



Stock Market Commentary

- Fragile sentiment from June continued to rule the Vietnam stock market in early July, causing the VN Index to tumble to 17-month low of 1,149.61. Towards the month-end, rebound in the global market managed to lift local sentiment and drove the VN Index up to close the month in positive territory.
 - **The VN Index** registered a **monthly gain** of **0.34%** and a **YTD loss** of **21.44%** in **USD terms**.
 - Sector performances diverged as the oil & gas sector (-3.3% MoM) and the real estate sector (-3.3% MoM) declined while the banking sector (+4.2% MoM) and the consumer & retail sector (+0.3% MoM) shot up in the month.
- Liquidity **fell 22.0% MoM** with the combined **average daily trading value** on the Ho Chi Minh and the Hanoi Stock Exchanges plunging to 20-month low of **US\$547.68 million**. Trading was muted as investors waited for clearer signs of market direction.
- **Foreign investors net sold US\$23.92 million** in the month which brought down **YTD net buy value** to **US\$63.19 million**. Foreign investors turned net sellers after being net buyers for the whole Q2.
- **Vietnam's listed market capitalization** stood at **US\$216.91 billion** by the end of July. **VN Index's trailing P/E** was at **12.9x**, a remarkable discount compared to regional peers' average P/E of **14.4x** despite higher earnings growth potential.
- According to Fiingroup's data based on Q2 2022 earnings results of 812/1722 listed companies (account for 68.3% of total market capitalization), total Q2 net profit after tax increased 29.4% YoY while banks' profit rose 33.4% YoY. Upbeat profit growth makes Vietnam stocks increasingly attractive to long term investors.

Macroeconomic Update

| | July 2021 | June 2022 | July 2022 | FY2022 Target |
|--|-----------|-----------|-----------|---------------|
| CPI (MoM change) | 0.62% | 0.69% | 0.40% | |
| CPI (YoY change) | 2.64% | 3.37% | 3.14% | <4.00% |
| YTD Trade Balance (US\$ billion) | (2.69) | 0.74 | 0.76 | |
| Exchange Rate (US\$/VND) | 23,065 | 23,370 | 23,460 | |
| YTD Disbursed FDI (US\$ billion) | 10.50 | 10.06 | 11.57 | |
| PMI Manufacturing Index | 45.1 | 54.0 | 51.2 | |
| Industrial Production growth (YTD YoY) | 7.94% | 8.48% | 8.82% | |
| Nominal Retail Sales Growth (YTD YoY) | 0.69% | 11.71% | 15.99% | |
| VN Index | 1,310.05 | 1,197.60 | 1,206.33 | |

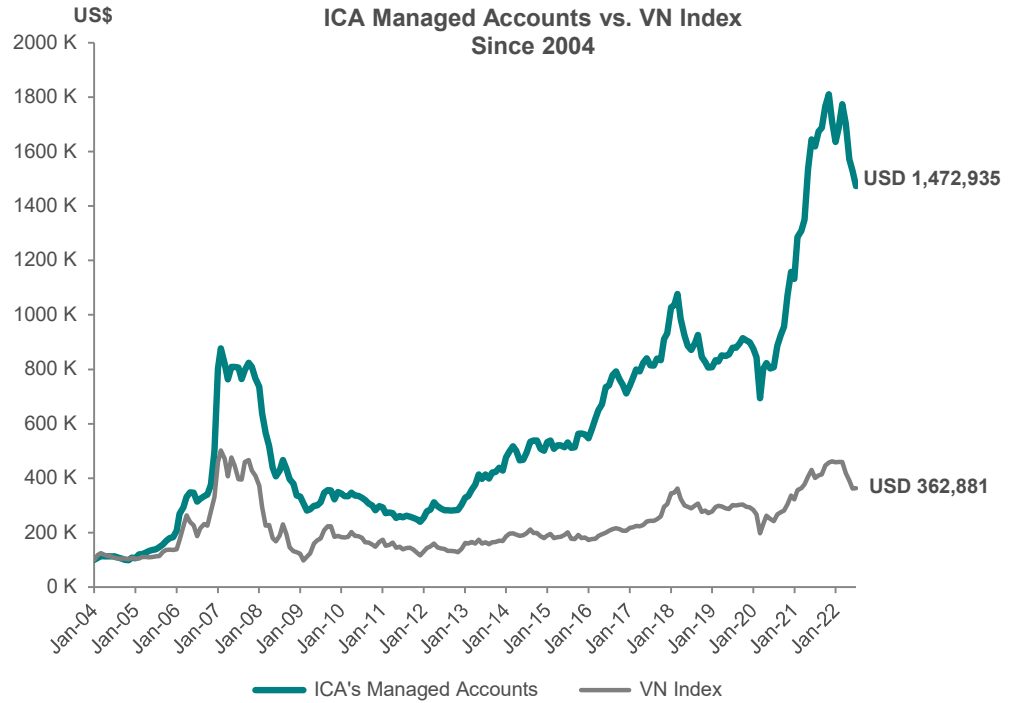
Source: GSO, Customs Office

Vietnam reported strong July macro number with continuing strength in industrial production and surging retail sales. PMI data showed improvements in business conditions for ten straight months while inflation remained under control. However, weaker export number revealed the anticipated slowdown in global demand.

- **7M revenue of retail sales and services rose by 15.99% YoY** while **July's** number expanded by **42.63% YoY** and **2.39% MoM**.
 - In July, tourism (+3450.58% YoY and +24.21% MoM) experienced the strongest growth thanks to both rock bottom number last year and booming tourism post COVID. This was followed by accommodation & catering (+134.75% YoY and +5.18% MoM) and retail sales of goods (+29.38% YoY and +1.83% MoM).
- **The Index of Industrial Production (IIP) grew 11.19% YoY** and **1.60% MoM** in **July**. For **7M 2022**, IPP shot up by **8.82% YoY**.
 - Manufacturing (+12.78% YoY) recorded the highest expansion rate in July while milder rises were observed in water distribution & waste treatment (+9.22% YoY) and power generation & distribution (+8.73% YoY). Mining (-1.49% YoY) was the only sub sector that posted a decline.
 - For 7M 2022, manufacturing (+9.73% YoY) remained the powerhouse of Vietnam industrial sector.
- **Vietnam's Manufacturing PMI fell to 51.2** in **July** from **54.0** in **June**, indicating more moderate monthly improvement in business conditions. Nevertheless, PMI indicated expansion in the sector for ten consecutive months.
 - Signs of demand softening emerged as output, new orders and employment all rose at softer rates than in June.
 - Manufacturers remained optimistic that production will expand in the next 12 months, based on expectations of further improvement in customer demand, stable market conditions, new product development and business investment.
- **CPI rose 0.40% MoM** in **July** and brought **YoY inflation to 3.14%**.
 - Food & food services (+2.98% YoY and +1.37% MoM) picked up while Transport (+15.22% YoY and -2.85% MoM) moderated as gasoline and diesel prices dropped by 8.7% MoM and 4.0% MoM, respectively.
 - YoY inflation may reach 5% in the final months of 2022 due to firm consumer demand and weak inflation in the same period last year.
- **Vietnam** recorded a **trade surplus** of **US\$21 million** in **July** and brought **YTD trade surplus to US\$0.76 billion**.
 - Export value reached US\$30.32 billion (+8.9% YoY and -7.7% MoM) while import value was at US\$30.30 (+3.4% YoY and -6.0% MoM).
 - YoY export value growth was at its lowest level since January 2022 and indicated a warning sign for global demand.
- For **7M 2022**, **registered FDI** reached **US\$12.96 billion (-11.65% YoY)** while **disbursed FDI** was at **US\$11.57 billion (+10.19% YoY)**.
 - Singapore, South Korea, and Denmark were the top three FDI investors YTD with respective contributions of 28.00%, 22.53% and 10.19%.

- Year to date, the manufacturing sector attracted 72.32% of total pledged FDI, the real estate sector 15.89%, the information & media sector 3.02%, and the remaining sectors 8.77%
- **The USD/VND exchange rate shot up to 23,460** in July from **23,370** in June. Year to date, the VND has depreciated by 2.43% against the USD. This year's target depreciation of the VND against the USD is believed to be set at 3 - 4%.
- Vietnamese policy makers' top priorities in 2H22 are to rein in inflation and to control USD/VND exchange rate. While policy rates have not been raised, deposit rates and lending rates at commercial banks have risen by at least 50 bps in Q2. In mid-July, the government reduced environmental protection tax levied upon gasoline, diesel, and other types of fuels to contain inflation and additional fuel tax cuts are planned in the coming months.

Historical Performance

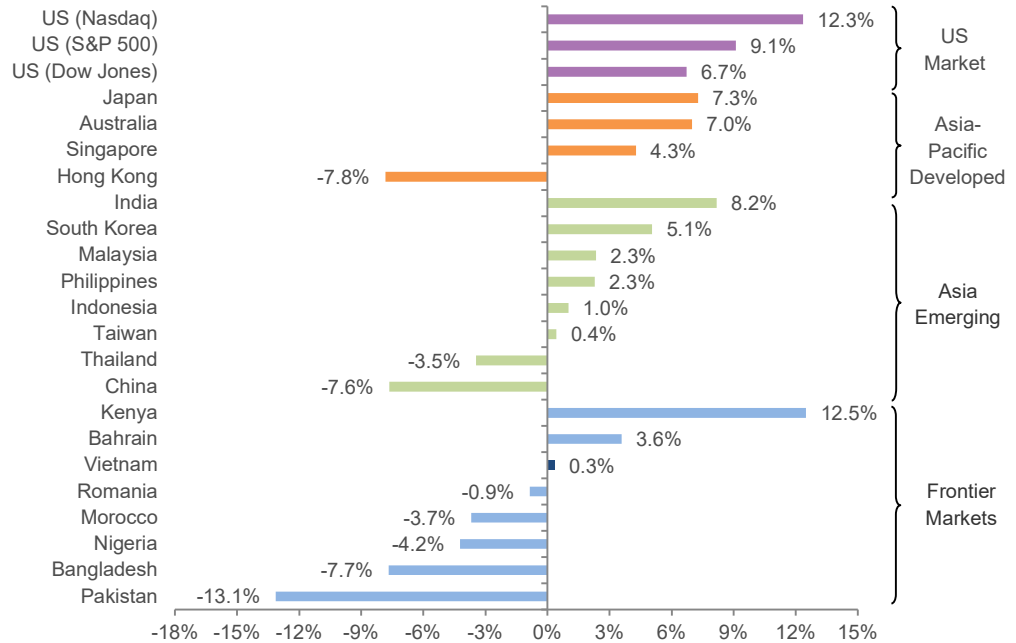


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

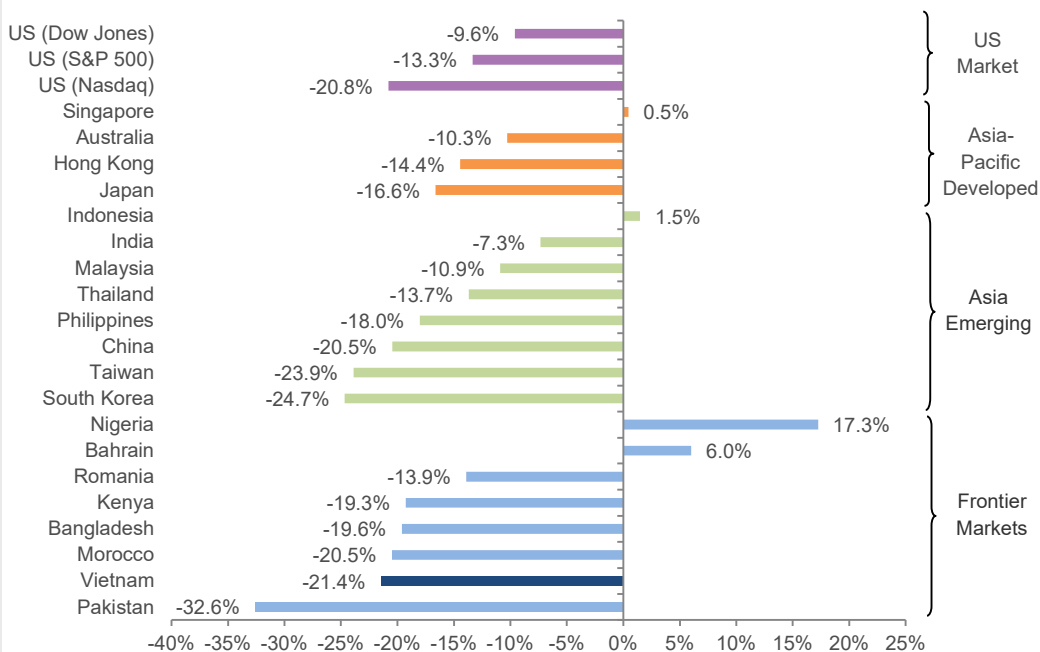
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of July 29, 2022

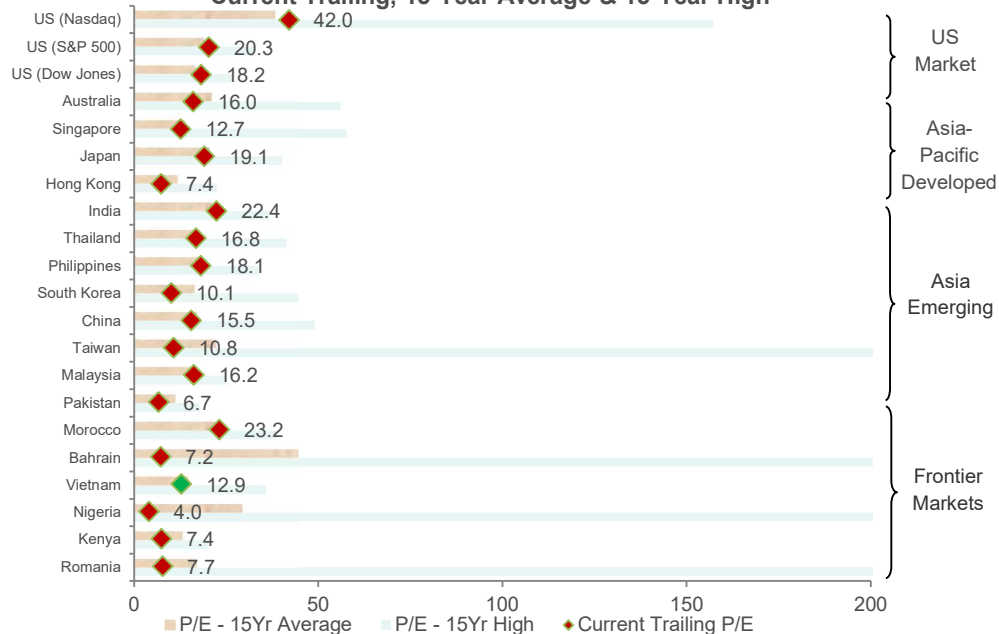
Stock Market Monthly Returns by Country (in USD) as of July 29, 2022



Stock Market YTD Returns by Country (in USD) as of July 29, 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 200.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: diep.n.nguyen@indochinacapital.com

Ho Chi Minh City Office

10th Floor, Capital Place

6 Thai Van Lung Street

Ben Nghe Ward, District 1

HCM City, Vietnam

www.indochinacapital.com

@ 2020 Indochina Capital Corporation

Information contained in this publication is based on data obtained from sources we deem to be reliable, however, it is not guaranteed as to accuracy and does not purport to be complete. Nothing contained in this publication is intended to be a recommendation of a specific security or company nor is any of the information contained herein intended to constitute an analysis of any company or security reasonably sufficient to form the basis for any investment decision.