



Research analyst

Võ Thế Vinh

vinhvt@gtjas.com.vn - ext:701

RANGE MARKET WITH LOW LIQUIDITY BUT A HIGHER POSSIBILITY FOR POSITIVENESS

During the week between March and before the Fed's FOMC meeting, there was a number of important macro news that affected the market appeared:

- 1- Domestically, after a lot of efforts from the government, the State Bank of Vietnam (SBV) has made a move to reduce one of the operating interest rate, resulting in a meaningful decrease in deposit interest rates at banks.

Note that lowering the current operating rate is more policy-oriented action than creating a direct impact. However, many banks have also moved to reduce both deposit and lending rates.

In addition, a lower-interest-rate environment will directly support the group of manufacturing businesses, not the real estate group. This has two sides:

- Production enterprises with good credit and low leverage will use loan financing, reducing short-term liquidity surplus in the banking system (especially in the state-owned banks).
- In contrast, the problem for real estate businesses (thereby affecting some banks with a high proportion of direct and indirect real estate loans) is still hanging. The solution is currently waiting for legal disentanglement for projects. The real estate sector still plays an important role in the economy with spillover effects to other industries (banking, construction, services, etc.).
- Capital flow congestion in the real estate market is still a problem that needs to be solved, but we believe that the government will have a clearer motivation to solve the difficulties when we consider the situation of the international capital market, which will be analyzed below.

- 2- Regarding the stock market, the Vietnamese stock market had a positive preliminary reaction in the March 15 session right after the news of the reduction in operating interest rates was released. However, the next day, the market reversed into a deep correction when the market sentiment turned pessimistic as Credit Suisse shares (hereinafter abbreviated as CS) fell deeply with growing concerns about the bank's possibility to shut down.



- 3- For CS, not only a general feeling about the connection with the international market, but the apprehension of the Vietnamese market in our opinion is well-founded. CS is one of the names that have been present for a long time in Vietnam, participating in arranging capital for both Vingroup and Novaland and many other large enterprises. The problem of Credit Suisse will directly affect the channel of arranging foreign capital (offshore) for large enterprises in Vietnam (implementing many projects with large capital needs, especially some big real estate projects which are beyond the ability of domestic banks to increase funding), a number of projects that CS participates in financing will find it difficult to follow the original roadmap or even have to find new sources of capital.
- 4- At the moment, the market is still focusing on waiting for the results of the FED meeting to see if the US will continue to raise interest rates like the ECB last week. However, we consider this particular event to be just one factor to consider, key points to think about include:

Is capital withdrawn or injected into financial markets? We favor the second possibility:

- Actual foreign capital inflows are still showing many positive changes after the exchange rate is stable, FDI and FII are slow but there are still some expected points (eg Sumitomo buys VPBank, Fubon ETF is about to disburse).
- Domestically, the speed of disbursement of public investment is showing clear signs of acceleration compared to previous years. Fiscal policy is showing a parallel role with monetary policy that the market has expected from previous years.
- Credit absorption of the manufacturing sector will be better with lower interest rates.

Will exchange rate and inflation hold back supportive policies from the government?

- With the exchange rate, we focus on USD because this is also the policy objective of the State Bank (SBV). Although the Fed is likely to maintain a tightening trend, the deep devaluation of the VND will only be short-term (SBV has shown a very good ability to stabilize the exchange rate in 2022 when the VND only depreciates 3% against the USD while other Asian currencies lose from 7% to more than 10%).
- Inflation, although inflation is still increasing gradually, we believe that the temporary pressure is not high.



- On the cost side, we see prices of a variety of commodities (commodities) have recently adjusted downward as the Covid disruption is gradually disappearing after China reopens, production input prices will be difficult to increase too strongly.
- On the demand side, the return of tourists will put pressure on the general price but will be short-term and local.

Real estate market problem

The difficult situation will prompt the government to soon continue to have great impact policies to remove difficulties for the real estate market. The issue of licenses to help projects transfer and thereby offset debt will be the expected meaningful measure after the loosening of the corporate bond market has been announced.

Can have expectations when a large market like China reopens for international tourism?

- It is entirely possible due to the fact that visitors from China used to contribute 30% of the total number of tourists in 2019 and earlier.
- In addition, the Vietnamese government is also working on more open measures to attract tourists, including easing the Visa policy.

In summary, although the market struggled with low liquidity, we are still leaning towards the possibility that the market is still forming an uptrend after ending the accumulation process since November 2022.



COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

DISCLAIMER

The views expressed in this report accurately reflect personal views on securities codes or the issuer of the analyst(s) in charge of the preparation of the report. Investors should consider this report as reference and should not consider this report as securities investment consulting content for making decisions on investments and Investors shall be responsible for the investments decisions. Guotai Junan Securities (Vietnam) Corp. may not be responsible for the whole or any damages, or an event(s) considered as damage(s) incurred from or in relation to the act of using all or part of the information or opinions stated in this report.

The analyst(s) responsible for the preparation of this report receive(s) remuneration based upon various factors, including the quality and accuracy of the research, clients' feedbacks, competitive factors and the revenue of the company. Guotai Junan Securities (Vietnam) Corp. and/or its members and/or its General Director and/or its staffs may have positions in any securities mentioned in this report (or in any related investments).

The analyst(s) responsible for the preparation of this report endeavours to prepare the report based on information believed to be reliable at the time of publication. Guotai Junan Securities (Vietnam) Corp. makes no representations, warranties and covenants on the completeness and accuracy of the information. Opinions and estimates expressed in this report represent views of the analyst responsible for the preparation of the report at the date of publication only and shall not be considered as Guotai Junan Securities (Vietnam) Corp.'s views and may be subject to change without notice.

This report is provided, for information providing purposes only, to Investor including institutional investors and individual clients of Guotai Junan Securities (Vietnam) Corp. in Vietnam and overseas in accordance with laws and regulations explicit and related in the country where this report is distributed, and may not constitute an offer or any specified recommendations to buy, sell or holding securities in any jurisdiction. Opinions and recommendations expressed in this report are made without taking differences regarding goals, needs, strategies and specified situations of each and every Investor(s) into consideration. Investors acknowledge that there may be conflicts of interests affecting the objectiveness of this report.

The content of this report, including but not limited to this recommendation shall not be the basis for Investors or any third party to refer to with the aim to requiring Guotai Junan Securities (Vietnam) Corp. and/or the analyst responsible for the preparation of this report to perform any obligations towards Investors or the third party in relation to the investment decisions of Investors and/or the content of this report.

This report may not be copied, reproduced, published or redistributed by any person(s) for any purposes unless upon a written acceptance by a competent representative of Guotai Junan Securities (Vietnam) Corp. Please cite sources when quoting.



GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Võ Thế Vinh

Head of Research

vinhvt@gtjas.com.vn - ext:701



CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073 Stock ordering: (024) 35.779.999 Email: gtja@gtjas.com.vn Website: www.gtjai.com.vn	R9-10, 1 st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội Tel: (024) 35.730.073 Fax: (024) 35.730.088	3 rd Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM Tel: (028) 38.239.966 Fax: (028) 38.239.696