

Strategic Insight

Continued Trials

Improve liquidity

The market decreased in Apr 2023 when selling pressure appeared around 1,080 pts. Lower-expected business results in 1Q23 significantly affected investor sentiment. However, liquidity improved in April, when the average trading volume and value of the stock market rose by 23% and 28% respectively compared to March.

Net Selling and Resurgence of Outflows

Foreign demand in the stock market hit a 4-month low in Apr 2023, while supply remained stable. This led to the market being net sold, reaching a 7-month high. The downward trend in foreign demand has been consistent since Nov 2022, with a significant drop in the first four months of 2023. Besides, Vietnam experienced a strong outflow of funds in Apr 2023, ending six consecutive months of inflow. The divestment was significant, with outflows of USD25mn. Inflow into Vietnam has been declining since its peak in Dec 2022. Major ETFs also saw divestment and decreased trading interest in Apr 2023.

Ongoing challenge

The global condition has exerted pressure on the stock market in the short term because (1) companies have faced difficulties, leading to a decline in business results in 1Q23 and (2) the corporate bond market poses future financial pressure, with a high value of bonds maturing from Jun to Aug 2023.

Bear or bull

The market is currently in a consolidation phase, characterized by a narrow trading range from 1,020 pts to 1,080 pts. We need a breakout to determine the next trend. Hence, two scenarios may unfold. Firstly, in the bullish scenario, the Nov 2022 bottom is considered the 3-year cycle bottom, leading to an uptrend. Secondly, the bearish scenario suggests another 3-year cycle bottom forming between May and Sep 2023.

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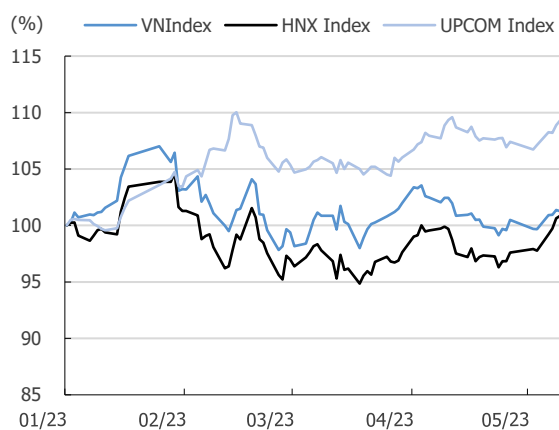
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I. Selling pressure

1. Improve liquidity

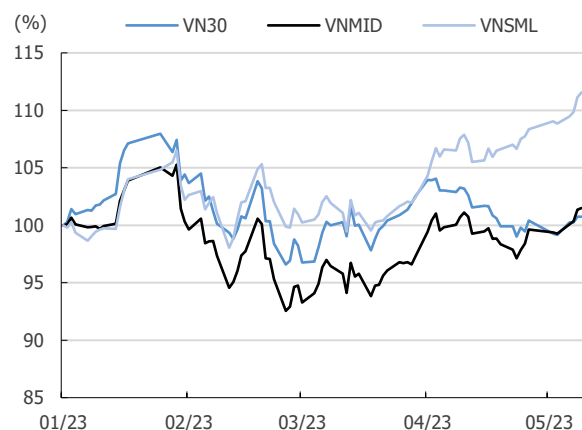
Selling pressure around 1,110 pts. Following the movements of the previous months, the VNIndex hit 1,080 pts in the first days of Apr. Later, the stock market quickly adjusted back around 1,040 pts - 1,060 pts in mid and late Apr. In which, demand focuses on small-cap stocks. The VNSML index increased by 5.8% while VN30Index fall by 2.07%. The business results in 1Q23 and the annual general meeting were the main reasons affecting the market movements during this period.

Figure 1. Vietnam indexes performance



Source: Fiin, KIS
Note: start of 01/23 = 100

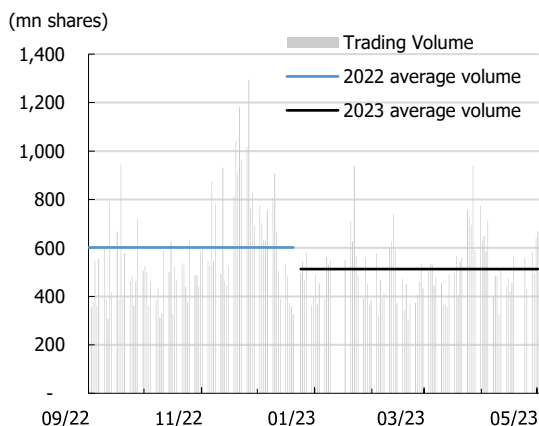
Figure 2. Growth of key indexes of HOSE



Source: Fiin, KIS
Note: start of 01/23 = 100

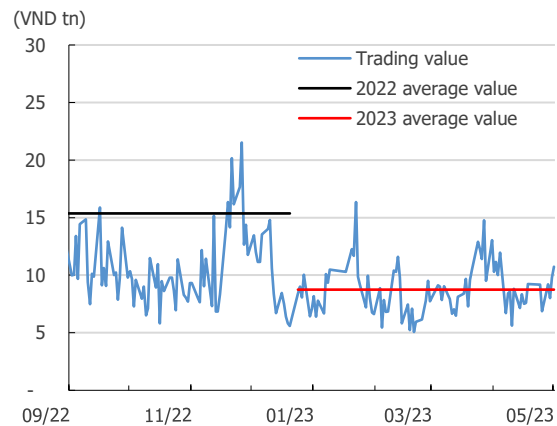
Improve liquidity. The average trading volume and value of the stock market in Apr slightly increased, compared to Mar. Accordingly, the trading volume and value were 580 million shares/ VND9,763bn in Apr, up 23%/ 28% respectively compared to Mar, however down 10%/ 53% respectively compared to over the same period. The decline is mainly due to the effect of price effects when the average price in 2022 is much higher than in 2023. Liquidity in Apr, although increased compared to Mar, it's still at a low level. This showed investors' risk aversion to the market makes investors cautious and curbed trading psychology.

Figure 3. Trading volume in 2023



Source: Fiin, KIS

Figure 4. Trading value in 2023



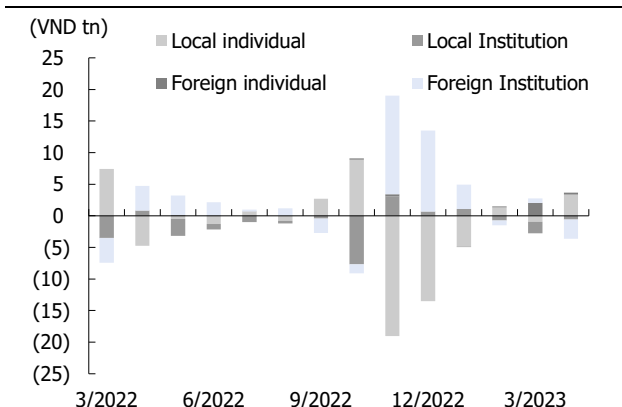
Source: Fiin, KIS

2. Net buying by local individual

Net buying by local individuals. Domestic trading activity remains at a low level but there is an improvement compared to the previous 3 months. In Apr 2023, the total trading value has been improved. Particularly, domestic trading activity from individuals increased significantly compared to Feb and Mar 2023, total net trading volume was 187 million shares, 4 times higher than the previous month and 40% higher than the 3-month average. Notably, within Apr 2023, the local individual has turned around to be net bought, ending the 5 consecutive months of being net sold with a net buy value was VND3.4tn.

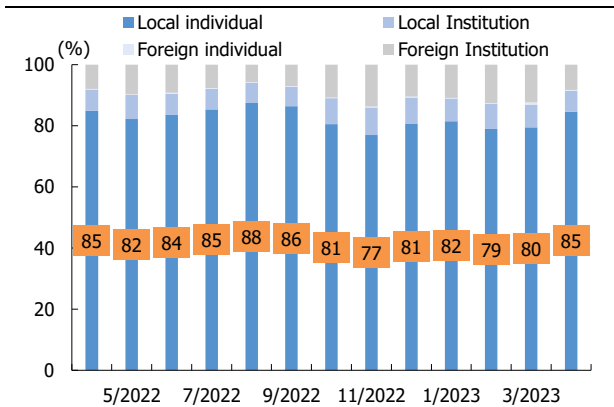
Foreign institution trading interest also increases. In Apr 2023, foreign institutions' trading interest increased strongly in volume, 10 times higher than Mar 2023 and 45% higher than the 3-month average. However, this group has ended up being net sold after ending up being net bought for 5 consecutive months. On the other side, the foreign individuals continued to be not significant.

Figure 5. Trading activity by investor group



Source: Fiinpro, KIS

Figure 6. Proportion by investor group



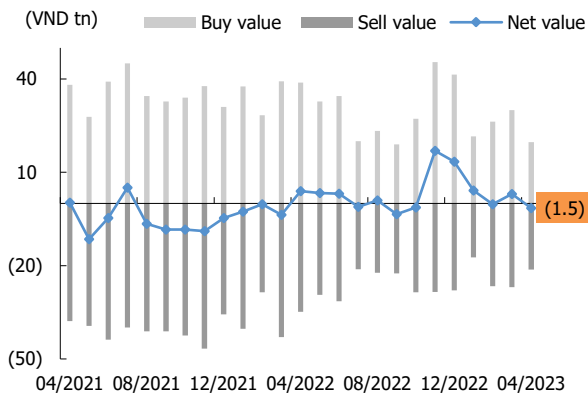
Source: Fiinpro, KIS

II. Net sell of foreigners

Foreign demand keeps diminishing, hitting a 4-month low. In Apr 2023, foreign trading activity continued to decrease in terms of trading volume. Most importantly, demand kept diminishing, hitting the 4-month low whilst supply was recorded near the 3-month average. Besides, demand has started to be faded by supply, pushing the market to end up being net sold (VND1.5tn), a 7-month high. Compared to the demand peak of Nov and Dec 2022, foreign demand has started to follow a downward trend. In Apr 2023, foreign demand was nearly 2 times lower than the peak of Nov 2022 whilst supply remained around the 6-month average which means demand has started to be faded by the strong supply.

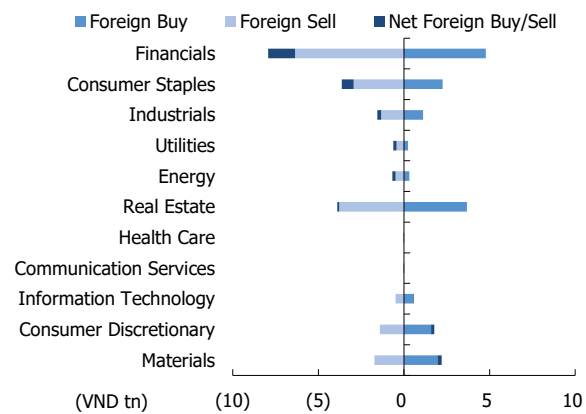
There is a clear downward trend in foreign demand in 4M23. Particularly, in 2022, net sell value peaked in Sep 2022 and net buy value has started to drop after forming the peak in Nov 2022. Besides, from Nov 2022 to Apr 2023, demand has started to drop, down nearly 200% in this period whilst foreign supply remained near the 6-month average.

Figure 7. Net foreign buy/sell by monthly



Source: KIS, Fiinpro

Figure 8. Net foreign buy/sell by sector

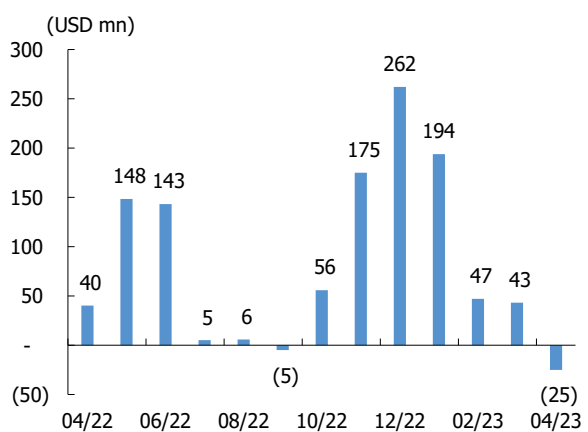


Source: KIS, Fiinpro

Outflow ticked up in Vietnam, and 6 consecutive months of inflow ended. Among SEA, Vietnam and Singapore were divested the most, with outflow recorded at USD25mn and USD27mn, respectively. However, the strong outflow was fully covered by the strong demand across Indonesia’s major ETFs (USD40mn).

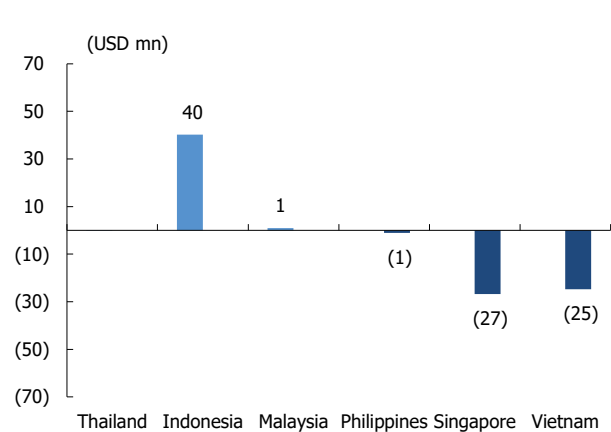
Within Apr 2023, Vietnam was strongly divested, net outflow was USD25mn, a yearly low as well as 6 consecutive months of inflow ended. Similar to the trend in foreign demand, inflow across Vietnam has started to drop after forming the peak in Dec 2022. Particularly, inflow in Feb and Mar 2023 downed more than 400% compared to Jan 2023 and 5 times lower than the inflow peak in Dec 2022. Besides, the outflow has started to come back to Vietnam due to the strong divestment on Apr 2023.

Figure 9. Vietnam ETF net flow



Source: Bloomberg, KIS

Figure 10. The flow of money across SEA countries

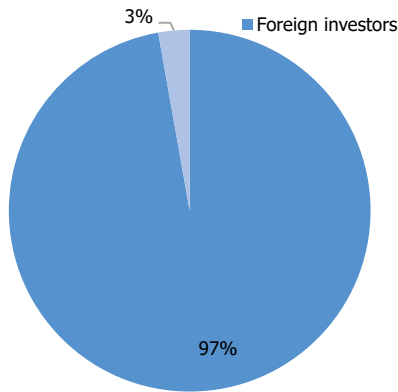


Source: Bloomberg, KIS

Divestment across major ETFs. Breaking down by ETFs, in Apr 2023, divestment occurred across major ETFs as well as trading interest also slowdown strongly. Particularly, major ETFs which attracted significant inflow as well as driving the strong inflow across Vietnam in the previous 6 months have started to be divested. Within Jan 2023, VanEck Vietnam absorbed USD86mn whilst inflow on this ETF was down significantly to USD3.4mn in Feb 2023.

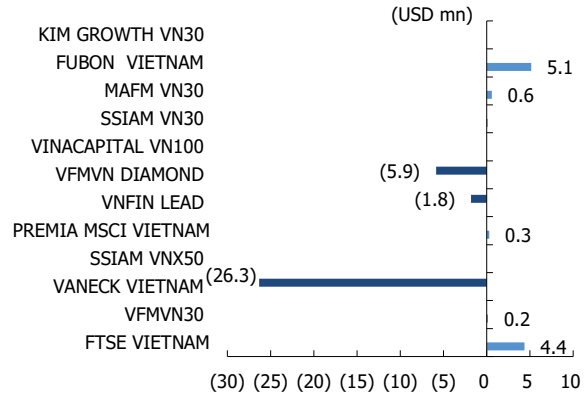
During Apr 2023, VanEck Vietnam, VFMVN Diamond, and VNFin Lead were divested with the outflow of USD26.3mn, USD5.9mn, and USD1.8mn, respectively. Besides, inflow across Fubon Vietnam also dropped, recording a 3-month low.

Figure 11. Ownership across Vietnam major ETFs



Source: Bloomberg, KIS

Figure 12. Money flow across Vietnam major ETFs



Source: Bloomberg, KIS

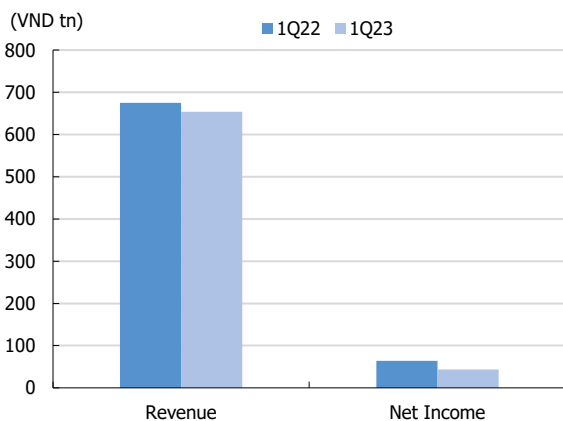
III. Wait for a breakout

1. Ongoing challenge

In the short term, the global condition pushes pressure on the stock market due to:

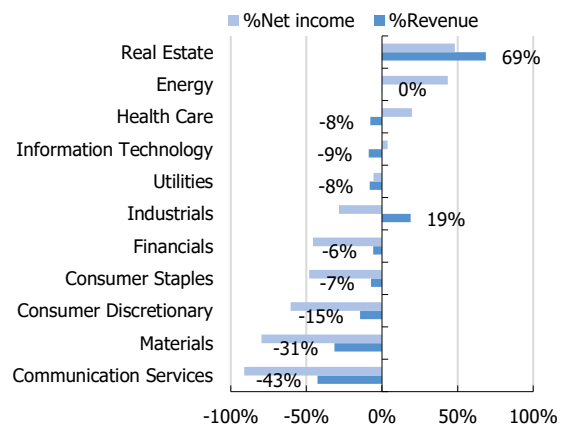
Business results decline in 1Q23. Based on the business results in 1Q23, Companies are facing difficulties. Accordingly, the revenue and net income of listed stocks on HOSE and HNX decreased by 3.2% and 29.9% YoY in 1Q23. In which, net income of the Communication Services and Materials sectors had a higher decline by 91% and 80%. In contrast, Real Estate showed growth, up 48% YoY thanks to VHM (accounting for around 80% of the industry profit in 1Q23). The slow down of the world economy has affected the profits of businesses in the period in 2022. However, this decline was only reflected in the business data of companies in 1Q23. We expect the business results of companies will not improve in 2Q23.

Figure 13. Revenue and Net income in 1Q23



Source: Fiinpro, KIS

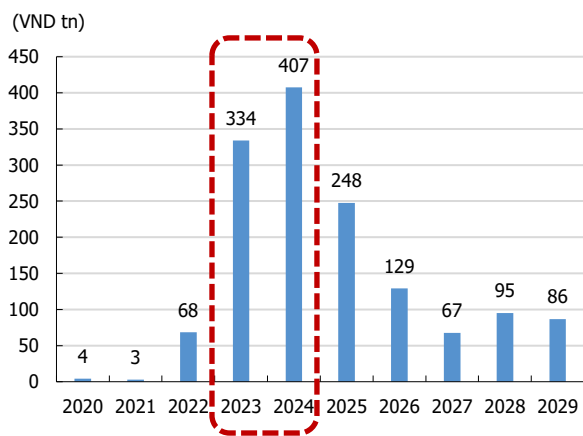
Figure 14. Revenue and Net income by sector



Source: Bloomberg, KIS

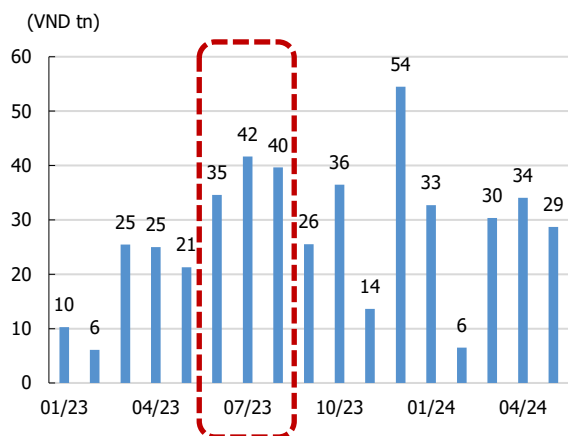
Pressure of the corporate bond market. The corporate bond market will put pressure on the financial system in the future. Although the market liquidity of corporate bonds improved in Mar 2023, the issuance value is still low with the high value of corporate bonds due to mature since Jun 2023, especially from Jun to Aug. Value of bond maturity will be VND35tn in Jun, VND42tn in Jul, and VND40tn in Aug. With liquidity in Mar, it is difficult for companies to raise enough finance to mature bonds. The Real Estate industry will be under the most financial pressure when the bond maturity value of Real Estate is the highest. Accordingly, this sector has to the maturity value of around VND120tn in the last 7 months of the year, accounting for 44.6% of the total amount of bonds maturing.

Figure 15. Bond value to maturity by year



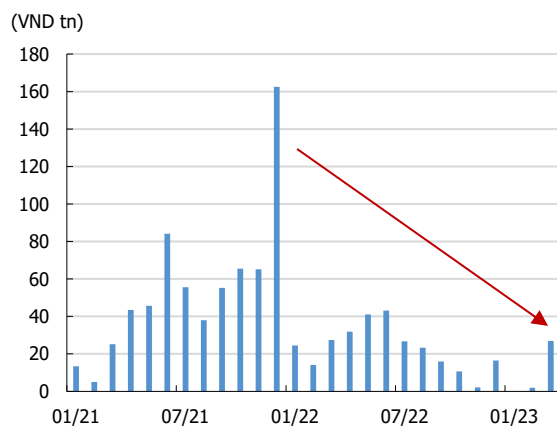
Source: Fiin, KIS
Note: start of 01/22 = 100

Figure 16. Bond value to maturity by month



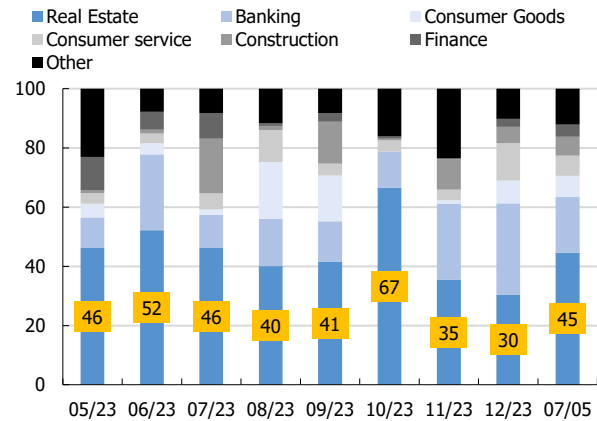
Source: Fiin, KIS
Note: start of 01/22 = 100

Figure 17. Value of corporate bonds issued



Source: Fiin, KIS
Note: start of 01/22 = 100

Figure 18. Bond value to maturity by sector



Source: Fiin, KIS
Note: start of 01/22 = 100

2. Bear or bull

Consolidation phase. The market is currently characterized by a narrow trading range, as the VNIndex remains tightly bound between 1,020 and 1,080 pts. This indicates a short-term sideways trend. Additionally, there has been low trading volume and value, accompanied by relatively flat significant moving

averages. These factors serve to reinforce the current trend. However, to confirm either an uptrend or a downtrend, the index must experience a breakout above the upper band at 1,080 pts or a breakdown below the lower band at 1,020 pts. It is important to note that in the bullish scenario, any potential uptrend may face instability due to selling pressure emerging at higher price levels, particularly within the range of 1,100 to 1,120 pts.

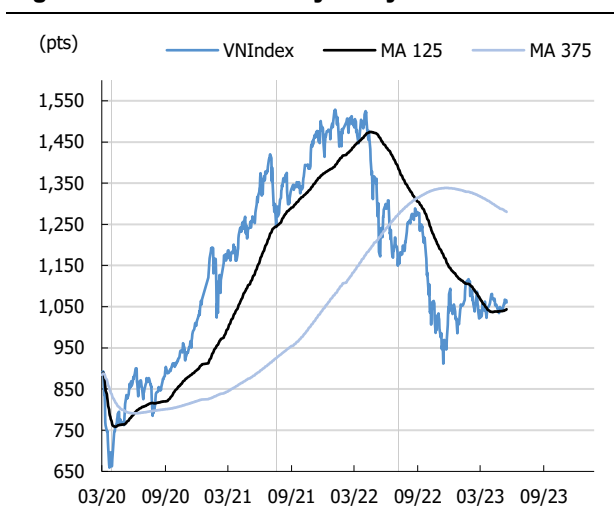
“Bear or bull”. In line with previous reports, Vietnam's stock market demonstrates a recurring 3-year cycle, where significant bottoms are formed at three-year intervals. Presently, the market is in the seventh 3-year cycle, which commenced with the bottom in 2020 and is expected to culminate with an ending bottom between Sep 2022 and Sep 2023. However, there is a possibility that the bottom reached in Nov 2022 could also be as the bottom of the seventh 3-year cycle, owing to the strong uptrend observed since Nov 2022.

Table 1. Bottom and duration of 1-year cycle

No. of 3-year cycle	No. of 1-year cycle	Start bottom	End bottom	Duration (Months)
V	13	12/17/2014	01/21/2016	13
	14	01/21/2016	12/06/2016	10
	15	12/06/2016	07/11/2018	19
VI	16	07/11/2018	01/03/2019	5
	17	01/03/2019	03/24/2020	14
	18	03/24/2020	07/19/2021	15
VII	19	07/19/2021	07/06/2022	11
	20	07/06/2022	05-09/2023*	10-14*

*Expected period to form the 3-year cycle year
Source: KIS

Figure 19. Movement of 1-year cycle



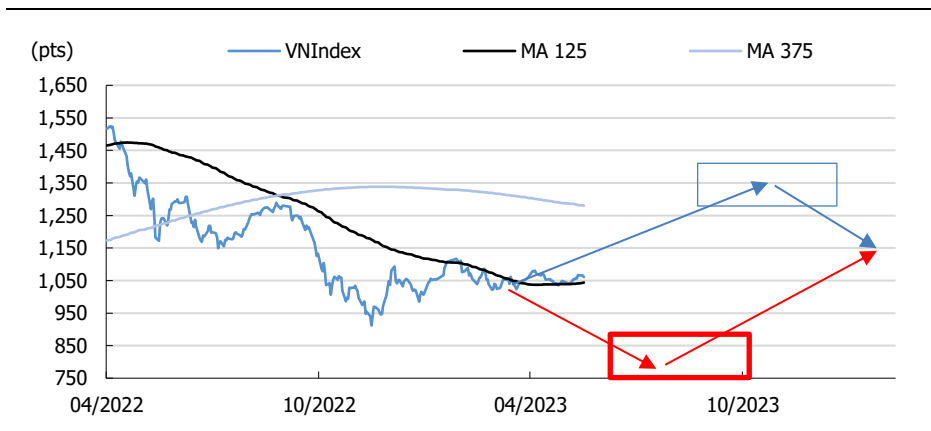
Source: KIS

There are two key features supporting this possibility. Firstly, the index has recently surpassed and closed above the 125-period moving average on the daily chart, suggesting that the Nov 2022 bottom may represent a 1-year cycle bottom. Secondly, the decline from the Apr peak to the Nov 2022 bottom amounts to 40.3%, which aligns closely with the average historical decrease. Consequently, two scenarios may unfold:

Bullish Scenario: In this scenario, the bottom reached in Nov 2022 is considered the bottom of the 3-year cycle. Although the formation of the 3-year cycle bottom occurs earlier than expected, it remains within the allowable time frame. Consequently, the uptrend that commenced in Nov 2022 would represent the first one-year cycle within the larger 3-year cycle. The subsequent bottom is projected to form between Sep 2023 and Jan 2024. However, it is important to note that the index has yet to close above the 375-period moving average on the daily chart, which is used to confirm the Nov 2022 bottom as the 3-year cycle bottom. Therefore, a strong uptrend is needed to breach this line in 2023. As a result, the price target in this scenario could surpass the threshold of 1,220 pts.

Bearish Scenario: Alternatively, the bearish scenario suggests that the bottom of the seventh 3-year cycle has not yet been established. Under this scenario, the VNIndex is anticipated to experience a swift correction, leading to the formation of another 3-year cycle bottom. We expect this bottom to materialize between May 2023 and Sep 2023, as the previous 1-year bottom occurred in July 2022. Furthermore, the upcoming 1-year bottom may be equal to or lower than the trough witnessed in Nov 2022. This implies a target price range of 780-910 pts for the next 1-year cycle's bottom (further details can be found in the Jan month's strategy report). Following the expected bottom between May and Sep 2023, a new trend will emerge, possibly an uptrend, initiating a long-term upward period.

Figure 20. Forecast of VNIndex



Source: KIS

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