

Strategic Insight

Reversing the Tide

Inception of uptrend

The stock market showed growth as the VNIndex quickly surpassed the 1,080-pts threshold in early June, driven by increased demand for small-cap stocks. This period of growth was largely influenced by the State Bank of Vietnam's reduction in the Regulatory Interest Rate. Additionally, liquidity reached its highest level since the beginning of the year, with significant increases in trading volume and value compared to previous months.

Net sell of foreigners

Foreign selling pressure is still active, and outflow remains, but there is a sign of the comeback of demand. In May 2023, foreign trading activity continued to decrease in terms of trading volume. Most importantly, demand kept diminishing, hitting the 5-month low while supply remained near the previous month's level, pushing the market to end up being net sold. With the flow of ETFs, Vietnam experienced two consecutive months of being divested, but foreign interest shows signs of improvement.

A Path to a Better Future

Despite an economic slowdown, Vietnam's economy is showing gradual recovery thanks to (1) Improvement of FDI and (2) Expansion of retail sales. FDI recover since Apr, indicating a recovery of inflows as global businesses expand production capacities. Retail sales have also seen growth, with a significant contribution from Chinese arrivals since the reopening of tourism. While domestic spending is driven by tourism revenue, it is expected that future growth will be led by foreign expenditure. These positive trends suggest a promising outlook for Vietnam's economic recovery.

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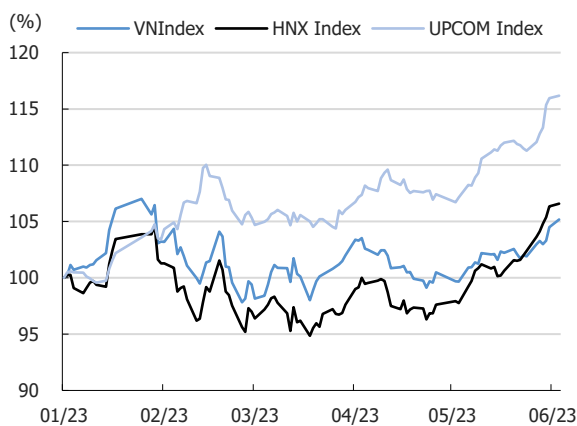
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I. Inception of uptrend

1. Bullish market

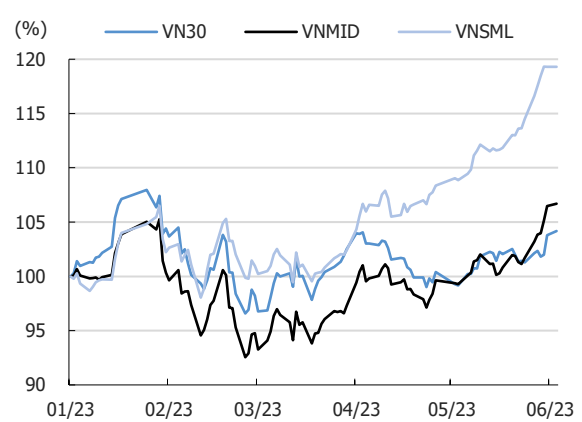
Cross the threshold of 1,080 pts. After the slowdown in Apr, the stock market's stable growth along with the VNIndex approached the threshold of 1,080 in May. Later, this index quickly crossed the above threshold in the beginning sessions of Jun. In which, demand concentrated on Small-cap stocks and helped the VNSML Index increase by 10.11%. The driving force for the gain in this period mainly came from cutting the Regulatory Interest Rate of SBV in May.

Figure 1. Vietnam indexes performance



Source: Fiinpro, KIS
Note: start of 01/23 = 100

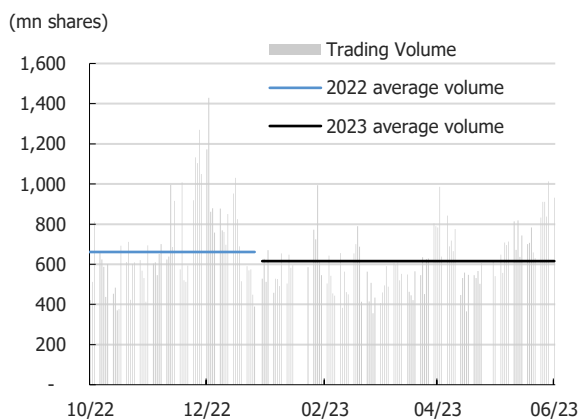
Figure 2. Growth of key indexes of HOSE



Source: Fiinpro, KIS
Note: start of 01/23 = 100

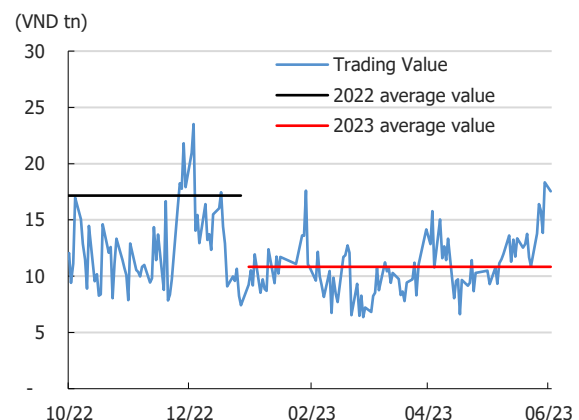
High liquidity. Liquidity increased strongly in May and recorded the highest level since the beginning of the year. Accordingly, the trading volume was 715 million shares/ VND12,275bn per session in May, up 23%/ 26% respectively compared to Apr, and up 37%/ 19% respectively compared to over the same period. The main driving force of the uptrend mainly came from the uptrend of Vietnam stock market.

Figure 3. Trading volume in 2023



Source: Fiinpro, KIS

Figure 4. Trading value in 2023

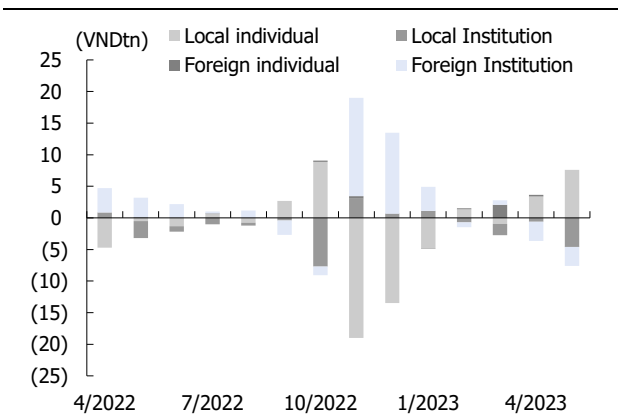


Source: Fiinpro, KIS

2. Local individual leads market

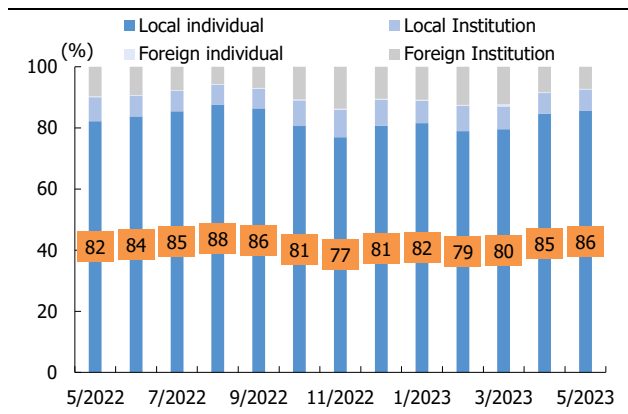
Domestic trading activity ticks up. In May 2023, the total domestic trading value was improved. Particularly, domestic trading activity has followed the upward trend, reaching the 5-month high in May 2023 with a total net trading volume was 340 million shares, 2 times higher than the previous month and doubling the 3-month average. Notably, within May 2023, the local individual continued to be net bought with the 7-month high net buy value (7.6VNDtn). Besides, foreign institutions' trading also increased, up 67% MoM and 70% higher than the 3-month average. However, this group kept ending up being net sold for 2 consecutive months. On the other side, the foreign individuals continued to be not significant.

Figure 5. Trading activity by investor group



Source: Fiinpro, KIS

Figure 6. Proportion by investor group



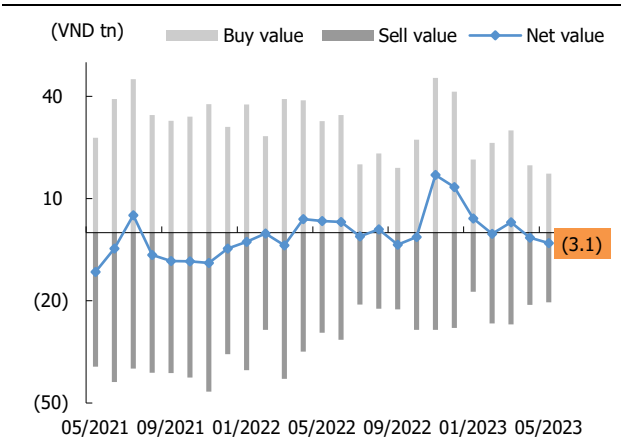
Source: Fiinpro, KIS

II. Net sell of foreigners

Foreign demand keeps diminishing. In May 2023, foreign trading activity continued to decrease in terms of trading volume. Most importantly, demand kept diminishing, hitting the 5-month low whilst supply remained near the previous month's level, pushing the market to end up being net sold (VND3.1tn), an 8-month high. Compared to the demand peak of Nov 2022 and Dec 2022, foreign demand has started to follow a downward trend. From Jan 2023, foreign demand has experienced a downward trend whilst supply remained around 6-month average which means demand has started to be faded by the strong supply.

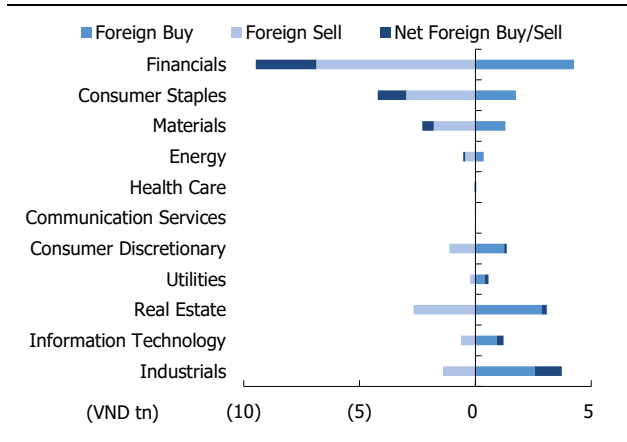
There is a clear downward trend in foreign demand in the first 5 months of 2023. Particularly, in 2022, net sell value peaked in Sep 2022 and net buy value has started to drop after forming the peak in Nov 2022. Besides, from Nov 2022 to May 2023, demand has started to drop, experiencing a downward trend, down nearly 200% in this period whilst foreign supply remained near the 6-month average.

Figure 7. Net foreign buy/sell by monthly



Source: KIS, Fiipro

Figure 8. Net foreign buy/sell by sector

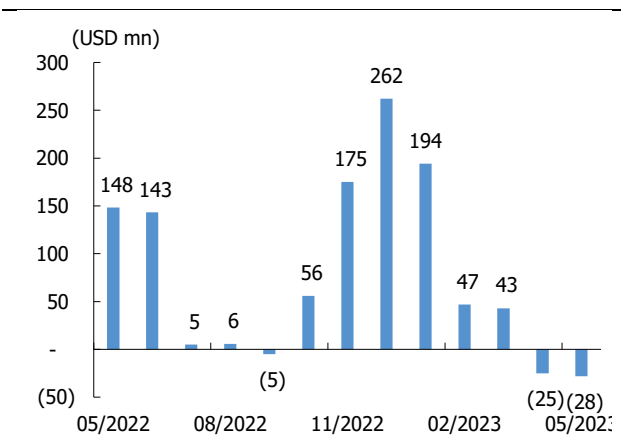


Source: KIS, Fiipro

Outflow is active for two consecutive months, and selling pressure remains at a normal level. Among SEA, Vietnam, Thailand, and Indonesia were divested the most, with outflow recorded at USD28mn, USD16mn, and USD6mn respectively. Demand has come back to Singapore (USD7mn), partially covering the strong outflow across SEA.

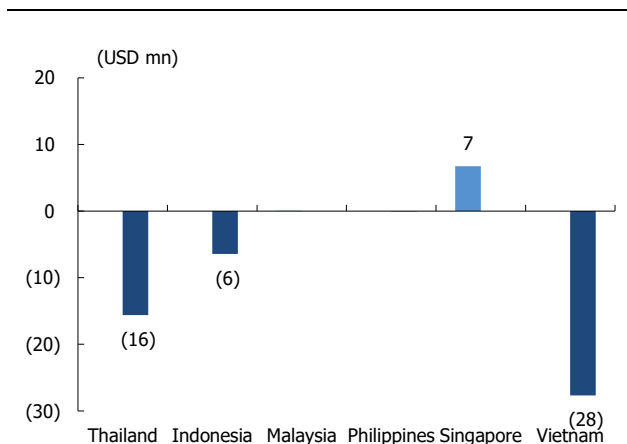
Within May 2023, Vietnam kept being divested, net outflow was USD28mn, a yearly high, marking the second month of being divested. Similar to the trend in foreign demand, inflow across Vietnam has started to drop after forming the peak in Dec 2022. Particularly, inflow in Feb and Mar 2023 downed more than 400% compared to Jan 2023 and 5 times lower than the inflow peak in Dec 2022. Besides, the outflow was active for 2 consecutive months. However, the outflow pressure has shown no sign of aggression in the previous 2 months.

Figure 9. Vietnam ETF net flow



Source: Bloomberg, KIS

Figure 10. The flow of money across SEA countries

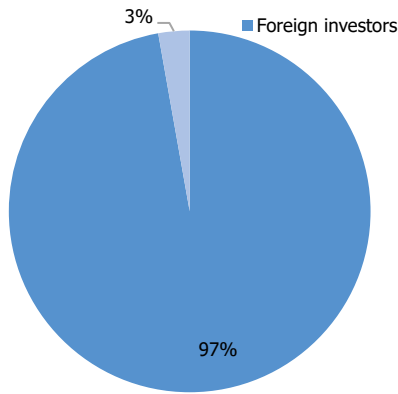


Source: Bloomberg, KIS

Divestment across major ETFs but demand is kept in others. Breaking down by ETFs, in May 2023, major ETFs which attracted significant inflow as well as driving the strong inflow across Vietnam in the previous 6 months have continued to be divested. Within May 2023, outflow focused on domestic ETFs such as VFMVN Diamond (USD19.7mn) and VFMVN30 ETF (USD14.2mn). Unlike Apr 2023, demand was kept as well as spread to other major ETFs such

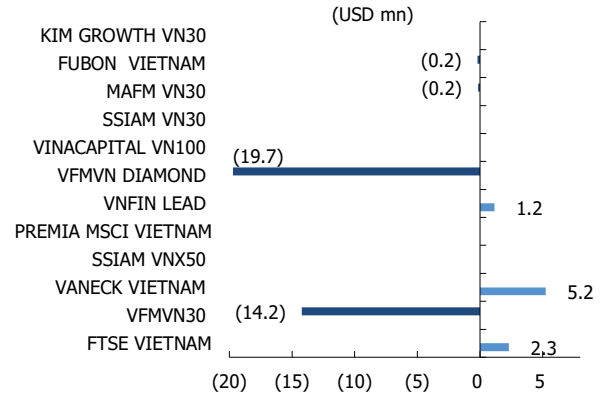
as VNFIN Lead (USD1.2mn), VanEck Vietnam (USD5.2mn), and FTSE Vietnam (USD2.3mn). Nevertheless, interest across Fubon Vietnam also dropped with no significant inflow/outflow activity.

Figure 11. Ownership across Vietnam major ETFs



Source: Bloomberg, KIS

Figure 12. Money flow across Vietnam major ETFs



Source: Bloomberg, KIS

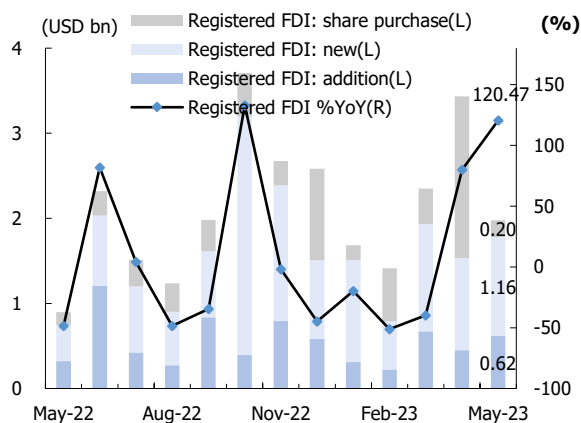
III. Upward breakout

1. A Path to a Better Future

Although Vietnam's economic conditions show a slowdown. However, it is possible that the economy has gradually recovered.

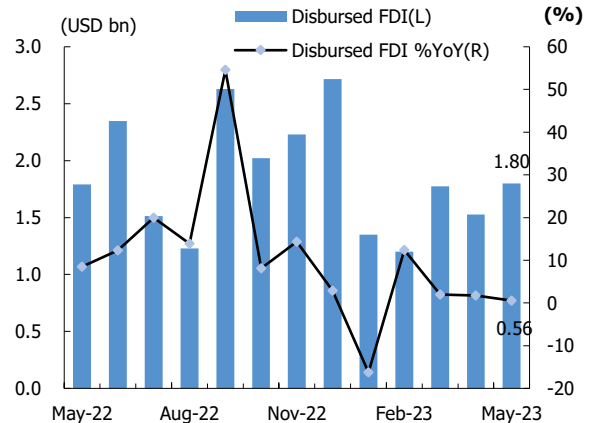
The dynamics from FDI improvement. In May, FDI disbursement, as reported by the Ministry of Planning and Investment, increased by 17.96% MoM and 0.56% YoY. However, FDI registrations experienced a significant 42.36% monthly decline, contrasting with a remarkable 120.47% year-on-year increase. The total registration value from foreign investors in May reached USD1.98bn, including USD1.16bn in new investments, USD0.62bn in additional investments, and USD0.20bn in share purchases.

Figure 13. Monthly registered FDI



Source: GSO, KIS

Figure 14. Monthly disbursed FDI



Source: GSO, KIS

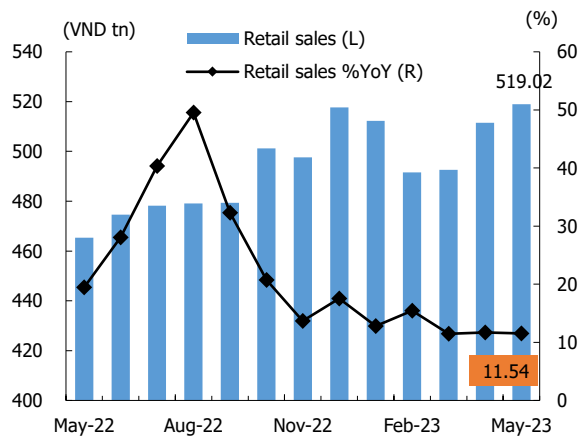
These figures indicate a recovery in FDI inflows, suggesting that global companies have sought to expand their production capacities to meet the

economic recovery demands following the anticipated cessation of interest rate hikes by the Fed in the near future.

Increase retail sales thanks to Chinese arrivals. Despite the economic slowdown, retail sales in 5M23 continued to surpass the previous year's performance, increasing by 12.60% YoY. The reopening of Chinese tourism in mid-April had a significant impact, as Chinese arrivals surged by 31.14% MoM, while arrivals from other nationalities experienced a slight decline of 6.90%. Notably, the share of Chinese arrivals has been steadily recovering since China lifted its zero-COVID policy, reaching 17.98% and steadily approaching the pre-pandemic level of 30%.

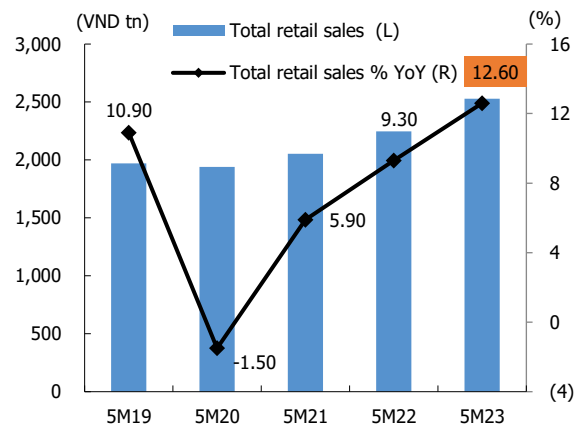
In terms of tourism revenue structure, international visitors played a crucial role, accounting for 60% of total spending during the pre-pandemic period. However, domestic spending has become the primary contributor since the normalization process. Looking ahead, we anticipate that future growth in tourism revenue will be mainly driven by foreign spending, gradually reclaiming its dominant position.

Figure 15. Monthly retail sales



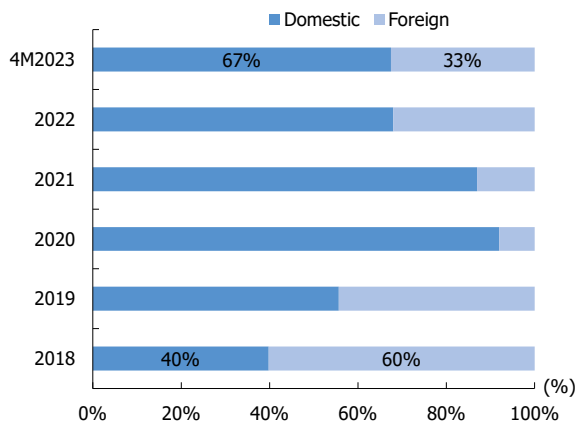
Source: GSO, KIS

Figure 16. First five months' performance



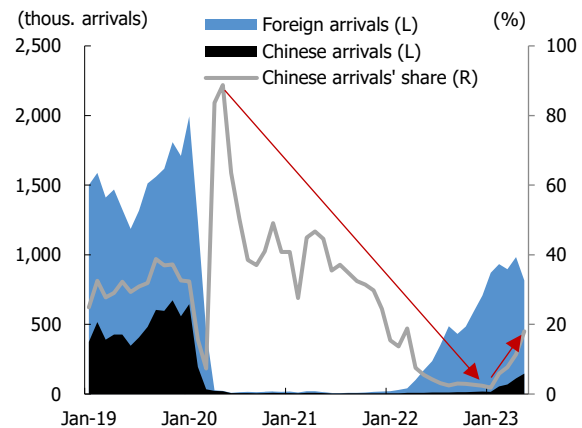
Source: GSO, KIS

Figure 17. Tourism spending structure by sources



Source: VNAT, UNWTO, GSO, KIS

Figure 18. Foreign arrivals: Chinese vs All

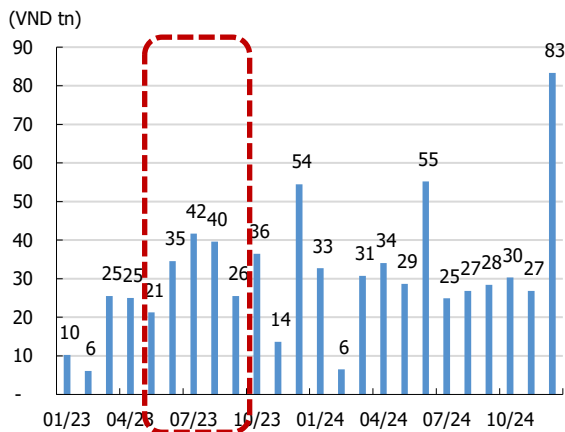


Source: MOIT, GSO, KIS

Pressure of the corporate bond market. The corporate bond market is anticipated to exert significant pressure on the financial system in the coming period. Despite a modest improvement in market liquidity for corporate bonds in March 2023, the issuance volume remains low, while a substantial number of corporate bonds are set to mature from June to August, amplifying the challenge. Specifically, bond maturities are expected to reach VND35tn in June, VND42tn in July, and VND40tn in August. Given the limited liquidity observed after March, companies are finding it difficult to secure sufficient funds to meet their bond maturities.

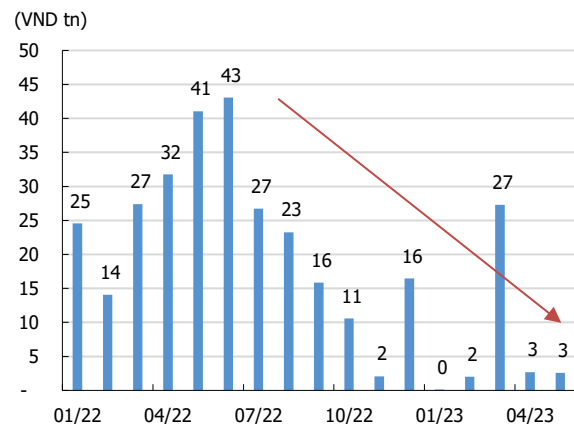
Among various industries, the Real Estate sector will face the most pronounced financial strain due to its highest bond maturity value. The Real Estate industry alone accounts for approximately VND109tn in bond maturities during the last seven months of the year, constituting 44.4% of the total bond maturity amount.

Figure 19. Bond value to maturity by month



Source: VBMA, KIS

Figure 20. Value of corporate bonds issued



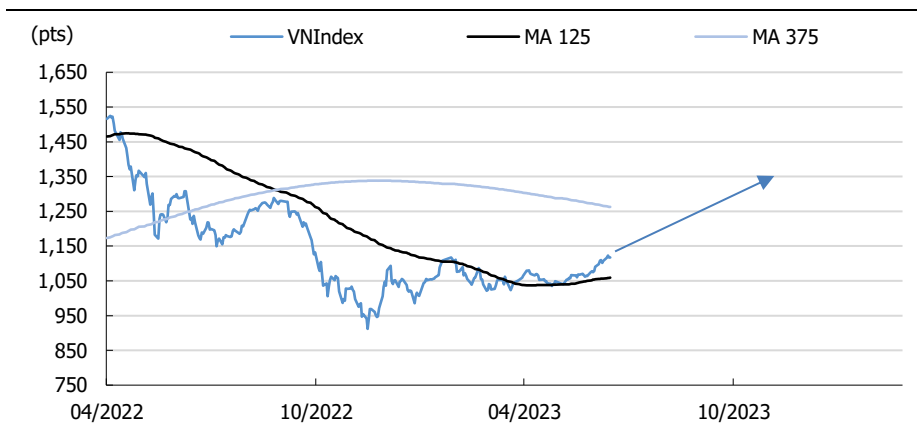
Source: VBMA, KIS

2. A big bull?

Breakout after consolidation phase. The VNIndex has moved in the tight range of 1,020 and 1,080 pts since Jan, showing the consolidation phase or rectangle pattern. Hence, the index's next breakout or breakdown defines the next trend. Accordingly, the breakout appeared in June as the index closes above 1,080 pts and 1,100 pts. That implies a bullish market. Based on the breakout of the rectangle pattern, the short-term target is between 1,140-1,160 pts. The high liquidity since May is the confirmation signal.

Wait for the confirmation of the large triangle pattern. The triangle pattern forms from Nov 2022 to June 2023 with an upper bound of 1,100-1,120 pts. This is a neutral pattern and the trend is determined by the breakout point of the pattern. If the VNIndex closes above the 1,120-pts, the pattern will confirm the target price of 1,300-1,350 pts. With the signal from the accumulation phase above, this pattern will likely be established soon.

Figure 21. Forecast of VNIndex



Source: KIS

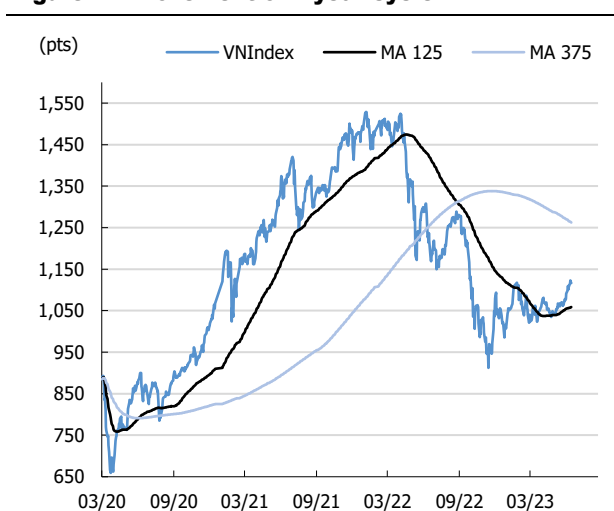
Eighth 3-year cycle? The seventh 3-year cycle of the VNIndex has two scenarios: (1) a bullish scenario and (2) a bearish scenario (see previous reports). Accordingly, with the bullish scenario, we forecast the bottom of the seventh 3-year cycle formed in Nov 2022. Hence, a strong uptrend will appear in 2H23. On the other hand, the bottom of the seventh 3-year cycle has yet to be established for the bearish scenario. We expect this bottom to materialize between May 2023 and Sep 2023 based on the previous 1-year bottom that occurred in July 2022 with a target price range of 780-910 pts for the next 1-year cycle's bottom (further details can be found in the Jan month's strategy report). Based on current conditions, the bullish scenario may be confirmed.

Table 1. Bottom and duration of 1-year cycle

No. of 3-year cycle	No. of 1-year cycle	Start bottom	End bottom	Duration (Months)
V	13	12/17/2014	01/21/2016	13
	14	01/21/2016	12/06/2016	10
	15	12/06/2016	07/11/2018	19
VI	16	07/11/2018	01/03/2019	5
	17	01/03/2019	03/24/2020	14
	18	03/24/2020	07/19/2021	15
VII	19	07/19/2021	07/06/2022	11
	20	07/06/2022	05-09/2023*	10-14*

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

Figure 22. Movement of 1-year cycle



Source: KIS

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