October 5th 2020

Investment Strategy October 2020

BE PATIENT FOR OPPORTUNITIES

Vietnam's stock market increased sharply in August and September doing better than other stock markets such as Korea the US and Thailand. This decent performance has already been reflected the news of a fairly good Q3 GDP growth versus other countries. Specifically, as of a Nikkei Asian Review statement, Vietnam is on top of SEA regarding to economic performance. We have a positive Q3 GDP growth of 2.1% while other peers in the region are expected to have lower or negative growth.

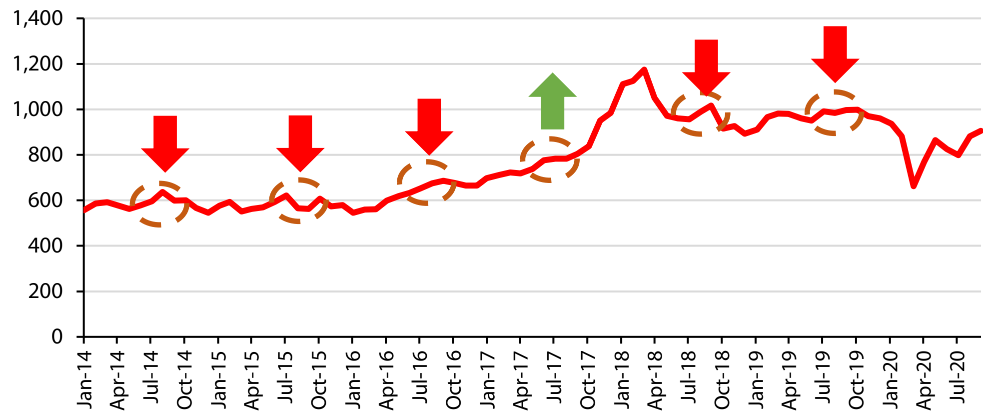
However we are concerned the "Sell the news" reaction could create pressure on the VN Index as some VN 30 stocks have increased strongly in August and September given rumors about decent business performance in Q3 2020, private placement to strategic shareholders, especially banks. From our analysts view, the banking stocks performance in Q3 2020 would be not bad as expected, especially private banks including VPB, HDB, TPB, TCB thanks to the approval for extending credit lines to 20% by the State Bank of Vietnam (SBV).

Recently, SBV announced that it will reduce the benchmark interest rate. However, per our view, it would not have a significant impact as some banks have already reduced interest rates. Vietnam five years CDS have seen upward moves recently, which indicates a higher probability of the VN Index cooling off. The PE of the VN Index is not quite cheap to attract new inflows as it is 15.1x (as of 30 September) versus 14.5x – 15x in the pre-Covid time.

We are looking carefully at the US presidential election. The underlying reason is its possible impact on the US stock market. As a reminder, the S&P 500 increased 5% in a month after Trump won the presidential election in 2016. At that time, investors bet on tariff reduction and accelerated government spending on infrastructure. However, the story is different if Biden wins. The direct influence on the Vietnam stock market is unpredictable.

In summary, we believe that the market is probably going sideways amid the continuous selling from foreign investors and "Sell the news" reaction. On the other hand, the unpredicted US presidential election, a new economy stimulus package and Covid-19 do not support anything positive for the VN Index. Therefore, we believe that the market will fluctuate in the range from 865 to 920.

VN Index performance in October, 2014 – 2019



Source: TradingView, Rong Viet Securities

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The low-interest rate environment along with a series of macro indicators starting to turn more positive have helped the Vietnamese stock market to extend the rally in September. Besides, the number of covid-19 community transmissions that were quickly extinguished since early September has also strengthened market sentiment. Accordingly, the VN-Index did not fall despite strong correction seen in US stocks or continued selling from foreign investors.

In early October, the State Bank continued to reduce interest rates as well as the deposit interest rate ceiling. Although the actual impact of these interest rates cut is considered to be limited since liquidity in the banking system is still abundant, this move from the SBV reinforces our view on the attractiveness of the stock market relative to other assets such as gold or real estate. Besides the expansionary monetary policy, we expect that fiscal policy will play a more important role in promoting economic growth in the coming time, as well as creating a more positive sentiment for the stock market. The disbursement progress of public investment has remarkably improved. Accumulated 9M-2020 public investment disbursement reached VND 485 trillion, up 13.6% over the same period last year, the most positive cumulative growth since 2011.

Q3-2020 business results of listed companies will be announced gradually and this will partially influence the movements of the stock market in October. We think that some companies' business results will not be as bad as previously forecasted since macro signals are more positive than expected. Vietnam's GDP in Q3-2020 is estimated to grow 2.62% YoY, better than consensus despite the second covid wave outbreak in Da Nang. However, results will diverge. Some stock groups (galvanized steel, fertilizer, securities brokerages, and private joint-stock banks) seem to price beating-the-consensus Q3-2020 business results, and thus have outperformed the market in the past few weeks.

On the other hand, this also implies the high likelihood of a market correction in October as earnings are released, followed by a "quiet" period. Also, we see some risks from the increasingly volatile international markets ahead of the US presidential election taking place in early November.

In general, we think a prudent investment strategy is appropriate during this period as many stocks have priced in Q3-2020 business results. Should the market correct considerably in October, we recommend investors to accumulate stocks with more positive changes in business activities in the late 2020 period.

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

US: first presidential debate on September 29

The debate focused on Covid-19/ healthcare, the economy and racial tensions in America.

President Trump has been tested positive for Covid-19 on Thursday Oct 1st. The immediate implication is that he will be in confinement for 14 days. Activities will continue as normal at the White House, albeit from video/phone.

It is happening about one month from the elections. Clearly there could be more trouble ahead if he is unable to stay on as President or candidate. It is a very murky period.

Key points:

A debate between two men that 'hate' each other. The moderator, Chris Wallace of Fox News, had difficulties controlling this event. The American public is appalled in general at this debate. A quick CNN poll showed that 60% said Mr. Biden 'won' the debate versus 29% for Mr. Trump. About two-third said Biden's answers were more truthful than Trump's. Overall, 69% called Biden's attacks on Trump fair while just 32% said Trump's attacks were fair.

This writer has never seen such a poor, acrimonious and so ridiculous presidential debate in almost 30 years of following these events. According to some experts, the two other presidential debates may not occur because of how the first one went.

Mr. Trump: called Mr. Biden many times a 'leftist democrat'. Was very angry and interrupted the debate constantly even though it was not his time to speak. Was wrong on many facts he presented, especially on job creation and healthcare. Used his familiar lingo like: 'we did a great job, the economy is the strongest it has ever been, people like me' and so on. He even pretended that racial tensions were not a big deal saying that in many cities that have seen riots lately, mayors were supporting him. Which is a total lie. He refused to condemn white supremacist groups. Attacked Mr. Biden on the death of his son and other personal issues. **Mr. Trump looked like a bully in a school yard.**

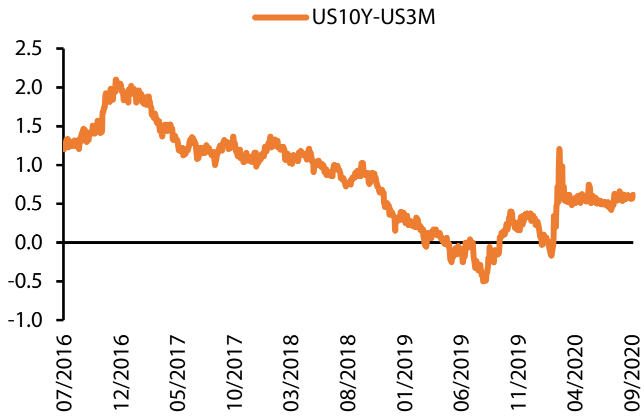
Mr. Biden: was paused and calm. Did not play to Mr. Trump tactics of arrogance and aggressiveness. **Talked to the American people** and their rights to earn a decent living. Most of his responses to the moderator and the interruptions from the President concentrated on addressing the workers of the country. He did elaborate a bit on the fact that he understands the situation these workers/ families are in right now because he comes from a middle-working class family and had to work hard to get where he is now. Mr. Biden talked at length about the fact that Mr. Trump does not have any plan for Americans, especially when it comes to healthcare and education, but only a plan for himself and his 'cronies'.

Bottom line: it was a 'shit show', to use this expression. Democracy in the US is under pressure. This could cause a constitutional problem as Mr. Trump has said numerous times that he may not abide by the results of the election.

A prior poll, a day before the debate shows Mr. Biden at 51% and Mr. Trump at 43% in public intentions. As mentioned in our latest note, this is not a predictive result of what could happen November 3rd

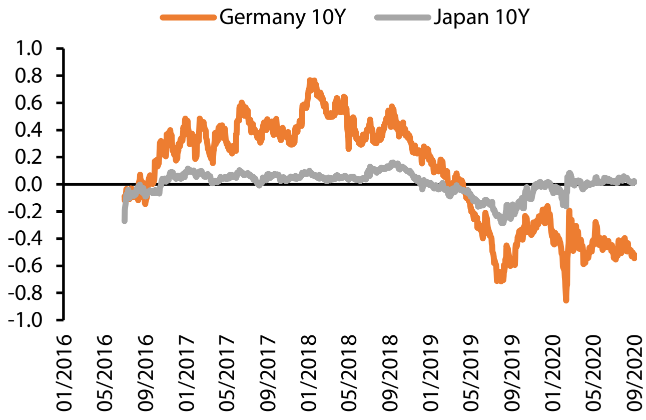
GLOBAL ECONOMIC INDICATORS IN SEPTEMBER

US G-Bond yields gap (%/year)



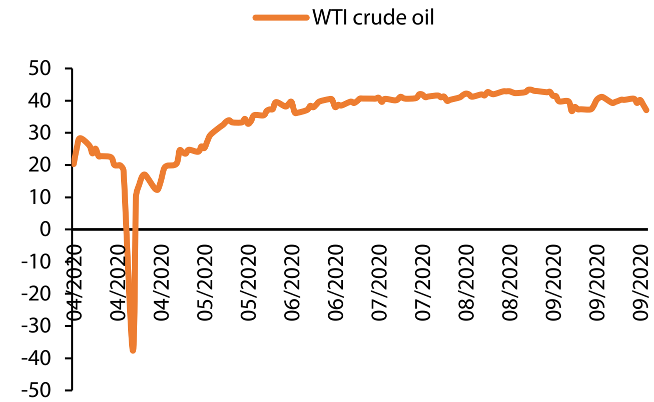
Source: Bloomberg, Rong Viet Securities

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



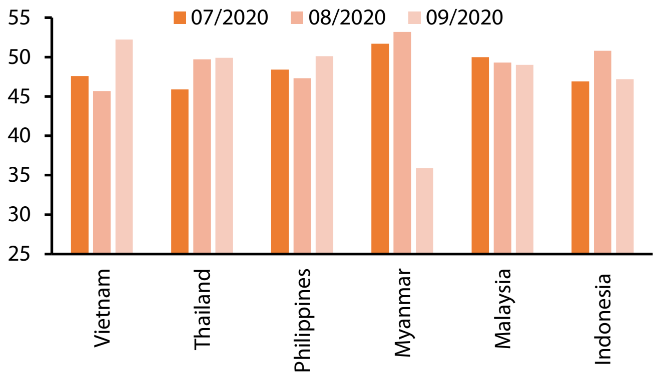
Source: Bloomberg, Rong Viet Securities

WTI crude oil price (USD/barrel)



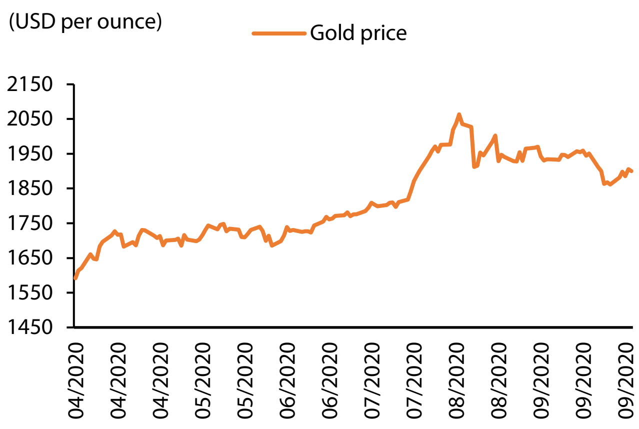
Source: Bloomberg, Rong Viet Securities

ASEAN's PMI



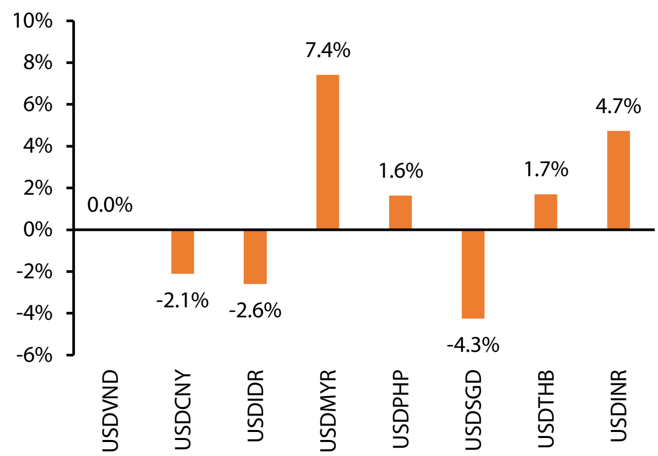
Source: Markit Economics, Rong Viet Securities

Gold prices



Source: Bloomberg, Rong Viet Securities

FX rates (%, YTD)



Source: Bloomberg, Rong Viet Securities

VIETNAM MACRO

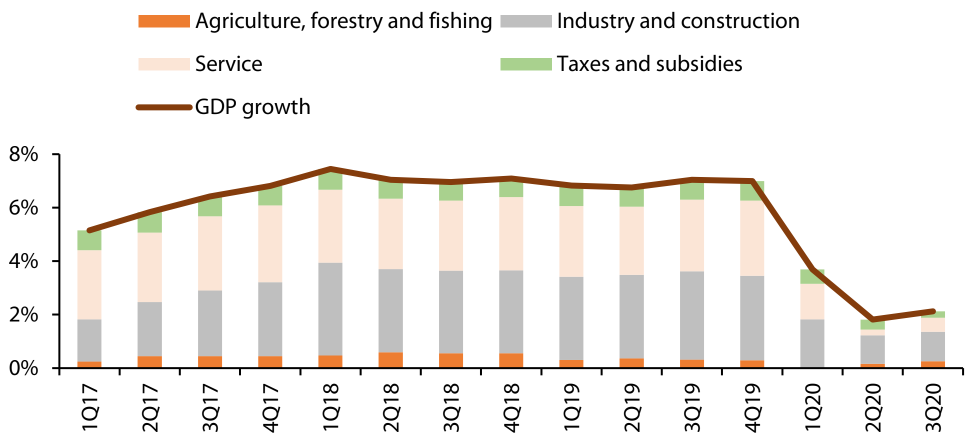
- 3Q GDP growth was in line with our expectation, 4Q GDP growth is forecasted at 4.0% yoy.
- The pandemic has dampened the positive impacts of the EVFTA.
- More bold actions from the government to boost the economic recovery.

3Q GDP growth: Recovery on track

Vietnam's economy in 3Q20 recorded a moderate growth of 2.6% yoy, compared to the revised 0.39% growth in 2Q20 and our forecast of 2.5% in the previous Strategy Report, highlighted by:

- Agriculture/Retail/Construction are progressing favorably. Agriculture expanded 2.9% yoy in 3Q20, recovering from low levels of 0.04% in 1Q20 and 1.8% in 2Q20. Meanwhile, the gradual recovery of the domestic economy helped to boost the wholesale and retail sectors, which was up 6.0% yoy vs. 3.0% in 2Q20. In addition, rising public investment fueled the construction sector's growth, which increased 5.7% yoy in 3Q20 vs. 4.7% in 2Q20.
- Manufacturing sector – the main engine of the economy - contributed to nearly half of the GDP gain in 9M20. However, this sector showed slow a recovery with a gain of 3.9% yoy in 3Q20 vs. 3.4% in 2Q20.
- Transportation narrowed its decline to 1.2% yoy in 3Q20 from 9.9% in 2Q20. Meanwhile, the accommodation and food sector, which is directly linked to tourism showed a softer drop in 3Q20 (9.8% yoy vs. 29.3% in 2Q20).

Figure 1: Vietnam's GDP breakdown (%yoy)



Source: GSO, Rong Viet Securities

Figure 2: Vietnam's GDP by economic activity

	1Q20	2Q20	3Q20	9M20	1Q20	2Q20	3Q20	9M20
		% yoy				% contribution to GDP		
Real GDP	**3.7**	**0.4**	**2.6**	**2.1**	**3.7**	**0.4**	**2.6**	**2.1**
Agriculture	0.0	1.8	2.9	1.8	0.0	0.3	0.4	0.3
Mining	(4.2)	(5.8)	(5.9)	(5.4)	(0.2)	(0.3)	(0.3)	(0.3)
Manufacturing	7.1	3.4	3.9	4.6	1.5	0.7	0.8	0.9
Construction	4.4	4.7	5.7	5.0	0.2	0.3	0.4	0.3
Wholesale & Retail Sales	5.7	3.0	6.0	5.0	0.6	0.3	0.6	0.5
Transportation & Storage	(0.9)	(9.9)	(1.2)	(4.0)	(0.0)	(0.3)	(0.0)	(0.1)
Accommodation & Food	(11.0)	(29.3)	(9.8)	(17.0)	(0.4)	(0.8)	(0.3)	(0.5)
Financial services	7.4	6.3	6.6	6.7	0.3	0.3	0.5	0.4
Real estate	2.7	(2.3)	(0.3)	(0.1)	0.2	(0.1)	(0.0)	(0.0)
Other	6.3	2.1	4.0	4.0	1.5	0.1	0.6	0.7

Source: GSO, Rong Viet Securities

There are divergence between sub-sector of industrial production activities:

- Strong recovery took place in food, chemicals, pharmaceuticals, rubber/plastic, machinery and equipment and furniture industry.
- We see moderate recovery in some industries such as paper, electronics, electrical equipment and electricity/gas.
- The recovery of some remaining industries including textile, basic metals, motor vehicles was modest.

Figure 3: The strength of the economic recovery by sub-sector

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Strength of recovery
Mining and quarrying								Weak
Food								Strong
Beverages								Weak
Tobacco								Moderate
Textile								Weak
Wearing apparel								Weak
Leather								Weak
Wood								Weak
Paper								Moderate
Printing								Weak
Coke and refined petroleum								Weak
Chemicals								Strong
Pharmaceuticals, medicinal								Strong
Rubber and plastics								Strong
Other non-metallic mineral								Weak
Basic metals								Weak
Prefabricated metal								Strong
Computer, electronics								Moderate
Electrical equipment								Moderate
Machinery and equipment								Strong
Motor vehicles								Weak
Other transport equipment								Weak
Furniture								Strong
Electricity, gas								Moderate

Source: GSO, Rong Viet Securities
Grey: -, Orange: +, strong color -> light color as increasing rate expands; Colorless: growth momentum does not maintain for at least 3 months

Despite of weak rebound in industrial production in 3Q20, we expect the recovery to extend further in 4Q20 thanks to improving domestic and global demand. Leading indicator of manufacturing activities - PMI - also returned to expansion territory in Sep 2020, posting 52.2 from 45.7 in Aug 2020. The speed up of public investment continues to play a vital role in supporting 4Q20's GDP growth. In addition, we expect a gradual reopening of the economy to be a supportive factor for the service sector. The economy expanded at 2.12% in 9M20, assuming there is no further massive outbreak domestically in 4Q, we forecast 4Q20 GDP growth at 4.0% yoy. This could translate to a full year GDP growth's projection of 2.7% in 2020.

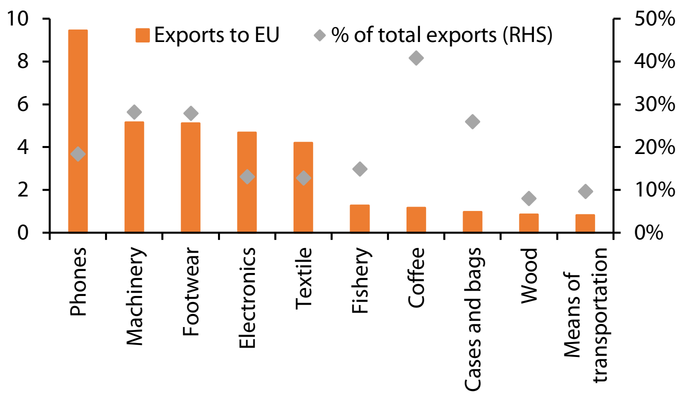
The pandemic has hampered the EVFTA in the short run

A month after the EVFTA came into effect, exports to the EU showed the positive effect of the trade deal. In Aug 2020, exports to 27 countries in the EU reached US$3.8bn vs. an average of US$3.2bn in seven months in 2020 and US$3.5bn in July 2020. In addition, there was more than 7,200 sets of certificates of origin (C/O) form EUR.1 with a turnover of US$277mn (~7.3% of total export to EU in Aug 2020). Key products which have been granted the C/O form are footwear, seafood, plastic, coffee, textile, cases & bags and vegetables.

However, as the pandemic has negatively affected the EU, the EVFTA's positive impact was not as strong as expected. In the first eight months of 2020, Vietnam's export to the EU declined 9.4% yoy. According to a report from the Ministry of Planning and Investment (MPI), EVFTA is expected to help Vietnam's exports to the EU increase by ~20.0% in 2020.

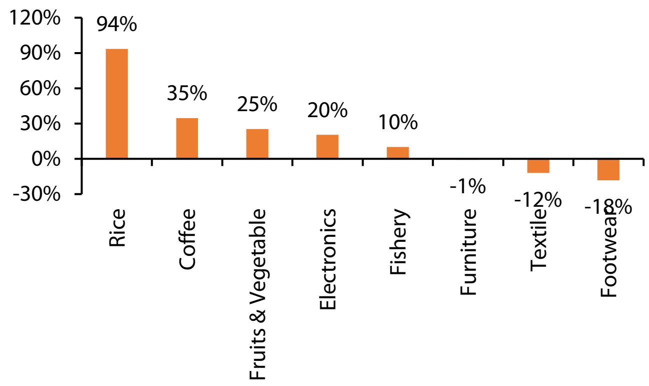
The MPI also expects the EVFTA to boost export value of some key industries including footwear, textile, agriculture and furniture. We think it is still early to review the impact of the implementation of the EVFTA on each industry. However, we see some positive signals for agriculture (seafood, rice, fruits and vegetable, coffee) and the electronics industry while other industries such as textile, footwear continue to be under pressure due to weak demand amid the pandemic.

Figure 4: Top 10 exports from Vietnam to the EU in 2019



Source: Customs, Rong Viet Securities

Figure 5: Export growth of some major products to the EU in Aug 2020 (% mom)



Source: Customs, Rong Viet Securities

Figure 6: Schedule of tariff elimination for some major products

Fishery (except canned tuna & fish ball)	Immediately eliminate 50% of tax lines when the agreement took effect. The remaining tax lines will be phased out to 0% after 3-7 years. Quota for canned tuna: 11,500tons/year, fish ball: 500tons/year.
Rice	Total quota: 80,000 tons/year, completely liberalize trade in broken rice. Tariffs on rice products will be slashed to 0% after 3-5 years.
Coffee	Immediately eliminate all tax lines when the agreement took effect.
Vegetables	Immediately eliminate all tax lines when the agreement took effect.
Textile	Immediately eliminate 42.5% of tax lines when the agreement took effect (mostly textile materials) The remaining tax lines will be phased out to 0% after 3-5-7 years.
Footwears	Immediately eliminate 37% of tax lines when the agreement took effect (mostly textile materials) The remaining tax lines will be phased out to 0% after 3-5-7 years.
Wood and wooden products	Immediately eliminate 83% of tax lines when the agreement took effect (mostly textile materials) The remaining tax lines will be phased out to 0% after 3-5 years.
Electronics	Immediately eliminate 74% of tax lines when the agreement took effect (mostly textile materials) The remaining tax lines will be phased out to 0% after 3-5 years.

Source: VCCI, Rong Viet Securities

According to the latest analysis from the World Bank (May 2020), the direct impact of the EVFTA on GDP and trade are more significant than other FTAs. To be specific, Vietnam's GDP could increase by up to 2.4% under the EVFTA by 2030. Total exports could increase 12.2% by 2030 vs. a baseline without the implementation of the EVFTA. However, these estimations are more cautious than the evaluation from the MPI, which expects the EVFTA to boost Vietnam's export turnover by 44.4% in 2030 and to increase GDP by 2.2-3.3% during 2020-25, followed by 4.6-5.3% during 2025-30.

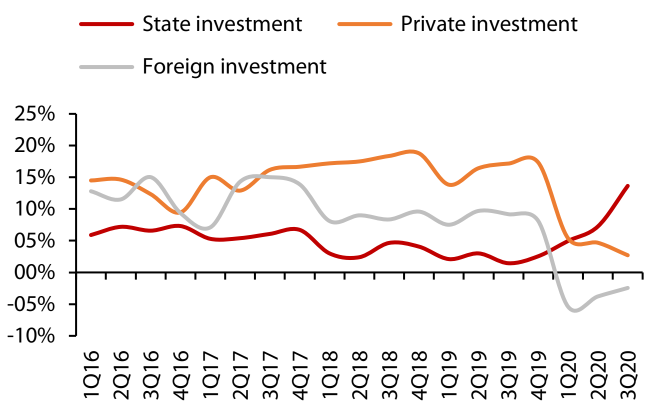
We think the impacts of the EVFTA on Vietnam's economy will depend on the recovery's outlook of the EU economy. Following the easing of lockdowns, the EU economy has gradually rebounded. However, the recovery could be slow and U-shaped rather than the prospects of a quick and V-shaped rebound. According to the latest forecast of the European Commission (Jul 2020), the EU economy is forecasted to contract by 8.3% in 2020 and grow by 5.8% in 2021. As a result, in the short and medium run, the positive impact of the EVFTA on Vietnam's economy could be hampered by the pandemic. However, we still believe the benefits that the EVFTA will bring to Vietnam are substantial in the longer term.

More bold actions from the government to boost the economic recovery

Due to uncertainties triggered by the pandemic, both foreign and domestic private investment showed a significant slowdown in the first nine months of 2020. To be specific, investment from foreign investors only increased 2.7% yoy while private investment decreased 2.4% yoy in 9M20. As a result, the investment of the public sector has become a driving force for economic growth. According to GSO, public investment was estimated at VND484.8 trillion in 9M20, an increase of 13.6% yoy. The State budget sourced to public investment was VND303 trillion (+35.3% yoy).

In an effort to accelerate the economic recovery, in June 2020, the National Assembly approved to change the financing format under the North-South expressway project from PPP to pubic investment. According to the Ministry of Transport, three projects with total investment of VND37,600bn will start construction in 4Q20 along with My Thuan – Can Tho expressway project (VND4,800bn). The government took bold actions in disbursing public investment, which is considered to serve as a key factor to support economic growth during the pandemic.

Figure 7: Investment growth (% yoy)



Source: GSO, Rong Viet Securities

Figure 8: Some expressway projects are expected to start construction in 4Q20

	Total investment (VND bn)	Length (km)
Mai Son - QL45	12,343	63
Vinh Hao - Phan Thiet	11,603	101
Phan Thiet - Dau Giay	13,656	99
My Thuan - Can Tho	4,827	23
Total	**42,429**	**286**

Source: Media, Rong Viet Securities

On the monetary policy front, the SBV announced a further rate cut of 50bps on 30 Sep 2020, specifically:

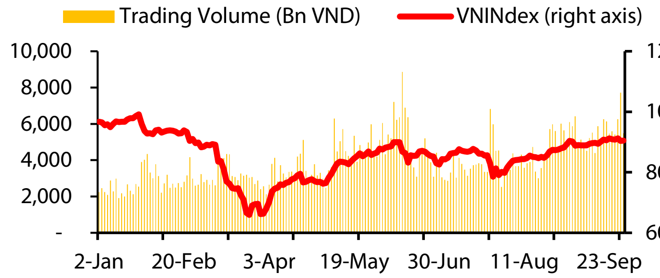
- The refinancing rate from 4.5%/year to 4.0%/year.
- The rediscounting rate from 3.0%/year to 2.5%/year.
- The overnight rate of interbank payments and clearing transactions between commercial banks and the SBV from 5.5%/year to 5.0%/year.

It also lowered the loan interest rate on dong-denominated for priority sectors from 5.0%/year to 4.5%/year. This is the third cut in 2020 and comes just after the release of a slow credit growth of 5.1% as of 22 Sep 2020 (vs. 8.5% in the same period last year). As the economy reopens further for business, the latest rate cut step is expected to support business confidence and credit growth in 4Q20. On the other hand, with an average inflation of 3.8% yoy in the first nine months of this year, there is likely no space for further expansion in monetary policy. Therefore, we expect no further policy rate cuts in the remaining months of this year.

STOCK MARKET IN SEPTEMBER: ABOVE 900

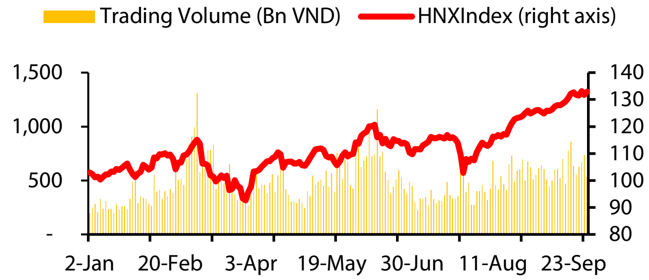
The VN Index surpassed 900 in early September. The VN Index increased 3% MoM to finish at 905. HNX performed even better with a 6% MoM increase. The VN Index continued to outperform other indices such as SET (-6%), KOSPI (+0.1%), S&P 500 (-4%) for a second consecutive month.

Figure 9: VN Index in 2020



Source: Fiinpro, Rong Viet Securities

Figure 10: HNX Index in 2020



Source: Fiinpro, Rong Viet Securities

The average liquidity in HOSE via matching order was VND 5.5 trillion. Compared to July and August, this was a big jump with an increase of 47% and 28%, respectively. The VN 30 accounted for 44% of the VN Index liquidity, a growth of 24% MoM in September. However, September was a good month for mid-cap stocks. This group experienced the strongest growth in both liquidity and price (+6.7% in price and +35% in liquidity). Real estate stocks such as PDR (+32%), DIG (+17%) and HPX (+17%) outperformed. Other top performers were ASM (+42%), HSG (+33%), DCM (+27%). On the other hand, penny stocks started to cool down after an impressive performance in August with insignificant liquidity increase and price changes.

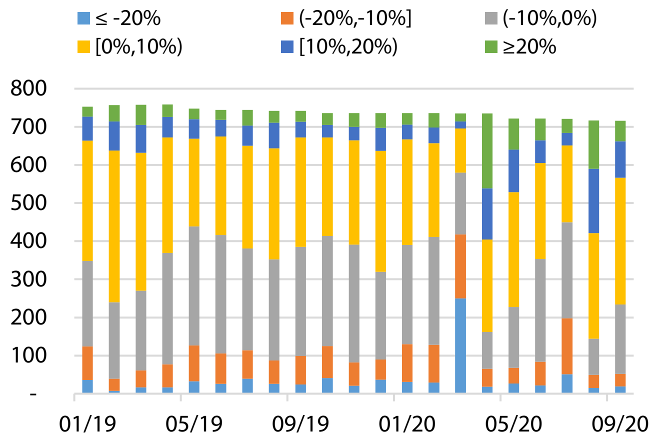
The market continued to experience another positive month as the number of gainers completely outnumbered losers. Stocks with more than 10% MoM increase went down in September compared to August. Nearly half of stocks fell into a trading range between zero and 10 percent.

Table 1: Performance by market cap in September

	VN30		VNMid		VNSmall	
	ADTV (billion VND)	Price change	ADTV (billion VND)	Price change	ADTV (billion VND)	Price change
July	1,880	-3.9%	1,123	-5.0%	427	-4.6%
August	1.951	11.2%	1.313	12.6%	744	14.1%
September	2.416	3.5%	1,772	6.7%	795	3.7%

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

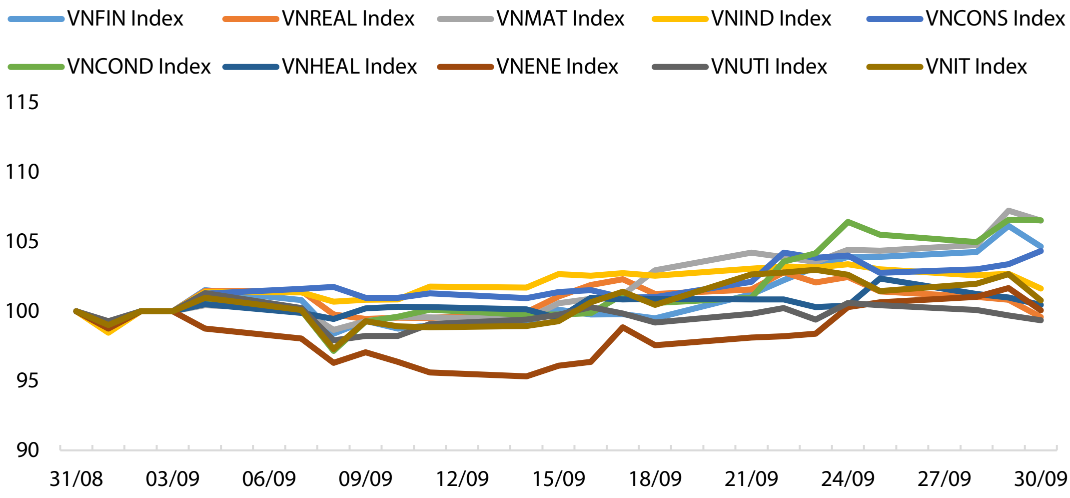
Figure 11 : Number of stocks by monthly performance on HOSE and HNX



Source: Fiinpro, Rong Viet Securities

Nine over ten sectors recorded positive MoM return in September. Noticeably, materials and consumer discretionary were the best two sectors with 7% MoM returns. The consumer discretionary sector was once again driven by MWG (+11% MoM) while HPG (+6% MoM) and HSG (+33% MoM) drove the manufacturing sector. The financial sector (+5%) maintained its momentum in August backed by STB (+22% MoM), HDB (+10% MoM), MBB (+9% MoM). The utilities sector underperformed with a negative return (-1% MoM) amid modest expectation over business performance in Q3 2020 (e.g. NT2, POW)

Figure 12: Sectors performance in September



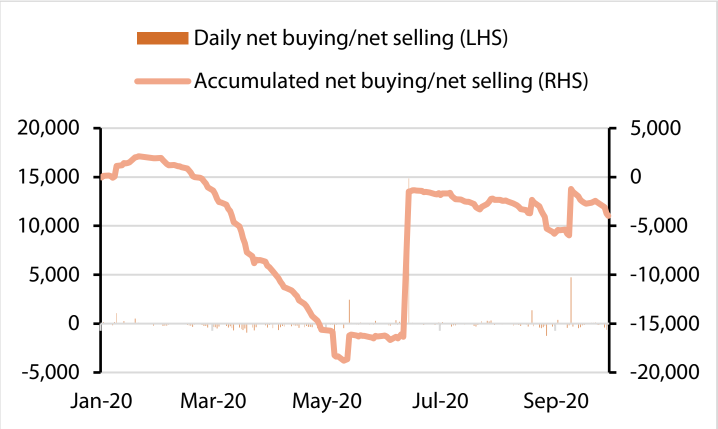
Source: Bloomberg, Rong Viet Securities

Foreign investors

In September, foreign investors became net buyer in HOSE after two consecutive months of selling. However, the main inflows were from put-through transaction. A notable transaction was in Vinhome with a net purchase of VND 5,213 Bn. In terms of matching-order transactions, upward move of the VN Index did not stimulate foreign investors purchase. Specifically, they sold intensively to the tune of VND 4.5 trillion, bringing September to be the largest net selling month in the last five months. Some stocks were sold strongly via matching orders such as VHM (VND 1,447 Bn), HPG (VND 901 bn), VNM (472), GEX (215), BID (209), GAS (183), POW (155), NBB (140), MSN (125), and VCB (119). By contrast, they net bought mostly PLX (+VND 296 bn), VRE (+253), SSI (+142), DPM (+66), FUEVFVND (+55), VIC (+48), HSG (+41), KSB (+34), CTG (+33) and E1VFVN30 (+26). VN30 was sold at VND 3.4 trillion, equivalent to 76% of the VN Index net selling value via matching orders

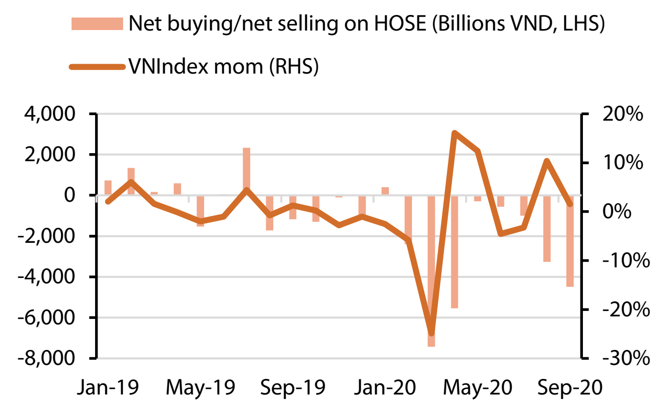
Foreign ETFs had mixed results as VNM ETF and MSCI Vietnam ETF (Hong Kong) were inactive while KIM ETF and FTSE Vietnam ETF (Europe) had fairly good results with net added value of USD 5.3 Mn and USD 1.0 Mn, respectively. On the domestic ETF side, E1VFVN30 recorded net added value of USD 6 Mn in September. The other two local ETF, FUEVFVND and FUESSVFL issued 23 and 1.5 million shares respectively, equivalent to VND 310 bn and VND 16 bn. Meanwhile, FUESSV50 of SSIAM was inactive.

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



Source: Fiinpro, Rong Viet Securities

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



Source: Fiinpro, Rong Viet Securities

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

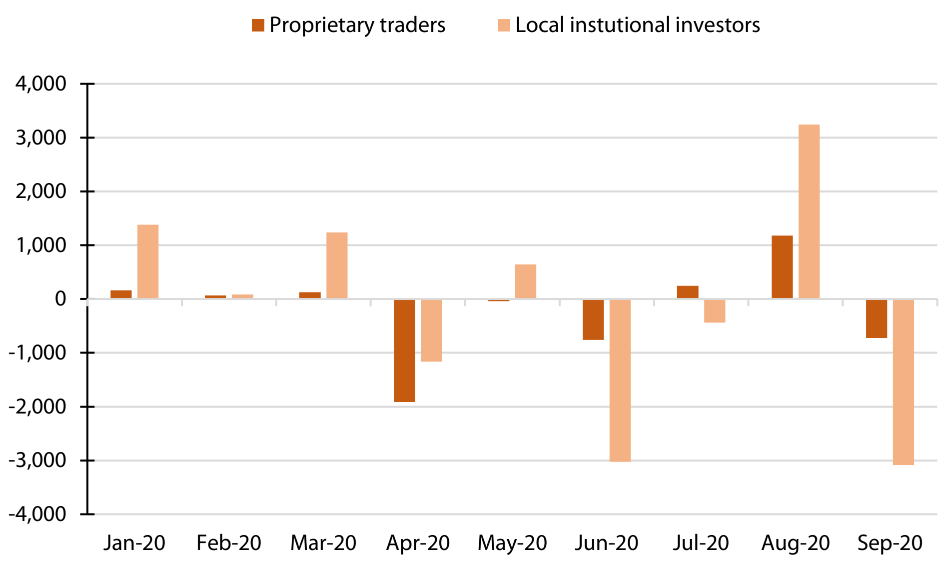
Sector	HSX		HNX	
	Net trading value (billion VND)	Net trading volume (thousand shares)	Net trading value (billion VND)	Net trading volume (thousand shares)
Retail	13	-71	-1	-184
Insurance	6	-244	-1	-67
Real Estate	3,257	16,459	-28	-3,224
Technology	1	-92	-6	-153
Oil & Gas	712	12,575	0	0
Financial Services	536	36,857	0	214
Utilities	-409	-21,592	-3	-331
Travel & Leisure	-84	-1,411	0	-2
Industrial Goods & Services	-337	-15,764	-18	-1,601
Personal & Household Goods	-15	-25	-10	-418
Chemicals	69	929	3	41
Banks	64	9,910	0	-1
Automobiles & Parts	-25	-1,450	0	3
Basic Resources	-835	-34,817	3	624
Food & Beverage	-727	-7,025	-1	-104
Media	0	-2	-2	-97
Telecommunication	0	0	-25	-423
Construction & Materials	-210	-11,760	-66	-5497
Health Care	9	533	-10	-821

Source: Fiinpro, Rong Viet Securities

Local institutional investors reacted negatively on HOSE

Local institutional investors turned out to be net sellers of more than VND 3.1 trillion. Proprietary traders were net sellers of nearly VND 726 billion. Some stocks were net sold strongly by domestic institutional investors such as VHM (VND 1,924 bn), VGC (634), PLX (634), CTG (557), HNG (448), HDG (94), TPB (94), GEX (92), HSG (82), etc. By contrast, HPG was net bought the most at VND 355 bn, followed by VCB (+230), BID (142), BCM (+138), GAB (+136), FPT (+117), SAB (+105). Meanwhile, proprietary traders sold CTG by VND 635 Bn, other top sellers included TCB (102), HDG (96). On the purchase side, they preferred BCM (+137), HPG (+127), VCB (+122), VGC (+65), FPT (+54).

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



Source: Fiinpro, Rong Viet Securities

Healthy correction is necessary to enhance sustainable uptrend

Vietnam's stock market increased sharply in August and September doing better than other stock markets such as Korea the US and Thailand. This decent performance has already been reflected the news of a fairly good Q3 GDP growth versus other countries. Specifically, as of a Nikkei Asian Review statement, Vietnam is on top of SEA regarding to economic performance. We have a positive Q3 GDP growth of 2.1% while other peers in the region are expected to have lower or negative growth.

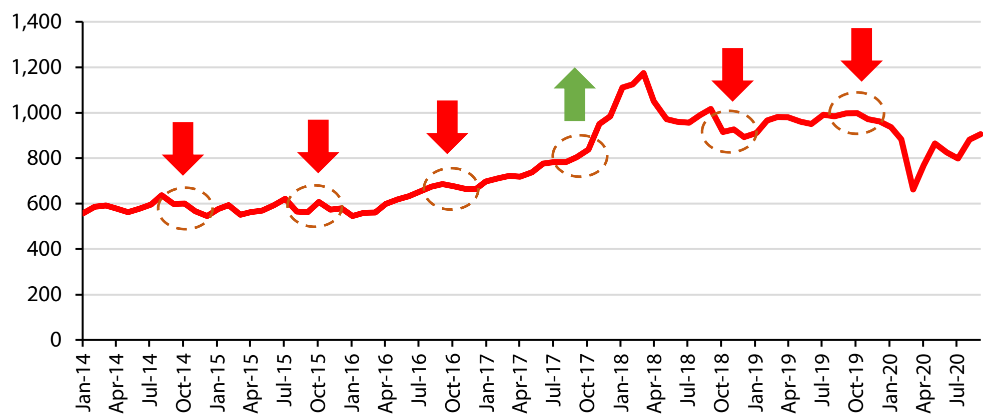
However we are concerned the "Sell the news" reaction could create pressure on the VN Index as some VN 30 stocks have increased strongly in August and September given rumors about decent business performance in Q3 2020, private placement to strategic shareholders, especially banks. From our analysts view, the banking stocks performance in Q3 2020 would be not bad as expected, especially private banks including VPB, HDB, TPB, TCB thanks to the approval for extending credit lines to 20% by the State Bank of Vietnam (SBV).

Recently, SBV announced that it will reduce the benchmark interest rate. However, per our view, it would not have a significant impact as some banks have already reduced interest rates. Vietnam five years CDS have seen upward moves recently, which indicates a higher probability of the VN Index cooling off. The PE of the VN Index is not quite cheap to attract new inflows as it is 15.1x (as of 30 September) versus 14.5x – 15x in the pre-Covid time.

The complicated situation of the US market does not support VN Index

We are looking carefully at the US presidential election. The underlying reason is its possible impact on the US stock market. As a reminder, the S&P 500 increased 5% in a month after Trump won the presidential election in 2016. At that time, investors bet on tariff reduction and accelerated government spending on infrastructure. However, the story is different if Biden wins. The direct influence on the Vietnam stock market is unpredictable.

Figure 16: VN Index performance in October, 2014 – 2019



Source: TradingView, Rong Viet Securities

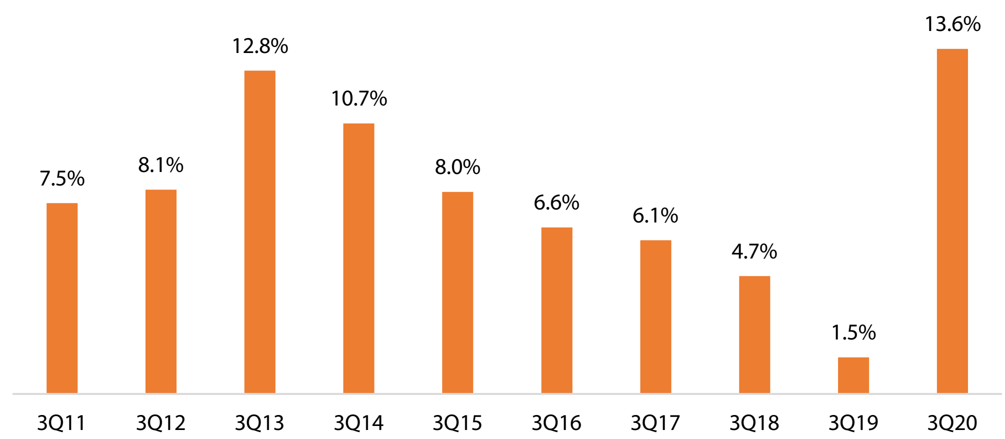
In summary, we believe that the market is probably going sideways amid the continuous selling from foreign investors and "Sell the news" reaction. On the other hand, the unpredicted US presidential election, a new economy stimulus package and Covid-19 do not support anything positive for the VN Index. Therefore, we believe that the market will fluctuate in the range from 865 to 920.

BE PATIENT FOR OPPORTUNITIES

The low-interest rate environment along with a series of macro indicators starting to turn more positive have helped the Vietnamese stock market to extend the rally in September. Besides, the number of covid-19 community transmissions that were quickly extinguished since early September has also strengthened market sentiment. Accordingly, the VN-Index did not fall despite strong correction seen in US stocks or continued selling from foreign investors.

In early October, the State Bank continued to reduce interest rates as well as the deposit interest rate ceiling. Although the actual impact of these interest rates cut is considered to be limited since liquidity in the banking system is still abundant, this move from the SBV reinforces our view on the attractiveness of the stock market relative to other assets such as gold or real estate. Besides the expansionary monetary policy, we expect that fiscal policy will play a more important role in promoting economic growth in the coming time, as well as creating a more positive sentiment for the stock market. The disbursement progress of public investment has remarkably improved. Accumulated 9M-2020 public investment disbursement reached VND 485 trillion, up 13.6% over the same period last year, the most positive cumulative growth since 2011.

Figure 17: 9M cumulative growth of public investment disbursement 2011-2020



Source: GSO

Q3-2020 business results of listed companies will be announced gradually and this will partially influence the movements of the stock market in October. We think that some companies' business results will not be as bad as previously forecasted since macro signals are more positive than expected. Vietnam's GDP in Q3-2020 is estimated to grow 2.62% YoY, better than consensus despite the second covid wave outbreak in Da Nang. However, results will diverge. Some stock groups (galvanized steel, fertilizer, securities brokerages, and private joint-stock banks) seem to price beating-the-consensus Q3-2020 business results, and thus have outperformed the market in the past few weeks.

On the other hand, this also implies the high likelihood of a market correction in October as earnings are released, followed by a “quiet” period. Also, we see some risks from the increasingly volatile international markets ahead of the US presidential election taking place in early November (*refer to our Vietnam Market section, page 12*).

In general, we think a prudent investment strategy is appropriate during this period as many stocks have priced in Q3-2020 business results. Should the market correct considerably in October, we recommend investors to accumulate stocks with more positive changes in business activities in the late 2020 period.

Some favorite stocks this month by Rong Viet Securities include:

- **VPB, TP: VND 27,000, + 14.2%.** VPB is priced relatively low (2020/2021 PB of 1.04 / 0.84x). While this can be explained by concerns about high restructuring debt ratio compared to other banks as VPB's business typically focuses on unsecured lending, we find that the asset quality has not been affected much. The reason is that stricter loan policy controls have been quickly implemented to the parent bank and FE Credit as well, in parallel with increasing debt collection activity.

  More importantly, we expect VPB's positive credit growth to continue as the parent bank is likely to use up its extended 2020 credit limit (from 13% to 21.5%) despite the flat credit growth in FE Credit as a result of stricter lending policy. Besides, we believe that provision expenses will be under control, partially supported by the absence of VAMC provisioning from 2020. Therefore, the forecasted profit growth prospect is in good shape (+ 15.7%/25.1% YoY in 2020/21F). As such, we believe the stock deserves a higher PB ratio. Finally, the continued capital influx to FUEVFVND ETF (simulating VNDiamond Index), in which VPB's weight accounts for approximately 10%, will also be a catalyst for the stock prices in the short-term.

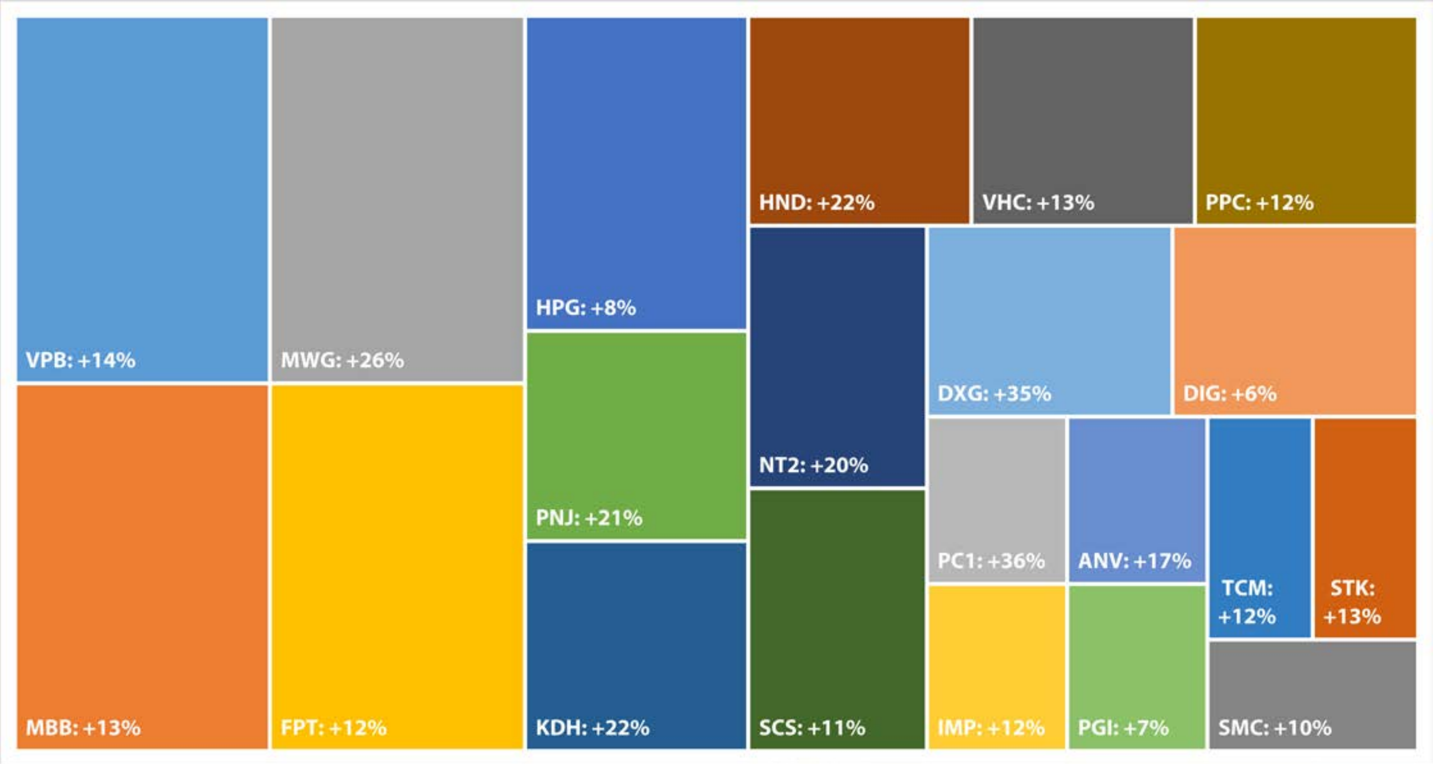
- **PC1, TP: VND 29,999, +36%.** PC1 is an electrical construction operator transforming itself into a renewable energy player through a series of ongoing hydro and wind power projects. Rong Viet estimates that PC1's Q3-2020 PAT will reach VND 130 billion, equivalent to a strong growth of 56% YoY, on the back of positive expected earnings from the hydropower and real estate segments.

  (1) Hydropower segment to benefit from upcoming hydrological conditions. Accordingly, the La Nina phenomenon is expected to occur in the last months of this year, and last until the first months of 2021. Besides, PC1 has put three new hydropower plants into operation this year (Mong An from the beginning of the year; Bao Lac B and Song Nhiem 4 from July 2020). In addition to profit growth from the existing hydropower plants system, the additional contribution from the new plants will significantly boost PC1's hydropower segment profit in the context of La Nina. (2) For the real estate segment, we estimate that PC1 will continue handing over the remaining 40% of the apartments of the PCC1 Thanh Xuan project and record a NPAT of around VND60 billion in the last two quarters of 2020.

  We also note that the stock price has risen sharply in August-September, most likely reflecting robust Q3-2020 earnings. Therefore, investors should wait for correction to gain better leverage ahead of Q4-2020 business results.

- **GEG.** GEG is one of the few options in the renewable energy sector. We are currently assessing the company and we see some promising movements from all three of its segments which are hydropower, solar power, and wind power. Its hydropower business, in upcoming quarters, is likely to profit from the La Nina and rainy season in Viet Nam. Moreover, GEG is ramping up its solar power and wind power segments with various projects in the pipeline. We expect that GEG will push forward its solar power capacity utilization during the remainder of 2020 to increase growth. In the longer-term, its three new wind power farms, 180 MW of capacity in total, are scheduled to operate before November 2021 to capitalize on the government's subsidy policies. Investors should also keep an eye on its financing plans to assess the feasibility of the new projects, yet we think GEG has got so upside.

Figure 18: Our favorite stocks for this month



Source: Rong Viet Securities; Price as of Oct 5th, 2020; Square size: stock's market-cap classification

HIGHLIGHTED STOCKS

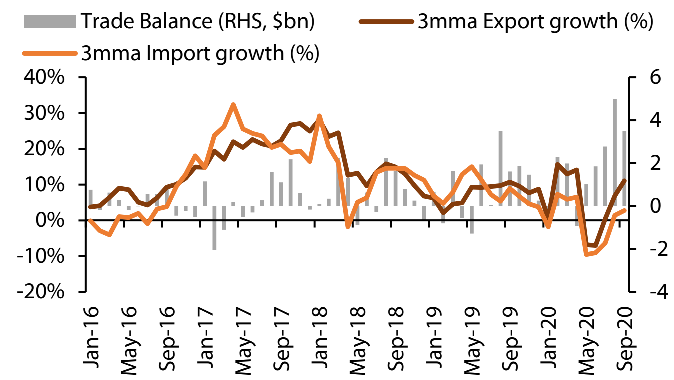
Ticker	Exchange	Market cap (VND bn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2019 +/- Rev. (%)	2019 +/- NPAT (%)	2020F +/- Rev. (%)	2020F +/- NPAT (%)	2021F +/- Rev. (%)	2021F +/- NPAT (%)	PER Trailing (x)	PER 2020F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (VND bn)	Foreign remaining room (%)
PC1	HOSE	3,505	29,900	22,800	31%	Buy	14.9	-23.8	13.5	4.7	1	34.3	9.8	6.8	0.9	-	4.4	10	34.3
DXG	HOSE	5,338	14,000	10,950	28%	Buy	25.1	3.2	-9.2	-17.1	12	37.5	29.9	3.9	0.8	-	-40.7	46	14.4
MWG	HOSE	47,079	131,000	104,000	27%	Buy	18.1	33.2	12.2	2.5	22.7	26.2	12.6	9.9	3.3	1.4	-17.6	85	0
VRE	HOSE	62,034	34,700	27,400	27%	Buy	1.5	18.6	1.4	-5.9	9.8	16.8	26.2	20.1	2.3	-	-15.3	79	18.1
KDH	HOSE	13,551	29,300	24,700	21%	Buy	-3.5	13.2	32.6	24	-3.1	17.7	12.5	9.9	1.8	2.1	3.6	24	7.4
HND	UPCOM	8,983	20,800	18,200	21%	Buy	18.6	183.2	3.1	5.7	-16.8	-38.8	6.3	11.6	1.4	6.7	35.5	2	48.9
PNJ	HOSE	13,733	73,000	61,200	22%	Buy	16.7	24	-9.4	-24.8	20.4	24.4	13.4	13.3	3	2.9	-20.7	44	0
NT2	HOSE	6,679	25,600	23,500	20%	Buy	-0.2	-2.9	-13.6	1.3	10.2	-10.7	8.4	10.2	1.5	10.7	8.7	7	30
ANV	HOSE	2,466	22,000	20,450	13%	Accumulate	8.8	17.4	-32.8	-75.6	31.4	204.1	5.8	4.7	1.1	5.1	-20.7	4	47.7
STK	HOSE	1,036	15,900	15,350	13%	Accumulate	-7	20.3	-35.7	-66.4	32.2	104.2	6.7	7.4	1.1	9.8	-12.6	2	42.3
MBB	HOSE	47,867	22,500	17,700	27%	Accumulate	26.2	29.2	13.3	6.4	18.6	26.1	5.8	4.8	1.1	-	-13.9	103	-3
VHC	HOSE	7,960	48,300	44,150	13%	Accumulate	-15.1	-18.2	1.2	-15.7	18.9	35.3	9.7	6	1.5	3.4	5.3	24	68
PPC	HOSE	7,566	24,400	23,600	13%	Accumulate	15	12.9	11.3	-13.2	0.5	-1.5	6.9	7.2	1.3	9.3	-1.3	4	33
IMP	HOSE	3,072	52,500	47,850	13%	Accumulate	18.4	17.1	14.3	35.5	21.3	7.7	17	14.8	1.9	3.1	29.7	6	0
FPT	HOSE	39,430	55,000	50,500	13%	Accumulate	19.4	19.7	12.3	12.1	18.4	21.4	11.9	9.4	2.7	3.9	3.9	94	0
TCM	HOSE	1,462	26,100	24,100	10%	Accumulate	-0.5	-16.6	-4.2	12.6	0.4	-12.3	6.3	7.2	1	2.1	16.2	27	0
SCS	HOSE	6,181	130,000	121,600	13%	Accumulate	10.8	15	-10.6	-8.9	9.4	10.2	14.6	14.4	6.6	5.7	-20	3	23.6
SMC	HOSE	664	11,100	10,900	11%	Accumulate	2.2	-46.6	-11.8	0.9	12.1	90.1	8.2	3.8	0.5	9.1	-0.2	1	15.7
HPG	HOSE	88,465	29,400	27,350	7%	Accumulate	14	-12.4	39.5	41	9.7	23.7	10.3	6.1	1.7	-	50.7	342	14.8
VPB	HOSE	57,653	26,000	24,200	7%	Accumulate	17	12.4	10	15.7	15.1	25.1	5.8	4.9	1.2	-	7.8	123	-0.1
PGI	HOSE	1,730	19,600	19,650	6%	Accumulate	8	17.2	19.3	1.2	17.4	17.3	8.8	9.6	1.2	6.7	25.5	0	28.3
DIG	HOSE	5,290	17,200	18,400	-7%	Accumulate	-8.9	32.7	23.8	14.7	19.2	48.8	10.9	7.1	1.3	-	8	33	15.4
PVS	HNX	6,500	13,800	14,200	4%	Accumulate	17.9	-7.6	-3.5	-2.1	-21.8	-7	12.7	9.6	0.5	7.2	-28	57	39
VCB	HOSE	311,546	90,000	83,500	8%	Accumulate	20.1	28.6	14.3	12.7	20.5	23.4	17.2	13.3	3.5	-	2.6	95	6.4
LTG	UPCOM	2,098	26,400	26,300	4%	Accumulate	-8	-19.7	-25.9	-8	10.5	29.9	10.7	6.2	0.8	3.9	17.6	4	4.1
HAX	HOSE	516	12,900	14,800	-2%	Accumulate	8.3	-48.2	0.7	2	10.9	25	15.2	7.6	1.2	11	-11.6	2	42.6
QNS	UPCOM	12,275	33,000	34,700	3%	Accumulate	-4.4	3.2	-6.6	-18.7	13.9	19.5	10.1	8.3	2	7.4	26.7	22	32.7
NLG	HOSE	7,114	27,106	26,500	4%	Accumulate	-26.8	25.8	-42.1	3.7	37.7	24.3	8.2	5.6	1.4	1.9	5.1	37	0.9

Ticker	Exchange	Market cap (VND bn)	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 (VND bn)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
HDB	HOSE	31,016	26,000	24,800	5%	Accumulate	23.6	26.2	13.2	18.3	18.6	24.9	7.6	4.5	1.5	-	14.1	35	9.6
MSH	HOSE	1,655	31,700	33,500	4%	Neutral	11.7	21.6	-25.9	-88.7	30.9	398	4.7	7.3	1.3	9	-35.2	5	45.1
REE	HOSE	12,449	41,700	41,950	4%	Neutral	-4.1	-8.1	6.3	2.9	2.1	3.9	8.7	7.4	1.2	4.3	11.9	18	0
CTG	HOSE	100,346	27,500	27,500	0%	Neutral	41	74.8	6.2	27.3	9.5	41.3	8.9	6.9	1.2	-	24.9	145	0
KBC	HOSE	6,624	14,700	14,350	2%	Neutral	30.4	14.6	-17.2	-2.3	4.9	12.1	14	7.2	0.7	-	-3.7	32	30.3
BID	HOSE	163,495	42,000	40,400	4%	Neutral	8.3	15.3	-4.4	-8	13.6	30.3	19.1	19.7	2.2	-	5.9	47	12.5
CVT	HOSE	772	19,985	22,500	-11%	Neutral	1.1	-1	-26.6	-44.1	33.4	52.7	4.8	5.1	1.1	-	-8.8	7	38.3
HDG	HOSE	3,856	24,500	25,750	-1%	Neutral	34.3	33	13.4	27.7	-9.6	-3.6	3.6	2.6	1.4	4	-3.5	40	42
PHR	HOSE	7,832	54,000	58,700	0%	Neutral	4.8	-24.3	-16.6	133.3	41.2	13.3	9.4	7.7	2.6	7.7	1.8	72	36.1
PME	HOSE	5,153	67,000	69,000	0%	Neutral	10.3	3.9	-0.1	10.6	16.7	6.5	16.6	13.8	2.8	2.9	33.8	8	37.9
PTB	HOSE	2,506	51,971	55,000	0%	Neutral	17.6	13.3	-1	-26.7	5.3	61.1	6.7	5	1.4	5.5	-18	8	31.6
GMD	HOSE	7,186	23,000	25,000	-4%	Neutral	-2.5	-72.1	-10	-9.8	10.7	-12	16.1	19	1.2	4.1	-3	20	0
PAC	HOSE	1,180	23,700	25,350	-1%	Neutral	3.6	8.7	3.6	-8.1	8.6	23.4	8	6.7	1.7	5.9	-3.6	2	32.3
VNM	HOSE	225,683	105,000	107,300	2%	Neutral	7.1	3.5	8.5	5.6	4.5	2	21.3	18.6	7.6	4.1	6.4	187	41.6
AST	HOSE	2,259	50,000	50,900	-2%	Neutral	29.2	23.4	-27.7	-61.2	23.2	113.4	25.9	14.9	3.9	-	-19.7	4	7.6
LHG	HOSE	1,355	27,000	28,400	-5%	Neutral	-30.4	6.1	14.3	73.1	4.8	12.1	8.3	5.3	1.2	-	85.5	14	43.5
ACV	UPCOM	143,312	65,000	65,900	-1%	Neutral	13.7	35.8	-52.8	-73.2	46.7	87.1	24.8	34.9	3.9	-	-10.8	15	45.7
ACB	HNX	49,716	21,500	23,600	-9%	Neutral	14.7	16.7	11.1	12.7	16.6	25.1	7.8	5.8	1.6	-	23.4	138	0
PVD	HOSE	4,864	11,000	12,300	-11%	Reduce	-22.3	-43.4	26.2	-51.3	15.4	322.8	19.4	12.8	0.4	-	-34.6	57	37.4
DRC	HOSE	2,447	18,800	20,850	-5%	Reduce	8.6	80.6	-16	-28	11.4	72.2	10.1	8.9	1.5	4.8	0.1	13	30.1
BMP	HOSE	5,059	52,800	61,900	-7%	Reduce	10.7	-1.1	6.4	11.4	7.2	-5.9	10.8	12.6	2.1	8	33.3	10	17.9
DPM	HOSE	6,751	15,000	17,300	-7%	Reduce	-15.8	-49.6	6.7	61.9	3.5	-14.2	9.9	15.6	0.9	6.7	42.9	50	36.8
PVT	HOSE	3,968	11,890	14,600	-19%	Reduce	3.1	5.8	-9.6	-36.2	17.2	37.7	6.5	8.1	0.8	-	-20	21	29.1
VSC	HOSE	2,051	30,000	37,800	-15%	Reduce	5.8	-22.1	-8.5	4	-4.7	8.4	7.8	7.8	1.1	5.4	39.8	12	20.3
BFC	HOSE	972	10,000	17,000	-34%	Sell	-4.4	-56.7	-4.7	51.2	3.5	-15	8.3	10	1.1	6.9	28	9	44.8

Source: Rong Viet Securities; Price as of October 5th 2020

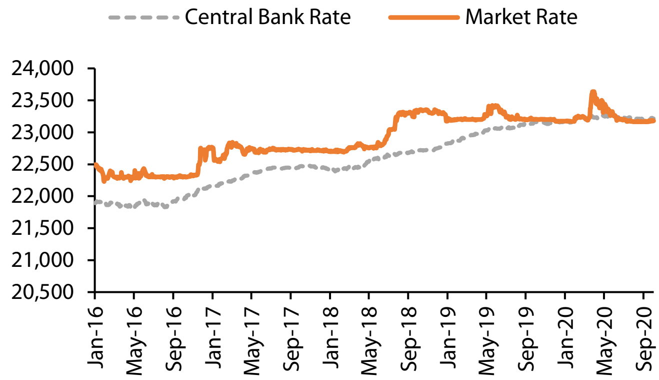
VIETNAM ECONOMIC INDICATORS IN SEPTEMBER

Trade balance



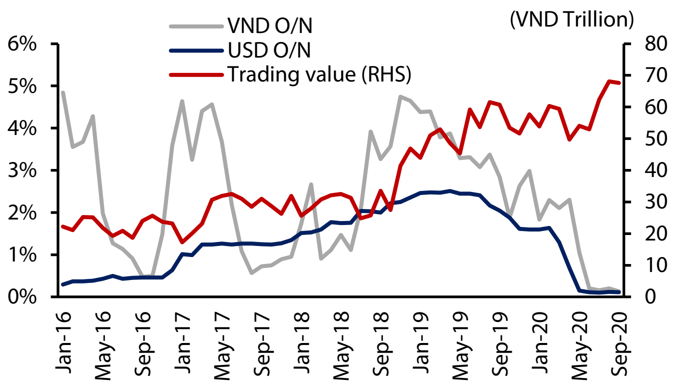
Source: GSO, Rong Viet Securities

USDVND exchange rate



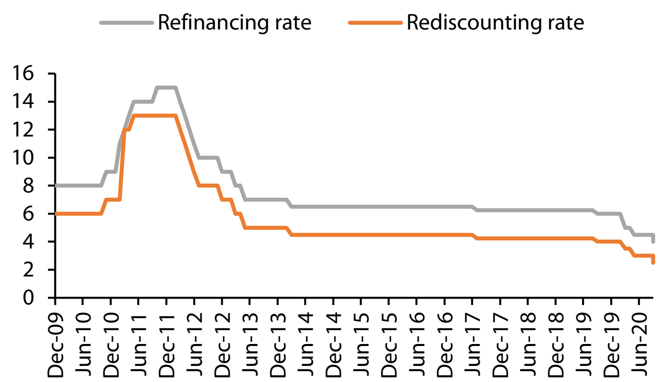
Source: SBV, Rong Viet Securities

Interbank interest rate (%/year)



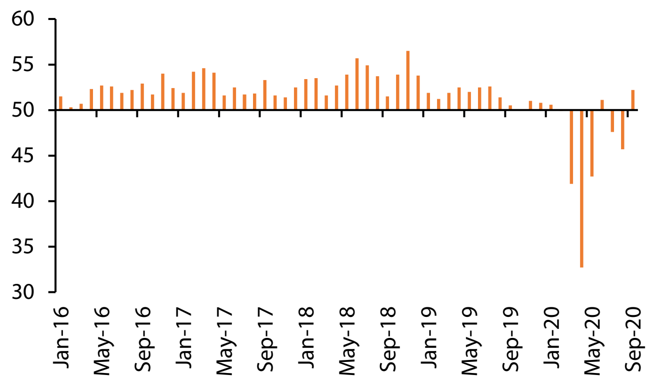
Source: SBV, Rong Viet Securities

Policy rates (%/year)



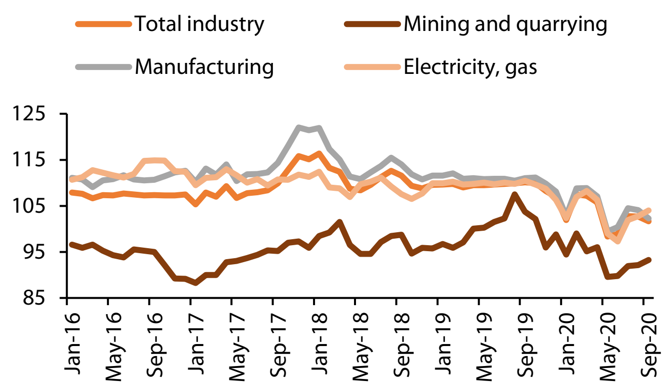
Source: Bloomberg, Rong Viet Securities

Manufacturing PMI



Source: IHS Markit, Rong Viet Securities

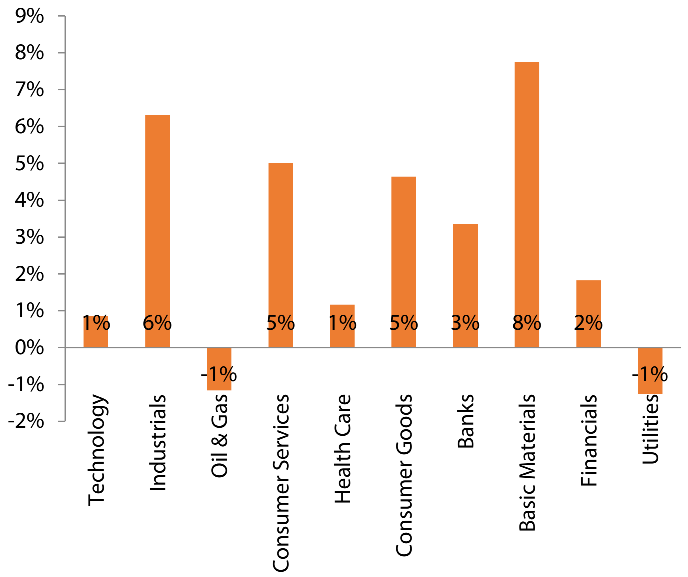
3-month MA Industrial Production Indices



Source: GSO, Rong Viet Securities

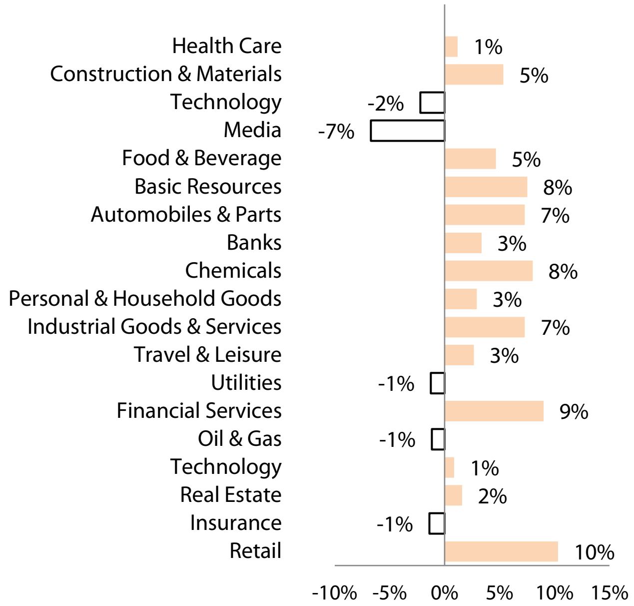
INDUSTRY INDEX

Level 1 industry movement



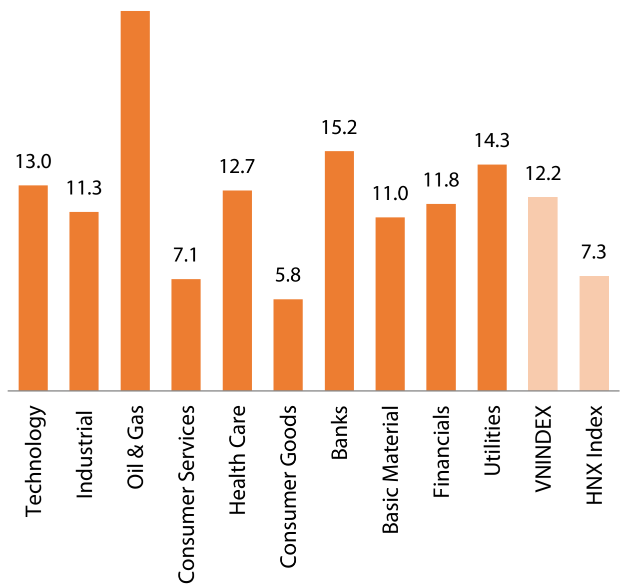
Source: Fiinpro, RongViet Securities

Level 2 industry movement



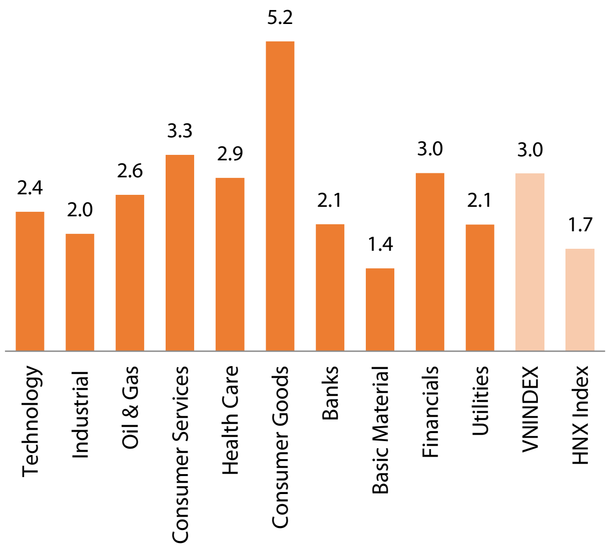
Source: Fiinpro, RongViet Securities

Industry PE comparison



Source: Fiinpro, RongViet Securities

Industry PB comparison



Source: Fiinpro, RongViet Securities

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