



INDOCHINA CAPITAL MONTHLY NEWSLETTER

Stock Market Commentary

- The VN Index traded within the narrow range of 1436 – 1508 in March before closing the month with a flat **monthly return** of **0.03%** and a **YTD loss** of **0.56%** in **USD terms**.
 - The real estate sector rose 2.3% in March, partly recovering earlier losses. Other major sectors receded with the consumer & retail sector declining 0.5%, the banking sector -1.8% and the oil & gas sector -5.7%.
- **Liquidity increased by 17.0%** MoM in March with the combined average daily trading value on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$1.32 billion**.
- **Foreign investors net sold** a total of **US\$176.62 million** in March, which brought **YTD net selling value** to **US\$313.38 million**. Foreign net selling remained significant this month despite sizeable inflows to ETFs.
- **Vietnam's listed market capitalization** was at **US\$277.16 billion** by the end of March. **VN Index's trailing P/E** is standing at **17.3x**, an insignificant premium compared to Asian's average of **17.2x**.
- In the last week of March, Trinh Van Quyet, a prominent figure among the listed companies' owners was arrested for stock price manipulation. One of his company, ROS, used to be in the top 10 market cap of the Ho Chi Minh City Stock exchange. The group of listed companies under his control now account for 0.3% of the VN Index and 1.7% of daily liquidity and are considered highly speculative stocks. A group of SSC officials were also alleged to be involved in the case and await disciplinary action. This arrest had a mild hit on the VN Index for a few days, however, it is healthy for the stock market and should help direct fund flows to fundamentally sound stocks.
- Based on released AGM documents, management of most listed companies expressed positive outlook with double digit growth targets for the year 2022 on the back of solid domestic macro conditions. This should be favorable for the performance of the Vietnam stock market.

Macroeconomic Update

	Q1 2020	Q1 2021	Q1 2022	FY2022 Target
GDP Growth Rate (YoY)	3.66%	4.72%	5.03%	~6.00%
CPI (YoY change)	4.87%	1.16%	2.41%	<4.00%
YTD Trade Balance (US\$ billion)	3.81	2.79	0.81	
Exchange Rate (US\$/VND)	23,640	23,170	22,925	
YTD Disbursed FDI (US\$ billion)	3.85	4.10	4.42	
PMI Manufacturing Index	41.9	53.6	51.7	
Credit Growth (YTD YoY)	0.68%	1.47%	4.03%	14.00%
Industrial Production growth (YTD YoY)	5.10%	6.29%	7.07%	
Nominal Retail Sales Growth (YTD YoY)	2.96%	4.70%	4.44%	
VN Index	662.53	1,191.44	1,492.15	

Source: GSO, Customs Office

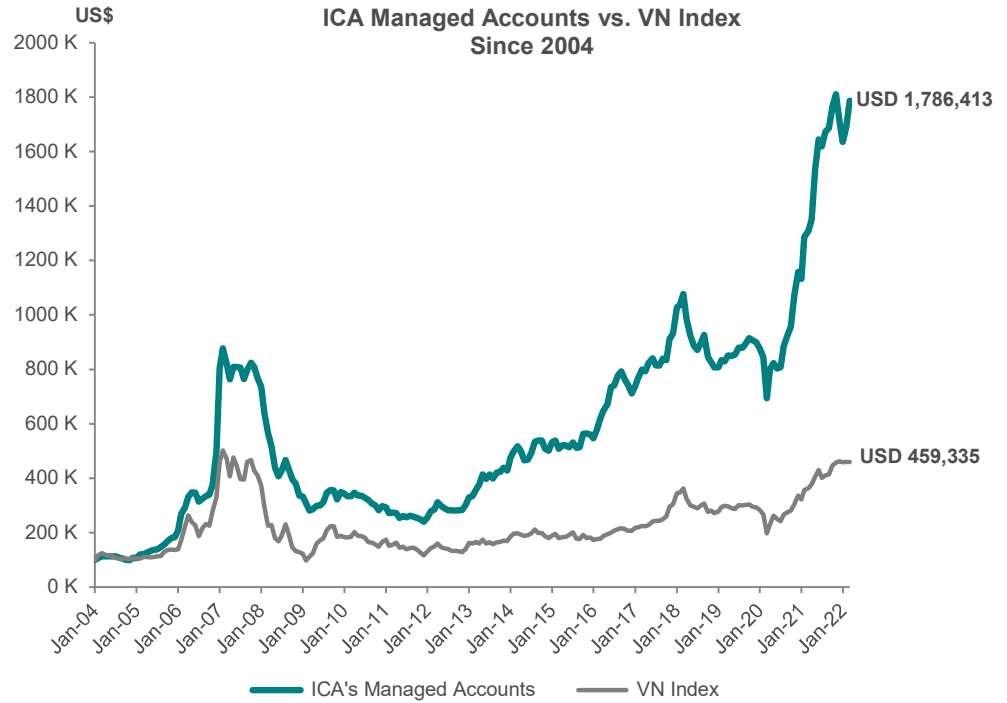
Vietnam's economy continued the post-lockdown recovery momentum in Q1 2022. Accelerating output growth was backed by the robust expansion of the manufacturing sector and the improvement of the service sector. FDI disbursement rose to 5Y high while strong exports resulted in a trade surplus. Credit growth picked up, inflation remained under control and the VND was resilient against a rising USD.

- **Q1 output expanded by 5.03% YoY, the strongest in the last three years**, but still lower than the pre-Covid level in Q1 2019 of 6.85%. The Q1 number came in at the lower range of analyst forecasts, which suggests the pace of recovery has been moderated by the surging Covid-19 wave, hiking commodity prices and weaker than expected demand.
 - The agriculture, fishery, and forestry sectors accounted for 10.94% of total output, followed by the industrial and construction sectors at 37.97%, service sectors at 41.70% and taxes and subsidies at 9.39%.
 - The agriculture, fishery, and forestry sectors recorded modest growth of 2.45% YoY (Q1 2021: +3.16% YoY) due to lower (export) demand, higher input costs and less favorable weather conditions.
 - The growth of the industrial and construction sectors slightly eased to 6.38% YoY (Q1 2021: 6.50%). The manufacturing subsector remained the key driver of the whole economy, expanding 7.79% YoY (Q1 2021: 9.45%), and accounting for 40% of the overall growth.
 - The service sectors registered the strongest improvements since Covid-19 of 4.58% YoY (Q1 2021: +3.34% YoY). Retail sales growth came in at 4.40% YoY, weaker than that of Q1 2021 as consumer confidence were affected by soaring energy and goods prices. Notable improvements were recorded in transportation and logistics services at 7.06% YoY (Q1 2021: -2.17%), and financial services 9.75% YoY (Q1 2021: 7.35%). At the same time, real estate eased from 3.59% to 1.78%YoY and accommodation services further contracted by 1.79% YoY (Q1 2021: -4.49%).
- **The Index of Industrial Production (IIP) increased by 22.92% MoM and 8.54% YoY** in March. For **Q1 2022, IIP shot up by 7.07% YoY**.
- **Vietnam's Manufacturing PMI** was at **51.7**, signaling improving business conditions for six straight months.
 - The surge in COVID-19 infection resulted in staff shortages which in turns contracted output for the first time in six months.
 - Despite headwinds from COVID-19 outbreaks and price hikes, total new businesses and new export orders continued to increase. Manufacturers were able to pass on the cost hike by raising selling price at the second fastest rate in nearly 11 years.
- **CPI in rosed 0.70% MoM** in March, bringing **YoY inflation to 2.41%**.
 - Fuel price hike by 56% YoY caused transportation costs to rise by 18.3% YoY and accounted for 1.77 percentage rise in YoY CPI.
 - Analysts forecast that Vietnam's inflation should likely stay below 4% if oil price does not exceed \$100/barrel. Besides, policy makers still have decent room to contain inflation, including cuts in fuel tax and environmental fee and a more restrictive monetary policy.

- **Q1 credit growth** was estimated at **4.03% YoY**, the strongest in the last five years on the back of rising credit demand post lockdown. **M2 growth** reached **2.49% YTD** (Q1 2021: 1.49%).
 - Deposit growth strengthened to 2.15% YoY (Q1 2021: 0.54%) to catch up with higher credit growth rate. According to an SBV's related survey, deposit growth is expected to reach 12.1% in 2022 compared to 8.44% in 2021.
 - Deposit rates have inched up by 10bps – 25 bps and lending rates are expected to follow suit.
- **Vietnam** recorded a **trade surplus** of **US\$0.81 billion** in **Q1 2022** (Q1 2021: US\$2.79 billion surplus).
 - In March, export value reached US\$34.06 billion (+45.50% MoM and +14.84% YoY) while import value US\$32.67 billion (+28.70% MoM and +14.64% YoY), which turned the trade balance into surplus after February's deficit.
 - For Q1 2022, total exports and import value grew 12.89% YoY and 15.93%, respectively. Capital goods accounted for 93.8% of total import value.
 - The US was the largest export market, accounting for 29% of Vietnam's total exports. 31% of Vietnam's imports came from China.
- For **Q1 2022, registered FDI declined 21.97% YoY** to **US\$7.28 billion** while **disbursed FDI** reached **US\$4.42 billion**, a **rise of 7.80% YoY**. **Disbursed FDI** climbed **102.55% YoY** to **US\$1.63 billion**.
 - YTD, the manufacturing sector attracted 68.71% of total pledged FDI, the real estate sector 23.46%, the power generation and transmission sectors 2.52%, and the remaining sectors 5.30%. LEGO Group's first carbon neutral factory is the largest FDI projects year-to-date.
 - Singapore, South Korea, and Denmark were the top FDI contributors in Q1 2022 with respective contributions of 24.74%, 19.93%, and 18.14%.
- The **VND depreciated** against the USD by **0.15% in Q1** (Q1 2021: +0.06%). Supported by steady FDI inflows and a trade surplus, the VND was one of the strongest currencies globally in the last quarter.

In late March, Fitch Ratings has affirmed Vietnam's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB' with a Positive Outlook. The affirmation reflects continued strong medium-term growth prospects, despite the Covid-19 pandemic and the global economic spillovers from the war in Ukraine, and strong external finance metrics relative to peers. The agency expects GDP growth to accelerate to 6.1% in 2022 and 6.3% in 2023 from 2.6% in 2021, led by a recovery in domestic demand, strong exports and high FDI inflows, particularly in the manufacturing sector.

Historical Performance

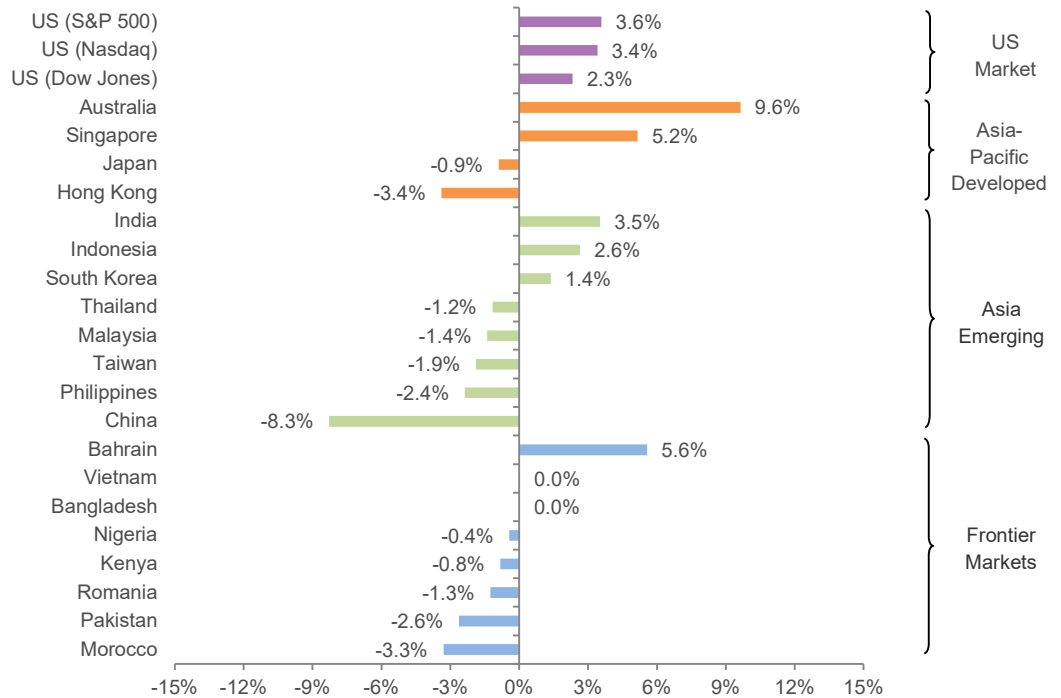


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

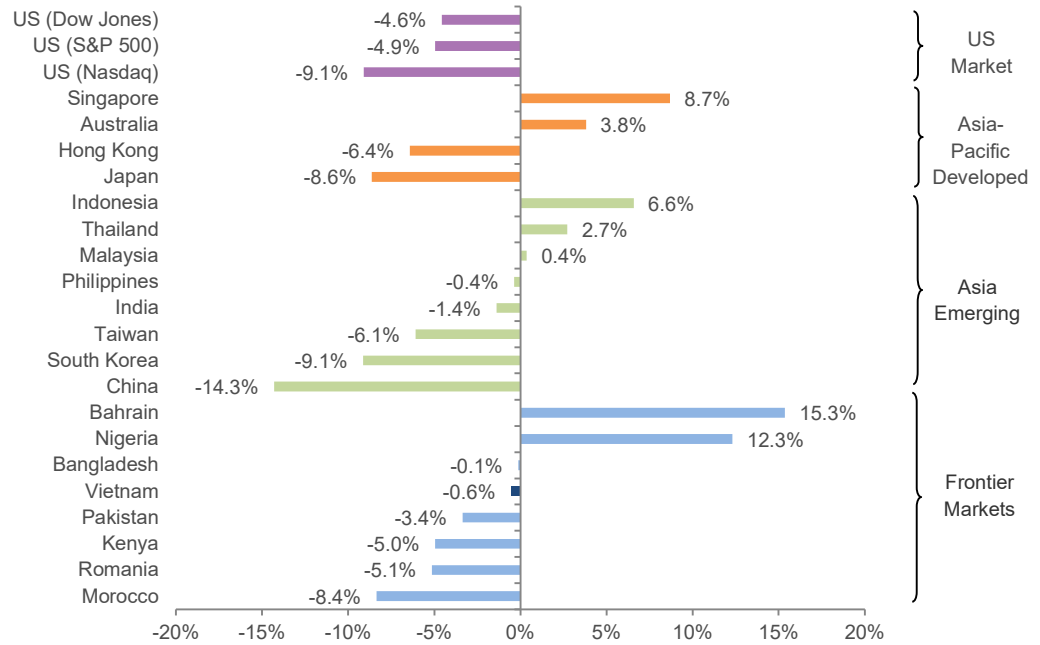
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of March 31, 2022

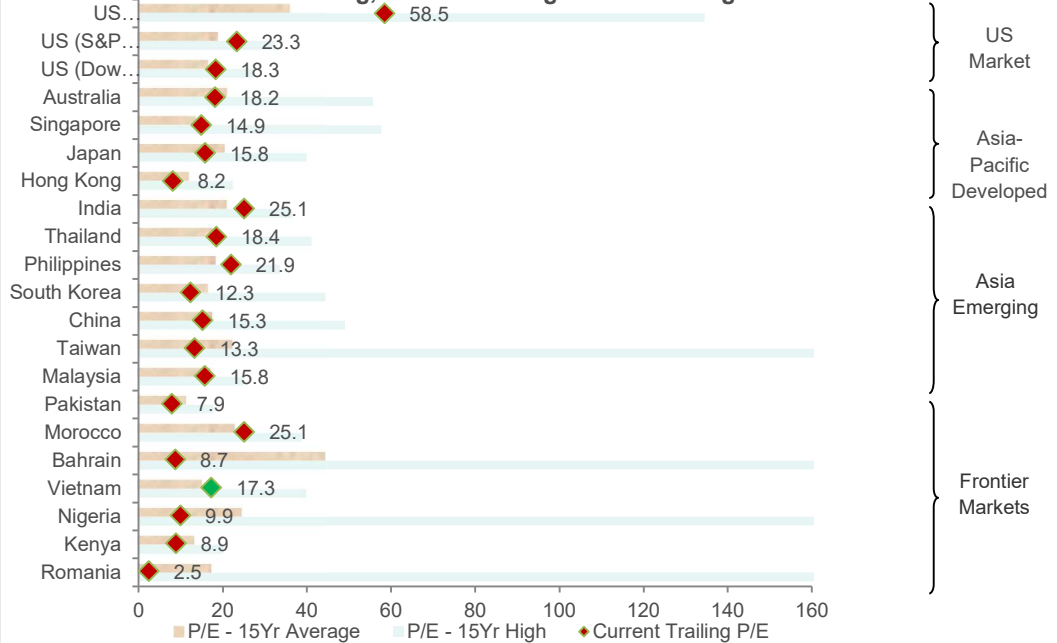
Stock Market Monthly Returns by Country (in USD) as of March 31, 2022



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



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



(*): 15Yr High P/E's of Taiwan, Bahrain, Nigeria and Romania are above 130.x

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