



INDOCHINA CAPITAL MONTHLY NEWSLETTER

Stock Market Commentary

- The arrest of real estate tycoon Truong My Lan, chairwoman of private group Van Thinh Phat (VTP), for fraud in bond issuances sent shockwaves across Vietnam's financial system. VTP is believed to be heavily involved in Saigon Commercial Bank (SCB), the largest private bank in the country in terms of assets (US\$32 billion). SCB accounted for 5% of total bank deposit and 3% of total loan book.
- The arrest triggered a bank run which requires the intervention of the State Bank of Vietnam (SBV). It also raised concerns on bond default and the financial ability of real estate developers. Speculations around the arrest and panic selling caused the VN Index to slump to 23-month low in October.
 - **The VN Index** ended the month at **1,027.94**, registering a **monthly loss** of **12.49%**. **The YTD loss** was **36.88%** in **USD terms**.
 - Major sectors dropped markedly including the real estate sector (-11.9% MoM), the consumer & retail sector (-5.6% MoM), the banking sector (-4.7% MoM), and the oil & gas sector (-2.5% MoM).
- Liquidity fell further in October with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges plunging 18.9% MoM to **US\$501.98 million**, the lowest level in the last 23 months.
- **Foreign investors net sold US\$43.29 million** in October and **US\$57.14 million** YTD. Most notably, foreign investors sold six percent of Eximbank (EIB) in a block transaction of US\$118 million.
- **Vietnam's listed market capitalization** was at **US\$174.68 billion** by the end of October. The **VN Index's TTM P/E** stood at **10.7x** compared to **12.0x** of ASEAN's peers. The Index was trading at two standard deviations below the 10Y average P/E.
- Rising interest rates, credit control and increased restrictions on bond issuances cast a shadow on the financial markets, especially the stock market. While investor sentiment will take time to stabilize, Vietnamese stocks are trading close to the Covid-19 panic levels in March 2020, which presents opportunities for long-term accumulation.

Macroeconomic Update

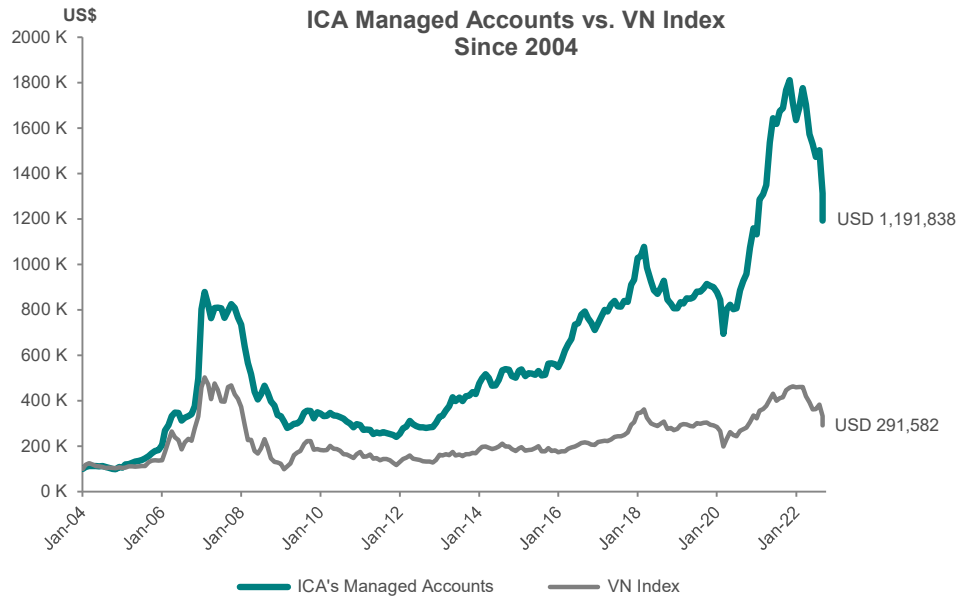
	Oct 2021	Sep 2022	Oct 2022	FY2022 Target
CPI (MoM change)	-0.20%	0.40%	0.15%	
CPI (YoY change)	1.77%	3.94%	4.30%	<4.00%
YTD Trade Balance (US\$ billion)	0.12	7.13	9.40	
Exchange Rate (US\$/VND)	22,845	23,977	24,879	
YTD Disbursed FDI (US\$ billion)	15.15	15.43	17.45	
PMI Manufacturing Index	52.1	52.5	50.6	
Industrial Production growth (YTD YoY)	3.31%	9.63%	9.01%	
Nominal Retail Sales Growth (YTD YoY)	-8.60%	21.00%	20.25%	
VN Index	1,444.27	1,132.11	1,027.94	

Source: GSO, Customs Office

Vietnam's economy stayed resilient even though signs of slowdown have emerged. Retail sales, industrial production and exports advanced month-on-month; FDI remained sturdy and inflation stayed under control. However, weakening global demand and interest rate hikes will likely affect business outlook.

- **10M revenue of retail sales and services rose by 20.25% YoY. October** number rose by **17.15% YoY** and by **1.46% MoM**, the eighth monthly expansion in a row.
- **The Index of Industrial Production (IIP) went up by 6.27% YoY** and by **3.04% MoM** in **October**. For **10M 2022**, IIP **increased by 9.01% YoY**.
 - Utilities posted strong YoY growth in October with water supply & waste management (+15.67% YoY & +2.92% MoM) and power generation & distribution (+10.5% YoY & -0.5% MoM). These were followed by mining (+6.28% YoY and +3.09% MoM) while manufacturing (+5.71% YoY and +3.42% MoM) slowed down after a prolonged period of strong growth.
 - For 10M 2022, manufacturing achieved the highest growth rate of 9.58% YoY.
- **Vietnam's Manufacturing PMI** declined to **50.6** in **October** from **52.5** in **September**, marking 13 straight months of improvements in the sector, but this month had the weakest growth in the sequence.
 - Softer increases in new domestic and export orders were observed as global demand weakened. Growth in employment and purchases also eased.
- **CPI** inched up by **0.15% MoM in October** and **YoY inflation** came in at **4.30%**.
 - Food & food services (+5.13% YoY & +0.13% MoM), housing & construction materials (+5.42% YoY & +0.69% MoM) and education (+10.64% YoY & +2.35% MoM) were responsible for accelerating inflation.
 - Transportation price pressures (+1.81% YoY and -2.17% MoM) alleviated after domestic fuel prices were adjusted down.
- **Trade surplus** expanded by **US\$2.27 billion** in **October** to **US\$9.40 billion**.
 - Export value rose by 4.5% YoY and 1.5% MoM while import value increased 7.1% YoY but dropped 1.4% MoM.
 - 10M exports growth reached 15.9% YoY, imports 12.2% YoY.
- For **10M 2022**, **registered FDI** reached **US\$18.67 billion (-7.15% YoY)** and **disbursed FDI** was at **US\$17.45 billion (+15.18% YoY)**.
 - YTD, the manufacturing sector attracted 65.01% of total committed FDI, the real estate sector 13.13%, the utilities sector 11.77%, and the remaining sector 10.09%.
 - Year to date, Samsung Electro – Mechanics Vietnam boosted their capital twice at US\$920 million and US\$267 million while Samsung Electronics HCMC Complex added US\$841 million to their capital.
- **The VND depreciated by 3.63% in October** and **7.99% YTD** against the USD. With the USD Index having gone up by 16.6% YTD, the VND was still one of the strongest currencies globally. Pressures on the VND will likely intensify in the coming months as the US Fed continues to raise rates and the SBV will have to increase domestic rates to support the VND. The SBV already raised policy rates by another 100 bps in October, only four weeks after its first hike.

Historical Performance

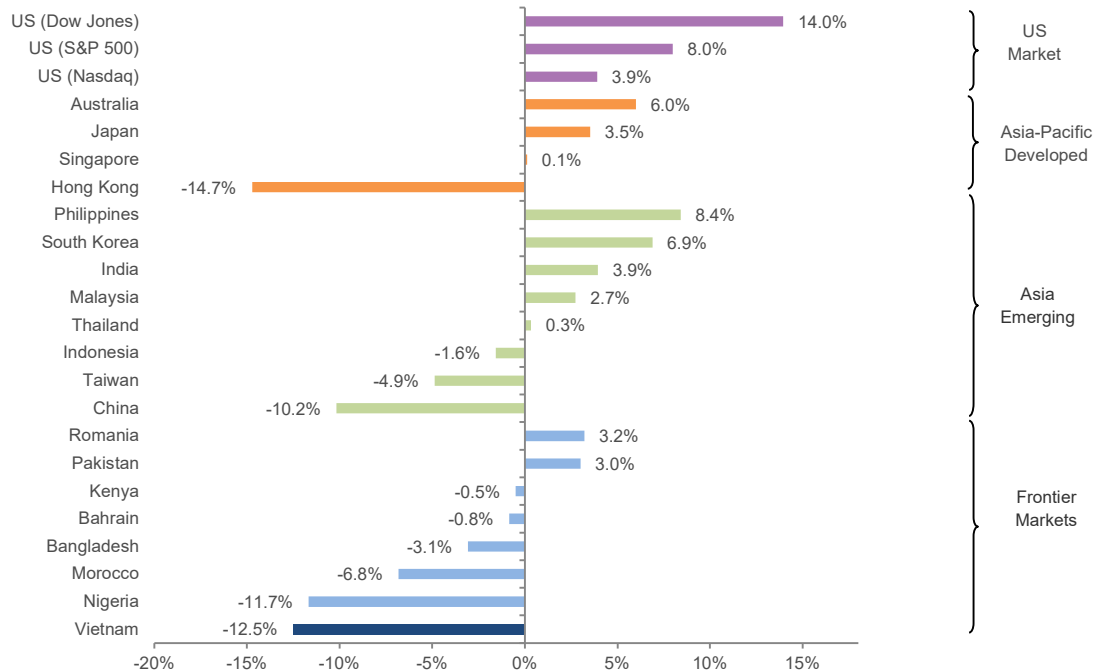


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

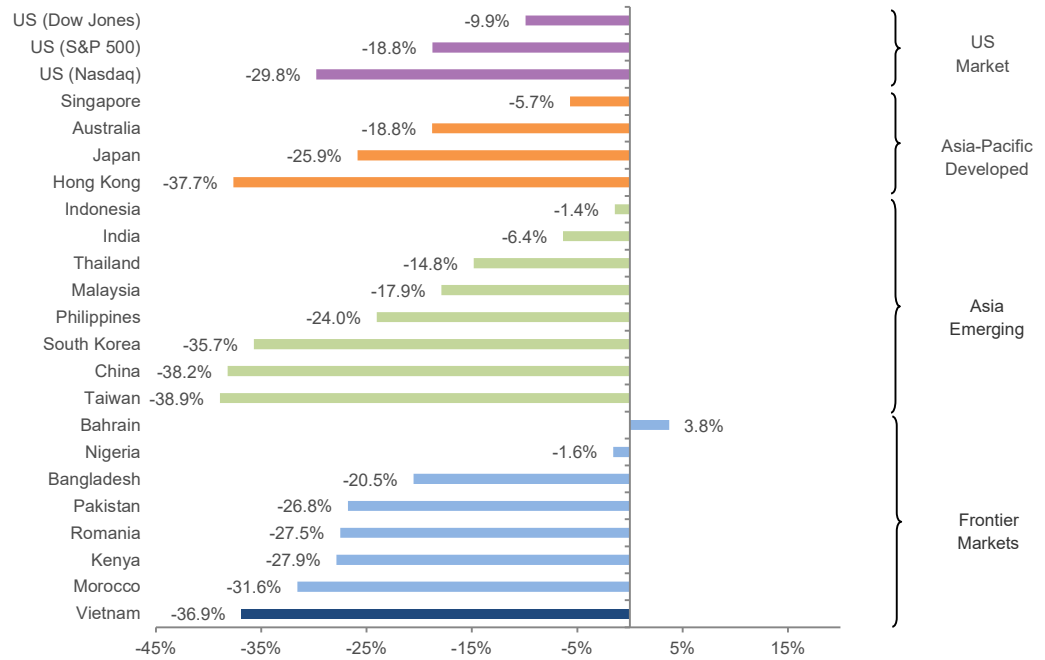
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of October 31, 2022

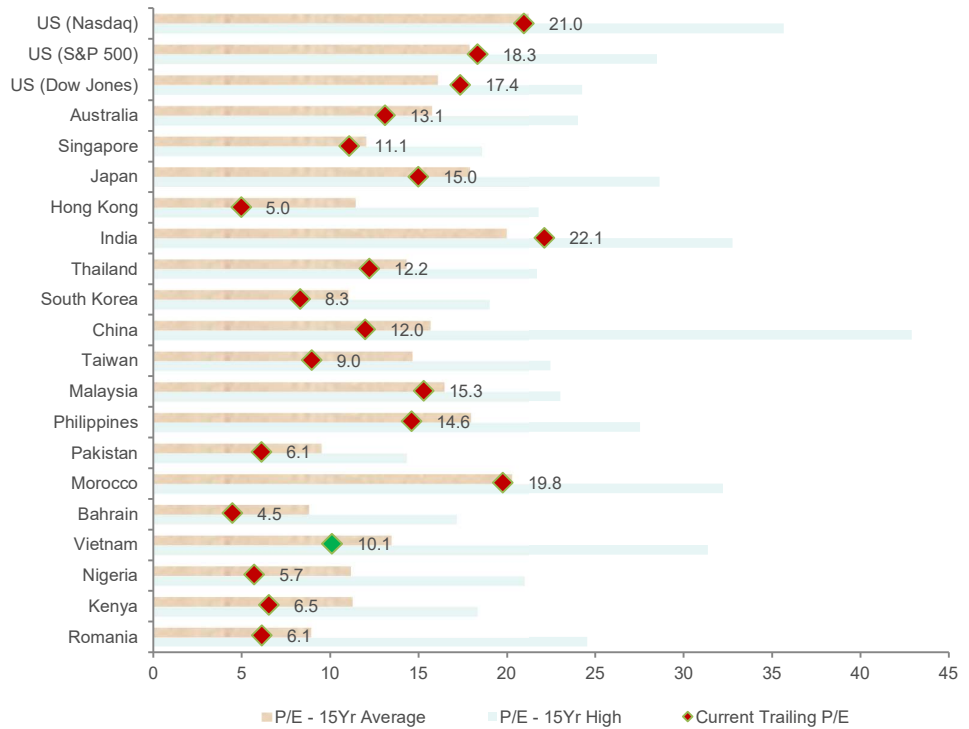
Stock Market Monthly Returns by Country (in USD) as of October 31, 2022



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



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



* Adjusted positive P/E

** Data for Indonesia and Bangladesh not available

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