

Xin Chao Vietnam

Market performance

	20 Oct	1D	1M	3M	YTD
VNIndex (pt, % chg.)	944.42	0.1	4.8	9.6	(1.7)
Turnover (VND bn)	9,191				
VN30 (pt, % chg.)	909.49	0.7	8.1	13.2	3.5

Major indicators

	20 Oct	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.57	(0.1)	0.0	(0.1)	(0.9)
3-yr gov't bonds (% bp chg.)	0.79	(0.3)	(0.3)	(0.4)	(0.9)
VND/USD (% chg.)	23,182	0.0	(0.1)	(0.0)	(0.0)
VND/JPY (% chg.)	21,954	0.1	0.9	(1.6)	(2.9)
VND/EUR (% chg.)	27,305	(0.4)	0.7	(2.9)	(4.9)
VND/CNY (% chg.)	3,470	(0.1)	(1.9)	(4.4)	(4.1)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.78	0.0	0.1	0.2	(1.1)
WTI (USD/bbl, % chg.)	40.96	0.3	(0.4)	0.4	(32.9)
Gold (USD/oz, % chg.)	42.74	0.3	(1.0)	(1.2)	(35.2)

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
DIG	164.2	VCB	(30.5)
FUEVFNVD	32.9	HPG	(23.3)
VHM	26.5	MBB	(10.1)
VPB	25.7	TCH	(8.5)
TCB	24.6	CTG	(7.9)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VCB	56.5	DIG	(492.7)
HSG	28.1	MSN	(282.2)
HPG	18.9	VPB	(67.4)
VIC	14.5	VHM	(67.2)
DPM	13.9	VNM	(50.4)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	6.9	Health Care	(4.4)
Automobiles	1.9	Insurance	(2.3)
Materials	1.1	Household Products	(1.2)
Banks	0.8	Utilities	(1.2)
Capital Goods	0.5	Transportation	(0.9)

WHAT'S NEW TODAY

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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	3.0	13.8	2.1	9.6	15.4
2021F	293,650	165,232	14.1	12.1	1.9	8.4	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)	29.8	4.0	2.2	(4.0)	3.8
China GDP (% yoy)	(6.8)	3.2	5.0	6.0	6.1	2.1	8.0

Source: KIS, Bloomberg

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Market commentary & News

Market commentary

Cautious gains

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Despite the positive third-quarter earnings season, Vietnam stock markets continued to diverge, three sessions in a row.

At the close, the VNIndex closed almost unchanged at 944.4 pts. Meanwhile, trading volume increased to 444 million shares or VND9,190bn.

Foreign investors continued to sell with a net value of VND905bn on HSX. They sold DIG, MSN, and VPB the most with net values of VND492bn, VND282bn, and VND67bn, respectively.

Due to the positive business results in 3Q20, Banking and Material were market leaders namely HSG (+6.5%), HPG (+1.6%), NKG (+2.3%), HDB (+2.2%), TCB (+3.9%), MBB (+2.5%), VPB (+1.4%), and EIB (+1.7%).

Some Energy tickers outperformed the benchmark index because of PVS (+2.2%), PVD (+1.3%), POW (+0.5%), and BSR (+4.3%). Among which, PVS announced its EBT of VND800bn in the first nine months (-6% YoY), equivalent to 100% of the year plan.

Moreover, some constituents of VN30Index surged more than 1%, such as MSN (+2.0%), ROS (+3.1%), and TCH (+1.4%). Among these, TCH recorded revenue of VND1,936bn (+292% YoY) and net income of VND393bn (+118% YoY) in 2Q20 (TCH's fiscal year ends in March each year).

In contrast, GAS (-1.8%), NVL (-0.9%), SAB (-1.1%), SBT (-0.9%), SSI (-0.8%), and VNM (-1.3%) closed in red territory.

Despite the third divergent session, the short-term uptrend is still intact as the VNIndex closes above the significant moving averages. Therefore, investors may hold their long position and focus on leading tickers.

Breaking news

- ▶ China: The USD/CNY hit the year-low

The USD/CNY hit the year-low at 6.68 (6.68 yuan for a U.S. dollar) on 20th October, 2020. This move extends the downtrend which is triggered from the end of May. The success in pandemic curbs and noticeable economic recovery of China relative to the U.S. explains partly the current trend of the onshore yuan against the greenback. The approval of the second U.S. stimulus package is predicted to lower the USD dollar and consequently enhance this momentum. (Bloomberg)

Sector & company

Saigon Cargo Service (SCS)

3Q20 brief: Domestic cargo maintain

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- ▶ Decline due to gloomy aviation outlook

SCS reported its 3Q20 results. Following, revenue reached VND167bn and profit before tax (PBT) reached VND124bn, declining 10% YoY and 9.3% YoY, respectively.

In general, 9M2020 SCS's revenue was VND495bn while PBT was VND362bn. It was completed 75% revenue and 80.4% PBT of the plan.

- ▶ Covid-19 serious affect international cargo

In 1Q20, international and domestic cargo maintain grew well with 10.5% YoY and 6.7% YoY, respectively. But, extensive pandemic in 2Q20 and 3Q20 has caused cargo transportation drops when flights are limited.

Specifically, international cargo plunge 27% YoY and domestic cargo slump 14.3% YoY. The cargo volume decline was mainly

driven by travel restrictions that started in mid-March. Domestic travel restriction lifted in mid-May, however, international travel is still restricted until the end of 2Q20.

Thanks to airline flexibility, cargo volume escaped the drop when converting passenger aircraft to cargo aircraft by airlines.

In 3Q20, domestic cargo was recovered when reached 13,754 tons and grow 3.7% YoY but international cargo reached 51,908 tons, lower than 3Q19 declined 5.4% YoY. All, 9M2020 total cargo volume was 148,884 tons, -7.8% YoY.

- ▶ Expected 4Q20 will fully recover

IATA: Cargo is following a fairly typical recession recovery cycle. In a recovery cycle, businesses need to increase inventories, component productions and facilities to supply recovering production demand such as Vietnam's FDI business.

International cargo will be supported by trade activities when EVFTA has been approved and entered into force on Aug 1, 2020.

Currently, travel restriction has been lifted but passenger travel is still neutral when quarantine regulations aren't completed, airlines could continue to ramp up cargo transportation to offset passenger volume.

Asia Commercial Bank (ACB)

BUY (Maintain), TP VND 25,800

3Q20 brief: Speed up

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- ▶ Rosy 3Q20 results

From 3Q20 investor meeting on 20 Oct 2020, ACB revealed to gain a PBT of VND6.4tn in 9M20, up 15% yoy, fulfilling 84% of the target. NII reached VND10tn, up 14% yoy and non-interest income was VND2.7tn, up 7% yoy.

FX trading and G-bond trading have brought in outstanding results in 9M20 beside bancassurance activity.

9M20 NIM was upbeat at 3.5%, an increase of 10bps against 2019 despite the shortage of accrued interest income from COVID-19 restructured loans. According to the bank's representatives, it is a result of higher CASA ratio (20% vs. 15-18% in previous years) and low deposit rates environment.

Particularly, ACB achieved a 3Q20 PBT of VND2.6tn, up 34% yoy and 37% qoq on a TOI of VND4.2tn, up 9% yoy and 2.4% qoq thank to saving credit provision and OPEX.

- ▶ Credit skyrockets by 10.6% ytd

Lending skyrocketed by 3.6% qoq in 3Q20 to achieve a loan book of VND294tn by Sep 2020. With that, ACB achieved a credit growth of 10.6% ytd in 9M20, beating our expectation thanks to consumer segment, at 12.3% ytd and SME, at 10.7% ytd.

Thanks to the bank's cautious credit policy, a diversified loan book and small exposure to hospitality sector, ACB is confident to overpass the 2020 stormy situation with a credit cost of below 1%.

ACB allocated a provision expenses of VND171bn in 3Q20 (-61% qoq), and VND703bn in 9M20 (+330% yoy; ~an annualized credit cost of 0.34%). NPL ratio was small at 0.84% while NPL coverage ratio was 113%.

Customer deposit reached VND335tn (+12.4% ytd and +1.3% qoq).

- ▶ COVID-19 restructuring will expire in 2021

Total outstanding of COVID-19 restructured loans was flat at VND9.2tn, ~3.1% of total credit. Since some restructured amounts have repaid interest, the bank's representatives trimmed estimation of interest rate exclusion related to restructuring to ~VND300-400bn from previous forecast of VND500bn in July. ACB declared that 95% of restructure loan book may terminate in 2021 and not cause significant decline in the bank's asset quality.

- ▶ Action: Maintain BUY

Even though ACB has been approaching our 2021 TP at VND25,800, we maintain BUY since its operation performance has been above our forecast. We will revise assumptions and model when the 3Q20 financial statement released

MBBank (MBB)**BUY (Maintain), TP VND 24,200****3Q20 review: Retail leads 3Q20's credit growth**Yen Tran
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- Facts: 3Q20 NP rises on lowering credit cost

MBB's 3Q20 controlling-interest NP reached VND2.4tn, up 4.1% qoq and 6.6% yoy. While PPE dropped by 5.8% qoq on a rise of CIR to 42%, the bottom line was saved by lowering credit provision to VND884bn from VND1.2tn in 2Q20. Particularly, the plummet in the 3Q20 credit provision occurred at the parent bank while that at MCredit was stable at ~VND400-450bn. Given that, MBB's 9M20 NP achieved VND6.3tn, fulfilling ~90% of 2020's guidance.

- Pros & cons: Retail leads 3Q20's credit

Credit growth was stronger than our expectation with a growth of 3.9% qoq in 3Q20 and 11.7% ytd in 9M20. Of note, retail lending was rosy at a 9.8% qoq growth in 3Q20. Corporate bonds holding increased by 16% qoq to VND28tn. On the other hand, corporate loans declined by 2% qoq to VND156tn and MCredit's credit growth was slowdown at 1.4% qoq to VND8tn. NPL ratio inched by 14bps to 1.35% at parent bank and was flat at 6.5% at MCredit. Since MBB's credit has skewed toward corporate bond and retail market amid downward slope of interest rate, 3Q20 NIM was up 44bps qoq to 5.25%.

We believe that these brisk figures should be a result of the bank's proper approaches in the COVID-19 infected economy. As such, we respectively raise the bank's credit growth and NIM 2020F to 16.5% (+4.5%) and 4.95% (+23bps). COVID-19 restructured loans may expire gradually since late 2020, and send credit cost to 2.9% in 4Q20 and 2.3% in 2021. The bank's NP is expected to grow ~7% to VND8.8tn in 2021.

- Action: Revised up TP to VND24,200

We reaffirm BUY and upgrade TP to VND24,200 after reflecting the above changes and rolling forward to 2021-end. Its recent marketing campaign have succeeded in developing retail customer base, which will advantage MBB in elevating non-interest income services and its retail loans portfolio further in coming years.

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
11/11/2020	VTP	Viettel Post	830.5	4,982,876	105,500	-
11/4/2020	VOC	Vietnam Vegetable Oils Industry Corporation	1,218.0	44,211,900	22,690	Whole lot sale
10/26/2020	EVF	EVN Finance JSC	2,649.8	2,650,000	17,411	-
10/26/2020	XLAG	An Giang Construction One Member Co., Ltd	287.2	7,722,638	45,400	IPO

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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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