Shinhan Securities

Equity Strategy

February 2025

Observing the rate, monitoring the foreign flow



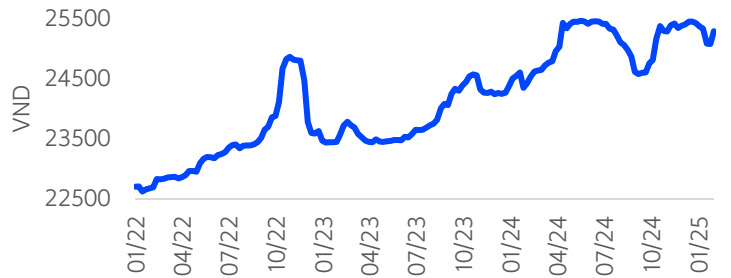
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Finding the pivot point of the foreign flow

Summary

- Institutional investors have been gradually having a significant impact on the entire market's liquidity. Therefore, the net selling of foreign investors influenced the increase of the market. Foreign investors sold large-cap stocks in 2024 and January 2025. Normally, foreign funds would have a net buy (in terms of both volume and value) in January. However, in January 2025, the foreigners sold 144 million shares in net, equivalent to VND 6.5 trillion in HOSE according to Fiinpro.
- The sideway market was partly due to the net selling from foreign investors. Therefore, the cessation of foreign selling will bring a positive impact on the market. There are factors that we can put in the watchlist to expect a reversal of foreign flows. The factors include: (1) Vietnam emerging market upgrade, and (2) stable or decreasing global interest rate (Fed and 10Y US Government bond yield). The stable rate will lead to the stable exchange rate. When these factors appear simultaneously, foreign capital flows will return. We have already discussed the market upgrade has also already been discussed in our latest report "Investment Outlook 2025 – Unlock Growth".
- Global interest rates continue to remain at a level in 2023 and 2024. US government bond yields, instead of decreasing following to Fed's rate cut, have increased sharply, going back to the old peak in 2023. According to data from the Fed of Saint Louis, the average 30Y mortgage fixed rate has not decreased but remained at a high level in 2023 and 2024. In addition, the EU government bond yields have also remained at same the level in the last 2 years. The current interest rates may influence the equity valuation of the foreign investors when the risk premium will be higher.

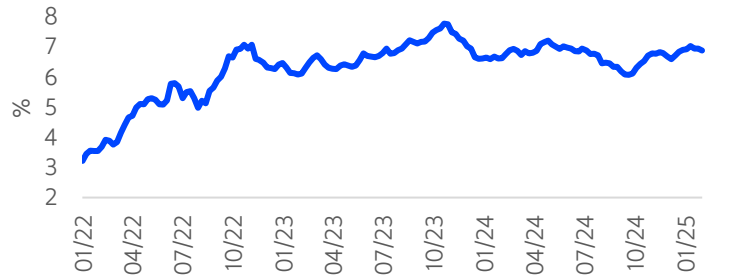
USD VND exchange rate



10Y US Government Bond Yield



Average US 30Y mortgage fixed rate



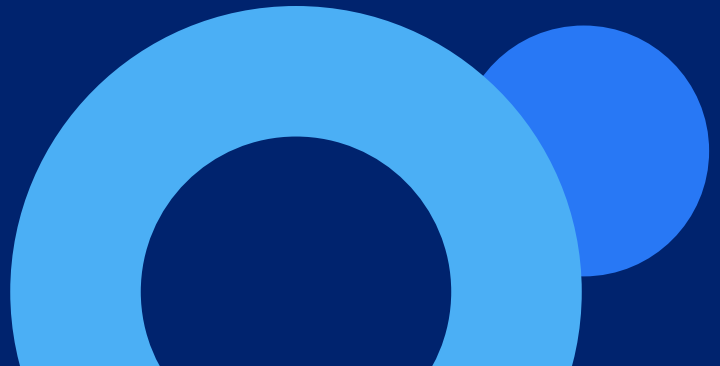
Source: Bloomberg, Fed of Saint Louis, Shinhan Securities Vietnam

01

Flows from institutional investors

Institutional investors had a significant impact on the total market trading liquidity in 2024. Institutional investors accounted for 19.4% of the total market trading value, increasing by 50% compared to the number of 12.7% in 2023.

Although “active” funds participated into the Vietnam stock market actively, “passive” funds were withdrawn continuously in 2024, which put pressure on the market.



Flows from institutional investors

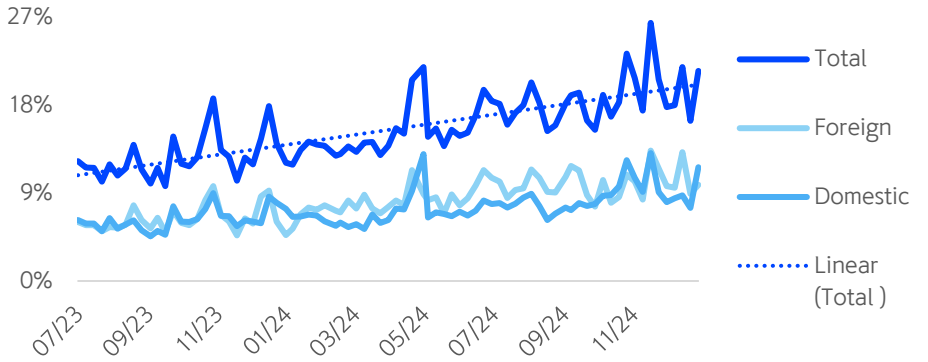
Institutional investors took a larger share of total trading value in 2024

- Institutional investors had a significant impact on the total market trading liquidity in 2024. Institutional investors accounted for 19.4% of the total market trading value, increasing by 50% compared to the number of 12.7% in 2023. The increasing trend of institutional investors' shares can be seen clearly through the weekly numbers in 2024, from 15%-16% in May to around 20% by the end of the year.

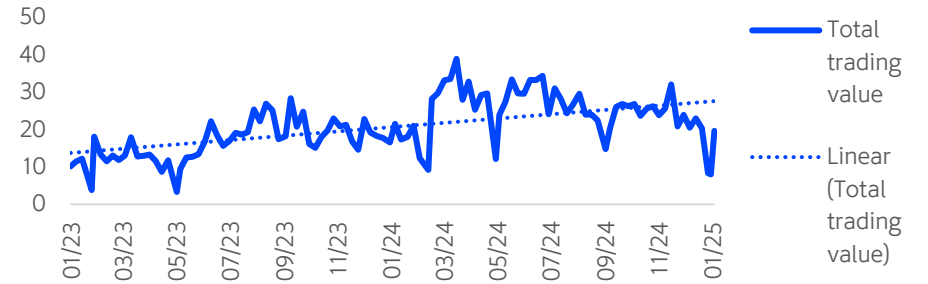
- Investment funds often invest in large-cap stocks, especially foreign funds. Because of the large market capitalization, the increase and decrease of these stocks contribute significantly to the up and down of the market during the year. When the large stock faced a large selling pressure from foreign investors in late 2024, the market had difficulty reaching to a new higher level. In 2024, Vietcombank (VCB) was sold in net by foreigners for VND 2.3 trillion, Vinhomes (VHM) was sold in net of VND 19.4 trillion… In particular, FPT was sold in net of VND 6 trillion when its stock price increased sharply by 85% in 2024. It was very abnormal when FPT was sold because FPT's foreign ownership room had always been full before 2024.

- We believe foreign selling pressure is likely to continue at least until Q1 2025 when the Vietnam stock market will wait for supportive information from the market upgrade so that foreign capital can return. In addition, the policy reform can also be expected to attract foreign capital flow from international funds. Tax breaks and fee incentives policies can be considered to encourage foreign institutional investors' participation in the Vietnam stock market.

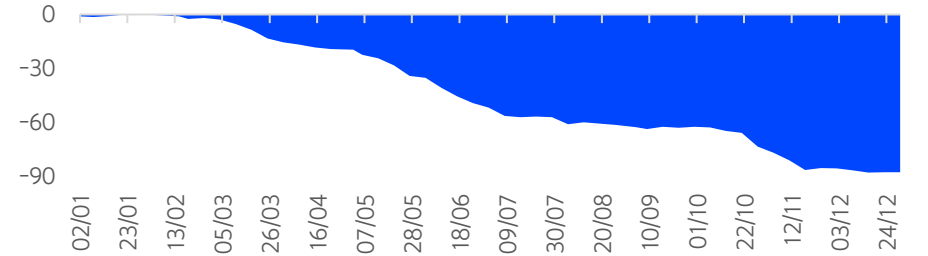
Weekly trading share of institutional investors over the whole market



Total weekly buying and selling value of institutional investors (VND tn)



Accumulated net selling of foreign investors in 2024 (VND tn)



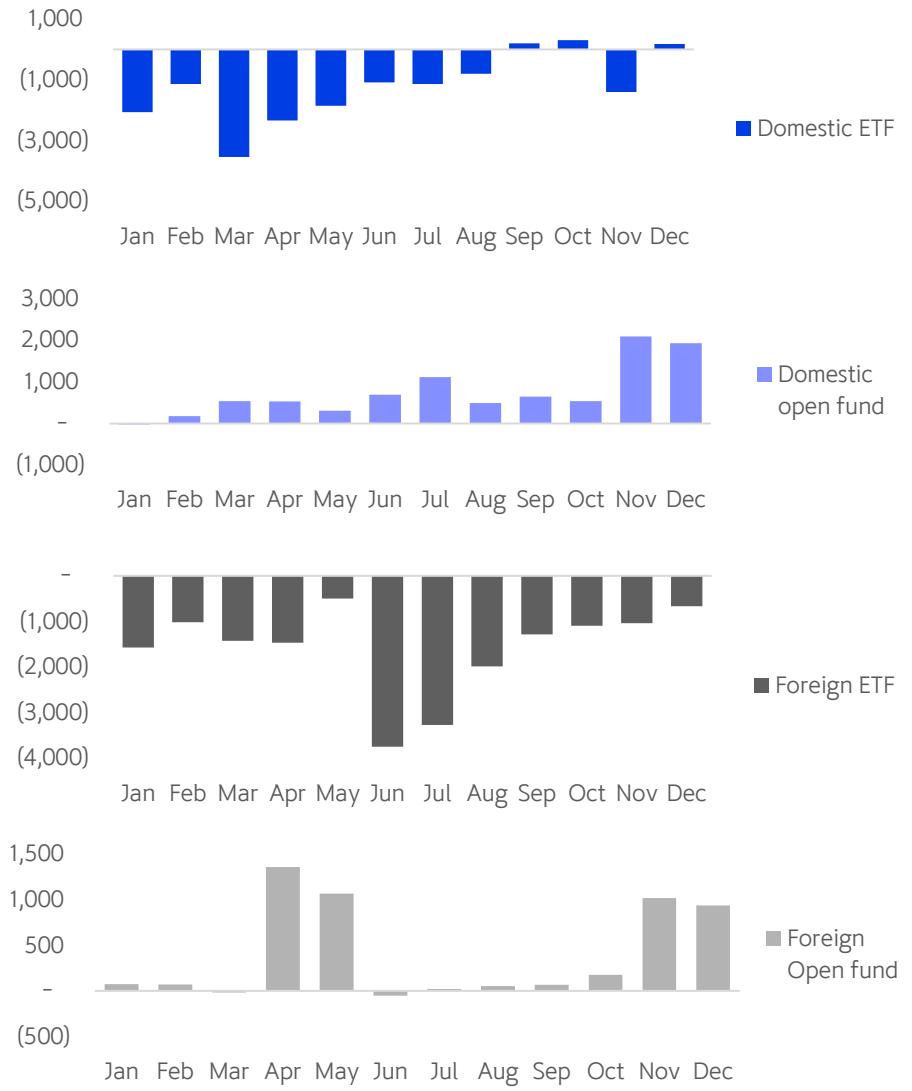
Source: Fiinpro, Shinhan Securities Vietnam

“Active” flow

Passive withdrew. Active entered.

- In 2024, active and passive funds had different stock investment targets, leading to a lack of market leadership from large stock groups. Active funds attracted over VND 13 trillion, with notable contributions from Eastspring Investments, Dragon Capital, and Vinacapital. Foreign active funds like VEF and K-VIETNAM also raised significant capital. The highest capital raise was from Eastspring Invesments Vietnam ESG Equity Investment Fund, established in H2 2024, with the capital more than VND 3 trillion.
- Active funds, more flexible in investing, included stocks from Upcom, unlike passive funds (ETFs) which focused on indexes like HOSE. Conversely, both domestic and foreign ETFs saw significant net withdrawals, including the dissolution of Blackrock's iShares MSCI Frontier and Select EM ETF, and large withdrawals from Fubon ETF and Vietnam domestic ETFs. Fubon suffered a net withdrawal of more than VND 6 trillion in 2024. Vietnam ETF also faced a similar situation. FUEFVND (VNDiamond ETF managed by Dragon Capital) had a net withdrawal of more than VND 9 trillion and FUESSVFL (VNFinlead ETF managed by SSIAM) had a net withdrawal of more than VND 2 trillion…
- Passive funds, crucial for global asset allocation strategies, faced withdrawals due to increased systematic risks from exchange rate, political or global economic risk… The selling pressure from the withdrawals will focus on large-cap stocks, pressing the market down.

Monthly fund flow by fund types in 2024 (VND billion)

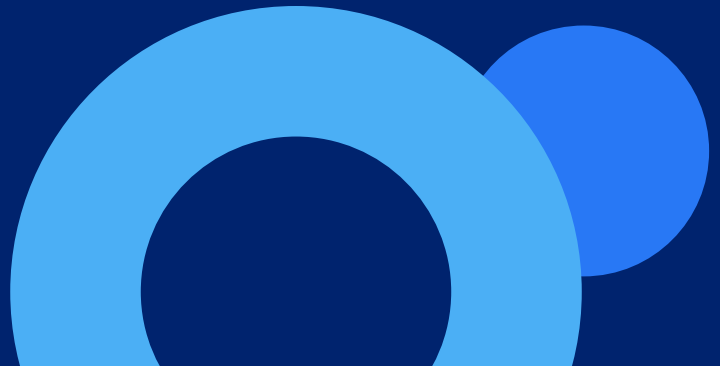


Source: Fiinpro, Shinhan Securities Vietnam

02

Global interest rates have not decreased following to policy rates

Global interest rates have been in a slight increasing trend, which affects the valuation of underlying securities when the risk premium is higher. Observing the global interest rates, such as the 10Y US Government Bond, can monitor the flow of the foreign investors in the Vietnam stock market.

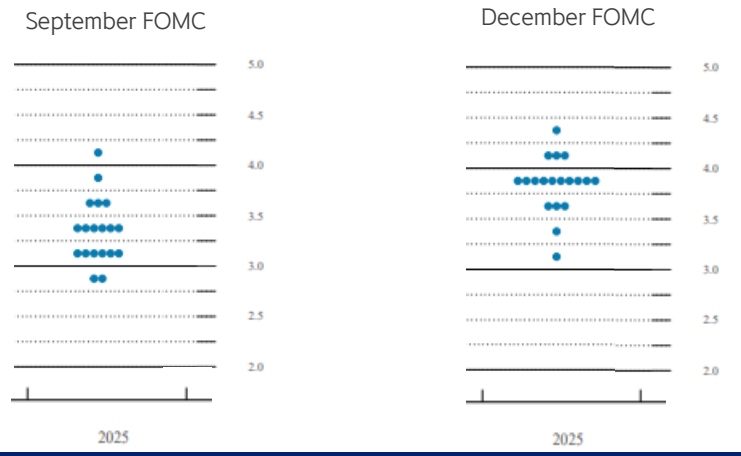


Global interest rates have not decreased following to policy rates

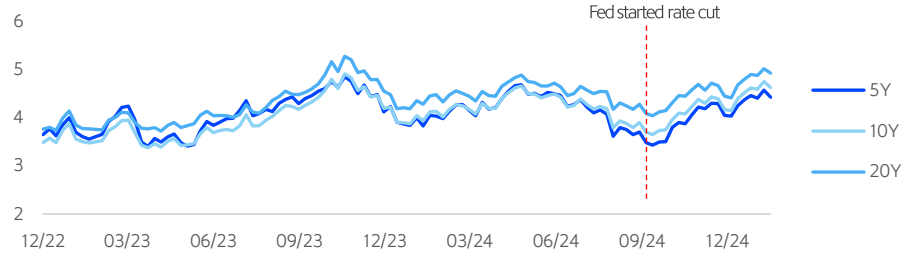
The current rate level can affect the valuation of the underlying stocks

- At the Federal Reserve's December meeting, Fed reduced the interest rate by 25 basis points to 4.25% - 4.5%. However, Fed indicated a slow rate cut in 2025. The projected rate for 2025, as shown in the dot plot, increased from 3%-3.25% in September to 3.75% in December.
- Fed continued keeping the current rate in January meeting and could keep the current level when all Trump's policies announcement are reflected in the economy. According to CME FedWatch, more than 90% of analysts predict that the Fed will maintain the current interest rates at the March meeting.
- Despite the rate cuts starting in September, U.S. bond yields did not decrease correspondingly. The 10-year nominal yield of U.S. government bonds reflects investors' high inflation expectations. Global investors are concerned that tariffs and deportation policies under the Trump administration could drive inflation higher. Increased tariffs raise domestic prices, and higher costs may be passed on to consumers. Deportation policies could also lead to higher wages in the U.S.
- Using the yield gap at different maturities as a reference, the current interest rate in Vietnam may not maintain at the current level. The gap may need to reduce more and Vietnam bond yield may increase to reduce the gap. This can affect the valuation of the underlying equity when the risk premium is higher.

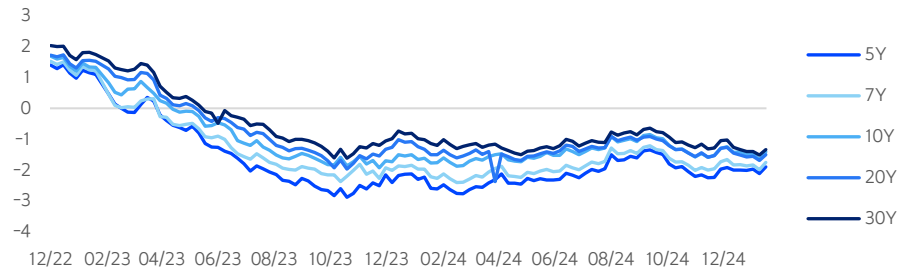
Fed dot plot



US Bond Yield (%)



Bond Yield Gap between Vietnam and US Government Bond (%)

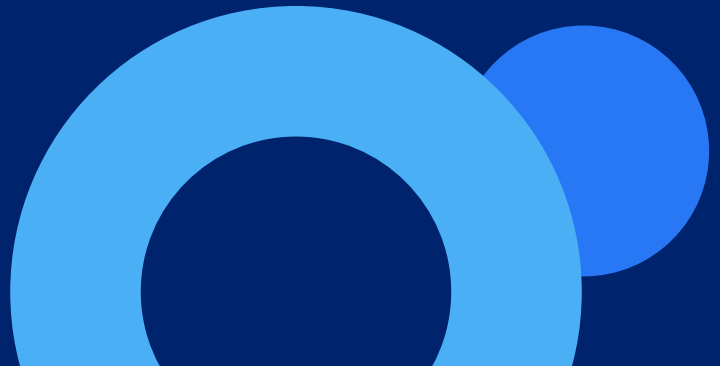


Source: FOMC, Bloomberg, Shinhan Securities Vietnam

03

Investment strategy

In the time of waiting for the unstable fluctuations of interest rates and exchange rates to decrease or stabilize in the new normal level, investors can select stocks with low volatility or having their unique catalysts for the position in the investment portfolio. These stocks will likely not be affected by the net selling of foreign investors.



Seeking alpha

- When the market has not reached consensus from all players, picking stocks with strong catalysts can be considered for the investment strategy. The stock table in our November 2024 Equity Strategy report is the investment universe for seeking alpha. These stocks do not have much attention from many passive funds. We also added 4 new stocks for the watchlist. They are CLX, DVN. SAS, and MML.
- The reason that we choose these stocks is because they are listed on UpCom or HNX because the stocks will not have big components in many passive ETFs, and 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	6M Change				
VEA	UpCom	0.52	5.5%	-1.7%	2.6%	39,900	53,019,120	8.5	2.1
PPT	HNX	0.36	14.5%	-0.8%	-2.3%	12,600	229,194	24.6	1.2
NTP	HNX	0.71	-1.1%	2.0%	3.1%	59,700	8,509,177	12.4	2.5
QNS	UpCom	0.61	10.4%	4.7%	1.6%	50,800	18,676,526	7.1	1.8
QTP	UpCom	0.49	3.4%	8.1%	1.5%	13,800	6,210,000	10.1	1.2
VLB	UpCom	0.96	37.3%	18.2%	15.6%	45,200	2,111,769	17.0	3.5
FOX	UpCom	0.60	4.3%	-1.7%	0.6%	95,500	47,034,625	22.0	5.4
ACV	UpCom	0.49	9.5%	-1.1%	0.0%	120,000	261,234,052	36.2	5.2
CLX	UpCom	0.73	15.3%	11.7%	11.7%	18,100	1,567,460	9.2	0.9
DVN	UpCom	0.56	-2.2%	10.2%	12.6%	25,900	6,138,300	18.6	2.1
SAS	UpCom	0.30	59.4%	37.8%	32.8%	47,000	6,272,240	24.9	4.2
MML	UpCom	0.54	21.6%	30.8%	42.2%	32,700	10,760,020	109.0	2.1

Source: Bloomberg, Shinhan Securities Vietnam, Data was update on 10 February 2025

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



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