



INDOCHINA
CAPITAL
MONTHLY
NEWSLETTER

Stock Market Commentary

- Weak Q3 earnings and investigations into margin lending kept investors on the sidelines despite cash in securities trading accounts having reached the highest level in five quarters by the end of September. Adding to that, offers of nearly 10x the average daily trading volume of VHM shares by foreign investors on October 26th raised market anxiety and drove the VN Index further South.
 - The **VN Index** posted the largest **monthly loss** in 13 months of **11.53%**, and a **YTD loss** of **2.02%** in **USD terms**.
 - Among the major sectors of the VN Index, the consumer & retail sector (-13.7% MoM), and the oil & gas sector (-13.0% MoM) registered the deepest drops while the real estate sector retreated by 11.7% MoM and the banking sector by 4.7% MoM.
- Liquidity **plummeted by 37.4% MoM** in October with a combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$655.7 million**.
- **Foreign investors** net sold **US\$97.1 million** in **October**, raising YTD net foreign selling value to **US\$352.8 million**.
- **Vietnam's listed market capitalization** was at **US\$178.41 billion** as of **October's end**. The **VN Index** was trading at a **positive trailing P/E** of **11.1x**, cheaper than ASEAN peers' average of 12.3x.
- The recent market sell-off has left quite a number of stocks at attractive valuations. At the same time, exports and production showed early signs of improvement and robust FDI inflows continued to support Vietnam's sustained economic growth, which should feed into the positive long-term outlook of the country's stock market.

Macroeconomic Update

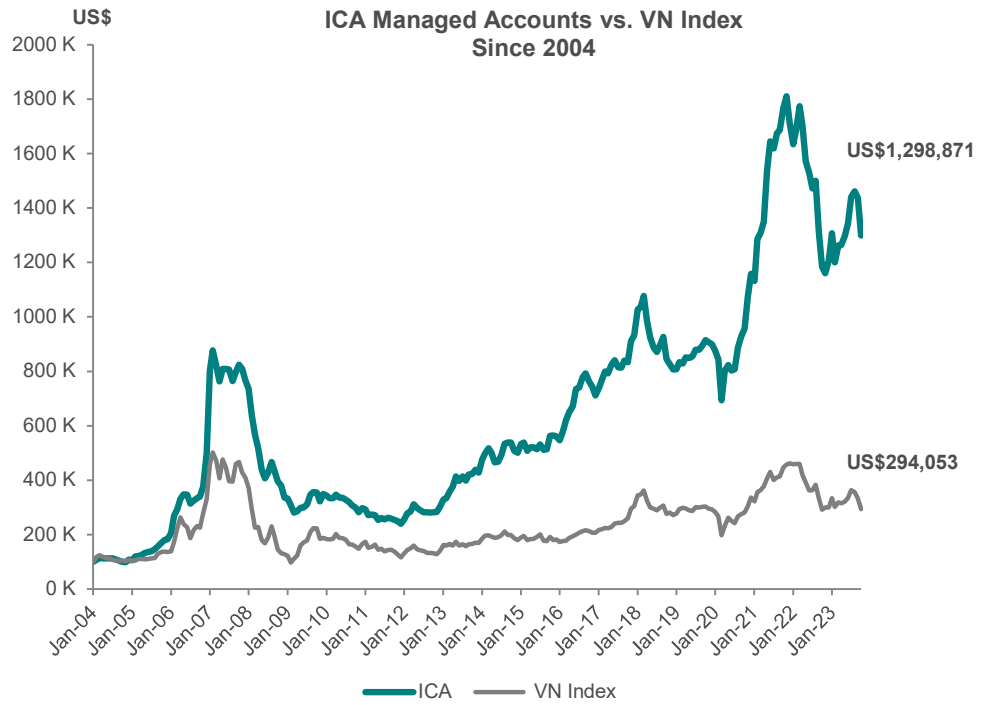
	Oct 2022	Sep 2023	Oct 2023	FY2023 Target
CPI (MoM change)	0.15%	1.08%	0.08%	
CPI (YoY change)	4.30%	3.66%	3.59%	~4.50%
YTD Trade Balance (US\$ billion)	9.40	21.68	24.61	
Exchange Rate (US\$/VND)	24,879	24,505	24,676	
YTD Disbursed FDI (US\$ billion)	17.45	15.91	18.00	
PMI Manufacturing Index	50.60	49.70	49.60	
Industrial Production growth (YTD YoY)	9.01%	0.29%	0.52%	
Nominal Retail Sales Growth (YTD YoY)	20.25%	9.66%	9.41%	
VN Index	1,027.94	1,154.15	1,028.19	

Source: GSO, Customs Office

Exports' growth accelerated in October with improving orders. Registered foreign direct investment (FDI) surged, emphasizing Vietnam's attractiveness as a manufacturing hub. Despite depreciation pressures on the VND, inflation remained contained.

- The Index of Industrial Production (IIP)** rose for six consecutive months, with October growth **accelerating to 5.51% MoM** and **4.08% YoY**. For **10M 2023**, IIP **rose by 0.52% YoY**.
 - October's manufacturing (+6.15% MoM and +4.85% YoY) picked up, driven by electronics & optical products (+7.15% MoM and +2.72% YoY), and food products (+2.87% MoM and +12.37% YoY).
- Vietnam's Manufacturing PMI** declined slightly to **49.6** in October from September's **49.7**.
 - Export order growth slowed down but remained stronger than the domestic market. Total new orders rose slightly for the third month in a row.
- Revenue of retail sales and services** rose but MoM growth weakened **to 1.50%** (vs. +2.42% MoM in September). For 10M, this number increased by **9.41% YoY**.
 - Tourism (+51.43% YoY), accommodation and catering services (+14.94% YoY) soared YoY, fueled by higher foreign visitors. Meanwhile, retail sales of goods remained resilient, growing by 6.73% YoY. Other services grew slightly by 0.19% YoY.
 - International arrivals rose by 5.51% MoM in October. In 10M 2023, international arrivals reached 10.0 million, up by 4.2x YoY, but still 31% below the pre-pandemic level in 10M 2019.
- The Consumer Price Index (CPI)** **increased slightly by 0.08% MoM** and **picked up 3.59% YoY** on higher prices of food, construction materials and education. Inflationary pressures were partially offset by lower gasoline prices.
- Last month, **Vietnam recorded a trade surplus of US\$3.00 billion in October, leading to a YTD trade surplus of US\$24.61 billion**.
 - October's export value reached US\$32.32 billion (+2.87% MoM & +5.90% YoY) and import value US\$29.31 billion (+0.65% MoM and +5.23% YoY). For 10M, exports fell by 7.09% YoY and imports by 12.26% YoY. The YoY drop rate of trade has lessened in each of the last few months.
- 10M registered FDI** rose to **US\$25.76 billion (+14.70% YoY)** while **disbursed FDI** reached **US\$18.00 billion (+2.40% YoY)**.
 - Registered capital surged by 169.9% MoM to \$5.55 billion, driven by major investments in Quang Ninh province such as Jinko Solar Hai Ha's \$1.5 billion project and Lite-on's \$690 million project.
 - Manufacturing led with USD18.84 billion, making up 73.1% of newly registered FDI and growing by 45.8% YoY. Real estate followed at USD2.14 billion (down 44.8%), finance-banking at USD1.54 billion (up 61.4-fold), and wholesale-retail at USD907 million (up by 6.3%).
- The USD/VND exchange rate** rose to **24,676 in October, +0.70% MoM** and **+4.20% YTD**.
 - The SBV's efforts to manage liquidity in the interbank system has driven overnight rate from 0.79% on October 19th to 1.89% in late-October and helped alleviate pressures on the VND.

Historical Performance

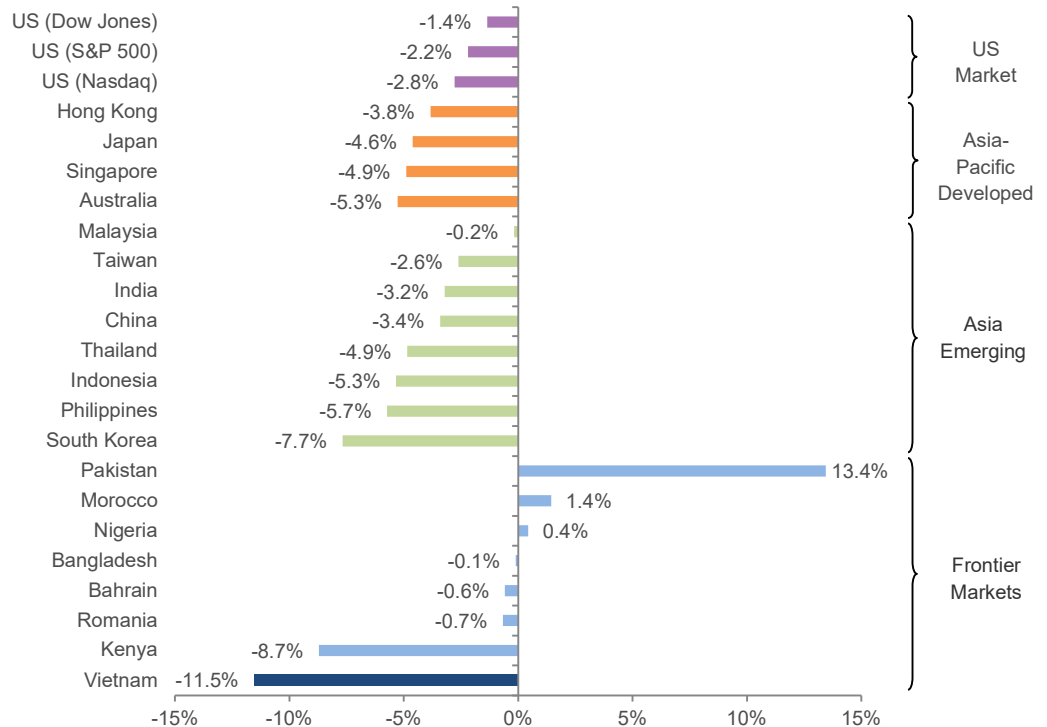


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

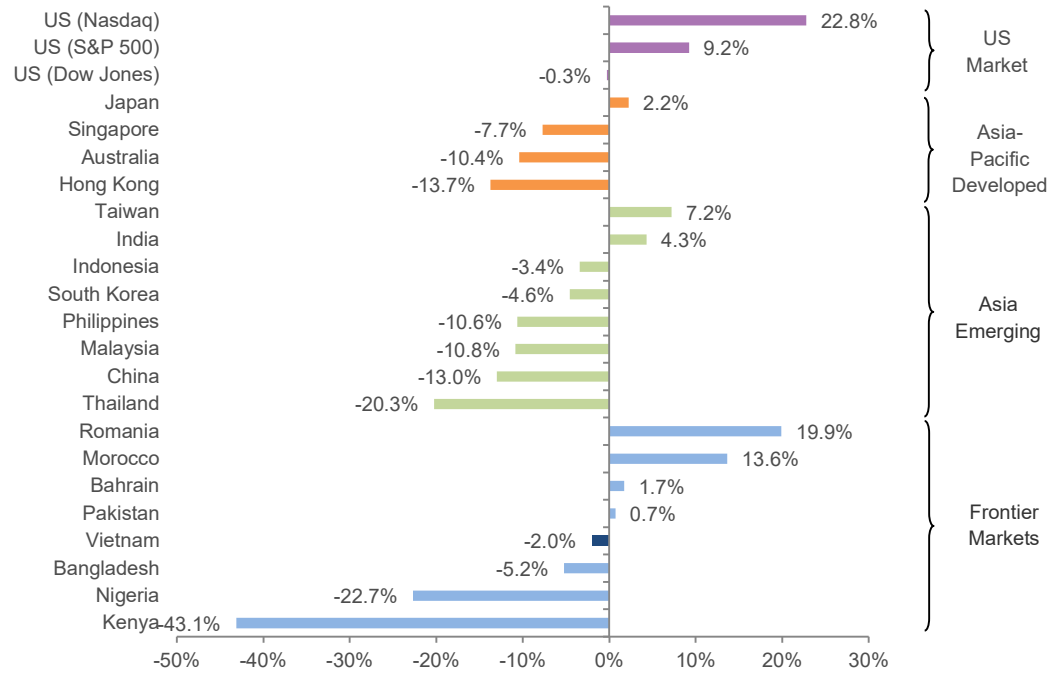
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of October 31, 2023

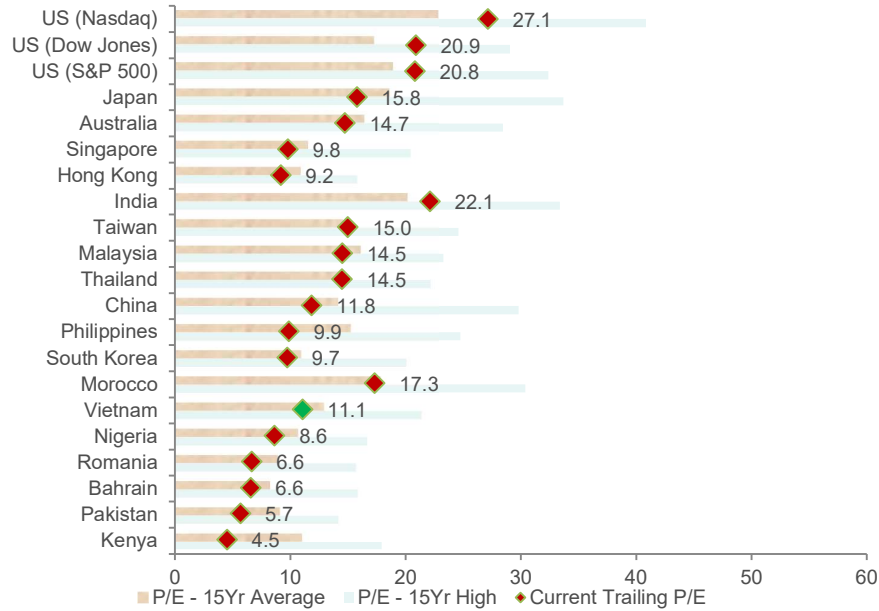
Stock Market Monthly Returns by Country (in USD) as of October 31, 2023



**Stock Market YTD Returns by Country (in USD)
as of October 31, 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

Contact us

Peter Ryder

CEO

T: +84 24 3935 0250

M: +84 913 229 810

E: peter@indochinacapital.com

Diep Nguyen

Director

T: +84 28 3910 4855

M: +84 907 133 671

E: diep.n.nguyen@indochinacapital.com

Ho Chi Minh City Office

10th Floor, Capital Place

6 Thai Van Lung Street

Ben Nghe Ward, District 1

HCM City, Vietnam

www.indochinacapital.com

Information contained in this publication is based on data obtained from sources we deem to be reliable, however, it is not guaranteed as to accuracy and does not purport to be complete. Nothing contained in this publication is intended to be a recommendation of a specific security or company nor is any of the information contained herein intended to constitute an analysis of any company or security reasonably sufficient to form the basis for any investment decision.