Investment Strategy July 2020

FOCUS ON EARNINGS SEASON

Abundant liquidity in the economy remains to be the main support of stock market in July. The gap between growth in money supply and credit remained positive for the tenth month in a row and is at a high level since 2016. Interbank lending interest rates for one month remain low, partly indicating that the liquidity in the banking system would continue to be sufficient in at least one month. In addition, although the State Bank of Vietnam continues to offer repos on OMO to help banks' liquidity, there is currently no outstanding volume. In this context, the reduction of deposit interest rates by banks would reduce bank's capital costs and make other investment channels, including stock market and real estate, more attractive. Meanwhile, 1) negative Q2 business results and 2) cautious psychology of the market due to concern on rising Covid-19 cases would restrain market from rising sharply. These two factors would make the market move in cautious trend.

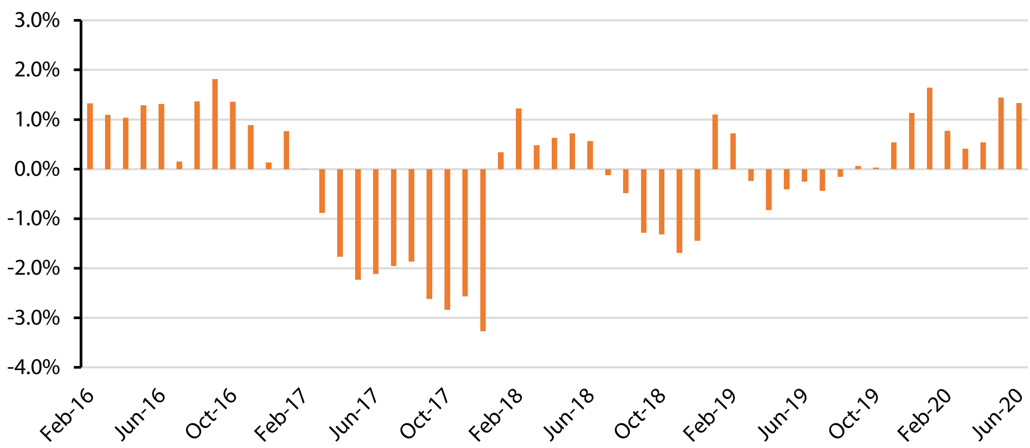
Firstly, *data from the business plan of 638 enterprises in 2020 representing 84% of market capitalization on both HOSE and HNX, showed that the median net income growth is expected to decrease by 2% YoY. In which, median income growth from HNX and HOSE will drop by about 0.2% and 6.0% YoY respectively. Particularly for the VN30 group, the median income growth will decrease by about 11% YoY. Only 9 out of 28 enterprises in the VN30 Index set a positive income growth YoY plan, while half of them saying that their profits would decrease by more than 10% YoY in 2020. The result of the difference between the actual and the plan income in 2018 and 2019 of the VN30 group shows that the majority of companies tend to exceed their guidance but the gap is insignificant.*

In addition, according to our statistics for the second quarter of 2020 business results, more than half of the businesses in our coverage would report negative growth YoY. In addition, most businesses in the two main groups such as banks and real estate are forecasted to have negative business results.

Secondly, *market sentiment is affected by concerns about a second wave of the virus. The stock market started to decline sharply and foreign investors started maintaining net selling as the number of daily infections in the US increased sharply in mid-June. While US health officials believe that the number of Covid-19 infections may be 10 times the official figure, WHO has repeatedly issued warnings about a second wave of the disease. In this context, we think that the market's psychology would be cautious especially after the market has increased by more than 30% since the bottom in March.*

We forecast that the VNIndex will fluctuate in a range of 820 to 900.

Difference between the growth of money supply and credit remains high



Source: SBV, Rong Viet Securities

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In Q2 2020, Vietnam's GDP grew 0.24% YoY, better than consensus expectations as most industries recovered well after the "social distancing" period. Hence, we expect that companies' results will be not so bad as the consensus predicts. Despite of that, there will be divergent results among sectors. In which, companies whose business activities mostly depend on domestic will be better than those whose business is export-oriented. We think consumer staples and utilities, for instance, will recover faster than other sectors like textile, aviation, or ports. Companies in the construction and real estate will be not busy until Q3 or Q4 2020. Meanwhile, banking sectors' results in Q2 may reveal some surprises. Low net interest income (due to low credit growth) may be compensated by low provision expenses (if banks delay to record provision to loans, which SBV approved). It is an accounting issue, however. Poor economic outlook will hurt banks' operations at some point in time.

We believe that investors are aware of the progress that Vietnam has gone through, as mentioned above. The stock price of companies whose business results have been higher than consensus expectations have moved up. The risk of COVID-19 outbreak has been rising, as indicated by new cases, which has reached new highs. Although we think that investors will not extremely re-act (if there is a 2nd wave) like they used to in the 1st wave, they will still be cautious to make investment decision. Especially since will be of lack of supportive information in August. As such, we encourage investors to keep some of their purchasing power for a worst case scenario. Short-term trading in the earnings season should be to buy in the correction and take profits during the rally sessions.

Securities group is among the ones that will see a strong recovery in Q2 2020. The collapse of the stock market in late March 2020 has attracted a huge amount of new money. Thanks to that, not only stock prices have sharply recovered but also trading value has significantly improved. Securities companies will benefit from such positive movement.

We initiated our company report on Hai Phong Thermal Power (UpCOM: HND) with a target price of VND 22,900. The company possesses many strengths because of its young power units, competitive investment outlays and efficient operations. Supplying about 7% of the North's load and 3.7% of the country's total electricity consumption, HND has a high gross profit margin and a moderate coal consumption rate compared to peers. In addition, strict compliance with the maintenance schedule and well managed operating costs also contribute to HND's financial stability.

HND has benefited from the current hydrological conditions. High mobilization capacity and contract output are the profit growth drivers in the medium term. Especially in the last years of accelerating depreciation and debt repayment, increasing operating capacity helped bring in cash flow. As a result, HND paid its debts on time, reduced interest expenses and exchange rate losses while still having high profits to pay cash dividends.

Analysis of 55 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

ASEAN's Fragile Safety Net Has Yet To Be Tested

Just after the end of the Asian financial crisis in 1998, Southeast Asian nations and three partners – China, Japan and South Korea – launched the Chiang Mai Initiative (CMI). The objective of the CMI was to put in place a mechanism that would help ASEAN countries manage short-term liquidity crunches and avoid having to rely on the IMF[1] for assistance during future crisis. This **bilateral** foreign currency swap arrangement was worth US$120 billion and was deemed a 'safety net'. This arrangement is governed by a single contractual agreement for the purpose of providing financial support in dollars (USD) through currency swap transactions among member countries.

The 1997-98 financial crisis and its expansion across the region revealed several important points:

- Financial systems and economic conditions were closely interconnected across East Asia;
- Reliance on the IMF alone for crisis management was not the best option;
- There was a need to create a regional self-help mechanism for effective prevention and management of financial crises.

While the crisis severely affected many East Asian countries through trade channels, it also created shortages of international liquidity in a few countries, particularly in Korea and Indonesia. Korea saw sudden capital flow reversals in the aftermath of the collapse of Lehman Brothers in September 2008 and encountered a "mini currency crisis," i.e., a rapid loss of foreign exchange reserves and sharp currency depreciation. Unwilling to go to the IMF for short-term liquidity support, Korean authorities chose to secure a $30 billion currency swap line from the US Fed. This had an immediate, positive, and stabilizing impact on the financial and foreign exchange markets in Seoul. The World Bank, the Asian Development Bank , Australia and Japan provided financial support to ensure that the Indonesian government could raise sufficient fiscal resources on international capital markets.

The CMI swap arrangement was **multilateralized** in 2010 and became known as the Chiang Mai Initiative Multilateralization, or CMIM, with a total size currently of US$240 billion. Its core objectives are:

- to address balance of payment and short-term liquidity difficulties in the ASEAN+3 region[2]
- to supplement existing international financial arrangements

However the CMIM has never been put into operation. Two decades on and multiple global crises in between, Covid-19 being only the latest, a reasonable question to ask is:

- Why have ASEAN members not initiated the CMIM, despite facing economic stress and periodic shortfalls of dollars?
- Put the question another way: If the regional safety net is not deployed during this extraordinary global crisis, then when might it be used?

During the Special ASEAN Plus Three Summit on Covid-19 on April 14, Chinese Premier Li Keqiang offered lukewarm support for CMIM, noting that "mechanisms such as the CMIM need to be fully leveraged" to enhance crisis preparedness. Indeed, while a full-blown crisis is raging now, ASEAN policymakers appear to be pursuing what could be described as an anything-but-Chiang-Mai

[1] After the Asian crisis the IMF had a pretty bad image in Asia following the international institution's recommended policies that were deemed inappropriate by local governments. Some of the recommendations by the IMF included tightening fiscal spending to reign on debt levels.

[2] ASEAN + Japan, China and Korea

approach to addressing the short-term economic challenges. It is as if firemen were reluctant to roll out their fire engine to fight the biggest blaze ever in the neighborhood.

The reasons for this reticence to initiate the CMIM are complex and worth unpacking.

As a start, the design of the CMIM is fully aligned with the strategic objectives and financial support provided to countries in distress by the IMF. Once a CMIM member initiates a swap, anything above 30 percent of its entitlement automatically triggers the need for an IMF program. This places many middle-income ASEAN members (Malaysia, Thailand, Indonesia and even the Philippines) in a bind. Accessing less than 30 percent of their entitlement is likely to be too small for their financing needs and anything above that limit puts them in the uncomfortable embrace of the IMF.

The initiation of the CMIM is also caught up in regional politics by way of competition between China and Japan for regional supremacy. By any yardstick, China appears to have an advantage over Japan because of its growing size and economic influence within ASEAN. It was Japanese bureaucrats in the Ministry of Finance and Bank of Japan who were the original architects of the CMI and Tokyo must resent Beijing's clout.

To counter the influence of the dollar, China has also encouraged the use of the renminbi (RMB) in trade transactions and has signed bilateral currency swap arrangements (separate from the CMIM) with 35 central banks globally, including several from ASEAN. Although the renminbi is not fully convertible, a major hurdle preventing it from becoming a true reserve currency, Beijing is hoping to draw a sizeable number of nations in Asia into its sphere of economic influence and reduce the dependence on the dollar. This potentially places China in direct conflict with the purpose of the CMIM, or at a minimum dilutes the role and objectives of the multilateral swap arrangement. In a future crisis, will an ASEAN central bank find it easier to access RMB via a bilateral swap arrangement with the People's Bank of China, or take a more circuitous and politically perilous route via the CMIM and the IMF?

ASEAN policymakers need to address these ambiguities if they want their regional safety net to operate effectively. One way of achieving this is by accelerating regional financial integration. Since its inception, ASEAN has taken commendable steps in reducing barriers and in positioning the grouping as one of the world's most dynamic trade blocs. Financial integration is proving to be more difficult not least because ASEAN members are at different stages of economic development – with advanced Singapore at one end of the spectrum and low-income Myanmar, Laos and Cambodia at the other.

Over the long term, the effectiveness and utility of a regional safety net like the CMIM will be considerably enhanced if ASEAN members take the difficult step of integrating their financial sectors and capital markets, and in figuring out innovative ways of financing regional infrastructure.

For now, the CMIM's objectives appear frozen in a different era – in the policy missteps and bad memories of the Asian financial crisis over two decades ago. Refreshing the CMIM's purpose and bringing it closer to the ASEAN vision of a true economic community will go a long way in answering the prickly question of why the swap arrangement has never been used.

Meanwhile ASEAN currencies, so far in 2020, have not fluctuated in tandem against the USD. The Thai Baht and the Malaysian Ringgit have depreciated the most, by 3.9 and 4.9%, respectively. The Philippines Peso, however, has appreciated by 1.7% while the Vietnam Dong and Singapore $ are unchanged.

Table 1: Exchange rates versus USD, January 1st to June 29th 2020

Currency	Jan 1	June 29	% change
Renminbi	6.96	7.06	-1.4
Indo Rupiah	13.880	14.234	-2.6
Mal Ringgit	4.09	4.29	-4.9
Phil Peso	50.65	49.80	+1.7
Sing $	1.36	1.39	-0.1
Thai Baht	29.72	30.88	-3.9
Viet Dong	23.170	23.210	Flat

Source: Tradingview

Note: a + sign indicates an appreciation versus USD, a – sign a depreciation versus USD

Finally, Table 2 reminds us that nominal global bond yields are still low by historical standards. Some of these countries will weather the fiscal spending storm associated with Covid-19 and remain good, local-currency investment debt opportunities. In Asia, only Indonesia has seen bond yields move up lately.

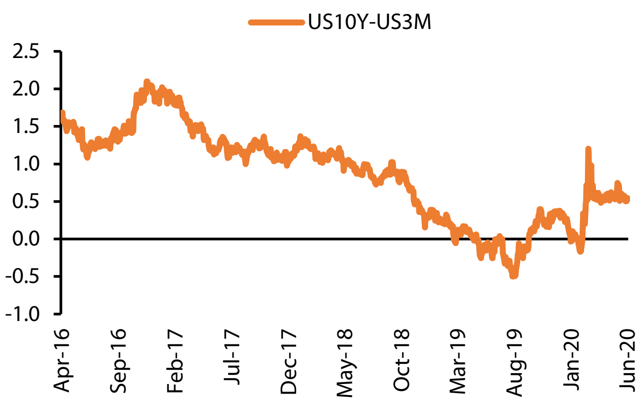
Table 2: 10-year average nominal Treasury bond yields and latest, %

Country	10-year average	Latest
India	7.7	6.0
Indonesia	7.3	7.7
Philippines	4.5	3.2
Malaysia	3.8	2.8
China	3.5	2.6
Thailand	2.8	1.1
Korea	2.4	1.4
US	2.3	0.7
Singapore	2.0	0.8
Euro Area	2.0	o.5
Hong Kong	1.6	0.5
Germany	1.0	-0.5
Japan	0.4	0.0

Source: Aletheia Capital

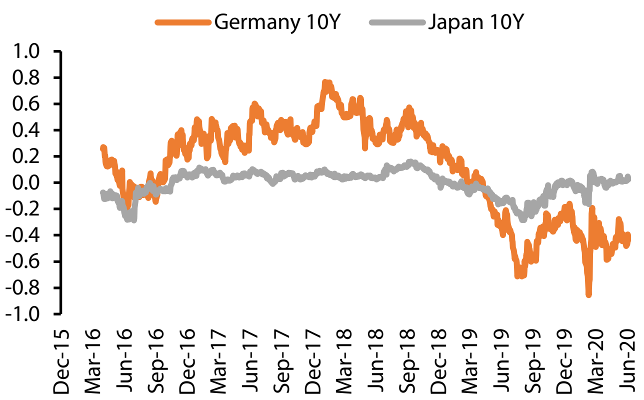
GLOBAL ECONOMIC INDICATORS IN JUNE

US G-Bond yields gap (%/year)



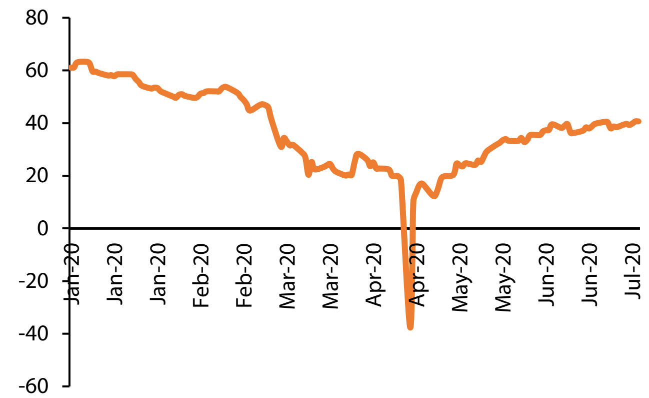
Source: Bloomberg, Rong Viet Securities

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



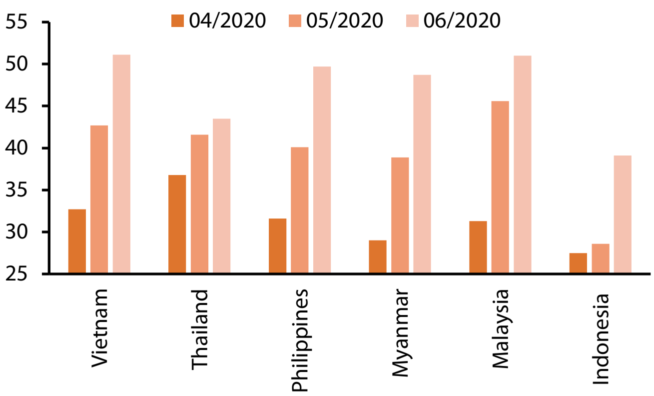
Source: Bloomberg, Rong Viet Securities

WTI crude oil price (USD/barrel)



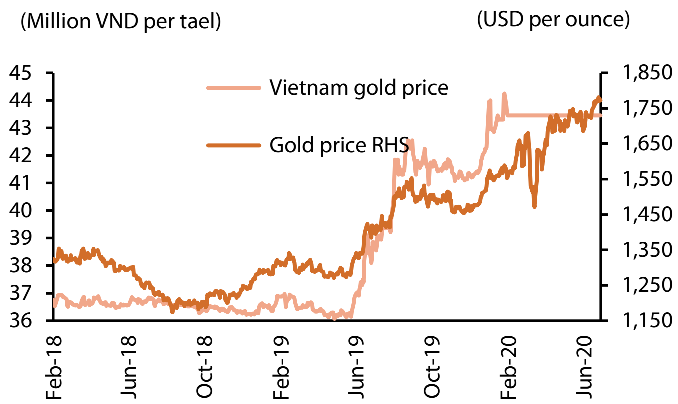
Source: Bloomberg, Rong Viet Securities

ASEAN's PMI



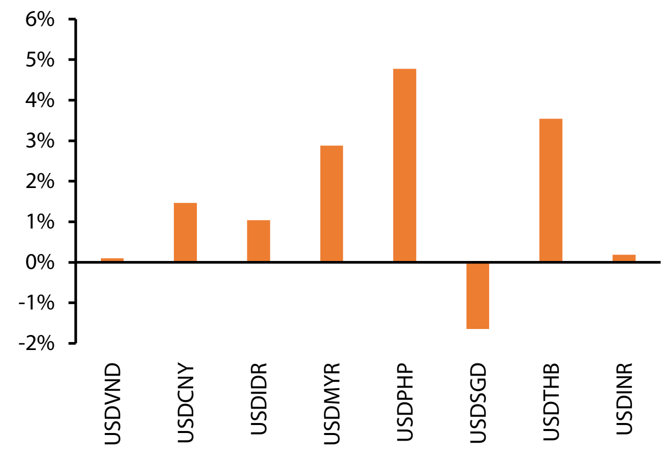
Source: Bloomberg, Rong Viet Securities

Gold prices



Source: Bloomberg, Rong Viet Securities

FX rates (%, YTD)



Source: Bloomberg, Rong Viet Securities

VIETNAM MACRO

- GDP growth: better-than-expected
- Room for further monetary stimulus

GDP growth: better-than-expected

The word, unprecedented, will likely be the most searched word on various web portals in 2020. That has been a go-to descriptor implying never-known-before changes in social-economic matters as the world has suffered abnormal patterns in Q2 2020. Global economies experienced abrupt switching-off and switching-back stages in the last three months. On the economic recovery path, divergence is rising and there is a tale of two economic groups.

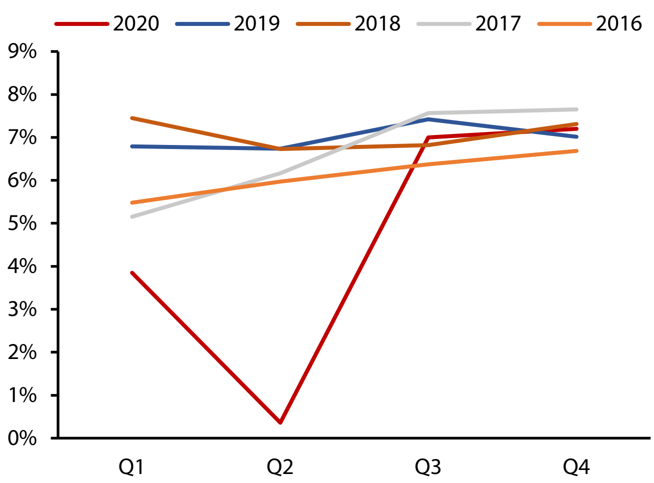
In Vietnam, the economy is returning to the new normal faster than in a normal economic cycle as well as in comparison with other regional countries although the recovery is still dependent on global supply chains and the targeted stimulus policies' efficiency.

According to the General Statistic Office data, Vietnam's annual GDP growth was at 0.36% yoy in the second quarter. That was far better than the pessimistic forecast of negative growth recorded at the end of this March. In 1H2020, the economy grew at an annual pace of 1.8% yoy. There are three valuable highlights, including:

Firstly, retail sales have strongly recovered in the last two months after a sudden drop in April. In June, the turnover of retailers reached over VND 430 billion, increasing 6.2% mom and 5.3% yoy. This significantly reduced pressure on Vietnam's growth trajectory. For the first half of the year, total sales of goods and services was VND 2,380 trillion, down 0.8% yoy. Domestic consumption is set to be a key engine of the economic recovery as the global economy is at the very early stages of bouncing back. Consumption has been strongly supported by quick rebounds in both mobility and spending power right after the social distancing order was removed.

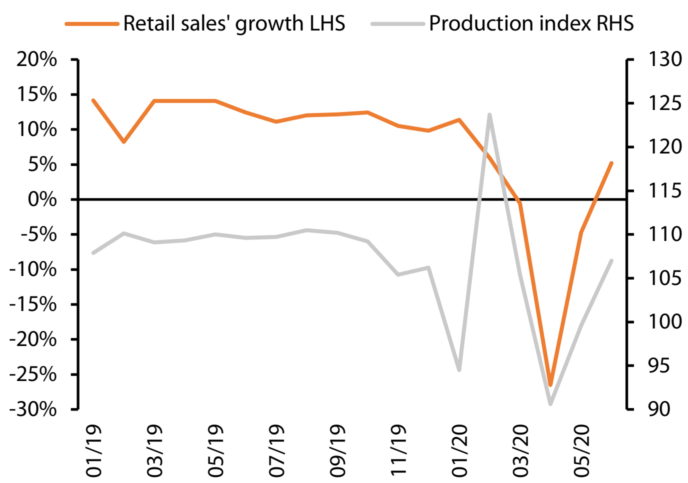
Secondly, the government committed to state investment disbursement in order to lessen the virus' economic impact and reboot the economy. Investments reached VND154.4 trillion, up 19.2% yoy, well above 1H2019's annual pace of 4.2%. The central government's disbursement skyrocketed by 48.8% yoy while that of local governments also increased 15% yoy. The ministries of Transportation, Healthcare, Agriculture and Education benefited the most. Last month, the Parliament agreed on transforming three PPP projects of the North-South expressway into public investment, which will see construction start in the mid Q3, in order to ramp up the disbursement process. Notably, these projects account for over 40% of the total investment of 11 PPP projects.

Figure 1: GDP growth, % yoy[3]



Source: GSO, Rong Viet Securities

Figure 2: Retail sales (% yoy) and production index (points)



Source: GSO, Rong Viet Securities

[3] *Rong Viet's forecast on Q3 and Q4 2020 GDP growth*

Last but most importantly, the manufacturing sector surprised again as the industrial production index soared in June and the GSO revised up the last two months' results. In June, the output increased by 7% yoy, the highest monthly growth since last September, excluding Feb 2020. In 1H2020, the industry added value increased by 2.7% yoy in which the first and second quarters recorded annual increase of 5.1% and 0.7%, respectively. The preliminary results were revised up by 1%-3%. Vietnam's early success in managing the virus outbreak allowed producers back to work and be ready to fulfil overseas demand.

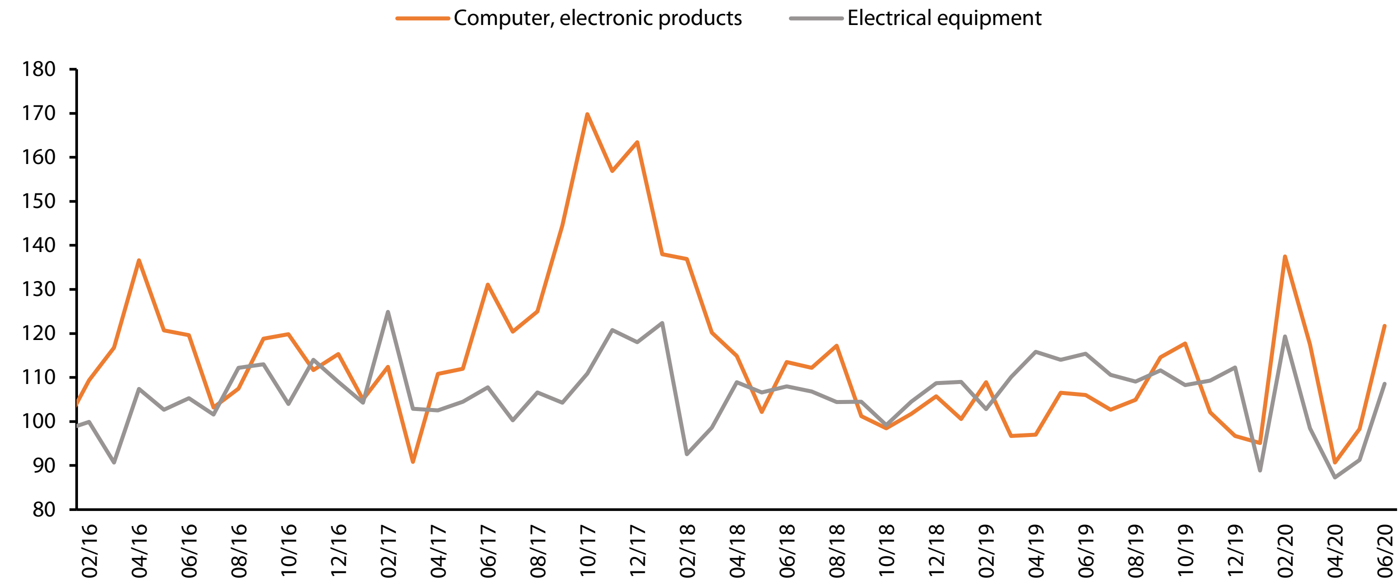
In the second quarter, industrial inventories kept rising further and increased by 26.7% yoy. Food processing, clothes, wood-related products, rubber, chemicals, refined petroleum, basic metals and, electronic and electrical products saw the most inventory increase. In general, manufacturers have worked on signed orders which are ready to export and rescheduled shiftwork to adapt to the temporary crash in the global supply chain. We believe that the increase in inventories is promising for the trade surplus in 2H2020 as the global economy is restarting. However, as the US suffered another outbreak. it will hurt the outlook of manufacturers' exports such as fishery, clothing and wood. It's necessary to note that the US is Vietnam's biggest export market and that export revenue growth remains high. Exports to the EU have been decreasing since 2019 due to weak demand.

From here, it is essential to highlight the impressive recovery of the manufacturing of electronic and electrical products which have made a significant contribution to Vietnam's economic growth in the post-social distancing period. Electronic devices' output rose 21.7% yoy in June, the second strongest growth in the last two years. Electrical equipment producers recorded an annual growth of 8.6%. As noted before, there are early signs of the start of seasonal business based on the export-import data in the first half of June. According to GSO's estimates, Vietnam's total export revenue and import expenditures increased 9.5% mom and 12.8% mom in June. Obviously, electronic and electrical products play the most important role with two-digit growth rates compared with other sectors' weak figures.

In 2019, the manufacturing saw three-peak in February, May and September. In 2020, the virus delayed most of the trade shows which will result in pent-up demand in 2H2020. Besides, global social distancing has created omnipresent forced saving allowing consumers to spend on durable goods. Hi-tech products are preferred. Working from home pushed up the demand of office devices.

In general, we believe that manufacturing of electronic and electrical products will rise significantly in the second half of 2020 which could contribute to our estimates of over 7% on average. 2020 GDP growth is forecasted at nearly 5%.

Figure 3: Production indices of electronic and electrical products



Source: GSO, Rong Viet Securities

Room for further monetary stimulus

In 1H2020, there were abnormal changes in monetary indicators, including money supply, credit and deposit growth due to the impact of the virus outbreak. Money supply growth has gradually increased and stood at approximately 5% ytd up to 20th June 2020 although that was lower than 1H2019 of 7.1% ytd. Better-than-expected trade surplus, reaching USD 4 Bn in 1H2020, required the State Bank of Vietnam (SBV) to nominalize the Dollar supply. Meanwhile, credit growth was only equivalent to a half of money supply growth. Credit growth went up nearly 1.3% in the last 30 days. That raises our hope of promising credit disbursement in the rest of 2020. Credit growth is expected at 9-10% ytd. The current gap between money supply growth and credit growth explains why interbank interest rates have abruptly dropped and marked an all-time low of 0.12% in July 02nd 2020. That has remained the case for nearly two months.

The other highlight is related to strange changes in deposit growth which was almost flat by the end of April. While residential deposit increased by 3.7% ytd, corporate deposit rates dropped nearly 4% ytd. Notably, deposit growth dramatically soared in May and June, standing at 4.4% ytd by the end of June. While deposit growth in North provinces/cities went up gradually, that was more mitigated in the South. For instance, deposit growth in Ho Chi Minh city, accounting for nearly 30% of total deposit, remained flat by the end of April before jumping up a month later and reaching 1.8% ytd. Most of the increase came from corporate sectors whose value rose by 3.6% ytd. That was in contrast to a negative growth of 3.5% ytd up to 30th April 2020.

The very low growth of deposit in 4M2020 was highly related to the pessimistic expected impact of COVID-19. That encouraged businessmen to maintain a high amount of free cash in order to protect themselves against unprecedented risks. However, recent economic figures imply a brighter outlook. Fear is fading and money is coming back to the system.

In the context of an economic restart, we believe that governments, including Vietnam, need to observe the impact of fiscal and monetary easing on the economic recovery before any more easing is introduced. While SBV is re-distributing the credit limits among commercial banks, we believe there is room for further rate cuts. It is essential to highlight that central banks prioritize financial stability over price stability. That means the promise of rate cuts in order to reboot the economy. Regarding inflation, the headline and core CPI were at 4.2% yoy and 2.8% yoy in 1H2020, well above than the similar period in previous years. Although the inflation put significant pressure on policymakers, we believe it will be well controlled. The government allowed for importing live pigs in order to mitigate the pork prices' soaring. In compared with previous periods of high inflation, the present risk is well identified and the government is taking great efforts to calm it down. We do not foresee an abrupt drop in pork prices in Q3, but there is a higher chance of a downtrend in next 12 months on average.

Figure 4: Monetary indicators

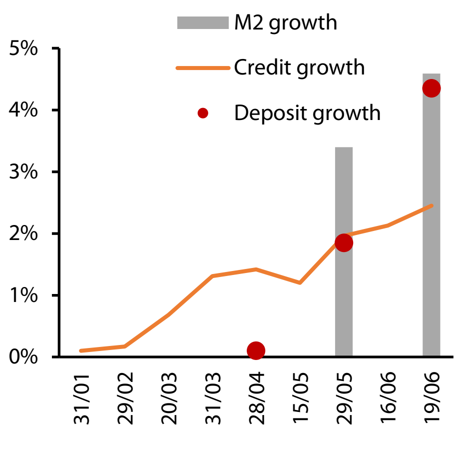


Figure 5: Deposit growth in HCM an Hanoi

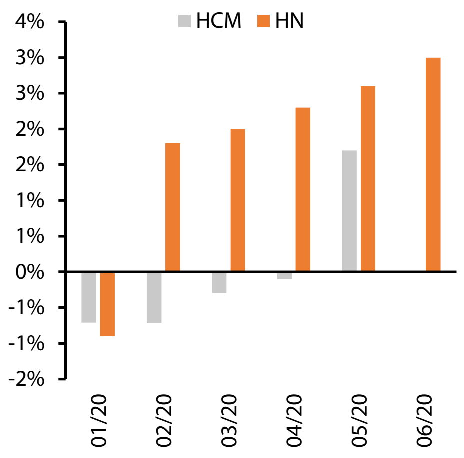
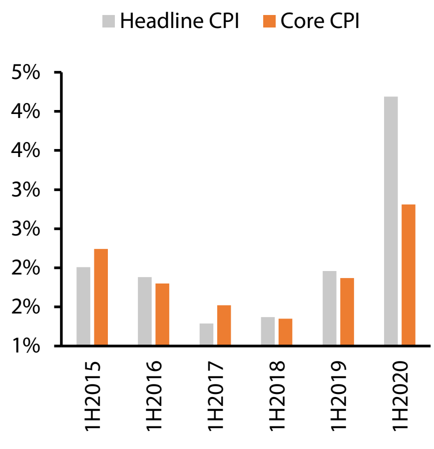


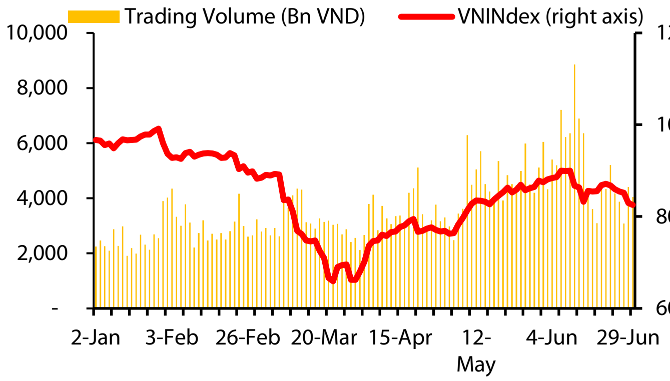
Figure 6: CPI in the first half



Source: GSO, Rong Viet Securities

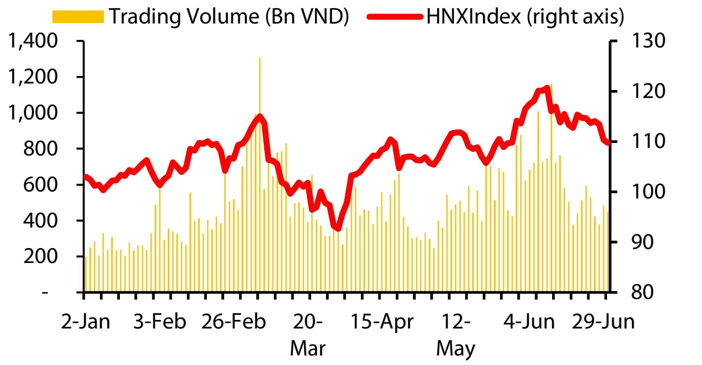
The first few days of June saw the market continue to gain momentum from May and surpassed 900 points. However, concerns about the second wave of the Covid-19 epidemic caused Vietnam stock Vietnam, to fall sharply. Additionally, although the 2nd quarter GDP was forecasted to be low, the market still behaved quite negatively after its release. In June, the HNX remained unchanged compared to the end of May while the VNIndex decreased by 4.6%, ending a two month increase.

Figure 7: VNIndex in 2020



Source: Fiinpro, Rong Viet Securities

Figure 8: HNXIndex in 2020

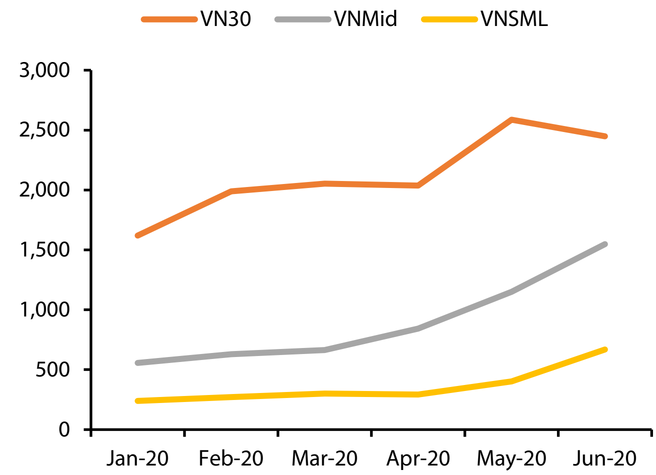


Source: Fiinpro, Rong Viet Securities

Market liquidity reached a high level as the average daily trading value via matching-order transaction reached over VND 5 trillion, the highest level since April 2018. June also noticed a session with a record high of total daily trading value, including matching-order and put-through transaction, thanks to a VHM deal of VND 15 trillion. Market liquidity increased in June compared to May due to the contribution of VNMid and VNSmall. Liquidity on the VN30 Index decreased compared to the previous month. As a result, VNMid (-0.3% MoM) and VNSmall (-0.7% MoM) outperformed the VN30 Index (-4.4% MoM).

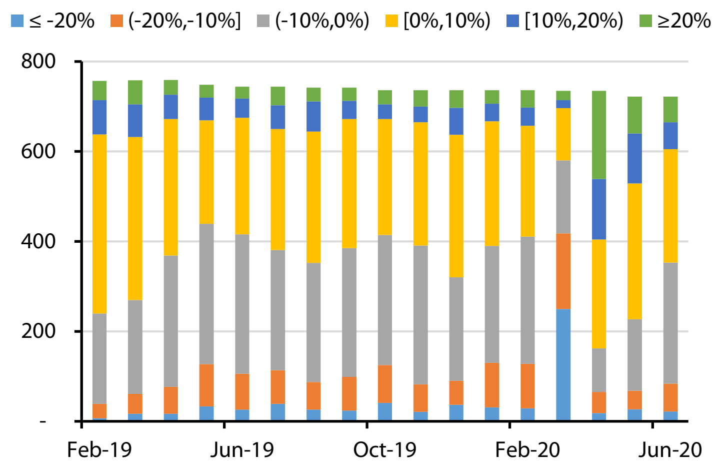
The number of gainer and losers were similar on HOSE and HNX. In the previous two months, the number of gainers completely dominated that of losers.

Figure 9: Average daily trading value via matching-order transaction on HOSE by group (Billion VND)



Source: Fiinpro, Rong Viet Securities

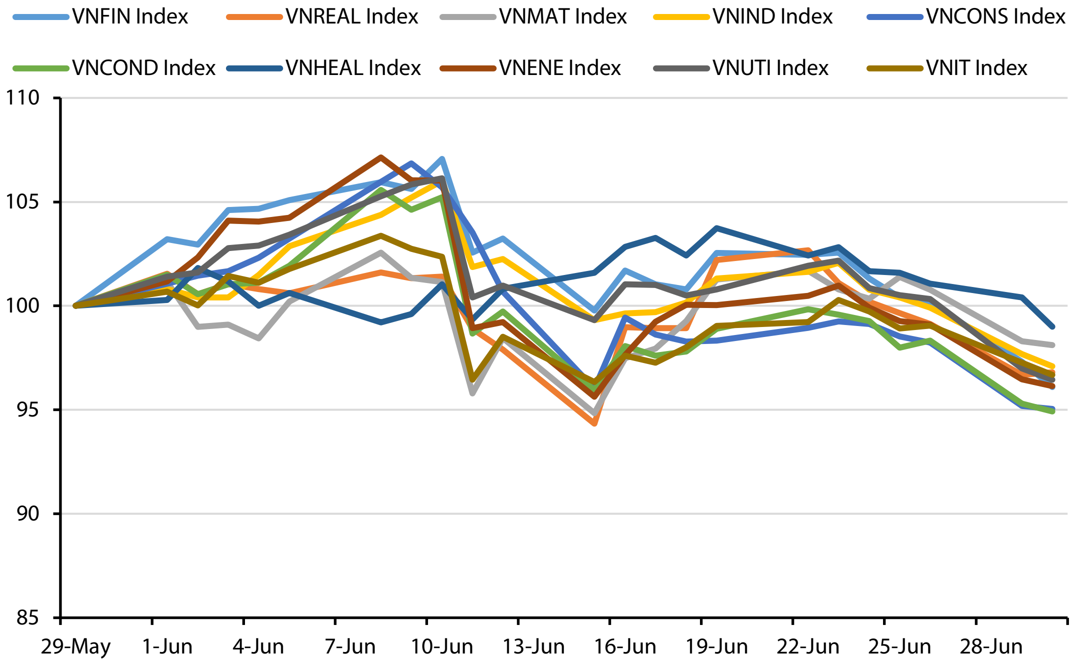
Figure 10: The number of stock by monthly performance on HOSE and HNX



Source: Fiinpro, Rong Viet Securities

The movements by sectors were quite similar to that of the stock market in June. The consumer goods sector rose strongly in the first few days of June and dropped significantly after that. Specifically, large stocks in the consumer staples sector such as SAB and MSN plummeted by 10.4% and 13.9%, respectively, compared to the end of May. The banking group, the previous main driver of the market, also disappointed in June. Meanwhile, the real estate group was affected by the drop in VIC and VRE although NVL (+ 13.3% MoM) gained impressively.

Figure 11: Sectors' performance in June



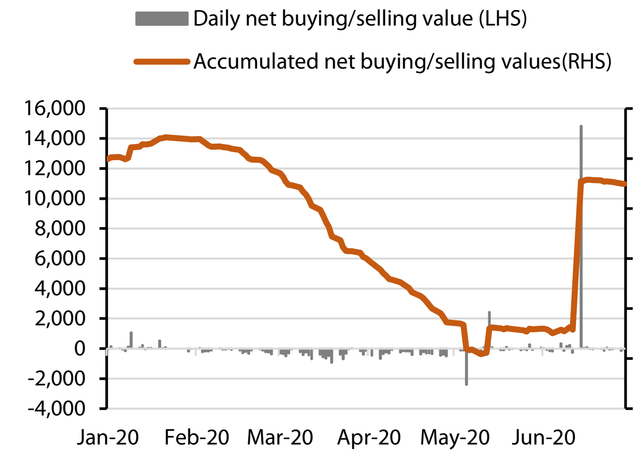
Source: Bloomberg, Rong Viet Securities

Foreign trading

Foreign investors' trading on HOSE was quite close to the index's performance since they traded evenly (buy/sell) in the first half of June and turned to be net sellers at the end of the month on concerns about a second wave of coronavirus. June recorded a net selling of nearly VND 560 bn on the HOSE via matching-order transaction, up from VND 290 bn in May. Some tickers were sold strongly like MSN (- VND 352 bn), CII (-268), VNM (-183), VJC (-178), HPG (-176). By contrast, VHM was net bought the most through matching orders with nearly VND 776 bn, followed by CTG (+186), PLX (+147), NVL (+114), VCB (+73), DXG (+68), BMP (+57).

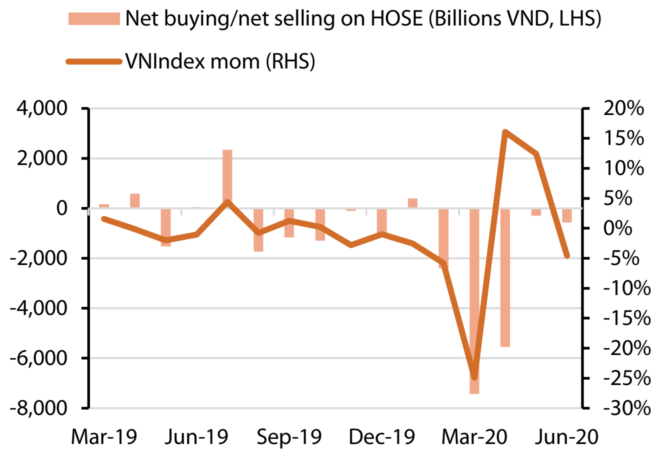
The bright spot from foreign investors came from putting money into new local ETFs. FUEVFVND and FUESSVFL ETF issued 61 and 22 mn shares, respectively, while E1VFVN30 ETF redeemed up to 46 mn shares. Meanwhile foreign ETFs did not record much activity in June. The case of VNM US ETF fund is a rare bright spot from foreign ETFs as it issued about 500 thousand shares.

Figure 12: Total daily net buying/selling by foreigners (Billion VND)



Source: Fiinpro, Rong Viet Securities

Figure 13: Net buying/selling on HOSE via matching-order transaction versus VNindex MoM



Source: Fiinpro, Rong Viet Securities

Table 3: Foreign net buying value by sectors on HOSE and HNX

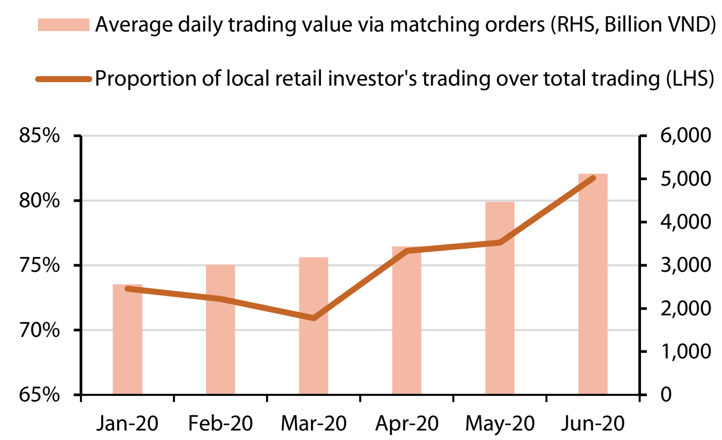
Sector	HSX Net trading volume (thousand shares)	HSX Net trading value (billion VND)	HNX Net trading volume (thousand shares))	HNX Net trading value (billion VND)
Real Estate	187,543	15,299	-897	-1
Financial Services	46,360	363	-5,668	-51
Oil & Gas	4,683	279	-4,893	-62
Utilities	3,977	84	-499	-8
Personal & Household Goods	2,922	79	-57	-1
Banks	-465	76	-6,131	-94
Retail	-1,467	5	-33	0
Technology	-286	5	-92	-1
Media	0	0	-2	0
Telecommunication	-29	-2	-124	-2
Health Care	-310	-3	117	3
Automobiles & Parts	-908	-14	-121	0
Industrial Goods & Services	-303	-25	19	-3
Chemicals	-3,867	-42	-552	-10
Insurance	-1,402	-51	35	1
Travel & Leisure	-1,640	-171	-172	-1
Basic Resources	-21,225	-323	1,761	4
Construction & Materials	-25,586	-377	-1,312	18
Food & Beverage	-5,153	-432	-118	0

Source: Fiinpro, Rong Viet Securities

Local retail investors' trading

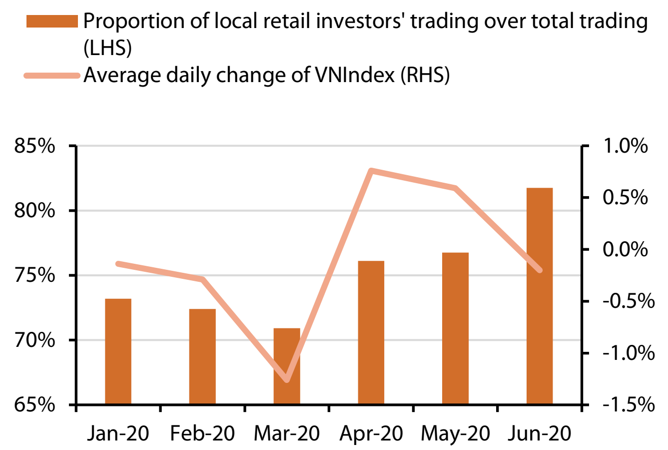
Market liquidity continued to rise in June thanks to the contribution of domestic retail investors. However, the VNIndex was unable to maintain its uptrend. After the market recorded high liquidity sessions, the index did not rise much as local retail investors became more cautious in the last days of June. Liquidity was only VND 3 trillion. Large trading value of local retail investors went to stocks in the VN30 and domestic ETFs.

Figure 14: Local retail investors continued to boost liquidity on HOSE



Source: Fiinpro, Rong Viet Securities
(*) We exclude large VHM deal to calculate trading proportion by investors

Figure 15: However, the market could not keep its uptrend

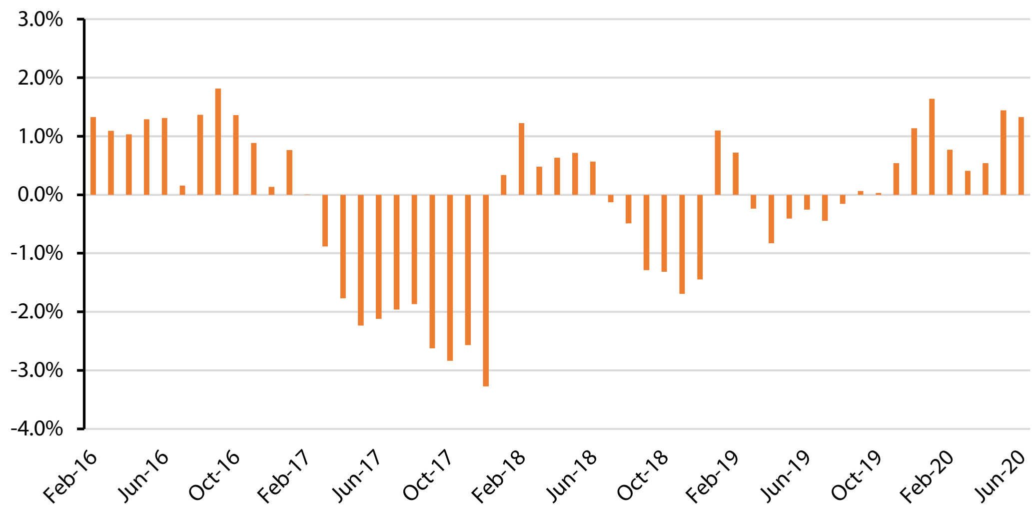


Source: Fiinpro, Rong Viet Securities
(*) We exclude large VHM deal to calculate trading proportion by investors

After two impressive months of recovery, the market in the first few days of June continued to maintain its momentum. However, the number of Covid-19 cases has increased in some countries in mid-June, especially the US, causing stock markets in the world in general and Vietnam in particular to fall. Although liquidity in the economy is still quite abundant as the gap between the growth of money supply and credit remains high, we think that the market would tend to move sideways in July due to 1) negative 2nd quarter earning results and 2) the market sentiment would continue to be cautious due to the concern about the second wave of the epidemic.

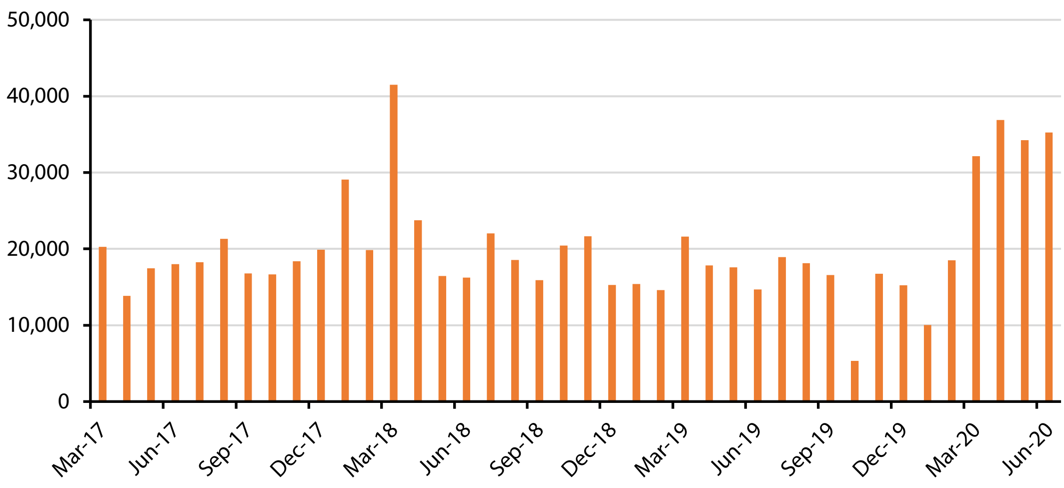
Abundant liquidity in the economy remains to be the main support of stock market. The gap between growth in money supply and credit remained positive for the tenth month in a row and is at a high level since 2016. Interbank lending interest rates for one month remain low, partly indicating that the liquidity in the banking system would continue to be sufficient in at least one month. In addition, although the State Bank of Vietnam continues to offer repos on OMO channel to help banks' liquidity, there is currently no outstanding volume. In this context, the reduction of deposit interest rates by banks would reduce bank's capital costs and make other investment channels, including stock market and real estate, more attractive.

Figure 16: Difference between the growth of money supply and credit remains high



Source: SBV, Rong Viet Securities

Figure 17: Number of new trading accounts



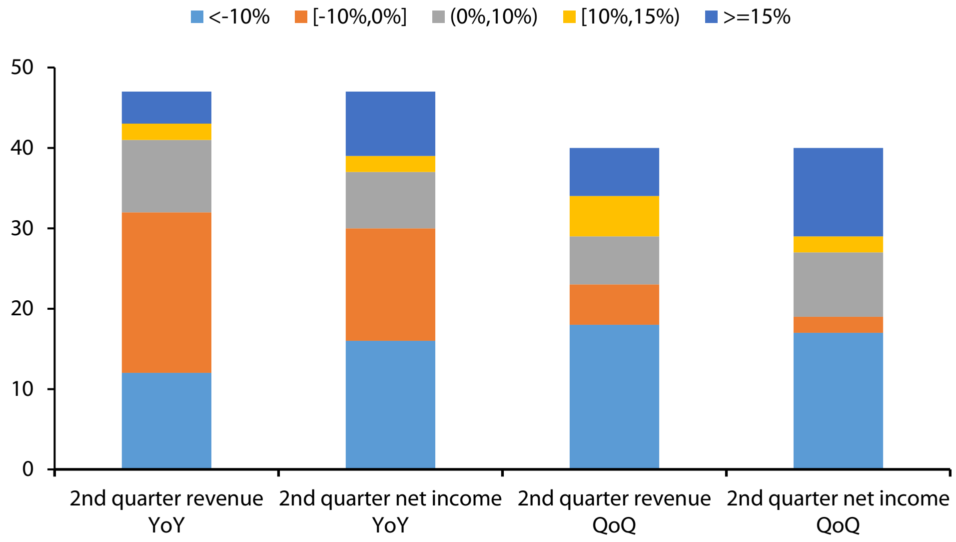
Source: VSD, Rong Viet Securities

In the opposite of abundant liquidity, 1) negative Q2 business results and 2) cautious psychology of the market due to concern on rising Covid-19 cases would restrain market from rising sharply. These two factors would make the market move in cautious trend. We forecast that the VNIndex could fluctuate in a range of 820 to 900.

Firstly, data from the business plan of 638 enterprises in 2020 representing 84% of market capitalization on both HOSE and HNX, showed that the median net income growth is expected to decrease by 2% YoY. In which, median income growth from HNX and HOSE will drop by about 0.2% and 6.0% YoY respectively. Particularly for the VN30 group, the median income growth will decrease by about 11% YoY. Only 9 out of 28 enterprises in the VN30 Index set a positive income growth YoY plan, while half of them saying that their profits would decrease by more than 10% YoY in 2020. The result of the difference between the actual and the plan income in 2018 and 2019 of the VN30 group shows that the majority of companies tend to exceed their guidance but the gap is insignificant.

In addition, according to our statistics for the second quarter of 2020 business results, more than half of the businesses in our coverage would report negative growth YOY. In addition, most businesses in the two main groups such as banks and real estate are forecasted to have negative business results.

Figure 18: 2nd quarter earning result survey on our coverage (number of corporates)



Source: Rong Viet Securities

Secondly, market sentiment is affected by concerns about a second wave of the virus. The stock market started to decline sharply and foreign investors started maintaining net selling as the number of daily infections in the US increased sharply in mid-June. While US health officials believe that the number of Covid-19 infections may be 10 times the official figure, WHO has repeatedly issued warnings about a second wave of the disease (US coronavirus update). In this context, we think that the market's psychology would be cautious especially after the market has increased by more than 30% since the bottom in March.

FOCUS ON EARNINGS SEASON

After more than two months of excitement, the Vietnam stock market has corrected and moved in a narrow band in June. In July, listed companies will gradually announce estimated earnings for Q2 2020 as well as H1 2020. We believe that these business results will dominate the stock market in July.

In Q2 2020, Vietnam's GDP grew 0.24% YoY, better than consensus expectations as most industries recovered well after the "social distancing" period. Hence, we expect that companies' results will be not so bad as the consensus predicts. Despite of that, there will be divergent results among sectors. In which, companies whose business activities mostly depend on domestic will be better than those whose business is export-oriented. We think consumer staples and utilities, for instance, will recover faster than other sectors like textile, aviation, or ports. Companies in the construction and real estate will be not busy until Q3 or Q4 2020. Meanwhile, banking sectors' results in Q2 may reveal some surprises. Low net interest income (due to low credit growth) may be compensated by low provision expenses (if banks delay to record provision to loans, which SBV approved). It is an accounting issue, however. Poor economic outlook will hurt banks' operations at some point in time.

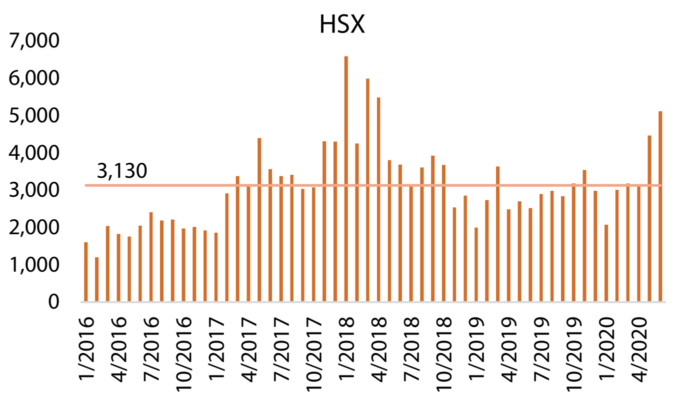
We believe that investors are aware of the progress that Vietnam has gone through, as mentioned above. The stock price of companies whose business results have been higher than consensus expectations have moved up. The risk of COVID-19 outbreak has been rising, as indicated by new cases, which has reached new highs. Although we think that investors will not extremely re-act (if there is a 2nd wave) like they used to in the 1st wave, they will still be cautious to make investment decision. Especially since will be of lack of supportive information in August. As such, we encourage investors to keep some of their purchasing power for a worst case scenario. Short-term trading in the earnings season should be to buy in the correction and take profits during the rally sessions.

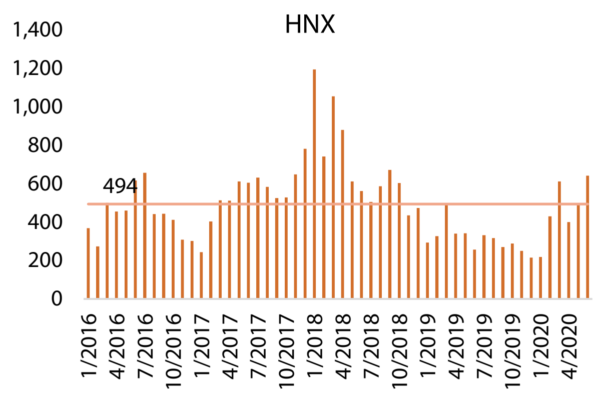
Securities group. The sector is among the ones that will see a strong recovery in Q2 2020. The collapse of the stock market in late March 2020 has attracted a huge amount of new money. Thanks to that, not only stock prices have sharply recovered but also trading value has significantly improved. Securities companies will benefit from such positive movement:

(1) Higher liquidity and higher fees, especially for companies with a high market share. Average matching-order value has increased since March 2020 and reached its highest value since April 2018.

(2) Provision reversal to financial investment items. Companies who didn't report gain/loss from financial investment through P&L (through OCI in the BS instead) would not have provision reversal.

Figure 19: Average daily matching-order value in Jan 2016 – Jun 2020 (VND Bn)



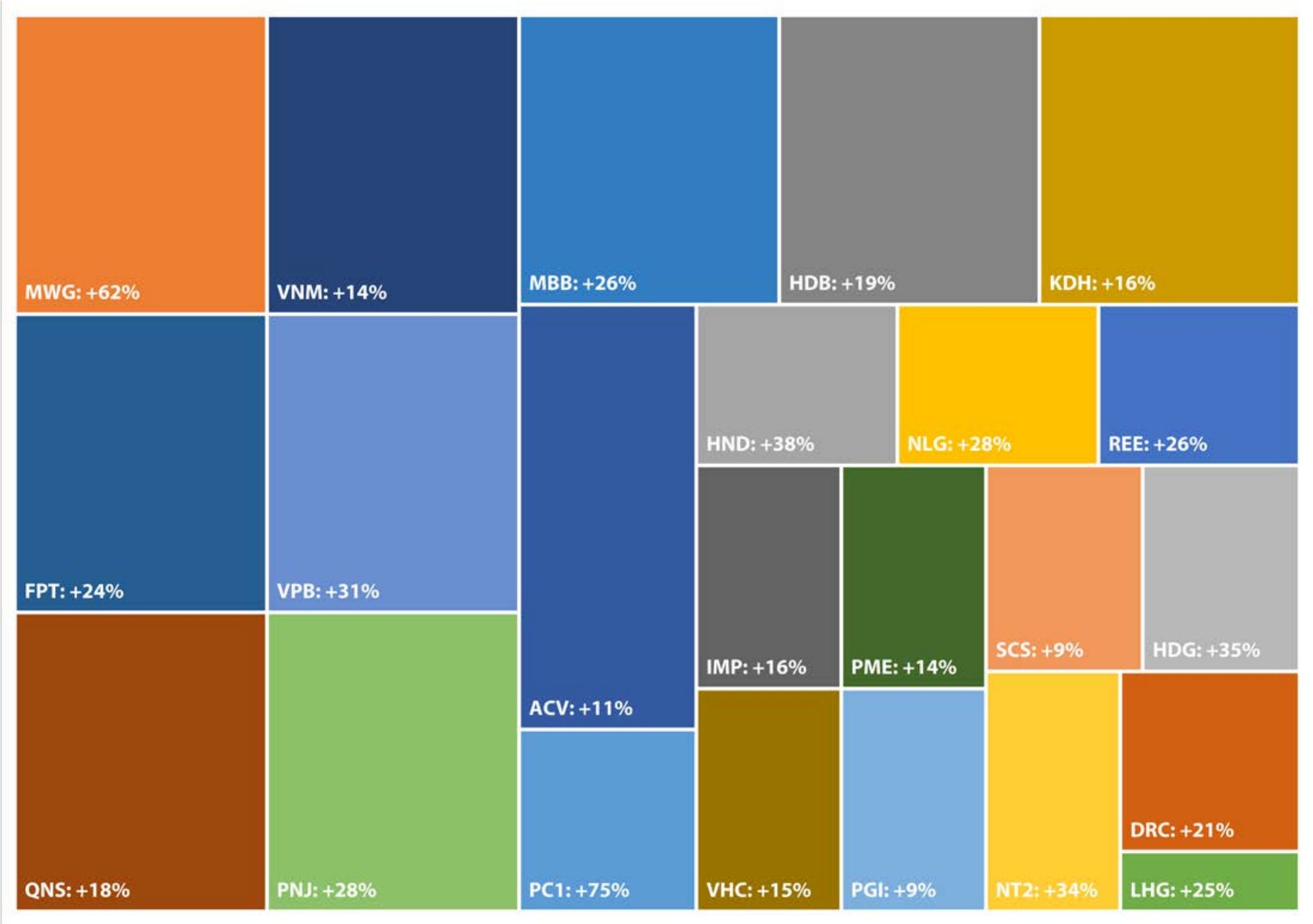


Source: Rong Viet Securities, FiinPro

HND. Target Price: VND 22,900. We initiated our company report on Hai Phong Thermal Power (UpCOM: HND) with a target price of VND 22,900. The company possesses many strengths because of its young power units, competitive investment outlays and efficient operations. Supplying about 7% of the North's load and 3.7% of the country's total electricity consumption, HND has a high gross profit margin and a moderate coal consumption rate compared to peers. In addition, strict compliance with the maintenance schedule and well managed operating costs also contribute to HND's financial stability.

HND has benefited from the current hydrological conditions. High mobilization capacity and contract output are the profit growth drivers in the medium term. Especially in the last years of accelerating depreciation and debt repayment, increasing operating capacity helped bring in cash flow. As a result, HND paid its debts on time, reduced interest expenses and exchange rate losses while still having high profits to pay cash dividends.

Figure 20: Our favorite stocks for this month



Source: Rong Viet Securities; Price as of July 3rd 2020; Square size: stock's market-cap classification

HIGHLIGHTED STOCKS

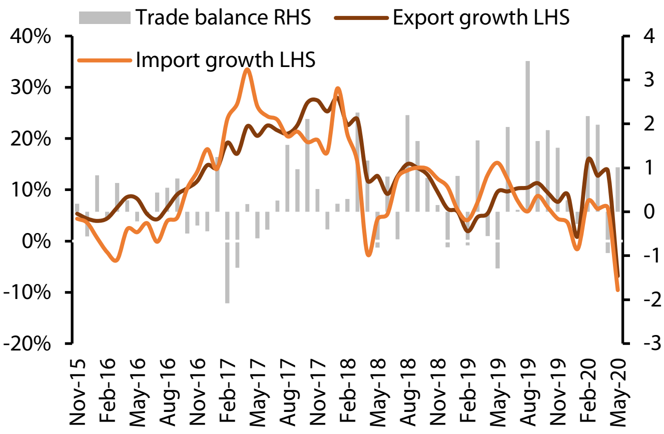
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2019		2020F		2021F		PER Trailing (x)	PER 2020F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
PC1	HOSE	118	29,900	17,100	74.9	Buy	14.9	-23.8	13.5	4.7	1.0	34.3	7.6	5.5	0.8	0.0	-8.6	800	32.1
MWG	HOSE	1,601	131,000	81,700	62.2	Buy	18.1	33.2	12.2	2.5	22.7	26.2	9.3	7.7	2.8	1.8	-14.5	5,248	0.0
PVD	HOSE	186	16,500	10,200	61.8	Buy	-22.3	-43.4	32.6	12.7	9.9	82.6	14.3	11.2	0.3	0.0	-39.7	2,673	37.0
POW	HOSE	980	15,300	9,670	61.3	Buy	138.8	477.4	14.9	23.0	3.5	-14.0	11.0	8.6	0.8	3.1	-34.4	2,629	37.5
PAC	HOSE	42	27,300	20,650	39.5	Buy	3.6	8.7	9.0	-4.1	7.5	-4.8	5.8	6.8	1.4	7.3	-37.7	100	28.3
HND	UPCOM	378	22,900	17,465	38.0	Buy	18.6	183.2	8.1	19.9	-21.6	-44.5	6.7	11.5	1.4	6.9	59.0	161	49.0
DIG	HOSE	172	17,700	12,950	36.7	Buy	-8.9	32.7	82.9	34.4	20.7	26.9	9.1	5.7	1.0	0.0	4.6	1,075	14.7
PVS	HNX	250	15,700	12,100	35.5	Buy	17.9	-7.6	19.4	32.4	-35.8	-27.7	12.2	8.3	0.5	5.8	-45.5	2,889	37.4
HDG	HOSE	129	25,077	19,350	34.8	Buy	34.3	33.0	13.4	27.7	-9.6	-3.6	4.0	2.0	1.2	5.2	-24.4	596	35.7
NT2	HOSE	275	27,100	22,050	34.2	Buy	-0.2	-2.9	2.8	3.9	7.9	1.7	8.4	8.2	1.5	11.3	-13.7	384	30.9
MSH	HOSE	73	40,200	33,600	33.0	Buy	11.7	21.6	-27.3	-58.4	36.4	3.7	3.9	9.6	1.4	13.4	-39.7	264	45.3
VPB	HOSE	2,247	28,000	21,300	31.5	Buy	17.0	12.4	8.7	9.2	13.9	22.9	5.7	4.7	1.2	0.0	10.9	6,204	-0.1
NLG	HOSE	274	31,500	25,350	28.2	Buy	-26.8	25.8	-22.2	-15.8	4.1	54.5	6.9	5.3	1.2	3.9	-1.8	1,328	1.2
PNJ	HOSE	571	73,000	58,600	27.6	Buy	16.7	24.0	-9.4	-24.8	20.4	24.4	11.2	12.6	2.6	3.1	-17.9	2,723	0.0
REE	HOSE	426	38,300	31,750	26.3	Buy	-4.1	-8.1	1.7	5.2	5.4	0.8	6.4	5.7	1.0	5.7	0.8	775	0.0
MBB	HOSE	1,758	21,200	16,850	25.8	Buy	26.2	29.2	10.7	2.3	22.2	32.5	5.1	4.0	1.0	0.0	-13.3	5,318	-3.0
CVT	HOSE	28	20,300	17,350	25.6	Buy	1.1	-1.0	-21.3	-20.7	7.1	1.9	4.6	4.7	0.9	8.6	-9.9	184	38.4
LHG	HOSE	38	22,000	17,650	24.6	Buy	-30.4	6.1	-9.6	57.8	15.7	19.6	6.2	3.5	0.7	0.0	-7.3	249	42.4
FPT	HOSE	1,569	55,500	46,250	24.3	Buy	19.4	19.7	17.2	19.7	15.2	18.5	11.1	7.1	2.5	4.3	18.0	4,685	0.0
DRC	HOSE	95	21,400	18,550	20.8	Buy	8.6	80.6	-9.2	4.4	15.9	25.7	8.1	7.2	1.3	5.4	2.5	549	28.3
SMB	HOSE	41	34,000	31,500	20.6	Buy	-2.2	47.9	-10.4	-28.0	2.0	2.7	5.1	6.8	2.0	12.7	1.0	30	36.1
LTG	UPCOM	67	21,300	19,326	20.6	Buy	-8.0	-19.7	-7.4	32.2	12.1	11.9	6.6	3.7	0.6	10.3	-10.8	217	4.8
TCM	HOSE	49	22,800	19,500	19.5	Accumulate	-0.5	-16.6	-9.2	-27.7	5.7	25.0	5.5	6.4	0.8	2.6	-29.9	640	0.2
HDB	HOSE	1,087	31,000	26,000	19.2	Accumulate	23.6	26.2	15.3	16.6	18.3	24.5	6.9	4.8	1.3	0.0	-1.1	1,525	9.3
GMD	HOSE	243	22,000	18,900	19.0	Accumulate	-2.5	-72.1	-13.0	-23.6	7.9	-7.5	11.0	16.8	0.9	2.6	-26.1	501	0.0
QNS	UPCOM	465	33,000	30,117	17.9	Accumulate	-4.4	3.2	-6.6	-18.7	13.9	19.5	8.7	7.4	1.7	8.3	10.7	613	32.3
DXG	HOSE	258	13,500	11,500	17.4	Accumulate	25.1	3.2	-5.1	-4.8	7.9	14.9	5.6	4.5	0.8	0.0	-19.9	1,970	8.0
KDH	HOSE	545	27,300	24,000	15.8	Accumulate	-3.5	13.2	14.9	37.1	15.5	15.1	13.0	9.1	1.6	2.1	1.5	1,140	5.1
IMP	HOSE	126	66,000	58,800	15.6	Accumulate	18.4	17.1	20.6	17.0	18.0	17.9	17.4	14.7	1.8	3.4	26.7	132	0.0
VHC	HOSE	285	40,200	36,200	15.2	Accumulate	-15.1	-18.2	6.9	-19.1	14.1	9.7	6.5	6.4	1.3	4.1	-15.4	966	67.2
PVT	HOSE	126	11,890	10,350	14.9	Accumulate	3.1	5.8	-9.6	-36.2	17.2	37.7	4.8	6.2	0.6	0.0	-33.3	842	24.1
VNM	HOSE	8,598	126,000	114,100	14.4	Accumulate	7.1	3.5	8.5	5.6	4.5	2.0	18.8	19.4	6.6	3.9	-5.9	8,215	41.3
PME	HOSE	207	71,000	63,900	14.2	Accumulate	10.3	3.9	12.6	14.0	13.9	12.3	14.7	11.8	2.4	3.1	35.3	61	37.9
DPM	HOSE	243	15,000	14,350	12.9	Accumulate	-15.8	-49.6	6.7	61.9	3.5	-14.2	13.0	12.6	0.7	8.4	-2.7	2,032	37.7
VRE	HOSE	2,606	29,800	26,500	12.5	Accumulate	1.5	18.6	3.8	-2.8	9.6	15.9	22.5	18.8	2.2	0.0	-22.7	4,069	18.3
ACV	UPCOM	5,569	65,000	59,120	11.5	Accumulate	13.7	35.8	-37.5	-58.7	45.5	79.2	16.3	23.2	3.4	1.5	-29.3	970	45.6

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 (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
CTG	HOSE	3,593	24,500	22,300	9.9	Accumulate	41.0	74.8	3.5	1.3	17.8	66.8	8.9	6.2	1.1	0.0	5.9	5,696	0.1
PGI	HOSE	66	17,500	17,200	9.3	Accumulate	8.0	17.2	-6.5	-21.1	0.3	46.6	8.9	8.0	1.0	7.6	8.8	3	28.4
SCS	HOSE	268	125,000	122,000	9.0	Accumulate	10.8	15.0	3.6	6.6	12.2	14.5	13.5	11.5	5.4	6.6	-22.3	227	24.1
ACB	HNX	1,655	25,000	23,000	8.7	Accumulate	14.7	16.7	5.0	4.1	18.8	25.5	6.1	5.0	1.3	0.0	3.8	4,010	0.0
STK	HOSE	53	17,700	17,850	7.6	Accumulate	-7.0	20.3	-19.5	-41.3	19.5	64.3	5.7	6.1	1.1	8.4	-25.6	125	42.7
BID	HOSE	6,805	42,000	39,100	7.4	Accumulate	8.3	15.3	6.6	4.2	17.1	73.7	18.1	12.5	2.1	0.0	26.0	2,337	12.3
KBC	HOSE	277	14,200	13,650	4.0	Neutral	30.4	14.6	-17.2	-2.3	4.9	12.1	7.8	6.8	0.7	0.0	-2.1	1,992	28.0
AST	HOSE	98	52,000	50,200	3.6	Neutral	29.2	23.4	-27.7	-61.2	23.2	113.4	14.4	14.7	3.8	0.0	-19.0	250	6.3
PPC	HOSE	336	22,500	24,250	3.1	Neutral	15.0	12.9	11.7	-13.0	0.6	-1.5	6.7	8.7	1.3	10.3	-12.1	204	32.6
ANV	HOSE	93	16,400	16,900	3.0	Neutral	8.8	17.4	-10.4	-48.7	14.7	37.4	3.9	4.3	0.9	5.9	-33.3	312	47.8
VGC	HOSE	398	20,100	20,500	2.7	Neutral	14.8	15.4	-11.7	2.3	5.0	21.5	14.1	11.3	1.4	4.6	7.0	678	39.1
VCB	HOSE	13,321	85,000	83,000	2.4	Neutral	20.1	28.6	14.4	14.5	21.4	24.7	17.1	12.7	3.6	0.0	20.3	4,710	6.2
VSC	HOSE	66	27,000	27,500	1.8	Neutral	5.8	-22.1	-15.7	3.2	-7.1	-4.3	6.0	6.6	0.8	3.6	-8.6	215	16.1
PTB	HOSE	103	52,200	51,800	0.8	Neutral	17.6	13.3	-12.3	-13.4	5.8	2.4	5.8	6.3	1.3	0.0	-25.3	457	30.3
HPG	HOSE	3,286	27,300	27,500	-0.7	Neutral	14.0	-12.4	25.5	47.1	20.4	29.4	9.5	5.7	1.5	0.0	24.2	12,145	12.9
HAX	HOSE	21	11,400	13,250	-2.6	Neutral	8.3	-48.2	-29.7	0.0	4.6	0.0	9.6	9.5	1.0	11.3	-3.5	131	41.7
PHR	HOSE	308	47,500	52,600	-4.0	Neutral	4.8	-24.3	27.9	141.7	-12.7	-32.1	12.4	11.2	2.7	5.7	-4.5	2,847	38.7
BFC	HOSE	29	10,000	11,700	-4.3	Neutral	-4.4	-56.7	-4.7	51.2	3.5	-15.0	9.1	6.7	0.7	10.3	-31.7	291	45.4
BMP	HOSE	198	48,200	56,000	-5.0	Neutral	10.7	-1.1	6.4	11.4	7.2	-5.9	10.6	11.4	1.8	8.9	40.6	476	18.5

Source: Rong Viet Securities; Price as of July 3rd 2020

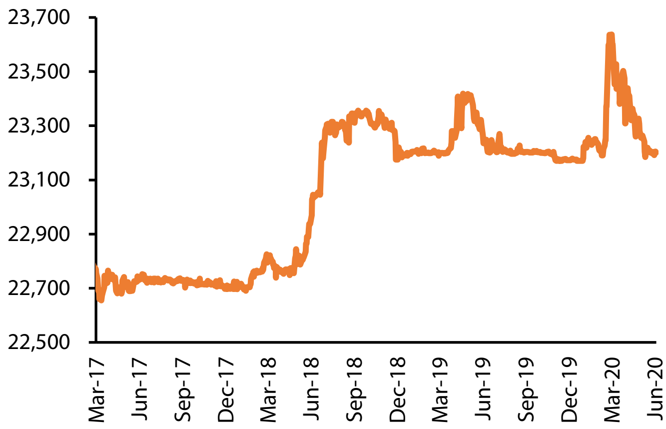
VIETNAM ECONOMIC INDICATORS IN JUNE

Trade balance (US Billion)



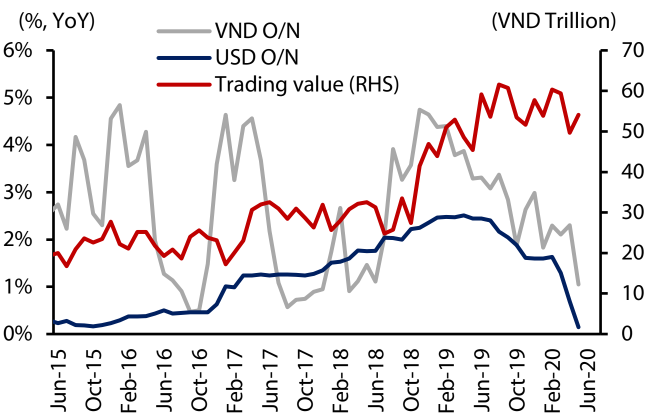
Source: GSO, Rong Viet Securities

USDVND exchange rate



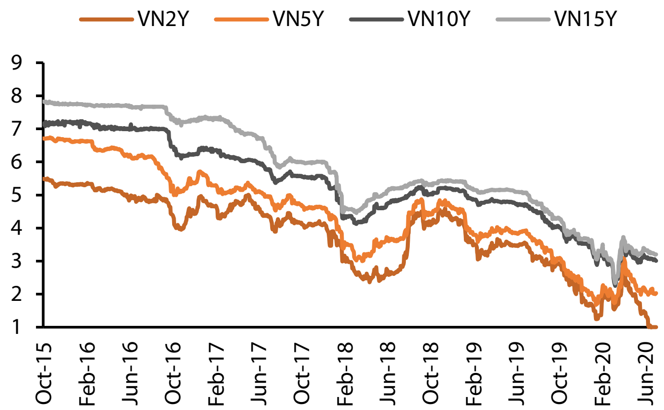
Source: SBV, Rong Viet Securities

Interbank interest rate (%/year)



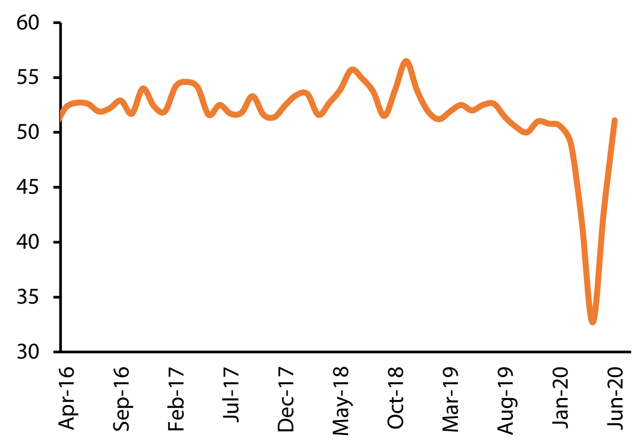
Source: SBV, Rong Viet Securities

G-Bond yields (%/year)



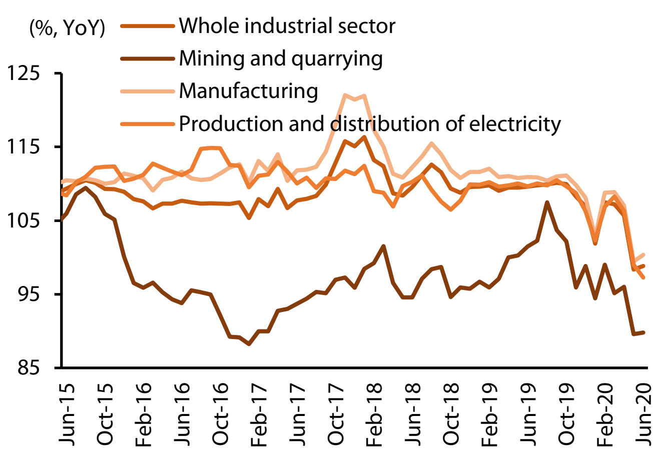
Source: Bloomberg, Rong Viet Securities

Manufacturing PMI



Source: IHS Markit, Rong Viet Securities

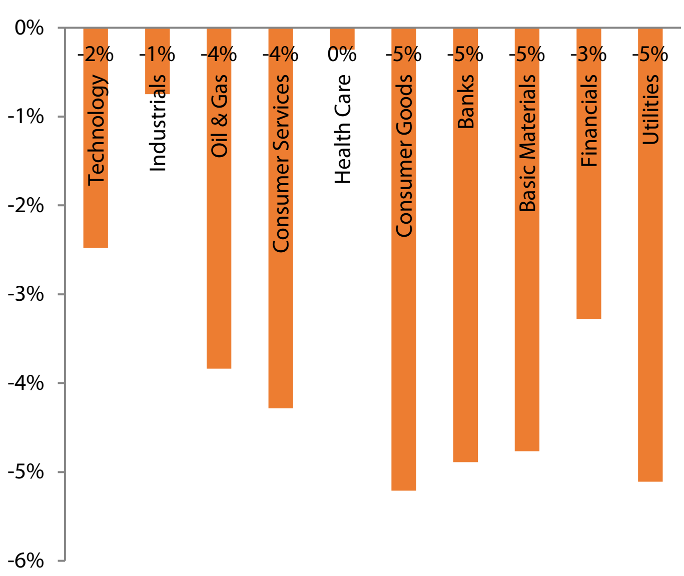
3-month MA Industrial Production Indices



Source: GSO, Rong Viet Securities

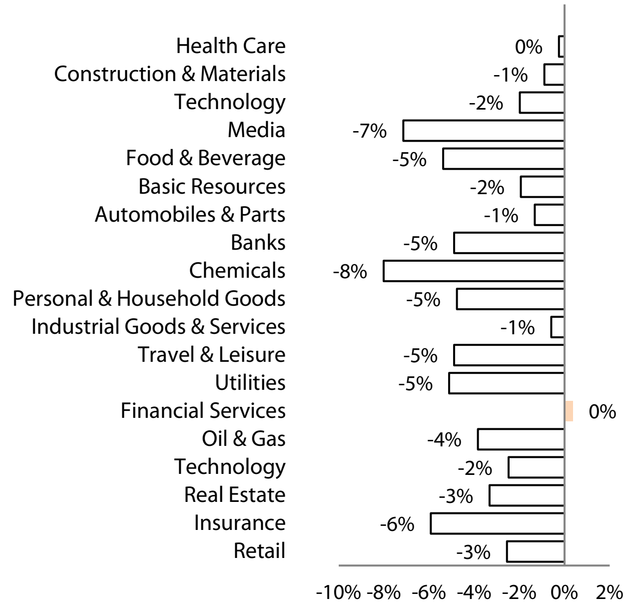
INDUSTRY INDEX

Level 1 industry movement



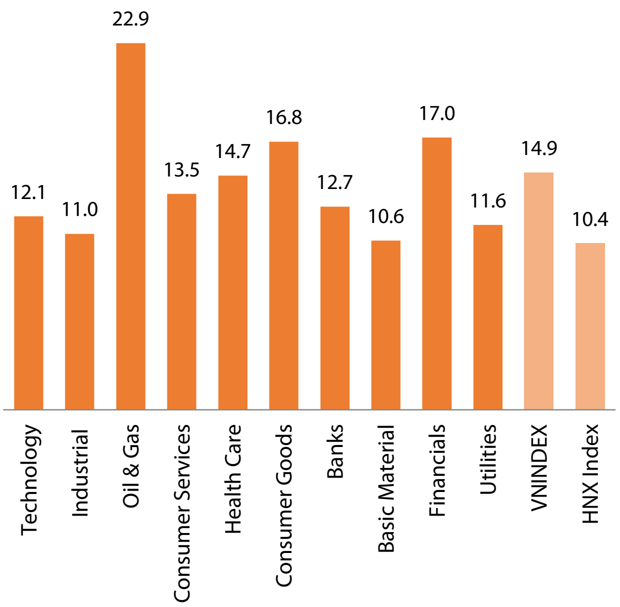
Source: Fiinpro, Rong Viet Securities

Level 2 industry movement



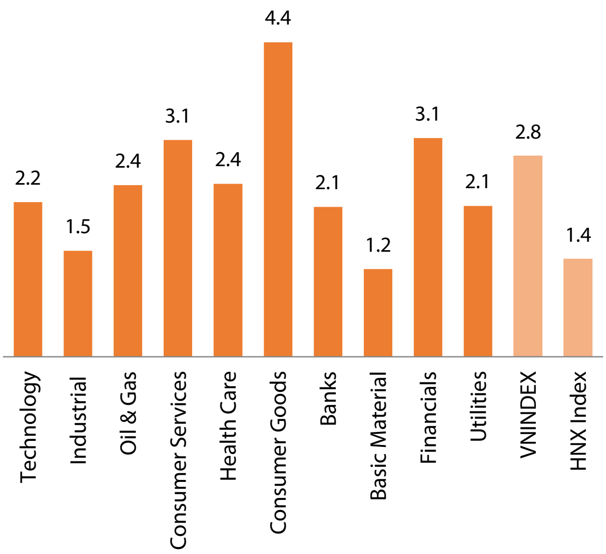
Source: Fiinpro, Rong Viet Securities

Industry PE comparison



Source: Fiinpro, Rong Viet Securities

Industry PB comparison



Source: Fiinpro, Rong Viet Securities

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