

# Xin Chao Vietnam

## Market performance

	4 Dec	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,021.49	0.2	8.7	13.3	6.3
Turnover (VND bn)	10,700				
VN30 (pt, % chg.)	984.34	(0.1)	8.7	17.1	12.0

## Major indicators

	4 Dec	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.45	(0.1)	(0.0)	(0.1)	(1.0)
3-yr gov't bonds (% bp chg.)	0.85	0.1	0.1	(0.2)	(0.8)
VND/USD (% chg.)	23,132	0.0	0.2	0.2	0.2
VND/JPY (% chg.)	22,245	0.1	(0.4)	(2.0)	(4.1)
VND/EUR (% chg.)	28,122	(0.3)	(3.4)	(2.2)	(7.6)
VND/CNY (% chg.)	3,541	(0.2)	(1.7)	(4.4)	(6.0)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.92	0.0	0.2	0.2	(1.0)
WTI (USD/bbl, % chg.)	46.58	2.1	19.0	17.1	(23.7)
Gold (USD/oz, % chg.)	49.71	2.1	20.6	16.5	(24.7)

## Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VNG	49.8	CII	(81.3)
PNJ	28.1	HPG	(44.0)
VPB	20.8	FUEVFNVD	(19.4)
FPT	20.6	DXG	(5.4)
MBB	19.9	TTF	(3.8)

## Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
MBB	33.4	GMD	(34.6)
VPB	30.1	LCG	(34.2)
VHM	29.3	PAN	(33.5)
FUEVFNVD	19.1	VNM	(26.9)
MSN	18.3	VCB	(26.4)

## Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Others	5.5	Telecommunication	(3.4)
F&B	1.4	Media & Entertainment	(3.1)
Pharmaceuticals	1.1	Health Care	(2.1)
Utilities	0.9	Technology	(1.9)
Automobiles	0.9	Insurance	(1.6)

## WHAT'S NEW TODAY

### Market commentary & News

- **Market commentary:** Fourth gaining session
- **Vietnam:** High domestic demand lifts up industrial growth

### Macro & strategy

- **Chart of the day:** High volatility zone
- **December Macro view:** Economic growth to slow down under COVID-19 uncertainty

### Sector & company

- **Masan Group (MSN):** 3Q20 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	191,785	119,519	29.7	15.2	2.7	13.6	17.7
2019	238,659	144,922	24.2	13.8	2.4	11.0	17.4
2020F	270,014	151,973	7.0	14.7	2.4	10.6	16.1
2021F	304,264	177,159	18.9	12.4	2.0	9.4	16.4

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	3Q20	4Q20F	2019	2020F	2021F
GDP (% yoy)	3.8	0.4	2.6	5.0	7.0	4.3	5.9
Trade balance (USD bn)	1.7	0.6	7.4	5.1	10.4	7.9	1.8
CPI (% yoy, avg.)	5.6	2.8	3.2	3.5	2.8	3.8	3.5
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,206	23,188	23,197	23,231	23,214	23,206
US GDP (% qoq)	(4.8)	(31.7)	33.1	4.0	2.2	(3.6)	3.8
China GDP (% yoy)	(6.8)	3.2	4.9	5.9	6.1	2.0	8.2

Source: KIS, Bloomberg

## Market commentary & News

### Market commentary

#### Fourth gaining session

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Vietnam stock market recorded the fourth gaining session in a row as no new cases of COVID-19 have emerged in the community.

At the close, the VNIndex gained 0.17% to close at 1,021 pts. Meanwhile, trading volume increased to 553 million shares or VND10,700bn.

Foreign investors reversed to sell with a net value of VND44bn on HSX. They sold GMD, LCG, and PAN the most with a net value of VND34.6bn, VND34.1bn, VND33.4bn, respectively.

After a price of Brent Crude approached USD50 per barrel, cash flowed into Energy stocks thanks to GAS (+1.2%), PVT (+0.8%), PVD (+1.9%), POW (+1.3%), BSR (+4.1%), NT2 (+1.5%), and PLX (+0.4%).

Besides, some constituents of VN30Index, such as CTG (+2.6%), MSN (+3.1%), SAB (+3.5%), SBT (+1.3%), and PNJ (+1.2%), outperformed the benchmark index. Of which, PNJ planned to issue 2.3 million ESOP shares (1.03% of outstanding shares) at the expected issuance price of VND20,000 per share. Chairman and CEO of PNJ could buy a total of 470,600 shares, accounting for more than 20% of the ESOP.

In contrast, selling pressure pushed down Banking, namely VCB (-2.6%), HDB (-0.5%), TCB (-0.8%), VPB (-1.8%), and EIB (-0.9%).

The VNIndex closes above the 1,000-pts threshold, implying the short-term uptrend. Thus, traders should hold their long position and focus on leading stocks.

### Breaking news

- ▶ Vietnam: High domestic demand lifts up industrial growth

In November, the industrial sector saw expansion in a wide range of sub-sectors, attributed to strong domestic economic activities and also high export demand in some particular industries. The only notable exception was the electronic industries with export for electronic products slumping, which was disrupting the most key growth driver for the industrial sector. Accordingly, the industrial growth continued its upward momentum for 7 months, subsequently setting a new high record for the third straight month, increasing by 9.2% YoY. However, the upward momentum was hitting the lowest since May as the MoM increase recorded just 0.5%. (MPI, KIS)

## Macro & strategy

### Chart of the day

#### High volatility zone

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- ▶ Market performance

The VNIndex continued to rebound last week, approaching 2019's peak as well as breakout is not confirmed.

- ▶ Chart: Volatility level is high

The bullish leg is active with stable bullish momentum thanks to the expansion of Bollinger bands and upward sloping major MAs. However, the narrow spread candle was formed with above average volume, implying the high volatility market.

With congestion zone, the broken 960-970 pts area turns around to act as the short-term support. On the upside, 1,030-1,050 pts is the short-term resistance for VNIndex.

MA200 and MA50 are still widely separated as well as upward crossover between these MAs is confirmed, the medium and long-term bullish market is active.

→ Consolidation phase is expected to take place this week due to the occurrence of the narrow spread candle near 2019's peak.

- ▶ Technical strategy: Hold the positions

As mentioned above, market has entered the uncertainty zone where 2019's peak was formed. Thus, investors should hold the current positions and should not increase the proportion on leading stocks at this zone.

## **December Macro view**

### **Economic growth to slow down under COVID-19 uncertainty**

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- ▶ Local infection to concern trade momentum

Although export was slowing down, trade activities in November witnessed a slight acceleration due to a higher growth rate in import value compared to last month. COVID resurgence and the postpone of stimulus packages slow down export growth, while the country's well-controlled pandemic boost domestic demand and accelerated import growth. We predict trade to slow down due to global anti-virus restrictions enhancement and domestic consumers' looming confidence related to new local affected cases.

- ▶ Petroleum prices to push CPI up

The CPI witnessed a reduction compared to the previous month, recording the first negative growth rate after a series of five rising months. Traffic was the main reason putting downward pressure on CPI, while food and foodstuff and housing and construction materials were the main forces pushing CPI up. We predict CPI to increase by 0.16% MoM in December.

- ▶ New FDI continues to set multi-month high

November data showed that a recent growth in registered FDI continues to gain momentum. However, with new COVID-19 cases being found in the society in early-December, the government has again closed the international flights without a specific end date. Thus, it would likely cause further delay in new FDI registration in December.

- ▶ High domestic demand to lift up industrial growth

Looking forward to December, export demand-related industries would face difficulties to boost production as consumers in the U.S. and Europe markets signal negative sentiment due to the COVID-19 impact. We expect that high domestic demand would continue to be a key to unlock further growth in industries serving domestic market.

## **Sector & company**

### **Masan Group (MSN)**

**Hold (Downgrade)**

**3Q20 review: Sustainable earning recovery in 4Q20**

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- ▶ Facts: Masan Group's NPAT elevated in 3Q20

driven by the consolidation of VND7,864bn of VinCommerce, Masan High-Tech Materials growth of 151.6% yoy and Masan Consumer growth of 32.0% yoy.

Masan Group's NPAT post-MI recorded VND852bn (-61.8% yoy) mainly due to operating loss of VinCommerce at -9.3% EBIT margin. Overall, Masan Group recorded NPAT post-MI of VND969bn (-76.4% yoy) in 9M20.

- ▶ Pros & cons: Earning improvement to maintain in 4Q20

We expect Masan Consumer to maintain earning growth pillar of Masan Group in 4Q20, driven by (1) revenue surge of premium products, including granule, full-meal solutions portfolio and processed meat, which saw revenue blossom in 9M20, (2) profit

consolidation of Netsco and (3) profit margins expansion thanks to larger revenue portion of Masan Consumer's higher-margin premium products. We estimate Masan Consumer to reach VND24,077bn revenue (+27.8% yoy) and VND4,914bn EBIT (+23.3% yoy) in 2020.

Besides solid earnings growth of Masan Consumer, the earning enhancement of Masan MEATLife will buoy Masan Group's NPAT growth in 4Q20. Particularly, the decrease of live hog price and strong recovery of pig feed thanks to less impact of African swine fever (ASF) disease in Vietnam, coupled with stable revenue growth of poultry feed will be earning key drivers of Masan MEATLife in 4Q20. We estimate Masan MEATLife to reach VND16,280bn revenue (+18.0% yoy) and VND1,113bn EBIT (+41.3% yoy) in 2020.

We expect core business of Masan High-Tech Materials will improve in 4Q20 as gross margin improvement of copper export segment will significantly offset loss of Tungsten export. However, Masan High-Tech Materials will remain loss in the whole 2020. We estimate Masan High-Tech Materials to reach VND7,851bn revenue (+66.8% yoy) and record EBIT loss of VND-108bn in 2020.

The improvement of VinCommerce's EBITDA margin beats our expectation and is in line with its target of 0% EBITDA margin in 4Q20. We estimate VinCommerce to reach VND32,483bn revenue (+25.8% yoy) and post -4.9% EBITDA margin in 2020.

Overall, we estimate Masan Group to reach VND80,692bn revenue and VND1,356bn NPAT post-MI in 2020, increasing 116% yoy and decreasing -75.6% yoy, respectively in 2020.

► Earning recovery to be in progress in 2021

In 2021, we believe the earning recovery of Masan Group will be in progress thanks to existing supporting factors. Of which, Masan MEATLife and Masan Consumer will achieve double-digit operating profit growths while Masan High-Tech Materials will make profit again. After accelerating cost structuring in 2020, we expect VinCommerce to narrow its operating loss in 2021 to support for the earning growth momentum of Masan Group.

Basing on solid earnings growth of Masan Consumer and elevated earning growth of Masan MEATLife, backed by better core business performance of Masan High-Tech Materials and VinCommerce, we estimate Masan Group to reach VND92,030bn revenue and VND2,221bn NPAT post-MI in 2020, increasing 14.1% yoy and 63.8% yoy in 2021, respectively.

► Action: Downgrade to Hold

We raise our target price (TP) for MSN share by 27% to VND94,000/share but downgrade to Hold from BUY as MSN share price has jumped by 62% over the last two months. Our TP increase is driven by rolling price recommendation to the end of 2021 and the increase of our estimate for Masan Group's 2021 NPAT post-MI on the back of higher earning forecasts for all four core business segments.

## New listing & Public offerings

### ► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
12/10/2020	MTB	Thai Binh Environment And Urban Projects JSC	UPCoM	62.8	6,278,259	10,000
12/10/2020	MXC	Mua Xuan Agriculture Center	UPCoM	7.0	700,938	20,300
12/8/2020	FUEMAV30	MAFM VN30 ETF	HSX	115.0	11,500,000	-

### ► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
12/31/2020		Bong Sen Guest House	93.0	5,899,200	10,000	-
12/25/2020	SHG	Song Hong Corporation	270.0	13,241,200	10,000	-
12/24/2020		HUD.VN - Social Housing Development JSC	221.2	16,139,124	10,800	Whole lot sale
12/23/2020	MSB	Maritime Bank	11,750.0	4,031,812	13,000	Whole lot sale
12/22/2020	VOC	Vietnam Vegetable Oils Industry Corporation	1,218.0	44,211,900	18,540	-
12/21/2020	HUDKG	HUD Kien Giang Investment Construction JSC	355.0	34,845,100	34,000	Whole lot sale; Foreigners can buy 18,105,000 shares

12/18/2020	ITJ	Becamex Infrastructure Development JSC	1,371.0	80,000,000	12,500	-
12/16/2020	HAN	Hanoi Construction Corp	1,410.5	139,399,608	19,930	Foreigners can buy 69,113,520 shares
12/10/2020	VTK	Viettel Consultant and Design JSC	41.6	630,748	27,500	-
12/9/2020	SGC	Sa Giang Import - Export Corporation	71.5	3,565,759	97,500	Whole lot sale; Local investors only
12/7/2020	CTR	Viettel Construction JSC	704.1	7,746,801	46,600	-

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- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
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- 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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