

# Strategic Insight

## Journey to brighter days

### Optimistic sentiment

In Jul, the stock market experienced impressive growth as the VNIndex rose by 9.17% and surpassed the significant resistance level of the 1,200-pts threshold. Furthermore, the liquidity still maintained at a high level, increased slightly compared to the last week and outperformed compared to the same period. Besides, demand mainly concentrated on the large-cap stock, pushing the VN30Index to increase 9.58% in the month.

### Stable Foreign Trading and ETF Inflows

In July 2023, foreign trading activity in Vietnam remained stable, with demand and supply fluctuating around the 6-month average. Despite this, the market was net sold for the fourth consecutive month. The Materials and Industrials sectors absorbed most foreign demand. Inflow into Vietnam's ETFs improved after a downturn in Apr and May, with USD16mn attracted in Jul. Major ETFs saw varied trading activities, with both inflow and outflow. Foreign ETFs dominated the inflow, driven by VanEck and FTSE Vietnam ETFs. However, overall inflow might decrease due to waning demand for other ETFs.

### A new 3-year cycle

Economic recovery becomes evident with positive indicators in Jul, notably a strong resurgence in FDI inflows, driven partly by U.S.-China tensions. Despite a 0.25% Fed rate hike, Vietnam's low inflation allows for an expansionary monetary approach to boost economic support. However, declining profits for 1H23, particularly in stock market firms, signal a slowdown, with only a few sectors showing growth. The target range for the latter half of 2023 lies between 1,260 and 1,340 pts, supported by a breakout in Jun and a confirmed new 3-year cycle.

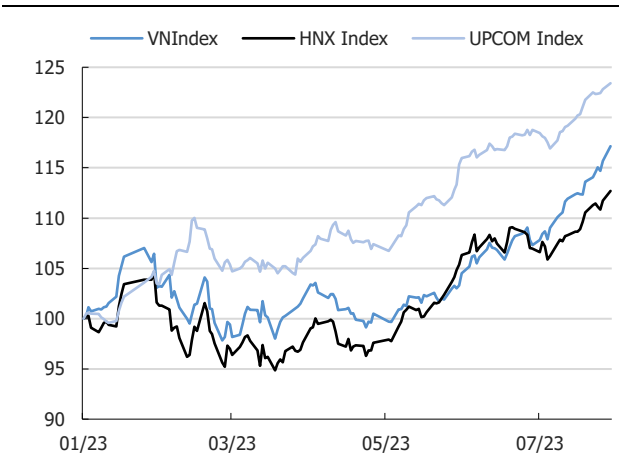
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# I. Optimistic sentiment

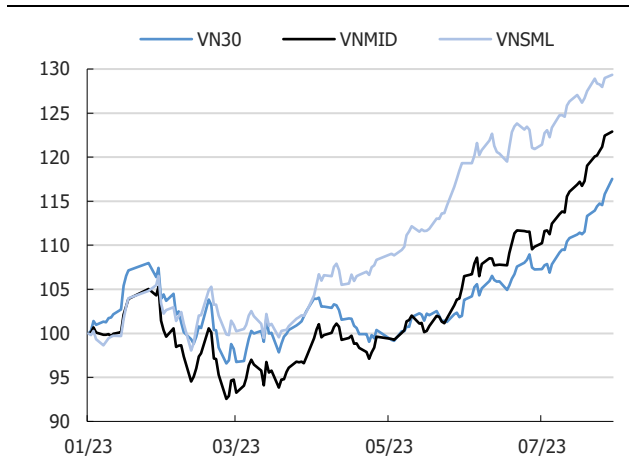
**Maintain an upward trend.** The stock market resumed an upward trend in July thanks to the demand for large-cap stocks. Accordingly, the VNIndex kept going up and quickly surpassed the important resistance level of the 1,200-point threshold at the end of the month, gaining by 9.17%, while the VN30Index rose by 9.58%, driven by the inflow concentrated on large-cap stocks. The gain in this period showed investors' optimistic sentiment towards the stock market, given the positive expectations for both domestic and international macroeconomic conditions in 2H23.

**Figure 1. Vietnam indexes performance**



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

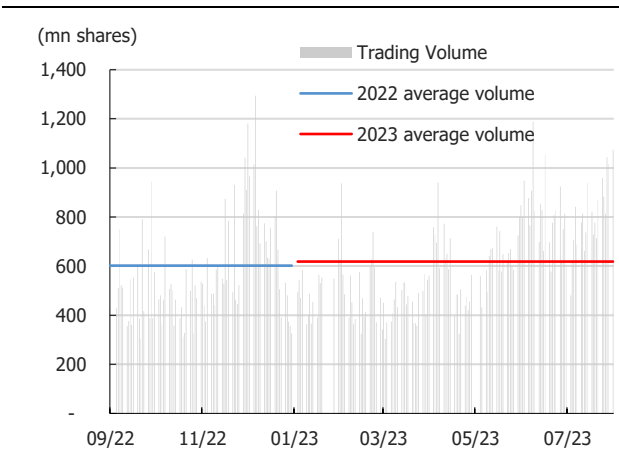
**Figure 2. Growth of key indexes of HOSE**



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

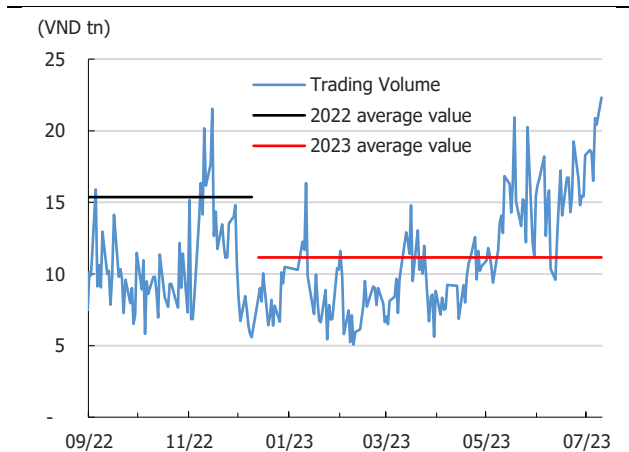
**Liquidity remains at a high level.** The uptrend was still positive, causing the liquidity to maintain at a high level. Accordingly, the average trading volume and trading value reached 808 million shares/VND 16,627 billion, up 1%/10% respectively compared to the previous month. Furthermore, in comparison to the same period, the average trading volume experienced an impressive gain of 79%, while the average trading value also increased by 63%. Notably, the liquidity in July was also recorded as the highest liquidity level within the year for the market.

**Figure 3. Trading volume in 2023**



Source: Fiinpro, KIS

**Figure 4. Trading value in 2023**

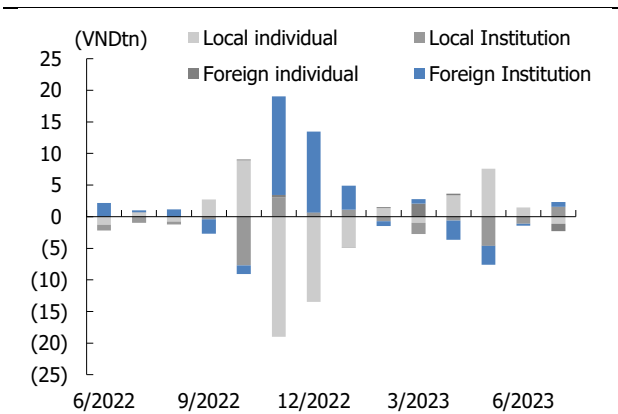


Source: Fiinpro, KIS

**Domestic demand starts to fall.** In Jul 2023, trading activity from domestic individuals started to slow down. Selling orders remained at a high level whilst demand dropped. Buying orders downed 30% MoM and more than 35% below the 6-month average. Therefore, net buy volume was 15 million shares, 3 times lower than Jun 2023, reaching a 6-month low.

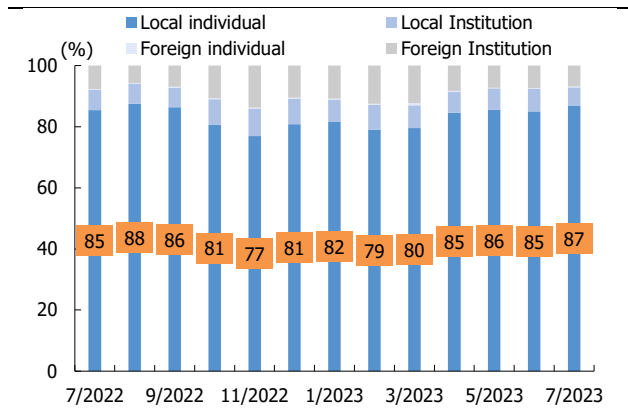
Moreover, domestic institution trading activity recovered in Jul. Buying volume was 3 times higher than the 6-month average whilst supply was 50% below the 6-month average. The market was net bought by this group after 7 consecutive months of being net sold. Besides, Foreign institution trading activity also improved, net volume was 32 million shares, up 50% MoM. On the other side, foreign individuals continued to be not significant.

**Figure 5. Trading activity by investor group**



Source: Fiinpro, KIS

**Figure 6. Proportion by investor group**



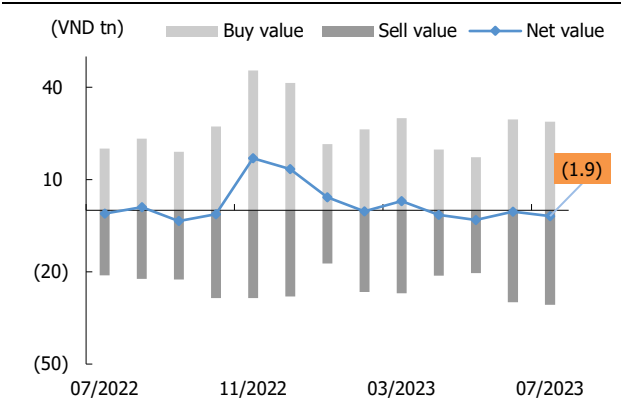
Source: Fiinpro, KIS

## II. Foreigners remain at normal level

**Normal Foreigners demand in Jul 2023.** There is no significant change in foreign trading activity. Foreign trading activity remained at a normal level in Jul 2023. Both demand and supply fluctuated around the 6-month average without any significant change. However, the market continued to be net sold by this group, marking 4 consecutive months of being net sold. Supply and demand in 7M23 were in the balance stage due to the insignificant net value. However, both supply and demand have improved from the trough of Apr and May 2023, as well as foreign trading activity, has started to recover in the nearest 2 months. The market kept ending up to be net sold with a net sell value was VND1.9tn. Breaking down by sector, within July 2023, foreign demand was mainly absorbed by Materials and Industrials sector with net buy values were VND1.5tn and VND0.4tn, respectively.

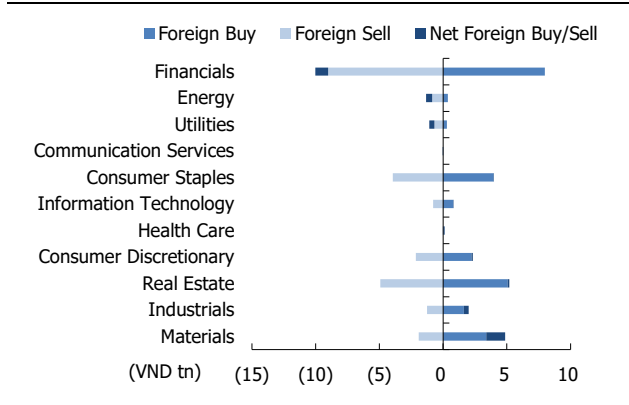
Foreign demand peaked in 4Q22 and started to drop. From 4Q22 to 2Q23, buying value dropped 47%, decreasing at a faster rate than foreign supply, marking the yearly high net sell value in 2Q23. However, from Jun 2023 up to the end of Jul 2023, foreign trading activity has shown signs of recovery after reaching the 7-month trough in May 2023. In the long term, foreign trading activity would be heavily impacted by global inflation and rate hike.

**Figure 7. Net foreign buy/sell by Monthly**



Source: KIS, Fiinpro

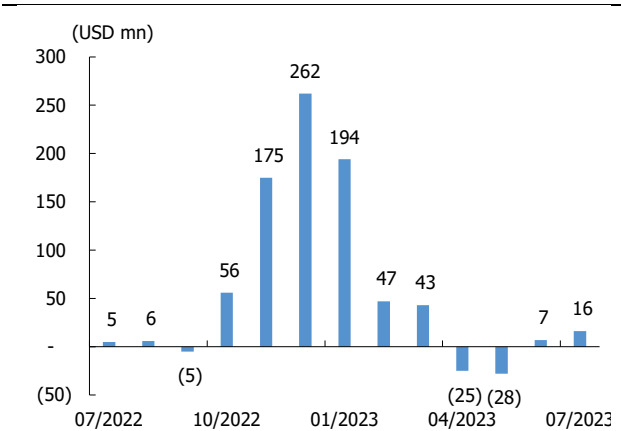
**Figure 8. Net foreign buy/sell by sector (7M23)**



Source: KIS, Fiinpro

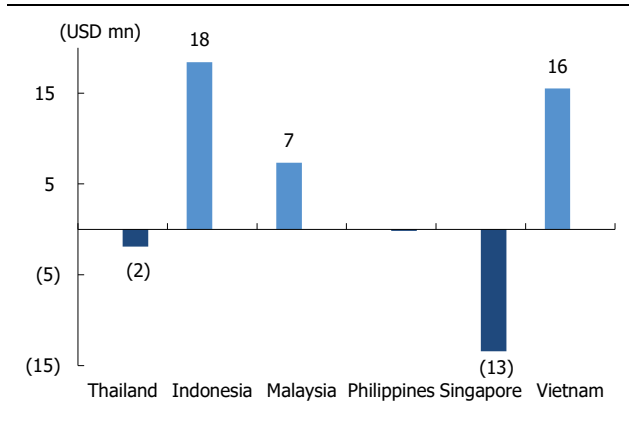
**Inflow keeps improving across Vietnam ETFs.** Similar to the foreign trading activity, demand on Vietnam’s ETFs has started to improve after experiencing a strong outflow in April and May 2023. In Jul 2023, Vietnam attracted USD16mn via major ETFs, 2 times higher than the previous month, and ranked second place in SEA in terms of money inflow. In 7M23, the flow of money across Vietnam was still positive, the net inflow was USD254mn.

**Figure 9. Vietnam ETF net flow**



Source: Bloomberg, KIS

**Figure 10. The flow of money across SEA countries**



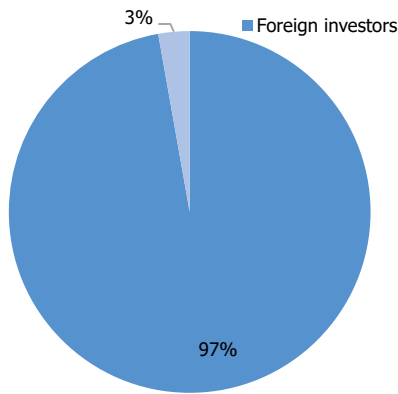
Source: Bloomberg, KIS

**Trading interest keeps spreading to major ETFs.** Breaking down by ETFs, 60% of total ETFs attracted trading interest. Particularly, more than 25% of major ETFs were divested such as Fubon Vietnam (USD7.2mn), VFMVN Diamond (USD2.9mn), and VNFin Lead (USD1.9mn). However, more than 35% of total ETFs attracted the inflow. Notably, the inflow was high on VanEck Vietnam (USD14.7mn) and Kim Growth VN30 (USD10.5mn). Other ETFs such as SSIAM VN30, VFMVN30 ETF, and FTSE Vietnam also attracted trading interest despite the inflow was not significant.

**Demand on foreign ETFs leads the inflow.** Although Vietnam was divested in Apr and May 2023, the inflow was active from Jun 2023. In 7M23, the inflow was active on 80% of total major ETFs. However, more than 90% of the total inflow was contributed by foreign ETFs, mostly coming from VanEck and FTSE Vietnam ETF. The current inflow was driven by 15% of Vietnam’s total ETFs

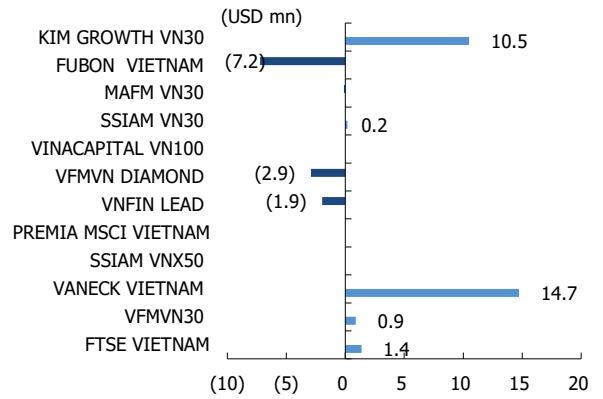
which gives signs of the unstable flow of money. Besides, the main contributors for the massive inflow across Vietnam in 2022 which were Fubon and VFMVN Diamond recorded the weak inflow or even experienced the outflow. In this case, we expect that the inflow across Vietnam could decrease in the upcoming period due to the lack of demand on other ETFs.

**Figure 11. Ownership across Vietnam major ETFs**



Source: Bloomberg, KIS

**Figure 12. Money flow across Vietnam major ETFs**



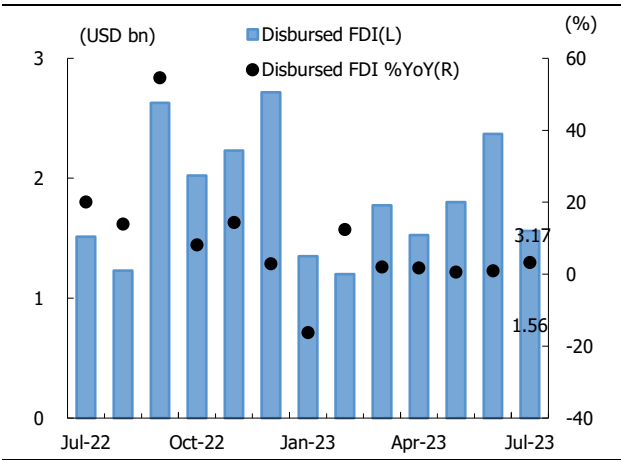
Source: Bloomberg, KIS

### III. Journey to brighter days

#### 1. Economic recovery

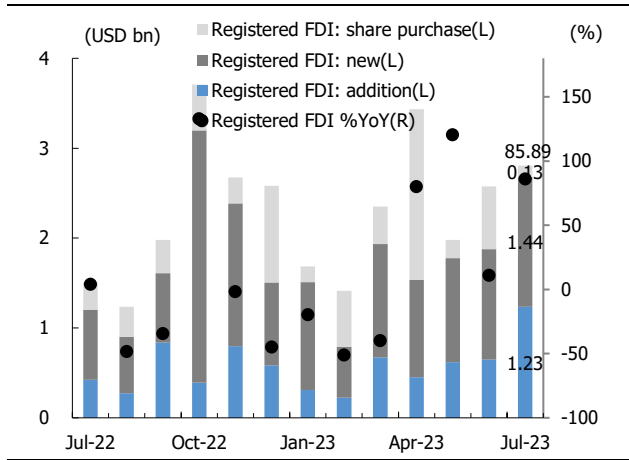
**Economic recovery.** The economy's recovery is evident as economic indicators for Jul 2023 exhibit a positive rebound compared to 1Q23. Of particular significance is the robust resurgence in foreign direct investment (FDI) inflows. As reported by the MPI, capital disbursement within FDI-driven enterprises saw a marked improvement in Jul, totaling USD1.56bn or an increase of 3.17% YoY. This growth is 1.61 percentage points higher than the previous month, primarily attributed to tension in the US-China relationship. A standout highlight for the month was the substantial capital augmentation of LG Innotek, which raised USD 1.0 billion to facilitate the expansion of its camera module production in Hai Phong. Cumulatively for the first seven months of 2023 (7M23), FDI commitments have reached approximately USD16.2bn, reflecting a modest growth rate of 4.49% YoY.

**Figure 13. Monthly disbursed FDI**



Source: GSO, Bloomberg, KIS

**Figure 14. Monthly registered FDI**



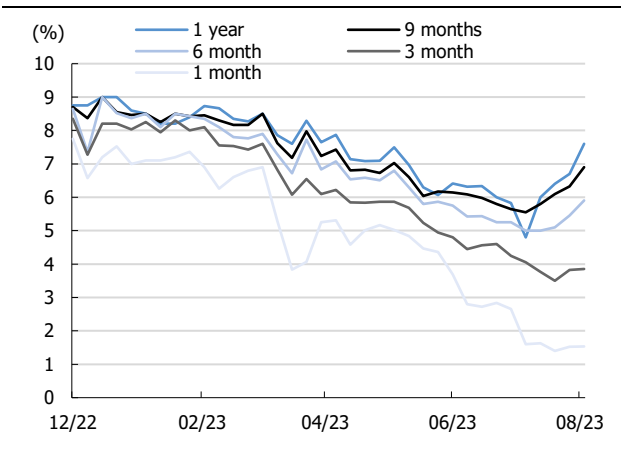
Source: GSO, Bloomberg, KIS

**Maintaining an easy money policy?** Following the 0.25% increase in interest rates by the Fed in Jul 2023, our expectations lean towards a pause in further rate hikes throughout the remainder of the year. This decision may alleviate the strain stemming for the interest rates policy of the SBV.

Furthermore, recent data indicates that Vietnam's inflation has remained low, registering at a mere 2.06% in July, comfortably below the government's target of 4.50%. This demonstrates that there is still room for the utilization of monetary policy tools. Consequently, the SBV is poised to persist with its expansionary monetary approach, aiming to bolster economic support.

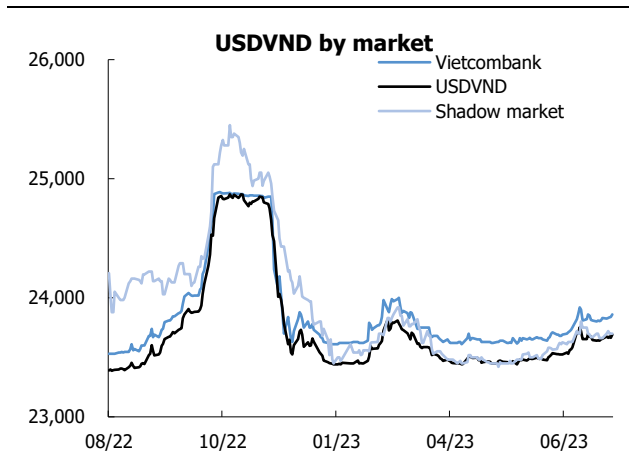
Nevertheless, a careful approach is necessary concerning the timing of interest rate reductions. This consideration is prompted by the increase in the exchange rate (USDVND) since Jun. Hence, the SBV must prudently assess when to begin decreasing interest rates, ensuring that the potential impact on the exchange rate is effectively managed.

**Figure 15. Deposit interest rates**



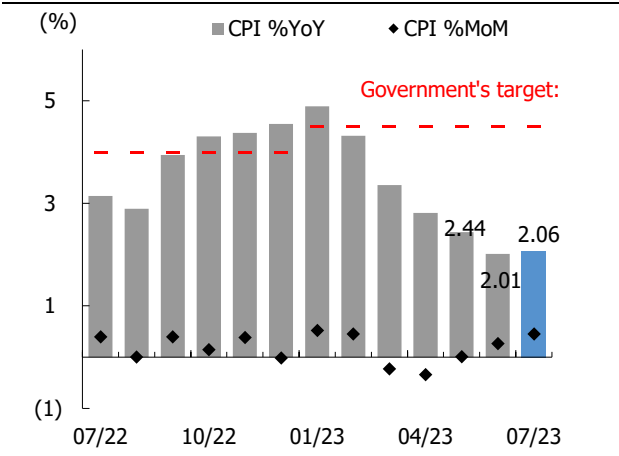
Source: GSO, Bloomberg, KIS

**Figure 16. Historical USDVND by market**



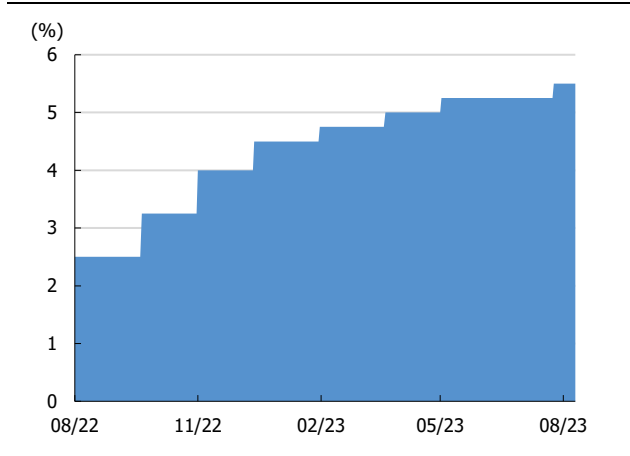
Source: GSO, Bloomberg, KIS

**Figure 17. Monthly CPI change and its contributor**



Source: GSO, KIS

**Figure 18. Upper bound of Federal Funds target rate**

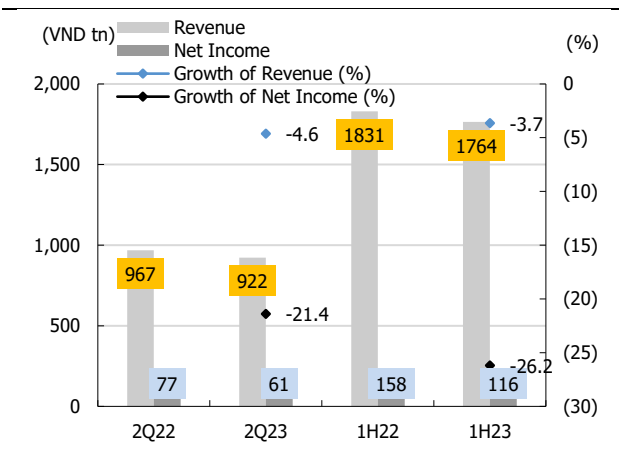


Source: Bloomberg, KIS

**The decline in 1H23 profits because of economic conditions.** The firms within the Vietnam stock market encountered challenges in achieving positive business performance in 2Q23. Notably, the revenue for 2Q23 exhibited a decline of 4.6%, while the net income experienced a substantial drop of 21.4%. This trend persisted through 1H23, with revenue contracting by 3.7% and profit witnessing a notable reduction of 26.2%.

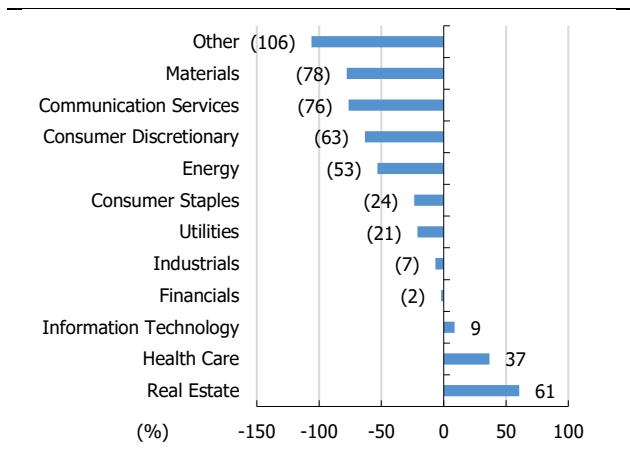
Amidst these figures, it's noteworthy that only 3 out of the 12 industries managed to achieve positive growth in profits. These industries include Real Estate, Health Care, and IT, each showcasing growth rates of 60.6%, 36.8%, and 8.7% respectively. This accentuates the slowdown of economic growth during the first half of 2023.

**Figure 19. Business results in 1H23**



Source: KIS, Fiinpro

**Figure 20. Growth Net Income in 1H23 by sectors**

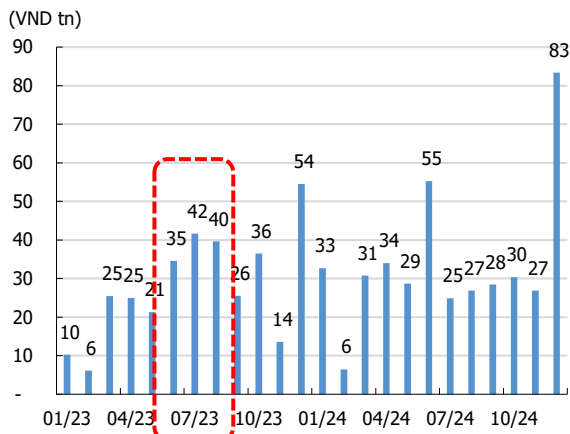


Source: KIS, Fiinpro

**Pressure of the Corporate Bond Market.** The corporate bond market is on the cusp of presenting a notable challenge to the financial system. While there has been a minor improvement in market liquidity for corporate bonds during the months of Jun and Jul in 2023, the total volume of issuances remains limited, amounting to a modest VND39tn over this two-month span. Notably, the Banking sector leads the way, contributing a substantial 60% of the total issuance value (VND23tn), closely trailed by the Real Estate sector at 16.8%, representing a value of VND6.6tn.

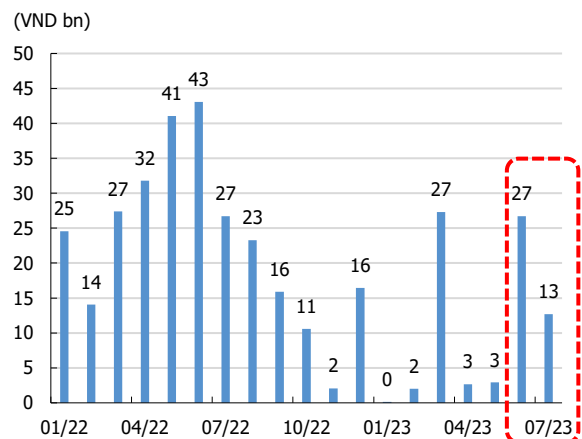
This situation is expected to intensify as a significant number of corporate bonds are scheduled to mature between Jun and Aug. In more precise terms, bond maturities are projected to reach VND35tn in Jun, VND42tn in Jul, and VND40tn in Aug. The Real Estate sector is poised to experience the most pronounced financial pressure among all industries due to the considerable value of bond maturities. Notably, the Real Estate sector alone accounts for approximately VND109tn in bond maturities during the final seven months of the year, making up a substantial 44.4% of the total bond maturity value.

**Figure 21. Bond value to maturity by month**



Source: VBMA, KIS

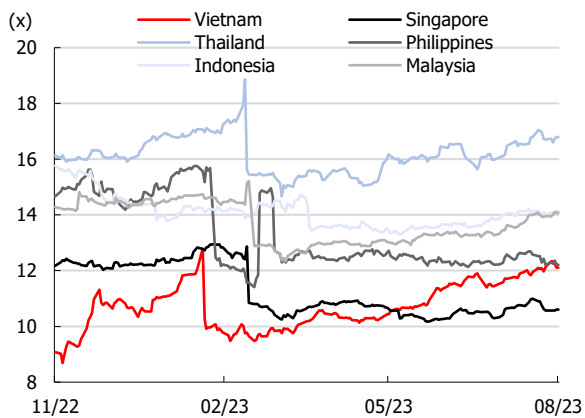
**Figure 22. Value of corporate bonds issued**



Source: VBMA, KIS

**Valuation is no longer attractive.** Thanks to the uptrend from Nov 2022, the VNIndex's PE forward ratio reaches 12x in Jul, while the forward PE is only 9x in Mar 2023. The current PE forward level is at a high level, indicating that the market's valuation is no longer attractive.

**Figure 23. PER of stock market in Southeast Asia**



Source: Bloomberg, KIS

**Figure 24. PER of the Vietnam stock market**



Source: Bloomberg, KIS

## 2. A new 3-year cycle

**Target Range for 2H23: 1,260-1,340 points.** The landscape revealed a triangle pattern forming between Nov 2022 and Jun 2023, with an upper threshold spanning from 1,100 to 1,120 pts. This pattern, defined as neutral, gained its stamp of approval through the breakout last Jun, reinforcing the ongoing upward trajectory. Guided by this discernible signal, we establish a target price range of 1,260 to 1,340 pts for the latter portion of 2023.



**Confirmation of a new 3-year cycle.** The VNIndex exhibited robust growth in Jul 2023, surpassing the 375-period moving average (375MA) on the daily chart. This confirmation validates that the trough in Nov 2022 represents the 3-year bottom of the seventh 3-year cycle. Consequently, the VNIndex embarks on its eighth 3-year cycle, with an anticipated bottom forming between 2025-2026.

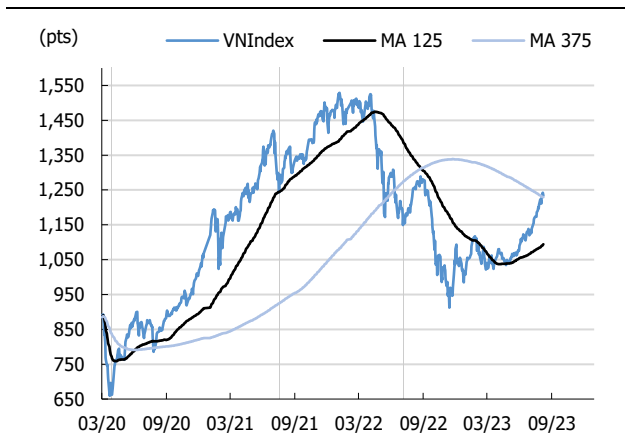
Furthermore, the trough observed in Nov 2022 also marks the nadir of the twentieth 1-year cycle, initiating the first 1-year cycle within the eighth 3-year cycle. We anticipate this 1-year cycle bottom to manifest between Sep 2023 and Jan 2024. Currently, there isn't much time for the upward movement required to establish a peak. As a result, the market might swiftly reach its peak and subsequently experience a decline in the near future. The twentieth 1-year cycle's trough will need to dip below the 125-period moving average (MA125) on the daily chart. Presently, this threshold stands at approximately 1,100 points, implying a potentially substantial consolidation phase.

**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
VII	18	03/24/2020	07/19/2021	15
	19	07/19/2021	11/11/2022	15
VIII	20	11/11/2022	09/2023 -01/2024	10-14*

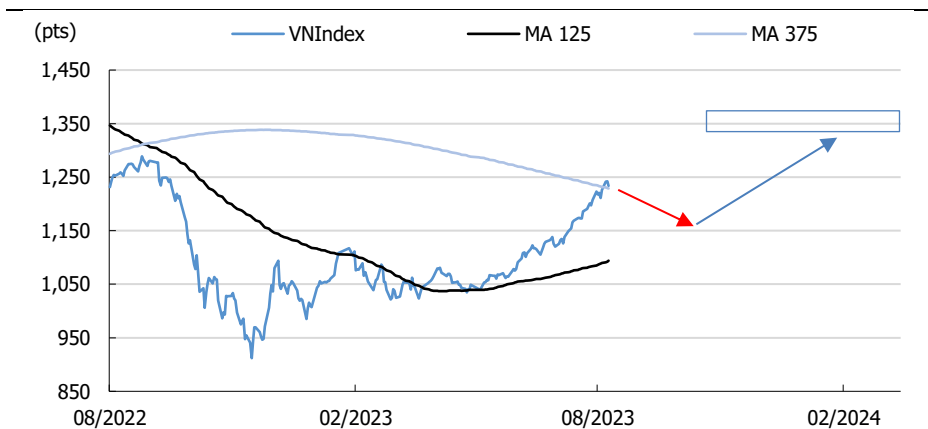
\*Expected period to form the 1-year cycle year  
Source: KIS

**Figure 25. Movement of 1-year cycle**



Source: KIS

**Figure 26. Forecast of VNIndex**



Source: KIS

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#### **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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