MORNING CALL

August 29, 2022

Shinhan Securities

“Challenging of macroeconomic instability”

- Global stocks plunged after the Fed chair's speech
- Domestic stocks dropped at the end of the week, waiting for a new reaction
- Inverted yield curve, indicator of an impending recession
- Economic calendar
- Q&A

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Global Market Review - Week 29-31/08/2022

Major stock markets plunged

- Wall Street plunged on August 26 after the Fed chair's speech, when he expressed his view that it may be necessary to accept the economic pain from the fight against inflation. Dow Jones lost more than 1,000 points to 32,283 points.
- Asian and European stocks were also in the red. The cryptocurrency market also went down, bitcoin at one point dropped below the threshold of 20,000.
- China launched an additional support package of 1 trillion yuan (nearly 146 billion USD) to rescue the economy.
- During the week, investors will continue to watch the speeches of FOMC members Ms. Brainard and Mr. Williams, however, maybe high consensus with Fed Chairman - Powell.
- Crude oil fell slightly at $93/barrel, while natural gas prices continued to escalate..

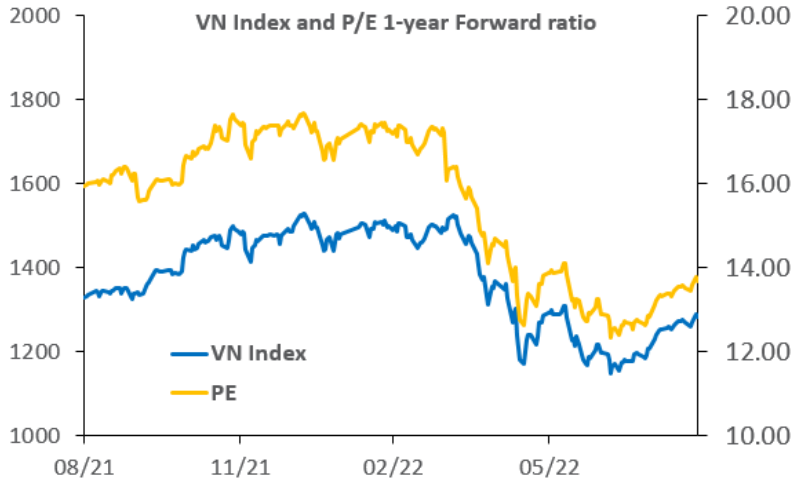
Market

	Close	%1D	%1M	%1Y
VN-Index	1,283	-0.49%	6.32%	-2.33%
S&P 500 Index	4,058	-3.37%	-1.76%	-10.02%
Dow Jones Index	32,283	-3.03%	-1.71%	-8.95%
Hang Seng	20,170	1.01%	0.07%	-20.62%
Nikkei 225	27,895	-2.61%	0.33%	0.92%
SHCOMP Index	3,236	-0.31%	-0.52%	-8.12%
STI Index	3,250	0.05%	1.18%	5.48%
KOSPI Index	2,425	-2.27%	-1.09%	-22.63%

Currency & Commodity

	Close	%1D	%1M	%1Y
Dollar Index	109.16	0.33%	3.07%	17.77%
USD/VND	23,410.00	0.08%	-0.18%	-2.68%
EUR/USD	0.99	-0.28%	-2.76%	-15.76%
USD/CNY	6.87	-0.33%	-1.57%	-5.67%
Brent	100.60	-0.39%	-8.55%	38.38%
WTI	93.04	-0.02%	-5.66%	35.35%
Natural gas	9.56	2.84%	16.17%	118.76%
Coal	427.00	3.45%	3.14%	149.71%
Gold	1,734.78	-0.19%	-1.76%	-4.17%

Vietnam Market Snapshot 26/08/2022





	Close	PE	Difference	%1D	Trading volume (mn stocks)	Trading value (VND bn)
VNI NDEX	1,282.57	13.69	-6.31	-0.49	669	16,075
HNX INDEX	299.50	17.15	-2.37	-0.78	95	1,969

Money flow and sector rotation (VND bn)

Sector	%1D	8/26/2022	8/25/2022	20-session Average
Travel & Leisure	76.61	138	78	123
Technology	51.89	215	141	210
Oil & Gas	50.84	350	232	253
Retail	43.66	1,114	776	536
Utilities	40.20	528	377	366
Health Care	29.94	26	20	35
Insurance	29.88	129	99	113
Personal & Household Goods	28.29	298	232	225
Media	21.46	7	6	8
Financial Services	19.39	1,930	1,617	2,000
Construction & Materials	17.13	932	795	1,003
Automobiles & Parts	15.89	162	139	115
Real Estate	15.43	2,679	2,321	2,548
Food and Beverage	10.31	1,363	1,235	1,366
Banks	2.76	2,172	2,114	2,134
Industrial Goods & Services	-4.0	693	722	796
Basic Resources	-22.7	955	1,235	1,437
Chemicals	-38.9	911	1,491	751

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Breaking news

Macro

Positive

- The processing and manufacturing industry continues to attract the highest amount of FDI with more than 10.7 billion USD.
- The implementation of odd-lot trading is planned to launch from September 12 by the Ho Chi Minh City Stock Exchange (HoSE).

Less positive:

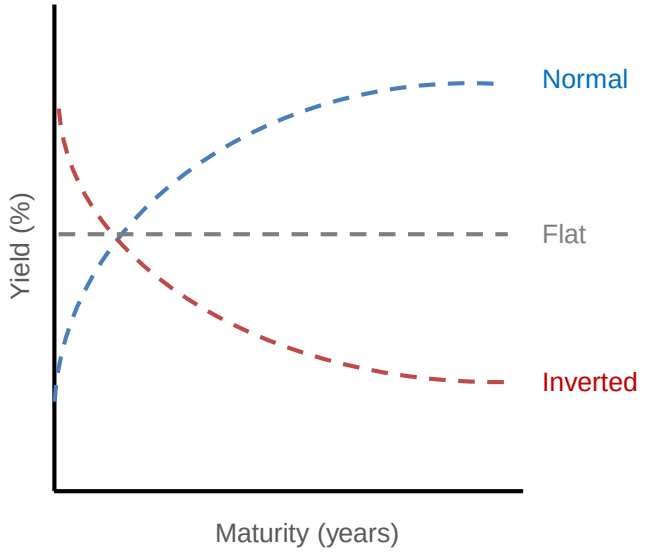
- Inflation in export markets such as the US and EU has significantly affected orders and unit prices of textile, footwear and furniture enterprises from now until the end of the year.
- The number of Covid cases is increasing slightly again.



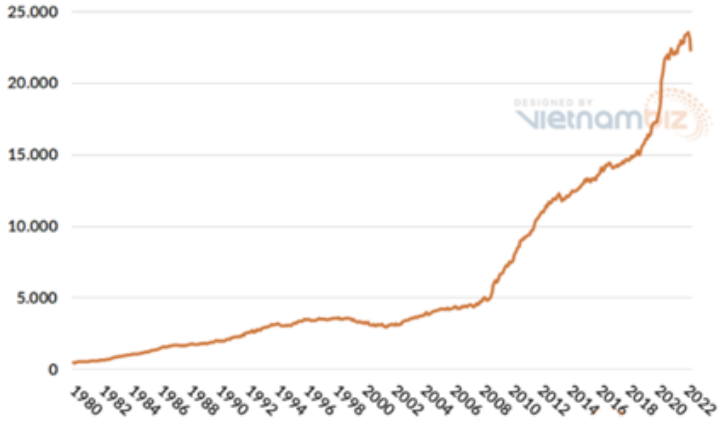
Business news

- SSI, on September 9, 2022 additional shares issued from the capital increase in June will be traded, the issued price is 15,000 VND.
- PET, July 2022, the Company recorded net revenue of 1,268 billion VND and gross profit of 81 billion VND, up 2.3%YoY and 22.7%YoY. Distribution of phones and laptops were positive. Profit margin improved to 6.4%, from 5.3% in the same period. In the first 7 months of the year, the Company's net revenue is nearly 9.6 trillion VND, up 8% over the same period. Meanwhile, pre-tax profit decreased by 4.1% to 177 billion VND. The main reason is due to the provision for devaluation of trading securities.
- PNJ, according to interim report, Phu Nhuan Jewelry Joint Stock Company recorded a profit after tax of 79 billion VND in July, while in the same period the loss was 32 billion VND. In the first 7 months of the year, PNJ recorded net revenue of 20,721 billion VND and profit after tax of 1,167 billion VND, up 70.9%YoY and 66.1%YoY, respectively. By structure, retail channel revenue increased by 78%YoY, reaching more than 12,260 billion VND, accounting for 59.2% of total revenue.
- SZL, Sonadezi Long Thanh JSC announced to pay cash dividends in 2021 at the rate of 40%. The ex-dividend date is September 12.
- GIL, Binh Thanh Import - Export Production & Trade JSC will close the list of shareholders to receive dividends in shares in 2021. The ex-dividend date is September 9.

Inverted yield curve



Size of the US government bond market (USDbn)



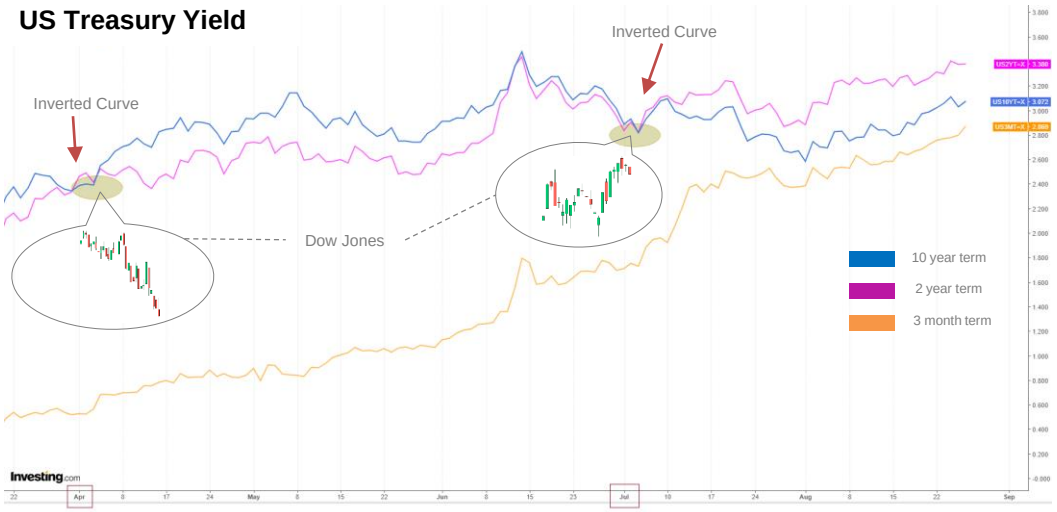
Overview:

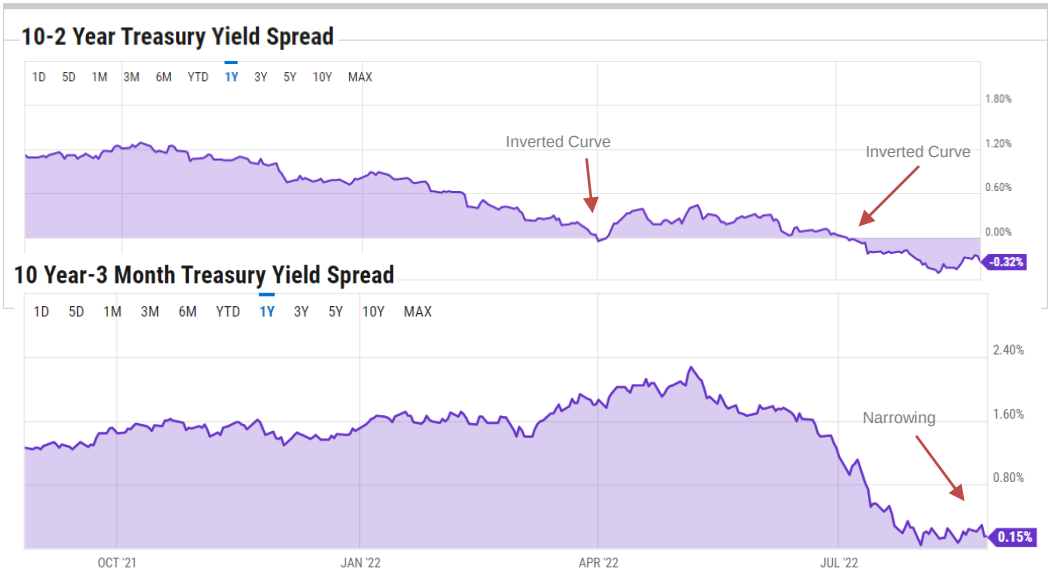
A yield curve is a graph that depicts the relationship between the interest rate and the maturity of a debt instrument, typically government bond yields, since these bonds have the lowest risk and has many terms. We have 3 common types:

- Normal yield curve: long-term bond yields are higher than short-term bond yields. This form is popular because investors usually want higher interest rates on long-term bonds because this type is higher risk because they have to bury their capital for a long time. Thus, the normal shape of the yield curve should be upward sloping, i.e. the longer the term, the higher the interest rate.
- Flat yield curve: short-term bond yields equal long-term bond yields. This is a sign of the transition of the economic cycle, from growth to recession or vice versa.
- Inverted yield curve: short-term bond yields are higher than long-term bond yields. In this case, investors think that the economy will face difficulties in the near future, the sentiment is more pessimistic and short-term bonds will be assessed as riskier than long-term bonds. Therefore, investors demand higher short-term interest rates and the curve slopes downward. Another explanation is that investors buy a lot of bonds in long term, making yield lower in short term. This could be a signal of recession.

- *The US government has a budget deficit of several hundred to trillions of dollars each year, so the Ministry of Finance has to constantly borrow through the issuance of bonds to finance public expenditures. It shows that this tool has a great influence on the economy.*

Inverted yield curve





Impact:

- Normally, investors often compare interest rates for 2-year to 10-year terms, or 3-month to 10-year terms.
- The yield curve inverted for the first time in April 2022, when 2-year treasury yield was higher than 10-year treasury yield. Before that, the 10-2 year treasury yield inverted in August 2019 and in the beginning of 2020, the US economy declined due to the COVID-19 caused by strictly lockdown. COVID-19 has accelerated the recession, but the signs have been there before.
- In general, stock indexes often react quite sensitively when a “inverted" point occurs. At the end of April 2022, Dow Jones dropped sharply from 35,000 points to 31,000 points. The second “inverted" point in early July 2022, Dow Jones also fell from 31,300 points to 30,000 points, before balancing and recovering afterwards.

Opinion:

- Currently, the problem of 10-2 year treasury yield curve inverted is still existed and be also noted with the 10 year- 3 month treasury yield spread is narrowing. And the risk of recession will be higher if the 10 year- 3 month treasury yield spread is also inverted.
- The inversion of the yield curve tends to predate a recession 7 to 24 month ahead of time.

Technical view



VNI	1282.57 (−6.31 −0.49%)			VN30	1306.81 (−4.74 −0.36%)			HNX	299.5 (−2.37 −0.78%)			UPCOM	92.88 (−0.71 −0.76%)		
668,955,634 CP		16,075.28 Tỷ		160,964,300 CP		5,446.54 Tỷ		95,306,740 CP		1,970.02 Tỷ		87,657,383 CP		1,207.54 Tỷ	
↑ 131(2)	69	↓ 321(5)	Hết giờ GD	↑ 7(0)	1	↓ 22(0)	Hết giờ GD	↑ 66(16)	140	↓ 131(2)	Hết giờ GD	↑ 152(25)	387	↓ 212(31)	Hết giờ GD

Trend: Challenging period

- VNIndex suddenly reversed to decrease at the end of the week to 1,283 points, creating a long red candle body that almost covered the previous bullish candle with matching orders above the 20-day average. This shows more obvious short-term correcting pressure. Facing the unstable situation after the Fed chair's speech, the market needs to regain its psychology and the trend will be quite shaky. From an objective point of view, the index hasn't grown too hot and with positive domestic economic data, it is expected that this correction will be healthier. The nearest support for the trend is around 1,260 points and lower is 1,240 points..

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

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Compassionate Finance

Trading portfolio

Updated date **29/8/2022** 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%	28.45	14	-0.18%	Buy	Open
GVR	9/8/2022	24.6	28	23.5	14%	25.4	14	3.25%	Hold	Open
HVN	10/8/2022	17.3	20	16.5	16%	17.65	13	2.02%	Hold	Open
BVB	10/8/2022	14	15	13.5	7%	13.7	13	-2.14%	Hold	Open
HPG	15/8/2022	23.8	26.5	22.4	11%	23.5	10	-1.26%	Hold	Open
VGI	15/8/2022	33	38	31	15%	33	10	0.00%	Buy	Open
Position Closed										
PDR	9/8/2022	53.5	60	52	12%	58.4	7	9.16%	Sell	18/08/2022

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

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