

Macro Indicators

Quarterly data	4Q19	3Q19	2Q19
GDP growth (% YoY)	6.97	7.31	7.31
Disbursed FDI (USDbn)	6.16	5.12	4.98
Monthly data	Jan	Dec	Nov
CPI (% YoY)	6.43	5.23	3.52
IIP (% YoY)	-5.51	6.20	5.41
Export (% YoY)	-13.9*	10.15	4.66
Import (% YoY)	-10.2*	10.98	-0.87

Source:GSO, Nikkei, IHS Markit, Bloomberg, FIA.

* GSO estimate.

VNIndex vs World Indices

	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20
S&P500	Blue					
NIKKEI	Blue					
KOSPI	Blue					Blue
CSI300	Blue	Blue				
MSCI EM	Blue					Blue

Sector vs VNIndex

	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20
CD	Blue	Blue			Blue	Blue
CS		Blue				
ENE		Blue				
HC	Blue	Blue		Blue	Blue	Blue
FIN	Blue	Blue	Blue			
IND			Blue	Blue		
IT	Blue	Blue			Blue	
MAT				Blue		Blue
RE	Blue					Blue
UTI				Blue		

Note: Blue – Outperform, White - Underperform

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High Volatility Generates Trading Opportunities

Phase 1 of the U.S. – China trade deal starts 2020 promisingly. Bloomberg estimates that the deal will modestly boost global GDP growth by 0.3%, China by 0.2% and the U.S. by 0.1%. In the context of global higher economic growth, Vietnam will be one of the most beneficiaries thanks to its highly opening economy. ([Page 2](#))

But coronavirus epidemic soon covers all newspaper front pages. Panic has spread across financial markets because of concerns about economic damage from travel ban and consumer confidence. In Vietnam, traders who had avoided inactive market exposure during the long 7-day Tet were right as this deadly virus caused 3.22% sell-off in the first trading day of the year of the Mouse. ([Page 2](#))

And investors almost ignore remarkable 4Q corporate earnings. Until now, 298 companies accounting for 97% of total market has released theirs 4Q2019 earnings, posting a 24% YoY growth in the past quarter. As usual, Financials and Real Estate contributed the bulk to the growth. However, if excluding Vingroup family VIC, VHM and VRE, the growth is reduced by a half. ([Page 3](#))

2019-nCoV boosts Healthcare. Healthcare and Financials were the only two advancing sectors last month. While the coronavirus outbreak boost Healthcare by 6.0% MoM, outstanding 4Q19 earnings of BID and CTG helped Financials sector post the second winning month with 2.0% MoM increase. ([Page 4](#))

February strategy: Short-term overreaction signals long-term buying points. For listed companies, the short-term overreaction has given good long-term opportunities in many sectors like Real Estate, Building Materials, IT and Consumer Staples and swing trades in Healthcare. In the meantime, Aviation and Seafood stocks will continue suffer high selling pressure.

Although the novel coronavirus will continue to haunt Vietnam stock markets in February, we expect the market will soon calm down if the epidemic peaks by the middle of this month. High volatility is also generating many trading opportunities. As the VNIndex has penetrated below 3xstandard deviation PER band, we expect a mean reverting movement in the coming weeks. ([Page 4](#))

1. JANUARY REVIEW

1.1. Phase 1 of the U.S. – China trade deal starts 2020 promisingly

Ignoring the skirmish between Washington and Tehran in the early days of January, new year 2020 started with the official phase 1 of the U.S. – China trade deal, which will give not only a pulse to the global economic growth but also an opportunity for the phase 2 talk. As expected, the phase 1 consists of 7 chapters, addressing conflicts related to intellectual property, technology transfer, agriculture, financial services, currency, expanding trade and dispute resolution.

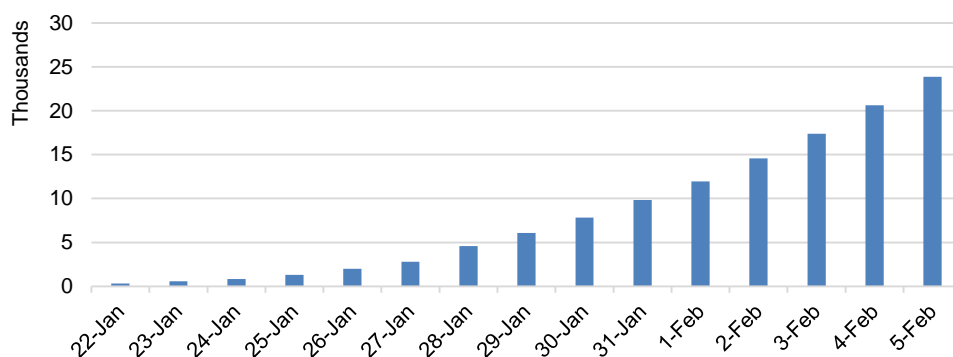
Bloomberg estimates that the deal will modestly boost global GDP growth by 0.3%, China by 0.2% and the U.S. by 0.1%. In the context of global higher economic growth, Vietnam will be one of the most beneficiaries thanks to its highly opening economy.

1.2. But coronavirus epidemic soon covers all newspaper front pages

The virus appeared in China last December but its outbreak only drew the world attention in late January, just a few days before the long Chinese Tet.

The coronavirus 2019-nCoV has killed 490 people in China, 1 in Hong Kong and 1 in the Philippines and the number of infected cases has reached 23,858 in more than 25 countries (but almost 99% in China, of which Wuhan city is where the virus is first identified). Panic has also spread across financial markets because of concerns about economic damage from travel ban and consumer confidence. In Vietnam, traders who had avoided inactive market exposure during the long 7-day Tet were right as this deadly virus caused 3.22% sell-off in the first trading day of the year of the Mouse.

Global Confirmed Cases, 2019-nCoV



200D Average = 16.41, Stdev = 0.49

Source: IMF, KIS

In virology, 2019-nCoV is a member of coronavirus family together with SARS-CoV (2002-2003) and MERS-CoV (2012-2015). While the infected cases of 2019-nCoV has outnumbered 8,096 of SARS-CoV and 1,342 of MERS-CoV, fatality rate (2.1% as of 05 Feb 2020) may be much lower than 9.6% of SARS-CoV and 38% of MERS-CoV. It took around 2-3 months for the past two outbreaks (SARS in Hong Kong in Mar-May 2003 and MERS in South Korea in May-Jun 2015) to reach their peaks.

In stock markets, historical data shows that traders usually overreact in the short term but soon recover after the diseases are contained. The previous two market unrests last in 3-4 months. In 2015, KOSPI Index plunged 15% from the peak 2,146 in May to the trough 1,929 in Aug (4 months later) but rebound 16% to 2,029 in October (6 months) when MERS-CoV spread to 184 people and killed 29 in South Korea. In 2003, Hang Seng Index also tumbled 11% from the peak 9,427 in Feb to the trough 8,409 in April (3 months) but then bounced back 21% to 10,134 in Jul (6 months) when SARS-CoV killed 299 out of 1,755 reported infected cases in Hong Kong.

	SARS-CoV	MERS-CoV	2019-nCoV			
Location	Hong Kong	South Korea	China	Vietnam	Global	
Duration	Mar – May 2003	May – Jun 2015	Dec - Present	Jan - Present	Dec - Present	
Fatality rate	299/1,755*	29/184*	490/23,648	0/10	492/23,858	
Stock market	Hang Seng	KOSPI	Shanghai Shenzhen 300	VNIndex	MSCI World Index	MSCI Asia Pacific Index
1M (%)	-6.7%	-4.2%	-9.0%**	-6.4%**	-1.3%**	-4.4%**
2M (%)	-5.0%	-3.8%				
3M (%)	4.0%	-12.6%				
6M (%)	17.6%	-4.9%				
1Y (%)	50.2%	-9.3%				

* Global rate is 774/8,094 for SARS and 282/688 for MERS

** Price changes since January peaks

Back to our current 2019-nCoV, the bad news is that it has pulled the global (MSCI World Index) and the Asian (MSCI Asia Pacific Index) stock markets down 1.3% and 4.4% respectively from their peaks in January. The good news is that the National Institute of Infectious Diseases of Japan has succeeded in cultivating and isolating the novel coronavirus. The result will help researchers start developing a vaccine, a drug and a test kit for the virus. Meanwhile, although new confirmed cases continue to climb, growth is slowing down markedly as the number of new cases of yesterday is lower than that of a day ago for the first time since the outbreak.

1.3. And investors almost ignore remarkable 4Q corporate earnings

Until now, 298 companies accounting for 97% of total market has released their 4Q2019 earnings, posting a 24% YoY growth in the past quarter. As usual, Financials and Real Estate contributed the bulk to the growth. However, if excluding Vingroup family VIC, VHM and VRE, the growth is reduced by a half.

Growth (% YoY)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Consumer Discretionary	26%	-27%	40%	16%	12%	55%	-7%	-22%
Consumer Staples	10%	36%	20%	2%	18%	-11%	13%	-9%
Energy	9%	65%	48%	-24%	26%	1%	-5%	8%
Health Care	-1%	-21%	-6%	20%	-12%	8%	-3%	19%
Financials	52%	32%	14%	8%	5%	14%	42%	41%
Industrials	16%	-8%	8%	-9%	-16%	-7%	8%	-30%
Information Technology	4%	14%	16%	-40%	26%	25%	29%	-4%
Materials	-8%	-13%	-20%	-38%	-35%	-35%	-43%	5%
Real Estate	97%	126%	78%	119%	-19%	70%	16%	72%
Utilities	25%	35%	-40%	13%	1%	-13%	64%	-1%
HSX	31%	28%	18%	8%	-2%	10%	17%	24%

1.4. Market performance: 2019-nCoV boosts Healthcare

In January, the VNIndex decreased 2.5% MoM thanks to the first two plunging sessions of the year of the Mouse. Healthcare and Financials were the only two advancing sectors last month. While the coronavirus outbreak boost Healthcare by 6.0% MoM, the outstanding 4Q19 earnings of BID and CTG helped Financials sector post the second winning month with 2.0% MoM increase.

The other 8 sectors suffered losses with Information Technology (-10.5%), Energy (-7.9%) and Industrials (-7.9%) being the worst performers last month. Again, while travel ban is hurting aviation industry, dim economic outlook reduces energy demand. In the meantime, FPT tumbled 11% after posting disappointing 4Q earnings, dragging Information Technology sector down the most.

Relatively compared with the VNIndex, Consumer Discretionary, Healthcare, Financials, Materials and Real Estate outperformed the VNIndex while Consumer Staples, Energy, Industrials, Information Technology and Utilities underperformed the benchmark.

Sector performance vs VNIndex

Sector	2018												2019												2020
	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	
CD			Blue	Blue	Blue			Blue	Blue	Blue	Blue				Blue	Blue	Blue	Blue	Blue	Blue			Blue		
CS		Blue		Blue	Blue			Blue	Blue	Blue	Blue				Blue	Blue			Blue	Blue					
Energy		Blue			Blue	Blue	Blue	Blue	Blue	Blue	Blue		Blue	Blue	Blue	Blue			Blue	Blue					
Health Care	Blue		Blue	Blue				Blue	Blue	Blue	Blue		Blue	Blue		Blue			Blue	Blue		Blue	Blue	Blue	
Financials	Blue						Blue	Blue	Blue	Blue	Blue			Blue		Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	
Industrials				Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue				Blue	Blue			Blue	Blue		Blue	Blue		
IT			Blue	Blue		Blue	Blue	Blue	Blue	Blue	Blue	Blue		Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue		
Materials			Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue		Blue	Blue	Blue							Blue	Blue	Blue	
Real Estate	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	
Utilities			Blue	Blue		Blue		Blue	Blue	Blue	Blue		Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue		

* Note: CD – Consumer Discretionary, CS – Consumer Staples, ENE – Energy, HC – Health Care, FIN – Financials, IND – Industrials, IT – Information Technology, MAT – Materials, RE – Real Estate, UTI – Utilities

Blue – Outperform, White – Underperform

2. FEBRUARY STRATEGY

2.1. Coronavirus to haunt the stock market

Being the top trade partner with most of the world, if China sneezes, others will catch a cold. In which, tourism-related sectors such as aviation, catering service, hotel and retailing will get hurt the most. In Vietnam, Chinese tourists accounted for 40% of total international arrivals in 2019, which gives us a rough view about how bad the damage can be. Similarly, as China contributed 23% of Vietnam total trade, those which exports to China like seafood companies will also be damaged heavily. On the contrary, Healthcare will be among few beneficiaries.

However, we expect the Government will soon announce stimulus to support the economy. In the latest move, State Bank of Vietnam has directed local banks to restructure debt and reduce interest rate for customers who are doing business in tourism, agriculture and export and are badly affected by the virus.

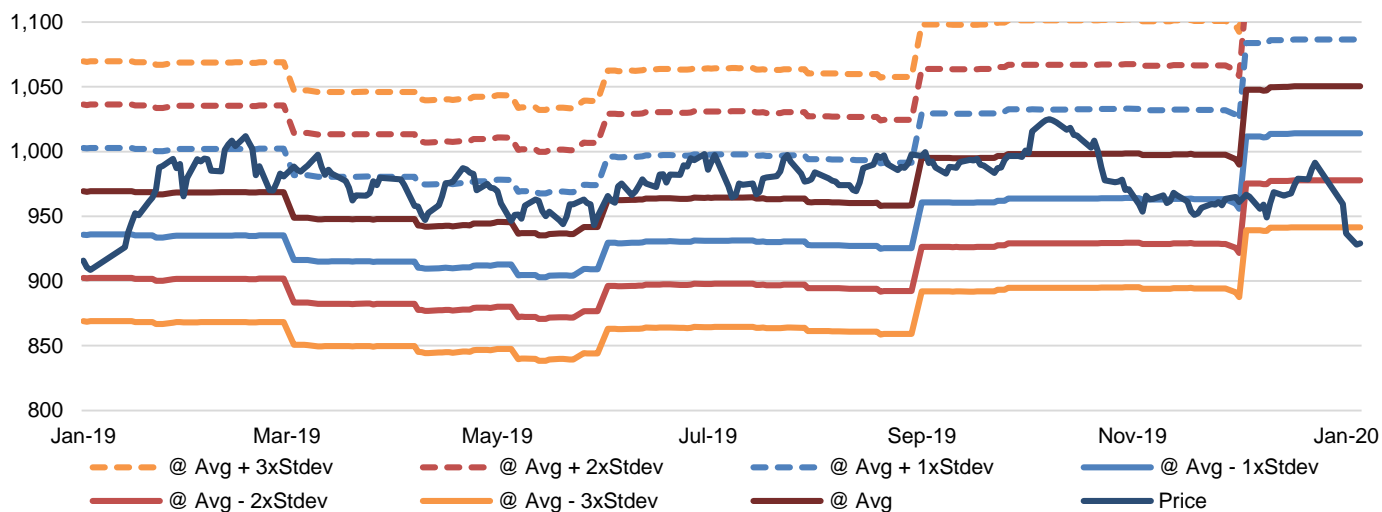
2.2. Short-term overreaction signals a long-term buying point

For listed companies, the short-term overreaction is giving good long-term opportunities in many sectors like Real Estate, Building Materials, IT and Consumer Staples and swing trades in Healthcare. In the meantime, Aviation and Seafood stocks will continue suffer high selling pressure.

In the technical view, support 945-950 was not strong enough as we had expected but a strong bounce back at 900 has signaled a real support in this chaos.

Although the novel coronavirus will continue to haunt Vietnam stock markets in February, we expect the market will soon calm down if the epidemic peaks by the middle of this month. High volatility is also generating many trading opportunities. As the VNIndex has penetrated below 3xstandard deviation PER band, we expect a mean reverting movement in the coming weeks.

VNIndex at PER Band, 2019-2020



200D Average = 16.41, 200D Stdev = 0.49

Source: IMF, KIS

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