



## MARKET REVIEW

**VNI +7.7% in Oct as lockdown eases and fiscal stimulus looms**

**Retail investors carry on chasing small-cap's as foreigners carry on exiting**

**Second-liners indiscriminately bought, big-cap's lag, banks hardly move**

**If 2022 sees a broad-based recovery, bedrock stocks can make their comeback**

The VN Index rallied 7.7% (\$TR) in October to close at an all-time high of 1444. The surge came in two phases: one in the first week of the month, into the 1390s, as lockdowns eased; and the other in the final week, as rumors began to circulate of a \$35bn in fiscal stimulus program. Liquidity returned to form, with average daily turnover increasing 6% to \$977m on the HOSE, and 3% to \$1,203m on the combined exchanges.

Whatever the quality of trading, it was certainly boisterous, as retail investors continued to focus on second-line stocks. The small-cap index was +16.5% mom, the mid-cap index +9.5% and the VN30 only +5.4%. Much of the rotational movement was funded by margin lending, which returned to record levels as brokers completed right issues and were able to offer more leverage to clients. But foreigners were still pulling out. They withdrew \$231m from HOSE, although that was down from \$395 in Sep and \$308m in Aug. And almost half of the outflows were concentrated in a single name – HPG, with \$96m of net sell – where there may have been some understandable profit-taking as global steel-price futures slipped.

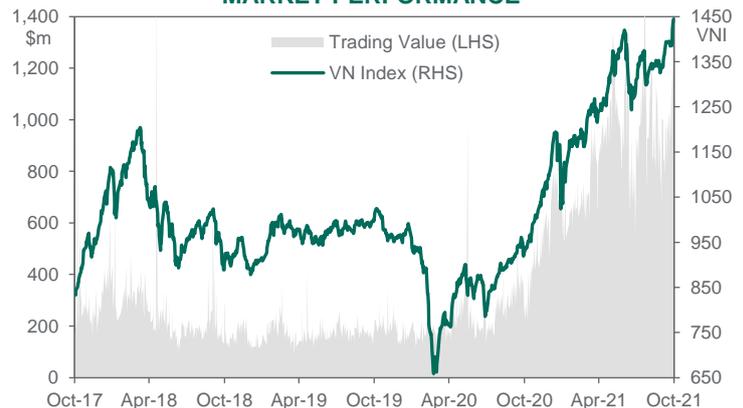
Gains were driven by the usual mass of lesser companies. Names in machinery, furniture, plastic products, agri-products, building materials, mining, water supply, pharma, fertilizers, ports, etc., were indiscriminately bought, and price increases of 20-55% were not uncommon. Brokers also ran, though less feverishly. Among mid-cap's, property developers such as KDH, DXG and NLG led, rising an average 25%. Big-cap's, for the most part, modestly trailed the VNI, rather than gapping out against it. The exception to this, as usual, was banks. They collectively rose just 3.3% in Oct thanks to concern about pandemic NPLs – even if these have been largely driven by Government warnings against “excessive” pandemic profits.

As it turned out, banks did not fare that badly in 3Q earnings, which showed good resiliency for the market at large. Even with elevated provisioning, banks were +18.2% vs the market's +20.4%. For 9M21, banks were +43.1% vs +55.5%, and for the full year, we see +30.9% vs +37.3%. A bit of a lag, but still robust. In 2022, banks have a good chance to be leaders, based on superior value/growth metrics, as credit expansion accelerates and provisions unwind. This presupposes that our forecast of a broad-based macro recovery pans out, helped by fiscal stimulus. Whatever magnitude of stimulus ultimately comes, it will be positive for equities. And its effects would tend to encourage retail investors to shift rotational trading back into bedrock stocks. History suggests that smaller-cap's cannot rocket forever, even if they develop momentum while cheap money flows and the economy looks for its footing.

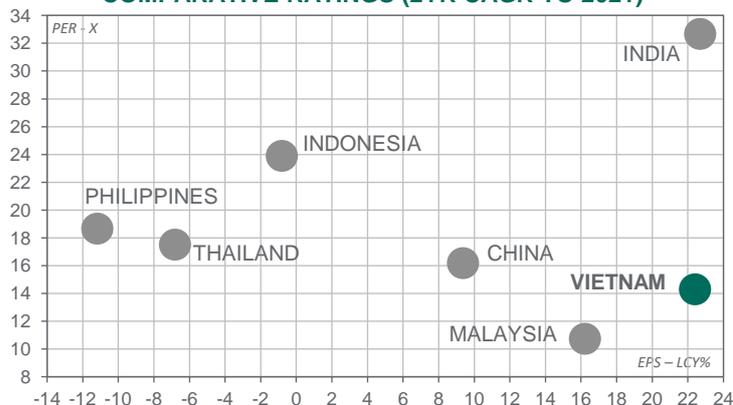
### DC TOP-60 FORECASTS (FREE-FLOAT ADJUSTED)

31-Oct-21	Unit	2019	2020	2021F	2022F
PER	x	11.9	14.0	14.2	11.3
EPS Gro	%	11.7	5.6	42.0	25.5
PEG	x	1.0	2.5	0.3	0.4
Sales Gro	%	10.0	2.2	24.9	20.1
EBIT Gro	%	15.1	3.1	49.8	23.2
PBT Gro	%	13.2	6.0	39.7	26.7
NPAT Gro	%	12.9	5.9	44.6	22.5
Net DER	x	0.3	0.4	0.3	0.3
Yield	%	1.7	1.4	1.1	0.9

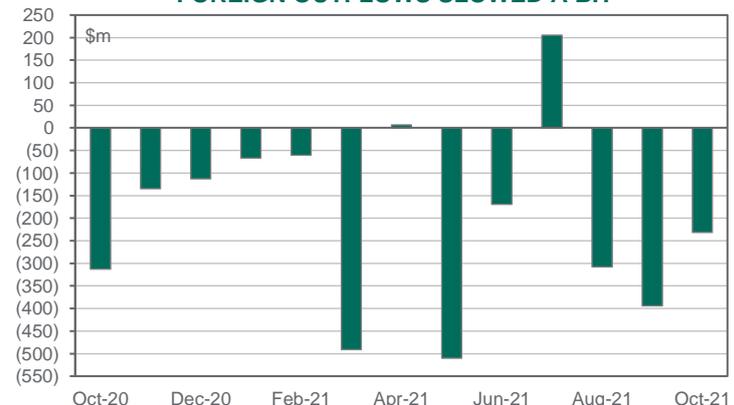
### MARKET PERFORMANCE



### COMPARATIVE RATINGS (2YR CAGR TO 2021)



### FOREIGN OUTFLOWS SLOWED A BIT





### ECONOMY REVIEW

**Economy is picking up though full normalization will take a while**

**COVID still raging in a few places, but vaccination is rapidly beating it back**

**Recovery is underway and the appreciating VND says it all**

**Gov't preparing a major fiscal package to definitively throw off the pandemic**

The economy showed clear signs of recovery in Oct as lockdowns eased, although leading indicators were still mixed, so full normalization not be immediate. The PMI hit 52.1, but IP was still -1.6% yoy. And total trade rose only +0.4% mom, with exports rose +1.0% at \$27.3bn and imports -1.8% at \$26.2bn. However, that gave a trade surplus of \$1.1bn, so the trade deficit ytd narrowed to \$1.5bn. The service sector is still depressed, with the retail index at -18.8% yoy. But restaurants have started to open and other non-essential services will follow soon. To support tourism, Vietnam has resumed local flights and recognized a COVID-19 vaccine passport from 72 countries. Another concern is labor shortages, as only 70-75% of employees have returned to work. But that is an encouraging start.

COVID is not over everywhere. In the Mekong Delta and Central Highlands, cases are actually increasing, and this has pushed Vietnam's daily infections from 3,000 in mid-Oct to 7,500 now. But the resurgence is in lower-GDP regions and is likely to be contained as vaccination keeps expanding. Already the national death rate has dropped from 2.5% to 0.8% thanks to shots. As of 31 Oct, shots had been given to 60% of the population, of which 26% were double, and 1.3-1.5mn doses are being administered daily. Under-18's are also being inoculated and high-risk groups are getting boosters. The 70% double-vaxxed target may be reach sooner than expected, and the Government is heavily reinforcing vaccinations with antiviral medicines.

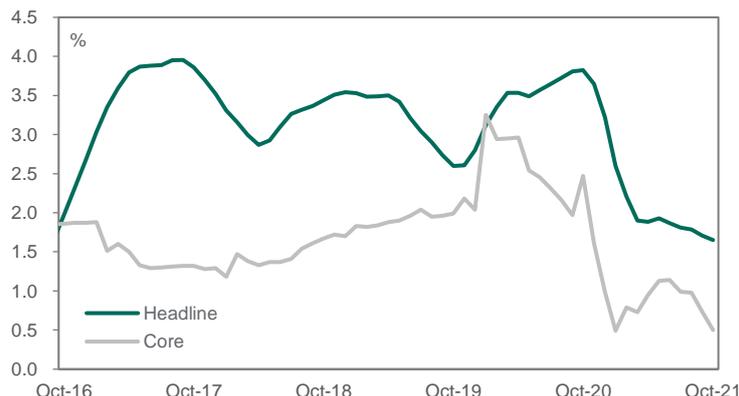
So the recovery is underway, and what may serve as a litmus test for the economy is the robust VND, up 0.55% in Oct. FDI has continued to flood the country, rising 10% mom in Oct to \$1.87bn, which makes our full-year target of \$19bn look quite realistic, from \$20bn last year. Remittances will top last year's \$17bn. Although the trade-account surplus is much reduced, any current-account deficit will be minimal, and reserves are steady above \$100bn. Meanwhile, 5-year CDS's are at a record low of 105 bps and headline inflation is just +1.8% ytd. Result: the VND has appreciated +1.89% in 2021, making it one of Asia's best-performing currencies.

And the Government is at last readying its fiscal-stimulus package. A \$35bn outlay has been rumored for 2022-23, or ca 10% of one year's GDP. The final number has yet to be confirmed, but spending will be significant. Current provisions seem to be \$2bn in interest rate subsidies, \$3bn in corporate tax cuts, \$10bn in new infrastructure spending, and \$20n in household and business relief. The feasibility of a major package seems high, given Vietnam's modest support spending ytd (a highly theoretical 2.85% of GDP) and its low public debt (44% of GDP). Whatever materializes is likely to be a very helpful boost for growth in 2022-23.

#### ECONOMIC FORECASTS

31-Oct-21	unit	2018	2019	2020	2021F
Real GDP Gro	%	7.1	7.0	2.9	2.4
Nominal GDP	\$bn	313	335	343	357
CPI	%	3.0	5.2	3.2	3.1
Export Gro (cif)	%	13.8	9.1	6.5	15.7
Import Gro (cif)	%	11.5	7.7	3.7	24.4
Trade Bal (cif)	\$bn	6.8	9.4	19.1	0.1
FX Reserves	\$bn	61.0	80.0	98.0	101.0
FDI Disbursed	\$bn	19.1	20.4	20.0	18.7
VND:\$	1	23,235	23,150	23,085	22,650

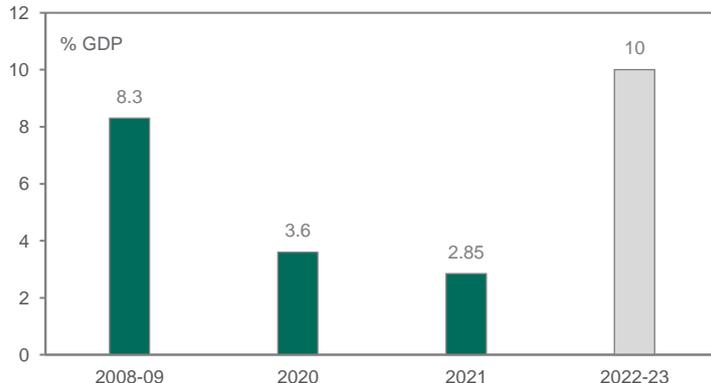
#### SUBDUED INFLATION



#### VND ONE OF STRONGEST CURRENCIES IN ASIA



#### \$35BN FISCAL PACKAGE IS FINALLY COMING





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