

# Market Strategy

Jan 2022

**New year, new height**

VNDIRECT





- Market sentiment had been negative in early of this month due to concern about new Omicron variant. The VN-INDEX dropped to the lowest level of 1,413.6pts (-4.4% mtd). However, VN-INDEX soon rebounded strongly thanks to (1) the possibility of the new financial stimulus package being approved, and (2) the faster-than-expected anti-coronavirus vaccination. At as 27 Dec 2021, VN-INDEX closed at 1,488.9pts, (+0.7% mtd, +34.9% ytd).
- **Liquidity slumped as spread of new coronavirus variant-Omicron casted a shadow over economic recovery as well as rising profit-taking sentiment.** Total liquidity in 3 main bourses fell 17.1% mom to VND33,457bn/session (+122.4% yoy).
- **Mid caps outperformed the market.** Daily trading value of VNMID (representing mid caps) dropped 10.6% mom, however VNMID Index still rose 5.9% mtd in Dec and outperformed the VNSML (+4.3% mtd) and VN30 (-1.5% mtd).
- **Vietnam's economy recovered strongly in 4Q21.** GDP rose 5.2% yoy in 4Q21, which was better than we expected (we previously forecast 4Q21 GDP to increase 3.3% yoy) as all three pillars of the economy made a faster-than-expected recovery. The strong recovery of Vietnam's GDP in 4Q21 indicates the V-shaped recovery of the economy and strengthens the stock market sentiment.
- **Market earnings FY22-23 growths to bode well for VN-INDEX.** We expect earnings of HOSE-listed companies to grow 23% yoy in FY22F. Some sectors could see strong improvement in earnings growth, including Industrial goods and Services, Retail and Real Estate while performance of Oil & Gas, Utilities and Technology remain relative strong.
- **We are more confident about the market outlook in Jan 2022,** underpinned by: (1) faster-than-expected recovery of Vietnam's growth engines, including exports and foreign-direct-investment (FDI); (2) new financial stimulus package to be approved and (3) the valuation of Vietnam's stock market looks attractive in a longer view. We expect the VN-INDEX to fluctuate in the range from 1,480-1,580 points in Jan 2022.

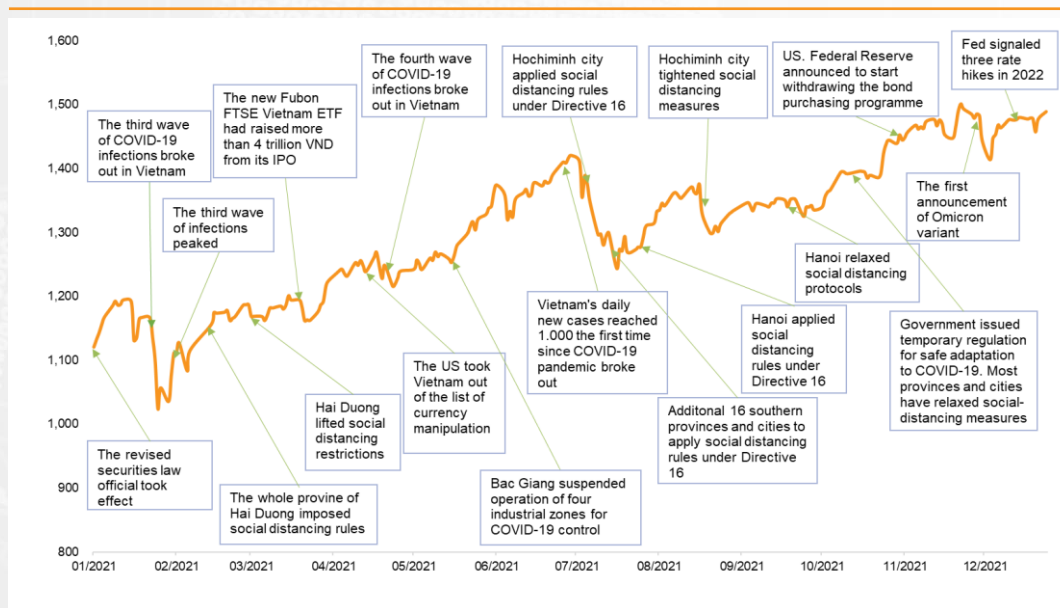
# Market overview

Dec 2021

Investors have hesitated against the  
new Omicron variant

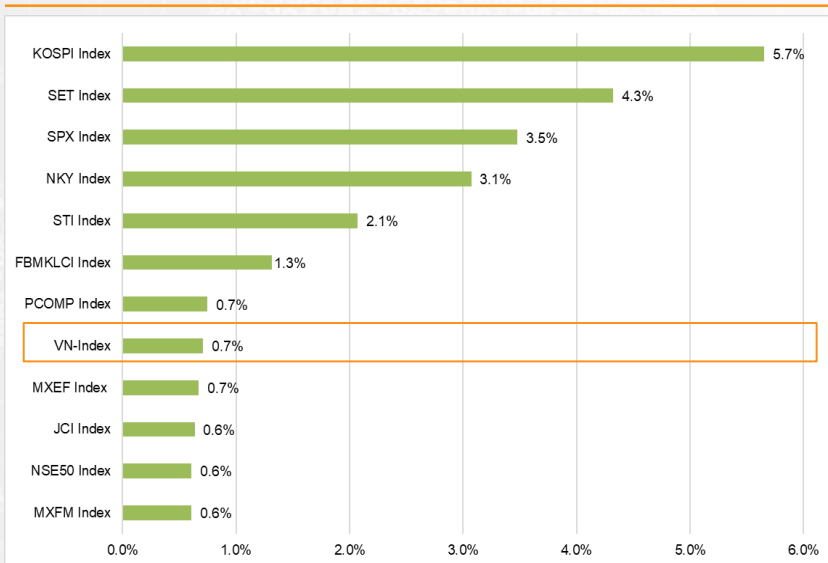


The VN-INDEX rose 0.7% month-to-date and 34.9% year-to-date

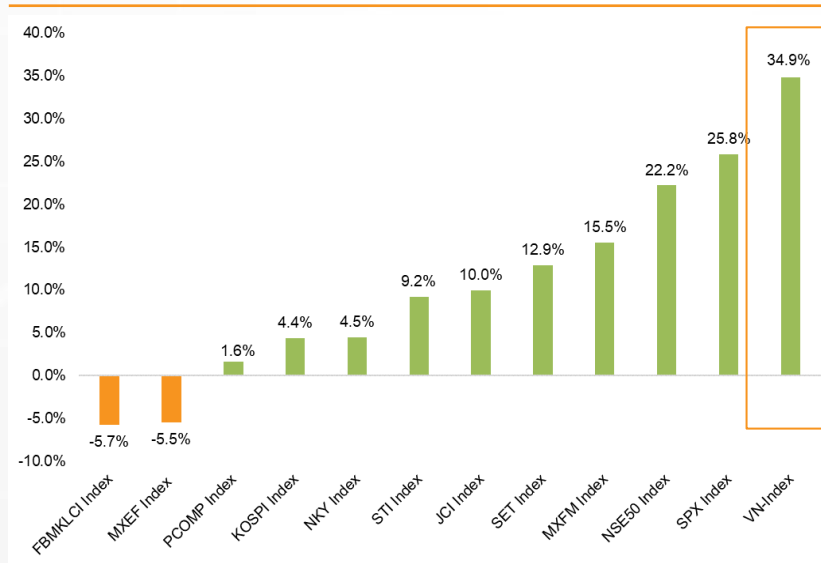


- Market sentiment had been negative in early of this month due to concern about new Omicron variant. The VN-INDEX dropped to the lowest level of 1,413.6 pts (-4.4% mtd). However, VN-INDEX soon rebounded strongly thanks to (1) the possibility of the new financial stimulus package being approved, and (2) high vaccination rate. At as 27 Dec 2021, VN-INDEX closed at 1,488.9pts, (+0.7% mtd, +34.9% ytd).
- Meanwhile, the HNX-INDEX and UPCOM-INDEX slid 1.9% mtd and 3.3% mtd, respectively. Since the beginning of 2021, the HNX-INDEX and UPCOM-INDEX rose by 121.3% ytd and 48.2% ytd, respectively.

## VN-INDEX underperformed peers in Southeast Asia in Dec (data as at 27/12/2021)



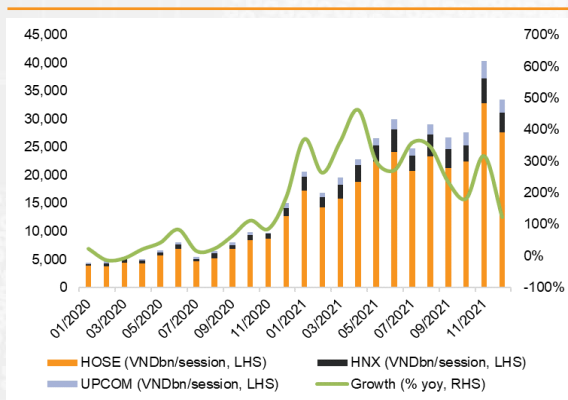
## ... and still among the best performers on the basis (data as at 27/12/2021)



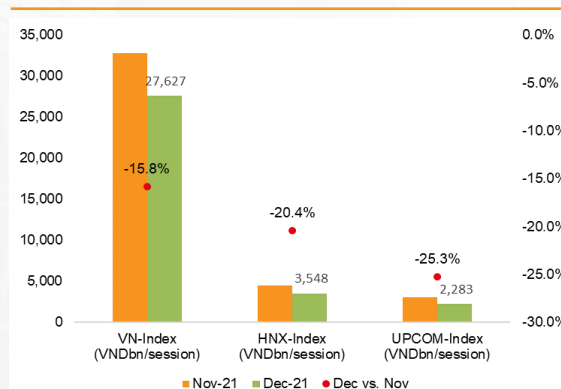
- The VN-INDEX rose 0.7% mtd in Dec, surpassing JCI Index (+0.6% mtd), and underperforming others Southeast Asian stock markets, including SET Index (+4.3% ytd), STI Index (+2.1% mtd), FBMKLCI Index (+1.3% mtd), and PCOMP Index (+0.7% mtd).



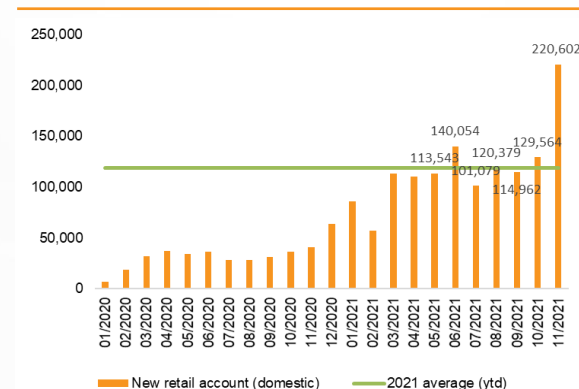
The daily average trading value dropped 17.1% mom in Dec 2021 (data on 27/12/2021)



Liquidity decreased on 3 main bourses (data on 27/12/2021)

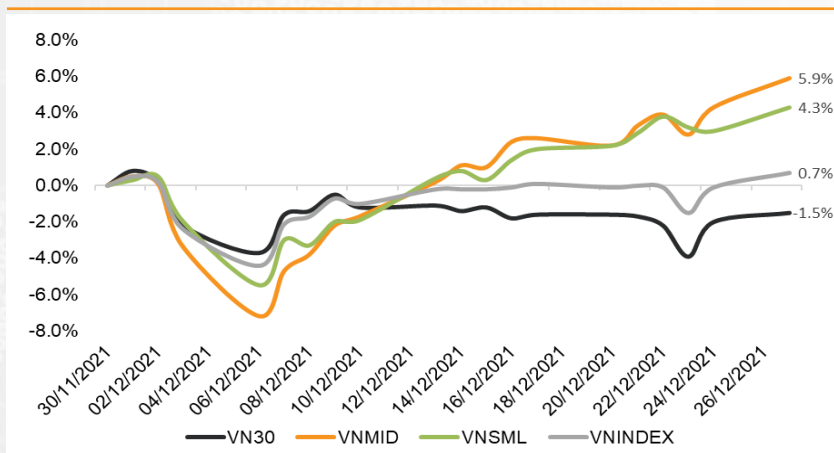


New opening accounts rose in Nov

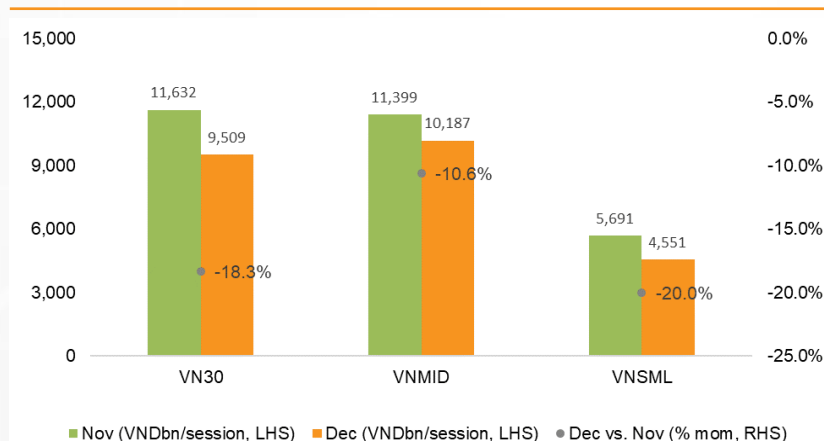


- Total liquidity in 3 main bourses decreased 17.1% (+122.4% yoy), mom from the remarkable peak in Nov to VND33,457bn/session of which the daily trading value on HOSE dropped to VND27,627bn/session (-15.8% mom) and the daily trading value on HNX down to VND3,548bn/session (-20.4% mom). Meanwhile, the daily trading value on UPCOM decreased 25.3% mom to VND2,283bn/session.
- Liquidity slumped as spread of new coronavirus variant-Omicron casted a shadow over economic recovery as well as rising profit-taking sentiment.

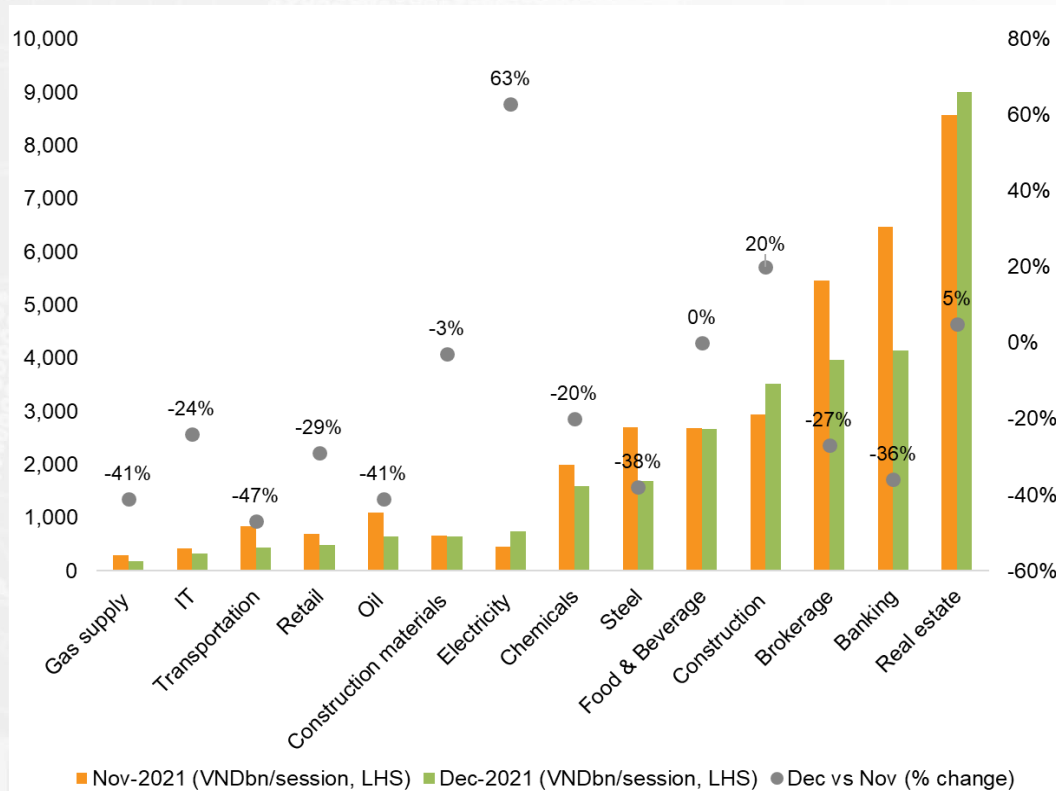
## VNMID outperformed in Dec (% mtd) (data on 27/12/2021)



## Money ran away from small caps the most (daily trading value by category) (data on 27/12/2021)

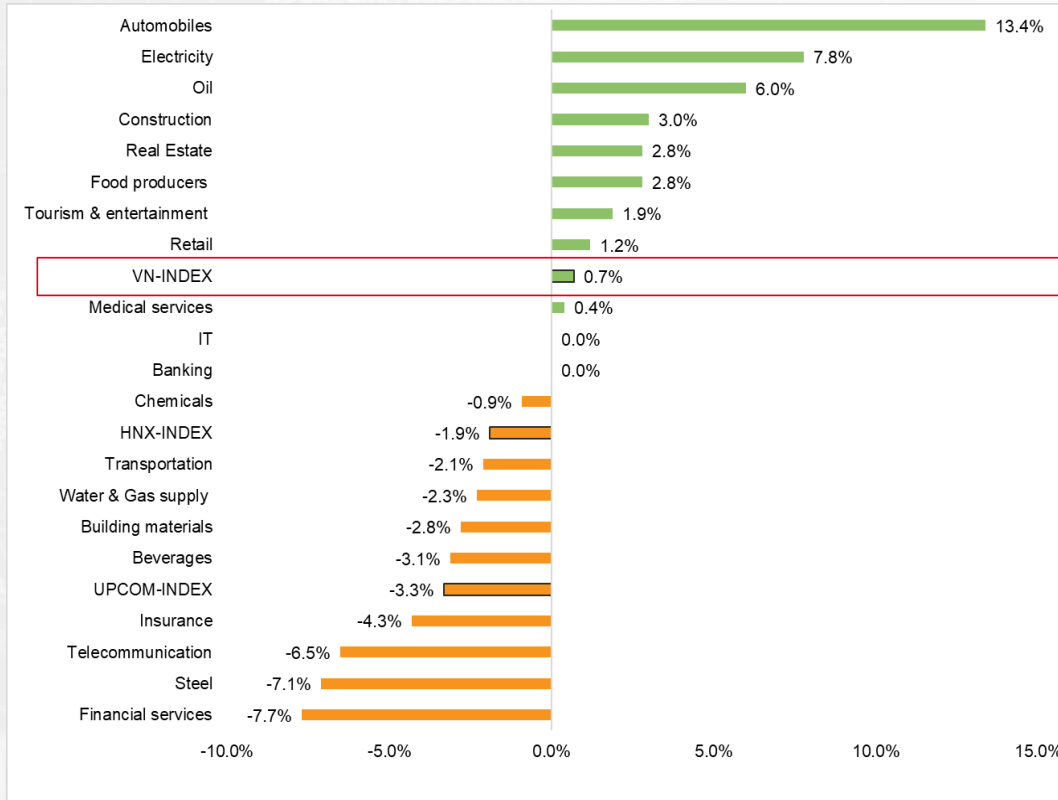


- Money ran away from small-cap stocks the most in Dec. Daily trading value of VNSML (representing small caps) declined 20.0% mom (after an increase of 39.5% mom in Nov), however, VNSML still recorded an increase of 4.3% mtd in Dec (data on 27/12/2021). Corresponding, money ran away from large caps and mid caps with daily liquidity declining 18.3% mom and 10.6% mom respectively in Dec.
- Despite daily trading value of VNMID fell 10.6% mom, VNMID (representing mid caps) Index still rose 5.9% mtd in Dec.
- Meanwhile, large caps underperformed the market with the VN30 falling 1.5% mtd in Dec (data on 27/12/2021)

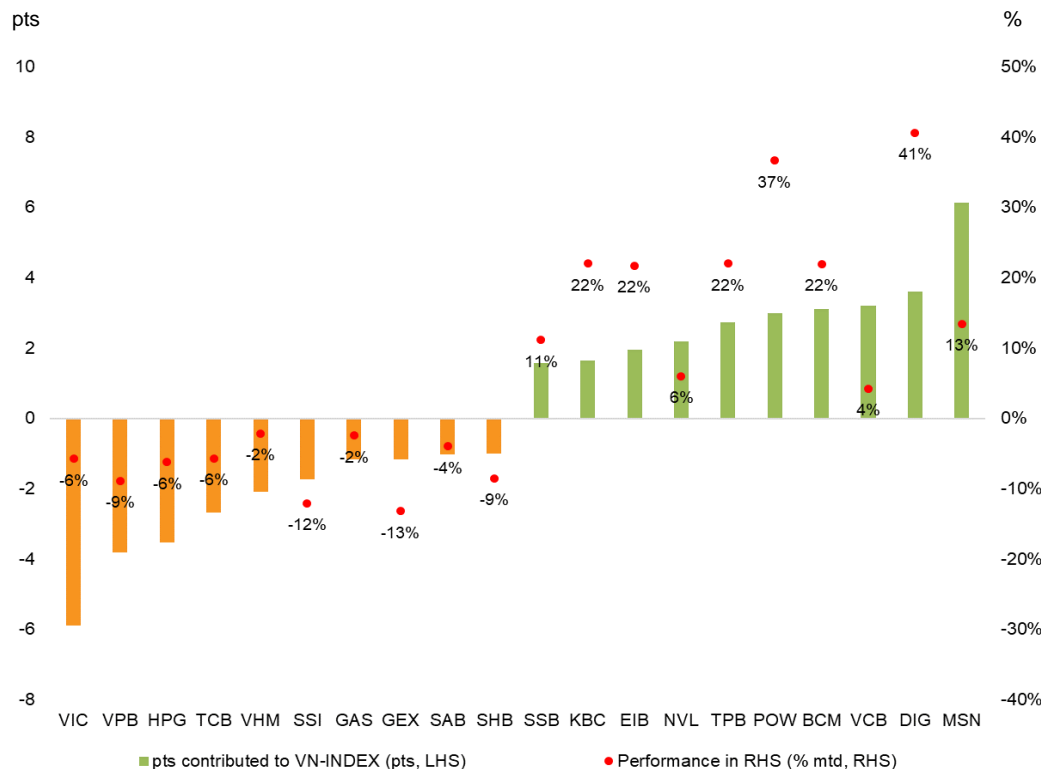


- Electricity, Construction, and Real estate lured money inflows in Dec (data on 27/12/2021).
- On the other hand, Banking, Brokerage, Steel, Chemicals, Construction materials, Oil, Retail, Transportation, IT and Gas supply witnessed money outflows in Dec (27/12/2021).



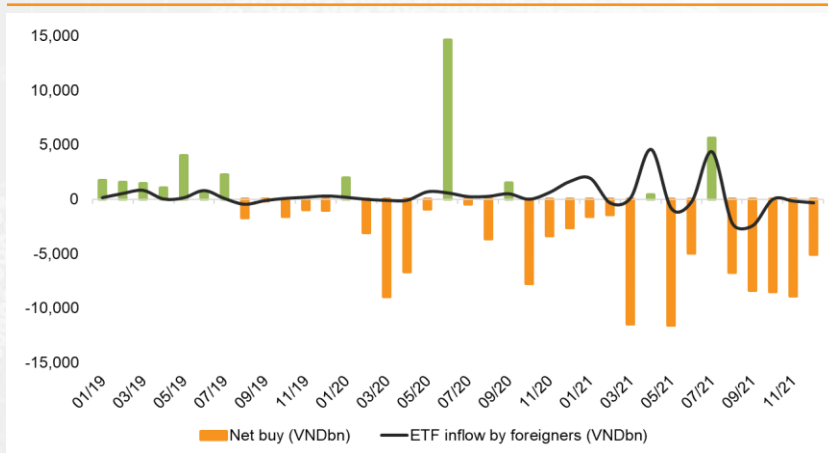


- Automobiles became the best industry performer in Dec 2021 thanks to a 50% discount on registration fees for buyers of locally assembled cars, recording an impressive increase of 13.4% mom. Other outstanding sectors in Dec included Electricity (+7.8%), Oil (+6.0% mom), Construction (+3.0%) and Real Estate (+2.8%).
- On the contrary, Financials Service and Steel sectors were the worst performers of Dec 2021, decreased 7.7% mom and 7.1% mom, respectively.

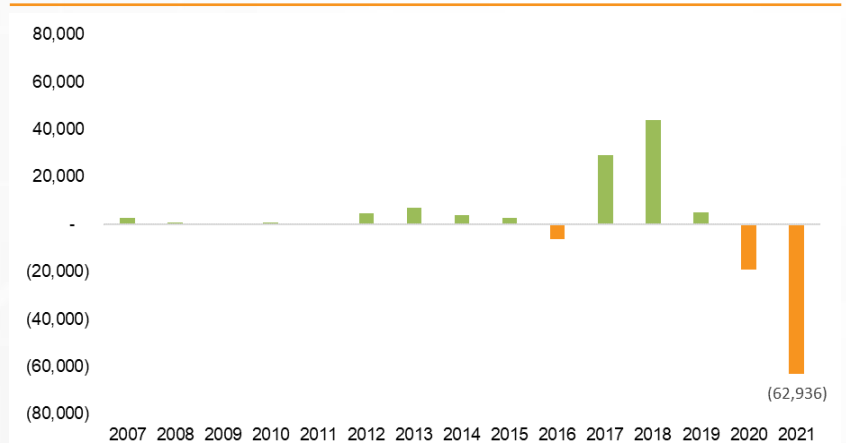


- MSN (+13.5% mtd) lent the most support to the VN-INDEX in Dec 2021, followed by DIG (+40.6% mtd), VCB (+4.2% mtd), BCM (+22.0% mtd) and POW (+36.7% mtd). Other top 10 index movers include TPB (+22.0% mtd), NVL (+6.0% mtd), EIB (+21.7% mtd), KBC (+22.0% mtd) and SSB (+11.1% mtd).
- On the contrary, VIC became the index's top laggard, recording a 5.7% decline since the beginning of Dec. Other laggards included VPB (-8.9% mtd), HPG (-6.2% mtd), TCB (-5.7% mtd) and VHM (-2.1% mtd). Other top 10 index laggard include SSI (-12.1% mtd), GAS (-2.4% mtd), GEX (-13.1% mtd), SAB (-4.0% mtd) and SHB (-8.5% mtd).

**Foreign investors net sold VND5,080bn in Dec (unit: VNDbn) (data on 27/12/2021)**



**Foreign investors net sold VND62,936bn in 2021 (unit: VNDbn) (data on 27/12/2021)**



- Foreign investors net sold VND5,080bn across 3 bourses in Dec 2021 (data on 27/12/2021), after net selling VND8,921bn in the previous month. For 2021, foreign investors net sold totaling VND62,936bn (vs. a net-selling value of VND19,310bn in the entire-2020).



## Foreign investors' strongest net buyers in Dec (US\$m, data on 27/12/2021)

Ticker	Net Bought	Bought	Sell
VHM	41.8	91.6	-49.8
VIC	29.3	98.7	-69.3
VRE	22.6	67.0	-44.4
CTG	21.1	44.0	-22.9
DGC	13.4	25.0	-11.5
VND	12.6	30.7	-18.0
VNM	12.6	53.0	-40.4
IDC	8.6	12.3	-3.7
VCI	8.2	18.6	-10.5
KDH	6.6	19.9	-13.3

## Foreign investors' strongest net sellers in Dec (US\$m, data on 27/12/2021)

Ticker	Net Sold	Bought	Sell
CEO	-68.6	0.4	-69.0
HPG	-63.0	65.0	-127.9
VPB	-59.4	0.0	-59.4
MSN	-32.6	20.4	-53.0
NVL	-21.1	20.0	-41.1
NLG	-18.9	8.2	-27.1
CII	-17.1	3.8	-20.9
DXG	-16.2	19.0	-35.2
GEX	-14.3	8.9	-23.2
TCH	-12.8	11.9	-24.7

## Foreign investors' strongest net buyers in 2021 (US\$m, data on 27/12/2021)

Tickers	Net bought	Bought	Sold
STB	197	1,280	-1,083
VHM	182	414	-232
MWG	67	595	-528
THD	50	75	-24
PLX	47	221	-174
TPB	42	90	-48
PDR	40	112	-72
OCB	32	124	-91
DHC	32	51	-19
DGC	28	60	-32

## Foreign investors' strongest net sellers in 2021 (US\$m, data on 27/12/2021)

Tickers	Net sold	Bought	Sold
HPG	-826	1,164	-1,990
VPB	-409	273	-682
VIC	-291	1,000	-1,291
VNM	-269	849	-1,118
CTG	-235	401	-637
SSI	-181	416	-597
NLG	-134	102	-236
MML	-105	8	-114
PAN	-103	586	-689
MSN	-87	14	-101

# Market overview

Jan 2022

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VNDIRECT

New year, new height

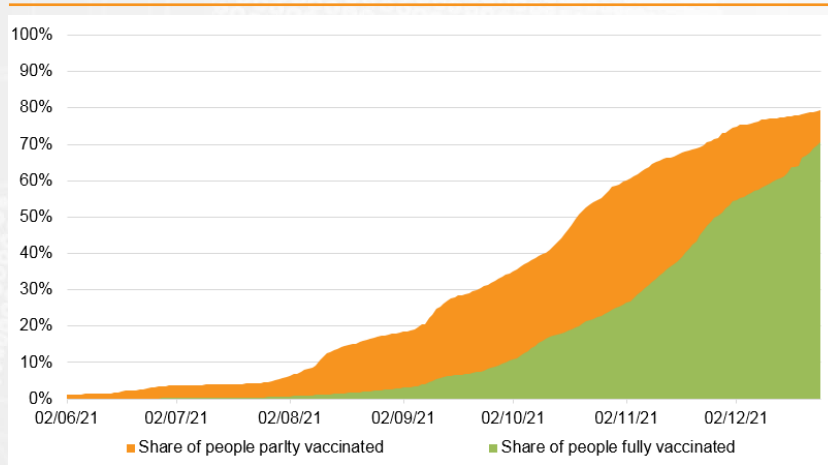




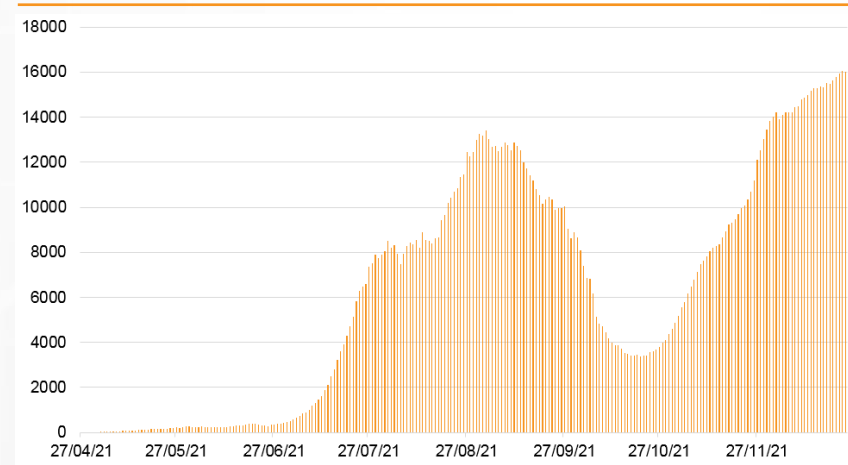


# Vietnam completed the goal of fully vaccinating at least 70% of the population against coronavirus

Vaccination rate climbed further (data on 26/12/2021)

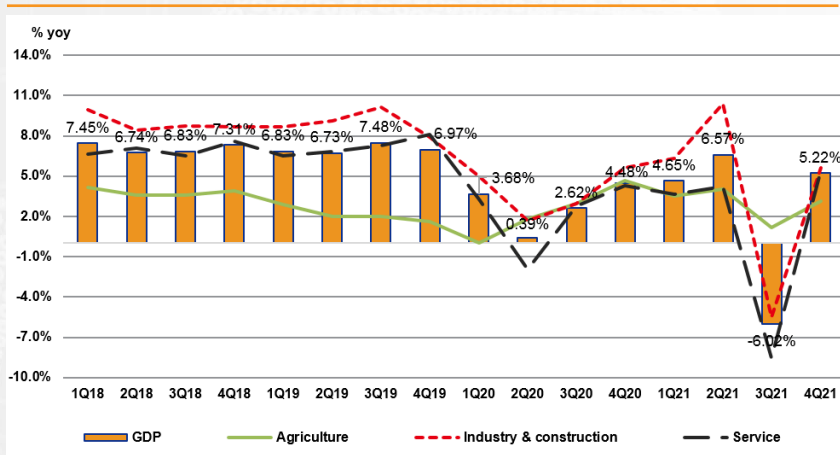


Daily new infections (data on 26/12/2021)

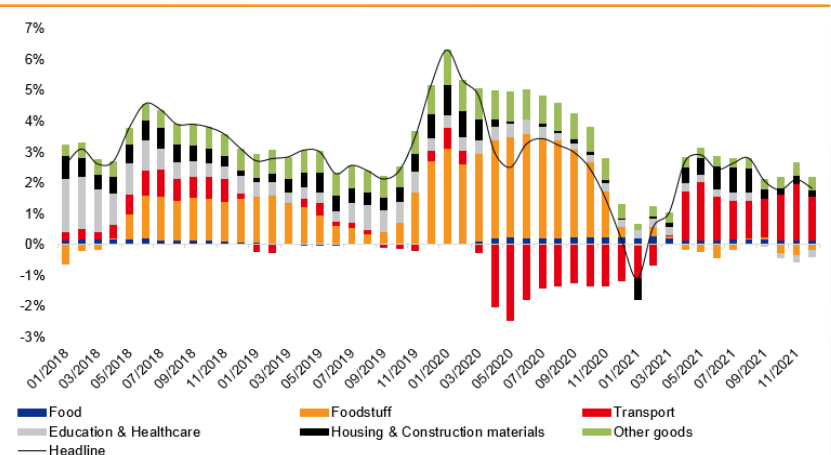


- Vietnam completed the goal of fully vaccinating at least 70% of the population against coronavirus. So far Vietnam has fully vaccinated around 70.5% of its population, while around 8.8% has been partially vaccinated.
- Daily new infections could peak in Jan 2022 before falling.
- The government will accelerate the reopening of Vietnam's economy, including aviation and tourism from the first quarter of 2022.

## V-shaped recovery

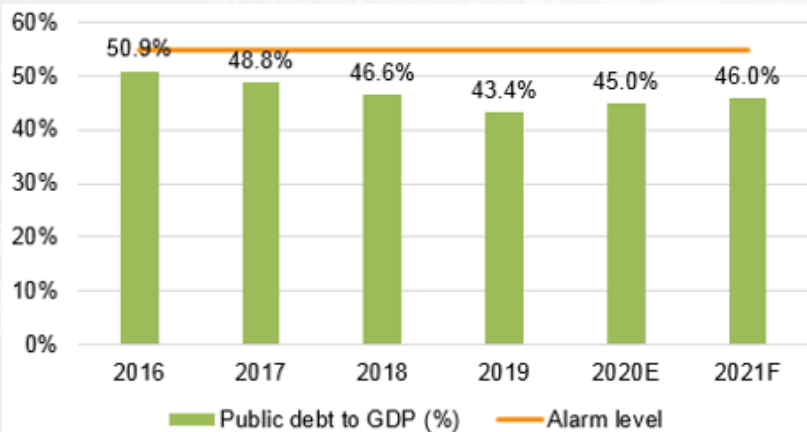


## CPI rose only 1.8% yoy in 2021, the lowest since 2016

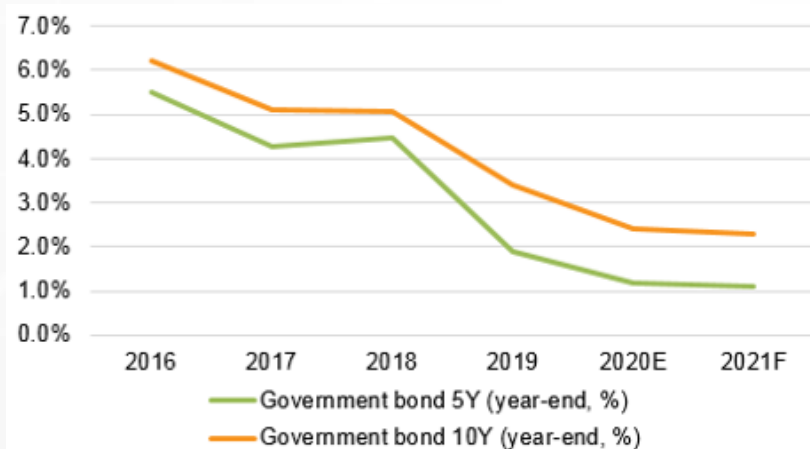


- GDP rose 5.2% yoy in 4Q21, which was better than we expected (we previously forecast 4Q21 GDP to increase 3.3% yoy) as all three pillars of the economy made a faster-than-expected recovery. The strong recovery of Vietnam's GDP in 4Q21 indicates the V-shaped recovery of the economy and strengthens the stock market sentiment.
- Fundamentals of the economy remained solid with CPI rising only 1.8% yoy in 2021, the lowest since 2016. Besides, Vietnam dong edged up 0.7% against the U.S. dollar as well as outperformed most regional currencies in 2021.

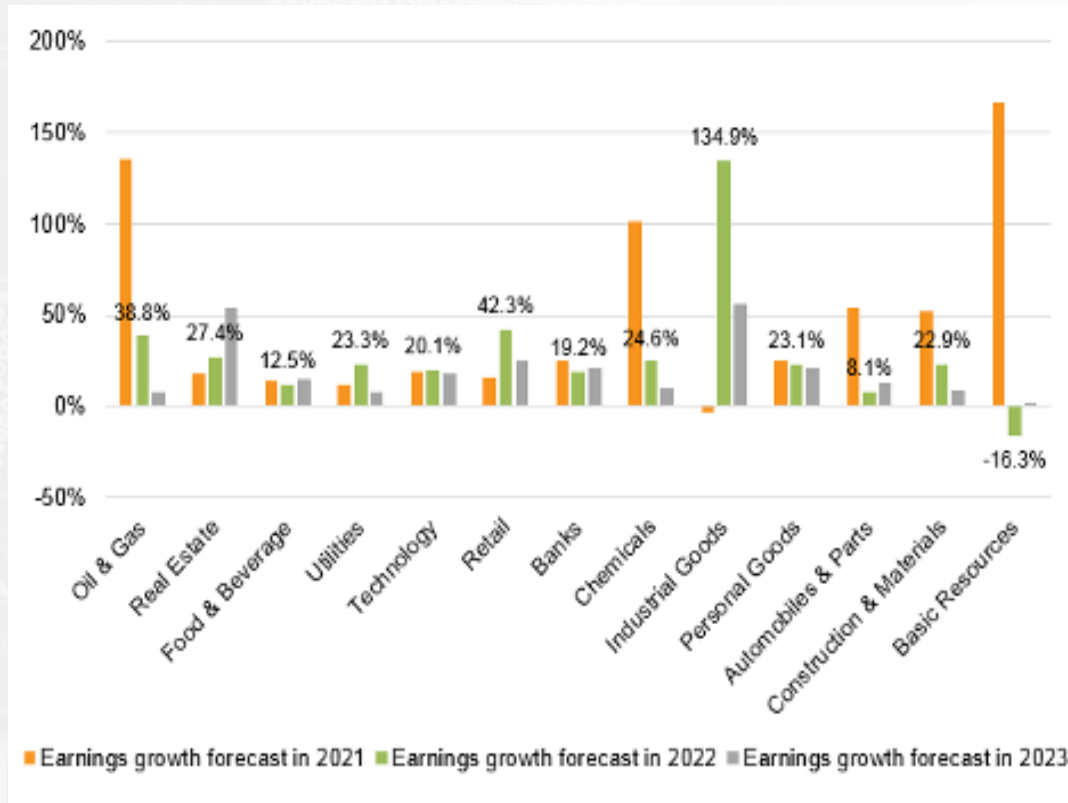
**Public debt ratio is still far lower than the alarm level (55% of GDP) and the public debt ceiling (60% of GDP)**



**Low government bond yields help the government reduce funding costs for economic support packages**

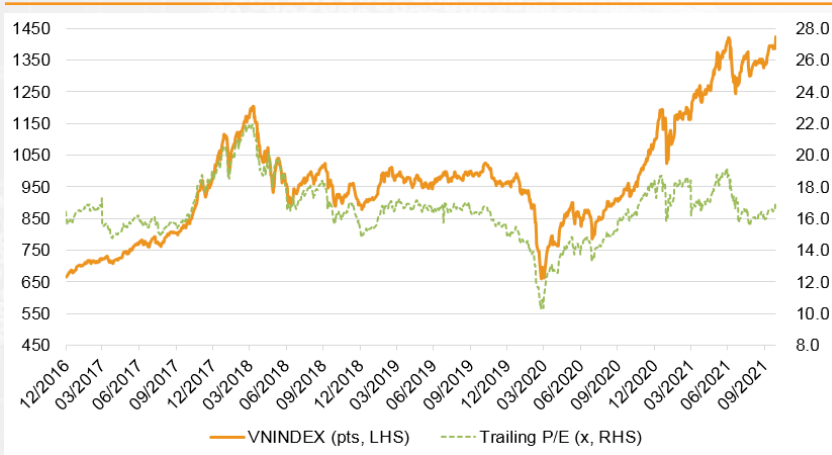


- We expect the stimulus package can be presented to the National Assembly and approved in the extraordinary National Assembly meeting from January 4 to January 11, 2022. The size of the new additional stimulus package could be at 4.2% of Vietnam's GDP in 2021.
- The stimulus package: cash subsidies for people negative-affected by the COVID-19 pandemic, an interest rate compensation package for businesses, tax reduction (value added tax, corporate income tax), increase investment in transport and energy infrastructure.
- Additional economic support packages will help accelerate the recovery of Vietnam's economy in 2022.

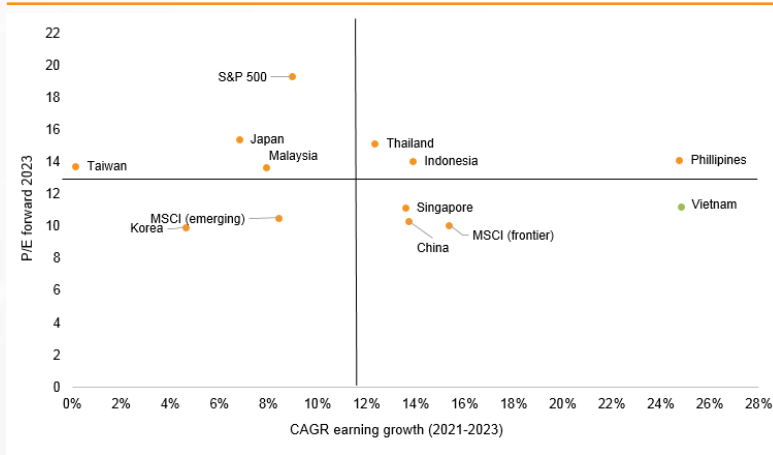


- We lifted 2021F EPS growth of listed companies on HOSE to 39% yoy, from a previous forecast of 26% yoy.
- For 2022F, we expect EPS growth of listed companies on HOSE to remain strong at 23% yoy. Some sectors could see strong improvement in earnings growth, including Industrial goods and Services, Retail and Real Estate while performance of Oil & Gas, Utilities and Technology remain relative strong.
- For 2023F, we forecast EPS growth of listed companies on HOSE at 19% yoy.

The current VN-INDEX's P/E is about 9% discount from its peak in Jun (as at 27/12/2021)



Vietnam stand out as markets which are cheap compared to their earnings FY21- 23 growth potential



- As at 27 Dec 2021, according to Bloomberg data, VN-Index was trading at 17.5x trailing 12-month P/E (TTM P/E), which is slightly above than the P/E of 17.3x at the beginning of 2021. We maintain our FY22/23 earnings growth of 23%/19% driven by strong recovery of export-oriented sectors and the bounce back of oil & gas and property. Thus, market valuation is still attractive, in our view, with FY2022 and FY2023 forward P/E being estimated at 13.9x and 11.8x, respectively (lower than 3-year historical average P/E of 16.1x).



- We expect that the VN-INDEX could surpass the 1,500-pt resistant level and trade in the range from 1,480-1,580 points during Jan 2022.
- Upside catalysts include higher-than-expected for 4Q21 earnings growth of listed companies.
- Potential downside risks to the market include the entry of the novel coronavirus variant “Omicron” into Vietnam which could accelerate the number of daily COVID-19 infections and potential stricter lockdown protocols to be adopted to prevent the spread of coronavirus.

SOURCE: VNDIRECT RESEARCH



## Themes

**#1: Commodity prices are expected to remain high next year**

**#2: Infrastructure development story will be back to center stage**

**#3: Increasing digitalisation in the 'new normal'**

**#4: The retake of service sector underpinned by domestic consumption**

## Sector picks

We expect some commodity prices (crude oil, sugar, yellow phosphorus...) to remain high next year as the disequilibrium in supply – demand takes time to address. Companies with high exposure on commodity prices could gain benefits from this trend, such as oil & gas and commodity-exporters.

Industrial park, seaport and energy infrastructure will take spotlight in the next two years. Companies with huge capacity expansion projects to capture demand growth in these areas will be the most beneficiaries.

Vietnam's digital economy has room to expand by 29% on a CAGR basis per annum from 2020 to 2025 to record US\$52bn by 2025, based on the aforementioned report's estimates.

We expect gross retail sales of consumer goods and services to increase 10-12% yoy in 2022F thanks to (1) a revival of tourism after international flights have been licensed for commercial purposes, (2) the government could release more stimulus packages to support economic recovery.

## Stock picks

**QNS, PVD, DGC**

**KBC, PHR, SZC, GMD, POW, NT2**

**FPT, VTP, and MWG**

**ACV, MWG, VRE, VNM**



Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
<b>HPG</b>	45,800	68,500	0.7%	50.3%	ADD	<a href="#">Link</a>
<b>VHM</b>	81,700	115,000	1.8%	42.6%	ADD	<a href="#">Link</a>
<b>VNM</b>	85,200	116,000	4.7%	40.9%	ADD	<a href="#">Link</a>
<b>PNJ</b>	93,200	128,200	1.9%	39.5%	ADD	<a href="#">Link</a>
<b>GAS</b>	97,000	130,800	3.7%	38.6%	ADD	<a href="#">Link</a>
<b>PTB</b>	98,700	129,700	3.2%	34.6%	ADD	<a href="#">Link</a>
<b>MWG</b>	134,400	180,500	0.0%	34.3%	ADD	<a href="#">Link</a>
<b>VTP</b>	72,300	95,300	2.1%	33.9%	ADD	<a href="#">Link</a>
<b>MCH</b>	114,000	146,800	3.8%	32.6%	ADD	<a href="#">Link</a>
<b>KDC</b>	54,500	69,800	3.0%	31.1%	ADD	<a href="#">Link</a>
<b>TCB</b>	49,100	64,100	0.0%	30.5%	ADD	<a href="#">Link</a>
<b>VPB</b>	34,750	44,800	0.0%	28.9%	ADD	<a href="#">Link</a>
<b>FPT</b>	93,600	118,500	2.1%	28.7%	ADD	<a href="#">Link</a>
<b>TPB</b>	41,350	52,000	0.0%	25.8%	ADD	<a href="#">Link</a>

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
<b>PLX</b>	54,000	64,900	5.4%	25.6%	ADD	<a href="#">Link</a>
<b>STK</b>	58,900	72,500	2.1%	25.2%	ADD	<a href="#">Link</a>
<b>ACB</b>	33,800	41,800	0.0%	23.7%	ADD	<a href="#">Link</a>
<b>PVT</b>	23,700	28,200	4.1%	23.1%	ADD	<a href="#">Link</a>
<b>CTG</b>	34,150	41,700	0.0%	22.1%	ADD	<a href="#">Link</a>
<b>MBB</b>	28,300	34,500	0.0%	21.9%	ADD	<a href="#">Link</a>
<b>PPC</b>	24,500	27,400	8.9%	20.7%	ADD	<a href="#">Link</a>
<b>VRE</b>	30,550	36,600	0.0%	19.8%	ADD	<a href="#">Link</a>
<b>PVS</b>	27,000	31,200	3.9%	19.5%	ADD	<a href="#">Link</a>
<b>NT2</b>	26,200	29,200	7.6%	19.0%	ADD	<a href="#">Link</a>
<b>GMD</b>	45,950	52,700	3.6%	18.3%	HOLD	<a href="#">Link</a>
<b>SCS</b>	151,900	170,700	5.8%	18.1%	ADD	<a href="#">Link</a>
<b>VCB</b>	79,500	93,000	0.0%	17.0%	ADD	<a href="#">Link</a>
<b>BCG</b>	24,750	27,800	3.2%	15.6%	ADD	<a href="#">Link</a>

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation	Latest report
<b>LPB</b>	22,250	25,700	0.0%	15.5%	HOLD	<a href="#">Link</a>
<b>PHR</b>	70,800	77,100	4.0%	12.9%	HOLD	<a href="#">Link</a>
<b>VHC</b>	63,500	69,500	3.2%	12.6%	HOLD	<a href="#">Link</a>
<b>PHP</b>	26,800	29,200	2.1%	11.0%	ADD	<a href="#">Link</a>
<b>VJC</b>	125,200	138,900	0.0%	10.9%	ADD	<a href="#">Link</a>
<b>PVD</b>	30,100	32,800	0.0%	9.0%	ADD	<a href="#">Link</a>
<b>MML</b>	77,000	81,400	0.0%	5.7%	HOLD	<a href="#">Link</a>
<b>ACV</b>	82,100	86,400	0.0%	5.2%	ADD	<a href="#">Link</a>
<b>VIB</b>	44,100	46,400	0.0%	5.2%	ADD	<a href="#">Link</a>
<b>KDH</b>	53,000	54,800	0.9%	4.3%	ADD	<a href="#">Link</a>
<b>NVL</b>	87,000	82,200	0.0%	-5.5%	HOLD	<a href="#">Link</a>
<b>KBC</b>	60,500	56,100	0.0%	-7.3%	HOLD	<a href="#">Link</a>

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Stock Ratings	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.
<i>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.</i>	
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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