

Strategic Insight

A challenging phase

Sideway in the short-term

Despite signs of recovery in the last three sessions of the month, the VNIndex rebound was insignificant, ending -1.82% MoM. Additionally, the HNXIndex and UPCOMIndex followed a similar trend, declining by 3.64% and 1.26%, respectively. Liquidity for the month remained low, indicating weak capital inflow into the market. Furthermore, Energy and IT experienced the deepest declines, followed by the Brokerage.

Challenges of amid Donald Trump's tenure

Donald Trump's re-election may initially negative impact on Vietnam's export in short term as his administration plans to impose a 10% tariff on imported goods, significantly affecting Vietnam's key sectors like electronics, textiles, and seafood. However, the shift in global manufacturing away from China due to high U.S. tariffs could benefit Vietnam in the longer term.

Global monetary easing

Global monetary easing should boost investment in Vietnam. Central banks worldwide, including the Fed and ECB, have implemented monetary easing, promoting low-cost capital flows from developed markets to emerging ones like Vietnam. Additionally, the possibility of Vietnam's upgrade to FTSE's Secondary Emerging Market status in 2025 enhances its appeal, supporting sustainable stock market growth over time.

Long-term uptrend in the stock market

We believe the Vietnamese stock market will maintain an uptrend in the medium and long term based on (1) the shift in global manufacturing away from China due to high U.S. tariffs and (2) global monetary easing. Therefore, the VNIndex will soon surpass the 1,300-point level and move toward a price target of 1,400-1,450 pts.

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I. Sideway in the short-term

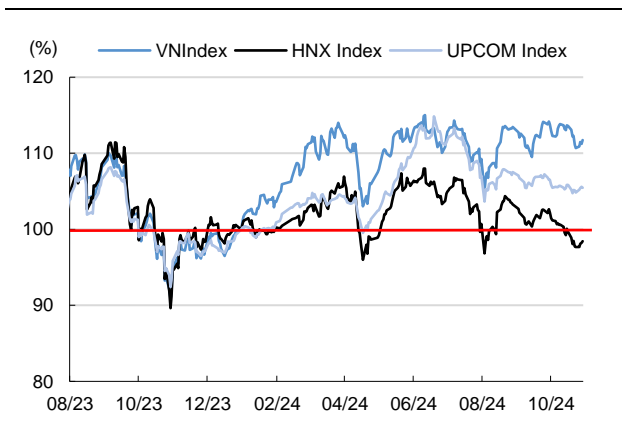
1. Adjustment phase

The market started Oct with four consecutive declining sessions, mainly due to investor profit-taking pressure and escalating geopolitical tensions in the Middle East, which led to cautious investor sentiment. Consequently, gold and the U.S. dollar emerged as safer assets for investors. However, the situation improved towards the end of Oct with three consecutive gaining sessions.

At month-end, the VNIndex dropped by 1.82% MoM, while the HNXIndex and UPCOMIndex fell by 3.64% MoM and 1.26% MoM, respectively. In terms of market capitalization, selling pressure primarily focused on large-cap and small-cap stocks, causing the VN30Index and VNSMLIndex to decrease by 1.03% MoM and 0.36% MoM, respectively. In contrast, cash flow shifted towards mid-cap tickers, helping the VNMIDIndex rise by 0.28% MoM.

Several bright spots can support the market in the remaining months of the year, such as, (1) the possibility of the Fed continuing to lower interest rates in Nov, and (2) the expectation that Vietnam could be upgraded to a secondary emerging market in 2025.

Figure 1. Vietnam indexes performance



Source: FiinproX, KIS Research
Note: start of 01/24 = 100

Figure 2. Growth of key indexes of HOSE



Source: FiinproX, KIS Research
Note: start of 01/24 = 100

2. Earnings reports impact sectors

In Oct, the VNIndex received solid support from Vietnam's macroeconomic performance, as key indicators like GDP and FDI showed strong growth. Nonetheless, the VNIndex faced several growth challenges, including (1) cautious investor sentiment ahead of the upcoming U.S. presidential election, (2) Foreign were still strong net buying, with MSN and VIB being the two most heavily sold stocks.

Real Estate recorded a decline of 2.60% MoM due to (1) News of investigations into several large companies, which led to cautious investor sentiment and sell-offs, (2) Reports of declining business performance and reduced profits. In addition, Brokerage experienced a sharp drop of 5.74%, due to (1) A decrease in revenue and profit in the 3Q24 reports of top securities companies, (2) Losses from the listed stock segment at several securities firms, (3) News of investigations and penalties for violations at certain securities firms.

Banking dropped by 0.71%, due to (1) Weaker-than-expected 3Q24 earnings reports for several banks, (2) Negative rumors affecting the stock prices of some banks, causing significant drops.

Table 1: Indices and Sectors performance

No.	Indices/ Sectors	Market Cap (VND tn)	Market Cap Weight (%)	Growth Rate by Month in 2024							2024 YTD	2023	2022
				Oct	Sep	Aug	Jul	Jun	May	Apr			
a. Market Indices													
1	VNINDEX	5304.9	75.1	(1.8)	0.5	2.6	0.5	(1.3)	4.3	(5.8)	14.2	12.0	(32.6)
2	HNX Index	306.3	4.3	(3.6)	(0.8)	0.9	(0.9)	(2.3)	7.2	(6.5)	2.0	11.9	(56.4)
3	UPCOM Index	1457.0	20.6	(1.3)	(0.3)	(0.9)	(2.5)	1.7	8.0	(3.1)	7.9	22.8	(37.1)
4	VN30 Index	3727.4	52.7	(1.0)	1.6	2.5	1.6	0.2	2.9	(4.3)	19.5	12.2	(34.3)
b. Sectors													
1	Banks	2077.5	29.4	(0.7)	3.1	2.8	4.8	(1.7)	(0.8)	(4.6)	24.6	19.5	(16.9)
2	Others	1326.2	18.8	5.3	(3.2)	(1.9)	(9.4)	18.5	21.1	8.5	71.5	12.4	(29.1)
3	Real Estate	700.5	9.9	(2.6)	0.5	5.5	(0.1)	(3.0)	1.9	(9.0)	0.3	0.7	(35.4)
4	Materials	494.1	7.0	(2.7)	1.4	(0.2)	(3.2)	(1.0)	12.9	(8.1)	26.7	47.7	(48.2)
5	Food & Beverage	444.9	6.3	(2.4)	(1.4)	2.5	1.8	(0.8)	7.0	(5.8)	5.8	(10.2)	(15.0)
6	Utilities	298.4	4.2	(3.4)	(6.5)	1.9	0.3	0.9	10.0	(7.2)	2.4	(0.6)	(0.7)
7	Capital Goods	310.5	4.4	(2.7)	(0.3)	(0.4)	(1.7)	(2.8)	11.6	(8.3)	9.0	49.5	(45.9)
8	Financial Services	238.1	3.4	(5.7)	1.6	5.9	(4.5)	(6.7)	7.1	(11.7)	10.9	100.9	(62.5)
9	Transportation	235.8	3.3	2.8	(0.8)	0.8	(9.5)	6.0	17.4	6.3	23.5	11.2	(22.1)
10	Energy	181.8	2.6	(8.6)	(2.5)	3.9	6.9	(2.6)	17.9	(4.9)	23.7	34.2	(37.8)
11	Software & Services	207.6	2.9	1.1	(0.6)	4.3	(1.9)	10.7	10.8	5.9	57.9	46.1	(2.4)
12	Retailing	126.8	1.8	(2.1)	(2.9)	8.1	1.1	(0.5)	13.4	6.1	57.3	15.5	(26.5)
13	Insurance	63.9	0.9	1.4	(5.2)	(0.4)	(3.8)	0.9	14.2	(5.4)	6.9	(5.5)	(16.3)
14	Consumer Durables	60.3	0.9	(3.1)	(2.4)	2.2	1.4	0.1	6.4	(5.1)	18.1	7.7	(7.2)
15	Pharmaceuticals	44.2	0.6	(1.9)	3.1	(1.2)	8.3	2.5	9.5	(0.4)	45.5	23.8	(18.2)
16	Technology	10.5	0.1	(7.3)	(0.8)	3.5	(2.8)	(5.3)	10.0	(10.2)	15.6	32.6	(42.5)
17	Commercial Services	10.0	0.1	1.8	1.1	(3.8)	0.6	4.5	5.7	(2.8)	13.7	23.2	(14.2)
18	Automobiles	7.9	0.1	(9.8)	(4.6)	(2.1)	(6.7)	(1.0)	21.1	(5.1)	25.3	15.1	(26.9)
19	Consumer Services	6.7	0.1	(1.9)	(2.4)	(3.2)	(5.6)	4.9	4.5	(4.9)	(3.1)	(7.7)	(13.6)
20	Household Products	3.9	0.1	(5.5)	(1.8)	(6.3)	7.2	(0.4)	10.3	1.4	39.0	37.2	(20.6)
21	Health Care	3.7	0.1	1.6	(3.2)	1.3	(3.3)	10.8	5.4	(10.2)	17.4	(6.4)	(34.4)
22	Media & Entertainment	2.8	0.0	8.0	0.4	(4.4)	2.2	1.2	0.2	(8.9)	(20.9)	78.8	(52.9)
23	Telecommunication	2.2	0.0	2.4	4.7	(2.4)	(3.1)	8.9	15.3	(5.6)	29.2	(21.8)	(58.7)

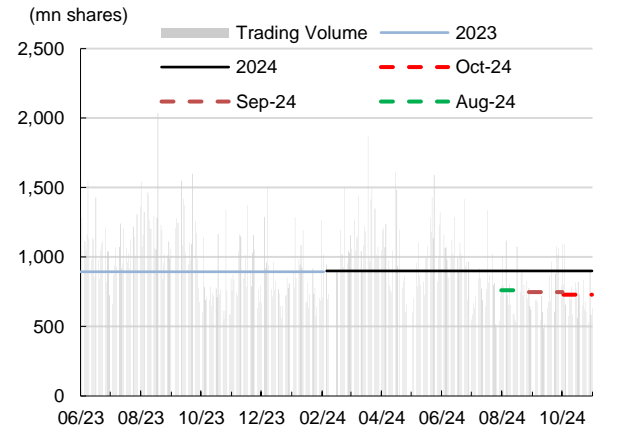
Source: Bloomberg, KIS Research

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

3. Liquidity dropped notably

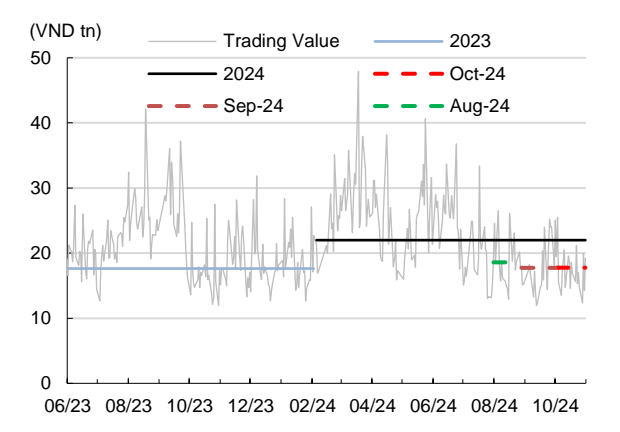
Liquidity remained lacking as trading volume continued to decline, mainly due to increasingly cautious investor sentiment about the market's short-term outlook. Furthermore, the lack of cash inflow had led to a severe drop in market liquidity. Accordingly, the average trading volume and the average value remained almost unchanged in Oct was 745 million shares/VND17,763tn.

Figure 3. Trading volume and Average volume in 2024



Source: FiinproX, KIS Research

Figure 4. Trading value and Average value in 2024



Source: FiinproX, KIS Research

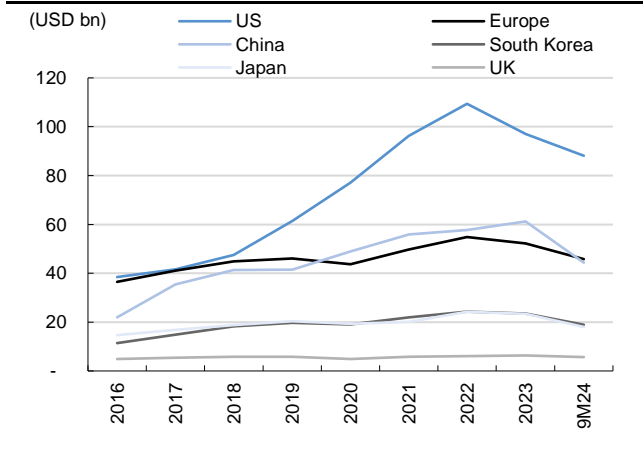
II. Long-term uptrend in stock market

1. Challenges of amid Donald Trump's tenure

Donald Trump's tenure in the U.S. may initially slow Vietnam's economic growth. Over the longer term, however, Vietnam could gain from the shift of manufacturing bases out of China. Consequently, we believe that while Trump's policies might pose short-term challenges for the economy, they will not greatly hinder the upward trend of economy.

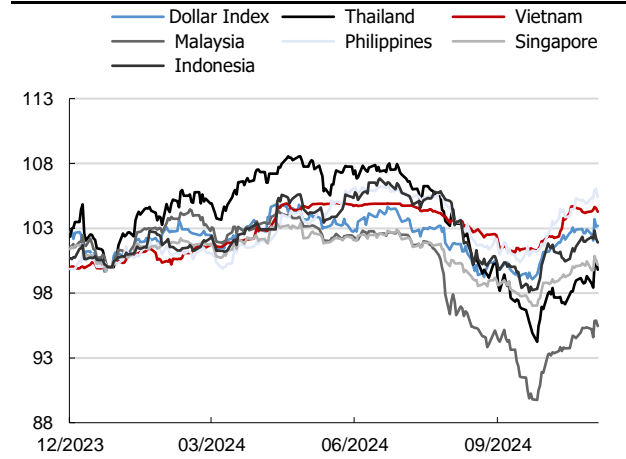
Challenges for Vietnam export. The re-election of Donald Trump as U.S. President for the 2025-2029 term is expected to significantly impact various countries, including Vietnam, amid a volatile global economy. Trump's trade strategy and economic policies could bring both challenges and opportunities for Vietnam. Specifically, his administration plans to impose a 10% tariff on all imported goods, with rates as high as 60% for Chinese products, as part of the "America First" strategy aimed at boosting domestic manufacturing, creating jobs, and reducing the U.S. trade deficit. These tariffs could have severe global trade consequences, affecting countries with substantial trade ties to the U.S., including Vietnam.

Figure 5. Vietnam export by partners



Source: Bloomberg, KIS Research

Figure 6. Exchange rate



Source: Bloomberg, KIS Research

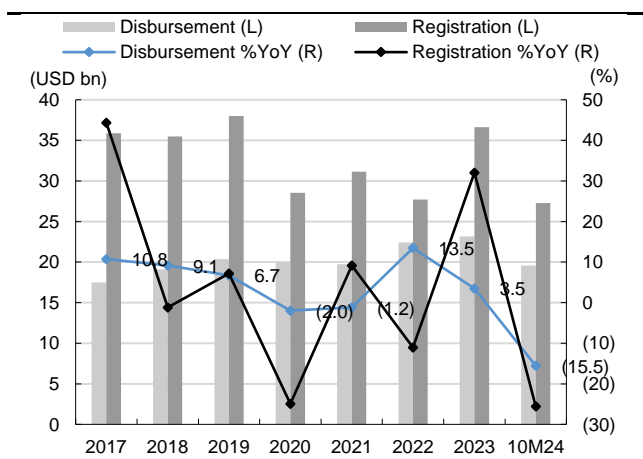
This policy poses significant challenges for Vietnam, a key U.S. trading partner. Vietnam's export sectors, especially electronics, textiles, and seafood, may

struggle to maintain competitive pricing and quality to sustain effective access to the U.S. market under a 10% tariff rate. In the short term, this could lead to a decline in export values to the U.S.

Global shift in FDI capital flows. China faces significant challenges due to President Trump's proposed new tariffs, with plans to impose up to 60% tariffs on Chinese imports, which would substantially raise prices and reduce competitiveness in the U.S. market. To avoid these tariffs, many companies may shift their manufacturing operations to countries with lower, or even back to the U.S. This shift will affect global foreign direct investment flows, as moving production helps reduce prices in the U.S. market and aligns with new U.S. trade regulations.

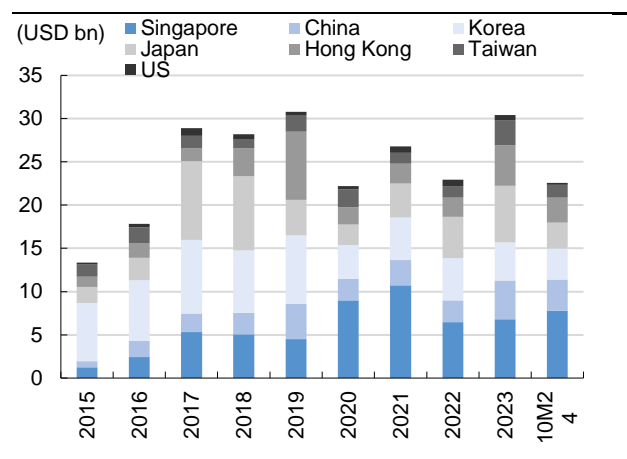
Labor-intensive industries might relocate to other countries due to high U.S. labor costs, while capital-intensive high-tech industries might move to the U.S. Additionally, shifting production from China requires relocating supply chains, which are highly efficient in China, creating challenges for companies. Therefore, nearby countries like Vietnam could become attractive alternatives, as seen between 2017 and 2020 during Trump's presidency. This shift in FDI could boost job creation and exports, positively impacting Vietnam's economy in the long run.

Figure 7. Vietnam's yearly FDI



Source: MPI, KIS Research

Figure 8. Vietnam's yearly FDI by countries



Source: MPI, KIS Research

2. Global monetary easing

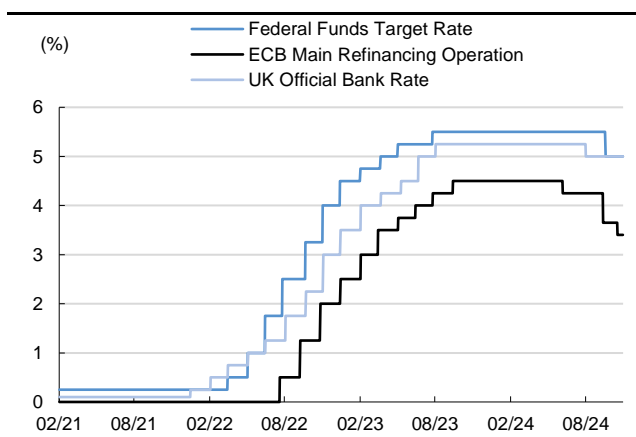
Major central banks, including the Fed, ECB, BoE, and PBoC, have implemented monetary easing policies to support their economies. On Oct 17, the ECB cut interest rates by 0.25%, following an earlier adjustment in Jun and Sep, to address slow growth in the Eurozone. Similarly, the Fed cut interest rates by 0.50% to stimulate the U.S. economy amid controlled inflation and a slowdown in job growth. The BoE and PBoC also adjusted their monetary policies to support economic stability. This has initiated a period of global monetary easing, which is expected to facilitate low-cost capital flows from developed markets to emerging markets, including Vietnam.

Table 2. Decision of major central banks

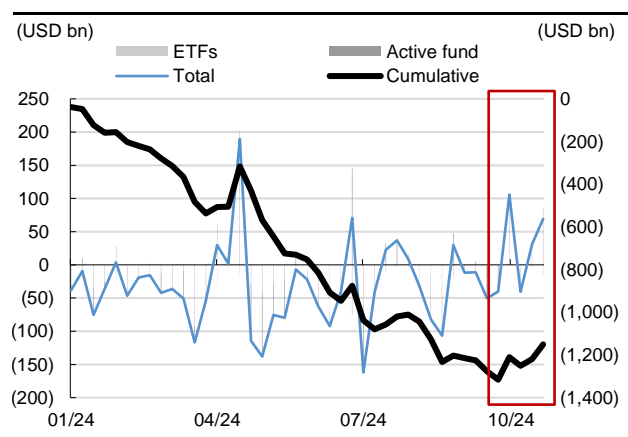
Central banks	Date	Decision
ECB	06/06/2024	Cut interest rate by 0.25%
ECB	12/09/2024	Cut interest rate by 0.25%
ECB	17/10/2024	Cut interest rate by 0.25%
BOE	01/08/2024	Cut interest rate by 0.25%
BOE	19/09/2024	Keep the interest rate unchanged
BOJ	20/09/2024	Keep the interest rate unchanged
PBoC	24/09/2024	Reduce mortgage interest rates and reserve requirement ratio
PBoC	21/10/2024	Cut interest rate by 0.25%
FED	19/09/2024	Cut interest rate by 0.50%
FED	07/11/2024	Cut interest rate by 0.25%

Source: KIS Research

Moreover, U.S.-China trade tensions have made foreign investors reconsider their investment destinations, positioning Vietnam as an attractive destination for international capital flows, thus bolstering its economy and Vietnam stock market. Notably, the prospect of Vietnam being upgraded to Secondary Emerging Market status by FTSE in 2025 further enhances its investment appeal, opening up significant long-term growth opportunities.

Figure 9. Policy interest rates of major central banks

Source: Bloomberg, KIS Research

Figure 10. Net fund flow into Vietnam funds

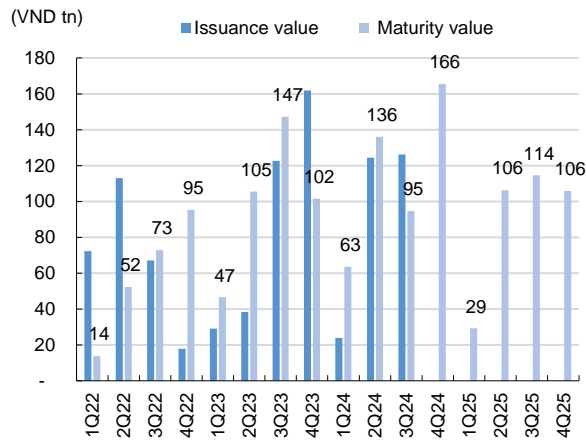
Source: Bloomberg, KIS Research

3. Pressure from Real estate bond maturities

The pressure of bond maturity has become an urgent issue for businesses as the total value of bonds maturing in 4Q24 is estimated at VND165tn. Notably, a significant portion of this, around VND94tn, will mature in Dec 2024, creating a peak in payment obligations within the bond market. Despite a substantial recovery in bond issuance during 2Q24 and 3Q24, with approximately VND120tn issued each quarter, liquidity remains low, making it challenging for businesses to meet maturity obligations.

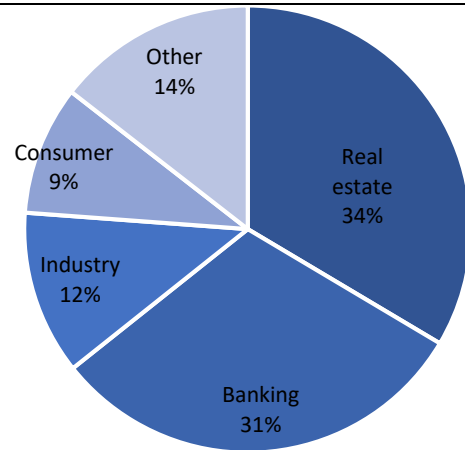
The Real estate sector faced major difficulties in raising capital through the bond market, with a gap between the value of bonds maturing and those issued in 9M24 exceeding VND87tn. In 4Q24, this sector will face particularly high pressure as VND55tn in bonds comes due, amidst a stagnant Real estate market. This may present significant challenges for Real estate companies in restructuring debt and ensuring liquidity.

Figure 11. Bond issuance and maturity value of bonds



Source: VBMA, KIS Research

Figure 12. Maturity value by sectors in 4Q24



Source: VBMA, KIS Research

Table 3. Issuance and maturity value in 2024

VND tn	Issuance value	Maturity value	Difference
Banking	199.3	95.5	103.7
Real estate	52.0	139.3	(87.3)
Finance	6.6	6.9	(0.2)
Energy	2.6	8.0	(5.4)
Construction	2.3	9.9	(7.6)
Consumer	0.9	14.8	(13.9)
Raw materials	0.5	2.7	(2.2)

Source: Bloomberg, KIS Research

Table 4. Maturity value of listed companies in 4Q24

Name	Maturity value (VND bn)
Vinfast	11,500
Masan MeatLife	7,284
SOVICO	5,000
Vietjet	5,000
Construction Corporation No.1	2,650
S - Vietnam Real Estate Business	2,500
VINHOMES	2,280
Masan Consumer Holdings	2,100
IPA Investment Group	2,000
Gelex Group	1,500
DIC Corporation	1,500
Kinh Bac Development Corporation	1,000

Source: Bloomberg, KIS Research

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

Large triangle pattern. The VNIndex has formed a large triangle pattern since Feb 2024, with the upper boundary positioned around the 1,290-1,300 pts level and the lower boundary aligned with a trendline connecting the lows of Apr and Aug. This upper boundary currently acts as a significant resistance level for the market, as the index has tested it six times without success.

Figure 13. Triangle pattern



Source: KIS Research

If the index breaks above the 1,300 pts level, the pattern will be confirmed. This triangle pattern indicates consolidation, so a breakout would signal a continuation of the upward trend. The immediate price target for this breakout is within the 1,400-1,450 points range. Given the positive outlook, we anticipate the index will soon surpass the 1,300 pts level and achieve this target.

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