



Stock Market Commentary

- The VN Index climbed to retest the YTD high of 1,250 in the second week of September before succumbing to selling pressures and closing the month at 1,154. Investors turned cautious on the State Bank of Vietnam (SBV)'s action to defend the VND by selling treasury bills for the first time in six months.
 - **The VN Index** registered a **monthly loss** of **6.73%**, reducing its **YTD gain** to **10.75%** in **USD terms**.
 - All the major sectors of the VN Index declined, including the real estate sector (-16.8% MoM), the consumer and retail sector (-6.0% MoM), the banking sector (-4.5% MoM) and the oil and gas sector (-4.7% MoM).
- Liquidity **inched up by 4.3% MoM** in **September** with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$1,046.7 million**, the highest level in the last 17 months.
- **Foreign investors net sold US\$168.2 million** in **September**, raising **YTD net foreign sell value** to **US\$255.7 million**.
- **Vietnam's listed market capitalization** reached **US\$202.68 billion** at the end of **September**. The **VN Index** was trading at a **positive trailing P/E** of **12.2x**, relatively cheaper than ASEAN peers' average of 12.6x despite better growth outlook.

Given the current pressures on the VND, the chance of further rate cuts flooding more money to the stock market would be low. The key event in October is probably the release of Q3 corporate earnings, which might cause stock performance to diverge.

Macroeconomic Update

	9M 2021	9M 2022	9M 2023	FY2023 Govt Target
GDP Growth Rate (YoY)	1.42%	8.83%	4.24%	6.50%
CPI (YoY change)	2.06%	3.94%	3.66%	~4.50%
YTD Trade Balance (US\$ billion)	-2.55	6.52	21.68	
Exchange Rate (US\$/VND)	22,850	23,977	24,505	
YTD Disbursed FDI (US\$ billion)	13.28	15.56	15.91	
PMI Manufacturing Index	40.20	52.50	49.70	
Credit Growth (YTD YoY)	7.17%	11.05%	5.91%	14.00%
Industrial Production growth (YTD YoY)	4.14%	9.59%	0.29%	
Nominal Retail Sales Growth (YTD YoY)	-7.11%	21.00%	9.66%	
VN Index	1,342.06	1,132.11	1,154.15	

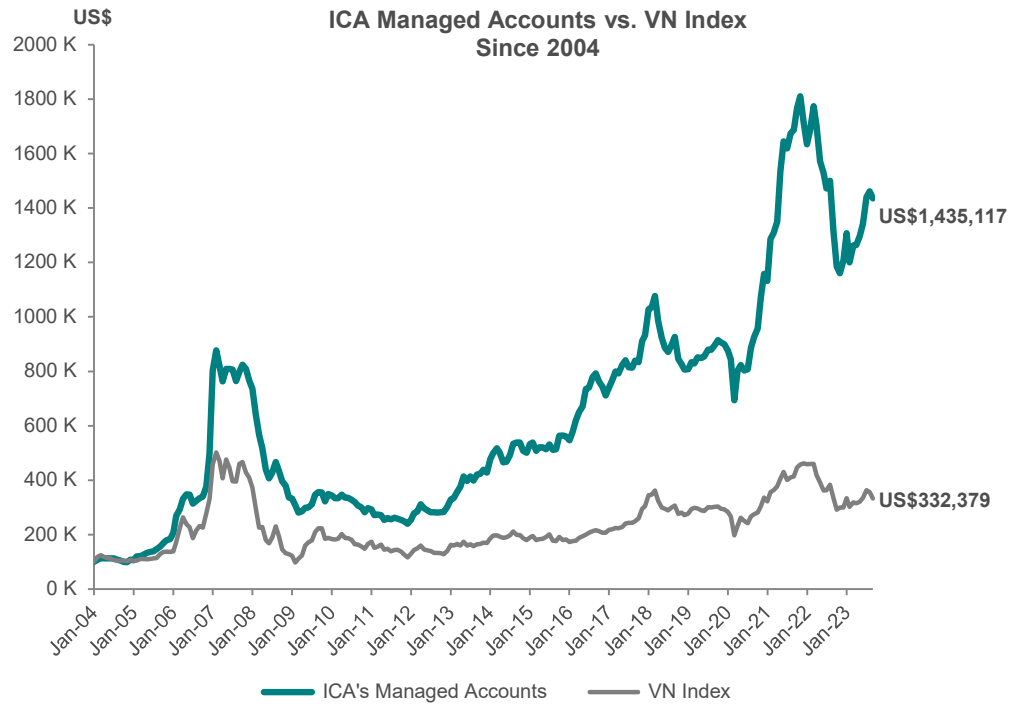
Source: GSO, Customs Office

Vietnam's 9M output growth eased alongside the waning post-Covid momentum. But on a quarterly basis, Q3 growth accelerated with export demand strengthening the manufacturing sector. Multiyear high levels of pledged and disbursed Foreign Direct Investment (FDI) underpin Vietnam's long-term economic outlook. At the same time, trade surplus rose, the VND depreciated, inflation picked up but remained contained.

- Vietnam's economy grew at 4.24% YoY in 9M 2023**, the third-lowest rate since 2011 and only better than the same periods in 2020 and 2021.
 - The agriculture, fishery and forestry sectors posted expanded by 3.43% YoY in 9M 2023 (9M 2022: +2.99%).
 - The industrial and construction sectors recorded a meager growth of 2.41% YoY, the lowest rate in the last 13 years (9M 2022: 9.44%). Output of the manufacturing sub-sector, the usual powerhouse of the economy, rose at 1.98%, also the lowest rate in the last 13 years (9M 2022: 10.69%).
 - The country's total output growth was mainly driven by service revenue which increased by 6.32% YoY (9M 2022: 10.57%). The leaders in the service sectors were transportation and storage (+8.66% YoY), accommodation and food services (+13.17% YoY), education (+4.34% YoY) and wholesale, retail sales (+8.04% YoY).
- Despite the lackluster 9M performance, **growth steadily improved since the beginning of the year. Q3 growth was the highest since Q4 2022** with the manufacturing sector showing early signs of bottoming out. As of September, Industrial Production rose for five consecutive months with demand continuously picking up.
- Vietnam's Manufacturing PMI** retreated to **49.7** in September from August's **50.5** despite a positive rise in new orders.
 - While overall output contracted, new orders maintained a consistent growth rate, driven by strong export orders from other Asian economies. Business confidence rose but excess capacity remained an issue, leading to reduced employment. Should demand continue to improve, this should feed through to growth across the sector.
- Revenue of retail sales and services** remained resilient with **MoM growth** improving to **2.42%** (vs. +0.88% MoM in August). For 9M, this number increased by **9.66% YoY**.
 - Monthly revenue of tourism (+44.93% YoY), accommodation and catering services (+13.72% YoY) picked up during the Independence Day holidays. Meanwhile, retail sales of goods expanded by 7.40% YoY as the new school year started. Other services grew slightly by 0.21% YoY.
 - September witnessed a 13.39% MoM decrease in international arrivals. In 9M 2023, international arrivals reached 8.9 million, up by 4.7x YoY, but still 31% below the pre-pandemic level in 9M 2019.
- Weak demand led to subdued **YTD credit growth** of **5.91%** (9M 2022: +11.05%), however, **credit growth in Q3** (+2.70%) **picked up** compared to Q2 (+1.50%).
 - YTD deposit growth of 5.90% was on par with credit growth (9M 2022: +3.21%).
 - Following several policy rate cuts, lending rates have reduced by 100 – 150 bps since the beginning of the year.

- **September inflation** reached 1.08%, pushing **YoY inflation** to **3.66%**. CPI was driven by higher prices of food, construction materials and transportation inflation.
 - Food and food services (+0.73% MoM and +2.87% YoY) rose primarily due to elevated rice prices. Meanwhile, housing and construction materials (+1.12% MoM and +7.33% YoY) and transportation (+0.16% MoM and -11.98% YoY) increased mainly due to higher fuel prices.
 - Education (+8.06% MoM and +7.25% YoY) also increased significantly, attributable to higher expenses incurred at the beginning of the new school year.
- **Vietnam** recorded a **trade surplus of US\$2.29 billion** in **September**, leading to a **9M trade surplus of US\$21.68 billion**.
 - Monthly exports grew on a YoY basis for the first time since October 2022. September's export value reached US\$31.41 billion (-2.97% MoM and +4.57% YoY) and import value US\$29.12 billion (+2.00% MoM and +2.60% YoY).
 - Many Vietnam's major export categories improved in September, including telephones and components (+3.01% YoY), computers, electronics and components (+1.14% YoY), and textiles and garments (+9.62% YoY).
 - For 9M, exports fell by 8.24% YoY and imports by 13.80% YoY.
- **9M registered FDI** rose to **US\$20.21 billion (+7.77% YoY)** while **disbursed FDI** reached **US\$15.91 billion (+2.27% YoY)**, both at historic high levels.
 - The manufacturing sector accounted for the bulk of registered FDI at 69.27%, followed by the real estate sector at 9.60%, the financial and banking sectors at 7.62%, and the remaining sectors 13.51%.
- **The USD/VND exchange rate rose to 24,505 (+1.10% MoM)** in **September**. YTD, the VND has depreciated by 3.48% against the USD.
 - As monetary policy divergence and a stronger USD continue to exert pressures on the VND, the SBV has to strike a balance between the task of maintaining a stable exchange rate and promoting economic growth.
 - The SBV issued US\$3.8 billion worth of 28 day-bills in September. In the coming weeks, it may prioritize exchange rate stability, but the longer-term policies remain growth accommodative.

Historical Performance

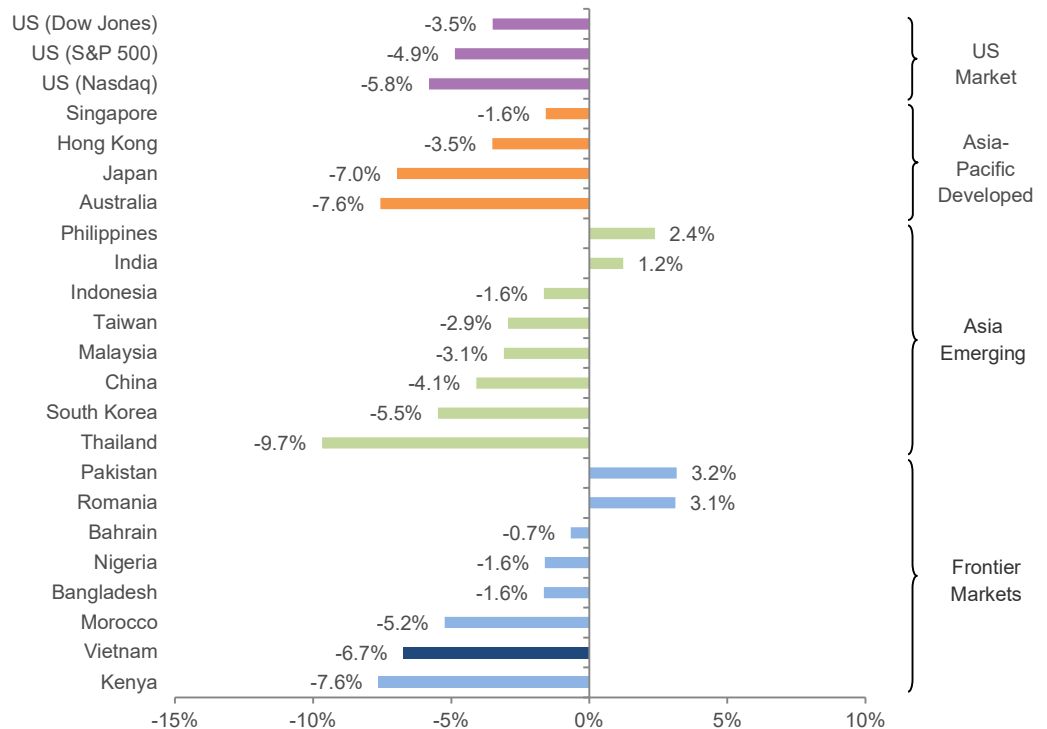


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

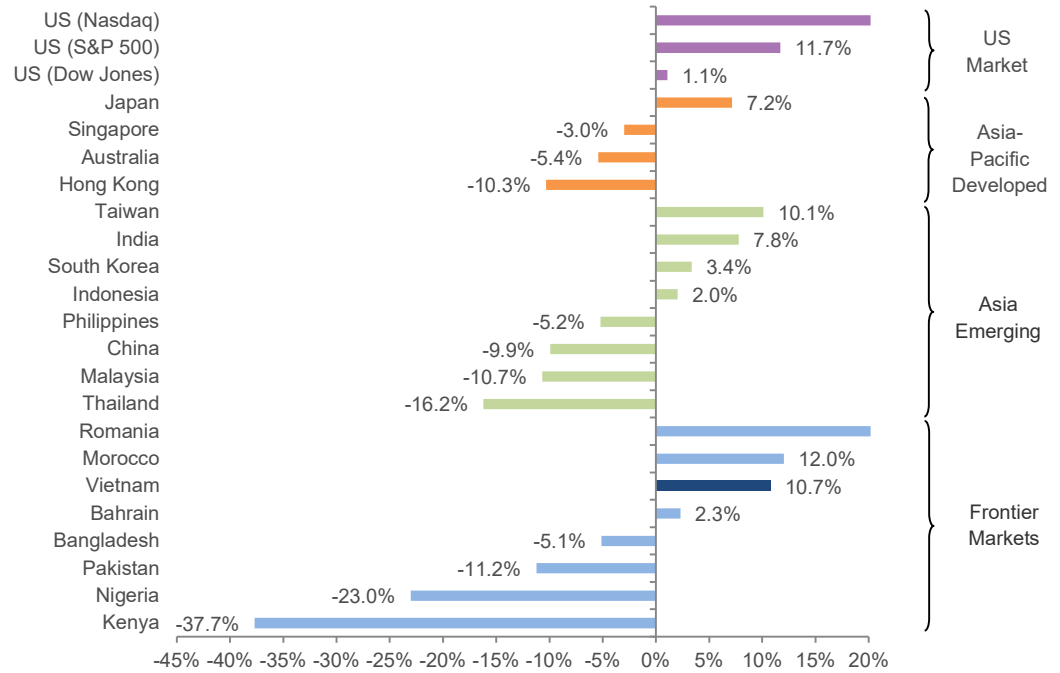
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of September 29, 2023

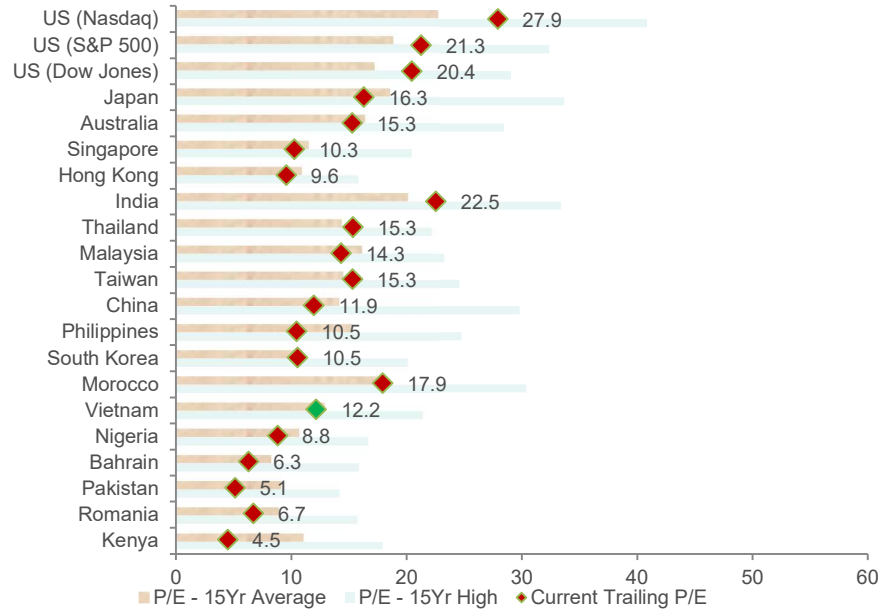
Stock Market Monthly Returns by Country (in USD) as of September 29, 2023



**Stock Market YTD Returns by Country (in USD)
as of September 29, 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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