

# Strategic Insight

## Wait for bullish signals?

### Internal factors to shield Vietnam's economy from global headwinds

Economic performance in 4Q22 will likely be less bright than that in 3Q22 as impact of slowing external demand, following the hawkish tendency of monetary policy around the globe, on the domestic production will be more evident. Additionally, the low-base effect are fading in the manufacturing sector, implying that we will see a significant slowdown in industrial production in the last quarter of 2022. However, we predict domestic consumption to record another strong growth because consumers in the peak season tend to be much more confident than 4Q21. Hence, the impressive growth of domestic consumption will continue to mainly shield economic growth of 2022 from the global economic slowdown.

### Prepare for a difficult period

The market confirmed the bearish trend in the short and medium term as the VNIndex forms a new lower bottom and new lower peaks. The reason is the raising interest rates of Fed's policy and the raising interest rates of SBV. We expect that the market may enter a downtrend in around one year with an important bottom forming in 2023 based on the analysis of 1-year and 3-year cycles. Any recovery phase without a strong increase in volume is a pullback during this period.

### Look before you leap

With the 3Q22 earnings season approaching, sectors with likely upward earnings in 3Q22F-4Q22F could gain the market's spotlight. The retail group is one of them, especially the airport retailers who are forecasted to deliver the earnings yoy growth by times thanks to the tourism revival, in our view. Hydropower could be another substitute for investors seeking secular 3Q22F earnings. We are conservative on Oil&Gas, and Steel amid the sluggish global demand and skeptical of the residential estate given the mortgage rate hike. However, considering vulnerable macro conditions and difficult supply-demand dynamics in the equity market, we do not think brisk 3Q22F earning growth of specific sectors could outweigh the bearish sentiment of the broader market.

## Contents

<b>I. Internal factors to shield Vietnam's economy from global headwinds.....</b>	<b>1</b>
1. The economy to slow down.....	1
2. "Fed pivot" could be new catalyst.....	3
3. Inflation to be higher but under control.....	4
<b>II. Prepare for a difficult period .....</b>	<b>6</b>
1. Selling pressure.....	6
2. Foreigners tend outflow .....	7
3. Attractive valuation thanks to downtrend .....	8
4. Cycle and pattern of the VNIndex .....	9
<b>III. 3Q22F-4Q22F earnings outlook .....</b>	<b>11</b>
1. Power .....	11
2. Retail .....	12
3. Oil & Gas .....	15
4. Seafood.....	17
5. Textile & Garment .....	19
6. Housing .....	21
7. Industrial property .....	23
8. Steel .....	25
9. Fertilizer.....	27
10. Securities.....	28

### Y Nguyen

y.nt@kisvn.vn

### Nhan Tong

nhan.tt@kisvn.vn

### Hieu Tran

hieu.ttm@kisvn.vn

### Dang Le

dang.lh@kisvn.vn

### Nhu Nguyen

nhu.nh@kisvn.vn

# I. Internal factors to shield Vietnam's economy from global headwinds

## 1. The economy to slow down

Economic performance in 4Q22 will likely be less bright than that in 3Q22 as impact of slowing external demand, following the hawkish tendency of monetary policy around the globe, on the domestic production will be more evident. Additionally, the low-base effect are fading in the manufacturing sector, implying that we will see a significant slowdown in industrial production in the last quarter of 2022. However, we predict domestic consumption to record another strong growth because consumers in the peak season tend to be much more confident than 4Q21. Hence, the impressive growth of domestic consumption will continue to mainly shield economic growth of 2022 from the global economic slowdown.

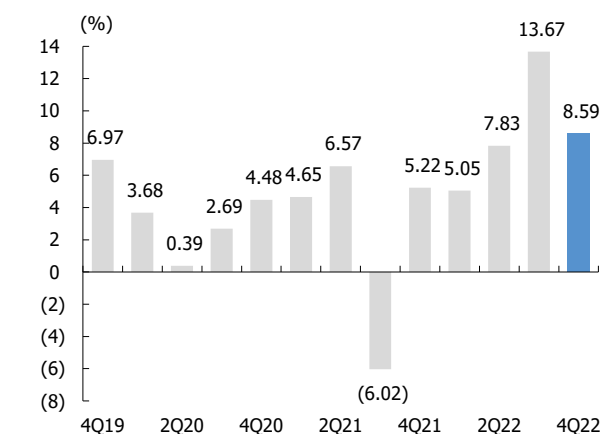
**Table 1. Vietnam's economic forecast in 4Q22**

Indicator	1Q22	2Q22	3Q22	4Q22F
GDP growth (%)	5.05	7.83	13.67	8.59
Export (USD bn)	87.13	97.08	95.47	97.79
Export growth (% YoY)	11.14	21.42	16.10	2.55
Import (USD bn)	87.54	97.32	90.39	91.14
Import growth (% YoY)	15.84	16.03	8.01	3.15
Retail sales (VND tn)	1,321.94	1,397.91	1,450.37	1,829.05
Retail sales growth (% YoY)	3.75	19.85	41.72	45.93
CPI (% YoY)	2.41	3.37	3.94	5.51

Source: SBV, GSO, Bloomberg, KIS

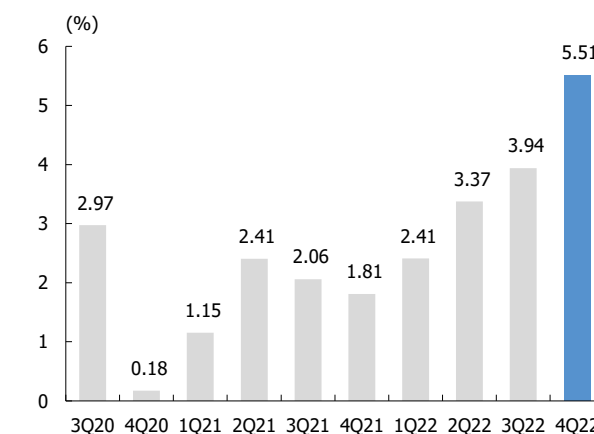
We also expect that the public investment would not record any notable developments in 4Q22. Although the disbursement progress seasonally accelerates in the last quarter of a year, it is less likely for this year to complete what government stated in the stimulus package in the beginning of this year. Intuitively, it is more likely that the government will speed the public investment up to follow economic growth for the next year. However, 2022's disbursement of investment and development expenditure from the state budget will record a impressive growth compared to 2021's performance, adding more contribution to the growth of the whole economy.

**Figure 1. Vietnam's economic growth by quarter**

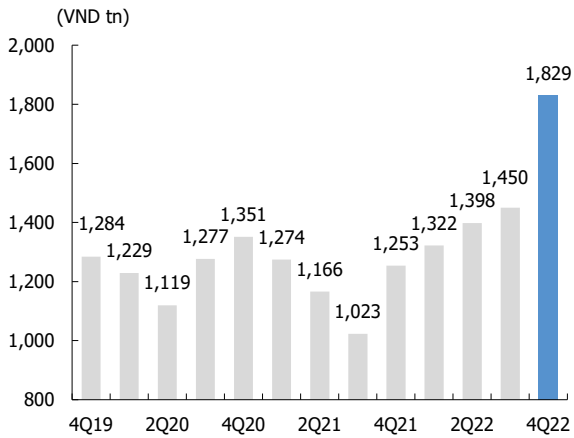


Source: GSO, Bloomberg, KIS

**Figure 2. Vietnam's end-of-quarter CPI %YoY**

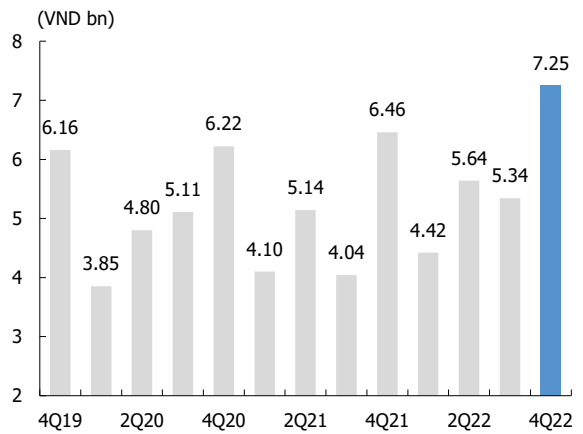


**Figure 3. Vietnam's retail sales by quarter**

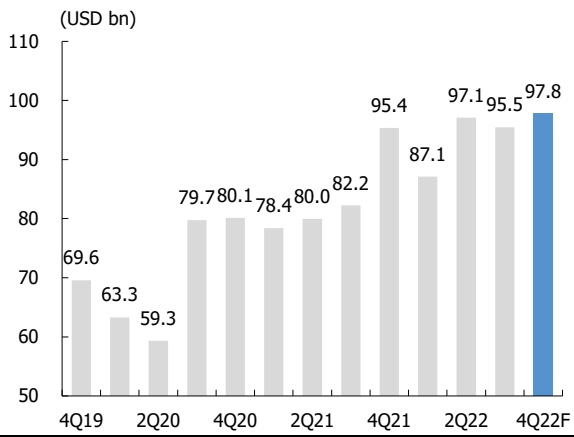


Source: GSO, Bloomberg, KIS

**Figure 4. Vietnam's disbursed FDI by quarter**

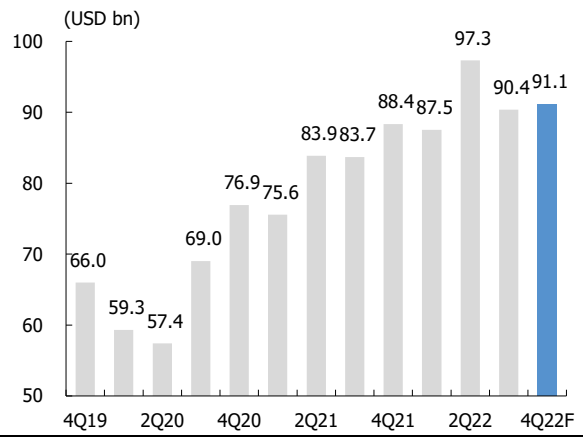


**Figure 5. Vietnam's export by quarter**



Source: GSO, Bloomberg, KIS

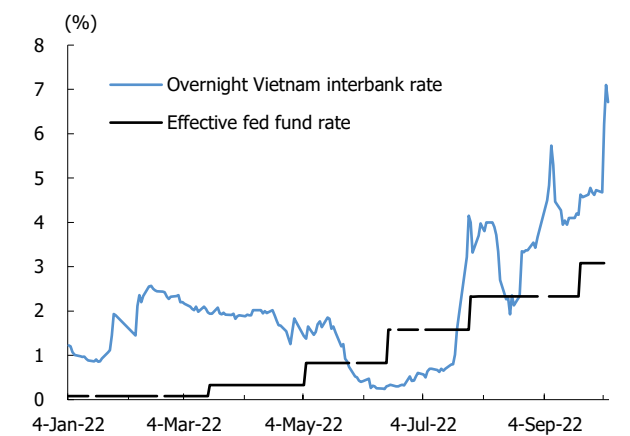
**Figure 6. Vietnam's import by quarter**



## 2. “Fed pivot” could be new catalyst

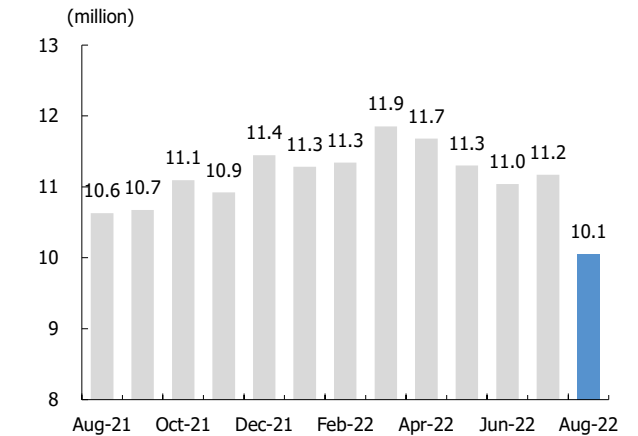
Economists and financial markets are pointing that Fed is making the same mistake as the early of this year when the most powerful monetary authority in the world has raised its policy interest rate too fast, putting the negative impact on the economy and labor market. Update economic indicators last week partly illustrate those arguments. Job opening is reducing much than what market expected. Of course, CPI development will continue to be the central of the debate of whether Fed is wrong again, but recent economic readings seems to increase the credit for market's speculation. A slower rate hike from Fed in November could relieve the capital outflow pressure in emerging countries, including Vietnam.

**Figure 7. Fed fund rates and VNIBOR**



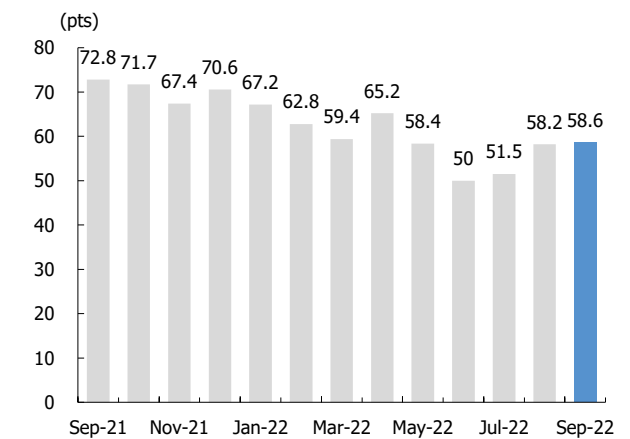
Source: Bloomberg, KIS

**Figure 8. U.S. job openings**



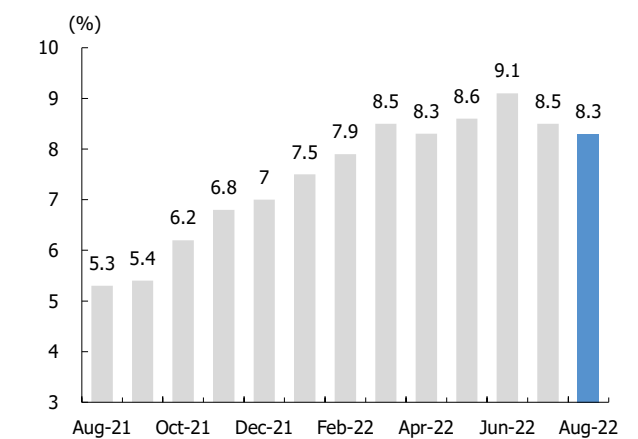
Source: Bloomberg, KIS

**Figure 9. U.S. consumer confidence**



Source: Bloomberg, KIS

**Figure 10. U.S. inflation**



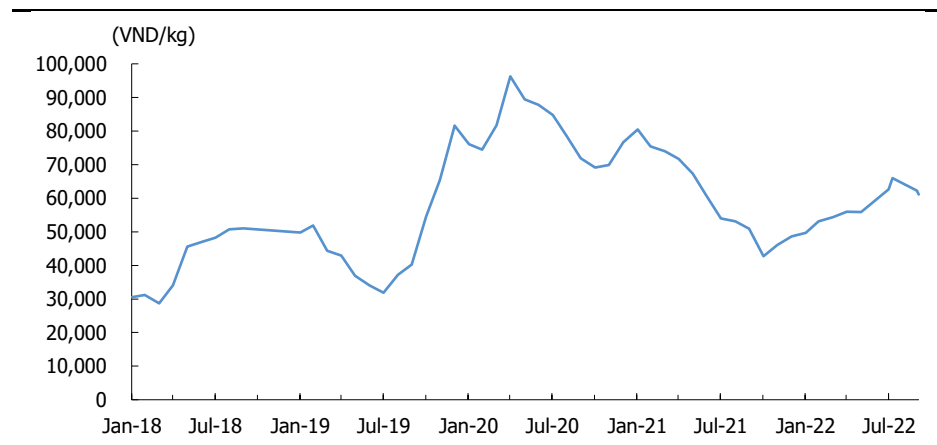
Source: Bloomberg, KIS

### 3. Inflation to be higher but under control

According to KIS's forecast, Vietnam CPI will increase by 5.5% YoY in the end of 4Q22 due to the rise of food and foodstuff (FFS), traffics, beverage and cigarette (BC) and culture, entertainment, and tourism (CET) indices. Firstly, Vietnam's socio-economic development in the third quarter of 2022 prospered in most fields. Business activities in the third quarter of 2022 grew strongly, especially compared to the same period last year. A demand-driven recovery in domestic consumption would be more likely to put upward pressure on FFS and CET, especially the fourth quarter is the time for family and business prepare for Christmas and Tet's holiday.

According to Vietnam Livestock Department, historical data of pork price indicated that the last three months of the year the pork price tend to go up except for the 2021 because of COVID-19. The upward momentum of FFS mainly comes from the rise of livestock price so that we expect it might have some significant impact on the increase of FFS. Furthermore, the alcohol consumption tends to grow at the of the year due to many activities which will also push the CET to increase.

**Figure 11. Historical data pork price from 2018 to 9M2022**

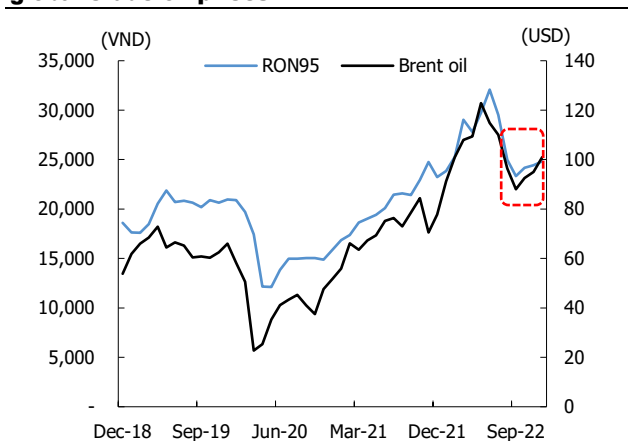


Source: Bloomberg, KIS

Secondly, the supply shortage and geopolitical instability could surpass recession fear, pushing prices of global crude oil and consequent domestic petroleum products higher. Specifically, we predict that the output cut down of OPEC recently would push the commodities price up, including crude oil, although American have implemented policies to cool them down. In detail, President Joe Biden recently announced that in November the U.S will sell 10 million barrels of oil in the Strategic Petroleum Reserve (SPR) in order to prevent the rise of the oil price right after the meeting of the OPEC. In addition, the reduction in production by OPEC+ will restore market share to leading oil producing countries such as Saudi Arabia or Russia.

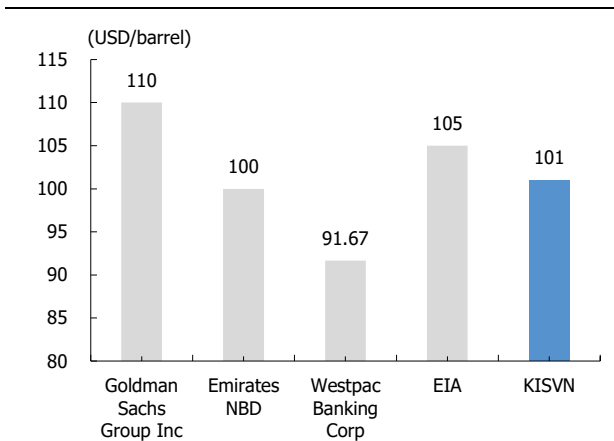
As can be observed that the movement of RON95 price and Brent crude oil price have a close correlation. From late June till the end of September 2022, the market witnessed a sharp decline of crude oil as well as the gasoline price all over the world. However, the 2 million barrel cut down per day of OPEC might have some negative impact on domestic commodity globally. Vietnamese's Government are making effort to stabilize domestic gasoline prices by reducing the green tax, and proposals to cut excise tax & value-added tax on finished products but the domestic gasoline still depends on world fuel prices. The increase in world fuel price will lead to the rise of domestic gasoline price which might push the traffics index to increase in the last 3 months of 2022.

**Figure 12. Historical data of Vietnam's gasoline and global crude oil prices**



Source: Bloomberg, KIS  
 Note: RON95 is widely used gasoline in Vietnam

**Figure 13. Oil price forecast by institutions in 4Q22**



Source: Bloomberg, KIS

Furthermore, the return of Chinese demand plays an important role in boosting the oil price in the future. Indeed, the announcement came after Beijing on Thursday lifted a lockdown imposed from 1<sup>st</sup> September, the largest Chinese metropolis hit with curbs since Shanghai's lockdown in April and May which means the usual oil consumption and oil demand for productions, travel will increase significantly result in the increase in oil price all over the world. According to oil consumption report of EIA, China is the second largest oil consumer in the world, accounting for 14% in 2021 of the global oil consumption with an average of 14.01 million barrels per day. China relies on oil to power its fleet of more than 250 million cars, as well as sustain its colossal manufacturing industries, which range from apparel and electronics to automobiles and aircraft.

## II. Prepare for a difficult period

### 1. Selling pressure

**A bearish trend in the medium term.** In 3Q22, the VNIndex formed a short-term bottom in July 2022, from which the index rose 12%. However, after the Fed raised interest rates, the market decreased sharply by 12.1%. The VNIndex closed below some important psychological support such as 1,200 points and 1,100 points. Especially, the index formed a new bottom lower than the bottom on Jul 2022. This implies confirmation of the mid-term downtrend.

**Figure 14. Movement of the VNIndex in 2022**

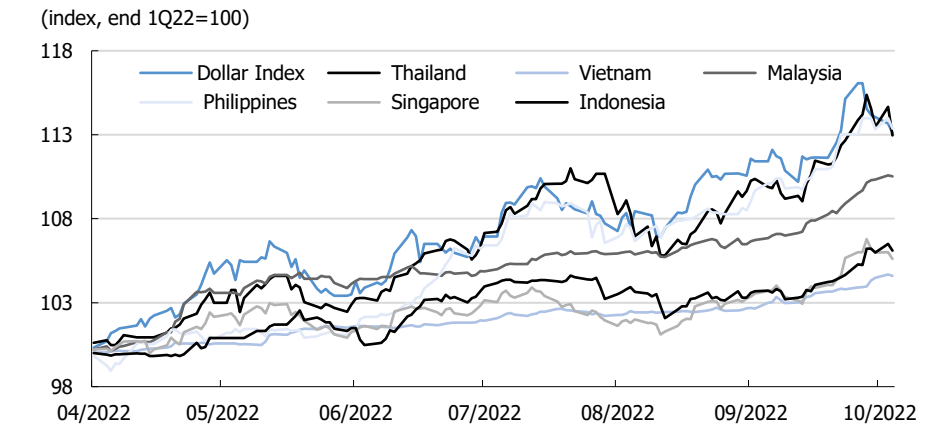


Source: Fiinpro, KIS

**Pressure from the global market.** The downtrend of stock markets is mainly influenced by global factors. Firstly, the Fed's policy of raising interest rates makes the USD stronger against other currencies, including VND. The initial pressure on the VND is not high when SBV implemented many policies to keep the exchange rate stable or slight increase, especially using foreign exchange reserves to balance the foreign exchange market. As a result, the VND/USD exchange rate has just reduced by about 4% compared to the end of March 2022 while other currencies fell sharply as the U.S. dollar has increased by 13% against the Thai baht, 11% against the Malaysian ringgit, 13% against the Philippine peso and 6% against the Indonesian rupiah.

However, when the Fed continues to raise interest rates in September 2022, this pressure became higher and SBV's policies became ineffective. Therefore, the SBV has to decrease the exchange rate. That pushes pressure on the domestic economy.

**Figure 15. Change of exchange rate of some countries**



Source: Bloomberg, KIS

Secondly, SBV's policies put pressure on the market. Accordingly, SBV decreases the exchange rate to reduce pressure on the foreign exchange market and increases the operating interest rate to reduce pressure on the money market. These two policies have a negative impact on the economy. This has affected investor sentiment.

### Summary

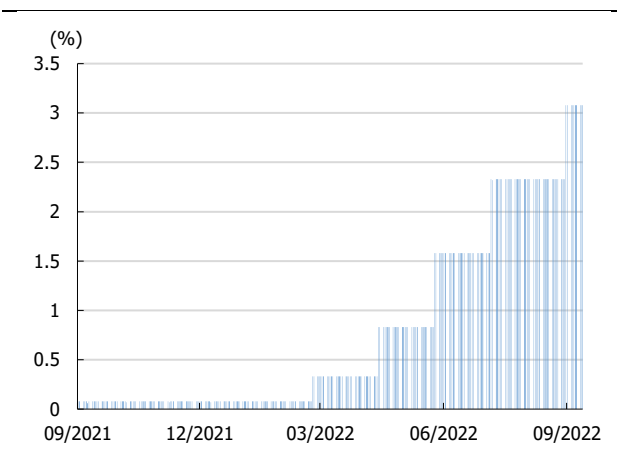
The market confirms a bearish trend in the short and medium term when the index continuously forms new lower tops and lower bottoms. The reason comes from the raising interest rates of the Fed's policy.

## 2. Foreigners tend outflow

**Pressure of the Fed's policy.** Fed started raising interest rates in March 2022, this negatively impacts global capital flows and caused global financial markets to sharply correct.

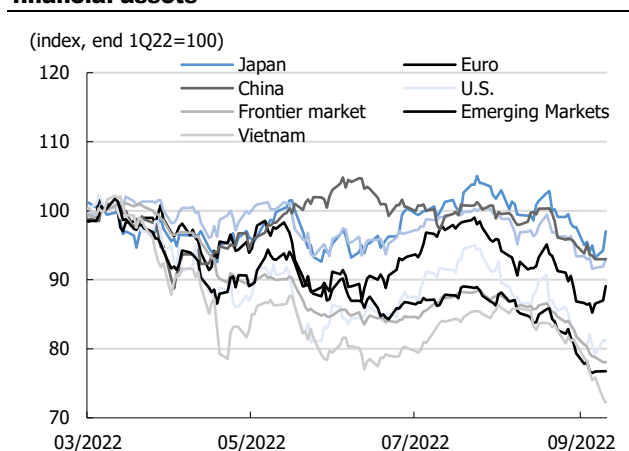
However, the effects on the Vietnamese economy are still not strong in 2Q22 because SBV used foreign exchange reserves to balance the foreign exchange market. In 3Q22, the effects of the Fed's policy became stronger in Vietnam as the Fed continuously raised interest rates. Specifically, foreign investors reversed to be net sellers in 3Q22 and capital outflows from ETFs.

**Figure 16. Upper limit of Fed fund target**



Source: Bloomberg, KIS

**Figure 17. Performance of some stock market and financial assets**



Source: Bloomberg, KIS

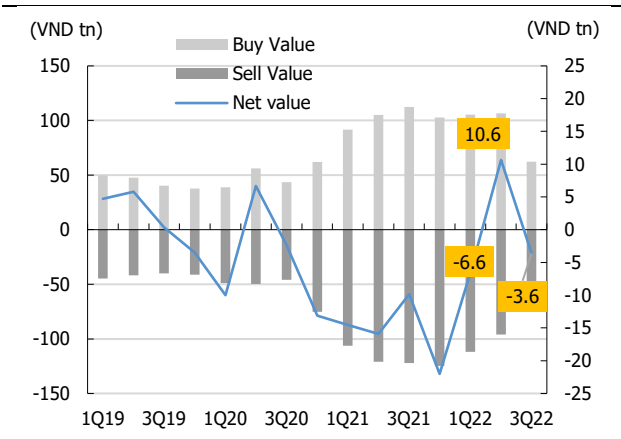
**Foreigner reverses net sell in 3Q22.** Vietnam's capital market ended up being net sold in the third quarter of 2022 with a net value of VND3.6tn, while they



bought a net of VND10.6tn in 2Q22. Notably, foreign investors strongly sells VND3.5tn in September when SBV raised the VND/USD exchange rate to fight the interest rate policy of the FED.

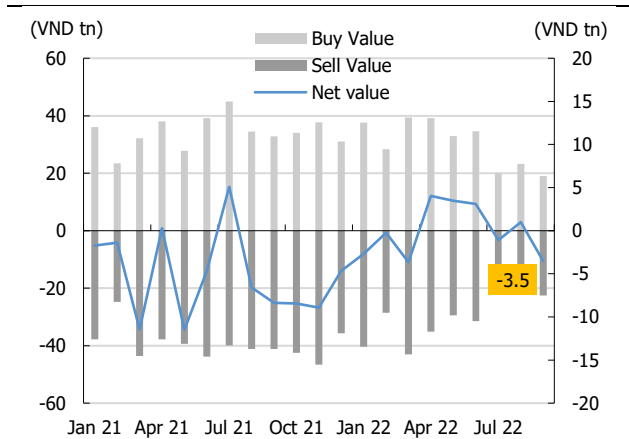
In the medium-term, the foreign trading activity would highly depend on the current macroeconomic context which is the interest rate hike in advanced economies specifically the Fed policy. The Fed's target range of the federal funds rate in 2022 will be around 4.0%-4.5%, while the current rate is only 3.0%-3.25%. That means the Fed may raise the federal funds rate two times in 4Q22. This may make foreign investors continue to be net sellers in 4Q22.

**Figure 18. Net foreign buy/sell by quarter**



Source: Fiinpro, KIS

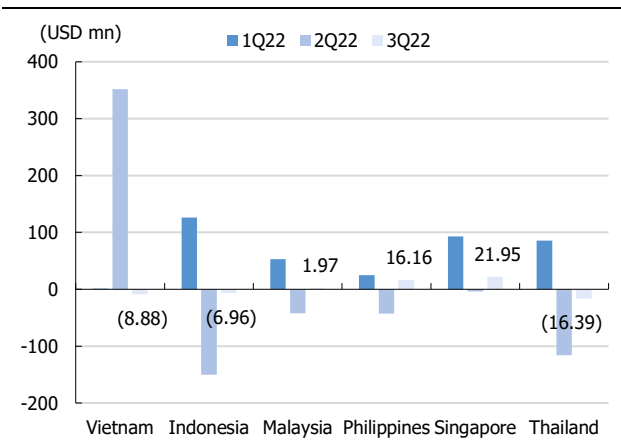
**Figure 19. Net foreign buy/sell by month**



Source: Fiinpro, KIS

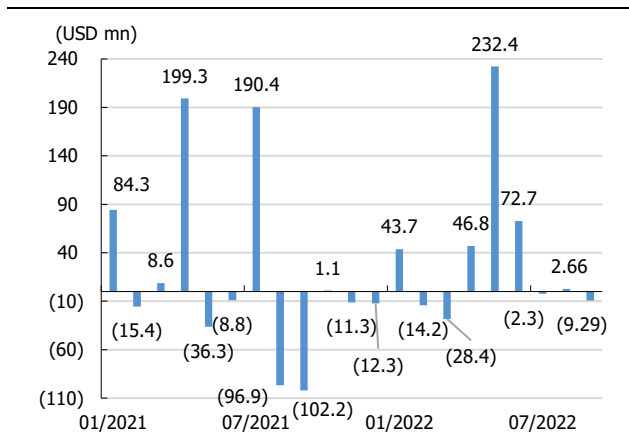
**Money outflow across Vietnam ETFs.** The flow of money in Vietnam reversed to a deficit in 3Q22 with a value of USD8.8mn, while a strong inflow of USD351mn in 2Q22. Notably, in September, the capital outflow was USD9.2mn while some countries in Southeast Asia had a net surplus driven by USD42.9mn of Indonesia and USD4.3mn of Philippines. Capital outflow from Vietnam ETFs mainly comes from raising interest rates of Fed's policy and raising exchange rates of SBV.

**Figure 20. ETF net flow by country in 2022**



Source: GSO, KIS

**Figure 21. Vietnam ETF net flow**



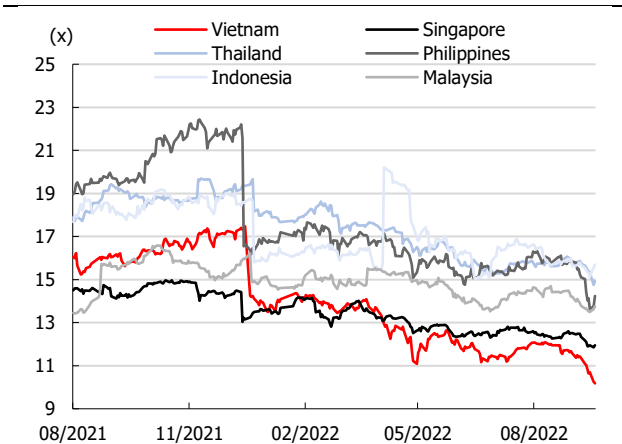
Source: Bloomberg, KIS

### 3. Attractive valuation thanks to downtrend

We use the PE forward ratio to compare the valuation of the Vietnam stock market with other stock markets in Southeast Asia. Currently, Vietnam's PE forward is around 10x due to the bearish trend since September 2022. This means an attractive valuation because this is very close to 9-10x, which

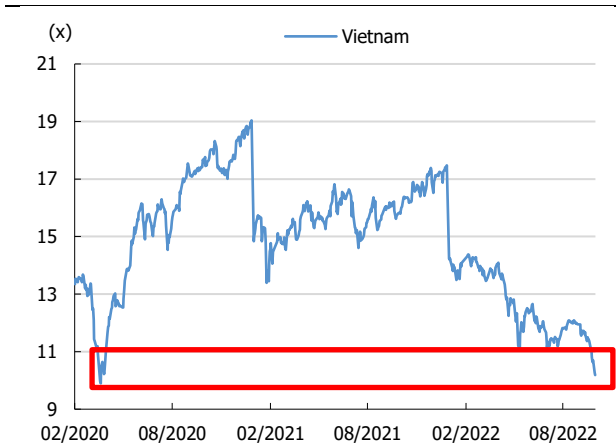
appeared in April 2020 when Vietnam's stock market fell sharply under the influence of COVID-19. Besides, Vietnam's PE forward is also the lowest in Southeast Asia markets such as 12x of Singapore, 14x of Thailand, 14x of Philippines, 15x of Indonesia, and 13x of Malaysia. That implies Vietnam's stock market is undervalued compared to other Southeast Asia countries.

**Figure 22. PER of stock market in Southeast Asia**



Source: Bloomberg, KIS

**Figure 23. PER of the Vietnam stock market**



Source: Bloomberg, KIS

## 4. Cycle and pattern of the VNIndex

### 1. Last phase of the seventh 3-year cycle

**The bottoming phase of the seventh 3-year cycle.** The VNIndex rose from July 2022 to September 2022, but the index has still closed below the 75-period moving average on the weekly chart, which is used to define the bottom of a 3-year cycle. That means the July bottom is not the bottom of the 3-year cycle. Therefore, the index will form another bottom to end the current 3-year cycle.

Because the seventh 3-year cycle is the first phase of a larger cycle, the distortion or expansion for time duration is less likely to occur. The bottom may fall between Sep 2022 and Sep 2023. The distance of two bottoms for the 3-year cycle has a period of 30 to 42 months (36 months or three years on average). Besides, the third 1-year cycle may form the bottom between May 2023 and Sep 2023. Therefore, the trough of the seventh 3-year cycle may form between May 2023 and Sep 2023.

**Table 2. 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  
Source: KIS

**Figure 24. Movement of 3-year cycle**



Source: KIS

Based on forming a bottom of the 3-year cycle, the downtrend may be dominant until the 3-year bottom appears, which is expected to form between May 2023 and Sep 2023.

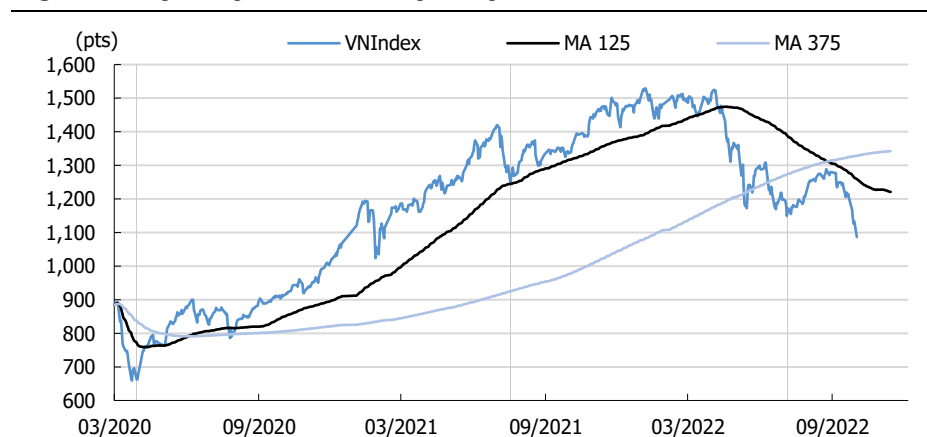
**The second 1-year cycle bottoms.** As mentioned in the last quarterly report, a 3-year cycle can be broken down into two or three 1-year cycles. The time between the two bottoms of a 1-year cycle is 12 months (+/- 2 months). The seventh 3-year cycle is divided into 3 sub-cycles with the first 1-year cycle forming from April 2020 to July 2021.

The bullish market from July to September pushes the VNIndex to approach the 25-period moving average (MA25) on the weekly chart, which is used to determine the peaks and bottoms of 1-year cycles. However, the index could not cross up the MA25 to confirm the July bottom as the bottom of the 1-year cycle. However, we believe that the bottom on July 2022 is the bottom of the 1-year cycle thanks to the characteristics between the two bottoms. Because the time from the bottom of July 2021 to the bottom of July 2022 is 12 months, which is close to the standard time of a 1-year cycle. This case happened at the bottom of July 2021, the index could not close below the MA25 on the weekly chart.

**Bearish 1-year cycle.** Based on the bottom of the second 1-year cycle in July 2022, a new 1-year cycle will form. The 1-year cycle will have a downtrend because this is the last cycle of a 3-year cycle. Besides, the 1-year bottom will be lower than the July trough,

Because the two 1-year cycle bottoms will be 12 months apart (with +/- 2 months), the 1-year cycle bottom will be formed between 05/2023 and 09/2023. In particular, the third 1-year cycle bottom is also the bottom of the seventh 3-year cycle. Therefore, the market will enter a new bullish phase over the next 3 years.

**Figure 25. 1-year cycle of seven 3-year cycle**



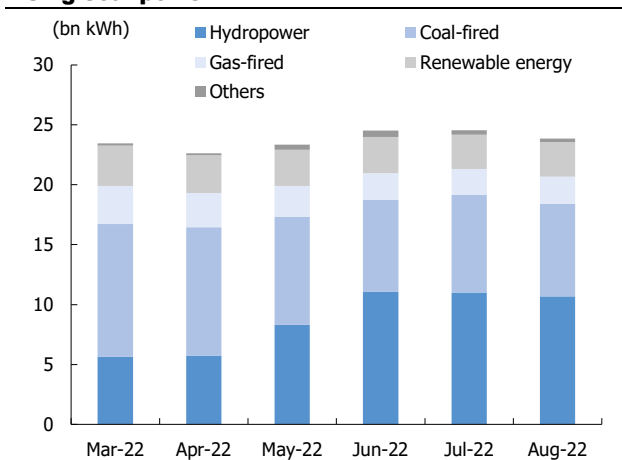
Source: KIS

### III. 3Q22F-4Q22F earnings outlook

#### 1. Power: “In smooth water”

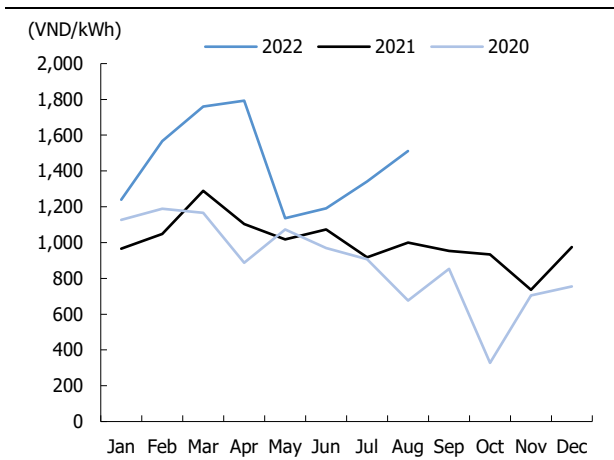
**Hydropower hit the jackpot in 8M22.** Per EVN, the total electricity production in 8M22 went up 5% yoy to 182bn kWh. In particular, coal-fired power and gas thermal volume dropped to 72bn kWh (-16% yoy) and 19bn kWh (-1% yoy), respectively in the context of surging input coal prices & Singapore fuel oil (FO) prices (+45% yoy). In addition, the unexpectedly high level of rainfall in May and Jun made 8M22’s hydropower output surge to 63bn kWh (+36% yoy). Rising material (coal, gas) prices coupled with coal shortage have pushed the average competitive market (CGM) price when it averaged VND1,442/kWh in 8M22, an all-time high level.

**Figure 26. Coal power output was devastated by rising coal power**



Source: EVN, KISVN

**Figure 27. Average CGM prices soared up in 8M22**



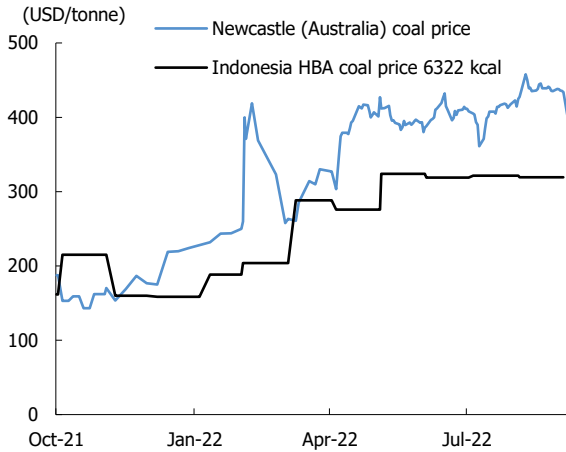
Source: EVNGENCO 3, KISVN

Note: The average CGM price was updated as of Aug 2022.

**Coal prices are predicted to remain bullish.** According to Vinacomin (Vietnam National Coal - Mineral Industries Group), in 1H22, the mixed coal price supplied to domestic power plants increased 30-35% yoy. In 7M22, total coal supplies for power generation was 25mn tonnes (-5% yoy), considerably less than contracted volume in the context of rising global coal prices attributable to geopolitical tensions. In addition, EU members announced the reopening of coal-fired power plants which pushed the global coal prices. Newcastle and Indonesian HBA coal prices peaked at an all-time high in Sep when they reached USD437/tonne and USD319/tonne, respectively. We predict input coal prices will stay bullish in light of increasing global coal prices.

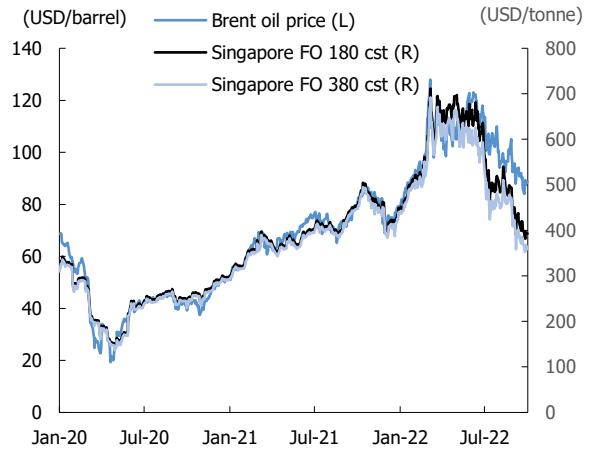
**The gap between gas thermal and coal-fired power prices is narrowing.** Despite its sharp hike in 1H22, the Singapore fuel oil (FO) price (*the reference for gas supplied to domestic gas-fired power plants*) is on the downtrend when it was USD/440tonne (-28% qoq) in 3Q22. The sharply appreciating dollar and lower demand expectations are estimated to put downward pressure on oil prices in 2H22. As a result, gas thermal power became more competitive thanks to the narrowing gap between gas thermal and coal-fired power prices. However, as NT2 underwent maintenance in early Sep, the company suffered a decrease in output and revenue in 3Q22.

**Figure 28. Rising global coal prices put pressure on domestic coal thermal power makers**



Source: Bloomberg, KISVN  
Note: The coal prices were updated as of 03 Oct, 2022.

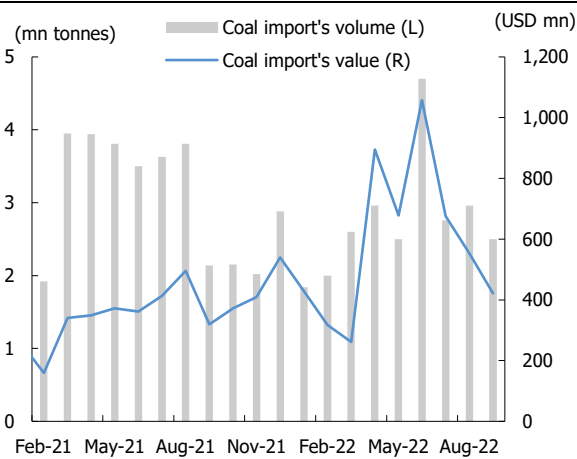
**Figure 29. Global oil prices are expected to cool down due to expectations of weaker demands**



Source: Bloomberg, KISVN  
Note: The coal prices were updated as of 03 Oct, 2022.

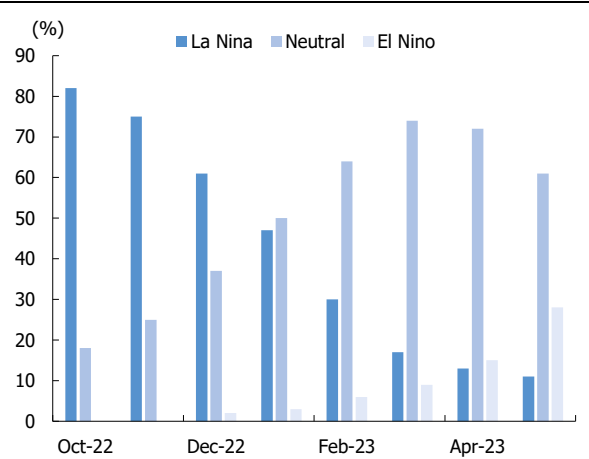
**La Nina is beneficial to hydropower generators in 2H22.** Thanks to La Nina effect, we expect the hydropower output would total 32bn kWh (+30% yoy) in 3Q22. Coupled with rising CGM price, hydropower generators could remain their splendid results in 2H22. However, ENSO outlook forecasts a moderate probability values of La Nina (47-60%) during winter. As the La Nina is predicted to wane since early 2023, we believe EVN will mobilize thermal power, especially gas thermal power as alternatives for shrinking hydropower output in 2023F. Thanks to its close proximity to southern industrial hub, NT2's output is expected to increase in 2023F amid the rising coal-fired power prices and tight coal supplies.

**Figure 30. Vietnam's coal import**



Source: Fiinpro, KISVN

**Figure 31. La Nina effect could wane since early 2023**



Source: IRI, KISVN

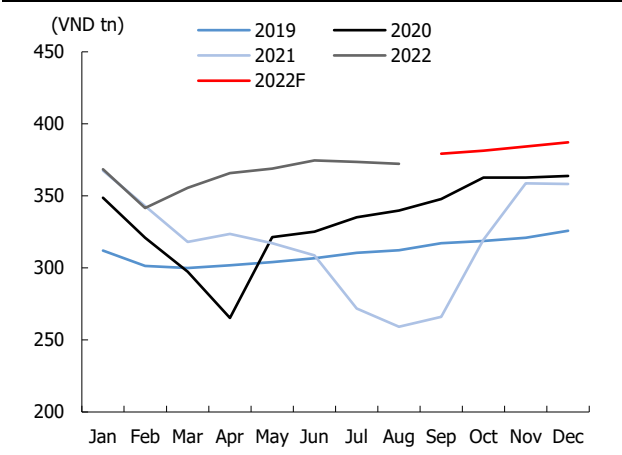
**Valuation.** Currently, the sector is trading at 10.7x TTM PE and 1.4x PB, slightly below the 2-yrs average of 12.5x PE and 1.5x PB. Though we believe that the outlook of power sector, especially hydropower generators remains stellar in 4Q22, we think that expectation of the sector's impressive business results was already reflected in stock price movement at early 2022.

## 2. Retail: "Mark some highlights"

**Riding on multiple tailwinds.** According to GSO, total retail consumption of Vietnam in 3Q22 increased 41% yoy but grew only 1.4% qoq, mainly due to cooled-off demand after pent-up consumption post-COVID-19 and pressure from heightening prices. Year-end with intensive promotions namely Single day

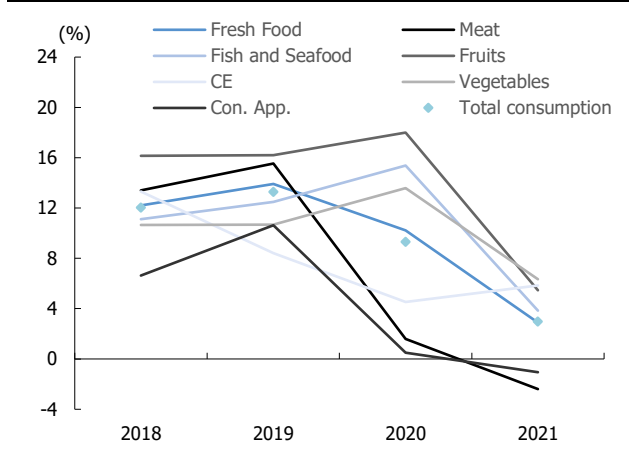
11/11, Black Friday 25/11 will attract both higher traffic and larger average transaction value as compared to 3Q22, preparing for year-end Christmas and Tet holiday on Jan 2023F. Looking forward, iPhone 14 series to be available in Vietnam from Oct 14th will contribute to boosting smartphone sales in 4Q22F. We also expect World Cup 2022F to occur this December to be a positive catalyst for smart TV sales. We anticipate 2H22F sales will follow the similar trend of 2H19 (figure 1), from which, retail sales 4Q22F may increase remarkably on both quarterly and yearly basis.

**Figure 32. Monthly retail sales of Vietnam from 2019**



Source: GSO, KISVN

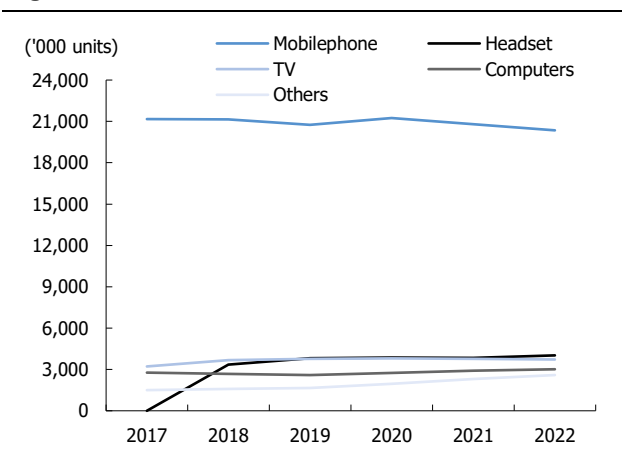
**Figure 33. YoY growth rate of retail sales in Vietnam by category**



Source: Euromonitor, KISVN

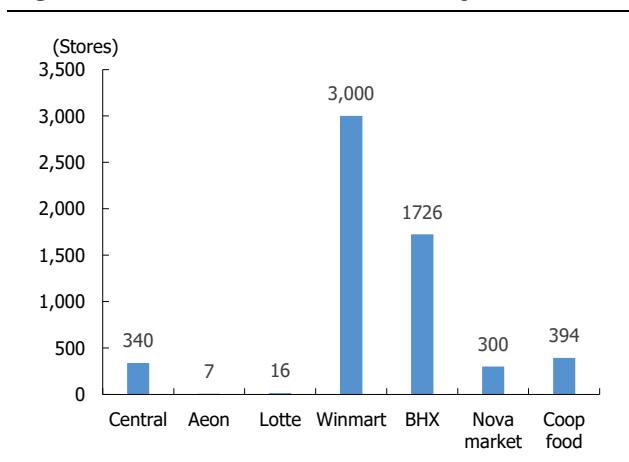
**ICT market and FMCG & pharmaceutical retail reap rewards.** Back-to-school season in September 2022 promised to bring fertile revenue to laptop retailers in 3Q22. Per MWG management, MWG completed the restructuring of BHX in 3Q22 and we expect MWG could achieve 25-30% yoy in revenue growth and net profit growth in 3Q22. MSN and FRT are also running on the same track to expand pharmacy coverage. According to FRT management, Long Chau has made profit since 2021, while Pharmacity and An Khang are still making a loss. According to BMI Research, Vietnam pharmaceutical market may be worth USD16bn in 2026 and the average growth rate of spending on drugs will maintain at least 14% p.a. until 2025.

**Figure 34. ICT & CE sales volume in Vietnam**



Source: Euromonitor, KISVN

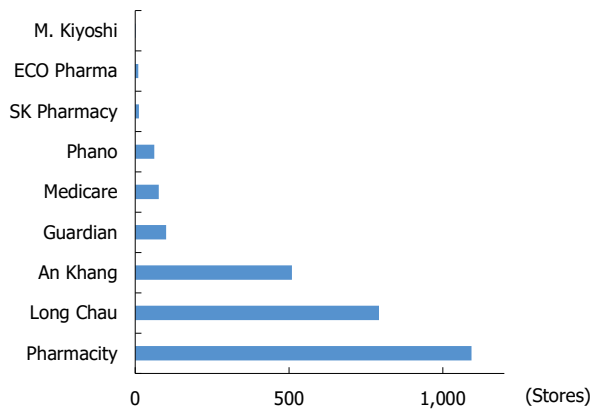
**Figure 35. Number of markets/stores by 3Q22**



Source: Q&Me, KISVN

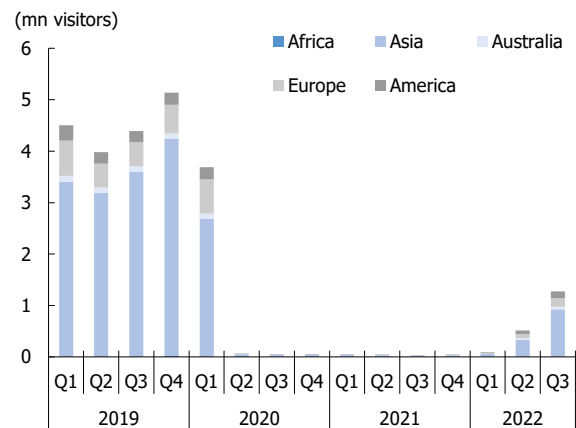
**Upbeat on 3Q22 results of luxury goods sales but worry on inflation risk in 4Q22F.** We are positive on the PNJ's 3Q22F business results and expect PNJ could sustain revenue growth by 80-90% yoy and record net profit up to around VND230-240bn vs a loss of VND160bn. The wedding season last from September to February and Women's Day 20/10 are motivations for high earnings in 4Q22F on a quarterly basis. However, amid high inflation in this year and high pent-up demand post-Covid-19 in 4Q21, we expect the 4Q22F revenue growth to cool down. Car sales of VAMA members in July and August 2022 increased by 150% yoy. We expected car sales to sharply increase in Sep 2022 on the yearly basis, especially following the previous Ghost month when car sales volume was restrained. The prosperous car sales in 3Q22 drive us to stay optimistic on 3Q22's revenue growth of dealers and we believe they could make a positive net profit with single-digit qoq growth vs a loss in 3Q21. On the other hand, the recession of financial instruments and surging lending may somehow stifle purchasing of luxury goods in 4Q22F.

**Figure 36. Number of pharmacies by 3Q22**



Source: Q&Me, KISVN

**Figure 37. No. of foreigners visited Vietnam**

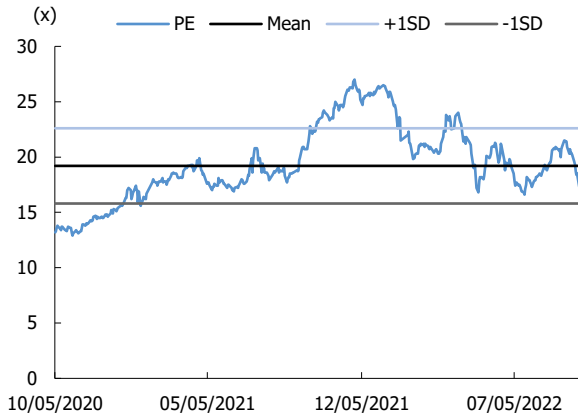


Source: GSO, KISVN

**Blooming airport retail.** In 9M22, Vietnam has somewhat reopened airlines with the USA, Japan, Singapore, Cambodia, Thailand, etc. which enabled sales of airline retailers to improve on the same year basis. Especially, Korean and Japan tourists became top visitors in 3Q22 after the airlines increased flight frequencies to these countries. We forecast airport retailers could record revenue growth by 4-5x yoy and 1.5-2x qoq and earn a positive net profit growth by 1.5-2x qoq vs a loss in 3Q21. As Chinese tourist played the key position in Vietnam tourism among non-Covid-19 years (32% foreign visitors in 2019), the reopening of airlines to Beijing, Guangzhou and Shanghai from 3Q22 may trigger earnings of airport retailers to rocket by 81% qoq and quintuple that of 4Q21.

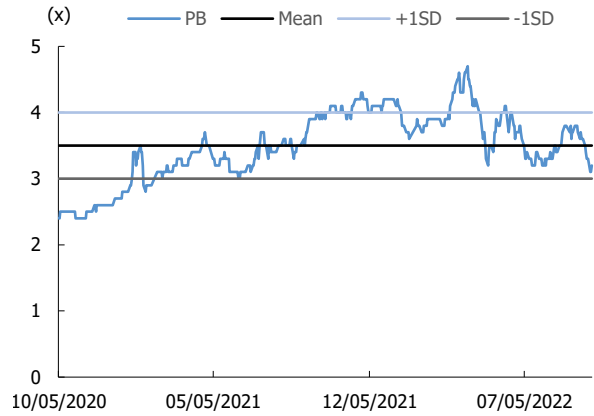
**Valuation.** On Oct 5<sup>th</sup> 2022, retail stocks are trading at 17.9x PE ratio and 3.2x PB ratio, below 2-years average PE ratio and PB ratio of 19.2x and 3.5x respectively, both ratios are approaching 1 standard deviation below the mean.

**Figure 38. 2 years TTM PE of retail stocks**



Source: Fiinpro, KISVN

**Figure 39. 2 years TTM PB of retail stocks**

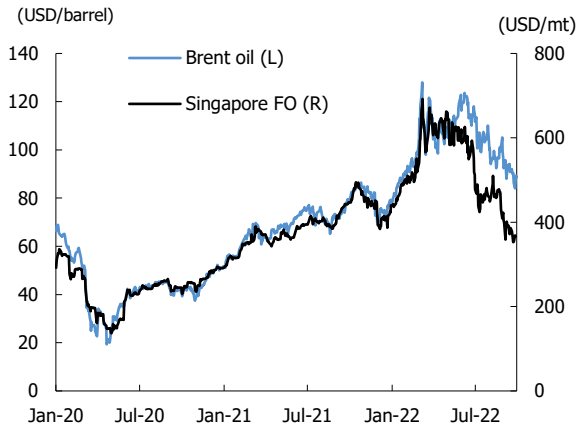


Source: Fiinpro, KISVN

### 3. Oil & Gas: “Decelerated earnings growth in 3Q22”

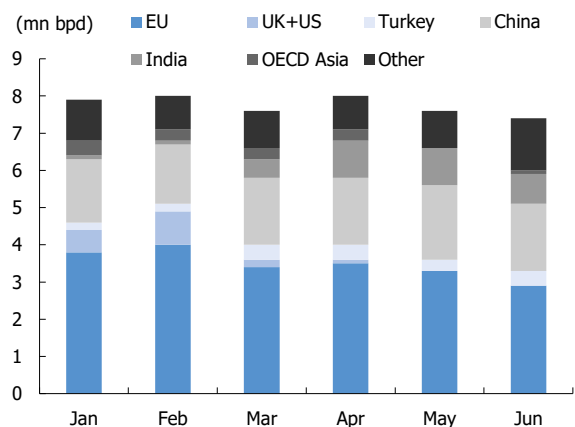
**Cooling down oil prices as expected.** The futures price for Brent crude oil settled at 87.5 USD/barrel (USD/b) on September 30, a decrease of USD27.3/b from the June 30 price of USD114.8/b. Average crude oil prices were lower by nearly -13% qoq in 3Q22, reflecting accelerating global petroleum inventories as well as escalating concerns about the world economy. The inventory increase is parallel with the rise of global production of crude oil, which IEA estimates over 101mn barrels per day (b/d) in August, the highest global production after the pandemic.

**Figure 40. Brent oil prices eased in 3Q22**



Source: Bloomberg, KISVN

**Figure 41. The rising Russian oil export to Asia**

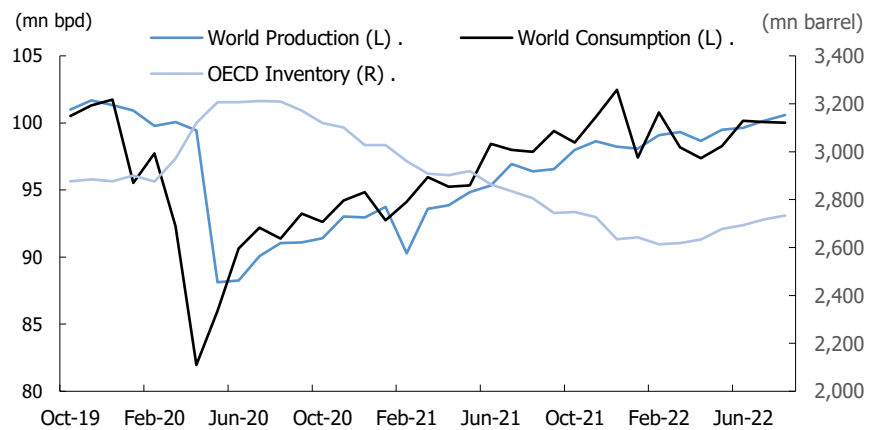


Source: Bloomberg, Bruegel, KISVN

**Global oil demand continues to decelerate, weighed down by renewed Chinese lockdowns and an economic slowdown in the OECD.** IEA projects world oil demand to rise by 2 mb/d to 99.7 mb/d in 2022F and go up by 2.1 mb/d to 101.8 mb/b in 2023F, and lower than a 5.1 mb/d forecast at the start of the year to less than 100 kb/d by 4Q22. IEA forecasts growth of production to slow down, edging up by just 280 kb/d to 101.6 mb/d in 4Q22. And this number is forecasted to rise by 4.8 mb/d, to 100.1 mb/d in 2022F, and by 1.7 mb/d in 2023F to 101.8 mb/d.



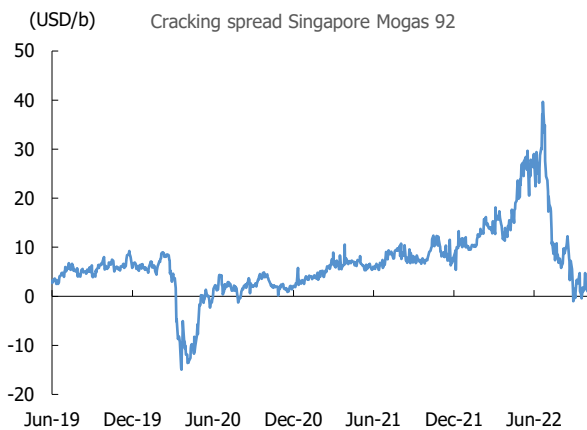
**Figure 42. Crude oil supply-demand of the world**



Source: Bloomberg, KISVN

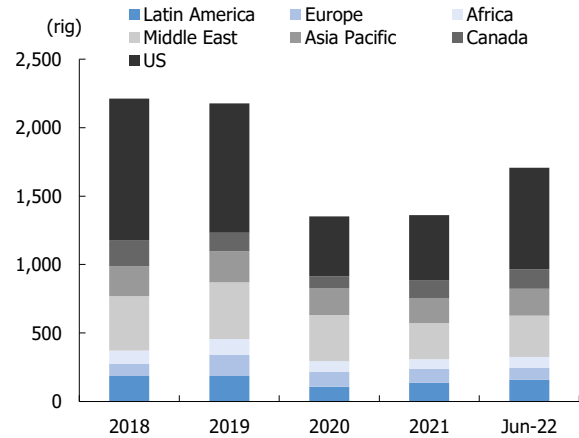
**GAS earnings growth decelerated due to eased oil prices in 3Q22.** GAS released 3Q22 preliminary business results of VND21.7tn revenue (+16% yoy), and VND3.2tn PBT (+4% yoy). GAS estimates to achieve revenue of VND100tn (+26.5% yoy), and PBT of VND15.5tn (+38% yoy) in 2022. Based on the new 2022F target, 12MF PE is 18x lower than the 2-year median of 21.2x and PB is 3.6x higher than 3.5x, respectively. We believe that this valuation is fair following the expectation of stable oil price prospects in 4Q22F and 2023F, in our view.

**Figure 43. Crack spreads dropped strongly in 3Q22**



Source: Bloomberg, KISVN

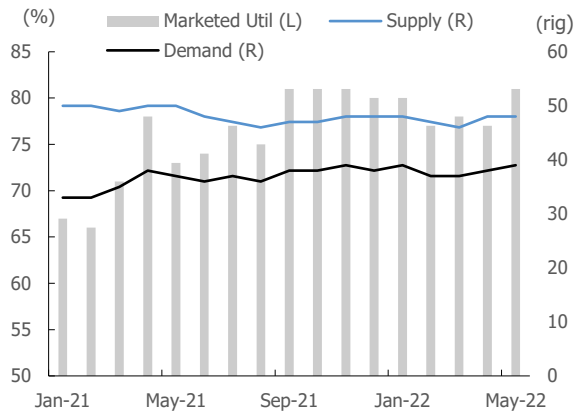
**Figure 44. US leads growth of rig count in 2022F**



Source: EIA, KISVN

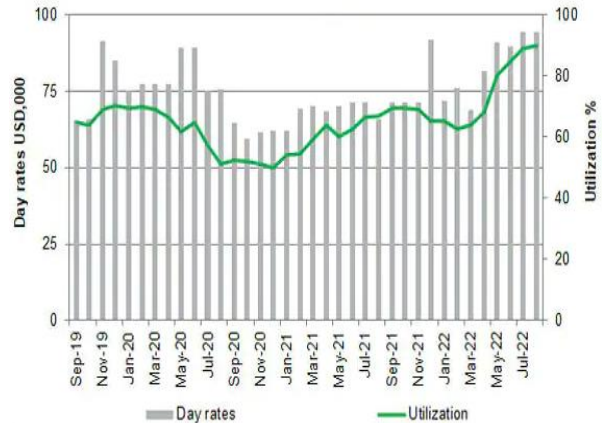
**Bright spot upstream of PVD due to higher rent rig prices.** The South East Asia drilling market revived in 3Q22, and rig utilization efficiency was up from 80% to nearly 90% between 2Q22 and 3Q22 because some rigs have departed Southeast Asia for contracts in Saudi Arabia. Besides, the average market JU (Jack-up) day adjusted upwards from USD75,000–104,000 to USD80,000 - 109,000 in 3Q22, a lag compared to high oil prices. We believe that the higher JU day rate will affect positively PVD business results in 4Q22F and 2023F when PVD renews contracts with better prices.

**Figure 45. Southeast Asia drilling activities**



Source: IHS Markit, KISVN

**Figure 46. Southeast Asia Jackups 361-400 IC rates hiked in 3Q22**



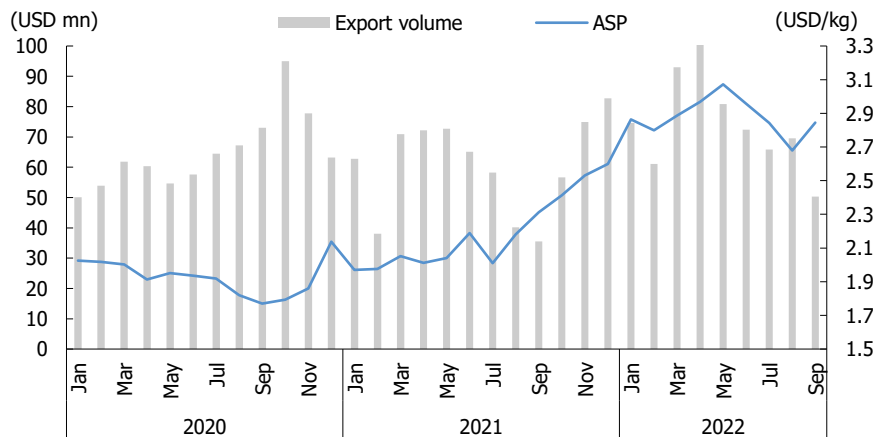
Source: IHS Markit, KIS VN

**Stock prices continue to be divergent in 4Q22F.** Midstream and downstream stocks such as GAS, BSR and PLX underperformed the VN-index in 3Q22 due to the peaked earnings in 2Q22 and decelerated earnings growth expectation. In contrast, upstream companies such as PVD and PVS outperformed due to Block B – O Mon sooner approval expectations and higher renting rig prices. We think that Oil & Gas stock prices will continue to be divergent in 4Q22F due to different earnings growth prospects.

**4. Seafood: “Impressive profit amid challenges”**

**Soft pangasius export in 3Q22.** The pangasius export recorded USD516mn in 3Q22, +80% yoy, -33% qoq compared to the peak in 2Q22 since the demand slowed down. The export volume to US, EU, and China markets strongly decelerated by 52% qoq, 41% qoq, and 39% qoq, respectively. However, 3Q22 ASP kept lofty in most markets, reaching USD2.78/kg (+29% yoy and -7.1% qoq). We expect that 4Q22F export volume could increase compared to the gloomy performance in 3Q22 while the ASP would continue to slowly downtrend due to supply increase.

**Figure 47. Export volume decreased while ASP kept lofty in 3Q22**



Source: Agromonitor, KISVN

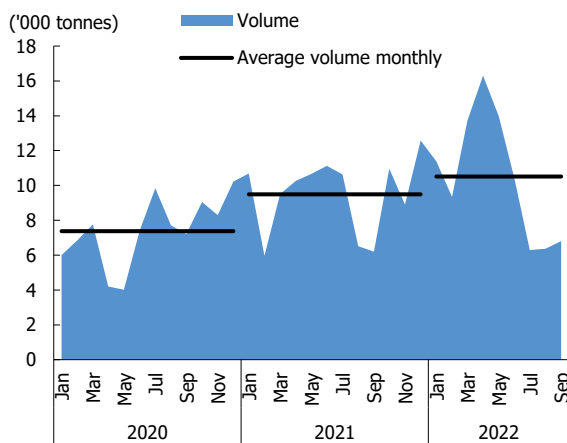
**We estimate that US demand could be stellar in 4Q22.** We considered the pangasius supply outpaced absorbed consumption, making markets' stockpile abundant at the end 2Q22. Thereby, the volume of export growth decreases gradually to normalize in 3Q22, giving time for consumers to absorb the products. We estimate that the export volume in 4Q22 could lift compared to 3Q22 to prepare for holiday season.

**We expect that export volume continue to strongly surge to China market.** From 2021 to 1H22, Chinese government strictly tightened all imports (including pangasius products) for COVID-19 testing and frequent lockdowns for breakout prevention. The easing COVID-19 inspection process from June will boost consumption and stockpile for holiday, we believe that pangasius export will strongly recover to China in 4Q22F.

**Challenges or opportunities for pangasius of depreciation currency from export markets?** The depreciation of the Euro and other currencies could discourage consumers from buying imported seafood in those markets. Yet, pangasius is listed as cheap and essential goods, thereby we the depreciation of currencies would not be a challenge for pangasius trading and consumption in EU and other countries according to a listed company. However, we are concerned that the revenue structure of exporters using Euro payment largely could be harmed due to the increased loss of financial expenses.

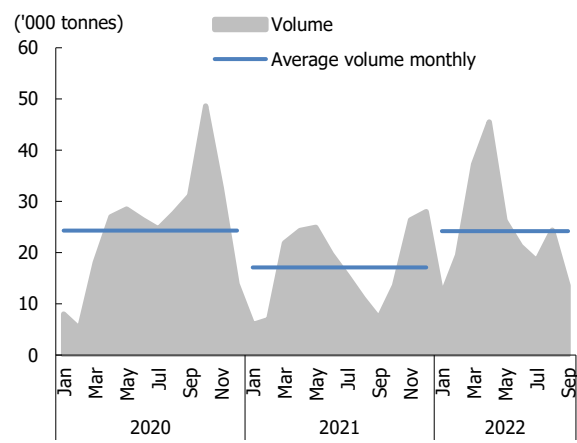
**The eased pressure of short supply would make price adjustments.** In 9M22, the high demand amid the disruption of harvest activities in 2H21 drove the raw material inventory of pangasius significantly drop to 65.7% yoy. They prompted ASP to grow by +29% yoy. We expect that the gradual improvement of the inventory since the softer demand and abundant harvest volume would be lower 4Q22F average selling price compared to 9M22 but still higher yoy at the range USD2.3/kg – USD2.5/kg.

**Figure 48. Export volume to US increased by 9M22**

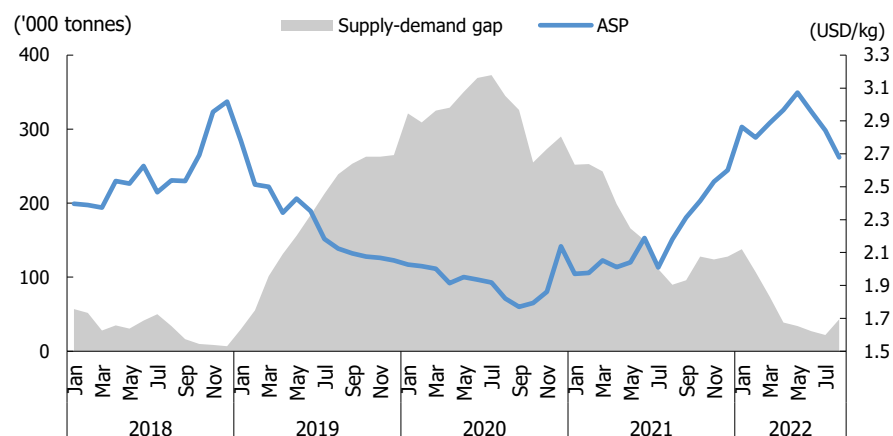


Source: Agromonitor, KISVN

**Figure 49. Export volume to China recovered in 9M22**



Source: Agromonitor, KISVN

**Figure 50. The short raw material boosted ASP in 9M22**

Note: Supply-demand gap = The cumulated Inventory = The beginning Inventory + Harvest volume – Export volume – Domestic sale  
 Source: Agromonitor, VASEP, Korea Investment & Securities Estimate

**VHC sustains the growth momentum.** We expect that VHC could reach VND3,354bn revenue (+50% yoy and -20.6% qoq) and VND634bn NPAT (+147% yoy and -20% qoq) in 3Q2F2, respectively fulfilling 80% and 120% of our estimates. In our view, 4Q22F topline would increase slightly compared to 3Q22 since the export volume to US market could surge for holiday preparation while ASP could slide qoq. We project that the gross margin could be thinner on the back of downward of ASP while the raw material would persist at the same level compared to 3Q22. We maintain BUY with TP VND121,500 based on a 2022F EPS of VND7,517 (55.2% yoy).

**Story of ANV enjoying China export in 4Q22.** We estimate that ANV's 3Q22F revenue keeps soaring about +51% yoy to VND990bn since the low base in 3Q21. Yet, the 3Q22 topline could drop by 23% qoq since the China export was stagnant while the ASP was slowing down, dragging the gross margin. We estimate the net margin could reach 17% (-1.5% qoq) to VND168bn (-30% qoq and increase from the loss of NPAT in 3Q21). In 4Q22F, ANV could record a topline jump driven by prosperous demand.

**Stock prices outperformed in 9M22.** Pangasius stock prices OUTPERFORMED the VN-index from YTD, following impressive 9M22 NPAT growth rate. We expect that China market recovery, high demand for holiday season, and selling price maintenance at the high level would be optimistic fundamentals. Following our valuation, the current stock price of pangasius exporters is still attractive.

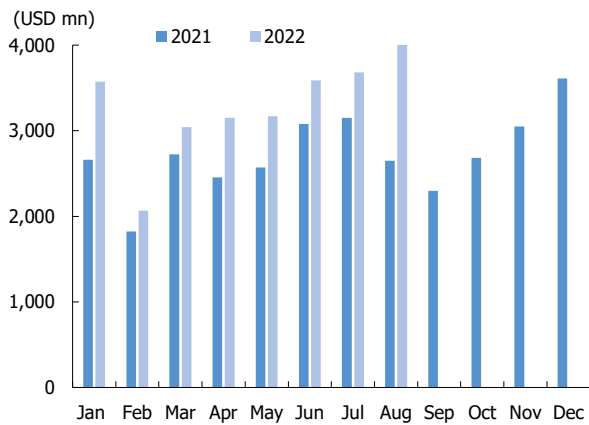
## 5. Textile & Garment: “A bumpy road ahead”

**A mixed performance between segments in 8M22.** According to the General Department of Customs, the export turnover of Vietnam's textile and garment in 8M22 soared 24.5% yoy to USD26.3bn thanks to pent-up demand after the pandemic in developed countries and the recovery of domestic production. In contrast, fiber and yarn export in 8M22 recorded negative growth of -5.2% yoy, down to USD3.5bn as China - the largest export market was in lockdown.

**Inflation pressure in main export markets.** Vietnam's textile and garment industry benefited from pent-up demand in US and EU post-Covid. However, we expect a challenging outlook in 4Q22F due to the raising inflation and tighter financial conditions in these main export markets. Notably, US apparel retail sales are currently on a downtrend after peaking in April, showing that consumers have tightened their spending on apparel products. According to the Vietnam Textile and Apparel Association (VITAS), customers have shortened the pre-order period from 6 months to 3 months due to high inventory levels and inflationary pressures. Leading companies in the industry such as MSH, and

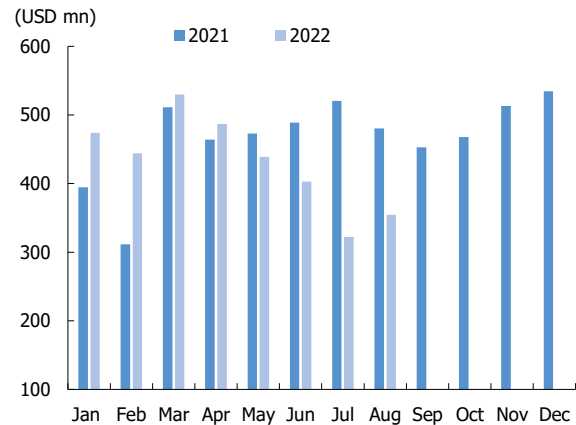
STK reported to have full orders for 3Q22, but 4Q22F orders have slowed down driven by inflation concerns.

**Figure 51. Textile & garment export revived in 8M22**



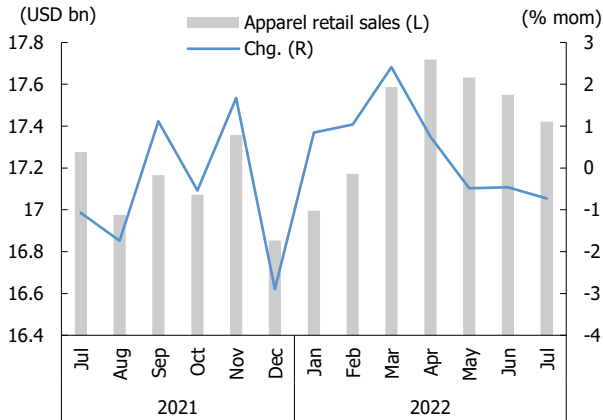
Source: General Department of Customs, KIS Vietnam

**Figure 52. Fiber and yarn export saw a decline in 8M22**



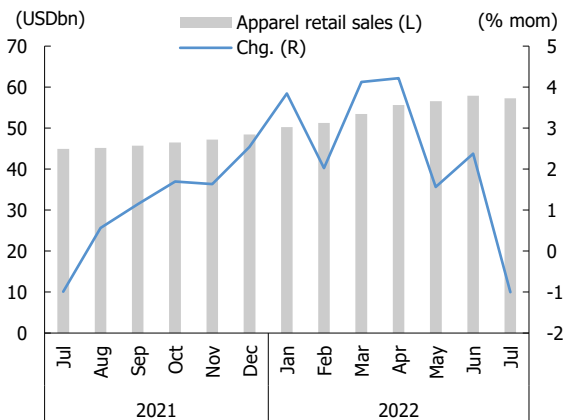
Source: General Department of Customs, KIS Vietnam

**Figure 53. US apparel retail sales (seasonally adjusted)**



Source: Bloomberg, KIS Vietnam

**Figure 54. US apparel retail inventory (seasonally adjusted)**



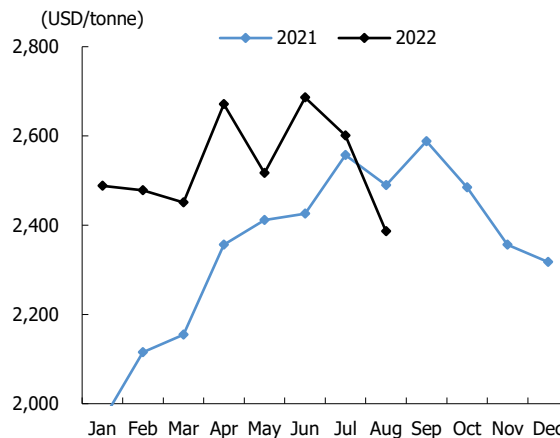
Source: Bloomberg, KIS Vietnam

**Foreign exchange risk for textile manufacturers.** On July 13<sup>th</sup>, the euro has fallen below parity with the US dollar, diving to its lowest level in 20 years. We expect the fall of the euro will negatively affect the business results of garment companies that have a large proportion of revenue coming from the EU, such as TNG and MSH. Meanwhile, the CNY is also depreciating strongly against the US dollar, making textile and garment export of Chinese enterprises more competitive compared to Vietnamese goods in key export markets.

**Material costs show signs of cooling down.** The cotton price in the world market and Vietnam's average imported yarn price are showing signs of cooling down. The prices of these input materials are expected to continue to fall in 4Q22F amid weakening global consumption affected by fears of recession and concerns that Covid may break out again in China – the largest cotton importer in the world. The drop in the price of raw materials will help improve the gross profit margin of garment companies with OEM activities such as TCM, MSH, and GIL.

**Figure 55. Cotton price in the world market**

Source: Bloomberg, KIS Vietnam

**Figure 56. Vietnam's average imported yarn price**

Source: General Department of Customs, KIS Vietnam

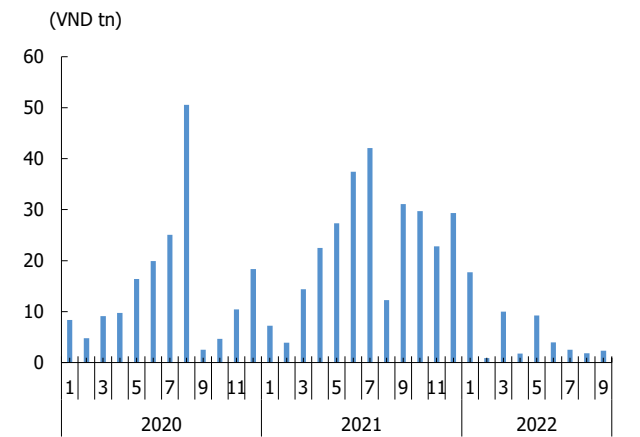
**Unfavorable 4Q22F outlook for the textile and garment sector.** The sector is currently trading at 7.6x TTM PE and 1.13x PB, far below the 2-yr average of 12.6x and 1.5x, respectively. In 3Q22, some garment companies (such as TNG and TCM) recorded positive business results attributed by increasing orders for the festive season in export markets, especially Southern garment companies are expected to post good revenue and earnings growth thanks to a low base in 3Q21. However, we see a more challenging 4Q22F for these businesses. We believe the 4Q22F outlook of the textile and garment industry will depend mainly on inflation control in key export markets such as the US and EU, and export orders will continue to be negatively affected by inflation concerns at least until 1H23. Although the fall in material prices will positively impact gross profit margin, the average selling price is under downward pressure from foreign retailers. Even though 1H22 is a period of relatively robust business results for most textile and garment manufacturers, we expect the sector to record a revenue decrease in 2H22F compared to 1H22. As a result, we expect an unfavorable 4Q22F outlook for the textile and garment sector.

## 6. Housing: “The winter northeast monsoon comes early”

**Tightening fundraising conditions.** According to the newly-issued Decree 65, the property could not offer bond issuance to increase working capital and must specify in detail the project/investment program which could not be disclosed publicly in the acquisition plan. As retail subscribers must meet several strict requirements to be certified as professional investors, the secondary market will be less stellar than before. Facing the stricter requirement for bond issuance, the bond offerings due in 3Q22F-4Q22F force many issuers to switch to other borrowing channels at a costlier expense which is rumored at 18-20% p.a.

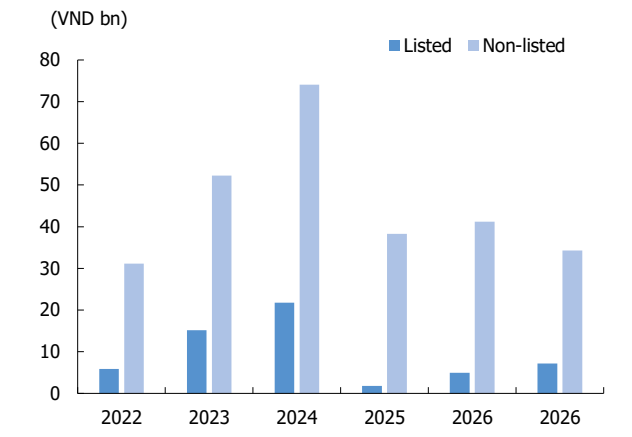
**Buy-back was buoyant in 9M22.** The bond issuance witnessed a decreasing volume since the market was lack of second-tier developers. In contrast, the buyback volume was unprecedentedly accelerating. We guess that the enormous buyback was attributed to the recent urge based on Directive 02 issued by the Ministry of Finance on Sep 06 to implement continuously forceful investigations on the advisory and issuers. Even the regulatory offices must meticulously supervise any issuance fillings and that also results in the new issuance drop in 9M22.

**Figure 57. Property bond issuance in 9M22 was tepid and reliant on top-tier issuers**



Source: Fiinpro

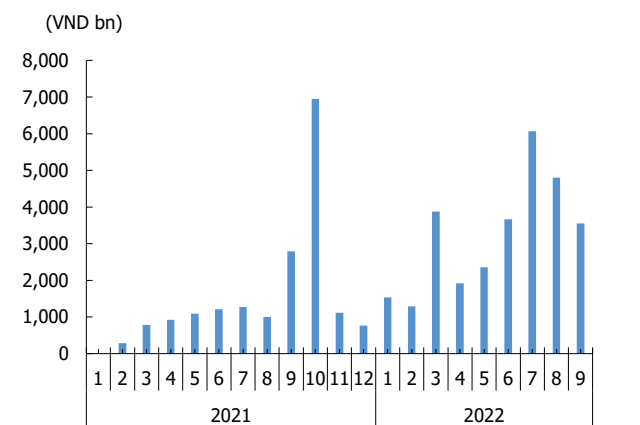
**Figure 58. Huge property bond due in 2H22 is a burden**



Source: Fiinpro

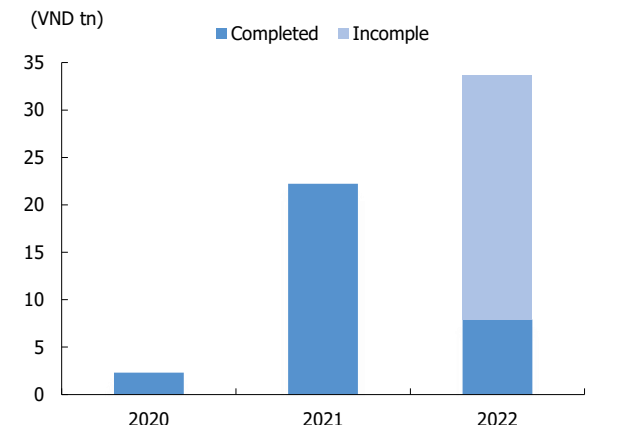
**The equity-raising channel is not accommodative:** many listed second-tier developers are eyeing the equity-issuance channel by revising many terms and conditions in response to the sluggish market. However, changes are not enough to match the unfavorable equity market, in our view and we witness many postpone until 2023F. The investors are playing a wait-and-see game since the dimming dynamics of housing properties are casting shadows on the developers.

**Figure 59. Buyback is to counter the investigation**



Source: Fertilizer prices are collected from the quoted retail markets, KIS

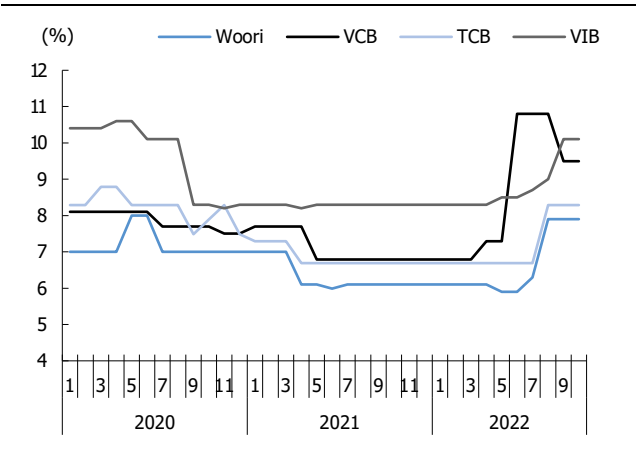
**Figure 60. Tier-2 developers eye on equity issuance**



Source: Bloomberg, KIS

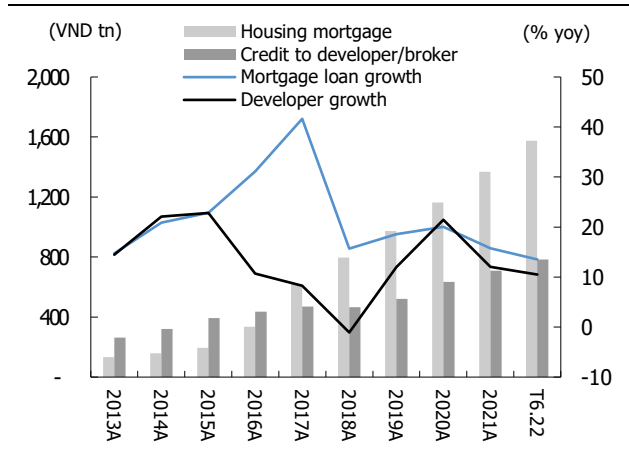
**Presale is under pressure.** The batdongsan report reviews that the level of interest in real estate across the country decreased significantly in 3Q22 since March 2022. Many provinces and cities witnessed a plunge in demand in 3Q22 including Hai Phong (-19%), Da Nang (-12%), and Can Tho (-14%). From the actual survey with brokers, 36% of respondents said that the biggest barrier is the threat of the crashing market, 23% was due to loan constraints and 19% was the unfavorable quote price. The presales activities are hindered by the scarcity of credit availability at the beginning year and double attacked in 3Q22, the ghost month. However, what we are concerned about the most is relying on the likelihood of another mortgage hike in 4Q22F. The mortgage rates turn to be expensive in 3Q22 following the lack of credit quota. We expect another rise could be possible in 4Q22F even if demand is not as abundant as the last year.

**Figure 61. 1- year mortgage rates upturn in 3Q22**



Source: Bank quote, KIS

**Figure 62. The estimated presale value**



Source: SVB, KIS

**The winner takes it all.** We maintain NEUTRAL. Even though the property is experiencing gloomy obstacles, our hopes for top-tier developers are persisting. The giants are still reaping the receipts of the bond issuance from local and foreign subscribers. KDH, NLG, NVL, and DXG are among extravagant examples of healthy markets. Their presale growth is tracking schedule with yoy growth rates of hundred times given the competitive comparison base. Furthermore, we note that 3Q22F business performance could be sluggish in terms of yoy basis since most developers are skewing in favor of 4Q22F to book the revenue. Some of the companies recording tepid yoy revenue growth include KDH, DXG, and NVL. VHM, NLG and PDR could perform resiliently thanks to their delivery in 3Q22.

The price performance of real estate stocks bottoms recently following a drop of the whole market. The property stocks are trading at 10x TTM PE and 2.4x PB, far below 3-year median of 15x. We acknowledge the investor’s sentiments weighed on the property market bottlenecks. However, we think the giants with proven track records and legal capacity are able the weather the storm much smoothly.

## 7. Industrial property: “Magnifying its beauty”

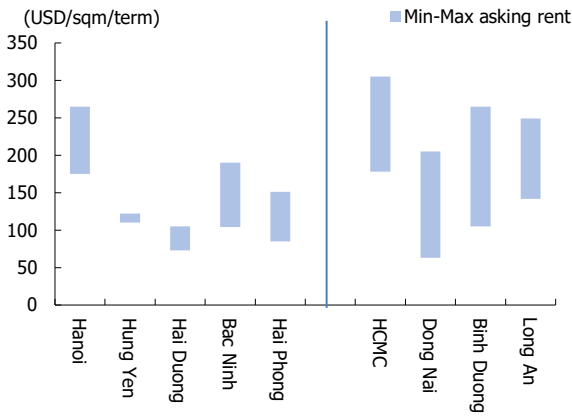
**The occupancy rates remained high and land rental edged slightly.** Newly established IPs and launched RBF projects in 2Q22 decreased temporarily the occupancy rates in both markets to at 83.6% and 87.9%, respectively in the South. In 2Q22, IP land prices recorded a remarkable growth, up 10.7% y-o-y, reaching USD125/sqm/lease term. RBF rents saw a modest increase of 0.52% compared to 1Q22 and remained stable at an average of USD4.8/sq m/month. The occupancy rate of IPs in the North in 2Q22 was recorded at 79%, a slight decrease of 1% q-o-q due to the low occupancy rate of newly established IPs. Land rent in 2Q22 reached USD110/sq m per lease cycle, up by 4.4% y-o-y. Bac Ninh sustained its second highest rent in the market after Hanoi, thanks to its convenient location and increasingly limited industrial land in the province. RBF rent remained unchanged this quarter, at USD4.7/sq m per month.

**New supply enters the market in 4Q22F.** In 1H22, the Deputy Prime Minister approved nine new IPs with total area of 2,472ha and a total investment capital of VND29.4tn. Those IPs could start operation in 2023F-25F. In 2H22F, the industrial land market is expected to welcome the new Tien Thanh IP in Hai Phong province, as project’s construction is expected to start by the end of 2022F with a total investment of over VND4.5tn. Meanwhile, Gia Binh II IP in Bac Ninh province is also ready to begin construction to attract investors. In the RBF market, the project of KCN in Deep C Industrial Park (construction started



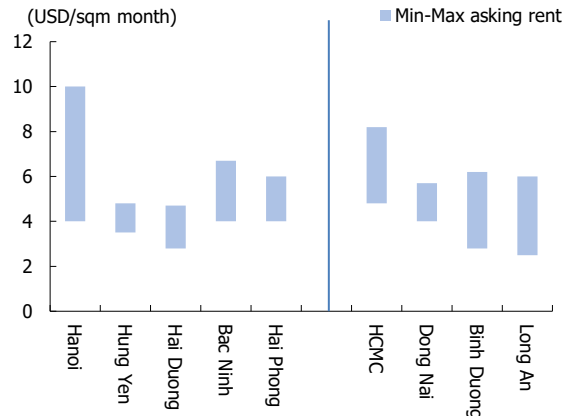
in May 2022), KTG's project in Yen Phong II-C Industrial Park, and one project of Tuong Vien Group in the Nam Dinh Vu IP are under construction and will be ready for handover in 3Q22.

**Figure 63. Industrial land rents in North are lucrative**



Source: CBRE

**Figure 64. RBW rents in South are competitive**



Source: CBRE Ready-built warehouse (RBW), ready-built factory (RBF)

**The top-tier companies lead the industry growth.** We expect persisted revenue growth of 10-15% yoy to some revenue-amortized companies. Their net profit growth could be healthy with 15-22% yoy in 3Q22, including LHG (HOLD), NTC (HOLD), SNZ, SZL, and IDV. IDC could record tepid revenue qoq growth in 3Q22 due to the lack of one-time recognition of Phu My IP seen in 2Q22. Furthermore, the company booking the lump-sum payment could earn a brisk revenue growth up to times thanks to booming demand for leasing, including KBC (HOLD), and BCM. PHR could record the compensation income from VSIP 3 IP JSC with a VND250bn in 3Q22F.

We believe the registered FDI volume in 9M22 being 87% of the same period last year is not signaling a severe concern. Instead, we are still bullish thanks to resilient disbursement growth in 9M22, and that drives the demand for leasing driven by the relocation trend of mobile assemblers to Vietnam. The pullback of industrial park market price is offering a bargain for those investors seeking fundamental values. Their net cash wealth, low gearing, and the sustained dividend yield are those polishing the glittering beauty of industrial park stocks in the medium-term horizon.

**Table 3. IP players had an abundant cash vault benefiting from deposit hike**

	Cash (VND bn)	Borrowing (VND bn)	Net debt (VND bn)	Net debt/equity (%)
VGC	2,937	3,346	409	4.5
IDC	2,372	3,343	971	14.8
TID	1,940	4,371	2,431	67.6
BCM	3,105	15,848	12,743	69.2
SNZ	4,347	4,849	502	5.2
KBC	3,122	6,888	3,766	22.5
LHG	1,261	163	(1,098)	(77.3)
CCI	400	0	(400)	(162.2)
SZL	428	240	(188)	(34.4)
NTC	1,510	419	(1,091)	(144.5)
TIX	337	19	(318)	(38.8)
TIP	1,096	0	(1,096)	(160.4)
HPI	685	41	(644)	(232.3)
MH3	567	23	(544)	(223.7)
IDV	271	35	(236)	(37.9)
D2D	324	0	(324)	(32.5)

Source: Fiiipro

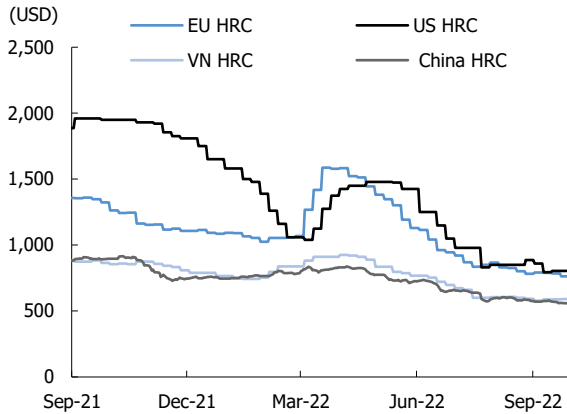
## 8. Steel: “4Q22 outlook still darkens”

**3Q22 sales volume worse than expected.** The growth of total sales volume in 3Q22 could be in negative territory when we do not see any big surprise for September result. The total sales volume for July and August dropped 6% yoy to 3.76mn tonnes. In which, total export volume dropped significantly 33% yoy to 0.9mn tonnes amid weak global demand while total domestic volume increased 7.9% yoy to 2.85mn tonnes thanks to low base in 2021.

**ASP downtrend temporarily paused.** Weak global demand has caused the decline in materials prices and steel prices recently. The downward trend has been paused and it is driven by some positive signals from China infrastructure spending and the bounce-back of coking coal price. Domestic steel bar was 15.39VNDmn/tonne on 6<sup>th</sup> Sept after reaching the short-term bottom at the end of August. Meanwhile, Vietnam HRC price also bounced back from 577USD/tonne in early of September.

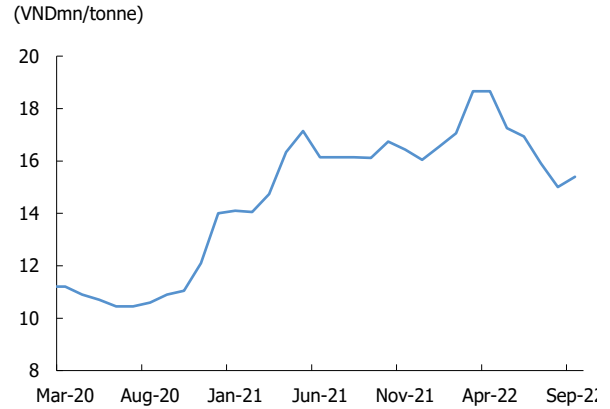
**Uncertainty remains amid the conflict escalation and central banks’ policies.** The lingering high inflation and recent rate hikes have worsened the global economic outlook and also dampened the steel demand from end-use industries. Evidently, total export volume for July and August was down significantly by 33% to 0.9mn tonnes. Given the hawkish stance from FED and the energy crisis from EU, we suppose that global steel demand will continue to be weak in near future when markets fully absorb central banks’ policies.

**Figure 65. Global HRC price eased amid weak demand**



Source: Bloomberg, KIS

**Figure 66. Domestic rebar-price decline paused in Sep**

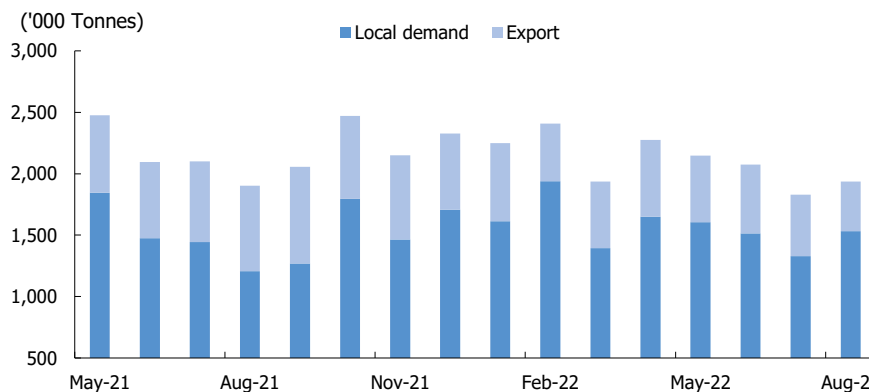


Source: VSA, KIS

**4Q22 steel industry outlook still darkens.** While the domestic market has positive revival signals, export markets' demand is still weak. We see this trend will continue in 4Q22F under impact of global central banks' policies and energy crisis in EU. We expect to see the 2022 total sales volume will drop around 3% yoy to 26.3mn tonnes. In which, we expect to see the decline in the total export sales volume will be partly offset by the revival of domestic sales volume. However, domestic demand revival may be slower than expected in 4Q22F if global outlook gets worsen.

**We reiterate NEUTRAL and give Hoa Phat, Nam Kim, Hoa Sen HOLD ratings.** With the uncertainty from geopolitical tension, China's property crisis and slowdown global economic outlook, we still maintain HOLD rating on HPG, NKG, HSG. As for 3Q22F, we expect a HPG's VND32,790bn (-15.2% yoy, -12.4% qoq) and a VND4,020bn NPAT-MI (-61.1% yoy, 0% qoq). As for 3Q22F, NKG's revenue could achieve VND4,600bn (-38.7% yoy, -36.0% qoq) and NPAT-MI posts VND197bn (-67.4% yoy, -9.1% qoq). As for 4QFY22 (3Q22), we peg HSG's revenue at VND7,300bn (-53.8% yoy, -40.0% qoq) and NPAT-MI at VND257bn (-72.5% yoy, -82.0% qoq).

**Figure 67. Weak sales volume in both domestic and export markets in 3Q22**



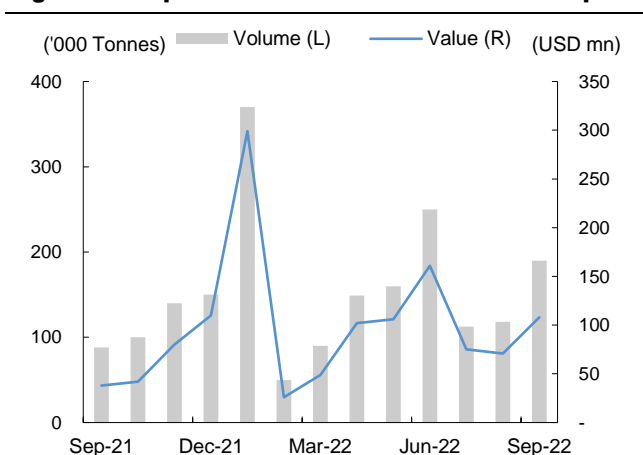
Source: VSA, Fiinpro

## 9. Fertilizer: “Behind the times”

**3Q22 business results may not so bright.** According to the MoIT, fertilizer export volume in 3Q22 was estimated at nearly 421,000 tonnes (-25% qoq but +75% yoy). In 9M22, the total fertilizer export volume was 1.3mn tonnes (+48% yoy), equivalent to USD900mn (+170% yoy). On average, urea/NPK selling prices in 3Q22 were VND14,800/VND15,900/kg, -12%/-4% qoq. As a result, we think 3Q22 the fertilizer sector business results could be heavily hit with a decline of 10%-15% qoq in revenue due to the fall in selling prices and domestic consumption. In detail, we estimate revenue of DPM in 3Q22 could be VND4,158bn (-17% qoq but +47% yoy), and the PBT could be VND1,144bn (-30% qoq but +50% yoy). However, the gas input price is on a downtrend. In 3Q22, the gas input was estimated at USD260/tonne (-27% qoq but +13% yoy).

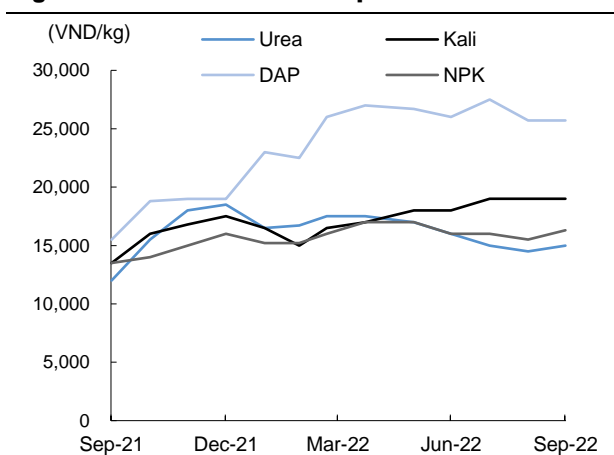
**4Q22F results could be improved.** Normally, the fourth quarter will be the peak period of the fertilizer industry when the whole country enters the Winter-Spring crop. Therefore, we still believe the fertilizer sector could achieve a “satisfactory” outcome in 4Q22F. We expect domestic urea prices could bounce back again in Nov 2022 at VND16,500/kg, +10% vs Sep level, and the gas price could fall 13% qoq in 4Q22F. Currently, the sector is trading at 4.8x TTM PE far below the 2-yrs average of 18.4x PE.

**Figure 68. Export volume and value recover in Sep**



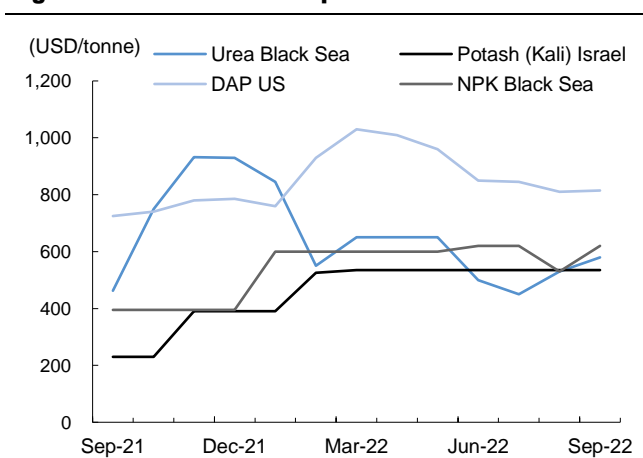
Source: GSO, KIS

**Figure 69. Domestic fertilizer prices**



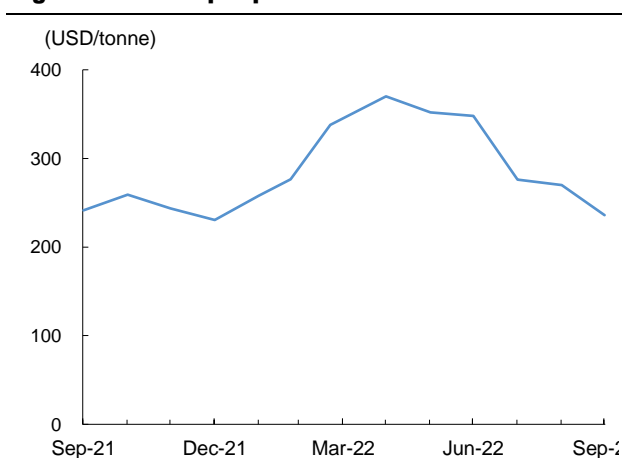
Source: Fertilizer prices are collected from the quoted retail markets, KIS

**Figure 70. Global fertilizer prices**



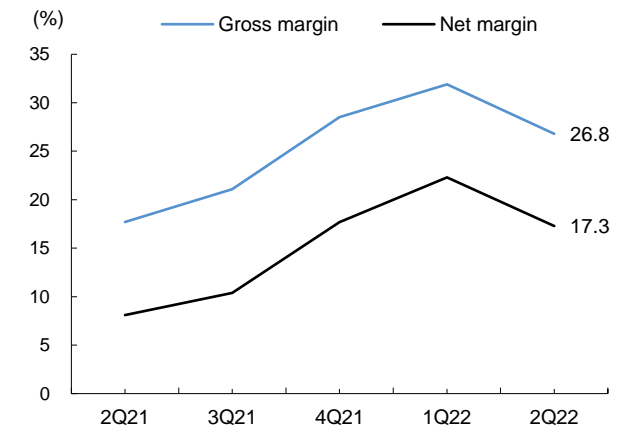
Source: Bloomberg, KIS

**Figure 71. Gas input price**



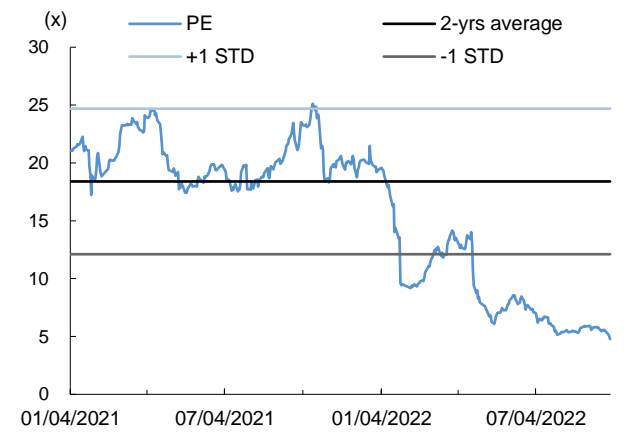
Source: MoIT, KIS  
Note: The gas price is calculated based on Singapore FO price

**Figure 72. Gross margin of fertilizer industry by quarters**



Source: Fiinpro, KIS

**Figure 73. Fertilizer industry PE**



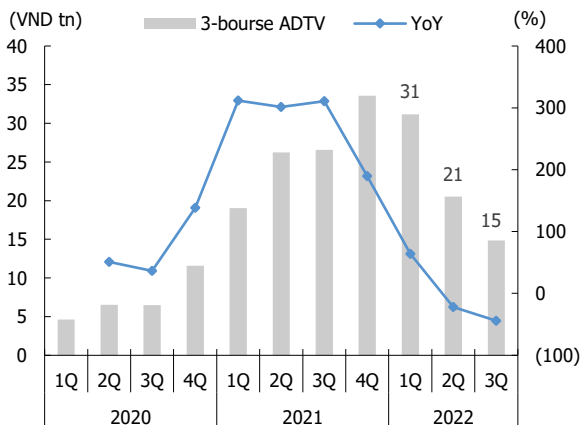
Source: Fiinpro, KIS

### 10. Securities: “Clouds spread the way”

**Trading value is on the skids.** Vietnam stock market had been devastated with low liquidity from second quarter of this year and the trend was more serious in the third quarter. In particular, benchmarking VNINDEX after two improving monthly performances with 1.1% and 5.9% increase in July and August received the biggest monthly drop in September with 11.6% decrease. September’s VNINDEX closed at 1,132pts which was the low of 2022. In addition, 3Q22 average daily trading value was VND14,836bn (-27.7% qoq, -44.2% yoy). There is no sign of the recover after the shortened settlement cycle, T+1.5, being applied. As a whole, both the VNINDEX and trading value were on the other side of the slope after touching the peak in 4Q21 and 1Q22.

**New trading accounts decelerated.** New accounts surprisingly jumped to new high records in May and June with around 470k accounts each month amid red market. But, that positivity went off immediately in following months, just like the trading value. New trading accounts in July and August recorded at the lowest within 2022. The drop in this number indicates that the potential investors' desire to participate in the stock market decrease.

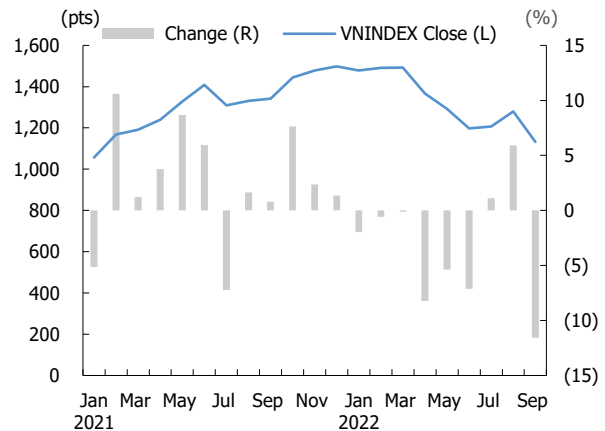
**Figure 74. 3-bourse average daily trading value**



Source: Fiinpro, KIS

Note: 3 bourses include Ho Chi Minh City Stock Exchange (HoSE), Ha Noi Stock Exchange (HNX) and Unlisted Public Company Market (UPCoM).

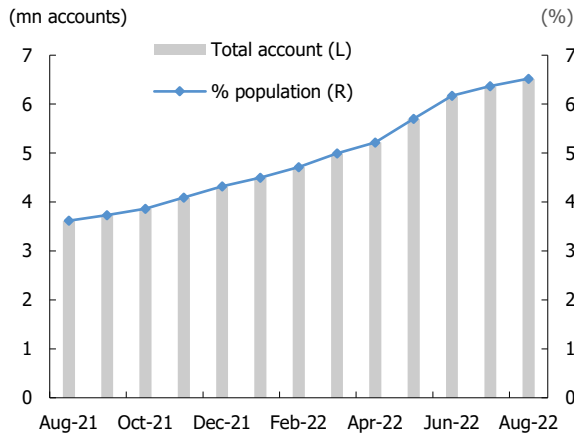
**Figure 75. Benchmarking VNINDEX closes and changes**



Source: Fiinpro, KIS

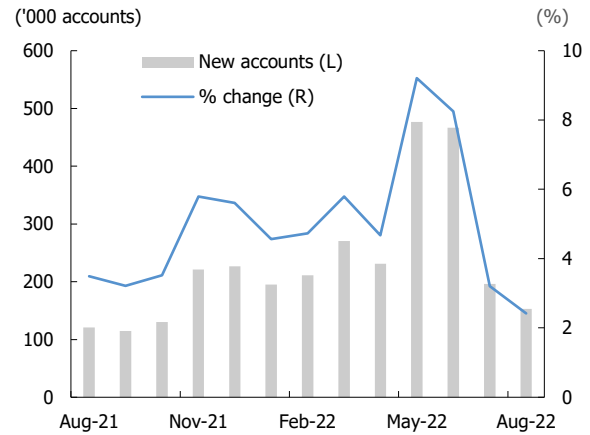
**Decree 65/2022/ND-CP regulating corporate bond market released.** Market waited for the decree announcement in order to solve the bottleneck in corporate bond market and expected for the improvement in issuing bond value following the release. Major changes in decree 65 are 1) more protection for bondholders, 2) uplifting requirements to be recognized as Professional securities investors and 3) adding more detailed processes, highlighting the responsibility of stakeholders in bond offering services. But in longer term, the issuance value of corporate bonds may slow down compared to previous years due to stricter issuance conditions.

**Figure 76. Accumulated accounts over populations**



Source: Fiinpro, KIS

**Figure 77. Monthly new accounts**



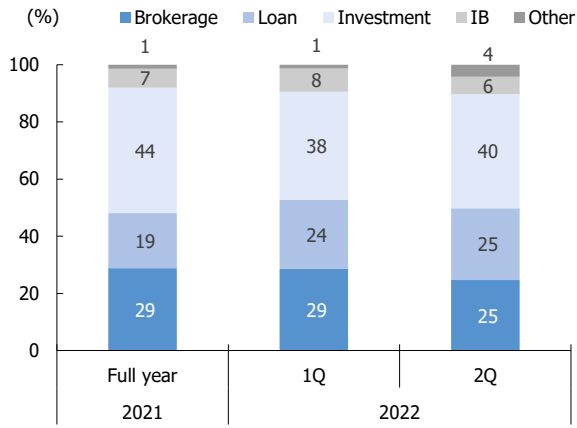
Source: Fiinpro, KIS

**Clouds spread the way.** Given the characteristics of securities companies, they will be greatly affected by market movements. Revenue from brokerage and margin lending will decrease under low trading circumstance. Revenue from stock trading is unlikely to be good under VNINDEX’s drop. Prospect for bond redistribution revenue is dim after decree 65 release. Although securities sector had a flourishing business result in 1Q22, 2022 full-year sector result will look negative comparing to high record base in 2021.

**What’s to come after the rain?** We still keep a positive view in long term development for securities companies. Stock market had extremely good growth in 2021 which increased the competition and the quality of service providers. In addition, government is paying attention to make the market more transparent and equitable. There are plans aiming to uplift market classification. If all is said and done, securities companies that are in good preparation will be the most benefited.

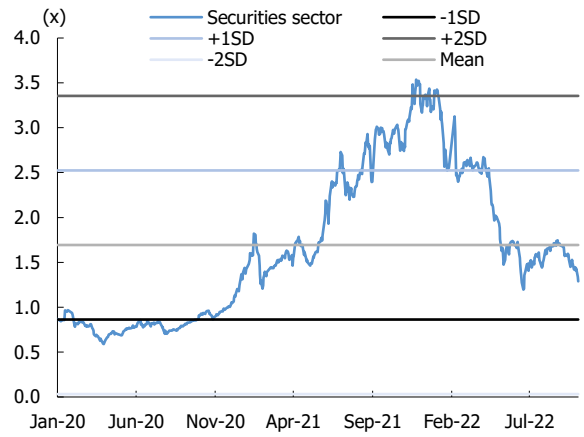
**Valuation.** As of October, securities sector is trading at 1.23x PB ratio, below 2-year average of 1.69x and moving toward -1 standard deviation of 0.86. The valuation of securities sector reflects the unfavorable prospect in remain period in 2022. It is necessary to wait for benchmarking VNINDEX to find the balance and execution plan of management bodies in developing the market.

**Figure 78. Revenue mix of securities sector**



Source: Fiiipro, KIS  
 Note: Brokerage includes brokerage and depository revenue. Loan includes income from margin lending and advance payment for customer. Investment includes revenue from FVTPL, AFS and HTM.

**Figure 79. Securities sector's PB ratio**



Source: Fiiipro, KIS  
 Note: -2SD of PB valuation for securities sector is 0.03x. Updated as of October 4<sup>th</sup>, 2022.

## Appendix 1. Macro scorecard

	22-May	22-Jun	22-Jul	22-Aug	22-Sep	4Q21	1Q22	2Q22	3Q22	2018	2019	2020	2021
Real GDP growth (%)						5.22	5.03	7.72	13.67	7.08	7.03	2.91	2.58
Registered FDI (USD bn)	0.98	2.32	1.51	1.23	1.92	9.01	8.91	5.12	4.67	35.47	38.02	28.53	31.15
GDP per capita (USD)										3,202	3,398	3,521	3,725
Unemployment rate (%)										2.21	2.25	2.48	3.22
Export (USD bn)	30,480	32,650	30,323	33,380	29,940	95.26	86.01	96.83	96.48	243.5	263.6	282.7	335.7
Import (USD bn)	32,210	32,370	30,302	30,960	28,800	88.72	87.45	97.58	90.71	236.7	254.4	263	331.1
Export growth (%)	16.38	19.98	8.87	22.14	10.35	20.43	13.43	21.02	17.22	13.19	8.16	7.02	18.74
Import growth (%)	12.85	16.32	3.42	12.42	6.45	15.42	15.17	15.72	8.12	11.01	7.41	3.81	25.9
Inflation (%)	2.86	3.37	3.14	2.89	3.94	1.89	1.92	2.96	3.32	3.54	2.79	3.24	1.84
USD/VND	23,195	23,254	23,343	23,417	23,712	22,790	22,837	23,139	23,712	23,175	23,173	23,126	22,790
Credit growth (%)	7.62	8.51	9.14	9.62	10.47	12.97	4.13	8.51	10.47	10.77	13.75	12.17	12.97
10Y gov't bond (%)	3.25	3.38	3.50	3.37	4.39	2.11	2.40	3.38	4.39	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF



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**Nhan Lai – Senior Manager**

nhan.lai@kisvn.vn

---

---

**Macro**

**Y Nguyen**

Manager

y.nt@kisvn.vn

**Nhan Tong**

Analyst

nhan.tt@kisvn.vn

---

**Strategy**

**Hieu Tran**

Manager

hieu.ttm@kisvn.vn

**Dang Le**

Analyst

dang.lh@kisvn.vn

**Nhu Nguyen**

Analyst

nhu.nh@kisvn.vn

---

**Utilities**

**Thuy Nguyen**

Analyst (Power)

thuy.nt@kisvn.vn

---

**Real Estate**

**Nhan Lai**

Senior Manager

nhan.lt@kisvn.vn

---

**Consumer**

**Linh Pham**

Analyst (Seafood)

linh.pt@kisvn.vn

**Ngoc Pham**

Analyst (Retail)

ngoc.pt@kisvn.vn

**Quy Nguyen**

Analyst (Textile)

quy.nt@kisvn.vn

---

**Financials**

**Tri Duong**

Analyst (Securities & Insurance)

tri.dd@kisvn.vn

---

**Materials**

**Hai Nguyen**

Assistant Manager

hai.nt@kisvn.vn

**Ngan Le**

Analyst (Chemicals)

ngan.lk@kisvn.vn

---

**Oil&Gas**

**Hoang Phung**

Senior Analyst

hoang.pm@kisvn.vn

---

#### **VIET NAM**

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)  
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)  
KIS Vietnam Securities Corporation  
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.  
Fax: 8428 3821-6898

#### **SOUTH KOREA**

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)  
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)  
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea  
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320  
Fax: 822 3276 5681~3  
Telex: K2296

#### **NEW YORK**

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)  
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)  
Korea Investment & Securities America, Inc.  
1350 Avenue of the Americas, Suite 1110  
New York, NY 10019  
Fax: 1 212 314 0699

#### **HONG KONG**

DAN SONG, Managing Director, Head of HK Sales (dan.song@kisasiasia.com +852 2530 8914)  
GREGORY KIM, Sales (greg.kim@kisasiasia.com, +822 2530 8915)  
Korea Investment & Securities Asia, Ltd.  
Suite 2220, Jardine House  
1 Connaught Place, Central, Hong Kong  
Fax: 852-2530-1516

#### **SINGAPORE**

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasiasia.com.sg +65 6501 5602)  
CHARLES AN, Sales (alex.jun@kisasiasia.com.sg +65 6501 5601)  
Korea Investment & Securities Singapore Pte Ltd  
1 Raffles Place, #43-04, One Raffles Place  
Singapore 048616  
Fax: 65 6501 5617

#### **LONDON**

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)  
Korea Investment & Securities Europe, Ltd.  
2nd Floor, 35-39 Moorgate  
London EC2R 6AR  
Fax: 44-207-236-4811

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