



## MARKET REVIEW AND OUTLOOK

**VNI down a mere 0.5% in Jan, amidst global market upheaval**

**Smaller-cap mania is reversing and big-cap's are coming back – led by banks**

**Healthy 4Q earnings gives +41% growth for full year**

**Expect a constructive market in 2022; key risks are external, from Fed, not ones of VN's own making**

The VN fell by a marginal 0.49% during Jan (TR\$), closing at 1479. This compared well with the turmoil in global markets. Vietnam had its own fair share of volatility, falling almost 6% early in the month. But the drawdown was reversed soon enough, and over-all tone was good. Average daily turnover increased 2.9% to \$1,219m on HOSE and to \$1,358m on the combined exchanges. Foreigners appeared to carry on as net sellers, offloading \$128m, but that included a strategic exit from Masan Group. Adjusting for that, foreigners registered a net buy of \$121m. Support came from the latest Taiwanese fund, Jih Sun Vietnam Opportunity, with an AUM target of \$250m and an IPO raise of \$143m.

The key development, though, was the reversal of the second-liner craze. We have emphasized the unsustainable nature of this trend and it now seems to be burning itself out. In contrast to the VNI's sideways movement, the small-cap index fell 14.8% and the mid-cap index 9.3%, with the hottest speculative favorites plunging 50% from their peak. But large-cap's held their ground. Banks, the market's biggest sector, and the one most heavily trashed during the SME boom, climbed 5.1%, with some names rising 15-30%.

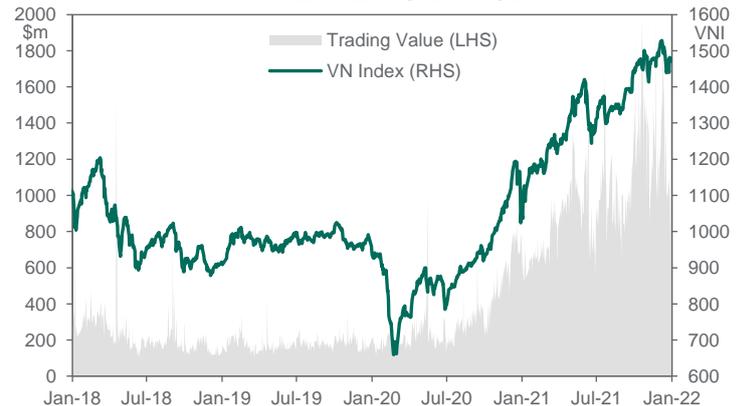
Earnings for 4Q21 were healthy; with most results in, listed companies posted EPS growth of +20.6% yoy. This brought the full-year number to +42%, reflecting the torrid pace of recovery in 1H before the lockdown hit. Among major sectors, the leaders were banks (+33%, though decelerating through the year), materials (+140%, mostly on steels' killer profits) and energy (+191%, but due factors other than higher oil prices). The laggards were F&B (-1%, thanks to the well-known issues at Vinamilk and Sabeco) and property (+10%, a very mixed bag).

We foresee a constructive market in 2022. Our Top-60 EPS forecast is robust, at +23%. Whether shares prices will fully track earnings is another matter, but the aggregate valuation of 11.7x is hardly demanding, and there should be some good upside. Growth will be led by banks, property and retailing, with an average EPS of +30%. These are the sectors that will benefit most from reopening of the domestic economy. We anticipate that small- and mid-cap earnings momentum will fade, except on a highly selective basis. As a result, large-cap stocks should return to the leadership role they had in 2020-1H21. Looking at the big picture, Vietnam's main risk is external, in the form of Fed actions. But if they smack global markets, the direct impact on Vietnam's economy would not necessarily be damaging. The more likely problem would be a foreign exodus from emerging markets, that Vietnam got caught up in. But even then, it might still be a relative outperformer, given its hardy macro / market fundamentals.

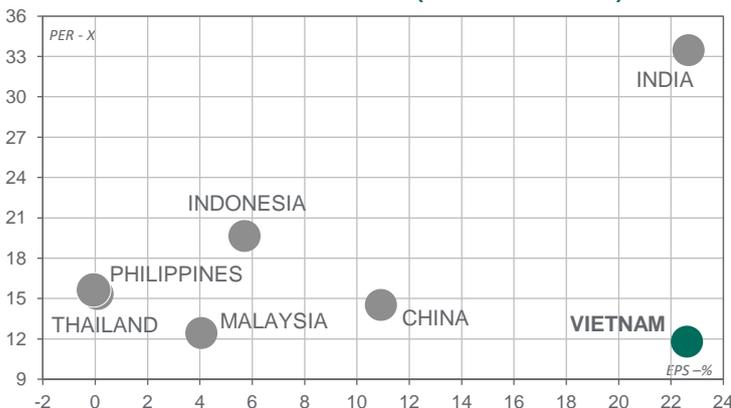
### DC TOP-60 FORECASTS

31-Jan-21	Unit	2019	2020	2021F	2022F
PER	x	11.9	14.0	14,7	11,7
EPS Growth	%	11.7	5.6	42,0	22,6
PEG	x	1.0	2.5	0,3	0,5
Sales Growth	%	10.0	2.2	24,3	19,2
EBIT Growth	%	15.1	3.1	46,6	24,1
PBT Growth	%	13.2	6.0	40,3	23,7
NPAT Growth	%	12.9	5.9	45,1	22,6
Net DER	x	0.3	0.4	0,3	0,3
Yield	%	1.7	1.4	1,0	0,9

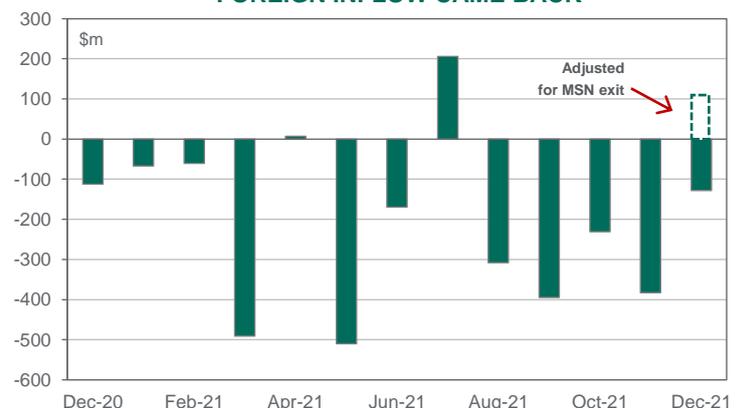
### MARKET PERFORMANCE



### COMPARATIVE RATINGS (2020-2022 CAGR)



### FOREIGN INFLOW CAME BACK





## ECONOMY REVIEW AND OUTLOOK

**Economy resurgent, thanks to the vaccination drive**

**Manufacturing / industrial recovery is gathering pace**

**Services look as if they may finally be on the rise too**

**Fed rate hikes likely to have a more benign impact on Vietnam than on other EMs**

**Gov's guidance of 6.5-7.0% average growth for 2021-22**

The economy showed it was returning to form in Jan. Manufacturing continued its recovery and services looked as if they might be starting their own come-back. Underlying the turnaround has been the successful vaccination campaign, which has taken Vietnam from almost zero shots per day in Jun, to as many as 2.5m since, and put the country in the global Top-10 for adult COVID inoculation. Double vaccination has been effectively achieved, and the new goal is to have all adults boosted by Mar. Vietnam says it is fully confident of hosting the SE Asian Games in May.

Industrial output in Jan was +2.4% yoy, a healthy post-pandemic result when the pause in momentum from Tet is factored in. Exports of \$29bn rose only sluggishly, at +1.6%, while imports of \$29.5bn leapt +11.5%, so there was a \$0.5bn trade deficit. But a significant export order backlog is known to be in place, driving the PMI up to 53.7, from 52.5 in Dec. And imports were heavily skewed towards raw materials and semi-finished goods. So it is obvious what is in the pipeline. Meanwhile registered FDI rose 4% to \$2.1bn, on track to hit record levels.

But services was the really encouraging area. Retail sales were +6.7% mom and +1.3% yoy – any increase being positive – and foreign visitors increased 11.2% after Vietnam piloted the resumption of some international flights. We believe services will rebound sharply in coming months. VAT is being cut from 10% to 8%, which will pump up domestic demand. Students will go back to school, with preventive measures in place, from mid-Fed. And Vietnam plans to fully reopen its borders from 2Q22, priming the long-depressed tourism and hospitality industry.

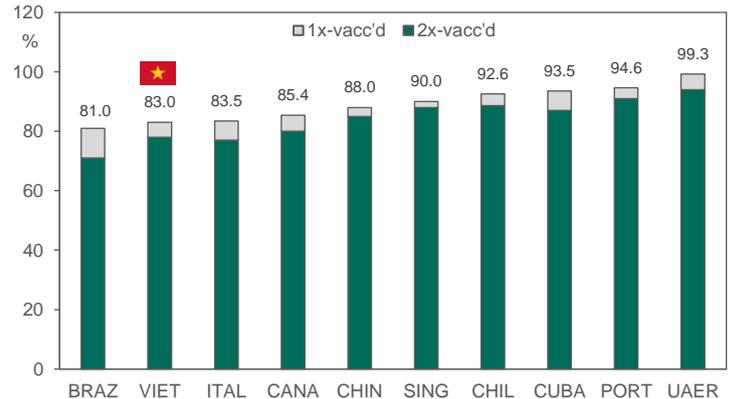
US economic data shows that recovery is underway in the States, but with its inflationary toll, and global markets are bracing for at least five Fed rate hikes this year. This will pressure emerging-market yields, so the Government – already set to spend a bit more in 2022 – may see its domestic borrowing costs rise. This could feed through the system and put rates up, but not more than 50 bp's. But the currency will be unaffected because of Vietnam's conservative fiscal/monetary policies, low foreign debt and external-account surpluses. With Tet remittances, the SBV even felt obliged to appreciate the dong by 0.6% against the USD in Jan.

The Government has laid out guidelines for execution of the Five-Year Plan, which calls for average GDP growth of 6.5-7.0% pa in 2021-25. After just 2.6% in 2021, this implies exceptional gains in 2022, and we are projecting 7.3-9.6%, depending on how forcefully the stimulus package is implemented. We think that Vietnam can remain somewhat self-contained as a growth engine even with various pressures that might come from the outside world.

### ECONOMIC FORECASTS

31-Dec-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	9.6
Nominal GDP	\$bn	335	343	352	385
CPI	%	2.8	3.2	1.8	3.5
Export Gro (cif)	%	9.0	6.5	29.2	19.1
Import Gro (cif)	%	7.7	3.6	26.8	26.6
Trade Bal (cif)	\$bn	9.4	19.1	4.0	13.2
FX Reserves	\$bn	80.0	98.0	106.5	118.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	22,570

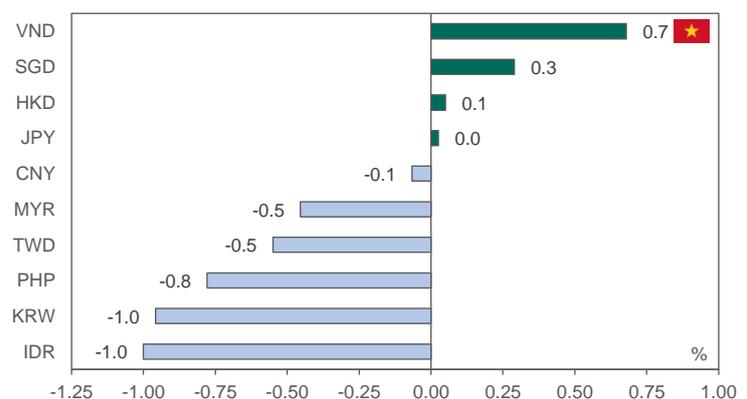
### VIETNAM IN TOP-10 VACCINATED COUNTRIES



### PMI SHOWS ROBUST MANUFACTURING RECOVERY



### VND STRONG DESPITE FED RATE-HIKE PLANS





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