

# Xin Chao Vietnam

## Market performance

	22 May	1D	1M	3M	YTD
VNIndex (pt, % chg.)	852.74	(1.2)	10.9	(8.6)	(11.3)
Turnover (VND bn)	5,284				
VN30 (pt, % chg.)	803.14	(1.5)	12.4	(7.6)	(8.6)

## Major indicators

	22 May	1D	1W	1M	YTD
1-yr govt bonds (% bp chg.)	1.28	(0.1)	(0.7)	(0.4)	(0.2)
3-yr govt bonds (% bp chg.)	1.79	0.0	(0.4)	(0.1)	0.1
VND/USD (% chg.)	23,273	(0.0)	0.9	(0.1)	(0.4)
VND/JPY (% chg.)	21,650	(0.1)	0.7	(3.0)	(1.5)
VND/EUR (% chg.)	25,478	(0.1)	(0.1)	(1.1)	2.0
VND/CNY (% chg.)	3,261	0.2	1.7	1.4	2.0
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.64	(0.0)	0.0	(0.8)	(1.3)
WTI (USD/bbl, % chg.)	32.03	(5.6)	132.4	(40.0)	(47.5)
Gold (USD/oz, % chg.)	34.46	(4.4)	69.2	(41.1)	(47.8)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
CTI	58.1	E1VFN30	(79.3)
GEX	18.3	HPG	(22.0)
STB	9.0	MBB	(19.4)
HSG	5.6	MWG	(18.8)
AAA	4.1	VNM	(14.4)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VNM	43.6	HPG	(30.0)
VCB	36.9	E1VFN30	(22.1)
VHM	26.3	CII	(15.1)
VRE	17.6	VJC	(11.4)
VPB	16.9	MBB	(7.4)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	6.4	Media & Entertainment	(3.6)
Materials	1.9	Automobiles	(2.9)
Diversified Financials	(0.1)	Others	(2.1)
Pharmaceuticals	(0.2)	Retailing	(1.8)
Capital Goods	(0.3)	Insurance	(1.8)

## WHAT'S NEW TODAY

### Market commentary & News

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## KIS market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (%)
<b>2018</b>	186,396	115,391	35.3	14.7	2.7	14.0	18.2
<b>2019</b>	231,781	139,009	23.3	13.3	2.4	11.1	17.7
<b>2020F</b>	239,645	133,501	(6.3)	13.2	1.9	9.8	14.7
<b>2021F</b>	294,159	164,644	24.9	10.6	1.7	7.1	15.8

Note: KIS Universe coverage of 35 companies that account for 58% of all listed (VNIndex) firms' earnings based on the past three-year average

## Macro forecast

	2Q19	3Q19	4Q19	1Q20	2019	2020F	2021F
GDP (% yoy)	6.7	7.3	7.0	3.8	7.0	5.9	7.4
Current account (USD bn)	n.a	n.a	n.a	n.a	4.0	1.8	2.1
CPI (% yoy)	2.1	2.0	5.2	4.9	5.2	4.0	3.5
Refinancing rate (% EoP)	6.3	6.0	6.0	5.0	6.0	5.9	5.8
VND/USD (avg.)	23,306	23,213	23,195	23,240	23,236	24,000	23,200
US GDP (% qoq)	(4.8)	(34.0)	15.2	8.0	2.3	(5.7)	4.0
China GDP (% yoy)	(6.8)	1.1	5.0	6.0	6.1	1.8	8.0

Note: \* Data compiled by Bloomberg

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## Market commentary & News

### Market commentary

#### “Big contraction”

**Hieu Tran**  
hieu.ttm@kisvn.vn

After four consecutive gaining sessions, Vietnam stock market reversed to go down amid the contraction of the global financial market.

At the close, the VNIndex lost 1.16% to close at 852.7 pts. Meanwhile, trading volume decreased to 303 million shares or VND5,283bn.

Foreign investors reversed to buy with a net value of VND25bn on HSX. They purchased the most VNM, VCB, and VHM with net values of VND43bn, VND36bn, and VND26bn, respectively.

Real Estate tickers underperformed the benchmark index because of VIC (-1.6%), VHM (-1.9%), VRE (-1.9%), NLG (-2.5%), DXG (-2.6%), ROS (-3.6%), and KDH (-3.2%).

After oil prices fell, Energy stocks closed in red territory namely GAS (-1.5%), PVT (-1.9%), PVD (-0.5%), PVS (-3.9%), POW (-1.0%), BSR (-1.5%), and OIL (-1.2%).

Moreover, some constituents of the VN30Index slumped more than 2% such as CTD (-2.0%), EIB (-2.8%), HDB (-4.5%), MSN (-2.8%), MWG (-2.3%), STB (-2.8%), TCB (-4.3%), and VPB (-2.2%).

In contrast, short-term speculative cash flowed into Material due to HSG (+4.6%), HPG (+2.8%), and NKG (+4.2%).

Despite the sharp decline, the short-term uptrend of the VNIndex is still intact as the index closed the significant threshold, 800 pts. Therefore, traders can hold long positions and focus on leading stocks.

### Breaking news

- ▶ The U.S.-China relationship: U.S. authorities raise tensions

Recently, the U.S. top officials has been putting intense pressure on China side as they have accused the Chinese government of being responsible for the COVID-19 pandemic. Last week, the U.S. Senate passed a new bill that could prevent foreign companies from being listed on the U.S. exchanges unless they must disclose full information to U.S. related administrations to prove they are not owned or controlled by the foreign governments. The bill is supposed to target Chinese corporations, which usually do not follow standards for U.S. audits and regulations. However, this bill must be passed by both the House of Representatives and President Trump before being effective. (Bloomberg)

- ▶ MSN: Where the large buy orders from?

Ardolis Investment Pte Ltd bought 38.9 million shares of Masan group (HOSE: MSN) on May 14 2020, increasing its ownership to 104.8mn shares, at 8.97%. Particularly, Ardolis is managed by the Government of Singapore (GIC). (ndh.vn)

## Macro & strategy

### Chart of the day

#### Buy on throwback

**Dang Le**  
dang.lh@kisvn.vn

- ▶ Market performance

The VNIndex kept following the bullish path last week, increasing the tendency to retest 900 pts zone.

- ▶ Chart: Consolidation or correction phase will occur

The medium-term bullish is still active due to the valid upward crossover between MA20 and MA50 as well as maintaining the

upward sloping.

Besides, Stochastic went into upward alignment on weekly and monthly time frame, signalling the massive bullish momentum across the market.

However, on daily time frame, Stochastic's slope stayed on the fence as well as the index has travelled to far from its major short-term MA (MA20), implying the potential correction/consolidation phase.

On the upside, 900 pts zone plays as a strong resistance which overlaps with the benchmark for trend direction – MA200. On the other side, 800 pts level is the key support zone.

→ The medium-term upward trend is dominant, but the consolidation/correction phase is likely to occur.

► Technical strategy: Hold the position and buy on throwback

In this scenario, the tightening phase or correction period this week will provide the opportunities for investors to earn price advantages or re-enter the market. Therefore, investors can hold their long positions and focus on leading stocks.

## Sector & company

### Banks

#### Overweight

#### 1Q20 stays healthy, 2Q20 faces difficulties

Yen Tran  
yen.tt@kisvn.vn

► Mixed 1Q20 results due to diverse provisioning policies

Seven banks in our coverage posted mixed 1Q20 results. Group of SOE-banks including VCB, BID and CTG and MBB (large holding by military companies) showed 1Q20 NP yoy drop given uplift in credit cost and thin top line growth. On the other hand, private banks comprising TCB, VPB and ACB maintained two-digit growth in both top and bottom lines. Combined 1Q20 TOI of KIS banking coverage grew by 14% yoy given 11% yoy NII growth and 25% yoy non-NII growth. Of which, gain on investment securities escalated by 4.7x, in line with our expectation.

Generally, the industry has yet suffered heavy damage from the pandemic in 1Q20 except for weak credit growth. Combined credit growth of our banking coverage slowed down to 0.8% qoq in 1Q20, from 3.9% qoq in 4Q19 and 1.9% qoq in 1Q19. NPL ratio of the coverage was 1.5% and delinquency ratio was 3.1%, a small increase against 4Q19. Combined loan loss coverage ratio maintained at 99%. Overall NIM was 3.58%, same with 1Q19.

► Credit demand yet recovers

Currently, credit demand remains weak. According to the SBV's Credit Department, the country's credit growth was down to 1.2% ytd as of mid-May from 1.42% ytd as of April, the lowest level since 2016. Two rate cuts in March (50 bps on policy rates and 25 bps on short-term deposit rate cap) and May (50 bps on policy rates and 50 bps on short-term deposit rate cap) this year are meaningful to balance negative impacts of interest rate waiver and interest rate reduction of relief credit packages.

However, weak credit demand in 1H20 and arising restructured COVID-19-impacted loans (VND130tn of restructured loans as of mid-May on the sum of VND2qn of distressed loan- ~24% of total country credit) may depress overall NIM, assets quality and profitability in coming quarters. Given different credit provisioning practice, banks may post mixed 2020 results.

► Taking opportunity

We maintain Overweight on banking industry. As Vietnam is an open economy with trade openness ratio of ~200%, the economy is sensitive to global situation and banking is suffering from short-term lockdowns. However, we expect the country may return to pre-pandemic level and lending growth will regain in 3Q20 based on assumption (base case scenario) that the virus to be contained in late 2Q20. This leads to a low base in 2020 and a strong recovery emerges in 2021.

Please click on the underlined companies and sectors to see the full reports.

## New listing & Public offerings

### ► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
6/12/2020	PTT	Indochina Petroleum Transportation JSC	100.0	1,000,000	31,931	Whole lot sale; local investors only
6/9/2020	HLENNV	Ha Long Urban Environment Company	25.7	2,208,105	18,079	
6/8/2020	BTU	Ben Tre Urban Project JSC	36.0	864,000	14,630	

- **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

- **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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