



Stock Market Commentary

- In the second week of January, the panic selling of speculative real estate stocks weighed down on retail investors' sentiment and led to the VN Index's correction of 6% from the peak before bottom fishers pushed the Index back to the level of 1,478.96.
 - **The VN Index registered loss of 0.73% in USD terms** in January.
 - Stock performances diverged between key sectors with the strong runs of the banking sector (+8.4% MoM) and the oil & gas sector (+5.8%) and the harsh retreats of the consumer & retail sector (-4.6% MoM) and the real estate sector (-4.2% MoM).
 - After significantly outperforming the market in 2021, smaller sectors such as construction, materials and brokerage were heavily beaten in January with each down by mid-teen percent.
- Liquidity **inched up by 1.1% MoM** in January with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$1.36 billion**. **Last 12M daily liquidity** set new record high at **US\$1.14 billion**, a YoY increase of 218.6%.
- **Foreign investors net sold US\$117.25 million** in **January**, continuing the net selling trend in the last two years. Last month, Jih Sun Vietnam Opportunity Fund from Taiwan with AUM of approximately US\$216 million had started investing in the Vietnam stock market and eased foreign selling pressure.
- **Vietnam's listed market capitalization** stood at **US\$271.38 billion** by the end of January. Valuation-wise, the **VN Index** was trading at **trailing P/E** of **16.9x**, a slight discount compared to Asian average of **17.5x**.
- Going into 2022, strong economic recovery should support corporate earnings growth and lower the VN Index consensus forward P/E ratio to an undemanding 14.0x from the current 16.9x. Additionally, the sharp price drop of speculative stocks can help direct money into more fundamentally sound stocks and drive the stock market's sustainable development.

Macroeconomic Update

	Jan 2021	Dec 2021	Jan 2022	FY2021 Target
CPI (MoM change)	0.06%	-0.18%	0.19%	
CPI (YoY change)	-0.97%	1.81%	1.94%	<4.00%
YTD Trade Balance (US\$ billion)	2.09	4.08	-0.50	
Exchange Rate (US\$/VND)	23,140	22,890	22,760	
YTD Disbursed FDI (US\$ billion)	1.50	19.74	1.61	
PMI Manufacturing Index	51.3	52.5	53.7	
Industrial Production growth (YTD YoY)	22.16%	4.82%	2.39%	
Nominal Retail Sales Growth (YTD YoY)	6.42%	-3.76%	1.26%	
VN Index	1,056.61	1,498.28	1,478.96	

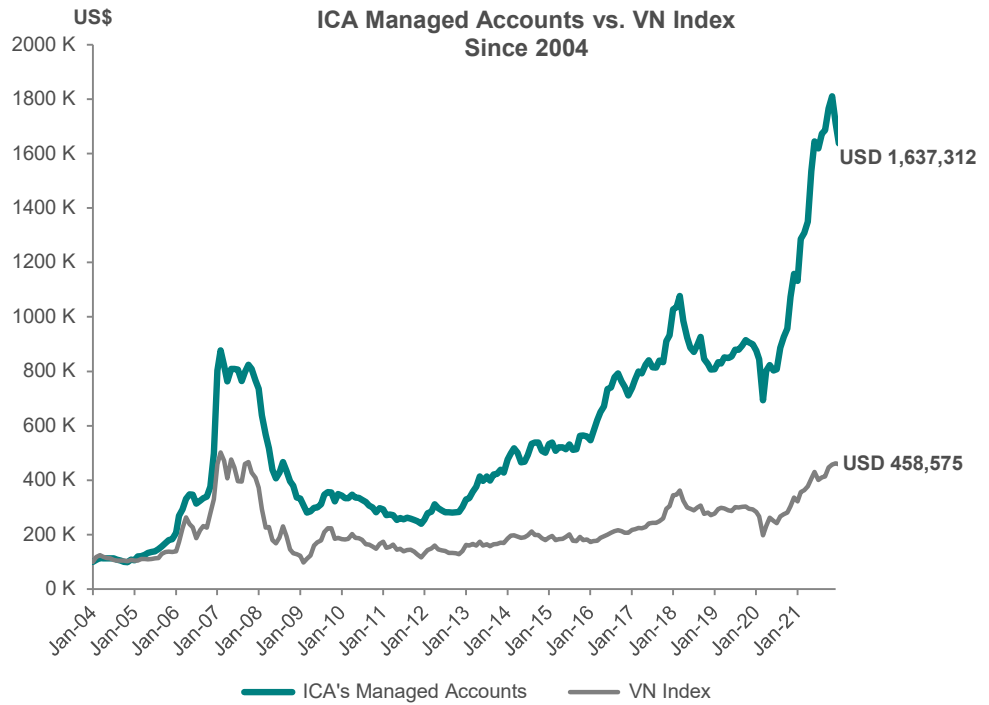
Source: GSO, Customs Office

Growth momentum extended into the new year with industrial production and retail sales upholding the recovery post lockdown. Disbursed FDI also showed sign of improvement while inflation remained under control.

- **January revenue of retail sales and services increased 1.26% YoY**, the second successive YoY increase. Retail activities steadily improved in each of the month after Covid lockdown ended last September.
 - Retail sales of goods (+4.35% YoY) offset the drops in accommodation & catering services (-11.95% YoY) and tourism service (-35.65% YoY).
- **The Index of Industrial Production (IIP) went down by 3.12% MoM and up by 2.39% YoY in January.**
 - Except the drop of 4.64% YoY in mining output, all the other sectors registered monthly expansion including manufacturing (+2.82% YoY), power generation & distribution (+5.09%) and water distribution & waste treatment (+1.17%).
- **Vietnam's Manufacturing PMI increased to 53.7 in January from 52.5 in December**, signaling the fourth successive monthly improvement and the strongest improvement in business conditions since last April.
 - Strong customer demand pushed both output and new orders to grow at the sharpest rates in nine months. Firms were able to increase output despite being somewhat impacted by high level of COVID-19 infection.
 - Optimism was the strongest in the last three years with 60% of respondents expected a rise in output. This in turns led to firms' effort in rebuilding workforce and resulted in the second successive rise in employment.
 - Expansion in purchasing activities led to the first inventory level increase in the last three months.
- **CPI rose 0.19% MoM in January, bringing YoY inflation to 1.94%.**
 - Transportation (+1.18% MoM) drove up inflation in January while prices of other items registered more modest increases.
 - Higher cost for freight and international shipping remained a challenge to controlling inflation.
- **Vietnam recorded a trade deficit of US\$0.50 billion in January.**
 - Export value dropped 16.17% MoM and rose 1.61% YoY while import value decreased 6.71% MoM and increased 11.46% YoY.
 - The US and China continued to be Vietnam's biggest export and import partners, respectively.
- In January, **disbursed FDI reached US\$1.61 billion (+6.80% YoY)** and **registered FDI was at US\$1.66 billion (-7.66% YoY)**.
 - Investors from South Korea, China and Singapore accounted for the bulk of registered FDI with respective contributions of 27.2%, 26.5% and 18.6%.
 - Although registered FDI declined slightly in January due to the lack of new mega projects, the number of newly registered projects increased 1.2x, indicating that Vietnam remained an attractive investment destination.
- **The USD/VND exchange rate dropped to 22,760** in January and pushed VND's value to its strongest level since January 2018.

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- Vietnam policy makers' key priorities for the new year are to control the pandemic and to boost economic growth. For the former, Vietnam vaccination coverage has been consistently among the top 10 worldwide and children aged 5 to 11 are scheduled to receive their first shots in the coming months. Regarding the latter, as part of the recently approved US\$15 billion support package, Vietnam government has lowered VAT rates for certain goods and services from 10% to 8% from February 1, 2022 to Dec 31, 2022 in an effort to boost domestic consumption.
 - Banking on Vietnam's timely initiatives to boost economic growth, major financial institutions expect the country's GDP growth to accelerate in 2022 with forecast rates ranging from 5.5% to 7.5%.

Historical Performance

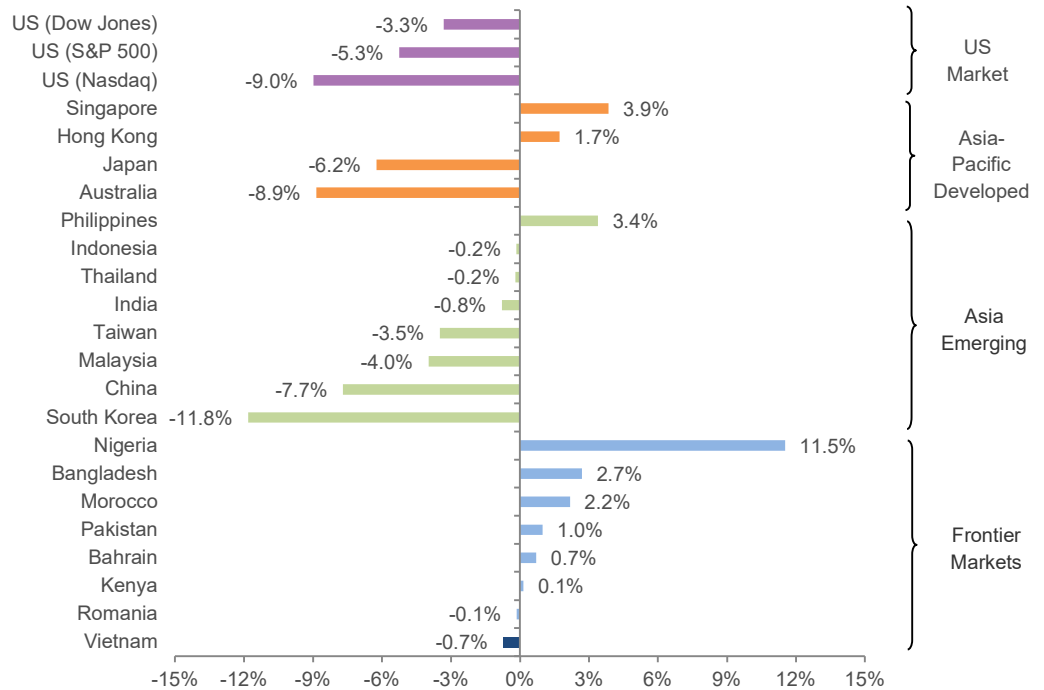


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

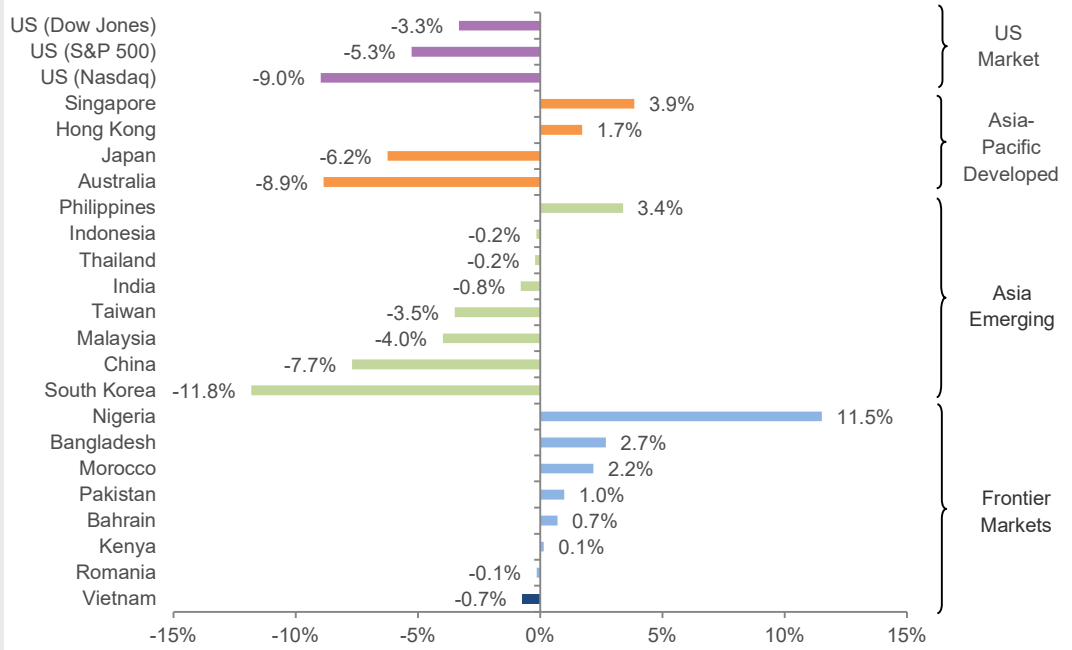
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of January 31, 2021

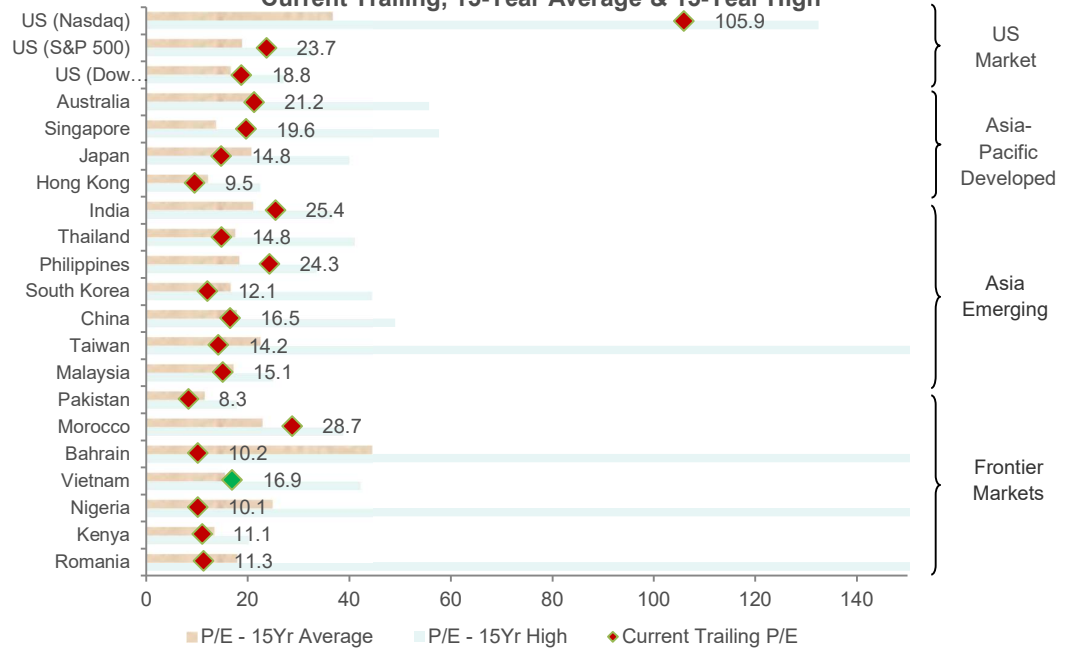
Stock Market Monthly Returns by Country (in USD) as of January 31, 2022



**Stock Market YTD Returns by Country (in USD)
as of January 31, 2022**



**Stock Market P/Es by Country
Current Trailing, 15-Year Average & 15-Year High**



(*): 15Yr High P/Es of Taiwan, Bahrain, Nigeria and Romania are above 200.x

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