# MORNING CALL

September 06, 2022

Shinhan Securities

## “Selling pressure continued to prevail”

- Global stocks rebounded slightly
- Domestic stocks struggled with selling pressure dominating
- Update power industry, favorable hydropower #VSH
- Technical view and recommendations #BVB
- Economic calendar
- Q&A


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# Global Market Review - Week 05-09/09/2022

## Major market rebounded slightly

- Wall Street slightly rebounded to 31,300 points, trading continued to struggle. European and Asian stocks also regained the green.
- China locked down the city of Chengdu with more than 21 million people as the number of new Covid cases increased.
- Russian energy group Gazprom has announced that the Nord Stream 1 pipeline would remain locked until the turbine was repaired.
- Crude oil rose above $89 per barrel on Monday, as OPEC+ decides on production levels for October not significant change, but Saudi Arabia's recent warning that the group could cut production at any time kept markets on edge..

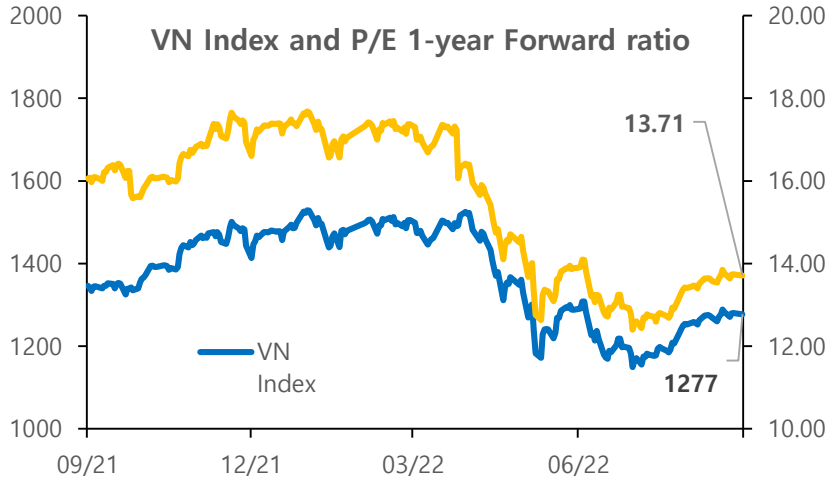
### Market

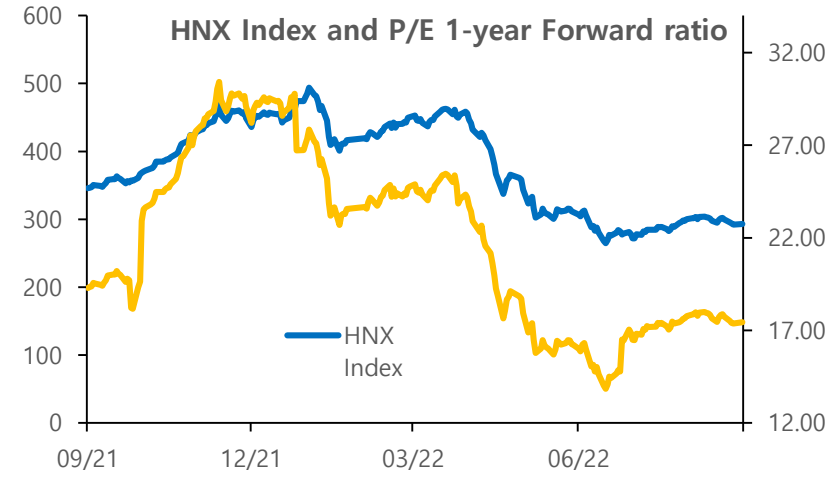
| | Close | %1D | %1M | %1Y |
|---|---|---|---|---|
| VN-Index | 1,277 | -0.25% | 1.96% | -5.13% |
| S&P 500 Index | 3,924 | -1.07% | -5.33% | -13.48% |
| Dow Jones Index | 31,318 | -1.07% | -4.53% | -11.45% |
| Hang Seng | 19,226 | -1.16% | -4.83% | -26.52% |
| Nikkei 225 | 27,669 | 0.18% | -1.80% | -6.71% |
| SHCOMP Index | 3,200 | 0.42% | -0.84% | -11.65% |
| STI Index | 3,215 | 0.31% | -2.05% | 3.69% |
| KOSPI Index | 2,419 | 0.65% | -2.87% | -24.47% |

### Currency & Commodity

| | Close | %1D | %1M | %1Y |
|---|---|---|---|---|
| Dollar Index | 109.48 | -0.05% | 2.68% | 18.95% |
| USD/VND | 23,498.00 | -0.23% | -0.46% | -3.09% |
| EUR/USD | 1.00 | 0.34% | -2.29% | -16.07% |
| USD/CNY | 6.93 | -0.49% | -2.48% | -6.86% |
| Brent | 95.13 | -0.64% | 0.22% | 31.72% |
| WTI | 88.77 | 2.19% | -0.27% | 28.11% |
| Natural gas | 8.72 | -0.75% | 8.13% | 85.06% |
| Coal | 457.80 | 5.24% | 26.81% | 155.75% |
| Gold | 1,721.04 | 0.62% | -3.80% | -5.61% |

# Vietnam Market Snapshot 05/09/2022




| | Close | PE | Difference | %1D | Trading volume (mn stocks) | Trading value (VND bn) |
|---|---|---|---|---|---|---|
| **VNI NDEX** | 1,277.35 | 13.71 | -3.16 | -0.25 | 525 | 13,402 |
| **HNX INDEX** | 292.82 | 17.45 | 0.89 | 0.31 | 69 | 1,431 |

## Money flow and sector rotation (VND bn)

| Sector | %1D | 9/5/2022 | 8/31/2022 | 20-session Average |
|---|---|---|---|---|
| Basic Resources | 160.34 | 1,885 | 724 | 1,267 |
| Travel & Leisure | 18.84 | 101 | 85 | 110 |
| Chemicals | 7.50 | 998 | 929 | 797 |
| Technology | 7.22 | 180 | 168 | 181 |
| Oil & Gas | 4.64 | 357 | 341 | 271 |
| Industrial Goods & Services | 4.13 | 673 | 646 | 723 |
| Health Care | 0.94 | 20 | 20 | 29 |
| Financial Services | 0.25 | 1,125 | 1,123 | 1,734 |
| Banks | -0.5 | 1,385 | 1,391 | 1,786 |
| Automobiles & Parts | -7.9 | 71 | 77 | 93 |
| Insurance | -8.3 | 209 | 228 | 111 |
| Media | -13.3 | 5 | 6 | 7 |
| Construction & Materials | -16.6 | 607 | 728 | 871 |
| Real Estate | -18.1 | 1,777 | 2,171 | 2,334 |
| Personal & Household Goods | -18.7 | 182 | 224 | 214 |
| Food and Beverage | -20.5 | 1,213 | 1,526 | 1,235 |
| Retail | -33.8 | 479 | 723 | 530 |
| Utilities | -40.7 | 298 | 503 | 353 |

# Breaking news

## Macro

**Positive**

- Purchasing Managers' Index (PMI) in August in Vietnam reached 51.7 points, up from 51.2 points in July.
- The central budget will supplement VND 19,570 billion for 10 ministries, central agencies and 36 localities to perform tasks and projects under the medium-term public investment plan for the period 2021-2025.

**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

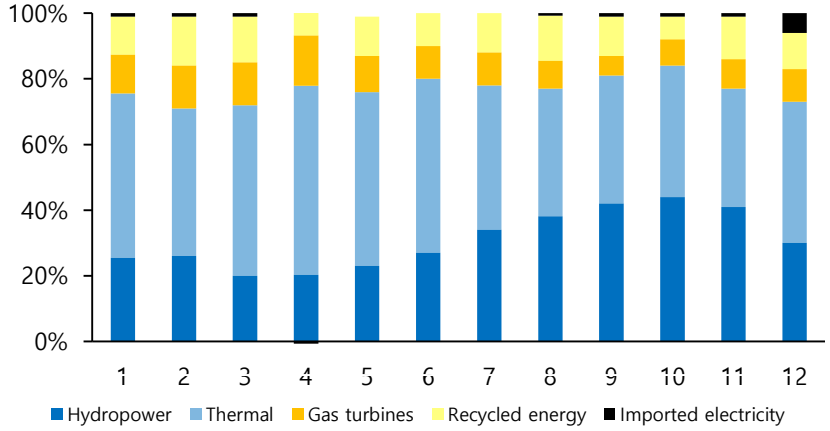
- Steel (NKG, HSG, HPG), electricity crisis in China will affect a lot of electricity-intensive industries such as steel production, many manufacturers were requested to cut capacity to save energy. In addition, in Europe, it's also required to reduce capacity and temporarily closing metallurgical plants to save energy for the winter.
- TNG, TNG's revenue in August reached nearly VND 700 billion, up 20% YoY but decreased compared to July.
- MSB, the State Bank of Vietnam has just announced its approval for Vietnam Maritime Commercial Joint Stock Bank to increase its charter capital by VND 4,725 billion, raising its charter capital to VND 20,000 billion by issuing shares to existing shareholders and ESOP.
- SZL, Sonadezi Long Thanh JSC announced to pay dividends in 2021 in cash at the rate of 40%. The ex-rights date is September 12$^{th}$.
- 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$^{th}$.



# Power industry update - Favorable for hydropower in 2022

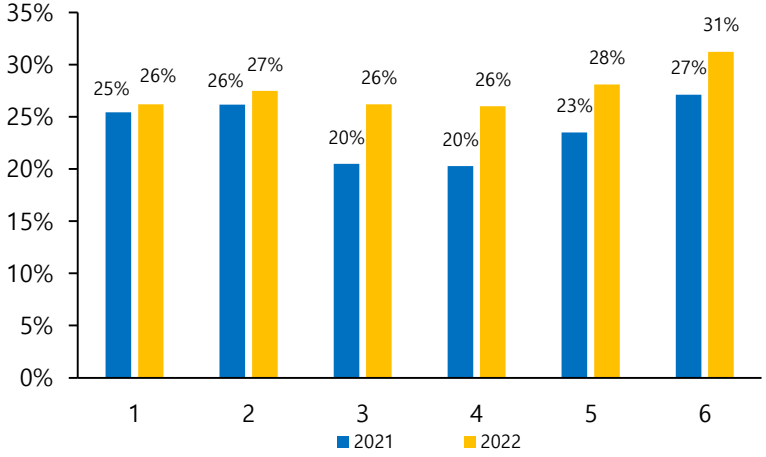


**Proportion of electricity mobilization from sources in 2021 by month (%)**



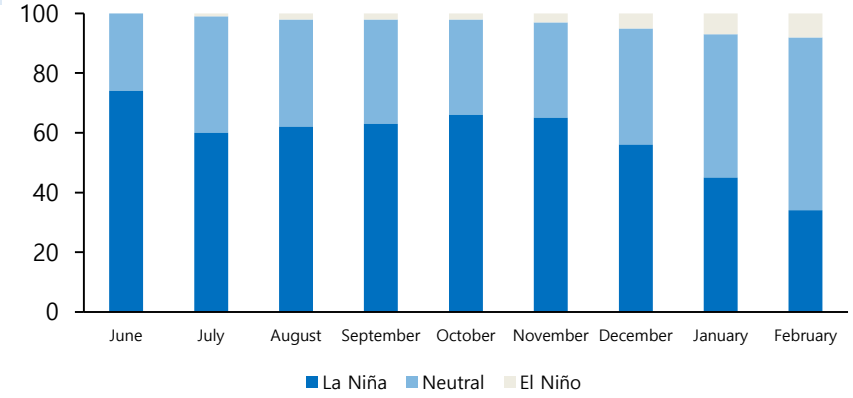

Source: EVN, Shinhan Securities Vietnam

**Proportion of mobilization from water resources in the first 6 months of 2021 and 2022 (%)**



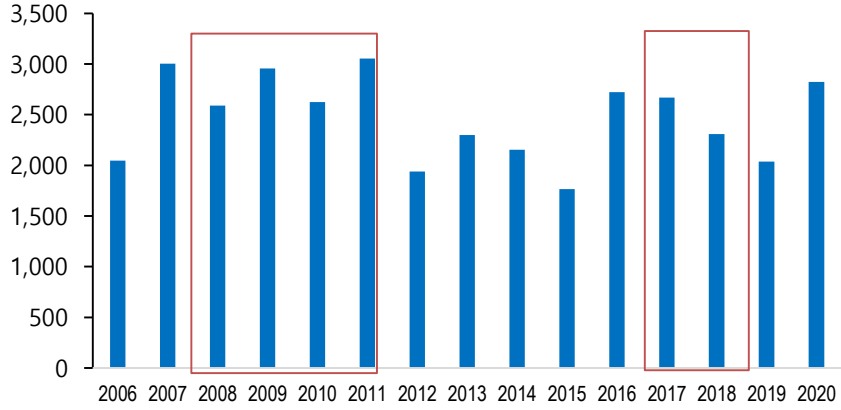

Source: EVN, Shinhan Securities Vietnam

**Probability of La Nina, Neutral and El Nino phenomenon from June 2022 to February 2023 (%)**




Source: Bloomberg, Company data, Shinhan Securities Vietnam

**Average rainfall of 4 monitoring stations: Hue, Da Nang, Qui Nhon, Plei Ku 2006-2020 (mm)**

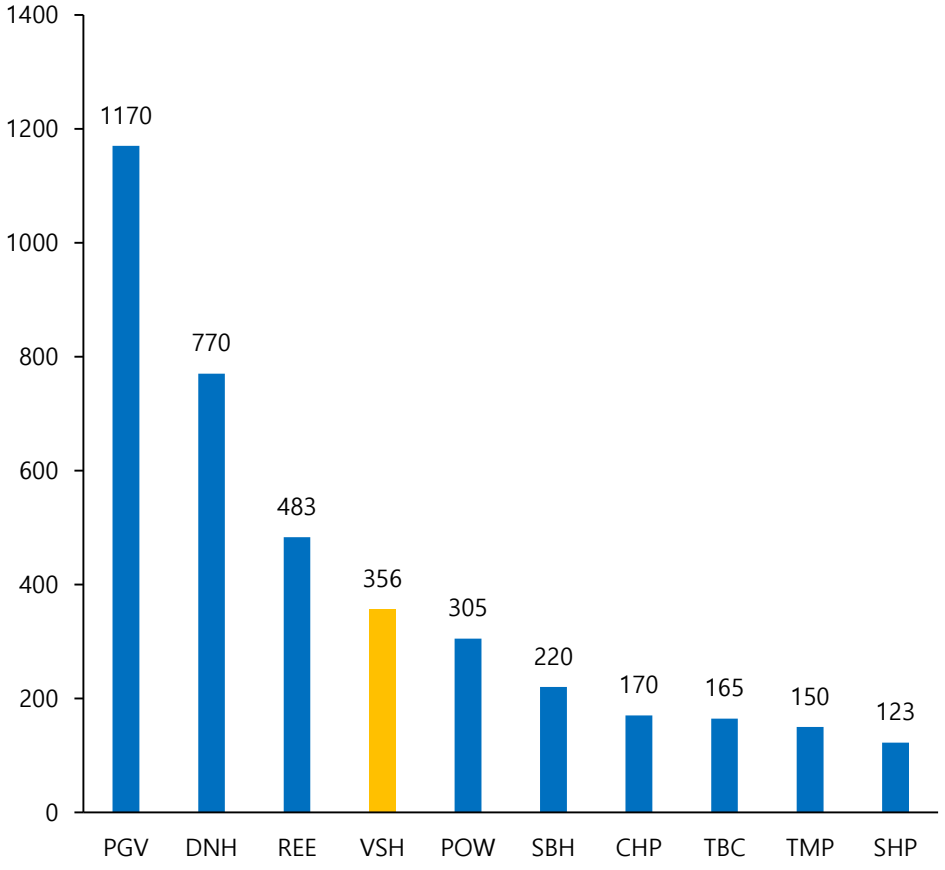



Source: Bloomberg, Company data, Shinhan Securities Vietnam

# Hydropower companies reported huge profits

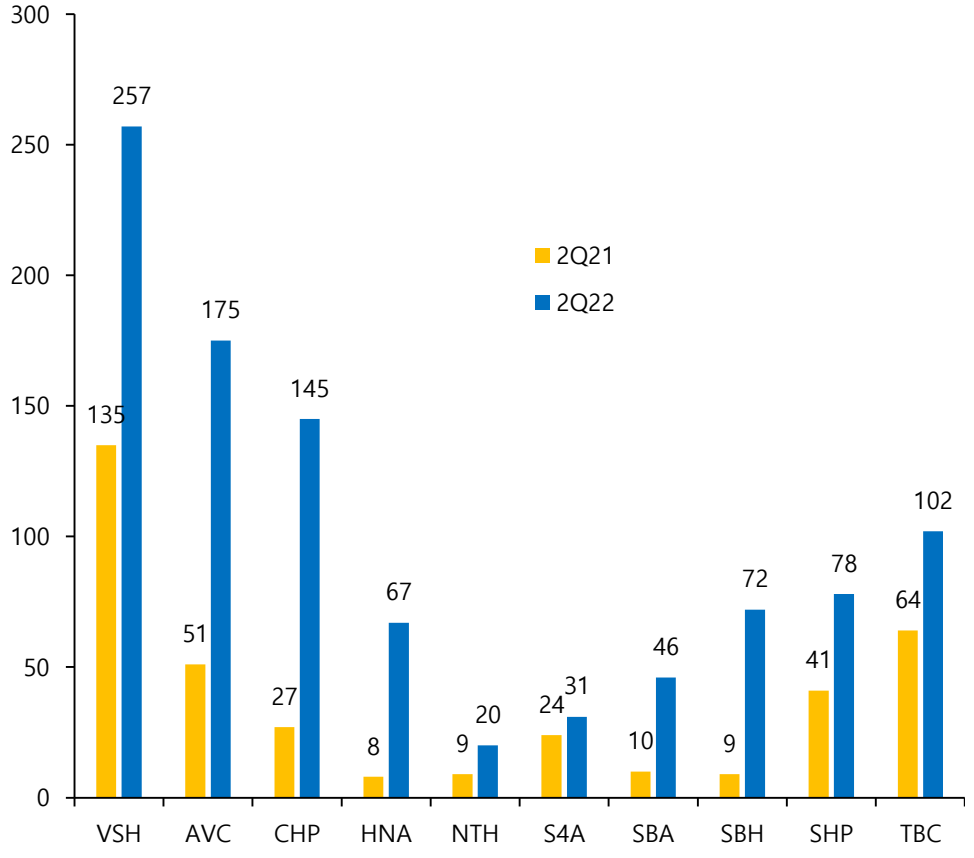
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**Design capacity of hydropower plants of some listed companies (MW)**




Source: Bloomberg, Company data, Shinhan Securities Vietnam

**Net income of some hydropower companies listed (VND billion)**




Source: Bloomberg, Company data, Shinhan Securities Vietnam



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# Vinh Son – Song Hinh Hydropower (VSH VN)

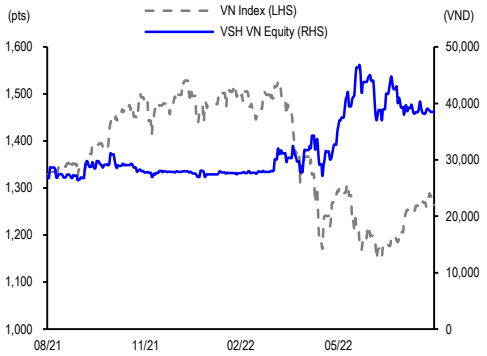
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## BUY

(Initiation Coverage)

| | |
|---|---|
| **Target price** (12 months) | **VND 47,500** |
| Curren price (30/08/22) | VND 38,950 |
| **Return (%)** | **22%** |
| VNINDEX | 1,271 |
| Market P/E (x) | 13.56 |
| Market Cap (bn VND) | 9,036 |
| Outstanding shares (mn) | 236 |
| Free-Floating (mn) | 54 |
| 52-Wk High/Low (VND) | 48,000/26550 |
| 90-day avg. trading volume (mn) | 0.2 |
| 90-day avg. turnover (bn VND) | 11 |
| Foreign ownership (%) | 11.52 |
| Major shareholders (%) REE | 50.45 |
| Major shareholders (%) PGV | 30.55 |

| Performance | 3M | 6M | 12M |
|---|---|---|---|
| Absolute (%) | 14.3 | - 5.3 | - 11.9 |
| Relative to VNIndex(%) | 10.1 | 10.7 | - 9.7 |




## Great flow from highland

### Initiate coverage with BUY call, target price VND 47,500

Vinh Son - Song Hinh Hydropower JSC (HoSE: VSH) is one of the enterprises owning hydroelectric power plants with the largest capacity listed on HoSE. VSH is trading at an attractive valuation and its core business has growth potential. Therefore, we initiate coverage of VSH with BUY rating and a target price of VND47,500 based on two valuation methods FCFF and PE. From a long-term perspective, VSH is an investment that can be considered for the following reasons:

1. Electricity output skyrocketed thanks to the TKT hydropower plant with a capacity of 220MW (nearly double VSH's current capacity of 136MW) which came into operation from April 2021.
2. Favorable weather and tough conditions for competitors as input costs soar.
3. Demand for electricity in Vietnam is growing steadily with CAGR of 8.52% for the period 2020-2030.

**Risk:** (1)The amount of water will decrease due to the impact of El Nino; (2) The earthquake near the TKT Hydropower Plant; (3) The price of input materials of competitors cools down.

| Year to Dec. | 2020 | 2021 | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Revenue (bn VND)** | **341** | **1,611** | **3,058** | **2,822** | **2,477** |
| OP (bn VND) | 114 | 770 | 1,576 | 1,362 | 1,139 |
| **NP (bn VND)** | **189** | **387** | **1,054** | **913** | **781** |
| EPS (VND) | 913 | 1,660 | 4,462 | 3,865 | 3,307 |
| BPS (VND) | 16,149 | 16,977 | 20,411 | 23,247 | 25,525 |
| OPM (%) | 33 | 48 | 52 | 48 | 46 |
| NPM (%) | 55 | 24 | 34 | 32 | 32 |
| **ROE (%)** | **6** | **10** | **22** | **17** | **13** |
| PER (x) | 20.59 | 17.29 | 8.92 | 10.3 | 12.04 |
| PBR (x) | 1.16 | 1.69 | 1.95 | 1.71 | 1.56 |
| EV/EBITDA (x) | 48.68 | 9.49 | 9.45 | 9.52 | 9.72 |

Source: Company data, Shinhan Securities Vietnam
Link: https://shinhansec.com.vn/uploads/report/VSH_Inititation_EN1.pdf

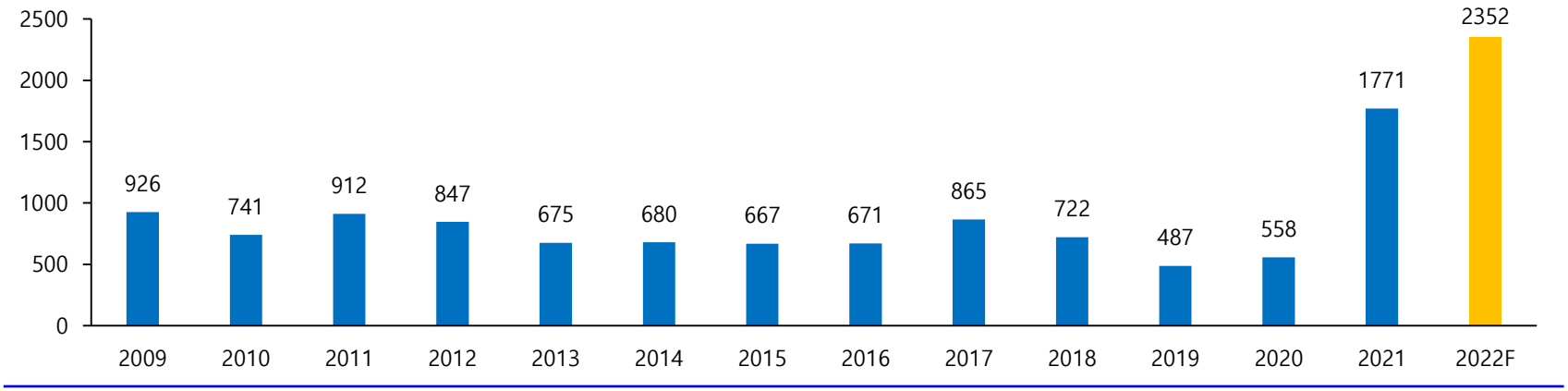


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# Vinh Son – Song Hinh Hydropower (VSH VN)

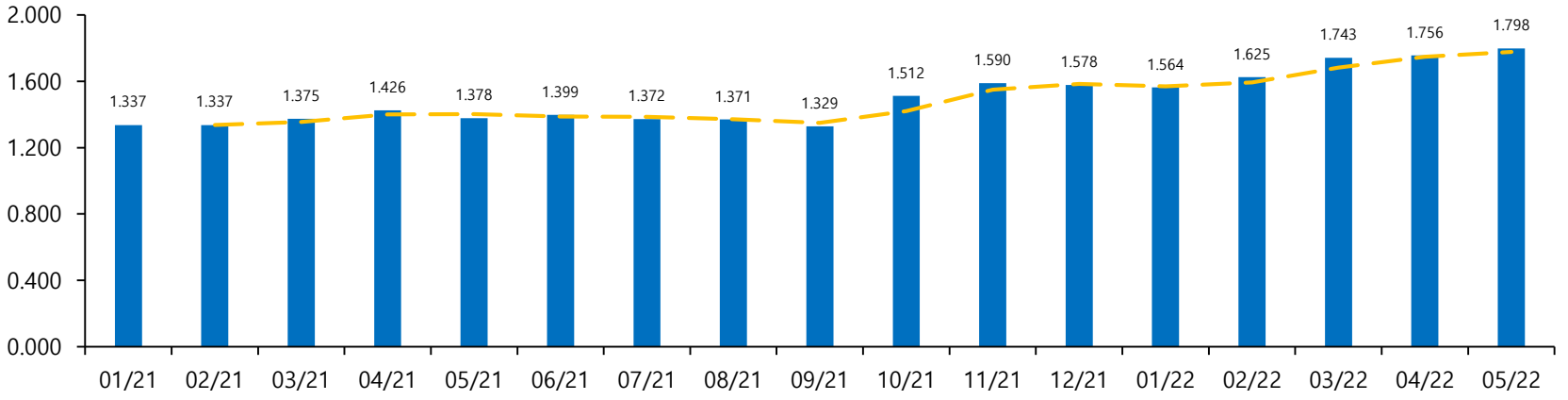


**Electricity output of VSH in the period 2009-2022F (million Kwh)**




Source: Company data, Shinhan Securities Vietnam

**Average selling price of electricity on CGM market from January 2021 to May 2022 (kVND)**




Source: Company data, Shinhan Securities Vietnam

Link: https://shinhansec.com.vn/uploads/report/VSH_Initiation_VN1.pdf

# Technical view




| | | | | | | | |
|---|---|---|---|---|---|---|---|
| VNI | 1277.35 (−3.16 −0.25%) | VN30 | 1298.15 (−3.29 −0.25%) | HNX | 292.82 (0.89 0.31%) | UPCOM | 91.78 (−0.67 −0.72%) |
| 524,682,900 CP | 13,402.03 Tỷ | 128,032,300 CP | 4,661.48 Tỷ | 68,945,035 CP | 1,431.66 Tỷ | 31,416,606 CP | 578.02 Tỷ |
| 168(8) 69 | 283(10) Hết giờ GD | 6(0) 3 | 21(0) Hết giờ GD | 81(6) 146 | 110(8) Hết giờ GD | 154(13) 449 | 147(9) Hết giờ GD |

## Trend: The transaction struggled again

- Caution dominates investor sentiment, as VnIndex traded in green throughout the session but once again selling pressure prevailed and pushed the index down and closed in red at 1,277 points. Attempts to fill the gap failed again. Technical indicators give short-term correction signal. MACD has crossed the signal line while RSI is descending trend. Moving sideway will be risky if the money flow cannot break out. The nearest support for the trend is 1,250 points and lower is 1,220 points. Maintain a prudent strategy.

## Scenarios:

- Positive (60%): 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 (40%): 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**<br>UPCoM: **BVB, ABB** |
| | Securities | **HCM, SSI, VND, VCI, SHS** |
| | Real estate | **DIG, PDR, NLG, DXG, HDC**<br>**KBC, GVR, SZC** |
| | Construction | **HBC, VGC**<br>**LCG, C4G, HHV** |
| | Power | **NT2, REE, POW** |
| Watchlist | Export | **VHC, ANV**<br>**TNG, VGT** |
| | Economy reopening (Tourism/ Aviation) | **HVN, VJC**<br>**SKG, VTD** |

# Recommended portfolio

Updated date 6/9/2022

Unit: thousand VND

## Trading portfolio

| Ticker | Recommendation day | Buying price (+/- 1%) | Target | Cut loss | Upside | Current price | T+ | Profit/Loss | Recommendation | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| CTG | 9/8/2022 | 28.5 | 32 | 27.5 | 12% | 28.3 | 18 | -0.70% | Hold | Open |
| GVR | 9/8/2022 | 24.6 | 28 | 23.5 | 14% | 27 | 18 | 9.76% | Hold | Open |
| HVN | 10/8/2022 | 17.3 | 20 | 16.5 | 16% | 17.3 | 17 | 0.00% | Hold | Open |
| HPG | 15/8/2022 | 23.8 | 26.5 | 22.4 | 11% | 23 | 14 | -3.36% | Hold | Open |
| VGI | 15/8/2022 | 33 | 38 | 31 | 15% | 32.2 | 14 | -2.42% | Hold | Open |
| BVB | 10/8/2022 | 14 | 15 | 13.5 | 7% | 13.4 | 17 | -4.29% | Sell | Close |

## Today's watchlist

## Position Closed

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| PDR | 9/8/2022 | 53.5 | 60 | 52 | 12% | 58.4 | 7 | 9.16% | Sell | 18/08/2022 |

# Economic calendar

## September 2022

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|---|---|---|---|---|---|---|
| 28 | 29 | 30 | 31 | 1<br>MSCI: New reviewed list is effective | 2<br>FTSE Vietnam Swap UCITS ETF review | 3 |
| 4 | 5 | 6<br>ETF FTSE VN announces portfolio | 7 | 8<br>ECB meeting and announces Monetary policy & interest rates<br>V.N.M ETF review | 9 | 10 |
| 11 | 12 | 13<br>ETF VNM, ETF FTSE executes the transaction | 14 | 15<br>Maturity of Derivatives Contracts | 16 | 17 |
| 18 | 19 | 20<br>FTSE Russell releases market full year rating | 21<br>Fed meeting and announces Monetary policy & interest rates | 22 | 23<br>Announcement of FDI | 24 |
| 25 | 26 | 27 | 28 | 29<br>Vietnam macroecnomic data | 30 | 1 |

# Q&A

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