MORNING CALL

August 26, 2022

Shinhan Securities

“Index rose up in doubt”

- Global stocks slightly recovered
- Domestic stocks remained in green
- Banking industry update #VCB, #MBB, #TCB, #ACB
- Technical view and recommendations
- Economic calendar
- Q&A

[Analysts]

Khang Tran ☎ (84-28) 6287-8037
✉ khang.lt@shinhan.com

Xuan Nguyen ☎ (84-28) 6287-8037
✉ xuan.nht@shinhan.com

Global Market Review - Week 22-26/08/2022

Major stock markets slightly rebounded

- Wall Street slightly rebounded to over 33,200 points, waiting for FED.
- Asian and European stocks also rose slightly.
- China launched an additional support package of 1 trillion yuan (nearly 146 billion USD) to rescue the economy.
- Investors cautiously await the speech of Fed Chairman - Jerome Powell on the US economic outlook and inflation within the framework of the Fed's annual Economic Policy Conference held in Jackson Hole on August 26.
- Crude oil rose sharply to the threshold of 95 USD/barrel, along with natural gas prices continued to escalate.

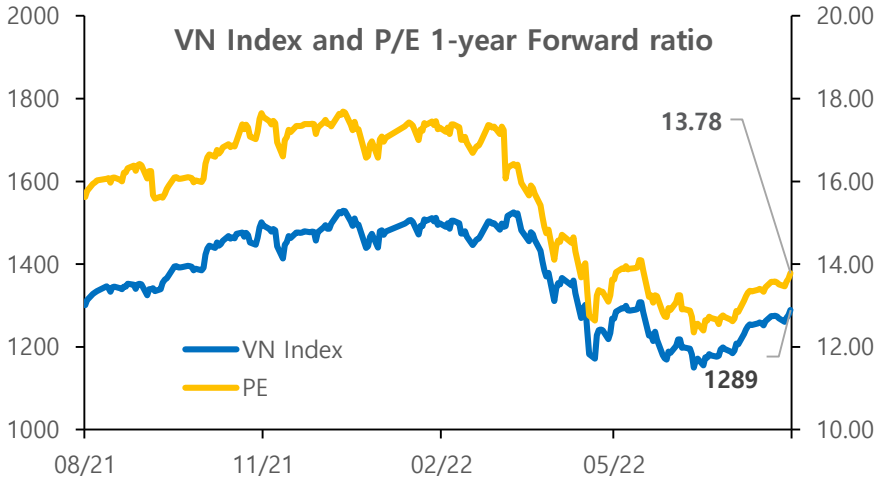
Market

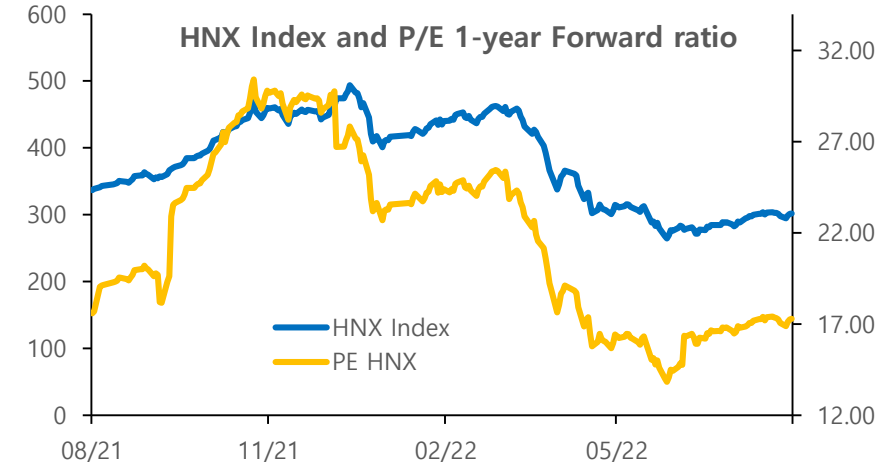
	Close	%1D	%1M	%1Y
VN-Index	1,289	0.92%	8.76%	-0.94%
S&P 500 Index	4,199	1.41%	5.86%	-6.61%
Dow Jones Index	33,292	0.98%	4.07%	-5.97%
Hang Seng	19,968	3.63%	-4.48%	-21.43%
Nikkei 225	28,728	0.87%	3.88%	3.55%
SHCOMP Index	3,246	0.97%	-0.95%	-7.29%
STI Index	3,248	0.44%	1.74%	4.45%
KOSPI Index	2,492	0.60%	3.28%	-20.34%

Currency & Commodity

	Close	%1D	%1M	%1Y
Dollar Index	108.56	0.09%	1.28%	16.66%
USD/VND	23,428.00	0.07%	-0.15%	-2.64%
EUR/USD	1.00	-0.10%	-1.50%	-15.21%
USD/CNY	6.85	0.15%	-1.44%	-5.45%
Brent	99.99	0.65%	-4.22%	40.69%
WTI	93.15	0.68%	-1.93%	38.16%
Natural gas	9.41	0.41%	4.67%	124.98%
Coal	412.60	1.19%	1.77%	144.51%
Gold	1,755.85	-0.16%	2.24%	-2.04%

Vietnam Market Snapshot 25/8/2022





	Close	PE	Difference	%1D	Trading volume (mn stocks)	Trading value (VND bn)
VNI NDEX	1,288.88	13.78	11.72	0.92	624	15,482
HNX INDEX	301.86	17.29	0.57	0.19	85	1,770

Money flow and sector rotation (VND bn)

Sector	%1D	8/25/2022	8/24/2022	20-session Average
Retail	69.10	776	459	506
Automobiles & Parts	65.47	140	84	112
Basic Resources	50.75	1,235	819	1,426
Chemicals	46.70	1,493	1,018	767
Banks	17.05	2,114	1,806	2,145
Financial Services	16.67	1,617	1,386	1,992
Real Estate	8.75	2,321	2,134	2,524
Technology	4.99	141	135	209
Utilities	1.95	377	370	354
Health Care	-1.4	20	20	35
Construction & Materials	-8.3	834	909	994
Insurance	-17.7	99	121	114
Oil & Gas	-23.3	232	302	240
Food and Beverage	-26.0	1,235	1,669	1,358
Industrial Goods & Services	-31.1	722	1,047	806
Media	-31.6	6	9	9
Travel & Leisure	-31.9	78	115	121
Personal & Household Goods	-32.9	232	346	223

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Breaking news

Macro

Positive

- Vietnam - Japan Business Forum held in Tokyo on August 24 attracted more than 150 businesses from the two countries to attend, promoting cooperation and investment in energy through signed memorandums of understanding.
- It is expected to upgrade and expand DT746 road to lead to Vietnam - Singapore Industrial Park III (VSIP III), which will be expanded to 6 lanes, with a total investment of more than 1,400 billion VND.
- At the meeting of the Price Management Steering Committee chaired by Deputy Prime Minister Le Minh Khai, the representative of the Ministry of Finance forecast that the average CPI this year will increase in the range of 3.37 - 3.87%, showing the basic price level well controlled. Average CPI in 7 months of 2022 increased by 2.54% over the same period.

Less positive:

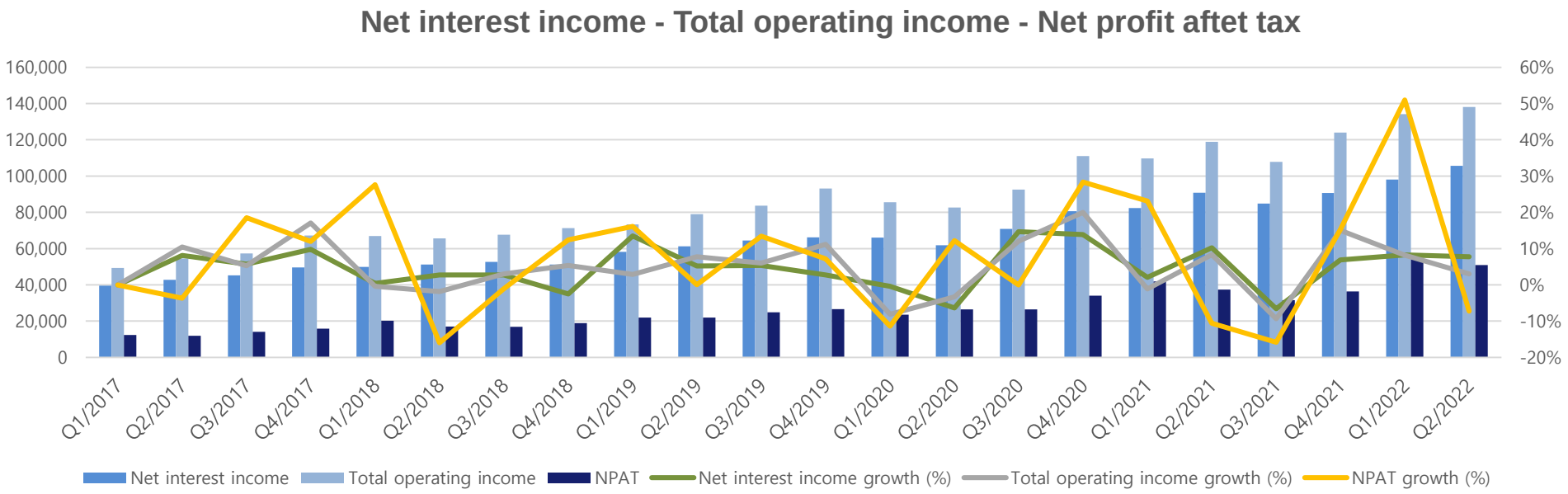
- Inflation in export markets such as the US and EU has significantly affected orders and unit prices of textile, footwear and furniture enterprises from now until the end of the year.
- The number of Covid cases is increasing slightly again.

Business news

- Poland's largest chemical company Grupa Azoty has stopped production of several key fertilizers due to rising energy input costs.
- Regarding steel market share in the first half of the year, Hoa Phat (HPG) gained more market share in construction steel and steel pipes, while Nam Kim (NKG) and Ton Dong A increased market share in galvanized sheet. In contrast, Hoa Sen (HSG) recorded a decrease in market share in both galvanized steel and steel pipes, according to Nguoi Dong Hanh newspaper.
- Hoa Binh Construction Group has just held an extraordinary general meeting of shareholders on the afternoon of August 24 to finalize its strategy towards the world market, with a goal of 2032 revenue of 437.5 trillion VND, profit of 21,875 billion VND and a plan of issuing 5 million shares to Japanese partners.
- MWG plans to sell 20% equity in Bach Hoa Xanh in the first quarter of 2023, according to Reuters.



Banking industry update

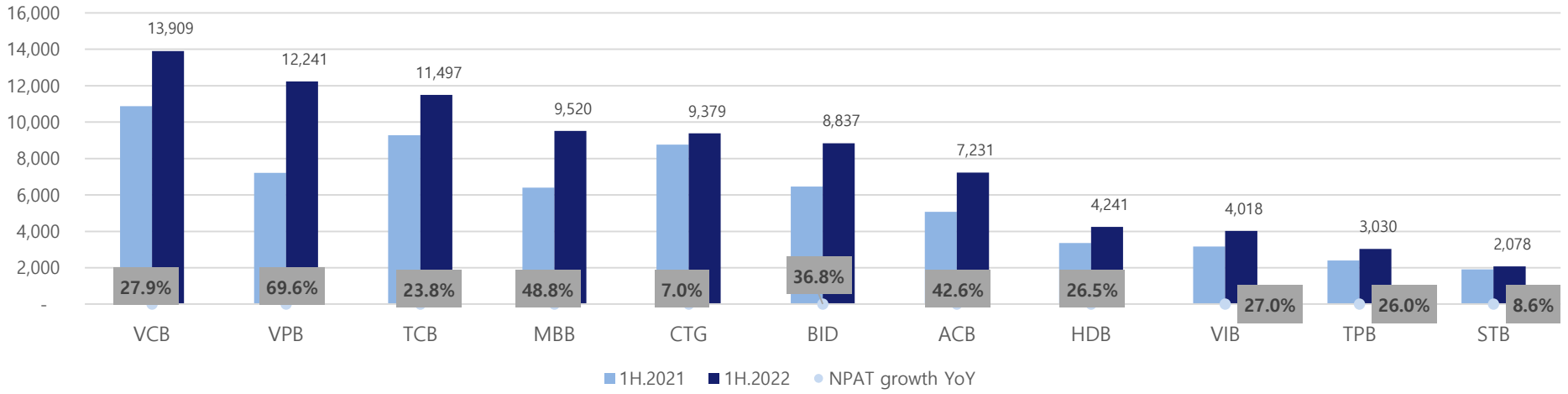


Source: Fiinpro, SSV

- Net profit after tax of 27 listed banks in Q2/2022 reached VND 51 trillion (-7.2% QoQ, +36% YoY). NPAT accumulated 6M/2022 gained nearly VND 106 trillion (+33.3% YoY).
- NPAT Q2/2022 decreased compared to Q1/2021 as the banks had recorded huge net non- interest income in this period.
- Profit rose thanks to the increase of credit expansion, especially net interest income achieved VND 106 trillion (+7.8% QoQ, +16.4% YoY), total operating income Q2/2022 reached VND 138 trillion (+3% QoQ, +16.2% YoY).

Banking industry update

Net profit after tax 1H2022 vs 1H2021

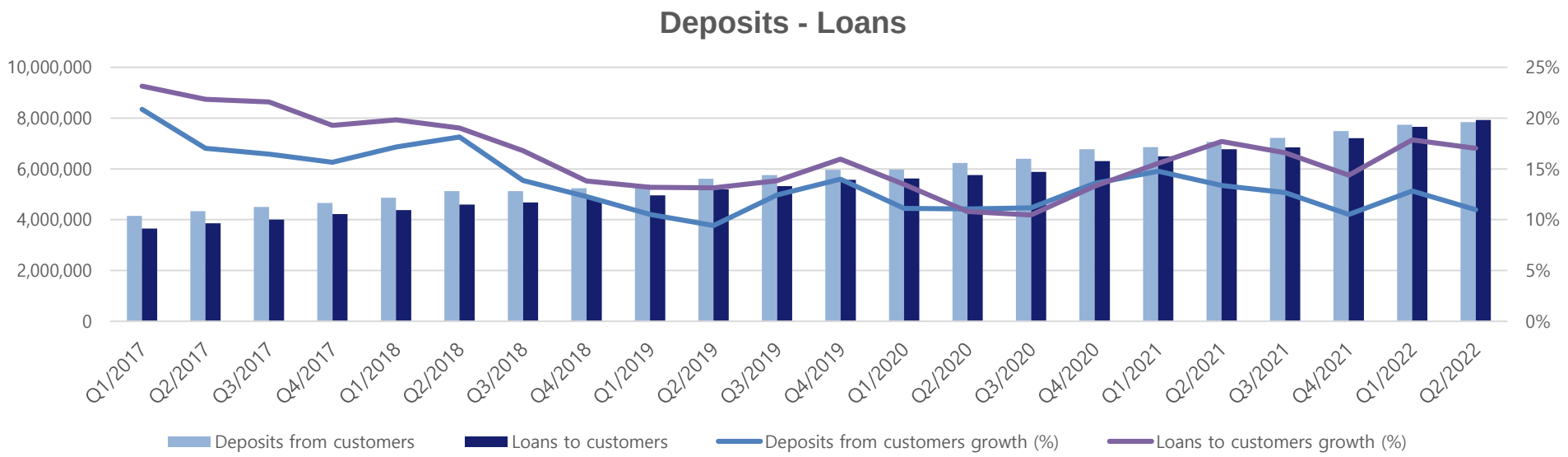


Source: Fiinpro, SSV

- Banks recorded a strong growth in accumulated profit in 6M/2022 over the same period, specifically VPB (+69.6% YoY), MBB (+48.8% YoY), ACB (+42.6% YoY).
- After being surpassed in profit by VPB in 1Q2022, VCB returned to the top of the system with 1H2022 accumulated NPAT reaching nearly VND 13,909 billion (+27.9% YoY). VPB and TCB are the next two banks recording high NPAT.
- Profits are expected to increase in 2H2022 with the expectation that the SBV will raise or allocate credit "room" for credit institutions based on the following criteria:
  - The results of credit institutions ranking based on the criteria in Circular 52/2018/TT-NHNN;
  - The policy and management plan of the SBV on loan interest rate support, focusing on a few areas, credit institutions participate in supporting the handling of weak credit institutions, etc.

(*) SBV: State Bank of Vietnam

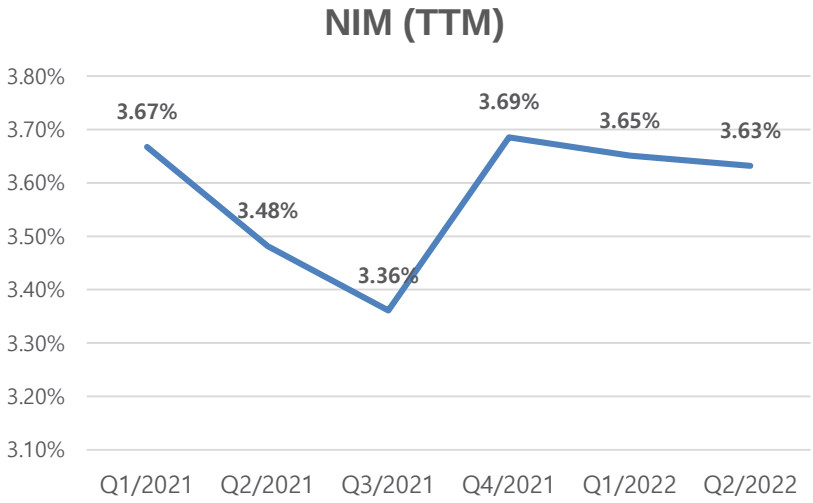
Banking industry update

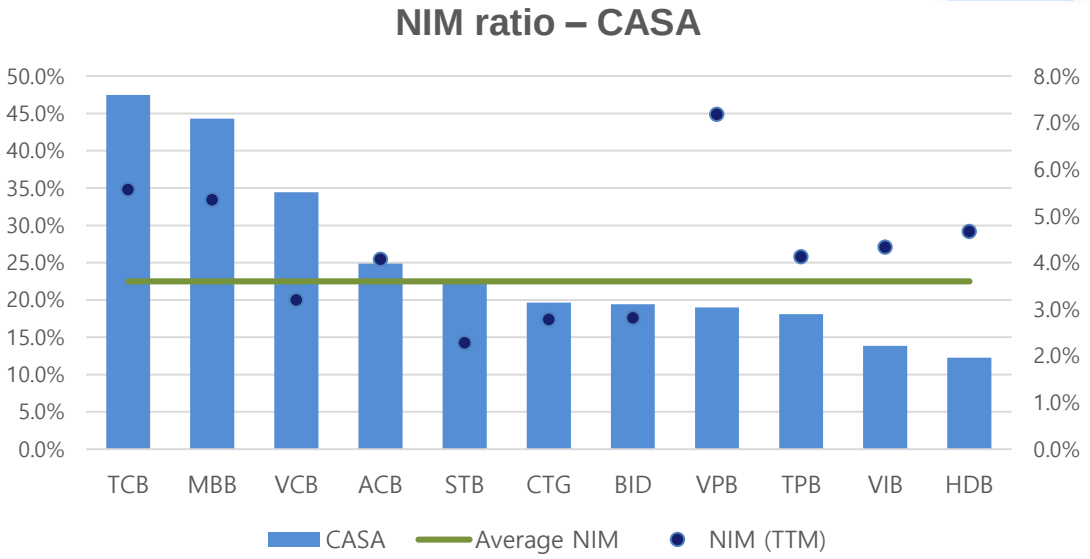


Source: Fiinpro, SSV

- As of June 2022, the credit growth of banking industry was 9.35% compared to the end of 2021. The significant credit growth showed a strong increase in credit due to the needs of economic recovery activities after the pandemic.
- As for the credit growth plan, SBV orients the credit growth in 2022 to about 14%, with adjustments to match the actual economic situation and developments. Thus, credit growth in 2022 is 4.65%.
- In the first half of 2022, deposits increased by 4.47% compared to the end of 2021, slower than credit growth. Although banks are constantly racing to increase deposit interest rates in the first half of 2022, as individual customers are still looking for other investment channels with higher returns.

Banking industry update





Source: Fiinpro, SSV

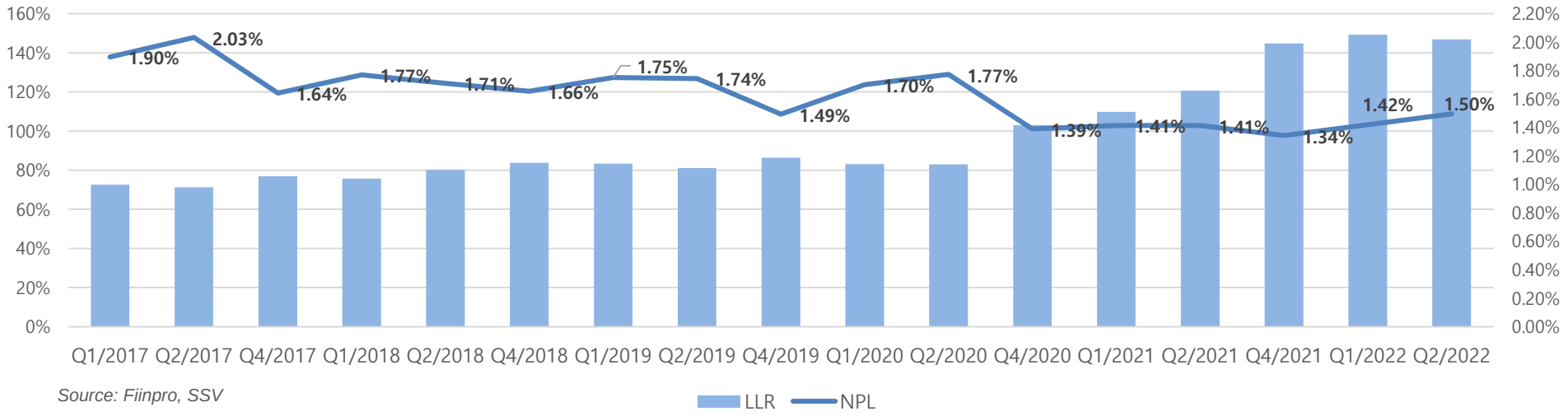
NIM: Net interest margin

CASA: Current account saving account

- NIM keeps an average of 3%, but tends to decrease in the first half of 2022 as banks strengthen support packages of lenidng rates during the post-epidemic economic recovery period, and when banks agree participating in the race to increase deposit interest rates.
- In the context of rising interest rates, banks with a high CASA ratio will have a competitive advantage in lending rates as well as many opportunities to improve NIM. Banks with the leading CASA ratio in the system such as TCB and MBB both have higher NIM ratios. Except for VPB, when the NIM ratio improved, it was mainly thanks to the subsidiary FECredit reaching 22%, while the parent bank reached 5.37%.
- Thus, for banks with the advantage of high CASA ratio, the ability to borrow foreign capital at low interest rates, along with the expansion of lending to individual customers, there will be many advantages in improving NIM. For example: TCB, MBB, VPB.

Banking industry update

Non-performing loans ratio (NPL) – Loan loss reserve ratio (LLR)

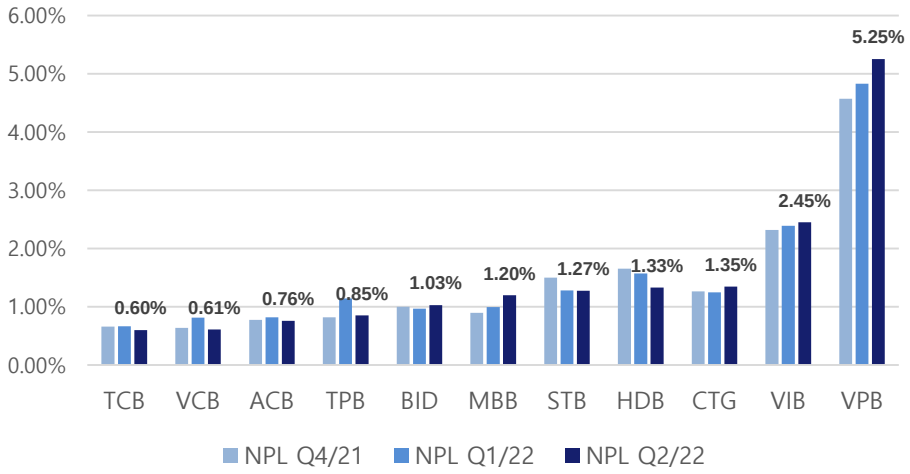


Source: Fiinpro, SSV

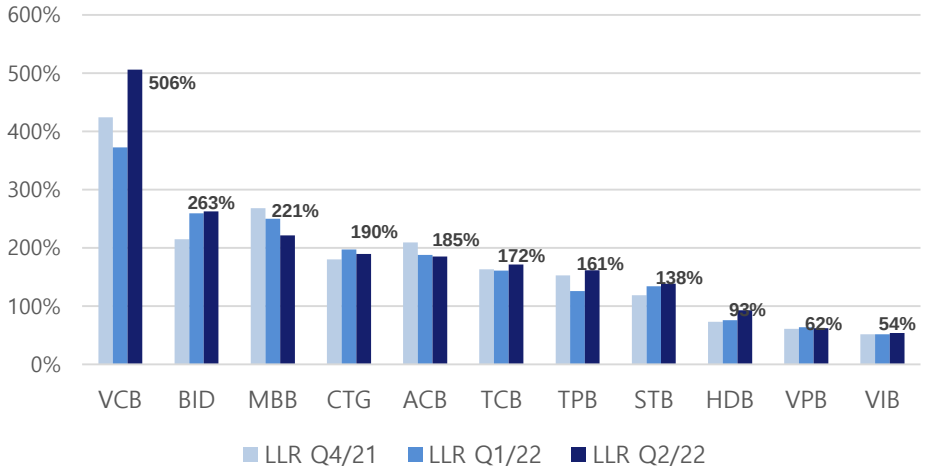
- Bad credit balance of 27 listed banks is about VND 121 trillion (+24% YoY). NPL ratio at the end of Q2 was about 1.5%, up from 1.34% at the end of 2021 and 1.42% in Q1.
- NPL is expected to continue to increase in 2H2022 and early 2023 when Circular 14/2021/TT-NHNN allows credit institutions to restructure debt repayment terms, exempt or reduce interest, keeping the debt group unchanged to support customers during the epidemic, will expire on June 30th, 2022.
- Provisioning is being the top priority of the SBV. By the end of Q2, the system's LLR reached 147%, a slight increase compared to the end of 2021 by 145%.

Banking industry update

Non-performing loans ratio (NPL)



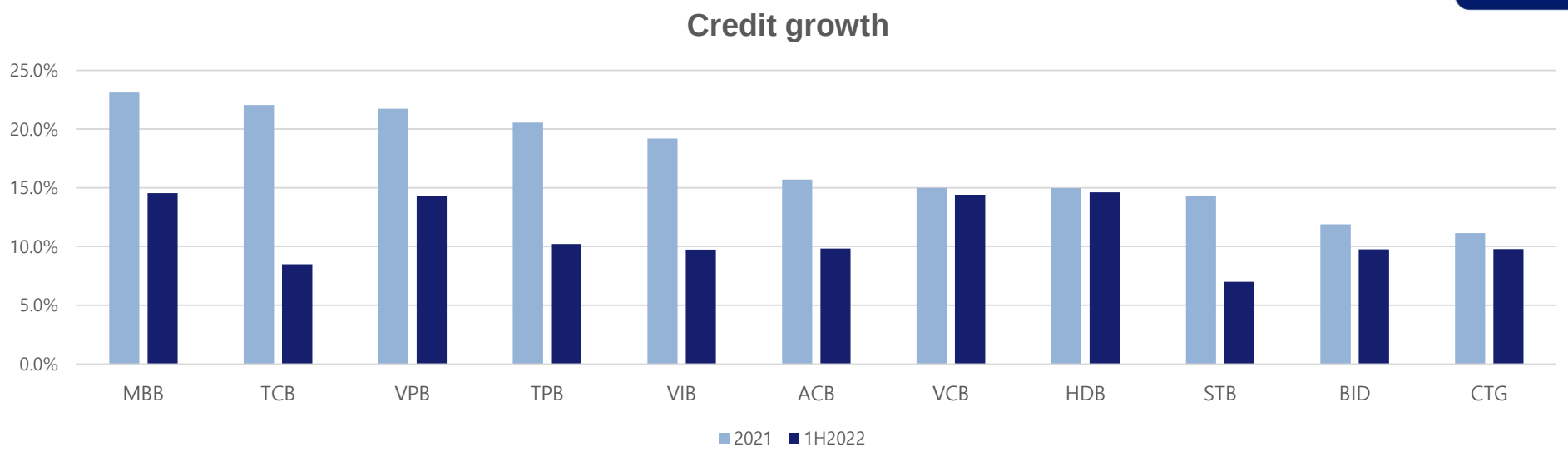
Loan loss reserve ratio (LLR)



Nguồn: Fiinpro, SSV

- NPL ratio in the first 6 months was divergent among banks, banks with NPL decreased in Q2/2022 and kept below 1% such as TCB, VCB, ACB, TPB. Most banks had NPL increased in Q2/2022. Notably, VPB had NPL higher than 5%, ranking second in the system (after National Citizen Commercial JSB).
- With solid asset quality, good capital buffer and bad debt coverage, banks will be able to minimize risks in the coming time. Banks with high LLR ratio will have many advantages in the coming time such as VCB with LLR reached 506%, the highest in the industry, followed by BID, MBB, and CTG leading in LLR ratio.

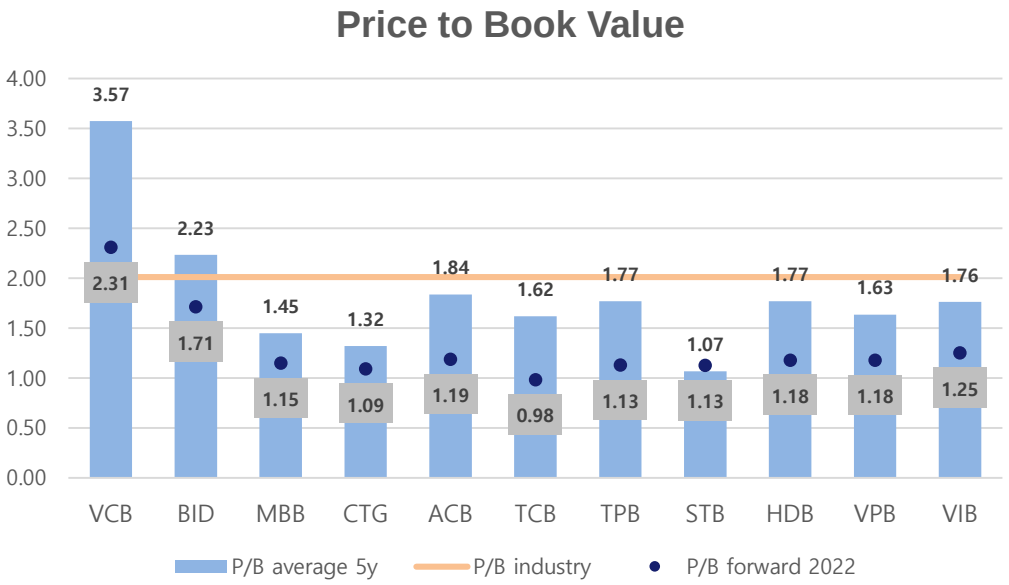
Banking industry update



Source: Fiinpro, SSV

- Currently, banks have run out of credit room for 2022 and the room in the remaining 6 months is considered to be relatively limited.
- Some banks are expected to open credit room:
  - VCB is expected that the credit limit for the year of 2022 will be around 18-19% when it has proposed to receive a compulsory transfer of a credit institution and has strongly supported the economy during the pandemic;
  - MBB is the second bank that is expected to have a credit growth up to 20% when MBB also receives a transfer of a credit institution;
  - HDB has also proposed to participate in restructuring another credit institution.
- Besides, in Q2 many banks adjusted their credit structure, reduced the size of bonds to have more room for customers loans, such as TCB, TPB, VPB, VCB, MBB.

Banking industry update



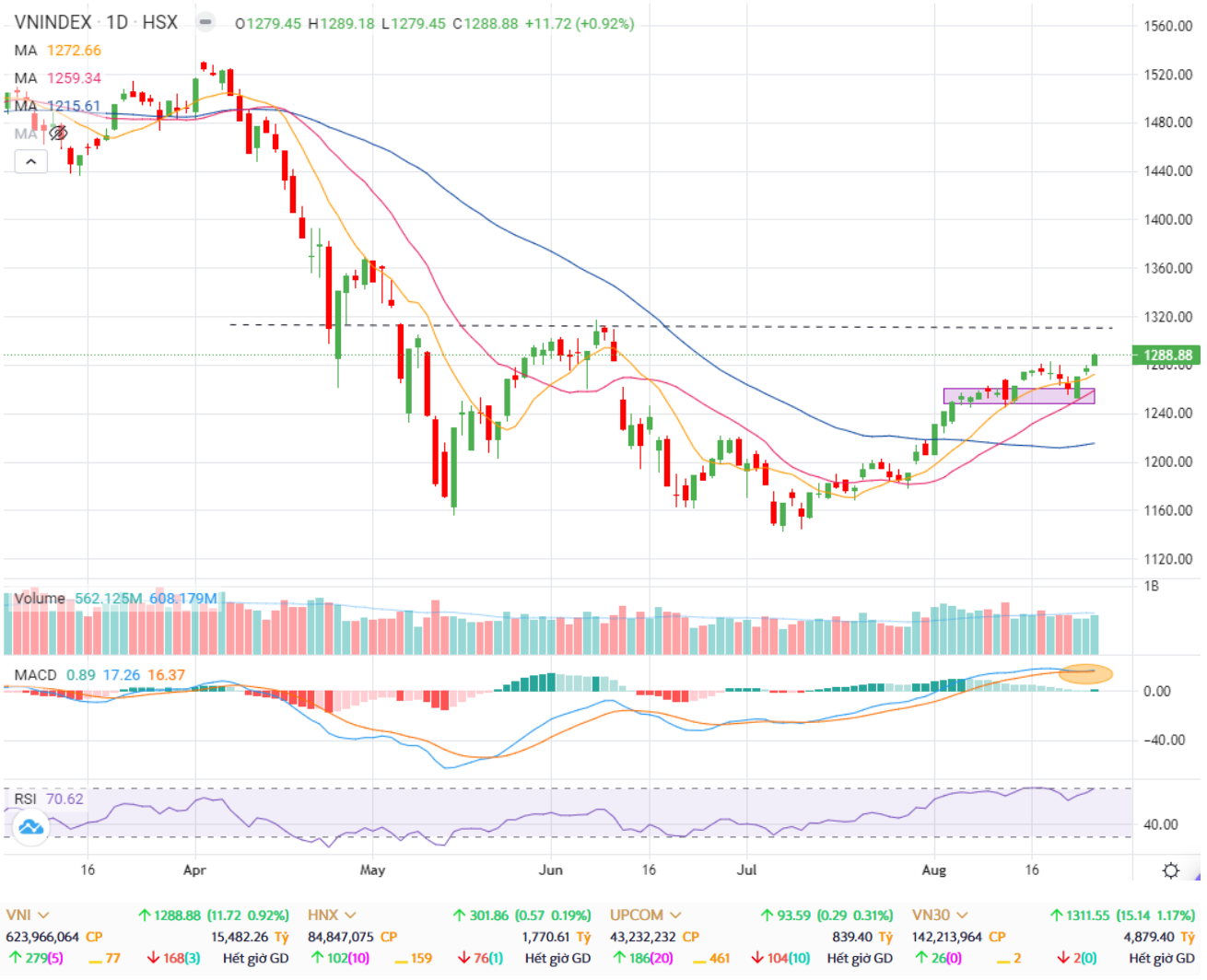
- Most banks are trading around P/B forward 1x and below 5-year average around 30%.
- We especially favor VCB, MBB, TCB, ACB in the banking group due to their attractive valuations, especially outstanding asset quality, potential for profit growth through NIM improvement/protection, or ability to gain credit expansion.

Source: Bloomberg Consensus, Fiinpro, SSV

Risks:

- High risk of inflation in near future, stemming from the context of high inflation in the world forcing central banks to raise interest rates. The pressure to raise deposit rates increased, leading to high lending rates, but the increase would be later than that of deposit rates, leading to the NIM risk of narrowing.
- Bad debts and potentially risky debts are likely to increase sharply in late 2022 and early 2023 after the circular on debt restructuring has expired. In addition, real estate activities are subject to strong fluctuations that may affect loans secured by real estate.

Technical view



VNI	↑1288.88 (11.72 0.92%)			HNX	↑301.86 (0.57 0.19%)			UPCOM	↑93.59 (0.29 0.31%)		
623,966,064 CP		15,482.26 Tỷ		84,847,075 CP		1,770.61 Tỷ		43,232,232 CP		839.40 Tỷ	
↑279(5)	77	↓168(3)	Hết giờ GD	↑102(10)	159	↓76(1)	Hết giờ GD	↑186(20)	461	↓104(10)	Hết giờ GD

VN30	↑1311.55 (15.14 1.17%)										
142,213,964 CP		4,879.40 Tỷ									
↑26(0)	2	↓2(0)	Hết giờ GD								

Trend: Recovering in caution

- The VnIndex remained in green and closed at 1,288 points, higher than the recent peak and overcame the gap-down on August 13, removing the psychological resistance around 1,280 points. However, order matching was still lower than the 20 session average, showing that the money flow is quite cautious. The MACD started to turn up again and the RSI also crossed the 70 level, agreeing with the uptrend. In general, the increasing inertia will maintain but the index will start to shake when approaching the 1,300 point area.

Scenarios:

- Positive (65%): The retracement wave is likely to continue and target the resistance area around 1,300 points. However, in the short term, we need to be cautious because the index might need to correct to create more gaining momentum. Therefore, only open long positions in the correction and avoid excitement.
- Less positive (35%): If index drops again and breaks through 1,220 points, it means that the retracement wave will gradually end and possibly a bull trap. At this time, you should minimize your stock position and stand outside to observe.

Trading ideas for 2H2022

❖ **Financials:** Cash flow has been returned and most of the stocks are above MA20. Many stocks created cross points (MA20 crosses MA50 > positive signal for short-term trading). This group is likely to have a considerable impact on the index in coming time.

- ✓ **Banking:** STB, MBB, CTG, BID, LPB (UPCoM: BVB, ABB). The highlight is that profits of this group continue to grow while the stock market prices have had a big discount, however, it should be noted that bad debts of some banks still increase.
- ✓ **Securities:** HCM, SSI, VND, VCI, SHS (beneficiary from applying T+2, however, should be cautious with stocks that are highly speculative or unpromising long-term outlook)

❖ **Real estate** (Residential + Industrial): FDI inflows into Vietnam is still high, FDI moving out of China remains and the housing market recovers

- ✓ **Residential**: DIG, PDR, NLG, DXG, HDC
- ✓ **Industrial**: KBC, GVR, SZC

❖ **Construction, public investment:** The disbursement of public investment capital, in addition to the reduced cost of materials such as steel and cement will contribute to improve profit margins for this group.

- ✓ **Construction**: HBC, VGC
- ✓ **Public investment**: LCG, C4G, HHV

❖ **Power:** NT2, REE, POW (electricity price and demand still increasing)

Watchlist for 2H2022

Signal	Sector	Stock
"Strong"	Banking	**STB, MBB, CTG, BID, LPB** UPCoM: **BVB, ABB**
	Securities	**HCM, SSI, VND, VCI, SHS**
	Real estate	**DIG, PDR, NLG, DXG, HDC** **KBC, GVR, SZC**
	Construction	**HBC, VGC** **LCG, C4G, HHV**
	Power	**NT2, REE, POW**
Watchlist	Export	**VHC, ANV** **TNG, VGT**
	Economy reopening (Tourism/ Aviation)	**HVN, VJC** **SKG, VTD**

Recommended portfolio

Shinhan
Compassionate Finance

Trading portfolio

Updated date 25/8/2022 Unit: thousand VND

Ticker	Recommendation day	Buying price (+/- 1%)	Target	Cut loss	Upside	Current price	T+	Profit/Loss	Recommendation	Status
CTG	9/8/2022	28.5	32	27.5	12%	28.7	13	0.70%	Buy	Open
GVR	9/8/2022	24.6	28	23.5	14%	25.45	13	3.46%	Hold	Open
HVN	10/8/2022	17.3	20	16.5	16%	17.9	12	3.47%	Hold	Open
BVB	10/8/2022	14	15	13.5	7%	13.8	12	-1.43%	Hold	Open
HPG	15/8/2022	23.8	26.5	22.4	11%	23.85	9	0.21%	Buy	Open
VGI	15/8/2022	33	38	31	15%	34.3	9	3.94%	Hold	Open
Position Closed										
PDR	9/8/2022	53.5	60	52	12%	58.4	7	9.16%	Sell	18/08/2022

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Economic calendar

August 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
31	1 PMI data (US and Vietnam)	2	3	4	5 Unemployment rate (US)	6
7	8	9	10 CPI data (US)	11 MSCI quarterly review PPI Data (US)	12	13
14	15 Deadline for submission of semi-annual financial statements	16	17	18 Expiration date of future contract FOMC meeting	19	20
21	22	23 Ishare MSCI review	24	25 US GDP Q3	26 FDI Data (Vietnam)	27
28	29 Vietnam macroecnomic data	30	31	1	2	3

Q&A

Shinhan Investment Network

SEOUL
Shinhan Investment Corp.
Shinhan Investment Tower
23-2, 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.
22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai Street,
District 3, 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

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