



INDOCHINA
CAPITAL
MONTHLY
NEWSLETTER

Đang Khiêm

Stock Market Commentary

- The Vietnam stock market advanced in August despite headwinds from global markets and increased selling pressure before the Independence holidays. The positive momentum was maintained for most of August before slipping slightly at the end of the month.
 - **The VN Index** closed at 1,280.51, **registering monthly gain of 5.63%** and **YTD loss of 17.02%** in **USD terms**.
 - The rally was broad-based, notably the oil & gas sector (+10.4% MoM), the consumer & retail sector (+6.9% MoM), the banking sector (+6.6% MoM) and the real estate sector (+2.6% MoM).
- Liquidity climbed back in August after July's decline with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$743.10 million**, a **monthly surge of 35.7%** and the highest in the last four months.
- **Foreign investors net bought US\$50.98 million in August**, increasing **YTD net buy value to US\$114.17 million**. They have been net buyers in four out of the last five months.
- **Vietnam's listed market capitalization** was at **US\$229.01 billion** by the end of August. Valuation was attractive with **VN Index's TTM P/E** and **2022 P/E** at **13.7x** and **11.4x**, respectively while **ROE** stayed firmly over **15%**.
- As inflation pressures waned, the State Bank of Vietnam (SBV) announced in the last week of August that banks' credit growth quotas will be lifted in early September after two months of restrictions. Such decision is expected to boost growth in Q4 and support stock market sentiments.

Macroeconomic Update

| | Aug 2021 | Jul 2022 | Aug 2022 | FY2022 Target |
|----------------------------------------|----------|----------|----------|---------------|
| CPI (MoM change) | 0.25% | 0.40% | 0.00% | |
| CPI (YoY change) | 2.82% | 3.14% | 2.89% | <4.00% |
| YTD Trade Balance (US\$ billion) | (3.52) | 1.54 | 3.96 | |
| Exchange Rate (US\$/VND) | 22,880 | 23,460 | 23,576 | |
| YTD Disbursed FDI (US\$ billion) | 11.58 | 11.57 | 12.80 | |
| PMI Manufacturing Index | 40.2 | 51.2 | 52.7 | |
| Industrial Production growth (YTD YoY) | 5.56% | 8.82% | 9.44% | |
| Nominal Retail Sales Growth (YTD YoY) | -4.69% | 15.99% | 19.29% | |
| VN Index | 1,331.47 | 1,206.33 | 1,280.51 | |

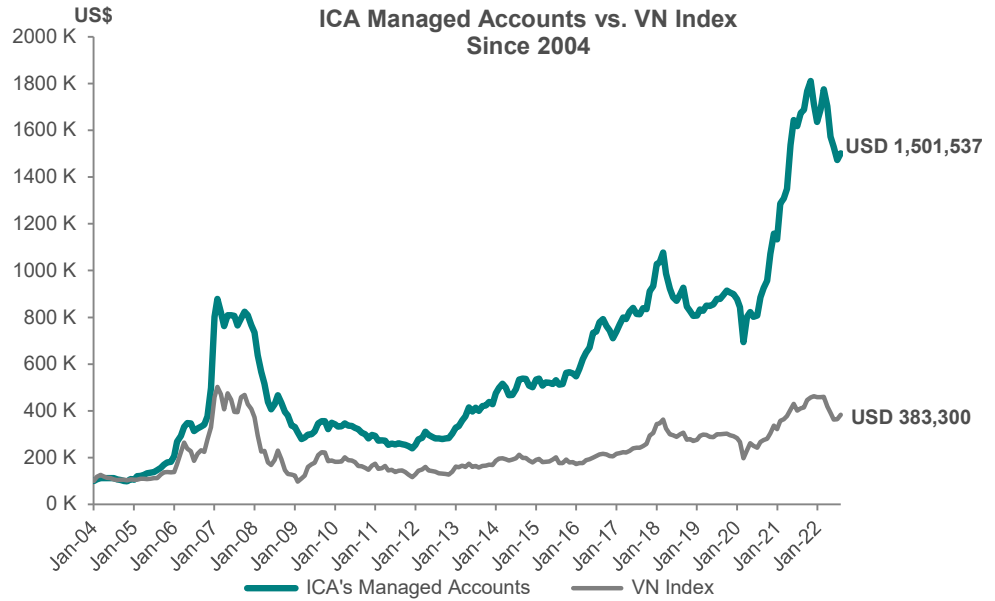
Source: GSO, Customs Office

Vietnam's economy showed remarkable resilience despite global economic slowdown. Trade surplus in August reached US\$2.42 billion, the highest monthly figure this year. Industrial production rose on the back of improvements across major sectors while headline inflation eased for the second consecutive month.

- **8M revenue of retail sales and services rose 19.29% YoY. August** number improved by **0.64% MoM** but jumped by **50.19% YoY** on last year's lockdown low base.
 - Tourism (+6436.90% YoY & -2.84% MoM) and other services (+197.21% YoY & -0.15% MoM) registered strong YoY growth but declined MoM. On the other hand, accommodation & catering (+185.29% YoY & 0.30% MoM) and retail sales of goods (+31.90% YoY & +0.83% MoM) showed both YoY and MoM expansions.
 - Year-to-date foreign visitors reached 1.44 million, still 87.3% short of 2019's level due to stricter visa policy and absence of Chinese tourists.
- **The Index of Industrial Production (IIP) went up by 15.57% YoY** and by **2.92% MoM** in **August**. For **8M 2022**, IIP **increased by 9.44% YoY**.
 - Manufacturing (+16.23% YoY & +3.35% MoM) took the lead with broad-based advances across power generation & distribution (+14.84% YoY & +0.98% MoM), water supply & waste management (+11.02% YoY & +2.30% MoM) and mining (+10.19% YoY & +0.79% MoM).
 - For 8M 2022, manufacturing achieved the highest growth rate of 10.39% YoY.
- **Vietnam's Manufacturing PMI** reached **52.7** in **August** from **51.2** in **July**, indicating improving business conditions for the 11th consecutive month.
 - Firms reported the fifth consecutive rise in output thanks to continued recovery from COVID-19 pandemic and greater new orders.
 - Waning cost pressures through lower prices of oil & other raw materials enabled firms to increase selling price at a softer pace.
- **August CPI was flat MoM** while **YoY inflation dropped to 2.89%**.
 - Transportation price pressures (+8.94% YoY and -5.51% MoM) abated thanks to double-digit drop in prices of gasoline and diesel while food & food services picked up 3.30% YoY and 1.05% MoM.
 - Businesses continued to pass on higher cost to consumers and caused broad-based price increases across dining out (+6.26% YoY & +0.73% MoM), culture, sport & entertainment (+4.80% YoY & +0.43% MoM), household equipment & appliances (+2.47% YoY & +0.21% MoM).
- **Vietnam** recorded a **trade surplus** of **US\$2.42 billion** in **August** which brought up **YTD trade surplus** to **US\$3.96 billion**.
 - Export value rose by 22.1% YoY and 9.1% MoM while import value increased by 12.4% YoY and 1.4% MoM.
 - 8M exports grew 17.3% YoY, imports 13.6% YoY.
- For **8M 2022**, **registered FDI** reached **US\$13.86 billion (-15.01% YoY)** and **disbursed FDI** was at **US\$12.80 billion (+10.54% YoY)**.
 - YTD, the manufacturing sector attracted 72.39% of total committed FDI, the real estate sector 15.65% and the remaining sectors 11.96%.

- News emerged in August that Apple suppliers were in talks to produce Apple Watch and MacBook in Vietnam for the first time, further affirming the country's position as a manufacturing powerhouse.
- **The USD/VND exchange rate inched** further to **23,576** from **23,460** in August. Even though VND has depreciated by 2.91% against USD this year, the currency fared much better against the USD compared to most other currencies. The USD Index has gone up by 13.60% during the same period.
- Despite global restrictive policies which should likely dampen demand for Vietnam's export products, Vietnam GDP is forecast to grow at above 7% in 2022 thanks to resilient domestic demand and last year's lockdown low base. Over a longer horizon, Vietnam's outlook remains positive with supports from local growing consumer base and the country's position as a preferred destination for production relocation from China.

Historical Performance

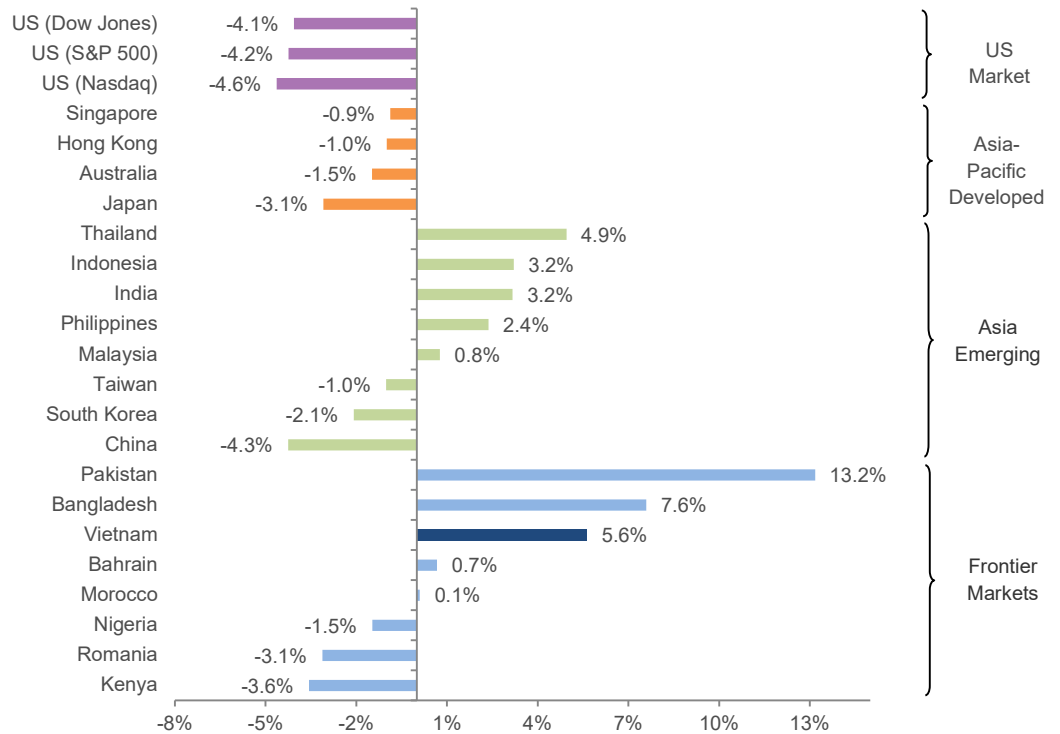


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

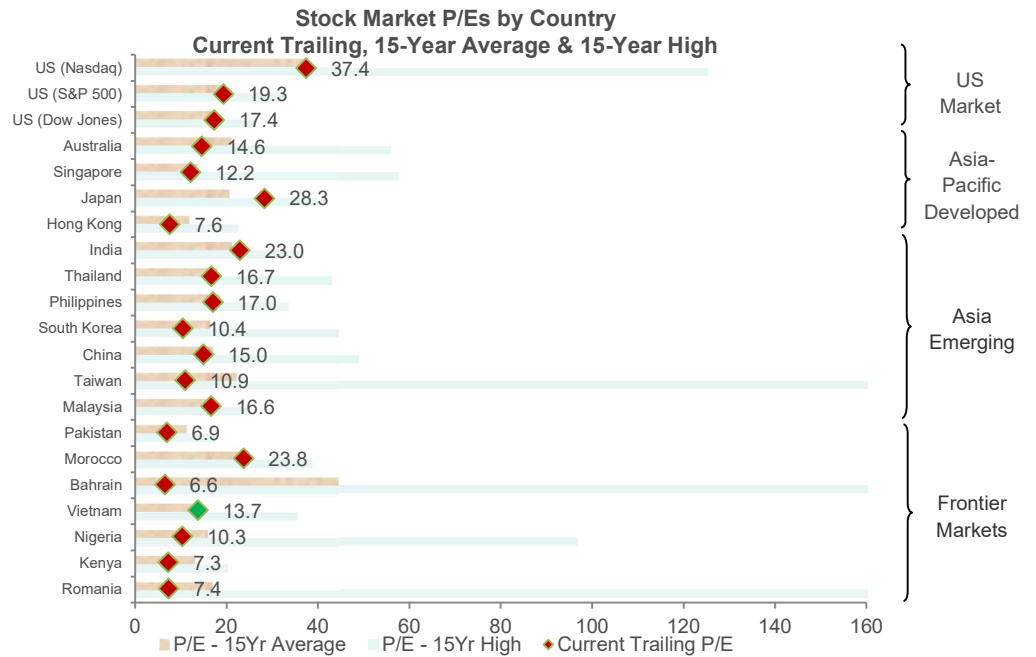
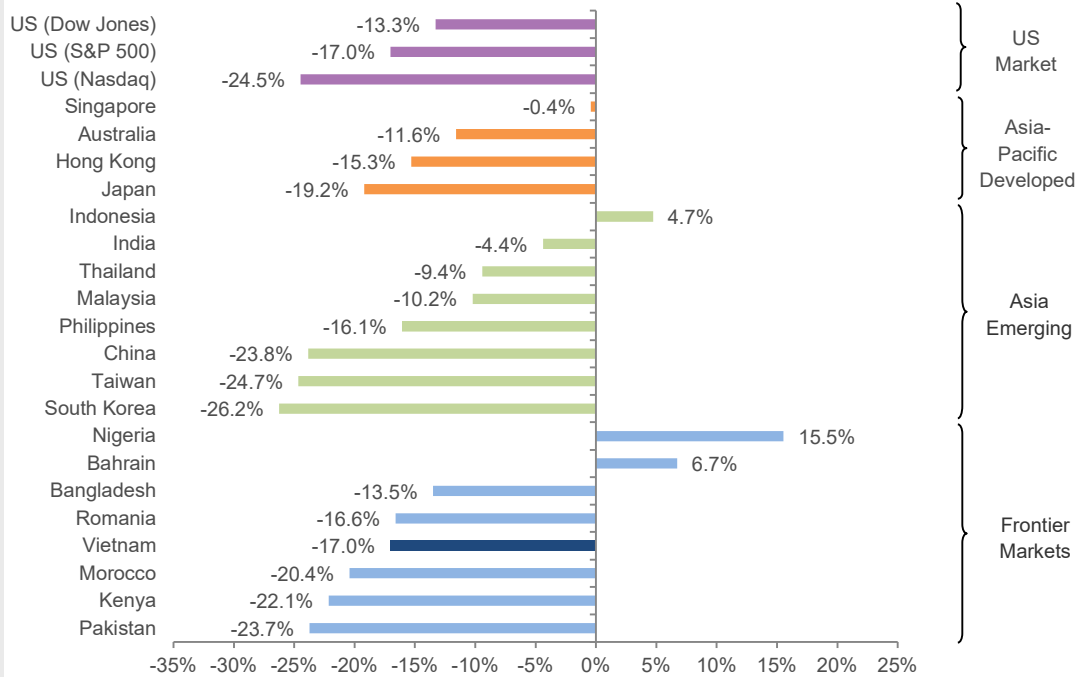
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of August 31, 2022

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



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



(*): 15Yr High P/Es of Taiwan, Bahrain and Romania are above 160.x

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