

Strategic Insight

Will 2013's "taper tantrum" nightmare repeat?

The risk of the 2013 taper tantrum replication

2021-early witnessed a hike in the U.S. government bond market among with upward pressure inflation, concerning investors about another taper tantrum similar to 2013 summer. However, we see different things compared to what occurred in the 2013 summer, indicating the chance of a sooner-than-expected tapering to be smaller. Besides, the ASEAN block, including Vietnam, was not an exception from an assuming taper tantrum, but with less severe injury due to a different structure of capital inflow from the U.S. and a stronger macroeconomic fundamental compared to 2013.

Is high inflation a significant risk?

Although the latest released March CPI lowers the possibility that inflation risk could happen for Vietnam's case, an 8-year high record of CPI in February is still a worrying signal in investors' eyes. Our work is to resolve this "inflation-fear" illusion and affirm the inflation still in a good shape. After conducting some reasonable adjustments, February's CPI was down from its 8-year peak of 1.52% MoM to just a healthy pace of 0.45% MoM. The analysis result implies that inflation would not likely cause any significant impact on the current low interest-rate environment. Most importantly, as inflation is far from being a concern to the economy, the easing monetary stance from SBV would likely remain for long until inflation recovery reaches a meaningful level.

Vietnam stock market reaction

In the short term, the stock market may appear a correction and retest the 1,100-point area as trading overload issues on HSX. After that, the VNIndex will bounce back under positive influence from low interest rates, upside cycle and valuation, whereby the index will break out the highest peak of 1,200-pts in the long term.

Bond market in 1Q21 is less attractive than 1Q20

Particularly, both Government Bond and Corporate bond experienced the drop in total issued value. However, we expected the Corporate bond market to be more attractive in 2021 thanks to the significant drop in deposit rate and there is the high demand for medium- and long- term capital demand for businesses.

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I. Taper, not a tantrum but rather a global wave

Indelible 2013 summer with investors in emerging markets (EMs). 2021-early witnessed a significant move in the U.S. government bond market as the 10yr yield surged by 60 basis points (bps) to post 1.6% (as of 25th March 2021) from its previous low base, setting by Fed's bond purchasing program in response to the devastating COVID19 effect. Such move brings investors back to the bad memory of the taper tantrum in 2013 summer, when Fed's former chairman Bernanke, in the May 22, 2013, FOMC minutes, suggested the reassessment of the existing large-scaled assets purchase (LSAP) program. This action indicates a shift in the existing Fed's monetary stance, which was shaped after the global financial crisis (GFC), and creates turmoil in financial markets, including bond, forex, and equity markets, in developing countries.

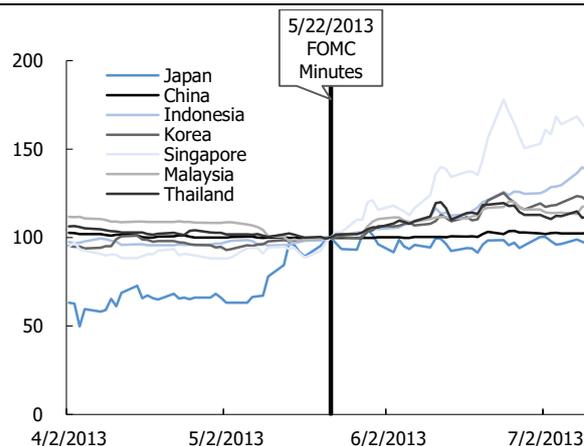
The broad sell-off in EMs was mainly characterized by the prominent capital outflow of foreign investors, who left the U.S. financial markets in the GFC-post era for seeking a better return in EMs. Fed's change in monetary stance led to a shrinkage in yield spreads and prompt investors to unwind their holdings in EMs for a large investment in U.S. financial assets. Along with the hike in yield of U.S. fixed-income assets, government bond yield in EMs also witnessed sizeable increases. For a horizon of 50-trading-days starting from the FOMC meeting in May 2013, 10yr government bond yields of China, South Korea, and ASEAN countries, including Singapore, Thailand, Malaysia, Indonesia rose by 9-, 60-, 95-, 39-, 56-, and 216- bps, respectively. These increases were significant in the context of the government bond market in pre-FOMC meetings tends to be strongly stable.

Figure 1. Historical U.S. 10yr government bond yield



Source: Bloomberg, KIS

Figure 2. Reactions of Asian bond markets

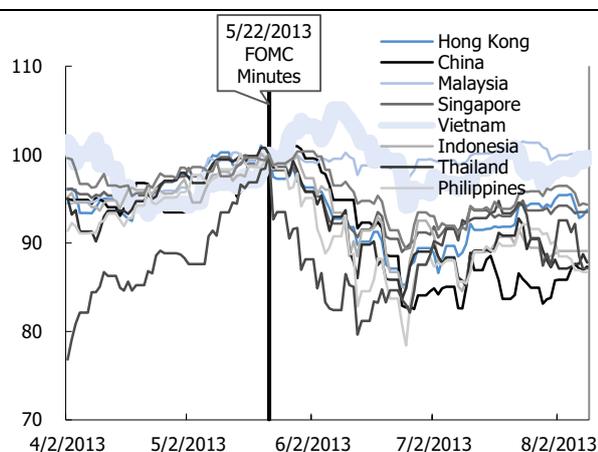


Source: Bloomberg, KIS

In response to the meaningful implication from the U.S. central bank, forex traders tend to execute their carry trade by unwinding their positions in developing country currencies for the exchange with the greenback. Therefore, the currencies of Asia countries, including the ASEAN block, experienced the most significant depreciations from the GFC. With a horizon of 50-trading-day post the FOMC meeting, the Indonesian rupiah, Malaysian ringgit, the Philippines peso, and the Thai baht lost 9.71%, 7.19%, 5.44%, and 4.82% their values relative to the U.S. dollar, respectively. The Singapore dollar and the Vietnam dong were exceptions from the turbulence in the regional forex market as their currencies witnessed trivial changes. Regarding the reaction in stock markets, the broad sell-off occurred not only in major equity markets in the Asian region, such as Hong Kong, Japan, South Korea but also in less attractive markets, such as Thailand, Philippines, Indonesia. After 50 trading sessions since the meeting of the U.S. central bank, the Hang Seng, Nikkei 225, KOSPI, SET, PSEi, and JKSE indices plunged by 6.25%, 12.88%, 5.67%, 12.20%, 13.28%, 10.89%, respectively marking significant corrections from their previous uptrends.

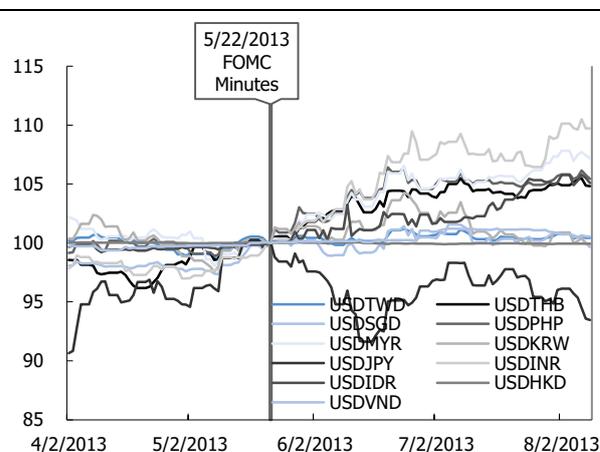
According to the IMF's report for 21 countries in EMs over the taper tantrum period (through FOMC minutes to June-end), averagely, their currencies depreciated 3 percent, the yield spread between U.S. government bond and theirs rose by 1 percent, and their stock markets dropped by 7 percent.

Figure 3. Reactions of Asian stock market



Source: Bloomberg, KIS

Figure 4. Reactions of Asian currencies

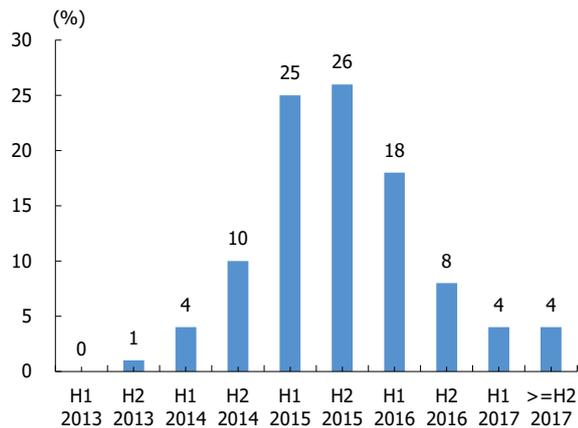


Source: Bloomberg, KIS

The smaller likelihood of a new taper tantrum. After the Fed provide shatter for the bond market and domestic consumption through its supporting facilities in response to the spreading pandemic, the U.S. economy recently shows the rebound in domestic economic activities. As a result, of the overall price tend to increase due to the desire to return to the pre-pandemic buying and shopping behavior after long-lasting lockdown and staying-at-home. The U.S. consumer price index rose by 1.70% YoY in February 2021, extending the uptrend since December 2020 and hence increasing the likelihood of a sooner tapering from Fed. In 2013-early, Fed was expected to main the purchasing magnitude of the LSAP until the first months of 2014, but the May FOMC meeting revised investor's expectation about the path that Fed adjusts its monetary stance and

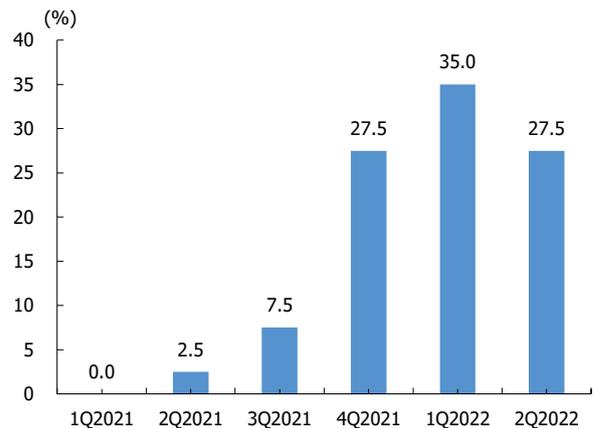
followed by the turbulence in EMs financial market. At this time, according to the latest survey of New York Fed, market is anticipating that the ongoing monetary easing will remain its purchasing amount of treasury and agency bonds until the first quarter 2022, implying that the central bank is likely to hint the revision of current policies at the April meeting this year.

Figure 5. 2013 latest expectation of the taper timing



Source: Bloomberg, KIS, New York Fed

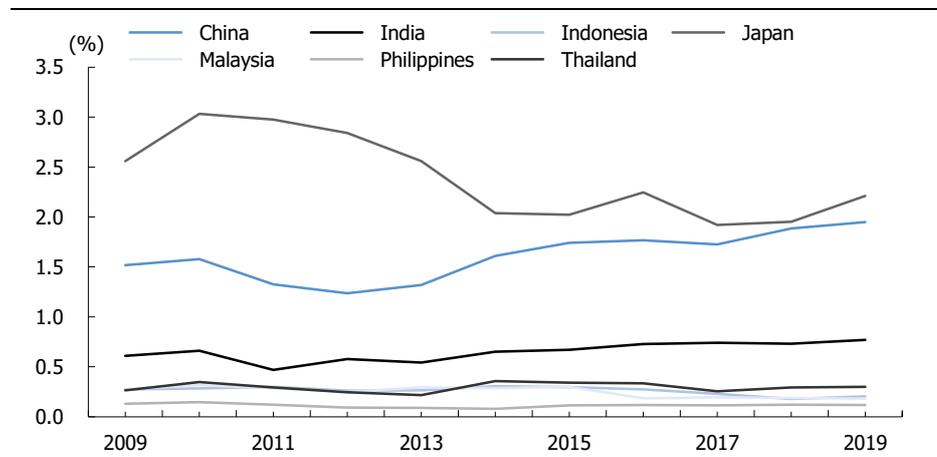
Figure 6. 2021 latest expectation of the taper timing



Source: Bloomberg, KIS, New York Fed

However, we see different things compared to the what occurred in the 2013 summer, indicating the chance of a sooner-than-expected tapering to be smaller. First, Fed seems to more patient to short-term fluctuations in inflation as the central bank recently announced to use average inflation targeting instead of periodic level as before in deciding its monetary policy stance. Second, 2013 witnessed a capital outflow from the U.S. to emerging markets to seek a better return in response to Fed's LSAP, an unconventional monetary policy representing the intensive attitude of the U.S. central bank in resolving the economic loss from the 2008 global financial crisis. Contrary to Fed, central banks in other economies, particularly in EMs, did not pursue easing monetary policies with a congruent magnitude. Consequently, the change in Fed's economic outlook and its corresponding policy created a reversal in direction of capital flows. Fed's current QE is in the global stream of easing monetary policies from central banks over the world supporting economies in response to spreading COVID19 effect. Therefore, it seems to be a temporary mismatch in timings of halting stimulus policies between central banks in the U.S. and EMs, which heavily depends on the vaccination timeline, rather than a difference in monetary stance.

Figure 7. Historical share U.S. direct investment abroad by countries



Source: US Bureau of Economic Analysis, Bloomberg, KIS,

ASEAN block, including Vietnam, was not an exception from an assuming taper tantrum, but with less severe injury. There are several reasons indicating that ASEAN countries, including Vietnam, will suffer a minor loss if a new taper tantrum re-occurs. First, unlike the last turmoil, capital flow tends to transfer more on high technology businesses located in China and India, while countries in the ASEAN block seem to be less attractive destinations of foreign direct and portfolio investment. Therefore, this phenomenon indicates that the reversal in direction of capital flows was more serious in China and India. Second, governments in southeast Asia tend to be more efficient in controlling the COVID-19 infection and consequently are more likely to loosen their restrictions. Vietnam, among ASEAN countries, with a stronger macro fundamental, a well-controlled pandemic, and a high potential economic growth, has an advantage in excluding damage from an assuming capital withdrawal of foreign investors.

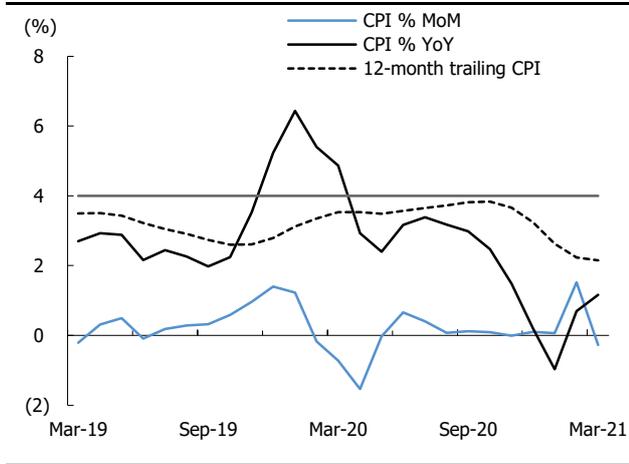
II. Is high inflation a significant risk?

Vietnam CPI peaked at 8-year high amid global fear of inflation

“Inflation fear” is one of the most downside risks in the global financial markets in the early days of 2021. High inflation could make some negative impacts on a variety of markets, and the norm tells us that it would create upward pressure on the overall interest-rate level in the economy. And higher interest rates are hurtful for most businesses, maybe except banks. The worst among high-inflation consequences is that the central bank may re-think the implementation of super-easy monetary policy.

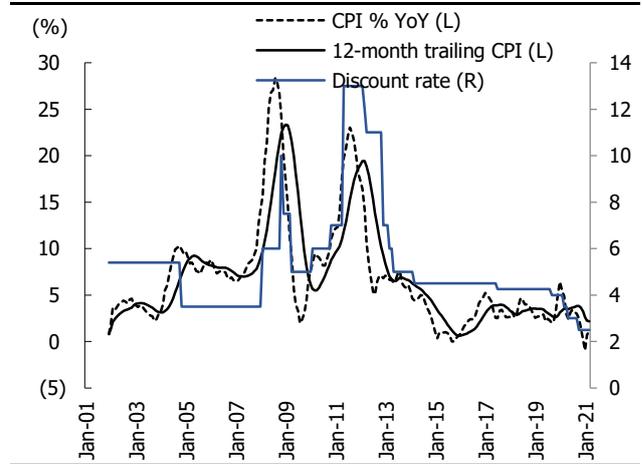
Coincidentally, Vietnam’s Consumer Price Index (CPI) was suddenly surging to an 8-year high, pouring fuel to a growing fire. It raised many concerns about whether inflation could pose a downside risk to the economy and cause negative stock market reactions like the way it happened in the U.S. case recently. Although the latest March CPI retreated from the recent peak and lower the possibility that inflation risk could happen, that fear still remains in investors' sentiment.

Figure 8. Consumer Price Index



Source: GSO, KIS

Figure 9. Inflation and monetary policy

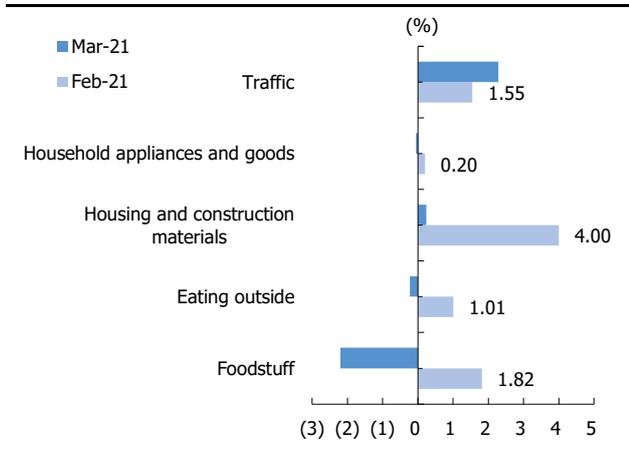


Source: GSO, KIS

Then, the question is needed to be asked at the present is that are there any possibility the current high inflation would become stronger and sustainable? Despite all those numbers, we choose to look at another view about what are the root causes of the surge in CPI in February. And, there also other evidence pointed out that this high inflation cannot sustain in the near term.

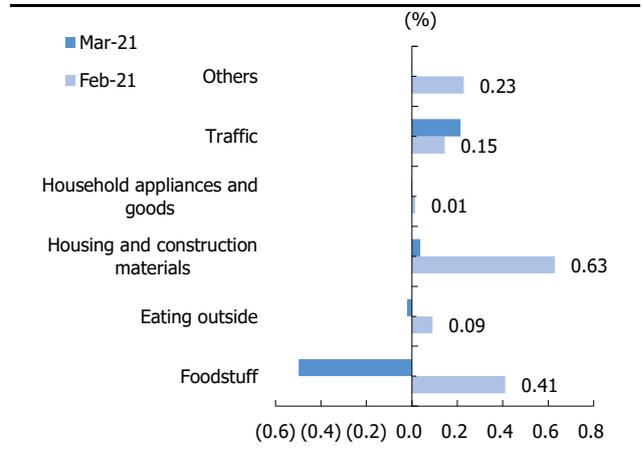
Looking deeper to the price levels by sectors, in February 2021, top 5 largest-weighted components in Figure 10 were the ones making the most changes in the overall CPI, by over 85%. It is also noticing that after running test for the seasonality effect combined with special events, more than a half of CPI components, including those 5 largest-weighted sectors, were affected by either Tet's seasonality, government support measures (one-off factor) or short-lived supply shortage, as illustrated in Table 1.

Figure 10. Top 5 largest-weighted CPI components



Source: GSO, KIS

Figure 11. Contributions of 5 largest sectors



Source: GSO, KIS

Table 1. Seasonality and one-off factor test result

Item	Weight (%)	Tet Seasonality	Short-lived factor
Food	4.42		
Foodstuff	22.60	X	
Eating outside	9.06	X	
Beverage and cigarette	3.59	X	
Garment, Footwear, hat	6.37		
Housing and construction materials	15.73		X
Household appliances and goods	7.31		
Medicine and health care	5.04		
Traffic	9.37		X
Postal services & Telecommunication	2.89		
Education	5.99		
Culture, entertainment and tourism	4.29	X	
Other goods and services	3.3	X	

Source: GSO, KIS

Adjusting the Tet seasonality effect

As illustrated in the Table 2 below, Foodstuff, Eating outside, Beverage and cigarette, Culture & entertainment & tourism, and Other goods & services were impacted during Tet holiday as demand for those sectors normally increased strongly during Tet long-holiday. The statistical results for those cases were also strongly significant. Furthermore, the impacts of the first two components on the overall CPI were significant due to its large weight, contributing about one-third of CPI's increase in February.

The results in Table 2 were derived by conducting seasonality adjustment by monthly data over a period from Jan 2012 to Feb 2021.

Table 2. Tet seasonal adjustment

Sectors	Non-seasonally adjusted change	Seasonal impact	Seasonally adjusted change
Foodstuff	1.82	1.01	0.81
Eating outside	1.01	1.21	(0.20)
Beverage and cigarette	0.90	0.52	0.38
Culture, entertainment and tourism	0.13	0.35	(0.25)
Other goods and services	0.74	0.48	0.26

Source: GSO, KIS

Electricity reduction also reduced Housing prices

According to the Government's Resolution No. 180/NQ-CP and the Official Letter No. 9764/BCT-DTĐL, Vietnam Electricity Corporation (EVN) implemented a phase-2 reduction for electricity prices and bills for the invoice in a period from Oct – 20 to Dec – 20. This electricity reduction is applied to the Jan-21 invoice for eligible payers. As a result, it caused a one-time price reduction in Housing and construction materials sector and an increase in February when the support was no longer applied. The impact of electricity prices on prices in Housing and construction materials would be normalizing since March.

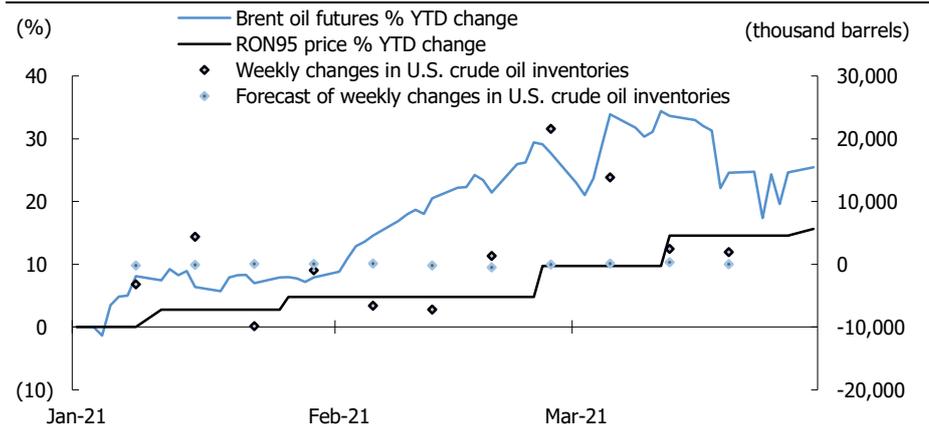
High global oil prices not likely preserve in the near term

The global oil market surprisingly saw a short-term supply shortage as a massive snowstorm attacked Texas-based oil facilities and interrupted oil exploitation & production activities. Since then, oil & petroleum prices reacted to the supply shortage and increased significantly, e.g., world-benchmark Brent oil futures climbed from nearly USD61 a barrel up to USD71.5 a barrel in early

March. However, since a large part of oil resources have been restored shortly after natural disasters, oil prices also went back to pre-crisis levels.

For this reason, we believe that domestic petroleum prices would hardly preserve a currently high base. As a result, the upward pressure on prices in the Traffic sector would also be loosening in coming months.

Figure 12. U.S. oil supply shortage and oil & petroleum prices

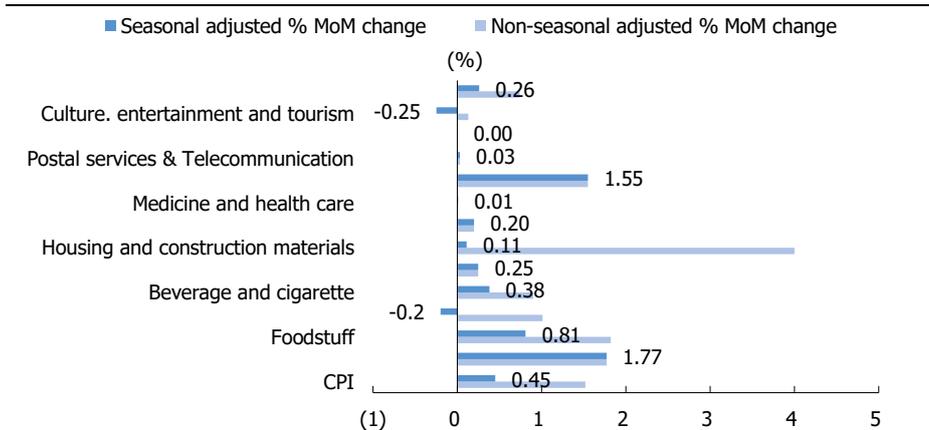


Source: EIA, MolT, Reuters, Bloomberg, KIS

The after-adjusted inflation is not as bad as expected

After explaining all those points above, we made a final adjustment for monthly CPI in February. In more detail, we will eliminate the Tet's seasonality impact on prices in Foodstuff, Eating outside, Beverage and cigarette, Culture & entertainment & tourism, and Other goods and services. Furthermore, it is also reasonable to remove a one-off reduction of electricity bills. However, we will leave crude oil & petroleum prices unchanged when there are many uncertainties about the global oil prices for a time being and in the future.

Figure 13. Adjusted price growth for CPI components in February



Source: GSO, KIS

From our calculation, the seasonal-adjusted CPI in February was down from an 8-year peak of 1.52% MoM to just 0.45% MoM, in which short-term upward pressure from global oil prices on Traffic prices contributed more than one-third to the increase in after-adjusted CPI.

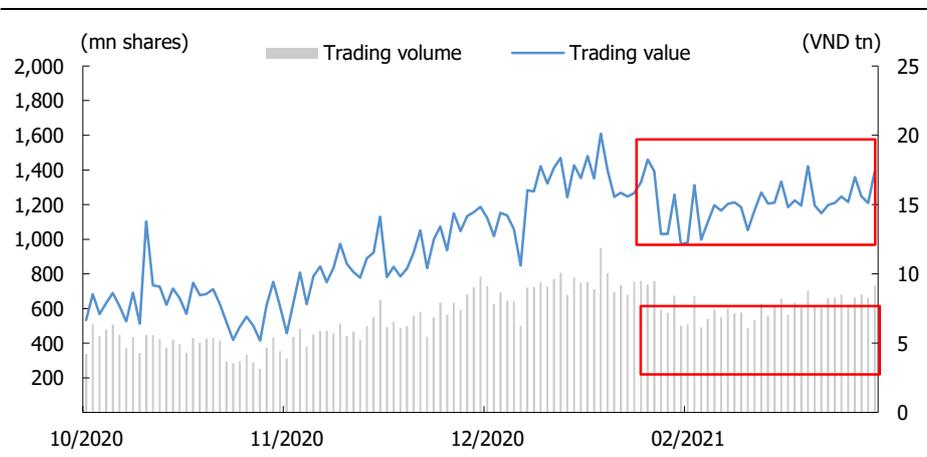
In conclusion, based on the result above, we can say that the record high of CPI in February is just the consequence of many unusual factors that happened at one time and will not last long. For now, we do not see any potential factors to bring CPI near to the government target of 4%, although the recovery in CPI would continue at a healthy pace.

The analysis result implies that inflation would not likely cause any significant impact on the current low interest-rate environment in the near future. Short-term interbank rates would get stuck at low levels. The government debt markets would also calm down after a surprising rebound recently, and a 10-year G-bond yield would likely remain below a 2.50% level. As a result, those two most important benchmarks for the interest-rate level for the economy would remain accommodative to the credit growth and economic activity. And most importantly, as inflation is far from being a concern to the economy, the easing monetary stance from SBV would likely remain for long until inflation recovery reaches a meaningful level.

III. Short-term selling pressure

Trading overload issues on HSX. The VNIndex formed an uptrend from April 2020. Along with this uptrend, the trading volume and value also increased from 275 million shares (or VND4.2tn) per session in March 2020 to 640 million shares (or VND15.2tn) per session in March 2021, rising 132% (or 261%). The current high level of trading value and volume has been maintained since December 2020. According to HSX, the current volume and value have reached the limit of HSX's trading system and cannot increase any more. Therefore, the current congestion occurs.

Figure 14. Trading value and trading volume of Hochiminh Stock Exchange



Source: Fiinpro, KIS

Trading overload issues can be a big problem for the bullish market. In an uptrend, traders are often optimistic and increase buying and selling. This leads to an increase in trading volume and value. The trading congestion can reduce investor excitement and affect the current uptrend of the market.

Table 3. Ticker on the switch of listing to HNX

No	Tickers	Name	Note	Last trading date	Start trading date on HNX
1	BBC	Bibica Corporation	in the process of switching	03/23/2021	03/29/2021
2	SSC	Southern Seed JSC	in the process of switching	03/23/2021	03/29/2021
3	ABT	Bentre Aquaproduct Import And Export JSC	in the process of switching	03/26/2021	04/01/2021
4	VFG	Vietnam Fumigation JSC	in the process of switching	03/26/2021	04/01/2021
5	VND	VNDIRECT Securities Corporation	in the process of switching	03/30/2021	04/05/2021
6	NSC	National Seed JSC	plan to switch to HNX		
7	FMC	Sao Ta Foods JSC	plan to switch to HNX		
8	LAF	Long An Food Processing Export JSC	plan to switch to HNX		
9	BSI	BIDV Securities Company	plan to switch to HNX		

Source: Fiinpro, KIS

However, this is only a short-term problem because HSX has implemented many solutions to solve this problem such as:

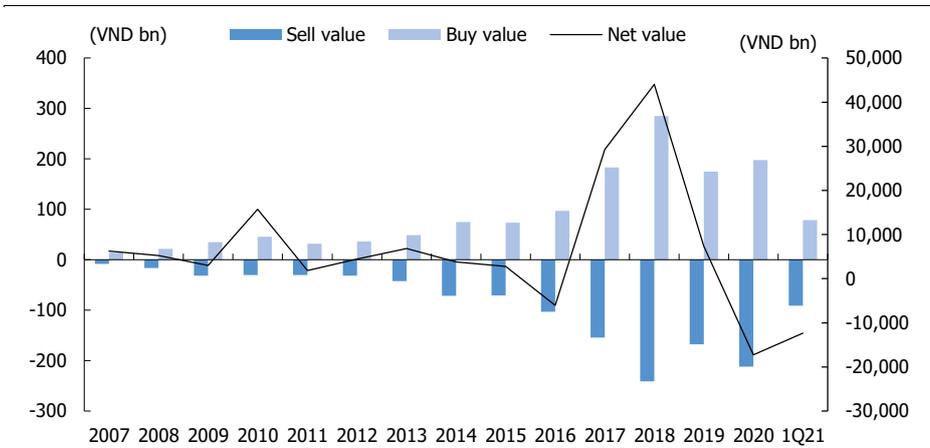
- Switch some tickers listed temporarily on HNX.
- Coordinate with FPT to build a temporary system.
- Accelerate the process of putting the KRX system into operation.

We believe that the congestion can reduce the excitement of investors in the short term but not affect the uptrend of the market in the long term.

Foreign selling activities surges in 1Q21. Relating to foreign activities, Vietnam capital market experienced the oversupply in the first quarter of 2021. Particularly, net sell value recorded at VND12tn, up 20% YoY whilst the market stayed net bought in the first quarter of 2019. The surge in selling activities could be explained by the rebalancing process of foreign funds which mainly focus on VN30 Index components.

At the end of Mar 2021, Financials, Consumer Staples, and Materials were sold the most, mainly driven by large sell orders on CTG, VCB, VNM, MSN, and HPG. On the contrary, Real Estate attracted the most buying activities across the market thanks to the massive demand on KBC, NVL, and VHM.

Figure 15. Net buy/sell by sector (2007 - 1Q21)



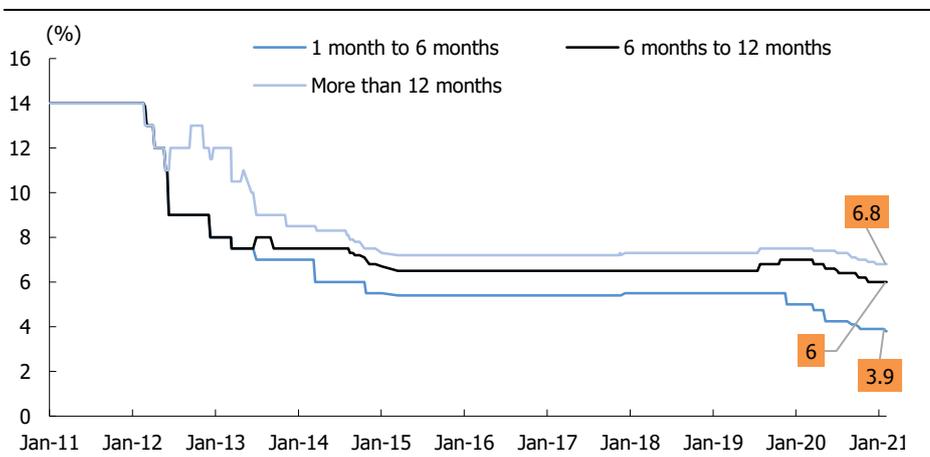
Source: Fiinpro, KIS

IV. Long-term uptrend

Low level of interest rate. In 2020, the COVID-19 epidemic has a strong impact on the Vietnam economy, making Vietnam's GDP grew by 2.91% YoY. Hence, the State Bank of Vietnam (SBV) is forced to have policies to support the economy. Notably, SBV has cut interest rates three times in 2020 to support enterprises. Therefore, commercial banks' deposit rates adjust to a low level (below 7% for 1 year and 4% for 1 month). At this low interest rate, bank deposits have become a less attractive investment channel for investors. They will look for other investment channels such as gold, stock, and real estate. Based on the increase of 4.3% and the high volatility of the VNIndex, the Vietnam stock market can be an attractive investment channel now.

Interest rates may rise slightly in the short term due to the illiquidity of the banking system in the interbank market. However, this increase will be insignificant, and the interest rate level will remain low due to the corporate support policies of SBV against the impact of the COVID-19 epidemic.

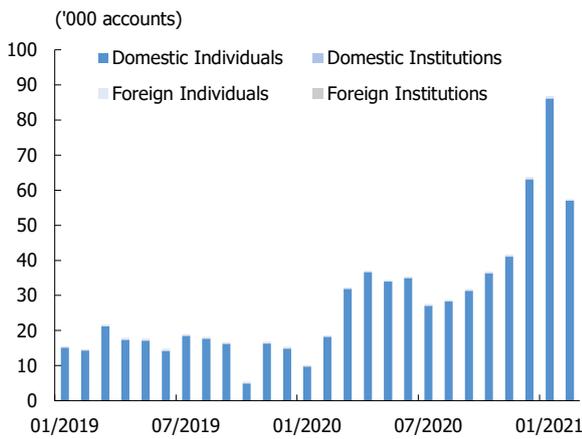
Figure 16. The highest deposit rate for duration



Source: Fiinpro, KIS

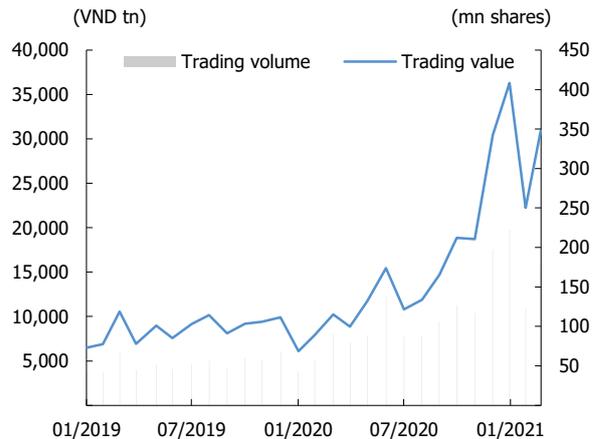
The average new number of investor's trading accounts in 2019 was under 20,000 accounts. However, after the market corrected strongly in the first quarter of 2020 due to the impact of COVID-19, the average number of new accounts increases sharply to about 37,000 accounts in the last three quarters of 2020. Notably, the average number reached a record high of more than 87,000 accounts in January 2021. This shows that investors focus their attention on the stock market. Moreover, the trading volume and value are also at a high level for March 2020, implying that the cash flows into the market.

Figure 17. New number of investor's trading accounts



Source: VSD, KIS

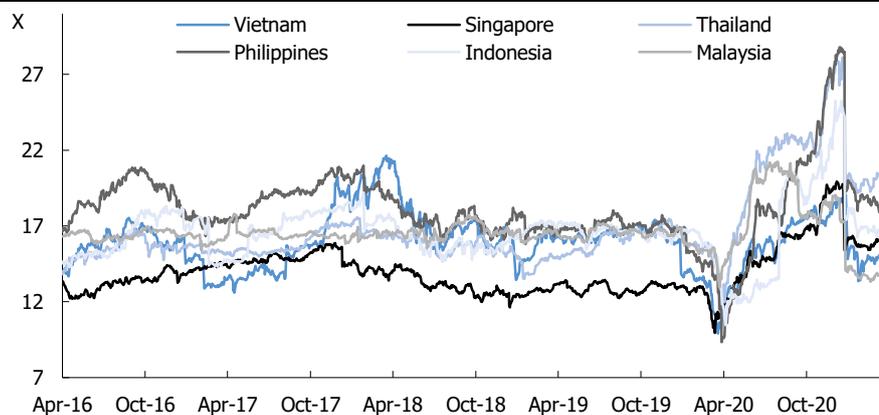
Figure 18. Total trading value and volume



Source: Fiinpro, KIS

Valuations become more attractive again. The forward price-to-earnings ratio (PER) of companies listed on the HOSE is 14x, rising from 11x in March 2020. That implying the Vietnam stock market become more expensive. However, this valuation makes the market attractive to foreign investors because (1) Compared to the previous period, Vietnam's PER ranged from 15 to 17x. The current level of 14x is an attractive valuation in the long term. (2) Compared with the forward PER of regional countries such as Singapore of 16, Thailand of 20, the Philippines of 17, Indonesia of 16, and Malaysia of 13, Vietnam's PER of 14x is at a lower average level in Southeast Asia. Thereby, the Vietnam stock market has become an attraction for foreign investors.

Figure 19. Forward PER of the stock market in Southeast Asia

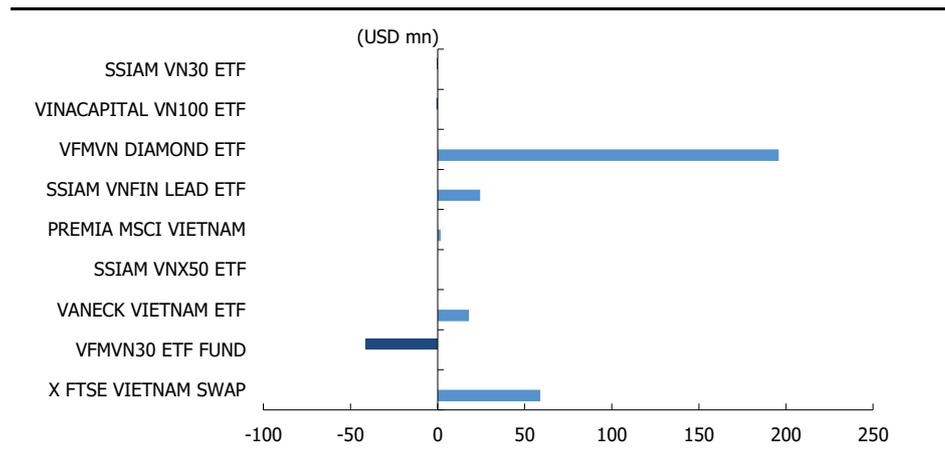


Note: Data as of 24 Mar 2021
Source: Bloomberg, KIS

SEA experiences the outflow in 1Q21. The flow of money across SEA (South East Asia) recorded at negative figure (1Q21). Net outflow was USD35mn, down 40% YoY, whilst inflow across SEA was USD305mn (1Q19). The negative flow of money was mainly driven by the strong divestment across Indonesia, Malaysia, Philippines, and Thailand but partially recovered by the strong inflow of Vietnam and Singapore. In 1Q21, Vietnam has led the flow of money across SEA with net inflow was USD121mn, stay at the same level compared to 1Q19 whilst the flow of money recorded at negative figure in 1Q20.

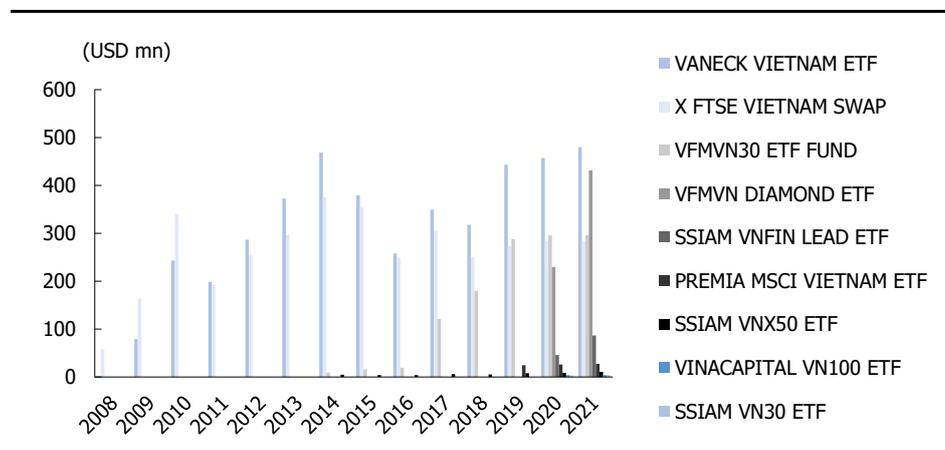
The surge in inflow across Vietnam has been contributed by the strong money flow into major ETFs, especially VFMVN Diamond ETF. Specifically, in the first quarter of 2021, VFMVN Diamond ETF attracted nearly USD116mn, reaching the highest level compared to other major ETFs. Accumulated 6M, VFMVN Diamond ETF recorded the net inflow of USD196mn, four times higher compared to X FTSE Vietnam. Notably, most ETFs of Vietnam are traded at discount to net asset value (NAV) which means the ETFs are still attractive. In general, the dramatic inflow across Vietnam via major ETFs has raised the green light for the development of Vietnam capital market.

Figure 20. Vietnam ETF net flow (6M accumulated)



Source: Bloomberg, Fiipro, KIS

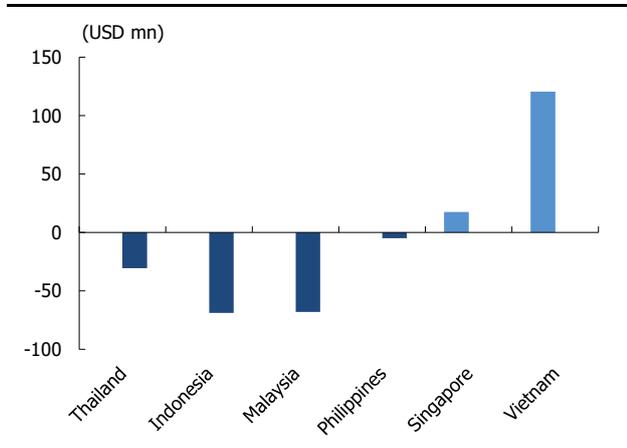
Figure 21. AUM of Vietnam's major ETFs



Source: Bloomberg, Fiipro, KIS

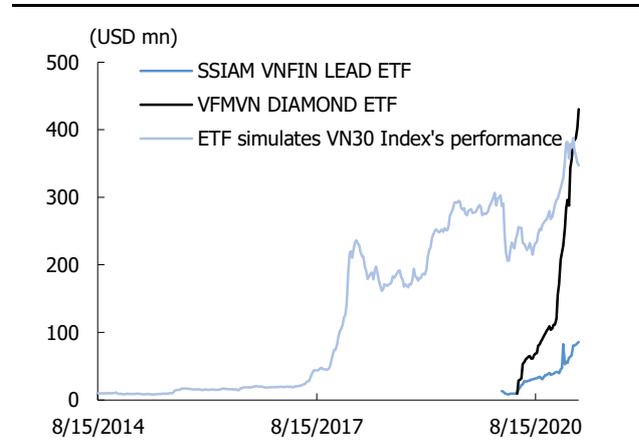
Although there is the massive selling pressure across Vietnam capital market in 1Q21, the massive foreign demand is still maintained in the market, which could be explained by the surge in AUM of SSIAM VNFin Lead, VFMVN Diamond, and the drop in AUM of ETFs simulate VN30 Index's performance (including VFMVN30 ETF and SSIAM VN30 ETF). Particularly, VFMVN Diamond's AMU have increased dramatically, 2 times higher than the recorded AUM as Jan 2021. Furthermore, SSIAM VNFIN Lead has also shown the surge in AUM. However, there is the drop in AUM of ETFs which simulate VN30 Index's performance. This event could be explained by the loss of binterest (foreign investors) among VN30 components which are lacking of buying room. As the result, the massive demand has flew to other instrument or maintained in the market via SSIAM VNFIN Lead and VFMVN Diamond.

Figure 22. ETF net flow by country (Accumulated 1Q21)



Source: Bloomberg, Fiinpro, KIS

Figure 23. The overall trend of ETF's AUM



Source: Bloomberg, Fiinpro, KIS

V. Cycle and patter of the VNIndex

New 3-year cycle forms in Vietnam stock market

3-year upside cycle from Apr 2020. Based on the cycle analysis of Raymond Merriman, we find out the VNIndex forms the significant trough every 3 years. After this trough, the index will form a new uptrend or downtrend in 3 years. That implies the 3-years cycle pattern on the VNIndex. There are six three-year cycles that are confirmed, and the index is in the seventh 3-year cycle with the starting trough starting in March 2020. Because the time interval between two bottoms of the 3-year cycle is a range of 30 to 43 months (36 months or 3 years on average), the uptrend of the VNIndex has maintained for the next 18 months.

Table 4. Bottom and duration of 3-year cycle

Cycle	Start bottom	End bottom	Duration (Months)
1	10/24/2003	08/02/2006	33
2	08/02/2006	02/24/2009	30
3	02/24/2009	01/06/2012	34
4	01/06/2012	12/17/2014	35
5	12/17/2014	07/11/2018	42
6	07/11/2018	03/24/2020	20
7	03/24/2020	09/2022-09/2023*	30-42*

*expected period to form the 3-year cycle year
 Note: Data as of 24 Mar 2021
 Source: KIS, FiinPro

Table 5. Increase & decrease of 3-year cycle

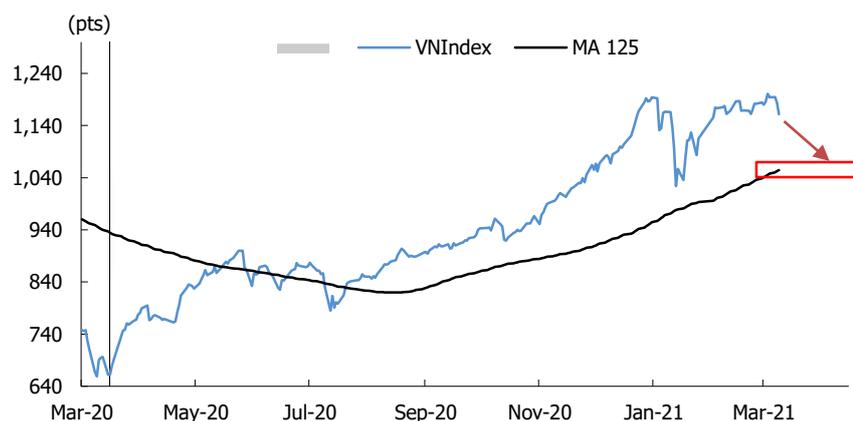
(pts, %)



Source: Fiinpro, KIS

Form a 1-year bottom in the short term. The 3-year cycle will be split into two or three smaller cycles, which are 1-year cycles with a time interval between the two bottoms from 10 to 14 months. From the March bottom of the last 1-year cycle in 2020, the current 1-year cycle has formed 12 months, but we have not seen any 1-year cycle bottom, which forms now. Therefore, the index may see a correction to form a 1-year bottom with the target price of lower than 1,050 points. After this bottom is formed, the market will go up with a new 1-year upside cycle because of the uptrend of the larger cycle (seventh 3-year upside cycle).

Figure 24. one-year cycle on Vietnam stock market



Source: KIS, FiinPro, Amibroker

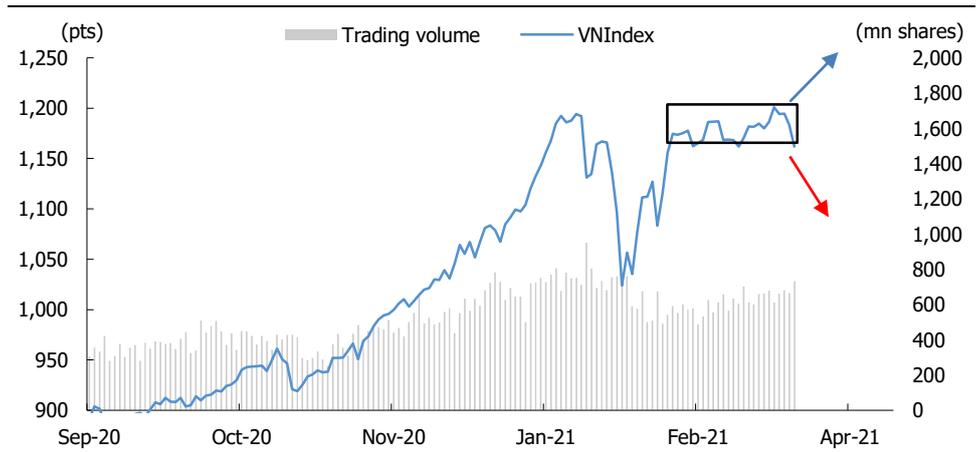
The highest peak in 2018. The VNIndex reaches the 1,200-pts threshold, which is strong resistance in the long term, as the highest peak in 2018. The VNIndex tests this level two times in previous years and three times in this year, but the index cannot break out it.

Besides, the index moves in a tight range as the sideways trend in the short term. That implies the rectangle pattern has been formed with the upper and lower bound at 1,200 pts and 1,150 pts, respectively. Based on this pattern, the

VNIndex will have two main short-term scenarios as follows

1. If the index breaks out the upper bound, the short-term uptrend will be formed with the target of 1,250 pts. At the same time, the long-term uptrend will be confirmed with the next target for long term uptrend of 1,400 pts.
2. If the index breaks down the lower bound, the short-term downtrend will be confirmed with the target of 1,100 pts.

Figure 25. Rectangle pattern of VNIndex in Mar 2021



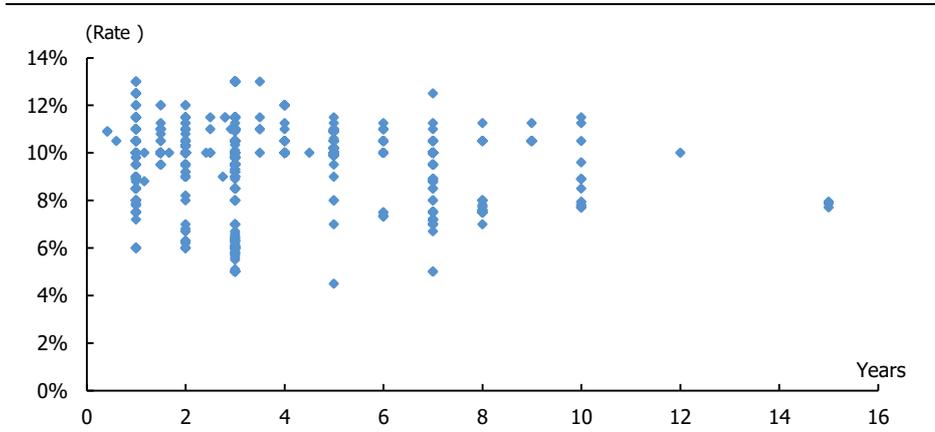
Note: Data as of 24 Mar 2021
Source: Fiiipro, KIS

VI. Fixed income market by Sectors

1Q21, total issued value of Real Estate sector has downed by 75% YoY, accounted for 53% of corporate bond total issued value. The drop in issued value in Real Estate sector could be explained by The Decree 81 which sets higher requirements and limitations on private offerings in an effort to restrict the issuance of bonds to private investors. It also sets higher responsibility for consultancy institutions and agents participating in issuance campaigns. Relating to Financials sectors, total issued value also dropped, downed 70% YoY, accounted for 15% of corporate bond total issued value.

Notably, Consumer Discretionary' total issued value increased dramatically, four times higher compared to the same period of 2020. Accumulated 3M21, Real Estate and Financial sector accounted for 53% and 15% of total issued value, respectively.

Figure 26. The overall trend in duration and corporate bond rate (2020-1Q21)



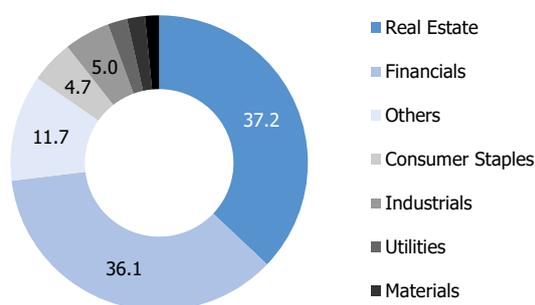
Source: Bloomberg, FiinPro, KIS

Duration and corporate bond rate. In the first quarter of 2021, there were 36 corporate bonds were issued. Firms tend to focus on short duration (under 3 years), accounted for 78% of total issued corporate bond. Relating to Financials sector, short-term duration (under 3 years) accounted for the largest proportion in total issued corporate bond (64%) with bond rate's fluctuation within 7%-12%.

With Real Estate sector, corporate bonds with short-term duration were majority (80%) and corporate bond's rate fluctuated within 10%-11%. Accumulated 3M21, the average duration of issued corporate bonds tend to focus on short-term (under 3 years) with bond rate fluctuates within 10%-11%.

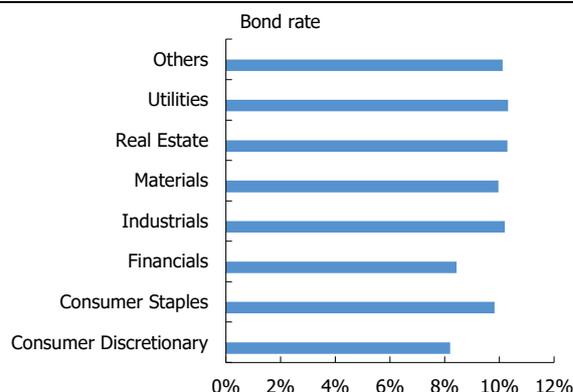
Generally, Vietnam's Corporate bond market is expected to be active this year (2021) thanks to the low deposit rate as well as the high demand for businesses' capital. Particularly, the low deposit rates (5%-5.5% a year) which has been downed nearly 28% YoY, is likely to make Corporate bond market more attractive to investors thanks to high coupon rate (nearly 8%-12% per year). Thus, we expected that bonds will keep being a major instrument for mobilizing capital this year as banks continue to focus on short-term lending whilst there is the high businesses' demand (especially Real Estate firms) for mid- and long-term lending.

Figure 27. Corporate bond by sectors (2020)



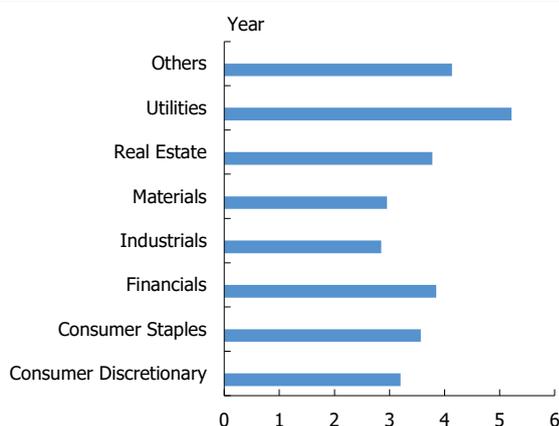
Source: Bloomberg, FiinPro, KIS

Figure 28. Average bond rate by sectors (2020)



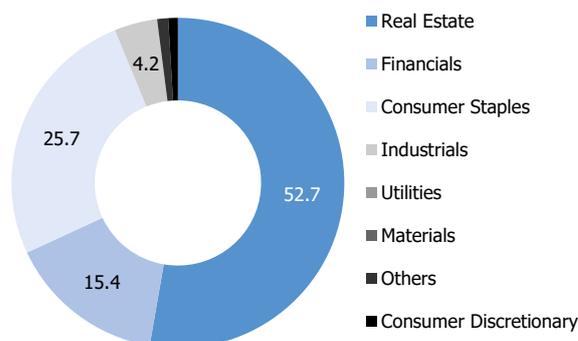
Source: Bloomberg, FiinPro, KIS

Figure 29. Corporate bond duration by sectors (2020)



Source: Bloomberg, FiinPro, KIS

Figure 30. Corporate bond by sectors (1Q21)



Source: Bloomberg, FiinPro, KIS

Government bond. Relating to Government bond, the total issued amount has increased strongly from 2017 to 2020. From 2012 to 2020, the majority of Government bond has been issued with the duration of 5-year and 10-year as well as winning yield has fluctuated from 6%-8%.

Particularly, in 2020, total issued amount by Vietnam State Treasury recorded at VND253tn, up 60% YoY and accomplish 100% of the yearly plan. Particularly, Vietnam State Treasury has successfully issued VND11.8tn, VND1.7tn, VND102tn, VND96tn, VND22tn, and VND19tn with the duration of 5-year, 7-year, 10-year, 15-year, 20-year, and 30-year, respectively. In which, the goal of increasing long-term issuance continued to be achieved. With the favorable market conditions, we expected the yearly plan (2021) can be completed in terms of both volume and maturity.

Based on the Government Bond Auction Plan for Q1/2021, the expected total offering value is VND100tn, which means the total offering value for Q1/2021 would be accounted for 28.57% the auction plan for 2021 (in which 5-year tenor would account for 25%, 7-year tenor would account for 33.3%, 10-year tenor would account for 29.2%, 15-year tenor would account for 25.9%, 20-year and 30-year tenors would account for 25% the auction plan for each tenor in 2021).

However, up to mid Mar 2021, the total offering value has just accomplished 58% of the quarterly plan. To be specific, long-term issuance continues to be achieved, mainly focus on 10-year tenor, 15-year tenor, 20-year tenor, and 30-year tenor as well as winning yield has fluctuated from 2%-2.5%.

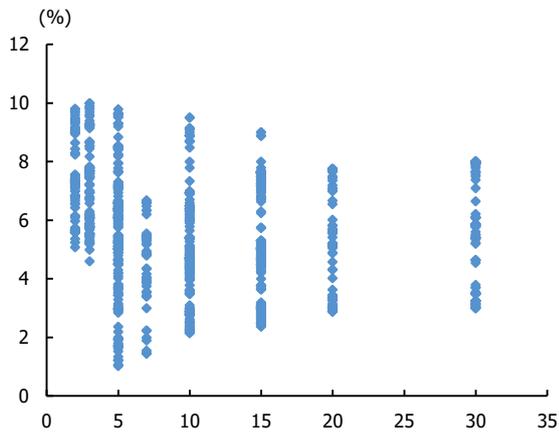
Table 6. 2021 issue plan of Government bond

(VND tn)

Duration	Yearly plan (2021)	Quarterly plan (1Q21)	Offering value (1Q21)	Winning value (1Q21)
5Y	20	5	3.5	2.1
7Y	15	5	2.5	1.5
10Y	120	35	22	11
15Y	135	35	21	10.3
20Y	30	10	4	2.1
30Y	30	10	4.5	2.8

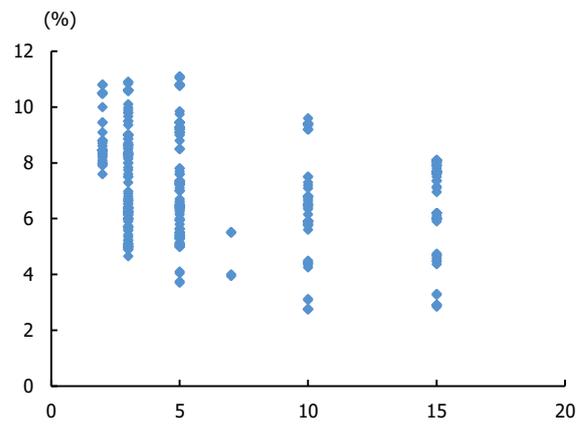
Source: HNX, KIS

Figure 31. The overall trend in duration and winning yield of Government bond (2012-1Q21)



Source: HNX, KIS

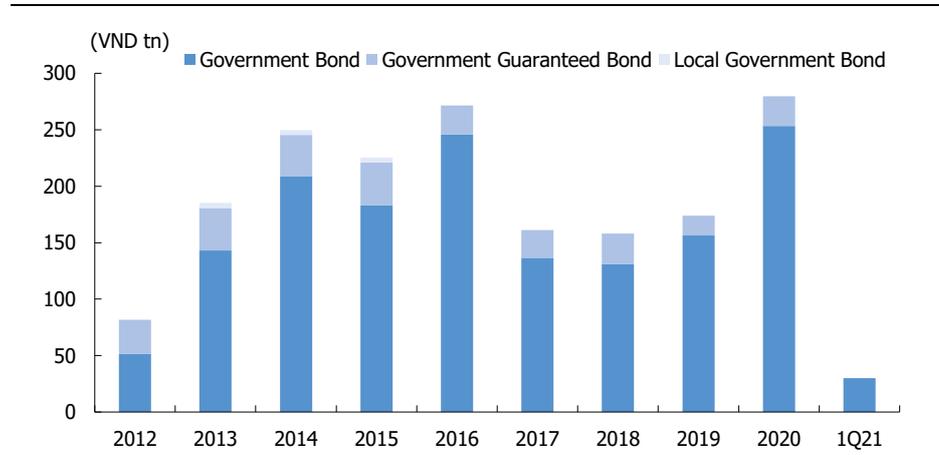
Figure 32. The overall trend in duration and winning yield of Government guaranteed bond (2012-1Q21)



Source: HNX, KIS

Relating to Government guaranteed bond, the total issued amount has dropped slightly since 2017. In 2020, total issued of Government guaranteed bond recorded at VND26tn, up 50% YoY. With duration and winning yield, Government guaranteed bond with duration of 3-year, 5-year, and 10-year are issued the most as well as winning yield has fluctuated from 6%-8%. Up to mid Mar 2021, there is no issued amount of Government guaranteed bond. In terms of Local Government bond, there is no issued amount since 2016.

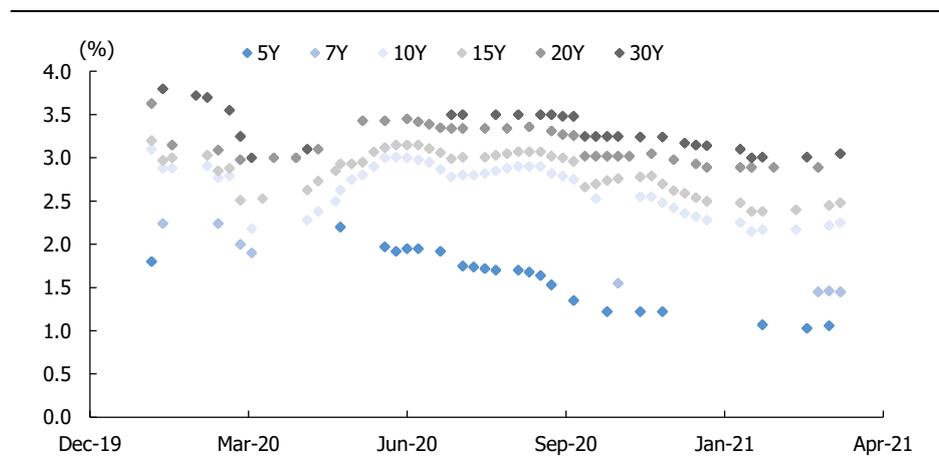
Figure 33. Total issued amount of Government bond, Government guaranteed bond, and Local Government bond



Source: HNX, KIS

In 1Q21, the winning interest rates for most tenors did not show the significant change compared to the last issuance, except for the one of 5-year tenor which has experienced the downward trend.

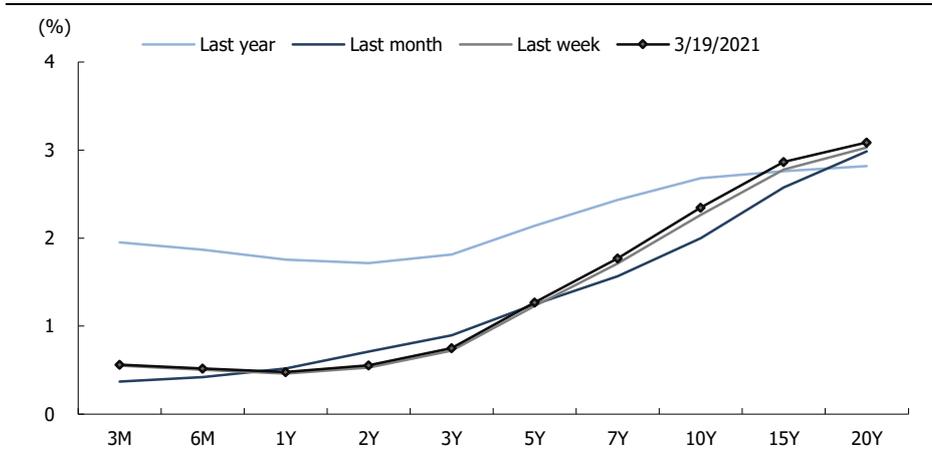
Figure 34. The overall trend of Government bond rate (winning rate)



Source: HNX, KIS

Vietnam G-bond yields has followed the upward trend, similar to the global G-bond yields. Particularly, the surge in Vietnam G-bond yields could be explained by the normalization of economic activities, investment capital has flown from G-bonds to riskier asset classes. Notably, the lending activity in the credit market has started to tick up from Nov 2020, leading to the more tightening liquidity conditions in banking system than before. Therefore, short-term interbank rates are moving far from near-zero levels. Besides, Finally, based on the 1Q21 bond issuance plan from the Ministry of Finance, nearly VND60tn G-bonds would be offered in March under a currently decreasing demand, which would put more upward pressure on G-bond yields in the primary market.

Figure 35. G-bond yield curve



Source: HNX, KIS

Table 7. Current status of Corporate bonds that investors can buy

(Unit, VND, %, year)

Issuer	Company's ticker	Listing volume	Par value	Interest rate	Term	Listing date
Agro Nutrition International Joint Stock Company	Subsidiary of MSN	13,000,000	100,000	7	5	12/19/2016
Agro Nutrition International Joint Stock Company	Subsidiary of MSN	7,000,000	100,000	8	5	12/18/2018
Joint Stock Commercial Bank for Investment and Development of Vietnam	BID (HOSE)	3,500,620	100,000	10.45	20	5/8/2007
Joint Stock Commercial Bank for Investment and Development of Vietnam	BID (HOSE)	5,000,000	100,000	0	7	12/30/2019
Ho Chi Minh City Securities Corporation	HCM (HOSE)	1,350,000	100,000	9.55	15	7/3/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	280,000	100,000	9	15	12/19/2007
Ho Chi Minh City Securities Corporation	HCM (HOSE)	2,000,000	100,000	9.55	15	8/2/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	620,000	100,000	9.55	15	8/28/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	380,000	100,000	9.55	15	9/11/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	200,000	100,000	9.45	15	5/9/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	2,000,000	100,000	8.25	15	7/16/2007
Ho Chi Minh City Securities Corporation	HCM (HOSE)	700,000	100,000	9.55	15	8/15/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	1,500,000	100,000	8.8	15	9/17/2007
Ho Chi Minh City Securities Corporation	HCM (HOSE)	1,000,000	100,000	9.55	15	10/2/2006
Ho Chi Minh City Securities Corporation	HCM (HOSE)	900,000	100,000	8.8	15	10/25/2007
Ho Chi Minh City Securities Corporation	HCM (HOSE)	340,000	100,000	8.75	15	11/14/2007
Kinh Bac City Development Holding Corporation	KBC (HOSE)	4,000,000	100,000	11	0	10/7/2020
Masan Group Corporation	MSN (HOSE)	15,000,000	100,000	10	3	12/10/2019
Masan Group Corporation	MSN (HOSE)	20,000,000	100,000	9.3	3	5/8/2020
Masan Group Corporation	MSN (HOSE)	30,000,000	100,000	9.3	3	6/17/2020
Masan Group Corporation	MSN (HOSE)	30,000,000	100,000	10	3	8/13/2020
Masan Group Corporation	MSN (HOSE)	20,000,000	100,000	9.3	3	12/30/2020
Nui Phao Mining Company Ltd.	Subsidiary of MSN	5,000,000	100,000	10	5	12/18/2018
Nui Phao Mining Company Ltd.	Subsidiary of MSN	2,100,000	100,000	10	3	12/18/2019
Nui Phao Mining Company Ltd.	Subsidiary of MSN	3,000,000	100,000	10	3	7/22/2020
Nui Phao Mining Company Ltd.	Subsidiary of MSN	2,000,000	100,000	10	3	7/22/2020
Nui Phao Mining Company Ltd.	Subsidiary of MSN	5,000,000	100,000	10.2	5	7/22/2020
Sai Gon Thuong Tin Real Estate Joint Stock Company	SCR (HOSE)	4,700,000	100,000	10	3	6/7/2019
Vinhomes Joint Stock Company	VIC (HOSE)	20,000,000	100,000	10	3	10/19/2018
VietJet Aviation Joint Stock Company	VJC (HOSE)	6,000,000	100,000	9	3	11/2/2020
Vinpearl Joint Stock Company	Subsidiary of VIC	28,000,000	100,000	9.2	3	6/19/2019
Vincom Retail Joint Stock Company	VRE (HOSE)	20,000,000	100,000	10	5	10/2/2020

Source: HSX, KIS

VII. Stock recommendations

Recommendation & TP			Earnings & Valuation in FY21F					Investment thesis
Company	TP based on fundamental	TP based on technical	Sales (VND bn)	NP (VND bn)	EPS (VND)	PE (x)	ROE (%)	
Phuoc Hoa (PHR)		73,000-75,000	1,874	1,137	5,875	10.2	31.7	- VSIP 3 IP and Tan Lap 1 IP could get licensed to deploy in 2Q21F thanks to the government's eagerness to approve more industrial parks. NP could reach VND1,137bn in FY21F thanks to land compensation income in VSIP3 IP in 4Q21F.
Kinh Bac Group (KBC)		59,000 - 62,000	4,940	1,195	2,544	14.9	10.0	- Improvement in the Government approval process could shorten the licensing timeframe to approve Trang Due 3 IP - KBC could get the highest net profit of VND1,195bn in FY21F thanks to contribution of the residential projects including Phuc Ninh (Bac Ninh province) and Trang Due (Hai Phong province) townhouse projects.
Nam Long (NLG)	38,800	41,000-43,000	4,153	1,258	4,409	7.4	20.1	- NLG could get the best 1Q21F PBT of more than VND700bn, vs VND140bn in 1Q20 - The COVID-19 outbreak could be eased in 2Q21F thanks to vaccine, helping propel more sales events of NLG's projects in the 2H21F pipeline
Bank of Industry (CTG)	43,000	43,000-46,000	52,843	20,494	4,482	9.0	22.0	- Complying Basel II after stock dividend, expected to be carried in 1Q21. Given that, CTG will re-boost lending activities with expected credit growth of 10% in 2021 vs. 6-7% in the last three years. - Ability to improve non-interest income (particularly banca after exclusive partnership with Manulife) thanks to its large customer base; FX activities, and digitalization.
Vinh Hoan (VHC)	47,000	53,000	7,037	705	3,874	9.7	15.1	- Pangasium material price is bouncing back and is expected to break VND21,000/kg in 1Q21 thanks to rising demand of export markets, which will reduce the ability of recognizing inventory provision. 2021 NPAT to rise on the surge of Collagen & Gelatin.
Sao Ta (FMC)	42,000	42,000	4,341	254	4,684	7.0	20.5	- Demand will maintain a high level in 1H21. - Gross margin will improve slightly thanks to less severe impact of saltwater intrusion. - Competitiveness from other international rivals still maintains low due to slow supply recovery amid the impact of Covid-19's spread. Container shortage is improved better outside China market.
Petrovietnam Fertilizer & Chemicals (DPM)		22,000-24,000	8,999	655	1,552	12.0	8.2	- World fertilizer prices are increasing sharply due to a combination of limited supply and soaring demand at this time. Food prices are soaring, leading to a sharp increase in fertilizer demand to boost food production. Also, fertilizer supplies in China are decreasing as fertilizer plants in the southwest have yet not fully recovered from the 2020 floods.
PetroVietnam Power Nhon Trach 2 (NT2)		27,000	7,790	657	1,958	11.4	15.9	- We forecast net profit to grow thanks to lower interest expense as NT2 would pay off all long-term debt, implying attractive dividend yields vs a peer group.
Da Nang Rubber (DRC)		33,500	4,153	351	2,948	9.4	17.5	- We forecast sales volume to peak as seen in 2016 which was mainly driven by strong performances in the company's two main export markets of Brazil and the US. Radial segment's gross margin segment could expand, mainly driven by lower depreciation cost because the manufacturing lines in DRC's radial tire factory finished depreciating in 2020. DRC could be a potential M/A target of Vietnam Rubber Group (GVR).
Viet Capital Securities (VCI)		72,000 - 75,000	1,730	769	4,660	14.0	17.0	- Increasing trend from stock market - Government guide to develop equity market through stock market and financial product - 2020's positive result - Experienced human resource will benefit VCI in 2021's activities (M&A, IPO deals or bond issuing)

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