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Market Strategy

September 2024

Reap The Rewards

VNDIRECT



Summary

Market Performance: Strong 2Q earnings results and easing FX pressures bolster a stock market rebound

Following a 50-point drop on the “Black Monday” August 5, which was primarily due to recessionary worries in the US, the VN-Index has shown resilience, regaining ground for a 2.7% gain for August, thanks to:

- 2Q earnings results of listed companies in HOSE were remarkable at +20.6% YoY
- Easing FX pressures prompting the SBV to reduce T-bill and OMO rates, bringing the OMO rates down to 4.25% p.a. and T-bill rates down to 4.15% p.a.
- Credit growth reached 6.25% YTD as of August 18 (from 5.66% ending July)

The top performing sectors were: 1) energy (+5.2% MoM), driven by PLX (+7.6% MoM) and GAS (+4.9% MoM), thanks to positive 2Q24 business results and the benefits of the new petroleum trading decree; and 2) retail (+4.8% MoM), due to positive investor sentiment regarding BHX’s first-ever profit.

With inflation under control, the Fed is now shifting its focus to the labor market and economic growth. Fed Chair Powell hinted at an imminent change in monetary policy, suggesting that interest rate cuts are likely. Following Powell’s speech, the DXY edged lower to less than 100.7, with investors forecasting a 61.5% likelihood the Fed will cut rates by 25 bps in September and a 38.5% chance of a 50-bps cut. We have been waiting for Powell’s official declaration on a monetary policy change, as it could have positive implications for emerging economies, including Vietnam.

Market Outlook: Reap the rewards

The P/E valuation of the VN-Index is still reasonable because it is trading at a 5.2% discount to the five-year average P/E, while the market’s earnings outlook remains positive into year-end, which will improve the market’s valuation. Furthermore, domestic interest rates – which are negatively correlated with equity valuations – are likely to slow down their current upward momentum once the Fed starts to cut its policy rate.

Although the index has seen a strong recovery in the second half of August, we believe that it is still appropriate for investors to continue holding stocks and increasing their proportion of potential stocks, given the expectation that the market will continue to perform positively after the National Day holiday. In addition, after the strong increase of large-cap stocks during the recent market recovery, capital flows may shift to mid-cap stocks that have not yet increased significantly, thereby maintaining the market's positive sentiment.

Our stretch scenario of the VN-Index closing 2024 at 1,400 remains feasible following the Fed's speech in August and the reasonable progress of macroeconomic data.

Recommendations: We currently recommend the following sectors:

Banking: Credit growth will accelerate from 3Q24, valuation is still attractive. Top picks: MBB, VPB, VCB

Industrial Property: Supply will gradually improve. Top picks: BCM, PHR

Residential Property: The market is still favorable to boost homebuyer absorption. Top picks: KDH, NLG.

Market Recap

August 2024

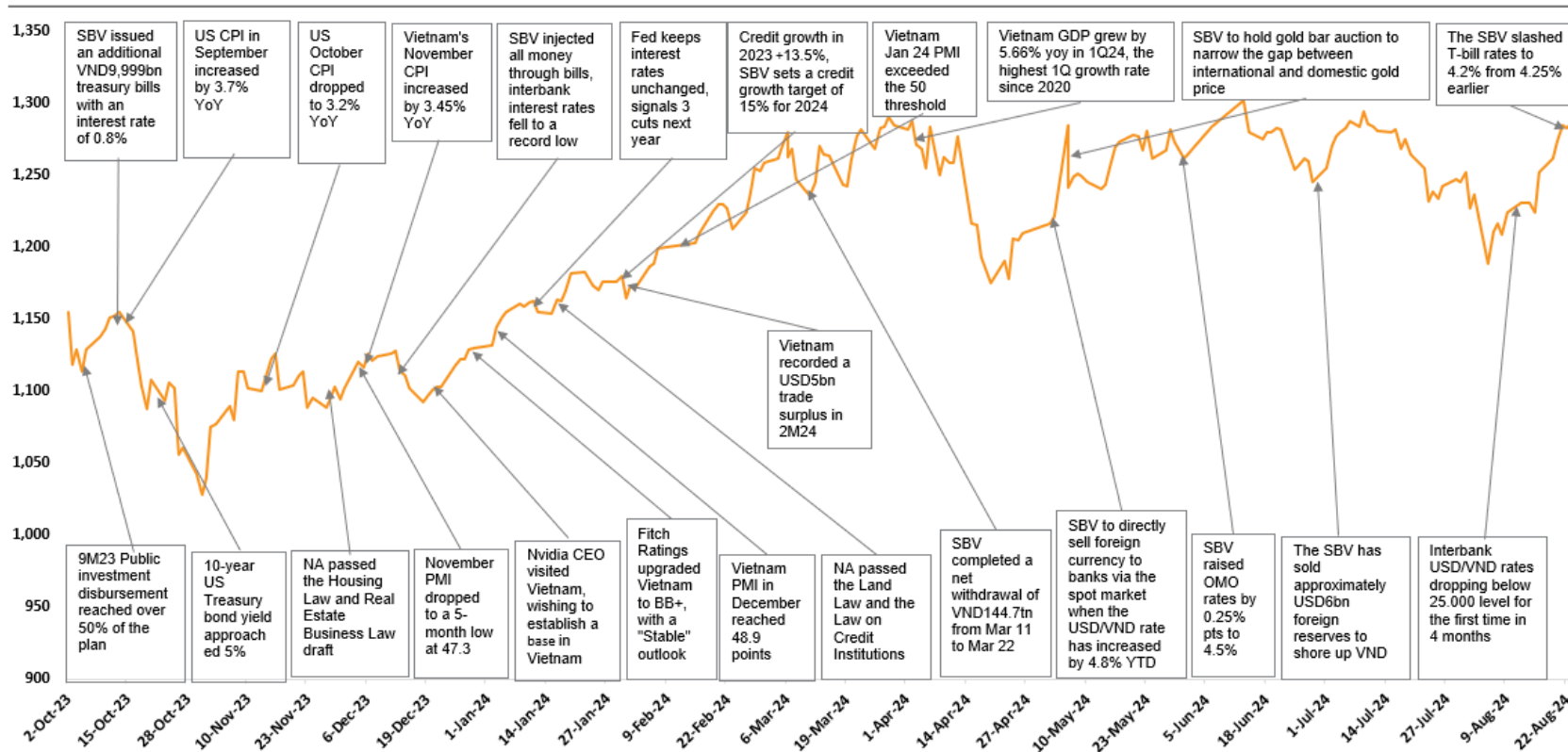
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Easing FX pressure bolsters stock market rebound



Market Recap for August 2024

The VN-Index rebounded in August, gaining 2.7% after a correction in July. While the HNX-Index rose by 2.0%, the UPCOM-Index inched down by 0.7% in August.



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Despite positive momentum, the VN-Index also witnessed some setbacks, including:

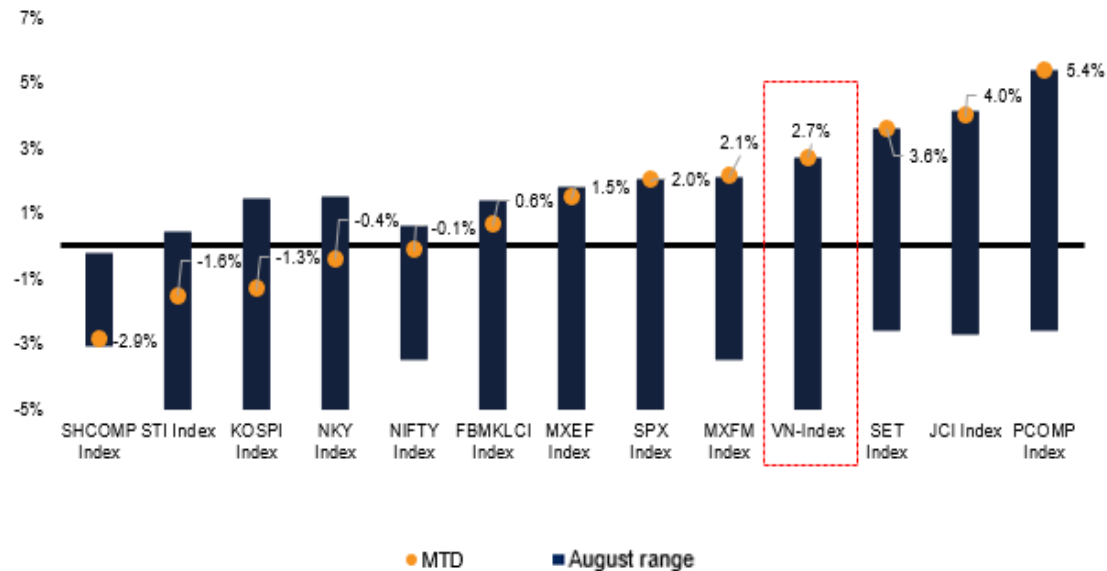
- Foreign investors continued to net sell VND2.8tn (USD112mn) in August

Overall, compared to the sideways market in July ahead of 2Q earnings results, market sentiment has markedly improved.

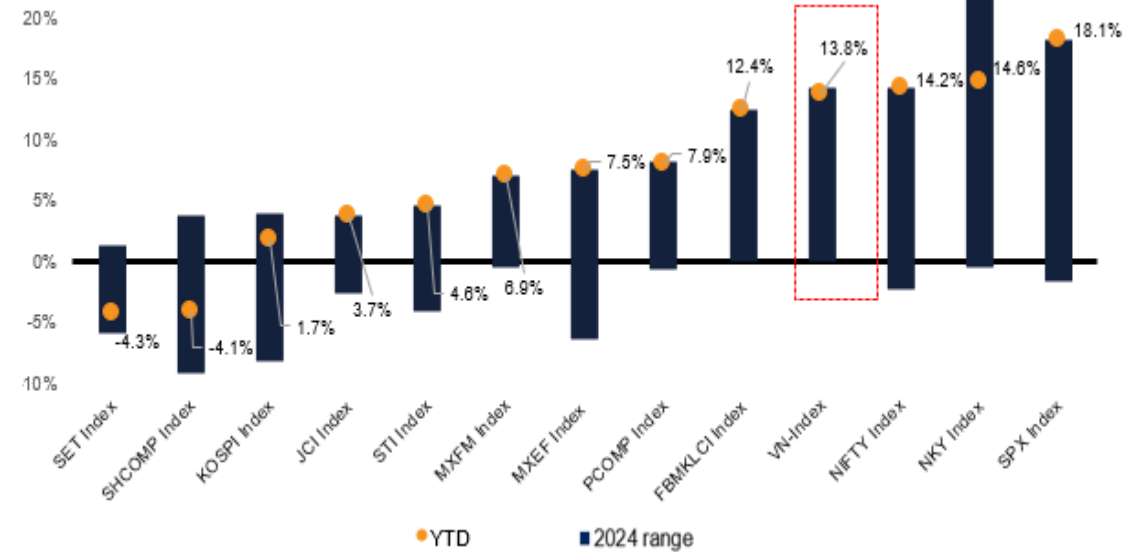
Market Recap for August 2024

Global stock markets exhibited divergent performance in August

The VN-Index ranked fourth in August, behind only the PCOMP, JCI, and SET indexes



VN-Index was among top four market performers YTD in our watch list



- The VN-Index trails only the PCOMP, JCI, and SET indexes in August, increasing 2.7% MoM in August thanks to: 1) buoyant investor sentiment following robust 2Q earnings; 2) cooling FX pressures ease constraints on the SBV's monetary policy management; and 3) bottom fishing activity following the 50 pts decline in early August.
- The VN-Index has demonstrated remarkable resilience, climbing 13.8% YTD, placing it among the top four performing stock markets we track. Meanwhile, the S&P 500 has taken the lead with a 18.1% YTD increase, fueled by investor excitement about AI during the first couple of months of the year and rising expectations of a Fed rate reduction by September.

Market Recap for August 2024

Name	1M (%)	3M (%)	YTD (%)	Weight	EPS YoY growth	P/E	P/E 5Y Avg	P/B	P/B 5Y Avg	ROE	Beta
Automobiles and Parts	-8.91%	7.87%	16.20%	0.12%	202.58%	13.09	16.8	1.81	1.61	15.8%	0.82
Banks	3.09%	4.61%	18.94%	38.73%	15.84%	10.7	10.32	1.82	1.77	18.7%	0.91
Basic Resources	-14.36%	1.00%	-4.97%	0.59%	-110.51%	14.91	27.53	1.02	1.1	5.2%	1.27
Chemicals	-8.80%	7.70%	22.84%	1.70%	19.51%	16.76	15.21	2.45	2.25	16.9%	1.26
Construction and Materials	-7.86%	4.95%	7.96%	2.97%	-17.97%	24.09	33.13	2.21	2.23	11.4%	1.16
Consumer Products and Services	1.82%	9.31%	20.07%	1.12%	38.32%	22.59	19.58	2.72	2.47	15.2%	0.81
Energy	5.18%	17.89%	16.86%	5.18%	8.04%	17.79	16.72	2.58	2.48	15.0%	0.91
Financial Services	-1.03%	0.88%	9.05%	3.91%	9.30%	18.89	21.91	1.91	1.87	11.1%	1.53
Food, Beverage and Tobacco	0.76%	10.84%	19.61%	11.66%	1.02%	53.61	56.35	3.1	2.99	11.6%	1.09
Health Care	-10.04%	5.07%	11.47%	0.74%	-19.74%	19.06	16.18	2.5	2.39	14.0%	0.6
Industrial Goods and Services	-6.78%	2.53%	8.07%	6.64%	-5.72%	17.31	20.94	1.92	1.9	12.9%	1.02
Insurance	-3.40%	13.98%	15.51%	0.89%	8.09%	15.89	15.83	1.49	1.44	10.4%	0.86
Media	-13.03%	-1.56%	-25.03%	0.03%	8.05%	21.97	28.6	0.87	0.97	4.4%	0.68
Personal Care, Drug and Grocery Stores	-12.18%	2.41%	35.00%	0.05%	-11.34%	13.88	11.12	2.54	2.04	20.5%	0.48
Real Estate	4.00%	4.71%	2.93%	13.43%	-29.49%	50.39	44.07	1.68	1.75	8.2%	1.06
Retail	4.75%	14.70%	42.52%	3.46%	-836.73%	35.34	88.33	4.55	3.52	8.1%	1.09
Technology	-1.87%	22.27%	54.53%	4.13%	22.97%	27.19	21	6.67	5.03	26.1%	1.04
Telecommunications	-1.91%	14.29%	14.64%	0.05%	-15.30%	44.93	21.86	1.09	1.07	2.7%	0.8
Travel and Leisure	-15.61%	8.82%	28.60%	2.01%	-368.53%	50.85	24.12	3.26	3.41	7.6%	0.91
Utilities	-7.19%	11.99%	10.36%	2.60%	-57.23%	29.85	21.09	1.79	1.67	5.2%	0.68

- In August, the Energy sector led with a 5.2% MoM gain, largely thanks to PLX (+7.6% MoM) and GAS (+4.9% MoM). PLX's 2Q24 NP beat our expectations, surging 47.5% YoY thanks to higher petrol sales volume and GM expansion. This, along with the new petroleum trading decree and an increase in fixed trading costs (effective July 2024) will further boost PLX's GP from 2H24. GAS's 25% YoY increase in net revenue as higher oil prices, an increase in LPG volume, and the contribution of LNG offset a domestic gas sales volume decrease may have also buoyed the stock's MoM performance. The Retail sector also boasted a strong 4.8% MoM performance in August, primarily thanks to MWG (+8.2% MoM) with a +15.8% YoY increase in revenue and 6,635% YoY increase in NP in 2Q. In addition, BHX reported an NP of ~VND7bn (USD275,000) after years of losses, which also contributed to buoyant investor sentiment toward MWG's share price.
- YTD, the Technology sector continued to lead the market (+54.5% YTD) despite a 1.9% correction in August, mainly thanks to FPT's (+39.5% YTD) collaboration with NVIDIA and the overall semiconductor uptrend.