true friend KIS Viet Nam Securities Corporation

Strategy
Quarterly

9 Oct 2024

Strategic Insight

Low cost cash flow amid slowing domestic consumption

Global low-cost cash flows

In Sep 2024, major central banks, including the Fed, ECB, BoE, and PBoC, eased monetary policies to support their economies, leading to global low-cost capital flows. This shift is expected to positively impact Vietnam through stabilized exchange rates, increased trade, and a rise in foreign investment flows. Vietnam, as a key trading partner with large economies, benefited from lower interest rates in developed countries, driving demand for its export products and attracting both foreign direct and indirect investments. We expect the index to break the 1,300-pts level and move toward the price target of 1,400-1,450 pts in 2024 and 1H25.

A soft economic mission, but engines lose steam

Based on current growth momentum, we forecast Vietnam's real GDP to grow by 7.10% in 4Q24, although Typhoon Yagi, according to authorities' estimates, could dampen the economic growth with a cut of 0.22ppts in the last quarter of the year. Accordingly, we predict the economic growth to reach 6.90% YoY for 2024. On the upside, we expect the external forces, such as exports and FDI investment, to remain favorable to domestic production although the contribution could be softer. On the downside, we assert that domestic consumption will be depressed further. We predict the total retail sales to slow down in 4Q24 as growing by 6.94% YoY, 1.46ppts-lower than 3Q24.

Earning forecast

In 3Q24, several sectors showed signs of recovery and growth. The banking sector saw strong credit growth and improving NIMs, while non-performing loans remained under control. Pangasius and shrimp exports rebounded, with strong volume growth in key markets, though prices faced pressure from global oversupply. Retailers, particularly in ICT, jewelry, and grocery sectors, benefited from rising consumer demand, with key players expanding aggressively. In software services, FPT showed double-digit growth, driven by AI and data centers. Oil and gas experienced a seasonal slowdown, while hydropower and renewable energy performed strongly. Steel demand was robust amid price pressures, with positive signal from policy support in China.

Contents

I. Global low-cost cash flows

1. Sideways in the low liquidity base

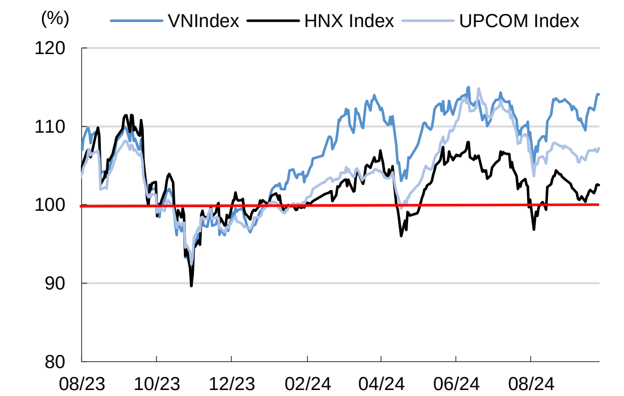
1.1. The big consolidation phases

The 3Q24 could be seen as a consolidation phase for the market, as the VNIndex continuously tested the key resistance level of 1,300 pts amid low liquidity. The market experienced a period of high volatility, fluctuating between the 1,200-1,300-pts range. This could be a medium or long-term accumulation phase for the market, before breaking through the most important level of the year at 1,300 pts.

At quarter-end, the VNIndex rose by 3.66% QoQ while the HNXIndex and the UPCOMIndex dropped trivially by 0.79% and 3.73% QoQ, respectively. In terms of market capitalization, demand in the month mainly concentrated on Large-cap and Mid-cap stocks, causing the VN30Index and VNMIDIndex to increase by 5.81% and 0.99% MoM, respectively. In contrast, selling pressure still presented on Small-cap stocks causing the VNMIDIndex to decrease by 5.06% QoQ.

Several bright spots can support the market in the final quarter of the year, such as (1) the recovering economy indicated by positive economic indicators, and (2) the easing of exchange rate pressure. Based on these factors, we also believe that a positive outlook for the stock market is expected in the 4Q24 and early 2025.

Figure 1. Vietnam indexes performance



Sources: Fiinpro, KIS
Note: start of 01/24 = 100

Figure 2. Growth of key indexes of HOSE

Sources: Fiinpro, KIS
Note: start of 01/24 = 100

1.2. Banking shines in Jul

The 3Q24 marked the announcement period for 2Q24 and 1H24 earnings result for most of the listed companies on the stock exchange. Most sectors reported positive growth, except for Oil & Gas, with highlights in the Banking, Retail, and Chemicals, which showed accelerated earnings growth compared to the previous quarter. However, not all these sectors experienced proportional stock price increases in line with their fundamental growth.

As previously mentioned, large-cap stocks performed more positively compared to others. This trend was significantly supported by the strong performance of Banking shares. Specifically, banking stock prices saw an average growth of 4.8% in July, rebounding after three consecutive decline months. This performance was driven by positive earnings results, with up 21.9% YoY in 2Q24 net profit (EAT), attributed to improved total operating income, controlled operating expenses, and modest setting up provisioning levels. Additionally, Oil & Gas stocks had a good situation despite negative earnings, thanks to optimistic prospects for individual stocks.

On the downside, most other sectors saw declines, primarily due to investors' profit-taking after a period of significant growth before. Notably, despite impressive earnings results in 2Q24, most of Steel ended in the red territory at the end-month, due to the rapid decline in output prices compared to input prices, leading to a narrow gross profit margin. This pushed steel stocks to record sharp declines. Moreover, most of the sector stock prices, such as Transportation, Chemicals, and Technology dropped sharply after the previous surging months.

Table 1: Indices and Sectors performance

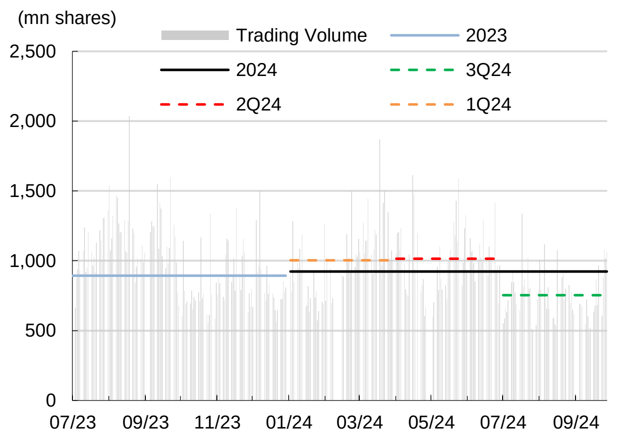
No.	Indices/ Sectors	Market Cap	Market Cap Weight	Growth Rate by Month in 2024							2024 YTD	2023	2022
		(VND tn)	*(%)*	Aug	Jul	Jun	May	Apr	Mar	Feb			
	a. Market Indicies												
1	VNINDEX	5247.0	74.7	2.6	0.5	(1.3)	4.3	(5.8)	2.5	7.6	13.6	12.0	(32.6)
2	HNX Index	303.6	4.3	0.9	(0.9)	(2.3)	7.2	(6.5)	3.0	2.7	2.8	11.9	(56.4)
3	UPCOM Index	1470.1	20.9	(0.9)	(2.5)	1.7	8.0	(3.1)	1.0	3.4	8.2	22.8	(37.1)
4	VN30 Index	3673.0	52.3	2.5	1.6	0.2	2.9	(4.3)	2.5	8.5	17.7	12.2	(34.3)
	b. Sectors												
1	Banks	2135.9	30.2	3.1	2.8	4.8	(1.7)	(0.8)	(4.6)	0.7	24.7	19.5	(16.9)
2	Others	1289.0	18.2	(3.2)	(1.9)	(9.4)	18.5	21.1	8.5	9.9	68.5	12.4	(29.1)
3	Real Estate	726.9	10.3	0.5	5.5	(0.1)	(3.0)	1.9	(9.0)	3.5	0.5	0.7	(35.4)
4	Materials	519.5	7.3	1.4	(0.2)	(3.2)	(1.0)	12.9	(8.1)	5.8	27.6	47.7	(48.2)
5	Food & Berverage	465.3	6.6	(1.5)	2.5	1.8	(0.8)	7.0	(5.8)	(0.4)	5.7	(10)	(15.0)
6	Utilities	311.8	4.4	(6.5)	1.9	0.3	0.9	10.0	(7.2)	1.7	2.5	(0.6)	(0.7)
7	Capital Goods	323.5	4.6	(0.4)	(0.4)	(1.7)	(2.8)	11.6	(8.3)	6.4	9.1	49.5	(45.9)
8	Financial Services	256.0	3.6	1.6	5.9	(4.5)	(6.7)	7.1	(11)	7.9	11.2	100	(62.5)
9	Transportation	230.4	3.3	(0.8)	0.8	(9.5)	6.0	17.4	6.3	3.0	22.6	11.2	(22.1)
10	Energy	203.6	2.9	(2.5)	3.9	6.9	(2.6)	17.9	(4.9)	1.7	24.0	34.2	(37.8)
11	Software & Services	207.6	2.9	(0.6)	4.3	(1.9)	10.7	10.8	5.9	6.5	57.9	46.1	(2.4)
12	Retailing	129.9	1.8	(2.9)	8.1	1.1	(0.5)	13.4	6.1	9.5	57.4	15.5	(26.5)
13	Insurance	62.9	0.9	(5.2)	(0.4)	(3.8)	0.9	14.2	(5.4)	1.4	6.8	(5.5)	(16.3)
14	Consumer Durables	63.0	0.9	(2.4)	2.2	1.4	0.1	6.4	(5.1)	9.2	17.8	7.7	(7.2)
15	Pharmaceuticals	45.3	0.6	3.1	(1.2)	8.3	2.5	9.5	(0.4)	3.6	46.1	23.8	(18.2)
16	Technology	11.6	0.2	(0.8)	3.5	(2.8)	(5.3)	10.0	(10)	17.0	15.8	32.6	(42.5)
17	Commercial Services	9.6	0.1	1.1	(3.8)	0.6	4.5	5.7	(2.8)	5.2	13.1	23.2	(14.2)
18	Automobiles	8.8	0.1	(4.5)	(2.1)	(6.7)	(1.0)	21.1	(5.1)	2.3	25.9	15.1	(26.9)
19	Consumer Services	6.7	0.1	(2.4)	(3.2)	(5.6)	4.9	4.5	(4.9)	(0.7)	(3.1)	(7.7)	(13.6)
20	Household Products	4.3	0.1	(1.9)	(6.3)	7.2	(0.4)	10.3	1.4	3.5	39.0	37.2	(20.6)
21	Health Care	3.8	0.1	(3.2)	1.3	(3.3)	10.8	5.4	(10)	3.5	15.6	(6.4)	(34.4)
22	Media & Entertainment	2.7	0.0	0.4	(4.4)	2.2	1.2	0.2	(8.9)	(0.9)	(20)	78.8	(52.9)
23	Telecommunication	2.2	0.0	4.7	(2.4)	(3.1)	8.9	15.3	(5.6)	4.2	29.2	(21)	(58.7)

Sources: Bloomberg, KIS
Note: Classification according to GICS with Level II: Industry Group; and Based on statistics of all listed shares on 3 exchanges, HOSE, HNX, and UPCOM

1.3. Liquidity dropped sharply

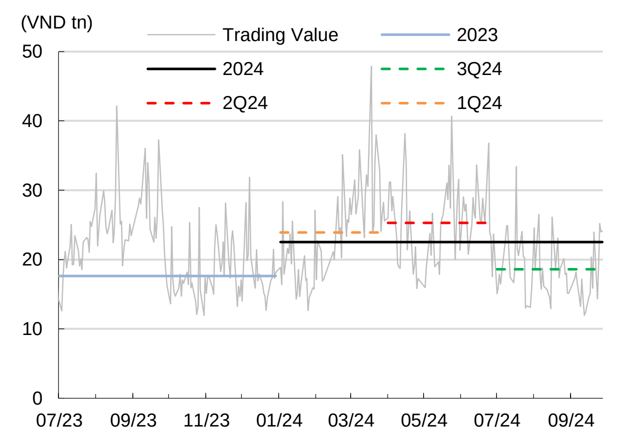
The liquidity base sharply declined in 3Q24, primarily due to cautious and hesitant sentiment as the main index entered a consolidation phase. Specifically, the average trading volume dropped significantly by 25.7% QoQ, reaching 754 million shares, while the average trading value recorded VND18,621bn, a notable down of 26.34% compared to the 2Q24. We believe that liquidity will gradually improve next time, as the market successfully breaks through the critical 1,300-pts threshold, confirming a medium- and long-term uptrend.

Figure 3. Trading volume and average volume in 2024



Sources: Fiinpro, KIS

Figure 4. Trading value and average value in 2024



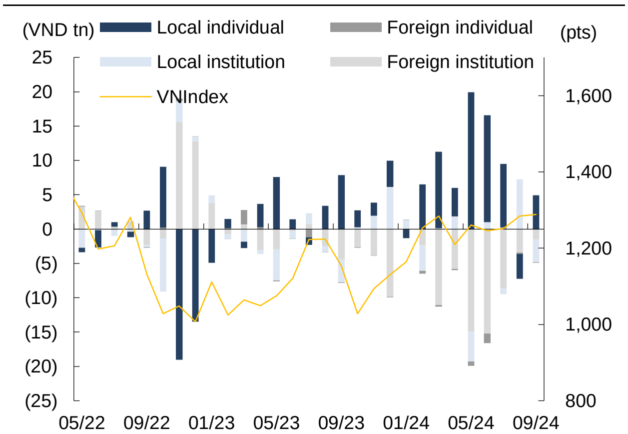
Sources: Fiinpro, KIS

2. Net value plummets amid low liquidity

2.1. Domestic individuals drive market

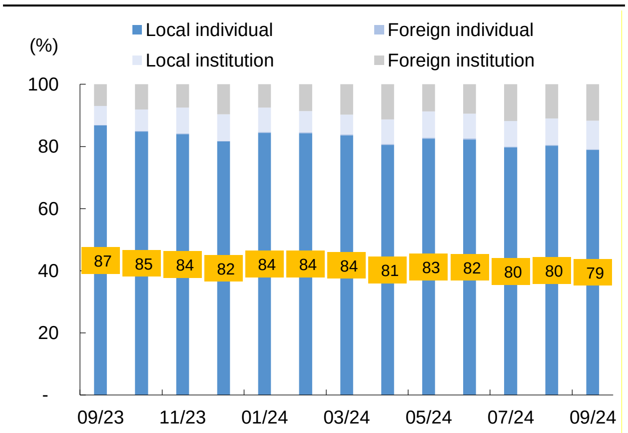
Domestic institutions reversed to net buying in 3Q24. In the last few months, domestic individuals have remained the main driving force in the market. Specifically, over VND10.51tn was injected into the market in 3Q24 through this investor group. Besides, domestic institutions turned to net buying, with over VND3.08tn in last quarter.

Figure 5. Monthly net value by investor groups



Sources: Fiinpro, KIS

Figure 6. Monthly trading activity by investor groups



Sources: Fiinpro, KIS

Foreign outflow remained high. The total net selling value from foreign investors in the 3Q24 was recorded at VND13.59tn, down sharply to 62.25% QoQ. Institutions contributed VND13.57tn, while the net value from foreign individuals was negligible. We believe that foreign flows may experience a positive movement in the last quarter of the year as (1) exchange rate pressures have significantly weakened recently, with the Fed starting to lower its policy rates, and (2) the yield of the VNIndex is likely to turn positive again in 4Q24 and 1H25 as the market confirms a medium- and long-term uptrend in the next time.

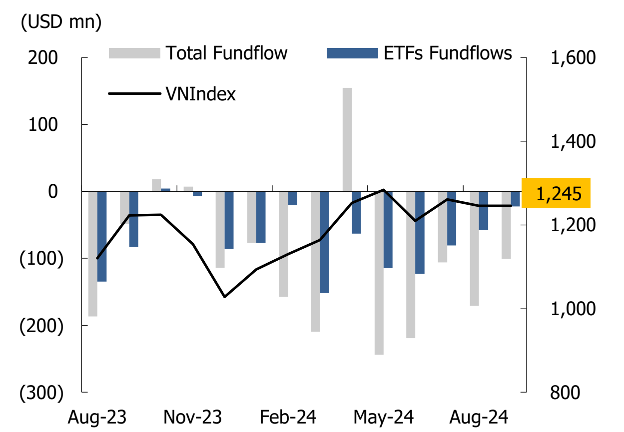
2.2. Outflow trend continues

Outflow spread across major SEA countries. According to our estimate, over USD322mn was withdrawn from the SEA market in Sep, up 15.71% MoM. Which, outflow pressure mainly concentrated on Thailand and Vietnam, accounting for 81.26% of the total outflow in a month. Besides, sell orders were also recorded in Singapore and Indonesia while demand presented in Malaysia and the Philippines, however insignificant. For ETFs, the flow situation was almost similar to the general movements, with over USD93.6mn, up 32.01% MoM.

Negative developments in fund flows in Vietnam. Despite a weakening in the pressure to withdraw capital in Vietnam over the past week, outflows remain high. Specifically, more than USD100.68mn was withdrawn from the domestic market through funds in Sep, down a significant 41.09% MoM. Similarly, net divestment in ETFs reached USD22.4mn. Specifically, ELITE and CTBC VIETNAM EQUITY FUND are the two main funds bringing capital into Vietnam, with USD34.7mn and USD18.0mn, respectively. In contrast, FUBON FTSE VIETNAM continued a series of outflows with a net value of USD23.7mn in Sep, almost entirely driven by ETF outflows.

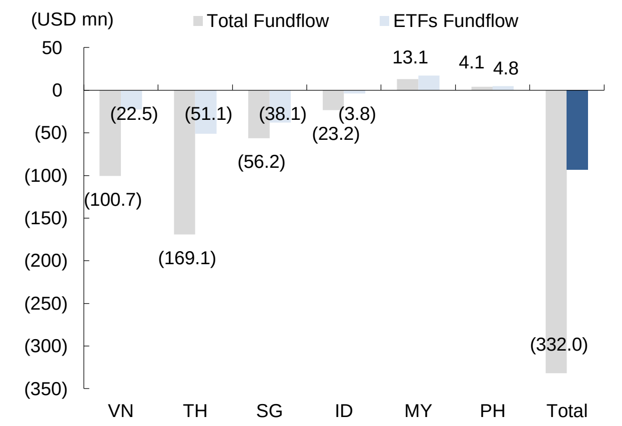
We believe that the fund flow dynamics in 4Q24 and 1H25 will be more positive, with the return of inflow. This prediction is placed in the context of the recovery in the economy and exchange rate pressure weaknesses notably in recent times.

Figure 7. Net fund flow in Vietnam by month



Sources: Bloomberg, KIS

Figure 8. Net fund flow of SEA countries in August



Sources: Bloomberg, KIS
Note: VN = Vietnam, TH = Thailand, SG = Singapore, ID = Indonesia, MY = Malaysia, and PH = Philippines

3. Global low-cost cash flows

3.1. Global monetary easing

Major central banks eased monetary policy. Sep 2024 marked a major turning point in global monetary policy. Major central banks such as the Federal Reserve (Fed), the European Central Bank (ECB), the Bank of England (BoE), and the People's

Bank of China (PBoC) all shifted towards easing monetary policies to support their economies.

Table 2. Decision of major central banks in Sep

Central banks	Date	Decision
ECB	09/12/2024	Cut interest rate by 0.25%
FED	09/19/2024	Cut interest rate by 0.50%
BOE	09/19/2024	Keep the interest rate unchanged
BOJ	09/20/2024	Keep the interest rate unchanged
PBoC	09/24/2024	Reduce mortgage interest rates and reserve requirement ratio

Source: Bloomberg, KIS

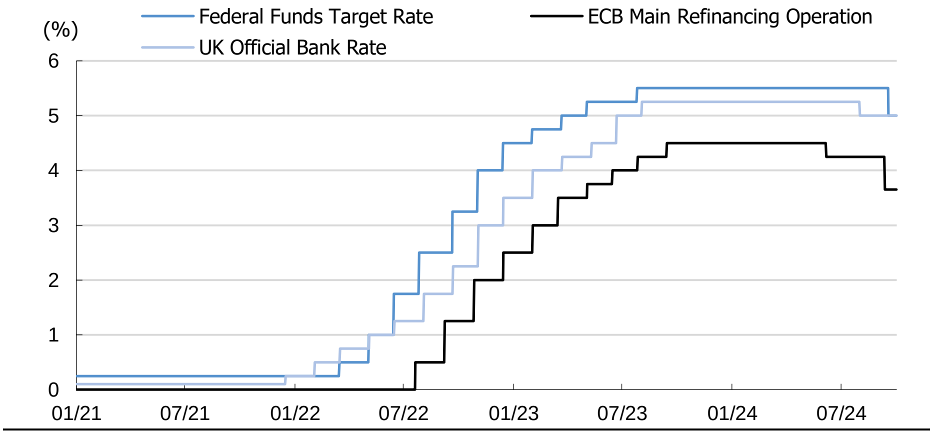
On Sep 12th, the ECB cut interest rates by 0.25%, following a previous rate cut in Jun 2024, to help the Eurozone cope with weakening economic growth, especially in large economies like Germany.

A week later, the Fed made a similar decision but was more aggressive, cutting interest rates by 0.50% instead of the expected 0.25%. This was the first time the Fed reduced rates in more than four years, aiming to stimulate the U.S. economy as job growth slowed and inflation remained under control.

Other major central banks also eased monetary policies. The BoE cut interest rates by 0.25% in August, and the PBoC reduced the reserve requirement ratio as well as mortgage rates, accompanied by policies to support the economy.

The international easing monetary policy by major central banks could lead to a broader global monetary easing phase with global low-cost cash flows. This was expected to have a significant positive impact on the global economy and financial markets.

Figure 9. Policy interest rates of major central banks



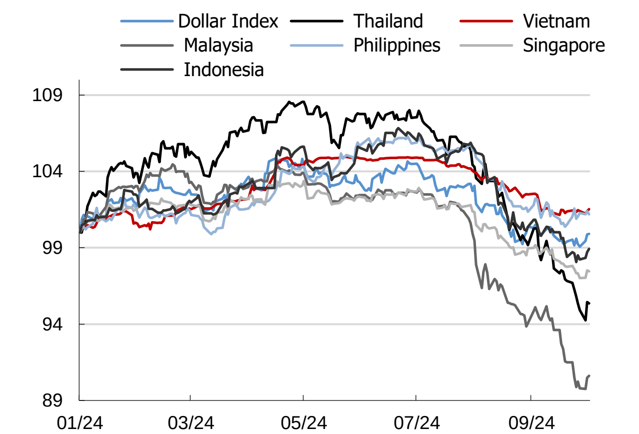
Source: Bloomberg, KIS

3.2. Easing monetary policies support Vietnam

Interest rate adjustments by major central banks affected Vietnam through three main channels: exchange rates, international trade, and investment flows.

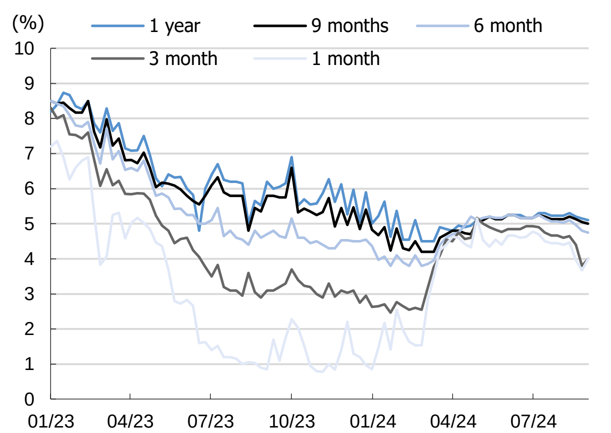
Reduced pressure on exchange rates. The lowering of interest rates by major central banks led to depreciation of their currencies, which helped stabilize the VND exchange rate. For instance, the Fed's rate cut weakened the USD, reducing pressure on the VND/USD exchange rate, giving the State Bank of Vietnam (SBV) more room to stimulate the economy, such as by lowering interest rates. In the past, to maintain exchange rate stability, the SBV had to raise OMO interest rates, which exerted pressure on other interest rates in Vietnam. When exchange rates stabilized or adjusted, the SBV had more tools to support growth.

Figure 10. Exchange rate



Source: Bloomberg, KIS

Figure 11. Deposit interest rates in Vietnam

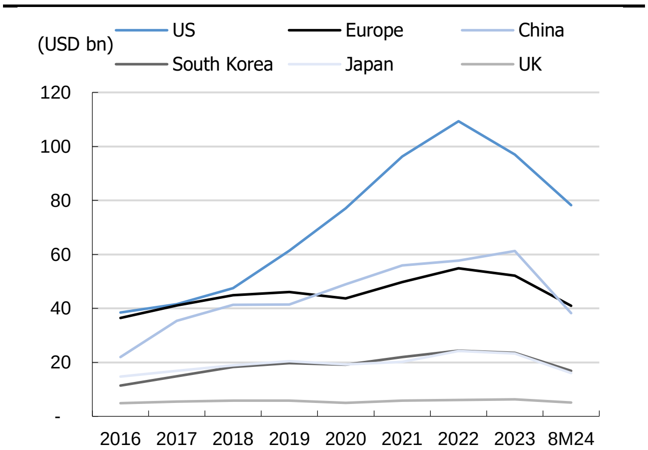


Source: Bloomberg, KIS

Increased trade. Lower interest rates in developed economies stimulated consumption and investment. Lower borrowing costs, including consumer loans, reduced financial pressure on individuals. This increased demand for goods, including export products. Vietnam, as a major trading partner of the U.S. and Europe, benefited from this trend, especially in electronics, textiles, and agricultural products. Furthermore, markets like the U.S. and Europe maintained high import tariffs on Chinese goods, creating additional competitive advantages for Vietnam.

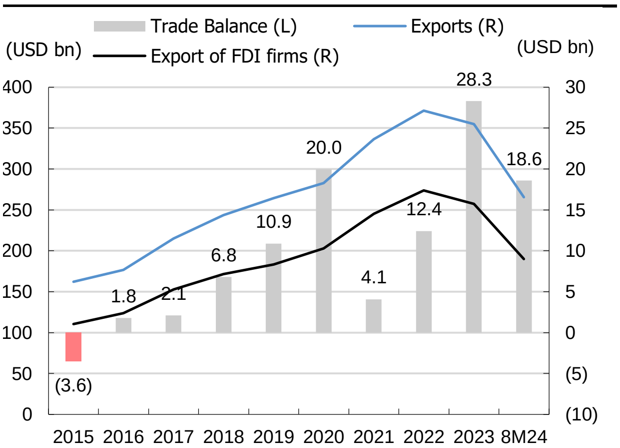
However, the strengthening of the VND against the USD had negative impacts on exports of Vietnam. As a result, the prices of Vietnamese goods increased, potentially making them less attractive. Nevertheless, we believed that this negative effect would be minor compared to the positive impact of increased consumer demand from developed markets as interest rates declined.

Figure 12. Vietnam export by partners



Source: Fiinpro, KIS

Figure 13. Trade Balance of Vietnam

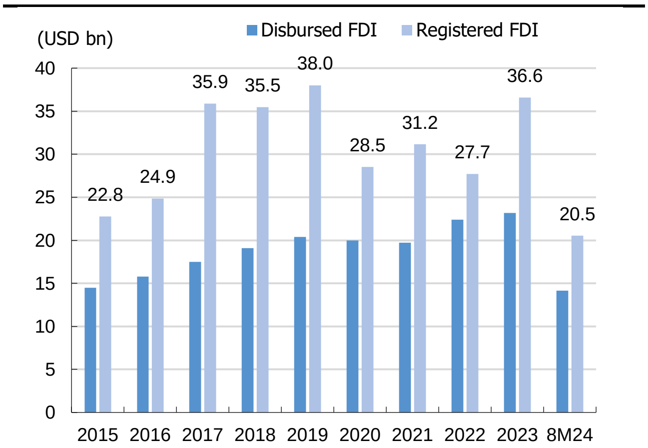


Source: Fiinpro, KIS

Global investment flows increase. Monetary easing policies around the world created low-cost capital flows, which drove both Foreign direct investment (FDI) and foreign indirect investment globally. The U.S.-China trade tensions caused investment flows to become more cautious in selecting locations for setting up factories. Vietnam, as a major trading partner with large economies, emerged as an ideal destination for FDI from developed countries. Evidence of this was seen in the increasing trend of registered and disbursed FDI in recent years, especially in 2024. This capital helped boost the long-term growth of Vietnam's economy.

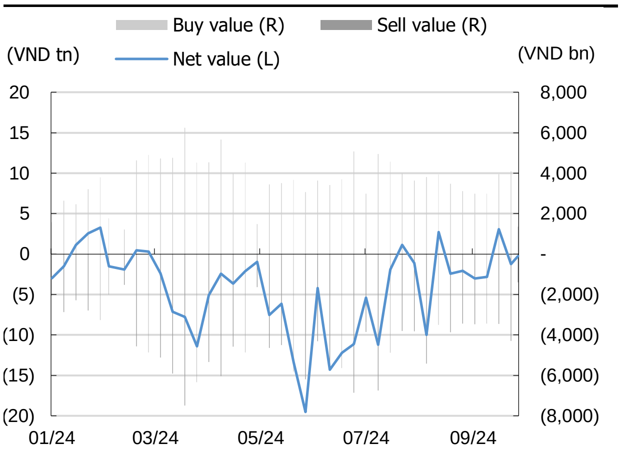
Additionally, indirect capital flows from developed countries shifted toward emerging markets, including Vietnam, to seek higher returns as interest rates in developed countries decreased. These flows helped Vietnam's financial and stock markets maintain their long-term upward trend. Furthermore, the prospect of being upgraded to a secondary emerging market by FTSE in 2025 was another key factor that attracted indirect capital (from both active and passive funds).

Figure 14. Registered and disbursed FDI of Vietnam



Source: Fiinpro, KIS

Figure 15. Weekly net foreign buy/sell



Source: Fiinpro, KIS

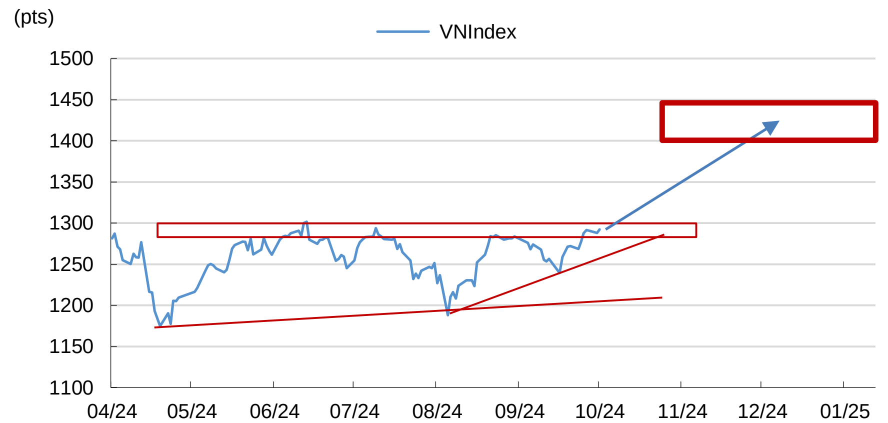
These capital flows showed signs of returning to the Vietna stock market following the Fed's decision to cut interest rates on Sep 19, 2024. Foreign investors returned to net buying with VND1.2tn in the first week. Although they sold VND498bn in the following week (from Sep 23 to 27), this was mainly due to an unusual transaction involving VIB stock, where foreign investors sold VND2.6tn worth of the stock. Excluding this unusual transaction, foreign investors net bought over VND2.1tn during the week. Thus, foreign capital flows showed signs of returning to the stock market.

3.3. The nearest price target of 1,400-1,450 pts

Large triangle pattern. Since Feb 2024, the VNIndex has formed a large triangle pattern with the upper boundary at the 1,290-1,300 pts level, and the lower boundary following the trend line connecting the bottoms of Apr and Aug. The upper boundary serves as a strong resistance for the market at this stage, as the index has failed five times this year to break through this level.

If the index can surpass the 1,300 pts level, this pattern will be confirmed. This is a type of consolidation pattern, so once broken, the upward trend will be validated. The nearest price target for this pattern is in the 1,400-1,450 pts range. Based on current technical signals, we expect the index to break this level and move toward the mentioned price target. Additionally, macroeconomic factors are also supporting this scenario.

Figure 16. Triangle pattern



Source: KIS

II. Economic acceleration search for new dynamics

1. A soft economic mission, but engines lose steam

Based on current growth momentum, we forecast Vietnam's real GDP to grow by 7.10% in 4Q24, although Typhoon Yagi, according to authorities' estimates, could dampen the economic growth with a cut of 0.22ppts in the last quarter of the year. Accordingly, we predict the economic growth to reach 6.90% YoY for 2024.

On the demand side, we expect the external forces, such as exports and FDI investment, to remain favorable to the domestic production although the contribution could be softer. GSO's September economic situation report showed that the impressive performance in exports tend to spread wider in recent months with rather than electronics chains, such as textiles, footwear, and steel, growing faster. Also, local exporters started to dominate the overall performance instead of FDI enterprises. This development could indicate a better performance of listed exporters in 4Q24.

On the downside, we continue to concern the domestic consumption to be depressed further. We predict the total retail sales to slow down in 4Q24 as growing by 6.94% YoY, 1.46ppts-lower than 3Q24. Therefore, we expect inflation to be well-controlled although prices of several agricultural products and global crude oil rose notably in the September late. We predict CPI in 4Q24 to increase by 0.10% compared to September-end, leading the %YoY change rate to reach 2.28 in December.

Figure 17. Quarterly real GDP growth forecasts

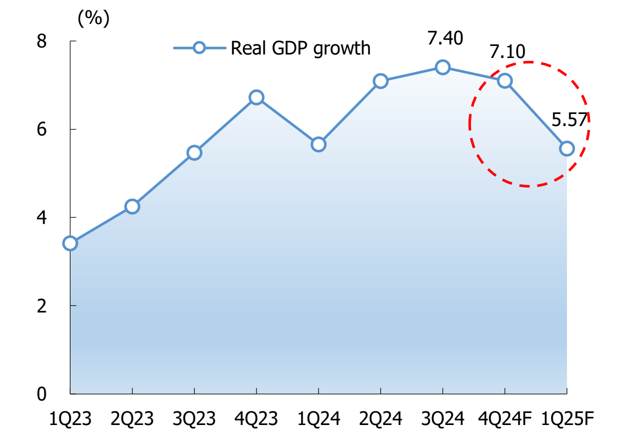
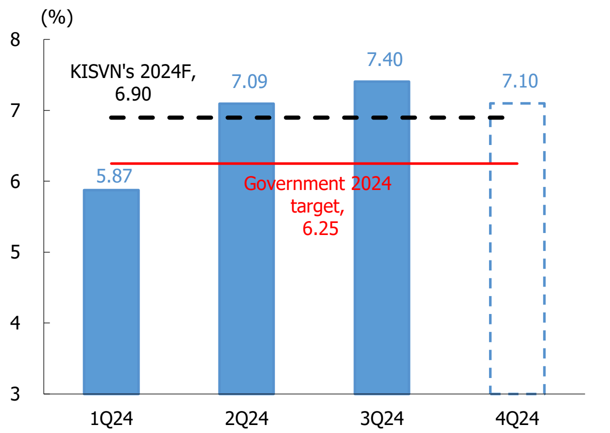


Figure 18. 2024 real GDP growth forecast and the government target



Source: GSO, Bloomberg, KIS

Figure 19. Quarterly exports forecasts

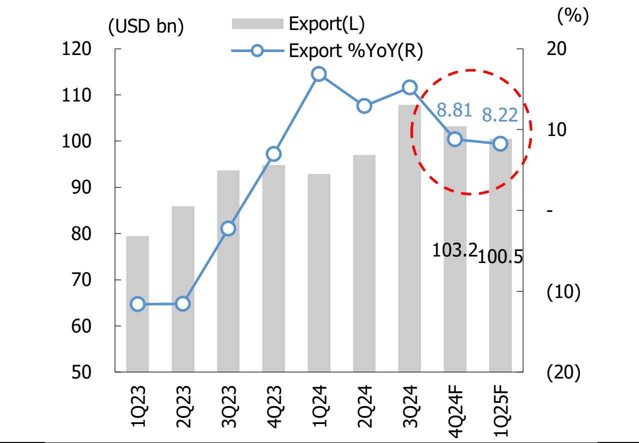
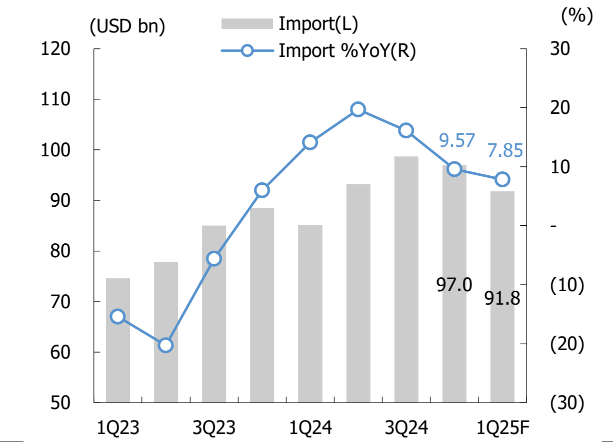


Figure 20. Quarterly imports forecasts



Source: GSO, Bloomberg, KIS

Figure 21. Quarterly retail sales forecasts

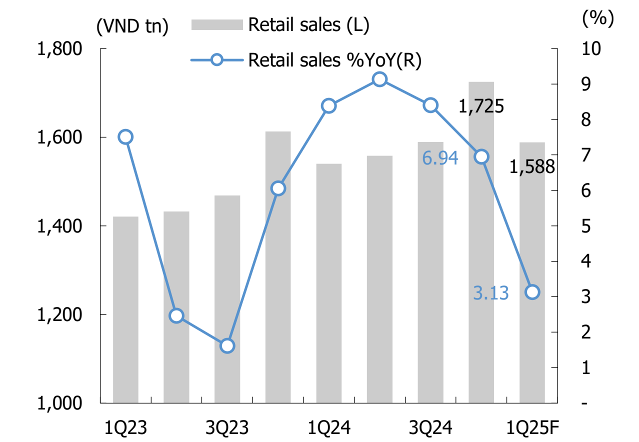
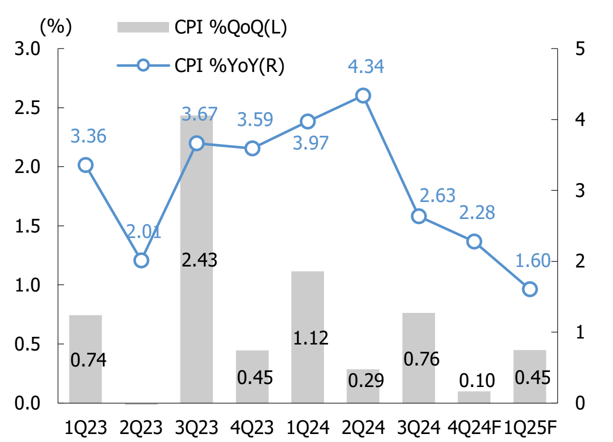


Figure 22. Quarterly inflation forecasts



Source: GSO, Bloomberg, KIS

2. 3Q24: persisted acceleration momentum on exports

GSO's September economic indicators could provide an optimistic sentiment for investors with higher-than-expected economic growth, an impressive export value, a steady FDI disbursement, and soft inflation despite the Yagi typhoon in September was estimated to cause nontrivial economic losses. Most notably, real GDP grew 7.40% YoY this quarter, 0.31 ppts-higher than 2Q24 and 1.31ppts-higher than the market consensus. The 3Q24 economic performance leads government goals, pointed out in the 01/NQ-CP Resolution, to be more achievable. Generally, growth engines remain favorable this month with the expanding export value, especially in the FDI bloc, primarily driving the economic output to accelerate. On the downside, domestic consumption persisted depressed, and Yagi-damaged agricultural and fishery output could put upward pressure on inflation.

Figure 23. Historical GDP growths

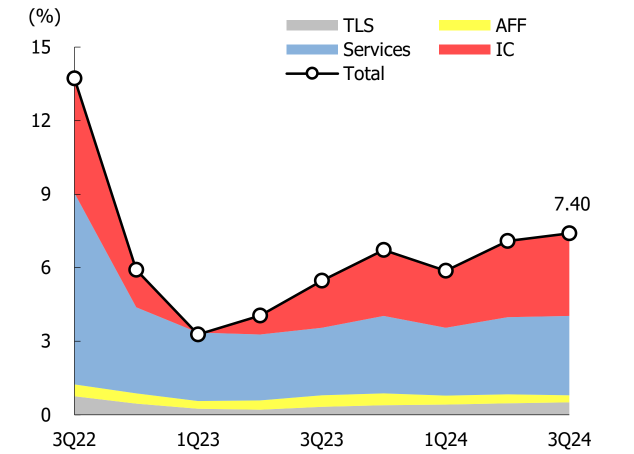
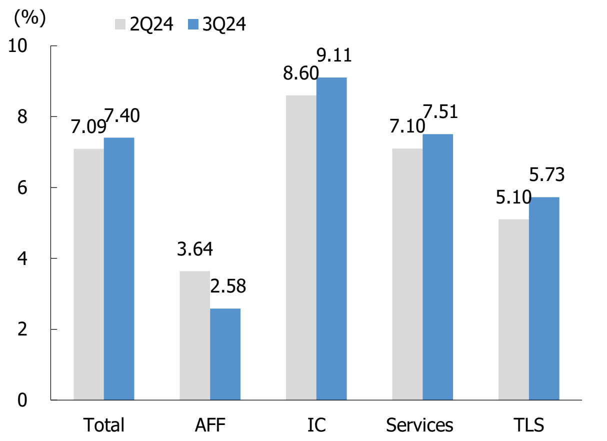


Figure 24. GDP growth by sector



Source: KIS, GSO

Notes: AFF= agriculture, forestry, and fishery; IC = industry and construction; TLS = taxes less subsidies on products.

Exports continue to grow strongly. The September GSO report showed that exports continued their recovery momentum this month, primarily driven by the impressive performance of electronics products. Specifically, export value rose by 10.70% YoY, reaching USD34.05bn. However, the growth rate and value of exports were lower than in August possibly due to the disruptions caused by Typhoon Yagi. According to the latest PMI report, significant declines in new orders within Vietnam's manufacturing sector in September. On the import side, the development was more notable due to strong growth in electronic group, which was mostly used in assembly and export-oriented. Specifically, import values increased by 11.06% YoY, reaching USD31.76bn. The trade balance remained in surplus, however, the surplus level was significantly lower compared to the August, amounting to USD2.29bn this month.

Figure 25. Vietnam's monthly trade balance

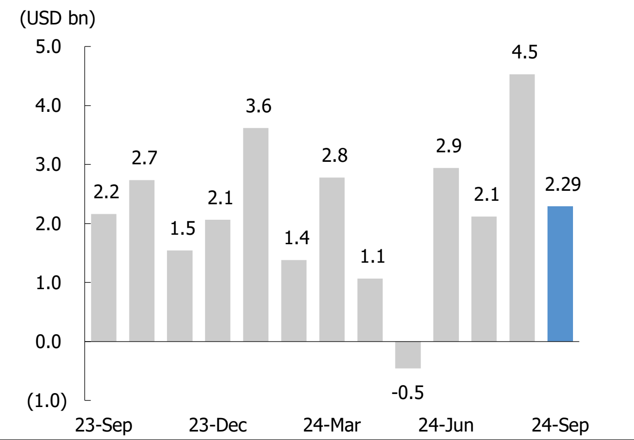
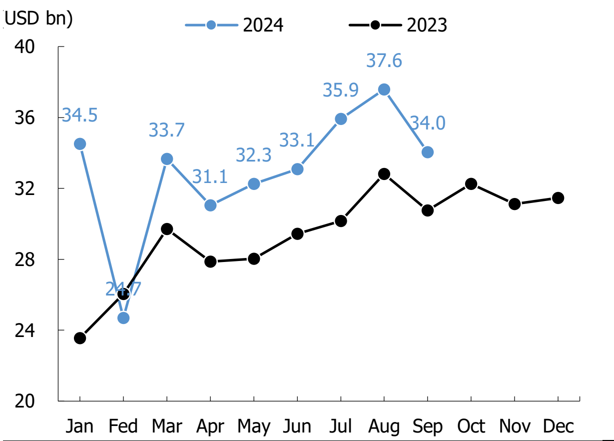


Figure 26. Vietnam's export by month-of-year

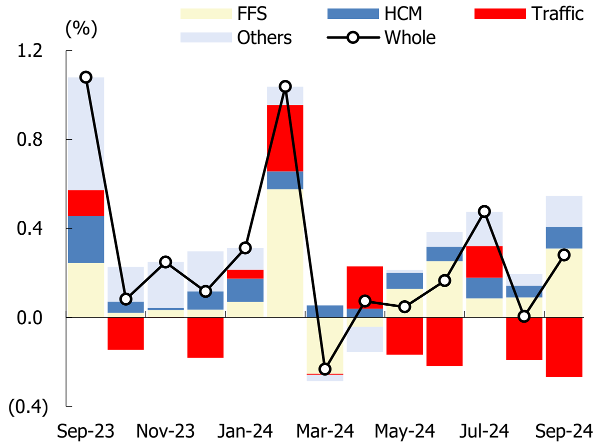


Source: GSO, Vietnam Custom, KIS.

Source: GSO, Vietnam Custom, KIS

Retail sales grow slower and inflation pressure remains mild. According to GSO, revenue from selling goods and services to domestic consumers in September still decelerated, partly due to limited shopping activities under the Yagi typhoon in Northern region. In detail, total retail sales rose by 7.63% YoY (or 1.23% MoM) to reach VND535.8tn this month. The headline CPI increased notably by 0.28% MoM in the context that Yagi damaged the output of agriculture and fishery products. On the upside, rice prices rose by 0.75% MoM and live pork prices edged up by 0.57% MoM due to the supply disruptions caused by storms and flooding. Additionally, adjustments in tuition fee and related materials in the back-to-school season led the education index to increase by 1.21% MoM. Rising rental demand, increases in retail electricity and water prices together resulted in a 0.52% MoM increase in the HCM index. On the downside, the traffic index continued to act as a dampening factor on CPI this month. However, the rising magnitude continued to be much softer than the same period last year, making the % YoY rate to cool down further.

Figure 27. Monthly CPI change and its contributor



Source: GSO, KIS

Table 3. Monthly CPI change by item

Item	Weight (%)	% MoM	% YoY
Food and foodstuff	33.56	0.92	3.94
Beverage and cigarette	2.73	0.03	2.30
Garment, footwear, hat	5.70	0.15	1.17
Housing and construction materials	18.82	0.52	4.37
Household appliances and goods	6.74	0.15	1.17
Medicine and healthcare	5.39	0.05	8.28
Traffic	9.67	-2.76	-5.33
Postal services & telecommunication	3.14	0.08	-0.42
Education	6.17	2.09	1.21
Culture. Entertainment, and tourism	4.55	-0.24	2.03
Other goods and services	3.53	0.25	6.98
Whole	**100.00**	**0.29**	**2.63**

Source: GSO, KIS

Note: shaded items mainly contributed to CPI change this month.

Macro scorecard

	24-May	24-Jun	24-Jul	24-Aug	24-Sep	4Q23	1Q24	2Q24	3Q24	2020	2021	2022	2023
Real GDP growth (%)						6.72	5.66	6.93	7.40	2.91	2.58	8.02	5.05
Registered FDI (USD bn)	1.80	4.13	2.82	2.53	4.26	16.40	6.18	9.01	9.59	28.53	31.15	27.72	36.61
GDP per capita (USD)										3,521	3,725	4,110	4,285
Unemployment rate (%)						2.28	2.24	2.29	2.24	2.48	3.22	2.32	2.26
Export (USD bn)	32.81	33.09	35.92	37.59	34.05	96.53	93.06	98.2	108.6	282.7	335.7	371.85	355.5
Import (USD bn)	33.81	30.15	33.80	33.06	31.76	90.17	84.98	94.0	99.7	263	331.1	360.65	327.5
Export growth (%)	15.84	10.52	19.11	14.54	10.70	8.80	16.98	13.59	15.82	7.02	18.74	10.61	-4.4
Import growth (%)	29.90	13.12	24.73	12.38	11.06	8.01	13.88	20.65	17.19	3.81	25.9	8.35	-8.9
Inflation (%)	4.44	4.34	4.36	3.45	2.63	3.54	3.77	4.39	3.48	3.24	1.84	3.15	3.25
USD/VND	25,458	25,458	25,320	24,860	24.093	24,260	24,786	25,458	24.093	23,126	22,790	23,650	23,784
Credit growth (%)	14.0	15.3	15.1	14.9	14.6	10.82	11.6	13.5	15.3	12.17	12.97	12.87	11.09
10Y gov't bond (%)	2.86	2.81	2.79	2.83	2.66	2.23	2.59	2.81	2.66	2.01	2.11	5.08	2.39

Source: GSO, Bloomberg, FIA, IMF

III. Earnings season event

In 3Q24, several sectors showed signs of recovery and growth. The banking sector saw strong credit growth and improving NIMs, while non-performing loans remained under control. Pangasius and shrimp exports rebounded, with strong volume growth in key markets, though prices faced pressure from global oversupply. Retailers, particularly in ICT, jewelry, and grocery sectors, benefited from rising consumer demand, with key players expanding aggressively. In software and services, companies like FPT showed double-digit growth, driven by AI and data centers. Oil and gas experienced a seasonal slowdown, while hydropower and renewable energy performed strongly. Steel demand was robust amid price pressures, with positive long-term prospects due to construction activity and policy support in China.

1. Industries overview

Industry	Theme	Investment points
Banking	Keep the recovery momentum	3Q24F: Double-digital growth in 3Q24 from a low base 3Q24 thanks to (1) higher credit growth and the NIM improvement; (2) gradually well-controlled NPLs. Credit growth was 7.38%YTD as of 17 Sep 2024, higher than the same period of 5.73%YTD. NIM improvement resulted from remaining reasonable COFs. 4Q24 Credit growth could accelerate and be higher than 4Q23 on expectations of gradual economic revivals and more favorable business conditions, supported by corporate and retail loans. Despite an increase in non-performing loans again in 1H2024, we expect this situation to improve amid better business conditions. SBV also intends to implement a debt restructuring scheme for clients affected by storms between September 7, 2024 and December 31, 2025.
Pangasius	A robust growth trajectory	In 3Q24F, export volume could soar thanks to the gradual demand revival in key markets. However, pangasius ASPs only keep reviving in the US markets, meanwhile the Chinese and EU markets are still less catalyst for growth. The gross margin could slightly edge up; it is supported by lower input costs (aqua feed prices); Particularly, the US market will likely be on the growth track, it is attributed to gaining higher fish fillet market compared to other fishes. In contrast, the China and EU could show a slower pace of recovery due to an intense competition in the short-term; In 2025F, the prospects could become brighter and we expect that it will likely enter to an up-cycle, based on the expectations of supply-demand imbalances. Particularly, raw pangasius supply may be shrinking in 2025F due to the contraction on farming areas. Alongside this, pangasius demand in key market (US, EU and China) will likely become more favorable. Stock pick: VHC (Trade), ANV (Hold)
Shrimp	A robust growth trajectory	Export volume plays a key catalyst for growth of this industry; In 3Q24F, shrimp export volume could witness a rosy growth, but shrimp average selling prices (ASPs) still remain at a low level in key markets. The glimmer prospect of shrimp ASPs is attributed to oversupply of global shrimp markets in 2024, especially Ecuadorian shrimp.

		Alongside this, raw shrimp prices have recently rebounded which could impact on GM of processing enterprises in 3Q24F in context of low shrimp ASPs, but these companies possess large-farmed self-farmed areas that could minimize this risk; In 2025F, we expect that the key growth driver still relies on export volume, while shrimp ASPs will need more time for global shrimp inventories ease to low levels, thereby supporting a recovery in export ASPs. Stock pick: FMC (Hold) In 3Q24F, the ICTCE retailers would continue to benefit from the recovery of consumer demand, in which sales of laptops and mobile phones would be the main driver. NPAT would recover thanks to the expansion of gross margin (due to the ease of the price war). Similarly, Jewelry retailers would also see the recovery of demand for Jewelry Retail. However, they have to face the rising raw gold prices due to the raw gold shortage, which would affect Jewelry Retail's gross margin. We expect discretionary would continue to benefit from the recovery of demand in 2025F. In 3Q24F, minimarts would continue to be the key driver for grocery retail in Vietnam, in which BHX started to expand after a long wait. In 2025F, we expect BHX to expand more quickly due to the low penetration of modern grocery retail channel in Vietnam. In 3Q24F and 2025F, Long Chau would continue to expand to maintain their leading position with about 100 new pharmacies and 25 vaccine centers each quarter. Stock pick: MWG (Trade), PNJ (Trade), DGW (Hold), FRT (Hold)
Retail	Into the expasion phase	
Software & Services	High growths with highlights on AI / Data Centers	In 3Q24F, FPT would continue to experience strong growth in both total revenue and NPAT. A double-digit growth of registered revenue would ensure a high growth for FPT in upcoming quarters. The Data Centers segment is also bustling since key players such as Viettel, FPT and foreign players plan to build or put into operations new projects in upcoming quarters. However, we pay attention to the possibility of the outflow from the global Tech stocks (especially in the US) due to the concern of the US recession and AI trend, which could create a negative sentiment for Tech stocks in Vietnam. Stock pick: FPT (Hold)
Oil, Gas & Consumable Fuels	Rretreats on low season	Natural gas volume will be hit hard as it enters the low season in 3Q24F, we forecast that total volume can decline by 16% yoy, driven by the record low demand of Power plants. Volume to Fertilizer and Industrial customers is projected to go flat in 3Q24F. Gas price for Power plants may rise by 7%, despite global price declined because of low supply capacity, that led to mobilization from expensive sources like Sao Vang Dai Nguyen LNG may not contribute significantly in 3Q24F Stock pick: CNG (Trade)

Energy Equipment & Services	On the growth trend	Restricted supply and high demand in the Southeast Asia will continue to support drilling day rates in the region Suspended rigs in the Middle East seems not to move to SEA to compete for drilling jobs Stock pick: PVD (Hold)
Airlines	Oil prices drop is good for profits growth	Airfares remain high due to capacity shortage while fuel price soften which led to higher GPM and OPM in 3Q24 VJC planned to received 7 jets in 4Q24, Airlines are confident that traveling demand is still strong Stock pick: VJC (Trade)
Power	The comeback of Hydropower	Production electricity consumption in 3Q24F growth 9% yoy thanks to economic recovery, which is shown through the PMI and ex-import value. In 3Q24F, the hydropower improves significantly increase 34% yoy due to La-Niña phase gets stronger and the effect of the Yagi storm. Furthermore, the production from renewable energy groups is on the positive trend, with at 10bn kWh (+13% yoy), accounting for ~12% of the system. Conversely, coal-fired power plants experienced a decrease of 29 bn kWh (-7% yoy). Even worse, the capacity of gas-fired power plants dropped to 4.1 bn kWh (-29% yoy). Stock pick: QTP (Hold), POW (Trade), NT2 (Hold), REE (Trade)
Steel	Strong Demand Amid Price Pressures	'Demand for steel products remained strong, driven by (1) the rebound in domestic construction activity and (2) robust demand for coated steel products both domestically and internationally. However, external pressures have weighed on selling prices, limiting both revenue growth and gross margins in the 3Q24F. In 4Q24F, steel demand is expected to surge in the Northern region as reconstruction efforts begin following storm Yagi. In September, Chinese authorities introduced a series of policies aimed at revitalizing the country's weakened real estate market. This has significantly boosted steel commodity prices, which could further support gross margin expansion for the industry. Looking ahead to 2025F, we anticipate brighter prospects for the steel industry as domestic construction activity returns to full strength and demand from Europe and North America remains solid. As China seeks to rebalance its steel supply and demand, we could see more stable selling prices. Stock pick: HPG (Buy), HSG (Trade) NKG (Trade)

2. Stock picks

No	Stock	Industry	Rev 3Q24	yoy	qoq	NPAT 3Q24	yoy	qoq	Investment points
1	**BID**	Banking	20,587	15.1	1.8	5,905	24.9	(9.5)	Keep strong profit growth from a low base 3Q23 thanks to (1) higher credit growth and NIM improvement and (2) remained good asset quality amid the economic recovery.
2	**TCB**	Banking	12,977	24.6	(3.3)	5,708	22.3	(9)	- Benefits from the recovery of the real estate market, corporate bonds market and the economy - TCB's credit growth was higher than the industry's credit growth, Improvement in NIM and net fee incomes, and expected controllable bad debts under better market conditions.
3	**VCB**	Banking	18,145	15	8.3	8,272	13.7	1.8	- The economic prospects in 2h2024F could improve, lifting the credit demand and a recovery in fee incomes from domestic and export activities. NIM could gradually recover amid the remaining ~~resonable~~reasonable COFs - Control in operating expenses - Remaining asset quality and prudent risk appetite with a high provision buffer.
4	**ANV**	Pangasius	1,304	18.7	9.3	72	6,829	back to be positive	- Pangasius export volume surges due to low selling prices strategy to push export ~~oders~~orders; - Facing to glimmer consumption and fierce competition in Chinese market (ANV's key market), ANV's pangasius ASPs have less catalyst for growth in short-term; - However, gross margin will likely expand thanks to lower ~~aquafeed~~aqua feed prices.
5	**FMC**	Shrimp	2,067	15.3	66.3	110	23.2	31.9	- Export orders are expected to improve in 2H24F thanks to (1) demand revival in key market (Japan, US and EU), (2) Ability to supply a larger volume of raw shrimp, ensuring export orders; - Shrimp ASPs slightly improve, but remaining at low level due to (1) A reasonable pricing strategy to boost orders, (2) Global shrimp supply pressures remain high; - However, gross margin could inch down due to higher prices of outsourced raw shrimp.
6	**IDI**	Pangasius	1,714	(2)	(11.6)	24	2.5	21.4	- Weak pangasius exporting to Chinese drags on IDI's top line growth, but the Mexican market partially compensates for glimmer prospect of Chinese market; - The lower raw pangasius costs are a good catalyst for gross margin rebound in 3Q24F. As such, NPAT growth edge up vs. to 3Q23.

7	**VHC**	Pangasius	3,345	24	4.7	358	78.2	5.3	- Pangasius fillet products maintain a rosy growth thanks to the strong resurgence of the US market in both export volume and pangasius ASPs. Meanwhile, the EU and Chinese markets still drag on the hardship; - Collagen & Gelatine revenue could surge thanks to the contribution of new capacity, along with high demand for foodservice and healthcare sectors; - Gross margin slightly expand based on (1) lower aqua feed prices, and (2) pangasius ASPs to US market inches up.
8	**VNM**	Beverages	16,773	7.3	0.7	2,744	8.3	1.8	- Total revenue would grow (but being lower than the abnormal level in 2Q24) in both domestic and oversea markets, fuelled by (1) the continuing recovery of purchasing power and (2) gained market share from the brand restructure campaign. - Gross margin would maintain at a high level similar to 2Q24 since VNM has locked 90% of its raw materials (such as skim milk powder and whole milk power) at a lower price compared to last year. - We expect that VNM would boost the marketing campaign for the new "baby formula milk" in 4Q24F, hence SG&A margin would be maintained in 3Q24F.
9	**SAB**	Beverages	7,452	0.5	(7.8)	1,206	12.3	(8.6)	- Total revenue would stayed flat in 3Q24F since the total beer production in Vietnam was still gloomy. However, compared to the previous quarters, we see that the decline trend has been narrow, especially on a monthly basic. - We expect the beer production level would rise positively in 4Q24F due to (1) the continuing recovery of purchasing power and (2) a higher demand for the AFF Cup 2024 and sooner 2025 Lunar New Year. - Gross margin would be maintained (lower raw material costs would be used in 2025) but SG&A margin would rise slightly due to the introduction of the "333 Pilsner" beer.
10	**HPG**	Steel	33,955	19.2	(14.2)	2,435	21.7	(26.6)	- Sales volumes continued to show healthy growth in both domestic and export markets. Domestic sales, in particular, maintained stable growth throughout July and August. - Export sales experienced a notable recovery in August, driven by two key factors: (1) a sharp increase in demand for hot-rolled coils (HRC) in the ASEAN market as prices hit a low point in mid-August, and (2) a rebound in rebar exports as Singaporean traders replenished their inventories. - However, gross margins may face slight pressure due to (1) competitive pricing pressures from Chinese competitors, and (2) the company has yet to fully benefit from the recent drop in input costs.
11	**HSG**	Steel	10,319	27.3	(4.8)	340	(22.7)	24.4	- Domestic demand growth slightly declined due to the diminishing effect of last year's low base. -Export markets emerged as a key growth driver, with demand rebounding in North America and ASEAN regions. - Export average selling prices (ASPs) dropped, particularly in ASEAN markets, which may negatively impact gross margins in 3Q24F

12	**NKG**	Steel	5,009	17.5	(11.5)	194	720	(11.7)	- Export sales returned to a growth trajectory as sales volumes in the European market improved. -YoY domestic sales growth slowed down due to (1) a QoQ decline caused by the slowdown in the construction activities due to the raining season and (2) no longer benefited the previous year's low-base effect. -While domestic remained stable, export price dropped in keys markets of Europe and N. America may restrict 3Q24F gross margin.
13	**GAS**	Gas Utilities	22,427	1.4	(25.4)	2,396	(0.3)	(29.9)	- Natural gas: Volume may decline by 16% yoy, driven by lower consumption in Power plants during low season. Selling price may rise by 7% yoy, in contrast with FO price. - LPG: Revenue from LPG may see a boost in 3Q24F thanks to the growth of selling price, as CP price may increase by 23%. Volume may remain high at 800 thousand tonnes, which will compensate for the declines of Natural gas segment.
14	**NT2**	Power	1,766	116.3	(19.2)	(65)	less loss	(153)	- Revenue may record VND 1,766bn (+116% yoy), primarily driven by (1) the FMP estimated at VND 1,311/kWh (+21% yoy) along with (2) significant production volume growth. - The gas price in 3Q24F is expected to remain high, reaching 9.5 USD/mm BTU (+2% yoy) and financial costs are projected to rise by 70% yoy, pressured to the NT2's gross margin
15	**POW**	Power	6,902	21.5	(26.4)	548	946.2	24.1	- Support from improve production electricity, specifically: Hydropower increase due to the La-Nina return; Gas-fired power estimated increase 63% yoy due to Phu My 3 has expired contract and the Phu My 2.2 begins its overhaul. - Positive support from a 21% increase in electricity selling prices in 3Q24F
16	**QTP**	Power	2,411	(3.8)	(33.5)	(78)	(770)	(148.2)	- Business results could be decrease slight when revenue of VND2,411bn (-4% yoy) due to pressure from the alpha coefficient in the contract output of thermal power plants in 2024 has decreased to 70% (compared to 80% in 2023). - The coal price is likely to increase by 15% yoy, interest expenses decrease ~VND30bn per quarter. However, this positive factor is unlikely to offset the sharp decline in the gross margins in 3Q24.
17	**REE**	Power	3,245	65.4	48.8	866	86.2	115	- The strong growth is driven by the efficient performance of the company's segments; - Power: Growth is primarily driven by (1) the hydropower group benefiting significantly from the transition to La-Niña. - M&E: Expected increase in air conditioner sales (+56% yoy) as Q3 coincides with the summer vacation period. - Real estate: Positive outlook thanks to the recognition of sales revenue and profit from the Light Square and Etown 6 projects

18	**CNG**	Oil, Gas & Consumable Fuels	820	4.4	(2.4)	38	28.1	(14.8)	- Volume may flat yoy, reaching 62mn Sm3 owing to mixed prospects customers: overall manufacturing and steel are better, but tiles are expected to remain sluggish. - GPM is projected to reach 10.1%, vs 10.8% of 2Q24 and 9.1% of 3Q23. - LNG distribution may not have significant impacts in 3Q24F.
19	**PVD**	Energy Equipment & Services	2,329	68.6	2	160	20.4	21	- Higher workload: there will be 7.67 rigs active in 3Q24F (including 6 owned rigs and 1.67 leased rigs, versus last year with 6 owned rigs and no leased rigs and last quarter of 7 rigs). - Higher average day rates: day rates are supported by restricted rig supply and high drilling demand in Southeast Asia. PVD's average day rate can exceed USD100,000/day in 3Q24F
20	**DGW**	Retail	6,115	13	22.1	110	6.5	25.6	- Total revenue would rise at a double-digit in 3Q24F, which is driven by (1) sales of laptops in the "Back to School" season and (2) sales of older mobile phone versions before the release of iPhone 16. - Gross margin would be maintained while SG&A margin would stay at a high level (similar to 2Q24) to support sales in the current unrecovered demand.
21	**FRT**	Retail	10,286	24.9	11.3	114	back to be positive	135	Total revenue would grow by a double digit thanks to (1) the expansion of Long Chau and (2) the recovery of FPT Shop. Specifically, Long Chau would open about 100 pharmacies and 25 vaccine centres, while sales of laptops and mobile phones would be the main recovery driver for FPT Shop. NPAT would be higher than in 2Q24 thanks to (1) a larger contribution of Long Chau and (2) lesser loss of FPT Shop and (3) a lower one-off expenses from FPT Shop's store closing.
22	**MWG**	Retail	33,922	12	(0.6)	1,102	2,739	(6)	- Total revenue would continue to grow in 3Q24F thanks to (1) the sales of laptops and mobile phones (TGDD&DMX) and (2) fresh food and FMCG products (BHX). - BHX would open about 35 stores in 3Q24F while maintaining monthly sales per stores at VND2.1bn. Meanwhile, the mass closure of TGDD and DMX would not have a significant impact on total sales. - NPAT would recover from the low base due to the expand of gross margin (due to the ease of price war). Notably, with about 250 closured stores, we expect MWG would continue to recognize a notable one-off expenses in 3Q24F.
23	**PNJ**	Retail	6,952	0.5	(27)	214	(15.5)	(50)	- Total revenue would stay flat in 3Q24F due to (1) the drop in sales of Gold 24K due to the intervention of SBV and (2) the rise in sales of Retail Gold - reflecting the continuing recovery of consumer demand. - Gross margin of Retail Gold is expected to decline due to (1) higher raw gold price due to the shortage of raw gold materials as consumers want to hold Gold amid the surge of Gold price and (2) PNJ is still not able to increase the selling prices yet amid the off-peak season (hence lack of new collections) and the weak demand of consumers.

									- Hence, NPAT would decline by a double-digit in 3Q24F.
24	**HVN**	Airline	25,797	9.5	4.9	1,049	back to be positive	9.3	- Higher airfares and new jets put into operation in 3Q24 increase capacity vs 1H24, stronger passenger arrivals boosted subsidiaries' revenue -> revenue growth - Lower jet fuel also help increase profits and GPM
25	**VJC**	Airline	16,424	15.4	1.1	792.6	1,329.1	168.4	- Flights in Jul and Aug decrease at faster rate than in 2Q24 -> Revenue growth slowed down vs 2Q24 - Lower jet fuel also help increase profits and GPM
26	**FPT**	Software & Services	16,600	20.6	8.9	2,668	28.5	16.6	- Total revenue / NPAT would continue to grow by a double-digit in 3Q24F, which is driven by the Technology segment (especially in the Japan and APAC markets). - Registered revenue would continue to grow at a double-digit, which would ensure that FPT would continue to grow strong in the upcoming quarters. - Gross margin and SG&A margin would be maintained since FPT does not be affected by the seasonality or commodity prices. The fluctuation of VNDJYP does not have a significant impact on FPT due to its high growth and diversified markets.

VIET NAM
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)
KIS Vietnam Securities Corporation
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.
Fax: 8428 3821-6898

SOUTH KOREA
YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320
Fax: 822 3276 5681~3
Telex: K2296

NEW YORK
DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)
Korea Investment & Securities America, Inc.
1350 Avenue of the Americas, Suite 1110
New York, NY 10019
Fax: 1 212 314 0699

HONG KONG
DAN SONG, Managing Director, Head of HK Sales (dan.song@kisasia.com +852 2530 8914)
GREGORY KIM, Sales (greg.kim@kisasia.com, +822 2530 8915)
Korea Investment & Securities Asia, Ltd.
Suite 2220, Jardine House
1 Connaught Place, Central, Hong Kong
Fax: 852-2530-1516

SINGAPORE
ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)
Korea Investment & Securities Singapore Pte Ltd
1 Raffles Place, #43-04, One Raffles Place
Singapore 048616
Fax: 65 6501 5617

LONDON
Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)
Korea Investment & Securities Europe, Ltd.
2nd Floor, 35-39 Moorgate
London EC2R 6AR
Fax: 44-207-236-4811