



INDOCHINA
CAPITAL
MONTHLY
NEWSLETTER

Stock Market Commentary

- The Vietnam stock market managed to sail through February relatively unscathed despite rising concern on the aggravating impact of the Russia – Ukraine war on the global economy.
 - The VN Index reached 1,490.13 as of the month-end and **registered monthly gain of 0.14%** and **YTD loss of 0.59%** in USD terms.
 - Sector performance diverged with oil & gas (+12.2% MoM) and consumer & retail (+4.1% MoM) posting strong gains, the former benefiting from rising oil prices and the latter from expectations on domestic consumption recovery post lockdown. In contrast, real estate (-7.3% MoM) declined for the second month in a row and banking (-4.4% MoM) reversed the strong momentum last month.
 - Smaller sectors including construction, materials and brokerage outperformed the market in February and partly regained earlier losses.
- Liquidity **shrank by 16.9% MoM** in February with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$1.13 billion**. **Last 12M daily liquidity** reached **US\$1.16 billion**, a YoY rise of 195.8%.
- **Foreign investors net sold US\$19.51 million** in **February**, bringing YTD net selling to US\$136.76 million. Foreign selling pressure was offset by the disbursement of new Vietnam focused funds.
- **Vietnam's listed market capitalization** stood at **US\$275.63 billion** by the end of February. Valuation-wise, the **VN Index** was trading at **trailing P/E** of **17.0x**, a slight premium compared to Asian average of **16.7x** despite having stronger growth potential.
- Given our trade with Russia accounts for only 1% of total trade, the direct impact of the Russia – Ukraine war on Vietnam is expected to be minimal and should mainly involve heightened inflation pressures due to hiking transportation costs. However, an escalating war and ensued economic sanctions would deter global economic recovery and may indirectly affect Vietnam.
- Equities investors are taking a step back to ponder the impact of the Russian - Ukraine war. Meanwhile, the upcoming AGM season may provide catalysts for selected stocks with projecting earnings growth at double digits.

Macroeconomic Update

	Feb 2021	Jan 2022	Feb 2022	FY2022 Target
CPI (MoM change)	1.52%	0.19%	1.00%	
CPI (YoY change)	0.70%	1.94%	1.42%	<4.00%
YTD Trade Balance (US\$ billion)	1.29	1.40	-0.94	
Exchange Rate (US\$/VND)	23,110	22,760	22,900	
YTD Disbursed FDI (US\$ billion)	2.50	1.61	2.68	
PMI Manufacturing Index	51.6	53.7	54.3	
Industrial Production growth (YTD YoY)	7.35%	2.39%	5.38%	
Nominal Retail Sales Growth (YTD YoY)	5.49%	1.26%	1.66%	
VN Index	1,168.47	1,478.96	1,490.13	

Source: GSO, Customs Office

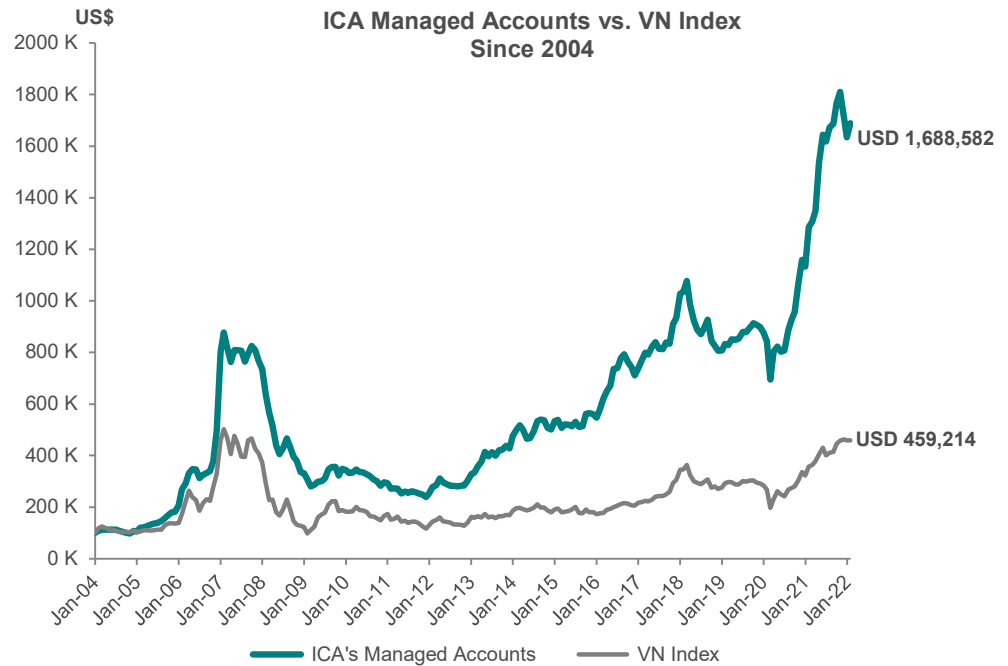
Vietnam's economic activities stayed vibrant with continuous expansion in industrial production and retail sales despite the recent spike in COVID-19 infection. Inflation remained under control even with rising commodity prices.

- **February revenue of retail sales and services rose 3.09% YoY** with strong growth observed in most major categories, indicating the third successive YoY increase since December 2021.
 - Strong growth in accommodation & catering services (+12.58% YoY) and tourism services (+39.42% YoY) overshadowed moderate increase in retail sales of goods (+2.42% YoY).
- **The Index of Industrial Production (IIP) went down by 12.41% MoM** (due to Tet holidays in early February) and **up by 8.53% YoY. 2M IIP was up 5.4% YoY.**
 - Mining output dropped 4.08% YoY while most of the remaining sectors expanded markedly including manufacturing (+10.03% YoY), power generation & distribution (+8.00% YoY) and water distribution & waste treatment (+0.76% YoY).
- **Vietnam's Manufacturing PMI climbed to 54.3 in February** from **53.7 in January** with manufacturing production and business conditions improving in each of the last five months.
 - Strong domestic demand enabled new orders to expand at the quickest rate in ten months while rising international demand led to significant export increase.
 - Higher new orders and improving business conditions supported business sentiment as most firms expect output to rise in the coming year.
 - Employment increased for the third successive month even though new job creation was modest as some workers haven't returned to work after Tet holiday.
- **CPI rose 1.00% MoM in February** and **brought YoY inflation to 1.42%.**
 - Rising commodities costs drove up prices of most items with transportation (+2.35% YoY) recording the largest price hike.
 - Manufacturers was forced to pass on input cost burden, which caused inflation to climb up from January's level.
- **Vietnam recorded a trade deficit of US\$2.33 billion in February. 2M trade deficit was US\$940 million.**
 - Export value dropped 25.60% MoM and rose 13.22% YoY while import value decreased 14.16% MoM and increased 21.86% YoY.
 - The US remained Vietnam's biggest export market with YTD export value of US\$18.3 billion while China was the country's largest import partner with YTD import value of US\$20.8 billion.
- **2M disbursed FDI reached US\$2.68 billion (+7.20% YoY)** and **registered FDI was at US\$4.23 billion (-14.01% YoY).**
 - South Korea, Singapore and China accounted for the majority of registered FDI with respective contributions of 31.12%, 30.00% and 12.35%.
 - Manufacturing was still the driving force of FDI, accounting for 75.4% of YTD disbursed FDI.
- **The USD/VND exchange rate increased to 22,900 in February** from 22,760 in January. Demand for safe-haven currencies like the USD might increase amid global uncertainty.
- Even though Vietnam traditionally sourced military equipment from Russia, direct trade between the two countries was only around 1% of Vietnam's total trade value. Vietnam's trade value with Ukraine

was even much lower at 0.1%. Therefore, this conflict should have limited direct impact on Vietnam's economy. However, as Russia and Ukraine are significant suppliers of O&G as well as minerals for semiconductor, Vietnam's economy can be affected by commodities induced inflation and semiconductor shortages.

- International tourist arrivals reached 30 thousand in February, the highest since April 2020 as the border was gradually opened. This trend will likely accelerate in March (when the country plans to fully open up flight routes for international tourists) and should help boost tourism related services and retail sales.

Historical Performance

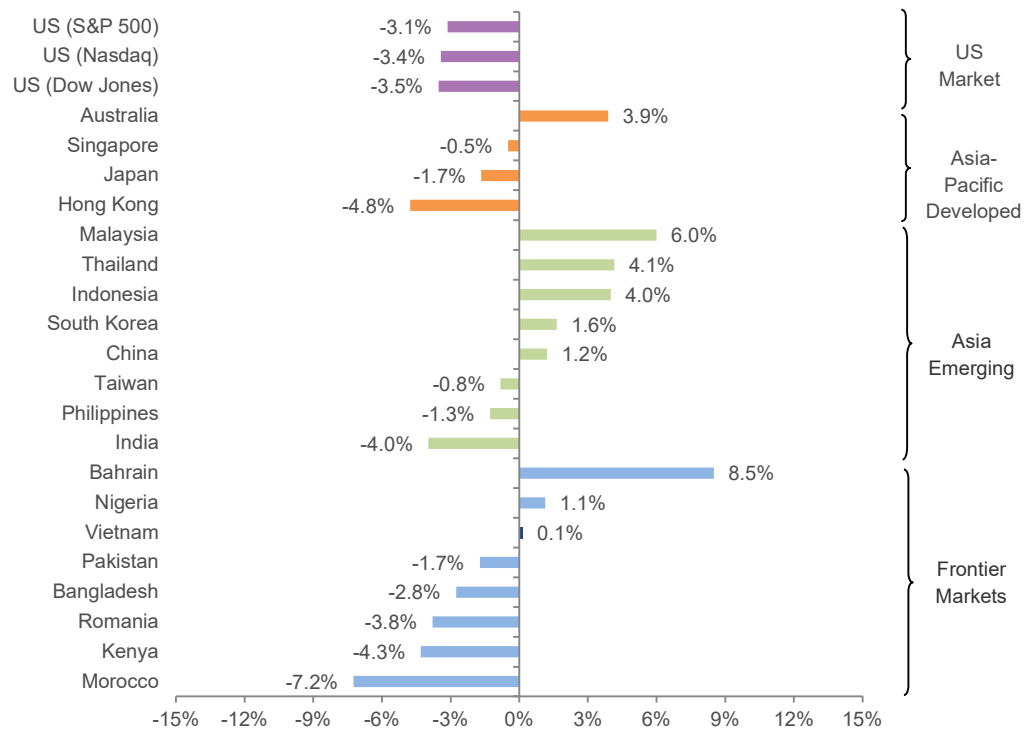


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

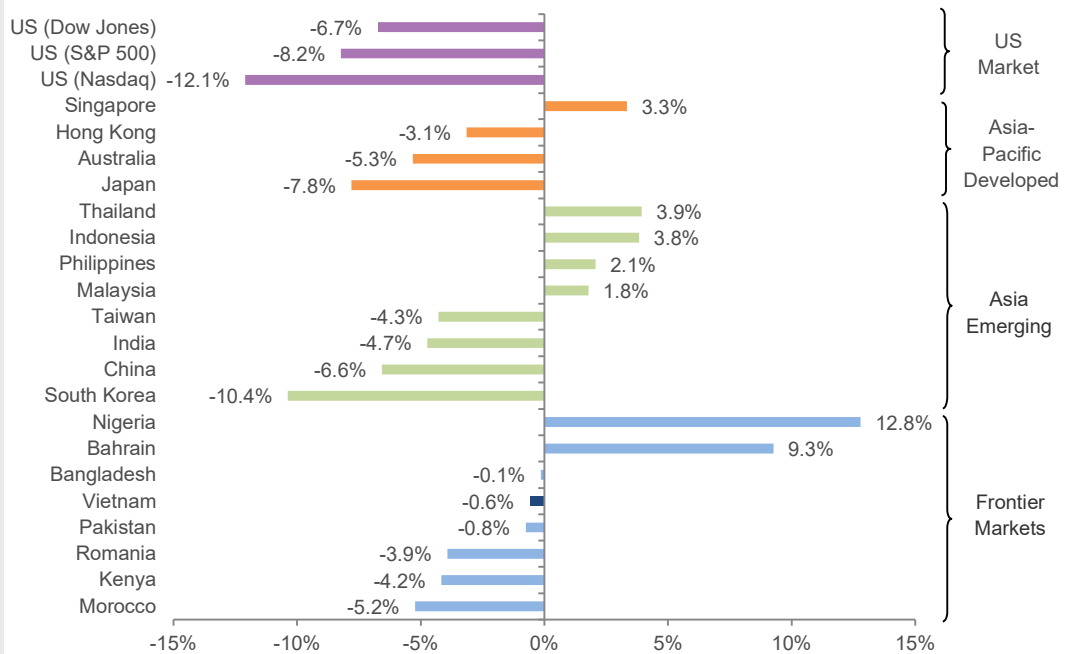
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of February 28, 2022

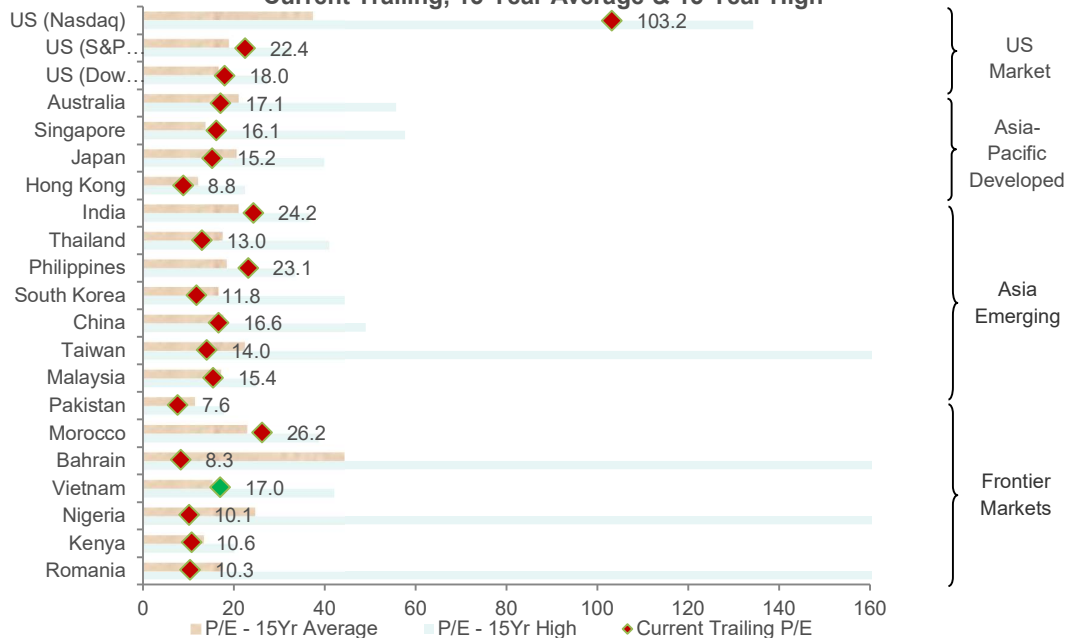
Stock Market Monthly Returns by Country (in USD) as of February 28, 2022



Stock Market YTD Returns by Country (in USD) as of February 28, 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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