



INDOCHINA  
CAPITAL  
MONTHLY  
NEWSLETTER

## Stock Market Commentary

- The Vietnam stock market traded within a narrower band in March but closed on a high note after rising for nine consecutive days. Positive sentiments were driven by foreign ETF inflows and policy rate cuts.
  - **The VN Index** posted a **monthly gain** of **5.29%** and a **YTD gain** of **6.23%** in **USD terms**.
  - The real estate sector (+13.5% MoM) and the banking sector (+4.6% MoM) rallied on the back of favorable regulatory changes and more accommodative monetary policies while the consumer & retail sector (-1.0% MoM) and the O&G sector (-1.1% MoM) declined.
- Liquidity **dropped 7.9% MoM** in **March** with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges falling to **US\$429.97 million**, the lowest level in the last 28 months.
- **Foreign investors net bought US\$130.86 million** in **March**, which raised **YTD foreign net purchase value** to **US\$294.11 million**.
- **Vietnam's listed market capitalization** reached **US\$190.52 billion** at the end of **March**. The **VN Index** was trading at a **positive trailing P/E** of **10.7x**, a sizeable discount compared to ASEAN peers' average of 12.8x.
- The SBV released a draft amendment to Circular 16 in the last week of March with changes to the conditions for credit institutions to invest in corporate bonds. The amendment proposed that credit institutions (i) can purchase corporate bonds issued to increase working capital and (ii) can buy back unlisted corporate bonds they previously sold without having to wait for 12 months. We believe these changes will have moderately positive impacts on the currently distressed corporate bond market.

# Macroeconomic Update

	Q1 2021	Q1 2022	Q1 2023	FY2023 Target
GDP Growth Rate (YoY)	4.72%	5.05%	3.32%	6.50%
CPI (YoY change)	1.16%	2.41%	3.35%	~4.50%
YTD Trade Balance (US\$ billion)	2.79	1.46	4.07	
Exchange Rate (US\$/VND)	23,170	22,925	23,567	
YTD Disbursed FDI (US\$ billion)	4.10	4.42	4.32	
PMI Manufacturing Index	53.6	51.7	47.7	
Credit Growth (YTD YoY)	1.47%	4.03%	1.61%	14.00%
Industrial Production growth (YTD YoY)	5.74%	6.81%	-2.25%	
Nominal Retail Sales Growth (YTD YoY)	4.70%	4.44%	13.87	
VN Index	1,191.44	1,492.15	1,064.64	

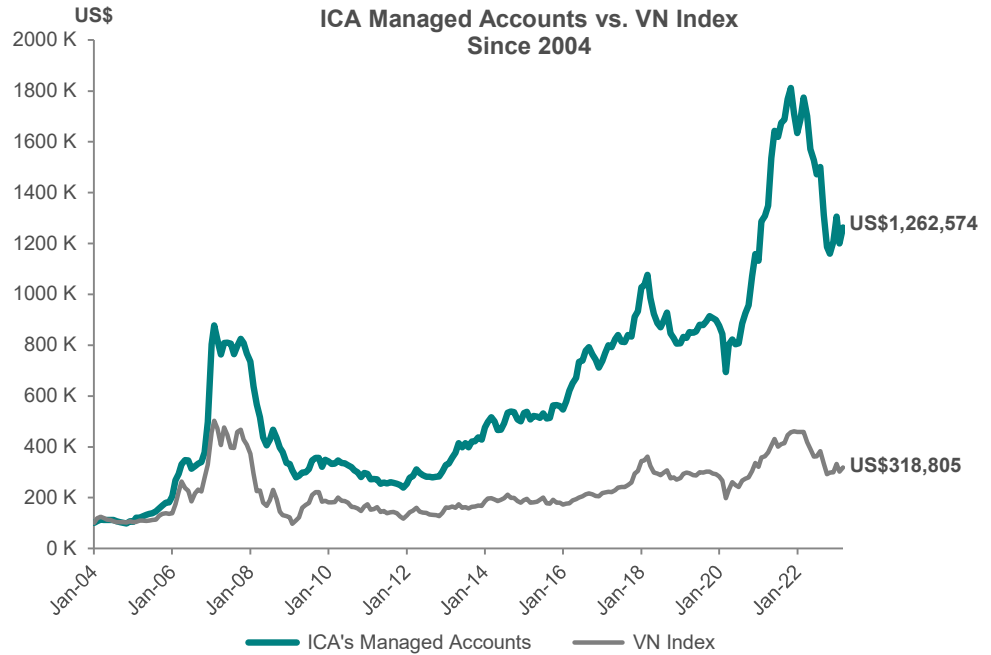
Source: GSO, Customs Office

Q1 GDP growth came in below expectation as feeble export demand led to manufacturing contraction. Conversely, retail sales and service revenue continued their post-Covid recovery momentum with resilient growth. Meanwhile, easing inflation makes room for more accommodative monetary policies.

- Vietnam's real output expanded by 3.32% YoY** in the **first quarter** of **2023**, the second weakest rate in the last 14 years and only marginally higher than Covid-stricken Q1 2020's of 3.21% YoY.
  - The agriculture, fishery and forestry sectors grew 2.52% YoY (Q1 2022: 2.45%).
  - The industry & construction sectors shrank by 0.40% YoY (Q1 2022: +6.38%). The manufacturing sub-sector and powerhouse of the economy lost steam for the first time in 14 years and contracted by 0.37% (Q1 2022: +7.79%). The manufacturing sub-sector made up 23% of Vietnam's total output in Q1 2023 and normally accounted for more than 1/3 of the country's growth.
  - The service sectors' growth accelerated to 6.79% YoY (Q1 2022: +4.58%) thanks to reopening boost and resilient domestic demand.
  - Q1's level of subdued output growth means downside risks to the government's 2023 target growth of 6.5%. Weak growth coupled with relatively contained inflation have made a case for policy makers to adopt a more dovish approach (as discussed below).
- The Index of Industrial Production (IIP) rose 9.62% MoM** but **dropped 1.60% YoY** in **March**. For **Q1 2023**, IIP **fell** by **2.25% YoY**.
- Vietnam's Manufacturing PMI declined to 47.7** in **March** from 51.7 in February.
  - Both output and new orders decreased, and backlogs of work dropped at the fastest pace since November 2022.
  - Firms responded to weak demand by reducing purchasing activities and employment.
- CPI dropped by 0.23% MoM** and brought down **YoY inflation** to **3.35%**.
  - Transportation dropped by 0.16% MoM & by 4.91% YoY on the back of lower fuel prices.
  - Food & food services (-0.58% MoM & +3.97% YoY), housing & construction materials (+0.36% MoM & +6.68% YoY), education (-1.71% MoM & +8.41% YoY) and culture, entertainment, and tourism (+0.13% MoM & +4.66% YoY) contributed to YoY price increases.
- Credit growth** was modest at **1.61% YTD** (Q1 2022: +4.03%) due to weak credit demand.
  - Deposit grew slower than credit at 0.77% (Q1 2022: 2.15%).
  - The SBV introduced two rounds of policy rate cuts on March 14 and March 31, effectively reducing 50 – 100 bps of deposit rate caps, rediscount rates and refinancing rates. The moves were ahead of global rate pivot in an effort to support the local economy.
- Vietnam** recorded a **trade surplus** of **US\$4.07 billion** in **Q1 2023** (Q1 2022: US\$1.46 billion) despite sluggish trade activities as a sharp drop in imports outweighed a milder fall in exports.
  - In March, export value reached US\$29.57 billion (+13.5% MoM & -14.8% YoY) while import value came in at US\$28.92 billion (+24.4% MoM & -11.1% YoY).
  - For Q1 2023, export and import value dropped by 11.9% YoY and 14.7% YoY, respectively.
- Registered FDI decreased to US\$4.23 billion (-41.85% YoY)** in **Q1 2023** while **Disbursed FDI** remained resilient at **US\$4.32 billion (-2.17% YoY)**.

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- YTD, the manufacturing sector attracted 80.96% of total fledged FDI, the real estate sector 8.60%, the logistics sector 3.01% and the remaining sectors 7.13%.
  - Investors based in Singapore, China and Hongkong accounted for over 50% of YTD registered FDI with respective contributions of 34.68%, 12.12% and 10.24%.
  - **The USD/VND exchange rate declined to 23,567 (-1.32% MoM) in March**, in line with the weakening of the USD. YTD, the VND has appreciated by 0.48% against the USD.

# Historical Performance

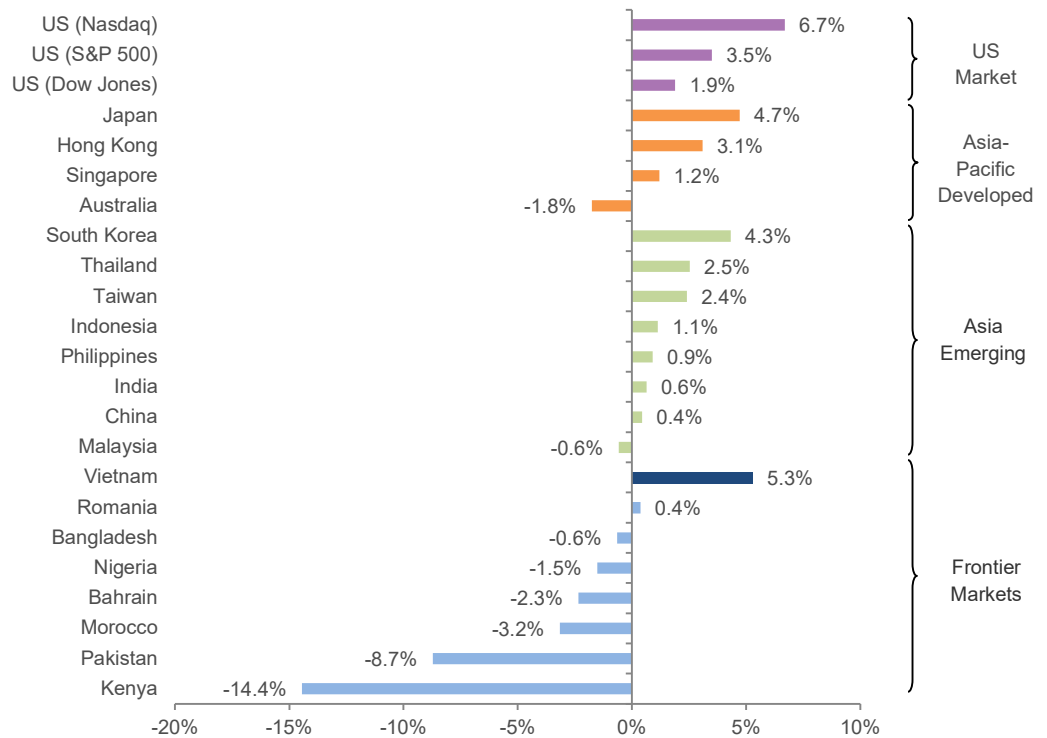


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

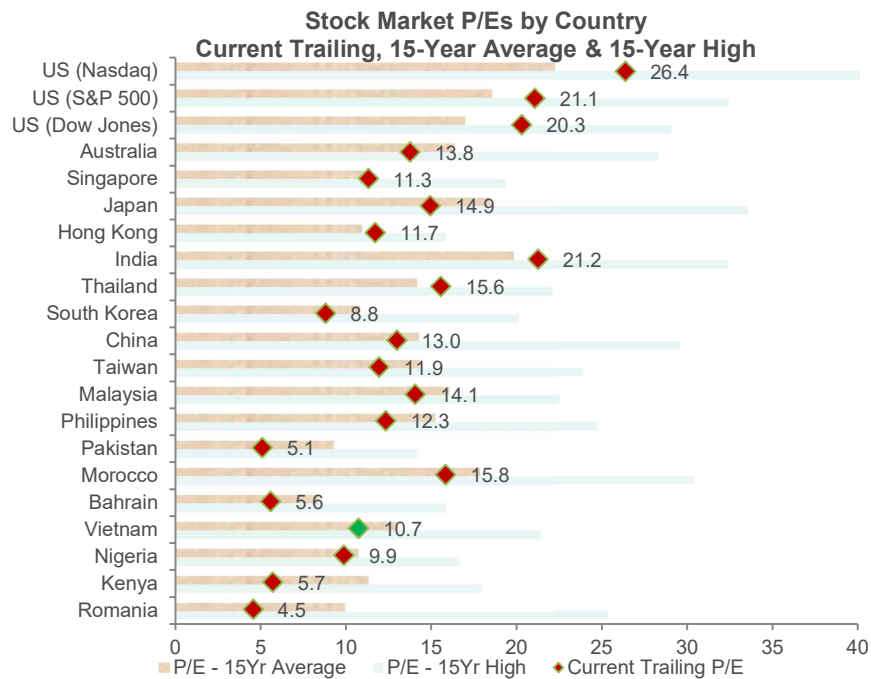
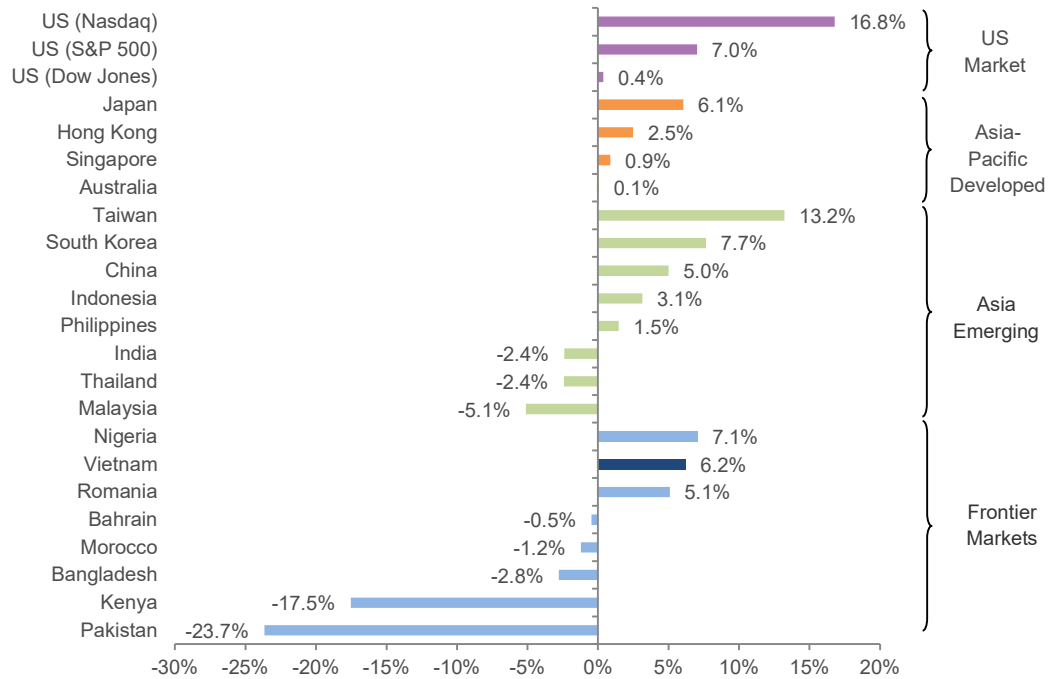
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

\*\*\* Data as of March 31, 2023

## Stock Market Monthly Returns by Country (in USD) as of March 31, 2023



## Stock Market YTD Returns by Country (in USD) as of March 31, 2023



\* Adjusted positive P/E

\*\* Data for Bangladesh and Indonesia not available

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