September 7th 2020

Investment Strategy September 2020

UPTREND BOOSTED BY "CHEAP" MONEY

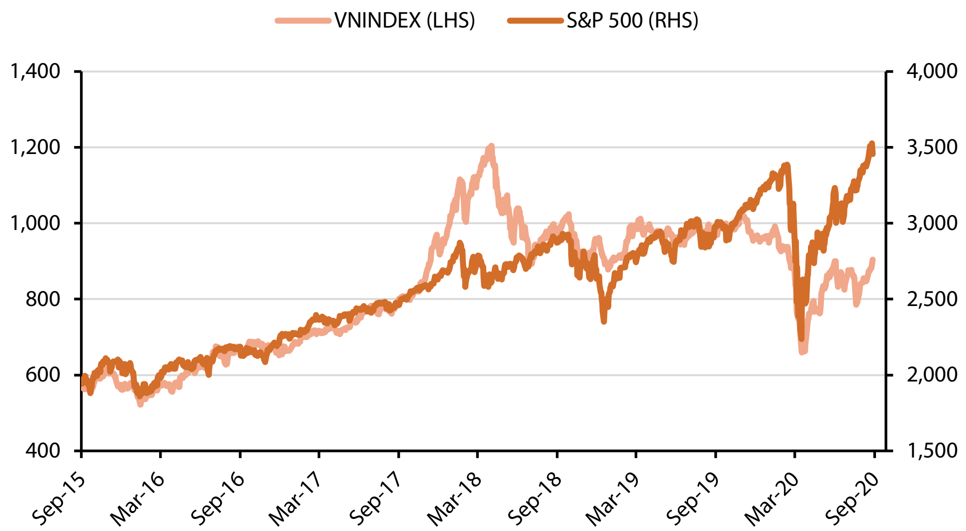
Vietnam's stock market increased sharply in August and became one of the best markets in the world as the VNIndex increased by 10.4% m/m. Looking back on the last few sessions of August, we notice that liquidity was rising in the last part of the month. This was different with the sudden liquidity rises in June and July the when market corrected at that times. By contrast, we found out that when the liquidity and the market are in the same direction, the market trend usually is maintained in the following days, which happened during April and May.

Besides the uptrend momentum of August, we also expect more positive from the foreigners. In the context that foreign investors have remained net sellers for months, the news capital from foreigners would be a big support for the market.

We assume that the upward momentum of August and the expectation of new foreign capital could support the VNIndex to surpass the June high, of 900, and possibly reach 920. However, we believe that the recent uptick of the market is not sustainable when, based on our observations, the margin outstanding may has increased sharply along with the recent rise. In that context, market sentiment will be easily affected by negative news. Strong volatility of global stocks market would be one of them. After a series of consecutive declining days, the VIX index rebounded to over 30 points, warning of potential weakness ahead. When the US market increases strongly and suddenly to create a new record high, this market tended to correct deeply after that. Looking back at these times, the movements of the VNIndex was not too positive.

In summary, we believe that the market will be supported by the rising momentum of August and the expectation of new large capital from foreign investors. The VNIndex could reach 920. However, the uptrend in September is more bumpy. While global stock market shows signs of weakness, margin outstanding may also have increased significantly recently. Hence, any negative flows could affect the stock market. For example, US volatility index bounced back after the S&P 500 hit its historic peak. Therefore, we believe that the VNIndex can fluctuate in the range from 870 to 920.

Relationship between VNIndex and S&P 500 over the past five years



Source: Bloomberg, Rong Viet Securities

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Please see penultimate page for additional important disclosure

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The stock market has become attractive because of low required-invested-capital and high liquidity. It appears to be a better investment than other channels like gold or real estate in the uncertain economic outlook and the continuing decrease of deposit rates. Hence, not only local investors but also foreigners continue to buy stocks, ignoring the unsatisfactory results of economic indicators. New opened brokerage accounts in August were up by 4.8% MoM (to 28,300 accounts), higher than the average figure in 2019 (15,000 – 20,000 accounts per month). In addition, margin lending outstanding balance surged since late July showing the 'excitement' of existing investors (our rough estimation showed that margin lending in late August was up by 40% compared to June).

Regarding foreigners, new cash has flowed into professional funds, which imply a positive signal for stock indices. Though part of such cash may go into in mid-cap stocks, blue-chips are still preferred due to strong fundamentals and transparency. That could push the VN Index higher in September.

Considering the PER of VN30, VN70, and VN small-cap stocks, we find that only the PER of VN30 is lower than it was in 2019. Meanwhile, though VN70 and VN small-cap look cheaper than VN30, they look no more attractive considering their historical PER. Following 'professional' money is still an appropriate strategy in 2020. From our coverage list, stocks which still offer upside currently include MWG, VRE, PNJ, KDH, HPG, REE, FPT, VPB, and MBB. We would like to notice that our target price consider companies' fundamental and business outlook only, and high demand from investors could push stock prices to go further from their intrinsic values.

The second wave of COVID-19 makes the economic outlook gloomier than we thought. Although we believe that the long-term prospect of most sectors is still positive due to the improvement of the legal environment and the support from the government, companies will experience difficulties in 2020. Hence, as the Q3 business earning season has been coming, it is not easy to find names who can show some type of recovery. In our short list, we would like to talk about LTG, a leading company in the pesticide and rice export area. We also revise up 26% target price of VHC to VND 50,000 given positive export outlook to the US as well as average selling price (from the 2H 2020) has increased higher our expectation. In Q3 2020, we expect VHC's revenue and NPAT will reach VND 2,250 Bn (+20% YoY) and VND 297 Bn (+17% YoY) respectively.

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

Japan: Is Abenomics over?

Prime Minister Shinzo Abe announced that he will leave his position as Japan's leader due to health reasons. The timing of the announcement is worrisome, especially considering the tensions in the South China sea between a variety of countries.

Abe, who became Japan's longest-serving prime minister, was a source of stability in the region. Although his nationalist sympathies sometimes drew negative attention -- his 2013 visit to a controversial shrine that is often considered a symbol of Japan's imperial military past offended China, South Korea and "disappointed" the United States -- Abe is a committed multilateralist who tirelessly pushed for a rules-based international order.

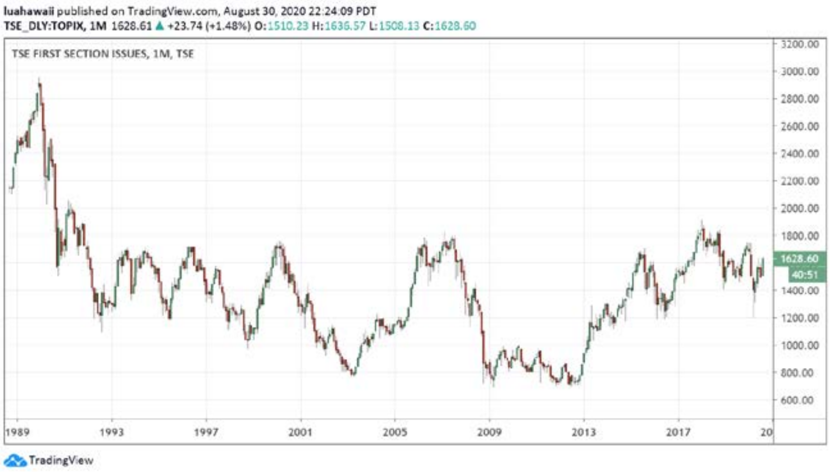
Several names are being floated as possible successors to Abe, including Chief Cabinet Secretary Yoshihide Suga, former Defense Minister Shigeru Ishiba, current Defense Minister Taro Kono and former Foreign Minister Fumio Kishida. Whoever is chosen next month by the Liberal Democratic Party will have to figure out how to balance Japan's competing interests on the world stage. Hopefully, that balance will continue to tip, as it did under Abe, in favor of the US. It should not be forgotten that a few years before Abe was elected in 2012, Japan, under the since-dissolved Democratic Party of Japan (DPJ) led by Prime Minister Yukio Hatoyama, moved Japan towards a much closer relationship with China.

Fortunately, the alliance between the US and Japan has been strong enough that ties have become somewhat institutionalized. So far it has kept the region fairly safe.

So what about 'Abenomics'? Launched in 2013 the three-pronged approach- fiscal stimulus, unorthodox monetary policy, structural reforms- were meant to fight deflation and revitalize the economy. The idea was that a 2% inflation rate target would boost consumer sentiment and consumer spending, hence rising GDP. Well, it has not worked.

When Prime Minister Abe assumed office in 2012, the country was still recovering from the 2008-09 global recession. Currently, the economic outlook is still bleak but morale is steady, meaning consumer sentiment has stabilized. However 'Abenomics' has worked in a certain way. The stock market has rebounded since 2013 (Figure 1), companies have de-leveraged and have healthy cash balances.

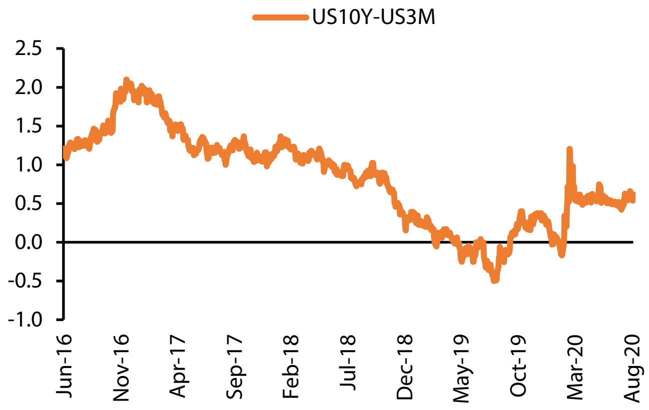
Figure 1: Topix Index, 1989-2020



Over the next 40 years, Japan's current population of 127 million will shrink by over a quarter—a loss equivalent to the entire population of Malaysia or Peru. This accelerated speed of aging and shrinking of its population places the country at the leading edge of global demographic changes. Corporate Japan will have to become ever more competitive and innovative in order to 'save' the country from an economic meltdown.

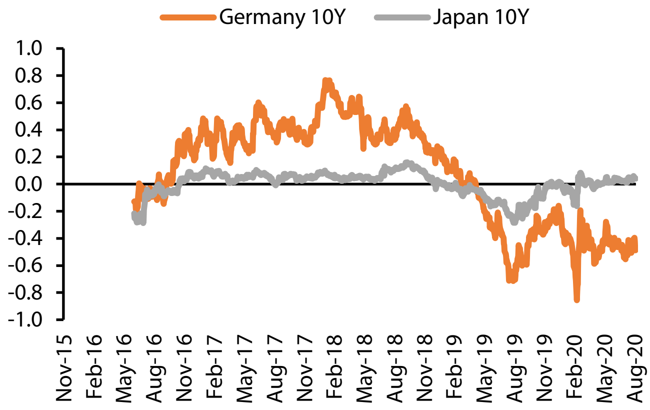
GLOBAL ECONOMIC INDICATORS IN AUGUST

US G-Bond yields gap (%/year)



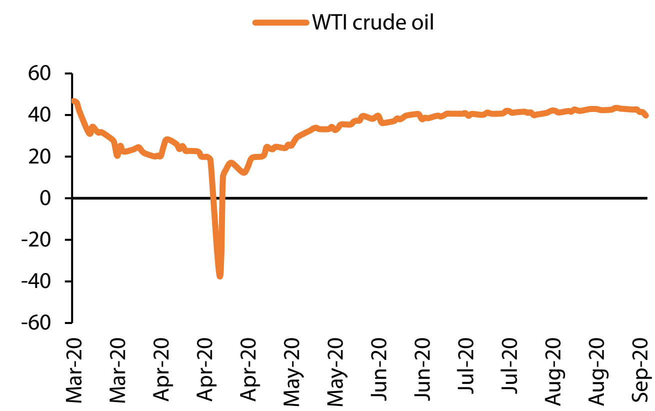
Source: Bloomberg, Rong Viet Securities

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



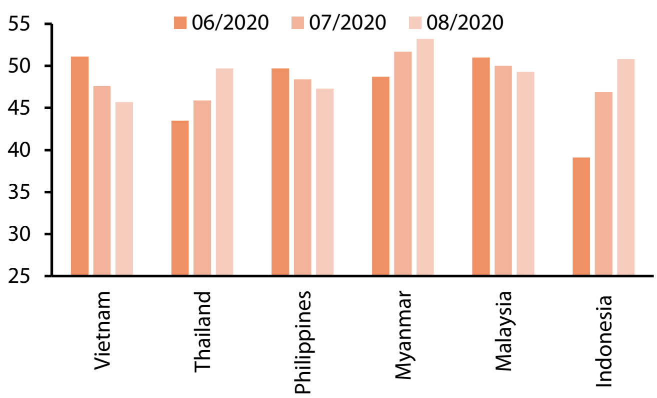
Source: Bloomberg, Rong Viet Securities

WTI crude oil price (USD/barrel)



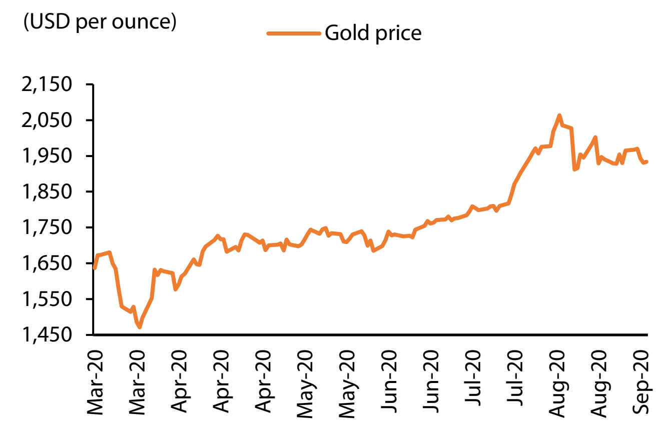
Source: Bloomberg, Rong Viet Securities

ASEAN's PMI



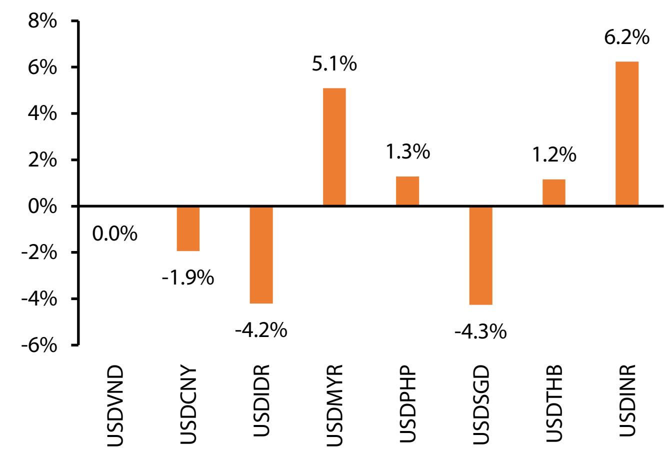
Source: Markit Economics, Rong Viet Securities

Gold prices



Source: Bloomberg, Rong Viet Securities

FX rates (%, YTD)



Source: Bloomberg, Rong Viet Securities

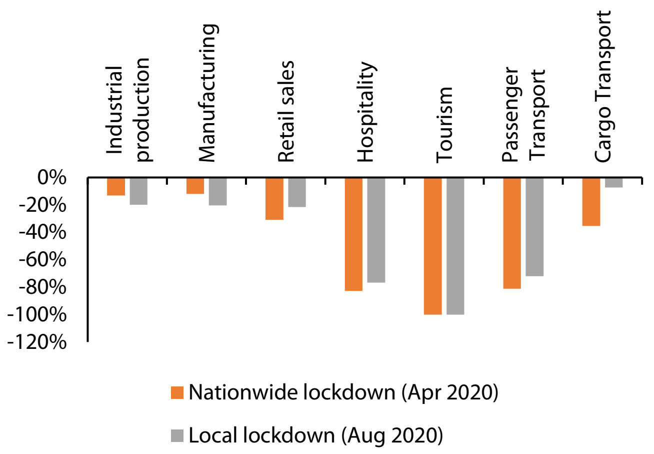
- No mass lockdown will create a nascent recovery of around 3.0% in 2H20 GDP growth, in our view.
- The 2nd support package: expanding vulnerable group and focusing on boosting small business confidence.
- We estimate 2020 budget deficit at around 5.5-6.0% of GDP.

The second wave of pandemic and its economic impact vs. the 1st wave

As new Covid-19 cases have appeared to decline recently, it could be said that Vietnam has again deftly maneuvered through the pandemic. So far, there have been 1,049 Covid-19 cases nationwide and 35 fatalities have been recorded as of Sep 06. Although this result is still considered as a successful story in containing the Covid-19 pandemic compared to other countries, we think a resurgence in contagion remains a key risk. Therefore, it would be interesting to dig deeper into the economic impacts of the 2nd wave of the pandemic because it could shed some light on the new normal of the economy, then helps investors navigate this new state of normal.

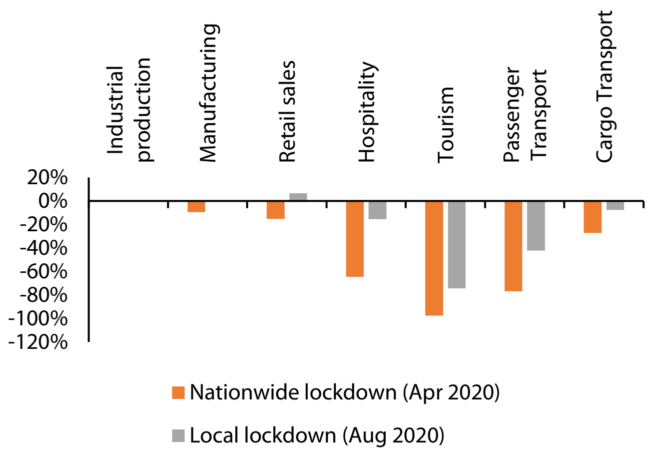
Firstly and most obviously, the government learnt lessons from the 1st nationwide lockdown to avert the 2nd wave of the pandemic. This time, no mass lockdown as we experienced in Apr 2020 and the government tried to implement local lockdown while keep the economy operating as normal as possible. Economic data in Aug 2020 showed that lock down area (such as Da Nang) has been hit harder than the country as a whole. However, it is important to note that targeted lockdown only helps mitigate negative impacts of the pandemic on the demand side (retail sales), not the supply side (manufacturing area). Manufacturing activities have been hit harder during the lockdown in Da Nang while nationwide manufacturing activities showed no growth in Aug 2020 compared to the same period of last year.

Figure 2: Economic activities in Da Nang (% chg yoy)



Source: GSO, Rong Viet Securities

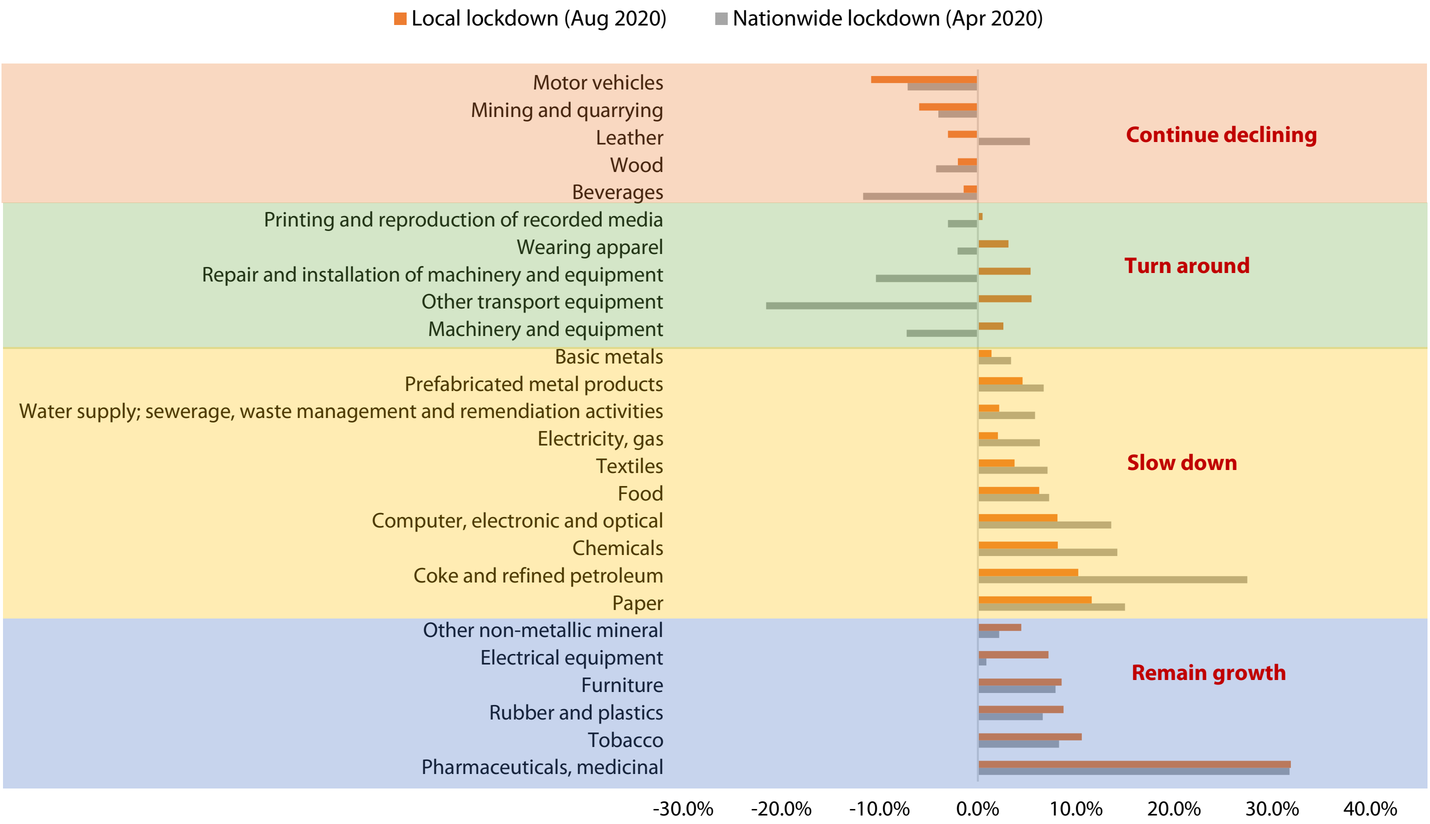
Figure 3: National economic activities (% chg yoy)



Source: GSO, Rong Viet Securities

Secondly, breakdown data on industrial production and retail sales growth showed that the impact of the 2nd wave of the pandemic has varied significantly across subsectors. We see growth remains resilience in some industries such as pharmaceutical, rubber & plastics, furniture and electrical equipment; some industries showed a positive turnaround such as the production of machinery & equipment, transport equipment and wearing apparel. By contrast, the pandemic continues to put a drag on growth of major manufacturing industries such as food, metal, paper, textile, chemical, etc. (see details in Figure 3). In addition, as we mentioned above, targeted lockdown has mitigated the impact of the Covid-19 resurgence on retail sales, however, a reluctance to go outside and travel continued to pose more difficulties for hospitality and tourism sector.

Figure 4: Variation in activity of the industrial sector (% chg yoy, 3mma)



Source: GSO, Rong Viet Securities

Finally, given the recent resurgence in Covid-19 cases, a thick fog of uncertainty is still arround us. However, we think no mass lockdown could offer a nascent recovery in 2H20 GDP growth at around 3%, though this level is still well below the pre-Covid-19. We expect 3Q20 GDP growth to expand at 2.5% given a slight uptick in manufacturing production and consumption. Economic resilience will be better in 4Q20 thanks to a selective relaxation of containment measures (i.e. a resumption of international flight), a stronger public investment and improving consumer confidence and business sentiment going along with a hope for an effective vaccine in 2021.

What to expect from the 2nd support package?

Despite of successful outbreak control, many businesses are cutting back and closing down due to the pandemic. According to GSO, about 34,300 enterprises temporarily suspended business in the first eight months (+70.8% yoy). The more business that close, the more workers will lose incomes. Therefore, policymakers are considering another support package to mitigate negative impacts of the pandemic on the economy.

According to the Ministry of Labour – Invalids and Social Affairs (MoLISA), there was only 28.5% of the first support package being disbursed as of late July 2020 (~VND17,500bn). The low execution rate of the initial support package has raised questions about the ability to access the support package of vulnerable group and what measures could be used in the 2nd support package. Currently, the MoLISA is proposing to extend the measures from the first support package, including expanding beneficiary group and revising borrowing conditions for 0% interest loan to firms to pay for employees. In addition, the 2nd support package is designed to support another vulnerable group (unemployed workers living in difficult circumstances) and to focus on boosting small business confidence by providing preferential loans. This support package is estimated at VND18,600bn (~USD798mn, 0.31% of GDP), which is much smaller than the 1st package (see details in Figure 5).

The government is quite aggressive in realizing double target of handling economic stituation while remaining cautious to not net the pandemic become too serve. The support package, therefore, not only helps the economy overcome difficult period but also plays an important role in the recovery speed of the economy in the medium-term. Due to serious impacts of the pandemic, we argue that more measures need to be done in order to protect the economy's health.

Figure 5: The 1st support package vs. the 2nd support package

		Number of beneficiaries		Cost (bn dong)	
The 1st support package		**Planned**	**Disbursed**	**Planned**	**Disbursed**
Income support to vulnerable groups					
1	Poor households	984,000		2,952	
2	Near-poor households	1,260,000		1,890	
3	Social assistance beneficiaries	4,315,000		6,473	11,500
4	Merit people, who had made contributions during revolution and wars time	1,135,000	11,500,000	1,703	
5	Informal sector employees affected	5,000,000		15,000	
6	Closed tax-registered household businesses with annual income <100 million dong	760,000	13,000	2,280	na
Support to firms for employment retaining/restoring					
7	Contracted employees who were laid off on temporary leave without pay due to the direct impacts of the COVID-19 pandemic, and not qualified for unemployment insurance benefits	1,000,000	402,000	5,400	403
8	Deferring social insurance contribution to firms with 50% employees on temporary leave			6,500	603
9	Training support using unemployment insurance fund	1,000,000	na	3,000	na
10	Loan to firms with 0% interest for maximum of 12 months to pay for employees to maintain jobs, (50% of minimum wage x 3 months)	3,000,000	na	16,200	na
	Total			**61,397**	**17,500**
	As of %GDP (2019)			**1.0%**	**0.3%**
The 2nd support package					
Income support to vulnerable groups					
1	Workers being hit by the Covid-19 pandemic who are renting houses or raising children under six years old, applied from Sep 2020 to Dec 2020			3,600	
Support to firms for employment retaining/restoring					
2	Loan to SMEs, cooperatives, business households and workers in rural areas with favorable interest rate (3.96%/year), applied from Sep 2020 to Sep 2021			15,000	
	Total			**18,600**	
	As of %GDP (2019)			**0.3%**	

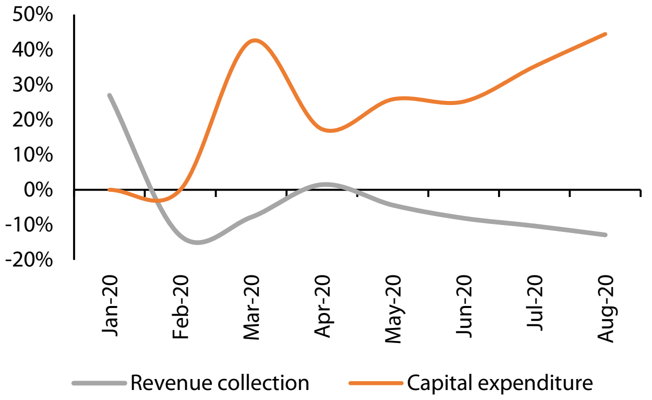
Source: Worldbank, MOLISA, RongViet Securities

Rising budget deficit as spending on public investment outpaced revenues

According to GSO, the State recorded a budget deficit of VND106,000bn (1.8% of GDP) in eight months of 2020, which is contrast to a surplus of VND97,200bn in the same period last year. As of 15 Aug 2020, total budget revenue was VND812,200bn, completed 53.7% of the budget plan for 2020 and decreased by 12.9%yoy. Meanwhile, total budget expenditure was estimated at VND918,200bn, 52.9% of the budget plan but increased by 10.0%yoy. It is important to note that capital expenditues grew significantly compared to the same period of last year (+44.4%yoy, 44.3% of the annual target) thanks to faster execution of public investment projects in recent months. While 2020 revenue collection and GDP growth have been hurt by the Covid-19 crisis, the ramp up of capital expenditure and relief fiscal package in the form of delayed tax payments, tax waivers and reductions could lead to a higher budget deficit.

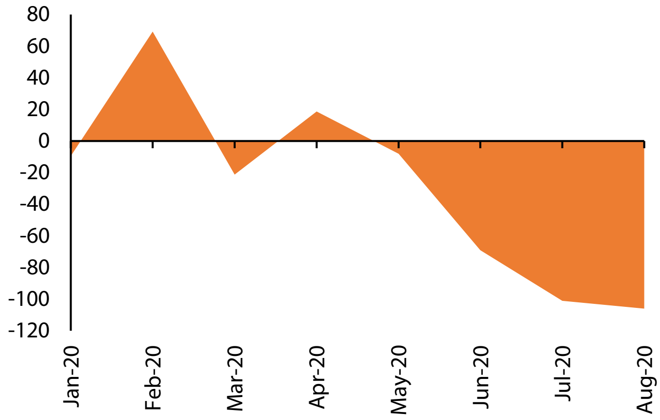
In June 2020, the Ministry of Finance estimated a budget deficit of 5.0-5.1% of GDP. However, based on recent development of the State budget and lower GDP growth projection, we think 2020 budget deficit could be wider than the MoF's estimate, which is around 5.5-6.0% of GDP.

Figure 6: Revenue collection vs. capital expenditure growth (% chg yoy)



Source: GSO, Rong Viet Securities

Figure 7: Accumulated budget deficit in 8 months of 2020 (VND trillion)

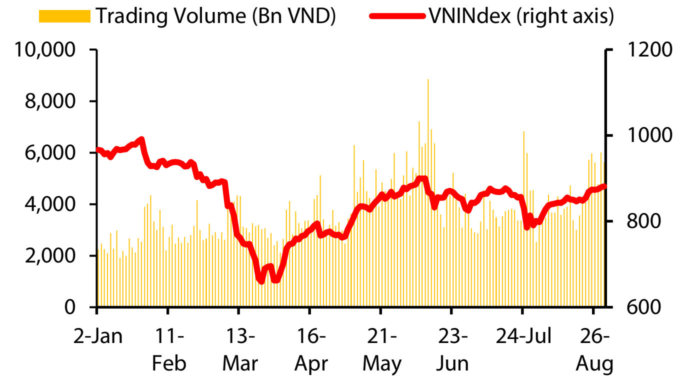


Source: GSO, Rong Viet Securities

STOCK MARKET IN AUGUST: ACCELERATION

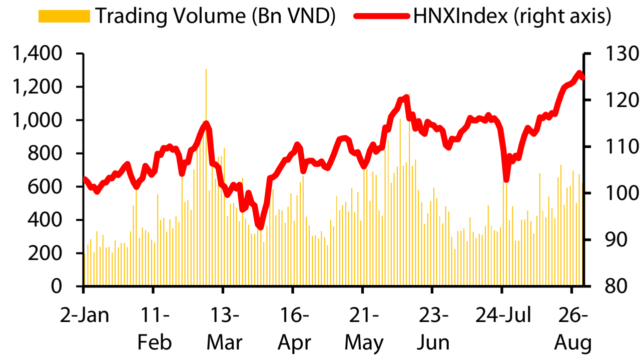
After a sudden correction in the last sessions of July due to concerns about the second wave of Covid-19, Vietnam's stock market began to calm down in early August and the VNIndex gradually recovered in the following days. However, the rise started to slow down as the VNIndex moved sideways between 840 and 860 in mid-August. As of August 24th, the market recorded the second rally of the month when the VNIndex reached 880. At the end of August, the VNIndex closed at 882, up 10.4% m / m. The HNX-Index even showed a better performance as it increased by more than 16.1% m / m to 125. Most of stock markets in the region and in the world performed positively in August. The SHCOMP, KOSPI and S&P 500 rose 2.6%, 3.4% and 7.3% respectively in August while the MSCI Frontier Market Index and MSCI Emerging Market Index also went up by 2.1% and 6.5%, respectively.

Figure 8: VN Index in 2020



Source: Fiinpro, Rong Viet Securities

Figure 9: HNX Index in 2020



Source: Fiinpro, Rong Viet Securities

The average liquidity in the first rally of August was only equal to that of July. However, the average liquidity in the remaining days of August (or second rally) suddenly increased sharply to nearly VND 5.5 trillion per session, up 43.7% compared with the average liquidity of the first rally. In terms of market capitalization, liquidity in the second rally of VN30, VNMid and VNSmall group increased by 52.2%, 40.7% and 26.2% respectively compared with the first rally. Hence, the VN30 Index (+ 4.8%) performed better than other indices in the second rally.

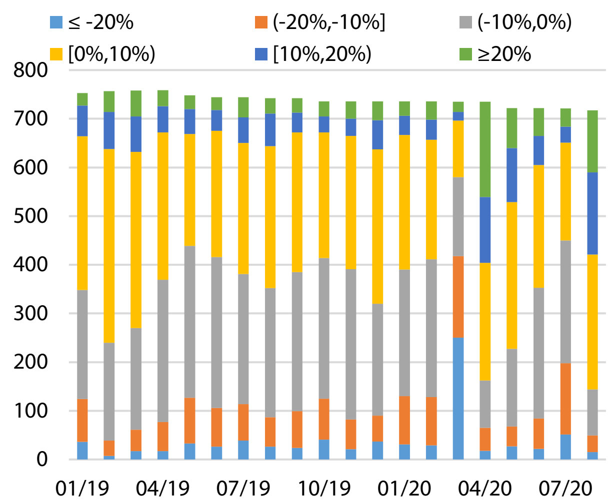
The overall picture of stocks on the two exchanges showed that the majority of stocks had positive performances as the number of advancers reached a record high in August and was on par with April 2020.

Table 1: Performance by market cap in August

	VN30		VNMid		VNSmall	
	ADTV (bn VND)	Price change	ADTV (bn VND)	Price change	ADTV (bn VND)	Price change
July	1,880	-3.9%	1,123	-5.0%	427	-4.6%
Aug 3rd – Aug 20th	1,661	6.1%	1,155	9.4%	684	10.1%
Aug 20th – Aug 31st	2,529	4.8%	1,626	2.9%	864	3.6%

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

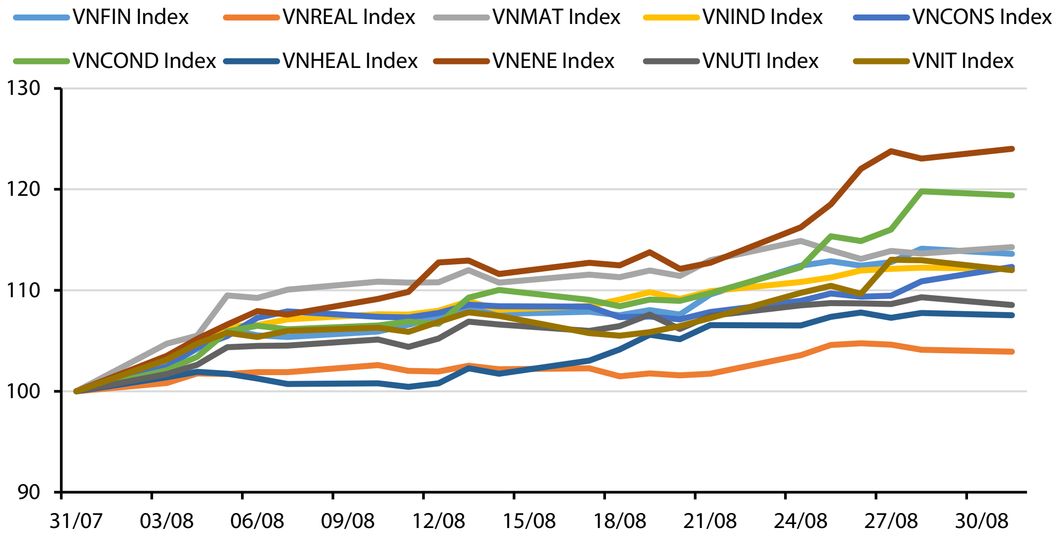
Figure 10: The number of stock by monthly performance on HOSE and HNX



Source: Fiinpro, Rong Viet Securities

All sectors recorded positive movements in August, especially the energy and consumer discretionary sectors. Meanwhile, the real estate industry was not as positive as other sectors as VIC and VHM increased only 2.9% and 1.0% m / m, while the VNIndex rose 10.4% m/m. While the energy sector surged thanks to a jump of PLX(+ 24.4% m / m), the consumer discretionary sector was supported by a rise of MWG (+ 25.4% m / m). The financial sector (+ 13.6%) also recorded a decent growth thanks to the contribution of BVH (+ 22.9% m / m), CTG (+ 20.4%), HDB (+ 17.6%), VPB (+ 15.0%) and TCB (+ 14.5%).

Figure 11: Sectors' performance in August



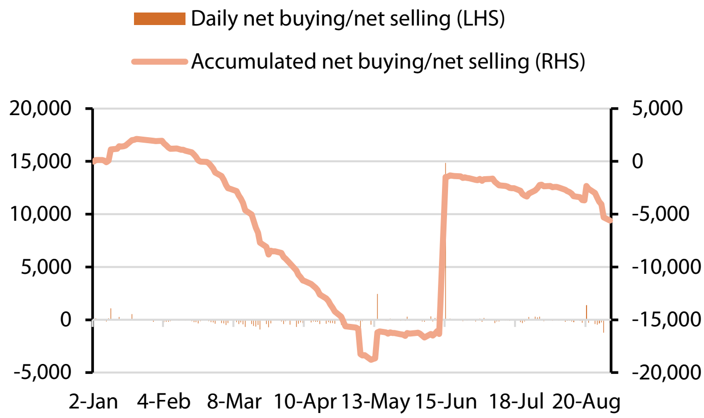
Source: Bloomberg, Rong Viet Securities

Foreign investors 'trading

Foreign investors net sold strongly in August compared to the previous three months as the value reached VND 3.2 trillion through matching orders on HOSE. Especially in the second rally, the figure was VND 2.3 trillion. Although foreign investors net sold VHM more than VND 857 bn via matching orders, they bought a deal (put-through transactions) of nearly VND 1.6 trillion in August. Some stocks were sold strongly via matching orders such as HPG (VND 439 bn), VCB (334), VNM (331), VRE (316), NVL (260), MSN (146), DXG (137), VIC (134), and VJC (102). By contrast, they net bought mostly PLX (+VND 244 bn), PHR (+134), HDB (+64), STB (+53), KSB (+52), VSC (+45), BMP (+40), GAS (+39), CTD (+39), and DPM (+28). Regarding to market capitalization, although foreign investors net sold VN30 stocks with nearly VND 1.6 trillion through matching orders, they only net sold VND 200 bn with VNDiamond stocks, equivalent to 6% of the total foreigners' net selling value of the VN-Index.

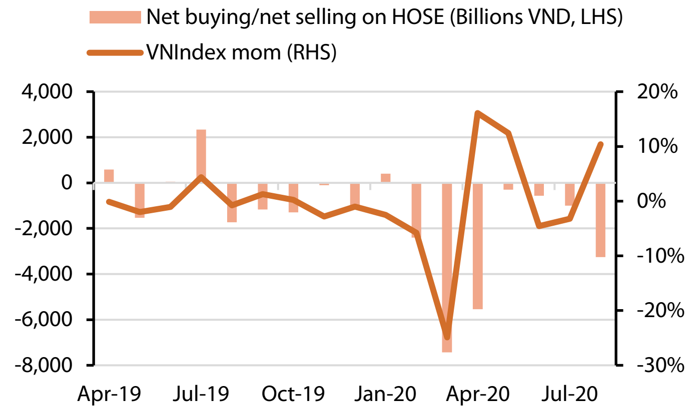
Foreign ETFs recorded mixed results. While VNM ETF and KIM ETF net added USD 7 mn and USD 3.9 mn respectively, FTSE Vietnam ETF (Europe) and MSCI Vietnam ETF (Hong Kong) were redeemed by USD 1.3 mn and USD 2.3 mn respectively. Meanwhile, the two domestic ETFs, FUEVFVND and E1VFVN30, of VietFund Management company, net issued 15.6 and 13.0 million shares respectively, equivalent to VND 195 bn and VND 180 bn. Meanwhile, the FUESSVFL ETF was inactive in August. The new listed ETF mimicking the VN30 Index of SSIAM company, did not attract much inflow.

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

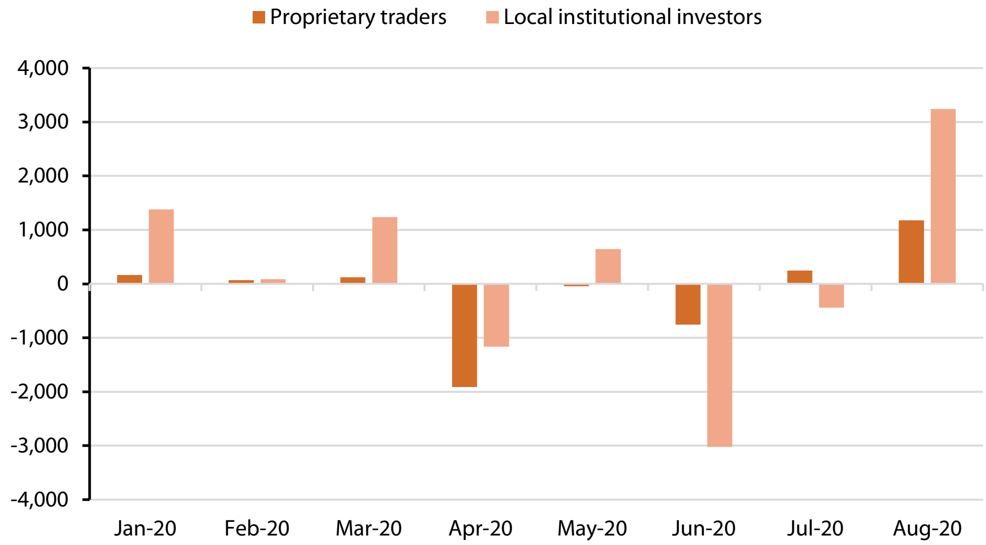
Sector	HSX Net trading volume (thousand shares)	HSX Net trading value (billion VND)	HNX Net trading volume (thousand shares)	HNX Net trading volume (thousand shares)
Oil & Gas	5,578	254	-4,272	-53
Chemicals	5,882	202	-622	-4
Financial Services	10,974	66	-267	-6
Retail	-992	12	57	0
Telecommunication	-9	0	-168	-3
Media	0	0	9	0
Technology	-506	-2	2	0
Insurance	-450	-9	-15	-1
Personal & Household Goods	-9	-11	-506	-5
Automobiles & Parts	281	-17	0	0
Health Care	-1,274	-40	-49	-1
Travel & Leisure	-2,285	-117	-39	-1
Industrial Goods & Services	-8,124	-147	-1,016	-8
Utilities	-13,157	-164	-2,296	-29
Construction & Materials	-16,091	-282	-7,791	-40
Basic Resources	-19,319	-399	18	0
Food & Beverage	-14,283	-689	79	2
Real Estate	-54,006	-712	342	-1
Banks	-26,970	-1,033	-1,326	-17

Source: Fiinpro, Rong Viet Securities

Local institutional investors' trading on HOSE

According to data from Fiinpro, domestic institutional investors became active in August as they net bought more than VND 3.2 trillion. In which, proprietary traders were net buyers of nearly VND 1.2 trillion. Some stocks were net bought strongly by domestic institutional investors such as CTG (+VND 777 bn), HPG (+395), VCB (+242), FPT (+237), VHM (+226), NHH (+222), MWG (+218), VIC (+217), VNM (+217), TCB (+213), CTD (+195), etc. By contrast, DIG was net sold the most at VND 193 bn, followed by HNG (-143), AAA (-124), GMD (-104), GTN (-85), GAB (-83), TCM (-53). Meanwhile, proprietary traders net bought strongly CTG with more than VND 676 bn. On August 28, there was net selling of VND 650 bn in CTG by foreign institutional investors via put-through transactions, while proprietary traders net bought a similar volume. Besides CTG, proprietary investors also net bought some other stocks such as TCB (+VND 78 bn), HPG (+73), IJC (+56), VNM (+54), VIC (+51), MSN (+50), and FPT (+49).

Figure 14: Trading activities by local institutional investors in 2020 (Billion VND)



Source: Fiinpro, Rong Viet Securities

Market is likely to follow the uptrend momentum of August

Vietnam's stock market increased sharply in August and became one of the best markets in the world as the VNIndex increased by 10.4% m/m. Looking back on the last few sessions of August, we notice that liquidity was rising in the last part of the month. This was different with the sudden liquidity rises in June and July the when market corrected at that times. By contrast, we found out that when the liquidity and the market are in the same direction, the market trend usually is maintained in the following days, which happened during April and May.

Besides the uptrend momentum of August, we also expect more positive from the foreigners. In the context that foreign investors have remained net sellers for months, the news about the fund raising of USD 160 mn by a Taiwan Fund and the fact that Dragon Capital also mobilized a large amount of money from abroad are positives. Since the end of June, this fund has received about VND 1.5 trillion from foreigners. According to data from VFM, VFMVSF fund has disbursed the equivalent of more than VND 1.1 trillion in August. The fund's portfolio is mostly large-cap stocks with high liquidity.

However, the uptrend in September is more bumpy

We assume that the upward momentum of August and the expectation of new foreign capital could support the VNIndex to surpass the June high, of 900, and possibly reach 920. However, we believe that the recent uptick of the market is not sustainable when, based on our observations, the margin outstanding may has increased sharply along with the recent rise. In that context, market sentiment will be easily affected by negative news. Strong volatility of global stocks market would be one of them. After a series of consecutive declining days, the VIX index rebounded to over 30 points, warning of potential weakness ahead. When the US market increases strongly and suddenly to create a new record high, this market tended to correct deeply after that. Looking back at these times, the movements of the VNIndex was not too positive.

Figure 15: Relationship between VNIndex and S&P 500 over the past five years

Source: Bloomberg, Rong Viet Securities

In summary, we believe that the market will be supported by the rising momentum of August and the expectation of new large capital from foreign investors. The VNIndex could reach 920. However, the uptrend in September is more bumpy. While global stock market shows signs of weakness, margin outstanding may also have increased significantly recently. Hence, any negative flows could affect the stock market. For example, US volatility index bounced back after the S&P 500 hit its historic peak. Therefore, we believe that the VNIndex can fluctuate in the range from 870 to 920.

UPTREND BOOSTED BY "CHEAP" MONEY

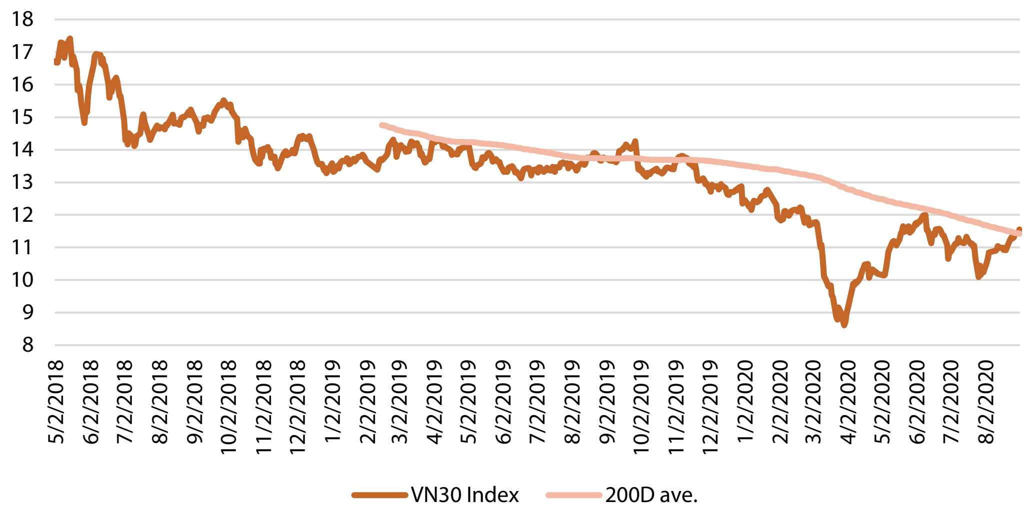
The stock market has become attractive because of low required-invested-capital and high liquidity. It appears to be a better investment than other channels like gold or real estate in the uncertain economic outlook and the continuing decrease of deposit rates. Hence, not only local investors but also foreigners continue to buy stocks, ignoring the unsatisfactory results of economic indicators. New opened brokerage accounts in August were up by 4.8% MoM (to 28,300 accounts), higher than the average figure in 2019 (15,000 – 20,000 accounts per month). In addition, margin lending outstanding balance surged since late July showing the 'excitement' of existing investors (our rough estimation showed that margin lending in late August was up by 40% compared to June).

Regarding foreigners, new cash has flowed into professional funds, which imply a positive signal for stock indices. Though part of such cash may go into in mid-cap stocks, blue-chips are still preferred due to strong fundamentals and transparency. That could push the VN Index higher in September.

Considering the PER of VN30, VN70, and VN small-cap stocks, we find that only the PER of VN30 is lower than it was in 2019. Meanwhile, though VN70 and VN small-cap look cheaper than VN30, they look no more attractive considering their historical PER. Following 'professional' money is still an appropriate strategy in 2020. From our coverage list, stocks which still offer upside currently include MWG, VRE, PNJ, KDH, HPG, REE, FPT, VPB, and MBB. We would like to notice that our target price consider companies' fundamental and business outlook only, and high demand from investors could push stock prices to go further from their intrinsic values.

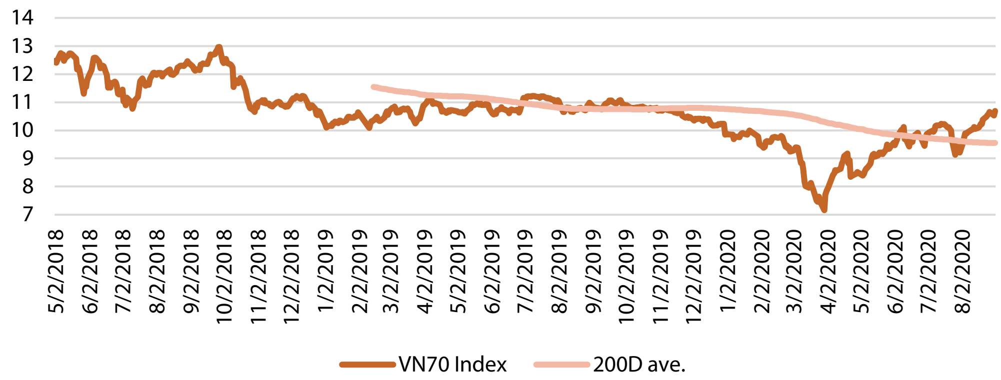
Ticker	Market cap (USD mn)	3-month avg. daily turnover (USD thousand)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2020 F		2021 F		ROA (%)	ROE (%)	Div Yield	PER Trailing	PER
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	TTM	TTM	(%)	(x)	2020F (x)
MWG	1,844	3,768	131,000	94,800	40%	Buy	12.2	2.5	22.7	26.2	10.1	25.6	1.6	11.3	8.9
VRE	2,744	3,174	34,700	28,100	23%	Buy	1.4	-5.9	9.8	16.8	6.9	8.8	0.0	26.5	20.4
PNJ	594	2,045	73,000	61,400	22%	Buy	-9.4	-24.8	20.4	24.4	11.8	23.4	2.9	13.3	13.2
KDH	600	1,025	29,300	25,000	19%	Accumulate	32.6	24.0	-3.1	17.7	10.5	14.6	2.0	12.8	10.2
HPG	3,560	14,376	29,400	25,000	18%	Accumulate	39.5	41.0	9.7	23.7	11.9	20.0	0.0	9.5	5.6
REE	500	733	41,700	37,500	16%	Accumulate	6.3	2.9	2.1	3.9	7.7	11.3	4.8	7.8	6.7
FPT	1,698	4,015	55,000	50,400	13%	Accumulate	12.3	12.1	18.4	21.4	9.5	21.5	4.0	11.8	9.3
VPB	2,483	4,484	26,500	23,700	12%	Accumulate	10.0	15.7	15.1	25.1	2.5	19.4	0.0	5.7	4.8
MBB	1,886	3,843	20,000	18,200	10%	Accumulate	13.3	6.4	18.6	26.1	2.1	19.4	0.0	5.3	4.4

Figure 16: VN30's PER



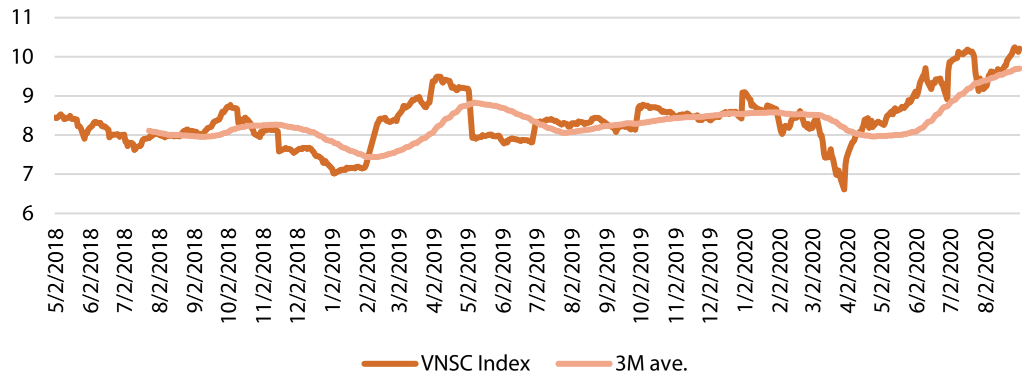
Source: Rong Viet Securities, Bloomberg

Figure 17: VNMID's PER



Source: Rong Viet Securities, Bloomberg

Figure 18: VN Small cap PER



Source: Rong Viet Securities, Bloomberg

The second wave of COVID-19 makes the economic outlook gloomier than we thought. Although we believe that the long-term prospect of most sectors is still positive due to the improvement of the legal environment and the support from the government, companies will experience difficulties in 2020. Hence, as the Q3 business earning season has been coming, it is not easy to find names who can show some type of recovery. In our short list, we would like to talk about LTG, a leading company in the pesticide and rice export area.

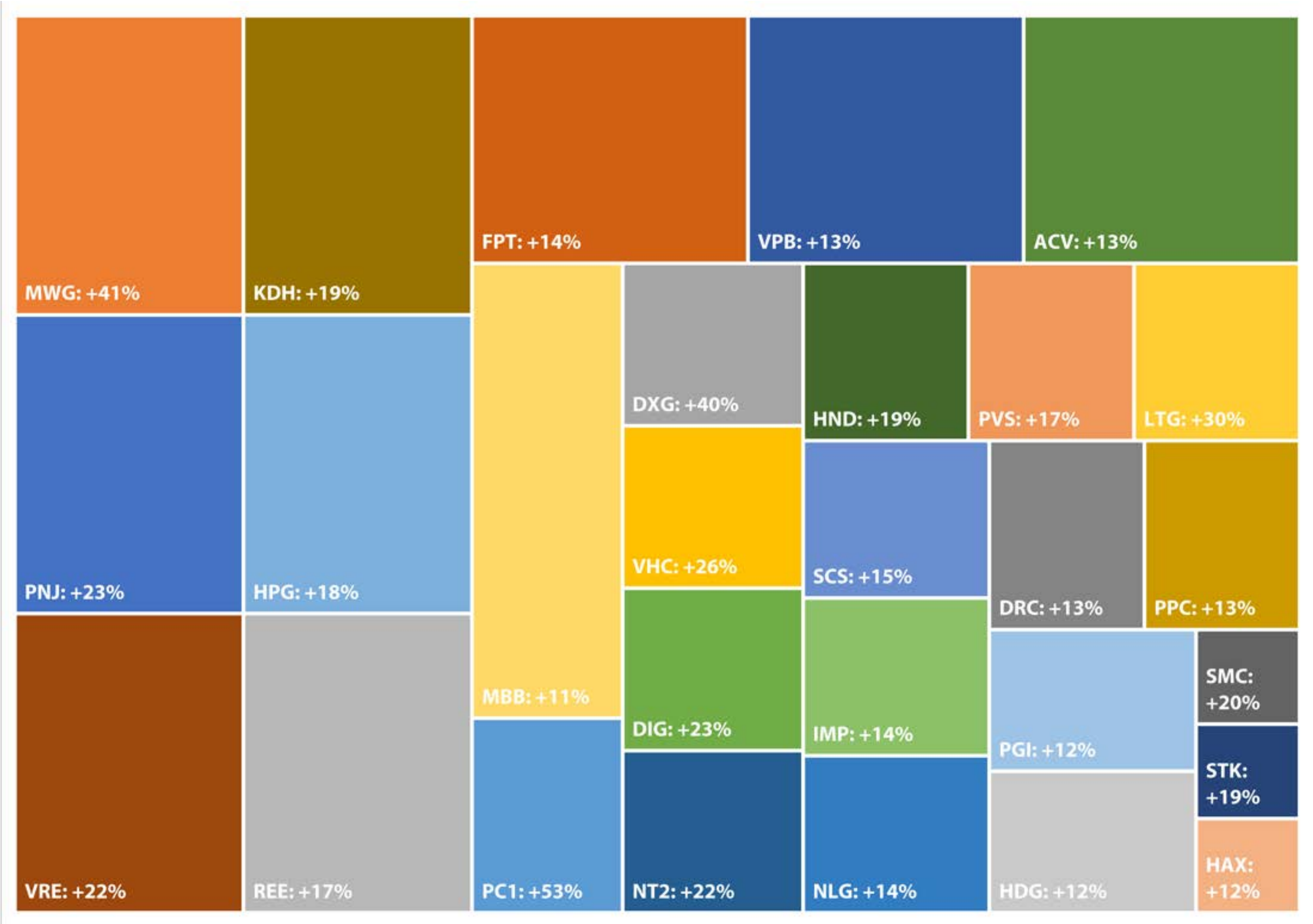
LTG, TP: VND 26,400. LTG's 1H2020 results were significantly affected by drought, salinity and Covid-19. Particularly, sales were reduced in both the pesticide and rice segments. Total revenue slumped by 50% YoY to VND 2.2 Tn (or USD 95 mn). Hence, though gross margin improved four percentage points to 26.2%, gross profit was still down by 41% and NPAT dropped 54% YoY to VND 116 Bn (or USD 5 mn). Despite the poor performance in the 1H 2020, we expect that LTG's operation will gradually improve from Q3 2020 given that droughts and salinity have been contained and the country has entered the rainy season, which has encouraged farmers to increase activities. Exported rice prices have increased, due to the decrease in supply from Thailand and India while the demand increased in many countries. Although the second wave of Covid-19 in Vietnam is challenging many industries, the agricultural sector does not face many obstacles as there are no cases in the Mekong Delta. Other countries still want to store more food. The Philippines needs 300,000 tons of rice, Bangladesh 200,000 tons while China and Indonesia are also looking for more supplies. This will ensure export opportunities for Vietnamese agricultural products and a chance for agricultural materials to recover and rice exports to grow. At the same time, the company officially put into operation the agricultural service segment in 2H2020 with a revenue target of VND 258 Bn (or USD 11.1 mn). Higher sales and lower expenses in the 2H2020 will help the forecasted revenue and PBT for the whole year of 2020 to decline by 26% YoY (reaching VND 6,159 Bn or USD 265.9 Mn) and 8% YoY (reaching VND 426 Bn or USD 18.4 Mn). Regarding 2021, we expect LTG's revenue and PBT will increase by 11% and 30% YoY respectively.

VHC, TP: VND 50,000. We revise up 26% target price of VHC to VND 50,000 given positive export outlook to the US as well as average selling price (from the 2H 2020) has increased higher our expectation.

US is VHC's main export market, which accounts 54% total export turnover in 2019. In July, pangasius sales to the US increase 40% QoQ in volume and 6% QoQ in selling price, higher than our forecast of 30% and 3% QoQ respectively. Meanwhile, export to other main markets (EU and China) still face difficulty due to the recurrence of the Covid-19 and concerns on imported seafood in China. Our assumption accounts those issues. In Q3 2020, we expect VHC's revenue and NPAT will reach VND 2,250 Bn (+20% YoY) and VND 297 Bn (+17% YoY) respectively.

We looked at Chinese market as a leading indicator for global pagasius selling price after the pandemic. At this time, however, demand in China has been affected by local factor instead of global issues while VHC's biggest market, the US, still show positive recovery signals. This situation makes us more optimistic about the company's ability to stabilize the selling price of pangasius in 2021. Therefore, we expect the average selling price of pangasius in 2021 will remain the same as in 2020, instead of dropping 5% as previously forecast. As a result, revenue and profit growth in 2020 will fluctuate slightly around 2019 results, yet revenue and profit growth in 2021 is forecast to reach 16% and 23% YoY, respectively.

Figure 19: Our favorite stocks for this month



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

HIGHLIGHTED STOCKS

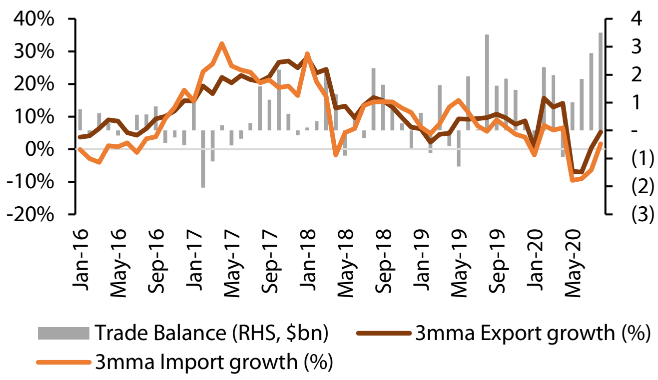
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2019		2020F		2021F		PER Trailing (x)	PER 2020F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
PC1	HOSE	134	29,900	19,600	52.6	Buy	14.9	-23.8	13.5	4.7	1.0	34.3	9.0	6.3	0.8	0.0	8.9	415	32.8
MWG	HOSE	1,831	131,000	94,100	40.8	Buy	18.1	33.2	12.2	2.5	22.7	26.2	11.3	8.8	3.0	1.6	-20.2	3,772	0.0
DXG	HOSE	223	14,000	10,000	40.0	Buy	25.1	3.2	-9.2	-17.1	12.0	37.5	28.9	3.7	0.8	0.0	-32.7	2,166	13.6
VHC	HOSE	319	50,000	40,750	26.4	Buy	-15.1	-18.2	5.0	-3.8	15.6	22.5	9.0	5.4	1.4	3.7	1.9	1,024	67.8
PNJ	HOSE	586	73,000	60,600	23.4	Buy	16.7	24.0	-9.4	-24.8	20.4	24.4	13.1	13.0	2.9	3.0	-24.9	2,019	0.0
DIG	HOSE	171	16,000	13,000	23.1	Buy	-8.9	32.7	82.9	41.6	-30.5	20.5	8.8	5.7	1.0	0.0	-8.1	1,214	15.4
NT2	HOSE	284	25,600	22,950	22.4	Buy	-0.2	-2.9	-13.6	1.3	10.2	-10.7	8.3	10.1	1.5	10.9	2.8	328	30.3
VRE	HOSE	2,783	34,700	28,500	21.8	Buy	1.5	18.6	1.4	-5.9	9.8	16.8	26.9	20.7	2.3	0.0	-16.2	3,228	18.6
SMC	HOSE	26	11,100	10,100	19.8	Accumulate	2.2	-46.6	-11.8	0.9	12.1	90.1	7.5	3.5	0.5	9.9	-11.0	51	15.7
KDH	HOSE	599	29,300	24,950	19.4	Accumulate	-3.5	13.2	32.6	24.0	-3.1	17.7	12.8	10.2	1.8	2.0	11.9	1,031	5.5
STK	HOSE	43	15,900	14,650	18.8	Accumulate	-7.0	20.3	-35.7	-66.4	32.2	104.2	6.4	7.1	1.0	10.2	-25.4	88	42.4
HND	UPCOM	398	20,800	18,531	18.7	Accumulate	18.6	183.2	3.1	5.7	-16.8	-38.8	6.5	12.0	1.5	6.5	42.9	118	48.9
HPG	HOSE	3,552	29,400	24,950	17.8	Accumulate	14.0	-12.4	39.5	41.0	9.7	23.7	9.5	5.6	1.6	0.0	41.2	14,431	13.8
PVS	HNX	259	13,800	12,600	17.5	Accumulate	17.9	-7.6	-3.5	-2.1	-21.8	-7.0	11.6	8.7	0.5	7.9	-36.9	2,056	38.6
REE	HOSE	497	41,700	37,300	16.6	Accumulate	-4.1	-8.1	6.3	2.9	2.1	3.9	7.8	6.6	1.1	4.8	8.7	717	0.0
LTG	UPCOM	73	26,400	21,025	30..3	Accumulate	-8.0	-19.7	-25.9	-8.0	10.5	29.9	8.7	5.0	0.7	4.8	-3.5	141	4.3
SCS	HOSE	260	130,000	119,200	14.9	Accumulate	10.8	15.0	-10.6	-8.9	9.4	10.2	14.2	14.0	6.4	5.9	-19.2	144	23.8
IMP	HOSE	130	52,500	47,250	14.3	Accumulate	18.4	17.1	14.3	35.5	21.3	7.7	16.7	14.5	1.9	3.2	30.3	216	0.0
NLG	HOSE	296	31,000	27,600	14.1	Accumulate	-26.8	25.8	-22.1	-18.2	4.1	55.9	7.9	5.9	1.4	1.8	1.2	1,637	0.7
FPT	HOSE	1,684	55,000	50,000	14.0	Accumulate	19.4	19.7	12.3	12.1	18.4	21.4	11.7	9.2	2.6	4.0	12.5	4,023	0.0
DRC	HOSE	89	18,800	17,450	13.5	Accumulate	8.6	80.6	-16.0	-28.0	11.4	72.2	8.4	7.4	1.2	5.7	-12.0	391	30.0
PPC	HOSE	324	24,400	23,500	13.2	Accumulate	15.0	12.9	11.3	-13.2	0.5	-1.5	6.9	7.1	1.2	9.4	1.8	171	32.8
VPB	HOSE	2,457	26,500	23,450	13.0	Accumulate	17.0	12.4	10.0	15.7	15.1	25.1	5.7	4.8	1.2	0.0	18.4	4,458	-0.1
ACV	UPCOM	5,389	65,000	57,602	12.8	Accumulate	13.7	35.8	-52.8	-73.2	46.7	87.1	21.4	30.1	3.4	0.0	-26.8	599	45.7
PGI	HOSE	71	19,600	18,600	12.4	Accumulate	8.0	17.2	19.3	1.2	17.4	17.3	8.4	9.1	1.1	7.0	14.6	7	28.3
HAX	HOSE	20	12,900	12,900	11.6	Accumulate	8.3	-48.2	0.7	2.0	10.9	25.0	14.4	7.2	1.1	11.6	-24.4	100	42.2
HDG	HOSE	151	24,500	22,850	11.6	Accumulate	34.3	33.0	13.4	27.7	-9.6	-3.6	3.3	2.4	1.2	4.4	-11.1	1,166	42.4
MBB	HOSE	1,870	20,000	18,050	10.8	Accumulate	26.2	29.2	13.3	6.4	18.6	26.1	5.3	4.4	1.0	0.0	-15.2	3,791	-3.0
PAC	HOSE	45	23,700	22,750	10.8	Accumulate	3.6	8.7	3.6	-8.1	8.6	23.4	7.2	6.0	1.5	6.6	-10.4	79	32.3
MSH	HOSE	68	31,700	31,450	10.3	Accumulate	11.7	21.6	-25.9	-88.7	30.9	398.0	4.4	6.9	1.2	9.5	-37.0	292	45.5
PTB	HOSE	100	51,971	50,400	9.1	Accumulate	17.6	13.3	-1.0	-26.7	5.3	61.1	6.1	4.6	1.3	6.0	-22.8	342	31.8
CVT	HOSE	29	18,485	18,350	8.9	Accumulate	1.1	-1.0	-26.6	-44.1	33.4	52.7	4.4	4.7	1.0	8.2	-0.6	240	37.4
KBC	HOSE	275	14,700	13,600	8.1	Accumulate	30.4	14.6	-17.2	-2.3	4.9	12.1	13.3	6.8	0.7	0.0	-10.5	1,577	28.4
GMD	HOSE	286	23,000	22,400	7.1	Accumulate	-2.5	-72.1	-10.0	-9.8	10.7	-12.0	15.0	17.7	1.1	4.5	-12.4	740	0.0
VCB	HOSE	13,532	90,000	84,900	6.0	Accumulate	20.1	28.6	14.3	12.7	20.5	23.4	17.3	13.3	3.5	0.0	10.8	4,016	6.4
TCM	HOSE	62	24,000	23,300	5.2	Accumulate	-0.5	-16.6	-8.7	-20.7	5.7	11.7	6.1	7.9	1.0	2.1	15.3	1,001	0.0

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 (%)							
VNM	HOSE	9,354	126,000	125,000	4.4	Neutral	7.1	3.5	8.5	5.6	4.5	2.0	20.3	21.2	7.2	3.6	4.9	6,773	41.5
HDB	HOSE	1,233	31,000	29,700	4.4	Neutral	23.6	26.2	13.2	18.3	18.6	24.9	7.0	5.4	1.4	0.0	16.2	1,271	9.2
QNS	UPCOM	529	33,000	34,479	3.0	Neutral	-4.4	3.2	-6.6	-18.7	13.9	19.5	10.3	8.5	2.0	7.3	26.4	1,148	32.3
BMP	HOSE	198	52,800	56,400	2.5	Neutral	10.7	-1.1	6.4	11.4	7.2	-5.9	9.8	11.5	1.9	8.9	27.3	382	17.1
AST	HOSE	95	50,000	49,000	2.0	Neutral	29.2	23.4	-27.7	-61.2	23.2	113.4	25.0	14.4	3.8	0.0	-23.4	174	6.9
PVT	HOSE	142	11,890	11,750	1.2	Neutral	3.1	5.8	-9.6	-36.2	17.2	37.7	5.6	7.0	0.7	0.0	-33.0	664	27.9
DPM	HOSE	270	15,000	16,050	0.9	Neutral	-15.8	-49.6	6.7	61.9	3.5	-14.2	8.9	14.1	0.8	7.5	27.9	2,014	37.8
PHR	HOSE	338	54,000	58,000	0.9	Neutral	4.8	-24.3	-16.6	133.3	41.2	13.3	9.3	7.7	2.6	7.8	-0.4	3,103	36.1
ACB	HNX	1,960	21,150	21,100	0.2	Neutral	14.7	16.7	11.1	12.7	16.6	25.1	7.4	5.5	1.5	0.0	24.7	4,922	0.0
BID	HOSE	7,277	42,000	42,100	-0.2	Neutral	8.3	15.3	-4.4	-8.0	13.6	30.3	19.5	20.3	2.2	0.0	12.8	1,849	12.4
PME	HOSE	224	67,000	69,600	-0.9	Neutral	10.3	3.9	-0.1	10.6	16.7	6.5	16.8	13.9	2.8	2.9	32.7	243	37.9
PVD	HOSE	203	11,000	11,200	-1.8	Neutral	-22.3	-43.4	26.2	-51.3	15.4	322.8	18.6	12.3	0.3	0.0	-37.6	2,093	37.0
VSC	HOSE	80	30,000	33,800	-5.3	Reduce	5.8	-22.1	-8.5	4.0	-4.7	8.4	7.1	7.1	1.0	5.9	18.2	465	19.8
LHG	HOSE	62	27,000	29,000	-6.9	Reduce	-30.4	6.1	14.3	73.1	4.8	12.1	8.8	5.6	1.2	0.0	82.2	572	43.9
CTG	HOSE	4,160	23,500	26,000	-9.6	Reduce	41.0	74.8	6.2	27.3	9.5	41.3	8.7	6.8	1.2	0.0	30.0	5,622	0.0
ANV	HOSE	92	12,500	16,850	-25.8	Sell	8.8	17.4	-24.0	-78.4	21.5	177.0	5.0	5.1	0.9	0.0	-27.3	141	47.8
BFC	HOSE	37	10,000	15,200	-26.3	Sell	-4.4	-56.7	-4.7	51.2	3.5	-15.0	7.2	8.7	0.9	7.9	10.3	287	43.8

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

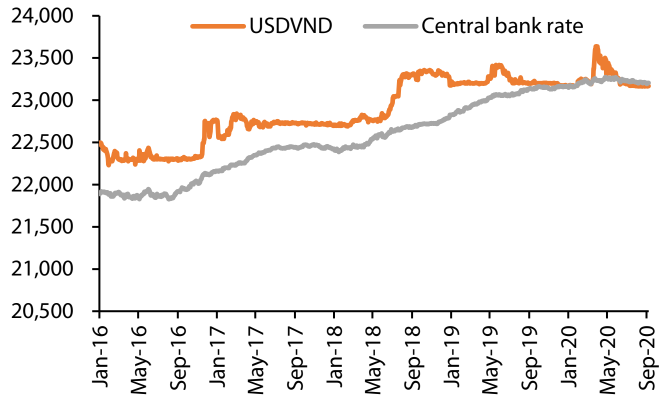
VIETNAM ECONOMIC INDICATORS IN AUGUST

Trade balance



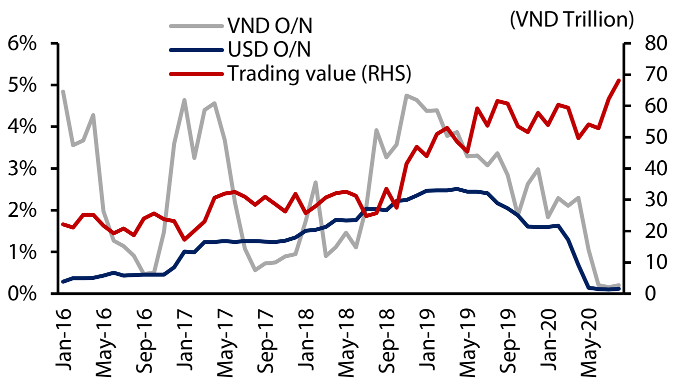
Source: GSO, Rong Viet Securities

USDVND exchange rate



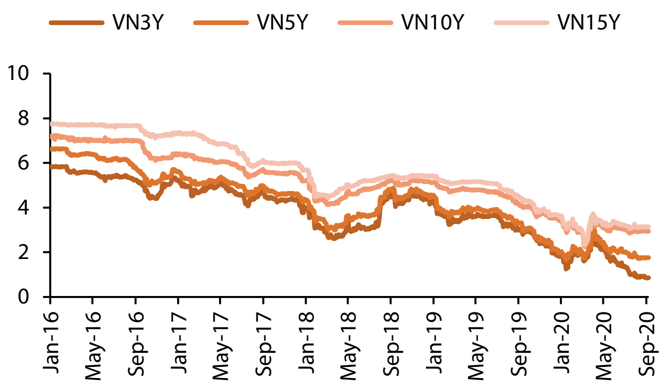
Source: SBV, Rong Viet Securities

Interbank interest rate (%/year)



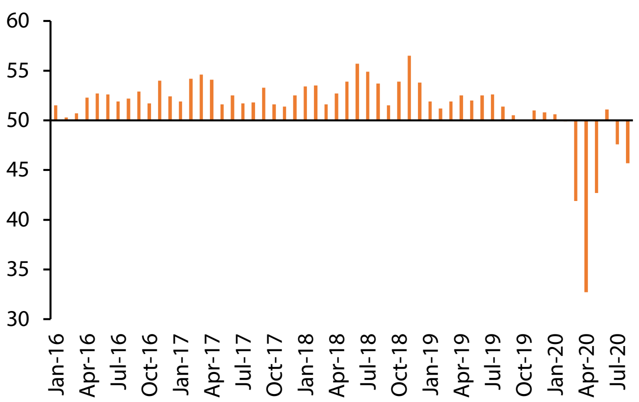
Source: SBV, Rong Viet Securities

G-Bond yields (%/year)



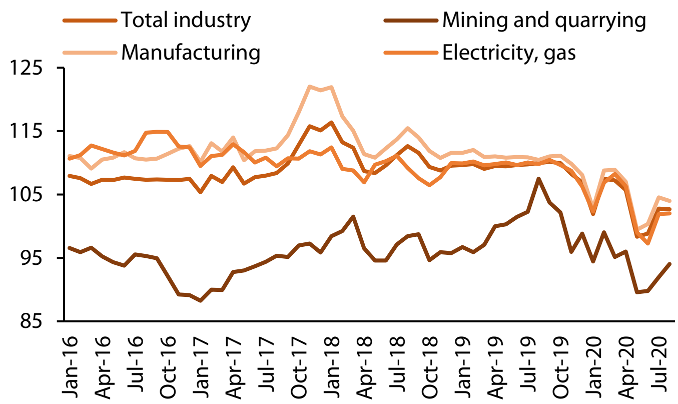
Source: Bloomberg, Rong Viet Securities

Manufacturing PMI



Source: IHS Markit, Rong Viet Securities

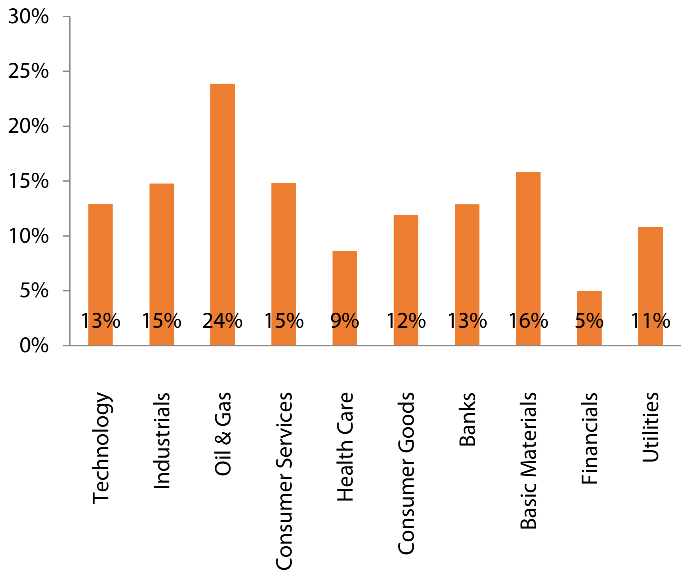
3-month MA Industrial Production Indices



Source: GSO, Rong Viet Securities

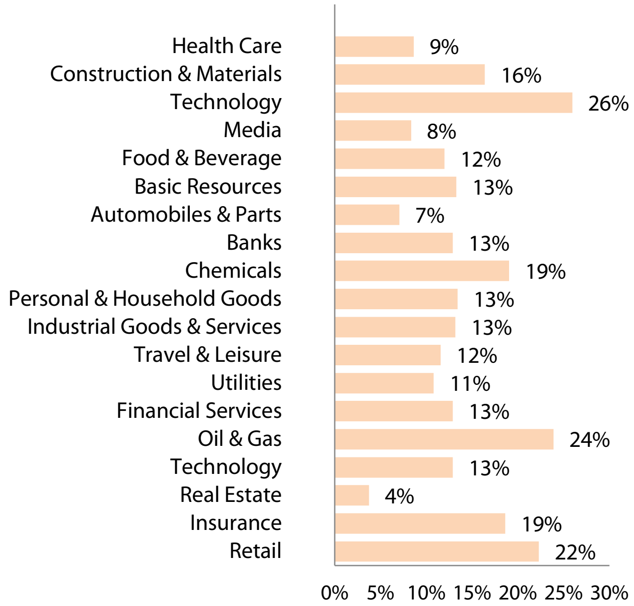
INDUSTRY INDEX

Level 1 industry movement



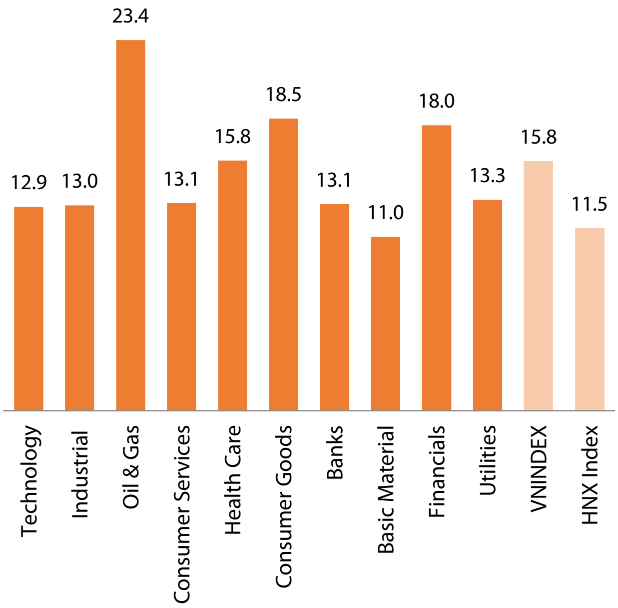
Source: Fiinpro, RongViet Securities

Level 2 industry movement



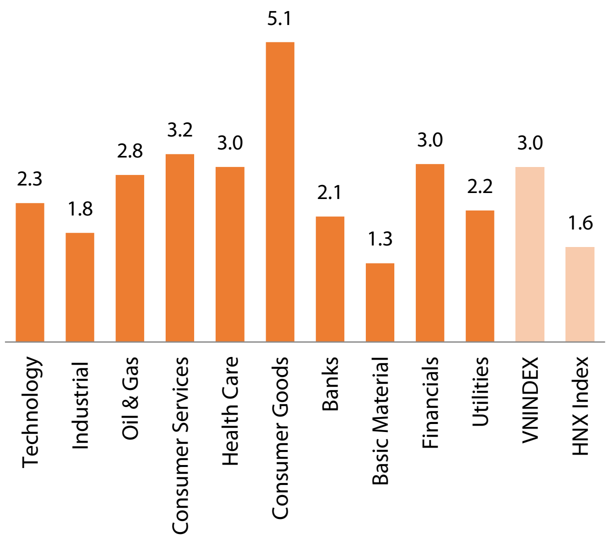
Source: Fiinpro, RongViet Securities

Industry PE comparison



Source: Fiinpro, RongViet Securities

Industry PB comparison



Source: Fiinpro, RongViet Securities

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