



MARKET REVIEW AND OUTLOOK

VNI +2.5% in Nov to reach all-time high, on record turnover

Rotational trading in small- and mid-cap's continued while big-cap's languished

Concern over record margin lending was offset by macro outlook – until Omicron

Market prospects are bright if Omicron is not a lethal variant

The VN Index gained 2.5% (\$TR) in Nov, reaching an all-time high of 1501 as vaccinations accelerated and recovery beckoned. The Index corrected to close at 1478, but sentiment was strong and undeterred by another month of heavy foreign net-selling – some \$382m. Average daily turnover rose 47% mom to \$1,437m on HOSE, and \$1,768m on the combined exchanges (with record values of \$1,670m and \$2,017m on 11 Nov). Bullishness continued into Dec, largely ignoring the global sell-off prompted by the Fed's new-found hawkishness and the Omicron variant. Then rumors of Omicron appeared in Vietnam and took the market lower. But so far, the mood seems to be one of uncertainly rather than panic.

Rotational trading in second-liners continued to dominate activity in Nov, with the small-cap index +8.6% mom, the mid-cap index +13.6% and the VN30 only +0.7%. In line with exploding volumes, brokerage stocks continued strong, rising an average 25%. A couple majors did outperform: VIC, +9.7% on announcing that VinFast would look to IPO at a valuation of ca \$30bn, with high-powered anchor investors; and MobiWorld was +5.8%, after stellar 10M results coming out of the lockdown. Against this, Hoa Phat fell 14.2% as global steel prices plunged, and PV Gas lost 21.0% as global oil prices did likewise. Banks attempted a rally towards the end of Nov, as they got higher credit quotas and news emerged that their FOLs would likely be increased from 30% to 35%. But the initial momentum was somewhat sluggish, and most stocks finished only marginally higher.

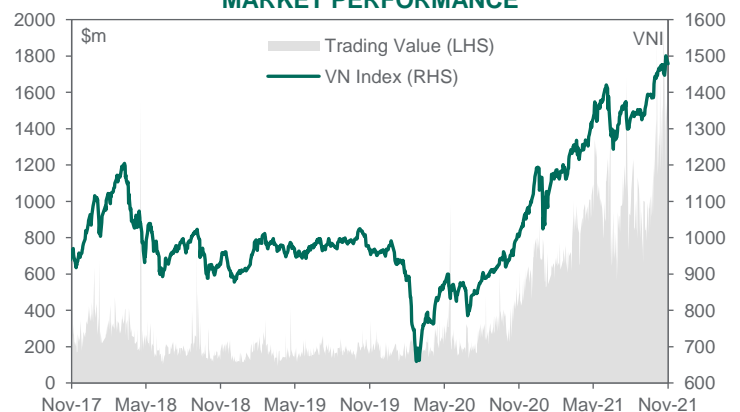
Margin lending hit record levels in Nov, and brokers started another round of capital-raising. VN Direct and Saigon Securities announced plans for a total of VND 11.5 trn in new equity, and there were rumors that others would follow. Market-watchers worried that the incessant rise in margin trading, by ever more retail newbies, had to signal that corrections were imminent. The counter-argument was that lockdowns are ending, recovery is on the way, and recovery will be further boosted by a stimulus package – so why worry? The arrival of Omicron has dashed this complacency for the moment.

Omicron is the immediate hurdle for the market. If it is another Delta, re-opening may be paused, though a second lockdown is unlikely. If existing vaccines offer sufficient protection, Vietnam can simply resume the trajectory it was on in November. This was waiting for the recovery to take hold, with stocks inevitably responding, and leadership most likely shifting to bigger-cap names. They still offer superior value for sustainable growth, and they reflect top-down drivers best. Banks (FOLs) and consumers (pent-up demand) are the likely key sectors.

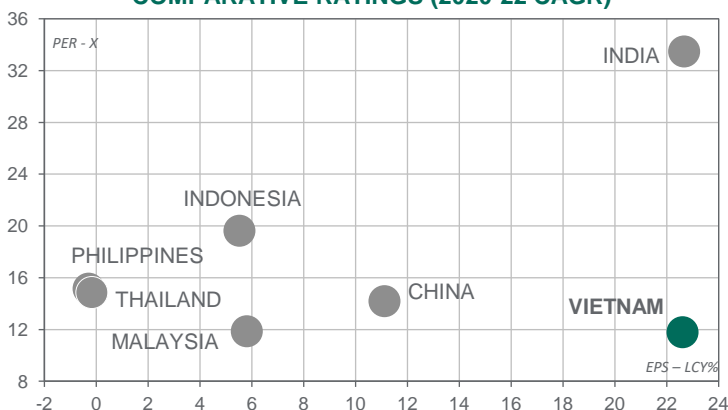
DC TOP-60 FORECASTS

30-Nov-21	Unit	2019	2020	2021F	2022F
PER	x	11.9	14.0	14.7	11.8
EPS Gro	%	11.7	5.6	40.2	24.6
PEG	x	1.0	2.5	0.4	0.5
Sales Gro	%	10.0	2.2	24.3	19.2
EBIT Gro	%	15.1	3.1	47.4	22.7
PBT Gro	%	13.2	6.0	38.6	25.6
NPAT Gro	%	12.9	5.9	43.4	24.6
Net DER	x	0.3	0.4	0.3	0.3
Yield	%	1.7	1.4	1.1	0.9

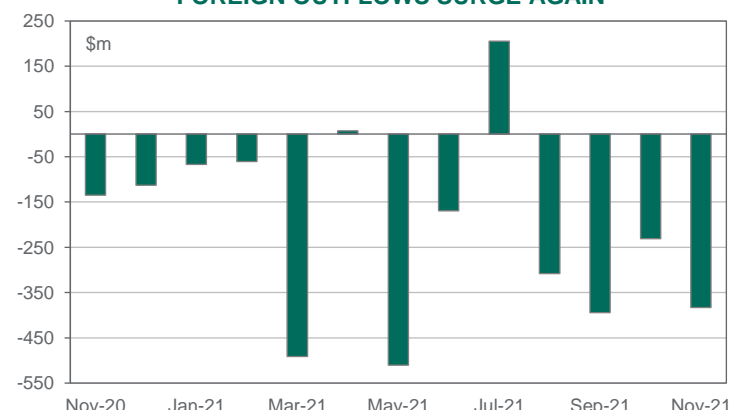
MARKET PERFORMANCE



COMPARATIVE RATINGS (2020-22 CAGR)



FOREIGN OUTFLOWS SURGE AGAIN





ECONOMY REVIEW AND OUTLOOK

Recovery continued in Nov, services still struggling and COVID not over yet

Cases increasing again but they are mild and ex-HCMC – thanks to vaccination

Even with taper, VND risk is small, given low inflation and many other factors

We forecast GDP at 6.1-9.6%, depending on stimulus and re-opening to travel

Vietnam's post-lockdown recovery continued apace in Nov. Businesses in the pandemic hotspot of HCMC moved closer to full operation and the PMI posted a solid 52.2. IP inched up 5.5% mom and 5.6% yoy. Trade returned to a surplus, with 11M exports +17.45 at \$299.7bn and imports +27.5% at \$299.5bn. That gave a differential of only \$02.bn, but in coming months, as forced inventory accumulation drops out of the numbers, export growth is likely to accelerate while import growth falls. However, the service sector is still struggling. Retail sales were +6.2% mom but -12.2% yoy, and the hospitality industry will be depressed until international travel resumes. Also, COVID is not over, and now there is the Omicron variant to worry about.

Vietnam's daily cases bottomed at around 3,000 in Sep but with the country coming out of lockdown they are currently averaging 13,500. But most of these cases are mild, stay-at-home ones, they are in regions that do not account for a lot of GDP, and they are not overwhelming hospital systems. They have a low death rate of 0.8% vs 2.4% at the height of the pandemic. This shows the success of Vietnam's vaccination campaign. The country has administered nearly 130mn doses, with 75% of the adult population now jabbed once and 55% twice. Localities are moving on to teens and children, and boosters will become available in Dec. Meanwhile, with COVID expected to remain a threat for several years, Vietnam is working on local production of vaccines. It has received technology transfer for Sputnik-V, and 39 domestic pharma companies are approved to produce Merck's COVID pills, Molnupiravir

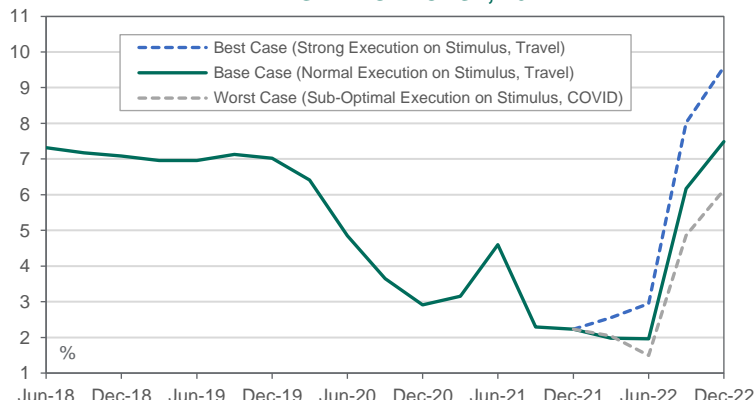
Assuming Omicron is not unduly lethal, and the global economy holds up, the main macro worry for investors seems to be currency. But the risk seems low. External-account surpluses are returning, and reserves will keep increasing. And – as in the rest of ASEAN – inflation is under control. There are numerous reasons for this: lack of fiscal and monetary excesses, falling food prices, stable power prices, administered health and education prices, minimal ownership of cars and other consumer goods dependent on imported inputs. Inflation is put 2.6-3.1% this year, and 3.5% next. The VND is already +1.9% ytd, and tapering is unlikely to reverse this given low foreign debt, positive real rates and negligible foreign investment in bonds.

The 2022-23 stimulus package will be finalized soon. The amount is still uncertain, but the focus will be on infrastructure spending, tax cuts and interest rate subsidies. Omicron permitting, this will cement recovery. We have a 2022 GDP forecast of 6.1-9.6%, depending on how forcefully the stimulus is implemented (political will being more important than size of funds) and how quickly international flights resume (we expect 2Q22).

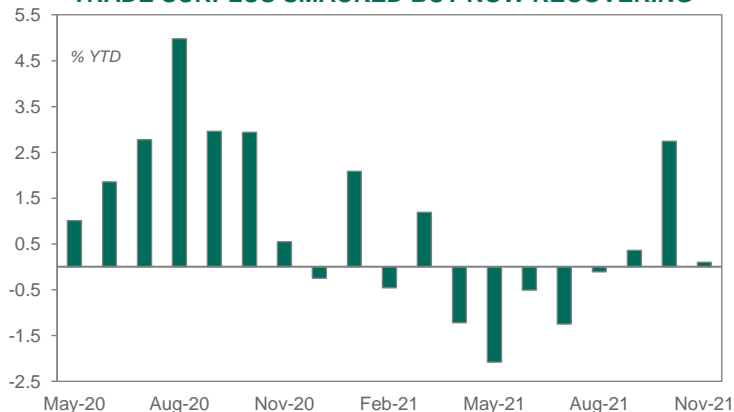
ECONOMIC FORECASTS

31-Nov-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.4	9.6
Nominal GDP	\$bn	335	343	351	385
CPI	%	5.2	3.2	3.1	3.5
Export Gro (cif)	%	9.1	6.5	16.5	30.0
Import Gro (cif)	%	7.7	3.7	24.9	26.0
Trade Bal (cif)	\$bn	9.4	19.1	1.1	6.7
FX Reserves	\$bn	80.0	98.0	101.0	109.0
FDI Disbursed	\$bn	20.4	20.0	18.7	20.2
VND:\$	1	23,150	23,085	22,650	22,535

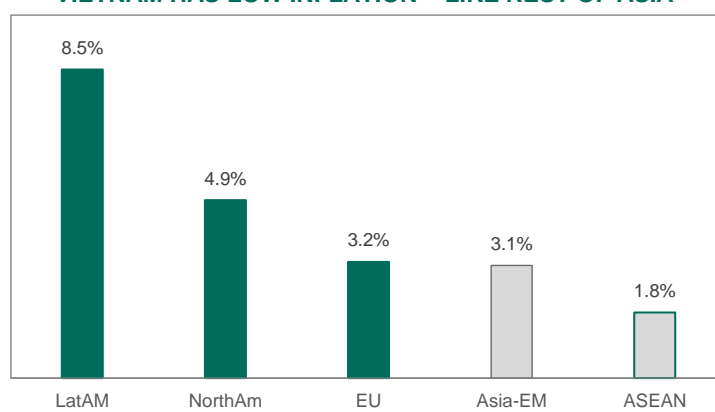
VIETNAM GDP FORECAST, 2022



TRADE SURPLUS SMACKED BUT NOW RECOVERING



VIETNAM HAS LOW INFLATION – LIKE REST OF ASIA





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