



Stock Market Commentary

- Vietnam's stock market traded sideways in December and closed the year at **1,007.09**, registering a monthly **gain of 0.44%** and **full-year loss of 35.03%** in **USD terms**.
 - Despite the country's stellar economic growth during the year, Vietnam's stock market tumbled on the back of crackdowns on capital market violations and corruption fights, rising interest rates, and strained liquidity. The sharp drops in stock prices have pre-empted corporate earnings deterioration in 2023 and drove valuations of Vietnamese stocks to attractive levels.
 - The banking sector posted a minor gain of 0.5% in December while the other major sectors recorded sizeable drops, namely the oil & gas sector (-4.3%), the consumer & retail sector (-6.3%) and the real estate sector (-16.5%).
 - For full year 2022, the oil & gas sector registered a single digit fall of 6.5%, the other sectors were deeply in the red with the real estate sector (-51.0%) and the construction sector (-59.3%) among the worst-hit. The banking sector retreated by 22.2%, the consumer and retail sector 15.0%.
- The combined average daily trading value (ADTV) on Ho Chi Minh and Hanoi Stock Exchanges reached **US\$656.75 million** in December, a **rise of 30.0% MoM**. 2022 ADTV fell from record high level in 2021 to **US\$803.75 million, down 26.4% YoY**.
- **Foreign investors net bought US\$561.03 million** in December, bringing **foreign net purchase value in 2022 to US\$1.18 billion**. Attractive valuations tempted foreign investors to return after net selling Vietnam stocks during 2020 - 2021.
- **Vietnam's listed market capitalization** reached **US\$179.80 billion** at the end of 2022. The **VN Index** traded at **positive trailing P/E of 9.9x**, nearly two standard deviations below its 10Y average and a sizeable discount compared to ASEAN peers' average of **12.8x**.

Despite the bleak short-term outlook, Vietnam's economy has the best long-term potential in ASEAN. The country's output is forecast to grow by 5.8% in 2023 and 6.8% in 2027 by the IMF. As robust FDI continues, corporate earnings maintain strong momentum, and local investors' interest in the stock market steadily rises, Vietnamese stocks should be well positioned for good long-term gains.

Macroeconomic Update

	Q4 2021	Q4 2022	2021	2022	FY2023 Target
GDP Growth Rate (YoY)	5.22%	5.92%	2.58%	8.02%	~6.50%
CPI (YoY change)	1.81%	4.55%	1.81%	4.55%	~4.50%
YTD Trade Balance (US\$ billion)	4.00	11.20	4.00	11.20	
Exchange Rate (US\$/VND)	22,890	23,681	22,890	23,681	
YTD Disbursed FDI (US\$ billion)	19.74	22.40	19.74	22.40	
PMI Manufacturing Index	52.5	46.4			
Credit Growth (YTD YoY)	12.53%	12.87%	12.53%	12.87%	
Industrial Production growth (YTD YoY)	4.82%	7.76%	4.82%	7.76%	
Nominal Retail Sales Growth (YTD YoY)	-3.76%	19.84%	-3.76%	19.84%	
VN Index	1,498.28	1,007.09	1,498.28	1,007.09	

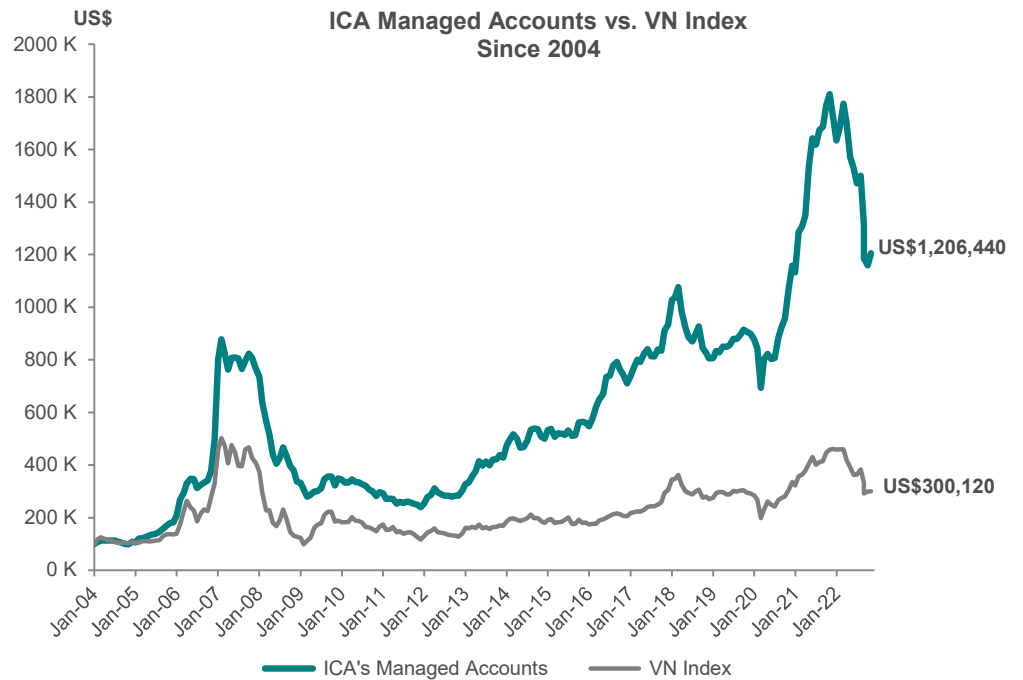
Source: GSO, Customs Office

Vietnam's economy had a year of strong growth despite global economic headwinds. Total output expanded at Asia's fastest pace in 2022 as both manufacturing and service sectors enjoyed re-opening boosting effects. Meanwhile, record high FDI disbursement, resilient remittance and a lofty trade surplus supported the VND while inflation stayed under control.

- Reopening tailwind and strong manufacturing sector helped **Vietnam's GDP rise 8.02% YoY** in 2022, the fastest pace since 1997.
 - The agriculture, fishery and forestry sectors' growth improved to 3.36% YoY in 2022 vs 2.90% YoY in 2021.
 - The service sectors recorded impressive growth of 9.99% YoY vs 2021's meager growth of 1.22% YoY. The recovery of customer-facing services enabled these sectors to drive more than half of total output growth in 2022.
 - The industrial and construction sectors expanded by 7.78% YoY (2021: 4.05%). The manufacturing sub-sector remained Vietnam's economic powerhouse with YoY growth of 8.10% and accounted for 24.76% of total GDP.
 - In terms of GDP contribution, the agriculture, fishery, and forestry sectors accounted for 11.88% of total output, the industrial and construction sectors 38.26%, the service sectors 41.33%, taxes and subsidies 8.53%. The respective contributions in 2021 were 12.36%, 37.86%, 40.95% and 8.83%.
 - On a quarterly basis, growth momentum has waned in Q4 on the back of weak export demand and domestic liquidity restrictions.
- **The Index of Industrial Production (IIP) fell by 1.01% MoM and rose 0.19% YoY in December.** For Q4 and 12M 2022, IIP increased by 3.02% YoY and 7.76% YoY, respectively.
- **Vietnam's Manufacturing PMI** fell to 46.4 in December from 47.4 in November, indicating the weakening of the manufacturing sector.
 - Weak demand in key export markets including US, the EU and Mainland China led to the second consecutive decline in new export orders.
 - Scaled back production caused employment to decrease at the sharpest pace in 14 months.
- **Vietnam** recorded a **trade surplus of US\$11.20 billion in 2022** (2021: US\$4.00 billion).
 - In December, exports grew 2.2% MoM but dropped 14.0% YoY, imports grew 3.1% MoM and dropped 8.1% YoY.
 - For full year 2022, total exports increased by 10.6% YoY (2021: 19.0%) and imports 8.4% YoY (2021: 26.5%).
 - The US was Vietnam's largest export market, accounting for 29.3% of total exports while 33.1% of total imports came from China.
- **2022 credit growth** was at **12.87% YoY** (2021: 12.53%) and **M2 growth** reached **3.85% YoY** (2021: 8.31%).
 - Deposit growth was at 5.99% YoY (2021: 7.73%). Discrepancy between credit and deposit growth drove bank's loan-to-deposit ratio (LDR) close to the regulatory cap and increased pressures on interest rates.

- The SBV swiftly switched from extreme tightening mode to accommodative mode in December as soon as the USD showed signs of weakening. Interbank liquidity and money supply was improved last month. In early December, the SBV announced a lifting of credit growth quota from 14% to as much as 16% for the year. However, high rates, bleak demand outlook and restrictions on real estate made it tough for the economy to absorb the excess credit room.
- **Disbursed FDI** touched all-time high at **US\$22.40 billion, up 13.45% YoY. Registered FDI dropped** by **6.99% YoY** to **US\$22.56 billion** while **FII** fell by **25.23% YoY** to **US\$5.15 billion**.
 - The manufacturing sector attracted 67.32% of total registered FDI, the real estate sector 12.74%, the power generation and transmission sector 9.62%, and the rest 10.31%.
 - Companies from Singapore, Japan and South Korea contributed 20.48%, 20.20%, 17.45% to this year registered FDI, respectively.
- **CPI fell 0.01% MoM** in **December** and **YoY inflation** came in at **4.55%**.
 - Housing & construction materials (+0.66% MoM & +7.14% YoY), food & food services (+0.15% MoM & +5.21% YoY), education (+0.32% MoM & +11.80% YoY) were the main contributors to 2022 inflation.
 - Lower transportation costs (-2.78% MoM & -0.16% YoY) helped keep inflation in check.
- **The USD/VND exchange rate weakened significantly** to **23,681** in December, the VND appreciating by 4.56% MoM. Vietnam's strong FDI inflow, resilient remittance, a high trade surplus and a weakening USD helped reduce exchange rate pressures in the month. Year to date, the VND depreciated by 3.34% against the USD.
 - As US policy rates are expected to peak in 1H 2023, pressures on the VND should likely ease and the VND's depreciation is expected to revert to the norm of 2% in 2023.
- As recession threats loom in the EU and US, Vietnam's export will be enervated in 2023. Domestically, high interest rates and a troubled real estate market will likely hamper consumption. Vietnam's National Assembly approved **2023 GDP growth target of 6.5%** and **inflation target of 4.5%**. While these numbers look ambitious in the face of global recession and high interest rates, the consensus growth forecast for Vietnam next year came in at circa. 5.8%, still among the highest in the world.

Historical Performance

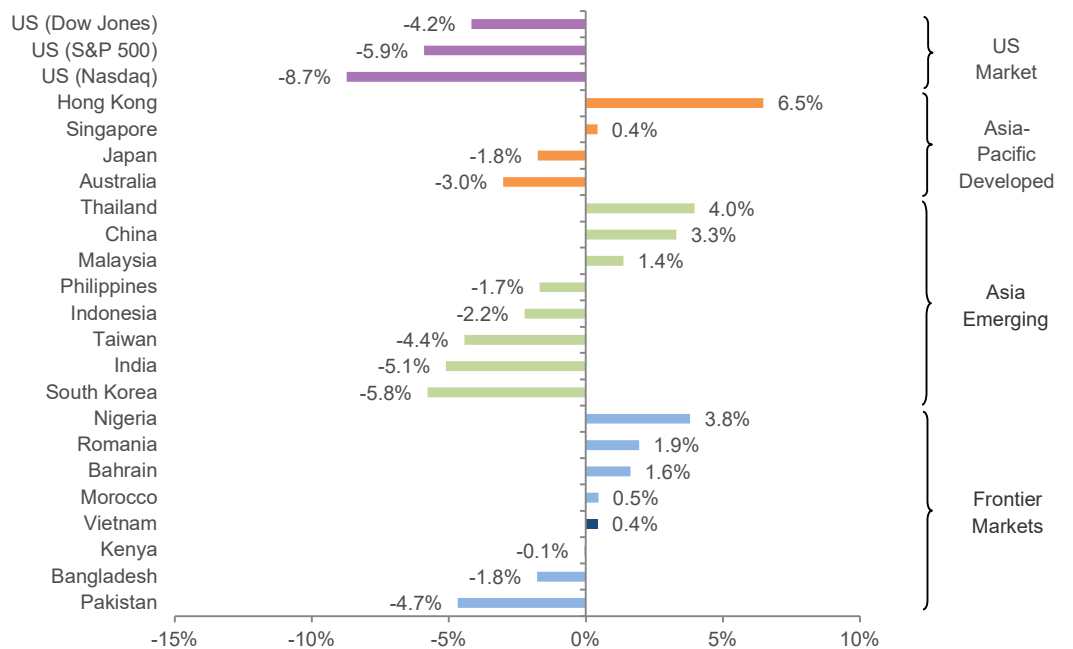


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

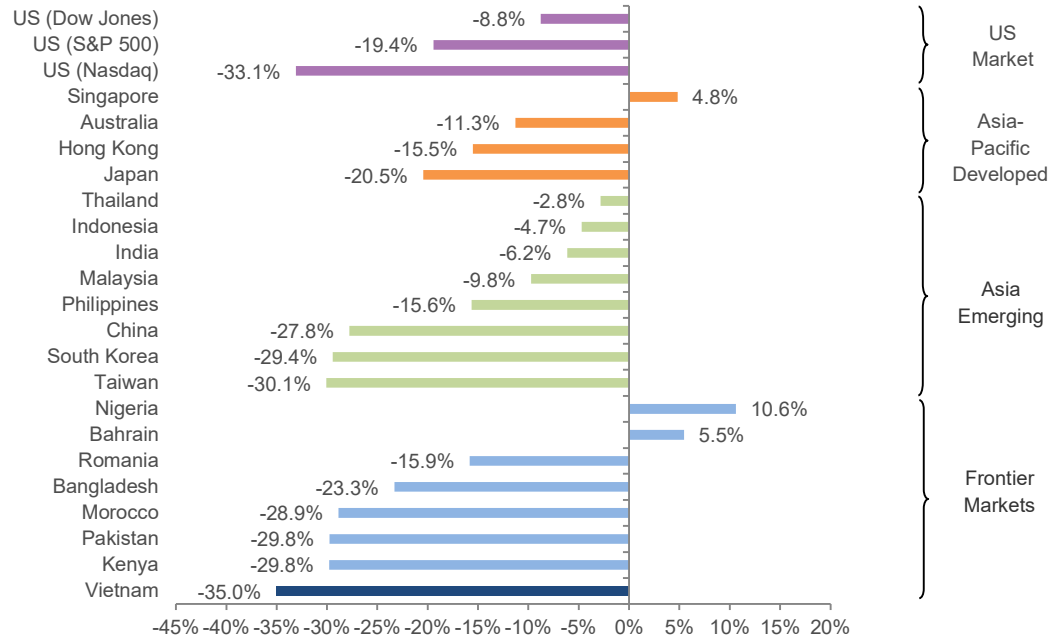
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of December 31, 2022

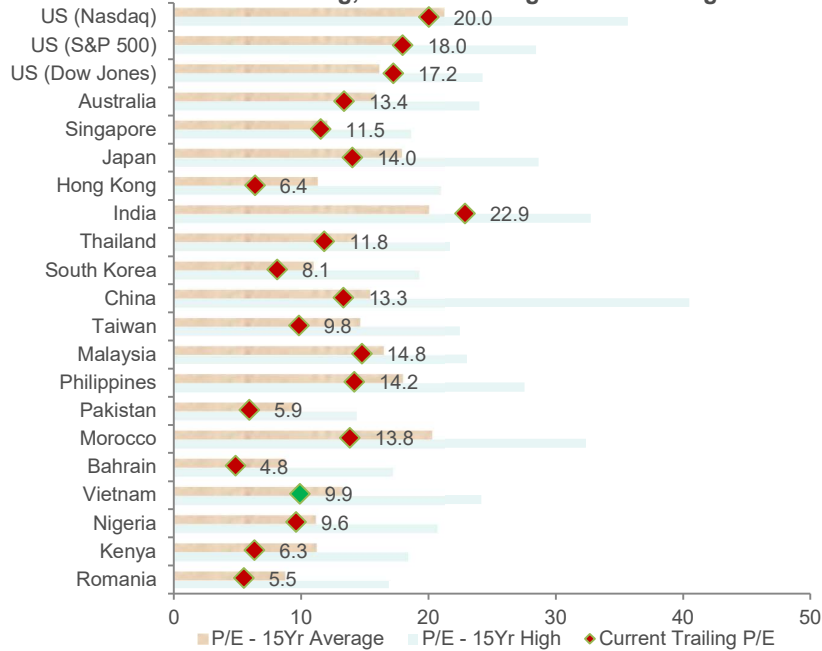
Stock Market Monthly Returns by Country (in USD) as of December 31, 2022



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



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



* Adjusted positive P/E
** Data for Bangladesh and Indonesia not available

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