



## Stock Market Commentary

- The VN Index rode the momentum from May and reached a new YTD high of 1140 on the last trading days of June. The rally was largely attributable to a series of rate cuts from March to June which bolstered market sentiments and encouraged money flows from bank deposits into the stock market.
  - **The VN Index** posted a **monthly gain** of **3.82%** and a **YTD gain** of **11.25%** in **USD terms**.
  - The consumer and retail sector (+3.7% MoM) recovered after a four-month losing streak. The real estate sector (+1.6% MoM), the banking sector (+1.9% MoM), and the oil and gas sector (+1.2% MoM) continued an upward trend amid more favorable regulatory and monetary conditions.
- Liquidity **soared by 35.6% MoM** in **June** with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$794.6 million**, the highest level in the last 10 months.
- **Foreign investors net sold US\$6.6 million** in **June** which reduced **YTD foreign net purchase value** to **US\$43.7 million**.
- **Vietnam's listed market capitalization** reached **US\$200.07 billion** at the end of **June**. The **VN Index** was trading at a **positive trailing P/E** of **12.0x**, relatively cheaper than ASEAN peers' average of 12.7x despite better growth outlook.

The fourth rate cut (in four months) came in the third week of June, effectively reducing deposit rates by more than 100 bps YTD. Lower interest rates have boosted Vietnam stock market's liquidity and fueled the recent rallies but can also drive valuations ahead of fundamentals and increase short-term market volatility.

Looking forward, improving quarterly earnings of listed companies, resilient FDI inflows, and early signs of demand pick-up in Q4 should uphold the long-term positive outlook of the Vietnam stock market.

# Macroeconomic Update

	Q2 2021	Q2 2022	Q2 2023	FY2023 Govt Target
GDP Growth Rate (YoY)	6.73%	7.71%	4.14%	6.50%
CPI (YoY change)	2.41%	3.37%	2.00%	~4.50%
YTD Trade Balance (US\$ billion)	-0.99	0.71	12.25	
Exchange Rate (US\$/VND)	23,110	23,370	23,676	
YTD Disbursed FDI (US\$ billion)	9.24	10.06	10.02	
PMI Manufacturing Index	44.10	54.00	46.20	
Credit Growth (YTD YoY)	5.47%	8.51%	3.13%	14.00%
Industrial Production growth (YTD YoY)	9.27%	8.73%	-1.20%	
Nominal Retail Sales Growth (YTD YoY)	3.56%	11.71%	10.92%	
VN Index	1,408.55	1,197.60	1,120.18	

Source: GSO, Customs Office

Vietnam's output growth accelerated in Q2 but fell short of expectations due to weak overall demand. At the same time, well-contained inflation makes room for continued accommodative policies and robust foreign investments point to an improved long-term economic outlook.

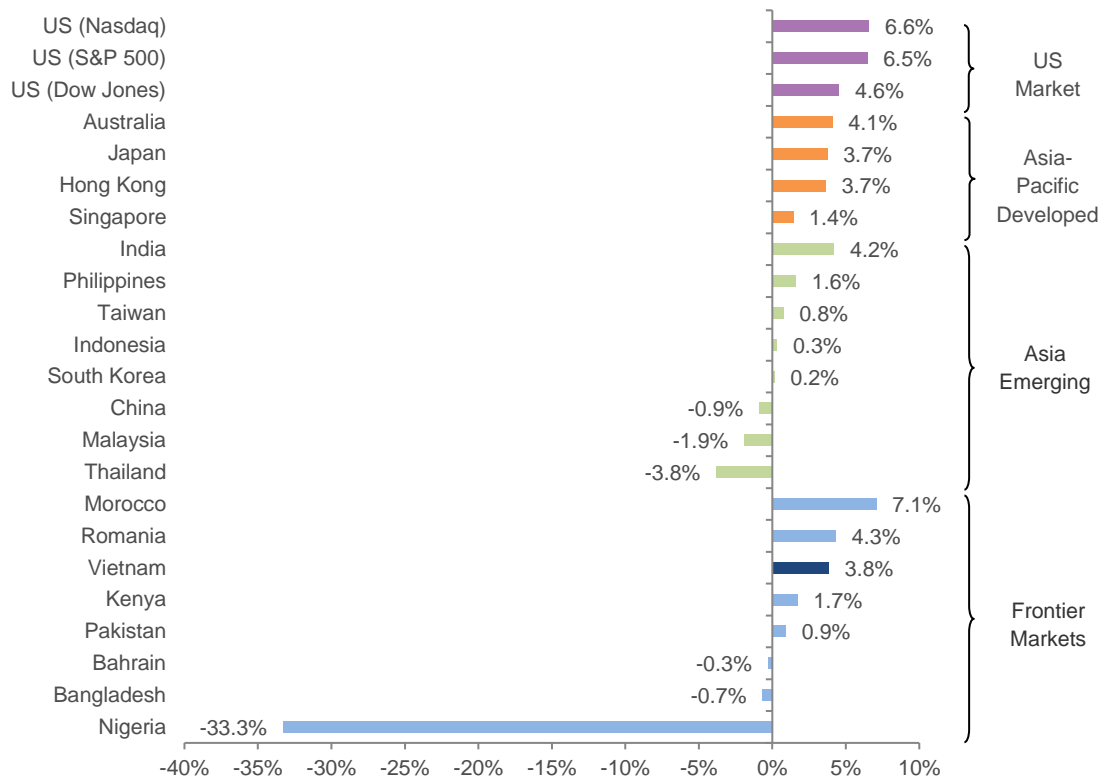
- **Vietnam's real GDP** expanded by **4.14% YoY in the second quarter of 2023** (Q2 2022: +7.72%). This was the second weakest rate in the last 13 years, only better than Covid-stricken Q2 2020.
  - The service sectors were the key growth driver in the last few quarters, having expanded by 6.11% YoY in Q2 2023 (Q2 2022: +8.56%). The post-Covid recovery momentum has begun to moderate but growth is expected to pick up again in 2H when international tourist arrivals gain pace.
  - The industrial and construction sectors grew by 2.50% YoY (Q2 2022: 8.87%). Subdued global demand for manufactured goods has had an adversarial impact on Vietnam's export-oriented manufacturing sector. The powerhouse sector emerged from a YoY contraction in Q1 to record a slight YoY growth of 1.18% in Q2, but still significantly behind Q2 2022's of 11.45%.
- **1H GDP growth was 3.72%** (1H 2022: +6.42%), also the second slowest pace since 2011. At this rate, the government's target growth of 6.5% for the full year 2023 looks impossible but this has been anticipated since the beginning of the year. Vietnam's 2023 growth forecast currently ranges from 4.0% - 4.7%.
- **Vietnam's Manufacturing PMI** inched up to **46.2** in June from May's **45.3**, indicating a sustained deterioration in the health of the sector due to weak demand.
  - Both output and new orders were down for four consecutive months. Firms responded to falling orders and backlog by reducing their workforce and scaling back purchasing activity.
  - Input and output prices further decreased during this period.
- **Revenue of retail sales and services** increased by **10.92% YoY** in 6M but slowed down in June.
  - Retail sales of goods expanded by 5.97% MoM and 9.30% YoY. However, the growth momentum weakened in June (+6.5% YoY vs. +11.5% YoY in May) due to job losses and negative consumer sentiment.
  - Tourism recorded the highest YTD growth at 65.94% YoY. Accommodation and catering services also demonstrated substantial growth at 18.70% YoY, followed by other services at 14.40% YoY.
  - June witnessed a 6.4% MoM increase in international arrivals. In 1H 2023, international arrivals reached 5.6 million, up by 9x YoY, but still 34% below the pre-pandemic level in 1H 2019.
- **The Consumer Price Index (CPI)** experienced a **marginal MoM increase of 0.27%** and a **modest uptick of 2.00% YoY**.
  - Transportation (+0.16% MoM & -11.98% YoY) played a significant role in curbing inflation with fuel prices dropping from last year's record levels.
  - Food & food services (+0.57% MoM & +3.34% YoY), housing & construction materials (+0.07% MoM & +6.49% YoY), education (+0.11% MoM & +5.75% YoY) and culture, entertainment, and tourism (+0.34% MoM & +2.30% YoY) kept increasing YoY although at a slower pace compared to those of previous months'.

- **Vietnam** recorded a **trade surplus of US\$2.59 billion** in **June**, leading to a **YTD trade surplus of US\$12.25 billion**.
  - Both exports and imports remained weak. June's export value reached US\$29.30 billion (+4.5% MoM & -11.4% YoY) and import value US\$26.71 billion (+2.6% MoM and -16.9% YoY).
  - For 6M, exports fell by 12.14% YoY and imports by 18.18% YoY. Most Vietnam's major export categories contracted, including telephones & components (-17.92% YoY), computers, electronics & components (-9.29% YoY), and machinery (-8.19% YoY).
- **6M registered FDI** decreased slightly to **US\$13.43 billion (-4.30% YoY)** while **disbursed FDI** was remarkably resilient at **US\$10.02 billion (-0.38% YoY)**.
  - The manufacturing sector accounted for the bulk of registered FDI at 63.00%, followed by the financial and banking sectors at 11.39%, the real estate sector at 11.39% and the remaining sectors 14.22%.
- **The USD/VND exchange rate rose to 23,676 (+0.36% MoM)** in **June**. This upward movement mainly resulted from the recent domestic rate cuts by the State Bank of Vietnam and the potential rate hikes by the US Federal Reserve. YTD, the VND has depreciated by 0.05% against the USD.

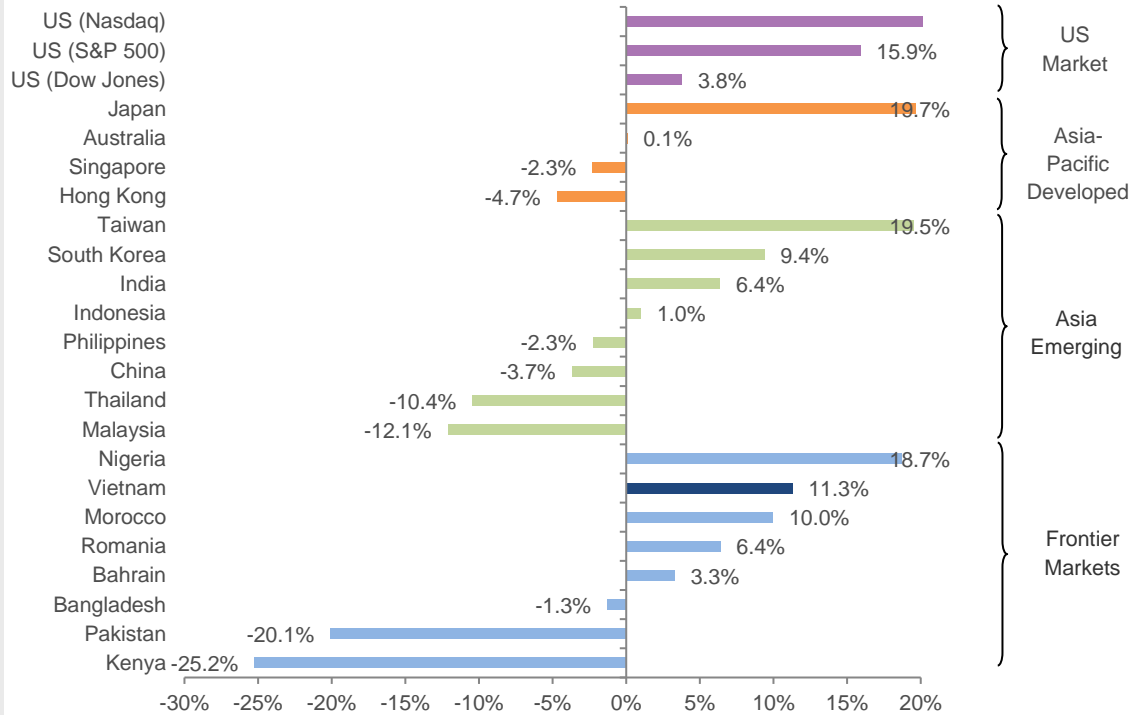
As global economic headwinds linger, Vietnam's export weakness would likely persist in the coming months. However, the ramp-up in public infrastructure investments and accommodative policies including interest rate cuts, VAT cut, and credit support packages are expected to provide support to the country's economy.

# Historical Performance

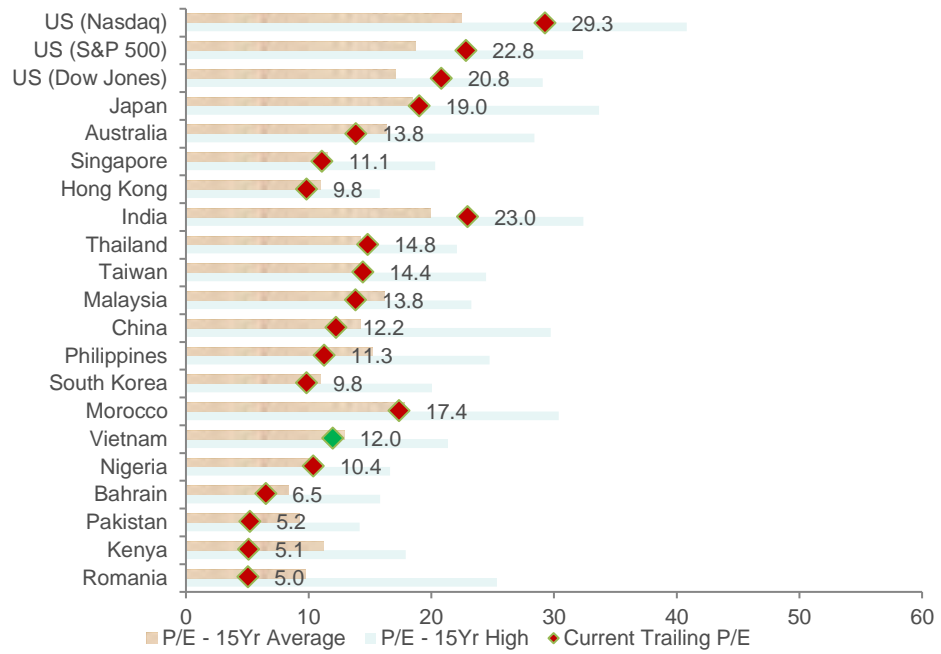
Stock Market Monthly Returns by Country (in USD)  
as of June 30, 2023



Stock Market YTD Returns by Country (in USD)  
as of June 30, 2023



### 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