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THEMATIC REPORT: VIETNAM-US RELATIONS AND INVESTMENT POINTS

June 2024





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5. INVESTMENT PROSPECTS BY INDUSTRY

Facing trade and investment opportunities with the US economy as well as indirectly benefiting from shifting global supply chains, we rank the industry groups that benefit as follows:

- Industrial park enterprises benefit positively.
- Export industry group: textiles - seafood - construction materials: benefit from the recovery in consumption trends in the US and businesses re-stocking inventory.

6. RECOMMENDED STOCKS: IDC, FMC, IDI, MSH, TNG, NKG, HSG



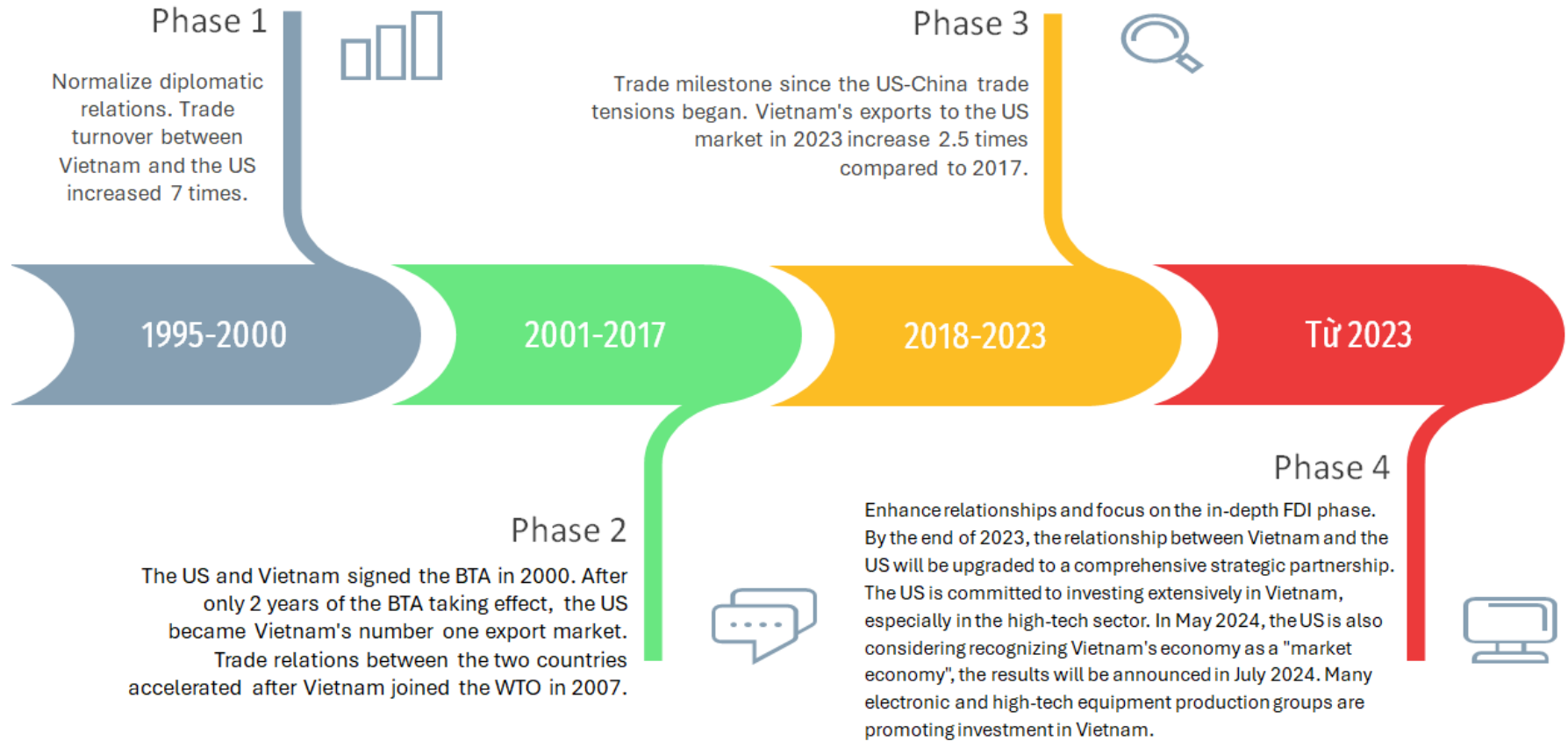
1. OVERVIEW OF VIETNAM-US TRADE RELATIONS

Overview of historical milestones in the relationship between Vietnam and the US:

- 1995: Normalization of diplomatic relations between Vietnam and the US
- 2000: Signed Bilateral Trade Agreement (BTA)
- 2001: BTA took effect, the US applied the Normal Trade Relations Regulations and the Most Favored Nation (MFN) Regulation, opening the market for Vietnamese exporters, reducing the average tariff rate on imported goods from Vietnam from 40% to 4%.
- 2005: Prime Minister Phan Van Khai officially visited the US. This is the first visit to the US by a Vietnamese Prime Minister since 1975. During this visit, the two countries signed an Economic and Technical Cooperation Agreement, as well as agreements on international ratification and intelligence. and military cooperation.
- 2006: The US President visited Vietnam when attending the APEC conference
- 2007-2008: Promote bilateral cooperation activities
- 2013: The two countries established a comprehensive partnership
- 2016: US President Barack Obama paid a state visit to Vietnam.
- 2019: President Trump comes to Vietnam
- 2022: The US removes Vietnam from the monitoring list for currency manipulation
- 2023: Upgrade Vietnam-US relations to comprehensive strategic partnership



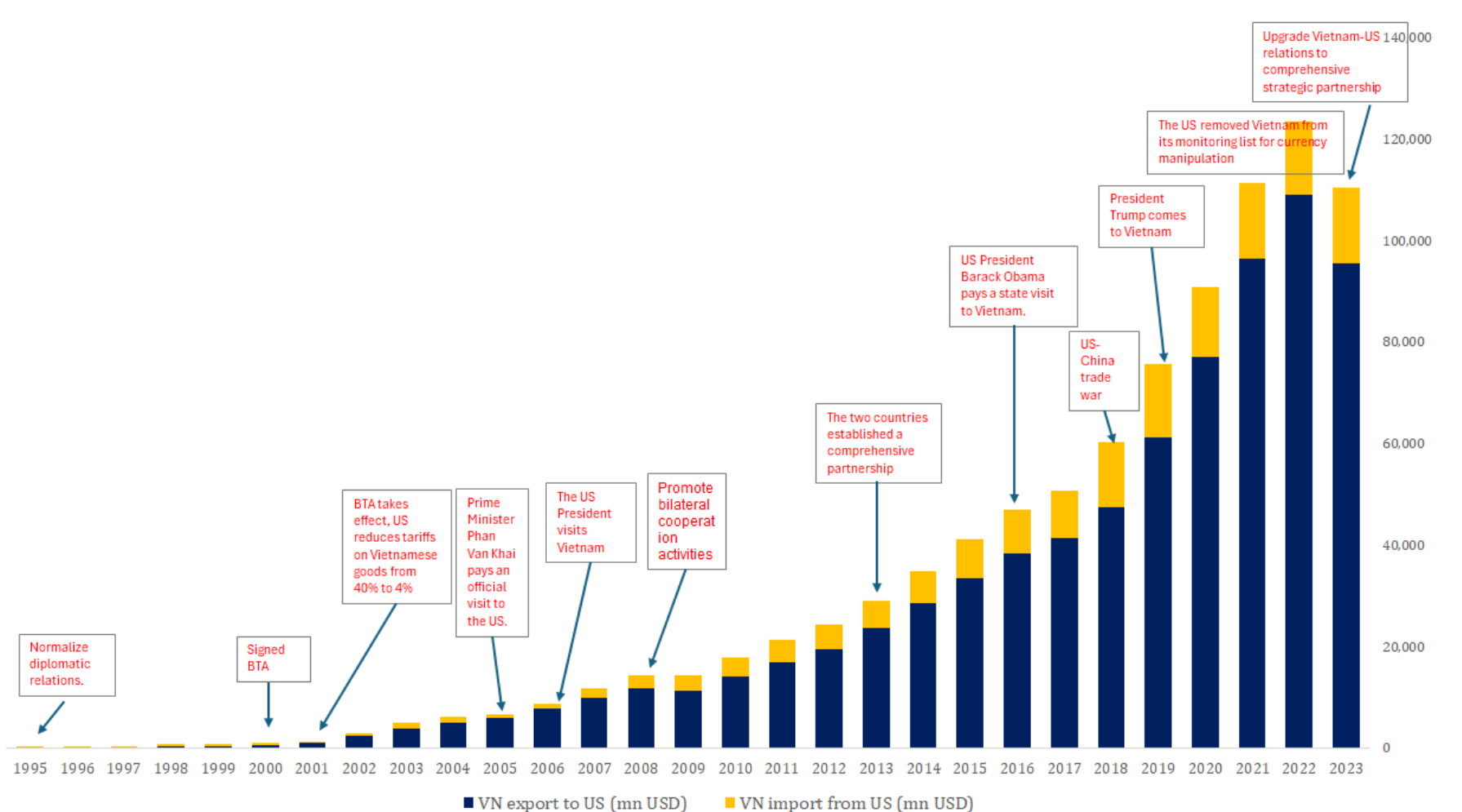
The Vietnam-US trade relationship can be viewed through 4 stages:



If in 1995 the import-export turnover between the two countries stopped at 450 million USD, by the end of 2023, the total import-export turnover between Vietnam and the US reached nearly 111 billion USD. Until now, the US is still the largest export market and the second largest trade partner of Vietnam.



VIETNAM-US RELATIONS AND TRADE TURNOVER OF THE TWO COUNTRIES



Nguồn: VCCI, Bloomberg, GTJASVN Research

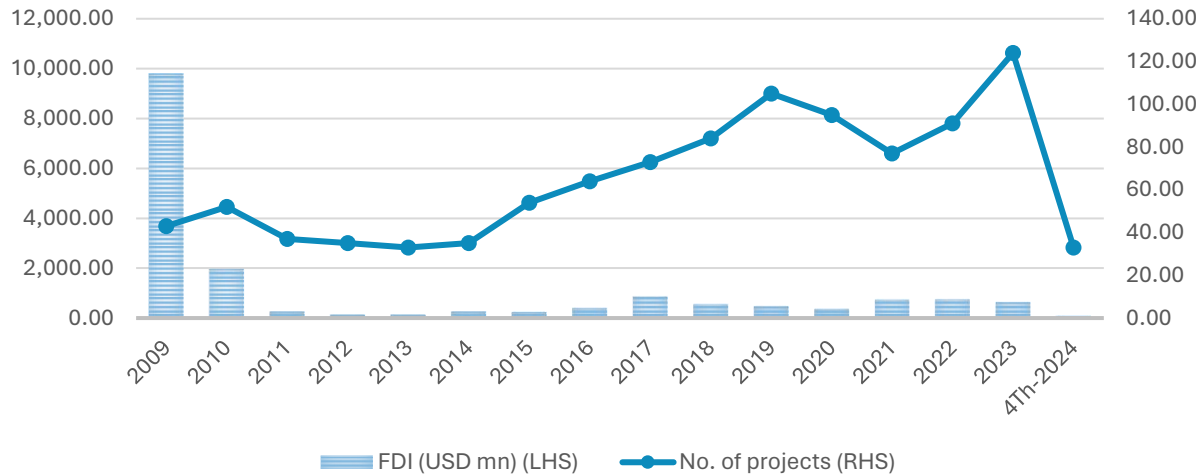
Import-export turnover between Vietnam and the US has increased rapidly with a growth rate of about 15%/year in the recent decade.



2. US FDI INVESTMENT IN VIETNAM

While commerce remains a positive aspect of Vietnam-US economic relations, US direct investment (FDI) in Vietnam remains relatively small when compared to the estimated 6.58 trillion USD in US foreign direct investment (FDI) until 2022 in Asia and ASEAN.

US FDI IN VIETNAM



By the end of April 2024, the total registered investment capital of American businesses in Vietnam reached more than 12 billion USD (more than 1,300 projects), ranking 11th in investment value by country.

Source: FiinproX

According to data from VCCI, the US has invested in 17/21 industries in the economic sub-sector system in Vietnam. Of which, the accommodation and food service industry accounts for 42.3% of the total registered capital, the manufacturing and processing industry accounts for 20.3% of the total registered capital, and the rest are other industries.

Up to now, the largest US FDI project in Vietnam is the Winvest Investment (Vietnam) Company Limited project licensed in 2006 with 4.1 billion USD registered capital, to build 5-star resorts and hotels, entertainment in Ba Ria - Vung Tau province. Many famous brands such as Citigroup, Apple, American Group, Intel, Chevron, Ford, Starwood Hotel, AIA, Dickerson Knight Group, Coca Cola, Pepsi Cola, KFC... have invested and operated in Vietnam for many years.



3. VIETNAM – US TRADE PROSPECTS AND INVESTMENT POINTS

PREFERENTIAL TARIFF POLICY APPLIED TO VIETNAMESE GOODS EXPORTED TO THE US

Vietnam, as a member of the World Trade Organization (WTO), **enjoys most favored nation (MFN)** tariffs when exporting to the United States. MFN tax rates range from less than **1% to nearly 40%**, with most items subject to tax rates between 2% and 7%. However, **textiles and footwear are often subject to higher tariffs**.

In addition, Vietnam is also one of the countries implementing the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**. According to this agreement, preferential export tax rates are expected to gradually decrease from 8.3% in 2022 to 3.6% in 2027.

BARRIERS WHEN ACCESSING THE US MARKET WITH VIETNAMESE ENTERPRISES

1/ Import tax rates are higher than some countries

Even though Vietnam has historically benefited from MFN tax rates, many Vietnamese commodities imported into the US still face higher tax rates than comparable goods imported from certain other US-controlled nations and areas. With these nations and areas, the US has unilateral trade preferences or free trade agreements. Currently, the only way to get around this problem is to enhance production management in order to reduce the cost of the product. (Refer to VCCI)

2/ Trade defensive strategies

According to VCCI, by the end of December 2023, the US had investigated 59 trade defense cases against Vietnamese export goods, accounting for nearly 25% of the total number of foreign cases investigating Vietnamese goods.

According to the Trade Defense Department's (2023) annual Trade Defense Report, published by the Ministry of Industry and Trade, Vietnam's exports were the focus of 242 trade defense-related regulatory matters as of December 20, 2023. The US is the nation that has opened the most investigations into Vietnamese goods in 2023, with seven cases total. These cases include two product scope/anti-trade tax evasion investigation cases (CLT), one anti-subsidy investigation case (CTC), and four anti-dumping investigations (anti-dumping). Products like aluminum extrusions, aluminum cables, steel shelves, steel wheels, high pressure washers, paper bags, shrimp, and more are among the various things that are being looked into. In addition, the US also reviewed a number of previously applied anti-trade measures, such as administrative review of CTC tax on tires, administrative review of anti-dumping tax on honey imported from Vietnam (including considering Vietnam's market economy business issues).



VIETNAM'S STEEL AND SEAFOOD EXPORTS ARE FREQUENTLY IMPACTED BY TRADE PROTECTION MEASURES.

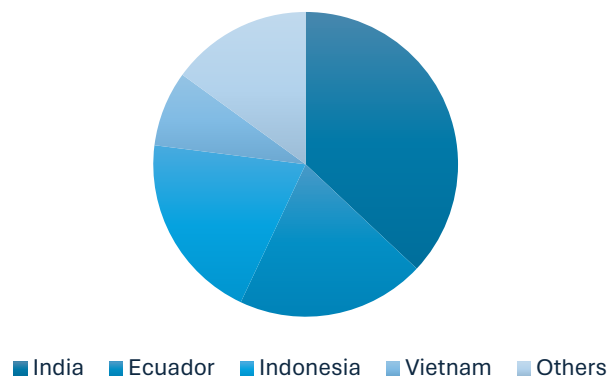
SHRIMP

In early 2024, the Vietnam Association of Seafood Exporters and Producers (VASEP) said that, according to a recent announcement by the US Department of Commerce (DOC), India, Ecuador and Vietnam - 3 out of 4 shrimp supplies America's largest farm, may be forced to pay a preliminary countervailing duty (CVD), ranging from less than 2% to a maximum of 196%. The tax rate will take effect as soon as DOC publishes it in the Federal Register. As soon as DOC announces the decision in the Federal Register, shrimp exporters from Vietnam will have to deposit a tax rate of **2.84% (lower than other countries)**. Specifically, the deposit requirement with Soc Trang Seafood Joint Stock Company is 2.84%, with Thong Thuan Company is 196.41%; and **2.84%** with all other providers.

The CVD tax rate just announced is only a preliminary tax rate. The final tax rate is expected to be announced in August-September 2024. Assuming Vietnam's final CVD tax rate is still lower than other countries, that is an advantage for Vietnamese shrimp. In addition, the subjects to anti-subsidy and anti-dumping taxes are frozen shrimp (excluding breaded shrimp and fried shrimp -key products of some large shrimp enterprises, like FMC for example).

Compared to shrimp shipped from Ecuador and India, the anti-subsidy tax rate on shrimp from Vietnam is substantially lower.

Major shrimp export countries to US



Because shrimp from the three nations mentioned above have extremely low selling prices, Vietnamese shrimp is able to survive in this market because of the high value-added processed products that are used in large, high-level systems. This is the reason Vietnamese shrimp cannot have a larger market share. Due to this circumstance, the plaintiff's attorneys (ASPA) have provisionally determined that the anti-dumping tax on shrimp from Ecuador is 111%, while the tax on shrimp from Indonesia is 37%.



PANGASIOUS

Vietnam is the leading supplier of frozen pangasius to the US market, accounting for **90-95% of the country's total pangasius import value**. In addition to Vietnam, the US also imports fresh, marinated and frozen pangasius products from China and a number of other transit markets.

The export price of Vietnamese pangasius to the US market fluctuates at 2.97 - 3.45 USD/kg in the first 6 months of 2023. Vietnam mainly exports frozen pangasius fillets; frozen pieces/cuts of pangasius; frozen breaded pangasius; Dried puffed pangasius and fried pangasius skin to the US market. According to VASEP, top 3 Vietnamese pangasius exporters to the US includes Vinh Hoan Seafood, East Sea Seafood, Van Duc Tien Giang, accounting for the value proportion of 51%, 18%, and 11% respectively.

Currently, pangasius products exported to the US face anti-dumping investigations from the DOC that take place periodically every year. Since the anniversary of the first Pangasius anti-dumping lawsuit is August, every August, DOC reviews each review period to determine the applicable tax rate. VASEP General Secretary said that in the previous administrative review period (2023), there were 5 companies enjoying the 0% tax rate, including **Vinh Hoan, Bien Dong Seafood Company Limited, Nha Trang Seafoods Joint Stock Company (Nha Trang) and Nam Viet Joint Stock Company**. The general anti-dumping tax rate that DOC imposed on Vietnamese pangasius exporters in the most recent review was **2.39 USD/kg** (0.04 USD/kg higher than the previous investigation period).



Source: VASEP



4. VIETNAM - US TRADE PROSPECTS AND INVESTMENT POINTS

Investment topics and benefiting industry groups

US-China trade transition

- Impact level: Large
- Beneficiary industries: Industrial park real estate, Technology, Infrastructure

The recovery of the US economy in 2024

- Impact level: Large
- Beneficiary industry: seafood export group, textile, garment, wood...

Economic opportunities Vietnam is upgraded to "market economy" by the US

- Impact level: Medium
- Benefiting industries: seafood and steel exports.

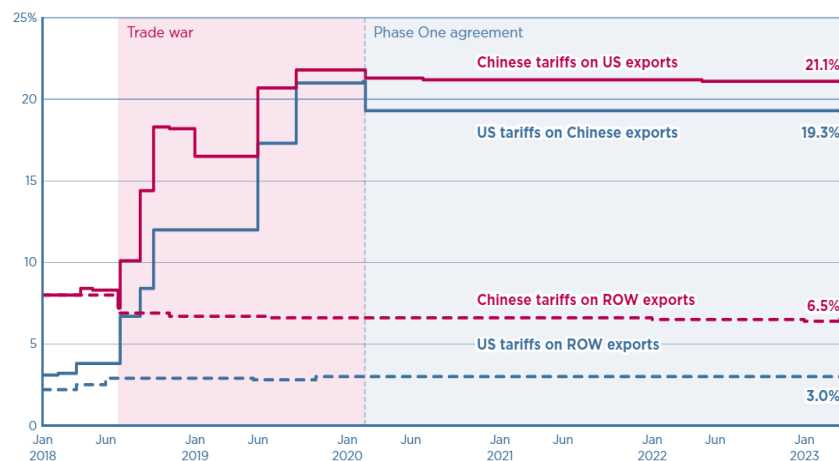


4.1. THE EVOLUTION IN US TRADE POLICY WITH CHINA AND VIETNAM EMERGES

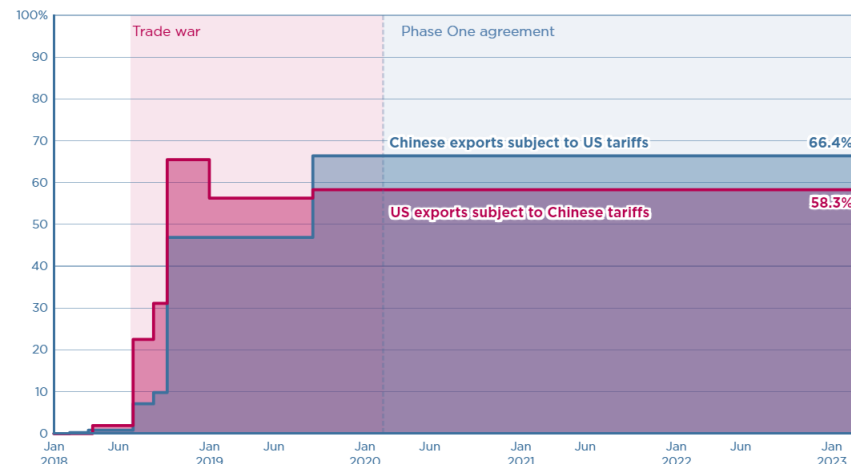
US-China trade tensions since 2018 and the shift to the "friend - shoring" policy.

The US-China trade conflict officially broke out in July 2018 when US President Donald Trump's administration imposed tariffs on machinery, electronic equipment and high-tech products worth 34 billion USD from China.

a. US-China tariff rates toward each other and rest of world (ROW)



b. Percent of US-China trade subject to trade war tariffs



Source: Peterson Institute for International Economics

Most recently, the US increased trade protection barriers with China

On May 22, 2024, the Office of the US Trade Representative announced a policy of sharply increasing taxes on a series of Chinese goods with a total annual import turnover into the US reaching 18 billion USD (including electric vehicles, electric vehicle batteries, solar panels...) will be applied from August 1.



According to detailed information related to the tariff policy posted on May 22 on the Federal Register, the official magazine of the US Government, the new tax policy takes effect from August 1, although there are some items that are delayed. (Valid until January 1, 2025 or 2026)

New tariff schedule for some goods imported from China

CATEGORY	PRIOR SECTION 301 TARIFF	NEW SECTION 301 TARIFF	EFFECTIVE YEAR
Battery Parts (Non-Lithium-Ion Batteries)	7.5%	25%	2024
EVs	25%	100%	2024
Face Masks	0-7.5%	25%	2024
Lithium-Ion EV Batteries	7.5%	25%	2024
Lithium-Ion Non-EV Batteries	7.5%	25%	2026
Medical Gloves	7.5%	25%	2026
Natural Graphite	–	25%	2026
Other Critical Minerals	–	25%	2024
Permanent Magnets	–	25%	2026
Semiconductors	25%	50%	2025
Ship-to-Shore Cranes	–	25%	2024
Solar Cells (whether or not assembled into modules)	25%	50%	2024
Steel and Aluminum Products	0-7.5%	25%	2024
Syringes and Needles	–	50%	2024

Source: USTR

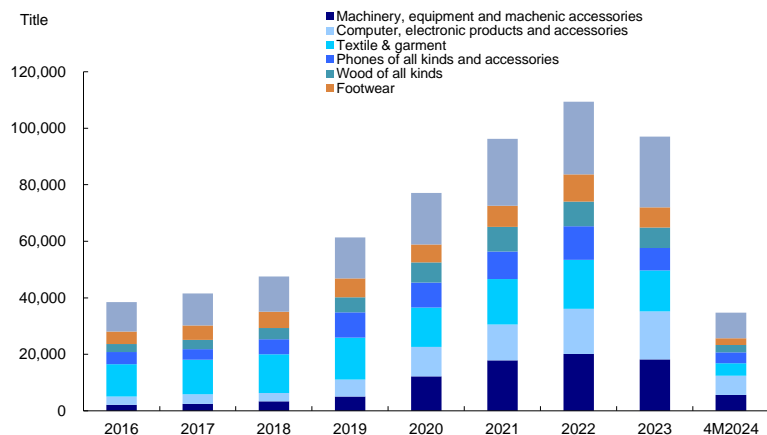


The decision to raise taxes is interpreted by economists as evidence that the US and China's "economic cold war" is becoming more widespread. The former President Donald Trump's tariff program on \$300 billion worth of Chinese imports in 2018 and 2019 served as the foundation for the current levies.

Vietnam benefits in both trade and investment

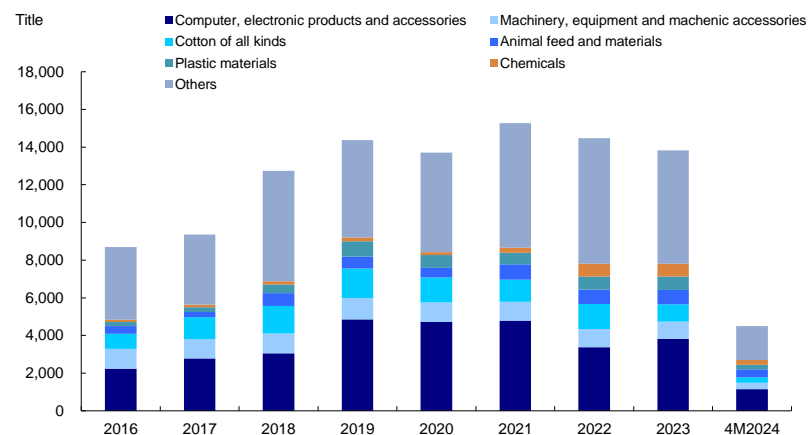
As a result of the US putting tariffs on a wide range of Chinese goods that Vietnam excels at selling, the country's export volume to the US has increased from 2019 to the present.

Export to the US by product



The export turnover of electronic equipment and components to the US has increased sharply since 2019 (after the start of the US-China trade war).

Import from the US by product



Import turnover also increased sharply compared to the previous period, but the scale was much smaller than exports.

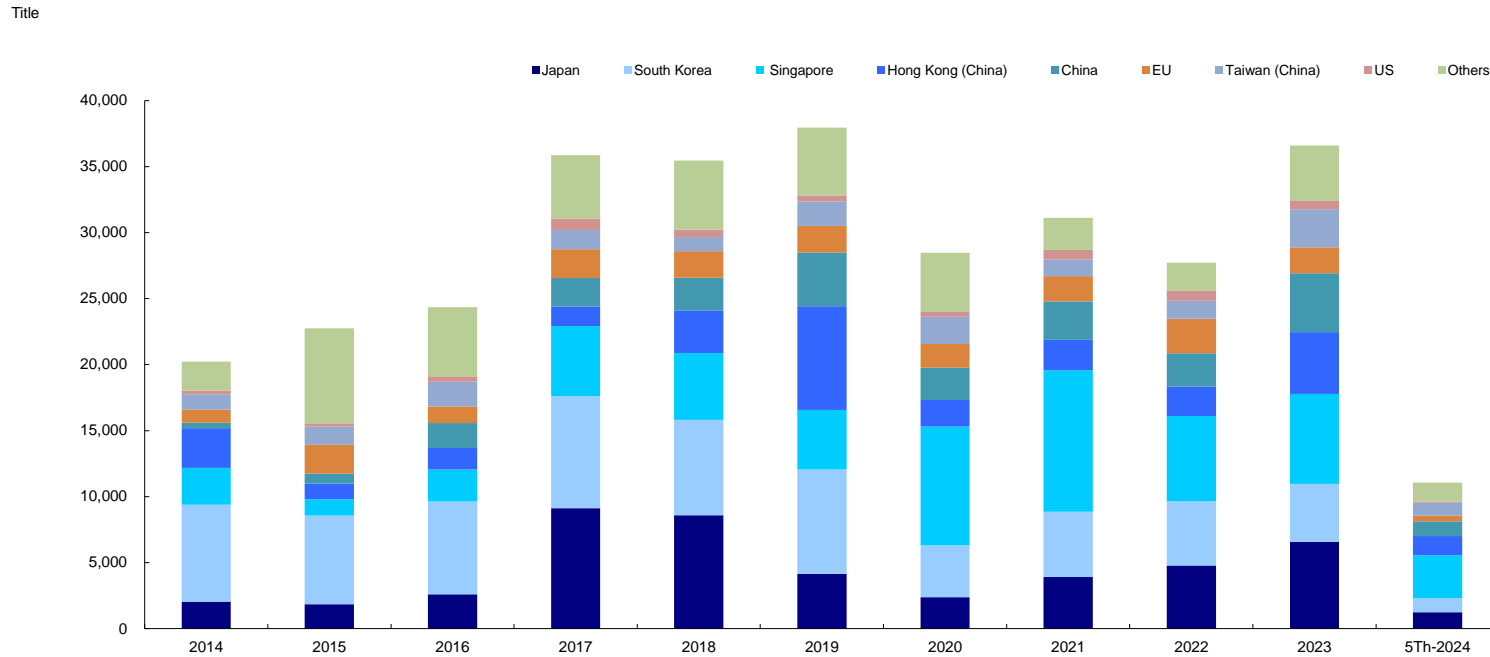
Source: FiinproX, GTJASVN

FDI from the US to Vietnam has improved, but FDI from countries in the US-China supply chain increased sharply into Vietnam.

The tense relationship between the two powers is an additional push for the investment trend to shift to Southeast Asia, including Vietnam - famous for its geographical location and much cheaper production costs than China.



In the wave of investment shifts, businesses from Hong Kong (China) and Taiwan (China) are notable investors turning to Vietnam.



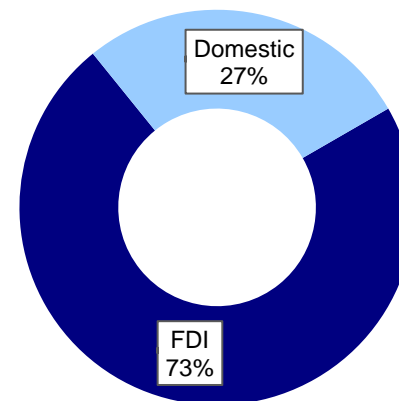
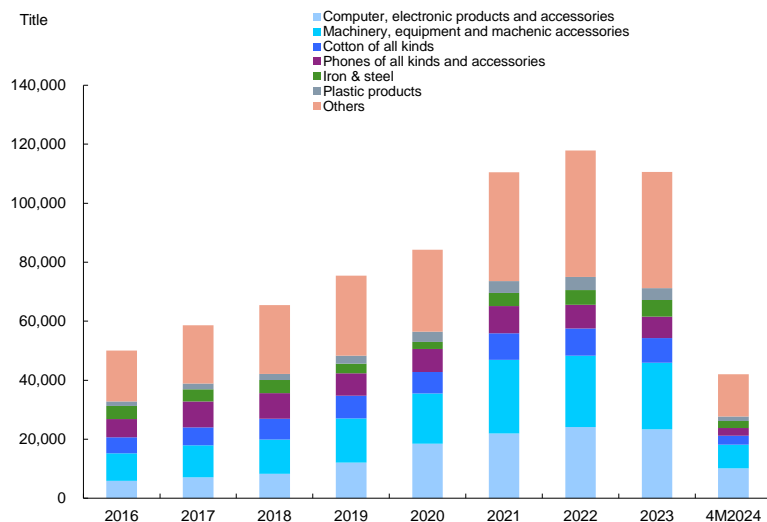
Source: FiinproX, GTJASVN

Prior to the US President Biden administration's announcement in May 2024 of plans to increase tariffs on a number of Chinese commodities, manufacturers of rubber gloves in nations like Malaysia are believed to stand to gain the most. By 2026, the tax on rubber gloves used in surgical and medical procedures in China will rise from 7.5% to 25%. It also creates opportunities for Chinese glove makers to establish factories in Vietnam, which is a major producer of rubber latex. In actuality, Top Glove, the massive Malaysian glove manufacturer, is also constructing factories in Vietnam.



Along with that, imports from China increased sharply

Most of Vietnam's exports come from FDI groups (more than 70%)



Source: FiinproX, GTJASVN

Trade between the US and China did not collapse after the trade war broke out, according to Chief Economist at the World Trade Organization (WTO) Mr. Ralph Ossa, but trade between the US and the rest of the world saw growth that was up to 30% less than it was the year before. Even though the US economy has grown over the past ten years, imports into the US from China have decreased to almost the same level by 2023. The US has boosted imports from many other nations, not only China.



AND New era - High-tech FDI

American corporations are investing more in Vietnam, as the country focuses on high-tech initiatives to draw foreign direct investment (FDI) in the new era. Source technology is one area where American companies consistently lead the globe. With an investment of 18 billion USD over two decades (2000 - 2020), Samsung's multi-year FDI strategy in Vietnam is largely responsible for the development of the country's technology sector. Vietnam now accounts for half of Samsung's global smartphone output. Additionally, Vietnam benefits from open investment rules and rare earths, which are crucial to the semiconductor sector. These factors have prompted other tech giants, including Apple, to increase their investment operations.

A delegation of fifty major US firms, including well-known brands like Apple, Microsoft, Boeing, Meta, and Google, visited Vietnam in early 2023 to look for investment potential. Now is the moment to alter the direction of US investment in Vietnam.

In 2023, many large American corporations are implementing plans to expand and increase investment capital in Vietnam. For example, P&G Group plans to invest an additional 100 million USD to expand the production line of the Ben Cat factory; AES plans to invest in renewable energy development; Marvell Technology announced plans to establish an IC Design Center in Ho Chi Minh City; Many US states said that in the coming time they will increase cooperation in the fields of auto component production. Most recently, in April 2024: NVIDIA - the world's leading artificial intelligence (AI) chip manufacturer - announced plans to produce equipment in Vietnam.



FDI explosion in the domains of electronics, technology, and semiconductors: Projects approved for investment in 2023

Projects	Scale	Province	Nation
<i>Jinko solar Hai Ha Vietnam photovoltaic cell technology complex project</i>	1.5 billion USD	Quảng Ninh	China
<i>Lite-on Quang Ninh Factory Project</i>	690 million USD	Quảng Ninh	Taiwan (China)
<i>Machinery and equipment factory project of Boltun Corp & QST International Corp.</i>	165 million USD	Quảng Ninh	Taiwan (China)
<i>Autoliv Vietnam's auto parts factory project</i>	154 million USD	Quảng Ninh	Sweden
<i>LNG gas power plant project of a consortium of 3 investors including Tokyo Gas Company, North Kyuden Electricity Company (Japan) and Truong Thanh Group (Vietnam)</i>	199 billion USD	Thái Bình	Japan
<i>Fulian Precision Technology factory project</i>	624 million USD	Bắc Giang	Singapore
<i>Solar panel factory project of LONGi Green Energy Technology Co. Ltd</i>	140 million USD	Bắc Giang	China
<i>Project of factory manufacturing computers, electronics and electro-optical products of Goertek Co. Ltd.</i>	280 million USD	Bắc Ninh	Hong Kong (China)
<i>Innovation Precision factory project</i>	165 million USD	Nghệ An	China

Sources: VCCI, GTJASVN



THREATS

Vietnam gains advantages but also confronts risks

The fact that Vietnam is mixed with China in the trend of Chinese manufacturers promoting investment in Vietnam causes Vietnamese products to also face certain barriers from the US. A typical example is the US imposing anti-dumping duties on Vietnamese steel products accusing them of originating from China. Or most recently, the US plans to impose anti-dumping duties on solar panel products from Southeast Asian countries.

Not only China, Southeast Asian countries also face US pressure to increase protection barriers

On May 15, 2024, the US Department of Commerce opened an investigation into allegations of batteries and solar panels imported from Southeast Asian countries, including Cambodia, Malaysia, Thailand. ., are being unfairly subsidized and priced below production costs.

According to the Center for Strategic and International Studies in Washington, more than 80% of solar panel production now takes place in China, and the cost of producing panels in China is 60% cheaper than in the US. Previously, Chinese solar panel manufacturers also moved their supply chains to some Southeast Asian countries such as Malaysia, Cambodia, Thailand and Vietnam to avoid US restrictions. In 2023, four Southeast Asian countries account for about 75% of total US solar panel imports.

Previously, in 2022, the US decided to exempt solar panel imports from the four countries mentioned above to meet domestic import demand. Since then, the export turnover of solar panels from these four markets to the US has increased sharply. Of which, Vietnam alone accounts for 26% of total US solar cell imports, equivalent to 4.2 billion USD in 2023 (5% of total exports to the US).

Regarding the solar panel manufacturing industry in Vietnam, there is only one domestic enterprise in the industry, IREK Energy Joint Stock Company, whose market share mainly belongs to foreign FDI enterprises from China and the US. Among them, the leading enterprise is First Solar (USA) which has been in operation since 2017, followed by Canadian Solar (Canada), Vina Solar (Canada), JA Solar (China), Trina Solar (China).), HT Solar (China).

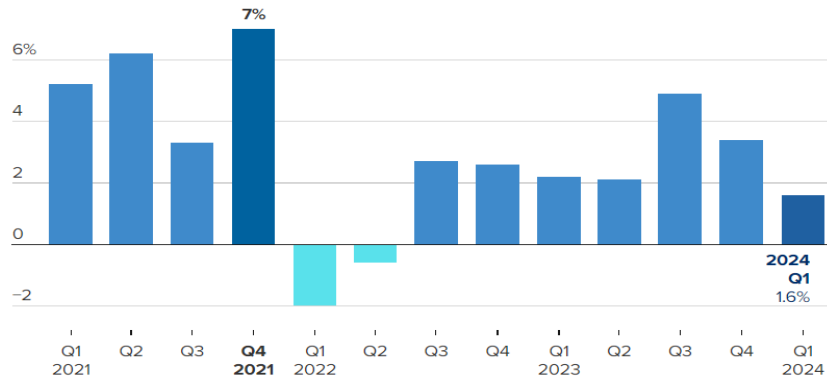
The US anti-dumping investigation into solar panels imported from Southeast Asia means these exporters may face tariffs of up to 271.45%.



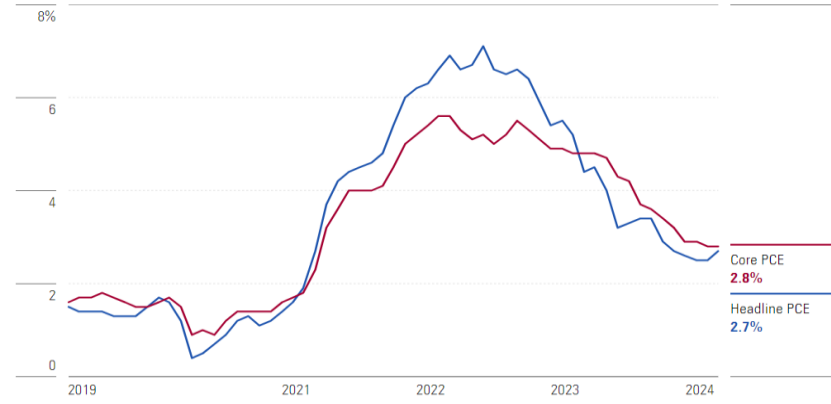
4.2. THE US ECONOMY AND THE RECOVERING CONSUMER TRENDS

US GDP growth was below expectations in Q1, but is expected to reach 2.4%-3% in Q2.

U.S. real gross domestic product
Percent change from previous quarter



PCE vs Core PCE

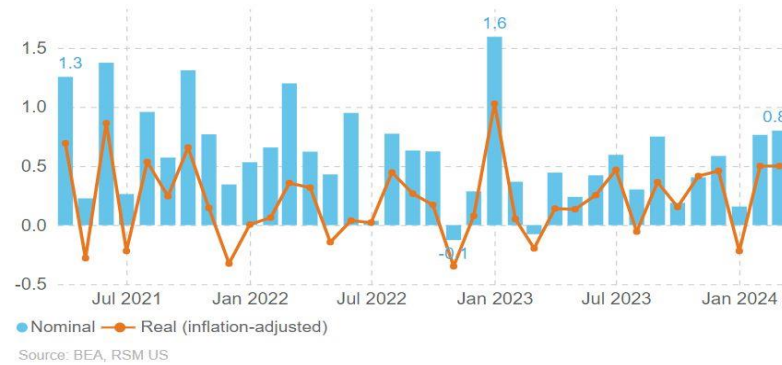


Source: FactSet. Data as of Mar 29, 2024.

Main indicators of the US economy such as PCE and unemployment rate are also showing a brighter picture for 2024.

Positive Personal spending and retail sales

U.S. personal spending growth
Monthly percentage



Source: BEA, RSM US

Retail sales, 3-month moving average growth
% seasonally adjusted



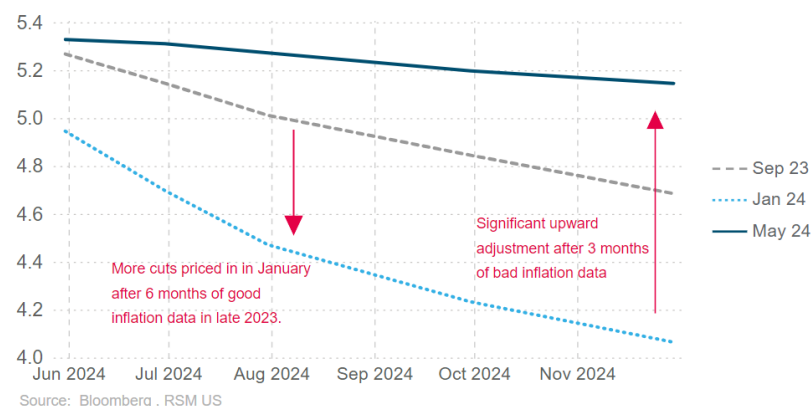
Source: Census Bureau, RSM US



Also according to a survey from The Conference Board, the US Consumer Confidence Index increased in May, showing positive signs in the spending trends of US consumers. Accordingly, the strong labor market is still strengthening consumer confidence. However, on a six-month average basis, there is no change in home purchase plans and at a low level, consumers' car purchase plans tend to increase slightly while their electronic product purchase plans tend to increase slightly, virtually unchanged except for smartphones.

On the production side, new orders for US capital goods rebounded stronger than expected in April 2024 and export activities of these items also prospered. However, machinery investment activities of businesses remain low due to concerns about interest costs in a context where interest rates still show no signs of cooling down.

Interest rate paths forecasted by market bets



PMI Ngành Sản xuất Việt Nam của S&P Global PMI
Điều chỉnh theo mùa, >50 = cải thiện so với tháng trước



Nguồn: S&P Global PMI.
Dữ liệu được thu thập từ ngày 11 đến ngày 22 tháng 4 năm 2024.



The US wholesale inventories index shows some signs of improvement from early 2024

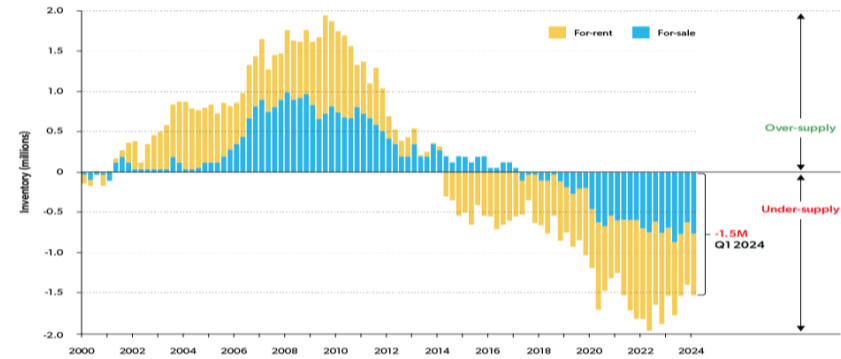
US Wholesale Inventories MoM



Source: tradingeconomics

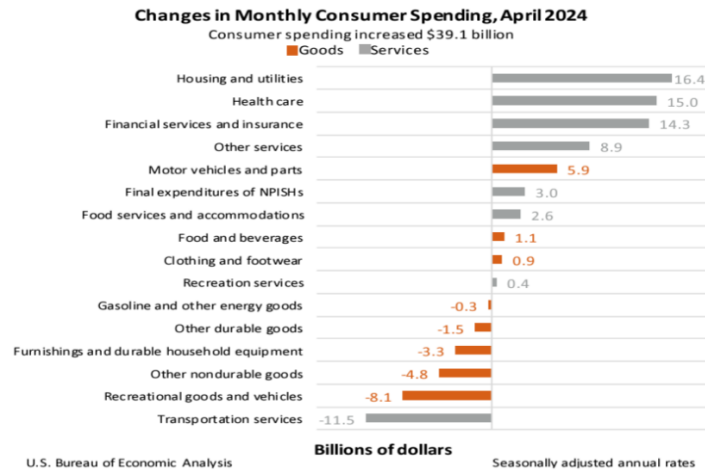
The US housing market is gloomy and supply is tight

Total for-sale and for-rent vacant housing is 1.5 million units below a balanced market



Source: Freddie Mac

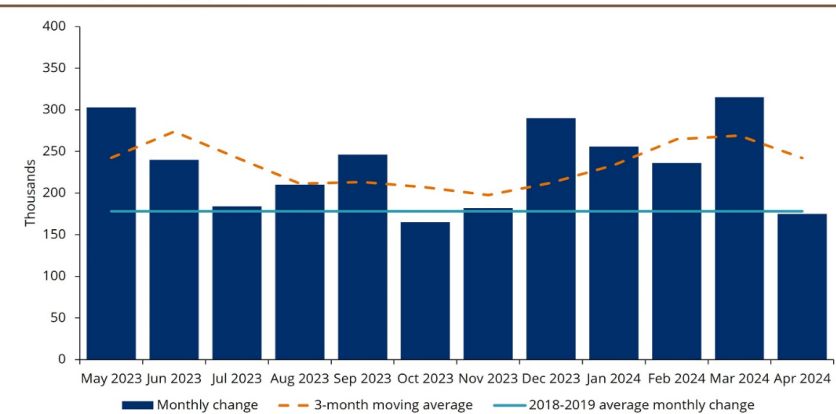
Spending on apparel increased in April



The US labor market is relatively positive

U.S. nonfarm payroll employment

Nonfarm payroll employment in thousands

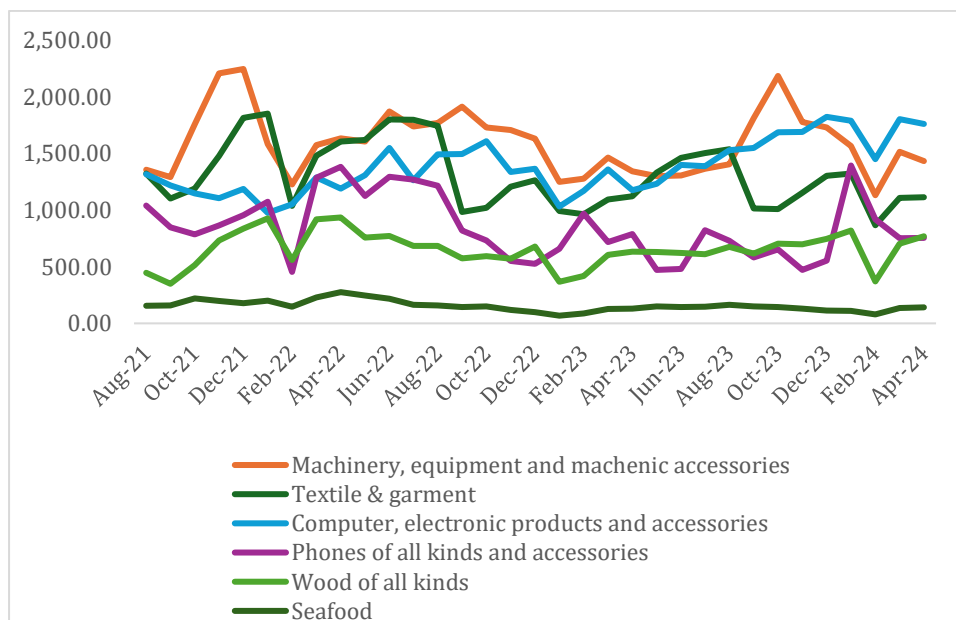




Vietnam's PMI index also showed a recovery in orders

Vietnam's manufacturing PMI increased again to above 50 points in April and remained at 50.3 points in May, marking the second consecutive month of improvement in manufacturing activity. According to the report, the number of new orders at businesses continued to increase strongly in May thanks to improved demand as well as companies attracting new orders.

Although it is better than it was in 2023, the export turnover to the US in the first four months of this year is still low when compared to historical trends.



Of them, the textile and apparel group's export growth was 5.7% year over year, compared to 13% growth for the seafood, 31.6% growth for the wood & wood products group, and 58% growth for the rubber group. In the meantime, the year-over-year growth in iron and steel exports was only 1.43%.

Source: FiinproX, GTJASVN



Expectations for Vietnam's export growth prospects in the upcoming months after creating a bottom in 2023 are strengthened by current macro information, which indicates that the US economy will only marginally contract over the next 12 months while US consumer confidence is still relatively high.

According to a report from the Ministry of Agriculture and Rural Development, agricultural, forestry and fishery export turnover in May 2024 reached 5.06 billion USD, accumulated in 5 months reached 24.14 billion USD, an increase of 21%yoy (corresponding to an increase of 4.2 billion USD). Contributing to this result are: Agricultural products 13.11 billion USD, up 27.7% (mainly due to sharp increase in prices); forest products 6.58 billion USD, up 22.7%; seafood 3.5 billion USD, up 3.6%; livestock 199 million USD, an increase of 5.6%.

Regarding export markets, the export value of agricultural, forestry and fishery products to all markets increased. Of which: exports to Asia 11.31 billion USD (up 17.5%); Americas 5.4 billion USD (up 23.1%); Europe 3.2 billion USD (up 39.4%); Africa 459 million USD (up 26.1%) and Oceania 341 million USD (up 24.8%). The United States, China and Japan continue to be the three largest export markets. The export value of agricultural, forestry and fishery products to the **United States accounted for 20.6%, an increase of 23.9%**; China accounted for 19.2%, an increase of 8.6% and Japan accounted for 6.7%, an increase of 6.6% over the same period last year.

Pangasius export turnover in the first 5 months of the year is estimated to reach 725 million USD, up 2% over the same period in 2023. The largest import market for Vietnamese pangasius in the first 5 months of the year is still the United States, followed by China, followed by Europe and some other South American markets. For the US market, frozen pangasius fillets are still the main product exported to this market. By the end of May 2024, exports of frozen pangasius fillets to the United States reached more than 120 million USD, an increase of 19% over the same period in 2023, accounting for 98% of the total value of pangasius exports to the United States. Among Vietnamese pangasius products, the United States is currently increasing imports of processed pangasius, with an increase in value 8.5 times compared to the same period in 2023. **Meanwhile, frozen pangasius is exported to the US market. Ky decreased again due to reduced consumer demand.**

Total shrimp export value in 5 months reached 1.33 billion USD, up 7.5% over the same period last year. Vietnamese shrimp exports to the Chinese market in the first 5 months of this year grew very strongly, with an increase of more than 40% over the same period last year, bringing in 240 million USD. Shrimp exports to the US market reached about 210 million USD, up 5% over the same period last year. The United States initiated an anti-subsidy lawsuit against the Vietnamese shrimp industry at the end of last year and by the end of March 2024, the US Department of Commerce (DOC) announced the preliminary tax rate for this lawsuit was 2.84%. At this time, our country's shrimp exporters are still hoping that when the DOC goes to Vietnam to appeal, if this tax rate is reduced below 2%, the lawsuit can be canceled.



4.3. AN OPPORTUNITY TO UPGRADE VIETNAM'S ECONOMY TO A "MARKET ECONOMY"

On May 8, the US Department of Commerce conducted an assessment on whether to elevate Vietnam to "market economy" status. There are currently 72 countries recognizing Vietnam as a market economy, including large economies such as the UK, Canada, Australia, Japan, Korea... It is expected that in July 2024, the DOC will have a decision. about whether Vietnam can change its status from a non-market economy to a market economy.

In the agreement on Vietnam's accession to the WTO, the US committed to applying measures for a country with a non-market economy to Vietnam in anti-dumping lawsuits within 12 years after Vietnam Nam became a member of the WTO; This means that after that time, Vietnam will automatically be treated like countries with a market economy.

Six requirements must be met for the US to acknowledge it as a "market economy":

- The extent to which a foreign country's currency is convertible into the currencies of other countries;
- The extent to which wages in a foreign country are determined by free bargaining between workers and labor managers;
- The extent to which joint ventures or other forms of investment by other countries are permitted in the foreign country;
- Degree of Government ownership or control of major means of production;
- The degree of Government control over the allocation of resources, as well as the pricing and output decisions of businesses;
- Other factors considered relevant by the competent authority.

Comparing with the above 6 factors, Vietnam's economy is already a market economy, but so far the US has not recognized that.

Consideration of upgrading Vietnam to "market economy" status faces opposition from US steel producers and shrimp farmers in the country's Gulf Coast region, but receives support. of American retailers and other businesses. Once Vietnam is recognized by the US as a market economy, **Vietnamese goods exported may have a lower anti-dumping taxes by the US.**



Regarding the current anti-dumping investigation of goods exported from Vietnam, it is clear that seafood and iron and steel enterprises (which are regular subjects of DOC anti-dumping investigations) are allowed to benefit the most.

In particular, the WTO's fundamental principles—which are crucial in evaluating dumping margin—may not apply in determining the normal price of the commodities under inquiry because the Vietnamese economy is not yet acknowledged by the US as a "market economy". Rather, employing alternative techniques (derived from the costs and prices of a company in a third nation or from the prices and costs of the Vietnamese company) frequently fails to capture the actual cost of production and the economics of the enterprise. The anti-dumping duty rate may rise as a result of the likelihood that the dumping margin under investigation will be greater than the dumping margin determined using the standard method.

The possibility of being recognized as a market economy is still open due to concerns of US domestic businesses and efforts to protect domestic manufacturing industries in the US.

Despite expectations about the results of upgrading Vietnam to "market economy", we assess that the impact of this information will have the most positive impact on the business results of Vietnam's seafood export group in short term.

- **For pangasius exporters:** companies currently subject to anti-dumping tax will benefit more (AAM, ACL, IDI) than the two businesses currently subject to 0% tax are VHC and ANV.
- **For shrimp exporters:** the impact is negligible because Vietnamese shrimp is subject to a relatively low anti-subsidy tax rate compared to other major shrimp exporting countries to the US.



5. RECOMMENDED STOCKS

Industrial park real estate: IDC

Seafood: FMC, IDI

Textile: MSH, TNG

Steel: NKG, HSG

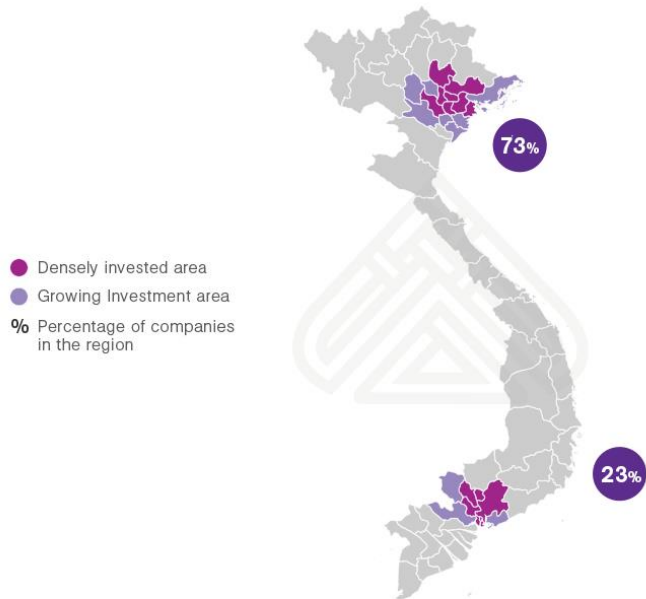


INDUSTRIAL PARK - INFRASTRUCTURE REAL ESTATE

We prefer industrial park real estate companies who are profiting from the shift in the supply chain from China and have projects in the North as well as some of Ho Chi Minh City's adjacent provinces, such Binh Duong, Dong Nai, and BR-VT.

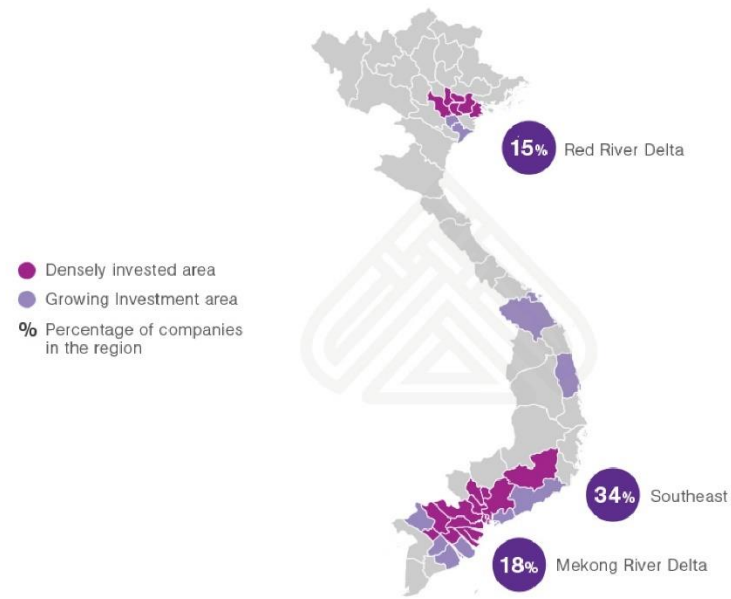
While high-tech FDI investment necessitates stringent infrastructure requirements (transportation, electricity), infrastructure construction companies have benefited from government investment initiatives in this area. Businesses that produce or build electricity will also partially profit from adopting this trend.

Electronic cluster



Graphic©Asia Briefing Ltd.

Food, beverage, and feed processing cluster



Graphic©Asia Briefing Ltd.



Recommended stocks: IDC

Investment catalyts

- **Expect the industrial park real estate segment to continue to grow positively thanks to the booming demand for industrial park rentals with a large amount of newly registered FDI flowing into the provinces of Bac Ninh, Long An, and BRVT - where IDC has large industrial parks for lease** (Que Vo II, Huu Thanh, Phu My II and expanded Phy My II). The above industrial parks have competitive rents compared to the general level, helping to attract good tenants, but the rate of rent increase is rapid thanks to infrastructure leverage, thereby expanding the profit margin of the industrial park development segment (near Long Thanh airport, Cai Mep - Thi Vai port, inter-provincial highways). With a commercial land fund ready for lease of about 550 hectares, and an annual rental rate of 120-150 hectares/year, IDC can ensure stable cash flow in the next 3-4 years. IDICO estimates to lease 145 hectares of industrial land this year, including 105 hectares at the parent company and 40 hectares at subsidiaries. In addition, IDC is implementing 9 more industrial park projects (total area of 2,430 - 2,820 hectares) including expanded My Xuan B1 Industrial Park, Tan Phuoc 1 Industrial Park (Tien Giang); Vinh Quang Industrial Park (Hai Phong) has completed the 1/2000 planning and is waiting for investment policy; The remaining 6 industrial park projects (2 in the north, 3 in the south and 1 in the central region) are preparing planning documents 1/2000 and applying for investment policies;
- **The Energy segment in the 2024-2025 period is stable and increases capacity thanks to:** (1) Favorable hydrology - El Nino is forecast to end from June 2024; (2) Tenants at Huu Thanh Industrial Park increase, leading to increased demand/capacity at Srok Phu Mieng Power Plant; (3) Dak Mi 3 operates stably again after a period of suspension.
- **Regular dividends:** Pay dividends at a rate of 40% (4000 VND/share) from 2023 to present (implemented on June 4, 2024). In 2024, the Company plans to maintain a dividend rate of 40%, and at the same time plan its business with expected revenue targets of 8,466 billion VND and pre-tax profit of 2,502 billion VND, an increase of 13% respectively. and 22% compared to 2023 implementation.

Recommendation: Buy, target price 65,000VND/share.



SEAFOOD

Pangasius fillet exports to the US decreased in the first 5 months of the year, but there is an expectation of recovery in the second half of the year.

Data from market research firm Circana (USA), pangasius is currently in the top 5 most consumed frozen seafood in the US, the largest supply comes from Vietnam (accounting for 84% of the market share). Therefore, with seafood inventories in the US cooling down since the second half of 2023 combined with the ban on seafood (Pollock) from Russia from early 2024, the demand for pangasius in the US is expected to recover soon.

SEAFOOD STOCKS

<i>Stocks</i>	Main products	Revenue structure from seafood	Export/ Revenue	Proportion of exports to the US/Main export market
<i>MPC</i>	Shrimp	100%	90%	The US accounts for 22.34% of export sales
<i>VHC</i>	Pangasius	100%	84%	The US accounts for 54.2% of export sales
<i>AAM</i>	Pangasius	100%	65%	Export to markets like Portugal, Spain, Philippines, Thailand, Hong Kong, China, Romania, Ukraine, Colombia, Hungary, Dubai, Egypt, Brazil, Mexico,...
<i>ACL</i>	Pangasius	100%	56%	Exported to South America and Europe
<i>ANV</i>	Pangasius	97%	65%	Just entering the US market in 2023, the main export markets are still Asia, China, and Hong Kong
<i>FMC</i>	Shrimp	100%	97%	The US accounts for 28% of export sales. Sao Ta Foods is currently the largest Vietnamese enterprise exporting shrimp to Japan, the 4th largest to the US and the 9th largest to Korea.
<i>IDI</i>	Pangasius	82%	36%	The two main markets are China 34%, Mexico 27%. There are exports to the US market

Source: business reports, Bloomberg, compiled by GTJASVN



Business results for the first quarter of 2024 (billion VND)

	Revenue Q1/2024	NPAT Q1/2024	Revenue Q1/2023	NPAT Q1/2023	Revenue growth YoY	NPAT YoY growth
MPC	2,787	7	2,200	-98	27%	Convert from loss to profit
VHC	2,860	189	2,239	226	28%	-16%
AAM	35	-2	30	1	14%	Convert from loss to profit
ACL	321	2	140	2	130%	20%
ANV	1,016	17	1,158	92	-12%	-82%
FMC	1,461	57	1,010	49	45%	18%
IDI	1,631	17	1,764	18	-8%	-5%

Source: FiinproX, compiled by GTJASVN

RECOMMENDED STOCKS: FMC and IDI

Stock	FMC	IDI
Catalysts	<ul style="list-style-type: none"> Corporate position in the shrimp industry, diverse and value-added products bring high profit margins and are benefiting from the recovery of exports to the US market. Besides, exports to the Japanese market are expected to continue to lead the company's revenue growth. 	<ul style="list-style-type: none"> Expect revenue growth thanks to capacity expansion and export activities to benefit if Vietnam is recognized by the US as a "market economy".
RECOMMENDATION	BUY - Target price: 58,500VND/share	FOLLOW - Target price: 13,500 VND/share



TEXTILE

Textile and garment export turnover shows recovery from markets, including the US

In April 2024, Vietnam's textile and garment export turnover reached 3.15 billion USD, up 2.8% over the same period last year, marking the 5th consecutive month of growth since December 2023. Accumulated in the first 4 months of 2024, Vietnam's textile and garment exports will reach 12.5 billion USD, up 7.5% over the same period.

Accumulated 4 months of 2024: All major export markets of Vietnam are growing well. Export turnover to the US reached 4.58 billion USD, up 6.3% over the same period, to the EU reached 1.2 billion USD, up 1.5% over the same period, to Japan reached 1.34 billion USD, up 10% over the same period, to Korea China reached 1.22 billion USD, up 3.7% over the same period, going to China reached 1.07 billion USD, up 13.1% over the same period

TEXTILE STOCKS

Stock	Textile structure/revenue	Proportion of exports to the US/main export market	Main industry
TCM	97%	The US accounts for 28.66% of export revenue	Textile
MSH	100%	The US accounts for 14.47% of export revenue	Textile
GIL	65%	Main markets: America, Europe	Mainly processing backpacks and handbags
TVT	90%	Main export markets: US, Japan, EU, China,	Textile
TNG	98%	Korea, Colombia, Türkiye.	Textile processing
VGT	100%	The US accounts for 53% of export revenue	Textile
STK	100%	90% of revenue is exported to the US and Europe	Yarns
M10	100%	Exports account for 29% of total revenue	Textile
ADS	88%	Main export to America and Europe	Yarns

Source: business reports, Bloomberg, compiled by GTJASVN



Business results for the first quarter of 2024 (billion VND)

	Revenue Q1/2024	NPAT Q1/2024	Revenue Q1/2023	NPAT Q1/2023	Revenue growth YoY	NPAT YoY growth
TCM	934.39	62.62	876.44	54.99	7%	14%
MSH	770.42	47.77	637.39	27.30	21%	75%
GIL	221.50	7.22	156.90	(38.62)	41%	Chuyển từ lỗ thành lãi
TVT	419.19	1.18	383.72	2.15	9%	-45%
TNG	1,353.73	41.88	1,334.73	43.64	1%	-4%
VGT	3,961.85	71.90	4,215.29	92.57	-6%	-22%
STK	265.75	0.71	287.89	1.63	-8%	-56%
M10	1,099.79	29.63	881.21	23.26	25%	27%
ADS	389.85	8.32	294.69	13.15	32%	-37%

Source: FiinproX, compiled by GTJASVN

RECOMMENDED STOCKS: MSH and TNG are two leading enterprises in the industry and have the US as a key export market.

Stock	MSH	TNG
Catalysts	<ul style="list-style-type: none"> The enterprise has a high gross profit margin thanks to promoting the shift to the FOB method, with a gross profit margin (GPM) of 12.5% - 23%, much higher than the GPM of only 4% for CMT orders. Xuan Truong II Factory project with a capacity of 50 sewing lines expected to come into operation at the end of 2024-2025 will boost MSH's revenue growth. Expected gradually order recovery from the main export markets, the US and Europe, in the period of 2024-2025, helping to fully utilize the capacity of the newly put into operation Nghia Phong factory and Xuan Truong II factory. Regular cash dividends of 25%-45%/year, corresponding to dividend yield/price of about 6%-15%/year. 	<ul style="list-style-type: none"> Export market recovery, capacity expansion and early filling of orders help profits expected to reach a record level in 2024. Specifically: (1) Export orders grow again thanks to the selling market US clothing retail recovers - TNG's main export market; (2) TNG is one of the few textile and garment enterprises in Vietnam that meets ESG factors, helping to attract orders from new and old customers; (3) Expected to put 45 more production lines into operation (corresponding to a 15% increase in capacity); (4) TNG will focus more on high-value FOB orders and reduce the number of low-value CMT orders, thereby improving profit margins. Gross profit margin is among the top in the industry
RECOMMENDATION	FOLLOW-Target price: 51,000VND/share	FOLLOW-Target price: 26,000VND/share



CONSTRUCTION MATERIALS: WOOD, ARTIFICIAL STONE, STEEL

Meanwhile, given the overall negative status of the US real estate market, the wood furniture and iron and steel export industries will only see modest gains. Though not significantly when market demand is still low, information about upgrading to a "market economy" will benefit NKG and HSG, two exporters of galvanized steel. The primary driver of these two businesses' growing business performance is their respective pricing increases and recoveries from low bases.

	Business activities benefit
<i>PTB</i>	Export of wooden furniture
<i>GTA</i>	Export of wooden furniture
<i>TTF</i>	Export of wooden furniture
<i>VCS</i>	Export of artificial stone
NKG	Export of galvanized steel sheets
HSG	Export of galvanized steel sheets

RECOMMENDED STOCKS: NKG and HSG.

Stocks	NKG	HSG
Catalysts	<ul style="list-style-type: none"> Positive export market prospects (accounting for 60% of revenue) thanks to the difference in Vietnamese HRC prices compared to the US and EU markets. In the first quarter of 2024, consumption output from NKG's export channel reached more than 172,700 tons, an increase of 65% over the same period last year. Long-term growth motivation from Nam Kim Phu My factory, expected to come into operation in 2026 with products focusing on production inputs for the automobile and household appliance manufacturing sectors with good profit margins as well as reduce dependence on cyclical factors of the real estate sector. 	<ul style="list-style-type: none"> Profit margin is expected to increase sharply in the trend of increasing steel prices while the business has accumulated large-scale low-priced inventory in the previous period. The proportion of export revenue accounts for about 50%-60% of revenue. Expectations of recovery from main export markets.
RECOMMENDATION	BUY- Target price: 27,550VND/share	BUY- Target price: 26,950VND/share



APPENDIX: Profit margin and stock performance

TEXTILE	Profit margin							Price fluctuation								
Stock	Gross profit margin	EBITDA Profit Margin	Before Tax	Net Profit	ROA	ROE	ROIC	Mkt cap (Billion VND)	Change 1D (%)	Change 1W (%)	Change 1M (%)	Change 3M (%)	Change 6M(%)	Change 9M (%)	Change 1Y (%)	Change YTD (%)
MSH	12.50%	6.86%	7.06%	5.68%	7.20%	15.33%	1.51%	3,901	4.63%	5.26%	16.85%	28.87%	41.89%	35.48%	67.10%	43.25%
VGT	7.56%	4.41%	2.85%	1.93%	0.22%	0.64%	-0.15%	7,997	0.59%	3.94%	33.56%	29.66%	35.77%	26.17%	35.15%	35.92%
TCM	15.39%	10.30%	5.79%	4.18%	4.25%	7.01%	2.60%	5,158	1.64%	7.12%	30.14%	28.19%	34.87%	26.89%	24.38%	36.69%
TNG	13.91%	10.58%	3.93%	3.17%	4.13%	13.11%	2.42%	2,997	-0.75%	3.94%	30.69%	23.36%	48.03%	35.98%	49.08%	34.71%
STK	14.70%	15.39%	6.33%	6.16%	3.11%	5.37%	0.15%	2,887	2.02%	2.02%	4.30%	7.62%	12.83%	-9.00%	22.68%	16.96%
GIL	11.25%	-2.10%	9.65%	7.38%	2.08%	2.94%	-0.52%	2,558	-0.41%	8.14%	14.22%	14.40%	45.33%	15.85%	40.04%	46.49%
PPH	19.68%	6.54%	17.15%	16.97%	8.78%	16.62%	0.02%	2,192	3.01%	4.53%	10.77%	13.96%	24.30%	21.46%	34.80%	18.69%
VGG	9.78%	2.05%	2.80%	2.34%	3.85%	10.77%	1.52%	1,649	-0.28%	-3.12%	8.92%	8.70%	11.43%	6.58%	29.90%	11.13%
HTG	9.36%	6.53%	4.55%	3.64%	6.82%	20.91%	2.28%	1,267	1.15%	4.14%	9.29%	9.95%	25.03%	40.16%	40.44%	16.86%
ADS	10.89%	10.84%	4.92%	4.25%	2.28%	7.40%	1.13%	1,123	0.68%	8.49%	19.03%	13.08%	12.64%	-5.16%	13.45%	11.36%
Average	12.50%	7.14%	6.50%	5.57%	4.27%	10.01%	1.10%	3,173								

Seafood	Profit margin							Price fluctuation								
Stock	Gross profit margin	EBITDA Profit Margin	Before Tax	Net Profit	ROA	ROE	ROIC	Mkt cap (Billion VND)	Change 1D (%)	Change 1W (%)	Change 1M (%)	Change 3M (%)	Change 6M(%)	Change 9M (%)	Change 1Y (%)	Change YTD (%)
FMC	9.18%	8.30%	5.62%	5.61%	8.27%	14.25%	0.02%	3,335	0.99%	-3.04%	7.28%	10.87%	16.86%	11.81%	26.79%	17.77%
VHC	12.43%	11.36%	9.98%	8.55%	6.98%	10.37%	1.05%	16,744	0.81%	2.33%	0.00%	1.36%	36.73%	19.24%	58.31%	24.05%
MPC	10.51%	2.97%	0.10%	0.00%	0.07%	0.13%	1.26%	6,993	1.67%	1.23%	8.51%	-1.14%	2.20%	-7.78%	2.77%	1.88%
ANV	8.11%	4.33%	-0.23%	-0.78%	-0.64%	-1.15%	-5.15%	4,526	0.59%	7.94%	16.64%	-1.16%	14.86%	1.44%	4.76%	9.32%
IDI	7.04%	6.08%	1.49%	1.22%	0.86%	2.20%	0.68%	2,789	0.41%	2.08%	11.87%	-2.78%	11.36%	-11.87%	-2.39%	4.70%
ACL	13.83%	6.70%	1.12%	0.97%	0.73%	1.56%	0.47%	630	0.00%	0.40%	1.21%	-4.92%	-0.40%	-12.24%	-3.09%	5.91%
AAM	-0.74%	-5.79%	-1.86%	-1.85%	-1.22%	-1.28%	-0.05%	91	4.19%	-1.25%	-2.25%	-8.71%	-7.45%	-19.44%	-20.18%	-6.75%
Average	8.62%	4.85%	2.32%	1.96%	2.15%	3.72%	-0.25%	5,015								

Source: FiinproX



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

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

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