

Stock Market Outlook

June 2024

Flat and mixed movements

Macro data in May – Macro data in May showed that the economy is still recovering despite its slow speed. Exports and the IIP grew; PMI stayed above the 50 threshold; and the sharp increase in import activities has shown that orders are returning to Vietnam, expecting a strong recovery in production and export in the future. Other traditional growth drivers such as retail sales of goods, tourism, public investment and FDI inflows showed steady growth. CPI in May increased by 0.05% MoM. CPI gained 4.44% YoY, and the five-month average reached 4.03%, which is still below the target limit. System liquidity declined due to the State Bank of Vietnam (SBV) selling foreign currencies and interbank interest rates remaining at a high level. Exchange rates are under a lot of pressure.

Market developments in May – After a significant decline at the end of April of more than 100 points, the market recovered positively in May, but liquidity was lower than in the previous period. Large caps are no longer the focus, instead, small and medium caps play an important role in this recovery, helping the VNIndex quickly bounce back in early April.

Market outlook for June – In terms of valuation, VNIndex's current P/E level is about 16x (according to data from Bloomberg – this P/E level eliminates abnormal profits of businesses). This valuation is on par with the VNIndex's two-year average and lower than the 10-year average. Regarding stock market fluctuations in June, in the base scenario, we think that VNIndex will need more time to move sideways above the peak area, and movements of stock groups will be mixed before stronger changes appear ahead of the 2Q earnings season.

From a technical perspective, we lean towards the scenario (70% probability) that VNIndex will increase to exceed the psychological resistance area of 1300 points before encountering strong corrective pressure again at the medium-term resistance area around 1330 (+ -10). In the remaining scenario (30% probability), the index will move sideways and accumulate with an amplitude of 1240–1300 points in most of the trading sessions in June before making a breakthrough.

For the model portfolio in June, our Equity analysis department prioritizes the selection of stocks including: FPT, PC1, VCB, PNJ, HPG, STB, DPM, NKG, GAS, and MWG. *(Please refer to Section V of this report for further details)*

Head of Macro & Strategy Tran Duc Anh
anhtd@kbsec.com.vn

Analyst Nguyem Sy Tien
tiens@kbsec.com.vn

Analyst Nguyen Dinh Thuan
thuannd@kbsec.com.vn

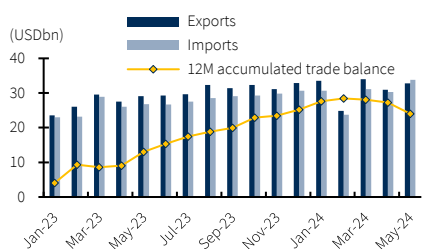
Analyst Vu Thu Uyen
uyenvt@kbsec.com.vn

June 6, 2024

Contents

I. May macroeconomic overview	3
II. May stock market overview	7
III. June stock market outlook	9
IV. May model portfolio return	12
V. June model portfolio	13

I. May macroeconomic overview

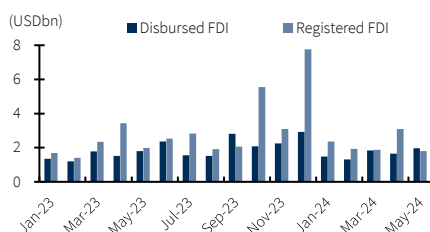


Export

May 2024	USD32.81 billion	+15.8% YoY
5M24	USD156.77 billion	+15.2% YoY

Import

May 2024	USD33.81 billion	+29.9% YoY
5M24	USD148.76 billion	+18.2% YoY

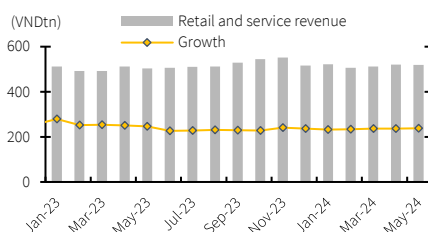


Registered FDI

May 2024	USD1.8 billion	-9.2% YoY
5M24	USD11.07 billion	+2.0% YoY

Disbursed FDI

May 2024	USD1.97 billion	+9.4% YoY
5M24	USD8.25 billion	+7.8% YoY

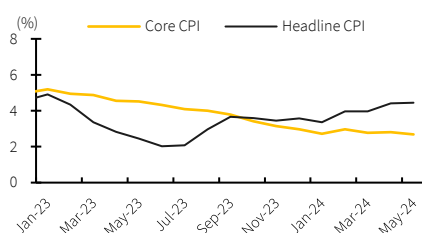


Retail sales of goods & services

May 2024	VND519.8 trillion	+9.5% YoY
5M24	VND2,580 trillion	+8.7% YoY

Disbursed public investment

5M24	VND190.6 trillion	+5% YoY
5M24	26.6% target	



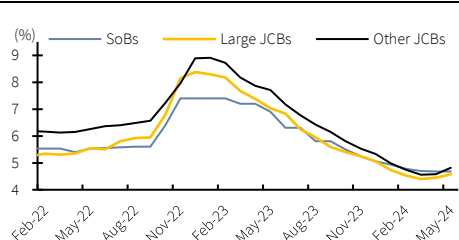
CPI

May 2024	+0.05% MoM	+4.44% YoY
5M24	+4.03% YoY	

IIP & PMI

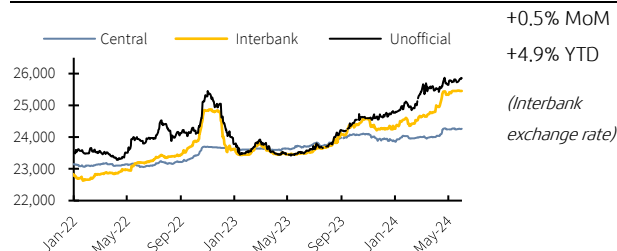
May 2024	IIP	+8.9% YoY
5M24		+3.9% MoM
May 2024	PMI	50.3 points

12M deposit interest rates



+0.19% MoM
-0.49% YTD
(Average deposit interest rate)

USD/VND exchange rates



+0.5% MoM
+4.9% YTD
(Interbank exchange rate)

Source: General Statistics of Vietnam, Bloomberg, WiChart, KB Securities Vietnam

Macroeconomic situation has been recovering

Macro data in May showed that the economy is still recovering despite its slow speed. Exports and the IIP grew; PMI stayed above the 50 threshold; and the sharp increase in import activities has shown that orders are returning to Vietnam, expecting a strong recovery in production and export in the future. Other traditional growth drivers such as retail sales of goods, tourism, public investment and FDI inflows showed steady growth. CPI in May increased by 0.05% MoM mainly because pork prices rose on supply constraints amid African swine fever and electricity prices for household increased in hot weather. CPI gained 4.44% YoY, and the five-month average reached 4.03%, which is still below the target limit.

System liquidity is under pressure due to the SBV selling foreign currencies and interbank interest rates remaining high

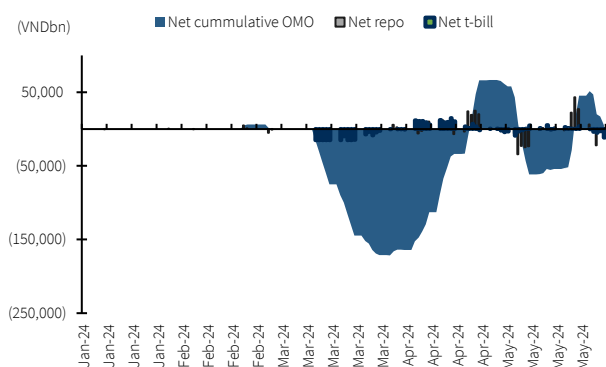
***Macro highlights:**

In May, the SBV sold foreign currencies to intervene in exchange rates and carried out net injection on the open market to improve cash shortages. System liquidity was under a lot of pressure but became more stable at the end of the month. Interbank interest rates went sideways, the rates for ON terms fluctuated around 4–5.5% before plummeting to 2.93% on May 31. We believe that interbank interest rates will return to around 4% since the SBV is still orienting a high-enough interbank interest rate to limit carry trade and stabilize exchange rates (OMO interest rates continued to rise to 4.25 and 4.5% in the forward outright and purchase channels, respectively).

Deposit interest rates are forecast to continue to increase while lending interest rates will move sideways

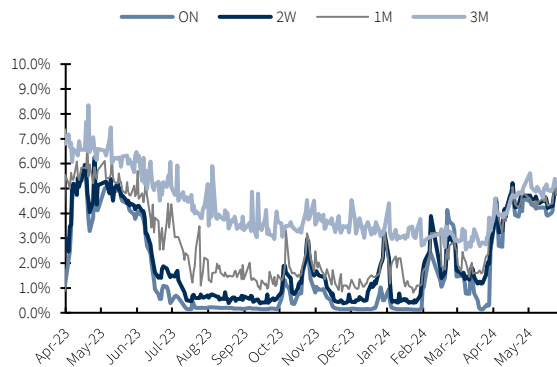
Increased interbank interest rates, combined with less cash in the system, have caused banks to raise deposit interest rates again, especially in the group of private commercial banks with an average increase of 15–25bps for 12M term. In the scenario with the exchange rate not experiencing too adverse developments, deposit interest rates may continue to gain 75–100bps from now until the end of the year as credit demand is expected to recover. We believe that this increase is still under control and cannot make lending interest rates increase. Banks will still focus on following the Government's direction to support businesses, and maintaining low lending interest rates will also help promote credit growth, which is the current priority for banks.

Fig 1. Vietnam – OMOs (VNDbn)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 2. Vietnam – Interbank interest rates (%)



Source: FiinPro, KB Securities Vietnam

The USD/VND exchange rate continued to be under a lot of pressure

In May, the USD/VND interbank exchange rate became tense as it continuously approached and exceeded the SBV's selling threshold at 25,450 (+4.9% YTD). The bank has intervened by directly selling foreign currency in large volumes. While the signal from the Fed has become more positive and the DXY has cooled down slightly, the domestic situation is not very favorable with a trade deficit of USD1 billion in May. Foreign currency flows are still under a lot of pressure from FDI enterprises transferring profits to the home country and export businesses leaving money abroad. The unofficial exchange rates continued to increase to 28,855 on May 31 (+4.4% YTD) while the difference between domestic and world gold prices remained high.

We believe that the short-term exchange rate will still be under pressure due to the above foreign currency flow issues and DXY anchoring in high areas. Therefore, the SBV will continue to have to sell foreign currency during periods of strong exchange rate fluctuations. In the long term, it is forecast that the exchange rate will remain at its current high level until positive signals appear to help the exchange rate cool down at the end of the year (when the Fed lowers interest rates). Accordingly, KBSV maintains the forecast of an exchange rate increase of 3.5% in 2024, equivalent to VND25,120/USD:

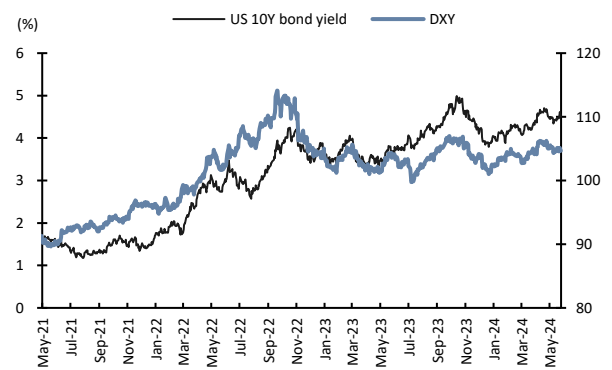
- According to CME, the market is expecting the Fed to lower interest rates in September (probability of 51.3%), and there will be two cuts this year. Newly released economic data shows that the US economy is still healthy but starts to show signs of weakness. The Fed's preferred inflation measure (PCE) has cooled as expected, reinforcing this scenario. The DXY declined 1.5% during the month, however with expectations that the ECB will lower interest rates at the June meeting, it is likely that the index will increase again and put more pressure on the exchange rate.
- The situation on the domestic market is going in opposite directions. Foreign currency flows will be under a lot of pressure due to the increased need to import raw materials to serve production, while exports grow slowly. The positive point is that FDI capital flow is still stable (accumulated disbursement in 5M24 is USD8.25 billion – highest in the last five years). The gold price difference has also decreased to VND8–9 million/tael after the SBV allowed SJC and the big four state-owned banks to buy gold from the SBV and sell directly to people, limiting gold smuggling.

Table 3. US – Probability of rate cuts (as of June 4, 2024, %)

MEETING DATE	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES							
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
12/06/2024			0,0%	0,0%	0,0%	0,0%	0,0%	99,9%
31/07/2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	16,5%	83,4%
18/09/2024	0,0%	0,0%	0,0%	0,0%	0,0%	8,6%	51,3%	40,1%
07/11/2024	0,0%	0,0%	0,0%	0,0%	2,6%	21,3%	48,0%	28,1%
18/12/2024	0,0%	0,0%	0,0%	1,5%	13,9%	37,4%	36,0%	11,2%
29/01/2025	0,0%	0,0%	0,6%	6,6%	23,5%	36,8%	25,9%	6,6%
19/03/2025	0,0%	0,3%	3,7%	15,3%	30,4%	31,1%	15,9%	3,2%
30/04/2025	0,1%	1,6%	7,9%	20,8%	30,7%	25,6%	11,3%	2,0%

Source: CME, KB Securities Vietnam

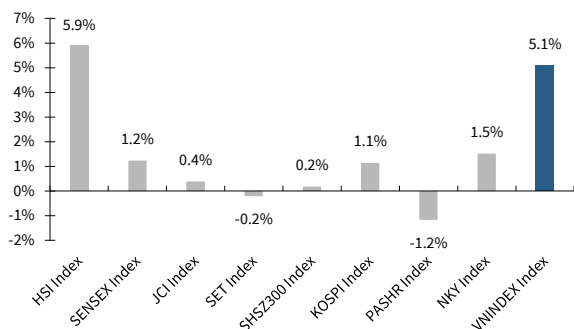
Fig 4. US – 10Y bond yield & DXY (%)



Source: Bloomberg, KB Securities Vietnam

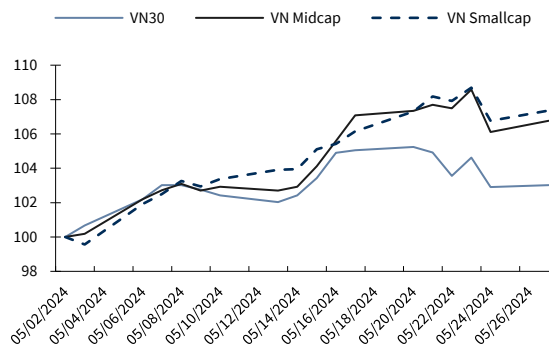
II. May stock market overview

Table 5. Global – VNIndex performance vs other indexes



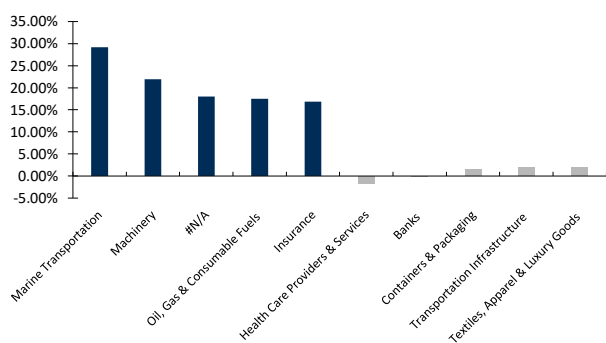
Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 6. Vietnam – Performance by market cap



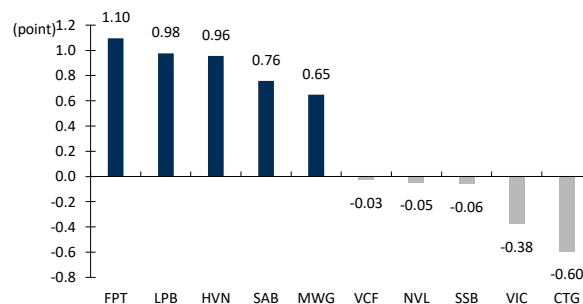
Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 7. Vietnam – VNIndex sector performance



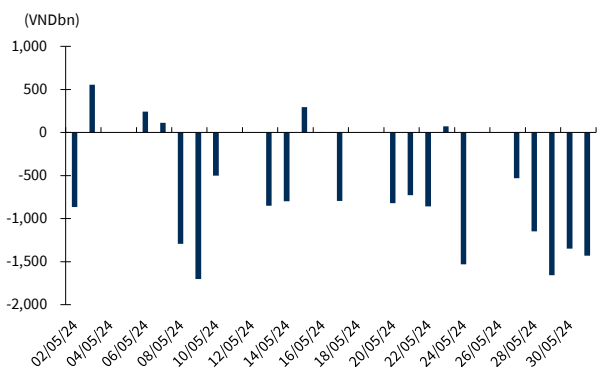
Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 8. Vietnam – Top best/worst tickers



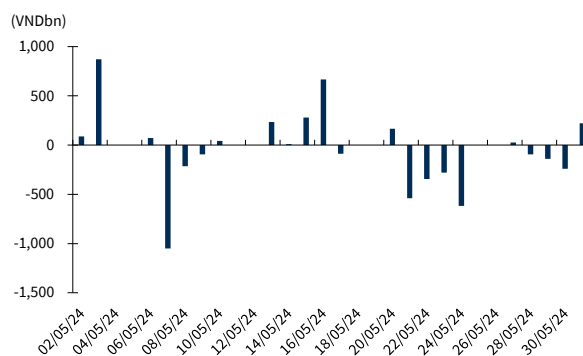
Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 9. Vietnam – Net foreign bought/sold volume (VNDbn)



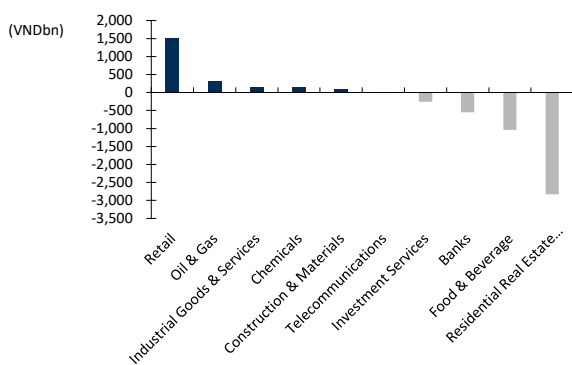
Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 10. Vietnam – Proprietary net bought/sold volumes (VNDbn)



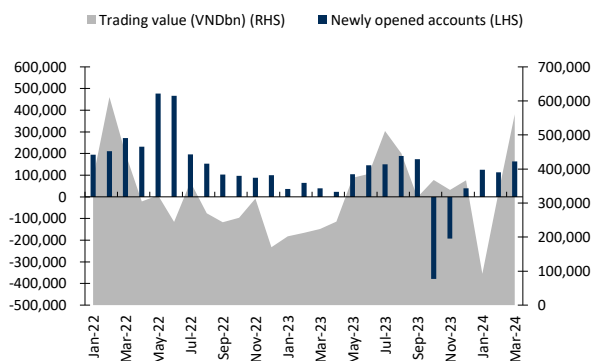
Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 11. Vietnam – Net foreign bought/sold sectors



Source: Bloomberg, FinnPro, KB Securities Vietnam

Fig 12. Vietnam – Trading value & new trading accounts (VNDbn, account)



Source: Bloomberg, FinnPro, KB Securities Vietnam

III. June stock market outlook

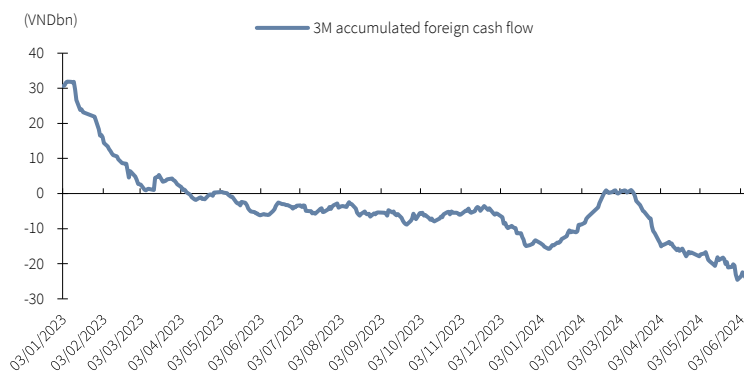
June stock market outlook in the base case

In terms of valuation, VNIndex's current P/E level is about 16x (according to data from Bloomberg – this P/E level eliminates abnormal profits of businesses). This valuation is on par with the VNIndex's two-year average and lower than the 10-year average.

Regarding stock market fluctuations in June, in the base scenario, we think that VNIndex will need more time to move sideways above the peak area, and movements of stock groups will be mixed before stronger changes appear ahead of the 2Q earnings season. Factors that can affect psychology on the stock market in June include: (i) 2Q earnings season, (ii) foreign net buy/sell (slow net sell momentum will support the market), and (iii) USD/VND exchange rate and the actions of the SBV.

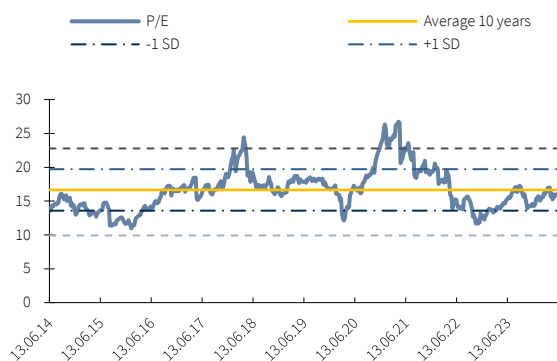
However, investors should note a few risks that may change our forecast: (i) Risk of geopolitical tension and conflict (escalating tensions in the Middle East and the risk of spreading to other regions of the world are a threat to global stability, affecting commodity prices and supply chains), (ii) foreign investors maintaining net sell, and (iii) the appreciation of the USD putting pressure on the exchange rate and affect the policies of the SBV.

Fig 13. Vietnam – 3M accumulated foreign cash flow (VNDtn)



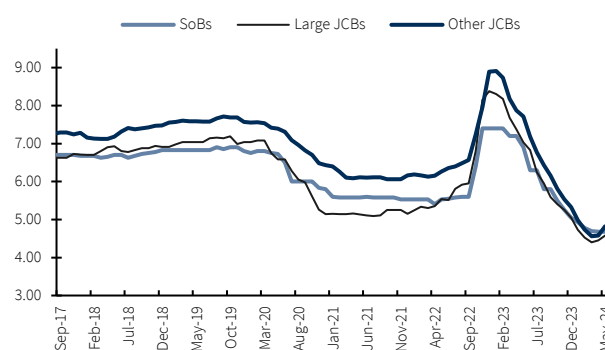
Source: Ho Chi Minh Stock Exchange, KB Securities Vietnam

Fig 14. Vietnam – P/E of VNIndex in 2014–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Fig 15. Vietnam – 12M deposit interest rates of banks (%)



Source: Fiiipro, KB Securities Vietnam

From a technical perspective, the VNIndex will likely maintain its upward momentum until it faces significant pressure around the 1,330 area (+-10).

On the daily chart, VNIndex is moving in a sideways drift between 1,250 and 1,285 points. Although distribution pressure increased sharply at the upper limit of the range, active bottom-fishing demand also helped the index stay above the daily MA20 line while creating a price base at 125x. On the weekly chart, VNIndex’s movements were somewhat less positive when there are two distributed bearish candlesticks with large volume around the short-term peak area. However, when most indicators have not reached the overbought zone, this distribution indicator is not high risk.

Besides, the recovery momentum of the VN30 stock group is becoming more positive after experiencing a stronger correction than the VNIndex, creating a withdrawal candle and recovering around the 1,260 support area.

Accordingly, we lean towards the scenario (70% probability) that VNIndex will exceed the psychological resistance area of 1,300 points before encountering strong corrective pressure again at the medium-term resistance area around 1330 (+ -10). In the remaining scenario (30% probability), the index will move sideways and accumulate with an amplitude of 1,240–1,300 points in most of the trading sessions in June before a breakthrough can occur. Risks affecting our scenario include the issue of exchange rate pressure becoming more severe and the possibility of US government bond yields (US10Y) exceeding 4.8%.

Fig 16. Vietnam – Technical analysis of the VNIndex



Source: FireAnt, KB Securities Vietnam

IV. May model portfolio return

Investment approach:

- Seek to outperform the VN30 Index by identifying the most attractive stocks within our coverage universe;
- The default holding period is three months. However, the portfolio is reviewed and reallocated in every first week of each month;
- Employ a risk-managed exit strategy that sets a stop loss of -15%;
- Use an equal-active-weight (with monthly rebalancing method) approach that allocates 100% of the portfolio to stocks that can also include VN30 index ETFs.

Performance vs VN30 Index

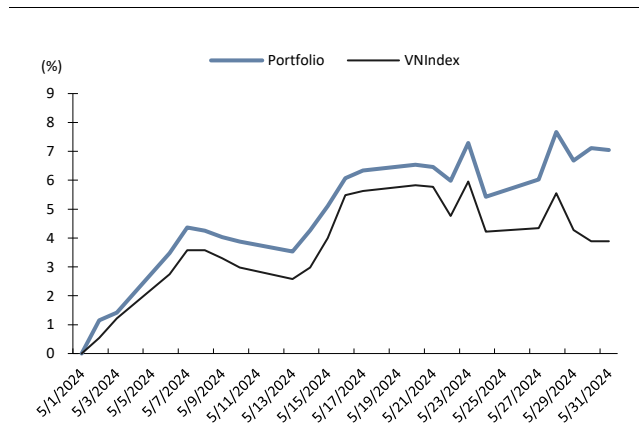
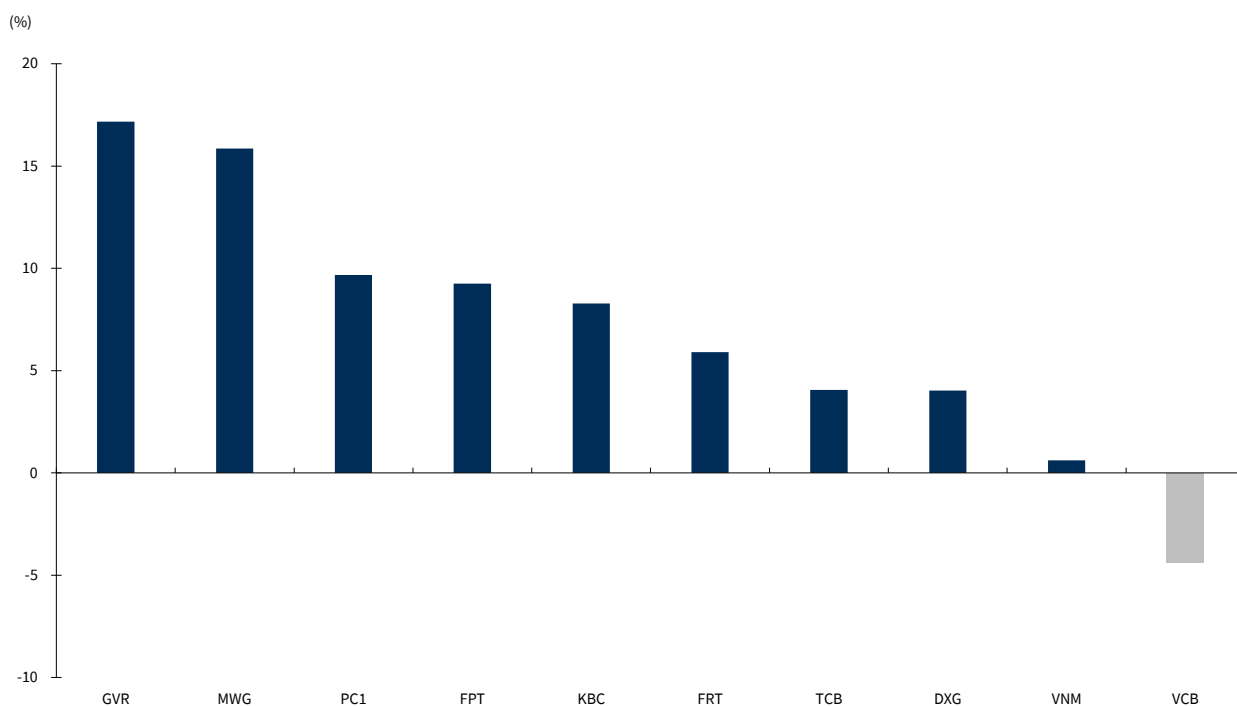


Fig 26. KBSV – May model portfolio return (%)



Source: KB Securities Vietnam

V. June model portfolio

No.	Ticker	Target price	Closing price (April 26)	Expected return	2024 forward PE	2024F NPAT growth	Investment catalysts
1	FPT	142,000	135,000	5%	17.65	17%	<ul style="list-style-type: none"> - Main business segments such as software outsourcing and education segment still have a lot of growth potential. - The company expects long-term growth momentum when entering the semiconductor field.
2	PC1	34,200	25,850	32%	19.40	231%	<ul style="list-style-type: none"> - National Power Development Plan 8 will promote electrical construction and industrial production. - Electricity sales revenue recovers when La Nina phase changes in 2H24. - The industrial park segment has long-term prospects.
3	VCB	109,600	88,600	24%	13.99	9%	<ul style="list-style-type: none"> - Credit growth is sustainable in 2024. - NIM is expected to remain stable thanks to improved costs of fund. - The bank has a solid buffer.
4	PNJ	112,000	92,900	21%	10.41	14%	<ul style="list-style-type: none"> - Retail market share maintains growth thanks to the industry consolidation trend. - Demand is expected to improve when the economy recovers. - Gold bar segment grows well thanks to rising gold prices.
5	HPG	35,800	28,600	25%	17.10	50%	<ul style="list-style-type: none"> - Business results bottomed out in 2023 and recover from 2024. - Manufacturers' profits show signs of recovery, Vietnam's steel industry is about to enter a new price increase cycle. - Dung Quat 2 creates growth momentum for HPG in the long term.
6	STB	40,000	27,850	44%	5.20	32%	<ul style="list-style-type: none"> - STB successfully sold debt related to Phong Phu industrial park. - STB's deposit interest rates remain low. - NIM is expected to continue to recover, NPL is flat compared to the same period, and asset quality is well controlled
7	DPM	45,500	36,000	26%	13.70	131%	<ul style="list-style-type: none"> - Growth in global crop demand will support fertilizer consumption in 2024. - Input costs should be more favorable as El Nino shows signs of weakening.
8	NKG	31,000	24,400	27%	27.30	253%	<ul style="list-style-type: none"> - Consumption is boosted by export channels and the gradual recovery of domestic channels. - Nam Kim Phu My steel mill starts making products from 1Q26.
9	GAS	87,100	80,100	9%	15.10	3%	<ul style="list-style-type: none"> - Brent crude oil and FO prices are forecast to move sideways compared to 2023, contributing to 2024 business results. - LNG project increases profitability in 2025 thanks to electricity price adjustment.
10	MWG	69,000	63,600	8%	19.30	2095%	<ul style="list-style-type: none"> - The TGDD and DMX chains are on the recovery path and should soon return as the mainstay of MWG's profit growth. - BHX has recorded impressive growth and reached break-even. It will continue to optimize before expanding.

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh – Head of Research

binhnx@kbsec.com.vn

Banks, Insurance & Securities

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst

giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

Research Division

research@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of Macro & Strategy

anhtd@kbsec.com.vn

Vu Thu Uyen – Analyst

uyenvt@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienss@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.