

Market Strategy

August 2022

A soft recovery is underway

VNDIRECT





- **VN-INDEX successfully broke the milestone 1,200 level.** VN-INDEX started to bottom out from the lowest level 1,149.6 since July 6 and then closed the month at 1,206.3pts (+0.7% mtd, -19.5% ytd). Market sentiment has improved following the rally of US stock market and constructive economy growth of Vietnam.
- **Average trading value of three bourses decreased 24.1% mom** (-45.7% yoy) to VND13,444bn (HOSE: VND11,452bn/trading day, -22.0% mom; HNX: VND1,251bn/trading day, -30.4% mom; UPCOM: VND741bn/trading day, -39.5% mom). Notably, foreign investors change their position from net buyers to net seller with outflow of VND2,138bn in July.
- **Market earnings growth decelerated in 2Q22.** As at 29 Jul 2022, 778 listed companies, representing 45.1% of the total listed stocks and 55.9% of market capitalisation, have released 2Q22 results. At this point of time, aggregate revenue and earnings of listed companies that have been reporting results grew positively 9.4% yoy and 16.9% yoy in 2Q22, respectively. For 1H22, net profit of listed companies on three bourses rose 26.0% yoy (1H22 NP growth was calculated on companies which had released 2Q22 business results).
- **The best is yet to come, the worst seems to be over.** As for the timing, the external situation has improved, with market expectations on Fed rate hikes having passed its peak. While global macro is not completely out of the woods, we may see incremental optimism for the Vietnam equity market which will be supported by (1) global inflation likely to cool down, (2) The Fed reduces the intensity of monetary tightening policy, (3) SBV signal its plan to increase commercial banks' credit growth quota, (4) Decree 153 to be issued which loosen some requirements relating to corporate bonds issuance than previous drafts.
- We expect the VN-INDEX fluctuate within the narrow range of 1,180-1,260 points in Aug 2022. The market liquidity would remain low. Therefore, investors should maintain a moderate proportion of stocks and limit the use of leverage (margin) at the moment to minimize risks. Our high-conviction stocks for August include: **BCG, DXG, KBC, PNJ, SZC and VTP**. Downside risks to the market include: (1) higher-than-expected inflation due to increasing food prices, (2) the US dollar continues to be strengthened, putting more pressure on Vietnam's exchange rates, interest rates and foreign investment.

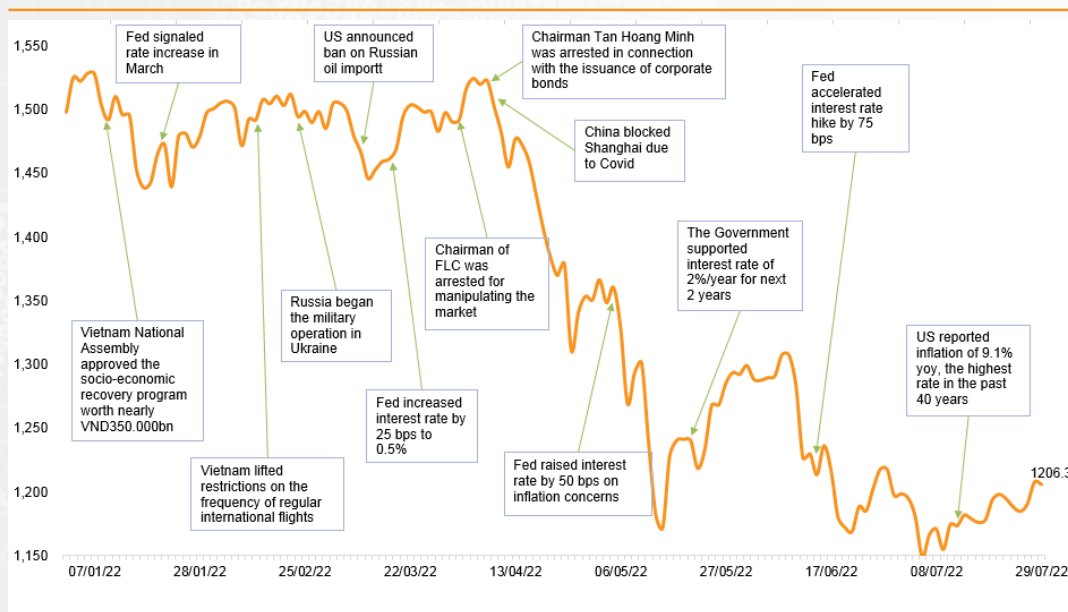
Market overview

July 2022

The best yet to come but the worst seems to be over



The VN-INDEX inched up 0.7% in July



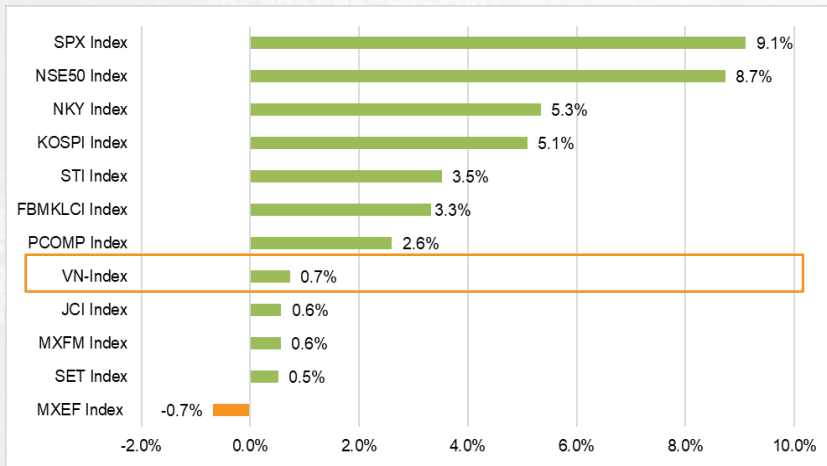
SOURCE: VNDIRECT RESEARCH, BLOOMBERG, data as at 29/07/2022

The VN-INDEX started bottoming out from 1,149.6-level since July 6 and closed the month at 1,206.3pts (+0.7% mtd, -19.5% ytd). We believe the encouraging performance of market in the last two weeks of July was mainly underpinned by:

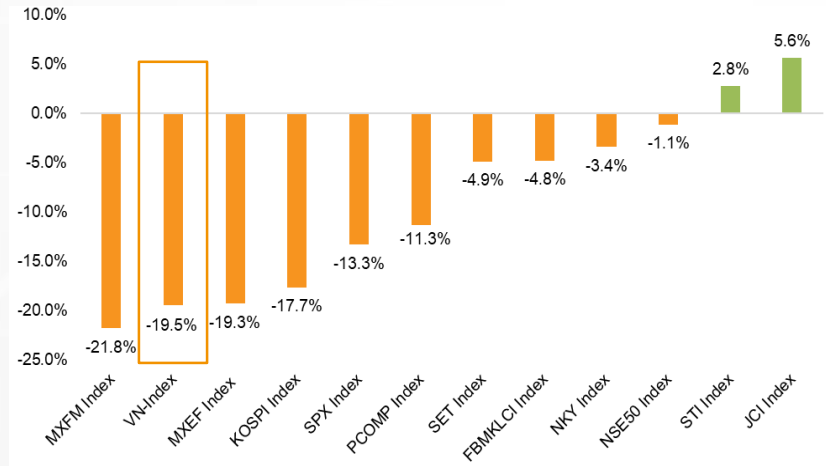
- Constructive economy recovery with 7.7% yoy of 2Q22 GDP growth, the strongest 2Q growth pace since 2011.
- The recovery of US market in July.
- Improving investor sentiment on government's ability to control commodity prices and inflation.

Meanwhile, the HNX-INDEX rose 3.9% mtd while UPCOM-INDEX slightly edged down 2.1% mtd. Since the beginning of 2022, the HNX-INDEX declined 39.1% ytd and UPCOM-INDEX also slumped 23.1% ytd.

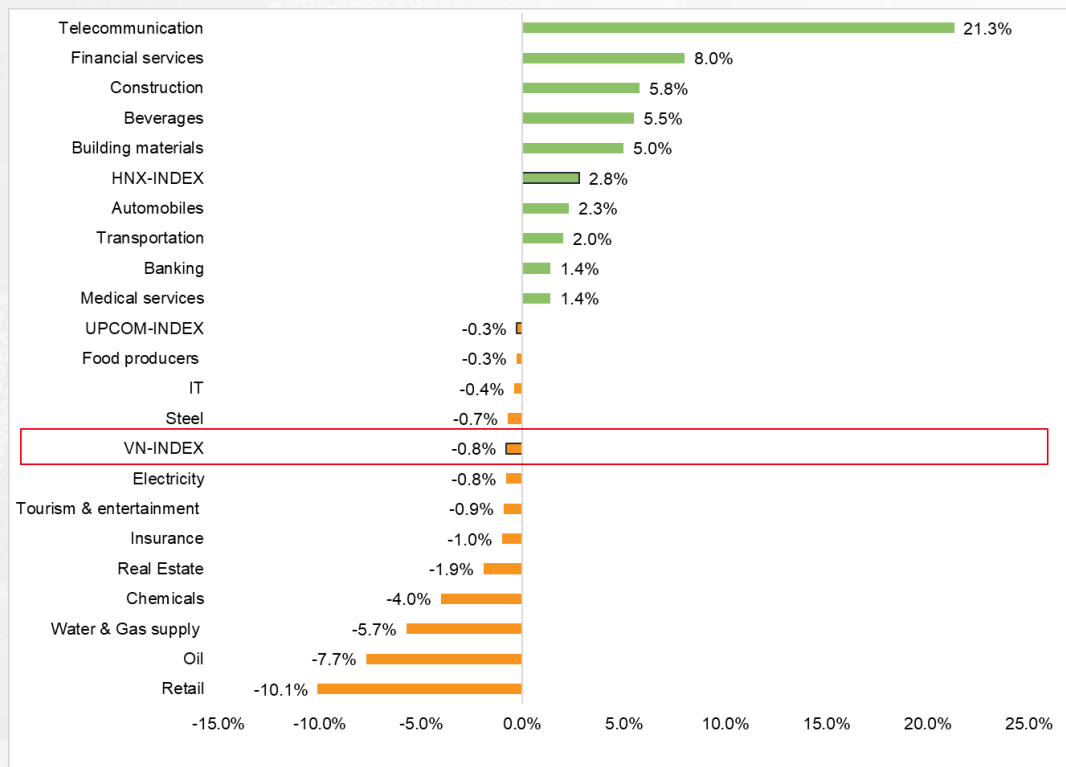
VN-INDEX performed only better than MSCI EM Index in July (data as at 29/07/2022)



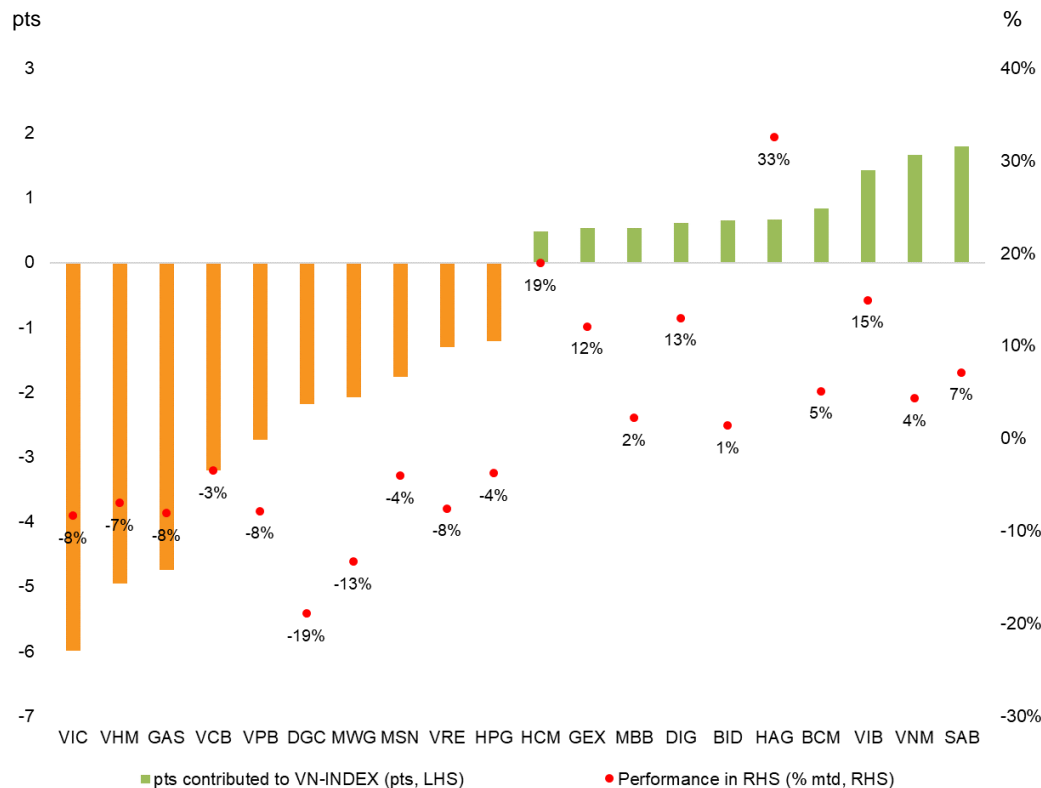
For YTD, Vietnam is among the worst performers (data as at 29/07/2022)



- In July 2022, most of regional markets recovered after witnessing negative performance in June 2022. Vietnam (VN-Index, +0.7%) also rebound in July with slightly higher performance than Indonesia (JCI Index, +0.6% mtd) and Thailand (SET Index, +0.5% mtd) but lower than other markets included Phillipines (PCOMP, +2.6% mtd), Malaysia (FPMKLCI, +3.3% mtd) and Singapore (STI Index, +3.5% mtd). The less positive performance of the Vietnam's stock market compared to other regional markets is due to (1) the tightening lending activities as commercial banks' credit growth are closed to their quota assigned by State bank, (2) Rising food prices, especially pork, put pressure on inflation.
- For year-to-date performance, the VN-INDEX is still among the worst performers with a dip of 19.5%.



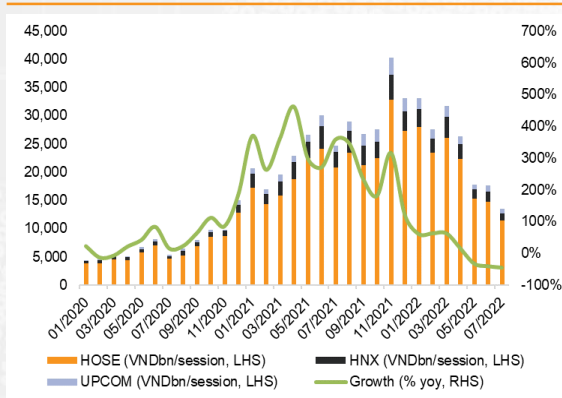
- Retail sector dropped 10.1% mtd, becoming the worst sector performer in July 2022. We believe the fall of retail sector could be attributed to the decline of MWG as it recorded lower profit growth in 2Q22.
- Oil and Gas (-7.7%), Water and Gas Supply (-5.7%), Chemicals (-4.0%) and Real Estate (-1.9%) extended their losses in July after underperforming in June.
- The worst performing sectors in June 2022 were those that recorded the strongest recovery in July 2022, including Telecommunications (+21.3% mtd), Financial Services (+8.0% mtd), Construction (+ 5.8% mtd).



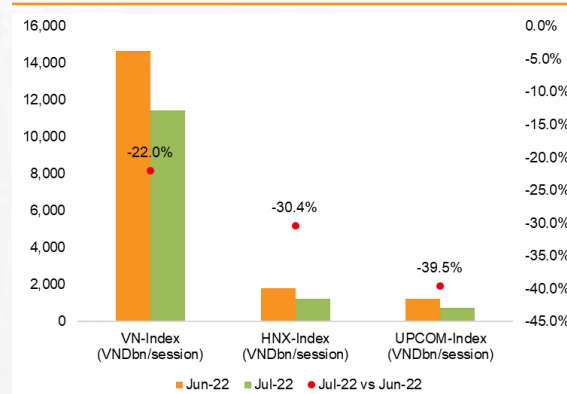
- SAB (+7% mtd), which recorded positive earnings result (+67.4% yoy in 2Q22), lent the most support to the VN-INDEX in July 2022, followed by VNM (+4% mtd), VIB (+15% mtd), BCM (+5% mtd) and HAG (+33% mtd). Other top 10 index movers include BID (+1% mtd), DIG (+13% mtd), MBB (+2% mtd), GEX (+12% mtd) and HCM (+19% mtd).
- On the contrary, VIC became the index's top laggard, recording a 8% decline since the beginning of July. VIC and VHM became the top 2 laggards of July due to tightening credit to the Real Estate sector and negative earnings growth in 2Q22. Other laggards included VHM (-7% mtd), GAS (-8% mtd), VCB (-3% mtd), VPB (-8% mtd), DGC (-19% mtd), MWG (-13% mtd), MSN (-4% mtd), VRE (-8% mtd) and HPG (-4% mtd).



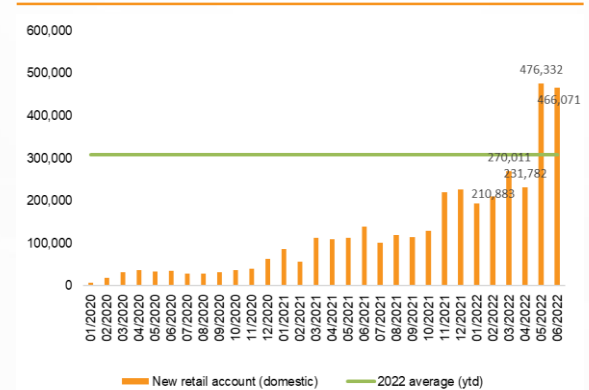
The daily average trading value dip 24.1% mom in July 2022 (data on 25/07/2022)



Liquidity decreased on 3 main bourses (data on 25/07/2022)

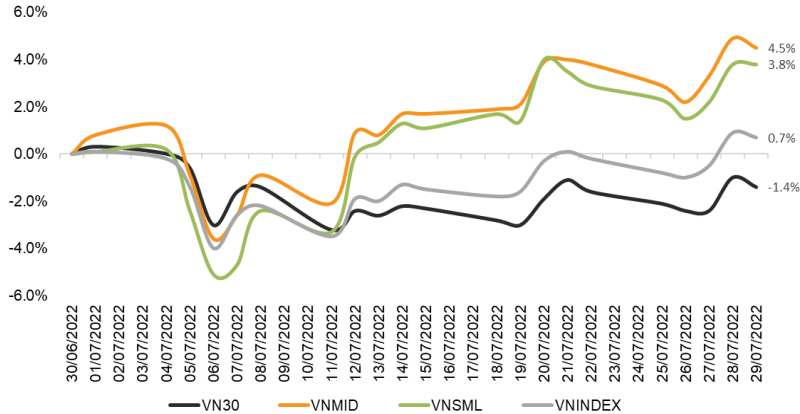


Number of new securities continued to boom in June

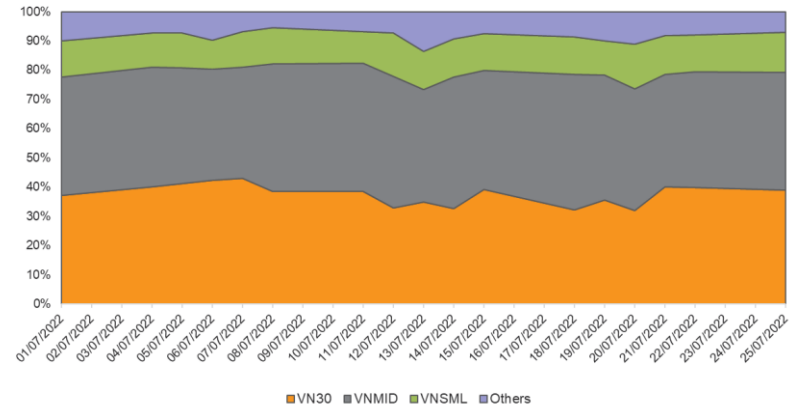


- **Average trading value of three bourses decreased 24.1% mom (-45.7% yoy) to VND13,444bn (HOSE: VND11,452bn/trading day, -22.0% mom; HNX: VND1,251bn/trading day, -30.4% mom; UPCOM: VND741bn/trading day, -39.5% mom).** We believe market liquidity lost steam due to tighter lending activities, especially for equity investment, as commercial banks' credit growth are closed to their quota assigned by State bank.
- Number of new securities accounts reached nearly 1.85m accounts in 7M22, higher than total new accounts of 1.53m in 2021.

VNSML index and VN MID index had positive performance in July (% mtd) (data on 29/07/2022)

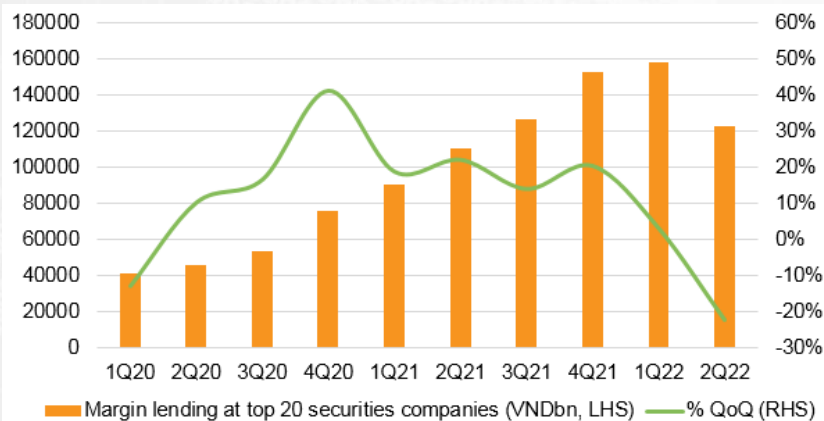


Proportion of indexes in term of daily trading value (data on 25/07/2022)

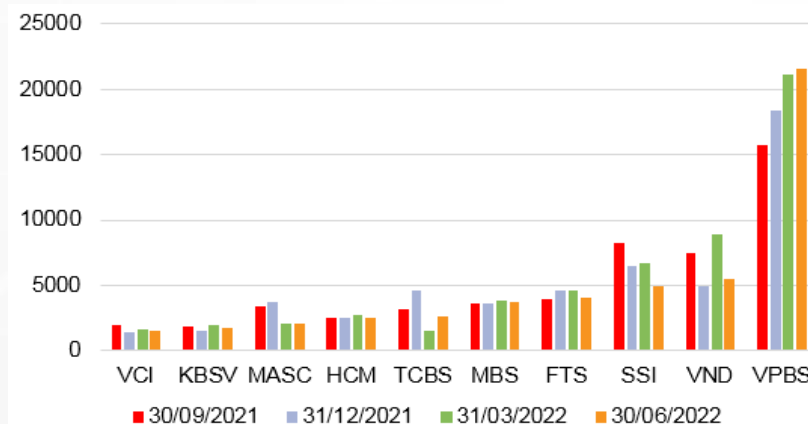


- Divergence has taken place among the capitalization groups. While VN MID index (mid caps) and VNSML index (small caps) both gained 4.5% mtd and 3.8% mtd, respectively. The VN30 (top 30 in term of market-cap) fell 1.4% mtd, lower than the VN-INDEX (+0.7% mtd).
- The proportion of VN30 in term of trading volumes rose to 38.9% in July from 37.2% in previous month.

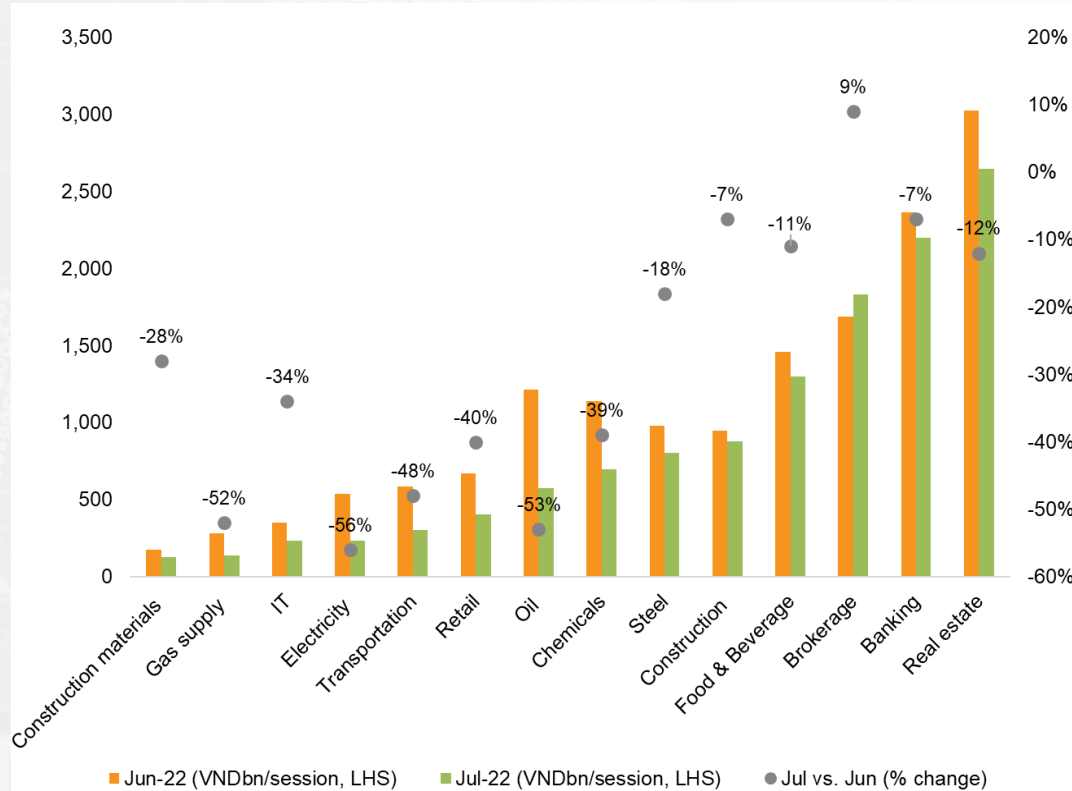
Margin lending balance of the top 20 largest securities brokerages shrank 22.2% qoq



Customer deposit balance of top 10 largest securities companies slightly declined in 2Q22 (Unit: VNDbn)

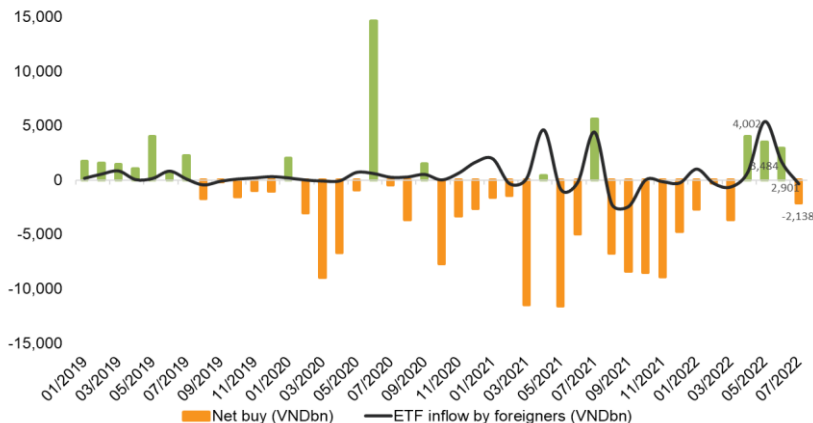


- Investors have actively lowered the financial leverage ratio amid the strong decline of Vietnam's stock market. Per our data, margin lending at the top 20 securities companies at the end-2Q22 were VND122,886bn, -22% qoq and -20.0% versus end-FY21.
- Trade deposit balance of investors at the top 10 securities companies dropped by VND4,833bn (-8.8% qoq) to VND50,276bn at the end of 2Q22. We noticed that the trade deposit balance of investors at securities companies decreased slightly in 2Q22 and investors still keep a large amount of cash at securities companies and are ready to disburse when opportunities arise.

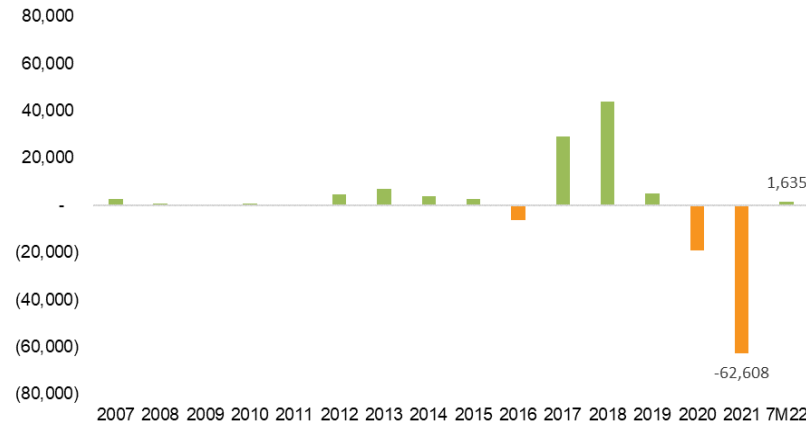


- Brokerage sector was the only sector to recorded higher liquidity (+9% mom) in July. We believe that the recovery in liquidity of securities sector was mainly thanks to the bottom-fishing activities when these stocks fell deeply by 60-70% from the peak.
- On the contrary, Electricity (-56% mom), Oil (-52% mom), Gas supply (-52% mom) sectors recorded the biggest drop in liquidity in July.

Foreign investors net sold VND2,138bn in July (unit: VNDbn) (data on 25/07/2022)



Foreign investors net bought VND1,635bn in 7M22 (unit: VNDbn) (data on 25/07/2022)



- Foreign investors changed their position from net buyers to net seller with outflow of VND2,138bn in July (at as 25/07/2022). The strong increase of the USD/VND exchange rate in July is one of the main reasons why foreign indirect investment flows tend to be net withdrawn from the Vietnamese stock market.
- For 7M22, foreign investors net bought totaling VND1,635bn, mainly due to strong net bought of VND10,387bn from April to June.



VNM, MWG and VND were among top net bought by foreigners in July

Foreign investors' strongest net buyers in July (US\$m, data on 25/07/2022)

Ticker	Net Bought	Bought	Sell
VNM	23.0	39.9	-16.8
MWG	7.7	60.0	-52.3
VND	6.3	18.4	-12.1
STB	5.2	22.0	-16.8
LPB	4.3	6.0	-1.6
CTG	4.1	13.3	-9.2
NLG	3.8	6.0	-2.2
GMD	3.3	6.8	-3.4
HDG	2.6	4.7	-2.1
VIB	2.4	2.4	0.0

Foreign investors' strongest net sellers in July (US\$m, data on 25/07/2022)

Ticker	Net Sold	Bought	Sell
VHM	-20.1	22.8	-42.9
DXG	-11.9	2.6	-14.5
HPG	-11.5	22.7	-34.2
VCB	-11.4	14.6	-26.0
SSI	-7.8	12.9	-20.7
VPB	-7.2	0.5	-7.7
BSR	-6.4	6.9	-13.4
VIC	-5.7	9.4	-15.2
NVL	-5.4	4.6	-10.0
DCM	-5.1	4.9	-10.0

Foreign investors' strongest net buyers in 7M22 (US\$m, data on 25/07/2022)

Ticker	Net Bought	Bought	Sell
STB	109	308	-199
DGC	95	270	-175
DPM	75	196	-121
MWG	59	523	-464
CTG	57	174	-117
NLG	53	133	-80
KBC	45	173	-128
BSR	44	87	-42
GMD	34	109	-75
GEX	33	128	-95

Foreign investors' strongest net sellers in 7M22 (US\$m, data on 25/07/2022)

Ticker	Net Sold	Bought	Sell
HPG	-253	447	-700
MSN	-204	328	-532
VIC	-202	239	-440
NVL	-118	96	-214
SSI	-61	137	-198
CII	-34	25	-58
VCI	-21	49	-70
VHM	-16	420	-436
DHC	-15	7	-21
SGB	-13	0	-13

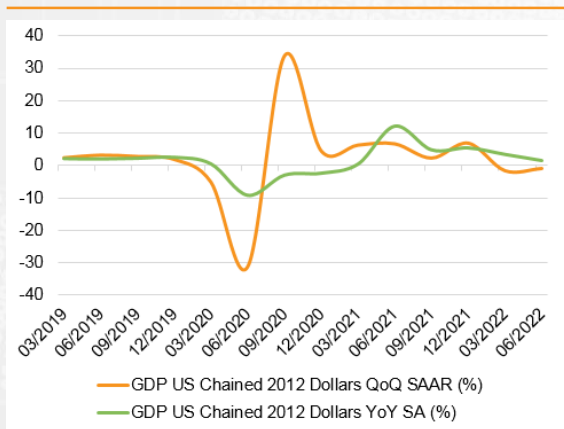
Market outlook

August 2022

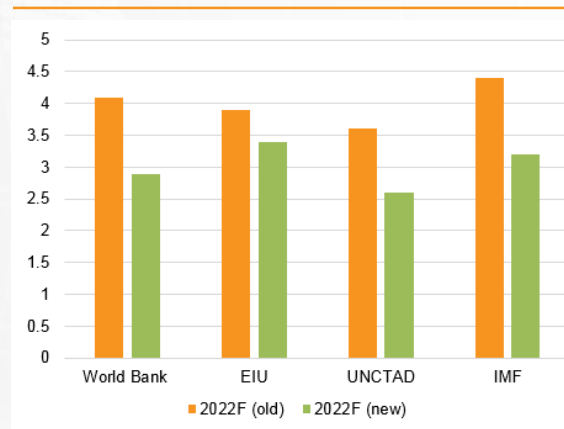
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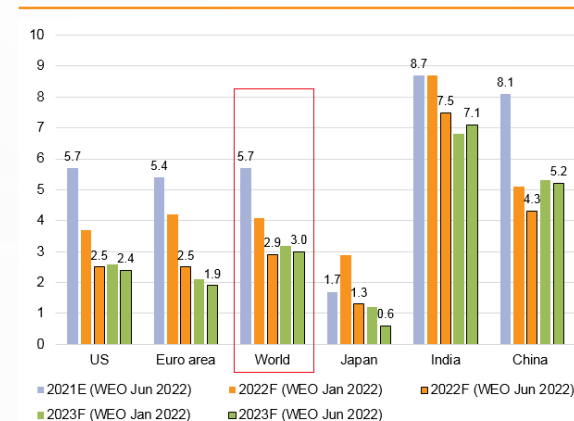
US GDP declines for the second quarter in a row



Major research institutions have downgraded their global economic growth forecasts for 2022 (Unit: %)

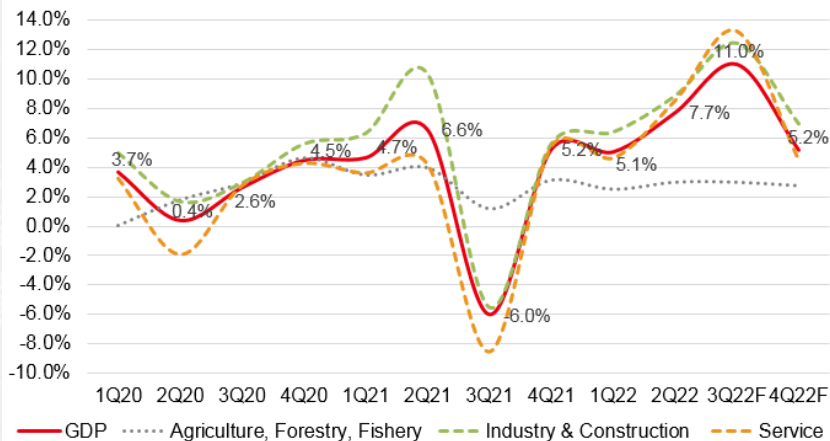


The World Bank has lowered growth forecast for major economies in its latest research report (Unit: %)

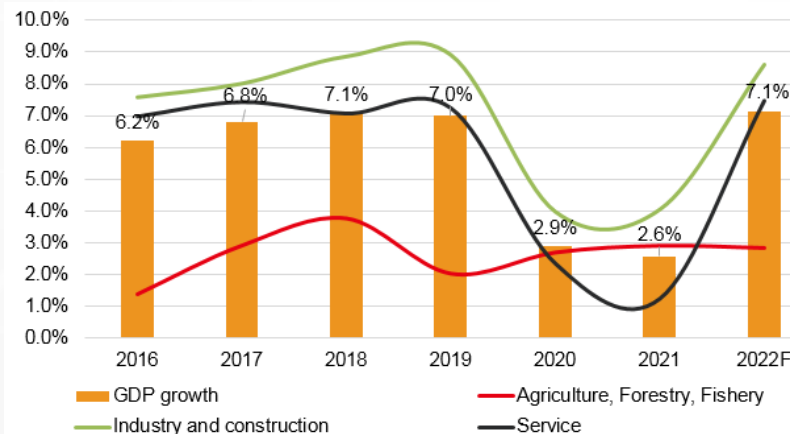


- The U.S. economy shrank in 2Q22 by 0.9%, a second quarter in a row as the housing market buckled under rising interest rates and high inflation took steam out of business and consumer spending. While two consecutive quarters of negative growth is often considered a recession, it's not an official definition. A nonprofit, non-partisan organization called the National Bureau of Economic Research determines when the U.S. economy is in a recession.
- Major research institutions have lowered their global economic growth forecasts by 0.5-1.2 percentage points for 2022F to account for the economic consequences of the Russia-Ukraine crisis. Currently, global economic growth is forecasted to be between 2.6-3.4% yoy in 2022, down from 5.7% yoy in 2021.

Vietnam's economic recovery will accelerate in the coming quarters



We forecast Vietnam's GDP to grow 7.1% yoy in 2022F



- We expect Vietnam's GDP to increase 7.8% yoy in 2H22F (vs. -0.2% in 2H21), thus lifting 2022 full-year growth rate to 7.1% yoy (+/-0.3% pts).
- The main supports come from (1) low base in 3Q21 when Vietnam's GDP dropped 6.0% yoy, (2) the reopening of non-essential services, including public transport, tourism, and entertainment, (3) new economic stimulus packages (2% VAT reduction, additional interest rate compensation package worth VND40,000bn, disbursing investment package for infrastructure development worth VND113,050bn,...), (4) the recovery of FDI inflows after the government allowing international commercial flights and (5) strong export activities.
- However, Vietnam's economy could face potential risks in the second half of 2022 such as: (1) export slowdown due to lower external demand, higher inflationary pressure, (3) increasing interest rates

	2Q22 revenue growth	2Q21 revenue growth	2Q22 NP growth	2Q21 NP growth	1H22 NP growth
All markets	9.4%	33.4%	16.9%	72.9%	26.0%
HOSE	1.4%	37.3%	7.6%	59.6%	20.5%
VN30	-10.7%	41.5%	-0.2%	47.2%	12.6%
Large caps	6.0%	39.3%	20.9%	66.6%	27.3%
Mid caps	14.5%	29.5%	-2.9%	87.9%	19.9%
Small caps	14.4%	19.5%	-1.7%	163.6%	12.6%

Large caps: Market capitalization over VND10,000bn

Mid caps: Market capitalization between VND1,000bn and VND10,000bn

Small caps: Market capitalization lower than VND1,000bn

SOURCE: FIINPRO, VNDIRECT RESEARCH

- As at 29 Jul 2022, 778 listed companies, representing 45.1% of the total listed stocks and 55.9% of market capitalisation, have released 2Q22 results. At this point of time, aggregate revenue and earnings of listed companies that have been reporting results grew positively 9.4% yoy and 16.9% yoy in 2Q22, respectively.
- For 1H22, net profit of listed companies on three bourses rose 26.0% yoy (1H22 NP growth was calculated on companies which had released 2Q22 business results).
- We maintain our forecast of market earnings to grow 23% yoy and 19% for FY22F and FY23F, respectively.



2Q22 earnings update: Sectors benefiting from high commodity prices recorded strong profit growth in 2Q22

Market	% released 2Q22 results to sector market cap	2Q22 net revenue growth	2Q22 net profit growth	Contribution to market's 2Q22 NP growth	2Q21 net profit growth	1H22 net profit growth
Market	55.9%	9.4%	16.9%		72.9%	26.0%
Oil & Gas	54.0%	77.0%	404.0%	9.5%	(**)	209.1%
Support Services	33.3%	170.4%	194.7%	0.3%	3002.3%	120.2%
Chemicals	52.9%	42.5%	190.7%	4.5%	62.1%	333.7%
Utilities	96.3%	26.1%	94.8%	3.9%	29.0%	75.3%
Beverages	84.5%	24.4%	66.8%	0.9%	-17.5%	48.5%
Retail	22.8%	50.0%	63.0%	0.2%	64.0%	43.4%
Industrial Transportation	27.6%	7.3%	60.2%	1.4%	166.1%	57.4%
Food Producers	43.1%	2.6%	52.7%	1.4%	19.2%	109.7%
Electricity	69.3%	15.8%	49.9%	1.3%	-3.0%	61.1%
Technology	87.4%	14.1%	42.3%	0.5%	16.7%	40.8%
Banks	70.9%	21.6%	36.7%	13.2%	34.3%	34.1%
Telecommunications	23.2%	17.8%	21.9%	0.1%	326.9%	21.7%
Personal & Household Goods	33.2%	19.9%	9.0%	0.1%	158.0%	27.1%
Construction & Materials	46.2%	20.0%	7.3%	0.2%	21.2%	15.1%
Industrial	36.1%	6.4%	6.2%	0.0%	13.4%	12.0%
Health Care	84.5%	4.9%	-8.2%	-0.1%	10.7%	3.5%
Automobiles & Parts	8.8%	-2.7%	-15.7%	0.0%	65.6%	-9.8%
Forestry & Paper	47.8%	-29.3%	-32.4%	-0.1%	207.6%	-28.1%
Mining	24.2%	21.4%	-35.1%	-0.1%	(**)	-37.0%
Insurance	30.5%	17.1%	-49.0%	-0.4%	-10.5%	-15.1%
Real Estate	64.5%	-58.4%	-51.3%	-8.7%	98.5%	-32.8%
Industrial Metals	88.0%	-2.2%	-63.8%	-8.9%	329.8%	-33.5%
Financial Services	51.1%	-7.9%	-100.6%	-3.2%	128.8%	-43.1%
Travel & Leisure	9.4%	0.5%	(*)	0.3%	14.2%	-165.8%

(*) Recorded losses in 2Q21

(**) Recorded losses in 2Q20

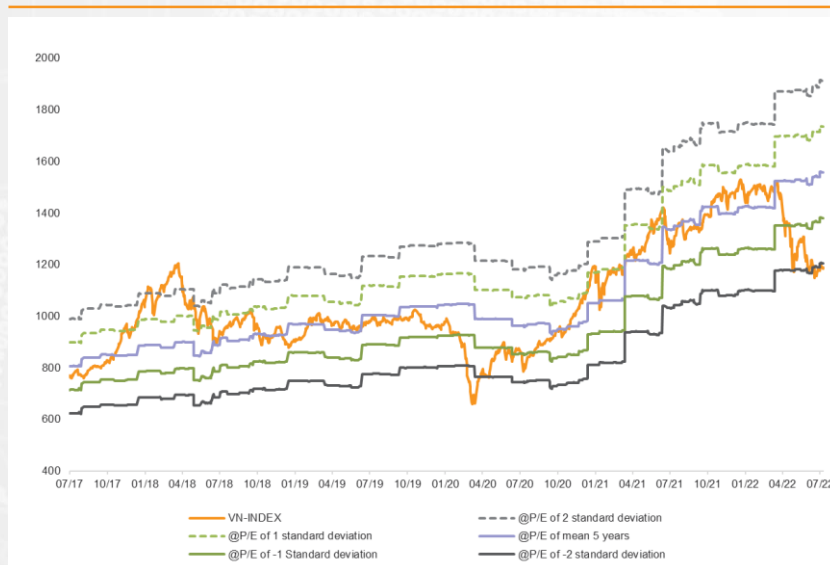
- Until July 29, there are 11 sectors, which have more than 50% released 2Q22 results to sector market cap. Among them, in the context of high oil price, Oil & Gas sector recorded 2Q22 net profit growth of +404.0% yoy, contributing the most to market's 2Q22 earnings growth (+12.1%). Other sectors, which recorded positive growth in 2Q22 earnings, included Chemicals (+190.7% yoy), Utilities (+94.8% yoy), Beverages (+66.8% yoy), Electricity (+49.9% yoy), Technology (+42.3% svck), Banks (+36.7% yoy).
- On the contrary, Health Care (-8.2% yoy), Real Estate (-51.3% yoy), Industrial Metals recorded negative growth in 2Q22 earnings (-63.8% yoy). Moreover, Financial Services recorded lost in 2Q22 earnings.

SOURCE: FIINPRO, VNDIRECT RESEARCH

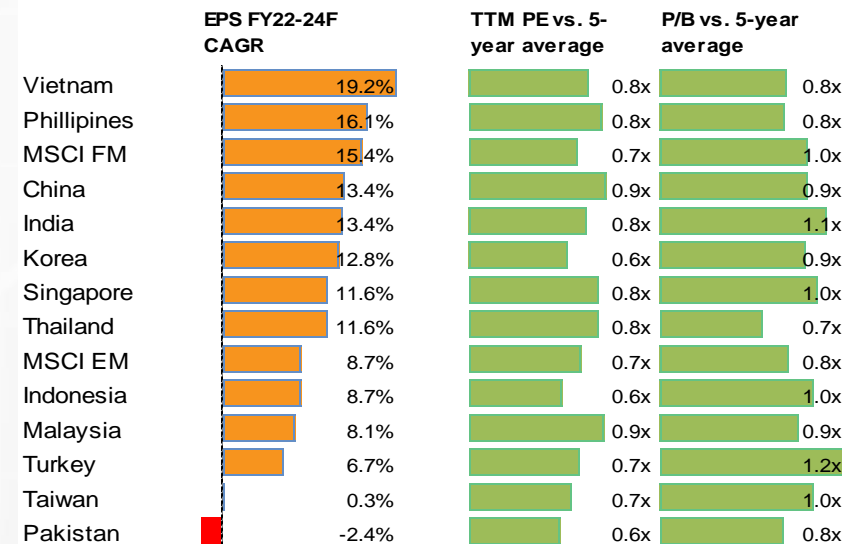


Market valuation: VNINDEX TTM P/E has dropped to nearly lowest level for the past 5 years

VN-INDEX is trading at below -2 standard deviations (of the 5-year average P/E).

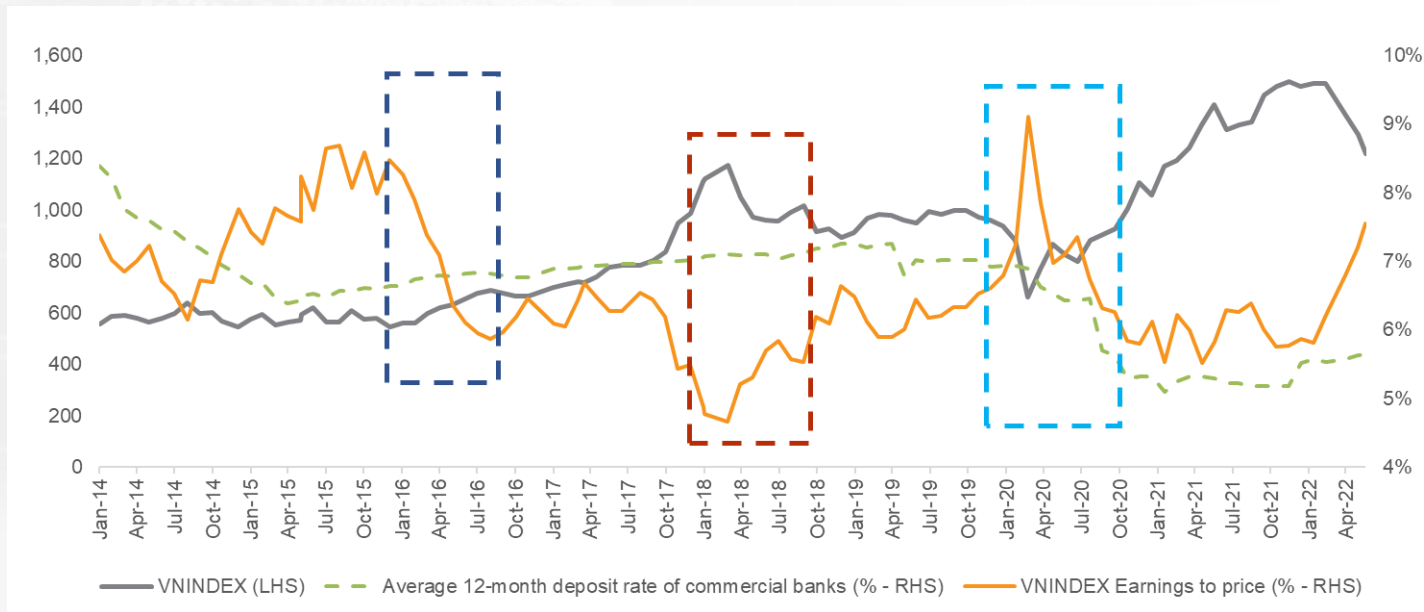


Vietnam equity market valuation looks attractive relative to Emerging market peers



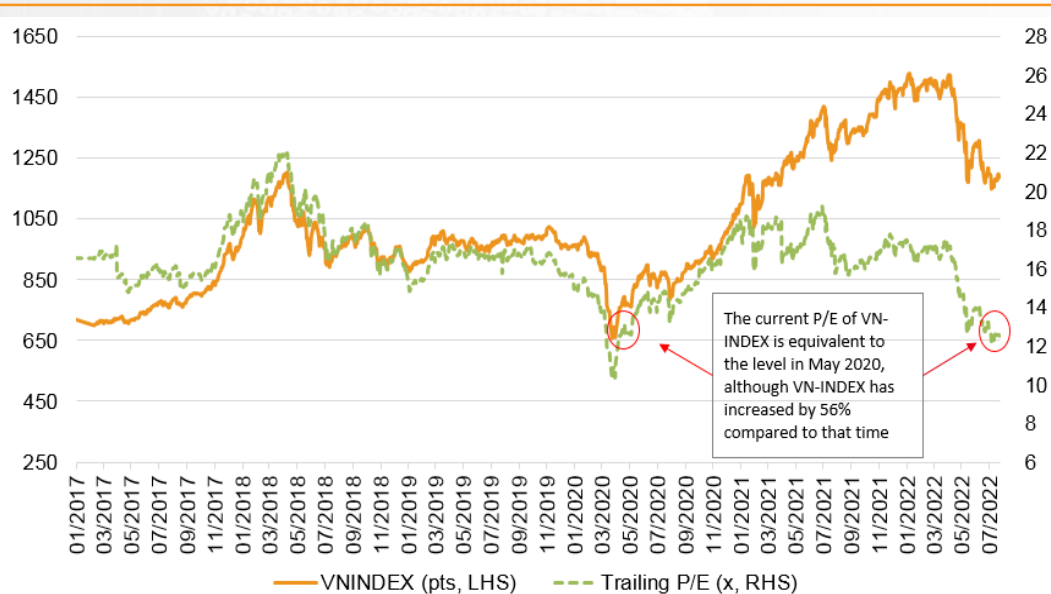
Vietnam equity market has corrected like most emerging markets in 1H22, resulting the Vnindex trading at nearly lowest level for the past 5 years. However, Vietnam stands out of EM peers with strong EPS growth over FY22-24F. As at 25 July 2022, VN-Index was trading at 12.5x trailing 12-month P/E, which is 28% discount to the peak this year and 24% discount to the 5-year average P/E.

The gap between market earnings yield vs deposit rates is widening



However, in order to value the Vietnam market in correlation with the rising interest rates, we use market earnings yield which is the EPS of the index divided by the index price. We believe the earnings yield valuation metric can be helpful when there is concern about the rising interest rates and when investors determine optimal asset allocations. We observe that the gap between Vietnam market earning yield and the average 12-month deposit rates of commercial banks is widening which indicates that equity market may be considered undervalued.

The valuation of the Vietnamese stock market has fallen sharply in the past 4 months



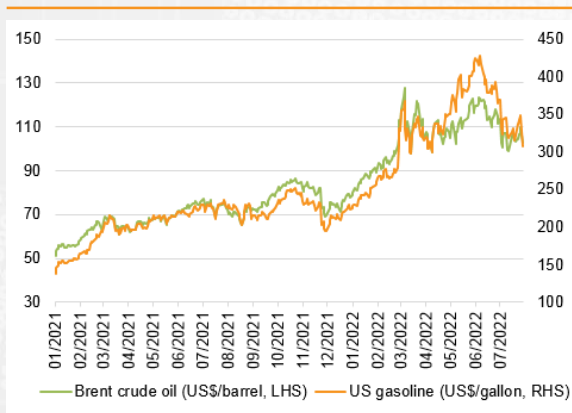
SOURCE: BLOOMBERG, VNDIRECT RESEARCH

As for the timing, the external situation has improved, with market expectations on Fed rate hikes having passed its peak. While global macro is not completely out of the woods, we may see incremental optimism for Vietnam equity market. A few catalyst that we should wait for in August.

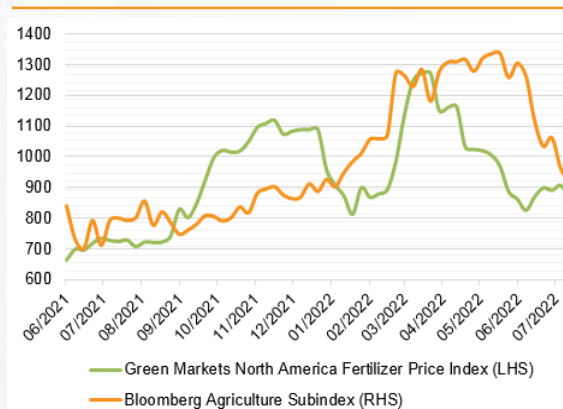
- Global inflation likely to cool down
- The Fed reduces the intensity of monetary policy tightening,
- The State Bank of Vietnam signal its plan to increase commercial banks' credit growth quota.
- Decree 153 to be issued which loosen some requirements relating to corporate bonds issuance than previous drafts.

Downside risks to the market include: (1) higher-than-expected inflation due to increasing food prices, (2) the US dollar continues to strengthen, putting more pressure on Vietnam's exchange rates, interest rates and foreign investment.

Crude oil and gasoline prices have declined in since June 2022



Fertilizer prices in North America have fallen sharply since late-Mar 2022

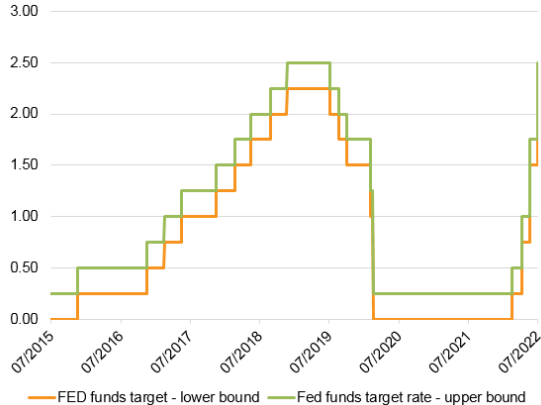


Sea freight rates on the decline

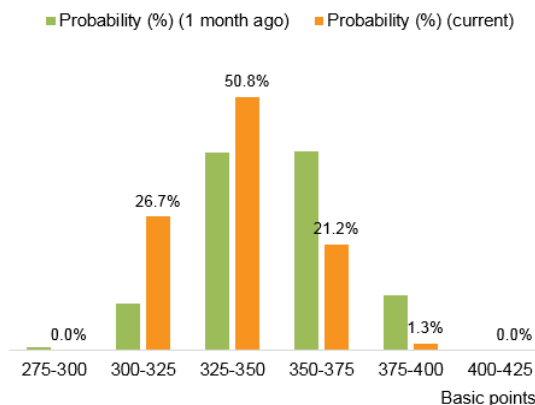


- We believe that inflation in the developed economies (US, Europe,...) may cool down from 3Q22 as the prices of some important commodities show signs of sharp correction such as crude oil, gasoline, fertilizers, international ocean freight rates... Falling fertilizer prices help reduce production costs of agricultural products. Moreover, the reduction in gasoline prices helps reduce people's travel costs.
- In addition, Fed and many central banks around the world have tightened monetary policy through raising policy rates and reducing the size of their balance sheets. These measures will also contribute to cooling global inflation.

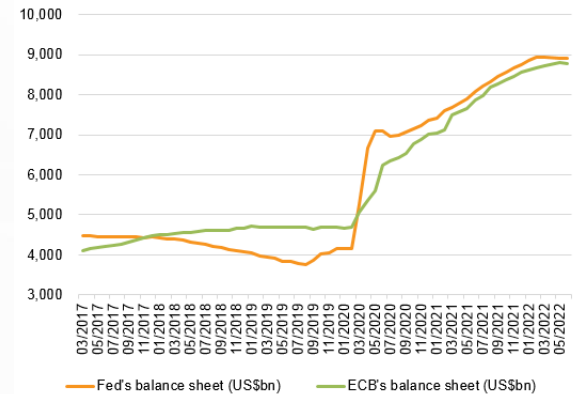
The Fed funds target rate is already at the level it was before monetary policy easing



Market's predictions for the Fed funds target rate in December 2022

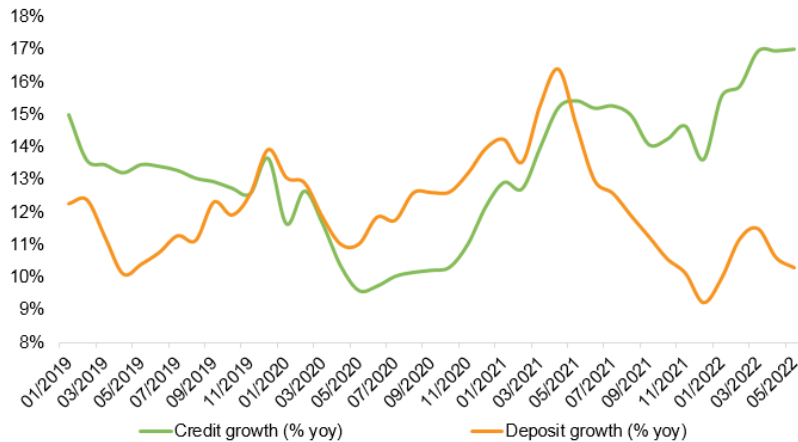


FED's balance sheet shrank slowly

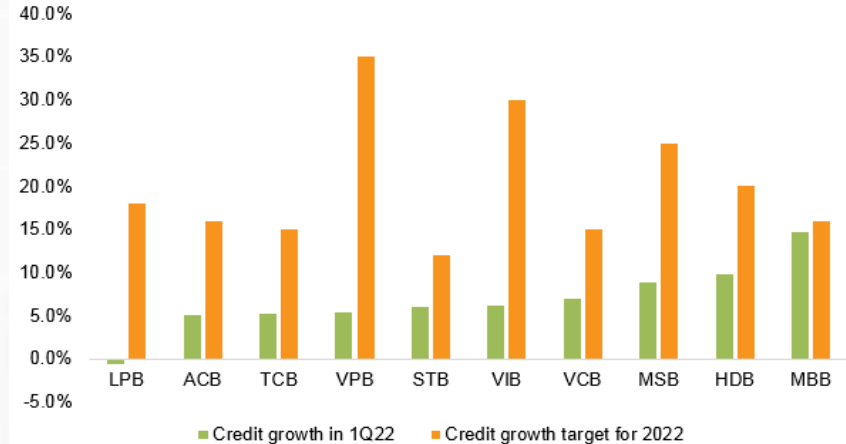


- At its most recent meeting held on July 27-28, 2022, the Federal Open Market Committee (FOMC) voted to increase the Fed funds rate by 75 basis points to a target range between 2.25% and 2.5%. This is the second time in a row that the Fed has raised interest rates by 75 basis points. The Fed funds target rate is already at the level it was before monetary policy easing.
- “While another unusually large increase could be appropriate at our next meeting,” that’s a decision that will depend on the data between now and then, FED’s chairman said on the meeting. He also said the Fed will slow the pace of increases at some point.
- According to CME Group, market's participants expect the Fed funds rate to be raised by 50 basis points at the next meeting to be held on September 20-21, 2022.

Credit growth accelerated since the beginning of 2022



Credit growth of commercial banks



- With the aim of macroeconomic stability/inflation control and improving the market's sustainability, SBV should consider carefully when providing credit growth quota for each bank. In fact, although banks have recorded a strong credit growth in 1H22 (+9.35% ytd), they have already used the full quota; and they might have to wait until at least the end of 3Q22 to receive new credit growth quota from SBV, in our view. We maintain our view that Vietnam's credit remains strong at 14% yoy growth in 2022F.
- Higher credit growth quota will be strong support factor for commercial banks and financial markets.

Market participants believe that it is necessary to relax a number of regulations in the 5th Draft Amendment to Decree 153/2020/ND-CP to facilitate the development of the corporate bond market

Effective date	Scopes of regulation affect the business activities of securities companies	Impacts
The 5th Draft Amendment of Decree 153/2020/ND-CP	"Enterprise are not allowed to issue bonds to contribute capital in any form, buy shares, buy bonds of other enterprises, or lend capital to other enterprises."	Making it impossible for many companies to issue corporate bonds to finance, lend, contribute capital, etc. -> affecting consulting activities, issuance guarantee, investment in corporate bonds, and merger consulting of securities companies.
	The draft requires the bond issuer to have the total outstanding debt of bonds from all forms at the time of issuance (including the expected issuance volume) not to exceed 3 times the equity according to the financial statements in the most recent quarter; having business results of the year immediately preceding the year of issuance with profit and no accumulated loss according to the audited financial statements...	Affecting the ability to raise capital of small and medium-sized enterprises, especially start-ups -> affecting the consulting, issuance guarantee, and bond trading activities of securities companies
	Only professional investors are allowed to buy corporate bonds. If you are an individual investors, the condition to become a professional investor is to hold and maintain an investment in public securities for 2 consecutive years with a minimum value of VND2bn. The draft also stipulates that individuals can only buy private offering bonds issued by public companies and must have collateral or payment guarantees.	Affects the ability to absorb corporate bonds issued -> affects the issuance, consulting, issuance guarantee and bond trading activities of securities companies. Only public companies can offer private placement-> eliminating most businesses from private placement activities

It should be noted that the draft amendment of Decree 153/2020/ND-CP is still receiving public comments, so the terms of the officially issued Decree may change compared to the draft. thus change real impact on the enterprises and the market.

- After the Government solicited comments on the draft amendment to Decree 153 on "issuing corporate bonds, many economic and financial experts suggested that a number of regulations in the draft should be relaxed to facilitate development of the corporate bond market. We hope that the final amendment to Decree 153 could be issued soon to create a full legal corridor to develop a healthy and sustainable corporate bond market.
- The early issuance of the revised Decree 153 helps businesses re-access to the bond capital mobilization channel, an increasingly important capital mobilization channel for Vietnamese businesses



SOURCE: VNDIRECT RESEARCH

- As there is no strong enough catalyst for the market to establish the rally, we expect the VN-INDEX fluctuate within the narrow range of 1,180-1,260 points in Aug 2022. The market liquidity would remain low. Therefore, investors should maintain a moderate proportion of stocks and limit the use of leverage (margin) at the moment to minimize risks.
- The first resistance level of VN-INDEX is 1,220-1230 points. The second resistance level of VN-INDEX is 1,250-1,260 points. The support level of the market is 1,180 points.

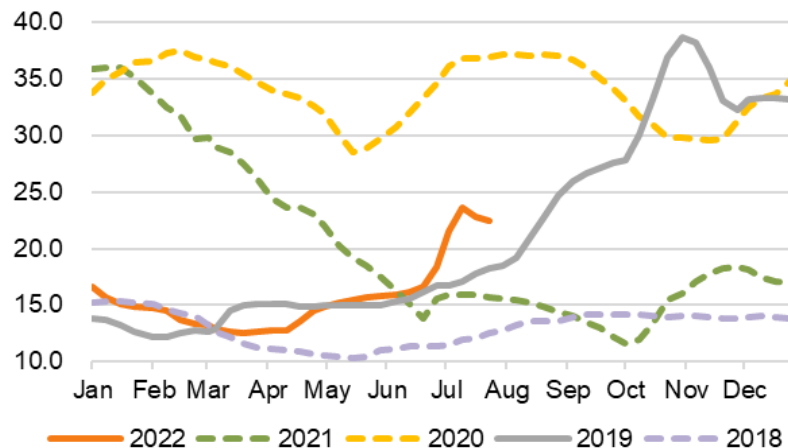
Investment ideas

August 2022

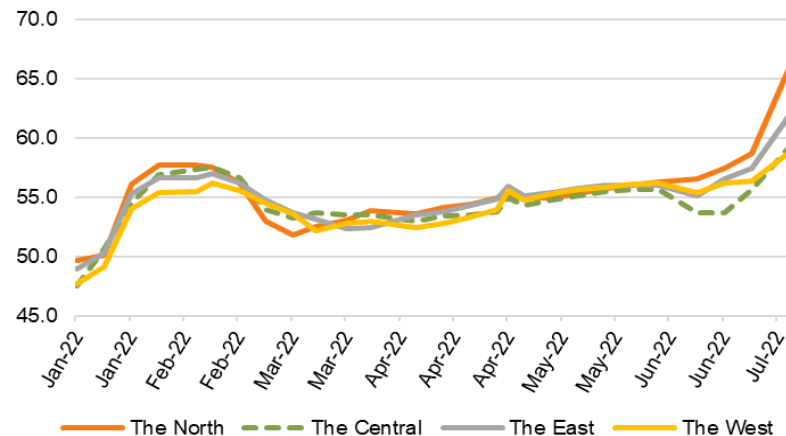
Selective opportunity



China's average swine price increased sharply (unit: CNY/kg)

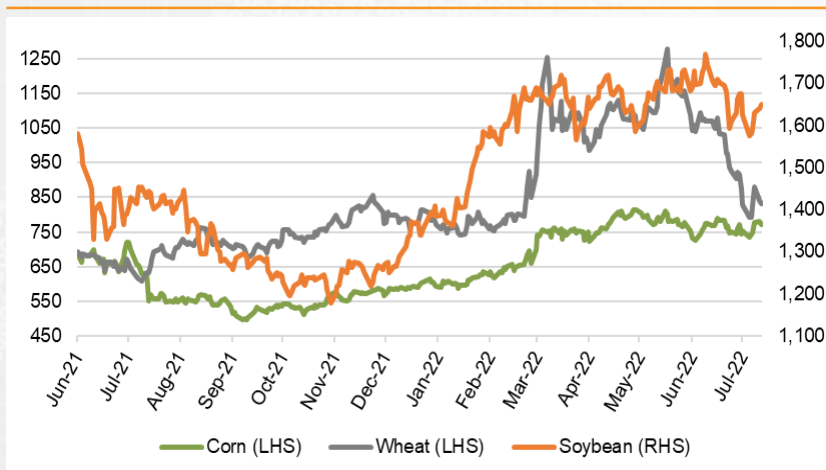


Vietnam's domestic swine prices rose dramatically since Jun-22, especially in the North (unit: VND/kg)

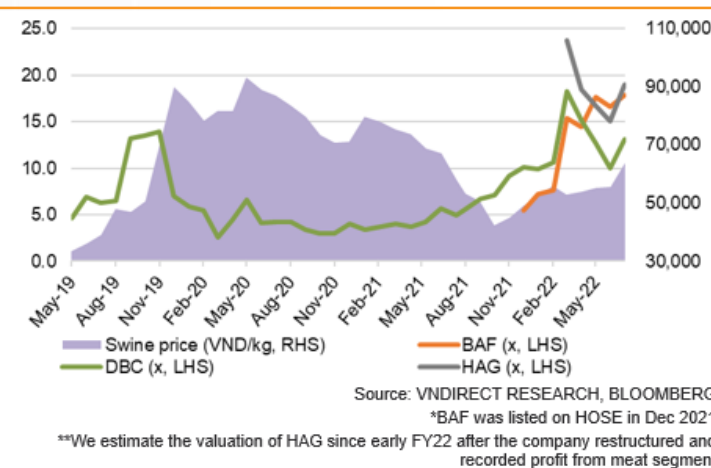


- The swine price in China increased sharply from June due to 1) increasing demand for meat consumption after Covid-19 restrictions ease up, 2) lower pork supply, and 3) pig farms stocking up in anticipation of rising price.
- As at 27 Jul, domestic swine prices jumped 19.9% mom and 38.6% ytd. The Northern region witnessed the strongest increase of 18.3% mom. We believe the recent price hike was due to 1) supply cuts in some provinces due to the ASF (African swine fever) outbreaks in 1Q22, 2) cost push from rising animal feed price, and 3) impact from the swine price increase in China. The domestic swine prices averaged at VND55,800 in 7M22 (-22.0% yoy).






Animal feed cost might cool down in 4Q22F



The swine price upturn has been fully priced in



- In our view, commodity prices will decline slightly by around 6-10% in 2H22F compared to 1H22. Domestic feed prices have increased more slowly than global agricultural prices. Thus, we believe that animal feed cost would remain high in 3Q22F and cool down gradually in 4Q22F. Beside, we expect swine prices to peak at VND80,000/kg then cool down in 4Q22F, averaging at VND65,500/kg (+31.8% yoy) in 2H22F and VND60,000/kg (-2.9% yoy) for 2022.
- Currently, meat producers' stocks are traded at 11.5-20.7 TTM PE, which is even higher than the valuation of DBC during the swine price uptrend in Jun 19 – Dec 19. Investors should be cautious about meat producer stocks as we believe the bright outlook has largely been priced in.

Ticker	Core business	Positive impact	Comment
DBC	Animal feed & meat business		DBC is among the top 10 animal feed companies in the country, owning nine animal feed factories. Being self-sufficient in animal feed will help the company reduce the pressure of rising input costs and benefit from higher live hog prices in 2H22F. We believe that 2Q22 gross margin will still be under pressure due to the impact of high input prices of animal feed and flat hog prices in 2Q22. However, we expect 3Q22F gross margin to recover significantly qoq thanks to cooling animal feed prices and higher hog prices in early 3Q22F.
MML	Meat business		We estimate 40% of MML's raw pork are imported from third parties, thus an increase in swine prices will lead to an increase in input costs. However, MML has pricing power that helps businesses pass on increased input costs to consumers and rise selling prices through a product mix strategy. Therefore, we believe MML's gross margin will improve slightly by 1-2% pts in 3Q22F as the increase in selling price will offset the increase in input hog prices.
BAF	Meat business		BAF has two animal feed factories for pig farming. Besides, the company also has advantages in input materials compared to competitors. In which, BAF's raw materials for animal feed production are imported from Tan Long Group at a price 10-15% lower than other companies in the same industry. We believe that BAF will be one of the businesses that will benefit the most from the increase in swine prices thanks to lower input costs compared to competitors and the initiative to source high quality breeding stock.
HAG	Meat business		HAG can take advantage of banana production that does not meet export standards from the fruit business to be used as input materials for animal feed production. Bananas that are dried into powder (providing protein for pigs) account for 40% of the input materials for animal feed production, meanwhile imported materials (corn, soybeans) account for 60%. As a result, HAG has COGS of VND38,000/kg, the lowest compared to competitors such as DBC, MML, and BAF. We expect HAG to enjoy markedly improvement in 3Q22F gross margins thanks to the lowest input costs among listed meat producers.
VSN	Meat business		VSN currently is not self-sufficient in animal feed, thus we believe that the increase in live hog prices will help the company offset the increase in animal feed input prices.



Stock picks	Investment thesis	1-year Target price (VND/share)	Upside (%)
BCG	We like BCG for both short and long term with strong net profit CAGR of 45.7% in FY22-24F, regarding to: (1) Large amount of property handover from overlapping projects. We expect BCG will hand over parts of Hoi An D'Or project and Malibu Hoi An in FY22F, bringing revenue of VND4,897bn (55.4% of total revenue), while project deliveries can record a revenue of VND5,233bn (+6.9% yoy) in FY23F. (2) Renewable energy is the foundation for long-term growth. We forecast that BCG's power revenue will reach VND1,786bn (accounting for 20.2% of total revenue) in FY22F and VND3,791bn (accounting for 32.7%) in FY23F.	29,600	106.8%
DXG	We have a positive view on DXG short term and long term by: (1) leading position nationwide in brokerage market with 33% market share (DXS) in FY21. The prospect of DXG's brokerage segment is still bright, DXS has set a target of FY22F revenue of VND8,400bn (+94% yoy), FY22F net profit of VND1,250bn (+132% yoy); (2) potential land bank in HCMC, especially Gem Riverside (launch in 3Q22), which will contribute VND9,155bn in FY24-26F EBT, we appreciate the real demand for DXG's inner-city projects in HCMC, we expect the absorption rate to be high at launching time. Contributing to DXG's main revenue growth in 2022 comes from projects such as St Moritz, Opal Boulevard, Gem Sky World...	36,700	49.5%
KBC	We like KBC for both short and long-term as KBC hold leading position among Northern IP operator in attracting FDI with sizeable land bank. Additionally, more than 2,000ha industrial land in Long An, Hai Phong, Hung Yen, etc. likely to be added in FY22-24F should provide strong support for KBC's long-term earnings growth. We forecast a strong net profit CAGR of 31.2% over FY22-24F driven by the contribution of new IPs and one-off sale gain at Trang Cat urban area project.	54,000	42.9%



Stock picks	Investment thesis	1-year Target price (VND/share)	Upside (%)
PNJ	We like PNJ for: (1) PNJ is dominating jewelry market share with statistical jewelry market share of more than 50% with a strong mid- to high-end customer base that is less affected by inflation (2) In 1H22, PNJ keeps shining with a strong growth of 48% yoy to VND1,088bn, much beyond our expectation will support the stock price rally amid the market's downward pressure (3) For long-term run, we expect PNJ's strategies to develop more attractive concepts, make more effective advertising campaign, co-operate with global brands to become "Multi Branded Stores" and increase digitization will support PNJ's net profit to maintain 2 digits growth (4) PNJ's stock can enjoy a strong inflow from the raising NAV of VNDiamond ETF Fund with its proportion in this ETF reached 15%.	140,700	25.1%
SZC	We like SZC with FY22-24F outlook following by: (1) SZC is well-positioned to capture the growing demand for industrial property in the South. SZC has sizeable land bank (more than 600ha) among listed IP companies in Ba Ria-Vung Tau (BR-VT) and we see a strong increase in BR-VT's rental price (around 20% yoy); (2) SZC's residential property business is ripe for the picking in FY22-24F with its first phase - Sonadezi Huu Phuoc (40.5ha) launches since Jul 2022.	81,100	59.7%
VTP	VTP's business result is expected to strongly recover since 2H22F thanks to (1) the expansion strategy during the pandemic has shown positive results with strong growth of delivery volume in 1H22, and (2) fuel price may cool down from 2H22F which will help improve VTP's gross margin. VTP's NP may increase 69.5% yoy in FY22F and increase 30.8% yoy in FY23F. Besides, the HSX listing plan is also a strong near-term catalyst in 2022.	95,300	58.0%

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
HPG	21,400	44,500	2.3%	110.2%	ADD	Link
BCG	14,700	29,600	5.4%	106.8%	ADD	Link
VHM	58,800	115,000	2.5%	98.1%	ADD	Link
PVD	17,100	30,500	0.0%	78.4%	ADD	Link
TCB	37,300	66,400	0.0%	78.0%	ADD	Link
MCH	92,000	157,200	4.3%	75.2%	ADD	Link
FPT	84,900	140,200	2.4%	67.5%	ADD	Link
PHP	18,000	29,200	3.1%	65.3%	ADD	Link
FMC	51,000	80,300	3.9%	61.4%	ADD	Link
SZC	51,800	81,100	3.1%	59.7%	ADD	Link
VTP	61,000	95,300	2.5%	58.7%	ADD	Link
VPB	28,400	44,900	0.0%	58.1%	ADD	Link
PTB	60,300	93,700	2.4%	57.8%	ADD	Link

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
VNM	72,600	110,000	4.9%	56.4%	ADD	Link
PVS	23,300	35,500	2.6%	55.0%	ADD	Link
TPB	27,200	41,100	0.0%	51.1%	HOLD	Link
CTG	27,600	41,700	0.0%	51.1%	ADD	Link
POW	13,550	20,400	0.3%	50.9%	ADD	Link
MBB	27,600	40,800	0.0%	47.8%	ADD	Link
AST	58,100	85,700	0.0%	47.5%	ADD	Link
HDB	24,400	35,900	0.0%	47.1%	ADD	Link
MWG	62,000	90,100	0.3%	45.6%	ADD	Link
NLG	39,050	56,000	1.9%	45.3%	ADD	Link
CRE	25,900	36,100	3.8%	43.2%	ADD	Link
KBC	37,800	54,000	0.0%	42.9%	ADD	Link
PVT	19,200	26,300	5.1%	42.1%	ADD	Link
PHR	67,600	88,000	9.7%	39.9%	HOLD	Link

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
GAS	106,300	143,100	3.6%	38.2%	ADD	Link
STK	51,000	68,200	2.9%	36.6%	ADD	Link
ACB	24,450	33,400	0.0%	36.6%	ADD	Link
PLX	41,500	54,900	3.8%	36.1%	ADD	Link
LPB	15,600	21,200	0.0%	35.9%	HOLD	Link
ACG	65,900	88,800	0.6%	35.3%	ADD	Link
VRE	28,100	37,800	0.0%	34.5%	ADD	Link
GMD	50,000	64,400	5.6%	34.4%	HOLD	Link
NT2	26,300	33,000	7.9%	33.4%	ADD	Link
ACV	87,000	114,000	0.0%	31.0%	ADD	Link
VHC	82,400	105,600	2.5%	30.7%	ADD	Link
VIB	26,450	34,400	0.0%	30.1%	HOLD	Link
SCS	161,700	200,800	3.3%	27.5%	ADD	Link
VCB	75,300	95,600	0.0%	27.0%	ADD	Link

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
KDH	38,000	47,700	0.0%	25.5%	ADD	Link
PNJ	113,000	140,700	0.6%	25.1%	ADD	Link
VJC	127,400	158,000	0.0%	24.0%	ADD	Link
NVL	74,000	89,000	0.0%	20.3%	ADD	Link
MML	61,800	73,400	0.0%	18.8%	HOLD	Link
DGC	96,000	107,400	1.8%	13.7%	ADD	Link
REE	77,700	85,500	0.4%	10.4%	ADD	Link
DBC	24,600	25,000	6.1%	7.7%	HOLD	Link



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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.


Country Ratings


Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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