

# Xin Chao Vietnam

## Market performance

	30 Sep	1D	1M	3M	YTD
VNIndex (pt, % chg.)	905.21	0.1	2.7	9.7	(5.8)
Turnover (VND bn)	6,360				
VN30 (pt, % chg.)	858.54	0.3	4.2	11.4	(2.3)

## Major indicators

	30 Sep	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.49	(0.1)	(0.1)	(0.2)	(0.9)
3-yr gov't bonds (% bp chg.)	0.80	(0.2)	(0.4)	(0.6)	(0.9)
VND/USD (% chg.)	23,184	0.0	(0.0)	0.1	(0.0)
VND/JPY (% chg.)	21,933	(0.0)	(0.3)	(2.0)	(2.8)
VND/EUR (% chg.)	27,260	(0.5)	1.4	(4.3)	(4.7)
VND/CNY (% chg.)	3,405	(0.1)	(0.7)	(3.6)	(2.3)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.65	(0.0)	(0.1)	(0.0)	(1.3)
WTI (USD/bbl, % chg.)	38.97	(0.8)	(8.5)	(0.8)	(36.2)
Gold (USD/oz, % chg.)	40.49	(1.3)	(10.6)	(1.6)	(38.7)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
GEX	107.0	CRE	(69.7)
FPT	31.8	TPB	(46.9)
HPG	28.8	DIG	(20.4)
TCB	15.5	CTG	(15.0)
KBC	14.9	FUEFVND	(13.2)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
FUEFVND	15.0	HPG	(87.4)
HSG	11.5	VNM	(53.3)
STB	9.5	VHM	(37.6)
HDB	6.1	VIC	(28.5)
SSI	5.4	VPB	(24.5)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Automobiles	3.5	Media & Entertainment	(1.3)
Health Care	1.4	Energy	(0.5)
Household Products	0.9	Technology	(0.3)
Insurance	0.9	Transportation	(0.2)
Diversified Financials	0.8	Telecommunication	(0.2)

## WHAT'S NEW TODAY

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### Macro & strategy

- **October strategy:** Sideways

### New listing & Public offerings

## KIS market view

	OP	NP	EPS growth	PE	PB	EV/EBITDA	ROE
	(VND bn)	(VND bn)	(% yoy)	(x)	(x)	(x)	(%)
2018	191,785	119,519	29.6	14.8	2.6	13.6	17.8
2019	238,659	144,922	24.3	13.4	2.3	11.0	17.4
2020F	261,642	146,123	2.2	13.1	2.0	9.1	15.5
2021F	293,650	165,232	14.1	11.5	1.8	8.0	15.4

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)	(31.7)	25.1	5.0	2.2	(4.4)	3.8
China GDP (% yoy)	(6.8)	3.2	5.2	6.0	6.1	2.1	8.0

Source: KIS, Bloomberg

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## Market commentary & News

### Market commentary

#### Close in green territory

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Vietnam stock markets resumed its uptrend after the State Bank reduced interest rates. In particular, the refinancing rate decreased from 4.5% to 4%, overnight lending interest rate reduced from 5.5% to 5%.

At the close, the VNIndex gained 0.14% to close at 905.2 pts. Meanwhile, trading volume decreased to 340 million shares or VND6,359bn.

Foreign investors resumed selling with a net value of VND249bn on HSX. They sold HPG, VNM, and VHM the most with net values of VND87bn, VND53bn, and VND37bn, respectively.

After a sharp reduction last session, Construction was the market leader thanks to HBC (+1.9%) and CTD (+3.3%).

Cash flowed into Banking and Real Estate, such as VHM (+0.3%), VRE (+0.5%), NVL (+0.8%), NLG (+0.6%), BID (+0.4%), ACB (+0.4%), MBB (+0.5%), and STB (+3.8%).

In contrast, some constituents of VN30, namely FPT (-0.4%), GAS (-0.2%), KDH (-0.6%), PLX (-0.5%), ROS (-0.9%), SAB (-0.9%), and VCB (-0.5%), closed in red territory.

In the short term, the uptrend of the VNIndex is still intact. Therefore, investors may be held their long position and focus on leading tickers.

### Breaking news

#### ▶ Vietnam: GDP bounces back into growth

According to GSO, GDP growth rebounded to 2.62% YoY after sliding to the record-low level since the global financial crisis. Given that GDP at constant 2010 price to expand at the same pace in the next quarter, the growth rate in this period did not surprise the market as it is quite near to most current expectations such as World Bank, IMF, and ADB. Also, the figure tends to be in line with the authority's expected range at 2%-2.5%. Regarding sectoral contribution, most of the GDP's components improved considerably in this quarter except for product taxes less subsidies on production (TLS). The services sector's growth was the most prominent as turning from reduction at 1.93% YoY in the previous period to expansion at 2.75% YoY in this period and consequently contributed 1.10 % to economic growth. (KIS, GSO)

## Macro & strategy

### October strategy

#### Sideways

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#### ▶ Government is the growth driver in 3Q

Vietnam Government has played as a key investor during a crisis to turn the economy around. In 3Q, while domestic private and FDI business confidence were still weak, State disbursed VND186tn, jumping 29% YoY, higher than 11% of 2Q and 7% of 1Q, showing its commitment to make public investment as one of the key growth driver for this unprecedented year.

#### ▶ Two main concerns

First, the consumption of more than 90 million citizens and the investment of the domestic private sector were mute in 3Q, which is confirmed by a weak credit growth. As of 14 Sep, outstanding credit grew only 4.81% YTD, only a half of 9.4% of Sep-end 2019, and seemed to slow down in the past 2 months. Meanwhile, COVID-19 rescheduled-payment loans accelerated and quintupled from VND62.8trn in late April to VND321trn in late September. As numerator outpaced denominator, rescheduled loans as percentage of total loans jumped from 0.8% to 3.7%, showing the overall deterioration of credit quality.

Second, FDI, which has been the growth driver of Vietnam economy and trade since joining WTO in 2006, is also waning.

Despite of being an effective approach to contain the virus spreading, international travel ban is preventing investors from coming Vietnam to search for opportunities and Vietnam from taking the advantage of the global depreciation of the greenback. In 9M20, foreigners registered to invest only USD21.2bn, down 19% YoY, into Vietnam for the lowest level in 4 years.

► October strategy: Sideways

Although we expect the current rally of the market will continue in the rest of this year (because the VNIndex is trading at 15x its earnings, lower than 16x of 2019-end, while interest rate is lower), the pace will be slower and range trading may be more appropriate for the time being.

► October top 5

Taking into account the mixed signals from the economy and the stock market, we recommend 4 defensive and sideways stocks including FPT (FPT), Imexpharm (IMP), PVPower (POW), Pha Lai Power (PPC) and Thu Dau Mot Water (TDM).

## New listing & Public offerings

► **Public offerings**

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
10/21/2020		Vinh Son JSC	1,150.0	4,588,500	201,042	Whole lot sale
10/16/2020		Mua Xuan Agriculture Center	29.8	700,938	10,000	IPO
10/9/2020	AGFERRY	An Giang Ferry One Member Company Limited	167.5	5,291,520	16,720	IPO
10/6/2020	BWE	Binh Duong Water Environment JSC	1,500.0	37,500,000	25,500	-
10/5/2020	LIBREXCO	Tien Giang Livestock Breeding Company	51.0	4,968,600	10,000	Whole lot sale

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- 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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