



# INDOCHINA CAPITAL MONTHLY NEWSLETTER

## Stock Market Commentary

- The Vietnam stock market dived further in the first two weeks of May as concerns on further capital market crackdowns heightened. The VN Index lost 15% during the period before climbing back to close the month at 1,292.68.
  - **The VN Index** registered a **monthly loss** of **6.32%** and a **YTD loss** of **15.17%** in **USD terms**.
  - Except for the O&G sector's rise of 4.4% MoM other major sectors declined in May, including the banking sector (-6.9% MoM), the consumer & retail sector (-3.2% MoM) and the real estate sector (-0.9% MoM).
- Liquidity **dropped** sharply by **32.7% MoM** with the combined **average daily trading value** on the Ho Chi Minh and the Hanoi Stock Exchanges falling to 15M low of **US\$720 million**. Recent crackdowns on stock market manipulation might have discouraged many short-term traders.
- **Foreign investors net bought US\$139.88 million** in **May** and brought down **YTD net selling value** to **US\$5.87 million**. Foreign buying accelerated at the month end with more ETF subscriptions.
- **Vietnam's listed market capitalization** reached **US\$234.14 billion** by the end of May. **VN Index's trailing P/E** stood at **13.9x**, a remarkable discount compared to regional peers' average P/E of **15.3x** considering Vietnam's stronger growth outlook.
- In May, the State Securities Commission of Vietnam (SSC) has ordered Ho Chi Minh City (HSX) and Hanoi Stock Exchange (HNX) to disclose brokerage firms' proprietary trading data, reversing a previous decision by HSX to stop disclosing the information. A group of SSC officials, including the chairman of SSC and the head of HSX were also dismissed from office due to their involvement in stock market manipulations. The latest moves confirmed the government's resolution in improving Vietnam's stock market transparency and in securing the country's position as an attractive investment destination.

# Macroeconomic Update

	May 2021	Apr 2022	May 2022	FY2022 Target
CPI (MoM change)	0.16%	0.18%	0.38%	
CPI (YoY change)	2.90%	2.64%	2.86%	<4.00%
YTD Trade Balance (US\$ billion)	-0.47	2.53	0.52	
Exchange Rate (US\$/VND)	23,145	23,060	23,280	
YTD Disbursed FDI (US\$ billion)	7.15	5.92	7.71	
PMI Manufacturing Index	53.1	51.7	54.7	
Industrial Production growth (YTD YoY)	9.92%	7.51%	8.34%	
Nominal Retail Sales Growth (YTD YoY)	7.58%	6.54%	9.69%	
VN Index	1,328.05	1,366.80	1,292.68	

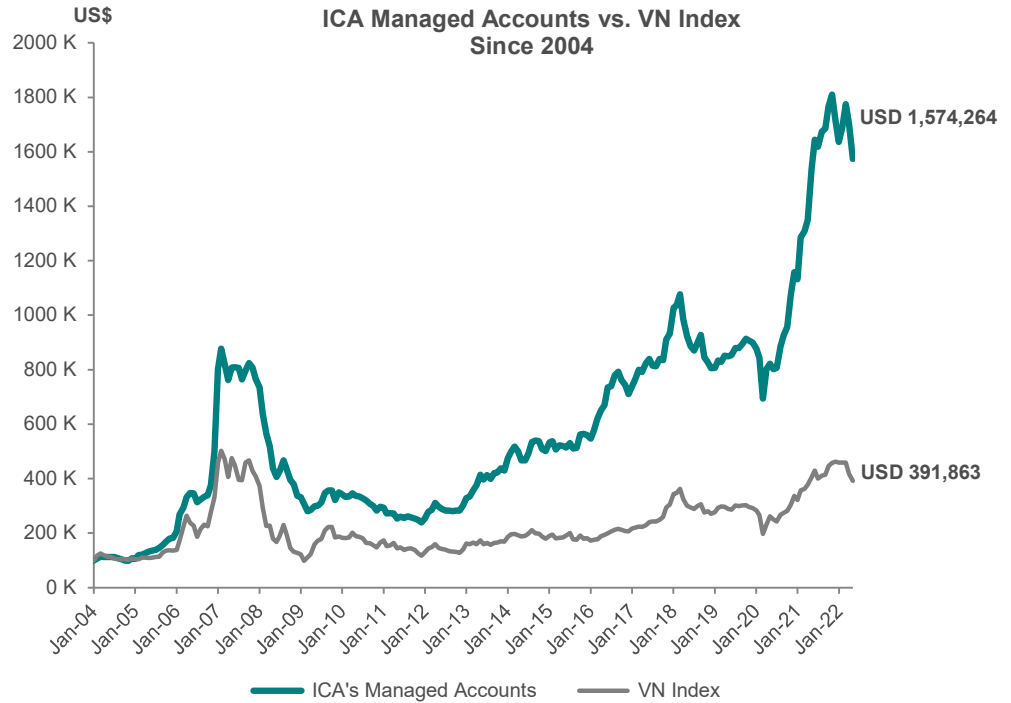
Source: GSO, Customs Office

Vietnam's economy remained robust with a healthy manufacturing sector and the strong recovery of retail sales and tourism-related services. Monthly trade activities weakened compared to April but still enjoyed double digit-growth. The VND depreciated by 0.95% against the USD in May, partly due to a sizable monthly trade deficit. Inflation remained under control despite hiking fuel prices.

- **5M revenue of retail sales and services shot up by 9.69% YoY** with **May's** number improving by **22.55% YoY** and **4.22% MoM**.
  - Tourism (+324.29% YoY and +23.43% MoM) recorded booming growth thanks to government's decision to lift mandatory COVID testing requirements for inbound tourists. This was followed by accommodation & catering (+69.27% YoY and +21.56% MoM) and retail sales of goods (+18.34% YoY and +2.64% MoM).
- **The Index of Industrial Production (IIP) grew 3.96% MoM** and **10.37% YoY** in **May**. For **5M 2022**, IPP was up by **8.34% YoY**.
  - Manufacturing (+12.09% YoY) posted the highest growth rate in May while more moderate expansions were observed in the other segments including water distribution & waste treatment (+5.53% YoY), mining (+4.15% YoY), power generation & distribution (+2.39% YoY).
  - For 5M 2022, manufacturing (+9.24% YoY) remained the leading force of the economy.
- **Vietnam's Manufacturing PMI reached 54.7** in **May** from **51.7** in **April**, indicating the most significant improvement in business conditions in over a year.
  - Output and employment both rose for the second successive month with the sharpest growth rate since April 2021.
  - Despite a sharp increase in purchasing activities, pre-production inventories declined for the second month in a row due to stronger production activities and lengthened supply delivery time under the impact of China's lockdown.
- **CPI rose 0.38% MoM** in **May** and brought **YoY inflation to 2.86%**.
  - Inflation pressure mostly came from transportation costs (+2.34% MoM and 18.42% YoY).
  - Continued rising oil prices should pose a challenge to Vietnam's target inflation of 4.00%. Short-term deposit rates have picked up by 10 bps to 50 bps in May.
- **Vietnam** recorded a **trade deficit of US\$ 1.73 billion** in **May** which reduced **YTD trade surplus to US\$0.52 billion**.
  - Export value reached US\$30.48 billion (-12.12% MoM and +16.38% YoY) while import value was US\$32.21 at (-0.70% MoM and +12.85% YoY).
  - As a net energy importer, rising O&G price reduced Vietnam's trade surplus number.
- For **5M 2022**, **registered FDI** reached **US\$9.73 billion (-23.32% YoY)** while **disbursed FDI** was at **US\$7.71 billion (+7.80% YoY)**.
  - Singapore, South Korea, and Denmark were the top three FDI investors YTD with respective contributions of 24.75%, 19.03% and 13.57%.
  - The manufacturing sector attracted 76.1% of total disbursed FDI, the real estate sector 8.9% and the power sector 8.3%.

- **The USD/VND exchange rate climbed** further to **23,280** in May from **23,060** in April. Despite last month's drop of 0.95% in value, the YTD depreciation of the VND was only 1.68% against the USD, which makes the VND one of the most resilient currencies against the USD this year.
- On May 26, 2022, S&P Global Ratings raised its long term foreign and local currency sovereign credit ratings on Vietnam to BB+ from BB as the agency observed improvement in the government's administrative process which reduced the risk of delayed repayment on government-guaranteed obligations. The ratings upgrade was also underpinned by Vietnam's solid economic prospects and sound external position.

# Historical Performance

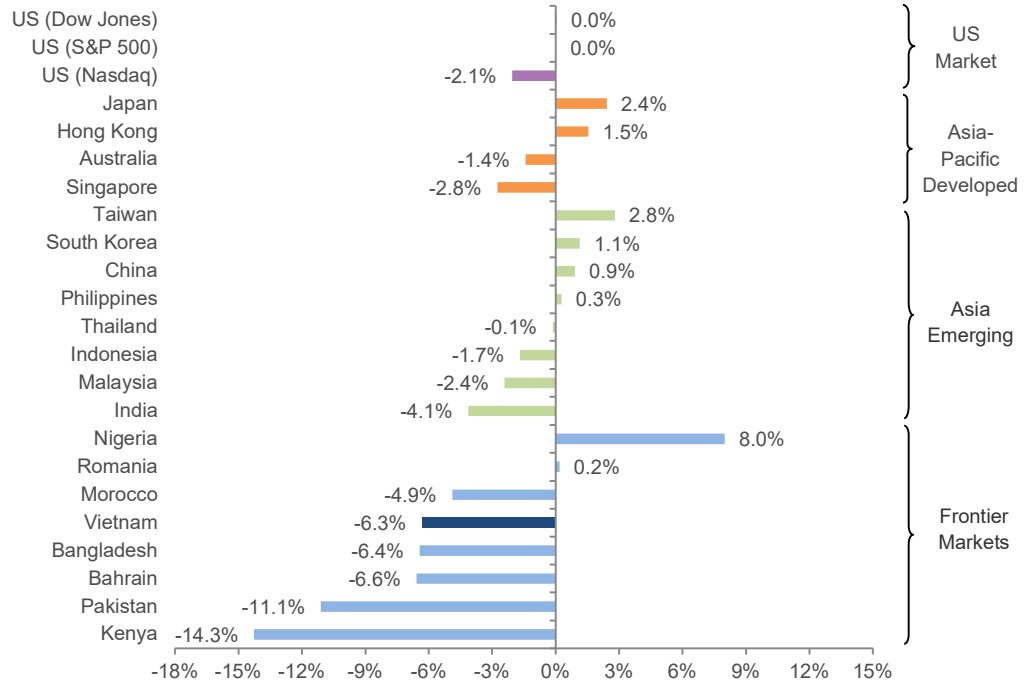


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

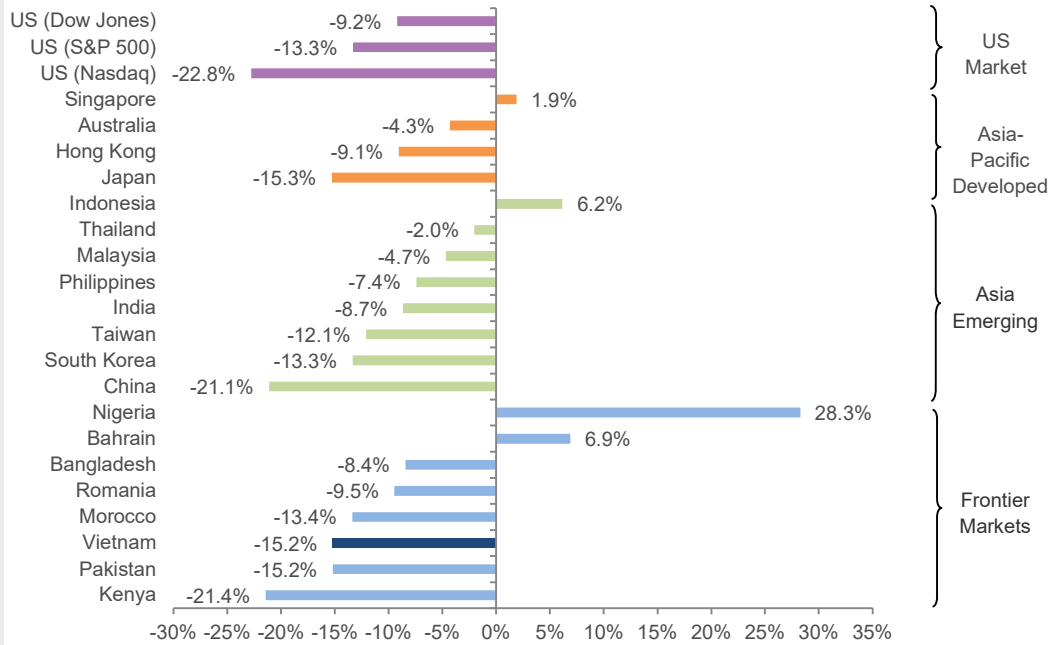
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

\*\*\* Data as of May 31, 2022

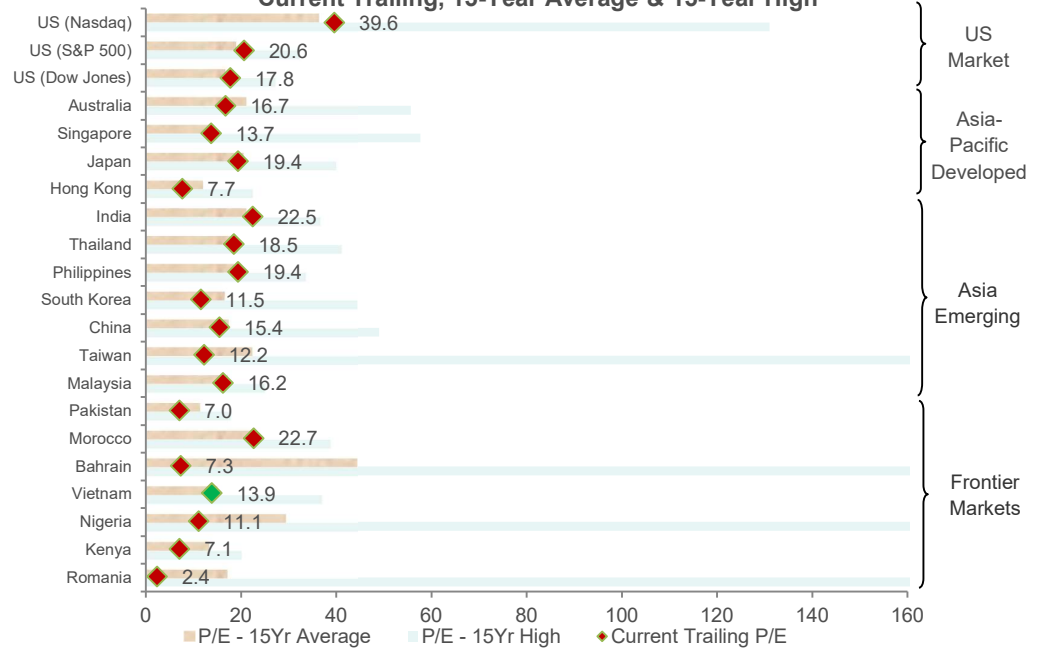
## Stock Market Monthly Returns by Country (in USD) as of May 31, 2022



### Stock Market YTD Returns by Country (in USD) as of May 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 160.x

## Contact us

**Peter Ryder**

CEO

T: +84 24 3935 0250

M: +84 913 229 810

E: peter@indochinacapital.com

**Diep Nguyen**

Director

T: +84 28 3910 4855

M: +84 907 133 671

E: dep.n.nguyen@indochinacapital.com

**Ho Chi Minh City Office**

10<sup>th</sup> Floor, Capital Place

6 Thai Van Lung Street

Ben Nghe Ward, District 1

HCM City, Vietnam

www.indochinacapital.com

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