

## Market Strategy Report

# H2 2024 Stock Market Strategy Report: We expect some macro risks could effect Vietnam stock market

**The Vietnamese stock market ended Q2 2024 at 1,245 points, moving sideways within the range of 1,250 – 1,300.** Market liquidity peaked in Q2 at an average of 22,231 billion VND per session (+3.9% QoQ). According to TVS Research, the average trading value of the VN-Index, after reaching its peak in Q2, has sharply decreased to only 16,970 billion VND per session.

**Capital inflows into the market peaked in Q2 2024 and began to decline in July.** Retail investors remain the main net buyers, although this buying force has shown signs of weakening. Foreign investors continued to sell net in Q2 2024 and withdrawing funds from Vietnam could contribute to reduced liquidity in the stock market in 2H 2024.

In Q2 2024, the Upcom Index had the best performance among the three major indices (+6% QoQ). The other two indices, VN-Index and HNX-Index, both decreased by 2.8% and 2.2% QoQ, respectively. There is a trend of capital shifting towards trading on the Upcom exchange, focusing on stocks in the Telecommunications, Tourism, and Entertainment sectors on this exchange.

Regarding market valuation, TVS Research believes that the current valuation is no longer attractive compared to the earlier Strategy Report after considering additional factors related to global macroeconomic risks and the reassessment of the market's full-year 2024 earnings.

**Therefore, we are adjusting the VN-Index target for the entire year of 2024 to 1,300 due to revised profit forecasts for the year and further assessment of domestic and international risk factors in the latter part of 2024.**

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## Stock Market Overview Q2 2024

### VN-Index stayed sideways in Q2 2024.

The Vietnamese stock market ended Q2 at 1,245 points, moving sideways within the range of 1,250 – 1,300. Market liquidity peaked in Q2 at an average of 22,231 billion VND per session (+3.9% QoQ), marking the highest level since Q1 2022. The average trading value of the VN-Index, after reaching its peak in Q2, has sharply decreased to only 16,970 billion VND per session.

In Q2 2024, TVS Research notes that the Vietnamese stock market has been influenced by several factors:

- **The flow of funds from retail investors has remained steady, balancing out the selling pressure from foreign investors**
- **The exchange rate pressure from Q1 to Q2 has eased after the State Bank of Vietnam implemented regulatory measures.** This has helped improve investor sentiment in the market
- **The macroeconomic situation in Vietnam improved in Q2**, as reflected by GDP growth of 6.93%, surpassing the government's target of 6.5%
- **However, foreign investors continued to sell net in Q2** due to exchange rate risks, liquidity risks from the VinGroup sector, and portfolio rebalancing. These factors have significantly impacted the reduction of capital flow in the stock market

Chart 1: VN-Index stayed flat in Q2 2024

VN-Index [point] and its trading volume [VND bil]



Source: Fiinpro-X, TVS Research

### Capital inflows into the market peaked in Q2 2024 and began to gradually decline in July, signaling a downward

Retail investors continued to be net buyers in Q2 2024, helping to balance out the strong net selling by foreign investors.

By July 2024, TVS Research observed that the stock market had become less attractive to retail investors, as their trading volumes significantly dropped (-20.4% MoM). Additionally, the cash balances of

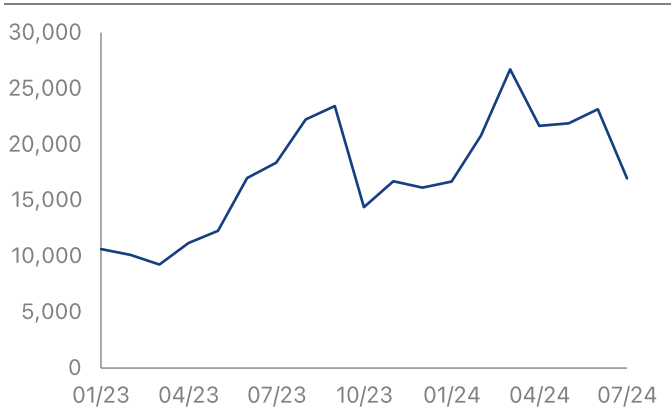
trend for the VN-Index.

retail investors at securities companies began to decrease in Q2, while margin debt levels surged beyond previous highs.

Foreign investors, particularly ETFs, continued to sell net in Q2 2024. Although this was a reduction compared to Q1, it still negatively impacted the market by reducing VN-Index liquidity. We believe the main reason for the ETF net outflows is the Federal Reserve's decision to maintain current interest rates, combined with a less optimistic global economic growth outlook for the second half of 2024. This has led funds to rebalance their portfolios, withdrawing from emerging and frontier markets and shifting investments into lower-risk assets like U.S. government bonds.

Chart 2: The average monthly trading value of the VN-Index remained steady in Q2

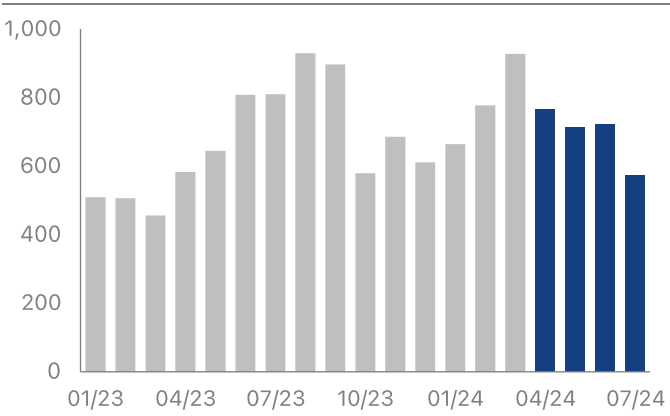
VN-Index monthly trading value [VND bil]



Source: FiinproX, TVS Research

Chart 3: ...while liquidity from individual investors began to decline in Q2

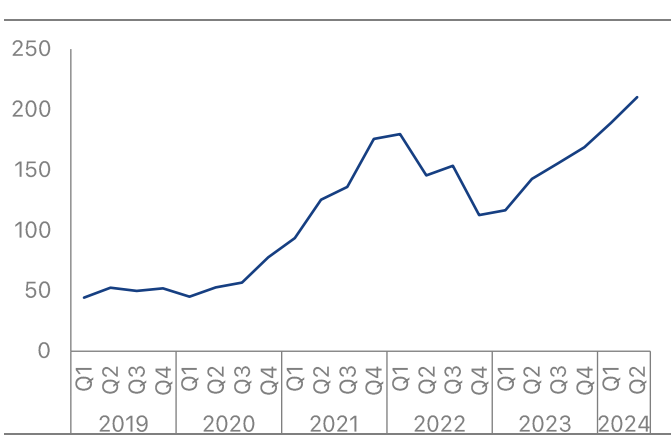
Trading volume of individual investors [mil of stock]



Source: FiinproX, TVS Research

Chart 4: Margin debt at securities companies increased significantly and reached a new peak in Q2 2024

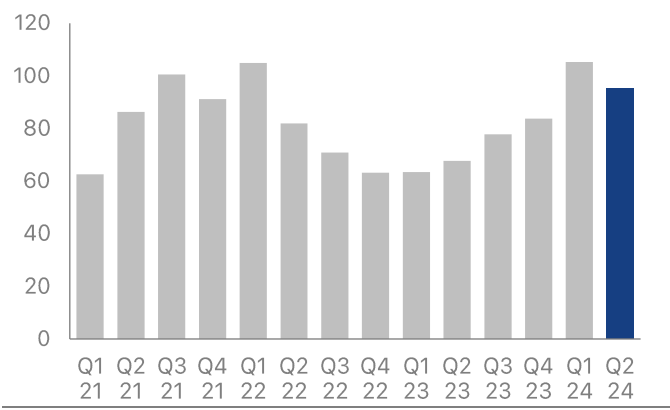
Margin debt at securities companies [VND thousand bil]



Source: FiinproX, TVS Research

Chart 5: Cash balances of individual investors at securities companies decreased slightly in Q2

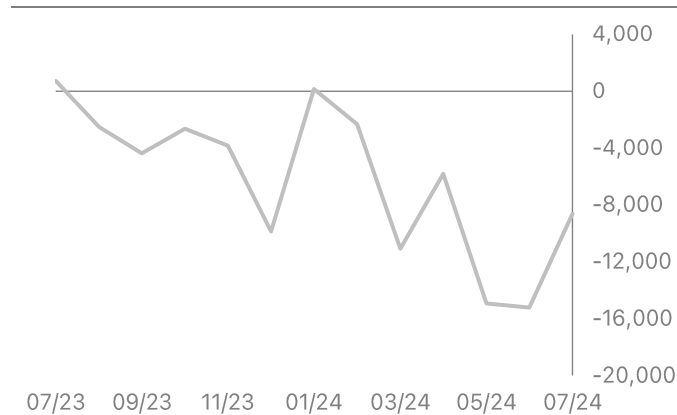
Cash deposits of individual investors at securities companies [VND thousand bil]



Source: FiinproX, TVS Research

**Chart 6: Foreign investors continued to be net sellers in Q2**

Net trading value of foreign investors [VND bil]



Source: FiinproX, TVS Research

**In Q2, mid-cap and small-cap stocks on the Upcom exchange performed better compared to stocks on the VN-Index**

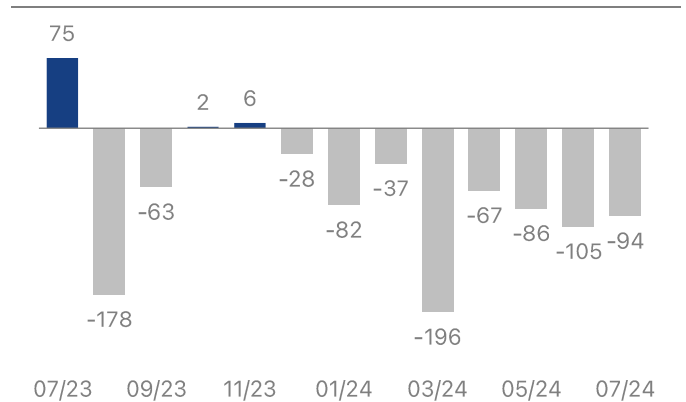
In Q2 2024, the Upcom Index had the best performance among the three major indices, rising by 6% QoQ, while the VN-Index and HNX-Index both declined, by 2.8% and 2.2% QoQ, respectively.

The VN-Index decreased as large-cap stocks faced net selling from foreign investors, particularly with ETFs continuing to withdraw from the Vietnamese stock market. These funds primarily sold net large-cap stocks, focusing on the Banking and Real Estate sectors.

For the Upcom Index, capital inflows surged in Q2 and concentrated on stocks in the Telecommunications, Tourism, and Entertainment sectors, significantly boosting the overall market capitalization of the Upcom exchange.

**Chart 7: ETF funds kept selling in Q2 2024**

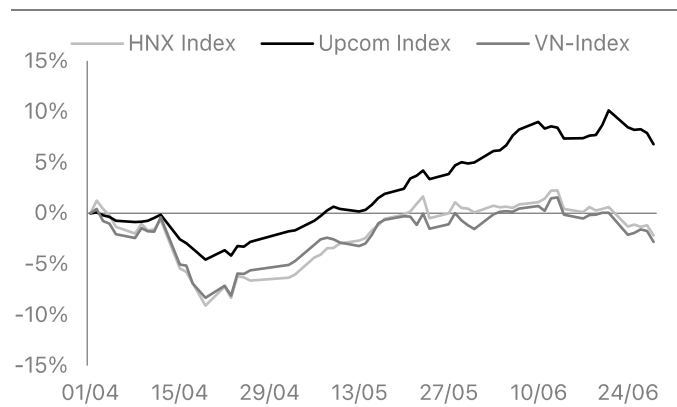
Trading activity of ETF funds [USD mil]



Source: FiinproX, TVS Research

**Chart 8: Upcom Index outperformed the other 2 groups**

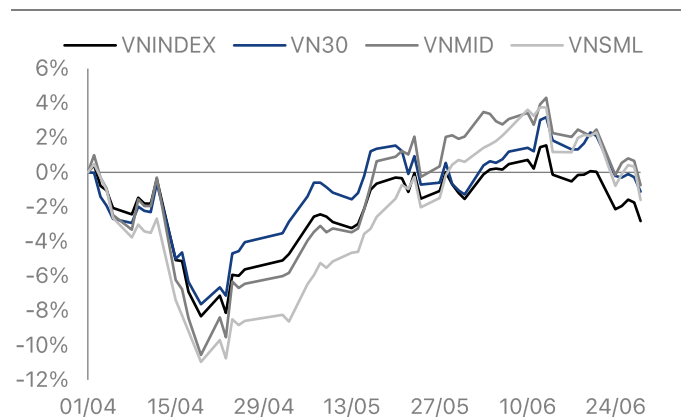
Performance of VN-Index, HNX Index and Upcom Index [%]



Source: FiinproX, TVS Research

**Chart 9: Performance of VN30, VN MID, VNSML compared to VN-Index**

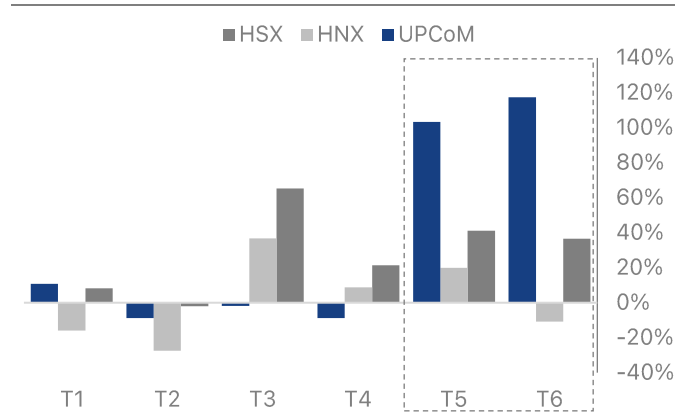
Performance of VN30, VN MID and VNSML [%]



Source: FiinproX, TVS Research

**Chart 10: Liquidity on the Upcom increased significantly, while other exchanges either slightly increased or declined in Q2**

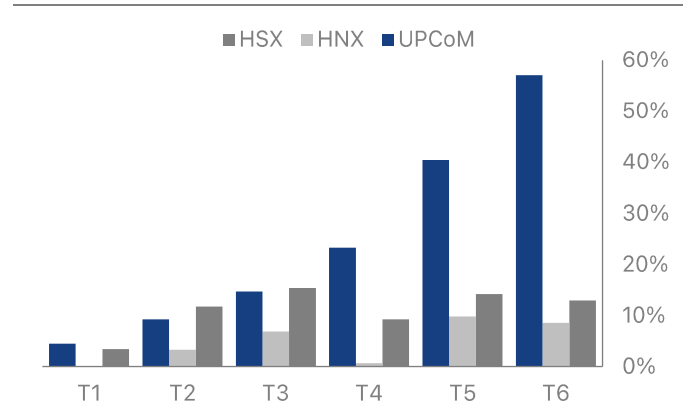
Change in trading volume of HSX, HNX and Upcom[%]



Source: FiinproX, TVS Research

**Chart 11: Mar-cap on the Upcom also grew faster compared to the other two groups**

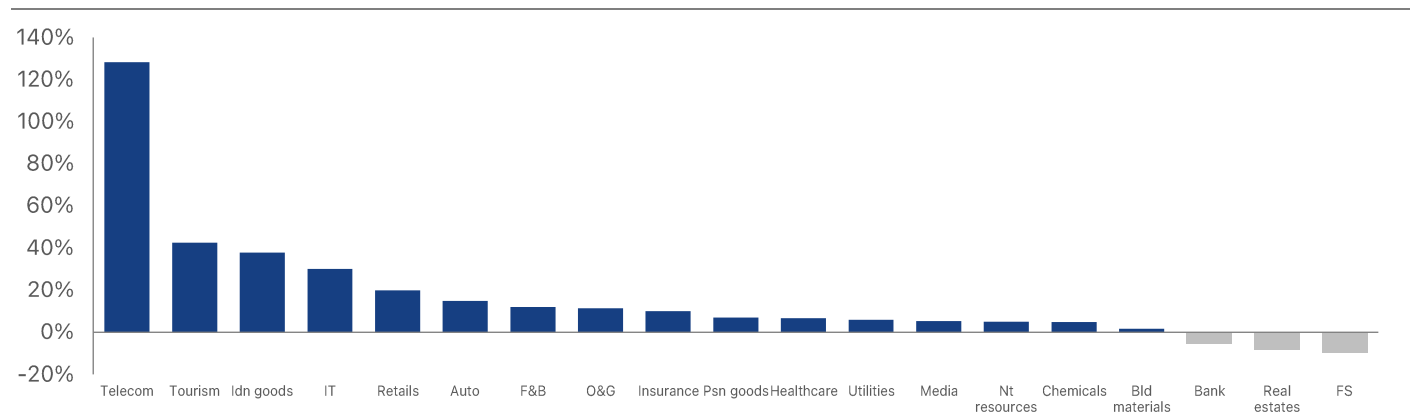
Change in mar-cap of HSX, HNX and Upcom [%]



Source: FiinproX, TVS Research

**Chart 12: Performance of 19 sectors of VN-Index in Q2 2024**

Performance of 19 sectors of VN-Index in Q2 2024 [%]



Source: Fiinpro-X, TVS Research

## The overall market earnings showed improvement in Q2 2024.

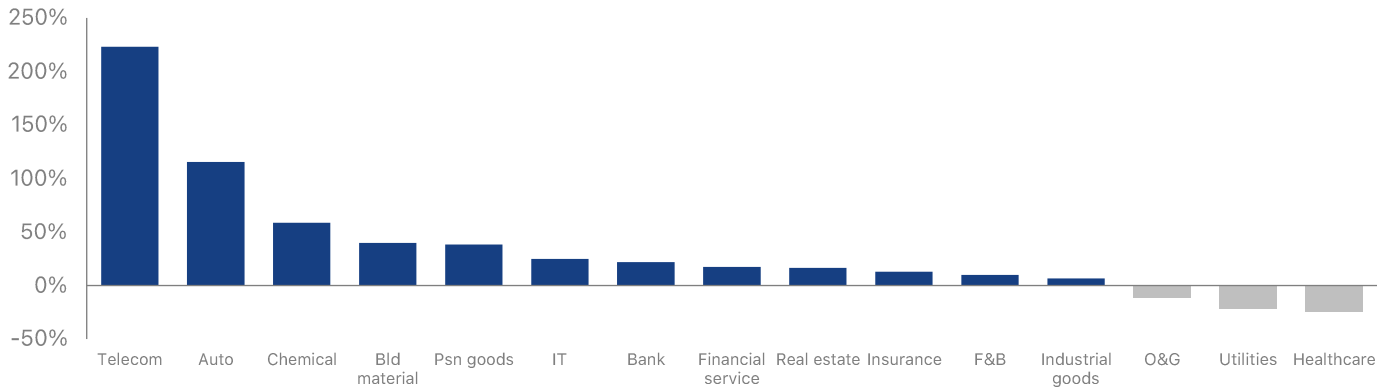
The market-wide NPAT increased by 26.0% YoY in Q2 2024, driven by a 30.5% YoY growth in non-financial companies and a 21.4% YoY increase in financial companies (Banks, Securities, Insurance).

Specifically, the after-tax profit of companies on the HOSE index rose by 23.8% YoY in Q2 2024. The after-tax profit for the VN30 and VNSML groups increased by 24.1% and 26.7% YoY, respectively, in Q2 2024. Conversely, the profit for the VNMID group decreased by 3.1% YoY.



Chart 13: 16/19 sectors had growth in NPAT in Q2 2024

Change in NPAT of sectors on VN-Index [%]



Source: Fiinpro-X, TVS Research

Note: Tourism, Telecommunication & Retails are excepted due to the sudden growth or negative net profit in Q2 2023

The data includes 1,040 out of 1,748 companies, accounting for 97.6% of the total market capitalization

**According to TVS Research, the current valuation of the VN-Index is no longer attractive compared to the forecast made at the beginning of the year.**

The P/E ratio of the VN-Index, after reflecting the Q2 2024 earnings of companies, stands at 13.7 times, approaching the 5-year average P/E ratio. We believe that the current P/E level is not attractive for several reasons:

- We consider the correlation with the expected profit growth for 2024 after TVS Research revised the market-wide profit growth forecast from 20% to 16.7%
- The potential for a slowdown in growth, given the less optimistic global economic outlook, could lead to a market decline. Historically, during the 2020 downturn, the market P/E ratio fell to levels equivalent to -1 Std

**Chart 14: VN-Index’s P/E reduced to 13.7 at the end of July**



Source: Fiinpro, TVS Research

## Stock Market Outlook 2H 2024

**TVS Research has adjusted the year-end 2024 target for the VN-Index to 1,300.**

**TVS Research has lowered the year-end 2024 target for the VN-Index to 1,300 after evaluating several factors:**

- Increased global macroeconomic risks (refer to the Q2 2024 Macroeconomic Update Report), which could affect the expected growth prospects for both the global economy and Vietnam in the near term
- We believe that market liquidity will continue to decline in the second half of 2024 due to a trend of reduced investment in risky assets. The trend of net selling by foreign investors is likely to persist as investment flows are being reallocated to markets offering better returns than Vietnam
- Full-year 2024 market-wide earnings growth has been revised down from 20% to 16.7%
- On the other hand, we believe that the potential for the Fed to lower interest rates starting in September 2024 with two rate cuts (as anticipated in the Q2 2024 Macroeconomic Strategy Report) could provide Vietnam with room to maintain its monetary policy easing and keep interest rates at current levels. This could be a positive factor for the VN-Index in the latter part of 2024

Therefore, we have reduced the year-end 2024 forward P/E target to 13.4x—10% lower than the 5-year average P/E (compared to 14.2x in the previous report)—to reflect the reduced expectations for earnings growth and increasing risks both domestically and internationally.

**Table 1: Sensitivity analysis of the VN-Index to P/E fluctuations and the profit growth scenario for 2024**

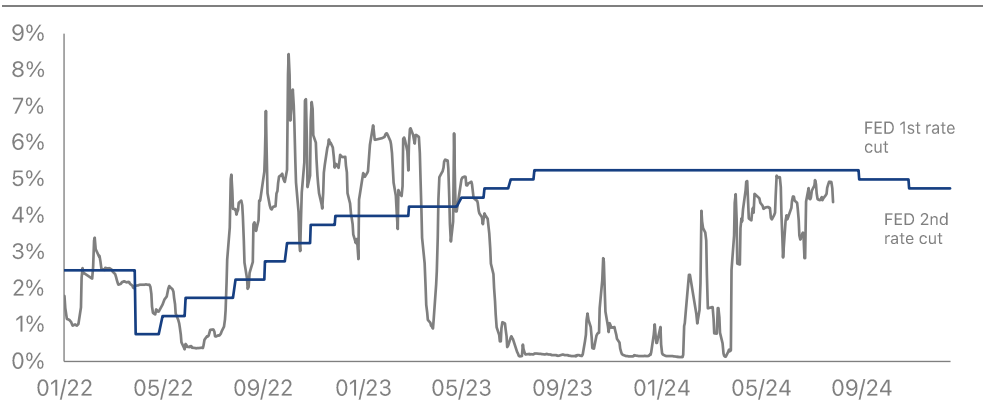
		NPAT Scenario						
VN-Index		10.0%	12.5%	15.0%	16.2%	17.5%	20.0%	22.5%
P/E	12.0	1,126	1,136	1,146	1,156	1,166	1,176	1,186
	12.5	1,173	1,183	1,194	1,204	1,214	1,225	1,235
	13.0	1,220	1,231	1,242	1,252	1,263	1,274	1,285
	13.5	1,267	1,278	1,289	1,300	1,312	1,323	1,334
	14.0	1,314	1,325	1,337	1,349	1,360	1,372	1,383
	14.5	1,361	1,373	1,385	1,397	1,409	1,421	1,433
	15.0	1,408	1,420	1,433	1,445	1,457	1,470	1,482

Source: FiinproX, TVS Research



Chart 15: The Fed's interest rate cuts provide the SBV space to maneuver on interest rates

Fed fund rate [%] and interbank O/N rate [%]

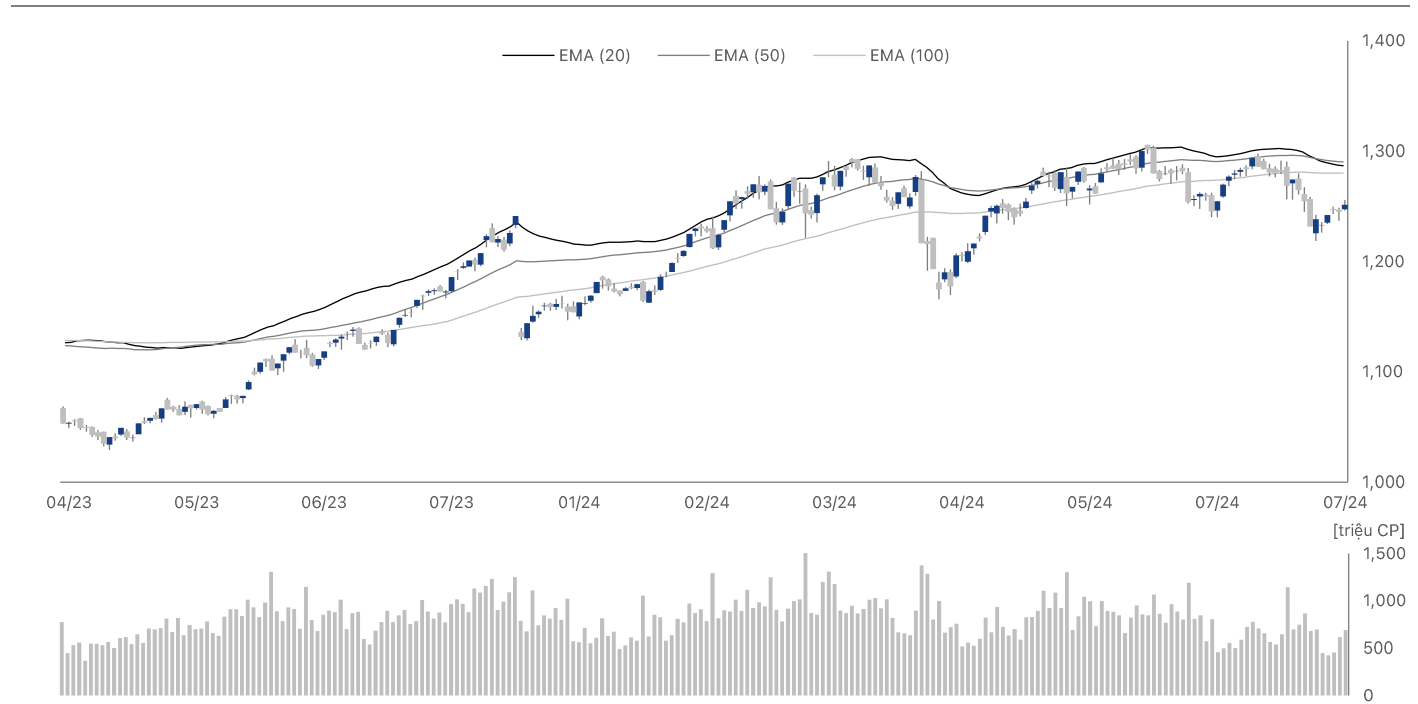


Source: FRED, FiinproX, TVS Research

## Technical analysis

### Chart 16: Technical chart of the VN-Index

Daily technical chart of the VN-Index



Source: Fiinpro, TVS Research

### Technical analysis

As of the end of July 2024, coupled with the sharp decline in capital from retail investors, we believe the market currently lacks the necessary support to rise.

In the short term, the VN-Index is still supported by the 200-day EMA on the daily chart. However, the VN-Index is gradually forming a head-and-shoulders pattern on the daily chart. If this pattern materializes, we believe the market could decline further and potentially target the 1,100 level if there are no positive news catalysts.

### Action

With the possibility of continued declining market liquidity in the coming months, coupled with macroeconomic risks from the global economy, we believe the VN-Index will struggle to experience strong gains as seen in the beginning of the year. Therefore, for investment strategies, investors may refer to the Q2 2024 Investment Strategy Update Report.

## Notable economic events in Q3 2024

Date	Event	Impact
01/7/2024	Vietnam's Manufacturing PMI of June releases	Average
05/7/2024	US Unemployment rate of May releases	Average
11/7/2024	US CPI of June release	Average
14/7/2024	China GDP of Q2 2024 releases	Average
17/7/2024	Eurozone CPI of June release	Average
18/7/2024	Expiration of VN30 Index futures contracts	High
29/7/2024	Vietnam Economic Data for July 2024	High
01/8/2024	Vietnam Manufacturing PMI Data	Moderate
02/8/2024	US Unemployment Data for June 2024	Moderate
14/8/2024	US CPI Data for July 2024	Moderate
15/8/2024	Expiration of VN30 Index futures contracts	High
20/8/2024	EU CPI Data for July 2024	Moderate
29/8/2024	Vietnam Economic Data for August 2024	High
02/9/2024	Vietnam Manufacturing PMI Data	Average
6/9/2024	US Unemployment Data for June 2024	High
11/9/2024	US CPI Data for July 2024	Average
12/9/2024	ECB meeting	Average
18/9/2024	FED meeting	High
19/9/2024	Expiration of VN30 Index futures contracts	High
20/9/2024	BOJ meeting	Average
29/9/2024	Vietnam Economic Data for September 2024	High

## List of published reports

Category	Title	Company/Industry	Release date
Update business result	Update business report Q2 2024	Market	<a href="#">08/8/2024</a>
Macroeconomic update	Macroeconomics Report July 2024	Macroeconomics	<a href="#">06/8/2024</a>
Market update	Equity Market Report July 2024	Market	<a href="#">06/8/2024</a>
Macroeconomic update	Macroeconomics Report June 2024	Macroeconomics	<a href="#">08/7/2024</a>
Market update	Equity Market Report June 2024	Market	<a href="#">08/7/2024</a>
Company update	Follow-up report	KBC	<a href="#">19/6/2024</a>
Market update	Equity Market Report May 2024	Market	<a href="#">07/6/2024</a>
Macroeconomic update	Macroeconomics Report May 2024	Macroeconomics	<a href="#">07/6/2024</a>
Market update	Equity Market Report April 2024	Market	<a href="#">08/5/2024</a>
Macroeconomic update	Macroeconomics Report April 2024	Macroeconomics	<a href="#">08/5/2024</a>
Company report	Shareholders' meeting update 2024	NLG	<a href="#">08/5/2024</a>
Company report	Shareholders' meeting update 2024	DXG	<a href="#">08/5/2024</a>
Company report	Shareholders' meeting update 2024	VHM	<a href="#">08/5/2024</a>
Company report	Shareholders' meeting update 2024	VRE	<a href="#">08/5/2024</a>

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Recommendation ratings	Definition
BUY	Expected stock total return over 1 year > 20%
HOLD	Expected stock total return over 1 year is between -10% to 20%
SELL	Expected stock total return over 1 year < -10%

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