

VIETNAM MACRO & MARKET OUTLOOK 2024



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Investment strategy in 2024 - Opportunities overcome challenges

The global economy in 2023 faced challenges such as declining world economic growth due to tightened monetary policies, geopolitical conflicts, ... Reduced consumer demand in major trading partners of Vietnam, such as the United States and Europe, led to negative growth in Vietnam's production and exports, significantly impacting the overall economy. However, in 2024, the international business environment is expected to improve as global inflation eases, paving the way for central banks to loosen monetary policies. International organizations predict 152 interest rate cuts in 2024, the highest since 2009.

Vietnam's growth in 2024 is expected to come from various sectors, including exports, industrial production, consumer spending, public investment, and tourism, ... 2024 is also the year where there needs to be a strong breakthrough to complete the growth target for the 2021 - 2025 period. The government and relevant authorities will focus intensively to accomplish economic and social objectives.

Recovering from the lows in 2022, the Vietnamese stock market in 2023 showed unexpected trends. Despite low interest rates supporting the market, foreign selling and lower-than-expected profit growth led to significant corrections. Transparency initiatives in the stock market had positive aspects in 2023. The securities sector cleaned up investor account data before connecting to the national database and took strict actions against administrative violations.

Looking into the macroeconomic outlook for 2024, BSC forecasts GDP growth at 5.8% and 6.3%, CPI at 3.5% and 3.02% for 2024 and 2023, respectively. The operating interest rates are expected to be 4.5% and 4% in 2023. The exchange rate is projected to remain stable within the range of 23,577 - 23,832 throughout the year. Money supply (M2) and credit growth are estimated at 10%, 13%, and 13% to 15%, respectively.

In terms of the stock market in 2024, the VN-Index is expected to maintain the recovery trend from 2023. Factors contributing to this include positive macroeconomic and business performance, continued low-interest rate environment, individual investors driving the market, and the KRX system deployment improving market liquidity. Optimistic signals about potential market upgrades from FTSE are also expected to drive market growth in 2024.

Regarding investment themes in 2024, sectors like construction materials, seafood, utilities, retail, textiles, chemicals, and tire manufacturing are expected to show good profit growth. Four investment themes to watch in 2024 include FDI growth areas such as industrial zones (PHR, SZC), the logistics sector, public investment (LCG), and recovery in exports for textiles (TNG) and seafood (VHC). Reasonably priced stocks in the banking sector (TCB, STB) and others (HSG, NLG, PNJ, MWG, etc.) are also highlighted.

For detailed prospects in various sectors and stocks of interest in 2024, refer to the "Vietnam Sector Outlook 2024" report.

Noted macroeconomic issues in 2024

The global impact on macroeconomics and the stock market in 2023 was significant. To provide a vision for 2024, two international and domestic issues affecting macroeconomics and the Vietnamese stock market are examined: (1) Fed loosening monetary policies and (2) System liquidity & Corporate Bond Market.

Fed loosening monetary policies

In the past 3 years, the global economy has continuously suffered negative impacts from various black swan events. After the severe impact of the COVID-19 pandemic in 2020 and 2021, the global economy experienced an energy crisis due to the Russia-Ukraine conflict at the beginning of 2022. This crisis caused a sharp increase in energy prices, contributing to the worsening global inflation after two years of maintaining ultra-loose monetary policies. To cope with this situation, central banks worldwide had to participate in a race to tighten monetary policies, exemplified by the United States raising interest rates 11 times from 2022 to 2023 (from 0%-0.25% to 5.25%-5.5%), and Europe raising interest rates 10 times in the same period.

Interest rate hikes came to a halt at the end of 2023, and these central banks signaled the beginning of a loosening cycle in 2024. According to the Fed's dot plot, the Fed will reduce interest rates by 0.75% in 2024, 1.25% in 2025, and maintain a long-term interest rate at 2.5%. The market predicts that the Fed might start lowering interest rates from late Q1 or early Q2, while the ECB is expected to start lowering interest rates right after the Fed.

In 2023, Vietnam's export sector was severely affected as major trading partners, the United States and the EU, tightened monetary policies, leading to reduced demand. As a country with high export/GDP ratios (in 2023: 159%), the weak trade sector negatively impacted the entire economy, especially in the manufacturing and processing industry, which accounts for a large share of GDP (~22.97%). This negative effect spread to the entire economy, resulting in a GDP growth of 5.05% YoY in 2023. Although this growth rate is higher than during the 2020 and 2021 pandemic periods, the trade weakness had a noticeable impact.

Towards the end of the year, the decline in the export sector narrowed compared to the same period due to the recovery in demand from major export partners such as the United States and China, and a slightly weaker recovery in Europe. In 2024, exports are expected to further recover as major central banks like the Fed and ECB loosen monetary policies and inventories in the United States continue to decline significantly compared to the same period (US inventories started to show negative growth from August 2023, reaching -3.1% YoY in November 2023, while the growth rate in November 2018 was +5% YoY, November 2019 was +2.4% YoY, November 2020 was -2.5% YoY, November 2021 was +15.5%, and November 2022 was +20.5% YoY). The recovery in the trade sector will have positive effects on the economy, benefiting employment and people's income.

However, BSC believes that the recovery momentum may not be too strong due to:

The prolonged tightening cycle of two years will permeate into the economy in 2024, slowing down the recovery pace of the United States and Europe.

Europe is facing the risk of a technical recession if the GDP growth in Q4/2023 turns negative, influenced consecutively by: (1) The Covid-19 pandemic; (2) The energy crisis at the beginning of 2022; (3) Prolonged tightening measures for two years from 2022 to 2023.

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Currently, the United States is still implementing Quantitative Tightening (QT) since the beginning of Q2/2022, reducing the Fed's balance sheet from the peak of nearly 9 trillion USD (April 2022) to 7.7 trillion USD at the end of December 2023. In 2024, despite the Fed lowering interest rates, continuing the tightening of quantitative measures at a relatively fast pace will affect the money supply and the pace of economic recovery in the United States.

System liquidity & corporate bond market

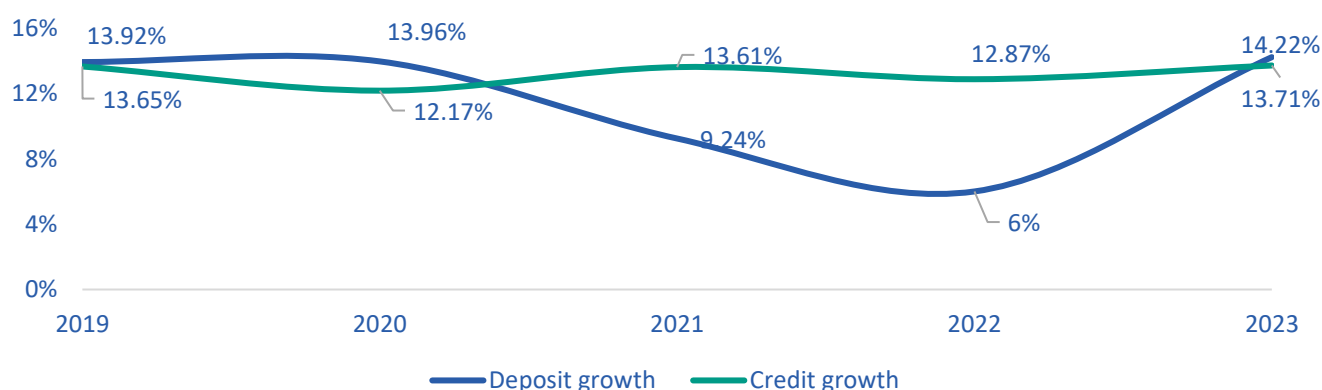
System liquidity has been maintained at a surplus throughout 2023

The overnight interbank market interest rate updated until December 27, 2023, is 0.79%, with one-week and two-week term at 2.17% and 2.06%, respectively. Looking back at the same period last year, the overnight interbank market interest rate often fluctuated around 4-5%, even reaching 6-7% at times. The yields on government bonds in recent auctions have also remained around 2.2-3.3% for 10-year tenures, while at the same time last year, they occasionally rose to 4.8%. Despite such low-interest rates, investor demand for new issuances has been significant, with bidding volumes typically absorbing approximately 90% of the offered amount.

With an unclear economic outlook, the business environment remains risky, and idle capital seems to be concentrated in the banking system. The surplus liquidity in the system has led banks to continuously reduce deposit interest rates. From November to now, banks have consistently adjusted deposit interest rates downward, even though, traditionally, deposit outflows tend to increase towards the end of the year to serve peak business activities.

Another factor contributing to abundant system liquidity at the end of the year is the maturity of NHNN bonds. Since early November 2023, NHNN has gradually reduced the scale of new bond issuances and completely stopped this business from sessions 9-11, amid easing exchange rate pressures.

Graph 1: Annual deposit growth and credit growth



Source: BSC Research

Vibrant Corporate Bond Market Bounces Back After Decree 08 Issued

After the market turbulence in 2022 involving major players like Vạn Thịnh Phát and Tân Hoàng Minh, and several instances of regulatory violations causing many issuing organizations to delay principal and interest payments on bonds, Decree 65 was enacted on September 16, 2022. This decree imposed higher requirements on transparency in bond issuance activities for enterprises and tightened conditions for qualified bond investors. The corporate bond market only started showing signs of improvement after Decree 08 amended certain provisions of Decree 65, effective from March 5, 2023. Despite this, the value of corporate bond issuances in 2023 continued to decline compared to previous years.

By the end of November 2023, the recorded value of bond issuances reached 202.189 trillion VND, marking a 25.17% decrease compared to the same period the previous year. Of this, 181.766 trillion VND was from private placements, and 20.424 trillion VND was raised through public offerings. The recovery in private placements in 2023 came from increased issuances by the Banking sector, comprising 46.13% of the total bond issuance value. Banks successfully addressed issues related to audit reports on the use of funds from private bond issuances while having a demand for additional Tier II capital. Following the Banking sector was the Real Estate sector, making up 35.2% of the total issuance value.

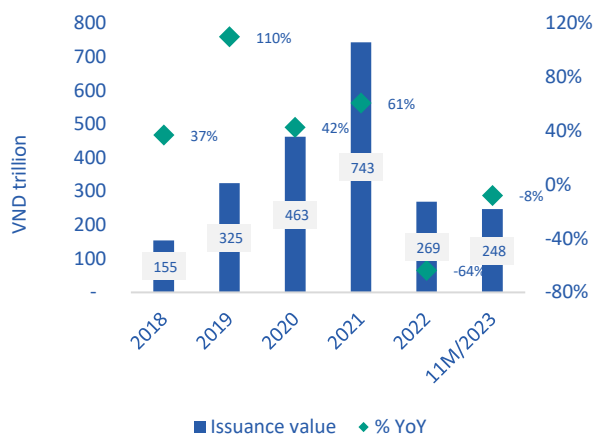
In terms of average coupon rates by sector, the Banking sector experienced a decreasing trend due to low-interest rate environments. Meanwhile, the Real Estate sector saw an increasing trend attributed to weaker debt repayment capabilities of businesses, challenges in the real estate market, and the bond market's attractiveness yet to fully return. Across all sectors, there was a tendency towards shorter maturities as the overall market struggled to recover, making short-term bonds more appealing.

The trend of bond repurchases continued to be prominent from 2022 to the end of 2023. As of December 2023, the Banking sector actively engaged in repurchasing bonds due to their surplus cash positions, low credit growth, and abundant liquidity. Real estate businesses tended to negotiate bond extensions rather than engaging in repurchases due to ongoing business challenges.

Regarding delayed bond interest payments, as of October 3, 2023, approximately 69 businesses were listed as late in meeting obligations, with a total debt of around 176.1 trillion VND, accounting for about 17.8% of the total corporate bond debt in the market. Most of these businesses were in the Real Estate sector.

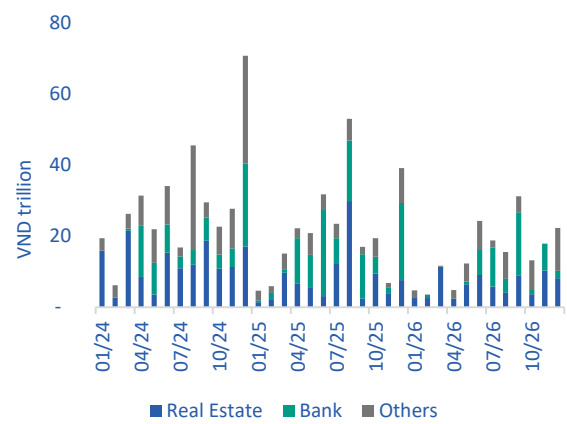
The bond extension activities have shifted the repayment pressure to 2024, 2025, and 2026. In the face of bond maturity pressures, negotiating extensions has become the preferred choice for businesses, especially those in the Real Estate sector, facing difficulties in accessing credit and with the real estate market not fully recovered. Negotiations for bond extensions intensified from April 2023 after the issuance of Decree 08. According to BSC's data, as of the end of November 2023, issuing organizations successfully negotiated extensions for bonds with a total value of up to 90.134 trillion VND. The majority of these extensions added an extra 2 years, pushing back the repayment pressure to 2024, 2025, and 2026. BSC believes that 2024 will be a critical year for the bond market as significant repayment pressures, especially in December 2024, loom large.

Graph 02. Annual Corporate bond issuance value



Source: BSC Research

Graph 03. Bond maturity value 2024-2026



Source: Fiinpro, BSC Research

Macroeconomic outlook in 2023 and forecast for 2024

Macroeconomic forecast for 2024

- In 2023, the GDP growth rate reached 5.05%, representing a slower growth compared to previous years, particularly higher than the pandemic period of 2020-2021. This deceleration was attributed to major global central banks such as the Fed, ECB, tightening monetary policies.
- The GDP forecast for 2024 is estimated to have growth rates of **5.8% under Scenario 1** and **6.3% under Scenario 2**.

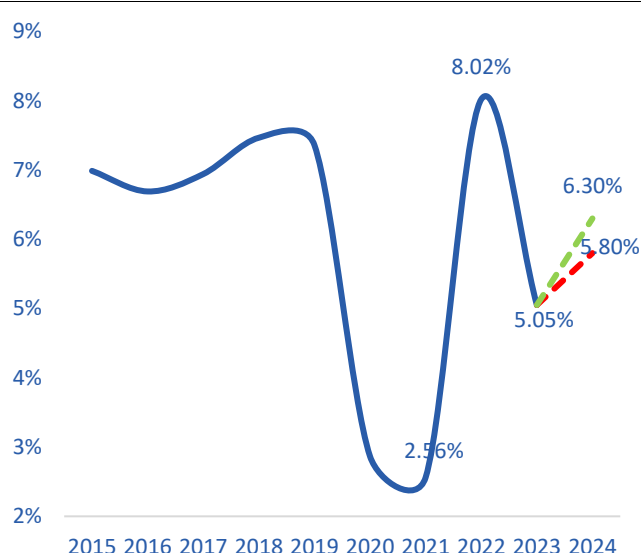
For the year 2024, BSC has developed two economic growth scenarios:

- **Scenario 1:** A positive scenario with an estimated GDP growth rate of 5.8%.
- **Scenario 2:** A more optimistic scenario projecting a GDP growth rate of 6.3%.

Table 1: Forecast of some macro indicators 2023

Indicators	8YR AVG (15-22)	2023	2024	
			S1	S2
GDP YoY%	6.1	5	5.8	6.3
CPI YoY%	2.7	3.25	3.5	3.02
Export YoY%	12.1	-4.36	5.5	11.0
Import YoY%	12.0	-8.92	7.5	15.0
Policy Interest Rate (%)	4.0-6.5	4.5	4.5	4.0
USD/VND	22,842	23,839	23,832	23,577

Graph 4: GDP growth rate per years



Source: Bloomberg, BSC Research

Factors influencing GDP in 2024:

- **The recovery of the trade sector, leading to the revival of Foreign Direct Investment (FDI)** as (1) major economies (United States, Europe) loosen monetary policies; (2) Inventory levels in the United States are low.
- **Domestic consumption recovery:** The recovery of the export sector will have a positive impact on the manufacturing and processing industries in particular, business activities, and employment, thereby boosting domestic consumption.
- **Public investment:** The government continues to increase state budget expenditures to support economic development (increase public investment, extend VAT reduction until the end of June 2024,

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raise basic salaries, etc.). Especially in 2024, public investment may be promoted more favorably as many projects have completed investment procedures.

- **Monetary policy:** The Federal Reserve lowers interest rates in 2024, creating conditions for Vietnam's monetary policy to continue easing.

Table 2: Macro indicators over the years and forecasts for 2023

Indicators/year	2019	2020	2021	2022	2023	2024	
						S1	S2
GDP YoY (%)	7.02	2.91	2.58	8.02	5.05	5.8	6.3
Average inflation YoY (%)	5.3	0.2	1.81	4.55	3.26	3.5	3.02
Export (billion USD)	263.45	281.5	336.25	371.5	355.5	375.1	394.6
Import (billion USD)	253.51	262.4	332.25	360.3	327.5	352.1	376.6
Trade balance (billion USD)	9.9	19.1	4.0	11.2	28.0	23.0	18.0
Average exchange rate (VND/USD)	23,231	23,223	22,934	23,429	23,839	23,832	23,577
Public debt /GDP (%)	57.4	56.8	43.7	43-44	37		
Government's public debt /GDP (%)	49.9	50.8	39.5	40-41	34		
Disbursement of budget capital	342,948	466,597	423,647	511,562	625,319		
Credit growth rate (%)	13	12	13	13	11.09	13	15
Registered FDI (billion USD)	22.5	21.1	24.3	22.5	28.07		
Disbursed FDI (billion USD)	20.4	20	19.9	22.4	23.18	24.8	25.9

Source: Bloomberg, BSC research

2023 Macro movement

GDP growth in 2023 was +5.05% YoY (Q1 +3.28%, Q2 +4.05%, Q3 +5.3%, Q4 +6.72%). The slowdown in GDP growth compared to the previous year is mainly due to the negative impact as major central banks such as the Fed, ECB, continued to tighten monetary policies throughout the two years of 2022 - 2023. Additionally, the sluggishness in the real estate bond market since 2022 has shown no signs of recovery.

The industrial and construction sector grew by +3.74% YoY, down from +7.78% in 2022, contributing +1.35% to GDP growth. The manufacturing and processing industry (the largest proportion at 22% of GDP) was deeply affected as exports sharply declined due to tightened monetary policies in major export markets such as the United States (~29% of export turnover), Europe (~16% of export turnover). For China (~18% of export turnover), all three main economic pillars in this country, namely (1) Exports, (2) Domestic consumption, (3) Real estate, are weak, leading to a decrease in demand for goods.

The PMI index for December 2023 reached 48.9 points, up from 47.3 points in November. The average PMI for the entire year 2023 was 48.3 points. Throughout 2023, only February and August recorded PMI above the 50 threshold. Weak demand, both domestically and in exports, led to a decrease in the number of orders, affecting production and employment. Weak demand caused manufacturers to limit price increases, while input costs continued to rise (due to electricity and fuel prices, coupled with a weak currency). The Industrial Production

Index (IIP) for the manufacturing and processing industry in 2023 grew by +1.63% YoY, compared to the +8.04% YoY growth in 2022.

The service sector grew by +6.82% YoY, contributing +3% to GDP growth. This component had the highest growth rate among the three main components of GDP; however, the growth rate decreased significantly compared to the +9.99% YoY in 2022. Negative impacts from the manufacturing and processing sector spread throughout the economy, affecting people's incomes and employment, thereby weakening domestic consumption.

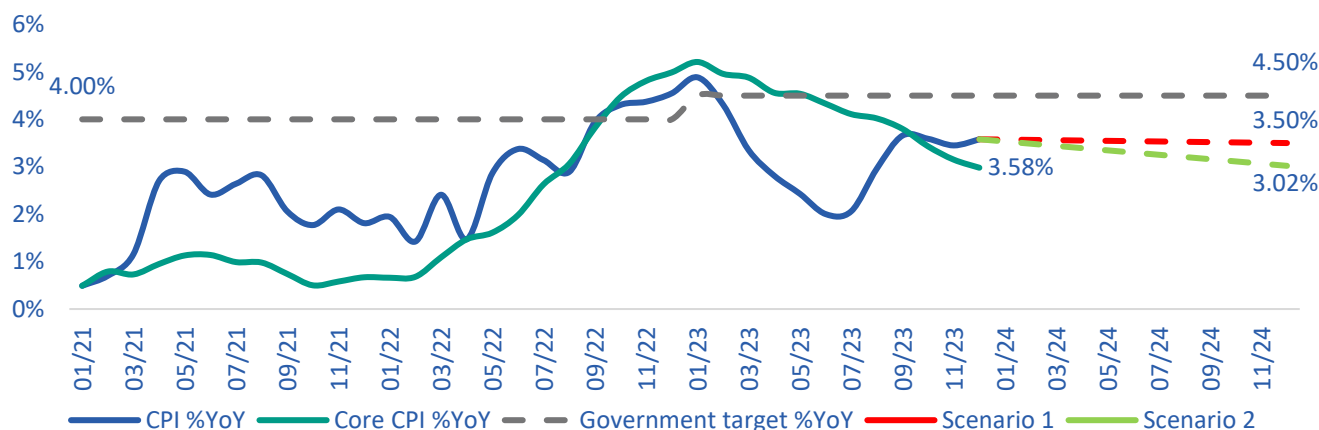
Monetary policy

Inflation

- CPI in December 2023 increased by 3.58% YoY, bringing the average CPI for the entire year 2023 to 3.26%.
- The average CPI for 2024 is estimated to reach 3.50% in Scenario 1 and 3.02% in Scenario 2.

CPI in December 2023 increased by 3.58% YoY, bringing the average CPI for the entire year 2023 to 3.26% YoY. Overall, CPI remained at a low level in 2023 as domestic consumption weakened. Inflation showed signs of increasing again from August 2023 due to (1) the domestic rice price rising following the export ban from India, Russia, UAE, political conflicts, and the impact of El Nino; (2) World oil prices rising as OPEC+ continued to cut production and political conflicts; (3) EVN raising electricity prices twice in May and November 2023; (4) Some localities implementing tuition fee increases according to the schedule of Decree No. 81/2021/NĐ-CP; (5) Basic salary increase from July 1, 2023.

Graph 5: Inflation trend



Source: GSO, BSC Research

The CPI in 2024 will be influenced by the following factors:

- **Crude oil prices fluctuating in the range of 75 – 100 USD/barrel:** According to forecasts from global economic organizations, oil prices may fluctuate in the range of 75 – 100 USD/barrel (average 84.90 USD/barrel), compared to the average of 82.23 USD/barrel in 2023. The slight increase is due to conflicting factors in the market. Factors limiting oil prices include: (1) Divergent opinions on when the Fed will start lowering interest rates in 2024; (2) The global economic growth is still affected after two

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years of tightened monetary policies; (3) The growth momentum of China's GDP is unclear in 2024; factors driving oil prices include (1) Political tensions and uncertainties, and (2) OPEC+ may continue to cut production.

- **Average pork prices in 2024 estimated to be in the range of 55,000-58,000 VND/kg** as domestic consumption recover.
- **Electricity prices may continue to rise:** After four years without changes, in 2023, electricity prices were adjusted upwards twice, the first time by 3% to 1,920.37 VND/kWh, and the second time by 4.5% to 2,006.79 VND/kWh in May and November 2023. In total, after these two adjustments, current electricity prices have increased by 7.64% compared to 2019. BSC predicts that EVN may increase the average retail electricity price by 7 – 8% in 2024 based on: (1) The current average retail electricity price is still lower than the production cost in 2023 (2,098 VND/kWh); (2) Pressure to increase operating costs due to the exchange rate while the Fed interest rate remains high and the El Nino phenomenon.
- **Prices of goods managed by the State may continue to rise:** Due to difficulties from the Covid-19 pandemic, prices of goods managed by the State, such as education and healthcare, have been increased after 4 years (from 2019 – 2023) with a low rate of increase. Thus, these goods may be further adjusted upwards in 2024.

Scenario 1: Estimated CPI at 3.50% YoY

- Assumption: Crude oil prices reach 100 USD/barrel, corresponding to the highest forecast of international organizations compiled by Bloomberg.
- Average pork prices at 58,000 VND/kg.
- Average retail electricity prices may increase by 7 – 8%; healthcare prices may increase by 8%; tuition fees may increase by 7.5% (highest level according to Decree 81).

Scenario 2: Estimated CPI at 3.02% YoY

- Assumption: Crude oil prices reach 75 USD/barrel, corresponding to the lowest forecast of international organizations compiled by Bloomberg.
- Average pork prices at 55,000 VND/kg.
- No adjustments to electricity prices, healthcare prices, and tuition fees compared to 2023.

Banking – Interest Rates

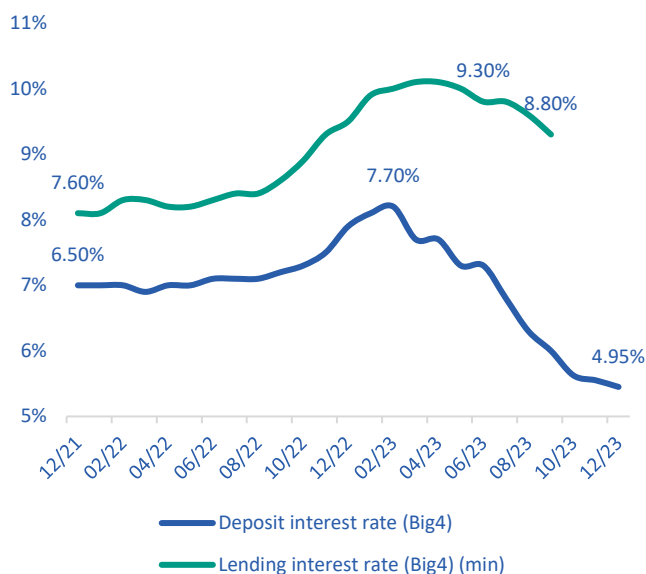
- **As of December 31, 2023, total credit in the economy increased by +13.5% YTD, and the broad money supply (M2) as of December 21, 2023, increased by +10.03% YTD.**
- **Overall, the systemic liquidity is excess in 2023 due to weak credit demand.**

In 2023, the State Bank of Vietnam (SBV) lowered interest rates four times in March, May, and June. The refinancing rate decreased from 6% to 4.5%, and the discount rate decreased from 4.5% to 3%. Following the SBV's loosening trend, the interest rates on deposits and loans of credit institutions also continuously decreased. However, credit demand remained weak. As of November 2023, credit growth was +9.15% YTD, the lowest in 13 years. However, credit recorded strong growth in late December, reaching +13.5% YTD as of December 31, 2023. Weak credit growth throughout the year forced credit institutions to continuously lower interest rates, and the market interest rates also remained very low. Except for the period when the SBV issued non-interest-bearing

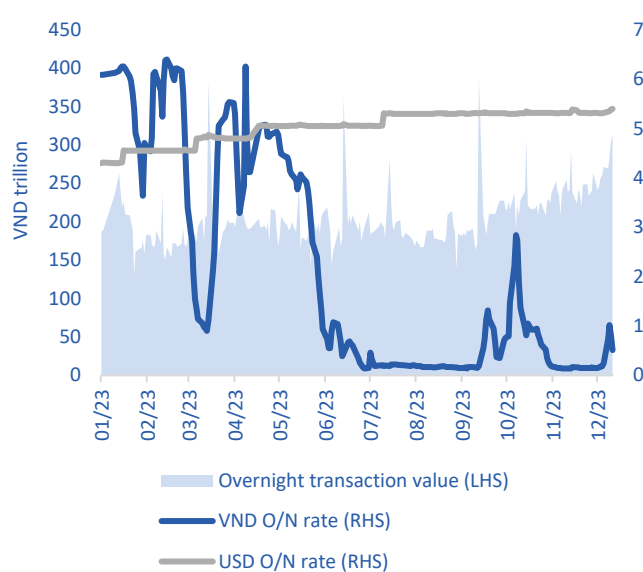
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bonds to regulate the exchange rate from September 21 – November 8, 2023, interest rates always maintained below 1% and only started to rise again from December 26, 2023.

Graph 6: Trend of interest rate in Vietnam



Graph 7: Trend of overnight interest rate USD & VND

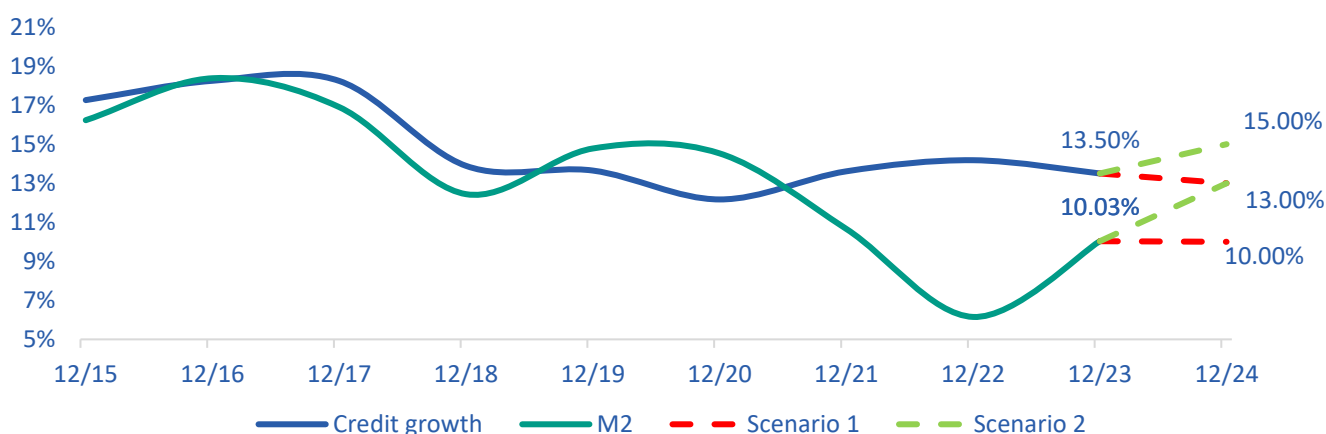


Source: FiinProX, BSC Research

BSC divides into two main scenarios for credit growth and M2 for 2024.

- **Scenario 1:** M2 and credit are estimated to increase by 10.0% and 13.0%, respectively
- **Scenario 2:** M2 and credit are estimated to increase by 13.0% and 15.0%, respectively

Graph 8: Money supply growth and credit growth



Source: FiinProX, BSC Research

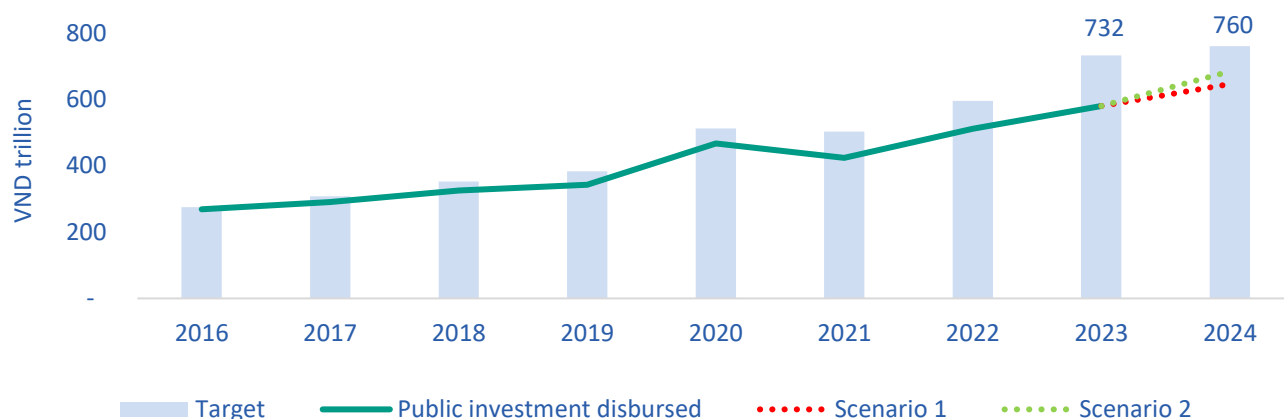
Fiscal policy

- In 2023, the disbursement of the budget was forecasted to reach around 625,319 billion VND, equivalent to 85% of the plan.

The estimated disbursement of the state budget in 2023 is 625,319 billion VND (+21.16% YoY). However, compared to the government's plan to disburse at least 95% of the allocated capital, the disbursement progress is still slow due to: (1) Limited project preparation leading to multiple adjustments; the capital planning is not closely aligned with reality, and the allocation of funds is lengthy, lacking focus and priority; (2) Procedures related to planning for projects are progressing slowly.

In the challenging economic and business environment for domestic enterprises, the disbursement of state budget investment capital will be a potent stimulant for economic growth. This is further reflected in the budget plan for 2024, where the development investment expenditure is 677,349 billion VND (excluding the allocated funds for the Economic Recovery and Social Development Program in 2023), increasing by 108,000 billion VND compared to the estimate for 2023. 2024 is nearly the end of the Medium-term Public Investment Plan 2021-2025, and with many projects having completed investment procedures, the disbursement of public investment in 2024 can be pushed forward more favorably.

Graph 9 8: Disbursement of State Budget Capital (2016-2024)



Source: Bloomberg, GSO, BSC Research

Accordingly, BSC estimates 2 scenarios for public investment disbursement in 2024. Scenario 1 takes place when public investment disbursement mainly focuses on the North-South route plan phase 2, the national airport. Long Thanh economic phase 1 with an average annual disbursement plan (actual disbursement rate is about 85% of the plan). Scenario 2 takes place with disbursement progress being emphasized in both plans along with a high annual disbursement plan (actual disbursement rate is about 90% of the plan).

Chart 3: Disbursement of state budget capital

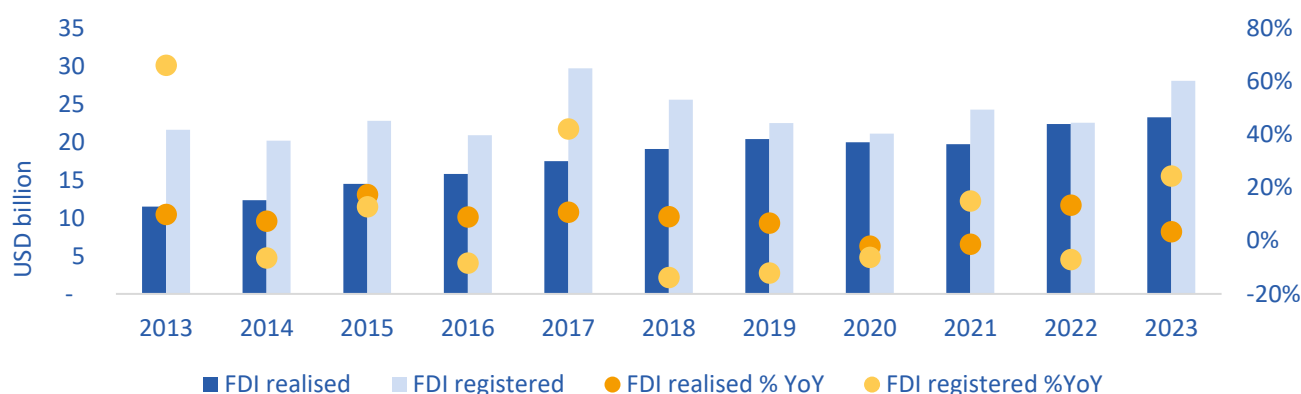
	2018	2019	2020	2021	2022	2023E	2024F
Budget amount (VND billion)	352,017	383,336	512,037	502,263	595,423	732.193	784.223
12M % plan							S1 S2
Total	92.3	89.46	91.13	84.3	85.2	85.3	85 90
Central	89.94	85.29	91.42	81.2	78.9	85.1	85 90
Local	92.84	90.25	91.06	85.0	86.7	85.4	85 90
12M %YoY							
Total	12.52	5.81	34.45	-8.60	18.8	21.16	22.05 23.9
Central	-6.14	-12.03	59.69	-8.25	23.4	24.33	24.87 30.9
Local	17.75	9.78	29.95	-8.68	17.9	21.87	21.93 22.4

Source: BSC Research

Foreign direct investment (FDI)

- Newly registered FDI as of December 20, 2023 reached 20.19 billion USD, a sharp increase of 62.2% over the same period.
- Capital adjustment: there were 1,262 projects registered to adjust investment capital, an increase of 14% over the same period, total additional investment capital reached more than 7.88 billion USD (down 22.1% over the same period).
- Implemented FDI in 2023 is estimated to reach about 23.18 billion USD, up 3.5% over the same period.
- In terms of structure, processing and manufacturing accounted for 64.2% of total registered investment capital and increased by 39.9% over the same period. Real estate business ranked second with a total investment capital of nearly 4.67 billion USD, accounting for more than 12.7% of total registered investment capital, an increase of 4.8% over the same period.

Graph 10 9: FDI capital flow development



Source: Ministry of Planning and Investment, BSC Research

By the end of December 20, 2023, the total newly registered FDI capital of 3,188 projects (+56.6% YoY) reached 20.19 billion USD (+62.2% YoY), the total adjusted FDI capital of 1,262 projects (+14% YoY) reaching 7.88 billion USD (-22.1% YoY). Thus, the total newly registered and increased FDI capital reached 28.07 billion USD. Realized FDI capital in 2022 will reach 23.18 billion USD (+3.5% YoY).

In terms of FDI capital structure: The processing and manufacturing industry leads with 23.5 billion USD, equal to 64.2% of total registered investment capital and an increase of 39.9% over the same period. The real estate business ranked second with a total investment capital of nearly 4.67 billion USD, accounting for more than 12.7% of total registered investment capital, an increase of 4.8% over the same period.

In terms of partners: In 2023, there will be 111 countries and territories investing in Vietnam. Of which, Singapore leads with a total investment capital of more than 6.8 billion USD, accounting for 18.6% of total investment capital in Vietnam, up 5.4% over the same period in 2022. Japan ranks second with nearly 6.57 billion USD, accounting for 17.9% of total investment capital, increased 37.3% over the same period. Next are Hong Kong, China, Korea, Taiwan, etc. In terms of number of projects, China leads in the number of new projects (accounting for 22.2%), Korea leads in the number of capital adjustments (accounting for 25.9%).

In terms of the area: Ho Chi Minh City leads in attracted investment capital with a total registered investment capital of more than 5.85 billion USD, accounting for nearly 16% of total registered investment capital, an increase of 48.5% over the same period in 2022. Hai Phong ranked second with a total registered investment capital of more than 3.26 billion USD, accounting for 8.9% of the total investment capital of the country, an increase of 66.2% over the same period. Next are Quang Ninh, Bac Giang, Thai Binh,...

In the context of many fluctuations in the world economy, Vietnam's FDI disbursement will still grow in 2023 although the growth rate is lower from last year's high base. Some factors that can potentially impact FDI:

- **Global economic growth in 2023 is low:** In the context of global economic growth slowing down, consumer demand, production and investment are all affected, FDI capital flows into Vietnam will also be negatively affected.

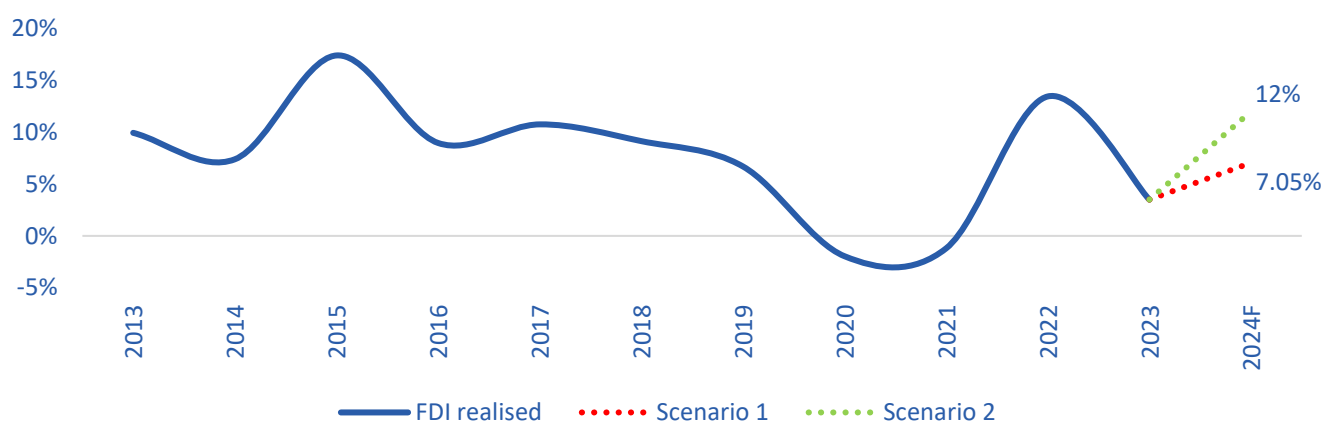
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- **Increase, strengthen and expand trade agreements:** in recent years, Vietnam has been a member of many large-scale bilateral and multilateral trade agreements (*Appendix 03*). Favorable geographical location and terms of trade agreements with major economies will continue to maintain Vietnam's attractiveness to FDI enterprises.
- **The wave of shifting production out of China is reinforced:** the shift stems from strategic efforts to prevent increasing political risks, businesses are more cautious about the supply chain and wants to prevent risks by looking for supplies from many other countries outside of China, especially from Vietnam - a place with advantages in geographical location, abundant labor as well as geopolitical position.

BSC estimates that FDI disbursement in 2024 will reach about 24.8 billion USD (+7.05% YoY) in Scenario 1 and 25.9 billion USD (+12.0% YoY) in Scenario 2. In both scenarios, FDI growth increases compared to the year 2023.

- **Scenario 1:** FDI disbursement will increase +7.05% YoY.
- **Scenario 2:** FDI disbursement will increase +12.0% YoY.

Graph 11 : Real FDI growth rate



Source: Ministry of Planning and Investment, BSC summarized

Export and Import

- In 2023, the export turnover reached 355.5 billion USD, down -4.36% YoY; imports reached 327.5 billion USD, down -8.92% YoY. The trade balance is estimated to reach 28 billion USD.
- In 2024, BSC estimates export growth will reach 375.1 – 394.6 billion USD (+5.5% - +11.0% YoY). Imports will reach 352.1 – 376.6 billion USD (+7.5% - +15.0% YoY). The trade balance is estimated to reach 18.25 – 23.23 billion dollars.

In 2023, the export turnover reached 355.5 billion USD, down -4.36% YoY; imports reached 327.5 billion USD, down -8.92% YoY. The trade balance is estimated to reach 28 billion USD. Exports and imports plummeted as soon as the new year began. In the following months, although a recovery was recorded, exports and imports only really recorded a sustainable recovery in the second half of 2023. The reason for this phenomenon is due to the FED accelerating the tightening of monetary policy and creating a trend of increasing interest rates of central banks around the world. This level of tightening has impacted the consumer demand of the economy and thereby weakened the number of export orders from Vietnam..

Table 4: Trends in the export of some main commodities

	Weight	2018	2019	2020	2021	2022	2023
Total export		13.8%	8.0%	7.0%	19.0%	10.4%	-4.4%
Computers, electronic products	16.1%	12.9%	22.5%	24.1%	14.0%	9.3%	3.2%
Types of phones and components	15.0%	8.4%	4.7%	-0.4%	12.4%	0.8%	-8.3%
Machinery, equipment, other products	12.1%	28.2%	10.6%	48.6%	41.0%	19.3%	-5.6%
Textile	9.3%	16.7%	7.7%	-9.2%	9.9%	14.7%	-11.6%
Footwares	5.7%	10.6%	12.8%	-8.3%	5.7%	34.6%	-14.7%

Source: GSO, BSC Research

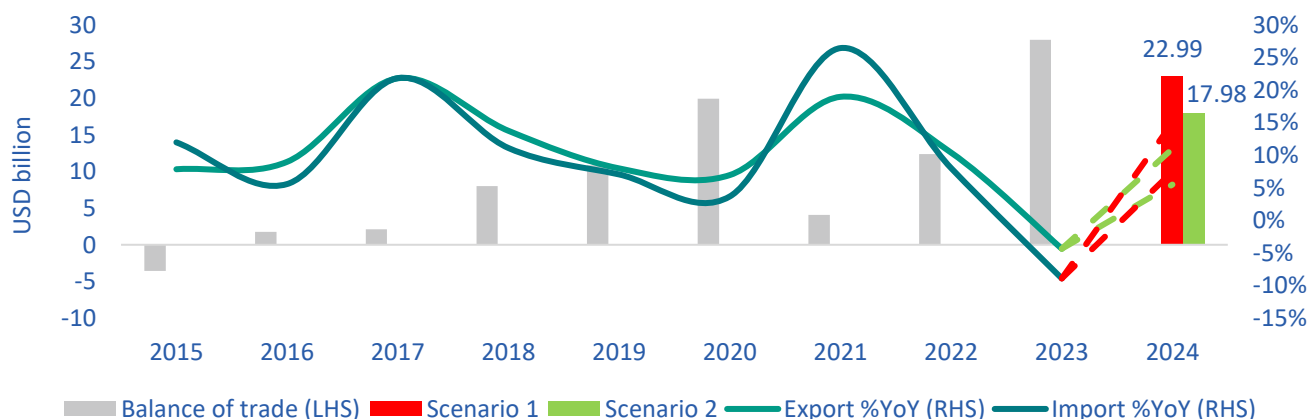
Table 5: Trends in the import of some main commodities

	Weight	2018	2019	2020	2021	2022	2023
Total import		11.5%	6.7%	3.7%	26.5%	8.0%	-8.9%
Computers, electronic products	26.9%	11.7%	21.7%	24.6%	17.9%	8.5%	7.7%
Machinery, equipment, other products	12.7%	-0.5%	8.9%	1.4%	24.3%	-2.4%	-8.2%
Types of fabrics	4.0%	12.2%	3.9%	-10.5%	20.6%	2.7%	-11.1%
Types of iron and steel	3.2%	9.0%	-3.8%	-15.2%	42.8%	3.4%	-11.6%
Plastics	3.0%	19.6%	-0.6%	-6.9%	39.2%	6.0%	-21.2%

Source: GSO, BSC Research

In 2024, BSC estimates export growth will reach 375.1 – 394.6 billion USD (+5.5% - +11.0% YoY), and imports will reach 352.1 – 376.6 billion USD (+7.5% - +15.0% YoY). The trade balance is estimated to reach 17.98 – 22.99 billion dollars. Assumptions for the forecast of export and import growth:

- Global consumer demand for goods recovers after the Fed and ECB loosen monetary policy.
- In addition, Vietnam established a Comprehensive Strategic Partnership with the United States and Japan in 2023, promising to boost trade between the parties.
- The trend of shifting production out of China.

Graph 12 10: Trends in import and export over years

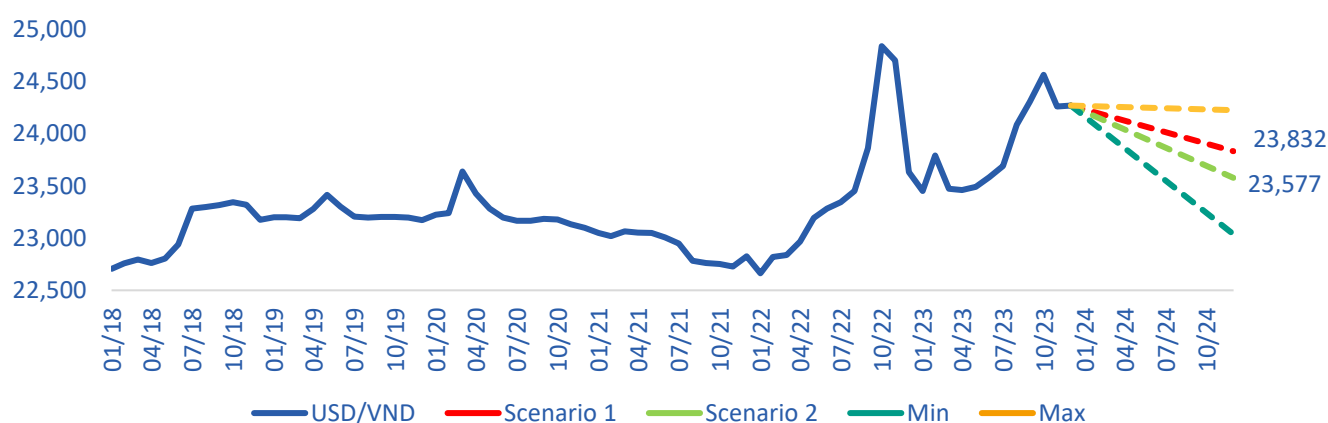
Source: GSO, BSC Research

Exchange rate USD/VND

- The interbank USD/VND exchange rate began to rise sharply from the beginning of Q3/2023 due to the Fed tightening monetary policy, causing the value of the USD to increase.
- The interbank USD/VND exchange rate in 2024 is estimated to be at two scenarios. Scenario 1 is at 23,832 USD/VND, Scenario 2 is at 23,577 USD/VND

The interbank USD/VND exchange rate began to rise sharply from the beginning of Q3/2023 due to the Fed tightening monetary policy, causing the value of the USD to increase. As of December 29, the interbank USD/VND exchange rate reached 24,269 (+2.69% YTD). The USD/VND exchange rate increased sharply due to: (1) The Fed continuously raised interest rates in 2023 and (2) The interest rate difference between USD and VND is large.

Graph 13 11: Trends of exchange rate USD/VND



Source: Bloomberg, BSC Research

Note: Min = The lowest value predicted by organizations compiled by Bloomberg

Max = The highest value predicted by organizations compiled by Bloomberg

Compared to other countries, the USD/VND exchange rate is quite stable. In addition, the exchange rate is showing a cooling trend in the last month of the year and is likely to continue this trend in 2024 when (1) the Fed loosens monetary policy; (2) FDI capital is trending to flow into Vietnam abundantly starting from the last months of 2023; (3) The trend of shifting production out of China; (4) Foreign tourists return in 2024 as the global economy gradually recovers;

Table 6: Exchange rate fluctuations of some currencies against USD

Exchange rate	YTD	2022	2021	2020	2019	2018
VND/USD	-2.62%	-3.41%	1.19%	0.32%	0.01%	-2.06%
EUR/USD	3.11%	-5.87%	-6.90%	8.95%	-2.21%	-4.49%
CNY/USD	-2.84%	-7.86%	2.69%	6.68%	-1.22%	-5.41%
KRW/USD	-1.75%	-6.05%	-8.63%	6.43%	-3.49%	-4.05%
JPY/USD	-7.03%	-12.23%	-10.28%	5.19%	0.99%	2.73%
SGD/USD	1.45%	0.71%	-1.99%	1.80%	1.26%	-1.97%
IDR/USD	1.11%	-8.45%	-1.42%	-1.31%	3.78%	-5.71%
THB/USD	1.36%	-3.47%	-10.34%	0.06%	8.61%	0.10%
MYR/USD	-4.14%	-5.40%	-3.50%	1.76%	1.04%	-2.10%
PHP/USD	0.62%	-8.50%	-5.81%	5.46%	3.81%	-5.06%
Average	-1.07%	-6.05%	-4.50%	3.54%	1.26%	-2.80%
Rating of VNĐ	7	2	2	8	7	4
Foreign exchange reserves	95.3	88	109	95	79	55

Source: Bloomberg, BSC Research

Note: Data updated to 29/12/2023

Regarding the foreign exchange supply for 2024, foreign exchange reserves will still maintain an abundant state based on the following 3 factors:

- Trade balance surplus in 2023, reaching 28 billion USD, +125.77% YoY .
- FDI capital inflows began to return to Vietnam from the last months of 2023. FDI capital inflows began to record positive growth from July 2023 and recovered strongly in the last months of the year.
- International tourists may return to Vietnam in 2024 as the global economy gradually recovers, especially with expectations for the return of Chinese tourists when the country's fiscal policy is expected to continue to loosen in 2024. In December 2023, Vietnam recorded 1.7 million Chinese tourists, +1300% YoY but down 70% compared to the same period in 2019 (pre-pandemic period).
- The State Bank of Vietnam maintains a stable exchange rate policy and may buy back USD if favorable conditions such as inflation control and Dollar Index adjustment after the strong increase cycle in 2022 are met.

BSC believes that this year's average interbank exchange rate will follow two possible scenarios.

- **Scenario 1: 23,832 USD/VND (-0.03% YoY).**
- **Scenario 2: 23,577 USD/VND (-1.10% YoY).**

Vietnam's stock market in 2023 and forecast in 2024

Year 2023 - the return of individual investors: Strong capital inflows from foreign investors in Q4/2022 and lasting until the end of Q1/2023 have supported the market against selling pressure from domestic investors and gradually stabilized the market sentiment after many negative developments in 2022. However, from Q04/2023 onwards, domestic individual investors have become the main driving force to help the market rise and stand firm against strong and continuous selling pressure from foreign investors in the remaining period of 2023. Across all 3 exchanges, foreign investors net sold a total of 22,818 billion VND with selling pressure mainly coming from active investment funds, while domestic individual investors net bought 26,247 billion VND on the Hose exchange, focusing on the Banking, Food and Beverage, and Real Estate sectors.

The highlights of foreign relations and events related to large-cap companies: Foreign affairs is one of the highlights in 2023 when Vietnam officially upgrades its comprehensive strategic partnership with the United States, Japan, and aims for a "Community of Common Destiny" with China after the state visit of General Secretary, President Xi Jinping - this opens up great expectations for Vietnam's economic growth in general and the stock market in particular in the future. From a business perspective, the successful listing of Vinfast on the Nasdaq Stock Exchange (August 2023) created a good psychological effect for the market in general and marked an important milestone of Vietnamese enterprises on the international market. However, negative information from the group of large-cap stocks (VHM, VIC, VRE, TCB, MSN, MWG) in October 2023 caused the VN-Index to adjust sharply - losing all the gains from April 2023 to August 2023.

Cachets of the State Bank of Vietnam in managing the exchange rate, the deposit interest rate at a record low level: to achieve the goal of promoting economic growth, creating favorable conditions for businesses to access capital sources with reasonable costs, in 2023, the State Bank of Vietnam has continuously implemented 04 rounds of interest rate cuts, closely directing credit institutions to reduce costs towards reducing deposit interest rates and lending rates on the market. As of December 2023, the 12-month term deposit interest rate at the Big4 group fluctuates at 4.8-5.0% - creating a favorable environment for part of the money flow towards the stock market. The stock market had a good increase when the State Bank of Vietnam began to implement the first reduction in the discount rate at the end of Q1/2023 and lasted until Q3/2023 when the State Bank of Vietnam began to operate again on the bond channel under the pressure of exchange rates and some other unfavorable information in the market.

Market liquidity continues to decline: At the end of 2023, VN-Index reached 1,129.93 points ~ up 12.2% compared to the end of 2022, however, trading activities were sluggish and witnessed a decline of 33.7% compared to 2021 and 12.57% compared to 2022. In the "cheap money" environment, but the average liquidity of the 3 exchanges only reached 17,630 billion VND/session, of which the matched trading volume reached 15,669 billion VND/session - showing a certain caution when economic growth and the ability to improve the profits of businesses on the exchange are not as expected by investors. By quarter, the matched trading volume in Q3/2023 reached the most optimistic figure (22,301 billion VND/session) but then quickly dropped to 16,181 billion VND/session in Q4/2023.

Political conflicts around the world have new unexpected developments: In the context of the prolonged special military campaign between Russia and Ukraine with no signs of ending, the conflict between Israel-Hamas broke out at the beginning of Q4/2023, causing the world to continue to fall into a state of tension, relations between

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countries are pushed to the alarm level, commodity prices are under pressure to enter the next wave of price increases - especially oil prices - causing concerns about inflation to continue to linger and may flare up again at any time.

FED sends a “dove” signal during the FOMC meeting in December 2023: Along with the decision to maintain the operating interest rate at a stable level for the third consecutive time, FED predicts that there will be at least 3 interest rate cuts in 2024 with an intensity of 0.25%/time - this move by FED has been positively received by investors. The world stock market reacted well to the “dove” message when the S&P500, Nasdaq recorded good point increases - especially the Dow Jones index marked the highest level of all time.

Vietnam’s macroeconomy in 2024 will continue to face many difficulties and challenges, but the opportunities for businesses to break through are not small. The stock market in 2024 will also be affected by these basic factors. If the bottlenecks are removed and the business environment is favorable, 2024 is expected to be a turning point for the market to grow in the long term in the future. Some notable factors for the Vietnam stock market include:

Expectations for the next wave of foreign direct investment into Vietnam: Upgrading and consolidating relations with major powers, large economies in the world as well as the government’s orientation towards developing the semiconductor industry are expected to help Vietnam receive large foreign direct investment capital into Vietnam from 2024 onwards - this will be an important driving force for economic growth as well as domestic businesses to improve profits, exploit breakthrough areas in the future. The stock market will also benefit indirectly from these activities.

Expectations for the efforts of management agencies and market members in upgrading the Vietnam stock market: The Vietnam stock market has been included in FTSE’s watchlist for consideration of upgrading to a new emerging market since September 2018, and recently FTSE has also made positive comments on the efforts of management agencies, Vietnamese leaders in removing the remaining difficulties to upgrade the market. If Vietnam is officially upgraded by FTSE to a new emerging market, large capital flows from foreign investment funds will “flood” into the Vietnam stock market on a large scale - creating a basis for the market to enter an impressive growth cycle in the future.

Question mark about the corporate bond market in 2024: The pressure of corporate bond maturities (especially real estate businesses) in the late 2024 will be a major challenge to re-evaluate the government’s support policies for the corporate bond market in particular and the real estate market in general. On the other hand, some regulations on: (1) determining the professional status of professional securities investors, (2) the distribution time of each issuance, (3) regulations on credit rating results for bond-issuing enterprises will begin to be enforced again from January 01, 2024 (Decree 08/2023/ND-CP is suspended until December 31, 2023) will also be an important issue to note.

The possibility of the “soft landing” of the US and the motivation for China’s economic growth: in the positive scenario, the US can achieve the goal of curbing inflation without causing too much damage to economic growth, while China regains its growth momentum in 2024 - will be an important boost for domestic import-export activities as well as improving the profit growth of listed companies on the exchange - a prerequisite for the stock market to rise

Stock market forecast in 2024**Market forecast scenarios in 2024:**

- VN-Index forecast: **Scenario 1 (below 1,200 points)** with the assumption of EPS growth of 13% and P/E at 13.4 times; **Scenario 2 (above 1,425 points)** with the assumption of EPS growth of 20% and P/E at 15 times. The base scenario of 1,298 points with the assumption of EPS and P/E growth of 17% and 14.3 times, respectively.
- Average liquidity of the 3 exchanges: Scenario 1, 2 has a trading value increase of 20% and -5% respectively from expectations (1) low interest rate environment continues to be maintained, (2) individual investors will continue to be the main driving force in the market, (3) the KRX trading system officially operates - especially the expectation of T+0 trading, (4) in addition to the optimistic signals in upgrading the market from FTSE rating organization will significantly improve liquidity. The number of new accounts continues to increase in the scenarios as securities gradually become an attractive and popular investment channel for many layers of investors - especially young generations who have access to technology.

Table 7: Market indicators forecast for 2024.

Criteria	Scenario 1	Scenario 2
VN-Index	Below 1,200 (+6.1%)	Above 1,425 (+26.1%)
Number of account (million accounts)	8.36 (+13%)	8.84 (+20%)
Market capitalization (billion USD)	250 (2%)	296 (+21%)
Average transaction value/session (million USD)	698 (-5%)	919 (+25%)
P/E VN-Index	13.4 (-4.8%)	15.0 (+7%)

*Source: BSC Research***VN-Index forecast in 2024:**

BSC uses the EPS and P/E forecasting method and considers the appropriateness according to the large-cap stock weighting method to forecast VN-Index. VN-Index is forecasted: Scenario 1 (below 1,200 points), Scenario 2 (above 1,425 points), Base scenario 1,298 points. The forecast is based on the evaluation of existing stocks, and the degree of change will depend on the listing price and the weight of newly listed stocks affecting the index. BSC forecasts the net profit of each industry's contributing stocks according to the expected proportion in 2023.

Method overview:

- Market EPS growth forecast of 13% for scenario 1 and 20% for scenario 2, (Base scenario 17%).
- Market PE forecast of 13.4 times for scenario 1 and 15 times for scenario 2, (Base scenario 14.3 times).
- VN-Index is built on the basis of EPS (VN-Index divisor) in 2023 multiplied by the forecasted P/E.
- EPS is based on the forecast of BSC stocks for analysis.

Table 8: Forecast of EPS market growth in 2024

Primary sectors	% PAT growth in 2022	% PAT growth in 2023	% Forecasted PAT growth in 2024	% BSC Capitalization calculation/market
Construction materials	-80%	-28%	103%	6%
Seafood	116%	-60%	81%	1%
Utility	28%	-21%	48%	3%
Retails, Food service	-20%	-30%	45%	13%
Textile	-1%	-34%	44%	0%
Chemical and fertilizer	110%	-65%	39%	2%
Tyre and tube	6%	-20%	34%	0%
Construction	2%	48%	30%	1%
Industrial	27%	-6%	27%	5%
Information technology	21%	20%	21%	4%
Banking	37%	4%	20%	45%
Petroleum	66%	-22%	2%	10%
Car	32%	-6%	-5%	1%
Real estate	-28%	25%	-20%	8%
Port and logistics	40%	39%	-32%	1%
Market's profit after tax (PAT) growth		-5%	17%	100%

EPS	13.0%	15.0%	17.0%	20.0%
13	1,161	1,181	1,202	1,232
14	1,250	1,272	1,294	1,327
P/E 15	1,339	1,363	1,386	1,422
16	1,428	1,454	1,479	1,517
17	1,518	1,544	1,571	1,612

Source: BSC Research

Table 9: Summary of VN-Index, P/E and EPS forecasts in 2024

	EPS forward	P/E	VN-Index 2024
Scenario 1	89.5	11.0	1,200
Scenario 2	94.9	13.1	1,425
Base	92.4	14.3	1,298

Source: Bloomberg, BSC Research

Following Events

In 2023, VN-Index experienced many strong and unpredictable fluctuations. In the first few months, VN-Index recorded an impressive increase of 10.34% compared to the end of 2022, thanks to the expectation of recovery from China's reopening after Covid. However, immediately after that, the market fell back and trading was sluggish with a sharp decline in liquidity due to the decline in growth of major economies, inflationary pressures, and prolonged and complex political tensions, as well as high bond maturity pressures...

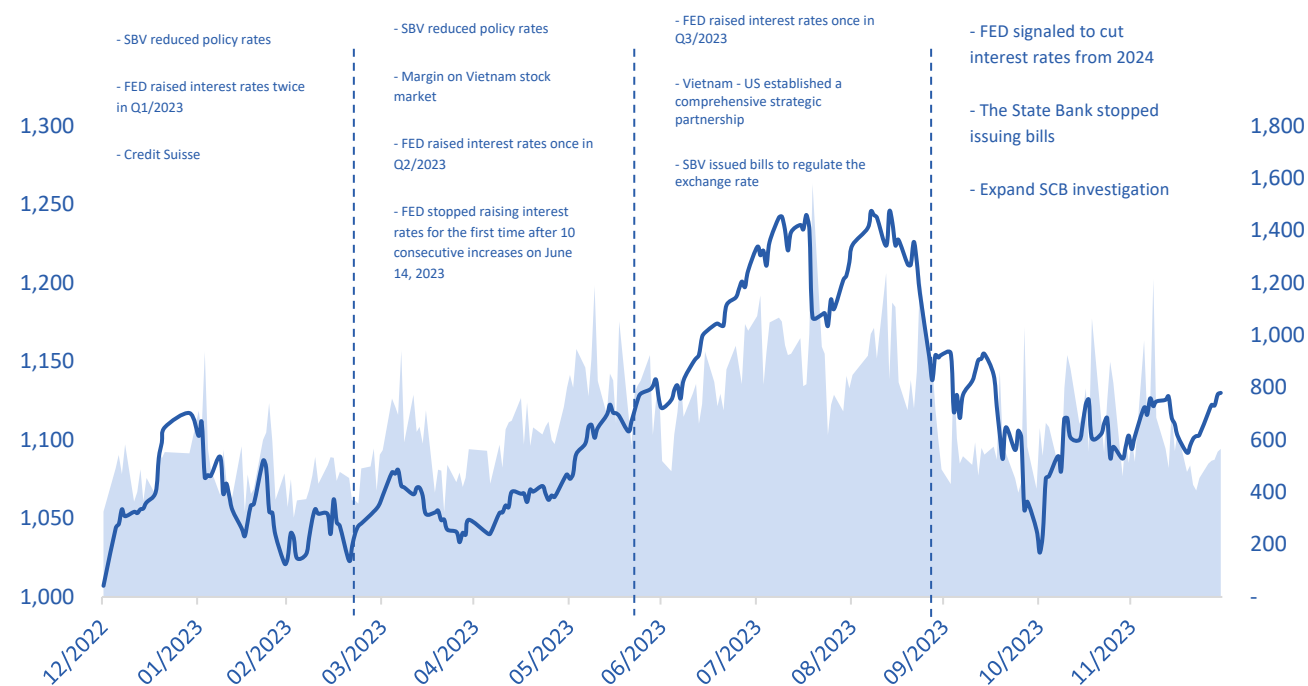
At the end of 2023, VN-Index and HNX-Index recovered 12.20% and 12.53% respectively compared to the beginning of the year. The average trading value per session on all 3 exchanges reached VND 17,613 billion, equivalent to USD 744 million, down 12.6% compared to the average of 2022. The differentiation between industry groups is one of the prominent features in the growth picture of the Vietnamese stock market in 2023. Most industries in 2023 had high growth rates such as media, financial services, and basic resources. Conversely, Tourism & Entertainment and Food & Beverage were the two industries with the lowest growth rates in 2023, reflecting the general difficulties of the economy, as domestic demand has not yet shown signs of recovery.

VN- The index maintained its positive trend in the first quarter and entered a bear market since the second quarter:

- **In Q1 - mid Q2 2023, VN-Index maintained a positive trend:** The index increased in the first trading month of the year, but then adjusted and moved sideways until the end of the quarter. The index fluctuated in the range of 1,043-1,064 points, with some moments exceeding the psychological threshold of 1,100 points in the context of China's reopening with expectations of recovery and NHNN's discount rate reduction. However, the market quickly adjusted, and investor sentiment became more cautious as concerns about the financial crisis increased when bank events collapsed one after another such as Silicon Valley, Signature, and Credit Suisse.
- **At the end of Q2–Mid Q3 of 2023, the market booms:** From late May, the market entered a recovery phase with liquidity gradually improving. There were 4 trading sessions with a trading value of over 1 million USD, and the average trading value per session on all 3 exchanges reached VND 21,698 billion, equivalent to USD 904 million. The main driving force of the market comes from (1) A series of support policies issued by the Government and NHNN have solved some bottlenecks of the economy as well as gradually regained investors' confidence in the financial market; (2) Domestic capital flows show signs of returning to the stock market in the context of a clear downward trend in interest rates.
- **In Q3 - mid Q4 2023, the market adjusted:** Unlike the previous explosive period, from 18/09/2023-30/10/2023, the market entered a period of significant decline in both points and liquidity. The cause of this situation comes from (1) The cooling of market-driving factors. CSTT factors are relaxed, low interest rates, and public investment projects have been reflected in prices, causing the market to cool down when this information has not brought the expected results. (2) The impact of negative factors from the world market: high inflation, rising interest rates, and economic recession along with strong net foreign selling, causing the market to decline.
- **Late Q4 in 2023 recovery:** From early November, the Vietnamese stock market gradually recovered as there were more signals showing that the Fed's interest rate had peaked in the context of US inflation tending to decrease more than expected. However, the market's recovery momentum stalled from late November and VN-Index shifted to an accumulation trend due to the slower-than-expected economic recovery rate, making investor sentiment more cautious. At the end of 2023, on December 29, VN-Index closed at 1,129.93 points, up 12.20% from the beginning of the year. Overall, VN-Index performed better than some other markets in the region and the world (*Details in Appendix 06*).

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Graph 14 12: Events of VNINDEX



Source: FiinProX, BSC Research

Table 10: Differentiation of cash flows of industry groups according to investor classification

	%YTD	Domestic individual	Foreign individual	Domestic organization	Foreign organization
Media	108.21%	34.5	6.9	(2.7)	(38.7)
Finance service	73.98%	(174.5)	(171.8)	4,346.0	(3,999.8)
Basic resources	50.47%	(7,458.1)	(169.5)	2,330.3	5,297.2
Constuction and materials	47.01%	2,317.0	(49.7)	(3,110.0)	842.7
Chemicals	46.25%	703.4	(37.0)	(14.8)	(651.6)
Information technology	40.54%	948.4	(189.5)	(1,153.0)	394.1
Petroleum	32.12%	(374.7)	(54.6)	320.0	109.3
Medics	29.43%	154.8	(25.8)	(336.5)	207.5
Car and auto parts	19.44%	(384.0)	(15.3)	164.5	234.7
Banking	19.44%	13,382.2	1,173.6	447.2	(15,003.0)
Household goods	17.75%	523.6	(9.3)	(605.7)	91.4
Retails	17.01%	2,388.1	58.7	(99.7)	(2,347.1)
Utility	13.98%	2,213.0	50.6	(1,133.9)	(1,129.6)
Industrial product and serves	8.64%	2,317.8	(37.6)	(3,236.9)	956.6
Real estate	3.78%	3,537.2	106.4	521.9	(4,165.4)
Insurance	2.84%	274.3	(33.9)	(194.9)	(45.5)
Food and beverage	2.68%	6,496.6	63.0	(651.8)	(5,907.8)
Travel and entertainment	1.02%	(651.7)	48.6	494.6	108.4
Total		26,248.0	713.8	(1,915.2)	(25,046.6)

Source: FiinProX, BSC Research

Steady progress in the fragmented background

In 2023, the Vietnamese stock market experienced many fluctuations. At the beginning of the year, the VN-Index surpassed the 1,100-point threshold, but then fell back to nearly 1,000 points. The market was sluggish until early May before entering a strong uptrend. Over the course of more than 3 months from May 31, 2023, the VN-Index rose nearly 16% to 1,245 points (which was also the peak of 2023). From the beginning of September, the VN-Index plummeted due to conflicting developments from the international market and the Fed's continuous interest rate hikes. The VN-Index sharply adjusted to nearly 1,000 points in just under 2 months, and liquidity during this period also decreased significantly, to around 10,000 billion VND on HSX. In the last few months of the year, the VN-Index gradually regained its recovery momentum around the 1,100-point threshold and moved sideways in this range. At the end of the session on December 29, 2023, the VN-Index closed at 1,129.93 points, up more than 12% compared to the end of 2022. In addition, in 2023, the Vietnamese stock market made important strides in building a solid foundation for sustainable development in the future. These strides include:

The increase in scale: The total market capitalization reached 244.76 billion USD, up 4.28% YoY and equivalent to 57.47% of GDP, of which HoSE alone accounted for 188.13 billion USD.

he market liquidity has been positively changing since May after the State Bank of Vietnam began to lower interest rates. The average trading value of shares over all three exchanges reached nearly 17 trillion VND, down 17% compared to 2022 due to high liquidity in Q1/22. Domestic individual investors still account for the highest trading value on the entire market with 88.3%, while the rest comes from foreign investors, proprietary traders, and domestic organizations.

Domestic capital is a solid foundation that helps the Vietnamese stock market stand firm against the selling pressure of foreign investors. In 2023, domestic individual investors continued to account for a large proportion of trading volume. Domestic capital continued to flow strongly into the market, helping the VN-Index grow strongly. Domestic investor capital maintained stability thanks to the low interest rate environment and the lack of opportunities in other investment channels.

In 2023, the Government and the Securities Commission made efforts to promote and build a solid, transparent, and sustainable Vietnamese stock market. Specifically, the Government has directed the implementation of solutions to upgrade the stock market, launch a system of trading corporate bonds separately, clean up account data, and strictly handle administrative violations on the stock market. As a result, the Vietnamese stock market has made positive developments, but there are still many potential risks that need to be addressed in the future.

Table 11: Market indicators from 2019 – 2023

Criteria	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
General criteria					
- VN-Index	960.9	1,103.80	1,498.30	1,007.09	1,129.93
% growth	7.70%	14.87%	35.74%	-32.78%	12.20%
- HNX-Index	102.5	203.1	473.99	205.31	231.04
- UPCOM-Index	56.6	74.5	112.68	71.65	87.04
Listed companies	1,617	1,655	1,641	1,599	1,584
% growth	4.12%	2.35%	-0.85%	-2.56%	-0.94%
- VN-Index	378	392	404	402	395
- HNX-Index	367	353	345	341	330
- UPCOM-Index	872	910	892	856	859
Number of accounts (thousand accounts)	2,375	2,771	4,311	6,897	7,253
% growth	8.83%	16.69%	55.57%	59.99%	5.16%
- Foreign accounts	32	35	40	43	45
- Domestic accounts	2,343	2,736	4,271	6,854	7,208
Market capitalization (billion USD)	190	232	344	238	245
% growth	3.26%	21.84%	48.42%	-30.64%	2.71%
Foreign block trading value (million USD)	315	-876	-2,536	1,254	-1,028
Liquidity criteria					
Average transaction value of the 3 exchanges including agreements (million USD)	200	320	1,165	846	735
% growth	-29.15%	60.21%	264.07%	-27.38%	-13.21%
Average trading value of shares over 1 million USD/day	45	55	177	144	51
Basic indicators					
VN-Index					
- P/E	15.91	20.84	18.60	11.22	14.42
- P/B	2.60	2.20	2.80	1.60	1.65
HNX-Index					
- P/E	9.5	10	30.6	13	25.21
- P/B	1.1	1	3.1	1.16	1.19

Source: BSC Research

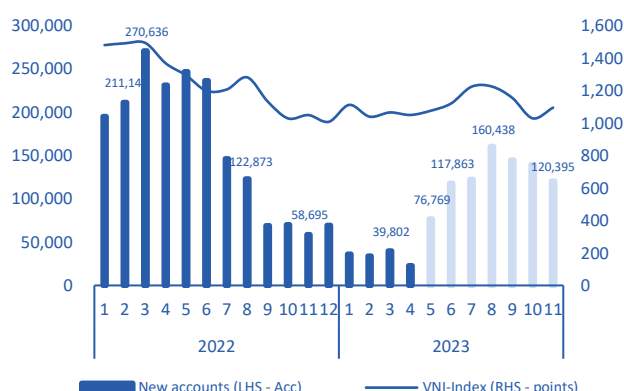
Domestic investors are the main motivation for the market.

- Individual investors were the main driving force for the market's four-month continuous uptrend, from late April to the end of August 2023, despite foreign investors' selling pressure..
- Domestic capital also helped to create a vibrant trading atmosphere, with HOSE recording about 50 sessions with a trading value of over 20,000 billion VND/session.

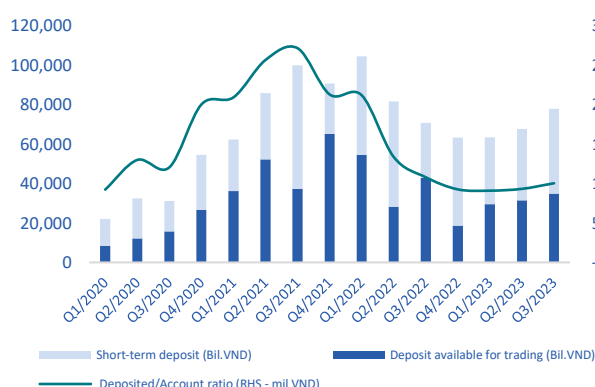
The growth of domestic individual investors has had a positive impact on the Vietnamese stock market.

Domestic individual investors continued to account for 99.16% of new account openings in November 2023, with the number of new accounts reaching 1.24 million. The number of new accounts increased well and the deposit balance of investors at securities companies at the end of Q3.2023 was at its highest level in 5 quarters - this also reflects the psychology of investors when the mobilization interest rate tends to decrease. The deposit balance at securities companies at the end of Q3 reached 77.80 trillion VND, up 10.07% YoY and up 15.20% QoQ, and the deposit balance per account increased by 7.62% compared to Q2.2023.

Graph 15 13: Number of investor's accounts at the end 11 in 2023



Graph 16 14: Investor deposits at the stock market in Q3-2023

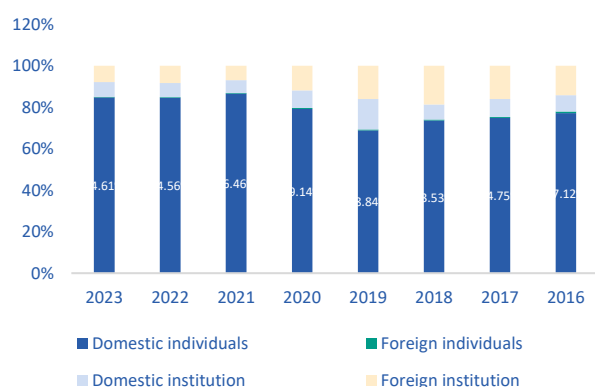


Source: BSC Research

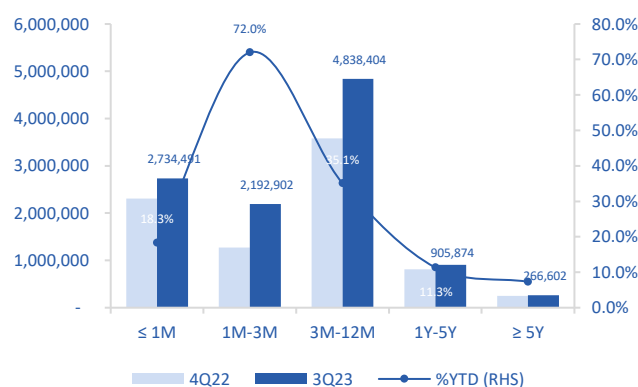
Individual investors continue to play a dominant role in the market. The average trading rate of domestic individual investors in 2023 reached 85%. The proportion of organized investors increased compared to 2022, especially domestic organized investors, whose trading accounted for 7.11% - up 6.15% compared to 2022. Meanwhile, the proportion of foreign organized investors decreased by 5.80% compared to the previous year. Overall, in 2023, domestic investors contributed to reducing the negative impact of foreign investors' selling pressure on the market.

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Graph 17 15: Trading structure of investors on HoSE



Graph 18 16: Deposit balance (billion VND) by term



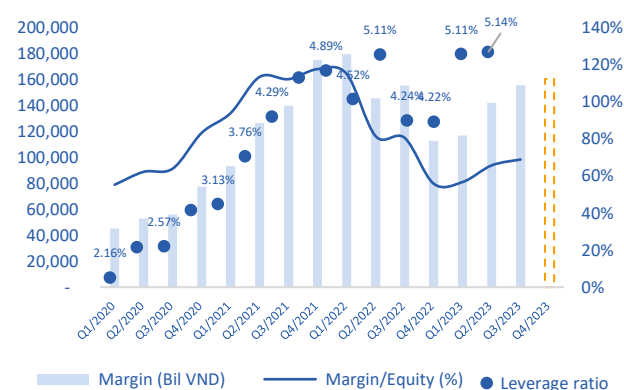
Source: FiinPro, BSC Research

Margin - the key to accelerating the market.

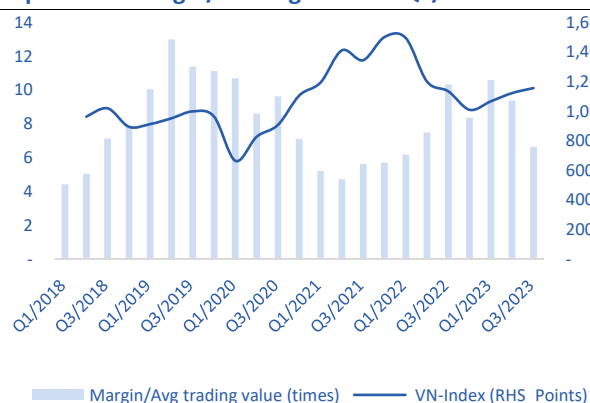
The market liquidity exploded in Q3 with a significant contribution from margin lending. The total margin lending balance as of Q3 reached over 155 trillion VND, up 9.68% compared to Q2/2023 and up more than 33% compared to the beginning of the year but still lower than the peak of 2022. The margin lending balance/Total equity ratio of the entire market reached 69% in Q3/2023, lower than the peak at the end of 2021 and still below the safety level. This result shows that securities companies still have room to lend margin in the future.

The decrease in mobilization interest rates since the beginning of the year has made the stock market more attractive, attracting capital from other investment channels. The expected decrease in interest rates will have a positive impact on market income, reducing opportunity costs when investing in stocks. Therefore, some bank deposits can be shifted to the stock channel, although the number is not too large. In addition, investors are also more daring in using margin, lending securities. This is a factor supporting the upward trend of the stock market in 2024.

Graph 19 17: Margin debt balance & leverage ratio



Graph 18: Margin/Trading value in Q3/2023 decrease



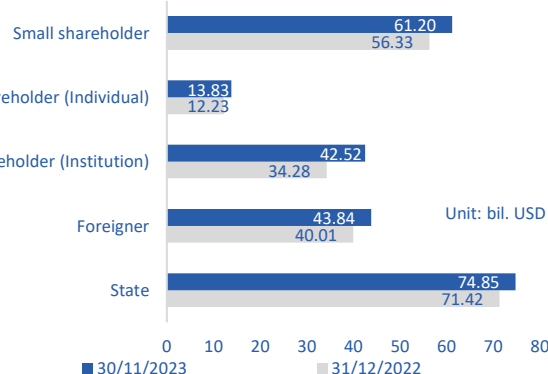
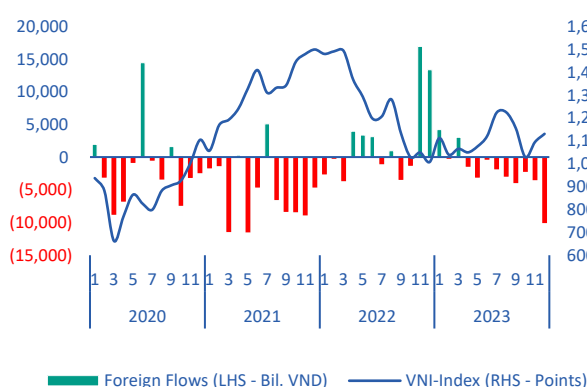
Source: FiinPro, BSC Research

Foreign investors are strong net sellers from Q2 2023

- As at November 31, 2023, foreign investors owned USD 43.8 billion ~ 18.56% of market capitalization and an increase of 9.6% compared to December 31, 2022;
- 11M2023 VN-Index increased by 8.64% compared to 31/12/2022, helping the holding value of foreign investors record a growth figure, but foreign investors have turned net selling very strongly since Q2/2023;
- By the end of 2023, foreign investors net selling on all 3 exchanges reached VND 22,818 billion – of which the main selling force came from active funds (accounting for 91.8% of the size of foreign investors)

In contrast to the positive period from Q4/2022 to the end of Q1/2023, foreign investors became the strongest group of net sellers in the market and in the opposite direction, individual investors are the main driving force for the market to stand firm.

Graph 21: Developments of foreign investors and VN-Index 2020 – 2023 **Graph 22: Ownership structure on the stock market at 30/11/2023**



Source: Bloomberg, Fiinpro, BSC Research

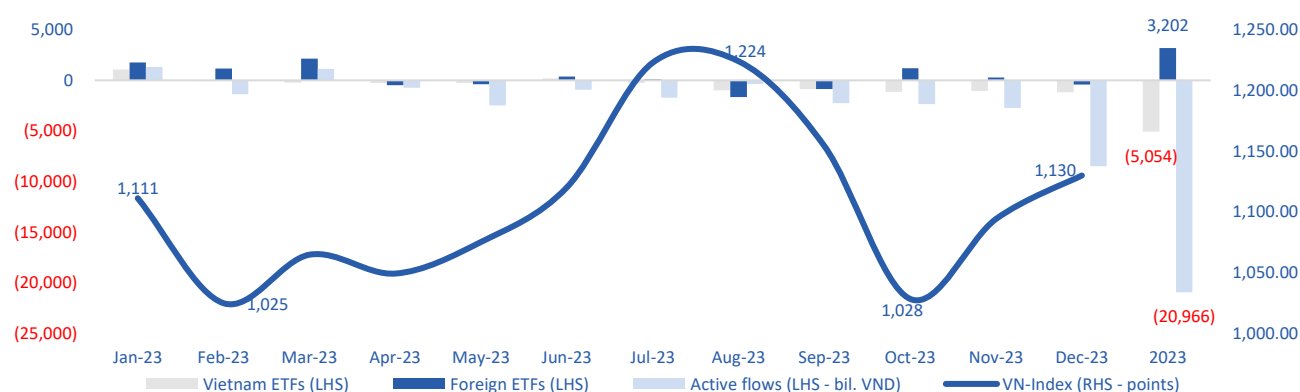
In 2023, on all three exchanges, foreign investors net sold 9/11 months with a total value of 22,818 billion VND, focusing on selling on the Ho Chi Minh City Stock Exchange (HOSE) when net withdrawing 24,670 billion VND, Upcom (-1,145 billion VND). billion VND) and slight net buying on HNX (+2,997 billion VND). Based on Hose, foreign investors net bought 9/18 level 2 industry groups, focusing on basic resources (+5,128 billion VND) and net sold in groups including: Banking (-13,828 billion VND), Food and beverages. Drinks (-6,180 billion VND), Financial services (-4,171 billion VND). Foreign investors strongly net sold the codes EIB (5,394 billion), VPB (3,469 billion), VHM (3,070 billion), MWG (3,045 billion), FUEVFN (2,537 billion) on HOSE and net bought the codes HPG (3,096 billion), HSG (1,516 billion), STG (1,285 billion), DGC (851 billion), FRT (846 billion).

As of November 30, 2023, Foreign investors own 43.8 billion USD, equivalent to 18.56% of the entire market value. The group of small shareholders accounts for 25.9% of the market size. The value owned by all groups increased according to the general development of VN-Index.

ETF cash flow movement and foreign capital flow forecast 2024

The strong return of foreign capital flows in general and ETF capital flows in particular in Q4/2022 has supported the market against previous sell-off pressure, and also confirmed the medium-term bottom area for the index to officially enter the rhythm. recuperate. The positive state of foreign investors was maintained until the end of Q1/2023 and began to reverse to a net withdrawal state. In 2023, foreign investors have net sold a total of VND 22,818 billion on all 3 exchanges for 9 consecutive months (from April to the end of December) and there are no signs of stopping even though there have been some net buying sessions again in 2023. end of December 2023.

Graph 23: Net buying/selling of foreign investors by active capital flows and ETFs in 2023



Source: Bloomberg, Fiinpro, BSC Research

The selling force mainly came from active capital inflows with a selling value of VND 20,818 billion, in the ETF group was relatively more balanced when net withdrawal was VND 1,852 billion, of which foreign investors were net buyers (VND 3,202 billion) for foreign ETFs and strong net sellers were VND 5,054 billion for domestic ETFs. Concentrated selling of ETFs took place in Finlead ETF (-2,240 billion dong), Diamond ETF (-1,808 billion dong) and ETF E1 (-567 billion dong).

Table 12: Net buying/selling details of notable ETFs in 2023

	AUM (Million USD)	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	2023
Total	3,554	197.4	66.6	84.2	(35.3)	(84.4)	(5.7)	(1.8)	(142.5)	(85.0)	4.6	(4.4)	(88.5)	(94.9)
Foreign ETF	2,430	72.5	48.0	87.0	(19.9)	(16.2)	14.8	3.8	(67.1)	(35.0)	49.1	11.0	(17.3)	130.7
Fubon	834	1.5	0.0	64.9	3.8	1.5	(1.0)	(7.4)	(53.3)	(23.9)	2.7	11.9	18.9	19.5
VNM	522	85.5	3.7	5.2	(25.1)	(4.8)	11.9	16.2	0.0	(2.7)	51.5	(5.4)	(5.4)	130.6
FTSE	351	27.6	20.3	5.1	4.4	0.8	7.3	1.4	(8.0)	0.0	(7.7)	2.5	(0.2)	53.4
Kim	201	(68.4)	17.0	6.2	(2.6)	0.0	4.1	0.0	0.0	0.0	0.0	0.0	0.0	(43.7)
Premia	15	0.0	0.0	0.3	0.0	0.0	0.0	0.0	(0.9)	0.0	0.0	(0.3)	0.0	(0.9)
iShare	506	26.3	7.0	5.4	(0.4)	(13.6)	(7.5)	(6.4)	(5.0)	(8.5)	2.7	2.3	(30.6)	(28.2)
Domestic ETF	1,124	60.4	1.4	(16.0)	(14.6)	(35.0)	(2.2)	(5.6)	(75.4)	(50.0)	(44.5)	(15.4)	(71.1)	(268.0)
Diamond	705	29.0	(2.0)	(4.9)	(11.5)	(17.8)	9.2	(2.9)	(35.9)	(32.7)	(10.1)	4.1	(47.8)	(123.2)
E1	306	25.0	3.4	(5.8)	(1.9)	(16.2)	(11.7)	(0.8)	(35.5)	(2.0)	(27.5)	14.4	(0.2)	(58.7)
Finlead	93	6.5	0.0	(5.3)	(1.2)	(1.2)	1.4	(1.9)	(3.8)	(15.0)	(7.5)	(34.0)	(0.2)	(62.2)
SSIVN30	6	0.0	0.0	0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	(23.0)	(22.4)
MiraeVN30	15	0.0	0.0	(0.3)	0.0	0.1	(1.2)	(0.1)	(0.2)	(0.3)	0.7	0.0	(0.1)	(1.4)

Source: Bloomberg, BSC Research

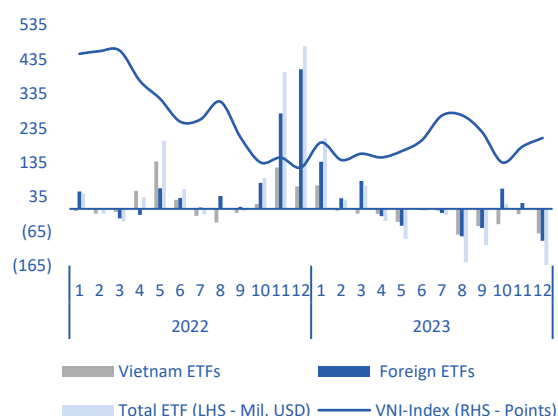
ETF inflows are somewhat better, since October 2023, major ETFs have started net buying again, but the value is still very low compared to Q4/2022. Overall, ETFs have made net withdrawals in 8 of 12 months in 2023 with a total selling value of \$94.86 million, of which:

+ Foreign ETFs: 3 main ETFs maintained their net buying status Fubon (+19.51 trUSD), VNM (+130.56 trUSD), FTSE (+53.39 trUSD), for VNM ETF there is a strong net increase when converting the reference index to 100% of Vietnamese stocks in Q1/2023. In the opposite direction, Kim ETF has a net withdrawal of 43.7 million USD.

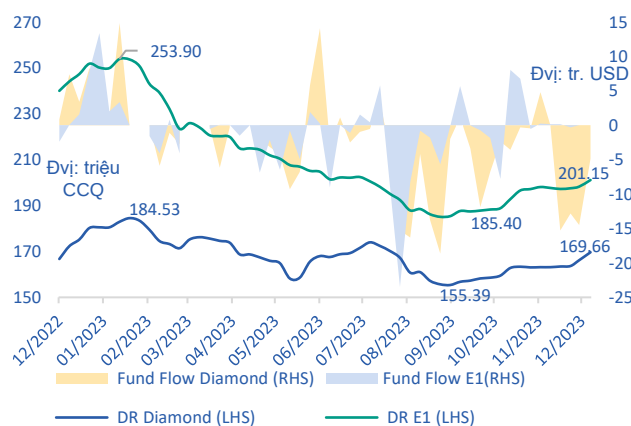
+ Domestic ETFs: 3 main ETFs with strong net withdrawals in 2023, namely: Diamond (-123 million USD), E1 (-58 million USD) and Finlead (-62 million USD). The net withdrawal momentum in these ETFs has not shown signs of stopping, partly due to the net withdrawal pressure of Thai investors due to the new regulations on taxing foreign income issued by the new government. However, since the end of September 2023, Thai investors have been active again as the number of depository certificates (DR) has recorded a net increase for both domestic ETFs (FUEVFN30 and E1VFN30).

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Graph 24: Movement of ETFs and VN-Index 2022 - 2023



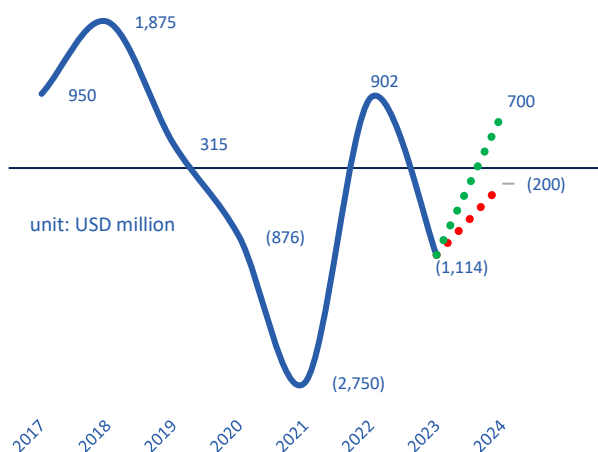
Graph 25: Thai investor DR numbers and ETF inflows 2023



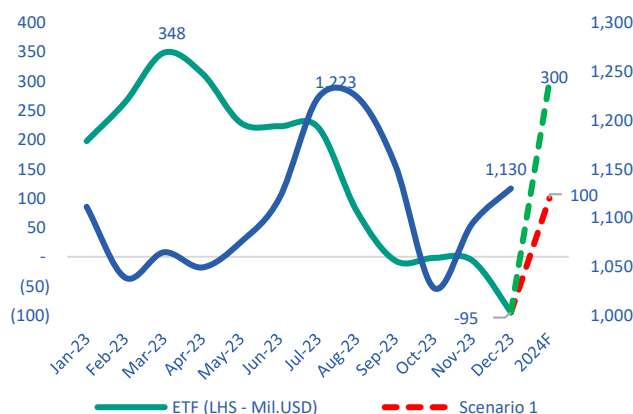
Source: Bloomberg, BSC Research

BSC Research offers 02 scenarios for foreign capital inflows and ETFs in 2024: in the positive scenario (KB2) foreign capital inflows will increase net by 700 million USD with supporting factors including (1) The interest rate difference between USD-VND is gradually narrowed when the Fed starts to reduce interest rates, (2) The primary emerging market upgrade process assessed by the FTSE has positive signals, (3) Thai investors gradually become active again after the new tax regulations come into effect on January 1, 2024. Foreign investors will return to net buying, capital flows can go to large-cap stocks, and "foreign room", meeting liquidity criteria, free-float ratio – preparation for when the market is upgraded. On the other hand, foreign investors may sell a net of \$ 200 million by the end of 2024 when the above factors do not go well.

Graph 26: Investor cash flow forecast 2024



Graph 19: 12M2023 accumulation and ETF 2024 cash flow forecast



Source: Bloomberg, BSC Research

ETF cash flow forecast: In a positive scenario, Thai investors will gradually return to net buying in main ETFs (Diamond, E1) after new tax regulations, besides the transformation and attracting many new capital flows for newly listed domestic ETFs, specifically: reference ETF according to VN-Diamond index (Mirae QQL, Bao Viet), FinSelect ETF (managed by Kim QQL). Fubon, FTSE, Vaneck ETFs are not expected to see much movement – but

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still play an important role in the market (especially Fubon, Vaneck, FTSE ETFs) – the expectation for foreign ETFs comes from new ETFs as the upgrade issues become more positive.

Highlights in 2024

Macroeconomic stability, growth drivers are maintained and gradually improved is a positive point in the calm picture of Vietnam's economy in 2023. Economic growth was below expectations despite the active use of monetary and fiscal policy tools. Production and business activities of enterprises improve slowly and bottlenecks in the real estate market continue to be issues noted in 2024.

On the other hand, the macroeconomic cycle accompanying Vietnam's monetary policy is out of phase compared to the world due to the influence of the time out of the Covid pandemic and internal factors of each economic sector. Central banks of key countries have raised interest rates from March 2022 from 2028 in the face of rising inflationary pressures while the SBV has also made adjustments to raise interest rates in September 2022 after 20 months to protect the local currency. In order to support growth in 2023, the SBV has made 4 interest rate reductions since March 2023. Monetary easing has been ahead of central banks of key countries (except China and Japan), which will continue to maintain high interest rates at the end of 2023. This leaves room for lowering even though the global downward trend in interest rates is dominant in 2024.

The prospect of economic growth and stock market in 2024 is assessed to be more positive than 2023. Favorable factors for the stock market include:

- The downward trend in global interest rates will help key economies have a soft landing, thereby positively impacting Vietnam's manufacturing and export industries. On the other hand, lower global interest rates also reduced pressure on the exchange rate and reversed the net withdrawal of foreign investors on the stock market.
- Domestically, the macroeconomy is stable, growth engines recover. Supportive monetary and fiscal policies are maintained, creating a succession of growth momentum by the end of 2023.
- Vietnam elevates the relationship to the level of a comprehensive strategic partnership with the United States and Japan, besides strengthening the friendly relationship towards the "Community of Common Destiny" with China after State visits will create an important driving force for the economy to accelerate, attract more investment flows.
- The Government drastically implements solutions to remove bottlenecks in the money market, bond market, real estate market and remove business barriers to unwind capital flows, bringing stability to the business community in particular and the stock market in general.
- The valuation level of Vietnam's stock market is at a low level with profit growth in 2024 forecasted at 15-20%. Along with that, changes to the new trading system and regulations towards upgrading the market will create new strength for the market.

In addition to the above favorable factors, BSC believes that risks come not only from outside but also internal to the economy and noted one factor:

International: (1) the central bank continues to maintain high interest rates and delays the start of rate reductions, (2) The ability of the US economy to achieve a soft landing is still uncertain, besides big question marks about EU

and Chinese growth, (3) Geopolitical conflicts continue to evolve unpredictably, affecting fluctuations in commodity prices.

Domestic: (1) Risks in the corporate bond market – especially in real estate enterprises; (2) Court cases related to banks, prolonged stagnation of real estate market affecting bad debts of the economy and macroeconomic stability; (3) Strong foreign capital withdrawals in 2023 and continue to transition into early 2024; (3) The process of implementing the KRX system and efforts to improve and upgrade the stock market has not improved much.

BSC assesses the factors affecting the prospects of the stock market in 2024 on the basis of considering the following aspects: (1) Economic environment and macroeconomic prospects, (2) Profits of listed enterprises, (3) Capital flows of domestic individual investors and foreign capital inflows, (4) Problems of the real estate market and risks related to corporate bonds, (5) World economic outlook as well as geopolitical fluctuations and (5) Other issues.

Table 13: Factors affecting the stock market in 2024

No	Content	Action	Direction of impact
1	Economic environment		
	Demographic structure, income, middle class and urbanization	•••••	Long-term
	Good growth thanks to economic restructuring, participation in production chains and world integration	•••••	Medium and long term
	Complete the Law on Land, Law on Real Estate, Law on Housing, Law on Securities ...	•••••	Remove barriers, support businesses, attract new capital flows
	Import and export is expected to recover again in 2024 as world demand for goods recovers	•••••	Good impact on production, processing and manufacturing components and spreading to the whole economy
2	Intrinsic market		
	Transparency, healthy business environment, full protection of the interests of economic participants	•••••	Improve quality, transparency, improve code of conduct, build trust for the market
	Many fundamentally good stocks are undervalued for years	•••••	Market valuation, attracting long-term cash flow
	Reconsolidate the organization, adjust regulations to try to upgrade the stock market in the period of 2023-2024 (FTSE) and the period of 2024-2025 (MSCI)	••••	International integration, improving quality, scale, professionalism in the market.
	Individual investors increased in both quantity and quality in addition to the return of foreign investors	••••	Increase the attractiveness of Vietnam's stock market
3	Capital flows		
	The roadmap for equitization and divestment according to Decision 1479/QĐ-TTg dated 29/11 will soon be implemented and realized	••••	Expand market scale, quality goods while increasing supply in the market
	Government accelerates disbursement of public investment	•••••	Positive influence on cash flow and business efficiency in related fields
	The movement of global investment flows	•••	It is expected that after the USD and VND interest rate gap narrows after the Fed starts lowering rates, foreign capital flows will return
	The trend of accumulation, investment continues to grow and the middle class is increasing	•••	Attract more cash flow to participate in investment channels
	The SBV has room to manage the exchange rate	•••	Restrictions on foreign capital outflows

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4	Other issues	Bilateral and multilateral trade agreements	••••	Deep integration with the world
		Regional geopolitical issues	•••	Potential instability
5	World economy	World economic growth prospects 2024 recover slowly	•••••	Influence on world consumer demand and trade
		The Fed and major central banks are expected to cut interest rates in 2024	•••••	The USD and VND interest rate gap will narrow
		Commodity prices still have many potential to cause strong fluctuations	••••	Rising inflation, affecting the pace of stabilization and lowering interest rates
		Geopolitical issues	••••	Potential instability

Source: BSC Research

Some notes on the portfolio restructuring period of domestic ETFs in 2024

- **VN30 portfolio:** It is expected that there will be no fluctuation in the VN30-Index portfolio in the assessment period T01/2024.

- **VN-Diamond portfolio:**

In case Ho Chi Minh City Stock Exchange (Hose) still maintains the regulations for the VN-Diamond Index, BSC Research assesses the possibility of disqualification of MWG shares in the review period T04/2024 as follows:

With the selling pressure of foreign investors and the Q1-Q3/2023 economic performance report not as expected, MWG shares are likely to not meet some important criteria in the VN-Diamond index, specifically as follows:

+ **P/E:** BSC Research forecasts Q4/2023 EPS to reach 123VND, so EPS for the last 4 quarters in 2023 is estimated at 175, with the closing price on 22/12/2023 is 42,350 VND/share -> P/E is expected to be 242x.

According to the regulations of the index, stocks in the VN-Diamond basket to stay in the basket need to meet a P/E ratio less than or equal to 3 times the average P/E ratio. The P/E ratio is calculated using the closing price at the closing date divided by the EPS for the last 04 quarters. The average P/E ratio is the average value of stocks that have passed previous screening steps, except for stocks with a P/E of < 0 or a P/E of > 100.

As observed by BSC Research, the average P/E ratio of stocks that meet through normal filtering steps ranges from 17-18 times -> the limited P/E ratio for stocks already in the basket ranges from 50-55 times. With current EPS, MWG's expected P/E will not meet the set criteria (>100 and 3 times higher than the average P/E ratio). However, this P/E ratio will be taken according to the closing date closing price in Q1 2024 so the indicator is likely to continue to change **but the probability of MWG being eliminated at this criterion is very high if Hose keeps the rules of the index intact.**

+ **FOL:** calculated as the percentage of ownership of foreign blocks divided into the allowed holding limit of foreign blocks – reaching the minimum level as prescribed. Hose will use the average value of FOL over the last 12 months to evaluate new/remove stocks from the index basket. For stocks in the index basket, the FOL coefficient needs to $\geq 80\%$.

According to BSC Research's hypothetical calculation, in case foreign investors continue to sell net, causing the foreign investors' ownership ratio to decrease to 40% at the end of the month from T01/2024 – T03/2024 (~ net

selling about 32 million more shares), MWG's average FOL ratio reaches 91.45% - still meeting regulations. Therefore, the FOL ratio is not worrisome compared to the P/E ratio.

In case MWG is excluded from the VN-Diamond index, SLCP may be sold by ETFs of about 52 million shares – a great impact on the performance of MWG shares in particular and the VN-Diamond and VN30 indexes in general.

- **VN-Midcap portfolio:** In addition to the above notable main indexes, the investment performance of Midcap ETF since its listing on the Vietnam stock market up to now is also a noteworthy point in investors' choices. Although the Midcap ETF managed by Dragon Capital currently holds 60/70 stocks, it offers significant performance and demonstrates the cash flow towards mid-cap stocks with high growth potential in the recent past, so the VN-Midcap index portfolio change is also a point to pay attention to in 2024.

Assessing the potential when Vietnam's stock market is upgraded

What does Vietnam lack to be considered for upgrading?

In general, Vietnam has basically met the majority of FTSE criteria (7/9 criteria) for the Secondary Emerging Market rating, but for MSCI's upgrade criteria it only meets 9/18 criteria – MSCI's rating criteria are as strict and inflexible as the FTSE Russell classification.

- **In terms of FTSE:** Vietnam continues to be maintained by FTSE Russell on a waiting list to consider upgrading to a secondary emerging market in 2024, FTSE Russell also stated that Vietnam has been on the watch list since T09/2018 but progress is slower than expected – partly due to the Covid-19 pandemic. A noteworthy point in the T09/2023 assessment report when the FTSE highlighted a positive assessment of the commitment of Vietnam's senior leaders to the work that needs to be done and the SSC has also made many moves to seek feasible solutions to remove the pre-funding requirement.

The FTSE is assessing 02 limited criteria: "Payment cycle (DvP)" and "Payment – costs related to failed transactions". Currently, it is customary to check the availability of funds before making transactions to ensure safety in Vietnam so the market will not have failed trades, so the criterion "Payment – costs related to failed transactions" is not evaluated. However, SSC is currently looking for solutions to remove the pre-funding requirement in addition to soon putting into operation the KRX trading system - these moves are highly appreciated by FTSE Russell.

- **In terms of MSCI:** Vietnam has not yet been included in the list of consideration for upgrade, MSCI's criteria are stricter and tougher than FTSE Russell. In the last 03 years from 2021-2023, 09 criteria Vietnam has not met have not improved, so before being officially upgraded by MSCI, Vietnam still has to make a lot of efforts to be considered for inclusion in MSCI's watch list – the same thing FTSE Russell has done since T09/2018.

Details of MSCI's market classification criteria and correlation comparison with ASEAN5 countries are presented in **Appendix 07 and Appendix 08**.

Comments: Thus, in the latest assessment report of MSCI and FTSE in 2023, Vietnam lacks many criteria and needs to improve to be upgraded soon. Basically, some of the key issues the regulator needs to finalize and adjust soon include: (1) the establishment of a central clearing house (CCP) – a key point when both FTSE and MSCI see this as a bottleneck in upgrading the market, (2) improving infrastructure, improve the transparency as well as the quality of information disclosure of enterprises in the market (time, language in English), (3) improve mechanisms, policies and legal regulations, (4) issues related to foreign ownership ratio as well as the process of

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registering new accounts opened for foreign investors, (5) Strengthen activities to protect the interests of investors and (6) strengthen inspection and supervision activities.

Expect efforts from regulators and market participants

According to the leaders of the SSC, the pre-funding requirement is the biggest obstacle to the market upgrade process, and to ensure the upgrade criteria, there are great challenges for enterprises themselves and management agencies due to the requirement to ensure the integrity of the market's risk tolerance.

In 2023, the Ministry of Finance, SSC, Stock Exchange and its members have made great efforts to remove difficulties and obstacles to get closer to the goal of upgrading and improving market operation efficiency, specifically:

+ Actively working with the People's Committee, stock exchange, world rating agencies: (1) Meeting with 2 MSCI, FTSE and international investors to discuss solutions to upgrade the market in Hong Kong (China) on T08//2023, (2) Working with S&P Global Ratings and signing a Letter of Intent between SSC and Nasdaq Stock Exchange on 09/2023 on the occasion of the visit of The Prime Minister came to the United States, (3) Participated in the OECD forum on Green Finance and Investment in October 2023, (4) Promoted bilateral cooperation between the Vietnam Securities and Exchange Commission and the US Securities and Exchange Commission in November 2023, and (5) Promoted bilateral cooperation with the Australian Securities and Investment Commission in December 2023.

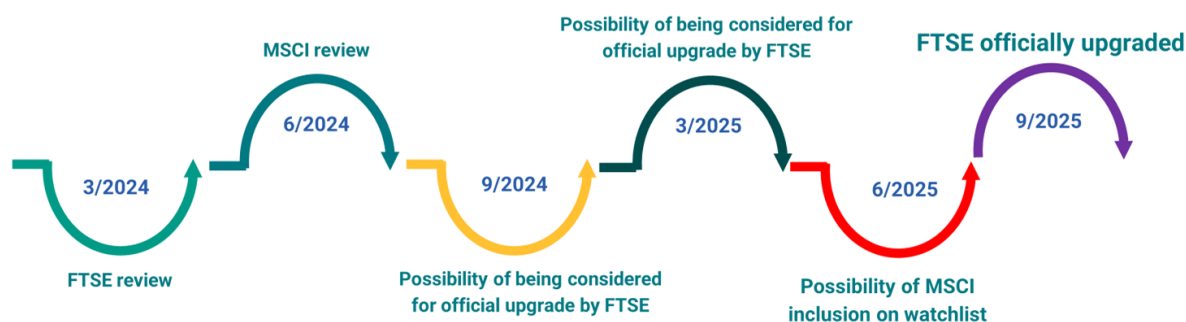
+ Efforts to put the KRX system into operation: in Q4/2023, Ho Chi Minh Stock Exchange (Hose) and market members have actively tested and operated the KRX system. According to the plan, it is expected that in December 2023, the system will be ready for go-live, if this roadmap is followed, the commissioning of KRX will be an important technical basis for not requiring foreign investors to have 100% of the money in their accounts before buying securities.

+ Search for pre-funding solutions: On T12/2023, SSC leaders held meetings with market members, businesses and related agencies to find solutions related to pre-transaction margin content. In addition to putting into operation the KRX system, strengthening inspection and supervision of investors' behavior in the market, increasing the competence of securities companies in risk appraisal: making their own decisions in margin issues for each investor, being allowed to confiscate assets, liquidating securities when investors cannot pay... is also being considered.

+ Seek the coordination of ministries and ministerial-level agencies:

- On escrow issues: According to the leader of the Vietnam Securities Depository and Clearing Corporation (VSDC), the plan to overcome the pre-funding problem is momentary, in the long run, the application of the central clearing partnership (CCP) model will be the optimal solution – this requires the approval of the State Bank of Vietnam, in which the bank keeps The signatory must be a clearing member.

- Regarding the criterion of foreign ownership ratio: to solve this problem, it will be necessary to change regulations for each industry and the list of market access restrictions for foreign investors. Regulations on foreign ownership ratio are currently regulated in: Law on Investment (Decree 31/2021/ND-CP guiding implementation), Law on Securities (Decree No. 155/2020/ND-CP guiding implementation). In addition, the research and pilot application of non-voting depository certificates (NVDR) – Thailand's stock market has been implemented quite successfully – also needs a mechanism in accordance with the provisions of the Enterprise Law.

Graph 28: BSC anticipates the evaluation process of MSCI and FTSE for Vietnam's stock market in 2024-2025

Source: BSC Research

Comments: Some of the criteria such as the level of freedom in the foreign exchange market, securities lending and short selling are issues that need time to improve, although these are not mandatory factors to be upgraded. In addition, the preparation to put the new trading system (KRX) into official operation in 2024 - will be a noteworthy point for the two rating agencies for the next evaluation periods in 2024 for Vietnam's stock market.

In addition, the obstacles that need to be removed of Vietnam's stock market depend not only on the Ministry of Finance and SSC but also on other ministries and sectors, especially the State Bank. Overcoming these difficulties requires drastic guidance from the Government, proactive, synchronous and urgent coordination of relevant ministries and agencies so that Vietnam will soon achieve the goal of upgrading to emerging markets by 2025

Large capital inflows from foreign investment funds will "land" in Vietnam's stock market

According to data as of November 30, 2023 from Bloomberg, there are currently 491 funds with a total size of 956 billion USD including 180 ETFs (size 421 billion USD) and 311 open-ended funds with information (size 533 billion USD) are investing in emerging markets according to MSCI and FTSE rankings, in which, the proportion of reference funds under MSCI (87%) is more than that of FTSE (13%). It's also important to note that Bloomberg's open-ended fund data doesn't cover the entire market/size of active funds investing in regions, so the actual value will be greater than the aggregate figures.

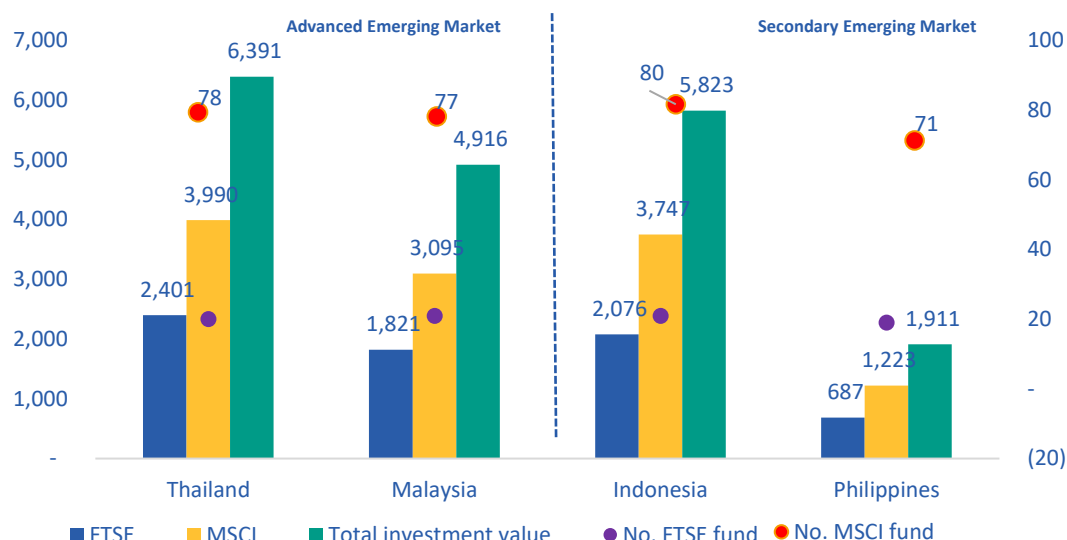
In ASEAN5 alone, for 04 markets: Thailand, Malaysia, Indonesia, Philippines, there are a total of 240 funds with a total asset value of 859 billion USD, including 135 open-ended funds (scale of 490 billion USD – with a total investment value of 13.12 billion USD) and 105 ETFs (scale of 369 billion USD – with a total investment value of 19.04 billion USD) are allocating assets into these 04 markets. Details are listed in the table below.

Table 14: Investment scale of open-ended funds, ETFs in emerging markets in ASEAN12

Criteria			Thailand	Malaysia	Indonesia	Philippines
Rank	Reference index		SET Index	FBMEMAS Index	JCI Index	PASHR Index
	Market cap (USD Billion)		480	293	723	288
	Number of Shares		669	249	863	282
	Classification of stock markets	FTSE	Advanced Emerging		Secondary Emerging	
		MSCI	Emerging Market		Emerging Market	
	Average Density (%)	FTSE	2.25	1.44	2.20	0.94
		MSCI	2.88	1.85	2.28	0.99
		Sum	2.49	1.60	2.23	0.96
	Amount	FTSE	20	21	21	19
		MSCI	78	77	80	71
Sum		98	98	101	90	
ETFs	Value (m. USD)	FTSE	2,401	1,821	2,076	687
		MSCI	3,990	3,095	3,747	1,223
		Sum	6,391	4,916	5,823	1,911
	Average Density (%)	FTSE	0.98	0.87	1.74	0.54
		MSCI	1.91	1.52	2.68	0.78
		Tổng	1.80	1.46	2.61	0.75
	Amount	FTSE	12	8	9	11
		MSCI	91	77	114	79
		Sum	103	85	123	90
	Value (m. USD)	FTSE	2,330	1,787	1,979	692
MSCI		1,970	1,399	2,296	669	
Sum		4,300	3,186	4,275	1,361	
Open-ended funds	Average Density (%)	FTSE	1.62	1.16	1.97	0.74
		MSCI	2.40	1.69	2.48	0.89
		Tổng	2.15	1.53	2.42	0.86
	Amount	FTSE	32	29	30	30
		MSCI	169	154	194	150
		Sum	201	183	224	180
	Value (m. USD)	FTSE	4,731	3,608	4,055	1,379
		MSCI	5,960	4,494	6,044	1,893
		Sum	10,691	8,102	10,099	3,272

* Data updated through 30/11/2023

Source: Bloomberg, BSC Research

Graph 29: Size and number of ETFs in emerging regional markets

Source: Bloomberg, BSC Research

According to estimates by BSC Research, in case if MSCI and FTSE upgrade Vietnam to an emerging stock market, there will be about 3.5-4 billion USD to buy new Vietnamese stocks. The estimate is based on the assumption that the proportion of newly purchased Vietnamese stocks is about 0.7% on average – equivalent to the proportion of Philippine stocks (rated primary emerging market by the FTSE) in existing fund portfolios. In addition, investment funds will consider the country's economic growth potential to allocate appropriate investment portfolios, so this figure may be lower than the reality when Vietnam is a country with a stable political environment, participating in many large trade agreements, etc. is a comprehensive strategic partner of major economies in the world and is highly appreciated by many prestigious organizations.

Since Vietnam is not yet on MSCI's upgrade watch list and is already on the FTSE watch list, in the near future, Vietnam's stock market will be officially upgraded by the FTSE to a primary emerging market. When the FTSE Russell officially upgrades, it is expected that the market will receive about 1.3-1.5 billion USD from open-ended funds/ETFs referenced according to the FTSE set of targets, of which ETFs will expect to buy a minimum of about 700-800 million USD (equivalent to the current size of the Philippine stock market).

BSC Research synthesizes 20 stocks with the largest proportion of foreign ETFs holding Vietnamese stocks, according to which a total of 31 stocks belong to 06 foreign ETFs that need attention, including 15/30 VN30-Index stocks including: HPG, VHM, VNM, VIC, MSN, SSI, VCB, VRE, VJC, SHB, POW, BID, STB, SAB, BVH. For stocks that run out of "foreign room", foreign investors can own indirectly through investing in CCQ ETF VN-Diamond or NVDR products in the future (if any). Details of the shares are presented in Appendix 09.

Appendix

Appendix 1: Inflation in countries

Country	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22	11/22	12/22
US	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5
EU	5.1	5.9	7.4	7.4	8.1	8.6	8.9	9.1	9.9	10.6	10.1	9.2
China	0.9	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8	2.1	1.6	1.8
Russia	8.7	9.2	16.7	17.8	17.1	15.9	15.1	14.3	13.7	12.6	12.0	11.9
Malaysia	2.3	2.2	2.2	2.3	2.8	3.4	4.4	4.7	4.5	4.0	4.0	3.8
Indonesia	2.2	2.1	2.6	3.5	3.6	4.4	4.9	4.7	6.0	5.7	5.4	5.5
Thailand	3.2	5.3	5.7	4.7	7.1	7.7	7.6	7.9	6.4	6.0	5.6	5.9
Philippines	3.0	3.0	4.0	4.9	5.4	6.1	6.4	6.3	6.9	7.7	8.0	8.1
Singapore	4.0	4.3	5.4	5.4	5.6	6.7	7.0	7.5	7.5	6.7	6.7	6.5
Vietnam	1.9	1.4	2.4	2.6	2.9	3.4	3.1	2.9	3.9	4.3	4.4	4.5

Source: Bloomberg, BSC Research

Appendix 01. Inflation in countries (continued)

Country	01/23	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23
US	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	
EU	8.6	8.5	6.9	7.0	6.1	5.5	5.3	5.2	4.3	2.9	2.4	
China	2.1	1.0	0.7	0.1	0.2	0.0	-0.3	0.1	0.0	-0.2	-0.5	
Russia	11.8	11.0	3.5	2.3	2.5	3.3	4.3	5.2	6.0	6.7	7.5	
Malaysia	3.7	3.7	3.4	3.3	2.8	2.4	2.0	2.0	1.9	1.8	1.5	
Indonesia	5.3	5.5	5.0	4.3	4.0	3.5	3.1	3.3	2.3	2.6	2.9	2.6
Thailand	5.0	3.8	2.8	2.7	0.5	0.2	0.4	0.9	0.3	-0.3	-0.4	
Philippines	8.7	8.6	7.6	6.6	6.1	5.4	4.7	5.3	6.1	4.9	4.1	
Singapore	6.6	6.3	5.5	5.7	5.1	4.5	4.1	4.0	4.1	4.7	3.6	
Vietnam	4.9	4.3	3.4	2.8	2.4	2.0	2.1	3.0	3.7	3.6	3.4	3.6

Source: Bloomberg, BSC Research

Appendix 2: Global GDP Forecast 2023-2025

Organization	Date	2023	2024	2025
Fitch Ratings	01/03/2024	2.9	2.1	2.5
Bank of America Merrill Lynch	12/22/23	3.1	2.8	3
Barclays	12/22/23	3.1	2.6	2.8
Berenberg Bank	12/22/23	2.5	2.2	2.4
BMO Capital	12/22/23	2.9	2.6	3
Citigroup	12/22/23	2.6	1.9	2.5
Commerzbank	12/22/23	3	2.7	3
Dai-ichi Life Research Institute	12/22/23	2.8	2.7	3.2
Desjardins Financial Group	12/22/23	3	2.7	3
Deutsche Bank	12/22/23	3	2.6	3.2
EconForecaster	12/22/23	2.4	3.6	4.6
FrontierView	12/22/23	3	2.9	
JPMorgan Chase	12/22/23	3.1	2.6	2.7
Julius Baer	12/22/23	3	2.4	3.1
Lonski Group	12/22/23	2.9	2.4	2.7
MacroFin Analytics & Rutgers Business School	12/22/23	3.8	3.9	4
National Bank Financial	12/22/23	3.1	2.3	2.6
Natixis	12/22/23	2.9	2.6	2.8
Oxford Economics	12/22/23	2.6	2	2.6
Scope Ratings	12/22/23	3.1	3.1	3.2
SMBC Nikko	12/22/23	3	2.6	3.1
SouthState DuncanWilliams	12/22/23	3	2.3	2.5
Standard Chartered	12/22/23	3.1	2.9	3.1
University of Texas/El Paso	12/22/23	2.8	3	3.4
Wells Fargo	12/22/23	2.9	2.4	2.6
UBS	12/15/23	3.2	2.6	3.1
Helaba Bank	11/27/23	2.8	2.9	3.1
HSBC Holdings	11/27/23	2.5	2.3	2.5
Kennesaw State University	11/27/23	0.4	-0.4	0.2
Natl Truck Equipment	11/27/23	2	3	4
Regions Financial	11/27/23	2.7	2.4	3.2
Scotiabank	11/27/23	2.9	2.6	2.8
CaixaBank	10/20/23	3	2.9	

Source: Summarize, BSC Research

Appendix 3: Vietnam's trade agreements

No.	Agreement	No.	Agreement
1	AFTA	9	VKFTA
2	ACFTA	10	VN-EAEU FTA
3	AKFTA	11	CPTPP
4	AJCEP	12	AHKFTA
5	VJEPA	13	EVFTA
6	AIFTA	14	UKVFTA
7	AANZFTA	15	RCEP
8	VCFTA	16	VIFTA

Source: Summarize, BSC Research

Appendix 4: Brent price forecast

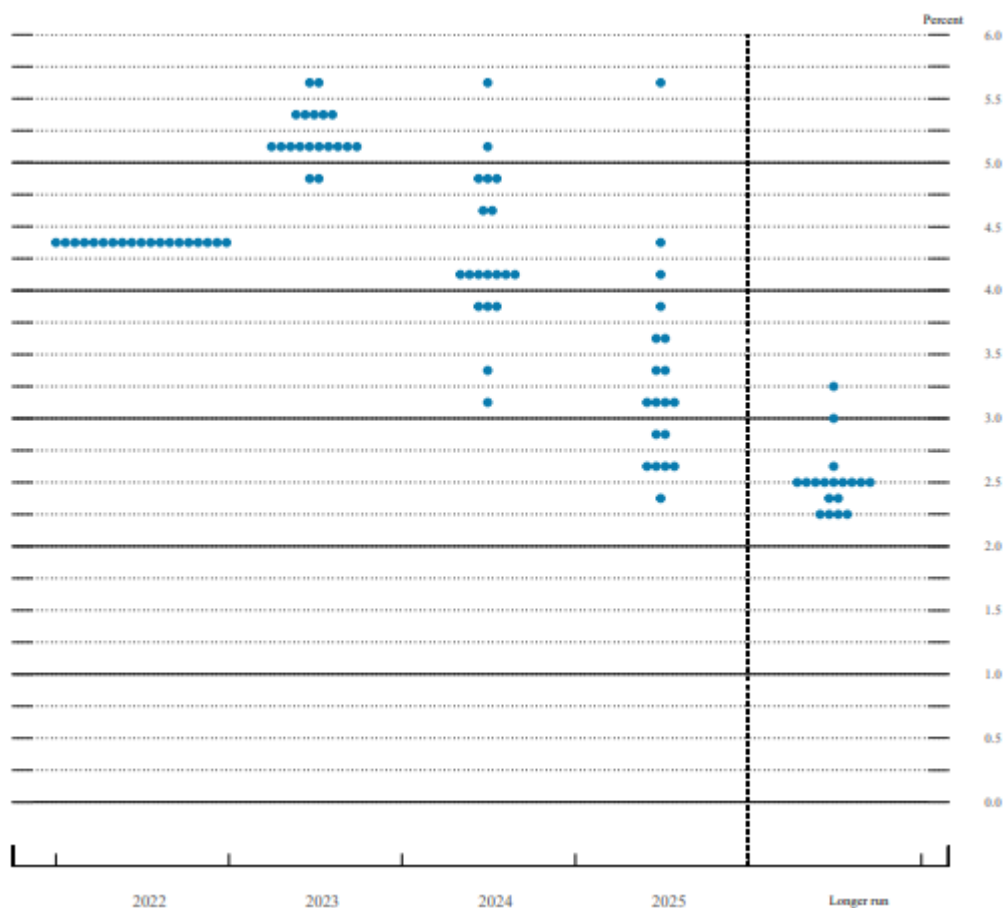
Organization	Date	2024	2025	2026	2027
Bank of America Merrill Lynch	01/01/2024				
Citigroup Inc	29/12/2023	75			
Capital Economics Ltd	29/12/2023	80	73		
BMI, a Fitch Solutions company	28/12/2023	85	84	81	81
Societe Generale SA	22/12/2023	87.5	85		
Banc of America Securities LLC	19/12/2023	90			
Oxford Institute for Energy Studies	19/12/2023	82.3			
Emirates NBD PJSC	19/12/2023	82.5			
Commerzbank AG	15/12/2023	90	95		
Deutsche Bank AG	15/12/2023	89	83	75	
Goldman Sachs Group Inc/The	15/12/2023	81	80		
JPMorgan Chase & Co	14/12/2023	79	76	80	
Westpac Banking Corp	13/12/2023	76	88	96	
RBC	13/12/2023	83	79	75	70
ING Groep NV	13/12/2023	88	80		
Barclays PLC	11/12/2023		85		
BNP Paribas SA	08/12/2023	86.92	84.58		
Intesa Sanpaolo SpA	08/12/2023	80	78	76	74
Berenberg	08/12/2023	85	75	65	65
Macquarie Group Ltd	07/12/2023	77	64	66	68
Natixis SA	23/11/2023	84.8	82.8		
Australia & New Zealand Banking Group Ltd	14/11/2023	98			
Rabobank	31/10/2023	94.9	101.8	106.8	111.4
Standard Chartered Bank	30/10/2023	98	109	128	
Market Risk Advisory Co Ltd	25/10/2023	84.39			
MPS Capital Services Banca per le Imprese SpA	20/10/2023	77			
Panmure Gordon & Co PLC	13/10/2023	86	83		
MUFG Bank	02/10/2023	84	90		
walletinvestor.com/commodity-forecast	02/10/2023				150.42

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Banco Santander SA	22/09/2023	85	79	75	72
Samsung Futures Inc.	15/09/2023	77			
value.com/insight	18/08/2023	80.9	77.3	76.5	76.5
HSBC Holdings PLC	09/08/2023	75			
National Australia Bank Ltd	03/08/2023	97			
Landesbank Baden-Wuerttemberg	28/07/2023	78			

Source: Bloomberg, BSC Research

Appendix 5: FED dot-plot chart (December 2023)



Source: FED, BSC Research

Appendix 6: Stock market performance of countries

Nations	Index	1M	3M	6M	YTD
Russia	IMOEX Index	-2.34%	-1.09%	10.79%	43.87%
Japan	NKY Index	0.43%	5.04%	0.83%	28.24%
The US	SPX Index	4.82%	11.24%	7.18%	24.23%
Germany	DAX Index	3.62%	8.87%	3.74%	20.31%
Korea	KOSPI Index	5.38%	7.72%	3.55%	18.73%
Vietnam	VNINDEX Index	2.46%	-2.10%	0.87%	12.20%
The UK	UKX Index	4.17%	1.65%	2.68%	3.78%
Singapore	STI Index	5.04%	0.71%	1.07%	-0.34%
China	SHCOMP Index	-1.55%	-4.26%	-7.09%	-3.70%
Thailand	SET Index	2.03%	-3.78%	-5.80%	-15.15%

Source: Bloomberg, BSC Research

Appendix 7: Detailed comparison of ranking criteria between Vietnam and ASEAN5 by MSCI

Criteria	Thailand	Malaysia	Indonesia	Philippines	Vietnam
Market classification	Emerging market				Frontier market
Openness to foreign ownership					
Investor qualification requirement	++	++	++	++	++
Foreign ownership limit (FOL) level	-	+	++	-	-
Foreign room level	-	++	++	-	-
Equal rights to foreign investors	-	+	+	+	-
Ease of capital inflows / outflows					
Capital flow restriction level	++	++	++	++	++
Foreign exchange market liberalization level	+	+	-	-	-
Market entry					
Investor registration & account set up	++	++	++	++	+
Market organization					
Market regulations	++	++	++	++	+
Information flow	++	++	+	++	-
Market infrastructure					
Clearing and Settlement	+	++	+	+	-
Custody	++	++	++	++	++
Registry / Depository	++	++	++	++	++
Trading	++	++	++	++	++
Transferability	++	+	+	++	-
Stock lending	+	++	+	-	-
Short selling	+	+	+	-	-
Availability of Investment Instruments	++	++	++	++	++
Stability of institutional framework	+	+	+	+	+

++: no problem; +: no major problem, can be improved; -: needs improvement

Source: MSCI, BSC Research

Appendix 8: MSCI's Basic Market Classification Criteria

Criteria	Frontier	Emerging	Developed
A. The development of the economy			
A.1 Sustainability of economic development	Not required	Not required	GNI per capita is 25% higher than the World Bank's high income threshold* for 3 consecutive years
B. Scale and liquidity requirements			
B.1. Number of companies that meet the following indicators	2	3	5
Company size (market capitalization)**	1,033 million USD	2,066 million USD	4,133 million USD
Stock size (Free-float capitalization)**	73 million USD	1,033 million USD	2,066 million USD
Securities liquidity***	2.5% ATVR	15% ATVR	20% ATVR
C. Market access criteria			
C.1 Openness to foreign ownership	Low	Significantly	Very high
C.2 Ease of capital inflow/outflow	Low	Significantly	Very high
C.3 Effectiveness of the operational framework	Medium	Good and tested	Very high
C.4 Availability of investment instruments	High	High	Unlimited
C.5 Institutional stability	Medium	Medium	Very high

* High income threshold: GNI per capita in 2021 is 13,205 USD (WB, Atlas method)

**Minimum threshold for assessment in May 2023, updated quarterly

*** ATVR: Annual transaction value ratio calculated according to the formula of annual trading value/free-float adjusted capitalization value

Source: MSCI, BSC Research

Appendix 9: Top stocks in the list of major foreign ETF funds investing in Vietnam

	Premia	iShares	Fubon	FTSE Vietnam	Vaneck	CGS Fullgoal	
Reference index	MSCI Vietnam	Frontier and Select Emerging	FTSE Vietnam 30	FTSE Vietnam	MarketVector Vietnam Local	iEdge Vietnam 30 Sector Cap	VN30 Index
Organizing issuance	MSCI	MSCI	FTSE	FTSE	MVIS - Vaneck	Singapore Stock Exchange	HCMC Stock Exchange
Proportion of VN stocks (%)	100%	29%	100%	100%	100%	100%	100%
HPG	10.46%	3.14%	10.87%	14.45%	6.91%	9.46%	VN30
VHM	8.32%	2.37%	8.63%	9.88%	6.57%	6.59%	VN30
VNM	6.70%	2.05%	9.16%	9.14%	6.72%	9.75%	VN30
VIC	6.74%	2.05%	8.50%	10.01%	6.42%	6.27%	VN30
MSN	5.69%	1.62%	7.83%	7.81%	4.24%	5.12%	VN30
SSI	4.51%	1.28%	6.96%	6.95%	5.83%	10.53%	VN30
VCB	6.28%	1.26%	8.86%	8.84%	6.27%	0.00%	VN30
VRE	2.88%	0.82%	3.85%	3.84%	2.11%	1.75%	VN30
VND	2.65%	0.74%	2.41%	2.39%	4.56%	4.87%	Not a component
DGC	2.40%	0.73%	3.31%	3.31%	3.02%	3.32%	Not a component
VJC	2.29%	0.68%	3.17%	3.16%	1.62%	1.83%	VN30
NVL	2.00%	0.59%	0.00%	0.00%	3.54%	2.85%	Not a component
VCI	1.68%	0.48%	2.24%	2.23%	2.80%	2.91%	Not a component
KDH	1.67%	0.48%	2.28%	0.00%	0.64%	0.51%	Not a component
GEX	1.30%	0.41%	1.79%	1.79%	1.74%	1.93%	Not a component
SHB	1.59%	0.40%	1.87%	1.86%	2.15%	2.37%	VN30
EIB	1.33%	0.39%	0.00%	1.84%	2.04%	2.58%	Not a component
POW	0.90%	0.39%	0.99%	0.99%	1.27%	1.39%	VN30
VIX	1.42%	0.38%	0.00%	1.99%	2.50%	2.67%	Not a component
BID	1.27%	0.37%	0.00%	0.00%	0.00%	7.90%	VN30
KBC	1.59%	0.37%	2.20%	2.19%	1.60%	1.29%	Not a component
STB	1.04%	0.00%	1.92%	0.00%	0.00%	0.00%	VN30
SAB	1.10%	0.36%	1.68%	0.00%	1.95%	0.00%	VN30
KDC	1.06%	0.31%	1.63%	0.00%	1.34%	1.72%	Not a component
DIG	1.03%	0.35%	1.43%	1.43%	1.60%	1.10%	Not a component
PVD	1.01%	0.30%	0.00%	1.39%	1.02%	1.13%	Not a component
DPM	0.71%	0.21%	1.20%	1.19%	1.09%	1.10%	Not a component
HUT	0.48%	0.18%	0.00%	0.00%	2.09%	0.00%	Not a component
PDR	1.16%	0.34%	1.15%	0.00%	1.89%	0.00%	Not a component
VHC	0.93%	0.26%	0.00%	0.00%	1.64%	2.00%	Not a component
BVH	0.00%	0.00%	0.55%	0.00%	0.93%	1.75%	VN30

Source: Bloomberg, BSC Research

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