



# Market Strategy

## May 2023

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**LOOK FOR GROWTH  
ENGINES**



## Executive summary

**VN-INDEX closed at 1,041.4pts (-2,2% mtd, +3,4% ytd) on April 24 2023.** We believe that the decrease could come from the following reasons: (1) Investor sentiment was cautious due to 1Q23 disappointing earnings results, (2) Vietnam's PMI fell to 47.7pts in March 2023, indicating a contraction in the manufacturing sector and a gloomy view of economic growth, (3) foreign investors returned to net sold of VND1,210bn in April 2023 (vs a net bought of VND3,037bn in March).

**U.S. inflation cooled down, Fed may stop raising interest rates after the meeting in May.** The market now expects no more policy rate hikes in 2023 and FED will cut rates as early as the second half of 2023 due to the possibility of a recession. Therefore, we expect the SBV to continue to lower the policy rates in the second half of 2023.

**We expect more policies to be issued to remove constraints for business growth.** Circulars 02 and 03, issued on April 23, 2023 provide banks with a legal framework to restructure debt and support liquidity for the corporate bond market. At the same time, the Government has just issued Decree 12/2023/ND-CP, which is effective from April 14, 2023, allowing an extension of tax payment time for some types of taxes.

**The SBV may continue to lower the policy rates in the second half of 2023.** As the risk of a recession in the US economy is increasing, the market expects the FED to stop raising the policy rates after the meeting in May and to cut the rates in the second half of 2023. In this case, the pressure on the exchange rate and domestic interest rates will continue to cool down. The SBV may consider reducing the policy rates further, including refinancing rates, the maximum interest rate for deposits in VND with terms of less than 6 months, etc., by 50 basis points in the second half of 2023 (highly to happen in 3Q23).

**The market's correction opens up good opportunities to buy and hold value stocks for the long term.** We believe the disappointing 1Q23 earning results have been reflected in the recent slump. We expect the recently issued policies, such as Circular 02-03 or Decree 12/2023/ND-CP, will help improve investor sentiment and capital inflow to the stock market. The 1,000-1,030pts range will be strong support for the VN-INDEX, in our opinion. If the index falls to this range, it will open up an attractive opportunity to buy and hold stocks for the long term. Upside catalysts include (1) a more dovish monetary policy from FED and (2) the soon-to-be-issued policies such as the revised Circular 16 or the Resolution on VAT reduction. On the contrary, the downside catalyst is a possible recession in the US and Europe.

**The market strategy includes: the story of public investment, improving outlook of the baking sector thanks to recently issued policies and strong earnings growth of selected stocks.** Our high-conviction stocks for May are: **MBB, PC1, PVD, SZC, TCB and VRE.**

Expect positive effects from a series of policies being enacted

## Macro outlook

May 2023



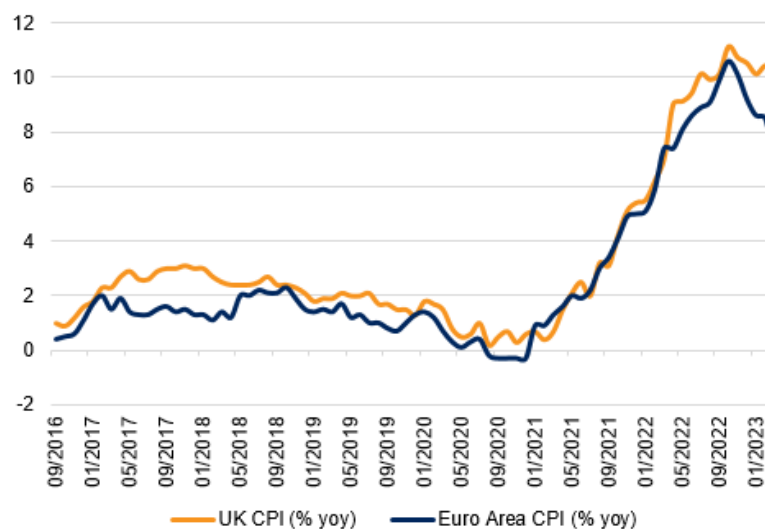
## Recession risk in some developed economies...

The recent banking crisis in the US and Europe has increased the risk of recession in some developed countries

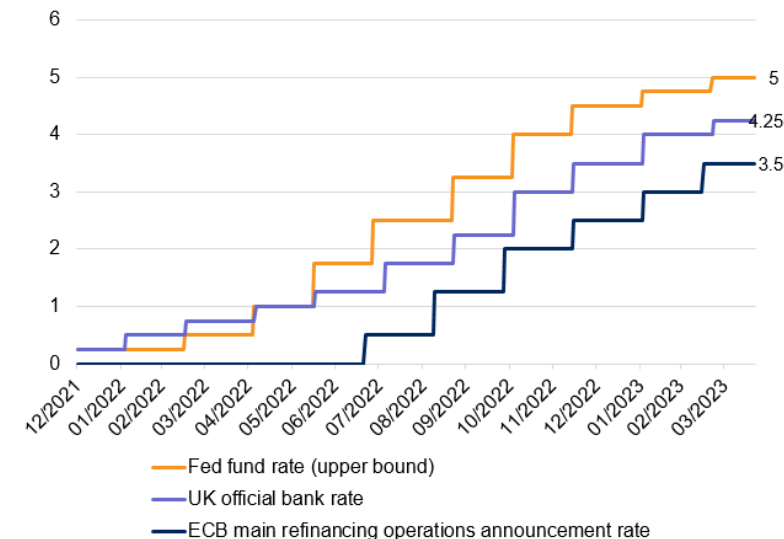
**The probability of a recession in the US increased to 57.8% in March (data as at 03/04/23)**



**Inflation in the UK and the Europe has cooled down but still stands at a very high level compared to the target range**



**Central banks hiked policy rates to contain the surge of inflation (%)**

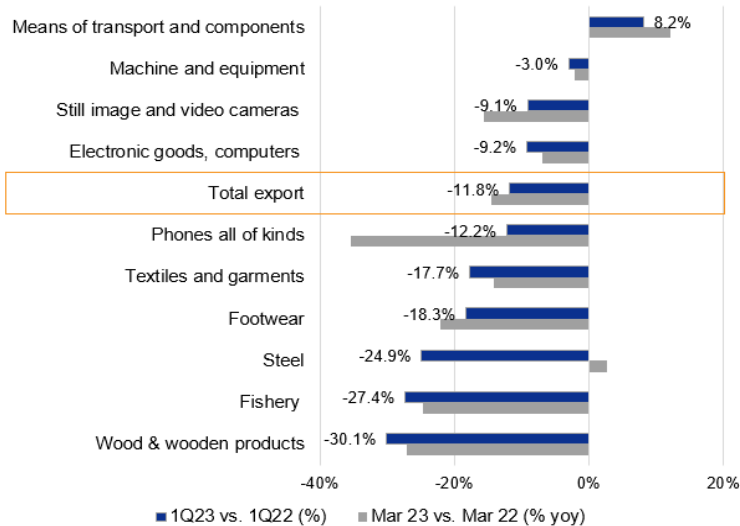


- According to the Federal Reserve Bank of New York, probability of the U.S. recession stood at 57.8% (data as of Mar-23), up from 54.5% at the end of Feb-23 (before the banking crisis). Moreover, Fidelity (a global leading investment institution) rose the recession probability of the U.S. economy to 95% from a previous forecast of 55%. The gloomy outlook of the U.S. economy has damaged Vietnam's manufacturing and export activities, as the export turnover to the US only reached US\$23.7bn (-21% yoy) in 1Q23.
- At the same time, the European economy is also struggling with high inflation, forcing central banks to continue raising interest rates in the coming months. The high-interest rates and tight financial conditions have hurt business expansion and consumer spending.

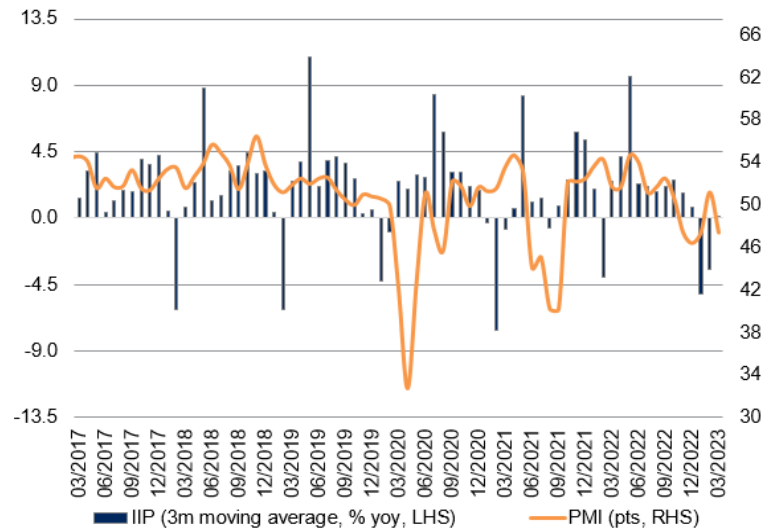


## ...contracted the growth outlook in Vietnam's export and manufacturing industry in the coming quarters

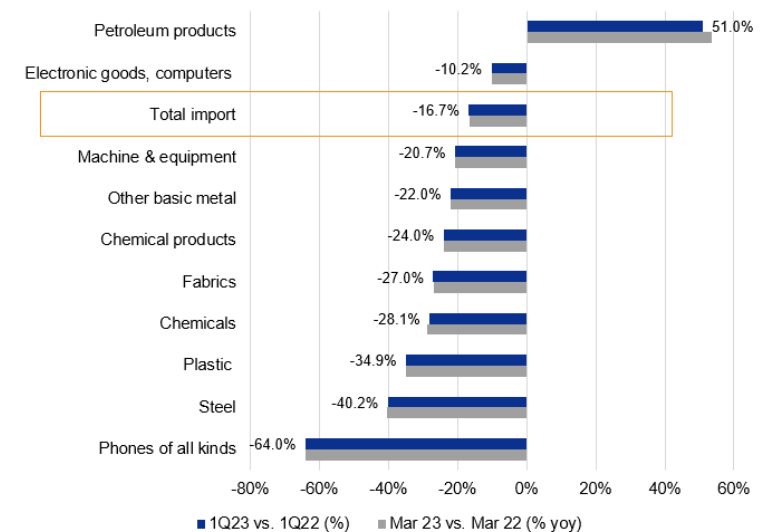
### Export reduced 11.8% yoy in 1Q23 due to lower external orders



### PMI fell to 47.4pts in Mar 2023, indicating a contraction in manufacturing sector



### Decrease in import shown a declining trend in manufacturing sector

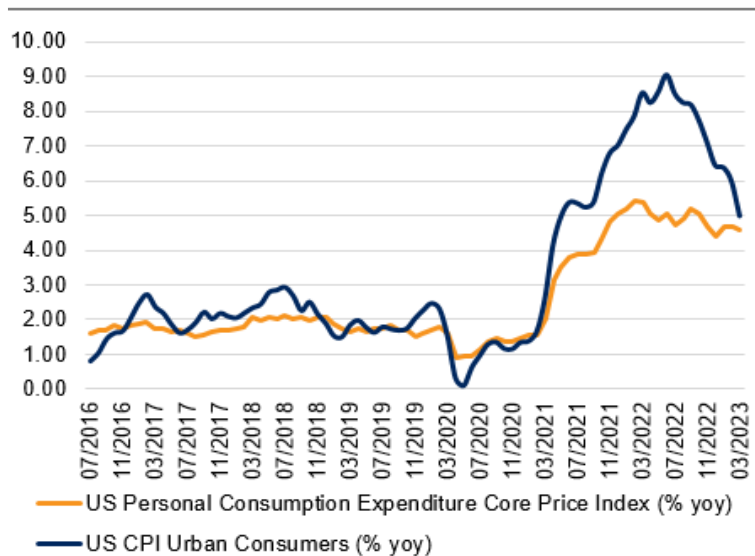


- In the context of increasing recession risk in many developed countries and lower-than-expected export turnover in 1Q23, we reduce Vietnam's export growth forecast in 2023F to -2% yoy, lower than the average growth of 15% yoy in 2021-22. Exports are likely to recover slightly in the 2H23 thanks to the 2H22 low base and strong recovery of Chinese demand after the economy reopens.
- We revise down our 2023F GDP growth to 5.5% (+/-0.3% pts) from our previous forecast of 6.2%. For 2Q23F, we expect Vietnam's economy to grow by 4.5% yoy.

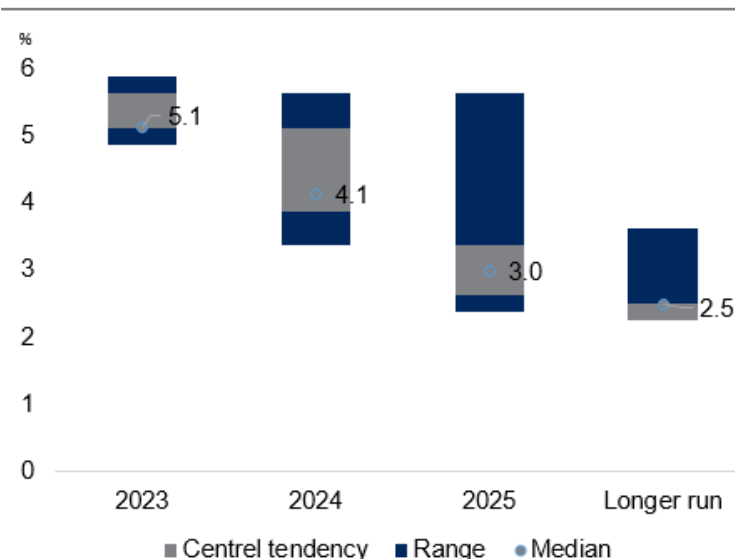
## U.S. inflation cooled down, FED may stop raising interest rates after the meeting in May

The US. Federal Reserve (FED) raised its policy rate by 25 basis points at its last meeting

### US CPI fell to 5% in Mar-23



### FED's forecast update in Mar-23 meeting suggested another rate hike is possible this year (%)



### The market predicts that the Fed will raise interest rates by 25 basis pts at the next meeting and cut interest rates soon in 2H23

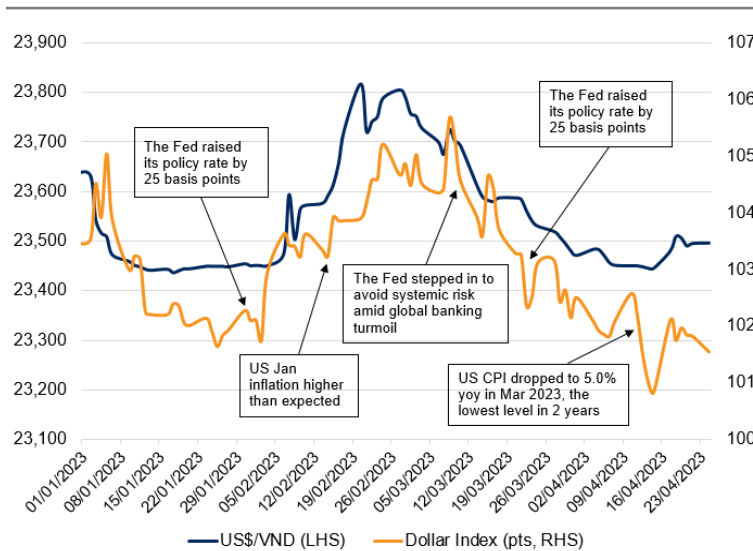
MEETING DATE	MEETING PROBABILITIES													
	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
5/3/2023							0.0%	0.0%	0.0%	0.0%	0.0%	28.3%	71.7%	0.0%
6/14/2023		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.4%	62.7%	14.9%
7/26/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.9%	34.9%	47.9%	10.3%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	25.1%	43.3%	23.4%	3.6%
11/11/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	21.8%	40.4%	26.6%	6.8%	0.6%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.7%	21.4%	40.0%	26.9%	7.2%	0.7%	0.0%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	20.7%	39.3%	27.4%	8.0%	1.0%	0.0%	0.0%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	3.5%	20.6%	39.1%	27.5%	8.2%	1.0%	0.0%	0.0%	0.0%
5/1/2024	0.0%	0.0%	0.0%	0.7%	6.7%	24.1%	36.9%	23.9%	6.8%	0.8%	0.0%	0.0%	0.0%	0.0%
6/19/2024	0.0%	0.0%	0.4%	4.0%	16.4%	31.2%	29.7%	14.4%	3.5%	0.4%	0.0%	0.0%	0.0%	0.0%
7/31/2024	0.0%	0.3%	3.4%	14.1%	28.5%	30.0%	17.2%	5.5%	1.0%	0.1%	0.0%	0.0%	0.0%	0.0%
9/25/2024	0.2%	2.4%	10.9%	24.2%	29.5%	21.0%	9.0%	2.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%

- During its Mar meeting, FED unanimously decided to raise the target range for the Federal funds rate to between 4.75% and 5%. FED's tone was less hawkish. Notable changes include the move from "ongoing increases" to policy rates to "some additional firming". FED said it was open to the possibility of one more rate hike and no interest rate cut in 2023.
- However, the market forecast is somewhat more aggressive on easing than FED's view. Specifically, the market now expects no more policy rate hike after the meeting in May and FED will cut rates as early as the second half of 2023 due to the possibility of a recession in the US economy.

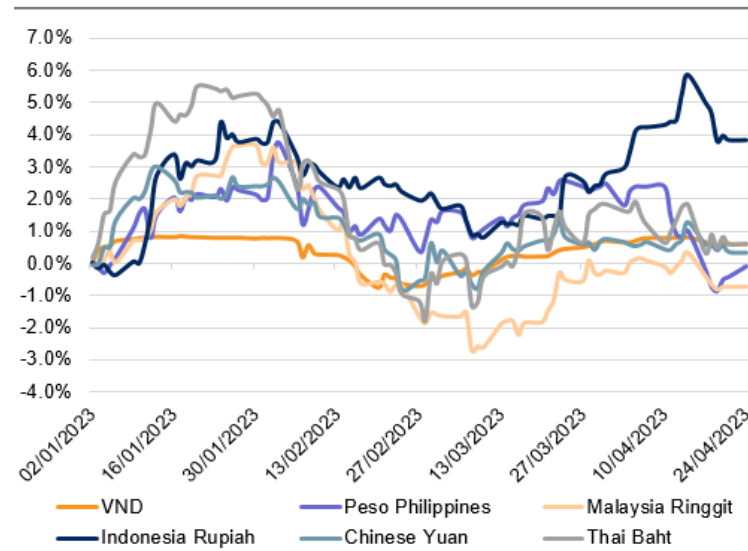
## The weakening USD eased the pressure on the VND exchange rate

DXY slumped due to FED being more dovish on monetary policy after the recent crisis in the banking industry

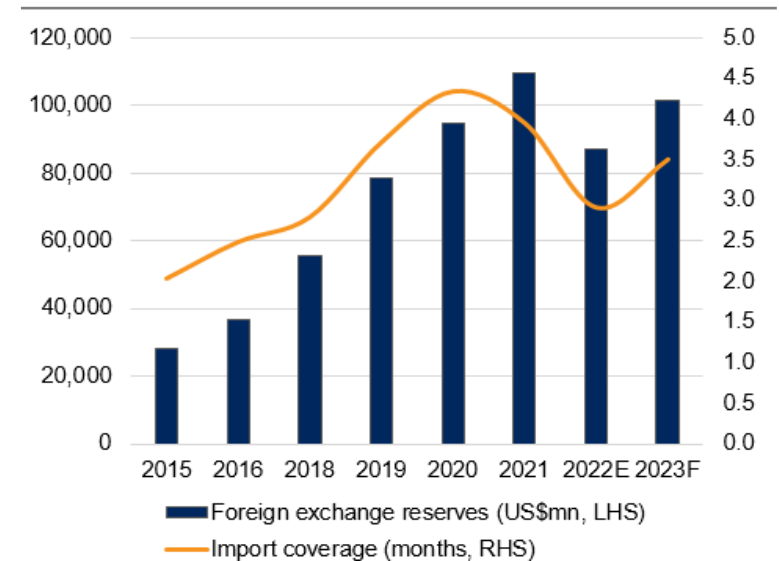
**DXY and US\$/VND movements from the beginning of 2023**



**Regional currencies against the US\$ (+/- % ytd)**



**We expect Vietnam's FX reserves to recover significantly in 2023**

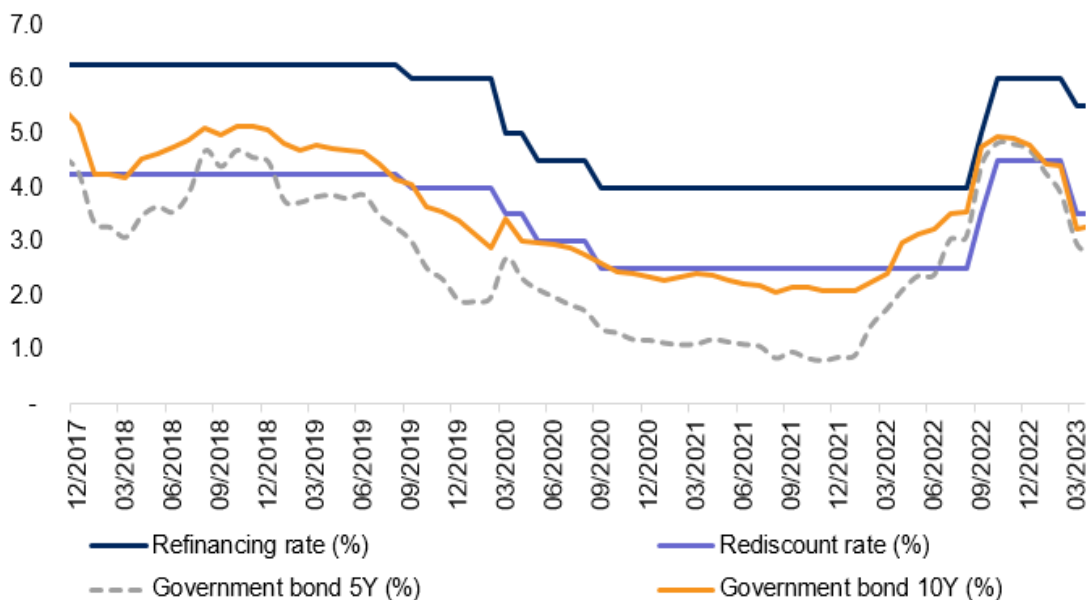


- As of April 24, 2023, DXY fell to 101.5pts, down 2.0% before the Silicon Valley Bank (SVB) crash. The softer DXY has brought the US\$/VND down 0.6% ytd to 23,496. Thanks to lower exchange rate pressure, the SBV has increased foreign exchange reserves by US\$6bn since the beginning of 2023, lifting the total foreign exchange reserves to about US\$92-93bn.
- We see downward pressure on the US\$/VND exchange rate in 2Q23F and expect the US\$/VND exchange rate to fluctuate between 23,400-23,700 in 2Q23F, as Fed could issue more dovish messages on monetary policy at its next meeting in May 23 due to the increased possibility of a recession.

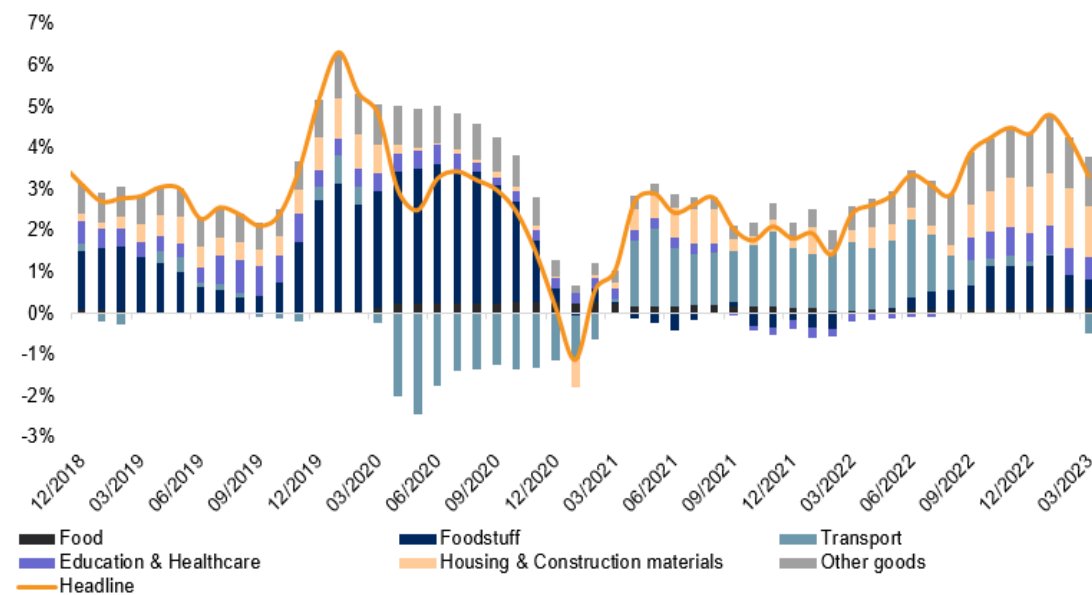
## SBV may continue to lower the policy rates in 2H23

The SBV may consider reducing the policy rates further, including refinancing rates, the maximum interest rate for deposits in VND with terms of less than 6 months, etc., by 50 basis points in the 2H23

### The SBV cut its policy interest rates twice in Mar 2023



### Inflation rate continued to cool down in Mar 2023



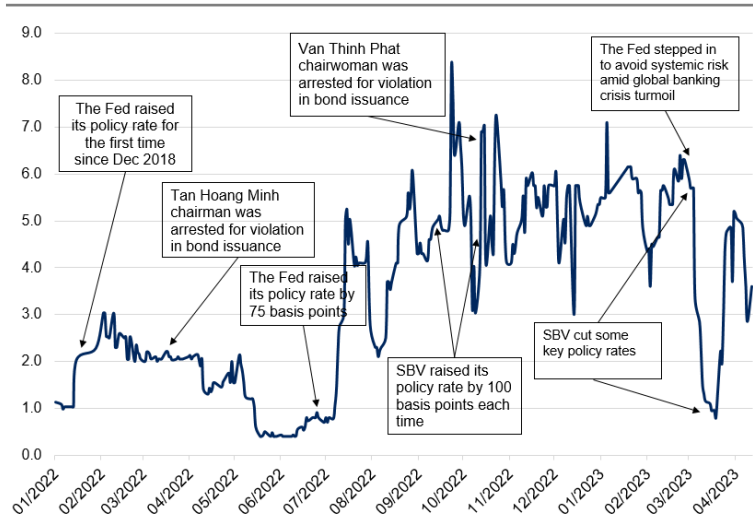
- In Mar-23, the SBV had two reductions in its policy interest rates, which marks a reversal in the domestic monetary policy.
- **The SBV may continue to lower the policy rates in the 2H23.** As the risk of a recession in the US economy is increasing, the market expects the FED to stop raising the policy rates after the meeting in May and to cut the rates in the 2H23. In this case, the pressure on the exchange rate and domestic interest rates will continue to cool down. The SBV may consider reducing the policy rates further, including refinancing rates, the maximum interest rate for deposits in VND with terms of less than 6 months, etc., by 50 basis points in 2H23



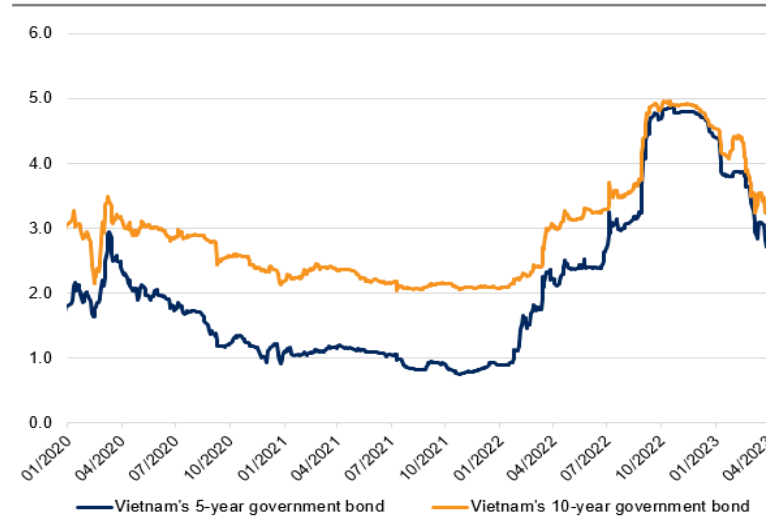
## Vietnam money market outlook: Domestic interest rates declined markedly

Deposit rates of private banks declined further in April 2023, while those of state-owned banks stayed flat.

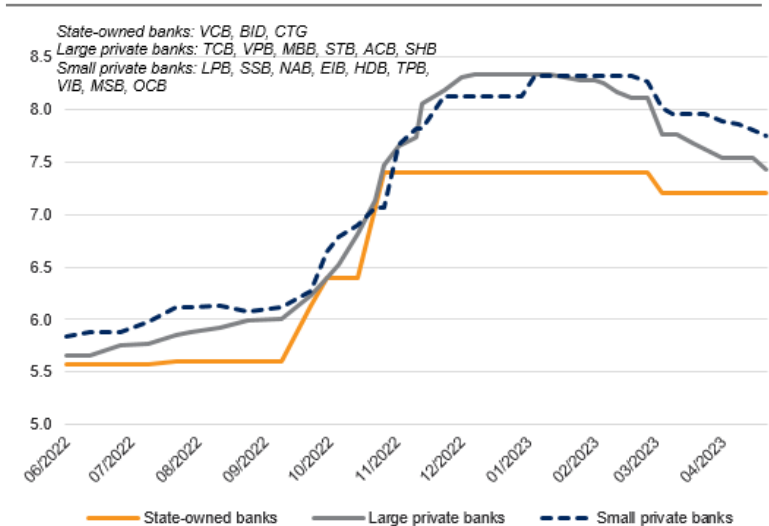
### Interbank overnight interest rate fell sharply after SBV's move to cut some policy rates



### Vietnam's government bond yield dropped significantly since the beginning of 2023



### The deposit interest rates declined remarkably in April 23 (Unit: %)



- Specifically, the average 3-month and 12-month deposit interest rate of commercial banks has decreased 51 basis points and 19 basis points, respectively. Since the beginning of 2023, the average and 12-month deposit interest rate of commercial banks has declined by nearly 50 basis points compared to the peak in Jan 23.
- We expect the 12-month deposit interest rate to drop to 7.0% in 2023F, based on the following reasons: (1) weak lending demand due to economic slowdown and murky residential property market, (2) the government promotes public investment thereby injecting more money into the economy, and (3) SBV can reduce other policy rates if FED reverses its money policy in the 2H23.

## Circular 02-03 has a positive impact on people, businesses and the banking industry

Circulars 02 and 03 provided a legal framework to restructure debt for retail customers and enterprises who have difficulties repaying loan, as well as restructure the corporate bond market, which support recovering business activities and domestic consumer demand.

Circular/Draft	Description	Effects on banks
<p>Circular 02/2023</p> <p>To guide credit institutions to review and reschedule principal/interest payments or maintaining debt group for customers who are (1) facing difficulties in running businesses and (2) losing demand for consumer loans</p>	<p>(1) The extension the restructuring program by additional 6 months (to 30 June 2024, instead of 31 Dec 2023 as presented in the draft). The structured amount should be no-more-than-10-days overdue</p> <p>(2) Rule for booking provisions</p> <ul style="list-style-type: none"> <li>- A: provisioning expenses as normal</li> <li>- B: provisioning expenses if maintaining debt group</li> <li>- C: Additional amount to book provision = A - B</li> <li>- Then C would be divided by...</li> </ul> <p>Until the end of 2023: at least 50% C Until the end of 2024: 100% C</p>	<p>- Besides business loans, banks are also allowed to restructure debt for consumer loans - a segment which has been hurt by the current high interest rate environment along with a lower disposable income.</p> <p>- The additional 6 months will enhance the effectiveness of this Circular, as it needs time for banks and corporates to get use to the new rule and execute it.</p> <p>- The pressure to build up provisions will be eased as banks can re-arrange their provisioning expenses within 2 years (2023 and 2024).</p> <p>- Investor's sentiment will be improved with banks having great exposure to property and consumer finance in credit book, like VPB, TCB, MBB...; as these banks are having to deal with a higher-than-peers credit-cost rate due to their rising credit risk and weakening asset quality, compared to other "safe" banks in the current circumstance.</p>
<p>Circular 03/2023</p> <p>To postpone Article 11 Clause 4 Circular 16, which means banks are still be able to buy back the unlisted corporate bond sold/distributed by them with several conditions</p>	<p>- The Part 11 Clause 4 Circular 16/2021 will be delayed from Apr-24-2023 until the end of the year</p> <p>- Conditions:</p> <ol style="list-style-type: none"> <li>(1) The bonds buy back are the same bonds that banks sold before, or the same issued batch</li> <li>(2) Buyers of these bonds had paid in full for the bonds at the time the banks sold to them</li> <li>(3) Issuers of these bonds have highest credit rating (internal rating by the banks) at the time banks buy back</li> </ol>	<p>- It is one of the way for banks to accelerate their lending activities via buying CB in the context of weak system credit growth (+2.06% ytd in 1Q23) and abundant liquidity among banking system.</p> <p>- This Circular will help boost CB demand and thus benefit for some active plays in CB market like TCB, VPB, MBB... However, it also depends on each bank's risk appetite, as banks prefer strengthening their balance sheet rather than chasing after growth.</p> <p>- The following conditions will partially protect banks from any possible credit/asset quality risks.</p>
<p>Draft to adjust Circular 41/2016 is about to change the risk factor of risk-weighted assets – focusing more on "social housing" programme</p>	<ul style="list-style-type: none"> <li>- Risk factor for property developers will be unchanged at 200%; however it will be decreased to 160% if it is used for industrial property loans</li> <li>- For social housing group, the risk factor will be recalculate based on their LTV and DSC ratio</li> </ul>	<p>- The draft to adjust Circular 41/2016 aims to lower the risk factor of industrial property loans and loans to social housing, in general, pointing out that loans to those segments are encouraged. This action is strictly following the guidance in Resolution 33/2023 (about the credit package of VND120tr).</p> <p>- The stated-owned banks (SOCBs) like VCB, CTG, BID will take their advantage if this draft is officially approved. This is also a solution to boost SOCBs' credit growth in the context of their softer NIM (when the interest rate trend shows signs of reversal, SOCBs' lending rates will likely to decline faster than the deposit rate, as SOCBs still have to obey the Government's call on lowering interest rate to support businesses.</p>

## Government issued fiscal policies to boost the business activities and domestic consumer demand

Legislative documents	Taxes	Terms & conditions
Decree No. 12/2023/ND-CP extending deadlines for tax payments and land rental fees in 2023	For value-added tax (VAT)	<ul style="list-style-type: none"> <li>-The deadline for payment of VAT for the tax period of Mar 2023 is Oct 20, 2023</li> <li>- The deadline for payment for the tax period of the first quarter of 2023 is Oct 31, 2023</li> <li>- The deadline for payment for the tax period of Apr 2023 is Nov 20, 2023</li> <li>- The deadline for payment for the tax period of May 2023, Jun 2023, Jul 2023 and Aug 2023 is Dec 20, 2023</li> <li>- The deadline for payment for the tax period of the second quarter of 2023 is Dec 31, 2023</li> </ul>
	For corporate income tax (CIT)	The deadline for payment of CIT for the tax period of the first and second quarters of 2023: The extended duration is 3 months from the deadline for CIT payment
	For value-added tax (VAT) and personal income tax (PIT) of business households and business individuals	The deadline for paying VAT and PIT of business households and business individuals for the tax period of 2023 is Dec, 30, 2023
	For land rental	To extend the deadlines for payments of 50% of the land rental amounts payable in 2023 and the extension duration is 6 months from May 31, 2023 to Nov 30, 2023
Draft resolution on value-added tax reduction	<ul style="list-style-type: none"> <li>- The government proposes reducing VAT by 2 percentage points for goods and services taxable at 10%</li> <li>- This proposal expands the group of goods and services eligible for VAT reduction from 10% to 8% compared to the provisions of Decree 15/2022/ND-CP</li> </ul>	<ul style="list-style-type: none"> <li>- Enterprises are entitled to the VAT rate of 8% for goods and services currently subject to the 10% tax rate</li> <li>- Business establishments (including business households and business individuals) that calculate VAT according to the percentage method on turnover are entitled to a reduction of 20% of the percentage rate to calculate VAT when issuing invoices for goods and services eligible for VAT reduction (according to Clause 1, Article 1 of draft resolution)</li> </ul>

- The implementation of Decree 12/2023/ND-CP allows businesses to retain a portion of tax money for a time to funding short-term capital, thereby reducing financial costs and loan interest in the context of current mobilization channels, such as credit, corporate bonds and equity market, face difficulties
- Government also agreed with the proposal of the Ministry of Finance on reducing VAT on goods and services from 10% to 8% in order to reduce input costs and improve domestic consumer demand.
- According to the Ministry of Finance, if the VAT reduction is applied from 2H23, it is estimated to cost the budget approximately VND35,000bn (compared to VND44,000bn of the 2022 VAT reduction package, which was implemented in Feb 22).

# Market strategy

May 2023

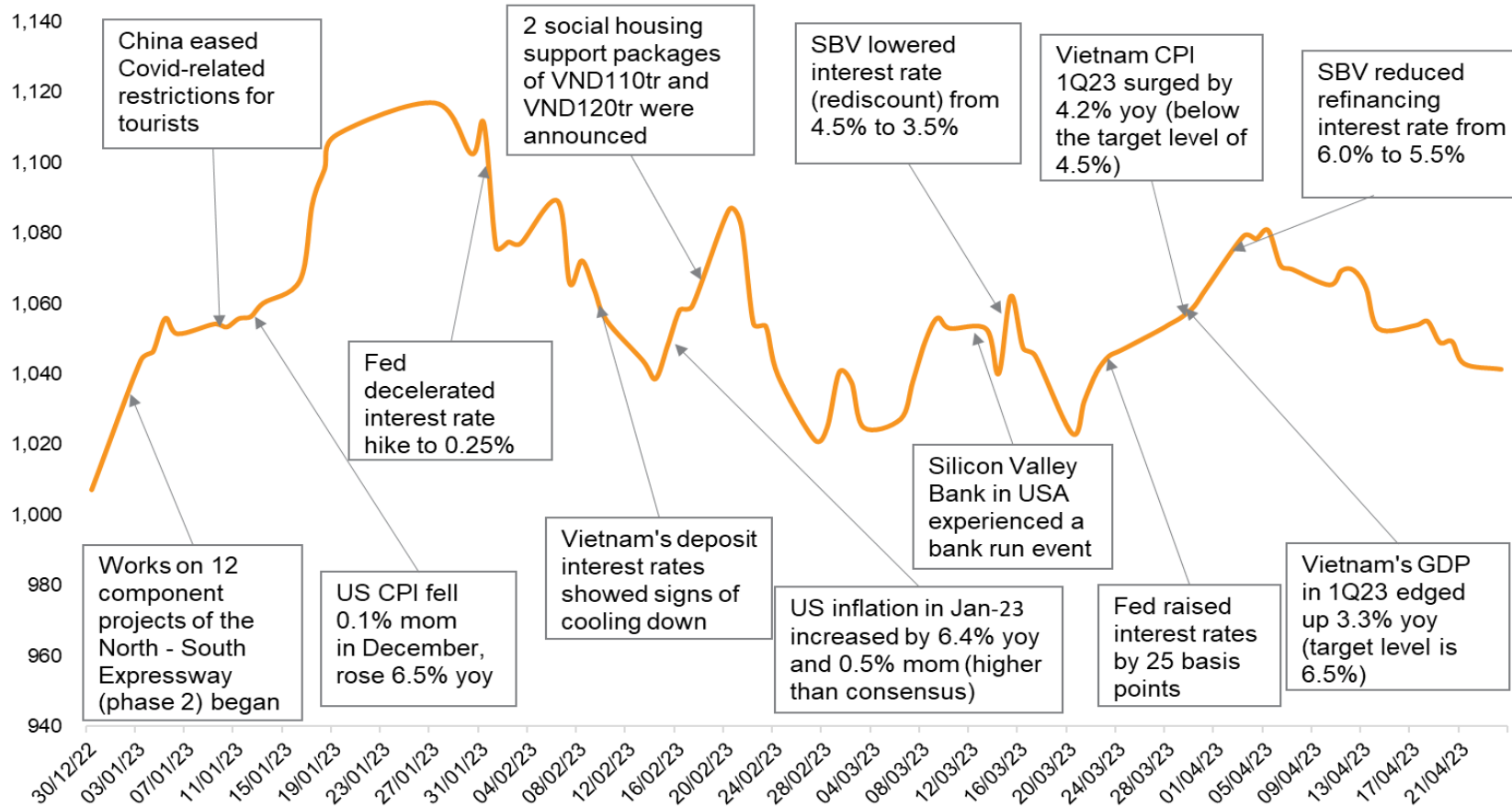
Look for growth engines





## Market recap in Apr-23

As of April 24, 2023, VN-INDEX plunged by 2.2% mtd but still recorded an increase of 3.4% ytd.



VN-INDEX fell in Mar-23 and closed at 1,041.4 pts (+2.2% mtd, +3.4% ytd). We believe that the correction could come from the following reasons:

- Conservative sentiment due to (1) the negative picture of 1Q23 business results, (2) Vietnam's PMI dropped to 47.7 points in Mar-23, showing that the manufacturing industry continued to shrink and the economic growth was still bleak.
- Foreign investors reversed to a net sold of VND1,210bn in Apr-23 (vs net bought of VND3,037bn in Mar-23).

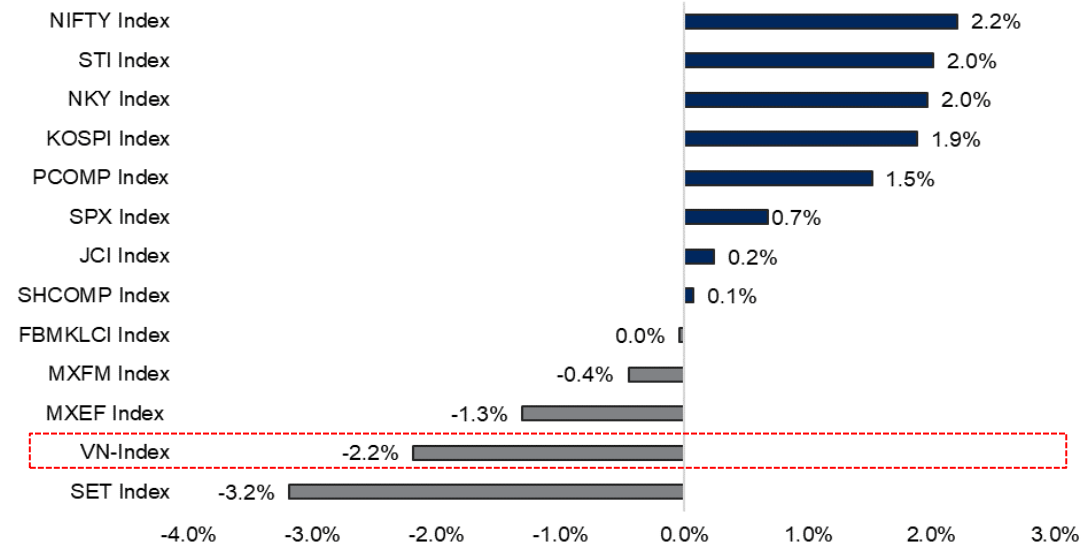
Meanwhile, HNX-INDEX edged down slightly by 0.4% mtd while UPCOM-INDEX soared by 1.5% mtd. Since the beginning of 2023, HNX-INDEX rose by 0.7% ytd and UPCOM-INDEX surged by 8.7% ytd.



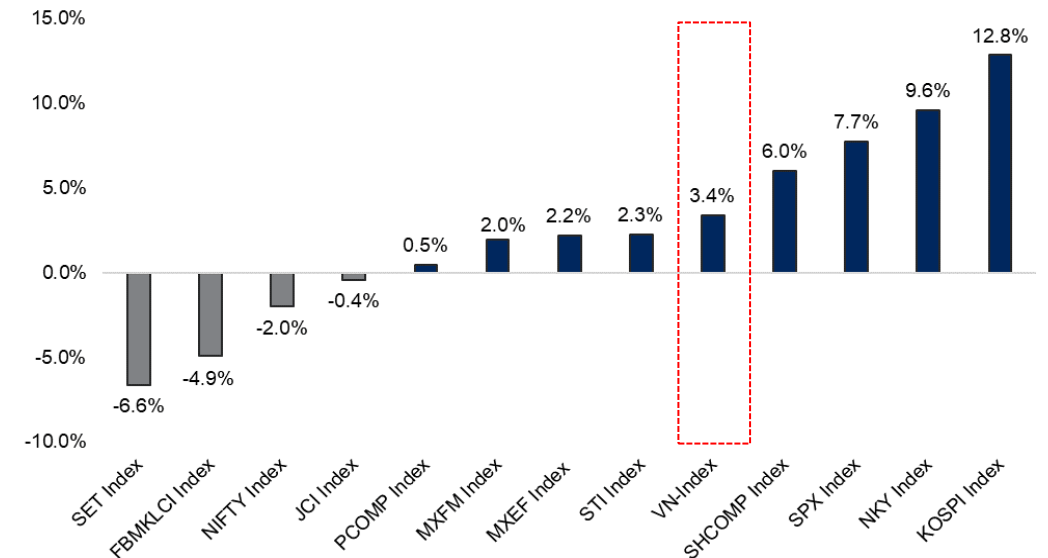
## Market recap in April-23

VN-INDEX underperformed in April 2023

**VN-INDEX performed worse than most of regional peers (data as at 24/04/2023)**



**For YTD, Vietnam outperformed peers in South East Asia since the beginning of 2023**

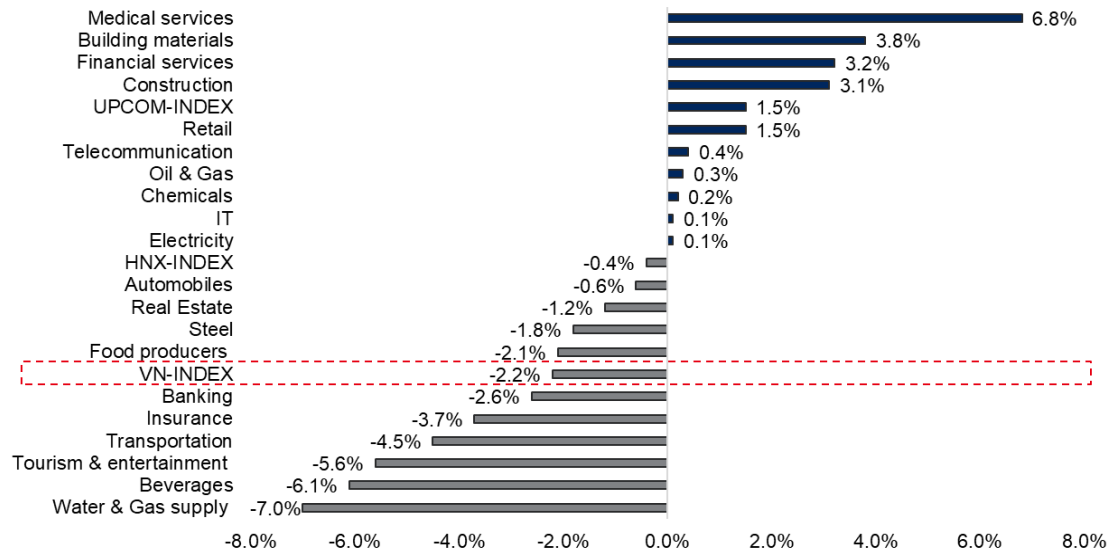


- In April-23, Vietnam (VN-INDEX, -2.2% mom) performed worse than most of the regional peers in Southeast Asia except Thailand (SET index, -3.2% mom). It resulted from the investors' concerns of disappointing 1Q23 earnings results and strong net selling of foreign investors.
- However, VN-INDEX posted the best performance among peers in South East Asia of 3.4% since the beginning of 2023 due to a low base as a deep drop of 32.8% in 2022 and recently issued policies of reducing interest rates, boosting public investment, etc.

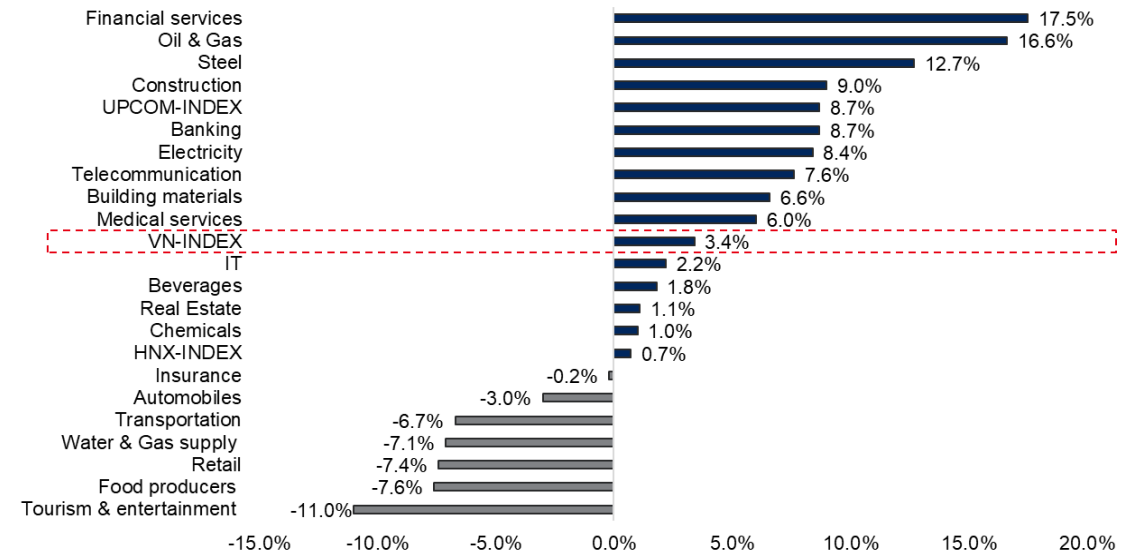
## Market recap in April-23

Medical services sector performed the best in April 2023

### Medical services recorded the best performance in April 2023



### Since the beginning of 2023, Securities has the best performance among others

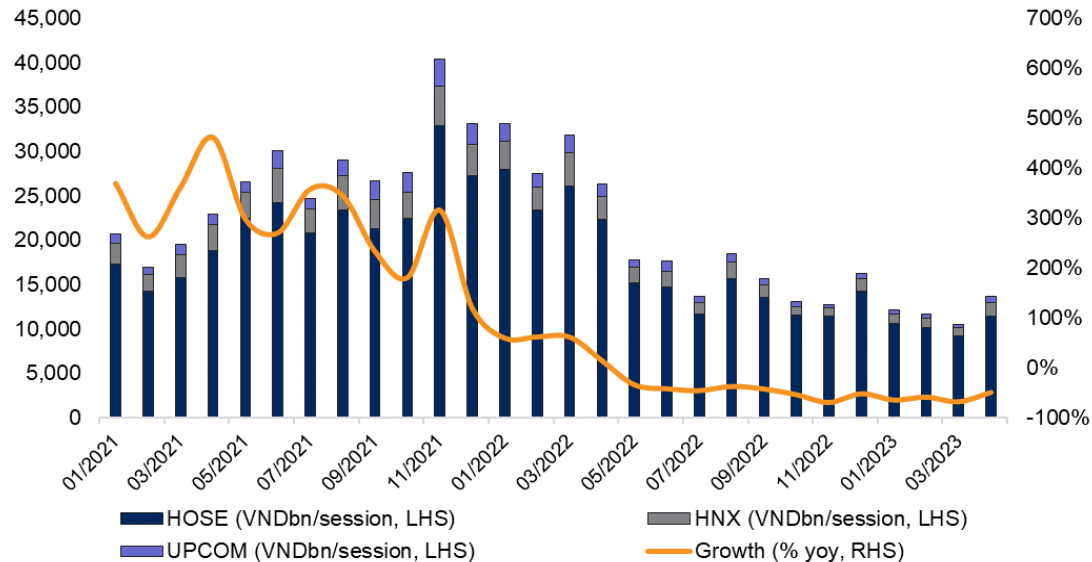


- Contrary to a decrease of 3.4% in March 2023, the Medical services posted the highest surge of 6.8% mtd in April-23 thanks to the recovery in drug tender activity as (1) resolution 30 and decree 07 were issued and (2) more than 10,000 drug circulation license were renewed. In contrast, the Water & Gas supply sector (-7.0% mtd) performed the worst in April 2023, mainly due to GAS (-8.6% mtd) being claimed to record a lower-than-expected business result in 1Q23 as oil prices dropped.

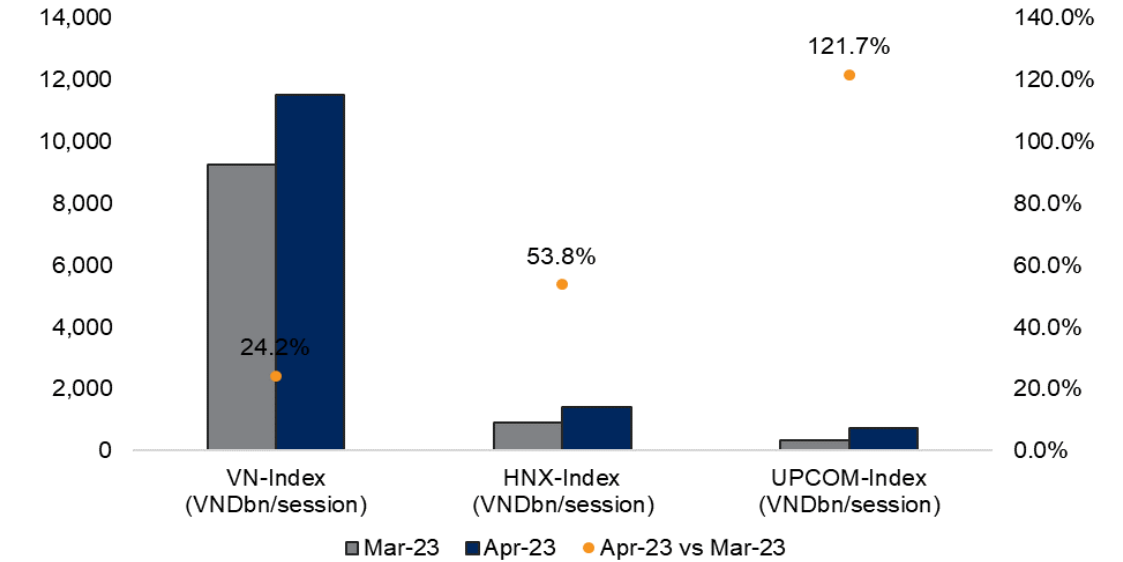
## Market recap in April-23

Key insight trading flow: Liquidity recovered for the first time in 2023

**The daily average trading value increased by 29.9% mom in April 2023 (data as at 24/04/2023)**



**Liquidity increased on all exchanges in April (data as at 24/04/2023)**

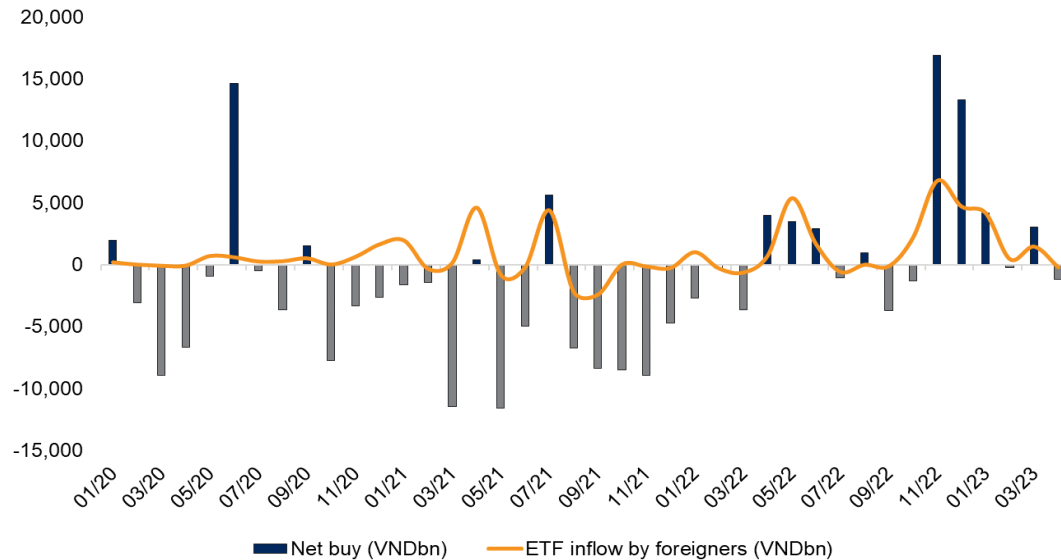


- **The average trading value of the three bourses increased 29.9% mom (-48.1% yoy) to VND13,662bn/trading day (HOSE: VND11,507bn/trading day, +24, 2% mom; HNX: VND1,420bn/trading day, +53.8% mom; UPCOM: VND734bn/trading day, +121.7% mom). Liquidity had the first month-on-month increase in 2023 as investors' cash inflow began to return to the market in the context of interest rates cooling down and newly issued policies about removing constraints for the corporate bond market and the real estate market.**

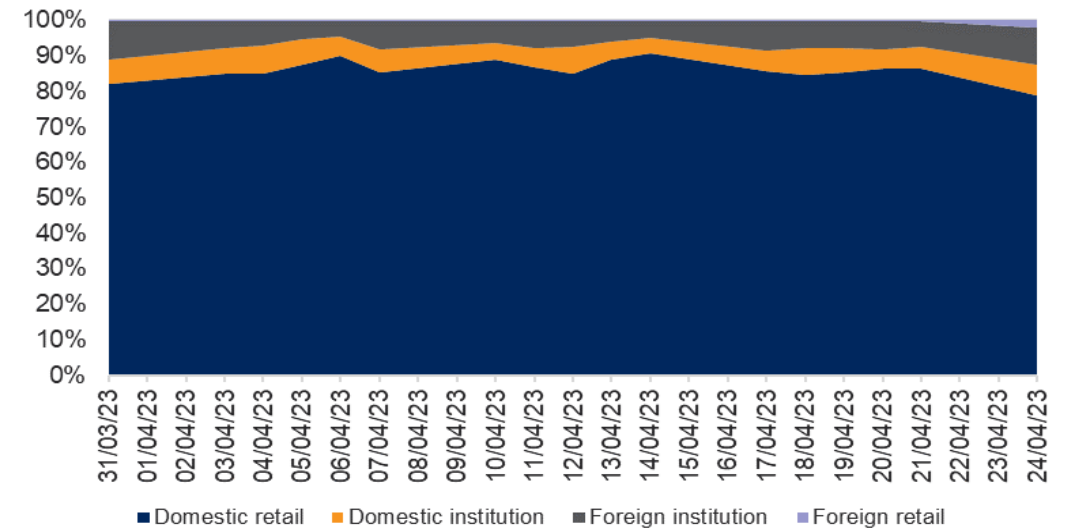
## Market recap in April-23

Key insight trading flow: Foreign investors net sold in Apr-23

**Foreign investors net sold of VND1,210bn in Apr-23 (unit: VNDbn) (data as at 24/04/2023)**



**In Apr-23, the proportion of foreign investors' liquidity compressed to 7% from 13% in Mar-23**



- Foreign investors recorded net sold of VND1,210bn in April-23 (vs net bought of VND3,037bn in Feb-23) due to (1) foreign ETFs turned to net sold after strong net bought last month (VNM ETF completed to raise the proportion of Vietnam from 70% to 100% by the end of Mar-23, Fubon ETF did not attract as much new capital as in the previous month), (2) cash flow withdraw from active funds in the context of the performance of many funds were worse in 1Q23 and (3) cash flow returned to the US in the context of the banking crisis cooling down and Fed expected to continue raising interest rates at its meeting in early May.
- For YTD, foreign investors' total net bought reached VND5,759bn, equal to 20% of the total net bought in 2022.

## Market outlook in May-23

Aggregate earnings of listed companies slumped by 2.6% yoy in 1Q23 (data including nearly 700 enterprises, accounting for 25.8% of market capitalization)

		% released 1Q23 results to sector market cap	1Q23 net revenue growth	1Q23 net profit growth	Contribution to market's 1Q23 NP growth	1Q22 NP growth	4Q22 NP growth
<b>Market</b>	🕒	25.8%	12.3%	-2.6%		36.6%	-31.5%
Travel & Leisure	🕒	11.8%	8.3%	3780.4%	0.4%	-49.9%	312.7%
Oil & Gas	🕒	2.4%	26.6%	661.5%	0.5%	7.5%	-9.3%
Support Services	🕒	21.5%	394.7%	165.7%	0.1%	77.9%	-141.7%
Real Estate	🕒	64.8%	128.1%	69.4%	16.2%	-1.6%	-0.9%
Utilities	🕒	10.8%	-5.8%	38.9%	0.5%	51.7%	30.8%
Health Care	🕒	63.7%	3.8%	27.5%	0.4%	23.9%	9.2%
Mining	🕒	25.6%	9.8%	26.2%	0.1%	204.4%	-70.9%
Food Producers	🕒	11.0%	-21.5%	25.8%	0.8%	46.7%	-78.2%
Technology	🕒	87.1%	10.3%	16.9%	0.6%	59.4%	-15.6%
Industrial Transportation	🕒	14.1%	7.7%	5.8%	0.1%	32.7%	-2.7%
Industrial	🕒	34.9%	-19.1%	4.9%	0.1%	17.1%	-71.1%
Forestry & Paper	🕒	14.3%	11.1%	0.5%	0.0%	-11.7%	-24.4%
Banks	🕒	12.2%	-3.4%	-10.8%	-2.6%	31.7%	23.2%
Insurance	🕒	33.5%	12.2%	-11.7%	-0.2%	7.5%	-9.8%
Retail	🕒	4.8%	22.8%	-16.1%	0.0%	25.0%	-51.1%
Electricity	🕒	53.8%	5.6%	-22.4%	-1.4%	64.9%	7.9%
Beverages	🕒	3.7%	3.4%	-43.1%	-0.1%	22.1%	-26.8%
Personal & Household Goods	🕒	36.4%	-12.8%	-46.4%	-0.5%	60.3%	-85.0%
Construction & Materials	🕒	34.6%	-5.4%	-55.8%	-2.7%	24.1%	-77.0%
Automobiles & Parts	🕒	8.3%	-7.7%	-58.4%	-0.1%	4.1%	26.3%
Chemicals	🕒	41.8%	-22.2%	-67.6%	-8.5%	315.2%	-23.6%
Financial Services	🕒	44.3%	-33.4%	-71.1%	-4.7%	33.9%	-99.7%
Industrial Metals	🕒	3.8%	-32.8%	-88.2%	-0.8%	16.2%	77.9%

As of April 24, 2023, 697 companies listed on the stock exchange, accounting for 25.8% of market capitalization, have announced 1Q23 results with a fall in net profit growth of 2.6% yoy.

- The Real Estate sector (+69.4% yoy) is currently the largest contributor in profit growth, contributing 16.2% to aggregate earnings growth, mainly thanks to the outstanding 1Q23 net profit of VHM (VND11,917bn; +162% yoy).
- In contrast, the Chemical sector (-67.6% yoy) had the worst impact on aggregate earnings growth due to the slump in phosphorus and fertilizers prices.

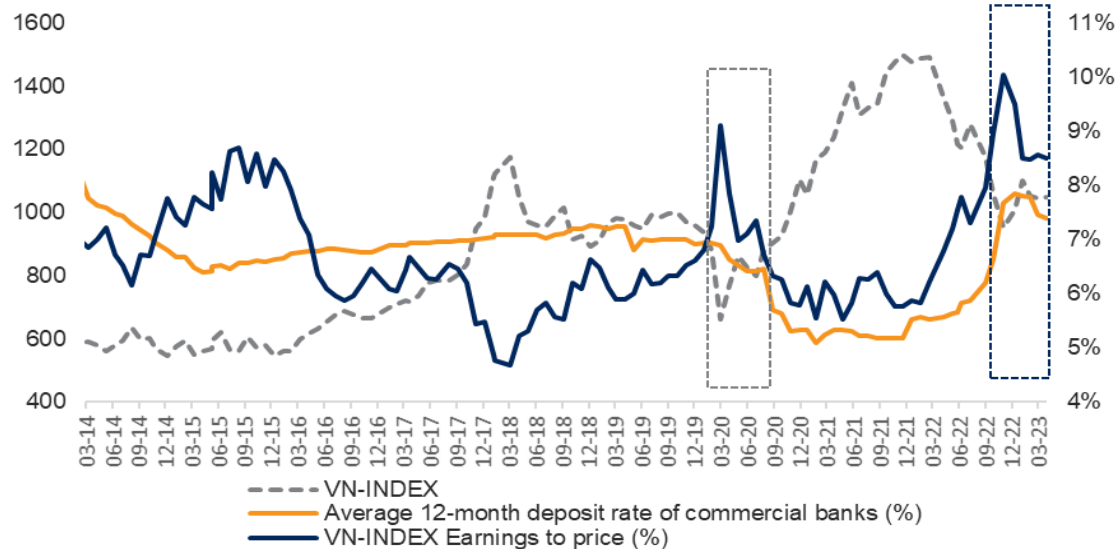
Notably, if we use the estimated 1Q23 earnings results of some listed banks, the banking sector's profit will grow by about 14% yoy in 1Q23, contributing 5.8% to total aggregate earnings growth. This helped the net profit growth of listed companies in 1Q23 raise by 5.6% yoy. However, in the opposite direction, there are still some sectors that are forecasted to have negative results and have not been announced yet, including as Steels, Brokerage, and Oil & Gas.



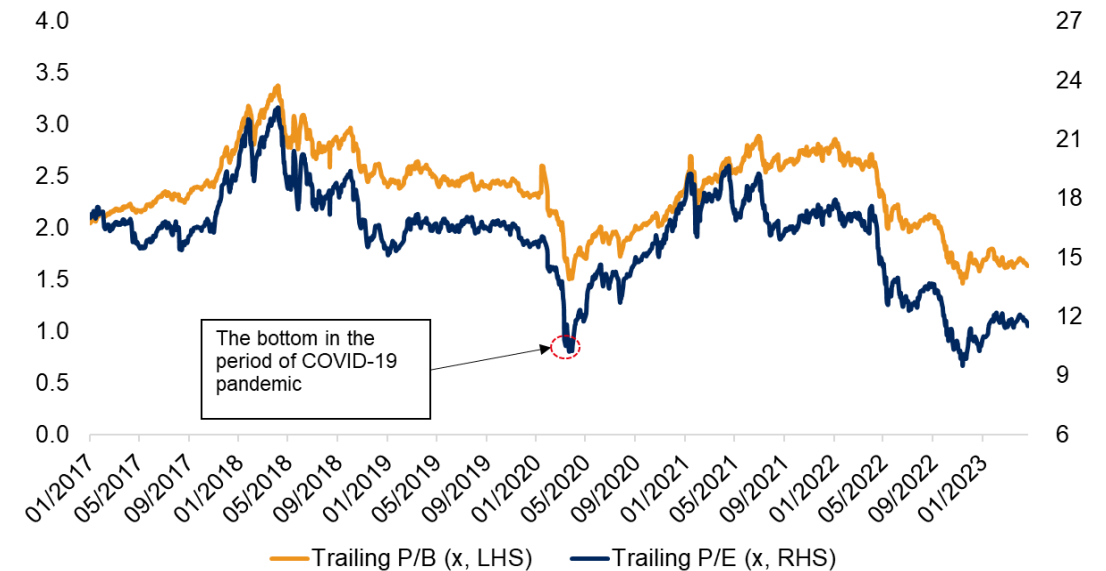
## Market outlook in May-23

Lower interest rates eased pressure on market valuations

### The spread between market earnings yield and deposit rates widened due to falling interest rate



### VN-INDEX is trading 30% lower than its 5-year average valuation



- Currently, Vietnam's stock market is trading at 0.7x of 5-year P/E average and TTM P/B is also trading at 0.7x of 5 year P/B average.
- The average earnings-to-price (E/P) ratio of VN-INDEX in March was around 8.7% (excluding dividend yield of 1.7%). The gap between E/P and 12-month bank deposit rates continued to widen slightly in April as deposit rates maintained their downward momentum while E/P was almost flat. Although the current gap between E/P and deposit interest rates is still not as attractive as in the period of October-November last year for investors can disburse drastically into the securities channel. However, with the expectation of deposit rate may continue to decrease in the coming months, the gap may widen further and investors may consider gradually increasing the proportion of stocks in the portfolio.

## Market strategy in May-23

The correcting market will open up a great opportunity to buy and hold stocks for medium and long-term goals

**The area of 1,000-1,030 pts will be a strong support area of the VN-INDEX**

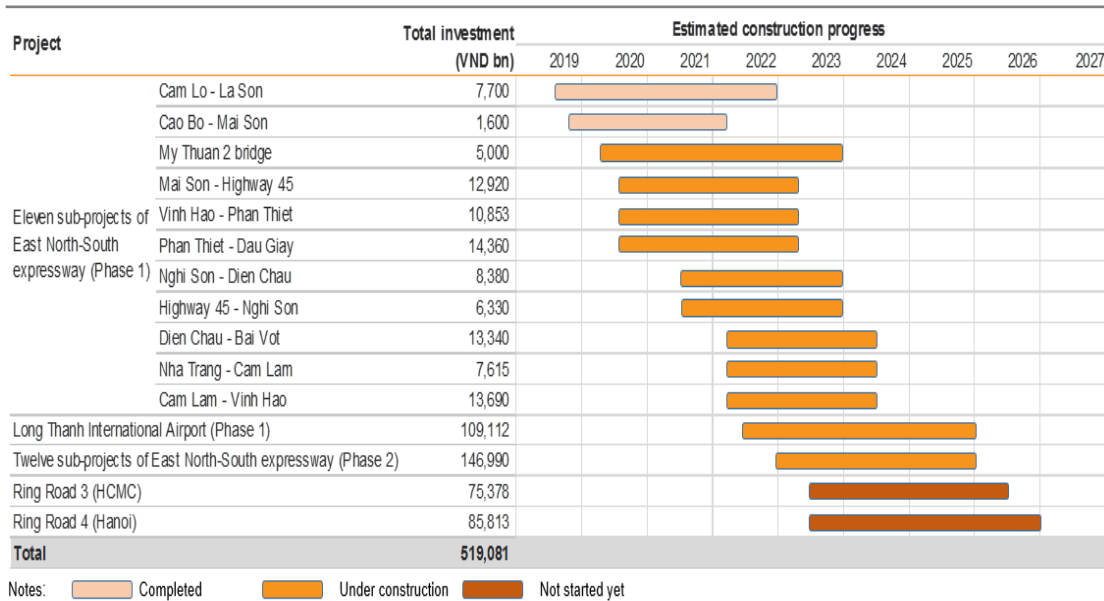


- We believe that the negative result of 1Q23 listed companies' earnings has been mostly reflected in the recent correction. We expect a series of recently issued supportive policies such as TT02-03 or Decree 12/2023/ND-CP will help improve investor sentiment and cash flow in the stock market. We think that the 1,000-1,030 pts area will be a strong support area for the VN-INDEX. Therefore, if the market corrects to this zone, it will open up an attractive opportunity to buy and hold stocks for medium and long-term goals.
- The upside catalysts included (1) more dovish monetary policy from the FED and (2) early support policies issued, such as revised Circular 16 or the National Assembly's Resolution on VAT reduction, etc.
- The downside risk comes from the risk of recession in the US and Europe.

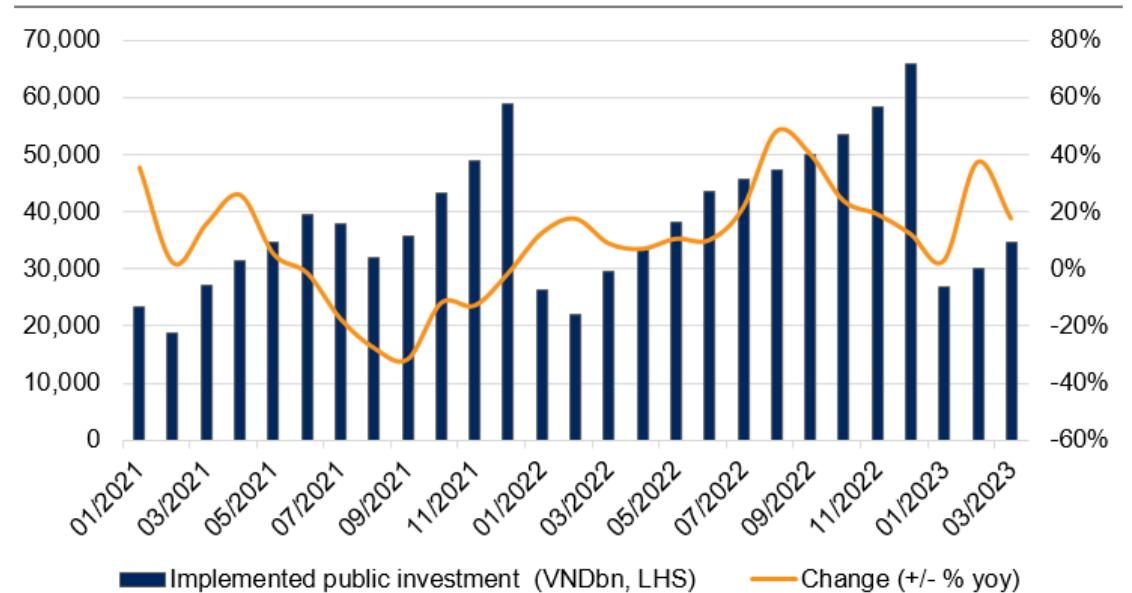
## Market strategy in May-23

1. Public investment will be a promising story throughout 2023

### Progress of key transport infrastructure projects in the period of 2021 – 2026



### Implemented public investment grew by 18.1% yoy in 1Q23



- In 1Q23, implemented state capital increased by 18.1% yoy to VND91.5tr, higher than last year's 12.3% yoy growth.
- We now see several supporting factors to further accelerate public investment projects this year, including (1) The Government directed the Transport sector to complete preparations for the commencement 3 expressways Chau Doc - Can Tho - Soc Trang, Bien Hoa - Vung Tau, Khanh Hoa - Buon Ma Thuat and 2 ring roads including Ring 4 in Hanoi and Ring 3 in Ho Chi Minh City before June 30th, 2023; (2) state budget capital for public investment projects is guaranteed in the context of low public debt and a sharp decrease in government bond interest rates since the beginning of 2023; (3) cooling domestic inflation created favorable conditions for economic growth, strengthening the implementation of expansionary fiscal policy.

## Market strategy in May-23

2. A series of new policies implemented to improve the bank's outlook

### The Government promulgated policies to remove difficulties for people and businesses

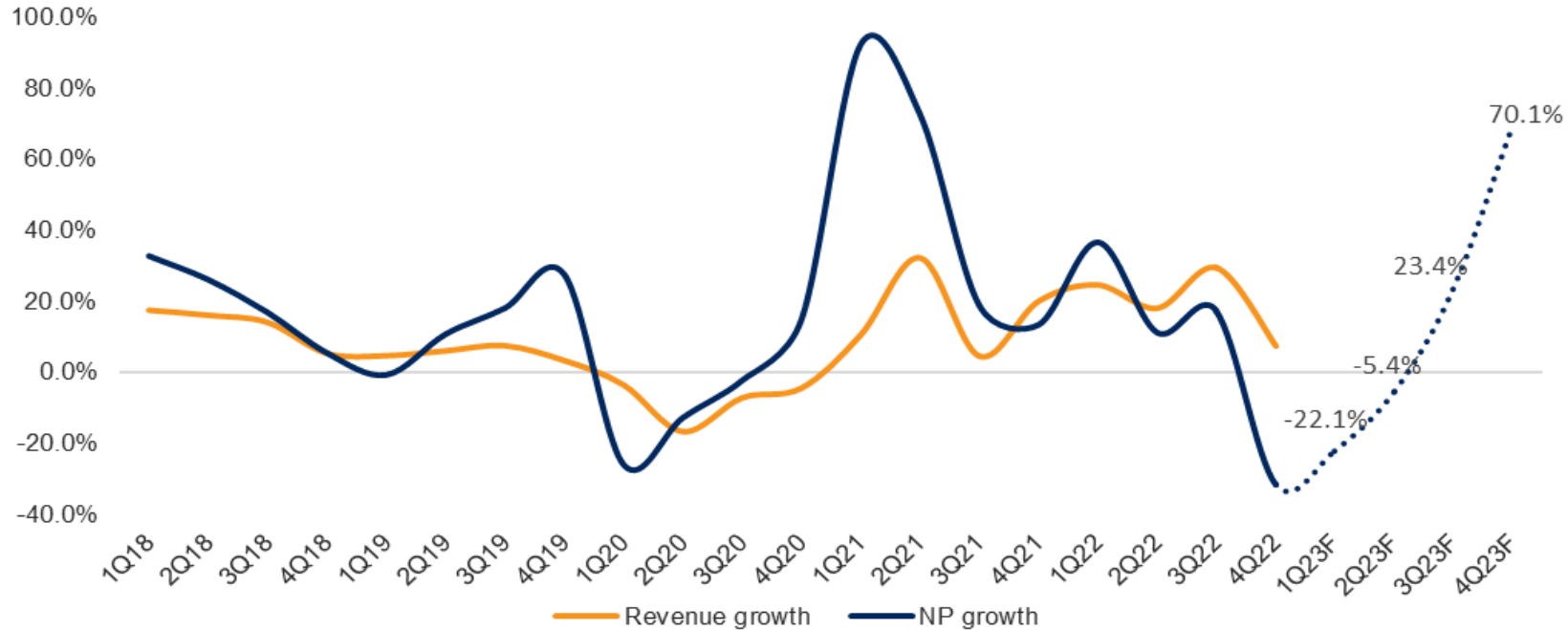
Date (mm/dd/yyyy)	Supportive policies
03/05/2023	Decree 08/2023/ND-CP on corporate bonds
03/11/2023	Resolution 33/NQ-CP 2023 solutions to remove difficulties for development of real estate market
03/15/2023	SBV cuts policy rate for the first time in 2023
04/03/2023	SBV cuts policy rate for the second time in 2023
04/03/2023	Decision 338/QD-TTg on social housing development policy
04/24/2023	Circular 02 on credit institutions and foreign bank branches carrying out debt rescheduling and maintaining classified loan groups in order to support clients in difficulties
04/24/2023	Circular 03 allows banks to immediately buy back corporate bonds they have sold before Dec 31, 2023

- We believe that a series of policies issued recently will help improve the outlook for the banking sector. Specifically, Decree 08/2023/ND-CP on corporate bonds and the upcoming revised Circular 16 will solve the bottlenecks of corporate bonds and relieve the risk of increasing default debts. Circular 02/2023 has been issued by the State Bank to help reduce the pressure of provisioning when restructuring debts are allocated in 2023 and 2024. Circular 03/2023, which allows banks to immediately buy back corporate bonds, will improve credit growth prospects in 2023 when credit output is facing many difficulties.
- Besides, the banking sector is one of the few sectors to maintain positive earnings growth in 1Q23 as well as in 2023F, and valuation is at an attractive level compared to history.

## Market strategy in May-23

### 3. Looking for growth engines ...

**We forecast total net profit growth of listed companies will recover in 2H23**



- We forecast aggregate earnings growth of listed companies to decline by 14% yoy in 1H23. We expect more positive earning results in 2H23, bringing full-year growth to around 12-14%.
- Aviation is the sector that will record outstanding profit growth thanks to the almost complete recovery of international flight frequency.
- Construction Materials will have a better year when the prices of input materials (coke, iron ore) reverse.
- On the contrary, the FY23F profit growth of the Chemical and Petroleum sectors will plunge from the relatively high base level of FY22.



## Market strategy in May-23

### 3. Looking for growth engines ...

**List of companies with high-profit growth prospects in FY23F (including companies that we forecast or have high-growth business plans in the period of FY23F - FY24F)**

Sticker	Business's profit growth plan	VNDIRECT's FY23F earnings growth forecast	VNDIRECT's FY24F earnings growth forecast	1Q23 net profit growth	Target price (VND)	Recommendations
AST	358.6%	900.0%	22.6%	1Q23: VND26bn vs. 1Q22: -VND21bn	85,700	ADD
DXG		371.1%	74.9%			
PLX		154.9%	18.7%		45,600	ADD
SZC	6.7%	158.9%	62.4%	-84.4%	44,000	ADD
FCN	175.0%	136.3%	65.3%		13,000	HOLD
BCM	32.0%	76.9%	-0.2%			
STB	50.0%	70.0%	49.0%	50.0%		
PC1	-3.0%	33.0%	48.4%		36,400	ADD
VRE	68.5%	59.6%	26.2%	171.3%	38,800	ADD
PLC	36.8%	56.9%	5.8%	-18.2%		
MIG	75.0%	51.8%	8.2%	1.0%	19,500	ADD
BVH		46.0%	25.3%		65,000	ADD
KBC	153.7%	25.6%	-11.4%		32,800	ADD
FPT	11.6%	21.4%	20.0%	20.6%	116,800	ADD
PVD	NPAT 2022: -VND155bn NPAT 2023F: +VND100bn	NP 2022: -VND103bn NP 2023F: +VND417bn	66.7%		25,300	ADD

In the relatively gloomy profit picture of the stock market, there are still businesses with positive growth stories in FY23F. This is a group of businesses that investors should stick to and put on a watch list in the current period:

## Market strategy in May-23

### High conviction investment ideas for May 2023

Stock picks	Investment thesis	1-year Target rice (VND/share)	Upside (%)
<b>MBB</b>	<p>We like MBB as we believe the bank's credit quality is better than perceived by the market. Regarding 3 of MBB's corporate clients that are known have cash flow and liquidity issues, Novaland is making progress in terms of restructuring their finances; for Trung Nam Group, MBB's lending activity is focused on solar projects that have met COD deadline; and for Hung Thinh, MBB does not provide loans for real estate projects or invest in corporate bonds. More importantly, MBB's long-term growth foundations remain strong with low COF advantage and a diversified ecosystem of financial services with the backing of large shareholder Viettel, the leading telecom conglomerate in Vietnam. MBB's 1Q23 results were quite solid with earnings growing by 10% yoy and fulfilling ~25% of management's plan. 1Q23 annualized NIM only declined slightly qoq and was sustained at top-tier level. The lowlight in the quarter was NPL and Group 2 loans increased sharply qoq, but we suspect some of the increase might have been driven by CIC cross-default. MBB is now trading at an attractive P/B of 1.1x, well below its 3-year average of 1.5x. We believe the bank is well-positioned to deliver strong EPS CAGR of 15%+ over the next 3 years after already positing robust EPS CAGR of 30% in the last 3 years.</p>	29,300	60.5%
<b>PC1</b>	<p>We anticipate that FY23–24F will be a profitable break period for PC1 following a series of new business expansions in multiple industries within the company's ecosystem, including, Nickel mineral mining, Residential property, and Industrial park. We expect a sharp EPS growth of 74% CAGR over FY23-24F from the low-base FY22F. We see the company major risk of interest rate hike and exchange rate loss will ease from 2H23F, supported the bottom line. Moreover, we expect PC1 - leading EPC wind power contractor will be benefited soonest from the announcement of the PDP8 as well as the official RE price mechanism in near future.</p>	36,400	30.6%
<b>PVD</b>	<p>The drilling market is on an upward trajectory globally, driven by the rising demand in the Middle East and China. Currently, the jack-up (JU) day rate in Southeast Asia has fluctuated around US\$120,000 per day, creating a favorable condition for PVD to strongly recover in the coming years. Riding on the surging JU demand globally, we anticipate PVD's JU average day rate to increase 23%/10%/5% yoy in FY23-25F, and PVD's JU utilisation rate is expected to maintain high around 90-95% in the same period. Accordingly, we forecast PVD's earnings to strongly rebound from FY23F with a net profit of VND470.5bn, then keeping growing 66.9%/21.9% yoy in FY24-25F.</p>	25,300	23.4%

## Market strategy in May-23

### High conviction investment ideas for May 2023

Stock picks	Investment thesis	1-year Target rice (VND/share)	Upside (%)
<b>SZC</b>	SZC is well-positioned to capture the growing demand for industrial property in the South. SZC has sizeable land bank (c.600ha) and competitive rental prices among listed IP companies in Ba Ria-Vung Tau (BR-VT), a major manufacturing hub in the South. We forecast robust earnings growth over FY23-24F (114.5% yoy – 62.3% yoy) on leasing out 40-60ha industrial land area per year and property handovers at Sonadezi Huu Phuoc projects.	44,000	44.5%
<b>TCB</b>	We prefer TCB as (1) the market panic has depressed TCB's valuation to the historical low level. Based on our estimates, TCB is trading at a P/B FY23F of 0.7x - which is considered to be an underserved level. (2) the draft amendment to Circular 16 is expected to resolve the bottleneck of c-bonds, which is an important source of income flow for TCB. (3) Also, as the SBV has signaled of extending easing monetary policy, we expect the rock bottom for stock valuation is around the corner, leading to a rally for stock market, as well as for high beta stocks such as TCB. (4) We expect the bank to sustain solid earnings growth of 12%/14% in FY23-24F based on 12%/10% of credit growth and 5.5%/5.4% NIM during the period.	44,000	51.7%
<b>VRE</b>	VRE in our picks thanks to: (1) Vincom Retail JSC (VRE) is Vietnam's largest retail property developer with 1.75m sq m gross floor area at End-2022, will enjoy a strong growth with the country's surge in modern retail and people's income in the long-term, (2) With the recovery of retail consumption and Covid-19 becomes a common disease to fully reopen the economy to give VRE more potential in revenue and net profit growth by increasing GFA, occupancy ratio and rental price, (3) VRE's 1Q23 revenue reached VND1,943bn (+42% yoy) and net profit reached VND1,024bn (+171% yoy), VRE has set its guidance of 2023F with revenue of VND10,350bn (+41% yoy) and net profit of VND4,680bn (+33% yoy) and 4) VRE has a strong balance sheet with net cash of VND4,196bn in end of 1Q23.	38,800	40.7%

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