



Stock Market Commentary

- With the Lunar New Year holidays falling in late January, the Vietnam stock market had a quick rally on shrinking liquidity during the shortened trading month.
 - **The VN Index** registered **monthly gain of 10.92% in USD terms**.
 - The major sectors of the VN Index advanced, including the banking sector (+13.5% MoM), the consumer & retail sector (+7.3% MoM), the oil & gas sector (+6.5% MoM) and the real estate sector (+5.9% MoM).
- Liquidity **dropped by 25.2% MoM** in the month with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$491.22 million**.
- **Foreign investors net bought US\$175.39 million in January** even though SMBC had sold nearly 11% of their stake in Eximbank (EIB) worthy of US\$156 million on January 13. Foreign investors have been net buyers in each of the last three months.
- **Vietnam's listed market capitalization** stood at **US\$199.21 billion** by the end of **January**. The **VN Index** was trading at a **positive trailing P/E of 11.2x**, a discount compared to ASEAN peers' average of 12.6x.
- The newly appointed Chair of the State Securities Commission (SSC) in her New Year speech stated SSC's commitment to launch the new stock trading system (KRX) this year. KRX allows for the trading of more diversified equities products, which will likely add points for Vietnam to get upgraded to Emerging market status. According to our understanding, if legal hurdles concerning prefunding is overcome, this could be a mboost to market liquidity, but the actual process should take remarkable time.

Macroeconomic Update

	Jan 2022	Dec 2022	Jan 2023	FY2023 Target
CPI (MoM change)	0.19%	-0.01%	0.52%	
CPI (YoY change)	1.94%	4.55%	4.89%	~4.50%
YTD Trade Balance (US\$ billion)	1.40	12.40	3.60	
Exchange Rate (US\$/VND)	22,760	23,681	23,557	
YTD Disbursed FDI (US\$ billion)	1.61	22.40	1.35	
PMI Manufacturing Index	53.7	46.4	47.4	
Industrial Production growth (YTD YoY)	2.39%	7.76%	-8.04%	
Nominal Retail Sales Growth (YTD YoY)	1.26%	19.84%	19.95%	
VN Index	1,478.96	1,007.09	1,111.18	

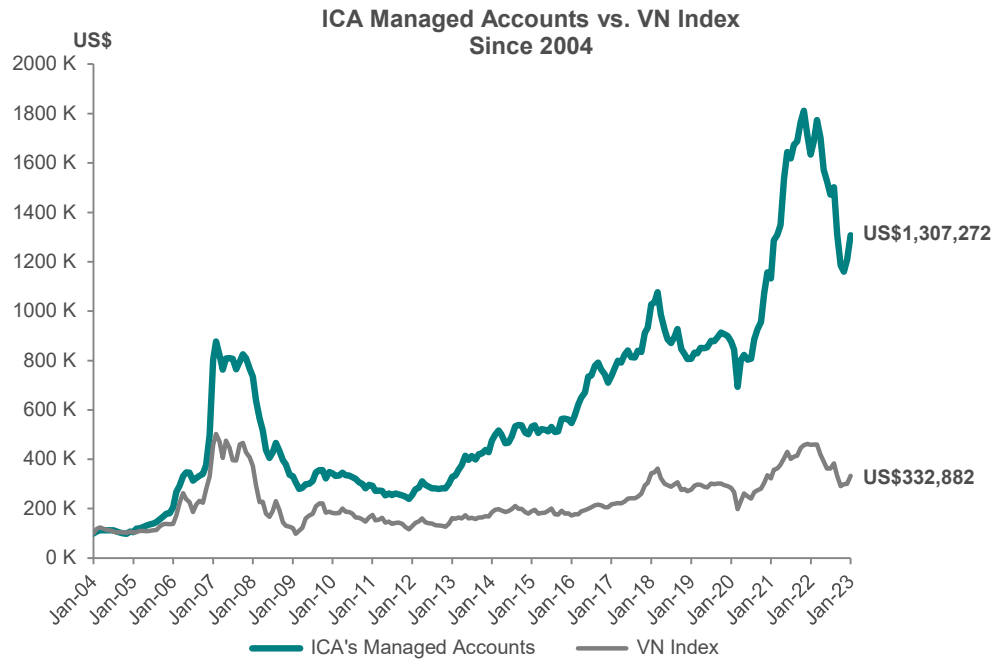
Source: GSO, Customs Office

The long Tet holidays and subdued global demand created sharp falls in industrial activities and foreign trade. On the bright side, domestic retail sales & services remained vibrant while the VND continued to strengthen, leaving room for flexible monetary policies.

- January revenue of retail sales and services increased by 19.95% YoY** and 5.20% MoM on the back of high demand during Tet holidays.
 - Double-digit growth was observed in all categories including retail sales of goods (+18.15% YoY), accommodation & catering services (+37.34% YoY), tourism (+113.43% YoY) and other services (+16.81%).
 - Foreign visitor arrivals reached 871,200 in January 2023, an increase of 23.2% MoM and equivalent to 43.7% of pre-pandemic peak in January 2020.
- Peak seasonal domestic consumer demand during Tet pushed up CPI by 0.52% MoM and 4.89% YoY.**
 - Food & food services (+0.82% MoM & +6.08% YoY), housing & construction materials (-0.12% MoM & +6.94% YoY), education (-0.15% MoM & +11.60% YoY) and culture, entertainment, and tourism (+0.42% MoM & +5.30% YoY) were responsible for the rise in YoY inflation.
- The Index of Industrial Production (IIP) dropped by 14.61% MoM and 8.04% YoY in January** due to the combination of the week-long Tet holidays and soft global demand.
 - Except for water distribution & waste treatment (+3.72% YoY) all the other sectors contracted in January including mining (-4.86% YoY), manufacturing (-9.10% YoY) and power generation & distribution (-3.36% YoY).
- Vietnam's Manufacturing PMI increased to 47.4 in January** from 46.4 in December, indicating further deterioration in the manufacturing sector conditions but at a relatively milder pace.
 - Even though new domestic orders continued to decline, new exports orders increased for the first time in three months and mitigated the fall in total new business.
 - Business confidence rose to a three-month high as firms expected stronger demand in the subsequent months. Improved sentiment was also supported by relaxation of pandemic restrictions in China.
- Vietnam recorded a trade surplus of US\$3.60 billion in January** as import dropped faster than export.
 - Export value reached US\$25.08 billion (-13.6% MoM and -21.3% YoY) while import value decreased to US\$21.48 billion (-21.3% MoM and -28.9% YoY).
 - Double-digit declines were observed across major export products including textiles & garments (-30.69% YoY), machineries (-25.19% YoY), telephones & components (-18.65%), computers & electronics (-11.54% YoY).
- Disbursed FDI reached US\$1.35 billion in January (-16.3% YoY)** with 77.6% went into the manufacturing sector. **Committed FDI** for existing and newly registered projects was **US\$1.69 billion (-19.8% YoY)**.
 - There were 153 newly registered FDI projects in January 2023 with US\$1.2 billion in committed capital, an increase of 48.5% in the number of projects and a rise of 210% in registered capital compared to those in the same period last year.

- Apple's supplier, BOE Technology Group, has planned to build two factories worth US\$400 million in northern Vietnam, one for making remote control systems and the other for manufacturing displays.
- **The USD/VND exchange rate fell further to 23,557** (-0.52% MoM) in **January** as the USD continued to weaken globally. As pressures on the VND alleviates and inflation stays under control, the SBV is less likely to increase interest rate by more than 50bps this year.
- The recent lift of pandemic restrictions in China should likely boost Vietnam's inbound tourism and exports and help mitigate the headwinds of weak global demand and higher interest rates.

Historical Performance

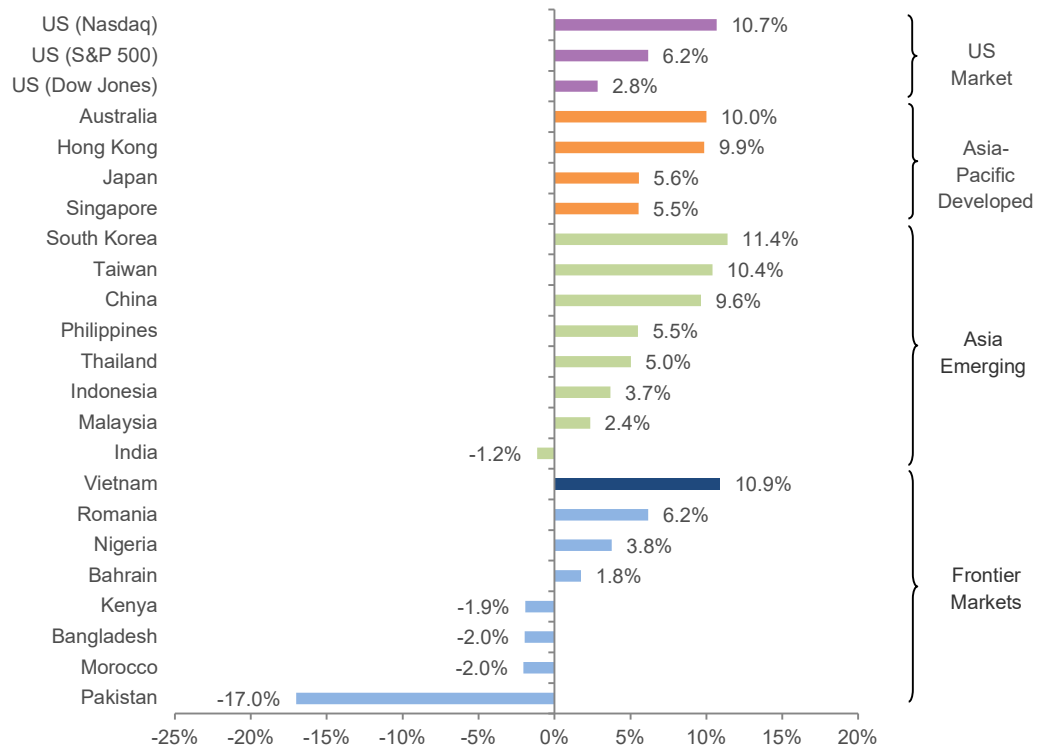


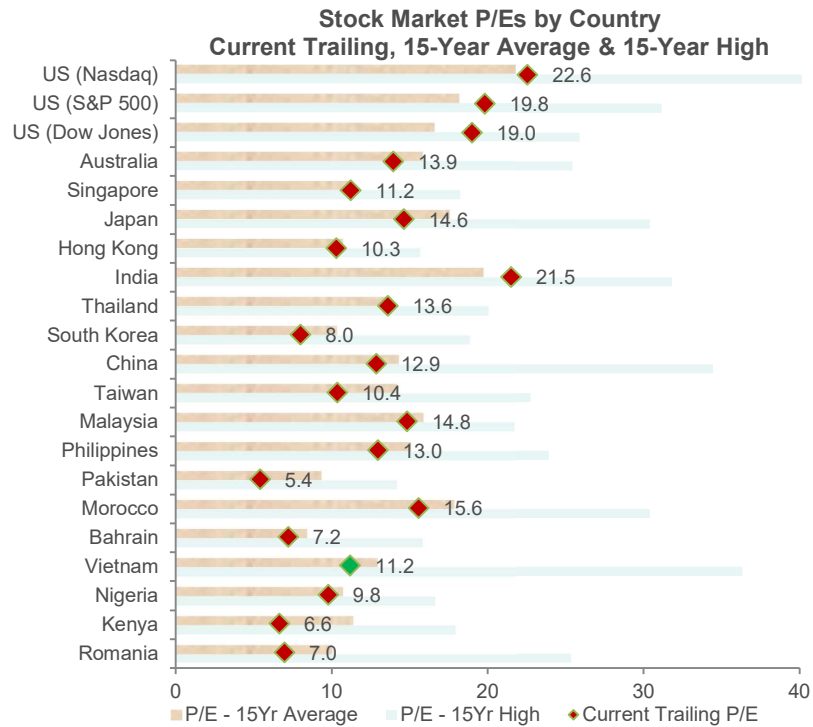
* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

** 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, 2023

Stock Market Monthly & YTD Returns by Country (in USD) as of January 31, 2023





* Adjusted positive P/E

** Data for Bangladesh and Indonesia not available

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