



Stock Market Commentary

- The Vietnam stock market traded up in May with improved liquidity as sentiments turned positive on speculations that the third rate cut in this year was coming close.
 - **The VN Index** posted a **monthly gain** of **2.38%** and a **YTD gain** of **7.16%** in **USD terms**.
 - The consumer & retail sector retreated 4.0% in May while the other major sectors went up, including the real estate sector (+3.9% MoM), the banking sector (+2.0% MoM) and the oil & gas sector (+0.7% MoM).
- Liquidity **increased** by **10.5% MoM** in **May** with the combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges reaching **US\$586.18 million**, the highest level YTD.
- **Foreign investors net sold US\$89.82 million** in **May**, reducing **YTD foreign net purchase value** to **US\$89.82 million**.
- **Vietnam's listed market capitalization** reached **US\$192.83 billion** at the end of **May**. The **VN Index** was trading at a **positive trailing P/E** of **11.5x**, a discount compared to the ASEAN peers' average of 12.5x.
- On May 23, the State Bank of Vietnam (SBV) announced the cut of 50 bps on key policy rates including refinancing rate and deposit rate cap for terms less than six months. Since the first rate cut after Covid-19 in March, the SBV has cumulatively cut key policy rates by 100bps. The SBV is expected to make another 50-bp cut this year with a target to reduce lending rates and to stimulate the economy. The declining deposit rates are expected to encourage money flow into the stock market.

Macroeconomic Update

	May 2022	Apr 2023	May 2023	FY2023 Target
CPI (MoM change)	0.38%	-0.34%	0.01%	
CPI (YoY change)	2.86%	2.81%	2.43%	~4.50%
YTD Trade Balance (US\$ billion)	0.43	7.56	9.80	
Exchange Rate (US\$/VND)	23,280	23,569	23,592	
YTD Disbursed FDI (US\$ billion)	7.71	5.85	7.65	
PMI Manufacturing Index	54.7	46.7	45.3	
Industrial Production growth (YTD YoY)	8.34%	-1.76%	-2.05%	
Nominal Retail Sales Growth (YTD YoY)	9.69%	12.77%	12.55%	
VN Index	1,292.68	1,049.12	1,075.17	

Source: GSO, Customs Office

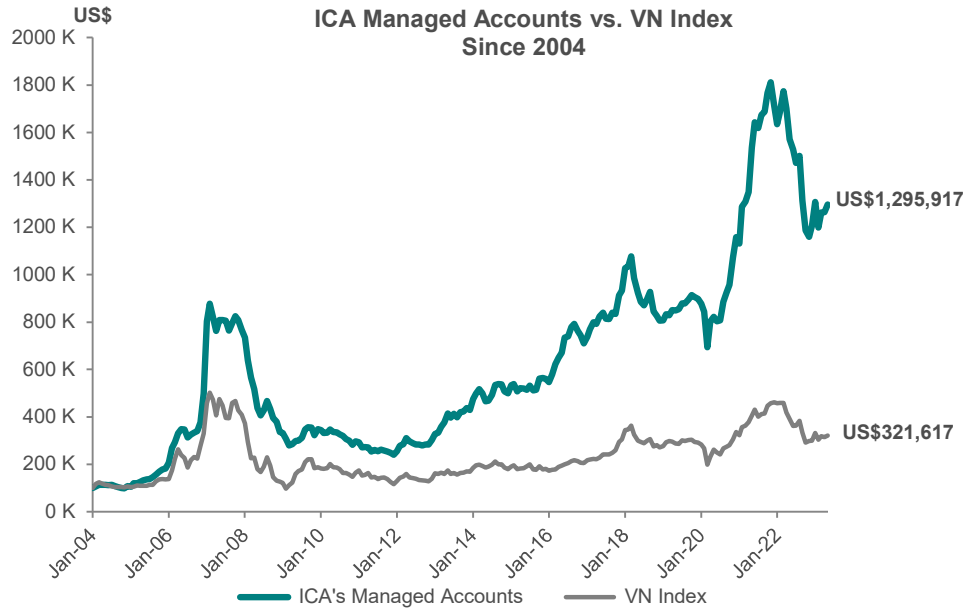
Vietnam's service sectors maintained its post-Covid recovery route, but the country's manufacturing sector still suffered from weak global demand. The silver lining is contained inflation continued to support easing monetary policies.

- **5M revenue of retail sales and services increased by 12.55% YoY.** The long holidays at the beginning of May boosted **May number up by 1.47% MoM & 11.54% YoY.**
 - Tourism recorded the biggest YTD growth at 89.40% YoY. This was followed by accommodation & catering services (+22.10% YoY), other services (+15.76% YoY) and retail sales of goods (+10.74% YoY).
 - International arrivals dropped 6.9% MoM in May. For 5M 2023, international arrivals reached 4.6 million, a YoY increase of 11.6x but was still 37% short of the pre-pandemic level in 5M 2019.
- **The Index of Industrial Production (IIP) ticked up by 2.21% MoM and 0.11% YoY in May.** For **5M 2023**, IIP **fell by 2.05% YoY.**
 - The powerhouse of the economy, the manufacturing sector (-2.45% YoY) were still in the red.
- **Vietnam's Manufacturing PMI** deteriorated in three successive month and ended at **45.3** in **May**. This was the most significant decline in the manufacturing sector's health since September 2021.
 - Amid widespread reports of weak customer demand, firms cut production for the third consecutive month.
 - Employment dropped further in May, albeit to a lesser degree than observed in the previous periods.
- **CPI stayed flat MoM and inched up modestly by 2.43% YoY.**
 - Transportation (-2.98% MoM & -8.94% YoY) was mainly responsible for tamed inflation thanks to lower oil prices.
 - Food & food services (+0.24% MoM & +3.58% YoY), housing & construction materials (+1.01% MoM & +6.40% YoY), education (-0.10% MoM & +5.70% YoY) and culture, entertainment, and tourism (+0.24% MoM & +2.49% YoY) all recorded YoY price increases due to tourism rebound and higher power prices.
- **Vietnam** recorded a **trade surplus** of **US\$2.24 billion** in **May**, raising **YTD trade surplus** to **US\$9.80 billion**.
 - Trades improved on a monthly basis but was still down compared to last year's level. May's export value reached US\$29.05 billion (+4.3% MoM & -5.9% YoY) while import value was at US\$26.81 billion (+6.4% MoM and -18.4% YoY).
 - As production inputs accounted for most of Vietnam's imports, lower imports likely signal further headwind ahead for the manufacturing sector.
- **5M registered FDI** dropped to **US\$7.54 billion (-22.48% YoY)** while **disbursed FDI** slid marginally to **US\$7.65 billion (-0.78% YoY)**.
 - The manufacturing sector still accounted for the bulk of registered FDI at 79.26%. The real estate sector came in second at 7.56%, the technology sector third at 4.09%, and the remaining sectors 9.09%.
- **The USD/VND exchange rate** inched up slightly by 0.10% to **23,592** in **May**, in line with the strengthening of the US Dollar. Nevertheless, the VND still appreciated by 0.38% against the USD

year to date. The SBV bought more than US\$6 billion in 5M 2023, raising Vietnam's FX reserves to an estimated US\$92 billion.

- During the National Assembly session in May, the Ministry of Planning and Investment (MPI) signaled possible change to previously set 2023 GDP growth target of 6.5%. As most forecasts on Vietnam GDP growth have been revised to around 4%-5%, any adjustment of the official target by the MPI should not be a surprise to the market.

Historical Performance

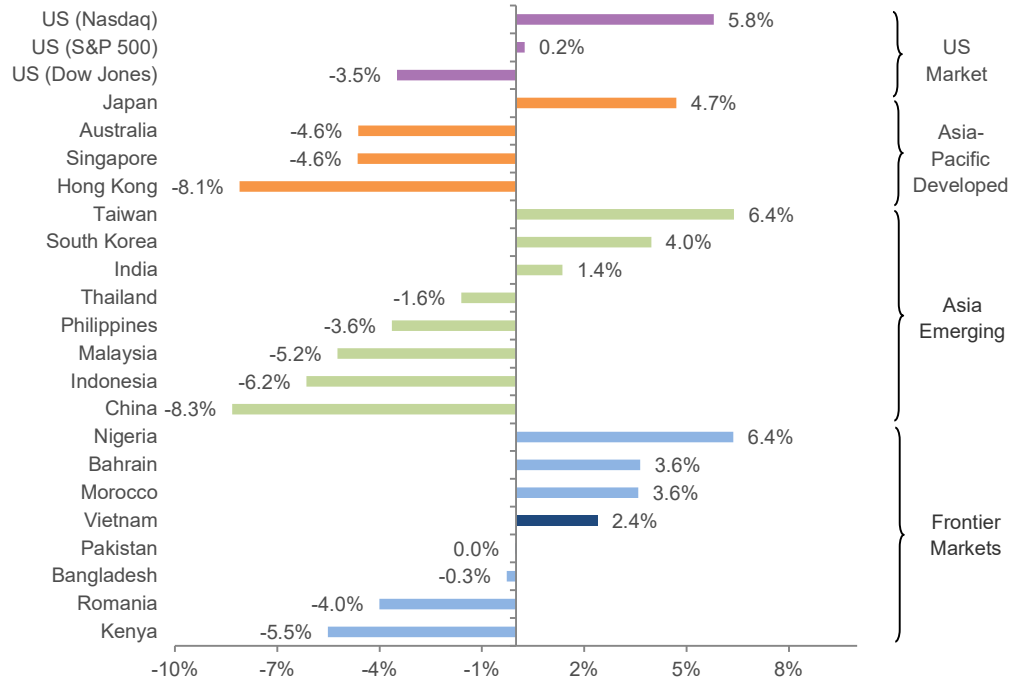


* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the VN Index

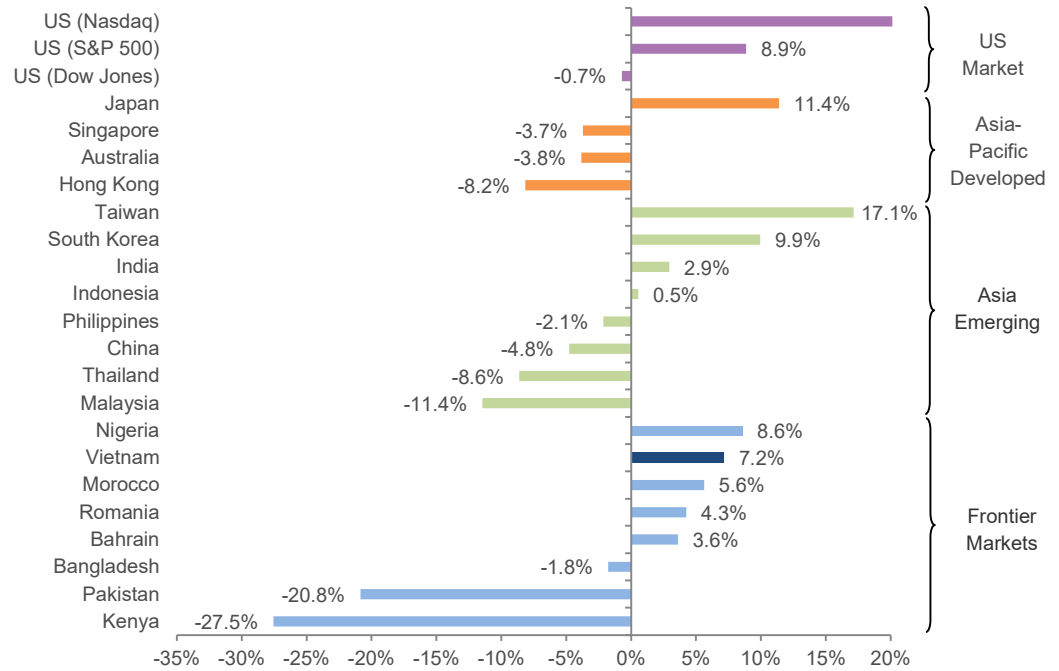
** Monthly time-weighted returns, net of all fees, based on total NAV of all managed accounts, including impact of VND depreciation against the USD

*** Data as of May 31, 2023

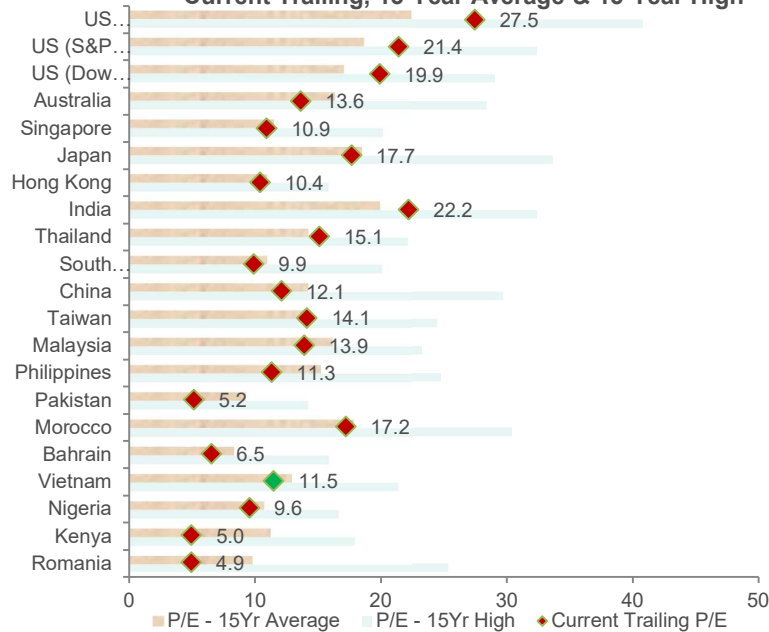
Stock Market Monthly Returns by Country (in USD) as of May 31, 2023



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

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.