



# INDOCHINA CAPITAL MONTHLY NEWSLETTER

## Stock Market Commentary

- The VN Index dipped to 1,143 (-7%) in August under the compound impact of profit taking pressures and anxiety over the VND's depreciation, but it quickly bounced back on strong demand from retail investors. Sentiments turned positive towards the end of the month at the prospect of further lending rate cuts, early signs of macro improvements and speculations on the new securities exchange system (KRX).
  - The **VN Index** registered a **monthly loss** of **1.42%**, bringing down **YTD gain** to **20.12%** in **USD terms**.
  - While the banking sector stayed flat, the consumer & retail sector (+0.1% MoM) advanced, the real estate sector (-1.4% MoM), and the oil & gas sector (-3.8% MoM) retreated.
- Liquidity **surged by 19.07% MoM** in August with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$1,003.78 million**, the highest level in the last 16 months.
- **Foreign investors** net sold **US\$109.00 million** in **August**, shifting from net buying to a YTD net selling total of **US\$88.41 million YTD**.
- **Vietnam's listed market capitalization** fell to **US\$213.92 billion** as of **August's end**. The **VN Index** was trading at a **positive trailing P/E** of **12.9x**, on par with ASEAN peers' average of 12.9x.
- Despite limited room for intensive rate cuts in the coming months, the current state of accommodative policies should likely sustain money flow into the stock market. In the short-run, volatility may increase as the VN Index retests the 1,250 level, but the long-term outlook of the stock market remains attractive, especially when economic data started to show signs of early recovery.

# Macroeconomic Update

	Aug 2022	Jul 2023	Aug 2023	FY2023 Target
CPI (MoM change)	0.00%	0.45%	0.88%	
CPI (YoY change)	2.89%	2.06%	2.96%	~4.50%
YTD Trade Balance (US\$ billion)	3.96	15.23	20.19	
Exchange Rate (US\$/VND)	23,576	23,781	24,239	
YTD Disbursed FDI (US\$ billion)	12.93	11.58	13.10	
PMI Manufacturing Index	52.7	48.7	50.5	
Industrial Production growth (YTD YoY)	9.44%	-0.67%	-0.45%	
Nominal Retail Sales Growth (YTD YoY)	19.29%	10.37%	9.97%	
VN Index	1,280.51	1,222.90	1,224.05	

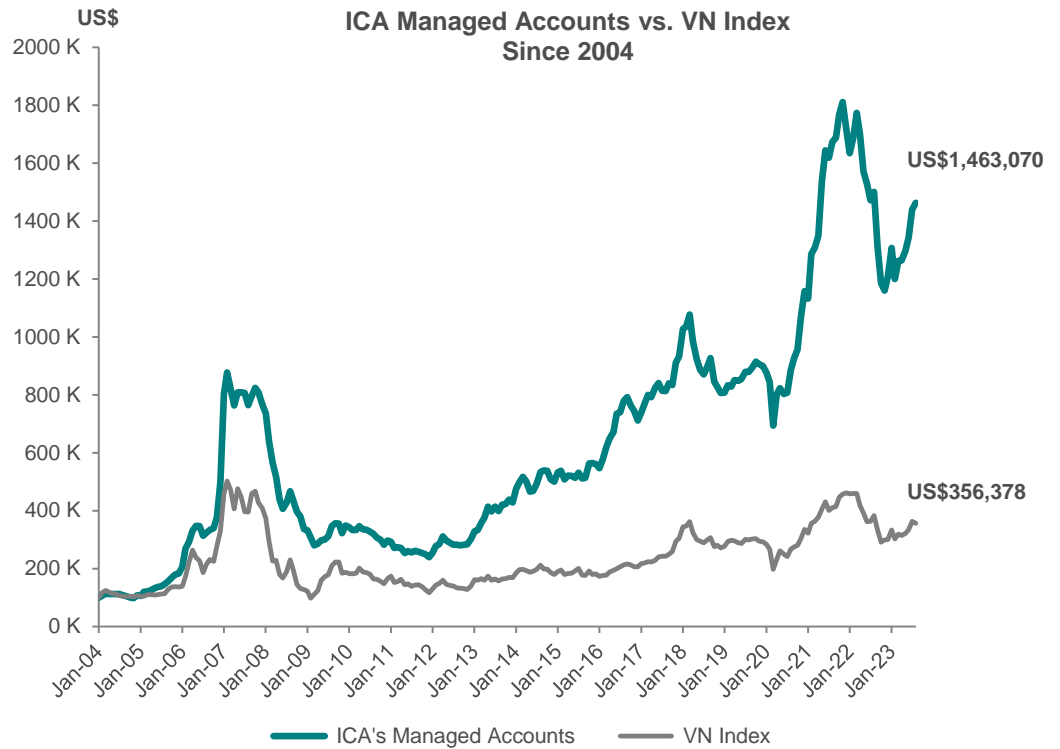
Source: GSO, Customs Office

August marked the strongest monthly export growth since March and an acceleration in FDI inflows. Even with a sharp depreciation of the VND vs the USD, inflation stayed contained.

- The Index of Industrial Production (IIP) increased by 2.87% MoM and 2.62% YoY in August.** For 8M 2023, IIP fell by 0.45% YoY.
  - For the month of August, manufacturing (+4.52% MoM and +3.48% YoY) accelerated, driven by electronics & optical products (+9.35% MoM and -0.33% YoY), food products (+6.56% MoM and +11.36% YoY), and beverages (+7.13% MoM and +8.53% YoY).
  - YTD, water distribution & waste treatment (+1.81% YoY) and power generation & distribution (+1.81% YoY) expanded, while mining continued to contract (-6.29% YoY).
- Vietnam's Manufacturing PMI** moved to expansion territory for the first time since February 2023, reaching **50.5** in **August** and indicating improving business conditions for the manufacturing sector.
  - New orders increased in both domestic and export markets, signaling improved demand at a modest level.
  - However, continued job losses indicate underutilized capacity, with eight months of reduced backlog and a two-month increase in finished goods inventory.
- August retail and services revenue grew by 7.6% MoM**, slightly stronger than July's +7.1%. **8M number increased by 9.97% YoY.**
  - Thanks to a robust recovery in international tourists, 8M tourism grew strongly by 47.05% YoY. Meanwhile, retail sales of goods increased modestly by 8.72% YoY.
  - International arrivals rose by 17.2% MoM, bringing YTD number to 7.8 million, 5.4x last year level and equivalent to 69.2% of pre-pandemic level in 8M2019. Chinese visitors led the rebound in August with a +17.7% MoM acceleration, reaching 44% of pre-pandemic levels.
- The consumer price index (CPI) accelerated by 0.88% MoM and 2.96% YoY.**
  - Food and food services (+0.78% MoM and +2.31% YoY), housing and construction materials (+0.85% MoM and +7.14% YoY), education (+0.96% MoM and +5.05% YoY) and culture, entertainment, and tourism (+0.09% MoM and +1.35% YoY) all recorded YoY price increases.
  - Due to higher global oil prices, transportation prices rose 3.85% MoM in August and -0.31% YoY, mainly driving inflationary pressures in the month.
- Last month, **Vietnam** recorded a **trade surplus** of **US\$3.82 billion** which brought **YTD trade surplus** to **US\$20.19 billion**.
  - August export value reached US\$32.37 billion (+7.70% MoM & -7.60% YoY) and import value US\$28.55 billion (+5.70% MoM and -8.26% YoY). For 8M, export and import value decreased by 9.98% YoY and by 16.22% YoY, respectively.
  - There was strong growth in exports of telephone & components (+44.44% MoM and -8.77% YoY), computers & electronics (+50.00% MoM and +0.00% YoY), rice (+78.66% MoM and +88.52% YoY). Other major products remained weak.
- For 8M 2023, registered FDI** rose to **US\$18.15 billion (+8.20% YoY)** while **disbursed FDI** reached **US\$13.10 billion (+1.30% YoY)**.
  - YTD, the manufacturing sector attracted 67.80% of total registered FDI, the real estate sector 9.70%, the financial and banking sector 8.48% and the remaining sectors 14.02%.

- **The USD/VND exchange rate** rose to **24,239** in **August**, **+1.93% MoM** and **2.36% YTD** under the impact of Vietnam's diverging monetary policies vs the US Fed's.

# Historical Performance

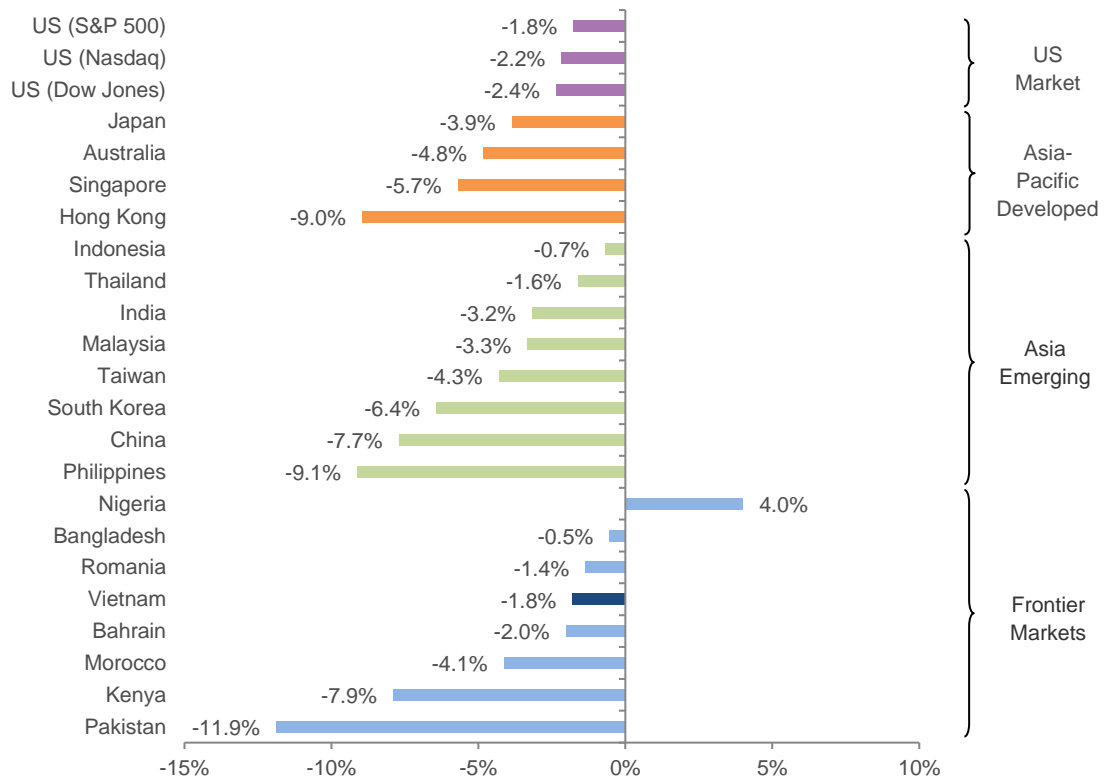


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

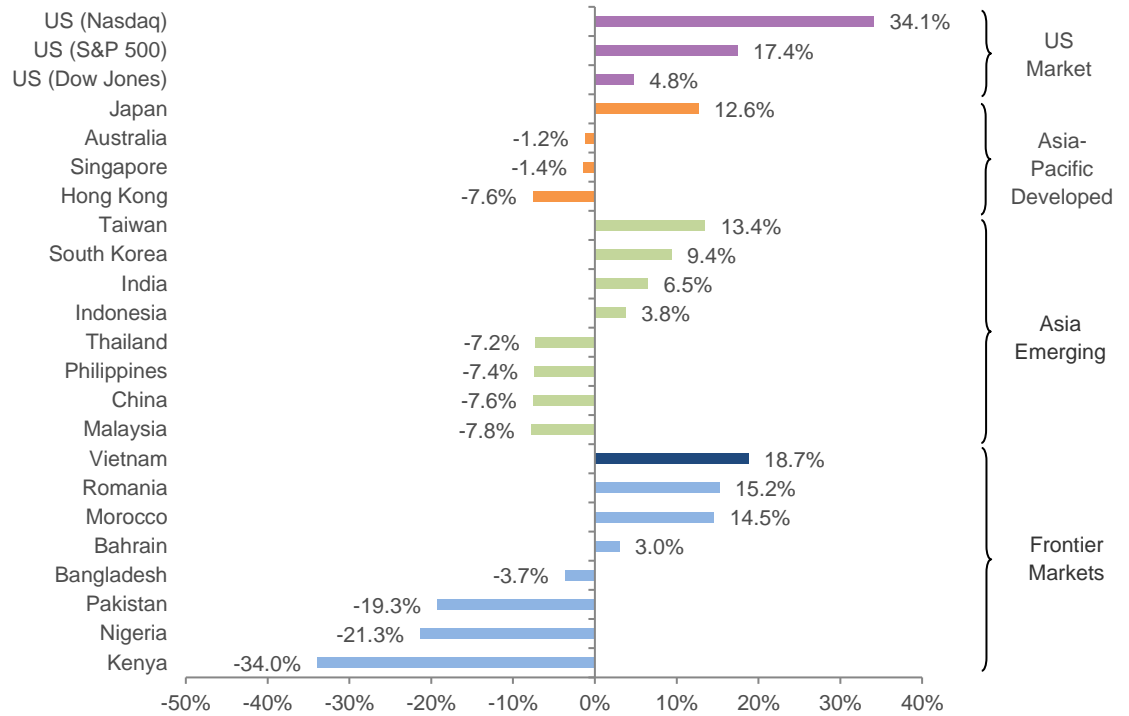
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

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

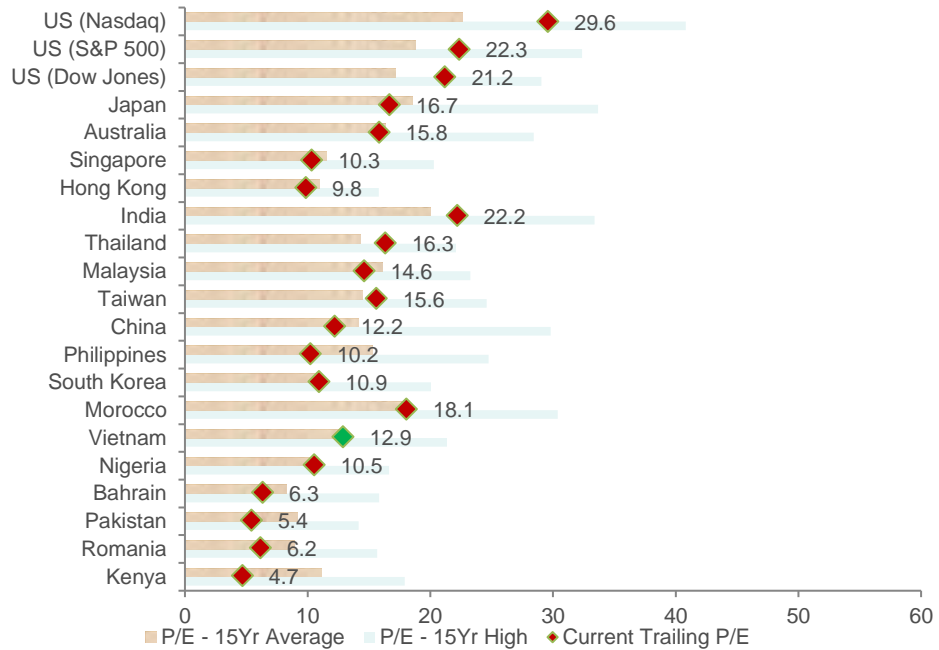
## Stock Market Monthly Returns by Country (in USD) as of August 31, 2023



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

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