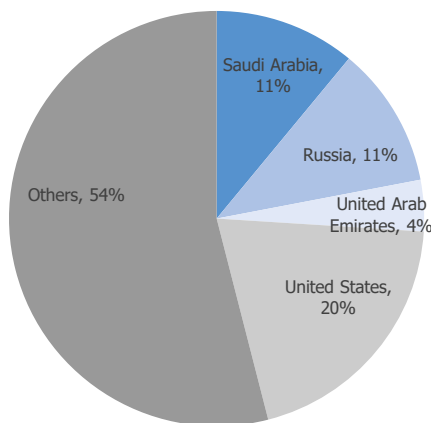
Figure 14. Historical Vietnam's gasoline and global crude oil prices



Source: MoIT, Bloomberg, KIS

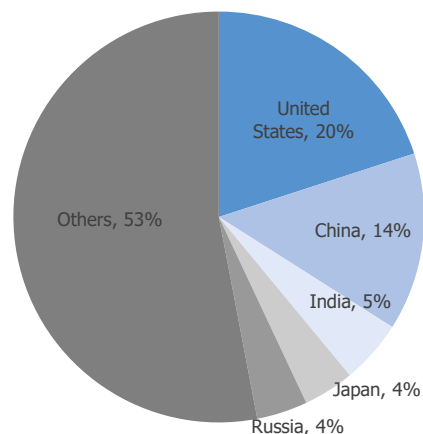
In addition, the EU decided to ban almost 90 percent of Russian oil imports by the end of 2022 which will result in a dramatic rise in oil prices. Moreover, the supply situation is considered to be “very tight” even if UAE and Saudi Arabia both maximize their capacity, it would not be enough to offset the Russian Supply losses. In detail, according to EIA, Russia produced an average of 10.8 million barrels per day, accounting for 11% of the global total oil output while Saudi Arabia and UAE produced 11% and 4% of world output respectively.

Figure 15. The top oil producers in 2021



Source: EIA, KIS

Figure 16. The top oil consumers in 2021

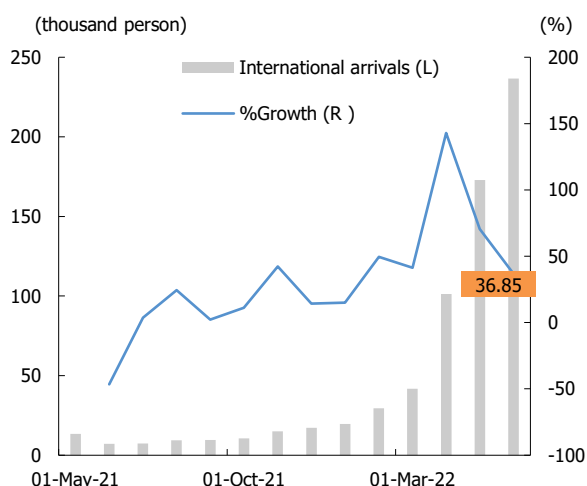


Source: EIA, KIS

Furthermore, the return of Chinese demand plays an important role in boosting the oil price in the future. Indeed, China is expected to back to normal, at midnight local time (16:00 GMT 1st June), restrictions were relaxed by Shanghai government to allow most people to move freely around the city of some 25 million people which means the usual oil consumption and oil demand for productions, travel will increase significantly result in the increase in oil price

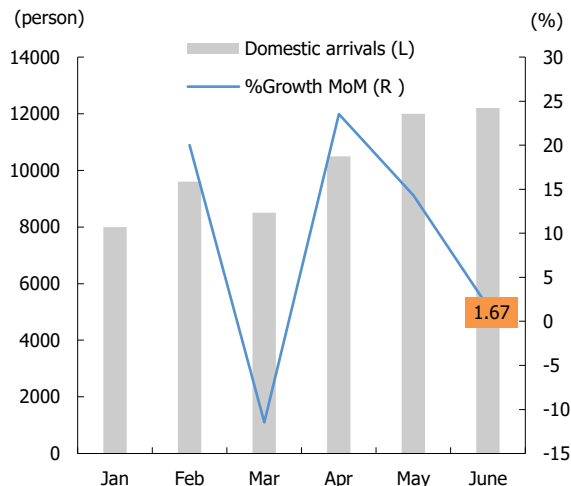
all over the world. According to oil consumption report of EIA, China is the second largest oil consumer in the world, accounting for 14% in 2021 of the global oil consumption with an average of 14.01 million barrels per day. China relies on oil to power its fleet of more than 250 million cars, as well as sustain its colossal manufacturing industries, which range from apparel and electronics to automobiles and aircraft.

Figure 17. Vietnam International arrivals in 6M2022



Source: EIA, KIS

Figure 18. Vietnam domestic travelers in 6M2022



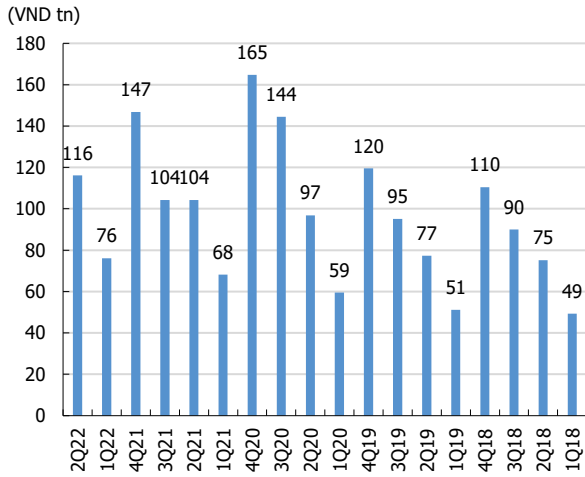
Source: EIA, KIS

Final, according to GSO, the number of international arrivals in June was 12.7-times higher compared to the same period last year, indicating that demand for tourism could recover faster than the supply due to the labor shortage and COVID19-caused shutdown of tourism enterprises. This development will likely result in a higher price of tourism services and eating outside in the upcoming tourism season in 3Q22. Therefore, the view in the next quarter is that the culture, entertainment, and tourism index will continue to rise, pushing CPI for the next quarter.

4. Low public investment creates space for short-term policies

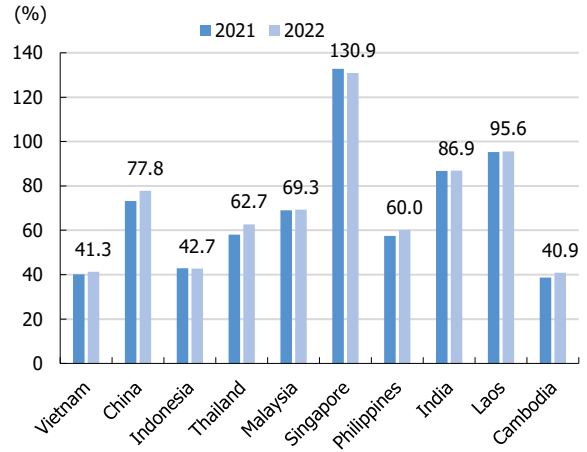
In 1H22, disbursement of public spending was underperformed compared to the initial plan and the ratio of public debt to GDP was much lower than in other countries in the region, indicating that the contribution of state-financed investments to economic growth in the first half was limited. However, on the other side, low public spending provided the government with large space and confidence to pursue short-term objectives, including controlling inflation (through environmental tax cuts) and supporting the income of households and COVID19-affected workers. We predict that the disbursement of public spending would remain low in the next quarter under persistently high prices of construction materials and fiscal policies would continue focusing on short-term targets, including price stability and social security.

Figure 19. Vietnam government investment



Source: GSO, KIS

Figure 20. Debt-to-GDP by country in 2021-2022



Source: Statista, KIS

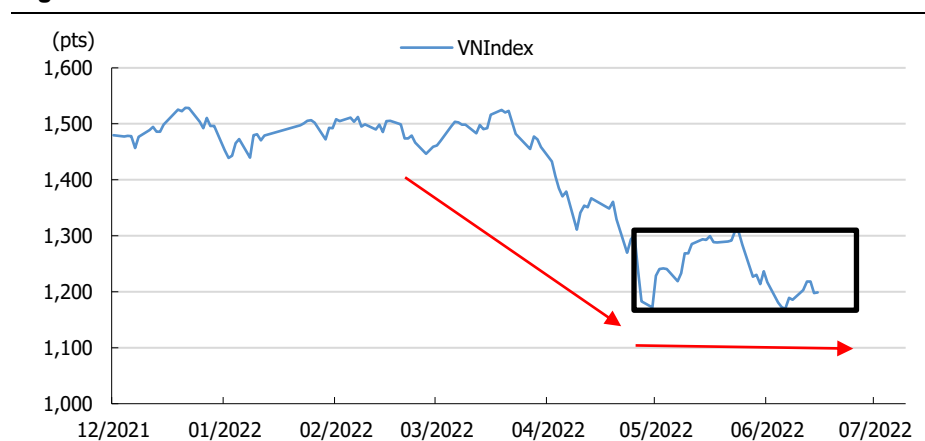
II. New long-term uptrend

1. Selling pressure amid high inflation

Short-term downtrend since Apr. In 2Q22, the main trend of the market is a correction. The market peaked on April 5, 2022, when there was some negative news related to Mr. Trinh Van Quyet (Chairman of FLC) and Tan Hoang Minh Group. The index dropped sharply and bottomed at 1,170 points in mid-May 2022, down 23.1%.

Since May 2022, the index has tended to move sideways and fluctuates in a narrow range of 1,160 points to 1,300 points. The index retests the range of 1,160-1,170 points twice, thereby forming an important short-term support zone for the index.

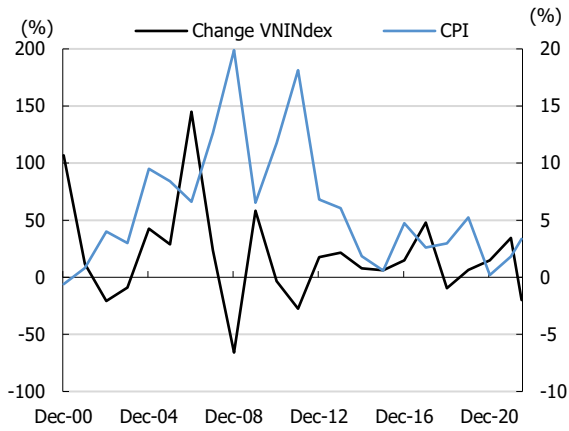
Figure 21. Movement of the VNIndex in 2022



Source: Fiinpro, KIS

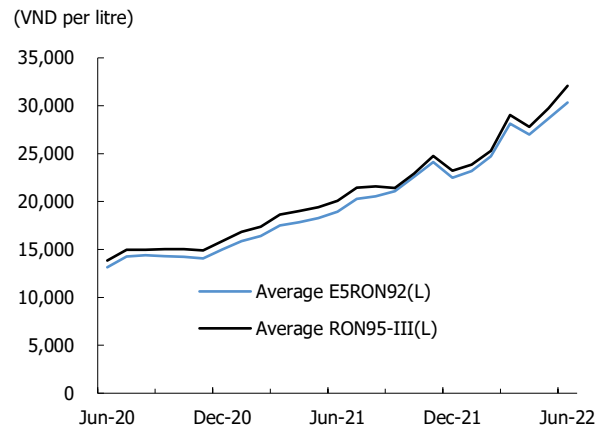
Pressure from high inflation. Inflation tends to increase in 2Q22, CPI reached 3.37% YoY and 0.69% MoM in June. In particular, the global oil price maintained at a high level of over USD100 per barrel for Brent Crude oil. That pushes pressure on domestic gasoline prices (increased by 10.5% QoQ and 38% YTD in June). High local fuel prices put great pressure on domestic inflation and economic growth. Although the government has taken measures to reduce the increase in gasoline prices, the pressure on the stock market is still not small.

Figure 22. Inflation and VNIndex



Source: GSO, Fiiipro, KIS

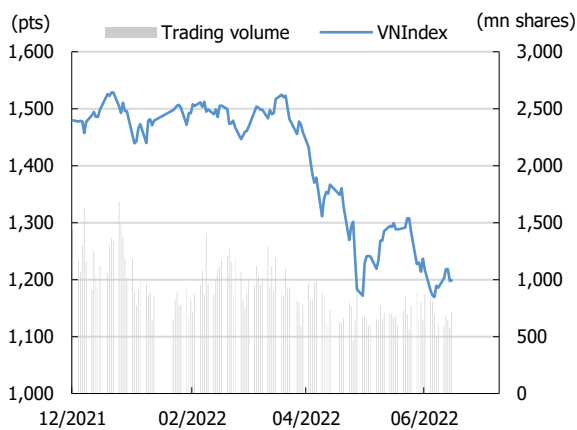
Figure 23. Local fuel price



Source: MOIT, KIS

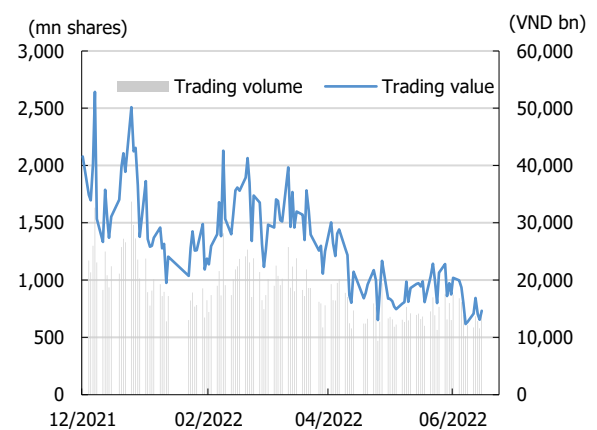
Volume declines. Liquidity dropped sharply in the second quarter of 2022 when the volume and value decreased by 25.0% and 22.8% in 2Q22 compared with average 2021. The cause may be: Firstly, the VNIndex confirmed the correction phase and investors' sentiment became cautious. Hence, investors limit buying and selling to wait for the recovery. Secondly, the correction trend of many financial markets such as the stock market, gold, real estate, and cryptocurrency... creates losses for their portfolio, forcing investors to restructure their portfolios. And then, they reduce investment size in some markets. Thirdly, the increase in deposit interest rates of some banks makes savings deposits a safe and attractive investment channel in the downward context of many financial assets. Therefore, a part of the capital in the stock market tends to shift to the savings deposit channel.

Figure 24. Trading volume and VNIndex



Source: Fiiipro, KIS

Figure 25. Trading volume and value



Source: Fiiipro, KIS

Summary

The market has been a correction since April 2022. Market sentiment turned pessimistic as investors worried about the impact of inflation on the economy.

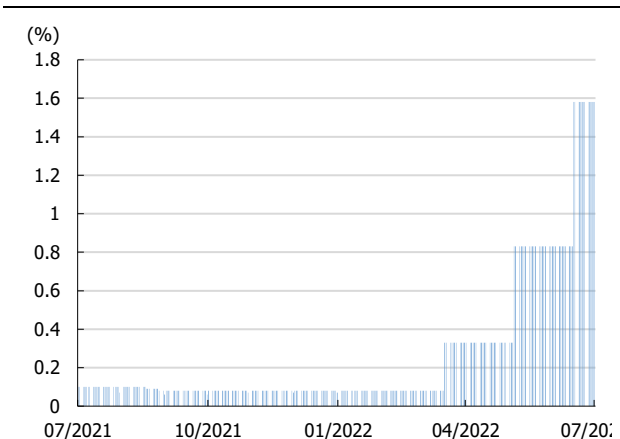
2. Net selling of foreign investors reverses

The Fed unexpectedly raised interest rates, affecting global capital flows.

To fight high inflation, the Fed raised interest rates in 2Q22. Since March 2022, the FED has raised interest rates three times, bringing the interest rate from 0% to 1.5-1.75%. Besides, other major central banks such as BoE and ECB are also implementing similar policies. This shows an important signal about the possibility of ending the period of low interest rates.

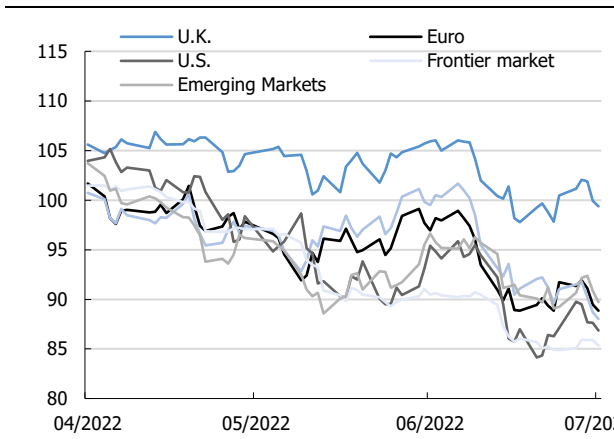
Rising interest rates have a significant impact on financial assets and international capital flows. After the FED raised interest rates for the second time in April 2022, most of the stock markets fall into the correction phase such as the U.S., European, and Southeast Asian markets. International capital flows have reversed, withdrawing from the Emerging markets and Frontier markets to move to developed markets. In 2Q22, the ETFs of Southeast Asia (except Vietnam) have a strong outflow during this period. Indonesia was outflowed by USD150mn followed by USD116mn of Thailand, USD42mn of Philippines, USD42mn of Malaysia, and USD3.7mn of Singapore. However, for Vietnam stock market, foreign capital flows tend to focus on Vietnam.

Figure 26. Upper limit of Fed fund target



Source: Bloomberg, KIS

Figure 27. Performance of some stock market and financial assets

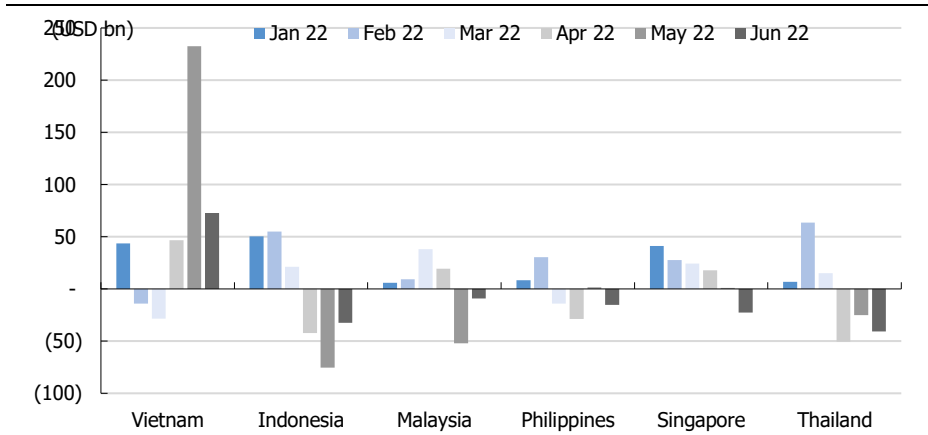


Source: Bloomberg, KIS

Vietnam leads the positive flow of money across SEA.

Money inflow across Vietnam ETFs. The flow of money across Vietnam has continued to surge despite the high inflation rate environment has been taken to account since 3Q21. In 2Q22, Vietnam attracted a total of USD351mn, 2 times higher than the same period of 2021. In which, inflow across Fubon FTSE and VFMVN Diamond accounted for USD370mn. This trend contrasts with the outflows in other Southeast Asian countries.

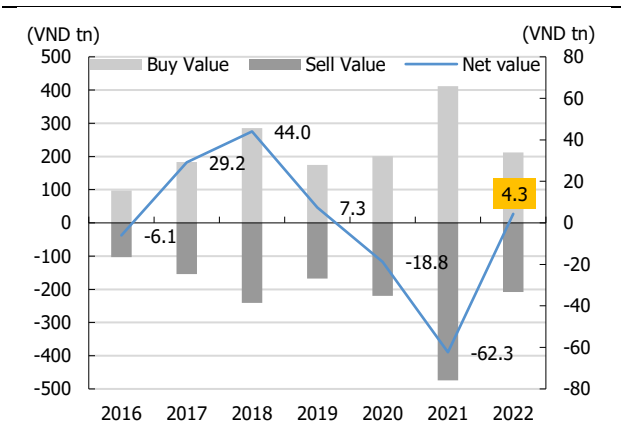
Figure 28. ETFs net flow by country



Source: Bloomberg, KIS

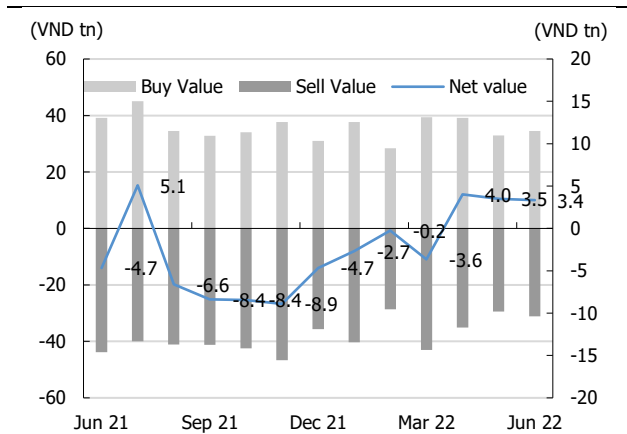
Foreign net selling from 2019 reversed. Foreign investors started the trend of net selling on Vietnam stock market in Aug 2019. They sold VND18.7tn in 2020 and VND62.3tn in 2021. In 1Q22, foreigners maintain a net selling of over VND6.5tn. However, this trend changes, they have reversed to be a net buyer from April 2022. Net buying of VND4.0tn in April, VND3.4tn in May, and VND3.3tn in June. This is the longest net buying sequence since Aug 2019. This could be a signal that foreign capital is returning to Vietnam.

Figure 29. Net foreign buy/sell by year



Source: Fiinpro, KIS

Figure 30. Net foreign buy/sell by month

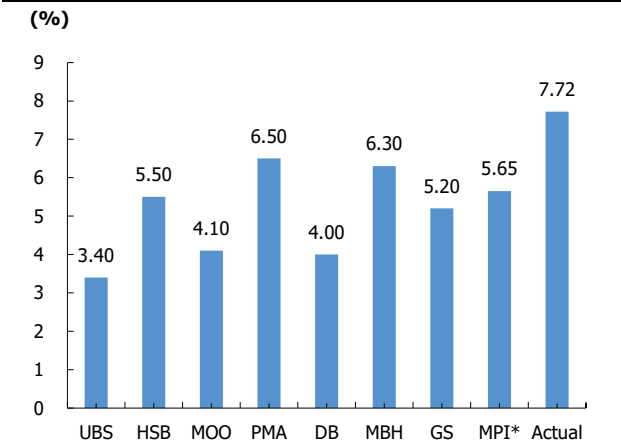


Source: Fiinpro, KIS

The reason foreign capital flows focus on Vietnam

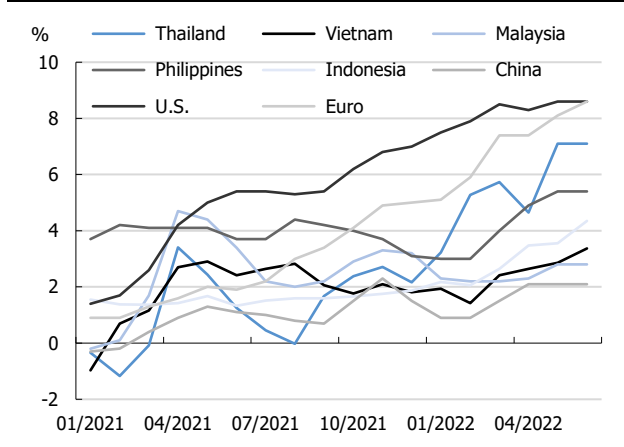
The economy recovered strongly after the epidemic. After reopening in October 2021, Vietnam's economy is still recovering and growing well, as GDP increased by 7.7% YoY in 2Q22. High inflation may be possible to put pressure on the economy, but compared to other countries in the world, inflation in Vietnam is still low and under control.

Figure 31. Growth GDP of Vietnam



Source: GSO, KIS

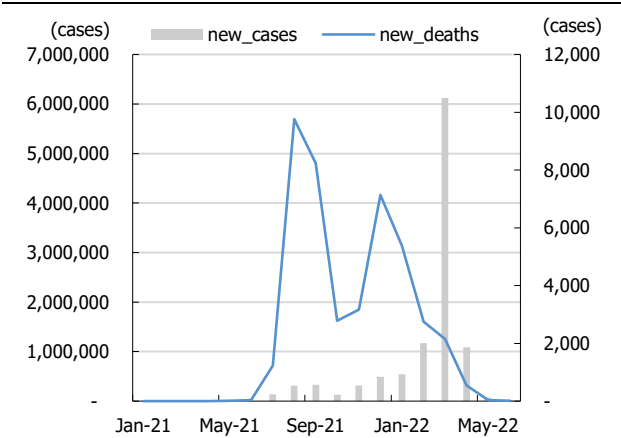
Figure 32. Inflation of some countries



Source: Bloomberg, KIS

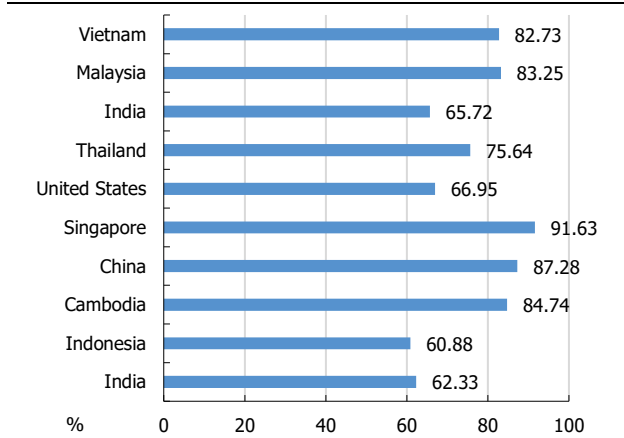
Opening of the economy. Due to the impact of the COVID-19 epidemic, some economies around the world are still being affected. For example, China is implementing a zero-COVID strategy and is still taking some tough anti-COVID-19 measures. But with Vietnam, these restrictions have almost been removed, creating conditions for the economy to reopen.

Figure 33. COVID-19 cases and death in Vietnam



Source: WHO, KIS

Figure 34. COVID-19 vaccination rate

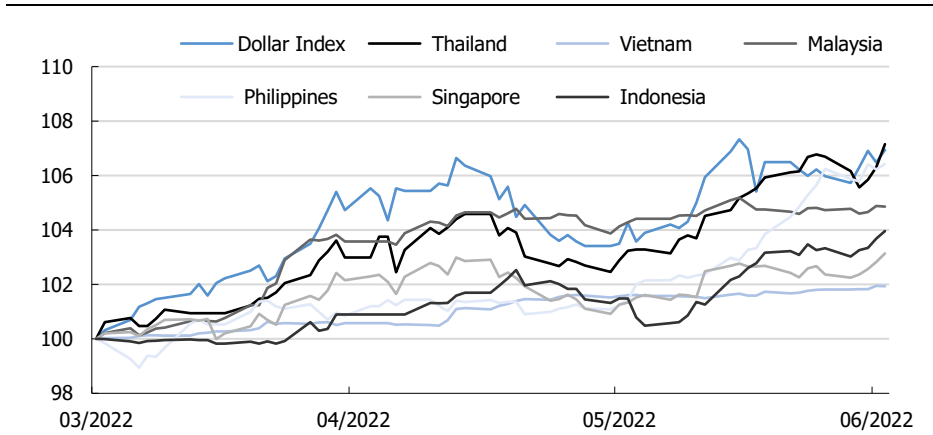


Source: WHO, KIS

The exchange rate was stable. After the FED raised interest rates, the U.S. dollar started to appreciate against other currencies in the world. That makes returns in non-U.S. markets less attractive because international investors bear the expected loss from the exchange rate market. As a result, a portion of capital flows tends to flow out of Emerging and Frontier markets and into the U.S dollar.

However, the VND/USD exchange rate has kept stable or not increased significantly due to the intervention from SBV and large foreign exchange reserves. Therefore, this exchange rate loss does not appear or is high with foreign capital flows in Vietnam.

Figure 35. Exchange rate of SEA countries based on Mar 2022

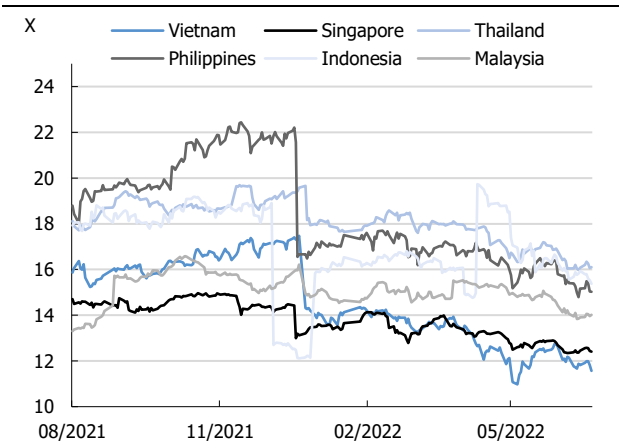


Source: Bloomberg, KIS

Attractive valuation. We use the PE forward ratio to value the Vietnamese stock market and compare it with some Southeast Asia markets. After the downside period, Vietnam's PE forward is at 11x, this is the lowest level in Southeast Asia such as 12x of Singapore, 16x of Thailand, 15x of Philippines, 15x of Indonesia, and 13x of Malaysia. That means Vietnam's stock market is undervalued compared to other Southeast Asia countries.

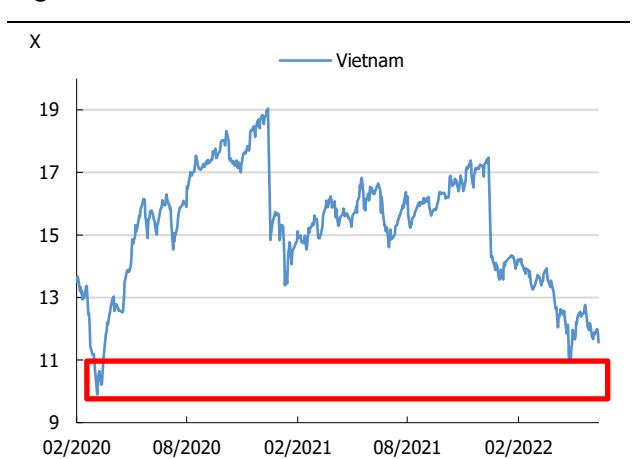
Besides, compared to the historical PE forward, this is also an attractive valuation. Vietnam's PE forward is currently around 11-12x, very close to 10x, which appeared in April 2020 when Vietnam's stock market fell sharply under the influence of COVID-19. However, after forming the bottom in Apr 2020 with a PE forward of 10x, the stock market has created a strong upward phase in the period 2020-2021.

Figure 36. PER of the stock market in Southeast Asia



Source: Bloomberg, KIS

Figure 37. PER of the Vietnam stock market



Source: Bloomberg, KIS

Summary

The Vietnam market becomes attractive to international capital flows, and this capital tends to flow into Vietnam.

3. Cycle and pattern of the VNIndex

1. Seventh 3-year cycle

Seventh 3-year cycle enters its final correction phase. Based on the downtrend from April 2022, the VNIndex closes below the 75-period moving average (or MA75) on the weekly chart. That means the current 3-year cycle has confirmed a peak, the highest level of the three-year cycle. The peak appeared in January 2022. Some features of the seventh 3-year cycle are as follows:

Firstly, this cycle is an upward cycle with a 3-year peak confirmed in January 2022, when the VNIndex reached 1,530 points.

Secondly, the 3-year cycle bottom may fall between Sep 2022 and Sep 2023. The distance of two bottoms for the 3-year cycle has a period of 30 to 42 months (36 months or three years on average). That means the bottom of the seventh 3-year cycle will fall in Sep 2022 and Sep 2023.

Thirdly, the seventh cycle may be the first phase of a larger cycle, which may be an upward cycle of 6 years, 9 years, or even 12 years. The sixth 3-year cycle, which forms from July 2018 to March 2020, has the duration between the two bottoms is 20 months. The time is smaller than the standard time to form the bottom of the 3-year cycle (from 30 months to 42 months), implying distortion. According to Raymond Merriman, times of distortion usually occur in the last subcycles of larger cycles (6, 9, or 12 years). When the larger cycles form the bottom, smaller cycles are distorted. Therefore, it is possible that the larger cycles have formed the trough with the sixth 3-year cycle. The current 3-year cycle could be the first phase of a larger upward cycle.

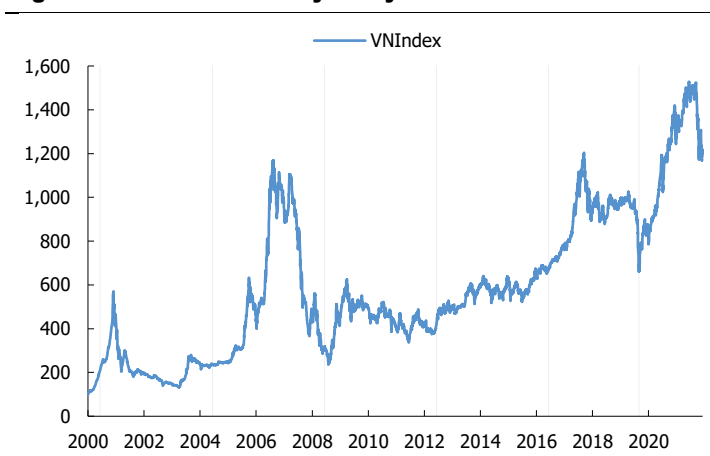
Fourthly, the seventh 3-year cycle enters the final phase to form a 3-year cycle bottom. Then a new three-year cycle, an eighth three-year cycle, will be formed. Therefore, we will enter a new upward phase.

Table 3. Bottom and duration of 3-year cycle

Cycle	Start bottom	End bottom	Duration (Months)
1	10/24/2003	08/02/2006	33
2	08/02/2006	02/24/2009	30
3	02/24/2009	01/06/2012	34
4	01/06/2012	12/17/2014	35
5	12/17/2014	07/11/2018	42
6	07/11/2018	03/24/2020	20
7	03/24/2020	09/2022-09/2023*	30-42*

*Expected period to form the 3-year cycle year
Source: KIS

Figure 38. Movement of 3-year cycle



Source: KIS

The second 1-year cycle bottoms. A 3-year cycle is often broken down into two or three 1-year cycles, or sub-cycles. In the case of VNIndex's seventh 3-year cycle, we can split this cycle into two or three 1-year sub-cycles. The time between the two bottoms of a 1-year cycle is 12 months (+/- 2 months).

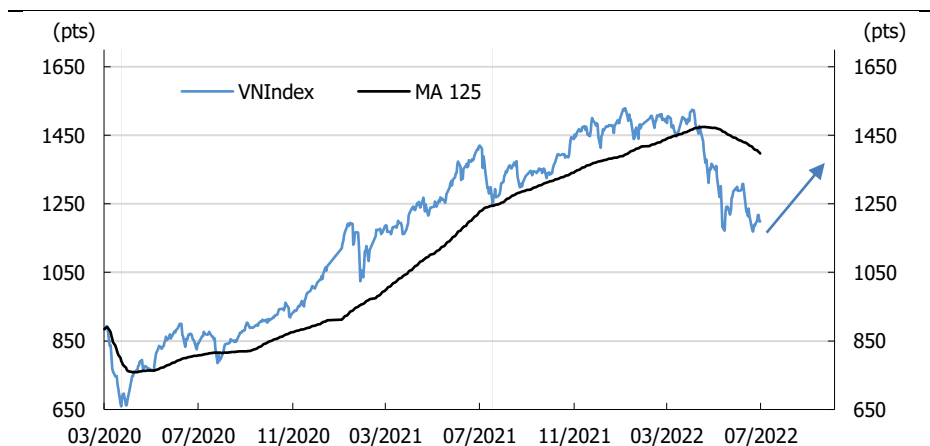
From April 2022, VNIndex corrects sharply and crosses down to the 25-period moving average (MA25) on the weekly chart. That shows the January 2022 peak is the peak of the second 1-year cycle. This peak is also the top of the 3-year cycle (as analyzed above). That means the second 1-year cycle is bottoming.

The trough of the second 1-year cycle will be confirmed when the index closes above the MA25 or 1,393-point level on the weekly chart. However, the MA75 (used to determine the 3-year cycle bottom) is a 1,342-point level. This value is below the MA25. Therefore, currently, if the index wants to confirm the second 1-year bottom (closed above MA25), the index will simultaneously confirm the 3-year bottom (because MA25 is above MA125). That means the exit downtrend is the final correction phase of the 3-year cycle. We call that scenario 1 for the movement of the VNIndex.

Besides, we also consider the second scenario. Accordingly, the MA25 will be correct below the MA125. Firstly, the index will confirm the bottom of the second 1-year cycle, and then confirm the bottom of the 3-year cycle. This scenario equates to a third 1-year cycle to exit. With the third 1-year cycle, the index may appear a strong correction in 2H22.

However, based on positive fundamental factors, which support the long-term uptrend of the stock market, we prefer scenario 1 to take place.

Figure 39. 1-year cycle of seven 3-year cycle



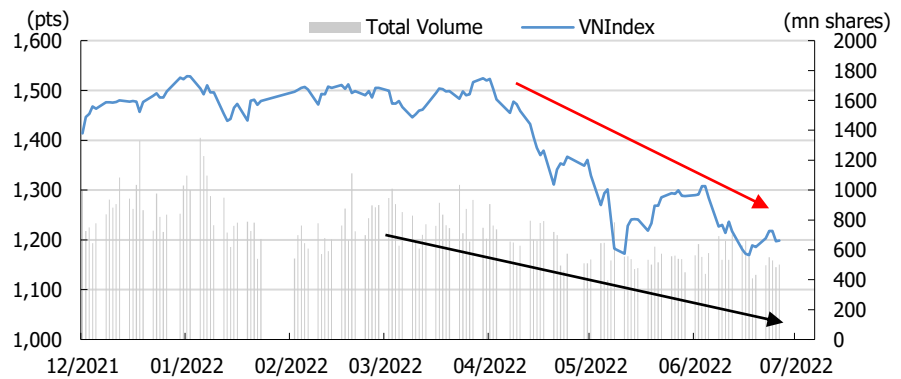
Source: KIS

Watch double bottom pattern

Low volume. In technical analysis, volume data is used to support price trends. An abnormal volume such as the highest volume or lowest volume generates important signals. In this case, when the index retests the May bottom of 1,160-1,170 points, the volume reaches a record low. This shows the caution of buyers and sellers. That represents a huge shift in investor sentiment.

This phenomenon is called low volume bottom, according to Mark Andrew Lim (2016), the phenomenon of abnormally low volume can also be an important signal that the market may reach a top or bottom. In this case, the low volume would be a positive signal for a trough in the market.

Figure 40. Movement of VNIndex's price and volume



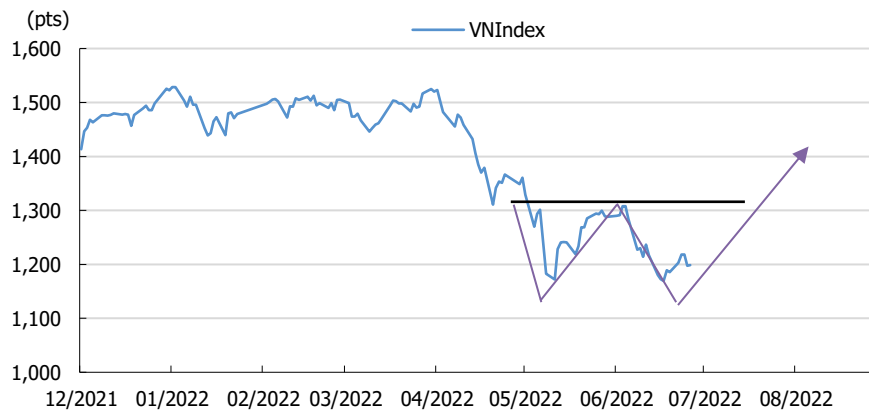
Source: Fiinpro, KIS

Double bottom pattern. The May and June bottom on May 17, 2022, and June 23, 2022, has roughly the same level, implying a double bottom pattern, which is a reversal pattern in technical analysis. The pattern's neckline is 1,300 points. If the index crosses up this line, the pattern will be confirmed. That means the pattern may hit the price target.

According to the double bottom pattern, the price target will be around 1,450 points. This price target is calculated by adding the pattern height (140 points) to the breakout crossing up the neckline (1,300 points area).

However, currently, this price target is not yet valid as the pattern has not been confirmed. Therefore, investors should only follow the double bottom pattern.

Figure 41. Double bottom pattern of the VNIndex



Source: Fiinpro, KIS

Summary

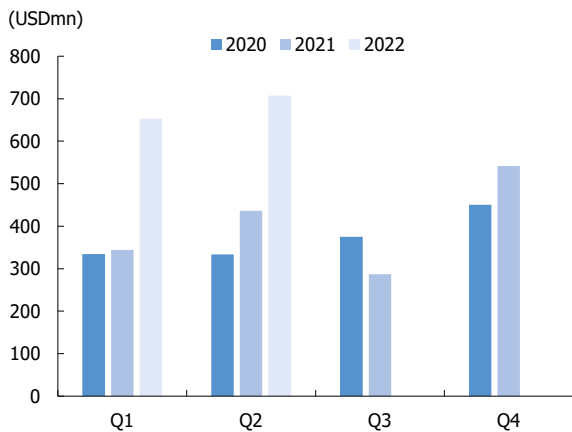
Based on the analysis of cycles and patterns of VNIndex, we believe that the VNIndex is forming an important bottom. Then, the index will form a new uptrend cycle, possibly a 3-year bullish cycle. Therefore, the index can reach the threshold of 1,300-1,400 points in 3Q22.

III. 2Q22F-3Q22F earnings outlook

1. Spacious entrance for pangasius

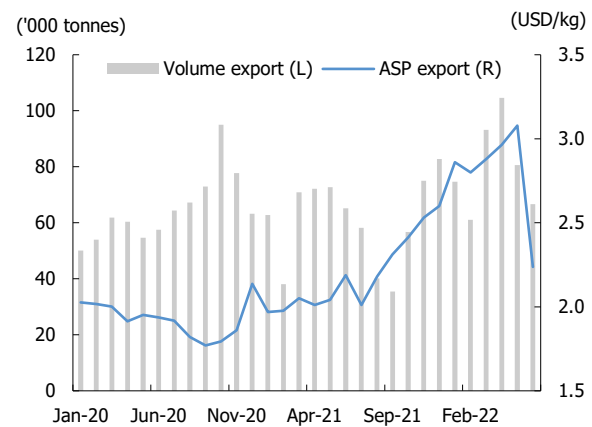
Pangasius export is utmost busy in 2Q22. The pangasius export stays bullish at USD777mn (+19% qoq, +78% yoy) in 2Q22 as (1) the ASP (Average selling price) rally to USD3/kg (+48% yoy and +7% qoq), and (2) hike export volume by 18% yoy and 10% qoq assisted by high demand in most main markets. In 5M22, US, EU and China recorded a lift in export value by +131% yoy, +124% yoy and +89% yoy respectively. We believe that the recent strong demand of pangasius continue till 3Q22F.

Figure 42. Pangasius export surged in 2Q22



Source: VASEP, KISVN

Figure 43. Volume and ASP export lifted in 2Q22

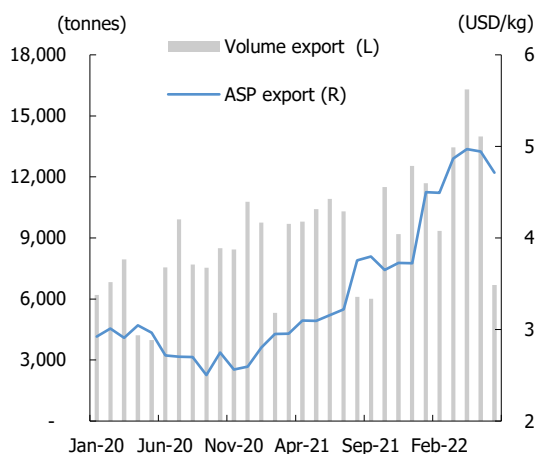


Source: Agromonitor, VASEP, KISVN

Vietnam could fill the gap arising from sanctions imposed on Russia's seafood in upcoming quarters. The Russia-Ukraine conflict continues to be an opportunity for Vietnam pangasius exporters to gain more shares on large markets as a substitute whitefish. This conflict makes Russian whitefish as pollock (contribute 90% of global pollock) and cod lose market in many markets. US banned Russian seafood imports into this market. In Feb, Korea announced trade restrictions with Russia, making a strong import decrease in Russian seafood and whitefish (which contributed 75% of imported whitefish in 2021). British imposed 35% tax on Russian whitefish, making a hefty loss for the source supply of "Fish & Chip" industry in UK. While EU seafood importers have yet hit by an official ban from their government, they proactively switch to other substitutes including pangasius.

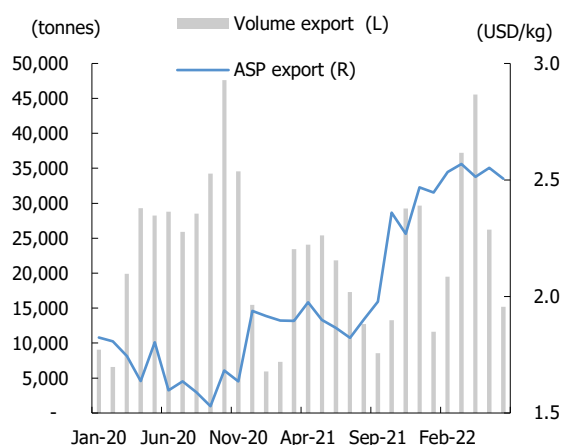
We expect that China's low inventory of pangasius and easing import process soon could bounce export volume in 3Q22F. In 5M22, pangasius exported USD371mn (+124% yoy) in China market. China tightens import policy amid COVID-19 outbreaks since 2021. Since then, the stagnant import resulted in a low pangasius stockpile. As we expect that China could well control the pandemic in 3Q22F and ease the import process, the low inventory could perk up the export volume to China market. In our view, IDI and ANV could benefit from this opportunity as they largely export to China market.

Figure 44. Pangasius export to US market jumped in last 9 months



Source: Agromonitor, VASEP, KISVN

Figure 45. Stagnant China export in 2021



Source: Agromonitor, VASEP, KISVN

Inherent risk arises from a soft landing of export to the US market after ripping for many months. Due to the soaring export volume for months in US market, (USD310mn, +1.31x yoy) in 5M22, we considered that the supply is outpacing demand, making inventory abundant in 3Q22F. As such, the US seller would accept lower ASP of pangasius import in 3Q22, cooling down ASP after hike price in 1H22. Also, the export volume growth could be challenge comparing to 2Q22 growth.

VHC is our favorite stock pick. We forecast that VHC's 2Q22 top line could jump by 27% qoq and 78% yoy, driven by high demand in US market and a better ASP as export prices to US market increase to USD4.4/kg from an average of USD4.2/kg in 1Q22. Also, we believe that the gross margin would stay bullish since the ASP hike would outpace the raw material price rally. Based on our assumption, we expect that VHC could reach VND4,165bn revenue (+27% qoq, +78% yoy) and VND563bn NPAT (+2% qoq and +116% yoy) in 2Q22, respectively fulfilling 55% and 68% of our estimates. In 3Q22F, we estimate that the ASP could post a slower growth rate compared to a 2Q22 due to abundant inventory in US market. In our view, 3Q22F topline would be merely equivalent or lower as the super high base in 2Q22. However, we project the lofty gross margin to persist on the back of downward raw material costs. We maintain BUY with TP VND121,500 based on a 2022F EPS of VND7,517 (55.2% yoy)

Table 4. VHC export markets

Market	(VNDbn,%)							
	2021				2022		2Q22	
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
US	708	901	967	1,201	1,610	2,366	47	163
EU	289	359	295	275	383	464	21	29
China	183	387	346	419	268	343	28	-11
ROW	555	609	519	695	964	992	3	63

Source: Company, KISVN

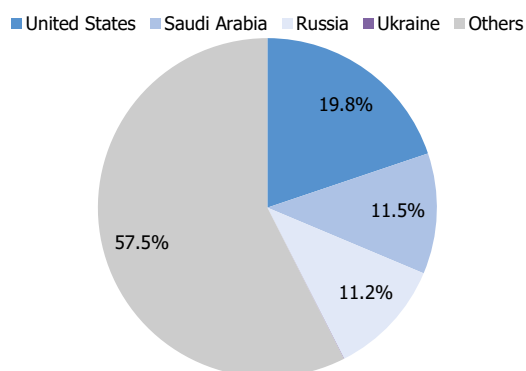
ANV enjoys an earnings turnaround. We believe that ANV's 2Q22 revenue keeps soaring, mainly driven by robust demand in the Asian market with stellar ASP, which inched up to USD2.4/kg from USD2.3/kg in 1Q22. Furthermore, we estimate the net margin could lift by 9%p from 17% in 1Q22 to 26% in 2Q22, bolstered by high gross margin. In our view, we peg ANV's 2Q22 revenue at VND1,359bn (+11% qoq and +26% yoy) and NPAT at VND352bn (+53% qoq and +1.2x yoy), fulfilling 50%/51% of our estimates. In 3Q22F, ANV could record a topline jump driven by prosperous demand. We expect that China could rebound strongly and increase the export volume from 10% in 5M22 to 20-30% in 3Q22 of ANV export value while ASEAN keeps bull demand in 3Q22. We forecast that 12MF PE could slip to 7.5x, lower than 3-year average at 13.8x.

Stock prices continue to outperform in 3Q22F. Pangasius sector OUTPERFORMED the VN-index in 2Q22, following recorded export growth of +83% yoy in 6M22. We expect that the stock price will continue to outperform in 3Q22F due to optimistic fundamentals as high demand in markets, opportunity to gain share from Russian fish and China demand recovery. Following our valuation, the current stock price of pangasius exporters still attractive.

2. Oil & Gas: Midstream leads the sector earnings growth

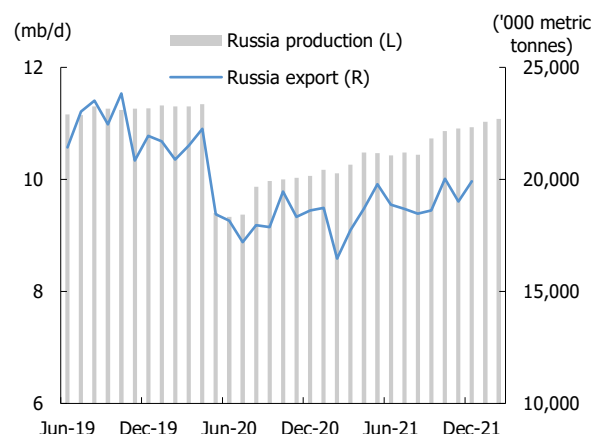
Oil prices have been supported by supply tightness spurred by the Russia - Ukraine war and OPEC's failure to increase production. Russia is the third-largest oil producer, and the second-largest crude oil exporter, accounting for nearly 11.5% and 11.6% of the global market share in 2021, respectively. Thus, Russia – Ukraine tension is likely to keep oil prices elevated in 2Q22, the Brent oil averaged at USD112/barrel. EIA forecasted Russia shut nearly 1 mb/d per month in 2Q22, driving down the world oil supply.

Figure 46. Russia was the third-largest oil producer in 2021



Source: Bloomberg, KISVN

Figure 47. Russia's oil production and export

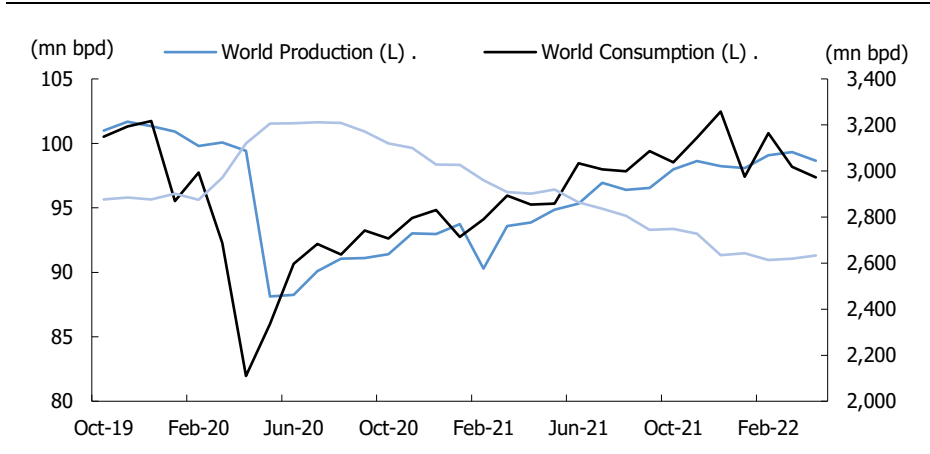


Source: Bloomberg, KISVN

Since May 2020, when OPEC+ agreed to cut supplies, demand has largely surpassed supply. Over time, steadily rising volumes from Middle East OPEC+ and the US along with a slowdown in demand growth are expected to fend off an acute supply deficit amid a worsening Russian supply disruption. Excluding Russia, EIA expects output from the rest of the world is set to rise by 3.1 mb/d from May through December 2022.

EIA forecasted world oil demand growth slow by 1.9 mb/d (qoq) in 2Q22 due to the stringent lockdowns in China. In 3Q22F, we expect demand will improve compared to 2Q22 due to the reopening of China. However, soaring pump prices and slowing economic growth are expected to significantly curb the demand recovery through the remainder of the year. EIA is forecasting the world oil demand to ease to nearly 0.5 mb/d (vs 2Q22) in 3Q-4Q22F.

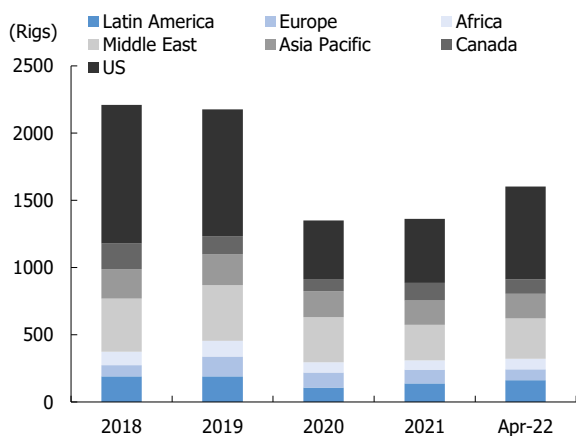
Figure 48. Crude oil supply-demand of the world



Source: Bloomberg, KISVN

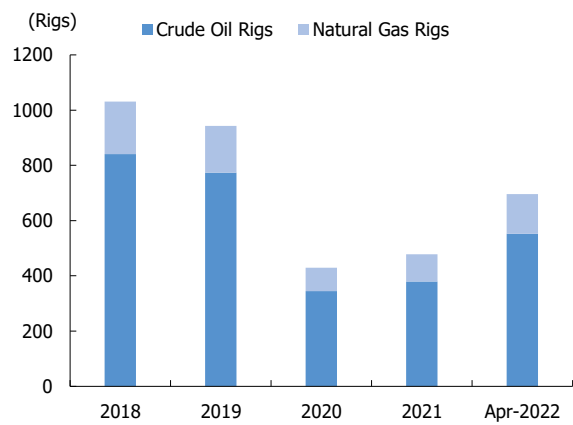
We see a continued increase in the number of actively-drilling onshore rigs in the US indicates an ongoing rise in activity. Rig counts of US recovered strongly in 2Q22, but have not yet reached their pre-COVID levels. The EIA forecasted US crude oil production reach to 12mn barrels in 2022F and 13mn barrels in 2023F, which is driven by high oil prices that encourage increased exploitation.

Figure 49. The US led in rig count growth



Source: Bloomberg, KISVN

Figure 50. The US rig count recovered in early 2022

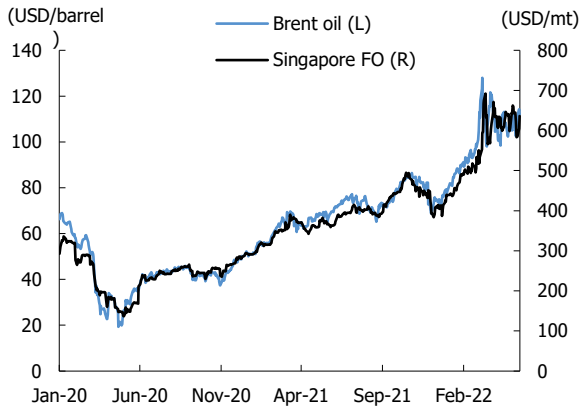


Source: Bloomberg, KISVN

GAS benefits the most from rising oil prices in 2Q22. GAS benefited directly from the higher oil prices as the majority of its product selling prices are benchmarked to Singapore FO price. Per company, for every USD5/barrel increase in Brent oil price, GAS gets an additional VND500bn in net profit. While, dry gas sales volume was flat yoy due to weak recovery in demand, in our view.

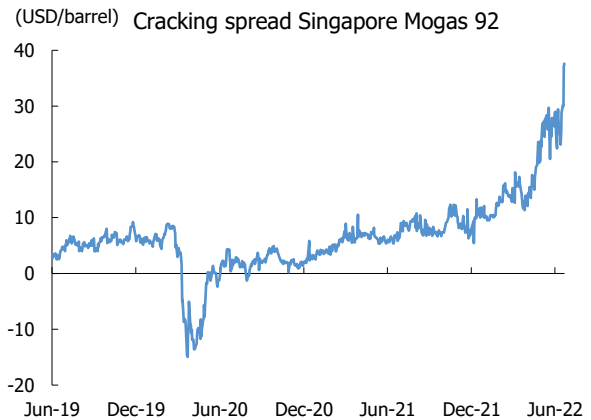
Therefore, GAS has announced its estimated business results for 1H22 with revenue of VND 54,560bn (+34% yoy) and NPAT of VND 6,919bn (+59% yoy). This is equivalent to revenue of VND27,871bn (+22.8% yoy) and NPAT of VND3,490bn (+54.3% yoy) in 2Q22. Currently, GAS is trading at 21.5x TTM PE and 4.0x PB, higher than 3-yrs median of 18x PE and 3.6x PB. However, we think this valuation is cheap with the expectation of high growth prospects.

Figure 51. The oil rocketed in early 2022



Source: Bloomberg, KISVN

Figure 52. Surging in cracking spread in Asia

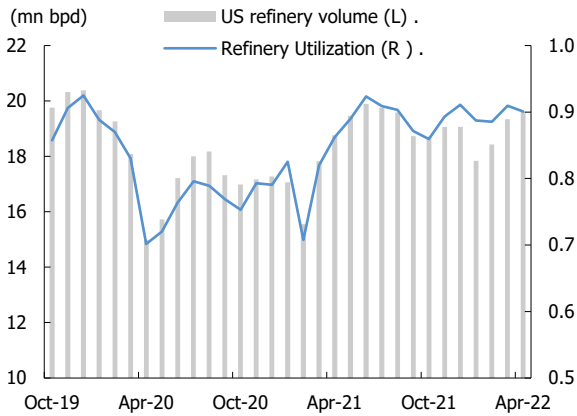


Source: Bloomberg, KISVN

Crack spreads jump boosted BSR earnings. Margins for making fuel were in the dumps due to the pandemic in 2020. However, the situation has reversed, and the strain could persist for the next quarters. While the world fuel demand has rebounded to nearly pre-pandemic levels, therefore, the combination of sanctions on Russia and export quotas in China weakens refiners' ability to meet demand. China and Russia are two of the three biggest refining countries, after the United States.

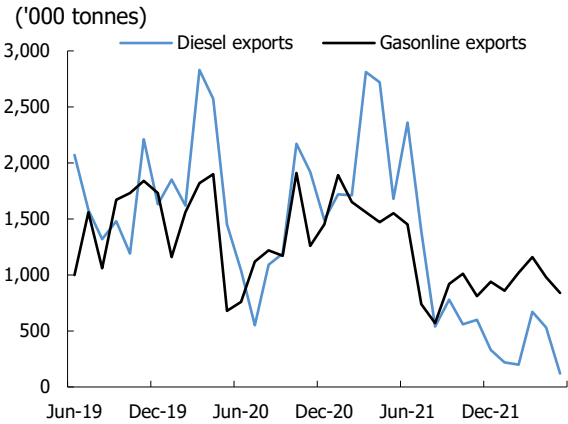
Global refinery margins have surged to extraordinarily high levels due to depleted product inventories and constrained refinery activity. The average price of Singapore RON92 gasoline continued to rise strongly in 2Q22 as demand for transportation activities recovered. Therefore, BSR posted a 5M22 estimated revenue of VND 65,840bn, NPAT of VND6,764bn. In April and May-22, the refinery achieved VND31,057bn in revenue and VND4,452bn in PNAT, far exceeding the figures recorded in the 2Q21 (VND27,860bn and VND1,696bn respectively). We estimate revenue and NPAT could reach VND46,500bn (+66% yoy) and VND 5,565bn (+3.2x yoy). Currently, BSR is trading at 11.7x TTM PE and 2.1x PB, equalizing 3-yrs median of 11.5x PE and far higher than 3-yrs median of 1.1x PB. We think this valuation is still attractive given the expectation of explosive earnings this year.

Figure 53. US refinery volume recovered



Source: Bloomberg, KISVN

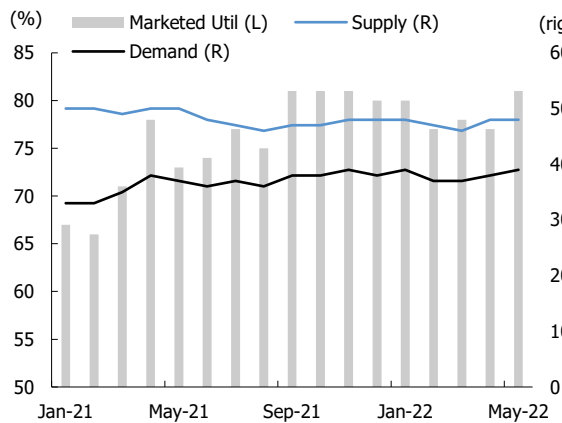
Figure 54. China diesel and gas online exports



Source: Bloomberg, KISVN

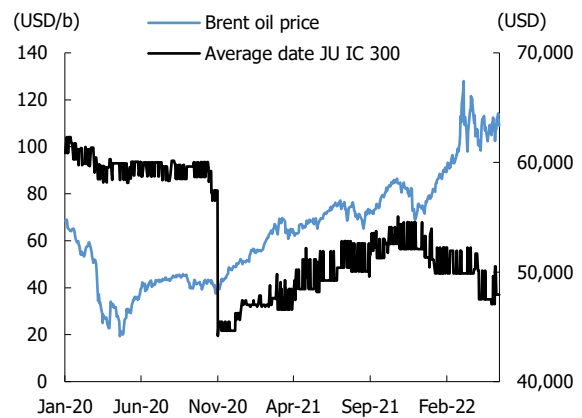
Upstream companies have not yet reaped the rewards. In Southeast Asian market, there are 38 rigs available work on a total of 49 rigs marketed supply, lifting rig utilization efficiency is up from 67% to 78% between Jan and Dec 2021. In 1Q22, the average JU (Jack-up) day and utilization rates of PVD were USD57,000 (+4.2% yoy) and 60% (vs 51% in 1Q21). Despite high oil prices, JU day rate has not yet improved significantly in 2Q22 due to a slow recovery in South East Asia rig market. However, we expect JU day and utilization rates will improve slightly in 3Q22F when the drilling programs will be put into operation.

Figure 55. Southeast Asia drilling activities



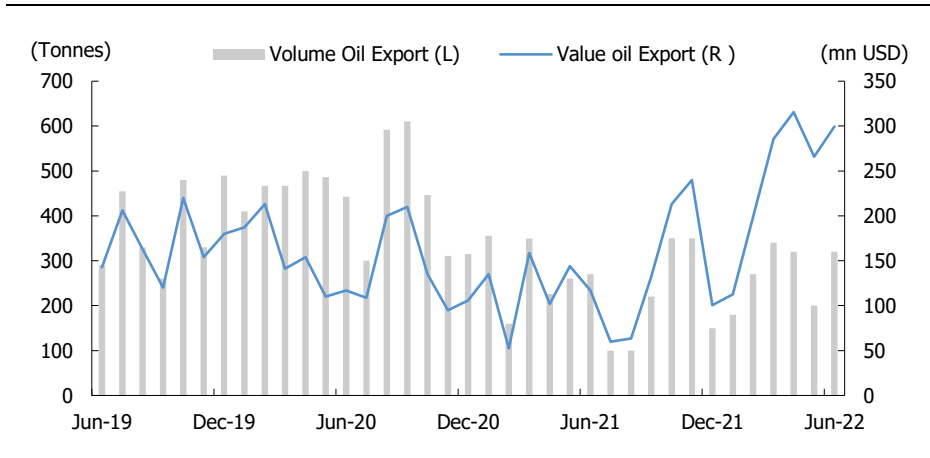
Source: IHS Markit

Figure 56. Correction oil price and Day rates of JU IC 300 WD



Source: Bloomberg

Figure 57. Vietnam oil crude export value surged in 1H22



Source: Bloomberg, KISVN

GAS & BSR will remain high earnings growth in 3Q22F. EIA stated after seven consecutive quarters of hefty inventory draws, slowing demand growth and a rise in world oil supply in 3Q22F should help world oil markets rebalance. Thus, we forecast that Brent crude oil prices will average at USD105/barrel in 3Q22F. In Vietnam, petroleum and gas consumption will continue to recover to the pre-pandemic level. The high global oil prices will lead earnings growth of GAS, we expect that GAS will remain net profit growth like the 2Q22 thanks to the high global oil prices and slight growth of demand from power plants and industrial park clients. Meanwhile, we believe that BSR earnings will grow strongly in 3Q22F thanks to sustainable refining margin expansion.

Stock prices continue to be divergent in 3Q22F. Oil & Gas stock prices were divergent in 2Q22. GAS, BSR outperformed the VN-index, following expected high earnings growth. In contrast, upstream companies such as PVD, and PVS did not outperform. We expect that Oil & Gas stock prices will continue to be divergent in 3Q22F due to different earnings growth prospects.

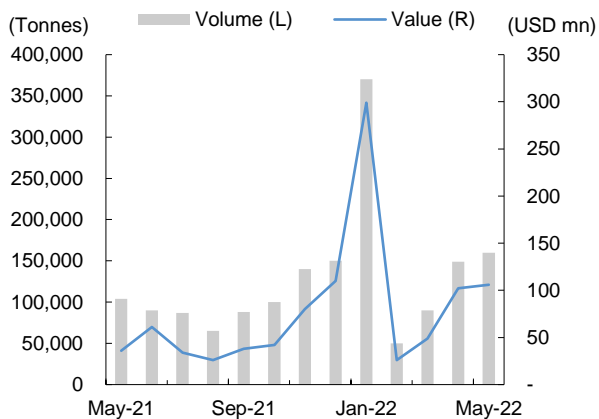
3. Fertilizer: “To face the music”

Fertilizer prices are on a downtrend. On average, urea/Kali/DAP/NPK selling prices in 2Q22 are VND16,800/VND17,700/VND26,600/VND16,700/kg, -0.4%/+10.4%/+11.5%/+7.8% qoq. However, in the domestic market, urea/DAP/NPK’s selling prices in Jun downed 6%/3%/6% compared to the May level. Fertilizer export volume in 5M22 was 788,000 tonnes (+37% yoy) with a value of USD519mn (+180% yoy). Fertilizer production strongly recovered in May with 610,800 tonnes, after a sharp drop in Feb-22.

Although the selling price and the consumption volume in 2Q22 are quite close to those in 1Q22, fertilizer producers no longer enjoy generous export revenue in 2Q22 since the FOB sharply decreased. Thus, despite the excellent growth compared to the same period last year, we forecast fertilizer industry’s business results in 2Q22 may go backward compared to 1Q22. Compared to 2Q21, urea/Kali/DAP/NPK selling price in 2Q22 soared 67%/99%/128%/72% yoy. We believe fertilizer industry could have a decrease of more than 10% qoq in revenue (but +60% yoy) in 2Q22. In 2Q22, the gas input price is estimated at

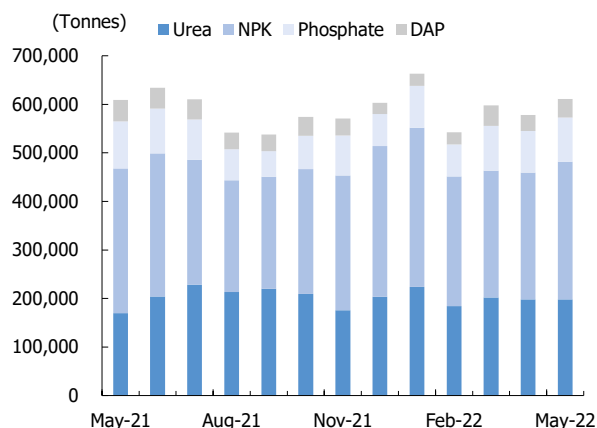
USD356/tonne (+22% qoq and +63% yoy). The gross margin of the whole sector is expected to be shrunk in 2Q22, after reaching a peak in 1Q22 with 31.7%, with amplitude reduced from 1.7%p to 3.5%p.

Figure 58. Export volume and value



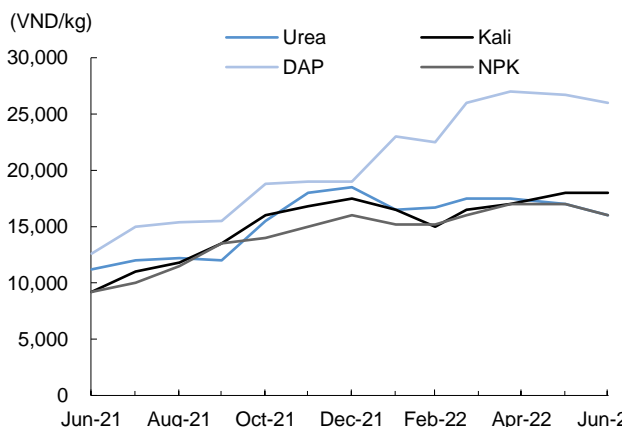
Source: GSO, KIS

Figure 59. Domestic fertilizer production



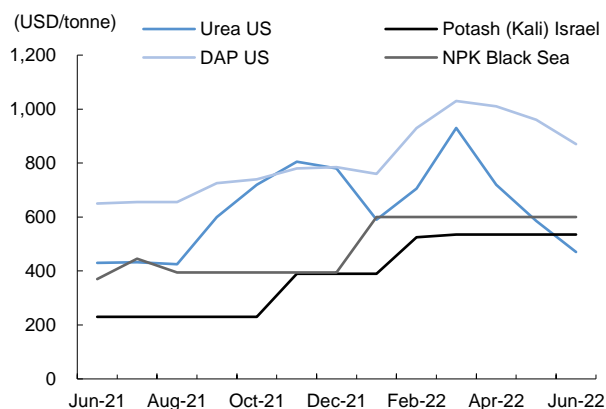
Source: GSO, KIS

Figure 60. Domestic fertilizer prices



Source: Fertilizer prices are collected from the quoted retail markets, KIS

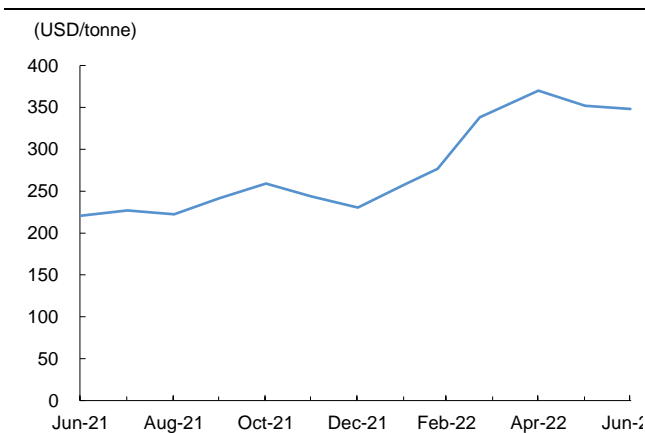
Figure 61. Global fertilizer prices



Source: Bloomberg, KIS

Observing the global market, urea/DAP in the US fell 20%/9% while Potash Israel and NPK Black Sea stand still since Mar-22. The global urea export price in Jun-22 was around USD547/tonne, equivalent to VND12.7mn/tonne, far lower than the domestic selling price of VND16.2mn/tonne. Urea selling price in Jun-22 is 9% lower since the peak in Apr-22. Fertilizer industry leaders are urea producers, such as DPM and DCM, thus the movement of urea price will have significant impact on those revenue, and then, the business results of the whole sector. We expect the downtrend of fertilizer prices could continue in 2H22F both in domestic and global markets due to 1) the abandonment of rice fields in Vietnam because of high fertilizer prices, 2) Russia has intend to shift into Asian market and 3) the comeback of “big-guy”, China.

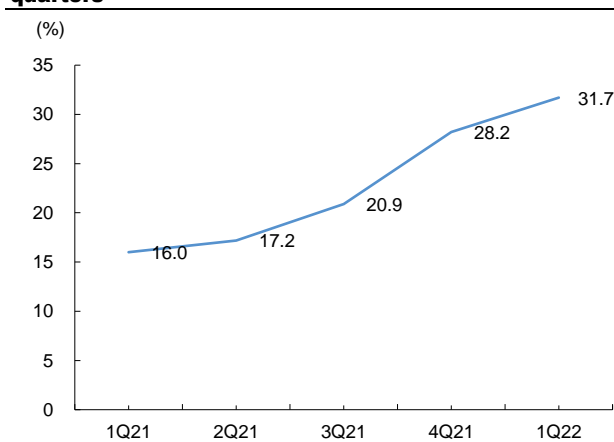
Figure 62. Gas input price



Source: MoIT, KIS

Note: The gas price is calculated based on Singapore FO price

Figure 63. Gross margin of fertilizer industry by quarters



Source: Company data, KIS

The increased in field abandonment. According to the GSO, the area of rice/corn/peanut/sweet potato in 5M22 downed 0.5%/0.3%/2.0%/10.4% yoy. For a country with a large rice crop area like Vietnam, the reduction of cultivated areas could raise a concern about national food security and export advantage. Therefore, the amount of fertilizer consumption may reduce. Moreover, under pressure from agricultural associations as well as calls from the Government, domestic fertilizer producers have to adjust pricing policy to help farmers.

The movement of Russia. In Jun-22, Russia has announced that they will continue to impose a quota on nitrogen and NPK fertilizer exports from Jul to Dec-22 to ensure supply in the domestic market. However, we believe this movement is more political than to balance domestic supply and demand. Russia is the largest nitrogen exporter thanks to abundant gas reserve. However, because of the political tension, export to this area is interrupting. Therefore, Russia intends to shift into potential customer in Asia, such as India. With the strength of low input cost and with the abundance inventory, Russia can offer a 30% lower FOB price than the average global export price of USD547/tonne in Jun.

Big-guy come back. China starts loosening the policy to allow fertilizer exports to resume when the peak season has passed. With low domestic demand and large capacity, fertilizer producers will try to boost export volume, causing fertilizer prices to drop rapidly. The price of urea export of Shandong, China offered in Jun was only USD448/tonne.

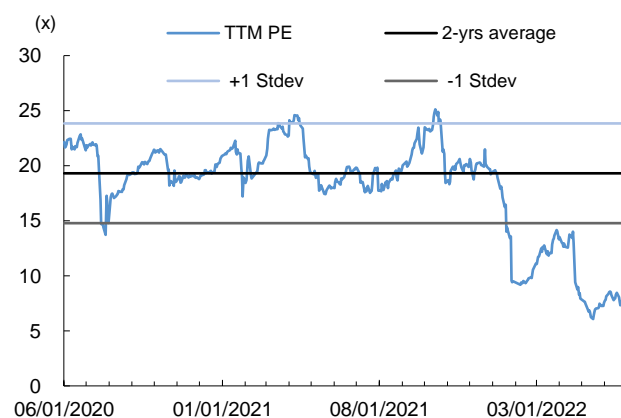
3Q22F's growth prospect. We expect average urea selling price in 3Q22 could fall 5% qoq to reach VND16,000/kg (+39% yoy). However, we expect gas input could decrease 9% qoq in 3Q22F. Therefore, this may be the chance for urea producers to improve their gross margin. Urea producers can take advantage of the off-peak period in Sep-Oct to boost the export volume. However, we believe that the FOB price will not be attractive under the fierce competition from China and Russia. In general, we expect business results of fertilizer sector in 3Q22F still have positive signal compared to 3Q21, but compared to 2Q22, it may go sideways.

Growth prospect of the leaders: As we forecasted, DPM's revenue in 2Q22 could up 72% yoy but down 13% qoq. DPM's urea sales volume would be 220,000 tonnes, falling 11% qoq and -7% yoy. Without the large contribution from export earnings, DPM's PBT could reach VND1,615bn (-37% qoq and +99% yoy) in 2Q22. For 3Q22F's results, we forecast DPM's revenue may inch 2% qoq while the PBT rises 5% qoq. DPM is trading at 4.1x TTM PE and 1.7x PB, far below 2-yrs average of 9.7x PE and 1.0x PB. We think this valuation is fair with the expectation about the company's growth prospect.

For Ca Mau Petroleum Fertilizer (DCM), we think their revenue in 2Q22 could down 17% qoq but up 43% yoy thanks to the low base in 2Q21. DCM's PBT in 2Q22 is estimated at around VND845bn (-47% qoq and +162% yoy). Currently, DCM is trading at 5.8x TTM PE and 2.1x PB, far below 2-yrs average of 12.9x PE and 2.1x PB. We think this valuation is not cheap based on the lag in business results in 2Q22.

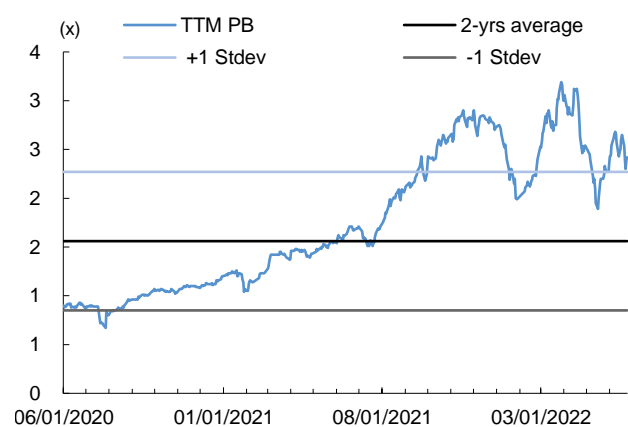
Valuation. Currently, the sector is trading at 7.7x TTM PE and 2.4x PB, far below 2-yrs average of 19.3x PE and higher than 2-yrs average 1.6x PB. We think that the valuation of the fertilizer sector is reflected by the expectation of the sector's upcoming unimpressive business results in both 2Q22 and 2H22F. However, the valuation seems still not cheap in comparison with global peer which trading at forward PE of around 3.6x to 5.7x and PB of around 2.0x.

Figure 64. PE Fertilizer industry



Source: Fiinpro, KIS

Figure 65. PB Fertilizer industry



Source: Fiinpro, KIS

4. Steel: Upcoming multiple headwinds

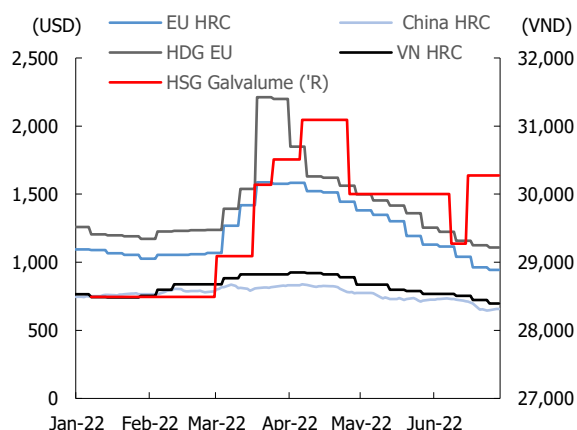
Weak demand amid high inflation. In contrast to our expectation, 2Q22 witnessed weak demand in both domestic and export markets. The VSA data showed that the total consumption volume in 2 months (April, May) dropped significantly by 14.6% yoy. We revised down significantly our sales-volume-growth forecast for 2Q22 from 4.5% yoy to -6.6% yoy. The reasons for weak demand were supposed to be (1) domestic agents hesitate to re-stock inventories in large quantities amid high prices and weak demand, (2) international buyers had sufficient inventories and wait for lower prices, (3) high-inflation concerns delayed new projects.

New EU safeguard measures. Recently, European Commission has just moved hot-dipped galvanized (HDG) imported from Vietnam under the 4A, 4B product categories, which will be subjected to the quotas. The new safeguard measures are effective from 1st July 2022 and are expected to be in place until 30 June 2024. Vietnam exporters will compete directly with other competitors: Turkey, China etc. for total 2.2mn of tonnes of metallic coated sheets. Therefore, top exporters from Vietnam will experience a hard time in EU markets regarding selling price and sales volume. However, the quota will be reset quarterly so it would minimize the impact on other competitors.

Termination of anti-dumping measures. The MOIT just announced the termination of anti-dumping measure on galvanized products imported from China and Korea. Besides, despite the excess capacity condition, companies still plan to expand the capacity in near future. Hoa Phat will kick off the construction in 3Q22 for steel pipes factories in Long An with 500,000-tonne capacity. Nam Kim expects to increase its steel sheet capacity to 1.2mn tonnes from 1.1mn tonnes in 2022 and double 2022 capacity with a total of 2.5mn tonnes in 2025. This, in our opinion, can heat up the competition between domestic players and between domestic and international steel makers in the domestic market.

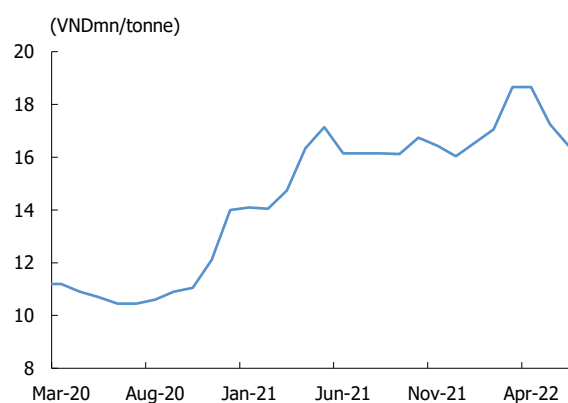
Selling prices in a downward trend. Weak demand in China caused by COVID-19 lockdown and property crisis created downward pressure on global steel prices when China mills boosted their export. In addition, the weak demand in Vietnam also fueled the significant drop in selling price. As for the construction steel, the steel bar price (HPG) has been cut 7 times since May with a total drop of 11.8% from March 2022. HRC price was also down 24.5% from April peak to USD700/tonne, which created pressure on margins of flat-steel makers. According to our data collection, coated zinc-alloy steel sheet (HSG) was down 2.6% from the peak in April.

Figure 66. Flatsteel selling price in downtrend but different impact magnitude on performance



Source: Bloomberg, KIS

Figure 67. Rebar price dropped significantly amid weak demand.



Source: HPG, VSA, KIS

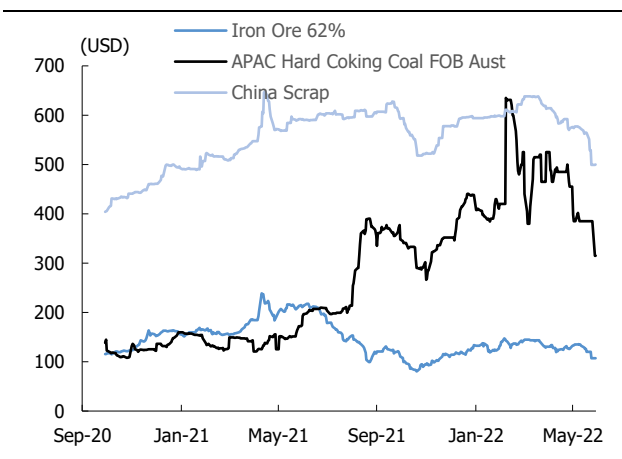
Hoa Phat (HPG) maintain HOLD rating. With the uncertainty from geopolitical tension, China's property crisis and slowdown global economic outlook, we still maintain HOLD rating on HPG. As for 2Q22, HPG's revenue is forecasted at VND35,100 (+0% yoy) and NPAT-MI is at VND5,450 (-44% yoy). The weak

demand and high input costs amid lingering high inflation caused a weaker performance than our expectation. HPG is selling its HRC product with 2-month forward contract, therefore, the weak HRC-price trend in 2Q22 will be showed on 3Q22 company's performance. The forecast model is under review.

2Q22 – Good quarter for top flat-steel exporters. As exporters export products with 2-month forward contract, the strong rally in global HRC and HDG prices during March/April will be reflected in 2Q22F performance. However, the downtrend from the April peak of HRC and coated steel prices, and weak domestic demand will be in 2Q22 performance as well, depending on the price adjustment level of each company. We still expect to see a strong performance for NKG and HSG in 2Q22, better than 1Q22's one.

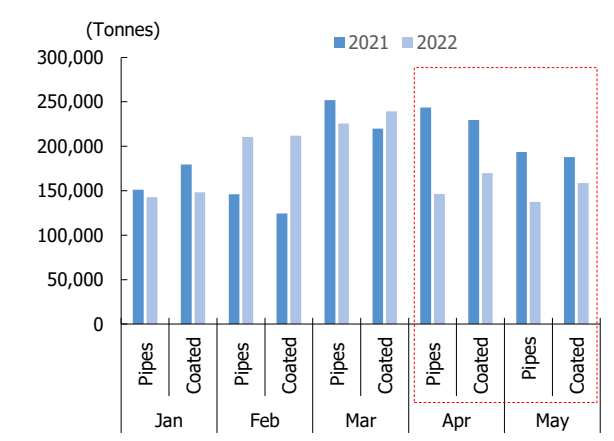
3Q22F industry performance slump. With all headwinds above and a high base in 2021, we expect to see a slump in 3Q22F performance of domestic steel mills. The combination of weak demand, low selling price, and coking coal that remain high would drag down domestic players' performance. As mentioned above, the downtrend in price in 2Q22 will be reflected later in financial performance results in 3Q22. Besides, flat-steel makers sell products in the domestic market at the spot price, therefore, the longer downtrend in HRC prices and weak domestic demand may force companies cut down ASP. This would partly offset the strong export-locked margin. China, somehow, is the main variable for Vietnam's industry performance in 3Q22 and 2H22. The reverse of steel prices thanks to construction activities resuming in China may reduce the negative impact on domestic players' performance.

Figure 68. Coking coal price still remains high



Source: Bloomberg, KIS

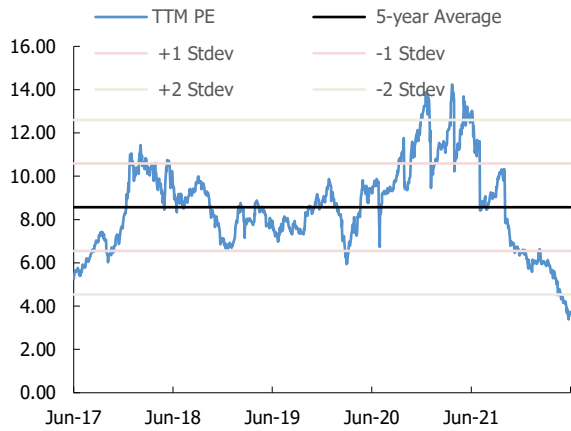
Figure 69. Domestic flat-steel demand slumped in April & May



Source: VSA, KIS

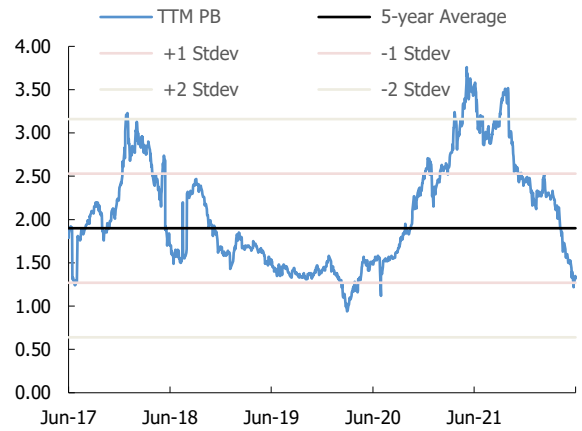
Valuation- headwinds maybe almost priced in. The recent price correction for industry's players may reflect the negative expectation of investors on the industry outlook. HPG's TTM PE is 3.66x - the lowest level in 5 years and TTM PB is 1.32x (at -2 Std level). Similarly, HSG and NKG's TTM PE and TMM PB are under average-5-year level. Under the current uncertainty and poor economic outlook contexts and depending on fundamentals of each company, we may need more signals to determine whether the prices are "cheap" enough to satisfy investors' taste in 1-year forward looking.

Figure 70. HPG TTM PE trading at 3.66



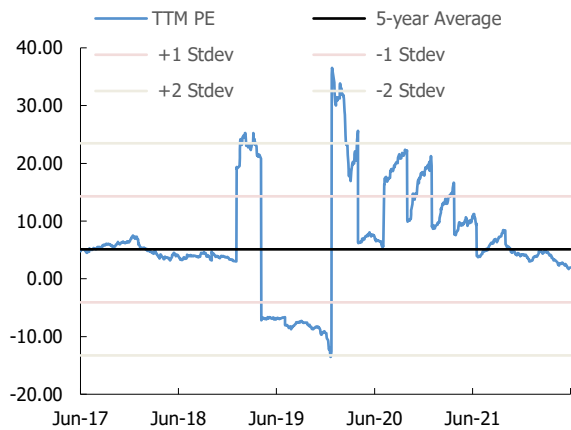
Source: Bloomberg, KIS

Figure 71. HPG TTM PB trading at 1.32



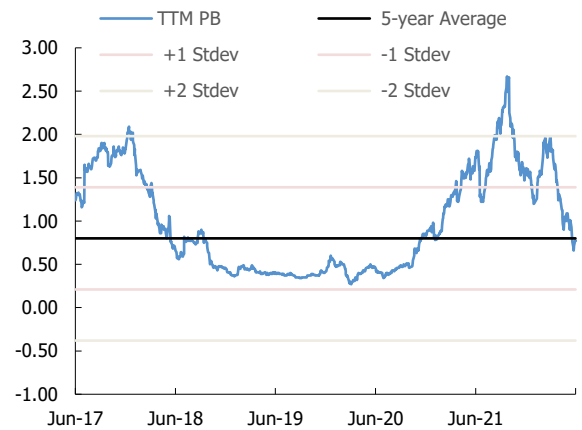
Source: Bloomberg, KIS

Figure 72. NKG TTM PE trading at 1.96



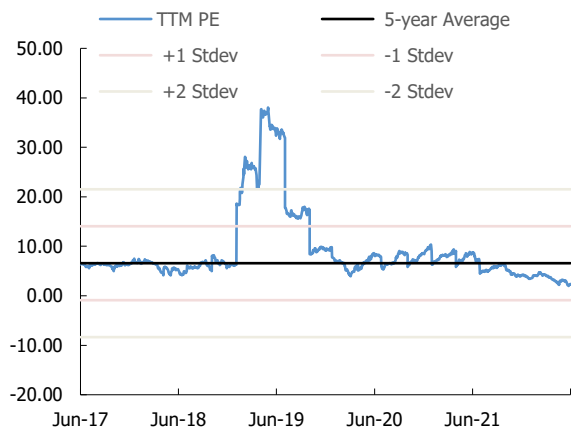
Source: Bloomberg, KIS

Figure 73. NKG TTM PB trading at 0.77



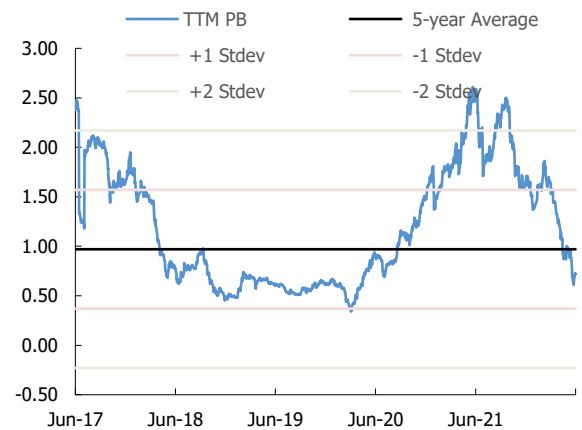
Source: Bloomberg, KIS

Figure 74. HSG TTM PE trading at 2.34



Source: Bloomberg, KIS

Figure 75. HSG TTM PB trading at 0.72



Source: Bloomberg, KIS

Appendix 1. ETFs investing in Southeast Asia markets

(USD mn)

No	Ticker	Name	AUM	Fund focus
1	2810 HK Equity	Premia Dow Jones Emerging Asea	47	ASEAN Countries
2	9810 HK Equity	Premia Dow Jones Emerging Asea	47	ASEAN Countries
3	ASEA US Equity	Global X FTSE Southeast Asia E	41	ASEAN Countries
4	ASEAN SP Equity	CIMB FTSE ASEAN 40	7	ASEAN Countries
5	3099 HK Equity	Xtrackers MSCI Indonesia Swap	90	Indonesia
6	EIDO US Equity	iShares MSCI Indonesia ETF	430	Indonesia
7	H4ZT GR Equity	HSBC MSCI INDONESIA UCITS ETF	75	Indonesia
8	IDX US Equity	VanEck Vectors Indonesia Index	48	Indonesia
9	INDO FP Equity	Lyxor MSCI Indonesia UCITS ETF	40	Indonesia
10	R/LQ45X IJ Equity	Premier ETF LQ-45	105	Indonesia
11	XIIC IJ Equity	Premier ETF Indonesia Consumer	1	Indonesia
12	XIIF IJ Equity	Premier ETF Indonesia Financia	3	Indonesia
13	XIIT IJ Equity	Premier ETF IDX30	158	Indonesia
14	XIJI IJ Equity	Premier ETF Syariah JII	1	Indonesia
15	XISC IJ Equity	Premier ETF Indonesia State-Ow	44	Indonesia
16	XISI IJ Equity	Premier ETF SMINFRA18	5	Indonesia
17	XISR IJ Equity	Premier ETF Sri Kehati	28	Indonesia
18	XMID LN Equity	Xtrackers MSCI Indonesia Swap	99	Indonesia
19	XPDV IJ Equity	Pinnacle CORE High Dividend ET	1	Indonesia
20	XPLC IJ Equity	Pinnacle Indonesia Large-Cap E	1	Indonesia
21	XPLQ IJ Equity	Pinnacle Enhanced Liquid ETF	3	Indonesia
22	1560 JP Equity	NEXT FUNDS FTSE Bursa Malaysia	4	Malaysia
23	3082 HK Equity	Xtrackers MSCI Malaysia UCITS	41	Malaysia
24	EWM US Equity	iShares MSCI Malaysia ETF	230	Malaysia
25	FBM30 MK Equity	FTSE BURSA MALAYSIA KLCI ETF F	1	Malaysia
26	H4ZV GR Equity	HSBC MSCI MALAYSIA UCITS ETF	5	Malaysia
27	MAL FP Equity	Lyxor MSCI Malaysia UCITS ETF	15	Malaysia
28	XCS3 GR Equity	Xtrackers MSCI Malaysia UCITS	25	Malaysia
29	3016 HK Equity	Xtrackers MSCI Philippines UCI	29	Philippines
30	EPHE US Equity	iShares MSCI Philippines ETF	92	Philippines
31	FMETF PM Equity	First Metro Philippine Equity	45	Philippines
32	XPQP GR Equity	Xtrackers MSCI Philippines UCI	37	Philippines
33	3065 HK Equity	Xtrackers MSCI Singapore UCITS	50	Singapore
34	316300 KS Equity	KIM KINDEX Singapore REITs ETF	7	Singapore
35	342140 KS Equity	KIM KINDEX Morningstar Singapo	4	Singapore
36	DBSSTI SP Equity	Nikko AM Singapore STI ETF	26	Singapore
37	EWS US Equity	iShares MSCI Singapore ETF	536	Singapore
38	SINGINC SP Equity	Phillip SING Income ETF	45	Singapore
39	SREITS SP Equity	Lion-Phillip S-REIT ETF	207	Singapore
40	STTF SP Equity	SPDR Straits Times Index ETF	1,092	Singapore
41	XBAS GR Equity	Xtrackers MSCI Singapore UCITS	39	Singapore
42	1559 JP Equity	NEXT FUNDS Thai Equity SET50 E	5	Thailand
43	1DIV TB Equity	ThaiDEX SET High Dividend ETF	4	Thailand
44	3092 HK Equity	Xtrackers MSCI Thailand UCITS	74	Thailand
45	BMSCG TB Equity	BCAP Mid Small CG ETF	9	Thailand
46	BSET100 TB Equity	BCAP SET100 ETF	33	Thailand
47	BMSCITH TB Equity	BCAP MSCI Thailand ETF	29	Thailand
48	EBANK TB Equity	KTAM SET Banking ETF Tracker	2	Thailand
49	ECOMM TB Equity	KTAM SET Commerce ETF Tracker	1	Thailand

50 EFOOD TB Equity	KTAM SET Food and Beverage ETF	0	Thailand
51 EICT TB Equity	KTAM SET ICT ETF Tracker	0	Thailand
52 ENGY TB Equity	MTrack Energy ETF	2	Thailand
53 ENY TB Equity	KTAM SET Energy ETF Tracker	2	Thailand
54 ESET50 TB Equity	KTAM SET50 ETF Tracker	0	Thailand
55 TDEX TB Equity	ThaiDEX SET50 ETF	100	Thailand
56 TH100 TB Equity	ThaiDEX SET100 ETF	0	Thailand
57 THA FP Equity	Lyxor MSCI Thailand UCITS ETF	17	Thailand
58 THD US Equity	iShares MSCI Thailand ETF	329	Thailand
59 XCS4 GR Equity	Xtrackers MSCI Thailand UCITS	80	Thailand
60 2804 HK Equity	Premia MSCI Vietnam ETF	22	Vietnam
61 E1VFN30 VN Equity	VFMVN30 ETF Fund	331	Vietnam
62 FUESSV50 VN Equity	SSIAM VNX50 ETF	14	Vietnam
63 VNM US Equity	VanEck Vectors Vietnam ETF	378	Vietnam
64 XFVT GR Equity	Xtrackers FTSE Vietnam Swap UC	282	Vietnam
65 FUESSVFL VN Equity	SSIAM VNFN LEAD ETF	114	Vietnam
66 FUEVFNND VN Equity	VFMVN DIAMOND ETF	819	Vietnam
67 FUEVN100 VN Equity	VINACAPITAL VN100 ETF	9	Vietnam
68 FUESSV30 VN Equity	SSIAM VN30 ETF	4	Vietnam
69 FUEMAV30 VN Equity	MAFM VN30 ETF	29	Vietnam
70 00885 TT Equity	FUBON FTSE VIETNAM ETF	546	Vietnam
71 FUEKIV30 VN EQUITY	KIM GROWTH VN30 ETF	5	Vietnam

Source: Bloomberg, KIS

Appendix 2. Movement of VNIndex's price and volume

Name	Type	Total AUM (USDmn)	NAV/share (USD)	Price (USD)	% 1W chg	% Premium	Net Fund Flow (USDmn)			
							1W	1M	6M	1Y
X FTSE VIETNAM SWAP	Swap ETF	282.2	33.8	33.5	1.0	(0.7)	0.0	0.0	(19.8)	(90.3)
VFMVN30 ETF FUND	ETF	331.4	0.9	0.9	2.5	1.1	(2.6)	(8.2)	(46.7)	(18.5)
VANECK VIETNAM ETF	ETF	377.7	14.6	14.5	(2.1)	(0.7)	0.0	(2.3)	(31.3)	(26.9)
SSIAM VNX50 ETF	ETF	13.7	0.8	0.8	8.5	(2.8)	0.0	0.0	0.0	0.0
PREMIA MSCI VIETNAM	ETF	22.2	9.8	9.9	1.1	1.4	0.0	0.0	(0.5)	0.9
SSIAM VNFN LEAD	ETF	114	0.7	0.7	2.0	0.4	0.6	0.8	8.9	31.6
VFMVN DIAMOND ETF	ETF	819	1.2	1.2	0.7	(2.0)	2.8	25.6	219.0	189.7
VINACAPITAL VN100 ETF	ETF	8.8	0.7	0.7	1.4	0.9	0.0	0.3	2.4	3.6
SSIAM VN30 ETF	ETF	3.6	0.7	0.7	(0.5)	(4.1)	0.0	0.0	(0.6)	(1.4)
MAFM VN30 ETF	ETF	29	0.7	0.6	1.4	(6.3)	0.0	0.0	(7.3)	(4.1)
FUBON FTSE VIETNAM ETF	ETF	546.0	0.5	0.5	(0.7)	(0.7)	2.8	46.3	224.3	262.1
KIM GROWTH VN30 ETF	ETF	5	0.4	0.3	0.1	(1.8)	1.4	1.4	3.2	3.2

Source: Bloomberg, KIS

Appendix 3. Macro scorecard

	22-Feb	22-Mar	22-Apr	22-May	22-Jun	3Q21	4Q21	1Q22	2Q22	2018	2019	2020	2021
Real GDP growth (%)						-6.02	5.22	5.03	7.72	7.08	7.03	2.91	2.58
Registered FDI (USD bn)	2.1	2.89	3.91	0.98	2.32	6.88	9.01	8.91	5.12	35.47	38.02	28.53	31.15
GDP per capita (USD)										3,202	3,398	3,521	3,725
Unemployment rate (%)										2.21	2.25	2.48	3.22
Export (USD bn)	22,947	34,061	33,258	30,480	32,650	82.12	95.26	86.01	96.83	243.5	263.6	282.7	335.7
Import (USD bn)	25,279	32,672	32,189	32,210	32,370	83.12	88.72	87.45	97.58	236.7	254.4	263	331.1
Export growth (%)	13.22	14.84	24.98	16.38	19.98	2.99	20.43	13.43	21.02	13.19	8.16	7.02	18.74
Import growth (%)	21.86	14.64	15.45	12.85	16.32	18.85	15.42	15.17	15.72	11.01	7.41	3.81	25.9
Inflation (%)	1.42	2.41	2.64	2.86	3.37	2.51	1.89	1.92	2.96	3.54	2.79	3.24	1.84
USD/VND	22,820	22,837	22,968	23,195	23,254	22,761	22,790	22,837	23,139	23,175	23,173	23,126	22,790
Credit growth (%)	1.94	4.13	6.37	7.62	8.51	7.88	12.97	4.13	8.51	10.77	13.75	12.17	12.97
10Y gov't bond (%)	2.34	2.46	3.11	3.25	3.38	2.14	2.11	2.40	3.24	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF

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