



INDOCHINA  
CAPITAL  
MONTHLY  
NEWSLETTER

## Stock Market Commentary

- Vietnam stock market's impressive gain in January was almost wiped out in February under profit-taking pressures and heightened anxiety as the default of several real estate bonds came into light.
  - **The VN Index** recorded **monthly loss** of **9.04%** and **YTD gain** of **0.89%** in **USD terms**.
  - All the major sectors of the VN Index declined this month, including the real estate sector (-14.3% MoM), the consumer & retail sector (-8.7% MoM), the banking sector (-5.8% MoM) and the oil & gas sector (-3.2% MoM).
- Liquidity **fell 5.0% MoM** in **February** with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$466.68 million**, the lowest level since November 2020.
- **Foreign investors** turned **net sellers of US\$12.14 million** in **February** after three consecutive months of net buying. Their **YTD net purchase value** dropped to **US\$163.25 million**.
- **Vietnam's listed market capitalization** stood at **US\$181.22 billion** as of **February's end**. The **VN Index** was trading at a **positive trailing P/E** of **10.2x**, significantly cheaper than ASEAN peers' average of 12.9x.
- While the short- and medium-term outlook is bleak for highly leveraged real estate developers and the real estate market, the default of real estate bonds does not necessarily lead to systemic problems for the banking sector and the entire economy. The value of outstanding real estate bonds as of the end of 2022 was 6% of GDP and direct exposure to real estate developers accounted for 7% of total bank credit. Compared with Vietnam's banking crisis in 2012, banks are now well capitalized with high average loan loss coverage ratio of above 100% and average loan to value of circa. 50%, which give the banks abundant buffers to absorb credit loss. Besides, the Vietnamese government are working on solutions and policies to support the sustainable development of the real estate market, including credit package for social housing and amendment to Decree 65 on corporate bond.

# Macroeconomic Update

	Feb 2022	Jan 2023	Feb 2023	FY2023 Target
CPI (MoM change)	1.00%	0.52%	0.45%	
CPI (YoY change)	1.42%	4.89%	4.31%	~4.50%
YTD Trade Balance (US\$ billion)	-0.30	0.52	2.82	
Exchange Rate (US\$/VND)	22,900	23,557	23,882	
YTD Disbursed FDI (US\$ billion)	2.68	1.35	2.55	
PMI Manufacturing Index	54.3	47.4	51.2	
Industrial Production growth (YTD YoY)	5.38%	-8.04%	-6.32%	
Nominal Retail Sales Growth (YTD YoY)	1.66%	19.95%	12.97%	
VN Index	1,490.13	1,111.18	1,024.68	

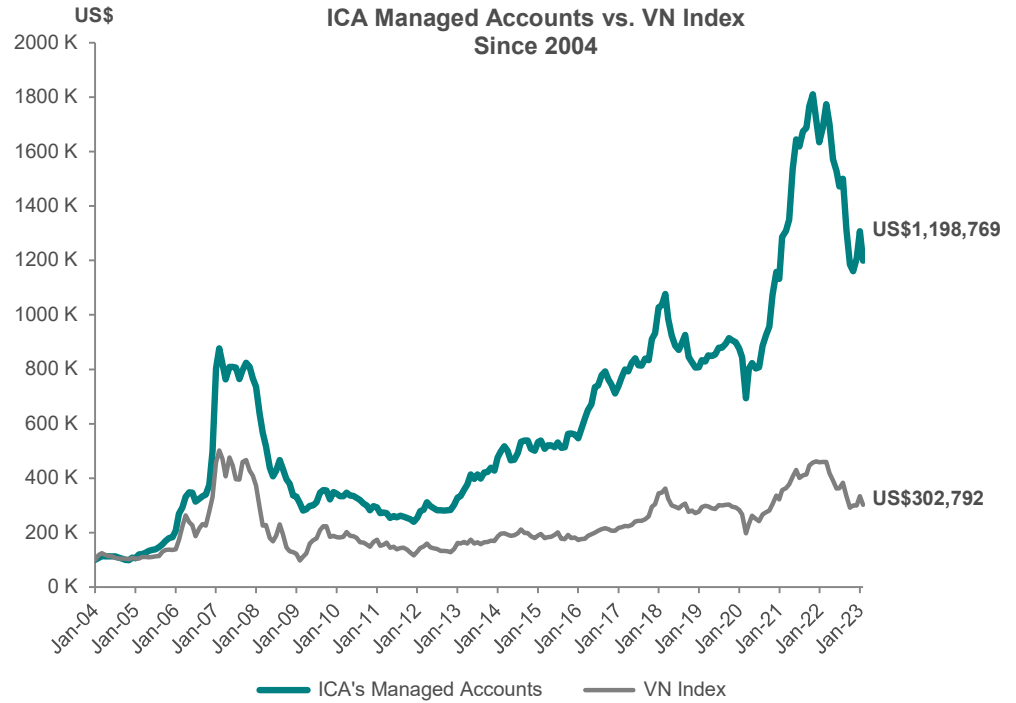
Source: GSO, Customs Office

Industrial activities and foreign trade picked up in February as factories resumed production after the Lunar New Year holidays. Meanwhile, nominal retail sales remained resilient, and CPI in check thanks to lower transportation costs. Due to the different timing of the Lunar New Year holidays, data of 2M rather than one single month are better for YoY comparison purpose.

- 2M revenue of retail sales and services increased by 12.97% YoY and by 24.90% vs pre-Covid level in 2M 2019. February number dropped 5.95% MoM** (demand usually peaks before the Lunar New Year) but **rose 13.16% YoY**.
  - For 2M 2023, all categories experienced double-digit growth including retail sales of goods (+10.09% YoY), accommodation & catering services (+31.57% YoY), tourism (+124.36% YoY) and other services (+16.19%).
  - YTD, international arrivals rose to 1.8 million, 36.6x last year's level but was still less than 60% of the number in 2M 2019. Chinese tourists which accounted for one third of pre-Covid international tourists have yet to come back.
- The Index of Industrial Production (IIP) increased by 5.11% MoM and by 3.61% YoY in February.** For **2M 2023**, IIP **fell by 6.32% YoY**.
  - YTD, except for water distribution & waste treatment which expanded 2.33% YoY, the other sectors still contracted YoY, including mining (-3.76% YoY), manufacturing (-6.87% YoY) and power generation & distribution (-5.16% YoY).
- Vietnam's Manufacturing PMI** moved pass the 50 mark to reach **51.2** in **February**, indicating improving business conditions for the manufacturing sector after three successive months in decline.
  - Better market demand helped total new orders expand for the first time in four months. Meanwhile, export orders ticked up for the second month running.
  - To keep up with increasing new orders, both employment and purchasing activity picked up for the first time in four months.
- CPI rose by 0.45% MoM and 4.31% YoY.**
  - Food & food services (-0.17% MoM & +4.29% YoY), housing & construction materials (+1.81% MoM & +7.88% YoY), education (-0.57% MoM & +10.40% YoY) and culture, entertainment, and tourism (-0.02% MoM & +4.74% YoY) caused the rise in YoY inflation.
- Vietnam** recorded a **trade surplus of US\$2.30 billion** in **February** which brought **YTD trade surplus to US\$2.82 billion**.
  - In February, export value reached US\$25.88 billion (+9.85% MoM & +10.97% YoY) while import value was at US\$23.58 billion (+2.34% MoM and -6.65% YoY). For 2M 2023, export and import value dropped 10.40% YoY and 15.97% YoY, respectively.
  - Weaknesses in major export products including textiles & garments (-19.56% YoY) and computers & electronics (-13.89% YoY) drove down YTD export value. On the bright side, export value of telephone & components still increased 7.63% YoY.
- For **2M 2023**, **registered FDI** was at **US\$2.30 billion (-45.59% YoY)**. **Disbursed FDI** remained resilient at **US\$2.55 billion (-4.85% YoY)**.
  - YTD, the manufacturing sector attracted 83.27% of total registered FDI, the logistics sector 5.83%, the construction sector 3.01% and the remaining sectors 7.89%.

- Taiwanese firms Boltun Corporation and QST International recently received investment license to build a US\$165 million auto parts factory in Quang Ninh province.
- **The USD/VND exchange rate bounced back to 23,882 (+1.38% MoM) in February** as US inflation data reinforced expectations that the Federal Reserve might need to raise interest rates further this year.
- For 2M 2023, disbursed investment capital from the state budget rose by 18.3% YoY. Despite the recent shakeout at the top positions, **Vietnamese government is keen to speed up major public infrastructure projects to boost GDP growth** and to improve the country's attractiveness as a manufacturing hub.
- On March 2<sup>nd</sup>, Vietnam's National Assembly elected **Vo Van Thuong** as the country's **new president** weeks after the abrupt resignation of his predecessor Nguyen Xuan Phuc. Widely regarded as close to the general secretary, Thuong's election is expected to bring stability among Vietnam's top officials.

# Historical Performance

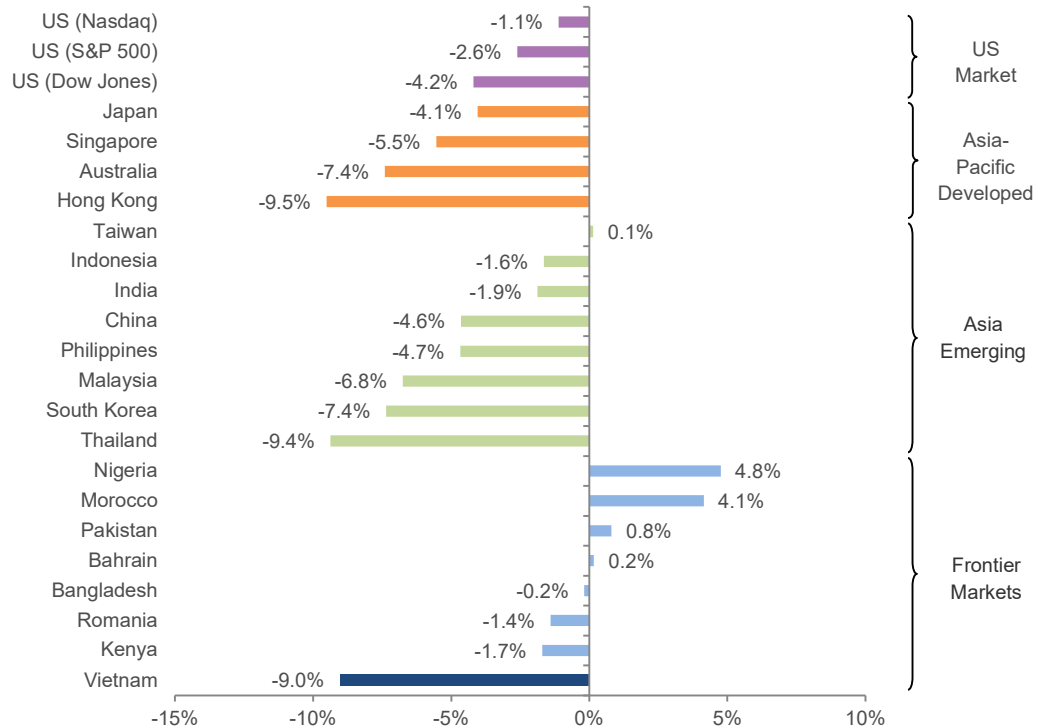


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

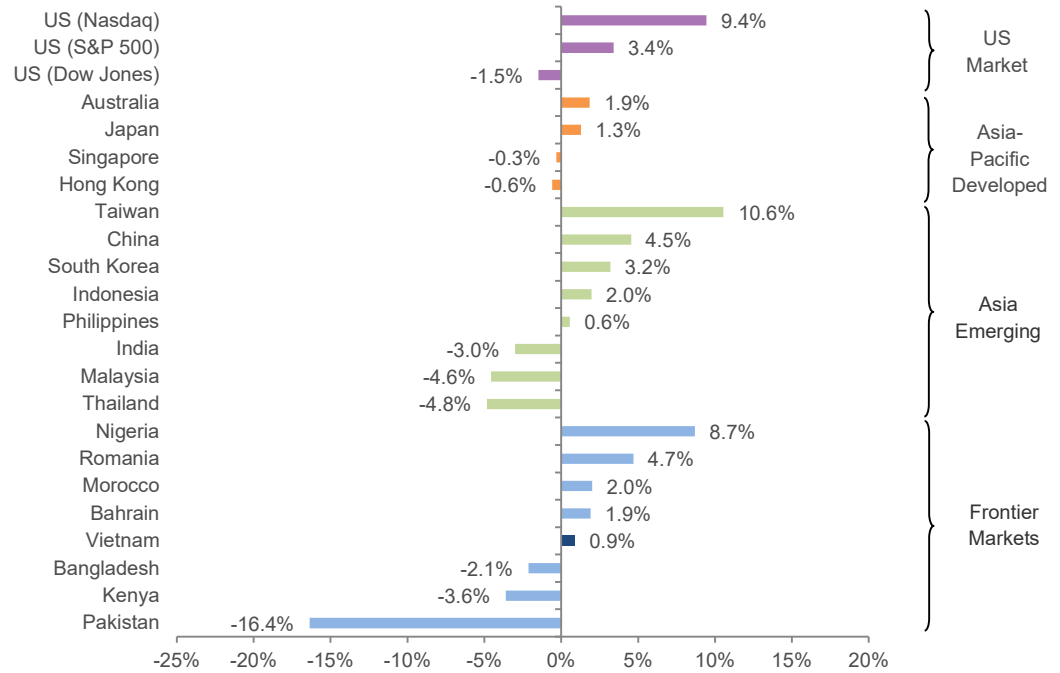
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

\*\*\* Data as of February 28, 2023

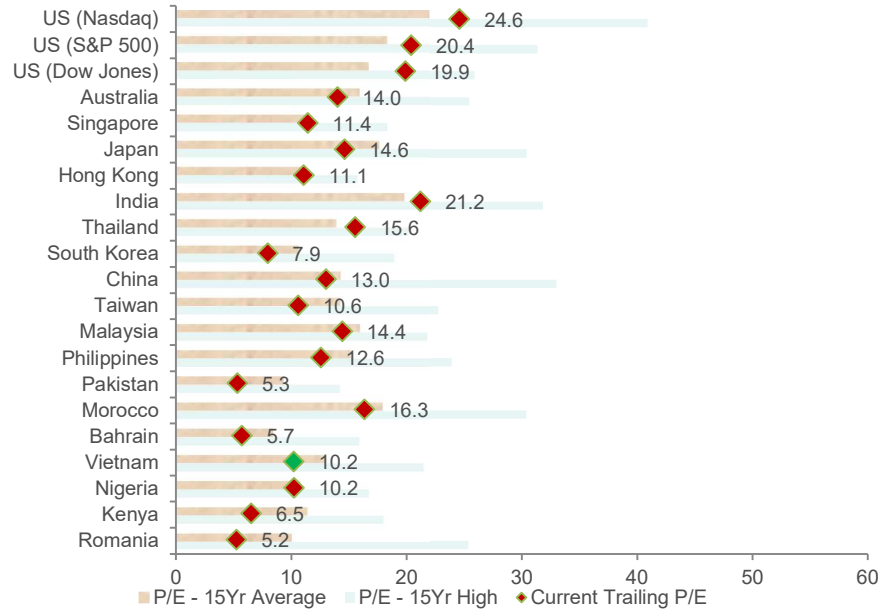
## Stock Market Monthly Returns by Country (in USD) as of February 28, 2023



**Stock Market YTD Returns by Country (in USD)  
as of February 28, 2023**



**Stock Market P/E's 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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