November 5th 2020

Investment Strategy November 2020

ACCUMULATING STOCKS ON A HEALTHIER MACRO ECONOMY BACKDROP

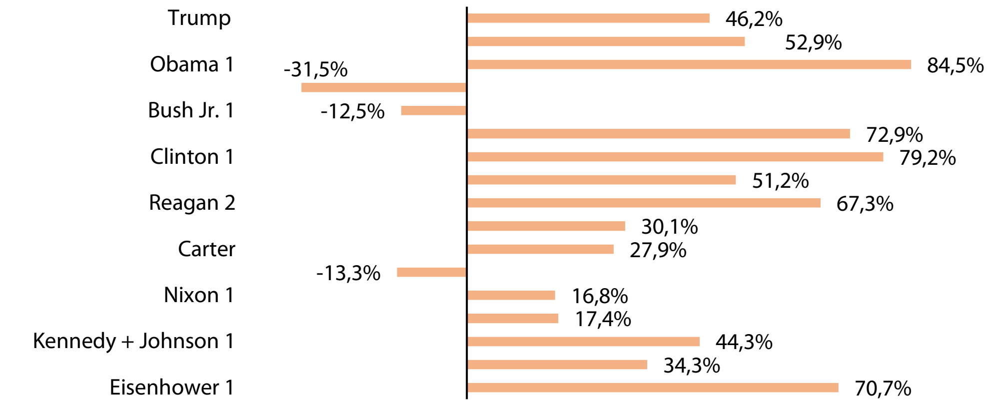
After the third-quarter earnings season ends, the Vietnam stock market entered into an information shortage stage in November. The selling pressure would be possibly higher if the market had a correction signal in the third week of October after reaching 960. The VN-Index recovered from 660 to 925, equivalent to a 40% increase. Foreign investors' money flows also weighs on the market in our view. Despite the news from MSCI, foreign investors still sold intensively in October when net sold value reached a six-month high. Therefore, money flows from foreign investors would not be a supporting factor now.

For the US election results, we stay conservative but not pessimistic. President Trump has lowered the corporate income tax from 35% to 21% in November 2017, shortly after taking office. His action has boosted earnings for most corporations, especially for large listed companies on the New York stock exchange. As a result, investors in the US and around the world have been chasing stocks. This is one of the reasons why the S&P 500 and the Nasdaq Indices are at record highs. The result of the US election, be it a Trump or Biden win, will have an impact on stock markets around the world. If Trump wins, not much will change in terms of corporate income tax. If Biden wins, it is fairly probable that corporate income taxes will go back up, affecting companies' profits.

We believe that both scenarios have been priced in by the market. It is unlikely that, in the short-term (6-12 months), any candidate will be able to shift the needle in one direction or another. If Trump is re-elected, there could be a moment of exhilaration pushing equity markets higher. A sense of relief from Wall Street that corporate income taxes would not rise or could even be lowered more from 21% to 15%. But this is wishful thinking as the longer-term situation is unlikely to be very rosy because another Trump administration will create even more conflicts with trading partners such as Canada, China, Mexico and the EU. A Biden victory would probably be seen by short-term minded investors as a negative, hence equity markets could experience some kind of sell-off. However, we are of the view that a Biden Presidency will provide opportunities in some sectors: environment, renewable energy, education. Banks and insurance companies will not do well if this scenario materializes. In the case of a Biden victory, emerging markets are likely to see increasing inflows as investors will feel that all of a sudden, the world is safer. In addition, we believe the long-term effect on stock market would not be much pessimistic as the election results had positive effect on US stock market most of the time regardless of the winners.

In summary, we believe that the market is probably going sideways in November as there is a shortage of information related to corporate earnings/macro data. However, the continuous recovery of the market is predictable followed by good momentum in the third-quarter. The current concern is the global market volatility in the short-term amid the US presidential election. Therefore, we believe that the VN Index can move in the range from 910 to 960.

S&P 500 Price Change by Presidential Term



Source: Investopedia

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As we mentioned in our October report, when the earnings season is over, we believe that the market enters a "quiet" period, and it is likely that the market will be more sensitive to global markets and international events, including the results of the US presidential election.

That said, we believe that, in the coming months, macroeconomic data, which have recovered from the COVID-19 pandemic (see macroeconomics section), along with low interest rates environment, will likely keep money flowing to the market.

In addition, the development of the last National Assembly session in 2020 will also be a major event to be watched this month. As scheduled, from November 2nd to 5th, the National Assembly will discuss and evaluate the results of the implementation of the five-year socio-economic development plan over 2016-2020 and, more importantly, the development of the plan for major economic indicators for the next five years (2021-2025). In particular, national budget issues, medium-term public investment plans and economic reform will be important to watch for. Investors should follow this because of the orientation nature for the macroeconomic management by the Government. In addition, the socio-economic development plan for 2021 will be voted and approved on November 11 by the National Assembly. The government has set a target of 6.0% GDP growth by 2021, compared with projected GDP growth of 2.0-3.0% in 2020 following the Covid-19 pandemic. However, the Government sets ambitious targets for economic growth prospects over the next five years with an average GDP growth rate of 6.5-7.0%. We expect that the approval of those long-term objectives as well as the government's commitment to execute the plan will have a positive impact on market sentiment this month.

We do not expect the stock market to have a breakthrough in November, but this is the right time for investors to start screening and accumulating stocks that are expected to have a more positive outlook in Q4-2020 as well as in 2021. In the short term, we believe that opportunities still exist, but will be limited to a small group of stocks with supporting catalysts. Considering the above factors, we believe that some businesses operating in the retail, real estate, and banking industries could be profitable in the last months of 2020 and early 2021.

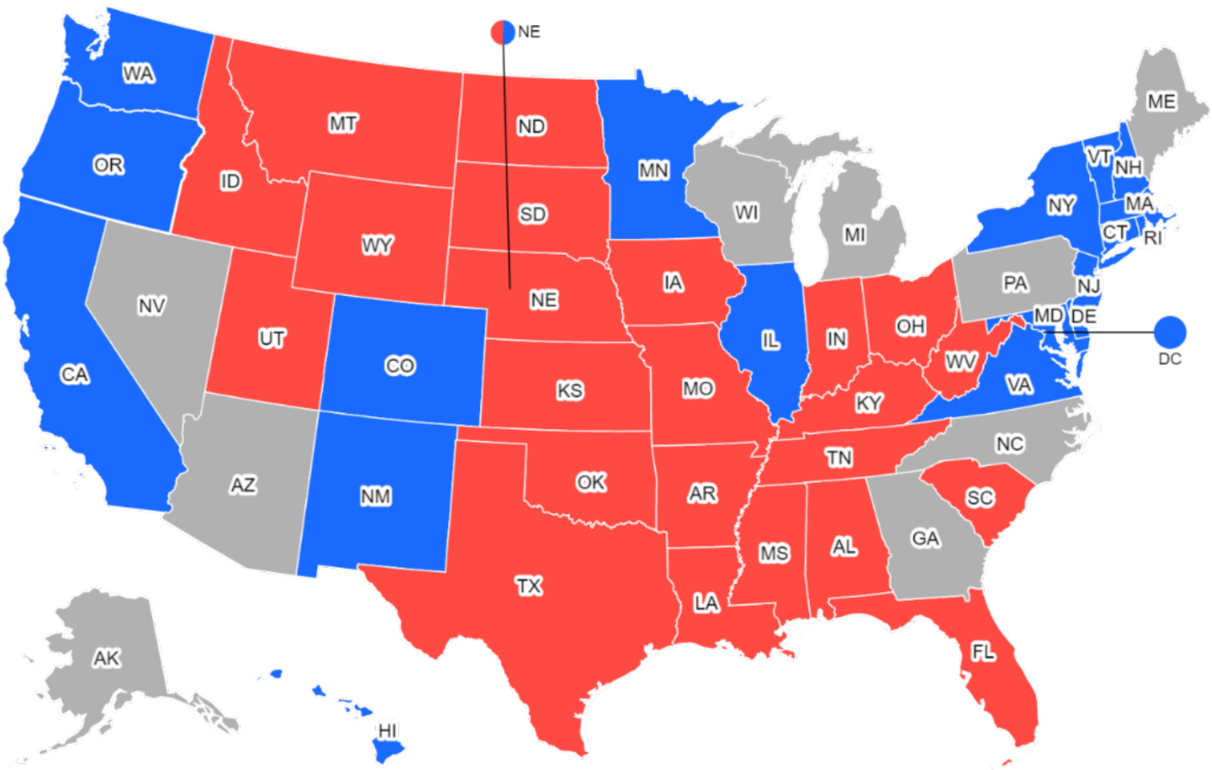
Analysis of 54 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

US elections 2020: No winner yet

- Trump's campaign is asking the Supreme Court to intervene in Pennslyvania and Wisconsin for a recount of the votes.
- If it goes ahead, it could take weeks or months before we know who is the next president.
- In the meantime, uncertainty will prevail.
- As of now, November 4th at 1 pm Pacific time, Mr. Biden is leading Mr. Trump by about two percent in the public vote nationally but seven states have not finished counting.

It is November 4th, and I am writing from Los Angeles. Two things are certain – the Blue Wave (Democrats) has evaporated and the polls have been horribly wrong – again. Voting has not matched polled intentions. As we write, it is still too close to call the presidential winner but it seems the Republicans will hold the Senate and the Democrats the House. It is a murky world for equities. As of now, Joe Biden has 224 electoral college votes while Donald trump has 213. One needs 270 to be elected.

The election outcome has morphed from a wide victory margin for the Blue Wave to a more complicated result perhaps determined by the Supreme court. At the time of writing, President Donald Trump has threatened to mount challenges in the Supreme Court over the results. This means it could potentially take weeks for a result to be known. This could complicate the process for getting a stimulus bill passed before Xmas. Ultimately, the race comes down to Wisconsin (10 electoral votes), Michigan (16) and Pennsylvania (20) - all three were won by Trump in 2016 and would be required for him to secure the necessary 270 electoral votes (more on that below). This is where the presidential elections now (Blue are democrats leading or elected, Red are Republicans, Grey are states which do not have final results yet as on November 4th in the morning PST). It is very polarized.



Source: CNN

A few years ago, researchers at University College London[1] published a study looking at the role of uncertainty regarding to stress. It's not worth getting into the full mechanics of the experiment here, but it involved a group of volunteers playing a game where certain choices might lead to mildly painful electric shocks.

One might presume that the volunteers would be most stressed when they knew with 100% certainty that they were about to receive an electric shock. But that wasn't the case. Instead, it was situations where they had a 50% chance of getting shocked that proved to be most stressful. In short, the stress of uncertainty was "significantly" worse than the stress of guaranteed pain. It's the not knowing that really gets to us.

In the present case of the US, waiting for the results of the most contentious presidential election in modern history could create non-bearable stress. It is likely that you see the stakes as existential and the choice as nothing less than a referendum on the future of a country. These tensions have been exponentially intensified by fears of election-related violence and unrest, which are widespread among voters of both parties.

US election facts

- Since 1989, Democrats have won the nation popular vote in almost 80% of presidential elections.
- However, because of the way the president is chosen, by the electoral college system, Republicans have seen their candidate elected the same number of times as a Democrats have.
- In fact in California, the country's most populous state and where this writer lives, over the past 70 years, more people have voted for a Republican president than for a Democrat. The most well-known Republicans ones were Richard Nixon and Ronald Reagan. It is only since about 10-15 years ago that voters in the state have switched to Democrats.
- Since California quickly grew its population in the Gold Rush of 1848 and joined the union two years later, the state has gained electoral votes from almost every census since its founding. In 1972, California reached 45 electoral votes, passing New York for most in the country. The state's current allotted 55 electoral votes gives it more than 10% of all available electoral votes.

Quick note on the electoral college

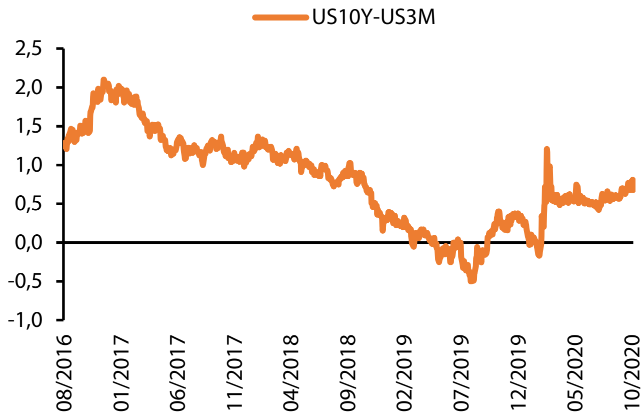
American voters go to the polls on the first Tuesday in November every four years to elect a president and many other members of the political spectrum, be it at the federal or state levels. However, the ballots that they cast do not directly elect the president. **Instead, the will of the voters is reflected in the actions of state electors (538 nationwide). These electors are selected by** political parties **at the state level and in many cases are bound by law to vote in a way that is consistent with the results of the popular vote.** In 48 out the 50 states, electoral votes are apportioned on a winner-takes-all basis. Maine and Nebraska allocate electoral votes by congressional district, with two additional votes reserved for the statewide winner.

Current financial markets may force investors to make difficult decisions. These conditions could cause investors to believe they must assume greater risk, and accept otherwise extraordinary actions or terms that are outside of their control.

[1] *https://www.sciencedaily.com*

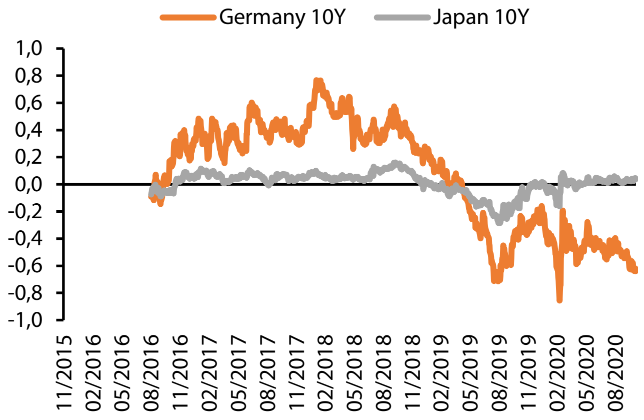
GLOBAL ECONOMIC INDICATORS IN OCTOBER

US G-Bond yields gap (%/year)



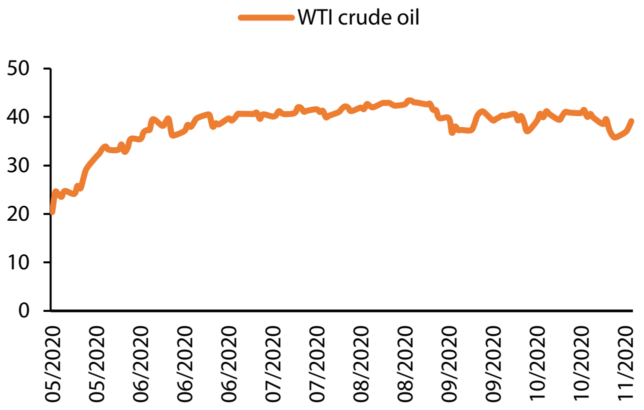
Source: Bloomberg, Rong Viet Securities

Germany and Japan G-Bond yields (%/year)



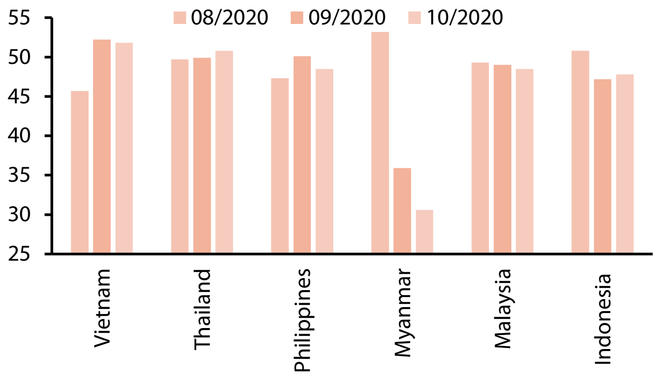
Source: Bloomberg, Rong Viet Securities

WTI crude oil price (USD/barrel)



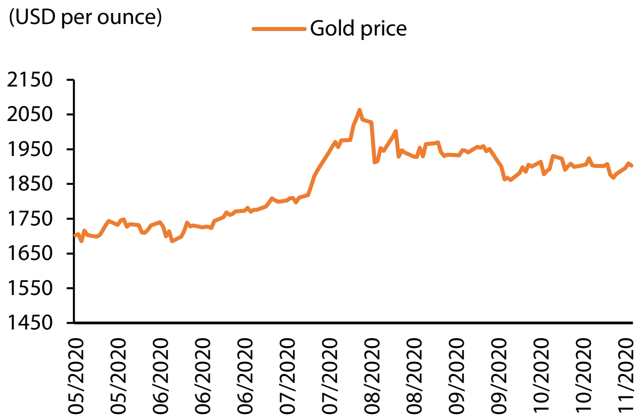
Source: Bloomberg, Rong Viet Securities

ASEAN's PMI



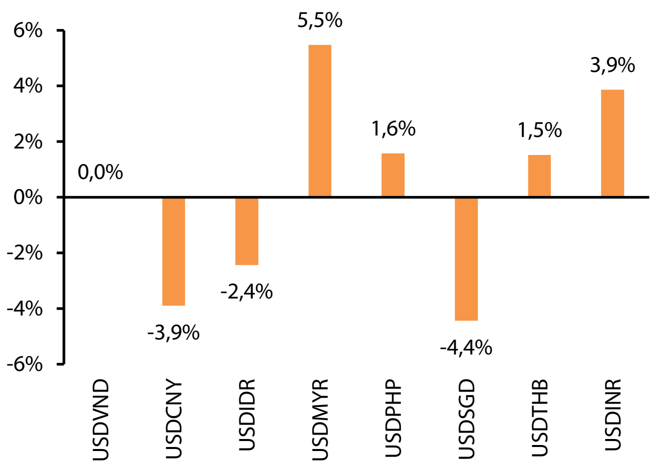
Source: Markit Economics, Rong Viet Securities

Gold prices



Source: Bloomberg, Rong Viet Securities

FX rates (%, YTD)



Source: Bloomberg, Rong Viet Securities

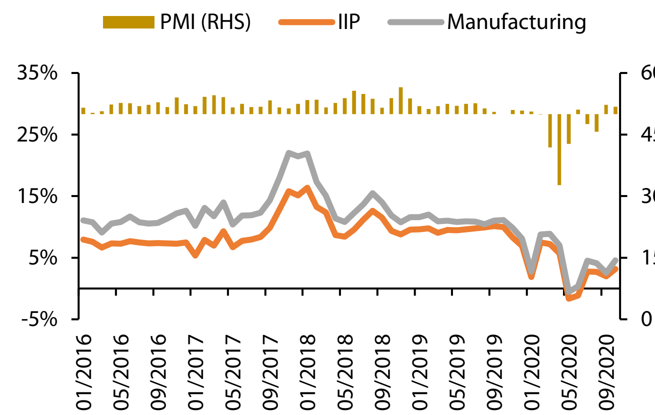
VIETNAM MACRO

- We saw a positive improvement in economic recovery in Oct 2020.
- There will be greater fiscal challenges due to pressure from debt repayment.
- New NPLs might lead to continued policy support.

Encouraging recovery in Oct 2020

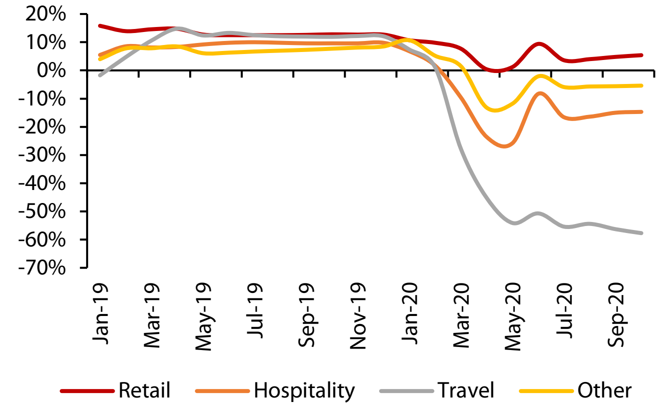
The pace of recovery picked up in Oct 2020 as both the industrial production index (IPI) and retail sales expanded faster compared to last month. To be specific, IPI grew 3.6% mom and 5.4% yoy in Oct 2020 vs. 2.3% mom and 4.8% yoy in Sep 2020. Meanwhile, retail sales accelerated to 6.1% yoy in Oct 2020 from 4.9% yoy in Sep 2020, led by sales of goods (+11.0% yoy). The leading indicator also indicated a steady recovery ahead with the manufacturing PMI in Oct 2020 at 51.8, down marginally from 52.2 in Sep 2020. We keep our forecast for 2020 GDP growth at 2.7%, however, based on the current pace of recovery, growth momentum could surprise to the upside.

Figure 1: Industrial production and manufacturing growth (% yoy, 3mma)



Source: GSO, IHS Markit, Rong Viet Securities

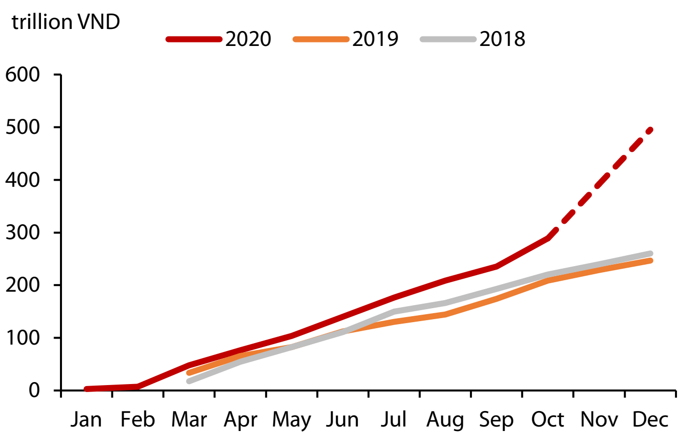
Figure 2: Retail sales growth by category (%yoy)



Source: Customs, Rong Viet Securities

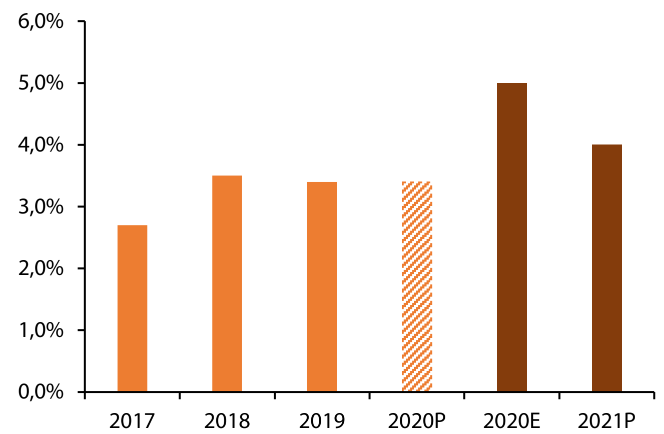
On the fiscal policy front, the expansion in public investment continued, State investment expenditures increased by 38.4%yoy as of 15 Oct 2020 vs. an increase of 35.0% last month. Due to the impact of COVID-19, the fiscal deficit could deteriorate to 5.0% of GDP this year, worse than the target of 3.4% of GDP set in early 2020. This figure could be higher at 5.6% of GDP if the government cannot sell stakes in SOEs. We had earlier projected the fiscal deficit at 5.5-6.0% of GDP in 2020. In 2021, the fiscal deficit could improve to 4.0% of GDP thanks to the economic recovery.

Figure 3: Public investment disbursement



Source: GSO, Rong Viet Securities

Figure 4: Fiscal deficit (% GDP, 2017-2021)



Source: MoF, Rong Viet Securities

On the monetary policy front, many banks continued to cut their deposit interest rates by 0.1-0.5% pts this month. For example, VCB and CTG cut deposit rates by 0.2% pts for some periods (1-2 month terms, three-month terms). BID reduced its deposit rate for nine-month terms by 0.3% pts, other mid-sized banks (VPB, STB, MSB) also lowered their deposit rates for long-term periods by 0.1-0.5% pts. At the same time, banks also lowered lending interest rates to push credit growth in the last quarter of this year. From Oct 2020, VCB provided SMEs a preferential interest rates of 5.9%/year for loans for business purposes. Agribank also cut lending rates for the fourth time this year with an additional cut of 0.3% pts. MBB applied interest rates for business loans from 6.8%/year, with a limit of 80% of capital needs for a maximum period of 180 months. As of 26 Oct 2020, credit growth is estimated at 6.2% ytd, expanded at a slow pace vs. an increase of 6.1% ytd at the end of Sep 2020. We project credit growth to be around 9.0% in 2020, before improving to 12.0%-13.0% in 2021.

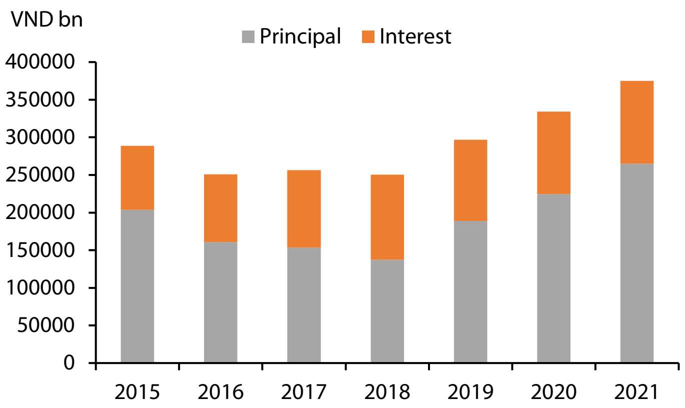
Fiscal policy constraint in 2021: rising debt burden

According to reports from the year-end meeting of the National Assembly (NA), the government's debt direct repayment on the budget revenue would be 24.1% in 2020. In 2021, this figure could increase to 27.4% based on the projected debt repayment obligations of VND368,276 bn and budget revenue of VND1,343.3 trillion. As a result, the ratio of debt service to budget revenue could exceed the threshold of 25.0% set by the NA.

It is important to note that State revenue is projected to rise 1.5% vs. the estimated budget revenue for 2020. However, under the best scenario, we concern that there would be greater fiscal challenges due to pressure from debt repayments. As the duration of the pandemic remains unclear, the government will continue to protect public investment in order to support the economic recovery. Public investment is expected to slightly increase in 2021 (+1.4% vs. 2020's plan) to VND477,300bn.

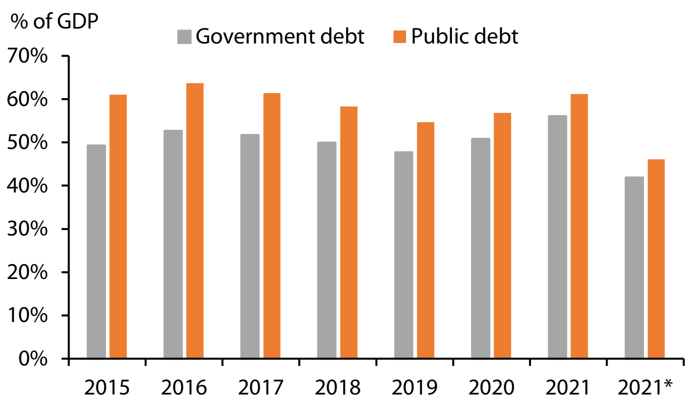
Because the fiscal deficit expanded to 5.0-5.6% of GDP in 2020, public debt is estimated at 56.8% of GDP, up from 55.0% at the end of 2019, which remains below the debt ceiling of 65.0% of GDP but higher than IMF suggested (55.0% of GDP). In 2021, the government plans to borrow VND579 trillion, including VND318 trillion for covering the budget deficit and VND261 trillion for paying the principal debt. As the government plans to re-evaluate GDP, the public debt ratio is expected to drop to 46.1% of adjusted GDP (or 58.6% of unadjusted GDP) in 2021. Basically, the revision of GDP should come up with the revision of the ceiling debt as "make-up" data might lead to unsustainable fiscal policy in the future.

Figure 5: Debt repayment (2015-2021)



Source: GSO, Rong Viet Securities

Figure 6: Public debt (2015-2021)



*Source: MoF, Rong Viet Securities, * calculated based on revised GDP*

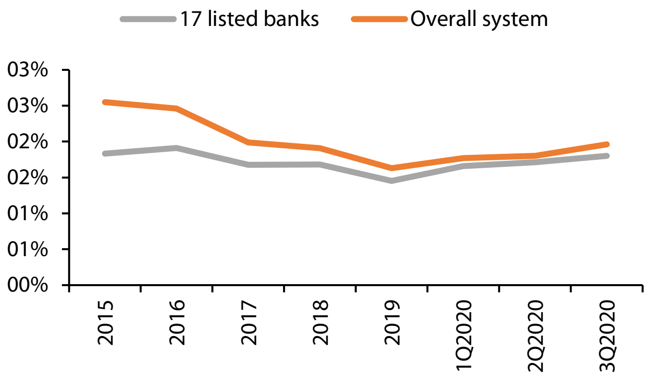
New NPLs amid COVID-19

Non-performing loans (NPLs) significantly increased in 9M2020 but forbearance may keep reported NPLs below the threshold of 3.0% targeted by the SBV. Partial information from 17 listed commercial banks indicated that NPLs significantly increased in 3Q2020. At the end of Sep 2020, these banks grappled with VND97,280bn of problematic loans, increasing from 30.7% vs. the end of 2019, which was equivalent to 1.8% of their total assets. This figure was in line with reported

NPL ratio of 2.0% by the SBV, partly thanks to temporary measures enacted by the central bank to relax rules for banks' NPL recognition for virus-hit companies. Assuming that credit growth will reach 9.0%yoy in 2020, we estimate that the NPL ratio (exclusive of loans sold to the VAMC) will be around 2.4% at the end of 2020.

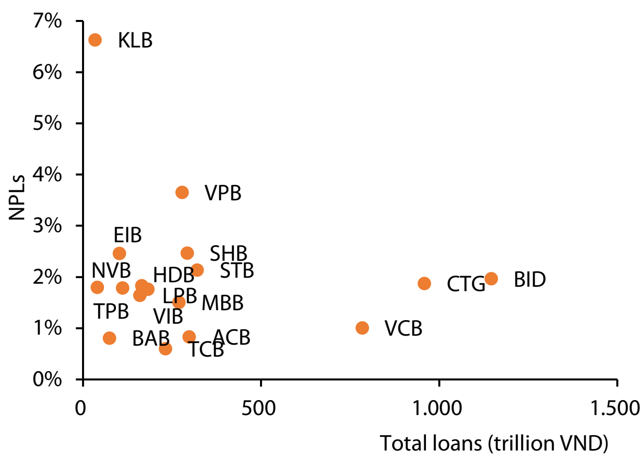
Apart from a sharp rise in potential NPL formation, the ultimate impact to the health of the banking system would depend on a combination of other factors including: 1) how much of potential NPL would be recognized; 2) the level of reported NPL ratio would be how much the SBV tolerates; 3) whether the SBV amendment Circular 01 to extend the loan deferral time; and 4) the pace of economic recovery to back credit growth. According to the SBV, as of 28 Sep 2020, credit institutions have rescheduled the repayment terms for more than 272,115 customers with a loan balance of VND331,013bn, equivalent to 3.8% of total loans. We believe not all of the rescheduled loan will be transferred to bad debts. However, it is likely that bad debts could become more apparent in the next few months due to the impact of the pandemic, and then exceed the threshold of 3.0% set by the SBV in 2021. Generally, credit growth lags behind the recovery of economic activity (our projection of 12.0-13.0% in 2021). Therefore, we expect new NPLs cycle might lead to the extend of continued policy support (i.e. extending grace period on loan repayments or deferring NPL recognition) as the SBV needs to carefully balance above factors.

Figure 7: NPL ratio (% of total assets)



Source: Fiinpro, SBV, Rong Viet Securities

Figure 8: Loan assets vs. NPLs

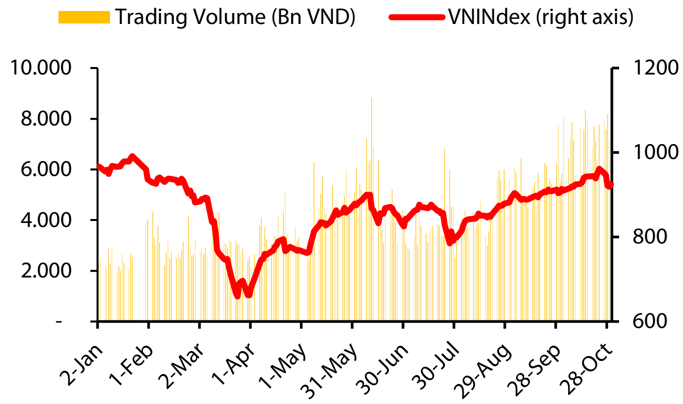


Source: Fiinpro, Rong Viet Securities

STOCK MARKET IN SEPTEMBER: VN30 SUPPORTED THE RISE

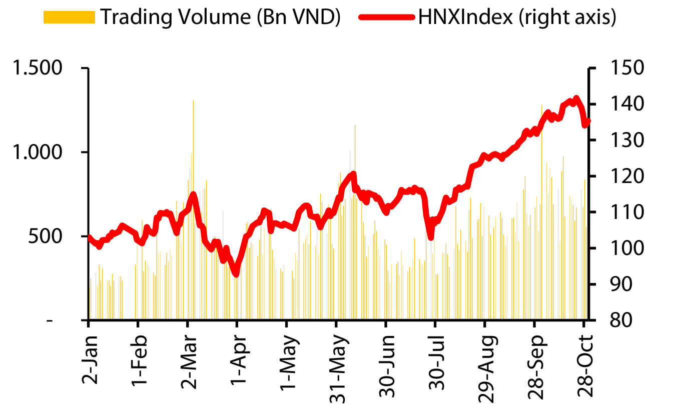
The VN-Index edged up 2% MoM to finish at 925.47 and was among the best-performing markets in the world by outperforming other indices such as SET (-3.4%), KOSPI (-2.6%), S&P 500 (-2.8%) for a third consecutive month. The HNX Index moved similarly with a 2% MoM rise.

Figure 9: VN Index in 2020



Source: Fiinpro, Rong Viet Securities

Figure 10: HNX Index in 2020



Source: Fiinpro, Rong Viet Securities

The average liquidity in HOSE via matching orders was VND 7.2 trillion (+31% MoM). The VN30 accounted for 56% of the VN Index liquidity, a growth of 68% MoM in October. The VN30 went up 2.9% MoM while VNMid and VNSmall experienced negative returns (Table 1). The MSCI update was a main reason for the VN30 to rally given the expectations from new inflows into the largest frontier market. Specifically, VN30 stocks would most benefit as Vietnam would see a weight increase of 13% in the frontier markets index as Kuwait will be reclassified as an emerging market. Top performers in the VN30 were MSN (+54%), VIC (+16%), HPG (+16%), PNJ (+14%).

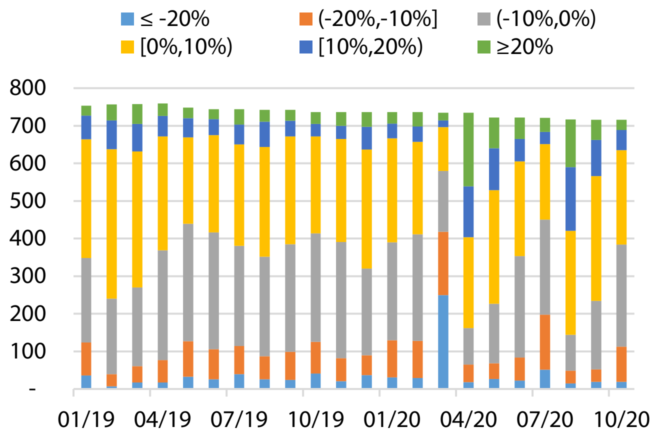
Despite that, the stock market started to correct as the number of losers was higher than gainers this month. The number of gainers dropped 31% in October compared to September. Over 70% of the stocks fell into a trading range between -10 percent and 10 percent.

Table 1: Performance by market cap in October

	VN30		VNMid		VNSmall	
	ADTV (billion VND)	Price change	ADTV (billion VND)	Price change	ADTV (billion VND)	Price change
August	1,951	11.2%	1,313	12.6%	744	14.1%
September	2,416	3.5%	1,772	6.7%	795	3.7%
October	4,049	2.9%	1,889	-3.3%	780	-3.5%

Source: Fiinpro, Rong Viet Securities
ADTV: Average daily trading value

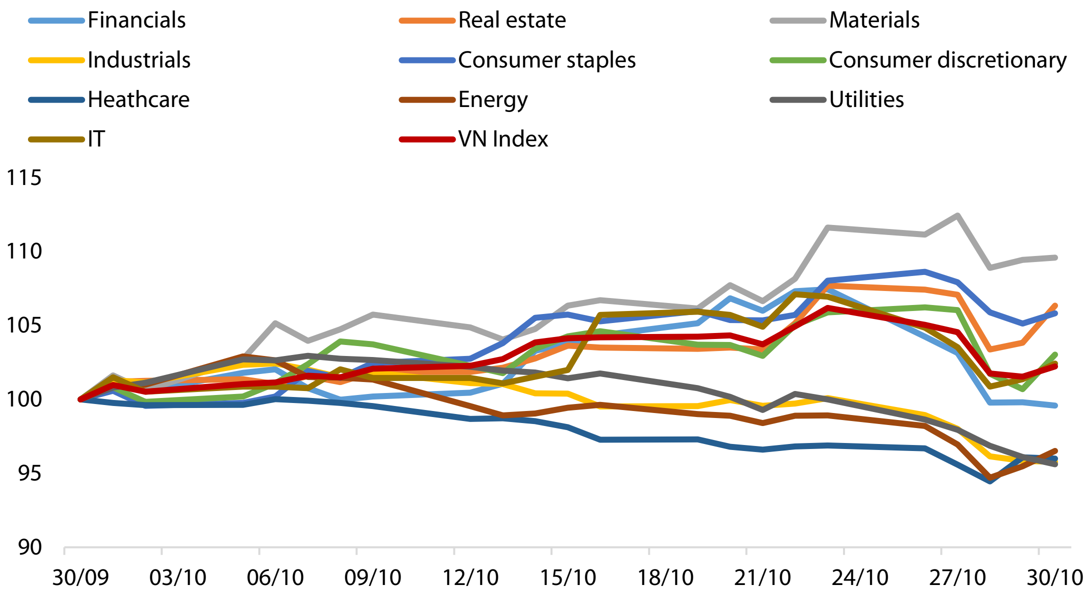
Figure 11: Number of stocks by monthly performance on HOSE and HNX



Source: Fiinpro, Rong Viet Securities

Five over ten sectors recorded positive MoM return in October. Noticeably, materials and real estate were the best two sectors with 10% and 7% MoM returns, respectively. The materials sector was driven by HPG (+16% MoM) and SMC (+10% MoM) while VIC (+16%), DIG (+26%) and DXG (+14%) uplifted the real estate sector. Consumer staples also went up 6% MoM backed by MSN (+54%). Utilities, energy and industrials underperformed with negative returns from 3% to 5%. Of which the main lagers were POW (-8%), PLX (-3%), GEG (-12%), AST (-8%), SCS (-5%).

Figure 12: Sector performance in October



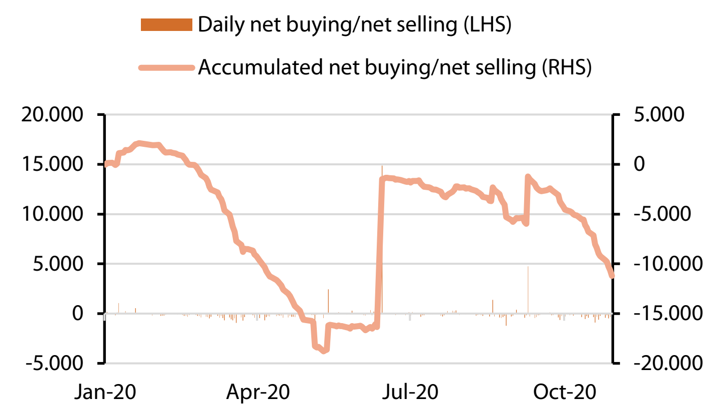
Source: Bloomberg, Rong Viet Securities

Foreign investors

In October, foreign investors returned as net seller on HOSE. There was no surprise from large put-through transaction as in September. In terms of matching-order transactions, they sold intensively with a net value of VND 6.5 trillion (+44% MoM). This brought October to be the largest net selling month in the last six months. Some stocks were sold strongly via matching orders such as MSN (VND 2,946 Bn), VNM (629), CTG (604), VRE (284), VHM (271), BID (196), HDB (186), POW (179), KDH (135), and TCB (132). By contrast, they net bought mostly DXG (+VND 122 bn), VCB (+112), DCM (+102), GVR (+99), BVH (+64), VHC (+63), FUEVFVND (+43), GIL (+35), STB (+32) and SSI (+32). VN30 stocks were sold at VND 3.4 trillion, equivalent to 76% of the VN Index net selling value via matching orders.

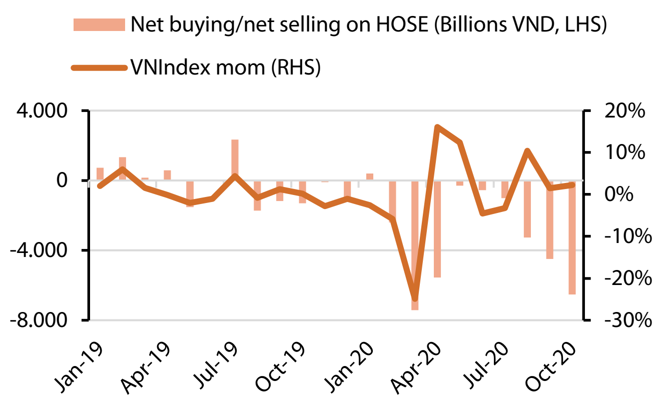
Foreign ETFs saw withdrawals in VNM ETF and KIM ETF of USD 3.1 Mn and USD 1.2 Mn, respectively. MSCI Vietnam ETF (Hong Kong) was inactive while FTSE Vietnam ETF (Europe) had a relatively low net added value of USD 0.9 Mn. Domestic ETFs had mixed outcomes. E1VFVN30 recorded net withdrawals of USD 7 Mn while FUEVFVND and FUESSVFL recorded net added value of USD 8.8 Mn and USD 0.3 Mn.

Figure 13: Total daily net buying/selling by foreigners (Billion VND)



Source: Fiinpro, Rong Viet Securities

Figure 14: Net buying/selling on HOSE via matching-order transaction versus VN index MoM



Source: Fiinpro, Rong Viet Securities

Table 2: Foreign net buying value by sectors on HOSE and HNX

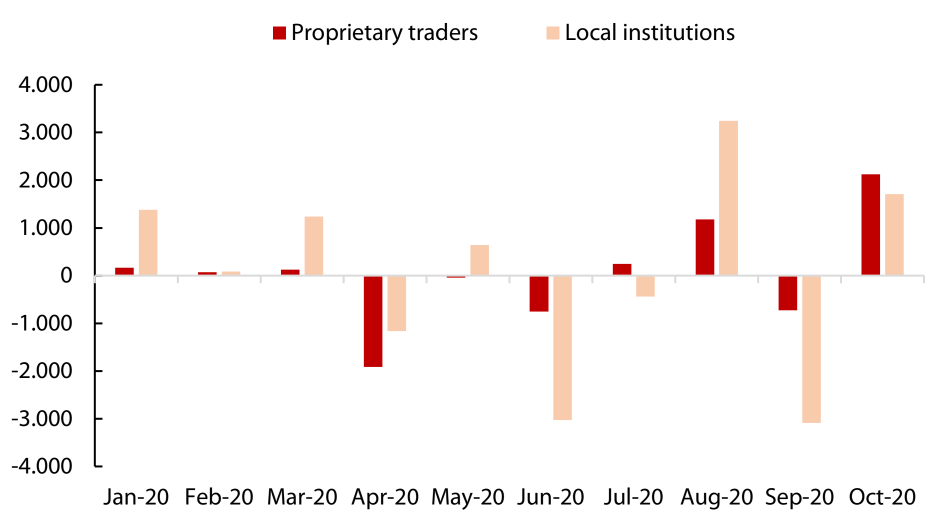
Sector	HSX Net trading value (billion VND)	HSX Net trading volume (thousand shares)	HNX Net trading value (billion VND)	HNX Net trading volume (thousand shares)
Retail	1	-265	-1	-103
Insurance	64	1,225	0.4	23
Real Estate	-1,561	-64,664	5	-80
Technology	-3	-458	-2	-205
Oil & Gas	-191	-11,623	3	160
Financial Services	-106	-1,223	46	2,878
Utilities	-370	-22,911	-0.2	-28
Travel & Leisure	-175	-1,702	-0.03	-19
Industrial Goods & Services	-252	-13,236	-4	-584
Personal & Household Goods	51	2,078	-3	-292
Chemicals	151	13,710	-4	-603
Banks	-1,028	-36,986	-6	-359
Automobiles & Parts	1	-625	-0.06	-15
Basic Resources	60	-888	-4	-732
Food & Beverage	-3,620	-44,401	-5	-99
Media	-2	-37	-0.09	0.2
Telecommunication	0	0	0.5	17
Construction & Materials	-283	-15,326	-11	-971
Health Care	34	-148	4	17

Source: Fiinpro, Rong Viet Securities

Local institutional investors became net buyers in October

Local institutional investors returned buyers with net purchase value of more than VND 1.7 trillion. Proprietary traders were net buyers of nearly VND 2.1 trillion. Some stocks were net bought strongly by domestic institutional investors such as VIC (VND 590 bn), TCB (477), FLC (409), VHM (341), VRE (298), VNM (238), VPB (142), HPG (141), EIB (138), etc. By contrast, GAB was net sold the most at VND 446 bn, followed by MSN (-211), VHC (-187), CTD (-176), CTG (-167), GVR (-153), MBB (-126). Meanwhile, proprietary traders bought VIC by VND 386 Bn. Other top purchased stocks included TCB (239), VNM (200). On the sell side, they mainly sold FUEVFVND (-97), HSG (-43), CII (-42), PVT (-42), GEX (-30).

Figure 15: Trading activity by local institutional investors in 2020 (Billion VND)



Source: Fiinpro, Rong Viet Securities

Correction could be possible amid an information shortage in November

After the third-quarter earnings season ends, the Vietnam stock market entered into an information shortage stage in November. The selling pressure would be possibly higher if the market had a correction signal in the third week of October after reaching 960. The VN-Index recovered from 660 to 925, equivalent to a 40% increase.

Foreign investors' money flows also weighs on the market in our view. Despite the news from MSCI, foreign investors still sold intensively in October when net sold value reached a six-month high. Therefore, money flows from foreign investors would not be a supporting factor now.

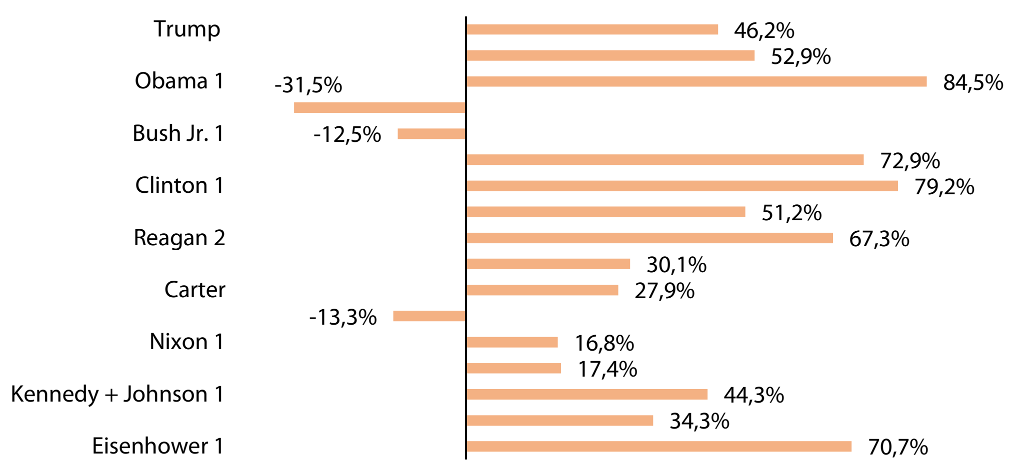
US presidential election – Conservative but not pessimistic

President Trump has lowered the corporate income tax from 35% to 21% in November 2017, shortly after taking office. His action has boosted earnings for most corporations, especially for large listed companies on the New York stock exchange. As a result, investors in the US and around the world have been chasing stocks. This is one of the reasons why the S&P 500 and the Nasdaq Indices are at record highs. The result of the US election, be it a Trump or Biden win, will have an impact on stock markets around the world. If Trump wins, not much will change in terms of corporate income tax. If Biden wins, it is fairly probable that corporate income taxes will go back up, affecting companies' profits.

We believe that both scenarios have been priced in by the market. It is unlikely that, in the short-term (6-12 months), any candidate will be able to shift the needle in one direction or another. If Trump is re-elected, there could be a moment of exhilaration pushing equity markets higher. A sense of relief from Wall Street that corporate income taxes would not rise or could even be lowered more from 21% to 15%. But this is wishful thinking as the longer-term situation is unlikely to be very rosy because another Trump administration will create even more conflicts with trading partners such as Canada, China, Mexico and the EU.

A Biden victory would probably be seen by short-term minded investors as a negative, hence equity markets could experience some kind of sell-off. However, we are of the view that a Biden Presidency will provide opportunities in some sectors: environment, renewable energy, education. Banks and insurance companies will not do well if this scenario materializes. In the case of a Biden victory, emerging markets are likely to see increasing inflows as investors will feel that all of a sudden, the world is safer. In addition, we believe the long-term effect on stock market would not be much pessimistic as the election results had positive effect on US stock market most of the time regardless of the winners (Figure 16).

Figure 16: S&P 500 Price Change by Presidential Term



Source: Investopedia

In summary, we believe that the market is probably going sideways in November as there is a shortage of information related to corporate earnings/macro data. However, the continuous recovery of the market is predictable followed by good momentum in the third-quarter. The current concern is the global market volatility in the short-term amid the US presidential election. Therefore, we believe that the VN Index can move in the range from 910 to 960.

ACCUMULATING STOCKS ON A HEALTHIER MACRO ECONOMY BACKDROP

The stock market has performed well in parallel with increased liquidity in October. However, behind that improvement, we can see a clear divergence among sectors' performance. Cash tends to flow to sectors with good Q3 business results or with a supporting "story". Evidently, the evolution of the basic resources industry with an increase of 9% in market cap as many companies in this industry announced positive business results with robust annual growth over the same period, led by HPG with net profit in Q3-2020 rising by 115% YoY. Similarly, in industries such as consumer products and services, with the major contribution by PNJ, when its jewelry retail segment has showed above consensus results. In addition to that, large-cap stocks such as MSN and VIC were largely supported by supporting "stories", thereby, in turn boosting prices of the F&B and real estate sectors.

Table 3: Sectors performance vs Q3-2020 and 9M-2020 earnings growth

Sector	October performance	NPAT-MI Q3-2020 YoY %	NPAT-MI 9M-2020 YoY %
Basic Resources	9%	149%	68%
Consumer Products and Services	7%	-3%	-19%
Chemicals	6%	6%	10%
Food, Beverage and Tobacco	5%	-10%	-12%
Real Estate	4%	32%	0%
Insurance	3%	30%	-22%
Telecommunications	2%	-40%	-17%
Financial Services	0%	58%	22%
Retail	0%	4%	-6%
Technology	0%	0%	9%
Banks	-1%	5%	10%
Health Care	-2%	10%	12%
Industrial Goods and Services	-2%	-9%	-14%
Construction and Materials	-3%	26%	2%
Energy	-4%	178%	18%
Utilities	-4%	-38%	-33%
Media	-5%	-244%	-428%
Travel and Leisure	-6%	-259%	-263%
Automobiles and Parts	-7%	92%	71%

Source: Fiinpro, Rong Viet Securities

As we mentioned in our October report, when the earnings season is over, we believe that the market enters a "quiet" period, and it is likely that the market will be more sensitive to global markets and international events, including the results of the US presidential election.

That said, we believe that, in the coming months, macroeconomic data, which have recovered from the COVID-19 pandemic (see macroeconomics section), along with low interest rates environment, will likely keep money flowing to the market.

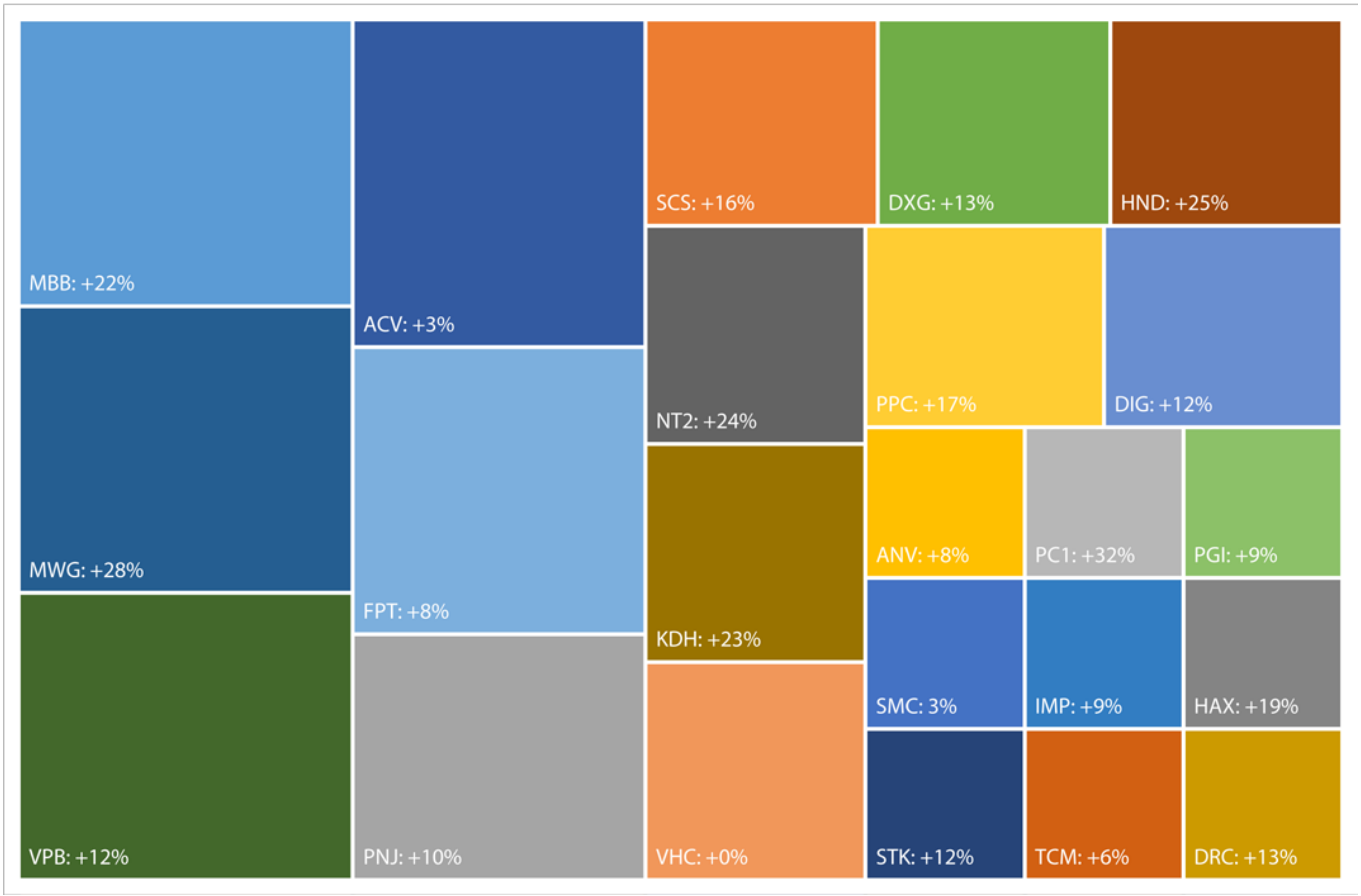
In addition, the development of the last National Assembly session in 2020 will also be a major event to be watched this month. As scheduled, from November 2nd to 5th, the National Assembly will discuss and evaluate the results of the implementation of the five-year socio-economic development plan over 2016-2020 and, more importantly, the development of the plan for major economic indicators for the next five years (2021-2025). In particular, national budget issues, medium-term public investment plans and economic reform will be important to watch for. Investors should follow this because of the orientation nature for the macroeconomic management by the Government. In addition, the socio-economic development plan for 2021 will be voted and approved on November 11 by the National Assembly. The government has set a target of 6.0% GDP growth by 2021, compared with projected GDP growth of 2.0-3.0% in 2020 following the Covid-19 pandemic. However, the Government sets ambitious targets for economic growth prospects over the next five years with an average GDP growth rate of 6.5-7.0%. We expect that the approval of those long-term objectives as well as the government's commitment to execute the plan will have a positive impact on market sentiment this month.

We do not expect the stock market to have a breakthrough in November, but this is the right time for investors to start screening and accumulating stocks that are expected to have a more positive outlook in Q4-2020 as well as in 2021. In the short term, we believe that opportunities still exist, but will be limited to a small group of stocks with supporting catalysts. Considering the above factors, we believe that some businesses operating in the retail, real estate, and banking industries could be profitable in the last months of 2020 and early 2021. Accordingly, this month, investors can increase stakes in the following stocks:

- **MWG, TP: 135,000 VND, expected total return of +28% on the closing price as of November 3rd, 2020.** MWG has just announced quite positive Q3-2020 business results with NPAT increasing 11% YoY, reaching VND 951 billion, despite the fact that its grocery chain named Bach Hoa Xanh (BHX) extended its losses to VND 475 billion (+ 86% YoY) and Sales of two remaining chains, Dien May Xanh (DMX) and The Gioi Di Dong (TGDD), dropped 9% YoY. This result is mainly aided by the significant expansion in quarterly gross profit margin of DMX + TGDD chains, estimated at 21.6% (up strongly by 1.9 percentage points YoY), on the back of higher contribution from the high-margin groups of products such as watches, home appliances, laptops. By the end of 9M-2020, MWG's NPAT amounted to VND 2,978 billion, which was flat year-on-year, and has completed 77% of our full year forecast at VND 3,857 billion (+ 0.5% YoY).
  In the coming time, especially in the last months of 2020, we expect more upbeat signal from the retail sales of goods and services, one of the key macroeconomic indicators, on the back of high-demand season and successful continued Covid containment in Vietnam. Total retail sales of consumer goods and services for the first month of Q4 were, in fact, up 2.4% MoM and 6.1% YoY. Favorable macro signals, along with plans to enhance the profitability of the BHX chain through the promotion of the "5 billion" store model or the rapid replication of the DMX Super Mini store model will be drivers of MWG's profit in the short and medium term. For 2021, we project NPAT of VND 5,049 billion, up 31% YoY, implying a diluted EPS of VND10,816. Accordingly, we evaluate P/E 2021 of 9.9x at current market price on 3/11/2020 as relatively attractive to accumulate stocks.
- **DIG, TP: 22,800 VNĐ, expected total return of +18% on the closing price as of November 3rd, 2020.** The real estate market has been experiencing the quiet year in 2020 given the supply shortage in tier-one cities as Ho Chi Minh City and Ha Noi. In that condition, tier-two regions as Dong Nai and Ba Ria-Vung Tau would be potential areas given the participation of big developers and ramped-up infrastructure development. DIG would be among the most benefited developers given its huge land banks of 1,600 hectares in tier-two regions, solid experience in land acquisition at low prices and healthy financial status with lower-than-average debt ratios.
  In 2021, the handover of several projects such as Gateway, Nam Vinh Yen, Dai Phuoc, and Cap Saint Jacques will be the main growth driver of DIG based on their project updates as of September 2020. Besides, information over stake transfer to strategic shareholders is also a noticeable information, the Company recently have decided to sell treasury shares. In 9M 2020, DIG recorded quite positive results when net revenue reached 1,865 billion VND (75% versus FY 2020 plan), up 44.9% YoY. PAT reached 131.2 billion VND, up 40.5% YoY, of which NPAT-MI reached nearly 125 billion VND. These positive results mainly come from the handover of Gateway and Phoenix projects. On valuation perspective, we forecast DIG's P/B 2021 at 1.4x based on market price as of November 3, 2020, which is relatively attractive compared to other real estate developers in the industry.
- **TCB, TP: N/A.** We expect that TCB's earnings growth will remain high because of its strength in payment solution, high-profile customers segment, real estate focused loan portfolio with quality collateral. In addition, TCB anticipates to use up the credit growth quota given in 2020 (22%). Meanwhile, credit growth in 9M2020 has just reached 8.3% YTD so far. This means loans to customers should pick up vigorously in 4Q2020.

In 3Q, NIM expansion is supported by CASA, which rose high partially due to upward trend of CASA among the sector. In the last quarter of 2020, output interest rate might fall slightly when TCB diversifies its portfolio and offers preferential interest rates to incentivize lending. We expect NII and net service income to sustain robust growth. This will lead to increase in operating expenses, but CIR will be maintained around 33-35%. Provision expenses are predicted to keep increasing strongly compared to last year's, which is partially attributed to lag in bad debt recording. However, TCB's profit growth will be maintained among the highest in sector.

Figure 17: Our favorite stocks for this month



Source: Rong Viet Securities; Price as of November 4th, 2020; Square size: stock's market-cap classification

HIGHLIGHTED STOCKS

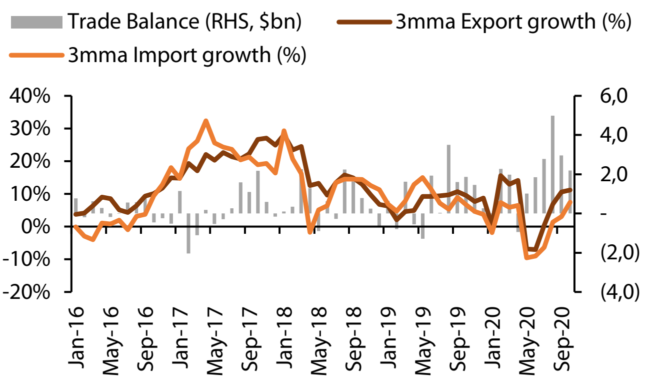
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2019		2020F		2021F		PER Trailing (x)	PER 2020F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3M avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
VRE	HOSE	2,534	34,700	25,950	34%	Buy	1	19	1	(6)	10	17	25.9	18.8	2.1	-	(26)	4,252	19
PC1	HOSE	155	29,900	22,700	32%	Buy	15	(24)	14	5	1	34	8.5	7.3	0.9	-	21	373	35
MWG	HOSE	2,077	135,000	106,800	28%	Buy	18	33	7	1	38	31	12.5	9.9	3.2	1.4	(14)	3,901	0
HND	UPCOM	380	20,800	17,665	25%	Buy	19	183	3	6	(17)	(39)	5.8	11.4	1.4	6.8	34	67	49
NT2	HOSE	280	25,600	22,600	24%	Buy	(0)	(3)	(14)	1	10	(11)	10.3	9.9	1.6	11.1	10	241	30
KDH	HOSE	584	29,300	24,300	23%	Buy	(4)	13	33	24	(3)	18	11.7	9.9	1.8	2.1	(2)	1,088	9
MBB	HOSE	2,199	22,500	18,450	22%	Buy	26	29	13	6	19	26	6.2	4.5	1.1	-	(9)	5,355	(3)
HAX	HOSE	24	17,000	15,550	19%	Accumulate	8	(48)	(1)	129	9	(24)	8.1	6.4	1.2	9.6	(1)	136	42
PPC	HOSE	312	24,400	22,650	17%	Accumulate	15	13	11	(13)	1	(1)	7.3	6.9	1.2	9.7	(3)	195	33
SCS	HOSE	257	129,400	117,900	16%	Accumulate	11	15	(6)	(2)	7	8	14.4	13.0	5.7	6.1	(18)	171	24
LHG	HOSE	55	28,300	25,800	16%	Accumulate	(30)	6	4	14	13	39	7.6	6.1	1.1	5.8	87	551	43
DRC	HOSE	101	20,900	19,700	14%	Accumulate	9	81	(9)	(14)	11	46	10.3	8.2	1.4	7.6	(6)	692	31
DXG	HOSE	275	14,000	12,350	13%	Accumulate	25	3	(9)	(17)	12	37	(81.8)	4.6	1.0	-	(23)	2,403	13
LTG	UPCOM	85	26,900	24,662	13%	Accumulate	(8)	(20)	(26)	(8)	11	30	8.1	5.9	0.8	4.1	17	220	4
QNS	UPCOM	484	33,000	31,522	13%	Accumulate	(4)	3	(7)	(19)	14	20	9.9	7.8	1.8	7.9	21	584	33
STK	HOSE	53	18,700	18,000	12%	Accumulate	(7)	20	(24)	(42)	17	50	9.8	6.9	1.2	8.3	5	71	42
DIG	HOSE	268	22,783	20,350	12%	Accumulate	(10)	21	27	3	49	84	13.5	8.7	1.5	-	48	2,165	26
VCB	HOSE	13,548	95,000	85,000	12%	Accumulate	20	29	14	13	20	23	18.4	13.3	3.4	-	(7)	4,301	6
VPB	HOSE	2,535	27,000	24,200	12%	Accumulate	17	12	10	16	15	25	5.9	4.9	1.2	-	10	7,012	0
PNJ	HOSE	694	77,000	71,700	10%	Accumulate	17	24	(1)	(19)	15	27	15.7	13.9	3.3	2.5	(14)	2,859	0
PGI	HOSE	73	19,600	19,100	9%	Accumulate	8	17	19	1	17	17	8.9	9.4	1.1	6.8	20	12	28
IMP	HOSE	142	52,500	49,450	9%	Accumulate	18	17	14	35	21	8	16.6	15.2	2.0	3.0	35	267	1
PVS	HNX	279	13,800	13,600	9%	Accumulate	18	(8)	(4)	(2)	(22)	(7)	9.9	9.3	0.5	7.4	(27)	2,887	39
ANV	HOSE	116	22,000	21,250	8%	Accumulate	9	17	(31)	(78)	31	219	8.6	5.4	1.1	4.7	(12)	235	48
FPT	HOSE	1,785	55,000	53,000	8%	Accumulate	19	20	12	12	18	21	12.5	9.8	2.8	3.8	6	4,626	0
BMP	HOSE	191	52,800	54,200	7%	Accumulate	11	(1)	6	11	7	(6)	8.8	11.0	1.9	9.2	20	534	19
TCM	HOSE	67	26,100	25,000	6%	Accumulate	(1)	(17)	(4)	13	0	(12)	5.9	7.6	1.0	2.0	27	1,145	0
HDG	HOSE	160	24,500	24,100	6%	Accumulate	34	33	13	28	(10)	(4)	3.9	2.5	1.2	4.1	(10)	1,777	42

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2019		2020F		2021F		PER Trailing (x)	PER 2020F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3M avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
KBC	HOSE	281	14,700	13,900	6%	Accumulate	30	15	(17)	(2)	5	12	18.7	7.0	0.7	-	(3)	1,421	31
BID	HOSE	6,870	42,000	39,750	6%	Accumulate	8	15	(4)	(8)	14	30	18.6	19.2	2.0	-	(3)	2,886	13
AST	HOSE	92	50,000	47,450	5%	Accumulate	29	23	(28)	(61)	23	113	239.1	13.9	4.2	-	(32)	206	7
MSH	HOSE	71	31,700	33,100	5%	Neutral	12	22	(26)	(89)	31	398	6.4	7.3	1.3	9.1	(33)	123	44
REE	HOSE	558	41,700	41,900	4%	Neutral	(4)	(8)	6	3	2	4	9.1	7.4	1.2	4.3	15	792	0
HDB	HOSE	1,360	26,000	25,200	3%	Neutral	24	26	13	18	19	25	7.4	6.0	1.4	-	11	2,068	10
PTB	HOSE	105	51,971	53,300	3%	Neutral	18	13	(1)	(27)	5	61	6.7	4.9	1.4	5.6	(24)	421	32
ACV	UPCOM	5,899	65,000	63,055	3%	Neutral	14	36	(53)	(73)	47	87	36.1	32.9	3.7	-	(21)	624	46
SMC	HOSE	31	11,100	11,800	3%	Neutral	2	(47)	(12)	1	12	90	4.9	4.1	0.5	8.5	18	57	15
NLG	HOSE	321	27,106	27,100	2%	Neutral	(27)	26	(42)	4	38	24	9.8	5.7	1.5	1.8	8	1,535	1
GMD	HOSE	302	23,000	23,650	1%	Neutral	(2)	(72)	(10)	(10)	11	(12)	18.6	18.7	1.2	4.2	(3)	994	0
VNM	HOSE	9,698	105,000	108,000	1%	Neutral	7	4	8	6	5	2	20.3	18.3	7.7	4.2	2	8,716	42
PHR	HOSE	338	54,000	58,000	1%	Neutral	5	(24)	(17)	133	41	13	13.9	7.7	2.5	7.8	8	2,756	37
VHC	HOSE	333	42,700	42,600	0%	Neutral	(15)	(18)	(15)	(40)	19	29	10.3	8.7	1.4	-	9	1,218	67
PME	HOSE	226	67,000	70,100	-2%	Neutral	10	4	(0)	11	17	6	16.7	14.0	2.7	2.9	34	321	38
PVD	HOSE	203	11,000	11,200	-2%	Neutral	(22)	(43)	26	(51)	15	323	17.8	12.3	0.3	-	(31)	2,850	40
PAC	HOSE	52	24,000	26,000	-2%	Neutral	4	9	4	(15)	9	12	7.6	8.2	1.7	5.8	6	99	32
ACB	HNX	2,369	25,000	25,500	-2%	Neutral	15	17	11	13	17	25	8.2	6.6	1.7	-	35	9,512	-
HPG	HOSE	4,364	29,400	30,650	-4%	Neutral	14	(12)	39	41	10	24	9.5	6.9	1.9	-	72	17,467	15
DPM	HOSE	286	15,000	17,000	-5%	Neutral	(16)	(50)	7	62	3	(14)	8.1	14.9	0.8	7.1	35	2,218	37
CTG	HOSE	4,896	27,500	30,600	-10%	Reduce	41	75	6	27	10	41	10.4	8.0	1.4	-	36	9,156	1
PVT	HOSE	168	11,890	13,900	-14%	Reduce	3	6	(10)	(36)	17	38	7.0	8.3	0.8	-	(19)	1,186	32
CVT	HOSE	41	19,985	25,800	-23%	Sell	1	(1)	(27)	(44)	33	53	6.7	6.7	1.3	-	20	547	37
VSC	HOSE	103	30,000	43,500	-26%	Sell	6	(22)	(9)	4	(5)	8	9.1	9.1	1.3	4.6	82	637	22
BFC	HOSE	39	10,000	15,750	-29%	Sell	(4)	(57)	(5)	51	3	(15)	7.5	9.1	0.9	7.6	17	462	45

Source: Rong Viet Securities; Price as of November 4th, 2020

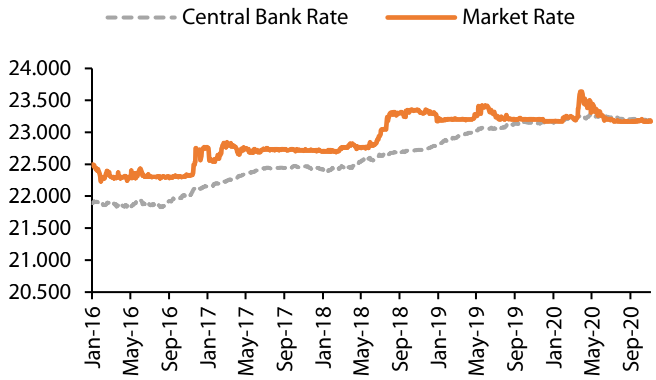
VIETNAM ECONOMIC INDICATORS IN OCTOBER

Trade balance



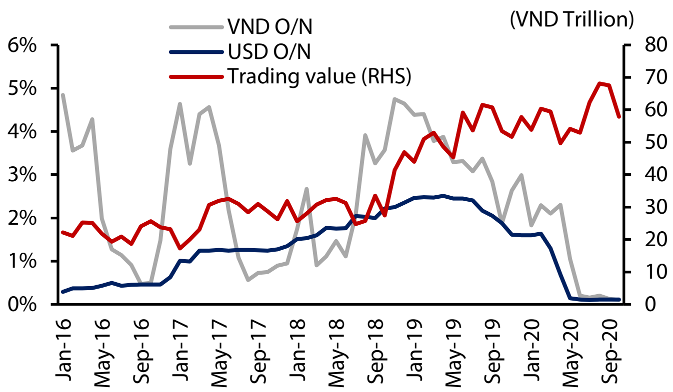
Source: GSO, Rong Viet Securities

USDVND exchange rate



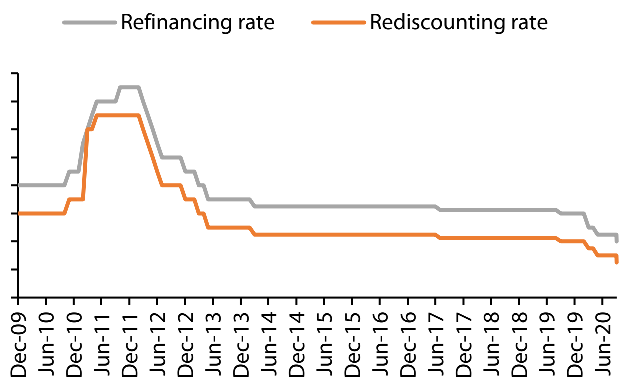
Source: SBV, Rong Viet Securities

Interbank interest rate (%/year)



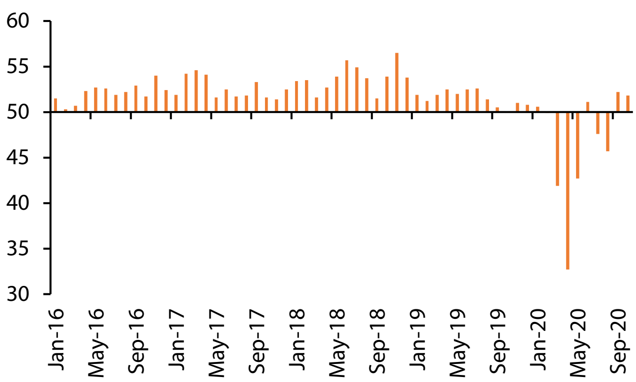
Source: SBV, Rong Viet Securities

Policy rates (%/year)



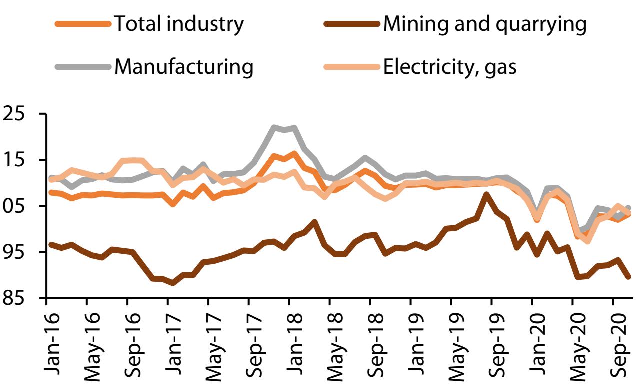
Source: Bloomberg, Rong Viet Securities

Manufacturing PMI



Source: IHS Markit, Rong Viet Securities

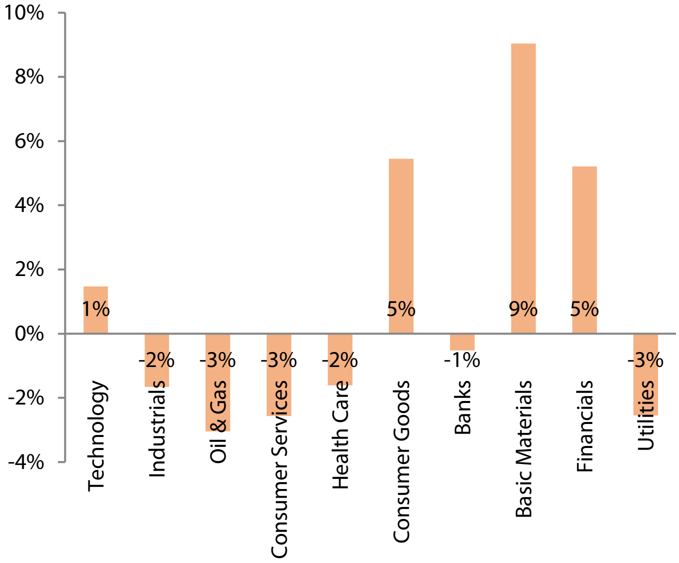
3-month MA Industrial Production Indices



Source: GSO, Rong Viet Securities

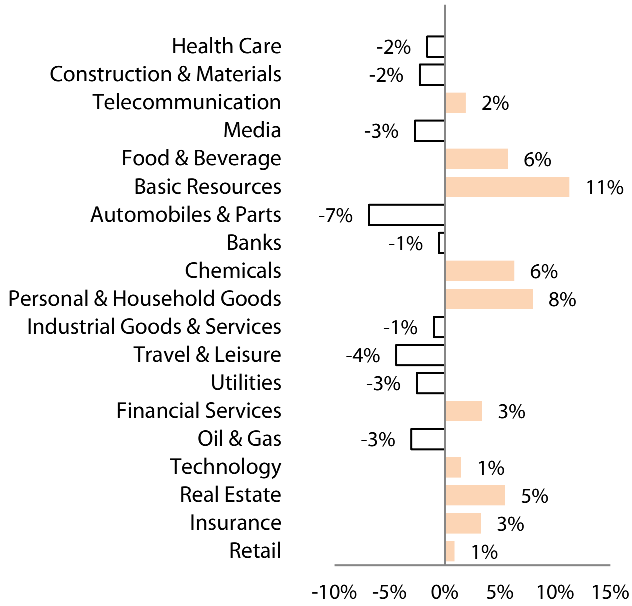
INDUSTRY INDEX

Level 1 industry movement



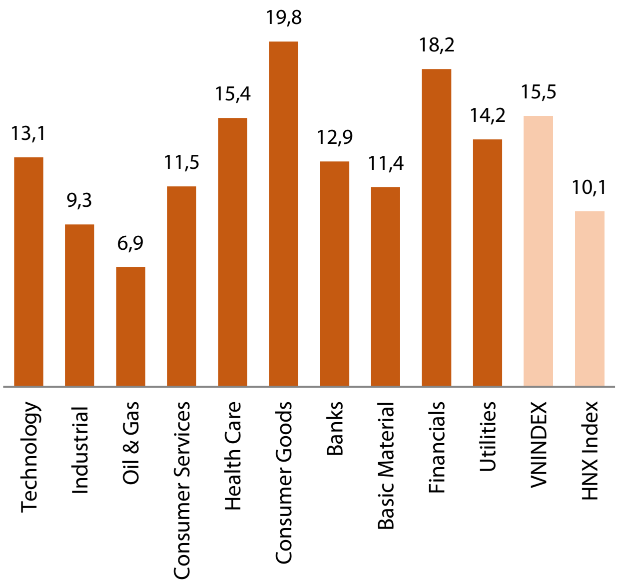
Source: Fiinpro, RongViet Securities

Level 2 industry movement



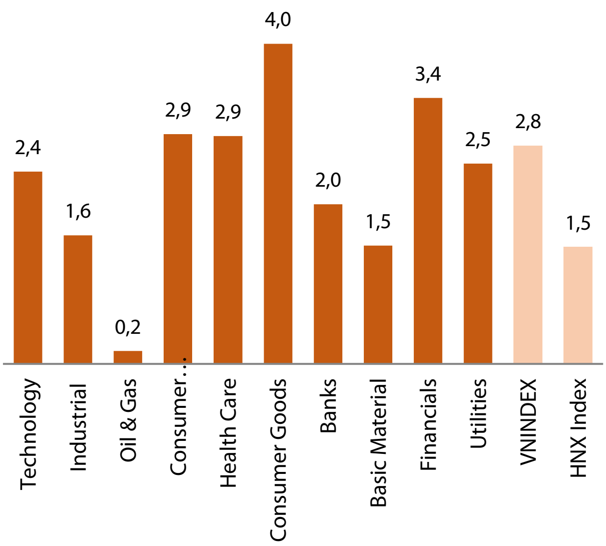
Source: Fiinpro, RongViet Securities

Industry PE comparison



Source: Fiinpro, RongViet Securities

Industry PB comparison



Source: Fiinpro, RongViet Securities

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