

Xin Chao Vietnam

Market performance

	7 May	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,241.81	(0.7)	(0.0)	10.2	12.5
Turnover (VND bn)	21,914				
VN30 (pt, % chg.)	1,340.73	(0.3)	6.6	18.1	25.2

Major indicators

	7 May	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.43	(0.1)	(0.1)	(0.1)	0.0
3-yr gov't bonds (% bp chg.)	0.91	(0.0)	(0.1)	(0.1)	0.1
VND/USD (% chg.)	23,065	(0.0)	0.1	(0.4)	0.1
VND/JPY (% chg.)	21,138	(0.0)	(0.6)	3.3	5.8
VND/EUR (% chg.)	27,833	(0.2)	(1.4)	(0.7)	2.3
VND/CNY (% chg.)	3,575	(0.2)	(1.3)	(0.4)	(1.0)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	1.58	0.0	(0.1)	0.4	0.7
WTI (USD/bbl, % chg.)	64.60	(0.2)	8.1	13.6	33.1
Gold (USD/oz, % chg.)	68.02	(0.1)	7.7	14.6	31.3

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VPB	52.8	FUEVFNVD	(144.9)
VGC	48.8	TPB	(111.9)
MWG	39.4	FLC	(62.9)
MSN	35.2	HPG	(39.6)
VCB	24.8	FPT	(31.7)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
FUEVFNVD	126.9	VPB	(368.9)
VHM	61.1	HPG	(123.0)
CTG	52.0	VNM	(95.7)
MBB	48.1	HDB	(67.1)
NVL	41.1	VCI	(47.5)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	4.7	Media & Entertainment	(3.2)
Technology	1.4	Insurance	(2.9)
Materials	1.0	Others	(2.4)
Software & Services	0.3	F&B	(1.9)
		Transportation	(1.8)

WHAT'S NEW TODAY

Market commentary & News

- **Market commentary:** Short-term selling pressure
- **Vietnam:** CPI to face upward pressure

Macro & Strategy

- **Chart of the day:** The lost consensus
- **May Macro view:** Economic recovery to face challenges

Sector & Company

- **Becamex Infrastructure (IJC):** AM brief

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	29.7	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	7.3	17.5	2.8	11.4	16.1
2021F	304,264	177,159	18.9	14.7	2.4	10.2	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

	3Q20	4Q20	1Q21	2Q21F	2019	2020	2021F
GDP (% yoy)	2.6	4.5	4.5	4.5	7.0	2.9	6.4
Trade balance (USD bn)	10.7	3.3	2.8	3.7	10.4	19.8	1.8
CPI (% yoy, avg.)	3.2	1.4	0.3	2.8	5.2	3.2	2.4
Discount rate (% EoP)	3.0	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,179	23,159	23,054	23,252	23,231	23,252	23,174
US GDP (% qoq)	(4.8)	(31.7)	33.1	4.0	(3.5)	(3.5)	6.3
China GDP (% yoy)	(6.8)	3.2	4.9	5.8	2.3	2.3	8.5

Source: KIS, Bloomberg

Market commentary & News

Market commentary

Short-term selling pressure

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The Vietnam stock market maintained an upside trend although a few localities had a lockdown. Notably, Ho Chi Minh City has stopped the non-essential services with a scale of over 30 people.

At the close, the VNIndex lost 0.70% to close at 1,241 pts. Meanwhile, trading volume was 752 million shares or VND21,914bn.

Foreigners continued to net sell VND333bn on HSX. They sold VPB, HPG, and VNM the most with net values of VND368bn, VND123bn, and VND95bn, respectively.

Energy was the worst sector due to GAS (-1.1%), PVD (-3.0%), PVS (-2.4%), POW (-1.6%), BSR (-5.1%), NT2 (-1.4%), and OIL (-3.9%).

Some constituents of VN30Index slid more than 2% such as TCH (-3.5%), BVH (-3.2%), VNM (-2.9%), SBT (-2.5%), VCB (-2.3%), and VJC (-2.0%).

BCM planned revenue of VND8,900bn (+15% YoY) and net income of VND2,300bn (+5% YoY) in 2021. Besides, in 1Q21 revenue and PAT reached VND1,400bn (+14% YoY) and VND468bn (+41% YoY).

In contrast, HDB (+4.2%), TPB (+3.4%), CTG (+2.1%), REE (+1.8%), and FPT (+0.4%) closed in green territory.

Moreover, cash flowed into Material, namely HSG (+5.2%), HPG (+2.4%), and NKG (+6.8%), because their business results were better than expected in 1Q21.

The downside risks by the COVID-19 epidemic make market sentiment cautious in the short term. Therefore, the uptrend may reverse. Traders should be careful and wait for the next signal.

Breaking news

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► Vietnam: CPI to face upward pressure

According to GSO, food and foodstuff (F&Fs) and housing and construction material (HCM) indices retreated while the traffic extended its upturn, resulting in the consumer price index (CPI) reducing slightly this month. More specifically, CPI in April declined by 0.04% MoM, 23bps-lower compared to the reduction level in March, which mainly resulted from contractions of 0.13% MoM and 0.43% MoM from F&Fs and HCM. These two items, in total, dragged the overall price index down by 12bps compared to last month. In the opposite direction, the traffic index sustained its uptrend to the fifth consecutive month at a somewhat slighter rate by rising 0.87% MoM and adding 8bps up to the CPI's month change. Considering yearly change, the CPI accelerated considerably by increasing by 2.70% YoY, 155bps-higher due to the contraction in April 2020. Hence, the 12-month rolling inflation rate posted 1.90%, 210bps-lower than the government's 2021 target rate of 4%. The upward pressures from construction materials and global crude oil appear to boost the CPI in the next period. (GSO, KIS)

Macro & strategy

Chart of the day

The lost consensus

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► Market performance

The VNIndex is bullish thanks to the high demand on large-cap stocks. However, the market sentiment has become cautious due to the risks of the COVID-19 epidemic.

► Chart: The lost consensus

The upside trend is still confirmed in the short term because the index broke out the highest peak in Apr 2018. Meanwhile, the index closes above the MA50 and MA100, which are sloping upward.

In the short term, the uptrend may reverse as indicators lose consensus. The trending indicators go up, implying the bullish signals. However, the momentum shows selling a signal. Therefore, the index needs the breakout to confirm the bullish market again.

The broken 1,200-pts level has turned around to act as the most important short-term support. On the upside, the 1,300-pts area is expected to be the weekly resistance.

→ The VNIndex needs the breakout to confirm the uptrend.

- ▶ Technical strategy: Buy or add at the most important support

Based on the long-term uptrend, traders should hold the current positions and buy more on the first pullback (when the 1,200-pts zone is retested).

May Macro view

Economic recovery to face challenges

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- ▶ Trade turnover to remain high

Trade activities in April experienced contraction from the one-year high set in the previous month. However, its year-over-year growth rate recorded an exceptional level mainly due to the low base in April 2020. The primary source for the trade growth in the coming months comes from the U.S. market with an extensive vaccination and the pent-up saving of consumers. India's government is enhancing restrictions to limit the devastating outbreak effect on the economy, raising concerns about its trade activities with outside countries, including Vietnam. However, given a relatively small weight in trade structure, we believe that the new outbreak in India only has a modest impact on Vietnam's trade activities.

- ▶ CPI to face upward pressure

According to GSO, food and foodstuff (F&Fs) and housing and construction material (HCM) indices retreated while the traffic extended its upturn, resulting in the consumer price index (CPI) slightly reduce this month. The upward pressures from construction materials and global crude oil appear to boost the CPI in the next period.

- ▶ Unfavorable conditions dampen FDI growth

FDI registration in April remained muted at a 3-month low without any large projects reported. Investment conditions even deteriorated in May as the ongoing outbreak has forced the government to implement stricter measures for international travelers. As a result, the possibility of FDI picking up in the near term was put into question.

Sector & Company

Becamex Infrastructure (IJC)

A hidden beauty

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- ▶ AM Briefing

On May 7, IJC held a 1Q21 AM briefing for the upcoming business expansion plan. Key issues covered were the FY21F guidance feasibility, BOT (Build-Operation-Transfer) development.

- ▶ Aggressive but practicable FY21F targets

The company targets to reach a VND3tn revenue, 43.6% yoy, and a higher VND622bn net profit, 68.1% yoy in FY21F. The key attributes to an aspiring net profit growth are the deliveries of three townhouse projects including Sunflower (1ha), IJC (4.9ha) and Hoa Loi (6.9ha) with total VND2.3tn property sales. Those projects have been secured with a VND1.5tn presale value as of end-1Q21. Despite the surging net profit, FY21F EPS could post lower growth due to the equity issuance of 80 mn shares in Jan.

IJC reported its 1Q21 net profit of VND292bn and total revenue of VND1.4tn, making up 46.2%/46.9% of the company estimates.

- ▶ Real estate a key engine of the FY21-25F earnings growth

The management sets to earn a revenue CAGR of 3.3% p.a. and a net profit CAGR of 16.8% p.a in FY21F-22F of which the real estate segment accounts for an average of 65-75% total revenue per year. IJC also believes the current 68ha could help sustain at least 5 years of development.

- ▶ Shadowy destiny on BOT development

The Vietnamese law on PPP (public-private partnership) valid from May 1 requires a bidding if any investor is keen on developing a new BOT road. IJC desires to ask for an exception to expand the 13 National road and that must be considered by the MPI (Ministry of Planning and Investment). Hence, the company could not guarantee any outcome for this segment.

- ▶ Valuation looks undemanding despite a healthy growth

Per management guidance, FY21F earnings correspond to a forward PE of 9.4x and PB of 1.8x, which seem unwarranted with the local peer median at 14x and 2.1x, respectively. The management note that the actual FY21F earnings could be achieved at 100-130% of the company estimate. Hence, this may be a stock worth watching in the second half of the year when the surprising net profit could be recorded.

- ▶ Embedded risk in lower- tier market

The lower-tier market, Binh Duong province, offers a less competitive environment and a loosening regulatory process than HCMC. Moreover, IJC has the advantage of having a well-known provincial brand that enables it to easily penetrate and take the leading position. However, there is a lack of reliable track records and market data which are needed to study buyers' real demand. This could lead to the misjudgment of the absorption of each product. A number of IJC's projects in the pipeline in Binh Duong province are large-scale and require significant upfront outlay for land acquisition. We believe this could trigger large sunk cost if products show weak demand and drag down the firm's investment turnover when assets are not quickly monetised as planned.

- **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.

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- 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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