



# INDOCHINA CAPITAL MONTHLY NEWSLETTER

## Stock Market Commentary

- Despite the number of trading days shortened by the Lunar New Year, last month the VN-Index had the strongest run in 13 months. Positive sentiments came from improved macro indicators, low interest rates, and excitement on potential EM upgrade.
  - The **VN Index** registered **a monthly gain of 6.58%** and **a YTD gain of 9.10%** in **USD terms**.
  - The rally was led by the banking sector (+9.1% MoM), the materials sector (12.4% MoM) and the consumer & retail sector (7.9% MoM).
- February's liquidity **rose 23.36% MoM** with a combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$902.90 million**.
- **Foreign investors net sold US\$126.6 million** in **February**, bringing **YTD net selling value** to **US\$127.13 million**.
- **Vietnam's listed market capitalization** rose to **US\$217.06 billion** by the end of **February**.

With economic growth bottoming out, continued low interest rates, increased local participation, and the VN Index's trading below its 5-year average, the Vietnam stock market stands a good chance of strong performance. Adding to that, policy makers have been keen in their efforts to push for the country's upgrade to EM status. Changes are underway to meet the final upgrade criteria of FTSE on Delivery to Payment. A base case scenario is the upgrade may take place in March 2025. It is estimated that passive inflows due to the FTSE upgrade could be approximately US\$1.5 billion.

Meanwhile, short-term volatility may increase as the VN Index nears its psychological resistance of 1300. Current pressures on the USD/VND exchange rate might call for liquidity control measures. Considering policy makers' keen interest in maintaining growth accommodative policies, these liquidity control measures are likely temporary.

# Macroeconomic Update

	Feb 2023	Jan 2024	Feb 2024	FY2024 Target
CPI (MoM change)	0.45%	0.31%	1.04%	
CPI (YoY change)	4.31%	3.37%	3.98%	~4.50%
YTD Trade Balance (US\$ billion)	2.82	2.92	4.72	
Exchange Rate (US\$/VND)	23,882	24,520	24,754	
YTD Disbursed FDI (US\$ billion)	2.55	1.48	2.80	
PMI Manufacturing Index	51.2	50.3	50.4	
Industrial Production growth (YTD YoY)	-6.32%	18.26%	5.74%	
Nominal Retail Sales Growth (YTD YoY)	12.97%	8.11%	8.05%	
VN Index	1,024.68	1,164.31	1,252.73	

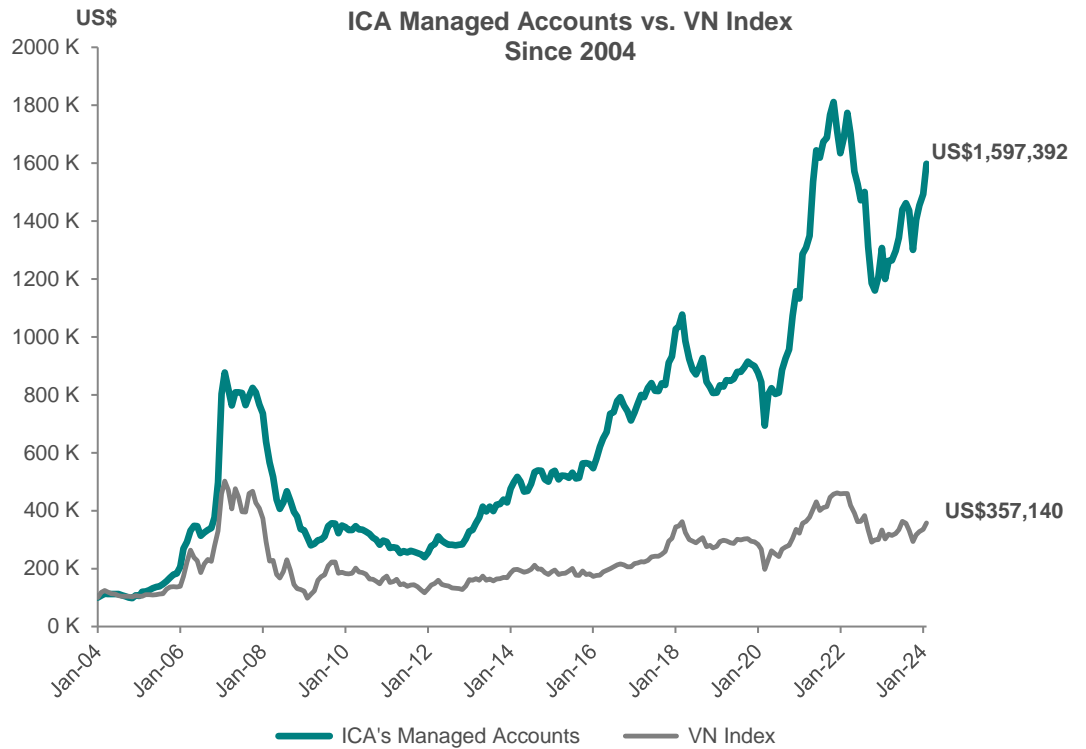
Source: GSO, Customs Office

Despite the Lunar New Year holidays causing a seasonal decline in February, 2M trade still grew at double-digit rates and industrial production expanded steadily. Retail sales were modest as consumers remained cautious. Inflation ticked up on high Tet demand but stayed under control. FDI went upbeat with strong inflows into both manufacturing and real estate.

- Revenue of retail sales and services grew by 8.49% YoY in February, 2M numbers grew by 8.05% YoY.**
  - 2M retail sales grew moderately by 6.77% YoY (vs. 10.09% YoY in 2M2023) as consumers stayed vigilant on reduced savings. Accommodation & catering services (+13.97% YoY) and tourism (+35.83% YoY) picked up during the festive season.
  - International arrivals reached 1.53 million in February 2024, up by 1.3% MoM and 64.1% YoY, only 3.6% below the pre-pandemic level in February 2019 even though the mass Chinese tourists have yet to return.
- The Index of Industrial Production (IIP) dropped by 6.81% YoY in February** due to the differing timing of the Tet holidays (last year Tet came in January). For **2M2024**, IIP **rose by 5.74%**, showing healthy expansion.
  - Most sectors experienced YoY expansion for the 2M period, including manufacturing (5.92% YoY), power generation and distribution (12.18% YoY) and water distribution and waste treatment (+2.54%), except for mining (-3.49% YoY).
- Vietnam's Manufacturing PMI inched up to 50.4 in February from 50.3 in January.**
  - New orders increased slightly for the second consecutive month, mainly due to marginal improvements in foreign orders.
  - Plans for production expansion and new product development boosted business confidence in 1Q, with positive sentiment toward output reflecting anticipated growth in new orders.
- High demand for food, beverage and entertainment activities during Tet raised CPI by 1.04% MoM and 3.98% YoY.**
  - Food (+1.71% MoM & +4.23% YoY) and beverage and tobacco (+0.80% MoM & 2.64% YoY) accelerated, driven by heightened demand during the Tet holiday. Notably, pork prices (+3.90% MoM) and rice prices (1.75% MoM) climbed.
  - Culture, entertainment, and travel (+0.79% MoM & +6.49% YoY) rose due to Tet festivity demand.
- Last month, Vietnam recorded a trade surplus of US\$1.1 billion**, leading to a YTD trade surplus of US\$4.7 billion.
  - February's export value reached US\$24.8 billion (-26.1% MoM & -5.0% YoY) and import value US\$23.7 billion (-22.6% MoM and +1.8% YoY). For 2M, exports rose by 19.2% YoY and imports by 18.0% YoY.
  - 2M exports of computers and electronics surged by 33.9% YoY, driven by strong demand from normalized stocking activities and the tech replacement cycle. Non-electronic exports also flourished, with wood up by 43.8%, wooden furniture by 64.0%, fruits & vegetables by 24.6% YoY, and coffee by 20.3% YoY.
- 2M registered FDI rose to US\$4.29 billion (+38.6% YoY) while disbursed FDI reached US\$2.80 billion (+9.8% YoY).**

- Manufacturing led with US\$2.54 billion (+16.8% YoY), accounting for 59.1% of total FDI. Real estate followed at US\$1.41 billion (+350% YoY), accounting for 32.7%.
- **The USD/VND exchange rate rose by 0.95% MoM to 24,754**, in line with the DXY's monthly advance of 0.85%. If pressures on the VND intensifies, the State Bank of Vietnam may intervene, which potentially results in lower liquidity of the VND in the system.

# Historical Performance

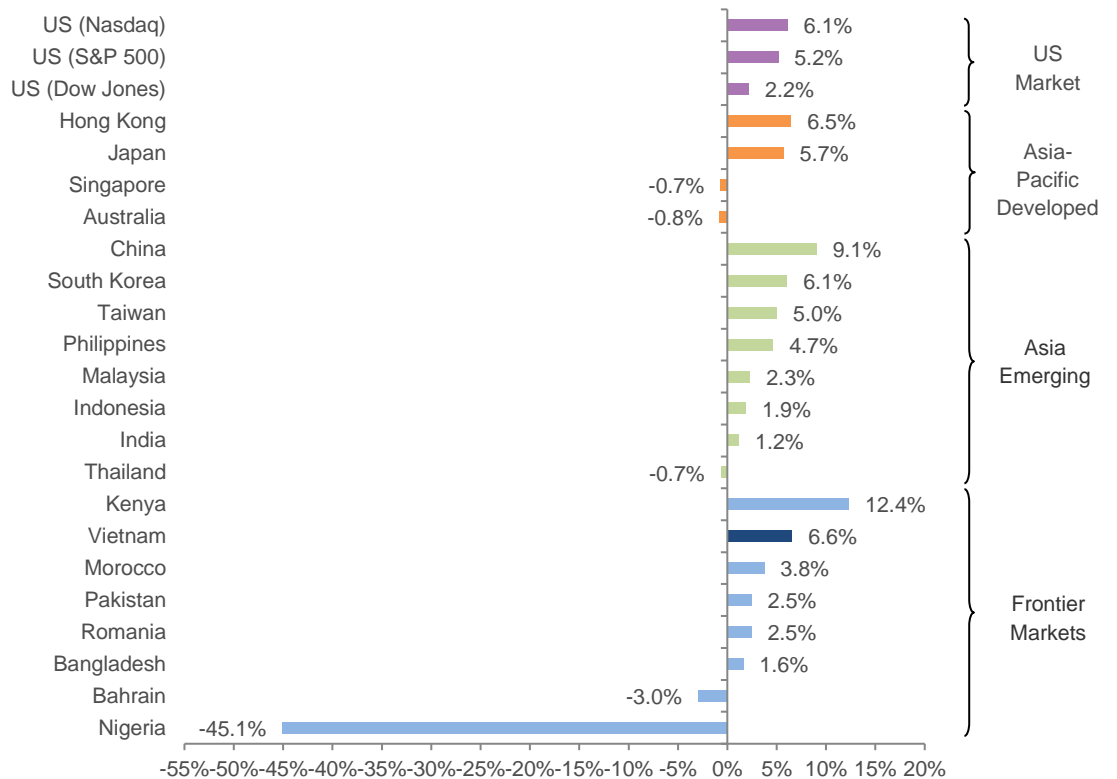


\* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

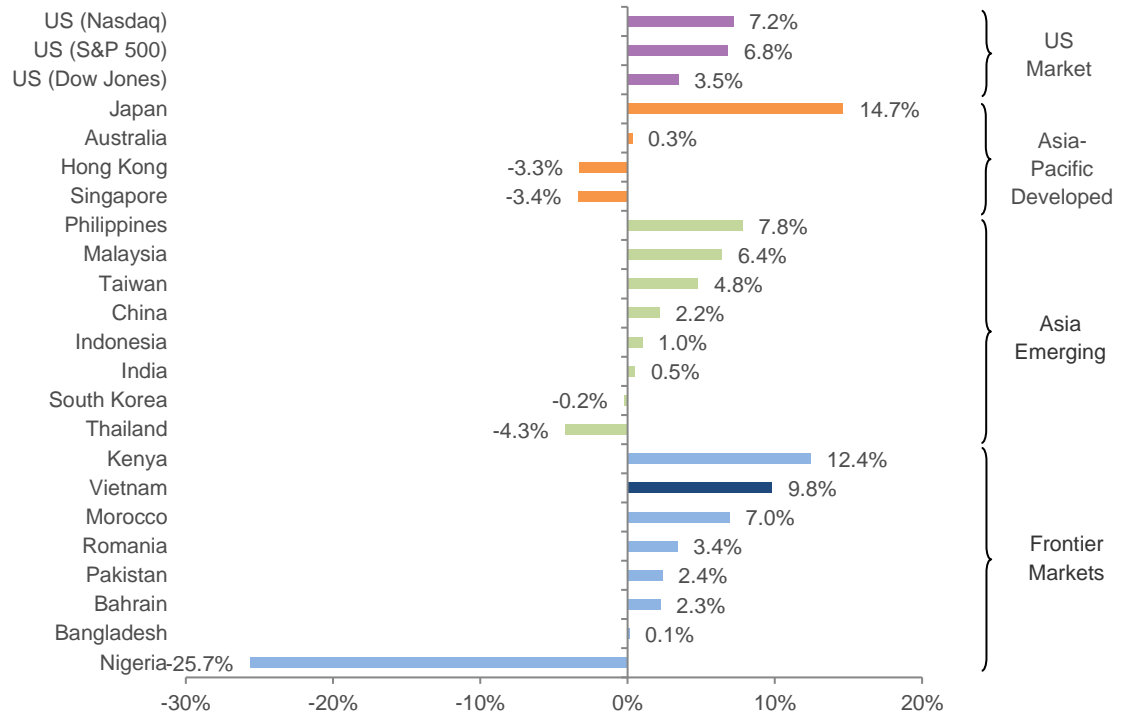
\*\* Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

\*\*\* Data as of February 29, 2024

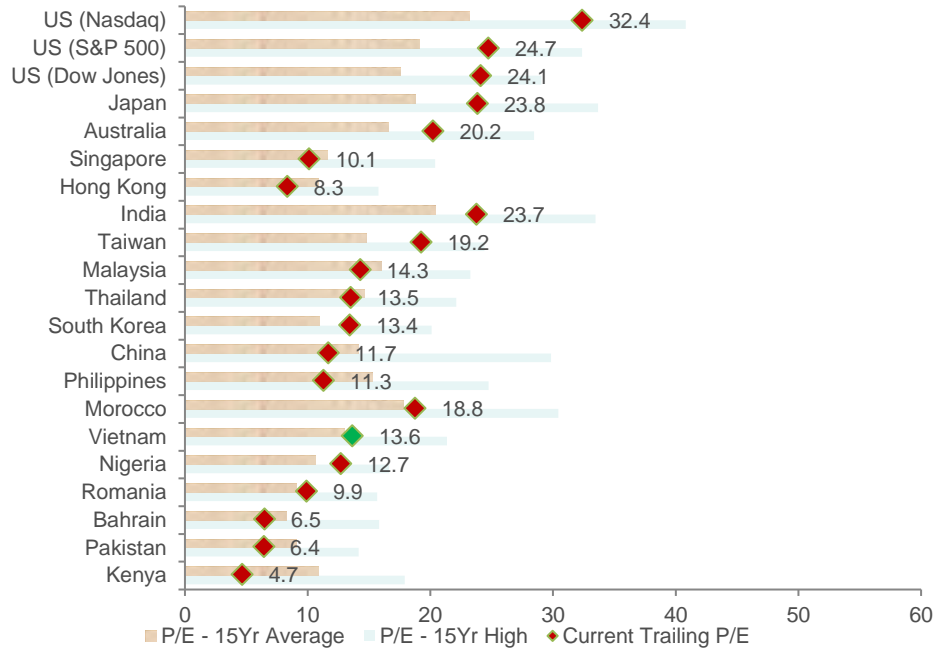
## Stock Market Monthly Returns by Country (in USD) as of February 29, 2024



## Stock Market YTD Returns by Country (in USD) as of February 29, 2024



## 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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