



INDOCHINA
CAPITAL
MONTHLY
NEWSLETTER

Stock Market Commentary

- The Vietnam stock market continued its upward trend fueled by significant inflows from local investors, but its momentum has been weakened by foreign investors offloading shares, anxiety on top governmental personnel change, and a cyberattack targeting a large brokerage firm.
 - **The VN Index** posted a **monthly gain** of **1.83%** and a **YTD gain** of **11.10%** in **USD terms**.
 - The real estate sector (+3.9% MoM), and the oil and gas sector (+3.9% MoM) shot up due to positive shifts in their fundamentals. The banking sector (+0.3% MoM) and the consumer & retail sector (+0.9%) MoM saw modest gains amidst profit-taking pressure.
- Liquidity **rose 28.5% MoM** in **March** with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$1,160.25 million**, the highest level in the last 24 months.
- **Foreign investors net sold US\$449.97 million** last month, which raised **YTD foreign net selling value** to **US\$577 million**.
- **Vietnam's listed market capitalization** reached **US\$222.37 billion** at the end of **March**. The **VN Index** was trading at a **positive trailing P/E** of **14.0x**.
- The stock market outlook remains promising, with economic growth accelerating, sustained low interest rates, and increased local interest. Pressures on the VND may ease in the coming months as the Fed has hinted at three potential rate cuts in 2024. Vietnamese policy makers are also actively advocating for the country's upgrade to Emerging Market status, with positive regulatory changes aimed at addressing key issues, including pre-funding requirements.

Macroeconomic Update

| | Q1 2022 | Q1 2023 | Q1 2024 | FY2024 Target |
|--|----------|----------|----------|---------------|
| GDP Growth Rate (YoY) | 5.05% | 3.32% | 5.66% | |
| CPI (YoY change) | 2.41% | 3.35% | 3.97% | ~4.50% |
| YTD Trade Balance (US\$ billion) | 1.46 | 4.84 | 8.08 | |
| Exchange Rate (US\$/VND) | 22,925 | 23,567 | 24,917 | |
| YTD Disbursed FDI (US\$ billion) | 4.42 | 4.32 | 4.63 | |
| PMI Manufacturing Index | 51.7 | 47.7 | 49.9 | |
| Credit Growth (YTD YoY) | 4.03% | 1.61% | 0.26% | |
| Industrial Production growth (YTD YoY) | 6.81% | -2.25% | 5.67% | |
| Nominal Retail Sales Growth (YTD YoY) | 4.44% | 13.87% | 8.20% | |
| VN Index | 1,492.15 | 1,064.64 | 1,284.09 | |

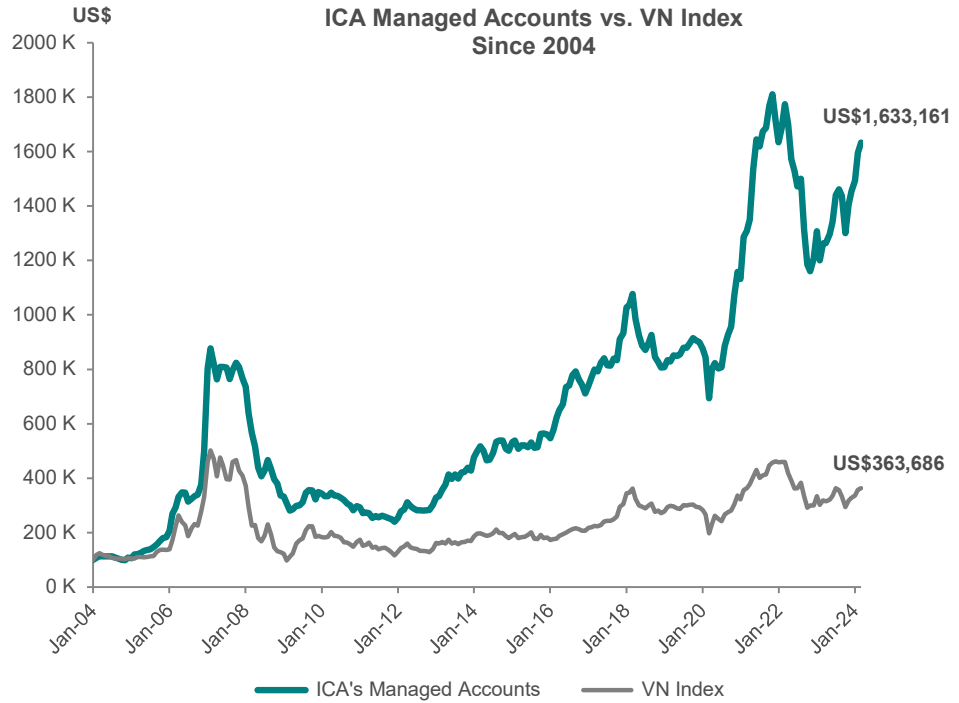
Source: GSO, Customs Office

Vietnam's economy accelerated in Q1 on the back of continued manufacturing strength despite a moderating service sector. Exports continued to thrive, and foreign direct investments remained robust. Despite minor fluctuations in inflation and exchange rate pressures, the overall economic outlook remains optimistic.

- **Vietnam real GDP expanded by 5.66%** in the **first quarter of 2024**, the highest Q1 growth since 2019.
 - The agriculture, fishery and forestry sectors grew 2.98% YoY (Q1 2023: +2.52%).
 - Service growth weakened at 6.12% YoY (Q1 2023: 6.79%). Revenue of retail sales and services increased by 8.20% YoY vs Q1 2023's of 13.87% as consumers turned cautious on reduced savings. Growth of transportation & storage services accelerated at 10.58% YoY vs Q1 2023's of 6.85%. Real estate activities slightly improved by 1.70% YoY vs Q1 2023's contraction of 0.11%. On the flip side, accommodation and food services grew by only 8.34% YoY (Q1 2023: +25.28%) and financial services 5.20% (Q1 2023: 7.65%).
 - The industrial and construction sectors regained their leading position with growth of 6.28% (Q1 2023: -0.40%). The manufacturing sub-sector expanded by 6.98% YoY (Q1 2023: -0.37%), contributing 1/3 of total output growth. Construction activities also picked up notably at 6.83% YoY (Q1 2023: 1.95%), backed by a better real estate sector.
- **The Index of Industrial Production (IIP) surged 19.98% MoM** and **rose 4.13% YoY in March**. For **Q1 2023**, IIP **increased by 5.67% YoY**.
 - In Q1, all major sectors expanded YoY including manufacturing (+5.88% YoY), power generation & distribution (+12.13% YoY), and water distribution & waste treatment (+3.98% YoY), except mining (-4.13% YoY).
- Vietnam's **Manufacturing PMI read 49.9** in March after two months of marginal improvements. Weak global demand put the break on the improvement of business conditions with output and new orders weakening. However, business optimism was the highest in 18 months and employment rose at the fastest rate since October 2022
- **Revenue of retail sales and services** grew by **0.55% MoM** although consumer demand softened after the Tet holidays. For Q1, this number increased by **8.20% YoY**.
 - Monthly revenue of tourism (+66.11% YoY), accommodation and catering services (+15.77% YoY) soared, bolstered by an influx of foreign tourists. Meanwhile, retail sales of goods expanded by 7.60% YoY as consumer demand returned to pre-Tet levels. Other services grew by 10.57% YoY.
 - March witnessed a 4.42% MoM increase in international arrivals. In Q1 2024, international arrivals reached 4.6 million, up by 172% YoY, slightly surpassing the pre-pandemic level of Q1 2019.
- **CPI dropped by 0.23% MoM** and brought down **YoY inflation to 3.77%**.
 - Food & food services (-0.76% MoM & +4.05% YoY) fell due to lower rice prices and reduced demand after the Lunar New Year. Education (-0.29% MoM & +9.02% YoY) and transportation (-0.03% MoM & +2.27% YoY) also saw minor decreases.
 - In contrast, housing & construction materials (+0.29% MoM & +5.40% YoY) kept rising due to hikes in electricity (+0.47% MoM) and water (+2.10% MoM) prices.

- **Credit growth** was modest at **0.26% YTD** (Q1 2023: +1.61%) due to weak credit demand while **deposit fell 0.76% YTD** (Q1 2023: 1.17%).
 - The average deposit and lending rates for new transactions decreased to 3.1% and 6.5% per annum, down by 40 bps and 60 bps, respectively, from the end of 2023.
- **Vietnam** recorded a **trade surplus of US\$8.08 billion** in **Q1 2024** (Q1 2023: US\$4.84 billion), fueled by vibrant export activities after Tet holidays.
 - In March, export value surged to US\$34.01 billion (+37.0% MoM & +14.2% YoY) while import value came at US\$31.08 billion (+31.0% MoM & +9.7% YoY).
 - For Q1 2023, export and import value rose by 17.0% YoY and 13.9% YoY, respectively. Exports growth was high and spread across industries, including electronics & components (+30.3% YoY), telephone & components (+9.7% YoY), machinery (+10.2% YoY), and agricultural products.
- **3M registered FDI** rose to **US\$6.17 billion (+13.4% YoY)** while **disbursed FDI** reached **US\$4.63 billion (+7.1% YoY)**.
 - Manufacturing led with US\$3.93 billion, accounting for 63.6% of total FDI. Real estate followed at US\$1.58 billion, accounting for 25.6%.
- **The USD/VND exchange rate increased to 23,917 (+0.66% MoM)** in **March**, in line with the strengthening value of the USD (DXY: +0.32% MoM). YTD, the VND has depreciated by 2.29% against the USD (DXY: +3.08%).
 - In March, the State Bank of Vietnam (SBV) issued T-bills worth USD 6.8 billion to alleviate pressure on the VND, leading to a 0.93% decrease in the USD/VND rate on the black market.
- **Macro political highlights:**
 - President Thuong resigned on 20 March on violations of the Communist party's rules and Ms Xuan (Vice President) stepped in for the second time as Acting President. In 14 months, two Vietnamese presidents had to step down on past wrong doings, which was believed to be the result of a continued corruption fight.
 - Policy makers are pushing forward reforms to clear up legal blockages for the real estate sector and the financial sector.
 - The Prime Minister in March instructed ministers to accelerate the drafting of implementing regulations of the newly passed amended Land Law in order to move the effective date of the law from 1 January 2025 to July 2024. Once implemented, the amended Land Law should speed up project approval and promote sustainable development of the real estate sector.
 - The SSC released a draft circular on non-prefunding for foreign investors in the listed stock market. Non-prefunding is the last requirement for Vietnam to get upgraded to Emerging Market status by FTSE. An upgrade by MSCI would have additional requirements on (i) foreign ownership availability, and (ii) equal access to information for all investors, i.e. IFRS compliance.

Historical Performance

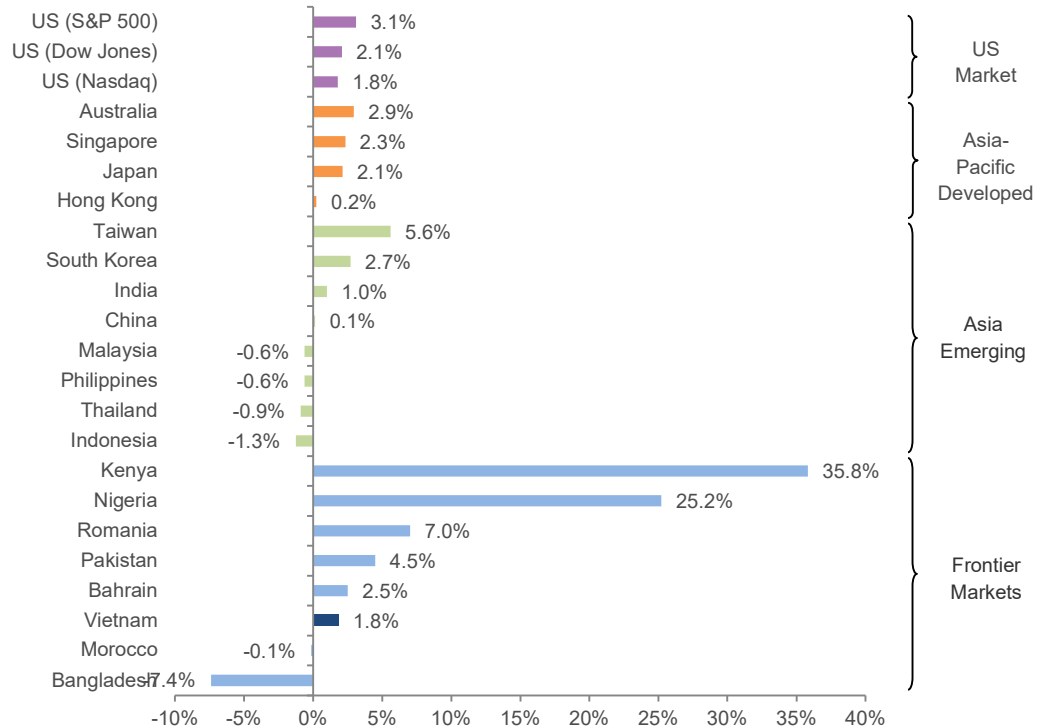


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

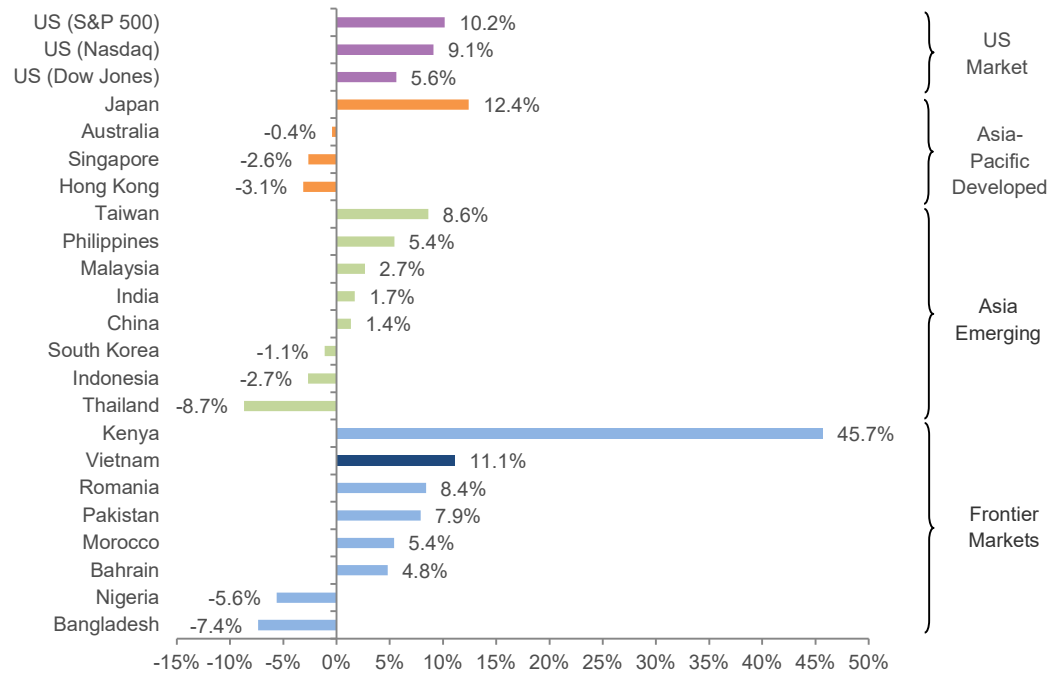
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of March 29, 2024

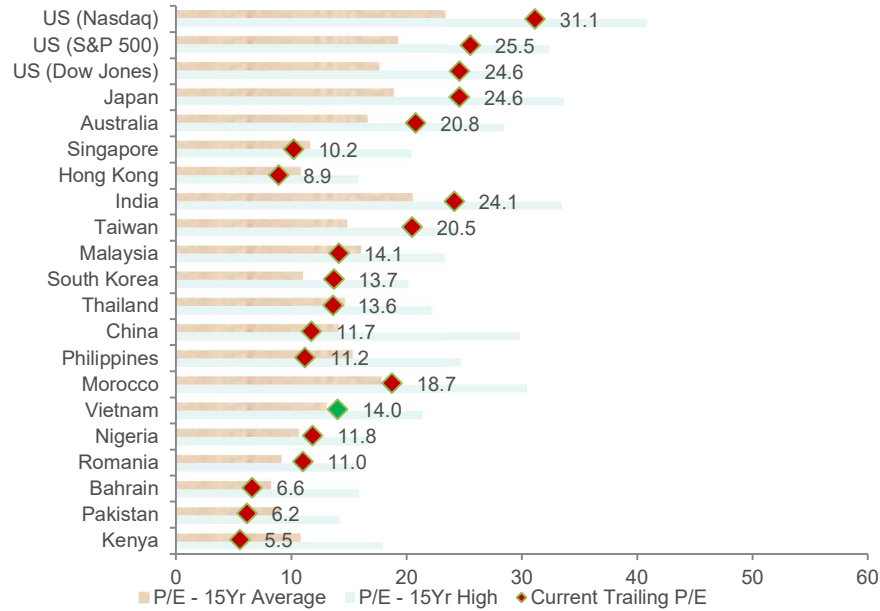
Stock Market Monthly Returns by Country (in USD) as of March 29, 2024



**Stock Market YTD Returns by Country (in USD)
as of March 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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