

# Strategic Insight

## Time to bet on economic recovery?

### The fall and rise of the economy: What to expect from the future

The economy has been through the worst contraction in the third quarter under massive pressure from the unprecedented health crisis and also an unprecedented response from the government and society. However, the people, the government, and also the economy is quickly learning priceless lessons and taking strong and effective actions to switch to living with the coronavirus. In order to accelerate the economic recovery momentum for a longer period and preserve economic growth for the medium and long term, the economy is in need of a booster shot, a sufficiently large fiscal relief package. From our view, the “Economic Recovery and Development” fiscal support package, if successfully passed, would be a key to unlocking the full potential of the recovery.

### Long-term uptrend

Vietnam stock market form a short-term uptrend since Aug 2021 thanks to the high demand of local investors, especially retail. We expect that the upward trend is still intact thanks to (1) the attention of the retails on the stock market, (2) lower valuation based on a forward PE ratio, (3) the small rectangle pattern and symmetry triangle pattern (4) 3-year upside cycle from Apr 2020.

### Vietnam bond market is active during 3Q21

In 10M21, there were 302 corporate bonds were issued. In which, Financials and Real Estate bond continued to be issued the most. With Financials sector, most of issued value was contributed by Commercial Banks. Among issued bond in Real Estate sector, bonds which are unsecured or secured by common shares were recorded for more than 15%. Relating to Government bond, at the end of 3Q21, the total issuing in this third quarter was VND85tn, below the set quarter plan. 9M21, total winning value recorded at VND200tn, accomplishing 65% of the annual plan.

### KIS leading economic index

(USD bn, %, % QoQ, % YoY)

	4Q20	1Q21	2Q21	3Q21	2019	2020	2021F
GDP	4.48	4.48	6.61	(6.17)	7.02	2.91	3.80
Trade balance	3.29	2.82	(3.75)	(0.86)	10.42	19.01	1.27
CPI	1.38	0.30	2.67	2.16	5.23	3.24	2.05
Discount rate	2.50	2.50	2.50	2.50	4.00	2.50	2.50
VND/USD	23,252	23,076	23,020	22,761	23,231	23,255	23,246
US GDP	7.90	NA	NA	7.90	2.30	(3.40)	6.00
China GDP	6.00	NA	NA	6.00	6.10	2.30	8.00

Source: KIS

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# I. The fall and rise of the economy: What to expect from the future

## 1. Economy at the bottom in 3Q21: The economic cost of the prolonged lockdown.

After a four-quarter marked recovery of Vietnam's economy since the first outbreak with the first full-scale lockdown, it again had to confront challenges from a more serious threat of the coronavirus, the fourth wave of the outbreak, throughout 3Q21. With a lack of preparation from the government, businesses, and people for the severity of the pandemic, the economy became more and more vulnerable this time.

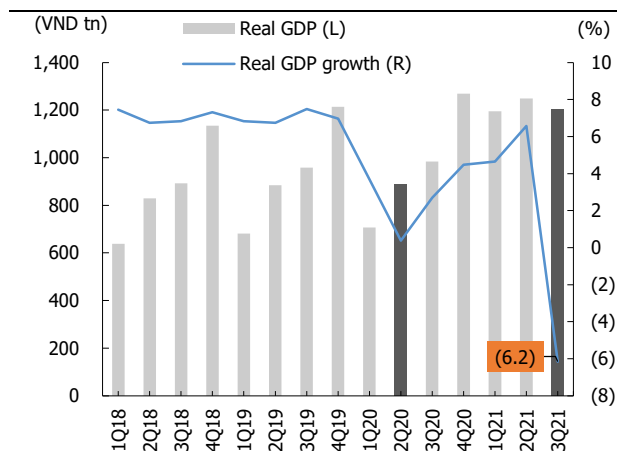
**Vietnam's economy experienced the worst contraction on record 3Q21, even far worse than the first outbreak in 2Q20.** It fell by 6.17% year-over-year, almost erasing the growth momentum in 1H21, dragging the GDP growth in the first nine months to just 1.43%, also the worst performance of the first nine months on record.

**The impact of the most strict social-distancing measures was immense, particularly on the services and construction sectors.** Economic activity in these sectors was almost shut down in affected regions in 3Q21, plunging by 9.3% and 11.3%, translating to a contraction of 3.7% and 1.1% of the overall GDP growth.

**The industrial sector, a growth engine of the economy, also faced massive pressure of containment measures placed on production activities.** More seriously, at the peak of the pandemic outbreak, the lockdown was causing a broad and serious disruption to the supply chain system across the country. It was the first time that this sector recorded negative growth of 3.5% YoY, further contributing to a 0.8% reduction into GDP's slump.

We also provided another comparison of the performance of the 10 largest level-2 sub-sectors during the first large-scaled lockdown in 2Q20, the second lockdown in 3Q21, and their average growth in 5 years. In Figure 4, 8 over 10 sub-sectors experienced a significantly worse performance in 3Q21 relative to in 2Q20 and 5-year average. Real estate, transportation, retail sales, and construction industries, were impacted the most, with the slumps in 3Q21 being at severe levels that were unseen before. Only the Financials and Agriculture sectors seemed to be not significantly affected during the fourth outbreak.

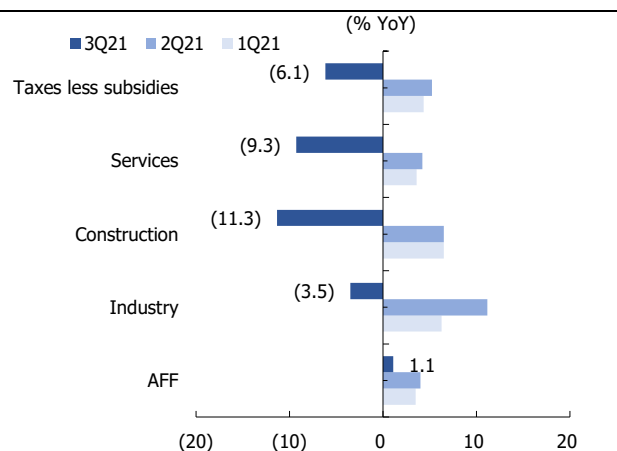
**Figure 1. Quarterly real GDP**



Source: KIS, GSO

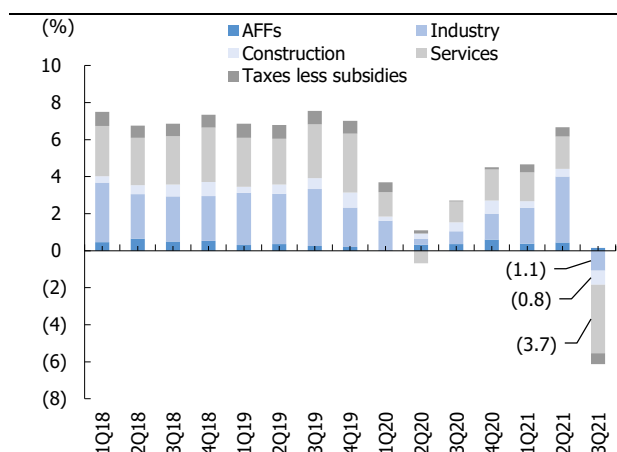
Notes: before-2021 GDP figures are non-adjusted..

**Figure 2. Real GDP by industry**



Source: KIS, GSO

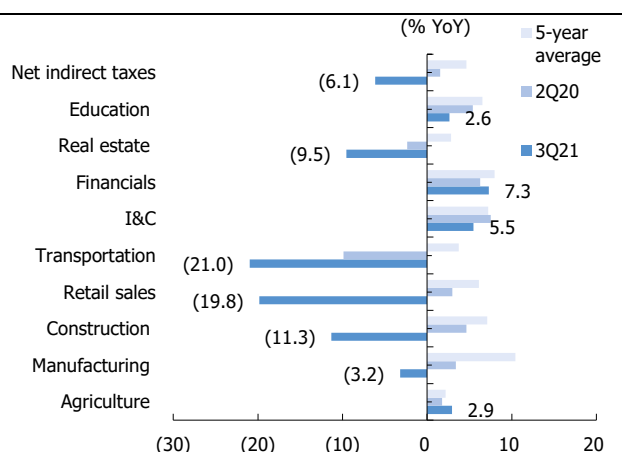
**Figure 3. GDP contribution by industry**



Source: KIS, GSO

Notes: before-2021 GDP figures are non-adjusted..

**Figure 4. Top 10 largest GDP-component performance**

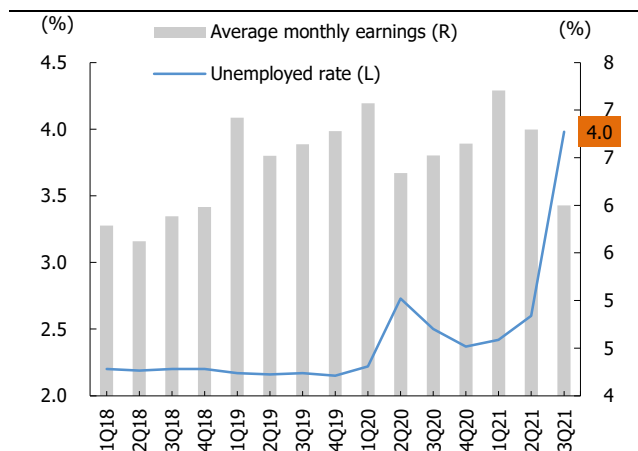


Source: KIS, GSO

I&C: Information and Communication

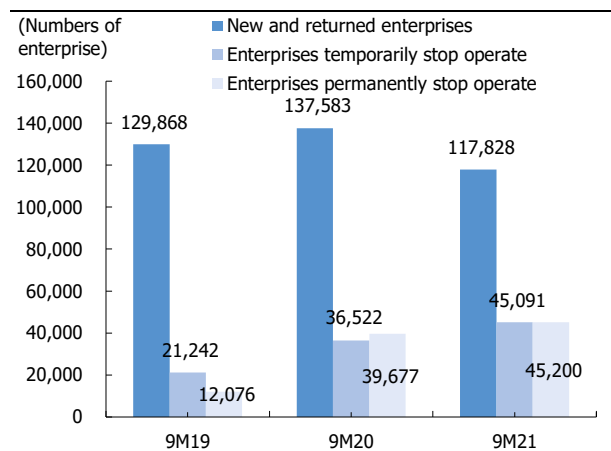
Some other statistics are also included to measure the cost of the lockdown to the majority of the population. Unemployment was escalating by 1.4% to its all-time peak of 4.0% in 3Q21, which was significantly larger than an increase of just 0.3% in the first lockdown in 2Q20. Monthly earning also sank by 8.1% on a year-over-year basis and 16.7% lower than its peak in 1Q21. The number of enterprises that fell to operate in the first nine months of 2021 was also at an unusually high level compared to previous years, while the number of new and returned enterprises were markedly slowing down. Those figures also implied the underlying conditions of domestic consumption and investment were markedly weakened in overall.

**Figure 5. Unemployment spiking to a record high**



Source: GSO, KIS.

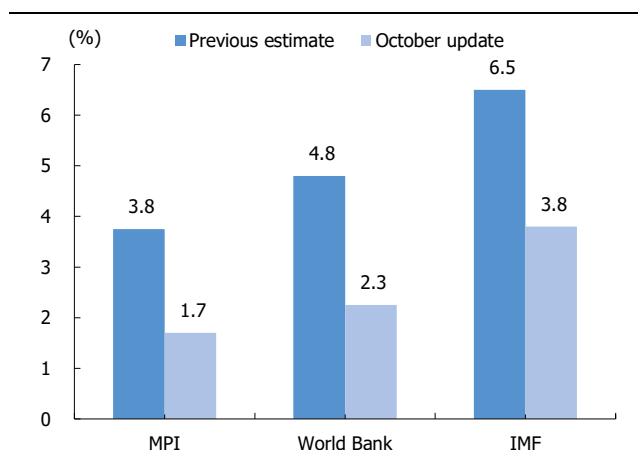
**Figure 6. Worse conditions in business operations**



Source: GSO, KIS

Furthermore, the World Bank, IMF, and Vietnam's Ministry of Planning and Investment, also downgraded their economic projections for Vietnam's economy in 2021. The projections varied considerably among these entities, however, Vietnam's economy is likely to end the year with its growth in a range of 1.5% - 2.5%. Besides, the 2021 economic projection from IMF was somewhat underestimating the economic impact of the pandemic due to the research period only up to August, not fully reflecting the prolonged lockdown in Vietnam.

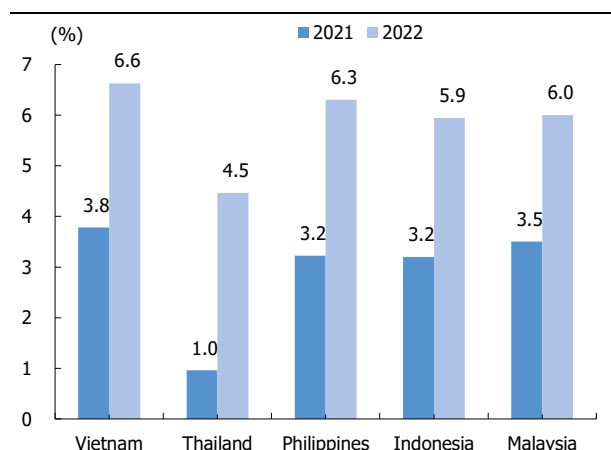
**Figure 7. 2021 Vietnam economic projections**



Source: GSO, IMF, World Bank, KIS

Note: World Bank 1<sup>st</sup> update is from August, 2<sup>nd</sup> update is from October.  
IMF 1<sup>st</sup> update is from April, 2<sup>nd</sup> update is from October.

**Figure 8. Vietnam GDP growth versus peers**



Source: IMF, KIS

Note: All GDP growth figures and projections are derived from IMF October World Economic Outlook Report.

## 2. A need for critical changes to reviving the economy

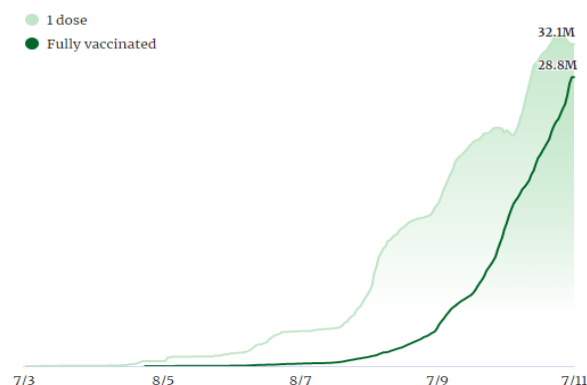
The fourth wave of the pandemic has given Vietnam's government a deep lesson on how to live with the pandemic and minimize the economic cost during the health crisis. From our perspective, there are two profound changes in the government's action that are critical in establishing a solid base for the economy during the health crisis.

### The first one is an acceleration in the vaccination progress for the current.

It is a key to avoid another large-scaled lockdown in the future. As of 11<sup>th</sup> November, more than 63% of total population have been vaccinated at least one dose, in which 29.8% have been fully vaccinated. Besides, other statistics imply that the large part of the economy is protected against the COVID-19 disease. In overall, the number of vaccine doses already distributed over total population aged 18+ or above is already above 100%, at 124%. Regarding the 6 largest provinces contributing to 50% Vietnam GDP, this ratio reached almost 160%. For the top 21-largest provinces accounting for 80% GDP, the ratio was nearly 160%. It is clear that the economy now has a strong immune system against the disease with the high level of vaccination.

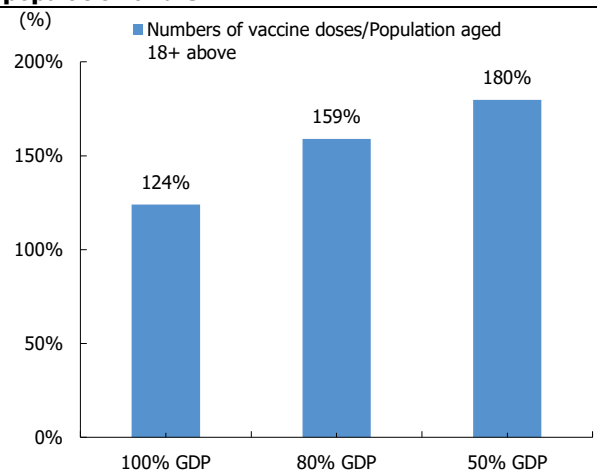
**Figure 9. The number of population is vaccinated**

#### People having received Covid-19 vaccines



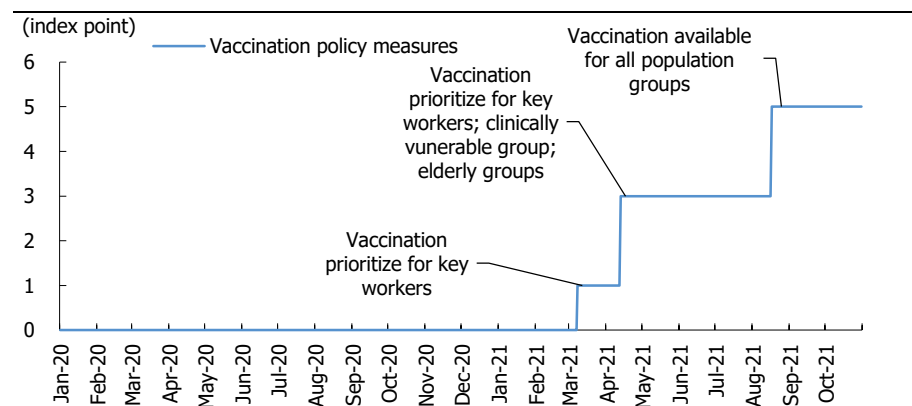
Source: Vnexpress, VN Ministry of Health.

**Figure 10. % of vaccination coverage over population and GDP**



Source: VN Ministry of Health, GSO, KIS estimates.

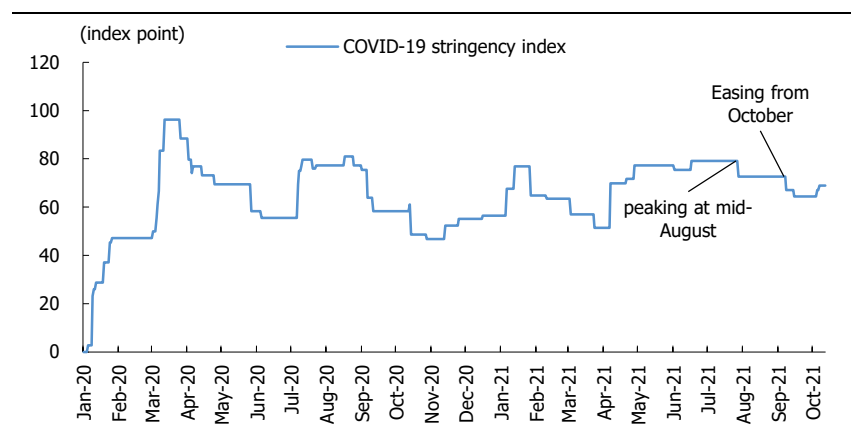
**Figure 11. Vaccination policy measures**



Source: Oxford COVID-19 Government Response Tracker.

Furthermore, the second important change is from the government stance switching to the “living to COVID-19” strategy. To try to avoid inconsistencies in the local government’s response to the pandemic and another potential supply chain disruption that once occurred during the fourth wave, Resolution No. 128/NQ-CP was born as sole guidance for the local government’s response to the health crisis in the future. Given high levels of vaccination, as of 22nd October, all 63 provinces and cities already assessed their COVID-19 risk levels, in which 26 provinces were in the level-1 risk (low risk), the remaining 37 provinces and cities were in level 2 risk (medium risk), and no provinces and cities fell into level-3 and level-4 risk (high risk).

**Figure 12. COVID-19 stringency level eases to nearly pre-pandemic level**

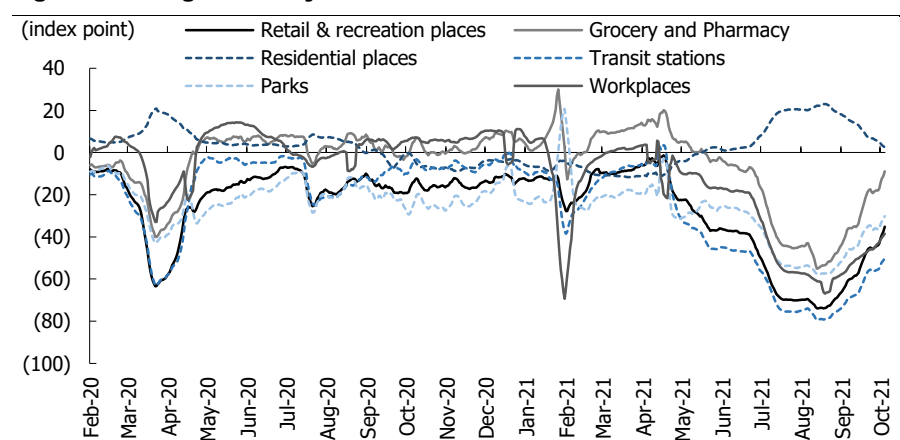


Source: Oxford COVID-19 Government Response Tracker.

Following the guidelines set under Resolution 128, production and construction activities are allowed to operate at all risk levels. Furthermore, freight transport is also included in the “allowed-to-operate” list. In other words, this is eliminating a possibility of a supply disruption in the time of health crisis, preserving these important drivers for economic growth and the domestic supply chain. Furthermore, this is also easing operating condition requirements for the service activities, especially the retailing sector, as a step to revive the domestic consumption channel.

One more necessary change set by Resolution 128 is that local government must inform people and businesses about changes in COVID-19 risk assessment and social-distancing measures at least 2 days in advance. It helps people, household businesses, and enterprises more proactive in preparing for tightening social-distancing measures and would further reduce risks of sudden disruption in economic activities.

**Figure 13. Google mobility index for certain activities**



Source: Google COVID-19 Community Mobility Report.

**Table 1. Guidance on “Living with COVID-19” strategy**

	Level 1	Level 2	Level 3	Level 4
<b>Transportation activities</b>				
Public Transport	Normal operation	Normal operation/ Conditional operation	Conditional operation/Non-operation	Conditional operation/Non-operation
Freight transport	Normal operation	Normal operation	Normal operation	Normal operation
<b>Economic activities</b>				
Production activities	Normal operation	Normal operation	Normal operation	Normal operation
Construction activities	Normal operation	Normal operation	Normal operation	Normal operation
<b>Services activities</b>				
Normal services activities (including retailing & wholesaling)	Normal operation	Normal operation	Normal operation	Normal operation/ Conditional operation
Catering services	Normal operation	Normal operation	Normal operation	Conditional operation
Accommodation services	Normal operation	Normal operation	Conditional operation	Conditional operation/Non-operation
Museums, exhibitions, libraries, cinemas, sports events	Normal operation	Conditional operation	Conditional operation	Non-operation
High-risk infection services	Normal operation/ Conditional operation	Conditional operation/Non-operation	Conditional operation/Non-operation	Non-operation

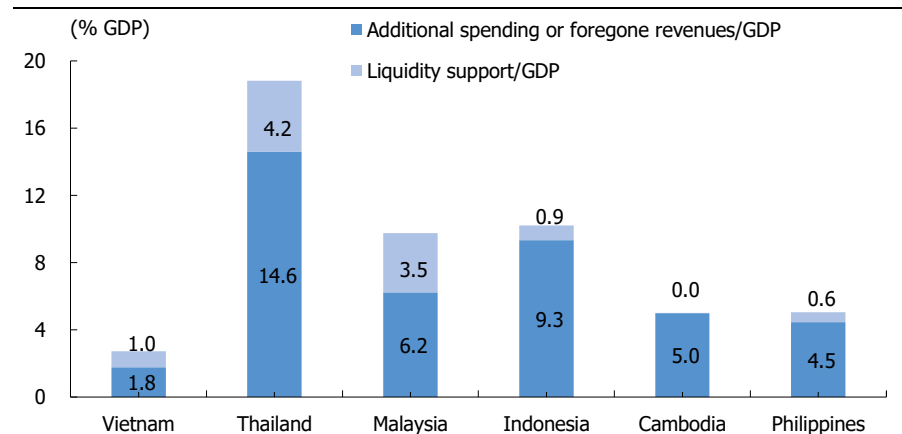
Source: Vietnam government, KIS compiles

**Fiscal support also played a role in supporting affected people and businesses during the fourth COVID-19**, although its impact seemed to be limited. From our point of view, with a lack of preparation for such a prolonged lockdown, the government was buying more time by re-implementing some conventional support measures.

Table 2 below illustrated several relief measures to affected people and enterprises. From our calculation, excluding additional investment and support to the health sector due to data unavailability, there was approximately VND133,286bn on-budget fiscal support (2.12% GDP) and VND115,000 deferred government revenue, of various types of support measures, from the government and other government-related enterprises, in which 86.5% or about VND115,286tn (1.83% GDP) of supports took place during the fourth outbreak.

By fiscal support characteristics, the government continued implementing conventional support of reductions for various types of taxes and fees & social-security contribution, including VAT & CIT & PIT, of about VND40,800bn (0.65% GDP), making about VND56,933bn direct cash transfer to affected workers and people (0.90% GDP), and directing government-related enterprises to reduce utility bills and cut lending interest rates by VND35,552bn (0.56%).

**Figure 14. Comparison in fiscal support in ASEAN-6 group, IMF estimates**



Source: KIS, GSO

Notes: Data is derived from IMF estimates from January 2020 to September 2021.



**Table 2. 2021 fiscal relief measures before and during the fourth outbreak.**

	Support programs	Amount (VND bn)	% GDP
Before the fourth wave of COVID-19	<b>Resolution 1148/2020/UBTVQH14</b>	<b>1,000</b>	<b>0.02</b>
	30% reduction for environmental protection tax for jet fuels in 2021		
	<b>Circular 112/2020/TT-BTC</b>	<b>1,000</b>	<b>0.02</b>
	Reduction for 29 types of fees and charges		
	<b>Decree 12/2021/TT-BTC</b>	N/A	N/A
	50% reduction for rail infrastructure charges		
	<b>Decree 18/2021/TT-BTC</b>	N/A	N/A
	10% reduction for appraisal license fees for civil cryptographic products		
	<b>Decree 52/2021/NQ-CP</b>	<b>115,000 *</b>	<b>1.83</b>
	Extension of deadlines for payments of several taxes, including VAT, CIT, PIT, and state-land lease for certain businesses for 1Q21 and 2Q21.		
During the fourth wave of COVID-19	<b>Resolution 116/NQ-CP</b>	<b>38,000</b>	<b>0.6</b>
	Reduction for contribution to Unemployment Insurance Fund from 1% to 0% for employers for 12 months from October 2021	8,000	0.13
	One-time cash support for affected employees	30,000	0.48
	<b>Resolution 126/NQ-CP</b>	<b>26,000</b>	<b>0.41</b>
	Temporary suspension for the contribution to the retirement and survivorship funds for affected employers for 6 months	9,500	0.15
	0% interest-rate loans for affected businesses to pay salary for current and former employees.	N/A	N/A
	One-time cash support for employees whose labor contracts are suspended temporarily or permanently from May 2021	N/A	N/A
	One-time cash support for people with disabilities and the elderly	N/A	N/A
	One-time cash support for household businesses that are required to close temporarily from May	N/A	N/A
	<b>Resolution 406/NQ-UBTVQH15</b>	<b>21,300</b>	<b>0.34</b>
	30% reduction CIT tax for affected companies	2,200	0.03
	Exemption of PIT, VAT, and other taxes arising from production & business activities for individuals and households in affected areas	8,800	0.14
	30% reduction in VAT for certain goods and services in November - December 2021	5,000	0.08
	Exemption of late payment in 2020 and 2021 for land-use levy and land rent for businesses occurring loss in 2020	5,300	0.08
	<b>Resolution 09/2021/NQ-HDND TPHCM</b>	<b>10,433</b>	<b>0.17</b>
	1st direct cash support for affected people in HCM City	557	0.01
	2nd direct cash support for affected people in HCM City	2,576	0.04
	3rd direct cash support for affected people in HCM City	7,300	0.12
	<b>Other supports</b>	<b>35,552</b>	<b>0.56</b>
	3rd reduction of electricity bills for certain businesses in June - December 2021	1,570	0.02
	4th reduction of electricity bills for certain businesses in August - September 2021	2,500	0.04
	5th reduction of electricity bills for certain businesses in September - November 2021	650	0.01
	1st support of necessities from Labor Federation to affected workers	161	0.00
	2nd support of necessities from Labor Federation to affected workers	40	0.00
	Reduction of telecommunication charges and other supports	10,000	0.16
	Reduction of lending interest rates from the banking association	20,631	0.33
	<b>Total</b>	<b>133,285</b>	<b>2.12</b>

Source: Vietnam government, Ho Chi Minh government, MoF, EVN, SBV, KIS collects and compiles

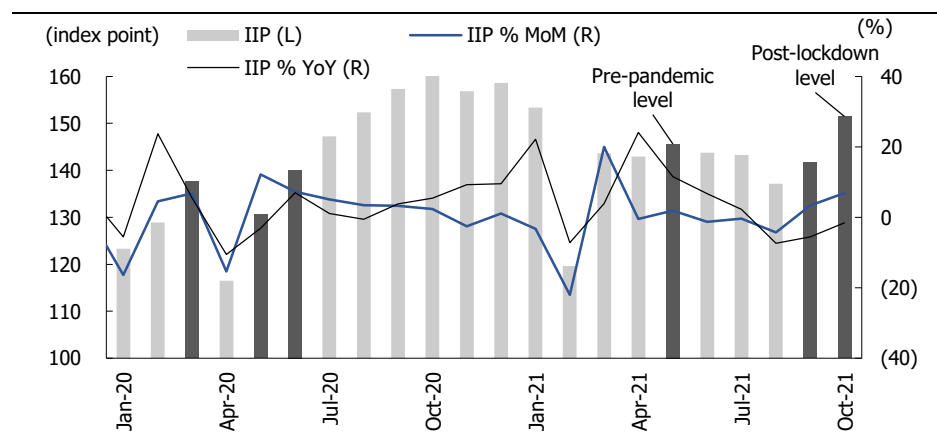
% GDP is calculated based on 2020's Vietnam unadjusted nominal GDP

\*: Deferred revenue

### 3. Economic recovery from the bottom up in the reopening phase

**The V-shaped recovery in the industrial sector is forming during the first two months of the reopening.** The appearance of the Resolution 128 has relieved tremendously pressure of containment requirements for the production activities. September - October data showed that the industrial sector has been through a resilient recovery shortly after the reopening with its production level already surpassing a pre-pandemic level. It is evident that the COVID-19 pandemic just caused a temporary disruption during lockdown, and the sector is quickly adapting to new normalization conditions.

**Figure 15. The industrial production**

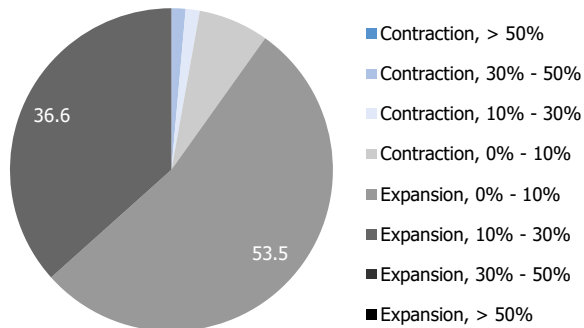


Source: GSO, KIS

Moreover, the recovery in the industrial sector was broad-based and showed a robust strength, beyond our expectation. In a simple analysis, about 90% of 71 level-3 sub-sectors recorded expansion in October, in which the growth pace was from 0% MoM to 30% MoM. Only 1 sub-sector plunged from 30% to 50% MoM, 1 sub-sector dropped from 10% to 30%, and 3 sub-sectors fell less than 10%.

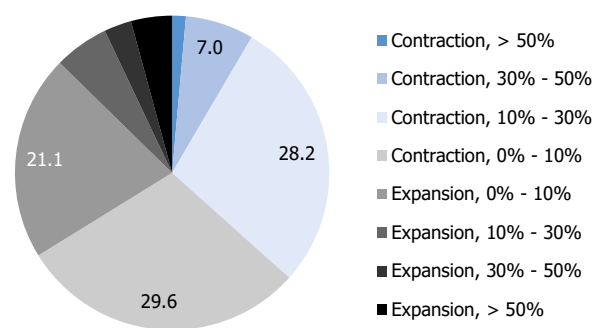
Compared to the pre-pandemic production levels (production level by end-May), 66.2% of level-3 sub-sectors still remained below pre-pandemic levels, in which about 28.2% dropped in a range of 10% - 30% and other 29.6% fell from 0% to 10%. In the group with positive growth, 21.1% and 5.6% of sub-sectors recorded expansion by 0% - 10% and 10% - 30%, respectively.

**Figure 16. Performance by level-3 sub-sectors in October**



Source: GSO, KIS

**Figure 17. Performance by level-3 sub-sectors before and after the lockdown**

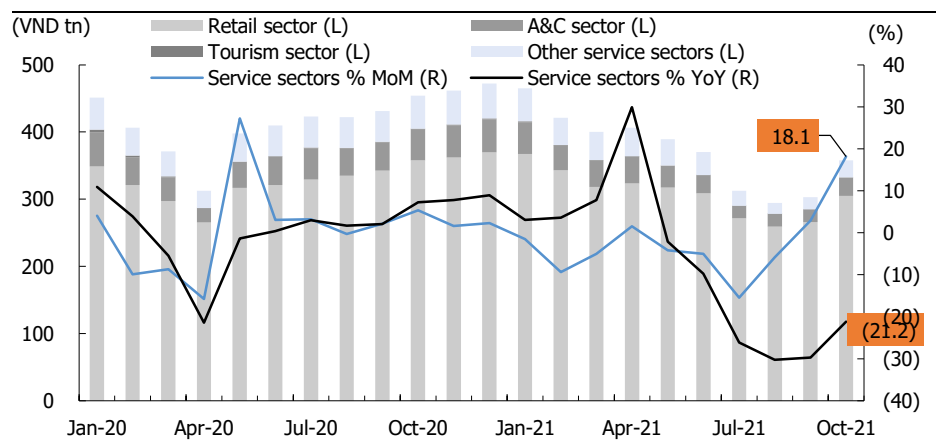


Source: GSO, KIS

Note: The comparison is made between end-May level (as pre-lockdown level) and end-October level (as post-lockdown level)

**Retail sales also experienced a similar rebound during the early reopening,** although to a lesser extent, as there are still some containment measures placed on high-risk service activities. In October, the total revenue of the services sector improved by 18.15% MoM to reach VND357.92tn, the highest level since June. From our view, the recovery path of this sector just started, and there would be more evidence on further recovery in this sector in later months. Pent-up demand would be a key to unlocking the full potential of the recovery in this sector in the last two months of 2021, along with the further reopening progress.

**Figure 18. Revenue from service activities**



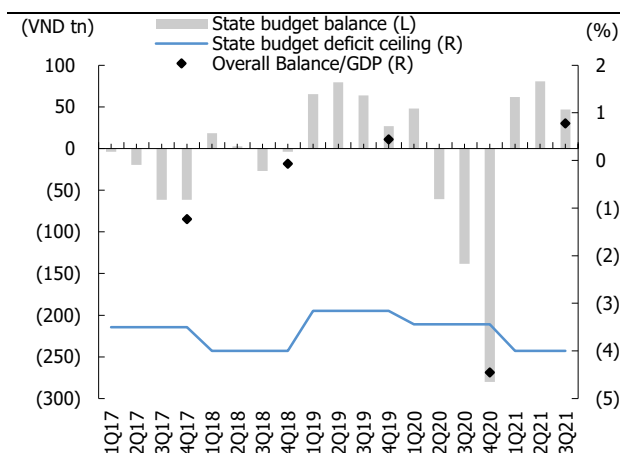
Source: GSO, KIS

#### 4. “Economic Recovery and Development” fiscal support package, is it possible? And if so, is it necessary?

More and more information flows about a promising fiscal relief package, the “Economic Recovery and Development” fiscal support program worth VND800,000bn (equivalent to about 12.7% GDP), have been on mainstream media recently. Although it has to be examined and pass through complicated legislative progress, it is worth speculating that whether the government is able and willing to launch such a large support program and its possible impact on the economic growth for the medium-term.

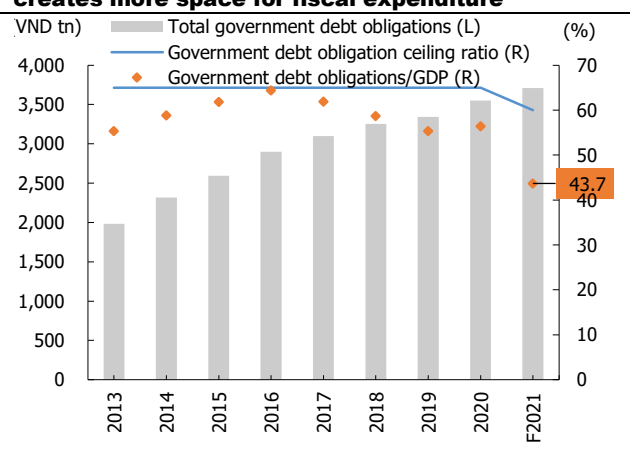
**First, is it possible to launch that large fiscal support package? From our view, it is absolutely a yes.** Vietnam's fiscal health has been improved significantly over years with robust fiscal revenue and well-controlled state expenditure. The state-budget balance over GDP ratio was healthy and maintained above the state-deficit ceiling level, except for the year 2020 due to several support measures of taxes & fees deferral. Not only that, but the government also has a large room to borrow with the current government-to-debt ratio being estimated at only 43.7%, equivalent to a fiscal space of about 16.3% GDP or about VND1,380,000bn to reach the government debt ceiling of 60% GDP.

**Figure 19. Robust state budget balance over years**



Source: KIS, GSO  
Notes: GDP values before 2021 were unrevised.

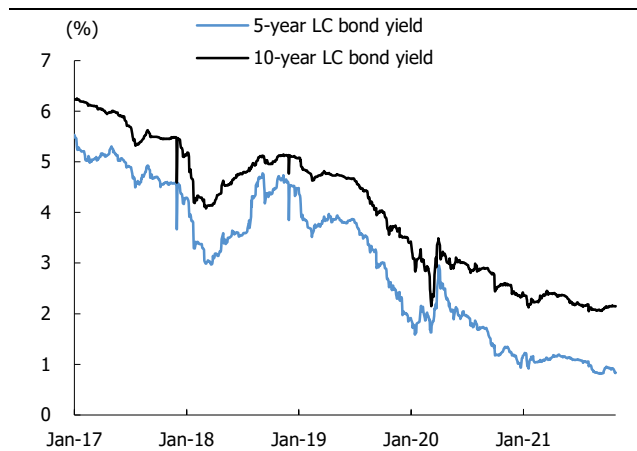
**Figure 20. Decreasing government debt-to-GDP ratio creates more space for fiscal expenditure**



Source: MOF, VN Congress, GSO, KIS  
F2021: It is estimated by VN's Ministry of Finance

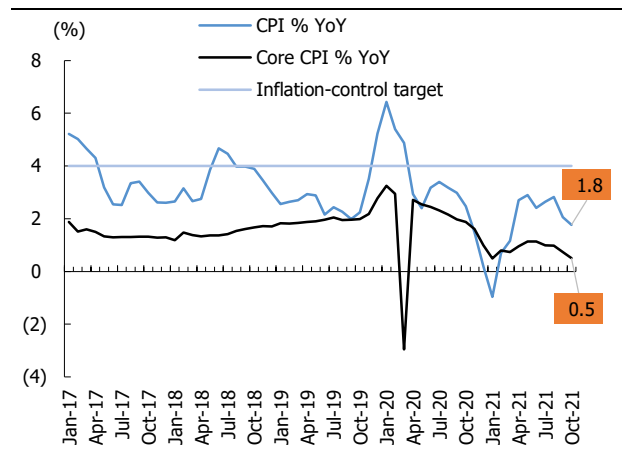
Besides, the global and domestic monetary conditions are also supportive of financing the fiscal deficit at super-low interesting rates. For the present, 5-year and 10-year government borrowing costs (G-bond yields) were nearly at their record lows, below 0.9% and 2.2% as of October 2021. On the other hand, inflation conditions remain extremely subdued, with 9M21 average inflation of just 1.82%, one of the lowest inflation levels on record. This means that the support package, if effective, would be financed at record-low costs and would create limited inflation risk to the macro environment.

**Figure 21. Borrowing costs are at record lows**



Source: KIS, GSO.

**Figure 22. Inflation conditions remain subdued**



Source: MOF, VN Congress, GSO, KIS

**Second, is it necessary for the economic recovery for the medium-term?**

**It is also a yes in our opinion.** For now, we are talking about the economic recovery to the pre-pandemic levels, but from that base whether the economy is able to reach sustainable growth of 6.5% - 7% for the medium term or not is another question. What we think is that the demand side, including the private consumption and investment, needs a sufficient boost from the government. If not, the consumer behavior towards saving and risk-avoiding investment sentiment would be a threat to the recovery path of the economy.

**Third, what benefits should be expected from the “Economic Recovery and Development” plan?**

The first part of the support program was to ensure social security benefits for affected population, especially the low-income class at the bottom line. Health insurance benefits, vocational training support for unemployed workers, and preferential credit policies for the low-income class were extremely necessary in order to reconnect the labor market to the supply side. Furthermore, net transfers to those in the low-income group is also boosting consumption demand from the private economy.

The second part is to provide various types of support to both the supply and demand sides. Reduction and extension of various tax obligations would ease liquidity pressure for individuals, companies, and the overall economic cash flow in the reopening phase. It also helps ease the overall price level for goods and services, boosting demand in the early recovery stage. Another key point in this subprogram is the support of capital injection and subsidized interest-rate loans into affected companies. These supports are intended to boost investment demand and create a new growth engine for the medium term.

Last but not least, state investment expenditure would be the most important pillar of the program. This estimated VND220,000bn infrastructure and development investment package (of about 3.5% GDP) is expected to bolster aggregate demand, create more jobs to resolve unemployment problems, and promote investment demand from the private sector through its spillover effect.

**Table 3. “Economic Recovery and Development” support programs**

	Amount (VND bn)	% GDP
<b>“Economic Recovery and Development” support program</b>	<b>800,000</b>	<b>12.7</b>
<b>1. Social security support</b>	Unspecified amount	N/A
Direct cash payment to affected people	21,200	0.34
Direct cash payment for low-income workers in COVID-19 affected areas	12,000	0.19
Health insurance benefits for affected employees	Unspecified amount	N/A
Support of vocational training costs for workers who are unemployed due to the pandemic	Unspecified amount	N/A
Preferential credit policies for low-income workers and minority class	Unspecified amount	N/A
<b>2. Support program for companies, cooperatives, and household businesses</b>	Unspecified amount	N/A
Reducing taxes and fees; reducing lending rates of credit institutions; providing preferential credit support for priority sectors	47,000	0.75
Allowing SCIC to acquire and invest in affected enterprises in priority sectors	50,000	0.79
Reducing VAT tax for goods and services for consumption and living purposes; Planning for tax loss carryforward policy.	273,000	4.34
Support taxes and fees & guarantee loans for enterprises in air freight and railway industries	Unspecified amount	N/A
Reducing and subsidizing a number of taxes for enterprises in road transport industry	Unspecified amount	N/A
Supporting Covid-19 insurance and testing costs; Reduce electricity prices in 2022 for tourism accommodations	1,000	0.02
Support for input costs such as fertilizers, seeds, and machinery for production for enterprise in the agriculture industry; State support for rice purchase	1,877	0.03
Capital support for businesses, cooperatives and business households in the early stages of digital transformation and start-up.	7,000	0.11
<b>3. Infrastructure and development investment program</b>	220,000	3.50
1st stage in late-2021 and 2H22: Preparing for investment, site clearance, compensation and resettlement of new construction projects in 2022-2023	Unspecified amount	Unspecified amount
2nd stage in 2022 - 2023: capital disbursement for planned projects; striving for an annual disbursement rate of about 95%.	Unspecified amount	Unspecified amount

Source: KIS collects and compiles from multiple sources

% GDP is calculated based on 2020's Vietnam unadjusted nominal GDP.

## CONCLUSION:

The economy has been through the worst contraction in the third quarter under massive pressure from the unprecedented health crisis and also an unprecedented response from the government and society. However, the people, the government, and also the economy is quickly learning priceless lessons and taking strong and effective actions to switch to living with the coronavirus. Early macroeconomic data in the first two months of the reopening phase shows promising signs that the economy has been fast adopting new normalization conditions, broken supply chain issues have been resolved, and consumption demand has been rebounding at a marked pace.

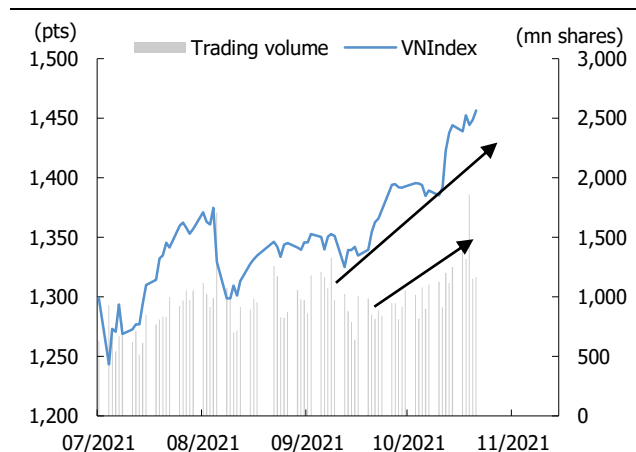
In order to accelerate the economic recovery momentum for a longer period and preserve economic growth for the medium and long term, the economy is in need of a booster shot, a sufficiently large fiscal relief package. From our view, the “Economic Recovery and Development” fiscal support package, if successfully passed, would be a key to unlocking the full potential of the economic recovery.

## II. Long-term uptrend

### 1. Retail investors make market gains

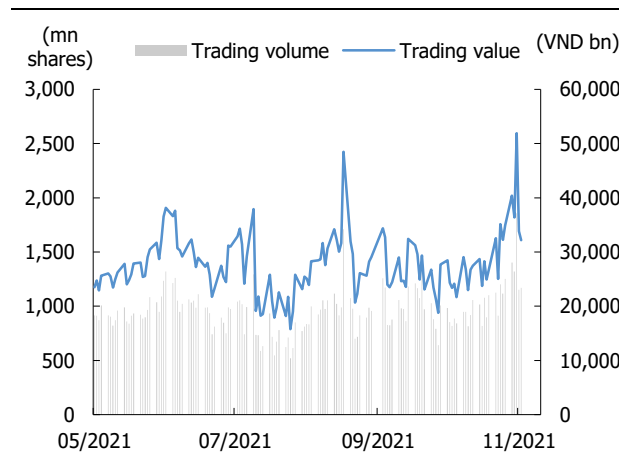
**Short-term uptrend.** After the sharp reduction in early July 2021, the VNIndex rebounded 16.14%, calculated from July bottom to Oct highest closed price. The index forms new highs and new lows from Aug to Oct, implying the short-term uptrend. Besides, the trading value and trading volume remain at an average level as average volumes of 980 million shares and the average value of VND27.3bn in Oct 2021. This volume and value are the same as the level of 3Q21 and 2021, implying the cash flow remains on the stock market.

**Figure 23. Movement of the VNIndex and trading volume**



Source: VSD, KIS

**Figure 24. Trading value and volume**

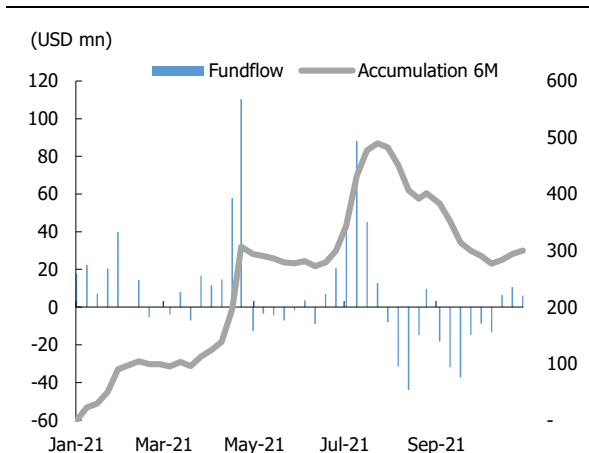


Source: Fiiipro, KIS

**HSX trading congestion has been resolved.** The trading process on the Ho Chi Minh City Stock Exchange returned to normal in the third quarter of 2021 when the new system was put into operation on July 5, 2021. This system was developed by the cooperation between SOVICO corporation and FPT. The new system has 3-5 times the processing capacity of the old system and can meet the stock market's needs for at least the next 3-5 years. HSX can ultimately expand the system in the future if necessary. In addition, because the trading volume and value reached a record high (1,460 million shares or a value of VND42.9tn) on November 3, 2021, the new trading system is working well and completely meeting the trading needs of investors.

**Money out of Vietnam ETFs since Aug.** Money outflow across Vietnam ETF since Aug 2021, recording at USD189mn until now. This is the most substantial net selling stream on Vietnam ETFs. However, the ETFs are still net in USD317mn in 2021 thanks to FUBON FTSE VIETNAM ETF, with an inflow of USD202mn. The Fubon FTSE Vietnam ETF fund, the fund listed on the Taiwan stock market, raised capital in March 2021, but the fund has reached USD480mn, ranking fourth in AUM value of ETFs after only four months.

**Figure 25. Weekly Vietnam ETFs net flow**



Source: Bloomberg.

Note: SEA includes Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam

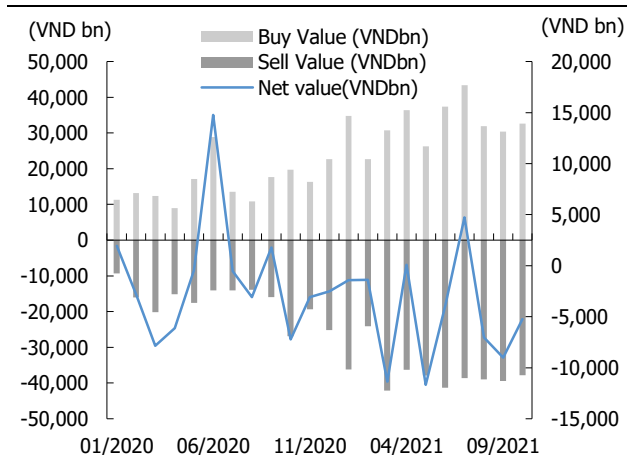
**Table 5. Vietnam ETFs**

Name	Total AUM (USDmn)	NAV/share (USD)	Price (USD)	Net Fund Flow (USDmn)		
				1M	6M	1Y
X FTSE VIETNAM SWAP	403.3	46.4	46.1	0.0	(60.0)	(18.4)
VFMVN30 ETF FUND	493.5	1.0	1.1	19.3	47.3	(1.7)
VANECK VIETNAM ETF	576.8	20.5	20.4	(2.0)	14.8	44.5
SSIAM VNX50 ETF	14.4	0.9	1.0	0.0	0.0	0.0
PREMIA MSCI VIETNAM	31.1	13.6	13.7	0.0	(0.0)	0.8
SSIAM VNFN LEAD	135.0	0.9	0.9	13.7	12.7	43.9
VFMVN DIAMOND ETF	575.0	1.2	1.2	3.4	(61.5)	174.1
VINACAPITAL VN100 ETF	5.5	0.8	0.9	0.0	0.0	(0.7)
SSIAM VN30 ETF	5.0	0.8	0.8	0.2	0.9	0.5
MAFM VN30 ETF	34.0	0.8	0.8	0.9	8.1	11.0
FUBON FTSE VIETNAM ETF	480.9	0.6	0.6	(25.9)	51.7	202.1

Source: Bloomberg, KIS

**Foreign investors sell strongly.** Foreign investors sold with a net value of VND5,248bn in Oct on Vietnam stock market. They sold HPG, NLG, and PAN the most with net values of VND2,177bn, VND1,284bn, and VND939bn, respectively. On the buy-side, TPB, FMC, and GAS were at the top of the list with net values of VND1,325bn VND509bn, and VND357bn.

**Figure 26. Monthly net foreign buy/sell**



Note: Data as of 05 Nov 2021

Source: FiinPro, KIS

**Table 6. Top net foreign sell/buy in 2021 (VND bn)**

No	Ticker	Net buy	No	Ticker	Net sell
1	TPB	1,325	1	HPG	(2,177)
2	FMC	509	2	NLG	(1,284)
3	GAS	357	3	PAN	(939)
4	FUESSVFL	312	4	SSI	(728)
5	DHC	310	5	NVL	(608)
6	STB	289	6	VIC	(449)
7	VHC	255	7	KBC	(404)
8	DCM	223	8	VJC	(387)
9	HAH	218	9	SBT	(357)
10	TNH	199	10	GMD	(291)

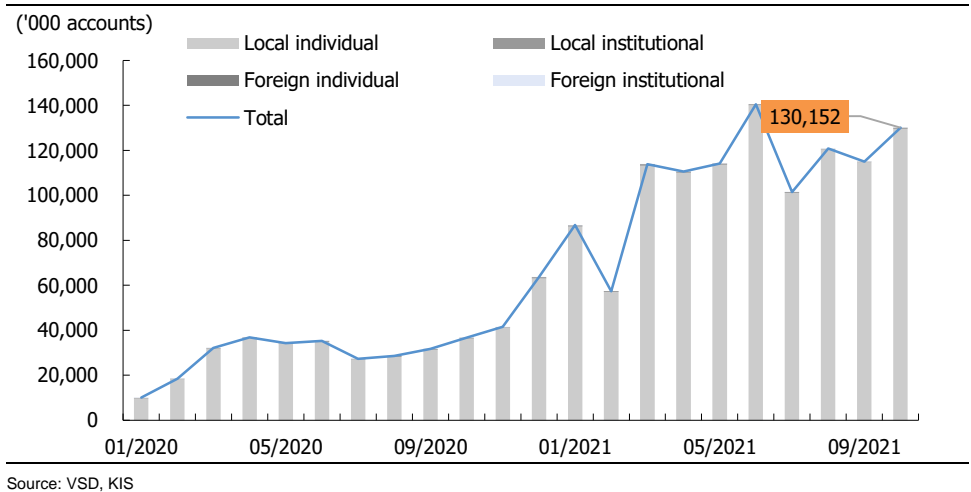
Note: Data as of 05 Nov 2021

Source: FiinPro, KIS

**Retail investors keep attending on the stock market.** After forming a peak in June 2021, the number of new accounts decreased in the following months as the stock market went into a contraction phase. However, the volume of new accounts is still high, reaching 130 thousand accounts in October 2021, higher than the average of 2021 (109 thousand accounts). In which local individual investors open 129.1 thousand contracts, accounting for 99.5%. That implies the investors (especially retails) maintain their attention on the stock market.

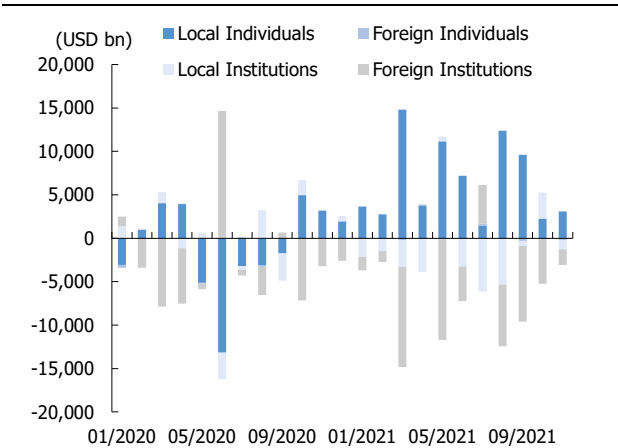


**Figure 27. New number of investor's trading accounts**

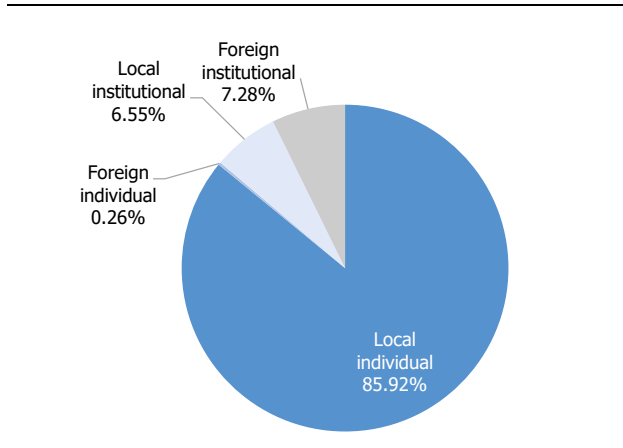


**Domestic retail investors are the main driver.** The local individual recorded net buying with a net value of VND3,079bn in Oct. Meanwhile, foreign institutional, local institutional, and foreign individual sold VND1,809bn, VND1,090bn, and VND180bn, respectively. Besides, local individual investors lead the trading with transaction value accounting for 85.9%, followed by foreign institutional investors of 7.2%. Therefore, local individual investors are playing an important role in the market trend.

**Figure 28. Net trading value by investor types**



**Figure 29. Trading value by investor types in 3Q21**



**Table 7. Top 10 net buy/sell for local individual in Oct**

No	Ticker	Net selling	No	Ticker	Net buying
1	VHM	(1,108)	1	HPG	1,416
2	TPB	(1,039)	2	NLG	1,257
3	FMC	(664)	3	SSI	1,182
4	TCB	(651)	4	PAN	978
5	MWG	(614)	5	FIT	528
6	ACB	(609)	6	VND	521
7	SSB	(590)	7	GMD	508
8	GAS	(581)	8	DCM	501
9	STB	(535)	9	NVL	486
10	MBB	(372)	10	KBC	364

Source: VSD, KIS

**Table 8. Top 10 net buy/sell for local institutional in Oct**

No	Ticker	Net selling	No	Ticker	Net buying
1	DCM	(724)	1	VHM	1,077
2	FIT	(528)	2	HPG	761
3	SSI	(454)	3	TCB	651
4	VND	(439)	4	MWG	614
5	NBB	(375)	5	ACB	609
6	FUESSVFL	(315)	6	SSB	586
7	ITC	(306)	7	VJC	489
8	TPB	(287)	8	MBB	328
9	VSC	(278)	9	KDH	300
10	GMD	(217)	10	MSN	284

Source: Fiinpro, KIS

**Table 9. Top 10 net buy/sell for foreign individual in Oct**

No	Ticker	Net selling	No	Ticker	Net buying
1	SSI	(23)	1	GVR	43
2	VND	(20)	2	HPG	18
3	GAS	(20)	3	VSC	17
4	SKG	(18)	4	VHM	16
5	DGC	(14)	5	CTG	14
6	TCH	(14)	6	BID	12
7	BWE	(11)	7	PAN	10
8	NLG	(9)	8	BMI	9
9	NKG	(9)	9	SAB	9
10	VHC	(8)	10	VIX	8

Source: VSD, KIS

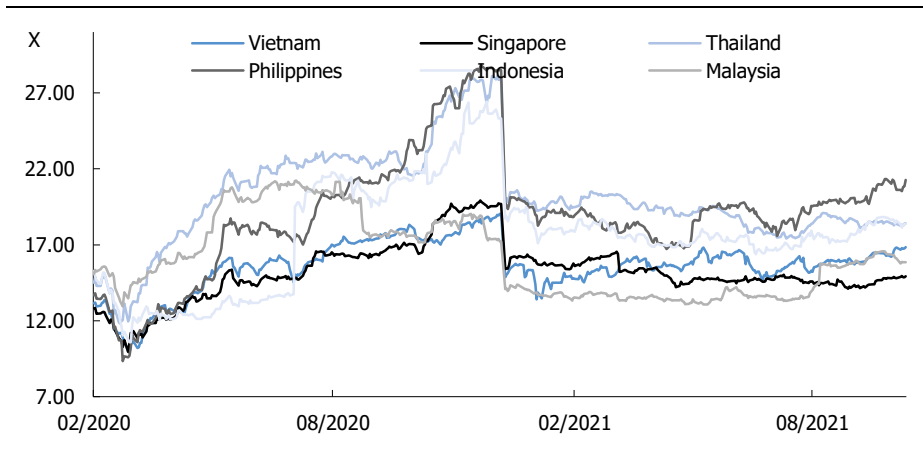
**Table 10. Top 10 net buy/sell for foreign institutional in Oct**

No	Ticker	Net selling	No	Ticker	Net buying
1	HPG	(2,195)	1	TPB	1,322
2	NLG	(1,275)	2	FMC	509
3	PAN	(950)	3	GAS	377
4	SSI	(705)	4	FUESSVFL	312
5	NVL	(611)	5	DHC	310
6	VIC	(442)	6	STB	288
7	KBC	(407)	7	VHC	263
8	VJC	(387)	8	DCM	222
9	SBT	(357)	9	HAH	217
10	GMD	(296)	10	TNH	201

Source: Fiinpro, KIS

**Valuation is still attractive.** In 3Q21, the forward PER ratio of the VNIndex fell sharply in early July 2021 as the VNIndex went into contraction. However, the ratio rebounded slightly to 16.8x since Aug. This ratio is only higher than the PER of Singapore (14.9x) and Malaysia (15.8x) but lower than the rest of SEA countries such as Thailand (18.4x), Philippines (21.2x), and Indonesia (18.3x). Low value of Vietnam (compared to other countries) implies the attractiveness of Vietnam's stock market.

**Figure 30. PER of the stock market in Southeast Asia**



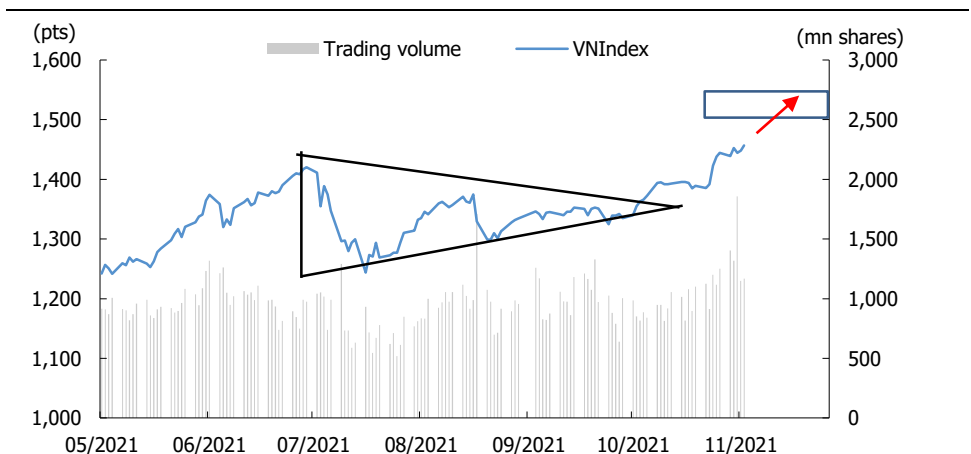
Note: Data as of 05 Nov 2021  
Source: Bloomberg, KIS

## 2. Cycle and pattern of the VNIndex

### One-year cycle's bottom

**The continuation triangle pattern.** The symmetrical triangle is formed from July to October in 2021 (black triangle in the below figure), which is the continuation triangle. Based on the breakout on Oct 05th, the pattern is confirmed, showing the bullish market is still intact in the short term. The target price of the pattern is based on the height of the pattern. Accordingly, the height is calculated as the difference from the early peak (at 1,420 pts) to the last bottom in July (at 1,230 pts), and then the value will be added to the breakout price (at 1,350 pts), showing the target is around 1,540 (1,350 pts + 190 pts), or extend a range of 1,500 to 1,550 pts.

**Figure 31. Symmetrical triangles pattern of VNIndex**

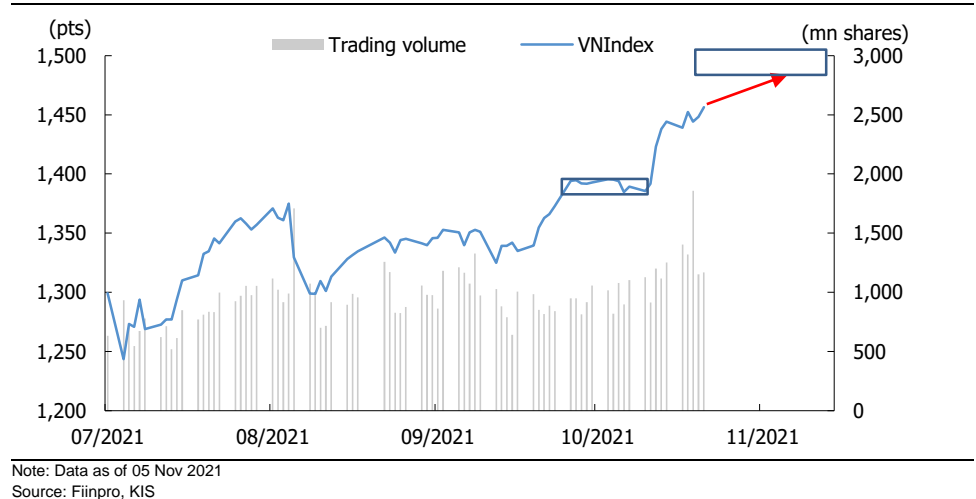


Note: Data as of 05 Nov 2021  
Source: Fiinpro, KIS

**Small rectangle pattern.** Since Oct 12th, 2021, the VNIndex has moved in a tight range of 1,280-1,400 pts, implying the consolidation phase. Besides, this phase can be a small rectangle pattern, a continuation pattern. The pattern is confirmed as the index closes above the 1,400-pts thresholds or the upper line of the pattern. Therefore, the target price maybe 1,480 pts or a range of 1,470-

1,500 pts.

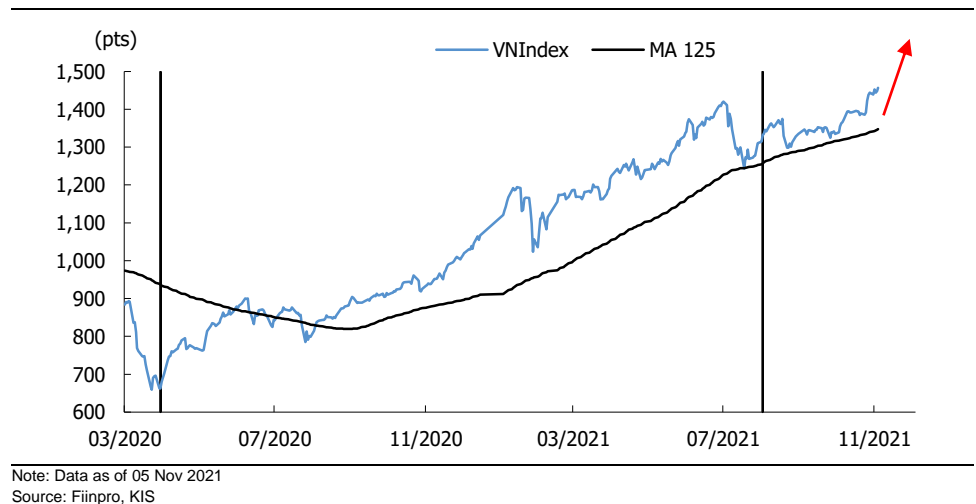
**Figure 32. Small rectangle pattern of VN Index**



**New uptrend after a 1-year bottom in July.** Based on the method of Raymond Merriman, a price cycle can be split into two or three smaller cycles, and the market almost forms a new uptrend in the short term after forming a 1-year bottom. For the VNIndex, a 3-year cycle can dividend into two or three sub-cycle (1-year cycles). A sub-cycle has a time interval between the two bottoms from 10 to 14 months.

On July 19th, 2021, the VNIndex may be formed a one-year bottom after the index closed below the 125-period moving average (closing below the moving average is the significant signal to confirm the 1-year bottom in the research of Raymond Merriman). The duration of two bottoms of sub-cycle (from March low in 2020 to July low in 2021) is 17 months, which is more than one-year cristal cycle. That implies the last sub-cycle is not normal or the extended cycle. However, that does not impact the one-year trough, and the last sub-cycle is finished. Therefore, the market will begin the uptrend in short term in next future with the second one-year cycle of a 3-year upside cycle.

**Figure 33. One-year cycle of Vietnam stock market**



### 3-year upside cycle

**3-year upside cycle from Apr 2020.** Based on the documents of Raymond Merriman about cycle analysis, we recorded a 3-years cycle on the VNIndex, showing a significant trough every three years. Besides, the distance of the 3-years bottom has a period of 30 to 42 months (36 months or three years on average). The current 3-year cycle started in March 2020. The bottom may appear in a range of September 2022 to September 2023. Hence, the bullish market will continue for at least another 10 months.

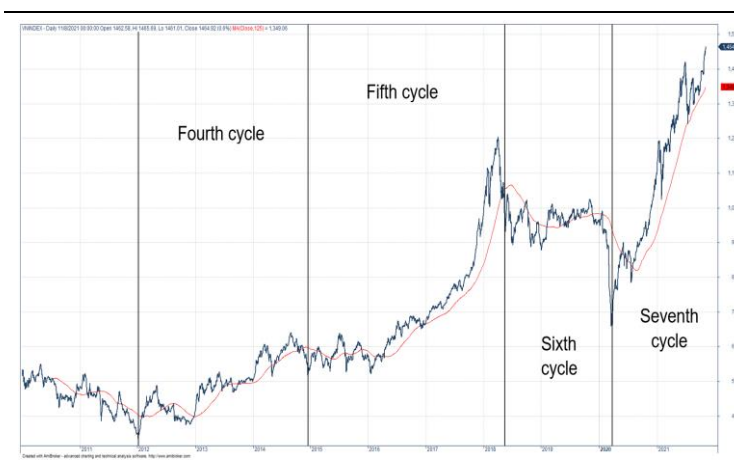
**A second 1-year upside cycle of a 3-year cycle.** Currently, the VNIndex begins the second 1-year upside cycle of a 3-year cycle because of the bottom in July. Meanwhile, the 3-year cycle is an upward cycle. The second 1-year cycle will be up. Therefore, a short-term correction may be an opportunity for investors to accumulate stocks for a new uptrend.

**Table 11. 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 05 Nov 2021  
Source: KIS, FiinPro

**Figure 34. Movement of 3-year cycle**



Note: Data as of 05 Nov 2021  
Source: Fiinpro, KIS

### Summary

Vietnam stock market form a short-term uptrend since Aug 2021 thanks to the high demand of local investors, especially retail. We expect that the upward trend is still intact thanks to (1) the attention of the retails on the stock market (2) lower valuation based on a forward PE ratio (3) the small rectangle pattern and symmetry triangle pattern (4) 3-year upside cycle from Apr 2020.

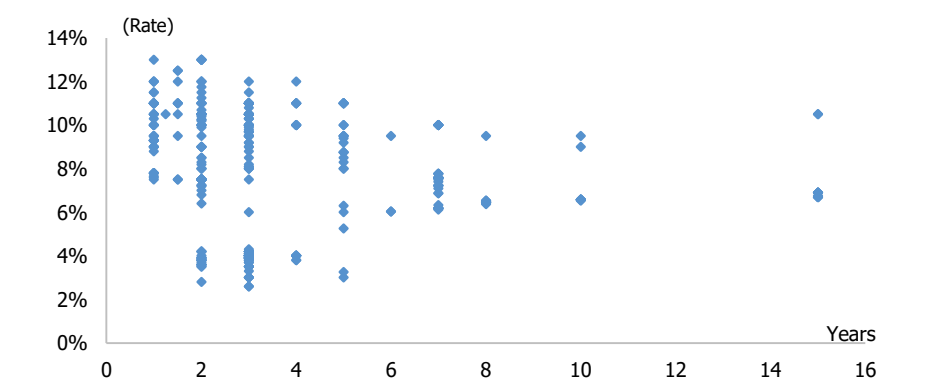
## III. Fixed income market by Sectors

3Q21, total issued value of Corporate bonds reached VND150tn, remain at the same level of 3Q20. Breaking down by sectors, Financials firms continued to be issued the most, followed by Real Estate and Industrials. The total value of issued bonds across Financials sector increased by 40% YoY. Nevertheless, Real Estate sector experienced the drop in total issued value, down 25% YoY. Similar to 2Q21, the Decree 81 which sets higher requirements and limitations on private offerings in an effort to restrict the issuance of bonds to private investors has continued to negatively impacted the Real Estate sectors.

In September 2021 alone, there were 70 domestic issuances of Corporate bonds, especially there are 1 public issuance of VND1,000bn by KBC (Kinh Bac Urban Development Corporation), 2 public issuances of VND500bn and VND450bn by NLG (Nam Long Investment Corporation), and 1 public issuance of VND270bn by PDR (Phat Dat Real Estate Development Corporation). The issuing tenor during this month kept focusing on short duration, ranged from 1-3 years as well as the bond rate has fluctuated within the range of 9%-13%/year for Real Estate and 6-8%/year for the banking group. Since the beginning of September 2021, Commercial banks continued to rank at the first place in terms of total issued value, followed by Real Estate sector.

In October 2021, there is 1 public issuances of VND2,280bn by VHM (Vinhomes Joint Stock Company). Similar to September 2021, the issuing tenor during this month continued to focus on short duration. Of which, Real Estate bond rate has fluctuated within the range 8%-11%/year and 6-8%/year for the banking group.

**Figure 35. The overall trend in duration and corporate bond rate (9M21)**



Source: Bloomberg, FiinPro, KIS

**Duration and corporate bond rate.** In the third quarter of 2021, 232 corporate bonds were issued which means 9M2021 has the total of 418 issued corporate bonds. Short duration bonds (under 3 years) continued to be accounted the most, more than 50% of total issued corporate bonds. In 3Q21, among Financials sectors, most of bond issued value was contributed by Commercial Banks alone, nearly 80%. In which, bonds with duration from 2-4 years accounted for 50%, with the average bond rate at 7%. Notably, issued bonds Commercial Bank with duration under 5 years included ACB (VND12tn), LPB (VND7.4tn), VPB (VND8.5tn), OCB (VND4tn), SHB (VND4.3tn), TPB (VND3.2tn), and VPB (9.9tn) whilst BID (VND12tn) and CTG (VND6tn) have the longer term bonds, above 5 years.

10M21, Commercial banks continued to be the main contributor for the total issued value, recorded at VND132tn. In which, Tier 2-capital raising bonds accounted for nearly 25% (VND35tn).

Real Estate ranked at the second place, recorded for 35% of issued corporate bond total value in 3Q21. However, this sector is the leader in terms of bond rate, with the average of 8%/year and the short duration (averaged at 3 years).

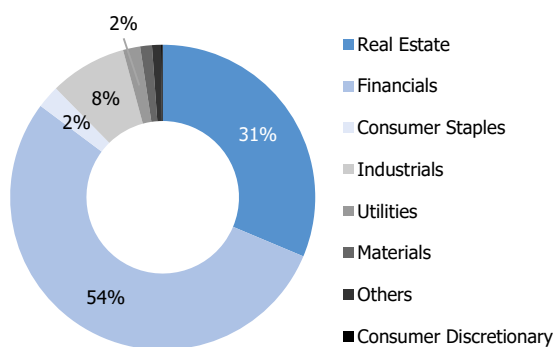
Notably, 15% of Real Estate corporate bonds were unsecured or secured by common shares

10M21, there were 3 issuances on the international market which were Vingroup (USD500mn), convertible bonds of Novaland (USD300mn), and green bonds of BIM Real Estate Joint Stock Company (USD200mn).

Investors could find more investment opportunities across Real Estate sector when the issued bonds have the bond rate are ranged from 8-13%/year, especially with short duration. However, investors need to aware bonds which are unsecured or secured by common shares.

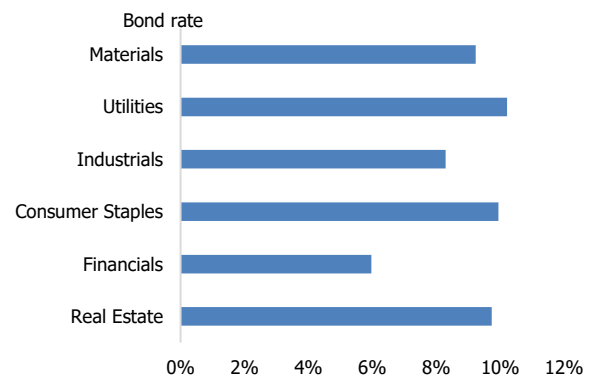
Finally, we expected that bonds will keep being a major instrument for mobilizing capital this year as banks continue to focus on short-term lending whilst there is the high businesses' demand (especially Real Estate firms) for mid- and long-term lending.

**Figure 36. Corporate bond by sectors (9M21)**



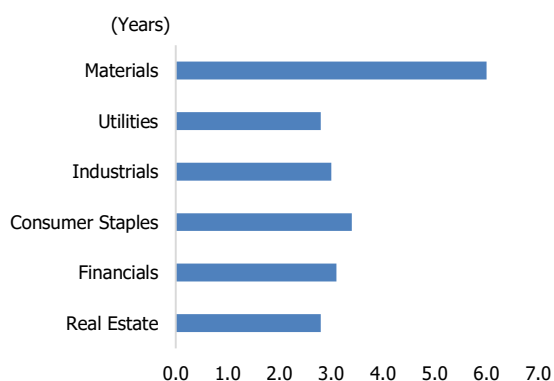
Source: Bloomberg, FiinPro, KIS

**Figure 37. Average bond rate by sectors (9M21)**



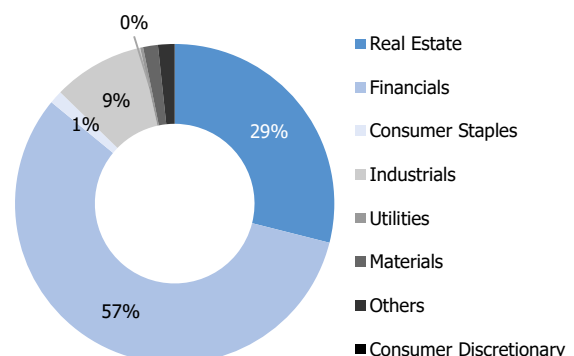
Source: Bloomberg, FiinPro, KIS

**Figure 38. Corporate bond duration by sectors (9M21)**



Source: Bloomberg, FiinPro, KIS

**Figure 39. Corporate bond by sectors (3Q21)**



Source: Bloomberg, FiinPro, KIS

## Government bond

In Sep 21, 20 auctions of government bonds were called by the State Treasury of Vietnam, total bidding value and total winning value was VND83tn and VND34tn, respectively. The winning rate was recorded at 80%. Particularly, 10-year and 15-year tenor had the highest bidding volume, recorded at VND14.5tn and VND18.5tn, respectively. The winning rate was 84% for 10-year tenor and 85% for 15-year tenor. However, the average winning rate for all tenor has decreased compared to the previous month.

In 3Q21, the State Treasury of Vietnam has planned to issue VND120tn of G-bond, including 5-year tenor (VND10tn), 7-year tenor (VND8tn), 10-year tenor (VND40tn), 15-year tenor (VND50tn), 20-year tenor (VND5tn) and 30-year tenor (VND7tn). At the end of 3Q21, the total issuing in this third quarter was VND85tn, below the set quarter plan. 9M21, total winning value recorded at VND200tn, accomplishing 65% of the annual plan (2021).

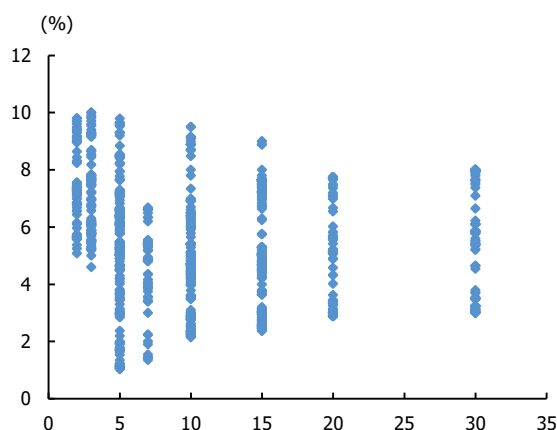
**Table 12. 2021 issue plan of Government bond**

(VND tn)

Duration	Yearly plan (2021)	Quarterly plan (3Q21)	Offering value (3Q21)	Winning value (3Q21)
5Y	20	10	7.5	5
7Y	15	8	5	2.5
10Y	120	40	35.5	31.5
15Y	135	50	37.5	31
20Y	30	5	7.5	5.5
30Y	30	7	13	8.4

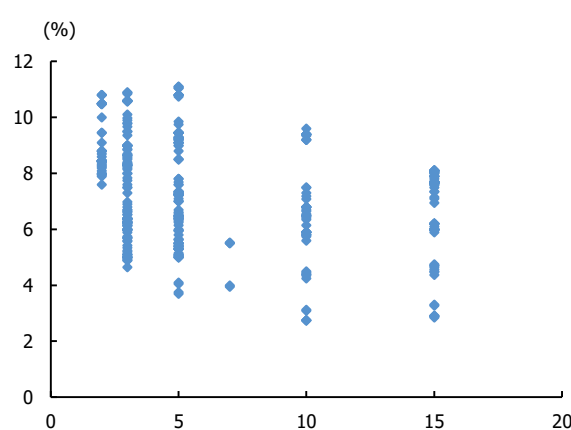
Source: HNX, KIS

**Figure 40. The overall trend in duration and winning yield of Government bond (2012-3Q21)**



Source: HNX, KIS

**Figure 41. The overall trend in duration and winning yield of Government guaranteed bond (2012-3Q21)**

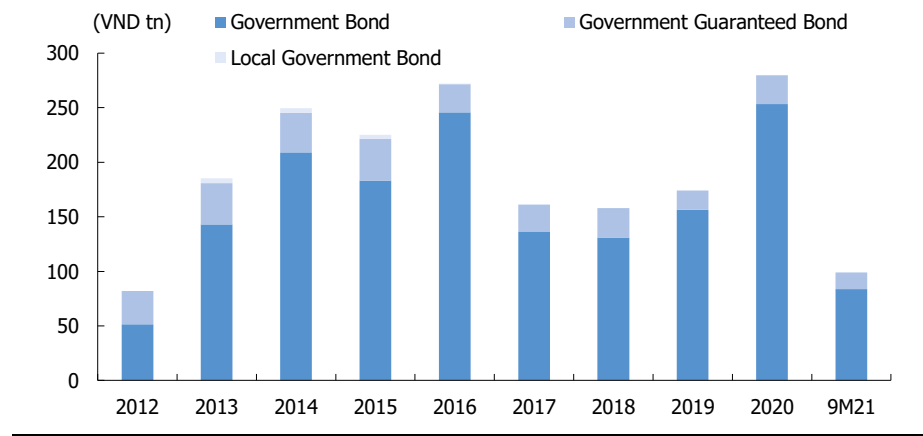


Source: HNX, KIS

With Government-guaranteed bonds, the total issued value recorded at VND11tn (all were issued by the Bank for Social Policies), accomplishing 100% of the yearly plan. In terms of Local Government bond, there is no issued amount since 2016.



**Figure 42. Total issued amount of Government bond, Government guaranteed bond, and Local Government bond**



Source: HNX, KIS

**Table 13. 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
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)	280,000	100,000	9	15	12/19/2007
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)	1,500,000	100,000	8.8	15	9/17/2007
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
VietJet Aviation Joint Stock Company	VJC (HOSE)	6,000,000	100,000	9	3	11/2/2020
Vincom Retail Joint Stock Company	VRE (HOSE)	20,000,000	100,000	10	5	10/2/2020

Source: HSX, KIS

## Macro scorecard

(USD bn, USD, %, % YoY)

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	4Q20	1Q21	2Q21	3Q21	2017	2018	2019	2020
Real GDP growth		6.61			(6.17)		4.48	4.65	6.61	(6.17)	6.81	7.08	7.03	2.91
Registered FDI	1.74	1.28	1.45	2.40	3.02	1.59	7.32	10.13	5.14	6.88	35.88	35.47	38.02	28.53
GDP per capita											2,353	2,551	2,730	
Unemployment rate											2.21	2.21	2.25	2.48
Export	26.19	27.20	27.87	27.23	27.00	27.30	80.15	78.40	79.95	82.09	215.1	243.5	263.6	282.7
Import	28.27	27.66	29.11	27.34	26.50	26.20	76.86	75.57	83.70	82.95	213.2	236.7	254.4	263.0
Export growth	36.52	20.56	12.03	(1.71)	(0.60)	0.15	15.14	23.42	34.74	2.95	21.82	13.19	8.16	7.02
Import growth	55.52	33.54	31.75	20.34	9.49	7.97	16.43	26.60	45.79	20.19	21.85	11.01	7.41	3.81
Inflation	2.90	2.41	2.64	1.79	2.06	1.77	3.24	0.30	2.67	2.16	3.53	3.54	2.79	3.24
USD/VND	23,048	23,020	22,947	22,784	22,761	22,752	23,126	23,076	23,020	22,761	22,698	23,175	23,173	23,126
Credit growth	4.95	6.44	6.92	7.40	7.54	8.14	10.14	2.95	6.44	7.54	18.24	13.89	13.70	10.14
10Y gov't bond	2.27	2.21	2.19	2.06	2.14	2.15	2.01	2.40	2.21	2.14	5.14	5.07	3.37	2.01

Source: GSO, Bloomberg, FIA, IMF

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