

Market Strategy

October 2022

Recalibrating investment strategies for higher interest rates

VNDIRECT





- Market saw no relief in September with rising interest rates and growing VND downward pressure. In 23 Sep, State bank of Vietnam has kicked off the policy rate hike by 100 basis points, marking the first increase since late-2011. Additionally, VND has depreciated 4.5% on USD upside pressure. **VN-INDEX plummeted 11.6% mtd and 24.4% ytd to 1,132.1 pts, the lowest level in 20 months.** Average trading value of three bourses plunged 14.0% mom and 40.5% yoy in September. Notably, foreign investors turned into net seller with outflow of VND3,641bn.
- **Rising risks of corporate earnings downgrades.** Increasing cost of debt and subdued global demand might dent the earnings prospect of high leveraged corporates in the next coming quarters. We still maintain our forecast of 23% yoy for listed corporates earnings growth in FY22 but we expect some FY23 earnings downgrade after the 3Q22 results to be released.
- So now the big question is – **have the markets sufficiently priced-in these headwinds?** As at 30 Sep, VN-Index was trading at 12.2x trailing P/E, which is 31% discount to the peak and even lower than the average P/E of 16x during 2017-2019 when the deposit rates were higher. We believe VNIndex now offer valuation buffers. Basing on our forecast of 23% yoy earnings growth, we estimate current Earnings to Price of VN-INDEX is about 9.3%. Together with dividend yield of 1.7%, the market earnings yield is estimated about 11.0% which is still attractive versus 12M deposit interest rates of commercial banks (average at 6.4-6.5% by the end of 2022F).
- **We are still more cautious in Oct amid near-term market volatility.** 3Q22 earnings season will kick off in early Oct and good news often come first. We expect strong yoy earnings growth of Travel & Leisure, Automobiles, Retail and F&B due to the low base last year. Market also wait for the US inflation data to be released in 13 Oct. As there are no strong upside catalysts, we cautiously forecast the VN-INDEX to fluctuate within 1,050-1,180 points in October.
- **Recalibrate investment strategies for higher interest rates.** High interest rates may linger in the coming quarters thus it is prudent for investors to switch into undervalued investing and dividend plays. We advocate exposure to stocks that has net cash per share but are traded under book value which might offer better margin of safety.

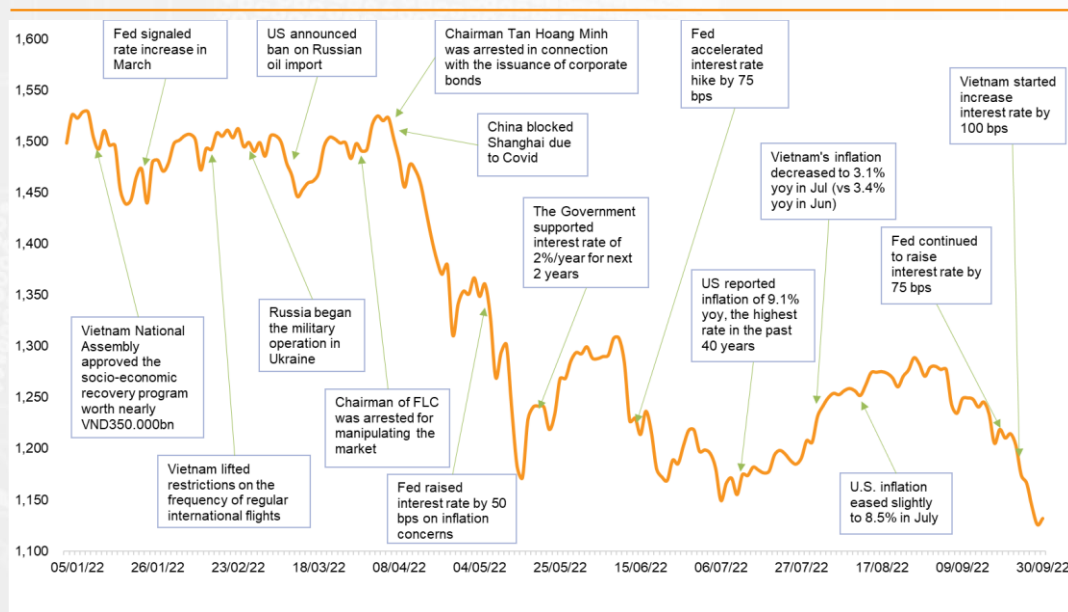
Market overview

September 2022

Rising rates and USD upside pressure
cast shadow over market



VN-INDEX plummeted 11.6% mtd and 24.4% ytd



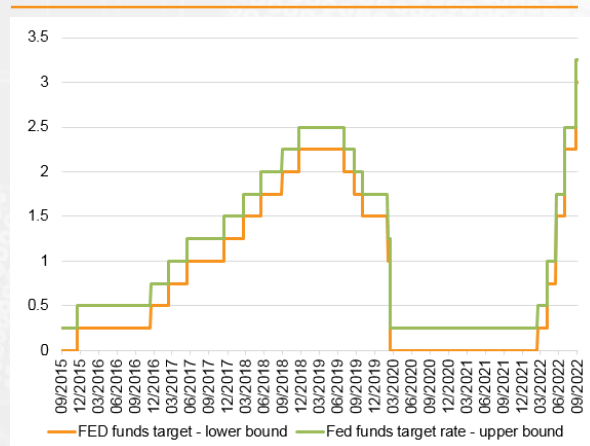
SOURCE: VNDIRECT RESEARCH, BLOOMBERG, data as at 30/09/2022

After having a strong rebound in July and August, VN-INDEX fall sharply in September and closed at 1,132.1 pts (-11.6% mtd, -24.4% ytd). We believe the sharp decline was triggered by:

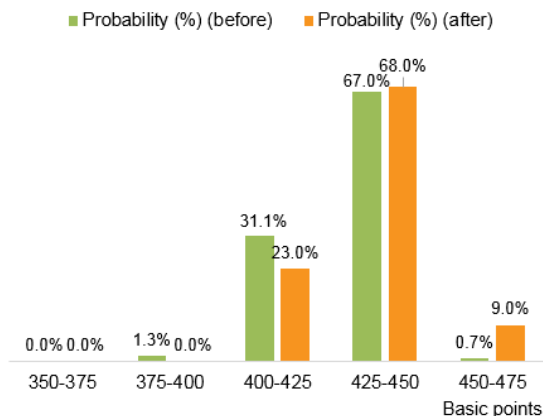
- Fed raised its policy rates by 75 bps and gave a "hawkish" view on tightening monetary policy at its Sep meeting.
- Vietnam kicked off the policy rate hike cycle by 100 basis points increase.
- More downward pressure on VND.

Corresponding, the HNX-INDEX and UPCOM-INDEX decreased 14.3%/8.1% mtd, respectively. Since the beginning of 2022, the HNX-INDEX declined 47.2% ytd and UPCOM-INDEX also slumped 24.6% ytd.

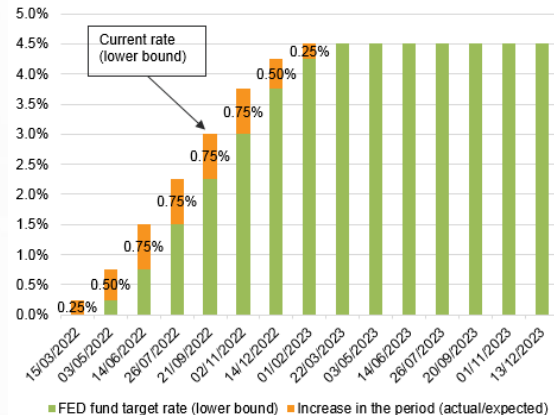
The Fed funds target rate is already higher than it was before monetary policy easing (%)



Changes in Fed funds rate forecast at the Dec 2022 meeting (after US inflation data is released)

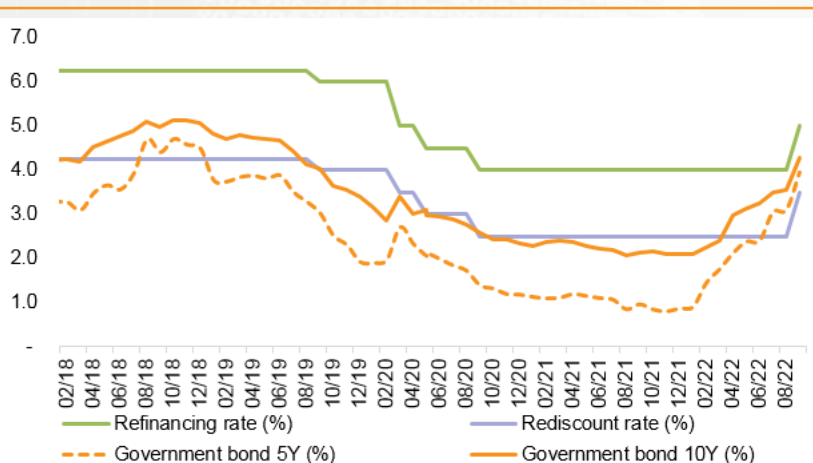


Market predicts that Fed won't cut its policy rate until 2024

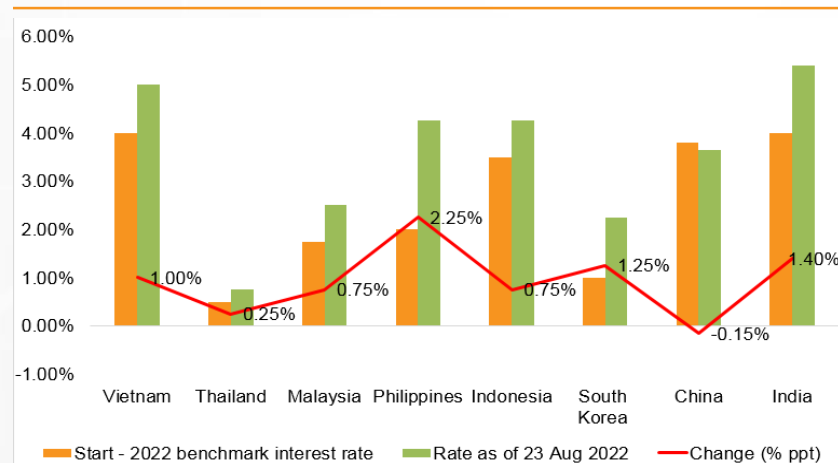


- At its last meeting on Sep 20-21, the Federal Open Market Committee (FOMC) decided to raise the Fed fund target rate by 75 basis points to a target range between 3.0% and 3.25%. This increase has been predicted by the market in advance. However, the most important point in this meeting was the Fed's updated view on the roadmap for tightening monetary policy in the near future. Specifically, the Fed has a more "hawkish" view on tightening monetary policy, with Fed officials forecasting the Fed fund rate will increase to 4.25-4.5% by the end of 2022 (in line with previous market expectations) and 4.5-4.75% at the end of 2023 (about 25 basis points higher than previous market expectations).
- In addition, the Fed lowered its forecast for U.S. economic growth to 1.2% in 2023, from the previous forecast of 1.7% and said that the probability of a soft landing is increasingly difficult to achieve. Although anticipating negative impacts on the economy caused by tight monetary policy, the FED still clearly expressed the view that price stability and inflation control are the top priority targets at present.

SBV announced to raise its policy rates by 100 basis points (%)

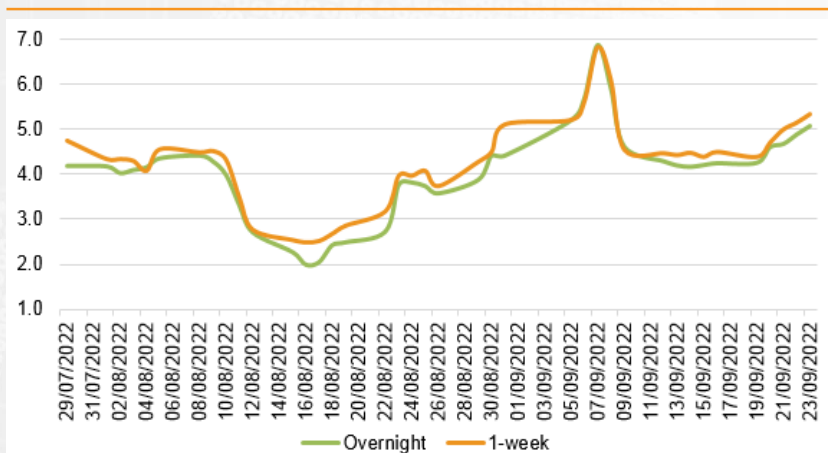


Changes in policy rates of central banks in Asia since the beginning of 2022

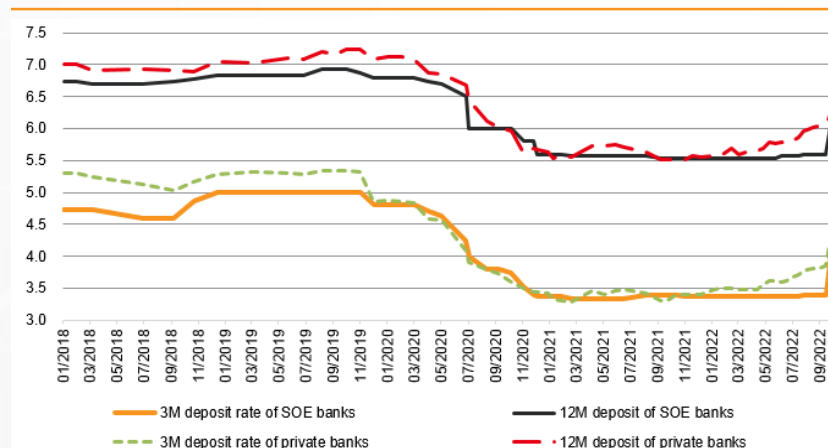


- Following Fed, the State Bank of Vietnam (SBV) raised the policy rate by 100 basis points, effective from 23 Sep, marking the first increasing since 2011. The refinancing rate and rediscount rate will be lifted to 5% and 3.5%, respectively. Accordingly, the interbank overnight lending rate cap will be raised to 6.0% from previous 5.0% and up-to-6-month tenure deposit rate cap will be lifted to 5.0%.
- We expect no further policy rate hike in 2022 as the recent 100pts rate hike in policy rates by the State Bank of Vietnam has prepared the FED to raise fed fund target rate by another 125-150pts in the final months of 2022. For 2023, we expect that the SBV would lift its policy rates by 50 basis points in the first half of 2023 to curb inflation and support the exchange rate.

Interbank rates elevated in September (%)



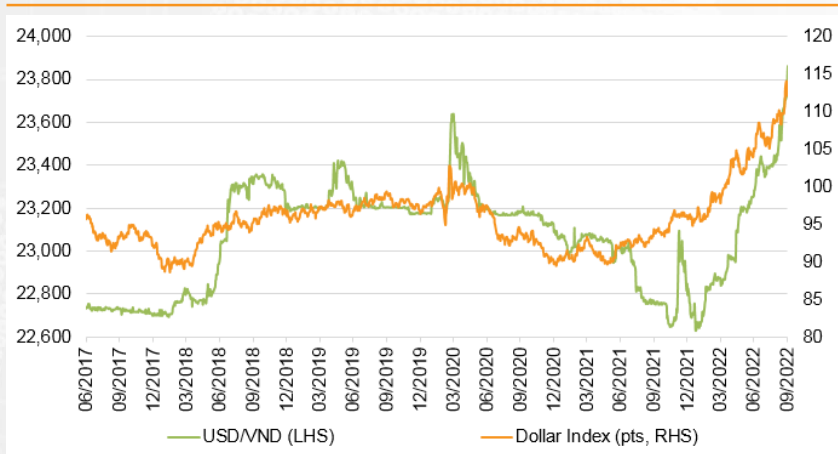
Commercial banks lifted the VND deposit rates following SBV's hike (%)



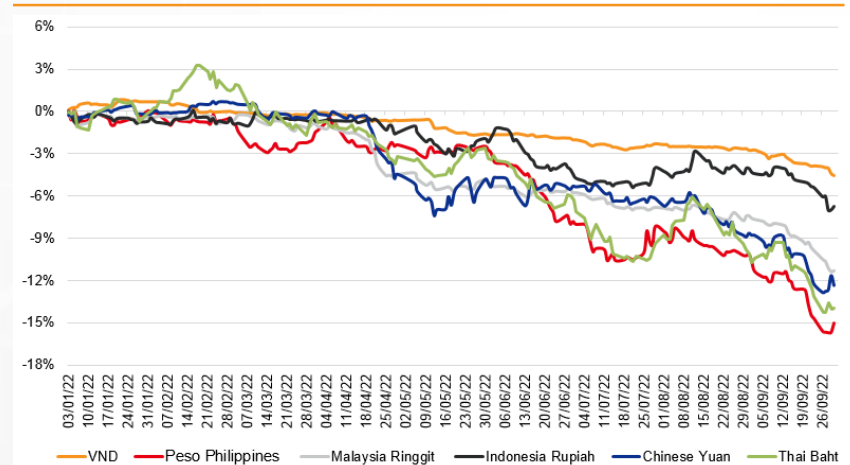
- Interbank rates climbed to 10-year high right after SBV lifted the credit growth limits for 17 commercial banks in early Sep and stayed above 5% after the policy rate hike. Commercial banks quickly increased the VND deposit rates after SBV's adjustment. Four state-owned banks (VCB, Vietinbank, Agribank, BIDV) have lifted 6M deposit rate to 4.7% (+0.7pts ytd) and 12M deposit rate to 6.4% (+0.87pts ytd). 12M deposit rates of private banks average at 6.3%; and the highest is 7.7%.
- We see the 12-month deposit rates of commercial bank could climb to 6.4-6.5%/year (on average) at the year-end of 2022. For 2023, we expect the deposit rates to increase further by 40-50 basis points, of which the 12-month deposit rate of commercial banks would increase to 6.8-7.0%/year (on average). We expect that higher deposit rates can push lending rates up 60-100 basis points by the end of 2023 from current levels.



The Dollar index surpassed 20-year peak



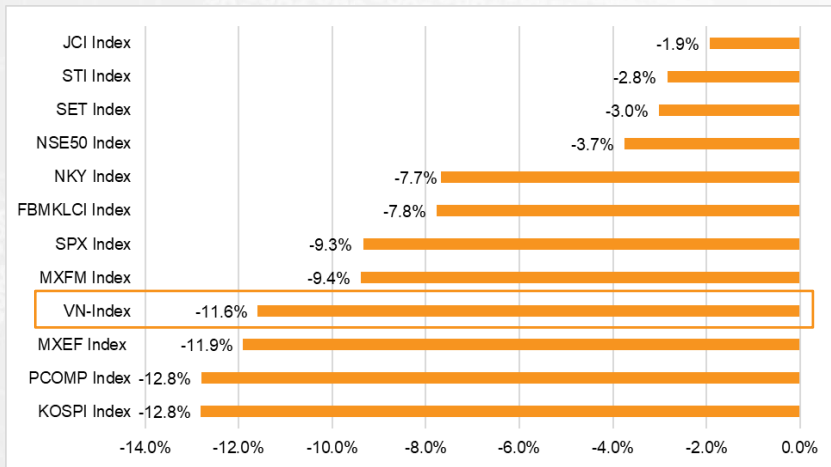
Vietnam dong outperformed regional currencies in 9M22



- As at 30 Sep 2022, the dollar index (which measures the strength of the US. dollar against a basket of currencies) reached 112.1 points (+17.2% ytd). A strong USD pulls the USD/VND exchange rate in the interbank market up by about 4.5% ytd to VND23,861.
- We believe that the exchange rate will continue to be under pressure in the remaining months of 2022 due to the strong USD in the context that the FED continues its roadmap to raise interest rates. However, the exchange rate still has supporting factors, including stronger FDI inflows, The amount of remittances to Vietnam will increase strongly in the last months of the year, improving trade surplus (forecast to reach about USD8.9bn in 2022F), sufficient foreign exchange reserves (equivalent to 3.3 months of imports). Consequently, we expect that the Vietnamese Dong would depreciate about 3.5-4% against the USD in 2022.



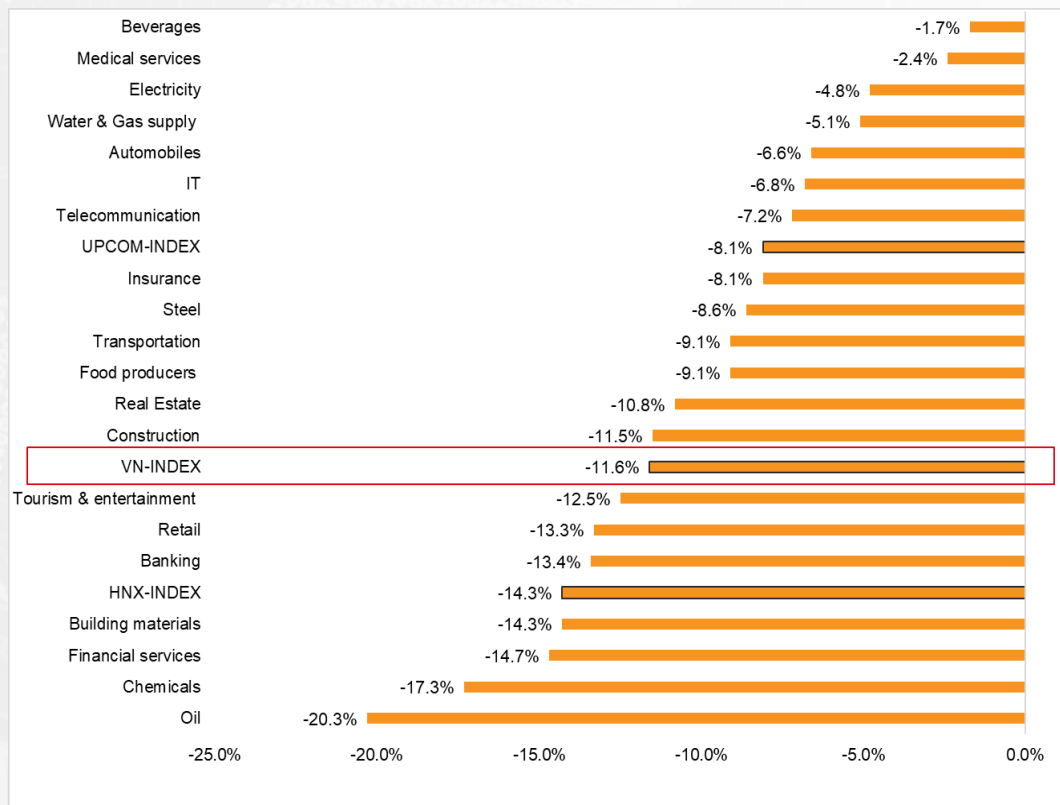
VN-INDEX performed worse than most of peers in September (data as at 30/09/2022)



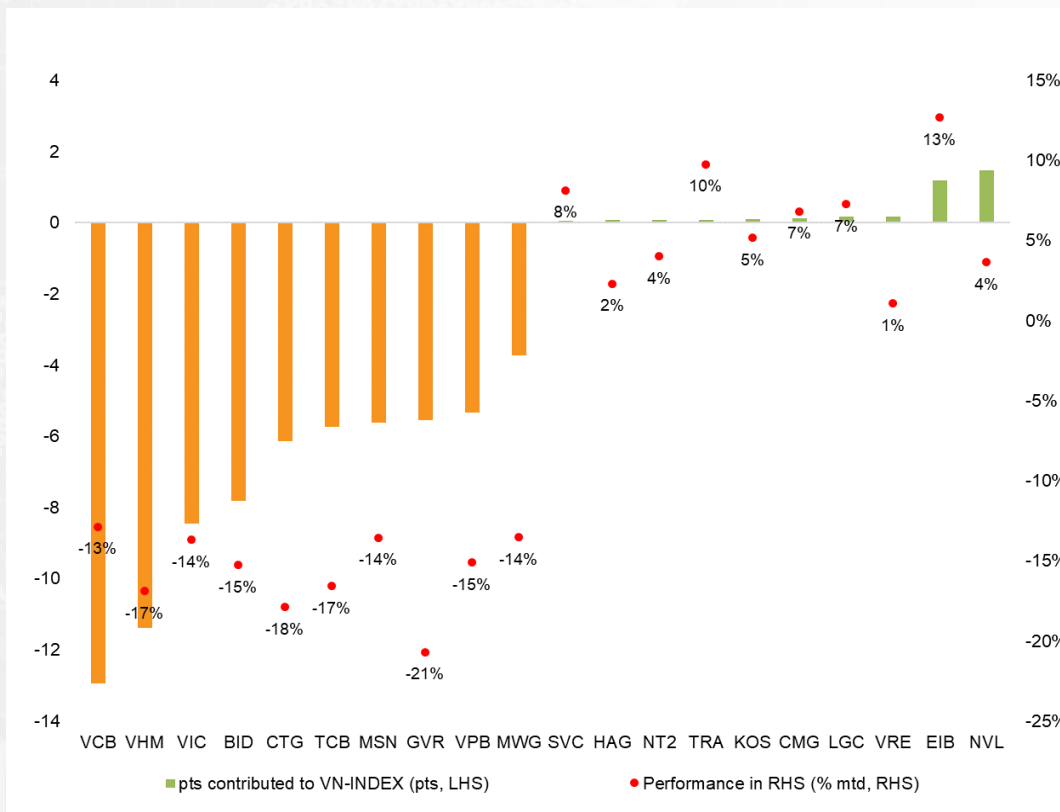
For YTD, Vietnam's ranking are lowest among peers (data as at 30/09/2022)



- Contrary to Aug-22 when Vietnam was the top performer, on Sep-22, Vietnam (VN-Index, -11.6% mtd) performed worse than most of regional peers in September, including Indonesia (JCI Index, -1.9% mtd), Thailand (SET Index, -3.0% mtd), Singapore (STI Index, -2.8% mtd), Malaysia (FPMKLCI, -7.8% mtd). The negative result of Vietnam's stock market could be explained by (1) the sharp increase in policy interest rates of the State Bank of Vietnam, (2) foreign investors net sold aggressively in the Vietnam's stock market in Sep 2022.
- For year-to-date performance, VN-INDEX decreased 24.4% ytd, became one of the worst markets from the beginning of the year, only better than Korea (KOSPI Index, -27.1% ytd), MSCI Emerging market Index (MXEF Index, -27.6% ytd), MSCI Frontier market Index (MXFM Index, -26.7% ytd), and U.S.A (SPX Index, -24.8% ytd).



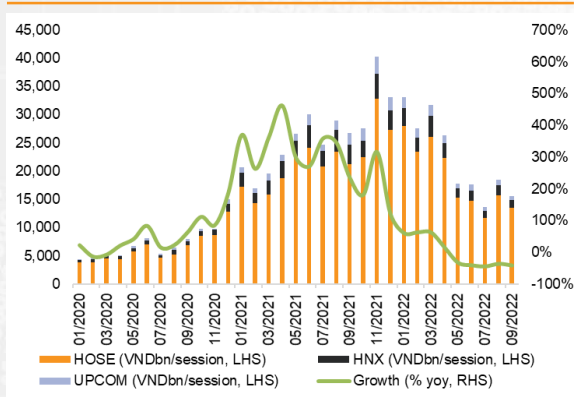
- All sectors recorded negative performance in Sep-22. However, compared to VN-INDEX (-11.6% mtd), Beverages sector (-1.7% mtd) has decreased the least, mainly thank to SAB (-1.5% mtd) as a key driver.
- Oil sector (-20.3% mtd) is no longer among the top leaders; it is now among the worst sectors in Sep-22. The main factor affecting the oil sector was BSR, which fell by 21.8% mtd due to lower crack spread.
- Tourism and entertainment (-12.5% mtd), Banking (-13.4% mtd), Retail (-13.3% mtd), Building materials (-14.3% mtd), Financial services (-14.7% mtd), and Chemicals (-17.3% mtd) were other sectors that saw price declines greater than those of the VN-INDEX.



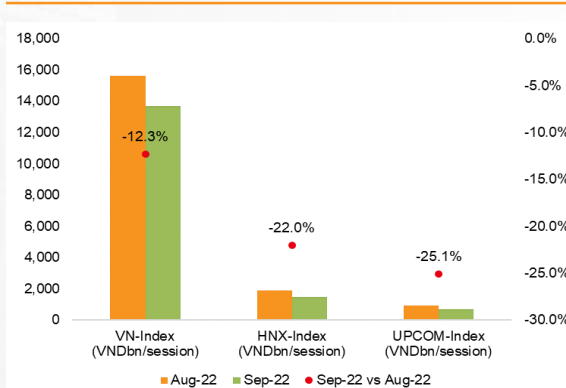
- NVL (+4% mtd) lent the most support to the VN-INDEX in September 2022, followed by EIB (+13% mtd), VRE (+1% mtd), LGC (+7% mtd) and CMG (+7% mtd).
- On the contrary, many market's pillar stocks saw a deep slump in price, such as VHM (-17% mtd), VCB (-13% mtd), VIC (-14% mtd). VCB became the top laggard due to concerns about NIM of VCB would be affected following the SBV rose refinancing rate by 1% as well as the government wants to limit lending rates. Many other large banks were also affected by these concerns, included BID (-15% mtd), CTG (-18% mtd), TCB (-17% mtd), etc.

SOURCE: Bloomberg, VNDIRECT RESEARCH, data on 30/09/2022

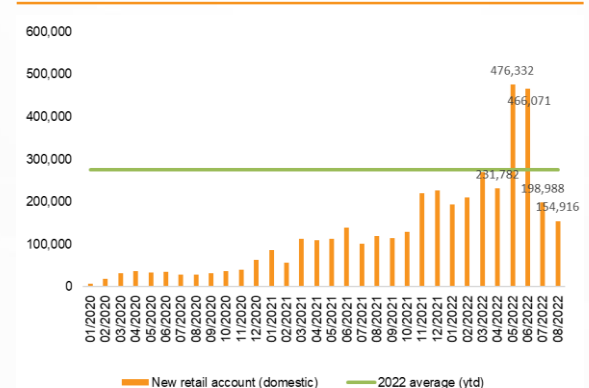
The daily average trading sank 14.0% mom in Sep 2022 (data on 28/09/2022)



Liquidity slumped on 3 main bourses (data on 28/09/2022)

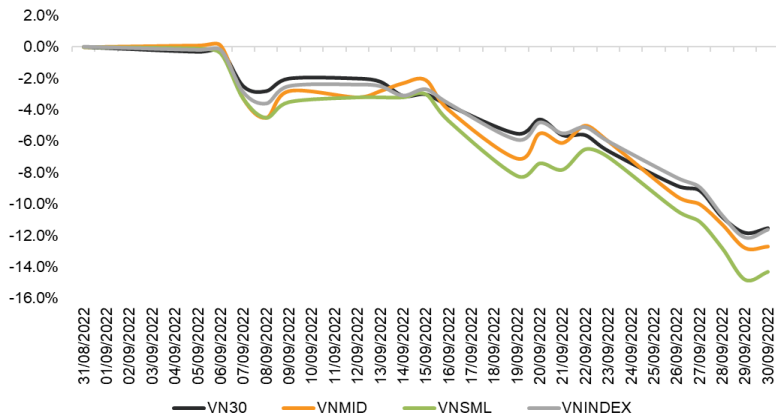


Number of new securities continued to drop in July

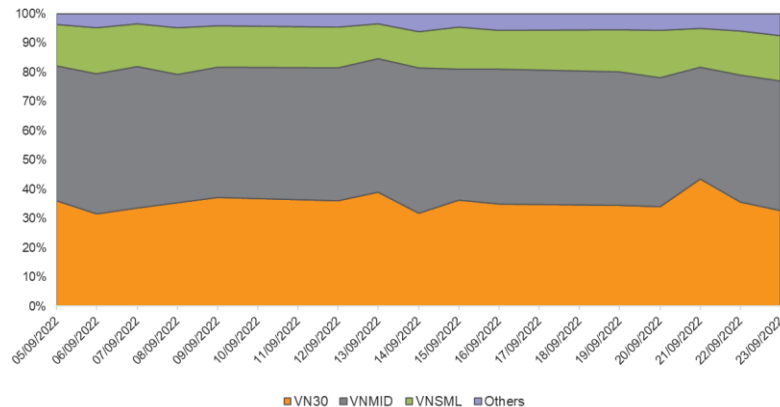


- **Average trading value of three bourses sank 14.0% mom (-40.5% yoy) to VND15,910bn (HOSE: VND13,717bn/trading day, -12.3% mom; HNX: VND1,483bn/trading day, -22.0% mom; UPCOM: VND710bn/trading day, -25.1% mom).**
- **Number of new securities accounts decreased to 154,916 accounts in August (-22.1% mom), the lowest level since October 2021.**

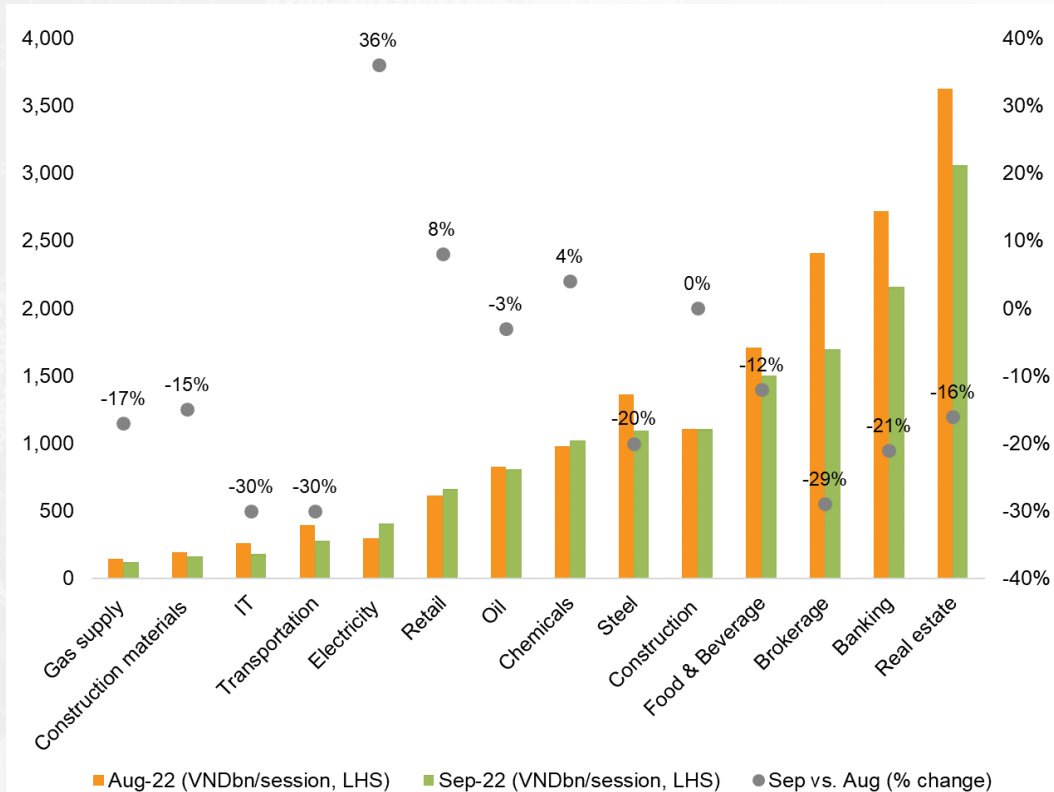
**VN-30 index outperformed VN-index in September (% mtd)
(data on 30/09/2022)**



Proportion of indexes in term of daily trading value (data on 23/09/2022)

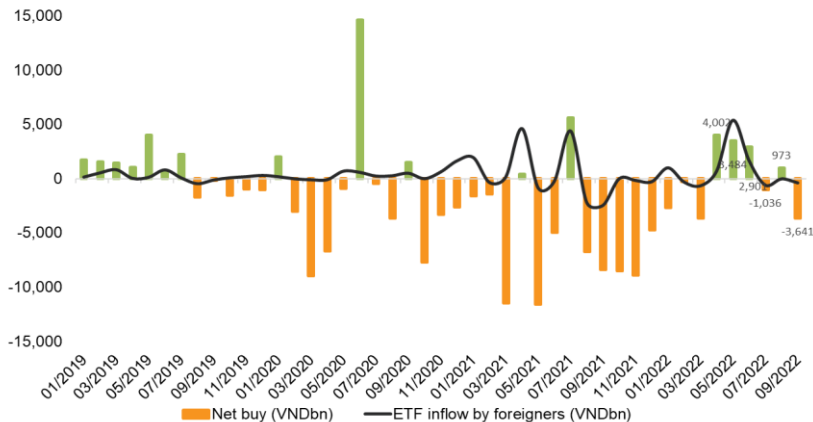


- Contrary to August, VNSML index (small caps) fall 14.3% mtd, became the worst among the capitalization groups in September. VN-INDEX (-11.6% mtd) outperformed both VNSML Index and VN MID Index (mid caps) (-12.7% mtd), but slightly underperformed VN30 (top 30 in term of market-cap) (-11.5% mtd).
- The proportion of VN30 and VN-MID in term of trading volumes both rose to 35.3%/45.5% in September from 35.1%/44.5% in previous month. In the contrast, the proportion of VN-SML reduced 1.5% pts to 14.3%.

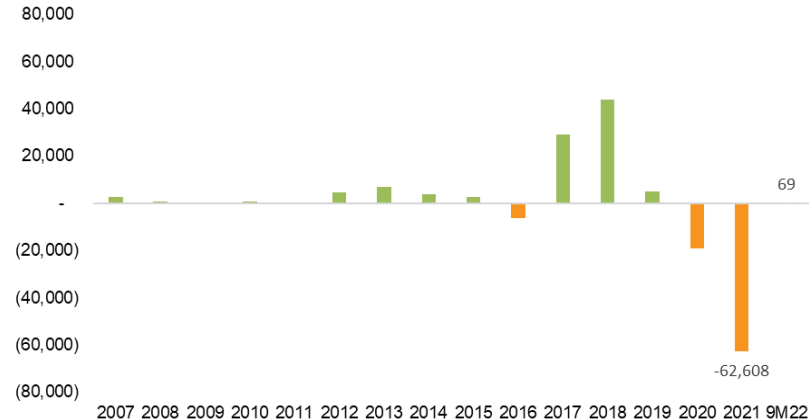


- With the exception of Electricity (+36% mom), Retail (+8% mom), Chemicals (+4% mom), and Construction (+0% mom), most industrial groups' liquidity has decreased this month in contrast to last month's strong rebound.
- Since investors are looking for safety in a turbulent market, Electricity sector is the most liquid (+36% mom). Information regarding the government's efforts to perfect the RE policy and PDP8 draft are both also stimulated factors.
- Although transportation sector saw the second-highest growth rate in liquidity last month (+41% mom), this month it saw the biggest fall in liquidity (-30% mom) (more than double the market's 14.0% decline) because (1) concerns about slowing export activities amid sluggish global growth and (2) sea freight rates dramatically decline.

Foreign investors net sold VND3,641bn in September (unit: VNDbn) (data on 28/09/2022)

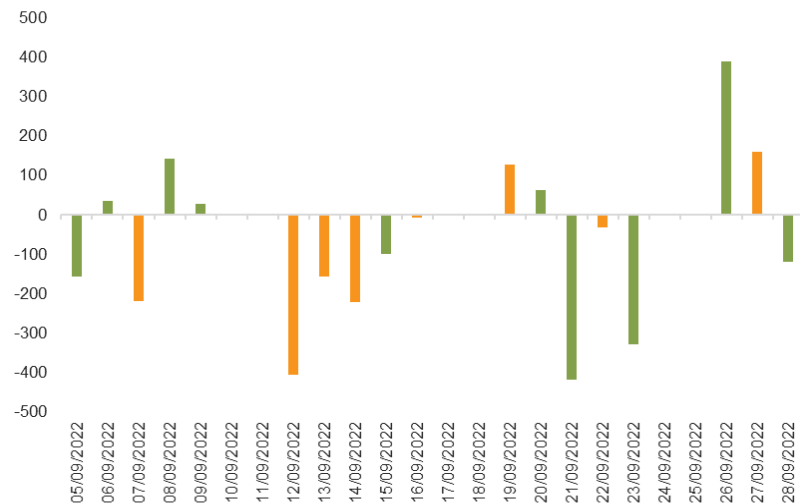


Foreign investors net bought slightly VND69bn in 9M22 (unit: VNDbn) (data on 28/09/2022)

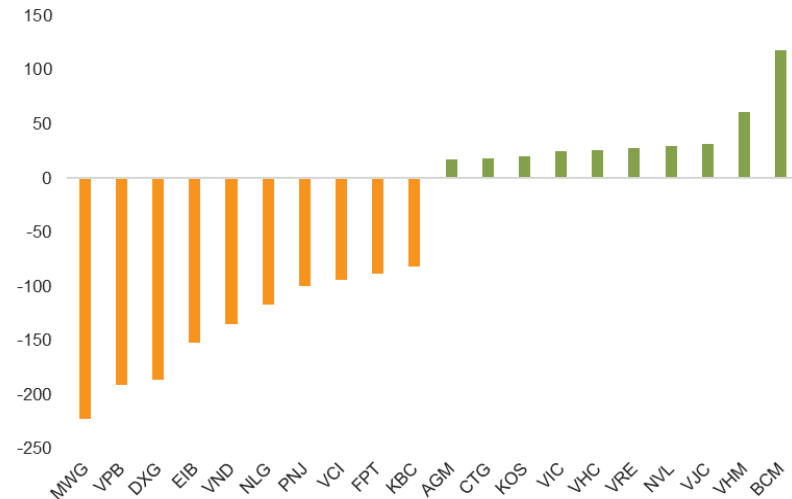


- In the context of Fed signaled that the interest rate hike might not be over in short term as well as the dollar index hit the all-time high, the cash flow tend to withdraw from riskier assets and markets, including Vietnam's stock market. As the result, foreign investors sold a net of VND3,641bn in September.
- For 9M22, the total net bought by foreign investors has decreased significantly from over more than VND4,000bn to only VND69bn.

Net trading value per day of proprietary trading in September (unit: VNDbn) (data on 28/09/2022)



Top net buying/selling (stocks) of proprietary trading in September (unit: VNDbn) (data on 28/09/2022)



- In September, proprietary trading recorded net sold on HOSE with a value of -VND1,211bn (vs net bought of VND977bn in last month)
- Top net sold of proprietary trading included MWG (-VND222.6bn), VPB (-VND190.8bn), and DXG (VND186.4bn). Meanwhile, proprietary trading bought the most in 3 stocks, which were BCM (VND118.7bn), VHM (VND60.9bn), and VJC (VND31.3bn). Notably, MWG was the top net sold in two consecutive months.



HPG, PVD and PNJ were among top net bought by foreigners in September

Foreign investors' strongest net buyers in September (US\$m, data on 28/09/2022)

Ticker	Net Bought	Bought	Sell
HPG	33.0	93.6	-60.6
PVD	18.3	20.2	-1.9
PNJ	17.8	25.0	-7.2
VNM	11.8	47.0	-35.2
DGC	9.4	41.1	-31.7
PVS	8.0	8.8	-0.7
VRE	5.7	15.7	-10.0
POW	4.5	7.2	-2.7
HAG	4.1	7.6	-3.5
VCB	3.1	38.2	-35.0

Foreign investors' strongest net sellers in September (US\$m, data on 28/09/2022)

Ticker	Net Sold	Bought	Sell
STB	-28.7	13.4	-42.1
KDH	-25.9	9.0	-34.9
VND	-18.0	10.5	-28.5
VJC	-17.5	6.1	-23.6
NVL	-12.4	16.1	-28.5
DXG	-12.3	11.5	-23.8
NLG	-11.8	12.7	-24.5
SSI	-11.0	13.8	-24.8
KBC	-10.8	9.9	-20.7
HSG	-9.5	1.9	-11.4

Foreign investors' strongest net buyers in 9M22 (US\$m, data on 28/09/2022)

Ticker	Net Bought	Bought	Sell
STB	102	364	-262
DGC	84	322	-238
DPM	68	205	-136
CTG	68	205	-137
MWG	61	601	-540
NLG	51	164	-112
GMD	41	129	-88
PNJ	38	224	-186
KDC	32	69	-37
VRE	31	261	-229

Foreign investors' strongest net sellers in 9M22 (US\$m, data on 28/09/2022)

Ticker	Net Sold	Bought	Sell
HPG	-218	625	-842
VIC	-200	279	-479
MSN	-196	417	-613
NVL	-140	134	-274
CII	-41	27	-68
SSI	-34	214	-247
VCI	-29	61	-90
VND	-21	185	-206
KDH	-20	103	-123
VHM	-19	494	-513

Market outlook

October 2022

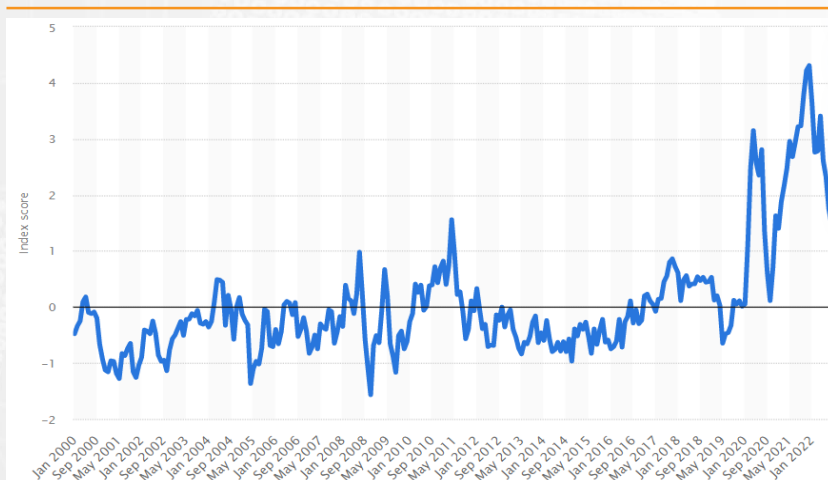
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VNDIRECT

Have the markets sufficiently priced-in these headwinds ?



The Global Supply Chain Pressure Index hit an 18-month low in Aug 2022

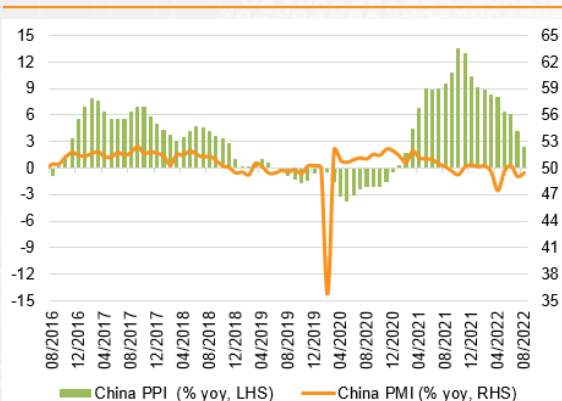


Sea freight rates dropped sharply in 3Q22

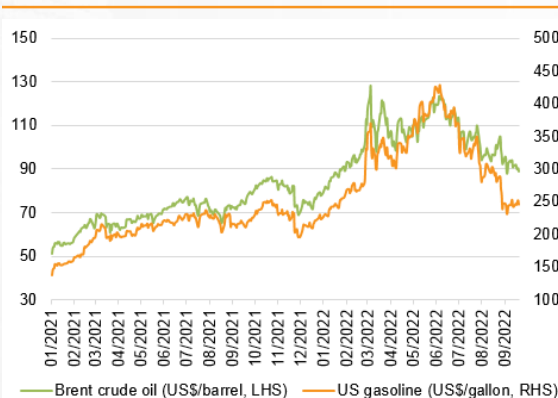


- Global supply chain disruption has eased recently. The Global Supply Chain Pressures Index (GSCPI-a barometer to determine global supply chain pressure) hit an 18-month low of 1.47 points in August 2022, down from 1.75 points the previous month. In the last months, the COVID-19 restrictions in China have been eased, leading to a decrease in global supply chain pressures. Nevertheless, the index scores were still higher than prior to the COVID-19 pandemic.
- As the WHO expects the global COVID-19 situation to improve further in the coming months, we believe that the global supply chain disruption would ease further in the following months. This will help reduce transportation costs and input material prices, thereby contributing to stabilizing global inflation.

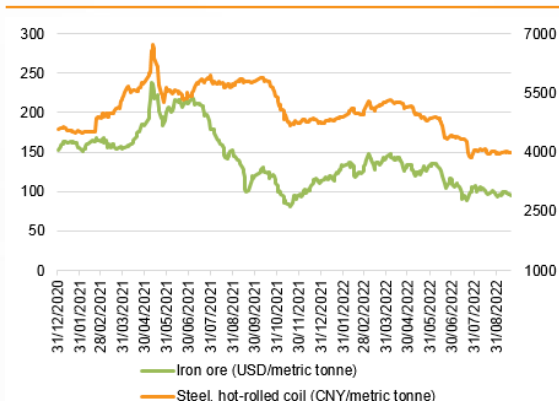
China's producer price index (PPI) grew at the slowest pace since Feb 2021



Oil prices fall to the lowest level since Feb 2022



Iron ore and hot rolled coil prices have declined since Apr 2022

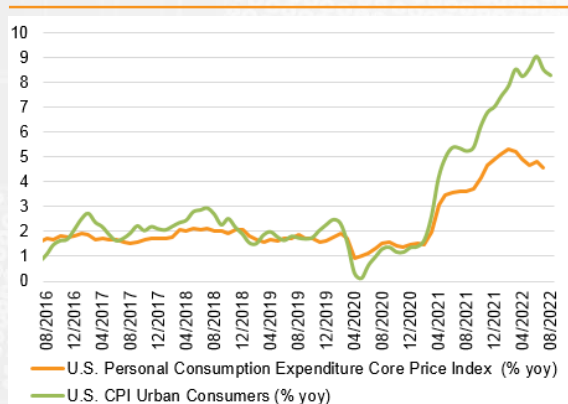


- Global commodity prices have cooled down in recent months. As a result, we see that the rise in production costs is decelerating, especially in China, the global manufacturing hub. Specifically, China's producer price index (PPI), which measures costs for goods at the factory gate, went up 2.3 % yoy in August, the slowest pace since February 2021, and slower than 4.2% a month prior. On a monthly basis, China's PPI fell 1.2% in August. The main reason for China's PPI slowdown is due to price volatility of bulk commodities, including international crude oil and non-ferrous metals.
- The cooling of producer price index in China along with the sharp decline of international sea freight rates would help reduce import inflation pressure of many countries around the world in the coming months.

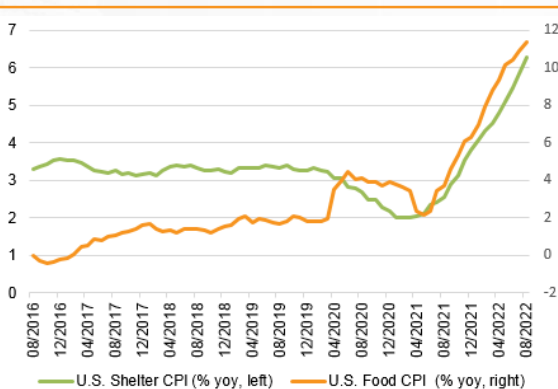


Global inflation cools down but is unlikely to fall to normal levels by the end of 2022

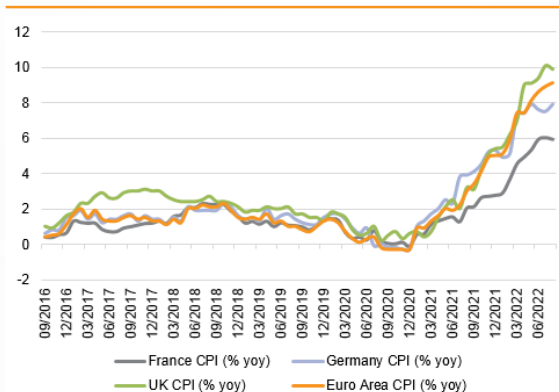
US inflation cooled down in the Aug 2022



Stubbornly high rents and rising food prices kept US inflation at a high in Aug

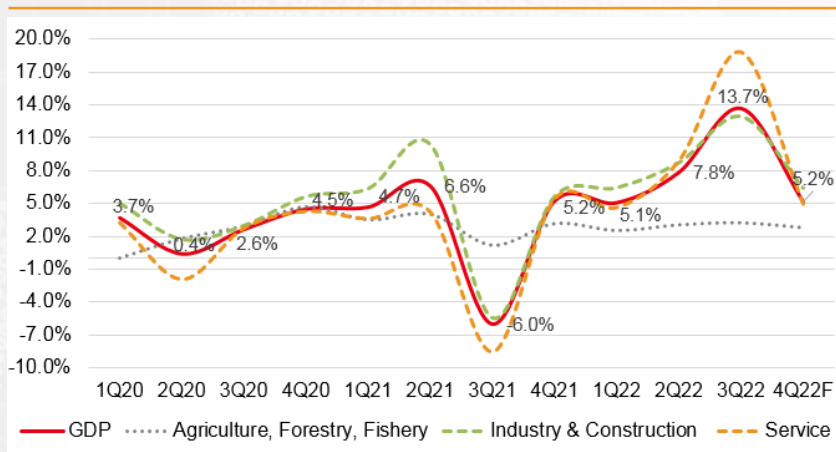


Euro Area inflation climbed higher in Aug 2022

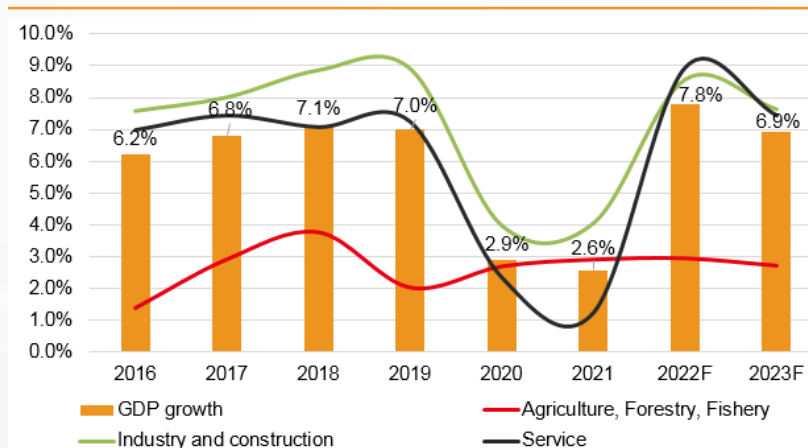


- Stubbornly high rents and rising food prices amid strong consumer demand kept US inflation at a high in August. The consumer price index edged up 0.1% last month after being unchanged in July, well above the market consensus forecast for a 0.1% decline. In the 12 months through August, the CPI increased 8.3%. That was a deceleration from July's 8.5% rise and a 9.1% jump in June.
- We expect US inflation to continue to remain at a relatively high level until the end of 2022 before cooling down faster from the beginning of 2Q23. We think it will take more time for the Fed's rate hike to have a strong impact. We expect the Fed's monetary tightening policy will help reduce people's inflation expectations and cool down the hot increase in consumer demand, thereby helping to reduce inflation more strongly in the coming quarters.

Vietnam's economic recovery will accelerate in 3Q22

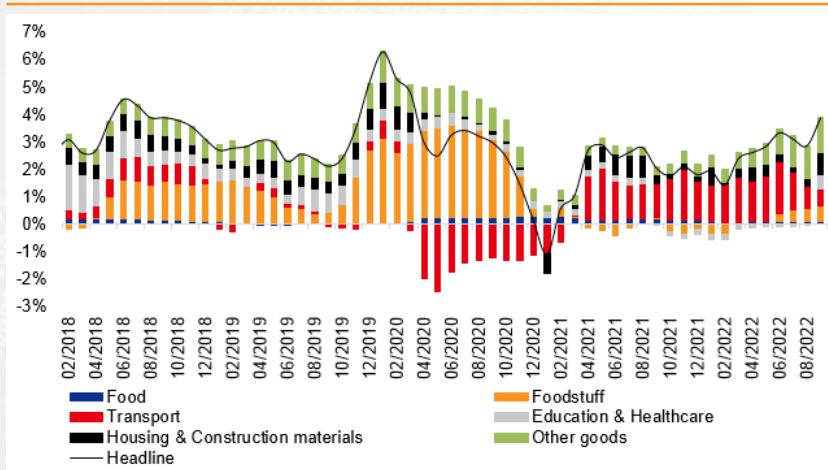


We forecast Vietnam's GDP to grow 7.8% yoy in 2022F

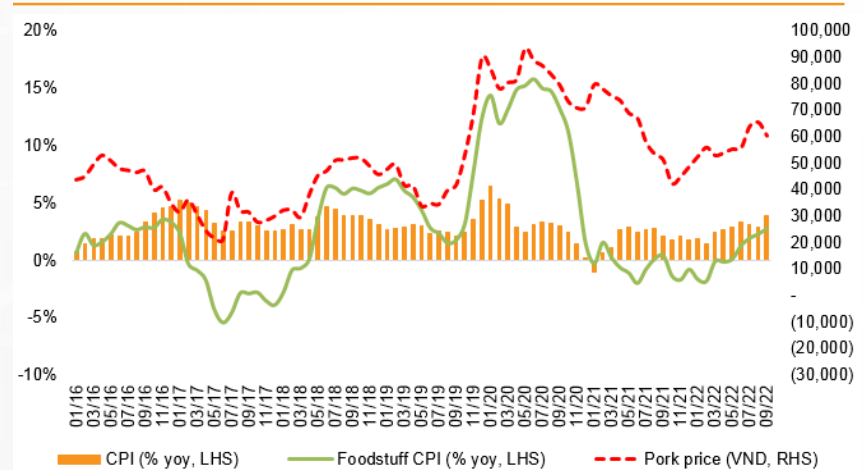


- According to GSP, Vietnam's GSO grew 13.7% yoy in 3Q22 (vs. -6.0% yoy in 3Q21), in line with our forecast. Regarding to three main pillars of the economy, industry and construction sector expanded by 12.9% yoy, while service and agriculture sector increased by 18.9% yoy and 3.2% yoy, respectively.
- For 9M22, Vietnam's economy grew by 8.8% yoy (vs. +1.4% yoy in 9M21). Service sector expanded by 10.6% yoy in 9M22, followed by industry and construction sector (+9.4% yoy) and agriculture, forestry and fishery sector (+3.0% yoy).
- We forecast Vietnam's GDP growth in 2022F at 7.8% yoy (+/- 0.3%) and 2023F at 6.9% yoy (+/- 0.3%). Downside risks include: (1) export slowdown due to lower external demand, (2) private investment slows as interest rates rise

CPI rose 3.9% in Sep 2022

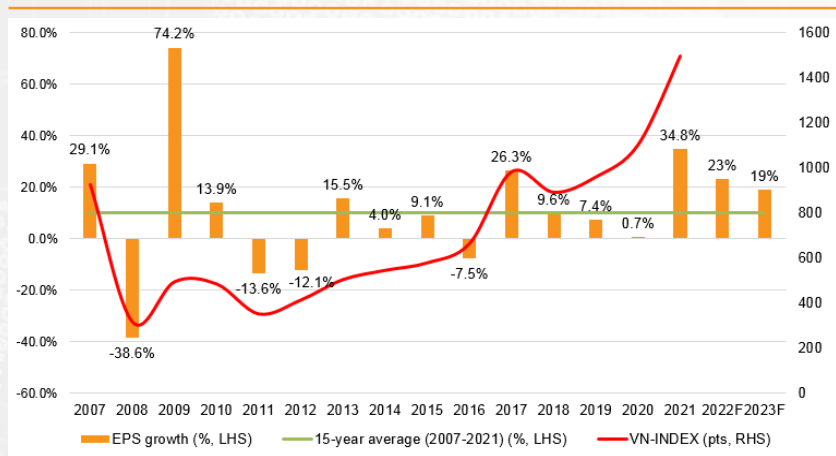


Average live hog price in Sep 2022 declined by 8% mom (+19% yoy)



- According to GSO, Vietnam's headline inflation rose 3.9% yoy in Sep 2022 (higher than the level of 2.9% yoy in the previous month). On mom basis, Vietnam's CPI edged up 0.4% in Sep, mainly driven by the increase of education price index (+5.9% mom) and the increase of accommodation & construction materials price index (+0.9% mom). In 9M22, Vietnam's CPI averaged at 2.7%.
- We still believe that the Government could be able to control the inflation to meets the government's target of keeping the 2022 average CPI below 4.0% yoy. The government has taken effective solutions to curb inflation this year, including reducing tax on gasoline to lower domestic gasoline prices. We maintain our forecast for Vietnam's average CPI in 2022 at 3.2% yoy (+/- 0.2%).

We still maintain our forecast of 23% yoy for listed corporates earnings growth in FY22F



Eyes on the 3Q22 earnings season

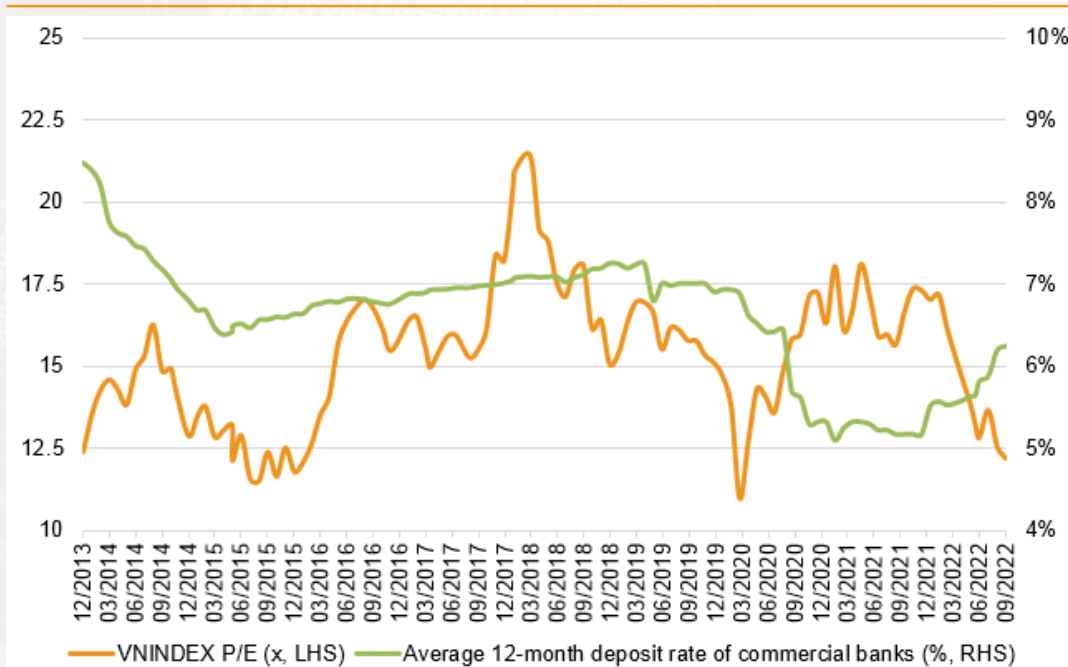
	3Q21 net profit growth	4Q21 net profit growth	1Q22 net profit growth	2Q22 net profit growth	1H22 net profit growth	FY21 NP growth
Market	19.1%	13.7%	36.9%	14.2%	24.6%	41.1%
Industrial Metals	174.9%	36.0%	1.8%	-66.9%	-39.5%	168.4%
Support Services	166.6%	22.1%	77.9%	75.8%	76.5%	103.1%
Financial Services	110.3%	16.7%	33.9%	-93.0%	-43.0%	176.0%
Chemicals	101.7%	60.1%	304.4%	138.7%	208.4%	80.4%
Electricity	62.2%	35.8%	64.9%	16.6%	38.4%	7.7%
Insurance	33.1%	-1.7%	7.5%	-35.5%	-13.4%	20.6%
Technology	16.9%	49.6%	58.8%	38.2%	47.9%	25.6%
Banks	15.7%	7.7%	31.7%	39.8%	35.4%	31.3%
Utilities	8.3%	21.9%	51.8%	88.7%	71.2%	14.7%
Forestry & Paper	6.9%	21.1%	-11.7%	8.4%	-3.4%	29.7%
Food Producers	6.0%	104.7%	46.7%	-9.0%	14.6%	37.5%
Real Estate	5.1%	37.0%	-1.4%	-28.7%	-17.2%	10.8%
Health Care	4.7%	14.7%	24.1%	-0.1%	10.6%	6.5%
Personal & Household Goods	-8.0%	38.9%	25.8%	3.4%	13.3%	57.4%
Industrial Transportation	-8.9%	71.4%	32.7%	115.6%	77.1%	72.4%
Oil & Gas	-21.2%	44.8%	7.5%	172.9%	100.5% (*)	
Mining	-26.5%	95.7%	204.5%	-8.5%	34.3%	98.1%
Travel & Leisure	-29.9%	-30.9%	-49.9%	-40.1%	-46.5%	18.6%
Industrial	-40.0%	-7.2%	17.1%	-14.4%	-0.5%	-2.8%
Construction & Materials	-48.3%	21.3%	33.0%	37.2%	35.3%	4.9%
Retail	-48.4%	78.0%	25.0%	11.2%	18.9%	29.8%
Automobiles & Parts	-53.8%	4.6%	4.1%	1.3%	2.6%	0.9%
Telecommunications	-60.8%	27.1% (*)	51.2%	265.6%	265.6%	-69.5%
Recreation	-65.9%	17.0%	22.1%	58.4%	41.9%	-24.6%

(*) Recorded losses in 2021

(**) Recorded losses in 2Q20

- We believe increasing cost of debt and subdued global demand might dent the earnings prospect of high leveraged corporates in the next coming quarters. We still maintain our forecast of 23% yoy for listed corporates earnings growth in FY22F. Some sectors could deliver strong earnings growth in 2022, including Industrial Goods and Services (huge contribution from ACV), Oil & Gas, Utilities, and Retail.
- Eyes on the 3Q22 earnings season. We expect strong yoy earnings growth of Travel & Leisure, Automobiles, Retail and F&B due to the low base last year.
- We expect some FY23 earnings downgrade after the 3Q22 results to be released.

VN-INDEX is trading at a 31% discount from this year's peak

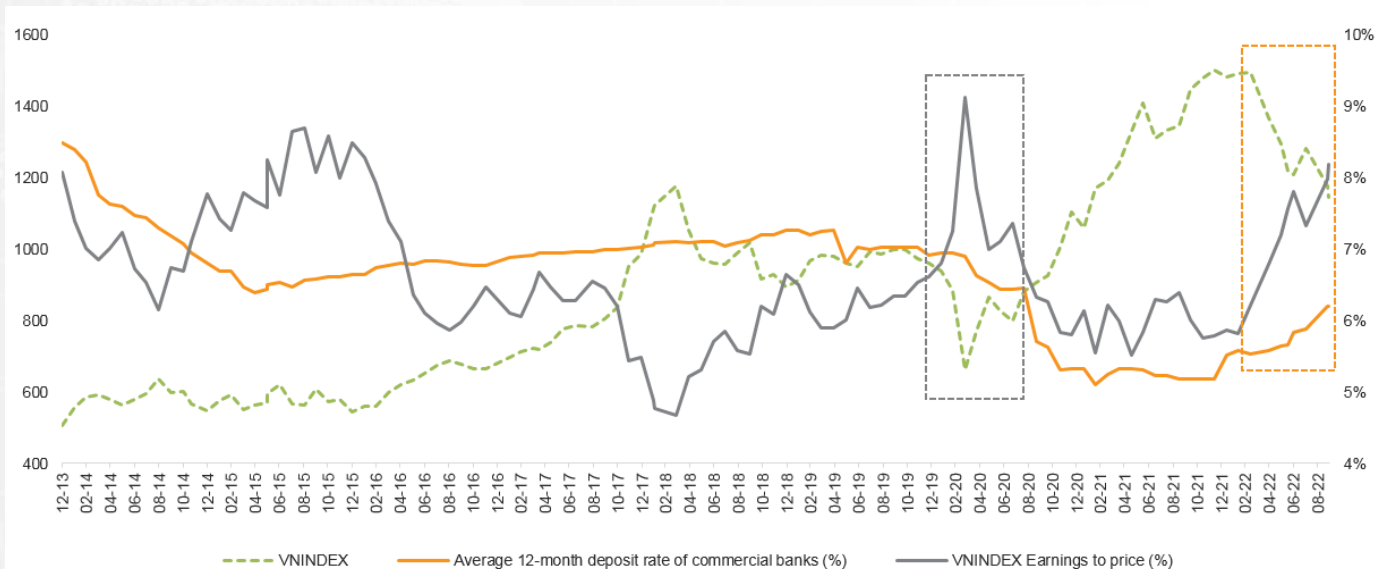


SOURCE: VNDIRECT RESEARCH, BLOOMBERG

- As at 30 September 2022, VN-Index was trading at 12.2x trailing 12-month P/E (the lowest level in 29 months), which is 31% discount to the peak this year and 23% discount to the 5-year average P/E (15.8x).
- We see current market valuation is even lower than in 2017-2019 when the deposit rates were higher (12M deposit rate averaged at 7.0%). We believe VN-index now offer valuation buffers.



The gap between market earnings yield vs deposit rates is still attractive



- Rising interest rates weigh on stock market valuations due to (1) higher opportunity cost of investing in securities and (2) higher interest costs, which slows down corporate earnings growth. However, we believe that the recent decline in VN-INDEX and its P/E valuation has reflected concerns about the prospect of rising interest rates affecting the equity market.
- We forecast that 12-month average deposit rates are about 6.4-6.5%/year by the end of 2022. In particular, we expect some small banks to raise their 12-month deposit interest rates to 7-8%/year. Basing on our forecast of 23% yoy earnings growth, we estimate current Earnings to Price of VN-INDEX is about 9.3%. Together with dividend yield of 1.7%, the market earnings yield is estimated about 11.0% which is still attractive versus 12M deposit interest rates of commercial banks.



- We expect the VN-INDEX to fluctuate in the range of 1,050-1,180 points in October. The proportion of stocks in the portfolio should remain at a moderate level, about 50-70% of the portfolio is stocks. In addition, investors should limit the use of leverage (margin) at the moment to minimize risks.
- Downside risks to the market include: (1) Inflation in the US fell more slowly than expected, (2) Fed raises its policy rates faster than expected and (3) the US dollar continues to strengthen, putting more pressure on Vietnam's exchange rates, interest rates and foreign investment.

Investment ideas

October 2022

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VNDIRECT

Recalibrating investment strategies for higher interest rates



Stocks that has net cash per share but are traded under book value

Ticker	Name	TTM P/B	TTM P/E	Market cap (VNDbn)	TTM ROE (%)	TTM ROA (%)	D/E ratio (%)	Dividend yield (%)	Net cash per share (VND)	Daily liquidity (average 1 month) (VNDbn)
PVS	Petrovietnam Technical Services Corporation	0.90x	20.34x	10,754	4.2%	2.1%	10.0%	5.1%	18,758	237.4
POW	PetroVietnam Power Corporation	0.99x	18.80x	29,390	4.9%	2.8%	27.0%	2.4%	(686)	225.2
GIL	Binh Thanh JSC	0.98x	5.06x	2,308	20.3%	9.1%	52.0%	0.0%	23,253	17.7
PVB	PetroVietnam Coating JSC	0.92x	19.00x	350	4.9%	4.1%	0.0%	0.0%	9,320	8.5
VTO	Vietnam Tanker JSC	0.56x	6.56x	611	8.4%	5.2%	40.0%	10.4%	346	2.6

- High interest rates may linger in the coming quarters thus it is prudent for investors to switch into undervalued investing and dividend plays. We advocate exposure to stocks that has net cash per share but are traded under book value which might offer better margin of safety.

High dividend yield stocks

Ticker	Name	Dividend yield	TTM P/E	TTM P/B	Market cap (VNDbn)	Daily liquidity (average 1 month) (VNDbn)	Dividend payment history
TCL	Tan Cang Logistics and Stevedoring JSC	14.8%	8.0x	2.1x	1,019	2.5	Consistently paid since 2010
VCG	Vietnam Construction and Import – Export JSC	10.5%	12.8x	1.6x	10,859	201.3	Consistently paid since 2010 (except 2012, 2013, 2020)
VTO	Vietnam Tanker JSC	10.4%	6.6x	0.6x	611	2.6	Consistently paid since 2007 (except 2010)
IJC	Becamex Infrastructure Development JSC	9.1%	7.0x	1.0x	3,560	35.3	Consistently paid since 2010
PHR	Phuoc Hoa Rubber JSC	7.6%	10.3x	2.3x	7,466	55.6	Consistently paid since 2009
NT2	PetroVietnam Power NhonTrach 2 JSC	7.3%	8.6x	1.8x	7,931	71.3	Consistently paid since 2014 (except 2019)



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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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