

# Xin Chao Vietnam

## Market performance

	6 Aug	1D	1M	3M	YTD
VNIndex (pt, % chg.)	840.04	0.3	(2.5)	7.3	(12.6)
Turnover (VND bn)	4,088				
VN30 (pt, % chg.)	781.60	0.1	(2.7)	7.7	(11.1)

## Major indicators

	6 Aug	1D	1W	1M	YTD
1-yr govt bonds (% bp chg.)	0.63	(0.1)	(0.2)	(1.1)	(0.8)
3-yr govt bonds (% bp chg.)	1.05	(0.0)	(0.4)	(1.0)	(0.6)
VND/USD (% chg.)	23,175	0.0	0.1	1.0	(0.0)
VND/JPY (% chg.)	21,946	(0.0)	(1.6)	0.6	(2.8)
VND/EUR (% chg.)	27,564	(0.6)	(5.2)	(7.9)	(5.8)
VND/CNY (% chg.)	3,337	0.1	(1.0)	(1.2)	(0.3)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.53	(0.0)	(0.1)	(0.2)	(1.4)
WTI (USD/bbl, % chg.)	41.89	(0.7)	3.1	74.6	(31.4)
Gold (USD/oz, % chg.)	45.11	(0.1)	4.7	51.8	(31.7)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
LDG	24.7	HDG	(15.3)
HPG	18.4	DHC	(5.1)
MWG	13.3	SAB	(3.7)
TCB	10.8	HT1	(3.3)
VNM	8.4	TCM	(2.2)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VNM	43.1	NVL	(51.1)
CTD	18.3	AGG	(32.5)
MSN	11.7	VRE	(17.2)
VCB	9.2	VJC	(8.7)
HDB	8.2	CII	(7.7)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	6.4	Insurance	(0.8)
Health Care	2.3	Consumer Services	(0.6)
F&B	1.9	Household Products	(0.6)
Consumer Durables	1.0	Diversified Financials	(0.6)
Utilities	0.7	Banks	(0.5)

## WHAT'S NEW TODAY

### Market commentary & News

- **Market commentary:** Cautious uptrend
- **Vietnam:** Raising concerns over FDI flows

### Sector & company report

- **Techcombank (TCB):** 2Q20 review
- **Vinamilk (VNM):** 2Q20 review

### New listing & Public offerings

## KIS market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (%)
2018	186,396	115,391	35.2	14.7	2.7	14.0	18.2
2019	231,781	139,038	23.9	13.3	2.3	11.0	17.7
2020F	238,766	129,763	(7.9)	13.5	1.9	10.2	14.3
2021F	275,785	142,326	11.2	12.2	1.7	8.8	14.1

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

## KIS macro forecast

	1Q20	2Q20	3Q20F	4Q20F	2019	2020F	2021F
GDP (% yoy)	3.8	0.4	4.1	5.0	7.0	4.3	5.9
Trade balance (USD bn)	1.7	0.6	5.7	5.1	10.4	7.9	1.8
CPI (% yoy, avg.)	5.6	2.8	1.3	0.7	2.8	2.5	2.6
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,335	23,300	23,317	23,231	23,304	23,296
US GDP (% qoq)	(4.8)	(33.0)	18.0	6.5	2.2	(5.5)	3.9
China GDP (% yoy)	(6.8)	1.6	5.2	6.1	6.1	2.0	7.9

Source: KIS, Bloomberg

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## Market commentary & News

### Market commentary

#### Cautious uptrend

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Vietnam stock markets continued to go up, the fourth gaining session in a row, amid rebound of the U.S. financial market.

At the close, the VNIndex gained 0.27% to close at 840 pts. Meanwhile, trading volume reduced to 245 million shares or VND4,087bn.

Foreign investors continued to buy with a net value of VND12bn on HSX. They purchased VNM, CTD, and MSN the most with net values of VND43bn, VND18bn, and VND11bn, respectively.

Global oil prices hit a 5-month peak, pushing Energy stocks up, namely GAS (+1.3%), PVD (+4.1%), PVS (+1.7%), BSR (+3.2%), and OIL (+1.4%).

Consumer Staples stocks were also the market leaders driven by SAB (+3.7%) and VNM (+2.4%). Among which, VNM will close the right to pay a 20% cash dividend on 30 Sep 2020.

Cash flowed into some constituents of VN30 because of HDB (+1.9%), PNJ (+1.2%), and VJC (+1.2%).

In contrast, Banking tickers, such as BID (-1.2%), CTG (-1.1%), TCB (-1.3%), and MBB (-1.2%), closed in red territory.

In the short term, the uptrend is still intact thanks to island reversal pattern. Therefore, traders should increase their long position and focus on leading stocks.

### Breaking news

#### ► Vietnam: Raising concerns over FDI flows

In July, foreign investment activities continued to rebound along with the economic recovery, but primarily attributed to few large projects. Furthermore, it should be noticed that just a few sectors became attractive to foreign investors, the rest were still being ignored. As of 7M20, registered FDI posted an increase of 79.77% YoY to USD3.2bn, while disbursed FDI slowed down but modestly, up by 1.38% YoY to USD1.5bn. From our view, uncertainties caused by a new COVID-19 outbreak from late-July will raise some concerns to foreign investors about the ongoing business conditions, similar to what happened from March. We believe that this impact will be reflected in August's data. (KIS, MPI)

## Sector & company

### Techcombank (TCB)

**BUY (Maintain), TP VND24,400**

**2Q20 review: Investment banking still strong**

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#### ► Facts: lowering costs saves the bottom line

TCB's NP of controlling interest grew 15% qoq to VND2.8tn in 2Q20 despite of 5% decline in TOI. Significant drops in CIR and credit cost (annualized) from 35% and 1.2% in 1Q20 respectively to 30% and 0.6% in 2Q20 would explain for the contracted move above. However, according to the bank's managers in the meeting yesterday, CIR and credit cost may inch up in 2H20 given further amortization and provision expenses. We expect an CIR of 32% and credit cost of 1.2% for 2020F.

The bank reported a healthier assets quality as compared to 1Q20 with delinquency ratio of 1.9% (-0.2%p qoq) and NPL ratio of 0.9% (-0.2%p qoq). The NPL of BB segment was up 0.2%p to 0.5% while that of other segments gone down. Restructured COVID-19 loans was VND8.3tn, equaling to 3.6% of total loan book, which seem better than initial estimated size of maximum 7% loan book. Of which, VND5.3tn came from WB clients, VND1.5tn from BB (SMEs), and VND1.5tn from PFS (retails).

- Pros & cons: lending standstill but IB business still strong

Credit was flat at VND271tn from 1Q20-end. As such, TCB achieved a credit growth of just 3.5% ytd in June 2020, quite close to industry average of 3.26%. We think there is a pause in lending to BB and retail in 2Q20 since both banks and clients was hesitated in providing and receiving debt obligations after a short time ending social distance. Also, delivery of Vinhomes's projects was behind schedule may impact TCB's mortgage. Meanwhile, capital demand of WB segment was satisfied by huge volume of bond advisory (VND35tn; +82% yoy; 21% market share) and bond distribution to retail (VND33tn; +36% yoy) in 1H20. The business produced VND549tn of bond fee in 1H20, up 146% yoy. Even though government promulgated stricter regulations (New enterprise Law, New securities Law, Decree 81) on bond issuance and investment, bond is still TCB's strength thanks to its high-end customer base.

- Action: Reiterate BUY

We maintain BUY on TCB with a TP of VND24,400bn, up 3% from latest update due to better 2020 outlook. Amid drastic competitiveness banking market, TCB is outstanding with respectable outcomes from its distinctive strategy through various tailored financial products besides lending.

## **Vinamilk (VNM)**

**Hold (Downgrade)**

**2Q20 review: Pandemic impact on export to extend in 2H20**

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- Facts: Vinamilk's domestic revenue improves post-pandemic

In 2Q20, Vinamilk recorded consolidated revenue of VND15,495bn (+6.1% yoy). Domestic revenue of Vinamilk posted VND13,364bn (+7.6% yoy) in 2Q20, thanks to (1) Vinamilk's 2Q20 domestic revenue growth of 3.7% yoy, driven by recovery of domestic demand as social distancing was lifted in late Apr 2020 and (2) GTNFoods's revenue contribution of VND735bn. Export recorded VND2,131bn (-2% yoy), mainly impacted by the 15% yoy decrease of indirect export via foreign subsidiaries (Driftwood, Angkor Milk) due to school closure in California. Vinamilk reached NPAT at VND3,072bn (+6.0% yoy) in 2Q20. Overall, Vinamilk's 1H20 revenue and NPAT completed 50% and 53% of year targets.

- Pros & cons: Pandemic impact on export to extend in 2H20

In 2H20, we expect Vinamilk's domestic revenue will maintain mid single-digit revenue growth, thanks to (1) the recovery of domestic milk consumption to pre-pandemic level as we believe that the pandemic is under control in Vietnam and society will not see the second social distancing, and (2) revenue consolidation of GTNFoods, which accounts for nearly 6% of Vinamilk's domestic revenue.

On the contrary, we are more cautious about Vinamilk's export prospect in 2H20 due to the global pandemic. Iraq market, the key growth driver of Vinamilk's export revenue, has witnessed intense pandemic wave since the early Jul 2020, which forced government to re-impose measures to prevent the spreading. These include city-wide lockdown, border closure and suspension of international flights. We are concerned that conducted strict measures of Iraq government, coupled with extending school closure in the U.S., will have negative impact on Vinamilk's milk export to this market in 2H20.

- Action: Downgrade to Hold

Although domestic market is recovering to pre-pandemic level, we are concerned that Vinamilk's growth space in 2H20 will face difficulties from the pandemic impact in export markets. While room for business growth is limited, VNM share has almost returned to its pre-crisis level. Therefore, we downgrade our rating for Vinamilk's share to Hold in 2020.

*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
8/31/2020	HDLB	Hai Duong livestock genetics one member Co., Ltd	37.8	2,414,700	13,800	IPO
8/21/2020	TSCC	Truong Son Advisory JSC	27.3	1,389,750	12,300	-
8/20/2020	BMF	Dong Nai Building Material and Fuel JSC	41.6	443,500	28,600	-
8/7/2020	FPT	FPT Corporation	7,839.9	46,019,295	49,400	Whole lot sale; Local investors only

- **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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