



## ECONOMY REVIEW AND OUTLOOK

### A slow start to 2023 but nobody told the tourists

After a weak January and February, Vietnam's 1Q23 economic data did not overwhelm, with GDP growing by just 3.3% YoY. Weakening global demand was reflected in exports falling 14.8% YoY in March and 11.9% for 1Q23, while the inventory index surged 19.8% YoY for the quarter. Services offset much of the industrial sector's poor performance, however, with 1Q23 retail sales rising 13.9% YoY. This was helped by inbound travellers reaching 2.7m – 60% of pre-Covid levels – welcome news for the tourism industry and consumption growth prospects.

### The spectre of domestic inflation compelled to retreat

March CPI came in at 3.4% YoY, declining 0.23% MoM, its biggest drop since September 2021. This was due to higher mortgage rates impacting local consumption and weakening credit demand (+2.1% YTD), as well as a 4.9% YoY drop in transportation costs. 2023 inflation forecasts from the MOF, GSO, and SBV were revised downwards to 3.8-4.8% from 4.2-5.0%. With decelerating inflation and record low M2 growth of just 0.6% YTD, the SBV has enough breathing room to implement more supportive policies to stimulate economic growth.

### SBV unwavering in its commitment to growing the economy with aggressive cuts

Due to recent events surrounding US banks, the Fed may start to soften its tone on rate hikes, potentially resulting in a move away from the USD. This will help diminish currency concerns, allowing for additional relaxation of monetary policy from the SBV, particularly as the VND strengthened 1.4% MoM against the USD. The SBV has also reduced net withdrawals from \$7.2bn to \$4.7bn and injected \$2.5bn, leading to good banking system liquidity. In March, the SBV cut rates twice, reducing all policy rates by 50bps YTD, especially the discount and OMO rates by 100bps. Concurrently, the 6-month deposit cap rate and refinancing rate were both trimmed from 6.0% to 5.5% p.a.

### Easing regulatory policies set tone for a brighter 2Q23

In the first two weekends of March, the Government issued two Decrees aimed at solving problems weighing on the corporate bond market and real estate sector. These will allow liquidity to be funnelled into the C-bond market and, by extension, help satiate the real estate sector's thirst for capital. A Circular allowing banks to buy back C-bonds traded within the last 12 months has also been drafted, and the rescheduling of debt for companies with healthy balance sheets is being discussed. Although the volume of C-bonds maturing in 2023 is significant, these measures will increase the chances of a soft landing. Despite the latest GDP figures lagging the 6.0-6.5% target, the good news is that the Government understands the downside risks, evidenced by the various accommodative monetary policies focused on driving the economy forward. We believe the Government will soon provide more specific solutions to support the economy, and given the lacklustre 1Q data, they will be more aggressive in 2Q23.

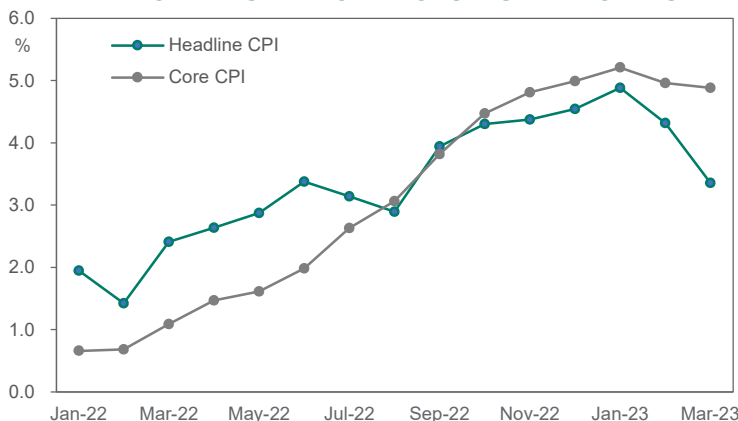
### ECONOMIC FORECASTS

31-Mar-23	unit	2020	2021F	2022	2023F
Real GDP Gro	%	2.9	2.6	8.0	6.5
Nominal GDP	\$bn	346.6	366.1	408.8	455.2
CPI (average)	%	3.2	1.8	3.2	4.5
Export Gro (cif)	%	6.5	19.0	10.5	2.7
Import Gro (cif)	%	3.6	26.7	7.8	1.9
Trade Bal (cif)	\$bn	19.1	3.3	12.4	14.4
FX Reserves	\$bn	98.0	106.5	85.0	95.0
FDI Disbursed	\$bn	20.0	19.8	22.4	20.9
VND:\$	1	23,085	22,800	23,550	23,450

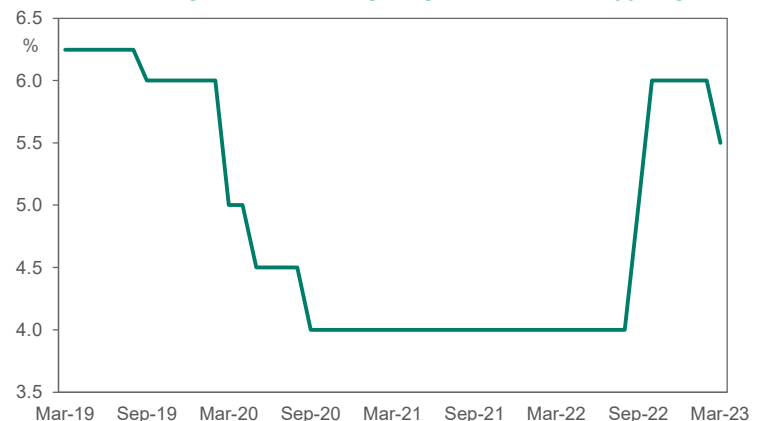
### 1Q23 GROWTH AT 2<sup>ND</sup> LOWEST PACE, ONLY HIGHER 1Q20



### INFLATION REDUCED FOR 2 CONSECUTIVE MONTHS



### VIETNAM STATE BANK CUT POLICY RATE BY 50BPS





## MARKET REVIEW AND OUTLOOK

### VNI outperforms economy and peers

The VNI increased 5.5% in March (TR\$), one of the top performing markets in the region, as investors were buoyed by recent changes to monetary policy and regulations, most of which were aimed at upending the persistent negativity surrounding the property and capital markets. Real estate stocks reacted positively to these measures. Conversely, Liquidity declined 8.6% MoM as recently released data shows new retail account openings were very slow in February. Foreign flow was positive, however, with Fubon injecting \$60m with a further \$120m still ready to deploy. Overall, \$117m was net bought by foreigners in March and \$252m in 1Q23. As deposit rates come down, this may herald a transition out of banks and into alternative asset classes, with listed equities an attractive choice for investors.

### Market breadth was positive, rate-sensitive stocks excelled

Brokerages led the market with a huge gain of 19.0% as sentiment improved. Interestingly, many brokers are aggressively reducing margin lending rates in a bid to entice more business and increase turnover, but no significant demand has been seen to date. Infrastructure was up 12.7% MoM, closely followed by real estate with an increase of 12.5%. The recent rate cuts did a lot of the heavy lifting here, helped by renewed activity in the corporate bond market, mostly coming from real estate companies, with a total value of ~\$1bn. Banks were also up 4.6% in anticipation of an increase in credit demand after the reduction in lending rates, led by the massive gains of 23.5% from VPB. Looking to the downside, retail names underperformed the market with a 4.2% contraction. With heavy focus on ICT retailing, many products are facing price discounts on low demand, triggering the market to price in downward earnings revisions.

### Ratings agencies mull future but foreign bulls are here and now

Moody's downgraded TCB but upgraded eight other banks, showing there is still interest in Vietnamese banks. If proof were needed, Sumitomo Mitsui Banking Corp bought a 15% stake in VPB at a huge valuation of near double its market cap. This allays fears that the issues in the property market have made access to foreign capital more difficult, with M&A transactions clearly possible. FTSE Russell also spoke out regarding Vietnam's market reforms, announcing they may reconsider keeping Vietnam on the EM upgrade watch list, underscoring the importance of implementing the new KRX trading system. Encouragingly, initial testing of the system began in March, with the SSC making it a clear priority to have it operational this year.

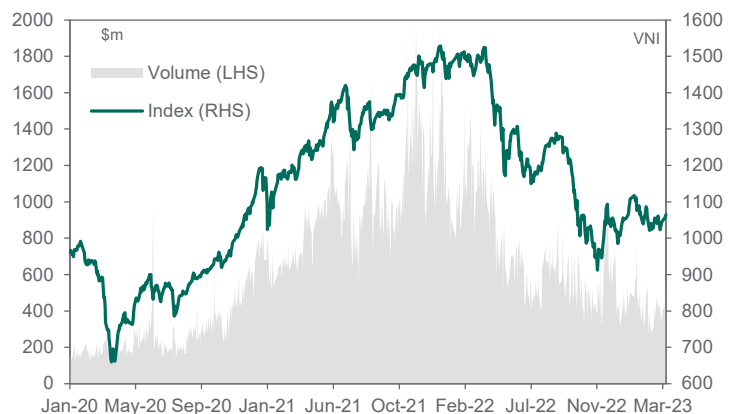
### Divergence from Fed direction a boon for domestic markets

The inverse correlation between interest rates and market movements was borne out in March as the VNI took back some of February's losses, however we believe of much greater importance is the significant downside protection this will offer, allowing the market to find firmer footing as investor sentiment gradually returns.

### DC TOP-80 FORECASTS

31-Mar-23	Unit	2020	2021	2022	2023F
PER	x	13.7	14.6	9.1	9.3
EPS Growth	%	5.6	39.0	-1.1	5.4
PEG	x	2.5	0.4	Neg	1.7
Sales Growth	%	2.2	22.0	12.3	2.9
EBIT Growth	%	3.2	50.8	2.6	13.3
PBT Growth	%	5.8	38.0	2.0	3.8
NPAT Growth	%	5.9	41.9	0.3	5.4
Net DER	x	0.4	0.3	0.3	0.2
Yield	%	1.4	1.0	1.8	1.5

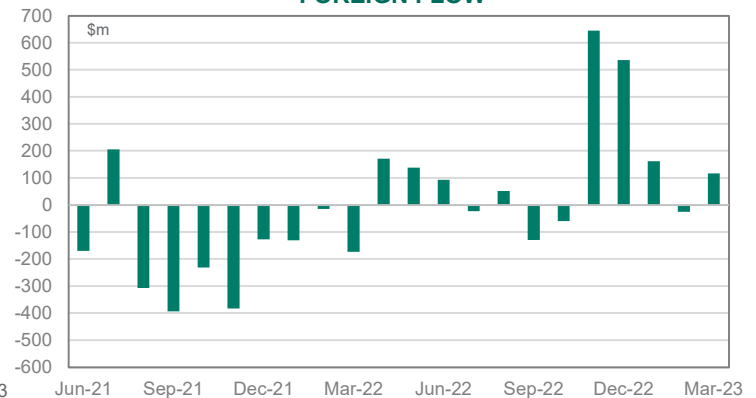
### MARKET PERFORMANCE



### VNINDEX PE TRAILING 5Y



### FOREIGN FLOW





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