MORNING CALL

October 06th, 2022

“Rebound with low liquidity, is the market really cheap?”

- Global stocks fell again, trading struggled
- Domestic stocks rebounded with low liquidity
- P/E has dropped to a low level, is the market really cheap?
- Technical view and recommendations
- Economic calendar
- Q&A

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Global Market Review - Week 03-07/10/2022

Major stock markets fell again

- US stock stocks were trading lower on Wednesday with the Dow down by 0.14%, S&P 500 and Nasdaq falling 0.2% and 0.25% respectively. Morgan Stanley and Goldman Sachs shed more than 3%, after Atlantic Equities downgraded both stocks due to lower investment banking activity.
- Major bourses in Europe were in the red on Wednesday, with both the DAX and the STOXX 600 falling 1% each, after stocks had their best session in six months and gained nearly 4% the day before.
- US companies add more jobs than expected. Private businesses in the US created 208K jobs in September of 2022 compared to 185K in August, according to ADP reports. The ISM Services PMI came in at 56.7 in September, down from 56.9 reported in August but beating market forecasts of 56.
- The US 10-year treasury note yield rebounded to 3.7% while the dollar index (DXY) also rallied above 111.
- Oil prices surged almost 2% on Wednesday, with WTI futures rising to almost $88 a barrel and Brent crude to above $93 a barrel, on expectations of tighter supply. Ministers from OPEC+ agree to cut production by 2M barrels per day today, double the volume previously flagged

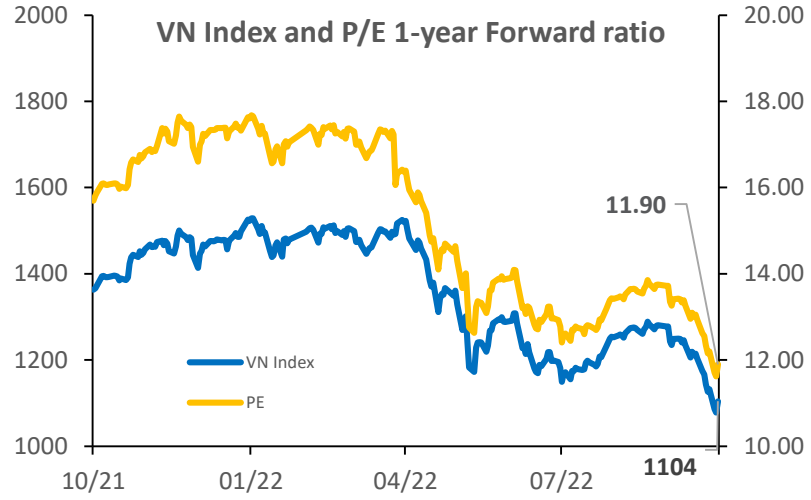
Market

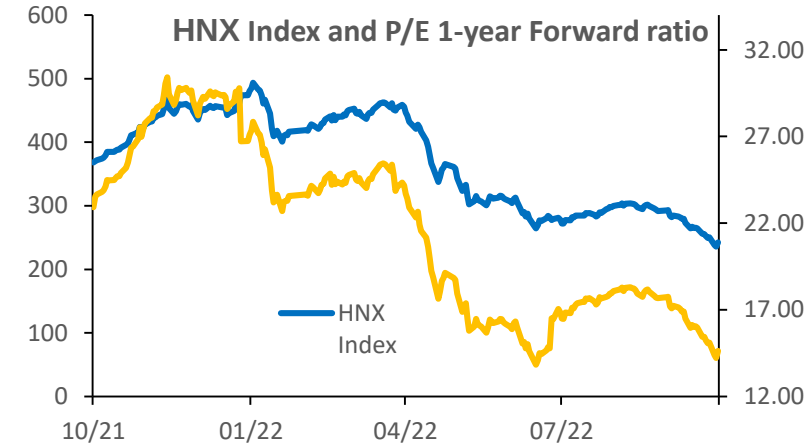
	Close	%1D	%1M	%1Y
VN-Index	1,104	2.42%	-13.55%	-18.97%
S&P 500 Index	3,783	-0.20%	-3.59%	-12.94%
Dow Jones Index	30,274	-0.14%	-3.34%	-11.78%
Hang Seng	18,088	5.90%	-5.81%	-24.53%
Nikkei 225	27,285	0.61%	-1.24%	-0.89%
SHCOMP Index	3,024	-0.55%	-5.09%	-15.24%
STI Index	3,153	0.46%	-2.20%	2.25%
KOSPI Index	2,244	1.29%	-6.90%	-22.85%

Currency & Commodity

	Close	%1D	%1M	%1Y
Dollar Index	110.84	-0.33%	0.57%	17.58%
USD/VND	23,872.00	0.03%	-1.57%	-4.67%
EUR/USD	0.99	0.35%	0.15%	-14.17%
USD/CNY	7.12	0.13%	-3.17%	-9.43%
Brent	93.83	0.49%	1.08%	15.73%
WTI	88.19	0.49%	1.51%	13.90%
Natural gas	6.97	0.56%	-14.44%	22.80%
Coal	404.00	-1.92%	-13.44%	47.03%
Gold	1,721.90	0.33%	1.16%	-2.32%

Vietnam Market Snapshot 05/10/2022





	Đóng cửa	PE	Tăng giảm	%1D	KLGD (triệu đơn vị)	GTGD (tỷ VND)
VNI NDEX	1,104.26	11.90	26.12	2.42	451	9,414
HNX INDEX	242.12	14.62	6.51	2.76	52	959

Money flow and sector rotation (VND bn)

Sector	%1D	10/5/2022	10/4/2022	20-session Average
Media	66.26	1	1	6
Travel & Leisure	49.55	85	57	91
Oil & Gas	14.29	225	197	269
Personal & Household Goods	-15.6	121	144	172
Real Estate	-15.9	1,690	2,010	1,998
Industrial Goods & Services	-16.1	472	563	541
Automobiles & Parts	-16.2	92	110	122
Utilities	-16.8	204	245	393
Chemicals	-20.9	586	741	841
Financial Services	-21.0	886	1,122	1,266
Banks	-25.7	1,200	1,616	1,383
Basic Resources	-26.0	670	905	933
Construction & Materials	-27.2	485	667	990
Food and Beverage	-30.1	757	1,083	1,185
Retail	-34.9	290	446	553
Health Care	-40.5	10	17	20
Insurance	-42.7	67	118	124
Technology	-50.0	91	182	128

Breaking News

Macro

Positive

- UOB Research ((Singapore) raised its 2022 growth forecast for Vietnam to 8.2%, from 7% previously announced.
- IMF forecasts Vietnam's GDP growth in 2022 will be around 7-7.5%; average inflation is lower than the target of 4% and at the same time low compared to other countries in the world and the region; business activities are recovering strongly and widely.

Less positive:

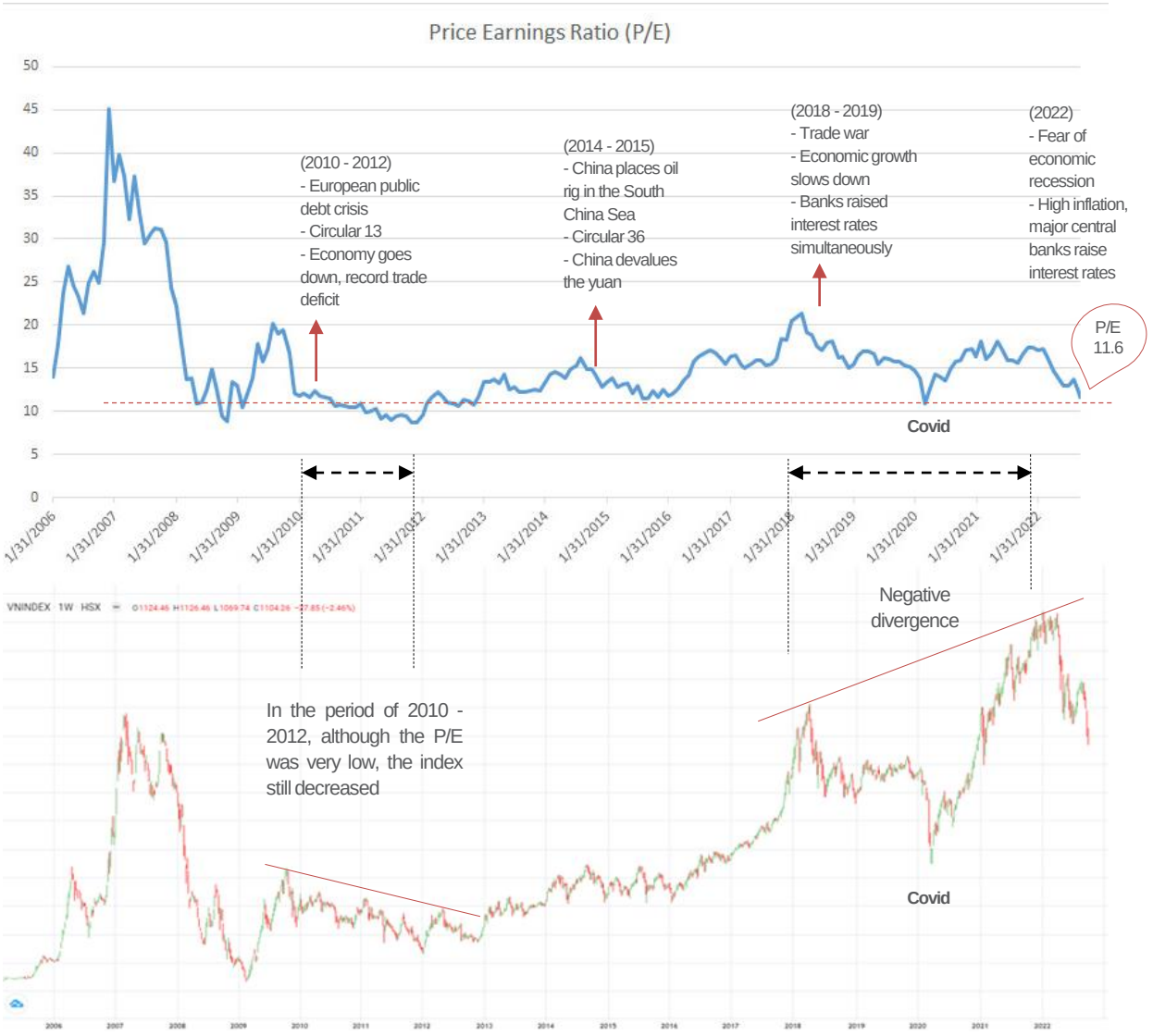
- In September 2022, seafood exports were estimated at over 850 million USD, 36% higher than the same period last year. However, this is the first time after 7 months, seafood exports fell below 900 million USD.
- The State Bank of Vietnam has increased operating interest rates since September 23rd. Accordingly, large banks began to sharply hike deposit rates.
- USD/VND exchange rate to the highest level ever.

Business news

- CTD, Coteccons Construction JSC has just signed a contract with the Investor Le Phong Group to deploy the luxury apartment project The Emerald 68. In this project, CTD will play the role of developer and construction general contractor.
- HPG, In 4Q2022, Hoa Phat Household Appliances Corporation started construction of the first household goods production center in Hoa Mac Industrial Park, Ha Nam province with the ambition of becoming a largest manufacturer of electrical & household appliances in Vietnam.
- FPT, FPT Semiconductor, a subsidiary of FPT Software under FPT Corporation have officially launched the first line of microchips applied in Internet of Things (IoT) products for the medical field.
- POW, PV Power will contribute an additional VND 107 billion to increase the capital for PV Power REC to VND 270 billion, setting a target of developing 1,000 MW of renewable energy by 2035.

- GMD, Gemadept announced to pay cash dividend at the rate of 12%, ex-dividend date is October 7th.
- NT2, Nhon Trach 2 Petroleum Power Company announced to pay cash dividend at the rate of 6.5%, ex-rights date is October 7.
- BCM, Becamex IDC Corp announced to pay cash dividends at the rate of 7%, ex-rights date is October 7.

P/E has dropped to a low level, is the market really cheap?



Source: Fiinpro

Opinion

- The current P/E of Vnindex has fallen to nearly the level at the Covid-19 period in early 2020 and is on par with the period 2014-2015. Therefore, it is reasonable to say that P/E is cheap, however, in periods of economic weakness, P/E is still low, but it is still difficult for the market to recover. For example, in a downward economic period like 2010-2012, even though the P/E was very cheap (below 10), the index still needed a long time to accumulate, but did not increase immediately, until 2013. ie nearly 3 years the market was balanced and started to have an uptrend after that. Therefore, in a downtrend, it is not necessarily a low P/E that the cash flow will participate strongly, but also depends on the psychology of cash flow.
- The special thing is that P/E has a negative divergence with the index for the period 2018 - 2022 (P/E makes a lower peak while Vnindex makes a higher peak). This reflects an anomaly in cash flow. That is, the high EPS in the period of 2022 drags down P/E, and the price increase cannot keep up. In other words, although EPS increased strongly, the cash flow pushed the price up not strongly. This can be explained because the increase in EPS during this period comes from the post-epidemic "mutation" factor, not from the economy itself. This further confirms that smart money flow knows how to choose the time when EPS can be affected by many factors.
- Another explanation is that in the period of 2017 - 2018, when the economic demand was stimulated, the cash flow was quite strong even though the company's EPS has not grown much, which means that P increases faster than E and makes P/E high above 20, and higher than the later period of 2020 - 2021.

➢ In general, money flow is still a more dominant factor than just looking at P/E, so a low P/E does not mean the market will increase, need to consider more context of money flow.

Technical view



Trend: Rebound but shouldn't get excited

- The market rebounded in the context of global stocks regaining their green color, Vnindex rallied at the opening and closed at 1,104 points. Many industry groups that fell to the oversold zone also gained well today. However, the matched order was lower than 20 session average, showing that the money flow was still cautious and investors' fear, even, the selling force returned at the end of the session so the index narrowed part of the gain in the session. In general, there is not enough to conclude the reversal point, the market is still looking for the balance area for the recent strong decline. The current resistance for the trend is at 1,150 points while the nearest support is at 1,050 points.

Scenarios:

- Positive (40%): The index reacted well when retesting near 1,100 points and gaining momentum to 1,150 - 1,160 points. However, do not rush to open a position if the reversal signal is not clear, the recovery period to lower the proportion of stocks.
- Less positive (60%): The index broke through 1,100 points and the medium-term retracement wave was breached. At this time, the falling momentum can find the area of 1,025-1000 points.

Recommended portfolio

Updated date 06/10/2022

Unit: thousand VND

Today's watchlist

	Recommendation	Buying price (+/- 1%)	Target	Cut loss	Upside	Downside	Current price	Signals
VGI	Watch						30.1	Make a bottom before the market, bounce above MA20
BCM	Watch						90.2	Hold MA10 week, retesting old peak successfully

Trading portfolio

Ticker	Recommendation	Buying price (+/- 1%)	Target	Cut loss	Upside	Downside	Current price	T+	Profit/Loss	Date	Note

Economic calendar

October 2022

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
25	26	27	28	29	30	1
2	3 ISM Manufacturing PMI (US)	4 JOLTS Job Openings (US)	5 OPEC Meetings ADP Non-Farm Employment Change. ISM Services PMI (US)	6 BOJ Gov Kuroda Speaks	7 Unemployment Rate (US)	8
9	10 CPI, PPI (China)	11 GDP (UK) PPI (US)	12	13 FOMC Meeting CPI, core CPI (US)	14 Retail Sales (US), Prelim UoM Consumer Sentiment	15 Treasury Currency Report (US)
16 IMF Meetings	17 ETF VFM VN30, SSIAM VNFin Lead ETF & VFMVN Diamond ETF Review	18	19 CPI, core CPI (UK)	20 Deadline for submission of 3rd quarter financial statements Maturity of Derivatives Contracts Flash PMI (German, French, UK)	21 FDI announcement	22
23	24	25	26 BOC Press Conference, Monetary Policy Report and Rate Statement	27 ECB Press Conference, Monetary Policy Statement	28	29
30 ETF VNM VN30 changes the proportion of the portfolio	31					

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