2025 OUTLOOK

Steep Paths, Decent Horizon

2025 Outlook

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In 2025, Vietnam's export story is expected to take center stage, driven by the anticipated impressive rebound in sales to China. Although exports to the U.S. may slow due to higher tariff rates, Vietnamese exporters can still seize opportunities by capitalizing on relatively milder tariff hikes and competitive labor costs. These factors make Vietnam an attractive destination for MNCs considering supply chain diversification, helping mitigate negative U.S. tariff impacts and supporting a positive export outlook. At the same time, a more accommodating policy stance from the Chinese government is expected to increase demand, further enhancing Vietnam's export prospects to this market.

Exchange rate pressure to emerge

In 2025, the USDVND exchange rate is anticipated to face significant volatility, driven by the return of Donald Trump for a second term and policies favoring a stronger U.S. dollar. Such developments could amplify exchange rate pressures and render the domestic foreign exchange market more vulnerable. However, other supportive factors—such as the potential upgrading of Vietnam's market status and sustained trade surpluses—are likely to help stabilize the exchange rate and moderate currency fluctuations in the coming year.

Vietnam's FDI remains key to economic growth

The total retail sales have bottomed out since September 2023, expected to close the year at 9.73% annual growth. Our projection for 2024 anticipates a 10% YoY expansion in domestic consumption. Although slightly lower than the 2017 - 2019 average of 11%, this growth is expected to be driven by factors such as improved manufacturing activities, increased spending due to low deposit rates, a moderate recovery in foreign tourism, enhanced business confidence, an extended VAT cut, and promotional campaigns by retailers.

Vietnam economic indicators

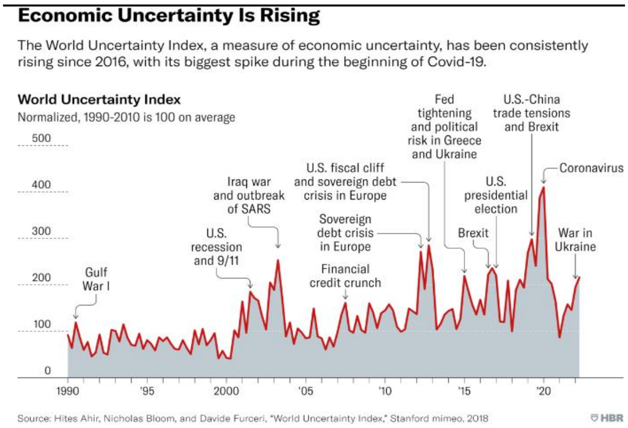
	24-Jun	24-Jul	24-Aug	24-Sep	24-Oct	24-Nov	Corr[1].
FDI %YoY	9.4	9.5	5.3	13.2	7.6	-6.7	9.4
Retail sales %YoY	8.9	8.6	8.4	7.1	9.4	8.8	8.9
Export %YoY	13.1	20.2	14.5	11.0	10.3	8.2	13.1
Import %YoY	14.7	25.0	12.4	11.5	13.8	9.8	14.7
Trade balance (USD bn)	3.2	2.4	4.5	2.3	2.0	1.1	3.2
Inflation	0.17	0.48		0.29	0.33	0.13	0.17
Credit %YoY	15.3	15.3	15.7	16.1	16.6	15.8	15.3
USDVND % YoY	0.02	-0.81	-1.48	-1.24	2.91	0.16	0.02
PMI (avg., pts)	54.7	54.7	52.4	47.3	51.2	50.8	54.7
VNINDEX return (%)	-1.2	0.7	2.6	0.8	-1.8	-1.1	-1.2

Source: SBV, GSO, Bloomberg, KIS Research
Green = acceleration; yellow = deceleration; red = contraction.

I. Economy: seeking opportunities in the uncertain time

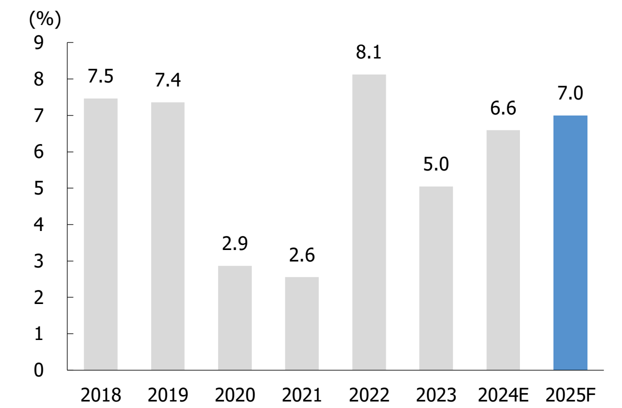
The global economic outlook for 2025 appears less optimistic, as Trump's return to the White House introduces greater unpredictability in both domestic and international policies from the world's largest economy. Despite this uncertainty, Vietnam is well-positioned to capitalize on its competitive advantages and strategic orientations. We project an impressive 7% economic growth for Vietnam next year, driven by robust expansion across key aggregate demand components, including investment, consumption, and public spending, which are expected to strengthen in 2025.

Figure 1. World uncertainty index



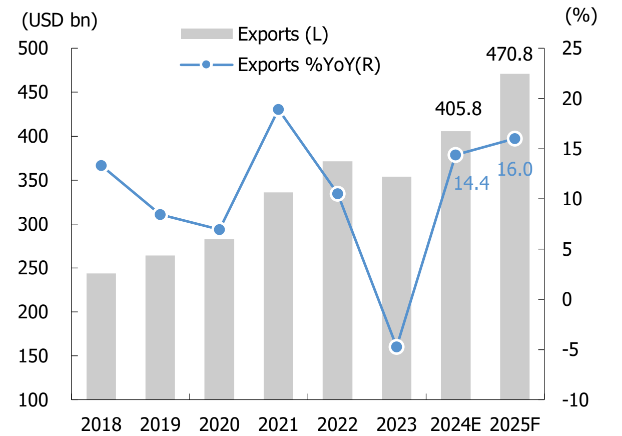
Source: Harvard Business Review, KIS Research

Figure 2. Vietnam's economic growth



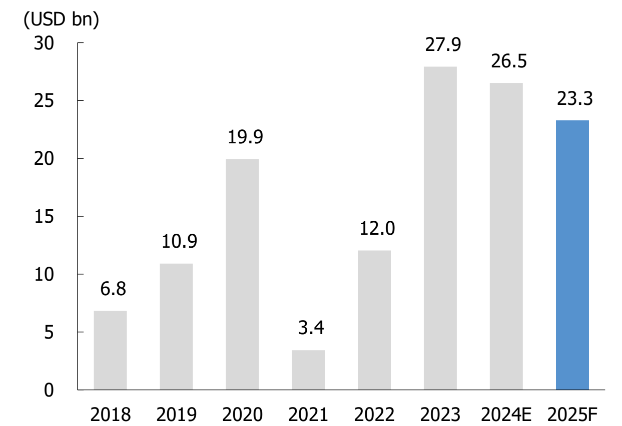
Source: Custom, GSO, KIS Research

Figure 3. Vietnam's exports



Source: Custom, GSO, KIS Research

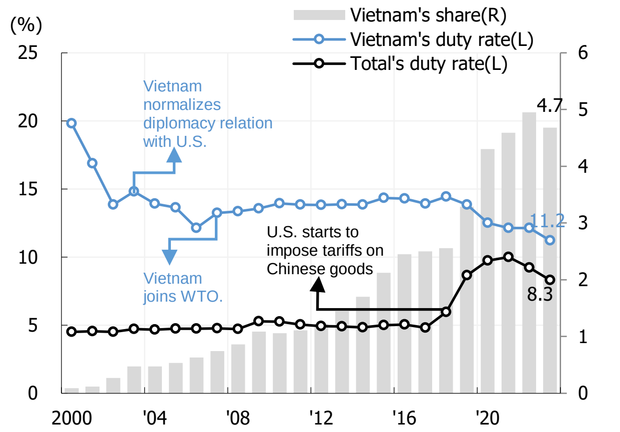
Figure 4. Vietnam's trade balance



Source: Custom, GSO, KIS Research

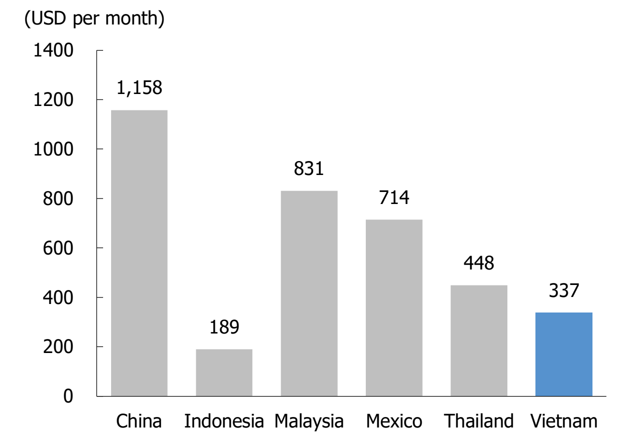
Vietnam's export value could accelerate in 2025 by growing 16.0% YoY with the impressive rebound in selling goods to China contributing the most. For more details, **we anticipate exports to the U.S. to decelerate in 2025 due to the impact of higher overall tariffs.** However, Vietnamese exporters may still gain a larger share of the U.S. market by leveraging the possibly milder tariff hike, and competitive labor costs. These advantages make Vietnam an attractive destination for multinational corporations (MNCs) considering production relocation. Consequently, the negative impact of impending U.S. tariff hikes on Vietnam's exports and related businesses is expected to be modest.

Figure 5. U.S. import: duties and shares by country



Source: USITC, KIS Research

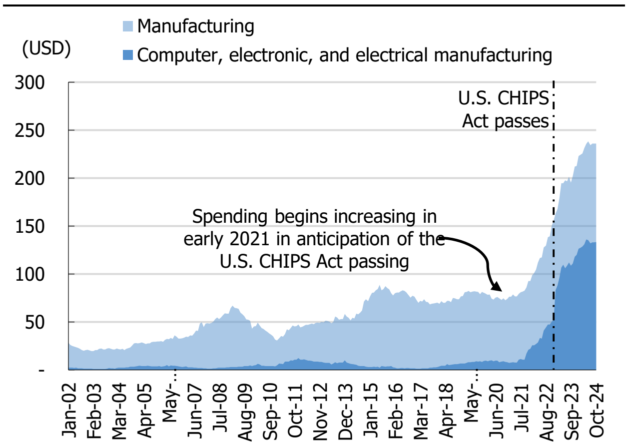
Figure 6. Wages in the manufacturing sector



Source: CSIS, PIIE, The Book, KIS Research

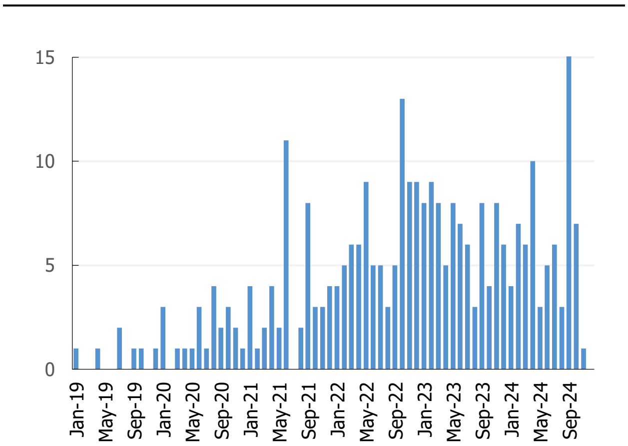
Examining potential tariff policies during Trump's second term, they are likely to focus on strategic sectors, such as semiconductors and electric vehicles (EVs), to reinforce the U.S.'s leadership in cutting-edge technologies. This direction aligns with initiatives from Biden's administration, such as the CHIPS Act, which aimed to attract major chip manufacturers like TSMC and Intel to establish factories in the U.S. Policies promoting domestic production and investment in the EV supply chain—including manufacturing, battery capacity, and raw materials—are also probable. Given Vietnam's role as an assembler within well-established supply chains in Asia, it appears less likely to become a primary target of Trump's trade policies.

Figure 7. U.S. chip construction spending



Source: PIIE, KIS Research , FRED

Figure 8. U.S. EV-related projects announced by month



Source: The Book, KIS Research

We anticipate a rebound in goods sales to Chinese customers next year. During Monday's Politburo meeting, China's top authorities signaled a shift in policy stance from "prudent" to "moderately loose" to bolster the economy, a move received positive reaction from the market participants. This development is part of ongoing government efforts to address weak domestic consumption and a faltering property market in the world's second-largest economy. Investors expect additional stimulus measures to be announced in the coming year, particularly as Trump's looming tariff hikes could hinder export-driven growth. Against this backdrop, we foresee a brighter outlook for China's retail sales, which should ultimately drive stronger import demand in 2025.

Table 1. China's fiscal policy in 2024

Date	Policy Measure	Summary
May-2024	Issuance of special treasury bonds	China began issuing 1 trillion yuan ($138 billion) in special long-term treasury bonds to stimulate the economy, with tenors of 20, 30, and 50 years.
Jul-2024	Consumer goods subsidy program	Redirected funds from ultra-long treasury bonds to support a consumer goods trade-in program, allocating about 150 billion yuan ($20.7 billion) to boost household demand by subsidizing the replacement of old appliances, cars, and other goods.
Sep-2024	Sovereign bond issuance for consumer spending	Announced plans to issue approximately 2 trillion yuan ($284 billion) in sovereign bonds to directly stimulate consumer spending, marking a significant shift from investment-led growth to consumer-driven growth.
Dec-2024	"Moderately loose" monetary policy	Shifted to a more accommodative monetary policy, reducing interest rates and reserve requirements to enhance liquidity and credit access.
Dec-2024	Yuan strategy to offset trade risks	Considered allowing the yuan to weaken strategically to counterbalance potential U.S. trade tariffs and protect export competitiveness.

Source: GSO, KIS Research

PBC's governor on 3 December mentioned the supportive stance in implementing monetary policies in 2025 to promote economic growth. In 2024, China's central bank provided measures adhering to the government orientation to deal with difficulties related to pessimistic domestic consumers and the flattering property market. Notably, PBC removed the floor of the mortgage rate in May and dragged down the minimum down payment to 15% for both first- and second-home purchases. Besides proactive fiscal policies to reach the 5% GDP growth target, "counter-cyclical" monetary policies are expected to lift China's consumption and investment demand for the next year.

Table 2. PBC's monetary policies in 2024

Measure	Date	Summary
Liquidity and lending operations	January 15, 2024	Conducted RMB 995 billion MLF operations at 2.5%, exceeding the RMB 779 billion due.
	February 18, 2024	Injected RMB 500 billion into the financial system through MLF at 2.5%.
	March 15, 2024	Conducted RMB 387 billion MLF operations at 2.5%, following the expiration of RMB 481 billion.
	Monthly Operations	Regular MLF operations ensured consistent liquidity injections throughout the year.
Interest rate adjustments	January 25, 2024	Reduced central bank lending rates for rural development and small businesses by 0.25%.
	July 22, 2024	Lowered SLF rates: overnight to 2.55%, 7-day to 2.7%, 1-month to 3.05%.
	September 27, 2024	Reduced SLF rates further: overnight to 2.35%, 7-day to 2.5%, 1-month to 2.85%.
Loan prime rate (LPR)	January 22, 2024	Maintained one-year LPR at 3.45% and over-five-year LPR at 4.20%.
	February 20, 2024	Reduced over-five-year LPR by 25 basis points to 3.95%.
	July 22, 2024	Lowered one-year LPR to 3.35%, over-five-year LPR to 3.85%.
Reserve requirement ratio (RRR) adjustments	February 5, 2024	Cut RRR by 0.5 percentage points, excluding institutions already at 5%.
	September 27, 2024	Implemented another 0.5% RRR cut to enhance system liquidity.
Mortgage rate and real estate policies	May 17, 2024	Removed the floor for mortgage rates and reduced provident fund loan rates by 0.25%.
	September 24, 2024	Unified minimum down payment to 15% for both first- and second-home purchases.
	September 29, 2024	Revised the pricing mechanism for existing mortgage loans to lower interest rates.

Source: PBC, KIS Research

From the perspective of the global value chain, Vietnam's export outlook is set to benefit from improving inventories and sales among key international brands. For instance, Adidas AG, a major player in the footwear and sportswear industry with significant manufacturing operations in Vietnam, is projected to achieve 9.2% year-on-year (YoY) revenue growth in 2025. More importantly, its inventory balance, a predictive indicator for future sales to manufacturers, is expected to grow by 6.72% YoY, signaling robust demand. In contrast, Nike's fiscal 2025 revenue is forecasted to decline sharply by 7.39% YoY, primarily due to weakness in the lifestyle segment, macroeconomic uncertainties in China and Europe, and aggressive franchise management strategies. However, the company's inventory levels are expected to stabilize next year, with a much softer reduction following aggressive price cuts this year aimed at clearing excess stock. This improvement is likely to boost future orders for Feng Tay, a Taiwanese footwear manufacturer that operates entirely in Vietnam. According to Bloomberg estimates, Feng Tay's revenue is expected to grow by 6.31% YoY, reflecting increased demand from its key clients.

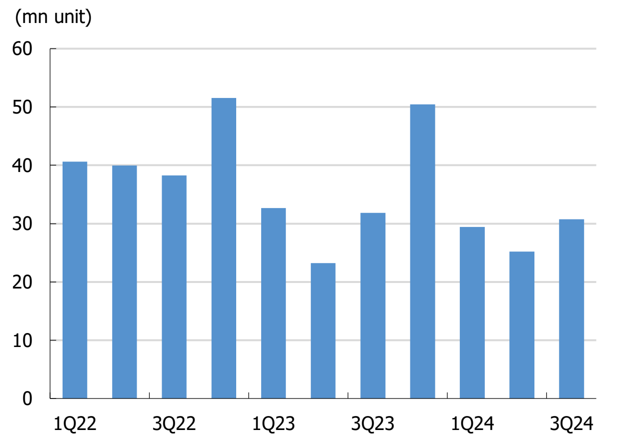
Table 3. 2025 outlook of companies in global chains Vietnam involves

Products	Company	2024E	2025F
Smartphones	Samsung	Revenue: USD213.48bn (+7.67%YoY) Inventories: USD35.39bn (-11.29%YoY)	Revenue: USD231.88bn (+8.62%YoY) Inventories: USD36.88bn (+4.36%YoY)
	Foxconn	Revenue: USD210.24bn (+6.34%YoY) Inventories: USD26.82bn (+12.23%YoY)	Revenue: USD264.10bn (+25.62%YoY) Inventories: USD35.32bn (+31.69%YoY)
	Luxshare	Revenue: USD36.42bn (+11.22%YoY) Inventories: USD5.24bn (+24.93%YoY)	Revenue: USD42.38bn (+16.36%YoY) Inventories: USD5.93bn (+13.25%YoY)
Footwear	Nike	Revenue: USD51.36bn (+0.28%YoY) Inventories: USD7.52bn (-11.06%YoY)	Revenue: USD47.57bn (-7.39%YoY) Inventories: USD7.36bn (-2.06%YoY)
	Adidas	Revenue: USD24.43bn (+5.43%YoY) Inventories: USD4.68bn (-6.42%YoY)	Revenue: USD26.81bn (+9.73%YoY) Inventories: USD5.00bn (+6.72%YoY)
	Feng Tay	Revenue: USD2.75bn (-0.02%YoY) Inventories: USD0.26bn (-7.88%YoY)	Revenue: USD2.94bn (+6.92%YoY) Inventories: USD0.27bn (+6.31%YoY)
Textile	Makalot	Revenue: USD1.11bn (+6.82%YoY)	Revenue: USD1.22bn (+10.08%YoY)
	Hansae	Revenue: USD1.27bn (-2.93%YoY)	Revenue: USD1.32bn (+3.74%YoY)

Source: Bloomberg, KIS Research

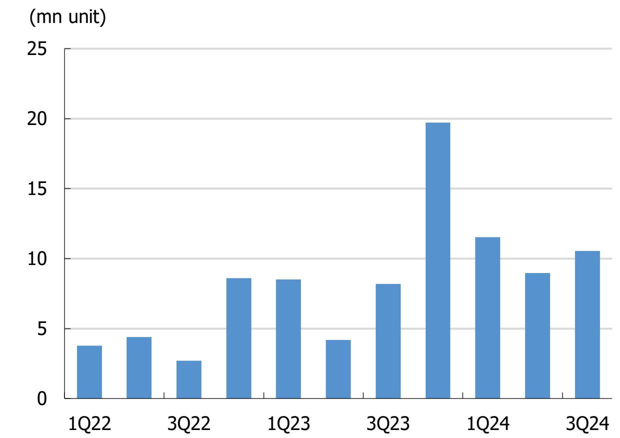
For smartphones, Foxconn, Apple's leading supplier, has been investing in Vietnam since 2007 and is expected to benefit from Apple's AI-driven iPhone replacement cycle in 2025, with revenue projected to grow 25.62% YoY. Luxshare, another key Apple supplier, invested USD 504 million in factories in Vietnam by 2023 and is projected to see 16.36% profit growth in 2025, driven by the expansion of its iPhone-related business and increased production capacity. The brighter outlook of these two companies bold Vietnam's industrial production and export performance next year.

Figure 9. Foxconn's smartphone shipment



Source: Bloomberg, KIS Research

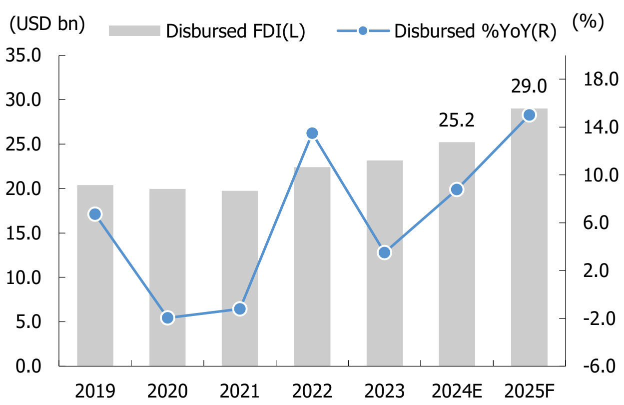
Figure 10. Luxshare's smartphone shipment



Source: Bloomberg, KIS Research

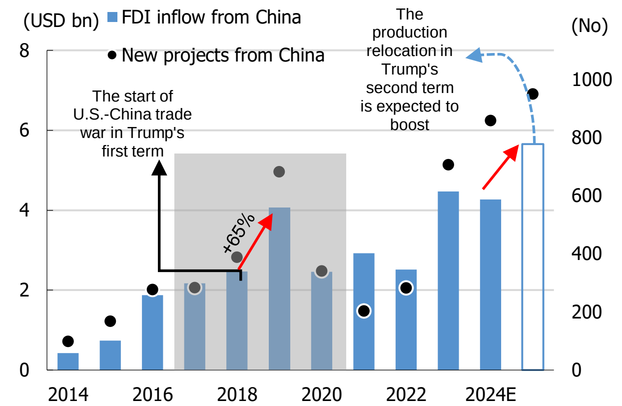
We anticipate foreign direct investment (FDI) registration and disbursement to grow by 15% YoY and 10% YoY, respectively, in 2025, driven primarily by multinational corporations (MNCs) shifting production from China and leveraging Vietnam's free trade agreements (FTAs).

Figure 11. Vietnam's FDI disbursement



Source: MPI, GSO, KIS Research

Figure 12. Vietnam's FDI from China

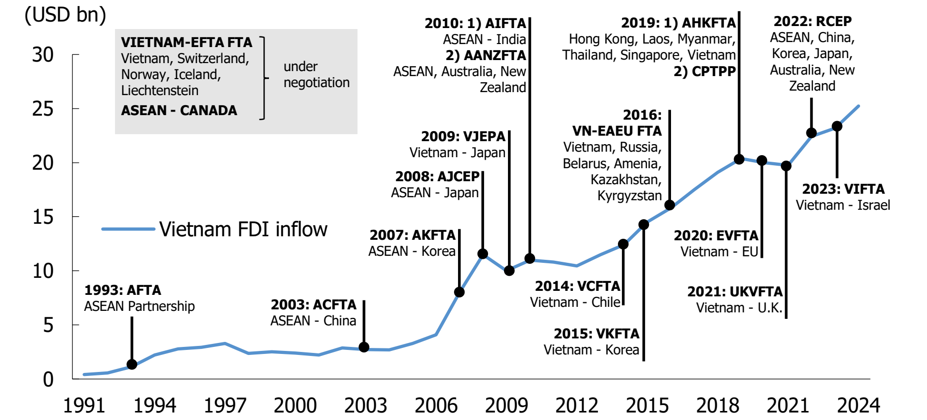


Source: MPI, GSO, KIS Research

Amid renewed trade tensions, multinational corporations are diversifying production networks to mitigate risks. Vietnam, with its stable investment environment, strategic location, and improving infrastructure, has become a key destination. Notably, Goertek, a Chinese Apple supplier, has invested over USD 600 million in Vietnam, with plans to expand further, while Quanta, a Taiwanese tech giant, has doubled its investment to USD 120 million. These moves highlight Vietnam's growing role as a hub for high-tech manufacturing. This trend extends beyond electronics to textiles and garments. Steve Madden is reducing reliance on China and expanding production to Vietnam and other countries, part of a long-term diversification strategy. Similarly, Stella International has shifted production from China to Vietnam since 2018, embracing the "China-plus-one" strategy. In 2020, it expanded its Vietnam operations with a new sports-footwear factory, underscoring Vietnam's role as a key manufacturing hub. As trade tensions rise, Vietnam remains a top destination for MNCs diversifying supply chains and mitigating tariff risks.

Vietnam's extensive free trade agreements (FTAs) have boosted its FDI appeal by improving global market access. Since the 1990s, deals with ASEAN, Japan, South Korea, and the EU have reduced tariffs and strengthened economic ties. With competitive labor costs and a strategic location, Vietnam is now a manufacturing and export hub. Recent FTAs with the UK and Israel, along with ongoing talks with EFTA, ASEAN-Canada, and the UAE, solidify its position as a top FDI destination, driving sustainable growth.

Figure 13. Vietnam's FDI: FTA milestones

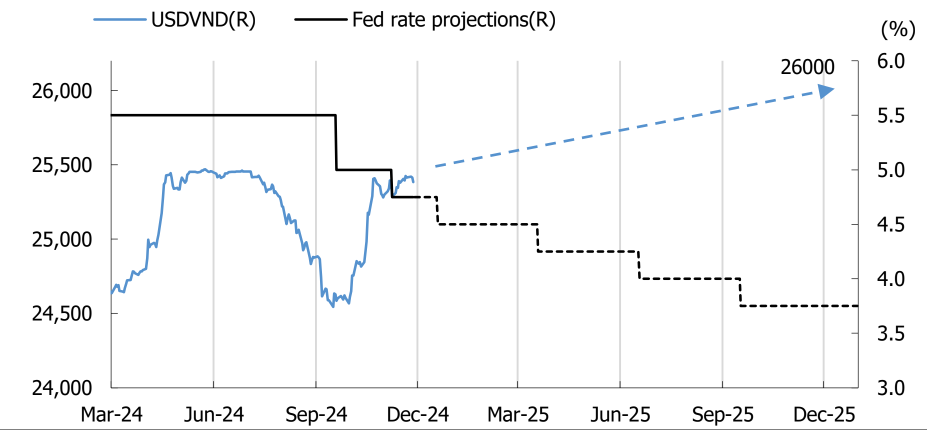


Source: MPI, WTO Center, KIS Research

II. USDVND pressure to emerges in 2025

In 2025, we forecast the USDVND exchange rate to rise modestly by about 2%, reaching 26,000 by year-end, driven largely by heightened pressures from Donald Trump's return to the White House. We expect limited fluctuations in the first half, ranging between 25,500 and 25,750, followed by a more pronounced increase in the second half. On the upside, factors such as attractive U.S. asset classes, cryptocurrency growth, and a slower pace of Fed rate cuts support this prediction. On the downside, a strong trade surplus is likely to bolster supply and mitigate upward pressure on the exchange rate.

Figure 14. USDVND movements in 2025

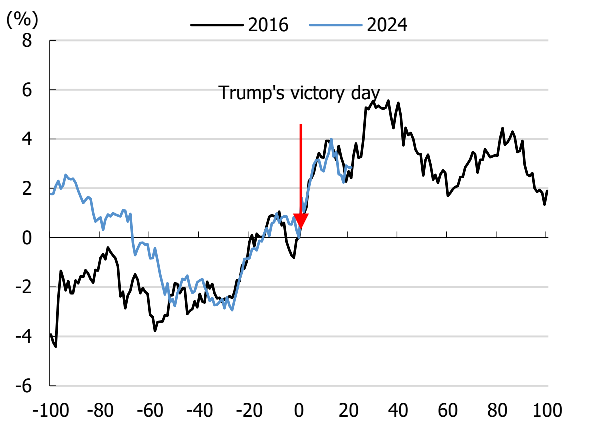


Source: KIS Research

The allure of U.S. investment channels has drawn global capital toward risk assets and cryptocurrencies, further elevating the USD's position. Donald Trump's "America First" policies are expected to enhance U.S. corporate performance through tax cuts and regulatory rollbacks, boosting profitability and encouraging the repatriation of operations and capital. This shift is driving domestic economic growth, improving market outlooks, and reinforcing investor confidence. As a result, these favorable conditions have sparked a strong rally in equities, with major U.S. indices consistently reaching record highs, supported by improved earnings expectations. Market consensus has also revised its forecast for the S&P 500 to 6,500 in 2025, a notable increase from the earlier projection of 6,200 in the first half of 2024.

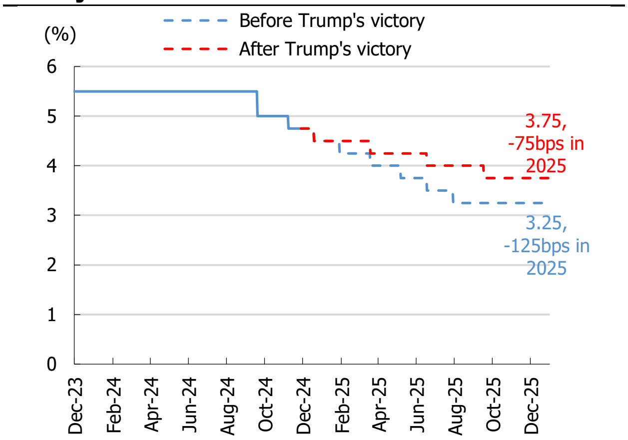
Moreover, Trump's pro-crypto stance, including plans for a national cryptocurrency strategy, has intensified global interest in digital assets. As a result, Bitcoin has surged nearly 40% since his election, reflecting optimism about the future of cryptocurrencies under his administration. This has enhanced the appeal of digital currencies, drawing significant global capital into U.S. markets. In turn, this influx has elevated the USD's position and exerted additional pressure on global exchange rates.

Figure 14. DXY before and after Trump's victory



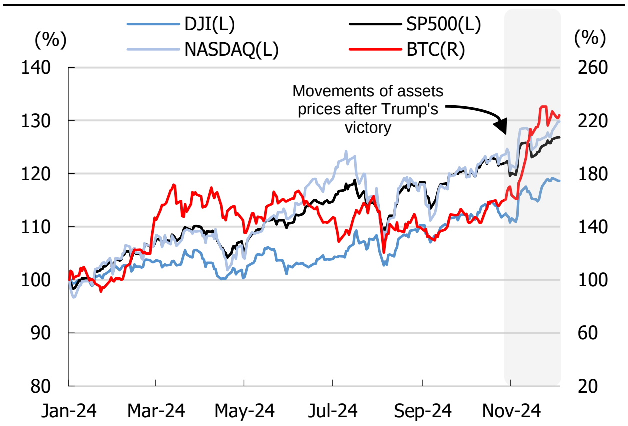
Source: Bloomberg, KIS Research

Figure 15. Fed's rate path before and after Trump's victory



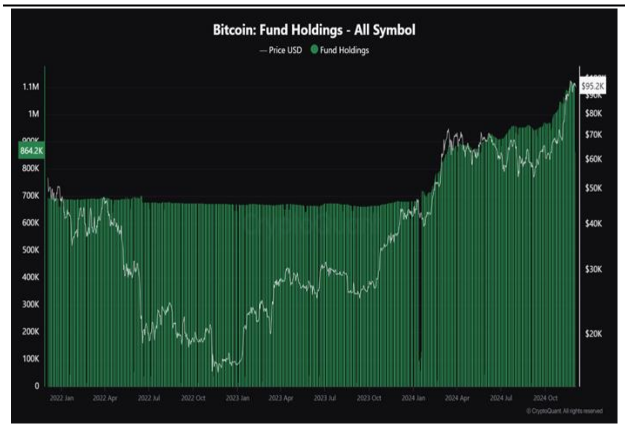
Source: Bloomberg, KIS Research

Figure 16. U.S. indices and BTC rallied



Source: Bloomberg, KIS Research

Figure 17. Demand for BTC holdings in ETFs has increased



Source: CryptoQuant, KIS Research

A slower-than-anticipated Fed rate cut trajectory could further strengthen the greenback. The anticipated expansionary fiscal policies under Donald Trump may drive rapid economic growth and a widening budget deficit in the U.S., potentially fueling inflation—a key factor influencing the Federal Reserve's interest rate decisions. Consequently, the Fed is expected to slow its pace of rate cuts to manage inflation, limiting USDVND's potential benefit from lower U.S. rates during early 2025. Based on data from the Implied Overnight Rate, an indicator reflecting investor expectations for U.S. interest rates, projections for the Fed's rate cuts in 2025 have significantly declined. The expected cut is now just 75bps for the year, down from 100-125bps forecasted in September 2024. Additionally, the pace of rate cuts is anticipated to slow, with each reduction in 2025 being more gradual than previously expected. Instead of rapid, consecutive cuts in the first half of 2025 followed by a slower pace later, the adjustments are expected to be consistently measured throughout the year. As a result, U.S. interest rates are likely to remain elevated in 2025, further bolstering the dollar's strength and exerting direct pressure on the USDVND in the coming year.

Macro scorecard

	24-Jul	24-Aug	24-Sep	24-Oct	24-Nov	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)	2.82	2.53	4.26	2.48	4.12	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)	35.92	37.59	34.05	35.59	33.73	96.53	93.06	98.2	108.6	282.7	335.7	371.85	355.5
Import (USD bn)	33.80	33.06	31.76	33.60	32.67	90.17	84.98	94.0	99.7	263	331.1	360.65	327.5
Export growth (%)	19.11	14.54	10.70	10.09	8.16	8.80	16.98	13.59	15.82	7.02	18.74	10.61	-4.4
Import growth (%)	24.73	12.38	11.06	13.56	9.81	8.01	13.88	20.65	17.19	3.81	25.9	8.35	-8.9
Inflation (%)	4.36	3.45	2.63	2.68	2.77	3.54	3.77	4.39	3.48	3.24	1.84	3.15	3.25
USD/VND	25,320	24,860	24,093	25,282	25,346	24,260	24,786	25,458	24.093	23,126	22,790	23,650	23,784
Credit growth (%)	15.1	14.9	14.6	16.6	15.8	10.82	11.6	13.5	15.3	12.17	12.97	12.87	11.09
10Y gov't bond (%)	2.79	2.83	2.66	2.70	2.76	2.23	2.59	2.81	2.66	2.01	2.11	5.08	2.39

Source: GSO, Bloomberg, FIA, IMF

Investment Strategy

Focus on long-term bullish trend

I. VNIndex 2024 recap

1. Sustainable growth with divergence
2. Performance across sectors
3. Opportunities and challenges for fund flows

II. Awaiting a breakthrough

1. The January effect
2. Market upgrade according to FTSE
3. The cycles of the stock market

Strategy

Focus on long-term bullish trend

Sustainable growth with divergence

The Vietnamese stock market in 2024 exhibited significant recovery and growth despite volatility. After a robust start with three consecutive months of growth, clear divergence emerged from 2Q24 onwards, with alternating increases and decreases. Large-cap stocks continued to lead, while sectors like Retail stood out with exceptional growth. In contrast, Real Estate faced numerous challenges, remaining almost flat due to legal and credit issues. Nevertheless, the overall market sustained stable growth, reflecting strong investor interest in sectors with high recovery potential.

Opportunities and challenges for fundflow

Vietnam’s stock market experienced notable divergence in investment flows within SEA. Despite global interest rate fluctuations and an international economic environment that pressured Vietnam with significant capital outflows in 1H24, these pressures eased in key periods of the second half.

Awaiting a breakthrough

Although the stock market's upward momentum slowed in the final months of 2024, with the 1,300-point level acting as strong resistance for the VN-Index, we believe that in 2025, the market will continue its uptrend and soon surpass the 1,300-point threshold. This will be driven by (1) The recovery of the economy. (2) The January effect. (3) The prospect of a market upgrade. (4) The cycles of the stock market.

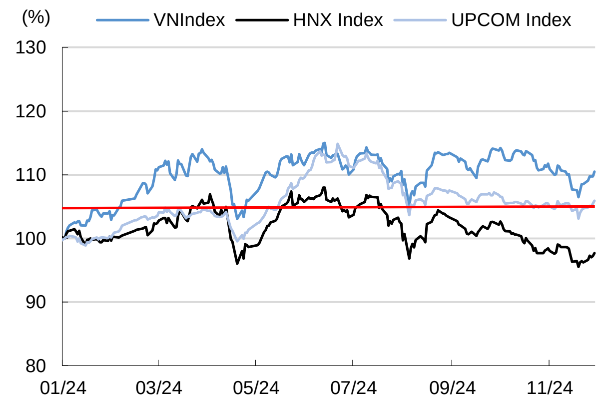
I. VNIndex 2024 recap

1. Sustainable growth with divergence

Vietnam's stock market began 2024 with three months of consecutive growth, highlighted by Feb's impressive 7.6% increase, the highest of the year. However, volatility emerged in 2Q24, with the VNIndex reflecting stark divergence through alternating monthly increases and decreases. Apr recorded the sharpest drop of the year at -5.8%, followed by a swift recovery with a 4.3% gain in May. In 2H24, the market maintained slight divergence, fluctuating between -1.8% and 2.6%. Overall, the VNIndex achieved a significant 14.2% YTD growth, the most remarkable since 2022. The HNXIndex and UPCOMIndex also continued growth but at slower rates compared to 2023, reaching 2.0% and 7.9% YTD, respectively.

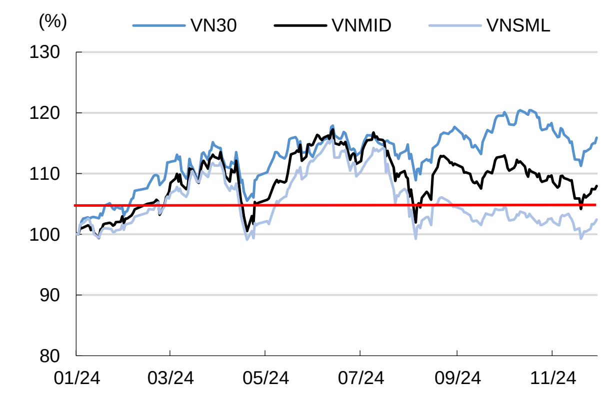
Looking at the entirety of 2024, Vietnam's stock market overcame numerous challenges to maintain sustainable growth. Contributing factors included positive macroeconomic conditions such as flexible monetary policies and boosted public investments, which were pivotal in driving market recovery and growth.

Figure 18. Vietnam indexes performance



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

Figure 19. Growth of key indexes of HOSE



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

2. Performance across sectors

Most sectors demonstrated solid returns in 2024, with only 2 out of 23 sectors diverging from the overall trend. The Retail sector led with an outstanding 57.8% YTD growth, underscoring the strong recovery of domestic consumption and positive shifts in retail business strategies. Following closely was the Pharmaceuticals sector with 55.4% YTD growth.

The Banking sector also saw significant improvement, with a 24.8% YTD increase, up from 19.5% in 2023. The Financial Services sector, while experiencing a slower growth rate compared to 2023's 100.9%, still achieved an impressive 11.4% YTD increase. Conversely, the Real Estate sector remained almost stagnant with a modest 0.4% YTD growth, reflecting persistent legal and credit challenges despite policy support efforts.

Table 4. Indices and Sectors performance

No.	Indices/ Sectors	Growth Rate by Month in 2024											2024 YTD	2023
		11	10	9	8	7	6	5	4	3	2	1		
	a. Market Indicies													
1	VNINDEX	(1.1)	(1.8)	0.5	2.6	0.5	(1.3)	4.3	(5.8)	2.5	7.6	3.0	14.2	12.0
2	HNX Index	(0.8)	(3.6)	(0.8)	0.9	(0.9)	(2.3)	7.2	(6.5)	3.0	2.7	(0.8)	2.0	11.9
3	UPCOM Index	0.4	(1.3)	(0.3)	(0.9)	(2.5)	1.7	8.0	(3.1)	1.0	3.4	0.7	7.9	22.8
4	VN30 Index	(2.0)	(1.0)	1.6	2.5	1.6	0.2	2.9	(4.3)	2.5	8.5	3.1	19.5	12.2
	b. Sectors													
1	Banks	(2.1)	(0.7)	3.1	2.8	4.8	(1.7)	(0.8)	(4.6)	0.7	9.2	9.1	24.8	19.5
2	Others	9.6	5.3	(3.2)	(1.9)	(9.4)	18.5	21.1	8.5	9.9	8.5	9.2	75.6	12.4
3	Real Estate	(0.6)	(2.6)	0.5	5.5	(0.1)	(3.0)	1.9	(9.0)	3.5	4.8	(1.9)	0.4	0.7
4	Materials	(1.5)	(2.7)	1.4	(0.2)	(3.2)	(1.0)	12.9	(8.1)	5.8	15.4	1.8	26.3	47.7
5	Food & Berverage	(0.7)	(2.4)	(1.4)	2.5	1.8	(0.8)	7.0	(5.8)	(0.4)	6.5	(2.9)	5.8	(10.2)
6	Utilities	(0.4)	(3.4)	(6.5)	1.9	0.3	0.9	10.0	(7.2)	1.7	3.0	0.2	2.6	(0.6)
7	Capital Goods	(0.2)	(2.7)	(0.3)	(0.4)	(1.7)	(2.8)	11.6	(8.3)	6.4	4.8	(0.1)	9.3	49.5
8	Financial Services	(5.1)	(5.7)	1.6	5.9	(4.5)	(6.7)	7.1	(11.7)	7.9	7.2	3.8	11.4	100.9
9	Transportation	9.6	2.8	(0.8)	0.8	(9.5)	6.0	17.4	6.3	3.0	3.7	(0.6)	26.2	11.2
10	Energy	(5.0)	(8.6)	(2.5)	3.9	6.9	(2.6)	17.9	(4.9)	1.7	4.6	(0.4)	24.0	34.2
11	Software & Services	6.3	1.1	(0.6)	4.3	(1.9)	10.7	10.8	5.9	6.5	13.1	(0.8)	57.9	46.1
12	Retailing	(6.7)	(2.1)	(2.9)	8.1	1.1	(0.5)	13.4	6.1	9.5	7.2	5.2	57.8	15.5
13	Insurance	7.7	1.4	(5.2)	(0.4)	(3.8)	0.9	14.2	(5.4)	1.4	4.7	2.3	6.9	(5.5)
14	Consumer Durables	(0.0)	(3.1)	(2.4)	2.2	1.4	0.1	6.4	(5.1)	9.2	1.5	4.2	18.2	7.7
15	Pharmaceuticals	6.4	(1.9)	3.1	(1.2)	8.3	2.5	9.5	(0.4)	3.6	4.2	2.9	55.4	23.8
16	Technology	0.3	(7.3)	(0.8)	3.5	(2.8)	(5.3)	10.0	(10.2)	17.0	2.9	2.9	15.7	32.6
17	Commercial Services	13.7	1.8	1.1	(3.8)	0.6	4.5	5.7	(2.8)	5.2	(1.0)	(4.2)	12.5	23.2
18	Automobiles	3.4	(9.8)	(4.6)	(2.1)	(6.7)	(1.0)	21.1	(5.1)	2.3	4.4	13.3	23.9	15.1
19	Consumer Services	(1.5)	(1.9)	(2.4)	(3.2)	(5.6)	4.9	4.5	(4.9)	(0.7)	0.9	4.5	(3.2)	(7.7)
20	Household Products	(5.8)	(5.5)	(1.8)	(6.3)	7.2	(0.4)	10.3	1.4	3.5	7.3	19.3	39.0	37.2
21	Health Care	(5.6)	1.6	(3.2)	1.3	(3.3)	10.8	5.4	(10.2)	3.5	9.2	2.8	17.4	(6.4)
22	Media & Entertainment	2.6	8.0	0.4	(4.4)	2.2	1.2	0.2	(8.9)	(0.9)	4.9	(9.7)	(21.3)	78.8
23	Telecommunication	0.0	2.4	4.7	(2.4)	(3.1)	8.9	15.3	(5.6)	4.2	1.3	4.4	29.2	(21.8)

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

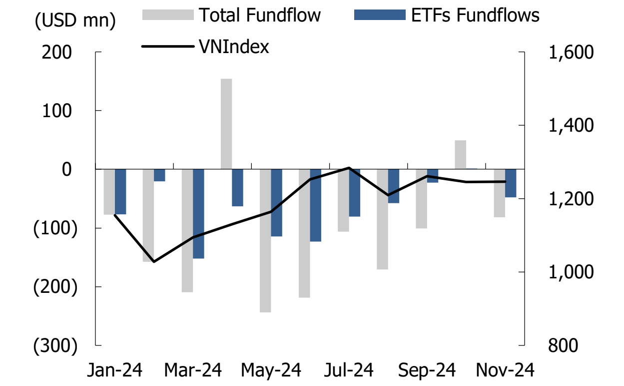
3. Opportunities and challenges for fund flows

SEA saw intense capital outflows. In 2024, Vietnam and Thailand experienced the largest outflows of USD1,162mn and USD814mn, respectively. Conversely, Malaysia and Singapore emerged as bright spots, attracting net inflows of USD94mn and USD87mn, respectively.

In Vietnam, the strongest outflows were recorded in May and Jun, amounting to USD244mn and USD218mn, respectively. However, notable inflows were observed in Apr and Oct, with net values of USD154mn and USD49mn, respectively. These periods saw Vietnam leading SEA in net inflows, signaling positive investor sentiment during critical times.

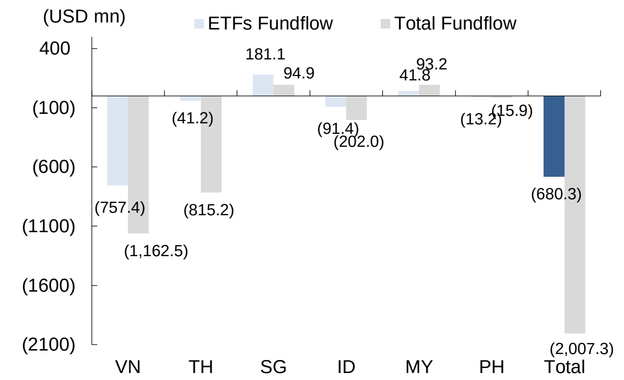
For ETFs in SEA, ETFs also showed stark divergence in 2024. Vietnam and Indonesia faced the largest ETF outflows, totaling USD757mn and USD91mn, respectively. In contrast, Singapore and Malaysia attracted net inflows of USD181mn and USD41mn, respectively.

Figure 20. Net fundflow in Vietnam



Source: FiinproX, KIS Research

Figure 21. Total net fundflow of SEA countries



Source: Bloomberg, FiinproX, KIS Research
Note: CONS = Consumer discretionary; COND = Consumer Staples; FIN = Financials; IND = Industrials; REAL = Real Estate; ENE = Energy

II. Awaiting a breakthrough

Although the stock market's upward momentum slowed in the final months of 2024, with the 1,300-point level acting as strong resistance for the VN-Index, we believe that in 2025, the market will continue its uptrend and soon surpass the 1,300-point threshold. This will be driven by (1) The recovery of the economy (discussed in the macro section). (2) The January effect. (3) The prospect of a market upgrade. (4) The cycles of the stock market.

1. The January effect

The January effect describes the tendency for stock prices to rise in Jan. There are several explanations for this phenomenon, such as investors selling stocks at year-end to realize profits or take advantage of tax incentives, then buying back in Jan of the following year. Regardless of the explanation, this phenomenon consistently occurs in global and Vietnamese stock markets.

To examine the January effect on the VN-Index, we use abnormal return. Abnormal return are calculated by subtracting the annual average return from the monthly return. For example, if the VN-Index's return in Nov 2023 is 6.4% and its average annual return in 2023 is 1%, then the abnormal return would be 5.4%. This approach eliminates the long-term upward trend of the stock market, making it easier to identify patterns within individual months.

The below table presents abnormal return from 2001 to 2023 and the proportion of months with positive abnormal return. The table also divides the data into different periods for analysis, such as 2001-2023, 2011-2020, and 2014-2023, to assess whether the effect is consistent over time. The results confirm the existence of the January effect in the Vietnamese stock market.

Table 5. Statistical analysis of abnormal returns by each month of the year for VNINdex

Part A: Abnormal returns by each month of the year

Year	1	2	3	4	5	6	7	8	9	10	11	12	Total
2001	17.8	1.6	5.6	18.1	24.8	22.7	(16.6)	(35.4)	(13.0)	5.4	9.8	(19.5)	1.1
2002	(9.8)	(5.9)	6.8	6.2	1.4	(0.4)	(0.2)	(0.9)	(2.9)	(0.4)	2.2	5.1	(2.1)
2003	(5.2)	(3.7)	(10.9)	5.7	0.6	0.8	(3.1)	(1.7)	(1.6)	(1.5)	21.1	2.7	(0.8)
2004	25.3	18.5	3.4	(7.7)	(7.8)	(4.0)	(7.6)	(5.6)	(2.7)	(3.3)	(4.3)	1.2	3.0
2005	(4.6)	(1.3)	2.7	(2.2)	(2.9)	(1.1)	(2.6)	1.5	11.6	4.1	(0.8)	(3.3)	2.1
2006	(6.2)	17.3	21.2	10.5	(17.2)	(12.1)	(25.8)	8.5	(0.5)	(10.6)	16.0	11.0	7.7
2007	36.8	7.5	(7.6)	(15.5)	15.3	(7.0)	(13.2)	(1.7)	13.5	(0.0)	(10.5)	(6.4)	1.8
2008	(0.4)	(12.8)	(13.5)	9.7	(12.1)	5.0	21.6	29.9	(8.0)	(15.4)	(0.7)	8.9	(8.6)
2009	(7.7)	(22.8)	10.4	10.8	24.2	5.1	0.3	13.3	2.4	(2.8)	(18.0)	(5.7)	3.8
2010	(2.4)	3.3	0.6	8.8	(6.3)	0.1	(2.4)	(7.7)	0.0	(0.2)	(0.0)	7.5	(0.2)
2011	8.0	(7.0)	2.6	6.8	(9.6)	5.3	(3.6)	7.5	3.2	1.1	(6.9)	(5.0)	(2.6)
2012	9.0	7.8	2.7	6.1	(10.8)	(3.0)	(3.2)	(5.8)	(2.2)	(2.4)	(4.1)	8.1	1.4
2013	14.3	(2.8)	1.8	(5.0)	7.6	(8.9)	0.6	(5.6)	2.5	(0.7)	0.4	(2.3)	1.7
2014	9.6	4.7	0.2	(2.9)	(3.4)	2.2	2.5	6.2	(6.6)	(0.3)	(6.4)	(4.4)	0.7
2015	5.1	2.4	(7.5)	1.5	0.8	3.6	4.2	(9.6)	(0.9)	7.5	(6.1)	0.5	0.5
2016	(7.0)	1.4	(0.8)	5.5	2.2	1.1	2.0	2.3	0.5	(2.6)	(2.7)	(1.2)	1.2
2017	1.6	(1.4)	(1.7)	(4.0)	(0.5)	1.9	(2.4)	(3.4)	(0.6)	0.8	10.1	0.3	3.3
2018	13.6	2.1	5.2	(9.8)	(6.7)	(0.3)	0.4	4.3	3.6	(9.3)	2.1	(2.9)	(0.8)
2019	1.4	5.4	1.0	(0.7)	(2.6)	(1.7)	3.8	(1.4)	0.7	(0.4)	(3.4)	(1.6)	0.6
2020	(3.7)	(7.0)	(26.1)	14.9	11.2	(5.7)	(4.4)	9.3	1.5	1.1	7.2	8.9	1.2
2021	(6.9)	8.0	(0.6)	1.4	4.6	3.5	(9.6)	(0.9)	(1.8)	5.0	(0.2)	(1.2)	2.6
2022	2.0	4.0	3.4	(5.1)	(2.2)	(4.1)	4.0	9.4	(8.3)	(5.9)	5.2	(0.7)	(3.3)
2023	9.4	(8.7)	2.9	(2.4)	1.5	3.2	8.2	(0.9)	(6.7)	(11.9)	5.4	2.3	1.0
2024	2.2	6.7	1.7	(6.7)	3.5	(2.1)	(0.4)	1.7	(0.5)	(2.7)	(2.0)	(0.8)	0.8

Part B: Average abnormal returns

2001-2023	4.3	0.5	0.1	2.2	0.5	0.3	(2.1)	0.5	(0.7)	(1.9)	0.7	0.1
2011-2020	5.2	0.6	(2.3)	1.2	(1.2)	(0.5)	(0.0)	0.4	0.2	(0.5)	(1.0)	0.1
2014-2023	2.5	1.1	(2.4)	(0.2)	0.5	0.4	0.9	1.5	(1.9)	(1.6)	1.1	0.0

Part C: Probability of positive abnormal returns for each month of the year

2001-2023	56.5	56.5	65.2	56.5	47.8	52.2	43.5	43.5	43.5	30.4	43.5	47.8
2011-2020	80.0	60.0	60.0	50.0	40.0	50.0	60.0	50.0	60.0	40.0	40.0	40.0
2014-2023	70.0	70.0	50.0	40.0	50.0	60.0	70.0	50.0	40.0	40.0	50.0	40.0

Source: KIS Research

Specifically, Jan stands out as the most profitable month of the year, with the highest abnormal return and the highest probability of positive returns. Between 2014 and 2023, Jan had the best returns in 7 out of 10 years, with average returns approximately 2.5% higher than the annual average. This phenomenon is consistent across the periods 2001-2023 and 2011-2020.

Moreover, we find that the period from Jan to Feb each year tends to deliver the highest returns, with the highest probability of growth during the year.

2. Market upgrade according to FTSE

FTSE classifies financial markets into four groups such as Developed Markets, Advanced Emerging Markets, Secondary Emerging Markets, and Frontier Markets. Currently, Vietnam's stock market is categorized as a Frontier Market according to FTSE's classification. However, Vietnam is in the process of being upgraded to the Secondary Emerging Markets, having been on FTSE's watchlist since 2018.

There are nine criteria required for an upgrade to the Secondary Emerging Markets. Vietnam has currently met 7 out of 9 criteria, with two criteria still assessed as "restricted," primarily due to the issue of Pre-Funding for foreign investors. However, with Circular 68/2024/TT-BTC officially taking effect in Nov 2024, the Pre-Funding issue has been almost resolved. Therefore, during the two review periods in Mar and Sep 2025, we expect FTSE to officially upgrade Vietnam's stock market to the Secondary Emerging Markets. It is highly likely that Vietnam will be upgraded in Sep 2025.

If Vietnam's stock weight in the FTSE Emerging Markets Index falls between 0.6% and 1.0%, capital inflows into Vietnam's stock market through ETFs could reach between USD500mn and USD1bn.

Table 6. FTSE quality of markets criteria (Watch List) as at Oct 2024

CRITERIA	SEC EW	FW	Vietnam (FM)
Market and Regulatory Environment			
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	x	x	Pass
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	x	x	Pass
Equity Market			
Brokerage - Sufficient competition to ensure high quality broker services	x		Pass
Transaction costs - implicit and explicit costs to be reasonable and competitive	x		Pass
Transparency - market depth information / visibility and timely trade reporting process	x	x	Pass
Clearing, Settlement and Custody			
Settlement - costs associated with failed trades	x	x	Restricted
Settlement Cycle (DvP)	x	x	T+2
Central Securities Depositary	x		Pass
Custody - Sufficient competition to ensure high quality custodian services	x		Pass

Source: FTSE Russel, KIS Research
Notes: FM: Frontier market, SEC EW: Secondary Emerging Watch, and FW: Frontier Watch

3. The cycles of the stock market

Mid-term Accumulation. Despite growth in 1Q24, the VN-Index's upward momentum slowed when testing the 1,300-point level in 2024. Since then, the index has fluctuated within a fixed range, with the upper boundary at 1,300 pts and the lower boundary at the 1,180-1,200-point range. This forms a rectangle pattern, a type of accumulation pattern.

Based on signals of a breakout above or below this range, the mid-term trend will be confirmed. If the index surpasses the 1,300-point level, an upward trend will emerge. Conversely, if it breaks below the 1,180–1,200-point range, a downward trend will be established. The price target would correspond to the height of the pattern, meaning the index would rise or fall by 120 pts. Supported by macroeconomic factors, the likelihood of the index breaking above the 1,300-point level is relatively high, with a price target of 1,400-1,450 pts.

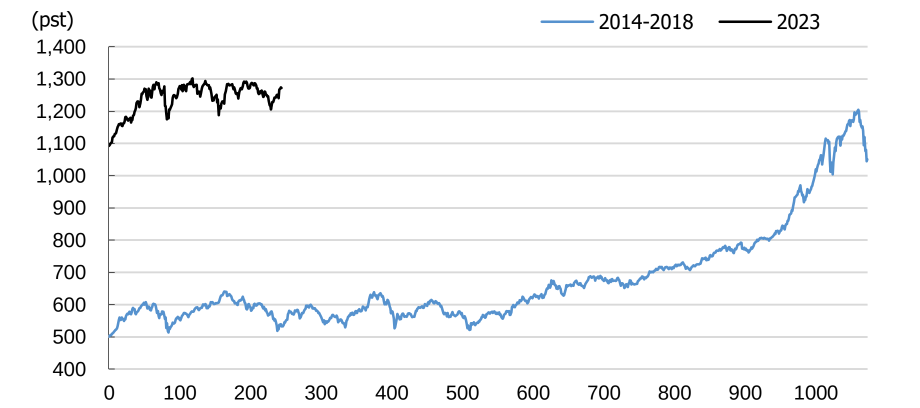
Figure 22. Mid-term accumulation, rectangle pattern

Source: KIS Research

Similarity to the 2014-2016 Period. In the past, the VN-Index shows a similar phase of fluctuation within a range over an long-term timeframe. Specifically, during 2014-2016, the VN-Index oscillated between the 510-640-point range. Once the index broke above the 640-point level, a mid-term uptrend was established, and the index quickly reached the price target of this pattern.

Additionally, after the breakout signal, the market entered a long-term growth phase lasting over two years. Therefore, we believe that these two periods share certain similarities, and breaking above the 1,300-point level would serve as a positive signal, indicating the return of a long-term upward trend.

Figure 23. Movement of the VNINdex in 2014-2016 and 2024



Source: KIS Research

The 8th 3-year cycle. The VN-Index is influenced by 3-year cycles, where a significant bottom is formed approximately every 36 months. The index has completed seven 3-year cycles in the past. Currently, the index is in its 8th 3-year cycle, which began with the bottom in Nov 2022. The bottom of this cycle is expected to occur between May 2025 and May 2026, based on Raymond Merriman's methodology.

Third 1-year cycle. Each 3-year cycle is typically divided into three sub-cycles (1-year cycles), with a 12-month interval between two consecutive bottoms. The

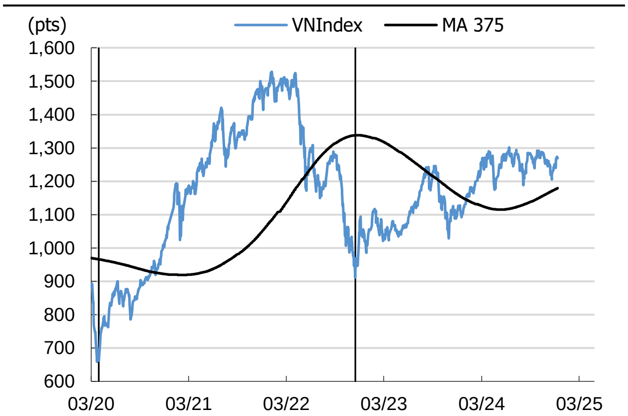
8th 3-year cycle is currently divided into three sub-cycles, with the first sub-cycle identified as spanning from Nov 2022 to Oct 2023.

For the second sub-cycle, the ending bottom could fall in either (1) Aug 2024 or (2) Nov 2024. We lean towards the second scenario, where the second sub-cycle begins in Oct 2023 and ends in Nov 2024, as the interval between the two bottoms would be 12 months. In the first scenario, the interval between the two bottoms would be approximately 9 months, indicating a shortened cycle, which typically occurs in the final sub-cycles rather than the first or second ones.

If the Nov 2024 bottom is used as the ending bottom for the second 1-year cycle, the third sub-cycle bottom could be formed between Sep 2025 and Jan 2026. Combined with the expected bottoming period of the 3-year cycle, a significant bottom is likely to form between Sep 2025 and Jan 2026, during which the market may experience a strong correction.

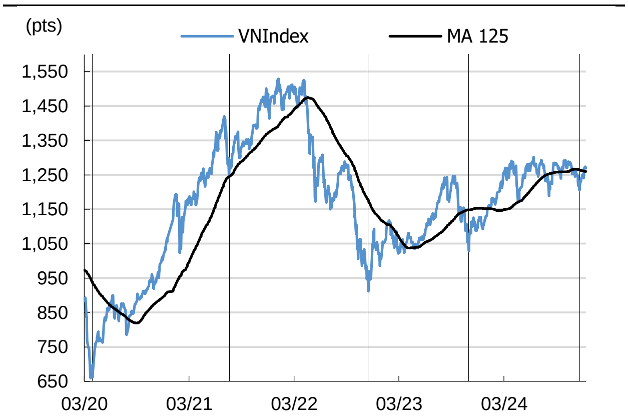
Based on the above analysis, we believe the market could grow in 1h25, then slow down and form a peak in 2H25. Additionally, a strong correction is likely to occur during this period, with a potential decline exceeding 20%.

Figure 24. Movement of 3-year cycle



Source: KIS Research

Figure 25. Movement of 1-year cycle



Source: KIS Research

Table 7. Bottom and duration of 3-year cycle

No. of 3-year cycle	Start bottom	End bottom	Duration (Months)
I	10/24/2003	08/02/2006	33
II	08/02/2006	02/24/2009	30
III	02/24/2009	01/06/2012	34
IV	01/06/2012	12/17/2014	35
V	12/17/2014	07/11/2018	42
VI	07/11/2018	03/24/2020	20
VII	03/24/2020	11/15/2022	31
VIII	11/15/2022	05/2025 -05/2026*	30-42*

*Expected period to form the 3-year cycle year
Source: KIS Research

Table 8. Bottom and duration of 1-year cycle

No. of 3-year cycle	No. of 1-year cycle	Start bottom	End bottom	Duration (Months)
V	13	12/17/2014	01/21/2016	13
	14	01/21/2016	12/06/2016	10
	15	12/06/2016	07/11/2018	19
VI	16	07/11/2018	01/03/2019	5
	17	01/03/2019	03/24/2020	14
VII	18	03/24/2020	07/19/2021	15
	19	07/19/2021	11/15/2022	15
VIII	20	11/15/2022	10/31/2023	11
	21	10/31/2023	11/19/2024*	12*
	22	11/19/2024*	09/2025-01/2026*	10-14*

*Expected period to form the 1-year cycle year
Source: KIS Research

Sector Outlook

On right track

Sector outlook summary

On right track

Sector	Investment Point
Power	- The electricity output is estimated to grow ~11% in 2025F - 2025F - Renewable expected to increase by 10% yoy in output - 2025F - Hydropower boosted by the La-Niña effect
Seafood	- Demand revival but facing to uncertainties from competition - The US could play a good catalyst for pangasius segment - Oversupply could pose risk of price competition in shrimp segment
Retail	- The retail sector would have a positive prospect. - ICT-CE and Jewelry would continue to recover. - Minimarts would expand faster in 2025F while maintaining a positive margin.
Aviation	- Expansion policy penetrates and wait for a more vibrant outlook in 2025F. - The number of grounded aircraft has peaked, and airlines are adding more seats. - Carriers could enjoy both rising demand and the return of grounded aircraft to support growth.
Housing Property	- Demand could revive modest in 2025 - Licensing landscape turns warm but the outcome is up to financial status of developers - Sector valuation could turnaround depending on the market sentiment
Banking	- Macroeconomic stability and economic recovery boost credit demands. Some integrated banking services also become more vibrant. - Some pressures on 2025F NIM could stem from the higher cost of funds and slower recovery of segments with higher asset yields - High bad debt ratios could gradually cool down in 2025 thanks to better business conditions. However, the thinner loan loss reserve could raise concerns
Oil & Gas	- Domestic dry gas consumption will continue to decline - LNG could bloom from 2H25F - E&P could face challenges with a poorer oil outlook

Utilities

Power

Neutral

▶ **Three keywords**

- **The electricity output is estimated to grow ~11% in 2025F.**
- **2025F - Renewable expected to increase by 10% yoy in output.**
- **2025F - Hydropower boosted by the La-Niña effect.**

Hydropower's opportune moment

Investment summary

10M24 - Electricity consumption demand remained robust

According to EVN data, nationwide electricity consumption in 10M24 continued its upward trend, increasing by 10% yoy to 260bn kWh. Specifically: Coal-fired power output rose sharply by 18% yoy, driven by the strong El-Niño effect in 1H24. Meanwhile, hydropower recorded +12% yoy thanks to the return of Neutral phases by 2H24. Additionally, renewable energy achieved 30bn kWh, up 7% yoy, thanks to growth in both wind power (+10% yoy) and solar power (+5% yoy). On the other hand, gas-fired power downed 24% yoy.

2025F – Expectation of hydropower boosted by the La-Niña

EVN estimates that 2025 electricity output will total 344.7bn kWh (+11% yoy), based on GDP growth of ~7.5% in 2025F.

- According to EVN's 2025 plan, hydropower production is projected at 82bn kWh (-10% yoy). However, we believe that with a 50% probability of the La-Niña phase occurring and expected to persist into 2H25, the output could reach 102bn kWh (+12% yoy). The capacity factor (CF) is estimated to soar to 49% in 2025F (+3%p yoy), supported by *(1)* the potential continuation of La-Niña into 2H25F; *(2)* historical data suggesting that during the transition from El-Niño to La-Niña phases, the capacity factor (CF) of hydropower plants typically improves by ~2-3%.
- The coal-fired power output is forecast to increase by 12% yoy (Plan the output's EVN: +17% yoy), driven by a 11% growth in electricity consumption demand in 2025F and the addition of 660MW from Unit 01 of Vung Ang II. This lead capacity factor of coal-fired power is expected to increase to 62, +5%p yoy.
- Renewable energy sources' production is estimated to advance to 10% yoy, CF predicts to reach 20% (+1%p yoy) driven by *(a)* the ongoing increase in electricity consumption; *(b)* additional capacity from transitional wind power projects and the direct power purchase agreements (DPPA) in 2025F.
- In addition, EVN's output plan projects gas-fired power plants to rise to 18%. However, in our view, gas-fired power plant output is estimated to decline by 9% yoy in 2025F, with capacity factor (CF) dropping to 29% (-3%p yoy). This is primarily due to *(c)* the expansion of renewable energy capacity within the system, reducing reliance on high-cost energy sources like gas-fired power. Furthermore, *(d)* gas-fired power production is expected to decrease partly as the BOT Phu My 2.2 and Phu My 3 power plants will no longer operate under contract.

Besides, high natural gas prices predicted to remain high in contrast with FO prices, which are expected to decrease by ~8% in 2025F, according to data from Bloomberg. Furthermore, the domestic gas supply is gradually declining, leading to the need to mobilize more expensive sources, such as Sao Vang - Dai Nguyet. Both effects may continue to pressure gas-fired plants' gross margin in 2025F.

The fluctuation could be due to changing hydrological situations and new policies

The motivation to improve the operation of hydropower plants is largely based on the probability of decline of the El-Niño phase. However, weather forecasting is always a difficult problem, even in the short term. Besides, in 2024 – 2025F, promoting the operation of wind power projects and DPPA depends greatly on the perspective of the Government and MOIT in perfecting policies to support the development of power sources.

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Consumers

Seafood

Neutral

▶ **Three keywords**

- **Demand revival but facing to uncertainties from competition.**
- **The US could play a good catalyst for pangasius segment.**
- **Oversupply could pose risk of price competition in shrimp segment.**

Against All Odds

Investment summary

Demand revival but facing to uncertainties from competition

According to Vietnam Customs, Vietnam's seafood export turnover for 10M24 revived to USD8.2bn (+11% yoy). Of this, the two key export products, shrimp and pangasius, swelled on USD3.2bn (+13% yoy) and USD1.7bn (+9% yoy), respectively. The growth was primarily driven by a rosy growth in export volume, while average selling prices (ASPs) remained bleak.

Moving into 2025F, according to preliminary forecasts by the Vietnam Association of Seafood Exporters and Producers (VASEP), the total seafood export value could grow by 10% yoy, supported by continued improvement in demand from major markets. However, we are concerned about the risk of competition from other seafood-supplying countries, which could weigh on the recovery of ASPs, particularly for shrimp and pangasius.

The US could be a good catalyst for pangasius segment

In 10M24, despite challenges in the Chinese and EU markets, Vietnam's pangasius exports were offset by a strong recovery in the US market. Specifically, export volumes soared to 97,000 tonnes (+41% yoy), while pangasius ASPs reached USD3.03/kg in Oct-24 vs. to USD2.78/kg in Jan-24.

In 2025F, we anticipate that a key growth driver for pangasius could stem from new US trade policies under President Trump, with the potential imposition of higher tariffs on Chinese tilapia (+60% vs. to a universal baseline tariff of 10~20%). This policy shift could create opportunities for pangasius to capture additional market share in mid- and long-term. Meanwhile, pangasius ASPs are expected to climb in 1H25F due to a ‘trade rush’ before the tariff imposition, then return to normal in 2H25F.

In contrast, the export outlook for pangasius to China and the EU still faces several challenges as *(1)* sluggish consumer demand in China, and *(2)* concerns over an abundant supply of Russian pollock (+7% total allowance catches in 2025F), which could prolong price competition.

Regarding to input costs, soybean meal (a main ingredient in aquafeeds) is expected to edge down. According to Agromonitor, lower soybean meal prices can be attributed to favorable weather in the US and Brazil, supporting new crop growth and harvests in 2025F. Therefore, we think 2025F’s gross margin of listed enterprises could stabilize.

Oversupply could pose risk of price competition in shrimp segment

In 2025F, we anticipate that the primary growth driver for the shrimp industry could come from the Japanese and EU markets, driven by a rebound in consumer demand for high-value food products such as shrimp, which in turn fostering export volumes. Meanwhile, the US market may experience a slower recovery due to persistently weak demand for premium seafood products in the retail channel.

Regarding shrimp ASPs in 2025F, we expect limited upward momentum in the EU and US markets due to the projected increase in shrimp supply from Ecuador and India, hence intensifying competition. Whereas, we expect a modest pickup in shrimp ASPs to Japan, driven by lower competition and tailwinds as wage growth policies and a strengthening Yen, both of which are key contributors to an upturn in purchasing power.

However, the supply of raw shrimp is shrinking due to the heavy rainfall season and the unpredictable disease outbreaks in 4Q24. This could lead to a surge in raw material prices in 1Q25F, eroding gross margin of enterprises. We forecast that this situation will likely begin to subside from 2Q25F onward.

Consumers

Retail

Non-rated

▶ Three keywords

- The retail sector would have a positive prospect.
- ICT-CE and Jewelry would continue to recover.
- Minimarts would expand faster in 2025F while maintaining a positive margin.

Next Chapter

Investment summary

The retail sector would generally have a positive prospect

In 2025F, we think retail sector could generally have a positive prospect. (1) ICT-CE and Jewelry retailers would continue to recover due to the recovery of consumer demand. (2) Minimarts would enter the new expansion phase after completing the value chain optimization. (3) For modern pharmacy retailers, we think that they are approaching the end of the rapid expansion phase, followed by the consolidation of the market. (4) For vaccine centers, we believe that they would continue to expand due to the low vaccination rate of Vietnamese.

ICT-CE retail would continue to recover

In 9M24, the consumer confidence index (CCI) has generally improved compared to 2023 amid the better economic condition. As a result, the aggregated sales of 4 listed ICT-CE retail chains recovered to ~87% of 2022 sales (compared to about 83% last year). In 2025F, we expect that consumer purchasing power keep reviving amid the better economic outlook, fueled by the continuing recovery of ICT-CE retailers. Yet, mobile phones would be the key diver, while most of the other CE categories would grow at a single digit except for air-conditioners (due to the La-Nina effect).

Demand for Jewelry retail would be higher

In 9M24, the demand for Jewelry Retail has been on the recovery path (PNJ's Jewelry Retail sales: +16.9% yoy). However, compared to 2022, we saw that PNJ's Jewelry Retail sales per store was still lower, which implied the demand for luxury and discretionary products has not fully recovered yet. Hence, in 2025F, with a brighter economy, we think that consumers would spend more on Jewelry products. In the long term, we think branded jewelry retailers would continue to benefit from the shift of consumers from unbranded brands.

Minimarts would enter an expansion phase

The two minimarts players (BHX and WCM) have been able to expand and earned positive NPAT. In 2025F, we think that BHX and WCM would prioritize expansion over profitability to gain market share. The modern grocery retail in Vietnam still have a lot of room to grow as this channel only accounted for 12.2% of the grocery retail market value, compared to ~50% of Thailand and Indonesia. Yet, we expect that BHX and WCM would open about 300 and 400 stores after focusing on the optimization of the value chain in 2024, while maintaining a positive NPAT.

Aviation

Airlines

Non-rated

▶ **Three keywords**

- **Expansion policy penetrates and wait for a more vibrant outlook in 2025F.**
- **The number of grounded aircraft has peaked, and capacity has 2 months of recovery.**
- **Carriers could enjoy both rising demand and the return of grounded aircraft to support growth.**

Await the return of domestic demand

Investment summary

Stronger economy fuels a more vibrant industry

In 9M24, total air passengers were down 9% YoY, and air traffic rose 8% YoY thanks to higher traffic from international travel. VN and VJC capitalized on this trend, with their combined 9M24 revenue soaring 22% YoY and surpassing pre-pandemic levels by 28%. This impressive performance was driven by *(1)* less competition, *(2)* the increase in international traffic, and *(3)* higher airfare.

In 2025F, we expect that *(a)* airfares could decline as new supply enters the market and stored aircraft gradually returns, and *(b)* consumers could spend more on leisure and travel thanks to a better economy. Hence, we expect the aviation industry to be more vibrant as domestic traffic recovers, and airlines' revenue growth in 2025F would be tied to the volume of passengers carried, not solely by the airfares increase, as seen in 2024. Amid the increase in international seat supply, current weak domestic demand, and airlines typically employing high operating leverage, they would likely opt for lower profit margins in the short term in exchange for higher air traffic. Therefore, any slowdown or stagnation in passenger volume growth in 2025F, it poses a significant risk to airlines.

Expansion faces challenges but luckily the number of grounded aircraft peaked

Airbus and Boeing lagged behind their production schedules due to supply chain disruptions and safety assurance, which would limit airlines' fleet expansion plans. Total scheduled seats had two months of recovery in Oct-24 and Nov-24 thanks to new aircraft deliveries and CAAV's increased flight schedule. Additionally, per our observation, the number of grounded PW1100G-powered aircraft in Vietnam has peaked at 26 out of 44 suggesting less pressure from capacity shortage and some aircraft would return to service in 2025F.

Carriers could enjoy rising demand and supply return to support growth

According to OAG, Southeast Asian carriers (SEA) are aggressively adding more international seats while reducing domestic seats to gain the international market share as domestic demand is softening. HVN and VJC 3Q24 business results unveiled the squeezing profits as competition arises in the international market. We believe this trend could continue in 2025, but as eased economic policy penetrates people would be willing to spend more on traveling, carriers could enjoy the best of both worlds where travel demand is rising and grounded aircraft are gradually back to the service to support revenue and profit growth.

Housing property

Neutral

▶ Three keywords

- **Demand could revive modest in 2025**
- **Licensing landscape turns warm but the outcome is up to financial status of developers**
- **Sector valuation could turnaround depending on the market sentiment**

Bullish hope for a transformation

Investment summary

Tightening door for the fundraising landscape

Conditions remains unfavorable to borrowers due to the changes in the SSC personnel's and stricter requirement regulated on the relevant laws (valid from Aug, 2024). We keep wary stance on the fundraising channels of which bond issuance could be remain dimming in 2025 after a -35.6% yoy subscription in 2024 (VHM accounted for 30% in 2024). Public equity issuance and M&A could be pending. Another channel including bank lending could be selective and picky, flowing into concrete borrowers with adequate debt service. NLG, KDH, VHM and PDR are among the most beneficiaries of the tightening screening.

Ramping up to grant licensing but reward yield from 2026

Numerous solutions from province/sub-governments who are in charge of granting policies to unleash the broad supply keep hurry. As the results, the national supply was buoyant in 2024 except HCMC. We believe it is a matter of time since Binh Thuan, Dong Nai provinces, and Ho Chi Minh City are in cooperation with relevant ministries to untie the master plan of DIG, NLG, and NVL's projects. The pace and magnitude could vary from time to sort of projects and NVL, PDR, DXG and some other second-tier developers are among to benefit the most. Nonetheless, the end outcome depends on the developers' financial eligibility to launch the projects since the fundraising remains tight.

Revival diverges

To HCMC market, as result of tight supply in 2025, the average selling price could elevate by 5-15% albeit to different extent, soft launches remain dimming and rental yields stay uncompetitive. Other than HCMC, supply and demand dynamics could keep reviving at a modest speed after a booming 2024 thanks the accommodative mortgage rates and interest subsidy program from developers.

Market investor sentiment buttresses price turn around

In light of the 2025 business result forecast, VHM could not another be savior to the whole sector given the 2023-24 booming year. The loss persists in some distressed companies naming NVL, FIR and NBB . We peg NLG, KDH, PDR, DXG and AGG to fare well better yoy. The project transfer and bulk sale transaction could save the topline growth. However, the earnings growth could be modest in 2025 and we look forward to bullish broad market sentiment could drive the housing industry's valuation uptick. Hence, market price could steadily go up. Our top pick is NLG, DXG, and PDR.

Financials

Banking

Neutral

▶ **Keywords**

- **Macroeconomic stability and economic recovery boost credit demands. Some integrated banking services also become more vibrant.**
- **Some pressures on 2025F NIM could stem from the higher cost of funds and slower recovery of segments with higher asset yields**
- **High bad debt ratios could gradually cool down in 2025 thanks to better business conditions. However, the thinner loan loss reserve could raise concerns**

The bumpy road to recovery

Investment summary

Sustained recovery in 2024 bank profits

The industry's 9M24 earnings recovered sustainably from the 9M23 bottom, thanks to improvements in net interest incomes, controlled operating expenses, and risk provision expenses. The aggregated 9M24 PBT rallied by +16% yoy, fulfilling 71% of the 2024 target (25 banks).

9M24 Credit growth grew + 9.0%YTD, higher than 9M23's +7.0%YTD amid better business conditions. Credit corporate loans mainly boosted credit growth while the retail segments were recovering. Stability in 9M24 NIM was driven by lower COF, compensating for lower asset yield from lending reduction packages to support the economy. 3Q24 bad debts remained at the same level as 2Q24. 3Q24 NPL (3-5 group)/ (2-5 group) (Aggregated 27 banks) maintained high at 2.2%/3.9% (vs 2Q24: 2.2%/4.1%.

In 4Q24, the credit growth could meet the 2024 target of 15%, allocated from the beginning of 2024. However, 4Q24 NIM could come under pressure due to maintained low lending rates and higher cost of funds. Under better business conditions, non-performing loans could peak in 2024

The bumpy road to recovery

In 2025F, improving business conditions and consumption could continue and drive the credit demand. 2025F credit growth could be the same as the 2024 rate. Other integrated banking services could also warm up, but growth from FX activities, bancassurance, and investment could remain less active. Whereas, some pressures on 2025F NIM could stem from 1) slower recovery of asset yields for supporting lending packages and price competitions among banks while witnessing slower recoveries of mid- and long-term loans and 2) higher cost of funds amid a slight increase in deposit rates. Non-performing ratios remained high in 2024 and could cool down in 2025. However, the risk provisions across banks in 2024 were not commensurate with the increasing bad debts.

We forecast that the banking industry's profits could grow at a single-digit rate in 2025, resulting from (1) a moderate growth of operating incomes and (2) pressure on non-performing loans and thinner loan loss reserves. Small banks with weak risk management, high bad debts, and low provision buffers could suffer in profit growth.

Downside risks: Slower-than-expected business conditions and consumption, uncontrolled increasing bad debts, and corporate bond defaults are hidden risks, resulting in the industry's growth in unexpected ways.

Oil & Gas

NEUTRAL

▶ Three keywords

- Domestic dry gas consumption will continue to decline
- LNG could bloom from 2H25F
- E&P could face challenges with a poorer oil outlook

LNG is the spotlight

Investment summary

Domestic dry gas consumption could plunge in 2025F

9M24 dry gas volume reached a total of 4.9 BCM (-11% yoy), driven by the weak consumption of Power (-16% yoy) as gas-fired electric capacity factor drastically plummeted. In contrast, dry gas for Fertilizer rose by 7% yoy, while volume to Industrial customers picked up by 1% yoy. In 2025F, we project that domestic dry gas consumption could decline by 5% yoy to 5.7 BCM. Of which:

- The consumption from power plants could slid -10% yoy, to 3.5 BCM attributed to *(1)* remained strong hydropower sources until 1H25F, *(2)* Phu My 3 and 2.2 have their BOT contracts expired, *(3)* substitution sourced from priority for LNG-fired electricity and *(4)* higher gas price as for higher use of Sao Vang – Dai Nguyet.
- The consumption from Fertilizer could be stable at 1.1 BCM under an optimistic economic outlook.
- On the other hand, we expect a recovery of 8% yoy among industrial customers in 2025F, pegged on *(a)* we expect better economic outlook in 2025F and *(b)* we think the sub-segment went over the hump in 3Q24, with volume bounced 6% yoy after 6 quarters of stagnant.

LNG could bloom from 2H25F with Nhon Trach 3&4 GSA

Per POW, the construction progress at Nhon Trach 3&4 (NT3&4) reached 94% and is expected to undergo test run until 1H25. On 4 Oct, POW and EVNEPTC also signed the PPA for NT3&4 (unknown Qc). We expect the Qc on the PPA to be 40-70% and the GSA could be finalized in 1H25F. NT3&4 will be under test runs then, respectively operate commercially in Jun and Sep 2025. Thus, we project the LNG consumption at 0.7-0.8 BCM in 2025F.

E&P could face challenges with a poorer oil industry outlook

Southeast Asia (SEA) jack-up day rate (361-400 IC) plunged harsh in Aug-24 and Sep-24 to USD110,000 and USD80,000 after 9 consecutive months sitting above USD135,000 owing to *(1)* 3 new contracts with low day rates bringing down region benchmark and *(2)* peaking marketed surplus in Sep-24 that could be sourced from sour oil price. In 2025F, we project a remained bustling E&P activities in SEA, fueled by strong investment intention of local nations. Thus, we anticipate that day rate factor will lead the segment prospect. However, we think a poorer oil outlook (Per Bloomberg consensus, 2025F: USD71.2/bbl Brent, -11% yoy) could pressure upstream services price. Furthermore, there are risks that rigs from hot regions (e.g., the Middle East) be released in cases that large oil producers cease exploitation activities, which increase competitiveness in other regions like SEA. SP Global also forecasts jack up rig marketed surplus (SEA) could remain high until

8M25, before cooling down, which would be a drawback for 2025F day rates. These tidings could cause negative sentiments for PVD, but we think the firm could mitigate this as it mostly entered long-term contracts with fixed day rates and locked in a dense schedule throughout 2025F.

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