Shinhan Securities

Monthly Strategy Report 11/2024

US Election, Exchange Rate and Vietnam Stock Market

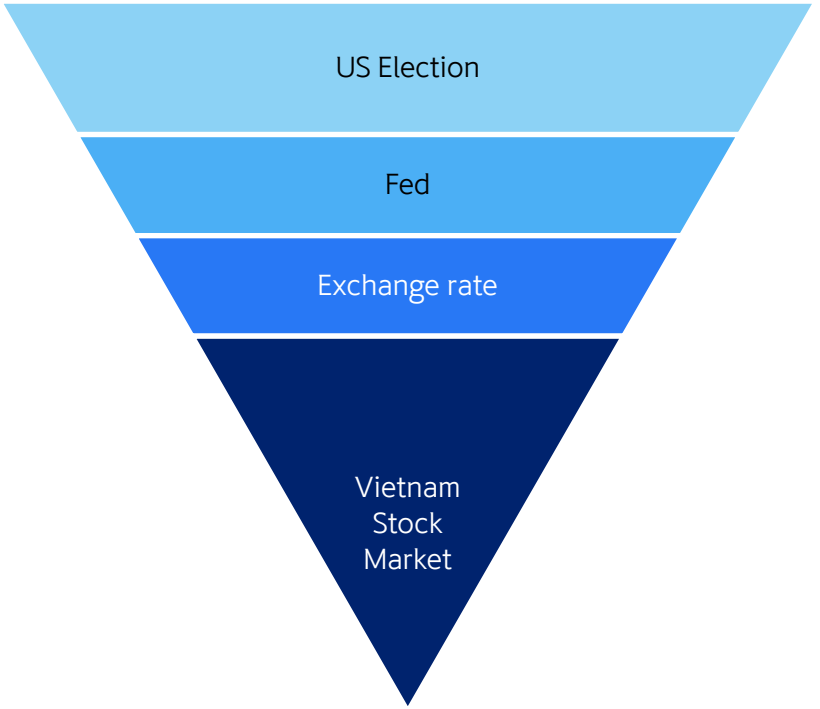


Nien Nguyen – Associate Manager
☎ (84-8) 6299-8000
✉ nien.nh@shinhan.com

Introduction

US Election, Exchange Rate and Vietnam Stock Market

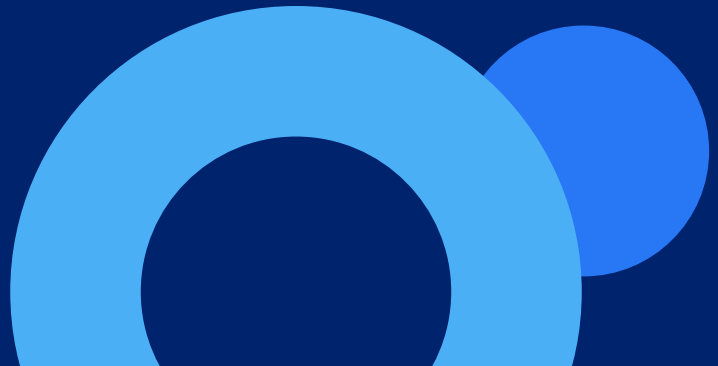
- After the Fed's rate cut, we expected that the exchange rate would cool down and the inflow from the foreign investment funds would return to the Vietnam stock market from October. But things did not go as expected.
- VNIndex dropped 23.36 points (-1.82%) and foreign investors sold VND 9,835 billion in net. Excluding transactions related to VIB, foreign investors still sold VND 4,433 billion in net.
- By the end of October, the Vietnamese Dong depreciated more than 4% against the US Dollar. The DXY index also increased from 100 at the end of September to 104 at the end of October. In addition to concerns about geopolitical risks in the Middle East, the DXY index increased sharply due to the expectation of the results of the US presidential election.
- Some investors believe that Mr. Donald Trump will become president in the next term and his policies will cause inflation to increase. With high inflation, the Fed will slow down its rate cuts, which is completely different from the expectations of the market in September 2024. In addition, Mr. Trump's policies can also affect the US's trading partners and appreciate USD against other currencies.
- In this report, we will discuss the US presidential election, exchange rates and the impacts on the Vietnamese stock market.



01

US presidential election and Exchange rate

The policies of the new US president will have certain impacts on the Fed's rate cut roadmap. Before the election, the market was showing sentiment leaning towards the side that Mr. Trump would be the winner.



US presidential election and Fed

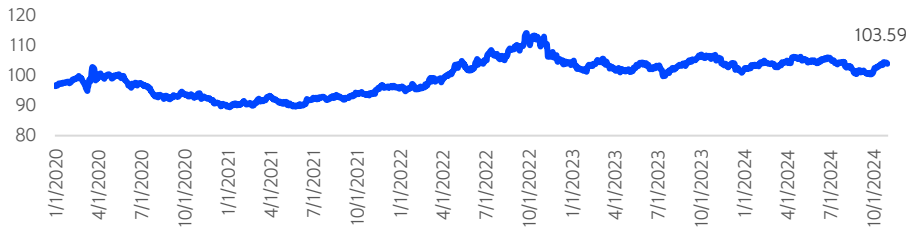
Policy impact from the new president

- Whether Harris or Trump wins the election, there will always be sectors and stock that are beneficial from the election. However, in terms of the impact of exchange rates and interest rates, Trump's policies will have a more volatile impact. "Trump trades" – Bets on Trump's victory have caused the DXY index to increase sharply. Investors who believe in Trump trades will make USD appreciate against other currencies and US inflation will also increase.
- Mr. Trump's proposal of a 10% tariff on exports from Europe could affect trades between the US and the EU, especially Germany and Italy – the two countries with the largest export value to the US in 2023. The main export products are automotives, machinery and spare parts… Germany's export value to the US is 157.7 million Euro and Italy's is 67.3 million Euros in 2023. Because the EU has no longer imported oil from Russia and mainly imported from the US, the increase in tariff will affect the trade balance of EU. This will partly make the USD stronger compared to the Euro.
- In addition, the tax reduction policy to support domestic businesses in the US may raise concerns that it will increase inflation. When the inflation increases, Fed's cut rate decision may take longer than what the market expected in September 2024. The market expected that if inflation was under control at 2%–2.3% and the unemployment rate at 4.2% -4.4%, Fed would cut rate following the roadmap as expected in the September FOMC. Fed's rate is expected to continue to be cut by another 50bps in Q4 2024 and 100bps in 2025.

Some main different points in Trump's and Harris' economic policy

Policy	Trump	Harris
Tax	• Extending the scope of personal income and real estate tax cuts. Proposing elimination of state and local tax deduction limits. Calls for lowering corporate tax rate to 15% for certain companies. • Calling to cut corporate tax to 15% for certain companies	• Increasing capital gains tax from 20% to 28% for those earnings over USD 1 million • Increasing corporate income tax from 21% to 28%
Tariff	• Imposing a 10% - 20% across-the-board tariff on all imports into the US, possibly as high as 60% for China and 100% - 200% for cars imported from Mexico	• Maintain current tariff
Inflation	• Proposing to lower prices by boosting oil and gas production, pledging to allow more drilling and ease regulations	• Issuing the first nationwide price gouging ban on food and grocery prices

DXY index



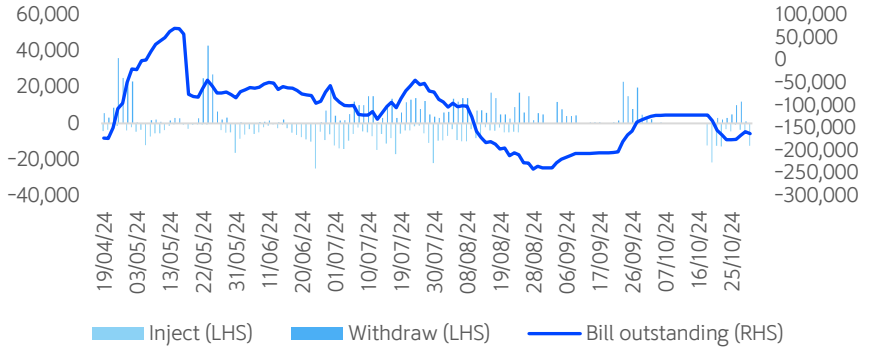
Source: CNN, CNBC, Bloomberg, Shinhan Securities Vietnam

VND/ USD exchange rate

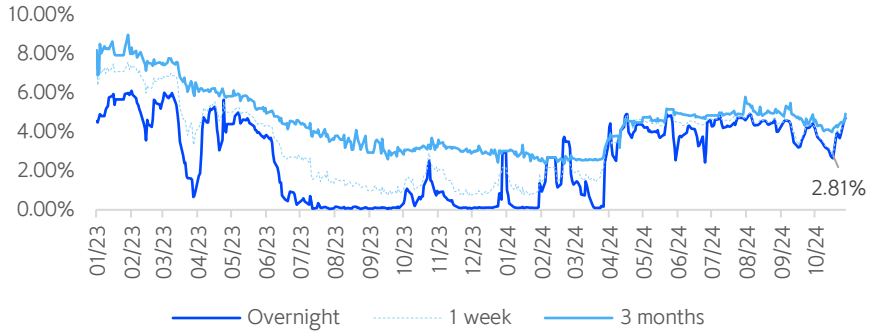
The SBV intervened when the exchange rate increased sharply in October.

- Vietnam Dong depreciated only 1.2% against the US dollar by the end of September 2024. However, the exchange rate increased rapidly in October and depreciated more than 4% against the US dollar.
- Besides the external factors that have been already discussed, a number of domestic events happened in October causing the VND/USD exchange rate to increase sharply. The sharp increase in DXY and the interbank interest rates falling below 3% in October widened the USD – VND interest rate. Also in October, the domestic companies and State Treasury increased their USD buying due to the seasonal period. These events occurred simultaneously, which caused the exchange rate to increase dramatically, increasing by 2.9% within 1 month.
- SBV has taken the intervention measures such as withdrawing money from the system and selling USD to cool down the exchange rate since 22 October. These measures have been effective. The VND/USD exchange rate in the free market after reaching the high of VND 25,700 per USD, slightly decreased to VND 25,660 per USD in the last week of October.
- If Mr. Trump is the winner of the White House race, the exchange rate will face some challenges until the end of the year when the market sentiment may change from the expected return-seeking style to flight-to-quality investment style. Investors may wait for direct impacts from Mr. Trump's policies instead of acting on Fed's rate cut. The USD and government bonds are safe assets that investors will seek and this may cause the USD to continue to appreciate against other currencies until the end of the year.

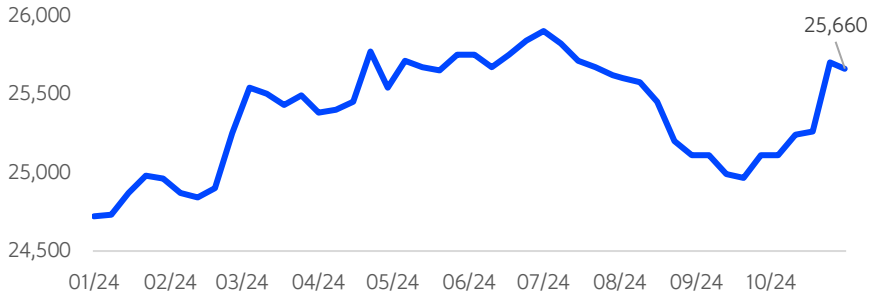
Open Market Operations (OMO – billion VND)



Interbank interest rate



VND/USD exchange rate in the free market

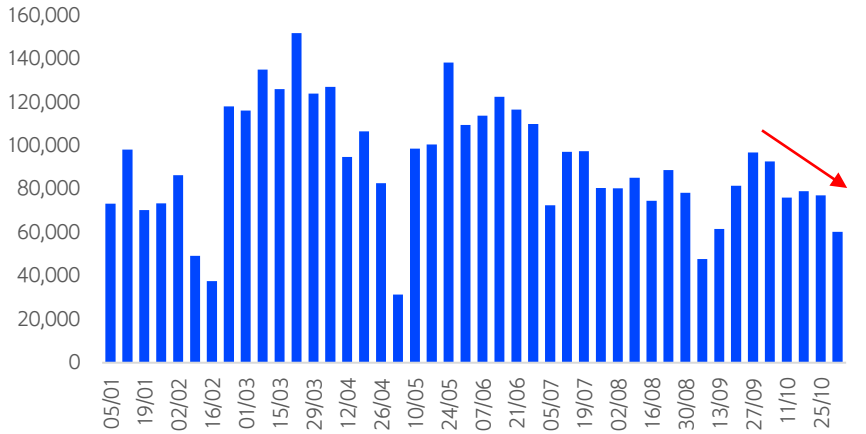


Source: Fiinpro, Shinhan Securities Vietnam

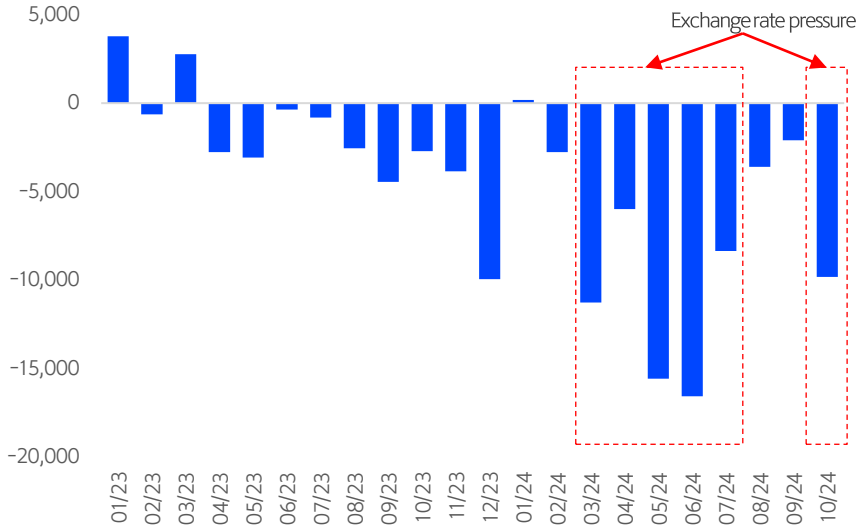
Poor liquidity and net selling from foreign investors

- The waiting action for the election results along with selling pressure from foreign investors caused the market perform worse in October. Market liquidity decreased and blue chip stocks faced a big selling pressure. This had happened before October 2024 when the exchange rate also increased sharply in April and June. Net selling at that time was strong. VNIndex decreased by 74.57 points (-5.81%) and 16.4 points (-1.3%) in April and June respectively.
- One of the reasons, when the exchange rate increase will cause foreign investors to sell heavily, is the increase in the investment risks which will reduce the expected return of the investment assets. The exchange rate increases, the country risk premium will increase. Then the risk-adjusted expected return will decrease. When the expected return decreases, many global funds will reduce the holdings of these assets.
- Domestic investors will look for safer investment assets while foreign investors may temporarily reduce the holdings percentage to wait for more positive signals from the market.
- In May 2024, when stocks on HOSE exchange faced strong selling pressure from foreign investors, the market capital tended to look for stocks with few foreign investors' holdings. And UpCom was a place with many such stocks. Stocks, with good financial fundamentals and being the leaders in the industry in UpCom, had impressive increases in May 2024 such as ACV (+24.1%), VEA (+23.6%), VGI (+29.14%), FOC (+19.62%), FOX (+34.58%), MCM (+24.97%), VTK (+44.75%)...

Weekly trading market value in 2024 (VND billion)



Monthly foreign net buying/selling from 2022 to 2024 (VND billion)

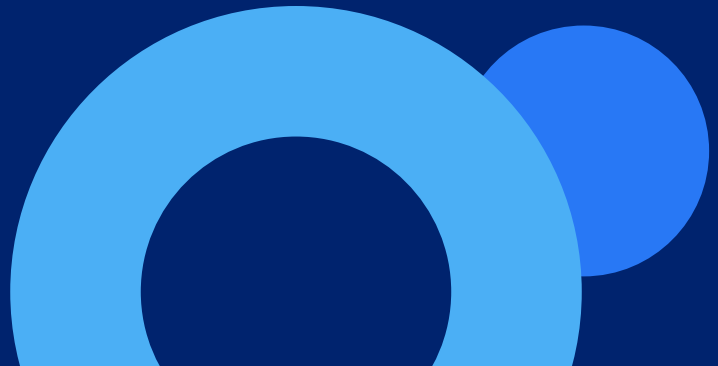


Source: Fiinpro, Shinhan Securities Vietnam

02

Investment ideas for November 2024

Prioritize safe picks for the volatile month ahead



Investment ideas for November portfolio

Prepare for any scenarios could happen

- Instead of focusing on stocks that may benefit from the new US President's policy impact, investors can prioritize safer options. Investment ideas should focus on stocks that (1) have their main business activities in the domestic market of Vietnam, (2) have few foreign loans, (3) are listed on UpCom or HNX because the stocks will not have big components in many passive ETFs, and (4) have low stock volatility (low beta). Below is a list of stocks with betas less than 1 and listed on HNX and UpCom for the investment ideas.

Ticker	Exchange	Beta	Price Change			Market Price (VND)	Market Capitalization (VND billion)	P/E	P/B
			1M Change	3M Change	YTD Change				
VEA	UpCom	0.57	1.1%	5.8%	31.7%	45,300	60,195	9.7	2.4
PPT	HNX	0.30	6.7%	13.4%	29.4%	12,700	231	27.7	1.2
NTP	HNX	0.81	-3.8%	-3.9%	67.1%	59,000	8,409	12.3	2.4
QNS	UpCom	0.58	0.8%	2.3%	16.2%	48,900	17,978	6.8	1.7
QTP	UpCom	0.46	-3.5%	-4.3%	-1.1%	13,900	6,255	10.2	1.2
VLB	UpCom	0.84	0.0%	12.8%	15.7%	39,600	1,850	14.9	3.0
FOX	UpCom	0.68	2.7%	-5.1%	79.0%	90,400	44,523	20.8	5.3
ACV	UpCom	0.69	13.7%	1.8%	78.8%	118,000	256,880	35.6	5.1

Source: Bloomberg, Shinhan Securities Vietnam, Data was update on 31 October 2024

Important Disclosure

Stock

- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



Compliance Notice

- Analyst Certification: We/I hereby certify the information and material presented in this report are accurate expressions of their views, and that we/I have not received internally or externally wrongful pressure to express such views.
- All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date and may differ from actual results.
- This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Disclaimers

- This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of Shinhan Securities Vietnam Ltd.., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of Shinhan Securities Vietnam Ltd.
- This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. Shinhan Securities Vietnam Ltd. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Shinhan Securities Vietnam Ltd.., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or Shinhan Securities Vietnam Ltd. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.
- Copyright ⓒ 2020 Shinhan Securities Vietnam Ltd. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of Shinhan Securities Vietnam Ltd.

Shinhan Investment Network

SEOUL
Shinhan Securities Co., Ltd
Shinhan Investment Tower
70, Youido-dong, Yongdungpo-gu,
Seoul, Korea 150-712
Tel : (82-2) 3772-2700, 2702
Fax : (82-2) 6671-7573

NEW YORK
Shinhan Investment America Inc.
1325 Avenue of the Americas Suite 702,
New York, NY 10019
Tel : (1-212) 397-4000
Fax : (1-212) 397-0032

HONG KONG
Shinhan Investment Asia Ltd.
Unit 7705 A, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
Tel : (852) 3713-5333
Fax : (852) 3713-5300

INDONESIA
PT Shinhan Sekuritas Indonesia
30th Floor, IFC 2, Jl. Jend. Sudirman Kav.
22-23, Jakarta, Indonesia
Tel : (62-21) 5140-1133
Fax : (62-21) 5140-1599

SHANGHAI
Shinhan Investment Corp.
Shanghai Representative Office
Room 104, Huaneng Union Mansion No.958,
Luijiazui Ring Road, PuDong, Shanghai, China
Tel : (86-21) 6888-9135/6
Fax : (86-21) 6888-9139

HO CHI MINH
Shinhan Securities Vietnam Co., Ltd.
18th Floor, The Mett Tower, 15 Tran Bach Dang, Thu Thiem Ward,
Thu Duc City, Ho Chi Minh City, Vietnam
Tel : (84-8) 6299-8000
Fax : (84-8) 6299-4232

HA NOI
Shinhan Securities Vietnam Co., Ltd.
Hanoi Branch
2nd Floor, Leadvisors Building, No. 41A Ly Thai To,
Ly Thai To Ward, Hoan Kiem District,
Hanoi, Vietnam.
Tel : (84-8) 6299-8000

Shinhan Securities


Shinhan
Securities