



ECONOMY REVIEW AND OUTLOOK

A prelude to recovery

August data showed a modest improvement in Vietnam's economic activities with the manufacturing sector venturing into positive territory, increasing 2.6% YoY, and PMI tip-toed back into expansion territory at 50.5, indicating that businesses are slowly restocking for the anticipated year-end export orders. The 8M trade balance continued to grow to an all time high of \$19.9bn (fig. 4), with exports of \$228.2bn, down 9.8% YoY, outpacing imports of \$208.3bn, down 15.9% YoY. In the service sector, total retail sales were up 7.6% YoY and 10% YTD, while Vietnam welcomed 1.2 million visitors, nearly reaching 80% of the pre-Covid levels.

Vietnam's monetary metrics outshine

Despite regional currencies depreciating by an average of 4-7% in August, noteworthy is the resilience of the VND, declining by a comparatively modest 1.8% (fig. 3). The currency remains structurally sound, fortified by continual inflows of foreign capital and a resurgence in the tourism sector. The marginal fluctuation in exchange rates and slight escalation of inflation were not at a level to give cause for concern, however. CPI inched up by 0.9% MoM, or 3.0% YoY, propelled by increases in local gasoline and rice prices, the latter reaching a multi-year pinnacle following export prohibitions by several nations.

Don't worry, be CPI happy

In spite of this marginal MoM increase, we believe that inflation will anchor around the 3.5%-4.0% mark for the year. While ripples from the global marketplace may instigate short-term vacillations in the VND exchange rate, the implications on the SBV's monetary policy will be limited in the context its overarching strategy, inclined as it is towards reducing financial burdens on enterprises and supporting the economy. Deposit rates continued to decrease by an average of 0.3-0.4% in August and should be easily maintained at affordable levels in coming months.

Biden fires the starting pistol on Vietnam's new technological epoch

Following much speculation in August, September crafted the framework for Vietnam's geopolitical canvas. US President Joe Biden visited Hanoi to announce the elevation of diplomatic relations to Vietnam's highest level of 'Comprehensive Strategic Partnership', aligning Vietnam with the ranks of China, India, South Korea, and Russia. This monumental upgrade, reaffirming sentiments shared by US Treasury Secretary Yellen during her visit in July, underscores Vietnam's potential in its role within the global semiconductor supply chain, and ushers in a new phase of significant advancements for the coming years. This collaborative enrichment, viewed through the prism of fostering high-tech supply chains, signifies a promising step forward, and we believe will project Vietnam as a central nexus in technological orchestration, further elevating it within the global value chain.

Fig. 1

ECONOMIC FORECASTS

31-Aug-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	-5.5	12.0
Import Growth (cif)	%	26.7	8.4	-9.9	11.8
Trade Bal (cif)	\$bn	3.3	12.4	26.4	30.2
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. 3 VND DECLINED IN LINE WITH OTHER ASIA CURRENCIES

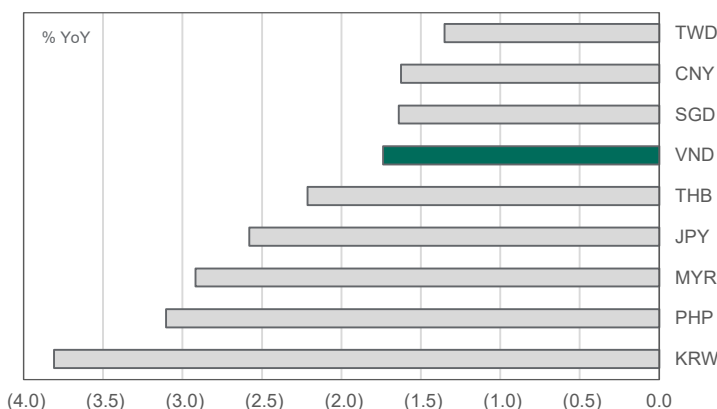


Fig. 2

IIP MARGINALLY INCREASED IN AUG

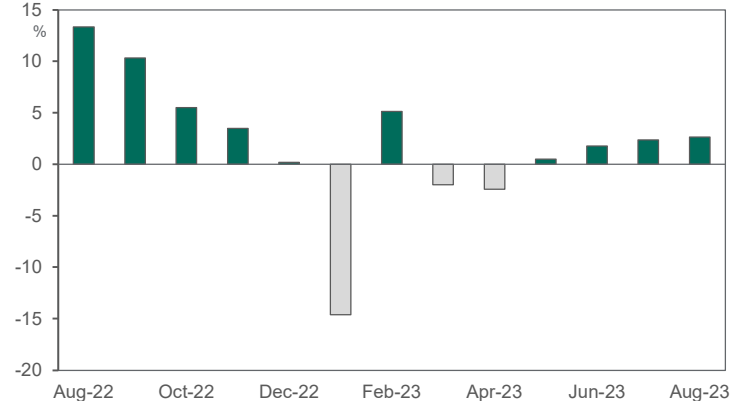
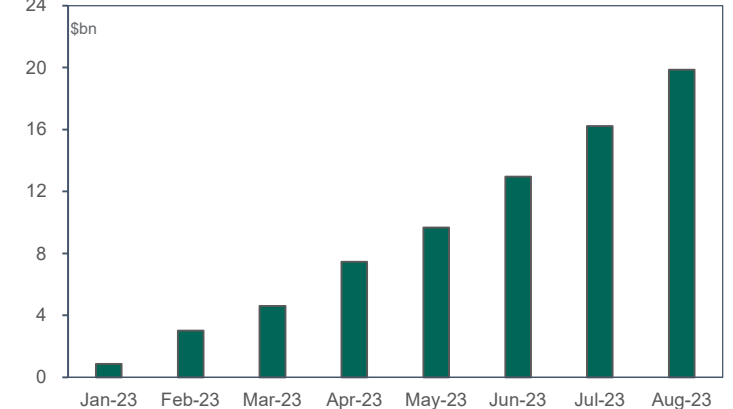


Fig. 4

TRADE BALANCE AT RECORD HIGH SURPLUS





MARKET REVIEW AND OUTLOOK

VNI closes down in line with VND

Spooky transactions at a distance

The VNI rope-a-dope: retail-selling lacked stamina

Solid foundations: Vietnam's stance in the property sector

Target fixation: a clear roadmap required for market pathway

The VNI declined by 1.2% MoM (TR\$) in August, despite a marginal 0.1% appreciation in local currency terms, shadowing the VND's depreciation against the USD of 1.8%.

VIC subsidiary Vinfast (VFS) became the first Vietnamese company to list overseas on 15 August with a free float of 1%, trading with extreme volatility. This spilled into VIC's family of stocks in the VNI, creating a transpacific riptide as domestic investors navigated the market undercurrents. VIC itself rallied 10.9% in August and contributed 10.6 points to the VNI.

Soon after the VFS listing, increased volatility in the VNI, mostly driven by VIC, prompted a major broker to cut margin lending as the market overheated. This resulted in a knee-jerk sell-off of 4.3%, the largest one-day drop YTD. The market quickly found solid footing, however, with combined average daily liquidity climbing above \$1bn, the first time since April 2022. This was underpinned by the announcement of Biden's visit, with speculation of a US trade upgrade buoying sentiment. Particular beneficiaries of this were FPT (+12.3%) and DGC (+19.5%), poised to take advantage of the software and semiconductor business this visit may herald.

Foreigners were less convinced, however, and net sold \$107m. This can be attributed to overall EM outflows, coupled with growing apprehensions surrounding China's real estate conundrum and economic concerns. In juxtaposition to regional players, only major Vietnamese developers can access international financing, with Vietnam's foundational stability emanating from the Government's stance towards fortifying the property sector and bond market. Issued on 23 August, Circular 10 eliminates recently introduced restriction clauses from Circular 6 and reinstates the prevailing lending criteria, thereby guaranteeing accessible credit for both real estate and M&A operations..

The SSC chaired a meeting jointly organized with the ASIFMA with the support by the World Bank in Hong Kong to discuss solutions aimed at upgrading Vietnam stock market to EM. The Government is committed to resolving the pre-funding issue by revising select MoF Circulars, with brokerages potentially able to guarantee trades. We welcome the short-term proposed solution. With brokers capable of bridging the financing gap between T0 and T2, foreign investors can already enjoy significantly more convenient transactions. For a long-term solution, the implementation of a central counterparty (CCP) mechanism is essential. Nonetheless, these measures must come with a clearly defined implementation timeline. Additionally, avenues must be created for foreign investors to gain access to stocks that have FOL. In alignment with the World Bank's perspective, we believe that the NVDR (Non-Voting Depository Receipts) solution is the most practical approach to pursue.

Fig. 1

DC TOP-80 FORECASTS

31-Aug-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	11.5	9.3
EPS Growth	%	37.1	-1.4	2.6	24.0
PEG	x	0.4	Neg	4.5	0.4
Sales Growth	%	22.0	12.3	2.6	13.8
EBIT Growth	%	50.8	2.5	9.2	23.7
PBT Growth	%	38.0	1.5	2.1	24.7
NPAT Growth	%	41.9	0.0	3.0	24.0
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	1.1	1.2

Fig. 3

VNI TRAILING 5Y PE



Fig. 2

MARKET PERFORMANCE

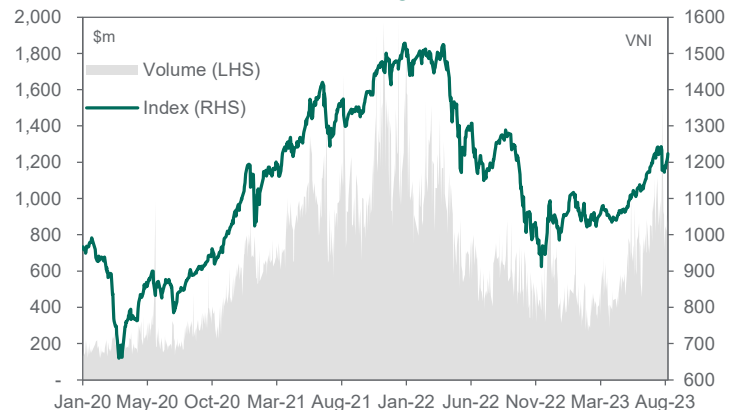
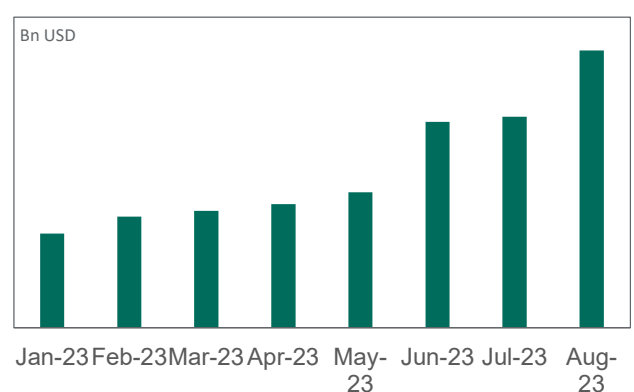


Fig. 4

VNI MONTHLY VOLUME



Sources: DC, Bloomberg, Credit Suisse / Refinitiv – all adjusted for free float



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