



ECONOMY REVIEW AND OUTLOOK

Vietnam Tees Up For a Solid Back Nine

July saw a 7.1% YoY rise in retail sales, driven by the ongoing recovery of the tourism sector. Public investment demonstrated a remarkable acceleration, surging over 40% YoY, while July CPI increased 0.5%, primarily driven by food and energy prices. FDI registration reached a three-month high, culminating at \$16.2bn in 7M23, reflecting the continued attractiveness of Vietnam as an investment destination. Despite a contraction in imports/exports, the trade surplus remained resilient at \$15.2bn, positioning the economy well for the anticipated uplift in exports from the upcoming release of Samsung's new phone in August.

A Diplomatic Dance for Korea & Vietnam

In a significant milestone, the newly elected South Korean President chose Vietnam for his inaugural overseas trip, echoing the upgrade to a comprehensive strategic partnership last year. Accompanying the President on this symbolic journey were over 200 leading Korean corporations, resulting in more than 110 Memorandums of Understanding being signed across multiple sectors, fortifying Vietnam and South Korea's economic bond. It is clear the commercial relationship between the two sovereign nations has now become stronger than ever before.

Seoul Kitchen: A Recipe for Success

South Korea continues to lead as the paramount investment partner in Vietnam, with cumulative FDI amassing \$83bn across 9,700 projects. Notably, Samsung constitutes nearly 25% of this figure, equalling \$20bn. In 2022, the company's export turnover reached \$65bn, constituting 17.4% of Vietnam's total exports, creating 96,000 jobs and contributing over \$480m to the State budget. Capital inflow from South Korea further swelled by \$2.3bn in 7M23, adding to the total registered figure of \$16.2bn, an increase of 4.5% YTD and resilient against global fluctuations.

Strategic Overture to Global Manufacturers

Vietnam's stability, geography, and market potential stand as three pivotal reasons motivating global manufacturers to seek exposure within its borders. Over the last 12 years, Vietnam has maintained a consistent policy of integration into global value chains, engaging in over 16 FTAs with 55 territories. Strategically positioned in the heart of the Asia-Pacific hub, with a coastline of 3,260 km, it seamlessly facilitates the maritime transportation of goods to regional markets.

A Solo Movement: Vietnam's Drive Towards Growth

Vietnam possesses key advantages for growth, characterised by its golden demographics and natural resources, most notably an abundance of rare earth minerals which are vital to the microchip industry, ranking second globally per USGS. The Government is incentivising human capital in this sector, intending to nurture 50,000 engineers in the semiconductor industry. We see this strategic partnership with South Korea as an opportunity for Vietnam to fortify its national standing and propel sustained long-term growth within the global supply chain.

Fig. 1

ECONOMIC FORECASTS

31-July-23	Unit	2021	2022E	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.5	6.5
Nominal GDP	\$bn	366.1	408.8	448.5	494.4
CPI (average)	%	1.8	3.2	4.0	4.0
Export Growth (cif)	%	19.0	10.6	-6.2	12.0
Import Growth (cif)	%	26.7	8.4	-7.7	11.6
Trade Bal (cif)	\$bn	3.3	12.4	17.1	18.7
FX Reserves	\$bn	106.5	85.0	95.0	110.0
FDI Disbursed	\$bn	19.8	22.4	20.9	22.0
VND:\$	1	22,800	23,550	23,450	23,300

Fig. 2

SOUTH KOREAN INVESTMENT IN VIETNAM 2013-2022

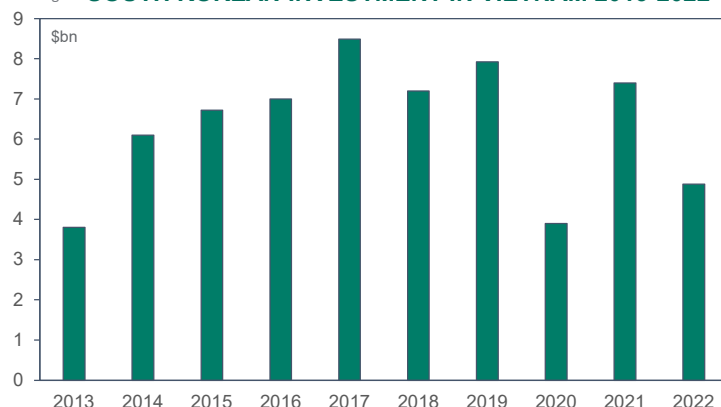


Fig. 3

VIETNAM – SOUTH KOREA BILATERAL TRADE

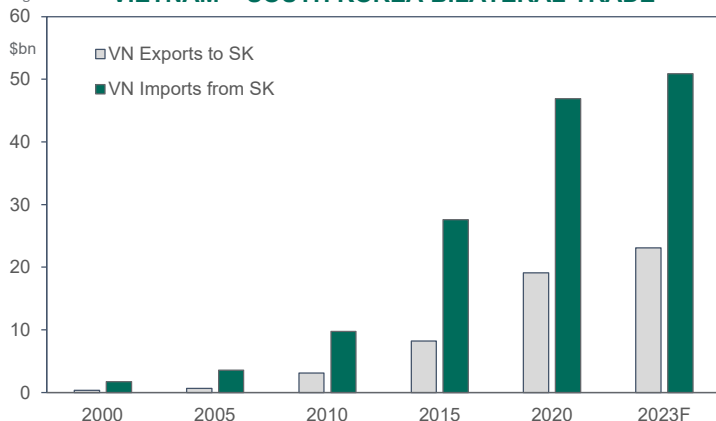
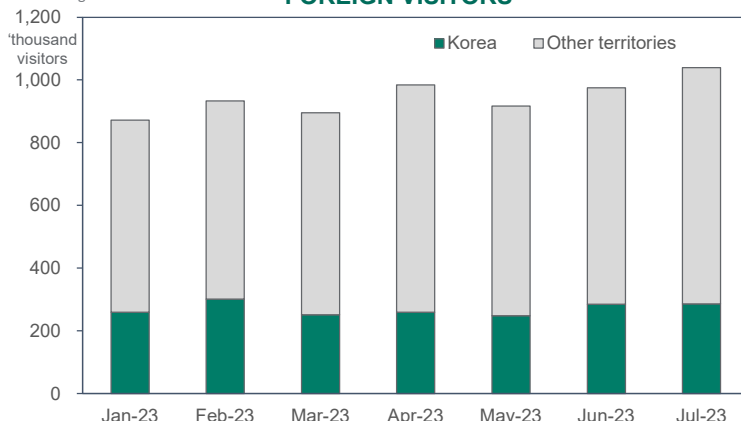


Fig. 4

FOREIGN VISITORS





MARKET REVIEW AND OUTLOOK

VNI Continues its Upward Trajectory

Public Investment Sparks Conviction

Sector Rotation: From Bricks to Clicks

Valuations Rise, But Opportunity Knocks

Pressure Builds For Corporate Delivery

The VNI increased by **8.8% MoM (TR\$)** in July, more than doubling June's gains, with average daily turnover reaching its highest level in over a year as domestic investors return.

The rejuvenated investor sentiment can be traced back to an enhanced emphasis on public investments. In July, public disbursement reached an impressive 6.9%, totalling 37.9% of the annual plan in the first seven months, far surpassing 2022's figure of 27.4% within the same period. Trading volume breached \$1bn, with the average MoM turnover swelling by 8% to \$776m/day, underscoring bullish investor expectations. Public investment stocks like VCG, up 24%, have taken centre stage. Our analysis also indicates a surge in account deposits and a steady rise in retail investors' margin balances, a firm showing of renewed faith in the market.

July witnessed an intriguing sector pivot, as interest shifted from brokerages and real estate to retail. Companies once playing catch-up are now enjoying improved inflows, aligning with market momentum. The retail segment, having experienced a lull, rebounded convincingly in July, leaping 20.4%. This resurgence can be attributed to the likes of DGW and MWG, underpinned by the prevailing view that the nadir of consumer confidence is behind us. VIC, a top five VNI stock by market cap, also rallied, buoyed by positive US listings news and the commencement of their US factory. Conversely, the banking sector underperformed the index, with investors exhibiting caution in the wake of Circular 06 and its lending limitations.

The buoyant earnings news has been factored into the market, resulting in our top 80 universe TTM PE valuation climbing to 12.8x, just along the 5Y mean. Dive deeper into these stocks, and Q2 results (adjusted for float) paint a picture of mild economic resurgence. We are observing the second successive quarter boasting QoQ profit growth. Even though net profit slid 5% YoY, it surged by 9% QoQ, encapsulating 46% of our annual projection. Banks continue to act as a pillar for the VNI, accounting for 59% of total earnings YTD, remaining flat YoY. Sectors like real estate, insurance, securities, and IT have been standouts, constituting a fifth of market earnings, while the energy, materials, chemicals, and retail sectors trailed this quarter. Forecasts for Q3 should usher in positive momentum, with the expectation that H2 will sustain this recovery.

The increase in PE valuations mirrors robust market expectations of an economic rebound, bolstered by year-to-date macroeconomic support. The spotlight, however, now shifts firmly onto the corporations themselves. With the foundations set, it is incumbent upon these entities to navigate this momentum, ensuring that they match, if not exceed, investors' expectations.

Fig. 1

DC TOP-80 FORECASTS

31-Jul-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	11.1	9.0
EPS Growth	%	37.1	-1.4	3.8	24.4
PEG	x	0.4	Neg	2.9	0.4
Sales Growth	%	22.0	12.3	4.0	14.1
EBIT Growth	%	50.8	2.5	12.3	21.8
PBT Growth	%	38.0	1.5	2.9	24.5
NPAT Growth	%	41.9	0.0	4.0	24.4
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	1.2	1.2

Fig. 3

VNI TRAILING 5Y PE



Fig. 2

MARKET PERFORMANCE

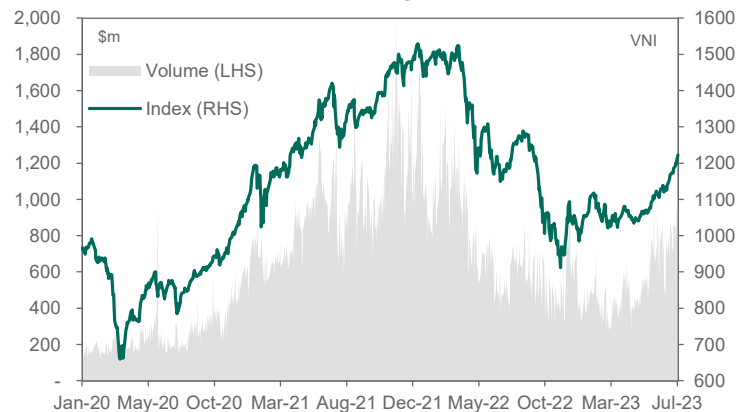
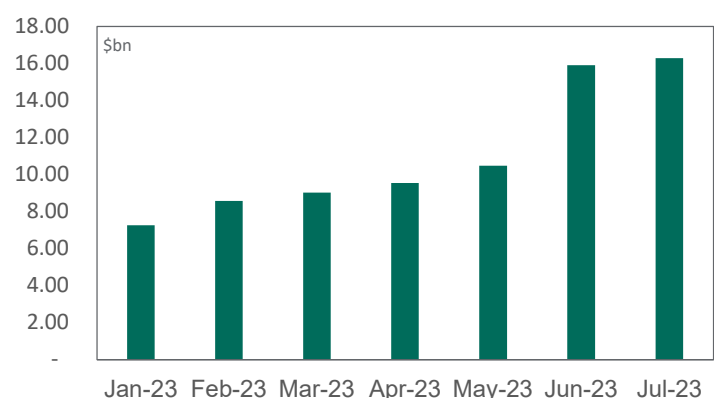


Fig. 4

VNI MONTHLY VOLUME



Sources: IFC, Bloomberg, Credit Suisse / Refinitiv – all adjusted for true cost



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