

VIETNAM MACRO & MARKET OUTLOOK 2022

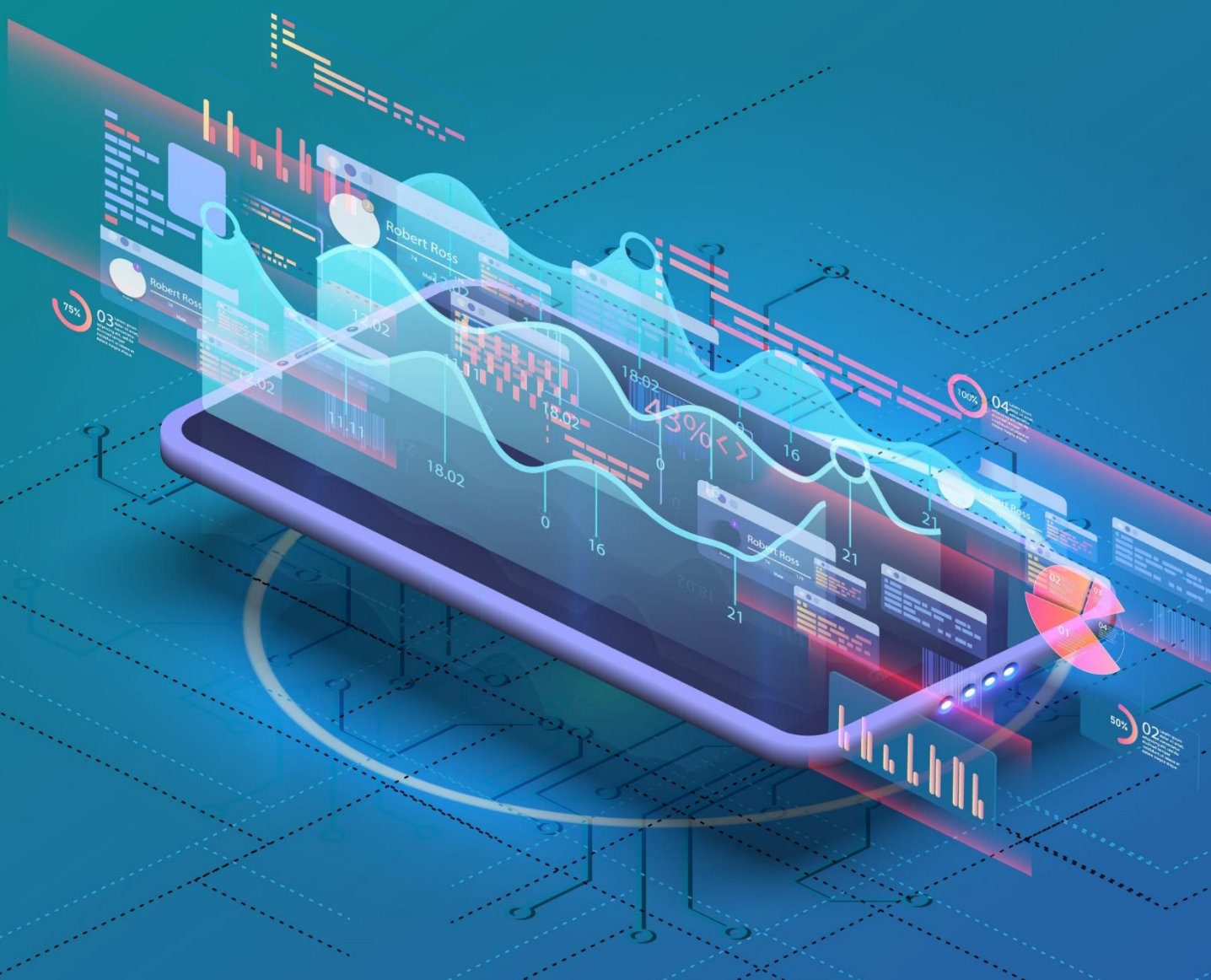


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Investment strategy in 2022

Never before has the epidemic had such a profound impact on all aspects of our socio-economic life. Economic turmoil associated with the forth wave of COVID-19 pandemic has had wide-ranging and severe impacts upon financial markets. However, starting from low interest rates in 2020, the stock market in 2021 has become a popular channel for new investors and pulled out all the stops to reach a new record. The more investment flows it garnered, the more it attracted more participants to engage rather than traditional investment channels such as personal business, real estate and gold. After 4 years of waiting, VN-Index has finally surpassed 1,200 points and set an astounding record of over 1 million new trading accounts, surpassing the total accounts of all 7 years so far. Simultaneously, the gaining streak has lasted for over 18 months, while the market liquidity has reached 1 billion USD. These are outstanding achievements that even the most optimistic people can hardly imagine in the context of the epidemics.

About 25-30 years ago, the four "Asian Tigers" economies had witnessed a boom in the number of stock investors and liquidity when GDP per capita approached \$4,000. Two decades after the last generation of Asian tigers economies began to come of age, the Vietnam stock market is now going through a drastic change in both quality and quantity in 2021 to assert its place as the latest successor to the title. This year 2022, it is about to hold the potential for its growth momentum thanks to the fundamental foundation of macro stability, improvement of business environment, and cash flow.

Regarding the macroeconomics in 2022, BSC forecasts GDP growth under 2 scenarios of 6.0% and 6.6% for 2022, and 6.7% and 7.0% for 2023. CPI is a factor that needs further monitoring, however, we still forecast this index will stay at 4.5% and 3.0% in 2022 and 4.0% and 3.2% respectively in 2023. Interest rates in the 2 scenarios of 2022 are kept at 5.5% and 5.2%, then gradually increase to 5.8% and 5.5% in 2023. The exchange rate will be stable from 23,100 to 23,300 in the next 2 years.

Regarding the market in 2022, VN-Index will continue to increase, although the divergence will be larger because (1) business results of companies have improve; (2) P/E ratio has increased thanks to new cash flow of investors; and (3) Small and medium-sized stocks have had high valuations, making it difficult to maintain the upward momentum like in 2021. VN-Index is forecasted to increase 9% to 1,633 points under scenario 1 and increase 19% to 1,782 points under scenario 2. (*Refer to the methods of Forecasting scores by large-weight stocks and technical analysis of large stocks.*)

Regarding stocks to invest in the stock market in 2022, (1) Opening the economy: Banking (VCB, TCB, CTG, VPB), Consumer and Retail (MWG, PNJ, VNM), Oil and Gas and utilities (GAS, POW, PLX, PVT, REE), Others (VHC, MSH, DGC); (2) Benefit from the stimulus package: Materials (HPG, HT1, PLC), Construction (LCG, PC1), Aviation and transportation (ACV, VTP); Real Estate (VHM, NVL, NLG, DXG, KDH, VRE), Industrial Parks (PHR, GVR, IDC, SC), Ports (GMD); (3) State divestment: BMI, SAB, FPT, NTP, BVH, SJG, VGT; (4) Large stocks when foreign cash flow returns: VNM, VHM, HPG, VCB, VRE, PLX.

For the prospects of industries and stocks in 2022, see details in "Vietnam Sector Outlook 2022 Report".

Given the results in 2021, it is not surprising that many investors are building higher expectations in 2022. Keep in mind that all investments carry some degree of risk, even when the market is on a prolonged gaining streak with the sharp increase of personal investment cash flows. For all investors out there stepping on their journey to find investment opportunities in 2022, we would like to give out the message of "Keep a Cool Head and Warm Heart" as well as Risk Management to explore all avenues before executing any decision.

Macro & Market significant topics in 2022

The world economy have had a significant impact on the macro economy and the stock market of Vietnam. To build a vision for 2022, we consider two domestic and international issues affecting Vietnam's macroeconomic and stock market, including: (1) High inflation and the trend of speeding up monetary policy tightening amid mounting inflation fears; (2) The "cooling down" of the Chinese economy.

High inflation and the trend of speeding up monetary policy tightening

Inflation in 2021 has grown at the fastest rate in the recent 5 years. The BCOM Index has reached 103.4 (+ 43.9% YoY), the highest level in the last 5 years. The CTS index - an average measure of container freight charges - has reached 144.65 (+99.45 YoY), the highest level in the past 10 years (Appendix 1). Both indexes are reflecting the strongest increase in commodity prices in this economic cycle. Inflation increased due to supply scarcity caused by: Change in global supply chain after US-China trade war, strong recovery of oil price and other impacts coming from the epidemic situation.

Faced with such high inflation, a number of central banks such as Brazil, Peru and South Korea have begun to tighten monetary policy by the end of 2021 (Appendix 2). A number of other central banks have also begun to signal tightening monetary policy in 2022. The most notable of which are:

- **FED:** considers raising interest rates 3 times in 2022 from 0%-0.25% to 0.75%-1%, and ending the bond buying program in March 2022.
- **ECB:** may begin cutting its PEPP bond purchase program in 2022. A decision is expected in the last week of December 2022.
- **PBOC:** As for the PBOC, because China's growth rate has shown signs of slowing down in the last months of 2021, the bank has begun to loosen monetary policy more. This phenomenon is most evident when the PBOC lowered the one-year interest rate from 3.85% to 3.8%.

The Fed's official signal to raise interest rates is likely to be the starting point for the wave of tightening monetary policy of central banks around the world in 2022. This trend may put pressure on SBV's current expansionary monetary policy, as banks in the region are likely to raise interest rates.

The "cooling down" of the Chinese economy

The growth rate of Vietnam's import and export benefits greatly from its geographical position as a common freight forwarding station between China and the United States. Therefore, those signs of slowing down of China's economy may affect Vietnam's import and export growth in 2022. ([US - Vietnam trade report](#))

The growth rate of the Chinese economy slowed down due to 3 main reasons:

- **Concerns about the real estate market default:** The news of default of Evergrande group is having a negative effect on the Chinese real estate market. The real estate structure slows down quite clearly in 2021 when risk factors begin to appear in the market. New house prices in 70 cities have fallen for three consecutive months. Home sales fell 17% from a year earlier. Real estate investment increased by 6% in 11M2021, lower than 7.2% in 10M2021. House prices on the secondary market fell for the fourth consecutive month. This phenomenon, if prolonged, may negatively affect real estate investment capital flows and thereby, increase the risk level of financial activities in the economy. (Appendix 3)
- **Energy Crisis:** China has pledged to achieve carbon neutrality by 2060 at the United Nations council. This means that they have to cut coal emissions quite a lot, about 2.5 thousand million tons of coal for the economy. According to the 2021-2025 period, their energy structure is also gradually shifting to clean energy instead of coal energy. This transition will lead to an energy shortage when clean energy sources do not have enough capacity to meet the needs of the Chinese economy. Moreover, China's trade war with Australia has cost the country 30% of its coal use. These two factors are causing an energy crisis and thereby slowing down China's economic growth. ([Heavy industry report](#))
- **The processing and manufacturing sectors showed a slower pace:** The manufacturing PMI dropped back to 49.9 in November due to (1) China's consumer demand showed signs of weakening due to the COVID-19 epidemic situation (2) The "Zero COVID" policy continued blockade quite a lot of areas and caused production to show signs of delay (3) The number of new orders decreased due to the COVID-19 epidemic. (Appendix 4)
- The above factors can last for 2 years from 2022-2023 if the Chinese government does not take radical measures to limit the level of the above risk factors. This phenomenon will also have a negative impact on Vietnam's import and export growth in the period 2022-2023.

2021 Macro Overview and Outlook for 2022

Economic growth

- GDP in 2021 will reach only 2.1% due to the negative impact of COVID-19 in Q3 2021.
- GDP in 2022 is estimated to reach a growth rate of 6.0 in Scenario 1 and 6.6% in Scenario 2.

For 2022, BSC has developed two scenarios for forecasting economic growth:

- **Scenario 1:** Negative scenario with an estimated GDP growth rate of 6.0%.
- **Scenario 2:** Positive scenario with an estimated GDP growth rate of 6.6%.

Table 01. Forecast macro indicators in 2022

Indicator	5YR AVG (15-19)	2021	2022	
			S1	S2
GDP (YoY%)	6.8	2.6	6	6.6
CPI (YoY%)	3.9	1.8	4.5	3
Export (YoY%)	12.1	19	17.8	20
Import (YoY%)	11.5	26.5	17.7	19
Deposit interest rates (%)	6.5	5.5	5.5	5.2
USD/VND	22,665	22,920	23,100-23,200	

Figure 01: GDP over years (2016 -2022)



Source: Bloomberg, BSC Research

Gross domestic product (GDP) in 2021 increased by 2.58% compared to 2020 (increased by 4.72% in Q1; increased by 6.73% in Q2; decreased by 6.02% in Q3; increased by 5.22% in Q4).

The industry recovered strongly in the fourth quarter, after a sharp decline in the third quarter due to the COVID-19 epidemic. Index of industrial production (IIP) in 2021 is estimated to increase by 3.35% compared to 2020. The processing and manufacturing industry increased by 4.82% (increased by 8.9% in Q1; increased by 13.35% in Q2; decreased by 4.09% in Q3; increased by 7.96% in Q4). Electricity production and distribution increased by 5.24%. Water supply and waste and wastewater treatment industry increased by 4.00%. Mining industry decreased -6.21%.

PMI in December increased to 52.5 points, from 52.3 points in November, higher than the annual average of 49.23 points (2019 average is 47.24 points). The index components show that the recovering signal is maintained. Output and orders both increased in December. Along with that, selling prices increased, indicating a recovery in demand for manufacturing activities. The only factor that needs further study is the scarcity of the workforce. However, the high rate of vaccination against COVID-19 and the non-hazardous Omicron variant like Delta will be the driving forces to help the group of workers quickly return to work.

Some factors that are likely to affect GDP:

- **Demand for foreign goods:** (1) The global economy is expected to rebound strongly in 2022 (World economic growth is in Appendix 5), (2) The US-China trade war has not shown any signs of easing, (3) positive effects from trade agreements signed over the years (namely CPTPP, EVFTA, and RCEP)
- **Prospects to increase FDI capital:** (1) The Covid-19 vaccine is more widely deployed, the social distancing policy is applied for each district instead of the whole city; (2) The wave of production shifting away from China continues, in which Vietnam is a potential destination for investment capital with its geographical strength and abundant labor force. [\(Link\)](#).
- **Expansionary fiscal policy:** (1) Fiscal policy aimed at macroeconomic stimulus can be maintained in the condition that the government plans the years 2021-2022 to be a recovery period (as mentioned in the 5-year socio-economic strategy 2021- 2025) (2) The Government has approved a stimulus package worth about 347 trillion dong (\$15.3 billion) to revive an economy battered by Covid-19, which is expected to have an impact of 0.9-1.1% on GDP growth.
- **Expansionary monetary policy:** (1) SBV continues to ensure economic stimulus policy when Vietnam has low economic growth in 2 years 2020-2021 (2) Low domestic inflation and abundant liquidity are likely to create conditions for SBV to maintain the state of monetary easing.
- **Revised working and business conditions:** (1) Working conditions has improved thanks to effective COVID-19 vaccine and Government's support packages (2) Business operation has been back on track when economic demand that had been pent up for two years flared up again.

Inflation

- **CPI in 2021 increased by 1.81% YoY in December 2021, making the average CPI for the whole year 2021 reach 1.84%. The CPI of the first quarter will reach 0.30% YoY, the second quarter will reach 2.67% YoY, the third quarter will reach 2.51% YoY and the fourth quarter will reach 1.89% YoY.**
- **CPI at the end of 2022 will reach 4.5% in Scenario 1 and 3.0% in Scenario 2.**

CPI in 2021 reached 1.81% YoY in December 2021, making the average CPI for the whole year 2021 reach 1.84%. CPI increased strongly in the first quarter to 0.30%, due to low oil prices and a sharp decline in pork prices in the first quarter. When these prices recovered, the index started to increase again in the third quarter by 2.67% YoY in second quarter. However, the negative impact of COVID-19 in the third quarter has restrained economic consumption demand and thereby, caused commodity prices to decline. This trend continued in the fourth quarter when CPI only reached 1.89% due to low food and food prices and a decline in oil prices in December.

Figure 02: CPI over years (2015 -2022)

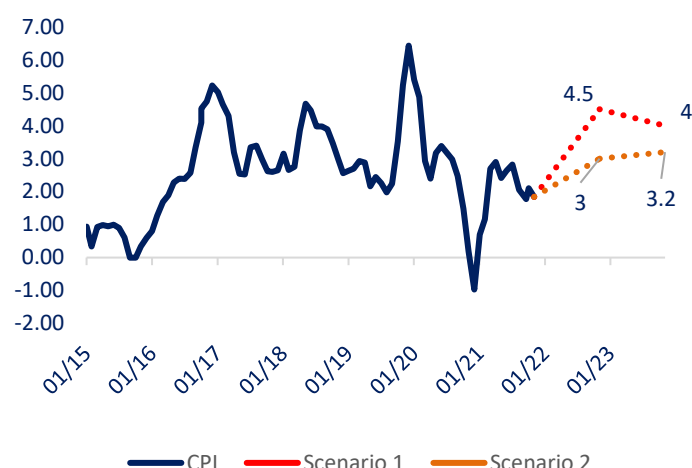


Table 02: Forecasted CPI

Scenario	S1	S2
Year	2022	2022
CPI YoY	4.1%	3.0%
Pork price	+2.1%	+0.4%
Oil price	+0.2%	-0.3%

Source: GSO, BSC Research

CPI at the end of 2022 will be influenced by the following factors:

- **Oil price fluctuates between 70-80 USD/barrel:** As of December 31, 2020, Brent oil price closed at 77.78 USD/barrel. According to projections of world economic organizations, oil price can maintain at the price range of 70-80 USD/barrel in 2021 (Appendix 6). The cause of this recovery is supported by the following two factors: (1) **The recovery of the world economy** leads to a growth in world oil demand (Appendix 5). (2) **OPEC+ is likely to maintain its production growth rate of 400 thousand barrels per month**, due to two reasons: the COP26 policy may affect world demand, at the same time, strategic crude oil reserves of the United States will affect oil supply. (Appendix 10)
- **The estimated pork price is in the range of 41,000-80,000 VND/kg** when the trend of re-herding of livestock farmers and consumer demand both increases again after the negative period of the disease. (Appendix 11)

Scenario 1: CPI is estimated to reach 4.5% YoY

- Oil price is estimated to reach 80 USD/barrel, equivalent to the highest price forecasted by economic organizations.
- The pork price is estimated to reach 80,000 VND/kg, equivalent to the average price in 2020. This case occurs when the supply of pigs is still short due to the slow re-herd rate, simultaneously the foreign supply is also not enough to meet the demand for pork.
- Electricity prices in 2022 and prices of medical services may increase sharply again after a period of only a slight increase or flat rate in the 2nd period of 2020-2022. In this case electricity and health services prices could increase CPI by 1.3%.

Scenario 2: CPI is estimated to reach 3.0% YoY

- Oil price is estimated to reach 70 USD/barrel, equivalent to the average price forecasted by economic organizations.
- Pork price is estimated to drop to 41,000 VND/kg, the lowest level in 2021. This situation occurs when the rate of re-herding of pigs increases sharply and there is an excess of foreign supply.
- Electricity and medical service prices remain low as in 2020 and 2021 when the government is still determined to implement the policy of stabilizing commodity prices.

Banking – Interest rate

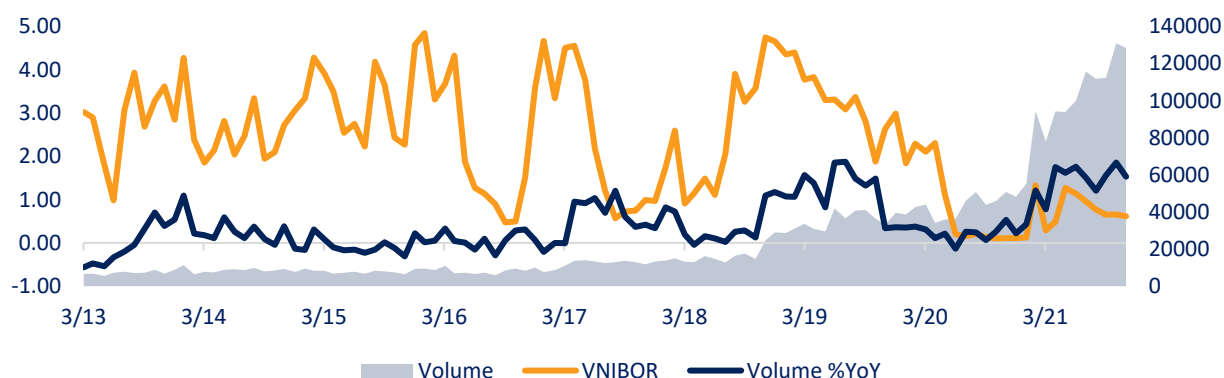
- As of December 24, 2021, credit growth is about 13% compared to the end of 2020. The total BoP is 12,879,090 billion VND, an increase of 8.93% compared to the end of 2020.
- The liquidity of the interbank system increased sharply in 2021 when the overnight interest rate remained low compared to the 2013-2019 period.

In the past year, the State Bank of Vietnam issued Circular 10/2021/TT-NHNN stipulating that the refinancing interest rate will be cut to 0%/year, contributing to boosting credit higher than expected between the two countries. At the same time, the gradual recovery of production activities also increases credit demand in the second half of 2021.

The gap between means of payment and credit has narrowed, showing a marked improvement in capital utilization despite the impact of COVID-19 in the third quarter. Interbank transactions will increase sharply in 2021, corresponding to the period of low interest rates, showed abundant liquidity, while capital demand was moderate.

Given that Vietnam's inflation has been quite stable when economic growth slowed down, SBV will have more incentive to maintain the current policy. In addition, the news that the Fed is expected to raise interest rates three times from 0% - 0.25% to 0.75% - 1% in 2022 will partly increase interest rate pressure on the SBV. In the context of economic re-opening, the macro foundation has been restored and vaccine coverage is increasingly wide enough, which could also raise credit demand.

Figure 03: Overnight interbank transaction

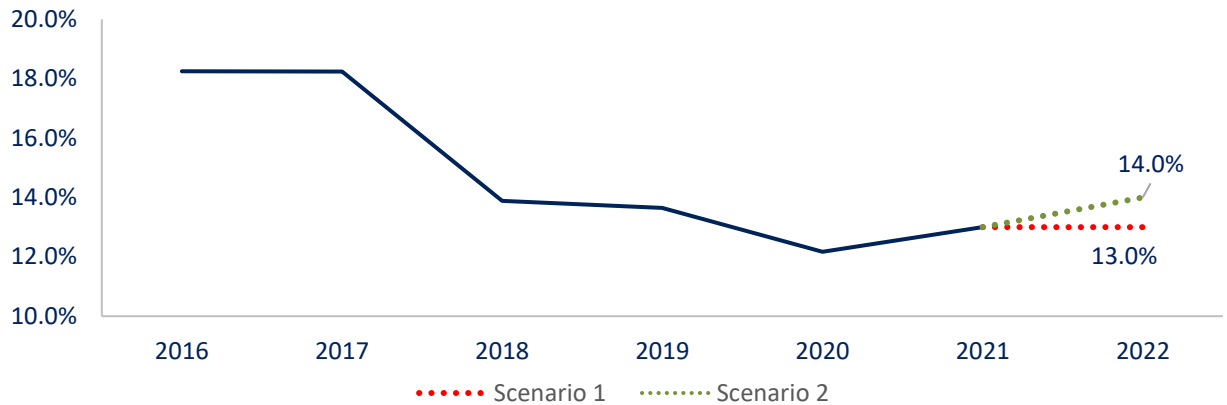


Source: Bloomberg, BSC Research

Therefore, BSC has established two main scenarios for credit growth and M2 for 2022:

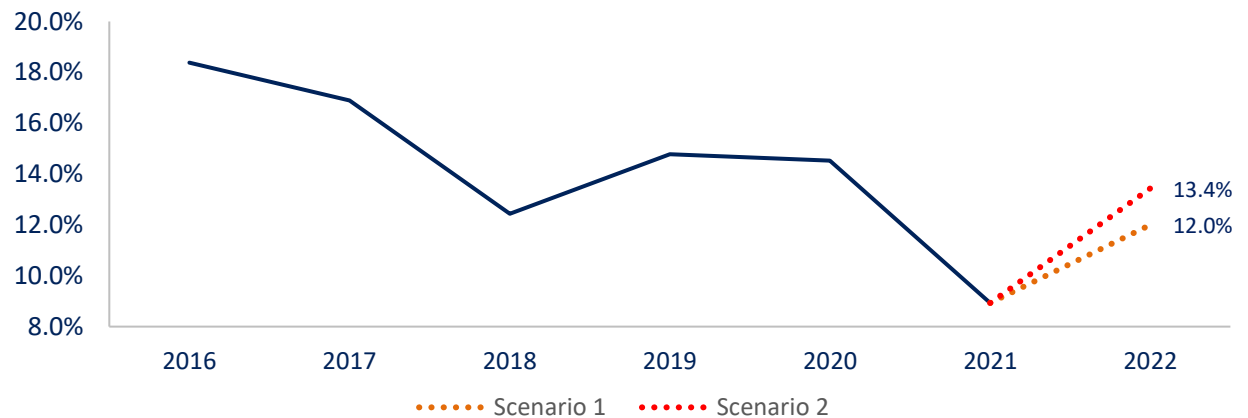
- **Scenario 1:** The fast pace of tight monetary policy and flat rate inflation will put a lot of pressure on SBV's current loosen policy. This phenomenon will make M2 and credit grow at the same rate as in 2020-2021. **M2 and credit are expected to increase by 12.0% and 13.0%, respectively.**
- **Scenario 2:** The slow pace of monetary policy with low inflation will put less pressure on the SBV to raise interest rates. The stable monetary context could create stable conditions for SBV to raise interest rates and credit above the average levels of the period 2020 and 2021. **M2 and credit are estimated to increase by 14.0% and 13.0%, respectively.**

Figure 04: Credit growth over years (2016-2023)



Source: Bloomberg, BSC Research

Đồ thị 05: Tăng trưởng M2



Source: Bloomberg, BSC Research

Disbursement of budget capital for investment

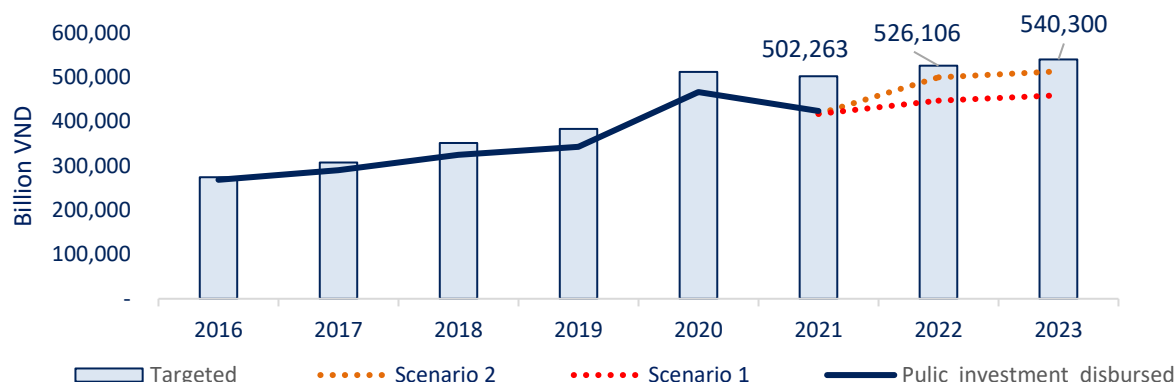
- By January 5th 2022, , disbursement of budget capital for investment was estimated at VND367,731.83 billion, equal to 73.8% of budgeted plan, of which: the central government investment is estimated at VND63,577.2 billion, equal to 75.9% of the plan, that of the locality is estimated at VND304,154.6 billion, equal to 73.4% plan.

State budget disbursement in 2021 is estimated at 417,332 billion (-10.56% YoY) mainly due to the slow disbursement speed in some local groups due to the COVID-19 epidemic. Disbursement of local budget capital is slowing down at the end of the year because the progress of 6 southern provinces is still low compared to the national average, which may lead to the possibility that the time for disbursement of public investment capital in 2021 will be extended to the end of 2022.

In the context of COVID-19 pandemic and slowing economic growth, disbursement of state budget investment is one of the powerful internal resources to stimulate the economy. This statement is indeed emphasized in the 2021-2025 development plan and the new economic stimulus package: (1) The

estimates for 2022 and 2023 are VND 526.106 billion and VND 540,600 billion, respectively. (2) The new economic stimulus package prioritized infrastructure investment, worth 113 trillion VND of the total package at 347 trillion VND. **Disbursement of state budget capital in 2022 is estimated to reach from VND 447,190 billion to VND 499,801 billion, equivalent to a growth rate of 7.2-19.8% YoY.**

Figure 06: Disbursement of budget capital for investment (2016-2023)



Source: Bloomberg, GSO, BSC Research

BSC set up 2 scenarios for state budget disbursement. The first scenario estimates the disbursement rate to be as low as 2021 and the second scenario to be as high as 2017 and earlier, at 95%.

Table 03: Disbursement of budget capital for investment 2016-2022

	2016	2017	2018	2019	2020	2021	2022FC
Plan as of M12 (bilVND)	274,561	307,661	352,017	383,336	512,037	502,263	526,106
12M % Plan							S1 S2
Total	97.83	94.41	92.3	89.46	91.13	84.3	85 95
Central	95.33	91.13	89.94	85.29	91.42	81.2	85 95
Local		95.38	92.84	90.25	91.06	83.5	85 95
12M %YoY							
Total	15.09	7.23	12.52	5.81	34.45	-8.60	7.2 19.8
Central	14.89	3.91	-6.14	-12.03	59.69	-8.25	8 20.2
Local	15.15	8.21	17.75	9.78	29.95	-8.68	7.1 19.7

Source: BSC Research

Regarding the stimulus package, BSC expects it to have an impact on economic growth as below:

Bảng 04: Impact of economic stimulus package

	Scenario 1	Scenario 2
GDP 2021 (bilUSD)	362	
SP (bilUSD)	15.0	
%SP/GDP	4.1%	
Disbursement Objective	80% Plan	95% Plan
Impact on GDP 2022	0.9%	1.1%

Source: BSC Research, Committee Report for the National Assembly

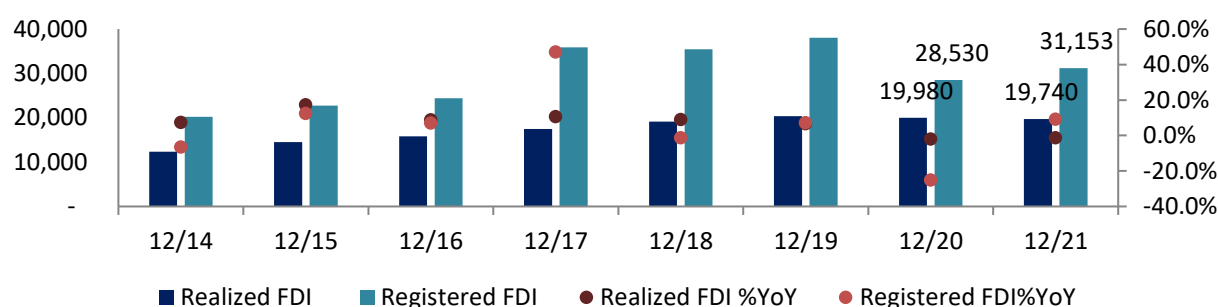
The above estimate is based on ICOR method with ICOR = 6.13 (average period 2015-2019). Accordingly, Vietnam's economic growth rate will increase by 0.9%-1.1% in 2022. The economic stimulus package is Bloomberg: RESP BSCV <GO>

an important supporting factor to help Vietnam's GDP maintain a growth rate of over 6% in the period of 2022-2023.

Foreign Direct Investments (FDI)

- Newly and additionally registered FDI up to December 20th has reached 24.26 billion USD, up 15.19% over the same period of 2020. Realized FDI in 2021 was estimated at 19.74 tỷ USD, down 1.2% over the same period of 2020.
- In terms of sectors, the processing and manufacturing industry accounted for 60.17% of the total newly and additionally registered capital.
- FDI in 2022 is estimated to reach about 21.4 billion USD (+8.5% YoY) in Scenario 1 and 22.2 (+12.4% YoY) billion USD in Scenario 2.

Figure 07: FDI 2014-2021 (mil USD)

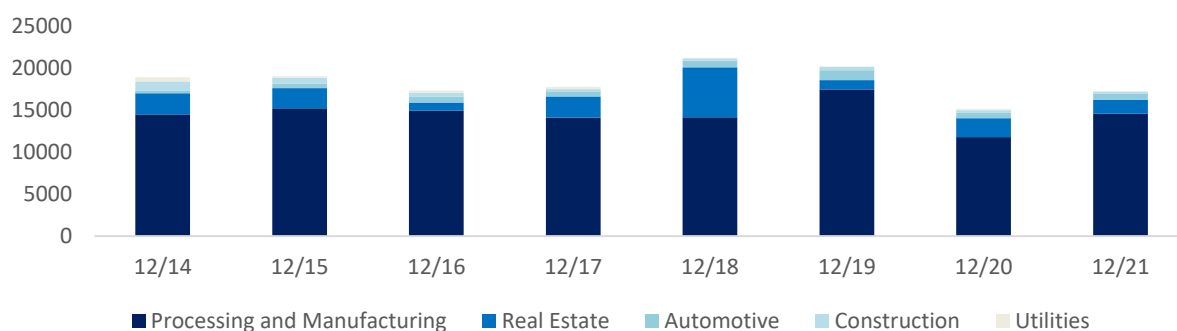


Source: Ministry of Planning and Investment, BSC Research

By December 21, total newly licensed FDI of 1,738 projects (-31.1% YoY) reached 15.25 billion USD (+4.1% YoY), additional FDI capital of 985 project (-13.6% YoY) reached 9 billion USD (+40.5% YoY). **Thus, total newly and additionally registered FDI capital reached 24.26 billion USD (+15.19% YoY). Realized FDI in 2021 reached 19.74 billion USD, down 1.2% over the same period in 2020.**

In terms of sectors: The processing and manufacturing industry took the lead with USD 14.60 billion, equal to 60.17% of the total newly and additionally capital. Gas, electricity and water production and distribution reached \$5.58 billion, equal to 22.99%. Real estate business reached 1.64 billion USD, reaching 6.75%.

Figure 08: FDI by sectors (mil. USD)



Source: Ministry of Planning and Investment, BSC Research

In terms of partners: Singapore took the lead with 7.34 billion USD, 30.27% of total newly and additionally registered capital. China and Hong Kong totaled 3 4.85 billion USD, equal to 20.01%. South Korea reached 4.36 billion USD, equal to 17.98%. Japan reached 3.65 billion USD, equal to 15.05%. Taiwan reached 1.09 billion USD, equivalent to 4.49%.

In terms of location: Long An took the lead with 3.77 billion USD, accounting for 15.56% of total newly and additionally capital. Hai Phong ranked second with 3.04 billion USD, equivalent to 12.55%. City. Ho Chi Minh ranked third with 1.81 billion USD, equivalent to 7.46%.

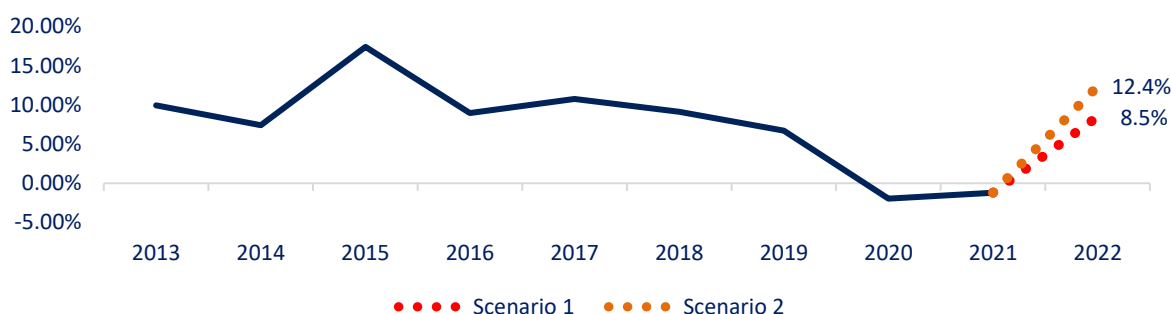
Despite the raging epidemic, Vietnam continues to receive many large projects. The higher registered FDI capital is mainly due to the newly registered capital focusing on the processing and manufacturing industries. This shows that the trend of shifting production and supply chains is still consolidating. Some factors are likely to affect FDI are:

- **Positive progress in COVID-19 prevention and control has supported high operational productivity at FDI factories:** (1) High rate of vaccination against COVID-19 vaccine (Appendix 3), (2) Related policies and vaccine technology are eligible to implement social distancing in each small area instead of that on a large scale as in 2020.
- **Strong global economic growth:** The recovery of worldwide consumer demand has been the driving force for FDI enterprises to increase disbursement speed in Vietnam which helps improve production capacity.
- **Trade agreements are increasingly expanding:** in recent years, Vietnam has been a member of many large-scale bilateral and multilateral trade agreements such as: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership; EVFTA; Bilateral trade agreements with the US, Korea, Japan, the UK. With a favorable geographical location along with favorable terms of trade agreements with major economies, Vietnam's economic potential will continue to be maintained for FDI enterprises.
- **Supply Chain Shifts from China to Vietnam:** (1) The prolonged US-China trade war will continue to support this shift trend (2) New environmental policy, which caused the energy crisis and power shortages in China, has pushed up production costs and reduced factory productivity ([Heavy Industry Report](#)). These factors will make foreign business chains tend to minimize risks by dispersing production and supply chains to surrounding countries outside of China.

BSC estimates that FDI disbursement in 2022 will reach about 21.4 billion USD (+8.5 % YoY) in Scenario 1 and 22.2 billion USD (+12.4% YoY) in Scenario 2:

- **Scenario 1:** FDI disbursement will improve and return to a slight growth rate like the previous period at 8.5% when economic activities stabilize.
- **Scenario 2:** FDI disbursement increased sharply and reached 12.4% YoY after a decline in 2 years 2020-2021. The pent-up disbursement plan after 2 years of COVID-19 will rebound in 2022 when world consumer demand recovers strongly, leading to an increase in productivity at factories and thereby, boosting the FDI disbursement process in 2022.

Figure 09: Realized FDI growth rate (mil. USD)



Source: Ministry of Planning and Investment, BSC Research

Import & Export

- In 2021, the total export turnover of goods reached 336.25 billion USD, up 19%; commodity import reached 332.25 billion USD, up 26.5%. Trade balance is estimated at 4.0 billion USD.
- BSC estimates that export growth will reach 391.7-399 billion USD (17.8% - 20.0% YoY) by 2022. Imports reached 386.5-393.0 billion USD (17.1%-19.0% YoY). Trade balance is estimated at 5.2-6.9 billion USD.

In 2021, the total export turnover of goods reached 336.25 billion USD, up 19%; commodity import reached 332.25 billion USD. Trade balance is estimated at 4.0 billion USD. Despite the impact of the COVID-19 epidemic in the third quarter of 2021, Vietnam still maintained a positive growth rate mainly thanks to two commodity groups: (1) Computers, electronic products and components and (2) Other machinery, equipment, tools and spare parts. Two groups of goods grew strongly mainly due to benefiting from the trend of shifting production chains from China to Vietnam.

Figure 10: Import and export movements over years (2015-2023)



Source: GSO, BSC Research

BSC estimates that export growth will reach 391.7-399 billion USD (17.8% - 20.0% YoY) by 2022. Imports reached 386.5-393.0 billion USD (17.1%-19.0% YoY). Thus, Vietnam may have a trade surplus of 5.2-6.9 billion USD in 2022. These are assumptions about the forecast of import and export growth:

Global trade trends are expected to grow strongly. This phenomenon will cause the demand for high-tech goods (machinery, equipment, spare parts and electronic components), and wood and wood products to continue to increase strongly from 2021.

- **The US - China trade war has not shown any signs of easing** and the core deadlock issues between the two sides have not been mentioned in the diplomatic conferences between the US and China. The trend of shifting production will continue to drive growth in two groups of computers, electronic products and components; and other machinery, equipment, tools and spare parts. ([Link](#))
- **Effective anti-COVID-19 campaign** ensures FDI enterprises maintain high operational productivity in 2022.

Table 05: Components of import and export growth

Export	2017	2018	2019	2020	2021	2022	
						Scenario 1	Scenario 2
Phone types and accessories	31.95%	8.52%	4.66%	-0.4%	12.4%	8.0%	10.0%
Computers, electronic products and components	36.97%	12.44%	22.79%	24.4%	14.4%	12.0%	20.0%
Textiles	9.54%	16.60%	7.95%	-9.7%	9.8%	6.5%	6.5%
Other machinery, equipment, tools and spare parts	26.73%	28.14%	11.83%	48.0%	41.0%	30.8%	35.0%
Other goods	6.82%	6.43%	13.17%	19.6%	2.0%	0.6%	5.0%
Import	2017	2018	2019	2020	2021	2022	
						Scenario 1	Scenario 2
Computers, electronic products and components	34.00%	12.60%	22.00%	19.70%	18.7%	19.4%	22%
Other machinery, equipment, tools and spare parts	19.90%	-1.50%	9.60%	1.40%	24.1%	20.5%	25%
Other goods	14.80%	10.10%	14.30%	-10.30%	19.8%	14.1%	19%
Phone types and accessories	55.50%	-3.50%	-7.80%	2.70%	29.5%	35.0%	40%
Textiles	8.60%	12.00%	4.20%	-11.50%	13.8%	6.1%	10%

Source: GSO, BSC Research

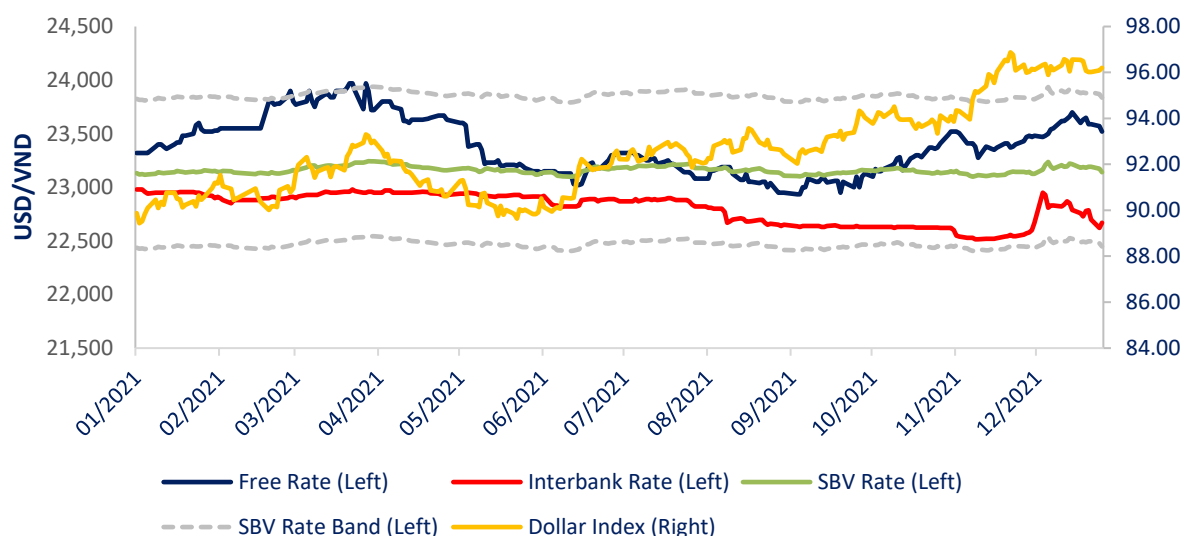
In 2021, the growth spearhead of Vietnam's import-export turnover will come from three groups of goods: (1) Phone types and accessories (2) Computers, electronic products and components (3) Other machinery, equipment, tools and spare parts.

USD/VND Exchange rate

- The USD/VND exchange rate in 2021 will maintain a sideways trend thanks to an abundant supply of foreign exchange.
- The central exchange rate of USD/VND in 2021 is estimated to remain at the threshold of 23,100-23,200 USD/VND due to high inflationary pressures in 2022, as well as the strengthening of the USD when the FED reduces the size of the quantitative easing.

The USD/VND exchange rate maintains a sideways trend in 2021 when Vietnam's trade surplus reaches \$19.1 billion, the highest level in the past 5 years. As of 12/13, the central exchange rate increased by 0.33% YTD, the interbank rate decreased slightly by -0.7% YTD, while the free rate increased sharply +1.29% YTD. The USD/VND exchange rate was supported mainly by the high demand for VND, based on the following reasons: (1) The demand for USD in the third quarter of 2021 declined sharply because imports activities were hindered by the economic shutdown, (2) Disbursed capital, (3) Foreign exchange reserves remained high after Vietnam was removed from the list of currency manipulators.

Figure 11: Exchange rate USD/VND



Source: Fiinpro, Bloomberg, BSC Research

In terms of foreign exchange supply for 2022, foreign exchange reserves will remain abundant based on the following three factors:

- The trade surplus is expected to continue in 2022 when macro factors are still supporting Vietnam's trade surplus trend. According to BSC calculations, this figure is estimated at 5.2-6.9 billion USD.
- Remittance source is estimated to have an average growth rate of 3 years at 4.4% and reach USD 18.9 billion in 2022.
- The State Bank maintains the policy of purchasing foreign currency to increase foreign exchange reserves.

BSC believes that the interbank rate will most likely be in the range of 23,100-23,200 (+0.7%-1.2% 2021) based on 2 factors:

- (1) FED tightens monetary policy: The Fed is about to stop buying bonds and raise interest rates 3 times in 2022, which will reduce the supply of USD and thereby increase the value of this currency globally.
- (2) The US removed Vietnam from the list of currency manipulators and decided to increase the bilateral trade relationship, which is a good signal for the policy of increasing foreign exchange reserves of the SBV. This phenomenon can ensure that exchange rate fluctuations stay below the 2%.

Table 06: Macro indicators over the years and forecast for 2022

Criteria / year	2017	2018	2019	2020	2021	2022	
						S1	S2
GDP YoY (%)	6.8	7.08	7.02	2.91	2.58	6.3	7.3
Inflation YoY (%)	3.5	2.98	5.3	0.2	1.81	4.1	3
Export (bil USD)	211.9	243.5	263.45	281.5	336.25	391.7	399
Import (bil USD)	209.3	236.7	253.51	262.4	332.25	386.5	393
BoP (bil USD)	2.7	6.8	9.9	19.1	4.0	5.2	6
Exchange rate (VND/USD)	22,750	23,355	23,229	23,229	22,920	23,100 - 23,200	
Debt to GDP (%)	61.3	58.4	57.4	56.8	43.7	-	-
Government Debt to GDP (%)	51.7	50	49.9	50.8	39.5	-	-
Disbursement of budget capital	290,459	324,906	342,948	466,597	423,647	-	-
Credit growth (%)	17	14	13	12	13	13%	14%
Registered FDI (bil USD)	29.7	25.57	22.5	21.1	24.3	-	-
Realized FDI (bil USD)	17.5	19.1	20.4	20	19.9	8.50%	12.40%

Source: BSC Research

Vietnam Stock Market in 2021

The stock market in 2021 witnessed many notable records, not only coming from the 5th highest point increase in the last 20 years but also from the explosion of points, liquidity, market capitalization and excitement of new participants in the market. In the context of the severe Covid-19 epidemic, these factors are strong catalyst to direct idle cash flow, thereby prolonging the growth momentum that has been shaped since 2020.

The stock market had suffered from the corrections caused by the epidemic events. After that, VN-Index maintains its upward momentum and continuously created new peaks along with a sudden increase in trading value. With low interest rates and narrow business opportunities, the epidemic has contributed to directing people's cash flow into investment channels, especially securities. This has marked a major turning point in the development of the market after 22 years of operation.

With favorable conditions of abundant cash flow and improved business results of listed companies, VN-Index closed at 1,498.3 points, close to the adjusted forecast in our Q2/2021 Market Macro Report ([Link](#)). Industry mobilization in 2021 is consistent with the forecasts of the consumer goods, oil and gas, and banking industries at the beginning of the year. However, in fact, most industries have a good gain thanks to the positive movement of cash flow.

Vietnam's macro economy in 2022 has a chance to recover thanks to a solid foundation, high vaccination rate and the promising stimulus package expected to be approved at the beginning of 2022. Economic growth, business growth of listed companies, strong cash flow and supportive information are still factors

to empower the market in 2022. Consumer goods, services, infrastructure, utilities, finance, and banking will be the industries that are positively forecasted next year.

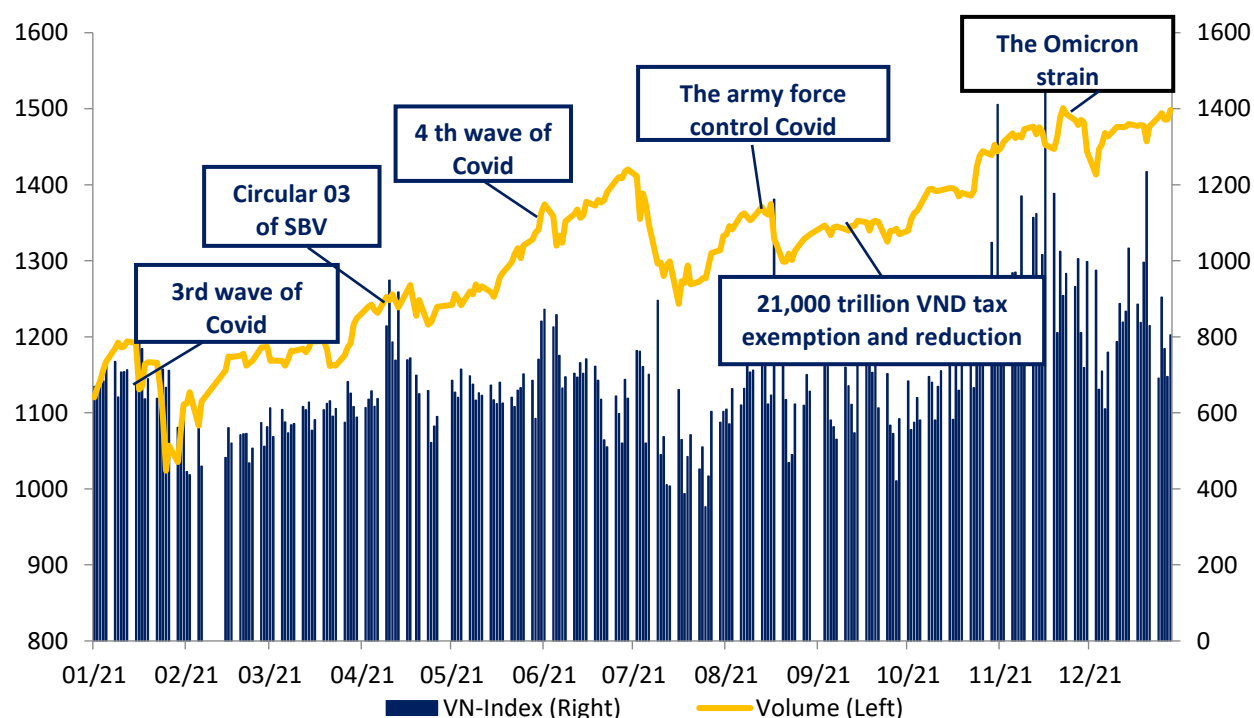
The Flow of Events

Following the upward momentum of 2020, in 2021, two stock indexes on the HSX and HNX recorded an increase of +35.7% and +133.3%, respectively. The average trading value on all 3 exchanges reached VND26,571 billion, equivalent to 1,165 million USD, which is +64.1% compared to 2010.

VN-Index maintained a positive uptrend after corrections:

- **Phase 1 (from January 5, 2021 to March 31, 2021):** The first three months of 2021 recorded an increase of +7.9% after a decline of -14.2% in January when the Covid-19 epidemic broke out for the 3rd time.
- **Phase 2 (from April 1, 2021 to October 26, 2021):** The index peaked at 1,420 points on July 2, and adjusted down -12.4% in July when the disease broke out for the 4th time in the South. VN-Index then recovered to the short-term peak.
- **Phase 3 (from October 27, 2021 to December 31, 2021):** The index surpassed the short-term peak and created a new peak of over 1,500 points. The VN-Index's volatility decreased in December due to the news of the new strain Omicron before recovering, recording an increase of 35.7% at the end of the year thanks to the expectation of the economic stimulus package.

Figure 12: VN-Index goes with the flow of events in 2021



Source: BSC Research

A year of brand new records

In 2021, the market has positive changes in quality and quantity based on statistical indicators. These data show that the market is on a solid foundation and support positive momentum in the coming years.

Indices hit new peaks and outstripped the 5-year average. VN-Index set a record peak of over 1,500 points and recorded an increase of +35.7% yoy, exceeding the average increase of 15.2% in the last 5 years. The HNX-Index and Upcom Index also set new peaks at 473.9 points and 114 points, recording increases of +133.4% yoy and +51.2% yoy, respectively.

VN-Index maintains the longest uptrend in history. In the past, the VN-Index had two gaining streaks lasting more than 1 year, from September 2015 to February 2017 (18 months) and from January 2017 to March 2018 (15 months). Currently, this index has a chance to re-establish the above record while going through an 18-month rally (from April 2020 to December 2021).

The profit of the whole market increased significantly compared to the 5-year average. Net profit after tax of the whole market in the last 4 quarters of 2021 increased by +33.6% compared to 2020 and outperformed the average increase of +14% of the previous 5 years. Despite being heavily affected by the 4th wave of Covid, many listed companies still record sudden profits in 2021.

The size of the stock market capitalization also witnessed a record high. Market capitalization reached 343.6 billion, up +48.4%yoy and equivalent to 98.4% GDP. This is also the 2nd best increase in the last 5 years, higher than the average growth rate of +33% in 5 years. Market capitalization increased thanks to the increase in the price of shares and capital raising activities mainly from the Finance sector.

Foreign investors had a record strong net selling - minus point for the market. Foreign investors net sold -2.53 billion USD in 2021. In 2020 and 2021, foreign investors sold a net of 3.41 billion USD, exceeding the record net buying value of 2.77 billion USD in 2017 and 2018.

Market liquidity exploded with the participation of a large number of domestic investors. The average liquidity of the 2 exchanges reached 1.132 billion USD, up +253% yoy and +390% 5-year average. The active participation of investors is the decisive factor for the increase in the score and market liquidity. The number of new accounts opened by the end of November reached 1,311 million accounts, an increase of 50.6% yoy and equal to the number of new accounts opened 7 years ago. The number of shares with liquidity above 1 million USD expands from 55 shares in 2020 to 177 shares in 2021.

Small and medium stocks take the throne. Small and medium-sized stocks recorded an increase of +76.4% and +101.9% compared to +43.4% increase of VN30. This increase also outperformed the average growth rate of +12.9% and +11.6% of the previous 5 years, respectively. If in 2017 the market only increased strongly in VN30 stocks thanks to foreign cash flow, 2021 will be the year of small and medium-sized stocks thanks to the cash flow of new investors entering the market.

Table 07: Market indicators from 2018 to 2021

Criteria	2018	2019	2020	2021F
General criteria				
- VN-Index	892.5	960.9	1,103.8	1,498.3
Growth %	-9.3%	7.7%	14.9%	35.7%
- HNX-Index	109	102.5	203.1	473.99
- UPCOM-Index	53.8	56.6	74.5	112.68
Number of listed companies	1,625	1,687	1,754	1,733

<i>Growth %</i>	14.7%	3.8%	4.0%	-1.2%
- VN-Index	386	389	408	415
- HNX-Index	382	381	363	343
- UPCOM-Index	857	917	983	975
Number of accounts (thousands)	2,180.0	2,360.0	2,710.0	4,283.0*
<i>Growth %</i>	14.6%	8.3%	14.8%	58.0%
- Foreign accounts	28.8	32.8	34.7	52.1
- Domestic accounts	2,151.2	2,327.2	2,675.3	4,231.0
Market capitalization (Billion USD)	184	190	231.5	343.6
<i>Growth %</i>	23.9%	3.3%	21.8%	48.4%
Net trading value of foreign investors (Million USD)	1,820.0	315.0	(876.0)	(2,535.6)
Liquidity criteria				
Average trading value/session of 3 exchanges including put-through trading (Million USD)	282	199.8	320.1	1,165.4
<i>Growth %</i>	29.5%	-29.1%	60.2%	264.1%
Market liquidity turnover (stock turnover/year)	0.5	0.4	0.68	1.3
- HSX	0.6	0.5	0.8	1.5
- HNX	1.0	1	1.2	2.6
- Upcom	0.1	0.2	0.2	0.4
Stocks traded on average over 1 million USD/day	58	45	55	177
Basic criteria				
VN-Index				
- P/E	16.8	16.8	15.8	17.5
- P/B	2.6	2.6	2.2	2.8
HNX-Index				
- P/E	9.5	9.5	10.0	30.6
- P/B	1.0	1.1	1.0	3.1

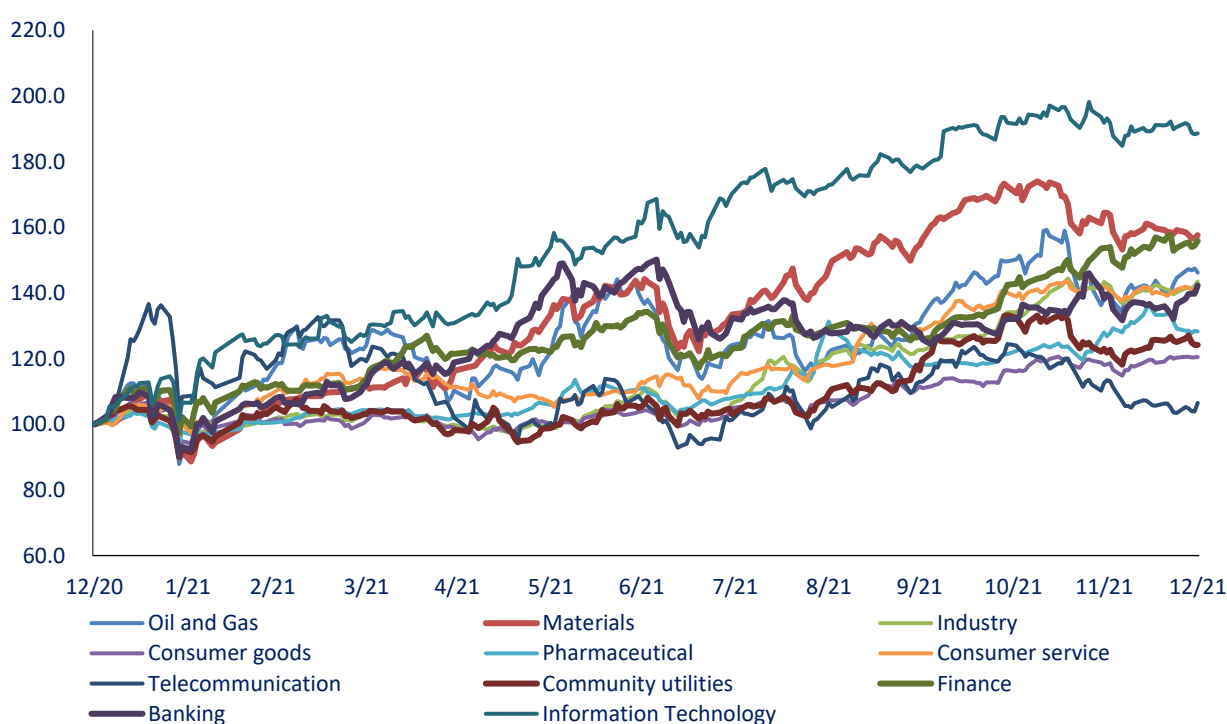
Source: BSC Research

Movements of Index groups

The market maintained a positive uptrend, although there were times of correction due to complicated pandemic information. Stable macro factors, with low interest rates, and narrow investment channels have attracted strong investor cash flows into the market, thereby pushing up the stock market. However, some of the driving trends that lead the market can be summarized as follows (Notable industries in Appendix 10 and 11):

- **Moving in line with improved business results.** The market continued to gain on a large scale with 11 out of 11 tier-1 industries gaining. Industries such as Information Technology, Materials, and Finance (with a focus on Securities Services) recorded impressive price growth, all of which significantly improved profits and outperformed the market.
- **Driven by world supply chain disruptions and rising raw material prices.** The Steel, Chemical, and Fertilizer industries saw sudden profits thanks to the increase in commodity prices. The logistics industry benefits due to the supply chain is broken, causing freight rates to rise. Oil and Gas industry benefits from high oil prices.
- **Price increase thanks to benefits from social distancing:** Distance activities have a positive impact on price movements in some industries such as Consumer Goods (Food distribution, retail - computer distribution); Information technology.
- **Positive response thanks to expectations of public investment policy and stimulus package.** The accelerated disbursement of public investment capital and the expectation of the Government's stimulus package create conditions for a number of industries to have the opportunity to develop and expand; especially Real Estate, Infrastructure Construction, Building Materials increased sharply.

Figure 13: Advocating for tier I _ ICB industries in 2021



Source: FiinPro, BSC Research

The positive trend of domestic investors

- **1.311 million new accounts opened in 11 months, equivalent to the number of new accounts opened 7 years ago, up +50.6% yoy.**
- **Domestic individual investors traded 85.3% of the total market value, higher than 7.88% in 2020.**

New domestic investors are actively participating in both quantity and quality. Domestic individual investors accounted for 99.6% of newly opened accounts in the first 11 months of 2021. The number of new accounts opened since the beginning of this year reached 1,311 million accounts, surpassing the total number of new accounts opened in the previous 7 years. Along with the explosion of new accounts opened, the quality of new accounts has also improved significantly. Deposits of investors at securities companies at the end of the third quarter reached 80,766 trillion, an increase of +221% compared to the end of 2020. The average deposit per account reached 21.6 million, an increase of +135% compared to the end of 2020 and the amount of deposits on a newly opened account is 55 million compared to 39 million in 2021. It can be said that the liquidity increased strongly and has a sustainable factor due to the number of new investors entering the market and the amount of deposits at securities companies per account all increased sharply.

Figure 14: Number of investor accounts 2021

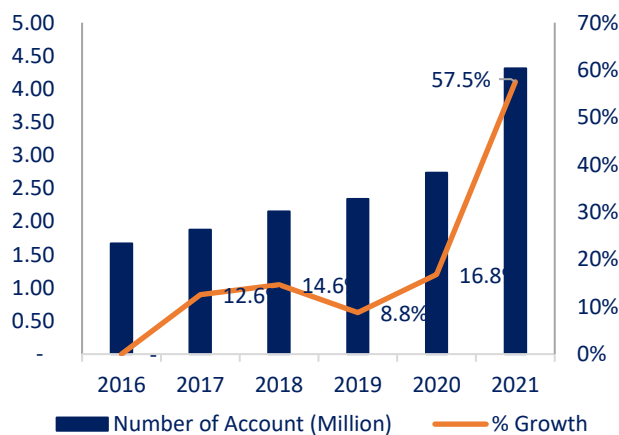
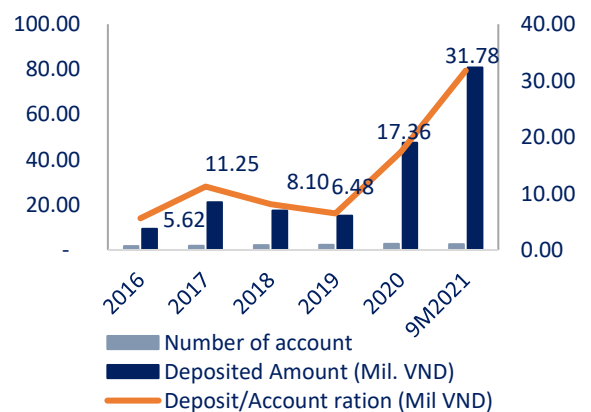
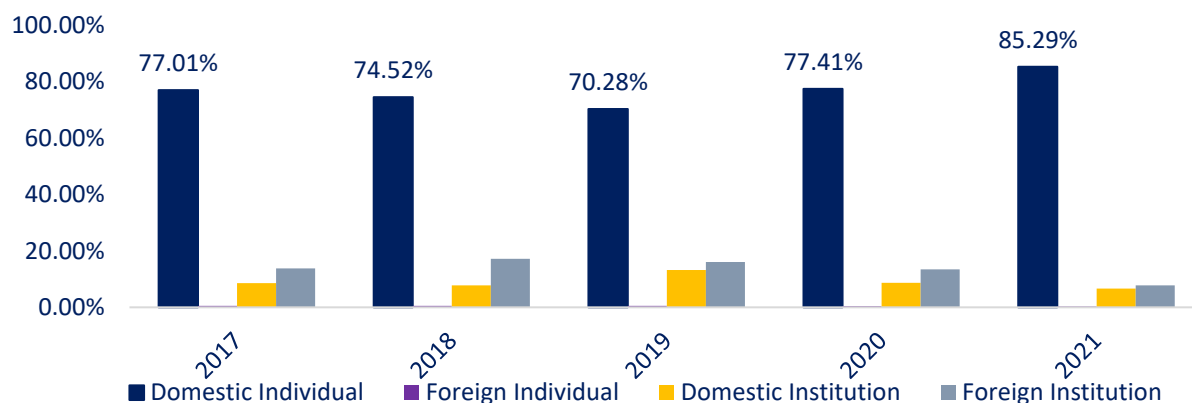


Figure 15: Deposits of investors at securities companies at the end of the third quarter of 2021



Source: FiinPro, BSC Research

Individual investors expand their trading share in the market. The average transaction rate of internal investors in 2021 reached 85.3%, an increase of +8.3% compared to the 5-year average while other groups of investors reduced their transactions. Foreign institutional investors dropped the most with -5.7% yoy and -5.9% compared to the 5-year average. This also explains that domestic investors are dominating market movements and are not significantly affected by foreign capital withdrawal pressure as happened in the past.

Figure 16: Average trading rate of investors participating in the market

Source: FiinPro, BSC Research

Margin value increased strongly according to liquidity and also did not contain too much risk factor.

The uptrend remained for the whole year, the correction trend did not exceed 3 trading weeks, so investors also promoted margin trading activities. The margin size at the end of the third quarter of 2021 increased by +72% compared to the end of 2020 but at the same time the transaction value increased by +253%, leading to the margin rotation from 11.2 days to 5.5 days. Margin value has increased steadily throughout the quarters in 2021, but the margin turnover is almost unchanged, showing that margin value is following liquidity and shows no sign of sudden increase. This also shows that margin trading is not a big risk factor now.

However, the ability to provide more margin of securities companies and banks is quite limited and will affect the expansion of margin capital if market liquidity increases sharply. Margin/Equity ratio increased from 87% in 2020 to 113.6% at the end of the third quarter, however, some securities companies were unable to open more margin because they have reached the regulated threshold (200% equity). Opening more space to provide margin will depend on the speed and schedule of capital increase of securities companies in 2022.

Table 08: Margin trading period 2017 – Q32021

Year	2017	2018	2019	2020	Q12021	Q22021	Q32021
Margin Value (Billion USD)	1.8	1.8	2.4	3.6	4.4	5.6	6.19
Market capitalization (Billion USD)	140.5	173.8	191.9	211	279	294.0	336
Margin/Market Capitalization Ratio (%)	1.2	1.1	1.2	1.7	1.5	1.9	1.8%
Average Daily Liquidity (Million USD)	217.8	271.0	200.0	320.0	829.0	1,030.0	1,132.0
Margin Turnover (Day)	8	6.8	11.9	11.25	5.31	5.4	5.47
Margin/ Equity (%)	76.7	66.6	70.6	87	95.8	97.8	113.58
Margin/ Total assets of securities companies (%)	40.6	35.8	36.4	36.1	43.9	44.5	59.52
Market share of the top 10 securities companies	67.8	62.2	61.9	67.8	69.5	68.5	66.9

Source: FiinPro, BSC Research

The negative trend of foreign investors

- Foreign investors own USD 55.76 billion, 16.3% of market capitalization and down 2.7% compared to the beginning of the year.
- Foreign investors net sold USD 2.53 billion in 2011, focusing mainly on Basic Materials (USD 0.86 billion), Consumer Goods (USD 0.6 billion) and Finance (USD 0.4 billion).
- With an increase of 35.7% of VN-Index, all groups of foreign investors decreased in size except for the bright spot from ETF group.

Foreign investors' net selling is a minus point for a market that has many bright spots. If foreign investors net bought USD 2.77 billion with the focus from Korean investment funds in 2017-2018, foreign investors made a net sale of USD 3.41 billion in 2020 and 2021. Foreign investors sold strongly at 7 /11 industries and only a light net buying in Consumer Services, Oil & Gas, and Technology.

They bought strongly in VHM (4,662 billion), STB (4.178 billion), FUEVFNVD (3.212 billion), MWG (1,527 billion), FUESSVFL (1.153 billion) on HOSE and sold strongly in HPG (-18,933 billion), VPB (-9,331 billion), VNM (-6,635 billion), VIC (-6,129 billion), CTG (-5,168 billion).

As of November 30, foreign investors owned 55.76 billion USD in the market, equivalent to 16.3% of the total market value. Major shareholders, strategic and other ownership groups accounted for 48.5% and 27.6% respectively. The value owned by all groups did not catch up with the +33.9% increase of the VN-Index, except for ETFs. This shows that the withdrawal activities took place on a large scale but focused mainly on the groups of Offshore Funds, Investment Funds according to the FTSE, MSCI Indexes.

Table 09: Ownership structure of foreign investors as of November 30 (Million USD)

Criteria	31/12/2019	31/12/2020	30/11/2021	% 11M2021 vs 2020
Value owned by foreign investors in the market	38,233	43,860	55,759	27.1%
In which, estimates of ownership groups:				
- Foreign investors have strategic ownership, major shareholders	18,013	20,609	27,033	31.2%
- Onshore foreign funds	6,243	7,076	8,340	17.9%
- Offshore offshore funds and track FTSE, MSCI	2,179	2,343	2,199	-6.2%
- Foreign ETFs	748	1,293	2,810	117.3%
- Other foreign ownership (State funds, private funds and others)	11,051	12,539	15,377	22.6%
VN-Index	961	1,104	1,478	
% Growth VN-Index	7.7%	14.9%	33.9%	
% Growth in the value of foreign investors' ownership		14.7%	27.1%	
% vs. Market Cap	19.3%	19.0%	16.3%	

Source: Bloomberg, BSC Research

ETFs is the only bright spot among foreign investors when the asset size increased by +117.3% compared to the end of 2020. Except for the ETF FTSE VN and KIM which were net withdrawn, domestic and foreign ETFs all attracted inflows. foreign capital. In particular, ETFs raise capital from Taiwan with a growth scale of 1.1 billion USD in 2021.

Table 10: Size and volatility of ETFs in 2021

ETF	Name	Nation	AUM (mil. USD)	NAV/Shares (USD)	Net capital flow (million USD)			
					1M	3M	6M	1Y
VNM	VanEck VN	USA	584.8	20.8	0.0	-3.0	14.8	45.3
FUEVFNVD	VNDiamond	Vietnam	599.1	1.2	23.7	-18.7	-34.4	194.7
iShare	iShares MSCI	USA	508.2	34.5	3.6	3.6	16.8	7.4
FTSE VN30	Fubon	Taiwan	480.7	0.6	-7.0	88.8	448.6	480.7
CTBCVIET	CTBCVIET	Taiwan	584.0					532.4
E1VFN30	VFM VN30	Vietnam	471.1	1.1	-17.5	6.3	46.9	12.1
FTSE	FTSE VN	UK	404.3	47.4	-6.5	-68.6	-69.0	-85.9
KIM	Korea Investment	Korea	179.5	19.3	-9.9	-9.9	-2.7	-88.9
FUESSVFL	VNFinlead	Vietnam	144.8	1.0	3.8	20.8	22.9	52.4
FUEMAVN30	MAFM VN30	Vietnam	30.7	0.8	-3.7	2.1	3.6	30.7
PREMIA	Premia MSCI VN	Hongkong	33.2	13.5	2.4	2.9	2.9	2.5
VN100	VinaCapital VN100	Vietnam	6.1	0.9	0.0	0.5	1.4	1.4
FUESSVN30	SSIAM VN30	Vietnam	4.7	0.8	-0.4	0.0	0.5	0.4
Total			4031.2		-11.5	24.8	452.3	1185.2

Source: Bloomberg, BSC Research

2022 Market Outlook

After a brilliant year in many aspects, the prospect of the stock market in 2022 should be assessed more cautiously when international factors are less favorable, although domestic factors still support the growth market. Factors affecting the stock market include:

- Domestically, macroeconomic stability and the approval of the economic recovery support package will contribute to the economy regaining growth momentum. Improved macro conditions help listed companies recover production and increase profits. Domestic and international consumption will be increased, with interest rates remaining low.
- Key countries and regions will continue to post-epidemic growth, create conditions for domestic production to recover and expand important trade agreements to take effect.
- The market is strongly attracting domestic capital inflows, and continuously creating a record of liquidity. Low interest rates will still retain domestic investors in the first half of 2022, while the pressure to withdraw capital from foreign investors is not much. The shift in cash flows to emerging and frontier markets is possible because of the attractive correlation between growth and fair valuation.
- The amended Securities Law took effect in 2021 is the most valid document used to operate the market, also the basis for launching new products to support investors and thereby, upgrading the market.

In addition to the above favorable factors, BSC believes that risks can also come from other outside parties as follows: (1) Central banks of major countries accelerate their loosening monetary policy and raising interest rates; (2) The ability to control the epidemic did not meet expectations, affecting the growth and recovery of the domestic and international economy; (3) CPI and commodity prices escalate due to supply chain disruptions; (4) China's growth slowed down and (5) stock markets of developed countries had negative movements or reversed from the peak.

BSC assesses the factors affecting the prospect of the securities market in 2022 on the basis of considering the following aspects: (1) Economic environment and macroeconomic prospects, (2) Benefit comes from of listed companies in the market, (3) Capital Flows, (4) Global Economic Outlook and (5) Other Issues.

Table 11: Factors affecting securities market in 2022

No	Content	Impact	Direction of impact
1	Economy environment		
	Population structure, income, middle class and urbanization	•••••	Long term
	High growth rate thanks to the economic structure, joining the production chain and integrating into the international economy	•••••	Medium and long term
	Enterprise Law, Investment Law, Securities Law take effect	•••••	Remove barriers, support businesses, and attract foreign capital
	Keeping up with the 4.0 revolution and the digital transformation of the economy. Encouraging SMEs and start-ups	•••••	Create a positive effect on society, motivate the economy to escape the middle income trap
	Enhancing business environment, competitiveness, innovation and creation	••••	Improve both the quality, transparency, and code of conduct
	Economic Stimulus Package	••••	Recover and recreate the growth momentum for the period of 2021 - 2025
	Good control of the Covid-19 pandemic	••••	Stabilize both the economy and socio-economy

2	Internal factors of the market	Corporate profits grow thanks to recovery in domestic and international demand	•••••	Market valuation
		Completing regulations and guidelines for the amended Securities Law	•••••	Market transparency, protection and convenience for foreign investors
		Stock market upgrade from FTSE Russell 2022-2023; MSCI 2024 - 2025	••••	Attract foreign capital, improve market scale and quality
		The Vietnam Stock Exchange has completed the trading system, built new products such as T+0, sold stocks and derivatives	••••	The attractiveness and diversity of the market will help to upgrade the market
		Domestic investors tend to develop rapidly, with radical investment views	••••	Increase the attractiveness of the market
3	Capital flows	Equitization and divestment of state capital	••••	Expanding the market size and quality, also the market supply
		Flexible monetary policy towards controlling inflation, stabilizing macro and supporting growth	•••••	Avoid large macro fluctuations and limit market risks
		The movement of global financial investment capital flows	•••	Gradually shift to emerging markets
		Stable Interest rate and USD / VND exchange rate is expected to move sideways	•••	Market valuation and attracting foreign investment inflows
4	Other issues	Bilateral and multilateral trade agreements	••••	Further integration into the international economy
		Political issues	•••	Potential instability
5	Global Economy	Global economy recovered after recession	•••••	Recovery of world consumption and trade activities
		New COVID variants affect the economic recovery process.	•••••	The world economy has not yet reached its potential growth rate
		The Fed and major countries accelerate monetary easing and aim to raise interest rates	••••	Attractive influence of stock market and foreign capital flows
		China's economic growth slows down	••••	Influence the economic outlook of the world and neighboring countries
		Rising commodity prices that may affect macro stability	••••	Inflation increased, affecting the recovery rate of supportive policies and increasing interest rates
		Political issues	••	Potential instability

Stock market forecast for 2022

- Forecasted VN-Index: Scenario 1_1,633 points with EPS = 13%; P/E = 17; Scenario 2_1,782 points with EPS = 16.5%; P/E 18.
- Average liquidity: Scenario 1_1.107 billion USD/session (-5%); Scenario 2_1.340 billion USD/session (+15%) when the trading system and liquidity support products are put into use in the second quarter. Along with that, the number of new accounts opened increased by 23.6% and 34% respectively for the 2 scenarios. Market capitalization increased by 10% and 20% respectively.
- Foreign investors will net sell 200 million USD in scenario 1 and net buy 500 million USD in scenario 2, based on expectations of M&A deals from large private companies, listed banks, and reduced net withdrawal pressure from the offshore groups.

Table 12: Basic indicators for 2022

Criteria	Scenario 1	Scenario 2
VN-Index	1,633 (+9%)	1,782 (+19%)
Number of accounts (thousand)	5.23 (+23.6%)	5.67 (+34%)
Market capitalization (bil USD)	378 (+10%)	412 (+20%)
Net buying and selling value of foreign investors in listing market (mil USD)	(200)	500
Average transaction value / 1 session (mil USD)	1,107 (-5%)	1,340 (+15%)
P/E VN-Index	17 (-3%)	18 (+3%)

Source: BSC Research

Forecast for the VN-Index in 2021

We use 3 methods: (1) P/E, (2) valuation from large weight stocks, (3) technical analysis to forecast the VN-Index. VN-Index is forecasted as: Scenario 1_1,633 points and scenario 2_1,872 points. The above forecast is based on the assessment of existing stocks, the level of change will depend on the floor price and the weight of newly listed stocks affecting the index. The specific VN-Index forecasting methods are:

Forecast VN-Index by EPS and PE forecast method

Method overview

- BSC forecasts that EPS will increase by 16.5% in 2021 (NPAT increase by 28%, dilution level of 5.5%).
- Forecast market PE will be 17 times for scenario 1 and 18 times for scenario 2.
- The VN-Index score is built on the basis of EPS (VN-Index division ratio) in 2021 multiplied by the forecast P / E.

Market EPS forecast

BSC forecasts NPAT of stocks in each industry contributing to the market according to the expected proportion in 2021. BSC stocks forecasted to grow include 66 stocks, accounting for 80% of market profits. Companies accounted for 20% of market profits remaining to 15% growth in NPAT. Total NPAT in the positive scenario increases by 22%, the negative one is 18%, the dilution level is 5.5% (average period 2019 - 2020).

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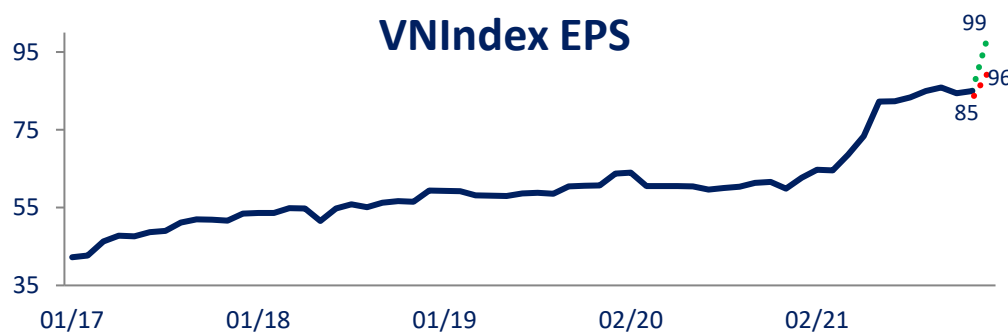
Table 13: Forecast of market EPS growth in 2022

Sector level I	% NPAT/Forecast 2022	% NPAT 2021	EPS Growth
Information Technology	1.50%	21.60%	0.3%
Industry	9.40%	22.00%	2.1%
Oil and Gas	1.80%	22.80%	0.4%
Consumer service (*)	0.30%	18.00%	2.1%
Pharmacy and Health	0.70%	2.00%	0.0%
Consumer goods	12.20%	27.00%	3.3%
Banking	36.00%	24.20%	8.7%
Building materials	10.60%	-3.80%	-0.4%
Finance	21.60%	20.50%	4.4%
Utilities	5.30%	17.30%	0.9%
Telecommunication	0.60%	26.00%	0.2%
Total	100.0%		22.0%
Average Dilution 2019 -2020		7.5%	5.5%
EPS growth basic			16.5%

(*) The aviation industry reduced its loss of VND 9.8 trillion, 2% of the market's profit after tax.

Source: BSC Research

Forecasted EPS in 2022



Source: Bloomberg, BSC Research

		EPS					
		13.00%	14.00%	15.00%	16.50%	18.00%	19%
P/E	15	1,441	1,454	1,466	1,485	1,505	1,517
	16	1,537	1,550	1,564	1,584	1,605	1,618
	17	1,633	1,647	1,662	1,683	1,705	1,720
	18	1,729	1,744	1,857	1,782	1,805	1,821
	19	1,825	1,841	1,857	1,881	1,906	1,922

Forecast for VN-Index in 2022

	EPS forward	P/E	VN-Index 2022
Scenario 1	96.1	17.0	1,633
Scenario 2	99.0	18.0	1,782

Forecast by VN-Index by the weighted stock method

Method overview

- This method is based on valuation of key stocks in 2021 for the next 6-12 months by securities companies and financial institutions in the country and internationally.
- The VN-Index is built based on the average price (the arithmetic average price of all price forecasts), the highest and lowest price of 35 stocks with the largest scale (accounting for 73.7% of VN -Index). Other stocks closed on December 31st.
- Stocks as SSB and PDR without forecast of securities companies and financial institutions will be taken as the closing price on December 31 as index calculation price

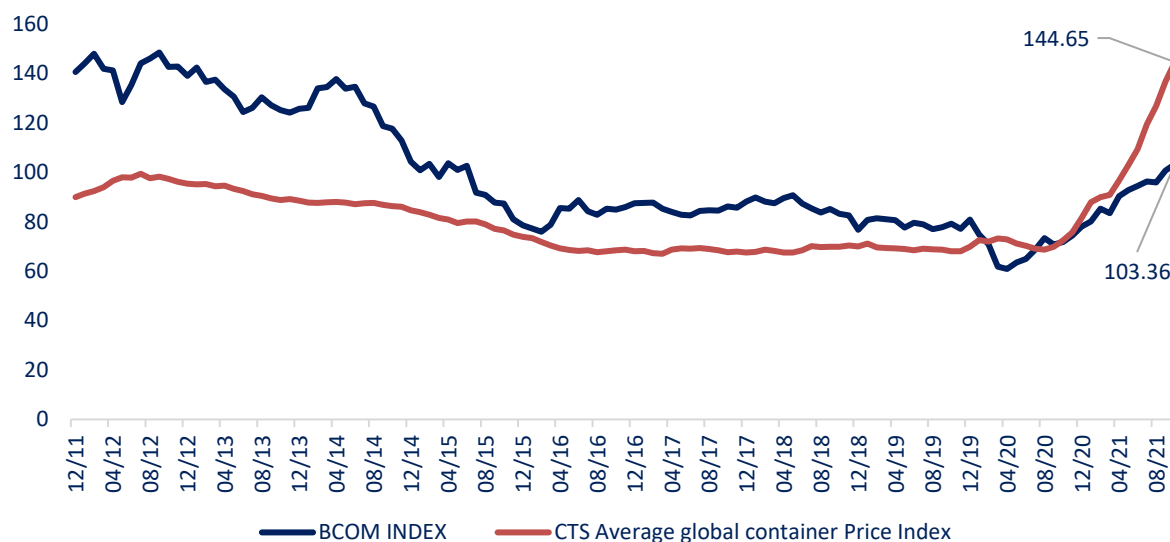
Calculation results are as follows: (*Appendix 13*)

	Target price	Maximum price	Minimum price
VN-Index 2022	1,633.6	1,837.8	1,415.9

Source: BSC Research

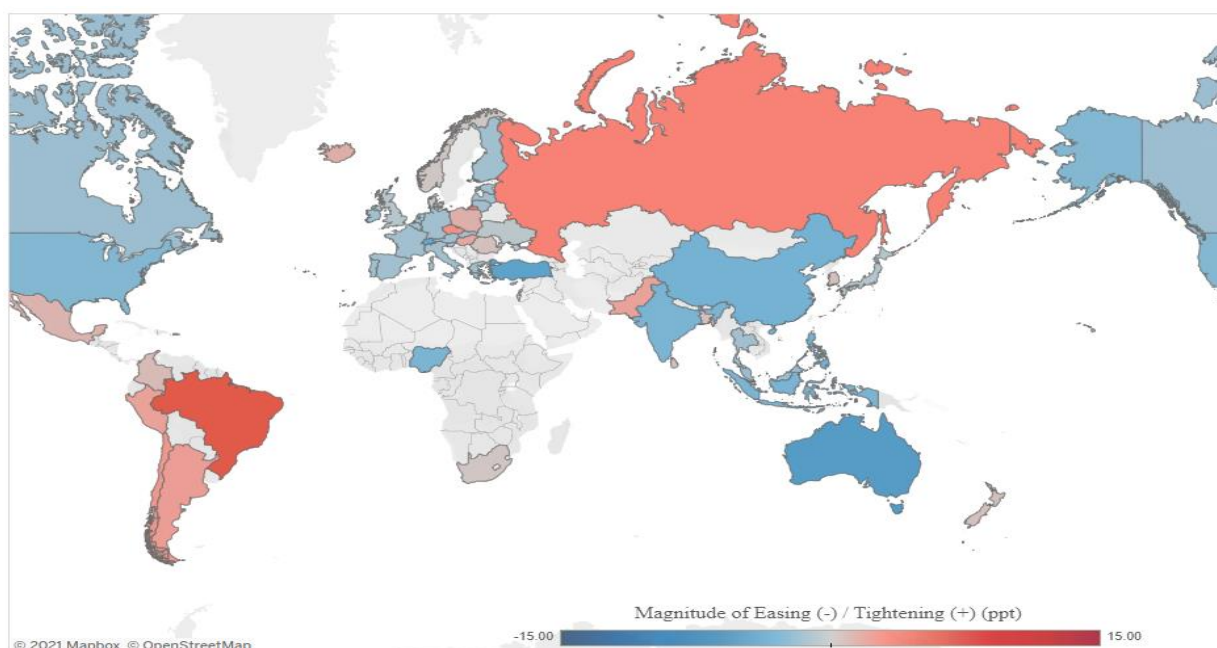
Appendix

Appendix 01. Commodity price measurement



Source: Bloomberg, BSC Research

Appendix 02. The degree of tightening of monetary policy of the Central Banks



Source: Council of foreign relation, BSC Research

Appendix 03. Primary and secondary market housing prices in 70 cities of China



Source: Bloomberg BSC Research

Appendix 04. China PMI



Source: Bloomberg, BSC Research

Appendix 05. Forecast of global GDP in 2020-2022

Contributors	Date	2021	2022	2023
Bank of America Merrill Lynch	12/17/21	5.8	4.3	3.5
Bank of the West	12/17/21	5.7	4.3	3.3
Barclays	12/17/21	6	4.4	3.6
Berenberg Bank	12/17/21	5.7	4.3	3.5
BMO Capital	12/17/21	5.8	4.5	4
CaixaBank	12/17/21	6	4.5	3.8
Commerzbank	12/17/21	6	4.5	3.6
Dai-ichi Life Research Institute	12/17/21	5.7	4.4	3.4
Desjardins Financial Group	12/17/21	5.8	3.9	3.7
Deutsche Bank	12/17/21	5.8	4.3	3.7
EconForecaster	12/17/21	4.2	5.6	6.3
EFG Eurobank Ergasias	12/17/21	5.9	4.5	
ING Group	12/17/21	6.1	4.5	4.1
JPMorgan Chase	12/17/21	6.2	4.6	3.6
Julius Baer	12/17/21	6	4.5	3.8
MacroFin Analytics & Rutgers Business School	12/17/21	5.6	3.8	3.5
National Bank Financial	12/17/21	5.5	4	
Natixis	12/17/21	5.7	4.2	3.5
Natl Truck Equipment	12/17/21	4	6	4
Nomura Securities	12/17/21	6	4.3	3.3
Oxford Economics	12/17/21	5.8	4.3	3.5
Regions Financial	12/17/21	5.8	5	3.8
Scope Ratings	12/17/21	5.8	4.5	3.7
Scotiabank	12/17/21	6.1	4.3	3.8
SMBC Nikko	12/17/21	5.9	4.4	3.1
Standard Chartered	12/17/21	5.8	4.4	3.6
Thru the Cycle	12/17/21	5.6	4.2	3.3
UBS	12/17/21	6	4.8	3.6
UniCredit	12/17/21	5.8	4.2	3.7
Wells Fargo	12/17/21	5.7	4.4	3.2
Bank of America Merrill Lynch	12/17/21	5.8	4.3	3.5
Bank of the West	12/17/21	5.7	4.3	3.3

Source: Bloomberg, BSC Research

Appendix 06. Brent oil price forecast (data updated on 24/12/21)

Contributors	2021	2022	2023	2024	2025
Commerzbank AG	72.0	74.0	78.0		
Fitch Solutions	71.0	72.0	73.0	75.0	
Intesa Sanpaolo SpA	70.9	67.5	70.0	72.0	74.0
Citigroup Inc	72.0				
Market Risk Advisory Co Ltd	71.6	74.0	73.7	74.7	76.3
Landesbank Baden-Wuerttemberg	72.0	78.0	75.0		
Emirates NBD PJSC	70.9	68.1			
Banco Santander SA	71.6	72.0	64.0	60.0	57.0
Australia & New Zealand Banking Group Ltd	72.1	79.1	82.0	87.0	
BNP Paribas SA	72.5	80.5	79.5		
Capital Economics Ltd	70.7	70.0	57.5		
ABN AMRO Bank NV	72.0	79.0	66.0		
MUFG Bank	71.6	73.7	63.2		

Source: Bloomberg, BSC Research

Appendix 7. Impact of oil price on CPI

Brent oil	Base price	Changes in the Transportation Industry	Changes in CPI
USD/barrel	(%)	(%)	(%)
45	-40.00%	-11.42%	-1.07%
50	-33.30%	-9.52%	-0.89%
55	-26.70%	-7.61%	-0.71%
60	-20.00%	-5.71%	-0.54%
65	-13.30%	-3.81%	-0.36%
70	-6.70%	-1.90%	-0.18%
75	0.00%	0.00%	0.00%
80	6.70%	1.90%	0.18%
85	13.30%	3.81%	0.36%

Source: BSC Research

- The price of Brent oil has an impact of 21.3% on the Transportation sector and 4.5% on the Building Materials & Housing sector during 2015-10M2020.
- Weight: Transportation sector is 9.37%
- Brent base price: 75 USD/barrel (12/31/2021).

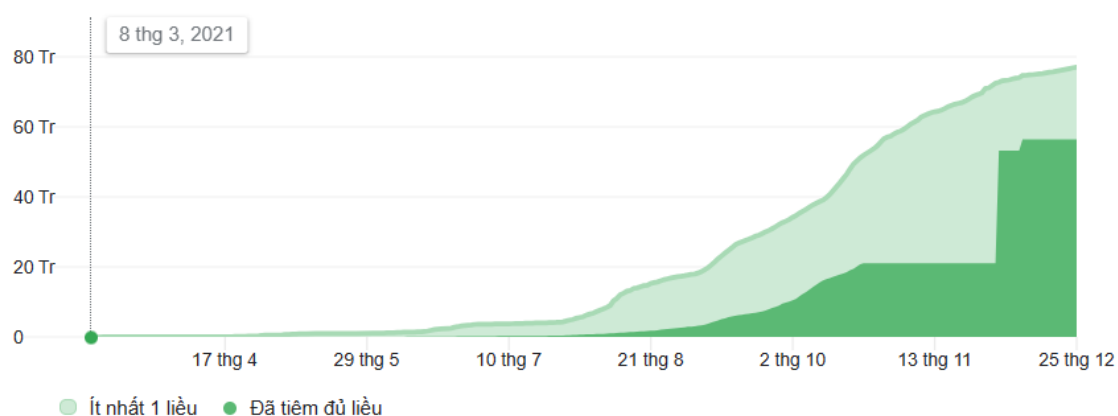
Appendix 8. Impact of pork price on CPI.

Pork price	% Base price	% Changes in Food sector	% Changes in CPI
40000	-20.0%	-3.10%	-0.70%
45000	-10.0%	-1.55%	-0.35%
50000	0.0%	0.00%	0.00%
55000	10.0%	1.55%	0.35%
60000	20.0%	3.10%	0.70%
65000	30.0%	4.65%	1.05%
70000	40.0%	6.19%	1.40%
75000	50.0%	7.74%	1.75%
80000	60.0%	9.29%	2.10%

Source: BSC Research

- Pork price has an impact of 8.1% on the food sector from the period 2015-2020.
- Food industry has a weight of 22.4% among CPI good and services sector.
- Base Pork price: 50,000 VND/Kg (12/31/2021).

Appendix 9. Vaccination



Source: Our world in data, BSC Research

Appendix 10: Movement of sectors at each level in 2021

	Sectors	Sector level	Changes until 12/29	P/E	P/B
1	Oil and Gas	1	46.8%	19.23	1.92
	Oil and Gas	2	46.8%	19.2	1.9
	Oil and Gas production	3	43.3%	17.7	2.3
	Oil and Gas Equipment, Service and Distribution	3	67.2%	37.2	1.0
2	Materials	1	56.5%	11.3	2.4
	Chemical	2	54.6%	21.7	2.6
	Raw materials	2	58.6%	8.3	2.2
	Forestry and Paper	3	53.9%	21.2	2.4
	Metal	3	59.1%	6.4	2.1
	Mining	3	51.7%	35.3	2.4

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	Industry	1	41.3%	25.4	2.7
	Construction and Materials	2	75.4%	27.2	2.3
	Industrial Goods & Services	2	25.3%	24.4	3.1
3	Industrial goods	3	-7.8%	34.0	2.1
	Electronics & Electrical Equipment	3	32.5%	23.7	2.4
	Heavy industry	3	10.1%	11.5	2.2
	Transportation	3	28.5%	39.6	3.6
	Business Consulting & Support	3	91.2%	9.5	3.2
	Consumer goods	1	20.3%	23.7	3.6
	Cars and spare parts	2	64.2%	25.6	2.1
	Food and drink	2	16.0%	24.9	3.9
	Beer and drink	3	-17.7%	22.5	3.7
4	Food production	3	25.6%	25.4	4.0
	Personal & Household Goods	2	56.6%	16.3	2.2
	Household appliances	3	34.2%	12.5	1.8
	Leisure goods	3	157.3%	57.3	9.8
	Personal goods	3	54.3%	16.2	2.3
	Tobacco	3	24.6%	15.8	0.8
	Pharmaceutical and Medical	1	27.7%	20.1	2.5
5	Medical	2	27.7%	20.1	2.5
	Medical Equipment and Services	3	46.4%	45.2	3.1
	Pharmaceutical	3	26.6%	19.3	2.5
	Consumer Services	1	41.0%	0.0	4.7
	Retail	2	80.1%	26.2	4.2
6	Food distribution	3	11.5%	16.5	2.5
	Retail	3	80.9%	26.5	4.2
	The media	2	101.2%	113.2	6.6
	Traveling and Leisure	2	5.6%	0.0	4.6
7	Telecommunication	1	4.0%	187.4	3.4
	Telecommunication	2	4.0%	187.4	3.4
	Community Utilities	1	24.8%	16.3	2.3
8	Electricity, water & petrol	2	24.8%	16.3	2.3
	Electricity Production & Distribution	3	33.1%	13.3	1.9
	Water & Gas	3	17.8%	20.2	2.9
9	Bank	1	39.8%	13.0	2.3
	Finance	1	53.9%	21.8	3.3
10	Insurance	2	11.8%	16.5	1.8
	Real estate	2	47.6%	23.1	3.4
	Financial services	2	144.7%	17.6	3.4
	Information Technology	1	88.8%	23.7	3.8
11	Information Technology	2	88.8%	23.7	3.8
	Computer Software & Services	3	84.7%	22.1	4.4
	Equipment and Hardware	3	126.3%	57.6	1.9

Appendix 11. Valuation of 35 stocks with the largest proportion made by securities companies and financial institutions

	Stock	Proportion	31/12/ 2021	Average price	Highest price	Lowest price	P/E	P/B	Highest 52W	Lowest 52W
1	VIC	6.42%	95,100	107,167	127,000	88,500	76.2	3.6	129,689	82,222
2	VHM	6.34%	82,000	101,751	115,000	89,200	9.2	3.1	93,769	64,615
3	VCB	5.19%	78,800	87,458	102,194	70,631	17.6	3.4	91,850	67,006
4	HPG	3.68%	46,400	64,588	74,183	49,500	6.5	2.5	58,400	27,407
5	MSN	3.58%	171,000	175,225	195,000	154,000	84.2	9.4	175,000	80,000
6	GAS	3.27%	96,200	130,329	150,000	115,500	22.5	3.7	128,400	72,500
7	VNM	3.21%	86,400	108,192	130,000	95,000	19.2	5.8	117,200	84,000
8	TCB	3.12%	50,000	65,232	78,000	47,883	10.1	2.0	58,600	29,600
9	CTG	2.89%	33,900	40,550	42,500	37,100	9.8	1.7	42,535	22,314
10	VPB	2.82%	35,800	43,224	53,800	36,667	12.9	2.6	40,722	15,667
11	BID	2.65%	37,100	32,537	40,470	18,157	19.1	2.3	40,232	29,021
12	GVR	2.62%	36,950	37,150	40,200	34,100	29.7	3.0	43,300	21,600
13	NVL	2.38%	91,000	81,025	97,710	68,779	50.2	5.1	94,351	35,157
14	MBB	1.94%	28,900	35,578	39,350	33,000	9.8	1.9	32,926	15,778
15	MWG	1.72%	135,900	160,797	181,300	116,667	22.2	5.2	145,500	77,333
16	SAB	1.72%	151,000	204,260	260,000	180,000	25.7	4.6	211,000	139,800
17	ACB	1.65%	34,500	39,772	43,500	33,578	9.6	2.2	38,200	19,600
18	FPT	1.50%	93,000	122,319	166,900	107,000	20.9	5.0	101,800	50,435
19	VIB	1.30%	47,300	43,133	46,400	40,900	13.1	3.3	54,214	20,857
20	VRE	1.24%	30,100	36,336	39,500	28,800	31.6	2.2	38,300	25,100
21	PLX	1.24%	53,900	66,050	67,000	64,900	20.3	2.8	62,400	45,500
22	VJC	1.23%	128,300	130,600	130,600	130,600	56.5	4.1	138,500	105,800
23	SSB	1.20%	45,600	45,600	45,600	45,600	25.7	4.0	45,900	17,438
24	BCM	1.18%	64,000	66,200	66,200	66,200	37.0	4.3	70,000	38,500
25	HDB	1.10%	30,850	31,779	35,600	25,573	11.0	2.2	33,950	16,160
26	STB	1.05%	31,500	27,859	35,800	7,853	16.8	1.8	33,900	15,500
27	HVN	0.91%	23,150	24,113	28,139	21,300	-	21.4	30,650	18,665
28	SSI	0.91%	51,800	37,756	47,300	28,211	23.8	3.8	57,700	16,977
29	DIG	0.86%	96,700	37,700	42,000	33,400	55.1	8.1	104,500	19,425
30	TPB	0.85%	41,050	36,978	38,519	34,815	12.5	2.6	42,450	16,296
31	SHB	0.84%	22,300	22,912	22,912	22,912	12.1	1.9	26,454	9,145
32	PDR	0.83%	95,200	95,200	95,200	95,200	29.4	7.5	99,800	40,938
33	MSB	0.79%	29,000	29,933	32,400	28,400	10.8	2.1	29,000	11,615
34	EIB	0.74%	33,700	17,200	17,200	17,200	42.6	2.3	37,500	16,500
35	BVH	0.74%	56,000	68,850	71,900	65,800	22.6	2.0	71,200	47,000
Total		73.71%	1,498.3	1,633.6	1,837.8	1,415.9	25.0	4.1		

Source: Bloomberg, BSC Research, SSB, PDR with no forecast will use the December 31 price to calculate the index.

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