

# Strategic Insight

## Stocks Riding the Macro Wave

### Short-term consolidation phase

In Aug, the stock market experienced a deep loss session after the upward trend at the beginning of the month. Specifically, the VNIndex kept going up in the early session of Aug, however, this index suddenly decreased by more than 4% only after one day. Later, the stock market quickly rebounded and came back to around the 1,220-pts threshold. Moreover, the liquidity still improved and remained at a high level.

### Foreign trading activity surges

In Aug 2023, foreign trading activity hit a yearly high, with buying and selling values doubling the 6-month average. Despite increased activity, the market continued to be net sold for the 5th consecutive month, with a net sell value of nearly VND3.0tn. Besides, Vietnam's ETFs faced dramatic divestment with a value of USD137mn out from major ETFs, an all-time high figure.

### Stocks riding the macro wave

Vietnamese economy is now on a strong recovery path after hitting rock bottom. The GDP growth has showed positive signals, with 3Q23 and 4Q23 expected to be 5.2% and 5.7%, respectively. This recovery is driven by two main factors: (1) Improvement in Foreign Direct Investment (FDI). Registered FDI reached USD18.1bn in 8M23, marking an 8.2% YoY increase, while the disbursed FDI stood at USD13.1bn. (2) The easy money policy. The State Bank of Vietnam (SBV) has maintained a relaxed monetary policy, characterized by low-interest rates. However, the stock market's valuation is less attractive, with an elevated forward PE ratio of 12x, signaling a slowdown in market momentum.

### A peak of the first 1-year cycle

After a 4.5% drop on 18/08/2023, the VNIndex is in a recovery phase with a target range of 1,260 to 1,340 points for late 2023. In addition, the index validates the start of its eighth 3-year cycle, possibly signaling a nearing market peak with potential consolidation ahead.

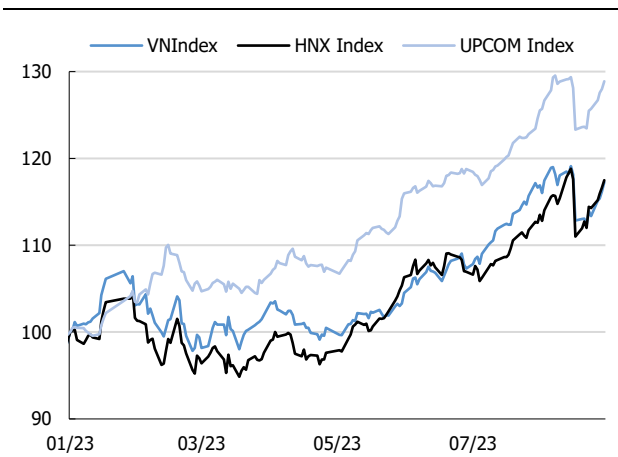
## Contents

I. Short-term consolidation phase .....	1
II. Foreign trading activity surges .....	2
III. Stocks Riding the Macro Wave .....	4
1. Economic recovery supports long-term uptrend .....	4
2. A peak of the first 1-year cycle .....	6

## I. Short-term consolidation phase

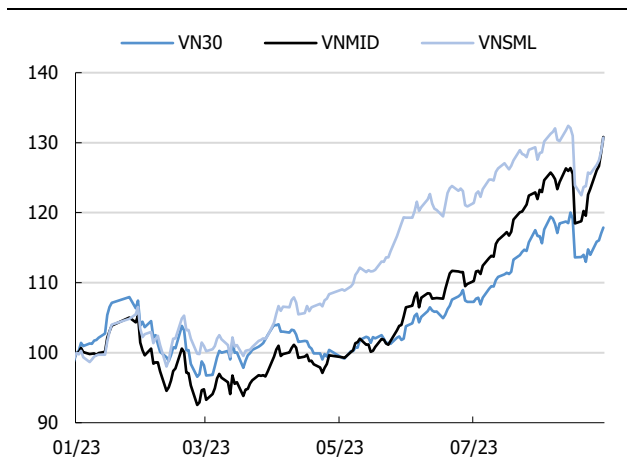
**Moving according to the sinusoidal beat:** Following the Jul upward trend, the stock market maintained an uptrend in the early sessions of Aug and approached the important resistance zone of 1,240-1,250 pts. However, selling pressure at the resistance level suddenly surged, causing to the market appear the deepest decline day in over a year as the VNIndex fell by more than 4.5% in just one session (18/08/2023). Later, this index quickly rebounded to around the 1,220-pts threshold and was almost unchanged from the end of Jul. Besides, almost all the other major indexes also moved in similar movements with the VNIndex. Notably, the consolidation sessions in the previous month had been forecasted, as profit-taking sentiment among investors was expected to emerge after more than 4 consecutive months of growth since Apr.

**Figure 1. Vietnam indexes performance**



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

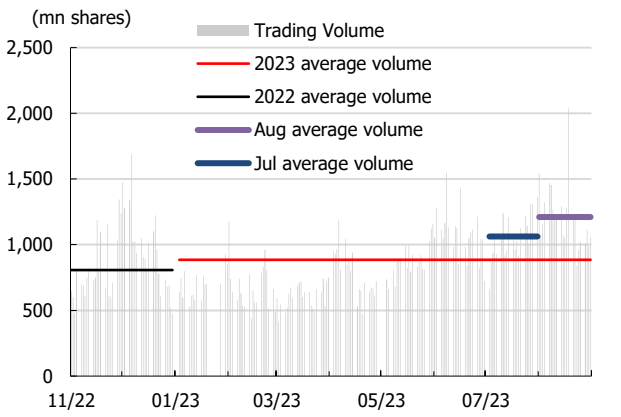
**Figure 2. Growth of key indexes of HOSE**



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

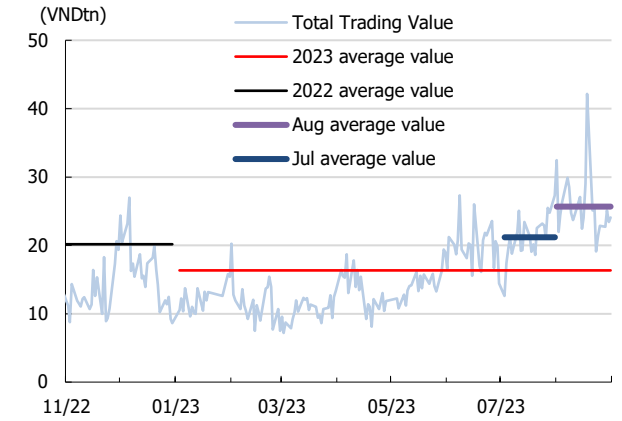
**Liquidity reaches new highs.** The stock market's vibrancy had helped liquidity maintain its upward trend with the 6th consecutive month of increase. Accordingly, the average trading volume and value reached 1,211 million shares/ VND25,667bn per session, up 14%/ 21% respectively compared to the previous month. Furthermore, in comparison to the same period, the figure became even more impressive as average trading volume and value surged by 55% and 73%, respectively. The liquidity in the first half of Aug was still anchored at a high level with an outperform increase in consolidation sessions especially on Aug 18, which was the main reason for the above rise. Although there was a decrease in the second half, however, this decrease level was not significant.

**Figure 3. Trading volume in 2023**



Source: Fiinpro, KIS

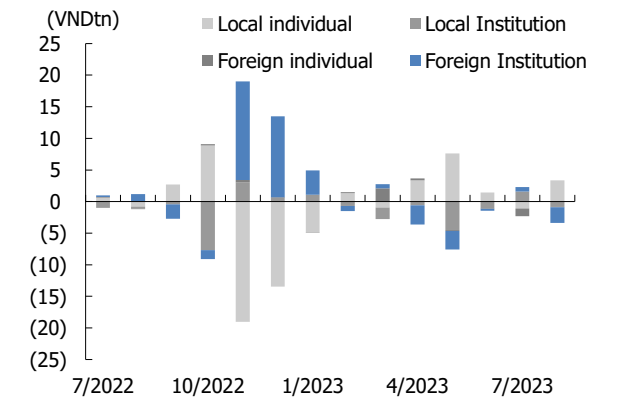
**Figure 4. Trading value in 2023**



Source: Fiinpro, KIS

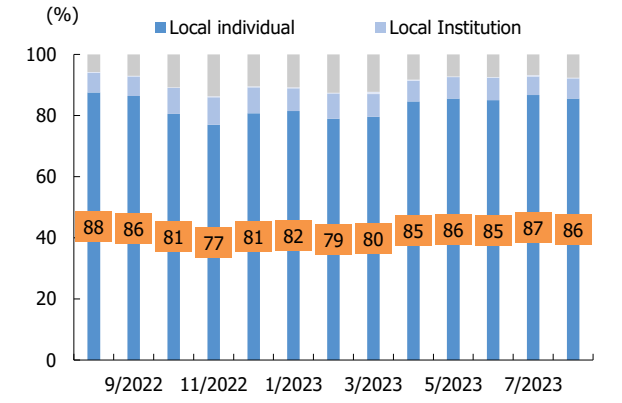
**Demand of domestic investors improves.** In Aug 2023, domestic individuals showed more interest across the market. Trading volume was 30% higher than Jul 2023 and 46% above the 6-month average. There were nearly 155 million shares in difference between buying and selling volume, 62% higher than the 6-month average net volume, pushing the market up to be net bought with a net buy value was VND3.4tn. Besides, domestic institution trading activities increased slightly. Both buying and selling volume were nearly 30% above the 6-month average. However, the net sell volume has slowed down, 52% below the 6-month average net volume. Besides, foreign institution trading activities also improved, net volume was approximately 106 million shares, 3 times higher than Jul 2023. 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**



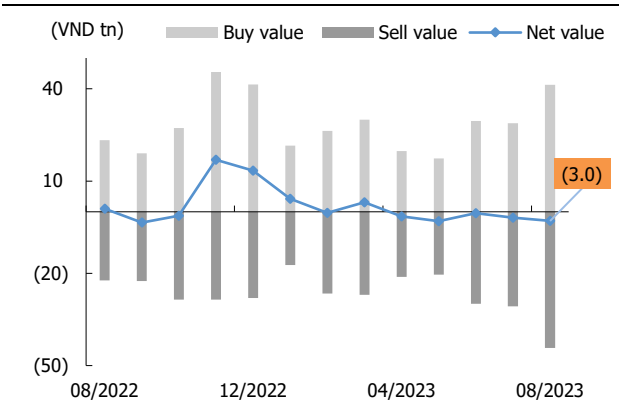
Source: Fiinpro, KIS

## II. Foreign trading activity surges

**Foreign trading activity reaches a yearly high.** Foreign trading activity reached the highest ground in 8M23. Both buying and selling values hit the yearly high. Particularly, buying and selling values were nearly twice the 6-month average. However, the market continued to be net sold by this group, marking 5 consecutive months of being net sold. The market kept ending up being net sold with a net sell value was nearly VND3.0tn. Breaking down by

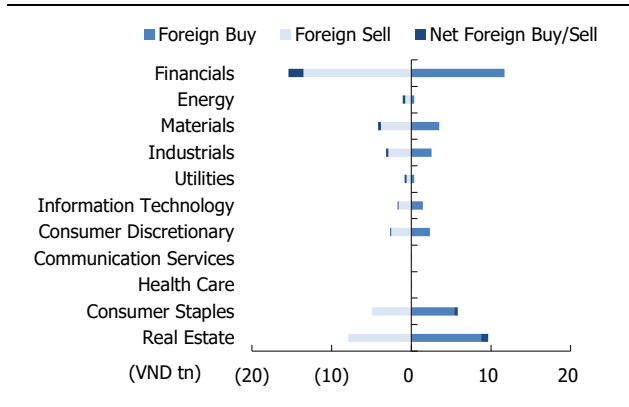
sector, within Aug 2023, foreign demand was mainly absorbed by the Real Estate and Consumer Staples sector with net buy values were VND0.9tn and VND0.5tn, respectively.

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



Source: KIS, Fiinpro

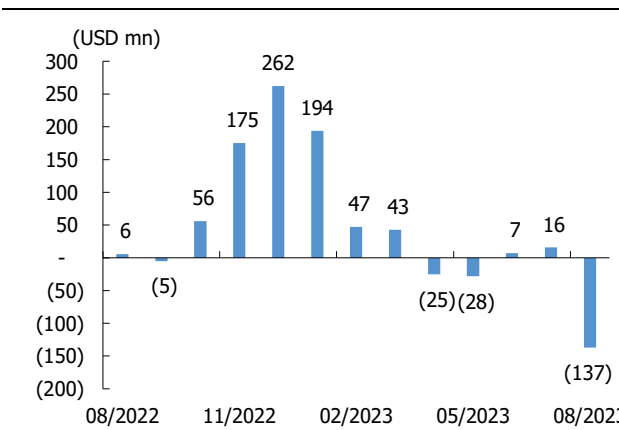
**Figure 8. Net foreign buy/sell by sector in Aug**



Source: KIS, Fiinpro

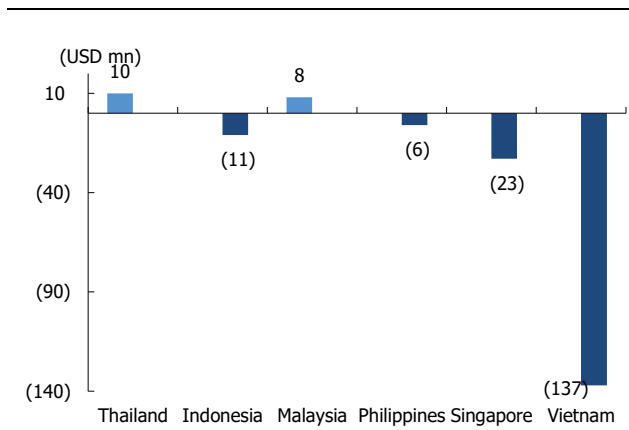
**Outflow in Aug 2023 reaches an all-time high.** Unlike foreign trading activity which has a flat net value, Vietnam’s ETFs faced dramatic divestment. In Aug 2023, Vietnam ETFs was divested, and USD137mn flew out from major ETFs, an all-time high figure. However, at the end of the eighth month of 2023, the flow of money across Vietnam was still positive, net inflow was USD117mn.

**Figure 9. Vietnam ETFs net flow**



Source: Bloomberg, KIS

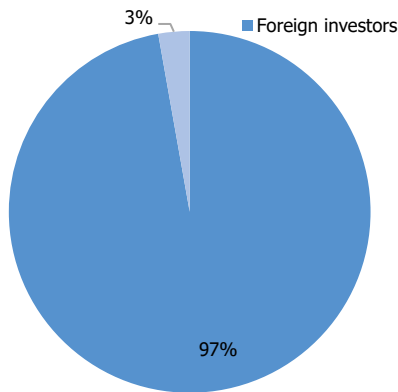
**Figure 10. The flow of money across SEA countries**



Source: Bloomberg, KIS

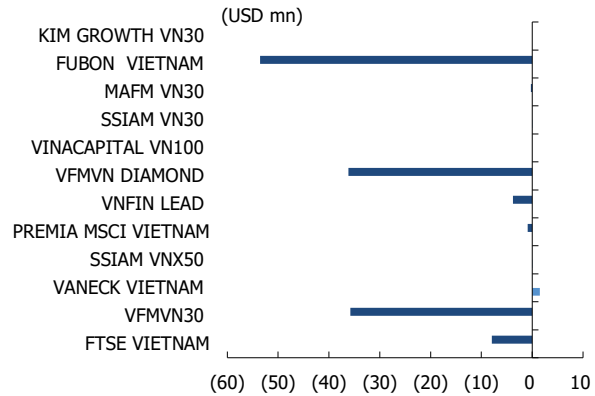
**Outflow on most of the major ETFs.** Breaking down by ETFs, 67% of total ETFs experienced an outflow. Particularly, Fubon Vietnam and VFMVN Diamond which were the main drivers for the massive inflow across Vietnam in 2022, but have turned around to be strongly divested in Aug, with outflow was USD53.5mn and USD36.2mn, respectively. Besides, VFMVN30 ETF also faced an all-time high divestment, the outflow was USD35.8mn. Notably, the main contributor for the active inflow across Vietnam during the first half 2023 – X FTSE VIETNAM SWAP – was also divested. Other major ETFs recorded no significant outflow/inflow activity. The massive outflow was active across Vietnam in Aug as well and the outflow spread to 70% of major ETFs is not a good sign.

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



Source: Bloomberg, KIS

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



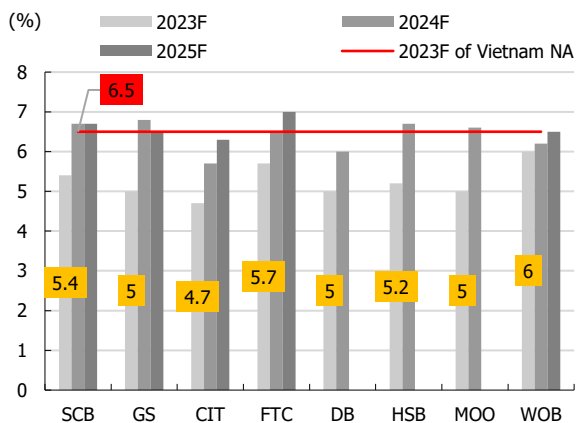
Source: Bloomberg, KIS

### III. Stocks riding the macro wave

#### 1. Economic recovery supports long-term uptrend

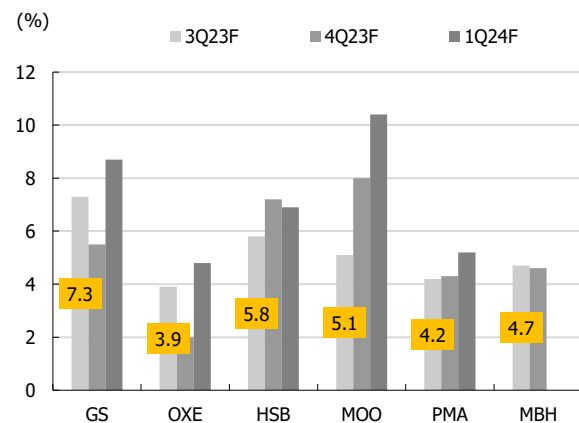
**The economy has hit rock bottom.** The stock market can receive some support from the economy's recovery. Specifically, the economy underwent a challenging period, reaching its lowest point in 1Q23 with the GDP growth of 3.28%, while in 2Q23, the GDP growth reached 4.14%. According to statistics from Bloomberg, the GDP growth in 3Q23 and 4Q23 is expected to get 5.2% and 5.7%, indicating that the Vietnamese economy has made a strong comeback. Furthermore, several crucial economic indicators have shown improvement.

**Figure 13. Forecast yearly Vietnam GDP**



Source: GSO, Bloomberg, KIS  
 Note: SCB: Standard Chartered, GS: Goldman Sachs Group, CIT: Citigroup, FTC: Fitch Ratings, DB: Deutsche Bank, HSB: HSBC Holdings, MOO: Moody's, WOB: World Bank

**Figure 14. Quarterly Vietnam GDP**

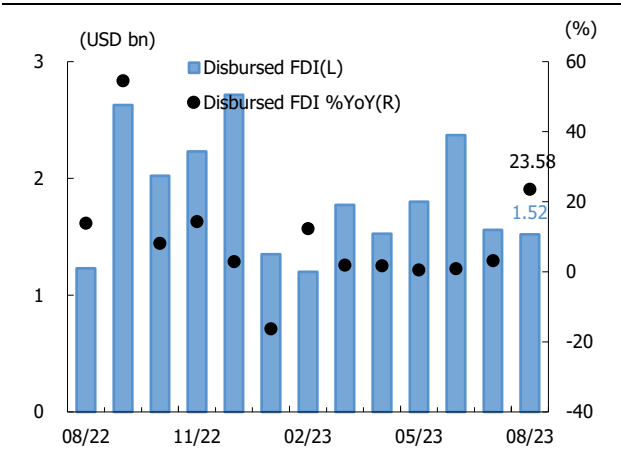


Source: GSO, Bloomberg, KIS  
 Note: GS: Goldman Sachs Group, OXE: Oxford Economics, HSB: HSBC Holdings, MOO: Moody's, PMA: Pantheon Macroeconomic Advisors, MBH: Maybank Kim Eng Holdings

**FDI can be a long-term driver.** In 8M23, the registered FDI reached approximately USD18.1bn, demonstrating an 8.2% YoY growth rate. Additionally, FDI disbursed totaled around USD13.1bn, marking a modest increase of 1.3% compared to last year. The growth of FDI inflows started in

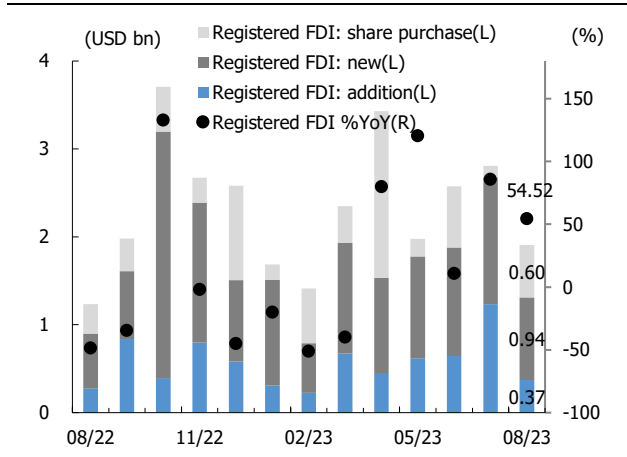
Mar 2023 due to the warming export activities in the late stage of the global interest rate hike.

**Figure 15. Monthly disbursed FDI**



Source: GSO, Bloomberg, KIS

**Figure 16. Monthly registered FDI**

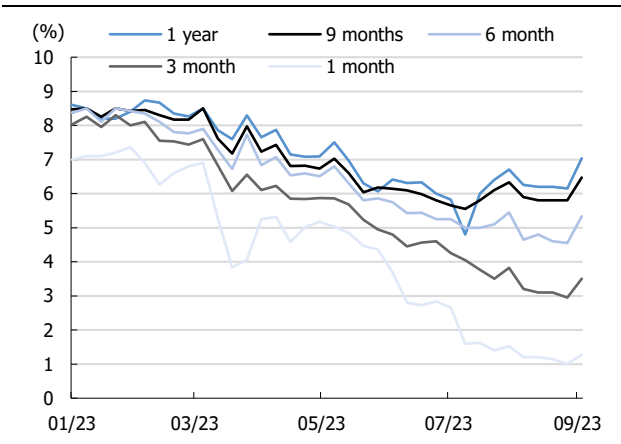


Source: GSO, Bloomberg, KIS

**Maintaining an easy money policy?** Since the beginning of 2023, the State Bank of Vietnam (SBV) has adopted a more relaxed monetary policy, as evidenced by the adjustment of three operating interest rates. The SBV has kept interest rates at lower levels to support the economy. Furthermore, inflation remains subdued, with the inflation rate for Aug standing at 2.96% YoY, falling below the government's target of 4.5%. Consequently, the SBV is persisting with its expansionary monetary strategy in an effort to reinforce economic stimulus.

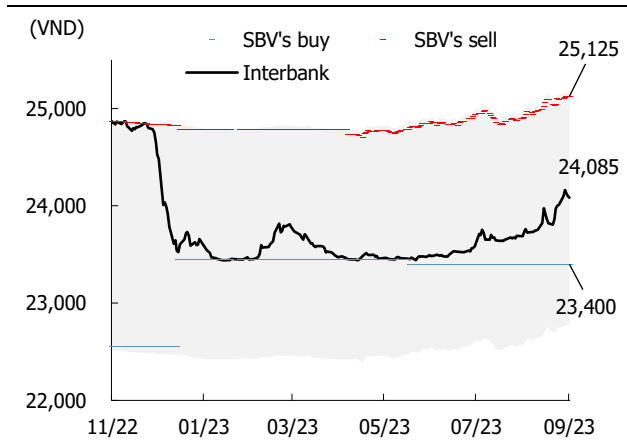
There is a possibility that the SBV might execute another interest rate reduction during the final months of the year. However, the SBV will exercise caution when timing these reductions due to movement observed in the foreign exchange market. Since April 2023, the exchange rate (USD/VND) has displayed an uptrend, rising by approximately 3% compared to its low level in Apr. In Aug, the exchange rate reached a new high for the year due to the Fed's policies to raise interest rates. If the exchange rate continues its current uptrend, it may influence the SBV's decisions regarding interest rate reductions.

**Figure 17. Deposit interest rates**



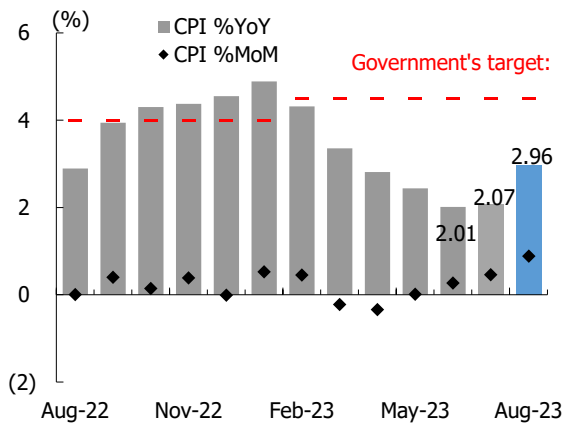
Source: GSO, Bloomberg, KIS

**Figure 18. SBV's movement**



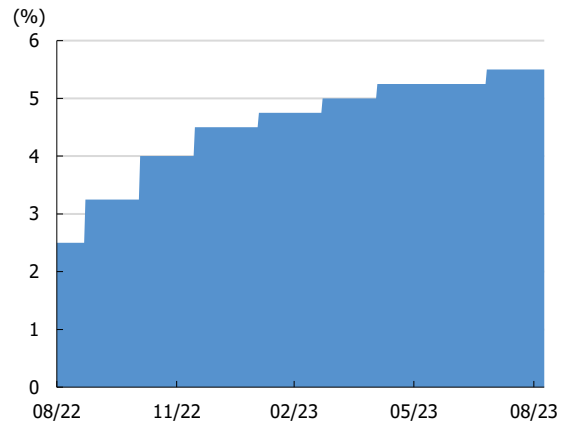
Source: SBV, Bloomberg, Fiiipro, KIS  
 Note: shaded region is the daily trading band. The effective trading band is +/- 5% (the effective date is 17 October, 2022).

**Figure 19. Monthly CPI change and its contributor**



Source: VBMA, KIS

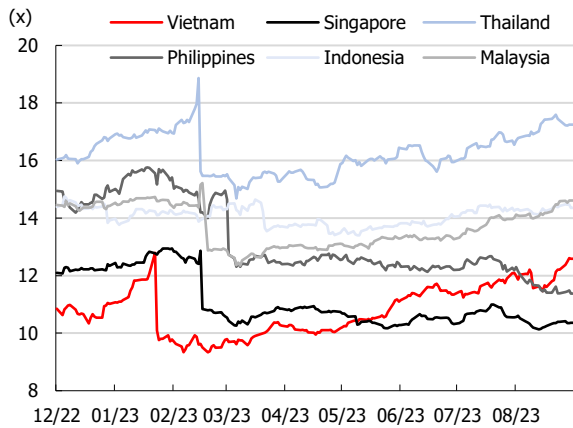
**Figure 20. Upper bound of Federal Funds target rate**



Source: VBMA, KIS

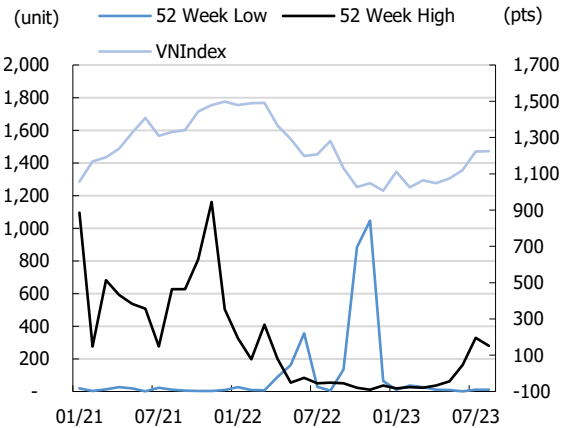
**Valuation is no longer attractive.** Thanks to the upward trend of the stock market since Nov 2022, the VNIndex's forward price-to-earnings (forward PE) ratio climbed to 12x by Jul, whereas the forward PE stood at a mere 9x in Mar 2023. This present level of forward PE is relatively elevated compared to the past and some Southeast Asia markets like Singapore and the Philippines. That signals that the market's valuation has lost its attractiveness. Besides, the market's upward momentum somewhat slows as the number of stocks reaching a 52-week peak tends to decrease in Aug 2023.

**Figure 21. PER of stock market in Southeast Asia**



Source: Bloomberg, KIS

**Figure 22. Stock number reaches peak/bottom**



Source: Bloomberg, KIS

## 2. A peak of the first 1-year cycle

**Target range of 1,260-1,340 pts.** After tumbling more than 4.5% in the session of Aug 18, the stock market had a strong recovery. With increasing volume, the index confirmed the uptrend is back. We have established a target price range of 1,260 to 1,340 pts for the latter part of 2023 based on a breakout signal of the triangle pattern. Accordingly, this pattern is formed from Nov 2022 to Jun 2023, with an upper boundary ranging from 1,100 to 1,120 points. This pattern, classified as neutral, gained credibility following a breakout June, encouraging the ongoing upward trend.

**A peak of the first 1-year cycle.** In Jul 2023, the VNIndex displays impressive growth, surging beyond the 375-period moving average (MA375) on the daily

chart. This confirmation serves as validation that the low point reached in Nov 2022 marks the bottom of the seventh 3-year cycle. Consequently, the VNIndex is now embarking on its eighth 3-year cycle, with the expectation that its next low point will form between 2025 and 2026.

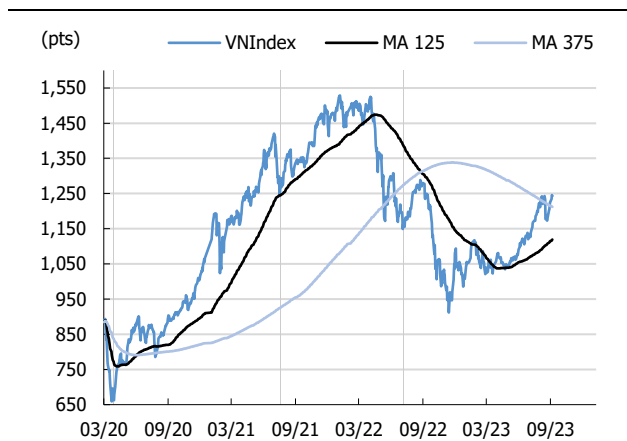
Furthermore, the trough that appeared in Nov 2022 also signifies the lowest point of the twentieth 1-year cycle, heralding the initiation of the first 1-year cycle within the eighth 3-year cycle. We anticipate that this 1-year cycle will hit its bottom between Sep 2023 and Jan 2024. Currently, there isn't much time available for the upward movement required to establish a peak. Consequently, the market may quickly reach its peak and subsequently undergo a downturn in the near future. It's worth noting that the trough of the twentieth 1-year cycle will need to drop below the 125-period moving average (MA125) on the daily chart, which currently hovers around 1,120 points. This implies a potentially significant consolidation phase on the horizon.

**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*

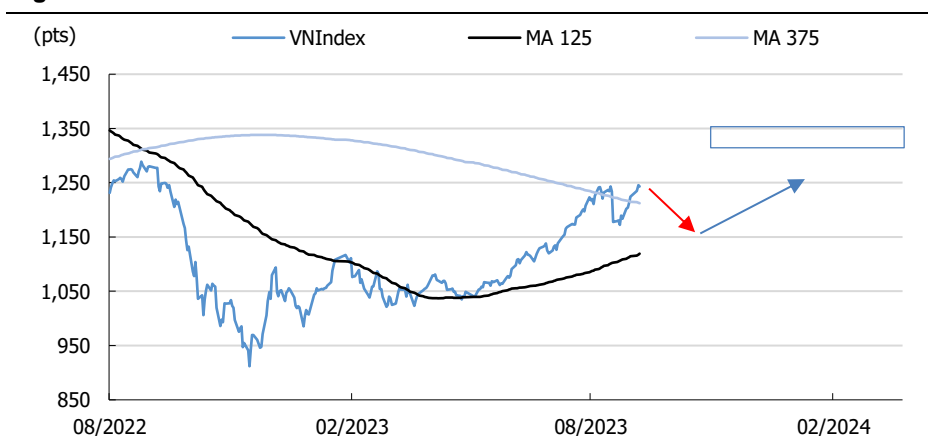
\*Expected period to form the 1-year cycle year  
Source: KIS

**Figure 23. Movement of 1-year cycle**



Source: KIS

**Figure 24. 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@kisasia.com +852 2530 8914)  
GREGORY KIM, Sales (greg.kim@kisasia.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@kisasia.com.sg +65 6501 5602)  
CHARLES AN, Sales (alex.jun@kisasia.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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