



# INDOCHINA CAPITAL MONTHLY NEWSLETTER

## Stock Market Commentary

- The Vietnam stock market started the year on a positive note. A significant reduction in net foreign selling and strong local inflows pushed the VN Index to 1,164.31 by the end of January.
  - Last month, *the VN Index* registered *a monthly gain* of **2.37%** in **USD terms**.
  - The upward trend was mainly led by the banking sector (+8.7% MoM), while other major sectors slightly retreated, including the real estate sector (-2.5% MoM), the oil & gas sector (-0.5% MoM) and the consumer & retail sector (-1.5% MoM).
- January's liquidity *was flat MoM* with a combined *average daily trading value* on Ho Chi Minh and Hanoi Stock Exchanges of **US\$731.95 million**.
- *Foreign investors net sold a mere US\$600K* in **January**, marking a substantial shift from the massive sell-off of US\$405.0 million last December.
- *Vietnam's listed market capitalization* rose to **US\$204.07 billion** by the end of **January**. The *VN Index* was trading at a slight premium compared to ASEAN peers' average with *positive trailing P/E* of **12.7x** and **12.3x**, respectively.

Sentiment in the market has been positive, driven by accommodative monetary policies, rising public investment, and a gradual recovery in exports. The passing of the amended Land Law and Law on Credit Institutions in January improves the legal framework and is particularly supportive in clearing legal blockages for the real estate sector. On top of that, the Ministry of Finance's initiatives to ease pre-funding requirements for foreign investors should align Vietnam with FTSE's Emerging Market standards, hence potentially attracting more investments.

# Macroeconomic Update

	Jan 2023	Dec 2023	Jan 2024	FY2024 Target
CPI (MoM change)	0.52%	0.12%	0.31%	
CPI (YoY change)	4.89%	3.58%	3.37%	~4.50%
YTD Trade Balance (US\$ billion)	3.60	28.00	2.92	
Exchange Rate (US\$/VND)	23,557	24,359	24,520	
YTD Disbursed FDI (US\$ billion)	1.35	23.18	1.48	
PMI Manufacturing Index	47.4	48.9	50.3	
Industrial Production growth (YTD YoY)	-8.04%	1.46%	18.26%	
Nominal Retail Sales Growth (YTD YoY)	19.95%	9.60%	8.11%	
VN Index	1,111.18	1,129.93	1,164.31	

Source: GSO, Customs Office

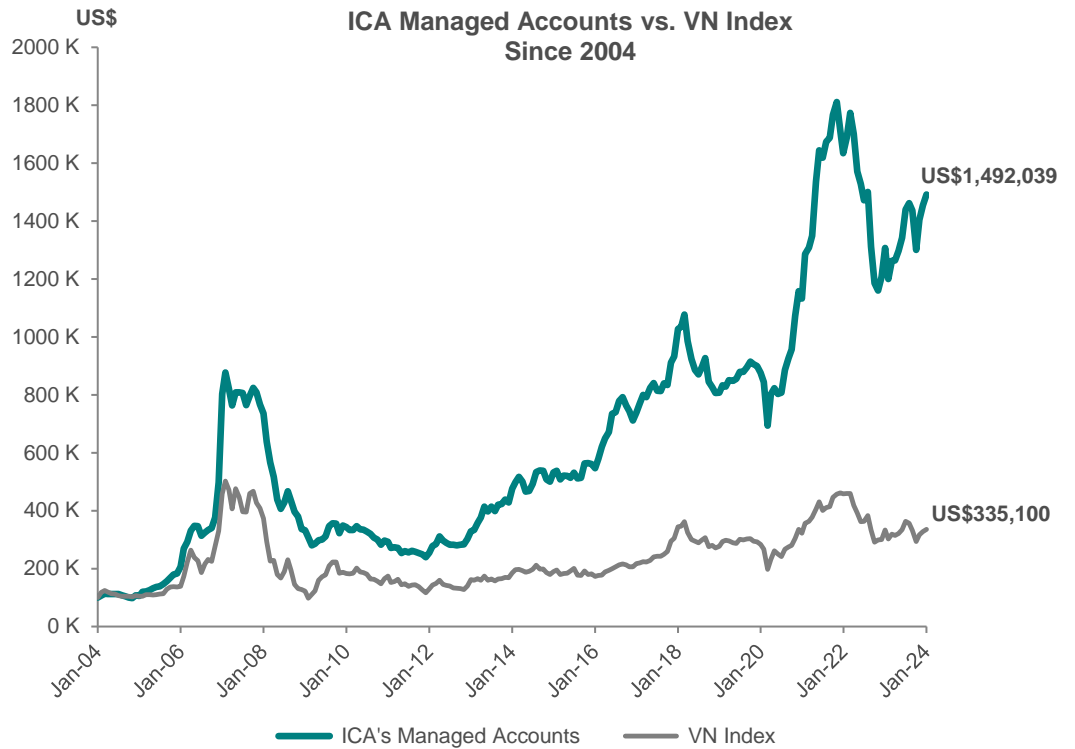
Vietnam's economy showed strength in January with resilient exports, improved industrial production and manufacturing health. Robust FDI inflows sustained Vietnam's long-term growth outlook. Although higher electricity prices and festive demand led to an uptick in the CPI, inflation remained under control.

- Despite last year's high base, **January revenue of retail sales and services grew by 8.11% YoY** thanks to resilient retail sales and a surge in tourism.
  - Strong growth was observed in accommodation & catering services (+10.22% YoY), tourism (+18.50% YoY) and other services (+11.22%). Meanwhile, retail sales of goods grew at a normalized rate of 7.32% YoY (vs. 18.15% YoY in January 2022), partially due to cautious consumer confidence after a challenging 2023.
  - International arrivals reached 1.51 million in January 2024, up by 10.3% MoM and 73.6% YoY, but still 24.2% below the pre-pandemic level in January 2020.
- **The Index of Industrial Production (IIP) dropped by 4.36% MoM** but **rose 18.26% YoY** in **January**, probably due to the post-holiday effects in the West and Tet-related working day difference vs 2023. Tet holidays came in January last year.
  - The same pattern of a slight MoM contraction and a strong YoY growth also applied to sub-sector data, including manufacturing (-4.84% and +19.26% YoY), power generation & distribution (-6.25% MoM and +21.59% YoY) and water distribution and waste treatment (-2.93% MoM and +5.65% YoY).
- **Vietnam's Manufacturing PMI increased to 50.3 in January** from **48.9 in December**, marking the first improvement in the manufacturing sector's health in five months.
  - New business grew for the first time in three months, reflecting a rebound in demand domestically and internationally. This led to an uptick in production, ending a four-month decline.
  - Manufacturers maintained overall optimism, hopeful for demand and customer growth, alongside upcoming product launches.
- Higher electricity prices and strong domestic demand ahead of Tet raised **CPI by 0.31% MoM** and **3.37% YoY**.
  - Housing & construction materials (0.56% MoM & +6.39% YoY) were the main contributors to YoY inflation, driven by higher electricity (+1.3% MoM) and gas prices (+1.7%) due to EVN's November hike and global gas price trends.
  - Food & food services (+0.21% MoM & +2.31% YoY) were up due to escalating rice prices, caused by the higher domestic demand ahead of Tet and global supply shortages.
  - Medicine and healthcare services (+1.02% MoM & +6.52% YoY) rose strongly, following price adjustments in some regions under Circular No. 22/2023.
- **Vietnam** recorded **a trade surplus of US\$2.92 billion in January**, led by Samsung's new smartphones.
  - Export value reached US\$33.57 billion (+2.01% MoM and +41.98% YoY) while import value increased to US\$30.65 billion (+0.07% MoM and +33.30% YoY).
  - Telephones & components (+23.40% MoM and 15.78% YoY) surged as Samsung released new S24 smartphones, half of which were produced in Vietnam. Positive signs were also

observed in various products including wood (+7.69% MoM and %74.64 YoY), textiles & garments (+3.57% MoM and 28.56% YoY) and coffee (+15.25% MoM and 99.59% YoY).

- **Registered FDI** surged to **US\$2.36 billion (+40.2% YoY)** while **disbursed FDI** reached **US\$1.48 billion** in **January (+9.6% YoY)**.
  - Real estate led with US\$1.27 billion, accounting for 53.9% of total FDI, doubling YoY. Manufacturing followed at US\$0.93 billion, accounting for 39.2%.
- **The USD/VND exchange rate jumped 0.66% MoM to 24,520** as the DXY surged by 1.95%. Nevertheless, the VND remained relatively stable compared to ASEAN peer currencies due to solid FDI inflows, trade surplus, and record remittances.

# Historical Performance

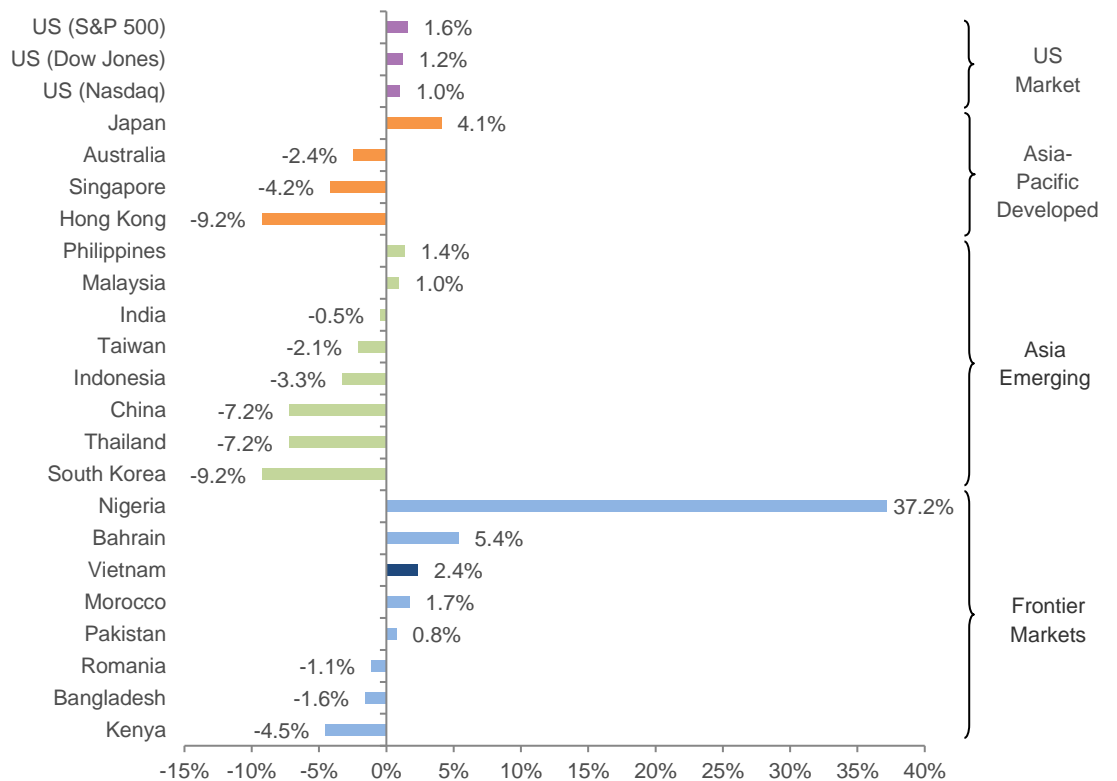


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

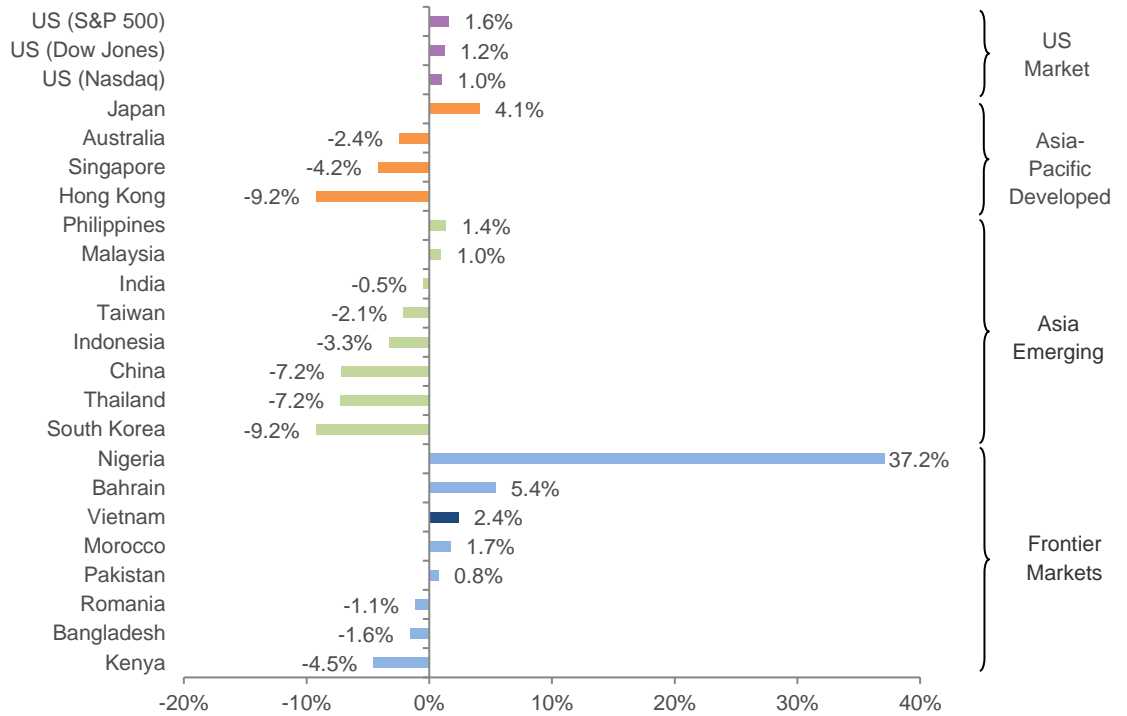
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

\*\*\* Data as of January 31, 2024

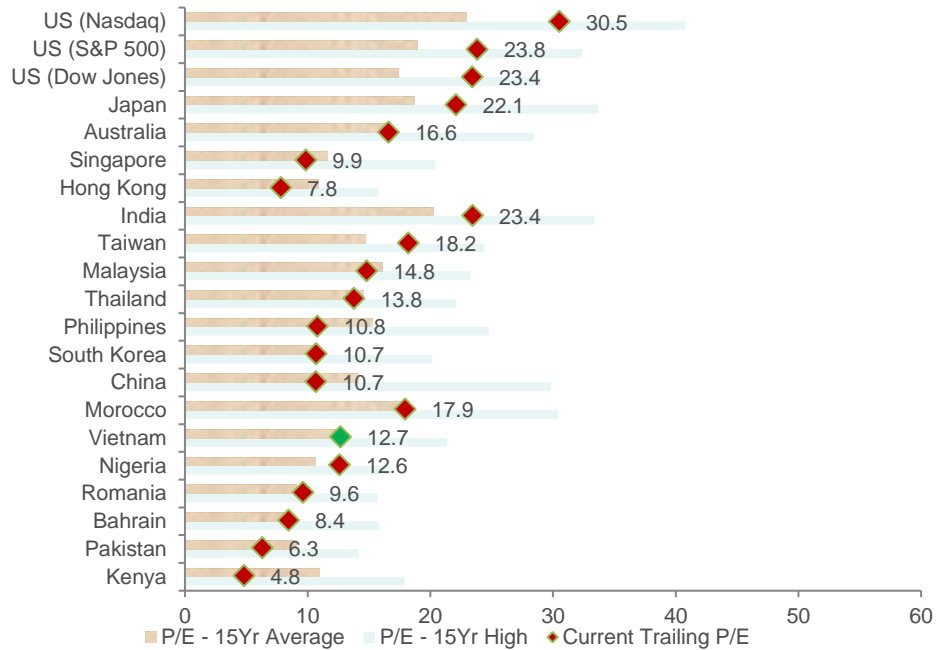
## Stock Market Monthly Returns by Country (in USD) as of January 31, 2024



## Stock Market YTD Returns by Country (in USD) as of January 31, 2024



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



\* Adjusted positive P/E

\*\* Data for Bangladesh and Indonesia not available

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