

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

| | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 |
|-------------------|--------|--------|--------|--------|--------|--------|
| S&P500 | | | | | | |
| NIKKEI | | | | | | |
| KOSPI | | | | | | |
| CSI300 | | | | | | |
| MSCI EM | | | | | | |

Sector vs VNIndex

| | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 |
|------------------|--------|--------|--------|--------|--------|--------|
| CD | | | | | | |
| CS | | | | | | |
| Energy | | | | | | |
| Health | | | | | | |
| Finance | | | | | | |
| Industry | | | | | | |
| IT | | | | | | |
| Materials | | | | | | |
| R. Estate | | | | | | |
| Utilities | | | | | | |

Note: Blue – Outperform, White - Underperform

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Covid-19 hits the most important partner of Vietnam

Covid-2019 hits the most important partner of Vietnam. Currently, China and South Korea are the first and second largest trading partner of Vietnam. Although more Chinese is now visiting Vietnam than Korean, the latter is gradually outpacing the former. Moreover, total registered FDI into Vietnam of South Korea quadruples that of China. To some extent, South Korea influences Vietnam more than China does. The virus outbreak in South Korea, if getting worse, will make a big impact not only on consumer spending (like the case of China) but also investing in Vietnam. [\(Page 2\)](#)

SBV reacts very quickly. Late 24 Feb, State Bank of Vietnam sent an urgent document to local institutions and foreign branches, instructing them to find solutions to support borrowers amid the Covid-2019 epidemic. Accordingly, based on the requests of borrowers and the assessment of lenders, lenders are allowed to extend debt term, reduce interest rate and maintain debt rating for borrowers who are negatively impacted by the virus and have principal or interest payment due in the period from 23 Jan to 31 Mar. [\(Page 3\)](#)

Market performance: Only Financials and IT post some gains. After recovering in the first half of February, the VNIndex resumed its downtrend and dropped 2.9% MTD because the virus concern came back. As of 25 Feb, Financials and IT were the only winning sectors this month. For Financials, the document of EVIPA reveals that EU members will be able to invest up to 49% stake of two Vietnam banks (except Vietcombank, BIDV, Vietinbank and Agribank), which urged local traders to speculate on Techcombank, VPBank and ACB. For IT, this month may be just a correction of its existing downtrend. [\(Page 3\)](#)

March strategy: Easing monetary policies may make V-shaped recoveries.

It took two weeks since the outbreak for the number of new confirmed cases to peak in China in late January and early February. Therefore, the outbreak in South Korea may progress in the same way. However, we expect that Chinese lesson will help South Korea contain the spreading faster, maybe in early March.

In terms of valuation, the recent plunge has increased the historical volatility of the market. However, as the VNIndex is still touching its 3 x standard deviation PER band, we expect bottom fish demand will increase in the coming weeks.

Moreover, when the virus is contained, global central banks will start easing policies to boost their economies. And as usual, stock markets will reflect such policies in V-shaped recoveries, which may happen in March in the best scenario. [\(Page 4\)](#)

1. FEBRUARY REVIEW

1.1. Covid-2019 hits the most important partner of Vietnam

While it seemed that China was able to contain Covid-2019 last weekend, the virus suddenly broke out in South Korea, Italy and Iran. As of 25 Feb there were 81,005 confirmed cases worldwide, of which China had 78,064 cases, South Korea 1,146 cases, Italy 322 cases (out of 381 cases of Europe) and Iran 95 cases (out of 155 cases of Middle East countries).

Across the globe, stock markets reacted very quickly and very negatively with South Korea and Europe among the worst performers. Meanwhile, Shanghai Shenzhen Index lost just 0.4% on Monday. It seems that the worst time is over for Chinese investors.

| Index | 24 Feb 2020 | % chg MTD |
|-----------------------|-------------|-----------|
| Dow Jones | -3.6% | -3.1% |
| S&P 500 | -3.4% | -1.8% |
| NASDAQ | -3.7% | -0.8% |
| Euro Stoxx 50 | -4.0% | -0.6% |
| FTSE 100 | -3.3% | -2.3% |
| DAX | -4.0% | -0.6% |
| CAC 40 | -3.9% | -0.9% |
| Nikkei 225 | -3.3% | -2.6% |
| Kospi | -3.9% | -1.9% |
| Nifty 50 | -2.1% | -1.1% |
| Hang Seng | -1.8% | 1.9% |
| Shanghai Shenzhen 300 | -0.4% | 3.2% |
| Philippine SE | -2.5% | -0.2% |
| Straits Times | -1.2% | -0.4% |
| SET Index | -4.0% | -5.2% |
| Jakarta Composite | -1.3% | -2.2% |
| FTSE Bursa Malaysia | -2.7% | -2.7% |
| VNIndex | -3.2% | -3.6% |
| MSCI World | -3.0% | -1.7% |
| MSCI Europe | -3.8% | -1.1% |
| MSCI Asia | -1.3% | -1.0% |
| MSCI ASEAN | -2.7% | -5.8% |
| MSCI Emerging | -2.7% | -1.6% |
| MSCI Frontier | -2.2% | -3.8% |

Vietnam stock market was also not immune as the VNIndex plunged 3.2% on Monday before bouncing back at 890 for the second time in February on Tuesday. Compared to the 10% loss of the benchmark (from crest to trough) on Chinese outbreak, that 4.2% on South Korean one is just a half less severe. However, it is too risky to make an investing decision based only on charting signals, especially when scientists are still unclear about incubation length and transmission routes of the virus.

Vietnam has many ties with South Korea and China in culture, food, music and economy. While district 5 is a China town, deeply engraved in the memories of many Saigoneer generations, district 7 is a new little South Korea in Saigon. Or while Vietnamese cuisine is heavily influenced by Chinese one, one can easily find youngsters in Korea-styled fashion on Vietnam streets.

Of course, all above ties are originated from economic ones. Currently, China and South Korea are the first and second largest trading partners of Vietnam. Although more Chinese is now visiting Vietnam than Korean, the latter is gradually outpacing the former. Moreover, total registered FDI into Vietnam of South Korea quadruples that of China. To some extent, South Korea influences Vietnam more than China does. The virus outbreak in South Korea, if getting worse, will make a big impact not only on consumer spending (like the case of China) but also investing in Vietnam.

| | China | South Korea | Total |
|---|-----------|-------------|------------|
| Trade (2019, USDmn) | 111,912 | 64,174 | 518,260 |
| <i>As % of total trade</i> | 21.59 | 12.38 | |
| Tourist (2019) | 5,806,425 | 4,290,802 | 18,008,591 |
| <i>As % of tourist</i> | 32.24 | 23.83 | |
| No of FDI project (acc as of 2019) | 2,807 | 8,467 | 30,827 |
| <i>As % of total project</i> | 9.11 | 27.47 | |
| Registered FDI (acc as of 2019, USDmn) | 16,265 | 67,707 | 362,580 |
| <i>As % of total registered FDI</i> | 4.49 | 18.67 | |

Source: KIS, GSO, FIA, Vietnam Custom, Ministry of Culture, Sport and Tourism

1.2. SBV reacts very quickly

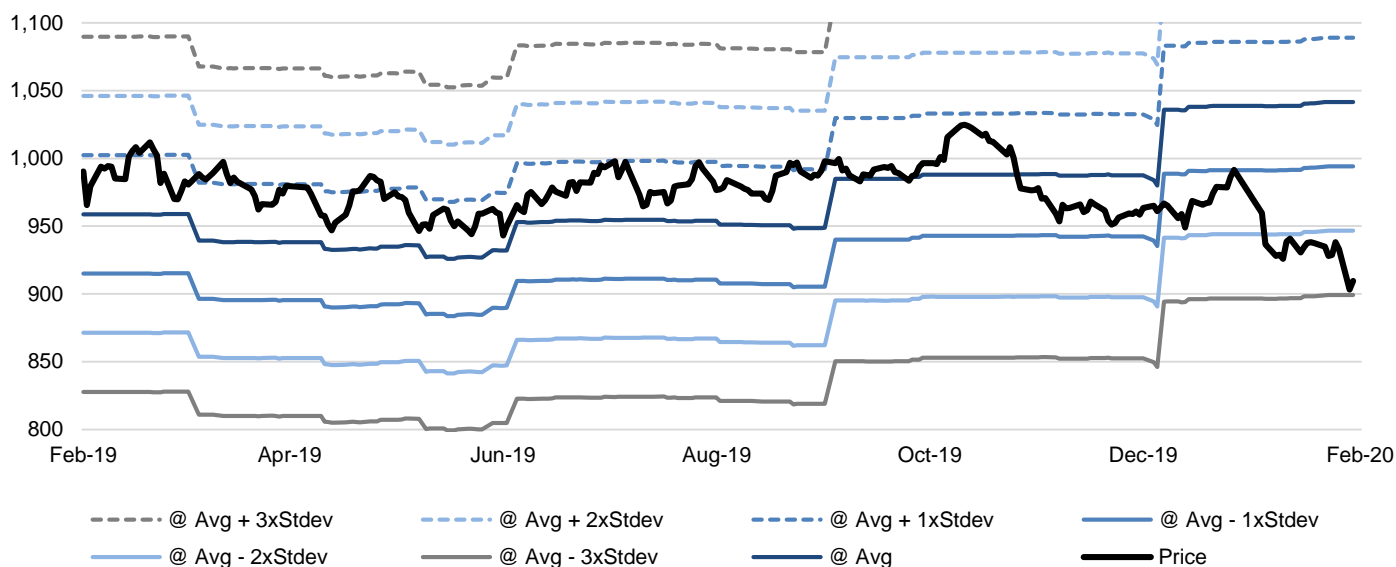
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break below 890 will likely bring the VNIndex down further to 850-860. On the upside, if the bulls win, the VNIndex may bounce back to 940.

In terms of valuation, the recent plunge has increased the historical volatility of the market. However, as the VNIndex is still touching its 3 x standard deviation PER band, we expect bottom fish demand will increase in the coming weeks.

Moreover, when the virus is contained, global central banks will start easing policies to boost their economies. And as usual, stock markets will likely reflect such policies in V-shaped recoveries, which may happen in March in the best scenario.

VNIndex at PER Band, 2019-2020



200D Average = 16.21, 200D Stdev = 0.74

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