



INDOCHINA CAPITAL MONTHLY NEWSLETTER

Stock Market Commentary

- The Vietnam stock market went downhill in September as investors' sentiment worsened on Vietnam's tightening policy in response to US Fed's hawkish stance and the glooming global recession threat. An impressive Q3 GDP growth was unable to support the market and the VN Index dipped to 1,100 before slightly inching up on the last trading day.
 - **The VN Index** registered the largest **monthly loss** since March 2020 of **13.07%** and **YTD loss** of **27.86%** in **USD terms**.
 - All major sectors dropped in September including the banking sector (-13.4%), the real estate sector (-12.2%), the oil & gas sector (-9.4%) and the consumer & retail sector (-7.7%).
 - Year to date, oil & gas (+0.8%) was the only sector that managed a marginal increase while the real estate sector had the worst performance (-35.5%) as stricter regulations for debt market and credit restriction crippled the sector.
- Liquidity dropped markedly in September with **average daily trading value** on the Ho Chi Minh and Hanoi Stock Exchanges retreating by 17% MoM to **US\$619 million**, the second lowest level since December 2020.
- **Foreign investors net sold** a total of **US\$128 million** in September and **US\$14 million YTD** on the Vietnam's stock exchanges.
- **Vietnam's listed market capitalization** fell to **US\$199 billion** by the end of September. **VN Index's trailing P/E** stood at **12.2x**, lower than ASEAN peers' average of **14.8x** despite better earnings growth outlook.

Macroeconomic Update

	Q3 2020	Q3 2021	Q3 2022	FY2022 Target
GDP Growth Rate (YoY)	2.69%	-6.02%	13.67%	
CPI (YoY change)	2.98%	2.06%	3.94%	<4.00%
YTD Trade Balance (US\$ billion)	16.66	(3.44)	6.52	
Exchange Rate (US\$/VND)	23,275	22,850	23,977	
YTD Disbursed FDI (US\$ billion)	13.76	13.28	15.43	
PMI Manufacturing Index	52.2	40.2	52.5	
Credit Growth (YTD YoY)	5.12%	7.17%	10.54%	14%
Industrial Production growth (YTD YoY)	2.69%	4.45%	9.63%	
Nominal Retail Sales Growth (YTD YoY)	0.70%	-7.11%	21.00%	
VN Index	905.21	1,342.06	1,132.11	

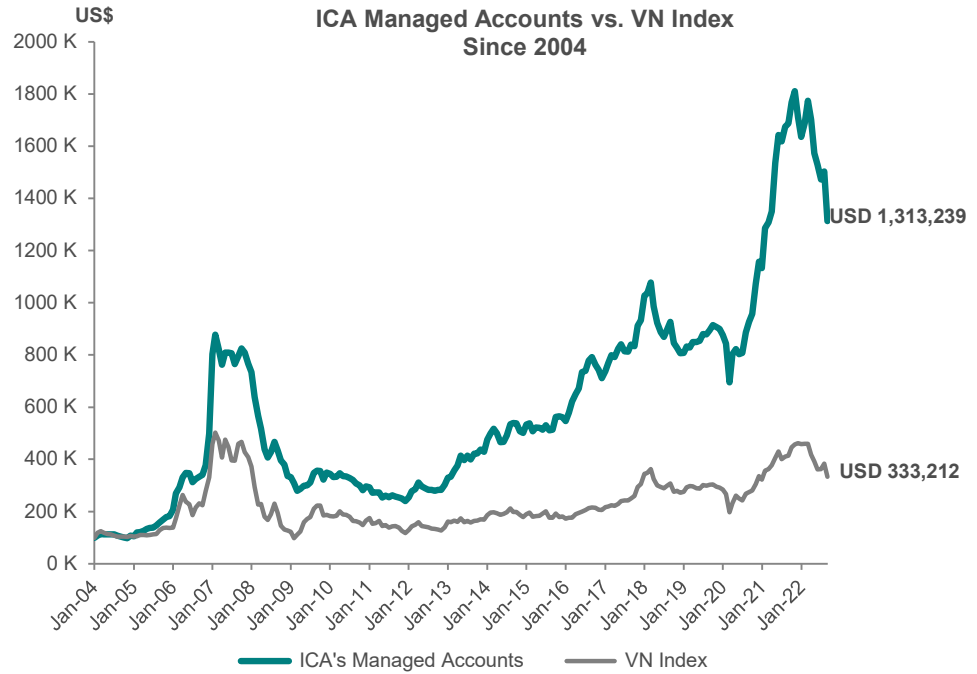
Source: GSO, Customs Office

Vietnam's total output rebounded strongly in Q3 2022 from the lockdown trough last year thanks to robust demand. The resurgence of consumer-facing services gave a healthy boost to retails & services sectors. Trade surplus increased on the back of strong exports. Inflation was well controlled but remained a concern despite cooling global oil price.

- **Q3 2022 GDP expanded by 13.67% YoY**, a very strong growth on the low base of Q3 2021 when the whole nation was under Covid-19 lockdown. **9M 2022 GDP rose 8.83% YoY**, comfortably surpassed the pre-Covid growth rate of 6.98% in 9M 2019.
 - For Q3 and 9M 2022, the service sector edged up 18.86% YoY and 10.57% YoY, respectively (9M 2021: -0.69%). The industrial & construction sectors increased by 12.91% in Q3 and by 9.44% in 9M (9M 2021: +3.57%). The agriculture, forestry & fishery sectors rose by 3.24% and by 2.99% in the same periods (9M 2021: +2.74%).
 - Within the industrial & construction sectors, the manufacturing sub-sector increased by 13.02% YoY in Q3 and by 10.69% YoY in 9M 2022 and accounted for 23.6% of Vietnam GDP as of 9M 2022.
- **9M revenue of retail sales and services increased 21% YoY. September** number edged up **36.11% YoY & 2.92% MoM** thanks to the surge in consumer-facing services.
 - For 9M 2022, tourism had the strongest rebound with a YoY increase of 294.87%, even though still 46% short of pre pandemic level. This was followed by accommodation & catering services (+54.74% YoY), other services (+34.49% YoY) and retail sales of goods (+15.78% YoY).
- **The Index of Industrial Production (IIP) increased by 13.01% YoY** and by **1.82% MoM** in **September**. For **Q3** and **9M 2022**, **IIP rose 12.12% YoY** and **9.63% YoY**, respectively.
- **Vietnam's Manufacturing PMI** marginally declined to **52.5** in **September** from 52.7 in August, but still indicating improving business conditions in each of the last 12 months.
 - New domestic and export orders continued to grow albeit at a softer pace due to signs of demand weakness.
 - Lower oil prices reduced firms' cost burden although there were still price increases in some raw materials.
- **CPI rose by 0.40% MoM** in **September**, bringing **YoY inflation to 3.94%**.
 - Housing & construction materials (18.8% CPI basket), transport (+9.7% CPI basket) and education (6.2% CPI basket) pushed up inflation with respective YoY price increase of 4.43%, 6.68%, and 8.37%.
 - Inflation will likely accelerate in the final months of 2022 due to resilient demand.
- **Credit growth** was at **10.54% YTD** (9M 2021: +7.17%) and **M2 growth** reached **2.49% YTD** (9M 2021: +4.95%).
 - 9M credit growth was the highest in the last five years with banks quickly using up the additional quota granted in September.
 - Deposit growth reached 4.04% YTD (9M 2021: +4.28%).
 - Banks have increased deposit rates for all tenures following the State Bank of Vietnam (SBV)'s decision to raise policy rates by 100bps in the third week of September. Interest rates are expected to head north given the SBV's target to control inflation and to limit the VND depreciation when the US Fed continues its rate hikes.

- **Vietnam** recorded a **trade surplus** of **US\$6.52 billion** in **9M 2022** (9M 2021: US\$3.44 billion deficit).
 - In September, export value reached US\$29.94 billion (+10.3% YoY & -14.3% MoM) while import value reached US\$28.80 billion (+6.4% YoY & -7.3% MoM).
 - 9M exports increased by 17.28% YoY (9M 2021: +18.75%) and imports by 12.97% YoY (9M 2021: +30.54%).
- **Year to date, registered FDI dropped 18.24% YoY** to **US\$15.47 billion** while **disbursed FDI** reached **US\$ 15.43 billion** (+16.17% YoY). **Disbursed FDI** was at **US\$3.28 billion** (+1.86% YoY).
 - Year to date, the manufacturing sector accounted for 73.66% of total registered FDI, the real estate sector 14.42%, the media sector 2.74% and the remaining sectors 9.18%.
 - For 9M 2022, Singapore, South Korea and Japan accounted for nearly 60% of registered FDI with respective contribution of 25.03%, 22.13% and 11.45%, respectively.
- **The USD/VND exchange rate increased** further to **23,977** in **September** from **23,576** in **August**. While the USD Index has risen by 17.19% YTD, the VND depreciated by 1.67% MoM and 4.53% YTD.
- Year to date, thanks to strong quarterly GDP growth, financial institutions have continually revised up their forecasts for 2022 GDP growth with the latest consensus hovering around 8%. For 2023, GDP growth would likely stay around 6% as recession risk looms in the EU and in the US and supply chain disruption caused by the Russia – Ukraine war is expected to linger.

Historical Performance

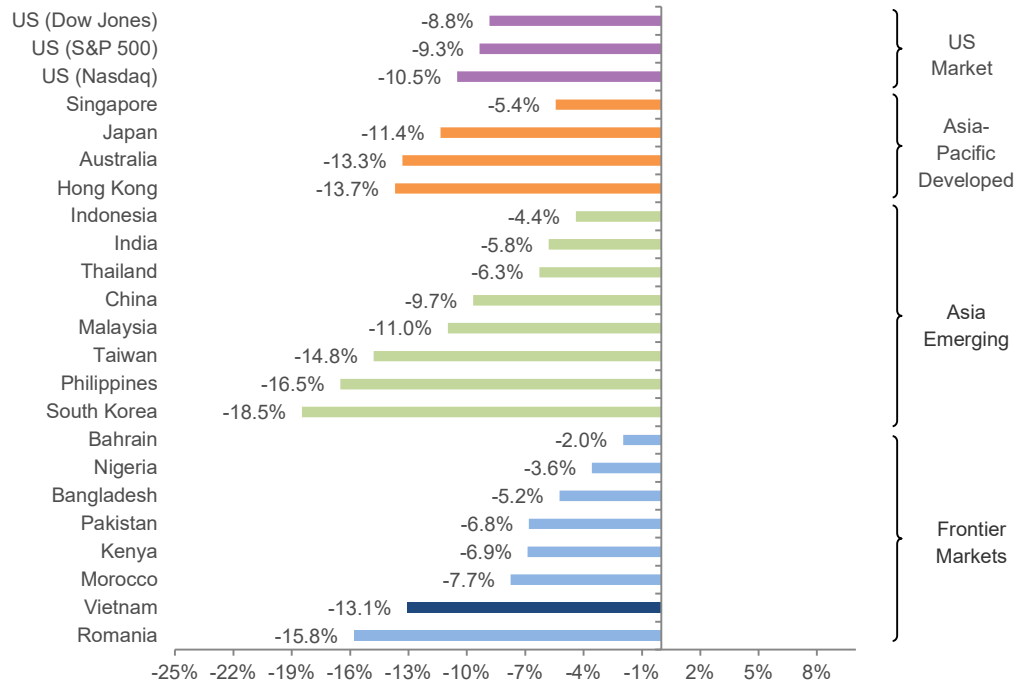


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

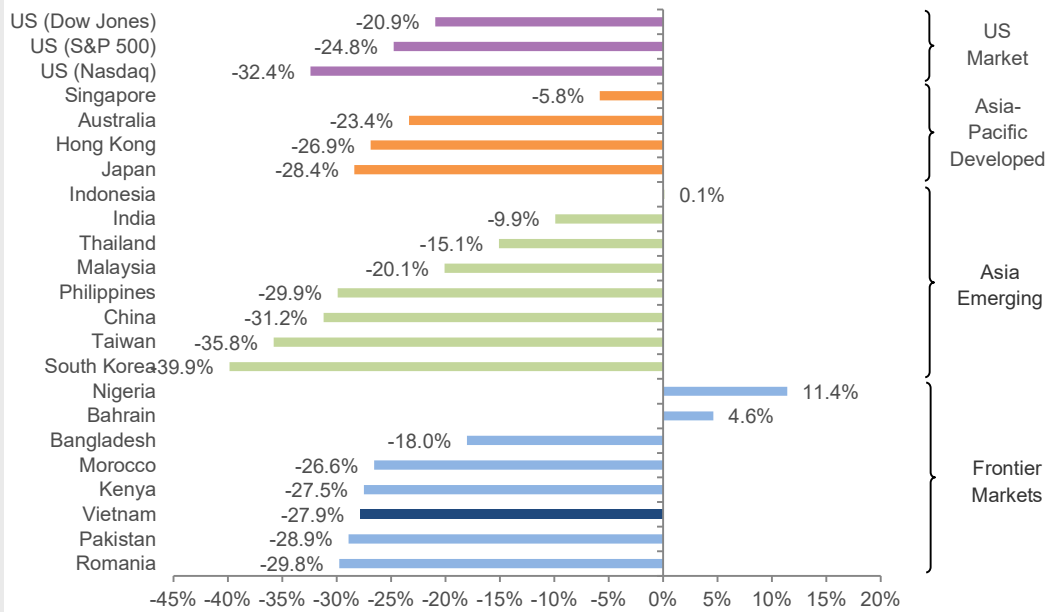
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of September 30, 2022

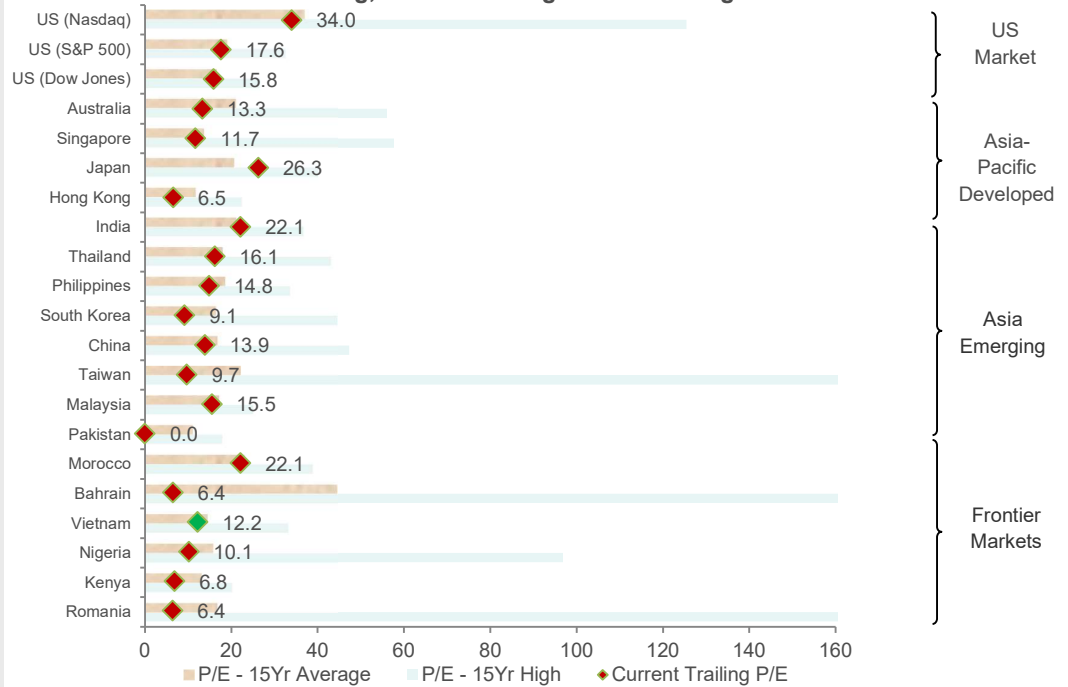
Stock Market Monthly Returns by Country (in USD) as of September 30, 2022



Stock Market YTD Returns by Country (in USD) as of September 30, 2022



Stock Market P/Es by Country Current Trailing, 15-Year Average & 15-Year High



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

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